

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2012 (Japanese GAAP)



October 31, 2012
Stock Exchange: Tokyo

Listed company name: **Nippon Steel Trading Co., Ltd.**
Code No.: 9810
URL: <http://www.ns-net.co.jp/>
Representative: Tetsuo Imakubo, President and Representative Director

Quarterly securities report to be submitted: November 8, 2012
Start of cash dividend payments: December 3, 2012
Supplementary Materials: Yes
IR Conference: Yes (for institutional investors and analysts)

(Figures rounded down to nearest million yen)

1. Consolidated earnings through second quarter (April 1, 2012 - September 30, 2012) of FY2012 ending March 31, 2013

(1) Consolidated financial results (cumulative)

(%: Year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended								
September 30, 2012	518,121	(6.8)	4,712	(18.7)	4,780	(21.7)	2,701	(22.6)
September 30, 2011	555,668	6.2	5,793	0.8	6,108	2.1	3,489	(0.4)

Note: Comprehensive Income
2Q FY Ending March 2013 ¥2,375 million (-22.6%)
2Q FY Ended March 2012 ¥3,068 million (18.6%)

	Net Income per Share	Net Income per Share (Diluted)
Six months ended	Yen	Yen
September 30, 2012	20.09	-
September 30, 2011	25.73	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
As of	Million Yen	Million Yen	%
September 30, 2012	320,058	56,101	14.6
March 31, 2012	333,358	58,189	14.8

Reference: Equity Capital
As of September 30, 2012 ¥46,861 million
As of March 31, 2012 ¥49,250 million

2. Cash dividends for shareholders

	Annual Dividends				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2012	-	3.00	-	4.00	7.00
FY Ending March 2013	-	4.00			
FY Ending March 2013 (Est.)			-	4.00	8.00

Note: Revisions of dividends projections since most recent announcement: None

3. Consolidated earnings projections for FY2012 ending March 31, 2013

(%: Year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY Ending March 2013	1,070,000	(1.6)	10,500	(2.3)	10,500	(6.5)	6,000	(12.7)	44.61

Note: Revisions of earnings projections since most recent announcement: Yes

* Note:

- (1) Material changes in consolidated subsidiaries during the cumulative consolidated period (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: Yes
- (3) Changes of accounting policies, changes of accounting estimates and retrospective restatements
 - i. Changes in accounting policies resulting from changes in accounting standards, etc.: Yes
 - ii. Other accounting policy changes: None
 - iii. Changes in accounting estimates: Yes
 - iv. Restatements: None

Note: These are subject to Article 10-5 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Financial Statements. For more detailed information, see “2. Notes on Summary Information, (2) Changes of accounting policies, changes of accounting estimates and retrospective restatements” on page 3 of the attachment.

- (4) Number of shares outstanding (common stock)
 - (1) Number of shares outstanding at the end of the period (including treasury stock)

As of September 30, 2012	134,801,000 shares
As of March 31, 2012	134,801,000 shares
 - (2) Number of shares of treasury stock at the end of the period

As of September 30, 2012	313,557 shares
As of March 31, 2012	309,291 shares
 - (3) Average number of shares during the period (cumulative quarter)

As of September 30, 2012	134,489,649 shares
As of September 30, 2011	134,504,231 shares

* Statement relating to the status of quarterly review procedures

This summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Law, and quarterly financial statement review procedures based on the Financial Instruments and Exchange Law are still ongoing at the time of disclosure of this report.

* Explanation for the proper use of earnings projections, and other notes

(Caution on description of future events, etc.)

The Company has revised the consolidated earnings projections announced on April 26, 2012. For the assumptions on which these earnings projections were based, see “1. Qualitative Information on Quarterly Settlement of Accounts, (3) Qualitative Information on Consolidated Earnings Projections” on page 3 of the attachment.

The preceding projections are based on information available at the time of the publication of these materials, and are not intended as pledges on the part of the Company that the said projections will be achieved. Actual results may differ materially from projections due to various factors that may occur in the future.

(How to acquire supplementary materials)

The Company has scheduled a briefing session for institutional investors and analysts on Wednesday, November 21, 2012. Soon after the session is over, IR materials distributed during the event will be posted on the Company’s website.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Qualitative Information on Consolidated Financial Results

The world economy during the cumulative consolidated second quarter under review weakened as the rate of growth for newly emerging economies such as China, India and Brazil slowed in addition to poor business conditions in Europe due to the prolonged debt problems and sluggish economic growth in the United States. Also, though domestic demand was solid in Japan thanks to its buttressing by eco-car subsidies and public investment, the ongoing stasis continued due to reduced exports caused by the slowing of the world economy and the strong yen.

Demand for steel products increased year on year, as demand was low this quarter last year due to the effects of the earthquake disaster. Domestic demand for manufacturing of ships and electronics decreased, but the automotive industry's formants became satisfactory thanks to government support. Demand for both civil engineering and construction increased thanks to public investment. The hostile environment for exports continued due to the slowing of the world economy and the easing of demand for steel products in the Asia region. As a result, crude steel production was up by only 2.7% year on year to 54.76 million tons.

Amid this state of affairs, results for Group companies indicated net sales of ¥518,100 million, a decrease in revenues of ¥37,500 million year on year, or 6.8%. Operating income fell to ¥4,712 million, a decrease of ¥1,080 million, or 18.7%. In addition to this decrease in operating income, equity method affiliates also suffered a decrease in ordinary income, resulting in ordinary income for the Group of ¥4,780 million, a decrease of ¥1,327 million, or 21.7%. Quarterly net income fell by ¥787 million, a decrease of 22.6%, to ¥2,701 million.

Earnings for reporting segments are as below (segment profits shown are ordinary income).

(Steel Products)

Sales prices for the steel products business fell both domestically and overseas due to the easing of demand. Consequently, non-consolidated net sales were down year on year, but sales volumes both domestically and in exports increased year on year. Consolidated subsidiaries as a whole enjoyed enhanced revenues thanks to the effects of the integration of the domestic coil center and higher revenues for overseas subsidiaries in the United States and Thailand. These factors resulted in a decrease in net sales by ¥13,300 million, or 3.0%, to ¥437,200 million and a decrease in segment income of ¥221 million, or 6.1%, to ¥3,415 million.

Now, starting from the first quarter consolidated accounting period, the segment handling semi-finished products was changed from Raw Materials to Steel Products.

(Raw Materials)

Reduced handling of stainless steel scrap and the like combined with price drops for lower non-consolidated sales year on year. Our Subsidiary holding coal interests in Australia also suffered a decrease in sales due to the fall in resource prices concomitant with the slowing of the world economy and decreased production by steel manufacturers. These combined to result in a decrease in net sales of ¥16,400 million, or 22.7%, to ¥55,800 million, with segment income falling by ¥169 million, or 16.8%, to ¥842 million.

(Machinery & Materials and the Energy Projects)

Non-consolidated sales of machinery and materials were down year on year due to ongoing constraints on capital investment by steel manufacturers such as Nippon Steel Corporation.

In the industrial machinery business, exports of construction machinery, machine components, pipeline steel products, and the like to Russia fell due to poor business conditions in Europe. Net sales also decreased for our Russian construction machinery subsidiary.

Consequently, net sales fell by ¥7,700 million, or 23.7%, to ¥25,000 million, and segment income was down by ¥936 million, or 64.2%, to ¥521 million.

(2) Qualitative Information on Consolidated Financial Position

(Assets, liabilities and net assets)

Though inventories increased, a decrease in notes and accounts receivable - trade due to a decrease in net sales combined with the lease receivables recovery to result in a decrease in total assets at the end of the second quarter consolidated accounting period under review by ¥13,200 million from the end of previous year to ¥320,000 million.

Total liabilities decreased by ¥11,200 million from the end of previous year to ¥263,900 million owing to a decrease in notes and accounts payable - trade and current portion of payables under fluidity trade receivables, though this was offset partially by an increase in short-term loans payable.

Quarterly net income was factored into total assets during the cumulative consolidated second quarter under review. However, total assets fell by ¥2,000 million from the end of previous quarter to ¥56,100 million due to payment of dividends and the acquisition and cancellation of Class B shares.

(Cash flows)

Cash and cash equivalents at the end of the second quarter consolidated accounting period under review fell to ¥18,200 million, a decrease of ¥1,400 million from the end of previous period.

Although income was produced by quarterly profits, net cash used in operating activities during the cumulative consolidated second quarter under review was ¥500 million (compared to ¥6,500 million provided a year before) due to a decrease in notes and accounts payable - trade greater than a decrease in notes and accounts receivable - trade, payment of corporate taxes, and the like. Net cash provided by investing activities was ¥600 million (compared to ¥800 million used a year before) due to revenues resulting from sales of noncurrent asset by our South China subsidiary. Net cash used in financing activities was ¥2,300 million (compared to ¥5,500 million used a year before) due to increases in short-term loans payable, but payment of dividends and acquisition of Class B shares.

(3) Qualitative Information on Consolidated Earnings Projections

Full term earnings projections have been revised due to concerns over reduced exports owing to worsening relations with China and poor market conditions resulting from the easing of demand for steel combined with the slowing of the world economy, the ongoing negative impact of the high yen on exports, and deterioration of profits.

Earnings projections following revisions to the earlier projections announced on April 26, 2012 are as below.

Consolidated earnings projections for FY 2012 ending March 31, 2013

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Previous Projection (A)	1,180,000	12,500	12,500	7,500	55.77
Revised Projection (B)	1,070,000	10,500	10,500	6,000	44.61
Change (B-A)	(110,000)	(2,000)	(2,000)	(1,500)	—
Change (%)	(9.3)	(16.0)	(16.0)	(20.0)	—

Non-consolidated earnings projections for FY 2012 ending March 31, 2013

	Net Sales	Ordinary Income	Net Income	Net Income per Share
	Million Yen	Million Yen	Million Yen	Yen
Previous Projection (A)	1,050,000	9,000	5,700	42.37
Revised Projection (B)	960,000	8,100	5,000	37.17
Change (B-A)	(90,000)	(900)	(700)	—
Change (%)	(8.6)	(10.0)	(12.3)	—

2. Notes on Summary Information

(1) Use of Special Accounting Methods for Creating Quarterly Consolidated Financial Statements

Tax expenses were calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to net income before taxes for the consolidated fiscal year, including the second quarter consolidated accounting period under review, and multiplying the estimated effective tax rate by the quarterly net income before taxes.

(2) Changes of accounting policies, changes of accounting estimates and retrospective restatements

(Changes to accounting policies for which distinction from accounting estimates is problematic)

The Company and its domestic consolidated affiliates have adopted depreciation and amortization methods based on the revised Corporate Tax Act for Property, plant and equipment acquired after April 1, 2012 following the first quarter consolidated accounting period concomitant with corporate tax reform.

The effect of this on profits or losses is slight.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million Yen)

	FY 2011 (March 31, 2012)	2Q FY2012 (September 30, 2012)
Assets		
Current assets		
Cash and deposits	20,860	19,158
Notes and accounts receivable - trade	227,531	219,440
Lease receivables and investment assets	4,586	3,625
Merchandise and finished goods	28,125	29,782
Other	10,671	8,556
Allowance for doubtful accounts	(480)	(467)
Total current assets	291,293	280,096
Noncurrent assets		
Property, plant and equipment	18,143	18,176
Intangible assets		
Goodwill	10	—
Other	1,534	1,331
Total intangible assets	1,544	1,331
Investments and other assets		
Other	22,913	20,838
Allowance for doubtful accounts	(538)	(384)
Total investments and other assets	22,375	20,454
Total noncurrent assets	42,064	39,961
Total assets	333,358	320,058

(Million Yen)

	FY 2011 (March 31, 2012)	2Q FY2012 (September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	177,255	166,212
Electronically recorded obligations-operating	7,044	7,806
Short-term loans payable	52,205	54,703
Current portion of payables under fluidity trade receivables	2,917	2,540
Income taxes payable	2,451	1,938
Provision	1,056	864
Other	8,508	8,127
Total current liabilities	251,439	242,193
Noncurrent liabilities		
Long-term loans payable	15,000	15,000
Payables under fluidity trade receivables	4,312	2,726
Provision	1,338	1,340
Other	3,078	2,698
Total noncurrent liabilities	23,729	21,764
Total liabilities	275,169	263,957
Net assets		
Shareholders' equity		
Capital stock	8,750	8,750
Capital surplus	8,750	8,750
Retained earnings	35,560	33,695
Treasury stock	(72)	(72)
Total shareholders' equity	52,988	51,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	(405)
Deferred gains or losses on hedges	(46)	50
Foreign currency translation adjustment	(4,032)	(3,906)
Total accumulated other comprehensive income	(3,737)	(4,260)
Minority interests	8,938	9,239
Total net assets	58,189	56,101
Total liabilities and net assets	333,358	320,058

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Cumulative Consolidated Second Quarter)

(Million Yen)

	2Q FY2011 (April 1, 2011 – September 30, 2011)	2Q FY2012 (April 1, 2012 – September 30, 2012)
Net sales	555,668	518,121
Cost of sales	532,415	495,949
Gross profit	23,252	22,172
Selling, general and administrative expenses	17,458	17,459
Operating income	5,793	4,712
Non-operating income		
Interest income	143	183
Dividends income	64	113
Foreign exchange gains	67	9
Equity in earnings of affiliates	404	251
Other	391	248
Total non-operating income	1,072	806
Non-operating expenses		
Interest expenses	597	577
Other	159	160
Total non-operating expenses	757	737
Ordinary income	6,108	4,780
Extraordinary income		
Gain on negative goodwill	10	—
Total extraordinary income	10	—
Extraordinary loss		
Loss on valuation of investment securities	199	385
Golf club membership loss on sale	—	3
Impairment loss	75	—
Total extraordinary losses	274	389
Income before income taxes and minority interests	5,843	4,391
Income taxes	2,313	1,598
Income before minority interests	3,530	2,792
Minority interests in income	41	91
Net income	3,489	2,701

(Quarterly Consolidated Statements of Comprehensive Income)
(Cumulative Consolidated Second Quarter)

(Million Yen)

	2Q FY2011 (April 1, 2011 – September 30, 2011)	2Q FY2012 (April 1, 2012 – September 30, 2012)
Income before minority interests	3,530	2,792
Other comprehensive income		
Valuation difference on available-for-sale securities	(520)	(745)
Deferred gains or losses on hedges	82	97
Foreign currency translation adjustment	123	294
Share of other comprehensive income of associates accounted for using equity method	(148)	(64)
Total other comprehensive income	<u>(462)</u>	<u>(417)</u>
Comprehensive income	<u>3,068</u>	<u>2,375</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,061	2,178
Comprehensive income attributable to minority interests	6	197

(3) Quarterly Consolidated Cash Flow Statements

(Million Yen)

	2Q FY2011	2Q FY2012
	(April 1, 2011 – September 30, 2011)	(April 1, 2012 – September 30, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,843	4,391
Depreciation and amortization	780	866
Impairment loss	75	—
Increase (decrease) in allowance for doubtful accounts	(48)	(172)
Increase (decrease) in other provision	(107)	(183)
Interest and dividends income	(208)	(297)
Interest expenses	597	577
Equity in (earnings) losses of affiliates	(404)	(251)
Profit (loss) on sale of golf club memberships	—	3
Gain on negative goodwill	(10)	—
Loss (gain) on valuation of investment securities	199	385
Decrease (increase) in notes and accounts receivable - trade	1,903	9,419
Decrease (increase) in inventories	4,163	(1,457)
Decrease (increase) in other current assets	(1,026)	878
Increase (decrease) in notes and accounts payable-trade	(3,061)	(10,726)
Increase (decrease) in other current liabilities	(855)	(776)
Increase (decrease) in other noncurrent liabilities	2,215	(1,299)
Other, net	81	396
Subtotal	10,138	1,755
Interest and dividends income received	302	420
Interest expenses paid	(600)	(574)
Income taxes paid	(3,273)	(2,145)
Net cash provided by (used in) operating activities	6,567	(544)
Net cash provided by (used in) investing activities		
Payments into time deposits	(74)	—
Proceeds from withdrawal of time deposits	27	310
Purchase of property, plant and equipment and intangible assets	(461)	(592)
Proceeds from sales of property, plant and equipment and intangible assets	10	1,365
Purchase of investment securities	(251)	(435)
Proceeds from sales of investment securities	—	11
Payments of loans receivable	(11)	(9)
Collection of loans receivable	29	13
Other, net	(145)	(45)
Net cash provided by (used in) investing activities	(877)	618

(Million Yen)

	2Q FY2011 (April 1, 2011 – September 30, 2011)	2Q FY2012 (April 1, 2012 – September 30, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,804	2,360
Repayment of long-term loans payable	(4,500)	—
Repayments of lease obligations	(18)	(33)
Purchase of treasury stock	(4,000)	(4,000)
Cash dividends paid	(729)	(566)
Cash dividends paid to minority shareholders	(86)	(67)
Net cash provided by (used in) financing activities	(5,531)	(2,308)
Effect of exchange rate change on cash and cash equivalents	(99)	(29)
Net increase (decrease) in cash and cash equivalents	59	(2,264)
Cash and cash equivalents at beginning of period	20,305	19,621
Increase in cash and cash equivalents from newly consolidated subsidiary	—	850
Cash and cash equivalents at end of period	20,364	18,206

(4) Notes on Going Concern Assumption

Not applicable.

(5) Notes in Case of Significant Changes to Shareholders' Equity

The Company acquired 400,000 shares of treasury stock (Class B shares) as of June 29, 2012 at a cost of ¥4,000 million and retired them all the same day. As a result, retained earnings were reduced by ¥4,000 million in the cumulative consolidated second quarter under review.

A summary of changes in retained earnings in the cumulative consolidated second quarter under review is given below.

	Retained earnings
March 31, 2012 balance (million yen)	35,560
Amount of change in cumulative consolidated second quarter under review	
Dividends from surplus	(566)
Quarterly net income	2,701
Retirement of treasury stock	(4,000)
Total change in cumulative consolidated second quarter under review (million yen)	(1,865)
September 30, 2012 balance (million yen)	33,695

(6) Segment Information, Etc.

I. Overview of Reporting Segments

Reporting segments of Nippon Steel Trading are those constituent units of the Company for which separate financial information can be derived. These segments are subject to periodic examination in order for the Board of Directors to make decisions on the allocation of management resources and to evaluate earnings.

Nippon Steel Trading is engaged in the sale of steel products, raw materials, machinery and other products in Japan and abroad. For each category of product handled, it establishes sales divisions to draft comprehensive strategies for Japan and abroad and conduct business activities accordingly. Thus, Nippon Steel Trading consists of product-specific segments based on the products we handle and has three reporting segments: "Steel Products," "Raw Materials" and "Machinery & Materials and Energy Projects."

Major products handled in each segment are as below.

Steel Products: Wide-flange beams, shaped steel, reinforcing steel bars, wire products, rails, medium-wall and heavy-wall plates, hot-rolled coils, cold-rolled coils, surface-treated steel plates and sheets, tin plates, electromagnetic steel plates and sheets, steel pipe piles, miscellaneous steel pipes, steel sheet piles, materials for civil engineering, building materials, construction work, special steel, stainless steel, titanium products, semi-finished products

Raw Materials: Coal, steel scrap, ferro-alloys, pig iron/auxiliary materials for iron and steel production, oil, lubricants, bunker oil for fuel, coke, non-ferrous metals, stainless steel scrap

Machinery & Materials and the Energy Projects: Steel-making machinery, civil engineering and mining machinery, other industrial machinery, plant steel, electronics, data communication and measuring instruments, cranes, machine components, mill rolls, office automation equipment

Now, the segment handling semi-finished products has been changed from "Raw Materials" to "Steel Products" from the first quarter consolidated accounting period concomitant with the reorganization dated April 1, 2012.

II. Previous cumulative consolidated second quarter (April 1, 2011 - September 30, 2011)

1. Information on sales and income/loss in each reporting segment

(Million Yen)

	Reporting segments (Note 1)				Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel Products	Raw Materials	Machinery, Materials and Energy Projects	Total		
Net sales						
Sales to external customers	450,561	72,311	32,795	555,668	—	555,668
Intersegment internal sales and transfers	3	—	0	3	(3)	—
Total	450,564	72,311	32,795	555,671	(3)	555,668
Segment income (Ordinary income)	3,636	1,012	1,457	6,106	1	6,108

(Notes) 1. Amounts are based on reporting segment distinctions made following changes to handled goods concomitant with the reorganization dated April 1, 2012.

2. The adjustment of ¥1 million in segment income represents the amount of intersegment trade eliminated.

3. Segment income is adjusted from the ordinary income in the quarterly consolidated statement of income.

2. Information on impairment loss on noncurrent assets, goodwill, etc., for each reporting segment

No such events occurred.

III. Cumulative consolidated second quarter under review (April 1, 2012 - September 30, 2012)

1. Information on sales and income/loss in each reporting segment

(Million Yen)

	Reporting segments				Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Steel Products	Raw Materials	Machinery, Materials and Energy Projects	Total		
Net sales						
Sales to external customers	437,223	55,886	25,011	518,121	—	518,121
Intersegment internal sales and transfers	2	—	—	2	(2)	—
Total	437,226	55,886	25,011	518,124	(2)	518,121
Segment income (Ordinary income)	3,415	842	521	4,779	0	4,780

(Notes) 1. The adjustment of ¥0 million in segment income represents the amount of intersegment trade eliminated.

2. Segment income is adjusted from the ordinary income in the quarterly consolidated statement of income.

2. Information on impairment loss on noncurrent assets, goodwill, etc., for each reporting segment

No such events occurred.