

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (Fiscal Year 2024) (Nine Months Ended December 31, 2023) <Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo
 Stock code: 5440 URL: <https://www.kyoeisteel.co.jp/>
 Representative: Yasuyuki Hiroto, President and Representative Director
 Inquiries: Akinori Masuda, Executive Officer and General Manager of Corporate Planning Dept.
 Tel: +81-6-6346-5221 (from overseas)
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 Scheduled date of payment of dividend: –
 Preparation of supplementary materials for quarterly financial results: None

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

1. Consolidated Financial Results for the Third Quarter (from April 1, 2023 to December 31, 2023) of Fiscal Year 2024

(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, 2023	237,491	(12.5)	14,749	62.3	14,860	56.5	11,570	86.8
Nine months ended December 31, 2022	271,332	29.2	9,089	32.8	9,493	14.7	6,195	36.2

Note: Comprehensive income Nine months ended December 31, 2023: 16,053 million yen [5.3%]
Nine months ended December 31, 2022: 15,241 million yen [61.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	266.23	–
Nine months ended December 31, 2022	142.55	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	357,491	202,743	54.1
As of March 31, 2023	337,713	190,174	53.2

Reference: Equity As of December 31, 2023: 193,376 million yen
As of March 31, 2023: 179,687 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2023	–	15.00	–	65.00	80.00
Fiscal Year 2024	–	15.00	–		
Fiscal Year 2024 (Forecast)				65.00	80.00

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

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
Full year	324,000	(8.9)	20,000	35.0	19,000	29.5	13,000	(0.8)	299.13

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

* Notes

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

Newly added: None

Excluded: None

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common shares)

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

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

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

As of December 31, 2023	1,439,755 shares
As of March 31, 2023	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, 2023	43,458,975 shares
Nine months ended December 31, 2022	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 3 of the attachments.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending March 31, 2024, the Japanese economy was on a recovery track as economic and social activities normalized and the employment and income environment improved. In the global economy, there were signs of an overall pickup, although some regions showed signs of stagnation due to the downside risks from monetary tightening, rising prices, the situation surrounding the Middle East region, and concerns about the future of the Chinese economy.

Amid these circumstances, consolidated net sales of the Kyoei Steel Group in the first nine months of the fiscal year ending March 31, 2024, decreased by 33,840 million yen (12.5%) year on year to 237,491 million yen, consolidated operating profit increased by 5,659 million yen (62.3%) year on year to 14,749 million yen, consolidated ordinary profit increased by 5,367 million yen (56.5%) year on year to 14,860 million yen, and profit attributable to owners of parent increased by 5,375 million yen (86.8%) year on year to 11,570 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

For this business segment, construction demand in the residential sector remained weak due to persistently high construction costs, but firm corporate capital investment supported construction demand in the non-residential sector, resulting in a 54,000-ton increase in product shipments to 1,187,000 tons compared to the same period last year. Steel scrap prices fell 2,900 yen (5.3%) year-on-year due to a slowdown in global demand for steel products, reflecting the sluggish real estate market in China and other factors. On the other hand, product prices increased by 4,900 yen (4.8%) year on year as a result of efforts to raise prices against the backdrop of higher costs such as manufacturing costs and freight costs, and the sales margins (the difference between the sales price of the product and the purchase price of raw materials) widened by 7,700 yen (16.5%).

As a result, segment net sales increased by 8,018 million yen (7.2%) year on year to 119,915 million yen and operating profit increased by 8,729 million yen (91.4%) year on year to 18,279 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, demand for real estate and construction remained sluggish, resulting in a very difficult business environment. Particularly in the southern bases, where the main focus is on residential applications, performance was weak due to increased cost burdens resulting from production adjustments in response to declining demand and a drop in product market prices.

In North America, performance deteriorated significantly at our base in the U.S. due to the impact of aging equipment troubles and a fire accident that occurred in August, which reduced the production volume and shipment volume of products and increased manufacturing costs. In Canada, the production volume and shipment volume of products increased due to strong construction demand, but profits declined compared with the same period of the previous fiscal year, mainly due to the remaining effects of regular maintenance and soaring electricity costs during the first half of the fiscal year.

As a result, segment net sales decreased by 41,072 million yen (27.3%) to 109,117 million yen, and there was an operating loss of 3,293 million yen (compared with an operating loss of 993 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

Shipments were temporarily suspended due to large-scale regular maintenance works at the Yamaguchi Division, the largest processing base of the Kyoei Steel Group, and medical waste treatment projects decreased as COVID-19 infections subsided. Accordingly, segment sales decreased by 883 million yen (15.5%) year on year to 4,802 million yen and operating profit decreased by 685 million yen (54.1%) year on year to 580 million yen.

4) Others

This category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales increased by 98 million yen (2.7%) year on year to 3,656 million yen, and operating profit was 24 million yen (compared with an operating loss of 129 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position**Assets**

Current assets increased by 10,308 million yen, or 4.9%, from the end of the previous fiscal year to 220,898 million yen. This was attributable mainly to increases of 4,029 million yen in accounts receivable - trade, 8,330 million yen in electronically recorded monetary claims - operating, and 1,474 million yen in other current assets, and decreases of 2,197 million yen in cash and deposits, 144 million yen in notes receivable - trade, 187 million yen in merchandise and finished goods, and 963 million yen in raw materials and supplies.

Non-current assets increased by 9,470 million yen, or 7.4%, from the end of the previous fiscal year to 136,592 million yen. This was attributable mainly to increases of 342 million yen in buildings and structures, 481 million yen in machinery, equipment and vehicles, 903 million yen in land, 3,596 million yen in other, net under property, plant and equipment, 2,286 million yen in investment securities, 599 million yen in retirement benefit asset, 539 million yen in deferred tax assets, and 830 million yen in other under investments and other assets.

As a result, total assets increased by 19,778 million yen, or 5.9%, from the end of the previous fiscal year to 357,491 million yen.

Liabilities

Current liabilities increased by 8,796 million yen, or 8.8%, from the end of the previous fiscal year to 108,431 million yen. This was attributable mainly to increases of 5,688 million yen in notes and accounts payable - trade, 715 million yen in electronically recorded obligations - operating and 3,954 million yen in income taxes payable, and decreases of 920 million yen in short-term borrowings and 2,268 million yen in other under current liabilities.

Non-current liabilities decreased by 1,587 million yen, or 3.3%, from the end of the previous fiscal year to 46,317 million yen. This was attributable mainly to an increase of 415 million yen in retirement benefit liability, and a decrease of 2,217 million yen in long-term borrowings.

As a result, total liabilities increased by 7,208 million yen, or 4.9%, from the end of the previous fiscal year to 154,748 million yen.

Net assets

Net assets increased by 12,569 million yen, or 6.6%, from the end of the previous fiscal year to 202,743 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 11,570 million yen, increases of 812 million yen in valuation difference on available-for-sale securities, 4,455 million yen in foreign currency translation adjustment, and 319 million yen in remeasurements of defined benefit plans, and decreases of 1,120 million yen in non-controlling interests and 3,477 million yen due to dividends of retained earnings.

As a result, equity-to-asset ratio increased from 53.2% at the end of the previous fiscal year to 54.1%.

(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, 2024 from the previous consolidated earnings forecast announced on October 31, 2023. 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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	57,746	55,549
Notes receivable - trade	725	581
Accounts receivable - trade	60,539	64,569
Electronically recorded monetary claims - operating	20,092	28,423
Merchandise and finished goods	37,040	36,853
Raw materials and supplies	30,476	29,513
Other	4,266	5,740
Allowance for doubtful accounts	(293)	(329)
Total current assets	210,591	220,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,754	25,097
Machinery, equipment and vehicles, net	41,312	41,793
Land	31,187	32,090
Other, net	4,941	8,537
Total property, plant and equipment	102,194	107,516
Intangible assets		
Goodwill	829	852
Other	3,164	3,053
Total intangible assets	3,993	3,905
Investments and other assets		
Investment securities	14,065	16,352
Long-term loans receivable	243	224
Retirement benefit asset	3,983	4,582
Deferred tax assets	731	1,270
Other	1,949	2,779
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	20,936	25,171
Total non-current assets	127,123	136,592
Total assets	337,713	357,491

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,370	22,058
Electronically recorded obligations - operating	2,623	3,338
Short-term borrowings	58,342	57,422
Current portion of long-term borrowings	4,235	4,960
Income taxes payable	1,604	5,558
Provision for bonuses	966	1,868
Other	15,494	13,226
Total current liabilities	99,635	108,431
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	26,960	24,742
Deferred tax liabilities	3,636	3,746
Deferred tax liabilities for land revaluation	2,394	2,394
Retirement benefit liability	3,344	3,760
Other	1,570	1,676
Total non-current liabilities	47,904	46,317
Total liabilities	147,539	154,748
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	19,716	19,641
Retained earnings	125,499	133,592
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	162,030	170,049
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,190	3,002
Deferred gains or losses on hedges	109	193
Revaluation reserve for land	4,536	4,536
Foreign currency translation adjustment	7,559	12,014
Remeasurements of defined benefit plans	3,264	3,583
Total accumulated other comprehensive income	17,657	23,328
Non-controlling interests	10,487	9,366
Total net assets	190,174	202,743
Total liabilities and net assets	337,713	357,491

(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, 2022	Nine months ended December 31, 2023
Net sales	271,332	237,491
Cost of sales	247,710	207,444
Gross profit	23,622	30,047
Selling, general and administrative expenses	14,532	15,299
Operating profit	9,089	14,749
Non-operating income		
Interest income	519	841
Dividend income	272	361
Share of profit of entities accounted for using equity method	975	1,707
Other	486	367
Total non-operating income	2,252	3,276
Non-operating expenses		
Interest expenses	1,582	2,765
Foreign exchange losses	144	299
Other	122	101
Total non-operating expenses	1,848	3,164
Ordinary profit	9,493	14,860
Extraordinary income		
Gain on sale and retirement of non-current assets	62	130
Insurance claim income	-	856
Other	6	-
Total extraordinary income	68	986
Extraordinary losses		
Loss on sale and retirement of non-current assets	218	209
Loss on accident	232	883
Other	3	7
Total extraordinary losses	453	1,099
Profit before income taxes	9,108	14,747
Income taxes	4,075	5,145
Profit	5,034	9,603
Loss attributable to non-controlling interests	(1,161)	(1,967)
Profit attributable to owners of parent	6,195	11,570

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	5,034	9,603
Other comprehensive income		
Valuation difference on available-for-sale securities	454	812
Deferred gains or losses on hedges	199	85
Foreign currency translation adjustment	9,313	5,234
Remeasurements of defined benefit plans, net of tax	242	319
Total other comprehensive income	10,207	6,450
Comprehensive income	15,241	16,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,481	17,241
Comprehensive income attributable to non-controlling interests	760	(1,188)

(3) 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.

Segment and Other Information

I. First nine months of the fiscal year ended March 31, 2023 (from April 1, 2022 to December 31, 2022)

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	111,898	150,189	5,686	267,773	3,559	–	271,332
Sales to external customers	111,898	150,189	5,686	267,773	3,559	–	271,332
Inter-segment sales and transfers	4	–	281	285	792	(1,077)	–
Total	111,902	150,189	5,967	268,058	4,350	(1,077)	271,332
Segment profit (loss)	9,550	(993)	1,266	9,823	(129)	(604)	9,089

- 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 (604) million yen to "segment profit (loss)" includes 20 million yen in eliminations for inter-segment transactions and (625) 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.

II. First nine months of the fiscal year ending 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:
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 (841) million yen to “segment profit (loss)” includes 6 million yen in eliminations for inter-segment 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.
 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.

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.