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

February 4, 2020
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
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Quarterly securities report to be submitted: February 14, 2020
Start of cash dividend payments: –
Supplementary materials: Yes (Japanese only)
IR conference: No

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to December 31, 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	%
3Q FYE March 31, 2020	1,881,746	(1.1)	25,906	(4.1)	26,925	(1.9)	17,902	(5.4)
3Q FYE March 31, 2019	1,902,468	24.6	27,019	16.4	27,445	5.1	18,934	8.3

Note: Comprehensive income
3Q FYE March 31, 2020: ¥16,523 million (1.9%)
3Q FYE March 31, 2019: ¥16,215 million (-31.9%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
3Q FYE March 31, 2020	554.98		—	
3Q FYE March 31, 2019	586.93		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2019	928,752		257,307		25.7	
As of March 31, 2019	960,173		249,356		24.0	

Reference: Equity capital
As of December 31, 2019: ¥239,130 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.)				105.00	220.00

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

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	2,500,000	(2.0)	34,500	(4.6)	35,000	(3.9)	23,000	(1.1)	712.93

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 December 31, 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 December 31, 2019	49,795 shares
As of March 31, 2019	49,019 shares
 - iii. Average number of shares during the period (cumulative quarter)

3Q FYE March 31, 2020	32,258,545 shares
3Q FYE March 31, 2019	32,259,741 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 February 4, 2020, and they were published on the Company’s website on the same date.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Explanation of Operating Results

The world economy during the cumulative third quarter under review, the United States economy enjoyed moderate growth owing to strong employment conditions and other factors, but the Chinese economy grew weaker, primarily in the areas of personal consumption and exports. Globally, there was moderate growth, but the future remains uncertain due to the developments of trade issues, especially between the United States and China, and other such factors.

There was some deceleration of the Japanese economy, primarily due to exports and production being in a weak tone, in response to trade issues and deceleration of the Chinese economy.

In this business environment, the Company's consolidated earnings during the cumulative third quarter under review were as follows: Net sales were ¥1,881.7 billion, down ¥20.7 billion (1.1%) from the corresponding period of the previous year. Operating profit was ¥25.9 billion, down ¥1.1 billion (4.1%). Ordinary profit was ¥26.9 billion, down ¥500 million (1.9%). Profit attributable to owners of parent was ¥17.9 billion, down ¥1.0 billion (5.4%), mainly reflecting the absence of non-recurring tax effects recorded in the corresponding period of the previous fiscal year.

Earnings for reportable segments are as below.

(Steel)

In the Steel business, demand decreased for manufacturing, primarily automotive, and construction, and domestic crude steel production was also down from the corresponding period of the previous year. The Company's sales volume decreased, primarily in Japan, bringing net sales down ¥5.4 billion (0.3%) to ¥1,604.3 billion. Additionally, ordinary profit was ¥18.5 billion, down ¥2.2 billion (10.9%) 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 ¥66.7 billion, down ¥3.0 billion (4.3%). On the other hand, ordinary profit reached ¥2.9 billion, up ¥600 million (28.3%), owing in part to recording a gain from revaluation of investment securities at a Thailand-based equity method affiliate.

(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 ¥99.5 billion, down ¥11.9 billion (10.7%). Meanwhile, ordinary profit was ¥3.4 billion, up ¥1.1 billion (51.5%), owing primarily to improvement of losses as a result of strengthening small-lot quick-delivery production and to the above-mentioned change in the scope of consolidation.

(Foodstuffs)

In the Foodstuffs business, net sales remained flat at ¥110.3 billion, while ordinary profit was ¥1.9 billion, down ¥200 million (10.0%) due in part to a weak tone in the chicken market.

(2) Explanation of Financial Position

Total assets at the end of the third quarter under review were ¥928.7 billion, down ¥31.4 billion from the end of the previous period, due to decreases in notes and accounts receivable - trade, etc.

Total liabilities were ¥671.4 billion, down ¥39.3 billion from the end of the previous period, due in part to a decrease in notes and accounts payable - trade.

Total net assets were ¥257.3 billion, up ¥7.9 billion from the end of the previous period, due to the recording of profit attributable to owners of parent for the cumulative third quarter under review, which offset the payment of dividends.

As of the end of the third quarter under review, equity capital was ¥239.1 billion and the equity ratio was 25.7%.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

- 1) Revisions to the Full-Year Consolidated Earnings Projections for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous forecast (A)	2,600,000	37,000	37,000	24,000	743.99
Revised forecast (B)	2,500,000	34,500	35,000	23,000	712.93
Amount changed (B-A)	(100,000)	(2,500)	(2,000)	(1,000)	—
Change (%)	(3.8)	(6.8)	(5.4)	(4.2)	—
(Reference) Results for the previous fiscal year (fiscal year ended March 31, 2019)	2,550,612	36,170	36,427	23,249	720.68

Reason for revisions

In light of deterioration of the Steel business, the consolidated earnings projections for the fiscal year under review have been revised to net sales of ¥2,500.0 billion, operating profit of ¥34.5 billion, ordinary profit of ¥35.0 billion, and profit attributable to owners of parent of ¥23.0 billion.

- 2) Revisions to the Year-End Dividends Projections

Dividends of surplus with the record date of March 31, 2020

Record date	Dividend per share		
	2Q	Fiscal year end	Total
Previous forecast (announced November 7, 2019)		115.00	230.00
Revised forecast		105.00	220.00
Dividend payment for the fiscal year under review	115.00		
Dividends paid for the previous fiscal year (fiscal year ended March 31, 2019)	110.00	110.00	220.00

Reason for revisions

In light of the downward revision of the consolidated earnings projections, the year-end dividends for the fiscal year under review have decreased ¥10 from the previously announced forecast to ¥105 per share.

Including the interim dividend of ¥115, the annual dividend will be ¥220 per share.

(Note) The forecasted earnings and dividend projections are based on information currently available and certain assumptions that the Company regards as reasonable. Actual earnings and dividends may differ from these forecasted figures due to various factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

	Previous Fiscal Year (As of March 31, 2019)	Third Quarter Under Review (As of December 31, 2019)
(Millions of yen)		
<hr/>		
Assets		
Current assets		
Cash and deposits	25,141	25,309
Notes and accounts receivable - trade	633,159	605,087
Inventories	135,110	124,988
Other	23,515	30,177
Allowance for doubtful accounts	(1,541)	(1,525)
Total current assets	815,385	784,037
Non-current assets		
Property, plant and equipment	55,837	55,930
Intangible assets		
Goodwill	-	431
Other	702	697
Total intangible assets	702	1,129
Investments and other assets		
Other	91,230	90,300
Allowance for doubtful accounts	(2,982)	(2,645)
Total investments and other assets	88,248	87,655
Total non-current assets	144,788	144,715
Total assets	960,173	928,752

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019)	Third Quarter Under Review (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	325,013	287,513
Short-term borrowings	143,732	134,588
Commercial papers	50,000	50,000
Income taxes payable	4,710	2,079
Provisions	4,670	2,520
Other	35,600	39,245
Total current liabilities	563,727	515,947
Non-current liabilities		
Bonds payable	60,000	80,000
Long-term borrowings	75,271	61,615
Provisions	530	1,314
Retirement benefit liability	3,542	3,499
Other	7,745	9,067
Total non-current liabilities	147,089	155,498
Total liabilities	710,817	671,445
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,814	54,838
Retained earnings	147,181	157,829
Treasury shares	(147)	(151)
Total shareholders' equity	218,237	228,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,517	7,995
Deferred gains or losses on hedges	(483)	(334)
Foreign currency translation adjustment	3,549	2,725
Remeasurements of defined benefit plans	(167)	(159)
Total accumulated other comprehensive income	12,416	10,225
Non-controlling interests	18,701	18,176
Total net assets	249,356	257,307
Total liabilities and net assets	960,173	928,752

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

(Quarterly Consolidated Statements of Income)

(Cumulative Third Quarter)

	(Millions of yen)	
	Cumulative Third Quarter of Previous Fiscal Year (April 1, 2018 to December 31, 2018)	Cumulative Third Quarter Under Review (April 1, 2019 to December 31, 2019)
Net sales	1,902,468	1,881,746
Cost of sales	1,791,911	1,774,067
Gross profit	110,557	107,679
Selling, general and administrative expenses	83,537	81,773
Operating profit	27,019	25,906
Non-operating income		
Interest income	342	387
Dividend income	963	1,176
Share of profit of entities accounted for using equity method	1,844	2,039
Purchase discounts	391	384
Other	1,297	1,268
Total non-operating income	4,839	5,256
Non-operating expenses		
Interest expenses	3,284	3,268
Other	1,128	968
Total non-operating expenses	4,413	4,236
Ordinary profit	27,445	26,925
Extraordinary income		
Gain on sales of non-current assets	-	127
Gain on sales of investment securities	638	67
Gain on bargain purchase	2,050	-
Total extraordinary income	2,688	195
Extraordinary losses		
Loss on sales of non-current assets	55	-
Loss on sales of investment securities	-	125
Loss on valuation of investment securities	3,403	31
Loss on valuation of investments in capital	329	-
Loss on liquidation of subsidiaries and associates	409	-
Total extraordinary losses	4,198	156
Profit before income taxes	25,935	26,964
Income taxes	6,353	8,007
Profit	19,582	18,957
Profit attributable to non-controlling interests	648	1,054
Profit attributable to owners of parent	18,934	17,902

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

	(Millions of yen)	
	Cumulative Third Quarter of Previous Fiscal Year (April 1, 2018 to December 31, 2018)	Cumulative Third Quarter Under Review (April 1, 2019 to December 31, 2019)
Profit	19,582	18,957
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,838)	(1,725)
Deferred gains or losses on hedges	(89)	147
Foreign currency translation adjustment	(392)	(1,314)
Remeasurements of defined benefit plans, net of tax	(52)	9
Share of other comprehensive income of entities accounted for using equity method	6	450
Total other comprehensive income	(3,366)	(2,433)
Comprehensive income	16,215	16,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,559	15,712
Comprehensive income attributable to non- controlling interests	656	811

(3) 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 Third Quarter of Previous Fiscal Year (April 1, 2018 to December 31, 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	1,609,756	69,801	111,505	110,289	1,901,352	1,116	1,902,468	–	1,902,468
Intersegment sales or transfers	573	616	5	–	1,195	120	1,315	(1,315)	–
Total	1,610,329	70,417	111,510	110,289	1,902,547	1,236	1,903,784	(1,315)	1,902,468
Segment profit (loss) (Ordinary profit (loss))	20,820	2,266	2,289	2,119	27,496	(49)	27,446	(1)	27,445

- (Notes)
- “Others” represents items not included under “reportable segments,” and it includes real estate business.
 - The downward adjustment of ¥1 million in “segment profit (loss)” represents the elimination of inter-segment trade.
 - 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 Third Quarter Under Review (April 1, 2019 to December 31, 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	1,604,306	66,768	99,532	110,345	1,880,952	793	1,881,746	–	1,881,746
Intersegment sales or transfers	466	457	5	–	929	108	1,038	(1,038)	–
Total	1,604,772	67,226	99,537	110,345	1,881,882	902	1,882,784	(1,038)	1,881,746
Segment profit (Ordinary profit)	18,552	2,908	3,468	1,908	26,836	89	26,925	(0)	26,925

- (Notes)
- “Others” represents items not included under “reportable segments,” and it includes real estate business.
 - The downward adjustment of ¥0 million in “segment profit” represents the elimination of inter-segment trade.
 - 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.