






FY2022 Financial Results Report

Marubeni-Itochu Steel Inc.

May 9, 2023

FY2022 Financial Results Summary

- Increased energy demand resulted in solid results for MISI's North American steel pipe business, with our U.S. construction materials business also ramping up to generate increased revenue and earnings.
- Rising sales prices in Japan and other markets, combined with the effects of exchange rate depreciation, supported revenue growth.

	FY2021	FY2022	Over previous fiscal year	Factors affecting financial results	Impact
Consolidated net income	¥62.6 billion	¥95.5 billion	+ ¥33.0 billion	Recovery in energy-use steel pipe demand	
PL rate ¥/US\$	112.38	135.47	+23.09	Rising sales prices and rebounding demand in Japan	
Total assets	¥ 1.55 trillion	¥1.76 trillion	+ ¥0.22 trillion	U.S. construction materials business exhibited sustained robustness	
ROA	4.67%	5.77%	+1.10pt	Reduced demand reflecting China's economic slowdown	
Ratio of shareholders' equity (*1)	25.2%	27.2%	+2.0pt	Supply shortages of semiconductors and other parts	
Net debt equity ratio (DER) (*2)	1.51 times	1.28 times	- 0.24 times		
BS rate ¥/US\$	122.39	133.53	+11.14		

*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 number of MISI Group companies in the black rose by 5 over the 95 at the end of the previous fiscal year to reach 100 businesses. (Over 90% of all MISI companies finished in the black.)
- MISI will continue to actively address the changing business environment, moving forward in the quest to maintain a resilient earnings structure.

	No. of Companies			Number of Group Companies in the Black			Percentage of Group Companies in the Black		
	End of FY2022	End of FY2021	Change from the end of FY2021	End of FY2022	End of FY2021	Change from the end of FY2021	End of FY2022	End of FY2021	Change from the end of FY2021
Domestic	22	20	+2	21	20	+1	95.5%	100.0%	-4.5pt
Overseas	51	49	+2	48	42	+6	94.1%	85.7%	+8.4pt
No. of subsidiaries	73	69	+4	69	62	+7	94.5%	89.9%	+4.6pt
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	109	106	+3	100	95	+5	91.7%	89.6%	+2.1pt

Profit and Loss Statement

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Operating Results	FY2022 Results	FY2021 Results	Change
Revenue	3,691,294	2,784,019	+907,275
Gross profit	260,509	187,204	+73,305
Selling, general and administrative expenses	(113,102)	(91,791)	-21,311
Provision for doubtful accounts	327	(1,390)	+1,717
Operating income (*1)	147,734	94,023	+53,711
Net interest expenses	(17,719)	(5,021)	-12,698
Dividend income	2,161	1,551	+610
Gain (loss) on investments	(947)	33	-980
Gain (loss) on property, plant and equipment	(146)	(673)	+527
Other non-operating income (loss)	(3,636)	(1,179)	-2,457
Share of profits (losses) of associates and joint ventures	12,771	6,709	+6,062
Profit before tax	140,218	95,443	+44,775
Income taxes	(32,228)	(22,708)	-9,520
Profit	107,990	72,735	+35,255
Profit attributable to owners of the parent	95,522	62,555	+32,967
Profit attributable to non-controlling interests	12,468	10,180	+2,288

*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 ¥142.5 billion.

Gross profit

Profits rose by 40% on the strength of solid results from our North American steel pipe business, foreign exchange gains, and other contributing factors.

Operating income

Although labor costs rose, measures to reduce other expenses led to an increase of approximately 1.5 times in MISI's operating income.

Net interest expenses

These greatly deteriorated due to rising interest rates on the dollar

Share of profits (losses) of associates and joint ventures

An approximately twofold increase linked to better profitability at overseas affiliates

(Unit: Millions of yen)

Comprehensive Income	FY2022 Results	FY2021 Results	Change
Profit	107,990	72,735	+35,255
Net unrealized gain (loss) on FVTOCI	3,770	(5,219)	+8,989
Exchange differences on translating foreign operations	19,971	23,279	-3,308
Other	3,141	2,070	+1,071
Comprehensive income	134,872	92,865	+42,007
Comprehensive income attributable to owners of the parent	122,126	82,518	+39,608
Comprehensive income attributable to non-controlling interests	12,746	10,347	+2,399

Balance Sheet

(Unaudited, IFRS basis)

(Unit: Millions of yen)

Financial position	End of FY2022 Results	End of FY2021 Results	Change
Current assets	1,463,029	1,290,686	+172,343
Cash and cash equivalents	56,092	42,756	+13,336
Trade receivables	827,510	769,771	+57,739
Inventories	511,264	422,327	+88,937
Other	68,163	55,832	+12,331
Non-current assets	300,823	258,178	+42,645
Property, plant and equipment	108,373	92,174	+16,199
Intangible assets	29,981	21,331	+8,650
Investments and other assets	162,469	144,673	+17,796
Total assets	1,763,852	1,548,864	+214,988
Current liabilities	1,059,911	959,056	+100,855
Trade payables	452,679	379,506	+73,173
Short-term debts	519,571	497,194	+22,377
Other	87,661	82,356	+5,305
Non-current liabilities	187,562	164,943	+22,619
Long-term debts	149,623	135,638	+13,985
Other	37,939	29,305	+8,634
Total liabilities	1,247,473	1,123,999	+123,474
Equity attributable to owners of the parent	479,529	389,617	+89,912
Capital/Capital surplus	50,154	51,090	-936
Retained earnings	343,723	277,787	+65,936
Accumulated other comprehensive income	85,652	60,740	+24,912
Non-controlling interests	36,850	35,248	+1,602
Total equity	516,379	424,865	+91,514
Total liabilities and equity	1,763,852	1,548,864	+214,988

Management Indicators	FY2022 Results	FY2021 Results	Change
Ratio of shareholders' equity (*2)	27.2%	25.2%	+2.0pt
Net debt equity ratio (DER) (*3)	1.28 times	1.51 times	-0.24 times
Return on Assets (ROA)	5.77%	4.67%	+1.10pt

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

*3: Net DER = net interest-bearing liabilities/equity attributable to owners of the parent

Total assets

¥1,763.9 billion (+¥215.0 billion from the end of FY2021)
→ Increase in trade receivables and inventories

Ratio of shareholders' equity

27.2% (+2.0 points from the end of FY2021)
→ Increase in profit and other comprehensive income for the term under review

Net DER

1.28 times (compared to -0.24 times from the end of FY2021)