MARUBENI ITOCHU STEEL

News Release

May 2, 2017

Marubeni-Itochu Steel Inc.
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Chuo-ku, Tokyo 103-8247

Results for FY2016

Marubeni-Itochu Steel Inc. (MISI; Tomohito Kaneda, President and CEO) is pleased to announce the following results for FY2016 (April 2016 through March 2017).

Economic Environment

The first half of the fiscal year under review saw a slight slowdown in the global economy at large, reflecting turmoil in European economies linked to Great Britain's Brexit decision to withdraw from the European Union, uncertainty in the Chinese economy and other contributing factors. The second half, however, was buoyed by developments such as a turnaround in China's economic situation and recoveries in some emerging economies. Further rebound trends surfaced in the wake of the U.S. presidential election last November.

The Japanese economy struggled under the continued slump in personal consumption, with capital investment and exports remaining flat as the year unfolded. Business sentiment improved after the U.S. election, supported by bullish stock prices and a weaker yen.

Turning to the steel industry, worldwide crude steel production (calendar year 2016 base) rose by 0.9 percent from the preceding year to around 1.63 billion tons (source: World Steel Association). Asian demand held firm, and domestic demand for steel in China turned upward from the summer and the market for steel products also improved. Although the Chinese government backs policies to curb steel production capacity, during FY2016 the nation's output actually increased for the first time in two years.

In Japan, the first half of 2016 witnessed slumping sales in mini-vehicles stemming from revisions in the tax system as well as sluggish demand for construction materials and other worrisome tendencies. The market regained momentum from the summer onward, however, with crude steel production volume bettering previous year figures from the October-December quarter. As a result, Japanese crude steel production for the fiscal year under review was tracked at around 105.16 million tons (as reported by the Japan Iron and Steel Federation), up 0.9 percent from the previous year, representing the first increase in three years.

Results of Operations for the Term under Review

Key factors reflected in the MISI Group's consolidated financial settlement for FY2016 included the lower than expected performance of its steel pipe business in the energy supply-demand environment, robust results for the U.S. construction materials business, higher earnings by both domestic and overseas subsidiaries, and a resurgence in the steel product market from the second half. Against this backdrop, the MISI Group's consolidated financial settlement for FY2016 reflected a decrease in income and growth in profit compared to the previous year: gross profit on sales at ¥110.6 billion, profit before tax at ¥26.6 billion and profit attributable to owners of the parent at ¥15.1 billion.

Consolidated Statement of Comprehensive Income (Unaudited, IFRS basis)

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

(Billions of yen)

Category	Results for FY2016	Results for FY2015	Increase/decrease
Total volume of trading transactions	1,797.7	1,968.9	-171.2
Gross profits	110.6	113.2	-2.6
Operating income	28.8	22.5	+6.3
Profit before taxes	26.6	23.7	+2.9
Profit attributable to owners of the parent	15.1	13.1	+2.0
Comprehensive income attributable to owners of the parent	16.3	-10.5	+26.8

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

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Consolidated Financial Results in FY2016 (April 1, 2016 to March 31, 2017)

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2016 Results	FY2015 Results	Change
Total volume of trading transactions (*1)	1,797,730	1,968,881	-171,151
Gross profits	**110,561**	**113,158**	**-2,597**
Selling, general and administrative expenses	(82,340)	(85,781)	3,441
Provision for doubtful accounts	533	(4,869)	5,402
Operating income (*1)	**28,754**	**22,508**	**6,246**
Net interest expense	(2,915)	(3,403)	488
Dividend income	1,059	1,242	-183
Gain(loss) on investment securities	62	(21)	83
Gain(loss) on property, plant and equipment	(119)	(1,417)	1,298
Other non-operating income(loss)	747	5,928	-5,181
Share of profits of associates and joint ventures	(977)	(1,099)	122
Profit before tax	**26,611**	**23,738**	**2,873**
Income taxes	(8,419)	(8,819)	400
Profit	18,192	14,919	3,273
Profit attributable to owners of the parent	**15,116**	**13,145**	**1,971**
Profit attributable to non-controlling interests	3,076	1,774	1,302
Revenue	755,172	923,713	-168,541

*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 ¥26.8 billion.

Comprehensive Income	FY2016 Results	FY2015 Results	Change
Profit	18,192	14,919	3,273
Net unrealized gain(loss) on FVTOCI	6,073	(6,211)	12,284
Exchange differences on translating foreign operations	(2,796)	(14,052)	11,256
Other	(1,768)	(3,509)	1,741
Comprehensive income	19,701	(8,853)	28,554
Comprehensive income attributable to owners of the parent	**16,304**	**-10,496**	**26,800**
Comprehensive income attributable to non-controlling interests	3,397	1,643	1,754

(Unit: Millions of yen)

Financial Position	FY2016 Results	FY2015 Results	Change
Current assets	**814,210**	**762,929**	**51,281**
Cash and deposits	67,160	52,802	14,358
Accounts receivable	488,491	449,531	38,960
Inventories	217,875	222,833	-4,958
Other	40,684	37,763	2,921
Non-current assets	**221,899**	**217,008**	**4,891**
Tangible assets	73,924	79,077	-5,153
Intangible assets	18,988	17,523	1,465
Investments and other assets	128,987	120,408	8,579
Total assets	**1,036,109**	**979,937**	**56,172**
Current liabilities	**549,511**	**519,134**	**30,377**
Accounts payable	257,546	222,196	35,350
Short-term debts	225,764	251,624	-25,860
Other	66,201	45,314	20,887
Non-current liabilities	**183,457**	**170,662**	**12,795**
Long-term debts	161,849	152,109	9,740
Other	21,608	18,553	3,055
Total liabilities	**732,968**	**689,796**	**43,172**
Equity attributable to owners of the parent	**280,185**	**269,083**	**11,102**
Common stock/Capital surplus	51,375	50,004	1,371
Retained earnings	180,632	171,259	9,373
Accumulated other comprehensive income	48,178	47,820	358
Non-controlling interests	22,956	21,058	1,898
Total equity	**303,141**	**290,141**	**13,000**
Total liabilities and equity	**1,036,109**	**979,937**	**56,172**

§Management indexes pertaining to assets, liabilities and capital

Ratio of shareholders' equity (*2)	27.0%	27.5%	- 0.4%
Net debt equity ratio (DER) (*3)	1.1 times	1.3 times	-0.2 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 FY2016

The first half of the fiscal year under review saw a slight slowdown in the global economy at large, reflecting turmoil in European economies linked to Great Britain's Brexit decision to withdraw from the European Union, uncertainty in the Chinese economy and other contributing factors. The second half, however, was buoyed by developments such as a turnaround in China's economic situation and recoveries in some emerging economies. Further rebound trends surfaced in the wake of the U.S. presidential election last November.

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In Japan, the first half of 2016 witnessed slumping sales in light vehicles stemming from revisions in the tax system as well as sluggish demand for construction materials and other worrisome tendencies. The market regained momentum from the summer onward, however, with crude steel production volume bettering previous year figures from the October-December quarter. As a result, Japanese crude steel production for the fiscal year under review was tracked at around 105.16 million tons (as reported by the Japan Iron and Steel Federation), up 0.9 percent from the previous year, representing the first increase in three years.

Key factors reflected in the MISI Group's consolidated financial settlement for FY2016 included the lower than expected performance of its steel pipe business in the energy supply-demand environment, robust results for the U.S. construction materials business, higher earnings by both domestic and overseas subsidiaries, and the steel market price hike from the second half. Against this backdrop, the MISI Group's consolidated financial settlement for FY2016 reflected a decrease in income and growth in profit compared to the previous year: gross profit on sales at ¥110.6 billion, profit before tax at ¥26.6 billion and profit attributable to owners of the parent at ¥15.1 billion.

Explanation of consolidated statements

1. Total volume of trading transactions and gross profits

The effects of the stronger yen, falling prices for crude oil and other resources combined with negative factors caused the total value of trading transactions to fall by ¥171.2 billion compared to the previous year to ¥1,797.7 billion. Gross profits suffered a ¥2.6 billion year-on-year loss, dropping to ¥110.6 billion, affected by the impact of the fall in revenues.

2. Selling, general and administrative expenses

Selling, general and administrative expenses fell by ¥3.4 billion compared to the previous year. Contributing factors included the lower selling, general and administrative expenses at the Company's overseas subsidiaries thanks to the stronger yen. Provision for doubtful accounts accrued this year declined by ¥ 5.4 billion over FY2015, mainly because most of the funds the Company reserved last year for doubtful overseas accounts receivable were unnecessary. As a result, operating income for the year increased by ¥6.2 billion from the previous year to ¥28.8 billion.

3. Profit attributable to owners of the parent

The Company's net interest expenses improved by ¥0.5 billion compared to the previous year thanks to a decline in interest-bearing debt and other developments. Dividend income and the gain/loss figure for investment securities were on a general par with the previous year. The gain/loss figure for property, plant and equipment improved by ¥1.3 billion year-on-year, primarily reflecting impairment losses of such fixed assets at overseas subsidiaries in the previous year. Other non-operating income/loss figures worsened by ¥5.2 billion over FY2015, chiefly due to temporary profits earned through litigation during the previous year. The share of profits of associates and joint ventures was roughly at the previous year's level. As a combined result of the above, profit before taxes rose by ¥2.9 billion from FY2015, with profit attributable to owners of the parent also growing by ¥2 billion to ¥15.1 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 FY2016 improved ¥26.8 billion compared to the previous year, ending at ¥16.3 billion. Contributing factors included the gain in profit attributable to owners of the parent, improvements in other comprehensive income compared to the previous year affected by the lower stock prices and stronger yen experienced during FY2015.

5. Equity attributable to owners of the parent

Equity attributable to owners of the parent at the end of FY2016 rose by ¥11.1 billion versus the end of the previous fiscal year, reaching ¥280.2 billion. Although dividends were paid out, this gain reflected the large accumulation of profit attributable to owners of the parent. The Company's consolidated ratio of shareholders' equity declined 0.4 percent to 27.0 percent, reflecting an increase in total assets by ¥56.2 billion to ¥1.0361 trillion, owing to an increase in accounts receivable and other related developments.

6. Net interest-bearing liabilities

As the result of progress in the repayments of loans both in Japan and abroad, the Company's gross interest-bearing liabilities at the end of FY2016 totaled ¥387.6 billion. That was ¥16.1 billion under the figure at the end of the previous year. Net interest-bearing liabilities fell by ¥30.5 billion over the final FY2015 figure to reach ¥320.5 billion. This resulted in a net debt equity ratio of 1.1.

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	22	1	21	1	95.5%
	Overseas	53	-2	37	16	69.8%
No. of subsidiaries		75	-1	58	17	77.3%
	Domestic	13	-1	13	0	100.0%
	Overseas	27	-3	15	12	55.6%
No. of associates and joint ventures		40	-4	28	12	70.0%
Total		115	-5	86	29	74.8%