

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2007 and Forecast for FY2008

May 8, 2008
Metal One Corporation

Income Statement	Performance in FY2007 (15 months)		Reference: 12-month Performance (January–December 2007)*		Performance in FY2006 (Change Compared to January–December 2007)			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Variance	Non-consolidated	Variance
(In ¥100 million)								
Sales	35,527	21,063	30,500	16,795	27,467	3,033	15,779	1,016
Gross profits	1,705	527	1,499	431	1,462	37	462	-31
(Gross profit ratio)	(4.8%)	(2.5%)	(4.9%)	(2.6%)	(5.3%)		(2.9%)	
Operating expenses	-1,038	-337	-897	-268	-836	-61	-245	-23
Provision for doubtful receivables	-10	-1	-8	0	-2	-6	-4	4
Amortization of goodwill	-8		-6		-4	-2		
Operating income	649	189	587	164	620	-33	213	-49
Interest income	13	11	11	7	8	3	5	2
Interest expense	-75	-22	-67	-17	-56	-11	-8	-9
Interest expense-net	-63	-11	-56	-9	-47	-9	-4	-5
Dividends income	35	175	30	121	21	9	98	23
Other non-operating income	31	3	26	2	34	-8	3	-1
Other non-operating expenses	-49	-37	-42	-32	-40	-2	-26	-6
Equity in earnings of affiliates	58		56		49	7		
Ordinary income	661	319	601	246	637	-36	284	-38
Extraordinary gain	53	37	40	31	72	-32	40	-9
Extraordinary loss	-15	-14	-19	-18	-24	5	-8	-10
Income before income taxes	699	342	622	259	685	-63	315	-56
Income taxes	-266	-87	-233	-71	-246	13	-103	32
Minority interests	-42		-39		-40	1		
Net income	391	255	351	188	399	-48	212	-24

Basic earnings capabilities	689	625	645	-20
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Basic earnings capabilities = Operating income (less provision for doubtful receivables) + Interest expense-net + Dividends + Equity in earnings of affiliates

*In fiscal 2007, the Company changed the end of its financial year from December to March, and its income statement conforms with corporate law by providing data for 15 months. However, performance data for the January–December 2007 12-month period are shown here for reference (to provide a comparison with the previous fiscal year).

Consolidated Balance Sheet	March 31, 2008		March 31, 2008	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
(In ¥100 million)				
Current assets	9,528	132	Current liabilities	8,161
Cash and deposits	354	-19	Accounts payable	4,665
Accounts receivable	7,317	2	Short-term loans	3,115
Inventories	1,642	114	Other current liabilities	381
Other current assets	216	37	Fixed liabilities	1,062
			Long-term loans	728
			Other	333
Fixed assets	2,901	13	Total liabilities	9,222
Tangible and intangible fixed assets	1,183	140	Common stock and additional paid-up capital	1,500
Investments and other assets	1,717	-127	Retained earnings, etc.	1,003
			Valuation and translation adjustments	379
			Total net assets excluding minority interests	2,882
			Minority interests	325
			Total net assets	3,207
Total assets	12,429	145	Total liabilities and net assets	12,429

Number of Group Companies

Subsidiaries	Affiliates	Total
119 (-2)	53 (+2)	172 (±0)

Note: Figures in () show changes from the previous year. Excluding the subsidiaries of subsidiaries, there are 74 consolidated subsidiaries, 53 of which have changed the end date of their financial year.

Note that affiliated companies have not changed the end date of their financial year.

Consolidated Financial Indicators

	March 31, 2008	December 31, 2006
Shareholders' equity ratio	23.2%	23.6%
D/E ratio	1.20	1.17

Outline of Consolidated Results for FY2007

[Summary]

There were concerns about the impact that soaring global prices of iron ore, coal, oil, and other raw materials; the rising cost of materials; and subprime loan problems would have on the world economy. However, the global economy generally remained robust, sustained by economic growth in emerging countries. Despite an economic environment in which there were worries about declining corporate profitability caused by the skyrocketing costs of raw materials, Japan maintained high production levels overall thanks to an increase in facility investments and favorable external demand. On the other hand, although the steel industry is projected to continue to maintain a healthy domestic and external supply and demand, primarily for high-grade steel in such manufacturing industries as the automotive and shipbuilding sectors, the rising costs of steel products caused by stringent steel manufacturing supplies and a revised building standard law have had repercussions on investments related to general consumer sectors, such as housing and construction. Against this backdrop, business in the automotive sector and the domestic structural steel business remained vigorous. Sales during the term reviewed came to ¥3.5527 trillion (an increase of ¥806.0 billion over the preceding year' figure, including ¥502.7 billion resulting from the change in the end date of the financial year) and ordinary income was ¥66.1 billion (an increase of ¥2.4 billion over that in the preceding year, including ¥6.0 billion resulting from the change in the end date of the financial year), both the highest numbers ever. Net income was ¥39.1 billion (a year-on-year decline of ¥0.8 billion, including ¥4.0 billion resulting from the change in the end date of the financial year).

[Business performance]

1. January–December 2007

(1) Sales and gross profits

As in the previous fiscal year, business remained healthy overall, primarily in domestic transactions in the steel plate, construction materials, and export-driven automotive sectors. This resulted in sales of ¥3,050.0 billion, a ¥303.3 billion increase compared to that in the same period of the previous fiscal year and the first time Metal One exceeded the ¥3 trillion level. Although the overall gross profit ratio declined due to a drop in the gross profit ratio at some subsidiaries caused by the impact of market conditions, growth in sales led to ¥149.9 billion in gross profits, an increase of ¥3.7 billion compared to the figure for the same period of the previous fiscal year. Strong domestic demand resulted in non-consolidated sales growth primarily in business in Japan. Subsidiaries' sales declined in North America due to the decelerating U.S. economy but increased in Japan thanks to healthy growth.

(2) Operating expenses

Operating expenses came to ¥89.7 billion. This year-on-year increase of ¥6.1 billion was due to growth in personnel costs, etc.

(3) Extraordinary gain/loss

Extraordinary gains came to ¥4.0 billion, declining ¥3.2 billion from that in the previous fiscal year in response to the fall in that term.

(4) Business conditions by transaction type and partner industries

Domestic transactions amounted to ¥2,206.5 billion, accounting for 72% of overall sales, followed by exports of ¥406.6 billion at 13% and overseas transactions of ¥403.7 billion at 13%. Business in Japan accounted for 66% of gross profits at ¥98.7 billion, overseas transactions of ¥27.3 billion at 18%, and exports of ¥23.5 billion at 16%.

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

2. January–March 2008

Although the yen was observed to have gained strength suddenly due to the effects that subprime loan problems had at the beginning of 2008, business performance remained robust overall. Because Metal One Corporation and its 53 subsidiaries in Japan and overseas changed their financial year-end from December to March, fiscal 2007 represents 15 months of consolidated profits and losses. Business remained favorable primarily in Japan during this extended three-month period as well, with ¥502.7 billion in sales, ¥20.7 billion in gross profits, and ¥4.0 billion in net income. (Twenty-one subsidiaries did not change the end of their financial year in fiscal 2007, so business performance for January–March 2008 represents their consolidated first-quarter results for 2008.)

[Financial conditions (as of the end of March 2008)]

1. Gross assets and shareholders' equity

Accounts receivable increased due to business growth deriving from solid demand for steel and rising steel product prices, leading to gross assets of ¥1,242.9 billion as of the end of March 2008, an increase of ¥14.5 billion compared to that at the end of the previous fiscal year (the end of December 2006). Current assets accounted for approximately 80% of gross assets and, as in the previous fiscal year, the Company continued to maintain a highly liquid financial structure. Although retained earnings increased, net assets excluding minority interests declined ¥2.0 billion compared to the previous year's figure, to ¥288.2 billion, as a result of unrealized loss on securities caused by a decrease in the value of shares. However, the shareholders' equity ratio remained at the same level as at the end of the previous fiscal year at 23.2%. Consequently, the Company continued to maintain sound finances.

2. Interest-bearing debts

Interest-bearing debts declined through the liquidation of notes receivable, but robust business in Japan and rises in sales prices reflected an increase in demand for capital, and interest-bearing debts increased to ¥384.3 billion, ¥13.2 billion more compared to that at the end of the previous fiscal year.

[Performance of affiliated companies]

Metal One implemented measures to bolster the Group's value chains in fiscal 2007 by moving ahead to expand business capacity on one hand by such measures as acquiring shares of AOI Co., Ltd., a steel sheet processing and sales company in the Tokai region, and turning AOI into a subsidiary and acquiring the steel pipe business division of Nikken Sangyo Co., Ltd., while merging functional subsidiaries in the domestic steel sheet business and restructuring a steel products processing company overseas in the Central American region on the other. This led to overall increased profits at subsidiaries in Japan thanks to continued healthy domestic demand. Although profits decreased at North American subsidiaries due to the U.S. economy's slowdown, profits increased at overseas subsidiaries as a whole because business was good at Asian subsidiaries.

Forecast for Consolidated Performance in FY2008

	FY2008 (Apr. 2008 to Mar. 2009)
Sales	¥3.6 trillion
Gross profits	¥170 billion
Ordinary income	¥66 billion
Net income	¥36.5 billion

Note: Some subsidiaries are scheduled to change the end of their financial year in fiscal 2008, and their reporting period will be extended to 15 months. The above business performance forecast for fiscal 2008 reflects the impact of these numbers.

1. Sales and gross profits

With healthy demand for steel in Japan and overseas, sales volume is expected to increase and steel product prices are predicted to rise. Furthermore, with the new acquisition of all shares of the stainless steel plate processing and sales company Seikoh Co., Ltd., on April 1, making Seikoh a wholly owned subsidiary, efforts to strengthen value chains will continue. Sales are forecast to be ¥3.6 trillion as a result. However, the gross profit ratio is expected to decline because, along with concerns regarding a slowdown in the U.S. economy, anticipations are that absorbing the high costs of raw materials in steel price hikes will require time. Gross profits of ¥170.0 billion are forecast as a result.

2. Ordinary income

Working capital requirements are expected to increase in conjunction with increased sales volume and higher prices, and interest income is expected to decline. Ordinary profits of ¥66.0 billion is forecast as a result.

3. Net income

Net income of ¥36.5 billion is forecast in response to the fall in extraordinary gains in the previous fiscal year. As a result, the Mid-term Consolidated Management Plan's target of ¥35.0 billion for fiscal 2008 is expected to be surpassed.