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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

October 31, 2022

Company name: YAMATO KOGYO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 5444

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

Representative: Mikio Kobayashi

President

Contact: Kazumi Yonezawa

Director, Executive Managing Officer

Phone: 079-273-1061

Scheduled date of filing quarterly securities report: November 14, 2022

Scheduled date of commencing dividend payments: December 09, 2022

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	94,773	40.0	9,417	150.8	51,361	143.2	37,875	155.2
September 30, 2021	67,692	(19.6)	3,754	(45.1)	21,117	62.9	14,842	665.1

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 93,661 million [222.8%]

Six months ended September 30, 2021: ¥ 29,011 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	594.66	-
September 30, 2021	228.25	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2022	507,406	461,860	85.2
March 31, 2022	414,928	375,686	84.4

(Reference) Equity: As of September 30, 2022: ¥ 432,067 million

As of March 31, 2022: ¥ 350,351 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	60.00	-	100.00	160.00
Fiscal year ending March 31, 2023	-	150.00			
Fiscal year ending March 31, 2023 (Forecast)			-	150.00	300.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	179,000	19.3	15,000	12.9	90,500	57.0	66,000	65.3	1,036.15

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) 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

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

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

September 30, 2022: 65,000,000 shares

March 31, 2022: 65,000,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2022: 1,302,789 shares

March 31, 2022: 1,313,215 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 63,691,977 shares

Six months ended September 30, 2021: 65,028,714 shares

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1. Qualitative Information on Quarterly Results

(1) Overview of Operating Results

During the six months ended September 30, 2022, the business environment surrounding the Group faced a global slump in steel market conditions and demand due to economic stagnation brought about by global increases in prices of resources arising from the protraction of the Ukraine crisis, the continuation of China's zero COVID policy and a slump in the real estate market. However, although conditions vary for the Group's main products including civil engineering and construction steel such as H-beams depending on the countries and regions where the Company does business, the price of scrap that is the main raw material has been falling since peaking in April, and the balance of supply and demand generally remained tight mainly in the United States and Japan where domestic demand has been solid, and performance has been steady due to improvements of the metal margin.

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 cooperation of manufacturing and sales to acquire new customers and strengthen marketing aimed at projects led to solid orders centered on the mainstay product of H-beams for projects, and a year-on-year increase in sales volume. With regard to operating profit, although scrap prices that had been decreasing since May bottomed out in August and energy prices continued to rise, the metal margin improved due to raising sales prices, and profit increased year on year.

Results for the period from January 2022 to June 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 six months ended September 30, 2022.

At Siam Yamato Steel Company Limited, although there are signs of recovery from COVID-19 centered on large-scale public investment, demand for H-beams and other products in Thailand lacks strength. Furthermore, with the drop in scrap prices, customers refrained from purchases in anticipation of fall in steel prices, and sales volume was sluggish as a result. Meanwhile, in the export market, as construction activity recovered within ASEAN, sales volume increased year on year due to the inflow of Chinese and Korean products being at a comparatively low level. Operating profit increased year on year as a result of the continued easing of the competitive environment in the export market since the second half of last year and efforts to maintain the high level of metal margin by gradually transferring costs to sales price in response to rising scrap prices and other costs.

In the equity-method affiliate in the US, although the impact of the Ukraine crisis and the slowdown of the Chinese economy on the US economy is limited compared to other regions, there is an increasing uncertainty, such as the impact of inflation. Although market conditions for steel sheet/plate, etc. are softening in the United States as well, non-residential construction demand is strong in the structural steel market, and customers continued to accept raising of sales prices due to supply and demand remaining tight. In terms of earnings, the improvement in metal margin resulted in a significant increase in profit over the previous year.

At our equity-method affiliate in Bahrain, SULB Company BSC (c), sales volume remained high due to a significant increase in inquiries from customers anticipating high steel prices while scrap prices rose globally. Furthermore, the increase in the price of iron ore that is the main raw material was limited compared to scrap prices and prices for steel products and semi-finished products remained high. As a result, profit increased year on year due to prices for steel products and semi-finished products remaining high.

At our equity-method affiliate in Vietnam, Posco Yamato Vina Steel Joint Stock Company, signs of economic recovery were seen due to lockdown measures implemented due to COVID-19 being lifted in October last year, but the pace slowed and steel demand was also low due to the impact of the slowdown of the Chinese economy. Although a certain degree of earnings was secured due to improvement of the metal margin, profits decreased year on year.

At our equity-method affiliate in South Korea, YK Steel Corporation ("YKS"), demand for rebar was comparatively strong due to measures to expand residential supply. Supported by strong demand, sales prices were increased to secure a high metal margin. With regard to performance, profit increased year on year on an operating profit basis.

With regard to YKS receiving an Investigatory Report from the Korea Fair Trade Commission in the previous fiscal year, a provision of ¥1,773 million (negative ¥587 million as equity in earnings of affiliates and ¥1,185 million as a provision of loss on Fair-trade Act (extraordinary losses) was allocated in the second quarter as the anticipated additional loss based on the final investigation by the Korea Fair Trade Commission. For the details, please refer to “2. Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Additional Information).”

In addition to the above, in the non-operating income we posted foreign exchange gains resulting from the depreciation of the yen as of September 30, 2022, in relation to the revaluation of foreign-currency denominated assets (loans receivable from subsidiaries and associates, etc.) owned by the Company.

As a result of the above, consolidated net sales for the six months ended September 30, 2022 increased by ¥27,080 million year on year to ¥94,773 million. Consolidated operating profit rose ¥5,663 million year on year to ¥9,417 million, while ordinary profit rose ¥30,244 million to ¥51,361 million, and profit attributable to owners of parent rose ¥23,032 million to ¥37,875 million.

Please note that the average foreign exchange rates for the first six months of the fiscal year under review that were used in the preparation of the consolidated financial statements from the financial statements of overseas subsidiaries and affiliates were as follows.

(For all overseas companies, the first six months of the fiscal year under review ran from January to June 2022)
124.54 yen/U.S. dollar, 3.67 yen/baht, and 9.90 won/yen

Average exchange rates for the first six months of the previous fiscal year were as follows:

(For all overseas companies, the first six months of the previous fiscal year ran from January to June 2021)
108.47 yen/U.S. dollar, 3.50 yen/baht, and 10.30 won/yen

(2) Overview of Financial Position

(i) Changes in financial position

At the end of the second quarter of the fiscal year under review, total assets were ¥507,406 million, an increase of ¥92,477 million over the end of the previous fiscal year.

Liabilities were ¥45,546 million, an increase of ¥6,304 million over the end of the previous fiscal year.

Net assets rose ¥86,173 million over the end of the previous fiscal year to ¥461,860 million. 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 foreign exchange rates as of the end of the second quarter of the fiscal year under review that were used in the preparation of the consolidated financial statements from the financial statements of overseas subsidiaries and affiliates were as follows.

(For all overseas companies, the end of the second quarter of the fiscal year under review was June 30, 2022)
136.69 yen/U.S. dollar, 3.87 yen/baht, 9.46 won/yen

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

(For all overseas companies, the end of the previous fiscal year was December 31, 2021)
115.02 yen/U.S. dollar, 3.43 yen/baht, 10.31 won/yen

(ii) Cash flows

(Cash flows from operating activities)

Net cash provided by operating activities was ¥33,468 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 ¥1,924 million, due mainly to purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥7,702 million, due mainly to dividends paid.

Taking into account the effect of exchange rate changes on cash and cash equivalents of ¥19,070 million, cash and cash equivalents at the end of the second quarter of the fiscal year under review increased ¥42,912 million over the end of the previous fiscal year, to ¥138,379 million.

(3) Overview of Consolidated Earnings Forecasts and Other Forward-Looking Statements

With regard to the future outlook, the impact of COVID-19 is expected to gradually subside. However, downside risks caused by low steel demand and softening of the market are increasing due to global concerns such as the protraction of the Ukraine crisis, the slowdown of economic recovery in China and a decline in consumption caused by inflation in Europe and the United States.

Although the impact on price and demand for the H-beams and other products used in civil engineering and construction, the Group's main products, varies depending on the countries and regions where the Company operates globally, demand is forecasted to be steady in the US and Japan within this fiscal year.

Although the Group's total sales volume is decreasing, as scrap prices fall, we expect profits to exceed the previous forecast including the impact of the weak yen due to securing profit through efforts to maintain and increase metal margin in each of our sites. 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.

For the fiscal year ending March 31, 2023, we forecast consolidated net sales of ¥179,000 million (down ¥8,000 million from previous forecast), operating profit of ¥15,000 million (same as previous forecast), ordinary profit of ¥90,500 million (up ¥2,500 million from previous forecast), and profit attributable to owners of parent of ¥66,000 million (up ¥2,000 million from previous forecast).

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

- Japan

Structural steel demand is expected to be solid mainly for large construction projects, and sales volume is projected to be in line with the previous forecast. Even if scrap prices do not return to the level they were at immediately after the invasion of Ukraine by Russia, they remain high and are projected to be below the previous forecast. Meanwhile, energy prices are still rising, including the impact of the weak yen. With regard to performance, we expect profits to increase from the previous forecast due to further improving the metal margin through continued initiatives to strengthen production and sales of large sizes and efforts to maintain sales prices.

- Thailand

Although the Thai economy shows signs of recovery from COVID-19, there have been movements to partially postpone large public investments because construction material prices remain high. Furthermore, as growth in demand is slow in export markets, export pressure on the ASEAN market by Chinese and Korean manufacturers is gradually increasing, and there are concerns that the competitive environment will deteriorate. There are also signs of refraining from purchases in domestic and export markets in anticipation of fall in steel prices, and sales volume is expected to decrease from the previous forecast. With regard to performance, we expect sales and profits to decrease from the previous forecast due to a decrease in sales volume despite the metal margin being expected to be comparatively high due in part to the fall in scrap prices.

- United States

Non-residential construction demand centered on large factory construction projects such as semiconductor and EV-related factories is solid, but distributors are showing signs of caution due to concerns about the economic outlook, such as a slowdown in the economy caused by sudden monetary tightening. Although the structural steel market is also showing some signs of softening due to the impact of weakening of the market for steel sheet/plate, etc., the metal margin remains high due to a decline in scrap prices. We expect results to be more or less the same level as the previous forecast.

- Middle East

Oil prices have risen due to factors such as the impact of the Ukraine crisis, and economic conditions within the GCC region are improving. Construction activity has not fully recovered, but product sales volume is increasing due to strengthening of sales including exports. Prices for steel products and semi-finished products were high while scrap prices rose internationally, resulting in an increase in profitability. Sales prices are decreasing with the reversal of scrap prices, but were forecast an increase in profit compared to the previous forecast by securing sales volume.

- Vietnam

Structural steel demand has gradually increased with the recovery in economic activity after lifting restrictions related to COVID-19, but there have been signs of refraining from placing orders in anticipation of a decrease in product prices since scrap prices have decreased. Going forward, demand is expected to recover due to economic stimulus measures such as public investment by the government, but the sales volume is expected to decrease from the previous forecast, with profit also decreasing from the previous forecast.

In August 2022, a decision was made to extend antidumping duties (22.09% to 33.51%) on H-beams imported from China for five years, and this is expected to contribute to stabilization of the domestic market.

- South Korea

Although there are no changes in housing supply policy and long-term demand can be expected, as concerns about the domestic economy spread in response to the global economic slowdown, sales volume is expected to decrease from the previous forecast partially due to the impact of high construction material prices and rising interest rates. Stable earnings are expected to be secured by strengthening cooperation in both manufacturing and sales with local joint venture partner Daehan Steel Co., Ltd. and maintaining metal margin, but profit is expected to decrease from the previous forecast.

Please note that for the January-December 2022 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)

132.11 yen/U.S. dollar, 3.72 yen/baht, and 9.99 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2022 for overseas subsidiaries and affiliates and the end of March 2023 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates for overseas subsidiaries and affiliates)

140.00 yen/U.S. dollar, 3.76 yen/baht, and 10.30 won/yen.

(End of period rates for domestic subsidiaries and affiliates)

135.00 yen/U.S. dollar, 3.76 yen/baht, and 10.30won/yen.

Quarterly Consolidated Financial Statements
 Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and deposits	99,717	155,393
Notes and accounts receivable - trade	25,144	29,635
Securities	20	2,000
Merchandise and finished goods	18,360	21,482
Work in process	555	632
Raw materials and supplies	20,926	24,443
Other	3,007	4,083
Allowance for doubtful accounts	(22)	(24)
Total current assets	167,710	237,646
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,310	11,871
Machinery, equipment and vehicles, net	26,832	28,361
Land	17,815	19,024
Construction in progress	1,550	1,841
Other, net	2,251	2,527
Total property, plant and equipment	59,761	63,627
Intangible assets		
Goodwill	810	758
Other	822	1,112
Total intangible assets	1,632	1,871
Investments and other assets		
Investment securities	56,255	71,187
Investments in capital	78,826	87,267
Long-term loans receivable from subsidiaries and associates	23,067	27,247
Long-term time deposits	23,660	13,918
Retirement benefit asset	917	917
Other	3,396	4,026
Allowance for doubtful accounts	(301)	(301)
Total investments and other assets	185,823	204,261
Total non-current assets	247,217	269,759
Total assets	414,928	507,406

(Million yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,033	11,084
Income taxes payable	1,908	2,537
Provision for bonuses	744	1,379
Other	5,725	8,058
Total current liabilities	19,411	23,059
Non-current liabilities		
Deferred tax liabilities	13,874	16,191
Retirement benefit liability	1,975	1,944
Other	3,981	4,350
Total non-current liabilities	19,830	22,486
Total liabilities	39,242	45,546
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	-	15
Retained earnings	320,784	352,313
Treasury shares	(1,412)	(1,379)
Total shareholders' equity	327,369	358,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,490	4,360
Foreign currency translation adjustment	18,649	68,914
Remeasurements of defined benefit plans	(157)	(153)
Total accumulated other comprehensive income	22,982	73,121
Non-controlling interests	25,335	29,792
Total net assets	375,686	461,860
Total liabilities and net assets	414,928	507,406

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales	67,692	94,773
Cost of sales	57,903	77,639
Gross profit	9,789	17,134
Selling, general and administrative expenses		
Packing and transportation costs	2,593	3,464
Salaries and allowances	812	845
Provision for bonuses	254	423
Retirement benefit expenses	5	9
Other	2,368	2,973
Total selling, general and administrative expenses	6,034	7,716
Operating profit	3,754	9,417
Non-operating income		
Interest income	227	741
Dividend income	146	241
Equity in earnings of affiliates	16,343	35,065
Foreign exchange gains	383	5,541
Other	409	469
Total non-operating income	17,510	42,059
Non-operating expenses		
Interest expenses	43	42
Loss on investments in investment partnerships	29	-
Loss on valuation of derivatives	56	34
Loss on disaster	-	22
Other	17	15
Total non-operating expenses	147	115
Ordinary profit	21,117	51,361
Extraordinary income		
Gain on sale of non-current assets	1	2
Gain on change in equity	2	-
Gain on sale of shares of subsidiaries and associates	2	-
Other	0	-
Total extraordinary income	6	2
Extraordinary losses		
Loss on retirement of non-current assets	24	11
Provision of loss on fair-trade act	-	1,185
Other	1	11
Total extraordinary losses	26	1,208
Profit before income taxes	21,097	50,156
Income taxes - current	4,620	9,869
Income taxes - refund	-	(1,480)
Income taxes - deferred	420	1,702
Total income taxes	5,040	10,090
Profit	16,057	40,065
Profit attributable to non-controlling interests	1,215	2,190
Profit attributable to owners of parent	14,842	37,875

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Profit	16,057	40,065
Other comprehensive income		
Valuation difference on available-for-sale securities	(131)	(136)
Foreign currency translation adjustment	7,044	31,067
Remeasurements of defined benefit plans, net of tax	(3)	4
Share of other comprehensive income of entities accounted for using equity method	6,044	22,659
Total other comprehensive income	12,953	53,595
Comprehensive income	29,011	93,661
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,642	88,014
Comprehensive income attributable to non-controlling interests	1,368	5,646

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from operating activities		
Profit before income taxes	21,097	50,156
Depreciation	2,825	2,906
Interest and dividend income	(373)	(982)
Interest expenses	43	42
Equity in (earnings) losses of affiliates	(16,343)	(35,065)
Decrease (increase) in trade receivables	(5,979)	(3,809)
Decrease (increase) in inventories	(7,378)	(3,298)
Increase (decrease) in trade payables	1,986	(424)
Loss (gain) on sale of shares of subsidiaries and associates	(2)	-
Other, net	(652)	(2,616)
Subtotal	(4,776)	6,908
Interest and dividends received	11,175	35,255
Interest paid	(0)	-
Income taxes paid	(2,149)	(8,695)
Net cash provided by (used in) operating activities	4,248	33,468
Cash flows from investing activities		
Payments into time deposits	(5,300)	(1,428)
Proceeds from withdrawal of time deposits	34,457	1,422
Purchase of property, plant and equipment	(2,204)	(1,470)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(2,153)	-
Other, net	(526)	(447)
Net cash provided by (used in) investing activities	24,271	(1,924)
Cash flows from financing activities		
Purchase of treasury shares	(3,634)	(0)
Dividends paid	(2,616)	(6,340)
Dividends paid to non-controlling interests	(1,240)	(1,188)
Other, net	(163)	(172)
Net cash provided by (used in) financing activities	(7,654)	(7,702)
Effect of exchange rate change on cash and cash equivalents	802	19,070
Net increase (decrease) in cash and cash equivalents	21,668	42,912
Cash and cash equivalents at beginning of period	19,163	95,467
Cash and cash equivalents at end of period	40,831	138,379

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Special Accounting Treatment for the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income tax for the fiscal year ending March 31, 2023, excluding certain subsidiaries, and multiplying profit before income tax by the estimated effective tax rate.

(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 first three months of the fiscal year ending March 31, 2023, 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 quarterly 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 going forward there is a possibility that penalties will 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.

A provision of ¥1,773 million (negative ¥587 million as equity in earnings of affiliates and ¥1,185 million as a provision of loss on Fair-trade Act (extraordinary losses) was allocated in the six months ended September 30, 2022 as the anticipated additional loss based on the content of the final investigation by the Korea Fair Trade Commission.

YKS objects to the content of the investigation and intends to file an objection after receiving notice of the resolution.

(Segment Information, etc.)

I. Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Information about Operating Revenues and Profit (Loss) for Each Reportable Segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Steel (Japan)	Steel (Thailand)	Trackwork materials	Sub total				
Net sales								
(1) Sales to customers	24,924	37,479	3,686	66,090	1,601	67,692	—	67,692
(2) Inter-segment sales and transfers	222	—	—	222	—	222	(222)	—
Total	25,146	37,479	3,686	66,313	1,601	67,914	(222)	67,692
Segment profit	505	3,910	391	4,808	113	4,921	(1,167)	3,754

- (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. The reconciliations of segment profit included corporate general expenses of ¥ (1,167) 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.
3. Certain reconciliations were made between segment profit and operating profit in the quarterly consolidated statement of income.

II. Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Information about Operating Revenues and Profit (Loss) for Each Reportable Segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Steel (Japan)	Steel (Thailand)	Trackwork materials	Sub total				
Net sales								
(1) Sales to customers	36,299	54,026	2,857	93,183	1,589	94,773	—	94,773
(2) Inter-segment sales and transfers	210	—	—	210	—	210	(210)	—
Total	36,510	54,026	2,857	93,394	1,589	94,983	(210)	94,773
Segment profit	3,206	7,463	47	10,717	126	10,843	(1,425)	9,417

- (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. The reconciliations of segment profit included corporate general expenses of ¥ (1,425) 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.
3. Certain reconciliations were made between segment profit and operating profit in the quarterly consolidated statements of income.

(Significant Subsequent Events)

Not applicable.