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Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 (Japanese GAAP)

February 3, 2022
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
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Quarterly securities report to be submitted: February 14, 2022
Start of cash dividend payments: –
Supplementary materials: Yes (Japanese only)
IR conference: None

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Third Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)

(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, 2022	1,359,554	47.3	33,325	119.4	37,020	113.1	25,565	149.2
3Q FYE March 31, 2021	923,247	–	15,189	–	17,370	–	10,258	–

Note: Comprehensive income
3Q FYE March 31, 2022: ¥27,182 million (155.2%)
3Q FYE March 31, 2021: ¥10,652 million (–%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
3Q FYE March 31, 2022	792.59	–
3Q FYE March 31, 2021	318.03	–

* As we have applied the changes in the accounting policies retrospectively, the financial figures shown for the third quarter of the fiscal year ended March 2021 are the figures after the retrospective application. The percentage change from the same period of the previous year is not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	1,103,122	295,707	24.6
As of March 31, 2021	883,285	278,090	28.9

Reference: Equity capital

As of December 31, 2021: ¥270,933 million

As of March 31, 2021: ¥255,389 million

* As we have applied the changes in the accounting policies retrospectively, the financial figures shown for the fiscal year ended March 2021 are the figures after the retrospective application.

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2021	—	50.00	—	110.00	160.00
FYE March 31, 2022	—	160.00	—		
FYE March 31, 2022 (Est.)				160.00	320.00

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

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(%: change from the previous year)

	Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	41,500	85.6	45,000	74.6	32,000	100.1	992.07

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

* As we have applied the changes in the accounting policies retrospectively, the percentage change from the previous year is calculated using the figures after the retrospective application.

* 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.: Yes
 - 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 December 31, 2021	32,307,800 shares
As of March 31, 2021	32,307,800 shares
 - ii. Number of treasury shares at the end of the period

As of December 31, 2021	52,432 shares
As of March 31, 2021	51,577 shares
 - iii. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

3Q FYE March 31, 2022	32,255,787 shares
3Q FYE March 31, 2021	32,257,404 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 3, 2022, 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

Forward-looking statements in this document are based on the Group's views as of the end of the quarter under review. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the first quarter. The Company has compared with the same period of the previous fiscal year and with the previous fiscal year, and analyzed the data using the figures after retrospectively applying the accounting standard and relevant ASBJ regulations.

(1) Explanation of Operating Results

During the first nine months of the fiscal year ending March 31, 2022, there was a recovery trend continuing in the world economy overall, as in the United States, recovery signs continued against a backdrop of strong domestic demand. Meanwhile, due to the renewed spread of COVID-19, as well as inflation due to supply constraints, the recovery momentum weakened in some countries and regions.

In the Japanese economy, with the progress of vaccinations, at one time the number of new cases of COVID-19 had declined and there were signs of recovery. Recently, however, the number of new infections again increased, and the outlook continued to be uncertain.

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 nine months under review, as compared with the same period of the previous fiscal year, were as follows: Net sales were ¥1,359.5 billion, up ¥436.3 billion (47.3%). Operating profit was ¥33.3 billion, up ¥18.1 billion (119.4%) and ordinary profit was ¥37.0 billion, up ¥19.6 billion (113.1%). Profit attributable to owners of parent was ¥25.5 billion, up ¥15.3 billion (149.2%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, net sales increased by 55.0%, or ¥405.2 billion year on year, to ¥1,142.2 billion, and ordinary profit increased by 141.6%, or ¥18.9 billion, to ¥32.3 billion, thanks to gradually improved domestic steel demand in general in addition to implementation of measures under the medium- to long-term management plan, and also to higher steel prices in and outside Japan.

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, mainly due to an earnings improvement at subsidiaries and associates in and outside Japan, net sales increased by 44.6%, or ¥19.8 billion year on year, to ¥64.3 billion, and ordinary profit rose by 94.6%, or ¥1,300 million, to ¥2,700 million.

(Textiles)

In the Textiles business, the management environment remained harsh due to impact of COVID-19, with intermittent reinstatement of the state of emergency. Moreover, there was a significant decline in the operating rates at production plants due to lockdown measures in ASEAN countries, and there was also the impact of cost increases due to the transfer of production to other regions with shorter delivery periods, resulting in an ordinary loss of ¥700 million.

(Foodstuffs)

In the Foodstuffs business, due to solid performance of our mainstay meat sales business, etc., net sales increased by 15.4%, or ¥10.7 billion year on year, to ¥80.6 billion, and ordinary profit increased by 37.4%, or ¥600 million, to ¥2,500 million.

(2) Explanation of Financial Position

Total assets at the end of the third quarter under review increased by ¥219.8 billion from the end of the previous fiscal year to ¥1,103.1 billion, due to an increase in notes and accounts receivable - trade and inventories, despite a decrease in cash and deposits.

Total liabilities increased by ¥202.2 billion from the end of the previous fiscal year to ¥807.4 billion, due to increases in notes and accounts payable - trade and interest-bearing debt.

Total net assets increased by ¥17.6 billion from the end of the previous fiscal year to ¥295.7 billion, primarily due to the recording of profit attributable to owners of parent for the nine months under review, despite the payment of dividends.

As of the end of the third quarter under review, equity capital was ¥270.9 billion and the equity ratio was 24.6%.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

In light of the results of the first nine months under review, revisions have been made to the full-year consolidated earnings projections and year-end dividends projections for the fiscal year ending March 31, 2022 that were announced on November 2, 2021. For details, please refer to the “Notice Regarding Revisions to Full-Year Consolidated Earnings Projections and Year-End Dividend Projections,” which was published today (February 3, 2022).

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Third Quarter Under Review (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	56,857	26,481
Notes and accounts receivable - trade	542,576	716,502
Inventories	113,143	186,135
Other	20,337	27,090
Allowance for doubtful accounts	(1,413)	(2,094)
Total current assets	731,502	954,115
Non-current assets		
Property, plant and equipment	61,747	61,449
Intangible assets		
Goodwill	326	256
Other	584	662
Total intangible assets	910	918
Investments and other assets		
Other	92,001	89,552
Allowance for doubtful accounts	(2,875)	(2,914)
Total investments and other assets	89,125	86,638
Total non-current assets	151,783	149,006
Total assets	883,285	1,103,122

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2021)	Third Quarter Under Review (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	255,025	339,482
Short-term borrowings	87,482	163,573
Commercial papers	46,000	85,000
Income taxes payable	4,705	6,407
Provisions	4,174	2,817
Other	29,772	35,675
Total current liabilities	427,159	632,954
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term borrowings	84,915	83,449
Provisions	1,338	576
Retirement benefit liability	3,297	3,479
Other	8,483	6,954
Total non-current liabilities	178,035	174,460
Total liabilities	605,195	807,415
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,492	54,365
Retained earnings	175,270	192,108
Treasury shares	(158)	(162)
Total shareholders' equity	245,993	262,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,184	4,932
Deferred gains or losses on hedges	(71)	(100)
Foreign currency translation adjustment	1,784	2,997
Remeasurements of defined benefit plans	498	404
Total accumulated other comprehensive income	9,395	8,233
Non-controlling interests	22,701	24,773
Total net assets	278,090	295,707
Total liabilities and net assets	883,285	1,103,122

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

(Quarterly Consolidated Statements of Income)

Third Quarter (Cumulative)

(Millions of yen)

	Nine Months of Previous Fiscal Year (April 1, 2020 to December 31, 2020)	Nine Months of Fiscal Year Under Review (April 1, 2021 to December 31, 2021)
Net sales	923,247	1,359,554
Cost of sales	835,834	1,239,570
Gross profit	87,413	119,983
Selling, general and administrative expenses	72,224	86,657
Operating profit	15,189	33,325
Non-operating income		
Interest income	301	271
Dividend income	898	1,030
Share of profit of entities accounted for using equity method	1,592	3,058
Purchase discounts	304	459
Other	1,684	1,565
Total non-operating income	4,781	6,385
Non-operating expenses		
Interest expenses	1,784	1,868
Other	815	822
Total non-operating expenses	2,599	2,690
Ordinary profit	17,370	37,020
Extraordinary income		
Gain on sale of non-current assets	342	-
Gain on sale of investment securities	568	994
Gain on sales of investments in capital	-	15
Reversal of provision for loss on guarantees	-	79
Total extraordinary income	910	1,090
Extraordinary losses		
Loss on sale of investment securities	23	68
Loss on valuation of investment securities	682	75
Loss on sales of investments in capital	3	-
Loss on valuation of investments in capital	204	76
Loss on liquidation of subsidiaries and associates	404	38
Provision for loss on guarantees	598	-
Total extraordinary losses	1,915	259
Profit before income taxes	16,365	37,851
Income taxes	5,314	10,077
Profit	11,051	27,774
Profit attributable to non-controlling interests	792	2,209
Profit attributable to owners of parent	10,258	25,565

(Quarterly Consolidated Statements of Comprehensive Income)

Third Quarter (Cumulative)

(Millions of yen)

	Nine Months of Previous Fiscal Year (April 1, 2020 to December 31, 2020)	Nine Months of Fiscal Year Under Review (April 1, 2021 to December 31, 2021)
Profit	11,051	27,774
Other comprehensive income		
Valuation difference on available-for-sale securities	3,137	(2,308)
Deferred gains or losses on hedges	(9)	(30)
Foreign currency translation adjustment	(2,156)	2,472
Remeasurements of defined benefit plans, net of tax	48	(97)
Share of other comprehensive income of entities accounted for using equity method	(1,418)	(628)
Total other comprehensive income	(398)	(592)
Comprehensive income	10,652	27,182
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,231	24,403
Comprehensive income attributable to non-controlling interests	421	2,778

(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.

(Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The major changes are as follows:

- Revenue recognition relating to agent transactions

The full amount of consideration received from customers was previously recognized as revenue for some transactions, but for transactions in which the role of the Group in providing goods or services to customers was as an agent, the revenue is recognized at the net amount calculated by deducting the amount paid to suppliers from the amount received from the customer.

The change in the accounting policy has been applied retrospectively, in principle. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year; provided, however, that in the retrospective application, the methods set forth in paragraph 85 of the Accounting Standard for Revenue Recognition were applied.

- (1) Comparative information is not retrospectively restated for contracts where nearly all the revenue amounts have been recognized prior to the beginning of the previous fiscal year subject to the previous treatment
- (2) Comparative information is retrospectively restated for the amount of variable consideration included in contracts where nearly all the revenue amounts have been recognized prior to the beginning of the current fiscal year subject to the previous treatment, using the amount when the uncertainty associated with the variable consideration is subsequently resolved
- (3) Quarterly consolidated financial statements for the previous fiscal year are not retrospectively restated for the contracts that began and ended within the previous fiscal year

For the first nine months of the previous fiscal year, as a result of this change, and compared with the figures before the retrospective application, net sales decreased by ¥573,274 million, cost of sales decreased by ¥573,326 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥52 million. In addition, because the cumulative effect was reflected in net assets as of the beginning of the previous fiscal year, retained earnings as of the beginning of the previous fiscal year decreased by ¥215 million.

Application of Accounting Standard for Fair Value Measurement, Etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations have been applied from the beginning of the first quarter, and the new accounting policies provided in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations will be applied going forward in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

(Additional Information)

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

During the first nine 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]

I Nine Months of Previous Fiscal Year (April 1, 2020 to December 31, 2020)

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	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	736,996	44,517	71,556	69,914	922,986	261	923,247	–	923,247
Intersegment sales or transfers	262	362	1	–	626	44	671	(671)	–
Total	737,259	44,880	71,558	69,914	923,612	306	923,919	(671)	923,247
Segment profit (Ordinary profit)	13,387	1,422	691	1,859	17,360	10	17,370	(0)	17,370

- (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 Nine Months of Fiscal Year Under Review (April 1, 2021 to December 31, 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	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,142,245	64,361	72,033	80,660	1,359,301	252	1,359,554	–	1,359,554
Intersegment sales or transfers	445	476	3	–	925	45	970	(970)	–
Total	1,142,691	64,837	72,037	80,660	1,360,227	298	1,360,525	(970)	1,359,554
Segment profit (loss) (Ordinary profit (loss))	32,346	2,768	(702)	2,556	36,968	52	37,020	0	37,020

- (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.

3. Information regarding change to reportable segments, etc.

Application of Accounting Standard for Revenue Recognition, Etc.

As described in “Changes in Accounting Policies,” the Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the first quarter. For the first nine months under review, as a result, compared with the figures obtained by the previous method, net sales decreased by ¥808,737 million in the Steel business, by ¥13,819 million in the Industrial Supply and Infrastructure business, by ¥1,149 million in the Textiles business, and by ¥31,693

million in the Foodstuffs business. The effect on ordinary profit is immaterial. Please note that the segment information for the first nine months of the previous fiscal year were prepared based on the new method of measuring segment profit or loss.

(Subsequent Events)

At the Board of Directors meeting held on August 25, 2021, the Company adopted a resolution to conclude an absorption-type company split agreement with Mitsui Bussan I-Fashion Ltd. (“MIF”), which will make MIF the succeeding company of the Textiles business operated by the Company, and concluded the agreement. In accordance with the relevant agreement, an absorption-type company split was executed on January 1, 2022.

1. Overview of transaction

- (1) Name and details of business subject to transaction
Textiles business operated by the Textiles Division of the Company.
- (2) Date of the business combination
January 1, 2022
- (3) Legal form of the business combination
Absorption-type company split where the Company is the splitting company and MIF is the succeeding company (simplified absorption-type company split)
- (4) Name of entity after the business combination
MN Inter-Fashion Ltd.
- (5) Other items regarding overview of transaction
The alliance is aimed at (1) strengthening the foundation of the OEM business, as the Company’s core business, (2) creating business opportunities in a new growth field, and (3) deepening value provided to customers by promoting collaboration between the Company and Mitsui & Co., Ltd. (“Mitsui & Co.”), centered on integration of the Company’s Textiles business and MIF.
- (6) Reasons for determining that this business combination is the formation of a jointly controlled entity
In the formation of this jointly controlled entity, Mitsui & Co., MIF and the Company have concluded a shareholders agreement where these companies jointly control MN Inter-Fashion Ltd., and all of the consideration paid in the business combination is shares with voting rights. Additionally, there is no specific fact that would indicate other controlling relationships. Therefore, the Company has determined that this business combination is the formation of a jointly controlled entity.

2. Overview of accounting treatment to be applied

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) as well as the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10), the Company will account for the business combination as the formation of a jointly controlled entity.