

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2025 (Fiscal Year 2025) (Nine Months Ended December 31, 2024) <Under Japanese GAAP>

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 Scheduled date of payment of dividend: –
 Preparation of supplementary materials for financial results: Yes

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated Financial Results for the Third Quarter (from April 1, 2024 to December 31, 2024) of Fiscal Year 2025

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	240,399	1.2	9,698	(34.2)	9,892	(33.4)	9,135	(21.0)
Nine months ended December 31, 2023	237,491	(12.5)	14,749	62.3	14,860	56.5	11,570	86.8

Note: Comprehensive income Nine months ended December 31, 2024: 7,695 million yen [(52.1)%]

Nine months ended December 31, 2023: 16,053 million yen [5.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	210.20	–
Nine months ended December 31, 2023	266.23	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	340,189	203,823	58.2
As of March 31, 2024	354,217	201,430	54.9

Reference: Equity As of December 31, 2024: 198,042 million yen

As of March 31, 2024: 194,640 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2024	–	15.00	–	75.00	90.00
Fiscal Year 2025	–	30.00	–		
Fiscal Year 2025 (Forecast)				60.00	90.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecasts of Consolidated Earnings for Fiscal Year 2025 (from April 1, 2024 to March 31, 2025)

(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
Full year	323,000	0.6	15,000	(28.8)	15,000	(28.7)	12,000	(13.2)	276.12

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

* Notes

(1) Significant changes in the scope of consolidation during the period: 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 issued shares (common shares)

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

As of December 31, 2024	44,898,730 shares
As of March 31, 2024	44,898,730 shares

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

As of December 31, 2024	1,439,755 shares
As of March 31, 2024	1,439,755 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2024	43,458,975 shares
Nine months ended December 31, 2023	43,458,975 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or auditing firms: None

* 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 Operating Results, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 4 of the attachments.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Current Period

In the first nine months of the fiscal year ending March 31, 2025, the global economy showed an overall recovery trend, despite downside risks including the continuing high interest rate levels in the U.S. and Europe and a stagnant real estate market in China. The Japanese economy also gradually recovered due to the effects of various government policies and an improving employment and income environment, despite some degree of economic standstill persisting amid the same downside risks mentioned above.

Amid these circumstances, consolidated net sales of the Kyoei Steel Group in the first nine months of the fiscal year ending March 31, 2025, increased by 2,907 million yen (1.2%) year on year to 240,399 million yen, consolidated operating profit decreased by 5,051 million yen (34.2%) year on year to 9,698 million yen, consolidated ordinary profit decreased by 4,968 million yen (33.4%) year on year to 9,892 million yen, and profit attributable to owners of parent decreased by 2,435 million yen (21.0%) year on year to 9,135 million yen. In addition, 3,474 million yen was recorded as extraordinary income for the insurance claims related to a fire that occurred at the U.S. base in August 2023 and a COVID-19 subsidy received at the Canadian base, and 66 million yen was recorded as extraordinary losses for accident-related losses due to equipment problems at a domestic base.

Results by business segment are as follows.

1) Domestic Steel Business

For this business segment, although domestic construction demand remained at almost the same level due to stable corporate capital investment and public investment, issues emerged concerning delayed or prolonged construction periods due to labor shortages, working style reforms and extreme summer heat at construction and logistics sites. Due to such effects, product shipments in the first nine months of the fiscal year ending March 31, 2025 decreased by 96,000 tons from the same period of the previous fiscal year to 1,091,000 tons. In terms of prices, the price of steel scrap, which is a key raw material for steel products, fell by ¥2,600 (5.1%) year on year due to weakening domestic and overseas demand from August 2024. However, we managed to limit the decrease in product sales prices by ¥2,100 (2.0%) year on year through ensuring production and sales were in line with demand, thereby increasing the sales margin (the difference between the sales price of the product and the purchase price of raw materials) by ¥500 (1.0%) year on year. However, various costs in this business segment increased a notch, including personnel expenses, freight costs, as well as an increased burden from fixed costs associated with a decreased production volume.

As a result, segment net sales decreased by 11,326 million yen (9.4%) year on year to 108,590 million yen and operating profit decreased by 5,687 million yen (31.1%) year on year to 12,592 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, we focused on strengthening sales activities, such as cultivating new customers for projects for social infrastructure etc., amid persistent weakening of housing demand for detached housing, despite a settling down of the high mortgage interest rates, and as a result, we achieved a large increase in shipment volumes. However, it has been difficult to maintain or expand the sales margin because of the decline in product market conditions due to intensifying competition that has been impacted by low-price steel exports from China, and although the deficit narrowed year on year, an operating loss was recorded.

In North America, the Canadian base delivered solid business performance with the commencement of expanded sales of small-diameter steel bars although shipment volumes declined due to the impact of customers holding off on purchases in expectation of interest rates being lowered in June 2024. The U.S. base's performance was low-key due to a rise in costs relating to a run of equipment problems, despite concerted efforts to stabilize operations quickly following the fire incident, as well as a shrinking sales margin resulting from a fall in product prices in connection with a weakening of product market conditions.

As a result, segment net sales increased by 14,258 million yen (13.1%) to 123,375 million yen, and there was an operating loss of 2,617 million yen (compared with an operating loss of 3,293 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

For this business segment, net sales decreased by 36 million yen (0.8%) year on year to 4,766 million yen and operating profit decreased by 42 million yen (7.2%) year on year to 538 million yen due to the impact of intensifying price competition with competitors in the medical waste treatment business and increased costs due to problems with treatment facilities.

4) Others

This category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales increased by 11 million yen (0.3%) year on year to 3,668 million yen and operating profit increased by 283 million yen (1,185.8%) year on year to 307 million yen.

(2) Overview of Financial Position for the Current Period

Assets

Current assets decreased by 16,098 million yen, or 7.3%, from the end of the previous fiscal year to 204,793 million yen. This was attributable mainly to increases of 2,227 million yen in merchandise and finished goods, 1,648 million yen in raw materials and supplies, and 398 million yen in other under current assets, and decreases of 10,054 million yen in cash and deposits, 7,566 million yen in accounts receivable - trade, and 2,517 million yen in electronically recorded monetary claims - operating.

Non-current assets increased by 2,069 million yen, or 1.6%, from the end of the previous fiscal year to 135,396 million yen. This was attributable mainly to increases of 740 million yen in buildings and structures, 4,115 million yen in other, net under property, plant and equipment, and 46 million yen in retirement benefit asset, and decreases of 1,398 million yen in machinery, equipment and vehicles, 248 million yen in other under intangible assets and 886 million yen in investment securities.

As a result, total assets decreased by 14,028 million yen, or 4.0%, from the end of the previous fiscal year to 340,189 million yen.

Liabilities

Current liabilities decreased by 12,823 million yen, or 11.9%, from the end of the previous fiscal year to 95,103 million yen. This was attributable mainly to increases of 314 million yen in electronically recorded obligations - operating, 262 million yen in current portion of long-term borrowings, and 899 million yen in provision for bonuses, and decreases of 9,067 million yen in short-term borrowings, 5,166 million yen in income taxes payable and 156 million yen in other under current liabilities.

Non-current liabilities decreased by 3,599 million yen, or 8.0%, from the end of the previous fiscal year to 41,263 million yen. This was attributable mainly to decreases of 3,174 million yen in long-term borrowings, 320 million yen in deferred tax liabilities, and 69 million yen in retirement benefit liability.

As a result, total liabilities decreased by 16,422 million yen, or 10.7%, from the end of the previous fiscal year to 136,365 million yen.

Net assets

Net assets increased by 2,394 million yen, or 1.2%, from the end of the previous fiscal year to 203,823 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 9,135 million yen, and decreases of 824 million yen in valuation difference on available-for-sale securities, 1,008 million yen in non-controlling interests, and 4,563 million yen due to dividends of retained earnings.

As a result, equity-to-asset ratio increased from 54.9% at the end of the previous fiscal year to 58.2%.

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

There is no change in the consolidated earnings forecast for the full year ending March 31, 2025 from the previous consolidated earnings forecast announced on October 31, 2024. If we deem it necessary to revise the full-year earnings forecast due to changes in the business environment or other reasons, we will disclose the revised forecast promptly.

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

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	57,638	47,584
Notes receivable - trade	630	391
Accounts receivable - trade	65,696	58,131
Electronically recorded monetary claims - operating	27,081	24,563
Merchandise and finished goods	36,817	39,044
Raw materials and supplies	28,188	29,836
Other	5,275	5,673
Allowance for doubtful accounts	(434)	(428)
Total current assets	220,891	204,793
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,541	22,280
Machinery, equipment and vehicles, net	39,563	38,165
Land	31,863	31,874
Other, net	8,481	12,596
Total property, plant and equipment	101,448	104,916
Intangible assets		
Goodwill	797	703
Other	2,976	2,728
Total intangible assets	3,773	3,431
Investments and other assets		
Investment securities	18,060	17,173
Long-term loans receivable	187	166
Retirement benefit asset	5,132	5,178
Deferred tax assets	2,648	2,590
Other	2,115	1,977
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	28,106	27,049
Total non-current assets	133,326	135,396
Total assets	354,217	340,189

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,279	22,370
Electronically recorded obligations - operating	2,941	3,255
Short-term borrowings	55,351	46,284
Current portion of long-term borrowings	4,776	5,038
Income taxes payable	7,029	1,863
Provision for bonuses	953	1,852
Other	14,597	14,441
Total current liabilities	107,925	95,103
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	22,612	19,438
Deferred tax liabilities	4,265	3,945
Deferred tax liabilities for land revaluation	2,394	2,394
Retirement benefit liability	4,074	4,005
Other	1,517	1,481
Total non-current liabilities	44,862	41,263
Total liabilities	152,787	136,365
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	19,636	19,639
Retained earnings	135,848	140,419
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	172,300	176,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,994	3,169
Deferred gains or losses on hedges	114	44
Revaluation reserve for land	4,536	4,536
Foreign currency translation adjustment	10,162	9,992
Remeasurements of defined benefit plans	3,535	3,427
Total accumulated other comprehensive income	22,340	21,168
Non-controlling interests	6,790	5,781
Total net assets	201,430	203,823
Total liabilities and net assets	354,217	340,189

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

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	237,491	240,399
Cost of sales	207,444	213,428
Gross profit	30,047	26,970
Selling, general and administrative expenses	15,299	17,272
Operating profit	14,749	9,698
Non-operating income		
Interest income	841	698
Dividend income	361	332
Share of profit of entities accounted for using equity method	1,707	869
Other	367	501
Total non-operating income	3,276	2,400
Non-operating expenses		
Interest expenses	2,765	2,051
Foreign exchange losses	299	60
Other	101	95
Total non-operating expenses	3,164	2,206
Ordinary profit	14,860	9,892
Extraordinary income		
Gain on sale and retirement of non-current assets	130	32
Insurance claim income	856	2,760
Subsidy income	-	714
Total extraordinary income	986	3,505
Extraordinary losses		
Loss on sale and retirement of non-current assets	209	184
Loss on accident	883	66
Other	7	10
Total extraordinary losses	1,099	260
Profit before income taxes	14,747	13,137
Income taxes	5,145	4,243
Profit	9,603	8,894
Loss attributable to non-controlling interests	(1,967)	(241)
Profit attributable to owners of parent	11,570	9,135

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

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	9,603	8,894
Other comprehensive income		
Valuation difference on available-for-sale securities	812	(824)
Deferred gains or losses on hedges	85	(73)
Foreign currency translation adjustment	5,234	(194)
Remeasurements of defined benefit plans, net of tax	319	(109)
Total other comprehensive income	6,450	(1,199)
Comprehensive income	16,053	7,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,241	7,963
Comprehensive income attributable to non-controlling interests	(1,188)	(268)

(3) Notes to Quarterly Consolidated Financial Statements**Notes on Segment and Other Information**

I. First nine months of the fiscal year ended March 31, 2024 (from April 1, 2023 to December 31, 2023)

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

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	119,915	109,117	4,802	233,835	3,656	–	237,491
Sales to external customers	119,915	109,117	4,802	233,835	3,656	–	237,491
Inter-segment sales and transfers	1	–	386	388	646	(1,034)	–
Total	119,917	109,117	5,189	234,223	4,302	(1,034)	237,491
Segment profit (loss)	18,279	(3,293)	580	15,566	24	(841)	14,749

- 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 (841) million yen to “segment profit (loss)” includes 6 million yen in eliminations for intersegment transactions and (847) 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 statement of income.

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

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First nine months of the fiscal year ending March 31, 2025 (from April 1, 2024 to December 31, 2024)

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

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	108,590	123,375	4,766	236,731	3,668	–	240,399
Sales to external customers	108,590	123,375	4,766	236,731	3,668	–	240,399
Inter-segment sales and transfers	2	78	778	859	781	(1,640)	–
Total	108,592	123,454	5,544	237,590	4,449	(1,640)	240,399
Segment profit (loss)	12,592	(2,617)	538	10,514	307	(1,122)	9,698

- Notes:
1. “Others” represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings and insurance agent businesses.
 2. The adjustment of (1,122) million yen to “segment profit (loss)” includes 84 million yen in eliminations for intersegment transactions and (1,207) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
 3. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

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

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable.

Notes on Going Concern Assumption

Not applicable.

Notes on Quarterly Consolidated Statements of Cash Flows

Quarterly consolidated statements of cash flows are not prepared for the nine months ended December 31, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2023 and 2024 are as follows.

	(Millions of yen)	
	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	7,304	6,482
Amortization of goodwill	80	87

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.