

News Release

November 4, 2016

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Results for the First Half of FY2016

Marubeni-Itochu Steel Inc. (MISI; Yasuo Matsuura, President and CEO) is pleased to announce the following results for the first half of FY2016 (April through September 2016).

Economic Environment

The global economy during the first half of FY2016 displayed anemic tendencies in terms of overall strength. While the U.S. economy continued to perform in generally robust fashion, there was uncertainty over the impact of Great Britain's impending exit from the European Union to the global economy and the lack of any striking advance in business sentiment in China.

In Japan, despite some signs of economic brightness, personal consumption has yet to emerge from its stagnant mode, with a bearish tendency also extending to capital investment across all industries, exports and most all other indices. This has translated into uncertainty over the future. Nationwide crude steel production during the first half of FY2016 (April through September) was tracked at 52.54 million tons, up 0.9 percent from the first half of FY2015 (based on figures from the Japan Iron and Steel Federation), or roughly the same level as the first half of FY2015. This low level of growth underscores the sluggish pace of recovery.

Results of Operations for the Term under Review

Solid progress by our construction material business in the United States buoyed the company's consolidated performance for the first half, as did sustained strength in the coil center sector both in Japan and abroad. Negative factors included a major downturn in the steel pipe business linked to the continuing slump in energy prices and no indication of recovery in oil and gas development. Other factors include a trend toward the yen gaining

greater foreign exchange market strength. The Company's total volume of trading transactions for the first half finished at ¥830 billion, operating income was ¥12.3 billion, and profit attributable to owners of the parent was ¥7.2 billion—representing income and profit below the figures for the first half of FY2015 in all categories.

Statement of Consolidated Income (Unaudited, IFRS basis)

MISI's consolidated income figures for the first half of FY2016 are as follows:

(Billions of yen)

| Category | Result for the First Half of FY2016 | Result for the First Half of FY2015 | Increase/Decrease |
|---|-------------------------------------|-------------------------------------|-------------------|
| Total volume of trading transactions | 830.0 | 1019.5 | -189.5 |
| Gross profits | 53.1 | 59.0 | -5.9 |
| Operating income | 12.3 | 14.9 | -2.6 |
| Profit before tax | 13.5 | 15.5 | -2.0 |
| Profit attributable to owners of the parent | 7.2 | 9.1 | -1.9 |

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

Consolidated Financial Results in First Half of FY2016 (April 1 to September 30)

(Unaudited, IFRS basis)

(Unit: Millions of yen)

| Operating result | FY2016 First Half Results | FY2015 First Half Results | Change |
|---|---------------------------|---------------------------|----------|
| Total volume of trading transactions (*1) | 829,960 | 1,019,491 | -189,531 |
| Gross profits | 53,100 | 59,049 | -5,949 |
| Selling, general and administrative expenses | -40,702 | -42,999 | 2,297 |
| Provision for doubtful accounts | -90 | -1,139 | 1,049 |
| Operating income (*1) | 12,308 | 14,911 | -2,603 |
| Net interest expense | -1,499 | -1,841 | 342 |
| Dividend income | 671 | 776 | -105 |
| Gain(loss) on investment securities | 106 | -153 | 259 |
| Gain(loss) on property, plant and equipment | 8 | -145 | 153 |
| Other non-operating income(loss) | 1,693 | 1,812 | -119 |
| Share of profits of associates and joint ventures | 256 | 137 | 119 |
| Profit before tax | 13,543 | 15,497 | -1,954 |
| Income taxes | -4,523 | -5,699 | 1,176 |
| Profit | 9,020 | 9,798 | -778 |
| Profit attributable to owners of the parent | 7,226 | 9,104 | -1,878 |
| Profit attributable to non-controlling interests | 1,794 | 694 | 1,100 |

| | | | |
|---------|---------|---------|----------|
| Revenue | 357,166 | 497,237 | -140,071 |
|---------|---------|---------|----------|

*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 ¥13.4 billion.

| Comprehensive income | FY2016 First Half Results | FY2015 First Half Results | Change |
|--|---------------------------|---------------------------|---------|
| Profit | 9,020 | 9,798 | -778 |
| Net unrealized gain(loss) on FVTOCI | 417 | -5,267 | 5,684 |
| Exchange differences on translating foreign operations | -20,896 | -2,495 | -18,401 |
| Other | -3,212 | 103 | -3,315 |
| Comprehensive income | -14,671 | 2,139 | -16,810 |
| Comprehensive income attributable to owners of the parent | -15,942 | 1,706 | -17,648 |
| Comprehensive income attributable to non-controlling interests | 1,271 | 433 | 838 |

(Unit: Millions of yen)

| Financial position | FY2016 First Half Results | FY2015 Results | Change |
|---|---------------------------|----------------|---------|
| Current assets | 695,524 | 762,929 | -67,405 |
| Cash and deposits | 55,881 | 52,802 | 3,079 |
| Accounts receivable | 411,520 | 449,531 | -38,011 |
| Inventories | 194,415 | 222,833 | -28,418 |
| Other | 33,708 | 37,763 | -4,055 |
| Non-current assets | 200,757 | 217,008 | -16,251 |
| Tangible assets | 71,623 | 79,077 | -7,454 |
| Intangible assets | 15,729 | 17,523 | -1,794 |
| Investments and other assets | 113,405 | 120,408 | -7,003 |
| Total assets | 896,281 | 979,937 | -83,656 |
| Current liabilities | 457,582 | 519,134 | -61,552 |
| Accounts payable | 204,298 | 222,196 | -17,898 |
| Short-term debts | 205,902 | 251,624 | -45,722 |
| Other | 47,382 | 45,314 | 2,068 |
| Non-current liabilities | 170,933 | 170,662 | 271 |
| Long-term debts | 151,975 | 152,109 | -134 |
| Other | 18,958 | 18,553 | 405 |
| Total liabilities | 628,515 | 689,796 | -61,281 |
| Equity attributable to owners of the parent | 247,407 | 269,083 | -21,676 |
| Common stock/Capital surplus | 50,843 | 50,004 | 839 |
| Retained earnings | 172,044 | 171,259 | 785 |
| Accumulated other comprehensive income | 24,520 | 47,820 | -23,300 |
| Non-controlling interests | 20,359 | 21,058 | -699 |
| Total equity | 267,766 | 290,141 | -22,375 |
| Total liabilities and equity | 896,281 | 979,937 | -83,656 |

§Management indexes pertaining to assets, liabilities and capital

| | | | |
|------------------------------------|-----------|-----------|------------|
| Ratio of shareholders' equity (*2) | 27.6% | 27.5% | 0.1% |
| Net debt equity ratio (DER) (*3) | 1.2 times | 1.3 times | -0.1 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 first half of FY2016

The global economy during the first half of FY2016 displayed anemic tendencies in terms of overall strength. While the U.S. economy continued to perform in generally robust fashion, there was uncertainty over the impact of Great Britain's impending exit from the European Union to the global economy and the lack of any striking advance in business sentiment in China.

In Japan, despite some signs of economic brightness, personal consumption has yet to emerge from its stagnant mode, with a bearish tendency also extending to capital investment across all industries, exports and most all other indices. This has translated into uncertainty over the future. Nationwide crude steel production during the first half of FY2016 (April through September) was tracked at 52.54 million tons, up 0.9 percent from the first half of FY2015 (based on figures from the Japan Iron and Steel Federation), or roughly the same level as the first half of FY2015. This low level of growth underscores the sluggish pace of recovery.

Against this backdrop, solid progress by our construction material business in the United States buoyed the company's consolidated performance for the first half, as did sustained strength in the coil center sector both in Japan and abroad. Negative factors included a major downturn in the steel pipe business linked to the continuing slump in energy prices and no indication of recovery in oil and gas development. Other factors include a trend toward the yen gaining greater foreign exchange market strength. The Company's total volume of trading transactions for the first half finished at ¥830 billion, operating income was ¥12.3 billion, and profit attributable to owners of the parent was ¥7.2 billion—representing income and profit below the figures for the first half of FY2015 in all categories.

Explanation of consolidated statements

1. Total volume of trading transactions and gross profits

The total volume of trading transactions during the first half of FY2016 retreated by ¥189.5 billion from the first half of FY2015 to ¥830 billion. This reflected decreased revenues from the yen's appreciation, together with worsened market conditions primarily overseas. Gross profits reflected the impact of lower revenues, declining by ¥5.9 billion year-on-year to ¥53.1 billion.

2. Selling, general and administrative expenses

Selling, general and administrative expenses dropped by ¥2.3 billion compared to the same period the previous year. Factors included decreased selling, general and administrative expenses for the Company's overseas subsidiaries under the impact of the appreciating yen. Provisions for doubtful accounts fell by ¥1 billion year-on-year—largely from the effects of the listing of reserves for doubtful accounts overseas in the first half of FY2015. As a result of the decline in gross profits, however, operating income fell by ¥2.6 billion from the first half of FY2015 to ¥12.3 billion.

3. Profit attributable to owners of the parent

The Company's net interest expenses improved by ¥0.3 billion from the first half of FY2015, primarily thanks to lower net interest-bearing liabilities. The dividend income, gain(loss) on investment securities, gain(loss) on property, plant and equipment, other non-operating income(loss), and share of profits of associates and joint ventures finished on a general par with same period last year. As a collective result, profit before tax fell by ¥2 billion from the first half of FY2015, while profit attributable to owners of the parent declined by ¥1.9 billion to ¥7.2 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 for the first half of FY2016 worsened to -¥15.9 billion, down by ¥17.6 billion from the first half of the previous year. Contributing factors included lower current profit attributable to owners of the parent, the year-on-year worsening in other comprehensive income connecting the yen's appreciation and other developments.

5. Equity attributable to owners of the parent

Equity attributable to owners of the parent at the end of the first half of FY2016 was ¥247.4 billion, trailing the end of the previous fiscal year's total by ¥21.7 billion. This was the result of a decline in other accumulated comprehensive income under the stronger yen and other elements. The Company's consolidated ratio of shareholders' equity improved by 0.1 percent to 27.6 percent, reflecting a ¥83.7 billion decrease in total assets to ¥896.3 billion attributable to drops in accounts receivable, inventory and other indices.

6. Net interest-bearing liabilities

Gross interest-bearing liabilities at the end of the first half of FY2016 totaled ¥357.9 billion, a decline of ¥45.9 billion from FY2015 levels. Factors driving this development were a reduction in the net interest-bearing liability of the Company's overseas subsidiaries affected by higher yen along with improvements in operating capital due to lower accounts receivable, inventory and other factors. Net interest-bearing liabilities fell by ¥48.9 billion to finish at ¥302 billion compared to the end of FY2015. This resulted in a net debt equity ratio (DER) of 1.2.

Number of Group companies reporting a profit/loss

| | No. of Companies | Change from the End of Previous Term | Profit | Loss | Ratio of Companies Making a Profit |
|--------------------------------------|------------------|--------------------------------------|--------|------|------------------------------------|
| | | | | | |
| Domestic | 21 | 0 | 18 | 3 | 85.7% |
| | 54 | -1 | 35 | 19 | 64.8% |
| Overseas | 75 | -1 | 53 | 22 | 70.7% |
| No. of subsidiaries | 75 | -1 | 53 | 22 | 70.7% |
| Domestic | 13 | -1 | 11 | 2 | 84.6% |
| | 28 | -2 | 15 | 13 | 53.6% |
| Overseas | 41 | -3 | 26 | 15 | 63.4% |
| No. of associates and joint ventures | 41 | -3 | 26 | 15 | 63.4% |
| Total | 116 | -4 | 79 | 37 | 68.1% |