KYOEI STEEL

KYOEI STEEL INTEGRATED REPORT 2023

FINANCIAL SECTION

Year Ended March 31, 2023

KYOEI STEEL INTEGRATED REPORT 2023

KYOEI STEEL

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KYOEI STEEL LTD.

FINANCIAL SECTION

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Consolidated Ten-Year Summary

For the years ended March 31, 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Product shipments (Thousands of tonnes)**:**										
Finished products (total)	2,357	2,338	2,429	2,662	2,965	3,269	3,367	3,363	3,318	**3,284**
Domestic	1,720	1,680	1,641	1,662	1,682	1,747	1,645	1,573	1,581	**1,545**
Overseas	637	657	788	999	1,284	1,522	1,722	1,790	1,737	**1,739**
For the year (Millions of yen)**:**										
Net sales	¥ 174,694	¥ 181,436	¥ 160,952	¥ 145,991	¥ 191,254	¥ 242,257	¥ 239,343	¥ 226,371	¥ 292,719	**¥ 355,715**
Gross profit	12,293	21,900	23,889	18,726	16,472	23,474	34,743	28,258	25,899	**34,274**
Operating income	2,857	11,796	13,792	7,971	4,259	9,200	19,404	12,656	8,819	**14,819**
Income before income taxes	9	10,730	12,432	7,698	5,449	8,444	13,520	12,735	10,081	**13,629**
Profit (loss) attributable to owners of parent	(795)	6,923	8,467	4,783	3,483	6,505	7,978	8,788	6,322	**13,108**
Research and development expenses	188	231	104	119	177	169	180	231	235	**272**
Depreciation and amortization	4,232	4,147	5,026	5,961	6,663	7,476	7,719	8,402	8,840	**9,770**
Capital expenditures	7,344	15,920	10,103	7,262	5,803	5,507	8,894	10,863	12,971	**9,332**
Per share amounts (yen):										
Net income (loss), basic	(18.28)	159.30	194.94	110.41	80.31	149.78	183.56	202.22	145.48	**301.61**
Net income (loss), diluted	—	—	—	—	—	—	—	—	—	**—**
Cash dividends applicable to the year	20.00	35.00	45.00	30.00	40.00	40.00	75.00	60.00	40.00	**80.00**
At year-end:										
Total assets	¥ 180,771	¥ 201,760	¥ 200,436	¥ 214,341	¥ 234,220	¥ 261,590	¥ 269,145	¥ 282,282	¥ 314,203	**¥ 337,713**
Working capital	79,699	81,872	83,565	93,301	105,791	126,734	128,115	139,622	160,441	**173,532**
Interest bearing debt	26,530	32,810	33,149	41,414	50,088	69,247	72,407	79,272	95,584	**100,897**
Net assets	128,788	138,052	143,090	146,663	148,460	153,781	158,044	164,583	175,689	**190,174**
Shareholders' equity*	121,622	129,546	134,886	138,365	140,010	143,407	147,671	154,429	162,955	**179,687**
Net assets amount per share	2,798.53	2,980.84	3,115.86	3,192.02	3,225.85	3,299.82	3,397.93	3,553.45	3,749.63	**4,134.64**
Ratios:										
Return on sales (%)	1.6	6.5	8.6	5.5	2.2	3.8	8.1	5.6	3.0	**4.2**
Return on equity (%)	(0.7)	5.5	6.4	3.5	2.5	4.6	5.5	5.8	4.0	**7.7**
Return on total assets (%)	2.1	6.6	7.1	4.1	2.2	4.0	7.6	4.9	3.3	**4.9**
Net debt to equity ratio (times)	(0.07)	(0.06)	(0.09)	(0.05)	0.06	0.16	0.10	0.07	0.27	**0.23**
Shareholders' equity* to total assets (%)	67.3	64.2	67.3	64.6	59.8	54.8	54.9	54.7	51.9	**53.2**
Other statistics:										
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	**44,899**
Number of employees	1,611	1,741	1,806	2,341	2,430	3,200	3,605	3,985	4,021	**3,972**
Stock price (yen)**:**										
High	¥ 2,220	¥ 2,286	¥ 2,455	¥ 2,349	¥ 2,295	¥ 2,510	¥ 2,314	¥ 1,775	¥ 1,712	**¥ 1,706**
Low	¥ 1,372	¥ 1,618	¥ 1,584	¥ 1,387	¥ 1,594	¥ 1,473	¥ 1,161	¥ 1,153	¥ 1,243	**¥ 1,217**

*Shareholders' equity = Net assets – Noncontrolling interests
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 2022. Figures for the fiscal year ended March 2022 and after reflect the relevant accounting standards, etc.

Financial Review (Consolidated)

1. Consolidated Operating Results

(1) Operating Results

During the fiscal year ended March 31, 2023, the Japanese economy gradually recovered, with consumer spending and capital investment on an increasing trend, due to the effects of various policies implemented under the post-COVID-19 environment. However, the global economy still faced downside risks due mainly to rising prices and supply-side constraints caused by Russia's invasion of Ukraine and other factors, global monetary tightening and fluctuations in financial and capital markets, and the stagnant Chinese economy. Amid these circumstances, for the year ended March 31, 2023, consolidated net sales of the Group increased by 62,996 million yen ($471,738 thousand) (21.5%) to 355,715 million yen ($2,663,731 thousand).

Results by business segment are as follows.

1) Domestic Steel Business

For the Domestic Steel Business segment, demand remained weak due mainly to rising construction costs caused by soaring construction material prices, and product shipments declined by 36,000 tonnes to 1,545,000 tonnes. Steel scrap prices increased by 1,300 yen ($10) (2.4%), but an increase in product prices prevailed in the market and was 19,300 yen ($145) (23.4%) higher than the previous fiscal year. Therefore, sales margins widened by 18,000 yen ($135) (60.3%). As a result, segment net sales increased by 24,623 million yen ($184,389 thousand) (19.1%) to 153,581 million yen ($1,150,071 thousand), and operating profit increased by 12,096 million yen ($90,578 thousand) (461.4%) to 14,717 million yen ($110,209 thousand).

2) Overseas Steel Business

Kyoei Steel operates steel businesses in Vietnam and North America (the United States and Canada), both of which have a fiscal year-end of December 31.

In Vietnam, the business environment became challenging since demand for individual residences cooled and many project proposals were postponed or suspended due to interest rate hikes and tightening regulations on lending to the real estate industry caused by increased scrutiny following corruption scandals involving major real estate developers. The businesses posted a large loss due to a decline in product shipments led by weak actual demand, a slump in selling prices caused by a market share battle with competitors, and an increase in fixed cost burdens resulting from production cutbacks.

In North America, the economic sentiment slowed somewhat due to inflation control measures such as interest rate hikes. However, infrastructure investment, private investment, and personal consumption continued to be robust, and strong demand continued. Despite the increase in manufacturing costs, such as, increases in electricity and fuel expenses, business performance remained strong as sales margins expanded due to the high level of product prices.
As a result, segment net sales increased by 37,594 million yen ($281,522 thousand) (24.7%) to 189,603 million yen ($1,419,821 thousand), but there was an operating loss of 674 million yen ($5,048 thousand) compared with an operating profit of 5,233 million yen in the previous fiscal year.

3) Material Recycling Business

Business in the Material Recycling Business segment continued to acquire medical waste treatment projects related to COVID-19, but the price of fuel and other items increased. Accordingly, segment net sales increased by 356 million yen ($2,664 thousand) (4.9%) to 7,645 million yen ($57,250 thousand), but operating profit decreased by 406 million yen ($3,042 thousand) (19.9%) to 1,638 million yen ($12,266 thousand).

4) Others

The Others category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales increased by 421 million yen ($3,153 thousand) (9.4%) to 4,886 million yen ($36,589 thousand), but there was an operating loss of 71 million yen ($537 thousand) compared with an operating profit of 50 million yen in the previous fiscal year.

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

For the fiscal year ended March 31, 2023, current assets increased by 16,571 million yen ($124,093 thousand), or 8.5%, from the end of the previous fiscal year to 210,591 million yen ($1,576,989 thousand). This was attributable mainly to increases of 6,408 million yen ($47,983 thousand) in cash and deposits, 8,860 million yen ($66,344 thousand) in accounts receivable - trade, 4,693 million yen ($35,145 thousand) in electronically recorded monetary claims - operating, and 2,487 million yen ($18,625 thousand) in raw materials and supplies and decreases of 1,000 million yen ($7,488 thousand) in securities, 3,351 million yen ($25,091 thousand) in merchandise and finished goods, and 1,843 million yen ($13,808 thousand) in other under current assets.

Noncurrent assets increased by 6,939 million yen ($51,975 thousand), or 5.8%, from the end of the previous fiscal year to 127,122 million yen ($951,945 thousand). This was attributable mainly to increases of 564 million yen ($4,223 thousand) in buildings and structures, 250 million yen ($1,871 thousand) in machinery, equipment and vehicles, 513 million yen ($3,839 thousand) in land, 1,416 million yen ($10,604 thousand) in construction in progress, 1,147 million yen ($8,591 thousand) in investment securities, 1,763 million yen ($13,204 thousand) in unconsolidated subsidiaries and affiliated companies, 437 million yen ($3,271 thousand) in retirement benefit asset, 375 million yen ($2,811 thousand) in deferred tax assets, and 531 million yen ($3,980 thousand) in other under investments and other assets. As a result, total assets increased by 23,510 million yen ($176,053 thousand), or 7.5%, from the end of the previous fiscal year to 337,713 million yen ($2,528,934 thousand).

(ii) Liabilities

For the fiscal year ended March 31, 2023, current liabilities increased by 6,841 million yen ($51,227 thousand), or 7.4%, from the end of the previous fiscal year to 99,635 million yen ($746,108 thousand). This was attributable mainly to increases of 280 million yen ($2,094 thousand) in electronically recorded obligations - operating, 3,949 million yen ($29,571 thousand) in short-term borrowings, 1,334 million yen ($9,995 thousand) in income taxes payable, and 4,190 million yen ($31,367 thousand) in other under current liabilities and decreases of 2,321 million yen ($17,383 thousand) in notes and accounts payable - trade and 586 million yen ($4,392 thousand) in current portion of long-term borrowings.

Long-term liabilities increased by 2,183 million yen ($16,349 thousand), or 4.8%, from the end of the previous fiscal year to 47,904 million yen ($358,732 thousand). This was attributable mainly to increases of 1,682 million yen ($12,598 thousand) in long-term borrowings and 1,484 million yen ($11,110 thousand) in deferred tax liabilities and a decrease of 972 million yen ($7,281 thousand) in retirement benefit liability. As a result, total liabilities increased by 9,024 million yen ($67,579 thousand), or 6.5%, from the end of the previous fiscal year to 147,539 million yen ($1,104,840 thousand).

(iii) Net assets

For the fiscal year ended March 31, 2023, net assets increased by 14,485 million yen ($108,467 thousand), or 8.2%, from the end of the previous fiscal year to 190,174 million yen ($1,424,094 thousand). This was attributable mainly to the recording of profit attributable to owners of parent of 13,108 million yen ($98,156 thousand) and increases of 1,346 million yen ($10,079 thousand) in valuation difference on available-for-sale securities, 4,018 million yen ($30,086 thousand) in foreign currency translation adjustment, and 1,102 million yen ($8,253 thousand) in remeasurements of defined benefit plans and decreases of 2,247 million yen ($16,828 thousand) in noncontrolling interests and 1,738 million yen ($13,017 thousand) due to dividends of retained earnings. As a result, net assets per share increased by 385.01 yen ($2.9) from the end of the previous fiscal year to 4,134.64 yen ($31.0). Shareholders' equity to total assets increased from 51.9% at the end of the previous fiscal year to 53.2%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by 5,211 million yen ($39,024 thousand) from the end of the previous fiscal year to 32,421 million yen ($242,780 thousand). The cash flow components during the current fiscal year and the main reasons for changes are as follows.

(i) Cash flows from operating activities

Net cash used in operating activities was 19,259 million yen ($144,220 thousand). Major components were income before income taxes of 13,629 million yen ($102,059 thousand), depreciation of 9,770 million yen ($73,164 thousand), impairment loss of 1,068 million yen ($7,996 thousand), expenditures of 8,510 million yen ($63,726 thousand) resulting in a working capital burden increase due to an increase in trade receivables at the end of the fiscal year, and an increase of 2,232 million yen ($16,717 thousand) in accrued consumption taxes.

(ii) Cash flows from investing activities

For the year ended March 31, 2023, net cash provided by investing activities was 6,138 million yen ($45,961 thousand). Major components of net cash were payments into time deposits of 36,657 million yen ($274,505 thousand), proceeds from the withdrawal of time deposits of 37,505 million yen ($280,851 thousand), purchases of property, plant and equipment for maintenance and renewal of existing steel manufacturing facilities, rationalization investments and the rationalization investments for production bases overseas of 6,602 million yen ($49,440 thousand).

(iii) Cash flows from financing activities

Net cash provided by financing activities was 9,017 million yen ($67,521 thousand). Major components of this amount included a net decrease of 3,686 million yen ($27,603 thousand) in short-term loans, proceeds from long-term debt of 5,000 million yen ($37,442 thousand), repayments of long-term debt of 4,966 million yen ($37,184 thousand), purchase of shares of subsidiaries not resulting in change in the scope of consolidation of 2,220 million yen ($16,626 thousand), dividends paid of 1,738 million yen ($13,017 thousand), and dividends paid to noncontrolling interests of 1,193 million yen ($8,930 thousand).

(3) Dividends

Pursuant to our fundamental principle of rewarding our shareholders by increasing corporate value, we endeavor to distribute dividends while ensuring appropriate reserves for business growth and enhancing the corporate structure from a long-term perspective. Accordingly, we plan to pay a year-end dividend of 65 yen ($0.49) (Includes 5 yen ($0.04) commemorative dividend for 75th anniversary) per share for the fiscal year ended March 31,2023. Including the interim dividend of 15 yen ($0.11), total dividends per share for the fiscal year will be 80 yen ($0.6).

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare the consolidated financial statements using generally accepted accounting principles in Japan, to permit comparisons with the Group's consolidated financial statements for prior years and with the financial data of other companies. When appropriate, we will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

Consolidated Balance Sheets

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Assets			
Current assets			
Cash and time deposits	**¥ 57,746**	¥ 51,338	**$ 432,423**
Notes (Note 22)	**725**	669	**5,428**
Accounts receivable (Note 22)	**60,539**	51,680	**453,343**
Electronically recorded monetary claims – operating (Note 22)	**20,092**	15,399	**150,459**
Marketable securities (Note 18)	**—**	1,000	**—**
Inventories (Note 6)	**67,515**	68,379	**505,581**
Other current assets	**4,267**	6,110	**31,950**
Allowance for doubtful accounts	**(293)**	(555)	**(2,195)**
Total current assets	**210,591**	194,020	**1,576,989**
Property, plant and equipment			
Buildings and structures	**64,082**	60,672	**479,871**
Machinery and equipment	**160,946**	153,095	**1,205,229**
Land (Note 7)	**31,187**	30,674	**233,540**
Construction in progress	**3,108**	1,692	**23,273**
Other	**5,271**	4,471	**39,473**
Total	**264,594**	250,604	**1,981,386**
Accumulated depreciation	**(162,400)**	(151,403)	**(1,216,116)**
Net property, plant and equipment	**102,194**	99,201	**765,270**
Investments and other assets			
Investments in securities (Note 18)	**3,579**	2,432	**26,801**
Unconsolidated subsidiaries and affiliated companies (Note 18)	**10,486**	8,723	**78,526**
Investments in long-term loans receivable	**243**	392	**1,822**
Net defined benefit asset (Note 14)	**3,983**	3,546	**29,825**
Goodwill	**829**	856	**6,208**
Other intangible assets	**3,164**	3,310	**23,692**
Deferred tax assets (Note 11)	**731**	356	**5,475**
Other noncurrent assets	**1,949**	1,417	**14,594**
Allowance for doubtful accounts	**(36)**	(50)	**(268)**
Total investments and other assets	**24,928**	20,982	**186,675**
Total assets	**¥ 337,713**	¥ 314,203	**$ 2,528,934**

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Liabilities and net assets			
Current liabilities			
Notes and accounts payable	**¥ 16,370**	¥ 18,692	**$ 122,588**
Electronically recorded obligations – operating	**2,623**	2,343	**19,640**
Short-term loans (Note 8)	**58,342**	54,393	**436,887**
Long-term debt due within one year (Note 8)	**4,235**	4,822	**31,714**
Income taxes payable	**1,604**	270	**12,015**
Accrued employee bonuses	**966**	969	**7,237**
Other current liabilities	**15,495**	11,305	**116,027**
Total current liabilities	**99,635**	92,794	**746,108**
Long-term liabilities			
Bonds	**10,000**	10,000	**74,884**
Long-term debt (Note 8)	**26,960**	25,277	**201,884**
Deferred tax liabilities (Note 11)	**3,636**	2,153	**27,231**
Deferred tax liabilities for revaluation (Note 7)	**2,394**	2,394	**17,924**
Net defined benefit liability (Note 14)	**3,344**	4,317	**25,044**
Other long-term liabilities	**1,570**	1,580	**11,765**
Total long-term liabilities	**47,904**	45,721	**358,732**
Total liabilities	**147,539**	138,515	**1,104,840**
Net assets (Note 12)			
Shareholders' equity			
Common stock	**18,516**	18,516	**138,652**
Authorized – 150,300,000 shares in 2023 and 150,300,000 shares in 2022			
Issued – 44,898,730 shares in 2023 and 44,898,730 shares in 2022			
Capital surplus	**19,716**	21,114	**147,640**
Retained earnings	**125,498**	114,129	**939,784**
Treasury stock	**(1,700)**	(1,700)	**(12,730)**
Total shareholders' equity	**162,030**	152,059	**1,213,346**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**2,189**	843	**16,395**
Deferred gains and losses on hedges	**109**	(186)	**815**
Revaluation reserve for land (Note 7)	**4,536**	4,536	**33,965**
Remeasurement of defined benefit plans	**3,264**	2,162	**24,441**
Foreign currency translation adjustments	**7,559**	3,541	**56,606**
Total accumulated other comprehensive income	**17,657**	10,896	**132,222**
Noncontrolling interests	**10,487**	12,734	**78,526**
Total net assets	**190,174**	175,689	**1,424,094**
Total liabilities and net assets	**¥ 337,713**	¥ 314,203	**$ 2,528,934**

Consolidated Statements of Income

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Net sales	**¥ 355,715**	¥ 292,719	**$ 2,663,731**
Cost of sales	**321,441**	266,820	**2,407,074**
Gross profit	**34,274**	25,899	**256,657**
Selling, general and administrative expenses	**19,455**	17,080	**145,690**
Operating income	**14,819**	8,819	**110,967**
Other income (expenses)			
Interest income	**724**	723	**5,424**
Dividend income	**275**	169	**2,062**
Interest expense	**(2,584)**	(1,217)	**(19,352)**
Share of profit of entities accounted for using equity method	**1,420**	1,419	**10,635**
Foreign exchange gains (losses)	**(472)**	289	**(3,537)**
Gain on sale and disposal of property, plant and equipment	**68**	33	**510**
Loss on sale and disposal of property, plant and equipment	**(351)**	(408)	**(2,627)**
Gain on sales of investments in securities	**39**	—	**292**
Impairment loss on fixed assets (Note 3, 20)	**(1,068)**	(155)	**(7,996)**
Loss on accident	**(232)**	—	**(1,736)**
Insurance income	**493**	64	**3,691**
Subsidy income	**7**	24	**51**
Other, net	**491**	321	**3,675**
Other income (expenses), net	**(1,190)**	1,262	**(8,908)**
Income before income taxes	**13,629**	10,081	**102,059**
Income taxes (Note 11)			
Current	**2,062**	1,398	**15,442**
Deferred	**26**	949	**197**
Total income taxes	**2,088**	2,347	**15,639**
Profit	**11,541**	7,734	**86,420**
Profit attributable to noncontrolling interests	**(1,567)**	1,412	**(11,736)**
Profit attributable to owners of parent	**¥ 13,108**	¥ 6,322	**$ 98,156**

Amounts per share (Note 15)	Yen 2023	Yen 2022	U.S. dollars (Note 1) 2023
Net income			
Basic	**¥ 301.61**	¥ 145.48	**$ 2.26**
Diluted*	**—**	—	**—**
Cash dividends applicable to the year	**¥ 80.00**	¥ 40.00	**$ 0.6**

* As there was no dilutive stock outstanding during the year, the computation of diluted net income per share was not calculated.

Consolidated Statements of Comprehensive Income

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Profit	**¥ 11,541**	¥ 7,734	**$ 86,420**
Other comprehensive income			
Valuation difference on available-for-sale securities	**1,346**	(104)	**10,080**
Deferred gains and losses on hedges	**312**	164	**2,340**
Remeasurement of defined benefit plans	**1,102**	1,297	**8,255**
Foreign currency translation adjustments	**5,355**	4,780	**40,100**
Other comprehensive income, net (Note 21)	**8,115**	6,137	**60,775**
Comprehensive income	**¥ 19,656**	¥ 13,871	**$ 147,195**
Comprehensive income attributable to:			
Owners of parent	**¥ 19,868**	¥ 11,198	**$ 148,781**
Noncontrolling interests	**¥ (212)**	¥ 2,673	**$ (1,586)**

Consolidated Statements of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	**2023**	2022	**2023**
Shareholders' equity			
Common stock			
Balance at the beginning of current period	**¥ 18,516**	¥ 18,516	**$ 138,652**
Balance at the end of current period	**18,516**	18,516	**138,652**
Capital surplus			
Balance at the beginning of current period	**21,114**	21,179	**158,107**
Changes during the period			
Change in ownership interest of parent due to transactions with noncontrolling interests	**(1,398)**	(65)	**(10,467)**
Total changes during the period	**(1,398)**	(65)	**(10,467)**
Balance at the end of current period	**19,716**	21,114	**147,640**
Retained earnings			
Balance at the beginning of current period	**114,129**	110,324	**854,647**
Changes during the period			
Change in scope of consolidation	**—**	—	**—**
Cash dividends	**(1,739)**	(2,606)	**(13,019)**
Profit attributable to owners of parent	**13,108**	6,322	**98,156**
Reversal of revaluation reserve for land	**—**	89	**—**
Total changes during the period	**11,369**	3,805	**85,137**
Balance at the end of current period	**125,498**	114,129	**939,784**
Treasury stock			
Balance at the beginning of current period	**(1,700)**	(1,700)	**(12,730)**
Changes during the period			
Purchase of treasury stock	**—**	—	**—**
Sale of treasury stock	**—**	—	**—**
Total changes during the period	**—**	—	**—**
Balance at the end of current period	**(1,700)**	(1,700)	**(12,730)**
Total shareholders' equity			
Balance at the beginning of current period	**152,059**	148,319	**1,138,676**
Changes during the period			
Cash dividends	**(1,739)**	(2,606)	**(13,019)**
Profit attributable to owners of parent	**13,108**	6,322	**98,156**
Purchase of treasury stock	**—**	—	**—**
Sale of treasury stock	**—**	—	**—**
Change in scope of consolidation	**—**	—	**—**
Reversal of revaluation reserve for land	**—**	89	**—**
Change in ownership interest of parent due to transactions with noncontrolling interests	**(1,398)**	(65)	**(10,467)**
Total changes during the period	**9,971**	3,740	**74,670**
Balance at the end of current period	**¥ 162,030**	¥ 152,059	**$ 1,213,346**

	Millions of yen		Thousands of U.S. dollars (Note 1)
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	**2023**	2022	**2023**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	**¥ 843**	¥ 948	**$ 6,316**
Changes during the period			
Net changes in items other than shareholders' equity	**1,346**	(105)	**10,079**
Total changes during the period	**1,346**	(105)	**10,079**
Balance at the end of current period	**2,189**	843	**16,395**
Deferred gains and losses on hedges			
Balance at the beginning of current period	**(186)**	(323)	**(1,391)**
Change during the period			
Net changes in items other than shareholders' equity	**295**	137	**2,206**
Total changes during the period	**295**	137	**2,206**
Balance at the end of current period	**109**	(186)	**815**
Revaluation reserve for land			
Balance at the beginning of current period	**4,536**	4,625	**33,965**
Changes during the period			
Net changes in items other than shareholders' equity	**—**	(89)	**—**
Total changes during the period	**—**	(89)	**—**
Balance at the end of current period	**4,536**	4,536	**33,965**
Remeasurement of defined benefit plans			
Balance at the beginning of current period	**2,162**	865	**16,187**
Changes during the period			
Net changes in items other than shareholders' equity	**1,102**	1,297	**8,254**
Total changes during the period	**1,102**	1,297	**8,254**
Balance at the end of current period	**3,264**	2,162	**24,441**
Foreign currency translation adjustments			
Balance at the beginning of current period	**3,541**	(5)	**26,518**
Changes during the period			
Net changes in items other than shareholders' equity	**4,018**	3,546	**30,088**
Total changes during the period	**4,018**	3,546	**30,088**
Balance at the end of current period	**7,559**	3,541	**56,606**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**10,896**	6,110	**81,595**
Changes during the period			
Net changes in items other than shareholders' equity	**6,761**	4,786	**50,627**
Total changes during the period	**6,761**	4,786	**50,627**
Balance at the end of current period	**¥ 17,657**	¥ 10,896	**$ 132,222**

Consolidated Statements of Changes in Net Assets

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Noncontrolling interests			
Balance at the beginning of current period	**¥ 12,734**	¥ 10,154	**$ 95,355**
Changes during the period			
Net changes in items other than shareholders' equity	**(2,247)**	2,580	**(16,829)**
Total changes during the period	**(2,247)**	2,580	**(16,829)**
Balance at the end of current period	**10,487**	12,734	**78,526**
Total net assets			
Balance at the beginning of current period	**175,689**	164,583	**1,315,626**
Changes during the period			
Change in scope of consolidation	**—**	—	**—**
Cash dividends	**(1,739)**	(2,606)	**(13,019)**
Net income	**13,108**	6,322	**98,156**
Purchase of treasury stock	**—**	—	**—**
Reversal of land revaluation	**—**	89	**—**
Change in ownership interest of parent due to transactions with noncontrolling interests	**(1,398)**	(65)	**(10,467)**
Net changes in items other than shareholders' equity	**4,514**	7,366	**33,798**
Total changes during the period	**14,485**	11,106	**108,468**
Balance at the end of current period	**¥ 190,174**	¥ 175,689	**$ 1,424,094**

Consolidated Statements of Cash Flows

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Cash flows from operating activities			
Income before income taxes	**¥ 13,629**	¥ 10,081	**$ 102,059**
Depreciation and amortization	**9,770**	8,840	**73,164**
Impairment loss on fixed assets	**1,068**	155	**7,996**
Amortization of goodwill	**105**	224	**787**
Increase (decrease) in provision	**(336)**	79	**(2,519)**
Increase (decrease) in net defined benefit liability	**(1,036)**	87	**(7,755)**
Share of profit of entities accounted for using equity method	**(1,420)**	(1,419)	**(10,635)**
Loss (gain) on sale and disposal of property, plant and equipment	**283**	375	**2,117**
Insurance income	**(493)**	(64)	**(3,691)**
Subsidy income	**(7)**	(24)	**(51)**
Interest and dividend income	**(1,000)**	(893)	**(7,486)**
Interest expense	**2,584**	1,217	**19,352**
Decrease (increase) in notes and accounts receivable	**(11,071)**	(13,070)	**(82,901)**
Decrease (increase) in inventories	**5,399**	(18,081)	**40,429**
Increase (decrease) in notes and accounts payable	**(2,838)**	2,846	**(21,254)**
Increase (decrease) in accrued consumption taxes	**2,232**	(176)	**16,717**
Decrease (increase) in net defined benefit asset	**(319)**	(1,344)	**(2,386)**
Other	**3,608**	1,292	**27,013**
Subtotal	**20,158**	(9,875)	**150,956**
Interest and dividends received	**994**	1,037	**7,440**
Interest paid	**(2,389)**	(1,197)	**(17,887)**
Proceeds from insurance income	**199**	—	**1,492**
Subsidy income	**7**	24	**51**
Income taxes paid	**290**	(3,686)	**2,168**
Net cash provided by (used in) operating activities	**¥ 19,259**	¥ (13,697)	**$ 144,220**
Cash flows from investing activities			
Increase in time deposits	**¥ (36,657)**	¥ (54,262)	**$ (274,505)**
Decrease in time deposits	**37,505**	72,000	**280,851**
Payment for acquisition of marketable securities	**—**	(1,000)	**—**
Proceeds from sale of marketable securities	**—**	2,000	**—**
Payment for purchase of investments in securities	**(5)**	(64)	**(38)**
Proceeds from sale or redemption of investments in securities	**71**	1	**533**
Increase in money deposited	**(0)**	—	**(2)**
Decrease in money deposited	**2**	0	**16**
Investments in loans	**(8)**	(5)	**(56)**
Collection of loans	**303**	310	**2,272**
Payment for purchase of property, plant and equipment	**(6,602)**	(10,883)	**(49,440)**
Proceeds from sale of property, plant and equipment	**36**	24	**268**
Payment for purchase of intangibles	**(522)**	(993)	**(3,909)**
Other	**(261)**	(195)	**(1,951)**
Net cash provided by (used in) investing activities	**(6,138)**	6,933	**(45,961)**

Consolidated Statements of Cash Flows

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ **(3,686)**	¥ 4,463	$ **(27,603)**
Proceeds from long-term debt	**5,000**	1,451	**37,442**
Repayment of long-term debt	**(4,966)**	(5,869)	**(37,184)**
Repayment of installment payables	**(214)**	(99)	**(1,603)**
Payment for purchase of treasury stock	**—**	9,947	**0**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	**(2,220)**	—	**(16,626)**
Cash dividends paid	**(1,738)**	(2,603)	**(13,017)**
Dividends paid to noncontrolling shareholders	**(1,193)**	(14)	**(8,930)**
Other	**—**	63	**—**
Net cash provided by (used in) financing activities	**(9,017)**	7,339	**(67,521)**
Effect of exchange rate changes on cash and cash equivalents	**1,107**	1,284	**8,286**
Net increase (decrease) in cash and cash equivalents	**5,211**	1,859	**39,024**
Cash and cash equivalents at the beginning of the period	**27,210**	25,351	**203,756**
Cash and cash equivalents at the end of the period (Note 13)	¥ **32,421**	¥ 27,210	$ **242,780**

Notes to Consolidated Financial Statements

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2023 and 2022

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The significant portions of the accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with International Financial Reporting Standards with adjustments for the specified following five items as applicable.

(1) Goodwill not subject to amortization
(2) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(5) Reclassification of accumulated other comprehensive income (AOCI) to profit or loss on disposal or recognition of impairment losses for equity instruments classified as fair value through other comprehensive income

The translations of the Japanese yen amount into U.S. dollar amount are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023, which was ¥133.54 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the parent company and all the subsidiaries over which it exerts substantial control either through majority ownership of voting stock or by other means. As a result, the accompanying consolidated financial statements for the years ended March 31, 2023 and 2022 include the accounts of the Company and its 17 and 18 subsidiaries, respectively. On March 10, 2023, K.Y Corporation, which had been a subsidiary of the Company, was combined into the Yodoshi Corporation through an absorption-type merger with the Yodoshi Corporation as the surviving entity. As the company was extinguished by the merger, it was excluded from consolidation.
Several subsidiaries included in consolidation have fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company, which ends on March 31.
For these consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

Investments in affiliates, other than the subsidiaries referred to above, are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

(b) Foreign currency translation
Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at each balance sheet date. The resulting gain or loss is recognized as other income or expense.

Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as foreign currency translation adjustments and noncontrolling interests in the consolidated financial statements.

(c) Cash and cash equivalents
Cash equivalents are short-term investments that are readily convertible into cash and pose an insignificant risk of change in value. Cash equivalents include time deposits and certificates of deposit which mature or become due within three months from the date of acquisition.

(d) Securities
Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.
Nonmarketable securities classified as available-for-sale securities are carried at cost determined by the moving average method. If the market value of marketable securities classified as available-for-sale securities declines significantly, the securities are written down to fair value, thus establishing a new cost basis.

(e) Derivatives
All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

(f) Inventories
Steel rolls are stated at cost determined by the specific identification method. Other inventories are stated mainly at cost determined by the average method. The balance sheet values are written down to reduce book value when the contribution of the inventories to profitability declines.

(g) Depreciation and amortization

(1) Property, plant and equipment (excluding lease assets)
Depreciation of property, plant and equipment is calculated principally by the straight-line method. For buildings and structures, the useful life is 31 years. For machinery and equipment, the useful life is 14 years.

(2) Intangible assets (excluding lease assets)
Most intangible assets are depreciated by the straight-line method. Expenditures related to computer software intended for internal use are amortized over the useful life of the respective asset, which in general is 5 years.

(3) Lease assets
Lease assets related to finance lease transactions that do not transfer ownership of the leased assets are depreciated by the straight-line method with the lease term as the useful life and a residual value of zero.

(h) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on historical experience with such write-offs plus an estimate of specific doubtful accounts determined by a review of the collectability of the individual receivables.

(i) Accrued employee bonuses
To provide for the payment of bonuses to employees, the projected amount of such bonuses is set aside as a provision.

(j) Accrued director bonuses
At some consolidated subsidiaries, to provide for the payment of bonuses to directors, the projected amount of such bonuses is set aside as a provision.

(k) Accounting policies for severance and retirement benefits

(1) The method of attributing expected benefits to periods
In calculating retirement benefit obligation, estimated retirement benefits are attributed to the period up to the end of the consolidated fiscal year using a benefit formula basis.

(2) Recognition of actuarial differences and past service costs
Actuarial differences are amortized on a straight-line basis over a fixed number of years (mainly 10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year beginning the fiscal year following the year they occur.
Past service costs are amortized on a straight-line basis over a fixed number of years (mainly 10 years) within the average service period of employees at the time of occurrence.

(3) Simplified method applied by small companies, etc.
Some consolidated subsidiaries apply a simplified method in calculating liabilities for retirement benefits and retirement benefit costs. An amount payable assuming the voluntary retirement of all employees at the fiscal year-end is considered to be equal to the retirement benefit obligation for a lump-sum severance pay plan, and the actual obligation in the latest pension finance calculation is considered to be equal to the retirement benefit obligation for the corporate pension plan.

(l) Method for recording revenues and expenses
The Company and its consolidated subsidiaries recognize revenue based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the performance obligations are fulfilled

In the domestic steel business and overseas steel business, the primary performance obligation is to supply steel products to customers, and the Company determines that control of a product is transferred to the customer and the performance obligation fulfilled at the time of the product delivery. In the domestic steel business, the period from the time of shipment to the time of delivery is deemed to be the normal period, so the Company applies the alternative treatment regarding materiality, etc., and recognizes revenue at the time of shipment. In the material recycling business, the performance obligation is mainly to provide services, such as those related to medical waste treatment and industrial waste treatment, and revenue is recognized at the time the provision of the services is completed since the performance obligation is fulfilled at that time.
Transaction price is calculated by the consideration agreed in the contract with the customer. The consideration for a transaction is received mainly within one year from the fulfillment of the performance obligations and includes no significant financial components. When the Group is engaged in transactions as an agent, revenue is recognized as the net amount received from customers less the amount paid to third parties.

(m) Income taxes
Deferred income taxes are recognized by the asset-liability method. Under the asset-liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which are expected to be in effect when the differences are recovered or settled.

(n) Significant hedge accounting

(1) Method of hedge accounting
The Company and its consolidated subsidiaries use mainly deferred hedging. Hedges that meet the conditions for the special treatment of interest rate swaps and the designation of forward exchange contracts and currency swaps are accounted for separately.

(2) Hedging instruments and hedged items
a. Hedging instruments: Interest rate swaps
Hedged items: Interest rates
b. Hedging instruments: Forward exchange contracts and currency swaps
Hedged items: Foreign monetary assets and liabilities

(3) Hedging policy
Interest rate swap agreements are entered into to manage the risk associated with interest rate fluctuations on borrowings. Forward foreign exchange contracts and currency swaps are entered into in order to reduce risks associated with exchange rate fluctuations for transactions denominated in foreign currencies. Hedged items are identified separately with each agreement.

(4) Evaluating hedge effectiveness
Hedge effectiveness is evaluated by comparing the hedging instrument transaction value with the hedged item transaction value for each transaction. However, when interest rate swaps meet the conditions for special treatment, an assessment of effectiveness is omitted.
Also, for forward exchange contracts and currency swaps that meet the conditions for appropriate treatment, when important terms, etc., related to the hedging instrument and hedged item are the same and the cash flow is fixed, an assessment of effectiveness is omitted.

(o) Goodwill
Goodwill is depreciated by the straight-line method within 20 years. However, goodwill is expensed in a lump sum when the value is immaterial.

(p) Cash in consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with original maturities of three months or less and which represent only a minor risk of fluctuation in value.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Year ended March 31, 2023
Impairment of fixed assets

(a) Amount recorded in the consolidated financial statements for the current fiscal year
For the fiscal year ended March 31, 2023, the Company recorded impairment loss on tangible assets and intangible assets related to VIS.

Year ended March 31, 2023	Millions of yen	Thousands of U.S. dollars
Tangible assets (After recording impairment loss)	**¥ 3,300**	**$ 24,710**
Intangible assets (After recording impairment loss)	**364**	**2,729**
Impairment loss	**¥ 1,068**	**$ 7,996**

(b) Information on significant accounting estimates for identified items
The Group recognizes an impairment loss when it is determined that there is an indication of impairment and the total undiscounted future cash flows from the asset group are less than the book value. In this case, the book value is reduced to the recoverable amount, and the amount of such decrease is measured as impairment loss. Future cash flows used for recognizing impairment loss and calculating value in use are determined based on the business plan approved by management and the best estimate based on information available at that time. However, changes in assumptions on which the estimates are based due to changes in the future uncertain market environment may have a significant impact on the occurrence of impairment loss in the following consolidated fiscal years.

4. CHANGES IN ACCOUNTING POLICIES

Year ended March 31, 2022

(a) Adoption of Accounting Standards for Revenue Recognition
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the Accounting Standard for Revenue Recognition) and relevant ASBJ regulations have been adopted from the beginning of the current fiscal year. Pursuant to the new standard, at the time when control of the promised goods or services is transferred to customers, revenue is recognized by the amount expected to be received in exchange for the goods or services.
Prior to the application of the new standard for transactions in which the Group's role in providing products to customers was that of an agent, the total amount of consideration received from customers was recognized as revenue. With the change, however, the revenue is now recognized as the net amount received from customers after deducting the amount paid to third parties.

Regarding the adoption of the Accounting Standard for Revenue Recognition and the relevant ASBJ regulations, the transitional treatment stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition is followed, with no effect on at the beginning balance of retained earnings. In addition, "Notes and accounts receivable," which was indicated in "Current assets" in the consolidated balance sheet in the previous fiscal year, is presented in "Notes" and "Accounts receivable" from the current consolidated fiscal year.

As a result, net sales and cost of sales each decreased by 13,298 million yen ($108,635 thousand) in the consolidated statements of income for the current fiscal year compared with amounts that would have been reported before the adoption of the Accounting Standard for Revenue Recognition and the relevant ASBJ regulations.

(b) Adoption of Accounting Standards for Fair Value Measurement
The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the Accounting Standard for Fair Value Measurement) and relevant revised ASBJ regulations have been adopted from the beginning of the current fiscal year, and the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement will be adopted prospectively in accordance with the transitional treatment prescribed in Paragraphs 19 of the Accounting Standard for Fair Value Measurement and 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change has had no impact on the consolidated financial statements.

Note 17, "Financial Instruments," provides information on matters related to the breakdown of financial instruments by market value level.

5. ACCOUNTING STANDARDS NOT YET IMPLEMENTED

Year ended March 31,2023
- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(a) Overview
On February 2018, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28) was announced, and the management of practical guidelines for tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to ASBJ. In the process of deliberation, two topics which were supposed to be discussed after the announcement of ASBJ Guidance No. 28, etc., were deliberated and publicized.

- Accounting for tax expenses (taxation on other comprehensive income)
- Tax effects of sales of the shares, etc., of subsidiaries when the group taxation regime is applied (shares of subsidiaries or affiliates)

(b) Planned date of application
To be applied from the beginning of the fiscal year ending March 2025.

(c) Impact of application of accounting standards
The effect of the application of "Accounting Standard for Current Income Taxes," etc., on the consolidated financial statements is currently under assessment.

6. INVENTORIES

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Merchandise	**¥ 436**	¥ 505	**$ 3,268**
Finished goods	**23,533**	26,701	**176,224**
Semi-finished goods	**10,363**	10,215	**77,602**
Work-in-process	**2,707**	2,969	**20,273**
Raw materials	**15,054**	14,251	**112,732**
Supplies	**11,293**	9,705	**84,566**
Steel rolls	**4,129**	4,033	**30,916**
Total	**¥ 67,515**	¥ 68,379	**$ 505,581**

7. APPLICATION OF LAND REVALUATION LAW

Land used for business purposes was revalued in accordance with the "Act on Revaluation of Land" (Law 34 of 1998, promulgated on March 31, 1998). The portion of the revaluation gain equivalent to the corporation tax and other taxes with tax bases linked to corporate profits has been presented under liabilities as "Deferred tax liabilities on revaluation," while the net sum after this transfer to the deferred tax liability account is presented under net assets as "Revaluation reserve for land."

Revaluation method
The land value has been calculated as stipulated in Article 2.4 of the "Regulations for Applying the Land Revaluation Law" (Government Ordinance No. 119 of 1998, promulgated on March 31, 1998) by making adjustments to the price determined by the method publicly announced for the calculation of the tax base under the Land Value Tax.

Revaluation date: March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Difference between the market value at end of year and the book value after revaluation	**¥ (5,063)**	¥ (5,116)	**$ (37,911)**

8. BANK LOANS

Short-term loans consisted of unsecured loans payable from banks at the weighted average interest rate of 6.20% at March 31, 2023 and 1.60% at March 31, 2022.

Long-term debt from banks at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Long-term debt from banks at average interest rates of 0.9% for current and noncurrent portions, respectively	**¥ 31,195**	¥ 30,099	**$ 233,598**
Less current portion	**(4,235)**	(4,822)	**(31,714)**
Long-term debt from banks	**¥ 26,960**	¥ 25,277	**$ 201,884**

The assets pledged as collateral for short-term loans at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and deposits*	**¥ 550**	¥ 598	**$ 4,119**
Land	**1,121**	1,121	**8,396**
Total	**¥ 1,671**	¥ 1,719	**$ 12,515**

* At the request of AltaSteel Inc., the Company provided collateral for a financial institution to issue a stand-by letter of credit.

Secured debt at March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Long-term debt due within one year	**¥ 200**	¥ 200	**$ 1,498**
Long-term debt	**167**	367	**1,248**
Total	**¥ 367**	¥ 567	**$ 2,746**

The annual maturities of long-term debt from banks as of March 31, 2023 are summarized as follows:

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 4,235	$ 31,714
2025	4,698	35,178
2026	4,945	37,033
2027	4,842	36,260
2028	4,625	34,635
Thereafter	7,850	58,778
Total	**¥ 31,195**	**$ 233,598**

The annual maturities of long-term debt from banks as of March 31, 2022 are summarized as follows:

Year ended March 31	Millions of yen
2023	¥ 4,822
2024	4,012
2025	4,061
2026	3,815
2027	3,727
Thereafter	9,662
Total	**¥ 30,099**

9. R&D EXPENSES

R&D expenses included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 amounted to ¥272 million ($2,039 thousand) and ¥235 million, respectively.

10. NET ASSETS

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of new shares as additional paid-in capital, which is included in capital surplus. Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law and regulations.

At the Board Directors' meeting held on April 28, 2023, the Board approved cash dividends in the amount of ¥2,825 million ($21,153 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2023. At the Board Directors' meeting held on April 28, 2022, the Board approved cash dividends in the amount of ¥1,086 million. The appropriation had not been accrued in the consolidated financial statements as of March 31, 2022.

11. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the year ended March 31, 2023 and 30.6% for the year ended March 31, 2022.

The major components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Impairment loss	¥ **303**	¥ 352	$ **2,267**
Inventories	**188**	150	**1,407**
Accrued enterprise taxes	**41**	28	**310**
Allowance for doubtful accounts	**37**	35	**279**
Accrued bonuses	**259**	259	**1,939**
Net defined benefit liability	**81**	355	**606**
Accrued director retirement benefits	**28**	28	**208**
Tax loss carryforwards	**1,630**	1,213	**12,208**
Other	**905**	952	**6,779**
Gross deferred tax assets	**3,472**	3,372	**26,003**
Valuation allowance	**(1,661)**	(1,245)	**(12,440)**
Total deferred tax assets	**1,811**	2,127	**13,563**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(972)**	(464)	**(7,277)**
Net defined benefit asset	**(305)**	(259)	**(2,282)**
Reserve for special depreciation for tax purposes	**(12)**	(14)	**(92)**
Depreciation of consolidated overseas subsidiaries	**(2,696)**	(2,291)	**(20,188)**
Valuation difference on assets	**(118)**	(321)	**(887)**
Other	**(613)**	(575)	**(4,593)**
Total deferred tax liabilities	**(4,716)**	(3,924)	**(35,319)**
Net deferred tax assets	¥ **(2,905)**	¥ (1,797)	$ **(21,756)**

If there is a material difference between the statutory tax rate and the effective tax rate, a breakdown of the major components that contributed to the difference are as follows:

	2023	2022
Statutory tax rate	**30.6%**	30.6%
Disallowed expenses, including entertainment expenses	**0.3**	0.3
Dividends and other income deductible for income tax purposes	**(0.1)**	(0.2)
Inhabitants per capita taxes	**0.3**	0.3
Increase in valuation allowance	**3.1**	2.0
Prior year's taxes, other	**(0.0)**	(0.2)
Equity gains of affiliates	**(3.2)**	(4.3)
Amortization of goodwill	**0.2**	0.7
Subsidiary tax rate difference	**3.9**	(7.6)
Allowance of subsidiary's equity valuation loss	**(21.4)**	—
Other	**1.7**	1.7
Effective tax rates	**15.4%**	23.3%

(Changes in presentation method)
Year ended March 31,2022
The "Amortization of goodwill" and "Subsidiary tax rate difference," which had been included in "Other," were presented separately from the fiscal year as their importance increased.

(Note)
Accounting of corporate tax, local corporate tax and tax effect accounting for these items
For the fiscal year ended March 31, 2023, the Company and some domestic consolidated subsidiaries shifted from the Consolidated Tax Return Filing System to the Japanese Group Relief System. Accordingly, the Company conducted accounting of corporate tax and local corporate tax, or accounting and disclosure of tax effect accounting for these items in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021).

12. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the consolidated statements of changes in net assets for the years ended March 31, 2023 and March 31, 2022:

(a) Number of shares issued

For the year ended March 31, 2023

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**44,898,730**	**—**	**—**	**44,898,730**

For the year ended March 31, 2022

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	44,898,730	—	—	44,898,730

(b) Treasury stock

For the year ended March 31, 2023

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**1,439,755**	**—**	**—**	**1,439,755**

For the year ended March 31, 2022

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	1,439,755	—	—	1,439,755

(c) Cash dividends

Amount of dividend payments
For the year ended March 31, 2023

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
April 28, 2022 (Board of Directors)	**Common stock**	**¥ 1,086**	**$ 8,136**	**¥ 25**	**$ 0.2**	**March 31, 2022**	**June 9, 2022**

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
October 31, 2022 (Board of Directors)	**Common stock**	**¥ 652**	**$ 4,882**	**¥ 15**	**$ 0.1**	**September 30, 2022**	**December 7, 2022**

For the year ended March 31, 2022

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
April 30, 2021 (Board of Directors)	Common stock	¥ 1,956	¥ 45	March 31, 2021	June 10, 2021

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
October 29, 2021 (Board of Directors)	Common stock	¥ 652	¥ 15	September 30, 2021	December 7, 2021

13. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation of cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents at March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and time deposits	**¥ 57,746**	¥ 51,338	**$ 432,423**
Time deposits with a maturity of more than three months	**(25,325)**	(25,128)	**(189,643)**
Negotiable certificates of deposit with maturities of three months or less from the acquisition date	**—**	1,000	**—**
Cash and cash equivalents	**¥ 32,421**	¥ 27,210	**$ 242,780**

14. SEVERANCE AND RETIREMENT BENEFITS

(a) Defined benefit plans, lump-sum benefit plans and defined contribution plans

Some of the Company's subsidiaries have instituted defined benefit plans or lump-sum benefit plans and calculate defined benefit liabilities and periodic pension cost by the simplified method. Certain consolidated overseas subsidiaries, in addition to the above, provide post-retirement healthcare, etc.

(b) Defined benefit plan

The provisional accounting treatment for the business combination applied in the previous consolidated fiscal year was finalized in the current fiscal year. The comparison of figures reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment.

(1) Movement in retirement benefit obligations, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at April 1	**¥ 24,353**	¥ 23,539	**$ 182,368**
Service cost	**643**	631	**4,811**
Interest cost	**693**	510	**5,191**
Actuarial loss	**(5,133)**	(1,440)	**(38,438)**
Benefits paid	**(1,158)**	(1,145)	**(8,670)**
Increase due to joining of consolidated group of subsidiaries	**46**	375	**347**
Others*	**1,550**	1,883	**11,604**
Balance at March 31	**¥ 20,994**	¥ 24,353	**$ 157,213**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(2) Movements in plan assets, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at April 1	**¥ 23,453**	¥ 21,237	**$ 175,628**
Expected return on plan assets	**978**	762	**7,327**
Actuarial gain (loss)	**(3,451)**	710	**(25,844)**
Contributions paid by the employer	**329**	237	**2,461**
Benefits paid	**(1,110)**	(991)	**(8,313)**
Others*	**1,227**	1,498	**9,186**
Balance at March 31	**¥ 21,426**	¥ 23,453	**$ 160,445**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(3) Movement in liability for retirement benefits by applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at April 1	**¥ (129)**	¥ (21)	**$ (969)**
Retirement benefit cost	**31**	24	**235**
Benefits paid	**(5)**	(19)	**(38)**
Contributions to benefit plans	**(110)**	(119)	**(823)**
Increase due to joining of consolidated group of subsidiaries	**—**	—	**—**
Others*	**7**	6	**53**
Balance at March 31	**¥ (206)**	¥ (129)	**$ (1,542)**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Funded retirement benefit obligations	**¥ 18,905**	¥ 21,351	**$ 141,565**
Plan assets	**(23,065)**	(25,053)	**(172,716)**
Subtotal	**(4,160)**	(3,702)	**(31,151)**
Unfunded retirement benefit obligations	**3,521**	4,473	**26,370**
Total net liability (asset) for retirement benefits at March 31	**¥ (639)**	¥ 771	**$ (4,781)**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Net defined benefit asset	**¥ (3,983)**	¥ (3,546)	**$ (29,825)**
Net defined benefit liability	**3,344**	4,317	**25,044**
Total net liability (asset) for retirement benefits at March 31	**¥ (639)**	¥ 771	**$ (4,781)**

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Service cost	**¥ 643**	¥ 631	**$ 4,811**
Interest cost	**693**	510	**5,191**
Expected return on plan assets	**(978)**	(762)	**(7,327)**
Net actuarial loss (gain) amortization	**(229)**	(63)	**(1,714)**
Prior service cost	**30**	(3)	**228**
Retirement benefit cost applying the simplified method	**31**	24	**235**
Total retirement benefit costs for the year ended March 31	**¥ 190**	¥ 337	**$ 1,424**

(6) Remeasurement of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Prior service cost	**¥ (16)**	¥ (378)	**$ (120)**
Actuarial gain or loss	**1,453**	2,086	**10,880**
Total balance at March 31	**¥ 1,437**	¥ 1,708	**$ 10,760**

(7) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized Prior service cost	¥ (394)	¥ (378)	$ (2,952)
Unrecognized actuarial gain or loss	4,696	3,243	35,166
Total balance at March 31	¥ 4,302	¥ 2,865	$ 32,214

(8) Plan assets

a. Plan assets comprise:

	2023	2022
Bonds	53%	54%
Stock	39	39
Life insurance company general accounts	5	4
Other	3	3
Total	100%	100%

b. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions are as follows:

	2023	2022
Discount rate	1.0%–3.2%	0.7%–3.2%
Expected long-term rate of return	1.5%–5.3%	1.5%–5.0%
Salary increase rate	2.2%–3.0%	2.2%–3.0%

(c) Defined contribution scheme

The required contribution to the Company's defined contribution plan was ¥249 million ($1,862 thousand) for the year ended March 31, 2023 and ¥197 million for the year ended March 31, 2022.

15. AMOUNTS PER SHARE

	Yen		U.S. dollars
Years ended March 31	2023	2022	2023
Net income	¥ 301.61	¥ 145.48	$ 2.26
	Yen		U.S. dollars
As of March 31	2023	2022	2023
Net assets	¥ 4,134.64	¥ 3,749.63	$ 30.96

Net income per share is based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Net assets per share is based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the balance sheet date.

Basic net assets per share are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2023	2022	2023
Basic net assets per share:			
Total net assets on the balance sheets	¥ 190,174	¥ 175,688	$ 1,424,094
Deduction from total net assets	(10,487)	(12,734)	(78,526)
Noncontrolling interests	(10,487)	(12,734)	(78,526)
Amount attributable to shareholders of common stock	¥ 179,687	¥ 162,954	$ 1,345,568
Number of shares outstanding	44,899	44,899	—
Number of treasury shares	(1,440)	(1,440)	—
Number of shares at fiscal year-end used in calculation of net assets per share	43,459 thousand shares	43,459 thousand shares	—

Basic net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2023	2022	2023
Basic net income per share:			
Profit attributable to owners of parent	¥ 13,108	¥ 6,322	$ 98,154
Amount attributable to shareholders of common stock	¥ 13,108	¥ 6,322	$ 98,154
Weighted average number of shares outstanding	43,459 thousand shares	43,459 thousand shares	—

16. LEASES

The Group has entered into finance lease contracts which do not transfer the ownership of the leased assets. The main assets of these finance leases are optical instruments used for the steel business and classified as tools, furniture and fixtures.

The Group also has entered into noncancellable operating lease contracts. Future lease payments subsequent to March 31, 2023 and 2022 under noncancellable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Due within one year	¥ 19	¥ 145	$ 143
Due after one year	265	402	1,984
Total	¥ 284	¥ 547	$ 2,127

(Note)
The Company applies ASU2016-02, Leases (Topic 842) under U.S. GAAP and does not include operating lease transactions that are recorded assets and liabilities on the consolidated balance sheets.

17. FINANCIAL INSTRUMENTS

Additional information – Disclosure of fair value of financial instruments

(a) Qualitative information on financial instruments

(1) Policies for using financial instruments

Surplus capital is managed using financial instruments that carry little or no risk, and working capital is procured from bank loans. The Group uses derivatives to reduce the risks associated with exchange rate fluctuations for transactions denominated in foreign currencies, with interest rate fluctuations on borrowings, with price fluctuation risk for fuel and, as a matter of policy, does not use derivatives for speculative purposes.

(2) Details of financial instruments used the exposure to risk and the policies and processes for managing risk

Notes and accounts receivable and electronically recorded monetary claims - operating expose the Group to customer credit risk. To manage this risk, the Group has established internal procedures for receivables, manages the amounts and settlement dates and monitors the financial condition of the counterparties.
Bonds and negotiable deposits expose the Group to the credit risk of the issuing company. To manage this risk, the Group uses only short-term financial instruments issued by institutions of high credit rating. The risk associated with market price fluctuation of these financial instruments is extraordinarily low.

Investments in securities expose the Group to the risk of changes in market prices. However, the issuing companies are mostly related to the Group's business, and the market price is reported to the Board of Directors periodically.

Almost all notes and accounts payable and electronically recorded obligations – operating are due within four months.

Short-term loans are used mainly to procure operating capital, and long-term debt (mainly ten years) and bonds (mainly five years) are used mainly for overseas business investment, capital investment and working capital. Foreign currency denominated trade assets and liabilities expose the Group to the risk associated with exchange rate fluctuation.

To reduce the risk, the Group uses derivatives transactions (forward foreign exchange contracts and currency swaps) as hedging instruments. To reduce the price fluctuation risk associated with some fuel purchases, the Group uses derivatives transactions (commodity futures trading) as hedging instruments. Hedged instruments are recognized by the individual contract. Hedge effectiveness is tested for each transaction but not when the transaction meets certain hedging criteria.

The Group enters into derivative transactions only with financial institutions of high credit rating. As a result, the Group believes there is almost no credit risk in connection with these transactions. Moreover, the derivative transactions are executed in accordance with internal management regulations.

While operating payables and loans payable are exposed to liquidity risk, the Group manages the risk by producing cash flow plans on a monthly basis.

(3) Supplemental information on fair values

To estimate the fair value, certain assumptions must be made. The fair value estimates, therefore, may vary depending on what assumptions are made.

(b) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2023 and 2022 were as follows:

Year ended March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Carrying amount shown in balance sheet	Fair value	Difference	Carrying amount shown in balance sheet	Fair value	Difference
Investments in securities						
Other securities	**¥ 5,597**	**¥ 5,597**	**¥ —**	**$ 41,912**	**$ 41,912**	**$ —**
Investments in long-term loans receivable	**243**	**243**	**—**	**1,822**	**1,822**	**—**
Bond	**(10,000)**	**(9,885)**	**(115)**	**(74,884)**	**(74,021)**	**(863)**
Long-term debt						
Due within one year	**(4,235)**	**(4,222)**	**(13)**	**(31,714)**	**(31,615)**	**(99)**
Due after one year	**(26,960)**	**(26,624)**	**(336)**	**(201,884)**	**(199,372)**	**(2,512)**
Lease obligations	**(1,361)**	**(1,371)**	**10**	**(10,189)**	**(10,268)**	**79**
Derivatives	**¥ 113**	**¥ 113**	**¥ —**	**$ 844**	**$ 844**	**$ —**

Year ended March 31, 2022	Millions of yen		
	Carrying amount shown in balance sheet	Fair value	Difference
Investments in securities			
Other securities	¥ 3,728	¥ 3,728	¥ —
Investments in long-term loans receivable	391	391	—
Bond	(10,000)	(9,928)	(72)
Long-term debt			
Due within one year	(4,822)	(4,813)	(9)
Due after one year	(25,277)	(25,056)	(221)
Lease obligations	(1,092)	(1,169)	77
Derivatives	¥ (420)	¥ (420)	¥ —

(Note) 1. "Cash and time deposits," "Notes and accounts receivable," "Electronically recorded monetary claims - operating," "Securities," "Notes and accounts payable," "Electronically recorded obligations – operating" and "Short-term loans" are not included in the table above because they are settled in a short term since the market value is close to the book value.
2. The following financial instruments are not included in the above table because market prices were not available.
The amounts recorded in the consolidated balance sheet for the relevant financial instruments are as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Investments in securities			
Unlisted securities	**¥ 8,468**	¥ 7,427	**$ 63,414**
Investments and other assets			
Investments in capital	**¥ 1,006**	¥ 658	**$ 7,532**

3. The amount of "Lease obligations" shows the sum of the lease obligation amounts included in other current liabilities and other long-term liabilities.
4. Receivables and payables incurred by derivative transactions are presented as a net amount.

(1) Amount to be redeemed after the consolidated closing date of monetary asset and securities with maturity

Year ended March 31, 2023	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	¥ 57,746	¥ —	¥ —	¥ —
Notes	725	—	—	—
Accounts receivable	60,539	—	—	—
Electronically recorded monetary claims-operating	20,092	—	—	—
Investments in long-term loans receivable	—	241	2	0
Total	¥ 139,102	¥ 241	¥ 2	¥ 0

Year ended March 31, 2023	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	$ 432,423	$ —	$ —	$ —
Notes	5,428	—	—	—
Accounts receivable	453,343	—	—	—
Electronically recorded monetary claims-operating	150,459	—	—	—
Investments in long-term loans receivable	—	1,803	19	0
Total	$ 1,041,653	$ 1,803	$ 19	$ 0

Year ended March 31, 2022	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	¥ 51,338	¥ —	¥ —	¥ —
Notes	669	—	—	—
Accounts receivable	51,680	—	—	—
Electronically recorded monetary claims-operating	15,399	—	—	—
Marketable securities	1,000	—	—	—
Investments in long-term loans receivable	—	386	6	—
Total	¥ 120,086	¥ 386	¥ 6	¥ —

(2) Expected repayment amount of short-term loan, bond, long-term debts and lease debts after the consolidated closing date

Year ended March 31, 2023	Millions of yen					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	¥ 58,342	¥ —	¥ —	¥ —	¥ —	¥ —
Bond	—	—	—	10,000	—	—
Long-term debt	4,235	4,698	4,945	4,842	4,625	7,849
Lease debt	308	245	194	146	127	341
Total	¥ 62,885	¥ 4,943	¥ 5,139	¥ 14,988	¥ 4,752	¥ 8,190

Year ended March 31, 2023	Thousands of U.S. dollars					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	$ 436,887	$ —	$ —	$ —	$ —	$ —
Bond	—	—	—	74,884	—	—
Long-term debt	31,714	35,178	37,033	36,260	34,635	58,778
Lease debt	2,310	1,836	1,452	1,091	948	2,552
Total	$ 470,911	$ 37,014	$ 38,485	$ 112,235	$ 35,583	$ 61,330

Year ended March 31, 2022	Millions of yen					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	¥ 54,393	¥ —	¥ —	¥ —	¥ —	¥ —
Bond	—	—	—	—	10,000	—
Long-term debt	4,822	4,012	4,061	3,815	3,727	9,662
Lease debt	214	177	147	111	82	360
Total	¥ 59,429	¥ 4,189	¥ 4,208	¥ 3,926	¥ 13,809	¥ 10,022

(c) Matters concerning the breakdown of financial instruments by fair value level

The Company classifies the fair value of financial instruments into the following three levels according to the observability and significance of the inputs used to calculate the fair value.

Level 1: Fair value measured by quoted market prices for identical assets or liabilities in an active market
Level 2: Fair value measured using observable inputs other than Level 1 inputs
Level 3: Fair value measured using significant unobservable inputs

When multiple inputs that have a significant impact on the measuring fair value are used, the fair value is classified by the level from which the lowest inputs ware used.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Year ended March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥ 5,597	¥ —	¥ —	¥ 5,597
Total assets	5,597	—	—	5,597
Derivatives	—	113	—	113
Total liabilities	¥ —	¥ 113	¥ —	¥ 113

Year ended March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	$ 41,912	$ —	$ —	$ 41,912
Total assets	41,912	—	—	41,912
Derivatives	—	844	—	844
Total liabilities	$ —	$ 844	$ —	$ 844

Year ended March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥ 3,728	¥ —	¥ —	¥ 3,728
Total assets	3,728	—	—	3,728
Derivatives	—	(420)	—	(420)
Total liabilities	¥ —	¥ (420)	¥ —	¥ (420)

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Year ended March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	¥ —	¥ 243	¥ —	¥ 243
Total assets	—	243	—	243
Bond	—	9,885	—	9,885
Long-term debt				
Due within 1 year	—	4,222	—	4,222
Due over 1 year	—	26,624	—	26,624
Lease debt	—	1,371	—	1,371
Total liabilities	¥ —	¥ 42,102	¥ —	¥ 42,102

Year ended March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	$ —	$ 1,822	$ —	$ 1,822
Total assets	—	1,822	—	1,822
Bond	—	74,021	—	74,021
Long-term debt				
Due within 1 year	—	31,615	—	31,615
Due over 1 year	—	199,372	—	199,372
Lease debt	—	10,268	—	10,268
Total liabilities	$ —	$ 315,276	$ —	$ 315,276

Year ended March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	¥ —	¥ 392	¥ —	¥ 392
Total assets	—	392	—	392
Bond	—	9,928	—	9,928
Long-term debt				
Due within 1 year	—	4,813	—	4,813
Due over 1 year	—	25,056	—	25,056
Lease debt	—	1,169	—	1,169
Total liabilities	¥ —	¥ 40,966	¥ —	¥ 40,966

(Note) Valuation methods and inputs used to calculate to fair value

(Investment in securities)
The fair values of listed securities are based on the quoted market price. Since listed securities are traded in an active market, the fair value is classified as Level 1.

(Investments in long-term loans receivable)
The fair value of investments in long-term loans receivable is classified as Level 2 because the loans are classified by a certain period and the values measured by the discounted present value method based on future cash flows and interest rates obtained by adding the credit spread to appropriate indicators such as government bond yields.

(Bonds)
The fair value of bonds issued by the Company is classified as Level 2 because the value is measured by using the discounted present value method based on the total amount of principal and interest and the remaining term of the bond using an interest rate that reflects credit risk to appropriate indicators such as the yield on government bonds.

(Long-term debt and lease debt)
The fair value is classified as Level 2 because it is measured by using the discounted present value method based on the total amount of principal and interest and the remaining term of the debt using an interest rate that reflects credit risk to appropriate indicators such as the yield on government bonds.

(Derivatives)
The fair values of derivative transactions are calculated using the discounted present value method using observable inputs such as interest rates and foreign exchange rates and are classified as Level 2.

18. SECURITIES

(a) Available-for-sale securities with determinable market values

As of March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:						
Stock	**¥ 2,174**	**¥ 5,393**	**¥ 3,219**	**$ 16,279**	**$ 40,386**	**$ 24,107**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Securities whose carrying value does not exceed acquisition costs:						
Stock	**248**	**204**	**(44)**	**1,856**	**1,526**	**(330)**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 2,422**	**¥ 5,597**	**¥ 3,175**	**$ 18,135**	**$ 41,912**	**$ 23,777**

As of March 31, 2022	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:			
Stock	¥ 1,018	¥ 2,869	¥ 1,851
Bonds	—	—	—
Other	—	—	—
Securities whose carrying value does not exceed acquisition costs:			
Stock	1,430	859	(571)
Bonds	—	—	—
Other	1,000	1,000	—
Total	¥ 3,448	¥ 4,728	¥ 1,280

(b) Securities without determinable market values

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Investment in securities:			
Unlisted securities (available-for-sale securities)	**¥ 330**	¥ 330	**$ 2,468**
Unlisted securities (unconsolidated subsidiaries and affiliated companies)	**8,139**	7,097	**60,946**
Investments in capital (unconsolidated subsidiaries and affiliated companies)	**¥ 1,006**	¥ 658	**$ 7,532**

19. DERIVATIVE TRANSACTIONS

(1) Derivative transactions for which hedge accounting is not applied

Currency related

Year ended March 31, 2023

	Type of derivative	Contract amount (Millions of yen)		Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)	Contract amount (Thousands of U.S. dollars)		Fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
			Over one year (Millions of yen)				Over one year (Thousands of U.S. dollars)		
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	**¥ 21,112**	**¥ —**	**¥ 149**	**¥ 149**	**$ 158,094**	**$ —**	**$ 1,117**	**$ 1,117**

Year ended March 31, 2022

	Type of derivative	Contract amount (Millions of yen)		Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
			Over one year (Millions of yen)		
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	¥ 24,508	¥ —	¥ (196)	¥ (196)

Commodity related

Year ended March 31, 2023

	Type of derivative	Contract amount (Millions of yen)		Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)	Contract amount (Thousands of U.S. dollars)		Fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
			Over one year (Millions of yen)				Over one year (Thousands of U.S. dollars)		
Nonmarket transactions	Forward contracts Buying natural gas	**¥ 338**	**¥ —**	**¥ (189)**	**¥ (189)**	**$ 2,533**	**$ —**	**$ (1,419)**	**$ (1,419)**

Year ended March 31, 2022

	Type of derivative	Contract amount (Millions of yen)		Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
			Over one year (Millions of yen)		
Nonmarket transactions	Forward contracts Buying natural gas	¥ 134	¥ —	¥ 31	¥ 31

(2) Derivative transactions for which hedge accounting is applied

Interest rate related

Year ended March 31, 2023

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**¥ 4,483**	**¥ 3,973**	**¥ 212**

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Thousands of U.S. dollars)	Amount of contracts over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**$ 33,568**	**$ 29,754**	**$ 1,590**

Year ended March 31, 2022

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	¥ 5,211	¥ 3,879	¥ (246)

Currency related

Year ended March 31, 2023

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	**¥ 4,221**	**¥ —**	**¥ (59)**

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Thousands of U.S. dollars)	Amount of contracts over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	**$ 31,610**	**$ —**	**$ (444)**

Year ended March 31, 2022

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	¥ 1,797	¥ —	¥ (10)

20. IMPAIRMENT LOSS ON FIXED ASSETS

In the year ended March 31, 2023, the Group reported the following loss on impairment of fixed assets:

Use	Place	Type of asset	Millions of yen	Thousands of U.S. dollars
Plant in Overseas Steel Business	Hung Yen Province, Vietnam Hai Phong City, Vietnam	Buildings and structures	**¥ 525**	**$ 3,929**
		Machinery and equipment	**207**	**1,553**
		Construction in progress	**79**	**591**
		Other tangible assets	**97**	**728**
		Other intangible assets	**160**	**1,195**
		Total	**¥ 1,068**	**$ 7,996**

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle. In addition, idle assets were grouped individually. Regarding factories in the overseas steel business in Hung Yen Province, Vietnam, etc., the book value of the fixed assets, owned by VIS, has been written down to its recoverable value due to a decline in profitability and recorded as loss on impairment of fixed assets. The recoverable value for measuring impairment loss is determined by the value in use. The value in use was computed based on future cash flows at a discount rate of mainly 14%.

In the year ended March 31, 2022, the Group reported the following loss on impairment of fixed assets:

Use	Place	Type of asset	Millions of yen
Company housing	Hirakata City, Osaka Prefecture	Buildings and structures	¥ 8
		Land	147
		Total	¥ 155

Fixed assets were grouped based on division, and each idle asset was treated as separate property. Due to the decision to sell, the book values of the above assets were reduced to the recoverable values and recorded as other expenses. The recoverable value for measuring impairment loss is determined by the net selling price based on the transfer price from the relevant contract.

21. STATEMENTS OF COMPREHENSIVE INCOME

Comprehensive income for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Valuation difference on available-for-sale securities:			
Current accrual	**¥ 1,905**	¥ (144)	**$ 14,262**
Reclassification adjustment	**(39)**	—	**(291)**
Before tax effect adjustment	**1,866**	(144)	**13,971**
Tax effect adjustment	**(520)**	40	**(3,891)**
Valuation difference on available-for-sale securities	**1,346**	(104)	**10,080**
Deferred gains and losses on hedges:			
Current accrual	**405**	209	**3,035**
Reclassification adjustment	**—**	—	**—**
Before tax effect adjustment	**405**	209	**3,035**
Tax effect adjustment	**(93)**	(45)	**(695)**
Deferred gains and losses on hedges	**312**	164	**2,340**
Foreign currency translation adjustments:			
Current accrual	**5,355**	4,780	**40,100**
Reclassification adjustment	**—**	—	**—**
Before tax effect adjustment	**5,355**	4,780	**40,100**
Tax effect adjustment	**—**	—	**—**
Foreign currency translation adjustments	**5,355**	4,780	**40,100**
Remeasurement of defined benefit plans:			
Current accrual	**1,635**	1,771	**12,247**
Reclassification adjustment	**(198)**	(62)	**(1,486)**
Before tax effect adjustment	**1,437**	1,709	**10,761**
Tax effect adjustment	**(335)**	(412)	**(2,506)**
Remeasurement of defined benefit plans	**1,102**	1,297	**8,255**
Total	**¥ 8,115**	¥ 6,137	**$ 60,775**

22. REVENUE RECOGNITION

(a) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers is as described in Note 23, “Segment information.”

(b) Revenue from contracts with customers

Revenue from contracts with customers is as described in Note 2 (l), “SIGNIFICANT ACCOUNTING POLICIES - Method for recording revenues and expenses.”

(c) Additional information for revenue for the fiscal year ended March 31 2023, and subsequent fiscal years

(1) Receivables from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Receivables from contracts with customers (beginning balance)	**¥ 67,748**	¥ 52,574	**$ 507,323**
Receivables from contracts with customers (ending balance)	**¥ 81,356**	¥ 67,748	**$ 609,230**

(2) Transaction price allocated to residual performance obligations

There is no transaction price allocated to residual performance obligations as there is no amount of revenue expected to be recognized in subsequent periods from existing contracts.

23. SEGMENT INFORMATION

(a) Overview of reporting segments

The Group's reporting segments are segments for which separate financial information can be obtained and that are subject to regular deliberation by the highest decision-making body in order to make decisions on allocating management resources and assess financial performance.

The Group's organization is based on the products and services it deals in and consists of three business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Based on these business segments, the Group formulates comprehensive domestic and overseas strategies and carries out business activities. Accordingly, the Group has made these three segments — Domestic Steel Business, Overseas Steel Business and Material Recycling Business — its reporting segments.

The Domestic Steel Business is involved in the production, sale and transport of steel products primarily for domestic civil engineering and construction. The Overseas Steel Business is involved in the production, sale and transport of steel products primarily for overseas civil engineering and construction. The Material Recycling Business is involved in the intermediate and final processing of medical waste and industrial waste and gravel recycling.

(b) Accounting methods net sales, profit or loss, assets and amounts for other items for each reporting segment

The accounting methods used for the reporting business segments are the same as those in Note 2, "Significant Accounting Policies." Reporting segment income is operating income. Intersegment transactions and transfers are based on market prices, etc.

Year ended March 31, 2022

Application of Accounting Standards for Fair Value Measurement

As described in Changes in Accounting Policy, the Accounting Standard for Revenue Recognition and relevant ASBJ regulations have been applied from the beginning of the current fiscal year, resulting in changes in the accounting treatment for revenue recognition. Accordingly, the Company has changed the methods used to measure profit and loss in the operating segments. As a result of these changes, net sales in the "Domestic Steel Business" decreased by 11,979 million yen, and net sales in the "Material Recycling Business" decreased by 2,730 million yen for the current fiscal year compared with the amounts that would have been reported without the change.

(c) Net sales, profit or loss, assets and amounts for other items for each reporting segment

Segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022 is outlined as follows:

Year ended March 31, 2023 — Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 153,581	¥ 189,603	¥ 7,645	¥ 350,829	¥ 4,886	¥ —	¥ 355,715
Intersegment sales and transfers	8	767	371	1,146	1,052	(2,198)	—
Total	153,589	190,370	8,016	351,975	5,938	(2,198)	355,715
Segment income	14,717	(674)	1,638	15,681	(71)	(791)	14,819
Segment assets	147,101	129,366	6,725	283,192	11,834	42,687	337,713
Other							
Depreciation and amortization	3,659	5,090	191	8,940	452	378	9,770
Amortization of goodwill	—	105	—	105	—	—	105
Impairment loss on fixed assets	—	1,068	—	1,068	—	—	1,068
Increase in property, plant, equipment and intangible assets	¥ 4,086	¥ 4,629	¥ 109	¥ 8,824	¥ 89	¥ 419	¥ 9,332

Year ended March 31, 2023 — Thousands of U.S. dollars

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	$ 1,150,071	$ 1,419,820	$ 57,250	$ 2,627,141	$ 36,590	$ —	$ 2,663,731
Intersegment sales and transfers	60	5,745	2,776	8,581	7,879	(16,460)	—
Total	1,150,131	1,425,565	60,026	2,635,722	44,469	(16,460)	2,663,731
Segment income	110,209	(5,048)	12,266	117,427	(537)	(5,923)	110,967
Segment assets	1,101,552	968,742	50,356	2,120,650	88,626	319,658	2,528,934
Other							
Depreciation and amortization	27,397	38,119	1,433	66,949	3,387	2,828	73,164
Amortization of goodwill	—	787	—	787	—	—	787
Impairment loss on fixed assets	—	7,996	—	7,996	—	—	7,996
Increase in property, plant, equipment and intangible assets	$ 30,597	$ 34,665	$ 815	$ 66,077	$ 670	$ 3,139	$ 69,886

(Note) 1. Other represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2. Intersegment eliminations of ¥(791) million ($(5,923) thousand) and corporate expenses of ¥38 million ($281 thousand) not allocated to the reporting segments were included in the ¥(829) million ($(6,205) thousand) adjustment for "Segment income (Operating income)." Corporate expenses related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3. The adjustment of segment assets of ¥42,687 million ($319,658 thousand) related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4. The adjustment of depreciation and amortization of ¥378 million ($2,828 thousand) related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5. The adjustment of expenditure for additions to tangible and intangible assets of ¥419 million ($3,139 thousand) related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6. Segment income was adjusted against operating income of the consolidated statement of income.

Year ended March 31, 2022 — Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 128,957	¥ 152,008	¥ 7,289	¥ 288,254	¥ 4,465	¥ —	¥ 292,719
Intersegment sales and transfers	2	—	351	353	903	(1,256)	—
Total	128,959	152,008	7,640	288,607	5,368	(1,256)	292,719
Segment income	2,622	5,233	2,044	9,899	50	(1,130)	8,819
Segment assets	135,455	123,259	7,052	265,766	11,866	36,571	314,203
Other							
Depreciation and amortization	3,654	4,355	242	8,251	344	245	8,840
Amortization of goodwill	—	224	—	224	—	—	224
Impairment loss on fixed assets	150	—	4	154	—	—	154
Increase in property, plant, equipment and intangible assets	¥ 7,738	¥ 3,639	¥ 140	¥ 11,517	¥ 712	¥ 742	¥ 12,971

(Note) 1. Other represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2. Intersegment eliminations of ¥(1,130) million and corporate expenses of ¥10 million not allocated to the reporting segments were included in the ¥(1,141) million adjustment for "Segment income (Operating income)." Corporate expenses related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3. The adjustment of segment assets of ¥36,570 million related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4. The adjustment of depreciation and amortization of ¥245 million related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5. The adjustment of expenditure for additions to tangible and intangible assets of ¥742 million related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6. Segment income was adjusted against operating income of the consolidated statement of income.

(d) Information related to geographic areas

Information for the geographic areas for the years ended March 31, 2023 and 2022 is outlined as follows:

(1) Net sales

Year ended March 31, 2023 — Millions of yen

Japan	Overseas					Total
		Vietnam	Canada	United States	Others	
¥ 160,447	**¥ 195,268**	**¥ 114,753**	**¥ 32,909**	**¥ 35,048**	**¥ 12,558**	**¥ 355,715**

Year ended March 31, 2023 — Thousands of U.S. dollars

Japan	Overseas					Total
		Vietnam	Canada	United States	Others	
$1,201,487	**$1,462,244**	**$ 859,316**	**$ 246,434**	**$ 262,452**	**$ 94,042**	**$ 2,663,731**

Year ended March 31, 2022 — Millions of yen

Japan	Overseas					Total
		Vietnam	Canada	United States	Others	
¥ 136,323	¥ 156,396	¥ 93,743	¥ 31,827	¥ 21,044	¥ 9,782	¥ 292,719

Changes in presentation method
Year ended March 31,2022
"Canada" and "the United States," which were included in "North America" are presented separately from the fiscal year, as their importance have increased.

(2) Property, plant and equipment

Year ended March 31, 2023 — Millions of yen

Japan	Vietnam	Canada	United States	Total
¥ 59,177	**¥ 20,725**	**¥ 6,459**	**¥ 15,833**	**¥ 102,194**

Year ended March 31, 2023 — Thousands of U.S. dollars

Japan	Vietnam	Canada	United States	Total
$ 443,139	**$ 155,196**	**$ 48,368**	**$ 118,567**	**$ 765,270**

Year ended March 31, 2022 — Millions of yen

Japan	Vietnam	Canada	United States	Total
¥ 59,128	¥ 20,082	¥ 14,610	¥ 5,381	¥ 99,201

(3) Impairment loss on fixed assets by reportable segment

Year ended March 31, 2023 — Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	**¥ —**	**¥ 1,068**	**¥ —**	**¥ —**	**¥ —**	**¥ 1,068**

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	**$ —**	**$ 7,996**	**$ —**	**$ —**	**$ —**	**$ 7,996**

Year ended March 31, 2022 — Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	¥ 150	¥ —	¥ 4	¥ —	¥ —	¥ 154

(4) Amortization of goodwill and balance of unamortized goodwill by reportable segment

Year ended March 31, 2023 — Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	**¥ —**	**¥ 105**	**¥ —**	**¥ —**	**¥ —**	**¥ 105**
Balance at the end of the term	**¥ —**	**¥ 829**	**¥ —**	**¥ —**	**¥ —**	**¥ 829**

Thousands of U.S. dollars

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	**$ —**	**$ 787**	**$ —**	**$ —**	**$ —**	**$ 787**
Balance at the end of the term	**$ —**	**$ 6,208**	**$ —**	**$ —**	**$ —**	**$ 6,208**

Year ended March 31, 2022 — Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	¥ —	¥ 224	¥ —	¥ —	¥ —	¥ 224
Balance at the end of the term	¥ —	¥ 856	¥ —	¥ —	¥ —	¥ 856

24. SUBSEQUENT EVENTS

Dividend distribution of surplus
On April 28, 2023, the Company's Board of Directors resolved a dividend distribution as follows:

Millions of yen	Thousands of U.S. dollars
¥ 2,825	**$ 21,153**

Cash dividends: ¥80 ($0.6) per share.

Independent auditor's report

To the Board of Directors of KYOEI STEEL LTD.:

Opinion

We have audited the accompanying consolidated financial statements of KYOEI STEEL LTD. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of net sales related to domestic steel products

The key audit matter	How the matter was addressed in our audit
As described in Note 23 "Segment Information," the Group is mainly engaged in the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. The Domestic Steel Business is primarily operated by the Company and its consolidated subsidiary, KANTO STEEL Ltd. Net sales of the Domestic Steel Business amounted to ¥153,581 million for the current fiscal year, representing approximately 43.2% of net sales in the consolidated financial statements. As described in Note 2, "Significant Accounting Policies", net sales of domestic steel products are recognized at the time of products shipment. The sales transactions of domestic steel products have the following features. ● Selling prices vary depending on type and quantity of steel sold, and the delivery method. ● Selling prices fluctuate throughout the year as they are affected by market conditions. ● Even if the type and quantity of steel sold and the delivery method are identical, there would be multiple sales agreements with customers that stipulate different selling prices. With these features, there is a risk that net sales are inaccurately recognized due to input errors with respect to unit selling prices. We, therefore, determined that our assessment of the accuracy of net sales related to domestic steel products was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed for the Company and KANTO STEEL Ltd. to assess the accuracy of net sales related to domestic steel products included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company and KANTO STEEL Ltd.'s internal controls relevant to the process of recognizing net sales related to domestic steel products. In this assessment, we focused our testing on the following controls: ● Controls in which a person other than the data input operator checks the transaction-related data that are input in the sales system ● Controls designed to check modifications made to unit selling prices **(2) Assessment of the accuracy of net sales related to domestic steel products** In order to assess whether the net sales related to domestic steel products were accurately recognized, we: ● Selected the transactions that were significant in value and the additional transations on a sample basis from net sales for the current fiscal year and compared them with the amounts from cash receipts; ● Selected the customers using a statistical technique, obtained accounts receivable confirmations directly from the customers and compared them with the book balances; and ● Categorized unit selling prices by office, product type and contract month and year using sales data and identified the transactions that deviated from the average unit selling price in each category beyond a certain degree. We then inquired of the personnel responsible for sales about the reasons for the deviation and compared the unit selling prices for the transactions identified with the relevant documents, including purchase orders issued by customers.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takahide Nakahata

Designated Engagement Partner

Certified Public Accountant

Shunsuke Ohigashi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

October 19, 2023

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.