

Our Steel, Your Future



FY2024/3 First Quarter Financial Results Briefing Materials









August 2023

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 year (FY)

	Fiscal year (FY)	FY2023	1Q	2Q	3Q	4Q
Parent, Japanese subsidiaries & affiliates	April to March	Apr 2023-Mar 2024 (FY2024/3)	2023 Apr-Jun	2023 Jul-Sep	2023 Oct-Dec	2024 Jan-Mar
Foreign subsidiaries & affiliates	January to December	Jan-Dec 2023 (FY2023/12)	2023 Jan-Mar	2023 Apr-Jun	2023 Jul-Sep	2023 Oct-Dec

● Conversion rates

		Yen/Dollar	Yen/Baht	Won/Yen
Statements of Income	Jan-Mar average	133.45 (117.81)	3.93 (3.56)	9.56 (10.23)
	Fiscal year forecast	135.77	3.90	9.64
Balance Sheets	Mar. 31, 2023 Jun. 30, 2023	133.54 (122.41) 144.99	3.91 (3.68)	9.76 (9.89)
	Dec. 31, 2023 forecast Mar. 31, 2024 forecast	135.00 128.00	3.84	9.73

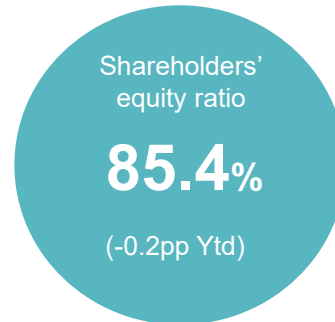
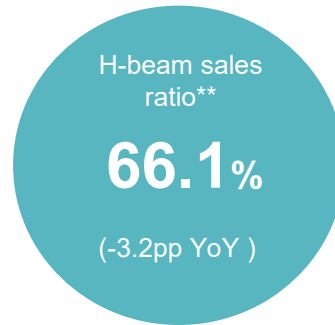
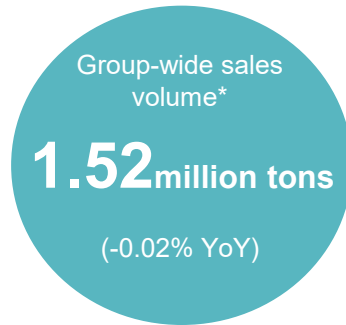
Note: comparable figures for the prior period are shown in parentheses

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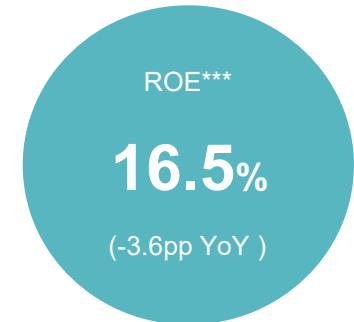
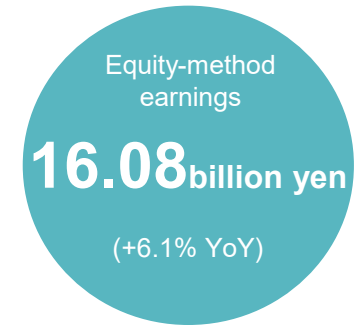
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-  III Overview of Indonesia Project
(disclosed on August 8, 2023)

Financial Highlights: FY2024/3 Q1 (Three 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

***Annualized



I FY2024/3 1Q Financial Results Overview

FY2024/3 1Q Financial Results Overview

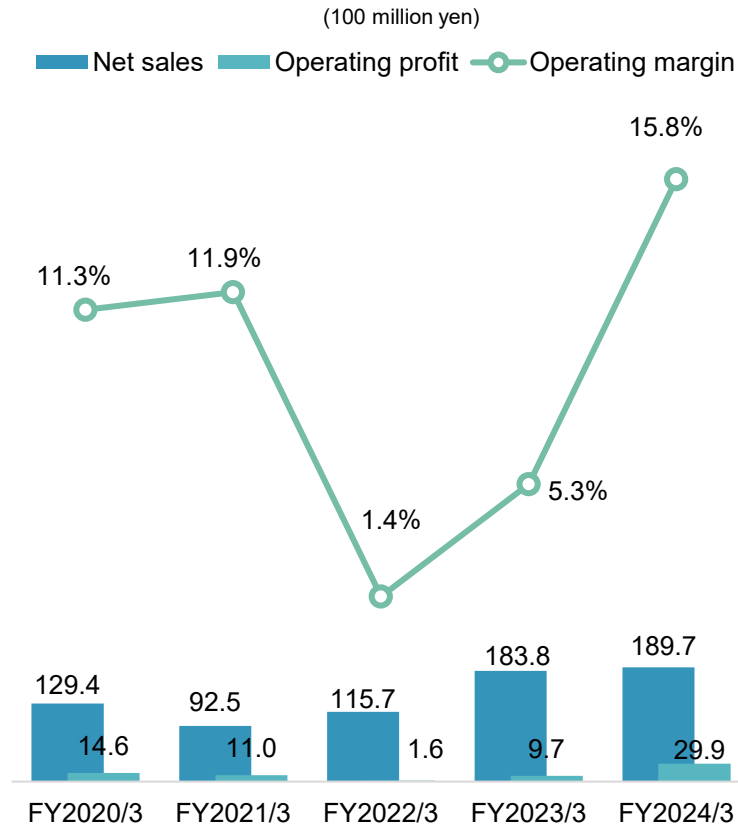
- Although the outlook for the global economy remains uncertain and steel demand lacked momentum overall, we maintained a high metal margin in each location amid weakening prices for scrap that constitutes the main raw material.
- Sales and profit increased at Steel (Japan) due to improvement of the metal margin, but sales and profit decreased at Steel (Thailand) due to a decrease in sales volume.
- Ordinary profit increased 10% year on year to 25.4 billion yen. The US business drove equity-method earnings. The weak yen and rising interest rates also contributed.

(100 million yen)	FY2023/3 Q1 Results	FY2024/3 Q1 Results	YoY	
			Change	Change (%)
Net sales	469	425	(44)	(9.5%)
Steel (Japan)	183	189	5	3.2%
Steel (Thailand)	265	210	(55)	(20.8%)
Trackwork Materials	13	15	1	14.3%
Operating profit	42	41	(1)	(2.5%)
Steel (Japan)	9	29	20	208.7%
Steel (Thailand)	38	16	(22)	(56.8%)
Trackwork Materials	0	1	1	1315.4%
Ordinary profit	231	254	22	9.6%
Equity in earnings of affiliates	151	160	9	6.1%
Profit attributable to owners of parent	180	183	2	1.5%
Operating profit margin	9.0%	9.7%	0.7pp	—
Ordinary profit margin	49.3%	59.7%	10.4pp	—

Results Overview by Segment (1) Steel (Japan)

- Demand for large-scale construction projects and civil engineering was steady. Small and medium-sized construction projects continued to be sluggish.
- As prices of scraps in Japan also fell due to the softening of the global scrap market, the metal margin was improved through efforts to maintain high selling prices, resulting in profit increasing significantly year on year.

Historical results: Q1



Profit change factors

- Business environment
 - ✓ There is solid demand for large construction projects such as urban redevelopment, and semiconductor and logistics facilities.
 - ✓ Small and medium-sized construction projects continued to lack momentum after soaring material prices.
- Yamato Steel
 - ✓ Sales volume was down 7.6% YoY to 142,000 tons.
 - ✓ In addition to developing new customers and seeking to strengthen production and sales of large sizes, we endeavored to maintain high selling prices by means such as revising H-beams size extras for properties.

10K tons K ¥/ton	FY2023/3				FY2024/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume	15.3	14.1	14.6	13.0	14.2			
Metal margin	50.3	67.5	73.0	71.4	74.1			

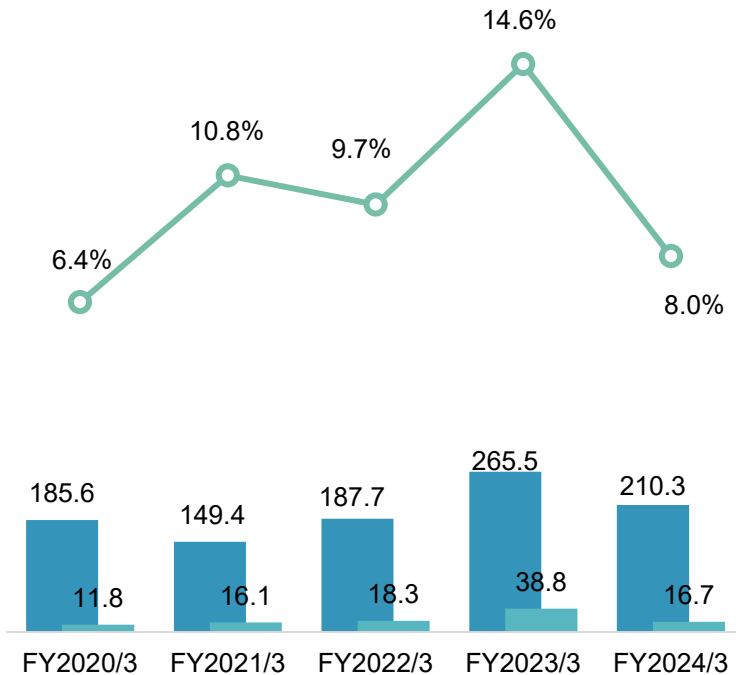
Results Overview by Segment (2) Steel (Thailand)

- Although there were signs of recovery in domestic demand, it has not returned to the previous level, and the export market has become increasingly competitive with Chinese manufacturers, etc. since the second half of the previous fiscal year.
- Although a high metal margin was maintained due to the decline in scrap prices, profit decreased significantly year on year.

Historical results: Q1

(100 million yen)

■ Net sales ■ Operating profit ○ Operating margin



Profit change factors

- Business environment
 - ✓ The Thai economy is on the up driven by tourism
 - ✓ Domestic demand is showing signs of recovery mainly due to infrastructure investment.
 - ✓ There has been an influx of Chinese and Korean products into the ASEAN market.
- Siam Yamato Steel (SYS)
 - ✓ Sales volume was down 25.6% YoY to 175,000 tons.
 - ✓ The metal margin was maintained at a high level due to efforts to maintain selling prices even during declines in scrap prices.

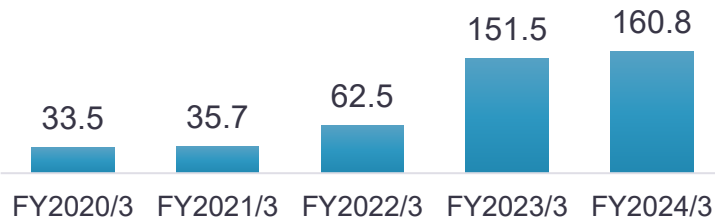
(10K tons, K B/ton)	FY2023/3				FY2024/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume (Including semi-finished products)	23.5	21.5	17.3	17.1	17.5			
Metal margin	15.9	16.3	17.6	16.6	16.4			

Equity-Method Affiliates

- Equity-method earnings increased 6.1% year on year to 16.0 billion yen.
- By region, the US business remained strong. The Middle East business continues full operation, and contributed to both volume and profit. The Vietnam business had a slight increase in profit, and the South Korea business had a decrease in profit due to reduced sales volume.

Historical equity in earnings of affiliates: Q1

(100 million yen)



Profit change factors

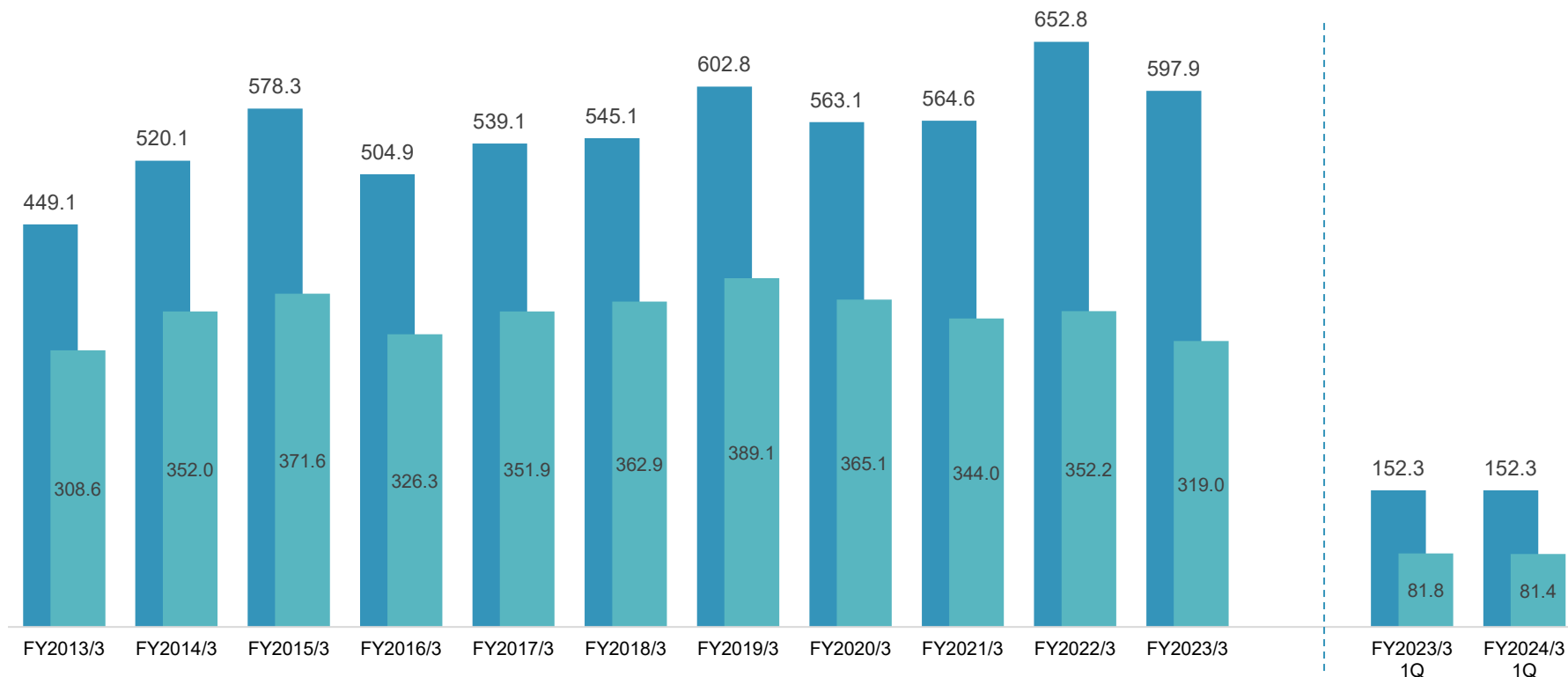
- United States ✓ Demand for construction projects for semiconductors, EVs and batteries were steady. Although business for distributors was subdued, supply and demand continued to be generally tight.
✓ We maintained a high metal margin against the backdrop of steady demand, and performance was at a high level on par with the previous fiscal year.
- Middle East ✓ Since the high oil prices of the previous year, construction activity in Middle Eastern countries has been recovering centered on infrastructure investment.
✓ Although the market was seen to soften at the start of the year due to the the impact of the inflow of Chinese products, supply and demand tightened after the earthquakes in Turkey, and profit increased year on year.
- Asia ✓ Although there were signs of recovery in the steel market in Vietnam and structural steel demand is on an increasing trend, the inventory levels remain high, and profit increased only slightly.
✓ In South Korea, due to inflation and rising interest rates, rebar demand decreased, and profit decreased year on year.

Historical Group-Wide Sales Volume

- The group-wide sales volume for Q1 was on par with the previous year at 1,523,000 tons. (The Thai business and other business locations decreased, and the Middle East business increased.)

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

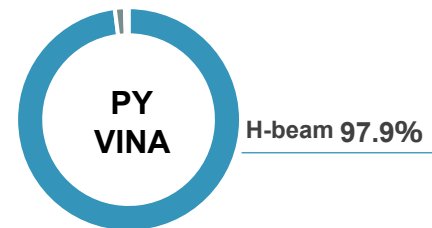
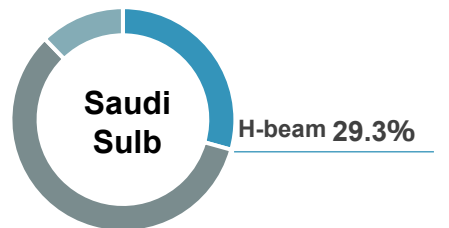
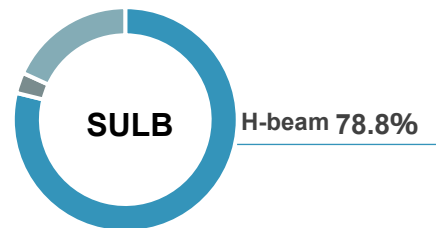
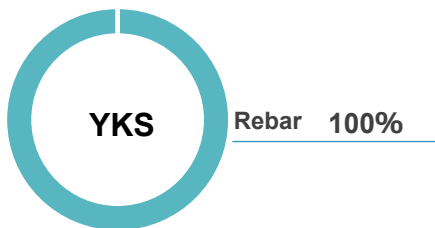
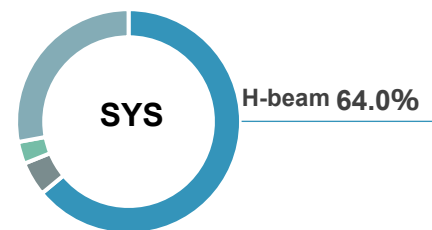
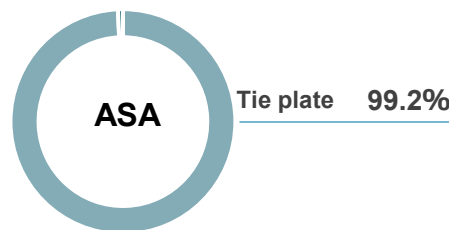
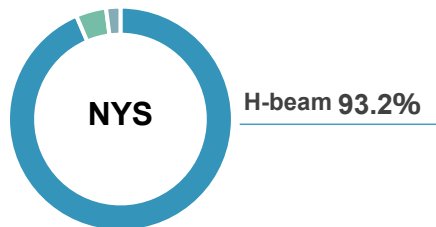
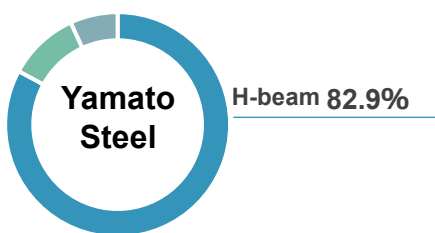
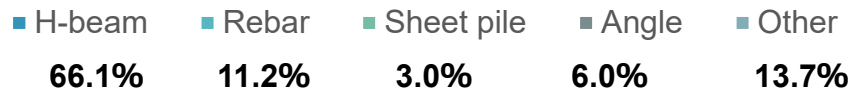
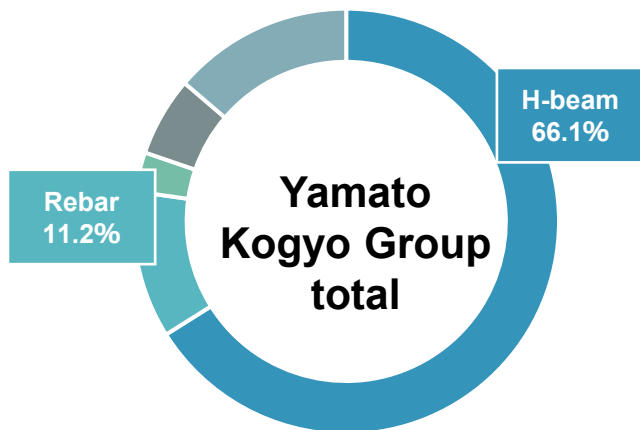
■ Group-wide sales volume ■ Equity-method adjusted sales volume*2



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

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

Product Mix Q1 Results



Balance Sheet

- Zero interest-bearing debt. Shareholders' equity ratio is 85.4%.
- Total assets and total liabilities and net assets increased mainly due to the solid results and the weaker yen.

(100 million yen)	FY2022/3	FY2023/3	FY2024/3 Q1	YoY chg.
Current assets	1,677	2,382	2,752	370
Cash & deposits	997	1,624	1,999	375
Trade receivables	251	282	305	22
Inventory assets	398	398	400	1
Non-current assets	2,472	2,767	2,563	(203)
Property, plant and equipment	597	633	635	1
Total Investments and other assets	1,858	2,115	1,909	(206)
Investment securities	562	731	776	44
[Shares of subsidiaries and associates]	[440]	[598]	[619]	[20]
Long-term time deposits	236	94	95	0
Total assets	4,149	5,150	5,316	166
Liabilities	392	447	482	35
Trade payables	110	105	100	(5)
Deferred tax liabilities	138	172	181	8
Net assets	3,756	4,702	4,833	131
Foreign currency translation adjustment	186	584	609	24
Non-controlling interests	253	295	293	(2)
Total liabilities and net assets	4,149	5,150	5,316	166

Sufficient balance is maintained for strategic expansion of facility capacity and for flexible response to M&A opportunities (including approx. 1.3 billion yen in USD deposits)

Total Investments and other assets include below:

Shares of subsidiaries and associates: 61.9 billion yen

Investments in capital of subsidiaries and associates: 74.4 billion yen

Long-term loans receivable from subsidiaries and associates: 27.2 billion yen

Including an increase of 40.0 billion yen in financial assets* from the end of the prior period to 225.2 billion yen (foreign exchange impact: +2.0 billion yen).

85.4% shareholders' equity ratio (Includes 60.9 billion yen foreign currency translation adjustment)

Increased mainly due to solid results and weaker yen

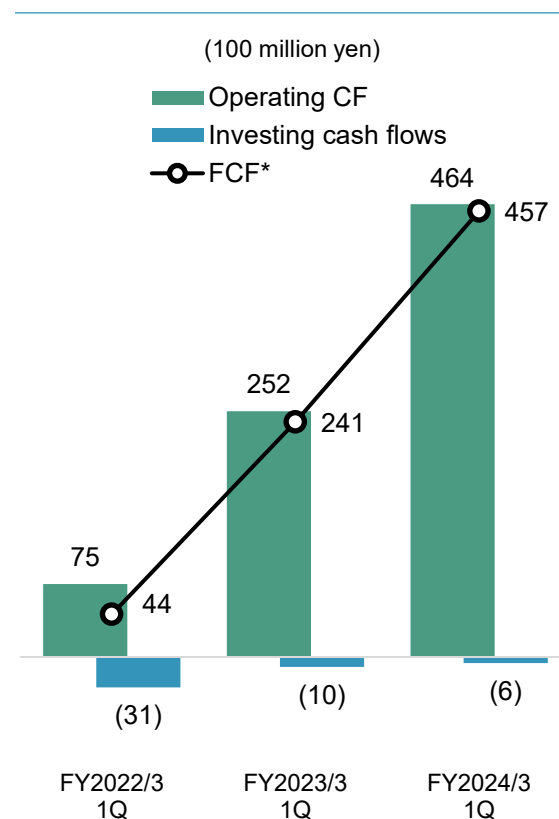
*Financial assets = cash and deposits + securities + investment securities (excluding shares of subsidiaries and associates) + long-term deposits

Cash Flows

- FCF was up 21.5 billion yen YoY to 45.7 billion yen owing primarily to cash distribution from the steady US equity-method affiliates.
- Investing cash flows was minus 0.6 billion yen mainly due to the purchase of property, plant and equipment.
- Financing cash flow was minus 10.0 billion yen (an increase in outflow of 3.0 billion yen YoY) after making expenditures such as returning profits to shareholders.

(100 million yen)	FY2022/3 Q1	FY2023/3 Q1	FY2024/3 Q1	YoY Change
Operating CF	75	252	464	212
Investing cash flows (excluding changes in long term time deposits)	(31)	(10)	(6)	3
Purchase of property, plant and equipment	(9)	(9)	(13)	(3)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(21)	—	—	—
FCF*	44	241	457	215
Financing CF	(59)	(69)	(100)	(30)
Purchase of treasury shares	(23)	(0)	(0)	0
Dividends paid	(23)	(57)	(86)	(28)

Historical free cash flow



*FCF is calculated as operating CF + investing CF



II

FY2024/3 Forecast, Shareholder Return

FY2024/3 Earnings Forecast

- Although sales and profit are expected to decrease, we forecast the second highest profit level on record.
- Ordinary profit increased 20.6% from the previous forecast to 82.0 billion yen. The results forecast has been revised upward due to the expectation that the Japan and US businesses will perform better than previously forecast and the effect of the weak year.
- We will continue to pay attention to the business environment surrounding the Group as it may change significantly due to factors such as movements in China.

(100 million yen)	FY2023/3	FY2024/3		YoY		Versus prev. forecast	
		Most recent forecast (Apr. 28, 2023)	New forecast (Jul. 31, 2023)	Change	Change (%)	Change	Change (%)
Net sales	1,804	1,600	1,540	(264)	(14.7%)	(60)	(3.8%)
Operating profit	168	95	130	(38)	(22.6%)	35	36.8%
Ordinary profit	905	680	820	(85)	(9.4%)	140	20.6%
Equity in earnings of affiliates	662	—	—	—	—	—	—
Profit attributable to owners of parent	653	480	580	(73)	(11.2%)	100	20.8%
Operating profit margin	9.3%	5.9%	8.4%	(0.9%)	—	2.5%	—
Ordinary profit margin	50.2%	42.5%	53.2%	3.0%	—	10.7%	—

Earnings Forecast by Segment

Consolidated subsidiaries

Steel (Japan)

- Structural steel demand is expected to continue to be strong, driven by large-scale construction projects. Solid demand is also expected in civil engineering
- As the market for steel sheets/plates softens due to the impact of international market conditions, supply and demand for structural steel continues to be tight, and the selling price is expected to be higher than initially anticipated.
- Although scrap prices and energy prices are high, they are expected to be lower than initially anticipated.
- Results are forecast to be an increase in sales and profit compared to the previous forecast (increased profit year on year).

Steel (Thailand)

- While the Thai economy is showing signs of recovery, there are concerns about delays in infrastructure investment due to the impact of prolonged political unrest, and distributors continue to be cautious about accumulating inventory.
- Competition with Chinese manufacturers, etc. is intensifying in the export market, and both export and domestic sales volume are expected to decrease.
- The metal margin is expected to be maintained at a high level due to the fall in scrap prices being larger than that of selling prices.
- Although sales are forecast to decrease compared to the previous forecast, profit is expected to be on par with the previous forecast (decrease in profit year on year)

Equity-method affiliates

United States

- Although there are concerns about the outlook due to inflation, the US economy is solid, and supply and demand will continue to be tight due to steady construction demand such as that related to semiconductors, EVs and renewable energy.
- Although not as high as the previous year, structural steel prices are expected to be comparatively high.
- Results are forecast to be an increased profit compared to the previous forecast (decreased profit year on year).

Middle East

- The financial condition of Middle Eastern countries is improving against the backdrop of rising oil prices, and construction demand such as infrastructure investment is recovering.
- Although there is some uncertainty, the structural steel market has not fallen off as much as initially anticipated, and full production is expected to continue.
- Results are forecast to be a slightly increased profit compared to the previous forecast (decreased profit year on year).

Vietnam

- The delay in recovery of the real estate market has had the knock-on effect of slowing the pace of recovery of structural steel demand. Although structural steel market conditions are affected by poor market conditions in China, scrap prices have also fallen, and the metal margin is expected to be maintained.
- Results are forecast to be on par with the previous forecast (increased profit year on year).

South Korea

- The real estate market continues to be sluggish due to the impact of monetary tightening, resulting in deterioration of demand for rebar, a decrease in sales volume and a fall in selling prices.
- Results are forecast to be a decreased profit compared to the previous forecast (decreased profit year on year).

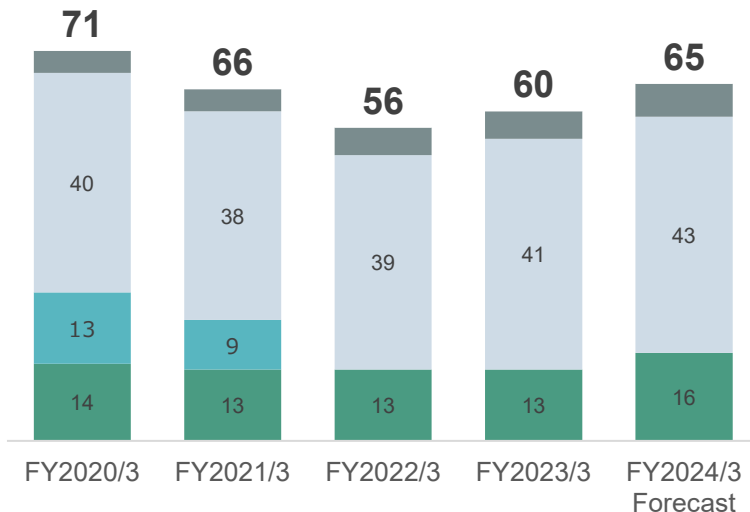
Depreciation & Capital Investment (Consolidated Subsidiaries)

- Capital investment for the entire group is expected to increase year on year.
- Strategic investment such as updating rolling line is progressing at Yamato Steel (including update of straightener machine scheduled for completion in around June 2024)
- Thailand/SYS will mainly update aging facilities and introduce labor-saving facilities.

Depreciation

(100 million yen)

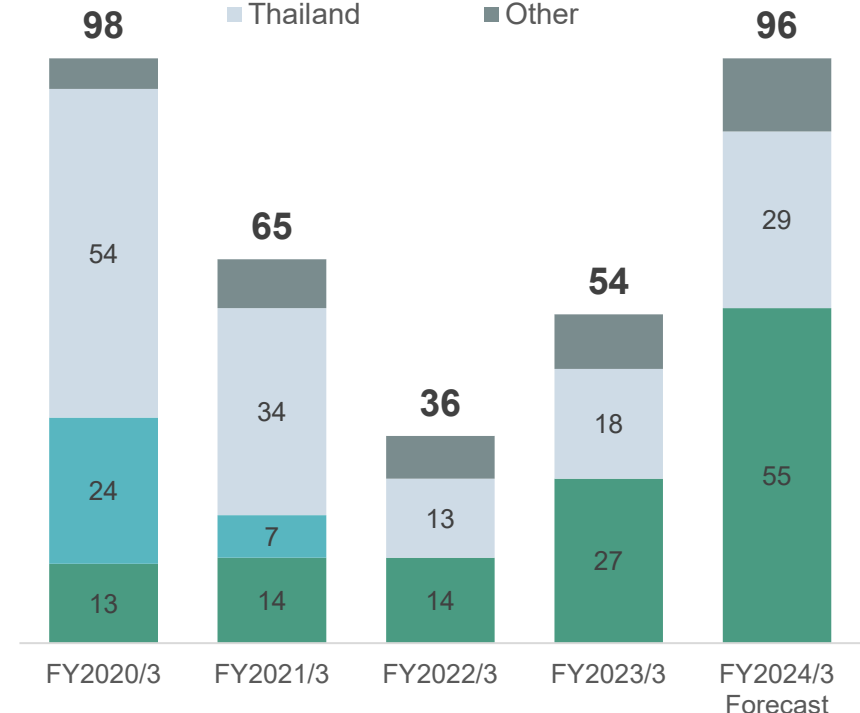
■ Japan ■ South Korea ■ Thailand ■ Other



Capital investment

(100 million yen)

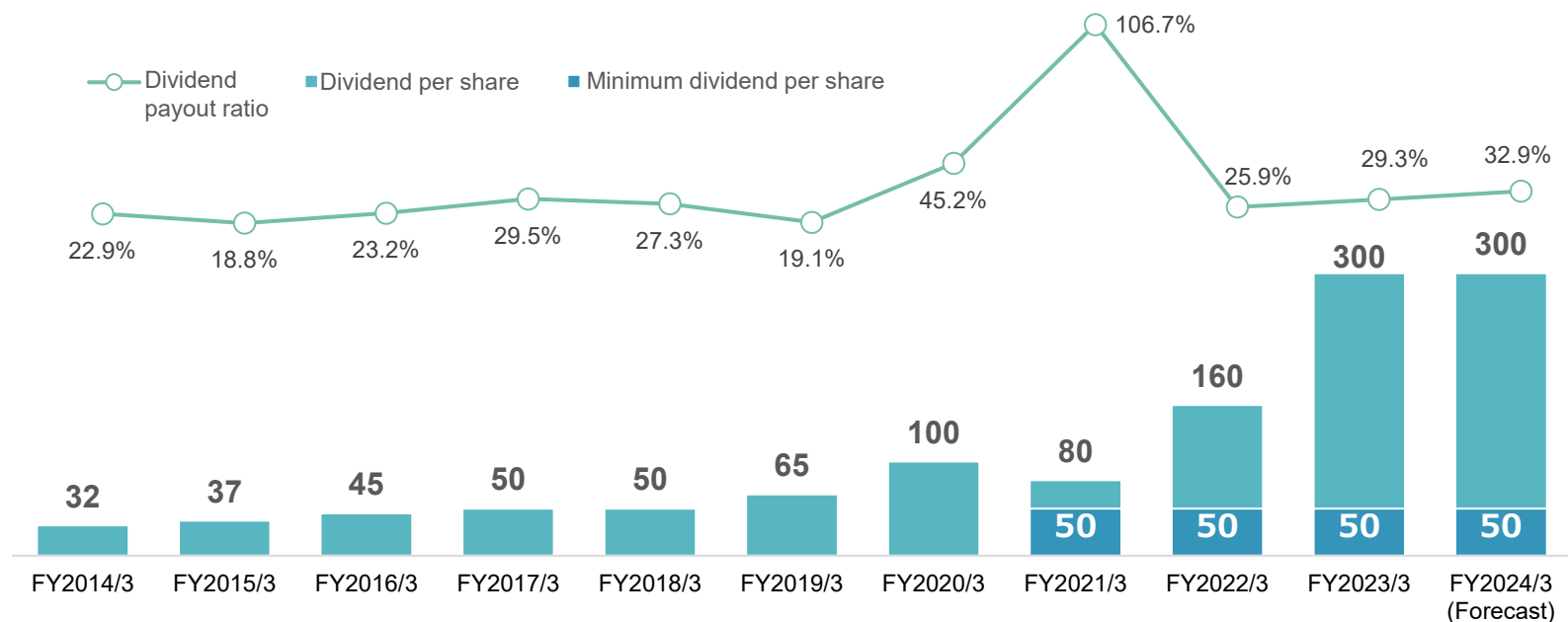
■ Japan ■ South Korea ■ Thailand ■ Other



Shareholder Return

- Our basic policy is to distribute profit in accordance with performance, and we endeavor to maintain continuous and steady dividend (minimum dividend amount per share is set at 50 yen per year).
- We forecast an ordinary dividend of 300 yen per share (interim dividend of 150 yen and year-end dividend of 150 yen) in FY2024/3.
- From the perspective of increasing shareholder value over the medium to long term, we will consider purchasing treasury shares flexibly.

Dividends (yen)






Overview of Indonesia Project (disclosed on August 8, 2023)

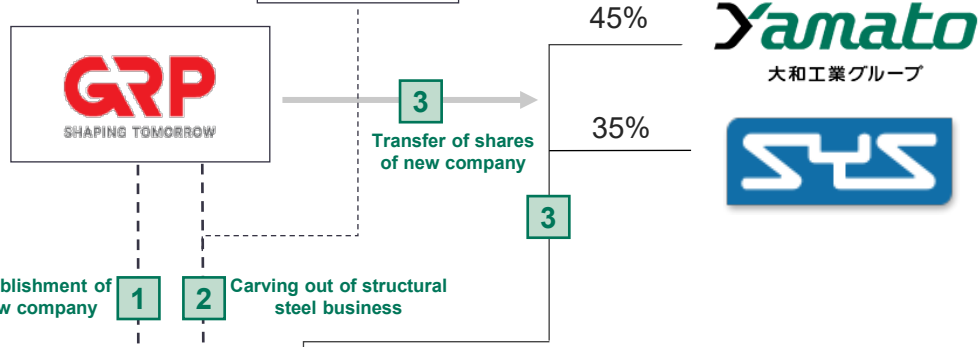
Overview of Indonesia Project (disclosed on August 8, 2023)

- A decision has been made to acquire a steel plant in Indonesia, which boasts the largest population in ASEAN. The plant will be the third base in the region, following SYS in Thailand and PY VINA in Vietnam. This will mark a significant step toward the concrete realization of “ASEAN structural steel 3 million ton capacity construction plan”.
- Yamato Kogyo and SYS will acquire 80% of shares in a new company (PT Nusantara Baja Profil) which will succeed the structural steel business operated by PT Gunung Raja Paksi Tbk (GRP) and the business real estate held by PT Gunung Garuda (GRD) through investment in kind.
- With this investment the Group aims to achieve autonomous and sustained growth as majority shareholder, and starts to promote a more aggressive business strategy.
- Date of share transfer: Scheduled for the Q1 of FY2025/3 (The impact on consolidated performance of FY2025/3 will be disclosed when it becomes clear)

Overview

- ✓ GRP is a major privately operated steel manufacturer with experience operating in Indonesia for over 50 years, and has the largest share in the country’s structural steel market.
- ✓ GRP’s structural steel business will be spun off and transferred to the Yamato Kogyo Group.

 The steel business real estate held by GRD, which is GRP’s shareholder, will be carved out.



New company	Company name	PT Nusantara Baja Profil
	Location	West Java, Republic of Indonesia
	Business details	Manufacture and sale of steel products
	Annual production capacity (nominal)	Steel: 1,000,000 tons, Rolling: 900,000 tons

M&A Synergies

- ✓ The electric furnace operation technology the Group has developed over many years, and the know-how on marketing, etc. accumulated in ASEAN by SYS will be brought in and additional strategic capital investment will be executed with the aim of capturing demand in the Indonesian structural steel market that is expected to grow significantly in future.
- ✓ SYS, which was established more than 30 years ago, will be positioned as the mother factory in the ASEAN region, and efforts will be made to maximize synergies between the three bases in ASEAN centering on SYS.
- ✓ Hanwa Co., Ltd., which operates a wide range of steel businesses in Indonesia will also have a 15% stake through its local subsidiary. We aim for the sustained growth of the business through collaboration with Hanwa.
- ✓ GRP will also continue involvement as a 5% shareholder. We will also coordinate with GRP.



- 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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Yamato

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