

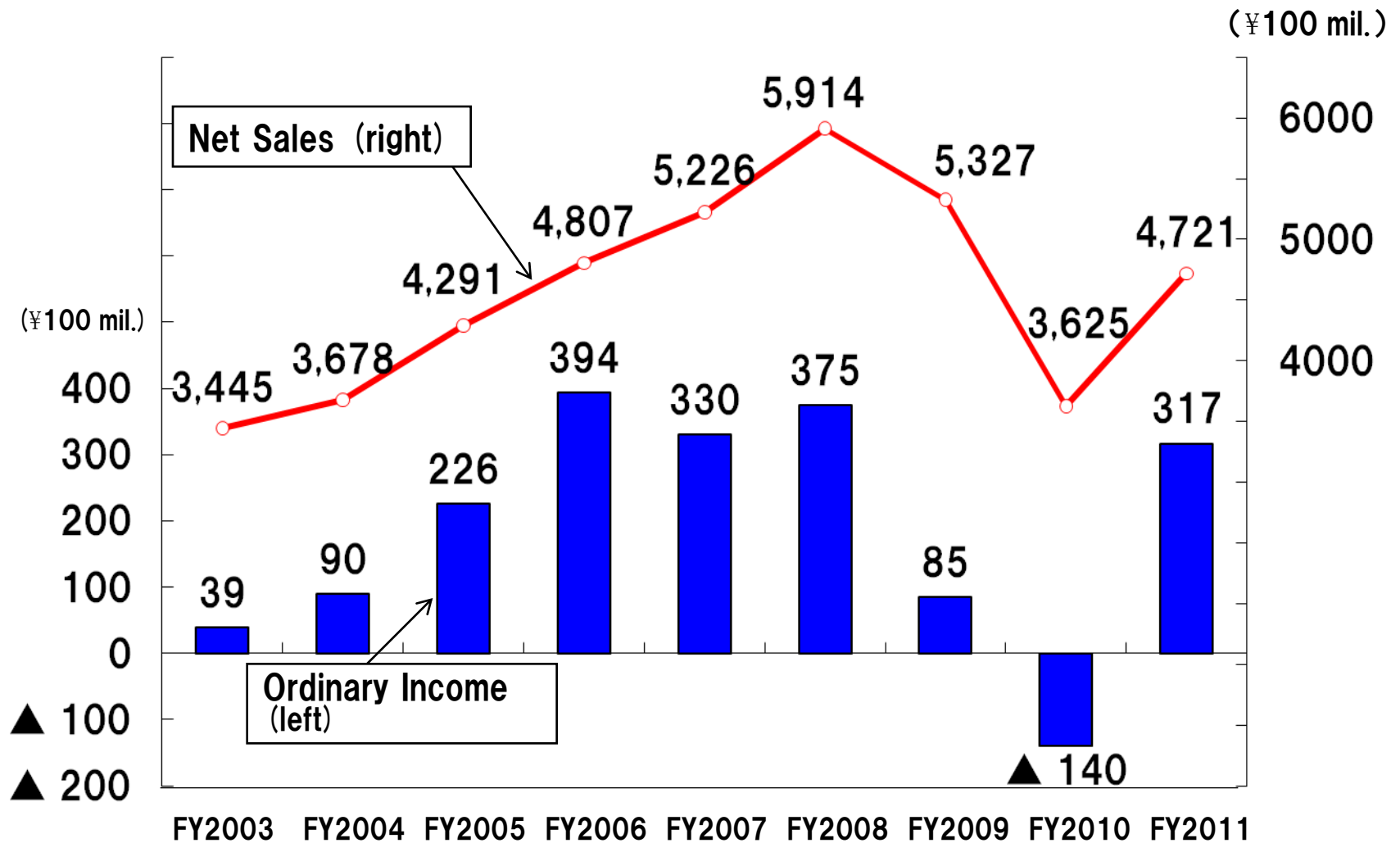
# **Fiscal Year ending March 2011 Results Briefing (Apr.1 / 2010 – Mar.31 / 2011)**

**Apr.28<sup>th</sup> 2011**

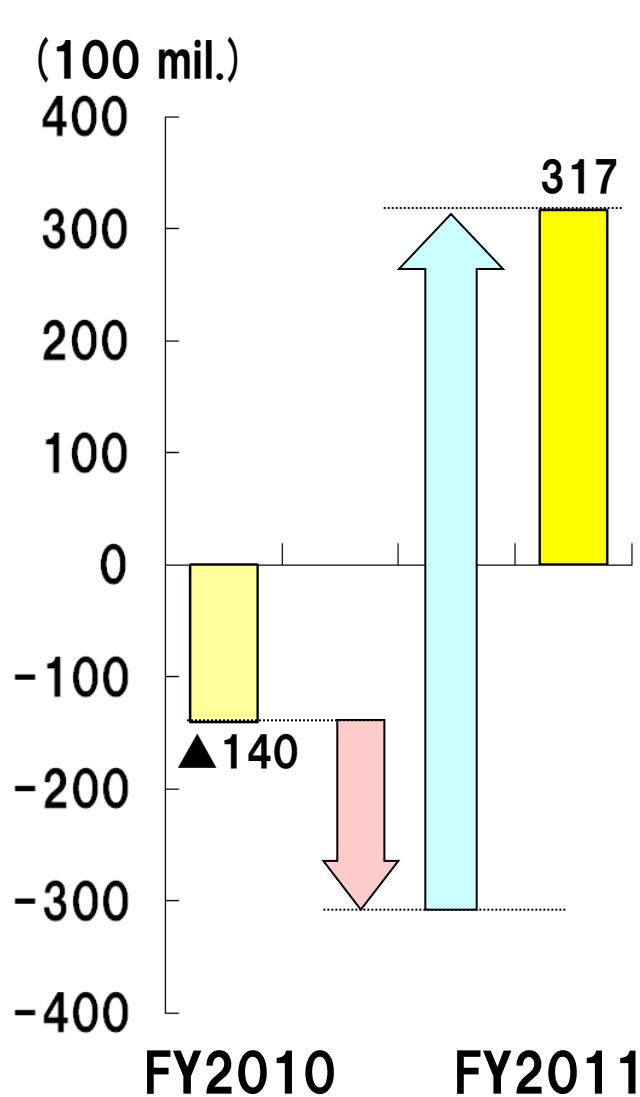
# **FY2011 Results**

**(Apr.1/2010–Mar.31/2011)**

# Changes in Net Sales & Ordinary Income (FY2011 Results)



# FY2011 Changes in Ordinary Income (y/y)



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

(¥100 mil.)

<b>▲ 140</b>	
<b>▲ 97</b>	/
/	<b>+379</b>
/	<b>+139</b>
/	<b>+53</b>
/	<b>+49</b>
<b>▲ 44</b>	/
<b>▲ 11</b>	/
<b>▲ 152</b>	<b>+620</b>
<b>▲ 11</b>	/
<b>317 (+457)</b>	

(\*) The influence of the earthquake occurs by a sales decrease and reduced production, etc.

# Changes in Net Sales & Operating Income by Segment

		FY2010 (A)	FY2011 (B)	y/y basis (B) - (A)
Specialty Steel	Net Sales	2,070	2,869	799
	Operating Income (volume)	▲ 108 (911thou.t)	210 (1,222thou.t)	318 (311thou.t)
Electronic & Magnetic Materials	Net Sales	347	399	52
	Operating Income	▲ 33	18	51
Parts for Automobile & Industrial Equipment	Net Sales	777	1,025	248
	Operating Income	▲ 3	65	68
Engineering	Net Sales	261	238	-23
	Operating Income	20	16	-4
New Materials	Net Sales	68	96	28
	Operating Income	▲ 27	6	33
Trading & Service	Net Sales	102	94	-8
	Operating Income	10	12	2
Total	Net Sales	3,625	4,721	1,096
	Operating Income	▲ 141	327	468

※

※

※Reviewed some of the products segment for FY2011, we have reclassified the value displayed in FY2010.

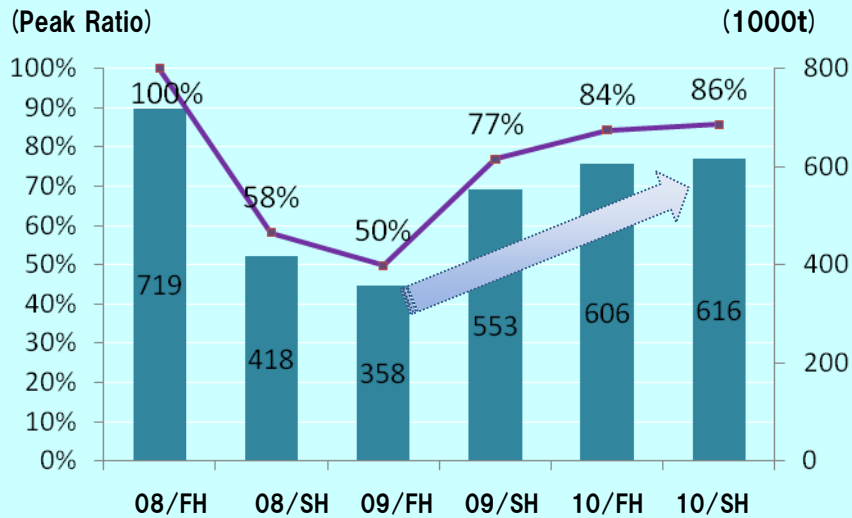
(Electronic & Magnetic Materials→ Automobile & Industrial Equipment, Net Sales : 6.5, Operating Income 1.1 [¥100mil.] )

# Overview of Main Segments in FY2011 ①

## Specialty Steel

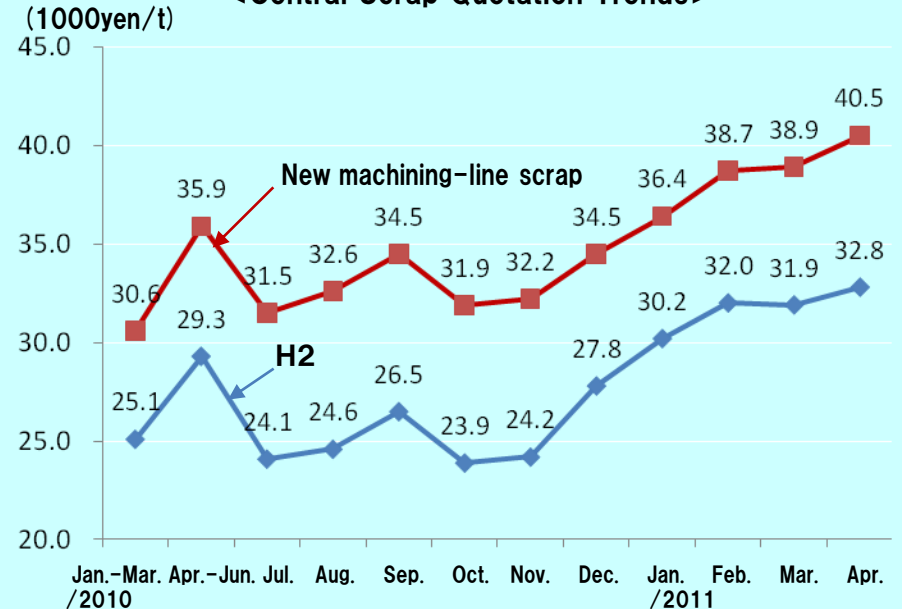
### <Demand Environment>

<Specialty Steel and Materials Sales (Single Unit) >



### <Raw Material Situation>

<Central Scrap Quotation Trends>



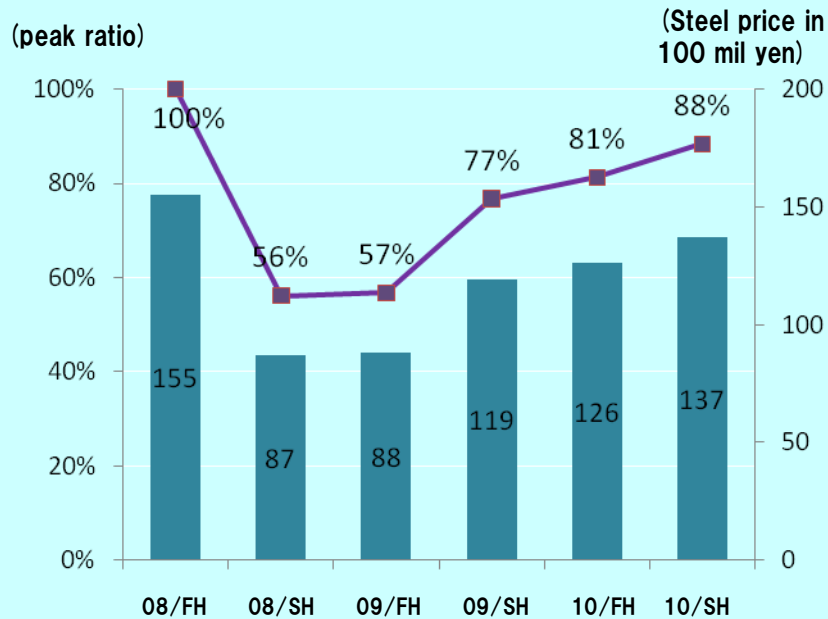
• Recovery to 90% of peak demand should be made in the specialty steel market mainly for auto makers.

• Prices of steel scrap are rising in the latter half of 2010

# Overview of Main Segments in FY2011 ②

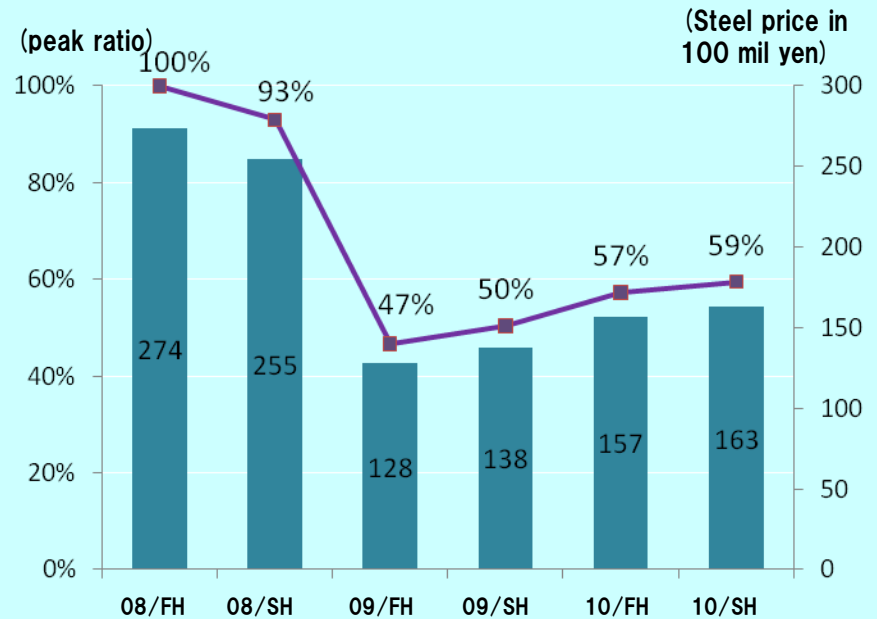
## Car and Industrial Machine Segment

### <Car parts [forged products] >



• Stable recovery is expected through expansions in car and bearings demand.

### <Industrial machines [forged products] >



• Open die forging products (for heavy electronics etc.) are still in the recovering stage.

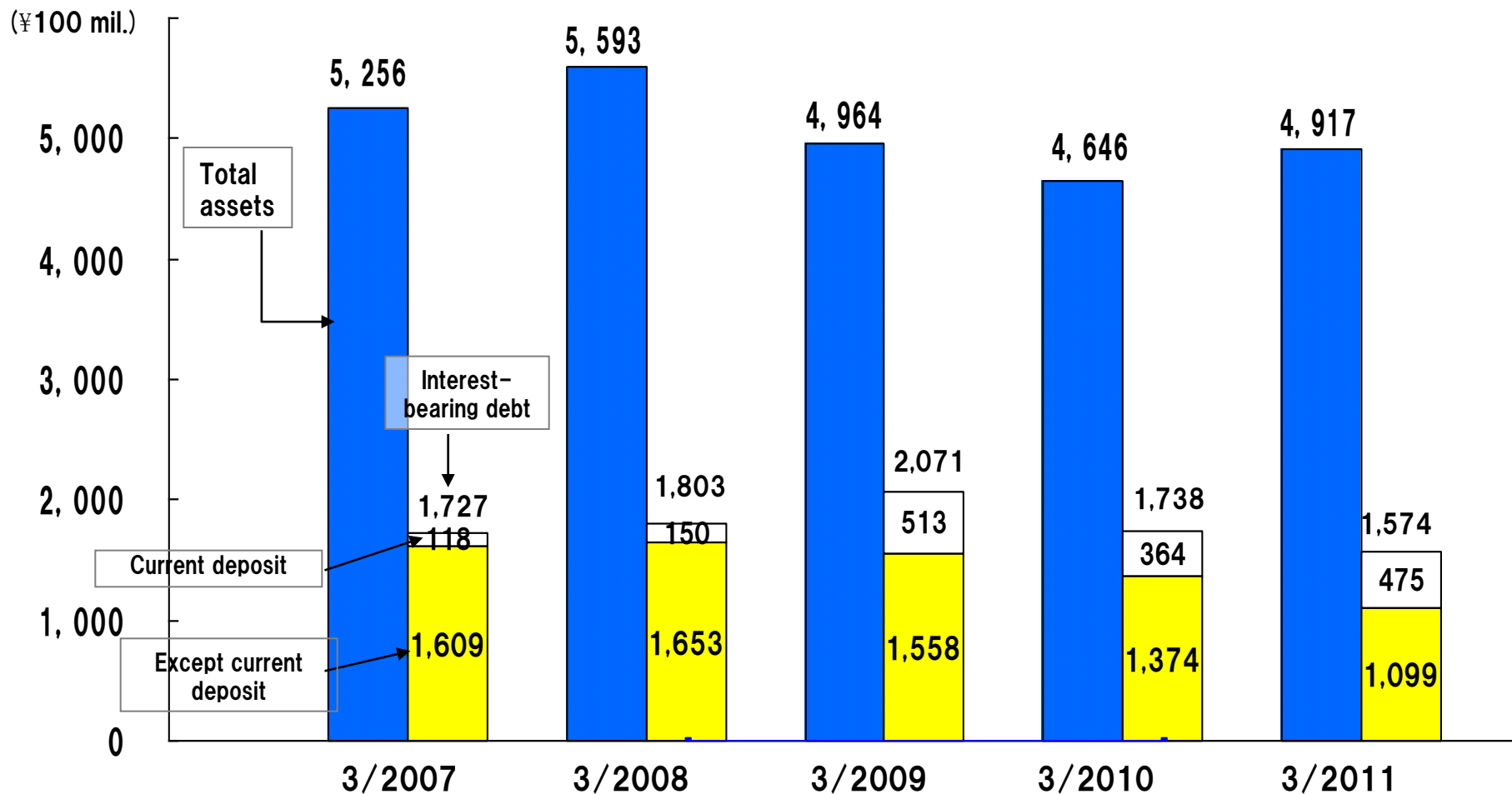
# FY2011 Extraordinary Income / Loss • Net Income

(¥100 mil.)

<b>FY2011 Ordinary income</b>	<b>317</b>
<b>Extraordinary income / loss</b>	<b>▲9</b>
<b>Income taxes and minority interests</b>	<b>▲78</b>
<b>FY2011 Net income</b>	<b>230</b>



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



	'07/3	'08/3	'09/3	'10/3	'11/3
ROA	6.6%	6.9%	1.6%	▲2.9%	6.6%
D/E	0.92	0.96	1.25	1.09	0.88
				net.D/E	0.62

# FY2011 Dividend per Share

	FY2010		FY2011	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	▲ 169	29	160	157
Net income (¥100 mil.)	▲ 172	26	113	117
Dividend per share (¥/share)	0.0	2.0	3.0	4.0
Payout ratio (%)	—	33.4	11.5	14.8

## <Considerations on dividends>

- While keeping with our basic dividend policy, further considerations were made based on future forecasts, dividend payout ratios, financing needs, and our overall financial position.
- Consolidated dividend payout ratios were targeted at 15–20%.

# Annual Plan for FY2012

(Apr.1 / 2011 – Mar.31 / 2012)

# FY2012 Forecasts

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- ◆ Production and demand for products (in particular cars) still remain very unclear.
- ◆ Material prices such as steel scrap and electricity supply and demand are also very difficult to forecast at this time.

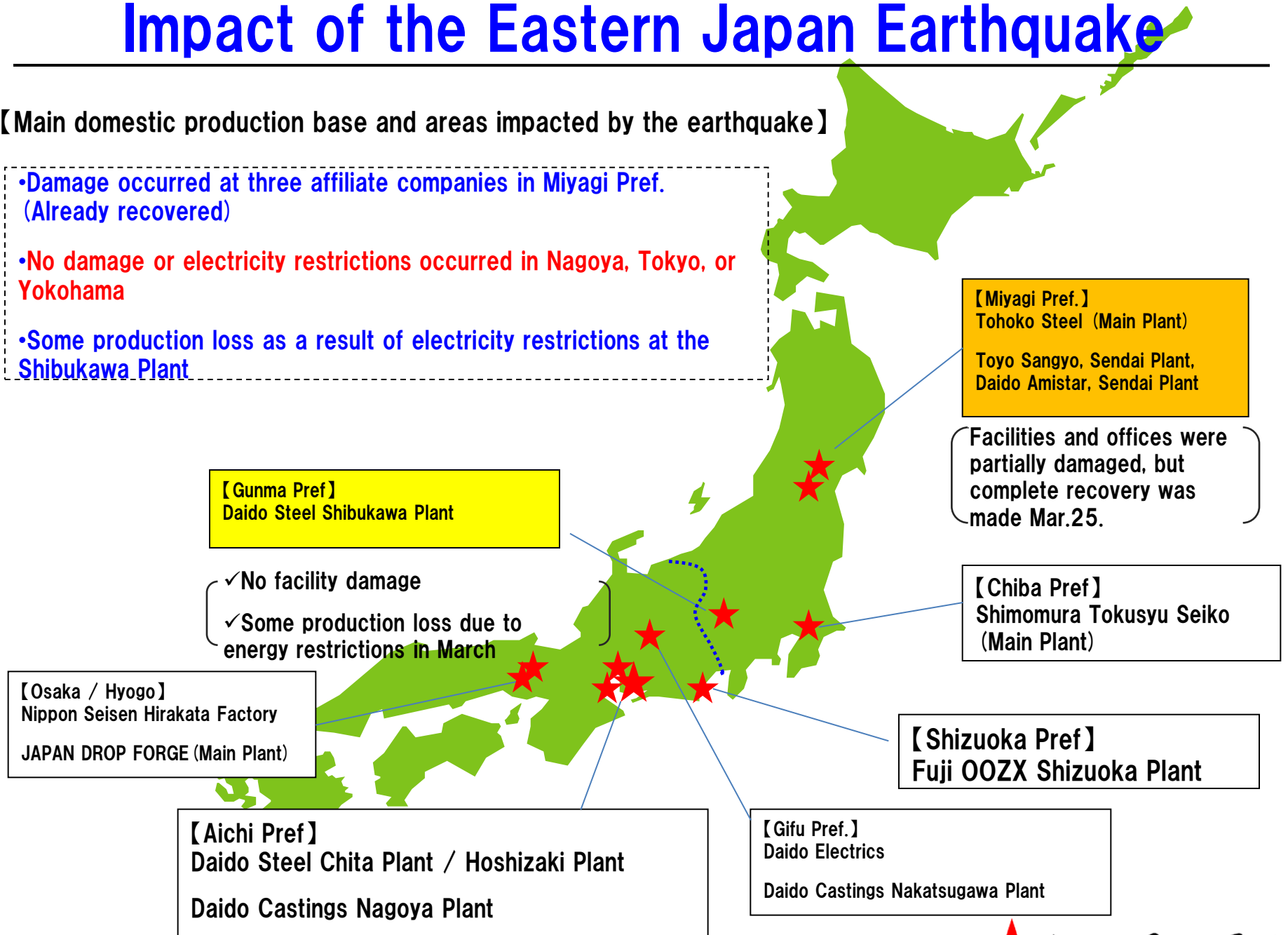


- No forecasts have been made for 2011
- When rational forecasts can be made, we will disclose them promptly

# Impact of the Eastern Japan Earthquake

## 【Main domestic production base and areas impacted by the earthquake】

- Damage occurred at three affiliate companies in Miyagi Pref. (Already recovered)
- No damage or electricity restrictions occurred in Nagoya, Tokyo, or Yokohama
- Some production loss as a result of electricity restrictions at the Shibukawa Plant

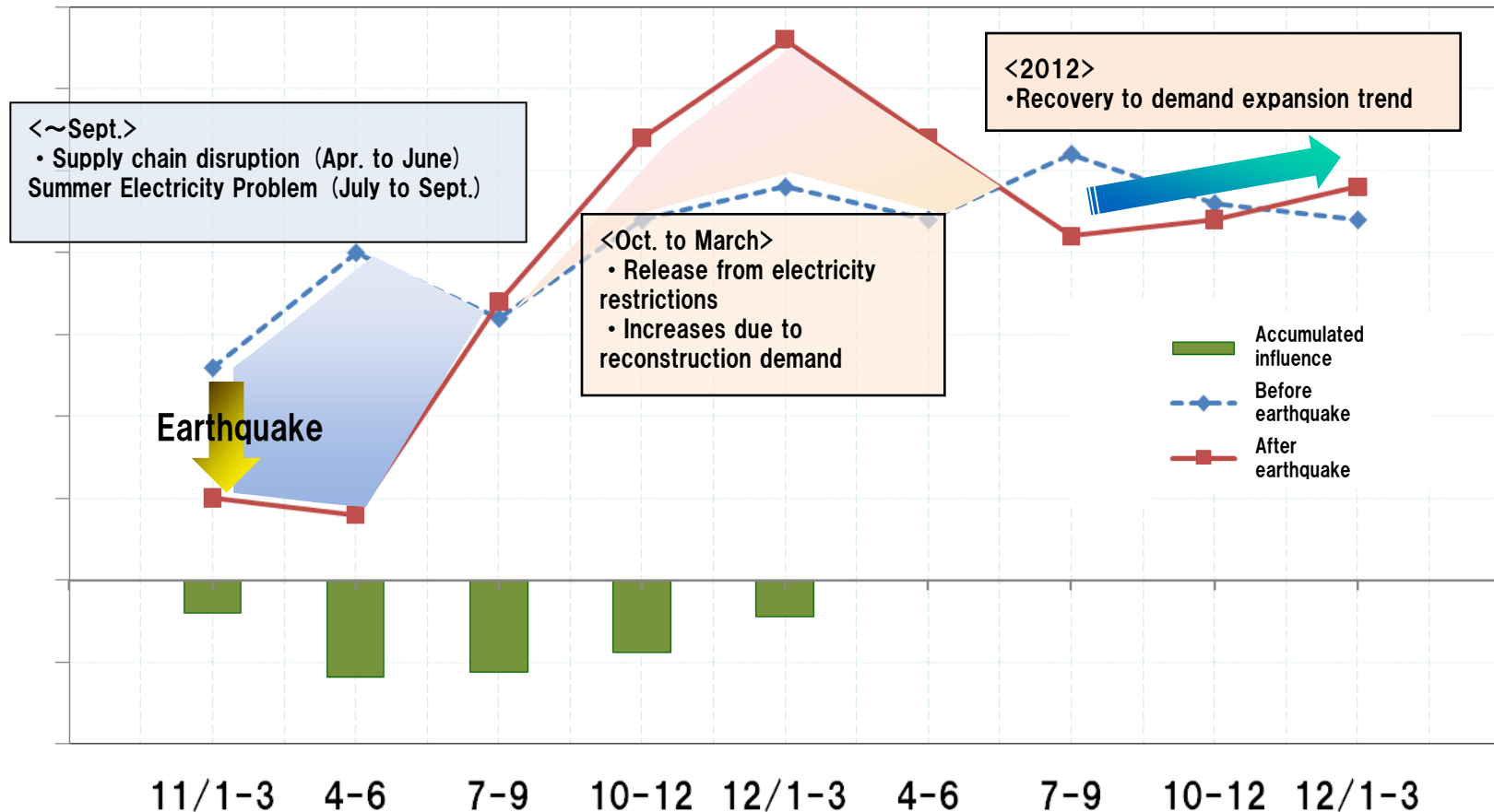


# Identifying Our Business Environment

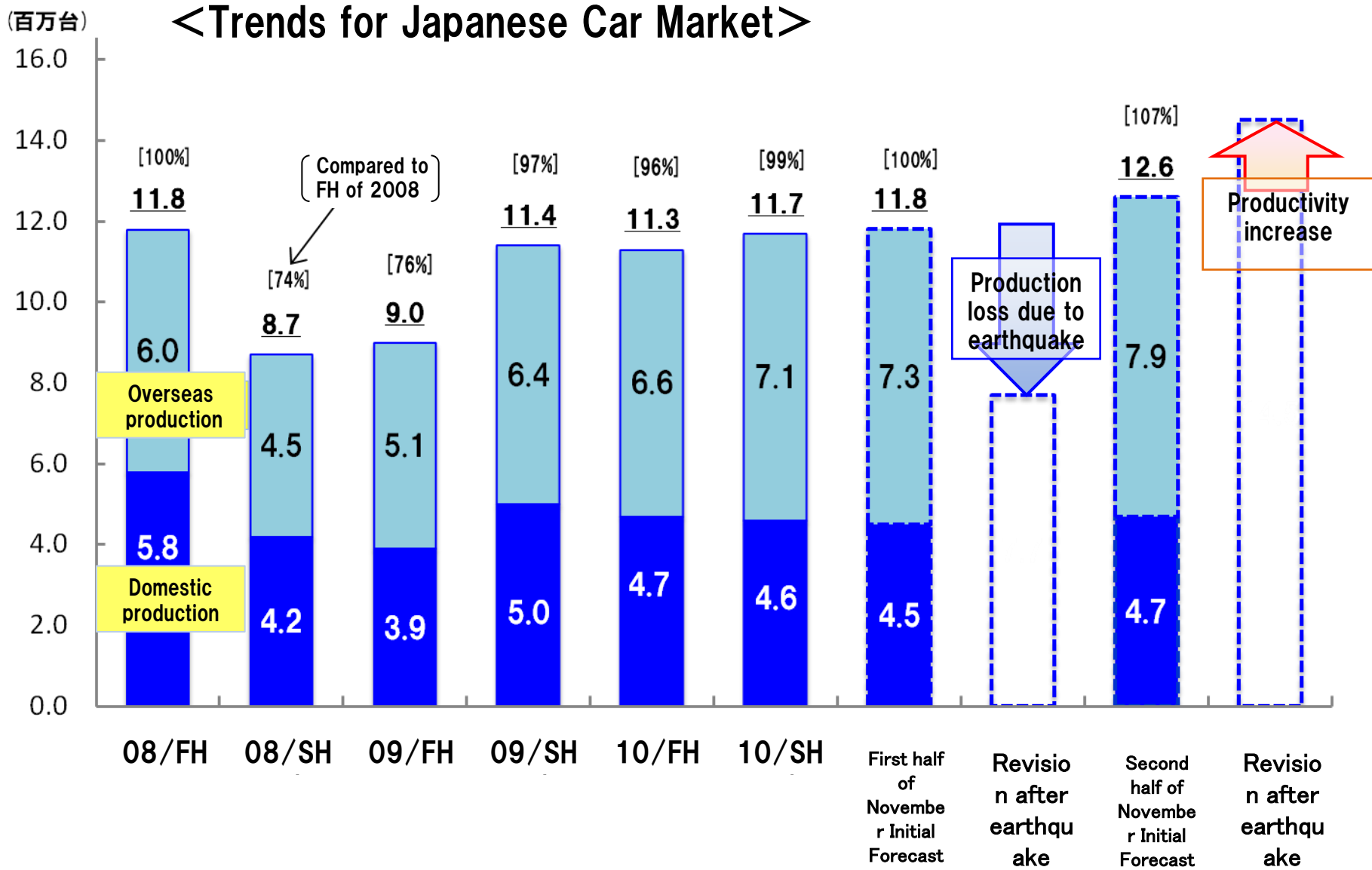
## ◀Near future business environment▶

◇Temporary work stoppages caused by the earthquake as well as recovery

<Expected GDP Growth(compred to previous term) >



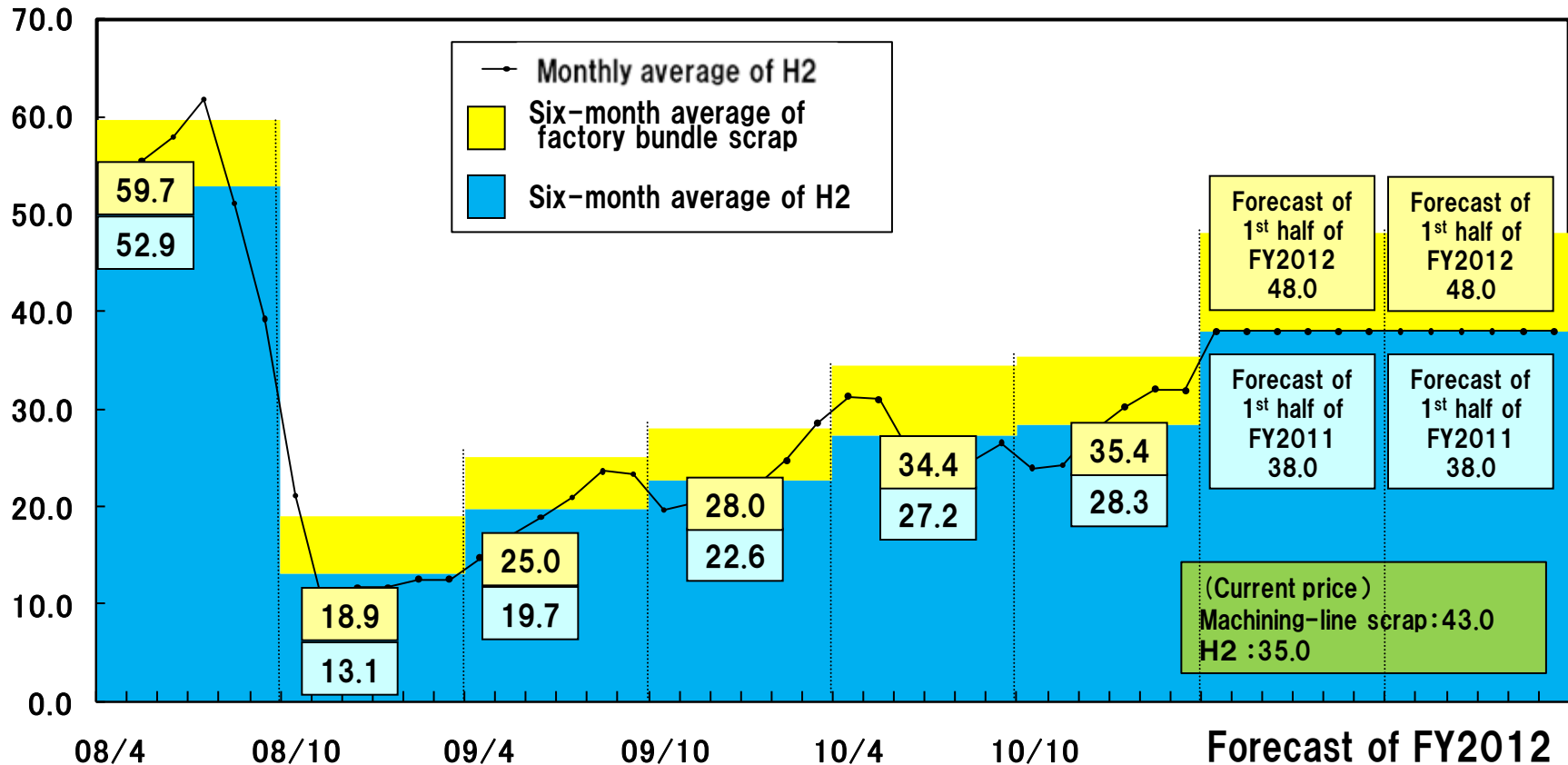
# Demand Situation



# Scrap Steel Prices

<H2 and Factory bundle scrap prices in Chubu area, Japan>

(¥thou./ton)



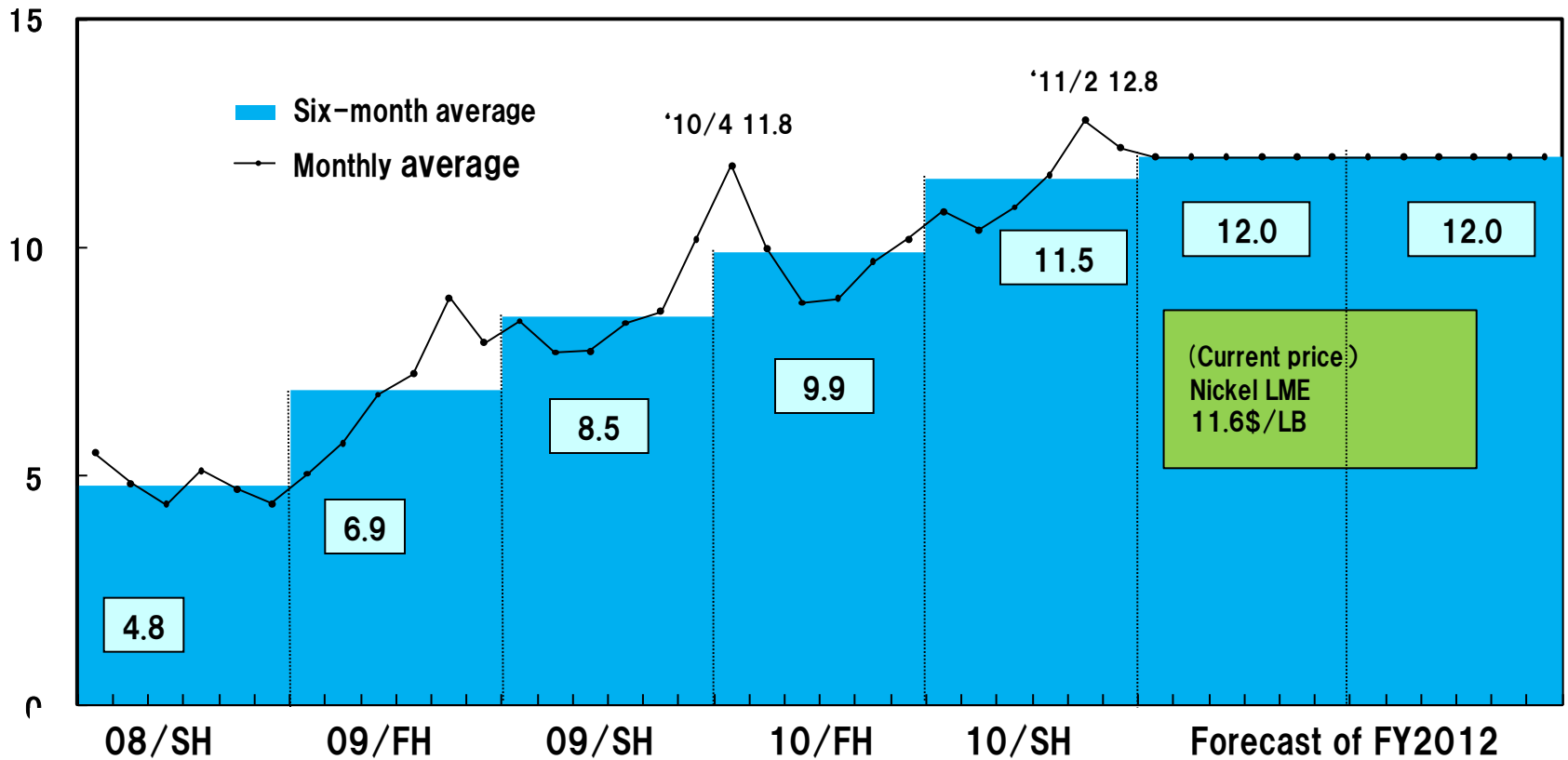
•With increasing steel prices, the FY2012 scrap steel price should continue to rise.

•With the stop of operations in auto industry in the near future, supply and demand for new machining-line scrap is expected to tighten.



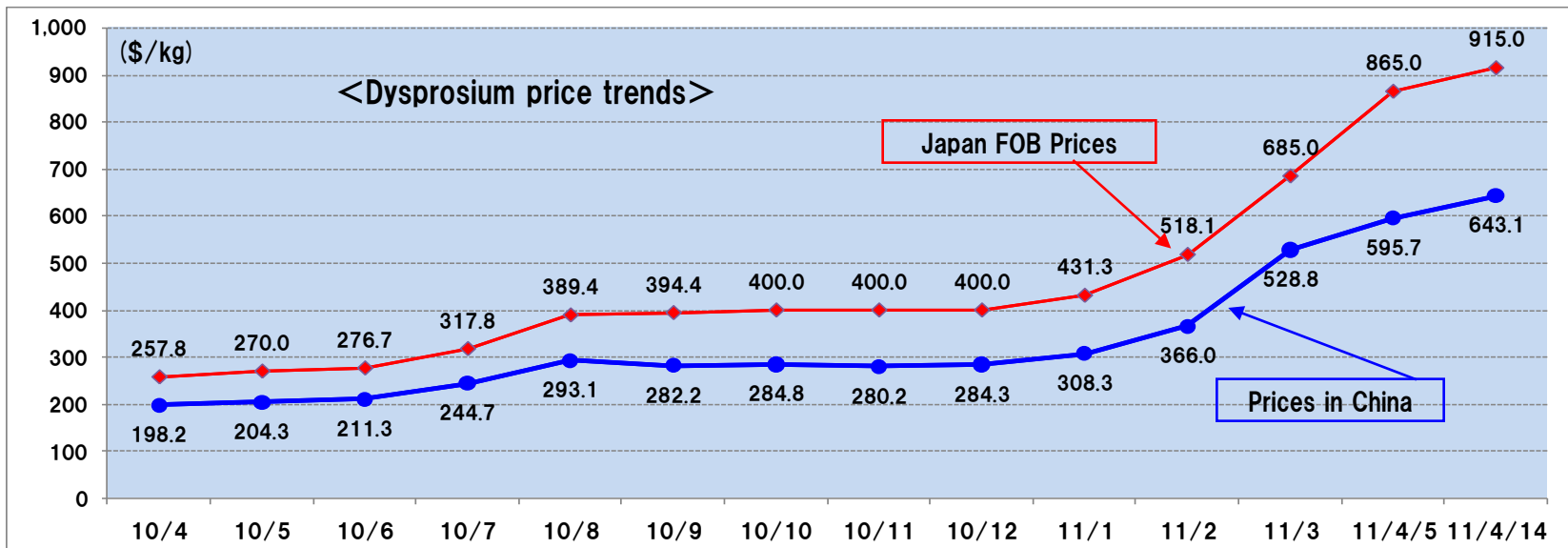
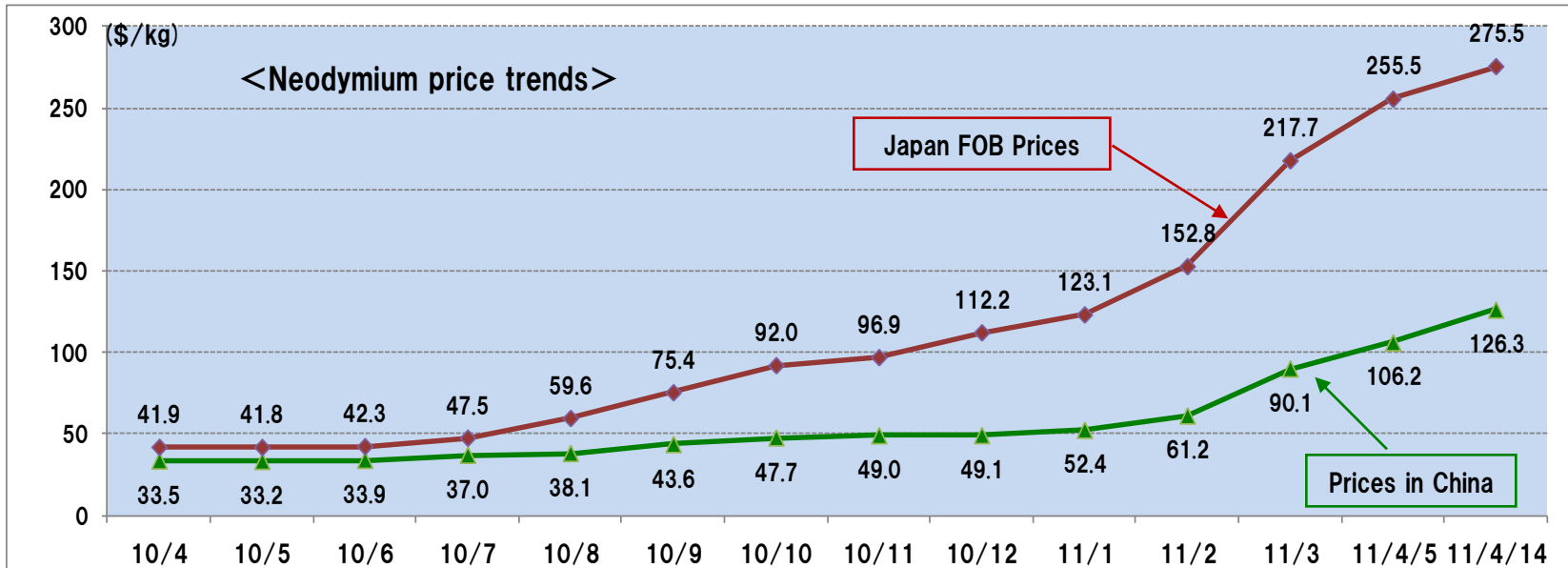
# Market Trend of Raw Materials (Nickel LME)

(\$/lb) <Nickel price LME>



- The nickel industry should continue to grow as the world's stainless steel industry continues to expand.
- Supply and demand relief is also expected in the latter half of the year through the development of steel mines. But the price would be kept in high level.

# Material Market(Rare Metal)



# Overview of Each Segments①

## Specialty Steel

- There are no operation restrictions on our production (Chubu areas)
- Due to some restrictions on our main users (supply chain disruptions, electricity restrictions, etc.), it is expected that the first half of FY2012 will continue to see decreases in production.

User	Overview of current situation
Car	Customer's decreased production caused acceptance delays
Bearing	Some production adjustment for car parts, but none for construction machine or others
Industrial machine	Minor influence
Stainless steel	Minor influence as of now in the IT & car industries but output cuts are expected.
Tool steel	Decreases for car companies domestically, but stable overseas.



- Restrictions for avoiding fixed cost increases and continuing of proper inventories
- **Concentration on responding to the operation recovery of customers**
- Advancement on mid-term issues such as global expansion and revamping of Chita plant.

# Overview of Each Segments ②

## Parts for Automobile & Industrial Equipment

- Reductions in car parts dealings (forged products, engine valves)
- Concerns about summer energy restrictions at the Shibukawa Factory
- No influence on turbo parts with regards to foreign demand

- Flexibly responding to increases and decreases in car parts among domestic makers
- Greatest response toward reconstruction demand such as gas turbines, etc. (Shibukawa plant)
- Strengthen turbo parts production capabilities (creation of a line specializing in turbo parts manufacturing)

## Electronic & Magnetic Materials, Engineering, and New Materials

- Little influence on demand and production
- Concerns about future car production decreases (high alloy bar and wire rods , soft magnetic powder)
- Increased prices in rare earth metal market

- Flexible response to user operations
- Enhancement of strategic products such as EPS magnets, etc.
- Responding to rare earth metal price increases (development of magnets with low dependency on rare earth materials)

# Advancement of Production Structure Reforms

## Background and Objectives

- Preservation of global cost competitiveness
- Focusing growing and new markets (energy, infrastructure, environment, IT, etc.)

## Concept

- Revision of company-wide production portfolios
- Realization of overwhelming cost competitiveness through Chita Plant strategic investments

### <Reforms at Kawasaki Plant>

- Rolling mill transfer (to Hoshizaki Plant) and establishment of specialty steel for high-grade processing center

### <Chita Plant Revamp Projects>

- Rationalizing steel making equipment layout
- Optimization of product portfolios at Chita and Shibukawa plants

### <Strengthening of Shibukawa Plant Competitiveness>

- Specialized in high-grade specialty steel production and marketing for expansion

Promoting by company-wide project team to realize those plans in the next mid-term management plan

# Acceleration of Global Development①

## China

### ★Establishment of Daido Steel (Shanghai) Co., Ltd.

- Market cultivation and sales promotion of specialty steel, forged products, heat treating furnaces, etc.
- Procurement of various materials for steel production.
- Chinese marketing support for all group companies

### ★Enhancement of Daido Electronics (Suzhou)

- Magnet manufacturing plant for EPS (electric power steering)
- Increase production
- Consolidated capacity from this year**

### ★Establishment of Fuji Valve (Guangdong) Corp.

- Establishment of new company to make engine valves (Fuji Oozx)

### ★Promotion of Sales Alliance with Timken Co.

- Sales promotion of high-grade steel for industrial uses
- Enhancement of applicable items and cost competitiveness

# Acceleration of Global Development②

## Southeast Asia

### ★ Tool Steel Sales Promotion in the ASEAN Market

- Thailand (DAIDO PDM (Thailand) CO., LTD.)  
Respond to demand increases through strengthening processing capacities
- Indonesia (PT. ASTRA DAIDO STEEL INDONESIA )  
Establishment of second factory (Feb. 2011)
- Malaysia (DAIDO AMISTAR(M) SDN. BHD.)  
Tool steel sales promotion through introducing heat treatment equipment

## India

### ★ Promotion of Alliance with SunFlag Co.

- Establishment of agreement for technical support (Nov. 2010)
- Promotion of cooperations as start of business developments in the India market

# Fact Book



# 1. Financial highlight

Consolidation

(¥100 mil.)

	03/3	04/3	05/3	06/3	07/3	08/3	09/3	10/3	11/3	08/9	09/9	10/9
Net sales	344,456	367,793	429,105	480,703	522,620	591,398	532,655	362,507	472,062	318,648	159,934	229,456
Operating income	6,324	9,616	21,456	37,542	31,700	38,441	9,115	▲14,050	32,730	13,599	▲17,015	16,316
Ordinary income	3,861	8,986	22,630	39,366	33,029	37,501	8,533	▲13,994	31,726	13,648	▲16,888	15,960
Net income	▲10,378	4,201	11,385	21,196	19,552	14,196	▲8,147	▲14,610	23,003	6,147	▲17,187	11,284
R & D expenses	4,003	2,961	3,094	3,574	4,313	4,447	4,244	3,909	4,253	2,223	1,911	2,042
Capital investment	13,300	9,200	13,600	25,900	24,200	20,800	13,400	7,900	18,900	11,200	3,700	9,200
Depreciation	17,127	16,520	16,328	16,067	16,544	19,586	21,809	20,303	20,072	11,011	10,071	9,871
Financial account balance	▲1,579	▲1,310	▲1,095	▲647	▲713	▲950	▲741	▲1,442	▲982	▲176	▲677	▲530
Total assets	399,441	427,393	436,335	476,816	525,569	559,278	496,411	464,629	491,721	570,399	453,231	479,697
Equity	124,148	132,880	144,267	172,647	187,839	188,090	166,235	159,301	178,348	189,891	153,776	165,466
Interest-bearing debt	161,602	177,851	159,648	152,387	172,732	180,295	207,123	173,790	157,445	190,076	183,848	172,045
Payroll number	9,659	9,513	9,992	10,231	10,664	11,131	10,212	10,414	10,272	11,418	10,661	10,406
ROA(%)	1.0	2.2	5.2	8.6	6.6	6.9	1.6	▲2.9	6.6	4.8	▲7.1	6.8
ROE(%)	-	3.3	8.2	13.4	10.8	7.6	▲4.6	▲9.0	13.6	6.5	▲21.5	13.9
Consolidated subsidiary number	28	28	32	31	32	32	32	32	32	32	32	32
(Equity method affiliate number is excluded from the above.)	( 7)	( 8)	( 8)	( 8)	( 8)	( 6)	( 6)	( 6)	( 6)	( 6)	( 6)	( 6)
Ratio of the consolidated to the non-consolidated												
Net sales	1.7	1.7	1.7	1.6	1.6	1.5	1.5	1.7	1.6			
Ordinary income	-	3.8	2.4	1.9	2.1	2.0	7.4	-	1.7			
Net income	-	1.4	2.3	1.3	1.8	0.7	-	-	1.3			

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

## 2. Net Sales and Operating Income by Segment

Consolidation

(¥100 mil.)

		03/3	04/3	05/3	06/3	07/3	08/3	09/3	10/3	11/3	08/4-9	08/10-3	09/4-9	09/10-3	10/4-9	10/10-3
Specialty Steel	Net Sales	1,813	1,975	2,314	2,656	2,877	3,296	3,069	2,070	2,869	1,906	1,163	857	1,213	1,404	1,465
	Operating Income	32	52	99	193	117	114	8	▲ 108	210	44	▲ 36	▲ 128	20	106	104
Electronic & Magnetic Materials	Net Sales	387	430	507	517	645	792	647	347	399	385	262	149	198	192	207
	Operating Income	4	▲ 4	20	30	34	58	▲ 6	▲ 33	18	19	▲ 25	▲ 18	▲ 15	11	7
Parts for Automobile & Industrial Equipment	Net Sales	762	827	930	1,041	1,070	1,159	1,041	777	1,025	607	434	352	425	499	526
	Operating Income	22	31	69	109	105	134	46	▲ 3	65	47	▲ 1	▲ 23	20	32	33
Engineering	Net Sales	293	250	307	339	372	411	366	261	238	171	195	150	111	108	130
	Operating Income	▲ 3	3	8	17	23	29	27	20	16	10	17	13	7	8	8
New Materials	Net Sales	57	58	82	115	139	156	104	68	96	64	40	30	38	46	50
	Operating Income	▲ 1	5	7	10	23	35	4	▲ 27	6	9	▲ 5	▲ 20	▲ 7	0	6
Trading & Service	Net Sales	133	138	151	139	123	100	100	102	94	53	47	61	41	46	48
	Operating Income	9	9	12	16	15	14	12	10	12	7	5	6	4	6	6
Total	Net Sales	3,445	3,678	4,291	4,807	5,226	5,914	5,327	3,625	4,721	3,186	2,141	1,599	2,026	2,295	2,426
	Operating Income	63	96	215	375	317	384	91	▲ 141	327	136	▲ 45	▲ 170	29	163	164

※2010/3, 2009/4-9、2009/10-3: We have reclassified some proven display, Segment of 「Electronic & Magnetic Materials」 and 「Automobile & Industrial Equipment」

### 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/ recycling of waste and by-products from steel-making-process
	Daido Technica Co., Ltd.	Seam-removing, maintenance, processing of steel
	Sakurai Kosan Co., Ltd. *	Heat treatment works, surface treatment
	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 (in Taiwan)
	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.	Heat treatment, processing, sales of die products / Sales of die materials (in Thailand)	
Electronic magnetic materials	Daido Electronics Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts
	Daido Electronics (Thailand) Co., Ltd.	Production, processing 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 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
		travel agent, printing
	Life Support., Ltd.	Cleaning, security, food-service operating, management of facility, tree-planting, labor dispatch service
	Kisokomakogen Kankokaiatsu 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.