Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2010

May 23, 2011
Metal One Corporation

Income Statements

(In ¥100 million)	Performance in FY2010 Consolidated	Performance in FY2010 Non-consolidated	Performance in FY2009 Consolidated	Consolidated Variance	Performance in FY2009 Non-consolidated	Non-consolidated Variance
Sales	**25,235**	14,088	**21,090**	4,144	11,188	2,900
Gross profit	**1,161**	321	**978**	183	271	50
(Gross profit ratio)	(4.6%)	(2.3%)	(4.6%)		(2.4%)	
Operating expenses	-825	-247	-827	2	-256	9
Provision for doubtful receivables	-43	-45	-0	-43	0	-45
Amortization of goodwill	-5		-6	1		
Operating income	**288**	29	**144**	144	15	14
Interest income	6	8	7	-1	10	-2
Interest expense	-30	-12	-36	6	-13	1
Interest expense–net	-24	-4	-29	5	-3	-1
Dividend income	18	70	20	-2	122	-53
Other non-operating income	28	2	35	-7	3	-1
Other non-operating expenses	-11	-8	-16	5	-6	-2
Equity in earnings of affiliated companies	18		-15	33		
Ordinary income	**317**	88	**139**	178	131	-43
Extraordinary gain	44	11	128	-83	26	-15
Extraordinary loss	-37	-21	-44	7	-28	8
Income before income taxes	**324**	79	**222**	102	129	-50
Income taxes	-111	-20	-110	-2	-14	-6
Minority interests	-25		-8	-17		
Net income	**188**	59	**105**	83	116	-57
Basic earnings capabilities	**344**		**120**	224		

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

Consolidated Balance Sheets

(In ¥100 million)	March 31, 2011	Variance from March 31, 2010		March 31, 2011	Variance from March 31, 2010
Current assets	7,904	609	**Current liabilities**	6,221	459
Cash and deposits	334	-97	Accounts payable	3,531	203
Accounts receivable	5,719	344	Short-term debt	2,393	239
Inventories	1,598	350	Other current liabilities	298	17
Other current assets	253	12	**Non-current liabilities**	1,199	-10
			Long-term debt	960	13
			Other	239	-23
Non-current assets	2,548	-107	**Total liabilities**	7,420	449
Tangible and intangible non-current assets	1,108	-68	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,441	-39	Retained earnings, etc.	1,169	129
			Assets and liabilities valuation and translation adjustments	12	-86
			Total net assets excluding minority interests	2,681	43
			Minority interests	352	10
			Total net assets	3,033	53
Total assets	10,453	502	**Total liabilities and net assets**	10,453	502

Number of Group Companies

Subsidiaries	Affiliates	Total
110 (+1)	49 (-1)	159 (±0)

Note: Figures in parentheses ( ) show changes from the previous year.
Excluding the subsidiaries of subsidiaries, there are 78 consolidated subsidiaries.

Consolidated Financial Indicators

	March 31, 2011	March 31, 2010
Shareholders' equity ratio	25.6%	26.5%
D/E ratio	1.11	1.04

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

Outline of Consolidated Results for FY2010

Business environment

For the global economy in the fiscal year under review, domestic demand remained firmly robust in emerging nations, such as China and India, as well as other countries in Asia. In advanced economies, such as the United States and Europe, personal consumption rebounded thanks to economic policies, and exports to emerging nations expanded. However, a sense of uncertainty regarding stable future growth could not be dispelled because of such factors as skyrocketed prices for resources, particularly crude oil, associated with the political unrest in the Middle East and northern Africa.
In Japan, on the other hand, there were signs that the economy might rally thanks to government economic policies and increased business with emerging nations. However, due to the yen's continued strength and the failure to put the brakes on deflation, conditions were such that the pace of recovery was seen to be sluggish in the second half.
The Great East Japan Earthquake, which occurred in March 2011, caused considerable human suffering and enormous damage to the social infrastructure and Japanese industry. The disaster is expected to have a large impact on economic activities in Japan from here on out.

Business performance

In the midst of this business environment, the Metal One Group got through the second year of its third Mid-term Consolidated Management Plan, which spans from 2009 to 2011, by implementing a survival strategy of cost structure reforms and risk management suited to the business environment, carrying out a growth strategy of restructuring core domestic operations, and promoting business strategies designed to build future core operations.
Furthermore, automotive, electrical machinery, and construction and industrial machinery steel operations grew in Japan and elsewhere, compensating for weakness in the domestic structural steel business and the reactionary decline in business in conjunction with the end of "eco-car" subsidies. Moreover, exports targeting other countries in Asia increased.
As a result of the automotive, construction machinery, and other businesses compensating for weakness in domestic structural steel operations, the Metal One Group's consolidated business results for the fiscal year included sales of ¥2.5235 trillion, a 19.6% increase over the previous fiscal year's consolidated results; ordinary income of ¥31.7 billion, 128.4% growth from the previous fiscal year's consolidated results; and consolidated net income of ¥18.8 billion, up 79.3% compared to that the year before. The previous year's performance was greatly exceeded as a result.

Situation with main items

1. Sales and gross profit
Operations in Japan and exports to the rest of Asia remained robust, with sales of ¥2.5235 trillion topping the previous fiscal year's level by ¥414.4 billion and gross profit of ¥116.1 billion exceeding that the year before by ¥18.3 billion.

2. Operating expenses
In contrast to the increase in business, efforts to reign in costs, particularly personnel expenses, throughout the entire Group resulted in ¥82.5 billion in operating expenses, ¥200 million below the previous fiscal year's level.

3. Extraordinary gain and loss
An extraordinary gain of ¥4.4 billion resulted from earnings from an affiliate's stock listing, sales of securities, and other factors.
An extraordinary loss of ¥3.7 billion resulted from non-current asset impairments, losses from sales of securities, losses due to the withdrawal from business investments, and so forth.

4. Business conditions by transaction type and partner industries
Looking at sales by type of operation, ¥1.711 trillion, or 67% overall, came from Japan; ¥415.4 billion, or 17%, from overseas; and ¥392.2 billion, or 16%, from exports.
Furthermore, by type of partner industry, more than 50% came from the automotive, construction, and distribution industries, followed by raw materials for steel production and electrical machinery industries.

5. Total assets and shareholders' equity
Because accounts receivable and inventories increased in tandem with rising sales, total assets increased to ¥1.0453 trillion, up ¥50.2 billion compared to the figure at the end of the previous fiscal year (March 31, 2010). Current assets accounted for 76% of the total, and the Group continued to maintain a highly liquid financial structure.
In addition, although there was a decrease in assets and liabilities valuation and translation adjustments, an increase in retained earnings resulted in total net assets excluding minority interests of ¥268.1 billion, a rise of ¥4.3 billion compared to the number at the close of the previous fiscal year. A sound financial position was maintained with a high shareholders' equity ratio at 25.6%.

6. Interest-bearing debt
Increases in accounts receivable and accounts payable along with growth in sales and other factors led to a rise in interest-bearing debt, to ¥335.3 billion, up ¥25.2 billion compared to that at the close of the previous fiscal year.

Status of affiliates

In Japan, Metal One Service Center Holdings Corporation (MOSHD) was established in November 2010 as a spin-off of Metal One. Taking over the Company's shares in Isuzu Corporation and Suzuyasu Corporation (both subsidiaries of Metal One), MOSHD oversees and manages the two companies' service center operations and promotes organic ties among them as part of efforts to optimally allocate corporate resources and improve productivity at each company.
Turning to overseas markets, efforts have begun on a project to serve Maruti Suzuki India Limited in terms of sheet processing center operations in India, where increased demand for cars in tandem with economic growth and expanded production are anticipated.