

Outline of Financial Results in First Half of FY2009

October 30, 2009

Marubeni-Itochu Steel Inc.

(Unaudited)

(In millions of yen)

Statements of Consolidated Income	Year-on-Year Comparison			(Reference) Non-consolidated Results	
	Results for the First Half of FY2009	Year-on-Year Comparison		First Half Year of FY2009	Year-on-Year Change
		Results	Change		
Sales	684,211	1,103,279	-419,068	400,812	-274,978
Gross profits	29,731	65,844	-36,112	11,820	-7,006
Gross profit ratio	4.3%	6.0%	-1.6%	2.9%	0.2%
Selling, general and administrative expenses	(28,361)	(32,322)	3,960	(8,585)	-191
Provision for doubtful accounts	(315)	(580)	265	(5)	29
Amortization of goodwill	(184)	(169)	-16	-	-
Operating income	871	32,773	-31,902	3,231	-7,168
Net interest income	(1,961)	(2,852)	891	(183)	156
Dividend income	490	851	-361	3,418	1,044
Equity in earnings of affiliates	68	2,159	-2,091	-	-
Net other non-operating income (loss)	(451)	133	-584	(933)	-479
Ordinary income (loss)	(983)	33,065	-34,047	5,534	-6,447
Extraordinary gain and loss	(1,968)	(7)	-1,961	(3,179)	-3,354
Income (loss) before taxes	(2,951)	33,057	-36,009	2,355	-9,801
Income taxes	956	(12,380)	13,336	(1,340)	2,924
Minority interests	199	(550)	749	-	-
Net income (loss)	(1,797)	20,127	-21,924	1,015	-6,878

Outline of consolidated financial results in first half of FY2009

<Summary>

The first half of FY2009, the first year of the Company's new medium-term management program (which runs for three years, to FY2011), was marked by a business downturn driven by the global financial crisis. Consequently, the new business plan got off to a rough start, with declines in both income and profit on a consolidated and non-consolidated basis compared to figures in the first half of FY2008. Examining the Company's non-consolidated performance, a fall in gross profits accompanied by worsening sales was aggravated by securities investment evaluation losses and other extraordinary losses, resulting in net income in the first half of the term falling ¥6.9 billion from that in the same period the year before, to ¥1.0 billion. On a consolidated basis, domestic and overseas subsidiaries and overseas affiliates suffered broad decreases in gross profits, posting an aggregate loss of ¥3.2 billion. This led to a consolidated net loss of ¥1.8 billion in the first half of the fiscal year under review. Sales declines had a particularly adverse affect on accounts receivable and inventories, causing consolidated total net assets to drop ¥103.5 billion, to ¥636.5 billion, down from those at the end of FY2008. Total net assets, in contrast, were buoyed by an increase in net unrealized gains on securities fueled by the stock market recovery, which combined with other factors to help generate an increase of ¥1.6 billion, to ¥155.9 billion. As a result, the consolidated ratio of shareholder's equity improved 3.5 points, to 23.8%, and the net debt equity ratio (DER) rose 0.2 point, to 1.7 times (both compared to levels recorded at the end of the previous fiscal year).

<Explanation of consolidated statements>

1. Sales and gross profits

The first half of the current fiscal year continued to be severely impacted by the slump in global demand prompted by the financial crisis originating in the United States last year. Under this influence, demand for steel products plummeted both in Japan and overseas.

Against this backdrop, consolidated sales recorded major losses compared to those in the first half of FY2008, with a focus on steel for automobiles and building materials, the Company's U.S. affiliates, and other sectors. As a result, sales finished ¥419.1 billion below the level recorded for the first half of the previous year.

For gross profits, the outcome showed that worsened profitability went hand in hand with the decline in sales, drop in steel product prices (primarily affecting the businesses of subsidiaries and affiliated companies in the United States), and other factors. Under these conditions, the final figure showed a decline of ¥36.1 billion from that in the same period last year.

2. Operating income

Selling, general and administrative expenses and expenditures for doubtful accounts in the first half of the term under review were ¥28.9 billion. Although the Company experienced increases in amortization costs for a new core system going into operation from the current fiscal year and other higher expenses, these expenses on a consolidated basis were down ¥4.2 billion from those in the same period last year. This is because there was a broad fall in business outlays of subsidiaries compared to those in the first half of FY2008 due to a decline in the U.S. subsidiaries' distribution costs accompanying a decrease in transactions and overseas subsidiaries' cost-cutting efforts linked to the impact of a strong yen.

Operating income, after subtracting selling, general and administrative expenses and other expenditures from gross profits, came to ¥0.9 billion—a decline of ¥31.9 billion from that in the first half of FY2008.

3. Ordinary income (loss)

Under non-operating income (loss), a decrease in the average balance of interest-bearing debt in comparison to that in the same period the year before, the drop in dollar interest rates, the impact of a stronger yen, and other factors supported an improvement of ¥0.9 billion in the interest balance compared to that in the first half of FY2008. On the negative side, equity in earnings of affiliates felt the impact of worsened earnings from domestic business operations and other factors to the tune of a ¥2.1 billion decline versus that in the first half the year before. Combined with decreased dividends from general investment and other factors, the overall non-operating income and expense balance worsened ¥2.1 billion over the same period last year. In the final tally, an ordinary loss of ¥1.0 billion was recorded, down ¥34.0 billion from ordinary income in the same period last year.

4. Net income (loss)

Under extraordinary gain and loss, the Company listed an extraordinary gain due to a reversal in provision for doubtful accounts and other factors. However, due to the listing of securities investment evaluation losses and other sources, extraordinary loss exceeded extraordinary gain by ¥2.0 billion, worsening ¥2.0 billion compared to that in the first half of FY2008. After taking into consideration a ¥1.0 billion adjustment in income taxes and ¥0.2 billion in minority interests, a net loss of ¥1.8 billion was posted, a decline of ¥21.9 billion from net income in the first half of fiscal 2008.

5. Net assets

Although net assets at the end of the first half of the term under review were negatively impacted by a decrease in retained earnings due to net losses and payments of dividends, the increase in net unrealized gains on securities thanks to the recovery of the stock market and improvement in the adjustment to translations of foreign-currency statements produced an increase of ¥1.6 billion from the end of the previous fiscal year, to ¥155.9 billion. In addition, with the decline in total assets and other contributing factors, the consolidated ratio of shareholder's equity was 23.8%, an improvement of 3.5 points from that at the end of the previous fiscal year.

6. Net interest-bearing liabilities

Gross interest-bearing liabilities fell ¥39.8 billion from the total at the end of the previous fiscal year, to ¥274.7 billion, a reflection of sluggish capital demand linked to slumping sales. Net interest-bearing liabilities in the first half also fell from the figure at the end of the previous fiscal year, dropping ¥22.9 billion, to ¥250.6 billion. This produced a net debt equity ratio (DER) of 1.7 times, up 0.2 point from where it stood at the end of FY2008.

§Ratio

1. Real income (*1)	-33	33,680	-33,713	6,471	-5,997
2. Ratio of shareholder's equity (*2)	23.8%	20.2%	3.5%	23.9%	2.3%
3. Net debt equity ratio (DER) (*2)	1.7 times	1.8 times	-0.2 times	1.7 times	-0.2 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

*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

	Comparison with the End of FY2008			(Reference) Non-consolidated Results	
	Results for the First Half of FY2009	Results (Mar. 2009)	Change	First Half Year of FY2009	Change from the End of FY2008
Current assets	498,414	609,392	-110,978	230,049	-49,188
Cash and deposits	24,087	41,016	-16,929	11,734	-7,220
Accounts receivable	291,372	343,092	-51,720	158,153	-18,835
Inventories	142,114	186,638	-44,524	21,105	-11,972
Other	40,841	38,646	2,194	39,056	-11,160
Fixed assets	138,122	130,625	7,497	103,257	5,421
Tangible assets	58,139	56,821	1,318	655	-68
Intangible assets	9,673	9,711	-38	6,347	9
Investments and other assets	70,310	64,093	6,217	96,255	5,479
Total assets	636,536	740,017	-103,481	333,306	-43,767
Current liabilities	338,428	453,937	-115,508	140,582	-54,852
Accounts payable	160,423	227,400	-66,977	89,278	-21,476
Short-term debts	144,982	193,026	-48,044	41,434	-35,944
Other	33,023	33,511	-488	9,870	2,568
Fixed liabilities	142,209	131,737	10,471	113,196	13,039
Long-term debts	129,730	121,525	8,206	109,166	9,537
Other	12,478	10,212	2,266	4,030	3,502
Total liabilities	480,637	585,674	-105,037	253,779	-41,813
Common stock/Capital surplus	52,370	52,370	-	55,920	-
Retained earnings	103,478	113,975	-10,497	17,384	-7,685
Minority interests	4,707	4,637	69	-	-
Other	(4,656)	(16,639)	11,984	6,223	5,731
Total net assets	155,899	154,343	1,556	79,527	-1,954
Total liabilities and total net assets	636,536	740,017	-103,481	333,306	-43,767

Note: Starting with this report on financial results in the first half of FY2009, figures in the accompanying charts will be expressed in millions of yen instead of billions of yen.

<Overview of subsidiaries>

	No. of Companies				
	Change from the Previous Term	Companies in Black	Companies in Red	Ratio of Companies in Black	
Domestic subsidiaries	28	0	9	19	32.1%
Overseas subsidiaries and corporate subsidiaries	49	0	24	25	49.0%
(No. of subsidiaries)	77	0	33	44	42.9%
Domestic subsidiaries	20	0	7	13	35.0%
Overseas subsidiaries	19	0	13	6	68.4%
(No. of equity method-applied companies)	39	0	20	19	51.3%
(No. of subsidiaries)	116	0	53	63	45.7%

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

	Net Income	
	Year-on-Year Change	
Non-consolidated figure adjusted for consolidation	¥1.3 billion	-¥3.8 billion
Consolidated subsidiaries	-¥3.2 billion	-¥16.8 billion
Equity method-applied companies	¥0.1 billion	-¥1.4 billion
Total	-¥1.8 billion	-¥21.9 billion