

**Consolidated Financial Results for
the Third Quarter of the Fiscal Year Ending March 31, 2022 (Fiscal Year 2022)
(Nine Months Ended December 31, 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 Third Quarter (from April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	210,018	28.4	6,846	(39.3)	8,277	(27.8)	4,550	(44.4)
Nine months ended December 31, 2020	163,550	(10.8)	11,281	(26.4)	11,462	(23.5)	8,180	48.4

Note: Comprehensive income
 Nine months ended December 31, 2021: 9,414 million yen [25.6%]
 Nine months ended December 31, 2020: 7,494 million yen [53.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	104.69	–
Nine months ended December 31, 2020	188.23	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	316,180	171,235	50.2
As of March 31, 2021	282,282	164,583	54.7

Reference: Equity
 As of December 31, 2021: 158,848 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
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2021	–	15.00	–	45.00	60.00
Fiscal Year 2022	–	15.00	–	–	–
Fiscal Year 2022 (Forecast)	–	–	–	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
Full year	290,000	28.1	8,000	(36.8)	10,000	(22.7)	6,000	(31.7)	138.06

Note: Revisions to the most recently announced consolidated earnings forecast: None

*** 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 issued shares (common shares)

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

As of December 31, 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 December 31, 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)

Nine months ended December 31, 2021	43,458,975 shares
Nine months ended December 31, 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 March 31, 2021.

Figures for the third 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 nine months of the fiscal year ending March 31, 2022, the Japanese economy showed signs of recovery owing to a decrease in COVID-19 cases as a result of widespread vaccination and the effects of various government policies. However, the situation still remains unpredictable as new variants of the virus have been identified.

During the third quarter of the fiscal year ending March 31, 2022, the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, remained weak and flat as demand failed to pick up even after the state of emergency declaration was lifted. In addition, the business environment remained challenging as the price of steel scrap soared again from the end of September, narrowing the difference between sale and purchase prices (the difference between the prices of steel products and raw materials), a source of our profits, compared to the same period of the previous fiscal year.

In the overseas steel business, although revenue at the Group's companies in Vietnam were sluggish due to the pandemic, revenue at the companies in North America were strong backed by strong steel demand, which drove overall revenue in the overseas steel business.

As a result, the operating results for the first nine months of the fiscal year ending March 31, 2022 were as follows: Consolidated net sales increased by 46,467 million yen (28.4%) year on year to 210,018 million yen. Consolidated operating profit decreased by 4,435 million yen (39.3%) year on year to 6,846 million yen and consolidated ordinary profit decreased by 3,185 million yen (27.8%) year on year to 8,277 million yen. Profit attributable to owners of parent decreased by 3,630 million yen (44.4%) year on year to 4,550 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Product shipments increased by 13,000 tons from the same period of the previous fiscal year to 1,196,000 tons. Product prices increased by 17,100 yen (27.0%) per ton and the steel scrap price was up 25,000 yen (95.1%). Therefore, the difference between sale and purchase prices narrowed by 7,900 yen (21.2%) per ton compared with the same period of the previous fiscal year.

As a result, segment net sales increased by 13,288 million yen (16.2%) to 95,303 million yen and operating profit decreased by 9,373 million yen (81.0%) to 2,193 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, the spread of COVID-19 became more serious from the end of June, and lockdown measures were taken in response to the spread of infection, resulting in a challenging business environment. On the other hand, in North America, demand for both steel bars and products for the mining industry was strong, and steady sales and shipments continued.

As a result, segment net sales increased by 32,117 million yen (43.4%) to 106,174 million yen and operating profit increased by 4,289 million yen to 4,123 million yen (compared with an operating loss of 166 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

Processing orders related to COVID-19 and spot orders were secured. Accordingly, segment net sales increased by 378 million yen (7.9%) to 5,191 million yen and operating profit increased by 517 million yen (65.6%) to 1,305 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. Net sales increased by 684 million yen (25.6%) to 3,350 million yen and operating profit increased by 87 million yen to 60 million yen (compared with an operating loss of 27 million yen in the same period of the previous fiscal year).

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

Current assets increased by 28,528 million yen, or 16.8%, from the end of the previous fiscal year to 198,422 million yen. This was attributable mainly to increases of 11,570 million yen in notes and accounts receivable - trade, 8,366 million yen in electronically recorded monetary claims - operating, 15,722 million yen in merchandise and finished goods, 5,736 million yen in raw materials and supplies, and 2,867 million yen in other current assets, and a decrease of 15,673 million yen in cash and deposits.

Non-current assets increased by 5,370 million yen, or 4.8%, from the end of the previous fiscal year to 117,758 million yen. This was attributable mainly to increases of 2,016 million yen in buildings and structures, 2,252 million yen in machinery, equipment and vehicles, 794 million yen in land, 370 million yen in investment securities, and 626 million yen in investments and other assets and other.

As a result, total assets increased by 33,898 million yen, or 12.0%, from the end of the previous fiscal year to 316,180 million yen.

Liabilities

Current liabilities increased by 17,786 million yen, or 22.1%, from the end of the previous fiscal year to 98,408 million yen. This was attributable mainly to increases of 7,758 million yen in notes and accounts payable - trade, 8,930 million yen in short-term borrowings, and 1,630 million yen in current liabilities and other, and a decrease of 753 million yen in income taxes payable.

Non-current liabilities increased by 9,460 million yen, or 25.5%, from the end of the previous fiscal year to 46,537 million yen. This was attributable mainly to an increase of 10,000 million yen in bonds payable and a decrease of 1,172 million yen in long-term borrowings.

As a result, total liabilities increased by 27,246 million yen, or 23.1%, from the end of the previous fiscal year to 144,944 million yen.

Net assets

Net assets increased by 6,653 million yen, or 4.0%, from the end of the previous fiscal year to 171,235 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 4,550 million yen, increases of 2,710 million yen in foreign currency translation adjustment and 2,234 million yen in non-controlling interests, and a decrease of 2,608 million yen due to dividends of surplus.

As a result, equity-to-asset ratio decreased from 54.7% at the end of the previous fiscal year to 50.2%.

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

In the fourth quarter of the fiscal year ending March 31, 2022, we anticipate domestic demand for steel products in the domestic steel business to remain sluggish, and the volume of product shipments is expected to fall below the previous forecast. While we are striving to raise selling prices, the price of steel scrap price has entered a correction phase and has generally remained flat. Therefore, the difference between sale and purchase prices is expected to be higher than expected.

In the overseas steel business, Vietnam has seen a gradual recovery of demand for steel after the easing of lockdown measures. However, the business environment remains challenging because end users lack enthusiasm for purchases and construction sites have yet to resume full-scale operations due to a shortage of workers. Meanwhile, in North America, the steel market remains firm, and the difference between sale and purchase prices is widening more than

expected. As a result, the businesses in both the U.S. and Canada are expected to post record profits.

Based on this outlook, for the full-year consolidated performance, we have maintained the forecast for the full year that was announced on October 29, 2021 in “Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022.” The dividend forecast remains unchanged as well.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	66,959	51,286
Notes and accounts receivable - trade	40,341	51,911
Electronically recorded monetary claims - operating	12,233	20,599
Securities	1,000	1,000
Merchandise and finished goods	24,163	39,885
Raw materials and supplies	22,678	28,413
Other	3,015	5,883
Allowance for doubtful accounts	(495)	(555)
Total current assets	169,894	198,422
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,906	23,921
Machinery, equipment and vehicles, net	38,356	40,608
Land	29,761	30,556
Other, net	4,354	3,363
Total property, plant and equipment	94,377	98,448
Intangible assets		
Goodwill	978	892
Other	2,636	3,010
Total intangible assets	3,615	3,903
Investments and other assets		
Investment securities	10,660	11,030
Other	3,800	4,426
Allowance for doubtful accounts	(64)	(49)
Total investments and other assets	14,396	15,407
Total non-current assets	112,388	117,758
Total assets	282,282	316,180

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,963	22,721
Electronically recorded obligations - operating	2,559	3,132
Short-term borrowings	44,645	53,575
Current portion of long-term borrowings	5,705	5,319
Income taxes payable	1,486	733
Provision for bonuses	856	914
Provision for bonuses for directors (and other officers)	25	–
Other	10,384	12,014
Total current liabilities	80,622	98,408
Non-current liabilities		
Bonds payable	–	10,000
Long-term borrowings	27,979	26,807
Deferred tax liabilities	823	1,075
Deferred tax liabilities for land revaluation	2,433	2,394
Retirement benefit liability	4,194	4,622
Other	1,648	1,639
Total non-current liabilities	37,077	46,537
Total liabilities	117,699	144,944
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,179	21,114
Retained earnings	110,325	112,357
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	148,319	150,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	655
Deferred gains or losses on hedges	(323)	(221)
Revaluation reserve for land	4,625	4,536
Foreign currency translation adjustment	(5)	2,705
Remeasurements of defined benefit plans	865	888
Total accumulated other comprehensive income	6,110	8,562
Non-controlling interests	10,154	12,387
Total net assets	164,583	171,235
Total liabilities and net assets	282,282	316,180

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	163,550	210,018
Cost of sales	140,786	190,694
Gross profit	22,764	19,324
Selling, general and administrative expenses	11,483	12,478
Operating profit	11,281	6,846
Non-operating income		
Interest income	598	561
Dividend income	138	170
Share of profit of entities accounted for using equity method	666	1,158
Foreign exchange gains	–	220
Other	324	329
Total non-operating income	1,726	2,438
Non-operating expenses		
Interest expenses	1,069	899
Foreign exchange losses	413	–
Other	63	108
Total non-operating expenses	1,545	1,007
Ordinary profit	11,462	8,277
Extraordinary income		
Gain on sales and retirement of non-current assets	12	18
Subsidy income	142	12
Other	4	–
Total extraordinary income	158	30
Extraordinary losses		
Loss on sale and retirement of non-current assets	280	309
Impairment losses	–	154
Other	79	9
Total extraordinary losses	359	472
Profit before income taxes	11,262	7,834
Income taxes	3,130	1,935
Profit	8,132	5,899
Profit (loss) attributable to non-controlling interests	(48)	1,350
Profit attributable to owners of parent	8,180	4,550

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	8,132	5,899
Other comprehensive income		
Valuation difference on available-for-sale securities	209	(293)
Deferred gains or losses on hedges	(262)	119
Foreign currency translation adjustment	(583)	3,666
Remeasurements of defined benefit plans, net of tax	(3)	23
Total other comprehensive income	(638)	3,515
Comprehensive income	7,494	9,414
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,919	7,091
Comprehensive income attributable to non-controlling interests	(425)	2,323

(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) have been 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 nine months of the fiscal year ending March 31, 2022 decreased by 9,514 million yen, respectively, compared to the previous accounting treatment.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

Segment and Other Information

I. First nine months of the fiscal year ended March 31, 2021 (from April 1, 2020 to December 31, 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	82,015	74,057	4,812	160,884	2,666	–	163,550
Inter-segment sales and transfers	34	–	865	898	825	(1,723)	–
Total	82,049	74,057	5,677	161,783	3,491	(1,723)	163,550
Segment profit (loss)	11,566	(166)	788	12,188	(27)	(880)	11,281

- 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 (880) million yen to “segment profit (loss)” includes 16 million yen in eliminations for inter-segment transactions and (896) 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 nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

1. Information related to net sales and profit/loss for each reportable segment and information on disaggregation of revenue

(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							
Revenue from contracts with customers	95,303	106,174	5,191	206,668	3,350	–	210,018
Sales to external customers	95,303	106,174	5,191	206,668	3,350	–	210,018
Inter-segment sales and transfers	1	–	267	268	656	(925)	–
Total	95,304	106,174	5,458	206,936	4,006	(925)	210,018
Segment profit	2,193	4,123	1,305	7,621	60	(835)	6,846

- 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 (835) million yen to “segment profit” includes 2 million yen in eliminations for inter-segment transactions and (837) 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 nine 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 were 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 8,584 million yen and net sales of the “Material Recycling Business” decreased by 1,920 million yen for the first nine 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

In the third quarter of the fiscal year ending March 31, 2022, the Company recorded impairment losses on non-current assets in the Domestic Steel Business and the Material Recycling Business due to the decision to sell some of its company housing. The impairment losses amounted to 150 million yen in the Domestic Steel Business and 4 million yen in the Material Recycling Business.

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.