



News Release

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Results for the First Half of FY2018

Marubeni-Itochu Steel Inc. (MISI; Tomohito Kaneda, President and CEO) is pleased to announce the following results for the first half of FY2018 (April through September 2018).

Economic Environment

In the global economy during the first half of FY2018, the U.S., Europe and other developed nations continued to perform robustly. Business activity in China also remained strong, while the nations of Southeast Asia and other newly emerging markets generally posted growth above the previous fiscal year levels.

In Japan, the impact of torrential rains in the western part of the nation, severe typhoons in the Kansai area, a major earthquake in Hokkaido and other natural disasters contributed to declining activity levels at some companies. Despite this, personal consumption and capital investment sustained high levels overall.

Turning to the steel industry, global crude steel production during the first half of calendar 2018 (January to June) was tracked at 881.46 million tons, up 4.6 percent from the same period the previous year based on figures from the World Steel Association. Contributing factors included general demand increases in the U.S., China, Southeast Asia and other regions.

In Japan, while demand in general remained strong in construction, automobiles and other major sectors, production at certain steel manufacturers was affected by disasters occurring during the summer. Overall, domestic crude steel production for the first half of FY2018 (April through September) rose by 0.3 percent over the same period the previous year to 52.21 million tons (based on figures from the Japan Iron and Steel Federation).

Results of Operations for the Term under Review

Against this background, MISI domestic transactions and the earnings of its domestic business companies followed up on the progress begun last year, while the performance of our overseas steel pipe business also advanced hand in hand with the recovery in energy-related demand. Meanwhile, fueled by bullish market conditions in the U.S., earnings of the company's building materials business there also scored a major increase. The MISI Group's total volume of trading transactions for the first half of FY2018 finished at ¥1.1578 trillion, operating income stood at ¥23.3 billion, and profit attributable to owners of the parent was ¥13.3 billion. All of these figures surpass the levels for the first half of FY2017.

Consolidated Statement of Comprehensive Income (Unaudited, IFRS basis)

MISI's consolidated income figures for the first half of FY2018 are as follows:

(Billions of yen)

Category	Result for the First Half of FY2018	Result for the First Half of FY2017	Increase/decrease
Total volume of trading transactions	11,578	10,096	+1,482
Gross profit	684	572	+112
Operating income	233	147	+86
Profit before taxes	204	135	+68
Profit attributable to owners of the parent	133	79	+54
Comprehensive income attributable to owners of the parent	207	147	+60

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

Consolidated Financial Results in First Half of FY2018 (April 1 to September 30)

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2018 First Half Results	FY2017 First Half Results	Change
Total volume of trading transactions (*1)	1,157,791	1,009,638	+148,153
Gross profit	68,388	57,238	+11,150
Selling, general and administrative expenses	(44,241)	(42,327)	-1,914
Provision for doubtful accounts	(834)	(193)	-641
Operating income (*1)	23,313	14,718	+8,595
Net interest expense	(3,480)	(2,087)	-1,393
Dividend income	840	791	+49
Gain(loss) on investments	666	1	+665
Gain(loss) on property, plant and equipment	(9)	10	-19
Other non-operating income(loss)	(931)	(130)	-801
Share of profits of associates and joint ventures	(15)	246	-261
Profit before tax	20,384	13,549	+6,835
Income taxes	(5,721)	(4,607)	-1,114
Profit	14,663	8,942	+5,721
Profit attributable to owners of the parent	13,308	7,947	+5,361
Profit attributable to non-controlling interests	1,355	995	+360

*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 ¥19.7 billion.

Comprehensive Income	FY2018 First Half Results	FY2017 First Half Results	Change
Profit	14,663	8,942	+5,721
Net unrealized gain(loss) on FVTOCI	(369)	5,211	-5,580
Exchange differences on translating foreign operations	8,695	1,174	+7,521
Other	(965)	601	-1,566
Comprehensive income	22,024	15,928	+6,096
Comprehensive income attributable to owners of the parent	20,741	14,711	+6,030
Comprehensive income attributable to non-controlling interests	1,283	1,217	+66

(Unit: Millions of yen)

Financial Position	FY2018 First Half Results	FY2017 Results	Change
Current assets	933,420	880,861	+52,559
Cash and cash equivalents	32,596	35,082	-2,486
Trade receivables	583,885	574,780	+9,105
Inventories	268,935	226,673	+42,262
Other	48,004	44,326	+3,678
Non-current assets	224,795	226,889	-2,094
Property, plant and equipment	71,330	71,238	+92
Intangible assets	17,741	16,923	+818
Investments and other assets	135,724	138,728	-3,004
Total assets	1,158,215	1,107,750	+50,465
Current liabilities	673,497	631,976	+41,521
Trade payables	299,035	300,853	-1,818
Short-term debts	319,473	281,618	+37,855
Other	54,989	49,505	+5,484
Non-current liabilities	162,769	165,271	-2,502
Long-term debts	140,970	142,102	-1,132
Other	21,799	23,169	-1,370
Total liabilities	836,266	797,247	+39,019
Equity attributable to owners of the parent	298,704	287,194	+11,510
Capital/Capital surplus	51,102	51,087	+15
Retained earnings	195,784	191,633	+4,151
Accumulated other comprehensive income	51,818	44,474	+7,344
Non-controlling interests	23,245	23,309	-64
Total equity	321,949	310,503	+11,446
Total liabilities and equity	1,158,215	1,107,750	+50,465

§Management indexes pertaining to assets, liabilities and capital

Ratio of shareholders' equity (*2)	25.8%	25.9%	- 0.1%
Net debt equity ratio (DER) (*3)	1.4 times	1.4 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

§Exchange rate information (¥/US\$)	April ~ September 2018	April ~ September 2017
Average rate during period (PL rate)	110.26	111.06
End of period rate (BS rate)	113.57	106.24

Outline of FY2018 consolidated financial results

In the global economy during the first half of FY2018, the U.S., Europe and other developed nations continued to perform robustly. Business activity in China also remained strong, while the nations of Southeast Asia and other newly emerging markets generally posted growth above the previous fiscal year levels. In Japan, the impact of torrential rains in the western part of the nation, severe typhoons in the Kansai area, a major earthquake in Hokkaido and other natural disasters contributed to declining activity levels at some companies. Despite this, personal consumption and capital investment sustained high levels overall. Turning to the steel industry, global crude steel production during the first half of calendar 2018 (January to June) was tracked at 881.46 million tons, up 4.6 percent from the same period the previous year based on figures from the World Steel Association. Contributing factors included general demand increases in the U.S., China, Southeast Asia and other regions.

In Japan, while demand in general remained strong in construction, automobiles and other major sectors, production at certain steel manufacturers was affected by disasters occurring during the summer. Overall, domestic crude steel production for the first half of FY2018 (April through September) rose by 0.3 percent over the same period the previous year to 52.21 million tons (based on figures from the Japan Iron and Steel Federation). Against this background, MISI domestic transactions and the earnings of its domestic business companies followed up on the progress begun last year, while the performance of our overseas steel pipe business also advanced hand in hand with the recovery in energy-related demand. Meanwhile, fueled by bullish market conditions in the U.S., earnings of the company's building materials business there also scored a major increase. The MISI Group's total volume of trading transactions for the first half of FY2018 finished at ¥1.1578 trillion, operating income stood at ¥23.3 billion, and profit attributable to owners of the parent was ¥13.3 billion. All of these figures surpass the levels for the first half of FY2017.

Explanation of consolidated statements

1. Total volume of trading transactions and gross profits

The total volume of trading transactions for the period under review increased by ¥148.2 billion compared to the first half of FY2017 to ¥1.1578 trillion. Gross profits were buoyed by higher revenue performance, rising by ¥11.2 billion year-on-year to ¥68.4 billion.

2. Selling, general and administrative expenses and provision for doubtful accounts

Selling, general and administrative expenses during the first half of FY2018 grew by ¥1.9 billion compared to the same six-month period last year, the results of factors such as higher personnel expenses. Provisions for doubtful accounts increased by ¥0.6 billion year-on-year. First-half operating income in FY2018 was ¥23.3 billion, an increase of ¥8.6 billion versus the first half of FY2017.

3. Profit attributable to owners of the parent

Net interest expenses went up by ¥1.4 billion compared to the first half of FY2017, linked to factors including higher U.S. dollar interest rates. The gain/loss figures for investment securities rose by ¥0.7 billion due to profits accompanying changes in the group classification of domestic subsidiaries. Gain/loss results for other categories fell by ¥0.8 billion versus the first half of FY2017 under the impact of worsened exchange profit and loss and other factors. The share of profits of associates and joint ventures declined by ¥0.3 billion compared to the level recorded during the same six months last year, reflecting the impact of performance downturns at overseas associates. As a collective result, profit before tax posted a gain of ¥6.8 billion compared to the first half of previous fiscal year's level, while profit attributable to owners of the parent rose by ¥5.4 billion year-on-year to ¥13.3 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 FY2018 improved by ¥6.0 billion over the first half of the previous fiscal year, finishing the period at ¥20.7 billion. Factors behind this gain included improved profit attributable to owners of the parent, an increase in the exchange differences at foreign operations under the impact of the yen's depreciation, despite the decline in net unrealized gains from securities revaluations.

5. Equity attributable to owners of the parent

Equity attributable to owners of the parent at the end of the first half of FY2018 was tracked at ¥298.7 billion, up ¥11.5 billion from the close of the previous fiscal year. This was the result of an increase in other accumulated comprehensive income under the impact of the yen's depreciation, accumulated current profits attributable to owners of the parent, and other contributing factors. The ratio of shareholder's equity worsened by 0.1 percent to 25.8 percent, reflecting a total asset increase of ¥50.5 billion to ¥1.1582 trillion linked to increased asset inventory and other dynamics.

6. Interest-bearing liabilities

Gross interest-bearing liabilities at the end of the first half of FY2018 totaled ¥460.4 billion, an increase of ¥36.7 billion from the level posted at the end of FY2017. Net interest-bearing liabilities rose by ¥39.2 billion compared to the end of FY2017, closing out the first half at ¥427.8 billion. This contributed to a net debt equity ratio (DER) of 1.4.

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	20	-1	18	2	90.0%
Overseas	51	+0	42	9	82.4%
No. of subsidiaries	71	-1	60	11	84.5%
Domestic	13	+1	11	2	84.6%
Overseas	28	+0	13	15	46.4%
No. of associates and joint ventures	41	+1	24	17	58.5%
Total	112	+0	84	28	75.0%