

June 6, 2018

Consolidated Financial Results for the Year Ended March 2018

Metal One Corporation held a briefing on its consolidated financial results for the year ended March 2018. 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 FY2017

■ Consolidated Balance Sheet and Statement of Consolidated Income

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
Gross profit	1,168	1,068	100
(Gross profit ratio)	(5.5%)	(5.8%)	-(0.3%)
Selling, general, and administrative expenses	-855	-818	-37
Provision for doubtful receivables	-5	-23	18
Operating income*	308	227	81
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
Income before income taxes	356	288	68
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
Assets			
Current assets	8,254	7,146	1,108
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
Non-current assets	2,627	2,473	154
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
Total assets	10,881	9,619	1,262
Liabilities and equity			
Current liabilities	6,224	5,170	1,054
Accounts payable	2,919	2,641	278
Short-term debt	2,940	2,218	722
Other current liabilities	365	312	53
Non-current liabilities	640	619	21
Long-term debt	418	427	-9
Other	223	192	31
Total liabilities	6,864	5,789	1,075
Equity attributable to owners of the parent	3,669	3,496	173
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
Noncontrolling interests	348	334	14
Total equity	4,017	3,830	187
Total liabilities and equity	10,881	9,619	1,262

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
Net income	273	212	61
Net unrealized gains on securities	77	84	-7
Foreign currency translation adjustment	-33	-8	-25
Other	2	1	1
Net comprehensive income	319	289	30
<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)

Metal One

**Metal One Corporation and Subsidiaries
Financial Results for the Year Ended March 2018**

15th Term
(April 1, 2017 to March 31, 2018)

June 6, 2018

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

Metal One Corporation

Consolidated Balance Sheet (Non-audit, International Accounting Standards)

(In ¥ million)

Assets				Liabilities and Net Assets			
Item	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Change (amount)	Item	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Change (amount)
Current assets	714,576	825,428	110,852	Current liabilities	517,014	622,367	105,353
Cash and deposits	25,500	23,966	-1,534	Notes and accounts payable	264,077	291,859	27,782
Notes and accounts receivable	463,515	549,729	86,214	Short-term debt	221,782	293,990	72,208
Inventories	195,397	220,114	24,717	Other accounts payable	8,435	12,024	3,589
Advance payments to suppliers	9,942	12,465	2,523	Accrued expenses	3,937	3,598	-339
Other accounts receivable	5,731	4,447	-1,284	Accrued income taxes	5,247	5,353	106
Other current assets	19,585	19,613	28	Advances from customers	3,452	2,960	-492
Allowance for doubtful receivables	-5,094	-4,906	188	Reserve for bonuses	4,377	4,640	263
				Other	5,707	7,943	2,236
Non-current assets	247,300	262,709	15,409	Non-current liabilities	61,884	64,049	2,165
Tangible assets	102,128	104,321	2,193	Long-term debt	42,682	41,782	-900
Intangible assets	11,887	12,918	1,031	Deferred tax liabilities	13,375	16,509	3,134
Goodwill	6,618	6,771	153	Net defined benefit liabilities	3,068	3,122	54
Other intangible non-current assets	5,269	6,147	878	Other	2,759	2,636	-123
Investments and other assets	133,285	145,470	12,185	Total liabilities	578,898	686,416	107,518
Investments	124,247	135,558	11,311	Shareholders' equity	319,779	331,516	11,737
Long-term loans	51	72	21	Common stock	100,000	100,000	0
Deferred tax asset	2,719	3,154	435	Capital surplus	50,755	50,542	-213
Other	6,841	7,200	359	Retained earnings	169,024	180,974	11,950
Allowance for doubtful receivables	-573	-514	59	Total other comprehensive income	29,842	35,411	5,569
				Net unrealized gains on securities	15,581	23,491	7,910
				Foreign currency translation adjustments	14,261	11,920	-2,341
				Noncontrolling interests	33,357	34,794	1,437
Total assets	961,876	1,088,137	126,261	Total equity	382,978	401,721	18,743
				Total liabilities and equity	961,876	1,088,137	126,261

Statements of Consolidated Income (Non-audit, international accounting standards)

(In ¥ million)

Item	Previous fiscal year	Current fiscal year	Year-on-year	
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	Change (amount)	Change (percentage)
Sales*	1,855,567	2,118,044	262,477	14.1%
Cost of sales*	1,748,789	2,001,227	252,438	14.4%
Gross profit	106,778	116,817	10,039	9.4%
(Gross profit ratio)	(5.8%)	(5.5%)		
Selling, general and administrative expenses	81,769	85,479	3,710	4.5%
Provision for doubtful receivables	2,263	512	-1,751	-77.4%
Operating income*	22,746	30,826	8,080	35.5%
Interest expense-net	-2,259	-3,966	-1,707	75.6%
Dividend income	1,437	1,356	-81	-5.6%
Securities gains and losses	686	439	-247	-36.0%
Fixed asset gains and losses	109	-438	-547	-501.8%
Other gains and losses	1,399	1,526	127	9.1%
Equity in earnings (losses) of affiliated companies	4,727	5,860	1,133	24.0%
Income before income taxes	28,845	35,603	6,758	23.4%
Income taxes:				
Current	6,682	9,973	3,291	49.3%
Deferred	915	-1,643	-2,558	-279.6%
Net income	21,248	27,273	6,025	28.4%
Net income attributable to noncontrolling interests	3,016	3,862	846	28.1%
Net income attributable to owners of the parent	18,232	23,411	5,179	28.4%

*Sales, Cost of sales and Operating income have been disclosed according to Japanese standards for presentation methods.