

Outline of Consolidated Financial Results in FY2007

(in billions of yen)

April 28, 2008

Marubeni-Itochu Steel Inc.

Statements of consolidated income	FY2007 Results	Comparison with FY2006		(Reference) Non-consolidated results	
		Results	Change	FY2007 Results	Change
Sales	2,035.9	1,912.0	123.9	1,210.6	59.1
Gross profits	115.6	119.7	-4.1	36.4	-0.4
(Gross profit ratio)	(5.7%)	(6.3%)	(-0.6%)	(3.0%)	(-0.2%)
Selling, general and administrative expenses	-64.5	-62.9	-1.6	-16.3	-0.4
Provision for doubtful accounts	-0.2	-0.3	0.1	-0	-0
Amortization of goodwill	-0	-0.1	0	-	-
Operating income	50.9	56.4	-5.5	20.1	-0.8
Net interest income	-7.4	-6.2	-1.2	-0.2	-0.6
Dividend income	1.4	1.1	0.3	6.7	0.2
Equity in earnings of affiliates	4.2	4.3	-0.1	-	-
Other non-operating income	-0.2	-1.1	0.9	-0.5	1.0
Ordinary income	48.9	54.5	-5.6	26.0	-0.1
Extraordinary gain and loss	3.4	-0.3	3.7	3.8	5.2
Income before taxes	52.3	54.2	-1.9	29.8	5.0
Income taxes	-17.7	-20.4	2.6	-9.7	-0.5
Minority interests	-0.7	-0.2	-0.5	-	-
Net income	33.9	33.6	0.3	20.1	4.5

§Ratio		FY2007 Results		Comparison with FY2006		(Reference) Non-consolidated results	
		Results	Change	FY2007 Results	Change	FY2007 Results	Change
1. Real income (* 1)		¥49.3 billion	¥55.9 billion	-¥6.6 billion		¥26.6 billion	-¥1.2 billion
2. Return on assets (ROA)		4.2%	4.4%	-0.2%		5.0%	0.9%
3. Ratio of shareholders' equity		21.3%	19.4%	1.9%		24.1%	-1.2%
4. Net debt equity ratio (DER)		1.6 times	1.7 times	-0.1 times		1.4 times	0.3times

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

Consolidated Balance Sheet	FY2007 Results	Comparison with FY2006		(Reference) Non-consolidated results	
		Results (07/03)	Change	FY2007 Results	Change
Current assets	632.6	654.3	-21.7	293.5	13.4
Cash and deposits	19.2	28.6	-9.4	5.1	-0.8
Accounts receivable	421.4	422.2	-0.8	231.6	1.0
Inventories	159.7	172.1	-12.5	25.7	1.0
Other	32.3	31.4	0.9	31.1	12.2
Fixed assets	157.0	171.7	-14.7	105.1	-12.6
Tangible assets	63.6	59.5	4.1	0.6	-0
Intangible assets	8.0	6.6	1.4	3.0	1.6
Investments and other assets	85.5	105.7	-20.2	101.5	-14.2
Total assets	789.7	826.0	-36.4	398.5	0.8
Current liabilities	488.5	537.4	-48.9	213.9	-4.4
Accounts payable	270.2	284.4	-14.1	142.3	-1.2
Short-term debts	182.0	203.4	-21.5	59.4	-0.9
Other	36.3	49.6	-13.4	12.2	-2.3
Fixed liabilities	128.7	124.8	3.9	88.4	9.8
Long-term debts	113.2	98.6	14.6	82.5	19.0
Other	15.5	26.2	-10.7	5.9	-9.2
Total liabilities	617.2	662.2	-45.0	302.3	5.4
Common stock/Capital surplus	52.4	52.4	0	55.9	0
Retained earnings	102.3	81.5	20.9	30.4	7.1
Minority interests	3.9	3.5	0.4	-	-
Other	13.9	26.5	-12.6	9.9	-11.7
Total net assets	172.5	163.8	8.7	96.2	-4.6
Total liabilities and net assets	789.7	826.0	-36.4	398.5	0.8

Outline of consolidated financial results in FY2007

< Summary >

Under its second three-year medium-term management program, launched in FY2006, the Company declared the three goals of expanded operational functions, enhanced growth vitality, and an enriched financial foundation. Based on that framework, efforts to further restructure and integrate domestic business operations, renew domestic and overseas steel product processing centers, invest in new businesses overseas, and further other strategic measures have been advanced to date. With FY2007 marking the midpoint of the current medium-term management program, the year was positioned as one of accelerated efforts to deepen and expand both the functions and fields being targeted. To this end, a solid groundwork was established to ensure that existing investments would reliably generate earnings along with positive outlays in human resources to set the stage for future progress. The fruits of these endeavors included expansion in both business scale and activities, with consolidated sales for the year surpassing ¥2,000 billion for the first time ever, climbing ¥123.9 billion over the FY2006 figure, to ¥2,035.9 billion. On the earnings front, however, there was a major decline in the performance of the Company's U.S. subsidiaries, for which sales of building materials slumped under the impact of the subprime loan problem. Helping shore up these losses were the solid performance figures posted domestically in Japan, Europe, Asia, and other regions. Gross profits, however, declined from the previous year's level. At the same time, advance investment in personnel and other factors produced increases in selling, general and administrative expenses, resulting in a year-on-year fall of ¥5.6 billion in ordinary income. A rise in extraordinary gains, however, helped push up consolidated net income ¥0.3 billion over that the year before, to ¥33.9 billion. As a result, the ratio of shareholders' equity rose 1.9 points, to 21.3%, while the net debt equity ratio (DER) improved in the form of a 0.1 point drop, to 1.6 times.

< Explanation of consolidated statements >

1. Sales and gross profits

FY2007 felt the impact of a worsened building materials market and declining demand in the United States, a trend that began at approximately the end of FY2006. Nevertheless, robust demand for steel products continued to be recorded in the European and Asian regions while steel product demand remained bullish domestically in Japan. Within these market movements, the price of stainless steel rose in the first half of the year while domestic and overseas transactions in automobile steel products and steel plates for shipbuilding use sustained solid strength throughout the 12-month period. Major orders were received for steel pipes, with consolidated sales results bettering the previous year's performance by ¥123.9 billion. Under gross profits, although consolidated subsidiaries in Europe and Asia increased their profits, a decrease in oil well tubular transactions and worsened conditions in the U.S. building materials market produced an overall decline of ¥4.1 billion from the FY2006 figure.

2. Operating income

During the fiscal year under review, selling, general and administrative expenses, including expenditures for doubtful accounts and other costs, totaled ¥64.7 billion. Although personnel expenses grew for both the non-consolidated base and its consolidated subsidiaries, cost-cutting programs implemented by local operations in the United States and other regions throughout the year paved the way for reductions in other spending categories. As a result, an increase in consolidated groupwide expenses over the FY2006 figure was contained at ¥1.5 billion. Operating income for FY2007—after subtracting selling, general and administrative expenses—came to ¥50.9 billion, a year-on-year decline of ¥5.5 billion.

3. Ordinary income

Under non-operating income, the interest balance worsened ¥1.2 billion compared to that in the previous year due to a combination of an increase in the average balance of interest-bearing debt and rising interest rates during the year under review. On the other hand, increased dividend payments from general investments, foreign exchange gains, and other positive factors kept the non-operating profit-loss account at the same basic level as in the previous year.

In summary, ordinary income for FY2007 finished at ¥48.9 billion, a ¥5.6 billion drop from the previous fiscal year's level.

4. Net income

Under extraordinary gains and losses, the Company listed a net gain of ¥3.4 billion for FY2007. The breakdown was ¥1.4 billion from sales of fixed assets, ¥1.9 billion from reversals of provisions for doubtful accounts, and other sources. Due to a listing of net extraordinary losses of ¥0.3 billion from securities investment evaluation losses, etc., during FY2006, the aforementioned gain was supported by an improvement of ¥3.7 billion over the previous fiscal year's level. Net income for the year under review—after subtracting income taxes of ¥17.7 billion and minority interests of ¥0.7 billion—totalled ¥33.9 billion, a year-on-year gain of ¥0.3 billion.

5. Net assets

Net assets for the year were ¥172.5 billion, a gain of ¥8.7 billion over that in the previous year. While FY2007 witnessed both a decrease in the value of net evaluations of investment securities and a drop in the foreign currency translation adjustment account linked to a strong yen/weak dollar trend, a gain in retained earnings produced this increase. As a result, the Company's consolidated ratio of shareholders' equity at the end of FY2007 was tracked at 21.3%, up 1.9 points from the figure at the end of the previous year.

6. Net interest-bearing liabilities

Gross interest-bearing liabilities for the MISI main unit on a non-consolidated basis increased from the effects of expanded transactions, rising steel product prices, and other contributing factors; however, inventory reductions at subsidiaries and other progress resulted in an overall decline of ¥6.9 billion in this category compared to the figure at the end of the previous year, to ¥295.2 billion at the close of FY2007. Net interest-bearing liabilities for FY2007 totalled ¥276.0 billion, up ¥2.5 billion over that at the end of the previous year, and a reflection of a decline in cash and cash equivalents accompanying reductions in surplus funds.

Despite this increase in net interest-bearing liabilities, the rise in the Company's net worth generated a net debt equity ratio (DER) of 1.6 times at the end of FY2007, a 0.1 point improvement over the year-end number for FY2006.

< Overview of subsidiaries >

	No. of companies	% change from previous year-end		Ratio of companies in black	
		Companies in black	Companies in red	Ratio of companies in black	Ratio of companies in red
Domestic subsidiaries	27	-2	25	2	92.6%
Overseas subsidiaries and corporate subsidiaries	48	4	37	11	77.1%
No. of subsidiaries	75	2	62	13	82.7%
Domestic companies	20	1	19	1	95.0%
Overseas companies	17	1	17	0	100.0%
No. of equity method-applied companies	37	2	36	1	97.3%
No. of subsidiaries	112	4	98	14	87.5%

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

	FY2007 Net income	
	FY2007 Net income	Change from previous year
Non-consolidated figure adjusted for consolidation	¥11.1 billion	¥0.3 billion
Consolidated subsidiaries	¥19.5 billion	-¥0.5 billion
Equity method-applied companies	¥3.3 billion	¥0.5 billion
Total	¥33.9 billion	¥0.3 billion

< Management plan for FY2008 > (on a consolidated basis)

	FY2008 Plan	
	FY2008 Plan	Change from FY2007
Sales	¥2,158.5 billion	¥122.6 billion
Net income	¥30.0 billion	-¥3.9 billion