

Our Steel, Your Future



FY2023/3 Third Quarter Financial Results Briefing Materials












February 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 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	Jan to Dec 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-Sep average	129.48 (109.13)	3.71 (3.45)	9.80 (10.36)
	Fiscal year forecast	132.09	3.75	9.78
	Sep. 30 2022	144.81 (111.95)	3.87 (3.30)	9.91 (10.58)
Balance Sheets	Dec. 31, 2022	132.70 (115.02)	3.82 (3.43)	9.55 (10.31)
	Mar. 31, 2023 forecast	125.00 (122.41)		

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

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Financial Highlights: FY2023/3 3Q (Nine Months)

Business KPI

Group-wide sales volume*

4.56 million tons
(-6.4% YoY)

H-beam sales ratio**

68.8%
(0.0pp YoY)

Financial KPI

Ordinary profit increase

83.7%
(YoY)

Equity-method earnings

52.48 billion yen
(+82.2% YoY)

Shareholders' equity ratio

85.4%
(+1.0pp Ytd)

Ordinary profit margin

52.3%
(+15.5pp 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



FY2023/3 3Q Financial Results Overview

FY2023/3 3Q Results Overview (Nine Months)

- Steel (Japan) had steady demand centered on large construction projects. Sales and profits increased due to strengthening of sales for projects and raising prices.
- Although both domestic and export sales volume decreased in the second half of the fiscal year for Steel (Thailand), both sales and profits increased due to maintaining a high metal margin.
- Ordinary profit increased 83% year on year to 72.7 billion yen. US/NYS has been supported by strong non-residential construction demand, and the metal margin has expanded, contributing to an increase in equity in earnings of affiliates.

(100 million yen)	FY2022/3 Q3 (nine months)	FY2023/3 Q3 Results	YoY	
			Change	Change (%)
Net sales	1,077	1,391	314	29.2%
Steel (Japan)	408	555	146	35.9%
Steel (Thailand)	590	761	170	28.8%
Trackwork Materials	53	47	-6	(12.3%)
Operating profit	85	135	50	59.1%
Steel (Japan)	14	62	48	339.7%
Steel (Thailand)	82	92	9	11.6%
Trackwork Materials	5	1	-3	(63.4%)
Ordinary profit	396	727	331	83.7%
Equity in earnings of affiliates	288	524	236	82.2%
Profit (loss) attributable to owners of parent	278	531	253	91.0%
Operating profit margin	7.9%	9.8%	1.8pp	—
Ordinary profit margin	36.8%	52.3%	15.5pp	—

FY2023/3 3Q Results Overview (Quarterly)

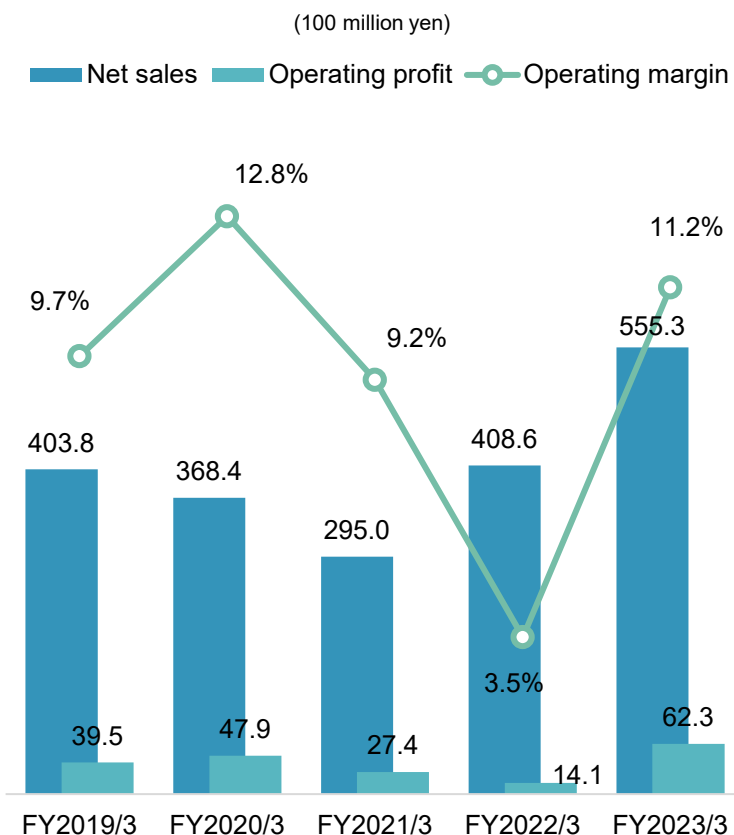
- Although net sales, operating profit and ordinary profit were maintained at a high level for Q3 alone, sales and profits decreased compared to Q2.
- Japan and the United States performed well due to strong domestic demand. On the other hand, ASEAN was affected by the deceleration of the Chinese economy. Furthermore, the benefits of the exchange rate were reduced because the yen exchange rate was stronger at the end of December than at the end of September.

(100 million yen)	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	328	349	400	423	469	477	443	—
Steel (Japan)	116	134	159	164	183	179	192	—
Steel (Thailand)	188	187	216	233	265	274	221	—
Trackwork Materials	16	21	17	17	13	14	18	—
Operating profit	16	21	47	47	42	51	41	—
Steel (Japan)	2	3	9	9	9	22	30	—
Steel (Thailand)	18	21	43	44	38	35	17	—
Trackwork Materials	1	3	1	0	0	0	1	—
Ordinary profit	83	128	185	180	231	281	214	—
Equity in earnings of affiliates	63	101	124	115	151	199	174	—
Profit (loss) attributable to owners of parent	55	93	129	120	180	198	152	—
Operating profit margin	4.9%	6.1%	11.9%	11.2%	9.0%	10.9%	9.4%	—
Ordinary profit margin	25.3%	36.7%	46.2%	42.6%	49.3%	59.0%	48.3%	—

Results Overview by Segment (1) Steel (Japan)

- Domestic structural steel demand remained solid, supported by large construction projects. Orders remained firm, centered on H-beams for projects.
- The metal margin continued to improve since Q1 of the previous year owing to efforts to raise selling prices.

Historical results: Q3 (nine months)



Profit change factors

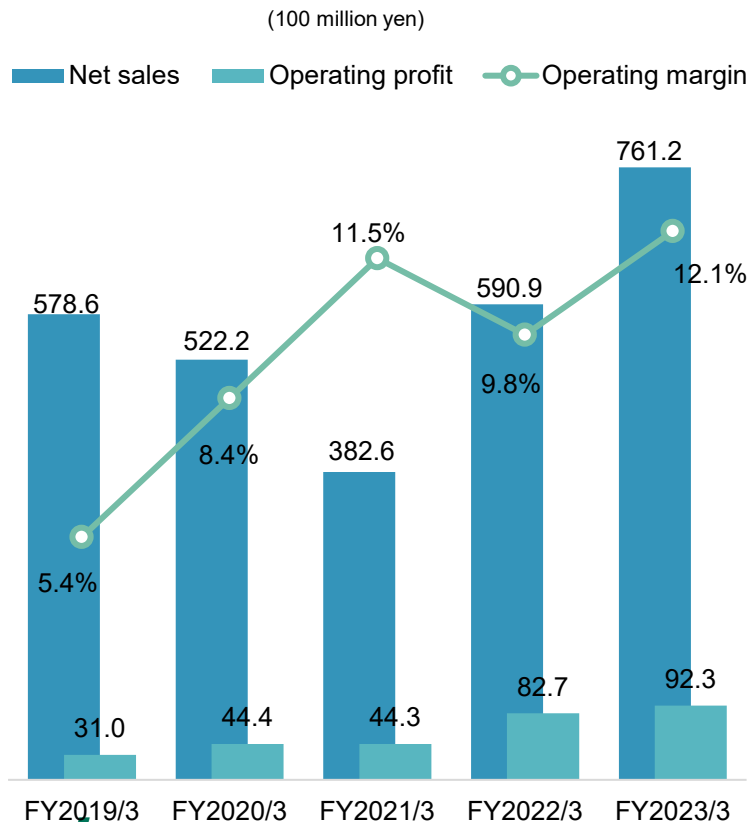
- Business environment
 - ✓ There is firm demand for large projects such as urban redevelopment, logistics facilities and semiconductor plants. Small and medium projects were low due to the impact of rising construction material prices.
 - ✓ The scrap market price that was in decline from May bottomed out in August, and is rising. Energy prices have also continued to rise.
- Yamato Steel
 - ✓ Manufacturing and sales worked as one to develop new customers and strengthen mainstay sales for projects, and turnover for the first three quarters increased 5.5% year on year to 440K tons.
 - ✓ As a result of efforts to raise selling prices, the metal margin improved to 73,000 yen per ton in Q3.

10K tons K ¥/ton	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume	12.9	13.7	15.1	14.7	15.3	14.1	14.6	-
Metal margin	37.2	40.8	44.9	48.4	50.3	67.5	73.0	-

Results Overview by Segment (2) Steel (Thailand)

- Within Thailand, sales volume decreased due to some delays in large-scale public investment as a result of construction material costs remaining high in the second half of the year, and customers refraining from purchases in anticipation of steel prices dropping in future.
- In the export market, although sales volume increased in the first half due to the trend of recovery in construction activities in ASEAN, competition with Chinese and South Korean manufacturers has gradually increased in the second half.

Historical results: Q3 (nine months)



Profit change factors

- Business environment
 - ✓ With the drop in scrap prices, customers are refraining from purchases in anticipation of steel prices dropping in future.
 - ✓ Although the influx of Chinese and Korean products into the ASEAN market was at a comparatively low level until the first half, they have increased in the second half.
- Siam Yamato Steel (SYS)
 - ✓ Sales volume decreased by 5.6% from the previous year to 623K tons due to seasonal factors in addition to the impact of customers refraining from purchases.
 - ✓ The metal margin increased because raising selling prices in the domestic and export markets progressed and scrap prices have also begun to fall.

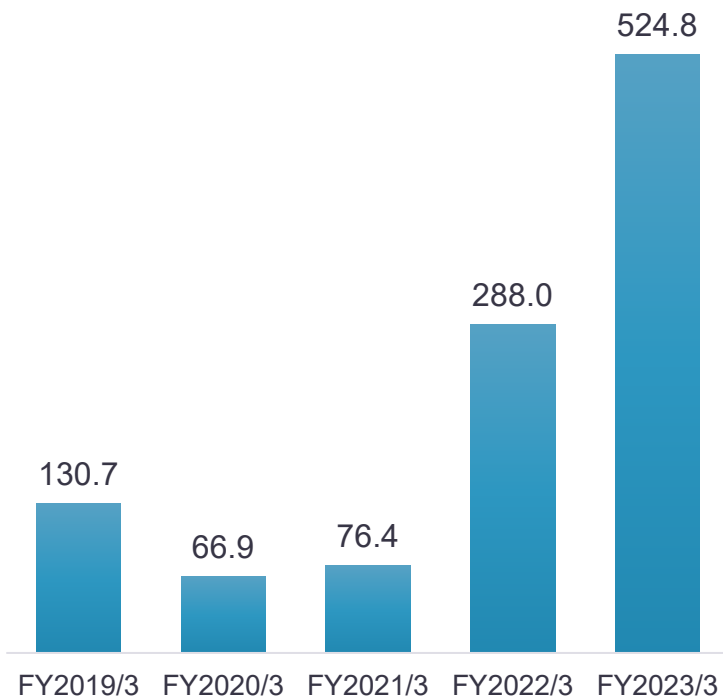
(10K tons, K B/ton)	FY2022/3				FY2023/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales volume (Including semi-finished products)	24.1	21.0	20.9	21.4	23.5	21.5	17.3	-
Metal margin	11.1	12.3	17.2	16.9	15.9	16.3	17.6	-

Equity-Method Affiliates

- Consolidated performance continued to be driven by strong demand in the United States. Sales volume increased and metal margin improved in the Middle East, contributing with a significant profit increase. In Asia, profit decreased in Vietnam due to a decline in steel demand and a high metal margin was secured in South Korea despite sales volume decreased.
- Equity-method earnings surged 1.8 times from a year earlier to 52.5 billion yen.

Historical equity in earnings of affiliates:
Q3 (nine months)

(100 million yen)



Profit change factors

- United States ✓ Non-residential construction demand remained solid, and supply and demand continue to be tight. ✓ Although the structural steel market has also been affected due to factors such as the impact of softening of market conditions for sheet/plate, the metal margin was maintained at a high level, resulting in a significant increase in profit year on year.
- Middle East ✓ There was a significant increase in inquiries from customers anticipating a rise in steel market prices when scrap prices increased. Selling prices of both steel products and semi-finished products were high. ✓ Profit increased significantly year on year due to an improvement of the metal margin and an increase in sales volume.
- Asia ✓ Although structural steel demand was increasing in Vietnam due to a recovery in economic activity, the pace of recovery slowed due to the slowdown of the Chinese economy. Although metal margin improved, sales volume was sluggish, and profits decreased year on year. ✓ Rebar demand was comparatively solid in South Korea, boosted by policies to expand housing supply. Although gradually affected by inflation and rising interest rates, the metal margin was maintained at a high level, and profit increased on an operating profit basis.

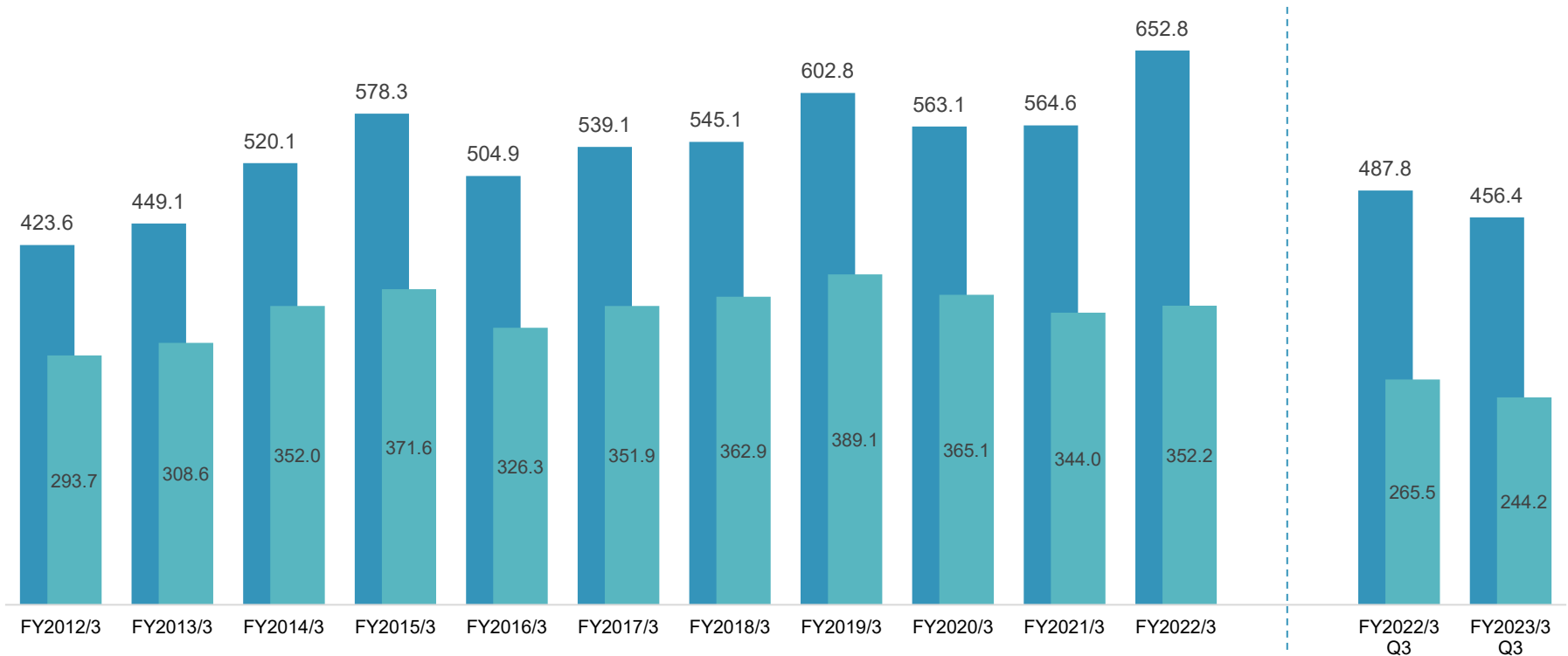
*South Korea YKS: Converted from a subsidiary to an equity-method affiliate (49%) in September 2020. The equity ratio was dropped from 49% to 30% in August 2021.

Historical Group-Wide Sales Volume

- Group-wide sales volume for the nine months decreased by 6.4% YoY to 4,564,000 tons with structural steel demand and market conditions dropping due to the impact of global raw material price increase and the slowdown of the Chinese economy.

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

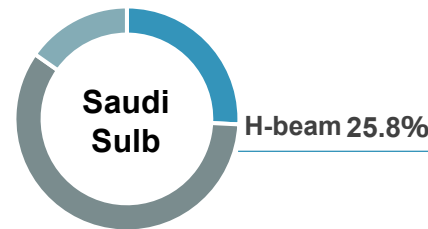
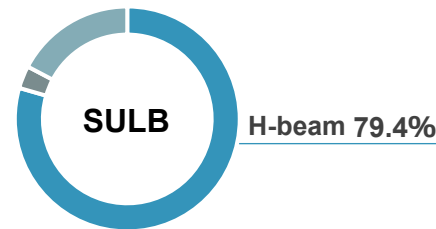
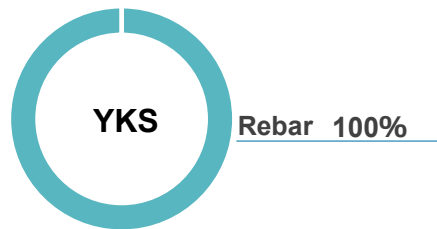
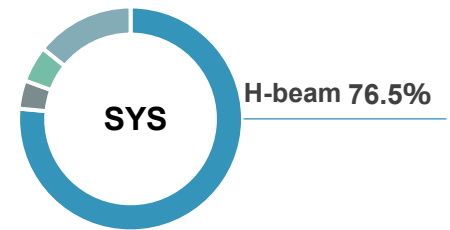
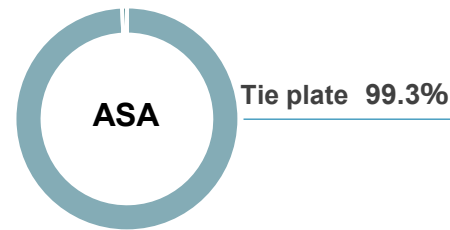
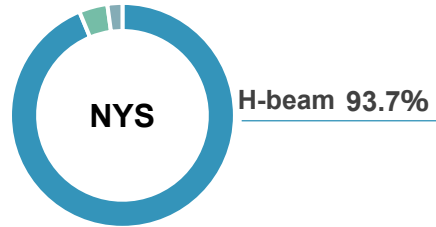
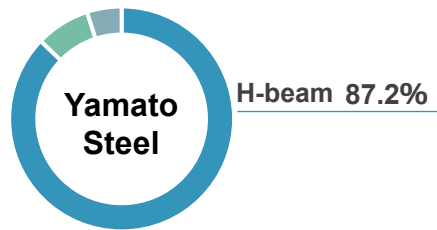
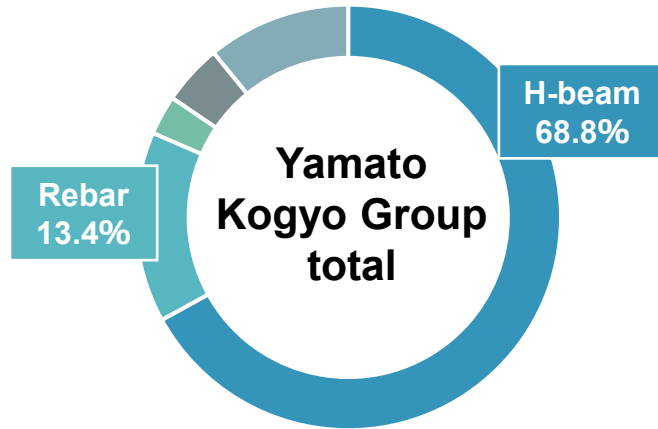
■ Group-wide sales volume ■ Equity-method adjusted sales volume*2



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

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

Product Mix Results (Nine Months)



Balance Sheet

- Yamato continues to be free from interest-bearing debt. Shareholders' equity ratio is 85.4%
- Total assets, total liabilities, and net assets increased mainly due to the solid results and the weaker yen.

(100 million yen)	FY2021/3	FY2022/3	FY2023/3 Q3	YoY chg.
Current assets	1,500	1,677	2,447	770
Cash & deposits	1,015	997	1,570	573
Trade receivables	176	251	325	73
Inventory assets	280	398	430	32
Non-current assets	2,097	2,472	2,873	400
Property, plant and equipment	621	597	631	33
Total Investments and other assets	1,461	1,858	2,223	364
Investment securities	456	562	769	207
Long-term time deposits	212	236	147	(88)
Total assets	3,597	4,149	5,320	1,171
Liabilities	339	392	480	87
Trade payables	75	110	110	0
Deferred tax liabilities	120	138	169	31
Net assets	3,257	3,756	4,840	1,083
Foreign currency translation adjustment	(22)	186	846	659
Non-controlling interests	237	253	298	44
Total liabilities and net assets	3,597	4,149	5,320	1,171

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

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

Financial assets* increased 53.8 billion yen from the end of the prior period to 189.3 billion yen (foreign exchange impact: +30.0 billion yen).

85.4% shareholders' equity ratio (Includes +65.9 billion yen foreign currency translation adjustment)

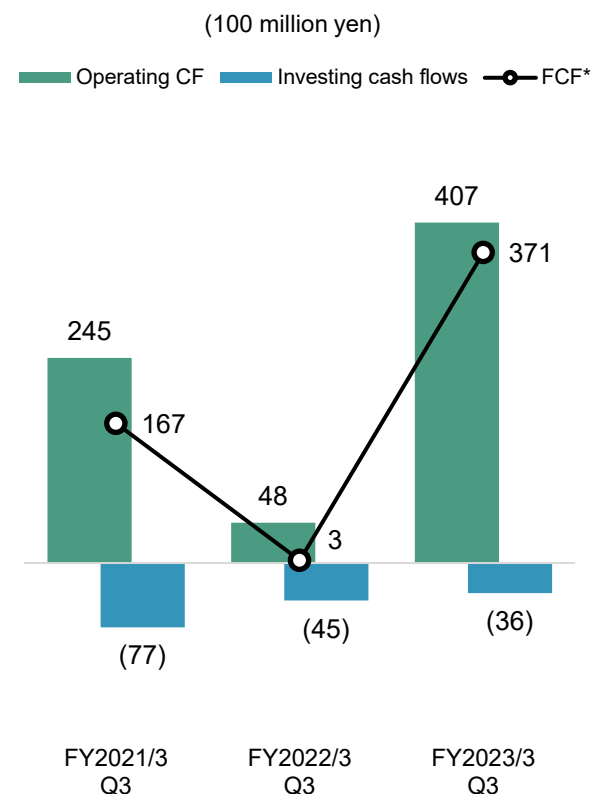
Increased mainly due to solid results and weaker yen

Cash Flows

- FCF was up 36.7 billion yen YoY to 37.1 billion yen owing primarily to cash distribution from a strong US equity-method affiliate.
- Financing cash flow was minus 16.8 billion yen after making expenditures such as returning profits to shareholders.

(100 million yen)	FY2021/3 Q3	FY2022/3 Q3	FY2023/3 Q3	YoY Change
Operating CF	245	48	407	359
Investing cash flows (excluding changes in long term time deposits)	(77)	(45)	(36)	8
Purchase of property, plant and equipment	(40)	(26)	(23)	2
Purchase of shares of subsidiaries and associates	(6)	—	(7)	(7)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(0)	(21)	—	21
FCF*	167	3	371	367
Financing CF	(96)	(155)	(168)	(13)
Purchase of treasury shares	(25)	(68)	(0)	68
Dividends paid	(57)	(61)	(149)	(88)

Historical free cash flow



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



FY2023/3 Forecast, Shareholder Return

FY2023/3 Earnings Forecast

- The steel market prices showed signs of increase due to upward movement of raw material prices caused by the expectation of a recovery in the Chinese economy; however, the uncertainty about the Chinese economy cannot be dispelled, and the situation is unpredictable.
- Although steel demand lacked momentum overall, structural steel demand has been solid in Japan, the United States and the Middle East this fiscal year.
- As the scrap price is on a downward trend, the performance is forecast to be steady as a result of efforts to maintain metal margin in each location; however, the level of profit is expected to be slightly below the previous forecast due to factors such as a stronger yen exchange rate.

(100 million yen)	FY2022/3	FY2023/3		YoY		Versus prev. forecast	
		Most recent forecast (2022/10/31)	New forecast (2023/1/31)	Change	Change (%)	Change	Change (%)
Net sales	1,500	1,790	1,800	300	20.0%	10	0.6%
Operating profit	132	150	160	28	20.4%	10	6.7%
Ordinary profit	576	905	885	309	53.5%	(20)	(2.2%)
Equity in earnings of affiliates	403	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	399	660	640	241	60.3%	(20)	(3.0%)
Operating profit margin	8.9%	8.4%	8.9%	(0.0pp)	—	0.5pp	—
Ordinary profit margin	38.4%	50.6%	49.2%	10.8pp	—	(1.4pp)	—

Earnings Forecast by Segment

Consolidated subsidiaries

Steel (Japan)

- Although the recovery in construction demand is slow for small and medium projects due to the impact of soaring material prices, large projects continue to perform well. Civil engineering business will also be solid.
- Scrap prices will remain high throughout the period. Energy prices will continue to be at the high level since the beginning of the period.
- The metal margin is expected to exceed the previous forecast due to efforts to strengthen production and sales of large-sized products and maintain selling prices, and profit is forecast to exceed the previous forecast.

Steel (Thailand)

- Domestic structural steel demand is recovering mainly due to infrastructure investment. In export markets, while demand in ASEAN lacks momentum, competition with Chinese and South Korean manufacturers is intensifying.
- The metal margin has been maintained at a high level partially due to the drop in scrap prices, and profit is forecast to exceed the previous forecast.

Equity-method affiliates

United States

- Structural steel demand will be solid primarily for large factory construction projects such as semiconductor and EV-related factories. Demand is expected to increase due to infrastructure investment.
- In addition to regular seasonal factors, some customers are cautious about placing orders due to economic uncertainty.
- The structural steel market is softening, the metal margin remains high; however, the earnings outlook is generally in line with the previous forecast.

Middle East

- Oil prices are high due to the impact of factors such as the Ukraine situation. Economic conditions are picking up in the GCC region, and further recovery in construction activity such as infrastructure investment is expected going forward.
- Although selling prices are declining as scrap prices fall, sales volume is increasing due to strengthening of sales including exports, and the earnings are forecast to be generally in line with the previous forecast.

Vietnam

- Although structural steel demand is picking up somewhat after the scrap prices appearing to have bottomed out, market inventory levels remain high.
- Although profit is expected to be secured, the earnings outlook is for a decrease from the previous forecast.

South Korea

- Although there is no change in the housing supply policy, there are concerns that rebar demand will decrease due to the impact of inflation and rising interest rates.
- Stable earnings are expected to be secured by maintaining metal margin, and the outlook is generally in line with the previous forecast.

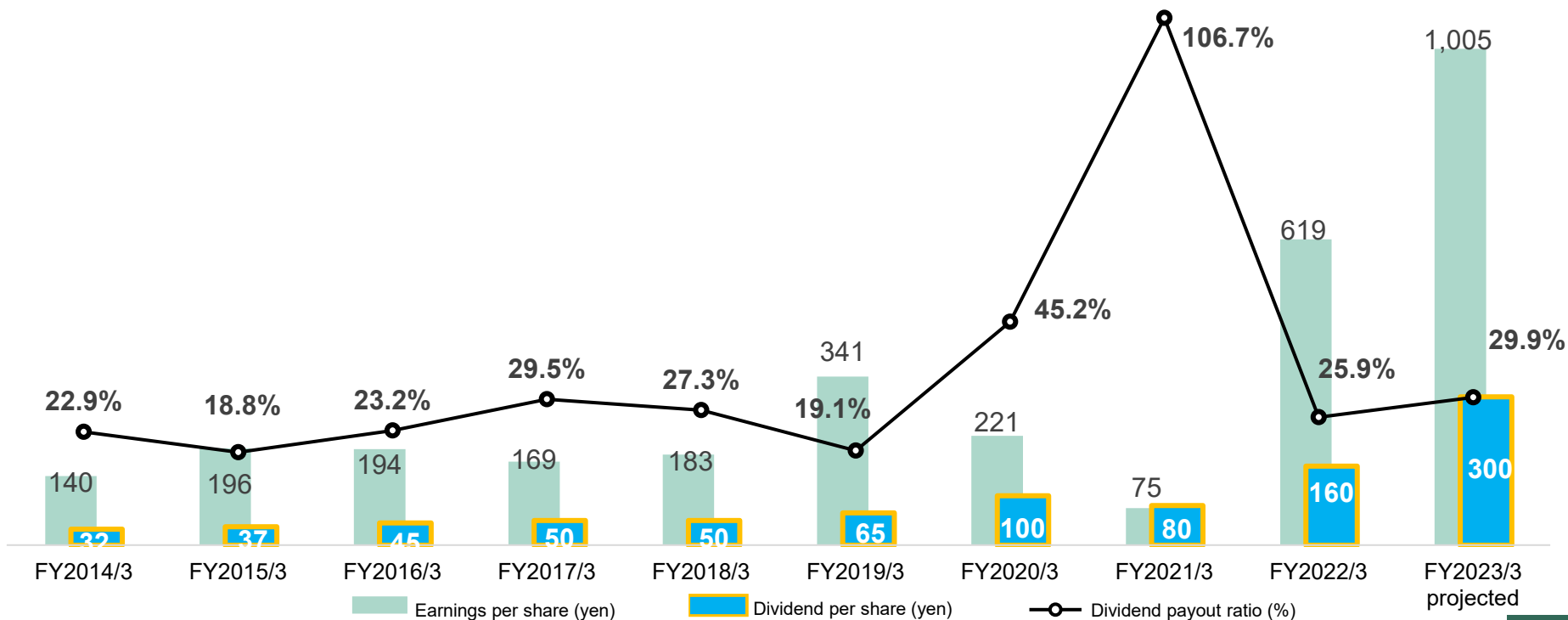
Shareholder Returns: Dividends

The forecast amount of the annual dividend for FY2023/3 has been kept at 300 yen (revised upward from 200 yen in the announcement of Q2 results)

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

*Actual figures for prior year shown in parentheses

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



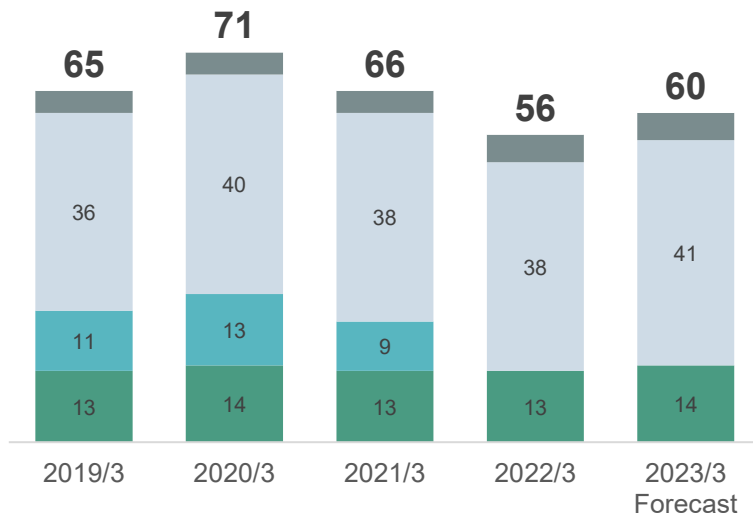
Depreciation & Capital Investment (Consolidated Subsidiaries)

- Capital investment for the entire group is expected to increase year on year. This is due to the progress of strategic investment such as upgrades of straightener machine at Steel (Japan)/Yamato Steel. Steel (Thailand)/SYS will mainly update aging equipment and introduce labor-saving equipment.

Depreciation

(100 million yen)

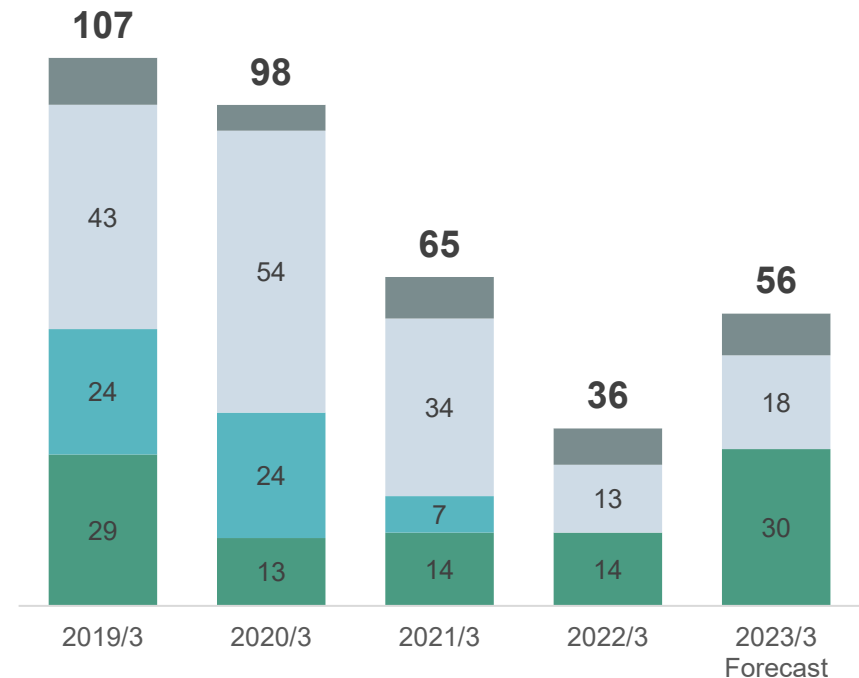
■ Japan ■ South Korea ■ Thailand ■ Other



Capital investment

(100 million yen)

■ Japan ■ South Korea ■ Thailand ■ Other



Disclaimers

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



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