Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2013

May 30, 2014
Metal One Corporation

Income Statements

(In ¥100 million)	Performance in FY2013 Consolidated	Performance in FY2013 Non-consolidated	Performance in FY2012 Consolidated	Consolidated Variance	Performance in FY2012 Non-consolidated	Non-consolidated Variance
Sales	**25,633**	12,156	**23,057**	2,576	11,579	577
Gross profit	**1,284**	303	**1,077**	206	279	24
(Gross profit ratio)	(5.0%)	(2.5%)	(4.7%)		(2.4%)	
Operating expenses	-927	-252	-835	-93	-252	-0
Provision for doubtful receivables	-5	2	17	-22	15	-13
Amortization of goodwill	-0	-	-2	2	-	-
Operating income	**351**	54	**257**	94	43	11
Interest income	6	6	5	1	7	-1
Interest expense	-39	-7	-37	-2	-9	2
Interest expense–net	-33	-1	-32	-1	-2	1
Dividend income	16	103	18	-2	105	-2
Other non-operating income and expenses	-16	-27	4	-20	-16	-11
Equity in earnings of affiliated companies	19	-	34	-15	-	-
Ordinary income	**337**	128	**281**	56	129	-1
Extraordinary gain and loss	58	51	46	11	-34	84
Income before income taxes	**395**	179	**327**	68	96	83
Income taxes	-136	-45	-93	-44	-6	-39
Minority interests	-21	-	-15	-6	-	-
Net income	**237**	134	**219**	19	90	44
Basic earnings capabilities	**358**		**260**	98		

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, 2014	Variance from March 31, 2013		March 31, 2014	Variance from March 31, 2013
Current assets	8,615	304	**Current liabilities**	6,475	-8
Cash and deposits	299	6	Accounts payable	3,667	128
Accounts receivable	5,883	305	Short-term debt	2,453	-109
Inventories	2,132	37	Other current liabilities	355	-27
Other current assets	302	-43	**Non-current liabilities**	1,104	34
			Long-term debt	892	19
			Other	212	15
Non-current assets	2,523	-17	**Total liabilities**	7,579	26
Tangible and intangible non-current assets	1,314	27	Common stock and additional paid-in capital	1,500	0
Investments and other assets	1,209	-44	Retained earnings, etc.	1,496	129
			Assets and liabilities valuation and translation adjustments	146	109
			Total net assets excluding minority interests	3,142	238
			Minority interests	417	22
			Total net assets	3,560	260
Total assets	11138	287	**Total liabilities and net assets**	11,138	287

Number of Group Companies

Subsidiaries	Affiliates	Total (consolidated)
113 (+5)	48 (+1)	161 (+6))

Note: Figures in parentheses ( ) show changes from the previous year.
Excluding the indirectly owned subsidiaries, there are 79 consolidated subsidiaries.

Consolidated Financial Indicators

	March 31, 2014	March 31, 2013
Shareholders' equity ratio	28.2%	26.8%
Net D/E ratio	1.1	1.3

Shareholders' equity ratio =
Total net assets excluding minority interests ÷ Total assets
Net D/E ratio =
(Short-term and long-term debt + Securitized receivables − Cash and deposit) ÷ Total net assets (excluding minority interests)

Outline of Consolidated Results for FY2013

Business environment

Although there were signs that the economies of leading developed nations were beginning to rebound from the lengthy slump that followed 2008's collapse of Lehman Brothers and subsequent global financial meltdown, the growth rates of developing nations that had contributed to recovery—such as China, India and the members of ASEAN—slowed in the face of financial and political instability. Growth in the global economy therefore remained moderate overall this fiscal year. As corporate performance rallied in connection with corrections to the yen's strength from the second half of 2012 and reconstruction demand picked up, Japan's economy remained solid overall, and the Nikkei average exceeded ¥16,000 at the end of 2013. The September 2013 decision to hold the 2020 Olympics and Paralympics in Tokyo also contributed to some economic stimulus and improved sentiment regarding the economy.

Business performance

In this business environment the Metal One Group has selected several priority issues for our corporate group: shifting to a cost structure matched with our consolidated profits, promoting allocation of corporate resources suited to environmental changes, considering restructuring domestic business investment affiliates beyond the Group, and strengthening our compliance systems. We are also executing strategies for restructuring to strengthen our domestic operations and our strategic approach to overseas business, which are themes of our Fourth Mid-term Consolidated Management Plan.
The efforts noted above resulted in a consolidated Metal One Group performance this fiscal year that exceeded the preceding year's results, with ¥2.5633 trillion in sales (up by 11.2 percent compared to the fiscal year before), ordinary income of ¥33.7 billion (up 20.1 percent), and ¥23.7 billion in consolidated net income (up 8.6 percent).

Situation with main items

1. Sales and gross profit
Rising steel prices resulted in ¥2.5633 trillion in sales, a ¥257.6 billion increase compared to fiscal 2012, and ¥128.4 billion in gross profit, up ¥20.6 billion.

2. Operating expenses
Despite continuing efforts to cut costs, our overall operating expenses rose ¥9.3 billion, to ¥92.7 billion, due to an increase in consolidated subsidiaries and corrections to the yen's strength.

3. Extraordinary gain and loss
The company's extraordinary gains exceeded extraordinary losses by ¥5.8 billion due to profits from sales of securities.

4. Business results by transaction type
Viewed by type of transaction, sales in Japan's domestic market accounted for ¥1.6187 trillion (64 percent) of the whole, overseas ventures for ¥492.7 billion (19 percent), and exports for ¥443 billion (17 percent).

5. Total assets and shareholders' equity
An increase in accounts receivable was the primary factor in total assets increasing ¥28.7 billion compared to the end of the year before, to ¥1.1138 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 ¥23.8 billion compared to the end of the previous fiscal year to ¥314.2 billion, thanks to rebounding stock prices, an increase in valuation and translation adjustments as a result of corrections to the yen's strength. This meant that the shareholders' equity ratio rose 1.4 percent compared to the end of the previous fiscal year to 28.2 percent, which bolstered the company's sound financial condition.

6. Interest-bearing debt
Although our steel business in the United States remained strong, that related to the Thai automotive sector declined. We promoted more efficient use of funds due to expanded domestic group financing and sales of shareholdings. The company's consolidated debt balance declined by ¥9.1 billion compared to the end of the previous fiscal year, to ¥334.4 billion.

Status of affiliates

Metal One recently established Nifast do Brasil Ltda. to warehouse and sell small automotive parts, typically automotive fasteners such as bolts and nuts that are classified as tertiary wire products. This is in line with specific moves to respond to car manufacturers' global strategies in Brazil, where medium- to long-term growth is anticipated, in connection with our strategic approach to overseas business in the second year of the fourth Mid-term Consolidated Management Plan. Brazil will hold numerous international events—including the 2014 FIFA World Cup and the 2016 Olympics—over the coming decade, and large-scale infrastructure investments are anticipated there. The company also established a new company in Brazil to melt-cut steel plate, Metal One Shibaura Brasil Ltda., in a bid to capture domestic demand in the steel plate processing business.
As part of efforts to restructure to strengthen our domestic operations and the foundations of our domestic construction steel business, we upgraded our level of coordination and efficiency with M.O. Tec Corporation, a company we took over and turned into a wholly-owned subsidiary last year. Similarly, Metal One Structural Steel & Resource Corporation carried out domestic structural and ferrous raw materials operations consolidation. Both of these initiatives are designed to seek out operational and cost synergies.