

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (Fiscal Year 2021)

<Under Japanese GAAP>

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 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 2021 (from April 1, 2020 to March 31, 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	%
Fiscal Year 2021	226,371	(5.4)	12,656	(34.8)	12,935	(31.8)	8,788	10.2
Fiscal Year 2020	239,343	(1.2)	19,404	110.9	18,954	119.2	7,978	22.6

Note: Comprehensive income Fiscal Year 2021: 9,974 million yen (up 64.9%)
 Fiscal Year 2020: 6,050 million yen (up 33.0%)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal Year 2021	202.22	-	5.8	4.7	5.6
Fiscal Year 2020	183.56	-	5.5	7.1	8.1

Reference: Equity in earnings (losses) of affiliates Fiscal Year 2021: 763million yen Fiscal Year 2020: 788 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2021	282,282	164,583	54.7	3,553.45
Fiscal Year 2020	269,145	158,044	54.9	3,397.93

Reference: Shareholders' equity Fiscal Year 2021: 154,429 million yen Fiscal Year 2020: 147,670 million yen

(3) Consolidated cash flow position

	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 2021	15,191	(36,778)	5,137	25,351
Fiscal Year 2020	33,246	(19,323)	1,697	42,085

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2020	-	10.00	-	65.00	75.00	3,259	40.9	2.2
Fiscal Year 2021	-	15.00	-	45.00	60.00	2,608	29.7	1.7
Fiscal Year 2022 (Forecast)	-	15.00	-	25.00	40.00		29.0	

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		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	125,000	18.2	4,000	(49.7)	4,000	(50.5)	2,000	(66.0)	46.02
Full year	260,000	14.9	10,000	(21.0)	10,000	(22.7)	6,000	(31.7)	138.06

Note: As Kyoei Steel is applying the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022, the consolidated earnings forecast is the amount after the application of this accounting standard, etc.

* 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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

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

Fiscal Year 2021: 44,898,730 shares Fiscal Year 2020: 44,898,730 shares

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

Fiscal Year 2021: 1,439,755 shares Fiscal Year 2020: 1,439,755 shares

3) Average number of shares outstanding during the period

Fiscal Year 2021: 43,458,975 shares Fiscal Year 2020: 43,458,997 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2021 (from April 1, 2020 to March 31, 2021)

(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 2021	94,124	(8.6)	10,164	(24.1)	11,919	(19.1)	3,347	(68.0)
Fiscal Year 2020	103,002	(6.3)	13,388	88.7	14,730	89.5	10,465	100.1

	Net income per share	Fully diluted net income per share
	Yen	Yen
Fiscal Year 2021	77.03	-
Fiscal Year 2020	240.81	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2021	175,027	130,719	74.7	3,007.86
Fiscal Year 2020	173,859	130,669	75.2	3,006.71

Reference: Shareholders' equity Fiscal Year 2021: 130,719 million yen Fiscal Year 2020: 130,669 million yen

Reason for differences between non-consolidated financial results for Fiscal Years 2020 and 2021

The differences between non-consolidated financial results for Fiscal Years 2020 and 2021 are mainly attributable to a rapid increase in raw material prices in the second half of fiscal year 2021 as the demand for steel products decreased in Kyoei Steel's core domestic steel business.

* The current financial report is not subject to audits 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. Overview of Results of Operations, etc., (3) Outlook" on page 4 of the attachments.

* Provisional accounting treatment for business combinations

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

Comparison of figures for the fiscal year ended March 31, 2020 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. Overview of Results of Operations, etc.

(1) Operating Results

In the fiscal year that ended on March 31, 2021, the global COVID-19 crisis restricted social and economic activities. Although a recovery started in some economic sectors in the fiscal year's second half, the outlook is still uncertain.

In the market for steel products used for construction in Japan, the primary source of demand for the Kyoei Steel Group's products, there was a decrease in the volume of shipments of deformed steel bars, the group's main product. However, the decline was not large despite the economic impact of the COVID-19 pandemic. The price of steel scrap increased slowly until November, when the price started rising rapidly mainly in response to China's resumption of imports of steel scrap. The price of steel scrap then remained high for the remainder of the fiscal year. As a result, there was a big decrease during the fiscal year's second half in the metal spread (the difference between the prices of steel products and steel scrap), which is a major source of the Kyoei Steel Group's earnings.

In the overseas steel business, results of operations reflected generally challenging market conditions. There was a recovery in earnings in Vietnam during the fiscal year's second half but the performance of operations in North America was held down by the COVID-19 pandemic.

Consolidated net sales decreased 12,973 million yen (5.4%) to 226,371 million yen. Operating profit decreased 6,747 million yen (34.8%) to 12,656 million yen and ordinary profit decreased 6,019 million yen (31.8%) to 12,935 million yen. Profit attributable to owners of parent increased 811 million yen (10.2%) to 8,788 million yen.

Results by business segment are as follows.

Business segments have been changed in the current fiscal year. Comparisons with results of operations in the current fiscal year and accompanying analysis are based on the revised business segments. For more information, please see "3. Consolidated Financial Statements and Notes, Segment Information, 1. Overview of reportable segments, Information related to revisions to reportable segments" on page 15.

1) Domestic Steel Business

The volume of product shipments decreased 72,000 tons from one year earlier to 1,570,000 tons. While the price of steel scrap rose by 2,700 yen (10.2%) per ton, product prices fell by 4,100 yen (6.0%) per ton. Therefore, the difference between the prices of steel products and steel scrap narrowed by 6,800 yen (16.5%) per ton compared with one year earlier.

Segment sales decreased 11,395 million yen (9.3%) to 111,138 million yen and operating profit decreased 4,996 million yen (27.7%) to 13,012 million yen.

2) Overseas Steel Business

Kyoei Steel operates steel business in Vietnam and North America (the United States and Canada).

In Vietnam, where competition increased in the first half of calendar 2020, results of operations in southern Vietnam were weak due to slow sales and other reasons. However, performance started recovering in the second half mainly because of upturns in the demand for steel products and prices of these products. In North America, as the COVID-19 pandemic impacted economic activities, demand for steel products used for mining was weak in the United States and Canada. In addition, there were suspensions of operations caused by updating equipment in the fourth quarter of 2020 and problems involving production equipment. The result was a big decrease in earnings.

Segment sales decreased 4,077 million yen (3.7%) to 104,985 million yen and operating profit decreased 2,711 million yen (compared with operating profit of 2,284 million yen one year earlier) to a loss of 428 million yen.

3) Material Recycling Business

The performance of this business benefited from the growth of recycling orders associated with the COVID-19 pandemic and other activities. Segment sales increased 239 million yen (3.7%) to 6,705 million yen and operating profit increased 267 million yen (24.5%) to 1,356 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 2,261 million yen (176.4%) to 3,543 million yen, and operating profit decreased 210 million yen (compared with operating profit of 153 million yen one year earlier) to a loss of 57 million yen.

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

Current assets increased by 10,538 million yen, or 6.6%, from the end of the previous fiscal year to 169,894 million yen. This was attributable mainly to increases of 11,350 million yen in cash and deposits and 1,192 million yen in raw materials and supplies, and decreases of 1,300 million yen in securities, 1,104 million yen in merchandise and finished goods and 1,243 million yen in other current assets.

Non-current assets increased by 2,599 million yen, or 2.4%, from the end of the previous fiscal year to 112,388 million yen. This was mainly attributable to increases of 803 million yen in machinery, equipment and vehicles, 1,547 million yen in investment securities and 1,609 million yen in retirement benefit asset, and decreases of 841 million yen in long-term loans receivable and 1,181 million yen in investments and other assets.

Total assets increased by 13,137 million yen, or 4.9%, from the end of the previous fiscal year to 282,282 million yen.

(ii) Liabilities

Current liabilities decreased by 1,616 million yen, or 2.0%, from the end of the previous fiscal year to 80,622 million yen. This was attributable mainly to increases of 4,481 million yen in notes and accounts payable-trade and 1,445 million yen in current portion of long-term borrowings, and decreases of 2,092 million yen in short-term borrowings, 2,491 million yen in income taxes payable and 2,650 million yen in other current liabilities.

Non-current liabilities increased by 8,213 million yen, or 28.5%, from the end of the previous fiscal year to 37,077 million yen. This was attributable mainly to an increase of 7,339 million yen in long-term borrowings.

Total liabilities increased by 6,598 million yen, or 5.9%, from the end of the previous fiscal year to 117,699 million yen.

(iii) Net assets

Net assets increased by 6,539 million yen, or 4.1%, from the end of the previous fiscal year to 164,583 million yen. This was attributable mainly to a profit attributable to owners of parent of 8,788 million yen, dividends of surplus of 3,477 million yen and an increase of 949 million yen in remeasurements of defined benefit plans.

As a result, compared to the end of the previous fiscal year, net assets per share increased by 155.52 yen to 3,553.45 yen, and equity to total assets decreased from 54.9% to 54.7%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 16,733 million yen from the end of the previous fiscal year to 25,351 million yen. The cash flow components during the fiscal year and the main reasons for changes are as described below.

(i) Cash flows from operating activities

Net cash provided by operating activities was 15,191 million yen. Major components were profit before income taxes of 12,735 million yen, depreciation of 8,402 million yen, a 1,431 million yen increase in trade receivables, a 4,064 million yen increase in trade payables and income taxes paid of 5,998 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities was 36,778 million yen. Major components were payments into time deposits of 58,658 million yen, proceeds from withdrawal of time deposits of 32,611 million yen, and purchase of property, plant and equipment of 9,353 million yen.

(iii) Cash flows from financing activities

Net cash provided by financing activities was 5,137 million yen. Major components include proceeds from long-term borrowings of 15,000 million yen, repayments of long-term borrowings of 5,714 million yen, and dividends paid of 3,471 million yen.

Trends in cash flow indicators

Fiscal years ended	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Equity to total assets	64.6%	59.8%	54.8%	54.9%	54.7%
Equity to total assets based on market prices	40.2%	34.0%	26.2%	20.1%	25.6%
Interest-bearing debt to cash flow ratio	601.1%	-	1,585.8%	217.8%	521.8%
Interest coverage ratio	9.8x	-	2.5x	17.3x	11.2x

Notes: 1. The above figures are calculated as follows.

Equity to total assets: Shareholders' equity / Total assets

Equity to total assets based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

- All indices are calculated based on consolidated figures.
- Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares (including stock held by the Employee Stock Ownership Association Support Trust)
- The interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for the fiscal year ended March 31, 2018 because operating cash flows were negative in this fiscal year.

(3) Outlook

The price of steel scrap is expected to remain high worldwide. In Japan, demand is unlikely to increase significantly in the construction and civil engineering sectors. Furthermore, we expect operating expenses to increase due to the higher cost of electricity, secondary materials, and other items. Activities will continue for lowering the cost of manufacturing products and maintaining and increasing selling prices of steel products.

In the overseas steel business, we anticipate a continuation of heated competition in Vietnam but also firm demand. Furthermore, the stability of production and sales is improving at all locations in Vietnam. In North America, where economic activity is recovering, the goal is to improve productivity and strengthen sales activities in order to increase profitability.

In the fiscal year ending on March 31, 2022, the Group forecasts consolidated net sales of 260,000 million yen, operating profit of 10,000 million yen, ordinary profit of 10,000 million yen, and profit attributable to owners of parent of 6,000 million yen.

(4) Basic Policy for Earnings Distributions and Dividends in the Current and Next Fiscal Years

We believe that increasing corporate value is the most effective means of distributing earnings to shareholders. Our policy for dividends is to allocate a suitable portion of earnings to dividend payments while maintaining sufficient retained earnings needed to achieve growth and make the entire group stronger from a long-term perspective. Consequently, we have established the basic dividend policy of maintaining a consolidated payout ratio of 25% to 30% while paying an annual dividend of at least 30 yen per share.

We plan to pay a year-end dividend of 45 yen per share, an increase of 10 yen from the previous forecast, in consideration of the business results for the current fiscal year. Including the interim dividend of 15 yen, this will result in a dividend of 60 yen per share for this fiscal year.

For the fiscal year ending on March 31, 2022, we forecast a dividend of 40 yen per share, the sum of an interim dividend of 15 yen and a year-end dividend of 25 yen.

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2020 (as of Mar. 31, 2020)	FY2021 (as of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	55,609	66,959
Notes and accounts receivable-trade	39,603	40,341
Electronically recorded monetary claims-operating	11,501	12,233
Securities	2,300	1,000
Merchandise and finished goods	25,267	24,163
Raw materials and supplies	21,486	22,678
Other	4,258	3,015
Allowance for doubtful accounts	(667)	(495)
Total current assets	159,356	169,894
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,145	55,550
Accumulated depreciation	(32,327)	(33,645)
Buildings and structures, net	21,818	21,906
Machinery, equipment and vehicles	135,328	139,363
Accumulated depreciation	(97,776)	(101,007)
Machinery, equipment and vehicles, net	37,552	38,356
Land	29,185	29,761
Construction in progress	2,992	3,093
Other	3,441	3,732
Accumulated depreciation	(2,258)	(2,471)
Other, net	1,183	1,261
Total property, plant and equipment	92,731	94,377
Intangible assets		
Goodwill	1,149	978
Other	2,315	2,636
Total intangible assets	3,464	3,615
Investments and other assets		
Investment securities	9,114	10,660
Long-term loans receivable	1,301	460
Retirement benefit asset	305	1,914
Deferred tax assets	821	490
Other	2,117	936
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	13,593	14,396
Total non-current assets	109,789	112,388
Total assets	269,145	282,282

(Unit: millions of yen)

	FY2020 (as of Mar. 31, 2020)	FY2021 (as of Mar. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,482	14,963
Electronically recorded obligations-operating	2,975	2,559
Short-term borrowings	46,737	44,645
Current portion of long-term borrowings	4,260	5,705
Income taxes payable	3,976	1,486
Provision for bonuses	756	856
Provision for bonuses for directors (and other officers)	18	25
Other	13,033	10,384
Total current liabilities	82,238	80,622
Non-current liabilities		
Long-term borrowings	20,640	27,979
Deferred tax liabilities	713	823
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	3,813	4,194
Other	1,264	1,648
Total non-current liabilities	28,864	37,077
Total liabilities	111,101	117,699
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,179
Retained earnings	104,823	110,325
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	142,780	148,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	246	948
Deferred gains or losses on hedges	(158)	(323)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	261	(5)
Remeasurements of defined benefit plans	(83)	865
Total accumulated other comprehensive income	4,891	6,110
Non-controlling interests	10,373	10,154
Total net assets	158,044	164,583
Total liabilities and net assets	269,145	282,282

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

(Unit: millions of yen)

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Net sales	239,343	226,371
Cost of sales	204,601	198,112
Gross profit	34,743	28,258
Selling, general and administrative expenses	15,339	15,602
Operating profit	19,404	12,656
Non-operating income		
Interest income	704	825
Dividend income	143	139
Share of profit of entities accounted for using equity method	788	763
Other	279	437
Total non-operating income	1,914	2,164
Non-operating expenses		
Interest expenses	1,936	1,310
Sales discounts	24	7
Foreign exchange losses	347	497
Other	58	72
Total non-operating expenses	2,364	1,886
Ordinary profit	18,954	12,935
Extraordinary income		
Gain on sales and retirement of non-current assets	17	21
Insurance claim income	36	-
Subsidy income	-	148
Surrender value of insurance policies	-	76
Other	5	5
Total extraordinary income	58	249
Extraordinary losses		
Loss on sale and retirement of non-current assets	656	365
Loss on sale of investment securities	1	-
Impairment losses	4,630	-
Loss on disaster	21	-
Provision for disposal costs of PCBs	46	-
Other	138	84
Total extraordinary losses	5,492	449
Profit before income taxes	13,520	12,735
Income taxes-current	5,308	3,714
Income taxes-deferred	(0)	(248)
Total income taxes	5,308	3,466
Profit	8,212	9,269
Profit attributable to non-controlling interests	234	481
Profit attributable to owners of parent	7,978	8,788

(Consolidated Statements of Comprehensive Income)

(Unit: millions of yen)

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Profit	8,212	9,269
Other comprehensive income		
Valuation difference on available-for-sale securities	(539)	702
Deferred gains or losses on hedges	(225)	(201)
Foreign currency translation adjustment	(1,109)	(745)
Remeasurements of defined benefit plans, net of tax	(290)	949
Total other comprehensive income	(2,162)	705
Comprehensive income	6,050	9,974
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,968	10,036
Comprehensive income attributable to non-controlling interests	82	(62)

(3) Consolidated Statements of Changes in Equity

FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)

(Unit: 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	98,550	(1,700)	136,507
Cumulative effects of changes in accounting policies			34		34
Restated balance	18,516	21,141	98,584	(1,700)	136,541
Changes during period					
Dividends of surplus			(1,738)		(1,738)
Profit attributable to owners of parent			7,978		7,978
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	6,239	(0)	6,239
Balance at end of period	18,516	21,141	104,823	(1,700)	142,780

	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	785	32	4,625	1,251	206	6,900	10,374	153,781
Cumulative effects of changes in accounting policies								34
Restated balance	785	32	4,625	1,251	206	6,900	10,374	153,814
Changes during period								
Dividends of surplus								(1,738)
Profit attributable to owners of parent								7,978
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	(539)	(191)	-	(990)	(290)	(2,010)	(0)	(2,010)
Total changes during period	(539)	(191)	-	(990)	(290)	(2,010)	(0)	4,229
Balance at end of period	246	(158)	4,625	261	(83)	4,891	10,373	158,044

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

(Unit: 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

(4) Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	13,520	12,735
Depreciation	7,719	8,402
Impairment losses	4,630	-
Amortization of goodwill	312	198
Increase (decrease) in provisions	214	(37)
Increase (decrease) in retirement benefit liability	21	604
Share of loss (profit) of entities accounted for using equity method	(788)	(763)
Loss (gain) on sale of investment securities	1	-
Loss (gain) on sale and retirement of non-current assets	638	345
Insurance claim income	(36)	(22)
Subsidy income	-	(148)
Loss on disaster	21	-
Interest and dividend income	(847)	(965)
Interest expenses	1,936	1,310
Decrease (increase) in trade receivables	14,777	(1,431)
Decrease (increase) in inventories	2,543	261
Increase (decrease) in trade payables	(10,272)	4,064
Increase (decrease) in accrued consumption taxes	222	(1,218)
Decrease (increase) in retirement benefit asset	61	(1,377)
Other, net	3,249	(791)
Subtotal	37,921	21,167
Interest and dividends received	871	1,205
Interest paid	(1,919)	(1,353)
Payments associated with disaster loss	(21)	-
Proceeds from insurance income	36	22
Subsidies received	-	148
Income taxes paid	(3,642)	(5,998)
Net cash provided by (used in) operating activities	33,246	15,191
Cash flows from investing activities		
Payments into time deposits	(22,269)	(58,658)
Proceeds from withdrawal of time deposits	24,867	32,611
Purchase of short-term investment securities and other	(2,000)	(2,000)
Proceeds from sales of securities	3,000	2,000
Purchase of investment securities	(3)	(4)
Proceeds from sale and redemption of investment securities	2	-
Payments of deposit	(1)	(1)
Proceeds from withdrawal deposit	1,220	1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(15,177)	-
Purchase of investments in capital of subsidiaries	(62)	-
Loan advances	(882)	(517)
Proceeds from collection of short-term loans receivable	61	49
Purchase of property, plant and equipment	(7,783)	(9,353)
Proceeds from sale of property, plant and equipment	19	14
Purchase of intangible assets	(114)	(732)
Other, net	(201)	(189)
Net cash provided by (used in) investing activities	(19,323)	(36,778)

(Unit: millions of yen)

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,415	(33)
Proceeds from long-term borrowings	1,000	15,000
Repayments of long-term borrowings	(3,855)	(5,714)
Repayments of installment payables	(42)	(88)
Purchase of treasury shares	(0)	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(238)
Dividends paid	(1,739)	(3,471)
Dividends paid to non-controlling interests	(82)	(320)
Net cash provided by (used in) financing activities	1,697	5,137
Effect of exchange rate change on cash and cash equivalents	57	(561)
Net increase (decrease) in cash and cash equivalents	15,678	(17,011)
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	42,085	25,351

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

Not applicable.

Business Combinations

Business combination through acquisition

1. Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment for the business combination with AltaSteel Inc. and its consolidated subsidiary on March 16, 2020 (local time) was used in the previous fiscal year, and it was finalized in the current fiscal year. At the time of the business combination, work was still under way to determine identifiable assets and liabilities and their fair values as of the acquisition date and the allocation of the acquisition cost had not been completed, a provisional accounting procedure was used that is based on information believed to be trustworthy available on this date.

Accordingly, comparison of figures in the consolidated financial statement for the current fiscal year reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment.

As gain on negative goodwill of 3,512 million yen was recorded in the previous fiscal year, goodwill of 883 million yen was recorded in the current fiscal year due to the finalization of accounting treatment. In addition, there were decreases in machinery, equipment and vehicles of 3,269 million yen and land of 2,000 million yen in property, plant and equipment, and a decrease in deferred tax liabilities of 1,110 million yen in non-current liabilities.

Profit before income taxes and profit attributable to owners of parent in the consolidated statements of income in the previous fiscal year decreased 3,512 million yen each.

2. Goodwill resulting from the acquisition

(1) Value of goodwill

883 million yen

(2) Source of goodwill

The source is primarily the expectation for AltaSteel Inc. and its consolidated subsidiary to generate even higher earnings from upcoming business activities.

(3) Amortization method and amortization period

Goodwill is amortized over 11 years by the straight-line method.

Segment 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.

Information related to revisions to reportable segments

In 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 in the current fiscal year.

The segment information for FY2020 is prepared based on the revised business segments.

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.

Segment information for the previous fiscal year reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment, which was described in the section "Notes to Consolidated Financial Statements (Business Combinations)."

3. Information related to net sales, profit/loss, assets, and other items for each reportable segment

FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)

(Unit: 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							
External sales	122,533	109,063	6,466	238,062	1,282	-	239,343
Inter-segment sales and transfers	70	-	1,171	1,240	542	(1,783)	-
Total	122,603	109,063	7,637	239,302	1,824	(1,783)	239,343
Segment profit	18,008	2,284	1,089	21,381	153	(2,131)	19,404
Segment assets	115,311	98,890	6,675	220,876	6,191	42,077	269,145
Other items							
Depreciation	3,622	3,371	290	7,283	197	240	7,719
Amortization of goodwill	-	312	-	312	-	-	312
Impairment loss	-	4,630	-	4,630	-	-	4,630
Increase in property, plant and equipment and intangible assets	5,799	2,450	239	8,488	282	124	8,895

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 (2,131) million yen to segment profit includes (143) million yen in eliminations for inter-segment transactions and (1,988) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administrative expenses of the Company's head office that cannot be attributed to reportable segments.

3. The adjustment of 42,077 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 240 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 124 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 with operating profit shown on the consolidated financial statements.

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

(Unit: 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							
External sales	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 administrative 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 with operating profit shown on the consolidated financial statements.

Per Share Information

(Unit: yen)

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Net assets per share	3,397.93	3,553.45
Net income per share	183.56	202.22
	Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	Diluted net income 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

	FY2020 (as of Mar. 31, 2020)	FY2021 (as of Mar. 31, 2021)
Total net assets (Millions of yen)	158,044	164,583
Deduction on total net assets (Millions of yen)	(10,373)	(10,154)
[of which non-controlling interests (Millions of yen)]	[(10,373)]	[(10,154)]
Net assets applicable to common shares (Millions of yen)	147,670	154,429
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. Net income per share

	FY2020 (from Apr. 1, 2019 to Mar. 31, 2020)	FY2021 (from Apr. 1, 2020 to Mar. 31, 2021)
Profit attributable to owners of parent (Millions of yen)	7,978	8,788
Amounts not available to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Millions of yen)	7,978	8,788
Average number of common shares outstanding during the period (Thousand shares)	43,459	43,459

3. Net assets per share and net income per share for FY2020 reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment, which was described in the section "Notes to Consolidated Financial Statements (Business Combinations)."

Material Subsequent Events

Kyoei Steel announced that a decision was made on April 30, 2021 at its Board of Directors meeting concerning the general resolution for the issuance of domestic unsecured straight bonds. Details are provided as follows. Decisions on matters necessary for the offering of bonds shall be made at the discretion of the President of the Company within the scope of the following items.

- (1) Aggregate nominal amount: Up to 10 billion yen (However, multiple issues within this range are not precluded.)
- (2) Issue price: 100 yen for a par value of 100 yen
- (3) Coupon rate: Less than 0.5% per annum
- (4) Scheduled issue period: June 1, 2021 - March 31, 2022
- (5) Redemption date: Within five years
- (6) Method of redemption: The bonds will be redeemed in full upon maturity
- (7) Use of proceeds: Equipment funds, investment and financing funds, working capital and debt repayment funds
- (8) Covenants: Negative pledge clause attached

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.