

FY2022 1H Financial Results

November 8, 2022



日鉄物産
NIPPON STEEL TRADING

Executive Summary

1H FY2022 Financial Results and FY2022 Full-Year Forecasts

- In addition to the effects of executing measures in the medium- to long-term management plan, the highest levels on record were reached on a half-yearly basis for ordinary profit at ¥27.0 billion in 1H due to factors such as the rise in domestic steel prices.
- The Company will aim to achieve full-year ordinary profit of ¥46.0 billion yen by steadily implementing the measures in the medium- to long-term management plan despite uncertainties in global politics and economics, supply chain trends, and domestic and overseas steel supply, demand, and prices, etc.

			FY2021 results	<i>(August forecast)</i>		FY2022 forecast	Change
	First half	Second half		First half	Second half forecast		
Ordinary profit (billions of yen)	22.7	25.0	47.8	<i>(25.5)</i> 27.0	<i>(17.5)</i> 19.0	<i>(43.0)</i> 46.0	-1.8
*Net profit (billions of yen)	15.9	19.4	35.4	<i>(17.0)</i> 17.1	<i>(13.0)</i> 13.9	<i>(30.0)</i> 31.0	-4.4
Dividends (yen per share)	160	190	350	<i>(170)</i> 170	<i>(130)</i> 140	<i>(300)</i> 310	-40

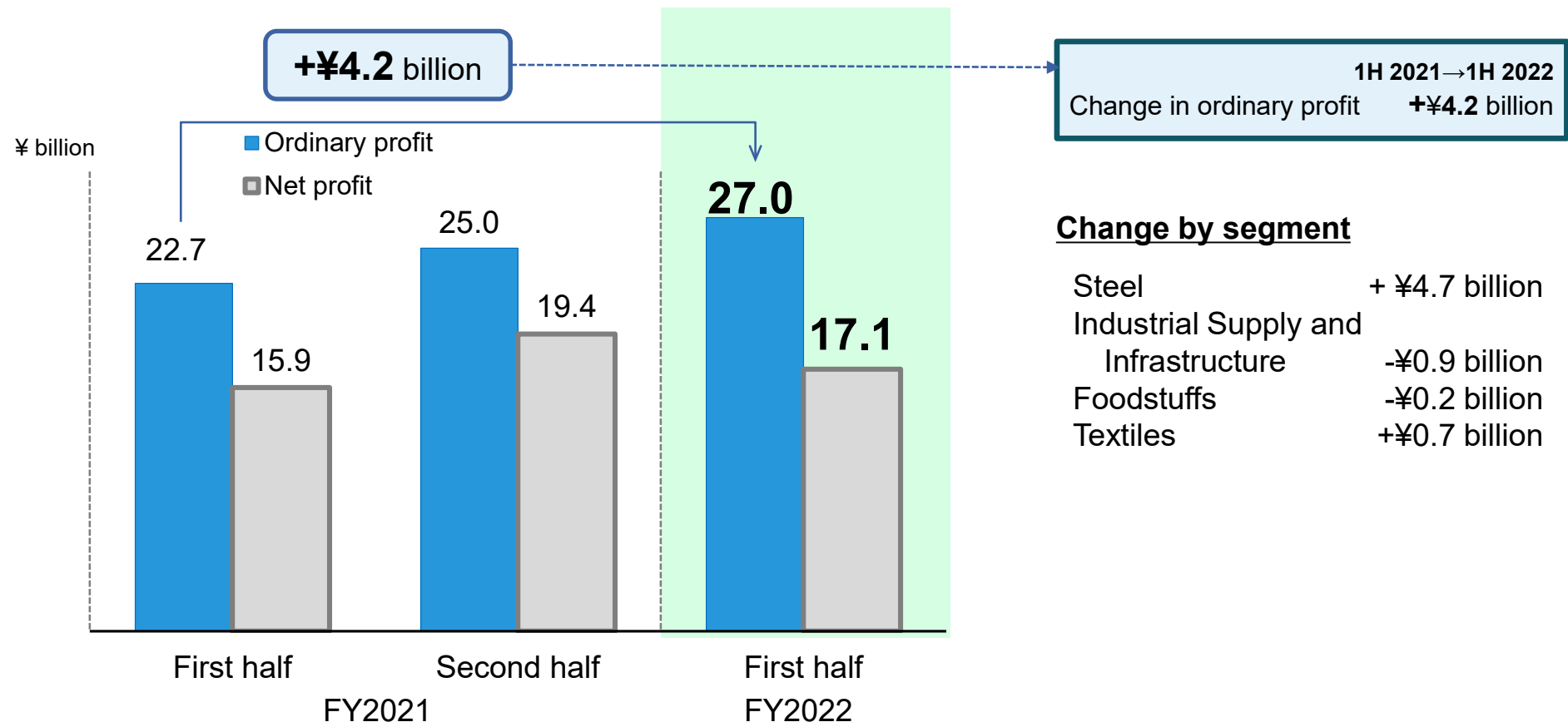
*Profit attributable to owners of parent (same applies below)

Progress on medium- to long-term management plan

- ~FY2022 forecast
 - Strengthening of business foundation +¥7.8 billion (progress vs. plan: 90%)
 - Growth strategy +¥11.1 billion (progress vs. plan: 110%)
- Review and implement reinforcement measures to become a strong growth company as set forth in the medium- to long-term management plan, regardless of changes in environment

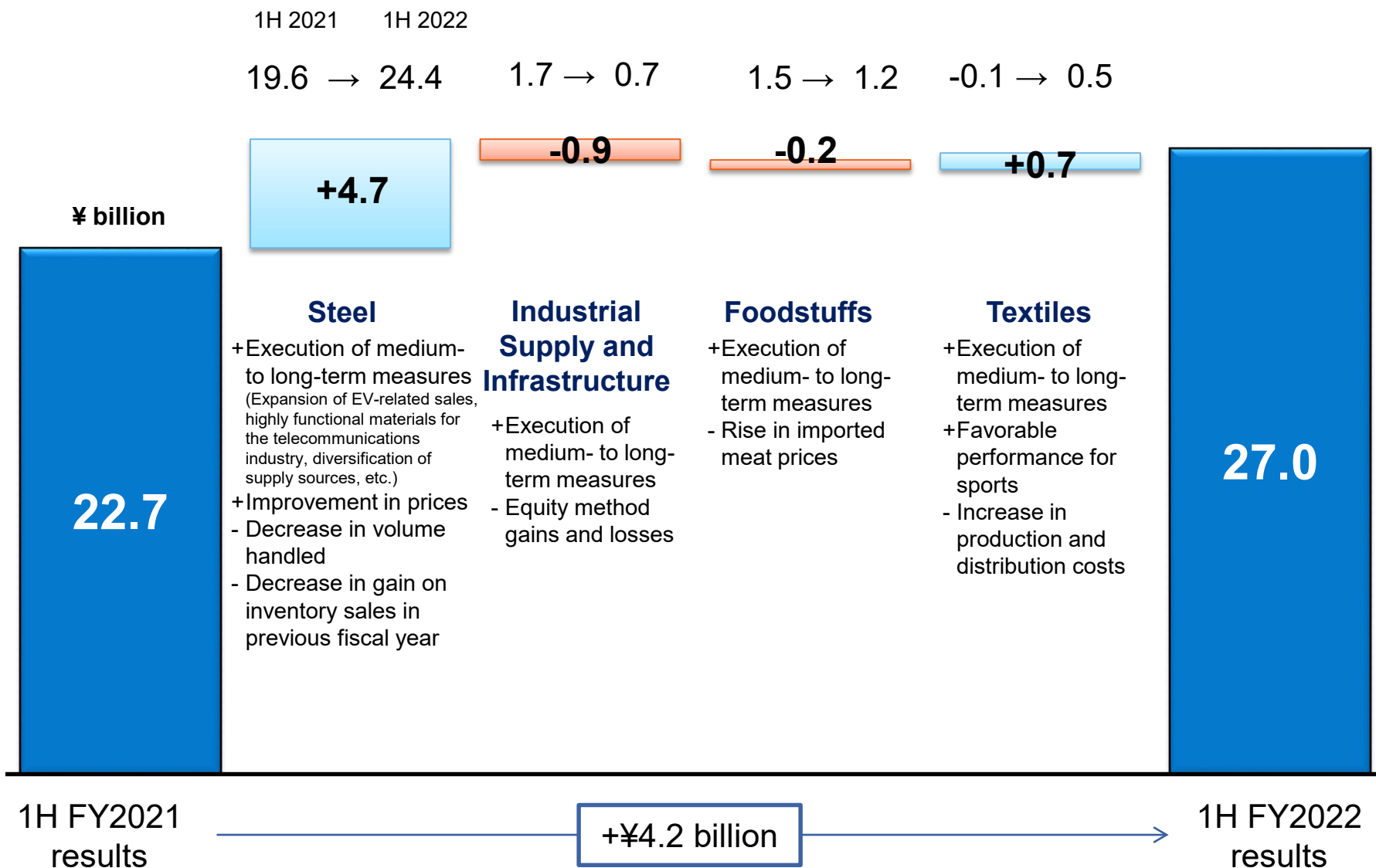
Key Points of the 1H FY2022 Financial Results

- The highest ordinary profit on record was achieved due to execution of measures under the medium- to long-term management plan (strengthening the business foundation and growth strategy) in addition to rising domestic steel prices
- Ordinary profit ¥27.0 billion (+¥4.2 billion year on year)
- Net profit ¥17.1 billion (+¥1.2 billion year on year)
- Interim dividend ¥170 per share (+¥10 per share year on year)



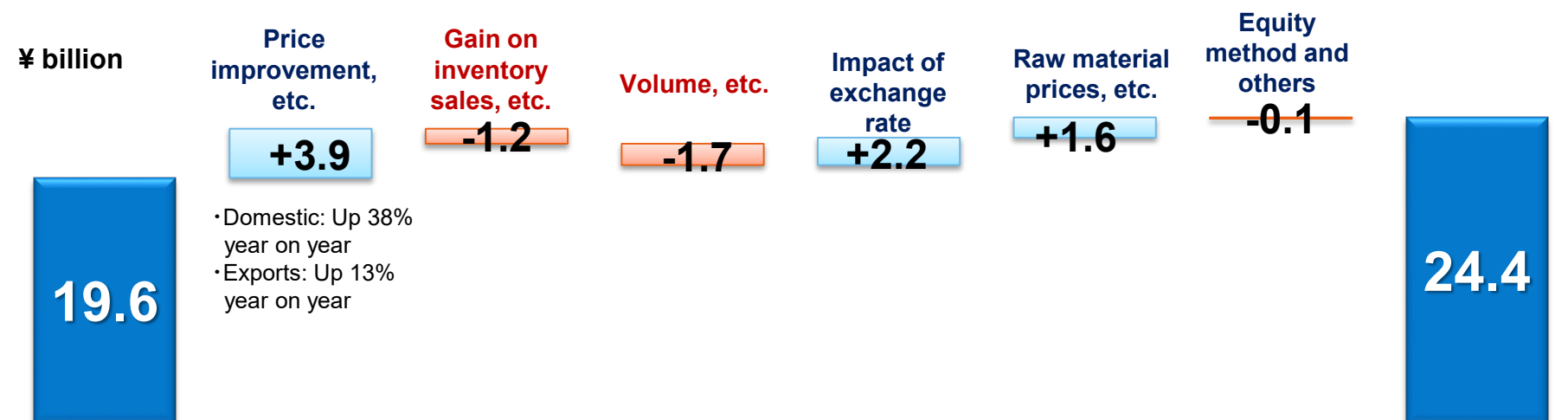
Factors Increasing and Decreasing Ordinary Profit

(FY2021 1H Results → FY2022 1H Results)



Increases and Decreases in Ordinary Profit of Steel Business

(FY2021 1H Results → FY2022 1H Results)



1H FY2021 results

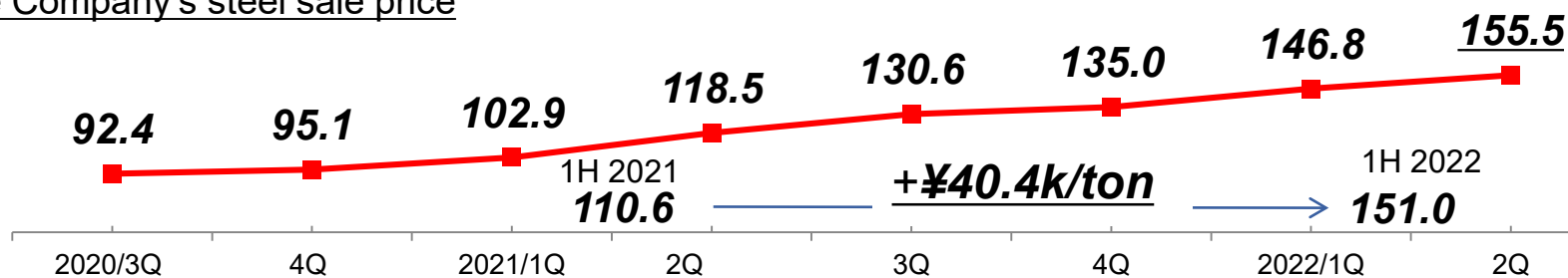
Ordinary profit +¥4.7 billion

1H FY2022 results

Consolidated steel handling volume

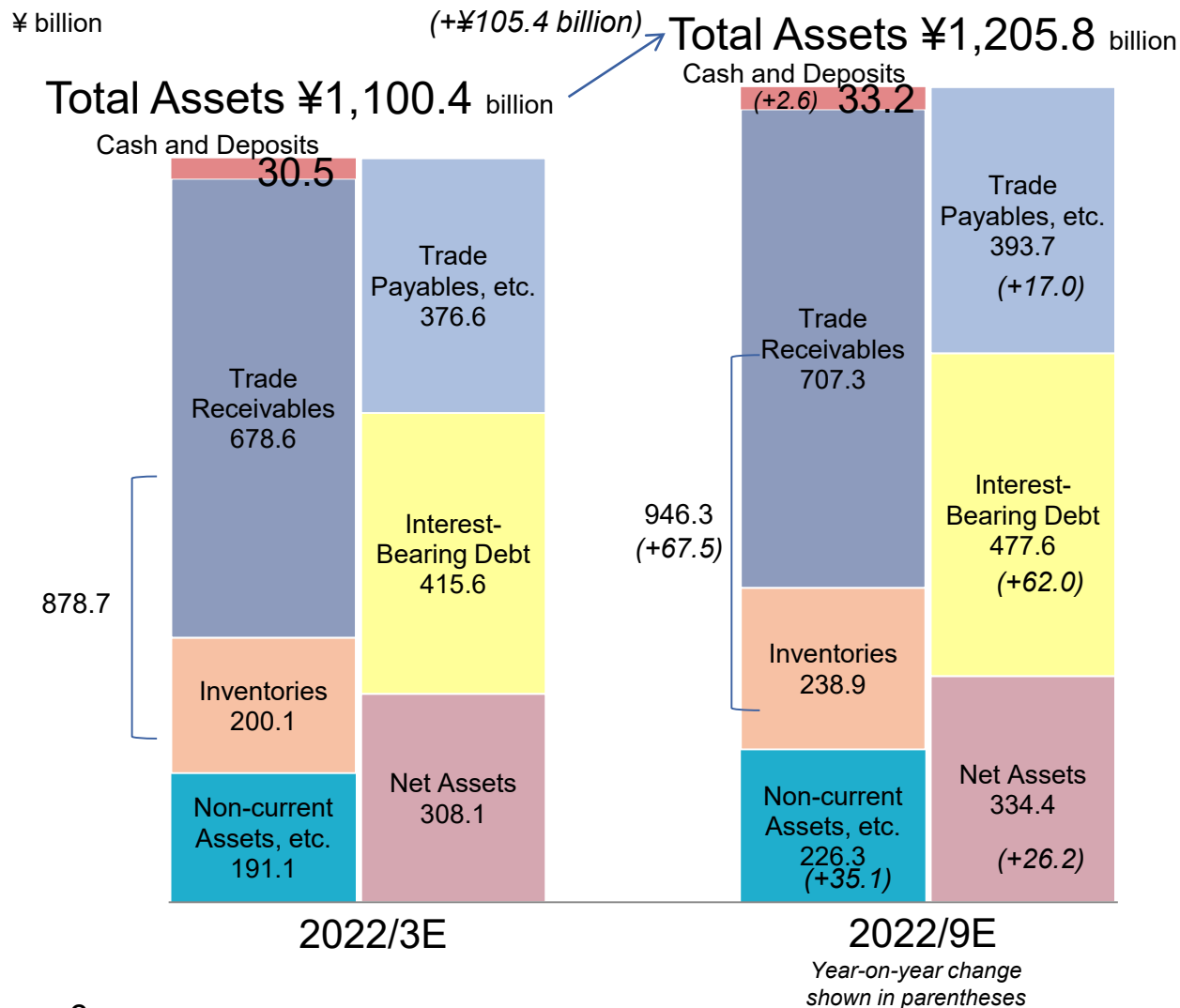
10,000 tons	1H 2021	1H 2022	Change
Consolidated total	93.7	85.0	-8.7
Non-consolidated	71.1	63.3	-7.8
Subsidiaries	22.6	21.8	-0.9

The Company's steel sale price



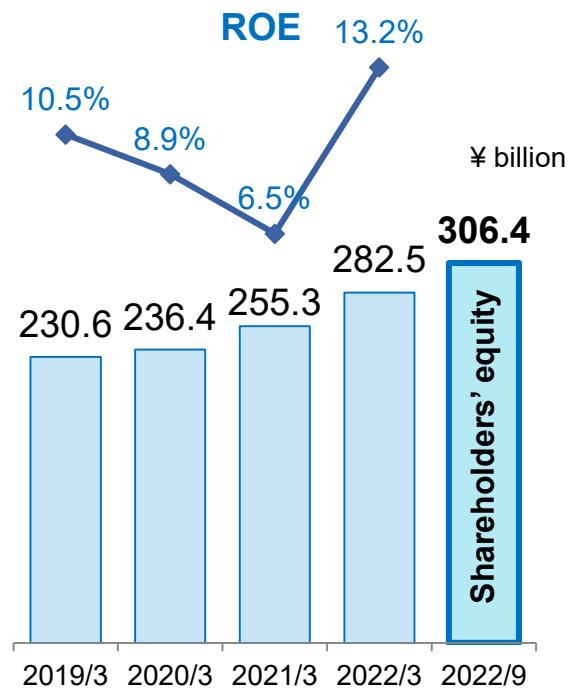
Balance Sheet

- Trade receivables, inventories, etc. also increased with expansion of transaction scale



	2022/3E	2022/9E	Change
Equity ratio	25.7%	25.4%	-0.3%
Net D/E	1.36x	1.45x	-0.09x

Shareholders' Equity and ROE



Cash Flows

¥ billion		1H 2021	1H 2022
	Profit before income taxes	23.5	26.4
	Depreciation	3.1	2.8
	Share of loss (profit) of entities accounted for using equity method	-1.8	-2.2
	Interest, tax and others	-7.8	-23.3
	Subtotal	16.9	3.7
	Change in working capital	-65.1	-42.9
	Operating cash flows	-48.1	-39.2
	Investment cash flows	-2.0	-2.5
	Free cash flow	-50.1	-41.7
	Financial cash flows (change in interest-bearing debt, etc.)	19.4	40.5
	Change in cash and deposits	-30.0	2.2

Including capital and business investment -6.3

FY2022 Earnings Forecasts

- Full-year earnings and dividend forecasts revised upward in light of recent turnaround in business performance
- Full-year forecasts: ¥46.0 billion in ordinary profit, ¥31.0 billion in net profit, and dividend of ¥310 (payout ratio of 32.3%)

¥ billion	FY2021 results			(August) FY2022 forecast			(Current) FY2022 forecast	Change	vs. previous forecast
		1H forecast	2H forecast	1H results	2H results				
Steel	43.2	23.4	14.0	37.4	24.4	16.4	40.8	- 2.4	+ 3.4
I & I	2.1	0.6	1.5	2.1	0.7	0.7	1.4	- 0.7	- 0.7
Foodstuffs	2.9	1.2	1.2	2.4	1.2	1.3	2.5	- 0.4	+ 0.1
Textiles	- 0.5	0.3	0.8	1.1	0.5	0.6	1.1	+ 1.6	-
Ordinary profit	47.8	25.5	17.5	43.0	27.0	19.0	46.0	- 1.8	+ 3.0
Net profit	35.4	17.0	13.0	30.0	17.1	13.9	31.0	- 4.4	+ 1.0
Dividends (yen per share)	350	170	130	300	170	140	310	- 40	+ 10
Dividend payout ratio	31.9%			32.3%			32.3%		

(Reference)
Net profit
vs. previous year

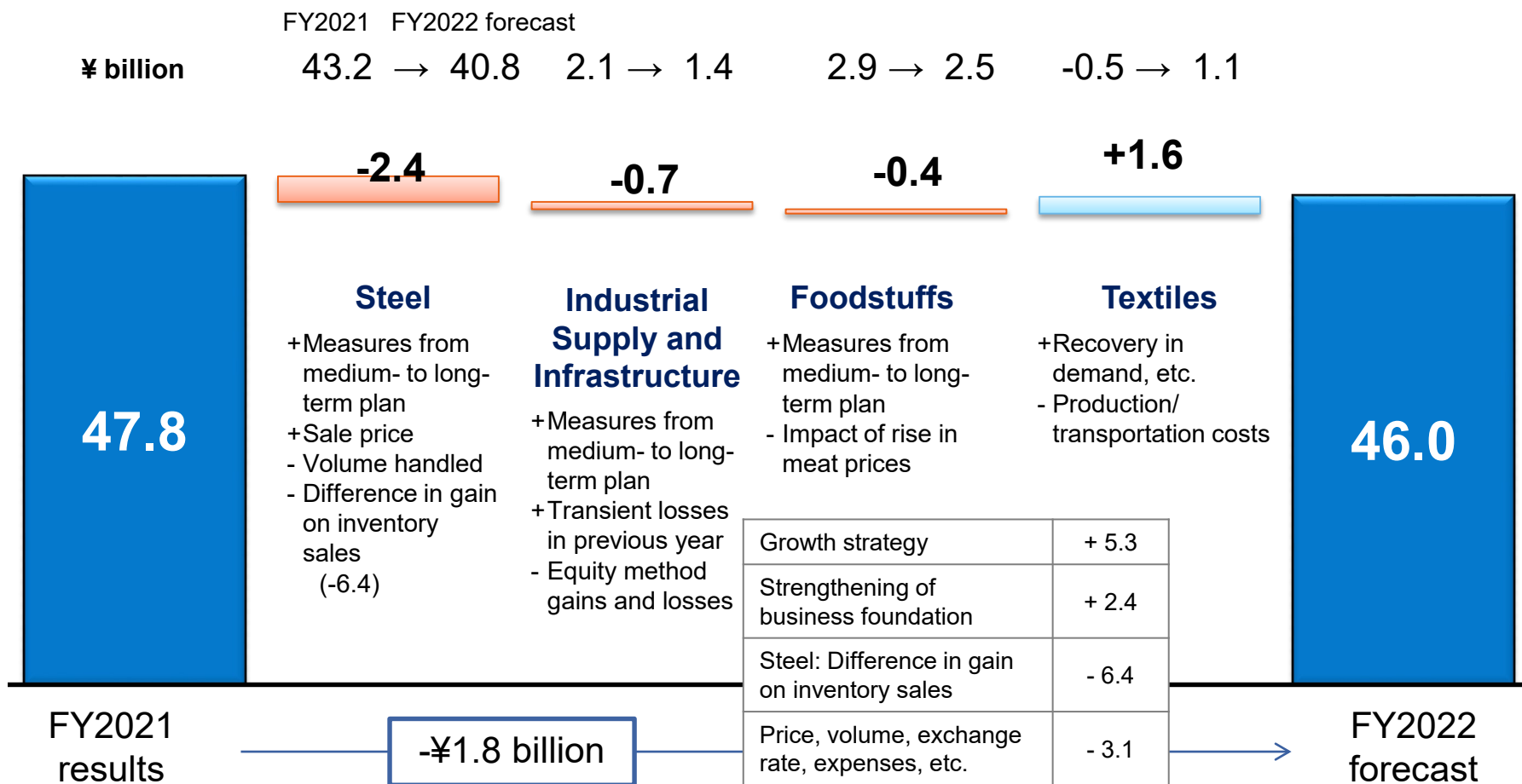
FY2021	FY2022 forecast	Change
¥35.4 billion	¥31.0 billion	- ¥4.4 billion

Change in ordinary profit - 1.2
Change in equity - 3.7
Other extraordinary income (loss), etc. + 0.5

Factors Increasing and Decreasing Ordinary Profit

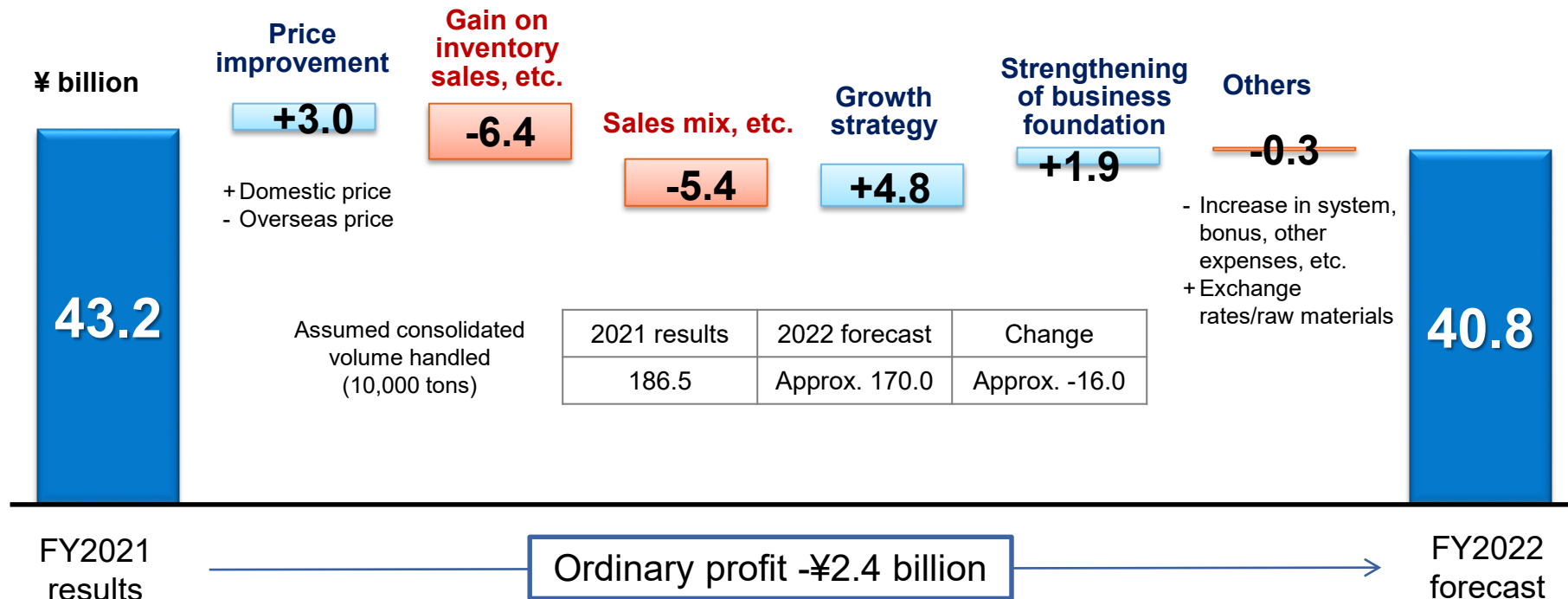
(FY2021 Results → FY2022 Forecast)

- We aim to achieve the same level of ordinary profit as the previous fiscal year through accelerated implementation of measures in the medium- to long-term management plan and the promotion of reinforcement measures despite the economic uncertainties of global economic deceleration and depreciation of the yen.



<Reference> Increases and Decreases in Ordinary Profit of Steel Business

(FY2021 Results → FY2022 Forecast)



<Reference> FY2022 Ordinary Profit: Difference from Previous Forecast

¥ billion	Difference from August forecast
Steel	+ 3.4
I & I	- 0.7
Foodstuffs	+ 0.1
Textiles	-
Ordinary profit	+ 3.0

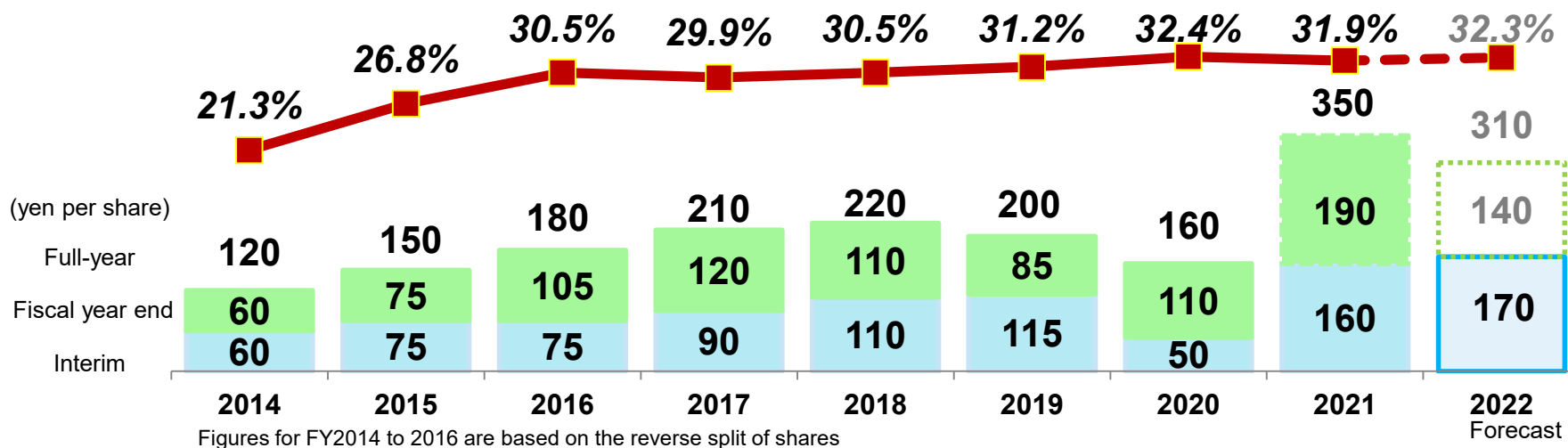
+ Domestic steel price, - Volume handled
- Equity method affiliates

Dividend

The Company's Dividends

	FY2020	FY2021		FY2021 dividend
		Interim	Fiscal year end	
Net profit	¥15.9 billion	¥15.9 billion	¥19.4 billion	¥35.4 billion
Dividend	¥160 per share	¥160 per share	¥190 per share	¥350 per share
Dividend payout ratio	32.4%			31.9%

FY2022 forecast	
Interim	
¥17.1 billion	¥31.0 billion
¥170 per share	¥310 per share
	32.3%



(Reference) Dividend Policy

The Company regards the return of profits to shareholders as one of the top priorities of corporate management, and has a basic policy of providing dividends according to performance with the aim of a consolidated payout ratio of at least 30%, while improving its financial condition.

Corporate Philosophy

1. Continuing to be a corporate group driven by the aspiration of providing goods and services that offer new value to the larger society.
2. Putting trust and reliability first, and by doing so developing together with our customers.
3. Aiming to become the kind of organization that increasingly cultivates, utilizes, and values human resources and their talents.

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