

Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2021 (Fiscal Year 2021)
(Nine Months Ended December 31, 2020)

<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, 2020 to December 31, 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	%
Nine months ended Dec. 31, 2020	163,550	(10.8)	11,381	(25.8)	11,577	(22.7)	8,295	50.4
Nine months ended Dec. 31, 2019	183,418	3.9	15,329	127.2	14,977	153.6	5,514	21.1

Note: Comprehensive income Nine months ended Dec. 31, 2020: 7,721 million yen (up 57.8%)

Nine months ended Dec. 31, 2019: 4,892 million yen (up 22.0%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	190.86	-
Nine months ended Dec. 31, 2019	126.87	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Dec. 31, 2020	286,911	165,865	54.4
As of Mar. 31, 2020	273,850	161,581	55.2

Reference: Shareholders' equity As of Dec. 31, 2020: 156,076 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: None

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	225,000	(6.0)	11,500	(40.7)	11,500	(39.3)	7,500	(34.7)	172.58

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 Dec. 31, 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 Dec. 31, 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

Nine months ended Dec. 31, 2020:	43,458,975 shares	Nine months ended Dec. 31, 2019:	43,459,004 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 3 of the attachments.

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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, 2021, economic activity in Japan and other countries slowed down significantly due to COVID-19. Although the economy briefly rebounded because of measures to support economic activity while preventing the spread of COVID-19, a new wave of infections worldwide has created concerns of a prolonged negative impact of this crisis.

In the market for ordinary steel produced using electric arc furnaces, the primary source of demand for the Kyoei Steel Group's products, demand for steel construction materials in Japan was low because of the uncertain economic outlook caused by COVID-19. The price of steel scrap, the main raw material for the Kyoei Steel Group's products, increased rapidly in the third quarter and remained high due to the lower volume of scrap produced caused by the decline in economic activity and to the resumption of steel scrap imports by China. Group companies responded by taking more steps to cut costs, increasing prices of products and using other measures to remain profitable.

In the overseas steel business, the COVID-19 pandemic reduced economic activity in Vietnam and North America. Vietnam is beginning to return to normal but the business climate is still challenging in North America.

Consolidated net sales decreased 19,868 million yen (10.8%) to 163,550 million yen. Operating profit decreased 3,948 million yen (25.8%) to 11,381 million yen and ordinary profit decreased 3,400 million yen (22.7%) to 11,577 million yen. Profit attributable to owners of parent increased 2,781 million yen (50.4%) to 8,295 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 nine months 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 10.

1) Domestic Steel Business

The volume of product shipments decreased 69,000 tons (5.5%) from one year earlier to 1,183,000 tons. The price of products decreased 6,000 yen (8.7%) from one year earlier. The price of steel scrap rose rapidly in November 2020 and continued to increase since then. As a result, the price of steel scrap per ton decreased only 2,000 yen (7.0%) during the first nine months. Due to these changes, 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 4,000 yen (9.8%).

Segment sales decreased 12,089 million yen (12.8%) to 82,015 million yen and operating profit decreased 1,914 million yen (14.2%) to 11,566 million yen.

2) Overseas Steel Business

Kyoei Steel has steel operations in Vietnam and North America.

In Vietnam, demand was weak as usual in the third quarter of calendar 2020 (July to September), which is the country's rainy season. In southern Vietnam, although the business climate has been difficult since the beginning of 2020, performance has started to recover because of a review of the sales strategy and other measures. In northern Vietnam, there has been gradual progress toward making business operations profitable because of constant initiatives regarding manufacturing and sales.

In North America, the market for steel products used for construction has been relatively firm despite the negative impact of COVID-19 on economic activity. However, the business climate remained difficult due to the sluggish demand for products used by mining companies.

Segment sales decreased 9,540 million yen (11.4%) to 74,057 million yen and operating loss was 66 million yen, a decrease of 2,158 million yen from the operating profit of 2,091 million yen one year earlier.

3) Material Recycling Business

There was an increase in the volume of industrial waste materials because of the recovery of the production of automobiles and other products. In addition, the volume of medical waste materials processed increased and this

business received one-shot orders. Segment sales decreased 2 million yen (0.0%) to 4,812 million yen and operating profit increased 95 million yen (13.7%) to 788 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 1,763 million yen (195.4%) to 2,666 million yen and operating loss was 27 million yen, a decrease of 110 million yen from the operating profit of 83 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Current assets increased by 12,832 million yen, or 8.1%, from the end of the previous fiscal year to 172,025 million yen. This was attributable mainly to increases of 8,996 million yen in cash and deposits, 3,174 million yen in notes and accounts receivable-trade and 4,465 million yen in electronically recorded monetary claims-operating, and decreases of 1,300 million yen in securities and 1,042 million yen in merchandise and finished goods.

Non-current assets increased by 229 million yen, or 0.2%, from the end of the previous fiscal year to 114,886 million yen. This was mainly attributable to increases of 1,690 million yen in other, net under property, plant and equipment and 732 million yen in investment securities, and decreases of 1,578 million yen in machinery, equipment and vehicles and 1,776 million yen in investments and other assets.

Total assets increased by 13,061 million yen, or 4.8%, from the end of the previous fiscal year to 286,911 million yen.

Liabilities

Current liabilities decreased by 1,582 million yen, or 1.9%, from the end of the previous fiscal year to 80,655 million yen. This was attributable mainly to increases of 6,978 million yen in notes and accounts payable-trade and 1,402 million yen in current portion of long-term borrowings, and decreases of 6,782 million yen in short-term borrowings, 2,746 million yen in income taxes payable and 1,475 million yen in other current liabilities.

Non-current liabilities increased by 10,359 million yen, or 34.5%, from the end of the previous fiscal year to 40,391 million yen. This was attributable mainly to an increase of 9,629 million yen in long-term borrowings.

Total liabilities increased by 8,777 million yen, or 7.8%, from the end of the previous fiscal year to 121,046 million yen.

Net assets

Net assets increased by 4,284 million yen, or 2.7%, from the end of the previous fiscal year to 165,865 million yen. This was attributable mainly to a profit attributable to owners of parent of 8,295 million yen and dividends of surplus of 3,477 million yen.

As a result, equity to total assets decreased from 55.2% to 54.4%.

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

In the domestic steel business, we expect the volume of product shipments in the fourth quarter to be slightly higher than recently planned despite sluggish demand for steel products. Although we are working on raising prices to reflect the much higher cost of steel scrap, we think the metal spread will be smaller than anticipated for two reasons. First is the delay between the time products are sold and when those products are shipped. Second is the outlook for the price of steel scrap to remain high for the time being.

In the overseas steel business, we expect an improvement in the performance of operations in Vietnam in the fourth quarter because of an increase in demand for steel products and higher prices of these products. We expect this improvement even though the cost of raw materials is climbing because of the large volume of manufacturing activity in China and competition continues to be intense in Vietnam. In North America, the market for steel used for construction is still relatively firm despite COVID-19. Nevertheless, the business climate is expected to be

challenging because the cost of raw materials is climbing faster than selling prices of products in the United States and Canada and due to suspensions of operations for maintenance and upgrades.

Based on this outlook, we have revised the fiscal year forecast that was announced on October 30, 2020 with results of operations for the first half of the current fiscal year. There is no 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)	Third quarter of FY2021 (as of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	55,609	64,605
Notes and accounts receivable-trade	39,603	42,776
Electronically recorded monetary claims-operating	11,501	15,966
Securities	2,300	1,000
Merchandise and finished goods	25,105	24,064
Raw materials and supplies	21,484	20,830
Other	4,258	3,434
Allowance for doubtful accounts	(667)	(650)
Total current assets	159,192	172,025
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,459	21,946
Machinery, equipment and vehicles, net	40,821	39,244
Land	31,186	31,737
Other, net	4,185	5,875
Total property, plant and equipment	97,652	98,802
Intangible assets		
Goodwill	267	161
Other	2,399	2,627
Total intangible assets	2,666	2,788
Investments and other assets		
Investment securities	9,191	9,922
Other	5,213	3,437
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,340	13,296
Total non-current assets	114,657	114,886
Total assets	273,850	286,911

(Unit: millions of yen)

	FY2020 (as of Mar. 31, 2020)	Third quarter of FY2021 (as of Dec. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,482	17,460
Electronically recorded obligations-operating	2,975	3,415
Short-term borrowings	46,737	39,955
Current portion of long-term borrowings	4,260	5,662
Income taxes payable	3,976	1,230
Provision for bonuses	756	1,375
Provision for bonuses for directors (and other officers)	18	1
Other	13,033	11,558
Total current liabilities	82,238	80,655
Non-current liabilities		
Long-term borrowings	20,640	30,269
Deferred tax liabilities	1,824	1,814
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	4,031	4,293
Other	1,104	1,583
Total non-current liabilities	30,032	40,391
Total liabilities	112,269	121,046
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,179
Retained earnings	108,335	113,343
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	146,292	151,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	246	455
Deferred gains or losses on hedges	(158)	(376)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	286	121
Remeasurements of defined benefit plans	(83)	(86)
Total accumulated other comprehensive income	4,916	4,739
Non-controlling interests	10,373	9,789
Total net assets	161,581	165,865
Total liabilities and net assets	273,850	286,911

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

(Unit: millions of yen)

	First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 2019)	First nine months of FY2021 (from Apr. 1, 2020 to Dec. 31, 2020)
Net sales	183,418	163,550
Cost of sales	157,141	140,734
Gross profit	26,278	22,816
Selling, general and administrative expenses	10,949	11,436
Operating profit	15,329	11,381
Non-operating income		
Interest income	518	598
Dividend income	141	138
Share of profit of entities accounted for using equity method	536	676
Other	256	324
Total non-operating income	1,451	1,736
Non-operating expenses		
Interest expenses	1,488	1,064
Foreign exchange losses	256	413
Other	60	63
Total non-operating expenses	1,803	1,540
Ordinary profit	14,977	11,577
Extraordinary income		
Gain on sales and retirement of non-current assets	16	12
Insurance claim income	36	-
Subsidy income	-	142
Other	9	4
Total extraordinary income	61	158
Extraordinary losses		
Loss on sales and retirement of non-current assets	489	280
Impairment loss	4,481	-
Loss on disaster	21	-
Provision for disposal costs of PCBs	46	-
Other	66	79
Total extraordinary losses	5,104	359
Profit before income taxes	9,934	11,376
Income taxes	4,233	3,130
Profit	5,701	8,246
Profit (loss) attributable to non-controlling interests	187	(48)
Profit attributable to owners of parent	5,514	8,295

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

(Unit: millions of yen)

	First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 2019)	First nine months of FY2021 (from Apr. 1, 2020 to Dec. 31, 2020)
Profit	5,701	8,246
Other comprehensive income		
Valuation difference on available-for-sale securities	371	209
Deferred gains or losses on hedges	(261)	(262)
Foreign currency translation adjustment	(794)	(470)
Remeasurements of defined benefit plans, net of tax	(125)	(3)
Total other comprehensive income	(809)	(525)
Comprehensive income	4,892	7,721
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,000	8,146
Comprehensive income attributable to non-controlling interests	(108)	(425)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 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	94,105	83,597	4,814	182,516	902	-	183,418
Inter-segment sales and transfers	63	-	730	793	362	(1,155)	-
Total	94,168	83,597	5,545	183,309	1,264	(1,155)	183,418
Segment profit	13,480	2,091	693	16,265	83	(1,019)	15,329

- 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 (1,019) million yen to segment profit includes (2) million yen in eliminations for inter-segment transactions and (1,017) 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

In the Overseas Steel Business segment, there was an impairment loss for non-current assets including goodwill at Vietnam Italy Steel Joint Stock Company, due to a decline in profitability. The amount of this loss in the first nine months of FY2020 was 4,481 million yen.

Significant change in goodwill

In the Overseas Steel Business segment, goodwill decreased by 3,263 million yen as an impairment loss was recorded.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY2021 (from Apr. 1, 2020 to Dec. 31, 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	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	(66)	788	12,288	(27)	(880)	11,381

- 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 (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.
 - 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 nine 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.