

News Release

May 6, 2016

Marubeni-Itochu Steel Inc.
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Results for FY2015

Marubeni-Itochu Steel Inc. (MISI; Yasuo Matsuura, President and CEO) is pleased to announce the following results for FY2015 (April 2015 through March 2016).

Economic Environment

The fiscal year under review was marked by continued sluggish conditions in the global economy at large, linked to the slowdown of China's economy and the falling prices of crude oil, iron ore and other resources. Business retreated in both newly emerging markets and developing nations. In contrast, activity in industrialized countries remained relatively robust, supported by monetary easing policies and other developments. The Japanese economy felt the impact of the worsened economic situation overseas, uncertainty on financial markets and other negative trends. This resulted in persistently bearish tendencies, slumping personal consumption and anemic export growth.

Turning to the steel industry, worldwide crude steel production (calendar year base) fell 2.9 percent from the previous year to around 1.6211 billion tons (source: World Steel Association figures). Japan's nationwide crude steel production was constrained by the general slump in domestic demand and the impact of a rash of trade issues overseas on external demand. As a result, Japanese crude steel production for the fiscal year under review was tracked at around 104.18 million tons (as reported by the Japan Iron and Steel Federation), down 5.2 percent from the previous year. This is the second consecutive annual drop and the lowest level since the global economic recession triggered by the collapse of Lehman Brothers.

Results of Operations for the Term under Review

Key factors reflected in the MISI Group's consolidated financial settlement for FY2015 included an increase in profit from the launch of Marubeni Itochu Sumisho Techno Steel Inc. However, steel product prices were falling, the impact of trade issues was being felt, and there were temporary losses. Against this backdrop, the MISI's consolidated financial settlement for FY2015 reflected a decrease in both revenue and profit compared to the previous year: total volume of trading transactions was at ¥1.9689 trillion, gross profit on sales at ¥113.2 billion, profit before taxes at ¥23.7 billion and profit attributable to owners of the parent at ¥13.1 billion.

Consolidated Statement of Comprehensive Income (Unaudited, IFRS basis)

MISI's consolidated statement of income figures for the FY2015 are as follows:

(Billions of yen)

Category	Results for FY2015	Results for FY2014	Increase/decrease
Total volume of trading transactions	1,968.9	2,160.2	-191.3
Gross profits	113.2	120.4	-7.2
Operating income	22.5	38.1	-15.6
Profit before taxes	23.7	38.9	-15.2
Profit attributable to owners of the parent	13.1	25.6	-12.4
Comprehensive income attributable to owners of the parent	-10.5	62.8	-73.2

For further information, please contact: https://www.benichu.com/inquiry/index_e.html

Consolidated Financial Results in FY2015 (April 1, 2015, to March 31, 2016)

(Unaudited, IFRS basis)

(Unit: Millions of yen)

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Operating Result	FY2015 Results	FY2014 Results	Change
Total volume of trading transactions (*1)	1,968,881	2,160,222	-191,341
Gross profits	113,158	120,364	-7,206
Selling, general and administrative expenses	(85,781)	(81,854)	-3,927
Provision for doubtful accounts	(4,869)	(425)	-4,444
Operating income (*1)	22,508	38,085	-15,577
Net interest expense	(3,403)	(3,225)	-178
Dividend income	1,242	1,461	-219
Gain(loss) on investment securities	(21)	215	-236
Gain(loss) on property, plant and equipment	(1,417)	(115)	-1,302
Other non-operating income(loss)	5,928	2,258	3,670
Share of profits of associates and joint ventures	(1,099)	235	-1,334
Profit before tax	23,738	38,914	-15,176
Income taxes	(8,819)	(12,707)	3,888
Profit	14,919	26,207	-11,288
Profit attributable to owners of the parent	13,145	25,593	-12,448
Profit attributable to non-controlling interests	1,774	614	1,160

Revenue	923,713	1,057,459	-133,746
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*1 Total volume of trading transactions includes all transactions involving the Company and its consolidated subsidiaries regardless of transaction type. Total volume of trading transactions and operating income are presented in accordance with Japanese accounting practice for investors' convenience and are not required by IFRS. Ordinary income reflecting the Japanese GAAP basis has been provisionally calculated at ¥20.5 billion.

Comprehensive Income	FY2015 Results	FY2014 Results	Change
Profit	14,919	26,207	-11,288
Net unrealized gain(loss) on FVTOCI	(6,211)	8,558	-14,769
Exchange differences on translating foreign operations	(14,052)	25,649	-39,701
Other	(3,509)	3,317	-6,826
Comprehensive income	(8,853)	63,731	-72,584
Comprehensive income attributable to owners of the parent	(10,496)	62,753	-73,249
Comprehensive income attributable to non-controlling interests	1,643	978	665

Financial Position	FY2015 Results	FY2014 Results	Change
Current assets	762,929	892,506	-129,577
Cash and deposits	52,802	32,885	19,917
Accounts receivable	449,531	488,317	-38,786
Inventories	222,833	299,473	-76,640
Other	37,763	71,831	-34,068
Non-current assets	217,008	239,721	-22,713
Tangible assets	79,077	82,204	-3,127
Intangible assets	17,523	17,683	-160
Investments and other assets	120,408	139,834	-19,426
Total assets	979,937	1,132,227	-152,290
Current liabilities	519,134	675,870	-156,736
Accounts payable	222,196	246,963	-24,767
Short-term debts	251,624	365,314	-113,690
Other	45,314	63,593	-18,279
Non-current liabilities	170,662	149,086	21,576
Long-term debts	152,109	128,088	24,021
Other	18,553	20,998	-2,445
Total liabilities	689,796	824,956	-135,160
Equity attributable to owners of the parent	269,083	293,614	-24,531
Common stock/Capital surplus	50,004	51,242	-1,238
Retained earnings	171,259	172,906	-1,647
Accumulated other comprehensive income	47,820	69,466	-21,646
Non-controlling interests	21,058	13,657	7,401
Total equity	290,141	307,271	-17,130
Total liabilities and equity	979,937	1,132,227	-152,290

§Management indexes pertaining to assets, liabilities and capital

Ratio of shareholders' equity (*2)	27.5%	25.9%	1.5%
Net debt equity ratio (DER) (*3)	1.3 times	1.6 times	-0.3 times

*2: Ratio of shareholders' equity = equity attributable to owners of the parent/total assets

*3: Net debt equity ratio (DER) = net interest-bearing liabilities/equity attributable to owners of the parent

Outline of consolidated financial results in FY2015

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Explanation of consolidated statements

1. Total volume of trading transactions and gross profits

While the effects of the weaker yen boosted the total volume of trading transactions, poor market conditions—primarily overseas—counteracted that positive influence. As a result, the total value of trading transactions fell by ¥191.3 billion compared to the previous year to ¥1.9689 trillion. Gross profits similarly suffered a ¥7.2 billion year-on-year loss, dropping to ¥113.2 billion.

2. Selling, general and administrative expenses

Selling, general and administrative expenses rose by ¥3.9 billion compared to the previous year. Contributing factors included the increased selling, general and administrative expenses incurred by the Company's overseas subsidiaries under the impact of the weaker yen. Provision for doubtful accounts rose by ¥4.4 billion over FY2014 to ¥4.9 billion, linked to the listing of reserves to cover overseas obligations. As a result, operating income for the year declined by ¥15.6 billion from the previous year to ¥22.5 billion.

3. Profit attributable to owners of the parent

The Company's net interest expenses, dividend income and gain/loss figure for investment securities were on a general par with the previous year. The gain/loss figure for property, plant and equipment, however, worsened by ¥1.3 billion year-on-year, primarily reflecting impairment losses of such fixed assets at overseas subsidiaries. Other non-operating gain/loss figures improved by ¥3.7 billion over FY2014, due largely to temporary profits earned through litigation. The declining performance of affiliates adopting the equity method also caused share of profits of associates and joint ventures to fall by ¥1.3 billion from the previous year. As a combined result of the above, profit before taxes declined by ¥15.2 billion compared to FY2014, with profit attributable to owners of the parent also falling by ¥12.4 billion to ¥13.1 billion after subtracting income taxes and profit attributable to non-controlling interests.

4. Comprehensive income attributable to owners of the parent

Comprehensive income attributable to owners of the parent during FY2015 worsened by ¥73.2 billion compared to the previous year, recording a deficit of ¥10.5 billion. Contributing factors included the decline in profit attributable to owners of the parent, the foreign exchange rate as the yen appreciated at the end of the year under review compared to the end of the previous year, and lower stock prices. A drop in other comprehensive income was another factor, reflecting the higher stock prices and the yen's depreciation during the previous fiscal year.

5. Equity attributable to owners of the parent

Equity attributable to owners of the parent at the end of FY2015 fell by ¥24.5 billion versus the end of the previous fiscal year, to ¥269.1 billion. Major factors included payments related to dividends and reductions charted in accumulated other comprehensive income. The Company's consolidated ratio of shareholder's equity grew 1.5 percent to 27.5 percent, reflecting a decrease in total assets by ¥152.3 billion to ¥979.9 billion due to a decrease in inventories and other related developments.

6. Net interest-bearing liabilities

Under the impact of improved operating capital accompanying reduced inventories and other contributing factors, the Company's gross interest-bearing liabilities at the end of FY2015 totaled ¥403.7 billion. That was ¥89.7 billion under the figure at the end of the previous year. Net interest-bearing liabilities fell by ¥109.6 billion over the final FY2014 figure to reach ¥350.9 billion. This resulted in a net debt equity ratio of 1.3.

Number of Group companies reporting a profit/loss

	No. of Companies	Change from the Previous Term	Profit	Loss	Ratio of Companies Making a Profit
Domestic	21	0	20	1	95.2%
	55	-1	34	21	61.8%
Overseas	76	-1	54	22	71.1%
No. of subsidiaries					
Domestic	14	0	13	1	92.9%
Overseas	30	1	14	16	46.7%
No. of associates and joint ventures	44	1	27	17	61.4%
Total	120	0	81	39	67.5%