

Our Steel, Your Future



FY2023/3 Second Quarter Financial Results Briefing Materials













November 2022

Yamato Kogyo Co., Ltd.

TSE Prime (Securities code: 5444)

Abbreviations, Fiscal Years, Conversion Rates

● Abbreviations

	Thailand	SYS	Siam Yamato Steel Co., Ltd.
	United States	NYS	Nucor-Yamato Steel Company
	United States	ASA	Arkansas Steel Associates, LLC
	Bahrain	SULB	Sulb Company BSC(c)
	Saudi Arabia	Saudi Sulb	United Sulb Company (Saudi Sulb) LLC
	Vietnam	PY VINA	POSCO YAMATO VINA STEEL JOINT STOCK COMPANY
	South Korea	YKS	YK Steel Corporation
	United States	YKA	Yamato Kogyo America, Inc.
	United States	YHC	Yamato Holding Corporation
	United States	YK(USA)	Yamato Kogyo (U.S.A.) Corporation
	Bahrain	Bahrain Venture	United Steel Company("Sulb") Bahrain Venture Co.W.L.L.
	South Korea	YKH	Yamato Korea Holdings Co., Ltd.

● Fiscal years

	Fiscal year (FY)	FY2022	Q1	Q2	Q3	Q4
Parent, Japanese subsidiaries & affiliates	April to March	Apr 2022-Mar 2023 (FY2023/3)	2022 Apr-Jun	2022 Jul-Sep	2022 Oct-Dec	2023 Jan-Mar
Foreign subsidiaries & affiliates	January to December	January to December 2022 (FY2022/12)	2022 Jan-Mar	2022 Apr-Jun	2022 Jul-Sep	2022 Oct-Dec

● Conversion rates

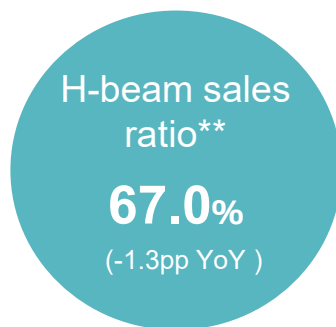
		Yen/Dollar	Yen/Baht	Won/Yen
Statements of Income	Jan-Jun average	124.54 (108.47)	3.67 (3.50)	9.90 (10.30)
	Fiscal year forecast	132.11	3.72	9.99
Balance Sheets	Jun. 30, 2022	136.69 (115.02)	3.87 (3.43)	9.46 (10.31)
	Sep. 30 2022	144.81	3.87	9.91
	Dec. 31, 2022 forecast Mar. 31, 2023 forecast	140.00 135.00	3.76 3.76	10.30 10.30

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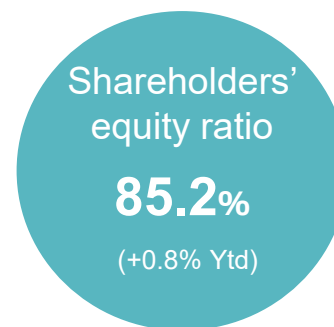
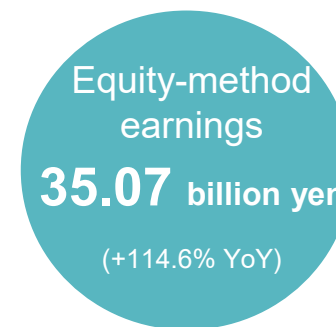
- Financial Highlights
- I FY2023/3 Second Quarter Financial Results Overview
- II FY2023/3 Forecast, Dividend Revision
- III Medium- to Long-Term Business Outlook and Investment Strategy (Announced May 2022)
Interim Review of FY2023/3

Financial Highlights: FY2023/3 2Q(Six Months)

Business KPI



Financial KPI



* Simple sum of the sales volume of the group companies. Including semi-finished products, DRI, and intragroup transactions

** Ratio of H-beam sales to products excluding semi-finished products and DRI



I FY2023/3 2Q Financial Results Overview

FY2023/3 2Q Results Overview (Six Months)

- Net sales increased 40% and operating profit increased 150% year on year in the six months ended September 30.
- Steel (Japan) had solid demand centered on major projects. Sales and profits increased due to strengthening of sales for projects and raising prices.
- Steel (Thailand) secured sales volume in export markets. Sales and profit increased due to maintaining high metal margin.
- Ordinary profit increased 143% year on year to 51.3 billion yen. US/NYS has been supported by strong non-residential construction demand, and the metal margin has expanded, contributing to an increase in equity in earnings of affiliates. Foreign exchange gain of 5.5 billion yen was recorded due to the weak yen.

(100 million yen)	FY2022/3 Q2 (six months)	FY2023/3 Q2 (six months)		YoY		Versus prev. forecast	
		Most recent forecast (2022/8/1)	Results	Change	Change (%)	Change	Change (%)
Net sales	676	940	947	270	40.0%	7	0.7%
Steel (Japan)	249	—	362	113	45.6%	—	—
Steel (Thailand)	374	—	540	165	44.2%	—	—
Trackwork Materials	36	—	28	(8)	(22.5%)	—	—
Operating profit	37	90	94	56	150.8%	4	4.4%
Steel (Japan)	5	—	32	27	534.9%	—	—
Steel (Thailand)	39	—	74	35	90.9%	—	—
Trackwork Materials	3	—	0	(3)	(88.0%)	—	—
Ordinary profit	211	480	513	302	143.2%	33	6.9%
Equity in earnings of affiliates	163	—	350	187	114.6%	—	—
Profit (loss) attributable to owners of parent	148	355	378	230	155.2%	23	6.5%
Operating profit margin	5.6%	9.6%	9.9%	4.4pp	—	0.4pp	—
Ordinary profit margin	31.2%	51.1%	54.2%	23.0pp	—	3.1pp	—

FY2023/3 2Q Results Overview (Quarterly)

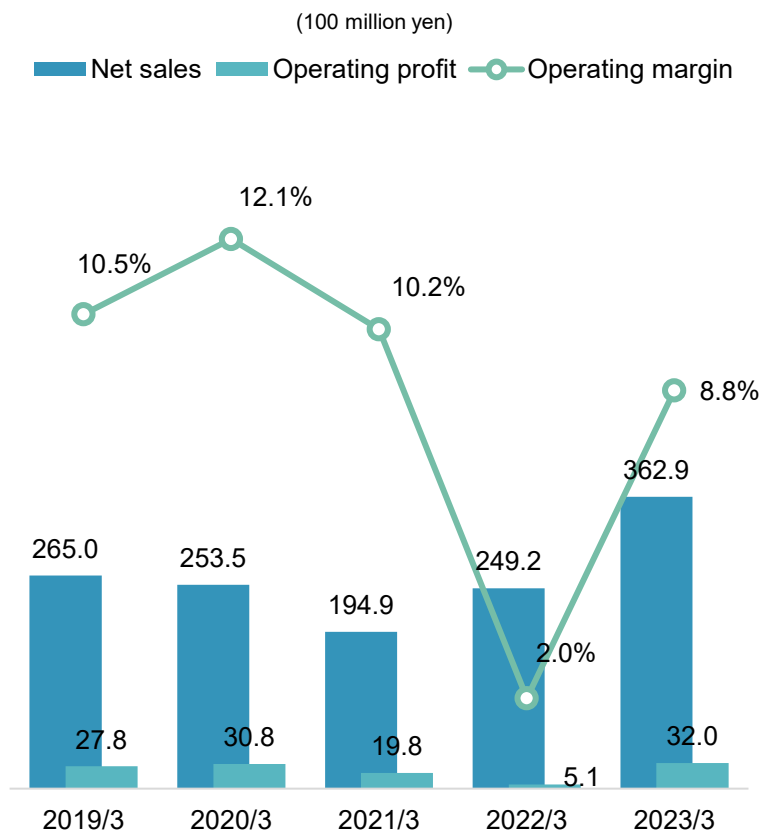
- Net sales remained at the same level in Q2 compared to Q1. Scrap prices fell in Japan, and the metal margin improved, contributing to an increase in operating profit. The US business continued to perform well, and volume and unit prices improved in the Middle East, driving overall performance in Q2.
- Sales and profits were up compared to a year earlier. While Japan was hit by the impact of scrap prices rising earlier than sales price in the previous fiscal year, the metal margin improved due to raising selling prices this year. In Thailand, high earnings were maintained due to the easing of competition in the export market since Q2 of the previous fiscal year. Equity in earnings of affiliates increased significantly due to an increase in the metal margin in the US.

(100 million yen)	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	328	349	400	423	469	477	—	—
Steel (Japan)	116	134	159	164	183	179	—	—
Steel (Thailand)	188	187	216	233	265	274	—	—
Trackwork Materials	16	21	17	17	13	14	—	—
Operating profit	16	21	47	47	42	51	—	—
Steel (Japan)	2	3	9	9	9	22	—	—
Steel (Thailand)	18	21	43	44	38	35	—	—
Trackwork Materials	1	3	1	0	0	0	—	—
Ordinary profit	83	128	185	180	231	281	—	—
Equity in earnings of affiliates	63	101	124	115	151	199	—	—
Profit (loss) attributable to owners of parent	55	93	129	120	180	198	—	—
Operating profit margin	4.9%	6.1%	11.9%	11.2%	9.0%	10.9%	—	—
Ordinary profit margin	25.3%	36.7%	46.2%	42.6%	49.3%	59.0%	—	—

Results Overview by Segment (1) Steel (Japan)

- Domestic structural steel demand was solid, supported by major construction projects. Orders remained firm, centered on H-beams for projects, and the sales volume was up from a year earlier.
- The metal margin continued to improve since Q1 of the previous year owing to rising selling prices.

Historical results: Q2 (six months)



Profit change factors

- Business environment
 - ✓ There is solid demand for large projects such as urban redevelopment, logistics facilities and semiconductor plants. Meanwhile, small and medium projects were low due to the impact of rising construction material prices.
 - ✓ The scrap market price that was in decline from May bottomed out in August. Energy prices continue to rise.
- Yamato Steel
 - ✓ As blast-furnace mills focus on sheets/plates, manufacturing and sales worked as one to develop new customers and strengthen sales for projects, and turnover for the first two quarters increased 10.5% year on year to 294K tons.
 - ✓ Efforts have been made to reduce costs through technology to minimize the impact of soaring raw material and energy prices.
 - ✓ Metal margin improved and was 67,500 yen per ton in Q2.

10K tons K ¥/ton	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume	12.9	13.7	15.1	14.7	15.3	14.1	-	-
Metal margin	37.2	40.8	44.9	48.4	50.3	67.5	-	-

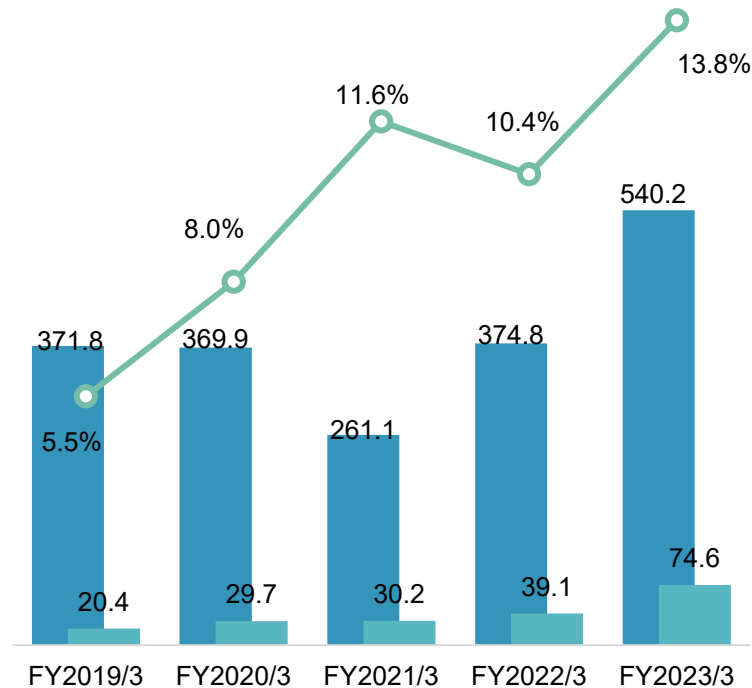
Results Overview by Segment (2) Steel (Thailand)

- Although there were signs of demand recovery from COVID-19 in Thailand centered on large public investments, they lacked strength.
- In export markets, as construction activity within ASEAN is on a recovery trend, a certain level of sales volume was secured.
- The metal margin has been maintained at a high level since Q2 of the previous year due to an increase in selling prices.

Historical results: Q2 (six months)

(100 million yen)

Net sales Operating profit Operating margin



Profit change factors

- Business environment
 - ✓ With the drop in scrap prices, some customers are refraining from purchases in anticipation of steel prices dropping in future.
 - ✓ The influx of Chinese and Korean products into the ASEAN market was at a comparatively low level until Q2.
- Siam Yamato Steel (SYS)
 - ✓ Sales volume amounted to 450K tons, on par with the previous year. (Domestic decrease, export increase)
 - ✓ The metal margin improved year on year due to a rise in the selling prices in the domestic and export markets.

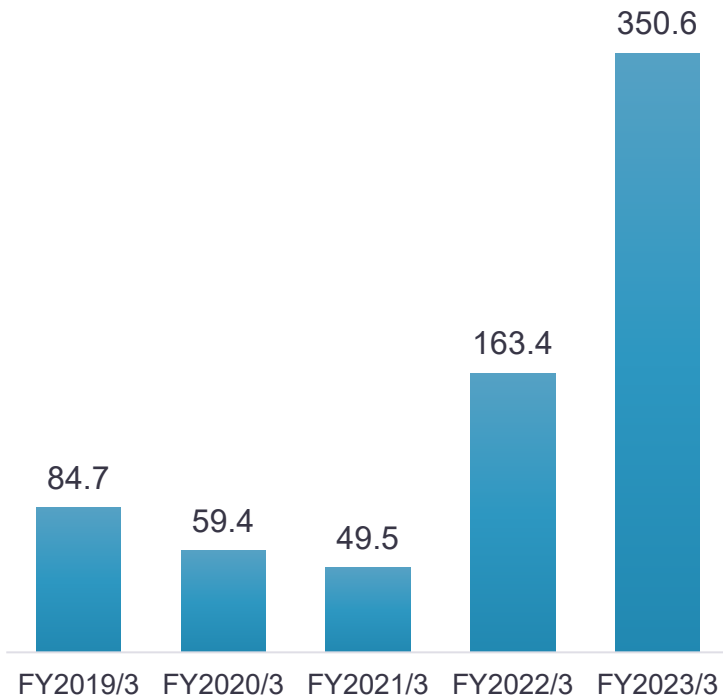
(10K tons, K B/ton)	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume (Including semi-finished products)	24.1	21.0	20.9	21.4	23.5	21.5	-	-
Metal margin	11.1	12.3	17.2	16.9	15.9	16.3	-	-

Equity-Method Affiliates

- Consolidated results were driven by our U.S. business on the back of steady demand, and equity-method earnings were 2.1x higher year on year.
- Other than the U.S., the Middle East made a significant contribution to the increase in earnings year on year due to an increase in product sales volume and rising selling prices. In Asia, although South Korea continued performing well with steady demand for rebar, demand for steel slumped in Vietnam due to a slowdown of economic recovery, and profit decreased year on year.

Historical equity in earnings of affiliates:
Q2 (six months)

(100 million yen)



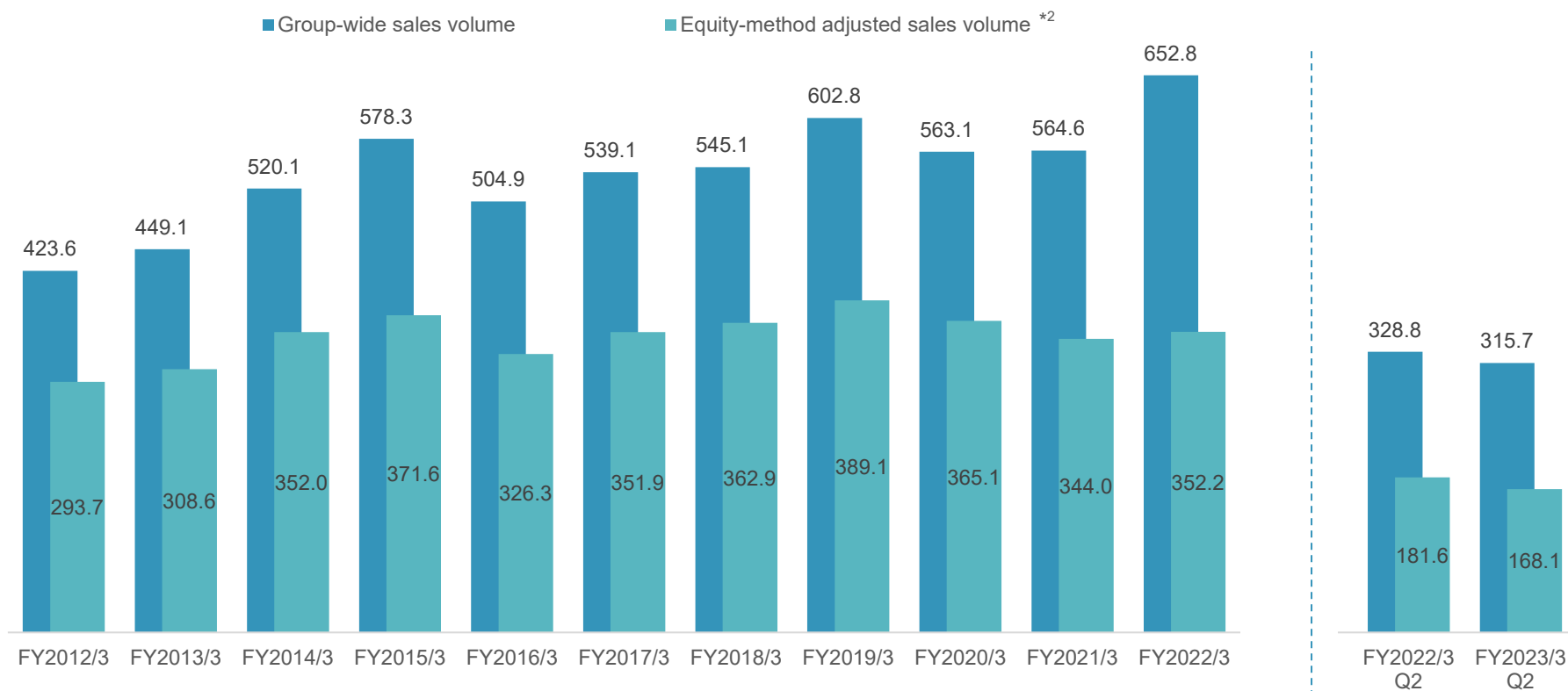
Profit change factors

- United States
 - ✓ Although the market for plates/sheets, etc. is softening due to factors such as the impact of inflation, structural steel demand for non-residential construction has been solid. Supply and demand continue to be tight.
 - ✓ The increase in selling prices has been accepted by customers, and the metal margin increased. There was a significant increase in profit year on year.
- Middle East
 - ✓ As scrap prices turned upward, there was an increase in inquiries from customers anticipating a rise in steel prices.
 - ✓ The price increase in iron ore, which is the main raw material, was smaller than the scrap price increase.
 - ✓ Selling prices of steel products and semi-finished products were high, and profit increased significantly year on year due to an improvement of the metal margin.
- Asia
 - ✓ The domestic economy deteriorated and demand for steel was low in Vietnam due to the impact of the slowdown of the Chinese economy. Although metal margin improved, profit decreased year on year.
 - ✓ Rebar demand was comparatively solid in South Korea, boosted by policies to expand housing supply. The metal margin expanded and profit increased year on year owing to rising selling prices.

Historical Group-Wide Sales Volume

- Group-wide sales volume for the six months decreased by 4.0% YoY to 3,157,000 tons due to the cautious outlook about the global economy.
- With the reduction in the shareholding in South Korea's YKS, the total equity-method adjusted sales volume decreased 7.4% YoY to 1,681,000 tons.

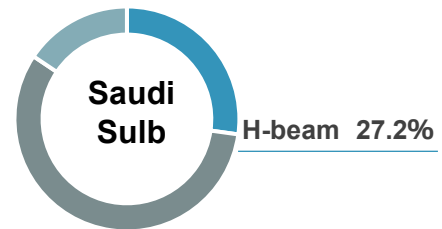
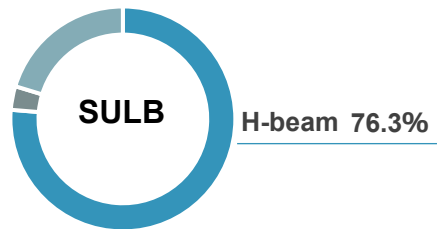
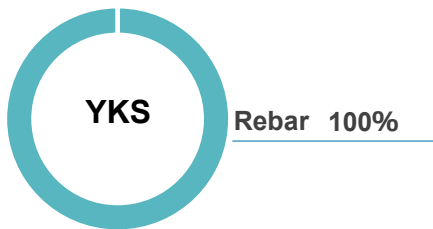
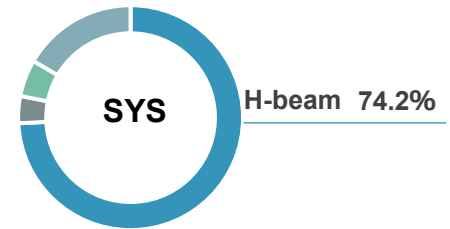
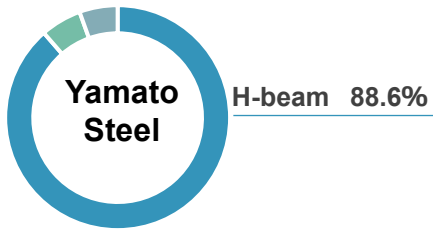
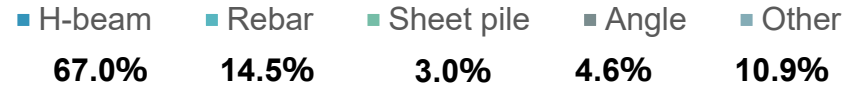
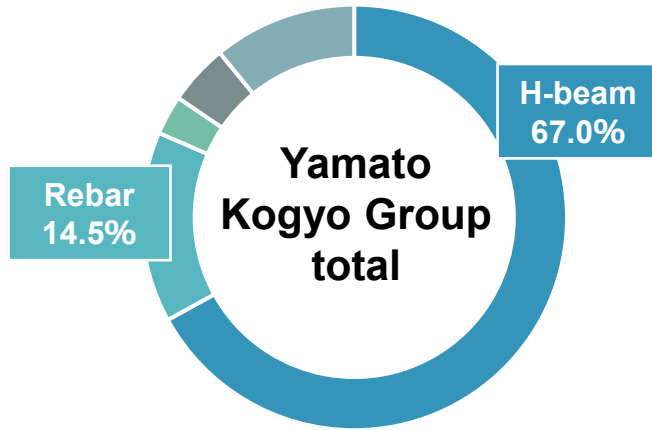
Historical group-wide sales volume*1 (10K MT)



*1 Includes semi-finished products, DRI, and intragroup transactions

*2 Calculated by multiplying each company's sales volume by the equity interest

Product Mix Results (2Q YTD)



Balance Sheet

- Yamato continued to be free from interest-bearing debt. Shareholders' equity ratio is 85.2%.
- Total assets, total liabilities, and net assets increased mainly due to the solid results and the weaker yen.

(100 million yen)	FY2021/3	FY2022/3	FY2023/3 Q2	YoY chg.
Current assets	1,500	1,677	2,376	699
Cash & deposits	1,015	997	1,553	556
Trade receivables	176	251	296	44
Inventory assets	280	398	465	67
Non-current assets	2,097	2,472	2,697	225
Property, plant and equipment	621	597	636	38
Total Investments and other assets	1,461	1,858	2,042	184
Investment securities	456	562	711	149
Long-term time deposits	212	236	139	(97)
Total assets	3,597	4,149	5,074	924
Liabilities	339	392	455	63
Trade payables	75	110	110	0
Deferred tax liabilities	120	138	161	23
Net assets	3,257	3,756	4,618	861
Foreign currency translation adjustment	(22)	186	689	502
Non-controlling interests	237	253	297	44
Total liabilities and net assets	3,597	4,149	5,074	924

Sufficient balance is maintained for strategic expansion of equipment capacity and for M&A opportunities

Increase in trade receivables / inventory due to rising markets for steel and raw materials and the rebound in demand

Financial assets* increased 48.2 billion yen from the end of the prior period to 183.7 billion yen (foreign exchange rate change impact: +22.8 billion yen).

85.2% shareholders' equity ratio (Includes +50.2 billion yen foreign currency translation adjustment)

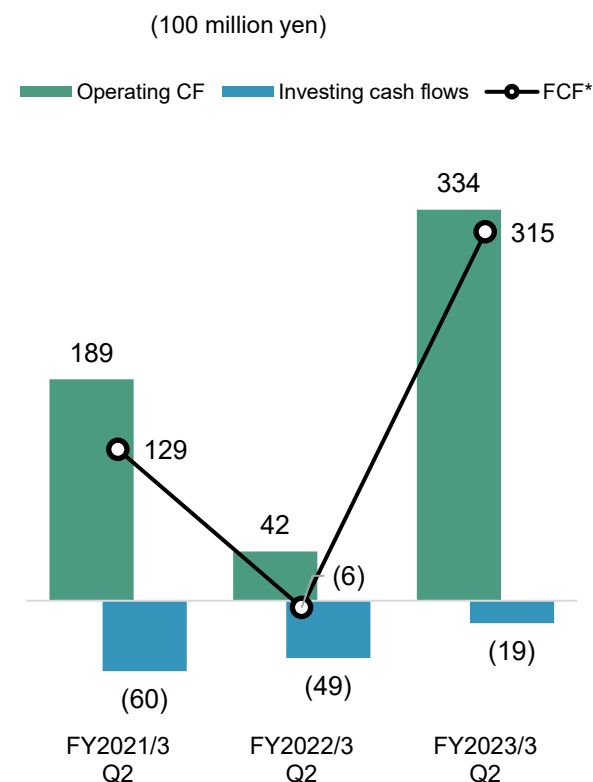
Increased mainly due to solid results and weaker yen

Cash Flows

- FCF was up 32.1 billion yen YoY to 31.5 billion yen owing primarily to cash distribution from a US equity-method affiliate.
- Financing cash flow was minus 7.7 billion yen (on par with the previous year) after making cash-outs such as shareholder returns.

(100 million yen)	FY2021/3 Q2	FY2022/3 Q2	FY2023/3 Q2	YoY Change
Operating CF	189	42	334	292
Investing cash flows (excluding changes in long term time deposits)	(60)	(49)	(19)	30
Purchase of property, plant and equipment	(36)	(22)	(14)	7
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(0)	(22)	—	22
FCF*	129	(6)	315	321
Financing CF	(55)	(77)	(77)	(0)
Purchase of treasury shares	(16)	(36)	(0)	36
Dividends paid	(33)	(26)	(63)	(37)

Historical free cash flow



*FCF is calculated as operating CF + investing CF (excluding changes in term deposits)



FY2023/3 Forecast, Dividend Revision

FY2023/3 Earnings Forecast

- There are concerns about factors such as the decline in demand, softening of the market due to global economic instability such as the protraction of the Ukraine situation, and the slowdown of economic recovery in China and the slump in consumption in Europe and the United States due to inflation.
- Although the Group's total sales volume has been decreasing, demand has been solid in the U.S. and Japan this fiscal year.
- As scrap prices decline, we will make efforts to maintain and expand the metal margin at each location. With the weak yen providing a tailwind, the highest-ever earnings on record are forecast for the second consecutive fiscal year.

(100 million yen)	FY2022/3	FY2023/3		YoY		Versus prev. forecast	
		Most recent forecast (2022/8/1)	New forecast (2022/10/31)	Change	Change (%)	Change	Change (%)
Net sales	1,500	1,870	1,790	290	19.3%	(80)	(4.3%)
Operating profit	132	150	150	18	12.9%	0	0.0%
Ordinary profit	576	880	905	329	57.0%	25	2.8%
Equity in earnings of affiliates	403	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	399	640	660	261	65.3%	20	3.1%
Operating profit margin	8.9%	8.0%	8.4%	(0.5pp)	—	0.4pp	—
Ordinary profit margin	38.4%	47.1%	50.6%	12.2pp	—	3.5pp	—

Earnings Forecast by Segment

Consolidated subsidiaries

Steel (Japan)

- Structural steel demand is expected to be strong, driven by large-scale projects.
- Although scrap prices will remain high, it will fall below the level anticipated at the start of the fiscal year, while energy prices will rise further due to the impact of the weak yen.
- The metal margin will improve further due to strengthening of production and sales of large-sized products and maintaining selling prices and earnings are forecast to increase significantly.

Steel (Thailand)

- There are movements in the domestic market to partially postpone large public investments mainly due to the prices of construction materials remaining high.
- There are concerns about the competitive environment in the export market with Chinese and South Korean manufacturers gradually increasing export pressure on the ASEAN market.
- Although the metal margin is expected to be maintained at a high level, earnings are forecast to decrease due to a decrease in sales volume.

Equity-method affiliates

United States

- Although demand for large construction projects such as semiconductor and EV plants remains solid, distributors are showing signs of caution with orders mainly due to the impact of sudden monetary tightening.
- Although the structural steel market is also showing signs of softening due to the impact of softening of market conditions for steel plates/ sheets, the metal margin will be maintained at a high level due to the decrease in scrap prices. Earnings are forecast to increase significantly year on year.

Middle East

- Oil prices remain high, and the economic conditions in the region are improving. Although construction activity has not made a full recovery, product sales volume is increasing due to strengthening of sales including exports.
- Although selling prices are falling due to the turnaround of the scrap market, earnings are forecast to increase year on year due to securing sales volume.

Vietnam

- Since scrap prices began decreasing, moves to refrain from placing orders in anticipation of a decrease in product prices have been seen. With less than ideal construction and steel demand, earnings are forecast to decrease year on year due to a decrease in sales volume.
- In August 2022, a decision was made to extend the anti-dumping tariffs (22.09% to 33.51%) on H-beams imported from China for five years.

South Korea

- Although there is no change in the housing supply policy, sales volume is expected to decrease from the previous forecast due to high construction material prices, rising interest rates, and also the impact of torrential rainfall.
- Despite the positive effects of strengthening ties with Daehan Steel Co., Ltd. and efforts to maintain metal margin, earnings are forecast to decrease year on year due to the impact of decreased sales volume.

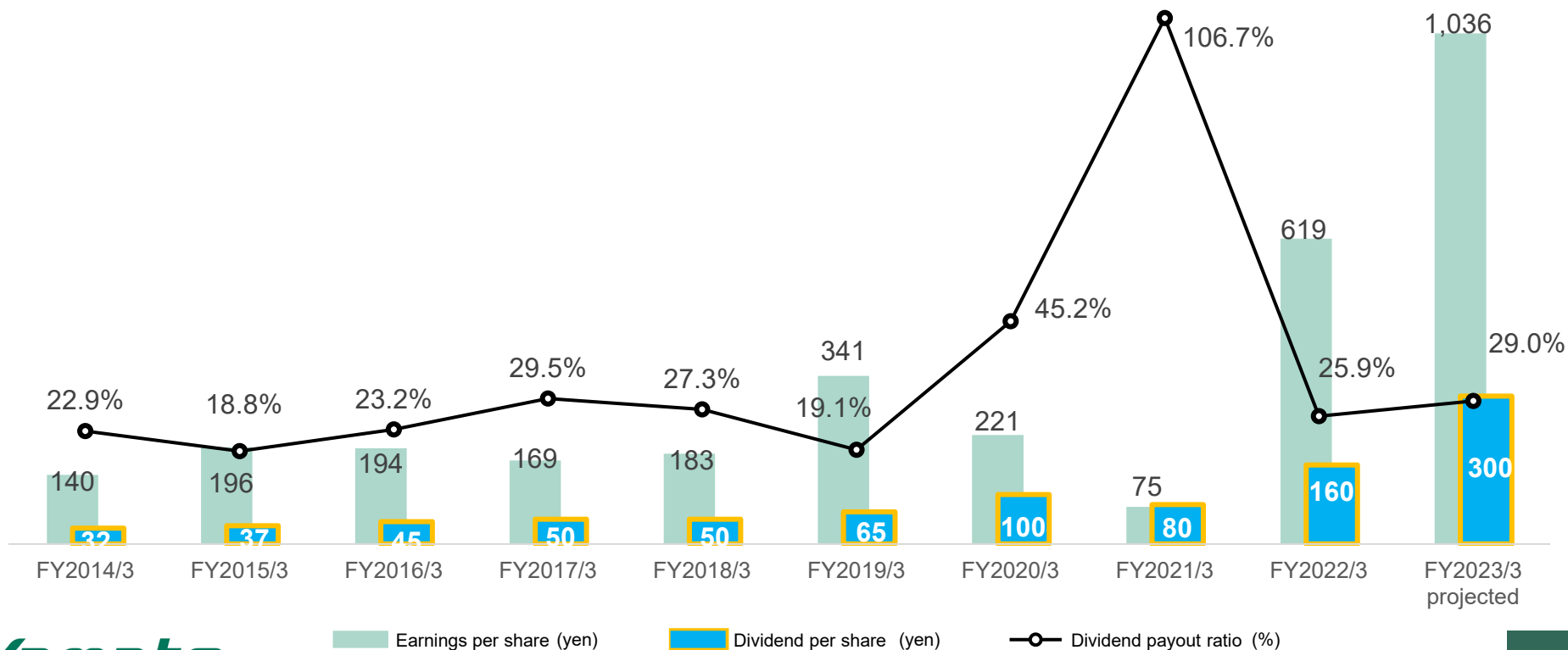
Shareholder Returns: Dividend Revised Upward

The forecast amount of the annual dividend for FY2023/3 has been revised upward from 200 yen announced in April to 300 yen.

➤ FY2023/3 annual dividend forecast (dividend per share)

*Actual figures for prior year shown in parentheses

Interim dividend	150 yen	(60 yen)
Year-end dividend (planned)	150 yen	(100 yen)
Annual dividend (planned)	300 yen	(160 yen)



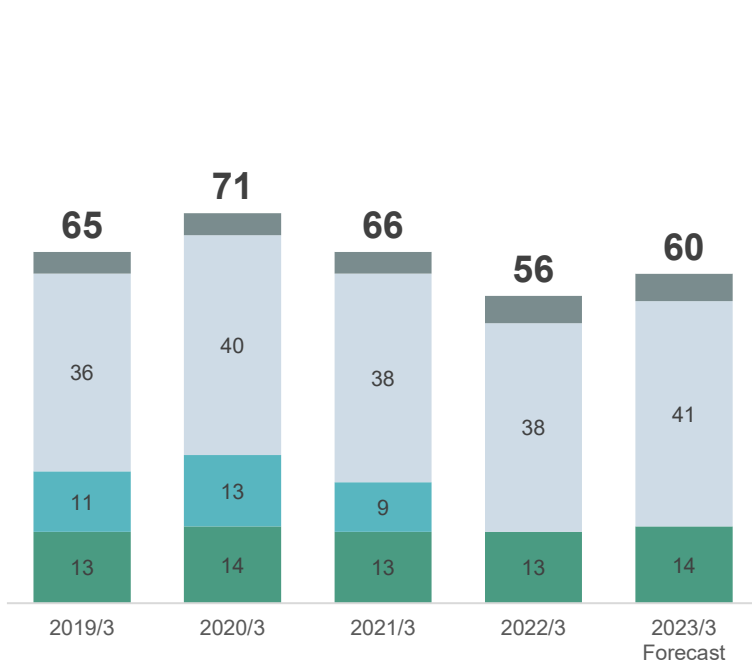
Depreciation & Capital Expenditure (For Consolidated Subsidiaries)

- Capital expenditure for the entire group is expected to increase. The main reason is the progress of strategic investment such as upgrades of straightener machine at Steel (Japan)/Yamato Steel. Steel (Thailand)/SYS plans to make investments mainly to update aging equipment and introduce manpower-saving equipment.

Depreciation

(100 million yen)

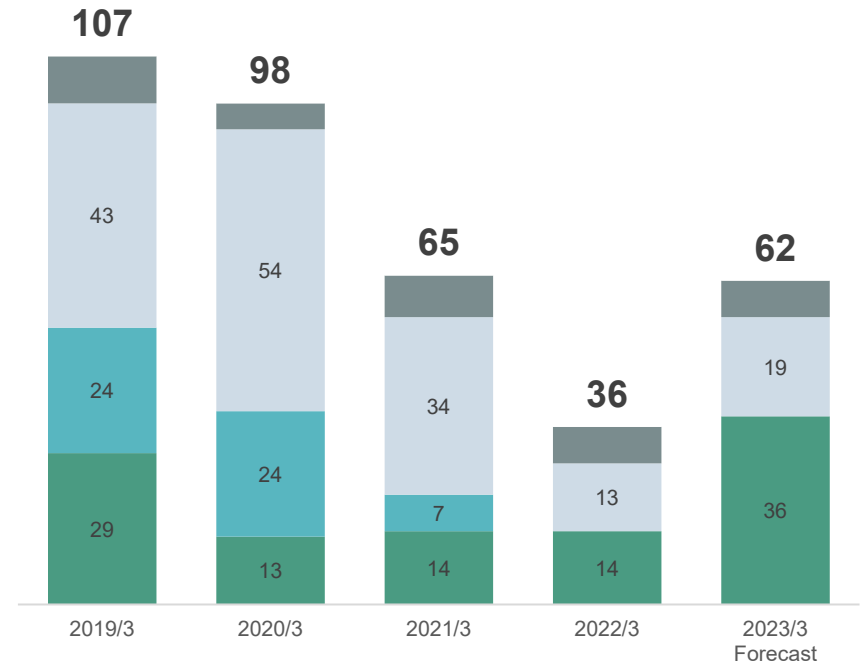
■ Japan ■ South Korea ■ Thailand ■ Other



Capital investment

(100 million yen)

■ Japan ■ South Korea ■ Thailand ■ Other





III Medium- to Long-Term Business Outlook and Investment Strategy (Announced May 2022)

Interim Review of FY2023/3

Historical Results

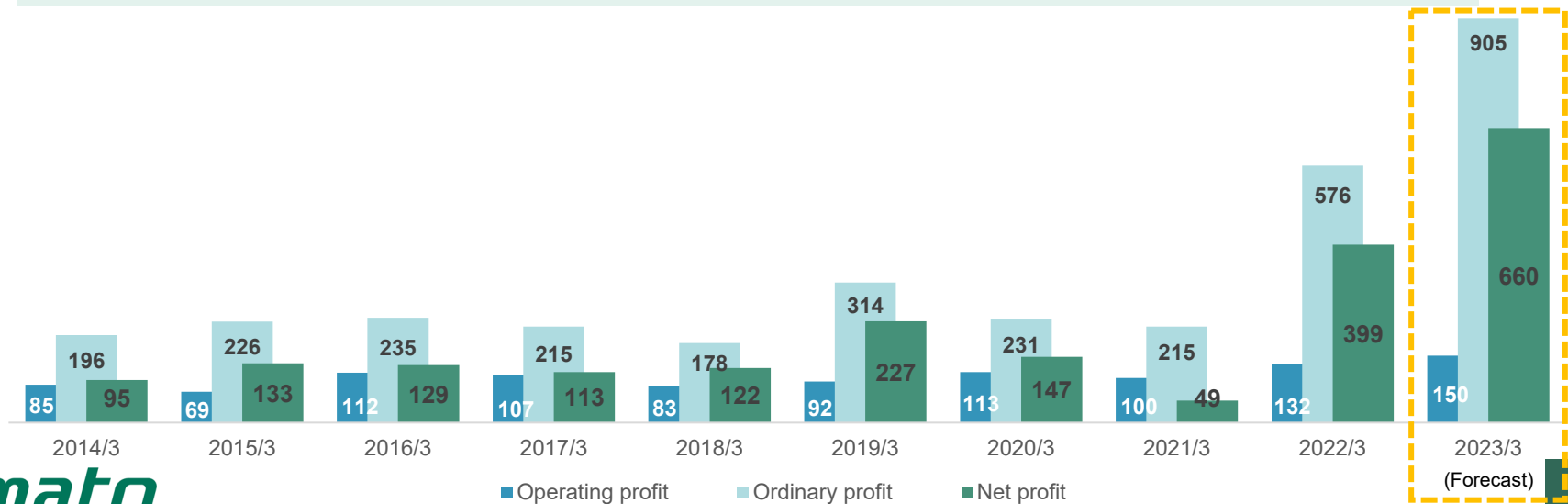
<Forecast for FY2023/3>

Net sales 179.0 billion yen, operating profit 15.0 billion yen, ordinary profit 90.5 billion yen, net profit 66.0 billion yen

(Ordinary profit and net profit are forecast to reach all-time high for the second consecutive fiscal year.)

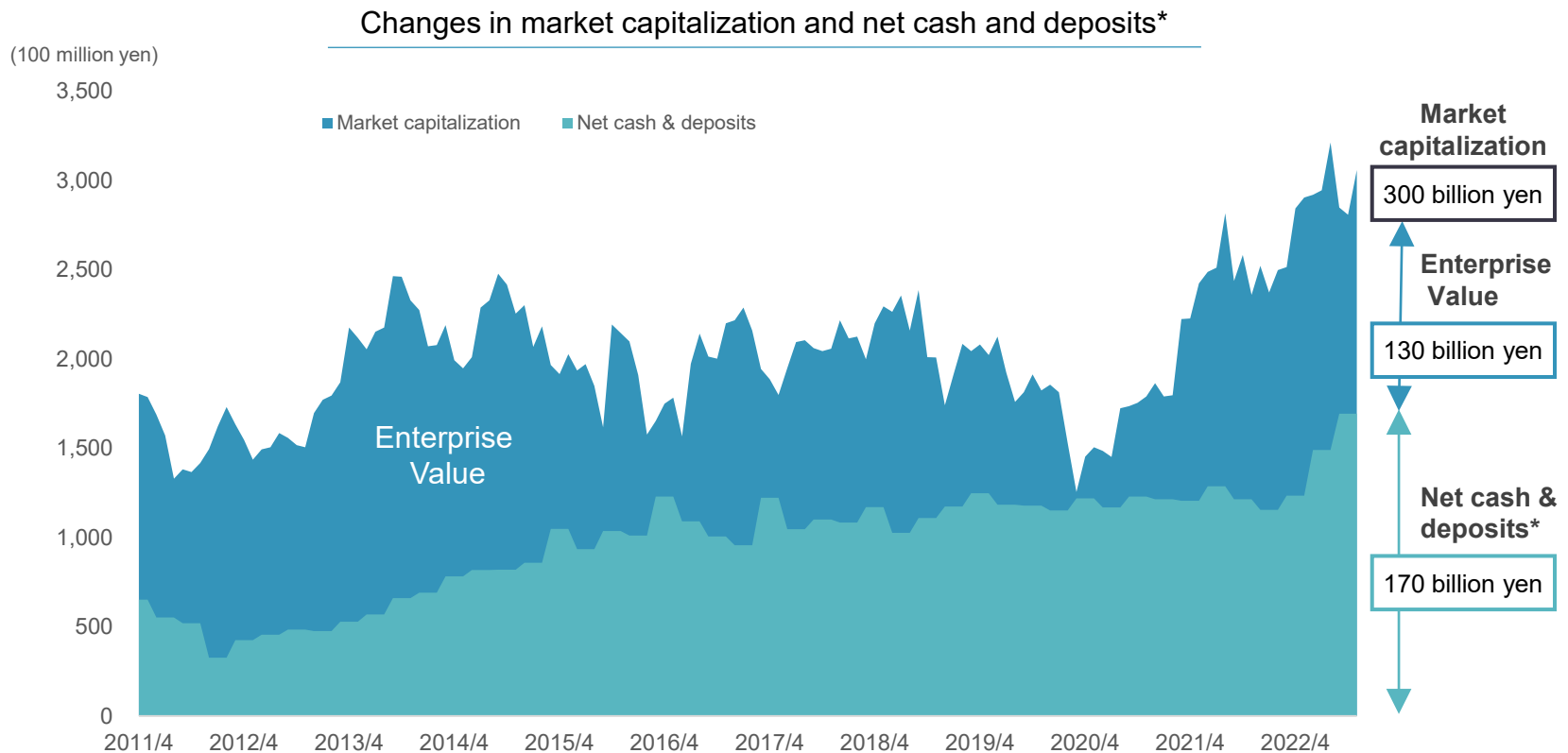
Current business environment

- ✓ Economy seems to be receding due to the Ukraine situation, economic stagnation in China, and inflation in Europe and the U.S.
 - > Group-wide sales volume decreasing
- ✓ Securing earnings by maintaining metal margin mainly in the U.S. and Japan where there is steady demand
 - > Although earnings are forecast to decrease in the second half from the first half (highest earnings on record in half-year period), they are expected to be maintain high level
- ✓ In the U.S., supply and demand will continue to be tight, due to the expectation of demand being bolstered by infrastructure investment (CHIPS Act, Inflation Reduction Act)
 - > The U.S. will continue to drive overall results



Enterprise Value (Evaluation from Market)

- As of November 17, our enterprise value is about 130 billion yen.
- Profit has steadily accumulated, and market capitalization has been increasing since FY2020/3.
- Although market capitalization has increased by approximately 50 billion yen compared to the end of FY2022/3, net cash and deposits have also increased by approximately 50 billion yen (including 23 billion yen due to the impact of the weak yen).

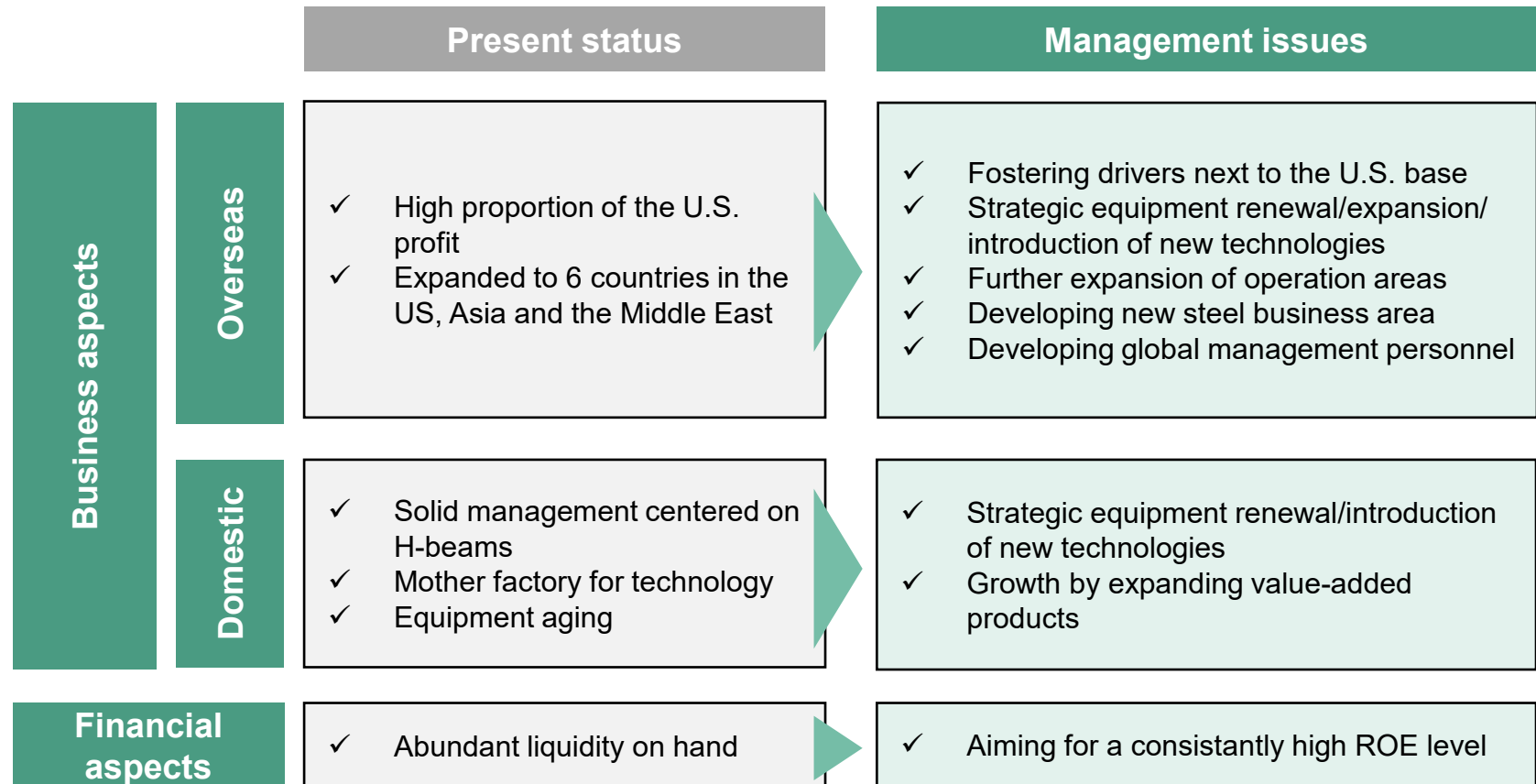


* Net cash & deposits = cash & deposits + long-term time deposits – long or short term borrowings

Our Challenges

(from FY2022/3 Financial Results Briefing Materials)

- The challenges we face is to develop the second overseas source of earnings next to the U.S.
- As further growth is expected in ASEAN, we position it as a priority region to focus. We plan to develop our second earnings driver in this area utilizing our consolidated subsidiary, Siam Yamato. Meanwhile in Japan, we will focus on renewing equipment and strengthening our ability to transfer technology to the overseas bases as a mother factory.
- By solving these, we aim for a consistently high ROE level.



Grand Design (Medium to Long-Term Vision)

Basic policy

1 Expansion of global sales volume

- Expansion of global operation areas
- Development of local markets
- Developing new steel business area

2 Increased profitability by introduction of leading edge technology

3 Developing highly skilled management personnel

Effective utilization of solid financial resources



Action plan

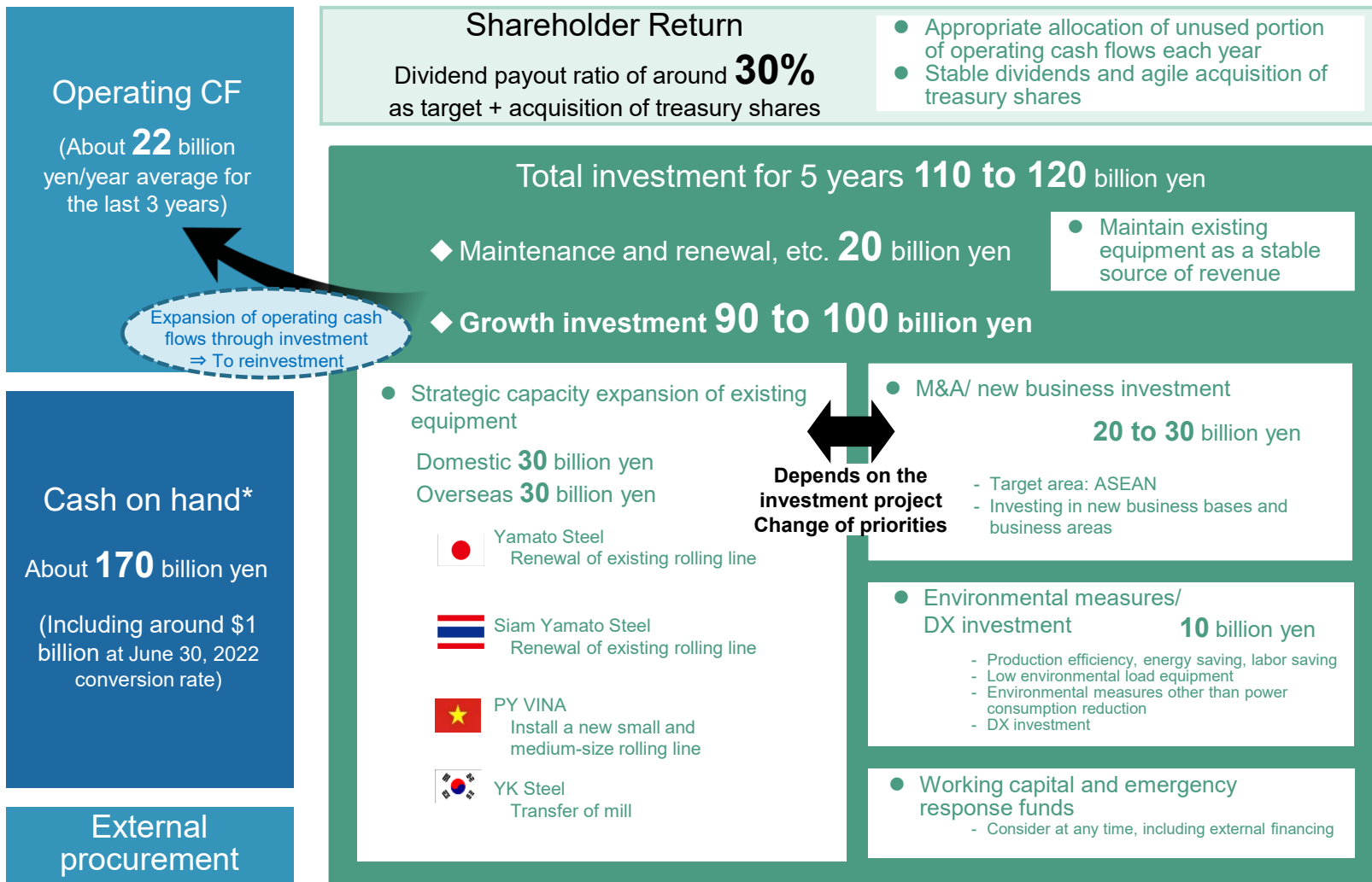
- ASEAN structural steel 3 million ton capacity construction plan
 - ✓ Expansion of existing bases
 - Thailand: Renewal of existing rolling lines
(Mother factory for ASEAN expansion)
 - Vietnam: Install a new small and medium-size rolling line
 - ✓ Acquire a new base through M&A
- Reinforcement of competitiveness of Yamato Steel, the mother factory, and reinforcement of ability to disseminate technology
- Proactive personnel exchanges among global bases
- Increase intra-Group personnel transfers

KPI to focus

- Group-wide sales volume *
FY2022/3 Results **6.52** million tons
FY2023/3 Forecast Approx. **6.00** million tons
- Overseas ratio (based on ordinary profit)
FY2022/3 Results **92.5%**
FY2023/3 Forecast Approx. **85.0%**
- Operating profit margin
FY2022/3 Results **8.9%**
FY2023/3 Forecast Approx. **8.4%**
- ROE
FY2022/3 Results **12.2%**
FY2023/3 Forecast Approx. **16.0%**

* Including semi-finished products, DRI, and intragroup transactions

Cash Allocation Policy



* Cash on hand: Cash & deposits + Long-term time deposit (updated to latest financial results figures)

Disclaimers

- The forward-looking statements including forecasts presented in this document are based on information currently available to Yamato Kogyo Group and certain assumptions deemed to be reasonable and are not intended as a promise by the Company that they will be achieved.
- Actual business performance may differ significantly due to various factors.



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