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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

April 28, 2023

Company name: YAMATO KOGYO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 5444

URL: <http://www.yamatokogyo.co.jp>

Representative: Mikio Kobayashi

President

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Director, Executive Managing Officer

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Scheduled date of Annual General Meeting of Shareholders: June 29, 2023

Scheduled date of commencing dividend payments: June 30, 2023

Scheduled date of filing annual securities report: June 30, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-----------------|------|------------------|------|-----------------|-------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended March 31, 2023 | 180,438 | 20.3 | 16,813 | 26.5 | 90,494 | 57.0 | 65,317 | 63.6 |
| March 31, 2022 | 150,029 | 10.3 | 13,290 | 32.7 | 57,646 | 167.3 | 39,917 | 700.8 |

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 111,987 million [70.9%]
Fiscal year ended March 31, 2022: ¥ 65,545 million [-%]

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets ratio | Operating profit to net sales ratio |
|-------------------|--------------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2023 | 1,025.49 | - | 16.5 | 19.5 | 9.3 |
| March 31, 2022 | 618.62 | - | 12.2 | 14.9 | 8.9 |

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2023: ¥ 66,258 million
Fiscal year ended March 31, 2022: ¥ 40,348 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|-----------------|-----------------|------------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 515,000 | 470,211 | 85.6 | 6,917.47 |
| March 31, 2022 | 414,928 | 375,686 | 84.4 | 5,501.16 |

(Reference) Equity: As of March 31, 2023: ¥ 440,622 million
As of March 31, 2022: ¥ 350,351 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2023 | 52,654 | (10,346) | (17,719) | 133,859 |
| March 31, 2022 | 11,457 | 76,736 | (15,904) | 95,467 |

2. Dividends

| | Annual dividends | | | | | Total dividends | Payout ratio (consolidated) | Dividends to net assets (consolidated) |
|--|------------------|-----------------|-----------------|----------|--------|-----------------|-----------------------------|--|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| March 31, 2022 | - | 60.00 | - | 100.00 | 160.00 | 10,407 | 25.9 | 3.2 |
| March 31, 2023 | - | 150.00 | - | 150.00 | 300.00 | 19,403 | 29.3 | 4.8 |
| Fiscal year ending March 31, 2024 (Forecast) | - | 150.00 | - | 150.00 | 300.00 | | 39.8 | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|--------------------------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2023 | 82,000 | (13.5) | 5,500 | (41.6) | 39,000 | (24.1) | 28,000 | (26.1) | 439.58 |
| Full year | 160,000 | (11.3) | 9,500 | (43.5) | 68,000 | (24.9) | 48,000 | (26.5) | 753.57 |

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
 Exclusion: - (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2023: 65,000,000 shares
 March 31, 2022: 65,000,000 shares

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

March 31, 2023: 1,302,901 shares
 March 31, 2022: 1,313,215 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2023: 63,694,549 shares
 Fiscal Year ended March 31, 2022: 64,525,916 shares

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results

During the consolidated fiscal year under review, the business environment surrounding the Group faced a global slump in steel market conditions and demand due to factors such as the protraction of the Ukraine situation, global increases in prices of resources, and a slowdown in the Chinese economy. In such an environment, when looking at the impact on price and demand for H-beams and other products used in civil engineering and construction, the Group's main products, in the countries and regions where the Company operates globally, demand was steady in the US, Japan and the Middle East throughout the fiscal year, but softened in the ASEAN region, which is closely linked to the Chinese economy, from the second half. However, as the scrap prices that constitutes the main raw material of our business began to fall after peaking in April, efforts made to improve the metal margin and reduce costs in each location resulted in generally steady performance.

In Japan, although small and medium construction projects have been slow due to the impact of rising construction material prices, demand for H-beams and other products has been solid, mainly due to large construction projects such as urban redevelopment, logistics facilities and semiconductor factories. At Yamato Steel, with blast furnace manufacturers concentrating on products such as steel sheet/plate since last year, our efforts through integration of manufacturing and sales to acquire new customers and strengthen production and sales of large-sized products led to securing order volume centered on the mainstay product of H-beams for projects, and year-on-year sales volume increased. With regard to operating profit, although scrap prices that had been falling since May bottomed out in August and energy prices continued to rise from the beginning of the fiscal year, the metal margin improved due to raising sale prices, and profit increased significantly year on year.

Results for the period from January 2022 to December 2022 for our consolidated subsidiary in Thailand and our equity-method affiliates in the US, Bahrain, Saudi Arabia, Vietnam, and South Korea have been incorporated into the consolidated accounts for the fiscal year under review.

In the Thai consolidated subsidiary, Siam Yamato Steel Co., Ltd. (SYS), there were signs of recovery in demand for structural steel in Thailand centered on large public investments, but there was an overall lack of momentum such as customers refraining from purchases in anticipation of steel prices falling due to the fall in scrap prices, and sales volume was sluggish as a result. In the export market, as construction activity recovered within ASEAN, sales volume increased during the first half due to the inflow of Chinese and Korean products being at a comparatively low level, but the competitive environment gradually became harsher from the second half. Although operating profit decreased year on year due to a decrease in sales volume, metal margin improved and a high level of profit was secured as a result of efforts to maintain sales prices even while scrap prices fell.

Although the impact of the Ukraine situation and the slowdown of the Chinese economy was limited in the US economy compared to other regions, inflation was a factor lowering the economy for Nucor-Yamato Steel Company (NYS), the equity-method affiliate in the US. Distributors showed caution with orders toward the end of the year due to concerns about the economic outlook, but structural steel demand centered on large factory construction projects such as semiconductor and EV-related factories is solid, and supply and demand generally continued to be tight. Sale prices of steel sheet/plate, etc. fell due to the decline in the scrap market in the second half of the fiscal year and market conditions for structural steel also softened, but a high metal margin has been maintained, and profits increased significantly year on year.

At SULB Company BSC (c) (SULB), the equity-method affiliate in the Middle East, economic conditions within the GCC region are improving due to rising oil prices resulting from factors such as the impact of the Ukraine situation. As construction activity such as infrastructure investment is recovering, product sales volume increased significantly as a result of efforts to strengthen sales including exports. Prices for steel products and semi-finished products were high while scrap prices rose internationally, resulting in an increase in profitability. Sale prices decreased with the reversal of scrap prices, but profit increased significantly year on year due to an increase in sales volume.

At our equity-method affiliate in Vietnam, Posco Yamato Vina Steel Joint Stock Company (PY VINA), demand for structural steel gradually increased in association with the recovery of economic activity after the lifting of COVID-19 restrictions, but the pace slowed due to the impact of the slowdown of the Chinese economy and deterioration of the real estate market, and sales volume has been sluggish since the beginning of the second half. Although a certain degree of earnings was secured due to improvement of the metal margin, profits decreased year on year due to a decrease in sales volume.

At our equity-method affiliate in South Korea, YK Steel Corporation (YKS), demand for rebar was comparatively strong in the first half due to measures to expand residential supply, but the company has been gradually affected by the impact of inflation and rising interest rates since the second half, and sales volume decreased year on year. In terms of earnings, although sales volume decreased, profit increased on an operating profit basis due to strengthening of cooperation in both manufacturing and sales with local joint venture partner Daehan Steel Co., Ltd. and securing a high metal margin.

With regard to YKS receiving an Investigatory Report from the Korea Fair Trade Commission in the previous fiscal year, additional losses of ¥1,794 million were recorded in the fiscal year under review (negative ¥594 million as equity in earnings of affiliates and ¥1,199 million as a loss on Fair-trade Act (extraordinary losses)) due to the finalization of the penalty. For the details, please refer to “3. Consolidated Financial Statements and Notes (5) Notes to Consolidated Financial Statements (Additional Information).”

As a result of the above, net sales for the current consolidated fiscal year were ¥180,438 million (an increase of ¥30,408 million in comparison with the previous year), operating profit was ¥16,813 million (an increase of ¥3,522 million in comparison with the previous year), ordinary profit was ¥90,494 million (an increase of ¥32,847 million in comparison with the previous year), and profit attributable to owners of parent was ¥65,317 million (an increase of ¥25,400 million in comparison with the previous year). Ordinary profit and profit attributable to owners of parent represent new records for the Company.

Please note that the average exchange rates, used in preparation of consolidated financial statements from financial statements of overseas subsidiaries and affiliates, are set forth below.

(Each company’s fiscal year is from January to December 2022)

132.09 yen/U.S. dollar, 3.75 yen/baht, and 9.78 won/yen

Average exchange rates for the previous year are as follows:

(Each company’s fiscal year is from January to December 2021)

110.39 yen/U.S. dollar, 3.44 yen/baht, and 10.37 won/yen

Results by segment are explained below.

- Steel (Japan)

Although small and medium construction projects have been slow due to the impact of rising construction material prices, demand for H-beams and other products has been solid, mainly due to large construction projects such as urban redevelopment, logistics facilities and semiconductor factories. At Yamato Steel, with blast furnace manufacturers concentrating on products such as steel sheet/plate since last year, our efforts through integration of manufacturing and sales to acquire new customers and strengthen production and sales of large-sized products led to securing order volume centered on the mainstay product of H- beams for projects, and year-on-year sales volume increased. With regard to operating profit, although scrap prices that had been falling since May bottomed out in August and energy prices continued to rise from the beginning of the fiscal year, the metal margin improved due to raising sale prices, and profit increased significantly year on year.

As a result, sales were ¥72,873 million (an increase of ¥15,518 million in comparison with the previous year), the operating profit was ¥8,701 million (an increase of ¥6,355 million in comparison with the previous year).

- Steel (Thailand)

There were signs of recovery in demand for structural steel in Thailand centered on large public investments, but there was an overall lack of momentum such as customers refraining from purchases in anticipation of steel prices falling due to the fall in scrap prices, and sales volume was sluggish as a result. In the export market, as construction activity recovered within ASEAN, sales volume increased during the first half due to the inflow of Chinese and Korean products being at a comparatively low level, but the competitive environment gradually became harsher from the second half. Although operating profit decreased year on year due to a decrease in sales volume, metal margin improved and a high level of profit was secured as a result of efforts to maintain sales prices even while scrap prices fell.

As a result, sales were ¥97,331 million (an increase of ¥14,878 million in comparison with the previous year), the operating profit was ¥10,735 million (a decrease of ¥1,989 million in comparison with the previous year).

- Trackwork materials

Sales were ¥6,491 million (a decrease of ¥687 million in comparison with the previous year), the operating profit was ¥250 million (a decrease of ¥282 million in comparison with the previous year).

- Other Businesses

Sales were ¥3,742 million (an increase of ¥699 million in comparison with the previous year), the operating profit was ¥129 million (a decrease of ¥42 million in comparison with the previous year).

(2) Overview of Financial Position

(i) Changes in financial position

At the end of the current consolidated fiscal year, total assets were ¥515,000 million, an increase of ¥100,071 million over the end of the previous year. Total Liabilities were ¥44,788 million, an increase of ¥5,546 million over the end of the previous year.

Also, at the end of the current consolidated fiscal year, Total net assets were ¥470,211 million, an increase of ¥94,525 million over the end of the previous year. The main factors behind this were an increase due to profit attributable to owners of parent, a decline caused by dividend payments, and an increase in foreign currency translation adjustments.

Please note that the following exchange rates are used in preparation of financial statements for overseas subsidiaries and affiliates and the conversion of assets and liabilities of domestic companies at the end of the fiscal year under review.

(The end of fiscal year for each overseas company is end of December 2022)

132.70 yen/U.S. dollar, 3.82 yen/baht, 9.55 won/yen.

(The end of fiscal year for domestic subsidiaries and affiliates is end of March 2023)

133.54 yen/U.S. dollar.

Also, exchange rates for the end of previous consolidated fiscal year are as follows:

(The end of fiscal year for each overseas company is end of December 2021)

115.02 yen/U.S. dollar, 3.43 yen/baht, 10.31 won/yen.

(The end of fiscal year for domestic subsidiaries and affiliates is end of March 2022)

122.41 yen/U.S. dollar.

(ii) Cash flows

(Cash flows from operating activities)

Net cash increased by operating activities was ¥52,654 million, due mainly to profit before income taxes, and cash distributions from the equity-method affiliate in the US.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,346 million, due mainly to payments into time deposits and purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash decreased in financing activities was ¥17,719 million, due mainly to dividends paid.

Taking into account the effect of exchange rate change on cash and cash equivalents of ¥13,803 million, cash and cash equivalents at the end of the current consolidated fiscal year increased ¥38,391 million over the end of the previous year, to ¥133,859 million.

(3) Future Outlook

With regard to the future outlook, although a recovery in steel demand is expected due to the resumption of economic activity in China, there continue to be concerns for a slump in the global economy such as the worldwide protraction of inflation and confrontation between the United States and China. Although demand for the H-beams and other products used in civil engineering and construction, the Group's main products, lacks momentum overall, we expect to achieve around the same level of total sales volume for the Group as the previous year by making efforts to secure sales volume including semi-finished products. We will continue to strive to maintain metal margin and reduce costs in each of our locations.

Based on the above factors, our forecasts for the first half of the next fiscal year are consolidated net sales of ¥82,000 million, operating profit of ¥5,500 million, ordinary profit of ¥39,000 million, and profit attributable to owners of parent of ¥28,000 million.

For the fiscal year ending March 31, 2024, we forecast consolidated net sales of ¥160,000 million, operating profit of ¥9,500 million, ordinary profit of ¥68,000 million, and profit attributable to owners of parent of ¥48,000 million.

Our current assumptions regarding business conditions in the various countries and regions are as follows.

- Japan

Structural steel demand is expected to continue to be strong centering on redevelopment projects and large-scale construction projects such as semiconductor factories and logistics facilities, and demand in civil engineering projects is also forecast to remain strong.

In terms of sales, as supply and demand continue to tighten, we will strive to ensure acceptance of sale prices reflecting high costs such as high raw material prices and rising energy prices and logistic costs. We anticipate the impact of decreased production and sales volume associated with the planned implementation of the renewal work on rolling facilities, and forecast a decrease in sales and profit year on year.

- Thailand

The domestic economy in Thailand is recovering, and we expect a gradual recovery in demand for structural steel as construction activity centered on infrastructure investment picks up. Meanwhile, in the ASEAN market, we anticipate that the harsh competitive environment with Chinese manufacturers and others will continue, and that sales volume and sales prices will drop, and forecast a decrease in sales and profit year on year.

- United States

As economic uncertainty caused by inflation continues, there are concerns that distributor demand will be sluggish although construction demand related to semiconductors, EVs and renewable energy is strong. With regard to performance, although profit will decrease from the previous year when sales prices were unprecedentedly high, we expect to secure high earnings due to the continued tightening of supply and demand.

- Middle East

The financial condition of Middle Eastern countries has improved due to high oil prices, and business activity is expected to pick up. Construction demand such as infrastructure investment is also recovering, and full production is expected to continue. We anticipate sales prices to fall due in part to uncertainty going forward, and although we expect to continue to make a profit, it will decrease year on year.

- Vietnam

Demand for structural steel is expected to recover owing to an increase in public investment budgets as the economy recovers, but there is a high level of dependence on the Chinese economy and the outlook is uncertain. With regard to performance, we expect to continue make a profit which is slightly higher year on year due to increase in sales volume.

- South Korea

There are concerns that the real estate market will soften due to the impact of monetary tightening, and demand for rebar is expected to decrease. We expect profit to decrease year on year on an operating profit basis due to a decrease in sales volume and a fall in sales prices.

Please note that for the January-December 2023 period we applied the exchange rates for translating into Japanese yen revenues generated and costs incurred by our overseas subsidiaries and affiliates on the basis of the following:

(Average rates for the period)

130.86 yen/U.S. dollar, 3.82 yen/baht, and 9.96 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2023 for overseas subsidiaries and affiliates and the end of March 2024 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates for overseas subsidiaries and affiliates)

130.00 yen/U.S. dollar, 3.79 yen/baht, and 10.08 won/yen.

(End of period rates for domestic subsidiaries and affiliates)

128.00 yen/U.S. dollar.

(4) Dividend Policy and Plans for the Current and Next Fiscal Years

We consider investments in growth, contributions to stakeholders, and the return of profits to shareholders to be important management issues. It aims to achieve sustainable growth and increases in corporate value over the medium to long term.

With regard to dividends, its basic policy is to distribute profits in accordance with performance. In addition to setting the dividend so as to target a consolidated dividend payout ratio of around 30% every year, the Company endeavors to maintain continuous and steady dividend, with a minimum annual amount of 50 yen per share.

We will also acquire treasury stock as and when appropriate, after performing a comprehensive assessment of total shareholder returns in relation to the business environment, and other issues.

Based on policies such as the above, Yamato Kogyo proposes to pay year-end dividends of surplus of 150 yen per share, as previously announced. (The yearly dividend will be 300 yen per share)

With regard to dividends of surplus for the next fiscal year, our policy continues to be to appropriately allocate cash to future growth investment and shareholder returns while striving to maintain financial soundness. In general consideration of the recent management environment, financial condition, and the like, and to meet the expectations of shareholders, we have revised the target for consolidated dividend payout ratio from “around 30%” to “around 40%.”

As a result of the above, the Company plans to pay an interim dividend of 150 yen per share, and a year-end dividend of 150 yen per share, for an annual dividend of 300 yen per share.

2. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP), taking into consideration comparability of consolidated financial statements over time and comparability among companies. The Group will take into consideration the domestic and international situations for appropriate adoption of the IFRS in the future.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 99,717 | 162,422 |
| Notes receivable - trade | 129 | 256 |
| Accounts receivable - trade | 25,015 | 27,974 |
| Securities | 20 | 19 |
| Merchandise and finished goods | 18,360 | 18,324 |
| Work in process | 555 | 652 |
| Raw materials and supplies | 20,926 | 20,855 |
| Other | 3,007 | 7,760 |
| Allowance for doubtful accounts | (22) | (22) |
| Total current assets | 167,710 | 238,243 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 33,652 | 36,231 |
| Accumulated depreciation | (22,341) | (24,638) |
| Buildings and structures, net | 11,310 | 11,593 |
| Machinery, equipment and vehicles | 118,139 | 128,420 |
| Accumulated depreciation | (91,307) | (100,750) |
| Machinery, equipment and vehicles, net | 26,832 | 27,669 |
| Tools, furniture and fixtures | 2,479 | 2,769 |
| Accumulated depreciation | (2,133) | (2,384) |
| Tools, furniture and fixtures, net | 345 | 384 |
| Land | 17,815 | 18,884 |
| Construction in progress | 1,550 | 2,782 |
| Other | 2,154 | 2,501 |
| Accumulated depreciation | (248) | (424) |
| Other, net | 1,905 | 2,077 |
| Total property, plant and equipment | 59,761 | 63,392 |
| Intangible assets | | |
| Goodwill | 810 | 707 |
| Other | 822 | 1,130 |
| Total intangible assets | 1,632 | 1,838 |
| Investments and other assets | | |
| Investment securities | 56,255 | 73,173 |
| Investments in capital | 78,826 | 102,143 |
| Long-term loans receivable from subsidiaries and associates | 23,067 | 25,144 |
| Long-term time deposits | 23,660 | 9,462 |
| Retirement benefit asset | 917 | 895 |
| Other | 3,396 | 1,007 |
| Allowance for doubtful accounts | (301) | (301) |
| Total investments and other assets | 185,823 | 211,526 |
| Total non-current assets | 247,217 | 276,756 |
| Total assets | 414,928 | 515,000 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 11,033 | 10,592 |
| Accounts payable - other | 1,885 | 2,929 |
| Accrued expenses | 2,265 | 2,550 |
| Income taxes payable | 1,908 | 3,036 |
| Provision for bonuses | 744 | 752 |
| Other | 1,574 | 1,637 |
| Total current liabilities | 19,411 | 21,498 |
| Non-current liabilities | | |
| Deferred tax liabilities | 13,874 | 17,269 |
| Retirement benefit liability | 1,975 | 2,050 |
| Other | 3,981 | 3,969 |
| Total non-current liabilities | 19,830 | 23,289 |
| Total liabilities | 39,242 | 44,788 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,996 | 7,996 |
| Capital surplus | - | 15 |
| Retained earnings | 320,784 | 370,233 |
| Treasury shares | (1,412) | (1,380) |
| Total shareholders' equity | 327,369 | 376,865 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,490 | 5,473 |
| Foreign currency translation adjustment | 18,649 | 58,456 |
| Remeasurements of defined benefit plans | (157) | (172) |
| Total accumulated other comprehensive income | 22,982 | 63,757 |
| Non-controlling interests | 25,335 | 29,588 |
| Total net assets | 375,686 | 470,211 |
| Total liabilities and net assets | 414,928 | 515,000 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Net sales | 150,029 | 180,438 |
| Cost of sales | 123,788 | 148,755 |
| Gross profit | 26,241 | 31,682 |
| Selling, general and administrative expenses | | |
| Packing and transportation costs | 5,728 | 6,659 |
| Salaries and allowances | 1,813 | 1,977 |
| Provision for bonuses | 546 | 510 |
| Retirement benefit expenses | 56 | 119 |
| Depreciation | 204 | 218 |
| Taxes and dues | 340 | 429 |
| Other | 4,260 | 4,953 |
| Total selling, general and administrative expenses | 12,950 | 14,869 |
| Operating profit | 13,290 | 16,813 |
| Non-operating income | | |
| Interest income | 418 | 3,636 |
| Dividend income | 321 | 458 |
| Equity in earnings of affiliates | 40,348 | 66,258 |
| Foreign exchange gains | 2,773 | 2,558 |
| Other | 776 | 945 |
| Total non-operating income | 44,637 | 73,857 |
| Non-operating expenses | | |
| Interest expenses | 82 | 86 |
| Loss on investments in investment partnerships | 19 | - |
| Loss on valuation of derivatives | 26 | - |
| Provision of allowance for doubtful accounts | 29 | - |
| Loss on disaster | 50 | 43 |
| Other | 73 | 45 |
| Total non-operating expenses | 282 | 175 |
| Ordinary profit | 57,646 | 90,494 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 1 | 12 |
| Gain on change in equity | 2 | - |
| Gain on sale of shares of subsidiaries and associates | 2 | - |
| Gain on sale of investment securities | 1 | 7 |
| Total extraordinary income | 8 | 19 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | - |
| Loss on retirement of non-current assets | 31 | 64 |
| Provision of Loss on Fair-trade Act | 248 | - |
| Loss on Fair-trade Act | - | 1,199 |
| Other | 1 | 13 |
| Total extraordinary losses | 281 | 1,278 |
| Profit before income taxes | 57,373 | 89,235 |
| Income taxes - current | 12,528 | 20,185 |
| Income taxes - refund | - | (1,570) |
| Income taxes - deferred | 1,130 | 2,414 |
| Total income taxes | 13,659 | 21,030 |
| Profit | 43,714 | 68,205 |
| Profit attributable to non-controlling interests | 3,797 | 2,887 |
| Profit attributable to owners of parent | 39,917 | 65,317 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Profit | 43,714 | 68,205 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 922 | 980 |
| Foreign currency translation adjustment | 10,539 | 24,187 |
| Remeasurements of defined benefit plans, net of tax | (80) | (16) |
| Share of other comprehensive income of entities accounted for using equity method | 10,448 | 18,630 |
| Total other comprehensive income | 21,830 | 43,782 |
| Comprehensive income | 65,545 | 111,987 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 61,623 | 106,092 |
| Comprehensive income attributable to non-controlling interests | 3,921 | 5,894 |

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 7,996 | - | 295,740 | (2,966) | 300,770 |
| Changes during period | | | | | |
| Dividends of surplus | | | (6,487) | | (6,487) |
| Profit attributable to owners of parent | | | 39,917 | | 39,917 |
| Purchase of treasury shares | | | | (6,881) | (6,881) |
| Disposal of treasury stock upon restricted stock compensation | | 9 | | 40 | 50 |
| Cancellation of treasury shares | | (9) | (8,386) | 8,395 | - |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | 25,044 | 1,554 | 26,598 |
| Balance at end of period | 7,996 | - | 320,784 | (1,412) | 327,369 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 3,566 | (2,213) | (77) | 1,275 | 23,750 | 325,797 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (6,487) |
| Profit attributable to owners of parent | | | | | | 39,917 |
| Purchase of treasury shares | | | | | | (6,881) |
| Disposal of treasury stock upon restricted stock compensation | | | | | | 50 |
| Cancellation of treasury shares | | | | | | - |
| Net changes in items other than shareholders' equity | 924 | 20,862 | (80) | 21,706 | 1,584 | 23,290 |
| Total changes during period | 924 | 20,862 | (80) | 21,706 | 1,584 | 49,889 |
| Balance at end of period | 4,490 | 18,649 | (157) | 22,982 | 25,335 | 375,686 |

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 7,996 | - | 320,784 | (1,412) | 327,369 |
| Changes during period | | | | | |
| Dividends of surplus | | | (15,868) | | (15,868) |
| Profit attributable to owners of parent | | | 65,317 | | 65,317 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury stock upon restricted stock compensation | | 15 | | 33 | 48 |
| Cancellation of treasury shares | | | | | - |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | 15 | 49,449 | 32 | 49,496 |
| Balance at end of period | 7,996 | 15 | 370,233 | (1,380) | 376,865 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 4,490 | 18,649 | (157) | 22,982 | 25,335 | 375,686 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (15,868) |
| Profit attributable to owners of parent | | | | | | 65,317 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury stock upon restricted stock compensation | | | | | | 48 |
| Cancellation of treasury shares | | | | | | - |
| Net changes in items other than shareholders' equity | 982 | 39,807 | (15) | 40,775 | 4,253 | 45,028 |
| Total changes during period | 982 | 39,807 | (15) | 40,775 | 4,253 | 94,525 |
| Balance at end of period | 5,473 | 58,456 | (172) | 63,757 | 29,588 | 470,211 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 57,373 | 89,235 |
| Depreciation | 5,687 | 6,017 |
| Amortization of goodwill | 102 | 102 |
| Increase (decrease) in allowance for doubtful accounts | 36 | 0 |
| Increase (decrease) in provision for bonuses | 191 | 8 |
| Increase (decrease) in retirement benefit liability | (88) | (7) |
| Interest and dividend income | (739) | (4,095) |
| Interest expenses | 82 | 86 |
| Foreign exchange losses (gains) | (429) | (540) |
| Equity in (earnings) losses of affiliates | (40,348) | (66,258) |
| Loss (gain) on sale of non-current assets | (1) | (12) |
| Loss on retirement of non-current assets | 31 | 64 |
| Decrease (increase) in trade receivables | (7,541) | (2,524) |
| Decrease (increase) in inventories | (11,865) | 2,819 |
| Increase (decrease) in trade payables | 3,516 | (849) |
| Loss (gain) on sale of shares of subsidiaries and associates | (2) | - |
| Increase (decrease) in accounts payable - other | 79 | 135 |
| Other, net | (3,269) | (2,576) |
| Subtotal | 2,814 | 21,606 |
| Interest and dividends received | 18,275 | 50,888 |
| Interest paid | (0) | - |
| Income taxes paid | (9,633) | (19,839) |
| Net cash provided by (used in) operating activities | 11,457 | 52,654 |
| Cash flows from investing activities | | |
| Payments into time deposits | (6,052) | (7,365) |
| Proceeds from withdrawal of time deposits | 89,004 | 1,485 |
| Purchase of securities | (21) | (4,000) |
| Proceeds from sale of securities | - | 4,022 |
| Purchase of property, plant and equipment | (3,478) | (3,866) |
| Proceeds from sale of property, plant and equipment | 1 | 13 |
| Purchase of intangible assets | (331) | (461) |
| Purchase of investment securities | (1,702) | (195) |
| Proceeds from sale of investment securities | 3 | 724 |
| Purchase of shares of subsidiaries and associates | - | (725) |
| Proceeds from sale of shares of subsidiaries and associates | 1,336 | - |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | (2,140) | - |
| Other, net | 116 | 21 |
| Net cash provided by (used in) investing activities | 76,736 | (10,346) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (6,881) | (0) |
| Dividends paid | (6,481) | (15,854) |
| Dividends paid to non-controlling interests | (2,337) | (1,641) |
| Other, net | (203) | (223) |
| Net cash provided by (used in) financing activities | (15,904) | (17,719) |
| Effect of exchange rate change on cash and cash equivalents | 4,014 | 13,803 |
| Net increase (decrease) in cash and cash equivalents | 76,304 | 38,391 |
| Cash and cash equivalents at beginning of period | 19,163 | 95,467 |
| Cash and cash equivalents at end of period | 95,467 | 133,859 |

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued on June 17, 2021) is applied from the beginning of the fiscal year under review, and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied into the future in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This has no impact on the consolidated financial statements.

(Additional Information)

(Investigation of equity-method affiliate by the Korea Fair Trade Commission)

During the previous fiscal year, the Korea Fair Trade Commission sent an Investigatory Report (“Report”) to Korean steel companies for violations of Korea’s monopoly regulations and fair-trade laws in tenders for annual fixed price agreements for rebar ordered by the Korean Public Procurement Service, and our equity-method affiliate YK Steel Corporation (“YKS”) also received the Report. YKS submitted an opinion to the Korea Fair Trade Commission, but there was a possibility that penalties would be paid. Accordingly, we posted ¥123 million provision for loss for the previous fiscal year proportional to the Group’s investment ratio in YKS, as a negative figure in equity in earnings of affiliates. To reflect the special indemnity clause in the share purchase agreement with Daehan Steel, we have also recorded an extraordinary loss of ¥248 million as a provision of loss on Fair-trade Act for the portion borne by the Group.

Due to the finalization of the penalty during the fiscal year under review, the Company recorded additional losses of ¥1,794 million (negative ¥594 million as equity in earnings of affiliates and ¥1,199 million as a loss on Fair-trade Act (extraordinary losses)), and the penalty has already been paid. However, YKS has filed an appeal due to having disagreement with the findings.

Furthermore, YKS and the consolidated subsidiary, Yamato Korea Holdings Co., Ltd., also received a complaint with other steel companies from a local government in April 2023 for compensation for damages (11.8 billion won), and intend to submit a written answer in rebuttal.

(Segment Information, etc.)

1. Overview of Reportable Segments

The reportable segments are those component units of the Company for which separate financial information is available, and are subject to regular scrutiny by the Board of Directors in order to determine allocation of management resources and to assess results.

The Group uses the domestic business and its mother factory as a base for developing overseas business activities that are characterized by local production and local consumption. It achieves this by establishing production and sales locations in markets with strong demand or in emerging countries in which growth in infrastructure investment is expected going forwards. The steel operations that constitute the main business of the Company are managed by Yamato Steel Co., Ltd. in Japan, and by local subsidiary Siam Yamato Steel Co., Ltd. (Thailand) overseas. Each has independent managements units, and they have formulated a comprehensive strategy for the country or region in relation to the products they handle, based on which they are developing their business activities.

Accordingly, the Group consists of three reportable segments categorized by business or region, with each based on a production and sales structure. They are “Steel (Japan),” “Steel (Thailand),” and “Trackwork materials.”

The main products and services for each reportable segment are as follows.

| | |
|-----------------------|---|
| [Steel (Japan)] | H-beam, channel, I-beam, sheet pile, patterned H-beams, rolled steel for shipbuilding, cast steel products, structural components for ships, heavy-duty machining |
| [Steel (Thailand)] | H-beam, channel, I-beam, sheet pile |
| [Trackwork materials] | Turnouts, expansion joints, NEW crossings, glued insulated joint rail, Anti-derailing guards, tie plates, bolts |

2. Methods of Measurement for the Amounts of Net Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

Accounting treatment of reportable segments is for the most part the same as the accounting treatment used for the preparation of the consolidated financial statements.

Segment profit is stated on an operating profit basis.

Internal net sales and transfers are determined mainly with reference to market prices and manufacturing cost.

3. Information about Operating Revenues, Profit (Loss), Assets, and Other Items for Each Reportable Segment
Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Other (Note 1) | Total | Reconciliations (Note 2) | Consolidated (Note 3) |
|---|---------------------|---------------------|------------------------|-----------|-------------------|---------|-----------------------------|--------------------------|
| | Steel (Japan) | Steel (Thailand) | Trackwork materials | Sub total | | | | |
| Net sales | | | | | | | | |
| (1) Sales to customers | 57,354 | 82,452 | 7,179 | 146,986 | 3,043 | 150,029 | — | 150,029 |
| (2) Inter-segment sales and transfers | 580 | — | — | 580 | — | 580 | (580) | — |
| Total | 57,934 | 82,452 | 7,179 | 147,566 | 3,043 | 150,609 | (580) | 150,029 |
| Segment profit | 2,346 | 12,724 | 532 | 15,603 | 171 | 15,774 | (2,483) | 13,290 |
| Segment assets | 51,593 | 75,200 | 4,903 | 131,698 | 15,342 | 147,040 | 267,887 | 414,928 |
| Other: | | | | | | | | |
| Depreciation and amortization | 1,288 | 3,860 | 344 | 5,492 | 94 | 5,587 | 100 | 5,687 |
| Amortization of goodwill | — | — | — | — | 102 | 102 | — | 102 |
| Increase in property, plant and equipment and intangible assets | 1,453 | 1,373 | 592 | 3,419 | 57 | 3,476 | 129 | 3,606 |

(Notes)1. The “Other” category consists of business segments not included in reportable segments, and includes manufacture and sale of counterweights, transportation, medical waste treatment, and real estate leasing.

2. Reconciliations are as follows:

- (1) The reconciliations of segment profit included corporate general expenses of ¥ (2,483) million which were not allocated to the reportable segments. Corporate general expenses consist mainly of general expenses that are not attributable to the reportable segments.
- (2) The reconciliations of segment assets included corporate assets of ¥267,887 million which were not allocated to the reportable segments. Corporate assets consist mainly of assets of the filing company or the assets of the US headquarters company that are not attributable to the reportable segments.
- (3) The adjustment to depreciation and amortization included corporate general expenses of ¥100 million not allocated to reportable segments.
- (4) The adjustment to increases in property, plant and equipment, and intangible assets included corporate assets of ¥129 million not allocated to reportable segments.

3. Certain reconciliations were made between segment profit and operating profit in the consolidated statements of income.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Reportable segments | | | | Other (Note 1) | Total | Reconciliations (Note 2) | Consolidated (Note 3) |
|---|---------------------|---------------------|------------------------|-----------|-------------------|---------|-----------------------------|--------------------------|
| | Steel (Japan) | Steel (Thailand) | Trackwork materials | Sub total | | | | |
| Net sales | | | | | | | | |
| (1) Sales to customers | 72,873 | 97,331 | 6,491 | 176,696 | 3,742 | 180,438 | — | 180,438 |
| (2) Inter-segment sales and transfers | 513 | — | — | 513 | — | 513 | (513) | — |
| Total | 73,386 | 97,331 | 6,491 | 177,209 | 3,742 | 180,951 | (513) | 180,438 |
| Segment profit | 8,701 | 10,735 | 250 | 19,686 | 129 | 19,816 | (3,003) | 16,813 |
| Segment assets | 64,634 | 85,133 | 4,853 | 154,621 | 16,380 | 171,002 | 343,997 | 515,000 |
| Other: | | | | | | | | |
| Depreciation and amortization | 1,338 | 4,166 | 309 | 5,815 | 88 | 5,903 | 113 | 6,017 |
| Amortization of goodwill | — | — | — | — | 102 | 102 | — | 102 |
| Increase in property, plant and equipment and intangible assets | 2,750 | 1,878 | 298 | 4,926 | 98 | 5,025 | 398 | 5,423 |

(Notes)1. The “Other” category consists of business segments not included in reportable segments, and includes manufacture and sale of counterweights, transportation, medical waste treatment, and real estate leasing.

2. Reconciliations are as follows:

- (1) The reconciliations of segment profit included corporate general expenses of ¥(3,003) million which were not allocated to the reportable segments. Corporate general expenses consist mainly of general expenses that are not attributable to the reportable segments.
- (2) The reconciliations of segment assets included corporate assets of ¥343,997 million which were not allocated to the reportable segments. Corporate assets consist mainly of assets of the filing company or the assets of the US headquarters company that are not attributable to the reportable segments.
- (3) The adjustment to depreciation and amortization included corporate general expenses of ¥113 million not allocated to reportable segments.
- (4) The adjustment to increases in property, plant and equipment, and intangible assets included corporate assets of ¥398 million not allocated to reportable segments.

3. Certain reconciliations were made between segment profit and operating profit in the consolidated statements of income.

(Per Share Information)

| | Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) |
|--------------------------|---|---|
| Net assets per share | 5,501.16 yen | 6,917.47 yen |
| Basic earnings per share | 618.62 yen | 1,025.49 yen |

(Notes)1. Information on diluted earnings per share is omitted since there were no potentially dilutive shares outstanding.

2. The bases for calculation of basic earnings per share are as follows:

| | Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) |
|--|---|---|
| Profit attributable to owners of parent (millions of yen) | 39,917 | 65,317 |
| Amount not attributable to common shareholders (millions of yen) | — | — |
| Profit attributable to owners of parent pertaining to common stock (millions of yen) | 39,917 | 65,317 |
| Average number of common stock during the fiscal period (shares) | 64,525,916 | 63,694,549 |

3. The basis for calculating net assets per share is as follows.

| | Fiscal year ended March 31, 2022 (March 31, 2022) | Fiscal year ended March 31, 2023 (March 31, 2023) |
|--|---|---|
| Total net assets (millions of yen) | 375,686 | 470,211 |
| Amount deducted from total net assets (millions of yen) | 25,335 | 29,588 |
| (Of which noncontrolling interests (millions of yen)) | (25,335) | (29,588) |
| Net assets associated with common shares at the end of the period (millions of yen) | 350,351 | 440,622 |
| Number of common shares used to calculate net assets per share at the end of the period (shares) | 63,686,785 | 63,697,099 |

(Significant Subsequent Events)

Not applicable.