

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2006 and Forecast for FY2007

March 22, 2007
Metal One Corporation

Income Statement	Performance in FY2006		Performance in FY2005			
	Consolidated	Non-consolidated	Consolidated	Variance	Non-consolidated	Variance
(In ¥100 million)						
Sales	27,467	15,779	25,766	1,701	15,373	406
Gross profits	1,462	462	1,288	174	374	88
(Gross profit ratio)	0	0	0		(2.4%)	
Operating expenses	-836	-245	-790	-46	-231	-14
Provision for doubtful receivables	-2	-4		-2		-4
Amortization of goodwill	-4		-3	-1		
Operating income	620	213	495	125	143	70
Interest income	8	5	7	1	6	-1
Interest expense	-56	-8	-43	-13	-8	0
Interest expense-net	-47	-4	-36	-11	-2	-2
Dividends income	21	98	19	2	57	41
Other non-operating income	34	3	32	2	2	1
Other non-operating expenses	-40	-26	-28	-12	-17	-9
Equity in earnings of affiliates	49		50	-1		
Ordinary income	637	284	532	105	183	101
Extraordinary gain	72	40	90	-18	44	-4
Extraordinary loss	-24	-8	-43	19	-51	43
Income before income taxes	685	315	579	106	176	139
Income taxes	-246	-103	-204	-42	-58	-45
Minority interests	-40		-46	6		
Net income	399	212	329	70	118	94

Basic earnings capabilities	645	528	+117
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Basic earnings capabilities = Operating income (less provision for doubtful receivables) + Interest expense-net + Dividends + Equity in earnings of affiliates

Consolidated Balance Sheet	December 31, 2006		December 31, 2006		
		Variance		Variance	
(In ¥100 million)					
Current assets	9,396	205	Current liabilities	7,966	-147
Cash and deposits	373	68	Accounts payable	4,472	243
Accounts receivable	7,315	167	Short-term loans	3,037	-395
Inventories	1,529	10	Other current liabilities	457	5
Other current assets	179	-40	Fixed liabilities	1,136	163
			Long-term loans	673	89
			Other	463	74
Fixed assets	2,888	275	Total liabilities	9,102	16
Tangible and intangible fixed assets	1,043	5	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,844	269	Retained earnings, etc.	836	284
			Valuation and translation adjustments	566	149
			Total net assets excluding minority interests	2,902	433
			Minority interests	280	31
			Total net assets	3,182	464
Total assets	12,284	480	Total liabilities and net assets	12,284	480

Number of Group Companies

Subsidiaries	Affiliates	Total
121 (-7)	51 (+6)	172 (-1)

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

Consolidated Financial Indicators

	FY2006	FY2005
Shareholders' equity ratio	23.6%	20.9%
D/E ratio	1.17	1.48

Outline of Consolidated Results for FY2006

[Summary]

The steel industry faced continuing tight supply and demand for high-grade steel primarily for the automotive, construction equipment, shipbuilding, and other manufacturing industries in Japan and elsewhere during the fiscal year. There were concerns regarding a supply and demand imbalance in the general-purpose steel sector due to expanded production capacity in China, but growth in worldwide demand led to overall sustained market stability.

Metal One Corporation kicked off its second Mid-term Consolidated Management Plan (2006-08) in the midst of this business environment. From the time of its establishment in January 2003, the Company continued to smoothly integrate operations and provide internal controls under the previous Mid-term Plan. Under the second Mid-term Plan, the Company implemented policies designed to steadily execute the plan. It built on the Group's foundations and global value chain by deploying its strong domestic infrastructure and integrated capabilities based on two basic strategies, Value Chain Strategies (Pursuing "Value One") and Group Management Strategies (Establishing "MO-ism"). This was carried out with the aim of creating a Metal One Group that is strong but flexible, ethically and financially sound, and has great growth potential.

With regard to Value Chain Strategies, analyses of the current positioning and a redefinition of segmentation were undertaken as part of efforts to build a global value chain. In the area of Group Management Strategies, the Committee for Group Management and the Committee for Group Knowledge Management were initiated and the sharing of group management policies, strategies, and expertise was promoted to further strengthen domestic foundations and the Group's integrated capabilities.

These efforts resulted in the accumulation of ¥2.7467 trillion in sales during the term reviewed (an increase of ¥170.1 billion over the preceding year), ¥63.7 billion in ordinary income (an increase of ¥10.5 billion over the preceding year), and ¥39.9 billion in net income (an increase of ¥7 billion over the preceding year), which substantially exceeds the ¥30 billion figure projected at the start of fiscal 2006.

[Breakdown of main profit/loss items]

1. Sales and gross profits

Due to expanded internal demand mostly from manufacturing industries, business in Japan progressed satisfactorily in the steel plate, construction materials, and export-driven automotive-related sectors. The steel tube sector also grew considerably with the continuing worldwide boom in the energy sector. This resulted in sales of ¥2.7467 trillion, a ¥170.1 billion increase over the previous year. Both consolidated and non-consolidated gross profit ratios improved and with the increase in sales, this resulted in gross profits of ¥146.2 billion, a ¥17.4 billion increase over the previous year. Non-consolidated sales increased primarily in domestic transactions, thanks to robust demand in Japan. Subsidiaries also did well on the whole, with North America taking the lead.

2. Operating expenses

Operating expenses came to ¥83.6 billion. This increase of ¥4.6 billion compared to the previous fiscal year was due to growth in personnel costs, etc.

3. Extraordinary gain/loss

An extraordinary gain of ¥7.2 billion was appropriated from the sale of stock following a review of the significance of continued shareholdings. The disposal of fixed assets, etc. was completed through the Post Merger Integration, which was implemented up to the preceding fiscal year. As a result, extraordinary losses decreased by ¥1.9 billion compared with the previous fiscal year, to total ¥2.4 billion.

4. Business conditions by transaction type and partner industries

Domestic transactions amounted to ¥1.97 trillion and accounted for 72% of overall sales, followed by overseas transactions of ¥400 billion at 14%, and exports of ¥350 billion at 13%.

Business in Japan accounted for 64% of gross profits at ¥93.1 billion, overseas transactions of ¥26.6 billion at 18%, and exports of ¥25.7 billion at 18%. Exports were primarily to China and other parts of Asia, and overseas businesses mainly in the U.S., China and other parts of Asia.

In terms of business with partner industries, the automotive, construction and distribution sectors accounted for more than 50%, followed by the electrical machinery, shipbuilding and energy sectors, etc.

[Performance of subsidiaries]

Domestic subsidiaries increased their overall profitability due to expanded internal demand and sustained vigor in the Japanese market. The overall situation was favorable, primarily in North America. However, some overseas subsidiaries experienced tough environments, including those in China whose earnings were pressured by heavier competition and inventory adjustments, and in Indonesia, where there were hard challenges due to declining demand for motorcycles and cars.

[Financial conditions]

1. Gross assets and shareholders' equity

Total assets came to ¥1.2284 trillion, an increase of ¥48 billion over the previous year as accounts receivable increased due to business growth deriving from solid demand for steel. Current assets account for 80% of total assets and, as in the previous year, the Company continued to maintain a highly liquid financial structure. Net assets excluding minority interests grew to ¥290.2 billion, ¥43.3 billion more than the year before, due to growth in retained earnings and unrealized gains on securities deriving from an increase in the value of shares. The increase in shareholders' equity also resulted in the return on equity rising to 23.6%. The Company has consequently continued to maintain sound finances.

2. Interest-bearing debts

Demand for funding grew, a reflection of the healthy business environment in Japan, but interest-bearing debts declined by ¥30.6 billion compared to the previous year, to ¥371 billion, through the liquidation of notes receivable. In addition, the debt to equity ratio fell to 1.2 due to the increase in net assets.

Forecast for Consolidated Performance in FY2007

	FY2007	
	(Jan. to Dec.)	Compared with 2006 performance
Sales	¥2.9 trillion	¥153.3 billion
Gross profits	¥150 billion	¥3.8 billion
Ordinary profits	¥60 billion	-¥3.7 billion
Net income	¥33.5 billion	-¥6.4 billion

1. Sales and gross profits

Volume and steel prices are expected to remain stable in Japan particularly due to solid domestic demand. The Company projects that sales will grow to ¥2.9 trillion, an increase of ¥153.3 billion on the previous year, and gross profits to ¥150 billion, a ¥3.8 billion yearly increase.

2. Ordinary income

Although increased gross profits are expected, so too are rising operating expenses and interest payments, along with decreased benefits from gains on foreign currency exchange transactions arising from the effects of the weak yen during the previous fiscal year. Ordinary income is therefore expected to fall to ¥60 billion, down ¥3.7 billion compared to the previous year.

3. Net income

Net earnings are projected to decline ¥6.4 billion compared to the year before, to ¥33.5 billion, in response to the fall in extraordinary gains in the previous year and the decline in ordinary profits.

Note: During fiscal 2007, the reporting period will be extended to 15 months as the Company plans to change the end of its financial year from the current year-end month of December to March. Net earnings are expected to total ¥38.5 billion in the current fiscal year.