

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2009 and Forecast for FY2010

May 18, 2010
Metal One Corporation

(Unaudited)

Income Statement

(In ¥100 million)

	Performance in FY2009		Performance in FY2008			
	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
				Variance		Variance
Sales	21,090	11,188	33,316	-12,225	16,605	-5,417
Gross profits	978	271	1,502	-524	407	-136
(Gross profit ratio)	(4.6%)	(2.4%)	(4.5%)		(2.4%)	
Operating expenses	-827	-256	-994	167	-275	20
Provision for doubtful receivables	-0		-43	42	-9	9
Amortization of goodwill	-6		-11	5		
Operating income	144	15	453	-309	123	-107
Interest income	7	10	12	-5	16	-6
Interest expense	-36	-13	-68	32	-26	13
Interest expense-net	-29	-3	-56	27	-10	7
Dividends income	20	122	26	-6	101	22
Other non-operating income	35	3	39	-3	11	-8
Other non-operating expenses	-16	-6	-40	24	-27	21
Equity in earnings of affiliates	-15		62	-77		
Ordinary income	139	131	484	-345	197	-65
Extraordinary gain	128	26	33	94	15	12
Extraordinary loss	-44	-28	-96	52	-81	53
Income before income taxes	222	129	421	-199	130	-0
Income taxes	-110	-14	-188	79	-30	16
Minority interests	-8		-27	19		
Net income	105	116	206	-102	100	16

Basic earnings capabilities

120

528

-407

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

Consolidated Balance Sheet

(In ¥100 million)

	March 31, 2010		March 31, 2010		
		Variance from March 31, 2009		Variance from March 31, 2009	
Current assets	7,295	-854	Current liabilities	5,762	-1,045
Cash and deposits	431	25	Accounts payable	3,328	-40
Accounts receivable	5,374	-171	Short-term loans	2,153	-951
Inventories	1,248	-711	Other current liabilities	280	-54
Other current assets	242	2	Fixed liabilities	1,208	214
			Long-term loans	946	138
			Other	262	76
Fixed assets	2,656	221	Total liabilities	6,970	-832
Tangible and intangible fixed assets	1,175	-59	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,481	280	Retained earnings, etc.	1,040	12
			Valuation and translation adjustments	97	168
			Total net assets excluding minority interests	2,637	180
			Minority interests	343	19
			Total net assets	2,980	199
Total assets	9,951	-633	Total liabilities and net assets	9,951	-633

Number of Group Companies

Subsidiaries	Affiliates	Total
109 (-14)	50 (-3)	159 (-17)

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, 2010	March 31, 2009
Shareholders' equity ratio	26.5%	23.2%
D/E ratio	1.04	1.41

Shareholders' equity ratio =
Total net assets excluding minority interests ÷ Total assets
D/E ratio =
(Short-term loans + Long-term loans) ÷ Total net assets

Outline of Consolidated Results for FY2009

Business environment

Fiscal 2009 began in the midst of a worldwide recession, but the global economy escaped the worst of it and headed into a gentle recovery phase in response to the fiscal easing and economic policies that all nations implemented. In emerging economies in particular, especially China and India, domestic demand grew robustly, propelling worldwide economic recovery. Advanced nations, on the other hand, have yet to fully recover because the effects of their economic policies were limited and consumption slumped due to a worsening of employment conditions. Although Japan's economy is rallying thanks to rebounding exports, primarily to emerging nations, its recovery lacks a strong tone due to faltering consumption amid harsh employment conditions, ongoing deflation, and other factors.

Under these conditions, although some strength was noted in demand for steel products, principally in emerging economies, the situation in Japan remained unclear, and recovery trends exhibited variations worldwide, depending on the country, region, and industry.

Business performance

The recovery in demand that had greatly slowed due to the worldwide recession tended to be sluggish and weak during the first half of the year under review. However, as the second half began, business performance steadily recovered, sustained mainly by demand in China and the rest of Asia in addition to moves by automotive, appliance, and other manufacturing sectors in Japan to ease production cuts. Consequently, both sales volume and revenues shifted to an upward trend.

Metal One's resulting business performance in FY2009 was ¥2.109 trillion in sales, ¥13.9 billion in ordinary income, and ¥10.5 billion in net income.

Situation with main items

1. Sales and gross profits

Despite the shift to a recovery phase in the second half of the fiscal year, the broad downturn in the first half was substantial, with sales of ¥2.109 trillion lagging the previous fiscal year's by ¥1.2225 trillion and gross profits of ¥97.8 billion falling short of the previous fiscal year's by ¥52.4 billion.

2. Operating expenses

Charges for operating expenses declined ¥16.7 billion compared to those the year before, to ¥82.7 billion, due to cost cuts chiefly related to personnel expenses, reduced variable costs in conjunction with lower operating rates at corporate affiliates, and other causes.

3. Extraordinary gain and loss

Sales of securities and other factors led to an extraordinary gain of ¥12.8 billion.

An extraordinary loss of ¥4.4 billion resulted from the impairment of fixed assets, valuation losses on securities, and so forth.

4. Business conditions by transaction type and partner industries

Looking at sales by type of transaction, business in Japan, at ¥1.5271 trillion, accounted for 72% of the whole; overseas business, at ¥297.4 billion, made up 14%; and exports, at ¥273.3 billion, constituted 13%. In terms of partner industries, the automotive, construction, and distribution industries represented more than 50%, followed by the shipbuilding and electrical machinery industries.

Financial status (as of the end of March 2010)

1. Gross assets and shareholders' equity

Lower sales volumes meant fewer accounts receivable and reduced inventories; accordingly, total assets declined ¥63.3 billion from the close of FY2008 (the end of March 2009), to ¥995.1 billion. Current assets accounted for approximately 70% of this total, and a highly liquid financial structure continued to be maintained from the previous fiscal year.

Further, total net assets excluding minority interests increased ¥18 billion compared to the figure the year before, to ¥263.7 billion, due to increases in unrealized gains on securities and other causes. With a high degree of shareholders' equity at 26.5%, sound finances were maintained.

2. Interest-bearing debts

Total interest-bearing debt fell ¥81.3 billion compared to that at the end of the previous fiscal year, to ¥310 billion, due to fewer accounts receivable and payable combined with declining sales volumes.

Status of affiliates

One of South America's largest integrated steelmakers, Brazil's Usinas Siderurgicas de Minas Gerais S.A. (Usiminas), merged the service centers under its umbrella during the fiscal year and launched Soluções em Aço Usiminas S.A. (Solutions Usiminas). Metal One has taken an equity position in the company and will proceed to expand operations in Brazil, where additional economic growth in the future is expected.

Forecast for Consolidated Performance in FY2010

There are moves to change the formula for setting the prices of steel raw materials from yearly to quarterly in response to requests from resource companies to steel manufacturers. Currently, steel manufacturers are in the middle of changing the way they determine steel sales prices for customers in Japan. Conditions are such that predicting pricing directions is difficult for a trading company handling distribution. As such, we have decided to compile forecast numbers when conditions have calmed down to a certain point.