

FY2020 Financial Results Report






Marubeni-Itochu Steel Inc.

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FY2020 Financial Results Summary

- Economic activity stagnated due to the spread of the COVID-19 infection. Although signs of recovery surfaced during the second half of the fiscal year, the first half's sizeable slump prompted declines in both revenue and earnings compared to the previous year.

	FY2019	FY2020	Over previous fiscal year
Consolidated net income	¥ 22.3 billion	¥ 17.4 billion	- ¥4.9 billion
Total assets	¥ 1.1 trillion	¥ 1.1 trillion	+ ¥0.0 trillion
ROA	1.9%	1.5%	- 0.4pt
Ratio of shareholders' equity (*1)	26.0%	28.0%	+2.0pt
Net debt equity ratio (DER) (*2)	1.4 times	1.1 times	-0.3 times
US\$ exchange rate: Average during the term	108.74	106.06	-2.68
US\$ exchange rate: End of term	108.83	110.71	+1.88

Factors affecting financial results	Impact
Slump in domestic and overseas demand	
Sharp decline in North American rig count	
Sharp decline in Automobile unit production	
Robust construction material business in U.S.	
Improved steel product market trend	

*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

- Under the impact of the slump in manufacturing sector activity levels, sharp North American rig count decreases and other negative factors, the number of deficit companies rose from 12 at the end of FY2019 to 30 at the close of FY2020.
- Key themes for FY2021 include the reorganization of deficit companies and low-revenue businesses, along with moves to bolster profitability.

	No. of Companies		Number of Deficit Group Companies		Percentage of Deficit Group Companies	
	End of FY2020	Change from the End of FY2019	End of FY2020	Change from the End of FY2019	End of FY2020	Change from the End of FY2019
Domestic	20	-	1	+1	5.0%	+5.0pt
Overseas	52	+1	17	+13	32.7%	+24.5pt
No. of subsidiaries	72	+1	18	+14	25.0%	+19.4pt
Domestic	15	+1	4	+3	26.7%	+19.6pt
Overseas	23	-3	8	+1	34.8%	+7.9pt
No. of associates and joint ventures	38	-2	12	+4	31.6%	+11.6pt
Total	110	-1	30	+18	27.3%	+16.5pt

Profit and Loss Statement

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2020 Results	FY2019 Results	Change
Total volume of trading transactions (*1)	1,987,502	2,408,211	-420,709
Gross profit	117,492	134,951	-17,459
Selling, general and administrative expenses	(84,260)	(90,239)	+5,979
Provision for doubtful accounts	206	(956)	+1,162
Operating income (*1)	33,438	43,756	-10,318
Net interest expenses	(4,856)	(8,809)	+3,953
Dividend income	1,864	1,532	+332
Gain (loss) on investments	(1,206)	(153)	-1,053
Gain (loss) on property, plant and equipment	(2,030)	(162)	-1,868
Other non-operating income (loss)	1,393	717	+676
Share of profits (losses) of associates and joint ventures	479	(2,040)	+2,519
Profit before tax	29,082	34,841	-5,759
Income taxes	(8,604)	(9,218)	+614
Profit	20,478	25,623	-5,145
Profit attributable to owners of the parent	17,402	22,320	-4,918
Profit attributable to non-controlling interests	3,076	3,303	-227

Total Volume of Trading Transactions

Although our U.S. construction material business remained robust, falling domestic and overseas demand—along with a decreased North American rig count, slumping automobile unit production and other negatives—contributed to a decline of ¥420.7 billion compared to the previous fiscal year.

Net Interest Expenses

Impact included falling US\$ interest rates

Gain (loss) on investments

Impact included equity partner stock impairment

Gain (loss) on property, plant and equipment

Impact included declines in subsidiary plants and equipment

(Unit: Millions of yen)

Comprehensive Income	FY2020 Results	FY2019 Results	Change
Profit	20,478	25,623	-5,145
Net unrealized gain (loss) on FVTOCI	11,320	(9,851)	+21,171
Exchange differences on translating foreign operations	6,684	(5,649)	+12,333
Other	1,225	(777)	+2,002
Comprehensive income	39,707	9,346	+30,361
Comprehensive income attributable to owners of the parent	36,162	6,230	+29,932
Comprehensive income attributable to non-controlling interests	3,545	3,116	+429

*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.

Balance Sheet

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Financial Position	FY2020 Result	FY2019 Results	Change
Current assets	896,048	899,974	-3,926
Cash and cash equivalents	55,970	41,837	+14,133
Trade receivables	560,521	560,099	+422
Inventories	239,125	262,604	-23,479
Other	40,432	35,434	+4,998
Non-current assets	232,691	219,705	+12,986
Property, plant and equipment	88,471	91,397	-2,926
Intangible assets	14,850	15,837	-987
Investments and other assets	129,370	112,471	+16,899
Total assets	1,128,739	1,119,679	+9,060
Current liabilities	632,076	635,782	-3,706
Trade payables	289,278	276,395	+12,883
Short-term debts	280,097	305,375	-25,278
Other	62,701	54,012	+8,689
Non-current liabilities	154,953	168,059	-13,106
Long-term debts	123,254	137,090	-13,836
Other	31,699	30,969	+730
Total liabilities	787,029	803,841	-16,812
Equity attributable to owners of the parent	315,792	290,790	+25,002
Capital/Capital surplus	51,082	51,082	-
Retained earnings	223,003	216,086	+6,917
Accumulated other comprehensive income	41,707	23,622	+18,085
Non-controlling interests	25,918	25,048	+870
Total equity	341,710	315,838	+25,872
Total liabilities and equity	1,128,739	1,119,679	+9,060

Total assets

¥1,112.9 billion (+¥9.1 billion from the end of FY2019)

→ Despite downscaled inventories, the rise in prices of stocks we own and the impact of the yen's depreciation on exchange rates and other factors generated slight increases.

Assets, Losses and Capital-Related Management Indicators

	FY2020 Result	FY2019 Results	Change
Ratio of shareholders' equity (*3)	28.0%	26.0%	+2.0pt
Net debt equity ratio (DER) (*4)	1.1 times	1.4 times	-0.3 times
Return on Assets (ROA)	1.5%	1.9%	-0.4pt

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

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

Ratio of shareholders' equity

28.0% (+2.0 points from the end of FY2019)

→ Contributions by reduced interest-bearing debt

Net DER

1.1 times (compared to -0.3 times from the end of FY2019)

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