

Outline of Consolidated Financial Results in FY2008

(Unaudited)

(in billions of yen)

May 1, 2009

Marubeni-Itochu Steel Inc.

Statements of consolidated income	FY2008 Results	Comparison with FY2007		(Reference) Non-consolidated results	
		Results	Change	FY2008 Results	Change
Sales	2,100.1	2,035.9	64.1	1,219.0	8.3
Gross profits	116.1	115.6	0.5	34.4	-2.0
(Gross profit ratio)	(5.5%)	(5.7%)	(-0.1%)	(2.8%)	(-0.2%)
Selling, general and administrative expenses	-63.4	-64.5	1.0	-16.8	-0.5
Provision for doubtful accounts	-2.1	-0.2	-1.9	-0	0
Amortization of goodwill	-0.3	-0	-0.3	-	-
Operating income	50.3	50.9	-0.6	17.6	-2.5
Net interest income	-5.9	-7.4	1.5	-0.7	-0.5
Dividend income	1.4	1.4	0	3.5	-3.3
Equity in earnings of affiliates	3.2	4.2	-1.0	-	-
Other non-operating income	-0.3	-0.2	-0.1	-1.0	-0.4
Ordinary income	48.6	48.9	-0.3	19.4	-6.7
Extraordinary gain and loss	-5.4	3.4	-8.8	-3.7	-7.5
Income before taxes	43.2	52.3	-9.1	15.6	-14.2
Income taxes	-13.3	-17.7	4.4	-4.9	4.8
Minority interests	-0.6	-0.7	0.1	-	-
Net income	29.3	33.9	-4.6	10.7	-9.4

Outline of consolidated financial results in FY2008

< Summary >

In the first half of FY2008, the final year of the Company's second medium-term management program, the business recovery of U.S. subsidiary Marubeni-Itochu Steel America (MISA) was a key factor in boosting consolidated net income to ¥20.1 billion, up ¥3.7 billion from that in the first half of FY2007. Although the year got off to such a strong start, the Company's progress in the second half was severely hampered by the impact of the global recession sparked by the financial crisis in the United States. This was further aggravated by the listing of inventory valuation losses and securities evaluation losses at the end of the fiscal year and other negative developments. Consequently, the Company's consolidated net income was ¥29.3 billion, a decline of ¥4.6 billion (13.6%) from FY2007's figure. Total assets went up in the first half of the term due to an increase in trade receivables and rising steel product prices but fell back down in the second half because of declining sales ultimately finishing at ¥740 billion, a ¥49.7 billion drop from the previous year's level. As a result, the Company's return on assets (ROA) fell 0.4 point (from 4.2% to 3.8%), and its ratio of shareholders' equity dropped 1.1 points, to 20.2%. Another key indicator is the net debt equity ratio (DER), which worsened in the form of an increase from 1.6 times to 1.8 times as FY2008 came to a close.

< Explanation of consolidated statements >

1. Sales and gross profits

Looking at the Company's sales in FY2008, the first half of the year saw solid results both in Japan and overseas thanks to rising steel product prices caused by hikes in raw material prices. The situation changed quickly in the second half, however, with the financial crisis emerging from the United States and strongly affecting businesses. For MISA, this meant sharp income declines in its main unit and extended domestic business companies. In such an environment, the Company experienced setbacks from a fall in revenues linked to the appreciation of the yen, the decline in the price of stainless steel, and the decreasing volume of line pipe transactions. On a more positive note, orders from shipbuilding and other manufacturing industries performed well, and there was a positive trend in spot project orders and demand for semiprocessed steel plates. As a result, consolidated sales surpassed the previous fiscal year's performance by a margin of ¥64.1 billion.

Gross profits, too, performed well during the year under review, rising ¥500 million over that of the previous fiscal year.

2. Operating income

During the fiscal year under review, selling, general and administrative expenses, including expenditures for doubtful accounts and other costs, totaled ¥65.9 billion. Although the Company's overseas subsidiaries made improvements in their labor expenses and other spending under the impact of a stronger yen and other factors, an increase in provisions for doubtful accounts resulted in a worsening of overall consolidated operating income by ¥1.1 billion compared with the FY2007 level.

As a result, operating income for FY2008—after subtracting selling, general and administrative expenses—came to ¥50.3 billion, a year-on-year decline of ¥600 million.

3. Ordinary income

Under non-operating income, a fall in profits earned by the Company's affiliates resulted in a ¥1 billion drop in equity in earnings of affiliates. Although there was an increase in the average balance of interest-bearing debt in FY2008 compared with that in the previous year, a decline in dollar-denominated interest rates improved the interest balance ¥1.5 billion over the FY2007 level. As a result, the non-operating profit-loss account rose ¥400 million year-on-year.

In summary, ordinary income for FY2008 finished at ¥48.6 billion, slipping ¥300 million from the figure in the previous fiscal year.

4. Net income

Under extraordinary gains and losses, the Company listed a net loss of ¥5.4 billion for FY2008, resulting from securities investment evaluation losses of ¥4.5 billion, depreciation losses of ¥600 million, and other stringent developments. Net income for the year under review—after subtracting ¥5.4 billion in net extraordinary losses, income taxes of ¥13.3 billion, and minority interests of ¥600 million from ordinary income—totaled ¥29.3 billion, a year-on-year decline of ¥4.6 billion.

5. Net assets

FY2008 witnessed an increase in retained earnings generated by net income. On the other hand, a decrease in the value of investment securities prompted by a deteriorating stock market conditions and a worsening of the foreign currency translation adjustment account linked to a strong yen trend prompted a decrease in total net assets. Total net assets for the year were ¥154.3 billion, a decline of ¥18.2 billion from that in the previous fiscal year, causing the Company's consolidated ratio of shareholders' equity at the end of FY2008 to be tracked at 20.2%, down 1.1 points from the figure at the end of the previous term.

6. Net interest-bearing liabilities

Net interest-bearing liabilities at the end of FY2008 totaled ¥273.5 billion, ¥2.4 billion less than that at the end of the previous year, reflecting an increase in cash and cash equivalents compared with the figure at the close of FY2007.

Despite this decrease in net interest-bearing liabilities, a decline in the Company's net worth produced a net debt equity ratio (DER) of 1.8 times at the end of FY2008—a 0.2 point drop from the year-end number for FY2007.

§Ratio		FY2008 Results		Comparison with FY2007		(Reference) Non-consolidated results	
		Results	Change	FY2008 Results	Change	FY2008 Results	Change
1. Real income	(* 1)	¥51.3 billion	¥49.4 billion	¥2.0 billion		¥20.3 billion	-¥6.2 billion
2. Return on assets (ROA)		3.8%	4.2%	-0.4%		2.8%	-2.3%
3. Ratio of shareholders' equity		20.2%	21.3%	-1.1%		21.6%	-2.5%
4. Net debt equity ratio (DER)		1.8 times	1.6 times	0.2 times		1.9 times	0.5 times

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

Consolidated Balance Sheet	FY2008 Results	Comparison with FY2007		(Reference) Non-consolidated results	
		Results (08/03)	Change	FY2008 Results	Change
Current assets	609.4	632.6	-23.2	279.2	-14.2
Cash and deposits	41.0	19.2	21.8	19.0	13.9
Accounts receivable	343.1	421.4	-78.3	177.0	-54.6
Inventories	186.6	159.7	27.0	33.1	7.4
Other	38.6	32.3	6.3	50.2	19.1
Fixed assets	130.6	157.0	-26.4	97.8	-7.2
Tangible assets	56.8	63.6	-6.8	0.7	0.2
Intangible assets	9.7	8.0	1.7	6.3	3.3
Investments and other assets	64.1	85.5	-21.4	90.8	-10.7
Total assets	740.0	789.7	-49.7	377.1	-21.4
Current liabilities	453.9	488.5	-34.5	195.4	-18.5
Accounts payable	227.4	270.2	-42.8	110.8	-31.5
Short-term debts	193.0	182.0	11.1	77.4	18.0
Other	33.5	36.3	-2.8	7.3	-4.9
Fixed liabilities	131.7	128.7	3.0	100.2	11.8
Long-term debts	121.5	113.2	8.3	99.6	17.1
Other	10.2	15.5	-5.3	0.5	-5.3
Total liabilities	585.7	617.2	-31.5	295.6	-6.7
Common stock/Capital surplus	52.4	52.4	0.0	55.9	0.0
Retained earnings	114.0	102.3	11.6	25.1	-5.3
Minority interests	4.6	3.9	0.7	-	-
Other	-16.6	13.9	-30.5	0.5	-9.4
Total net assets	154.3	172.5	-18.2	81.5	-14.7
Total liabilities and net assets	740.0	789.7	-49.7	377.1	-21.4

< Overview of subsidiaries >

	No. of companies	% change from previous year-end	Companies in black		Ratio of companies in black
			Companies in black	Companies in red	
Domestic subsidiaries	28	1	26	2	92.9%
Overseas subsidiaries and corporate subsidiaries	49	1	41	8	83.7%
No. of subsidiaries	77	2	67	10	87.0%
Domestic companies	20	0	15	5	75.0%
Overseas companies	19	2	18	1	94.7%
No. of equity method-applied companies	39	2	33	6	84.6%
No. of subsidiaries	116	4	100	16	86.2%

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

	FY2008 Net income	
	Change from previous year	Change from previous year
Non-consolidated figure adjusted for consolidation	¥8.8 billion	-¥2.3 billion
Consolidated subsidiaries	¥19.0 billion	-¥0.5 billion
Equity method-applied companies	¥1.5 billion	-¥1.8 billion
Total	¥29.3 billion	-¥4.6 billion