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

November 5, 2020
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
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Quarterly securities report to be submitted: November 13, 2020
Start of cash dividend payments: December 2, 2020
Supplementary materials: Yes (Japanese only)
IR conference: None

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Second Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to September 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	%
2Q FYE March 31, 2021	964,304	(23.7)	8,202	(52.9)	9,552	(45.2)	5,206	(54.1)
2Q FYE March 31, 2020	1,264,415	2.0	17,400	(1.8)	17,437	(3.3)	11,337	(12.4)

Note: Comprehensive income
2Q FYE March 31, 2021: ¥5,220 million (-35.3%)
2Q FYE March 31, 2020: ¥8,072 million (-30.0%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FYE March 31, 2021	161.42		—	
2Q FYE March 31, 2020	351.45		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2020	831,633		263,950		29.1	
As of March 31, 2020	857,744		254,877		27.6	

Reference: Equity capital
As of September 30, 2020: ¥241,677 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	—	50.00			
FYE March 31, 2021 (Est.)			—	80.00	130.00

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

For details of the revisions to dividends projections, please refer to “Notice regarding the difference between projected consolidated earnings and actual results for the first six months, revisions to full-year consolidated earnings projections, dividends of surplus (interim dividend), and revisions to year-end dividend projections for the fiscal year ending March 31, 2021,” which was published today (November 5, 2020).

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

(%: change from 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	2,100,000	(15.3)	22,000	(31.4)	24,000	(27.8)	13,000	(37.2)	403.01

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

For details of the revisions to consolidated earnings projections, please refer to “Notice regarding the difference between projected consolidated earnings and actual results for the first six months, revisions to full-year consolidated earnings projections, dividends of surplus (interim dividend), and revisions to year-end dividend projections for the fiscal year ending March 31, 2021,” which was published today (November 5, 2020).

* Notes

- (1) Material changes in consolidated subsidiaries during the 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 September 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 September 30, 2020	50,368 shares
As of March 31, 2020	50,132 shares
 - iii. Average number of shares during the period (cumulative from the beginning of the fiscal year)

2Q FYE March 31, 2021	32,257,562 shares
2Q FYE March 31, 2020	32,258,681 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 5, 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 first six months of the fiscal year ending March 31, 2021 deteriorated sharply due to the spread of novel coronavirus infectious disease (COVID-19). Although signs of a recovery in economic activity were seen in China, there were still no clear indications of when the nations of Europe and the United States would resolve the crisis, resulting in a continuation of an extremely difficult situation.

In the Japanese economy, there was a gradual restarting of economic activity, but the environment for employment and income worsened and personal consumption was sluggish.

In this business environment, the Company strove to balance prevention of the spread of infections with the continuation of corporate activity, and implemented measures to support profit, including cost reductions, as well as various risk management initiatives.

The Company's consolidated earnings for the six months under review were as follows: Net sales were ¥964.3 billion, down ¥300.1 billion (23.7%) from the corresponding period of the previous fiscal year. Operating profit was ¥8.2 billion, down ¥9.1 billion (52.9%). Ordinary profit was ¥9.5 billion, down ¥7.8 billion (45.2%), and profit attributable to owners of parent was ¥5.2 billion, down ¥6.1 billion (54.1%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, there were signs of an improvement in demand in some areas but overall demand was weak, and the Company's sales volume declined significantly. In addition, with an earnings deterioration at subsidiaries and associates both in Japan and overseas, net sales fell by ¥265.3 billion (24.5%) to ¥817.4 billion, and ordinary profit declined by ¥4.6 billion (38.2%) to ¥7.4 billion.

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, due to sluggish demand for automotive parts and other factors, net sales fell by ¥8.9 billion (20.3%) to ¥35.0 billion, and ordinary profit declined by ¥900 million (55.6%) to ¥700 million.

(Textiles)

In the Textiles business, as a result of closures of stores such as department stores following the state of emergency declaration, the sales environment deteriorated drastically, with net sales falling by ¥17.7 billion (27.4%) to ¥47.0 billion, and ordinary profit declining by ¥1,800 million (84.5%) to ¥300 million.

(Foodstuffs)

In the Foodstuffs business, the Company's meat sales declined as a result of the slump in demand for dining out amongst other factors, with the result that net sales fell by ¥7.7 billion (10.7%) to ¥64.6 billion, and ordinary profit declined by ¥300 million (29.2%) to ¥900 million.

(2) Explanation of Financial Position

A. Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review were ¥831.6 billion, down ¥26.1 billion from the end of the previous fiscal year, due to a decrease in notes and accounts receivable - trade, despite an increase in cash and deposits.

Total liabilities were ¥567.6 billion, down ¥35.1 billion from the end of the previous fiscal year, due to a decrease in notes and accounts payable - trade.

Total net assets were ¥263.9 billion, up ¥9.0 billion from the end of the previous fiscal year, primarily due to the recording of profit attributable to owners of parent for the six months under review, despite the payment of dividends.

As of the end of the second quarter under review, equity capital was ¥241.6 billion and the equity ratio was 29.1%.

B. Cash Flows

Cash and cash equivalents at the end of the second quarter under review increased ¥39.2 billion from the end of the previous fiscal year to ¥64.5 billion.

Net cash provided by operating activities in the six months under review was ¥56.8 billion (compared to ¥18.3 billion provided a year before). The main factors in this increase in funds were a decrease in trade receivables of ¥91.8 billion, and profit before income taxes of ¥8.3 billion, while the main factor leading to a decrease in funds was a decrease in trade payables of ¥44.7 billion.

Net cash used in investment activities was ¥6.3 billion (compared to ¥3.1 billion used a year before). The main factors in cash outflows were a purchase of property, plant and equipment of ¥3.0 billion and a purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2.6 billion.

Net cash used in financing activities was ¥10.9 billion (compared to ¥15.7 billion used a year before). The main factors in cash outflows were repayments of short-term borrowings of ¥16.8 billion, and dividends paid of ¥2.7 billion, while the main factor in cash inflows was proceeds from the issuance of commercial papers of ¥10.0 billion.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

In the light of the results of the first six months, revisions have been made to the consolidated earnings projections and dividends projections for the fiscal year ending March 31, 2021 that were announced on August 6, 2020. For details, please refer to “Notice regarding the difference between projected consolidated earnings and actual results for the first six months, revisions to full-year consolidated earnings projections, dividends of surplus (interim dividend), and revisions to year-end dividend projections for the fiscal year ending March 31, 2021,” which was published today (November 5, 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)	Second Quarter Under Review (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	26,017	65,426
Notes and accounts receivable - trade	555,871	479,809
Inventories	123,261	121,836
Other	15,573	17,205
Allowance for doubtful accounts	(1,088)	(1,147)
Total current assets	719,634	683,129
Non-current assets		
Property, plant and equipment	56,780	61,702
Intangible assets		
Goodwill	408	372
Other	721	695
Total intangible assets	1,129	1,068
Investments and other assets		
Other	83,219	88,982
Allowance for doubtful accounts	(3,019)	(3,250)
Total investments and other assets	80,199	85,731
Total non-current assets	138,109	148,503
Total assets	857,744	831,633

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2021

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2020)	Second Quarter Under Review (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	257,395	227,169
Short-term borrowings	103,942	78,913
Commercial papers	50,000	60,000
Income taxes payable	3,627	3,084
Provisions	4,564	4,836
Other	26,346	26,634
Total current liabilities	445,876	400,637
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term borrowings	66,235	75,361
Provisions	601	1,251
Retirement benefit liability	3,674	3,647
Other	6,479	6,784
Total non-current liabilities	156,990	167,044
Total liabilities	602,867	567,682
Net assets		
Shareholders' equity		
Share capital	16,389	16,389
Capital surplus	54,689	54,443
Retained earnings	160,669	166,312
Treasury shares	(153)	(154)
Total shareholders' equity	231,594	236,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,168	3,976
Deferred gains or losses on hedges	(371)	(362)
Foreign currency translation adjustment	3,989	1,959
Remeasurements of defined benefit plans	(940)	(888)
Total accumulated other comprehensive income	4,845	4,686
Non-controlling interests	18,437	22,272
Total net assets	254,877	263,950
Total liabilities and net assets	857,744	831,633

(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, 2019 to September 30, 2019)	Six Months of Fiscal Year Under Review (April 1, 2020 to September 30, 2020)
Net sales	1,264,415	964,304
Cost of sales	1,192,506	908,080
Gross profit	71,909	56,224
Selling, general and administrative expenses	54,508	48,021
Operating profit	17,400	8,202
Non-operating income		
Interest income	257	235
Dividend income	740	731
Share of profit of entities accounted for using equity method	1,136	1,092
Purchase discounts	260	181
Other	651	1,064
Total non-operating income	3,046	3,305
Non-operating expenses		
Interest expenses	2,263	1,268
Other	746	687
Total non-operating expenses	3,009	1,956
Ordinary profit	17,437	9,552
Extraordinary income		
Gain on sales of non-current assets	-	342
Gain on sales of investment securities	47	44
Total extraordinary income	47	386
Extraordinary losses		
Loss on sales of investment securities	125	11
Loss on valuation of investment securities	34	399
Loss on valuation of investments in capital	-	204
Loss on liquidation of subsidiaries and associates	-	395
Provision for loss on guarantees	-	587
Total extraordinary losses	159	1,597
Profit before income taxes	17,324	8,341
Income taxes	5,290	2,769
Profit	12,033	5,572
Profit attributable to non-controlling interests	696	365
Profit attributable to owners of parent	11,337	5,206

(Quarterly Consolidated Statements of Comprehensive Income)

Second Quarter (Cumulative)

(Millions of yen)

	Six Months of Previous Fiscal Year (April 1, 2019 to September 30, 2019)	Six Months of Fiscal Year Under Review (April 1, 2020 to September 30, 2020)
Profit	12,033	5,572
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,312)	1,854
Deferred gains or losses on hedges	79	9
Foreign currency translation adjustment	(967)	(1,445)
Remeasurements of defined benefit plans, net of tax	6	32
Share of other comprehensive income of entities accounted for using equity method	233	(801)
Total other comprehensive income	(3,961)	(351)
Comprehensive income	8,072	5,220
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,650	5,025
Comprehensive income attributable to non- controlling interests	421	195

(3) Quarterly Consolidated Cash Flow Statements

	(Millions of yen)	
	Six Months of Previous Fiscal Year (April 1, 2019 to September 30, 2019)	Six Months of Fiscal Year Under Review (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	17,324	8,341
Depreciation	2,751	2,753
Amortization of goodwill	-	90
Increase (decrease) in allowance for doubtful accounts	(315)	(118)
Increase (decrease) in provisions	76	722
Increase (decrease) in retirement benefit liability	7	(59)
Interest and dividend income	(997)	(966)
Interest expenses	2,263	1,268
Share of loss (profit) of entities accounted for using equity method	(1,136)	(1,092)
Loss (gain) on sales of non-current assets	-	(342)
Loss (gain) on sales of investment securities	78	(32)
Loss (gain) on valuation of investment securities	34	399
Loss on valuation of investments in capital	-	204
Decrease (increase) in trade receivables	50,264	91,826
Decrease (increase) in inventories	855	3,965
Increase (decrease) in trade payables	(42,623)	(44,770)
Other, net	(4,326)	(1,824)
Subtotal	24,256	60,366
Interest and dividends received	1,813	1,609
Interest paid	(2,262)	(1,237)
Income taxes paid	(5,460)	(3,857)
Net cash provided by (used in) operating activities	18,347	56,881
Cash flows from investing activities		
Decrease (increase) in time deposits	572	(216)
Purchase of property, plant and equipment	(3,181)	(3,053)
Proceeds from sales of property, plant and equipment	17	1,299
Purchase of intangible assets	(71)	(66)
Purchase of investment securities	(570)	(125)
Proceeds from sales of investment securities	156	85
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,680)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	937	-
Decrease (increase) in short-term loans receivable	(895)	(53)
Long-term loan advances	(20)	(9)
Collection of long-term loans receivable	15	13
Other, net	(121)	(1,554)
Net cash provided by (used in) investing activities	(3,161)	(6,361)

NIPPON STEEL TRADING CORPORATION (9810)
Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2021

	(Millions of yen)	
	Six Months of Previous Fiscal Year (April 1, 2019 to September 30, 2019)	Six Months of Fiscal Year Under Review (April 1, 2020 to September 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(28,318)	(16,809)
Net increase (decrease) in commercial papers	–	10,000
Proceeds from long-term borrowings	5,500	15,500
Repayments of long-term borrowings	(8,148)	(15,648)
Proceeds from issuance of bonds	19,902	–
Dividends paid	(3,547)	(2,740)
Dividends paid to non-controlling interests	(525)	(684)
Proceeds from share issuance to non-controlling shareholders	1	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(167)	–
Other, net	(436)	(534)
Net cash provided by (used in) financing activities	(15,741)	(10,917)
Effect of exchange rate change on cash and cash equivalents	(276)	(496)
Net increase (decrease) in cash and cash equivalents	(831)	39,107
Cash and cash equivalents at beginning of period	24,063	25,314
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	119
Cash and cash equivalents at end of period	23,232	64,541

(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)

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, we assume that the second half of the fiscal year under review will show an improvement over the first half. 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 Six months of Previous Fiscal Year (April 1, 2019 to September 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)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,082,730	43,967	64,827	72,361	1,263,886	528	1,264,415	–	1,264,415
Intersegment sales or transfers	318	290	4	–	612	69	681	(681)	–
Total	1,083,048	44,258	64,831	72,361	1,264,499	597	1,265,097	(681)	1,264,415
Segment profit (Ordinary profit)	12,068	1,786	2,185	1,343	17,383	53	17,437	(0)	17,437

- (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 loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.

II Six Months of Fiscal Year Under Review (April 1, 2020 to September 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)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	817,426	35,048	47,033	64,625	964,133	171	964,304	-	964,304
Intersegment sales or transfers	182	247	1	-	432	28	461	(461)	-
Total	817,608	35,296	47,035	64,625	964,565	200	964,766	(461)	964,304
Segment profit (Ordinary profit)	7,464	793	338	951	9,547	4	9,552	(0)	9,552

- (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 loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.