

Metal One

**Metal One Corporation and Subsidiaries
Financial Results for the Year Ended December 2003**

Metal One Corporation

3-23-1 Shiba, Minato-ku, Tokyo

Results of Operations for the Fiscal Year 2003

1. Background of Inauguration

Metal One Corporation was established in January 2003 as a corporate venture aimed at integrating the steel product businesses of Mitsubishi Corporation and Nissho Iwai Corporation (now the Sojitz Corporation). The new company took over the steel product businesses of Mitsubishi and Sojitz.

The merger represented a positive response to global changes in the industry that have been accelerating in recent years – including restructuring and realignment – by contributing to the reform and further development of the industry. It also strengthened our own business infrastructure while further refining and improving the efficiency of the trading-house functions Mitsubishi and Sojitz have built up over the years.

2. Economic Environment

In the steel market, structural transformation made further progress on the supply side and distribution. On the demand side, although there was no robust recovery in domestic demand – except from a few sectors, including the automotive, shipbuilding and industrial machinery industries – the demand from Asia, especially China, steadily increased, and the annual output of crude steel remained at a high level of around 110 million tonnes. Reflecting China's strong steel demand in particular, prices soared for steel materials, notably iron ore, and contributed to an upturn in steel prices.

3. Metal One's Performance

Under these circumstances, Metal One in its initial year concentrated on the integration of its business bases in Japan and elsewhere and the build-up of business infrastructure such as the institutional aspect of personnel management, systems and internal management setups. Through this, Metal One effected a smooth launch of its new business organization. For early realization of the benefits of integration, we formulated a three-year Mid-term Consolidated Management Plan intended to accelerate the pace of reform and maximize the corporate value of the group while strengthening integrated management. As such, we set forth the following three reforms for the realization of this plan:

- (1) Post Merger Integration (PMI): Integration and reorganization of group member companies through reviews of their functions and structure
- (2) Business Process Integration/Innovation (BPI): Enhancement of efficiency and refinement of business processes

(3) Growth Strategy: Investment in growth areas and sectors through selection and concentration

In PMI especially, we have made steady achievements that broke through the barriers of different corporate affiliations, including the integration of wire and specialty steel subsidiaries and the merger of steel pail manufacturing subsidiaries. We have also made group-wide endeavors to develop organizational setups for environmental management and compliance with legal requirements.

As a result, Metal One Corporation made an encouraging start, achieving sales of ¥1,315.7 billion, ordinary income of ¥9.2 billion and a net income for the current term of ¥6.1 billion on a non-consolidated basis.

While the profitability of some domestic subsidiaries deteriorated under the impact of increased steel material prices, overseas subsidiaries increased their earnings thanks to brisk demand from China and other areas of Asia. All in all, key consolidated performance figures of Metal One Corporation and Subsidiaries, such as ¥1.9 trillion in sales, ¥21.2 billion ordinary income and ¥10.6 billion in net income for the current term, surpassed the initial forecast set at the beginning of fiscal year 2003.

Metal One Corporation and Subsidiaries

Statement of Consolidated Income

(In ¥ million)

Item	2003 (January – December)
Sales	1,899,994
Costs of sales	-1,805,544
Gross profit	94,450
(Gross profit ratio)	(5.0%)
Selling, general and administrative expenses	-73,861
Operating income	20,589
Non-operating income	6,540
(Interest income)	(1,371)
(Dividends income)	(1,332)
(Equity in earnings of affiliates)	(1,658)
(Other non-operating income)	(2,179)
Non-operating expenses	-5,911
(Interest expense)	(-4,022)
(Other non-operating expenses)	(-1,889)
Ordinary income	21,218
Extraordinary gains and losses	-700
(Extraordinary gains)	(1,977)
(Extraordinary losses)	(-2,677)
Income before income taxes	20,518
Income taxes:	
Current	-9,340
Deferred	870
Minority interests	-1,452
Net income	10,596

Metal One Corporation and Subsidiaries

Consolidated Balance Sheet

(In ¥ million)

Assets		Liabilities, Minority Interests and Shareholders' Equity	
Item	December 31, 2003	Item	December 31, 2003
Current assets	708,721	Current liabilities	640,802
Cash and deposits	34,565	Notes and accounts payable	347,612
Notes and accounts receivable	551,274	Short-term loans	261,894
Inventories	100,661	Advances receipts	6,544
Advance payments	4,172	Accrued expenses	4,901
Short-term loans	2,095	Other accounts payable	8,170
Deferred income taxes	5,561	Income taxes payable	6,847
Other current assets	17,847	Other	4,834
Allowance for doubtful receivables	-7,454		
Fixed assets	202,694	Long-term liabilities	83,677
Tangible assets	91,539	Long-term loans	53,372
Intangible assets	11,257	Reserve for retirement allowance	3,516
Goodwill	2,922	Deferred tax liabilities	11,994
Other intangible fixed assets	8,335	Other	14,795
Investments and other assets	99,898		
Investments	88,523	Total liabilities	724,479
Long-term loans	5,333	Minority interests	16,308
Other	11,766		
Deferred income taxes	2,631	Common stock	100,000
Allowance for doubtful receivables	-8,355	Capital surplus	50,000
			150,000
		Retained earnings	13,719
		(Subtotal)	163,719
		Net unrealized gains on securities	10,711
		Foreign currency translation adjustments	-3,802
		Total shareholders' equity	170,628
Total assets	911,415	Total liabilities, minority interests and shareholders' equity	911,415

Metal One Corporation

Statement of Non-consolidated Income

(In ¥ million)

Item	2003 (January – December)
Sales	1,315,668
Cost of sales	-1,285,402
Gross profit	30,266
(Gross profit ratio)	(2.3%)
Selling, general and administrative expenses	-22,600
Operating income	7,666
Non-operating income	3,648
(Interest income)	(1,249)
(Dividends income)	(2,284)
(Other non-operating income)	(115)
Non-operating expenses	-2,161
(Interest expense)	(-1,429)
(Other non-operating expenses)	(-732)
Ordinary income	9,153
Extraordinary gain and loss	789
(Extraordinary gain)	(1,315)
(Extraordinary loss)	(-529)
Income before income taxes	9,942
Income taxes:	
Current	-4,440
Deffered	571
Net income	6,073

Non-consolidated Balance Sheet

(In ¥ million)

Assets		Liabilities and Shareholders' Equity	
Item	December 31, 2003	Item	December 31, 2003
Current assets	445,424	Current liabilities	382,198
Cash and deposits	4,984	Notes payable	57,671
Notes receivable	91,599	Accounts payable	185,825
Accounts receivable	311,510	Short-term loans	125,242
Inventories	21,109	Advance receipts	2,496
Other accounts receivable	9,325	Other accounts payable	3,837
Short-term loans	7,766	Income taxes payable	4,131
Deferred tax assets	2,745	Other current liabilities	2,996
Other	3,573	Fixed liabilities	38,417
Allowance for doubtful receivables	-7,187	Long-term loans payable	34,535
Fixed assets	141,251	Deferred tax liabilities	3,882
Tangible assets	4,852	Total of liabilities	420,615
Intangible assets	5,378	Common stock	100,000
Investments and other assets	131,021	Capital surplus	50,000
Investment securities	76,835	Retained earnings	6,073
Equity in subsidiaries	46,092	(Subtotal)	156,073
Long-term loans	3,114	Net unrealized gains on securities	9,987
Long-term receivables	7,042	Total shareholders' equity	166,060
Other	1,568	Total liabilities and shareholders' equity	586,675
Allowance for doubtful receivables	-3,630		
Total assets	586,675		