Metal One

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2003 and Forecast for FY2004

April 8, 2004
Metal One Corporation

Income

(In ¥100 million)	Performance in FY2003 Non-consolidated	Performance in FY2003 Consolidated	Achievement rate	Mid-term Consolidated Management Plan (FY2003)	Variance
Sales	13157	19000	95.0%	20000	-1000
Gross profits	303	944	101.2%	933	11
(Gross profit ratio)	0	0		0	
Operating expenses	-208	-701	98.4%	-712	11
Provision for doubtful receivables	-18	-32		-10	-22
Amortization of goodwill		-6		-6	0
Operating income	77	205	100.0%	205	0
Interest income	12	14		7	7
Interest expense	-14	-40		-50	10
Interest expense-net	-2	-26		-43	17
Dividends income	23	14		9	5
Other non-operating income	1	22		16	6
Other non-operating expenses	-7	-19		-5	-14
Equity in earnings of affiliates		16		7	9
Ordinary income	92	212	112.3%	189	23
Extraordinary gain	13	20		16	4
Extraordinary loss	-5	-27		-14	-13
Income before income taxes	100	205	107.4%	191	14
Income taxes	-39	-85		-85	0
Minority interests		-14		-16	2
Net income	61	106	117.7%	90	16
Basic earnings capabilities		**241**		**188**	**53**

Basic earnings capabilities = Operating income (less provision for doubtful receivable) + Interest expense-net
+ Dividends + Equity in earnings of affiliates

Consolidated Balance Sheet

(In ¥100 million)

Current assets	7,087	**Current liabilities**	6,408
Cash and deposits	346	Accounts payable	3,476
Accounts receivable	5,513	Other current liabilities	2,932
Inventories	1,007	**Fixed liabilities**	837
Other current assets	221	**Total liabilities**	**7,245**
Fixed assets	2,027	**Minority interests**	**163**
Tangible and intangible fixed assets	1,028	Common stock and additional paid-in capital	1,500
Investments and other assets	999	Retained earnings, etc.	206
		Shareholders' equity	**1,706**
Total assets	**9,114**	**Liabilities+minority interests+shareholders' equity**	**9,114**

Number of Group Companies

Subsidiaries	Affiliates	Total
123	25	148

Outline of Consolidated Results for FY2003

【Summary】

In FY2003, the top priority tasks of smoothly integrating the businesses of the former Nissho-Iwai and former Mitsubishi Corporation, and the build-up of business infrastructure were accomplished. Also, subsidiaries were integrated and reorganized along the lines of business under the Post Merger Integration (PMI) framework to restructure the profitability of the steel distribution business, and overseas offices were established to organize an international network. In addition, as part of management's initiatives to strengthen consolidated group management, strong efforts were made to enhance the financial structure of subsidiaries by a review of pension plans, making sufficient reserve provisions and reappraising owned assets through the integration of accounting policies of Metal One Group.

【Breakdown of main profit/loss items】

1. Gross profits

Gross profits amounted to ¥94.4 billion, ¥1.1 billion more than initially planned, thanks to smooth progress in the integration of the (former) trading business of Nissho-Iwai and Mitsubishi Corporation and the recovery of the steel products market. The performance of Metal One Corporation was boosted by the recovery of the domestic market and increased exports to China and other areas of Asia. Among the subsidiaries, those in Asia, such as China, performed well and contributed to the consolidated profit.

2. Operating expenses and provision for doubtful receivables

Operating expenses were reduced in both Metal One Corporation and its subsidiaries as a result of strict controls – mainly of information-related expenses, travel expenses and entertainment expenses – and totaled ¥70.1 billion, ¥1.1 billion less than initially forecast. In an itemized breakdown, operating expenses included ¥29.8 billion for employee-related expenses, ¥7.9 billion for outsourced services and ¥6.5 billion for IT-related expenses. Together, these three categories totaled ¥44.2 billion (about 60% of the total). Subsequently, the expenditure of the whole Metal One organization will be restrained by rationalizing and enhancing the efficiency of administrative processes under Business Process Integration/Innovation (BPI), while at the same time the group's cost competitiveness will be strengthened. The provision for doubtful receivables was ¥3.2 billion on a consolidated basis, as a result of provision of reserves for Metal One Corporation and placing additional sums to subsidiaries' reserves through the integration of accounting policies.

3. Interest expense-net

The interest expense-net was minus ¥2.6 billion, an improvement of as much as ¥1.7 billion, reflecting the improved efficiency through centralized fund management and endeavors to optimize the cost of raising funds.

4. Extraordinary gain/loss

Under extraordinary gains/losses, gain from the sale of listed shares as part of the drive to compress investment assets was realized. Meanwhile, the accelerated integration and reorganization of companies invested in and the measures to strengthen the financial structure of subsidiaries – including the review of pension plans, the integration of accounting policies and the reappraisal of owned assets – resulted in extraordinary losses.

5. Net income

As a result of the successful implementation of the above measures, the net income for the current term amounted to ¥10.6 billion, ¥9.0 billion greater than initially forecast.

6. Performance of major subsidiaries

Among domestic subsidiaries, while some increased their profits thanks to the rise in the price of steel materials, the profitably of others shrank under the impact of increased procurement costs. Thus, the rise in the price of steel materials has not necessarily sustained their business performances, yet. On the other hand, overseas subsidiaries generally performed as well as initially planned thanks to growth in China and elsewhere in Asia that resulted in increased sales.

【Regional information】

1. Regional sales/gross profits

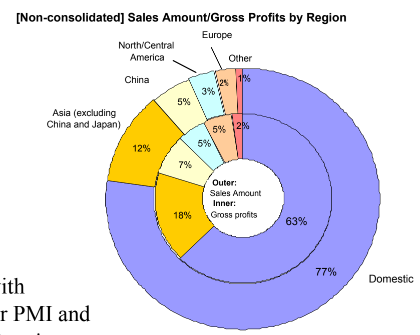
About 80% of sales and about 60% of gross profit come from the domestic market, which constitutes the main pillar for profits. The next biggest sector is the market in China and other areas in Asia, accounting for about 20% of sales and about 30% of gross profit.

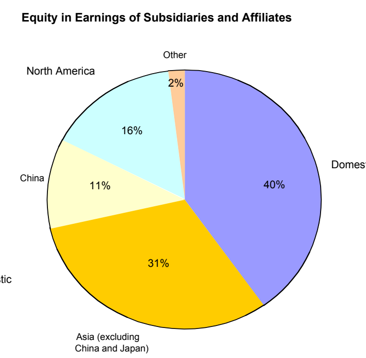
2. Equity in earnings of subsidiaries and affiliates

Domestic subsidiaries account for about 40%, and overseas subsidiaries in China and other areas in Asia also hold an approximate 40% share.

Forecast for Consolidated Performance in FY2004

	FY2004	Compared with 2003
Sales	¥2 trillion	105%
Gross profits	¥99 billion	105%
Ordinary profits	¥26 billion	123%
Net income	¥12.5 billion	118%





1. Sales and gross profits

Both sales and gross profits are expected to improve in comparison with FY2003 as the positive impact of integration and reorganization under PMI and the full-scale launching of overseas subsidiaries begins to have an effect, in addition to the continued recovery of steel products market.

2. Ordinary profits and net income

Operating expenses are expected to improve as one-off initial costs and the cost of overseas outsourced services are likely to decrease in addition to the consolidation of provision for doubtful receivables. Although an early adoption of accounting standards for the impairment of fixed assets is planned to further improve the soundness of assets and strengthen the financial structure, its impact is expected to be negligible. The net effect of all these factors is likely to boost both ordinary income and net income for the current term compared with