

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Fiscal Year 2022) <Under Japanese GAAP>

Company name:	Kyoei Steel, Ltd.	Stock exchange listed:	Tokyo
Stock code:	5440	URL:	<a href="https://www.kyoeisteel.co.jp/">https://www.kyoeisteel.co.jp/</a>
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Scheduled date of the annual shareholders' meeting:	June 24, 2022		
Scheduled date of payment of dividend:	June 9, 2022		
Scheduled date of filing of annual securities report (Japanese version only):	June 27, 2022		
Preparation of supplementary materials for financial results:	None		

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

### 1. Consolidated Financial Results for Fiscal Year 2022 (from April 1, 2021 to March 31, 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	%
Fiscal year ended March 31, 2022	292,719	29.3	8,819	(30.3)	10,549	(18.4)	6,322	(28.1)
Fiscal year ended March 31, 2021	226,371	(5.4)	12,656	(34.8)	12,935	(31.8)	8,788	10.2

Note: Comprehensive income Fiscal year ended March 31, 2022: 13,871 million yen [39.1%]

Fiscal year ended March 31, 2021: 9,974 million yen [64.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	145.48	–	4.0	3.5	3.0
Fiscal year ended March 31, 2021	202.22	–	5.8	4.7	5.6

Reference: Equity in earnings (losses) of affiliates Fiscal year ended March 31, 2022: 1,419 million yen

Fiscal year ended March 31, 2021: 763 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	314,203	175,689	51.9	3,749.63
As of March 31, 2021	282,282	164,583	54.7	3,553.45

Reference: Equity As of March 31, 2022: 162,955 million yen

As of March 31, 2021: 154,429 million yen

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2022	(13,697)	6,933	7,339	27,210
Fiscal year ended March 31, 2021	15,191	(36,778)	5,137	25,351

## 2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2021	–	15.00	–	45.00	60.00	2,608	29.7	1.7
Fiscal Year 2022	–	15.00	–	25.00	40.00	1,738	27.5	1.1
Fiscal Year 2023 (Forecast)	–	15.00	–	30.00	45.00		30.1	

Note: The year-end dividend (forecast) for the fiscal year ending March 31, 2023, includes a commemorative dividend of 5 yen per share for the 75th anniversary of the foundation of the Company.

## 3. Forecasts of Consolidated Earnings for Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	183,000	28.7	3,000	(46.4)	3,000	(54.9)	1,700	(49.8)	39.12
Full year	380,000	29.8	10,500	19.1	11,000	4.3	6,500	2.8	149.57

**\* 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) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2022	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 March 31, 2022	1,439,755 shares
As of March 31, 2021	1,439,755 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	43,458,975 shares
Fiscal year ended March 31, 2021	43,458,975 shares

**(Reference) Summary of Non-consolidated Financial Results**

Non-consolidated Financial Results for Fiscal Year 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	118,649	26.1	2,369	(76.7)	3,283	(72.5)	2,421	(27.7)
Fiscal year ended March 31, 2021	94,124	(8.6)	10,164	(24.1)	11,919	(19.1)	3,347	(68.0)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2022	55.71	—
Fiscal year ended March 31, 2021	77.03	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	181,819	130,243	71.6	2,996.91
As of March 31, 2021	175,027	130,719	74.7	3,007.86

Reference: Equity

As of March 31, 2022: 130,243 million yen

As of March 31, 2021: 130,719 million yen

<Reasons for Differences between Non-consolidated Financial Results for Fiscal Years 2021 and 2022>

The differences between non-consolidated financial results for Fiscal Years 2021 and 2022 are mainly attributable to a rapid increase in raw material prices in the second half of fiscal year 2022 as the domestic steel business, constituting Kyoei Steel's core operations, remained flat due to weakness in product demand.

\* Financial results reports are exempt from audit conducted by certified public accountants or an auditing corporation.

\* 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 the underlying assumptions for forecasts, precautions concerning usage and other information, please refer to “1. Overview of Operating Results, (3) Future Outlook” on page 4 of the attachments.

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## 1. Overview of Operating Results

### (1) Overview of Operating Results for the Current Fiscal Year

During the fiscal year ended March 31, 2022, the Japanese economy showed signs of recovery from the prolonged impact of COVID-19, partly due to the spread of vaccinations and the effects of various government policies, but the outlook remained uncertain due to accelerating inflation worldwide, including soaring oil prices following the Russian invasion of Ukraine, as well as fluctuations in financial and capital markets.

The market for steel construction materials in Japan was on a recovery track compared to the previous fiscal year, but demand for concrete reinforcing steel bars, the Kyoei Steel Group's main product, remained weak and flat. In addition, prices of steel scrap, a raw material, rose sharply both in Japan and overseas. The Kyoei Steel Group made efforts to raise product prices to secure prices at which products could be reproduced, but since it takes a certain period of time for prices at the time of contract to be reflected in shipping prices, the difference between sale and purchase prices (the difference between the prices of steel products and raw materials) shrank significantly.

As for the overseas steel business, the business environment remained difficult to forecast due to temporary restrictions on socio-economic activities and business operations at the Group's companies in Vietnam caused by the spread of COVID-19. Meanwhile, at the companies in North America, the Biden administration's infrastructure investment policy and other factors supported steel demand and the rebar market remained firm throughout the year.

As a result, consolidated net sales of the Kyoei Steel Group increased by 66,348 million yen (29.3%) year on year to 292,719 million yen, consolidated operating profit decreased by 3,838 million yen (30.3%) year on year to 8,819 million yen, consolidated ordinary profit decreased by 2,386 million yen (18.4%) year on year to 10,549 million yen, and profit attributable to owners of parent decreased by 2,466 million yen (28.1%) year on year to 6,322 million yen.

Operating results by business segment are as follows.

#### 1) Domestic Steel Business

Product shipments, including exports, increased by 8,000 tons year on year to 1,581,000 tons. Steel scrap prices increased 23,000 yen (77.2%) year on year, but an increase in product prices was only 18,200 yen (28.3%) higher than the previous year. Therefore, the difference between sale and purchase prices narrowed by 4,800 yen (13.7%).

As a result, segment net sales increased by 17,820 million yen (16.0%) year on year to 128,957 million yen and operating profit decreased by 10,390 million yen (79.9%) year on year to 2,622 million yen.

#### 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, while the first half of the fiscal year saw favorable results due to an increase in the difference between sale and purchase prices following a sharp rise in product prices, the second half of the fiscal year saw difficult business operations due to the impact of COVID-19, but for the full year, the Group's companies in Vietnam as a whole achieved record profits. In North America, the strong demand environment continued throughout the year for both steel bars and products for the mining industry, and product shipments increased due to the refurbishment of production facilities, resulting in a significant improvement in business performance.

As a result, segment net sales increased by 47,023 million yen (44.8%) year on year to 152,008 million yen and operating profit increased by 5,661 million yen year on year to 5,233 million yen (compared with an operating loss of 428 million yen in the previous fiscal year).

#### 3) Material Recycling Business

For this business segment, performance was favorable due to a steady increase in orders for difficult-to-treat waste projects, as well as the acquisition of medical waste treatment projects related to COVID-19. As a result, segment net sales increased by 584 million yen (8.7%) year on year to 7,288 million yen and operating profit increased by 688 million yen (50.8%) year on year to 2,044 million yen.

#### 4) Others

This category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Net sales increased by 922 million yen (26.0%) year on year to 4,465 million yen and operating profit increased by 107 million yen year on year to 50 million yen (compared with an operating loss of 57 million yen in the previous fiscal year).

### (2) Overview of Financial Position for the Current Fiscal Year

#### 1) Assets, liabilities and net assets

##### (i) Assets

Current assets increased by 24,126 million yen, or 14.2%, from the end of the previous fiscal year to 194,020 million yen. This was attributable mainly to increases of 12,008 million yen in notes and accounts receivable - trade, 3,166 million yen in electronically recorded monetary claims - operating, 16,227 million yen in merchandise and finished goods, 5,311 million yen in raw materials and supplies, and 3,095 million yen in other current assets, and a decrease of 15,621 million yen in cash and deposits.

Non-current assets increased by 7,795 million yen, or 6.9%, from the end of the previous fiscal year to 120,183 million yen. This was attributable mainly to increases of 2,285 million yen in buildings and structures, 2,706 million yen in machinery, equipment and vehicles, 913 million yen in land, 674 million yen in other intangible assets, 494 million yen in investment securities, and 1,632 million yen in retirement benefit asset, and a decrease of 1,401 million yen in construction in progress.

As a result, total assets increased by 31,921 million yen, or 11.3%, from the end of the previous fiscal year to 314,203 million yen.

##### (ii) Liabilities

Current liabilities increased by 12,171 million yen, or 15.1%, from the end of the previous fiscal year to 92,793 million yen. This was attributable mainly to increases of 3,729 million yen in notes and accounts payable - trade, and 9,749 million yen in short-term borrowings, and decreases of 883 million yen in current portion of long-term borrowings, and 1,216 million yen in income taxes payable.

Non-current liabilities increased by 8,644 million yen, or 23.3%, from the end of the previous fiscal year to 45,721 million yen. This was attributable mainly to increases of 10,000 million yen in bonds payable, and 1,330 million yen in deferred tax liabilities, and a decrease of 2,702 million yen in long-term borrowings.

As a result, total liabilities increased by 20,816 million yen, or 17.7%, from the end of the previous fiscal year to 138,515 million yen.

##### (iii) Net assets

Net assets increased by 11,106 million yen, or 6.7%, from the end of the previous fiscal year to 175,689 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 6,322 million yen, increases of 3,547 million yen in foreign currency translation adjustment, 1,296 million yen in remeasurements of defined benefit plans, and 2,580 million yen in non-controlling interests, and a decrease of 2,608 million yen due to dividends of surplus.

As a result, net assets per share increased by 196.18 yen from the end of the previous fiscal year to 3,749.63 yen. Equity-to-asset ratio decreased from 54.7% at the end of the previous fiscal year to 51.9%.

#### 2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by 1,858 million yen from the end of the previous fiscal year to 27,210 million yen. 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 13,697 million yen. Major components included profit before income taxes of

10,081 million yen, depreciation of 8,840 million yen, an increase of 13,070 million yen in trade receivables, an increase of 18,081 million yen in inventories, an increase of 2,846 million yen in trade payables, and income taxes paid of 3,686 million yen.

### (ii) Cash flows from investing activities

Net cash provided by investing activities was 6,933 million yen. Major components included payments into time deposits of 54,262 million yen, proceeds from the withdrawal of time deposits of 72,000 million yen and purchase of property, plant and equipment of 10,883 million yen.

### (iii) Cash flows from financing activities

Net cash provided by financing activities was 7,339 million yen. Major components included a net increase of 4,463 million yen in short-term borrowings, proceeds from long-term borrowings of 1,451 million yen, repayments of long-term borrowings of 5,869 million yen, proceeds from issuance of bonds of 9,947 million yen and dividends paid of 2,603 million yen.

Trends in the Kyoei Steel Group's cash flow indicators and other indicators are shown below.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity-to-asset ratio	59.8%	54.8%	54.9%	54.7%	51.9%
Equity ratio based on market price	34.0%	26.2%	20.1%	25.6%	18.5%
Interest-bearing debt to cash flow ratio	–	1,585.8%	217.8%	521.8%	–
Interest coverage ratio	–	2.5 times	17.3 times	11.2 times	–

Notes: 1. The following formulas are used to calculate each indicator.

- Equity-to-asset ratio:  $\text{Equity} / \text{Total assets}$
- Equity ratio based on market price:  $\text{Market capitalization} / \text{Total assets}$
- Interest-bearing debt to cash flow ratio:  $\text{Interest-bearing debt} / \text{Operating cash flow}$
- Interest coverage ratio:  $\text{Operating cash flow} / \text{Interest expense}$

2. All calculations are based on consolidated financial figures.

3. Market capitalization is calculated based on the number of shares outstanding excluding treasury shares.

4. For the fiscal years ended March 31, 2018 and March 31, 2022, the interest-bearing debt to cash flow ratio and interest coverage ratio are not stated because operating cash flows were negative.

### (3) Future Outlook

As for the outlook for the next fiscal year, although demand in the residential sector in the domestic steel business is expected to be lower than the previous year, demand in the non-residential sector such as factories and logistics facilities is expected to recover due to a pickup in capital investment and other factors, and the Kyoei Steel Group's product shipment volume is expected to slightly exceed that of the previous fiscal year. In terms of profits, however, the business environment is expected to be extremely challenging in the first half of the fiscal year, as the outlook for the situation in Ukraine remains uncertain, and steel scrap prices and electricity costs are expected to remain at high levels due to soaring global resource prices, prolonged inflation and a weak yen. In the second half of the fiscal year, we expect to secure a difference between sale and purchase prices by passing the prices to product prices, and to improve performance through cost reduction efforts such as streamlining operations.

In the overseas steel business, operations in Vietnam and North America are both expected to continue to perform well due to the expected strong demand environment, increased shipments and the securing of a difference between sale and purchase prices.

As in the current fiscal year, the material recycling business is expected to remain stable.

As a result, for the next fiscal year, we project consolidated net sales of 380,000 million yen, consolidated operating



profit of 10,500 million yen, consolidated ordinary profit of 11,000 million yen, and profit attributable to owners of parent of 6,500 million yen.

#### **(4) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years**

We believe that increasing corporate value through our business activities is the best way to return profits to our shareholders. With regard to dividends, we will return an appropriate level of dividends to shareholders while securing the internal reserves necessary for business growth and strengthening the corporate structure from a long-term perspective. Specifically, the Company's basic policy is to pay a target "consolidated dividend payout ratio of 25% to 30% per year, with a minimum annual dividend per share of 30 yen."

The year-end dividend for the current fiscal year is 25 yen per share, as previously forecasted. As a result, the annual dividend is 40 yen per share, including the interim dividend of 15 yen per share already paid.

The Company will celebrate its 75th anniversary in 2022. Therefore, to express our gratitude to our shareholders, we plan to pay an annual dividend of 45 yen per share for the next fiscal year, consisting of an interim dividend of 15 yen and a year-end dividend of 25 yen, for an ordinary dividend of 40 yen per share, plus a commemorative dividend of 5 yen per share for the 75th anniversary of the founding of the Company.

## **2. Basic Approach to the Selection of Accounting Standards**

The Kyoei Steel Group's policy is to prepare its consolidated financial statements in accordance with Japanese GAAP for the time being, taking into consideration the comparability of consolidated financial statements from period to period and the comparability among companies, and we intend to adopt IFRS in an appropriate manner, taking into consideration various conditions in Japan and overseas.

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	66,959	51,338
Notes and accounts receivable - trade	40,341	52,349
Electronically recorded monetary claims - operating	12,233	15,399
Securities	1,000	1,000
Merchandise and finished goods	24,163	40,390
Raw materials and supplies	22,678	27,989
Other	3,015	6,111
Allowance for doubtful accounts	(495)	(555)
Total current assets	169,894	194,020
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,550	60,672
Accumulated depreciation	(33,645)	(36,481)
Buildings and structures, net	21,906	24,190
Machinery, equipment and vehicles	139,363	153,095
Accumulated depreciation	(101,007)	(112,032)
Machinery, equipment and vehicles, net	38,356	41,062
Land	29,761	30,674
Construction in progress	3,093	1,692
Other	3,732	4,471
Accumulated depreciation	(2,471)	(2,890)
Other, net	1,261	1,582
Total property, plant and equipment	94,377	99,201
Intangible assets		
Goodwill	978	856
Other	2,636	3,311
Total intangible assets	3,615	4,167
Investments and other assets		
Investment securities	10,660	11,155
Long-term loans receivable	460	392
Retirement benefit asset	1,914	3,546
Deferred tax assets	490	356
Other	936	1,418
Allowance for doubtful accounts	(64)	(50)
Total investments and other assets	14,396	16,816
Total non-current assets	112,388	120,183
<b>Total assets</b>	<b>282,282</b>	<b>314,203</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	14,963	18,692
Electronically recorded obligations - operating	2,559	2,343
Short-term borrowings	44,645	54,393
Current portion of long-term borrowings	5,705	4,822
Income taxes payable	1,486	270
Provision for bonuses	856	969
Provision for bonuses for directors (and other officers)	25	–
Other	10,384	11,305
Total current liabilities	80,622	92,793
Non-current liabilities		
Bonds payable	–	10,000
Long-term borrowings	27,979	25,277
Deferred tax liabilities	823	2,153
Deferred tax liabilities for land revaluation	2,433	2,394
Retirement benefit liability	4,194	4,317
Other	1,648	1,581
Total non-current liabilities	37,077	45,721
Total liabilities	117,699	138,515
<b>Net assets</b>		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,179	21,114
Retained earnings	110,325	114,130
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	148,319	152,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	843
Deferred gains or losses on hedges	(323)	(186)
Revaluation reserve for land	4,625	4,536
Foreign currency translation adjustment	(5)	3,541
Remeasurements of defined benefit plans	865	2,162
Total accumulated other comprehensive income	6,110	10,896
Non-controlling interests	10,154	12,734
Total net assets	164,583	175,689
Total liabilities and net assets	282,282	314,203

**(2) Consolidated Statements of Income and Comprehensive Income****(Consolidated Statements of Income)**

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	226,371	292,719
Cost of sales	198,112	266,820
Gross profit	28,258	25,899
Selling, general and administrative expenses	15,602	17,080
Operating profit	12,656	8,819
Non-operating income		
Interest income	825	723
Dividend income	139	169
Share of profit of entities accounted for using equity method	763	1,419
Foreign exchange gains	–	289
Other	437	474
Total non-operating income	2,164	3,075
Non-operating expenses		
Interest expenses	1,310	1,217
Sales discounts	7	9
Foreign exchange losses	497	–
Other	72	117
Total non-operating expenses	1,886	1,344
Ordinary profit	12,935	10,549
Extraordinary income		
Gain on sale and retirement of non-current assets	21	33
Insurance claim income	–	64
Subsidy income	148	24
Surrender value of insurance policies	76	–
Other	5	–
Total extraordinary income	249	120
Extraordinary losses		
Loss on sale and retirement of non-current assets	365	408
Impairment losses	–	154
Other	84	26
Total extraordinary losses	449	588
Profit before income taxes	12,735	10,081
Income taxes - current	3,714	1,398
Income taxes - deferred	(248)	949
Total income taxes	3,466	2,347
Profit	9,269	7,734
Profit attributable to non-controlling interests	481	1,411
Profit attributable to owners of parent	8,788	6,322

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	9,269	7,734
Other comprehensive income		
Valuation difference on available-for-sale securities	702	(104)
Deferred gains or losses on hedges	(201)	164
Foreign currency translation adjustment	(745)	4,780
Remeasurements of defined benefit plans, net of tax	949	1,296
Total other comprehensive income	705	6,137
Comprehensive income	9,974	13,871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,036	11,198
Comprehensive income attributable to non-controlling interests	(62)	2,672

**(3) Consolidated Statements of Changes in Equity**

FY2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,516	21,141	104,823	(1,700)	142,780
Changes during period					
Change in scope of consolidation		38	190		228
Dividends of surplus			(3,477)		(3,477)
Profit attributable to owners of parent			8,788		8,788
Net changes in items other than shareholders' equity					
Total changes during period	-	38	5,502	-	5,540
Balance at end of period	18,516	21,179	110,325	(1,700)	148,319

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	246	(158)	4,625	261	(83)	4,891	10,373	158,044
Changes during period								
Change in scope of consolidation								228
Dividends of surplus								(3,477)
Profit attributable to owners of parent								8,788
Net changes in items other than shareholders' equity	702	(165)	-	(267)	949	1,219	(219)	1,000
Total changes during period	702	(165)	-	(267)	949	1,219	(219)	6,539
Balance at end of period	948	(323)	4,625	(5)	865	6,110	10,154	164,583

FY2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,516	21,179	110,325	(1,700)	148,319
Changes during period					
Dividends of surplus			(2,608)		(2,608)
Profit attributable to owners of parent			6,322		6,322
Reversal of revaluation reserve for land			90		90
Change in ownership interest of parent due to transactions with non-controlling interests		(65)			(65)
Net changes in items other than shareholders' equity					
Total changes during period	-	(65)	3,804	-	3,740
Balance at end of period	18,516	21,114	114,130	(1,700)	152,059

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	948	(323)	4,625	(5)	865	6,110	10,154	164,583
Changes during period								
Dividends of surplus								(2,608)
Profit attributable to owners of parent								6,322
Reversal of revaluation reserve for land								90
Change in ownership interest of parent due to transactions with non-controlling interests								(65)
Net changes in items other than shareholders' equity	(104)	137	(90)	3,547	1,296	4,786	2,580	7,366
Total changes during period	(104)	137	(90)	3,547	1,296	4,786	2,580	11,106
Balance at end of period	843	(186)	4,536	3,541	2,162	10,896	12,734	175,689

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	12,735	10,081
Depreciation	8,402	8,840
Impairment losses	–	154
Amortization of goodwill	198	224
Increase (decrease) in provisions	(37)	79
Increase (decrease) in retirement benefit liability	604	87
Share of loss (profit) of entities accounted for using equity method	(763)	(1,419)
Loss (gain) on sale and retirement of non-current assets	345	375
Insurance claim income	(22)	(64)
Subsidy income	(148)	(24)
Interest and dividend income	(965)	(893)
Interest expenses	1,310	1,217
Decrease (increase) in trade receivables	(1,431)	(13,070)
Decrease (increase) in inventories	261	(18,081)
Increase (decrease) in trade payables	4,064	2,846
Increase (decrease) in accrued consumption taxes	(1,218)	(176)
Decrease (increase) in retirement benefit asset	(1,377)	(1,344)
Other, net	(791)	1,293
Subtotal	21,167	(9,875)
Interest and dividends received	1,205	1,036
Interest paid	(1,353)	(1,197)
Proceeds from insurance income	22	–
Subsidies received	148	24
Income taxes paid	(5,998)	(3,686)
Net cash provided by (used in) operating activities	15,191	(13,697)
<b>Cash flows from investing activities</b>		
Payments into time deposits and other	(58,658)	(54,262)
Proceeds from withdrawal of time deposits and other	32,611	72,000
Purchase of securities	(2,000)	(1,000)
Proceeds from sale of securities	2,000	2,000
Purchase of investment securities	(4)	(64)
Proceeds from sale and redemption of investment securities	–	1
Payments of deposit	(1)	–
Proceeds from withdrawal deposit	1	0
Loan advances	(517)	(5)
Proceeds from collection of loans receivable	49	310
Purchase of property, plant and equipment	(9,353)	(10,883)
Proceeds from sale of property, plant and equipment	14	24
Purchase of intangible assets	(732)	(993)
Other, net	(189)	(196)
Net cash provided by (used in) investing activities	(36,778)	6,933



(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(33)	4,463
Proceeds from long-term borrowings	15,000	1,451
Repayments of long-term borrowings	(5,714)	(5,869)
Repayments of installment payables	(88)	(99)
Proceeds from issuance of bonds	–	9,947
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(238)	–
Dividends paid	(3,471)	(2,603)
Dividends paid to non-controlling interests	(320)	(14)
Other, net	–	64
Net cash provided by (used in) financing activities	5,137	7,339
Effect of exchange rate change on cash and cash equivalents	(561)	1,283
Net increase (decrease) in cash and cash equivalents	(17,011)	1,858
Cash and cash equivalents at beginning of period	42,085	25,351
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	278	–
Cash and cash equivalents at end of period	25,351	27,210

## **(5) Notes to Consolidated Financial Statements**

### **Notes on Going Concern Assumption**

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, hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and relevant revised ASBJ regulations have been applied from the beginning of the current fiscal year, 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 third parties.

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 decreased by 13,298 million yen each in the consolidated statements of income for the current fiscal year, compared with those before the adoption of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations.

Furthermore, the information on disaggregation of revenue from contracts with customers during the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

Application of Accounting Standards for Fair Value Measurement, Etc.

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 applied from the beginning of the current fiscal year, and the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement, etc. will be applied 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 no impact on the consolidated financial statements.

## Segment and Other Information

### 1. Overview of reportable segments

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Each business unit determines its own comprehensive strategies and has devised for products and services in both domestic and overseas markets.

Consequently, the Group has three reportable business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business.

In the Domestic Steel Business, the Group manufactures and sells steel products, mainly for domestic building construction and civil engineering, and has a cargo transportation business. In the Overseas Steel Business, the Group manufactures and sells steel products, mainly for building construction and civil engineering overseas. In the Material Recycling Business, the Group performs intermediate and final processing of medical waste and industrial waste and has a recycled crushed stone business and other activities.

### 2. Calculation method for net sales, profit/loss, assets, and other items for each reportable segment

The accounting treatment methods for reportable segments comply with accounting policies used for the preparation of the consolidated financial statements.

Earnings for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.

Application of Accounting Standards for Revenue Recognition, Etc.

As described in Changes in Accounting Policy, the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations have been applied from the beginning of the current fiscal year, resulting the changes in 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 11,979 million yen and net sales of the "Material Recycling Business" decreased by 2,730 million yen for the current fiscal year, compared to the conventional method.

## 3. Information related to net sales, profit/loss and assets and other items for each reportable segment and information on disaggregation of revenue

FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5)	Amounts shown on the consolidated financial statements (Note 6)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Sales to external customers	111,138	104,985	6,705	222,828	3,543	–	226,371
Inter-segment sales and transfers	32	–	1,243	1,275	1,056	(2,331)	–
Total	111,169	104,985	7,948	224,103	4,599	(2,331)	226,371
Segment profit (loss)	13,012	(428)	1,356	13,940	(57)	(1,227)	12,656
Segment assets	119,928	99,374	6,808	226,111	10,903	45,268	282,282
Other items							
Depreciation	3,637	3,914	251	7,802	348	252	8,402
Amortization of goodwill	–	198	–	198	–	–	198
Increase in property, plant and equipment and intangible assets	5,687	3,038	198	8,923	1,303	637	10,863

- 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 (1,227) million yen to “segment profit (loss)” includes 11 million yen in eliminations for inter-segment transactions and (1,238) 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. The adjustment of 45,268 million yen to “segment assets” includes the Company’s excess funds (cash and deposits, and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
  4. The adjustment of 252 million yen to “depreciation” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  5. The adjustment of 637 million yen to an “increase in property, plant and equipment and intangible assets” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  6. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the consolidated financial statements.

FY2022 (from Apr. 1, 2021 to Mar. 31, 2022)

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5)	Amounts shown on the consolidated financial statements (Note 6)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	128,957	152,008	7,288	288,254	4,465	–	292,719
Sales to external customers	128,957	152,008	7,288	288,254	4,465	–	292,719
Inter-segment sales and transfers	2	–	351	353	903	(1,256)	–
Total	128,959	152,008	7,639	288,607	5,368	(1,256)	292,719
Segment profit	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 items							
Depreciation	3,654	4,355	242	8,251	344	245	8,840
Amortization of goodwill	–	224	–	224	–	–	224
Impairment losses	150	–	4	154	–	–	154
Increase in property, plant and equipment and intangible assets	7,738	3,639	140	11,517	712	742	12,971

- 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 (1,130) million yen to “segment profit” includes 10 million yen in eliminations for inter-segment transactions and (1,141) 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. The adjustment of 36,571 million yen to “segment assets” includes the Company’s excess funds (cash and deposits, and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
  4. The adjustment of 245 million yen to “depreciation” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  5. The adjustment of 742 million yen to an “increase in property, plant and equipment and intangible assets” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  6. “Segment profit” is adjusted to be consistent with operating profit shown on the consolidated financial statements.

**Per Share Information**

Items	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)	FY2022 (from Apr. 1, 2021 to Mar. 31, 2022)
Net assets per share	3,553.45 yen	3,749.63 yen
Basic earnings per share	202.22 yen	145.48 yen
	Diluted earnings per share is not presented since the Company has no outstanding dilutive securities.	Diluted earnings per share is not presented since the Company has no outstanding dilutive securities.

Notes: Basis for calculation is as follows.

## 1. Net assets per share

Items	FY2021 (as of Mar. 31, 2021)	FY2022 (as of Mar. 31, 2022)
Total net assets (Millions of yen)	164,583	175,689
Deduction on total net assets (Millions of yen)	(10,154)	(12,734)
[of which non-controlling interests (Millions of yen)]	[(10,154)]	[(12,734)]
Net assets applicable to common shares (Millions of yen)	154,429	162,955
Number of common shares outstanding (Thousand shares)	44,899	44,899
Number of treasury shares (Thousand shares)	1,440	1,440
Number of common shares at end of period used in calculation of net assets per share (Thousand shares)	43,459	43,459

## 2. Basic earnings per share

Items	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)	FY2022 (from Apr. 1, 2021 to Mar. 31, 2022)
Profit attributable to owners of parent (Millions of yen)	8,788	6,322
Amounts not available to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent applicable to common shares (Millions of yen)	8,788	6,322
Average number of common shares outstanding during the period (Thousand shares)	43,459	43,459

**Material Subsequent Events**

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.*