

Income Statement

	Performance in FY2004		Performance in FY2003		Mid-term Consolidated Management Plan (FY2004)	
	Consolidated	Non-consolidated	Consolidated	Variance	Consolidated	Achievement rate
(In ¥100 million)						
Sales	22,779	14,574	19,000	3,779	20,000	113.9%
Gross profits	1,234	343	944	290	990	
(Gross profit ratio)	(5.4%)	(2.4%)	(5.0%)		(5.0%)	
Operating expenses	-761	-212	-701	-60	-717	106.2%
Provision for doubtful receivables	-21	-3	-32	11	-6	
Amortization of goodwill	-7		-6	-1		
Operating income	445	128	205	240	267	166.8%
Interest income	8	6	14	-6	11	
Interest expense	-34	-8	-40	6	-42	
Interest expense-net	-26	-2	-26	0	-31	
Dividends income	14	20	14	0	12	
Other non-operating income	24	3	17	7	11	
Other non-operating expenses	-21	-12	-14	-7	-11	
Equity in earnings of affiliates	39		16	23	12	
Ordinary income	475	137	212	263	260	182.6%
Extraordinary gain	52	39	20	32	25	
Extraordinary loss	-86	-55	-27	-59	-55	
Income before income taxes	441	121	205	236	230	191.6%
Income taxes	-178	-37	-85	-93	-92	
Minority interests	-36		-14	-22	-13	
Net income	227	84	106	121	125	181.6%

Basic earnings capabilities

493

241

+252

266

185.3%

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

Consolidated Balance Sheet

	December 31, 2004		December 31, 2004		
		Variance		Variance	
(In ¥100 million)					
Current assets	8,736	1,649	Current liabilities	7,851	1,443
Cash and deposits	372	26	Accounts payable	4,277	801
Accounts receivable	6,820	1,307	Short-term loans	3,107	488
Inventories	1,322	315	Other current liabilities	467	154
Other current assets	222	1	Fixed liabilities	895	58
Fixed assets	2,178	151	Total liabilities	8,746	1,501
Tangible and intangible fixed assets	958	-70	Minority interests	192	29
Investments and other assets	1,220	221	Common stock and additional paid-in capital	1,500	0
			Retained earnings, etc.	476	270
			Shareholders' equity	1,976	270
Total assets	10,914	1,800	Liabilities+minority interests+shareholders' equity	10,914	1,800

Number of Group Companies

Subsidiaries	Affiliates	Total
126 (+3)	29 (+4)	155 (+7)

Consolidated Financial Indicators

	FY2004	FY2003
Shareholders' equity ratio	18.1%	18.7%
D/E ratio	1.84	1.85

Note: Figures in () show changes from the previous year.

Outline of Consolidated Results for FY2004

[Summary]

In FY2004, the steel industry enjoyed strong demand. Thanks to a global economic recovery, demand from domestic manufacturing industries, including automobiles, industrial machinery and shipbuilding, was strong. Steel demand from the construction industry also showed solid growth as a result of the recovery of construction in the private sector. Consumption of steel materials is expected to top 70 million tonnes for the first time in four years. Overseas, demand in East Asia, particularly China, remained firm, and both material prices and steel product prices remained high. For some steel products, demand exceeded manufacturers' supply capacity as a result of a sudden increase in global demand.

Under these conditions, Metal One Corporation resolved not to rest on its laurels following the smooth and successful startup of its operations, but to initiate the following three reforms for an early completion of the Mid-term Consolidated Management Plan that covers the period from FY2003 to FY2005:

- (1) Post Merger Integration (PMI): Integration and reorganization of Group companies through a re-examination of their functions and structures;
- (2) Business Process Integration/Innovation (BPI): Improvement in the efficiency and level of business operations;
- (3) Growth Strategy: Capitalizing on growth areas through selection and integration.

In PMI, the Company tackled tasks such as reorganization in the areas of construction materials and stainless steel, as well as the merger and closure of regional bases while maintaining the pace of operations from the preceding year. In BPI, efforts were made to analyze and improve the quality of clerical work in order to achieve a fundamental reform of the workflow and raise the Company's functionality level. In implementing Growth Strategy, investments were made overseas, particularly in China, based on proper risk assessment. Also, Metal One endeavored to further strengthen the Company's financial condition through measures such as the promotion of consolidated management among Group companies and early application of asset impairment accounting in order to ensure a stable profit level.

As a result, sales in FY2004 totaled ¥2,277.9 billion (an increase of ¥377.9 billion over the preceding year) and ordinary income totaled ¥47.5 billion (an increase of ¥26.3 billion over the preceding year). Net income was ¥22.7 billion (an increase of ¥12.1 billion over the preceding year), greatly exceeding not only the ¥12.5 billion projected at the outset of the year but also the target of ¥15.0 billion for FY2005, the last year of the Mid-term Consolidated Management Plan.

[Breakdown of main profit/loss items]

1. Gross profits

The gross profit ratio improved, particularly at subsidiaries, as a result of the synergy of the smooth startup of operations, improvement in the earning power of subsidiaries through sectional integration and reorganization under PMI, and the global upturn of the steel market. Gross profits totaled ¥123.4 billion, increasing by ¥29.0 billion over the preceding year. Non-consolidated domestic sales increased, thanks to a rise in the steel product market, and exports to Asian countries, including China, rose. Subsidiaries in the United States and Asian countries — including China — did well.

2. Operating expenses and the provision for doubtful receivables

Non-consolidated operating expenses increased by ¥400 million, while those of subsidiaries rose by ¥5.6 billion as a result of newly consolidated subsidiaries and the full-scale startup of operations at overseas bases. As a result, total consolidated operating expenses increased by ¥6.0 billion over the preceding year and totaled ¥76.1 billion. As a provision for doubtful receivables, ¥2.1 billion, on a consolidated basis, was recorded. Although strict criteria were applied, based on in-house ratings, there was still an improvement of ¥1.1 billion.

3. Extraordinary gain/loss

The Company recorded an extraordinary gain through a re-examination of owned assets and by selling listed shares. The Company also registered an asset-impairment loss in regard to low-profit assets for business operations through an early application of asset impairment accounting in order to further strengthen the financial foundation of Group companies. In addition, an extraordinary loss that was incurred by disposing of fixed assets through the promotion of PMI was registered.

4. Performance of subsidiaries

Generally speaking, domestic subsidiaries saw a major increase in profits because, in addition to bolstered earning power through sectional integration and reorganization, prices in the steel market rose. Overseas subsidiaries as a whole reported a major increase in profits. The subsidiary in North America showed a major increase in profits due to an improved market situation, while Asian subsidiaries, particularly China, performed well due to a big increase in sales volume.

5. Regional information

Non-consolidated domestic sales amounted to ¥1,100 billion and represented 75% of the total non-consolidated sales. Non-consolidated sales to China and other areas of Asia came to ¥250 billion, accounting for 17% of the total. Gross profits from domestic operations amounted to ¥22.0 billion, or 64% of the total, while those from China and other areas of Asia were ¥8.5 billion, or 25%. Consolidated Group companies' equity in earnings by region was ¥7.6 billion (54%) in Japan and ¥4.3 billion (31%) in North America. The remainder comprised the gross profits in China and other areas of Asia.

[Financial conditions]

1. Gross assets and shareholders' equity

Because accounts receivable and inventories increased as a result of the improved steel market, total assets increased by ¥180.0 billion to ¥1,091.4 billion. Current assets represent 80% of total assets, indicating a financial structure of high liquidity. Shareholders' equity increased by ¥27.0 billion to ¥197.6 billion as a result of such developments as an increase in retained earnings on a consolidated basis due to a rise in profits.

2. Interest-bearing debts

Interest-bearing debts increased by ¥47.9 billion to ¥363.2 billion because financing demand swelled as a result of a rise in steel product prices. However, the debt/equity ratio was 1.8, which indicates a continued sound financial condition of the Company.

Forecast for Consolidated Performance in FY2005

	FY2005	
		Compared with 2004 performance
Sales	¥2.5 trillion	¥222.1 billion
Gross profits	¥116 billion	- ¥7.4 billion
Ordinary profits	¥39 billion	- ¥8.5 billion
Net income	¥20 billion	- ¥2.7 billion

[Prospect for performance]

1. Sales and gross profits

Sales in fiscal 2005 are forecast to increase by ¥222.1 billion to ¥2.5 trillion because steel product prices are expected to remain firm. However, gross profits are likely to fall by ¥7.4 billion to ¥116.0 billion because the gross profit ratio is expected to decline in reaction to the sharp rise in steel product prices during FY2004.

2. Ordinary income and net income

Accompanying a decline in gross profits, ordinary income is likely to decline by ¥8.5 billion to ¥39.0 billion while net income is likely to decline ¥2.7 billion but is expected to stay above the ¥20 billion mark.