










FY2019 Financial Results Report

Marubeni-Itochu Steel Inc.

May 8, 2020

FY2019 Financial Results Summary

- Despite a strong performance by our U.S. construction material business, revenues declined due to factors such as sluggish market conditions in both Japan and overseas and an overall decline in demand. Moves to reorganize or withdraw from unprofitable businesses also prompted decreases in both revenue and earnings from the previous fiscal year.

	FY2018	FY2019	Over previous fiscal year	Factors affecting financial results	Impact
Consolidated net income	¥ 24.2 billion	¥ 22.3 billion	- ¥1.9 billion	Steel price declines	
Total assets	¥ 1.2 trillion	¥ 1.1 trillion	- ¥0.1 trillion	Export transactions increase	
ROA	2.1%	1.9%	-0.2%	Domestic demand declines	
Ratio of shareholders' equity ^(*1)	24.2%	26.0%	+1.8%	Robust construction material business in U.S.	
Net debt equity ratio (DER) ^(*2)	1.46 times	1.38 times	-0.08 times	North American rig count decreases	
				Automobile unit production falls	
				Unprofitable business reorganizations/withdrawals	
PL rate ¥/US\$	110.91	108.74	-2.17		
BS rate ¥/US\$	110.99	108.83	-2.16		

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

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

Summary of Group Companies

- The liquidation and asset sales of low-revenue businesses brought a decline in red-ink companies from 20 at the end of FY2018 to 12 during FY2019.
- Considering the impact of the spread of COVID-19, strengthening the management of unprofitable businesses will remain a key theme into FY2020.

	No. of Companies		Number of Deficit Group Companies		Percentage of Deficit Group Companies	
	End of FY2019	Change from the End of FY2018	End of FY2019	Change from the End of FY2018	End of FY2019	Change from the End of FY2018
Domestic	20	-	0	-	0.0%	-
Overseas	51	-1	4	-2	7.8%	-3.7%
No. of subsidiaries	71	-1	4	-2	5.6%	-2.7%
Domestic	14	-	1	+1	7.1%	+7.1%
Overseas	26	-2	7	-7	26.9%	-23.1%
No. of associates and joint ventures	40	-2	8	-6	20.0%	-15.7%
Total	111	-3	12	-8	10.8%	-6.7%

Profit and Loss Statement

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2019 Results	FY2018 Results	Change
Total volume of trading transactions (*1)	2,408,621	2,437,345	-28,724
Gross profit	134,951	135,862	-911
Selling, general and administrative expenses	(90,239)	(88,858)	-1,381
Provision for doubtful accounts	(956)	(1,665)	+709
Operating income (*1)	43,756	45,339	-1,583
Net interest expenses	(8,809)	(8,141)	-668
Dividend income	1,532	1,442	+90
Gain (loss) on investments	(153)	(742)	+589
Gain (loss) on property, plant and equipment	(162)	(82)	-80
Other non-operating income (loss)	717	93	+624
Share of profits (losses) of associates and joint ventures	(2,040)	(272)	-1,768
Profit before tax	34,841	37,637	-2,796
Income taxes	(9,218)	(10,889)	+1,671
Profit	25,623	26,748	-1,125
Profit attributable to owners of the parent	22,320	24,204	-1,884
Profit attributable to non-controlling interests	3,303	2,544	+759

Trading transaction volume

Despite the steel price decline, shrinking domestic demand, decreased North American rig count, falling automobile unit production and other negatives, the robust U.S. construction material business and increased export transactions helped limit the loss in this category from the previous fiscal year to ¥28.7 billion.

Net interest expenses

Impact included rising interest rates

Gain (loss) on investments

Affected by a reaction to previous fiscal year's impairment loss of equity investment in affiliates, etc.

Other non-operating income (loss)

Impact of foreign exchange gains/losses, etc.

Share of profits (losses) of associates and joint ventures

Impact included lower performance of affiliates that adopted the overseas equity method

*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 ¥35.4 billion.

Balance Sheet

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Financial Position	FY2019 Results	FY2018 Results	Change
Current assets	900,755	1,013,184	-112,429
Cash and cash equivalents	41,837	46,395	-4,558
Trade receivables	560,363	637,729	-77,366
Inventories	263,462	289,805	-26,343
Other	35,093	39,255	-4,162
Non-current assets	215,743	214,889	+854
Property, plant and equipment	88,012	74,419	+13,593
Intangible assets	15,837	18,031	-2,194
Investments and other assets	111,894	122,439	-10,545
Total assets	1,116,498	1,228,073	-111,575
Current liabilities	635,434	725,868	-90,434
Trade payables	275,819	346,225	-70,406
Short-term debts	304,943	318,254	-13,311
Other	54,672	61,389	-6,717
Non-current liabilities	165,226	180,657	-15,431
Long-term debts	137,522	160,983	-23,461
Other	27,704	19,674	+8,030
Total liabilities	800,660	906,525	-105,865
Equity attributable to owners of the parent	290,790	297,300	-6,510
Capital/Capital surplus	51,082	51,102	-20
Retained earnings	216,086	206,607	+9,479
Accumulated other comprehensive income	23,622	39,591	-15,969
Non-controlling interests	25,048	24,248	+800
Total equity	315,838	321,548	-5,710
Total liabilities and equity	1,116,498	1,228,073	-111,575

(Unit: Millions of yen)

Comprehensive Income	FY2019 Results	FY2018 Results	Change
Profit	25,623	26,748	-1,125
Net unrealized gain (loss) on FVTOCI	(9,851)	(7,398)	-2,453
Exchange differences on translating foreign operations	(5,649)	3,559	-9,208
Other	(777)	(1,418)	+641
Comprehensive income	9,346	21,491	-12,145
Comprehensive income attributable to owners of the parent	6,230	19,337	-13,107
Comprehensive income attributable to non-controlling interests	3,116	2,154	+962

Total assets

¥1,116.5 billion (down ¥111.6 billion from the end of previous fiscal year)

→ A contraction in trade receivables due to a decline in unit prices and decreased demand, efforts to reduce inventories

Ratio of shareholders' equity

26.0% (plus 1.8 percent from the end of previous fiscal year)

→ Contribution by total asset downscaling

Net DER

1.38 times (down 0.08 from the end of previous fiscal year)

→ Improvements through reductions in net interest-bearing liabilities accompanying downscaled working capital