

Income Statement

	Performance in FY2005		Performance in FY2004			
	Consolidated	Non-consolidated	Consolidated	Variance	Non-consolidated	Variance
(In ¥100 million)						
Sales	25,766	15,373	22,779	2,987	14,574	799
Gross profits	1,288	374	1,234	54	343	31
(Gross profit ratio)	(5.0%)	(2.4%)	(5.4%)		(2.4%)	
Operating expenses	-790	-231	-761	-29	-212	-19
Provision for doubtful receivables			-21	21	-3	3
Amortization of goodwill	-3		-7	4		
Operating income	495	143	445	50	128	15
Interest income	7	6	8	-1	6	0
Interest expense	-43	-8	-34	-9	-8	0
Interest expense-net	-36	-2	-26	-10	-2	0
Dividends income	19	57	14	5	20	37
Other non-operating income	32	2	24	8	3	-1
Other non-operating expenses	-28	-17	-21	-7	-12	-5
Equity in earnings of affiliates	50		39	11		
Ordinary income	532	183	475	57	137	46
Extraordinary gain	90	44	52	38	39	5
Extraordinary loss	-43	-51	-86	43	-55	4
Income before income taxes	579	176	441	138	121	55
Income taxes	-204	-58	-178	-26	-37	-21
Minority interests	-46		-36	-10		
Net income	329	118	227	102	84	34

Basic earnings capabilities **528**
493 **+35**

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

Consolidated Balance Sheet

	December 31, 2005		December 31, 2005		
		Variance		Variance	
(In ¥100 million)					
Current assets	9,191	455	Current liabilities	8,113	262
Cash and deposits	305	-67	Accounts payable	4,229	-48
Accounts receivable	7,148	328	Short-term loans	3,432	325
Inventories	1,519	197	Other current liabilities	452	-15
Other current assets	219	-3	Fixed liabilities	973	78
Fixed assets	2,613	435	Total liabilities	9,086	340
Tangible and intangible fixed assets	1,038	80	Minority interests	249	57
Investments and other assets	1,575	355	Common stock and additional paid-in capital	1,500	0
			Retained earnings, etc.	969	493
			Shareholder's equity	2,469	493
Total assets	11,804	890	Liabilities+minority interests+shareholders' equity	11,804	890

Number of Group Companies

Subsidiaries	Affiliates	Total
128 (+2)	45 (+16)	173 (+18)

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

Consolidated Financial Indicators

	FY2005	FY2004
Shareholders' equity ratio	20.9%	18.1%
D/E ratio	1.63	1.84

Outline of Consolidated Results for FY2005
[Summary]

The steel industry was bolstered by Japan's sustained economic upturn during the period and there was a conspicuous, robust trend toward expanded overall manufacturing industry demand, led by the automotive, industrial machinery and shipbuilding sectors. Overseas, on the other hand, steel product supply and demand eased on a worldwide level due to oversupply in China, among other factors, and markets showed signs of calm and continuing overall stability as Japan and other leading global furnaces uniformly imposed their own manufacturing cutbacks. In this business environment, Metal One Corporation continued efforts to successfully implement the three reforms below as the finishing touches on the current Mid-term Consolidated Management Plan (2003 to 2005) to create the foundations during this term for steadily getting the second Mid-term Consolidated Management Plan, started this year, on track:

- 1) Post Merger Integration (PMI): Integration and restructuring of Group companies through reappraisal, selection and concentration of their functions and structures in order to improve our strengths and eliminate areas of weakness;
- 2) Business Process Integration/Innovation (BPI): Utilization of our trading company functions to increase administrative efficiency by reviewing business processes;
- 3) Growth Strategy: Identifying and investing in growth sectors, including regions, products and business models, through selectivity.

The Company acquired a significant share of the market and increased its leadership position in the industry as a result of implementing PMI tasks under the current Mid-term Consolidated Management Plan, including reorganization of the specialty steel sector, mergers and closures of domestic offices, and integrating stainless steel operations in Singapore. In BPI, we continued with the previous term's efforts to fundamentally improve our business processes and increase customer satisfaction, endeavoring to raise the quality of administrative activities, beginning with the production of manuals. Our "Growth Strategy" involved active overseas investments, primarily in China and North America, based on appropriate risk analysis.

This resulted in ¥2,576.6 billion in sales during the term reviewed (an increase of ¥298.7 billion over the preceding year), ¥53.2 billion in ordinary income (an increase of ¥5.7 billion over the preceding year), and ¥32.9 billion in net income (an increase of ¥10.2 billion over the preceding year), substantially exceeding the ¥20 billion projected at the start of the fiscal year.

[Breakdown of main profit/loss items]
1. Sales and gross profits

Along with increased profitability deriving from operation-specific mergers and restructuring under PMI, strong domestic demand and market trends yielded sales of ¥2,576.6 billion, ¥298.7 billion up compared to the previous year. Although the gross profit ratio declined from the previous year because last year's soaring steel products market prices caused a temporary upturn in earnings growth, gross profits of ¥128.8 billion exceeded the year before by ¥5.4 billion due to growth in sales. Firm domestic demand yielded unconsolidated sales growth, primarily from business in Japan. Subsidiaries in Japan and the U.S. also did well.

Domestic business accounted for ¥1.85 trillion, or 72%, of overall sales, followed by ¥400 billion (16%) from overseas and ¥300 billion (12%) from exports, with the remaining 1% coming from imports. Domestic business accounted for ¥89.6 billion (70%) of gross profits, overseas business for ¥25.5 billion (20%), exports ¥13.2 billion (10%) and imports the remainder. China and the rest of Asia accounted for the bulk of exports, while the U.S., China and the rest of Asia were the main destinations for overseas business.

2. Operating expenses and provision for doubtful receivables

Operating expenses, primarily personnel costs, increased ¥2.9 billion compared to the year before, to ¥79 billion. Improved customer credit circumstances also resulted in the recording of an extraordinary ¥1 billion consolidated gain on the reversal of the provision for doubtful receivables.

3. Extraordinary gain/loss

Although the adoption of impairment accounting for fixed assets in the previous fiscal year resulted in a one-time loss, an extraordinary gain from the sale of listed shares was recorded this year, along with an extraordinary loss resulting from progress in disposing of fixed assets related to the implementation of PMI.

[Performance of subsidiaries]

Along with increased profitability from operation-specific mergers and restructuring under PMI, strong domestic market trends led to increased overall profits at domestic subsidiaries. With robust automotive and energy sector demand in North America, profits from overseas subsidiaries increased substantially.

[Financial conditions]
1. Gross assets and shareholders' equity

Increased business due to a rise in steel product prices and solid steel demand yielded growth in accounts receivable and inventories for year-on-year total asset growth of ¥89 billion, up to a total of ¥1,180.4 billion. Current assets comprise 80% of total assets and the Company has maintained high liquidity within its financial structure. Consolidated retained earnings growth and an increase in net unrealized gains on securities due to our rising share value meant that shareholders' equity rose to ¥246.9 billion, an increase of ¥49.3 billion compared to the previous year.

2. Interest-bearing debts

Interest-bearing debts rose to ¥401.6 billion, an increase of ¥38.4 billion compared to the year before, due to mounting financing demand reflecting rising steel product prices and strong domestic business, but the debt-to-equity ratio fell to 1.6 because shareholders' equity grew and the Company has continued to maintain a sound financial structure.

Forecast for Consolidated Performance in FY2006

	FY2006	
		Compared with 2005 performance
Sales	¥2.65 trillion	¥73.4 billion
Gross profits	¥135 billion	¥6.2 billion
Ordinary profits	¥53 billion	-¥0.2 billion
Net income	¥30 billion	-¥2.9 billion

[Prospects for performance]
1. Sales and gross profits

With continuing solid domestic demand and a stable steel products market expected, the Company is forecasting ¥2.65 trillion in sales (¥73.4 billion more than the preceding year) and ¥135 billion in gross profits (a ¥6.2 billion increase over the year before).

2. Ordinary income and net income

Although gross profits are expected to increase, expectations are that ordinary income will remain about the same - ¥53 billion - as for the previous year due to factors, such as rising operating expenses and interest payments, while net income is seen falling ¥2.9 billion compared to the year before (to ¥30 billion) in response to the decrease in extraordinary gains seen in the previous year.