

**Consolidated Financial Results for
the First Quarter of the Fiscal Year Ending March 31, 2022 (Fiscal Year 2022)
(Three Months Ended June 30, 2021)
<Under Japanese GAAP>**

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 Scheduled date of payment of dividend: –
 Preparation of supplementary materials for quarterly financial results: None

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated Financial Results for the First Quarter (from April 1, 2021 to June 30, 2021) of Fiscal Year 2022

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	64,923	30.7	2,185	(47.1)	2,575	(36.2)	1,308	(58.4)
Three months ended June 30, 2020	49,673	(21.1)	4,133	(10.1)	4,038	(6.6)	3,142	9.7

Note: Comprehensive income Three months ended June 30, 2021: 4,990 million yen [204.9%]
 Three months ended June 30, 2020: 1,636 million yen [(43.9)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2021	30.09	–	–	–
Three months ended June 30, 2020	72.29	–	–	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	307,812	167,689	50.7
As of March 31, 2021	282,282	164,583	54.7

Reference: Equity As of June 30, 2021: 156,061 million yen
 As of March 31, 2021: 154,429 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal Year 2021	–	15.00	–	45.00	60.00
Fiscal Year 2022	–	–	–	–	–
Fiscal Year 2022 (Forecast)	–	15.00	–	25.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecasts of Consolidated Earnings for Fiscal Year 2022 (from April 1, 2021 to March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	140,000	32.4	5,000	(36.2)	5,000	(37.1)	2,500	(56.6)	57.53
Full year	300,000	32.5	10,000	(21.0)	10,000	(22.7)	6,000	(31.7)	138.06

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: None

Excluded: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of June 30, 2021	44,898,730 shares
As of March 31, 2021	44,898,730 shares

2) Number of treasury shares at the end of the period

As of June 30, 2021	1,439,755 shares
As of March 31, 2021	1,439,755 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	43,458,975 shares
Three months ended June 30, 2020	43,458,975 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For a discussion of the assumptions for forecasts, precautions concerning usage and other information, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 3 of the attachments.

* Provisional accounting treatment for business combinations

The provisional accounting treatment for a business combination that was conducted in the fiscal year ended March 31, 2020 was finalized in the fiscal year ended on March 31, 2021.

Figures for the first quarter of the fiscal year ended March 31, 2021, which are comparative information, reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending March 31, 2022, economic activity resumed overseas, while domestic economic activity slowed down due to the state of emergency declaration issued mainly in urban areas because of the spread of COVID-19, and other factors. The outlook for the economy remained unclear.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, the business environment was challenging because, as demand for construction lacked momentum, the price of steel scrap, which had been in a rising trend since the second half of the previous fiscal year, remained high. Meanwhile, the business climate was favorable in the overseas steel business, particularly in Vietnam due to an increase in demand caused by the resumption of economic activity and improved market conditions.

As a result, the operating results for the first quarter of the fiscal year ending March 31, 2022, were as follows: Consolidated net sales increased by 15,249 million yen (30.7%) to 64,923 million yen. Operating profit decreased by 1,948 million yen (47.1%) to 2,185 million yen and ordinary profit decreased by 1,463 million yen (36.2%) to 2,575 million yen. Profit attributable to owners of parent decreased by 1,834 million yen (58.4%) to 1,308 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Product shipments increased by 18,000 tons from the same period of the previous fiscal year to 400,000 tons. Product prices increased by 10,400 yen (16.4%) per ton and the price of steel scrap was up 25,400 yen (116.7%). Therefore, the difference between the prices of steel products and steel scrap narrowed by 15,000 yen (35.9%) per ton compared with the same period of the previous fiscal year.

As a result, segment sales increased by 3,742 million yen (14.0%) to 30,509 million yen and operating profit decreased by 3,821 million yen (80.6%) to 919 million yen.

2) Overseas Steel Business

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

In Vietnam, as demand was firm since the second half of the previous fiscal year, raw material prices increased after the Tet holiday (Vietnamese Lunar New Year) and the rise was passed through to product prices. Both in northern and southern Vietnam, performance was strong in the first quarter. In North America, earnings were lower from the same period of the previous fiscal year when the impact of COVID-19 was small, mainly due to the deep freeze in Texas, the US in February, as well as suspensions of operations for regular maintenance in a business base in Canada (acquired in March 2020) in March. However, the performance began to return to normal from the second half of the previous fiscal year with challenging business results, because of an increase in demand for steel products caused by the resumption of economic activity and improved product market conditions.

As a result, segment sales increased by 11,268 million yen (55.2%) to 31,688 million yen and operating profit increased by 1,638 million yen to 1,115 million yen (compared with operating loss of 523 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

The volume of industrial waste materials increased compared with the same period of the previous fiscal year and orders of processing waste materials related to COVID-19 continued to be secured. Segment sales increased by 233 million yen (15.5%) to 1,738 million yen and operating profit increased by 231 million yen (107.3%) to 447 million yen.

4) Others

This category includes sales of civil engineering materials by a subsidiary, harbor operations in Vietnam and the casting business in Japan and Vietnam. Sales increased by 6 million yen (0.6%) to 989 million yen and operating profit increased by 29 million yen to 1 million yen (compared with operating loss of 29 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position**Assets**

Current assets increased by 22,700 million yen, or 13.4%, from the end of the previous fiscal year to 192,594 million yen. This was attributable mainly to increases of 3,056 million yen in cash and deposits, 6,140 million yen in notes and accounts receivable - trade, 6,763 million yen in merchandise and finished goods, 4,205 million yen in raw materials and supplies and 1,324 million yen in other current assets.

Non-current assets increased by 2,831 million yen, or 2.5%, from the end of the previous fiscal year to 115,219 million yen. This was attributable mainly to increases of 472 million yen in buildings and structures, 760 million yen in machinery, equipment and vehicles and 1,070 million yen in other, net under property, plant and equipment.

As a result, total assets increased by 25,530 million yen, or 9.0%, from the end of the previous fiscal year to 307,812 million yen.

Liabilities

Current liabilities increased by 11,769 million yen, or 14.6%, from the end of the previous fiscal year to 92,391 million yen. This was attributable mainly to increases of 5,235 million yen in notes and accounts payable - trade and 9,160 million yen in short-term borrowings, and a decrease of 1,405 million yen in income taxes payable.

Non-current liabilities increased by 10,655 million yen, or 28.7%, from the end of the previous fiscal year to 47,732 million yen. This was attributable mainly to an increase of 10,000 million yen in bonds payable.

As a result, total liabilities increased by 22,424 million yen, or 19.1%, from the end of the previous fiscal year to 140,123 million yen.

Net assets

Net assets increased by 3,107 million yen, or 1.9%, from the end of the previous fiscal year to 167,689 million yen. This was attributable mainly to a profit attributable to owners of parent of 1,308 million yen, dividends of surplus of 1,956 million yen, a 2,395 million yen increase in foreign currency translation adjustment and a 1,475 million yen increase in non-controlling interests.

As a result, equity-to-asset ratio decreased from 54.7% to 50.7%.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

In the domestic steel business, we expect the price of steel scrap in the second quarter of the fiscal year ending March 31, 2022 to remain higher than anticipated at the beginning of the fiscal year. As a result, the Kyoei Steel Group is working on raising product prices; however, earnings are expected to be lower than initially planned. In the overseas steel business, we expect the performance of operations to exceed the initial plan because the business remained firm both in Vietnam and North America in the second quarter (from April to June).

Based on this outlook, we have raised the forecast for the first half of the current fiscal year that was announced on April 30, 2021 with results of operations for the previous fiscal year.

For the full year, we have revised up sales forecast and kept earnings estimate unchanged on the basis of a certain assumption regarding future demand for steel products in Japan and other countries, market conditions for products and raw materials, the impact of COVID-19 on the business environment and others.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	66,959	70,015
Notes and accounts receivable - trade	40,341	46,481
Electronically recorded monetary claims - operating	12,233	13,484
Securities	1,000	1,000
Merchandise and finished goods	24,163	30,926
Raw materials and supplies	22,678	26,883
Other	3,015	4,339
Allowance for doubtful accounts	(495)	(534)
Total current assets	169,894	192,594
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,906	22,378
Machinery, equipment and vehicles, net	38,356	39,115
Land	29,761	30,148
Other, net	4,354	5,424
Total property, plant and equipment	94,377	97,065
Intangible assets		
Goodwill	978	1,005
Other	2,636	2,773
Total intangible assets	3,615	3,777
Investments and other assets		
Investment securities	10,660	10,509
Other	3,800	3,931
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,396	14,376
Total non-current assets	112,388	115,219
Total assets	282,282	307,812

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,963	20,199
Electronically recorded obligations - operating	2,559	2,211
Short-term borrowings	44,645	53,805
Current portion of long-term borrowings	5,705	5,633
Income taxes payable	1,486	80
Provision for bonuses	856	589
Provision for bonuses for directors (and other officers)	25	–
Other	10,384	9,874
Total current liabilities	80,622	92,391
Non-current liabilities		
Bonds payable	–	10,000
Long-term borrowings	27,979	28,149
Deferred tax liabilities	823	902
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	4,194	4,579
Other	1,648	1,669
Total non-current liabilities	37,077	47,732
Total liabilities	117,699	140,123
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,179	21,114
Retained earnings	110,325	109,677
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	148,319	147,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	767
Deferred gains or losses on hedges	(323)	(237)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	(5)	2,389
Remeasurements of defined benefit plans	865	909
Total accumulated other comprehensive income	6,110	8,454
Non-controlling interests	10,154	11,629
Total net assets	164,583	167,689
Total liabilities and net assets	282,282	307,812

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statements of Income)****(For the Three-month Period)**

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	49,673	64,923
Cost of sales	41,887	58,542
Gross profit	7,787	6,381
Selling, general and administrative expenses	3,654	4,196
Operating profit	4,133	2,185
Non-operating income		
Interest income	194	202
Dividend income	87	94
Share of profit of entities accounted for using equity method	284	214
Foreign exchange gains	–	135
Other	116	94
Total non-operating income	681	738
Non-operating expenses		
Interest expenses	432	274
Foreign exchange losses	333	–
Other	11	75
Total non-operating expenses	776	349
Ordinary profit	4,038	2,575
Extraordinary income		
Gain on sales and retirement of non-current assets	1	5
Subsidy income	–	9
Total extraordinary income	1	13
Extraordinary losses		
Loss on sale and retirement of non-current assets	73	49
Other	20	1
Total extraordinary losses	93	49
Profit before income taxes	3,946	2,538
Income taxes	1,391	562
Profit	2,556	1,976
Profit (loss) attributable to non-controlling interests	(586)	669
Profit attributable to owners of parent	3,142	1,308

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three-month Period)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	2,556	1,976
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(181)
Foreign currency translation adjustment	(657)	3,084
Remeasurements of defined benefit plans, net of tax	(1)	44
Deferred gains or losses on hedges	(256)	66
Total other comprehensive income	(919)	3,013
Comprehensive income	1,636	4,990
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,480	3,652
Comprehensive income attributable to non-controlling interests	(843)	1,338

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable.

Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable.

Changes in Accounting Policy

Application of Accounting Standards for Revenue Recognition, Etc.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) will be applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, and at the time when control of the promised goods or services is transferred to the customer, revenue is recognized by the amount of money expected to be received in exchange for the goods or services.

As a result, for transactions for which the Kyoei Steel Group's role in providing products to customers corresponds to an agent, the total amount of consideration received from customers was previously recognized as revenue, but the revenue is now recognized as the net amount received from customers minus the amount paid to supplier.

Regarding the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition is followed, with no effect on the balance at the beginning of retained earnings.

As a result, net sales and cost of sales for the first three month of the fiscal year ending March 31, 2021 decreased by 2,778 million yen, respectively, compared to the previous accounting treatment.

Segment and Other Information

I. First three months of the fiscal year ended March 31, 2021 (from April 1, 2020 to June 30, 2020)

1. Information related to net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Sales to external customers	26,767	20,419	1,504	48,691	983	–	49,673
Inter-segment sales and transfers	8	–	239	248	261	(509)	–
Total	26,775	20,419	1,744	48,938	1,244	(509)	49,673
Segment profit (loss)	4,741	(523)	215	4,433	(29)	(271)	4,133

- Notes:
1. “Others” represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
 2. The adjustment of (271) million yen to “segment profit (loss)” includes 18 million yen in eliminations for inter-segment transactions and (290) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
 3. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

2. Information related to impairment losses of non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First three months of the fiscal year ending March 31, 2022 (from April 1, 2021 to June 30, 2021)

1. Information related to net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Sales to external customers	30,509	31,688	1,738	63,934	989	–	64,923
Inter-segment sales and transfers	–	–	72	72	207	(279)	–
Total	30,509	31,688	1,810	64,007	1,196	(279)	64,923
Segment profit	919	1,115	447	2,481	1	(296)	2,185

- Notes:
1. “Others” represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
 2. The adjustment of (296) million yen to “segment profit” includes 13 million yen in eliminations for inter-segment transactions and (310) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
 3. “Segment profit” is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.
 4. The segment information for the first three months of the fiscal year ended March 31, 2021 is disclosed according to the amount of money reflecting a significant review of the initial allocation of acquisition costs due to the provisional accounting for a business combination conducted in the fiscal year ended March 31, 2020.

2. Information related to revisions to reportable segments

As described in Changes in Accounting Policy, the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations was applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, and changed the accounting treatment method for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

As a result of this change, net sales of the “Domestic Steel Business” decreased by 2,474 million yen and net sales of the “Material Recycling Business” decreased by 609 million yen for the first three months of the fiscal year ending March 31, 2022 compared to the conventional method.

3. Information related to impairment losses of non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.