

FY2022 Financial Results

May 11, 2023



日鉄物産
NIPPON STEEL TRADING

Executive Summary

- FY2022, ordinary profit was an all-time high of ¥51.3 billion even in the sluggish environment of the Steel business, due to the effects of execution of the measures in the medium- to long-term management plan and rising trend in the domestic steel prices and recovery in the performance of Textiles business.
- Net profit stayed elevated at ¥33.5 billion, despite the drop of specific factors in the previous year.
- TOB by Nippon Steel was established, and we will promote succession of the medium- to long-term management plan, as well as pursue synergies as Nippon Steel Group company.

	FY2019 results	FY2020 results	FY2021 results	(February forecast) FY2022 results	Medium- to long- term management plan FY2023 target
Ordinary profit (billions of yen)	33.2	25.7	47.8	(46.0) 51.3	42.0
Net profit (billions of yen)	20.7	15.9	35.4	(31.0) 33.5	28.0+α

Note) We resolved on December 21, 2022 not to implement the year-end dividend for the fiscal year ended March 2023 as a result of TOB implementation, and have already made a disclosure about it.

[TOB related major schedule]

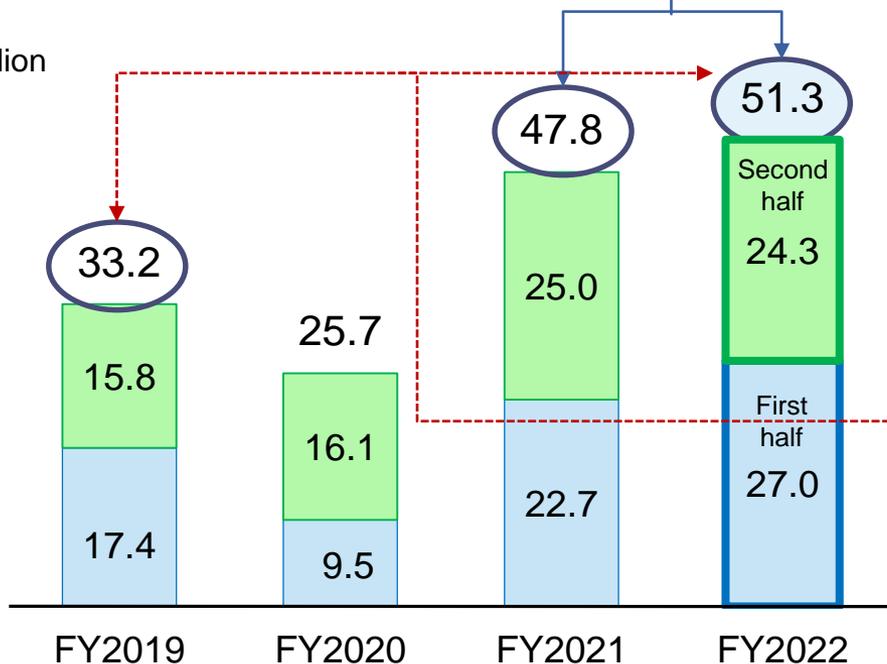
- April 10, 2023 TOB completion
- June 2, 2023 (planned) Extraordinary general meeting of shareholders (squeeze-out resolution)
- June 2023 (planned) TSE Prime delisting

Key Points of the FY2022 Financial Results

- Ordinary profit ¥51.3 billion (+¥3.5 billion year on year); due to the effects of execution of the measures in the medium- to long-term management plan and rising trend in the domestic steel prices and recovery in Textiles business performance.
- Net profit ¥33.5 billion (-¥1.9 billion year on year)

Ordinary profit trend

¥ billion



2021→2022
Ordinary profit +¥3.5 billion

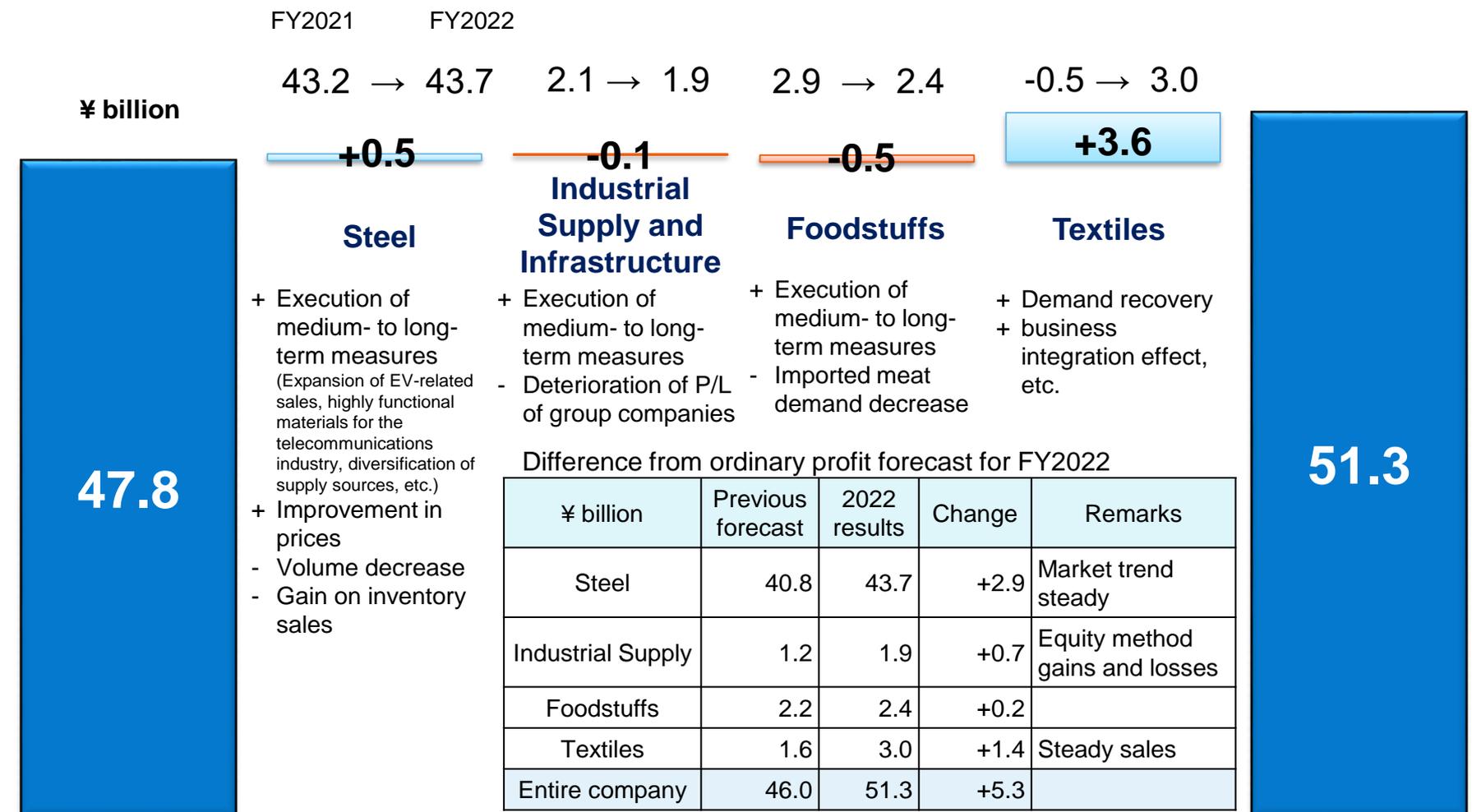
Gain on steel inventory sales difference -¥7.6 billion
 Business environment change, etc -¥0.6 billion
 Growth strategy +¥5.7 billion
 Strengthening of business foundation (Cutting fixed costs) +¥2.4 billion
 Textiles business +¥3.6 billion

2019→2022
Ordinary profit +¥18.0 billion

Business environment change, etc. +¥0.4 billion
 Growth strategy +¥11.5 billion
 Strengthening of business foundation (Cutting fixed costs) +¥7.8 billion
 Textiles business -¥1.6 billion

Factors Increasing and Decreasing Ordinary Profit

(FY2021 Results→FY2022 Results)



FY2021 results

+¥3.5 billion

FY2022 results

Increases and Decreases in Ordinary Profit of Steel Business

(FY2021 Results→FY2022 Results)



FY2021 results

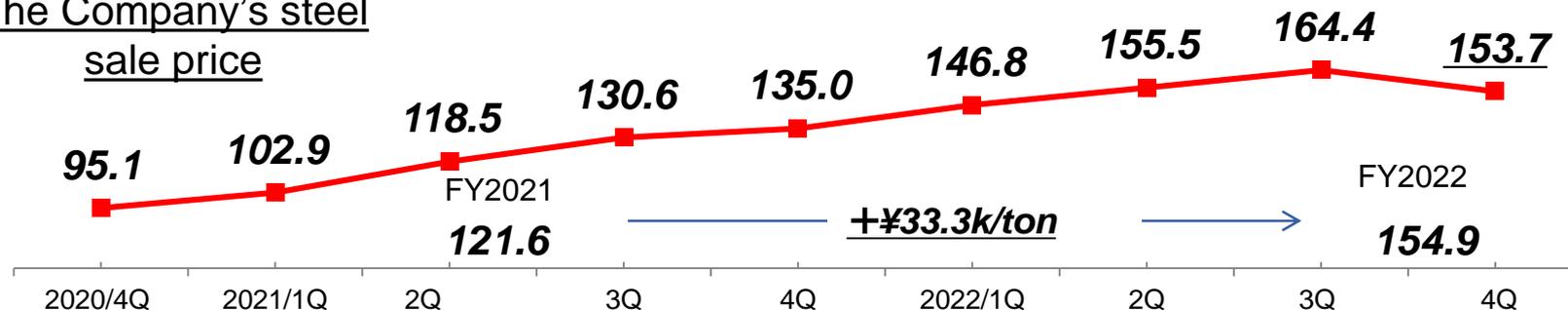
Ordinary profit +¥0.5 billion

FY2022 results

Consolidated steel handling volume

10,000 tons	FY2021	FY2022	Change
Consolidated total	1,865	1,652	-213
Non-consolidated	1,413	1,222	-191
Subsidiaries	452	430	-22

The Company's steel sale price

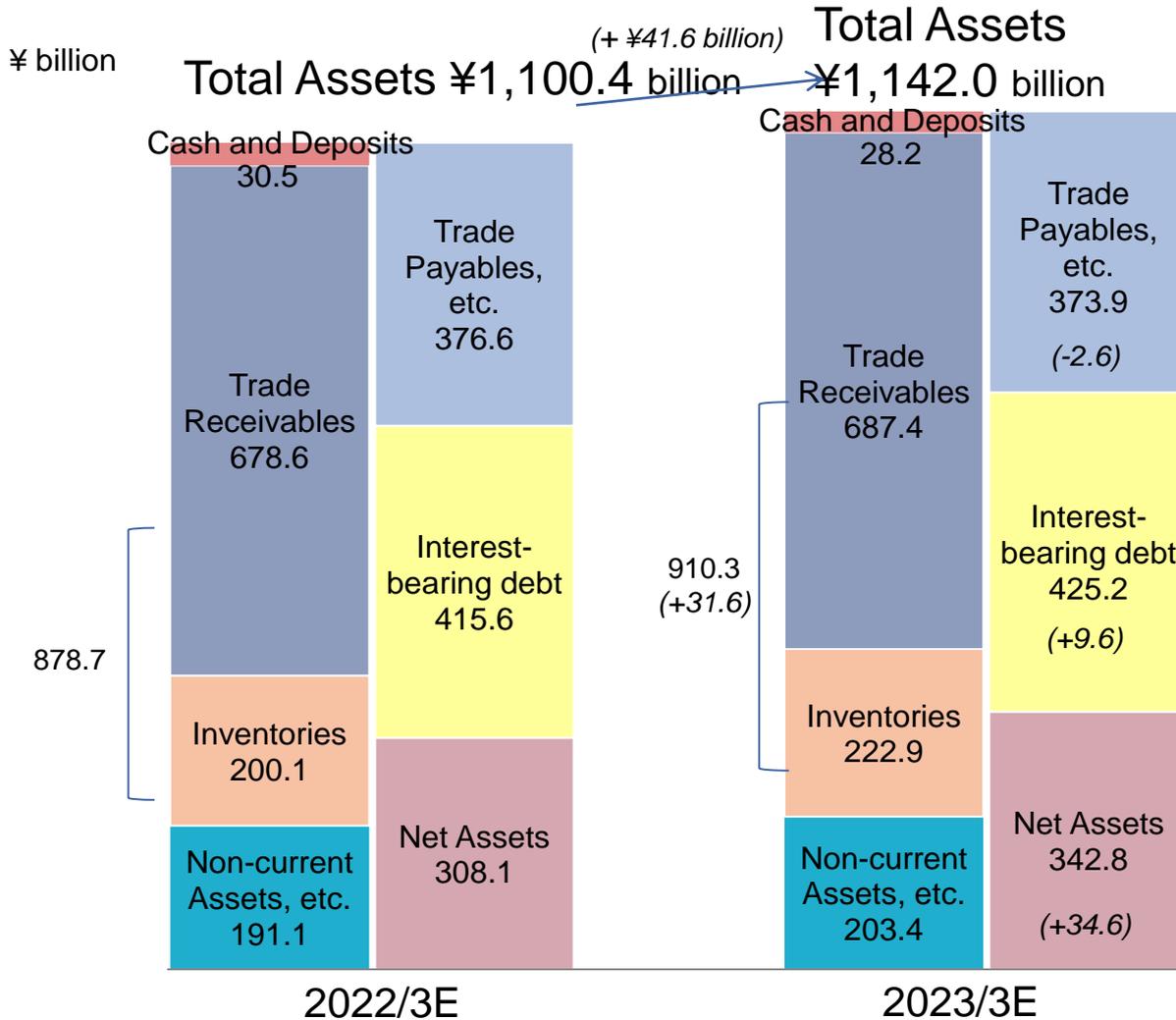


Extraordinary Income (Loss)

¥ billion	FY2021	FY2022	Change
Gain on sale of non-current assets	-	3.69	+ 3.69
Gain on sale of investment securities	1.03	0.08	- 0.95
Gain on sales of investments in capital	0.02	0.27	+ 0.26
Reversal of provision for loss on guarantees	0.09	-	- 0.09
Gain on change in equity	3.75	-	- 3.75
Total extraordinary income	4.88	4.05	- 0.83
Impairment loss	0.03	3.18	- 3.15
Amortization of goodwill	-	0.12	- 0.12
Loss on sale of investment securities	0.18	0.01	+ 0.17
Loss on valuation of investment securities	0.23	0.59	- 0.37
Loss on sales of investments in capital	0.04	-	+ 0.04
Loss on valuation of investments in capital	0.08	-	+ 0.08
Loss on liquidation of subsidiaries and associates	0.04	0.07	- 0.03
Loss on change in equity	-	0.12	- 0.12
Total extraordinary losses	0.59	4.08	- 3.49
Total extraordinary income (loss)	4.29	-0.03	- 4.32

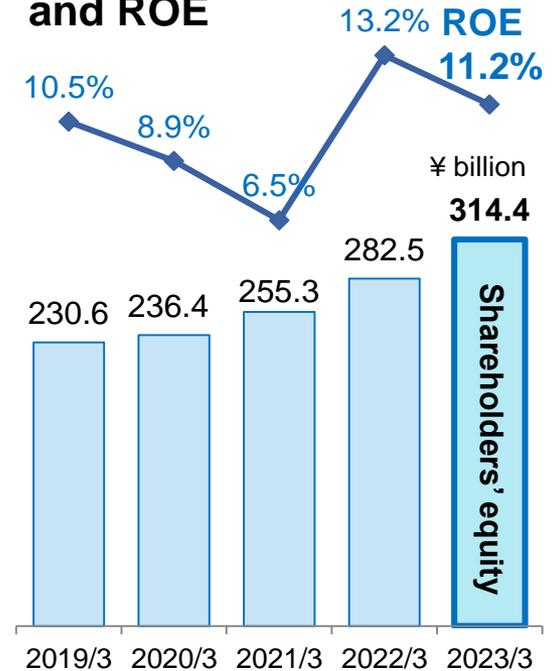
Balance Sheet

- ROE 11.2% <Medium- to long-term management plan target: approx. 9 to 10% >



	2022/3E	2023/3E	Comparison
Equity ratio	25.7%	27.5%	+1.9%
Net D/E	1.36x	1.26x	+0.10x
ROE	13.2%	11.2%	-1.9%

Shareholders' Equity and ROE



Cash Flows

¥ billion		FY2021	FY2022
	Profit before income taxes	52.1	51.2
	Depreciation	5.9	5.5
	Share of loss (profit) of entities accounted for using equity method	-2.4	-5.5
	Interest, tax and others	-6.1	-19.8
	Subtotal	49.4	31.3
	Change in working capital	-162.4	-24.4
	Operating cash flows	-113.0	6.9
	Investment cash flows	-5.3	-2.2
	Free cash flow	-118.3	4.7
	Financial cash flows (change in interest-bearing debt, etc.)	100.6	-9.4
	Change in cash and deposits	-16.4	-2.2

Including capital and business investment -9.4

Year-End Dividend

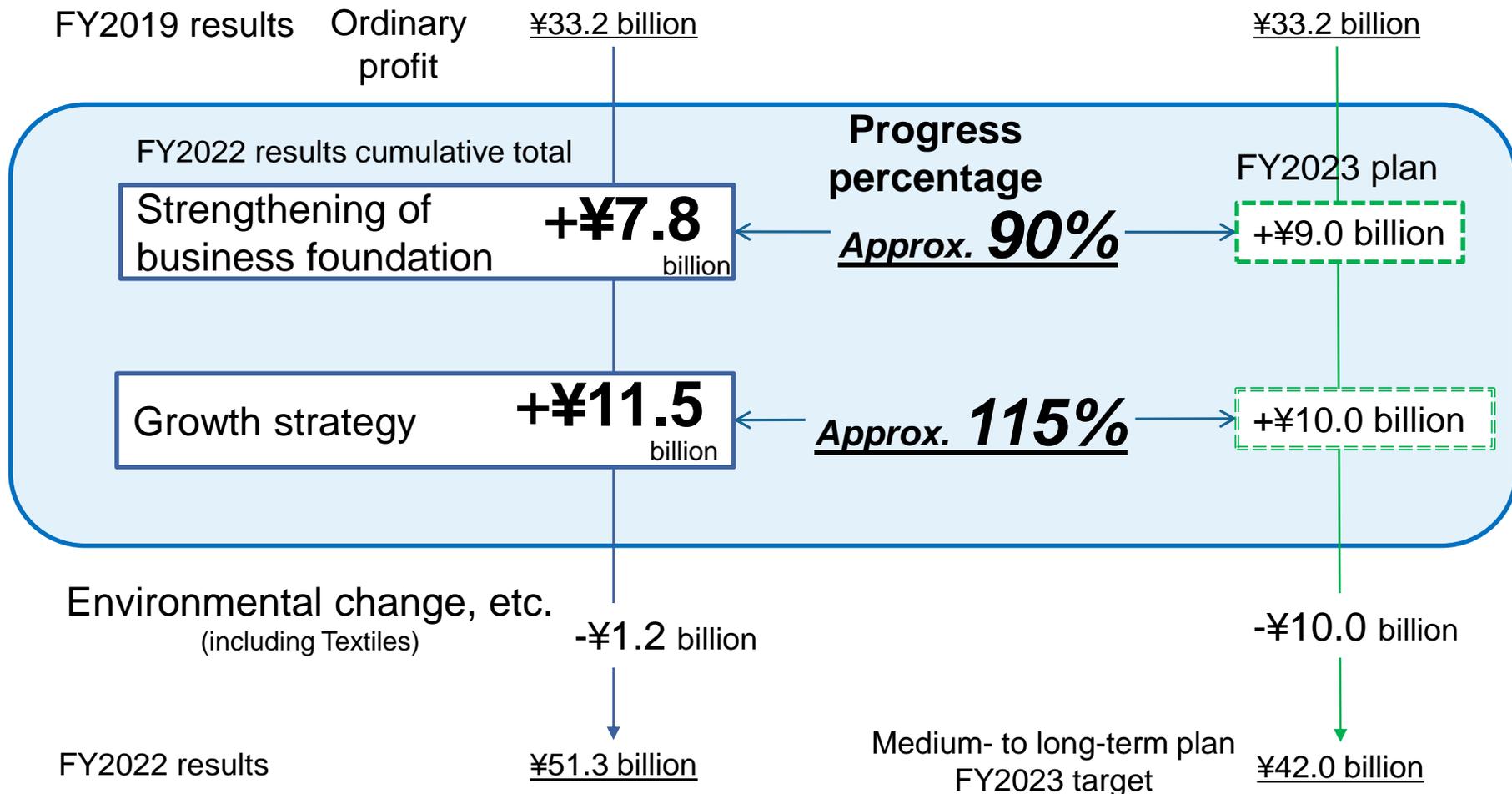
At the Board of Directors meeting held on December 21, 2022, as stated in the “Declaration of Opinion in Support of the Planned Commencement of the Tender Offer for the Shares of the Company by NIPPON STEEL CORPORATION (a Related Company of the Company) and Recommendation for the Tender Offer” announced separately on the same date, based on the fact that tender offer targeting common stock of the Company by Nippon Steel Corporation was planned to be implemented, the Company modified the dividend forecast for the fiscal year ended March 2023, which had been announced on November 8, 2022, and adopted resolution **not to pay a year-end dividend for the fiscal year ended March 2023.**

Progress Status of Medium-to Long-Term Management Plan Measures

Note) Values are shown after adjustment due to separation of Textiles Division; the same shall apply hereinafter

<Status of progress>

<Medium- to long-term management plan>



Statements of Income

¥ billion	FY2021					FY2022	Fiscal year Change
		1Q	2Q	3Q	4Q		
Net sales	1,865.9	521.3	548.1	572.0	492.7	2,134.2	268.3
<i>(ratio)</i> Overseas sales	(31.9%) 594.4	(38.9%) 202.5	(38.9%) 212.9	(39.6%) 226.4	(30.5%) 150.4	(37.1%) 792.4	(5.2%) 197.9
<i>(ratio)</i> Gross profit	(8.6%) 1,60.2	(8.6%) 44.8	(8.1%) 44.2	(8.3%) 47.4	(7.4%) 36.7	(8.1%) 173.2	(-0.5%) 12.9
Operating profit	44.6	13.5	11.0	15.0	7.9	47.6	2.9
Equity method gains and losses	2.4	1.9	0.3	0.9	2.4	5.5	3.1
Ordinary profit	47.8	16.1	10.8	15.0	9.2	51.3	3.5
Extraordinary income (loss)	4.2	1.4	-2.0	2.0	-1.5	-0.0	-4.3
Income taxes	13.7	4.9	3.1	4.8	2.7	15.7	1.9
Profit attributable to non-controlling interests	2.9	0.7	0.3	0.8	0.1	2.0	-0.8
Net profit	35.4	11.9	5.2	11.4	4.8	33.5	-1.9
EPS (yen)	1,098.03	371.16	162.01	355.43	150.40	1,039.00	-59.03

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.

These materials are not subject to the audit procedures based on the Financial Instruments and Exchange Law and do not guarantee the accuracy and the completeness of their information. Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Nothing in this document shall be considered as an offer to sell or solicitation of an offer to buy any security, commodity, or other instrument. No responsibility or liability can be accepted for errors or omissions or for any losses arising from the use of this information.

For details of the TOB described in these materials, 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.

(<https://www.nst.nipponsteel.com/en/news/assets/pdf/100780abe3c571332bee1fe391d1f8a37a45dfd5.pdf>)

After tender offer for the common stock of the Company by Nippon Steel Corporation is established and going through a series of procedures, the Company is planned to be delisted as of June 21, 2023



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