ANNUAL REPORT 2021

Year Ended March 31, 2021

Playing a Primary Role
in Steel Resource Recycling

KYOEI STEEL

Management Principle

SPIRIT OF CHALLENGE

At the Kyoei Steel Group, we strive to become a corporate group in harmony with society through recycling operations that focus on the steel business and that contribute to the development of the national economy and local communities.

Action Guidelines

We act with fairness and integrity in accordance with high ethical standards.

We cultivate a corporate culture imbued with a spirit of enterprise and innovation, eager to embrace challenges, and are enthusiastically committed to the accomplishment of ambitious goals.

We are practical and realistic.

We aspire to be a company where people and technologies are valued, and where work is a source of pride and satisfaction.

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Forward-Looking Statements: Projections of operating results and changes in the business environment provided in this report are based on information available to the management as of the date the report was prepared. As such, these projections are exposed to uncertainties and potential risks that may affect the projections, should they materialize. Readers are therefore cautioned that actual operating results and the business environment in the future may differ materially from the projections provided herein.

BUSINESS SEGMENTS

Domestic Steel Business

The steel business, which melts steel scrap in electric arc furnaces, transforming it into new steel products, is the core business of Kyoei Steel. The Company provides a stable supply of high-quality steel products by using technological capabilities nurtured for more than 70 years. Our mainstay product, concrete reinforcing bar (including threaded rebar), accounts for 80% of production volume.

Overseas Steel Business

The Company has been conducting operations overseas since the 1960s, and now has three production bases in Vietnam and two in North America.
In 1994, we became the first Japanese steel manufacturer to expand into Vietnam when we established a base in the south.
Afterward, in 2011 and 2018, we also acquired two bases in northern Vietnam.
In North America, we acquired Vinton Steel LLC in the United States in 2016 and acquired a new base in Canada in March 2020.
For further growth, the Group will strive to strengthen the Overseas Steel segment.

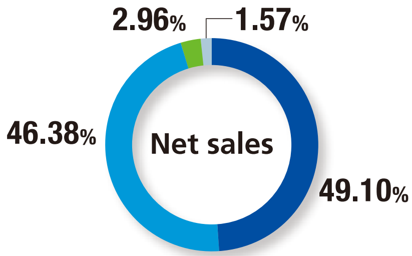
Material Recycling Business

Kyoei Steel became the first Japanese minimill steel company to succeed in melting and detoxifying potentially infectious medical and industrial waste, using the heat from electric arc furnaces that reach thousands of degrees Celsius. We have been developing this as a business for almost 30 years. Our MESSCUD System for completely detoxifying and melting medical waste is an integrated collection, shipping, and disposal method developed nationwide.

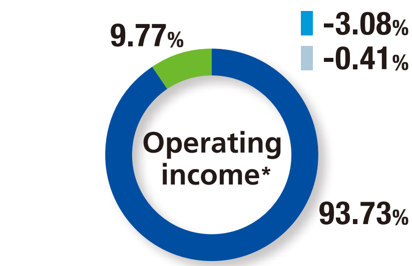
FY2021

Domestic Steel Business
Overseas Steel Business
Material Recycling Business
Other Business

¥226,371 million



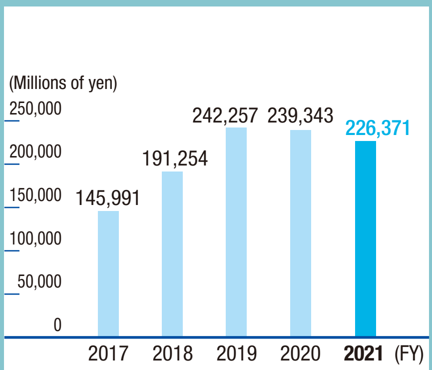
¥12,656 million



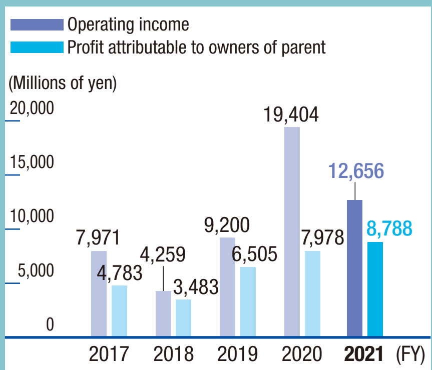
*Before the elimination of inter-segment transactions

FINANCIAL HIGHLIGHTS

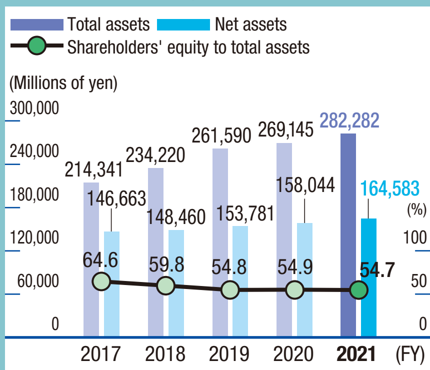
Net Sales



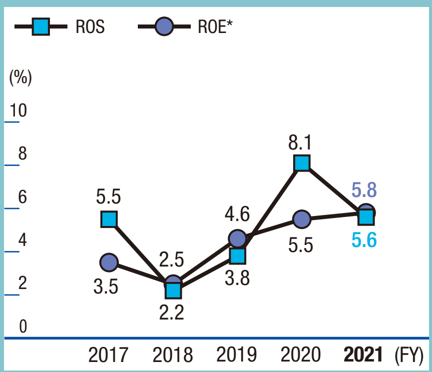
Operating income & Profit attributable to owners of parent*



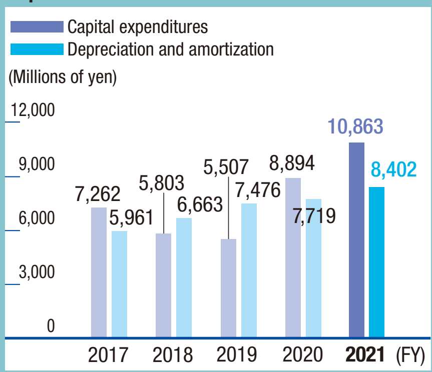
Total assets, Net assets & Shareholders' equity to total assets*



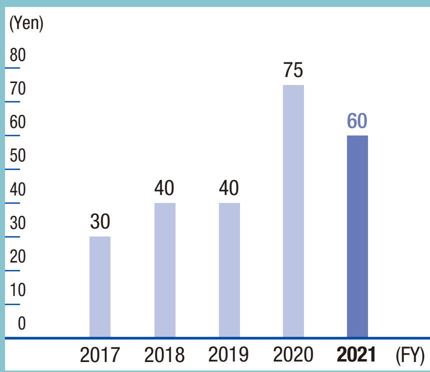
ROS & ROE



Capital expenditures & Depreciation and amortization



Cash dividends applicable to the year



* The figures for the fiscal year ended March 31, 2020 reflect the provisional accounting treatment that was finalized in the fiscal year ended March 31, 2021 for the business combination that took place in the fiscal year ended March 31, 2020.

Becoming a company that contributes

Founding and early period (1947 to 1961)

"Wishing to contribute to the reconstruction of Japan through steelmaking"

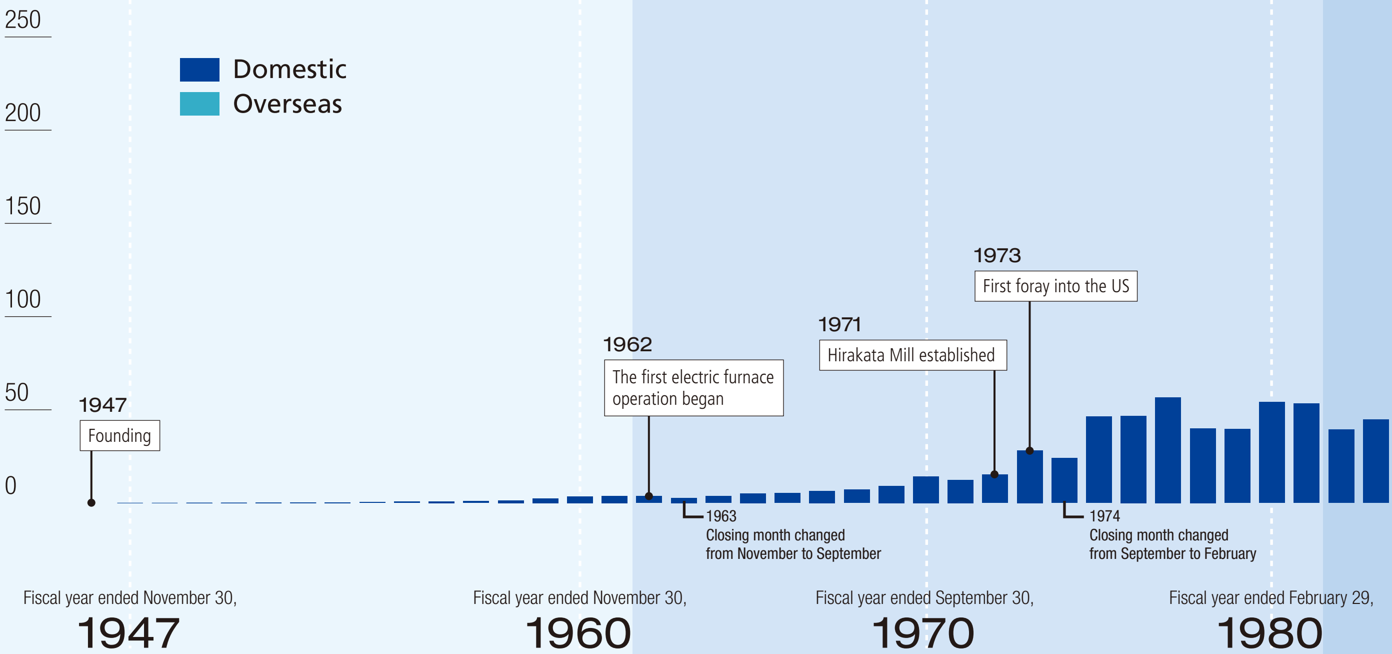
Expansion period (1962 to 1981)

"Wishing to show Japan's excellence to the world"

First integrated steel mill built (Hirakata Division)

Technical advisory service provided overseas

Sales
(Unit: Billions of yen)



Historic events

Treaty of San Francisco (1951)

After World War II, national land reform and industrial reconstruction were called for across the country
Demand for steel grew as the need for construction rose

Jinmu Boom (1954 to 1957)
Iwato Boom (1958 to 1961)
Izanagi Boom (1965 to 1970)
First oil shock (1973)
Second oil shock (1979)

Pollution problems; two oil shocks

broadly to society through steelmaking

Regeneration period (1982 to 2000)

"Aspiring to contribute to the reconstruction of Vietnam"

"The problem of injection needle disposal can be resolved using electric furnaces"

Vina Kyoei Steel, Ltd. established

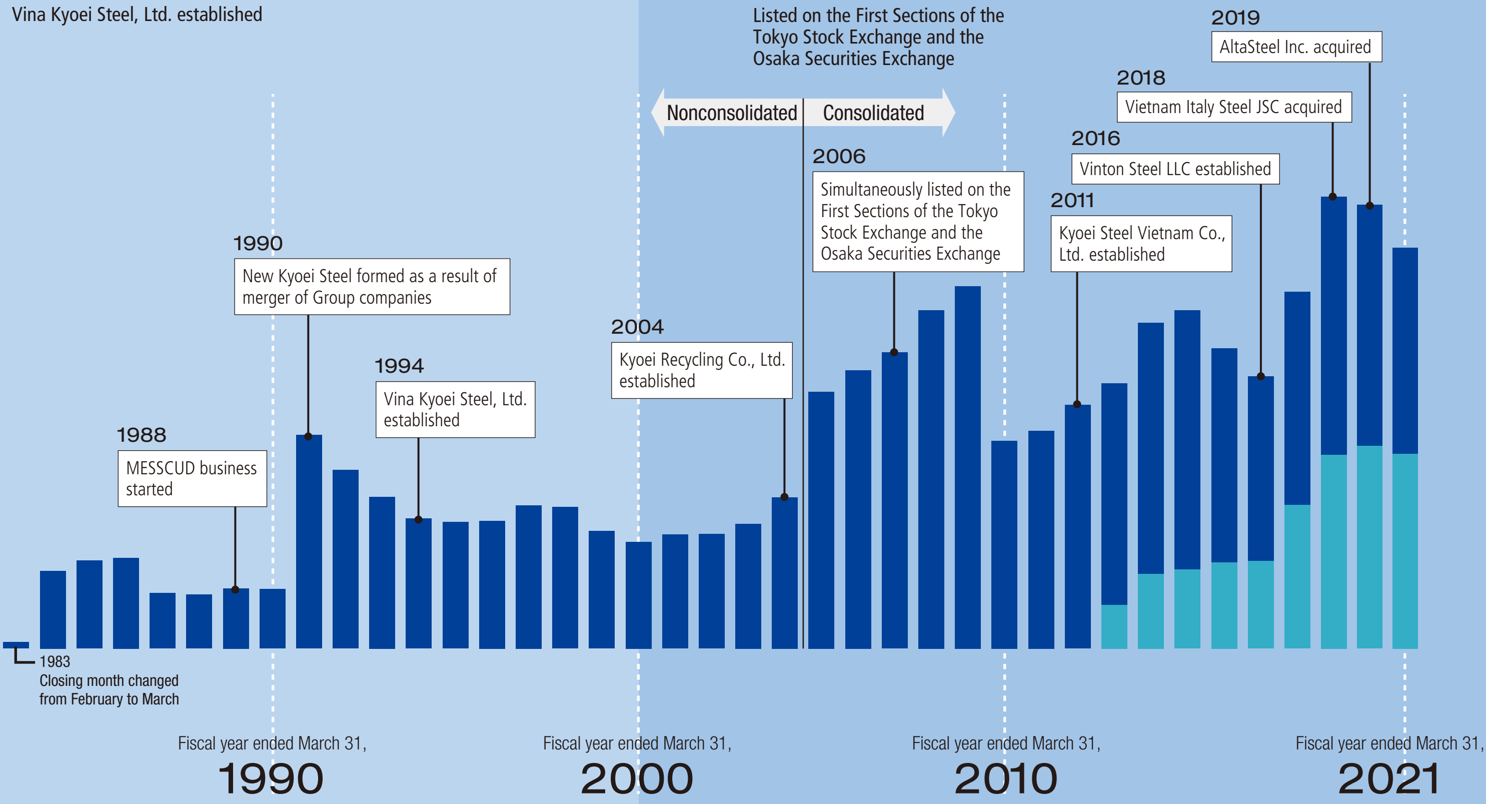
Medical waste treatment business started

Toward being a 100-year-old company (2000 to 2020)

"Wishing to contribute to global environmental conservation through business"

Listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

AltaSteel Inc. acquired



Bubble Boom (1986 to 1991)
Bubble burst (1991 to 1993)
Asian currency crisis (1997)

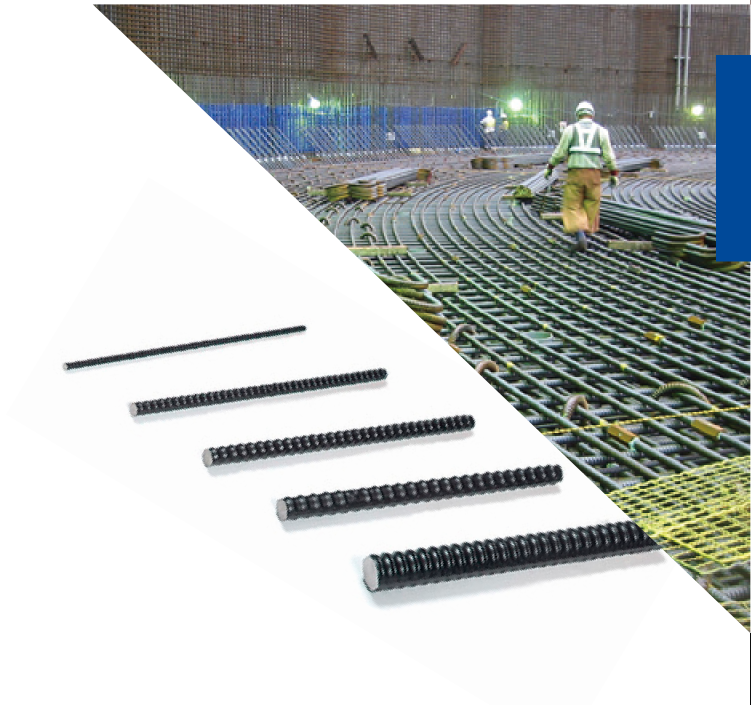
Higher consumption and more growth in production due to the Bubble Boom increased the amount of waste

Izanami Boom (2002 to 2008)
Kyoto Protocol officially enacted (2005)
Global financial crisis (2008)

Individual legislative acts for recycling were founded on the Basic Act on Establishing a Sound Material-Cycle Society
With the aim of building a recycling-based society, a legal framework was developed, and environmental awareness increased across society

Accumulated ability to resolve issues

In 1947, after the end of World War II, we established Kyoei Iron Ltd. out of a desire to become involved in steelmaking, which was indispensable to the reconstruction of Japan. (The company name was changed to KYOEI STEEL LTD. in 1948.) For more than 70 years, we have supported the infrastructure in Japan by providing a stable supply of steel for use in construction.
We have now established ourselves as one of the leading electric arc furnace steelmakers in Japan, by undertaking many challenges, such as expanding our business in Japan, becoming the first Japanese electric arc furnace steelmaker to expand overseas, and melting processing waste in electric arc furnaces. At the same time, we are steadily meeting the needs of our customers.



Commanding the largest domestic market share for concrete reinforcing bar

The Kyoei Steel Group boasts Japan's top market share for production and sales volume of concrete reinforcing bars (steel rebar).
Steel rebar, which is widely used in buildings, condominiums, expressways, etc., has become indispensable to our lives. Our sales area covers all of Japan from Hokkaido to Okinawa.
In addition to rebar, we offer various types, grades and sizes of steel products, including flat bar and equal angle bar, responding to the diverse needs of our customers.

Pioneer in the material recycling business

Our material recycling business started from the idea of using the heat generated in electric arc furnaces to promote environmental conservation and resource recycling.
The Kyoei Steel Group developed a proprietary technology for completely detoxifying and recycling industrial waste and medical waste around 30 years ago.
By appropriately treating ever-increasing waste, we fulfill our responsibilities as a corporate citizen and thereby help realize a sustainable society.

Global operations

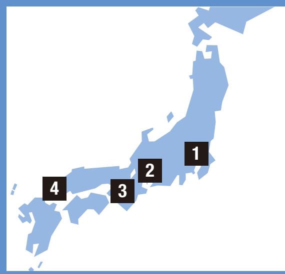
In 1963, Kyoei Steel provided technical guidance and made an investment in the construction and operation of a rolling mill in Taiwan.
That was the first overseas expansion as Kyoei Steel and an electric arc furnace steelmaker in Japan.
Since then, inheriting the founding spirit of "contributing to building infrastructure across the world through steelmaking," we have concentrated on expanding our overseas business, including constructing plants and providing technical guidance throughout the world.
Currently, the Kyoei Steel Group operates in Japan, Vietnam, a growing market, and North America, a mature market. We aim to achieve further growth of the Group by being sure to grasp global steel demand, which continues to grow, and by establishing a global tripolar structure.

Company Outline	
Established	August 21, 1947
Head office	1-4-16 Dojimahama, Kita-ku, Osaka 530-0004 Japan
Capital	¥18,516 million
Employees	3,985 (as of March 31, 2021)

Production and Sales Bases

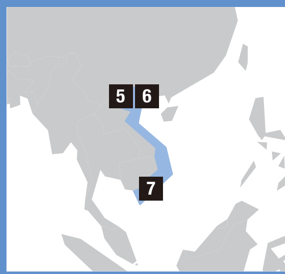
JAPAN

1 KANTO STEEL LTD.
2 Nagoya Division
3 Hirakata Division
4 Yamaguchi Division



VIETNAM

5 Kyoei Steel Vietnam Co., Ltd. (KSVC)
6 Vietnam Italy Steel JSC (VIS)
7 Vina Kyoei Steel Co., Ltd. (VKS)

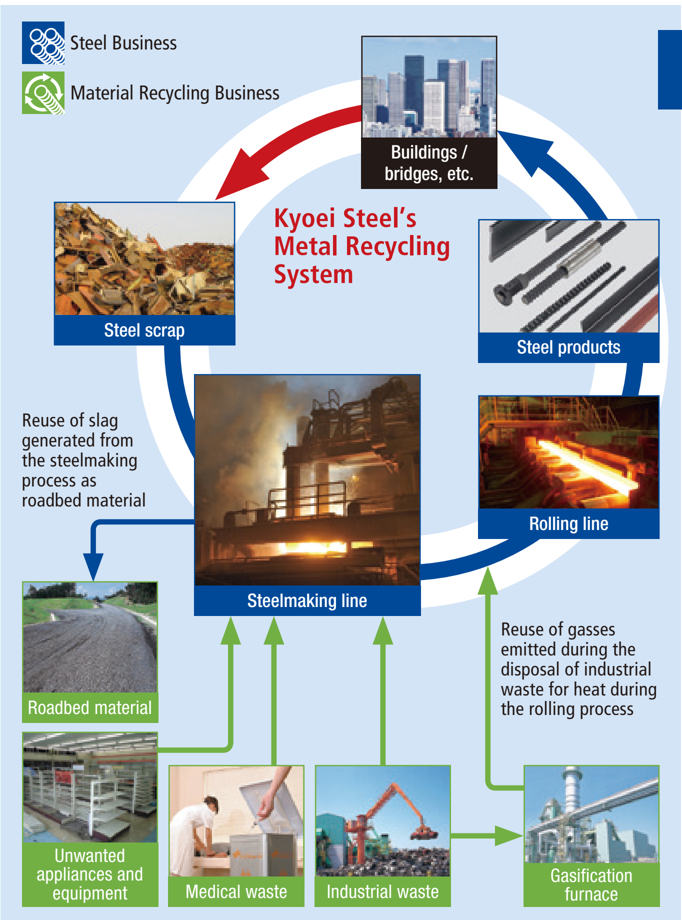


CANADA

8 AltaSteel Inc.

UNITED STATES

9 Vinton Steel LLC



Environment-friendly

Steelmakers are classified into blast furnace steelmakers and electric arc furnace steelmakers.
While blast furnace steelmakers produce steel using iron ore as the main material, electric arc furnace steelmakers, like Kyoei Steel, produce steel stock using steel scrap (steel that is being recycled) as the main material, to respond to social demand in the companies' role of supporting a resource recycling-based society.
Electric arc furnace steelmakers have extremely low CO_2 emissions compared with blast furnace steelmakers and offer an earth-friendly production method that has less impact on the environment.
In particular, Kyoei Steel Group's CO_2 emissions (in Japan) were just around 296 kg/ton (based on results for the fiscal year ended March 31, 2021), which is low compared with other electric arc furnace steelmakers.
Furthermore, the Kyoei Steel Group has succeeded in completely detoxicating and recycling waste by using arc heat at several thousand degrees, which is generated when steel scrap is melted.
In the material recycling business, where this technology is used, we are also contributing to recycling resources and conserving the environment in Japan.

We aim to help resolve social issues in enhance corporate value

Creating corporate value

Invested resources

(FY2021 results)

Financial capital	
Net assets	¥164.6 billion
Total assets	¥282.3 billion
Production capital	
Capital expenditure	¥10.9 billion
Human capital	
Number of consolidated employees	3,985
Social overhead capital	
Donation from the MESSCUD Medical Treatment Safety Fund	¥422.8 million in total
Natural capital	
Energy input	224,515 kL (crude oil equivalent)

Strengths of Kyoei Steel Group

Accumulated ability to resolve issues

For over 70 years—since being founded in 1947—Kyoei Steel has earned respect from society by embracing challenges and producing results

Work practices

High cost competitiveness
Ability to gather sales-related information
Energy-conserving technology

Number 1 and pioneer

Top manufacturer of steel rebar for reinforcing concrete
Pioneering manufacturer of electric furnaces through the Material Recycling division

Global operations

Global tripolar structure (Japan, Vietnam, North America)

Environment-friendly

Resource recycling business
Helping to resolve the social problem of waste

Medium-Term Business Plan
Quality Up 2020
(FY2019~FY2021)

Work practices
People
Management

Action Guidelines

Management Principle
Spirit of Challenge

Investing in ways to resolve social issues

Japan and overseas and further

by helping to resolve social issues

Domestic Steel Business

Secured superior position through a broad lineup of products and production bases covering areas of high demand

Our Group has plants in all regions with high demand: Kanto, Chubu, Kansai, Chu-Shikoku and Kyushu. We supply steel products that are recycled from the steel scrap generated in each region. This means production and sales can respond to different market trends in each region and CO_2 emissions from transportation can be reduced.

Overseas Steel Business

Growth strategy based on a global tripolar structure: Japan, Vietnam, and North America

In Japan, due to the declining population, a significant increase in steel demand is considered unlikely. At the same time, global steel demand continues to grow. Our Group also operates steel businesses in Vietnam, a growing market, and North America, a mature market. We aim to grow the entire Group through our global tripolar structure.

Material Recycling Business & Steel-related Business

Increasing earning opportunities in material recycling and in the global steel market

Our Group developed waste disposal technologies using electric arc furnaces approximately 30 years ago. Since then, we have steadily expanded our business fields. Further, we are working to increase earning opportunities through the steel-related business, such as the iron casting and port operations in Vietnam.

Corporate value

(Results for fiscal year ended March 31, 2021)

Results for this period	
Consolidated net sales	¥226.4 billion
Ratio of overseas sales	47.2%
Operating income	¥12.7 billion
ROE (Return on equity)	5.8%
Dividend per share	¥60.0

Value we provide to society

For customers

Emphasizing compliance and quality

For shareholders / investors

Raising profit levels and returning profits to stakeholders
Improving framework for corporate governance and compliance

For partner companies

Building strong relationships of mutual trust

For our employees

Creating rewarding, safe, and comfortable workplaces

For local communities

Contributing to environmental conservation, SDGs, and local communities

We intend to improve corporate value under NeXuS 2023, our new medium-term business plan.

Y. Hirotomi

Yasuyuki Hirotomi, President

PROFILE

Joined The Daiwa Bank, Limited (currently, Resona Bank, Limited) in 1978.
Became Representative Director, Deputy President and Executive Officer of the bank in 2009.
Joined Kyoei Steel in April 2014 and became Senior Vice President in June of that year.
Became President and Representative Director in June 2018.

Performance for the Fiscal Year ended March 31, 2021:

"Steel business segments struggled, but sales and profit increased in Material Recycling"

Consolidated net sales for the Group were ¥226,371 million (down 5.4% year on year), operating income was ¥12,656 million (down 34.8%), and profit attributable to owners of parent was ¥8,788 million (up 10.2%). At the same time, ROS was 5.6% and ROE was 5.8%.

For the Domestic Steel business segment, the shipment volume of the Group's products, including rebar, decreased only slightly amid the economic stagnation caused by COVID-19. The price of steel scrap, a raw material, soared in November last year due to factors including a resumption of steel scrap imports by China, and the price has been on an upward trend since then. In response to this increase, the Group worked to raise product prices. However, we were unable to absorb the increase in the steel scrap prices, and the metal spread (the difference between the prices of steel products and steel scrap), a major source of earnings, shrank year on year. Looking at the Overseas Steel business segment, while earnings at business locations in Vietnam began to recover in the second half of the fiscal year, earnings at North American business locations were slow due to factors including the impact of COVID-19, and our business results suffered for the segment as a whole. The impact of COVID-19 was relatively small in Vietnam, and all three bases there recorded a profit. In North America, considerable losses were recorded in both the US and Canada due to the significant impact of COVID-19; low levels of product shipments for the mining industry; as well as the impact of suspended operations associated with upgrading facilities and working on equipment problems.

In the Material Recycling business segment, though the volume of industrial waste that was generated temporarily fell in the first half of the fiscal year due to the slow economy, waste volume has recovered since the second half of the fiscal year. In addition, both sales and profit rose due to the acquisition of projects related to COVID-19.

Outlook for the Fiscal Year Ending March 31, 2022:

Difficult business environment in Japan; improved profitability overseas

The business climate in the future for Japan is expected to be more severe than in the current fiscal year (FY2021), as steel scrap prices are expected to remain high, demand for steel products for construction and civil engineering is not expected to grow significantly, and electricity and other costs are also expected to rise. Despite these circumstances, we will continue to implement comprehensive cost cutting, mainly by reducing the unit consumption of electricity and various raw materials, as well as flexible sales activities that take into account social conditions and demand trends. Overseas, although the competitive environment in Vietnam continues to be difficult, firm demand is expected and production and sales at our business locations there have stabilized. In North America, where the performance during the current fiscal year was difficult, we will work to improve the profitability of products, especially those for the mining industry. There is stable demand in North America for steel products associated with a recovery of economic activities, and we will work to improve productivity and strengthen the sales power of steel products for construction, including rebar. For the Material Recycling business segment, we expect strong profits for the current fiscal year as well. We will continue working to increase the volume of difficult-to-process waste and to grow the number of items to be processed at each location.

For the fiscal year ending March 31, 2022, we project consolidated net sales of ¥300,000 million, consolidated operating income of ¥10,000 million, and profit attributable to owners of parent of ¥6,000 million.

The Previous Medium-Term Business Plan, Quality Up 2020:

Progress has been made on all fronts, while challenges remain

From FY2019 to FY2021, we have been working on a range of initiatives based on Quality Up 2020, our previous medium-term business plan. On the quantitative side, although we did not achieve our goals for net sales and product shipments in the plan's final year, we exceeded our goal for operating income ahead of schedule in the second year, FY2020, and significantly exceeded our three-year cumulative target. This was largely due to recording profits in the Domestic Steel business segment. At the same time, the scale of the Overseas Steel business segment grew, including the acquisition of AltaSteel in Canada in March 2020. However, this did not stabilize earnings due to Vietnam's intensifying competitive environment and the impact of the COVID-19 in North America. On the qualitative side, we have been working on the Three Quality Up initiatives: to improve the quality of our management, work practices, and people's strengths. In this context, tangible progress was made in several areas: transition to daytime operations at Kanto Steel Ltd., a Group company; sales operation reforms; personnel system reforms; and the acquisition of a credit rating. Although there are still some issues that need to be resolved, I believe that overall, we were able to achieve a reasonable level of success.

The New Medium-Term Business Plan, NeXuS 2023:

"Aiming to become an essential company by strengthening our power to connect"

As the title suggests, NeXuS 2023, our new medium-term business plan (see page 12~15 for details), was formulated based on the concept of connection and collaboration. This concept, for

The Results of Medium-Term Business Plan *Quality UP 2020*

Results for Numerical Targets

Monetary unit: Billions of yen / Unit of weight: Millions of tons

	FY2019		FY2020		FY2021	
	Forecast	Results	Forecast	Results	Target	Results
Net sales	235.0	242.3	255.0	239.3	280.0	**226.4**
Operating income	7.5	9.2	11.0	19.4	14.5	**12.7**
Profit attributable to owners of parent	5.0	6.5	7.0	8.0	—	**8.8**
Product shipment volume	3.26	3.27	3.62	3.37	4.00	**3.36**
Japan	1.74	1.75	1.78	1.65	1.80	**1.57**
Overseas	1.52	1.52	1.85	1.72	2.20	**1.79**
ROS	3.2%	3.8%	4.3%	8.1%	5% or more	**5.6%**
ROE	3.5%	4.6%	4.8%	5.5%	6% or more	**5.8%**
Dividend payout ratio	Approx. 30%	26.7%	24.8%	40.9%	Approx. 30%	**29.7%**
Capital expenditure and business investments		12.3		24.6		**10.9**
	Plan: ¥45 billion over 3 years					

us, has three meanings: the power to connect within the Group to bolster the Group's overall strengths; the power to connect with the outside world to achieve technological breakthroughs by improving cooperation with external organizations; and the power to connect to the next generation to ensure the future by enhancing "invisible" value. We will continue to improve the quality of our management, work practices, and people, which was the theme of the previous medium-term business plan. In order to further accelerate these efforts, we will also employ the wisdom and knowledge of people both inside and outside the Group more than ever before and link that to our growth.

To help achieve a carbon-neutral and resource-recycling society, NeXuS 2023 sets a target of reducing CO_2 emissions by 50% in FY2031 compared with FY2014 (at domestic production locations). Specifically, the Group will promote initiatives that contribute to CO_2 reduction, such as the use of renewable energy, in-house solar power generation, and greening projects, with a focus on reducing energy consumption per unit of production and fuel conversion.

The Company also expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2021. Going forward, we will implement information disclosure based on the TCFD recommendations.

In the future, companies will have to achieve a balance between business growth and harmony with the global environment for their survival. Since being founded in 1947, the Company has grown, guided by the basic philosophy of contributing to the creation of social infrastructure through steel manufacturing. The electric furnace business, which is the core of the Company's operations, is a resource-recycling business that uses steel scrap as a raw material and recycles it into rebar and other construction steel that supports society.

We want to deepen this electric furnace business now that climate change issues and widening disparities have led to a greater interest in SDGs and a strong need for corporate action to realize a resource-recycling society. The three key themes of NeXuS 2023, the new medium-term business plan, are to make stable quality products efficiently at low cost, while fully considering the environment; to make more effective use of steel byproducts generated during steelmaking; and to achieve zero emissions through complete recycling. In other words, we will *master* the steel recycling business.

Through our electric furnace business, which recycles steel resources, and the Material Recycling business segment born from this business, we aim to become an essential company that is indispensable to society and that contributes to the realization of a carbon-neutral and resource-recycling society.

OUR VISION FOR KYOEI STEEL

Identify materiality as a desire to contribute to society through business based on the Group Management Philosophy

Management Principle	At the Kyoei Steel Group, we strive to become a corporate group in harmony with society through recycling operations that focus on the steel business and that contribute to the development of the national economy and local communities.
Our vision for 2030	Become an essential company in the resource-recycling society **Materiality** What the Group wants to contribute to society through business For a comfortable and safe society / Toward a beautiful global environment / To meet the expectations of everyone who creates value along with us / Toward safer and more comfortable workplaces / To contribute as a member of the community / Toward fairer and more sincere corporate activities SUSTAINABLE DEVELOPMENT GOALS
Medium-Term Business Plan	Quality Up 2020 → **NeXuS 2023**

Materiality

We have repeated a process of evaluating and analyzing to identify materiality for the Group to tackle, from among those issues identified and extracted from the perspective of stakeholders. Going forward, we aim to realize our vision for the Group through the following six materiality initiatives.

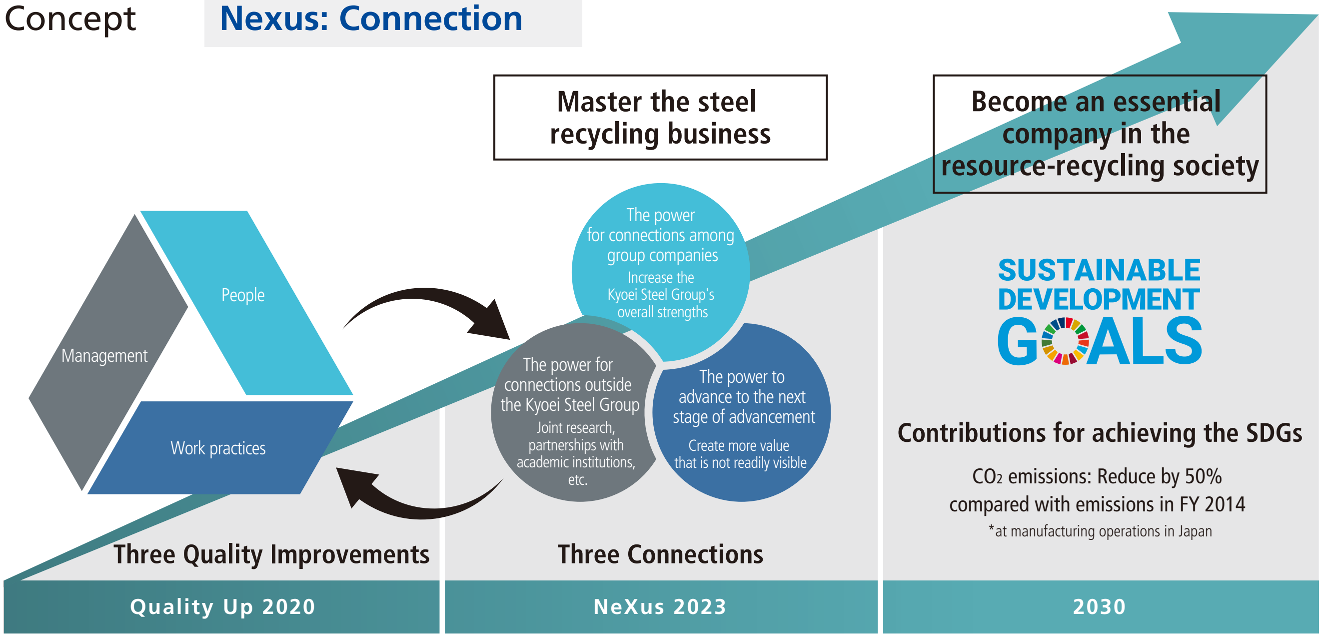
Materiality (important issues)		Relevant SDGs
For a comfortable and safe society	Kyoei Steel will contribute to global environmental conservation and support the global infrastructure by recycling resources after they have finished their roles in people's lives.	9, 13
Toward a beautiful global environment	The Kyoei Steel Group will not only reduce greenhouse gases and byproducts produced by the Group, but we will contribute to realizing a society that has less impact on the environment by recycling some of the waste generated by society.	7, 11, 12, 13, 14, 15
To meet the expectations of everyone who creates value along with us	We intend to contribute to society through our value chain by providing products and services that meet the varied expectations and requests of our customers and business partners, as well as by procuring raw materials and processed materials that have a low impact on the environment.	9, 12
Toward safer and more comfortable workplaces	We will create safer, more comfortable, and more appealing workplaces by eliminating workplace accidents, improving working environments, hiring diverse human resources, and adopting flexible working styles.	3, 4, 5, 8, 10
To contribute as a member of the community	We aim to make the Group indispensable to the community by contributing through various activities, including disaster prevention.	11
Toward fairer and more sincere corporate activities	We aim to earn the trust of society by building an organizational structure and a highly transparent management system that quickly respond to changes in the business environment, as well as by practicing fair and sincere corporate activities.	16

NEW MEDIUM-TERM BUSINESS PLAN: NeXuS 2023

Kyoei Steel, Ltd. has established a new medium-term business plan called NeXuS 2023 that covers the three-year period ending in March 2024 (FY2024).

The slogan **Connections for coexistence with the world and a bright future.**

Concept **Nexus: Connection**



Basic Concept

Bolster our strengths and overcome weaknesses in order to realize our vision

Strengthen our core businesses	Strengthen our construction steel business with a focus on steel rebar
Diversify risk in our production for local businesses	Develop our resource recycling business not only in Japan but around the world
Spread our wings	In addition to our material recycling business and casting operations, we will strengthen our processed product operations and expand the scope of our business domains
Achieve harmony with the global environment	Evolve into a company that meets the highest standards for recycling and is capable of contributing to the realization of a sustainable society through core businesses

Numerical targets

Net sales	¥290 billion
Operating profit	¥18 billion
Shipment volume (Tons)	4,000,000 (Japan: 1,700,000; overseas: 2,300,000)
ROE	7% or more
ROS	6% or more
Equity to total assets	50% or more
Net debt equity ratio	0.25 times or less
Dividend payout ratio	Approx. 30% (minimum dividend per share of ¥30)
Capital expenditures	¥60 billion / 3 years
CO_2 emissions in FY2031	50% reduction (compared with FY2014 level)

Investment plan

During the medium-term business plan (three years), we plan to invest a cumulative total of approximately ¥60 billion.

(Billions of yen)

	Domestic Steel Business	Overseas Steel Business	Material Recycling Business and steel-related business	Total
Strategic investments*	10.0	17.0	10.5	37.5
Maintenance investments	10.0	4.0	–	14.0
Environmental investments	2.0	3.0	–	5.0
Benefits investments	2.5	1.0	–	3.5
Total	24.5	25.0	10.5	60.0

*includes a ¥2 billion investment in digitalization

Measure 1

Overseas Steel Business: Become more profitable and build a base for growth

There is an urgent need for activities to improve the profitability of Overseas Steel Business.
The plan is to cut expenses and boost productivity by using closer ties with operations in Japan to upgrade technologies and by improving equipment at overseas bases. The goal is to generate consistent earnings at operations in Vietnam and North America. Another goal is to add production equipment and use other measures to build a framework for annual shipments of 2.3 million tons.
And then, our overseas action plan GLOCAL NICHE, which is a strategy for both the global and local niche markets, will be used to set the stage for growth in the scale of operations outside Japan.

Strengthen profitability	2.3 million ton framework	Build a base for growth
Build a framework capable of overcoming issues at existing bases and record profits in a stable way	Raise production and sales by improving productivity and increasing equipment capacity	Prepare to grow the scale of operations under our overseas action plan GLOCAL NICHE, a strategy for both global and local niche markets

Measure 2

Domestic Steel Business: Become more competitive and upgrade equipment for more progress in the future

In Japan, the Kyoei Steel Group will continue to take actions aimed at cutting expenses, increasing sales capabilities and other measures to become more competitive. To maintain the future operations of the core domestic steel business, large capital expenditures will be considered at all locations in Japan to update aging equipment and improve productivity.
In addition, all locations will add equipment for conserving energy and using fewer people as well as for increasing the safety and stability of operations. The goal is to maintain a framework capable of annual shipments of 1.7 million tons.

Measures currently underway

Warehouse with fully automated systems

Automated sampling robot

Measure 3

Material Recycling Business and peripheral steel businesses: Increase opportunities to earn profits

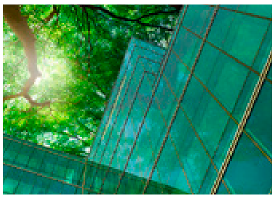
In the Material Recycling Business, there have been difficulties for years concerning the expansion of processing capacity for waste materials. The reason is that the amount of materials that can be processed (melted) using electric arc furnaces is limited by the level of steel production.
The plan is to increase processing capacity by building environmentally responsible processing facilities, using M&A and taking other actions.
At the same time, this business will use the reliability of electric arc furnace processing, which is our greatest strength, to increase activities for waste materials that are difficult to process. Examples include automotive lithium-ion batteries or carbon fiber, for which increasing processing needs are expected, and asbestos, which has been a social problem. All activities will focus on preserving the current high quality of services.
Developing resource recycling technologies is another priority in order to become a company that meets the highest standards of recycling.
To extend activities of the peripheral steel businesses to more market sectors, the goals are the growth of the processed product business and casting operations while reflecting customers' needs and the development of new products and other measures for diversification.

High-strength shear reinforcement Kyoei Ring 685 (released April 2021)

Measure 4

More activities for carbon neutrality and resource recycling

As a first step toward the goal of effectively eliminating CO_2 emissions by 2050, all production bases in Japan (Kyoei Steel and Kanto Steel) aim to cut their CO_2 emissions to at least 50% below the FY2014 level by FY2031.
This goal is to be achieved by reducing the energy intensity of production processes and replacing currently used fuels with cleaner burning substances.
Plans for reducing CO_2 emissions also include the installation of more solar panels, planting vegetation, using electricity from renewable sources and other steps.
All these activities will be accompanied by the disclosure of information in accordance with recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
Kyoei Steel Group environmental programs will also include measures to increase the amount of byproducts of steel production that are reused and to aim for recycling all of these byproducts.



Information disclosure based on TCFD recommendations (April 2021 statement of support)

April 2021 olive tree planting

Measure 5

More activities that produce benefits for all stakeholders

The Kyoei Steel Group is committed to using business and other activities in order to produce benefits for employees, customers, business partners, communities, shareholders and all other stakeholders.
Our business operations and growth rely above all on our employees. This is why we place emphasis on health management, which means maintaining safe and pleasant workplaces, helping employees stay healthy, and providing a variety of benefits.
Furthermore, Group companies will continue to hire many types of people and upgrade education and training programs in order to give employees more and better skills while preserving a diverse and competitive workforce. Measures to enable women to have rewarding careers at the Group and to provide jobs for people with disabilities are also key components of these workforce programs.
For customers and business partners, activities will focus on building even stronger relationships rooted in trust by strengthening a quality control system and rigorously implementing compliance programs.
For communities, Group companies will continue activities involving the environment of areas where business sites are located, make contributions to worthy causes in these areas and provide other forms of support. All business sites aim to become even more trusted members of the communities where they operate.
For shareholders and other investors, Kyoei Steel will continue to disclose a broad range of information, including nonfinancial information, and maintain strong lines of communication for dialogues with shareholders and other investors.

Disaster prevention drills conducted with local governments

Measure 6

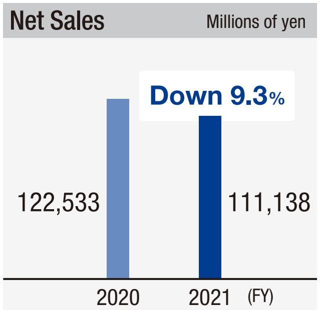
Strengthen management framework of the Kyoei Steel Group

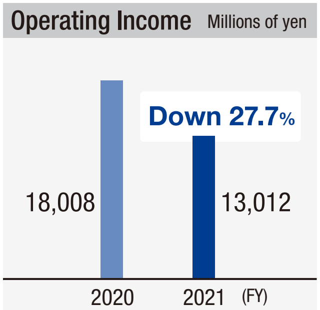
Activities are planned for building an even stronger framework for management in order to support measures for more growth.
One goal is to strengthen the Group's financial position by diversifying fund procurement channels, such as by issuing bonds, and following guidelines concerning financial discipline.
Strengthening administrative capabilities of Group companies is another goal, such as by upgrading compliance education at every Group company.
Reinforcing information security and IT audits will be another element of measures involving administrative capabilities.
In addition, the Kyoei Steel Group plans to complete the IT system reforms for sales operations which started during the previous plan, promote the transition to paperless operations, use robot process automation for repetitive tasks, create smart factories by using AI/IoT for production processes, and utilize digital technologies in many other ways.

In the fiscal year ended March 31, 2021 (FY2021), the Domestic Steel and Overseas Steel business segments both experienced significant declines in profit due to factors including the impact of the novel coronavirus (COVID-19). The Overseas Steel business segment suffered in particular due to additional temporary factors. Although sales and profit increased in the Material Recycling business segment, overall sales and profits fell.

Domestic Steel Business

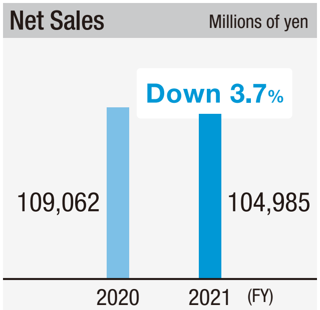
Domestic construction demand was stagnant overall due to the impact of COVID-19. Though the Group's product shipments for the full year declined by 72,000 tons or 4.4% year on year to 1,570,000 tons, this did not lead to significantly lower sales. However, while the price of steel scrap increased by ¥2,700 per ton or 10.2% year on year, prices of steel products fell by ¥4,100 per ton or 6.0% year on year, resulting in a decrease in the metal spread (difference between the prices of steel products and steel scrap) by ¥6,800 per ton or 16.5% year on year.
As a result, segment sales decreased ¥11,395 million or 9.3% year on year to ¥111,138 million, and operating income declined ¥4,996 million or 27.7% to ¥13,012 million.

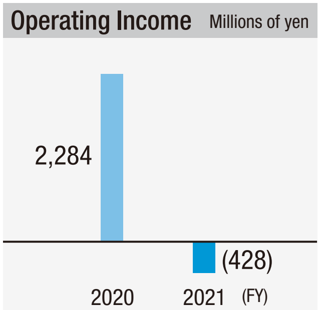




Overseas Steel Business

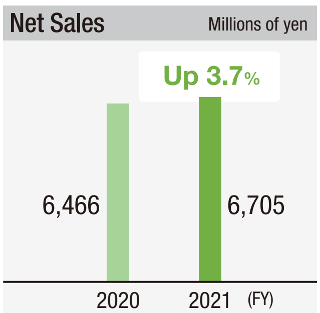
In Vietnam, business performance was difficult during the first half of the fiscal year (January to June) due to lower sales at our southern business locations amid an intensifying competitive environment. However, business performance began to recover in the second half of the fiscal year due to a recovery in demand for steel products as well as higher product prices. At the same time, in North America, against a backdrop of stagnant economic activity due to the impact of COVID-19, profit decreased significantly due to weak demand for products for the mining industry both in the US and Canada as well as the suspension of operations caused by facility upgrades and problems with equipment during the fourth quarter of the fiscal year (October to December).
As a result, segment sales decreased by ¥4,077 million or 3.7% year on year to ¥104,985 million. Operating income declined year on year by ¥2,711 million to an operating loss of ¥428 million (compared with an operating income of ¥2,284 million one year earlier).

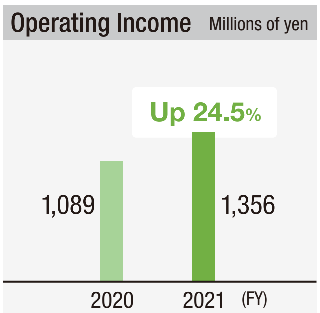




Material Recycling Business

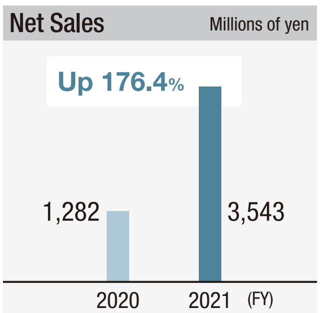
In the first half of the fiscal year, the amount of industrial waste generated fell due to slow economic activity during the COVID-19 pandemic. However, in the second half of the fiscal year, the amount of industrial waste generated recovered along with a recovery in automotive and other types of production. Due in part to handling more medical waste related to COVID-19, segment sales increased ¥239 million or 3.7% year on year to ¥6,705 million and operating income increased ¥267 million or 24.5% to ¥1,356 million.

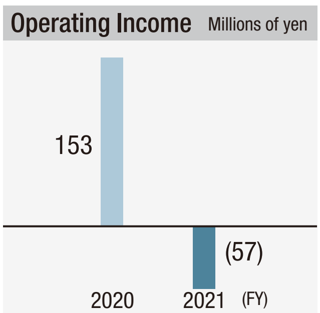




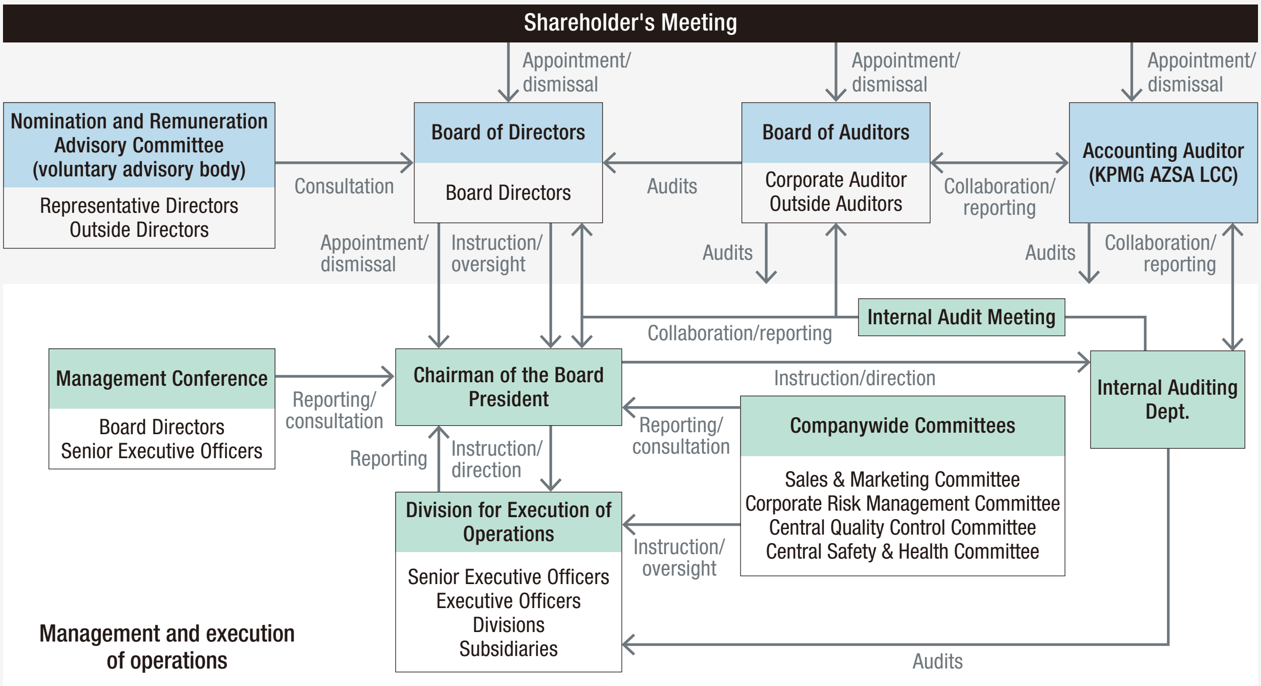
Other Business

This segment is involved in harbor works and the casting business in Vietnam as well as casting and other business operations in Japan, including sales of civil engineering materials. The casting business has been included in the scope of consolidation in both Japan and Vietnam from the current fiscal year. Segment sales increased ¥2,261 million or 176.4% year on year to ¥3,543 million. Operating income decreased ¥210 million year on year to an operating loss of ¥57 million (compared with an operating income of ¥153 million one year earlier).





Corporate Governance Structure



As the business environment changes rapidly and becomes more and more complex, Kyoei Steel recognizes the importance of strengthening corporate governance in order to further refine our business for recycling and reusing resources, achieving sustainable growth, and enhancing corporate value.
The main objectives of our corporate governance system are: (1) to ensure continuous and thorough compliance with an awareness of corporate social responsibility; (2) to maintain highly transparent management through fair and prompt disclosure of information to our shareholders, employees and other stakeholders; (3) to ensure accountability for the processes and results of management decisions; and (4) to pursue management efficiency based on rational management decisions.
Founded on this basic approach, we are building a fair and highly transparent business management system and thoroughly educating our employees on the importance of corporate ethics.
Regarding the management organization, we are conscious of a flat organization and a small head office structure so that we can respond quickly and accurately to changes in the business environment.

Board of Directors

Our Board of Directors has ten members (with four outside directors), including two representative directors and eight board directors.
The Board of Directors, as a decision-making and supervisory body for management, makes decisions on important management matters stipulated in the Regulations of the Board of Directors, including matters related to management plans, budgets, and investment plans, in addition to matters stipulated by laws and regulations or the Articles of Incorporation.
In addition to regular monthly meetings, extraordinary meetings of the Board are convened when necessary.
Also, we have established management conferences to deliberate and coordinate important issues related to business execution and matters to be submitted to the Board of Directors, and we have appointed people who are responsible for execution and executive officers in every office and division to ensure that management decisions are promptly reflected in the execution of business.
The Management Conference consists of the chairman, the president, executive managing officers, standing corporate auditors, senior executive officers, and the president of Kanto Steel Ltd., as well as members designated by the chairman or president.
In addition to being held monthly, extraordinary management conferences may be convened when necessary.

On June 15, 2016, we established the Nomination and Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors.
This committee is composed of independent outside directors and board directors selected by resolution of the Board of Directors.

Board of Auditors

Kyoei Steel is a company with a Board of Auditors, and our Articles of Incorporation specifies a maximum of five corporate auditors. Currently, the Board of Auditors consists of one standing corporate auditor, one corporate auditor, two outside auditors, and one substitute auditor.
According to our policy, the Board of Auditors must include at least one member who has a considerable degree of knowledge concerning finance and accounting and one independent executive who poses no conflict of interest with general shareholders.
The Board of Auditors meets regularly (once a month) and holds additional meetings as necessary.
Fundamentally, the Board of Auditors is responsible for monitoring the effectiveness of the Company's governance, as well as auditing the implementation and execution of management, which includes the execution of duties of directors.
Specifically, members of the Board of Auditors attend meetings of the Board of Directors; inspect major offices and Group companies in Japan and overseas; receive business reports from directors and other authorities; and share their own opinions when necessary.
At the same time, members are also briefed by the Accounting Auditor concerning audit planning and methodology, as well as remuneration. Furthermore, they are working to strengthen our auditing structure by collaborating with both the Accounting Auditor, Accounting & Financing Department, and the Internal Auditing Department through quarterly reviews that include participation and reports from the Accounting & Financing Department and the Internal Auditing Department.

Sales & Marketing Committee

The president serves as the committee chairman, with other members being the director in charge of the Marketing Planning & Coordination Department, the general managers of the sales & marketing departments of each division, and others designated by the chairman.
In principle, the committee meets monthly.
In addition to the detailed sharing of information concerning the environment and situation surrounding steel scrap (raw material) and product market conditions, the members propose business strategy plans.
Exchanges of timely information concerning sales and purchasing are also conducted via the Company intranet.

Corporate Risk Management Committee

This committee, chaired by the president, includes people in charge of risk and compliance in each department and is charged with the oversight of risk management and with promoting compliance for the Kyoei Steel Group.
The committee also spearheads education and awareness programs aimed at preventing risks across the Group, setting priority items and formulating annual plans, as well as determining the status and assessing initiatives.

Central Quality Control Committee

This committee is chaired by the director in charge of the headquarters Production Planning & Coordination Department, with other members being headquarters executives and general managers of each division, presidents of affiliated companies, and others designated by the chairman. In principle, the committee meets twice a year.
The committee oversees quality assurance issues and provides instructions for ways to enhance the Group's governance of quality. The committee also reports necessary matters at management conferences and works to improve the quality control system.

Central Safety & Health Committee

The Central Safety & Health Committee is chaired by the director in charge of the headquarters Production Planning & Coordination Department, with other members being the chairmen of the Safety & Health Committees of each division, the general manager of the Production Department of each division, and others designated by the Chairman of the Central Safety & Health Committee. The committee conducts general planning and coordination related to health and safety while exchanging related information. It also conducts an annual safety and health audit, as well as a joint safety and health patrol. Furthermore, the committee reports to the Company's chairman, president, and other top management while striving to intensify the Group's safety and health activities and raise overall sensitivity regarding safety.

Compliance System

The Internal Auditing Department has been established as a department to which the president is directly attached, and in addition to conducting regular business audits, it also audits the execution of work by the executive officers and employees.

Also, when questions arise concerning compliance, executive officers and employees can report to the Risk and Compliance Committee or internally to the Compliance Consultation Desk, which was set up both inside and outside the Company for that purpose.
A system has been established whereby the details and proposals for resolution are relayed via the Risk and Compliance Committee to the Board of Directors and the corporate auditors, in the rare event that a compliance infraction has occurred.

Initiatives Targeting Affiliated Companies

Based on Kyoei Steel's management principle and action guidelines, we have formulated the Affiliated Company Management Regulations for managing subsidiaries and for ensuring the appropriate application of those rules.
We dispatch corporate auditors to each of our subsidiaries to conduct audits on internal controls. Additionally, the Company's Internal Auditing Department conducts regular scheduled internal audits, while providing guidance and advice based on their results.
We also call on individual subsidiaries to establish compliance programs based on the Company's programs, depending on the type and scale of their operations.
For the above items, we have also formulated a management structure by department for subsidiaries.

Elimination of Antisocial Forces

The Kyoei Steel Group maintains a basic policy of eliminating all interactions with antisocial forces and organizations that threaten the order and safety of civil society.
We will take a firm stance against undue pressure and demands from antisocial forces and clearly reject them. Furthermore, we have joined with police, attorneys and other external specialist organizations to promote the development of a structure for the elimination of antisocial forces.

Outside Directors / Outside Auditors

Kyoei Steel has four outside board directors and two outside auditors.
We are working to strengthen our management oversight and have appointed outside board directors and outside auditors with assured independence for more sound, fair, and transparent management as well as to ensure fulfillment of our duty of accountability.
Also, we have appointed outside board directors who have the extensive knowledge and experience necessary to effectively deliberate on the Board of Directors' proposals and who have the track record and insights necessary to exercise management oversight, taking into account their independence from the Company.
With the consent of the Board of Auditors, we have appointed outside auditors who have a high level of knowledge of overall management and the specialized knowledge and experience necessary to perform audits and who can be expected to express their opinions from a neutral and fair standpoint, taking into account their independence from the Company.
Although Outside Board Director Tetsuya Yamao serves as a Partner of Umeda Shinmichi Law Office, there is no special interest between the law office and the Company.
Although Outside Board Director Tatsuya Kawabe serves as President and Director General of Institute of Nuclear Safety System, Inc., there is no special interest between the institute and the Company.
Although Outside Board Director Takehiko Yamamoto serves as a Senior Fellow of DAIBIRU CORPORATION, there is no special interest between the said company and the Company.
As of June 25, 2021, he holds 1,000 shares of the Company, but other than that there is no personal, business, or other interest between him and the Company.
Although Outside Board Director Kimiko Funato serves as an attorney at law of AIMANN AND ASSOCIATES, there is no special interest between the law office and the Company.
Outside Auditor Masanori Ando serves as Executive Counselor and General Manager, Head of Division of Group Companies Planning Division of Nippon Steel Corporation, a shareholder of the Company. Although there is a business relationship between Nippon Steel Corporation and the Company, the prices and other conditions are the same as those of ordinary business partners, and there is no special interest.
Also, he concurrently serves as an outside Audit & Supervisory Board Member of Osaka Steel Co., Ltd. and as an outside Audit & Supervisory Board member of Nippon Steel Metal Products Co., Ltd., but there is no special interest between these two companies and the Company.
Although Outside Auditor Toru Muneoka concurrently serves as an Outside Statutory Auditor of DDS, Inc. and as Outside Director of SENSHU ELECTRIC CO., LTD., there is no special interest between these two companies and the Company.

Compensation for the Company’s Executives

Basic Policy

Compensation for the Company’s board directors is set within the remuneration range determined at the General Meeting of Shareholders. Compensation is monetary compensation that includes basic compensation based on position and performance-based compensation that takes into account the state of the Company’s management and each executive’s degree of responsibility. Based on these factors, the policy is intended to pay amounts in line with the Company's operating performance as well as individual performance and achievement.

Outside board directors who are responsible for supervisory functions will be paid only basic compensation in consideration of their responsibilities.

Policy for Determining the Amount of Basic Compensation (Monetary Compensation)

The basic compensation of the Company’s board directors will be a fixed monthly amount calculated according to their positions and duties. It will be determined by referring to remuneration at other companies with the same scale of business and related industries as well as business categories as benchmarks based on surveys conducted by specialized third-party institutions.

Policy for Determining the Content of Performance Indicators for Performance-Based Compensation and the Calculation Method for the Amount of Compensation

The performance-based compensation for the Company’s board directors (excluding outside board directors) is monetary compensation that reflects performance. The goal is to raise awareness of the need to improve performance during every fiscal year, and it will include portions for both the Company’s overall performance and individual performance.

For the performance indicators, the portion for the Company’s overall performance will be indexed to profit attributable to owners of parent, which is the final performance indicator of the Group and the source of dividends to shareholders. The individual performance portion will be assessed according to the performance of the division for which the executive is responsible, as well as the level of achievement of strategic targets set for the individual. The amount of compensation determined based on the results of the previous fiscal year will be paid monthly together with basic compensation.

For the performance-based compensation for the Company’s board directors for the fiscal year ended March 31, 2021, with profit attributable to owners of parent as the performance indicator, was ¥11,489 million (the figure based on the financial results for the fiscal year ended March 31, 2020, announced on May 12, 2020).

Policy for Determining the Ratio for the Amount of Monetary Compensation and Performance-Based Compensation

The composition ratio of this basic remuneration and performance-based remuneration is not specified.

For the latest composition ratio, performance-based compensation amounts to around 10–40% of the basic compensation.

Matters Concerning Decisions on the Content of Compensation, etc., for Individual Board Directors

For the amount of compensation for board directors, the specifics will be delegated to representative directors following a resolution of the Board of Directors.

When determining the amount of compensation, to ensure objectivity and transparency, the Nomination and Remuneration Advisory Committee, a voluntary advisory body to the Board of Directors, will deliberate in advance on the comparison with the levels of other companies based on surveys, etc., conducted by specialized third-party institutions, as well as the individual assessment process based on performance indicators and the specific methods

Total Amount of Compensation, etc., by Category of Executive, Total Amount by Type of Compensation, etc., and Number of Eligible Executives

Category of executives	Total amount of compensation, etc. (millions of yen)	Total amount by type of compensation, etc. (millions of yen)		Number of eligible executives (people)
		Basic compensation	Performance-Based Compensation	
Board directors (excluding outside board directors)	272	194	78	8
Corporate auditors (excluding outside auditors)	25	19	6	1
Outside executives	33	33	–	7

(Note) The above table includes one board director and one corporate auditor (including one outside auditor) who retired at the conclusion of the 76th Annual General Meeting of Shareholders held on June 26, 2020.

used for calculating the amount of compensation, etc. The representative directors will then make decisions guided by the content of these deliberations.
The Nomination and Remuneration Advisory Committee is made up of independent outside board directors and representative directors selected by resolutions of the Board of Directors, and the independent outside board directors make up the majority of the committee.
The Company discontinued retirement benefits for executives in 2009.
It has been resolved that compensation for all board directors will not exceed ¥550 million annually, while compensation for all corporate auditors will not exceed ¥60 million annually.

Evaluating the Effectiveness of the Board of Directors

To maintain and improve the effectiveness of the Board of Directors, we analyze and evaluate its effectiveness. For the evaluation, we conducted a questionnaire survey of all board directors and corporate auditors to comprehensively self-evaluate the operation of the Board of Directors.
As a result of the aggregation and analysis of the evaluation, we confirmed there were no particular problems in the operation of the Company's Board of Directors and that its effectiveness has been assured.

Cross Shareholding

The Group's basic policy is to reduce the number of cross shareholdings, and we strictly assess these investments by examining the benefits and the capital cost of holding the shares. The amount of listed shares held by the Group for cross shareholdings on the consolidated balance sheets as of March 31, 2021 was ¥2.4 billion.

Shareholding Status

(1) Standard and approach for share investment classes

Looking at shares held for pure investment and shares held for other purposes, the Company classifies some as shares purely for investment if the investment is made solely to receive gains from share value fluctuations or from dividends. Shares other than the above are classified as investment shares held for purposes other than pure investment.

(2) Investment shares held for purposes other than pure investment

a. Holding policy, the method for verifying the rationale for holding, and details of verification by the Board of Directors, etc., regarding the suitability of holding individual shares

When the Company holds investment shares for purposes other than pure investment, we comprehensively determine the rationale of holding them over the medium to long term, as well as the investment's profitability, the maintenance and strengthening of business relationships with investee companies, the importance of the investment in terms of business strategies, and other factors. In addition, the Company's basic policy is to reduce holdings of this type of shares. The Company determines the suitability of holdings at the Board of Directors meeting, etc., each fiscal year, including by verifying whether or not holding the shares meets the intended purpose and whether or not the associated benefits and risks are proportionate to the cost of capital.

For details about cross shareholdings, see our website.
https://www.kyoeisteel.co.jp/en/csr/esg/governance.html

Whether or Not Takeover Defense Measures Have Been Introduced

The Company has not introduced any takeover defense measures.

Risk Management

The Company categorizes risks as those items related to: (1) fluctuations in business and market environments; (2) product quality; (3) environmental conservation; (4) exchange rate fluctuations or investments and lending; (5) development of workplace environments; (6) information security; (7) compliance; and (8) risks associated with accidents and natural disasters or pandemics such as the novel coronavirus. However, basically, our first priority is to identify and quantify risks.
On top of that, our executives are always examining and sharing measures for preventing and mitigating every type of risk.
Moreover, the internal communication system for use in the event of an emergency is very well known, and in case of an emergency the department with jurisdiction immediately contacts the Headquarters Human Resources and General Affairs Department, whereupon the Headquarters Human Resources and General Affairs Department transmits the information via the prescribed network.

BUSINESS AND OTHER RISKS

For details about risk information, please see our website.
URL https://www.kyoeisteel.co.jp/en/ir/management/risk.html

The following items are factors, such as the Group's business circumstances and financial status, that could have a substantial impact on investors' assessments.
Moving forward, the Group recognizes the possibility that these risks could occur and will consistently make every effort to mitigate and prevent their occurrence, as well as ensure a swift response if these risks do occur.
Forward-looking statements and details concerning future events included in this document are based on judgments made as of the submission date for our Annual Securities Report (June 28, 2021).

1 Relationship with Nippon Steel Corporation

As of June 25, 2021, Nippon Steel owned 25.8% of the outstanding shares of Kyoei Steel (26.7% of voting rights) and is the Company's largest shareholder. Kyoei Steel is an equity-method affiliate of Nippon Steel.
The Company operates autonomously, conducts business independently, and intends to continue doing so in the future. However, as the top shareholder in the Company, Nippon Steel is positioned to influence our operations by exercising its voting rights, and its interests may not necessarily coincide with those of our other shareholders.

2 Downward Trend in Construction Demand

With the mature Japanese economy now facing a decline in population, we believe that neither domestic public- nor private-sector demand is likely to grow significantly over the long term. Accordingly, we judge that demand for the Group's mainstay product, steel rebar, is likely to decrease.
If the Group's efforts to supplement this declining demand are unsuccessful, our results could be affected.
The Group is striving to expand overseas, where construction demand is expected to grow due to population increases and economic development.
We have already expanded into Vietnam, the United States, and Canada, created a global tripolar structure, and are developing regional strategies that will extend our business locations throughout the world to enable us to supplement declining demand in some countries and regions with performance in other countries and regions.

3 Selling Price Declines and Shipment Volume Reductions Caused by Competition

The Group's core domestic steel operations face competition from many steel minimill companies as well as the structural issue of excess production capacity.
Consequently, the Group's results could be impacted if trends in steel demand cause a rise in competition aimed at securing sales volume, with resulting lower selling prices and shipped volumes.
To preserve our ability to compete with rival manufacturers, the Group is boosting sales capacity, cutting manufacturing costs, improving product quality, and developing value-added products.

4 Rises in Raw and Secondary Material Prices and Purchasing Limitations

The Group uses raw materials (steel scrap) with prices that fluctuate based on global demand, and passing on increases for these materials to product selling prices is difficult. Further, the Company could become unable to procure the necessary volume of secondary materials (electrodes, alloy iron, etc.) due to price increases or supply shortages. These factors could potentially cause manufacturing cost increases or operational stoppages that could consequently impact the Group's results.
To ensure favorable and stable purchasing of raw and secondary materials, the Group makes appropriate judgments, while gathering information, by considering factors such as purchase prices and timing. At the same time, we are working to secure trustworthy suppliers.

5 Rising Prices for Energy, including Electrical Power and Fuel

Electricity expense burdens are trending higher due in part to rising prices caused by nuclear power plants being shut down and the surcharge for renewable energy.
The Company could potentially face higher costs for transportation, electricity, and fuel used in manufacturing due to rising global energy prices (for petroleum, liquefied natural gas, etc.) or increases in energy prices caused by exchange rate fluctuations.
These factors could potentially impact the Group's results.
Accordingly, the Group is striving to improve productivity primarily by reducing electric power consumption while working to reduce costs for energy and other commodities.
The Group regulates product quality based primarily on Japanese Industrial Standards under the Industrial Standardization Act; other public standards such as the Building Standards Act; quality assessments; and agreements with business partners.
In recent years, quality standard violations, falsifications, and other quality-related issues in many industries have been gathering attention on a societal level. Under these circumstances, the Group offers many products that are related to buildings and structures that impact a large and unknown number of lives and amount of property. Accordingly, the Company acknowledges the strong social interest in the quality of our products.
As a result, product quality issues could potentially impact the Group's results by causing revocations of public certifications, business loss, damage to our reputation, or other negative factors.
Through our Quality Control Section, the Company is conducting groupwide integrated quality management and systematically conducting quality audits. At the same time, we are building a quality control framework through actions such as improvement requests received in response to important quality management-related issues uncovered by quality audits conducted through our Central Quality Control Committee.
We are also implementing ways to mitigate quality control issues related to hardware and equipment that can occur during inspection and testing conducted at all production bases. These measures include installing automatic measuring equipment and communication systems designed to cut back on data falsifications or manual input errors.

BOARD DIRECTORS AND CORPORATE AUDITORS

Skills Matrix for Board Directors

The following table shows the areas where expectations for board directors are particularly strong, so that our Board of Directors can effectively fulfill its decision-making and supervisory functions.

Position	Name	Corporate management	Business strategy/ Environmental management	Manufacturing / Technology / Development / Quality control	Sales / Marketing	Treasury / Accounting / Finance	Legal / Risk management	Globalization / Overseas business	Personnel / Labor relations / Human resources development	Independence / Objectivity
Chairman & Representative Director	Hideichiro Takashima 1	✔	✔	✔	✔			✔		
President & Representative Director	Yasuyuki Hirotomi 2	✔	✔		✔	✔		✔	✔	
Board Director & Senior Executive Managing Officer	Shogo Sakamoto 3	✔	✔	✔	✔				✔	
Board Director & Executive Managing Officer	Hiroshi Kunimaru 4	✔	✔		✔	✔			✔	
Board Director & Senior Executive Officer	Masahiro Kitada 5	✔	✔			✔		✔	✔	
Board Director & Senior Executive Officer	Kenji Kawai 6		✔	✔	✔				✔	
Board Director	Tetsuya Yamao 7						✔			✔
Board Director	Tatsuya Kawabe 8	✔	✔							✔
Board Director	Takehiko Yamamoto 9	✔	✔					✔		✔
Board Director	Kimiko Funato 10						✔			✔

(Note) This does not represent *all* the skills, experience, and other knowledge and background of each person.

Board of Directors

Hideichiro Takashima

Chairman & Representative Director

1

March 1989	Joined the Company
March 1990	Board Director
April 1991	Board Director and Executive Managing Officer
June 1992	Board Director and Senior Executive Managing Officer
June 1993	Board Director and Senior Vice President
October 1993	Senior Vice President and Representative Director
June 1995	President and Representative Director, and COO
June 2007	Vice Chairman and Representative Director
June 2010	Chairman and Representative Director (current position)

Yasuyuki Hirotomi

President & Representative Director

2

April 1978	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
October 2003	Executive Officer
June 2005	Managing Executive Officer, and General Manager of Osaka Sales Division and Osaka Central Sales Division
June 2008	Director and Senior Managing Executive Officer
June 2009	Representative Director, Deputy President and Executive Officer
April 2014	Joined the Company
June 2014	Board Director and Senior Vice President; Executive Officer and Assistant to the President
June 2017	Outside Director of Ichinen Holdings Co., Ltd. (current position)
October 2017	Board Director and Senior Vice President; Executive Officer, Assistant to the President and in charge of Corporate Planning Dept. of head office
June 2018	President and Representative Director (current position)

Shogo Sakamoto

Board Director & Senior Executive Managing Officer

3

April 1999	Joined the Company
June 2012	General Manager of Sales & Marketing Dept. of Yamaguchi Division
June 2014	Executive Officer, Deputy General Manager of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
June 2017	Board Director and Executive Officer, Deputy General Manager of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
January 2018	Board Director and Executive Officer, General Manager of Marketing Planning & Coordination Dept. of head office, and Deputy General Manager of Yamaguchi Division
June 2018	Board Director and Executive Managing Officer, and General Manager of Marketing Planning & Coordination Dept. of head office
June 2019	Board Director and Executive Managing Officer in charge of Marketing Planning & Coordination Dept. of head office, and General Manager of Marketing Planning & Coordination Dept. of head office
April 2020	Board Director and Executive Managing Officer in charge of Marketing Planning & Coordination Dept. of head office
June 2020	Board Director and Executive Managing Officer, and General Manager of Yamaguchi Division
June 2021	Board Director and Senior Executive Managing Officer, and General Manager of Yamaguchi Division (current position)

Hiroshi Kunimaru

Board Director & Executive Managing Officer

4

April 1986	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
June 2003	Manager of Shimamoto Branch
March 2006	Manager of Minamimorimachi Branch
July 2010	Manager of Ueroku Branch
April 2012	Manager of Semba Branch
April 2014	Credit Manager
May 2016	Joined the Company
June 2017	Executive Officer, Assistant to the Director in charge of Accounting & Financing Dept. of head office, and General Manager of Corporate Planning Dept.
June 2018	Senior Executive Officer in charge of Corporate Planning Dept., Accounting & Financing Dept. and Information System Dept. of head office, and General Manager of Corporate Planning Dept.
June 2019	Senior Executive Officer in charge of Corporate Planning Dept., Accounting & Financing Dept., and Overseas Investment Dept. of head office
June 2020	Board Director and Senior Executive Officer in charge of Corporate Planning Dept., Accounting & Financing Dept. and Overseas Investment Dept. of head office
March 2021	Director and Chairman of Vietnam Italy Steel Joint Stock Company (part-time)
June 2021	Board Director and Executive Managing Officer in charge of Corporate Planning Dept., Accounting & Financing Dept. and Overseas Investment Dept. of head office (current position)

Board of Directors

Masahiro Kitada

Board Director &
Senior Executive Officer

5

October 1991	Joined the Company
April 2010	General Manager of Accounting & Financing Dept. of head office
October 2014	Executive Officer, General Manager of Accounting & Financing Dept. and General Manager of Overseas Investment Dept. of head office
December 2016	Executive Officer and Assistant to Director in charge of Overseas Investment Dept. of head office President of KYOEI STEEL America LLC and President of Vinton Steel, LLC
June 2017	Executive Officer of the Company President of KYOEI STEEL America LLC and President of Vinton Steel, LLC
June 2019	Senior Executive Officer of the Company President of KYOEI STEEL America LLC and President of Vinton Steel, LLC
March 2020	Senior Executive Officer of the Company President of KYOEI STEEL America LLC and President of Vinton Steel, LLC President of AltaSteel Inc. Representative of KYOEI CANADA INVESTMENT LTD.
June 2020	Board Director and Senior Executive Officer of the Company President of KYOEI STEEL America LLC and President of Vinton Steel, LLC President of AltaSteel Inc. Representative of KYOEI CANADA INVESTMENT LTD. (current position)

Kenji Kawai

Board Director &
Senior Executive Officer

6

March 1992	Joined the Company
June 2011	General Manager of Sales & Marketing Dept. of Hirakata Division
October 2014	Executive Officer, General Manager of Sales & Marketing Dept. of Hirakata Division, and General Manager of Marketing Planning & Coordination Dept. of head office
April 2016	Executive Officer, Deputy General Manager of Hirakata Division, and General Manager of Sales & Marketing Dept. of Hirakata Division
April 2018	Executive Officer, Deputy General Manager of Nagoya Division, and General Manager of Sales & Marketing Dept. of Nagoya Division
June 2020	Senior Executive Officer in charge of Marketing Planning & Coordination Dept. of head office, Deputy General Manager of Nagoya Division, and General Manager of Logistics (Delivery) & Procurement Dept. of Nagoya Division
June 2021	Board Director and Senior Executive Officer in charge of Marketing Planning & Coordination Dept. of head office, and General Manager of Hirakata Division (current position)

Tetsuya Yamao

Board Director

7

April 1984	Registered as an attorney at law
April 1984	Joined Hanshin Law Office
April 1991	Attorney, Established Tokiwa Law Office
April 2004	Attorney, Established Yamao Law Office
September 2015	Attorney and Partner of Umeda Shinmichi Law Office (current position)
March 2016	Outside Corporate Auditor of Cypressclub Co., Ltd.
June 2016	Board Director of the Company (current position)

Tatsuya Kawabe

Board Director

8

April 1976	Joined The Kansai Electric Power Company, Incorporated ("KEPCO")
June 2006	Manager of District Symbiosis and Public Relation Office
June 2007	Executive Officer, and Manager of District Symbiosis and Public Relations Office
May 2009	Executive Officer of the KEPCO, and Managing Director and Head of the Secretariat of Kansai Economic Federation
June 2009	Executive Managing Officer of KEPCO, and Managing Director and Head of the Secretariat of Kansai Economic Federation
May 2011	Executive Managing Officer of KEPCO, and Senior Managing Director of Secretariat of Kansai Economic Federation
June 2011	Director of KEPCO, and Senior Managing Director of Kansai Economic Federation
June 2015	President of Kansai Electrical Safety Inspection Association (current position)
June 2019	Board Director of the Company (current position)
June 2021	President and Deputy Director General of Institute of Nuclear Safety System, Inc. (current position)

Takehiko Yamamoto

Board Director

9

April 1975	Joined Mitsui O.S.K. Lines, Ltd.
June 2002	General Manager of Affiliated Business Division of Mitsui O.S.K. Lines, Ltd.
June 2003	General Manager of Group Business Division of Mitsui O.S.K. Lines, Ltd.
June 2005	Executive Officer in charge of Group Business Division and Kansai Business District of Mitsui O.S.K. Lines, Ltd., and Director of DAIBIRU
June 2007	Managing Executive Officer in charge of Group Business Division and Kansai Business District of Mitsui O.S.K. Lines, Ltd.
June 2009	Director and Senior Managing Executive Officer in charge of Group Business Division and Kansai Business District of Mitsui O.S.K. Lines, Ltd.
June 2010	Representative Director, Vice President and Executive Officer of DAIBIRU CORPORATION
June 2011	Representative Director, President and Chief Executive Officer of DAIBIRU CORPORATION
April 2016	Representative Director and Chairman of DAIBIRU CORPORATION
April 2019	Director and Chairman of DAIBIRU CORPORATION
June 2019	Corporate Advisor of DAIBIRU CORPORATION
June 2020	Board Director of the Company (current position)
July 2020	Senior Fellow of DAIBIRU CORPORATION (current position)

Kimiko Funato

Board Director

10

April 1991	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
April 1998	Registered as an attorney at law Joined AIMANN AND ASSOCIATES (current position)
June 2021	Board Director of the Company (current position)

Auditors

Toyoji Maeda

April 1983	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
December 2001	Deputy General Manager of Finance and Accounting Division of Daiwa Bank Holdings, Inc. (currently Resona Holdings, Inc.)
November 2003	Deputy General Manager of Internal Audit Division of Daiwa Bank Holdings, Inc.
June 2007	General Manager of Funds and Securities Division, of The Kinki Osaka Bank, Ltd. (currently Kansai Mirai Bank, Limited)
August 2012	Advisor of Pension Trust Division of Resona Bank, Limited
April 2014	Joined the Company and General Manager of Internal Auditing Dept.
June 2019	Executive Officer and General Manager of Internal Auditing Dept.
April 2021	Executive Officer and Assistant to the Director in charge of Internal Auditing Dept.
June 2021	Standing Corporate Auditor (current position)

Shuji Ichihara

March 1974	Joined the Company
July 2001	General Manager of General Affairs Dept. of head office
September 2005	General Manager of Human Resources & General Affairs Dept. of head office
June 2006	Executive Officer, General Manager of Human Resources & General Affairs Dept. of head office
April 2010	Executive Officer, General Manager of Human Resources & General Affairs Dept. of head office, General Manager of Tokyo Office
June 2010	Standing Auditor
June 2021	Corporate Auditor (current position)

Masanori Ando

April 1988	Joined NIPPON STEEL CORPORATION
October 2012	General Manager, Head of Department of Procurement Planning Department, Machinery & Materials Procurement Division of Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION)
April 2013	General Manager, Human Resources Division of Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION)
	Seconded to OSAKA STEEL CO., LTD.
April 2016	General Manager, Group Companies Planning Division of Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION)
	Audit & Supervisory Board Member of Nippon Steel & Sumikin Metal Products Co., Ltd. (currently Nippon Steel Metal Products Co., Ltd.) (current position)
June 2018	Audit & Supervisory Board Member of OSAKA STEEL CO., LTD. (current position)
April 2019	Executive Counselor and General Manager, Head of Division of Group Companies Planning Division of NIPPON STEEL CORPORATION (current position)
June 2021	Auditor of the Company (current position)

Toru Muneoka

September 1984	Joined Tomatsu Aoki (currently Deloitte Touche Tohmatsu LLC)
February 1988	Registered Certified Public Accountant
September 1990	Joined Industrial Bank of Japan (currently Mizuho Bank, Ltd.)
April 2003	Joined Sony Corporation
April 2006	Professor, School of Accountancy of Graduate School of Kansai University (current position)
March 2011	Auditor of DDS Inc. (current position)
January 2016	Outside Director of SENSHU ELECTRIC CO., LTD. (current position)
January 2019	Provisional Auditor of the Company
June 2019	Auditor of the Company (current position)

Executive Officers

Senior Executive Officers	
Aimei Shiraishi	General Manager of Nagoya Division
Masami Yokoyama	in charge of Production Planning & Coordination Dept. and Material Recycling Dept. of head office
Kiminori Hashimoto	in charge of Compliance, Human Resources & General Affairs Dept., and Information System Dept. of head office

Executive Officers	
Tetsuya Matsumoto	Deputy General Manager of Yamaguchi Division, General Manager of Sales & Marketing Dept. of Yamaguchi Division and Assistant to Director in charge of Production Planning & Coordination Dept. of head office
Susumu Hayashi	General Manager of Accounting & Financing Dept., and General Manager of Information System Dept. of head office
Meguru Nishimura	Assistant to Director in charge of Overseas Investment Dept. of head office, Assistant to Director in charge of Marketing Planning & Coordination Dept., Assistant to Director in charge of Material Recycling Dept., Chairman of KYOEI STEEL America LLC, Chairman of Vinton Steel, LLC and Chairman of AltaSteel Inc.
Nobuaki Nakatani	General Manager of Human Resources & General Affairs Dept. of head office
Akio Miyamura	Seconded to Thi Vai International Port Co., Ltd. (President of Thi Vai International Port Co., Ltd)
Hiroyuki Iwasa	Seconded to Vina Kyoei Steel Ltd. (President of Vina Kyoei Steel Ltd.)
Yasuhiro Yonemura	Seconded to Vietnam Italy Steel JSC (President of Vietnam Italy Steel JSC)
Shinichi Fujioka	Deputy General Manager of Hirakata Division, General Manager of Administration Dept., General Manager of Material Recycling Dept. of Hirakata Division
Masatomo Uemichi	General Manager of Production Planning & Coordination Dept., Head of Production Planning & Coordination Section and General Manager of Development Center of head office
Makoto Sawamura	Assistant to Director in charge of Marketing Planning & Coordination Dept. of head office

Consolidated Ten-Year Summary

For the years ended March 31, 2012 through 2021

	2012	2013	2014	2015	2016
Product shipments (Thousands of tons):					
Finished products (total)	1,919	2,081	2,357	2,338	2,429
Domestic	1,549	1,603	1,720	1,680	1,641
Overseas	371	478	637	657	788
For the year (Millions of yen):					
Net sales	¥ 130,650	¥ 142,305	¥ 174,694	¥ 181,436	¥ 160,952
Gross profit	12,780	13,256	12,293	21,900	23,889
Operating income	4,166	4,343	2,857	11,796	13,792
Income before income taxes	3,151	3,738	9	10,730	12,432
Profit (loss) attributable to owners of parent	1,692	2,069	(795)	6,923	8,467
Research and development expenses	29	95	188	231	104
Depreciation and amortization	4,644	4,254	4,232	4,147	5,026
Capital expenditures	4,991	3,809	7,344	15,920	10,103
Per share amounts (yen):					
Net income (loss), basic	38.89	47.59	(18.28)	159.30	194.94
Net income (loss), diluted	—	—	—	—	—
Cash dividends applicable to the year	20.00	20.00	20.00	35.00	45.00
At year-end:					
Total assets	¥ 164,486	¥ 165,129	¥ 180,771	¥ 201,760	¥ 200,436
Working capital	61,950	63,811	79,699	81,872	83,565
Interest bearing debt	10,877	11,231	26,530	32,810	33,149
Net assets	122,725	125,257	128,788	138,052	143,090
Shareholders’ equity*	120,344	122,515	121,622	129,546	134,886
Ratios:					
Return on equity (%)	1.4	1.7	(0.7)	5.5	6.4
Return on total assets (%)	2.8	2.9	2.1	6.6	7.1
Debt to equity ratio (times)	0.09	0.09	0.22	0.24	0.23
Shareholders' equity* to total assets (%)	73.2	74.2	67.3	64.2	67.3
Other statistics:					
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899
Number of employees	1,299	1,327	1,611	1,741	1,806
Stock price (yen):					
High	¥ 1,692	¥ 1,781	¥ 2,220	¥ 2,286	¥ 2,455
Low	¥ 1,011	¥ 1,105	¥ 1,372	¥ 1,618	¥ 1,584

2017	2018	2019	2020	2021	
					Product shipment (Thousands of tons)**:**
2,662	2,965	3,269	3,367	**3,363**	Finished products (total)
1,662	1,682	1,747	1,645	**1,573**	Domestic
999	1,284	1,522	1,722	**1,790**	Overseas
					For the year (Millions of yen)**:**
¥ 145,991	¥ 191,254	¥ 242,257	¥ 239,343	**¥ 226,371**	Net sales
18,726	16,472	23,474	34,743	**28,258**	Gross profit
7,971	4,259	9,200	19,404	**12,656**	Operating income
7,698	5,449	8,444	13,520	**12,735**	Income before income taxes
4,783	3,483	6,505	7,978	**8,788**	Profit (loss) attributable to owners of parent
119	177	169	180	**231**	Research and development expenses
5,961	6,663	7,476	7,719	**8,402**	Depreciation and amortization
7,262	5,803	5,507	8,894	**10,863**	Capital expenditures
					Per share amounts (yen):
110.41	80.31	149.78	183.56	**202.22**	Net income (loss), basic
—	—	—	—	**—**	Net income (loss), diluted
30.00	40.00	40.00	75.00	**60.00**	Cash dividends applicable to the year
					At year-end:
¥ 214,341	¥ 234,220	¥ 261,590	¥ 269,145	**¥ 282,282**	Total assets
93,301	105,791	126,734	128,115	**139,622**	Working capital
41,414	50,088	69,247	72,407	**79,272**	Interest bearing debt
146,663	148,460	153,781	158,044	**164,583**	Net assets
138,365	140,010	143,407	147,671	**154,429**	Shareholders' equity*
					Ratios:
3.5	2.5	4.6	5.5	**5.8**	Return on equity (%)
4.1	2.2	4.0	7.6	**4.9**	Return on total assets (%)
0.28	0.34	0.45	0.46	**0.48**	Debt to equity ratio (times)
64.6	59.8	54.8	54.9	**54.7**	Shareholders' equity* to total assets (%)
					Other statistics:
44,899	44,899	44,899	44,899	**44,899**	Number of shares outstanding (thousands)
2,341	2,430	3,200	3,605	**3,985**	Number of employees
					Stock price (yen)**:**
¥ 2,349	¥ 2,295	¥ 2,510	¥ 2,314	**¥ 1,775**	High
¥ 1,387	¥ 1,594	¥ 1,473	¥ 1,161	**¥ 1,153**	Low

*Shareholders' equity = Net assets – Noncontrolling interests
The provisional accounting treatment for the business combination in the previous consolidated fiscal year was finalized in the current fiscal year.
The figures for the fiscal year ended March 31, 2020 reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment.

1 CONSOLIDATED OPERATING RESULTS

(1) Operating Results

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

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

Consolidated net sales decreased 12,973 million yen ($117,172 thousand) (5.4%) to 226,371 million yen ($2,044,532 thousand). Operating profit decreased 6,748 million yen ($60,944 thousand) (34.8%) to 12,656 million yen ($114,309 thousand) and ordinary profit decreased 6,019 million yen ($54,363 thousand) (31.8%) to 12,935 million yen ($116,823 thousand). Profit attributable to the owners of the parent increased 810 million yen ($7,318 thousand) (10.2%) to 8,788 million yen ($79,374 thousand).

Results by business segment are as follows.
Business segments were changed in the fiscal year ended March 31,2021. Comparisons and the accompanying analysis are based on the revised business segments. For more information, related to the revisions to the reportable segments, see Note 22(a), "SEGMENT INFORMATION-Overviews of Reporting Segments".

1) Domestic Steel Business
The volume of product shipments decreased 72,000 tons from one year earlier to 1,570,000 tons. While the price of steel scrap rose by 2,700 yen ($24.39) (10.2%) per ton, product prices fell by 4,100 yen ($37.03) (6.0%) per ton. Therefore, the difference between the prices of steel products and steel scrap narrowed by 6,800 yen ($61.42) (16.5%) per ton compared with one year earlier. Segment sales decreased 11,395 million yen ($102,920 thousand) (9.3%) to 111,138 million yen ($1,003,773 thousand) and operating profit decreased 4,996 million yen ($45,123 thousand) (27.7%) to 13,012 million yen ($117,523 thousand).

2) Overseas Steel Business
Kyoei Steel operates in the steel business in Vietnam and North America (the United States and Canada).
In Vietnam, where competition increased in the first half of the calendar year 2020, results of operations in southern Vietnam were weak due to slow sales and other reasons. However, performance started recovering in the second half mainly because of upturns in the demand for steel products and the prices of these products. In North America, as the COVID-19 pandemic impacted economic activities, demand for steel products used for mining was weak in the United States and Canada. In addition, there were suspensions of operations for the updating of equipment in the fourth quarter of 2020 and because of problems related to production equipment, resulting in a significant decrease in earnings.
Segment sales decreased 4,077 million yen ($36,822 thousand) (3.7%) to 104,985 million yen ($948,207 thousand) and operating profit decreased 2,711 million yen ($24,489 thousand) (compared with operating profit of 2,284 million yen one year earlier) to a loss of 428 million yen ($3,862 thousand).

3) Material Recycling Business
The performance of this business benefited from high demand of recycling associated with the COVID-19 pandemic and other activities. Segment sales increased 239 million yen ($2,155 thousand) (3.7%) to 6,705 million yen ($60,555 thousand) and operating profit increased 267 million yen ($2,412 thousand) (24.5%) to 1,356 million yen ($12,245 thousand).

4) Others
This category includes sales of civil engineering materials by a subsidiary in Japan, harbor operations and a casting business in Vietnam, a casting business in Japan, and other activities. Sales increased 2,261 million yen ($20,418 thousand) (176.4%) to 3,543 million yen ($32,002 thousand), and operating profit decreased 210 million yen ($1,898 thousand) (compared with operating profit of 153 million yen on previous fiscal year) to a loss of 57 million yen ($516 thousand).

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

Current assets increased by 10,538 million yen ($95,175 thousand), or 6.6%, from the end of the previous fiscal year to 169,894 million yen ($1,534,446 thousand). This was attributable mainly to increases of 11,350 million yen ($102,510 thousand) in cash and deposits and 1,191 million yen ($10,761 thousand) in raw materials and supplies and decreases of 1,300 million yen ($11,741 thousand) in securities, 1,104 million yen ($9,972 thousand) in merchandise and finished goods and 1,242 million yen ($11,215 thousand) in other current assets.
Long term assets increased by 2,599 million yen ($23,474 thousand), or 2.4%, from the end of the previous fiscal year to 112,388 million yen ($1,015,064 thousand). This was attributable mainly to increases of 804 million yen

($7,261 thousand) in machinery, equipment and vehicles, 1,547 million yen ($13,968 thousand) in investment in securities and 1,609 million yen ($14,533 thousand) in net defined benefit asset and decreases of 841 million yen ($7,596 thousand) in investment in long-term loans receivables and 1,181 million yen ($10,669 thousand) in investments and other assets. Total assets increased by 13,137 million yen ($118,651 thousand), or 4.9%, from the end of the previous fiscal year to 282,282 million yen ($2,549,510 thousand).

(ii) Liabilities

Current liabilities decreased by 1,616 million yen ($14,598 thousand), or 2.0%, from the end of the previous fiscal year to 80,622 million yen ($728,161 thousand). This was attributable mainly to increases of 4,481 million yen ($40,473 thousand) in notes and accounts payable and 1,445 million yen ($13,048 thousand) in long-term debt due within one year and decreases of 2,092 million yen ($18,896 thousand) in short-term loans, 2,491 million yen ($22,496 thousand) in income taxes payable and 2,650 million yen ($23,935 thousand) in other current liabilities.

Long-term liabilities increased by 8,214 million yen ($74,186 thousand), or 28.5%, from the end of the previous fiscal year to 37,077 million yen ($334,871 thousand). This was attributable mainly to an increase of 7,339 million yen ($66,284 thousand) in long-term debt. Total liabilities increased by 6,598 million yen ($59,588 thousand), or 5.9%, from the end of the previous fiscal year to 117,699 million yen ($1,063,032 thousand).

(iii) Net assets

Net assets increased by 6,539 million yen ($59,063 thousand), or 4.1%, from the end of the previous fiscal year to 164,583 million yen ($1,486,478 thousand). This was attributable mainly to profit attributable to the owner of the parent of 8,788 million yen ($79,374 thousand), dividends of surplus of 3,477 million yen ($31,397 thousand) and an increase of 948 million yen ($8,566 thousand) in remeasurements of defined benefit plans. As a result, net assets per share increased by 155.52 yen ($1.40) from the end of the previous fiscal year to 3,553.45 yen ($32.09), and equity to total assets decreased from 54.9% to 54.7%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 16,734 million yen ($151,134 thousand) from the end of the previous fiscal year to 25,351 million yen ($228,968 thousand). The cash flow components during the fiscal year and the main reasons for the changes are described below.

(i) Cash flows from operating activities

Net cash provided by operating activities was 15,191 million yen ($137,201 thousand). Major components were income before income taxes of 12,735 million yen ($115,017 thousand), income of 2,894 million yen ($26,141 thousand) resulting in a working capital burden reduction due to an increase in trade payables at the end of the fiscal year, income increasing noncash items such as depreciation expenses of 21,167 million yen ($191,173 thousand), interest payments of 1,353 million yen ($12,216 thousand), income tax payments of 5,998 million yen ($54,176 thousand) and interest and dividends received of 1,205 million yen ($10,880 thousand).

(ii) Cash flows from investing activities

Net cash used in investing activities was 36,778 million yen ($332,168 thousand). Major components were payments into time deposits of 58,658 million yen ($529,787 thousand), proceeds from the withdrawal of time deposits of 32,611 million yen ($294,537 thousand), purchases of property, plant and equipment for maintenance and renewal of existing steel manufacturing facilities, rationalization investments and the rationalization investments for production bases in North America of 9,353 million yen ($84,475 thousand).

(iii) Cash flows from financing activities

Net cash provided by financing activities was 5,136 million yen ($46,393 thousand). Major components included proceeds from long-term debt of 15,000 million yen ($135,477 thousand), repayments of long-term debt of 5,714 million yen ($51,607 thousand) and dividends paid of 3,471 million yen ($31,350 thousand).

(3) Dividends

Pursuant to our fundamental principle of rewarding our shareholders by increasing corporate value, we endeavor to distribute dividends while ensuring appropriate reserves for business growth and enhancing the corporate structure from a long-term perspective. Accordingly, we plan to pay a year-end dividend of 45 yen ($0.41) per share for the fiscal year ended March 31, 2021. Including the interim dividend of 15 yen ($0.14), total dividends per share for the fiscal year will be 60 yen ($0.54).

2 BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

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

Consolidated Balance Sheets

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
ASSETS			
Current assets:			
Cash and time deposits (Note 15)	**¥ 66,959**	¥ 55,609	**$ 604,759**
Notes and accounts receivable	**40,341**	39,603	**364,349**
Electronically recorded monetary claims - operating	**12,233**	11,501	**110,487**
Marketable securities (Note 16)	**1,000**	2,300	**9,032**
Inventories (Note 4)	**46,840**	46,753	**423,053**
Other current assets	**3,015**	4,257	**27,234**
Allowance for doubtful accounts	**(494)**	(667)	**(4,468)**
Total current assets	**169,894**	159,356	**1,534,446**
Property, plant and equipment:			
Buildings and structures	**55,550**	54,145	**501,719**
Machinery and equipment	**139,363**	135,328	**1,258,693**
Land (Note 5)	**29,761**	29,185	**268,800**
Construction in progress	**3,093**	2,992	**27,933**
Other	**3,732**	3,441	**33,710**
Total	**231,499**	225,091	**2,090,855**
Accumulated depreciation	**(137,122)**	(132,360)	**(1,238,463)**
Net property, plant and equipment	**94,377**	92,731	**852,392**
Investments and other assets:			
Investments in securities (Note 16)	**4,199**	3,160	**37,925**
Unconsolidated subsidiaries and affiliated companies (Note 16)	**6,462**	5,954	**58,358**
Investments in long-term loans receivable	**460**	1,301	**4,154**
Net defined benefit asset (Note 12)	**1,914**	305	**17,289**
Goodwill	**978**	1,149	**8,836**
Other intangible assets	**2,636**	2,315	**23,812**
Deferred tax assets (Note 9)	**490**	821	**4,424**
Other noncurrent assets	**936**	2,117	**8,452**
Allowance for doubtful accounts	**(64)**	(64)	**(578)**
Total investments and other assets	**18,011**	17,058	**162,672**
Total assets	**¥ 282,282**	¥ 269,145	**$ 2,549,510**

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen 2021	2020	Thousands of U.S. dollars (Note 1) 2021
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable	¥ **14,963**	¥ 10,482	$ **135,144**
Electronically recorded obligations – operating	**2,559**	2,975	**23,115**
Short-term loans (Note 6)	**44,645**	46,737	**403,220**
Long-term debt due within one year (Note 6)	**5,705**	4,260	**51,526**
Income taxes payable	**1,486**	3,976	**13,417**
Accrued employee bonuses	**856**	756	**7,728**
Accrued director bonuses	**25**	18	**228**
Other current liabilities	**10,383**	13,034	**93,783**
Total current liabilities	**80,622**	82,238	**728,161**
Long-term liabilities:			
Long-term debt (Note 6)	**27,979**	20,640	**252,702**
Deferred tax liabilities (Note 9)	**823**	713	**7,431**
Deferred tax liabilities for revaluation (Note 5)	**2,433**	2,433	**21,975**
Net defined benefit liability (Note 12)	**4,194**	3,813	**37,880**
Other long-term liabilities	**1,648**	1,264	**14,883**
Total long-term liabilities	**37,077**	28,863	**334,871**
Total liabilities:	**117,699**	111,101	**1,063,032**
Net assets (Note 10)			
Shareholders' equity			
Common stock	**18,516**	18,516	**167,229**
Authorized – 150,300,000 shares in 2021 and 150,300,000 shares in 2020			
Issued – 44,898,730 shares in 2021 and 44,898,730 shares in 2020			
Capital surplus	**21,179**	21,141	**191,280**
Retained earnings	**110,324**	104,823	**996,433**
Treasury stock	**(1,700)**	(1,700)	**(15,354)**
Total shareholders' equity	**148,319**	142,780	**1,339,588**
Accumulated other comprehensive income			
Valuation difference on available for sale securities	**948**	246	**8,560**
Deferred gains and losses on hedges	**(323)**	(158)	**(2,916)**
Revaluation reserve for land (Note 5)	**4,625**	4,625	**41,775**
Remeasurement of defined benefit plans	**865**	(83)	**7,814**
Foreign currency translation adjustments	**(5)**	261	**(49)**
Total accumulated other comprehensive income	**6,110**	4,891	**55,184**
Noncontrolling interests	**10,154**	10,373	**91,706**
Total net assets	**164,583**	158,044	**1,486,478**
Total liabilities and net assets	¥ **282,282**	¥ 269,145	$ **2,549,510**

Consolidated Statements of Income

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen **2021**	 2020	Thousands of U.S. dollars (Note 1) **2021**
Net sales	**¥ 226,371**	¥ 239,343	**$ 2,044,532**
Cost of sales	**198,113**	204,600	**1,789,308**
Gross profit	**28,258**	34,743	**255,224**
Selling, general and administrative expenses	**15,602**	15,339	**140,915**
Operating income	**12,656**	19,404	**114,309**
Other income (expenses):			
Interest income	**825**	704	**7,455**
Dividend income	**139**	143	**1,257**
Interest expense	**(1,310)**	(1,936)	**(11,835)**
Share of profit of entities accounted for using equity method	**763**	788	**6,888**
Foreign exchange losses	**(498)**	(347)	**(4,492)**
Gain on sale and disposal of property, plant and equipment	**21**	17	**187**
Loss on sale and disposal of property, plant and equipment	**(365)**	(656)	**(3,299)**
Impairment loss on fixed assets (Note 18)	**—**	(4,630)	**—**
Insurance income	**—**	36	**—**
Subsidy income	**148**	—	**1,338**
Surrender value of insurance policies	**76**	—	**682**
Cash sales discounts	**—**	(24)	**—**
Loss on sales of investments in securities	**—**	(1)	**—**
Loss on disaster	**—**	(21)	**—**
Provision for disposal costs of PCBs	**—**	(46)	**—**
Other, net	**280**	89	**2,527**
Other income (expenses), net	**79**	(5,884)	**708**
Income before income taxes	**12,735**	13,520	**115,017**
Income taxes (Note 9)			
Current	**3,714**	5,308	**33,542**
Deferred	**(248)**	(0)	**(2,242)**
Total income taxes	**3,466**	5,308	**31,300**
Profit	**9,269**	8,212	**83,717**
Profit attributable to noncontrolling interests	**481**	234	**4,343**
Profit attributable to owners of parent	**¥ 8,788**	¥ 7,978	**$ 79,374**

Amounts per share (Note 13)	Yen **2021**	 2020	U.S. dollars (Note 1) **2021**
Net income			
Basic	**¥ 202.22**	¥ 183.56	**$ 1.82**
Diluted*	**—**	—	**—**
Cash dividends applicable to the year	**¥ 60.00**	¥ 75.00	**$ 0.54**

* As there was no dilutive stock outstanding during the year, the computation of diluted net income per share was not calculated.

Consolidated Statements of Comprehensive Income

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen **2021**	 2020	Thousands of U.S. dollars (Note 1) **2021**
Profit	**¥ 9,269**	¥ 8,212	**$ 83,717**
Other comprehensive income			
Valuation difference on available for sale securities	**702**	(539)	**6,340**
Deferred gains and losses on hedges	**(201)**	(225)	**(1,812)**
Foreign currency translation adjustments	**(745)**	(1,108)	**(6,725)**
Remeasurement of defined benefit plans	**949**	(290)	**8,568**
Other comprehensive income, net (Note 19)	**705**	(2,162)	**6,371**
Comprehensive income	**¥ 9,974**	¥ 6,050	**$ 90,088**
Comprehensive income attributable to:			
Owners of parent	**¥ 10,036**	¥ 5,968	**$ 90,645**
Noncontrolling interest	**¥ (62)**	¥ 82	**$ (557)**

Consolidated Statements of Changes in Net Assets

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	**2021**	2020	**2021**
Shareholders' equity			
Common stock			
Balance at the beginning of current period	**¥ 18,516**	¥ 18,516	**$ 167,229**
Balance at the end of current period	**18,516**	18,516	**167,229**
Capital surplus			
Balance at the beginning of current period	**21,141**	21,141	**190,938**
Changes during the period			
Change in scope of consolidation	**38**	—	**342**
Total changes during the period	**38**	—	**342**
Balance at the end of current period	**21,179**	21,141	**191,280**
Retained earnings			
Balance at the beginning of current period	**104,823**	98,550	**946,740**
Cumulative effects of changes in accounting policies	**—**	34	**—**
Restated balance	**104,823**	98,584	**946,740**
Changes during the period			
Change in scope of consolidation	**190**	—	**1,716**
Cash dividends	**(3,477)**	(1,739)	**(31,397)**
Profit attributable to owners of parent	**8,788**	7,978	**79,374**
Reversal of revaluation reserve for land	**—**	—	**—**
Total changes during the period	**5,501**	6,239	**49,693**
Balance at the end of current period	**110,324**	104,823	**996,433**
Treasury stock			
Balance at the beginning of current period	**(1,700)**	(1,700)	**(15,354)**
Changes during the period			
Purchase of treasury stock	**—**	(0)	**—**
Sale of treasury stock	**—**	—	**—**
Total changes during the period	**—**	(0)	**—**
Balance at the end of current period	**(1,700)**	(1,700)	**(15,354)**
Total shareholders' equity			
Balance at the beginning of current period	**142,780**	136,507	**1,289,553**
Cumulative effects of changes in accounting policies	**—**	34	**—**
Restated balance	**142,780**	136,541	**1,289,553**
Changes during the period			
Cash dividends	**(3,477)**	(1,739)	**(31,397)**
Profit attributable to owners of parent	**8,788**	7,978	**79,374**
Purchase of treasury stock	**—**	(0)	**—**
Sale of treasury stock	**—**	—	**—**
Change in scope of consolidation	**228**	—	**2,058**
Change in ownership interest of parent due to transactions with noncontrolling interests	**—**	—	**—**
Reversal of revaluation reserve for land	**—**	—	**—**
Total changes during the period	**5,539**	6,239	**50,035**
Balance at the end of current period	**¥ 148,319**	¥ 142,780	**$ 1,339,588**

	Millions of yen		Thousands of U.S. dollars (Note 1)
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	**2021**	2020	**2021**
Accumulated other comprehensive income			
Valuation difference on available for sale securities			
Balance at the beginning of current period	**¥ 246**	¥ 785	**$ 2,221**
Changes during the period			
Net changes in items other than shareholders' equity	**702**	(539)	**6,339**
Total changes during the period	**702**	(539)	**6,339**
Balance at the end of current period	**948**	246	**8,560**
Deferred gains and losses on hedges			
Balance at the beginning of current period	**(158)**	32	**(1,426)**
Change during the period			
Net changes in items other than shareholders' equity	**(165)**	(190)	**(1,490)**
Total changes during the period	**(165)**	(190)	**(1,490)**
Balance at the end of current period	**(323)**	(158)	**(2,916)**
Revaluation reserve for land			
Balance at the beginning of current period	**4,625**	4,625	**41,775**
Changes during the period			
Net changes in items other than shareholders' equity	**—**	—	**—**
Total changes during the period	**—**	—	**—**
Balance at the end of current period	**4,625**	4,625	**41,775**
Foreign currency translation adjustments			
Balance at the beginning of current period	**261**	1,251	**2,356**
Changes during the period			
Net changes in items other than shareholders' equity	**(266)**	(990)	**(2,405)**
Total changes during the period	**(266)**	(990)	**(2,405)**
Balance at the end of current period	**(5)**	261	**(49)**
Remeasurement of defined benefit plans			
Balance at the beginning of current period	**(83)**	206	**(752)**
Changes during the period			
Net changes in items other than shareholders' equity	**948**	(289)	**8,566**
Total changes during the period	**948**	(289)	**8,566**
Balance at the end of current period	**865**	(83)	**7,814**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**4,891**	6,899	**44,174**
Changes during the period			
Net changes in items other than shareholders' equity	**1,219**	(2,008)	**11,010**
Total changes during the period	**1,219**	(2,008)	**11,010**
Balance at the end of current period	**¥ 6,110**	¥ 4,891	**$ 55,184**

Consolidated Statements of Changes in Net Assets

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	**2021**	2020	**2021**
Noncontrolling interests			
Balance at the beginning of current period	**¥ 10,373**	¥ 10,374	**$ 93,686**
Changes during the period			
Net changes in items other than shareholders' equity	**(219)**	(1)	**(1,980)**
Total changes during the period	**(219)**	(1)	**(1,980)**
Balance at the end of current period	**10,154**	10,373	**91,706**
Total net assets			
Balance at the beginning of current period	**158,044**	153,780	**1,427,413**
Cumulative effects of changes in accounting policies	**—**	34	**—**
Restated balance	**158,044**	153,814	**1,427,413**
Changes during the period			
Change in scope of consolidation	**228**	—	**2,058**
Cash dividends	**(3,477)**	(1,739)	**(31,397)**
Net income	**8,788**	7,978	**79,374**
Purchase of treasury stock	**—**	(0)	**—**
Net changes in items other than shareholders' equity	**1,000**	(2,009)	**9,030**
Total changes during the period	**6,539**	4,230	**59,065**
Balance at the end of current period	**¥ 164,583**	¥ 158,044	**$ 1,486,478**

Consolidated Statements of Cash Flows

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash flows from operating activities:			
Income before income taxes	**¥ 12,735**	¥ 13,520	**$ 115,017**
Depreciation and amortization	**8,402**	7,719	**75,884**
Impairment loss on fixed assets	**—**	4,630	**—**
Amortization of goodwill	**198**	312	**1,790**
Increase (decrease) in provision	**(37)**	214	**(337)**
Increase (decrease) in net defined benefit liability	**604**	21	**5,455**
Share of profit of entities accounted for using equity method	**(763)**	(788)	**(6,888)**
Loss (gain) on sale of investments in securities	**—**	1	**—**
Loss (gain) on sale and disposal of property, plant and equipment	**345**	638	**3,112**
Insurance income	**(22)**	(36)	**(202)**
Subsidy income	**(148)**	—	**(1,338)**
Loss on disaster	**—**	21	**—**
Interest and dividend income	**(965)**	(847)	**(8,712)**
Interest expense	**1,310**	1,936	**11,835**
Decrease (increase) in notes and accounts receivable	**(1,431)**	14,777	**(12,922)**
Decrease (increase) in inventories	**261**	2,543	**2,358**
Increase (decrease) in notes and accounts payable	**4,064**	(10,272)	**36,705**
Increase (decrease) in accrued consumption taxes	**(1,218)**	222	**(11,004)**
Decrease (increase) in net defined benefit asset	**(1,377)**	61	**(12,440)**
Other	**(791)**	3,250	**(7,140)**
Subtotal	**21,167**	37,922	**191,173**
Interest and dividends received	**1,205**	871	**10,880**
Interest paid	**(1,353)**	(1,919)	**(12,216)**
Payments for loss on disaster	**—**	(21)	**—**
Proceeds from insurance income	**22**	36	**202**
Subsidy income	**148**	—	**1,338**
Income taxes paid	**(5,998)**	(3,642)	**(54,176)**
Net cash provided by (used in) operating activities	**¥ 15,191**	¥ 33,247	**$ 137,201**
Cash flows from investing activities:			
Increase in time deposits	**¥ (58,658)**	¥ (22,269)	**$ (529,787)**
Decrease in time deposits	**32,611**	24,867	**294,537**
Payment for acquisition of marketable securities	**(2,000)**	(2,000)	**(18,064)**
Proceeds from sale of marketable securities	**2,000**	3,000	**18,064**
Payment for purchase of investments in securities	**(4)**	(3)	**(32)**

Consolidated Statements of Cash Flows

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020	Millions of yen **2021**	 2020	Thousands of U.S. dollars (Note 1) **2021**
Proceeds from sale or redemption of investments in securities	**—**	2	**—**
Increase in money deposited	**(1)**	(1)	**(8)**
Decrease in money deposited	**1**	1,220	**7**
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 12)	**—**	(15,177)	**—**
Payment for acquisition of investments of capital in subsidiaries	**(101)**	(62)	**(911)**
Investments in loans	**(517)**	(882)	**(4,665)**
Collection of loans	**49**	61	**445**
Payment for purchase of property, plant and equipment	**(9,353)**	(7,783)	**(84,475)**
Proceeds from sale of property, plant and equipment	**14**	19	**129**
Payment for purchase of intangibles	**(732)**	(114)	**(6,610)**
Other	**(87)**	(201)	**(798)**
Net cash provided by (used in) investing activities	**(36,778)**	(19,323)	**(332,168)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(33)**	6,415	**(296)**
Proceeds from long-term debt	**15,000**	1,000	**135,477**
Repayment of long-term debt	**(5,714)**	(3,855)	**(51,607)**
Repayment of installment payables	**(88)**	(42)	**(790)**
Payment for purchase of treasury stock	**—**	(0)	**—**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(238)**	—	**(2,150)**
Cash dividends paid	**(3,471)**	(1,739)	**(31,350)**
Dividends paid to noncontrolling shareholders	**(320)**	(82)	**(2,891)**
Net cash provided by (used in) financing activities	**5,136**	1,697	**46,393**
Effect of exchange rate changes on cash and cash equivalents	**(561)**	57	**(5,069)**
Net increase (decrease) in cash and cash equivalents	**(17,012)**	15,678	**(153,643)**
Cash and cash equivalents at the beginning of the period	**42,085**	26,407	**380,102**
Increase in cash and cash equivalents from newly consolidated subsidiary	**278**	—	**2,509**
Cash and cash equivalents at the end of the period (Note 12)	**¥ 25,351**	¥ 42,085	**$ 228,968**

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The significant portions of the accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with International Financial Reporting Standards with adjustments for the specified following five items as applicable.

(1) Goodwill not subject to amortization
(2) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(5) Reclassification of accumulated other comprehensive income (AOCI) to profit or loss on disposal or recognition of impairment losses for equity instruments classified as FVOCI

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the parent company and all the subsidiaries over which it exerts substantial control either through majority ownership of voting stock or by other means. As a result, the accompanying consolidated financial statements for the years ended March 31, 2021 and 2020 include the accounts of the Company and its 19 and 16 subsidiaries, respectively. For the year ended March 31, 2021 Kyoei Corporation was included in the scope of consolidation following its new establishment, and Yodoshi Corporation and VINA-JAPAN ENGINEERING LTD were included in the scope of consolidation following increases in their materiality. Several subsidiaries, included in consolidation have fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company, which ends on March 31. For these consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

Investments in affiliates, other than the subsidiaries referred to above, are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

(b) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at each balance sheet date. The resulting gain or loss is recognized as other income or expense.

Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as foreign currency translation adjustments and noncontrolling interests in the consolidated financial statements.

(c) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and pose an insignificant risk of change in value. Cash equivalents include time deposits and certificates of deposit which mature or become due within three months from the date of acquisition.

(d) Securities

Marketable securities classified as available for sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Nonmarketable securities classified as available for sale securities are carried at cost determined by the moving average method. If the market value of marketable securities classified as available for sale securities declines significantly, the securities are written down to fair value, thus establishing a new cost basis.

(e) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

(f) Inventories

Steel rolls are stated at cost determined by the specific identification method. Other inventories are stated mainly at cost determined by the average method. The balance sheet values are written down to reduce book value when the contribution of the inventories to profitability declines.

(g) Depreciation and amortization

(1) Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method. For buildings and structures, the useful life is 31 years. For machinery and equipment, the useful life is 14 years.

(2) Intangible assets (excluding lease assets)

Most intangible assets are depreciated by the straight-line method. Expenditures related to computer software intended for internal use are amortized over the useful life of the respective asset, which in general is 5 years.

(3) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership of the leased assets are depreciated by the straight-line method with the lease term as the useful life and a residual value of zero.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on historical experience with such write-offs plus an estimate of specific doubtful accounts determined by a review of the collectability of the individual receivables.

(i) Accrued employee bonuses

To provide for the payment of bonuses to employees, the projected amount of such bonuses is set aside as a provision.

(j) Accrued director bonuses

At some consolidated subsidiaries, to provide for the payment of bonuses to directors, the projected amount of such bonuses is set aside as a provision.

(k) Accounting policies for severance and retirement benefits

(1) The method of attributing expected benefits to periods

In calculating retirement benefit obligation, estimated retirement benefits are attributed to the period up to the end of the consolidated fiscal year using a benefit formula basis. At some consolidated overseas subsidiaries, an estimated total amount of expenses for post-retirement benefits in addition to pensions is allotted based on the number of years of service provided by the employees.

(2) Recognition of actuarial differences and past service costs

Actuarial differences are amortized on a straight-line basis over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year beginning the fiscal year following the year they occur. Past service costs are amortized on a straight-line basis over a fixed number of years (10 years) within the average service period of employees at the time of occurrence.

(3) Simplified method applied by small companies, etc.

Some consolidated subsidiaries apply a simplified method in calculating liabilities for retirement benefits and retirement benefit costs. An amount payable assuming the voluntary retirement of all employees at the fiscal year-end is considered to be equal to the retirement benefit obligation for a lump-sum severance pay plan, and the actual obligation in the latest pension finance calculation is considered to be equal to the retirement benefit obligation for the corporate pension plan.

(l) Revenue recognition

Sales are recognized at the time the delivery of goods is completed and the related consideration is deemed earned.

(m) Income taxes

Deferred income taxes are recognized by the asset-liability method. Under the asset-liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which are expected to be in effect when the differences are recovered or settled.

(n) Significant hedge accounting

(1) Method of hedge accounting

The Company and its consolidated subsidiaries use mainly deferred hedging. Hedges that meet the conditions for the special treatment of interest rate swaps and the designation of forward exchange contracts and currency swaps are accounted for separately.

(2) Hedging instruments and hedged items

a. Hedging instruments: Interest rate swaps
   Hedged items: Interest rates
b. Hedging instruments: Forward exchange contracts and currency swaps
   Hedged items: Foreign monetary assets and liabilities

(3) Hedging policy

Interest rate swap agreements are entered into to manage the risk associated with interest rate fluctuations on borrowings. Forward foreign exchange contracts and currency swaps are entered into in order to reduce risks associated with exchange rate fluctuations for transactions denominated in foreign currencies. Hedged items are identified separately with each agreement.

(4) Evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing the hedging instrument transaction value with the hedged item transaction value for each transaction. However, when interest rate swaps meet the conditions for special treatment, an assessment of effectiveness is omitted. Also, for forward exchange contracts and currency swaps that meet the conditions for appropriate treatment, when important terms, etc., related to the hedging instrument and hedged item are the same and the cash flow is fixed, an assessment of effectiveness is omitted.

(o) Goodwill

Goodwill is depreciated by the straight-line method within 20 years. However, goodwill is expensed in a lump sum when the value is immaterial.

(p) Cash in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with original maturities of three months or less and which represent only a minor risk of fluctuation in value.

3 ACCOUNTING STANDARDS NOT YET IMPLEMENTED

- Accounting Standards on Revenue Recognition (Corporate Accounting Standard No. 29, March 30, 2018, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard on Revenue Recognition (Corporate Accounting Standards Application Guidance No. 30, March 30, 2018, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Corporate Accounting Standards Application Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(a) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Considering the application of IFRS No. 15 from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed comprehensive Accounting Standards on Revenue Recognition and published them together with implementation guidance. In developing the Accounting Standards on Revenue Recognition, the Accounting Standards Board of Japan as a starting point incorporated the fundamental policy of comparability of financial statements of IFRS No. 15, which is the one of the benefits of achieving consistency with IFRS No. 15. If there are matters to be taken into consideration in Japan in actual practice, alternative treatment will be added within a range that will not impair financial statement comparability.

(b) Planned date of application

To be applied from the beginning of the fiscal year ending in March 2022

(c) Impact of application of accounting standards

The Company and its domestic consolidated subsidiaries are currently assessing the impact of the Accounting Standards on Revenue Recognition on the consolidated financial statements.

- Accounting Standard for Fair Value Measurement (Corporate Accounting Standard No. 30, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard on Measurement of Inventories (Corporate Accounting Standard No. 9, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard on Financial Instruments (Corporate Accounting Standard No. 10, July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Fair Value Measurement (Corporate Accounting Standards Application Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Corporate Accounting Standards Application Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(a) Overview

Considering that the standards by the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) on Fair Value Measurement (IFRS No. 13 "Fair Value Measurement and" Accounting Standards Codification Topic 820 "Fair Value Measurement" in US GAAP), the Accounting Standards Board of Japan (ASBJ) established consistency between Japanese accounting standards and international standards regarding the guidance on and disclosure of the fair value of financial instruments and published "Implementation Guidance on Fair Value Measurement." In developing the accounting standards on Fair Value Measurement, the fundamental policy of ASBJ was to basically adopt all the provisions of IFRS No. 13 from the perspective of improving the comparability of financial statements among domestic and foreign companies by using a unified measurement method. Alternative treatment for individual items will be established with consideration for actual practices in Japan within a range that will not impair financial statement comparability.

(b) Planned date of application

To be applied from the beginning of the fiscal year ending in March 2022

(c) Impact of application of accounting standards

The Company and its domestic consolidated subsidiaries are currently assessing the impact of the Accounting Standard on Measurement of Fair Value on the consolidated financial statements.

4 CHANGES IN ACCOUNTING POLICIES

Year ended March 31,2020

Application of IFRS 16 "Leases"

Some foreign subsidiaries have started to apply IFRS 16 "Leases" from the beginning of the current fiscal year. Accordingly, as a lessee, in principle, Kyoei Steel booked all leased assets and liabilities as assets and liabilities in the consolidated balance sheets. To begin applying this standard, Kyoei Steel is using the approved transitional treatment of recognizing the cumulative effect of applying this standard on the first day that this standard was applied. The effect of this change on the consolidated financial statements for the current fiscal year was insignificant.

5 INVENTORIES

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Merchandise	¥ 284	¥ 258	$ 2,568
Finished goods	15,487	17,136	139,879
Semi-finished goods	5,669	6,385	51,200
Work-in-process	10,187	8,606	92,008
Raw materials	2,722	1,488	24,586
Supplies	8,621	9,070	77,862
Steel rolls	3,870	3,810	34,950
Total	¥ 46,840	¥ 46,753	$ 423,053

6 APPLICATION OF LAND REVALUATION LAW

Land used for business purposes was revalued in accordance with the "Act on Revaluation of Land" (Law 34 of 1998, promulgated on March 31, 1998). The portion of the revaluation gain equivalent to the corporation tax and other taxes with tax bases linked to corporate profits has been presented under liabilities as "Deferred tax liabilities on revaluation," while the net sum after this transfer to the deferred tax liability account is presented under net assets as "Revaluation reserve for land."

Revaluation method
The land value has been calculated as stipulated in Article 2.4 of the "Regulations for Applying the Land Revaluation Law" (Government Ordinance No. 119 of 1998, promulgated on March 31, 1998) by making adjustments to the price determined by the method publicly announced for the calculation of the tax base under the Land Value Tax.

Revaluation date: March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Difference between the market value at end of year and the book value after revaluation	¥ (5,282)	¥ (5,602)	$ (47,710)

7 BANK LOANS

Short-term loans consisted of unsecured loans payable from banks at the weighted average interest rate of 1.40% at March 31, 2021 and 2.80% at March 31, 2020.

Long-term debt from banks at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt from banks at average interest rates of 0.9% and 0.8% for current and noncurrent portions, respectively	¥ 33,684	¥ 24,900	$ 304,228
Less current portion	(5,705)	(4,260)	(51,526)
Long-term debt from banks	¥ 27,979	¥ 20,640	$ 252,702

The assets pledged as collateral for short-term loans at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits*	¥ 588	¥ 597	$ 5,311
Land	1,121	1,121	10,127
Total	¥ 1,709	¥ 1,718	$ 15,438

* At the request of Alta Steel Inc., the Company provided collateral for a financial institution to issue a stand-by letter of credit.

Secured debt at March 31,2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt due within one year	¥ 200	¥ 200	$ 1,806
Long-term debt	567	767	5,121
Total	¥ 767	¥ 967	$ 6,927

The annual maturities of long-term debt from banks as of March 31, 2021 are summarized as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 5,705	$ 51,526
2023	4,444	40,134
2024	3,611	32,618
2025	3,656	33,021
2026	3,489	31,514
Thereafter	12,779	115,415
Total	¥ 33,684	$ 304,228

The annual maturities of long-term debt from banks as of March 31, 2020 are summarized as follows:

Year ended March 31,	Millions of yen
2021	¥ 4,260
2022	4,330
2023	3,018
2024	2,220
2025	2,187
Thereafter	8,885
Total	¥ 24,900

8 R&D EXPENSES

R&D expenses included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 amounted to ¥231 million ($2,085 thousand) and ¥180 million, respectively.

9 NET ASSETS

Under the Japanese Corporate Law (“the Law”) and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of new shares as additional paid-in capital, which is included in capital surplus. Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law and regulations.

At the Board Directors’ meeting held on April 30, 2021, the Board approved cash dividends in the amount of ¥1,956 million ($17,666 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2021. At the Board Directors’ meeting held on May 12, 2020, the Board approved cash dividends in the amount of ¥2,825 million ($25,958 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2020.

10 INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the year ended March 31, 2021 and 30.6% for the year ended March 31, 2020.

The major components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Impairment loss	**¥ 365**	¥ 377	**$ 3,295**
Inventories	**151**	190	**1,365**
Accrued enterprise taxes	**180**	213	**1,623**
Allowance for doubtful accounts	**34**	69	**311**
Accrued bonuses	**236**	228	**2,128**
Net defined benefit liability	**606**	845	**5,474**
Accrued director retirement benefits	**28**	27	**251**
Tax loss carryforwards	**1,203**	500	**10,865**
Other	**1,043**	874	**9,424**
Gross deferred tax assets	**3,846**	3,323	**34,736**
Valuation allowance	**(1,041)**	(1,151)	**(9,405)**
Total deferred tax assets	**2,805**	2,172	**25,331**
Deferred tax liabilities:			
Valuation difference on available for sale securities	**(462)**	(127)	**(4,169)**
Net defined benefit asset	**(143)**	(8)	**(1,288)**
Retained earnings appropriated for tax deductible reserves	**(16)**	(18)	**(145)**
Reserve for special depreciation for tax purposes	**—**	(1)	**—**
Depreciation of consolidated overseas subsidiaries	**(1,909)**	(1,429)	**(17,244)**
Valuation difference on assets	**(261)**	(249)	**(2,358)**
Other	**(347)**	(233)	**(3,132)**
Total deferred tax liabilities	**(3,138)**	(2,065)	**(28,336)**
Net deferred tax assets	**¥ (333)**	¥ 107	**$ (3,005)**

Comparison of figures for the fiscal year ended March 31, 2020 reflect a significant revision of the initial allocation of the acquisition cost for the business combination with Alta Steel Inc. resulting from the finalization of provisional accounting treatment and described in Note 21(a), “Finalization of provisional accounting treatment for business combinations.”

The major components of the reconciliation between the statutory tax rate and the effective tax rate as of March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	**30.6 %**	30.6 %
Disallowed expenses, including entertainment expenses	**0.2**	0.2
Dividends and other income deductible for income tax purposes	**(0.1)**	(0.1)
Inhabitants per capita taxes	**0.2**	0.2
Increase in valuation allowance	**(0.9)**	0.5
Prior year's taxes, other	**(0.2)**	0.1
Equity gains of affiliates	**(1.8)**	(1.8)
Impairment loss on goodwill	**—**	7.4
Others	**(0.8)**	2.1
Effective tax rates	**27.2 %**	39.2 %

Comparison of figures for the fiscal year ended March 31, 2020 reflect a significant revision of the initial allocation of the acquisition cost for the business combination with Alta Steel Inc. resulting from the finalization of provisional accounting treatment and described in Note 21(a), "Finalization of provisional accounting treatment for business combinations."

11 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the consolidated statements of changes in net assets for the years ended March 31, 2021 and March 31, 2020:

(a) Number of shares issued

For the year ended March 31, 2021

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**44,898,730**	**—**	**—**	**44,898,730**

For the year ended March 31, 2020

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	44,898,730	—	—	44,898,730

(b) Treasury stock

For the year ended March 31, 2021

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**1,439,755**	**—**	**—**	**1,439,755**

For the year ended March 31, 2020

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	1,439,682	73	—	1,439,755

(1) Treasury stock increased by 73 shares due to the repurchase of shares of less than one unit.

(c) Cash dividends
Amount of dividend payments
For the year ended March 31, 2021

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
May 12, 2020 (Board of Directors)	**Common stock**	**¥ 2,825**	**$25,513**	**¥ 65**	**$ 0.6**	**March 31, 2020**	**June 11, 2020**

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
October 30, 2020 (Board of Directors)	**Common stock**	**¥ 652**	**$ 5,888**	**¥ 15**	**$ 0.1**	**September 30, 2020**	**December 8, 2020**

For the year ended March 31, 2020

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
April 26, 2019 (Board of Directors)	Common stock	¥ 1,304	¥ 30	March 31, 2019	June 10, 2019

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
October 31, 2019 (Board of Directors)	Common stock	¥ 435	¥ 10	September 30, 2019	December 6, 2019

12 SUPPLEMENTARY CASH FLOW INFORMATION

1. Reconciliation of cash and cash equivalents
The following table represents a reconciliation of cash and cash equivalents at March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Cash and time deposits	**¥ 66,959**	¥ 55,609	**$ 604,759**
Time deposits with a maturity of more than three months	**(41,608)**	(14,825)	**(375,791)**
Negotiable certificates of deposit with maturities of three months or less from the acquisition date	**—**	1,300	**—**
Cash and cash equivalents	**¥ 25,351**	¥ 42,084	**$ 228,968**

2. Reconciliation of payments for purchase of investments in subsidiaries
For the year ended March 31, 2020
A breakdown of the assets and liabilities at the start of the consolidation of Alta Steel Inc. and Maple Leaf Metals Inc. resulting from the acquisition of shares and details regarding the share acquisition price and related expenditure are as follows.

	Millions of yen
Current assets	¥ 7,352
Fixed assets	12,791
Goodwill	883
Current liabilities	(2,364)
Long-term liabilities	(4,074)
Foreign currency translation adjustments	684
Share acquisition price	15,272
Cash and cash equivalents	(95)
Net payments for share acquisition	¥ 15,177

The figures reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment.

13 SEVERANCE AND RETIREMENT BENEFITS

(a) Defined benefit plans, lump-sum benefit plans and defined contribution plans

Some of the Company's subsidiaries have instituted defined benefit plans or lump-sum benefit plans and calculate defined benefit liabilities and periodic pension cost by the simplified method. Certain consolidated overseas subsidiaries, in addition to the above, provide post-retirement healthcare, etc.

(b) Defined benefit plan

The provisional accounting treatment for the business combination applied in the previous consolidated fiscal year was finalized in the current fiscal year. The comparison of figures reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment.

(1) Movement in retirement benefit obligations, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at April 1	**¥ 21,066**	¥ 4,924	**$ 190,265**
Service cost	**513**	296	**4,629**
Interest cost	**446**	12	**4,032**
Actuarial loss	**1,646**	148	**14,867**
Benefits paid	**(807)**	(277)	**(7,288)**
Increase due to joining of consolidated group of subsidiaries	**—**	15,963	**—**
Others*	**675**	—	**6,096**
Balance at March 31	**¥ 23,539**	¥ 21,066	**$ 212,601**

* Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(2) Movements in plan assets, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at April 1	**¥ 17,667**	¥ 5,110	**$ 159,565**
Expected return on plan assets	**540**	77	**4,879**
Actuarial gain (loss)	**2,928**	(190)	**26,449**
Contributions paid by the employer	**377**	194	**3,406**
Increase due to joining of consolidated group of subsidiaries	**—**	12,753	**—**
Benefits paid	**(807)**	(277)	**(7,288)**
Others*	**532**	—	**4,804**
Balance at March 31	**¥ 21,237**	¥ 17,667	**$ 191,815**

* Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(3) Movement in liability for retirement benefits by applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at April 1	**¥ 109**	¥ (14)	**$ 987**
Retirement benefit cost	**(13)**	215	**(118)**
Benefits paid	**(14)**	(26)	**(127)**
Contributions to benefit plans	**(112)**	(66)	**(1,013)**
Increase due to joining of consolidated group of subsidiaries	**11**	—	**98**
Others*	**(2)**	(0)	**(20)**
Balance at March 31	**¥ (21)**	¥ 109	**$ (193)**

* Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Funded retirement benefit obligations	**¥ 20,694**	¥ 18,802	**$ 186,902**
Plan assets	**(22,736)**	(18,939)	**(205,349)**
Subtotal	**(2,042)**	(137)	**(18,447)**
Unfunded retirement benefit obligations	**4,322**	3,645	**39,039**
Total net liability (asset) for retirement benefits at March 31	**¥ 2,280**	¥ 3,508	**$ 20,592**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net defined benefit asset	**¥ (1,914)**	¥ (305)	**$ (17,289)**
Net defined benefit liability	**4,194**	3,813	**37,880**
Total net liability (asset) for retirement benefits at March 31	**¥ 2,280**	¥ 3,508	**$ 20,591**

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service cost	**¥ 513**	¥ 296	**$ 4,629**
Interest cost	**446**	12	**4,032**
Expected return on plan assets	**(540)**	(77)	**(4,879)**
Net actuarial loss (gain) amortization	**(6)**	(80)	**(51)**
Retirement benefit cost applying the simplified method	**(13)**	215	**(119)**
Total retirement benefit costs for the year ended March 31	**¥ 400**	¥ 366	**$ 3,612**

(6) Remeasurement of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Actuarial gain or loss	**¥ 1,277**	¥ (417)	**$ 11,531**
Total balance at March 31	**¥ 1,277**	¥ (417)	**$ 11,531**

(7) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unrecognized actuarial gain or loss	**¥ 1,157**	¥ (120)	**$ 10,446**
Total balance at March 31	**¥ 1,157**	¥ (120)	**$ 10,446**

(8) Plan assets

a. Plan assets comprise:

	2021	2020
Bonds	**54%**	60%
Stock	**39**	33
Life insurance company general accounts	**5**	5
Other	**2**	2
Total	**100%**	100%

b. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions were as follows:

	2021	2020
Discount rate	**0.4%~2.6%**	0.3%~3.0%
Expected long-term rate of return	**1.5%~5.5%**	1.5%~5.4%
Salary increase rate	**2.3%~3.0%**	2.3%~3.0%

(c) Defined contribution scheme

The required contribution to the Company's defined contribution plan was ¥148 million ($1,337 thousand) for the year ended March 31, 2021 and ¥110 million for the year ended March 31, 2020.

14 AMOUNTS PER SHARE

	Yen		U.S. dollars
Years ended March 31	**2021**	2020	**2021**
Net income	**¥ 202.22**	¥ 183.56	**$ 1.82**
	Yen		U.S. dollars
As of March 31	**2021**	2020	**2021**
Net assets	**¥ 3,533.45**	¥ 3,397.93	**$ 32.08**

Net income per share is based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Net assets per share is based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the balance sheet date.

Basic net assets per share were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2021**	2020	**2021**
Basic net assets per share:			
Total net assets on the balance sheets	**¥ 164,583**	¥ 158,044	**$ 1,486,478**
Deduction from total net assets	**(10,154)**	(10,373)	**(91,706)**
Noncontrolling interests	**(10,154)**	(10,373)	**(91,706)**
Amount attributable to shareholders of common stock	**¥ 154,429**	¥ 147,671	**$ 1,394,772**
Number of shares outstanding	**44,899**	44,899	—
Number of treasury shares	**(1,440)**	(1,440)	—
Number of shares at fiscal year-end used in calculation of net assets per share	**43,459 thousand shares**	43,459 thousand shares	—

Basic net income per share was as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2021**	2020	**2021**
Basic net income per share:			
Profit attributable to owners of parents	**¥ 8,788**	¥ 7,978	**$ 79,374**
Amount attributable to shareholders of common stock	**¥ 8,788**	¥ 7,978	**$ 79,374**
Weighted average number of shares outstanding	**43,459 thousand shares**	43,459 thousand shares	—

Net income per share and net asset per share for the previous fiscal year reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment as described in Note 21,"Business Combinations".

15 LEASES

The Group has entered into finance lease contracts which do not transfer the ownership of the leased assets. The main assets of these finance leases are optical instruments used for the steel business and classified as tools, furniture and fixtures.

The Group also has entered into noncancellable operating lease contracts. Future lease payments subsequent to March 31, 2021 and 2020 under noncancellable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Due within one year	**¥ 165**	¥ 174	**$ 1,490**
Due after one year	**169**	267	**1,529**
Total	**¥ 334**	¥ 441	**$ 3,019**

16 FINANCIAL INSTRUMENTS

Additional information – Disclosure of fair value of financial instruments

(a) Qualitative information on financial instruments

(1) Policies for using financial instruments

Surplus capital is managed using financial instruments that carry little or no risk, and working capital is procured from bank loans. The Group uses derivatives to reduce the risks associated with exchange rate fluctuations for transactions denominated in foreign currencies and with interest rate fluctuations on borrowings and, as a matter of policy, does not use derivatives for speculative purposes.

(2) Details of financial instruments used, the exposure to risk and the policies and processes for managing risk

Notes and accounts receivable and electronically recorded monetary claims - operating expose the Group to customer credit risk. To manage this risk, the Group has established internal procedures for receivables, manages the amounts and settlement dates and monitors the financial condition of the counterparties.

Bonds and negotiable deposits expose the Group to the credit risk of the issuing company. To manage this risk, the Group uses only short-term financial instruments issued by institutions of high credit rating. The risk associated with market price fluctuation of these financial instruments is extraordinarily low.

Investments in securities expose the Group to the risk of changes in market prices. However, the issuing companies are mostly related to the Group’s business, and the market price is reported to the Board of Directors’ periodically.

Almost all notes and accounts payable and electronically recorded obligations – operating are due within four months.

Short-term loans are used mainly to procure operating capital, and long-term loans (mainly ten years) are used mainly to procure overseas investment. Foreign currency denominated trade assets and liabilities expose the Group to the risk associated with exchange rate fluctuation. To reduce the risk, the Group uses forward foreign exchange contracts and currency swaps as hedging instruments. Loans with variable rates expose the Group to the risk of interest rate fluctuation. The Group uses interest rate swaps for each business contract to hedge this risk.

Hedged instruments are recognized by the individual contract. Hedge effectiveness is tested for each transaction, but not when the interest rate swap contract meets certain hedging criteria.

The Group enters into derivative transactions only with financial institutions of high credit rating. As a result, the Group believes there is almost no credit risk in connection with these transactions. Moreover, the derivative transactions are executed in accordance with internal management regulations.

While operating payables and loans payable are exposed to liquidity risk, the Group manages the risk by producing cash flow plans on a monthly basis.

(3) Supplemental information on fair values

The fair value of financial instruments is estimated by alternative methods when market prices are not available. To estimate the fair value, certain assumptions must be made. The fair value estimates, therefore, may vary depending on what assumptions are made.

(b) Fair values of financial instruments

(1) Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Carrying amount shown in balance sheet	Fair value	Difference	Carrying amount shown in balance sheet	Fair value	Difference
Cash and time deposits	¥ 66,959	¥ 66,959	¥ —	$ 604,759	$ 604,759	$ —
Notes and accounts receivable	40,341	40,341	—	364,349	364,349	—
Electronically recorded monetary claims - operating	12,233	12,233	—	110,487	110,487	—
Marketable securities	1,000	1,000	—	9,032	9,032	—
Investments in securities						
Available-For-Sale securities	3,868	3,868	—	34,938	34,938	—
Investments in long-term loans receivable	460	460	—	4,154	4,154	—
Other noncurrent assets	138	138	0	1,247	1,246	1
Long-term deposits						
Notes and accounts payable	(14,963)	(14,963)	—	(135,144)	(135,144)	—
Electronically recorded obligations – operating	(2,559)	(2,559)	—	(23,115)	(23,115)	—
Short-term loans	(44,645)	(44,645)	—	(403,220)	(403,220)	—
Long-term debt						
Due within one year	(5,705)	(5,700)	(5)	(51,526)	(51,481)	(45)
Due after one year	(27,979)	(27,831)	(148)	(252,702)	(251,364)	(1,338)
Lease obligations	944	(1,139)	2,083	8,526	(10,287)	18,813
Derivatives	¥ 673	¥ 673	¥ —	$ 6,078	$ 6,078	$ —

(Note) 1. The amount of "Lease obligations" shows the sum of the lease obligation amounts included in other current liabilities and other long-term liabilities.
2. Receivables and payables incurred by derivative transactions are presented as a net amount.

Year ended March 31, 2020	Millions of yen		
	Carrying amount shown in balance sheet	Fair value	Difference
Cash and time deposits	¥ 55,609	¥ 55,609	¥ —
Notes and accounts receivable	39,603	39,603	—
Electronically recorded monetary claims - operating	11,501	11,501	—
Marketable securities	2,300	2,300	—
Investments in securities			
Available-For-Sale securities	2,829	2,829	—
Investments in long-term loans receivable	1,301	1,301	—
Other noncurrent assets	681	681	0
Long-term deposits			
Notes and accounts payable	(10,482)	(10,482)	—
Electronically recorded obligations – operating	(2,975)	(2,975)	—
Short-term loans	(46,737)	(46,737)	—
Long-term debt			
Due within one year	(4,260)	(4,260)	(0)
Due after one year	(20,640)	(20,638)	(2)
Lease obligations	(770)	(896)	126
Derivatives	¥ (415)	¥ (415)	¥ —

(2) Market values of financial instruments and securities

a. Cash and time deposits, notes and accounts receivable, electronically recorded monetary claims - operating and marketable securities

These items are recorded using book values because the market values approximate the book values as a result of their short-term maturities.

b. Investments in securities

The fair values of securities are determined using the quoted price on the stock exchange.
Investments in securities are classified as available-for-sale securities. Information on securities classified by the purpose for which they are held are shown in Note 19, "Securities."

c. Investments in long-term loans receivable
The fair value of long-term loans receivable is calculated by discounting the total principal and interest receivable to the present value using a discount rate equal to the rate that would be charged on a similar new loan.

d. Long-term deposits
The fair value of long-term deposits is calculated by discounting the total principal and interest receivable to present value using a discount rate equal to the rate that would be charged if the deposits were newly placed.

e. Notes and accounts payable, electronically recorded obligations-operating and short-term loans
These items are recorded using book values because the market values approximate the book values as a result of their short- term maturities.

f. Long-term debt
The fair value of long-term debt is calculated by discounting the total principal and interest payments to the present value using a discount rate equal to the rate that would be charged on similar new loans. Some floating rate loans are subject to the exceptional method for interest rate swaps. Such interest rate swaps are handled together with the total principal and interest payments and are calculated to the present value using a reasonable estimate of the discount rate that would be applied for the same kind of loan.

g. Lease obligations
The fair value of lease obligations is determined by discounting the aggregated value of the principal and interest using an interest rate that would be applied for the same type of lease contracts newly made.

h. Derivative transactions
The fair value of a derivative is stated using the quoted price obtained from the relevant financial institution.

17 SECURITIES

(a) Available-for-sale securities with determinable market values

As of March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:						
Stock	**¥ 880**	**¥ 2,388**	**¥ 1,508**	**$ 7,947**	**$ 21,570**	**$ 13,623**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Securities whose carrying value does not exceed acquisition costs:						
Stock	**1,565**	**1,480**	**(85)**	**14,135**	**13,369**	**(766)**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**1,000**	**1,000**	**—**	**9,032**	**9,032**	**—**
Total	**¥ 3,445**	**¥ 4,868**	**¥ 1,423**	**$ 31,114**	**$ 43,971**	**$ 12,857**

As of March 31, 2020	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:			
Stock	¥ 773	¥ 1,408	¥ 635
Bonds	—	—	—
Other	—	—	—
Securities whose carrying value does not exceed acquisition costs:			
Stock	1,668	1,420	(248)
Bonds	—	—	—
Other	2,300	2,300	—
Total	¥ 4,741	¥ 5,128	¥ 387

(b) Securities without determinable market values

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Investment in securities:			
Unlisted securities (available for sale securities)	**¥ 331**	¥ 331	**$ 2,987**
Unlisted securities (unconsolidated subsidiaries and affiliated companies)	**6,462**	5,954	**58,358**
Investments in capital (unconsolidated subsidiaries and affiliated companies)	**¥ 101**	¥ 557	**$ 913**

18 DERIVATIVE TRANSACTIONS

(1) Derivative transactions for which hedge accounting is not applied

Currency related

Year ended March 31, 2021

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	**¥ 15,634**	**¥ —**	**¥ (214)**	**¥ (214)**	**$ 141,206**	**$ —**	**$ (1,929)**	**$ (1,929)**

* Fair values are based on quotes obtained from financial institutions, etc.

Year ended March 31, 2020

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Nonmarket transactions	Foreign exchange forward contracts Selling Canadian dollars	¥ 2,297	¥ —	¥ (1)	¥ (1)
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	¥ 12,455	¥ 12,423	¥ (158)	¥ (158)

* Fair values are based on quotes obtained from financial institutions, etc.

Commodity related

Year ended March 31, 2020

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Nonmarket transactions	Forward contracts Buying natural gas	**¥ 102**	**¥ —**	**¥ (59)**	**¥ (59)**

* Fair values are based on quotes obtained from financial institutions, etc.

(2) Derivative transactions for which hedge accounting is applied

Interest rate related

Year ended March 31, 2021

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**¥ 6,859**	**¥ 4,698**	**¥ (460)**

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Thousands of U.S. dollars)	Amount of contracts over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**$ 61,947**	**$ 42,433**	**$ (4,151)**

* The fair value of foreign currency forward exchange contracts is computed using the prices provided by counterparty financial institutions.

Year ended March 31, 2020

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	¥ 9,372	¥ 7,254	¥ (197)

* The fair value of foreign currency forward exchange contracts is computed using the prices provided by counterparty financial institutions.

19 IMPAIRMENT LOSS ON FIXED ASSETS

In the year ended March 31, 2020, the Group reported the following loss on impairment of fixed assets:

Use	Place	Type of asset	Millions of yen
Plant in Overseas Steel Business	Hung Yen Province, Vietnam Hai Phong Province, Vietnam	Buildings and structures	**¥ 269**
		Machinery and equipment	**929**
		Other tangible assets	**80**
		Goodwill	**3,263**
		Other intangible assets	**89**
		Total	**¥ 4,630**

Fixed assets were grouped based on division, and each idle asset was treated as separate property.
Regarding factories in the overseas steel business in Hung Yen Province, Vietnam, etc., the book value of the fixed assets, including goodwill owned by Vietnam Italy Steel Joint Stock Company ("VIS"), has been written down to its recoverable value due to a decline in profitability and recorded as loss on impairment of fixed assets. The recoverable value for measuring impairment losses is determined by the net selling price based on the appraisal value.

20 STATEMENTS OF COMPREHENSIVE INCOME

Comprehensive income for the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Valuation difference on available for sale securities:			
Current accrual	**¥ 1,036**	¥ (803)	**$ 9,358**
Reclassification adjustment	**—**	—	**—**
Before tax effect adjustment	**1,036**	(803)	**9,358**
Tax effect adjustment	**(334)**	264	**(3,018)**
Valuation difference on available for sale securities	**702**	(539)	**6,340**
Deferred gains and losses on hedges			
Current accrual	**(254)**	(285)	**(2,293)**
Reclassification adjustment	**—**	—	**—**
Before tax effect adjustment	**(254)**	(285)	**(2,293)**
Tax effect adjustment	**53**	60	**481**
Deferred gains and losses on hedges	**(201)**	(225)	**(1,812)**
Foreign currency translation adjustments:			
Current accrual	**(745)**	(1,108)	**(6,725)**
Reclassification adjustment	**—**	—	**—**
Before tax effect adjustment	**(745)**	(1,108)	**(6,725)**
Tax effect adjustment	**—**	—	**—**
Foreign currency translation adjustments:	**(745)**	(1,108)	**(6,725)**
Remeasurement of defined benefit plans:			
Current accrual	**1,282**	(338)	**11,582**
Reclassification adjustment	**(5)**	(80)	**(50)**
Before tax effect adjustment	**1,277**	(418)	**11,532**
Tax effect adjustment	**(328)**	128	**(2,964)**
Remeasurement of defined benefit plans	**949**	(290)	**8,568**
Total	**¥ 705**	¥ (2,162)	**$ 6,371**

21 BUSINESS COMBINATIONS

Year ended March 31, 2021
(Business combination through acquisition)

(a) Finalization of provisional accounting treatment for business combinations

The company had applied the provisional accounting treatments for the business combination based on available information considered to be reasonable on the date with AltaSteel Inc. and its consolidated subsidiary executed on March 16, 2020 (local time) in the previous fiscal year. At the date of the business combination, the specification of identifiable assets and liabilities and calculation of their fair values as of the acquisition date and the purchase price allocation had not been completed.

In the process of finalizing of this provisional accounting treatments, the Company restated related previous year figures in the consolidated financial statement in the current fiscal year. Despite the gain on bargain purchase of 3,512 million yen ($31,719 thousand) was recognized in the previous fiscal year, goodwill of 883 million yen ($7,975 thousand) was recognized in the current fiscal year as a result of the finalization of accounting treatment. This resulted mainly from a decrease in property, plant and equipment, in which machinery, equipment and vehicles decreased by 3,269 million yen ($29,525 thousand) and land decreased by 2,000 million yen ($18,063 thousand) and long-term liabilities in which deferred tax liabilities decreased by 1,110 million yen ($10,025 thousand) respectively. Income before income taxes and profit attributable to the owners of the parent in the consolidated statements of income in the previous fiscal year also decreased 3,512 million yen ($31,719 thousand).

(b) Goodwill resulting from the acquisition

(1) Amount of goodwill

883 million yen ($7,975 thousand)

(2) Reason for recognition of goodwill

Expected excess earning power from future business development

(3) Period and method of amortization of goodwill

11 years using the straight-line method

Year ended March 31, 2020
(Business combination through acquisition)

The Company's Board of Directors approved a resolution on February 4, 2020 to purchase all of the shares of AltaSteel Inc., which operates in the production and sale of steel material and the disposal and sale of scrap metal in Canada. Pursuant to the resolution, Kyoei Steel acquired all of the shares of Alta on February 4, 2020, making it a subsidiary company.

a. Outline of the business combination

Name and business of combined entities
Name: AltaSteel Inc.
Business activities: Production and sale of steel material and disposal and sale of scrap metal

b. Outline and purpose of the transaction

The Company regards its overseas steel business as an important component of its growth strategies, and under the "World Trilateral Regime," it has conducted business in the Socialist Republic of Viet Nam and in the U.S.

As the Company's Medium-term Business plan ended in the 2020 fiscal year, it launched initiatives to "Increase the volume of shipments and become more profitable in overseas steel business". The Company has striven to succeed in its goal of increasing profits in its overseas steel business by up to 30% of the Group's total earnings by building a framework for annual shipments of 2.2 million tons abroad and improving profitability.

Regarding the business in North America, after acquiring Vinton Steel LLC ("Vinton"), located in the state of Texas in the U.S., as a beachhead for our business at the end of 2016, the Company explored opportunities to expand its business scale. The MC AltaSteel base (assets related to AltaSteel) that the Company had obtained an opportunity to acquire, had steadily developed its business in Edmonton in the province of Alberta, Canada as the sole mini-mill in Western Canada. After careful consideration, the Company decided that acquiring the assets would complement its business vision and would contribute to the advancement of the "Global tripolar structure."

c. Date of acquisition of stock

March 16, 2020

d. Form of reorganization

Equity acquisition for cash consideration

e. Name of the entity after the reorganization

Alta Steel Inc.
Maple Leaf Metals Inc.

f. Number of shares acquired

Percent of shares held before investment	—%
Percent of shares acquired	100.0%
Percent of shares held after investment	100.0%

g. Main reason to decide the acquiring company

The Company acquired 100% of the shares and voting rights of Alta Steel.

h. Period for which the business results of the acquired company are included in the consolidated financial statements of the Company

The acquisition date of the acquired company is March 16, 2020 (local time), but because the difference from the consolidated closing date does not exceed 3 months, only the balance sheet is consolidated.

i. The breakdown of acquisition cost for the acquired company

Consideration for the acquisition	cash	¥15,271 million ($137,924 thousand)
Acquisition cost		¥15,271 million ($137,924 thousand)

j. Details and amounts of acquisition related cost

Advisory fees and others in the total amount of 569 million yen.

k. Gain on bargain purchase recognized

(1) Amount of bargain purchase

¥3,512 million ($32,270 thousand)

The amount of gain on bargain purchase is a provisional calculation because the allocation of acquisition costs had not been completed.

(2) Reason for recognition of gain on bargain purchase recognized

Since the net amount of assets received and liabilities assumed exceeded the acquisition cost of the shares, the difference is treated as a gain on bargain purchase.

l. Assets acquired and liabilities assumed as of the acquisition date

	Millions of yen
Current assets	¥ 7,188
Noncurrent assets	18,542
Total assets	**25,730**
Current liabilities	2,364
Noncurrent liabilities	5,242
Total liabilities	**¥ 7,606**

m. Allocation of acquisition cost

As of the end of the consolidated fiscal year ended March 31, 2021, the identification of identifiable assets and liabilities on the date of the business combination, the calculation of fair market value and the allocation of acquisition cost had not been completed. Therefore, provisional accounting treatment was applied based on reasonable information available at that time.

n. The approximate amount of impact on the consolidated statements of income for the current consolidated fiscal year and the method used to calculate it, assuming that the business combination was completed on the beginning of the consolidated fiscal year

The estimated amount of impact is not stated because it is difficult to reasonably calculate.

22 SEGMENT INFORMATION

(a) Overview of Reporting Segments

The Group's reporting segments are segments for which separate financial information can be obtained and that are subject to regular deliberation by the highest decision making body in order to make decisions on allocating management resources and assess financial performance.

The Group's organization is based on the products and services it deals in and consists of three business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Based on these business segments, the Group formulates comprehensive domestic and overseas strategies and carries out business activities. Accordingly, the Group has made these three segments — Domestic Steel Business, Overseas Steel Business and Material Recycling Business — its reporting segments.

The Domestic Steel Business is involved in the production, sale and transport of steel products primarily for domestic civil engineering and construction. The Overseas Steel Business is involved in the production, sale and transport of steel products primarily for overseas civil engineering and construction. The Material Recycling Business is involved in the intermediate and final processing of medical waste and industrial waste and gravel recycling.

(Revisions to reportable segments)

In the current fiscal year ended March 31, 2021, the casting business, which was previously included in the Domestic Steel Business, was included in Others. This revision was a result of a reexamination of the Kyoei Steel Group's administrative units since Yodoshi Corporation and VINA-JAPAN ENGINEERING LTD, which were nonconsolidated subsidiaries in prior years and operate the casting business, were included in scope of consolidation in the current fiscal year ended March 31, 2021.
Segment information for FY2020 ended March 31, 2020 was prepared based on the revised business segments.

(b) Accounting methods net sales, profit or loss, assets and amounts for other items for each reporting segment

The accounting methods used for the reporting business segments are the same as those in Note 2, "Significant Accounting Policies." Reporting segment income is operating income. Intersegment transactions and transfers are based on market prices, etc. Segment information for the previous fiscal year reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment was described in Note 20,"Business Combinations".

(c) Net sales, profit or loss, assets and amounts for other items for each reporting segment

Segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 is outlined as follows:

Year ended March 31, 2021 Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 111,138	¥ 104,985	¥ 6,705	¥ 222,828	¥ 3,543	¥ —	¥ 226,371
Intersegment sales and transfers	32	—	1,243	1,275	1,056	(2,331)	—
Total	111,170	104,985	7,948	224,103	4,599	(2,331)	226,371
Segment income	13,012	(428)	1,356	13,940	(57)	(1,227)	12,656
Segment assets	119,928	99,374	6,809	226,111	10,903	45,268	282,282
Other							
Depreciation and amortization	3,637	3,914	251	7,802	348	252	8,402
Amortization of goodwill	—	198	—	198	—	—	198
Increase in property, plant, equipment and intangible assets	¥ 5,687	¥ 3,038	¥ 198	¥ 8,923	¥ 1,303	¥ 637	¥ 10,863

Year ended March 31, 2021

Thousands of U.S. dollars

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	$ 1,003,773	$ 948,207	$ 60,555	$ 2,012,535	$ 32,002	$ —	$ 2,044,537
Intersegment sales and transfers	286	—	11,230	11,516	9,540	(21,056)	—
Total	1,004,059	948,207	71,785	2,024,051	41,542	(21,056)	2,044,537
Segment income	117,523	(3,862)	12,245	125,906	(516)	(11,081)	114,309
Segment assets	1,083,167	897,527	61,491	2,042,185	98,475	408,850	2,549,510
Other							
Depreciation and amortization	32,845	35,351	2,266	70,462	3,142	2,280	75,884
Amortization of goodwill	—	1,790	—	1,790	—	—	1,790
Increase in property, plant, equipment and intangible assets	$ 51,365	$ 27,438	$ 1,791	$ 80,594	$ 11,766	$ 5,754	$ 98,114

(Note) 1 Others represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2 Intersegment eliminations of ¥(1,227) million ($(11,081) thousand) and corporate expenses of ¥11 million ($99 thousand) not allocated to the reporting segments were included in the ¥(1,238) million ($(11,180) thousand) adjustment for "Segment income (operating income)." Corporate expenses are related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3 The adjustment of segment assets was ¥45,268 million ($408,849 thousand), related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4 The adjustment of depreciation and amortization was ¥252 million ($2,280 thousand), related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5 The adjustment amount of expenditure for additions to tangible and intangible assets was ¥637 million ($5,754 thousand), related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6 Segment income was adjusted against operating income of the consolidated statement of income.

Year ended March 31, 2020

Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 122,533	¥ 109,062	¥ 6,466	¥ 238,061	¥ 1,282	¥ —	¥ 239,343
Intersegment sales and transfers	70	—	1,171	1,241	542	(1,783)	—
Total	122,603	109,062	7,637	239,302	1,824	(1,783)	239,343
Segment income	18,008	2,284	1,089	21,381	153	(2,130)	19,404
Segment assets	115,311	98,890	6,675	220,876	6,191	42,078	269,145
Other							
Depreciation and amortization	3,622	3,370	290	7,282	197	240	7,719
Amortization of goodwill	—	312	—	312	—	—	312
Impairment loss on fixed assets	—	4,630	—	4,630	—	—	4,630
Increase in property, plant, equipment and intangible assets	¥ 5,799	¥ 2,450	¥ 239	¥ 8,488	¥ 282	¥ 124	¥ 8,894

(Note) 1 Others represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2 Intersegment eliminations of ¥(2,131) million and corporate expenses of ¥(143) million not allocated to the reporting segments were included in the ¥(1,988) million adjustment for "Segment income (operating income)." Corporate expenses are related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3 The adjustment of segment assets was ¥42,078 million, related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4 The adjustment of depreciation and amortization was ¥240 million, related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5 The adjustment of expenditure for additions to tangible and intangible assets was ¥124 million, related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6 Segment income was adjusted against operating income of the consolidated statement of income.

(d) Information related to geographic areas

Information for the geographic areas for the years ended March 31, 2021 and 2020 is outlined as follows:

(1) Net sale

Year ended March 31, 2021 Millions of yen

Japan	Overseas	Vietnam	North America	Others	Total
¥ 119,492	**¥ 106,879**	**¥ 71,360**	**¥ 26,045**	**¥ 9,474**	**¥ 226,371**

Year ended March 31, 2021 Thousands of U.S. dollars

Japan	Overseas	Vietnam	North America	Others	Total
$ 1,079,230	**$ 965,297**	**$ 644,503**	**$ 235,226**	**$ 85,568**	**$ 2,044,527**

(Changes in presentation method)

In the current consolidated fiscal year ended March 31, 2021, the classification of "America" was changed to "North America" due to an increase in consolidated subsidiaries. In order to reflect this change in the presentation method, "Information related to geographic areas - net sales" for the previous consolidated fiscal year ended March 31, 2021, is described with the changed name.

Year ended March 31, 2020 Millions of yen

Japan	Overseas	Vietnam	North America	Others	Total
¥ 128,847	¥ 110,496	¥ 86,544	¥ 13,125	¥ 10,827	¥ 239,343

(2) Property, plant and equipment

Year ended March 31, 2021 Millions of yen

Japan	Vietnam	America	Canada	Total
¥ 57,911	**¥ 19,460**	**¥ 5,133**	**¥ 11,873**	**¥ 94,377**

Year ended March 31, 2021 Thousands of U.S. dollars

Japan	Vietnam	America	Canada	Total
$ 523,040	**$ 175,759**	**$ 46,360**	**$ 107,234**	**$ 852,393**

Year ended March 31, 2020 Millions of yen

Japan	Vietnam	America	Canada	Total
¥ 55,687	¥ 21,515	¥ 4,166	¥ 11,363	¥ 92,731

The provisional accounting treatment for the business combination applied in the previous consolidated fiscal year was finalized in the current fiscal year. The figures for the fiscal year ended March 31, 2020 reflect a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment

(3) Impairment loss on fixed assets by reportable segment

Year ended March 31, 2020 Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	¥ —	¥ **4,630**	¥ —	¥ —	¥ —	¥ **4,630**

(4) Amortization of goodwill and balance of unamortized goodwill by reportable segment

Year ended March 31, 2021 Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	¥ —	¥ **198**	¥ —	¥ —	¥ —	¥ **198**
Balance at the end of the term	¥ —	¥ **978**	¥ —	¥ —	¥ —	¥ **978**

Year ended March 31, 2021 Thousands of U.S. dollars

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	$ —	$ 1,788	$ —	$ —	$ —	$ 1,788
Balance at the end of the term	$ —	$ 8,833	$ —	$ —	$ —	$ 8,833

Year ended March 31, 2020 Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	¥ —	¥ 312	¥ —	¥ —	¥ —	¥ 312
Balance at the end of the term	¥ —	¥ 1,149	¥ —	¥ —	¥ —	¥ 1,149

The provisional accounting treatment for the business combination in the previous consolidated fiscal year ended March 31, 2020 was finalized in the current fiscal year ended March 31, 2021.The balance at the end of the term for the fiscal year ended March 31, 2020 reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment.

(5) Gain on bargain purchase by reporting segment
Year ended March 31, 2020
Information concerning gain on bargain purchase by reporting segment in the previous fiscal year ended March 31,2020 reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of provisional accounting treatment as described in Note21, "Business Combinations". Gain on negative goodwill of 3,512 million yen ($31,719 thousand) was recognized in the previous fiscal year, but goodwill of 883 million yen ($7,975 thousand) was recognized in the current fiscal year due to the finalization of the accounting treatment.

23 SUBSEQUENT EVENTS

(a) Dividend distribution of surplus
On April 30, 2021, the Company's Board of Directors resolved a dividend distribution as follows:

Millions of yen	Thousands of U.S. dollars
¥ 1,956	**$ 17,763**

Cash dividends: ¥45 ($0.41) per share.

(b) Issuance of bonds The Company issued 1st series unsecured bonds on June 10, 2021 based on a resolution of the Board of Directors dated April 30, 2021.
The details are outlined below.

Name of bonds	Kyoei Steel 1st series unsecured bonds (with inter-bond pari passu clause)
Total value of bonds	¥10,000 million ($90,317 thousand)
Value of each bond	¥100 million ($903 thousand)
Coupon rate	0.260% (yearly)
Issue price	¥100 ($0.9) per face value of ¥100 ($0.9)
Date of issuance	June 10, 2021
Due date for the redemption	June 10, 2026
Method for the redemption	Bullet bond in which the entire face value is paid upon maturity. (The bonds may also be repurchased and redeemed at any time commencing from the first day following the closing date.)
Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
Use of proceeds	The proceeds will be used for equipment funds, debt repayment funds and working capital.

KPMG

Independent Auditor’s Report

To the Board of Directors of KYOEI STEEL LTD.:

Opinion

We have audited the accompanying consolidated financial statements of KYOEI STEEL LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Accuracy of Net Sales Related to the Sales of Domestic Steel Products</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
As described in Note 22 “Segment Information,” the Group is engaged in the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. The Domestic Steel Business is primarily operated by the Company and its consolidated subsidiary, KANTO STEEL Ltd.. Net sales of the Domestic Steel Business amounted to ¥111,138 million for the current fiscal year, representing approximately 49.1% of consolidated net sales.
In accordance with the realization principle, net sales from sales of domestic steel products are recognized at the time the delivery of goods is completed and the related consideration is deemed earned.
The Company and KANTO STEEL Ltd. recognize net sales at the time they ship products, with consideration for the terms and conditions of the sales agreements with their customers and the number of days required for delivery in Japan.
The sales transactions involving domestic steel products have the following features.

Selling prices vary depending on type and quantity of steel sold, and the delivery method.
Selling prices fluctuate throughout the year as they are affected by market conditions.
Even if the type and quantity of steel sold and the delivery method were identical, there would be multiple sales agreements that stipulate different selling prices.

As such, there is a risk of inaccurate measurement of net sales due to input errors with respect to unit selling prices.
Therefore, we determined that our assessment of the accuracy of net sales related to the sales of domestic steel products was one of the most significant issues in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.
</td><td>
The primary procedures we performed for the Company and KANTO STEEL Ltd. to assess the accuracy of net sales related to the sales of domestic steel products included the following:
(1) Internal control testing
We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of recognizing net sales related to the sale of domestic steel products. In this assessment, we focused our testing on the following controls:

Controls in which a person other than the data input operator checks the transaction-related data that are input in the sales system
Controls designed to check modifications made to unit selling prices

(2) Assessment of the accuracy of net sales related to the sales of domestic steel products
In order to assess whether the net sales related to the sales of domestic steel products were accurately recognized, we:

Selected the transactions with major customers from net sales for the current fiscal year and compared them with the amount of money received;
Obtained accounts receivable confirmations directly from customers and compared them with the book balances;
Categorized unit selling prices by office, product type and contract month and year based on sales data and selected the transactions that deviated from the average unit selling price beyond a certain degree. We then inquired of the personnel responsible for sales about the reasons for the differences and compared the unit selling prices for the transactions selected with the supporting documents, including purchase orders issued by customers.

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</table>

Reasonableness of Fair Value Measurement of Assets Acquired and Liabilities Assumed Due to Completion of Acquisition Cost Allocation Related to the Acquisition of Shares in AltaSteel Inc.	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 21 "Business Combinations" of the Notes to the Consolidated Financial Statements, for the acquisition of shares in AltaSteel Inc. executed on March 16, 2020, provisional accounting treatments had been applied, and gain on bargain purchase of ¥3,512 million was recognized in the previous fiscal year. The purchase price allocation related to the acquisition of these shares was completed in the fiscal year, ended March 31,2021, and resulted primarily in a decrease in property, plant, and equipment in which machinery and equipment decreased by ¥3,269 million and land decreased by ¥2,000 million. As a result, goodwill of ¥883 million was recognized. Based on the fair value of identifiable assets acquired and liabilities assumed from an acquired entity by business combination, acquisition costs related to the acquisition of shares should be allocated to these assets and liabilities within one year from the date of the business combination. No active market exists for the assets acquired and liabilities assumed, in particular, for property, plant and equipment. As a result, management's judgment has a significant effect in selecting a model for fair value measurement and on the assumptions used in the determinations. In addition, fair value measurement for property, plant, and equipment requires a high degree of expertise in valuation. Therefore, we determined that our assessment of the reasonableness of the fair value measurement of the assets acquired and liabilities assumed due to the completion of the purchase price allocation related to the acquisition of the shares in AltaSteel Inc. was one of the most significant issues in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess the reasonableness of the fair value measurement of the assets acquired and liabilities assumed due to the completion of the purchase price allocation related to acquisition of the shares in AltaSteel Inc. included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the fair value measurement of assets acquired and liabilities assumed. In the assessment, we focused our testing on controls relevant to the use of external specialists by management, including the selection of external valuation specialists, the appropriateness of the materials provided to them and the evaluation of their work product. **(2) Assessment of the appropriateness of the fair value of property, plant, and equipment** In order to assess the appropriateness of the fair value of the property, plant and equipment, we requested the component auditors of AltaSteel Inc. to perform an audit. Then we evaluated the report of the component auditors as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others: ● Assessment of the accuracy and completeness of the supporting documents, including the fixed asset ledger; ● Evaluation of the appropriateness of the measurement model selected and the assumptions used by management in measuring the fair value of property, plant and equipment by engaging a valuation specialist within the network of firms to which the component auditors of AltaSteel Inc. belong to assist our evaluation; and ● Examination as to whether the fair value of property, plant and equipment was appropriately recognized in the financial statements.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that

achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshinari Umeda

Designated Engagement Partner

Certified Public Accountant

Yoshinori Tatsuta

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

August 12, 2021

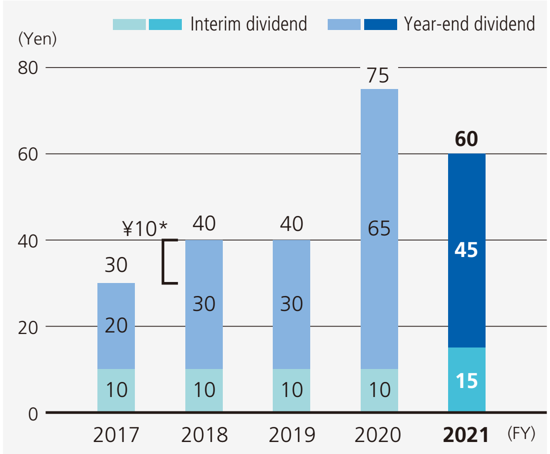
Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

INVESTOR INFORMATION

As of March 31, 2021

Date of Establishment	August 21, 1947
Common Stock	¥18,516 million
Number of Shares	Authorized: 150,300,000 Issued: 44,898,730
Number of Shareholders	13,257
Number of Employees	3,985 (Consolidated: regular employees)
Stock Listing	Tokyo, 1st Section
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233 Japan

Dividends per Share



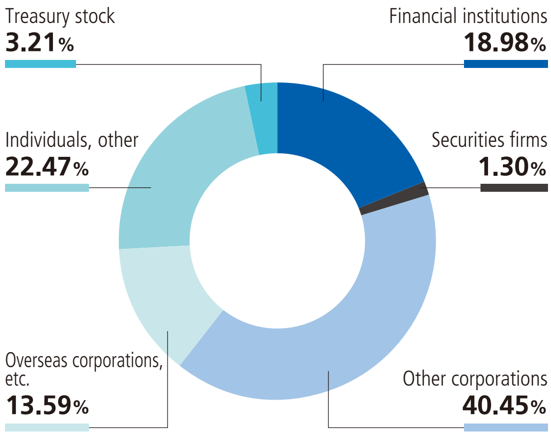
* Including a bonus dividend of ¥10 per share

Major Shareholders

Name	Number of shares owned	Voting rights ratio
Nippon Steel Corporation	11,592,932	26.68%
Hideichiro Takashima	4,347,460	10.00%
Custody Bank of Japan, Ltd. (Air Water Inc. retirement benefit trust account)	2,600,400	5.98%
Akihiko Takashima	2,233,000	5.14%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,661,000	3.82%
Mitsui & Co, Ltd.	1,470,000	3.38%
Godo Steel, Ltd.	1,347,000	3.10%
SSBTC Client Omnibus Account	943,272	2.17%
Custody Bank of Japan, Ltd. (Air Water Safety Service Inc. retirement benefit trust account)	692,000	1.59%
Nippon Steel Trading Corporation, Ltd.	603,900	1.39%

Note: Calculations of share ownership ratios exclude treasury stock (1,439,755 shares).

Shareholders by Type



Stock Price and Trading Volume

KYOEI STEEL

https://www.kyoeisteel.co.jp/en/

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