

Financial Overview

for the Fiscal Year

Ended March 31, 2023

Kyoei Steel, Ltd.

(TSE Prime Market Code: 5440)

May, 2023

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Financial Results for the Fiscal Year Ended March 31, 2023

Both net sales and operating income increased from the previous fiscal year, exceeding the latest forecast.

Period: April 1, 2022 to March 31, 2023

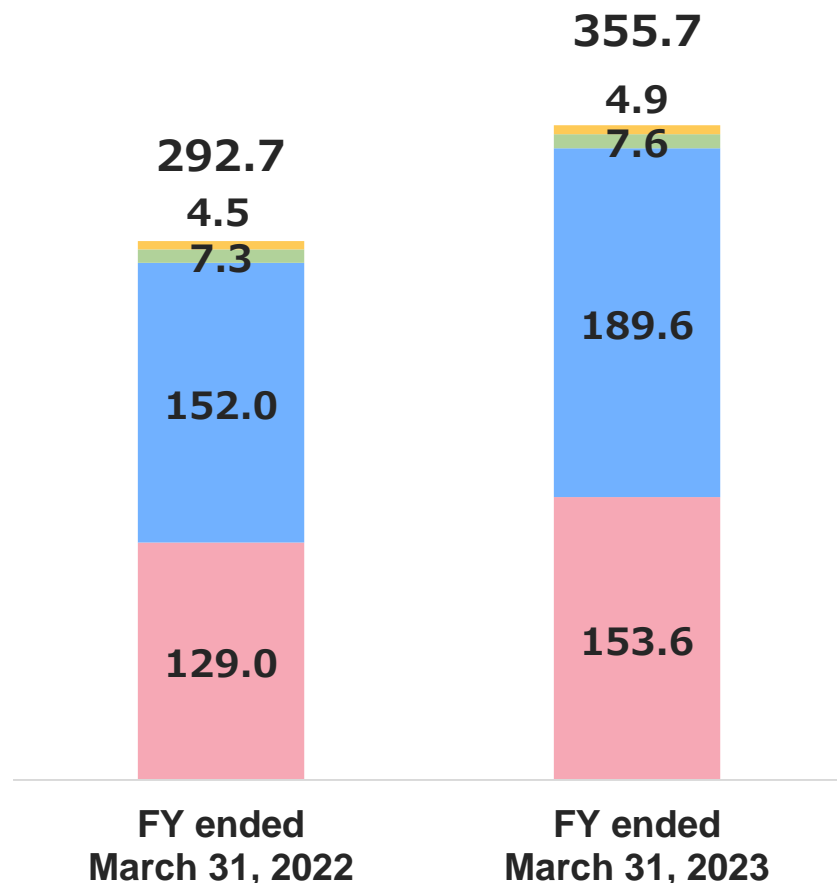
(billions of yen)	FY ended March 31, 2022	FY ended March 31, 2023	Year-on- year change	Latest forecast (March 17, 2023)
Net sales	292.7	355.7	+63.0 (+21.5%)	355.0
Operating profit	8.8	14.8	+6.0 (+68.0%)	13.3
Ordinary profit	10.5	14.7	+4.1 (+39.1%)	13.2
Profit	6.3	13.1	+6.8 (+107.3%)	11.0

Summary of Financial Results by Segment

Domestic Steel Business Overseas Steel Business Material Recycling Business Other Business

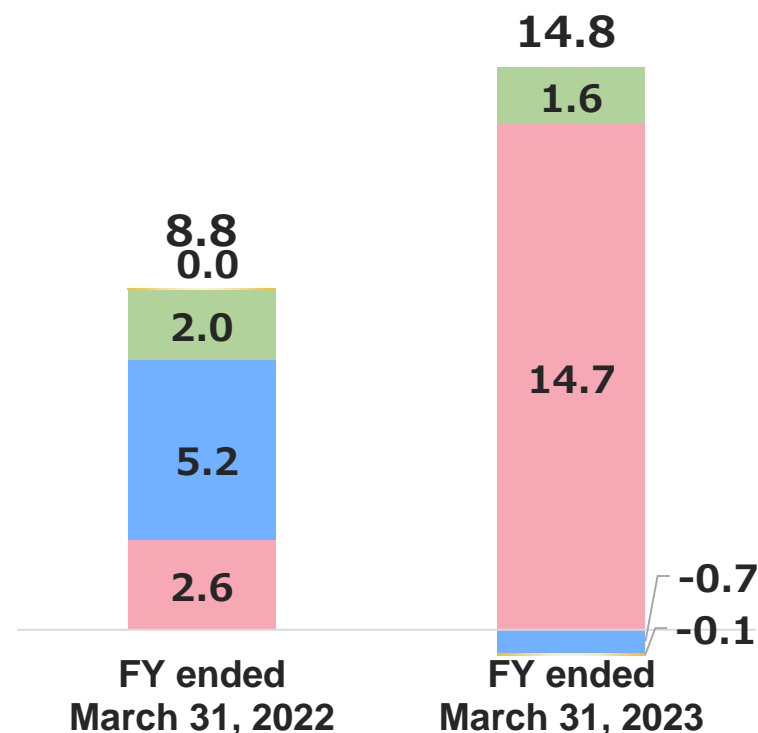
Net sales

(billions of yen)



Operating profit

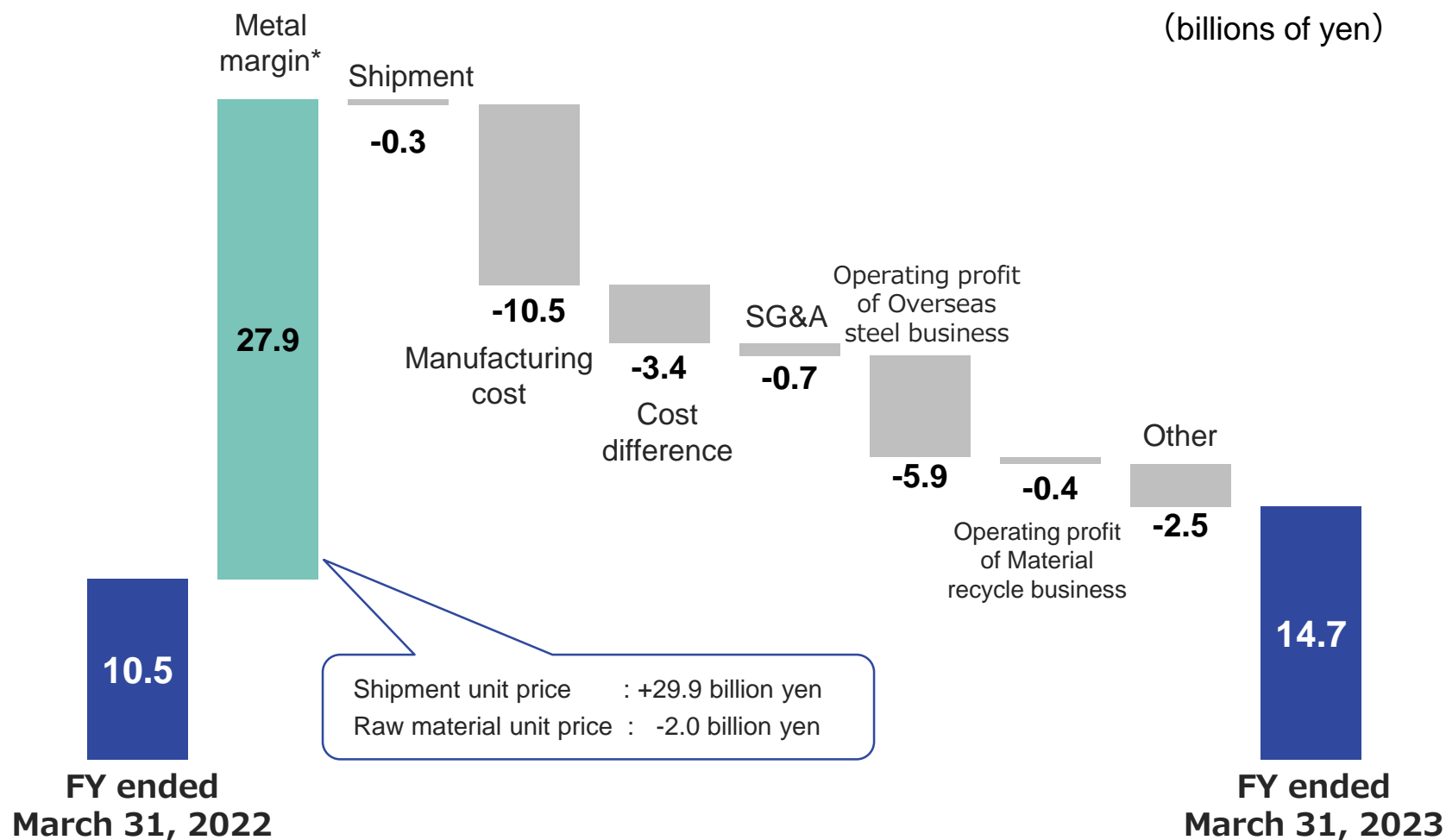
(billions of yen)



* The differences between the total operating profit for each business and operating profit for the full year are attributed to elimination of corporate costs.

Factors for Changes in Ordinary Profit (Year-on-Year Comparison)

Factors that caused an increase in ordinary profit by 4.2 billion yen from the previous fiscal year



*Metal margin: Difference between product shipment unit price and scrap consumption unit price

Domestic Steel Business

Net sales: 153.6 billion yen
Operating profit: 14.7 billion yen

Year-on-year change: increase in net sales and operating profit

- Product shipment decreased by 36,000 tons (-2.3%) year-on-year to 1,550,000 tons.
Both production and shipments (including exports) decreased from the previous fiscal year.
- Product price increases to reflect increases in steel scrap prices and manufacturing costs finally took effect, resulting in a widening metal margin, difference between sales and purchase prices from the previous fiscal year.

Overseas Steel Business

Net sales: 189.6 billion yen
Operating profit: -0.7 billion yen

Year-on-year change: increase in net sales and decrease in operating profit

- **Vietnam**
The current fiscal year started with a solid performance. However, real estate development slowed down in and after July due to tighter anti-corruption regulations by the government, resulting in interest rate hikes and tighter lending regulations on real estate financing. As a result, demand for both housing and other projects decreased sharply.
- **North America**
Demand remained strong, and sales prices also remained at high levels. Manufacturing cost increases caused mainly by electricity costs were absorbed by the widening gap between sales and purchase prices.

Material Recycling Business

Net sales: 7.6 billion yen

Operating profit: 1.6 billion yen

Year-on-year change: increase in net sales and decrease in operating profit

- The number of medical waste treatment projects related to COVID-19 continued to increase.
- Disposal cost increased due to rises in fuel costs.

Other Businesses (Steel Peripheral Business)

Net sales: 4.9 billion yen

Operating profit: -0.1 billion yen

Year-on-year change: increase in net sales and decrease in operating profit

- Vietnam casting business: Struggled in the first half of the fiscal year due to soaring material prices, but recovered in the second half as higher sales prices took effect.
- Vietnam harbor operations business: The scrap handling volume decreased as construction demand slowed down.
- Domestic casting business: Continued to struggle due to delays in passing on cost increases to higher sales prices; drastic price revisions started

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Forecast of Financial Results for the Fiscal Year Ending March 31, 2024

In the final year of the medium-term business plan, we aim to achieve year-on-year growth in operating and ordinary profit, although the business environment is expected to be challenging.

	FY ended March 31, 2023			(billions of yen) FY ending March 31, 2024 (Forecast)			
	1st half	2nd half	Full year	1st half	2nd half	Full year	Change (from the previous fiscal year)
Net sales	182.8	172.9	355.7	165.0	187.5	352.5	(-0.9%)
Operating profit	6.1	8.7	14.8	8.2	11.8	20.0	(+35.0%)
Ordinary profit	6.5	8.2	14.7	7.0	11.0	18.0	(+22.7%)
Profit	4.1	9.1	13.1	4.5	7.5	12.0	(-8.4%)

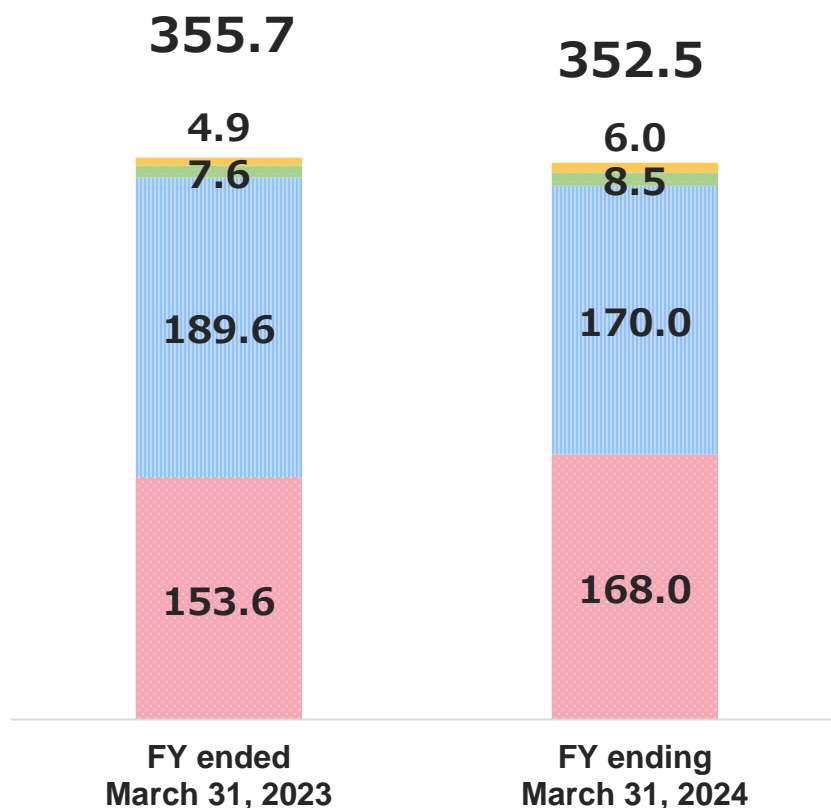
	FY ended March 31, 2023			(billions of yen) FY ending March 31, 2024		
	Japan	Overseas	Total	Japan	Overseas	Total
Capital expenditure	4.7	4.6	9.3	10.8	3.3	14.1
Depreciation and amortization	4.7	5.1	9.8	4.2	4.8	9.0

Forecast of Financial Results for Full Year by Segment

Domestic Steel Business Overseas Steel Business Material Recycling Business Other Business

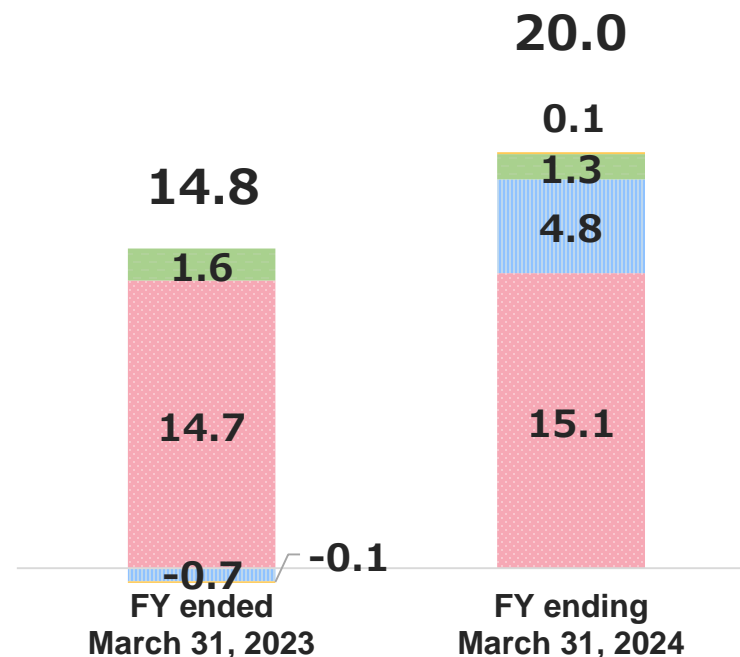
Net sales

(billions of yen)



Operating profit

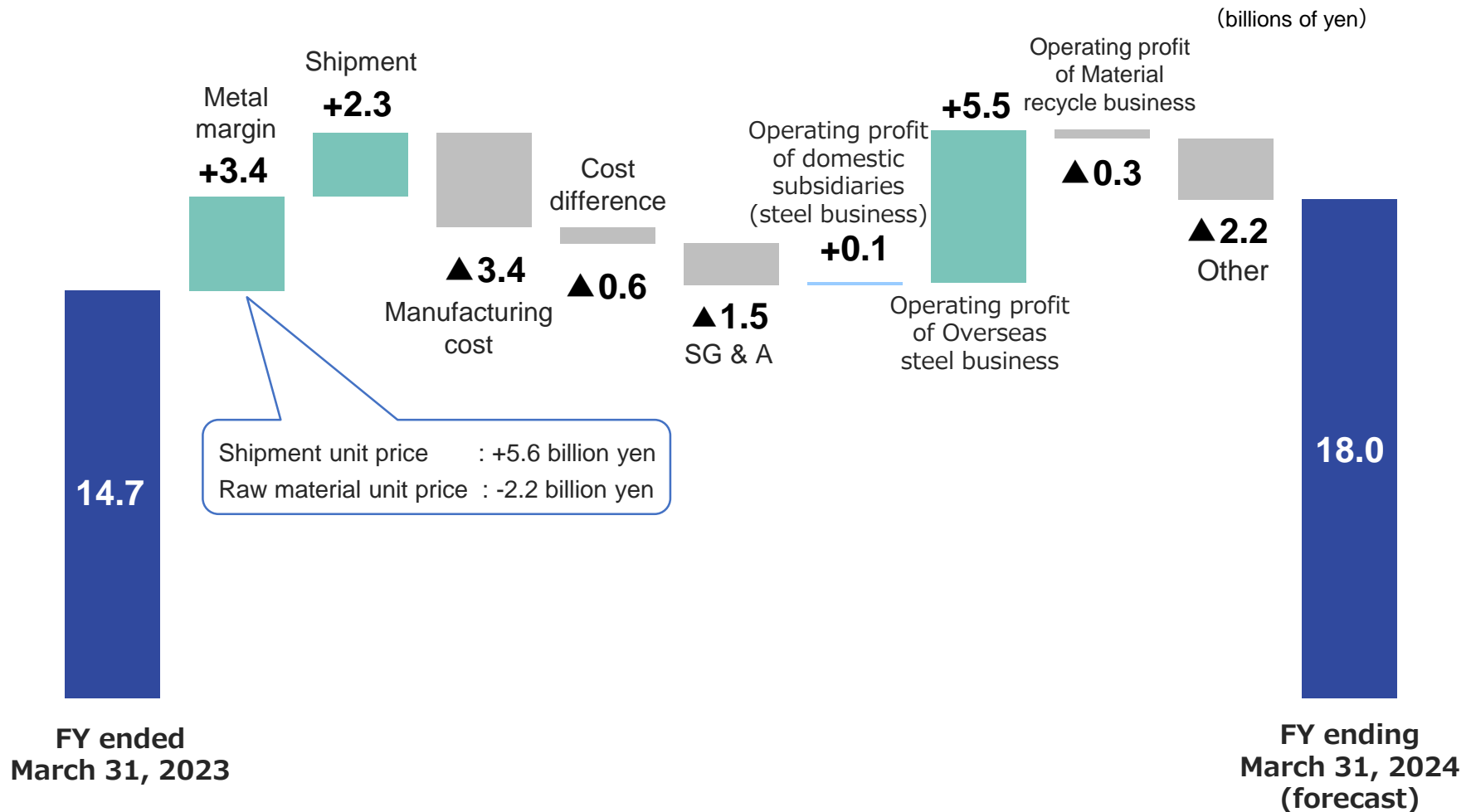
(billions of yen)



* The differences between the total operating profit for each business and operating profit for the full year are attributed to elimination of corporate costs.

Factors for Changes in Ordinary Profit: Full Year Forecast Vs. Previous Fiscal Year Results

Factors that are likely to cause ordinary profit for the fiscal year ending March 31, 2024 to increase by 3.3 billion yen from the previous fiscal year.



Domestic Steel Business

Net sales: 168.0 billion yen
Operating profit: 15.1 billion yen

Year-on-year change: Both net sales and operating profit are forecast to increase.

- Product shipment is forecast to increase by 105,000 tons from the previous year to 1,650,000 tons.
- As we expect manufacturing and other costs to continue to rise, we will strive to secure an adequate difference between sales and purchase prices by raising product unit prices.

Overseas Steel Business

Net sales: 170.0 billion yen
Operating profit: 4.8 billion yen

Year-on-year change: Net sales are forecast to decrease and operating profit is forecast to increase.

- **Vietnam**
Although there are positive signs, such as declines in interest rates and relaxation of lending regulations, construction demand will remain weak, and recovery is expected to be delayed until the second half of the year or later.
- **North America**
Although there are concerns about the impact on the economy of inflation, rising interest rates, and the failure of U.S. regional banks, steel demand will remain strong both in the U.S. and Canada.
Aiming to capture solid demand, we will strengthen production and sales systems focusing mainly on bar steel.

Material Recycling Business

Net sales: 8.5 billion yen

Operating profit: 1.3 billion yen

Year-on-year change: Net sales are forecast to increase and operating profit is forecast to decrease.

- The business environment will remain healthy.
- We expect that the increase in the number of medical waste treatment projects related to COVID-19 will have run its course.

Other Businesses (Steel Peripheral Business)

Net sales: 6.0 billion yen

Operating profit: 0.1 billion yen

Year-on-year change: Both net sales and operating profit are forecast to increase.

- Vietnam casting business: Although the outlook of the global economy remains uncertain, we will focus on reducing costs and acquiring new sales channels.
- Vietnam harbor operations business: Steel demand in Vietnam is expected to remain weak. We will make up for the decrease in scrap handling volume by increasing the handling volume of other cargo.
- Domestic casting business: We aim to achieve a return to profitability by passing cost increases on to sales prices as soon as possible.

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Medium-Term Business Plan: Quantitative Targets for FY2024

Net sales

290.0

billion yen

Ordinary profit

18.0

billion yen

Shipment

4,000,000

tons

Japan: 1,700,000 tons;
Overseas: 2,300,000 tons

ROE

7% or higher

**Final
targets for
FY2024**

ROS

6% or higher

* ROS: Ratio of ordinary
profit to sales

Equity-to-
asset ratio

50% or higher

Net debt-to-
equity ratio

0.25 or lower

Dividend
payout ratio

Around **30%**

Progress of the Medium-Term Business Plan

		FY2022	FY2023		FY2024	
		Results	Forecast at beginning of term	Results	Medium-term business plan	Forecast
Net sales	(billion yen)	292.7	380.0	355.7	290.0	352.5
Ordinary profit	(billion yen)	10.5	11.0	14.7	18.0	18.0
Profit	(billion yen)	6.3	6.5	13.1	12.0	12.0
Shipment	(million tons)	33.2	36.5	32.8	400.0	34.6
(Japan)	(million tons)	15.8	16.0	15.4	17.0	16.5
(Overseas)	(million tons)	17.4	20.5	17.4	23.0	18.1
ROS		3.6%	2.9%	4.1%	6% or more	5.1%
ROE		0.4%	3.9%	7.7%	7% or more	6.7%
Dividend payout ratio		27.5%	301.2%	265.5%	Around 30%	25.4%
Capital and business investment	(billion yen)	13.0	33.0 [*]	9.3	-	14.1
		60.0 billion yen over three years				

* The amount of capital investment forecast for FY2023 is on an approval basis. 17

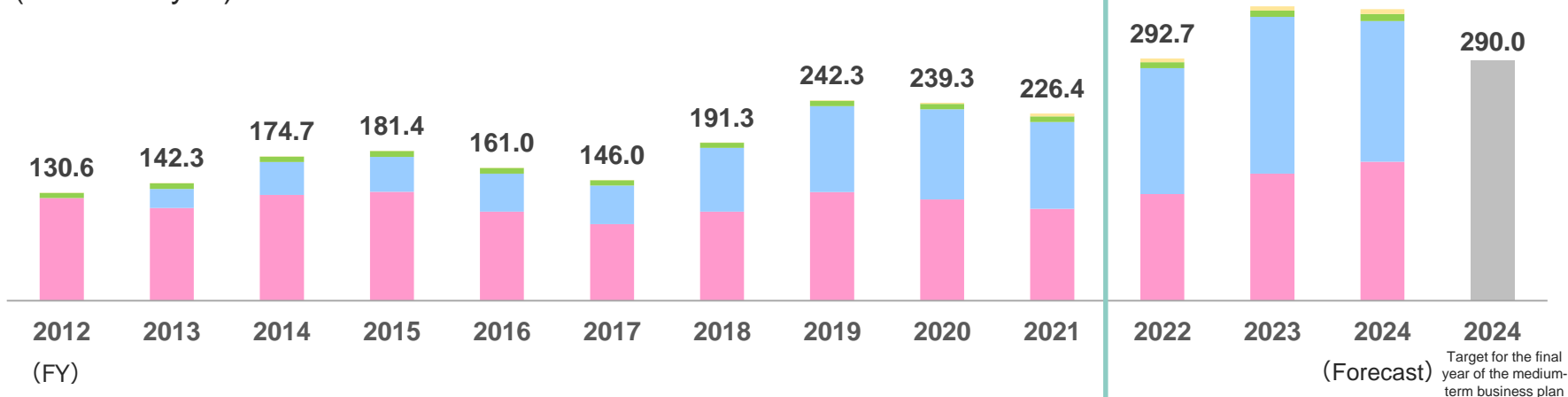
Changes in Net Sales and Operating Profit

A structure has substantially been in place wherein our three main businesses — the Domestic Steel Business, the Overseas Steel Business, and the Material Recycling Business — complement each other.

Net sales

(billions of yen)

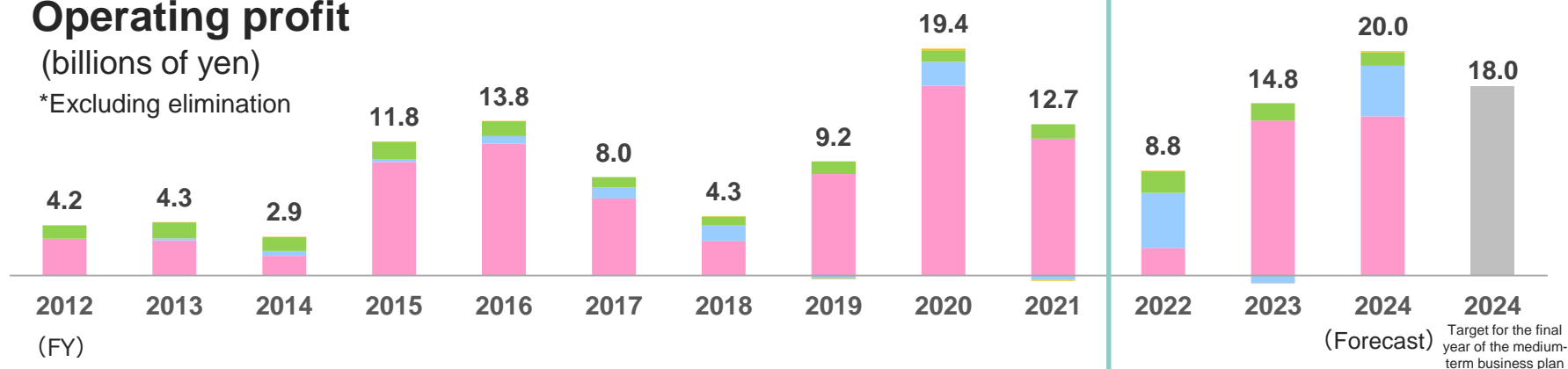
Domestic steel business Overseas steel business
Material recycling business Other business



Operating profit

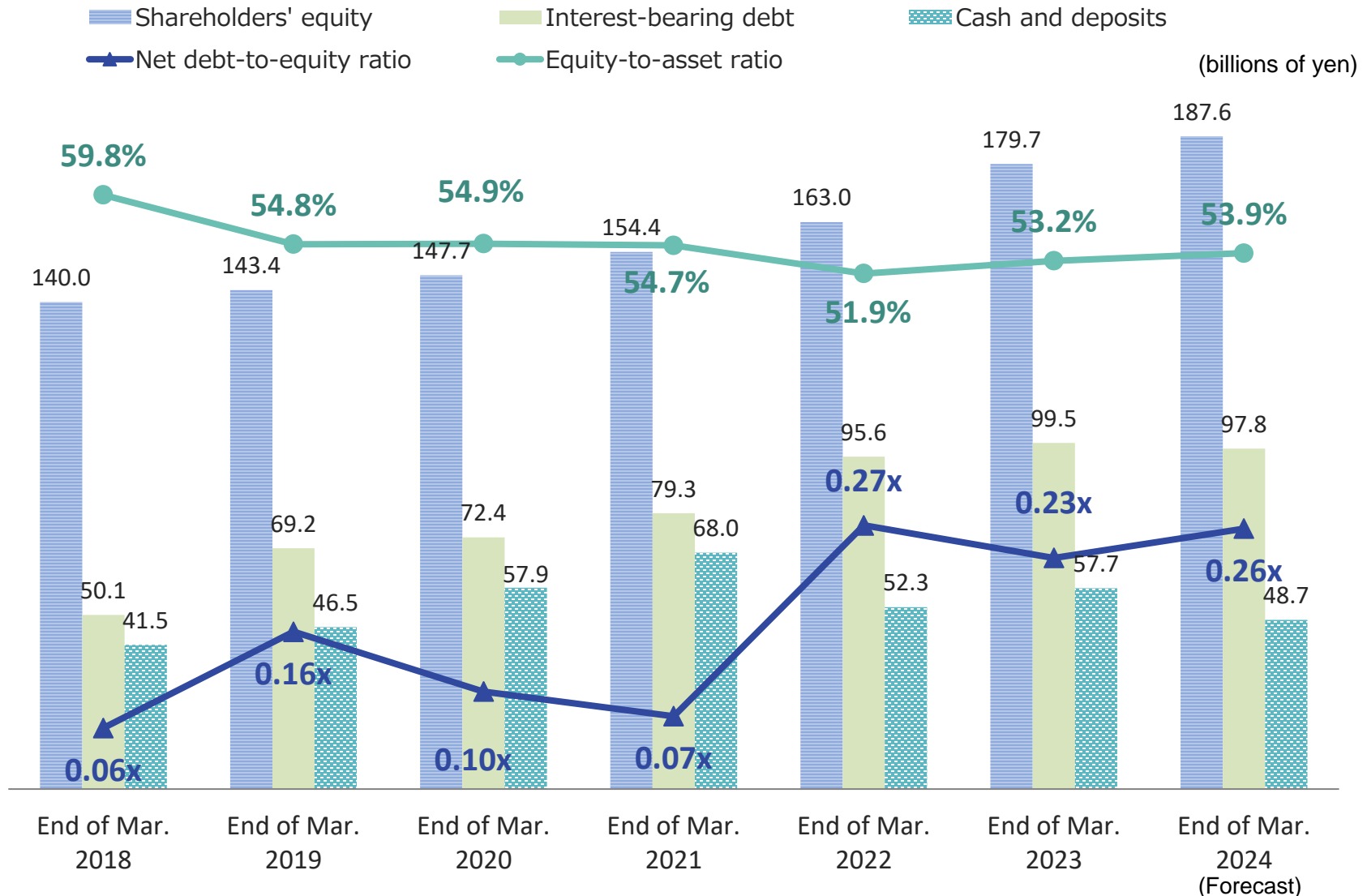
(billions of yen)

*Excluding elimination



Changes in Equity-to-Asset Ratio and Net Debt-to-Equity Ratio

We have managed to maintain the equity-to-asset ratio above 50% while the net debt-to-equity ratio fell below 0.25.

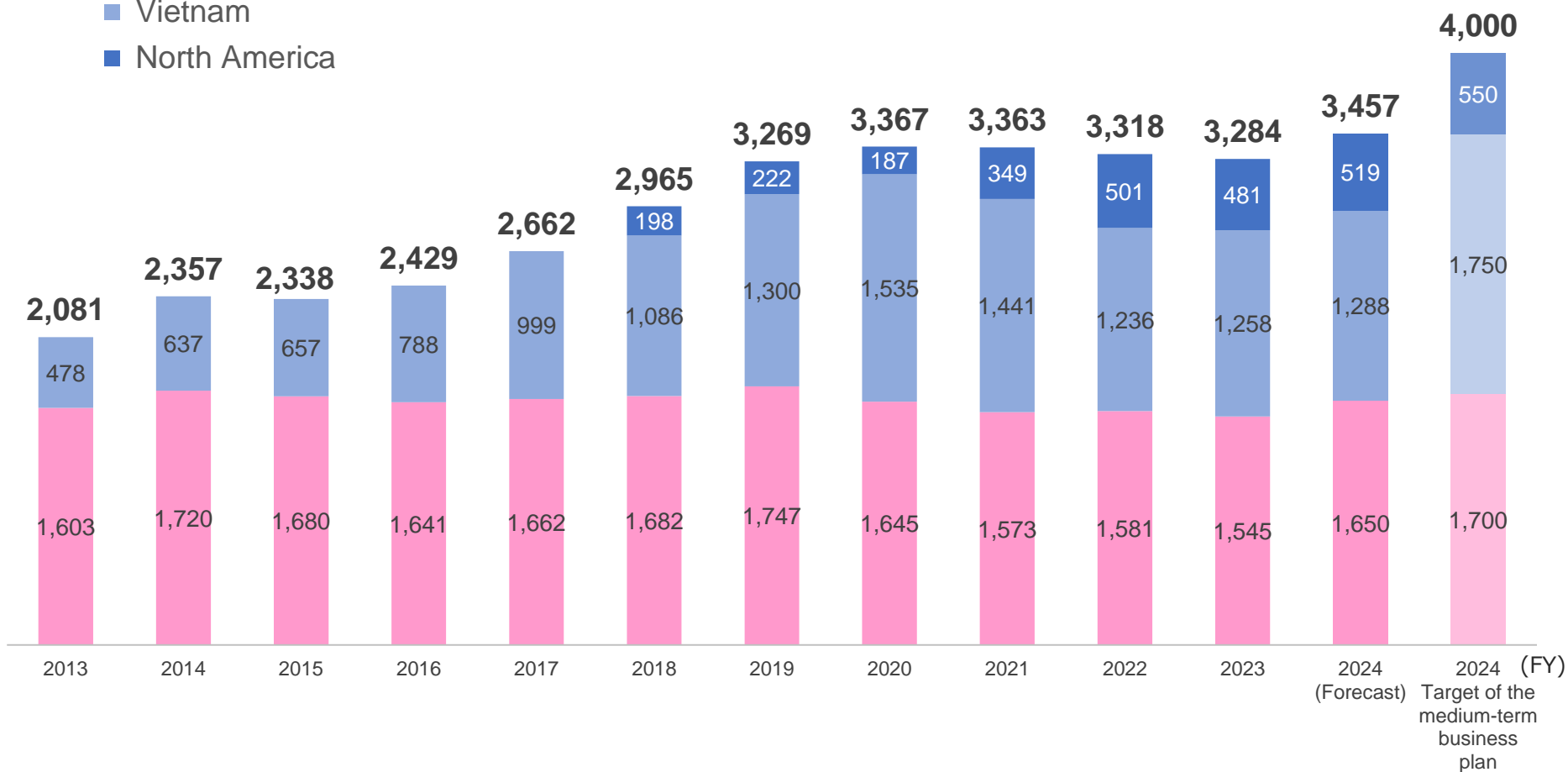


Changes in Product Shipment: Japan and Overseas

The total domestic and overseas product shipment fell short of the target due to delays in capital investment in Vietnam and Canada.

(1,000 tons)

- Japan (Kyohei Steel and Kanto Steel)
- Vietnam
- North America



Efforts to boost the growth of each business

1

Overseas Steel Business

Raising of profitability
Preparation for
accelerating growth

2

Domestic Steel Business

Strengthening of
competitiveness
Replacement of facilities with
an eye toward the future

3

Material Recycling and Steel Peripheral Business

Increase in profit-making
opportunities

Upgrading of ESG efforts and business foundation that supports growth

4

**Initiatives to realize carbon neutrality
and a resource recycling society**

5

**Contributing
to the benefit of
all stakeholders**

6

**Upgrading of
business foundation**

1

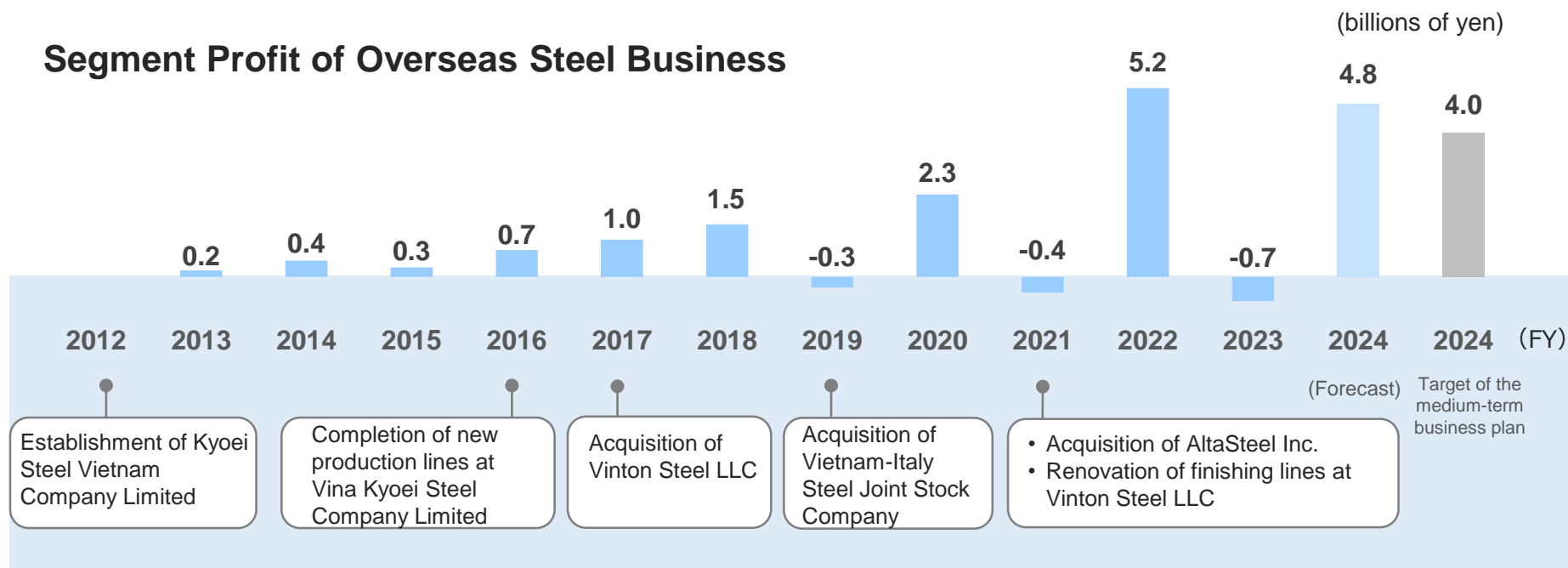
Overseas Steel Business

Raising of profitability
Preparation for
accelerating growth

Review of the second year of the medium-term business plan

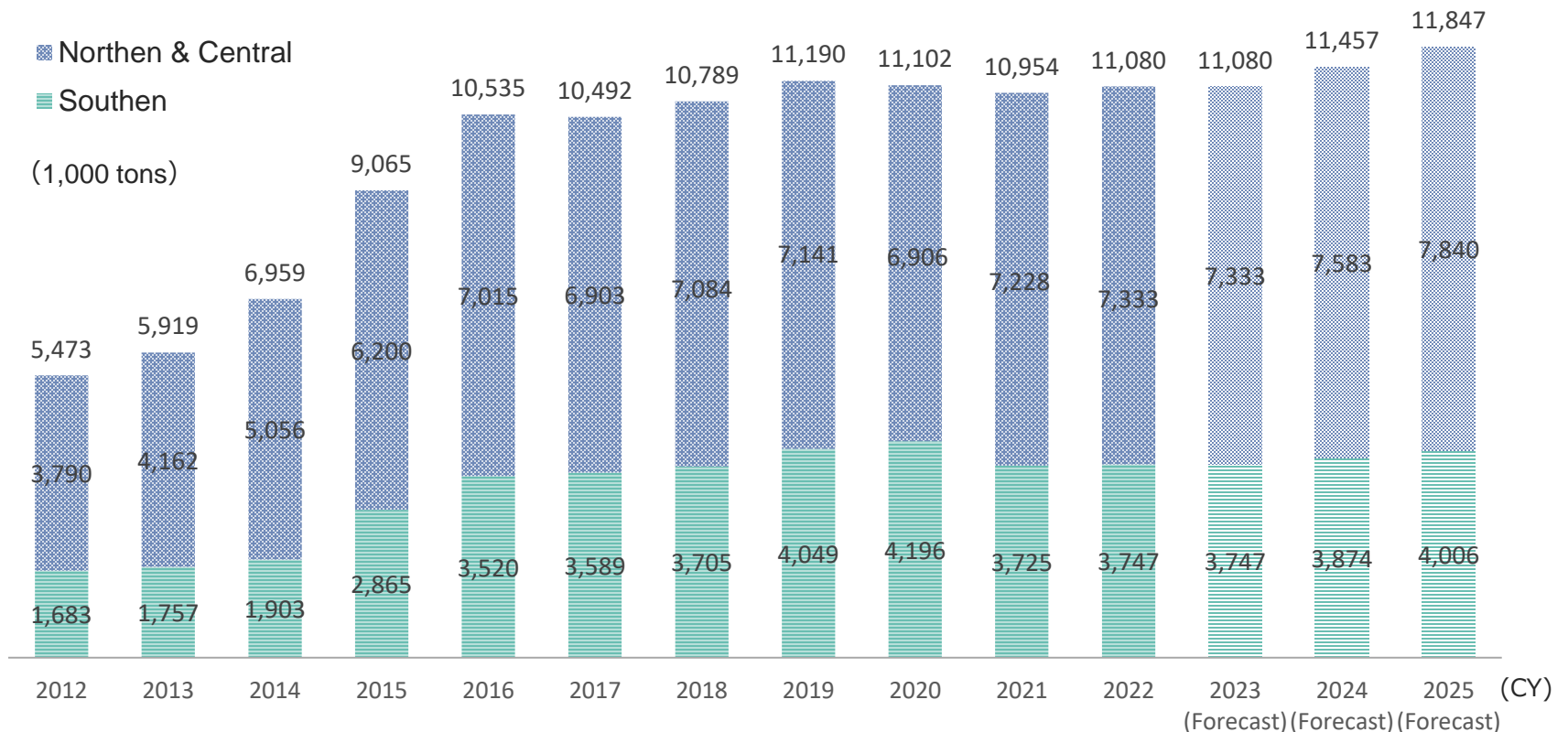
- In North America, Vinton achieved record results while Alta achieved results that were almost as high as its past record.
- × In Vietnam, our group companies in both southern and northern Vietnam posted a significant loss mainly due to the deterioration of the business environment.
- △ Our plans for major investments in Vietnam and Canada are being revised to reflect the impact of COVID-19 and inflation.

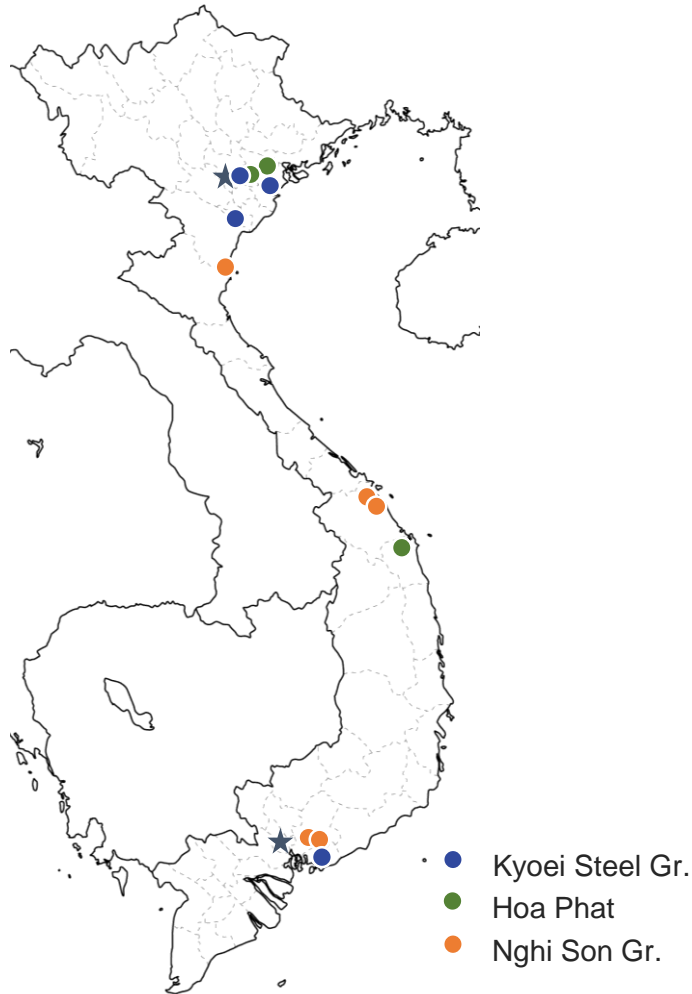
Segment Profit of Overseas Steel Business



Changes in bar steel demand in Vietnam

- Decreased slightly in 2020 and 2021 due to COVID-19
- Increased slightly in 2022 despite the turmoil in the real estate market due to the pent-up demand following the COVID-19 pandemic in the first half of the year
- Expected to remain weak in the first half of 2023 due to the lingering effect of the worsening of the real estate market in the previous fiscal year, but to recover in the second half roughly to the same level as in the previous fiscal year

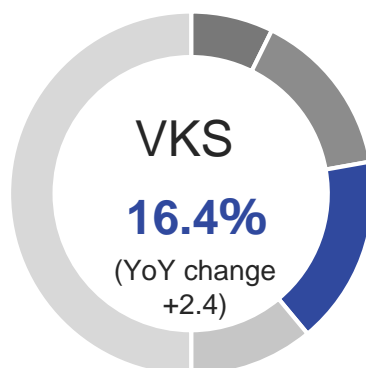




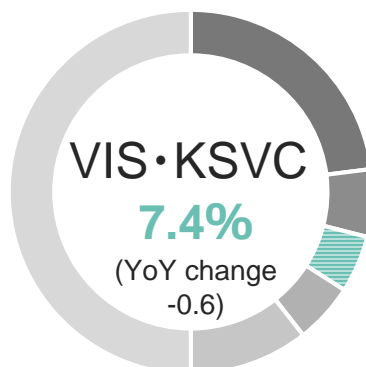
- Authorities tightened regulations to control the real estate bubble, triggered by the exposure of illegal issuance of corporate bonds by a large real estate developer.
⇒ Development projects came to a sudden halt.
- Weak housing demand
Wait-and-see stance due to soaring prices and rising interest rates
⇒ All steel manufacturers, including the largest steelmaker Hoa Phat, started to record losses in the second half of the year due to declines in market prices on the back of fierce competition for higher market share.
- Anti-corruption actions by the government have already resulted in the resignation of the chief of state. As the worsening of sentiment for real estate development and purchase is inevitable, we expect a challenging business environment for the time being.

Share in Vietnam (2022)

Southern



Northern & Central



VKS

- A significant loss in the previous fiscal year due to the purchase of scrap overseas will be corrected.
- Steelmaking operations will be shifted to those focusing on overseas and domestic scrap for short delivery times.
In addition, reversible steelmaking operations will be implemented by purchasing lower-priced billets.
- Will work to develop new sales channels through fine-tuned delivery
Also will work to create export opportunities using TVP and to acquire Australian Standards for all sizes in addition to Cambodian Standards, while considering expansion into other countries, such as the Philippines and Myanmar.

KSVC

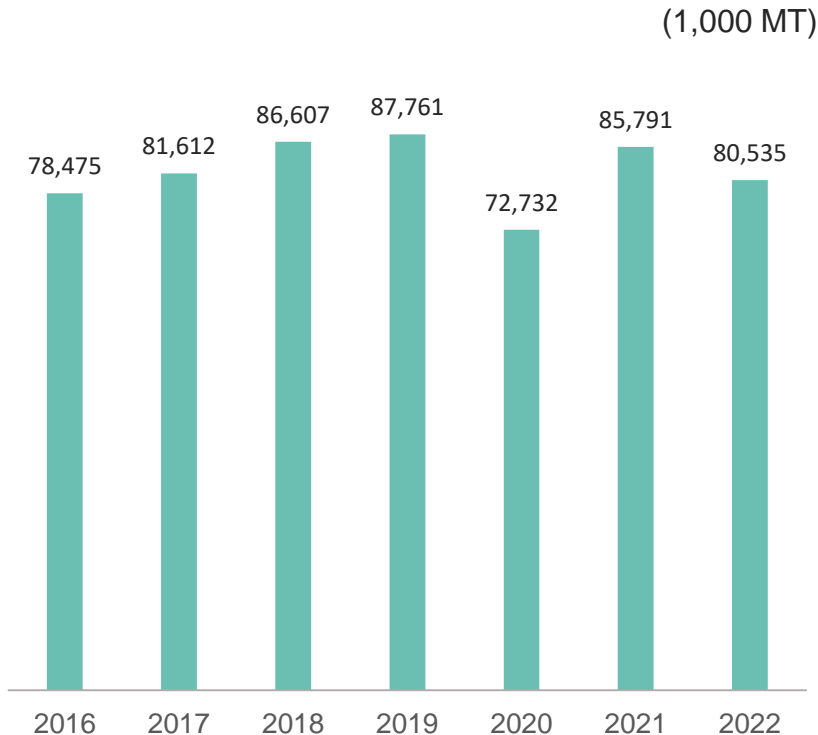
- Will purchase blast furnaces and billets manufactured by IF as well as those manufactured by VIS on favorable terms by leveraging the agility of a rolling-only factory
- Will ensure low-inventory operations in order to secure profit on a monthly basis as soon as possible

VIS

- Delisting of VIS was completed in the previous fiscal year to improve the agility of management decisions.
- Lay-offs will be implemented to break away from the mentality of a state-owned company.
- The environment of the Hai Phong factory will be improved to realize integrated factory operations.
Scrap purchase operations will be redesigned to reduce manufacturing costs.

Changes in crude steel production in the U.S.

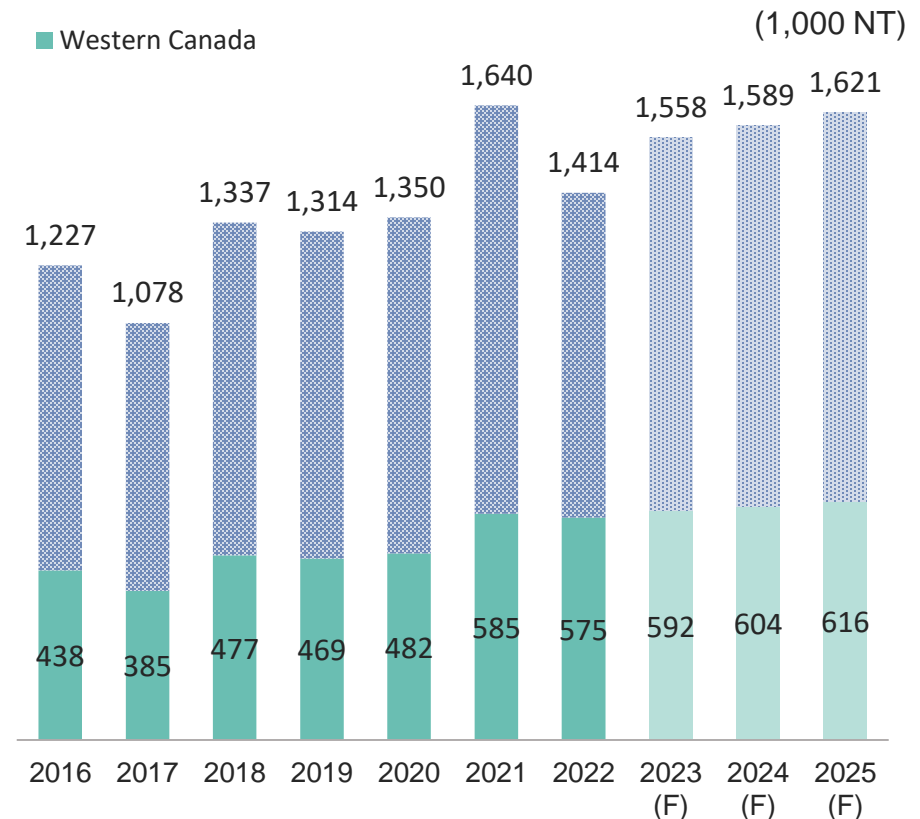
- Steel demand is forecast to increase in 2023 and 2024 as non-housing sectors, such as infrastructure, continue to recover (WSA).
- While demand in the housing sector is expected to decrease mainly due to interest rate hikes, rebar demand is expected to continue to increase in the state of Texas and its surrounding areas on the back of economic and population growth.



(World Steel Association)

Changes in rebar demand in Canada

- Basic demand remained healthy in 2022, although demand temporarily dropped following the pent-up demand related to COVID-19.
- In and after 2023, rebar demand is expected to grow at a moderate pace thanks to population growth.
-



(Prepared by AltaSteel Inc. based on Statistics Canada, CSPA, and interviews with customers)

Current initiatives

We aim to capture strong construction demand for social infrastructure by strengthening our production and sales systems, mainly focusing on rebar.

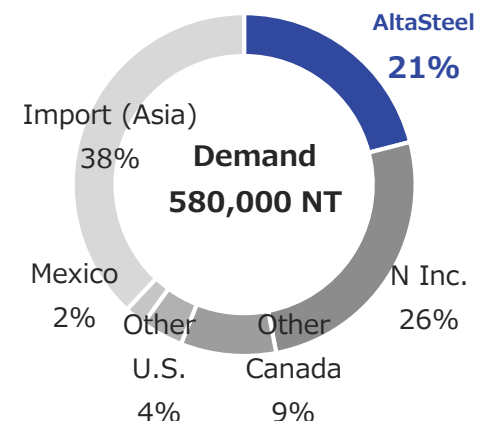
■ Vinton Steel LLC

- Carried out major repairs on rolling facilities in January 2023 and on steelmaking facilities in February 2023, as anti-aging measures.
- Procured round steel bars for ball materials from Alta to focus on rebar production.
- Started a study on major investments in anticipation of drastic renewal of facilities and equipment

■ AltaSteel Inc.

- Renewed transformers for electric furnaces and LF in June 2022 to prepare for the expansion of production capacity
- Started trial rolling of thin rebar
- Introduced movable shredders at MLM, a scrap processing subsidiary, in November 2021

Western Canada
Rebar Market Share
(From 2021 to 2022)



2

Domestic Steel Business

Strengthening of competitiveness

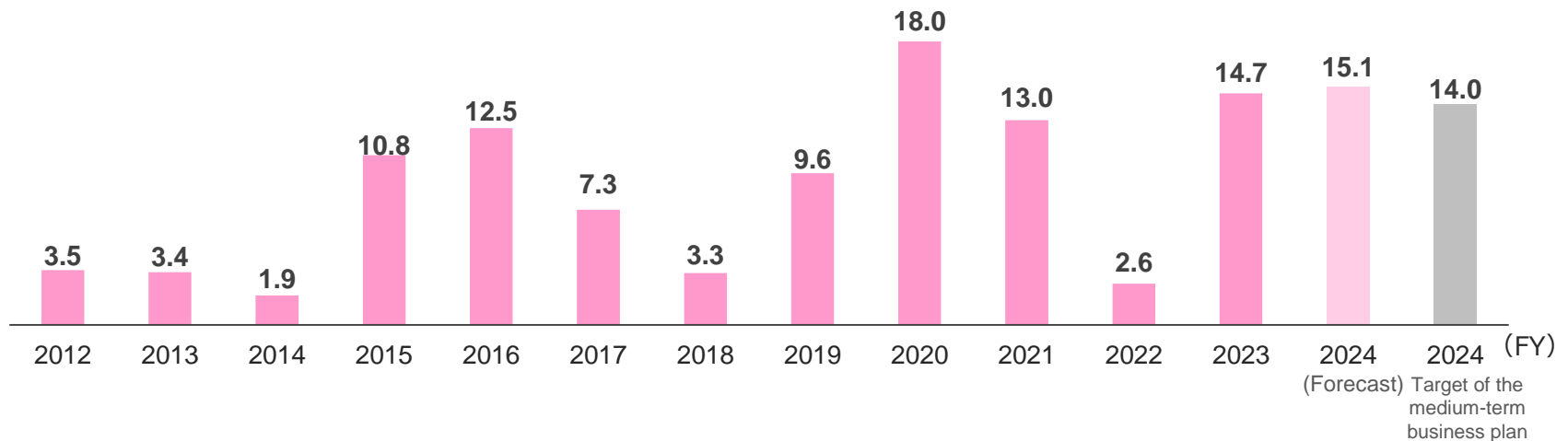
Replacement of facilities with an eye toward the future

Review of the second year of the medium-term business plan

- Increased product prices in response to higher scrap prices and cost increases
- Minimized the impact of a fire in the Yamaguchi Division by accommodating products and billets within the Group
- Continued cost reduction efforts and sales promotion of value-added products

Segment Profit of Domestic Steel Business

(billions of yen)



3

Material Recycling and Steel Peripheral Business

Increase in profit-making opportunities

Review of the second year of the medium-term business plan

Material Recycling Business

- Focused on acquiring projects for difficult waste treatment related to COVID-19
- △ Profit decreased from the previous fiscal year due to increase in disposal cost

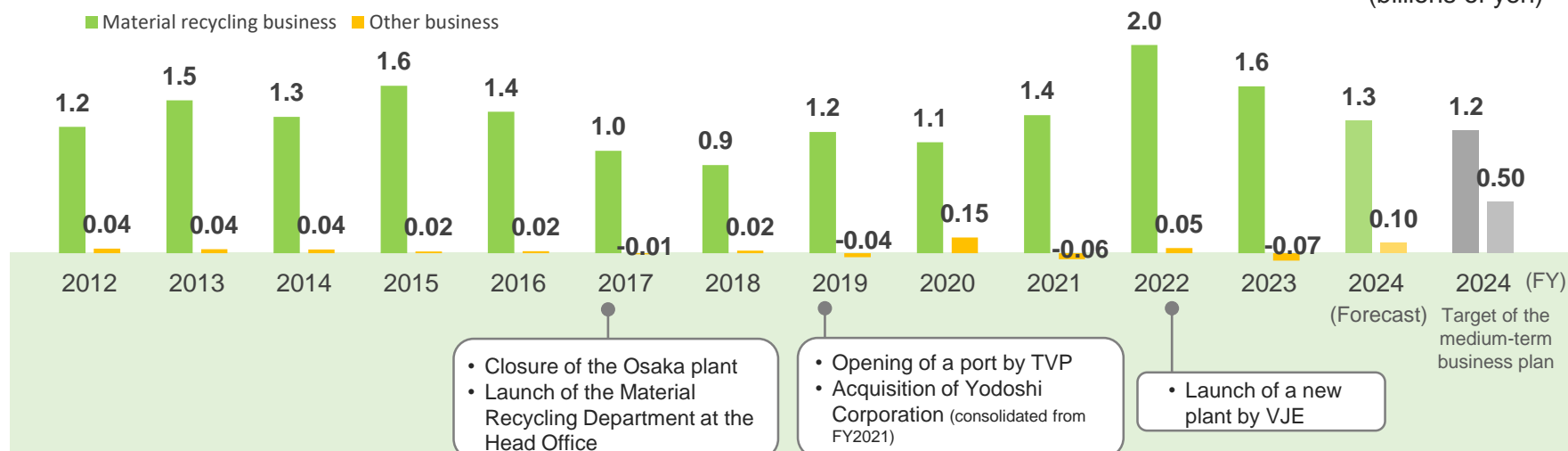
Other Businesses (Steel Peripheral Business)

- The business strengthened its sales system to expand sales of high-strength shear reinforcement bar.
- △ The casting business in Japan continued to face problems with both production and sale.
- △ There was a delay in the second phase project of harbor operations in Vietnam.

Segment Profit of Material Recycling and Other (Steel Peripheral) Business

(billions of yen)

■ Material recycling business ■ Other business



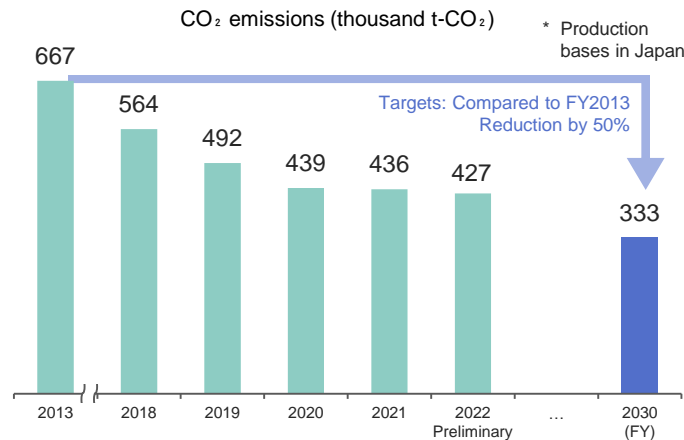
4

Initiatives to realize carbon neutrality and a resource recycling society

Review of the second year of the medium-term business plan

● Initiatives to reduce CO₂ emissions

- Conducted activities to reduce the energy consumption rate at each site.
- Promoted solar power generation
⇒ A generation facility will start operation in the Yamaguchi Division in December 2023.
- Growing young trees to prepare for olive tree planting
- Obtained the CDP “A-” rating for disclosure based on TCFD recommendations



* Figures through FY2021 have been revised to improve data accuracy.

● Zero-emission initiatives

- At the Research Center for Sustainable Technologies
⇒ Further utilization of steel by-products (slag)
- Working toward industry-academia collaborations with Waseda University and the University of Tokyo on the recycling of steel by-products (slag) and lithium ion batteries.



Slag

5

Contributing to the benefit of all stakeholders

Review of the second year of the medium-term business plan

- **Local communities** ... Donations (donated 0.4% of non-consolidated net profit)
Disaster prevention drills
- **Employees** ... Ratio of female employees on the management track:
12.0% (FY2023 target: 11%)
Improvement of the working environment, such as by
encouraging the use of paid holidays and refurbishing
welfare facilities
Conducted an engagement survey
- **Customer** ... Started the operation of a website order receiving
system “Tetsukul”
- **Shareholders/investors** ... A commemorative dividend for the 75th anniversary of the
foundation, and upgrading of the shareholder benefit plan
Active disclosure of ESG information
- **Business partners** ... Responses to the 2024 problem

6

Upgrading of business foundation

Review of the second year of the medium-term business plan

● Further promotion of fair and sincere corporate activities

- Improved the risk management structure
- Conducted ongoing compliance training
- Improved information security systems

● Promotion of digital transformation (DX)

- Completed the release of a backbone system for sales and purchases
- Upgraded the electronic approval flow
- Working on the introduction of paperless administration work and the introduction of AI/IoT in factories

● Initiatives toward a more robust financial foundation

- Diversified financing methods by issuing corporate bonds and establishing a commitment line
- Maintained our credit rating at “A,” our equity-to-asset ratio at 53.2%, and our net D/E ratio at 0.23

(1) Increasing impact of population decline in Japan on society

- ⇒ Secure human resources for production sites in an increasingly challenging environment in which the working-age population will continue to decline.
- ⇒ Slowdown in the Real GDP growth rate
Sluggish rebar demand

(2) Advent of a society in which greenflation will accelerate

- ⇒ Scrap demand will grow due to the shift from a blast furnace to an electric furnace.
- ⇒ Electricity and other energy costs will increase.
Prices of subsidiary materials and iron alloy will increase.

(3) Rising geopolitical risks

- ⇒ A divided world
- ⇒ The procurement risk for production resources, such as raw materials and energy, will increase.

1. Reinforcement of human capital investment

- Improve the environment to secure diverse human resources.
- Improve working conditions (continued increase in basic wage and correction of nighttime operations).
- Improve education and training programs (by reinforcing the Human Resources Development Section and the Corporate Education Center).



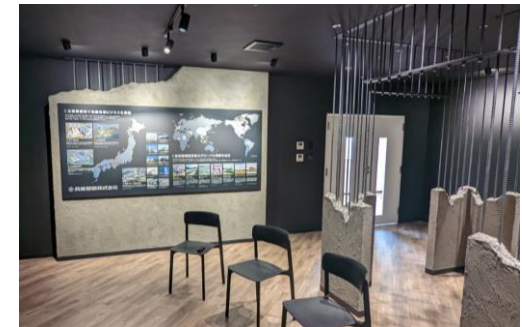
Refurbished the cafeteria in the welfare building (Kanto Steel)

2. Diversification of raw material procurement

- Leveraging Kyoei Material

3. Thorough implementation of low-cost operations

We will develop a capacity to handle product shipment of 4 million tons worldwide and diversify our businesses, such as the Material Recycling Business, aiming to realize a robust profit structure that can respond to changes in the external environment.



Corporate Education Center (Hirakata Division)



Kyoei Material

NeXuS

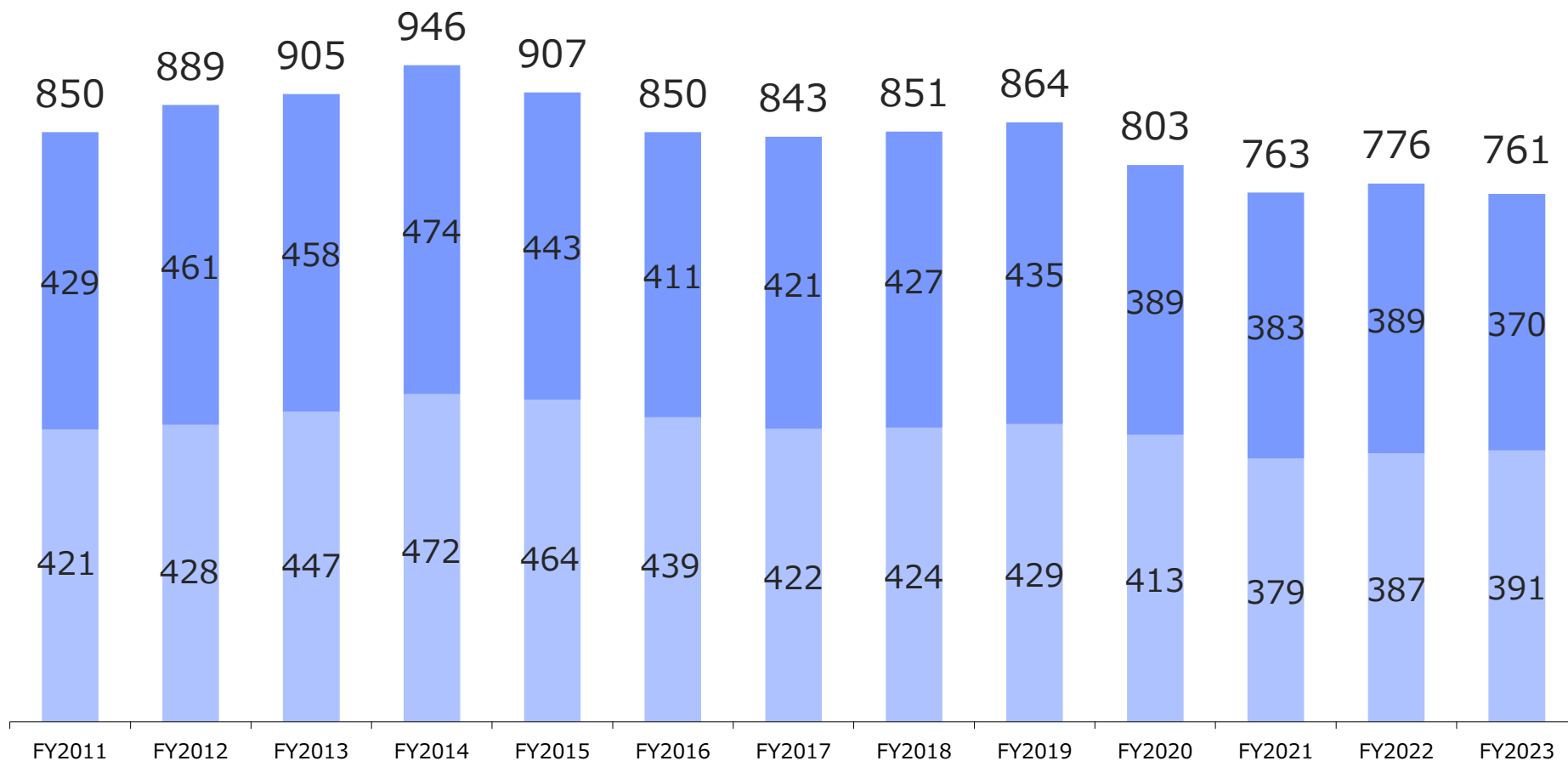
▶▶▶ Next Success

Aiming to become a successful company in the future

We are striving to transform ourselves from a company that has “contributed to the creation of social infrastructure across the world through steel manufacturing” into an “essential company” that will contribute to achieving development of society and harmony with global environment through the resource recycling business in the coming “circular economy society.”

Reference: Small Bar Production Volume (Japan)

(10,000 tons)



(Source) Materials of Japan Iron & Steel Federation

Reference 1

Reference: Kyoei Steel Group's Bases in Japan



Yamaguchi Division

Rebar (all sizes), structural steel bar, small shapes (flat bar, I beam, equal angle bar)



Hirakata Division

Rebar (thin type) and round bar



Kyoei Industrial Co., Ltd.

Mechanical working of rebar, sales of steel products



Kyoei Material, Inc.

Gathering and processing of scrap



Yodoshi Corporation

Casting



Kyoei Mesona Inc.

Material recycling business



Kanto Steel, Ltd.

Rebar (thin type)



Nagoya Division

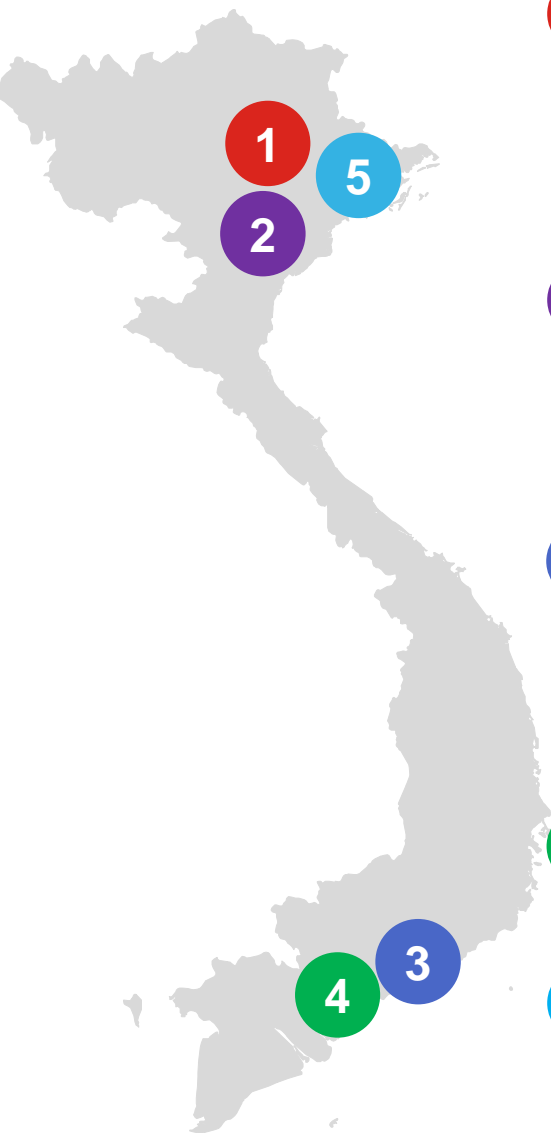
Rebar (all sizes), threaded rebar, and high-tensile steel



Other bases in Japan

- Kyoei Recycling Co. Ltd.
- Kyoei Fabricated Steel Sales Corporation
- MSK Japan Co., Ltd.
- Nakayama Steel Products Co., Ltd. (Equity-method investee)

Reference: Kyoei Steel Group's Overseas Bases (Vietnam)



1

Vietnam-Italy Steel Joint Stock Company (VIS)

Hung Yen Province, Vietnam

Business: Production and sale of steel products (rebar and wire rod)

Production capacity:

Steelmaking capacity of 450,000 tons/year
and rolling capacity of 300,000 tons/year

2

Kyoei Steel Vietnam Company Ltd. (KSVC)

Ninh Binh Province, Vietnam

Business: Production and sale of steel products (rebar and wire rod)

Production capacity: Rolling capacity of 300,000 tons/year

3

Vina Kyoei Steel Company Ltd. (VKS)

Ba Ria-Vung Tau Province, Vietnam

Business: Production and sale of steel products (rebar, round bar, section steel, and wire rod)

Production capacity:

Steelmaking capacity of 500,000 tons/year and
rolling capacity of 900,000 tons/year

4

Thi Vai International Port Co., Ltd. (TVP)

Ba Ria-Vung Tau Province, Vietnam

Business: Harbor operations

5

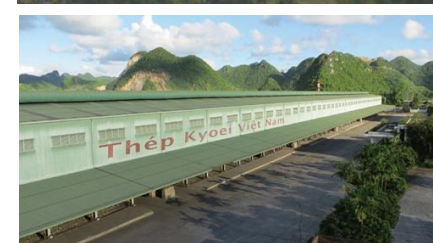
Vina-Japan Engineering Ltd. (VJE)

Hai Phong City, Vietnam

Business: Production and sale of pig iron casting products

Production capacity: 9,000 tons/year

Steelmaking plant (Hai Phong)



Reference: Kyoei Steel Group's Overseas Bases (North America)



1 AltaSteel Inc.

State of Alberta, Canada

Business: Production and sale of steel products and processing and sale of scrap metal

Production capacity:

Steelmaking capacity of 300,000 tons/year and rolling capacity of 270,000 tons/year

Establishment: 2020 (founded in 1955)

AltaSteel Inc.
(State of Alberta)

1

Vinton Steel LLC
(State of Texas)

2



2 Vinton Steel LLC

State of Texas, the United States of America

Business: Production and sale of steel products (rebar, grinding ball)

Production capacity:

Steelmaking capacity of 250,000 tons/year, rolling capacity of 200,000 tons/year (rebar), and forging capacity of 50,000 tons/year (grinding ball)

Establishment: 1962

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KYOEI STEEL

