

**Consolidated Financial Results**  
**for the Second Quarter of Fiscal Year Ending March 31, 2021 (Fiscal Year 2021)**  
**(Six Months Ended September 30, 2020)**

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section  
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 Scheduled date of filing of Quarterly Report (Japanese version only): November 10, 2020  
 Scheduled date of payment of dividend: December 8, 2020  
 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 Second Quarter (from April 1, 2020 to September 30, 2020)**  
**of Fiscal Year 2021**

(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	%
Six months ended Sep. 30, 2020	105,718	(14.8)	7,955	(21.9)	8,078	(17.4)	5,878	(2.2)
Six months ended Sep. 30, 2019	124,023	12.0	10,191	135.8	9,781	145.9	6,010	97.9

Note: Comprehensive income Six months ended Sep. 30, 2020: 5,187 million yen (down 2.0%)  
 Six months ended Sep. 30, 2019: 5,290 million yen (up 79.2%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	135.25	-
Six months ended Sep. 30, 2019	138.29	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	275,515	163,979	56.0
As of Mar. 31, 2020	273,850	161,581	55.2

Reference: Shareholders' equity As of Sep. 30, 2020: 154,297 million yen As of Mar. 31, 2020: 151,207 million yen

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2020	-	10.00	-	65.00	75.00
Fiscal Year 2021	-	15.00	-	-	-
Fiscal Year 2021 (Forecast)	-	-	-	35.00	50.00

Note: Revisions to the most recently announced dividend forecast: Yes

**3. Forecasts of Consolidated Earnings for Fiscal Year 2021 (from April 1, 2020 to March 31, 2021)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	220,000	(8.1)	13,000	(33.0)	13,000	(31.4)	8,500	(26.0)	195.59

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: None

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 Sep. 30, 2020:	44,898,730 shares	Fiscal Year 2020:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	1,439,755 shares	Fiscal Year 2020:	1,439,755 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	43,458,975 shares	Six months ended Sep. 30, 2019:	43,459,013 shares
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\* 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 4 of the attachments.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2021, the COVID-19 pandemic triggered a steep downturn in economic activity in Japan. The economy was extremely weak due to declines in consumer spending, exports and manufacturing and the labor market and capital expenditures were sluggish as well. The pandemic also severely impacted the economies of other countries. The outlook for the economy remains extremely unclear.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, demand for steel products was weak because of the uncertain economic outlook. In the overseas steel business, the business climate in Vietnam and North America reflected the negative effects of COVID-19. Market conditions are particularly difficult in Vietnam due to additional challenge of intense competition.

First half consolidated net sales decreased 18,304 million yen (14.8%) to 105,718 million yen. Operating profit decreased 2,237 million yen (21.9%) to 7,955 million yen and ordinary profit decreased 1,703 million yen (17.4%) to 8,078 million yen. Profit attributable to owners of parent decreased 132 million yen (2.2%) to 5,878 million yen.

Results by business segment are as follows.

Business segments have been changed beginning with the first quarter of the current fiscal year. Comparisons with results of operations in the first half of the previous fiscal year and accompanying analysis are based on the revised business segments. For more information, please see "2. Quarterly Consolidated Financial Statements and Notes, Segment and Other Information, 2. Information related to revisions to reportable segments" on page 12.

#### 1) Domestic Steel Business

The volume of product shipments decreased 57,000 tons from one year earlier to 775,000 tons. The price of steel scrap, the main raw material for Kyoei Steel's products, started to increase in late May because of changes in overseas markets. Nevertheless, the price of steel scrap fell by 6,400 yen (21.2%) per ton from one year earlier. Although there were measures to raise prices of products to offset the rising price of steel scrap, the price of products decreased 7,100 yen (10.1%) per ton. As a result, the metal spread (the difference between the prices of steel products and steel scrap), which is a major source of the Group's earnings narrowed by 700 yen (1.7%). Despite the smaller difference, earnings increased because of the benefits of cost reduction measures in manufacturing operations.

Segment sales decreased 9,665 million yen (15.3%) to 53,537 million yen and operating profit increased 463 million yen (5.9%) to 8,333 million yen.

#### 2) Overseas Steel Business

Kyoei Steel has steel operations in Vietnam and North America.

The performance of the steel business fell sharply in southern Vietnam as product prices declined because of intense competition that started in 2019. In northern Vietnam, although the business climate remains challenging, signs of a recovery began to emerge due to the benefits of activities involving both manufacturing and sales. Results of operations in North America were weak because of lower prices of products due to the economic stagnation caused by the COVID-19 crisis and the smaller volume of shipments of products to mining companies in Canada.

Segment sales decreased 9,741 million yen (17.1%) to 47,264 million yen and operating loss was 256 million yen (compared with operating profit of 2,452 million yen one year earlier).

#### 3) Material Recycling Business

The volume of medical and industrial waste materials processed decreased because of COVID-19 and there were sales activities to capture one-shot orders.

Segment sales decreased 148 million yen (4.6%) to 3,055 million yen and operating profit decreased 14 million yen (3.2%) to 427 million yen.

**4) Others**

This category includes sales of civil engineering materials by a subsidiary in Japan, harbor operations and a casting business in Vietnam, a casting business in Japan, and other activities. Sales increased 1,249 million yen (203.9%) to 1,862 million yen and operating loss was 0 million yen (compared with operating profit of 67 million yen one year earlier).

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

Current assets increased by 1,876 million yen, or 1.2%, from the end of the previous fiscal year to 161,068 million yen. This was attributable mainly to an increase of 10,270 million yen in cash and deposits, and decreases of 3,459 million yen in notes and accounts receivable-trade, 2,910 million yen in merchandise and finished goods, 1,056 million yen in raw materials and supplies and 1,181 million yen in other current assets.

Non-current assets decreased by 211 million yen, or 0.2%, from the end of the previous fiscal year to 114,447 million yen. This was mainly attributable to increases of 543 million yen in land and 1,629 million yen in other, net under property, plant and equipment, and decreases of 1,019 million yen in machinery, equipment and vehicles and 1,458 million yen in investments and other assets.

Total assets increased by 1,665 million yen, or 0.6%, from the end of the previous fiscal year to 275,515 million yen.

**Liabilities**

Current liabilities decreased by 11,874 million yen, or 14.4%, from the end of the previous fiscal year to 70,364 million yen. This was attributable mainly to an increase of 1,679 million yen in current portion of long-term borrowings, and decreases of 9,320 million yen in short-term borrowings, 1,372 million yen in income taxes payable and 2,906 million yen in other current liabilities.

Non-current liabilities increased by 11,140 million yen, or 37.1%, from the end of the previous fiscal year to 41,172 million yen. This was attributable mainly to an increase of 10,396 million yen in long-term borrowings.

Total liabilities decreased by 734 million yen, or 0.7%, from the end of the previous fiscal year to 111,535 million yen.

**Net assets**

Net assets increased by 2,399 million yen, or 1.5%, from the end of the previous fiscal year to 163,979 million yen. This was attributable mainly to a profit attributable to owners of parent of 5,878 million yen, dividends of surplus of 2,825 million yen, and a 691 million yen decrease in non-controlling interests.

As a result, equity to total assets increased from 55.2% to 56.0%.

**Cash flows**

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 5,963 million yen from the end of the previous fiscal year to 36,121 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

**(i) Cash flows from operating activities**

Net cash provided by operating activities was 13,839 million yen. Major components were profit before income taxes of 7,865 million yen, depreciation of 4,126 million yen, a 3,755 million yen decrease in trade receivables, a 4,863 million yen decrease in inventories, a 676 million yen decrease in trade payables, a 767 million yen decrease in accrued consumption taxes and income taxes paid of 3,883 million yen.

**(ii) Cash flows from investing activities**

Net cash used in investing activities was 20,098 million yen. Major components were payments into time deposits of 24,693 million yen, proceeds from withdrawal of time deposits of 9,515 million yen, and purchase of property, plant

and equipment of 4,547 million yen.

**(iii) Cash flows from financing activities**

Net cash provided by financing activities was 137 million yen. Major components include a net decrease of 8,674 million yen in short-term borrowings, proceeds from long-term borrowings of 15,000 million yen, repayments of long-term borrowings of 2,757 million yen, and dividends paid of 2,821 million yen.

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

In the domestic steel business, we expect the volume of product shipments in the second half of the current fiscal year to be about the same as in the first half. Although the price of steel scrap is moving up, product prices and the volume of shipments are expected to be higher than in our previous outlook. As a result, the fiscal year earnings forecast for this business has been increased. In the overseas steel business, performance is expected to fall below the previous forecast. The main reasons are the continuation of intense competition in Vietnam and the severe impact of COVID-19 on economic activity in North America. However, total earnings are expected to be higher than in the previous forecast. Based on this outlook, we have revised the fiscal year forecast that was announced on July 31, 2020 with results of operations for the first quarter of the current fiscal year. We have also made an upward revision to the fiscal year dividend forecast.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheets**

	(Unit: millions of yen)	
	FY2020 (as of Mar. 31, 2020)	Second quarter of FY2021 (as of Sep. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	55,609	65,879
Notes and accounts receivable-trade	39,603	36,143
Electronically recorded monetary claims-operating	11,501	11,690
Securities	2,300	2,300
Merchandise and finished goods	25,105	22,196
Raw materials and supplies	21,484	20,427
Other	4,258	3,077
Allowance for doubtful accounts	(667)	(644)
<b>Total current assets</b>	<b>159,192</b>	<b>161,068</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,459	21,067
Machinery, equipment and vehicles, net	40,821	39,802
Land	31,186	31,728
Other, net	4,185	5,814
<b>Total property, plant and equipment</b>	<b>97,652</b>	<b>98,411</b>
Intangible assets		
Goodwill	267	197
Other	2,399	2,690
<b>Total intangible assets</b>	<b>2,666</b>	<b>2,887</b>
Investments and other assets		
Investment securities	9,191	9,457
Other	5,213	3,755
Allowance for doubtful accounts	(64)	(64)
<b>Total investments and other assets</b>	<b>14,340</b>	<b>13,148</b>
<b>Total non-current assets</b>	<b>114,657</b>	<b>114,447</b>
<b>Total assets</b>	<b>273,850</b>	<b>275,515</b>

	(Unit: millions of yen)	
	FY2020 (as of Mar. 31, 2020)	Second quarter of FY2021 (as of Sep. 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	10,482	10,125
Electronically recorded obligations-operating	2,975	2,744
Short-term borrowings	46,737	37,417
Current portion of long-term borrowings	4,260	5,939
Income taxes payable	3,976	2,604
Provision for bonuses	756	1,406
Provision for bonuses for directors (and other officers)	18	1
Other	13,033	10,127
<b>Total current liabilities</b>	<b>82,238</b>	<b>70,364</b>
Non-current liabilities		
Long-term borrowings	20,640	31,036
Deferred tax liabilities	1,824	1,778
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	4,031	4,332
Other	1,104	1,592
<b>Total non-current liabilities</b>	<b>30,032</b>	<b>41,172</b>
<b>Total liabilities</b>	<b>112,269</b>	<b>111,535</b>
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,179
Retained earnings	108,335	111,581
Treasury shares	(1,700)	(1,700)
<b>Total shareholders' equity</b>	<b>146,292</b>	<b>149,575</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	246	260
Deferred gains or losses on hedges	(158)	(387)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	286	309
Remeasurements of defined benefit plans	(83)	(85)
<b>Total accumulated other comprehensive income</b>	<b>4,916</b>	<b>4,722</b>
Non-controlling interests	10,373	9,682
<b>Total net assets</b>	<b>161,581</b>	<b>163,979</b>
<b>Total liabilities and net assets</b>	<b>273,850</b>	<b>275,515</b>



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

(Unit: millions of yen)

	First six months of FY2020 (from Apr. 1, 2019 to Sep. 30, 2019)	First six months of FY2021 (from Apr. 1, 2020 to Sep. 30, 2020)
Net sales	124,023	105,718
Cost of sales	106,703	90,320
Gross profit	17,320	15,399
Selling, general and administrative expenses	7,128	7,444
Operating profit	10,191	7,955
Non-operating income		
Interest income	342	390
Dividend income	91	100
Share of profit of entities accounted for using equity method	296	531
Other	132	201
Total non-operating income	860	1,222
Non-operating expenses		
Interest expenses	1,031	790
Foreign exchange losses	201	273
Other	38	35
Total non-operating expenses	1,270	1,099
Ordinary profit	9,781	8,078
Extraordinary income		
Gain on sales and retirement of non-current assets	7	8
Insurance claim income	36	-
Subsidy income	-	83
Other	9	4
Total extraordinary income	52	95
Extraordinary losses		
Loss on sales and retirement of non-current assets	357	232
Loss on disaster	21	-
Provision for disposal costs of PCBs	46	-
Other	22	76
Total extraordinary losses	446	308
Profit before income taxes	9,387	7,865
Income taxes	2,806	2,288
Profit	6,581	5,577
Profit (loss) attributable to non-controlling interests	571	(301)
Profit attributable to owners of parent	6,010	5,878

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

(Unit: millions of yen)

	First six months of FY2020 (from Apr. 1, 2019 to Sep. 30, 2019)	First six months of FY2021 (from Apr. 1, 2020 to Sep. 30, 2020)
Profit	6,581	5,577
Other comprehensive income		
Valuation difference on available-for-sale securities	(62)	14
Deferred gains or losses on hedges	(192)	(278)
Foreign currency translation adjustment	(925)	(124)
Remeasurements of defined benefit plans, net of tax	(111)	(2)
Total other comprehensive income	(1,291)	(390)
Comprehensive income	5,290	5,187
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,041	5,713
Comprehensive income attributable to non-controlling interests	249	(526)

**(3) Quarterly Consolidated Statements of Cash Flows**

(Unit: millions of yen)

	First six months of FY2020 (from Apr. 1, 2019 to Sep. 30, 2019)	First six months of FY2021 (from Apr. 1, 2020 to Sep. 30, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,387	7,865
Depreciation	3,941	4,126
Amortization of goodwill	188	66
Increase (decrease) in provisions	586	620
Increase (decrease) in retirement benefit liability	(14)	298
Share of loss (profit) of entities accounted for using equity method	(296)	(531)
Loss (gain) on sales and retirement of non-current assets	350	224
Insurance claim income	(36)	-
Subsidy income	-	(83)
Loss on disaster	21	-
Interest and dividend income	(432)	(490)
Interest expenses	1,031	790
Decrease (increase) in trade receivables	12,984	3,755
Decrease (increase) in inventories	(378)	4,863
Increase (decrease) in trade payables	(7,832)	(676)
Increase (decrease) in accrued consumption taxes	(503)	(767)
Decrease (increase) in retirement benefit asset	15	(232)
Other, net	110	(2,071)
Subtotal	19,123	17,758
Interest and dividends received	462	730
Interest paid	(1,079)	(850)
Payments associated with disaster loss	(6)	-
Proceeds from insurance income	36	-
Proceeds from subsidy income	-	83
Income taxes paid	(2,217)	(3,883)
Net cash provided by (used in) operating activities	16,319	13,839
<b>Cash flows from investing activities</b>		
Payments into time deposits and other	(13,133)	(24,693)
Proceeds from withdrawal of time deposits and other	17,732	9,515
Purchase of securities	(1,000)	(1,000)
Proceeds from sales of securities	2,000	1,000
Purchase of investment securities	(1)	(2)
Proceeds from sales and redemption of investment securities	2	-
Proceeds from withdrawal deposit	1,219	-
Loan advances	(872)	(88)
Collection of loans receivable	26	15
Purchase of property, plant and equipment	(2,184)	(4,547)
Proceeds from sales of property, plant and equipment	4	6
Purchase of intangible assets	(40)	(228)
Other, net	(122)	(76)
Net cash provided by (used in) investing activities	3,632	(20,098)

(Unit: millions of yen)

	First six months of FY2020 (from Apr. 1, 2019 to Sep. 30, 2019)	First six months of FY2021 (from Apr. 1, 2020 to Sep. 30, 2020)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(3,153)	(8,674)
Proceeds from long-term borrowings	-	15,000
Repayments of long-term borrowings	(1,919)	(2,757)
Purchase of treasury shares	(0)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(238)
Dividends paid	(1,304)	(2,821)
Dividends paid to non-controlling interests	(82)	(323)
Other, net	(21)	(49)
Net cash provided by (used in) financing activities	(6,478)	137
Effect of exchange rate change on cash and cash equivalents	(85)	(120)
Net increase (decrease) in cash and cash equivalents	13,388	(6,241)
Cash and cash equivalents at beginning of period	26,407	42,085
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	278
Cash and cash equivalents at end of period	39,794	36,121

**(4) Notes to Quarterly Consolidated Financial Statements****Going-concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

I. First six months of FY2020 (from Apr. 1, 2019 to Sep. 30, 2019)

1. Information related to net sales and profit/loss for each reportable segment (Unit: 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							
External sales	63,202	57,005	3,203	123,410	613	-	124,023
Inter-segment sales and transfers	55	-	513	569	252	(821)	-
Total	63,257	57,005	3,716	123,979	865	(821)	124,023
Segment profit	7,870	2,452	442	10,764	67	(640)	10,191

- Notes:
- 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.
  - The adjustment of (640) million yen to segment profit includes 9 million yen in eliminations for inter-segment transactions and (648) 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.
  - Segment profit is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

## II. First six months of FY2021 (from Apr. 1, 2020 to Sep. 30, 2020)

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

(Unit: 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							
External sales	53,537	47,264	3,055	103,856	1,862	-	105,718
Inter-segment sales and transfers	14	-	548	561	531	(1,093)	-
Total	53,551	47,264	3,603	104,418	2,393	(1,093)	105,718
Segment profit (loss)	8,333	(256)	427	8,505	(0)	(550)	7,955

- Notes:
- 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.
  - The adjustment of (550) million yen to segment profit (loss) includes 23 million yen in eliminations for inter-segment transactions and (573) 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.
  - Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

## 2. Information related to revisions to reportable segments

Beginning with the first quarter of the current fiscal year, the casting business, which was previously included in the domestic steel business, is included in others. This revision is a result of a reexamination of the Kyoei Steel Group's administrative units since Yodoshi Corporation and VINA-JAPAN ENGINEERING LTD, which were non-consolidated subsidiaries in prior years and operate the casting business, are included in scope of consolidation beginning with the first quarter of the current fiscal year.

The segment information for the first six months of FY2020 is prepared based on the revised business segments.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in 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.*