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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (Japanese GAAP)

November 8, 2022
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
Code No.: 9810
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Quarterly securities report to be submitted: November 14, 2022
Start of cash dividend payments: December 2, 2022
Supplementary materials: Yes
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, 2023 (April 1, 2022 to September 30, 2022)

(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, 2023	1,069,478	25.6	24,656	21.0	27,024	18.8	17,197	7.5
2Q FYE March 31, 2022	851,195	42.5	20,376	145.7	22,738	135.8	15,993	203.5

Note: Comprehensive income
2Q FYE March 31, 2023: ¥33,608 million (77.3%)
2Q FYE March 31, 2022: ¥18,954 million (258.8%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FYE March 31, 2023	533.17		—	
2Q FYE March 31, 2022	495.85		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2022	1,205,845		334,482		25.4	
As of March 31, 2022	1,100,441		308,198		25.7	

Reference: Equity capital
As of September 30, 2022: ¥306,491 million
As of March 31, 2022: ¥282,534 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2022	–	160.00	–	190.00	350.00
FYE March 31, 2023	–	170.00			
FYE March 31, 2023 (Est.)			–	140.00	310.00

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

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	46,000	(3.8)	31,000	(12.5)	961.10

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

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified 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 issued shares (common shares)
 - i. Number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	32,307,800 shares
As of March 31, 2022	32,307,800 shares
 - ii. Number of treasury shares at the end of the period

As of September 30, 2022	53,046 shares
As of March 31, 2022	52,712 shares
 - iii. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

2Q FYE March 31, 2023	32,254,891 shares
2Q FYE March 31, 2022	32,255,905 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 8, 2022, and they were published on the Company’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 November 24, 2022. Soon after the session is over, the presentation materials distributed during the event will be posted on the Company’s website (Japanese only).

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1. Qualitative Information on Quarterly Settlement of Accounts

Forward-looking statements in this document are based on the Group's views as of the end of the quarter under review.

(1) Explanation of Operating Results

During the first six months of the fiscal year ending March 31, 2023, the outlook for the world economy grew increasingly uncertain due to factors such as supply constraints caused by the Russia-Ukraine situation, higher inflation associated with rising prices of raw materials and fuels, and tightening of monetary policy.

With regard to the Japanese economy, while economic activity is steadily recovering from the COVID-19 pandemic, there are concerns about the weak yen, the Russia-Ukraine situation and the impact brought about by delays in supply chains.

In this business environment, the Group has been working hard to implement the medium- to long-term management plan, and the Company's consolidated earnings for the first six months under review, as compared with the same period of the previous fiscal year, were as follows: Net sales were ¥1,069.4 billion, up ¥218.2 billion (25.6%). Operating profit was ¥24.6 billion, up ¥4.2 billion (21.0%), and ordinary profit was ¥27.0 billion, up ¥4.2 billion (18.8%). Profit attributable to owners of parent was ¥17.1 billion, up ¥1.2 billion (7.5%).

Earnings for reportable segments are as below.

(Steel)

Ordinary profit in the Steel business was ¥24.4 billion, up ¥4.7 billion (24.1%) due to the execution of measures under the medium- to long-term management plan, in addition to steel prices rising year on year and the weak yen.

(Industrial Supply and Infrastructure)

Ordinary profit in the Industrial Supply and Infrastructure business was ¥700 million, down ¥900 million (56.0%), partially caused by the deterioration of earnings of overseas equity-method affiliates.

(Foodstuffs)

Ordinary profit in the Foodstuffs business was ¥1.2 billion, down ¥200 million (17.3%) due to the decrease in demand for meat caused by the rise in imported meat prices and the weak yen.

(Textiles)

Ordinary profit in the Textiles business was ¥500 million, an improvement of ¥700 million due to a gradual recovery trend in clothing demand and the integration of business with Mitsui & Co., Ltd.

(2) Explanation of Financial Position

A. Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review increased by ¥105.4 billion from the end of the previous fiscal year to ¥1,205.8 billion, due to increases in notes and accounts receivable - trade and inventories.

Total liabilities increased by ¥79.1 billion from the end of the previous fiscal year to ¥871.3 billion, due to increases in notes and accounts payable - trade and interest-bearing debt.

Total net assets increased by ¥26.2 billion from the end of the previous fiscal year to ¥334.4 billion, primarily due to the recording of profit attributable to owners of parent for the first six months under review, despite the payment of dividends.

As of the end of the second quarter under review, equity capital was ¥306.4 billion and the equity ratio was 25.4%.

B. Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased by ¥2.2 billion from the end of the previous fiscal year to ¥31.0 billion.

Net cash used in operating activities in the six months under review was ¥39.2 billion (compared to ¥48.1 billion used a year before). The main factors in this decrease in funds were increases in inventories of ¥28.9 billion and trade receivables of ¥15.0 billion, while the main factor leading to an increase in funds was posting profit before income taxes of ¥26.4 billion.

Net cash used in investment activities was ¥2.5 billion (compared to ¥2.0 billion used a year before). The main factors in cash outflows were payments for investments in capital of ¥3.4 billion and purchase of property, plant and equipment of ¥2.5 billion, while the main factor resulting in cash inflows was proceeds from sale of property, plant and equipment of ¥2.7 billion.

Net cash provided by financing activities was ¥40.5 billion (compared to ¥19.4 billion provided a year before). The main factor in cash inflows was an increase in short-term borrowings of ¥48.1 billion.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

In light of the results of the first six months under review, revisions have been made to the full-year consolidated earnings projections and year-end dividend projections for the fiscal year ending March 31, 2023 that were announced on August 4, 2022. For details, please refer to the “Notice Regarding Revisions to Full-Year Consolidated Earnings Projections and Year-End Dividend Projections,” which was published today (November 8, 2022).

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

	Previous Fiscal Year (As of March 31, 2022)	Second Quarter Under Review (As of September 30, 2022)
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	30,559	33,233
Notes and accounts receivable - trade	562,518	606,105
Electronically recorded monetary claims - operating	116,085	101,277
Inventories	200,104	238,925
Other	28,155	51,821
Allowance for doubtful accounts	(1,428)	(1,198)
Total current assets	935,995	1,030,164
Non-current assets		
Property, plant and equipment	61,750	62,293
Intangible assets		
Goodwill	233	186
Other	680	759
Total intangible assets	913	945
Investments and other assets		
Other	104,780	113,892
Allowance for doubtful accounts	(2,998)	(1,450)
Total investments and other assets	101,781	112,441
Total non-current assets	164,445	175,681
Total assets	1,100,441	1,205,845
Liabilities		
Current liabilities		
Notes and accounts payable - trade	312,316	323,412
Short-term borrowings	169,581	249,293
Commercial papers	85,000	85,000
Current portion of bonds payable	15,000	15,000
Income taxes payable	9,703	6,875
Provisions	4,721	4,900
Other	39,507	46,909
Total current liabilities	635,831	731,391
Non-current liabilities		
Bonds payable	65,000	65,000
Long-term borrowings	81,019	63,364
Provisions	512	515
Retirement benefit liability	3,398	3,436
Other	6,479	7,654
Total non-current liabilities	156,410	139,971
Total liabilities	792,242	871,362

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2023

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2022)	Second Quarter Under Review (As of September 30, 2022)
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,358	54,022
Retained earnings	201,960	212,906
Treasury shares	(164)	(166)
Total shareholders' equity	272,543	283,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,770	5,599
Deferred gains or losses on hedges	16	(268)
Foreign currency translation adjustment	5,765	17,581
Remeasurements of defined benefit plans	437	428
Total accumulated other comprehensive income	9,990	23,340
Non-controlling interests	25,664	27,990
Total net assets	308,198	334,482
Total liabilities and net assets	1,100,441	1,205,845

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

(Quarterly Consolidated Statements of Income)

Second Quarter (Cumulative)

(Millions of yen)

	Six Months of Previous Fiscal Year (April 1, 2021 to September 30, 2021)	Six Months of Fiscal Year Under Review (April 1, 2022 to September 30, 2022)
Net sales	851,195	1,069,478
Cost of sales	775,466	980,416
Gross profit	75,729	89,062
Selling, general and administrative expenses	55,352	64,405
Operating profit	20,376	24,656
Non-operating income		
Interest income	160	244
Dividend income	770	979
Share of profit of entities accounted for using equity method	1,869	2,257
Purchase discounts	280	348
Other	1,138	1,474
Total non-operating income	4,219	5,305
Non-operating expenses		
Interest expenses	1,213	2,058
Other	643	879
Total non-operating expenses	1,857	2,938
Ordinary profit	22,738	27,024
Extraordinary income		
Gain on sale of non-current assets	-	1,715
Gain on sale of investment securities	946	30
Gain on sales of investments in capital	-	6
Reversal of provision for loss on guarantees	13	-
Total extraordinary income	959	1,752
Extraordinary losses		
Impairment losses	-	1,902
Loss on sale of investment securities	68	10
Loss on valuation of investment securities	75	276
Loss on liquidation of subsidiaries and associates	-	64
Loss on change in equity	-	115
Total extraordinary losses	143	2,370
Profit before income taxes	23,554	26,406
Income taxes	6,140	8,128
Profit	17,414	18,278
Profit attributable to non-controlling interests	1,420	1,080
Profit attributable to owners of parent	15,993	17,197

(Quarterly Consolidated Statements of Comprehensive Income)

Second Quarter (Cumulative)

(Millions of yen)

	Six Months of Previous Fiscal Year (April 1, 2021 to September 30, 2021)	Six Months of Fiscal Year Under Review (April 1, 2022 to September 30, 2022)
Profit	17,414	18,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(952)	1,219
Deferred gains or losses on hedges	(113)	(537)
Foreign currency translation adjustment	2,671	10,316
Remeasurements of defined benefit plans, net of tax	(65)	(49)
Share of other comprehensive income of entities accounted for using equity method	(0)	4,382
Total other comprehensive income	1,540	15,330
Comprehensive income	18,954	33,608
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,002	30,547
Comprehensive income attributable to non-controlling interests	1,952	3,061

(3) Quarterly Consolidated Cash Flow Statements

	Six Months of Previous Fiscal Year (April 1, 2021 to September 30, 2021)	Six Months of Fiscal Year Under Review (April 1, 2022 to September 30, 2022)
(Millions of yen)		
Cash flows from operating activities		
Profit before income taxes	23,554	26,406
Depreciation	3,100	2,895
Impairment losses	–	1,902
Amortization of goodwill	56	46
Increase (decrease) in allowance for doubtful accounts	304	(1,875)
Increase (decrease) in provisions	91	161
Increase (decrease) in retirement benefit liability	592	(94)
Interest and dividend income	(931)	(1,224)
Interest expenses	1,213	2,058
Share of loss (profit) of entities accounted for using equity method	(1,869)	(2,257)
Loss (gain) on sale of non-current assets	–	(1,715)
Loss (gain) on sale of investment securities	(877)	(19)
Loss (gain) on valuation of investment securities	75	276
Loss (gain) on sales of investments in capital	–	(6)
Loss (gain) on change in equity	–	115
Decrease (increase) in trade receivables	(73,580)	(15,008)
Decrease (increase) in inventories	(31,378)	(28,903)
Increase (decrease) in trade payables	39,832	932
Other, net	(4,113)	(12,065)
Subtotal	(43,929)	(28,375)
Interest and dividends received	1,744	2,454
Interest paid	(1,183)	(1,983)
Income taxes paid	(4,781)	(11,342)
Net cash provided by (used in) operating activities	(48,148)	(39,247)
Cash flows from investing activities		
Decrease (increase) in time deposits	(859)	33
Purchase of property, plant and equipment	(1,855)	(2,518)
Proceeds from sale of property, plant and equipment	95	2,752
Purchase of intangible assets	(33)	(42)
Purchase of investment securities	(2,224)	(332)
Proceeds from sale of investment securities	3,027	343
Payments for investments in capital	–	(3,417)
Decrease (increase) in short-term loans receivable	226	500
Long-term loan advances	(349)	(12)
Proceeds from collection of long-term loans receivable	8	5
Other, net	(50)	135
Net cash provided by (used in) investing activities	(2,014)	(2,552)

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2023

	(Millions of yen)	
	Six Months of Previous Fiscal Year (April 1, 2021 to September 30, 2021)	Six Months of Fiscal Year Under Review (April 1, 2022 to September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	15,495	48,184
Net increase (decrease) in commercial papers	9,000	-
Proceeds from long-term borrowings	7,000	1,500
Repayments of long-term borrowings	(7,200)	(1,613)
Proceeds from share issuance to non-controlling shareholders	-	17
Dividends paid	(3,547)	(6,121)
Dividends paid to non-controlling interests	(699)	(1,120)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(2)
Other, net	(589)	(250)
Net cash provided by (used in) financing activities	19,459	40,593
Effect of exchange rate change on cash and cash equivalents	690	3,420
Net increase (decrease) in cash and cash equivalents	(30,013)	2,213
Cash and cash equivalents at beginning of period	55,881	28,818
Cash and cash equivalents at end of period	25,867	31,032

(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.

(Additional Information)

Accounting Estimates in Relation to the Impact of the Spread of COVID-19

During the first six months under review, there were no material changes to the "Accounting estimates in relation to the impact of the spread of COVID-19" stated in the securities report for the previous consolidated fiscal year.

(Segment Information, etc.)

[Segment Information]

The order of listing reportable segments has been changed from the first quarter of the fiscal year ending March 31, 2023. In conjunction with this change, the order of the reportable segments for the first six months of the previous fiscal year has also been changed accordingly.

I Six Months of Previous Fiscal Year (April 1, 2021 to September 30, 2021)

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Steel	Industrial Supply and Infrastructure	Foodstuffs	Textiles	Total				
Net sales									
Sales to external customers	713,618	39,403	51,396	46,612	851,031	163	851,195	–	851,195
Intersegment sales or transfers	273	311	–	1	586	29	616	(616)	–
Total	713,891	39,715	51,396	46,614	851,618	193	851,811	(616)	851,195
Segment profit (loss) (Ordinary profit (loss))	19,673	1,728	1,508	(193)	22,717	21	22,738	(0)	22,738

- (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 statements of income excepting the adjustment.

2. Information on impairment losses on non-current assets, goodwill, etc., for each reportable segment

Not applicable.

II Six Months of Fiscal Year Under Review (April 1, 2022 to September 30, 2022)

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Steel	Industrial Supply and Infrastructure	Foodstuffs	Textiles	Total				
Net sales									
Sales to external customers	952,832	49,903	61,900	4,581	1,069,219	259	1,069,478	–	1,069,478
Intersegment sales or transfers	324	334	–	–	659	35	694	(694)	–
Total	953,157	50,238	61,900	4,581	1,069,878	294	1,070,173	(694)	1,069,478
Segment profit (Ordinary profit)	24,413	759	1,247	560	26,981	42	27,024	(0)	27,024

- (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 statements of income excepting the adjustment.

2. Information on impairment losses on non-current assets, goodwill, etc., for each reportable segment

Significant impairment losses on non-current assets

In the “steel” segment, due to a significant decrease in profitability of non-current assets of consolidated subsidiaries, we reduced the book value to the recoverable amount and recorded an impairment loss.

The amount recorded for such impairment loss in the six months under review was ¥1,902 million.