May 27, 2016

Consolidated Financial Results for the Year Ended March 2016

Metal One Corporation held a briefing on its consolidated financial results for the year ended March 2016. The briefing was conducted by Iwao Toide, President, and Hiroshi Kuwata, managing executive officer & CFO.

■Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2015

■Consolidated Balance Sheet and Statement of Consolidated Income

May 27, 2016
Metal One Corporation

Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2015

Income Statements

(In ¥100 million)

	Performance in FY2015	Performance in FY2014	Variance	Percentage of variance
Sales	19,740	24,216	-4,476	(-18.5%)
Gross profit	1,045	1,177	-132	
(Gross profit ratio)	(5.3%)	(4.9%)	(0.4%)	
Operating expenses	-848	-910	62	
Provision for doubtful receivables	-2	-5	3	
Amortization of goodwill	-2	-1	-1	
Operating income	192	262	-70	(-26.4%)
Interest income	6	7	-1	
Interest expense	-33	-38	5	
Interest expense–net	-27	-32	5	
Dividend income	17	15	2	
Non-operating income and expenses	1	9	-8	
Equity in earnings of affiliated companies	19	6	13	
Ordinary income	203	259	-56	(-21.5%)
Extraordinary gain and loss	85	84	1	
Income before income taxes	288	343	-55	(-16.1%)
Income taxes	-110	-94	-16	
Noncontrolling interests	-11	-22	11	
Net income	167	227	-60	(-26.3%)

Basic earnings capabilities	205	255	-50	(-19.7%)

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, 2016	Variance from March 31, 2015		March 31, 2016	Variance from March 31, 2015
Current assets	6,739	-1,427	**Current liabilities**	4,662	-1,251
Cash and deposits	214	-70	Accounts payable	2,413	-433
Accounts receivable	4,147	-554	Short-term debt	1,934	-815
Inventories	1,964	-495	Other current liabilities	315	-3
Other current assets	414	-308	**Non-current liabilities**	928	-262
			Long-term debt	757	-213
			Other	171	-49
Non-current assets	2,441	-356	**Total liabilities**	5,590	-1,513
Tangible and intangible non-current assets	1,129	-147	Common stock and additional paid-in capital	1,507	7
Investments and other assets	1,312	-209	Retained earnings, etc.	1,647	45
			Assets and liabilities valuation and translation adjustments	120	-201
			Total net assets excluding noncontrolling interests	3,274	-149
			Noncontrolling interests	316	-121
			Total net assets	3,590	-270
Total assets	9,180	-1,783	**Total liabilities and net assets**	9,180	-1,783

Outline of Consolidated Results for FY2015

Business environment

In the global economy the U.S. remained bullish, underpinned by firm consumer spending, and Europe made continuing moves toward an economic rally. On the other hand, there was uncertainty about the prospects of China and some emerging economies due to their economic slowdown, the slump in crude oil prices and turmoil in the international financial markets. Growth in the global economy therefore remained moderate overall this fiscal year. In the Japanese economy, growth remained sluggish, partly due to slump in consumer spending against the backdrop of lower real income in conjunction with the consumption tax hike.

Business performance

Regarding the business environment confronting our group, the gap between supply and demand continued overseas due to slack steel consumption as a result of the Chinese economy's slowdown and excess production. Steel prices continued to decline worldwide.

In the domestic market, the consumption tax increase has had a lingering impact, and there was no an uptick in capital expenditures. Increased taxes on compact cars delayed the rebound of domestic car sales. Those factors left domestic consumption stagnant overall.

In terms of external demand, the environment also remains tough. Supply continued to outpace demand globally as China exported at a high pace, generating trade problems all over.

In the midst of these business conditions, the Metal One Group divided the six-year period from FY2015 to 2020 into three stages as part of efforts to achieve our vision, mission and goals for 2020 outlined in its Mid-term Consolidated Management Plan—New Management Plan 2016. In the plan, the 2015–16 period was designated as "years of change," 2017–18 as "years of ascension" and 2019–20 as "years of success." During FY2015, the initial years of change, the group prioritized efforts on five core concepts in New Management Plan 2016: reconstruction of our earnings base through a revival of trading operations, a thorough reshuffling of the portfolio and effective utilization of HR and assets, reform of the business model, strengthening of the workforce, and upgrading the consolidated management platform.

Despite these efforts, and responding to a business environment that deteriorated even more than anticipated, the Metal One Group's consolidated performance for the fiscal year fell below the previous year's results, with ¥1.974 trillion in sales (down 18.5 percent), ordinary income of ¥20.3 billion (down 21.5 percent), and ¥16.7 billion in net income (down 26.3 percent).

Situation with main items

1. Sales and gross profit

We merged our domestic structural steel and metal scrap operations during the previous fiscal year to create MM&KENZAI Corporation (as of November 1, 2014). This required applying the equity method, and negatively affected the Group's performance. In addition, the business environment had worsened as mentioned before. These are the primary factors in the ¥447.6 billion decline to ¥1.974 trillion in sales and the ¥13.2 billion decline to ¥104.5 billion in gross profit.

2. Operating expenses

The MM&KENZAI Corporation merger and other factors caused our operating expenses to drop by ¥6.2 billion, to ¥84.8 billion.

3. Extraordinary gain and loss

The company's extraordinary gains exceeded extraordinary losses by ¥8.5 billion, mainly due to profits from the sales of securities and fixed assets.

4. Business results by transaction type

Viewed by type of transaction, sales in Japan's domestic market accounted for ¥1.0939 trillion (55 percent of the whole; down ¥341.6 billion compared to the fiscal year before), and overseas ventures for ¥880.1 billion (45 percent; down ¥106 billion).

5. Total assets and shareholders' equity

Declines in accounts receivable and inventories were the main factors causing total assets to fall by ¥178.3 billion, to ¥918 billion.

Furthermore, net assets excluding noncontrolling interests fell ¥14.9 billion to ¥327.4 billion, the outcome of a decrease in valuation and translation adjustments arising from falling stock prices and the strong yen. This meant our shareholders' equity ratio rose 4.5 percent to 35.7 percent, strengthening the company's solid financial condition.

6. Interest-bearing debt

Pushed by a worldwide drop in steel prices, China's economic slowdown and accompanying slack exports from Japan, a decline in energy-related transactions in North America, sell-offs of listed shares in Japan and the yen's strength, the net D/E ratio fell by 0.3 to 0.8 as the consolidated debt balance declined by ¥102.9 billion, to ¥269.1 billion.

Status of affiliates

There were no items meriting special mention this fiscal year.

Number of Group Companies

Subsidiaries	Affiliates	Total (consolidated)
101(-1)	43(-3)	144(-4)

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

Consolidated Financial Indicators

	March 31, 2016	March 31, 2015
Shareholders' equity ratio	35.7%	31.2%
Net D/E ratio	0.8	1.1

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)

Metal One Corporation and Subsidiaries
Financial Results for the Year Ended March 2016

13th Term

(April 1, 2015 to March 31, 2016)

May 27, 2016

7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

Metal One Corporation

Consolidated Balance Sheet

(In ¥ million)

Assets

Item	Previous fiscal year (March 31, 2015)	Current fiscal year (March 31, 2016)	Change (amount)
Current assets	816,624	673,856	-142,768
Cash and deposits	28,332	21,382	-6,950
Notes and accounts receivable	470,123	414,712	-55,411
Inventories	245,895	196,353	-49,542
Advance payments to suppliers	7,289	6,086	-1,203
Other accounts receivable	21,306	15,995	-5,311
Short-term deferred tax assets	3,205	3,411	206
Other current assets	44,057	19,555	-24,502
Allowance for doubtful receivables	-3,583	-3,638	-55
Non-current assets	279,704	244,120	-35,584
Tangible assets	119,838	106,051	-13,787
Intangible assets	7,737	6,822	-915
Goodwill	1,325	1,046	-279
Other intangible non-current assets	6,412	5,776	-636
Investments and other assets	152,129	131,247	-20,882
Investments	144,951	124,273	-20,678
Long-term loans	50	51	1
Long-term deferred income taxes	1,377	1,446	69
Other	8,605	8,202	-403
Allowance for doubtful receivables	-2,854	-2,725	129
Total assets	1,096,328	917,976	-178,352

Liabilities and Net Assets

Item	Previous fiscal year (March 31, 2015)	Current fiscal year (March 31, 2016)	Change (amount)
Current liabilities	591,297	466,202	-125,095
Notes and accounts payable	284,624	241,305	-43,319
Short-term debt	274,892	193,388	-81,504
Other accounts payable	13,647	12,141	-1,506
Accrued expenses	3,355	3,560	205
Accrued income taxes	3,479	3,977	498
Advances from customers	2,900	3,346	446
Reserve for bonuses	4,443	3,986	-457
Other	3,957	4,499	542
Non-current liabilities	119,056	92,814	-26,242
Long-term debt	97,068	75,742	-21,326
Long-term deferred tax liabilities	15,897	11,068	-4,829
Net defined benefit liabilities	2,804	3,024	220
Other	3,287	2,980	-307
Total liabilities	710,353	559,016	-151,337
Shareholders' equity	310,193	315,377	5,184
Common stock	100,000	100,000	0
Capital surplus	50,000	50,662	662
Retained earnings	160,193	164,715	4,522
Total other comprehensive income	32,121	12,053	-20,068
Net unrealized gains on securities	20,812	14,578	-6,234
Foreign currency translation adjustments	11,175	-2,494	-13,669
Remeasurement of defined benefit plans	134	-31	-165
Noncontrolling interests	43,661	31,530	-12,131
Total net assets	385,975	358,960	-27,015
Total liabilities and net assets	1,096,328	917,976	-178,352

Statements of Consolidated Income

(In ¥ million)

Item	Previous fiscal year April 1, 2014 to March 31, 2015	Current fiscal year April 1, 2015 to March 31, 2016	Year-on-year	
			Change (amount)	Change (percentage)
Sales	2,421,600	1,974,026	-447,574	-18.5%
Cost of sales	2,303,883	1,869,561	-434,322	-18.9%
Gross profit	117,717	104,465	-13,252	-11.3%
(Gross profit ratio)	(4.9%)	(5.3%)		
Selling, general and administrative expenses	91,562	85,216	-6,346	-6.9%
Operating income	26,155	19,249	-6,906	-26.4%
Non-operating income	5,334	6,446	1,112	20.8%
(Interest income)	(661)	(643)	-18	-2.7%
(Dividend income)	(1,463)	(1,734)	271	18.5%
(Equity in earnings of affiliated companies)	(582)	(1,907)	1,325	227.7%
(Other non-operating income)	(2,628)	(2,162)	-466	-17.7%
Non-operating expenses	5,581	5,348	-233	-4.2%
(Interest expense)	(3,820)	(3,299)	-521	-13.6%
(Other non-operating expenses)	(1,761)	(2,049)	288	16.4%
Ordinary income	25,908	20,347	-5,561	-21.5%
Extraordinary gain	12,771	11,855	-916	-7.2%
Extraordinary loss	4,343	3,380	-963	-22.2%
Income before income taxes	34,336	28,822	-5,514	-16.1%
Income taxes:				
Current	9,456	11,884	2,428	25.7%
Defferred	-74	-914	-840	1,135.1%
Net income	24,954	17,852	-7,102	-28.5%
Net income attributable to noncontrolling interests	2,231	1,105	-1,126	-50.5%
Net income attributable to owners of the parent	22,723	16,747	-5,976	-26.3%