News Release

May 10, 2018
Marubeni-Itochu Steel Inc.
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Tokyo 103-8247

Results for FY2017

Marubeni-Itochu Steel Inc. (MISI; Tomohito Kaneda, President and CEO) is pleased to announce the following results for FY2017 (April 2017 through March 2018).

Economic Environment

In examining the global economy during FY2017, the economies of the United States, Europe and other developed regions posted robust growth, with the emerging economies of China, Southeast Asia and other areas of the world also generally growing over the preceding year.

Despite the sluggish rate of increase in commodity prices, conspicuous labor shortages and other negative factors, personal consumption and capital investment in Japan continued to hold firm. Construction demand related to the 2020 Tokyo Olympics also got into full swing from the second half of the year.

Turning to the steel industry, worldwide crude steel production (calendar year 2017 base) rose by 5.3 percent from the year before to around 1.69 billion tons (source: World Steel Association). Factors included China's measures to exclude *ditiaogang* (illegal steel products), increased demand across Asia in general, and other positive developments.

Despite solid demand trends, steel manufacturers in Japan were affected by the need for regular repairs, equipment breakdowns and other issues. As a result, nationwide crude steel production for the year under review halted at some 104.84 million tons (as reported by the Japan Iron and Steel Federation; figures are on a FY basis), down 0.3 percent from the previous year. This represented the first such decline in two years.

Results of Operations for the Term under Review

Negative factors reflected in the MISI Group's consolidated financial settlement for FY2017 included energy-related demand's failure to fully recover and a decline in export transactions due to tight supply. On the positive side was the favorable state of domestic transactions supported by increases in demand and a rise in unit prices, along with improved earnings at overseas subsidiaries.

Against this backdrop, the Group's consolidated financial settlement for the year generated increases in both income and profit over the previous year: the total volume of trading transactions was ¥2.1524 trillion, operating income reached ¥32.5 billion, and profit attributable to owners of the parent hit ¥18.5 billion.

Consolidated Statement of Income (Unaudited, IFRS basis)

MISI's consolidated statement of income figures for the FY2017 are as follows:

(Billions of yen)

Category	Results for FY2017	Results for FY2016	Increase/decrease
Total volume of trading transactions	2,152.4	1,797.7	+354.7
Gross profits	119.0	110.6	+8.5
Operating income	32.5	28.8	+3.8
Profit before tax	31.4	26.6	+4.8
Profit attributable to owners of the parent	18.5	15.1	+3.4
Comprehensive income attributable to owners of the parent	14.9	16.3	-1.4

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

Marubeni-Itochu Steel Inc.
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Consolidated Financial Results in FY2017 (April 1, 2017 to March 31, 2018)

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2017 Results	FY2016 Results	Change
Total volume of trading transactions (*1)	2,152,397	1,797,730	354,667
Gross profits	**119,048**	**110,561**	**8,487**
Selling, general and administrative expenses	(86,299)	(82,340)	-3,959
Provision for doubtful accounts	(211)	533	-744
Operating income (*1)	**32,538**	**28,754**	**3,784**
Net interest expense	(4,428)	(2,915)	-1,513
Dividend income	1,352	1,059	293
Gain(loss) on investment securities	(16)	62	-78
Gain(loss) on property, plant and equipment	(69)	(119)	50
Other non-operating income(loss)	1,173	747	426
Share of profits of associates and joint ventures	844	(977)	1,821
Profit before tax	**31,394**	**26,611**	**4,783**
Income taxes	(10,501)	(8,419)	-2,082
Profit	20,893	18,192	2,701
Profit attributable to owners of the parent	**18,492**	**15,116**	**3,376**
Profit attributable to non-controlling interests	2,401	3,076	-675
Revenue	922,680	755,172	167,508

*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 ¥31.7 billion.

Comprehensive Income	FY2017 Results	FY2016 Results	Change
Profit	20,893	18,192	2,701
Net unrealized gain(loss) on FVTOCI	1,804	6,073	-4,269
Exchange differences on translating foreign operations	(6,738)	(2,796)	-3,942
Other	1,358	(1,768)	3,126
Comprehensive income	17,317	19,701	-2,384
Comprehensive income attributable to owners of the parent	**14,855**	**16,304**	**-1,449**
Comprehensive income attributable to non-controlling interests	2,462	3,397	-935

(Unit: Millions of yen)

Financial Position	FY2017 Results	FY2016 Results	Change
Current assets	**880,861**	**814,210**	**66,651**
Cash and cash equivalents	35,082	67,160	-32,078
Accounts receivable	574,780	488,491	86,289
Inventories	226,673	217,875	8,798
Other	44,326	40,684	3,642
Non-current assets	**226,889**	**221,899**	**4,990**
Tangible assets	71,238	73,924	-2,686
Intangible assets	16,923	18,988	-2,065
Investments and other assets	138,728	128,987	9,741
Total assets	**1,107,750**	**1,036,109**	**71,641**
Current liabilities	**631,976**	**549,511**	**82,465**
Accounts payable	300,853	257,546	43,307
Short-term debts	281,618	225,764	55,854
Other	49,505	66,201	-16,696
Non-current liabilities	**165,271**	**183,457**	**-18,186**
Long-term debts	142,102	161,849	-19,747
Other	23,169	21,608	1,561
Total liabilities	**797,247**	**732,968**	**64,279**
Equity attributable to owners of the parent	**287,194**	**280,185**	**7,009**
Common stock/Capital surplus	51,087	51,375	-288
Retained earnings	191,633	180,632	11,001
Accumulated other comprehensive income	44,474	48,178	-3,704
Non-controlling interests	23,309	22,956	353
Total equity	**310,503**	**303,141**	**7,362**
Total liabilities and equity	**1,107,750**	**1,036,109**	**71,641**

§Management indexes pertaining to assets, liabilities and capital

Ratio of shareholders' equity (*2)	25.9%	27.0%	- 1.1%
Net debt equity ratio (DER) (*3)	1.4 times	1.1 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 FY2017

In examining the global economy during FY2017, the economies of the United States, Europe and other developed regions posted robust growth, with the emerging economies of China, Southeast Asia and other areas of the world also generally growing over the preceding year.
Despite the sluggish rate of increase in commodity prices, conspicuous labor shortages and other negative factors, personal consumption and capital investment in Japan continued to hold firm. Construction demand related to the 2020 Tokyo Olympics also got into full swing from the second half of the year.
Turning to the steel industry, worldwide crude steel production (calendar year 2017 base) rose by 5.3 percent from the year before to around 1.69 billion tons (source: World Steel Association). Factors included China's measures to exclude ditiaogang (illegal steel products), increased demand across Asia in general, and other positive developments.
Despite solid demand trends, steel manufacturers in Japan were affected by the need for regular repairs, equipment breakdowns and other issues. As a result, nationwide crude steel production for the year under review halted at some 104.84 million tons (as reported by the Japan Iron and Steel Federation; figures are on a FY basis), down 0.3 percent from the previous year. This represented the first such decline in two years.
Negative factors reflected in the MISI Group's consolidated financial settlement for FY2017 included energy-related demand's failure to fully recover and a decline in export transactions due to tight supply. On the positive side was the favorable state of domestic transactions supported by increases in demand and a rise in unit prices, along with improved earnings at overseas subsidiaries.
Against this backdrop, the Group's consolidated financial settlement for the year generated increases in both income and profit over the previous year: the total volume of trading transactions was ¥2.1524 trillion, operating income reached ¥32.5 billion, and profit attributable to owners of the parent hit ¥18.5 billion.

Explanation of consolidated statements

1. Total volume of trading transactions and gross profits

The effects of the recovery in market conditions and the rise in steel product prices merged with other factors to push total FY2017 trading transactions up by ¥354.7 billion over the previous year to ¥2.1524 trillion. Gross profits scored a ¥8.5 billion year-on-year gain at ¥119 billion.

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

Selling, general and administrative expenses during FY2017 rose by ¥4 billion from the previous year, with the key factors including higher distribution costs. The provision for doubtful accounts increased by ¥0.7 billion from FY2016, while operating income for the year grew by ¥3.8 billion over the year before to ¥32.5 billion.

3. Profit attributable to owners of the parent

The company's net interest expenses dropped by ¥1.5 billion compared to FY2016, affected by rising interest rates in dollars. Dividend income rose by ¥0.3 billion, the gain/loss figure for investment securities fell by ¥0.1 billion, and the gain/loss outcome for property, plants and equipment improved by ¥0.1 billion year-on-year. Other nonoperating gain/loss figures produced an increase of ¥0.4 billion over FY2016, due largely to an improved balance in foreign exchange gain/loss. Investment gain/loss through the equity method posted a gain of ¥1.8 billion versus the previous year, buoyed by the improved performance of overseas affiliates. As a combined result of the above, profit before tax rose by ¥4.8 billion from FY2016, while profit attributable to owners of the parent expanded by ¥3.4 billion to ¥18.5 billion after subtracting corporate income taxes and profit attributable to noncontrolling interests.

4. Comprehensive income attributable to owners of the parent

Comprehensive income attributable to owners of the parent during FY2017 was tracked at ¥14.9 billion, down ¥1.4 billion from the previous year. Despite a year-on-year gain in profit attributable to owners of the parent, sluggish growth in valuation differences on net unrealized gain/loss on FVTOCI, a decrease in the exchange differences on translating foreign operations due to the stronger yen and other factors contributed to the year-to-year decline.

5. Equity attributable to owners of the parent

Equity attributable to owners of the parent at the end of FY2017 was up ¥7 billion versus the end of the previous fiscal year, reaching ¥287.2 billion. This gain came from accumulated profit attributable to owners of the parent that exceeded dividend payments. The company's ratio of shareholder's equity declined 1.1 percent to 25.9 percent. This reflected the increase in total assets by ¥71.6 billion to ¥1.1078 trillion—an outcome linked to an increase in accounts receivable and other related factors.

6. Interest-bearing liabilities

Increased demand for operating capital stemming from growth in accounts receivable and inventory assets brought the company's gross interest-bearing liabilities at the end of FY2017 to ¥423.7 billion. That was ¥36.1 billion above the level at the end of the previous fiscal year. Net interest-bearing liabilities rose by ¥68.2 billion from the final FY2016 figure to reach ¥388.6 billion. This resulted in 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	21	-1	21	0	100.0%
	Overseas	51	-2	40	11	78.4%
No. of subsidiaries		72	-3	61	11	84.7%
	Domestic	12	-1	12	0	100.0%
	Overseas	28	1	13	15	46.4%
No. of associates and joint ventures		40	0	25	15	62.5%
Total		112	-3	86	26	76.8%