

Fiscal Year ending March 2010 Results Briefing (Apr.1 / 2009 – Mar.31 / 2010)

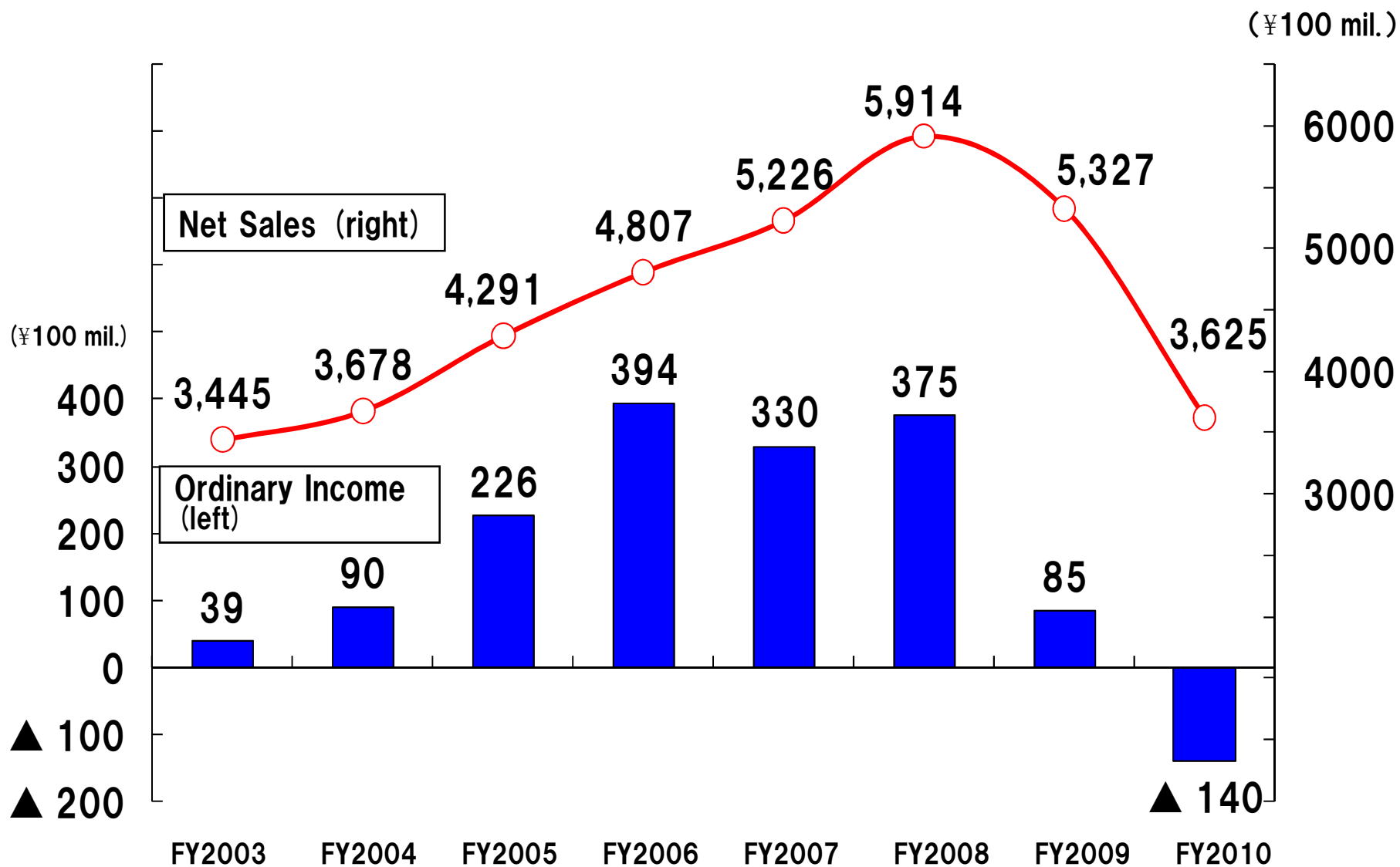
Apr.30th 2010



FY2010 Results

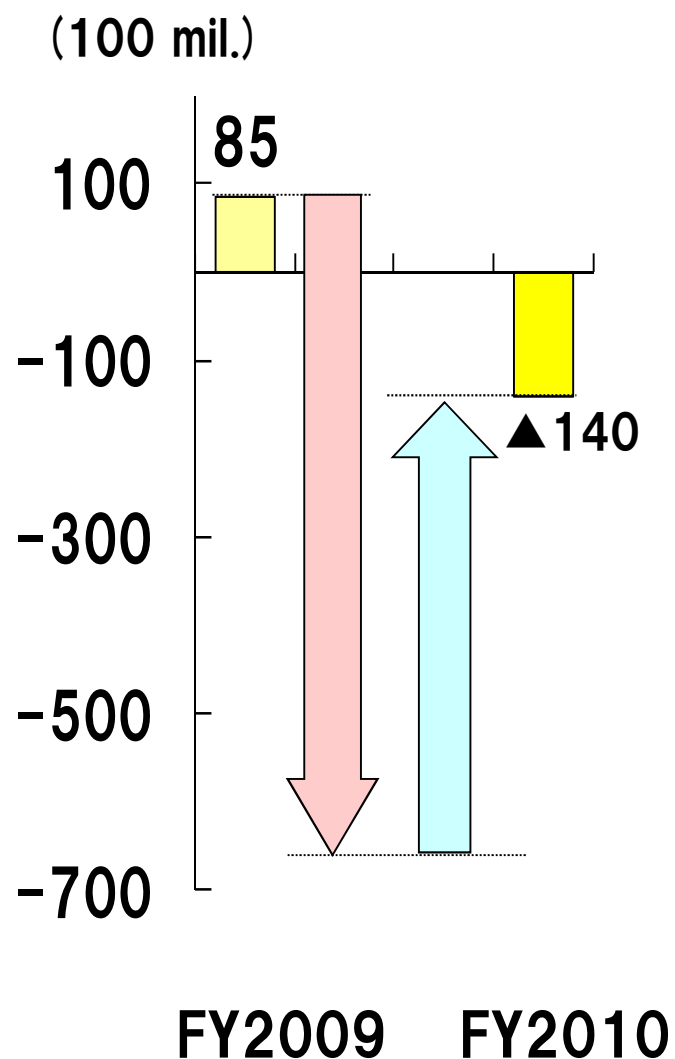
(Apr.1 / 2009 – Mar.31 / 2010)

Changes in Net Sales & Ordinary Income (FY2010 Results)



FY2010 Changes in Ordinary Income (y/y)

(¥100 mil.)



FY2009 Ordinary Income	
Changes (y/y)	Operating Income / Loss
	Raw material price
	Sales volume
	Sales price
	Sales mix
	Variable cost
	Fixed cost
	Subtotal
Non-operating Income	
FY2010 Ordinary Income	

85	
	+300
-520	
-246	
	+32
	+36
	+166
-766	+534
	+7
▲140 (-225)	

Changes in Net Sales & Operating Income by Segment

(¥100 mil.)

		FY2008	FY2009 (A)	FY2010 (B)	y/y basis (B) - (A)
Specialty Steel	Net Sales	3,296	3,069	2,070	-999
	Operating Income	114	8	▲ 108	-116
Electronic & Magnetic Materials	Net Sales	792	647	412	-235
	Operating Income	58	▲ 6	▲ 22	-16
Parts for Automobile & Industrial Equipment	Net Sales	1,159	1,041	712	-329
	Operating Income	134	46	▲ 14	-60
Engineering	Net Sales	411	366	261	-105
	Operating Income	29	27	20	-7
New Materials	Net Sales	156	104	68	-36
	Operating Income	35	4	▲ 27	-31
Trading & Service	Net Sales	100	100	102	2
	Operating Income	14	12	10	-2
Total	Net Sales	5,914	5,327	3,625	-1,702
	Operating Income	384	91	▲ 141	-232

FY2010 Net Sales & Operating Income by Segment

(¥100 mil.)

		FY2010				
		1Q	2Q	3Q	4Q	Total
Specialty Steel	Net Sales	367	490	571	642	2,070
	Operating Income	▲ 97	▲ 31	0	20	▲ 108
Electronic & Magnetic Materials	Net Sales	90	89	113	120	412
	Operating Income	▲ 6	▲ 7	▲ 4	▲ 5	▲ 22
Parts for Automobile & Industrial Equipment	Net Sales	156	166	188	202	712
	Operating Income	▲ 16	▲ 12	3	11	▲ 14
Engineering	Net Sales	79	71	44	67	261
	Operating Income	6	7	0	7	20
New Materials	Net Sales	14	16	18	20	68
	Operating Income	▲ 13	▲ 7	▲ 5	▲ 2	▲ 27
Trading & Service	Net Sales	38	23	21	20	102
	Operating Income	3	3	3	1	10
Total	Net Sales	744	855	955	1,071	3,625
	Operating Income	▲ 123	▲ 47	▲ 3	32	▲ 141
(thou. ton.)						
Sales volume of Specialty Steel		141	217	262	291	911

FY2010 Extraordinary Income / Loss • Net Income

(¥100 mil.)

FY2010 Ordinary income	▲140
Extraordinary income / loss	▲8
Income taxes and minority interests	2
FY2010 Net income	▲146

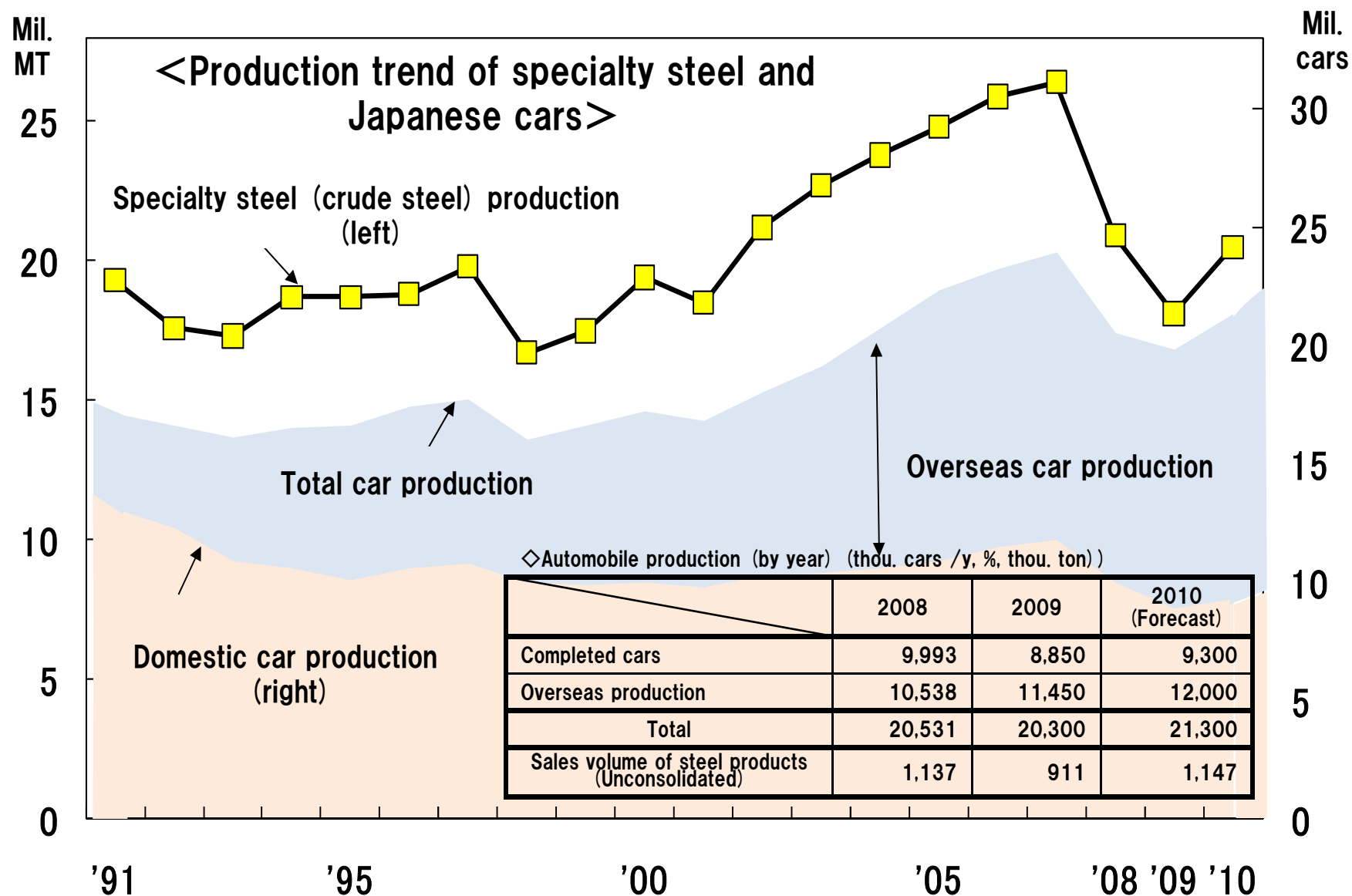
FY2010 Dividend per Share

	Interim	Year-end
Ordinary income (¥100 mil.)	▲169	▲140
Net income (¥100 mil.)	▲172	▲146
Dividend per share (¥/share)	0.0	2.0

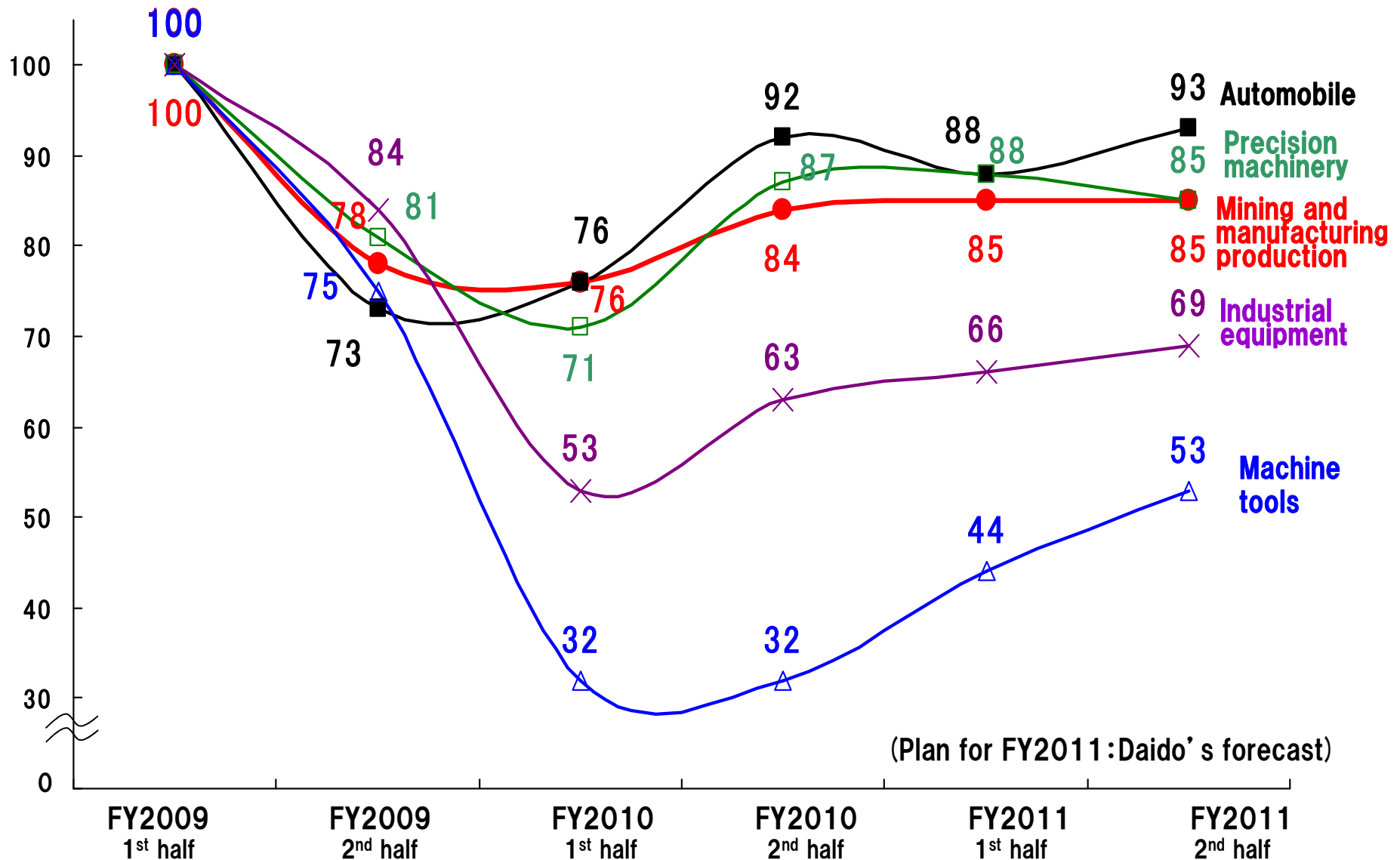
Annual Plan for FY2011

(Apr.1 / 2010–Mar.31 / 2011)

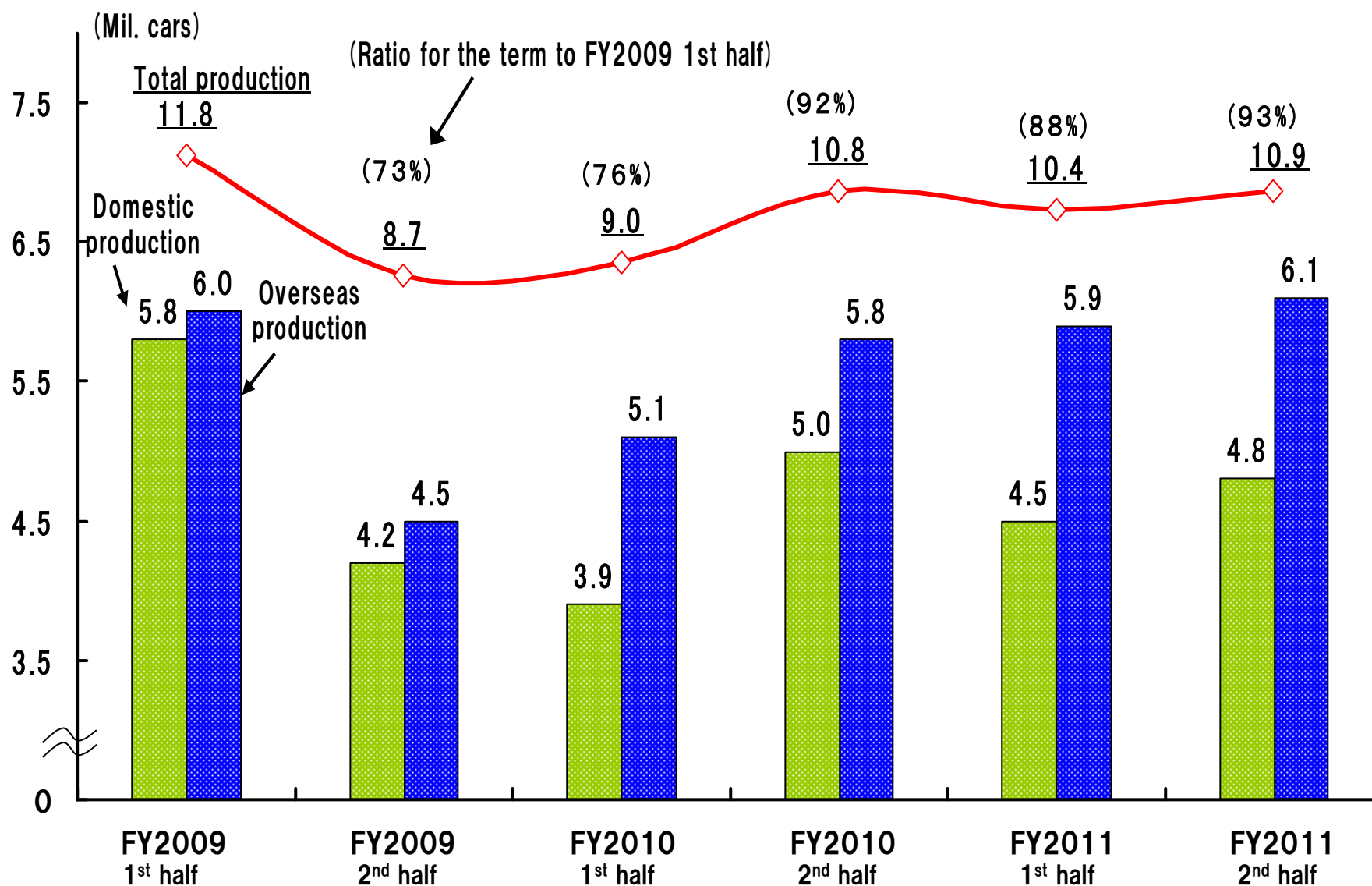
Production of Specialty Steel and Automobile



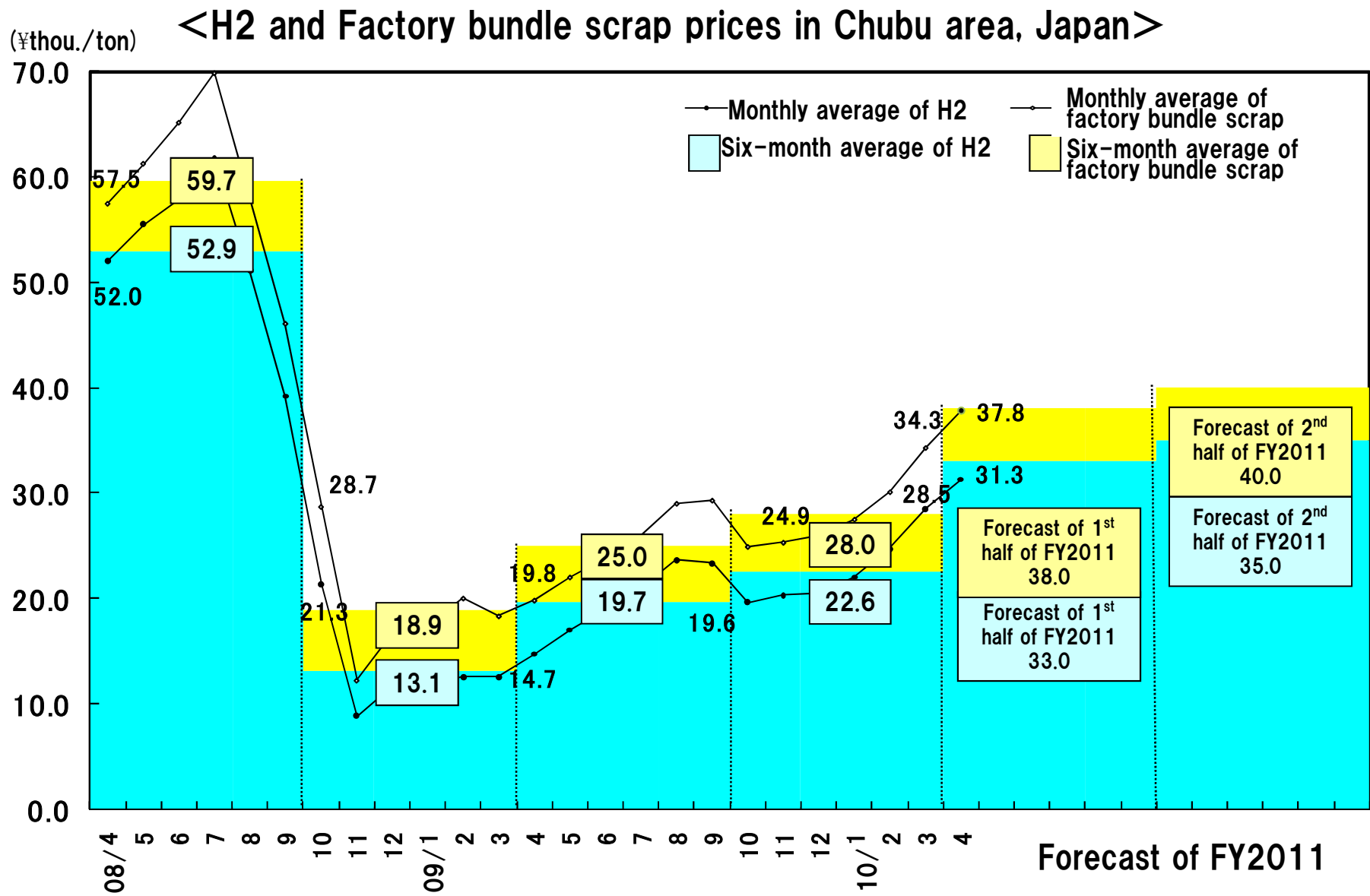
Recognition of Demand Environment ① (by each business)



Recognition of Demand Environment② (Automobile)



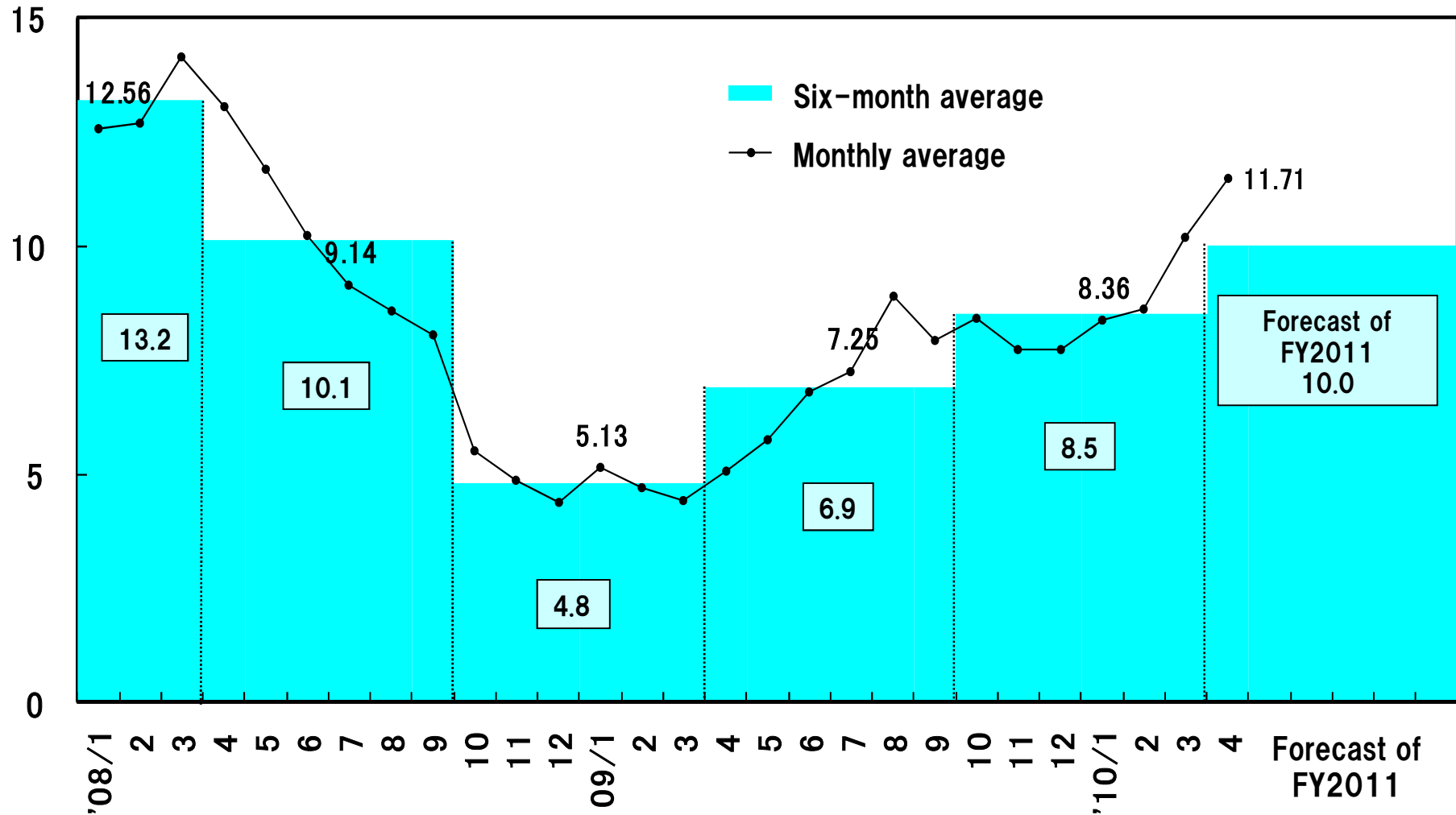
Scrap Steel Prices



Market Trend of Raw Materials (Nickel LME)

<Nickel price LME>

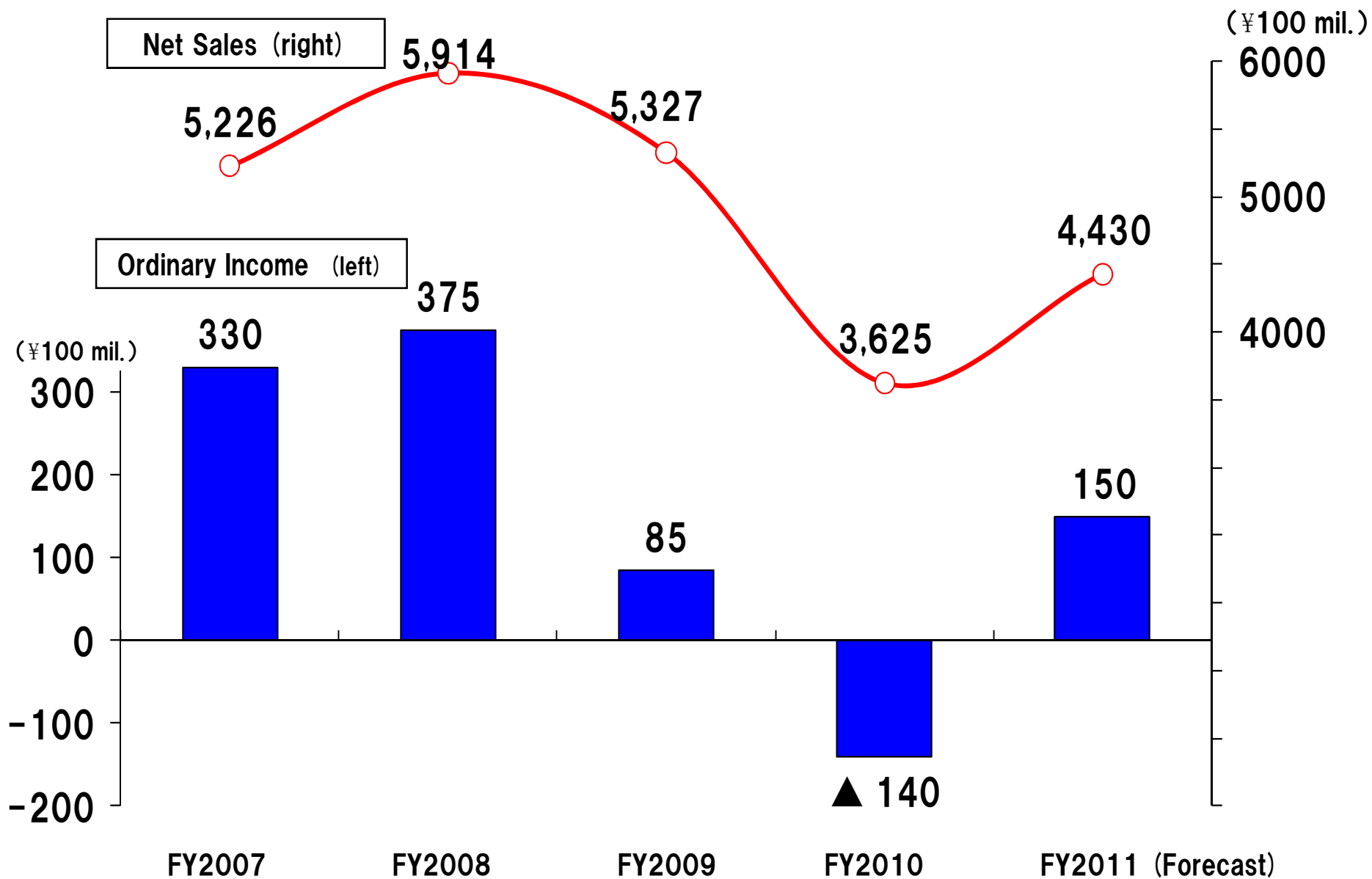
(\$/lb)



Premises of Profit Planning for FY2011 (Summary)

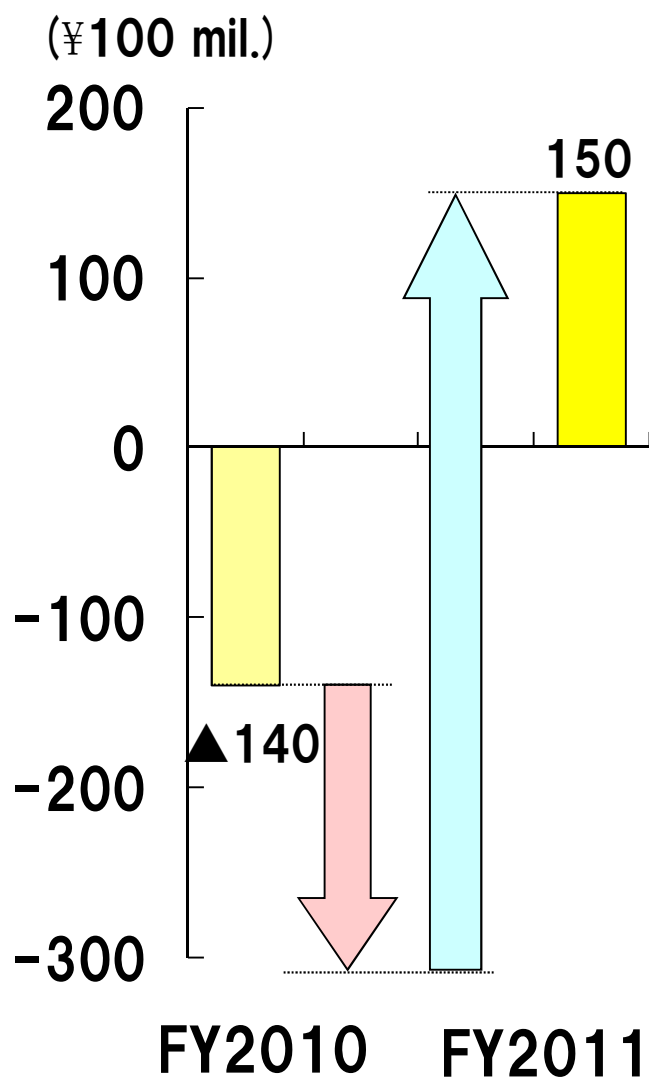
	UNIT	FY2010/1 st half Results	FY2010/2 nd half Results	FY2011/1 st half Forecast	FY2011/2 nd half Forecast
Scrap Steel Upper:H2 Lower:Factory bundle	¥thou. /MT	19.7 25.0	22.6 28.0	33.0 38.0	35.0 40.0
Nickel (LME)	\$/LB	6.95	8.50	10.0	10.0
Molybdenum (MW)	\$/LB	11.8	13.6	20.0	20.0
Chrome (South African price quotation)	¢ /LB	87.0	110.0	135.0	135.0
Exchange rate	¥/\$	96.5	91.2	90	90

Changes in Net Sales & Ordinary Income (Plan for FY2011)



FY2011 Changes in Ordinary Income (y/y)

(¥100 mil.)



FY2010 Ordinary Income	
Changes (y/y)	Operating Income / Loss
	Raw material price
	Sales volume
	Sales price
	Sales mix
	Variable cost
	Fixed cost
Subtotal	
Non-operating income	
FY2011 Ordinary Income	

▲140	
-168	
	+216
	+188
	+14
	+46
-5	
-173	+464
-1	
150 (+290)	

FY2011 Net Sales & Operating Income by Segment

(¥100 mil.)

		FY2010 (A)	FY2011 (B)	1st half	2nd half	y/y basis (B) - (A)
Specialty Steel	Net Sales	2,070	2,611	1,248	1,363	541
	Operating Income	▲ 108	78	30	48	186
Electronic & Magnetic Materials	Net Sales	412	470	221	249	58
	Operating Income	▲ 22	9	3	6	31
Parts for Automobile & Industrial Equipment	Net Sales	712	909	445	464	197
	Operating Income	▲ 14	37	17	20	51
Engineering	Net Sales	261	249	114	135	-12
	Operating Income	20	5	0	5	-15
New Materials	Net Sales	68	91	43	48	23
	Operating Income	▲ 27	11	5	6	38
Trading & Service	Net Sales	102	100	49	51	-2
	Operating Income	10	10	5	5	0
Total	Net Sales	3,625	4,430	2,120	2,310	805
	Operating Income	▲ 141	150	60	90	291

Response to Surging Prices of Raw Materials

1. Promote speedy price shifting

◇ Scrap steel

- Expand surcharge-target and improve recycling scheme.
(Price-shifting based on the surcharge system has been already introduced at 50%.)

◇ Raw materials of alloy including nickel

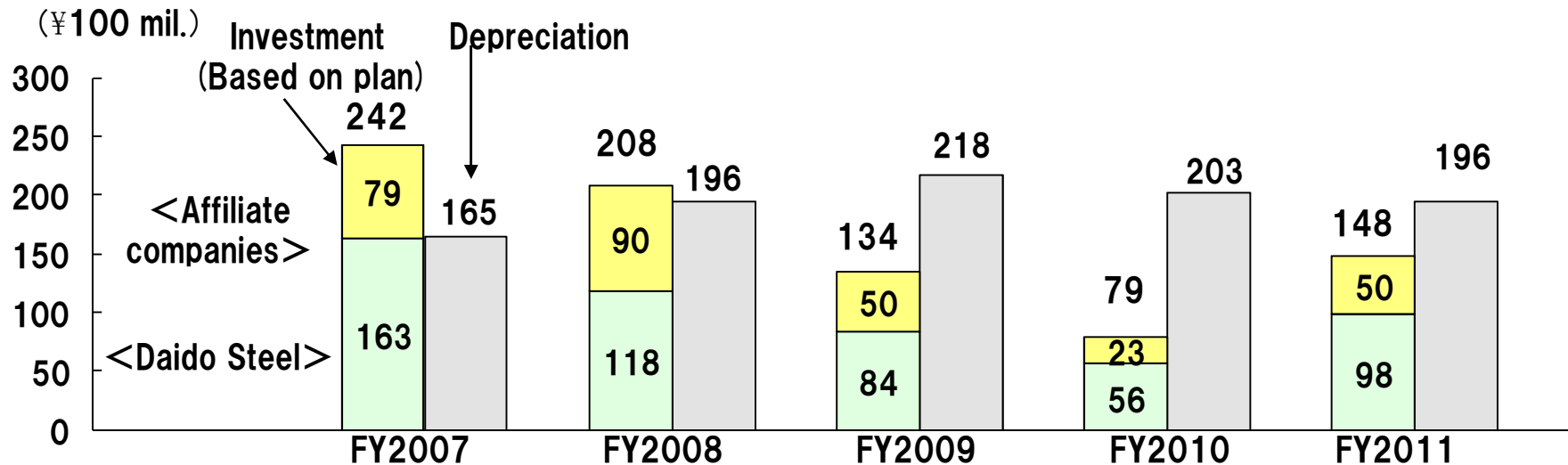
- Shorten the time-lag for price reflection.
- Avoid inventory risk by shortening purchase contract term.

2. Reduce procurement cost of raw materials and building materials

◇ Innovative cost reduction through project activity

- Reform procurement on a new idea by cooperative action of Procurement Dept., Factory and Suppliers.
- Expand global procurement.

Capital Investment



➤ **Intensive investment on structural reform, growing businesses including overseas operations and new businesses**

Structural reform: ¥3.5 bil.

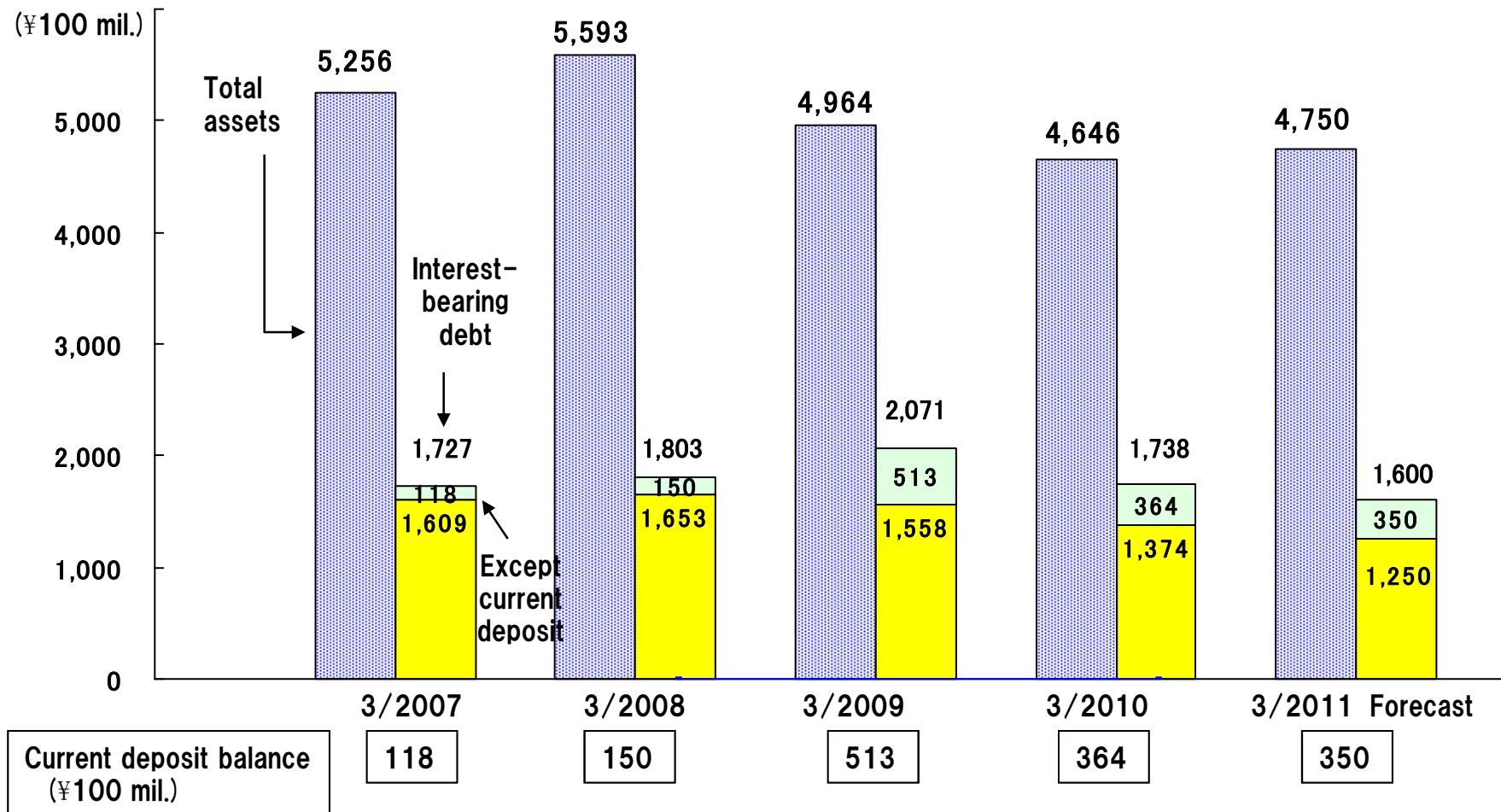
- Re-organize secondary processing of wire-rod
- Integrate rolling processing
- Investment for labor-saving (Introduction of FA robot)

Growing businesses

New businesses : ¥3.5 bil.

- China: Strengthen performance of magnet and engine valve.
- Processing machine for parts of nuclear power generation
- Concentrating photovoltaic system

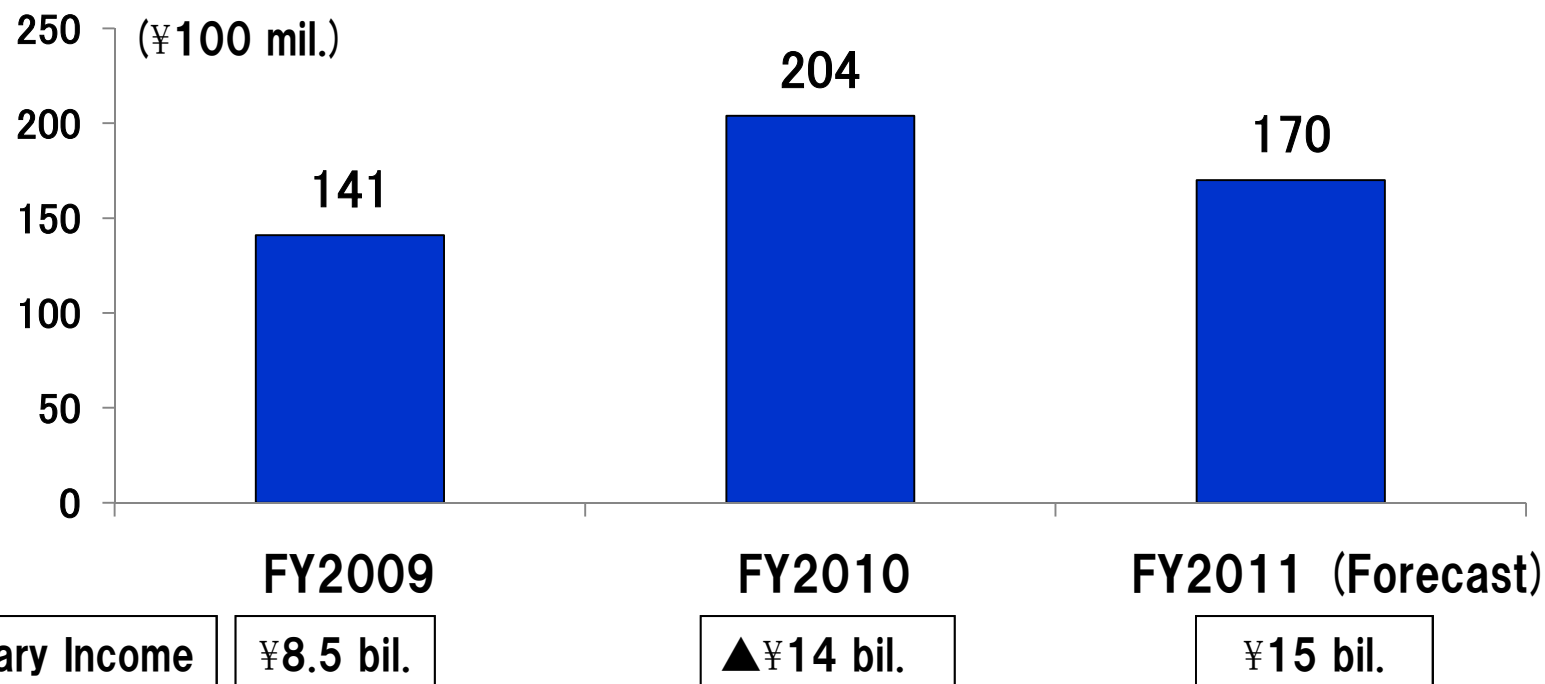
Total Assets, Interest-bearing Debt, D/E Ratio



	3/2007	3/2008	3/2009	3/2010	3/2011
ROA	6.6%	6.9%	1.6%	▲ 2.9%	3.2%
D/E	0.92	0.96	1.25	1.09	0.95

Cash Flow

<Changes in free cash flow>



(FY2010 Results)

- Optimization of inventory : ¥33.1 bil.
- Optimization of Assets : ¥7.4 bil.
- Careful selection of Capital investment : ¥6.7 bil.

FY2011 Extraordinary Income / Loss • Net Income

(¥100 mil.)

FY2011 Ordinary income	150
Extraordinary income / loss	▲15
Income taxes and minority interests	▲20
FY2011 Net Income	115

FY2011 Plan for Dividend per Share

	FY2010		FY2011	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	▲169	▲140	60	150
Net income (¥100 mil.)	▲172	▲146	35	115
Dividend per share (¥/share)	0.0	2.0	2.0	4.0
Dividend ratio (%)	—		15.1	

Priority Subjects for FY2011 and FY2012

Recognition of Management Environment

Global Trend

**Globalization
of economy**

Shrinkage of domestic market

Expansion of emerging economies overseas

**Consideration
for global
environment**

Increasing demand for energy

Shift to energy-saving, resource-saving, recycling-oriented society

Change in demand

**Less demand
for specialty
steel in Japan**

Transfer of production overseas

Downsizing of vehicles

**Shift to next-
generation
vehicle**

Increase of EV·HEV

Management Policy

➤ Drastic structural reform

- ✓ Reinforce profitability of current businesses.

➤ Progressive development of business overseas

- ✓ Explore markets of emerging countries.

➤ Expansion of growing businesses and new businesses

- ✓ Respond to environmental & ecological fields, informatization and globalization.

Drastic Structural Reform①

1. Revamp of production cost

- ✓ Reform of production process to improve global competitiveness

Integrate production process. Streamline secondary processing. Promote laborsaving and automatization.

- ✓ Innovative project for procurement of raw and other materials

Reform procurement based on a new idea by cooperative actions of Procurement Dept., Factory and Suppliers.

Improve global purchase and reform distribution.

2. Reform of business structure

- ✓ Improvement of business portfolio based on choice and concentration.

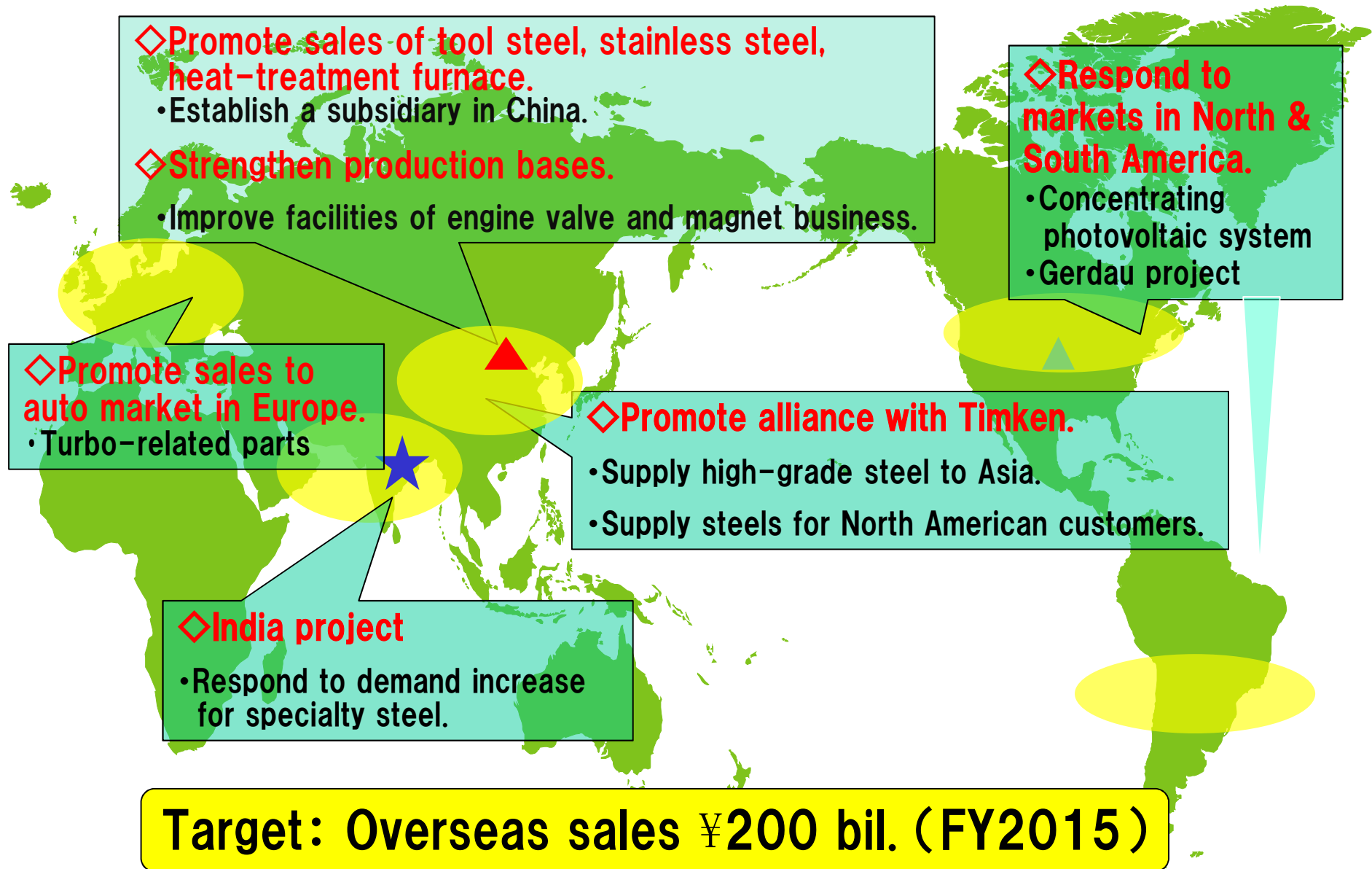
Drastic Structural Reform②

Structural reform projects

		FY2010	FY2011 (Effect in comparison with FY2009)	
		Results	Plan	Activities
Mobility of human resources	Job creation	+200 persons	+300 persons	Business creation
	Improvement of production efficiency	▲100 persons	▲250 persons	Laborsaving by FA robot
Cost reduction		+¥3.7 bil.	+¥8.3 bil.	Improvement of production process Innovative project for procurement of raw and other materials
Diminution of expenses		+¥4 bil.	+¥4.5 bil.	Reduction of management cost and indirect fixed-cost
Figure of annual cash flow		+¥20.4 bil.	+¥17 bil.	Shortening of production lead time Reduction of accounts receivable

- FY2010 Results : Special committee for structural reform
... Project activity on 7 themes
- FY2011 Plan : Taskforce of 7 themes for growth strategy,
7 themes for cost reduction.

Progressive development of business overseas



Expansion of growing businesses and new businesses①

◆ Commercializing strategic products

1. Products focused on environment and ecology (Contribution to CO² reduction)

Target industry	Flagship product
Vehicle Energy-saving Products focused on ecology	<ul style="list-style-type: none"> •Parts for diesel cars (steel for common rail, turbo parts) •Vacuum carburizing furnace •High-alloy engine valve •High-strength gear steel
Next-generation vehicles	<ul style="list-style-type: none"> •Parts for hybrid cars (High-performance powder metal magnet for automobiles) •Magnet for electric power steering
Natural energy	<ul style="list-style-type: none"> •Concentrating photovoltaic system

FY2010→FY2012

Target sales

¥20 bil.→¥32 bil.

Expansion of growing businesses and new businesses ②

◆Promoting strategic products to global market

2. Development in emerging markets and response to globalization

Target industry		Flagship product
Emerging markets	Improvement of social infrastructure	High-grade・thick-diameter structure materials (Alliance with Timken)
	Efficient use of resources	Cold-work die steel (DCLT)
	Energy-related business	Parts for nuclear power generation Ethylene super-tube
Globalization	Demand increase for transportation	Aircraft engine shaft, valve for vessel
	Informatization	Magnet and stainless steel for HDD
	Aging society with fewer children	Titanium alloy for medical application

FY2010→FY2012

Target sales
¥15 bil.→¥36 bil.

Fact Book

1. Financial highlight

Consolidation

(¥100 mil.)

	02/3	03/3	04/3	05/3	06/3	07/3	08/3	09/3	10/3	07/9	08/9	09/9
Net sales	327,102	344,456	367,793	429,105	480,703	522,620	591,398	532,655	362,507	284,505	318,648	159,934
Operating income	5,306	6,324	9,616	21,456	37,542	31,700	38,441	9,115	▲14,050	15,724	13,599	▲17,015
Ordinary income	3,209	3,861	8,986	22,630	39,366	33,029	37,501	8,533	▲13,994	16,042	13,648	▲16,888
Net income	1,743	▲10,378	4,201	11,385	21,196	19,552	14,196	▲8,147	▲14,610	3,596	6,147	▲17,187
R & D expenses	3,911	4,003	2,961	3,094	3,574	4,313	4,447	4,244	3,910	2,111	2,223	1,911
Capital investment	13,500	13,300	9,200	13,600	25,900	24,200	20,800	13,400	7,900	9,600	11,200	3,700
Depreciation	16,836	17,127	16,520	16,328	16,067	16,544	19,586	21,809	20,303	9,026	11,011	10,071
Financial account balance	▲1,621	▲1,579	▲1,310	▲1,095	▲647	▲713	▲950	▲741	▲1,442	▲387	▲176	▲677
Total assets	389,913	399,441	427,393	436,335	476,816	525,569	559,278	496,411	464,629	544,157	570,399	453,231
Equity	134,511	124,148	132,880	144,267	172,647	187,839	188,090	166,235	159,301	188,524	189,891	153,776
Interest-bearing debt	150,583	161,602	177,851	159,648	152,387	172,732	180,295	207,123	173,790	187,531	190,076	183,848
Payroll number	9,632	9,659	9,513	9,992	10,231	10,664	11,131	10,212	10,414	10,805	11,418	10,660
ROA(%)	0.8	1.0	2.2	5.2	8.6	6.6	6.9	1.6	▲2.9	6.0	4.8	▲7.1
ROE(%)	1.3	-	3.3	8.2	13.4	10.8	7.6	▲4.6	▲9.0	3.8	6.5	▲21.5
Consolidated subsidiary number	30	28	28	32	31	32	32	32	32	32	32	32
(Equity method affiliate number is excluded from the above.)	(8)	(7)	(8)	(8)	(8)	(8)	(6)	(6)	(6)	(8)	(6)	(6)
Ratio of the consolidated to the non-consolidated												
Net sales	1.6	1.7	1.7	1.7	1.6	1.6	1.5	1.5	1.7			
Ordinary income	13.5	-	3.8	2.4	1.9	2.1	2.0	7.4	-			
Net income	2.1	-	1.4	2.3	1.3	1.8	0.7		-			

* Long-term prepaid expenses are not included in the depreciation.

2. Net Sales and Operating Income by Segment

Consolidation

(¥100 mil.)

		02/3	03/3	04/3	05/3	06/3	07/3	08/3	09/3	10/3	07/4-9	07/10-3	08/4-9	08/10-3	09/4-9	09/10-3
Specialty Steel	Net Sales	1,691	1,813	1,975	2,314	2,656	2,877	3,296	3,069	2,070	1,574	1,722	1,906	1,163	857	1,213
	Operating Income	15	32	52	99	193	117	114	8	▲ 108	35	79	44	▲ 36	▲ 128	20
Electronic & Magnetic Materials	Net Sales	359	387	430	507	517	645	792	647	412	395	397	385	262	179	233
	Operating Income	3	4	▲ 4	20	30	34	58	▲ 6	▲ 22	32	26	19	▲ 25	▲ 13	▲ 9
Parts for Automobile & Industrial Equipment	Net Sales	736	762	827	930	1,041	1,070	1,159	1,041	712	572	587	607	434	322	390
	Operating Income	31	22	31	69	109	105	134	46	▲ 14	56	78	47	▲ 1	▲ 28	14
Engineering	Net Sales	308	293	250	307	339	372	411	366	261	171	240	171	195	150	111
	Operating Income	3	▲ 3	3	8	17	23	29	27	20	8	21	10	17	13	7
New Materials	Net Sales	55	57	58	82	115	139	156	104	68	79	77	64	40	30	38
	Operating Income	▲ 5	▲ 1	5	7	10	23	35	4	▲ 27	17	18	9	▲ 5	▲ 20	▲ 7
Trading & Service	Net Sales	122	133	138	151	139	123	100	100	102	54	46	53	47	61	41
	Operating Income	6	9	9	12	16	15	14	12	10	9	5	7	5	6	4
Total	Net Sales	3,271	3,445	3,678	4,291	4,807	5,226	5,914	5,327	3,625	2,845	3,069	3,186	2,141	1,599	2,026
	Operating Income	53	63	96	215	375	317	384	91	▲ 141	157	227	136	▲ 45	▲ 170	29

3. List of Consolidated Company

Segment	Company	Business Contents
Specialty steel	Tohoku Steel Co., Ltd. *	Production and sales of specialty steel secondary products / heat-treatment of metal
	Riken Seiko Co., Ltd. *	Production and sales of Specialty steel secondary products (shaft bearing), cutting tool and machine tool
	Shimomura Tokushu Seiko Co., Ltd.	Drawing of free-cutting steel & stainless steel / Production and sales of grinding processed products
	Daido Amistar Co., Ltd.	Production and sales of die products and finished tool / heat-treatment of metal
	Daido Matex Co., Ltd.	Processing and sales of tool steel
	Maruta Transport Co., Ltd. *	Transportation and warehousing business
	Kawaichi Sangyo Co., Ltd. *	Transportation and warehousing business
	Daido Shizai Service Co., Ltd.	Sales of materials for production
	Daido EcoMet Co., Ltd.	Development, production, sales of indirect materials for steel-making
	Daido Technica Co., Ltd.	Seam-removing, maintenance, processing of steel
	Sakurai Kosan Co., Ltd. *	Heat treatment works
	Izumi Electric Industries Co., Ltd. *	Design and construction of electric work / Design and production of power distribution board
	Nippon Seisen Co., Ltd.	Production and sales of stainless steel wire, metallic fiber
	Tienwen Steel Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials
	Daido Amistar(S) PTE Ltd.	Processing, sales of die products / Sales of die materials (in Singapore)
Daido Amistar(M) SDN. BHD.	Processing, sales of die products / Sales of die materials (in Malaysia)	
Daido PDM (Thailand) Co., Ltd.	Processing, sales of die products / Sales of die materials (in Thailand)	
Electronic magnetic materials	Daido Electronics Co., Ltd.	Production and sales of magnetic materials and electronic device parts
	Daido Electronics (Thailand) Co., Ltd.	Production and sales of magnetic materials and electronic device parts (in Thailand)
	Daido Special Metals Ltd.	Merger with Special Metals (U.S.): Sales of Nickel alloy products

(Note) * Equity method affiliate

Segment	Company	Business Contents
Automobile & Industrial parts	Daido Precision Industries Ltd.	Production and sales of processing parts for compressor, power transmission, base-isolation device
	Fuji OOZX Inc.	Production and sales of engine valve
	Nissei Seiko Co., Ltd.	Production and sales of screw, bolt and cold-forging parts for automobile
	Toyo Sangyo Co., Ltd.	Production and sales of die forging
	Japan Drop Forge Co., Ltd.	Production and sales of die forging
	Ohio Star Forge Co.	Production and sales of precise forging (in U.S.)
	Daido Star Techno Co., Ltd.	Seam-removing, maintenance, device processing of steel and forging
	Daido Castings Co., Ltd.	Production and sales of stainless steel casting, precise casting, manganese rail
Engineering	Daido Plant Industries Co., Ltd.	Design, production, sales of industrial furnace, facility equipment and ancillary facility
	Daido Machinery Ltd.	Production and sales of machine tool / Installation, maintenance and repair of machine equipment
	Daido Environment Engineering Co., Ltd.	Maintenance and repair of environment device
Trading & Service	Daido Kogyo Co., Ltd.	Trading company specializing in specialty steel, equipments, steel-making materials, building products
	Daido Steel(America)Inc.	Export & import of DAIDO group products / Group's front company for U.S. (in U.S.)
	Daido Life Service Co., Ltd.	Dealing and subdivision of real estate / Management of welfare provision / Insurance agent
	Life Support., Ltd.	Cleaning, security, food-service operating, management of facility, tree-planting, labor dispatch service
	Kisokomakogen Kankokaihatsu Co., Ltd.	Management of golf course / management of land for vacation house / minor water project
	Star Info Tech Co., Ltd.	Planning, design, development, maintenance of information system / Development and sale of software
	Daido Bunseki Research, Inc.	Analysis, research, consulting regarding iron, steel, cast metal, ceramics

(Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

However, changes in circumstances could lead to different business outcomes, so blind reliance on this data as decision criterion is not recommended.

Also predicted figures can be changed in the future without prior notice. All use of this document is at the volition and discretion of the user. Please be aware that our company shall not assume any responsibility for the results of using the information in this document.