

FY2021 Financial Results Report








Marubeni-Itochu Steel Inc.

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FY2021 Financial Results Summary

- The impact of the COVID-19 pandemic on economic activity eased, prompting a recovery in demand focused on the manufacturing industry. Likewise supported by our robust U.S. construction materials business, MISI posted major gains in both revenue and earnings.

	FY2020	FY2021	Over previous fiscal year
Consolidated net income	¥ 17.4 billion	¥62.6 billion	+ ¥45.2 billion
Total assets	¥ 1.1 trillion	¥ 1.5 trillion	+ ¥0.4 trillion
ROA	1.5%	4.7%	+ 3.1pt
Ratio of shareholders' equity (*1)	28.0%	25.2%	- 2.8pt
Net debt equity ratio (DER) (*2)	1.1 times	1.5 times	+ 0.4 times
US\$ exchange rate: Average during the term	106.06	112.38	+ 6.32
US\$ exchange rate: End of term	110.71	122.39	+ 11.68

Factors affecting financial results	Impact
Robust U.S. construction materials business	
Recovery in domestic and overseas manufacturing industries	
Curbs on increases in SG&A expenses	
Steel pipe demand begins to rebound	
Rising steel product market	
COVID-19 pandemic continues	
Shortages of semiconductors and other parts	

*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

- Alongside recoveries in manufacturing sector activity levels, the rig count and on other fronts, steps to improve business profitability made a solid contribution, with the percentage of Group companies in the black rising to approximately 90%.
- Structural reforms will continue to target more robust profitability for all MISI Group companies.

	No. of Companies		Number of Group Companies in the Black		Percentage of Group Companies in the Black	
	End of FY2021	Change from the End of FY2020	End of FY2021	Change from the End of FY2020	End of FY2021	Change from the End of FY2020
Domestic	20	-	20	+1	100.0%	+5.0pt
Overseas	49	-3	42	+7	85.7%	+18.4pt
No. of subsidiaries	69	-3	62	+8	89.9%	+14.9pt
Domestic	15	±0	13	+2	86.7%	+13.3pt
Overseas	22	-1	20	+5	90.9%	+25.7pt
No. of associates and joint ventures	37	-1	33	+7	89.2%	+20.8pt
Total	106	-4	95	+15	89.6%	+16.9pt

Profit and Loss Statement

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2021 Results	FY2020 Results	Change
Revenue	2,784,019	1,630,028	+1,153,991
Gross profit	187,204	117,492	+69,712
Selling, general and administrative expenses	(91,791)	(84,260)	-7,531
Provision for doubtful accounts	(1,390)	206	-1,596
Operating income	94,023	33,438	+60,585
Net interest expenses	(5,021)	(4,856)	-165
Dividend income	1,551	1,864	-313
Gain (loss) on investments	33	(1,206)	+1,239
Gain (loss) on property, plant and equipment	(673)	(2,030)	+1,357
Other non-operating income (loss)	(1,179)	1,393	-2,572
Share of profits (losses) of associates and joint ventures	6,709	479	+6,230
Profit before tax	95,443	29,082	+66,361
Income taxes	(22,708)	(8,604)	-14,104
Profit	72,735	20,478	+52,257
Profit attributable to owners of the parent	62,555	17,402	+45,153
Profit attributable to non-controlling interests	10,180	3,076	+7,104

Gross profit

The solid results of our U.S. construction materials business and the surge in demand due to recovery in the domestic and overseas manufacturing sectors resulted in a broad increase in profit of 59.3% compared to the previous fiscal year.

Operating income

With the increase in SG&A expenses also contained, operating income expanded approximately 2.8-fold over the previous fiscal year.

Gain (loss) on property, plant and equipment

Losses related to declines in subsidiary plants and equipment.

Share of profits (losses) of associates and joint ventures

Broad-based recovery in our domestic and overseas equity businesses.

* "Operating income" is presented in accordance with Japanese accounting practices for the convenience of investors, and is not required by IFRS. Ordinary income reflecting the Japanese GAAP basis has been provisionally calculated at ¥96.9 billion.

Balance Sheet

(Unaudited, IFRS basis)

Financial position	(Unit: Millions of yen)		
	FY2021 Results	FY2020 Results	Change
Current assets	1,290,168	897,051	+393,117
Cash and cash equivalents	42,756	55,970	-13,214
Trade receivable	769,755	561,336	+208,419
Inventories	422,327	239,313	+183,014
Other	55,330	40,432	+14,898
Non-current assets	258,194	232,708	+25,486
Property, plant and equipment	92,174	88,471	+3,703
Intangible assets	21,311	14,850	+6,461
Investments and other assets	144,689	129,387	+15,302
Total assets	1,548,362	1,129,759	+418,603
Current liabilities	959,056	633,096	+325,960
Trade payables	379,506	290,298	+89,208
Short-term debts	497,194	280,097	+217,097
Other	82,356	62,701	+19,655
Non-current liabilities	164,441	154,953	+9,488
Long-term debts	135,638	123,254	+12,384
Other	28,803	31,699	-2,896
Total liabilities	1,123,497	788,049	+335,448
Equity attributable to owners of the parent	389,617	315,792	+73,825
Capital/Capital surplus	51,090	51,082	+8
Retained earnings	277,787	223,003	+54,784
Accumulated other comprehensive income	60,740	41,707	+19,033
Non-controlling interests	35,248	25,918	+9,330
Total equity	424,865	341,710	+83,155
Total liabilities and equity	1,548,362	1,129,759	+418,603

(Unit: Millions of yen)

Comprehensive income	(Unit: Millions of yen)		
	FY2021 Results	FY2020 Results	Change
Profit	72,735	20,478	+52,257
Net unrealized gain (loss) on FVTOCI	(5,219)	11,320	-16,539
Exchange differences on translating foreign operations	23,279	6,684	+16,595
Other	2,070	1,225	+845
Comprehensive income	92,865	39,707	+53,158
Comprehensive income attributable to owners of the parent	82,518	36,162	+46,356
Comprehensive income attributable to non-controlling interests	10,347	3,545	+6,802

Total Assets

¥1,548.4 billion (up ¥418.6 billion compared to the end of FY2020)

→ Growth in working capital due to greater handling volume and rising steel product prices

Ratio of shareholders' equity

25.2% (down 2.8 points compared to the end of FY2020)

→ Increase in interest-bearing liabilities accompanying growth in working capital

Net DER

1.51 times (up 0.4 points compared to the end of FY2020)

→ Increase primarily reflects growth in working capital