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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (Japanese GAAP)

November 7, 2019
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
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Quarterly securities report to be submitted: November 14, 2019
Start of cash dividend payments: December 3, 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 Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative) (%: 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	%
2Q FYE March 31, 2020	1,264,415	2.0	17,400	(1.8)	17,437	(3.3)	11,337	(12.4)
2Q FYE March 31, 2019	1,239,596	25.1	17,717	19.8	18,027	5.1	12,949	14.5

Note: Comprehensive income
2Q FYE March 31, 2020: ¥8,072 million (-30.0%)
2Q FYE March 31, 2019: ¥11,527 million (-18.3%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FYE March 31, 2020	351.45		—	
2Q FYE March 31, 2019	401.41		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2019	901,752		252,507		26.0	
As of March 31, 2019	960,173		249,356		24.0	

Reference: Equity capital
As of September 30, 2019: ¥234,781 million
As of March 31, 2019: ¥230,654 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2019	—	110.00	—	110.00	220.00
FYE March 31, 2020	—	115.00			
FYE March 31, 2020 (Est.)			—	115.00	230.00

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

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	2,600,000	1.9	37,000	2.3	37,000	1.6	24,000	3.2	743.99

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

* Notes

- (1) Material changes in consolidated subsidiaries during the cumulative consolidated period (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Use of special accounting methods for creating quarterly consolidated financial statements: None
- (3) 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
- (4) Number of shares outstanding (common shares)
 - i. Number of shares outstanding at the end of the period (including treasury shares)

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

As of September 30, 2019	49,369 shares
As of March 31, 2019	49,019 shares
 - iii. Average number of shares during the period (cumulative quarter)

2Q FYE March 31, 2020	32,258,681 shares
2Q FYE March 31, 2019	32,259,871 shares

* Quarterly financial results reports are exempt from quarterly review 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. Qualitative Information on Quarterly Settlement of Accounts, (3) Explanation of Consolidated Earnings Projections and Other Forecasts” on page - 3 - of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of November 7, 2019, and they were published on the Company’s website on the same date.

(How to acquire materials for the IR conference)

The Company plans to hold a conference for institutional investors and analysts on November 25, 2019. The materials distributed at this conference shall be posted on the Company’s website promptly after the conference has been held.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Explanation of Operating Results

The world economy during the cumulative second quarter under review became progressively more uncertain, despite the sustained recovery in the United States backed by strong employment conditions and increased personal consumption, due to a gradual slowdown of the economy in China resulting from weak personal consumption and production, a decrease in exports, and the prolonged trade issues with the United States.

The Japanese economy remained on a modest recovery trend backed by stable employment conditions and steady corporate earnings despite some weakness in exports and production.

In this business environment, the Company's consolidated earnings were as follows: Net sales were ¥1,264.4 billion, up ¥24.8 billion (2.0%) from the corresponding period of the previous year. Operating profit was ¥17.4 billion, down ¥300 million (1.8%). Ordinary profit was ¥17.4 billion, down ¥500 million (3.3%). Profit attributable to owners of parent was ¥11.3 billion, down ¥1.6 billion (12.4%), mainly reflecting the absence of a gain on bargain purchase of ¥1.3 billion recorded in the corresponding period of the previous fiscal year.

Earnings for reportable segments are as below.

(Steel)

In the Steel business, demand was firm but there was some slowdown affected by the Chinese economy, with construction demand lulled in an in-between season. Meanwhile, the Company enhanced sales support for export transactions and expanded sales volume. Adding the effect of making NST NIHONTEPPAN Co., Ltd. a consolidated subsidiary, net sales reached ¥1,082.7 billion, up ¥34.3 billion (3.3%). On the other hand, ordinary profit was ¥12.0 billion, down ¥1.7 billion (12.4%) due in part to transient effects such as cost-push inflation in construction and problems with raw material investments.

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, net sales were ¥43.9 billion, down ¥1.4 billion (3.3%). Ordinary profit reached ¥1.7 billion, up ¥300 million (26.2%), owing in part to recording a gain from revaluation of investment securities at a Thailand-based equity method affiliate, on top of favorable performance by aluminum and other high-performance materials.

(Textiles)

In the Textiles business, the sales environment remained harsh. Moreover, there was a change in the scope of consolidation due to sales of shares of subsidiaries. As a result, net sales were ¥64.8 billion, down ¥9.3 billion (12.6%). Meanwhile, ordinary profit was ¥2.1 billion, up ¥400 million (27.6%), owing to improvement of losses as a result of strengthening small-lot quick-delivery production, and improved profitability at subsidiaries.

(Foodstuffs)

In the Foodstuffs business, net sales were ¥72.3 billion, up ¥1.4 billion (2.1%), while ordinary profit remained on the same level with the corresponding period of the previous fiscal year, finishing at ¥1.3 billion, with the difficult environment for chicken resulting from a falling market offset by increased pork sales.

(2) Explanation of Financial Position

A. Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review were ¥901.7 billion, down ¥58.4 billion from the end of the previous period, due to decreases in notes and accounts receivable - trade, etc.

Total liabilities were ¥649.2 billion, down ¥61.5 billion from the end of the previous period, due to decreases in notes and accounts payable - trade and interest-bearing debts.

Total net assets were ¥252.5 billion, up ¥3.1 billion from the end of the previous period, due to the recording of profit attributable to owners of parent for the cumulative second quarter under review, which offset the payment of dividends.

As of the end of the second quarter under review, equity capital was ¥234.7 billion and the equity ratio was 26.0%.

B. Cash Flows

Cash and cash equivalents at the end of the second quarter under review decreased ¥800 million from the end of the previous period to ¥23.2 billion.

Net cash provided by operating activities during the cumulative second quarter was ¥18.3 billion (compared to ¥11.6 billion provided a year before). This result was due to a decrease in notes and accounts receivable - trade and revenue generated by profit attributable to owners of parent, which offset a decrease in notes and accounts payable - trade. Net cash used in investing activities was ¥3.1 billion (compared to ¥70.9 billion used a year before) due to factors such as the purchase of property, plant and equipment by a consolidated subsidiary. Net cash used in financing activities was ¥15.7 billion (compared to ¥55.1 billion provided a year before) due to the expenditures in repayment of borrowings and cash dividends paid, despite the issuance of corporate bonds.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

In light of the results of the cumulative second quarter under review, revisions have been made to the consolidated earnings projections for the fiscal year ending March 31, 2020. Net sales, operating profit, and ordinary profit have been revised downward to ¥2,600 billion, ¥37.0 billion, and ¥37.0 billion, respectively. Meanwhile, profit attributable to owners of parent remains unchanged from the initial projection at ¥24.0 billion.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

	Previous Fiscal Year (As of March 31, 2019)	Second Quarter Under Review (As of September 30, 2019)
(Millions of yen)		
<hr/>		
Assets		
Current assets		
Cash and deposits	25,141	23,675
Notes and accounts receivable - trade	633,159	577,008
Inventories	135,110	129,622
Other	23,515	31,455
Allowance for doubtful accounts	(1,541)	(1,481)
Total current assets	815,385	760,280
Non-current assets		
Property, plant and equipment	55,837	56,011
Intangible assets	702	714
Investments and other assets		
Other	91,230	87,374
Allowance for doubtful accounts	(2,982)	(2,628)
Total investments and other assets	88,248	84,745
Total non-current assets	144,788	141,471
Total assets	960,173	901,752

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019)	Second Quarter Under Review (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	325,013	279,010
Short-term borrowings	143,732	116,741
Commercial papers	50,000	50,000
Income taxes payable	4,710	3,811
Provisions	4,670	4,713
Other	35,600	38,303
Total current liabilities	563,727	492,579
Non-current liabilities		
Bonds payable	60,000	80,000
Long-term borrowings	75,271	65,153
Provisions	530	536
Retirement benefit liability	3,542	3,446
Other	7,745	7,529
Total non-current liabilities	147,089	156,664
Total liabilities	710,817	649,244
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,814	54,839
Retained earnings	147,181	154,973
Treasury shares	(147)	(149)
Total shareholders' equity	218,237	226,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,517	6,413
Deferred gains or losses on hedges	(483)	(403)
Foreign currency translation adjustment	3,549	2,882
Remeasurements of defined benefit plans	(167)	(162)
Total accumulated other comprehensive income	12,416	8,729
Non-controlling interests	18,701	17,725
Total net assets	249,356	252,507
Total liabilities and net assets	960,173	901,752

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

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

	(Millions of yen)	
	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2018 to September 30, 2018)	Cumulative Second Quarter Under Review (April 1, 2019 to September 30, 2019)
Net sales	1,239,596	1,264,415
Cost of sales	1,166,891	1,192,506
Gross profit	72,705	71,909
Selling, general and administrative expenses	54,988	54,508
Operating profit	17,717	17,400
Non-operating income		
Interest income	230	257
Dividend income	658	740
Share of profit of entities accounted for using equity method	1,121	1,136
Purchase discounts	242	260
Other	928	651
Total non-operating income	3,181	3,046
Non-operating expenses		
Interest expenses	2,105	2,263
Other	765	746
Total non-operating expenses	2,871	3,009
Ordinary profit	18,027	17,437
Extraordinary income		
Gain on sales of investment securities	107	47
Gain on bargain purchase	1,318	-
Total extraordinary income	1,426	47
Extraordinary losses		
Loss on sales of non-current assets	55	-
Impairment loss	2	-
Loss on sales of investment securities	-	125
Loss on valuation of investment securities	-	34
Loss on valuation of investments in capital	172	-
Loss on liquidation of subsidiaries and associates	270	-
Total extraordinary losses	501	159
Profit before income taxes	18,952	17,324
Income taxes	5,479	5,290
Profit	13,472	12,033
Profit attributable to non-controlling interests	523	696
Profit attributable to owners of parent	12,949	11,337

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

	(Millions of yen)	
	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2018 to September 30, 2018)	Cumulative Second Quarter Under Review (April 1, 2019 to September 30, 2019)
Profit	13,472	12,033
Other comprehensive income		
Valuation difference on available-for-sale securities	41	(3,312)
Deferred gains or losses on hedges	264	79
Foreign currency translation adjustment	(1,590)	(967)
Remeasurements of defined benefit plans, net of tax	(34)	6
Share of other comprehensive income of entities accounted for using equity method	(625)	233
Total other comprehensive income	(1,944)	(3,961)
Comprehensive income	11,527	8,072
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,280	7,650
Comprehensive income attributable to non- controlling interests	247	421

(3) Quarterly Consolidated Cash Flow Statements

	(Millions of yen)	
	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2018 to September 30, 2018)	Cumulative Second Quarter Under Review (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	18,952	17,324
Depreciation	2,568	2,751
Impairment loss	2	-
Amortization of goodwill	28	-
Increase (decrease) in allowance for doubtful accounts	(150)	(315)
Increase (decrease) in provision	376	76
Increase (decrease) in retirement benefit liability	(42)	7
Interest and dividend income	(889)	(997)
Interest expenses	2,105	2,263
Share of loss (profit) of entities accounted for using equity method	(1,121)	(1,136)
Gain on bargain purchase	(1,318)	-
Loss (gain) on sales of non-current assets	55	-
Loss (gain) on sales of investment securities	(107)	78
Loss (gain) on valuation of investment securities	-	34
Loss on valuation of investments in capital	172	-
Decrease (increase) in trade receivables	5,277	50,264
Decrease (increase) in inventories	1,593	855
Increase (decrease) in trade payables	(9,401)	(42,623)
Other, net	(437)	(4,326)
Subtotal	17,664	24,256
Interest and dividends received	2,250	1,813
Interest paid	(2,039)	(2,262)
Income taxes paid	(6,239)	(5,460)
Net cash provided by (used in) operating activities	11,635	18,347
Cash flows from investing activities		
Decrease (increase) in time deposits	(455)	572
Purchase of property, plant and equipment	(2,687)	(3,181)
Proceeds from sales of property, plant and equipment	96	17
Purchase of intangible assets	(28)	(71)
Purchase of investment securities	(620)	(570)
Proceeds from sales of investment securities	116	156
Payments for acquisition of businesses	(66,858)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	937
Decrease (increase) in short-term loans receivable	(210)	(895)
Long-term loan advances	(27)	(20)
Collection of long-term loans receivable	13	15
Other, net	(276)	(121)
Net cash provided by (used in) investing activities	(70,939)	(3,161)

	(Millions of yen)	
	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2018 to September 30, 2018)	Cumulative Second Quarter Under Review (April 1, 2019 to September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(30,895)	(28,318)
Net increase (decrease) in commercial papers	30,000	-
Proceeds from long-term borrowings	26,540	5,500
Repayments of long-term borrowings	(3,908)	(8,148)
Proceeds from issuance of bonds	29,845	19,902
Proceeds from issuance of shares	8,108	-
Dividends paid	(3,713)	(3,547)
Dividends paid to non-controlling interests	(527)	(525)
Proceeds from share issuance to non-controlling shareholders	-	1
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(167)
Other, net	(335)	(436)
Net cash provided by (used in) financing activities	55,112	(15,741)
Effect of exchange rate change on cash and cash equivalents	(523)	(276)
Net increase (decrease) in cash and cash equivalents	(4,715)	(831)
Cash and cash equivalents at beginning of period	27,879	24,063
Cash and cash equivalents at end of period	23,163	23,232

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

[Segment Information]

I Cumulative Second Quarter of Previous Fiscal Year (April 1, 2018 to September 30, 2018)

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,048,373	45,445	74,143	70,863	1,238,826	770	1,239,596	-	1,239,596
Intersegment sales or transfers	409	393	3	-	806	83	890	(890)	-
Total	1,048,783	45,839	74,146	70,863	1,239,633	853	1,240,486	(890)	1,239,596
Segment profit (loss) (Ordinary profit (loss))	13,778	1,415	1,712	1,342	18,248	(219)	18,028	(1)	18,027

- (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 (loss)" represents the elimination of inter-segment trade.
3. The total profit (loss) of the "reportable segments" and "others" aligns with the ordinary profit in the quarterly consolidated statement of income excepting the downward adjustment of ¥1 million.

2. Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.

II Cumulative Second Quarter Under Review (April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,082,730	43,967	64,827	72,361	1,263,886	528	1,264,415	-	1,264,415
Intersegment sales or transfers	318	290	4	-	612	69	681	(681)	-
Total	1,083,048	44,258	64,831	72,361	1,264,499	597	1,265,097	(681)	1,264,415
Segment profit (Ordinary profit)	12,068	1,786	2,185	1,343	17,383	53	17,437	(0)	17,437

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The downward adjustment of ¥0 million in "segment profit" represents the elimination of inter-segment trade.
3. The total profit of the "reportable segments" and "others" aligns with the ordinary profit in the quarterly consolidated statement of income excepting the downward adjustment of ¥0 million.

2. Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.