June 6, 2017
Metal One Corporation

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2016

Income Statements

(In ¥100 million)

	Performance in FY2016	Performance in FY2015	Variance	Percentage of variance
Sales	18,556	19,740	-1,184	(-6.0%)
Gross profit	1,068	1,045	23	
(Gross profit ratio)	(5.8%)	(5.3%)	(0.5%)	
Operating expenses	-817	-848	31	
Provision for doubtful receivables	-23	-2	-21	
Amortization of goodwill	-2	-2	0	
Operating income	226	192	34	(+17.5%)
Interest income	5	6	-1	
Interest expense	-28	-33	5	
Interest expense–net	-23	-27	4	
Dividend income	14	17	-3	
Non-operating income and expenses	16	1	15	
Equity in earnings of affiliated companies	52	19	33	
Ordinary income	285	203	82	(+40.1%)
Extraordinary gain and loss	67	85	-18	
Income before income taxes	352	288	64	(+22.2%)
Income taxes	-95	-110	15	
Noncontrolling interests	-31	-11	-20	
Net income	226	167	59	(+34.7%)
Basic earnings capabilities	292	205	87	(+42.7%)

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

Consolidated Balance Sheet

(In ¥100 million)

	March 31, 2017	Variance from March 31, 2016		March 31, 2017	Variance from March 31, 2016
Current assets	6,990	251	**Current liabilities**	4,972	310
Cash and deposits	255	41	Accounts payable	2,641	228
Accounts receivable	4,443	296	Short-term debt	2,025	91
Inventories	1,954	-10	Other current liabilities	306	-9
Other current assets	338	-76	**Non-current liabilities**	608	-320
			Long-term debt	424	-333
			Other	184	13
Non-current assets	2,326	-115	**Total liabilities**	5,580	-10
Tangible and intangible non-current assets	1,070	-59	Common stock and additional paid-in capital	1,504	-3
Investments and other assets	1,256	-56	Retained earnings, etc.	1,789	142
			Assets and liabilities valuation and translation adjustments	111	-9
			Total net assets excluding noncontrolling interests	3,404	130
			Noncontrolling interests	332	16
			Total net assets	3,736	146
Total assets	9,316	136	**Total liabilities and net assets**	9,316	136

Outline of Consolidated Results for FY2016

Business environment

In the global economy, the U.S. maintained a positive tone, underpinned by stable individual consumption, and Europe also remained upbeat despite concerns about the impact of the UK leaving the EU. On the other hand, the continued slowdown in China's economic growth and an extended slump in crude oil prices were among the reasons that growth remained moderate overall. In Japan, personal consumption still lacked vigor and the recovery remained sluggish despite an improved employment environment and a rally in production activities in companies.

Business performance

In relation to the business environment that our group faced, steel demand declined slightly in China as compared to the previous year but remained almost the same in advanced and emerging nations. In FY2016, world steel demand also remained near the previous year's level.

In Japan, public works and home construction ticked upward in the construction sector, and car production—which had flagged midyear due to the effects of the Kumamoto earthquake—also rallied in the second half of the year. Although the worldwide oversupply in steel has continued, international market conditions bottomed out at the start of the year. Steel prices rose at the start of the third quarter in response to a sharp increase in raw material prices that began in the second quarter.

Under these business conditions, the Metal One Group established various strategies in the final year of the mid-term management plan—New Management Plan 2016—based on five core concepts: reconstruction of earnings base through revival of trading operations; thorough reshuffling of portfolio and effective utilization of HR and assets; reforming our business model; strengthening our workforce; and upgrading our consolidated management platform.

As a result, the Metal One Group's consolidated performance this fiscal year exceeded the previous year's results, with ¥1.8556 trillion in sales (down 6 percent), ¥28.5 billion in ordinary income (up 40.1 percent), and net income of ¥22.6 billion (up 34.7 percent).

Situation with main items

1. Sales and gross profit

Although business volume was up slightly, the drop in average unit costs had a big impact, and consolidated sales were down by ¥118.4 billion to ¥1.8556 trillion.

On the other hand, consolidated gross profits were up by ¥2.3 billion to ¥106.8 billion because the impact of an expanded spread at some domestic and Southeast Asian subsidiaries led to a rise in gross profit ratio.

2. Operating expenses

Consolidated operating expenses fell by ¥3.1 billion to ¥81.7 billion because operating expenses at subsidiaries declined in conjunction with the yen's strength and expenditures were cut.

3. Extraordinary gain and loss

The appropriation of securities and fixed asset sale profits led to ¥6.7 billion in net extraordinary gains.

4. Business results by transaction type

Viewed by type of transaction, consolidated domestic sales accounted for ¥1.0062 trillion (54 percent of the total; down by ¥87.7 billion as compared to the previous fiscal year), and overseas sales came to ¥849.4 billion (46 percent of the total; down ¥30.7 billion as compared to the previous fiscal year).

5. Total assets and shareholders' equity

Increases in accounts receivable and payable represented the primary reason our consolidated total assets rose by ¥13.6 billion, to ¥931.6 billion.

Additionally, total net assets excluding noncontrolling interests increased by ¥13 billion, to ¥340.4 billion, due to an increase in consolidated net income.

As a result, our shareholders' equity ratio rose 0.8 percent to 36.5 percent, bolstering our already solid financial state.

6. Interest-bearing debt

Our business investment affiliate MM&KENZAI Corporation switched to procuring funds directly from bank loans instead of its shareholders, and our income increased from the sale of listed shares in Japan, which led to our consolidated interest-bearing debt balance falling by ¥24.2 billion to ¥244.9 billion.

Status of affiliates

There were no items worth special mention in this fiscal year.

Number of Group Companies

Subsidiaries	Affiliates	Total (consolidated)
100(-1)	42(-1)	142(-2)

Note: Figures in parentheses ( ) show changes from the previous year.

Consolidated Financial Indicators

	March 31, 2017	March 31, 2016
Shareholders' equity ratio	36.5%	35.7%
Net D/E ratio	0.7	0.8

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