Press Release

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Marubeni-Itochu Steel Inc.
Nihonbashi 1-chome Bldg.
4-1 Nihonbashi 1-chome, Chuo-ku
Tokyo 103-8247

# Results of Operation in FY2007

Marubeni Itochu Steel Inc. takes pleasure in announcing the details of its consolidated financial results for FY2007 (April 2007 through March 2008).

**Economic Environment**

During the year under review, the global economy initially moved toward business expansion, with the BRICs (Brazil, Russia, India, and China) and other newly emerging economies functioning as the engines of economic growth. In the second half of the year, however, the rising impact of the subprime loan crisis—a development focused on the United States—spread to the real economy at large and aggravated the severity of the subsequent business downturn.

Turning to the Japanese economy, the first half of FY2007 was marked by expanding exports, fueled by the weak yen that stemmed from low interest rates, and the improved price competitiveness of Japan's exporting companies. Capital investment grew brisk as a result, with the economy charting expansion. The second half saw corporate earnings strained and household purchase inclination decline with a sharp rise in the prices of primary commodities. Other negative factors included a major decline in construction starts due to the Revised Building Standard Law and other developments that served to slow economic momentum.

Examining the steel industry in 2007, China's crude steel production volume was 489 million tonnes, an increase of 15.7% from the previous year's level, while global crude steel output rose 7.5%, to 1,343.5 million tonnes (figures from the International Iron and Steel Institute). Japan's domestic crude steel production for 2007 finished at 120.20 million tonnes, roughly maintaining the output recorded for the previous year. On the other hand, a steep rise in the prices of raw materials for iron and steel, such as iron ore and coal, continued to accelerate, underscoring the upward tone in the price of steel products.

**MISI Business Performance in FY2007**

Against this rather severe backdrop, the MISI financial settlement for FY2007 produced consolidated sales of ¥2,035.9 billion, a year-on-year increase of ¥123.9 billion and the first time that this figure has ever surpassed the ¥2,000 billion mark. Gross profits declined ¥4.1 billion from that in FY2006, while selling, general and administrative expenses rose ¥1.6 billion and ordinary income fell ¥5.6 billion. Consolidated net income grew ¥0.3 billion over the previous fiscal year's level, to ¥33.9 billion, thanks to such factors as a ¥3.7 billion rise in extraordinary gains over that in FY2006 based on sales of fixed assets by subsidiaries and other affiliates and gains from reversals of allowance for doubtful accounts.

Consolidated Statement of Income

[ Billions of yen]

| | Result for the 2007 | Result for the 2006 | Increase/ Decrease |
|---|---|---|---|
| Sales | 2,035.9 | 1,912.0 | +123.9 |
| Gross Profit | 115.6 | 119.7 | -4.1 |
| Ordinary Income | 48.9 | 54.5 | -5.6 |
| Net Income | 33.9 | 33.6 | +0.3 |

Consolidated Balance Sheet

[ Billions of yen]

| | Result for the 2007 | Result for the 2006 | Increase/ Decrease |
|---|---|---|---|
| Total Assets | 789.7 | 826.0 | -36.3 |
| Current Assets | 632.6 | 654.3 | -21.7 |
| Fixed Assets & others | 157.0 | 171.7 | -14.7 |
| Net Interest bearing debt | 276.0 | 273.4 | +2.6 |

## Forecast for fiscal 2008 on consolidated basis

[ Billions of yen]

| | Forecast for FY2008 | Result for the 2007 | Increase/ Decrease |
|---|---|---|---|
| Sales | 2,158.5 | 2,035.9 | +122.6 |
| Net Income | 30.0 | 33.9 | -3.9 |

Please direct any inquiries about this news release to Tad Yaegashi or Chie Masada, General Coordination Department, Marubeni-Itochu Steel Inc. at Tel: 03-5204-3345.