Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2012

May 31, 2013
Metal One Corporation

Income Statements

(In ¥100 million)	Performance in FY2012 Consolidated	Performance in FY2012 Non-consolidated	Performance in FY2011 Consolidated	Variance	Performance in FY2011 Non-consolidated	Variance
Sales	**23,057**	11,579	**24,730**	-1,673	13,202	-1,623
Gross profit	**1,077**	279	**1,095**	-18	301	-22
(Gross profit ratio)	(4.7%)	(2.4%)	(4.4%)		(2.3%)	
Operating expenses	-835	-252	-819	-16	-248	-4
Provision for doubtful receivables	17	15	-0	18	-2	17
Amortization of goodwill	-2	-	-6	4	-	-
Operating income	**257**	43	**270**	-13	51	-8
Interest income	5	7	7	-2	8	-2
Interest expense	-37	-9	-36	-1	-11	2
Interest expense–net	-32	-2	-29	-3	-3	0
Dividend income	18	105	17	0	121	-16
Other non-operating income and expenses	4	-16	12	-8	-5	-11
Equity in earnings of affiliated companies	34	-	-18	51	-	-
Ordinary income	**281**	129	**252**	28	164	-35
Extraordinary gain and loss	46	-34	2	44	14	-47
Income before income taxes	**327**	96	**254**	72	178	-82
Income taxes	-93	-6	-92	-0	-30	24
Minority interests	-15	-	-18	2	-	-
Net income	**219**	90	**144**	75	148	-59

	FY2012	FY2011	Variance
Basic earnings capabilities	**260**	**241**	19

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, 2013	Variance from March 31, 2012		March 31, 2013	Variance from March 31, 2012
Current assets	8,311	-413	**Current liabilities**	6,482	-598
Cash and deposits	294	-49	Accounts payable	3,539	-236
Accounts receivable	5,578	-709	Short-term debt	2,562	-312
Inventories	2,095	297	Other current liabilities	382	-50
Other current assets	345	48	**Non-current liabilities**	1,070	58
			Long-term debt	873	41
			Other	197	17
Non-current assets	2,540	174	**Total liabilities**	7,552	-540
Tangible and intangible non-current assets	1,287	182	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,254	-8	Retained earnings, etc.	1,367	149
			Assets and liabilities valuation and translation adjustments	37	122
			Total net assets excluding minority interests	2,904	271
			Minority interests	395	30
			Total net assets	3,300	301
Total assets	10852	-239	**Total liabilities and net assets**	10,852	-239

Number of Group Companies

Subsidiaries	Affiliates	Total (consolidated)
108 (-2)	47 (±0)	155 (-2)

Note: Figures in parentheses ( ) show changes from the previous year.
Excluding the subsidiaries of subsidiaries, there are 80 consolidated subsidiaries.

Consolidated Financial Indicators

	March 31, 2013	March 31, 2012
Shareholders' equity ratio	26.8%	23.7%
D/E ratio	1.04	1.24

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 FY2012

Business environment

There had been a growing sense that the global economy was at an overall standstill this fiscal year, given the increasing severity of the European debt crisis and American financial troubles, as well as the sluggish growth in emerging nations that was part of the backdrop to those problems. However, the efforts of various nations bore fruit, and signs of a recovery were noted from the second half of the year. Japan's economy had also been on a downward slide for the most part, but in response to corrections to the yen's strength and exports that rebounded in conjunction with the U.S. economy's recovery in the latter half of the fiscal year, the Nikkei stock average rebounded to pre-2008 financial crisis levels, and there were finally indications of rallies developing in some sectors.

With regard to the Metal One Group's business environment, demand in some areas such as ASEAN remained robust, but when seen in global terms growth slowed compared to the previous year in both advanced and emerging nations, and indications of a strong recovery in demand were lacking. Although manufacturing industries' demand for steel in Japan was weak in response to the worldwide economic slump, the public works and construction sectors remained solid, particularly in connection with reconstruction after the Great East Japan Earthquake and disaster preparedness.

Business performance

The Metal One Group conducted business in this business environment determined to achieve its fiscal 2012 earnings target of ¥20 billion in net income. At the same time, the Group urgently implemented efforts to reorganize its overall corporate profit structure based on its dual corporate strategies—restructure to strengthen our domestic operations, and institute a strategic approach to overseas business—in the first year of its fourth Mid-term Consolidated Management Plan.

Although sales fell 6.8 percent compared to the fiscal year before, to ¥2.3057 trillion, the efforts noted above resulted in consolidated Metal One Group performance this fiscal year that exceeded the previous year's results in terms of ordinary income, up 11.1 percent to ¥28.1 billion, and consolidated net income, which rose 51.5 percent to ¥21.9 billion.

Situation with main items

1. Sales and gross profit

Falling steel prices resulted in a sales decline of ¥167.3 billion compared to fiscal 2011, to ¥2.3057 trillion, and gross profit fell ¥1.8 billion, to ¥107.7 billion.

2. Operating expenses

Despite continuing efforts to cut costs, overall operating expenses rose ¥1.6 billion, to ¥83.5 billion, due to increased shipping and storage charges, as well as fees paid to outside experts in connection with a takeover bid, etc.

3. Extraordinary gain and loss

Although losses on securities and tangible fixed assets occurred, as well as on the disposal of tangible fixed assets, the company's extraordinary gains exceeded extraordinary losses by ¥4.6 billion due to appropriation of profits from sales of securities and the amortization of negative goodwill.

4. Business results by transaction type

Seen by type of transaction, sales in Japan's domestic market accounted for ¥1.4906 trillion (65 percent of the whole), exports for ¥405.4 billion (18 percent), and overseas ventures for ¥404.6 billion (18 percent).

5. Total assets and shareholders' equity

A decline in accounts receivable was the primary factor in total assets falling ¥23.9 billion compared to the end of the year before, to ¥1.0852 trillion. Current assets accounted for 77 percent of these, and the company has continued to maintain a highly liquid financial structure.

Furthermore, net assets excluding minority interests rose ¥27.1 billion compared to the end of the previous fiscal year, to ¥290.4 billion, thanks to an increase in valuation and translation adjustments as a result of the rebound in share prices and the yen's weakness. This meant that shareholder's equity ratio rose 3.1 percent over the year before, to 26.8 percent, which also bolstered the company's sound financial condition.

6. Interest-bearing debt

Although the overseas steel business remained solid, primarily in the United States and Thailand, we felt the effects of slumping exports resulting from the yen's historic levels of strength and the economic slowdown in China. The company's consolidated debt balance declined ¥27.1 billion compared to the previous year, to ¥343.5 billion.

Status of affiliates

Metal One's fourth mid-term management plan began from fiscal 2012. In Japan, as part of specific efforts to pursue one of our main strategies—restructure to strengthen our domestic operations—the construction steel and steel scrap businesses conducted by four regional subsidiaries were transferred to Metal One Structural Steel & Resource Corporation, with the aim of making the company's domestic construction steel and steel scrap operations even more robust and highly functional. We created an organization that could carry out integrated and unified strategies. We additionally turned M.O. Tec Corporation into a wholly owned subsidiary through a tender offer with the goals of pursuing the synergies of nationwide sales strategies and transforming construction steel operations' overall cost structure through organic links between Metal One Structural Steel & Resource and M.O. Tec.

Meanwhile, with regard to another main strategy involving overseas operations—institute a strategic approach to overseas business—Metal One established steel service center Nicometal Hidalgo, S.A. de C.V. in Mexico, where additional growth is anticipated in the automotive industry. In addition, in Australia, where stable growth is expected in the energy and resource development sector, we launched a new company, ASM Corporation Pty. Ltd., with the goal of meeting the flourishing need for steel—primarily for mining and construction machinery sectors—by establishing a regional base for warehousing, processing, and retailing.