

# Outline of Financial Results in First Half of FY2008

October 30, 2008

Marubeni-Itochu Steel Inc.

(in billions of yen)

Statements of consolidated income	Results for the First Half of FY2008	Year-on-Year Comparison		(Reference) Non-consolidated Results	
		Results	Change	First half year of FY2008	Year-on-year Change
Sales	1,103.3	995.6	107.7	675.8	81.7
Gross profits	<b>65.8</b>	<b>59.0</b>	<b>6.9</b>	<b>18.8</b>	<b>-0.1</b>
(Gross profit ratio)	(6.0%)	(5.9%)	(0.0%)	(2.8%)	(-0.4%)
Selling, general and administrative expenses	-32.3	-32.2	-0.2	-8.4	-0.4
Provision for doubtful accounts	-0.6	-0.1	-0.5	-0	-0
Amortization of goodwill	-0.2	-0	-0.2	-	-
Operating income	<b>32.8</b>	<b>26.7</b>	<b>6.1</b>	<b>10.4</b>	<b>-0.5</b>
Net interest income	-2.9	-3.8	1.0	-0.3	-0.3
Dividend income	0.9	0.8	0.1	2.4	-2.8
Equity in earnings of affiliates	2.2	2.3	-0.2	-	-
Other non-operating income	0.1	-0.2	0.3	-0.5	0.3
Ordinary income	<b>33.1</b>	<b>25.8</b>	<b>7.3</b>	<b>12.0</b>	<b>-3.3</b>
Extraordinary gain and loss	-0	0.6	-0.6	0.2	-0.4
Income before taxes	<b>33.1</b>	<b>26.4</b>	<b>6.7</b>	<b>12.2</b>	<b>-3.7</b>
Income taxes	-12.4	-9.6	-2.8	-4.3	0.7
Minority interests	-0.5	-0.4	-0.2	-	-
Net income	<b>20.1</b>	<b>16.4</b>	<b>3.7</b>	<b>7.9</b>	<b>-3.0</b>

\*Consolidated-Non-consolidated ratio: 2.6

## §Ratio

1. Real income (*1)	¥33.5 billion	¥26.1 billion	¥7.4 billion	¥12.5 billion	-¥3.5 billion
2. Ratio of shareholder's equity (*2)	18.6%	21.3%	-2.7%	18.0%	-6.2%
3. Net debt equity ratio (DER) (*2)	1.9 times	1.6 times	0.3 times	2.1 times	0.7 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 preceding fiscal year are shown. (Shareholder's equity = total net assets - minority interests)

Consolidated Balance Sheet	Results for the First Half of FY2008	Comparison with the End of FY2007		(Reference) Non-consolidated Results	
		Results (08/03)	Change	First half year of FY2008	Change from the end of FY2007
Current assets	<b>717.3</b>	<b>632.6</b>	<b>84.7</b>	<b>357.1</b>	<b>63.6</b>
Cash and deposits	19.0	19.2	-0.2	6.4	1.3
Accounts receivable	495.2	421.4	73.8	284.1	52.5
Inventories	171.2	159.7	11.5	30.6	4.9
Other	31.9	32.3	-0.4	36.0	4.9
Fixed assets	<b>145.9</b>	<b>157.0</b>	<b>-11.1</b>	<b>98.4</b>	<b>-6.7</b>
Tangible assets	61.6	63.6	-2.0	0.6	0.1
Intangible assets	8.1	8.0	0.1	4.6	1.6
Investments and other assets	76.3	85.5	-9.2	93.1	-8.3
Total assets	<b>863.3</b>	<b>789.7</b>	<b>73.6</b>	<b>455.5</b>	<b>56.9</b>
Current liabilities	<b>570.4</b>	<b>488.5</b>	<b>81.9</b>	<b>282.5</b>	<b>68.6</b>
Accounts payable	318.2	270.2	48.0	177.8	35.6
Short-term debts	215.0	182.0	33.0	91.4	32.0
Other	37.2	36.3	0.9	13.3	1.1
Fixed liabilities	<b>127.4</b>	<b>128.7</b>	<b>-1.3</b>	<b>91.1</b>	<b>2.7</b>
Long-term debts	113.3	113.2	0.1	87.5	5.0
Other	14.2	15.5	-1.3	3.5	-2.3
Total liabilities	<b>697.8</b>	<b>617.2</b>	<b>80.7</b>	<b>373.6</b>	<b>71.3</b>
Common stock/Capital surplus	52.4	52.4	-	55.9	0
Retained earnings	105.1	102.3	2.7	22.3	-8.1
Minority interests	4.5	3.9	0.6	-	-
Other	3.5	13.9	-10.4	3.7	-6.3
Total net assets	<b>165.4</b>	<b>172.5</b>	<b>-7.1</b>	<b>81.8</b>	<b>-14.4</b>
Total liabilities and total net assets	<b>863.3</b>	<b>789.7</b>	<b>73.6</b>	<b>455.5</b>	<b>56.9</b>

Note: Financial results for this material have not been completed yet. A review of second-quarter results is currently being done by an accounting auditor.

## Outline of consolidated financial results in first half of FY2008

### <Summary>

Although the Company's non-consolidated sales in the first half of FY2008 rose 13.8% over the figure for the same period the year before, sluggish growth was recorded in gross profits. This was compounded by an increase in selling, general and administrative expenses and a decrease in dividend income, with net income in the first half falling 27.5% from that in the first half of FY2007, to ¥7.9 billion.

On a consolidated basis, a turnaround in the performance of the Company's U.S. subsidiary proved to be a major contributing factor in both sales and profits. Another contributing factor was an improved net interest income linked to the lowering of dollar interest rates, with consolidated net income in the first half of the fiscal year jumping 22.6%, to ¥20.1 billion.

Turning to the balance sheet, consolidated total assets went up ¥73.6 billion thanks to an increase in accounts receivable caused by higher prices of steel products. However, declines in net unrealized gains on securities and an adjustment to translations of foreign-currency statements led to a drop in total net assets. As a result, the ratio of shareholder's equity decreased 2.7%, to 18.6%, and the net debt equity ratio (DER) rose 0.3 points, to 1.9 times.

### <Explanation of consolidated statements>

#### 1. Sales and gross profits

The first half of the current fiscal year was significantly affected by strong yen-linked decreases in income, declines in the price of stainless steel, and other negative factors. Nevertheless, buoyed by higher prices of steel products (with hikes in materials prices in the background), solid performance figures were recorded both in Japan and overseas. Amid these market trends, the Company enjoyed solid results in its handling of steel for the automobile, shipbuilding, and other manufacturing industries. In addition, there were decent orders for semifinished steel plates and bar steel. Consequently, consolidated sales rose ¥107.7 billion over the level for the first half of FY2007.

Concerning gross profits, the increased earnings of subsidiaries and affiliated companies in the United States, together with other factors, supported a gain of ¥6.9 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 ¥33.1 billion. The impact of a strong yen served to lower the business expenses of MISI's overseas subsidiaries, improving expenditures from the level recorded in the first half of the previous fiscal year. However, the higher labor costs that accompanied the hiring of additional personnel at the MISI main unit and a rise in the provision for doubtful accounts as well as other factors raised expenses ¥0.8 billion over those in the same period last year.

Consequently, operating income came to ¥32.8 billion, an increase of ¥6.1 billion over the figure for the first half of FY2007.

#### 3. Ordinary income

Under non-operating income and expenses, although the average balance in interest-bearing debt in the period under review rose in comparison to that in the same period the year before, the drop in dollar interest rates, impact of a stronger yen, and other developments contributed to a ¥1.0 billion improvement in net interest income compared to that in the first half of the term. As a result, the overall non-operating income improved ¥1.2 billion from the level in the same period last year. Ordinary income, therefore, rose ¥7.3 billion, to ¥33.1 billion.

#### 4. Net income

There was a slight drop in extraordinary gain and loss due to losses on the valuation of investment securities, reversal of provision for doubtful accounts, and other factors. The listing of ¥0.6 billion in extraordinary gain and loss in the first half of FY2007 led to a worsening of ¥0.6 billion in the current results on a year-on-year basis. After subtracting ¥12.4 billion in income taxes and ¥0.5 billion in minority interests, net income in the first half of the term came to ¥20.1 billion, up ¥3.7 billion from that in the first half of FY2007.

#### 5. Net assets

Although net assets at the end of the first half of FY2008 was supported by an increase in retained earnings thanks to a higher net income, it was adversely affected by a decline in net unrealized gains on securities caused by the fall in the stock market and by a drop in the adjustment to translations of foreign-currency statements linked to a strong-yen/weak-dollar trend. Total net assets at the end of the first half of the term was down ¥7.1 billion, to ¥165.4 billion. Consequently, the consolidated shareholder's equity ratio was 18.6%, a decline of 2.7 points from the level recorded at the end of the previous fiscal year.

#### 6. Net interest-bearing liabilities

Gross interest-bearing liabilities rose ¥33.1 billion from the figure at the end of the previous fiscal year, to ¥328.3 billion, reflecting increased capital demand due to higher prices of steel products. Net interest-bearing liabilities in the first half of FY2008 was ¥309.3 billion, up ¥33.3 billion from the level at the end of the previous fiscal year. This produced a net debt equity ratio (DER) of 1.9 times, an increase of 0.3 point from that at the end of FY2007.

### <Overview of Subs & Affiliates>

	No. of companies	Change from the previous term				Ratio of companies in black
		Change from the previous term	Companies in black	Companies in red	Ratio of companies in black	
Consolidated						
Domestic subsidiaries	29	2	29	0	100.0%	
Overseas subsidiaries and corporate subsidiaries	48	0	41	7	85.4%	
(No. of subsidiaries)	77	2	70	7	90.9%	
Equity						
Domestic subsidiaries	20	0	19	1	95.0%	
Overseas subsidiaries	17	0	16	1	94.1%	
(No. of affiliated companies)	37	0	35	2	94.6%	
(No. of MISI Group companies)	114	2	105	9	92.1%	

### <Details of profit and loss of consolidated subs & affiliates/net income>

	Net income	
	Year-on-year change	
Non-consolidated figure adjusted for consolidation	¥5.1 billion	-¥0.1 billion
Consolidated subsidiaries	¥13.6 billion	¥4.0 billion
Equity method-applied companies	¥1.5 billion	-¥0.2 billion
Total	¥20.1 billion	¥3.7 billion

### <Forecast for fiscal 2008 > (on a consolidated basis)

Sales	¥2,158.5 billion
Net income	¥30.0 billion