

KYOEI STEEL

Financial Overview

for the Fiscal Year

Ended March 31, 2022

Kyoei Steel, Ltd.

(TSE Prime Market Code: 5440)

May, 2022

Table of Contents

1

Financial Reports for the Fiscal Year
Ended March 31, 2022

2

Financial Forecast for the Fiscal Year
Ending March 31, 2023

3

Progress of the Medium-Term Business Plan

1

Financial Reports for the Fiscal Year
Ended March 31, 2022

2

Financial Forecast for the Fiscal Year
Ending March 31, 2023

3

Progress of the Medium-Term Business Plan

Financial Results for the Fiscal Year Ended March 31, 2022

- Although we saw net sales increase but operating profit decrease from the previous fiscal year, we basically achieved the targets for the first year of our medium-term business plan.

Period: April 1, 2021 to March 31, 2022

(billions of yen)	FY ended March 31, 2021	FY ended March 31, 2022	Year-on- year change	Target of the medium-term business plan	Latest forecast (October 29, 2021)
Net sales	226.4	292.7	+66.3 (+29.3%)	260.0	290.0
Operating profit	12.7	8.8	- 3.8 (-30.3%)	10.0	8.0
Ordinary profit	12.9	10.5	- 2.4 (-18.4%)	10.0	10.0
Profit	8.8	6.3	- 2.5 (-28.1%)	6.0	6.0

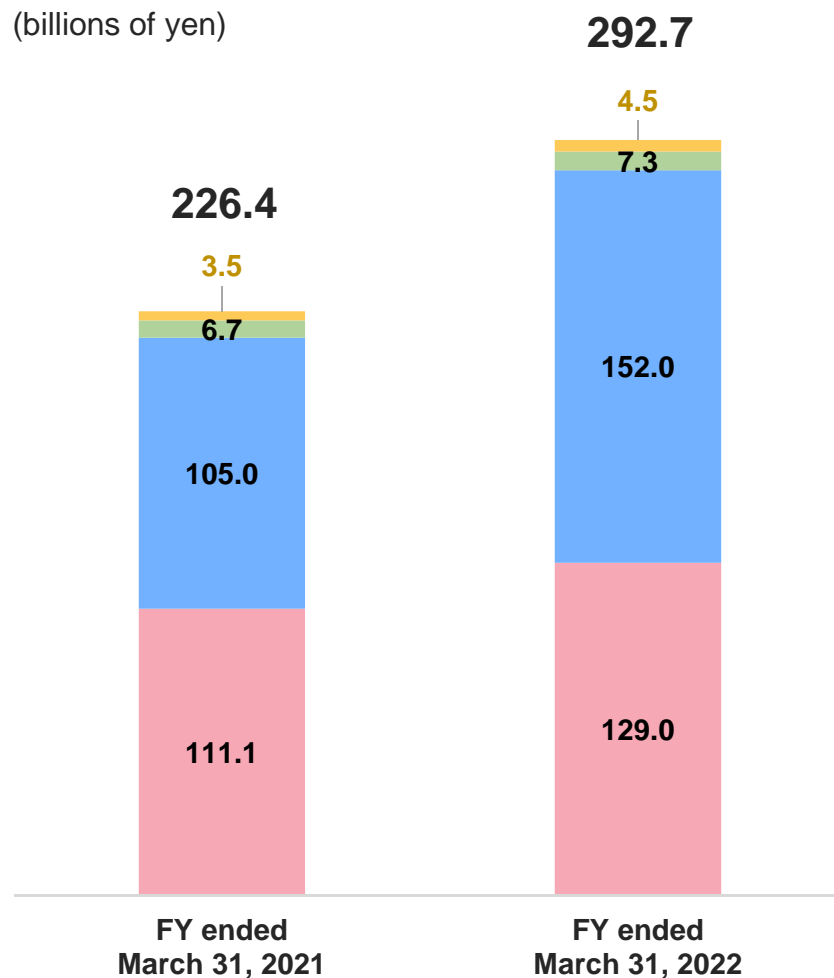
* The finalization of PPA related to the acquisition of AltaSteel Inc. is reflected in operating profit, ordinary profit, and profit for the fiscal year ended March 31, 2021.

Summary of Financial Results by Segment

Domestic Steel Business Overseas Steel Business Material Recycling Business Other Business

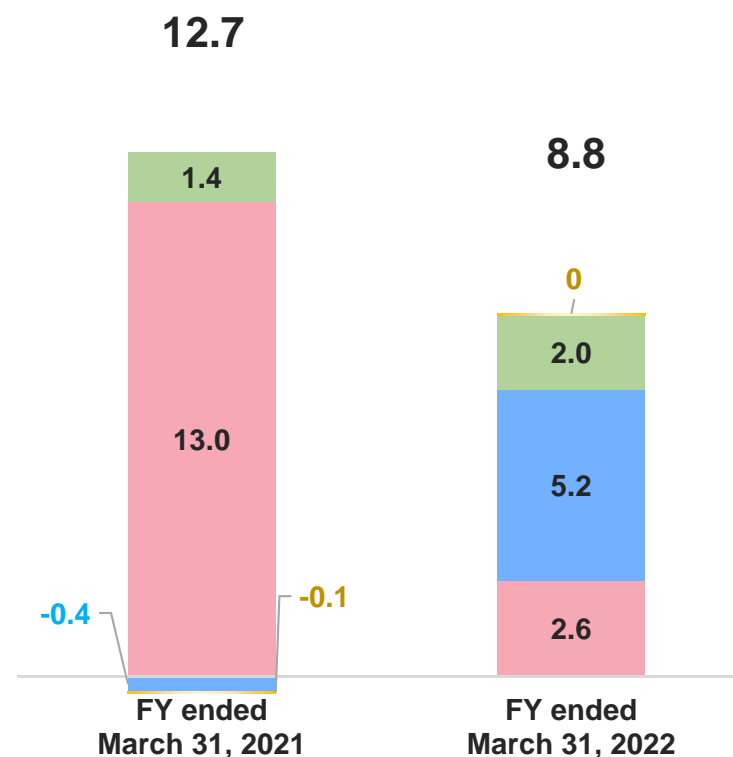
Net sales

(billions of yen)



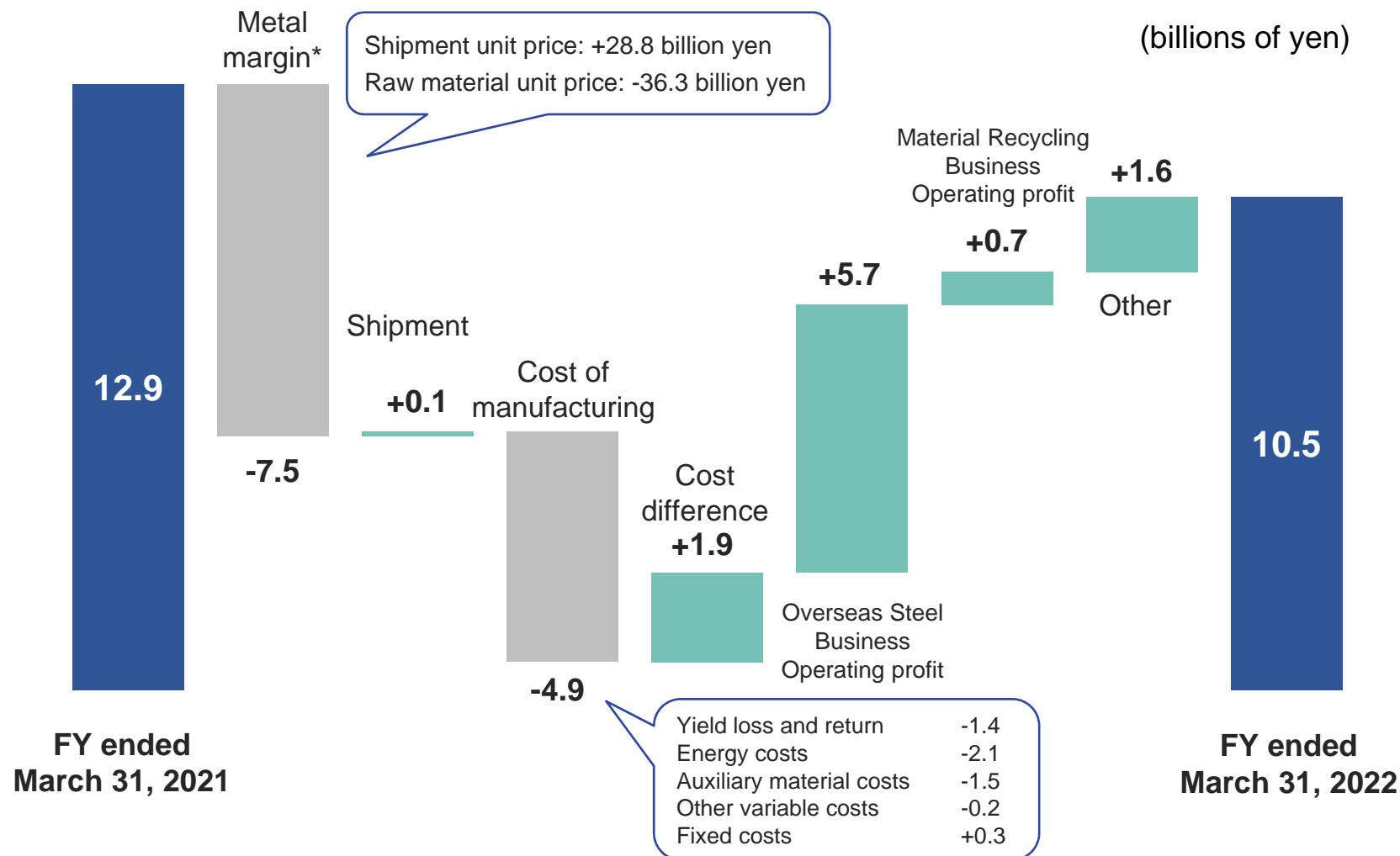
Operating profit

(billions of yen)



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

Factors that caused a decrease in ordinary profit by 2.4 billion yen from the previous fiscal year



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

Summary of Financial Results by Segment (1)

Domestic Steel Business

Net sales:

129 billion yen

Operating profit:

2.6 billion yen

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

- Product shipment increased by 8,000 tons (0.5%) year-on-year to 1,581,000 tons. Both production and shipments (including exports) exceeded those in the previous fiscal year.
- The difference between sales and purchase prices narrowed, since product price increases did not keep pace with soaring steel scrap prices.

Overseas Steel Business

Net sales:

152 billion yen

Operating profit:

5.2 billion yen

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

- **Vietnam**
In the first half of the fiscal year, product shipment increased and the difference between sales and purchase prices expanded. In the second half, the business environment became more severe due to the COVID-19 lockdown. However, the Group companies in Vietnam as a whole achieved record profits for the full year.
- **North America**
Robust demand for steel products contributed to the increase in product shipment and widening of the difference between sales and purchase prices. Consequently, the Group companies in North America as a whole posted record profits for the full year.

Summary of Financial Results by Segment (2)

Material Recycling Business

Net sales:

7.3 billion yen

Operating profit:

2.0 billion yen

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

- The number of medical waste treatment projects related to COVID-19 increased sharply, while profit from sales of nonferrous metal grew.
- Operating profit exceeded 2.0 billion yen for the first time since fiscal 2009.

Other Businesses (Steel Peripheral Business)

Net sales:

4.5 billion yen

Operating profit:

0.0 billion yen

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

- In Vietnam, both the harbor operations and casting businesses remained steady.
- In Japan, the casting business continued to be sluggish due to the impact of COVID-19.

Dividend Payment for the Fiscal Year Ended March 31, 2022

- We will pay 25 yen per share as the year-end dividend, as expected.

	Interim	Year-end	Full-year	Dividend payout ratio
Dividend per share (yen)	15	25	40	27.5%

1

Financial Reports for the Fiscal Year
Ended March 31, 2022

2

Financial Forecast for the Fiscal Year
Ending March 31, 2023

3

Progress of the Medium-Term Business Plan

Forecast of Financial Results for the Fiscal Year Ending March 31, 2023

- This fiscal year is the second year of our medium-term business plan. Despite a harsh business environment, we will aim to increase net sales and operating profit from the previous fiscal year.

(billions of yen)

	FY ended March 31, 2022			FY ending March 31, 2023			
	1st half	2nd half	Full year	1st half	2nd half	Full year	Change (from the previous fiscal year)
Net sales	142.2	150.5	292.7	183.0	197.0	380.0	(+29.8%)
Operating profit	5.6	3.2	8.8	3.0	7.5	10.5	(+19.1%)
Ordinary profit	6.6	3.9	10.5	3.0	8.0	11.0	(+4.3%)
Profit	3.4	2.9	6.3	1.7	4.8	6.5	(+2.8%)

(billions of yen)

	FY ended March 31, 2022			FY ending March 31, 2023		
	Japan	Overseas	Total	Japan	Overseas	Total
Capital expenditure	8.7	4.2	13.0	9.8	23.2	33.0
Depreciation and amortization	4.2	4.6	8.8	4.4	4.4	8.8

* The amount of capital expenditure is on an approval basis

Forecast of Dividend Payment for the Fiscal Year Ending March 31, 2023

- We plan to increase the annual dividend to 45 yen per share:
an ordinary dividend of 40 yen and a commemorative dividend of 5 yen.

	FY ending March 31, 2023				
	Interim	Year-end	Commemorative dividend	Full-year	Dividend payout ratio
Dividend per share (yen)	15	25	5	45	30.1%

We will celebrate the 75th anniversary of the Company's founding in August 2022. This reflects the support we have received over the years from all those concerned including our shareholders. We would like to take this opportunity to express our sincere gratitude for that.

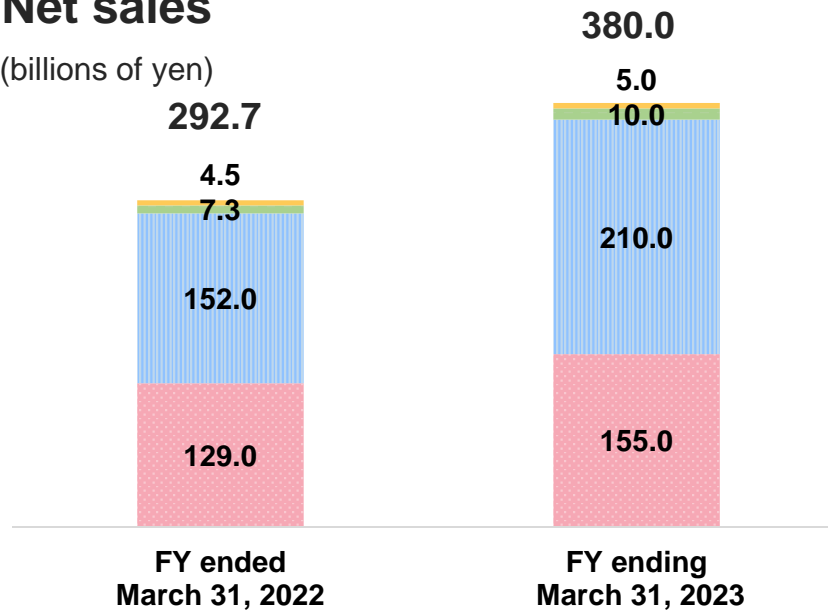
Therefore, as our gratitude to shareholders in the fiscal year ending March 31, 2023, we plan to pay an annual dividend of 45 yen per share, comprising an ordinary dividend of 40 yen (an interim dividend of 15 yen and a year-end dividend of 25 yen) and a commemorative dividend of 5 yen, to celebrate the 75th anniversary of our founding.

Forecast of Financial Results for Full Year by Segment

Domestic Steel Business Overseas Steel Business Material Recycling Business Other Business

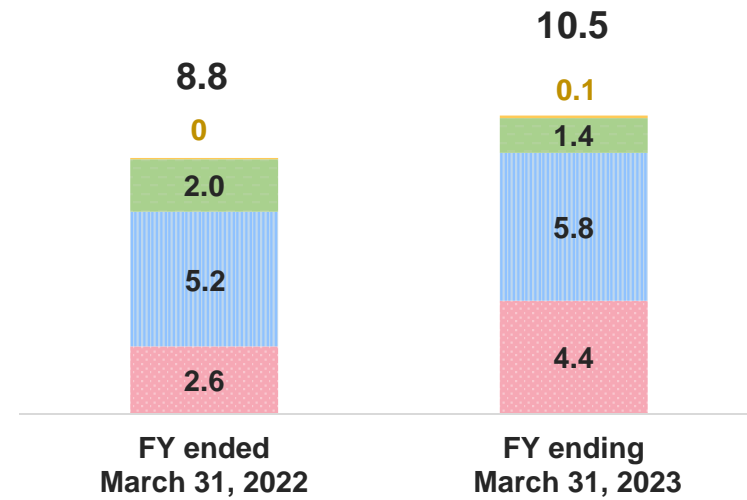
Net sales

(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.

(billions of yen)

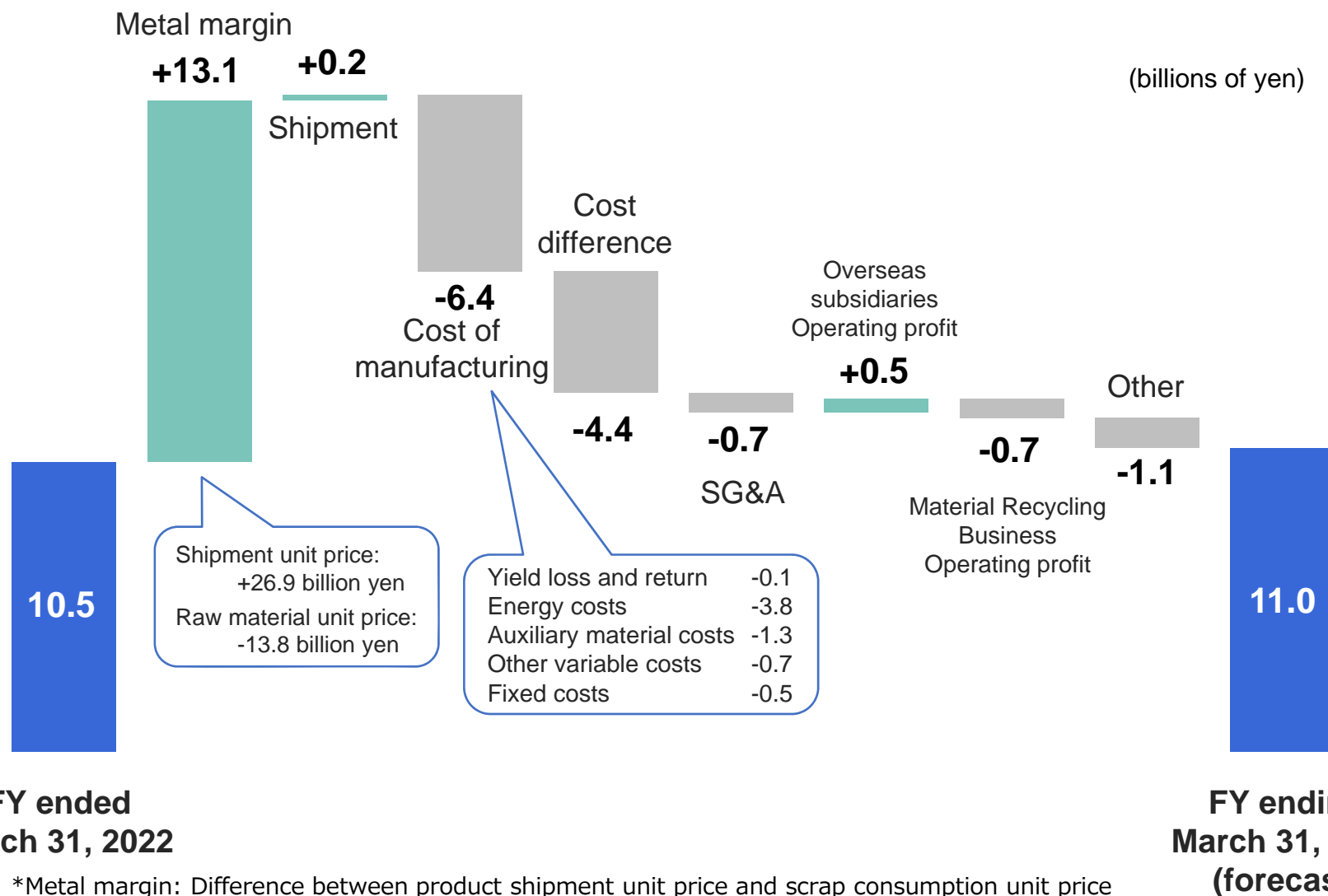
	FY ended March 31, 2022			FY ending March 31, 2023		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Domestic Steel Business	62.2	66.7	129.0	75.0	80.0	155.0
Overseas Steel Business	74.7	77.3	152.0	101.0	109.0	210.0
Material Recycling Business	3.5	3.8	7.3	4.7	5.3	10.0
Other Business	1.7	2.8	4.5	2.3	2.7	5.0
Total	142.2	150.5	292.7	183.0	197.0	380.0

	FY ended March 31, 2022			FY ending March 31, 2023		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Domestic Steel Business	1.4	1.2	2.6	0.1	4.3	4.4
Overseas Steel Business	3.8	1.5	5.2	3.0	2.8	5.8
Material Recycling Business	0.9	1.1	2.0	0.6	0.8	1.4
Other Business	0.0	0.0	0.0	-0.1	0.2	0.1
Total	5.6	3.2	8.8	3.0	7.5	10.5

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

KYOEI STEEL

Factors that are likely to cause ordinary profit for the fiscal year ending March 31, 2023 to increase by 0.5 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:

155.0 billion yen

Operating profit:

4.4 billion yen

Year-on-year change:

Both net sales and operating profit
are forecast to increase.

- Product shipment (planned) is forecast to increase by 19,000 tons from the previous year to 1,600,000 tons.
- In the first half of the fiscal year, the business environment is forecast to be harsh due to a rise in raw material prices. However, in the second half, we expect to secure the difference between sales and purchase prices by passing the rise in raw material prices on to product prices.

Overseas Steel Business

Net sales:

210.0 billion yen

Operating profit:

5.8 billion yen

Year-on-year change:

Both net sales and operating profit
are forecast to increase.

- **Vietnam**
Economic recovery from the COVID-19 pandemic will become clear.
All Group companies expect to see product shipment increase, supported by the growth in demand.
- **North America**
As demand for steel products is forecast to remain strong both in the U.S. and Canada, product shipment is expected to grow.

Material Recycling Business

Net sales:

10.0 billion yen

Operating profit:

1.4 billion yen

Year-on-year change:

Net sales are forecast to increase
but operating profit is expected to
decrease.

- The business environment is forecast to remain favorable, but the treatment volume of medical waste related to COVID-19 is expected to enter a lull.

Other Businesses (Steel Peripheral Business)

Net sales:

5.0 billion yen

Operating profit:

0.1 billion yen

Year-on-year change:

Both net sales and operating profit
are forecast to increase.

- Harbor operations and casting businesses in Vietnam: Demand is likely to remain strong. We urgently need to pass the cost increase due to the rise in raw material prices on to customers.
- Casting business in Japan: Along with a full-scale recovery in demand from manufacturers in Japan, we expect product shipment to increase, bringing the business back into the black.

1

Financial Reports for the Fiscal Year
Ended March 31, 2022

2

Financial Forecast for the Fiscal Year
Ending March 31, 2023

3

Progress of the Medium-Term Business Plan

Medium-Term Business Plan: Quantitative Targets for FY2024

KYOEI STEEL

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%**

Specific Measures under Medium-Term Business Plan

KYOEI STEEL

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

**Efforts to realize a carbon neutral and
resource-recycling society**

5

**Contributing
to the benefit of
all stakeholders**

6

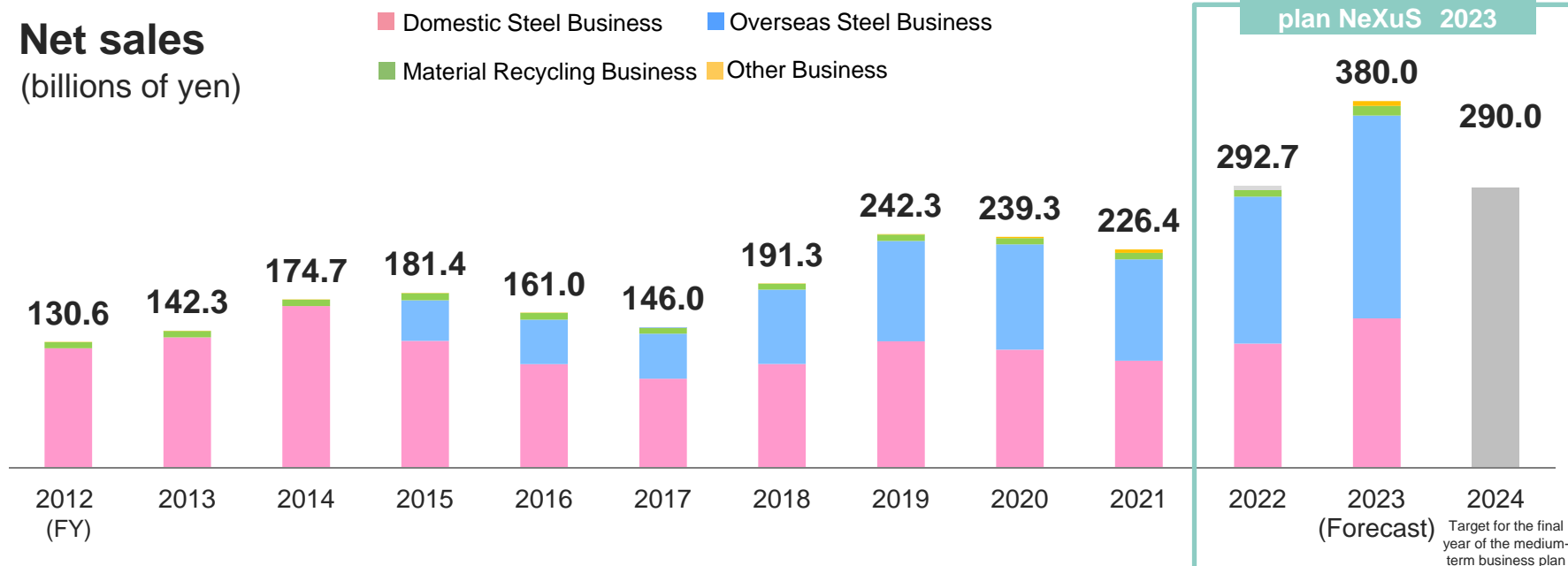
**Upgrading of
business foundation**

Changes in Net Sales and Operating Profit

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

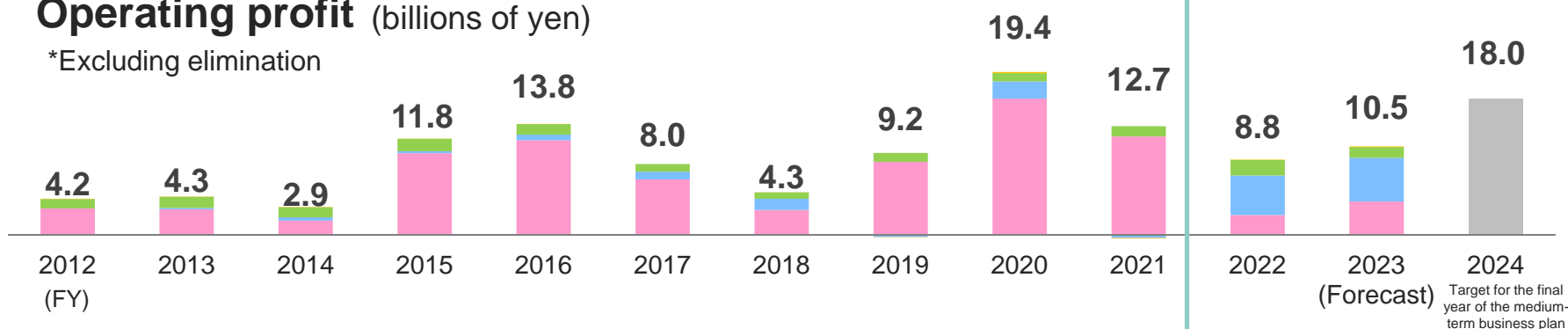
Net sales

(billions of yen)



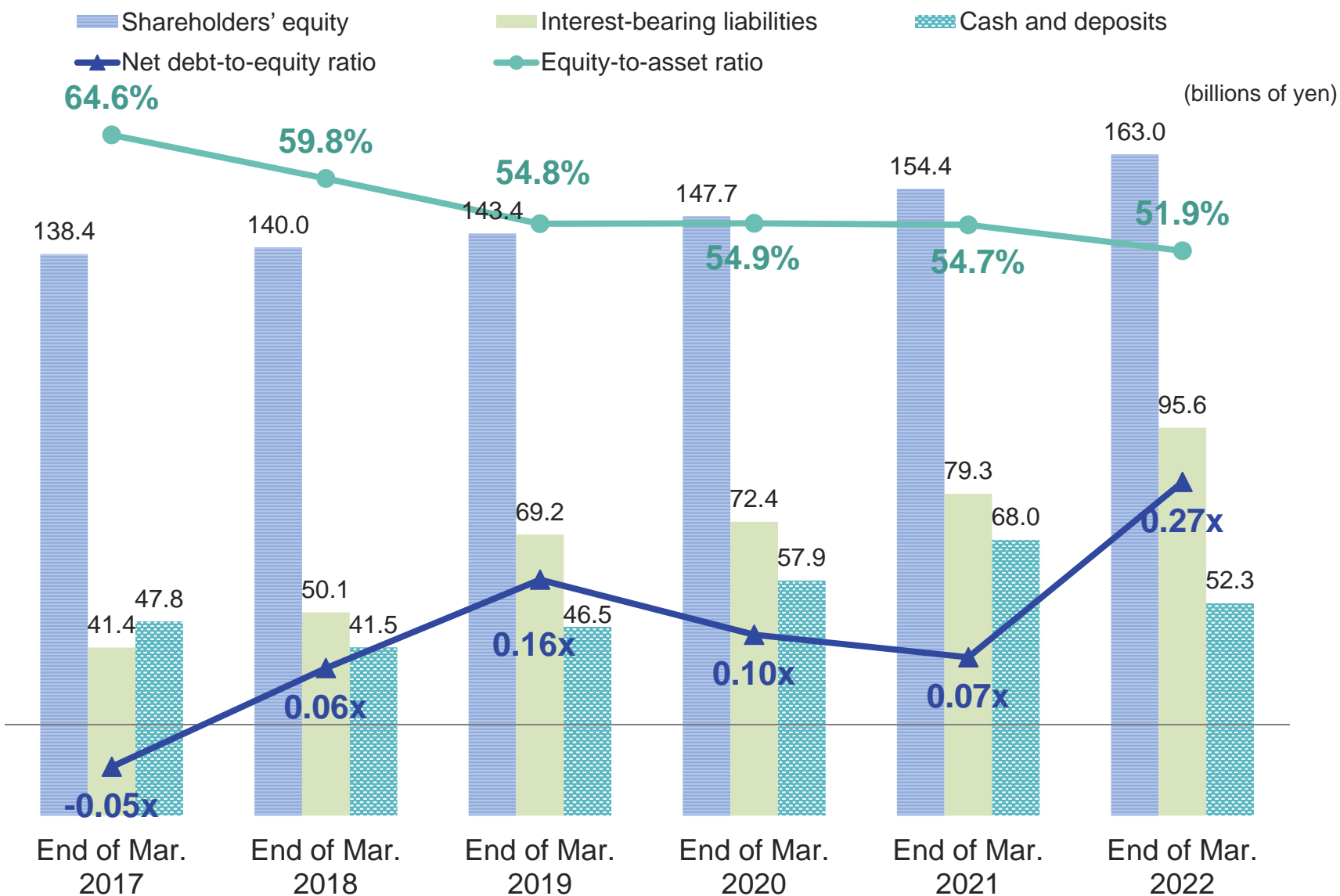
Operating profit

(billions of yen)
*Excluding elimination



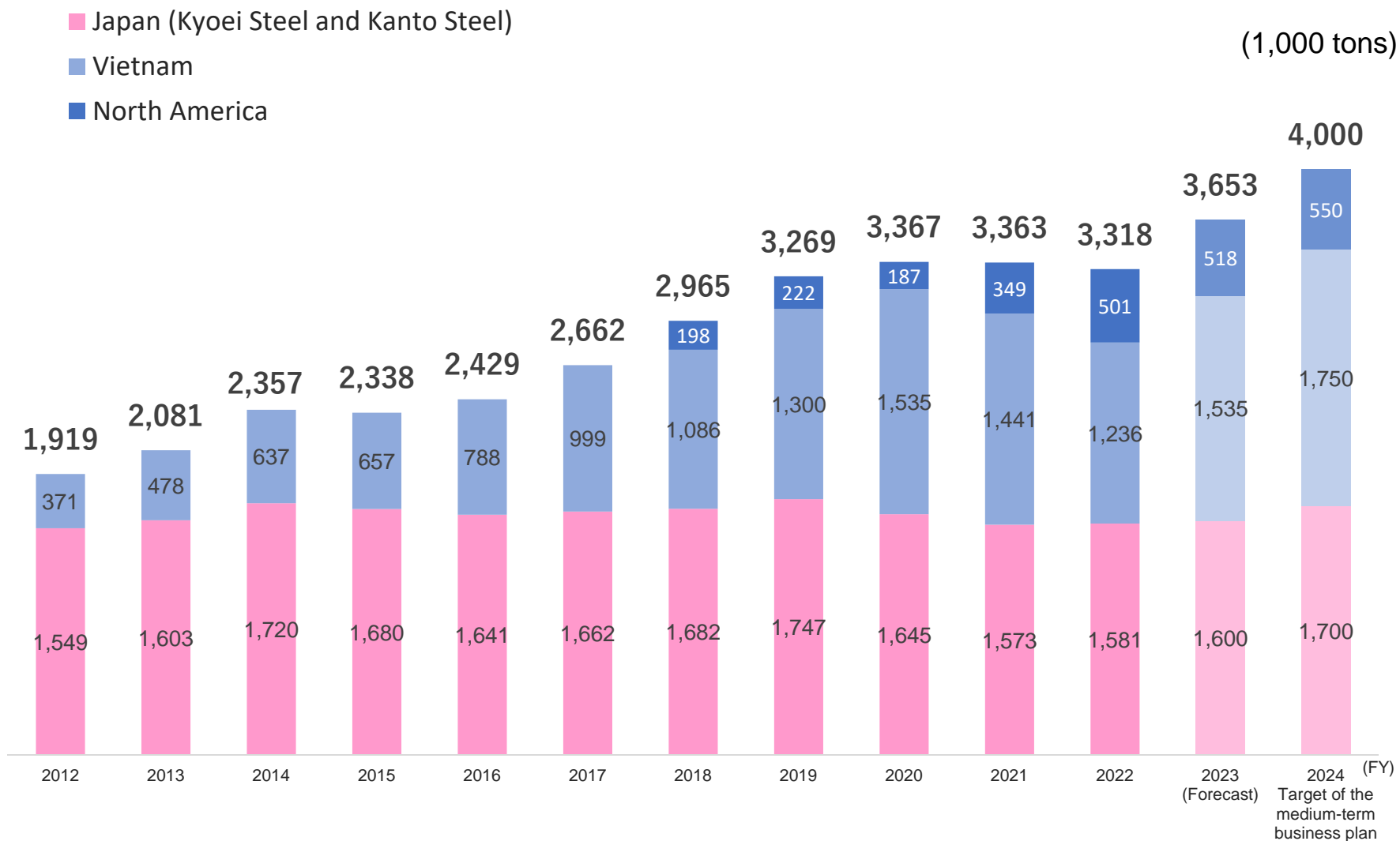
Changes in Equity-to-Asset Ratio and Net Debt-to-Equity Ratio

Although we have managed to maintain the equity-to-asset ratio at above 50%, the net debt-to-equity ratio exceeded 0.25.



Changes in Product Shipment: Japan and Overseas

The total product shipment in Japan and overseas fell short of the target due to the lockdown in Vietnam.



1

Overseas Steel Business

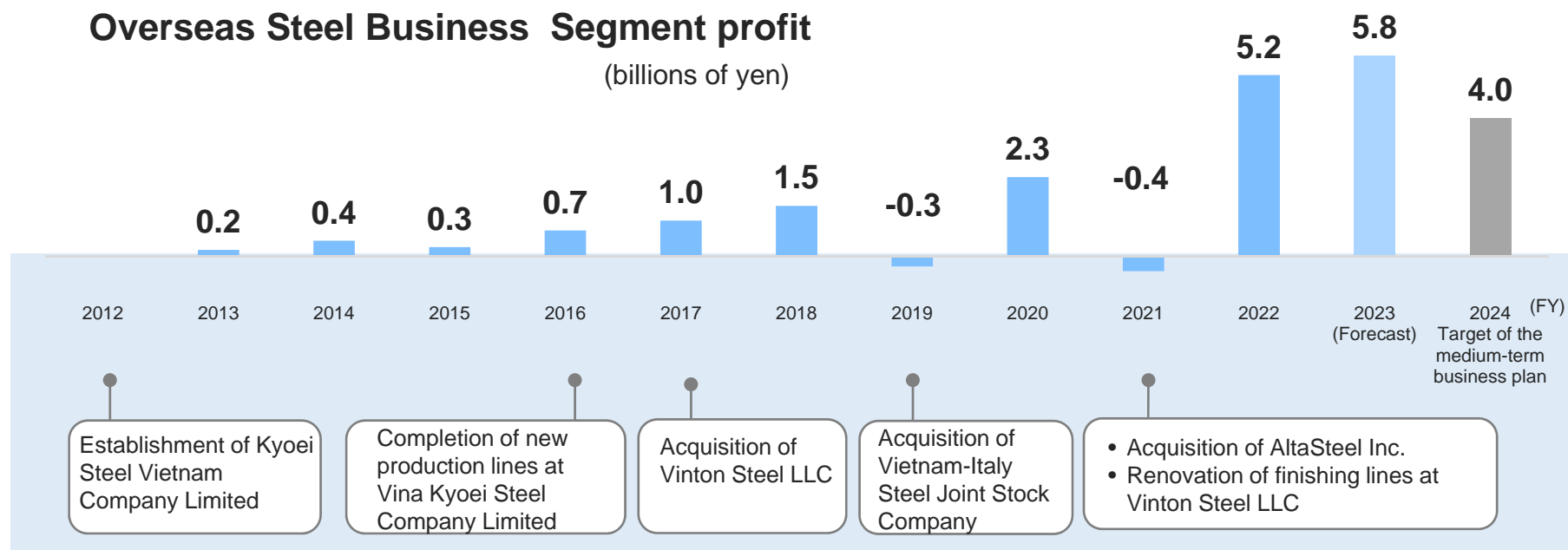
Raising of profitability
Preparation for
accelerating growth

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

- We posted record profits both in Vietnam and North America.
- △ Large-scale investment plans in Vietnam and Canada were delayed by around six months due to the impact of COVID-19.

Overseas Steel Business Segment profit

(billions of yen)



Progress of the Medium-Term Business Plan (1) Topics

● Plan to boost rolling capacity overseas

Vietnam-Italy Steel Joint Stock Company



Details

- Establishment of a rolling plant with an annual capacity of 500,000 tons next to a steelmaking plant (Haiphong)

Purposes

- Cost reduction through the integration of steelmaking and rolling
- Survival in the growing market by expanding market share

AltaSteel Inc.



Details

- Raising of annual rolling capacity by 100,000 tons to 360,000 tons (thin-rebar production lines)

Purposes

- Expansion of sales by offering a lineup with a full range of sizes
- Strengthening of local production and local consumption business in locations where scrap occurs.

● Turning VIS into a privately held company and additional purchase of VIS shares

Details

- April 22, 2022: Turning VIS into a privately held company and delisting (Ho Chi Minh Stock Exchange)
- May 9, 2022: Additional purchase of VIS stock ⇒ The investment ratio rose to 98.0%.

Purposes

- Further strengthening of the presence in the north Vietnam steel market by increasing managerial freedom and speeding up the decision-making process

2

Domestic Steel Business

Strengthening of competitiveness

Replacement of facilities with an eye toward the future

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

- △ The Business saw profit fall short of the target significantly, since it could not pass on the cost increases, including rises in the prices for scrap, alloys, auxiliary materials, and electricity, on to sales prices as expected.

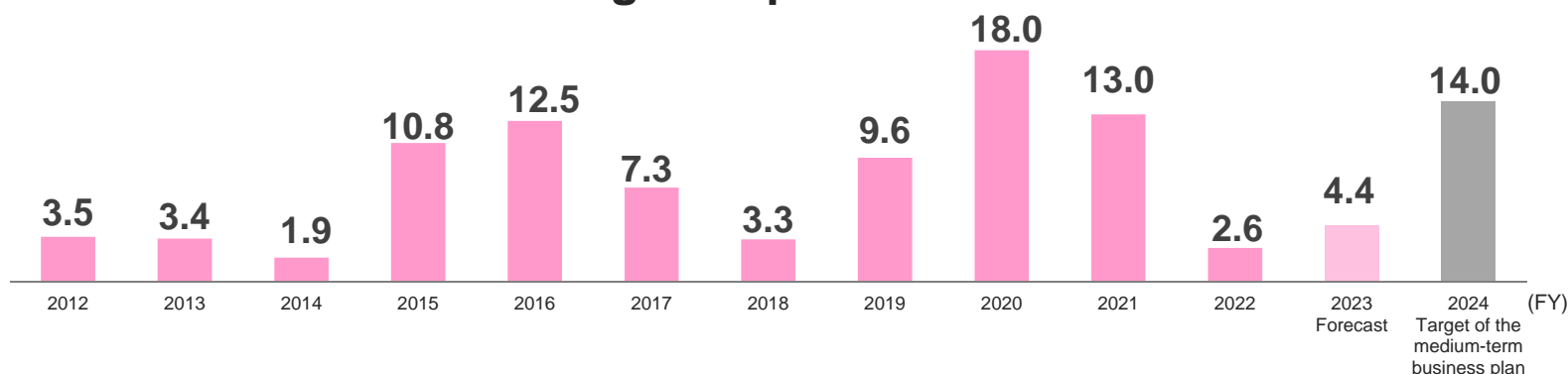
- The Business carried out investment to rationalize and streamline processes in various places.

- Bringing of a new automated warehouse into operation at Hirakata
- Promoting bringing more robots and automation into facilities



A radio-controlled robot that is involved in the furnace operation

Domestic Steel Business Segment profit (billions of yen)



Progress of the Medium-Term Business Plan (3)

3

Material Recycling and Steel Peripheral Business

Increase in profit-making opportunities

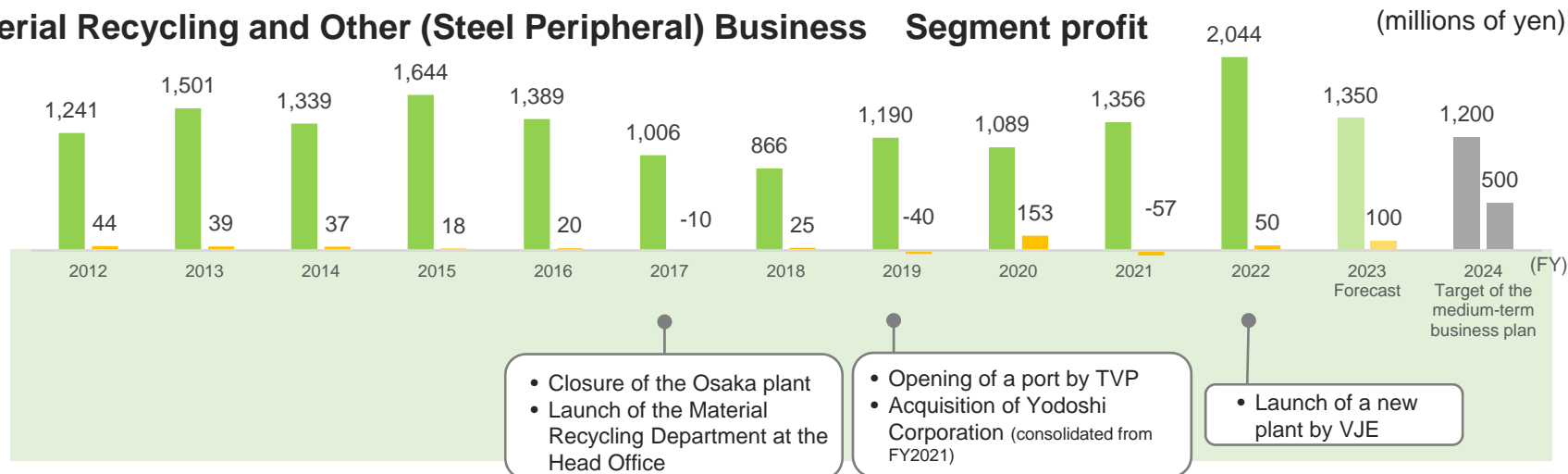
Material Recycling Business

- Material Recycling Department at the Head Office functioned as a control center, resulting in the improvement of sales capacity and profitability. The business posted a record profit after the closure of the Osaka plant.
- The business focused on obtaining orders for difficult-to-treat waste projects and projects related to COVID-19.

Other (Steel Peripheral) Business

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

Material Recycling and Other (Steel Peripheral) Business Segment profit (millions of yen)



4

Efforts to realize a carbon neutral and recycling society

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

● Efforts to reduce CO₂ emissions

- We conducted activities to reduce energy consumption rate in all locations.
- We started photovoltaic generation at the Hirakata Division.
⇒ We plan to install photovoltaic generation equipment also at the Yamaguchi Division.
- We conducted the third olive tree-planting ceremony.
- Based on TCFD's opinions, we disclosed information on CO₂ emission reduction.

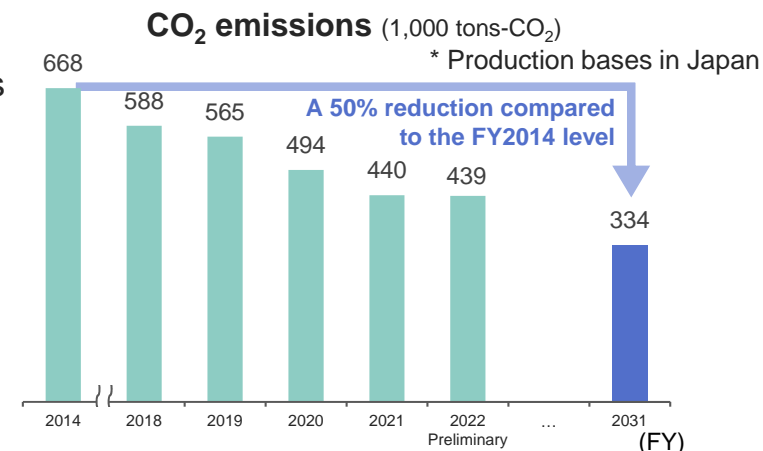


● Efforts to realize zero emission.

- The Research Center for Sustainable Technologies was opened in April 2022.
⇒ Aiming to recycle slag, a by-product of steel making.



Full-fledged research on the components of slag was conducted.



5

Contributing to the benefit of all stakeholders

- Making donations amounting to 1.1% of unconsolidated profit (0.5% of unconsolidated profit in KPI)
COVID-19-related Fund, Ukraine Refugee Assistance Fund, MESSCUD Medical Treatment Safety Fund, etc.



▲ Rescue training with the fire department

- Announcement of the declaration to establish partnerships

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

- Recognition as one of the 2022 Certified Health & Productivity Management Outstanding Organizations (under the large enterprise category)
- Announcement of Basic Policy on Human Rights
- Increase in the percentage of female employees on the career track: 10.2% as of April 2022 (FY2024 target: 11.0%)



Regional community

Employees

Shareholders

Stakeholders of Kyoei Steel

Business partners

Customers

- Publication of "KYOEI STEEL REPORT"
- Planning to pay a commemorative dividend to celebrate the 75th anniversary of the founding
- Efforts to further improve the quality of products

Investment in “invisible assets”

- **Improvement in capability**
(Investment in human capital and intellectual assets)

Details

- Establishment of Human Resource Development Section and Corporate Education Center
- Opening of Research Center for Sustainable Technologies
- Use of senior personnel by the extension of the mandatory retirement age
- Joint research with external research institutions, such as universities



Image of Corporate Education Center

- **Improvement of a workplace to enable employees to work comfortably**
(Renovation of Division offices and upgrading of the workplace environment)

Details

Yamaguchi Division: Construction of a new office building and implementation of measures to cope with the new zero emission and carbon neutral policy

Nagoya Division: Construction of a new office building

Kanto Steel: Construction of a welfare building



Image of the new office building at the Yamaguchi Division

6

Upgrading of business foundation

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

● Fairer and more sincere corporate activities

- Strengthening of the risk management system
(Coping with the revised CG code, the setting up of the Corporate Risk Management Committee, and acquisition of Resilience Certification)
- Continuous implementation of compliance education
- Upgrading of the information security system

● Promotion of digital transformation (DX)

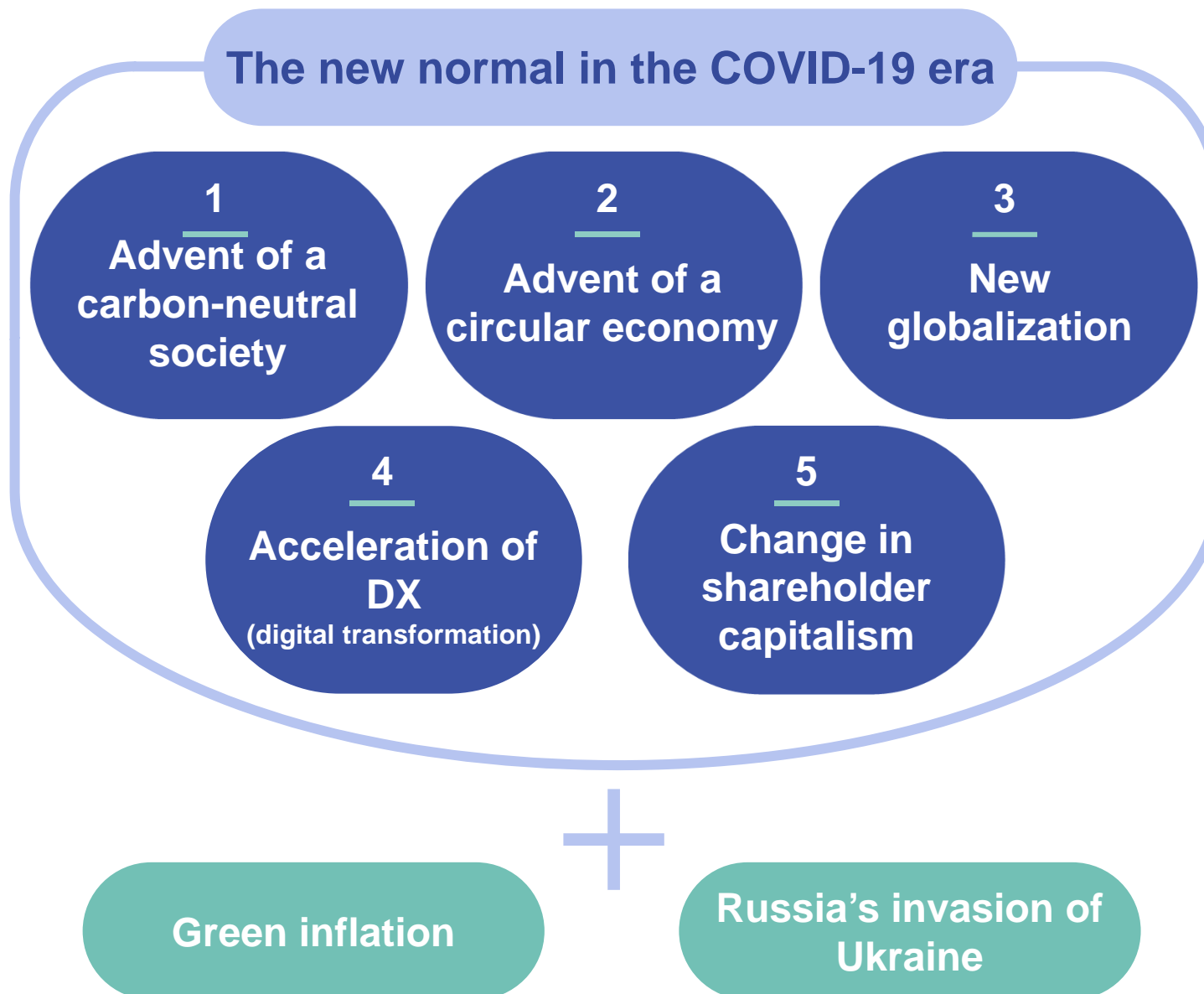
- Cutover of the core system for sales operations (web order receiving system)
(scheduled in October 2022)
Strengthening of sales operations: Standardization and increasing efficiency of sales and procurement operations
- Efforts are being made to realize paperless offices and introduce AI/IoT to plants.

● Efforts to strengthen the balance sheet

- Diversification of fund raising methods by issuing corporate bonds and setting a commitment line
- Maintaining the Single-A rating, an equity-to-asset ratio of 51.9% and a net-to-debt equity ratio of 0.27

Change in the Environment Surrounding the Company

KYOEI STEEL



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: Progress of the Medium-Term Business Plan

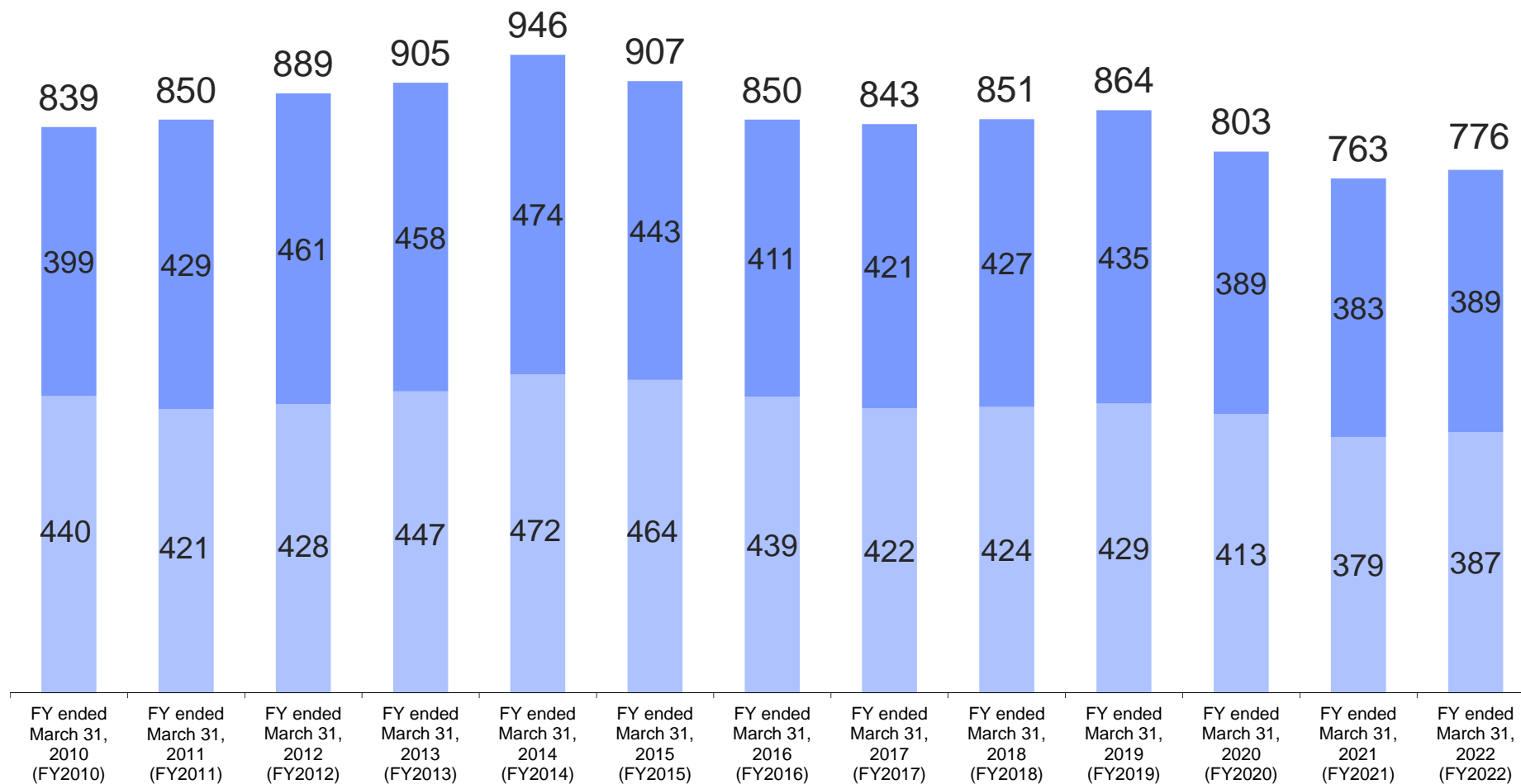
	FY2022		Forecast for FY2023	Medium-term business plan for FY2024
	Medium-term business plan	Results		
Net sales	260.0 billion yen	292.7 billion yen	380.0 billion yen	290.0 billion yen
Ordinary profit	10.0 billion yen	10.5 billion yen	11.0 billion yen	18.0 billion yen
Shipment	3,600,000 tons	3,320,000 tons	3,650,000 tons	4,000,000 tons
(Japan)	1,630,000 tons	1,580,000 tons	1,600,000 tons	1,700,000 tons
(Overseas)	1,980,000 tons	1,740,000 tons	2,050,000 tons	2,300,000 tons
ROS	3.8%	3.6%	2.9%	6% or higher
ROE	4.0%	4.0%	3.9%	7% or higher
Dividend payout ratio	29.0%	27.5%	30.1%	Around 30%
Capital expenditure and business investments	13.0 billion yen	13.0 billion yen	33.0 billion yen	
	60.0 billion yen over three years			

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

Reference 1

Reference: Small Bar Production Volume (Japan)

(10,000 tons)



(Source) Materials of Japan Iron & Steel Federation

Reference 2

Reference: Kyoei Steel Group's Bases in Japan

KYOEI STEEL



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 3

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

KYOEI STEEL



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



Reference 4

KYOEI STEEL LTD. All rights reserved.

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

KYOEI STEEL



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

Reference 5