Our Steel, Your Future

FY2023/3 First Quarter Financial Results Briefing Materials

August 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-Mar average	117.81 (107.15)	3.56 (3.51)	10.23 (10.40)
	Fiscal year forecast	127.27	3.72	9.78
Balance Sheets	Mar. 31, 2022	122.41 (115.02)	3.68 (3.43)	9.89 (10.31)
	Dec. 31, 2022 forecast Mar. 31, 2023 forecast	130.00	3.77	9.64

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

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Financial Highlights: FY2023/3 Q1 (Three Months)

Business KPI

Group-wide sales volume*
1.52 million tons
(-1.8% YoY)

H-beam sales ratio**
69.3%
(+1.2pp YoY)

Financial KPI

Ordinary profit increase
179.1%
(YoY)

Equity-method earnings
15.15 billion yen
(+142.3% YoY)

Shareholders' equity ratio
83.9%
(-0.5% Ytd)

Ordinary profit margin
49.3%
(+24.0pp YoY)

* 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

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Ⅰ FY2023/3 1Q Financial Results Overview

FY2023/3 1Q Financial Results Overview

- **Although there are differences in the degree of recovery from the COVID-19 pandemic depending on the country and region, the supply-demand balance remained tight mainly due to China's export controls and cuts in crude steel production, so demand and prices were relatively stable.**
- **The steel business (Japan)/Yamato Steel saw increases in sales and profit owing primarily to strengthening of sales for projects and raising of selling prices. The steel business (Thailand)/SYS also saw increases in sales and profit owing to continued easing of competition in the export market and higher margins.**
- **Equity in earnings of affiliates increased substantially by 142.3% YoY as NYS performed well due to strong demand and prices. The previous records for ordinary profit and net profit from Q3 last year was broken.**

(100 million yen)	FY2022/3 Q1 Results	**FY2023/3 Q1 Results**	YoY	
			Change (yen)	Change (%)
Net sales	328	**469**	141	43.2%
Steel (Japan)	115	**183**	68	58.9%
Steel (Thailand)	187	**265**	77	41.5%
Trackwork Materials	15	**13**	(2)	(12.9%)
Operating profit	16	**42**	26	161.2%
Steel (Japan)	1	**9**	8	513.3%
Steel (Thailand)	18	**38**	20	112.8%
Trackwork Materials	1	**0**	(1)	(90.1%)
Ordinary profit	83	**231**	148	179.1%
Equity in earnings of affiliates	62	**151**	89	142.3%
Profit attributable to owners of parent	55	**180**	125	226.1%
Operating profit margin	4.9%	**9.0%**	4.1pp	–
Ordinary profit margin	25.3%	**49.3%**	24.0pp	–

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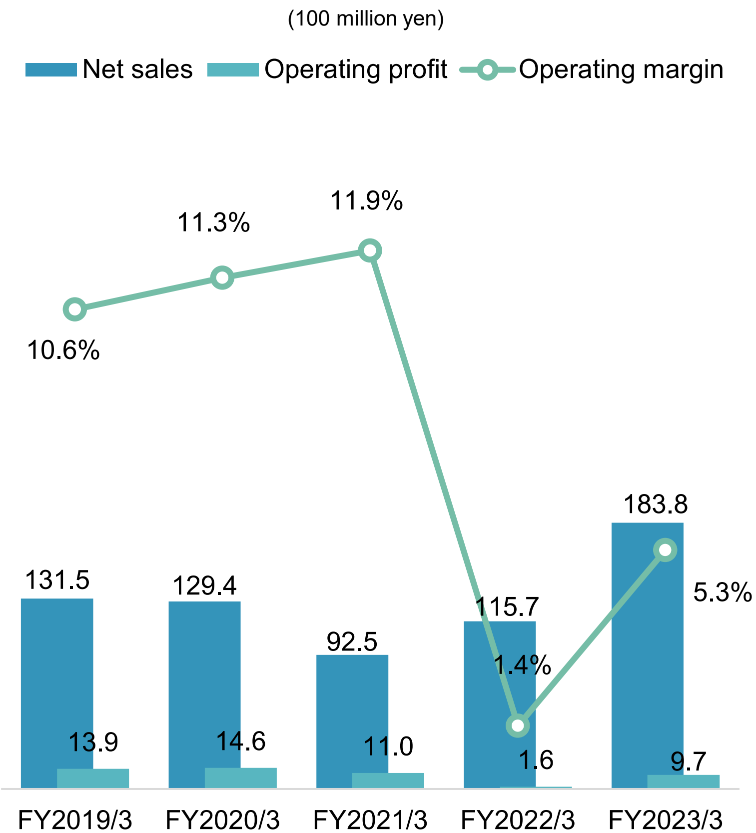
Results Overview by Segment (1) Steel (Japan)

- **Demand for structural steel in Japan recovered, driven by large-scale construction projects. Orders remained firm, and the sales volume was up from a year earlier.**
- **The metal margin improved substantially from a year earlier owing to higher selling prices.**

Historical results: Q1



Profit change factors

- Business environment
  - ✓ Small and medium-sized construction projects lacked momentum in response to soaring material prices. Large-scale projects showed a recovery driven by urban redevelopment and distribution facilities.
  - ✓ Blast-furnace mills remained focused on steel sheets/plates.
  - ✓ Scrap prices dropped after peaking in May, but prices for alloys, electricity, and fuels continued to rise.
- Yamato Steel
  - ✓ The sales volume was up 19% from a year earlier to 153,000 tons owing to efforts to develop new customers and strengthen project sales.
  - ✓ Efforts will be made to reduce costs through technology to minimize the impact of soaring raw material and energy prices.
  - ✓ The metal margin is improving.

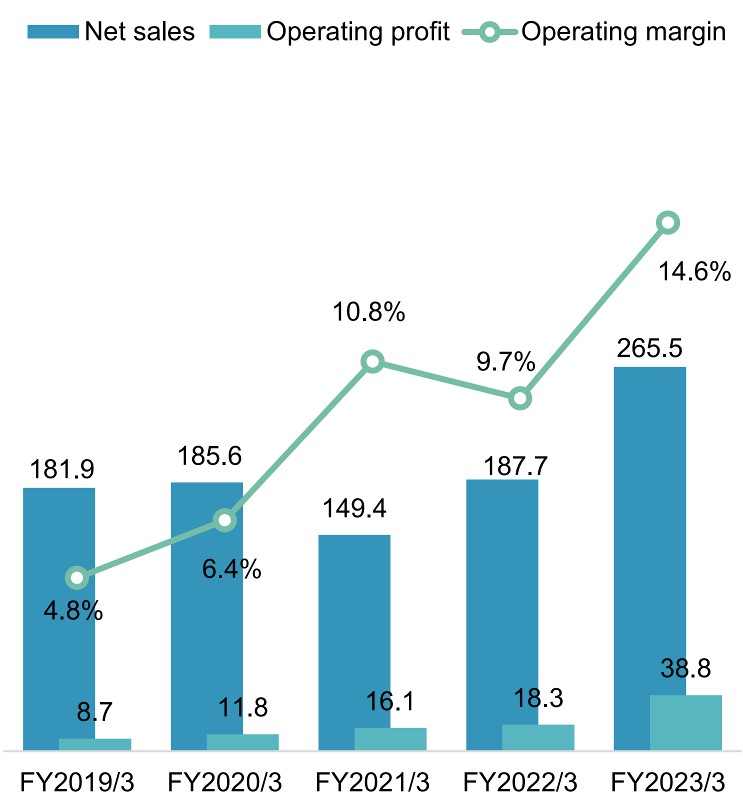
10K tons K Y/ton	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume	12.9	13.7	15.1	14.7	15.3	-	-	-
Metal margin	37.2	40.8	44.9	48.4	50.3	-	-	-

Results Overview by Segment (2) Steel (Thailand)

- **Structural steel demand in Thailand was driven by large-scale public investment. The export market also showed increased demand associated with a recovery in construction activity, so the sales volume remained steady.**
- **Higher scrap prices and various costs have gradually been passed on to selling prices to secure a high metal margin, which drove the profit up year on year.**

Historical results: Q1

(100 million yen)



Profit change factors

- Business environment
  - ✓ Demand for construction materials is recovering, so long steel and cement prices remained high.
  - ✓ Pressure from Chinese exports remained at a low level in Q1 due primarily to export controls, crude steel production cuts, and COVID-19 lockdowns.
- Siam Yamato Steel (SYS)
  - ✓ The sales volume was down 2.3% from a year earlier to 235,000 tons but remained steady.
  - ✓ Despite soaring scrap prices, maintaining product prices, which had improved in the previous year, ensured a certain metal margin.

(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	-	-	-
Metal margin	11.1	12.3	17.2	16.9	15.9	-	-	-

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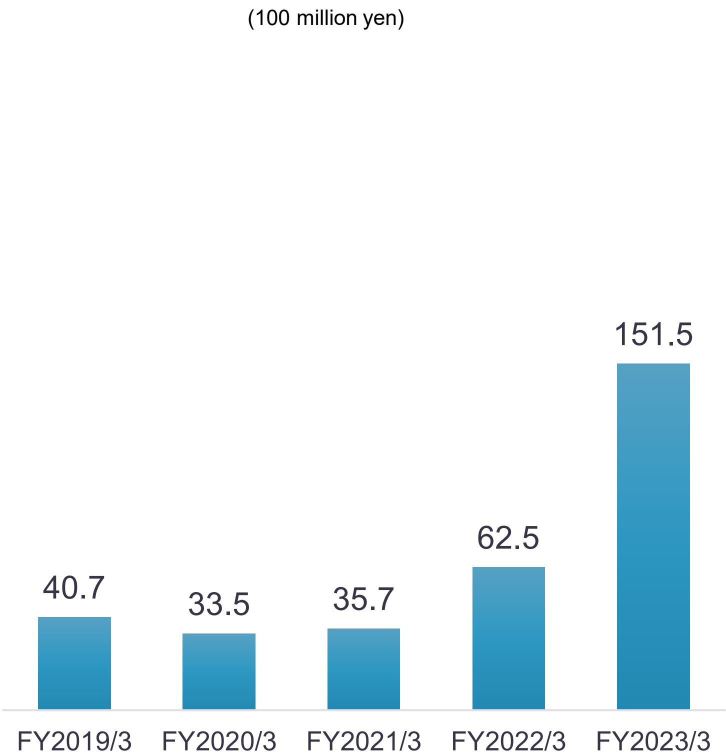
Equity-Method Affiliates

- **Results were driven heavily by strongly performing affiliates in the United States, so equity-method earnings were 2.4x higher year on year.**
- **By region, in the US, the volume and metal margin expanded against the backdrop of robust non-residential construction demand, and profit was up sharply year on year. Helped by improvement in the market environment and wider margins, profit was up significantly from a year earlier in the Middle East. In Vietnam, steel demand was sluggish due to COVID-19-related restrictions, so profit was down from the same period last year. In South Korea, an increase in government-led housing construction projects pushed profit up from a year earlier.**

Historical equity in earnings of affiliates:Q1



Profit change factors

- **United States**
  - ✓ Non-residential construction demand was strong, and structural steel demand remained firm. Sales volume was up from a year earlier.
  - ✓ Although there were cost-up factors such as higher scrap prices, the market environment allowed selling prices to improve more than offset the impact, so the metal margin continued to expand. Significant increase in profit was achieved year on year.
- **Middle East**
  - ✓ Public investment and other construction activity have not fully recovered, but the number of inquiries in anticipation of higher steel prices has increased. The product sales volume was higher than a year earlier.
  - ✓ Although the price of iron ore pellets, the raw material, has been on the rise, product prices have remained at a high level driven by high scrap prices. The improved metal margin translated to an increase in profit from a year earlier.
- **Asia**
  - ✓ In Vietnam, steel demand remained low due to higher market inventory levels caused by COVID-19 lockdowns in the previous Q4. Although having achieved a certain level, profit was down.
  - ✓ Supported by demand for rebar, the metal margin continued to expand in South Korea.
    Results were firm.

*South Korea YKS: Converted from a subsidiary to an equity-method affiliate (49%) in September 2020.
The equity ratio was dropped from 49% to 30% in August 2021.

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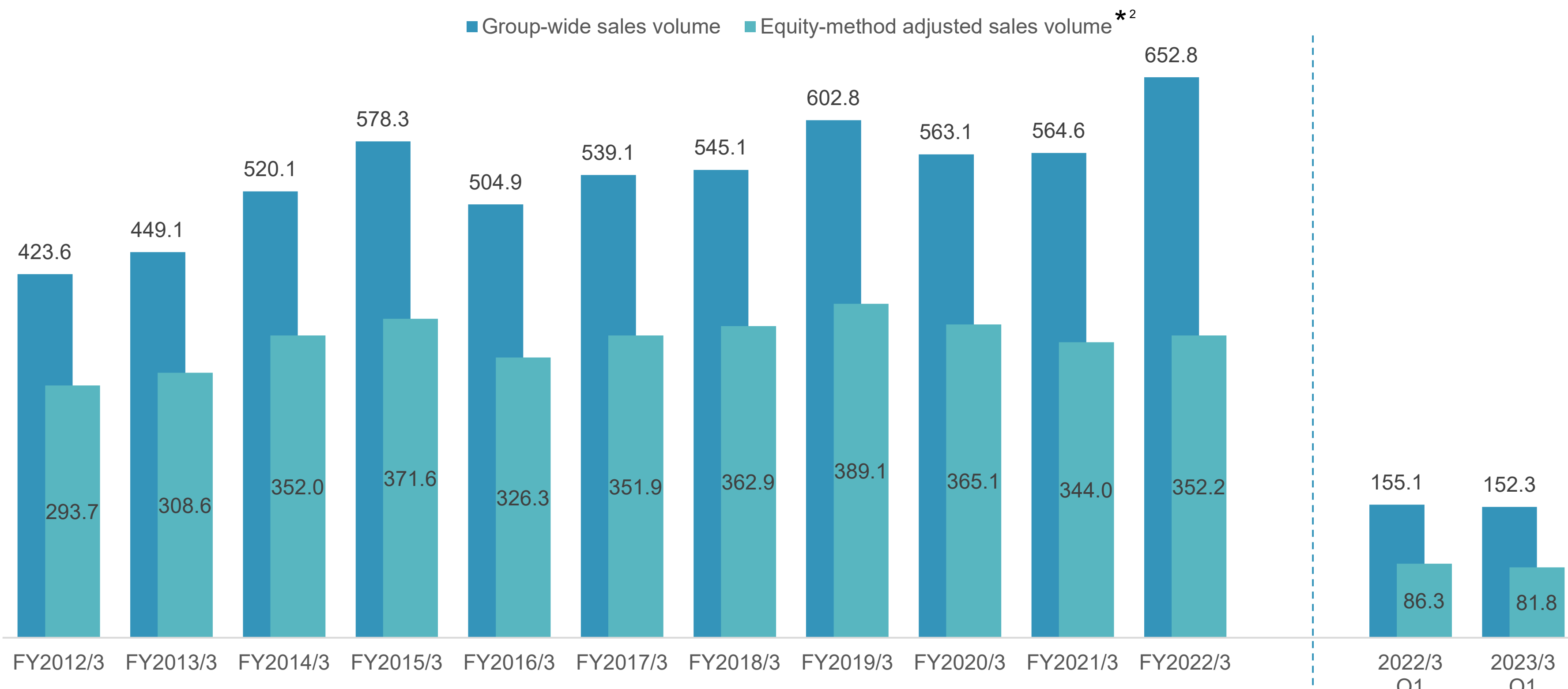
Historical Group-Wide Sales Volume

- **The group-wide sales volume for Q1 was down 1.8% YoY to 1,523,000 tons. Although there were differences in bases, overall, results were on par with the previous year.**
- **With the reduction in the stake held in South Korea's YKS, the total equity-method adjusted sales volume decreased 5.1% YoY to 818,000 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

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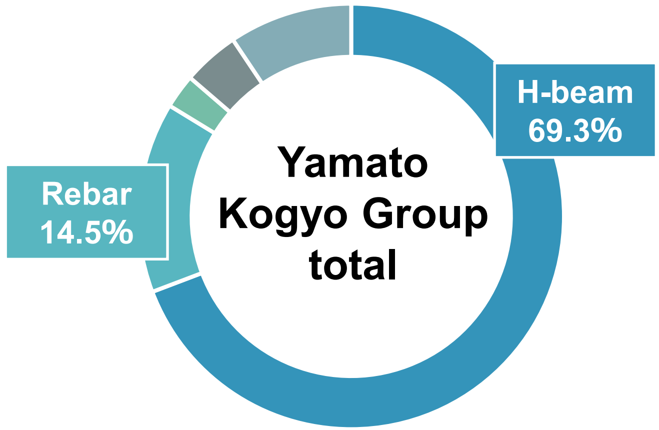
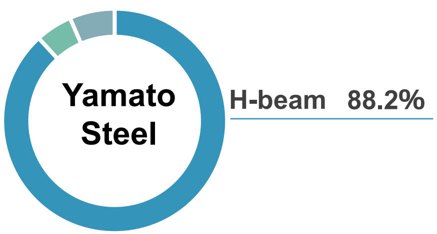
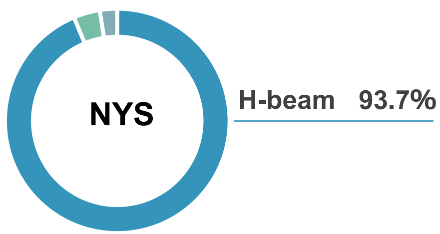
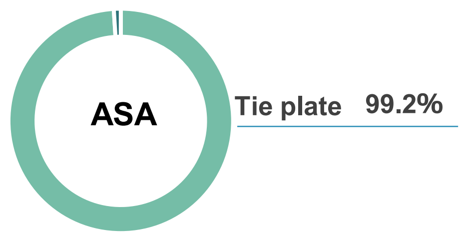
Product Mix Q1 Results

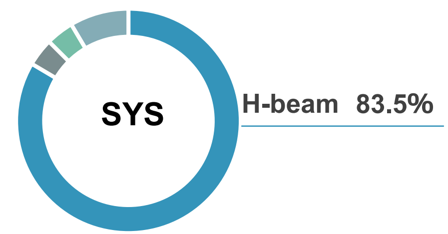


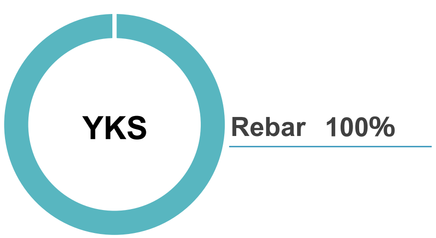
H-beam	Rebar	Sheet pile	Angle	Other
69.3%	14.5%	2.6%	4.3%	9.3%

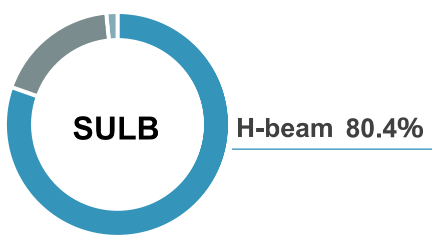


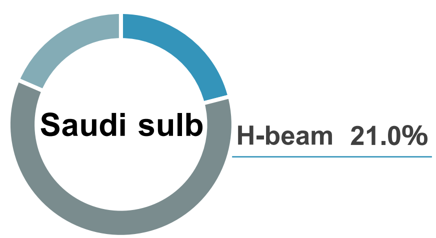


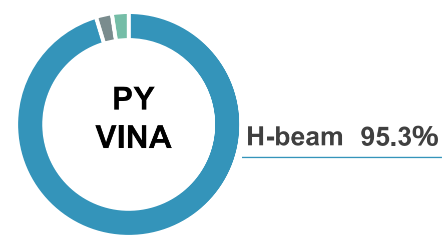












Balance Sheet

- **Yamato still has zero interest-bearing debt. Shareholders' equity ratio is 83.9%**
- **Total assets, total liabilities, and net assets increased mainly due to the rise in steel product, raw material prices, and weaker yen.**

(100 million yen)	FY2021/3	FY2022/3	FY2023/3 Q1	YoY chg.
Current assets	1,500	1,677	2,014	337
Cash & deposits	1,015	997	1,238	241
Trade receivables	176	251	309	58
Inventory assets	280	398	426	27
Non-current assets	2,097	2,472	2,513	41
Property, plant and equipment	621	597	621	23
Total Investments and other assets	1,461	1,858	1,874	16
Investment securities	456	562	604	41
Long-term time deposits	212	236	251	15
Total assets	3,597	4,149	4,528	379
Liabilities	339	392	459	67
Trade payables	75	110	115	5
Deferred tax liabilities	120	138	146	8
Net assets	3,257	3,756	4,068	311
Foreign currency translation adjustment	(22)	186	368	181
Non-controlling interests	237	253	271	17
Total liabilities and net assets	3,597	4,149	4,528	379

Extra capacity secured for strategic expansion of facility and flexible response to M&A opportunities

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

Financial assets* increased 25.2 billion yen from the end of the prior period to 160.7 billion yen (foreign exchange impact: +8.4 billion yen).

83.9% shareholders' equity ratio

Increased mainly due to solid results and weaker yen

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*Financial assets = cash and deposits + securities + investment securities (excluding non-consolidated subsidiaries and affiliates) + long-term deposits

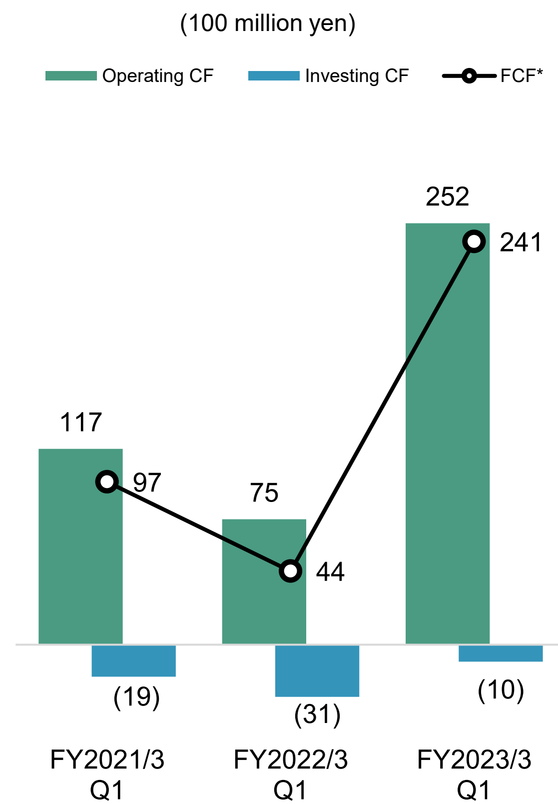
Cash Flows

- **FCF was up 19.7 billion yen YoY to 24.1 billion yen owing primarily to cash distribution from a US equity-method affiliate.**
- **Financing cash flow was minus 6.9 billion yen (an increase in outflow of 1.0 billion yen YoY) after making expenditures such as returning profits to shareholders.**

(100 million yen)	FY2021/3 Q1	FY2022/3 Q1	**FY2023/3 Q1**	**YoY Change**
Operating CF	117	75	252	176
Investing cash flows(excluding changes in long term time deposits)	(19)	(31)	(10)	21
Purchase of property, plant and equipment	(21)	(9)	(9)	0
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(21)	–	21
FCF*	97	44	241	197
Financing CF	(36)	(59)	(69)	(10)
Purchase of treasury shares	(0)	(23)	(0)	23
Dividends paid	(30)	(23)	(57)	(33)

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

Historical free cash flow



II FY2023/3 Forecast

FY2023/3 Earnings Forecast

- **Due to the economic slowdown in China arising from its zero COVID-19 policy and the prolonged Ukraine situation, there are concerns of a slump in global steel demand and a weakening of the market, but demand in the US and Japan is expected to remain firm this fiscal year.**
- **As steel scrap prices decline, efforts to maintain and expand the metal margin at each location are expected to result in higher levels of profit than the previous forecast.**
- **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)	FY2021/3*	FY2022/3	**FY2023/3 Forecast**	YoY	
				Change (yen)	Change (%)
Net sales	1,360	1,500	**1,870**	370	24.6%
Operating profit	100	132	**150**	18	12.9%
Ordinary profit	215	576	**880**	304	52.7%
Equity in earnings of affiliates	85	403	**–**	–	–
Profit attributable to owners of parent	49	399	**640**	241	60.3%
Operating profit margin	7.4%	8.9%	**8.0%**	(0.9pp)	–
Ordinary profit margin	15.9%	38.4%	**47.1%**	8.7pp	–

*South Korea YKS: Converted from a subsidiary to an equity-method affiliate (49%) in September 2020. The equity ratio was dropped from 49% to 30% in August 2021.

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Earnings Forecast by Segment

Consolidated subsidiaries

Steel (Japan)

- Structural steel demand is expected to be strong, driven by large-scale projects. The sales volume is expected to increase through strengthening of production and sales of large size products.
- Scrap prices remain on the decline, but the outlook is uncertain. Electricity charges, fuel costs, and other expenses are expected to increase further, including the impact from the depreciation of the yen.
- Sales and profit are expected to exceed the previous forecast as costs are gradually passed on to selling prices.

Steel (Thailand)

- In Thailand, the sales volume is expected to be lower than the previous forecast due to the expected slowdown in construction activity as a result of inflation and other factors and concerns of worsening of the competitive environment in the export market.
- Although the metal margin is expected to remain at high level, costs are expected to increase, and the sales volume is expected to decrease, so both sales and profit are expected to be down compared to the previous forecast.

Equity-method affiliates

United States

- Non-residential construction demand will remain strong, and structural steel demand will be firm.
- Although the steel market is weakening due to the drop in scrap prices, profit is expected to exceed the previous forecast as the metal margin expands.

Middle East

- Full-fledged recovery in construction activity will still take time.
- Prices and volumes of semi-finished products are expected to decrease compared to the previous forecast due to the decline in the scrap market.
- Sales are expected to be roughly the same as the previous forecast as we work to maintain prices and secure volume by strengthening sales.

Vietnam

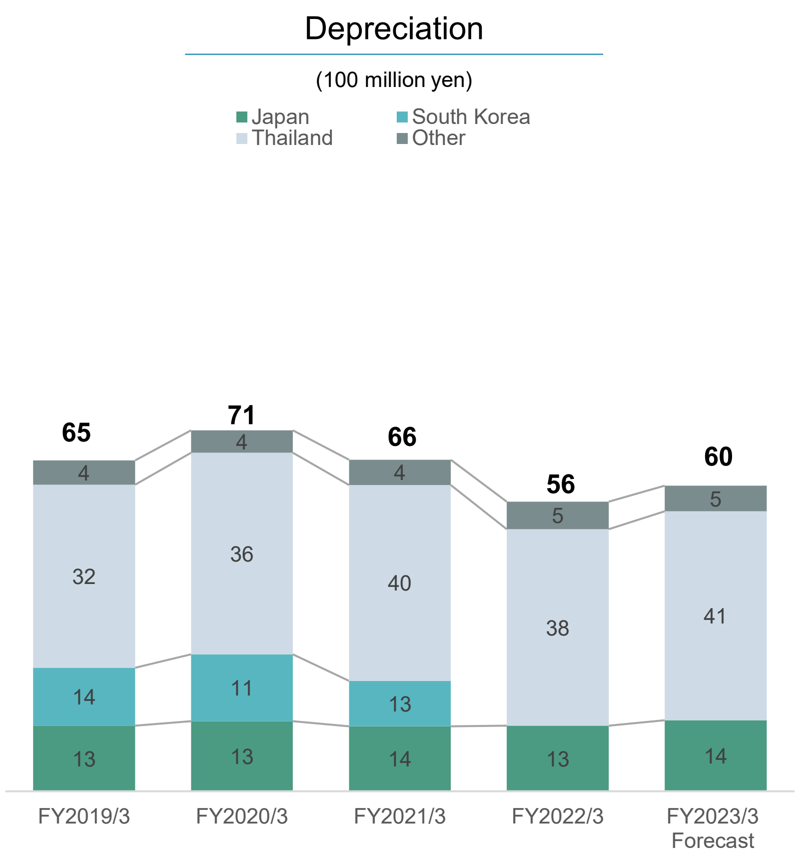
- Although demand for structural steel was gradually recovering in Vietnam owing to the resumption of economic activity, the outlook is uncertain due to concerns of deterioration in market conditions resulting from deceleration of the Chinese economy.
- The sales volume is expected to be lower than the previous forecast due to factors such as inflation and customers refraining from making purchases based on anticipation of drop in product prices arising from falling scrap prices. Profit has been revised down from the previous forecast.

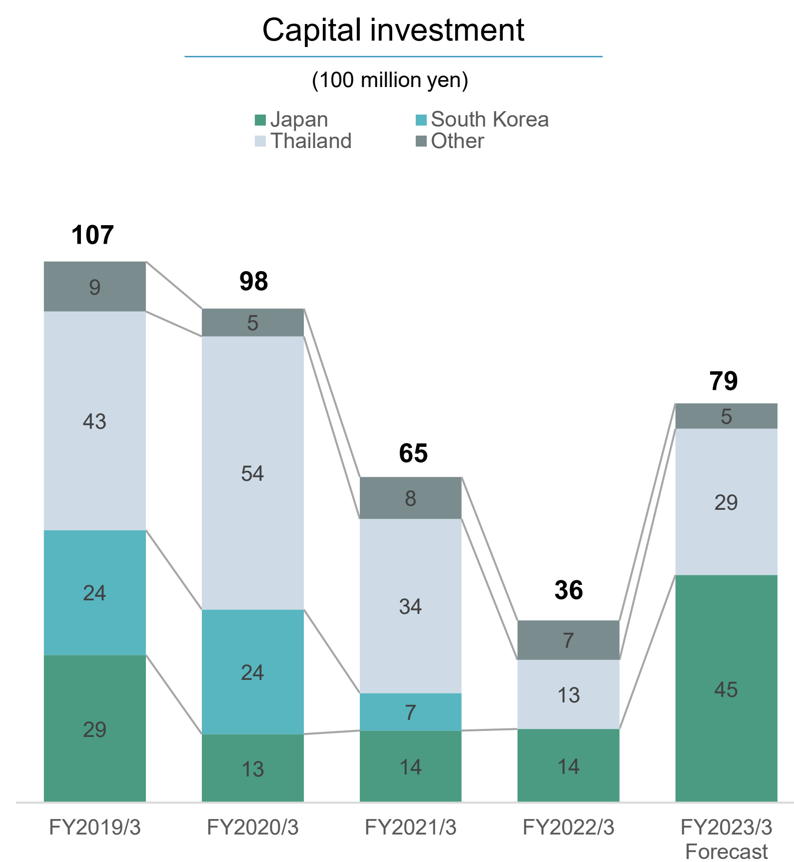
South Korea

- Although there will be no change in the housing supply policy, concerns over inflation and tightening of monetary policy will have a negative impact in terms of sales volume.
- Due to the drop in scrap prices, the metal margin is expected to expand. Although we expect to secure stable earnings, they will be slightly lower than the previous forecast.

Depreciation & Capital Investment

- **Capital investment for the entire group is expected to increase two times last fiscal year. 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 execute capital investments, mainly to update aging equipment and introduce labor-saving equipment.**





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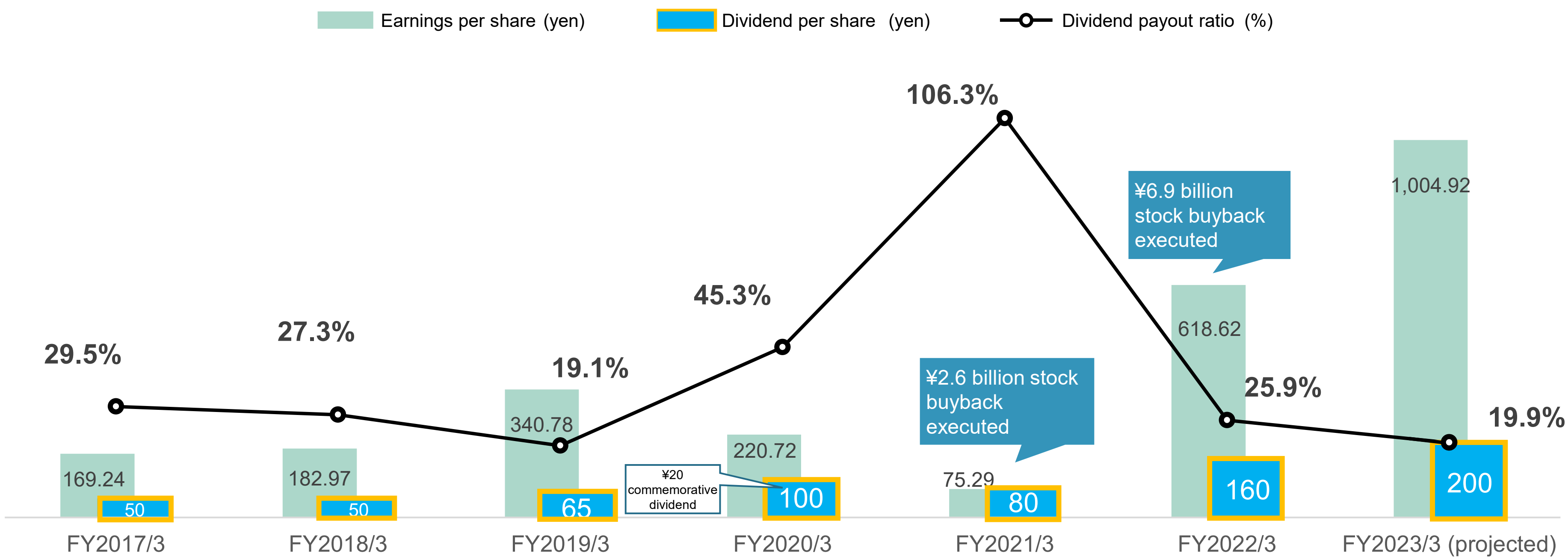
Shareholder Return

- Our basic policy is to distribute profits according to business performance results, and we determine the dividend amount for each fiscal year targeting a consolidated dividend payout ratio of around 30%, endeavoring to maintain continuous and stable dividend (minimum dividend amount per share is set at 50 yen per year). The actual ordinary dividend in FY2022/3 was 160 yen per share. We plan to increase the annual dividend by 40 yen to 200 yen per share in FY2023/3.
- From the perspective of increasing shareholder value over the medium to long term, we will consider purchasing treasury shares flexibly. In FY2022/3, we carried out purchase of 2.01 million treasury shares for 6.9 billion yen. In addition, 2.67 million treasury shares were canceled.



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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.