

May 31, 2013

Consolidated Financial Results for the Year Ended March 2013

Metal One Corporation (headquartered in Minato-ku, Tokyo; President: Naoto Matsuoka) held a press briefing on its consolidated financial results for the year ended March 2013 at its Tokyo headquarters. The briefing was conducted by Naoto Matsuoka, President & CEO, and Akiyuki Igarashi, executive officer & CFO.

■ Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2012

■ Financial Results for the Year Ended March 2013

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Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2012

May 31, 2013
Metal One Corporation

Income Statements

(In ¥100 million)	Performance in FY2012		Performance in FY2011			
	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
				Variance		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

Basic earnings capabilities	260	241	19
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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			March 31, 2013	
		Variance from March 31, 2012			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.



Metal One Corporation and Subsidiaries
Financial Results for the Year Ended March 2013

10th Term
(April 1, 2012 to March 31, 2013)

May 31, 2013

3-23-1 Shiba, Minato-ku, Tokyo

Metal One Corporation

Consolidated Balance Sheets

(In ¥ million)

Assets				Liabilities and Net Assets			
Item	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)	Change (amount)	Item	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)	Change (amount)
Current assets	872,399	831,141	-41,258	Current liabilities	708,025	648,240	-59,785
Cash and deposits	34,227	29,360	-4,867	Notes and accounts payable	377,494	353,886	-23,608
Notes and accounts receivable	628,676	557,769	-70,907	Short-term debt	287,325	256,173	-31,152
Inventories	179,787	209,497	29,710	Other accounts payable	11,632	11,951	319
Advance payments to suppliers	7,974	7,428	-546	Accrued expenses	2,896	3,431	535
Other accounts receivable	17,249	16,508	-741	Accrued income taxes	4,935	4,432	-503
Short-term deferred tax assets	5,027	5,152	125	Advances from customers	3,909	4,798	889
Other current assets	4,461	8,857	4,396	Reserve for bonuses	3,139	3,550	411
Allowance for doubtful receivables	-5,002	-3,430	1,572	Other	16,695	10,019	-6,676
Non-current assets	236,657	254,038	17,381	Non-current liabilities	101,211	106,983	5,772
Tangible assets	101,891	120,581	18,690	Long-term debt	83,238	87,297	4,059
Intangible assets	8,618	8,078	-540	Long-term deferred tax liabilities	11,178	13,398	2,220
Goodwill	403	227	-176	Reserve for retirement allowance	2,598	2,560	-38
Other intangible non-current assets	8,215	7,851	-364	Other	4,197	3,728	-469
Investments and other assets	126,148	125,379	-769	Total liabilities	809,236	755,223	-54,013
Investments	116,851	116,502	-349	Shareholders' equity	271,815	286,678	14,863
Long-term loans	932	909	-23	Common stock	100,000	100,000	0
Long-term deferred income taxes	1,057	1,347	290	Capital surplus	50,000	50,000	0
Other	12,277	9,623	-2,654	Retained earnings	121,815	136,678	14,863
Allowance for doubtful receivables	-4,969	-3,002	1,967	Total other comprehensive income	-8,477	3,747	12,224
Total assets	1,109,056	1,085,179	-23,877	Net unrealized gains on securities	11,504	13,175	1,671
				Deferred gains or losses on hedges	-500	-1,248	-748
				Foreign currency translation adjustments	-19,481	-8,180	11,301
				Minority interests	36,482	39,531	3,049
				Total net assets	299,820	329,956	30,136
				Total liabilities and net assets	1,109,056	1,085,179	-23,877

Statements of Consolidated Income

(In ¥ million)

Item	Previous fiscal year April 1, 2011 to March 31, 2012	Current fiscal year April 1, 2012 to March 31, 2013	Year-on-year	
			Change (amount)	Change (percentage)
Sales	2,473,001	2,305,696	-167,305	-6.8%
Cost of sales	2,363,515	2,197,992	-165,523	-7.0%
Gross profit	109,486	107,704	-1,782	-1.6%
(Gross profit ratio)	(4.4%)	(4.7%)		
Selling, general and administrative expenses	82,483	81,957	-526	-0.6%
Operating income	27,003	25,747	-1,256	-4.7%
Non-operating income	5,101	7,968	2,867	56.2%
(Interest income)	(724)	(529)	-195	-26.9%
(Dividend income)	(1,728)	(1,760)	32	1.9%
(Equity in earnings of affiliated companies)	-	(3,363)	3,363	100.0%
(Other non-operating income)	(2,649)	(2,316)	-333	-12.6%
Non-operating expenses	6,861	5,658	-1,203	-17.5%
(Interest expense)	(3,616)	(3,692)	76	2.1%
(Equity in losses of affiliated companies)	(1,758)	-	-1,758	-100.0%
(Other non-operating expenses)	(1,487)	(1,966)	479	32.2%
Ordinary income	25,243	28,057	2,814	11.1%
Extraordinary gain	3,168	13,477	10,309	325.4%
Extraordinary loss	2,967	8,866	5,899	198.8%
Income before income taxes	25,444	32,668	7,224	28.4%
Income taxes:				
Current	8,810	8,562	-248	-2.8%
Deferred	439	720	281	64.0%
Net income before minority interests	16,195	23,386	7,191	44.4%
Minority interests	1,772	1,528	-244	-13.8%
Net income	14,423	21,858	7,435	51.5%

Balance Sheets

(In ¥ million)

Assets				Liabilities and Net Assets			
Item	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)	Change (amount)	Item	Previous fiscal year (March 31, 2012)	Current fiscal year (March 31, 2013)	Change (amount)
Current assets	419,412	354,052	-65,360	Current liabilities	336,400	281,567	-54,833
Cash and deposits	8,413	2,287	-6,126	Notes payable	17,969	13,662	-4,307
Notes receivable	48,454	35,845	-12,609	Accounts payable	144,118	120,713	-23,405
Accounts receivable	274,888	216,985	-57,903	Short-term debt	152,218	120,275	-31,943
Inventories	15,707	15,605	-102	Other accounts payable	5,064	5,224	160
Other accounts receivable	5,429	4,721	-708	Advances from customers	184	783	599
Short-term loans	59,458	66,788	7,330	Reserve for bonuses	693	738	45
Deferred tax assets	1,519	1,289	-230	Other current liabilities	16,151	20,169	4,018
Other	9,884	13,151	3,267				
Allowance for doubtful receivables	-4,344	-2,621	1,723				
Non-current assets	181,546	182,331	785	Non-current liabilities	78,818	66,604	-12,214
Tangible assets	2,965	3,174	209	Long-term debt	73,955	62,680	-11,275
Intangible assets	4,579	3,860	-719	Deferred tax liabilities	3,714	3,851	137
				Other	1,149	72	-1,077
Investments and other assets	174,001	175,297	1,296	Total liabilities	415,218	348,171	-67,047
Investment securities	67,829	64,970	-2,859	Shareholders' equity	175,202	176,984	1,782
Equity in affiliated companies	83,444	88,835	5,391	Common stock	100,000	100,000	0
Investments in affiliated companies	17,811	17,097	-714	Capital surplus	50,000	50,000	0
Long-term loans	200	100	-100	Retained earnings	25,202	26,984	1,782
Long-term receivables	4,989	2,365	-2,624	Valuation and translation adjustments	10,537	11,228	691
Other	3,927	4,292	365	Net unrealized gains on securities	11,038	12,477	1,439
Allowance for doubtful receivables	-4,202	-2,365	1,837	Deferred gains or losses on hedges	-500	-1,248	-748
Total assets	600,959	536,384	-64,575	Total net assets	185,740	188,212	2,472
				Total liabilities and net assets	600,959	536,384	-64,575

Statements of Income

(In ¥ million)

Item	Previous fiscal year April 1, 2011 to March 31, 2012	Current fiscal year April 1, 2012 to March 31, 2013	Year-on-year	
			Change (amount)	Change (percentage)
Sales	1,320,174	1,157,885	-162,289	-12.3%
Cost of sales	1,290,051	1,129,969	-160,082	-12.4%
Gross profit	30,123	27,915	-2,208	-7.3%
(Gross profit ratio)	(2.3%)	(2.4%)		
Selling, general and administrative expenses	25,025	23,639	-1,386	-5.5%
Operating income	5,098	4,276	-822	-16.1%
Non-operating income	13,239	11,432	-1,807	-13.6%
(Interest income)	(843)	(683)	-160	-19.0%
(Dividend income)	(12,097)	(10,499)	-1,598	-13.2%
(Other non-operating income)	(298)	(249)	-49	-16.4%
Non-operating expenses	1,906	2,761	855	44.9%
(Interest expense)	(1,121)	(922)	-199	-17.8%
(Other non-operating expenses)	(785)	(1,838)	1,053	134.1%
Ordinary income	16,431	12,947	-3,484	-21.2%
Extraordinary gain	3,335	2,559	-776	-23.3%
Extraordinary loss	1,958	5,914	3,956	202.0%
Income before income taxes	17,807	9,593	-8,214	-46.1%
Income taxes:				
Current	615	570	-45	-7.3%
Deferred	2,353	41	-2,312	-98.3%
Net income	14,838	8,981	-5,857	-39.5%