

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (Fiscal Year 2022) (Six Months Ended September 30, 2021) <Under Japanese GAAP>

Company name: Kyoei Steel, Ltd.	Stock exchange listed: Tokyo, 1st Section
Stock code: 5440	URL: https://www.kyoeisteel.co.jp/
Representative: Yasuyuki Hiroto, President and Representative Director	
Inquiries: Akinori Masuda, General Manager of Corporate Planning Dept.	
Tel: +81-6-6346-5221 (from overseas)	
Scheduled date of filing of Quarterly Report (Japanese version only):	November 10, 2021
Scheduled date of payment of dividend:	December 7, 2021
Preparation of supplementary materials for quarterly financial results:	None

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

1. Consolidated Financial Results for the Second Quarter (from April 1, 2021 to September 30, 2021) of Fiscal Year 2022

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	142,203	34.5	5,599	(28.6)	6,645	(16.5)	3,388	(41.1)
Six months ended September 30, 2020	105,718	(14.8)	7,838	(23.1)	7,954	(18.7)	5,754	(4.3)

Note: Comprehensive income
 Six months ended September 30, 2021: 8,346 million yen [67.8%]
 Six months ended September 30, 2020: 4,975 million yen [(6.0)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	77.97		-	
Six months ended September 30, 2020	132.40		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2021	307,064		170,829		51.6	
As of March 31, 2021	282,282		164,583		54.7	

Reference: Equity
 As of September 30, 2021: 158,347 million yen
 As of March 31, 2021: 154,429 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Fiscal Year 2021	-	15.00	-	45.00	60.00
Fiscal Year 2022	-	15.00	-	-	-
Fiscal Year 2022 (Forecast)			-	25.00	40.00

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

3. Forecasts of Consolidated Earnings for Fiscal Year 2022 (from April 1, 2021 to March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	290,000	28.1	8,000	(36.8)	10,000	(22.7)	6,000	(31.7)	138.06

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: None

Excluded: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of September 30, 2021	44,898,730 shares
As of March 31, 2021	44,898,730 shares

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

As of September 30, 2021	1,439,755 shares
As of March 31, 2021	1,439,755 shares

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

Six months ended September 30, 2021	43,458,975 shares
Six months ended September 30, 2020	43,458,975 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For a discussion of the assumptions for forecasts, precautions concerning usage and other information, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 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 March 31, 2021.

Figures for the second quarter of the fiscal year ended March 31, 2021, which are comparative information, reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment.

Contents of Attachments

(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(Quarterly Consolidated Statements of Income)	7
(For the Six-month Period)	7
(Quarterly Consolidated Statements of Comprehensive Income)	8
(For the Six-month Period)	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Notes on Going Concern Assumption	11
Notes on Significant Changes in the Amount of Shareholders' Equity	11
Changes in Accounting Policy	11
Segment and Other Information	12

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2022, the Japanese economy showed some signs of recovery amid the still challenging conditions due to the spread of COVID-19. However, the outlook for the economy remained unclear.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, the business environment remained challenging because, as demand for construction lacked momentum, the price of steel scrap bounced back to a high level after entering a period of correction temporarily. Meanwhile, the business climate remained firm in the overseas steel business due to soaring prices in the steel market backed by China's robust steel demand and also to an economic recovery trend.

As a result, the operating results for the first half of the fiscal year ending March 31, 2022 were as follows: Consolidated net sales increased by 36,484 million yen (34.5%) year on year to 142,203 million yen. Consolidated operating profit decreased by 2,239 million yen (28.6%) year on year to 5,599 million yen and consolidated ordinary profit decreased by 1,309 million yen (16.5%) year on year to 6,645 million yen. Profit attributable to owners of parent decreased by 2,365 million yen (41.1%) year on year to 3,388 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Product shipments increased by 27,000 tons from the same period of the previous fiscal year to 802,000 tons. Product prices increased by 14,600 yen (23.2%) per ton and the steel scrap price was up 25,400 yen (107.2%). Therefore, the difference between the prices of steel products and raw materials narrowed by 10,800 yen (27.5%) per ton compared with the same period of the previous fiscal year.

As a result, segment sales increased by 8,711 million yen (16.3%) to 62,248 million yen and operating profit decreased by 6,938 million yen (83.3%) to 1,395 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, raw material prices increased after the Tet holiday (Vietnamese Lunar New Year) and the rise was passed through to product prices. Both in northern and southern Vietnam, performance was strong in the first half of the current fiscal year. In North America, demand for steel products picked up largely due to the resumption of economic activities and selling and shipments continued to be favorable.

As a result, segment sales increased by 27,482 million yen (58.1%) to 74,746 million yen and operating profit increased by 4,155 million yen to 3,783 million yen (compared with an operating loss of 372 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

The volume of industrial waste materials increased compared with the same period of the previous fiscal year and processing orders related to COVID-19 were secured. Accordingly, segment sales increased by 479 million yen (15.7%) to 3,534 million yen and operating profit increased by 513 million yen (120.0%) to 940 million yen.

4) Others

This category includes sales of civil engineering materials by a subsidiary, harbor operations in Vietnam and the casting business in Japan and Vietnam. Net sales decreased by 187 million yen (10.0%) to 1,675 million yen and operating profit increased by 12 million yen to 12 million yen (compared with an operating loss of 0 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Assets

Current assets increased by 18,695 million yen, or 11.0%, from the end of the previous fiscal year to 188,588 million yen. This was attributable mainly to increases of 5,279 million yen in notes and accounts receivable - trade, 2,663 million yen in electronically recorded monetary claims - operating, 9,076 million yen in merchandise and finished goods, 2,609 million yen in raw materials and supplies and 1,279 million yen in other current assets, and a decrease of 2,173 million yen in cash and deposits.

Non-current assets increased by 6,087 million yen, or 5.4%, from the end of the previous fiscal year to 118,475 million yen. This was attributable mainly to increases of 2,100 million yen in buildings and structures, 2,897 million yen in machinery, equipment and vehicles and 1,001 million yen in land.

As a result, total assets increased by 24,782 million yen, or 8.8%, from the end of the previous fiscal year to 307,064 million yen.

Liabilities

Current liabilities increased by 9,110 million yen, or 11.3%, from the end of the previous fiscal year to 89,732 million yen. This was attributable mainly to increases of 2,581 million yen in notes and accounts payable - trade and 6,725 million yen in short-term borrowings, and a decrease of 541 million yen in income taxes payable.

Non-current liabilities increased by 9,426 million yen, or 25.4%, from the end of the previous fiscal year to 46,503 million yen. This was attributable mainly to an increase of 10,000 million yen in bonds payable and a decrease of 1,299 million yen in long-term borrowings.

As a result, total liabilities increased by 18,536 million yen, or 15.7%, from the end of the previous fiscal year to 136,235 million yen.

Net assets

Net assets increased by 6,246 million yen, or 3.8%, from the end of the previous fiscal year to 170,829 million yen. This was attributable mainly to a profit attributable to owners of parent of 3,388 million yen, dividends of surplus of 1,956 million yen, an increase of 2,605 million yen in foreign currency translation adjustment and an increase of 2,328 million yen in non-controlling interests.

As a result, equity-to-asset ratio decreased from 54.7% at the end of the previous fiscal year to 51.6%.

Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 3,947 million yen from the end of the previous fiscal year to 21,404 million yen. The cash flow components during the first half of the current fiscal year and the main reasons for changes are as follows.

1) Cash flows from operating activities

Net cash used in operating activities was 7,093 million yen. Major components included profit before income taxes of 6,381 million yen, depreciation of 4,296 million yen, an increase of 6,677 million yen in trade receivables, an increase of 9,568 million yen in inventories, an increase of 1,737 million yen in trade payables, and income taxes paid of 1,647 million yen.

2) Cash flows from investing activities

Net cash used in investing activities was 7,251 million yen. Major components included payments into time deposits of 31,804 million yen, proceeds from the withdrawal of time deposits of 30,941 million yen and purchase of property, plant and equipment of 5,945 million yen.

3) Cash flows from financing activities

Net cash provided by financing activities was 9,680 million yen. Major components included a net increase of 3,514 million yen in short-term borrowings, proceeds from long-term borrowings of 1,139 million yen, repayments of long-term borrowings of 2,966 million yen, proceeds from issuance of bonds of 9,947 million yen and dividends paid of 1,955 million yen.

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

In the domestic steel business, we expect the volume of product shipments in and after the third quarter of the current fiscal year (second half) to be similar to that in the first half. However, the price of steel scrap is forecasted to remain high in the second half, and increases in electricity costs and ferroalloy and other prices are also anticipated. The Kyoei Steel Group is working on reducing costs and raising product prices; however, earnings are expected to be lower than initially planned. In the overseas steel business, we expect the performance of the Vietnam business to decline due to the impact of governmental lockdown measures following the spread of COVID-19. Meanwhile, in the North America business, the demand for steel products is forecasted to remain strong following on from the first half, backed by a recovery of economic activities. As a result, the overall performance of the overseas steel business is expected to exceed the initial plan. The material recycling business is expected to remain firm in the second half.

Based on this outlook, we have revised the forecast for the fiscal year ending March 31, 2022 that was announced on July 30, 2021 in “Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022.”

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	66,959	64,786
Notes and accounts receivable - trade	40,341	45,619
Electronically recorded monetary claims - operating	12,233	14,896
Securities	1,000	1,000
Merchandise and finished goods	24,163	33,239
Raw materials and supplies	22,678	25,287
Other	3,015	4,294
Allowance for doubtful accounts	(495)	(533)
Total current assets	169,894	188,588
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,906	24,006
Machinery, equipment and vehicles, net	38,356	41,253
Land	29,761	30,763
Other, net	4,354	3,489
Total property, plant and equipment	94,377	99,511
Intangible assets		
Goodwill	978	961
Other	2,636	2,832
Total intangible assets	3,615	3,793
Investments and other assets		
Investment securities	10,660	11,062
Other	3,800	4,159
Allowance for doubtful accounts	(64)	(50)
Total investments and other assets	14,396	15,171
Total non-current assets	112,388	118,475
Total assets	282,282	307,064

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,963	17,544
Electronically recorded obligations - operating	2,559	2,198
Short-term borrowings	44,645	51,369
Current portion of long-term borrowings	5,705	5,723
Income taxes payable	1,486	944
Provision for bonuses	856	1,073
Provision for bonuses for directors (and other officers)	25	–
Other	10,384	10,881
Total current liabilities	80,622	89,732
Non-current liabilities		
Bonds payable	–	10,000
Long-term borrowings	27,979	26,681
Deferred tax liabilities	823	1,043
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	4,194	4,672
Other	1,648	1,675
Total non-current liabilities	37,077	46,503
Total liabilities	117,699	136,235
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,179	21,114
Retained earnings	110,325	111,758
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	148,319	149,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	948	770
Deferred gains or losses on hedges	(323)	(243)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	(5)	2,600
Remeasurements of defined benefit plans	865	909
Total accumulated other comprehensive income	6,110	8,660
Non-controlling interests	10,154	12,482
Total net assets	164,583	170,829
Total liabilities and net assets	282,282	307,064

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	105,718	142,203
Cost of sales	90,409	128,329
Gross profit	15,309	13,874
Selling, general and administrative expenses	7,471	8,275
Operating profit	7,838	5,599
Non-operating income		
Interest income	390	402
Dividend income	100	103
Share of profit of entities accounted for using equity method	526	827
Foreign exchange gains	–	150
Other	201	229
Total non-operating income	1,216	1,709
Non-operating expenses		
Interest expenses	793	572
Foreign exchange losses	273	–
Other	35	91
Total non-operating expenses	1,101	664
Ordinary profit	7,954	6,645
Extraordinary income		
Gain on sales and retirement of non-current assets	8	15
Subsidy income	83	9
Other	4	–
Total extraordinary income	95	24
Extraordinary losses		
Loss on sale and retirement of non-current assets	232	284
Other	76	2
Total extraordinary losses	308	287
Profit before income taxes	7,741	6,381
Income taxes	2,288	1,306
Profit	5,453	5,076
Profit (loss) attributable to non-controlling interests	(301)	1,687
Profit attributable to owners of parent	5,754	3,388

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	5,453	5,076
Other comprehensive income		
Valuation difference on available-for-sale securities	14	(178)
Deferred gains or losses on hedges	(278)	92
Foreign currency translation adjustment	(212)	3,313
Remeasurements of defined benefit plans, net of tax	(2)	43
Total other comprehensive income	(478)	3,271
Comprehensive income	4,975	8,346
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,501	5,938
Comprehensive income attributable to non-controlling interests	(526)	2,408

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	7,741	6,381
Depreciation	4,063	4,296
Amortization of goodwill	93	110
Increase (decrease) in provisions	620	183
Increase (decrease) in retirement benefit liability	298	465
Share of loss (profit) of entities accounted for using equity method	(526)	(827)
Loss (gain) on sale and retirement of non-current assets	224	270
Subsidy income	(83)	(9)
Interest and dividend income	(490)	(504)
Interest expenses	793	572
Decrease (increase) in trade receivables	3,755	(6,677)
Decrease (increase) in inventories	5,016	(9,568)
Increase (decrease) in trade payables	(676)	1,737
Increase (decrease) in accrued consumption taxes	(767)	(121)
Decrease (increase) in retirement benefit asset	(232)	(286)
Other, net	(2,071)	(1,562)
Subtotal	17,758	(5,540)
Interest and dividends received	730	650
Subsidies received	83	9
Interest paid	(850)	(566)
Income taxes paid	(3,883)	(1,647)
Net cash provided by (used in) operating activities	13,839	(7,093)
Cash flows from investing activities		
Payments into time deposits and other	(24,693)	(31,804)
Proceeds from withdrawal of time deposits and other	9,515	30,941
Purchase of securities	(1,000)	(1,000)
Proceeds from sale of securities	1,000	1,000
Purchase of investment securities	(2)	(62)
Loan advances	(88)	(2)
Proceeds from collection of loans receivable	15	142
Purchase of property, plant and equipment	(4,547)	(5,945)
Proceeds from sale of property, plant and equipment	6	6
Purchase of intangible assets	(228)	(343)
Other, net	(76)	(184)
Net cash provided by (used in) investing activities	(20,098)	(7,251)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,674)	3,514
Proceeds from long-term borrowings	15,000	1,139
Repayments of long-term borrowings	(2,757)	(2,966)
Proceeds from issuance of bonds	–	9,947
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(238)	–
Dividends paid	(2,821)	(1,955)
Dividends paid to non-controlling interests	(323)	(14)
Other, net	(49)	16
Net cash provided by (used in) financing activities	137	9,680
Effect of exchange rate change on cash and cash equivalents	(120)	717
Net increase (decrease) in cash and cash equivalents	(6,241)	(3,947)
Cash and cash equivalents at beginning of period	42,085	25,351
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	278	–
Cash and cash equivalents at end of period	36,121	21,404

(4) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable.

Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable.

Changes in Accounting Policy

Application of Accounting Standards for Revenue Recognition, Etc.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, and at the time when control of the promised goods or services is transferred to the customer, revenue is recognized by the amount of money expected to be received in exchange for the goods or services.

As a result, for transactions for which the Kyoei Steel Group's role in providing products to customers corresponds to an agent, the total amount of consideration received from customers was previously recognized as revenue, but the revenue is now recognized as the net amount received from customers minus the amount paid to supplier.

Regarding the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition is followed, with no effect on the balance at the beginning of retained earnings.

As a result, net sales and cost of sales for the first six months of the fiscal year ending March 31, 2022 decreased by 6,126 million yen, respectively, compared to the previous accounting treatment.

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

Segment and Other Information

I. First six months of the fiscal year ended March 31, 2021 (from April 1, 2020 to September 30, 2020)

1. Information related to net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Sales to external customers	53,537	47,264	3,055	103,856	1,862	–	105,718
Inter-segment sales and transfers	14	–	548	561	531	(1,093)	–
Total	53,551	47,264	3,603	104,418	2,393	(1,093)	105,718
Segment profit (loss)	8,333	(372)	427	8,389	(0)	(550)	7,838

- 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 (550) million yen to “segment profit (loss)” includes 23 million yen in eliminations for inter-segment transactions and (573) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
 3. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

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

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021)

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

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	62,248	74,746	3,534	140,528	1,675	–	142,203
Sales to external customers	62,248	74,746	3,534	140,528	1,675	–	142,203
Inter-segment sales and transfers	–	–	174	174	497	(671)	–
Total	62,248	74,746	3,708	140,702	2,172	(671)	142,203
Segment profit	1,395	3,783	940	6,119	12	(532)	5,599

- 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 (532) million yen to “segment profit” includes 8 million yen in eliminations for inter-segment transactions and (540) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company’s head office that cannot be attributed to reportable segments.
 3. “Segment profit” is adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.
 4. The segment information for the first six months of the fiscal year ended March 31, 2021 is disclosed according to the amount of money reflecting a significant review of the initial allocation of acquisition costs due to the provisional accounting for a business combination conducted in the fiscal year ended March 31, 2020.

2. Information related to revisions to reportable segments

As described in Changes in Accounting Policy, the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations was applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, and changed the accounting treatment method for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

As a result of this change, net sales of the “Domestic Steel Business” decreased by 5,487 million yen and net sales of the “Material Recycling Business” decreased by 1,270 million yen for the first six months of the fiscal year ending March 31, 2022 compared to the conventional method.

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

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

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