

FY2022 First Half Financial Results Report

Marubeni-Itochu Steel Inc.

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FY2022 First Half Financial Results Summary

- The North American steel pipe business recovered hand in hand with rising energy demand, with the U.S. construction materials business also posting a strong performance that helped boost revenue and earnings. Meanwhile, despite the global slump in the steel market, the effects of exchange rate depreciation helped raise revenues.

	First half of FY2021	First half of FY2022	Over the first half of FY2021	Factors affecting financial results	Impact
Consolidated net income	¥ 27.2 billion	¥ 50.2 billion	+ ¥23.0 billion	Recovery in energy-use steel pipe demand	
PL rate ¥/US\$	109.80	133.97	+24.17	Rebounding domestic demand and higher sales prices	
	End of FY2021	End of first half of FY2022	Over the end of FY2021	U.S. construction materials business exhibited sustained robustness	
Total assets	¥ 1.5 trillion	¥ 1.8 trillion	+ ¥0.3 trillion	Slumping demand under China's zero-COVID policy	
Ratio of shareholders' equity (*1)	25.2%	25.0%	- 0.2 pt	Supply shortages of semiconductors and other parts	
Net debt equity ratio (DER)(*2)	1.51 times	1.63 times	+ 0.12 times		
BS rate ¥/US\$	122.39	144.81	+22.42		

*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

- Certain businesses struggled under the impact of worsened overseas demand, with the number of MISI Group companies generating profits falling from the 95 profitable firms recorded at the end of FY2021 to 92.
- Despite shifts in foreign exchange and market conditions, COVID-19 policies and other factors, we will continue to pursue steady efforts to strengthen earning power.

	No. of Companies			Number of Group Companies in the Black			Percentage of Group Companies in the Black		
	End of first half of FY2022	End of FY2021	Change from the end of FY2021	End of first half of FY2022	End of FY2021	Change from the end of FY2021	End of first half of FY2022	End of FY2021	Change from the end of FY2021
Domestic	20	20	±0	20	20	±0	100.0%	100.0%	±0.0pt
Overseas	49	49	±0	41	42	-1	83.7%	85.7%	-2.0pt
No. of subsidiaries	69	69	±0	61	62	-1	88.4%	89.9%	-1.5pt
Domestic	15	15	±0	14	13	+1	93.3%	86.7%	+6.6pt
Overseas	21	22	-1	17	20	-3	81.0%	90.9%	-9.9pt
No. of associates and joint ventures	36	37	-1	31	33	-2	86.1%	89.2%	-3.1pt
Total	105	106	-1	92	95	-3	87.6%	89.6%	-2.0pt

Profit and Loss Statement

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Result	FY2022 First Half Result	FY2021 First Half Result	Change
Revenue	1,793,853	1,240,172	+553,681
Gross profit	130,418	81,318	+49,100
Selling, general and administrative expenses	(53,621)	(43,119)	-10,502
Provision for doubtful accounts	(793)	(348)	-445
Operating income (*1)	76,004	37,851	+38,153
Net interest expenses	(5,964)	(2,186)	-3,778
Dividend income	1,109	724	+385
Gain (loss) on investments	(360)	169	-529
Gain (loss) on property, plant and equipment	125	(5)	+130
Other non-operating income (loss)	(3,244)	794	-4,038
Share of profits (losses) of associates and joint ventures	6,690	2,666	+4,024
Profit before tax	74,360	40,013	+34,347
Income taxes	(17,743)	(8,746)	-8,997
Profit	56,617	31,267	+25,350
Profit attributable to owners of the parent	50,179	27,228	+22,951
Profit attributable to non-controlling interests	6,438	4,039	+2,399

Gross profit

Gross profit increased by approximately 60% thanks to the robust performance of our U.S. steel pipe and construction materials business.

Operating income

Although labor costs rose, measures to reduce other expenses led to an approximate doubling in MISI operating income.

Net interest expenses

Deterioration resulting from upper interest rates on the dollar

Other non-operating income (loss)

Foreign exchange profit/loss: Worsened under the impact of the yen's depreciation against the U.S. dollar.

Share of profits (losses) of associates and joint ventures

Approx. 2.5-fold increase linked to better profitability at overseas steel pipe affiliates

*1 Operating income is presented in accordance with Japanese accounting practices for the convenience of investors and is not required by the IFRS. Ordinary income reflecting the Japanese GAAP standard has been provisionally calculated at ¥74.7 billion.

Balance Sheet

(Unaudited, IFRS basis)

(Unit: Millions of yen)

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Financial Position	End of FY2022 First Half Result	End of FY2021 Result	Change
Current assets	1,520,576	1,290,168	+230,408
Cash and cash equivalents	50,959	42,756	+8,203
Trade receivables	869,079	769,755	+99,324
Inventories	533,241	422,327	+110,914
Other	67,297	55,330	+11,967
Non-current assets	278,824	258,194	+20,630
Property, plant and equipment	99,966	92,174	+7,792
Intangible assets	25,476	21,331	+4,145
Investments and other assets	153,382	144,689	+8,693
Total assets	1,799,400	1,548,362	+251,038
Current liabilities	1,140,209	959,056	+181,153
Trade payables	408,662	379,506	+29,156
Short-term debts	640,905	497,194	+143,711
Other	90,642	82,356	+8,286
Non-current liabilities	175,680	164,441	+11,239
Long-term debts	145,230	135,638	+9,592
Other	30,450	28,803	+1,647
Total liabilities	1,315,889	1,123,497	+192,392
Equity attributable to owners of the parent	450,713	389,617	+61,096
Capital/Capital surplus	50,154	51,090	-936
Retained earnings	297,367	277,787	+19,580
Accumulated other comprehensive income	103,192	60,740	+42,452
Non-controlling interests	32,798	35,248	-2,450
Total equity	483,511	424,865	+58,646
Total liabilities and equity	1,799,400	1,548,362	+251,038

Comprehensive Income	FY2022 First Half Result	FY2021 First Half Result	Change
Profit	56,617	31,267	+25,350
Net unrealized gain (loss) on FVTOCI	414	(4,633)	+5,047
Exchange differences on translating foreign operations	40,115	1,958	+38,157
Other	2,769	590	+2,179
Comprehensive income	99,915	29,182	+70,733
Comprehensive income attributable to owners of the parent	93,310	25,144	+68,166
Comprehensive income attributable to non-controlling interests	6,605	4,038	+2,567

Total assets

¥1,799.4 billion (+¥251.0 billion from the end of FY2021)
→ Increase in trade receivables and inventories

Ratio of shareholders' equity

25.0% (-0.2 points from the end of FY2021)
→ Increase in current liabilities

Net DER

1.63 times (compared to +0.12 times from the end of FY2021)
→ Increase primarily due to a rise in working capital