

## News Release

May 9, 2023

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### Results for FY2022

Marubeni-Itochu Steel Inc. (MISI; headquartered in Chuo-ku, Tokyo; Makoto Ishitani, president and CEO) announces the following results for FY2022 (April 2022 through March 2023).

#### **Economic Environment**

Global economic activity during FY2022 followed a path of normalization, notably on the strength of progress in bringing the COVID-19 pandemic under control. In contrast, Russia's invasion of Ukraine triggered a steep rise in resource energy prices, accelerating inflation in the first half of the year. The chilled consumption linked with the money-tightening policies exercised to curb this trend emerged during the second half of the fiscal year.

Major global industrial sectors sustained a general recovery trend, although the supply of semiconductors and other key components remained disrupted. This development had a particularly strong effect on the automobile industry, where production failed to return to the level necessary to satisfy market demand.

In the Japanese economy, the yen's steep depreciation prompted skyrocketing raw materials prices and other downward pressure on economic activity. However, with continued monetary easing proving effective, the economy staged a gentle recovery, with both personal consumption and industrial activity charting improvements compared to the previous fiscal year.

In the steel industry, a key factor was the impact of the slowdown in global economic growth. Worldwide crude steel production in 2022 (January to December) was tracked

at 1,885.03 million tons—down 3.9 percent from the previous year. Output in China, the world's largest steel-producing nation, declined by 1.7 percent from the previous year to finish at 1,017.96 million tons. Crude steel production by Japanese steelmakers during the fiscal year of April 2022 to March 2023 was likewise affected by declining exports and slowed recovery for the manufacturing industries. The result was an 8.1 percent decline in output to 87.85 million tons compared to the same period the previous year.

### **Results of Operations for the Term under Review**

In this challenging environment, MISI seized on the rise in overseas earnings fueled by rising steel prices and the weakened yen, and also focused on maximizing earnings opportunities its domestic and overseas operations presented in their respective markets.

Our U.S. construction materials business coped with the decline in the steel sheet market and the headwinds of recession fears, doing everything in its capacity to maintain sales prices and secure earnings. Likewise, the MISI North American steel pipe business also turned in strong results, backed by the vigorous state of oil and gas excavation activities in response to the rise in energy prices.

In summary, the MISI Group's consolidated results for FY2022 were highlighted by revenues of ¥3,691.3 billion, operating income of ¥147.7 billion, and ¥95.5 billion in profit attributable to owners of the parent.

### Consolidated Statement of Income (Unaudited, IFRS basis)

MISI's consolidated statement of income figures for FY2022 are as follows:

(Billions of yen)

Category	Results for FY2022	Results for FY2021	Increase/decrease
Revenue(*1)	3,691.3	2,784.0	+907.3
Gross profit	260.5	187.2	+73.3
Operating income	147.7	94.0	+53.7
Profit before tax	140.2	95.4	+44.8
Profit attributable to owners of the parent	95.5	62.6	+33.0
Comprehensive income attributable to owners of the parent	122.1	82.5	+39.6

\*1 Since we now follow the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., the term "Total volume of trading transactions" has been dropped in favor of "Revenue" since FY2021.

Please direct any inquiries concerning this news release to the Corporate Planning & Coordination Department of Marubeni-Itochu Steel Inc. at the following website:  
[https://www.benichu.com/en/contact\\_en/](https://www.benichu.com/en/contact_en/)

# **FY2022 Financial Results Report**






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**Marubeni-Itochu Steel Inc.**

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# 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
<b>Consolidated net income</b>	<b>¥62.6 billion</b>	<b>¥95.5 billion</b>	+ ¥33.0 billion	<b>Recovery in energy-use steel pipe demand</b>	
PL rate ¥/US\$	112.38	135.47	+23.09	<b>Rising sales prices and rebounding demand in Japan</b>	
<b>Total assets</b>	<b>¥ 1.55 trillion</b>	<b>¥1.76 trillion</b>	+ ¥0.22 trillion	<b>U.S. construction materials business exhibited sustained robustness</b>	
<b>ROA</b>	<b>4.67%</b>	<b>5.77%</b>	+1.10pt	<b>Reduced demand reflecting China's economic slowdown</b>	
<b>Ratio of shareholders' equity</b> (*1)	<b>25.2%</b>	<b>27.2%</b>	+2.0pt	<b>Supply shortages of semiconductors and other parts</b>	
<b>Net debt equity ratio (DER)</b> (*2)	<b>1.51 times</b>	<b>1.28 times</b>	- 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
<b>Total</b>	<b>109</b>	<b>106</b>	<b>+3</b>	<b>100</b>	<b>95</b>	<b>+5</b>	<b>91.7%</b>	<b>89.6%</b>	<b>+2.1pt</b>

# 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
<b>Gross profit</b>	<b>260,509</b>	<b>187,204</b>	<b>+ 73,305</b>
Selling, general and administrative expenses	(113,102)	(91,791)	-21,311
Provision for doubtful accounts	327	(1,390)	+ 1,717
<b>Operating income (*1)</b>	<b>147,734</b>	<b>94,023</b>	<b>+ 53,711</b>
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
<b>Profit before tax</b>	<b>140,218</b>	<b>95,443</b>	<b>+ 44,775</b>
Income taxes	(32,228)	(22,708)	-9,520
<b>Profit</b>	<b>107,990</b>	<b>72,735</b>	<b>+ 35,255</b>
Profit attributable to owners of the parent	<b>95,522</b>	<b>62,555</b>	<b>+ 32,967</b>
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
<b>Comprehensive income</b>	<b>134,872</b>	<b>92,865</b>	<b>+ 42,007</b>
Comprehensive income attributable to owners of the parent	<b>122,126</b>	<b>82,518</b>	<b>+ 39,608</b>
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
<b>Current assets</b>	<b>1,463,029</b>	<b>1,290,686</b>	<b>+172,343</b>
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
<b>Non-current assets</b>	<b>300,823</b>	<b>258,178</b>	<b>+42,645</b>
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
<b>Total assets</b>	<b>1,763,852</b>	<b>1,548,864</b>	<b>+214,988</b>
<b>Current liabilities</b>	<b>1,059,911</b>	<b>959,056</b>	<b>+100,855</b>
Trade payables	452,679	379,506	+73,173
Short-term debts	519,571	497,194	+22,377
Other	87,661	82,356	+5,305
<b>Non-current liabilities</b>	<b>187,562</b>	<b>164,943</b>	<b>+22,619</b>
Long-term debts	149,623	135,638	+13,985
Other	37,939	29,305	+8,634
<b>Total liabilities</b>	<b>1,247,473</b>	<b>1,123,999</b>	<b>+123,474</b>
<b>Equity attributable to owners of the parent</b>	<b>479,529</b>	<b>389,617</b>	<b>+89,912</b>
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
<b>Total equity</b>	<b>516,379</b>	<b>424,865</b>	<b>+91,514</b>
<b>Total liabilities and equity</b>	<b>1,763,852</b>	<b>1,548,864</b>	<b>+214,988</b>

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)