

Outline of Consolidated Financial Results in FY2006

(in billions of yen)

April 26, 2007

Marubeni-Itochu Steel Inc.

Statements of consolidated income	FY2006 Results	Comparison with FY2005		(Reference) Non-consolidated results	
		Results	Change	FY2006 Results	Change
Sales	1,912.0	1,697.5	214.5	1,151.5	141.0
Gross profits	119.7	104.1	15.6	36.7	5.0
(Gross profit ratio)	(6.3%)	(6.1%)	(0.1%)	(3.2%)	(0.1%)
Selling, general and administrative expenses	-62.9	-55.8	-7.1	-15.9	-1.2
Provision for doubtful accounts	-0.3	-1.1	0.7	0	0.1
Amortization of goodwill	-0.1	-0.1	0	-	-
Operating income	56.4	47.1	9.3	20.8	3.9
Net interest income	-6.2	-4.8	-1.5	0.4	0.8
Dividend income	1.1	1.0	0.1	6.5	1.2
Equity in earnings of affiliates	4.3	3.9	0.4	-	-
Other non-operating income	-1.1	-1.3	0.2	-1.5	0.5
Ordinary income	54.5	46.0	8.5	26.2	6.5
Extraordinary gain and loss	-0.3	5.4	-5.7	-1.4	-7.0
Income before taxes	54.2	51.4	2.8	24.8	-0.5
Income taxes	-20.4	-18.8	-1.6	-9.2	-0.2
Minority interests	-0.2	-0.7	0.4	-	-
Net income	33.6	31.9	1.7	15.6	-0.7

§Ratio					
1. Real income (* 1)	55.9	48.3	7.6	27.7	5.9
2. Return on assets (ROA)	4.4%	4.7%	-0.3%	4.2%	-0.7%
3. Ratio of shareholders' equity	19.4%	19.4%	0.0%	25.3%	-0.9%
4. Net debt equity ratio (DER)	1.7 times	1.7 times	0.0 times	1.2 times	0.1 times

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

Consolidated Balance Sheet	FY2006 Results	Comparison with FY2005		(Reference) Non-consolidated results	
		Results (06/03)	Change	FY2006 Results	Change
Current assets	654.3	553.3	101.1	280.0	32.8
Cash and deposits	28.6	26.2	2.4	5.8	0.7
Accounts receivable	422.2	361.3	61.0	230.6	25.8
Inventories	172.1	143.5	28.6	24.7	0.1
Other	31.4	22.3	9.1	18.9	6.2
Fixed assets	171.7	143.5	28.2	117.7	17.1
Tangible assets	59.5	52.5	7.0	0.6	-0
Intangible assets	6.6	4.9	1.7	1.5	-0.7
Investments and other assets	105.7	86.1	19.6	115.7	17.7
Total assets	826.0	696.7	129.3	397.7	49.8
Current liabilities	537.4	433.5	104.0	218.3	41.1
Accounts payable	284.4	244.2	40.1	143.5	18.2
Short-term debts	203.4	150.9	52.5	60.3	20.2
Other	49.6	38.3	11.4	14.5	2.7
Fixed liabilities	124.8	125.0	-0.2	78.6	2.8
Long-term debts	98.6	101.9	-3.2	63.5	0.2
Other	26.2	23.2	3.0	15.1	2.6
Total liabilities	662.2	558.5	103.7	296.9	43.9
Common stock/Capital surplus	52.4	52.4	0	55.9	0
Retained earnings	81.5	61.1	20.4	23.3	2.6
Minority interests	3.5	3.3	0.2	-	-
Other	26.5	21.5	5.0	21.6	3.3
Total net assets	163.8	138.2	25.6	100.8	5.9
Total liabilities and net assets	826.0	696.7	129.3	397.7	49.8

Outline of consolidated financial results in FY2006

< Summary >

Under the new three-year medium-term management program launched last year, the Company declared the three goals of achieving expanded operational functions, enhanced growth vitality and an enriched financial foundation. During FY2006, the initial year of this plan, various strategic preparations were undertaken to help ensure the ultimate accomplishment of these targets. To achieve expanded operational functions, steps were adopted such as the further restructuring and integration of domestic business operations, the renewal of domestic and overseas steel product processing centers, the acquisition of building materials businesses in the U.S., the construction of new coil centers in India, the U.S., Europe and Mexico, the establishment of new steel product processing centers in the Middle East and the formation of a decision to commence other new investment projects. With regard to realizing enhanced growth vitality, an official decision was made to establish a new core system. This was followed by a full-fledged launch of approaches in that direction as well as the enhancement of the global personnel system through training for local overseas employees and other means. Backed by the combination of these strategic approaches and the favorable business environment sustained over the past year, consolidated sales for FY2006 reached ¥1,912 billion, (up ¥214.5 billion over the previous year), while ordinary income was ¥54.5 billion (up ¥8.5 billion over the same period last year), and consolidated net income was ¥33.6 billion (up ¥1.7 billion over the same period last year). As a result, net assets rose to ¥163.8 billion, an increase of ¥25.6 billion over the same period last year, which is evidence of a further bolstering in the Company's solid financial foundation.

< Explanation of consolidated statements >

1. Sales and gross profit

Although declines were recorded in the U. S. and certain other markets during FY2006, a positive overall environment continued to be supported by solid demand both in Japan and overseas. In this market environment, both the non-consolidated base and its consolidated subsidiaries again posted strong results, with consolidated sales rising by ¥214.5 billion over the previous year to ¥1,912 billion. Gross profits also advanced over FY2005, increasing by ¥15.6 billion to reach ¥119.7 billion. This was supported by the strength of growth in non-consolidated earnings, expanded earnings by overseas steel pipe subsidiaries and progress made in other areas.

2. Operating income

For the year in review, selling, general and administrative expenses, including provisions for doubtful accounts, amounted to ¥63.3 billion. While improvements were made in provisions for doubtful accounts compared to the previous year, the final figures were impacted by increases in personnel expenses and distribution costs at consolidated subsidiaries, as well as the incorporation of expenses accompanying the addition of new consolidated subsidiaries. As a result, aggregate costs rose by ¥6.3 billion.

After these selling, general and administrative expenses were subtracted, operating income reached ¥56.4 billion, an increase of ¥9.3 billion over the previous year.

3. Ordinary income

Under non-operating income and expenses, net interest income declined by ¥1.5 billion since the previous year, due to an increase in interest-bearing debt accompanying expanded business transactions, and the rise in U.S. dollar interest rates. However, strong results were posted by both domestic and overseas affiliates to which the equity method applies, as well as by the non-consolidated base and its consolidated subsidiaries, with equity in earnings of affiliates increasing by ¥0.4 billion. In summary, although ordinary income was impacted by a decline in the interest income balance during FY2006, it amounted to ¥54.5 billion, a gain of ¥8.5 billion over the previous year.

4. Net income

Under extraordinary gains and losses, the Company listed net losses of ¥0.3 billion from the loss on revaluation of investments in securities and other sources. While the Company listed extraordinary gains during the previous fiscal year due to profits from sales of investment securities (¥5.0 billion), and reversals of provisions for doubtful accounts and other sources, this was a decline of ¥5.7 billion over the previous year. Nevertheless, net income for the year, after subtracting corporate taxes of ¥20.4 billion and minority interests of ¥0.2 billion, came to ¥33.6 billion, a gain of ¥1.7 billion over FY2005.

5. Net assets

The Company's net assets for the year were ¥163.8 billion, an increase of ¥25.6 billion over the previous year. The main factors behind this gain included the increase in retained earnings, growth in net evaluations of investment securities and improvement in the foreign currency translation adjustment linked to the weak yen/strong dollar. As a result, the Company's consolidated ratio of shareholders' equity at the end of FY2006 was tracked at 19.4%, which is roughly equal to that at the end of the previous year.

6. Net interest-bearing liabilities

Net interest-bearing liabilities for FY2006 totaled ¥273.5 billion, an increase of ¥46.8 billion over the end of the previous year. This was the result of growth in capital demand accompanying the increased transaction value of the MISI main unit on a non-consolidated basis, its U.S. subsidiaries, overseas steel pipe subsidiaries and other members of the MISI organization. Despite the reported broad-based increase in net interest-bearing liabilities, the net debt equity ratio (DER) held steady at 1.7-fold (roughly the same as that at the end of FY2005).

< Number of consolidated companies >

	No. of companies	% change from previous year-end	Companies in black	Companies in red	Ratio of companies in black
Overseas corporate subsidiaries	29	-3	29	0	100.0%
Domestic subsidiaries	20	1	17	3	85.0%
Overseas subsidiaries	75	3	72	3	96.0%
(No. of consolidated subsidiaries)	19	2	18	1	94.7%
Domestic companies	16	-1	15	1	93.8%
Overseas companies	35	1	33	2	94.3%
(No. of equity method-applied companies)	110	4	105	5	95.5%

< Details of profit and loss of consolidated subsidiaries/net income >

	FY2006 Net income	
	FY2006 Net income	Change from previous year
Non-consolidated figure adjusted for consolidation	¥10.8 billion	¥1.7 billion
Consolidated subsidiaries	¥20.0 billion	¥0.5 billion
Overseas corporate subsidiaries	¥5.2 billion	¥2.8 billion
Other subsidiaries	¥14.8 billion	¥2.3 billion
Equity method-applied companies	¥2.7 billion	¥0.5 billion
Total	¥33.6 billion	¥1.7 billion

< Management plan for FY2007 >

(on a consolidated basis)

	FY2007 Plan	
	FY2007 Plan	Change from FY2006
Sales	¥2,000 billion	¥88.0 billion
Gross profits	¥120.0 billion	¥0.3 billion
Ordinary income	¥49.0 billion	¥5.5 billion
Net income	¥31.0 billion	¥2.6 billion