

Yamato Kogyo Co., Ltd.

Financial results briefing for the fiscal year ended March 31, 2023

Main points from the Q&A session

Q01. Concerning the current market conditions in Japan and the United States, can performance be viewed as steady because steel market conditions are steady amid softening scrap prices? Also have these conditions been taken into consideration?

A01. Basically, performance is steady as you have recognized. The US business we thought would decline from the second half of the previous fiscal year has been steadier than anticipated, but there is a sense of uncertainty such as inflation and interest rate movements in the second half of the fiscal year ending March 31, 2024, and the forecast figures take this into account because it is possible that distributors will show caution.

Q02. I would like to hear whether a fall in steel prices is emerging in the Middle East business.

A02. This is not limited to the Middle East region, and it is our view that the fall in steel prices is gradually emerging as Chinese and South Korean mills are returning to export markets since the latter half of last year.

Q03. I would like to ask how much of the decrease in profit in the fiscal year ending March 31, 2024 is due to the project for upgrading the rolling line at Japan/Yamato Steel.

A03. I will refrain from providing detailed figures, but we envisage the number of days of operation to decrease by 10 percent.

Q04. I am concerned that the market share of the US business is decreasing because sales volume appears weak compared to competitors such as Steel Dynamics and Gerdau. I would like to hear your current awareness of this and how you will respond.

A04. The matter brought up in your question has been discussed in board meetings of NYS, etc., and it is our awareness that our market share has declined somewhat due to Steel Dynamics and Gerdau actively lowering their prices. It is the view of our company and Nucor that we should be conscious of securing our share to maintain our presence in the market, and we are considering steps to take.

Q05. I would like to hear about the content of regulations on structural steel in the Buy American Act of the United States. I believe that it is a decision stating that structural steel products manufactured overseas and imported into the United States cannot be used in infrastructure investments by the government.

A05. Steel products used in US infrastructure projects are limited to those made in the United States. The volume of structural steel imports in the market is increasing, but they are used in the construction of buildings and warehouses, etc. in the private sector without being used in public investment and infrastructure projects. We view the increase in imports of structural steel to be a problem, and are considering measures to take to address this.

Q06. Nippon Steel has started operation of an electric furnace in its Hirohata Works (Himeji-shi, Hyogo) and also has presented its intention to add more electric furnaces. I would like to ask whether there is a possibility that this will have an impact on the procurement of scrap.

A06. Our company and the Hirohata Works are in very close locations as you have pointed out, but the products to be produced at the Hirohata Works are non-oriented magnetic steel sheet used in the manufacture of motors requiring the use of quite high-quality scrap, and it is our view that they will mainly procure scrap produced within Nippon Steel. Even if they do procure from the market, we mainly use mid-grade scrap and we do not think there will be a direct overlap. However, we believe an increase in demand and rise in prices of high-grade scrap may cause the prices of mid-grade and lower to rise together.

Q07. Are there any new structural steel projects in Asia or the United States?

A07. As far as we are aware, there are no new projects in particular.

Q08. I would like to hear about the future direction and current conditions for electricity prices in Thailand and Vietnam.

A08. It is a worldwide issue, but electricity prices are also rising in these countries. In Vietnam, the government is taking steps to curb electricity prices such as providing subsidies, but it is our view that rising gas and oil prices could have an impact in the future.

Q09. In the US business, what kind of areas of construction are the final demand for distribution customers?

A09. Warehouses, factories and general buildings.

Q10. What measures are you considering to address the low prices of competitors in the US business? I would like to hear about responses other than pricing.

A10. US/NYS manufactures high strength steel and aims to differentiate itself through its products. We are actively marketing for use in high-rise buildings, EV battery plants and semiconductor plants, and rather than simply competing on price alone, we intend to market products with higher quality and can be sold at a higher price.

Q11. Will the decrease in sales volume due to the impact of upgrading the rolling line at Japan/Yamato Steel continue until construction is complete?

A11. The construction of the straightening machine that is currently underway is scheduled for completion in around June 2024, and construction work on the rolling line is planned to continue after that, so we expect sales volume to decrease to a certain degree.

Q12. Nippon Steel has announced that it is reducing its structural steel capacity. What impact will this have?

A12. We forecast that the market will tighten due to the decrease in supply to the market. This is seen to be a positive for our company, and we will work to capture demand in the Kanto region (mainly sheet pile).

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