Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2008 and Forecast for FY2009

June 26, 2009
Metal One Corporation

Income Statement

(In ¥100 million)

	Performance in FY2008 (April 2008 to March 2009) Consolidated	Performance in FY2008 (April 2008 to March 2009) Non-consolidated	Performance in FY2007 (15 months, from January 2007 to March 2008) Consolidated	Variance	Performance in FY2007 Non-consolidated	Variance
Sales	33,316	16,605	35,527	−2,211	21,063	−4,458
Gross profits	1,502	407	1,705	−203	527	−120
(Gross profit ratio)	(4.5%)	(2.5%)	(4.8%)		(2.5%)	
Operating expenses	−994	−275	−1,038	44	−337	62
Provision for doubtful receivables	−43	−9	−10	−33	−1	−8
Amortization of goodwill	−11		−8	−3		
Operating income	453	123	649	−196	189	−66
Interest income	12	16	13	−1	11	5
Interest expense	−68	−26	−75	7	−22	−4
Interest expense–net	−56	−10	−63	7	−11	1
Dividends income	26	101	35	−9	175	−74
Other non-operating income	39	11	31	8	3	8
Other non-operating expenses	−40	−27	−49	9	−37	10
Equity in earnings of affiliates	62		58	4		
Ordinary income	484	197	661	−177	319	−122
Extraordinary gain	33	15	53	−20	37	−22
Extraordinary loss	−96	−81	−15	−81	−14	−67
Income before income taxes	421	130	699	−278	342	−212
Income taxes	−188	−30	−266	78	−87	57
Minority interests	−27		−42	15		
Net income	206	100	391	−185	255	−155
Basic earnings capabilities	528		689	−161		

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

Note: In fiscal 2007, the end of the reporting period was changed from December 31 to March 31. As a result, the consolidated accounting period under review (April 2008 to March 2009) differs from the previous accounting period (January 2007 to March 2008). This difference should be kept in mind when comparing business performance.

Consolidated Balance Sheet

(In ¥100 million)

	March 31, 2009	March 31, 2008		March 31, 2009	March 31, 2008
Current assets	8,149	−1,379	**Current liabilities**	6,807	−1,353
Cash and deposits	405	52	Accounts payable	3,368	−1,297
Accounts receivable	5,545	−1,772	Short-term loans	3,105	−10
Inventories	1,959	317	Other current liabilities	334	−47
Other current assets	240	24	**Fixed liabilities**	995	−67
			Long-term loans	809	81
			Other	186	−148
Fixed assets	2,434	−467	**Total liabilities**	7,802	−1,420
Tangible and intangible fixed assets	1,234	50	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,200	−517	Retained earnings, etc.	1,028	26
			Valuation and translation adjustments	−71	−450
			Total net assets excluding minority interests	2,457	−425
			Minority interests	324	−1
			Total net assets	2,781	−425
Total assets	10,583	−1,846	**Total liabilities and net assets**	10,583	−1,846

Number of Group Companies

Subsidiaries	Affiliates	Total
123 (+4)	53 (±0)	176 (+4)

Note: Figures in parentheses ( ) show changes from the previous year. Excluding the subsidiaries of subsidiaries, there are 77 consolidated subsidiaries.

Consolidated Financial Indicators

	March 31, 2009	March 31, 2008
Shareholders' equity ratio	23.2%	23.2%
D/E ratio	1.41	1.20

Outline of Consolidated Results for FY2008

Summary

Despite fears that the subprime loan problems in the United States might spread throughout the global economy, the upswing in the previous term continued during the first half of the fiscal year under review and was bolstered by phenomenal growth in demand in emerging countries. However, the effects of the U.S. financial crisis started becoming more pronounced in fall, stock and commodities markets plunged, and confusion caused by exchange rate upheavals spread worldwide. This led to substantially escalating repercussions for the actual economy, such as a considerable chill in corporate capital expenditures and individual consumption.
Japan's economy, too, slowed as corporate capital expenditures fell and manufacturing activities contracted. The employment situation was seriously affected, and as conditions worsened, we began facing severe, substantial declines in demand on a level not previously seen in steel product demand sectors.

The Metal One Group entered the final year of its second Mid-term Consolidated Management Plan (FY2006 through FY2008) in the midst of this business environment. Under the Value Chain Strategies outlined in the second management plan, we strengthened our capabilities by restructuring coil centers, establishing efficient business lines, and setting up new plants, and we strove to build overseas construction machinery value chains. In the area of group management strategies, we promoted personnel training and interaction at Group companies through the Metal One Forum and at the Management Academy.
First-half results in domestic construction steel and manufacturing industry businesses, such as automotive, shipbuilding, and construction machinery, remained robust. However, demand plummeted in the second half due to the worldwide recession, and the plunge in steel product markets inevitably resulted in a broad decline in earnings. The additional impact of securities impairment losses resulted in a decline in the Group's consolidated results compared to that in the previous fiscal year, with ¥3.3316 trillion in sales, ¥48.4 billion in ordinary income, and ¥20.6 billion in consolidated net income.

Business performance

1. Sales and gross profits

As in the previous fiscal year, performance remained favorable overall during the first half, led by domestic business in the steel plate, construction steel, and export-driven automotive sectors, among others. During the second half, however, performance was largely weak, reversing course due to the effects of the global recession and slowing sharply. Consequently, sales for the entire year was ¥3.3316 trillion, or ¥221.1 billion less than that the year before. Although gross profits were likewise generally lower in the second half, they were healthy overall in the first half, and the total for the year was ¥150.2 billion.

2. Provision for doubtful receivables

Provision for doubtful receivables increased substantially to ¥4.3 billion in response to the impact of the deteriorating economic environment.

3. Extraordinary loss

Extraordinary loss came to ¥9.6 billion due to securities impairment losses.

4. Business conditions by transaction type and partner industries

Sales in Japan was ¥2.4698 trillion, accounting for 74% of business, followed by ¥428.3 billion in overseas transactions, making up 13%, and ¥400.2 billion in exports, constituting 12%.
By partner industry, the automotive, construction, and distribution sectors accounted for over 50%, followed by the electrical and industrial machinery sectors.

Financial conditions (as of the end of March 2009)

1. Gross assets and shareholders' equity

Decreasing demand for steel products due to the worsening business environment resulted in a decline in accounts receivable. Falling stock prices meant lower net unrealized gains on securities, which translates into gross assets of ¥1.0583 trillion as of the end of FY2009, down ¥184.6 billion compared to that at the end of the previous fiscal year (the end of March 2008). Although inventory levels rose in response to sluggish sales, current assets accounted for approximately 80% of total assets, as they did the year before, and the Company continued to maintain a highly liquid financial structure.
Despite the fact that consolidated retained earnings increased, net assets excluding minority interests fell ¥42.5 billion compared to the previous year's figure, to ¥245.7 billion, due to a decline in unrealized gains on securities. However, the shareholders' equity ratio of 23.2% remained at the same level as at the end of the previous year, and the Company continued to maintain sound finances.

2. Interest-bearing debts

Although the volume of accounts payable declined overall as a reflection of the current slump in steel demand, interest-bearing debts rose ¥7.1 billion, to ¥391.4 billion, compared to that the year before because inventory levels remained high.

Performance of affiliated companies

In fiscal 2008, the Company bought out Seikoh Co., Ltd., a company engaged in processing and selling mainly stainless steel plates and other steel products, such as structural steel and wire rods, and turned it into a subsidiary in Japan while establishing and launching the operations of Metal One Corporation India Pvt. Ltd., which possesses domestic sales and import-export capabilities in India (designated an important strategic region) as part of its efforts to expand operations overseas and strengthen the Group's value chains.

Forecast for Consolidated Performance in FY2009

Steel demand is expected to remain as sluggish in fiscal 2009 as it was in the second half of fiscal 2008, and the business environment is forecast to remain tough. Predicting the market's future movements is difficult in the midst of such conditions, and even if predictions were possible, for example, there is a high likelihood that they would be imprecise. Manufacturing industries will continue to adjust inventories, and it is believed that estimating crude steel production with some degree of accuracy will be possible from July of this year. As such, revised forecasts for the entire year will be produced after the close of the first half.