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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (Japanese GAAP)

August 6, 2020
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
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Quarterly securities report to be submitted: August 7, 2020
Start of cash dividend payments: –
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 First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(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	%
1Q FYE March 31, 2021	479,348	(23.8)	4,228	(47.7)	4,637	(43.3)	2,731	(48.0)
1Q FYE March 31, 2020	628,790	2.7	8,084	(5.4)	8,177	(10.4)	5,257	(34.2)

Note: Comprehensive income
1Q FYE March 31, 2021: ¥686 million (-74.4%)
1Q FYE March 31, 2020: ¥2,679 million (-52.5%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
1Q FYE March 31, 2021	84.68		–	
1Q FYE March 31, 2020	162.98		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2020	835,937		252,120		28.0	
As of March 31, 2020	857,744		254,877		27.6	

Reference: Equity capital
As of June 30, 2020: ¥234,089 million
As of March 31, 2020: ¥236,440 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2020	—	115.00	—	85.00	200.00
FYE March 31, 2021	—				
FYE March 31, 2021 (Est.)		35.00	—	65.00	100.00

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

For details on the revisions of dividends projections, please refer to the “Notice Regarding Revisions to Earnings Projections and Dividend Projections,” which was published today (August 6, 2020).

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(%: 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
First half	950,000	(24.9)	6,000	(65.5)	7,000	(59.9)	3,500	(69.1)	108.50
Full fiscal year	2,000,000	(19.4)	19,000	(40.8)	20,000	(39.8)	10,000	(51.7)	310.00

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

For details on the revisions of earnings projections, please refer to the “Notice Regarding Revisions to Earnings Projections and Dividend Projections,” which was published today (August 6, 2020).

* 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 June 30, 2020	32,307,800 shares
As of March 31, 2020	32,307,800 shares
 - ii. Number of treasury shares at the end of the period

As of June 30, 2020	50,217 shares
As of March 31, 2020	50,132 shares
 - iii. Average number of shares during the period (cumulative quarter)

1Q FYE March 31, 2021	32,257,612 shares
1Q FYE March 31, 2020	32,258,736 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 August 6, 2020, and they were published on the Company’s website on the same date.

(How to acquire materials for briefing session)

On August 6, 2020, the Company intends to hold a briefing session for institutional investors and analysts. The materials used at this briefing session are scheduled to be made available on the Company website soon after the session.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Explanation of Operating Results

The world economy during the cumulative first quarter under review found itself in an extremely difficult situation as a result of the negative impact on worldwide economic activity of novel coronavirus infectious disease (COVID-19). Economic activity has resumed in China and Europe, but in the Americas, India, and others, the disease continues to spread and the situation remained grave.

In the Japanese economy, the spread of COVID-19 has resulted in sluggish corporate activity and personal consumption.

In this business environment, the Company's consolidated earnings for the cumulative first quarter under review were as follows: Net sales were ¥479.3 billion, down ¥149.4 billion (23.8%) from the corresponding period of the previous fiscal year. Operating profit was ¥4.2 billion, down ¥3.8 billion (47.7%). Ordinary profit was ¥4.6 billion, down ¥3.5 billion (43.3%). Profit attributable to owners of parent was ¥2.7 billion, down ¥2.5 billion (48.0%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, following the weakness in demand, the Company's domestic sales volume and export sales both declined drastically, resulting in net sales of ¥406.8 billion, down ¥136.5 billion (25.1%), and ordinary profit of ¥4.5 billion, down ¥1.4 billion (24.1%).

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, net sales were ¥18.6 billion, down ¥3.2 billion (15.1%) from the corresponding period of the previous fiscal year. Ordinary loss was ¥90 million, a deterioration of ¥824 million, due in part to recording a loss from revaluation of investment securities at a Thailand-based equity method affiliate.

(Textiles)

In the Textiles business, the sales environment deteriorated rapidly due to store closures of department stores and other businesses. As a result, net sales were ¥20.2 billion, down ¥7.6 billion (27.5%), and ordinary loss was ¥280 million, a deterioration of ¥935 million.

(Foodstuffs)

In the Foodstuffs business, the Company's sales volume of meat declined following the fall in restaurant demand due to stay-at-home requests. As a result, net sales were ¥33.5 billion, down ¥1.8 billion (5.1%), and ordinary profit was ¥447 million, down ¥298 million (40.0%).

(2) Explanation of Financial Position

Total assets at the end of the first quarter under review were ¥835.9 billion, down ¥21.8 billion from the end of the previous period, due to a decrease in accounts receivable - trade, despite an increase in cash and deposits.

Total liabilities were ¥583.8 billion, down ¥19.0 billion from the end of the previous period, due to a decrease in accounts payable - trade, despite an increase in short-term borrowings.

Total net assets were ¥252.1 billion, down ¥2.7 billion from the end of the previous period, due to the payment of dividends and a decrease in foreign currency translation adjustment, which offset the recording of profit attributable to owners of parent for the cumulative first quarter under review.

As of the end of the first quarter under review, equity capital was ¥234.0 billion and the equity ratio was 28.0%.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

Projected consolidated results for the fiscal year ending March 31, 2021 had not previously been decided, but we have made calculations based on information and forecasts available at this point in time.

For details, please refer to the “Notice Regarding Revisions to Earnings Projections and Dividend Projections,” which was published today (August 6, 2020).

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2020)	First Quarter Under Review (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	26,017	57,754
Notes and accounts receivable - trade	555,871	495,256
Inventories	123,261	127,286
Other	15,573	20,412
Allowance for doubtful accounts	(1,088)	(907)
Total current assets	719,634	699,802
Non-current assets		
Property, plant and equipment	56,780	55,584
Intangible assets		
Goodwill	408	396
Other	721	700
Total intangible assets	1,129	1,096
Investments and other assets		
Other	83,219	82,641
Allowance for doubtful accounts	(3,019)	(3,187)
Total investments and other assets	80,199	79,454
Total non-current assets	138,109	136,135
Total assets	857,744	835,937

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2020)	First Quarter Under Review (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	257,395	221,431
Short-term borrowings	103,942	114,593
Commercial papers	50,000	60,000
Income taxes payable	3,627	856
Provisions	4,564	2,955
Other	26,346	26,381
Total current liabilities	445,876	426,219
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term borrowings	66,235	66,160
Provisions	601	1,186
Retirement benefit liability	3,674	3,631
Other	6,479	6,619
Total non-current liabilities	156,990	157,596
Total liabilities	602,867	583,816
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,689	54,443
Retained earnings	160,669	160,748
Treasury shares	(153)	(153)
Total shareholders' equity	231,594	231,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,168	3,376
Deferred gains or losses on hedges	(371)	(378)
Foreign currency translation adjustment	3,989	591
Remeasurements of defined benefit plans	(940)	(926)
Total accumulated other comprehensive income	4,845	2,662
Non-controlling interests	18,437	18,030
Total net assets	254,877	252,120
Total liabilities and net assets	857,744	835,937

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

(Quarterly Consolidated Statements of Income)

(Cumulative First Quarter)

	Cumulative First Quarter of Previous Fiscal Year (April 1, 2019 to June 30, 2019)	Cumulative First Quarter Under Review (April 1, 2020 to June 30, 2020)
	(Millions of yen)	
Net sales	628,790	479,348
Cost of sales	593,793	450,767
Gross profit	34,997	28,581
Selling, general and administrative expenses	26,912	24,352
Operating profit	8,084	4,228
Non-operating income		
Interest income	124	130
Dividend income	590	612
Share of profit of entities accounted for using equity method	485	-
Purchase discounts	142	97
Other	292	648
Total non-operating income	1,635	1,488
Non-operating expenses		
Interest expenses	1,163	732
Share of loss of entities accounted for using equity method	-	87
Other	379	259
Total non-operating expenses	1,542	1,079
Ordinary profit	8,177	4,637
Extraordinary income		
Gain on sales of non-current assets	-	342
Gain on sales of investment securities	33	43
Total extraordinary income	33	385
Extraordinary losses		
Loss on sales of investment securities	125	-
Loss on valuation of investment securities	34	278
Provision for loss on guarantees	-	576
Total extraordinary losses	159	855
Profit before income taxes	8,050	4,168
Income taxes	2,456	1,113
Profit	5,594	3,054
Profit attributable to non-controlling interests	336	322
Profit attributable to owners of parent	5,257	2,731

(Quarterly Consolidated Statements of Comprehensive Income)

(Cumulative First Quarter)

	Cumulative First Quarter of Previous Fiscal Year (April 1, 2019 to June 30, 2019)	Cumulative First Quarter Under Review (April 1, 2020 to June 30, 2020)
	(Millions of yen)	
Profit	5,594	3,054
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,509)	1,220
Deferred gains or losses on hedges	(137)	(7)
Foreign currency translation adjustment	340	(2,133)
Remeasurements of defined benefit plans, net of tax	3	14
Share of other comprehensive income of entities accounted for using equity method	389	(1,462)
Total other comprehensive income	(2,914)	(2,368)
Comprehensive income	2,679	686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,340	549
Comprehensive income attributable to non- controlling interests	338	137

(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.

(Additional Information)

(Accounting estimates in relation to the impact of the spread of COVID-19)

The Group bases accounting estimates for impairment loss accounting for non-current assets, and recoverability of deferred tax assets, on information available at the time quarterly consolidated financial statements are created. With regard to the impact of COVID-19, after the resumption of economic activity, we assume a gentle recovery, albeit involving ups and downs, as we move towards the end of the fiscal year under review. However, these assumptions involve uncertainty, and going forward this could have an impact on the Group's financial position, operating results, and cash flow.

(Segment Information, etc.)

[Segment Information]

I Cumulative First Quarter of Previous Fiscal Year (April 1, 2019 to June 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	543,332	21,912	27,896	35,388	628,529	261	628,790	–	628,790
Intersegment sales or transfers	159	145	2	–	307	31	338	(338)	–
Total	543,491	22,057	27,899	35,388	628,836	292	629,129	(338)	628,790
Segment profit (Ordinary profit)	6,023	733	654	746	8,157	19	8,177	(0)	8,177

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The adjustment 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 adjustment.

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

Not applicable.

II Cumulative First Quarter Under Review (April 1, 2020 to June 30, 2020)

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	406,829	18,614	20,235	33,581	479,260	88	479,348	–	479,348
Intersegment sales or transfers	109	123	1	–	234	14	248	(248)	–
Total	406,938	18,737	20,236	33,581	479,494	102	479,597	(248)	479,348
Segment profit (loss) (Ordinary profit (loss))	4,569	(90)	(280)	447	4,646	(8)	4,637	(0)	4,637

- (Notes) 1. “Others” represents items not included under “reportable segments,” and it includes real estate business.
2. The adjustment 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 adjustment.

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

Not applicable.