

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Fiscal Year 2023) <Under Japanese GAAP>

Company name: Kyoei Steel, Ltd.	Stock exchange listed: Tokyo
Stock code: 5440	URL: <a href="https://www.kyoeisteel.co.jp/">https://www.kyoeisteel.co.jp/</a>
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Scheduled date of the annual shareholders' meeting: June 27, 2023	
Scheduled date of payment of dividend: June 12, 2023	
Scheduled date of filing of annual securities report (Japanese version only): June 28, 2023	
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 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	355,715	21.5	14,819	68.0	14,671	39.1	13,108	107.3
Fiscal year ended March 31, 2022	292,719	29.3	8,819	(30.3)	10,549	(18.4)	6,322	(28.1)

Note: Comprehensive income Fiscal year ended March 31, 2023: 19,656 million yen [41.7%]

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

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	301.61	–	7.7	4.5	4.2
Fiscal year ended March 31, 2022	145.48	–	4.0	3.5	3.0

Reference: Equity in earnings (losses) of affiliates Fiscal year ended March 31, 2023: 1,420 million yen

Fiscal year ended March 31, 2022: 1,419 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	337,713	190,174	53.2	4,134.64
As of March 31, 2022	314,203	175,689	51.9	3,749.63

Reference: Equity As of March 31, 2023: 179,687 million yen

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

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	19,259	(6,138)	(9,017)	32,421
Fiscal year ended March 31, 2022	(13,697)	6,933	7,339	27,210

## 2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2022	–	15.00	–	25.00	40.00	1,738	27.5	1.1
Fiscal Year 2023	–	15.00	–	65.00	80.00	3,477	26.5	2.0
Fiscal Year 2024 (Forecast)	–	15.00	–	55.00	70.00		25.4	

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

The year-end dividend for the fiscal year ended March 31, 2023, includes a commemorative dividend of 5 yen per share for the 75th anniversary of the foundation of the Company.

## 3. Forecasts of Consolidated Earnings for Fiscal Year 2024 (from April 1, 2023 to March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	164,000	(10.3)	8,200	34.8	7,000	8.0	4,500	10.9	103.55
Full year	352,500	(0.9)	20,000	35.0	18,000	22.7	12,000	(8.4)	276.12

**\* 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 issued shares (common shares)

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

As of March 31, 2023	44,898,730 shares
As of March 31, 2022	44,898,730 shares

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

As of March 31, 2023	1,439,755 shares
As of March 31, 2022	1,439,755 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	43,458,975 shares
Fiscal year ended March 31, 2022	43,458,975 shares

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

Non-consolidated Financial Results for Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	139,897	17.9	11,311	377.4	12,926	293.7	6,626	173.7
Fiscal year ended March 31, 2022	118,649	26.1	2,369	(76.7)	3,283	(72.5)	2,421	(27.7)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	152.47	—
Fiscal year ended March 31, 2022	55.71	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	193,046	135,957	70.4	3,128.39
As of March 31, 2022	181,819	130,243	71.6	2,996.91

Reference: Equity As of March 31, 2023: 135,957 million yen

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

<Reasons for Differences between Non-consolidated Financial Results for Fiscal Years 2022 and 2023>

The differences between non-consolidated financial results for fiscal years 2022 and 2023 are mainly attributable to the widened gap between sales and purchase prices as price increases spread due to the increase of raw material prices and manufacturing costs amid weak product demand in the domestic steel business, the Company's core area of operations.

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

\* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For the underlying assumptions for forecasts, precautions concerning usage and other information, please refer to “1. Overview of Operating Results, (3) Future Outlook” on page 4 of the attachments.

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## 1. Overview of Operating Results

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

During the fiscal year ended March 31, 2023, the Japanese economy gradually recovered, with consumer spending and capital investment on an increasing trend, due to the effects of various policies under the post-COVID-19 situations. However, the global economy still faced downside risks due mainly to rising prices and supply-side constraints caused by Russia's invasion of Ukraine and other factors, global monetary tightening and fluctuations in financial and capital markets, and the stagnant Chinese economy.

Amid these circumstances, consolidated net sales of the Kyoei Steel Group in the current fiscal year increased by 62,996 million yen (21.5%) year on year to 355,715 million yen, consolidated operating profit increased by 6,000 million yen (68.0%) year on year to 14,819 million yen, consolidated ordinary profit increased by 4,122 million yen (39.1%) year on year to 14,671 million yen, and profit attributable to owners of parent increased by 6,785 million yen (107.3%) year on year to 13,108 million yen.

As previously announced on March 17, an extraordinary loss (impairment loss) of 1,068 million yen related to the consolidated subsidiary, Vietnam Italy Steel JSC was recorded during this fiscal year. In addition, the valuation loss on shares of subsidiaries and associates recorded in our non-consolidated financial statements, including those from previous years, has been included as a tax-deductible expense.

Results by business segment are as follows.

#### 1) Domestic Steel Business

For this business segment, demand remained weak due mainly to rising construction costs caused by soaring construction material prices, and product shipments declined by 36,000 tons year on year to 1,545,000 tons. Steel scrap prices increased by 1,300 yen (2.4%) year on year, but an increase in product prices prevailed in the market and was 19,300 yen (23.4%) higher than the previous fiscal year. Therefore, sales margins widened by 18,000 yen (60.3%).

As a result, segment net sales increased by 24,623 million yen (19.1%) year on year to 153,581 million yen and operating profit increased by 12,096 million yen (461.4%) year on year to 14,717 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 business environment became challenging since demand for individual residence cooled and many project proposals were postponed or suspended due to interest rate hikes and tightening regulations on lending to the real estate industry, caused by increased scrutiny following the corruption scandals involving major real estate developers. The business posted a large loss due to a decline in product shipments led by weak actual demand, a slump in selling prices caused by a market share battle with competitors, and an increase in fixed cost burdens resulting from production cutbacks.

In North America, the economic sentiment somewhat slowed down due to inflation control measures such as interest rate hikes. However, infrastructure investment, private investment, and personal consumption continued to be robust, and strong demand continued. Despite the increase in manufacturing costs such as electricity and fuel expenses, the business performance remained strong as sales margins expanded due to the high level of product prices.

As a result, segment net sales increased by 37,594 million yen (24.7%) year on year to 189,603 million yen, but there was an operating loss of 674 million yen (compared with an operating profit of 5,233 million yen in the previous fiscal year).

#### 3) Material Recycling Business

This business segment continued to acquire medical waste treatment projects related to COVID-19, but the price of fuel and other items increased. Accordingly, segment net sales increased by 357 million yen (4.9%) year on year to 7,645 million yen but operating profit decreased by 406 million yen (19.9%) year on year to 1,638 million yen.

**4) Others**

This category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales increased by 421 million yen (9.4%) year on year to 4,886 million yen, but there was an operating loss of 72 million yen (compared with an operating profit of 50 million yen in the previous fiscal year).

**(2) Overview of Financial Position for the Current Fiscal Year****1) Assets, liabilities and net assets****(i) Assets**

Current assets increased by 16,571 million yen, or 8.5%, from the end of the previous fiscal year to 210,591 million yen. This was attributable mainly to increases of 6,408 million yen in cash and deposits, 8,860 million yen in accounts receivable - trade, 4,693 million yen in electronically recorded monetary claims - operating, and 2,487 million yen in raw materials and supplies, and decreases of 1,000 million yen in securities, 3,351 million yen in merchandise and finished goods, and 1,845 million yen in other under current assets.

Non-current assets increased by 6,939 million yen, or 5.8%, from the end of the previous fiscal year to 127,123 million yen. This was attributable mainly to increases of 564 million yen in buildings and structures, 250 million yen in machinery, equipment and vehicles, 513 million yen in land, 1,416 million yen in construction in progress, 2,911 million yen in investment securities, 437 million yen in retirement benefit asset, 375 million yen in deferred tax assets, and 531 million yen in other under investments and other assets.

As a result, total assets increased by 23,510 million yen, or 7.5%, from the end of the previous fiscal year to 337,713 million yen.

**(ii) Liabilities**

Current liabilities increased by 6,842 million yen, or 7.4%, from the end of the previous fiscal year to 99,635 million yen. This was attributable mainly to increases of 280 million yen in electronically recorded obligations - operating, 3,949 million yen in short-term borrowings, 1,335 million yen in income taxes payable, and 4,189 million yen in other under current liabilities, and decreases of 2,321 million yen in notes and accounts payable - trade and 586 million yen in current portion of long-term borrowings.

Non-current liabilities increased by 2,183 million yen, or 4.8%, from the end of the previous fiscal year to 47,904 million yen. This was attributable mainly to increases of 1,682 million yen in long-term borrowings and 1,484 million yen in deferred tax liabilities, and a decrease of 972 million yen in retirement benefit liability.

As a result, total liabilities increased by 9,025 million yen, or 6.5%, from the end of the previous fiscal year to 147,539 million yen.

**(iii) Net assets**

Net assets increased by 14,485 million yen, or 8.2%, from the end of the previous fiscal year to 190,174 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 13,108 million yen, increases of 1,346 million yen in valuation difference on available-for-sale securities, 4,018 million yen in foreign currency translation adjustment, and 1,102 million yen in remeasurements of defined benefit plans, and decreases of 2,247 million yen in non-controlling interests and 1,738 million yen due to dividends of retained earnings.

As a result, net assets per share increased by 385.01 yen from the end of the previous fiscal year to 4,134.64 yen. Equity-to-asset ratio increased from 51.9% at the end of the previous fiscal year to 53.2%.

**2) Cash flows**

Cash and cash equivalents at the end of the current fiscal year increased by 5,211 million yen from the end of the previous fiscal year to 32,421 million yen. The cash flow components during the current fiscal year and the main reasons for changes are as follows.

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

Net cash provided by operating activities was 19,259 million yen. Major components included profit before income taxes of 13,629 million yen, depreciation of 9,770 million yen, impairment losses of 1,068 million yen, an increase of 11,071 million yen in trade receivables, a decrease of 5,399 million yen in inventories, a decrease of 2,838 million yen in trade payables, and an increase of 2,232 million yen in accrued consumption taxes.

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

Net cash used in investing activities was 6,138 million yen. Major components included payments into time deposits and other of 36,657 million yen, proceeds from withdrawal of time deposits and other of 37,505 million yen and purchase of property, plant and equipment of 6,602 million yen.

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

Net cash used in financing activities was 9,017 million yen. Major components included a net decrease of 3,686 million yen in short-term borrowings, proceeds from long-term borrowings of 5,000 million yen, repayments of long-term borrowings of 4,966 million yen, purchase of shares of subsidiaries not resulting in change in scope of consolidation of 2,220 million yen, dividends paid of 1,738 million yen, and dividends paid to non-controlling interests of 1,192 million yen.

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity-to-asset ratio	54.8%	54.9%	54.7%	51.9%	53.2%
Equity ratio based on market price	26.2%	20.1%	25.6%	18.5%	20.7%
Interest-bearing debt to cash flow ratio	1,585.8%	217.8%	521.8%	–	523.9%
Interest coverage ratio	2.5 times	17.3 times	11.2 times	–	8.1 times

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

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

2. All calculations are based on consolidated financial figures.

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

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

**(3) Future Outlook**

As for the outlook for the next fiscal year, in the domestic steel business, while the demand for residential sector is expected to be weak and flat due to the impact of rising construction costs caused mainly by the soaring construction material prices, the demand for non-residential sector is expected to remain strong, supported by redevelopment projects in the metropolitan area and corporate capital investment. We anticipate that the Kyoei Steel Group's product shipment volume will exceed the current fiscal year's results. With steel scrap prices expected to remain high and electricity and subsidiary material costs expected to increase, we will strive to further reduce manufacturing costs and raise product prices to achieve the same level of performance as in the current fiscal year.

As for the overseas steel business, in Vietnam, construction demand is expected to remain at a low level due to the impact of the current sluggish real estate market and high interest rates, and the business environment is expected to remain challenging. Although there are positive signs such as interest rate cuts and easing of lending restrictions for the real estate industry, demand is not expected to recover until the second half of the next fiscal year. In North America, housing demand is slowing somewhat due mainly to persistently high inflation and inflation-fighting interest rate hikes amid the



lingering aftermath of the U.S. regional bank failures, but strong construction demand is expected due to continued infrastructure investment and private investment. As a result, the overall performance of the overseas steel business is expected to exceed the results of the current fiscal year.

As for the material recycling business, efforts will be made to raise the unit price of treatment; however, an increase in treatment costs such as higher fuel prices is expected, and the treatment projects related to COVID-19 are expected to settle down, resulting in an increase in revenue but a decrease in profit compared to the results of the current fiscal year.

As a result, for the next fiscal year, we project consolidated net sales of 352,500 million yen, consolidated operating profit of 20,000 million yen, consolidated ordinary profit of 18,000 million yen, and profit attributable to owners of parent of 12,000 million yen.

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

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

Taking into account the business results for the current fiscal year, the year-end dividend for the current fiscal year is 65 yen per share (including 5 yen as a commemorative dividend for the 75th anniversary of the founding of the Company), an increase of 5 yen from the previous forecast. As a result, the annual dividend is 80 yen per share, including the interim dividend of 15 yen per share already paid.

For the next fiscal year, we plan to pay an interim dividend of 15 yen per share and a year-end dividend of 55 yen per share, for an annual dividend of 70 yen per share.

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

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

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	51,338	57,746
Notes receivable - trade	669	725
Accounts receivable - trade	51,680	60,539
Electronically recorded monetary claims - operating	15,399	20,092
Securities	1,000	–
Merchandise and finished goods	40,390	37,040
Raw materials and supplies	27,989	30,476
Other	6,111	4,266
Allowance for doubtful accounts	(555)	(293)
Total current assets	194,020	210,591
Non-current assets		
Property, plant and equipment		
Buildings and structures	60,672	64,082
Accumulated depreciation	(36,481)	(39,327)
Buildings and structures, net	24,190	24,754
Machinery, equipment and vehicles	153,095	160,946
Accumulated depreciation	(112,032)	(119,634)
Machinery, equipment and vehicles, net	41,062	41,312
Land	30,674	31,187
Construction in progress	1,692	3,108
Other	4,471	5,271
Accumulated depreciation	(2,890)	(3,438)
Other, net	1,582	1,833
Total property, plant and equipment	99,201	102,194
Intangible assets		
Goodwill	856	829
Other	3,311	3,164
Total intangible assets	4,167	3,993
Investments and other assets		
Investment securities	11,155	14,065
Long-term loans receivable	392	243
Retirement benefit asset	3,546	3,983
Deferred tax assets	356	731
Other	1,418	1,949
Allowance for doubtful accounts	(50)	(36)
Total investments and other assets	16,816	20,936
Total non-current assets	120,183	127,123
Total assets	314,203	337,713

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,692	16,370
Electronically recorded obligations - operating	2,343	2,623
Short-term borrowings	54,393	58,342
Current portion of long-term borrowings	4,822	4,235
Income taxes payable	270	1,604
Provision for bonuses	969	966
Other	11,305	15,494
Total current liabilities	92,793	99,635
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	25,277	26,960
Deferred tax liabilities	2,153	3,636
Deferred tax liabilities for land revaluation	2,394	2,394
Retirement benefit liability	4,317	3,344
Other	1,581	1,570
Total non-current liabilities	45,721	47,904
Total liabilities	138,515	147,539
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,114	19,716
Retained earnings	114,130	125,499
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	152,059	162,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	843	2,190
Deferred gains or losses on hedges	(186)	109
Revaluation reserve for land	4,536	4,536
Foreign currency translation adjustment	3,541	7,559
Remeasurements of defined benefit plans	2,162	3,264
Total accumulated other comprehensive income	10,896	17,657
Non-controlling interests	12,734	10,487
Total net assets	175,689	190,174
Total liabilities and net assets	314,203	337,713

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	292,719	355,715
Cost of sales	266,820	321,441
Gross profit	25,899	34,274
Selling, general and administrative expenses	17,080	19,455
Operating profit	8,819	14,819
Non-operating income		
Interest income	723	724
Dividend income	169	275
Share of profit of entities accounted for using equity method	1,419	1,420
Foreign exchange gains	289	–
Other	474	683
Total non-operating income	3,075	3,103
Non-operating expenses		
Interest expenses	1,217	2,584
Foreign exchange losses	–	472
Other	127	194
Total non-operating expenses	1,344	3,251
Ordinary profit	10,549	14,671
Extraordinary income		
Gain on sale and retirement of non-current assets	33	68
Gain on sale of investment securities	–	39
Insurance claim income	64	493
Subsidy income	24	7
Other	–	6
Total extraordinary income	120	613
Extraordinary losses		
Loss on sale and retirement of non-current assets	408	351
Loss on accident	–	232
Impairment losses	154	1,068
Other	26	4
Total extraordinary losses	588	1,654
Profit before income taxes	10,081	13,629
Income taxes - current	1,398	2,062
Income taxes - deferred	949	27
Total income taxes	2,347	2,089
Profit	7,734	11,540
Profit (loss) attributable to non-controlling interests	1,411	(1,567)
Profit attributable to owners of parent	6,322	13,108

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	7,734	11,540
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	1,346
Deferred gains or losses on hedges	164	312
Foreign currency translation adjustment	4,780	5,355
Remeasurements of defined benefit plans, net of tax	1,296	1,102
Total other comprehensive income	6,137	8,116
Comprehensive income	13,871	19,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,198	19,868
Comprehensive income attributable to non-controlling interests	2,672	(212)

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

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

(Millions of yen)

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

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

FY2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,516	21,114	114,130	(1,700)	152,059
Changes during period					
Dividends of surplus			(1,738)		(1,738)
Profit attributable to owners of parent			13,108		13,108
Change in ownership interest of parent due to transactions with non-controlling interests		(1,398)			(1,398)
Net changes in items other than shareholders' equity					
Total changes during period	–	(1,398)	11,369	–	9,971
Balance at end of period	18,516	19,716	125,499	(1,700)	162,030

	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	843	(186)	4,536	3,541	2,162	10,896	12,734	175,689
Changes during period								
Dividends of surplus								(1,738)
Profit attributable to owners of parent								13,108
Change in ownership interest of parent due to transactions with non-controlling interests								(1,398)
Net changes in items other than shareholders' equity	1,346	294	–	4,018	1,102	6,761	(2,247)	4,514
Total changes during period	1,346	294	–	4,018	1,102	6,761	(2,247)	14,485
Balance at end of period	2,190	109	4,536	7,559	3,264	17,657	10,487	190,174

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,081	13,629
Depreciation	8,840	9,770
Impairment losses	154	1,068
Amortization of goodwill	224	105
Increase (decrease) in provisions	79	(336)
Increase (decrease) in retirement benefit liability	87	(1,036)
Share of loss (profit) of entities accounted for using equity method	(1,419)	(1,420)
Loss (gain) on sale and retirement of non-current assets	375	283
Insurance claim income	(64)	(493)
Subsidy income	(24)	(7)
Interest and dividend income	(893)	(1,000)
Interest expenses	1,217	2,584
Decrease (increase) in trade receivables	(13,070)	(11,071)
Decrease (increase) in inventories	(18,081)	5,399
Increase (decrease) in trade payables	2,846	(2,838)
Increase (decrease) in accrued consumption taxes	(176)	2,232
Decrease (increase) in retirement benefit asset	(1,344)	(319)
Other, net	1,293	3,607
Subtotal	(9,875)	20,158
Interest and dividends received	1,036	993
Interest paid	(1,197)	(2,389)
Proceeds from insurance income	–	199
Subsidies received	24	7
Income taxes refund (paid)	(3,686)	290
Net cash provided by (used in) operating activities	(13,697)	19,259
<b>Cash flows from investing activities</b>		
Payments into time deposits and other	(54,262)	(36,657)
Proceeds from withdrawal of time deposits and other	72,000	37,505
Purchase of securities	(1,000)	–
Proceeds from sale of securities	2,000	–
Purchase of investment securities	(64)	(5)
Proceeds from sale and redemption of investment securities	1	71
Payments of deposit	–	(0)
Proceeds from withdrawal deposit	0	2
Loan advances	(5)	(8)
Proceeds from collection of loans receivable	310	303
Purchase of property, plant and equipment	(10,883)	(6,602)
Proceeds from sale of property, plant and equipment	24	36
Purchase of intangible assets	(993)	(522)
Other, net	(196)	(260)
Net cash provided by (used in) investing activities	6,933	(6,138)



(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	4,463	(3,686)
Proceeds from long-term borrowings	1,451	5,000
Repayments of long-term borrowings	(5,869)	(4,966)
Repayments of installment payables	(99)	(214)
Proceeds from issuance of bonds	9,947	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(2,220)
Dividends paid	(2,603)	(1,738)
Dividends paid to non-controlling interests	(14)	(1,192)
Other, net	64	–
Net cash provided by (used in) financing activities	7,339	(9,017)
Effect of exchange rate change on cash and cash equivalents	1,283	1,107
Net increase (decrease) in cash and cash equivalents	1,858	5,211
Cash and cash equivalents at beginning of period	25,351	27,210
Cash and cash equivalents at end of period	27,210	32,421

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

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

Not applicable.

### **Segment and Other Information**

#### 1. Overview of reportable segments

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

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

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

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

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

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

Earnings for reportable segments are operating profit.

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

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

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

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5)	Amounts shown on the consolidated financial statements (Note 6)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	128,957	152,008	7,288	288,254	4,465	–	292,719
Sales to external customers	128,957	152,008	7,288	288,254	4,465	–	292,719
Inter-segment sales and transfers	2	–	351	353	903	(1,256)	–
Total	128,959	152,008	7,639	288,607	5,368	(1,256)	292,719
Segment profit	2,622	5,233	2,044	9,899	50	(1,130)	8,819
Segment assets	135,455	123,259	7,052	265,766	11,866	36,571	314,203
Other items							
Depreciation	3,654	4,355	242	8,251	344	245	8,840
Amortization of goodwill	–	224	–	224	–	–	224
Impairment losses	150	–	4	154	–	–	154
Increase in property, plant and equipment and intangible assets	7,738	3,639	140	11,517	712	742	12,971

- Notes:
1. “Others” represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
  2. The adjustment of (1,130) million yen to “segment profit” includes 10 million yen in eliminations for inter-segment transactions and (1,141) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
  3. The adjustment of 36,571 million yen to “segment assets” includes the Company’s excess funds (cash and deposits, and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
  4. The adjustment of 245 million yen to “depreciation” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  5. The adjustment of 742 million yen to an “increase in property, plant and equipment and intangible assets” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  6. “Segment profit” is adjusted to be consistent with operating profit shown on the consolidated financial statements.

FY2023 (from Apr. 1, 2022 to Mar. 31, 2023)

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5)	Amounts shown on the consolidated financial statements (Note 6)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	153,581	189,603	7,645	350,828	4,886	–	355,715
Sales to external customers	153,581	189,603	7,645	350,828	4,886	–	355,715
Inter-segment sales and transfers	8	767	371	1,146	1,052	(2,198)	–
Total	153,588	190,370	8,016	351,974	5,938	(2,198)	355,715
Segment profit (loss)	14,717	(674)	1,638	15,681	(72)	(791)	14,819
Segment assets	147,101	129,366	6,725	283,192	11,834	42,687	337,713
Other items							
Depreciation	3,659	5,090	191	8,940	452	378	9,770
Amortization of goodwill	–	105	–	105	–	–	105
Impairment losses	–	1,068	–	1,068	–	–	1,068
Increase in property, plant and equipment and intangible assets	4,086	4,629	109	8,824	90	419	9,332

- 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 (791) million yen to “segment profit (loss)” includes 38 million yen in eliminations for inter-segment transactions and (829) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
  3. The adjustment of 42,687 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 378 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 419 million yen to an “increase in property, plant and equipment and intangible assets” is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
  6. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the consolidated financial statements.

**Per Share Information**

Items	FY2022 (from Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (from Apr. 1, 2022 to Mar. 31, 2023)
Net assets per share	3,749.63 yen	4,134.64 yen
Basic earnings per share	145.48 yen	301.61 yen
	Diluted earnings per share is not presented since the Company has no outstanding dilutive securities.	Diluted earnings per share is not presented since the Company has no outstanding dilutive securities.

Notes: Basis for calculation is as follows.

## 1. Net assets per share

Items	FY2022 (as of Mar. 31, 2022)	FY2023 (as of Mar. 31, 2023)
Total net assets (Millions of yen)	175,689	190,174
Deduction on total net assets (Millions of yen)	(12,734)	(10,487)
[of which non-controlling interests (Millions of yen)]	[(12,734)]	[(10,487)]
Net assets applicable to common shares (Millions of yen)	162,955	179,687
Number of common shares outstanding (Thousand shares)	44,899	44,899
Number of treasury shares (Thousand shares)	1,440	1,440
Number of common shares at end of period used in calculation of net assets per share (Thousand shares)	43,459	43,459

## 2. Basic earnings per share

Items	FY2022 (from Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (from Apr. 1, 2022 to Mar. 31, 2023)
Profit attributable to owners of parent (Millions of yen)	6,322	13,108
Amounts not available to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent applicable to common shares (Millions of yen)	6,322	13,108
Average number of common shares outstanding during the period (Thousand shares)	43,459	43,459

**Material Subsequent Events**

Not applicable.

*This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*