

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation, nor for direct, indirect, or any other form of damages that may arise from use of this translation.

Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2019 (Japanese GAAP)



May 10, 2019
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
Code No.: 9810
URL: <https://www.nst.nipponsteel.com/en/>
Representative name: Yasumitsu Saeki, President and Representative Director
Tel. +81-(0)3-5412-5003

Scheduled ordinary general meeting of shareholders: June 27, 2019
Start of cash dividend payments: June 28, 2019
Securities report to be submitted: June 27, 2019
Supplementary materials: Yes (Japanese only)
IR conference: Yes (for institutional investors and analysts; Japanese only)

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2019	2,550,612	23.7	36,170	11.9	36,427	3.5	23,249	7.0
FYE March 31, 2018	2,062,316	12.0	32,314	4.8	35,188	13.8	21,726	19.1

Note: Comprehensive income
FYE March 31, 2019 ¥19,745 million (-29.5%)
FYE March 31, 2018 ¥28,018 million (29.9%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
FYE March 31, 2019	720.68	—	10.5	4.2	1.4
FYE March 31, 2018	702.86	—	10.8	4.9	1.6

Reference: Shares of profit/loss of entities accounted for using equity method
FYE March 31, 2019 ¥2,106 million
FYE March 31, 2018 ¥3,205 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	960,173	249,356	24.0	7,150.13
As of March 31, 2018	776,395	227,968	27.1	6,815.75

Reference: Equity capital

As of March 31, 2019 ¥230,654 million

As of March 31, 2018 ¥210,675 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	9,386	(76,339)	63,812	24,063
As of March 31, 2018	(29,528)	(8,842)	44,064	27,879

2. Dividends

	Annual dividends per share					Dividends paid (total)	Payout ratio (consolidated)	Dividends on equity ratio (consolidated)
	1Q	2Q	3Q	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 31, 2018	–	90.00	–	120.00	210.00	6,491	29.9	3.2
FYE March 31, 2019	–	110.00	–	110.00	220.00	7,097	30.5	3.2
FYE March 31, 2020 (Est.)	–	115.00	–	115.00	230.00		30.9	

**3. Projected Consolidated Results for Fiscal Year Ending March 31, 2020
(April 1, 2019 to March 31, 2020)**

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	2,700,000	5.9	39,000	7.8	39,000	7.1	24,000	3.2	743.98

* Notes

- (1) Material changes in consolidated subsidiaries during period (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Changes of accounting policies, changes of accounting estimates and retrospective restatements
 - i. Changes in accounting policies resulting from changes in accounting standards, etc.: None
 - ii. Other accounting policy changes: None
 - iii. Changes in accounting estimates: None
 - iv. Restatements: None
- (3) Number of shares outstanding (common shares)
 - i. Number of shares outstanding at the end of the period (including treasury shares)

As of March 31, 2019	32,307,800 shares
As of March 31, 2018	30,957,800 shares
 - ii. Number of treasury shares at the end of the period

As of March 31, 2019	49,019 shares
As of March 31, 2018	47,663 shares
 - iii. Average number of shares during the period

FYE March 31, 2019	32,259,827 shares
FYE March 31, 2018	30,911,213 shares

(Reference) Overview of Non-consolidated Financial Results

**Non-consolidated Results for Fiscal Year Ended March 31, 2019
(April 1, 2018 to March 31, 2019)**

(1) Non-consolidated Operating Results (%: change from the same period of the previous year)

	Net sales		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2019	2,205,968	24.8	27,737	34.3	21,762	58.9
FYE March 31, 2018	1,768,247	11.5	20,659	(4.4)	13,695	(4.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FYE March 31, 2019	674.55		-	
FYE March 31, 2018	443.02		-	

(2) Non-consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	735,829	170,095	23.1	5,272.36
As of March 31, 2018	603,874	151,453	25.1	4,899.31

Reference: Equity capital

As of March 31, 2019 ¥170,095 million

As of March 31, 2018 ¥151,453 million

<Reason for the difference of non-consolidated financial results from actual results of the previous period>
Due to increase of handling volume due to business transfer from Mitsui & Co. Group in the Steel business in the current fiscal year, increase in unit sales price, recording of gain on bargain purchase, and the like, there has been a difference between the actual results for the previous fiscal year and the actual results for the current fiscal year.

*Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

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

(Caution on description of future events, etc.)

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. For the assumptions on which these earnings projections were based, see "1. Overview of Operating Results and Others, (1) Outline of Operating Results for the Fiscal Year" on page 2 of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of May 10, 2019, and they were published on the Group's website on the same date.

(How to acquire materials for briefing session)

The Company has scheduled a briefing session for institutional investors and analysts on May 27, 2019. Soon after the session is over, the presentation materials distributed during the event will be posted on the Company's website (Japanese only).

Index of attached documents

1. Overview of Operating Results and Others.....	2
(1) Outline of Operating Results for the Fiscal Year.....	2
(2) Overview of Financial Position for the Fiscal Year.....	3
(3) Basic Policy on Distribution of Profits, and Dividends in Period under Review and Subsequent Period.....	5
2. Basic Philosophy for Selecting Accounting Standards.....	5
3. Consolidated Financial Statements and Significant Notes Thereto.....	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	8
(3) Consolidated Statements of Changes in Equity.....	10
(4) Consolidated Statements of Cash Flows.....	12
(5) Notes on Consolidated Financial Statements.....	14
(Notes on Going Concern Assumption).....	14
(Change of presentation).....	14
(Segment Information, etc.).....	15
(Per Share Information).....	20
(Subsequent Events).....	20

1. Overview of Operating Results and Others

(1) Outline of Operating Results for the Fiscal Year

A. Overview of Operating Results for the Fiscal Year

The world economy during the fiscal year under review saw slowdown in growth rates, with weakened momentum of recovery of economies in Europe and an economic slowdown trend in China, while strong growth continued in the United States centering on personal consumption.

The Japanese economy continued to recover moderately as a whole, however, in the second half of the period, with a trend of deterioration of market sentiment as a result of the impact of China, and so forth, the economic outlook has become increasingly uncertain.

In this business environment, the Company's consolidated earnings, as compared with the previous period, were as follows: Net sales were ¥2,550.6 billion, up ¥488.2 billion (23.7%). Operating profit was ¥36.1 billion, up ¥3.8 billion (11.9%) and ordinary profit was ¥36.4 billion, up ¥1.2 billion (3.5%). Profit attributable to owners of parent was ¥23.2 billion, up ¥1.5 billion (7.0%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, domestic steel demand for both the construction and manufacturing sectors was firm, and overseas steel demand also continued on a path of growth. In terms of the market conditions for steel, domestic market conditions improved backed by the firm trend of demand, and maintained steady levels in the second half of the period, while the overseas markets trended downward in the second half of the period and thereafter, due to the slowdown of growth in China, and the like.

The Company has promoted further improvement of the value chain, by reinforcing procurement, logistics and fabrication systems to meet customer needs. Handling volume of the steel by the Company alone increased despite the impact of heavy rain and typhoons in summer season and the like, thanks to the effects of the partial business transfer from Mitsui & Co. Group in the Steel business and other factors. In addition, unit prices for steel products rose supported by strong demand for steel.

Inside Japan, in addition to transfer of business from Mitsui & Co. Group, the Company acquired shares of Nihon Teppan Co., Ltd., of which the mainstay is the thin steel sheet for construction use area, to make it into a subsidiary. Moreover, from the viewpoint of reinforcement of competitiveness of domestic fabrication divisions, a mutual capital alliance has been executed between NSM Coil Center Co., Ltd. as the primary steel service center of the Group, and Summit Steel Co., Ltd., as the major steel service center of Sumitomo Corporation Group.

With regard to overseas activities, we executed financing in QH PLUS CORPORATION, a major local distributor and processing company of construction materials and accessories in Vietnam in order to capture demand in the steel building materials market in Vietnam, an area that has seen significant growth. Further, in the United States we established NSPS Metals, LLC, as a new steel service center, to capture demand for the thin steel sheet in the area.

As a result of such measures, net sales in the Steel segment amounted to ¥2,162.9 billion, up ¥487.9 billion (29.1%) over the previous period, backed by the increase in handling volume and the increase in unit sale prices, and ordinary profit was ¥26.4 billion, up ¥1.0 billion (4.0%), despite the impact of the absence of non-recurring profit in the previous period.

(Industrial Supply and Infrastructure)

In the management environment surrounding the Industrial Supply and Infrastructure business, the trend was generally firm, with progress of the shift in trends towards multi-materials for automobiles, and increase in capital investments.

Handling volume of aluminum of the Group increased due to capturing demand for making lighter automobiles and overseas demand, etc. In addition, sales of carbon fiber for wind power generation was also strong. As for industrial

machinery, the Company focused on sales of automation equipment for the kitchen for business to meet labor-saving needs of the restaurant business industry.

Net sales of the Industrial Supply and Infrastructure business reached ¥92.3 billion, up ¥3.3 billion (3.8%), and ordinary profit turned out to be ¥2.7 billion, down ¥900 million (25.9%), reflecting the absence of a non-recurring profit recorded by an overseas equity method affiliate for industrial estate business in the previous period.

(Textiles)

The management environment surrounding the Textile business continued severe, with the rise of e-commerce and re-use business, while the declining trend in domestic sales of clothing continues.

The Company promoted improvement of productivity and reduction of loss for reinforcement of OEM/ODM business competitiveness, and investment for utilization of new technology, etc., in order to respond to changes in the management environment.

For utilization of digital technology, for the purpose of building a new supply chain model, we performed capital participation in SYMBOL Co., Ltd., a start-up company in apparel IT. In addition, in March of this year, we agreed with the Punjab Agricultural University in India, on commencement of joint research for cotton that has highly-colored blossoms, which never existed before, such as red or yellow. In this research, we aim at commercialization of cotton that can omit the dyeing process, which has heavy environmental load, by developing "colored cotton blossoms."

In the Textiles business, net sales were ¥150.8 billion, down ¥2.8 billion (1.8%) due to the severe management environment, and so forth, while ordinary profit was ¥4.4 billion, up ¥900 million (26.9%) due to improvement of losses, etc.

(Foodstuffs)

In the management environment surrounding the Foodstuffs business, demand for meat products continued to increase supported mainly by progress of shifting of dietary habit to meat eating.

The Company strove to cultivate relationships with outstanding suppliers and expand sales channels based on the purpose of continuing to deliver safe and reliable products. Concerning import of beef, we deployed a campaign of creating a brand called "Captain Beef" out of beef produced in Nebraska in the U.S., which is grown in ideal environment at the center of the rich Corn Belt area, and focused on expansion of sales. In addition, supported by orientation to health or low price of consumers, and other factors, sales volume of chicken was strong.

In the Foodstuff business, net sales were ¥142.4 billion, down ¥700 million (0.5%), while ordinary profit was ¥2.8 billion, up ¥300 million (12.5%) due to improvement of the profit ratio of chicken, etc.

B. Future Outlook

The world economy is predicted to be on moderate growth trend in general, however, there are many factors of concern including trade issues between the United States and China, Brexit, the economic state of China, etc., and the uncertain situation is expected to continue. The domestic economy is predicted to be firm in general but it is necessary to carefully check future trends as there is a slowing trend in mineral industrial production and exports.

The Company's consolidated earnings forecast for the fiscal year ending March 31, 2020 is as follows: The Company forecasts net sales of 2.7 trillion, operating profit of ¥39.0 billion, ordinary profit of ¥39.0 billion, and profit attributable to owners of parent of ¥24.0 billion.

(2) Overview of Financial Position for the Fiscal Year

A. Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated fiscal year under review were ¥960.1 billion, up ¥183.7 billion from the end of the previous period. This result reflects factors such as an increase in accounts receivable - trade, which occurred after a rise in handling volume of steel products, and in unit prices for steel products.

Total liabilities were ¥710.8 billion, up ¥162.3 billion from the end of the previous period. This result reflects factors such as an increase in accounts payable - trade and in interest-bearing debts due to issuance of bonds as a result of expansion of sales scale.

Total net assets were ¥249.3 billion, up ¥21.3 billion from the end of the previous period, due to increases in capital stock and capital surplus, reflecting a capital increase through third-party allotment, and the recording of ¥23.2 billion of profit attributable to owners of parent.

As of the end of the consolidated fiscal year under review, equity capital was ¥230.6 billion, and affected primarily by the transfer of partial business from Mitsui & Co. Group, the equity ratio was 24.0%, and net interest-bearing debt to equity ratio (net debt-to-equity ratio) was 1.32.

B. Cash Flows

Cash and cash equivalents at the end of the fiscal year under review decreased ¥3.8 billion from the end of the previous period to ¥24.0 billion.

Net cash provided by operating activities in the fiscal year under review resulted in ¥9.3 billion, due to an increase in notes and accounts payable - trade and profit, although there was an increase in notes and accounts receivable - trade and inventories. Net cash used in investment activities resulted in ¥76.3 billion, due to payments for the transfer of business, and other factors. Net cash provided by financing activities resulted in ¥63.8 billion, due to issuance of commercial papers and corporate bonds, and other factors, despite the expenditures in cash dividends paid.

C. Cash Flow Indicators

	FYE March 31, 2016	FYE March 31, 2017	FYE March 31, 2018	FYE March 31, 2019
Equity ratio (%)	26.3	28.2	27.1	24.0
Equity ratio, market value basis (%)	17.5	21.5	23.4	15.1
Interest-bearing debt/cash flow ratio (year)	1,401.8	8.8	–	35.1
Interest coverage ratio (times)	0.1	8.3	–	2.2

(Note) Equity ratio (%): Equity capital/Total assets
 Equity ratio, market value basis (%): Market capitalization/Total assets
 Interest-bearing debt/cash flow ratio (year): Interest-bearing debts/Cash flow from operating activities
 Interest coverage ratio (times): Cash flows from operating activities/Interest payments

- * All calculations are based on consolidated financial figures.
- * Total market capitalization is calculated by multiplying the closing stock price at fiscal year end by the number of shares outstanding at fiscal year end (minus treasury shares).
- * Cash flows from operating activities are taken from the Consolidated Statements of Cash Flows.
- * Interest-bearing debts include all those on the Consolidated Balance Sheet on which interest is being paid.
- * Interest payments are taken from the Consolidated Statements of Cash Flows.

(3) Basic Policy on Distribution of Profits, and Dividends in Period under Review and Subsequent Period

The Company's most important management goal is to improve profit returns to our shareholders. The Company decided to raise the targeted payout ratio from the previous 25-30% to 30% or greater starting in the period under review, in the Medium Term Management Plan 2020, while balancing profit trends and financial condition.

According to this policy, a year-end dividend of ¥110 per share (¥220 per year, together with a ¥110 interim dividend; dividend payout ratio of 30.5%) will be proposed at the Ordinary General Meeting of Shareholders.

The Company is planning an annual dividend of ¥230 per share (¥115 interim dividend) for the next term.

2. Basic Philosophy for Selecting Accounting Standards

The Company commits itself to preparing all consolidated financial statements in accordance with the Japanese Accounting Standards, while giving consideration to inter-period comparability and inter-company comparability.

The Company will appropriately respond to the application of IFRS (International Financial Reporting Standards) in consideration of the situation inside and outside Japan.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

	Previous Fiscal Year (As of March 31, 2018)	Current Fiscal Year (As of March 31, 2019)
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	28,554	25,141
Notes and accounts receivable - trade	471,777	633,159
Inventories	111,179	135,110
Other	17,489	23,515
Allowance for doubtful accounts	(1,323)	(1,541)
Total current assets	627,677	815,385
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,388	17,393
Machinery, equipment and vehicles, net	11,721	12,721
Tools, furniture and fixtures, net	2,049	1,762
Land	21,476	22,252
Leased assets, net	1,450	1,157
Construction in progress	943	548
Total property, plant and equipment	55,031	55,837
Intangible assets		
Goodwill	51	-
Other	708	702
Total intangible assets	760	702
Investments and other assets		
Investment securities	77,120	74,981
Long-term loans receivable	178	129
Retirement benefit asset	1,809	964
Deferred tax assets	1,521	1,944
Other	15,432	13,210
Allowance for doubtful accounts	(3,136)	(2,982)
Total investments and other assets	92,926	88,248
Total non-current assets	148,717	144,788
Total assets	776,395	960,173

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2018)	Current Fiscal Year (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	249,614	325,013
Short-term loans payable	132,084	143,732
Commercial papers	20,000	50,000
Lease obligations	646	636
Income taxes payable	6,075	4,710
Provision for bonuses	3,839	4,523
Provision for loss on liquidation of subsidiaries and associates	645	146
Other	28,403	34,964
Total current liabilities	441,308	563,727
Non-current liabilities		
Bonds payable	30,000	60,000
Long-term loans payable	65,538	75,271
Lease obligations	634	570
Deferred tax liabilities	4,275	3,212
Provision for retirement benefits for directors (and other officers)	523	530
Retirement benefit liability	2,107	3,542
Other	4,039	3,962
Total non-current liabilities	107,118	147,089
Total liabilities	548,426	710,817
Net assets		
Shareholders' equity		
Capital stock	12,335	16,389
Capital surplus	50,751	54,814
Retained earnings	131,006	147,181
Treasury shares	(140)	(147)
Total shareholders' equity	193,953	218,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,581	9,517
Deferred gains or losses on hedges	(502)	(483)
Foreign currency translation adjustment	5,190	3,549
Remeasurements of defined benefit plans	452	(167)
Total accumulated other comprehensive income	16,722	12,416
Non-controlling interests	17,293	18,701
Total net assets	227,968	249,356
Total liabilities and net assets	776,395	960,173

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
(Millions of yen)		
Net sales	2,062,316	2,550,612
Cost of sales	1,930,919	2,402,965
Gross profit	131,396	147,647
Selling, general and administrative expenses	99,081	111,476
Operating profit	32,314	36,170
Non-operating income		
Interest income	382	454
Dividend income	1,362	1,220
Share of profit of entities accounted for using equity method	3,205	2,106
Purchase discounts	549	529
Other	1,614	1,892
Total non-operating income	7,114	6,204
Non-operating expenses		
Interest expenses	3,259	4,465
Other	980	1,482
Total non-operating expenses	4,240	5,947
Ordinary profit	35,188	36,427
Extraordinary income		
Gain on sales of non-current assets	427	-
Gain on sales of investment securities	124	1,013
Gain on bargain purchase	-	2,050
Total extraordinary income	551	3,064
Extraordinary losses		
Loss on sales of non-current assets	-	55
Impairment loss	966	-
Loss on sales of investment securities	29	210
Loss on valuation of investment securities	618	3,679
Loss on sales of investments in capital	-	44
Loss on valuation of investments in capital	-	358
Loss on liquidation of subsidiaries and associates	1,122	367
Loss on business of subsidiaries and associates	-	1,485
Total extraordinary losses	2,736	6,201
Profit before income taxes	33,003	33,290
Income taxes - current	10,377	9,959
Income taxes - deferred	(511)	(972)
Total income taxes	9,865	8,986
Profit	23,137	24,304
Profit attributable to non-controlling interests	1,411	1,055
Profit attributable to owners of parent	21,726	23,249

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Profit	23,137	24,304
Other comprehensive income		
Valuation difference on available-for-sale securities	3,288	(2,047)
Deferred gains or losses on hedges	(149)	17
Foreign currency translation adjustment	132	(1,480)
Remeasurements of defined benefit plans, net of tax	390	(645)
Share of other comprehensive income of entities accounted for using equity method	1,218	(402)
Total other comprehensive income	4,880	(4,559)
Comprehensive income	28,018	19,745
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,780	18,944
Comprehensive income attributable to non-controlling interests	1,238	800

(3) Consolidated Statements of Changes in Equity

Previous Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,335	50,721	115,308	(127)	178,237
Changes of items during period					
Dividends of surplus			(6,028)		(6,028)
Profit attributable to owners of parent			21,726		21,726
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		0	0
Difference on change in equity		30			30
Net changes of items other than shareholders' equity					
Total changes of items during period	—	30	15,698	(13)	15,715
Balance at end of current period	12,335	50,751	131,006	(140)	193,953

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	8,266	(355)	3,696	61	11,668	16,280	206,187
Changes of items during period							
Dividends of surplus							(6,028)
Profit attributable to owners of parent							21,726
Purchase of treasury shares							(13)
Disposal of treasury shares							0
Difference on change in equity							30
Net changes of items other than shareholders' equity	3,315	(146)	1,494	390	5,053	1,012	6,066
Total changes of items during period	3,315	(146)	1,494	390	5,053	1,012	21,781
Balance at end of current period	11,581	(502)	5,190	452	16,722	17,293	227,968

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019

Current Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,335	50,751	131,006	(140)	193,953
Changes of items during period					
Issuance of new shares	4,054	4,054			8,108
Dividends of surplus			(7,258)		(7,258)
Profit attributable to owners of parent			23,249		23,249
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		0		0	0
Change of scope of consolidation			85		85
Change of scope of equity method			98		98
Difference on change in equity		8			8
Net changes of items other than shareholders' equity					
Total changes of items during period	4,054	4,063	16,174	(7)	24,284
Balance at end of current period	16,389	54,814	147,181	(147)	218,237

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	11,581	(502)	5,190	452	16,722	17,293	227,968
Changes of items during period							
Issuance of new shares							8,108
Dividends of surplus							(7,258)
Profit attributable to owners of parent							23,249
Purchase of treasury shares							(7)
Disposal of treasury shares							0
Change of scope of consolidation							85
Change of scope of equity method							98
Difference on change in equity							8
Net changes of items other than shareholders' equity	(2,064)	19	(1,641)	(619)	(4,306)	1,408	(2,897)
Total changes of items during period	(2,064)	19	(1,641)	(619)	(4,306)	1,408	21,387
Balance at end of current period	9,517	(483)	3,549	(167)	12,416	18,701	249,356

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	33,003	33,290
Depreciation	5,348	5,324
Impairment loss	966	-
Amortization of goodwill	46	51
Increase (decrease) in allowance for doubtful accounts	182	43
Increase (decrease) in provision for bonuses	299	598
Increase (decrease) in retirement benefit liability	208	3
Interest and dividend income	(1,745)	(1,674)
Interest expenses	3,259	4,465
Share of loss (profit) of entities accounted for using equity method	(3,205)	(2,106)
Gain on bargain purchase	-	(2,050)
Loss (gain) on sales of non-current assets	(427)	55
Loss (gain) on sales of investment securities	(95)	(803)
Loss (gain) on valuation of investment securities	618	3,679
Loss (gain) on sales of investments in capital	-	44
Loss on valuation of investments in capital	-	358
Decrease (increase) in notes and accounts receivable - trade	(65,409)	(15,306)
Decrease (increase) in inventories	(20,430)	(13,623)
Increase (decrease) in notes and accounts payable - trade	22,854	7,521
Other, net	3,559	2,034
Subtotal	(20,963)	21,906
Interest and dividend income received	2,333	3,172
Interest expenses paid	(3,241)	(4,363)
Income taxes paid	(7,656)	(11,328)
Net cash provided by (used in) operating activities	(29,528)	9,386
Cash flows from investing activities		
Decrease (increase) in time deposits	188	(442)
Purchase of property, plant and equipment	(5,254)	(6,250)
Proceeds from sales of property, plant and equipment	2,852	400
Purchase of intangible assets	(25)	(112)
Purchase of investment securities	(6,563)	(1,429)
Proceeds from sales of investment securities	370	153
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,195)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	978
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(3)
Payments for acquisition of businesses	-	(66,858)
Decrease (increase) in short-term loans receivable	189	2
Payments of long-term loans receivable	(24)	(38)
Collection of long-term loans receivable	31	29
Other, net	(607)	(572)
Net cash provided by (used in) investing activities	(8,842)	(76,339)

(Millions of yen)

	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,075	(18,536)
Net increase (decrease) in commercial papers	20,000	30,000
Proceeds from long-term loans payable	200	26,821
Repayments of long-term loans payable	(3,593)	(4,137)
Proceeds from issuance of bonds	29,857	29,845
Proceeds from share issuance to non-controlling shareholders	37	-
Cash dividends paid	(6,028)	(7,261)
Dividends paid to non-controlling interests	(521)	(672)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(27)	(16)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	448
Proceeds from issuance of common shares	-	8,108
Other, net	(936)	(787)
Net cash provided by (used in) financing activities	44,064	63,812
Effect of exchange rate change on cash and cash equivalents	107	(675)
Net increase (decrease) in cash and cash equivalents	5,800	(3,816)
Cash and cash equivalents at beginning of period	21,889	27,879
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	189	-
Cash and cash equivalents at end of period	27,879	24,063

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Change of presentation)

(Change as a result of application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

As a result, in the consolidated balance sheets for the previous fiscal year, “Deferred tax assets” in “Current assets” decreased by ¥4,682 million, while “Deferred tax assets” in “Investment and other assets” increased by ¥929 million. Moreover, “Deferred tax liabilities” in “Current liabilities” decreased by ¥68 million, and “Deferred tax liabilities” in “Non-current liabilities” decreased by ¥3,685 million.

Note that deferred tax assets and deferred tax liabilities for the same tax payment entity were set off and displayed, and total assets decreased by ¥3,753 million compared to before the change.

(Segment Information, etc.)

[Segment Information]

1. Overview of Reportable Segments

Reportable segments of the Company 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.

The Company is primarily engaged in the sale of steel, industrial supply and infrastructure, textiles, foodstuffs, 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, the Company consists of four business divisions based on the products it handles and has four reportable segments: Steel, Industrial Supply and Infrastructure, Textiles, and Foodstuffs.

The major products handled in the Steel segment are steel plates and sheets, steel pipes and tubes, bars and special steel, structural products, raw materials and fuels, and machinery. The major products handled in the Industrial Supply and Infrastructure segment are industrial machinery, non-ferrous metals, cast and forged products, and railroad machinery. Also in this segment, industrial estates are developed and sold, and power generation facilities developed through equity method affiliates. The major products handled in the Textiles segment are textiles products and materials. The major products handled in the Foodstuffs segment are imported meats and sea food.

2. Methods of Calculating Amounts of Each Reporting Segment's Net Sales, Profit/Loss, Assets and Other Items

Profits of reportable segments are based on ordinary profit. Inter-segment trade is treated as inter-company trade, and as such is based on market prices, etc.

3. Information on Amounts of Each Reporting Segment's Net Sales, Profit/Loss, Assets and Other Items
Previous Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Notes 2, 3)	Consolidate d financial statements amount (Note 4)
	Steel	Industrial Supply and Infrastructur e	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,674,997	88,976	153,671	143,148	2,060,793	1,522	2,062,316	-	2,062,316
Intersegment sales or transfers	873	957	5	-	1,836	165	2,002	(2,002)	-
Total	1,675,870	89,934	153,676	143,148	2,062,629	1,688	2,064,318	(2,002)	2,062,316
Segment profit (Ordinary profit)	25,396	3,711	3,492	2,491	35,091	96	35,188	(0)	35,188
Segment assets	574,615	61,592	83,740	42,549	762,497	3,556	766,054	10,340	776,395
Others									
Depreciation	3,280	734	1,205	115	5,335	13	5,348	-	5,348
Amortization of goodwill	45	-	-	0	46	-	46	-	46
Interest income	332	7	20	20	380	1	382	-	382
Interest expenses	2,615	134	294	169	3,213	46	3,259	-	3,259
Equity in earnings (losses) of affiliates	921	2,285	(0)	-	3,205	-	3,205	-	3,205
Investment in equity method affiliates	10,760	20,839	104	-	31,704	-	31,704	-	31,704
Increase in property, plant and equipment and intangible assets	3,751	974	397	123	5,247	32	5,280	-	5,280

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The adjustment of ¥0 million in "segment profit" represents the elimination of inter-segment trade.
3. The adjustment of ¥10,340 million in "segment assets" represents ¥10,760 million in the Group-wide assets not allocated to any reportable segment and an elimination of ¥420 million in inter-segment trade. The Group-wide assets consist primarily of the parent company's cash and deposits.
4. The total profit of the "reportable segments" and "others" aligns with the ordinary profit in the consolidated statement of income excepting the adjustment of ¥0 million.

Current Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Notes 2, 3)	Consolidate d financial statements amount (Note 4)
	Steel	Industrial Supply and Infrastructur e	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	2,162,996	92,328	150,869	142,411	2,548,605	2,007	2,550,612	–	2,550,612
Intersegment sales or transfers	746	765	5	–	1,517	158	1,675	(1,675)	–
Total	2,163,742	93,094	150,874	142,411	2,550,122	2,166	2,552,288	(1,675)	2,550,612
Segment profit (Ordinary profit)	26,410	2,750	4,431	2,803	36,395	33	36,429	(1)	36,427
Segment assets	773,068	61,304	78,026	39,326	951,726	2,298	954,024	6,149	960,173
Others									
Depreciation	3,212	762	1,246	87	5,309	15	5,324	–	5,324
Amortization of goodwill	45	–	–	6	51	–	51	–	51
Interest income	401	4	19	26	452	1	454	–	454
Interest expenses	3,634	154	402	232	4,423	41	4,465	–	4,465
Equity in earnings (losses) of affiliates	659	1,446	1	–	2,106	–	2,106	–	2,106
Investment in equity method affiliates	12,183	20,789	44	–	33,018	–	33,018	–	33,018
Increase in property, plant and equipment and intangible assets	4,351	1,499	359	111	6,321	41	6,362	–	6,362

- (Notes) 1. “Others” represents items not included under “reportable segments,” and it includes real estate business.
2. The downward adjustment of ¥1 million in “segment profit” represents the elimination of inter-segment trade.
3. The adjustment of ¥6,149 million in “segment assets” represents ¥6,493 million in the Group-wide assets not allocated to any reportable segment and an elimination of ¥344 million in inter-segment trade. The Group-wide assets consist primarily of the parent company’s cash and deposits.
4. The total profit of the “reportable segments” and “others” aligns with the ordinary profit in the consolidated statement of income excepting the downward adjustment of ¥1 million.

[Related information]

Previous Fiscal Year (April 1, 2017 to March 31, 2018)

1. Product- and service-specific information

Omitted, since it is the same as the reportable segments.

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
1,508,632	459,729	93,953	2,062,316

(Note) Net sales are based on customers' locations, and are categorized according to country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
35,972	10,513	8,544	55,031

3. Major customer-specific information

There are no customers this item applies to.

Current Fiscal Year (April 1, 2018 to March 31, 2019)

1. Product- and service-specific information

Omitted, since it is the same as the reportable segments.

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
1,868,998	557,242	124,371	2,550,612

(Note) Net sales are based on customers' locations, and are categorized according to country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
37,814	9,706	8,315	55,837

3. Major customer-specific information

There are no customers this item applies to.

[Information on Impairment Loss on Non-current Assets for Each Reporting Segment]

Previous Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Impairment loss	928	-	-	37	966	-	966	-	966

Current Fiscal Year (April 1, 2018 to March 31, 2019)

Not applicable.

[Information on Amortized and Unamortized Amounts of Goodwill for Each Reportable Segment]

Previous Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Amortization in current period	45	-	-	0	46	-	46	-	46
Balance at end of current period	45	-	-	6	51	-	51	-	51

Current Fiscal Year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Amortization in current period	45	-	-	6	51	-	51	-	51
Balance at end of current period	-	-	-	-	-	-	-	-	-

[Information on Gain on Bargain Purchase for Each Reportable Segment]

Previous Fiscal Year (April 1, 2017 to March 31, 2018)

No such events occurred.

Current Fiscal Year (April 1, 2018 to March 31, 2019)

In the Steel business segment in the fiscal year under review, the Company recorded ¥2,050 million in gain on bargain purchase. This reflects the transfer of business from Mitsui & Co. Group and resulting acquisition of company stocks relating to the relevant business, and acquisition of shares of Nihon Teppan Co., Ltd., to make it into its subsidiary in the third quarter.

Gain on bargain purchase is extraordinary income and therefore is not included in segment profit.

(Per Share Information)

	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Net assets per share	¥6,815.75	¥7,150.13
Earnings per share	¥702.86	¥720.68

(Notes) 1. Earnings per share after adjustment for the effects of dilutive potential shares is not reported due to the absence of dilutive potential shares.

2. The basis for calculating earnings per share during the period is as follows.

The average number of shares during the period was calculated by deducting the treasury shares from the number of shares outstanding during the period.

	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (millions of yen)	21,726	23,249
Amount not belonging to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	21,726	23,249
Average common shares during the period (1,000 shares)	30,911	32,259

3. The basis for calculating net assets per share is as follows.

	End of Previous Fiscal Year (March 31, 2018)	End of Current Fiscal Year (March 31, 2019)
Total net assets (millions of yen)	227,968	249,356
Amount deducted from total net assets (millions of yen)	17,293	18,701
(of which, non-controlling interests) (millions of yen)	(17,293)	(18,701)
Net assets on common stock at end of period (millions of yen)	210,675	230,654
Number of common shares at end of period used to calculate net assets per share (1,000 shares)	30,910	32,258

(Subsequent Events)

Not applicable.