

Consolidated Financial Results for the Year Ended March 31, 2020 (FY 2019)

June 10, 2020
Metal One Corporation

Consolidated Statement of Income

(Unaudited IFRS Results)

(¥ billion)	FY2018	FY2019	Change
Sales*1	2,308.7	2,045.8	-262.9
Gross profit	123.9	104.5	-19.4
(Gross profit ratio)	(5.4%)	(5.1%)	-(0.3%)
Selling, general and administrative expenses	-87.2	-81.9	5.3
Provision for doubtful receivables	-0.7	0.3	1.0
Operating income*1	36.0	22.9	-13.1
Gains on investments	1.5	4.8	3.3
Gains (losses) on disposal and sale of property, plant and equipment and others	0.6	0.4	-0.2
Impairment losses on property, plant and equipment and others	-0.2	0.0	0.2
Other income (expense)	0.4	0.4	0.0
Finance expense	-4.7	-3.9	0.8
Share of profit of investments accounted for using the equity method	5.6	4.7	-0.9
Profit before tax	39.2	29.3	-9.9
Income taxes	-10.0	-7.3	2.7
Profit for the year	29.2	22.0	-7.2
Owners of the parent	25.4	19.5	-5.9
Non-controlling interests	3.8	2.5	-1.3

For reference: Revenue	1,986.7	1,786.2
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*1 Sales and Operating income have been disclosed in accordance with Japanese standards for presentation

Consolidated Statement of Financial Position

(¥ billion)	As of March 31, 2019	As of March 31, 2020	Change
Assets			
Current assets	881.0	746.7	-134.3
Cash and cash equivalents	17.9	31.4	13.5
Trade and other receivables	547.5	468.3	-79.2
Inventories	250.3	224.3	-26.0
Other current assets	65.3	22.7	-42.6
Non-current assets	251.7	266.5	14.8
Property, plant and equipment	102.6	116.4	13.8
Intangible assets and goodwill	10.2	11.7	1.5
Other non-current assets	138.9	138.4	-0.5
Total assets	1,132.7	1,013.2	-119.5
Liabilities and equity			
Current liabilities	642.3	513.3	-129.0
Borrowings	296.8	254.3	-42.5
Trade and other payables	307.2	234.3	-72.9
Other current liabilities	38.3	24.7	-13.6
Non-current liabilities	77.8	90.9	13.1
Borrowings	57.6	65.9	8.3
Other non-current liabilities	20.2	25.0	4.8
Total liabilities	720.0	604.2	-115.8
Equity attributable to owners of the parent	376.1	374.0	-2.1
Common stock and additional paid-in capital	150.4	151.1	0.7
Retained earnings	194.8	201.6	6.8
Other components of equity	30.9	21.3	-9.6
Non-controlling interests	36.5	35.0	-1.5
Total equity	412.7	409.0	-3.7
Total liabilities and equity	1,132.7	1,013.2	-119.5

Overview of Consolidated Results for FY2019

Business environment

Although U.S. domestic demand remained robust in an environment featuring improving employment and wages, the economy somewhat decelerated. In Europe, the outlook remained unclear due to BREXIT. China's economic growth slowed due mainly to the effects from U.S.-China trade friction and the novel coronavirus pandemic. Overall, the global economy continues to slow.

Although Japan's economy saw an expansion in public investment and recovered from the impact of the previous year's heavy rainfall, typhoons, earthquakes and other natural disasters, the economy continued to stall due to the effects of another series of natural disasters, including typhoons and heavy rains, following an increase in the consumption tax.

Business performance

Regarding the business environment, global steel demand declined year on year amid the aforementioned global economic slowdown.

Demand in Japan also fell due in part to declining capital investment and stagnating automotive demand. Steel prices were weak due to this suppressed demand.

In this business environment, the Metal One Group focused on various strategies based on our Growth Strategy 2018 midterm management plan, which we decided to maintain for another year as our Management Policy 2019. The policy outlines three core concepts: reviewing optimal corporate structure for the Group's trade and businesses, overhauling unprofitable trade and businesses, and strengthening inter-Group alliances overseas.

As a result, the Metal One Group's consolidated performance declined from that of the previous fiscal year, falling to ¥2,045.8 billion in sales, a year-on-year decrease of 11.4%. Profit for the year attributable to owners of the parent dropped to ¥19.5 billion, a 23.3% decrease.

Highlights

1. Sales and gross profit

Sales decreased ¥262.9 billion, compared to the previous fiscal year, totaling ¥2,045.8 billion due to a decline in business volume, lower average unit costs, and the impact of making Metal One Sumisho Tubular Products Co., Ltd. an equity-method associate in the fiscal year under review.

As a result of lower sales and the weaker gross profit ratio, gross profit fell ¥19.4 billion, totaling ¥104.5 billion.

2. Selling, general and administrative expenses

Due mainly to the effects of making Metal One Sumisho Tubular Products an equity-method associate in the fiscal year under review, costs decreased ¥5.3 billion year on year, totaling ¥81.9 billion.

3. Gains on investments and Gains (Losses) on property, plant and equipment

Due primarily to the recording of the integrated profit of Metal One Sumisho Tubular Products in the fiscal year under review as well as higher gains on sales of equity in affiliates and subsidiaries compared with the contraction in the previous fiscal year, gains on investments increased ¥3.3 billion over the previous fiscal year, reaching ¥4.8 billion.

4. Business results by transaction type

The Group's domestic sales reached ¥1,021.4 billion (50% of total sales), a year-on-year decrease of ¥150.0 billion. Overseas sales reached ¥1,024.4 billion (50% of total sales), a year-on-year decrease of ¥112.9 billion.

5. Total assets and total equity

Total assets decreased ¥119.5 billion, compared to the previous fiscal year end, totaling ¥1,013.2 billion due to a decline in trade and other receivables and inventories coinciding with a drop in business transactions.

Additionally, total equity fell ¥3.7 billion to ¥409.0 billion due mainly to a decrease in other components of equity accompanying an appreciation of the Japanese yen and a fall in market prices.

6. Interest-bearing debt

Due to decreased demand for working capital in connection with less business, the balance of borrowings was ¥320.2 billion, a ¥34.2 billion decrease from the previous fiscal year end.

Comprehensive Income

(¥ billion)	FY2018			FY2019			Change (B-A)
	Owners of the parent	Non-controlling interests	Total (A)	Owners of the parent	Non-controlling interests	Total (B)	
Profit for the year	25.4	3.8	29.2	19.5	2.5	22	-7.2
Gains (Losses) on other investments designated as FVTOCI	-3.1	-0.1	-3.2	-3.8	-0.3	-4.1	-0.9
Exchange differences on translating foreign operations	-1	0.3	-0.7	-5.5	-1.4	-6.9	-6.2
Other	0	0	0	0	0	0	0
Comprehensive income	21.3	4	25.3	10.2	0.8	11	-14.3

Number of Consolidated Subsidiaries and Affiliates

Subsidiaries	Affiliates	Total(Consolidated)
91 (-3)	37 (+1)	128 (-2)

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

Consolidated Financial Indicators

	March 31, 2019	March 31, 2020
Shareholders' equity ratio	33.2%	36.9%
Net D/E ratio	0.9	0.8

Shareholders' equity ratio = Equity attributable to owners of the parent ÷ Total assets
Net D/E ratio = (Borrowings - Cash and cash equivalents) ÷ Equity attributable to owners of the parent