

June 6, 2019

Consolidated Financial Results for the Year Ended March 2019

Metal One Corporation held a briefing on its consolidated financial results for the year ended March 2019. The briefing was conducted by Shuichi Iwata, president & CEO and Satoshi Iwai, managing executive officer & CFO.

■ Consolidated Financial Results for FY2018

■ Consolidated Statement of Financial Position and Consolidated Statement of Income

Consolidated Financial Results for FY2018

June 6, 2019
Metal One Corporation

Consolidated Statement of Income

(Non-audit, based on IFRS)

(In ¥100 million)	FY2018	FY2017	Variance
Sales*1	23,087	21,180	1,907
Gross profit	1,239	1,168	71
(Gross profit ratio)	(5.4%)	(5.5%)	-(0.1%)
Selling, general and administrative expenses	-872	-855	-17
Provision for doubtful receivables	-7	-5	-2
Operating income*1	360	308	52
Interest expense-net	-61	-40	-21
Dividend income	14	14	0
Gains on investments	15	4	11
Gains (Losses) on property, plant and equipment and others	3	-4	7
Other income (expense)	5	15	-10
Share of profit of investments accounted for using the equity method	56	59	-3
Profit before tax	392	356	36
Income taxes	-100	-83	-17
Profit for the year	292	273	19
<i>Profit for the year attributable to owners of the parent</i>	<i>254</i>	<i>234</i>	<i>20</i>
<i>Profit for the year attributable to non-controlling interests</i>	<i>38</i>	<i>39</i>	<i>-1</i>

For reference: Revenue 19,867*2

*1 Sales and Operating income have been disclosed according to Japanese standards for presentation methods.

*2 Subject to disclosure from this fiscal year in connection with the application of IFRS 15, Revenue from contracts with customers

Consolidated Statement of Financial Position

(In ¥100 million)	FY2018	FY2017	Variance
Assets			
Current assets	8,810	8,254	556
Cash and deposits	179	240	-61
Trade receivables	5,391	5,497	-106
Inventories	2,503	2,201	302
Other current assets	737	316	421
Non-current assets	2,517	2,627	-110
Property, plant and equipment	1,026	1,043	-17
Intangible assets	102	129	-27
Investments and other assets	1,389	1,455	-66
Total assets	11,327	10,881	446
Liabilities and equity			
Current liabilities	6,423	6,224	199
Trade payables	2,889	2,919	-30
Short-term borrowings	2,968	2,940	28
Other current liabilities	566	365	201
Non-current liabilities	778	640	138
Long-term borrowings	576	418	158
Other non-current liabilities	202	223	-21
Total liabilities	7,200	6,864	336
Equity attributable to owners of the parent	3,761	3,669	92
Common stock and additional paid-in capital	1,504	1,505	-1
Retained earnings	1,948	1,810	138
Accumulated other comprehensive income	309	354	-45
Non-controlling interests	365	348	17
Total equity	4,127	4,017	110
Total liabilities and equity	11,327	10,881	446

Outline of Consolidated Results for FY2018

Business environment

U.S. domestic demand remained robust during this fiscal year in an environment featuring improvements in employment and income. However, Europe experienced a loss of momentum, primarily in the automotive sector as a result of Germany's adoption of exhaust emissions regulations. China's growth rate also declined as a result of concerns about the future in connection with U.S.-China trade friction. Overall, the expansion in the global economy is slowing down.

Meanwhile, although Japan's economy experienced temporary negative repercussions as a result of natural disasters such as typhoons and earthquakes, sentiment remained upbeat due to outlays related to the Olympics and Paralympics and increased capital expenditures focused on saving labor.

Business performance

Regarding the environment our corporate group encountered, global steel demand rose compared to the previous year, underpinned by the robust U.S. economy and the expansion of emerging economies. The tone remained positive in Japan as well due to construction demand leading up to the Olympics and robust car sales. Although there were concerns regarding the impact that U.S.-China trade friction would have on steel prices, they rose gradually in tandem with rising raw material prices.

In this business environment, the Metal One Group focused on various strategies based on our Growth Strategy 2018 midterm management plan's three core concepts, business model reforms that differentiate Metal One from our rivals, the growth-driven injection of management resources, and enhancing our consolidated management platform.

As a result, Metal One's consolidated group performance this fiscal year exceeded that of last year. Comparing to previous fiscal year, we reached ¥2,308.7 billion in sales, a 9.0% increase, and profit for the year attributable to owners of the parent was ¥25.4 billion, a 8.5% increase.

Situation with main items

1. Sales and gross profit

Increase in business volume along with higher average unit costs, led sales to increase by ¥190.7 billion compared to previous fiscal year, reaching ¥2,308.7 billion.

Despite a slight decline in our gross profit ratio, the significant impact of the rise in sales led gross profit to increase by ¥7.1 billion compared to previous fiscal year, reaching ¥123.9 billion.

2. Selling, general and administrative expenses

Due to a consolidation of an U.S. subsidiary in the second half of the previous fiscal year and an increase in freight rates owing to soaring transportation costs in North and Central America, costs increased by ¥1.7 billion compared to previous fiscal year, reaching ¥87.2 billion.

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

Due to gain on negative goodwill, gains on investments increased by ¥1.1 billion compared to previous fiscal year, reaching ¥1.5 billion.

Due to gains from sales of fixed assets among domestic subsidiaries, fixed asset gains increased by ¥0.7 billion compared to the previous fiscal year, reaching ¥0.3 billion.

4. Business results by transaction type

Assessing by type of transaction, consolidated domestic sales of ¥1,171.4 billion (51% of the total, increased by ¥47.5 billion compared to previous fiscal year), while overseas sales of ¥1,137.3 billion (49% of the total, increased by ¥143.2 billion compared to previous fiscal year).

5. Total assets and total equity

Increment in inventories due to growth in business transactions was the main reason for total assets to increase by ¥44.6 billion compared to previous fiscal year end, reaching ¥1,132.7 billion.

Additionally, an increase in profit of the year led total equity to increase by ¥11.0 billion compared to previous fiscal year end, reaching ¥412.7 billion.

As a result, our shareholders' equity ratio fell by 0.5% to 33.2% compared to previous fiscal year end. Despite these factors, a stable financial status is maintained.

6. Interest-bearing debt

Due to increases in demand for working capital in connection with more robust business, borrowings balance reached ¥354.4 billion, increased by ¥18.6 billion compared to previous fiscal year end on a consolidated basis.

Comprehensive Income (Loss) Status

(In ¥100 million)	FY2018			FY2017			Variance (A-B)
	Owners of the parent	Npn-controlling interests	Total(A)	Owners of the parent	Npn-controlling interests	Total(B)	
Profit for the year	254	38	292	234	39	273	19
Gains(Losses) on other investments designated as FVTOCI	-31	-1	-32	76	1	77	-109
Exchange differences on translating foreign operations	-10	3	-7	-22	-10	-33	26
Other	0	0	0	1	0	2	-2
Comprehensive income	213	40	253	289	30	319	-66

Number of Group Companies

Subsidiaries	Affiliates	Total (consolidated)
94(-4)	36(-4)	130(-8)

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

Consolidated Financial Indicators

	March 31, 2019	March 31, 2018
Shareholders' equity ratio	33.2%	33.7%
Net D/E ratio	0.9	0.8

Shareholders' equity ratio =

Equity attributable to owners of the parent ÷ Total assets

Net D/E ratio =

(Short-term and long-term borrowings - Cash and deposits) ÷

Equity attributable to owners of the parent



**Metal One Corporation and Subsidiaries
Financial Results for the Year Ended March 2019**

16th Term
(April 1, 2018 to March 31, 2019)

June 6, 2019

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

Metal One Corporation

Consolidated Statement of Financial Position (Non-audit, based on IFRS)

(In ¥ million)

Assets				Liabilities			
Item	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Change (amount)	Item	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Change (amount)
Current assets	825,428	880,964	55,536	Current liabilities	622,367	642,252	19,885
Cash and cash equivalents	23,966	17,949	-6,017	Borrowings	293,990	296,757	2,767
Trade and other receivables	552,533	547,540	-4,993	Trade and other payables	310,256	307,448	-2,808
Other financial assets	944	429	-515	Other financial liabilities	1,435	447	-988
Inventories	220,114	250,280	30,166	Advances from customers	2,960	1,775	-1,185
Advance payments to suppliers	12,465	7,116	-5,349	Income tax payables	5,353	4,340	-1,013
Assets classified as held for sale	-	41,474	41,474	Provisions	812	39	-773
Other current assets	15,406	16,176	770	Liabilities directly associated with assets classified as held for sale	-	23,679	23,679
Non-current assets	262,709	251,737	-10,972	Other current liabilities	7,561	7,767	206
Investments accounted for using the equity method	59,163	60,840	1,677	Non-current liabilities	64,049	77,797	13,748
Other investments	80,233	73,199	-7,034	Borrowings	41,782	57,634	15,852
Other financial assets	80	46	-34	Trade and other payables	1,105	1,218	113
Property, plant and equipment	104,321	102,634	-1,687	Other financial liabilities	15	14	-1
Intangible assets and goodwill	12,918	10,246	-2,672	Retirement benefit obligation	3,838	2,715	-1,123
Deferred tax assets	3,154	2,471	-683	Provisions	629	576	-53
Other non-current assets	2,840	2,301	-539	Deferred tax liabilities	16,509	15,493	-1,016
				Other non-current liabilities	171	147	-24
				Total liabilities	686,416	720,049	33,633
				Equity			
				Equity attributable to owners of the parent	366,927	376,118	9,191
				Common stock	100,000	100,000	-
				Additional paid-in capital	50,542	50,436	-106
				Other components of equity	35,411	30,857	-4,554
				Other investments designated as FVTOCI	23,491	19,835	-3,656
				Exchange differences on translating foreign operations	11,920	11,022	-898
				Retained earnings	180,974	194,825	13,851
				Non-controlling interests	34,794	36,534	1,740
				Total equity	401,721	412,652	10,931
Total assets	1,088,137	1,132,701	44,564	Total liabilities and equity	1,088,137	1,132,701	44,564

Consolidated Statement of Income (Non-audit, based on IFRS)

(In ¥ million)

Item	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Year-on-year	
			Change (amount)	Change (percentage)
Sales*	2,118,044	2,308,680	190,636	9.0%
Gross profit	116,817	123,919	7,102	6.1%
(Gross profit ratio)	(5.5%)	(5.4%)		
Selling, general and administrative expenses	-85,479	-87,189	-1,710	2.0%
Provision for doubtful receivables	-512	-728	-216	42.2%
Operating income*	30,826	36,002	5,176	16.8%
Gains on investments	439	1,487	1,048	238.7%
Gains on disposal and sale of property, plant equipment and others	79	577	498	630.4%
Impairment losses on property, plant and equipment and others	-517	-230	287	-55.5%
Other income	2,751	3,320	569	20.7%
Other expense	-1,225	-2,811	-1,586	129.5%
Finance income	1,764	1,871	107	6.1%
Finance costs	-4,374	-6,570	-2,196	50.2%
Share of profit of investments accounted for using the equity method	5,860	5,601	-259	-4.4%
Profit before tax	35,603	39,247	3,644	10.2%
Income taxes	-8,330	-10,000	-1,670	20.0%
Profit for the year	27,273	29,247	1,974	7.2%
Profit for the year attributable to owners of the parent	23,411	25,432	2,021	8.6%
Profit for the year attributable to non-controlling interests	3,862	3,815	-47	-1.2%

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