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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

January 31, 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

Phone: 079-273-1061

Scheduled date of filing quarterly securities report: February 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 01, 2022 to December 31, 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	%
Nine months ended December 31, 2022	139,120	29.2	13,573	59.1	72,787	83.7	53,140	91.0
December 31, 2021	107,706	(1.0)	8,531	(1.8)	39,622	126.3	27,823	470.8

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 125,816 million [197.3%]
 Nine months ended December 31, 2021: ¥ 42,326 million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	834.32	-
December 31, 2021	429.34	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2022	532,045	484,040	85.4
March 31, 2022	414,928	375,686	84.4

(Reference) Equity: As of December 31, 2022: ¥ 454,225 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: No

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	180,000	20.0	16,000	20.4	88,500	53.5	64,000	60.3	1,004.75

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2022: 65,000,000 shares

March 31, 2022: 65,000,000 shares

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

December 31, 2022: 1,302,859 shares

March 31, 2022: 1,313,215 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 63,693,699 shares

Nine months ended December 31, 2021: 64,805,621 shares

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1. Qualitative Information on Quarterly Results

(1) Overview of Operating Results

During the nine months ended December 31, 2022, the business environment surrounding the Group faced a global slump in steel market conditions and demand due to global increases in prices of resources and a slowdown in the Chinese economy. However, for the Group's main products including civil engineering and construction steel such as H-beams, 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 in the United States and Japan where domestic demand has been solid among the countries and regions where the Company operates globally, and the performance has been steady due to improvements of the metal margin, but the impact of the slowdown of the Chinese economy has emerged in ASEAN since the second half of the fiscal period.

In Japan, there has been steady demand for structural steel mainly for large construction projects such as urban redevelopment, logistics facilities and semiconductor factories. At Yamato Steel, with blast furnace manufacturers concentrating on products such as sheet/plate, our efforts through integration of manufacturing and sales to acquire new customers and strengthen marketing aimed at projects 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, scrap prices that had been falling since May bottomed out in August and been rising and energy prices have also continued to rise, and the metal margin improved due to efforts to raise sale prices, and profit increased year on year.

Results for the period from January 2022 to September 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 nine months ended December 31, 2022.

At Siam Yamato Steel Company Limited, although the Thai economy is trending toward recovery from COVID-19, there have been movements to partially postpone large public investments because construction material prices remain high. Furthermore, with the drop in scrap prices, customers refrained from purchases in anticipation of steel prices falling, and domestic sales volume decreased year on year. 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 sales volume decreased, operating profit increased year on year as a result of the continued easing of the competitive environment in the export market from the second half of last year to the first half of this year and efforts to maintain the high level of metal margin by gradually transferring costs to sale price.

Although the impact of the Ukraine situation and the slowdown of the Chinese economy was limited in the US economy compared to other regions, the equity-method affiliate in the US performed steadily as the strong employment environment continued despite inflation becoming a factor lowering the economy. Non-residential construction demand is strong in the structural steel market, and supply and demand continue to tighten. Market conditions for steel sheet/plate, etc., softened due to the decline in the scrap market, and there has also been an impact on the structural steel market, but a high metal margin has been maintained, and profits increased significantly year on year.

At our equity-method affiliate in Bahrain, SULB Company BSC (c), in addition to a significant increase in inquiries from customers anticipating high steel prices while scrap prices rose globally, the earnings environment has improved significantly due to high sales prices of steel products and semi-finished products. Sales volume was secured by strengthening sales including exports even when scrap prices declined, and profit increased significantly year on year.

At our equity-method affiliate in Vietnam, Posco Yamato Vina Steel Joint Stock Company, 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 sales volume has been sluggish since the beginning of the second half. Although the metal margin improved, profits decreased year on year due to a decrease in sales volume.

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.

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, but the company has been gradually affected by the impact of inflation and rising interest rates. Although sales volume decreased year-on-year, sale prices were raised to secure a high metal margin, and profit increased on an operating profit basis.

With regard to YKS receiving an Investigatory Report from the Korea Fair Trade Commission in the previous fiscal year, additional expenses of ¥1,791 million were recorded in the first six months (negative ¥593 million as equity in earnings of affiliates and ¥1,197 million as a provision of loss on Fair-trade Act (extraordinary losses)). 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 December 31, 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 nine months ended December 31, 2022 increased by ¥31,413 million year on year to ¥139,120 million. Consolidated operating profit rose ¥5,041 million year on year to ¥13,573 million, while ordinary profit rose ¥33,164 million to ¥72,787 million, and profit attributable to owners of parent rose ¥25,316 million to ¥53,140 million.

Please note that the average foreign exchange rates for the first nine 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, and translation of assets and liabilities of domestic companies were as follows.

(For all overseas companies, the first nine months of the fiscal year under review ran from January to September 2022)
129.48 yen/U.S. dollar, 3.71 yen/baht, and 9.80 won/yen

Average exchange rates for the first nine months of the previous fiscal year were as follows:
(For all overseas companies, the first nine months of the previous fiscal year ran from January to September 2021)
109.13 yen/U.S. dollar, 3.45 yen/baht, and 10.36 won/yen

(2) Overview of Financial Position

(i) Changes in financial position

At the end of the third quarter of the fiscal year under review, total assets were ¥532,045 million, an increase of ¥117,116 million over the end of the previous fiscal year.

Liabilities were ¥48,005 million, an increase of ¥8,762 million over the end of the previous fiscal year.

Net assets rose ¥108,353 million over the end of the previous fiscal year to ¥484,040 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 third 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 third quarter of the fiscal year under review was September 30, 2022)
144.81 yen/U.S. dollar, 3.87 yen/baht, 9.91 won/yen

(For all domestic companies, the end of the third quarter of the fiscal year under review was December 31, 2022)
132.70 yen/U.S. dollar.

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

(For all domestic companies, the end of the previous fiscal year was March 31, 2022)

122.41 yen/U.S. dollar.

(ii) Cash flows

(Cash flows from operating activities)

Net cash provided by operating activities was ¥40,793 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 ¥9,929 million, due mainly to purchase of securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥16,837 million, due mainly to dividends paid.

Taking into account the effect of exchange rate changes on cash and cash equivalents of ¥25,361 million, cash and cash equivalents at the end of the third quarter of the fiscal year under review increased ¥39,388 million over the end of the previous fiscal year, to ¥134,855 million.

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

With regard to the future outlook, although material prices are rising globally and there are signs of steel prices picking up in anticipation of the economic recovery in China, the sense of uncertainty surrounding the Chinese economy cannot be denied, and vigilance is required going forward. Furthermore, there are ongoing concerns about economic recession due to global inflation, and overall demand is lackluster.

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 steady in the US, Japan and the Middle East, but it is softening in ASEAN, which is closely linked to the Chinese economy. We made efforts to continue to secure the metal margin in each of our group company and the performance has generally been strong, but due to the impact of the yen rising with a peak in October, profit is expected to be slightly lower than the previous estimate.

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 ¥180,000 million (up ¥1,000 million from previous forecast), operating profit of ¥16,000 million (up ¥1,000 million from previous forecast), ordinary profit of ¥88,500 million (down ¥2,000 million from previous forecast), and profit attributable to owners of parent of ¥64,000 million (down ¥2,000 million from previous forecast).

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

- Japan

Construction demand continued to be affected by high material prices, and although the recovery of small and medium projects is slow, large projects have continued to be strong, and civil engineering projects are forecast to be steady. The Japanese scrap market that remained high throughout the period is continuing to rise without dropping off as export prices increase, and energy prices are also continuing to increase. We expect profits to slightly increase from the previous forecast due to the metal margin being expected to exceed the previous forecast through continued initiatives to strengthen production and sales of large sizes and efforts to maintain sale prices.

- Thailand

The economy of Thailand is susceptible to the impact of the global economy due to its high reliance on external demand, and although recovery from COVID-19 was delayed, the economy finally appears to be bottoming out. Construction activity has not fully recovered, but demand for structural steel is gradually returning, centered on infrastructure investment. Meanwhile, in the export market, while demand in the ASEAN market is lackluster, competition from Chinese and South Korean mills is increasing. The metal margin has been kept at a high level due to the decline in the scrap market, and profit is forecast to be slightly higher than the previous forecast.

- United States

Inflation continues in the US economy and there are concerns of an economic recession, but demand for structural steel is solid centered on large factory construction projects such as semiconductor and EV-related factories. The demand is expected to increase due to infrastructure investment going forward. However, at present, in addition to the usual seasonal factors, distributors are showing caution with orders due to concerns about the economic outlook. Although the structural steel market is softening due to the impact of the decline in sheet/plate, etc., the metal margin remains high, and results are expected to generally be in line with 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. Going forward, construction activity such as infrastructure investment is expected to fully recover. We are strengthening sales including exports, and the product sales volume is increasing. Although sales prices of finished products and semi-finished products are decreasing due to the scrap market dropping off in the second half of the fiscal year, we expect results to be more or less the same level as the previous forecast due to an increase in sales volume.

- Vietnam

Although the economy of Vietnam is showing signs of recovery from COVID-19, it has a high dependence on China, and there is also a sense of uncertainty such as concerns about deterioration of the real estate market. Structural steel demand has risen slightly since scrap prices seemed to bottom out, but market inventory has remained high. 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. Although a certain degree of earnings are expected to be secured, profits are forecast to decrease year on year.

- South Korea

Although there is no change in housing supply policy, as there is a risk of an economic slowdown, there are concerns about demand for rebar decreasing due to the impact of inflation and rising interest rates. However, both sales volume and prices have recovered somewhat from the previous forecast. 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, and profit is expected to generally be in line with 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)

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

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

(End of period rates for domestic subsidiaries and affiliates)
125.00 yen/U.S. dollar.

Quarterly Consolidated Financial Statements
 Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	99,717	157,082
Notes and accounts receivable - trade	25,144	32,544
Securities	20	4,000
Merchandise and finished goods	18,360	17,545
Work in process	555	602
Raw materials and supplies	20,926	24,936
Other	3,007	8,055
Allowance for doubtful accounts	(22)	(28)
Total current assets	167,710	244,737
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,310	11,709
Machinery, equipment and vehicles, net	26,832	27,880
Land	17,815	18,559
Construction in progress	1,550	2,492
Other, net	2,251	2,497
Total property, plant and equipment	59,761	63,137
Intangible assets		
Goodwill	810	733
Other	822	1,123
Total intangible assets	1,632	1,856
Investments and other assets		
Investment securities	56,255	76,955
Investments in capital	78,826	104,266
Long-term loans receivable from subsidiaries and associates	23,067	24,987
Long-term time deposits	23,660	14,776
Retirement benefit asset	917	917
Other	3,396	710
Allowance for doubtful accounts	(301)	(301)
Total investments and other assets	185,823	222,313
Total non-current assets	247,217	287,307
Total assets	414,928	532,045

(Million yen)

	As of March 31,2022	As of December 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,033	11,084
Income taxes payable	1,908	1,949
Provision for bonuses	744	993
Other	5,725	10,568
Total current liabilities	19,411	24,595
Non-current liabilities		
Deferred tax liabilities	13,874	16,992
Retirement benefit liability	1,975	1,993
Other	3,981	4,423
Total non-current liabilities	19,830	23,409
Total liabilities	39,242	48,005
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	-	15
Retained earnings	320,784	358,056
Treasury shares	(1,412)	(1,379)
Total shareholders' equity	327,369	364,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,490	5,062
Foreign currency translation adjustment	18,649	84,625
Remeasurements of defined benefit plans	(157)	(150)
Total accumulated other comprehensive income	22,982	89,536
Non-controlling interests	25,335	29,814
Total net assets	375,686	484,040
Total liabilities and net assets	414,928	532,045

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

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	107,706	139,120
Cost of sales	89,557	114,186
Gross profit	18,149	24,933
Selling, general and administrative expenses		
Packing and transportation costs	4,148	5,177
Salaries and allowances	1,338	1,457
Provision for bonuses	334	336
Retirement benefit expenses	30	51
Other	3,765	4,336
Total selling, general and administrative expenses	9,617	11,360
Operating profit	8,531	13,573
Non-operating income		
Interest income	320	1,884
Dividend income	316	453
Equity in earnings of affiliates	28,801	52,483
Foreign exchange gains	1,276	3,906
Other	572	682
Total non-operating income	31,288	59,409
Non-operating expenses		
Interest expenses	62	64
Loss on investments in investment partnerships	29	-
Loss on valuation of derivatives	54	74
Loss on disaster	-	23
Other	50	33
Total non-operating expenses	197	195
Ordinary profit	39,622	72,787
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	-
Gain on sale of investment securities	0	4
Total extraordinary income	6	7
Extraordinary losses		
Loss on retirement of non-current assets	24	30
Provision of loss on fair-trade act	-	1,197
Other	6	11
Total extraordinary losses	31	1,240
Profit before income taxes	39,597	71,555
Income taxes - current	8,875	15,361
Income taxes - refund	-	(1,539)
Income taxes - deferred	391	2,046
Total income taxes	9,267	15,868
Profit	30,330	55,686
Profit attributable to non-controlling interests	2,506	2,545
Profit attributable to owners of parent	27,823	53,140

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

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	30,330	55,686
Other comprehensive income		
Valuation difference on available-for-sale securities	(111)	565
Foreign currency translation adjustment	4,841	37,528
Remeasurements of defined benefit plans, net of tax	(5)	6
Share of other comprehensive income of entities accounted for using equity method	7,269	32,029
Total other comprehensive income	11,995	70,129
Comprehensive income	42,326	125,816
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,587	119,695
Comprehensive income attributable to non-controlling interests	1,739	6,120

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Cash flows from operating activities		
Profit before income taxes	39,597	71,555
Depreciation	4,235	4,434
Interest and dividend income	(637)	(2,337)
Interest expenses	62	64
Equity in (earnings) losses of affiliates	(28,801)	(52,483)
Decrease (increase) in trade receivables	(11,362)	(6,809)
Decrease (increase) in inventories	(9,577)	(8)
Increase (decrease) in trade payables	3,059	(373)
Loss (gain) on sale of shares of subsidiaries and associates	(2)	-
Other, net	(424)	(761)
Subtotal	(3,849)	13,281
Interest and dividends received	14,483	41,874
Interest paid	(0)	-
Income taxes paid	(5,768)	(14,362)
Net cash provided by (used in) operating activities	4,865	40,793
Cash flows from investing activities		
Payments into time deposits	(5,515)	(3,727)
Proceeds from withdrawal of time deposits	81,405	1,437
Purchase of securities	(21)	(4,000)
Purchase of property, plant and equipment	(2,630)	(2,398)
Purchase of shares of subsidiaries and associates	-	(724)
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	(2,141)	-
Other, net	(1,089)	(515)
Net cash provided by (used in) investing activities	71,343	(9,929)
Cash flows from financing activities		
Purchase of treasury shares	(6,881)	(0)
Dividends paid	(6,136)	(14,998)
Dividends paid to non-controlling interests	(2,337)	(1,641)
Other, net	(182)	(196)
Net cash provided by (used in) financing activities	(15,537)	(16,837)
Effect of exchange rate change on cash and cash equivalents	2,145	25,361
Net increase (decrease) in cash and cash equivalents	62,817	39,388
Cash and cash equivalents at beginning of period	19,163	95,467
Cash and cash equivalents at end of period	81,980	134,855

(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 ¥1,791 million (negative ¥593 million as equity in earnings of affiliates and ¥1,197 million as a provision of loss on Fair-trade Act (extraordinary losses) was allocated in the nine months ended December 31, 2022 as the anticipated additional loss based on the content of the final investigation by the Korea Fair Trade Commission.

In November 2022, YKS was ordered to pay 23,653 million won (approximately ¥2,400 million), which is the same amount as the estimated penalty, and has filed an objection due to disagreement with the findings.

YKS also received a capital increase of 23,653 million won (approximately ¥2,400 million) from its shareholders, Daehan Steel and Yamato Korea Holdings Co., Ltd. ("YKH"), according to their investment ratios in December 2022 to fund the payment of the penalty. Of the capital increase, the 7,095 million won (¥716 million) borne by YKH has been reflected in the consolidated financial statements for the nine months ended December 31, 2022.

(Segment Information, etc.)

I. Nine months ended December 31, 2021 (April 1, 2021 to December 31, 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	40,868	59,094	5,390	105,354	2,352	107,706	—	107,706
(2) Inter-segment sales and transfers	371	—	—	371	—	371	(371)	—
Total	41,240	59,094	5,390	105,725	2,352	108,078	(371)	107,706
Segment profit	1,418	8,270	530	10,220	122	10,342	(1,811)	8,531

- (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 ¥ (1,811) 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. Nine months ended December 31, 2022 (April 1, 2022 to December 31, 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	55,538	76,127	4,727	136,393	2,726	139,120	—	139,120
(2) Inter-segment sales and transfers	321	—	—	321	—	321	(321)	—
Total	55,859	76,127	4,727	136,714	2,726	139,441	(321)	139,120
Segment profit	6,235	9,231	194	15,661	38	15,699	(2,126)	13,573

- (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 ¥ (2,126) 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.