

Outline of the Statements of Consolidated Financial Results for FY2003

Consolidated Statements of Income for FY2003

(billions of yen)

| | Fiscal year | | Increase/Decrease | Attainment rate |
|---|-------------|---------|-------------------|-----------------|
| | Results | Plan | | |
| Sales | 1,278.5 | 1,247.6 | 30.9 | 102.5% |
| Gross profit | 66.7 | 65.2 | 1.5 | 102.2% |
| (Gross profit ratio) | 5.2% | 5.2% | (0) | 99.8% |
| Selling, general and administrative expenses | (51.5) | (48.8) | (2.7) | 105.5% |
| Operating expenses | (49.6) | (48.5) | (1.1) | 102.3% |
| Provision for doubtful accounts | (1.8) | (0.3) | (1.5) | 613.7% |
| Consolidated amortization of goodwill | (0.0) | (0.0) | (0.0) | 240.0% |
| Operating income | 15.2 | 16.4 | (1.2) | 92.6% |
| Interest income | 1.3 | 0.9 | +0.4 | 146.2% |
| Interest expense | (4.4) | (5.6) | +1.2 | 78.9% |
| Dividend income | 0.7 | 0.5 | +0.2 | 149.4% |
| Equity in earnings of affiliates | 1.9 | 1.5 | +0.4 | 129.1% |
| Other operating income | 0.2 | (1.3) | +1.5 | -17.8% |
| Ordinary income | 15.0 | 12.4 | +2.6 | 121.0% |
| Extraordinary gain | 3.4 | 0.8 | +2.6 | 420.0% |
| Extraordinary loss | (6.0) | (3.2) | (2.8) | 188.0% |
| Income before income taxes | 12.4 | 10.0 | +2.4 | 123.5% |
| Income taxes | (5.7) | (4.3) | (1.4) | 132.5% |
| Minority interests | (0.4) | (0.2) | (0.2) | 187.5% |
| Net income | 6.3 | 5.5 | 0.8 | 114.1% |

§Ratio

| | | | |
|-----------------------------------|---------------|---------------|----------------|
| 1. Real income | ¥16.6 billion | ¥14.0 billion | + ¥2.6 billion |
| 2. Return on assets (ROA) | 1.1% | 1.0% | 0.1% |
| 3. Return on equity (ROE) | 9.5% | 8.8% | 0.7% |
| 4. Debt-equity ratio (DER) | 3.1 | 3.6 | -0.5 |

Real income = operating income (except provision for doubtful accounts) + net interest income + dividend income + equity in earnings of affiliates

Consolidated Balance Sheet

(billions of yen)

| | | | |
|------------------------------|-------|---|-------|
| Current assets | 427.5 | Current liabilities | 378.9 |
| Cash and deposits | 23.9 | Trade accounts payable | 212.9 |
| Trade accounts receivable | 310.6 | Short-term debts | 310.6 |
| Inventories | 74.9 | Other | 142.5 |
| Other | 18.0 | Other | 23.5 |
| Fixed assets | 115.0 | Fixed liabilities | 89.4 |
| Tangible assets | 47.3 | Long-term debts | 78.2 |
| Intangible assets | 3.4 | Other | 11.1 |
| Investments and other assets | 64.2 | Total liabilities | 468.3 |
| | | Minority interests | 2.2 |
| | | Common stock/Capital surplus | 52.4 |
| | | Retained earnings | 15.4 |
| | | Other | 4.2 |
| | | Total shareholders' equity | 72.0 |
| Total assets | 542.5 | Total liabilities, minority interests and shareholders' equity | 542.5 |

Number of Consolidated Subsidiaries and Affiliates

| | No. of companies | Profitability | | |
|---------------------|---------------------------------|---------------|--------------|------------------|
| | | Profitable | Unprofitable | Profitable Ratio |
| Subsidiaries | Overseas Corporate subsidiaries | 14 | 13 | 92.9% |
| | Domestic companies | 29 | 23 | 79.3% |
| | Overseas companies | 26 | 25 | 96.2% |
| Total | 69 | 61 | 8 | 88.4% |
| Affiliates | Domestic companies | 21 | 12 | 57.1% |
| | Overseas companies | 19 | 16 | 84.2% |
| Total | 40 | 28 | 12 | 70.0% |
| Grand Total | 109 | 89 | 20 | 81.7% |

Outline of the statements of consolidated financial results for FY2003

13-May-04

Marubeni-Itochu Steel Inc.

< Summary >

Domestic steel demand from the construction industry fell as a result of cutbacks in public-works projects and a decrease in new housing starts compared with the previous year, but steel demand from the shipbuilding, automobile and industrial machinery industries was strong. As a result, total domestic steel demand showed an improvement over the preceding year. Steel exports to Asian countries were strong in general, with exports to China leading the way. In response to that, crude steel production in FY2003 totaled about 110 million tonnes, an increase of about 1.1% over the preceding year.

In such an economic environment, the Company has been able to achieve its goals in the implementation of a medium-term management plan aimed at raising the group's consolidated earning power to the top international level by the final year of the plan (FY2005). It has made steady progress with the program since its initial year (FY2003).

< Explanation for consolidated statements >

1. Gross profit

During the term under review, there was renewed domestic demand for trucks due to the intensified curbs on exhaust fumes from diesel engines. Consolidated sales totaled ¥1,278.5 billion, led by steel supplies for the domestic automobile industry, and topped the plan by ¥30.9 billion. Gross profits, like the sales amount, gained a boost from steel sales to the automobile industry as well as from sales of steel pipes for domestic businesses and electrical steel sheets. Gross profits totaled ¥66.7 billion, exceeding the plan by ¥1.5 billion.

2. Operating income

Selling, general and administrative expenses (SG&A) showed an increase of ¥2.7 billion over the target figure because operating expenses were ¥1.1 billion over the plan as a result of an increase in the number of companies to which the equity method is applied, and also because appropriations totaling ¥1.8 billion were made to cover doubtful debts. Operating income, after subtracting the SG&A, totaled ¥15.2 billion, falling short of the plan.

3. Ordinary income

Efforts were made to cut interest-bearing debts and financial costs particularly at the Company and its overseas trading subsidiaries. As a result, net interest income improved by ¥1.6 billion over the plan. Equity in earnings of affiliates increased by ¥400 million over the plan because affiliates to which the equity method is applied did well. All told, ordinary income totaled ¥15 billion, exceeding the plan by ¥2.6 billion.

4. Net income before income taxes

Regarding extraordinary profit and loss, the Company disposed of various assets. Profits from selling fixed assets totaled ¥0.5 billion, and profit in selling investment securities came to ¥2.7 billion. In addition, the Company carried out, ahead of schedule, the amortization of various assets (provision for doubtful accounts at ¥0.6 billion and devaluation in investment securities at ¥1.4 billion), and also front-loaded the entry of devaluation loss in idle assets (¥1.2 billion), etc., in the account books. It registered net extraordinary loss of ¥2.6 billion, almost the same as anticipated. The net income for the term before adjustment for taxes, etc., was ¥12.4 billion, exceeding the plan by ¥2.4 billion. All told, net income for the term was ¥6.3 billion, surpassing the plan by ¥0.8 billion.

5. Shareholders' equity

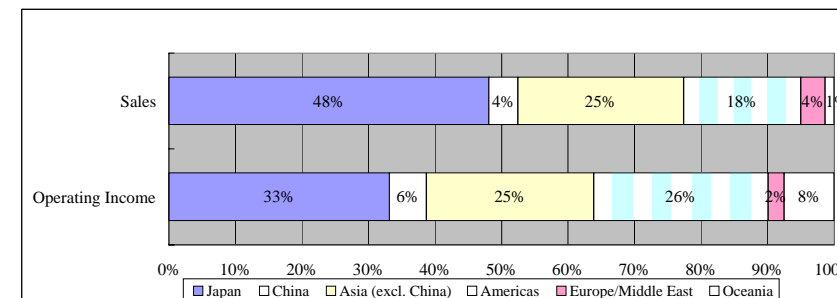
Foreign currency translation adjustments deteriorated compared with the preceding year as a result of the yen's strength against the U.S. dollar. But as a result of drastic improvement in the value of securities, thanks to the recovery of the domestic stock market, shareholders' equity at the end of the term stood at ¥72 billion, exceeding the plan by ¥7.4 billion.

6. Interest-bearing liabilities

Cutbacks on interest-bearing liabilities through the re-examination of assets progressed, particularly at the Company and its overseas trading subsidiaries. Total interest-bearing liabilities stood at ¥220.7 billion, while net interest-bearing liabilities, after subtracting cash and deposits, stood at ¥196.8 billion. (The plan was exceeded by ¥18.0 billion for interest-bearing liabilities and ¥31.1 billion for net interest-bearing liabilities.)

7. Information about consolidated subsidiaries and affiliates

< Details of consolidated subsidiaries' sales and operating income by region >



< Components of consolidated net income >

| | Results |
|---------------------------------|--------------|
| Parent company (adjusted) | ¥0.5 billion |
| Consolidated subsidiaries | ¥5 billion |
| Overseas Corporate subsidiaries | ¥2.4 billion |
| Other subsidiaries | ¥2.6 billion |
| Equity method-applied companies | ¥0.8 billion |
| Total | ¥6.3 billion |

Summary of medium-term management program and short-term management plan for FY2004

< Summary of medium-term management plan >

- | | |
|--|--|
| <p>1. "Reinforcement of profit-making constitution"</p> <p>2. "Profit target"</p> <p>3. "Independent, self-reliant management"</p> <p>4. "Consolidated management"</p> <p>5. "Personnel and organizational plan"</p> | <p>The Company will allocate managerial resources in important areas in an effective manner and introduce flexibility into human resources. In addition, it will respond pragmatically to structural changes in marketing systems and construct an exciting and attractive business model.</p> <p>The Company will aim for a net income of ¥10 billion or more on a consolidated basis in FY2005.</p> <p>The Company will establish independent, self-reliant management through, among other methods, making its finance stand alone.</p> <p>The Company will strengthen group management, with the aim of matching risk with returns, and producing results.</p> <p>The Company will create an optimum personnel setup at an early date with a company-wide performance-based wage system. It will attach importance to education, maximize use of its human resources and establish a corporate ethos based on a fundamental code of conduct.</p> |
|--|--|

| Management plan for FY2004 | | |
|----------------------------|--------------|----------------------------|
| | | % Change from current term |
| Net income | ¥7.5 billion | 119.45% |