

# Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2017

June 6, 2018  
Metal One Corporation

## Income Statements

(Non-audit, international accounting standards)

| (In ¥100 million)  | Performance in FY2017 | Performance in FY2016 | Variance   |
|--|-----------------------|-----------------------|------------|
| Sales*   | 21,180                | 18,556                | 2,624      |
| <b>Gross profit</b>  | <b>1,168</b>          | <b>1,068</b>          | <b>100</b> |
| (Gross profit ratio)                                       | (5.5%)                | (5.8%)                | -(0.3%)    |
| Selling, general, and administrative expenses              | -855                  | -818                  | -37        |
| Provision for doubtful receivables                         | -5                    | -23                   | 18         |
| <b>Operating income*</b>                                   | <b>308</b>            | <b>227</b>            | <b>81</b>  |
| Interest expense-net                                       | -40                   | -23                   | -17        |
| Dividend income  | 14                    | 14                    | 0          |
| Securities gains and losses                                | 4                     | 7                     | -3         |
| Fixed asset gains and losses                               | -4                    | 1                     | -5         |
| Other gains and losses                                     | 15                    | 14                    | 1          |
| Equity in earnings (losses) of affiliated companies        | 59                    | 47                    | 12         |
| <b>Income before income taxes</b>                          | <b>356</b>            | <b>288</b>            | <b>68</b>  |
| Income taxes   | -83                   | -76                   | -7         |
| Net income   | 273                   | 212                   | 61         |
| <i>Net income attributable to owners of the parent</i>     | <i>234</i>            | <i>182</i>            | <i>52</i>  |
| <i>Net income attributable to noncontrolling interests</i> | <i>39</i>             | <i>30</i>             | <i>9</i>   |

\*Sales and Operating income have been disclosed according to Japanese standards for presentation methods.

## Consolidated Statement of Financial Position

| (In ¥100 million)                                  | Performance in FY2017 | Performance in FY2016 | Variance     |
|--|-----------------------|-----------------------|--------------|
| <b>Assets</b>                                      |                       |                       |              |
| <b>Current assets</b>                              | <b>8,254</b>          | <b>7,146</b>          | <b>1,108</b> |
| Cash and deposits                                  | 240                   | 255                   | -15          |
| Accounts receivable                                | 5,497                 | 4,635                 | 862          |
| Inventories  | 2,201                 | 1,954                 | 247          |
| Other current assets                               | 316                   | 302                   | 14           |
| <b>Non-current assets</b>                          | <b>2,627</b>          | <b>2,473</b>          | <b>154</b>   |
| Tangible non-current assets                        | 1,043                 | 1,021                 | 22           |
| Intangible non-current assets                      | 129                   | 119                   | 10           |
| Investments and other assets                       | 1,455                 | 1,333                 | 122          |
| <b>Total assets</b>                                | <b>10,881</b>         | <b>9,619</b>          | <b>1,262</b> |
| <b>Liabilities and equity</b>                      |                       |                       |              |
| <b>Current liabilities</b>                         | <b>6,224</b>          | <b>5,170</b>          | <b>1,054</b> |
| Accounts payable                                   | 2,919                 | 2,641                 | 278          |
| Short-term debt                                    | 2,940                 | 2,218                 | 722          |
| Other current liabilities                          | 365                   | 312                   | 53           |
| <b>Non-current liabilities</b>                     | <b>640</b>            | <b>619</b>            | <b>21</b>    |
| Long-term debt                                     | 418                   | 427                   | -9           |
| Other  | 223                   | 192                   | 31           |
| <b>Total liabilities</b>                           | <b>6,864</b>          | <b>5,789</b>          | <b>1,075</b> |
| <b>Equity attributable to owners of the parent</b> | <b>3,669</b>          | <b>3,496</b>          | <b>173</b>   |
| Common stock and additional paid-in capital        | 1,505                 | 1,508                 | -3           |
| Retained earnings, etc.                            | 1,810                 | 1,690                 | 120          |
| Other comprehensive cumulative gains or losses     | 354                   | 298                   | 56           |
| <b>Noncontrolling interests</b>                    | <b>348</b>            | <b>334</b>            | <b>14</b>    |
| <b>Total equity</b>                                | <b>4,017</b>          | <b>3,830</b>          | <b>187</b>   |
| <b>Total liabilities and equity</b>                | <b>10,881</b>         | <b>9,619</b>          | <b>1,262</b> |

## Outline of Consolidated Results for FY2017

### Business environment

The world economy continued to grow slowly during the fiscal year as a result of continued expansion in the U.S. economy, underpinned by improvements in employment and incomes as well as continuing stability in Europe's economy coupled with signs of a recovery in China. Japan's economy also continued to grow slowly overall, sustained by steady internal and external demand.

### Business performance

The environment the Metal One Group faced displayed continuing robust world steel demand, including an increase compared to the year before, and was underpinned by favorable economic conditions in both advanced and emerging countries. It also remained stable in Japan, as construction demand leading up to the Olympics picked up steam and other factors such as satisfactory car sales provided support. Steel market conditions trended upward throughout the fiscal year due to stable demand and the rise of raw materials prices at the start of the year, as well as the impact of China putting a halt to production of *ditaogang* (low-quality steel products).

The Metal One Group pursued various strategies in the midst of these business conditions on the basis of the three core concepts of Growth Strategy 2018, our midterm management plan: business model reforms that differentiate Metal One; growth-driven injections of management resources; and the enhanced consolidated management platform.

These led to better consolidated Metal One Group performance compared to the previous consolidated fiscal year, with ¥2.118 trillion in sales up 14.1 percent over the previous year, and ¥23.4 billion in net income attributable to our parent company owners, an increase of 28.4 percent.

### Situation with main items

#### 1. Sales and gross profit

Although business volume was nearly flat, sales increased to ¥2.118 trillion—¥262.4 billion more than the previous consolidated fiscal year—thanks to increases in average unit prices.

Additionally, although the gross profit ratio declined slightly, gross profits came to ¥116.8 billion, increasing by ¥10 billion compared to the year before due to the significant impact of the growth in sales.

#### 2. Selling, general and administrative expenses

Expenses came to ¥85.5 billion, up ¥3.7 billion compared to the previous consolidated fiscal year because of factors such as surges in outsourcing expenses connected with corporate mergers and business efficiency improvement at the parent company, newly consolidated affiliates, and increases in operating costs at subsidiaries as a result of the weaker yen.

#### 3. Securities gains and losses, fixed asset gains and losses

Regarding fixed asset gains and losses, fixed asset impairments at domestic subsidiaries led to a loss of ¥500 million compared to the previous consolidated fiscal year, producing a decline to minus ¥400 million.

Regarding securities gains and losses, losses on the value of investment securities led to a drop of ¥300 million compared to the previous consolidated fiscal year, to ¥400 million.

#### 4. Business results by transaction type

Looking at sales by transaction type, the ¥1.124 trillion in domestic sales was 53 percent of the whole—up ¥117.8 billion compared to the previous consolidated fiscal year—and the ¥994.1 billion in overseas sales accounted for 47 percent, an increase of ¥144.6 billion over the year before.

#### 5. Total assets and shareholders' equity

Increases in accounts receivable and payable in connection with higher sales were the main reason that total assets came to ¥1.088 trillion, up ¥126.2 billion compared to the close of the previous consolidated fiscal year.

Additionally, total net assets excluding noncontrolling interests came to ¥366.9 billion, up ¥17.3 billion compared to the close of the previous consolidated fiscal year, thanks to factors such as an increase in net income.

As a result, our shareholders' equity ratio came to 33.7 percent, falling 2.6 percent compared to the close of the previous consolidated fiscal year, but our financial status remains as sound as ever.

#### 6. Interest-bearing debt

Our loan balance came to ¥335.8 billion, increasing ¥71.3 billion compared to the close of the previous consolidated fiscal year, due to increasing demand for capital in connection with increases in sales.

## Comprehensive Income (Loss) Status

|   | Performance in FY2017 | Performance in FY2016 | Variance  |
|---|-----------------------|-----------------------|-----------|
| <b>Net income</b>   | <b>273</b>            | <b>212</b>            | <b>61</b> |
| Net unrealized gains on securities  | 77                    | 84                    | -7        |
| Foreign currency translation adjustment                                   | -33                   | -8                    | -25       |
| Other   | 2                     | 1                     | 1         |
| <b>Net comprehensive income</b>   | <b>319</b>            | <b>289</b>            | <b>30</b> |
| <i>Net comprehensive income attributable to owners of the parent</i>      | <i>289</i>            | <i>260</i>            | <i>29</i> |
| <i>Net comprehensive income attributable to non-controlling interests</i> | <i>30</i>             | <i>30</i>             | <i>0</i>  |

## Number of Group Companies

| Subsidiaries | Affiliates | Total (consolidated) |
|--------------|------------|----------------------|
| 98 (-2)      | 40 (-2)    | 138 (-4)             |

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

## Consolidated Financial Indicators

|                            | March 31, 2018 | March 31, 2017 |
|----------------------------|----------------|----------------|
| Shareholders' equity ratio | 33.7%          | 36.3%          |
| Net D/E ratio              | 0.8            | 0.7            |

Shareholders' equity ratio =  
Total net assets excluding noncontrolling interests ÷ Total assets

Net D/E ratio =  
(Short-term and long-term debt - Cash and deposit) ÷ Total net assets  
(excluding noncontrolling interests)