Outline of Financial Results in First Half of FY2007

October 25, 2007

Marubeni-Itochu Steel Inc.

(in billions of yen)

Statements of consolidated income	Results for the First Half of FY2007	Year-on-Year Comparison		(Reference) Non-consolidated Results	
		Results	Change	First half year of FY2007	Year-on-year Change
Sales	995.6	916.8	78.7	594	50.8
Gross profits	**59.0**	**57.8**	**1.2**	**18.9**	**1.5**
(Gross profit ratio)	(5.9%)	(6.3%)	(-0.4%)	(3.2%)	(-0.0%)
Selling, general and administrative expenses	-32.2	-29.8	-2.4	-8	-0.3
Provision for doubtful accounts	-0.1	-0.1	-0	-0	-0
Amortization of goodwill	-0	-0	0	-	-
Operating income	**26.7**	**27.8**	**-1.2**	**10.9**	**1.2**
Net interest income	-3.8	-2.6	-1.2	-0.1	-0.3
Dividend income	0.8	0.7	0.1	5.2	3.3
Equity in earnings of affiliates	2.3	2	0.3	-	-
Other non-operating income	-0.2	-0.2	-0	-0.7	-0.2
Ordinary income	**25.8**	**27.7**	**-1.9**	**15.3**	**4**
Extraordinary gain and loss	0.6	1.2	-0.6	0.6	2.6
Income before taxes	**26.4**	**28.9**	**-2.5**	**15.8**	**6.6**
Income taxes	-9.6	-10.2	0.6	-5.0	-1.2
Minority interests	-0.4	-0.3	-0.1	-	-
Net income ※Consolidated-Non-consolidated ratio: 1.5	**16.4**	**18.4**	**-2**	**10.8**	**5.4**

§Ratio

1. Real income (*1)	¥26.1 billion	¥28.0 billion	-¥1.9 billion	¥16.0 billion	¥4.2 billion
2. Ratio of shareholder's equity (*2)	20.4%	19.4%	1.0%	23.2%	-2.1%
3. Net debt equity ratio (DER) (*2)	1.8 times	1.7 times	0.1 times	1.5 times	0.3 times

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

*2 Regarding the shareholder's equity and net debt-equity ratio, comparisons with the figures as of the end of the proceeding fiscal year are shown. (Shareholder's equity = total net assets - minority interests)

Consolidated Balance Sheet	Results for the First Half of FY2007	Comparison with the End of FY2006		(Reference) Non-consolidated Results	
		Results (07/03)	Change	First half year of FY2007	Change from the end of FY2006
Current assets	**646.7**	**654.3**	**-7.6**	**306.5**	**26.4**
Cash and deposits	19.3	28.6	-9.3	6.3	0.4
Accounts receivable	424.0	422.2	1.8	238.3	7.8
Inventories	173.7	172.1	1.6	32.5	7.8
Other	29.6	31.4	-1.7	29.3	10.5
Fixed assets	**180.4**	**171.7**	**8.7**	**122.8**	**5.1**
Tangible assets	62.9	59.5	3.4	0.6	0
Intangible assets	7.6	6.6	1.0	2.5	1.0
Investments and other assets	109.9	105.7	4.2	119.7	4.1
Total assets	**827.1**	**826.0**	**1.0**	**429.3**	**31.5**
Current liabilities	**517.6**	**537.4**	**-19.9**	**240.5**	**22.1**
Accounts payable	262.4	284.4	-21.9	140.7	-2.8
Short-term debts	208.4	203.4	5.0	81.5	21.2
Other	46.8	49.6	-2.9	18.3	3.8
Fixed liabilities	**137.0**	**124.8**	**12.2**	**89.2**	**10.6**
Long-term debts	111.9	98.6	13.3	75.0	11.5
Other	25.1	26.2	-1.0	14.2	-0.9
Total liabilities	**654.6**	**662.2**	**-7.6**	**329.6**	**32.7**
Common stock/Capital surplus	52.4	52.4	0	55.9	0
Retained earnings	84.9	81.5	3.4	21.1	-2.2
Minority interests	3.8	3.5	0.3	-	-
Other	31.4	26.5	4.9	22.6	1.0
Total shareholders' equity	**172.5**	**163.8**	**8.6**	**99.6**	**-1.2**
Total liabilities and total shareholders' equity	**827.1**	**826.0**	**1.0**	**429.3**	**31.5**

Outline of consolidated financial results in first half of FY2007

<Summary>

During the first half of the current fiscal year, the Company benefited from the continuation of solid market conditions for steel products, with both sales and profits increasing in comparison with those in the first half of the previous fiscal year on a non-consolidated basis.

On a consolidated basis, advances in sales performance in Japan and countries in Europe and the rest of Asia compensated for a slump in the United States caused by worsened conditions in the U.S. building products market. However, with gross profits producing only a slight gain, consolidated net income declined from that in the same period of the previous year.

<Explanation of consolidated statements>

1. Gross profits

The first half of the current fiscal year produced sluggish performance in the North American area as a result of a worsening market for building products and receding demand in the United States. Overall, however, the Company experienced solid results in its handling of steel for automobiles, shipbuilding, and construction machinery, which was driven by strong product exports and boosted by a sharp increase in the price of stainless steel in the first quarter, a weak yen, and other factors. The Company's performance remained robust from the previous fiscal year.

As a result, sales recorded by both the Company (non-consolidated) and its consolidated subsidiaries went up, rising ¥78.7 billion over that in the first half of last year, to ¥995.6 billion. Gross profits generally reflected the increase in non-consolidated sales, gaining ¥1.2 billion, to ¥59.0 billion.

2. Operating income

Total selling, general and administrative expenses in the first half of the term under review, including provisions for doubtful accounts, were affected by increased personnel expenses, growth in sales expenses that accompanied brisk business activities, a weaker yen, and other contributing factors that had an impact on both the Company and its consolidated subsidiaries. As a result, these expenses grew ¥2.4 billion, to ¥32.3 billion, on a consolidated basis compared to that in the first half of last year. After subtracting selling, general and administrative expenses, operating income came to ¥26.7 billion, down ¥1.2 billion from the same six-month period last year.

3. Ordinary income

Under non-operating income and expenses, equity in earnings of affiliates improved from that in the first half of last year thanks to a rise in income from the overseas steel pipe business and other positive factors. However, with an increase in interest-bearing liabilities caused by an advance in business transactions and investments as well as a deteriorating net interest income brought about by a higher yen and U.S. dollar interest rates, overall non-operating account balance recorded an ¥800 million decline from that in the first half of the previous year. As a result, ordinary income fell ¥1.9 billion from the level in the first half of the year before, to ¥25.8 billion.

4. Net income

Turning to extraordinary gain and loss, profits on sales of investment securities, a reversal of provision for doubtful accounts, and other factors contributed to a net profit of ¥600 million. After subtracting corporate taxes and minority interests, net income in the first half of the term came to ¥16.4 billion, a decline of ¥ 2.0 billion from that in the first half of fiscal 2006.

5. Net assets

The value of net assets at the end of the first half of the current fiscal year was supported by an increase in retained earnings, an adjustment to translations of foreign currency statements caused by a weak yen, net unrealized gains on securities, and other developments, resulting in an ¥8.6 billion rise over that at the end of the previous year, to ¥172.5 billion. Consequently, the consolidated shareholder's equity ratio was 20.4%, an improvement of 1.0 point from the level at the end of the previous fiscal year due to an increase in net assets (excluding minority interest).

6. Net interest-bearing liabilities

For the Company, an increase in demand for funds accompanying a rise in transaction value combined with a drop in its subsidiaries' cash and cash equivalents translated into a net interest-bearing liability balance of ¥301.0 billion in the first half of the term, up ¥27.5 billion from that at the end of the previous fiscal year. This produced a net debt equity ratio (DER) of 1.8 times.

<Number of consolidated companies>

		No. of companies	Change from the previous term	Companies in black	Companies in red	Ratio of companies in black
Consolidated	Domestic subsidiaries	28	-1	25	3	89.3%
	Overseas subsidiaries and corporate subsidiaries	47	1	36	11	76.6%
(No. of consolidated subsidiaries)		75	0	61	14	81.3%
Equity	Domestic subsidiaries	20	1	18	2	90.0%
	Overseas subsidiaries	16	0	15	1	93.8%
(No. of equity method-applied companie		36	1	33	3	91.7%
(No. of consolidated subsidiaries and affiliates)		111	1	94	17	84.7%

<Details of profit and loss of consolidated subsidiaries (first half of term)/net income>

	Net income	Year-on-year change
Non-consolidated figure adjusted for consolidation	¥5.1 billion	-¥0.5 billion
Consolidated subsidiaries	¥9.6 billion	-¥1.9 billion
Equity method-applied companies	¥1.6 billion	¥0.4 billion
Total	¥16.4 billion	-¥2.0 billion

<Forecast for fiscal 2007 > (on a consolidated basis)

	Forecast for FY2007	Change from beginning of FY2007
Sales	¥2,000 billion	¥0
Net income	¥31.0 billion	¥0