June 6, 2017

Consolidated Financial Results for the Year Ended March 2017

Metal One Corporation held a briefing on its consolidated financial results for the year ended March 2017. The briefing was conducted by Shuichi Iwata, president & CEO and Hiroshi Kuwata, senior executive vice president & CFO.

■Metal One Corporation and Subsidiaries Consolidated Financial Results for FY2016

■Consolidated Balance Sheet and Statement of Consolidated Income

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)

Metal One

Metal One Corporation and Subsidiaries
Financial Results for the Year Ended March 2017

14th Term

(April 1, 2016 to March 31, 2017)

June 6, 2017

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

Metal One Corporation

Consolidated Balance Sheet

(In ¥ million)

Assets			
Item	Previous fiscal year (March 31, 2016)	Current fiscal year (March 31, 2017)	Change (amount)
Current assets	673,856	699,027	25,171
Cash and deposits	21,382	25,500	4,118
Notes and accounts receivable	414,712	444,332	29,620
Inventories	196,353	195,397	-956
Advance payments to suppliers	6,086	9,942	3,856
Other accounts receivable	15,995	18,135	2,140
Short-term deferred tax assets	3,411	3,733	322
Other current assets	19,555	7,081	-12,474
Allowance for doubtful receivables	-3,638	-5,093	-1,455
Non-current assets	244,120	232,574	-11,546
Tangible assets	106,051	100,893	-5,158
Intangible assets	6,822	6,104	-718
Goodwill	1,046	838	-208
Other intangible non-current assets	5,776	5,266	-510
Investments and other assets	131,247	125,577	-5,670
Investments	124,273	118,158	-6,115
Long-term loans	51	51	0
Long-term deferred income taxes	1,446	1,352	-94
Other	8,202	6,589	-1,613
Allowance for doubtful receivables	-2,725	-573	2,152
Total assets	917,976	931,601	13,625

Liabilities and Net Assets			
Item	Previous fiscal year (March 31, 2016)	Current fiscal year (March 31, 2017)	Change (amount)
Current liabilities	466,202	497,257	31,055
Notes and accounts payable	241,305	264,077	22,772
Short-term debt	193,388	202,475	9,087
Other accounts payable	12,141	10,087	-2,054
Accrued expenses	3,560	3,981	421
Accrued income taxes	3,977	5,247	1,270
Advances from customers	3,346	3,452	106
Reserve for bonuses	3,986	4,333	347
Other	4,499	3,605	-894
Non-current liabilities	92,814	60,738	-32,076
Long-term debt	75,742	42,430	-33,312
Long-term deferred tax liabilities	11,068	12,312	1,244
Net defined benefit liabilities	3,024	3,068	44
Other	2,980	2,928	-52
Total liabilities	559,016	557,995	-1,021
Shareholders' equity	315,377	329,326	13,949
Common stock	100,000	100,000	0
Capital surplus	50,662	50,411	-251
Retained earnings	164,715	178,915	14,200
Total other comprehensive income	12,053	11,102	-951
Net unrealized gains on securities	14,578	14,241	-337
Foreign currency translation adjustments	-2,494	-3,176	-682
Remeasurement of defined benefit plans	-31	37	68
Noncontrolling interests	31,530	33,178	1,648
Total net assets	358,960	373,606	14,646
Total liabilities and net assets	917,976	931,601	13,625

Statements of Consolidated Income

(In ¥ million)

Item	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2016 to March 31, 2017	Year-on-year Change (amount)	Year-on-year Change (percentage)
Sales	1,974,026	1,855,567	-118,459	-6.0%
Cost of sales	1,869,561	1,748,789	-120,772	-6.5%
Gross profit	104,465	106,778	2,313	2.2%
(Gross profit ratio)	(5.3%)	(5.8%)		
Selling, general and administrative expenses	85,216	84,153	-1,063	-1.2%
Operating income	19,249	22,625	3,376	17.5%
Non-operating income	6,446	9,948	3,502	54.3%
(Interest income)	(643)	(504)	-139	-21.6%
(Dividend income)	(1,734)	(1,437)	-297	-17.1%
(Equity in earnings of affiliated companies)	(1,907)	(5,160)	3,253	170.6%
(Other non-operating income)	(2,162)	(2,847)	685	31.7%
Non-operating expenses	5,348	4,067	-1,281	-24.0%
(Interest expense)	(3,299)	(2,763)	-536	-16.2%
(Other non-operating expenses)	(2,049)	(1,304)	-745	-36.4%
Ordinary income	20,347	28,506	8,159	40.1%
Extraordinary gain	11,855	9,797	-2,058	-17.4%
Extraordinary loss	3,380	3,070	-310	-9.2%
Income before income taxes	28,822	35,233	6,411	22.2%
Income taxes:				
Current	11,884	8,693	-3,191	-26.9%
Defferred	-914	897	1,811	-198.1%
Net income	17,852	25,643	7,791	43.6%
Net income attributable to noncontrolling interests	1,105	3,093	1,988	179.9%
Net income attributable to owners of the parent	16,747	22,550	5,803	34.7%