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

February 10, 2023
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL TRADING CORPORATION**
Code No.: 9810
URL: <https://www.nst.nipponsteel.com/en/>
Representative name: Shinichi Nakamura, President and Representative Director
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Quarterly securities report to be submitted: February 14, 2023
Start of cash dividend payments: –
Supplementary materials: Yes
IR conference: None

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Third Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to December 31, 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 | % |
| 3Q FYE March 31, 2023 | 1,641,503 | 20.7 | 39,671 | 19.0 | 42,077 | 13.7 | 28,661 | 12.1 |
| 3Q FYE March 31, 2022 | 1,359,554 | 47.3 | 33,325 | 119.4 | 37,020 | 113.1 | 25,565 | 149.2 |

Note: Comprehensive income
3Q FYE March 31, 2023: ¥46,380 million (70.6%)
3Q FYE March 31, 2022: ¥27,182 million (155.2%)

| | Earnings per share | | Diluted earnings per share | |
|-----------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| 3Q FYE March 31, 2023 | 888.60 | | — | |
| 3Q FYE March 31, 2022 | 792.59 | | — | |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | |
|-------------------------|-----------------|--|-----------------|--|--------------|--|
| | Millions of yen | | Millions of yen | | % | |
| As of December 31, 2022 | 1,227,321 | | 341,484 | | 25.4 | |
| As of March 31, 2022 | 1,100,441 | | 308,198 | | 25.7 | |

Reference: Equity capital
As of December 31, 2022: ¥312,327 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.) | | | | 0.00 | 170.00 |

Note: Revisions of dividends projections since most recent announcement: None

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: None

* 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 December 31, 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 December 31, 2022 | 53,369 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)

| | |
|-----------------------|-------------------|
| 3Q FYE March 31, 2023 | 32,254,778 shares |
| 3Q FYE March 31, 2022 | 32,255,787 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 2 of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of February 10, 2023, 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.

(1) Explanation of Operating Results

During the first nine months of the fiscal year ending March 31, 2023, the outlook for the world economy remained 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, there are concerns about impact of the Russia-Ukraine situation and 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 nine months under review, as compared with the same period of the previous fiscal year, were as follows: Net sales were ¥1,641.5 billion, up ¥281.9 billion (20.7%). Operating profit was ¥39.6 billion, up ¥6.3 billion (19.0%), and ordinary profit was ¥42.0 billion, up ¥5.0 billion (13.7%). Profit attributable to owners of parent was ¥28.6 billion, up ¥3.0 billion (12.1%).

Earnings for reportable segments are as below.

(Steel)

Ordinary profit in the Steel business was ¥37.6 billion, up ¥5.2 billion (16.4%) 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 ¥800 million, down ¥1.9 billion (70.5%), partially caused by the deterioration of earnings of overseas equity-method affiliates.

(Foodstuffs)

Ordinary profit in the Foodstuffs business was ¥1.9 billion, down ¥500 million (22.6%) 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 ¥1.5 billion, an improvement of ¥2.2 billion, primarily due to a recovery in the business environment from the COVID-19 pandemic.

(2) Explanation of Financial Position

Total assets at the end of the third quarter under review increased by ¥126.8 billion from the end of the previous fiscal year to ¥1,227.3 billion, due to increases in notes and accounts receivable - trade and inventories.

Total liabilities increased by ¥93.5 billion from the end of the previous fiscal year to ¥885.8 billion, due to increases in notes and accounts payable - trade and interest-bearing debt.

Total net assets increased by ¥33.2 billion from the end of the previous fiscal year to ¥341.4 billion, primarily due to the recording of profit attributable to owners of parent for the first nine months under review, despite the payment of dividends.

As of the end of the third quarter under review, equity capital was ¥312.3 billion and the equity ratio was 25.4%.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

The full-year earnings projections for the fiscal year ending March 31, 2023, remain unchanged from the earnings projections announced on November 8, 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, 2022) | Third Quarter Under Review (As of December 31, 2022) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 30,559 | 36,842 |
| Notes and accounts receivable - trade | 562,518 | 623,853 |
| Electronically recorded monetary claims - operating | 116,085 | 130,031 |
| Inventories | 200,104 | 233,108 |
| Other | 28,155 | 30,569 |
| Allowance for doubtful accounts | (1,428) | (1,271) |
| Total current assets | 935,995 | 1,053,132 |
| Non-current assets | | |
| Property, plant and equipment | 61,750 | 62,007 |
| Intangible assets | | |
| Goodwill | 233 | 163 |
| Other | 680 | 774 |
| Total intangible assets | 913 | 937 |
| Investments and other assets | | |
| Other | 104,780 | 112,305 |
| Allowance for doubtful accounts | (2,998) | (1,062) |
| Total investments and other assets | 101,781 | 111,242 |
| Total non-current assets | 164,445 | 174,188 |
| Total assets | 1,100,441 | 1,227,321 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 312,316 | 339,594 |
| Short-term borrowings | 169,581 | 243,423 |
| Commercial papers | 85,000 | 90,000 |
| Current portion of bonds payable | 15,000 | 15,000 |
| Income taxes payable | 9,703 | 4,902 |
| Provisions | 4,721 | 2,567 |
| Other | 39,507 | 48,365 |
| Total current liabilities | 635,831 | 743,853 |
| Non-current liabilities | | |
| Bonds payable | 65,000 | 65,000 |
| Long-term borrowings | 81,019 | 65,128 |
| Provisions | 512 | 545 |
| Retirement benefit liability | 3,398 | 3,450 |
| Other | 6,479 | 7,858 |
| Total non-current liabilities | 156,410 | 141,982 |
| Total liabilities | 792,242 | 885,836 |

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

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2022) | Third Quarter Under Review (As of December 31, 2022) |
|---|--|---|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 16,389 | 16,389 |
| Capital surplus | 54,358 | 54,044 |
| Retained earnings | 201,960 | 218,886 |
| Treasury shares | (164) | (168) |
| Total shareholders' equity | 272,543 | 289,152 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,770 | 5,742 |
| Deferred gains or losses on hedges | 16 | (1,109) |
| Foreign currency translation adjustment | 5,765 | 18,140 |
| Remeasurements of defined benefit plans | 437 | 402 |
| Total accumulated other comprehensive income | 9,990 | 23,175 |
| Non-controlling interests | 25,664 | 29,157 |
| Total net assets | 308,198 | 341,484 |
| Total liabilities and net assets | 1,100,441 | 1,227,321 |

(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, 2021 to December 31, 2021) | Nine Months of Fiscal Year Under Review (April 1, 2022 to December 31, 2022) |
|---|---|---|
| Net sales | 1,359,554 | 1,641,503 |
| Cost of sales | 1,239,570 | 1,504,996 |
| Gross profit | 119,983 | 136,506 |
| Selling, general and administrative expenses | 86,657 | 96,835 |
| Operating profit | 33,325 | 39,671 |
| Non-operating income | | |
| Interest income | 271 | 297 |
| Dividend income | 1,030 | 1,225 |
| Share of profit of entities accounted for using equity method | 3,058 | 3,170 |
| Purchase discounts | 459 | 528 |
| Other | 1,565 | 2,225 |
| Total non-operating income | 6,385 | 7,448 |
| Non-operating expenses | | |
| Interest expenses | 1,868 | 3,642 |
| Other | 822 | 1,399 |
| Total non-operating expenses | 2,690 | 5,042 |
| Ordinary profit | 37,020 | 42,077 |
| Extraordinary income | | |
| Gain on sale of non-current assets | - | 3,708 |
| Gain on sale of investment securities | 994 | 82 |
| Gain on sales of investments in capital | 15 | 152 |
| Reversal of provision for loss on guarantees | 79 | - |
| Total extraordinary income | 1,090 | 3,943 |
| Extraordinary losses | | |
| Impairment losses | - | 2,015 |
| Loss on sale of investment securities | 68 | 10 |
| Loss on valuation of investment securities | 75 | 261 |
| Loss on valuation of investments in capital | 76 | - |
| Loss on liquidation of subsidiaries and associates | 38 | 64 |
| Loss on change in equity | - | 115 |
| Total extraordinary losses | 259 | 2,468 |
| Profit before income taxes | 37,851 | 43,552 |
| Income taxes | 10,077 | 12,950 |
| Profit | 27,774 | 30,602 |
| Profit attributable to non-controlling interests | 2,209 | 1,941 |
| Profit attributable to owners of parent | 25,565 | 28,661 |

(Quarterly Consolidated Statements of Comprehensive Income)

Third Quarter (Cumulative)

(Millions of yen)

| | Nine Months of Previous Fiscal Year (April 1, 2021 to December 31, 2021) | Nine Months of Fiscal Year Under Review (April 1, 2022 to December 31, 2022) |
|--|---|---|
| Profit | 27,774 | 30,602 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,308) | 1,247 |
| Deferred gains or losses on hedges | (30) | (719) |
| Foreign currency translation adjustment | 2,472 | 12,065 |
| Remeasurements of defined benefit plans, net of tax | (97) | (74) |
| Share of other comprehensive income of entities accounted for using equity method | (628) | 3,258 |
| Total other comprehensive income | (592) | 15,777 |
| Comprehensive income | 27,182 | 46,380 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 24,403 | 41,846 |
| Comprehensive income attributable to non-controlling interests | 2,778 | 4,533 |

(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

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.

NIPPON STEEL CORPORATION's Tender Offer for the Company's Common Shares

At the Board of Directors meeting held on December 21, 2022, a resolution was adopted to state the Company's opinion regarding NIPPON STEEL CORPORATION's planned tender offer for the Company's common shares ("Company's shares") ("the Tender Offer") that if Nippon Steel Corporation commenced a tender offer, it would support the tender offer and recommend that the Company's shareholders accept the tender offer.

For details, refer to "Declaration of Opinion in Support of the Planned Commencement of the Tender Offer for the Shares of the Company by NIPPON STEEL CORPORATION (a Related Company of the Company) and Recommendation for the Tender Offer" released December 21, 2022.

(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 nine months of the previous fiscal year has also been changed accordingly.

I Nine Months of Previous Fiscal Year (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 | Foodstuffs | Textiles | Total | | | | |
| Net sales | | | | | | | | | |
| Sales to external customers | 1,142,245 | 64,361 | 80,660 | 72,033 | 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 | 80,660 | 72,037 | 1,360,227 | 298 | 1,360,525 | (970) | 1,359,554 |
| Segment profit (loss) (Ordinary profit (loss)) | 32,346 | 2,768 | 2,556 | (702) | 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.

II Nine Months of Fiscal Year Under Review (April 1, 2022 to December 31, 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 | 1,460,524 | 75,170 | 96,264 | 9,085 | 1,641,045 | 457 | 1,641,503 | – | 1,641,503 |
| Intersegment sales or transfers | 487 | 509 | – | – | 997 | 50 | 1,048 | (1,048) | – |
| Total | 1,461,012 | 75,680 | 96,264 | 9,085 | 1,642,043 | 508 | 1,642,552 | (1,048) | 1,641,503 |
| Segment profit (Ordinary profit) | 37,641 | 816 | 1,977 | 1,567 | 42,003 | 73 | 42,077 | (0) | 42,077 |

- (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 nine months under review was ¥2,015 million.