

Fiscal Year 2017 (Apr. 1 / 2017 – Mar. 31 / 2018) Results Briefing

Apr. 27th 2018



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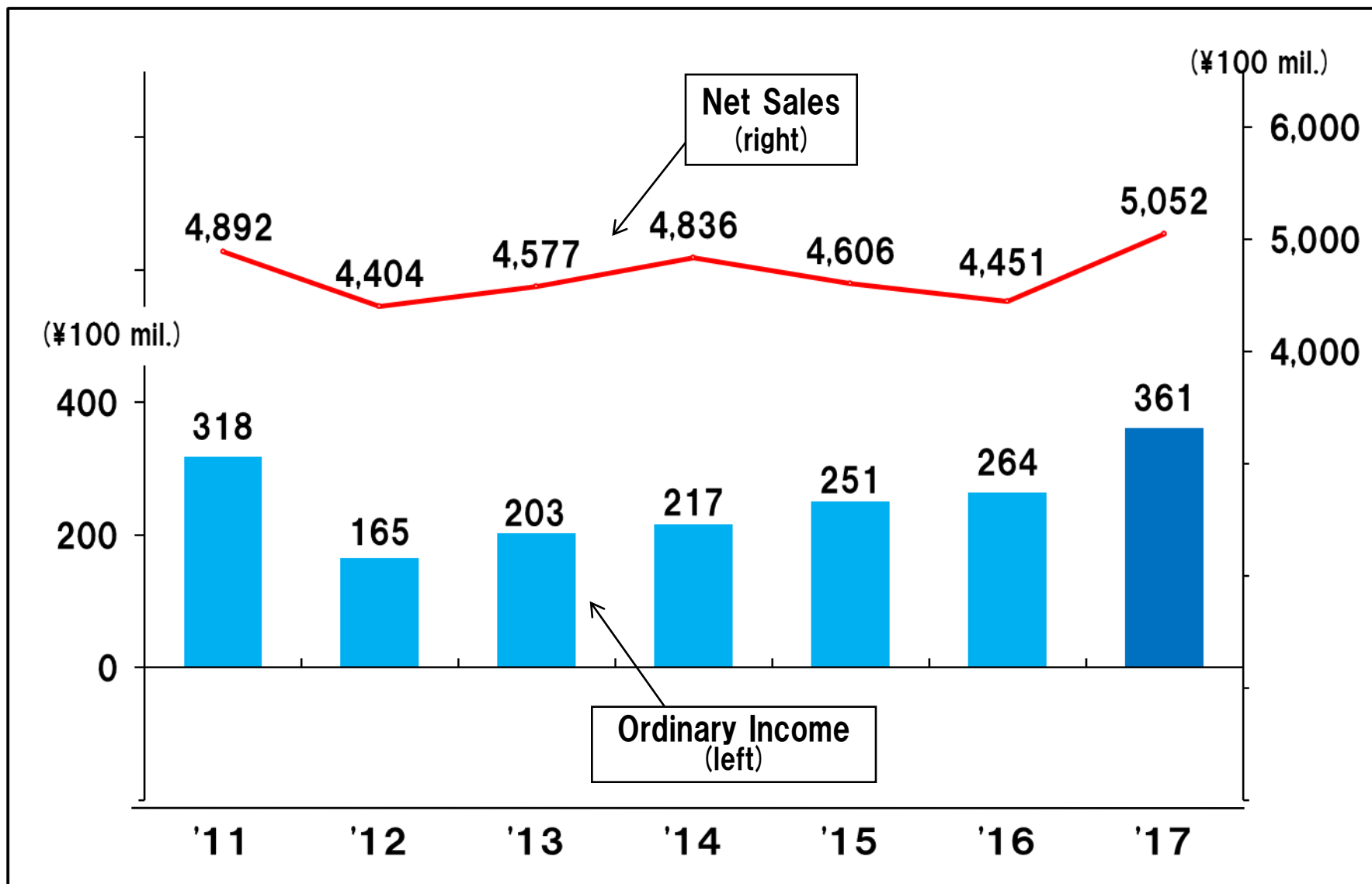
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FY2017 Results

(Apr.1/2017–Mar.31/2018)

Net Sales & Ordinary Income (FY2017 Results)

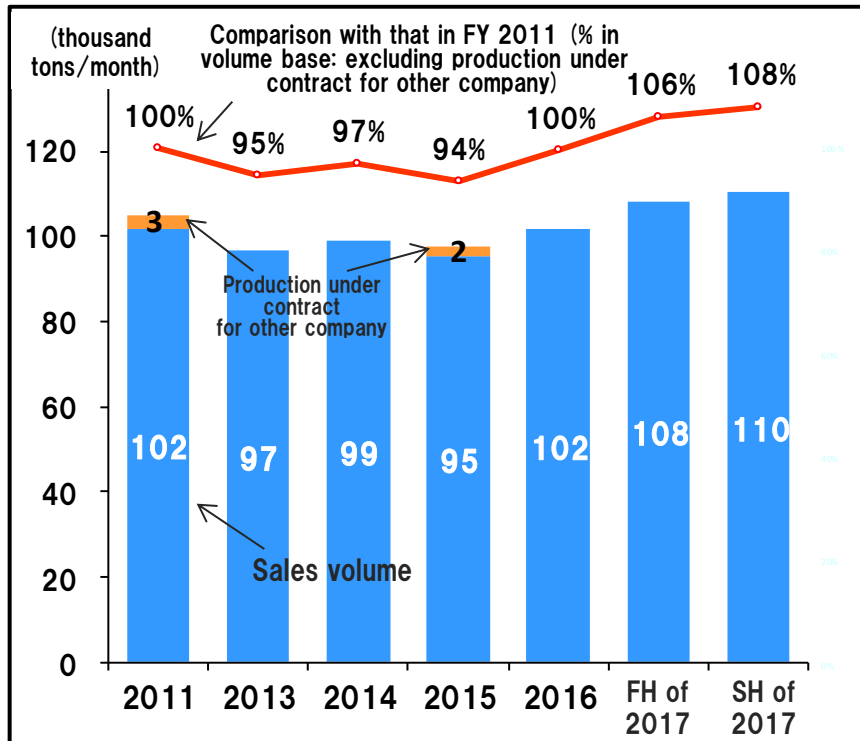


Overview of our major products in FY2017 ①

Specialty steel

<Demand environment>

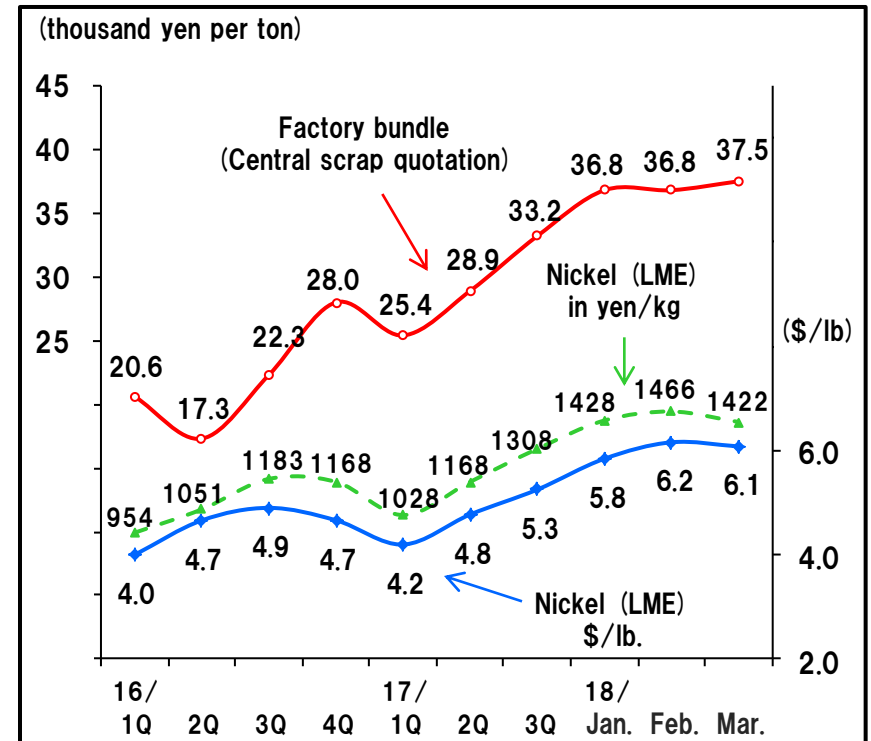
Specialty steel sales volume (non-consolidated)



- Demand for specialty steel has been strong in the automobile, construction and industrial machine industries. Demand for semiconductor manufacturing equipment has been also strong.

<Market conditions of raw materials>

Changes in scrap iron and nickel prices

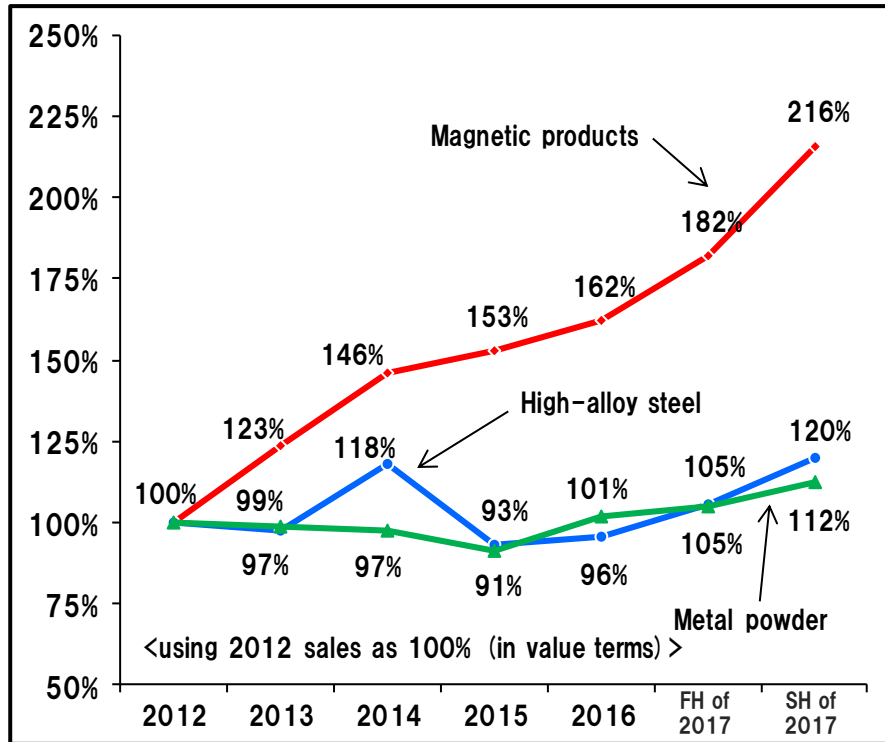


- Scrap iron: Domestic demand has increased and the price has kept high due to the effects of market conditions in China.
- Nickel: The price has been rising due to increased demand for stainless steel and EV batteries.

Overview of our major products in FY2017 ②

High-performance and magnetic materials

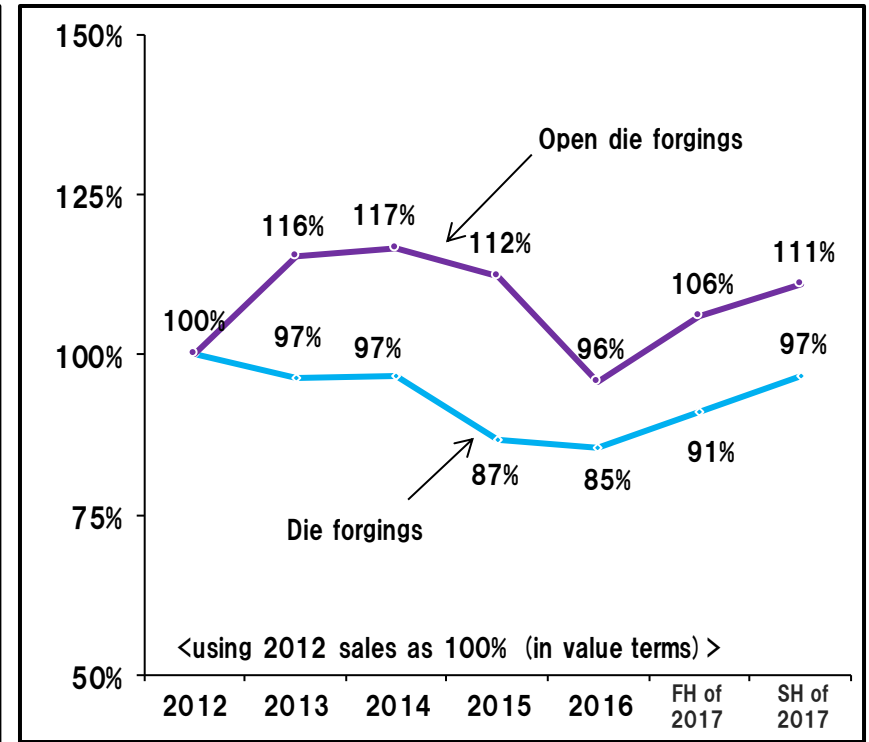
<High-alloy, magnetic products and metal powder>



- Magnetic products: Sales has been increasing for automotive parts (EPS and traction motors).
- Metal powder: Sales increased due to price rise.
- High-alloy: Sales has been strong in the automobile field.

Parts for automobile and industrial equipment

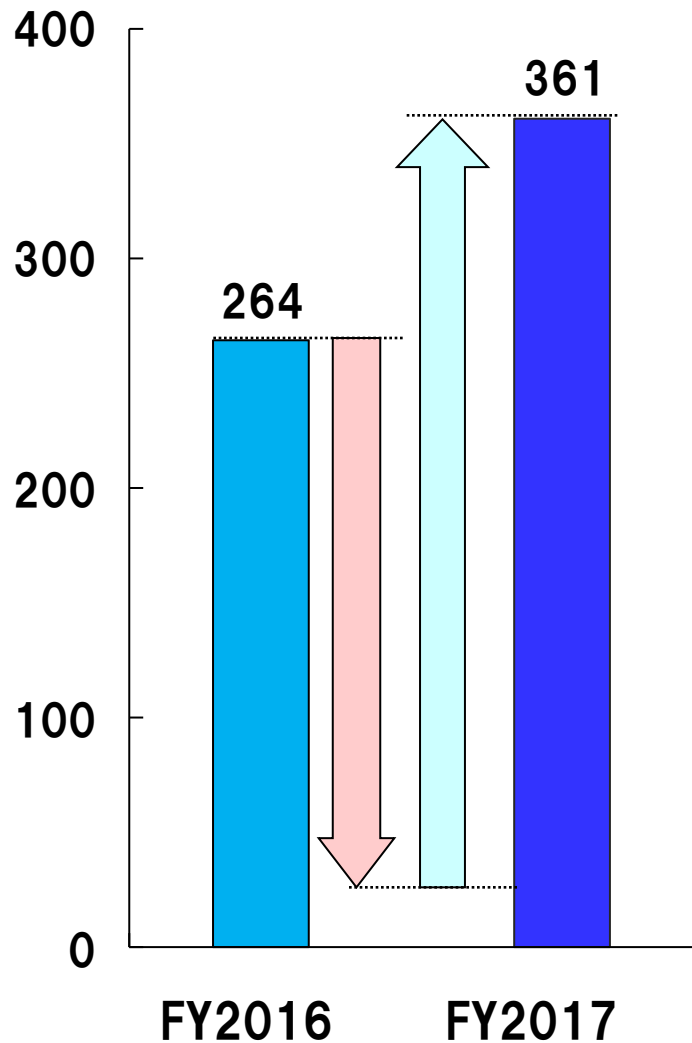
<Die forging and open die forging>



- Open die forging: Aircraft-related demand has been solid and semiconductor-related sales has increased.
- Die forging: Automobile-related demand has been recovering.

FY2017 Changes in Ordinary Income (y/y)

(¥100 mil.)



(¥100 mil.)

FY2016 Ordinary Income		264	
Changes (y/y)	Operating Income / Loss	Raw material/Fuel price	-217
		Sales volume	87
		Sales price	167
		Sales mix	62
		Variable cost	14
		Fixed cost	-6
		Subtotal	-223
	Non-operating Income	-10	
FY2017 Ordinary Income		361 (+97)	

FY2017 Net Sales & Operating Income by Segment (y/y)

(¥100 mil.)

		FY2016 Results (A)	FY2017 Results (B)	y / y (B) - (A)
Specialty Steel	Net Sales	1,646	1,890	244
	Operating Income	58	65	7
High Performance Materials & Magnetic Materials	Net Sales	1,485	1,708	223
	Operating Income	174	222	48
Parts for Automobile & Industrial Equipment	Net Sales	975	1,063	88
	Operating Income	▲ 5	30	35
Engineering	Net Sales	239	249	10
	Operating Income	12	18	6
Trading & Service	Net Sales	106	142	36
	Operating Income	16	27	11
Total	Net Sales	4,451	5,052	601
	Operating Income	255	362	107

Sales volume of specialty steel 1,219 thou.t 1,311 thou.t 92 thou.t

FY2017 Changes in Operating Income of Major Segment (y/y)

(¥100 mil.)

Segment			Specialty Steel	High Performance Materials & Magnetic Materials	Parts for Automobile & Industrial Equipment	Engineering
FY2016 Operating Income			58	174	▲5	12
Changes (y/y)	Operating Income / Loss	Raw material/Fuel price	-154	-48	-15	
		Sales volume		33	19	
		Sales price		106	11	
		Sales mix		23	11	6
		Variable cost		4	5	
		Fixed cost	-5	-5	4	
		Subtotal	-159	166	50	6
FY2017 Operating Income			65 (+7)	222 (+48)	30 (+35)	18 (+6)

FY2017 Extraordinary Income /Loss • Net income

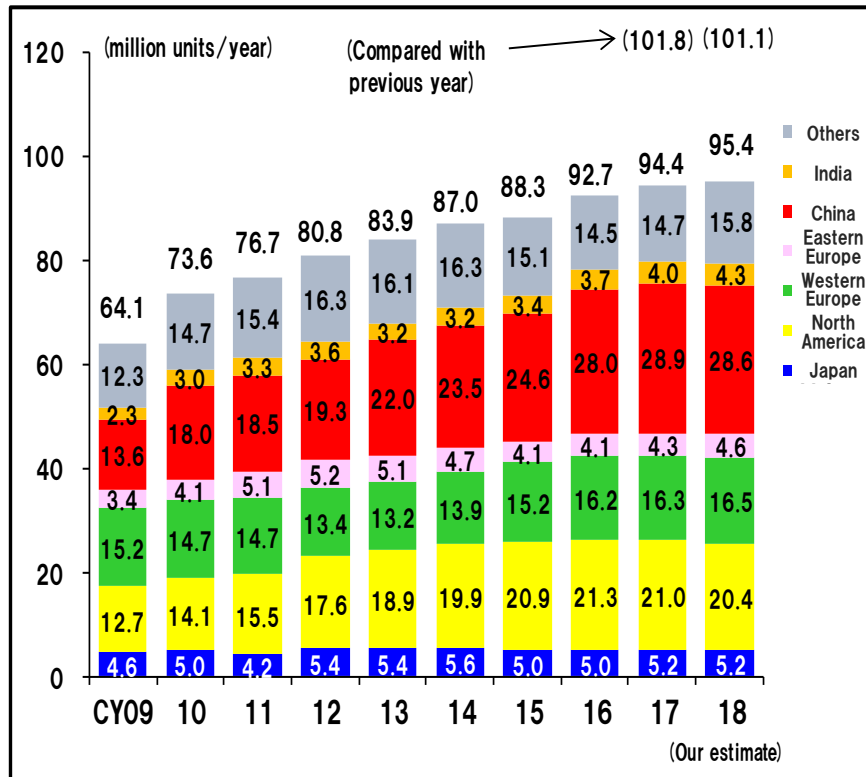
FY2017 Ordinary income	361
Extraordinary income / loss	7
Income taxes and profit attributable to non-controlling interests	▲129
FY2017 Net income that is profit attributable to owners of parent	239

Annual Plan for FY2018

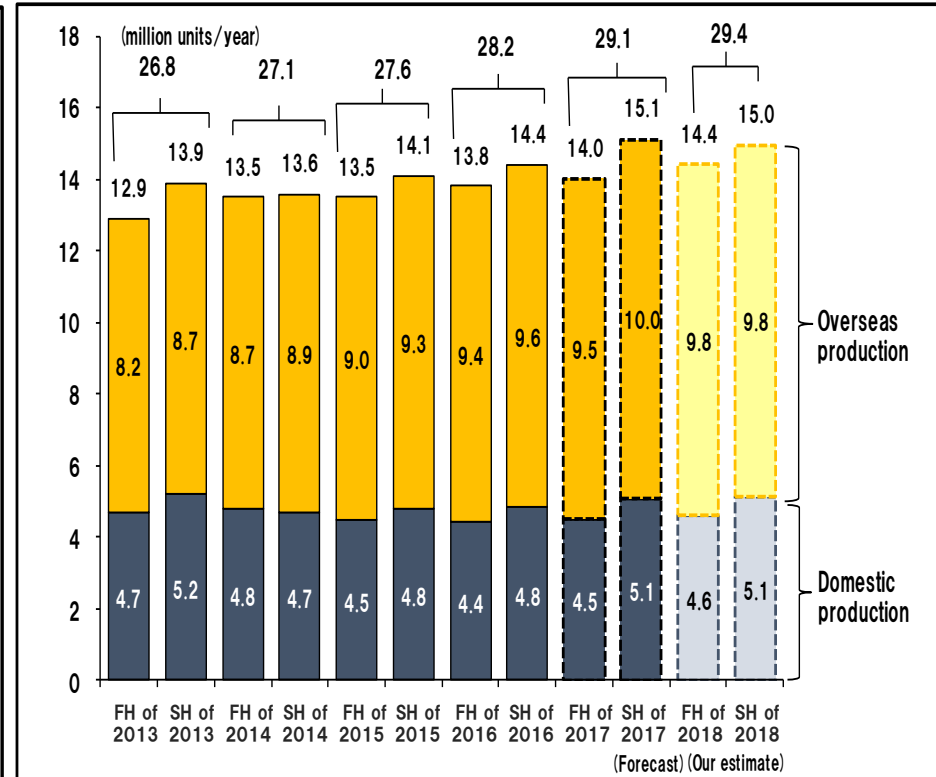
Outlook for the major markets <Automobiles>

Automobile-related demand

<Estimated global demand for automobiles>



<Prospective car production by Japanese car manufacturers>



➤ Global demand: Overall demand is expected to be strong.

➤ Production by Japanese car manufacturers: Production is expected to increase in line with global demand, taking advantage of their ability to produce sought-after SUVs and environment-friendly vehicles.

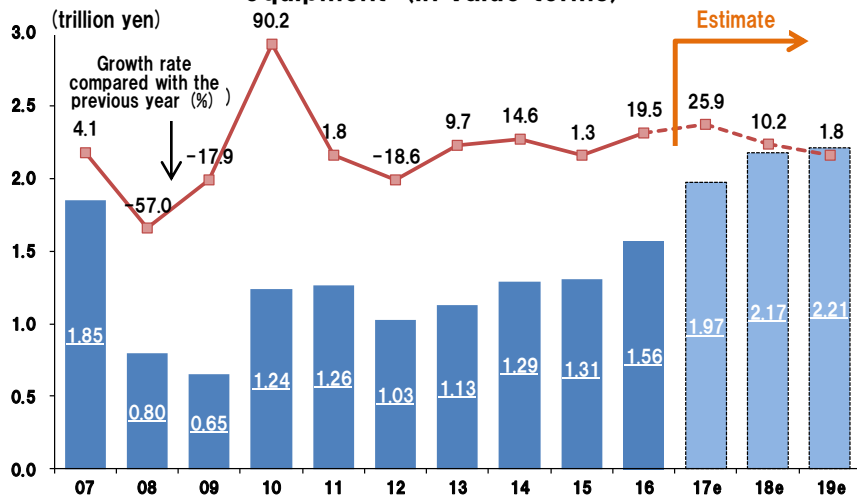
Outlook for the major markets <Industrial machines>

Industrial machine-related demand

[Domestic market]

- Production will increase in a variety of industries, including construction equipment and industrial machinery, as well as automobiles, due to moderate economic recovery in Japan and abroad.
 - Semiconductor-related demand for industrial machinery will keep strong because of increased demand of semiconductors for smartphones and data centers.
- Domestic demand of specialty steel will keep high level for construction equipment, industrial machines and semiconductor-manufacturing equipment, in addition to automobile industry.

Estimated demand for semiconductor-manufacturing equipment (in value terms)



Source: Demand Outlook by the Semiconductor Equipment Association of Japan (Jan. 2018)

Global GDP forecast

(Compared with the previous year)

	CY17	CY18	CY19
Worldwide	3.7	3.9	3.9
Advanced countries	2.3	2.3	2.2
U.S.	2.3	2.7	2.5
Japan	1.8	1.2	0.9
Europe			
Euro-zone	2.4	2.2	2.0
U.K.	1.7	1.5	1.5
Emerging countries	4.7	4.9	5.0
Asia			
China	6.8	6.6	6.4
India	6.7	7.4	7.8
ASEAN-5	5.3	5.3	5.3
Other			
Russia	1.8	1.7	1.5
Brazil	1.1	1.9	2.1
Middle East and North Africa	2.5	3.6	3.5

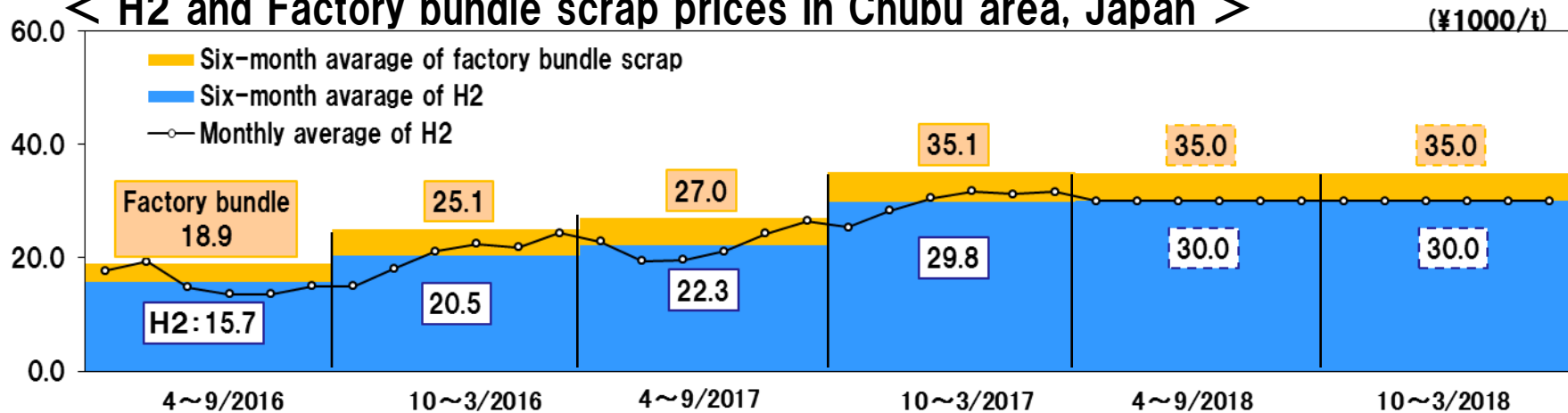
Source: IMF World Economic Outlook (Jan. 2018)

[Overseas markets]

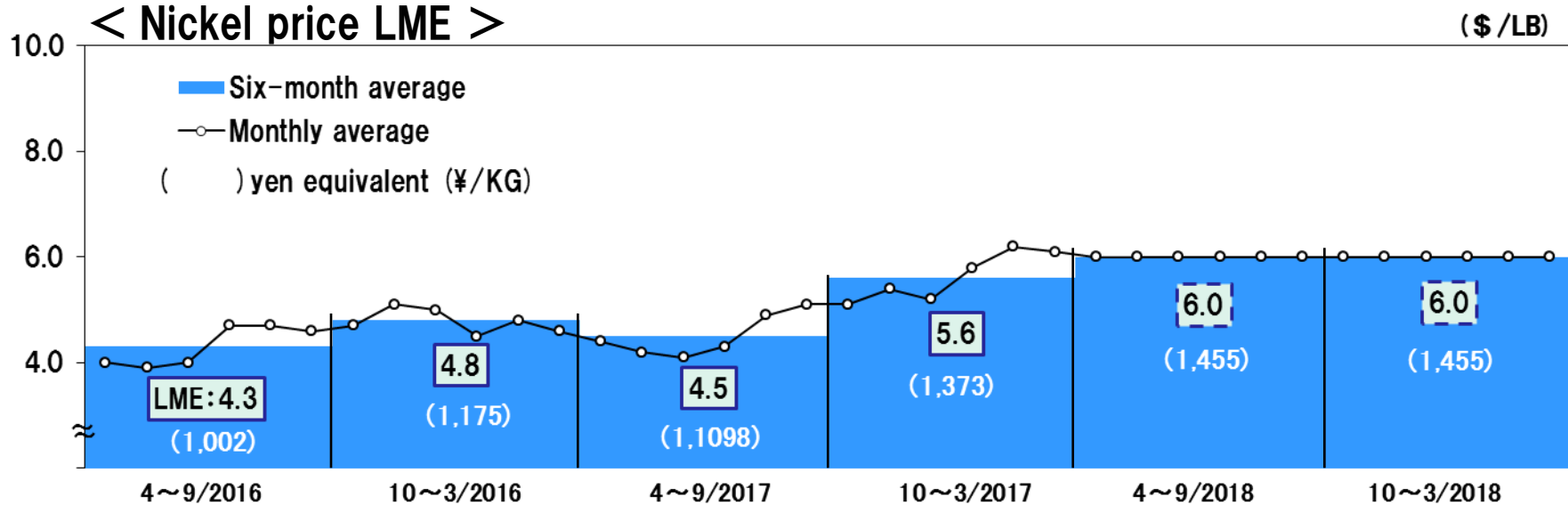
- The U.S. economy is expected to expand due to strong corporate earnings, solid consumer spending and the effect of tax cuts.
 - The Chinese economy will continue to grow at a rate of 6 percent a year while maintaining a stable financial system, although stronger pressure will be applied to suppress the rise of real-estate prices and adjust excess production capacity.
- There are concerns about the advent of protectionist policies and geopolitical risks.

Market Trend of Raw Materials (Scrap Steel and Nickel)

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

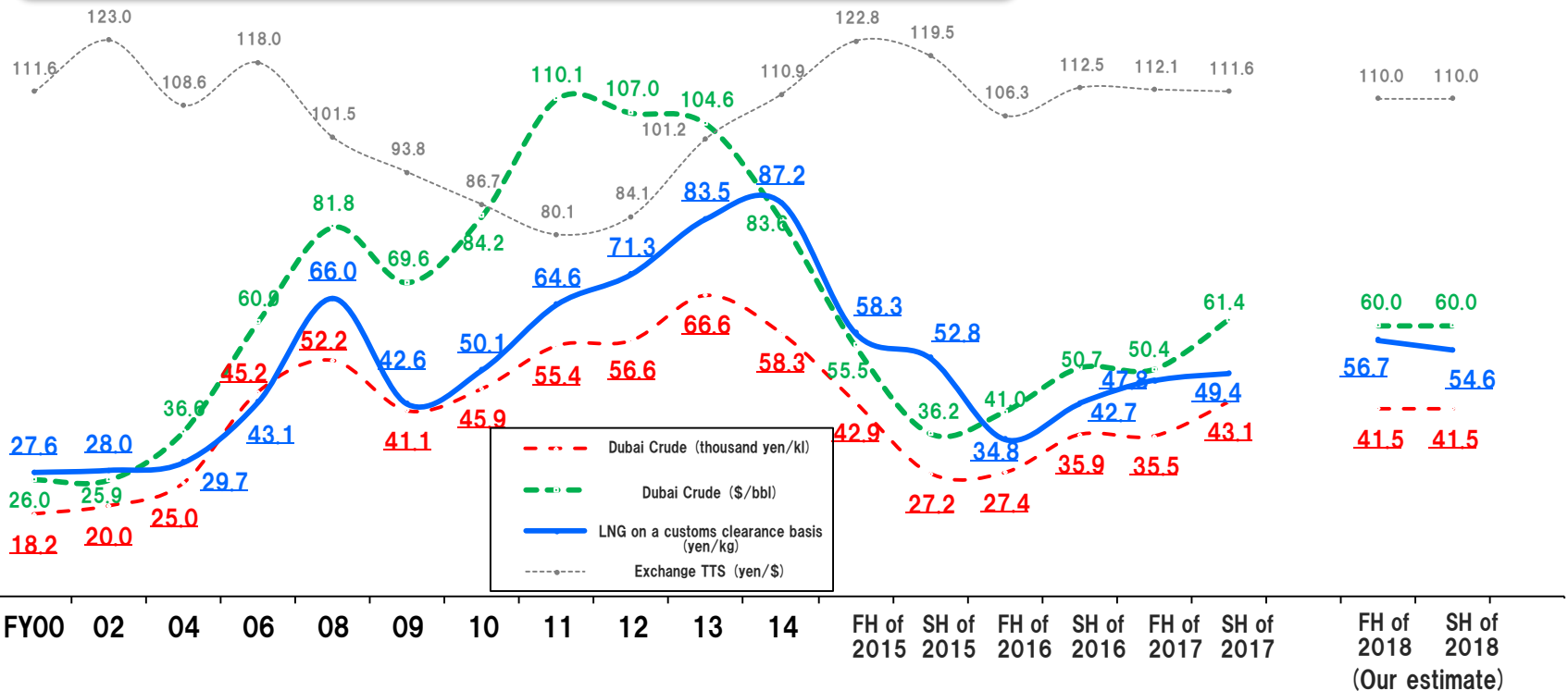


< Nickel price LME >



Fuel market condition (Crude oil)

Changes in crude oil and LNG prices (in yen)

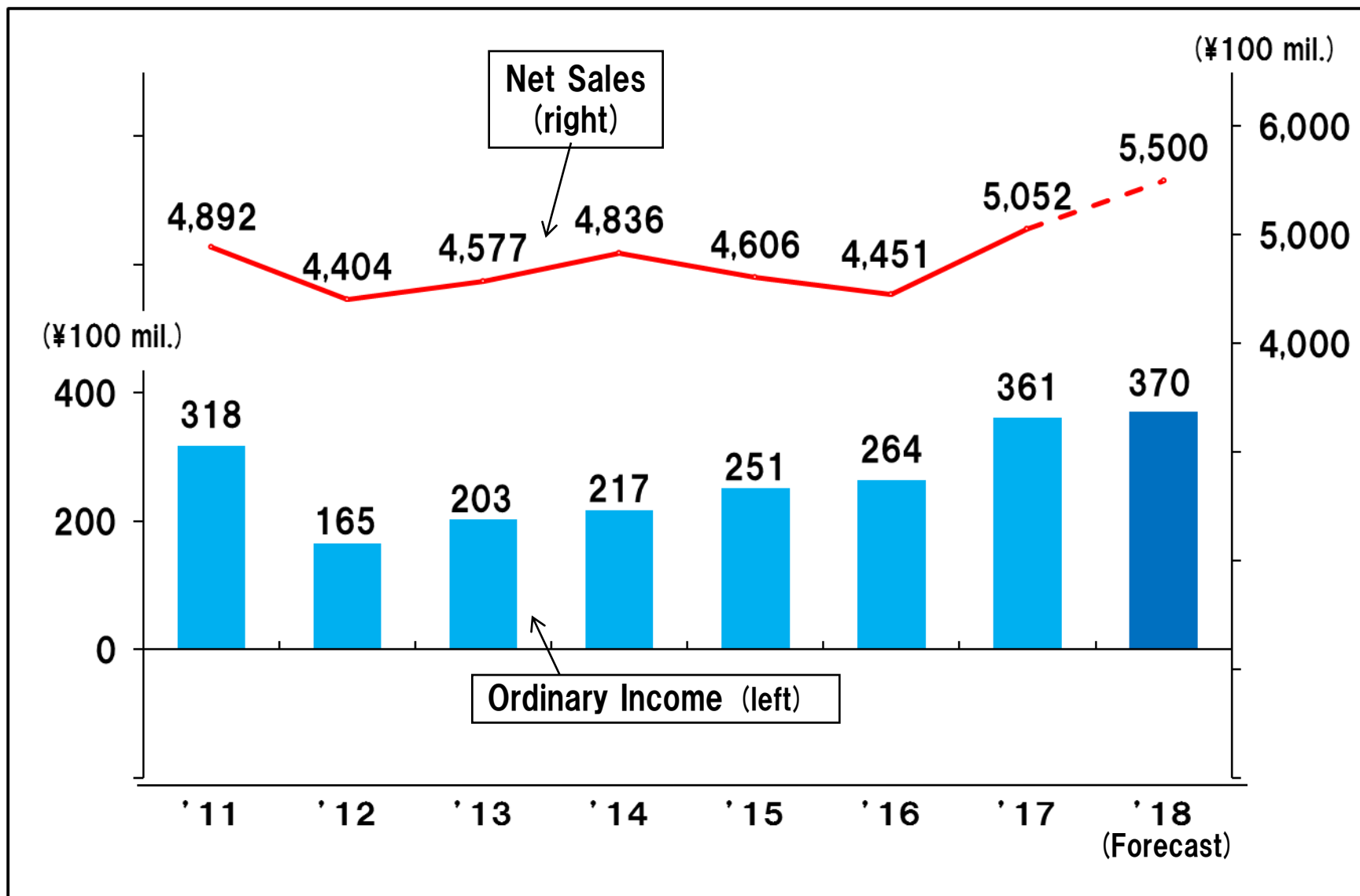


➤ Crude oil and LNG prices are expected to be at the same levels as during the second half of fiscal 2017, because anticipated tight supply–demand conditions caused by OPEC’s coordinated oil production cuts will be offset by an increase in the production of shale oil in the U.S.

Premises of Profit Planning for FY2018 (Market Trend)

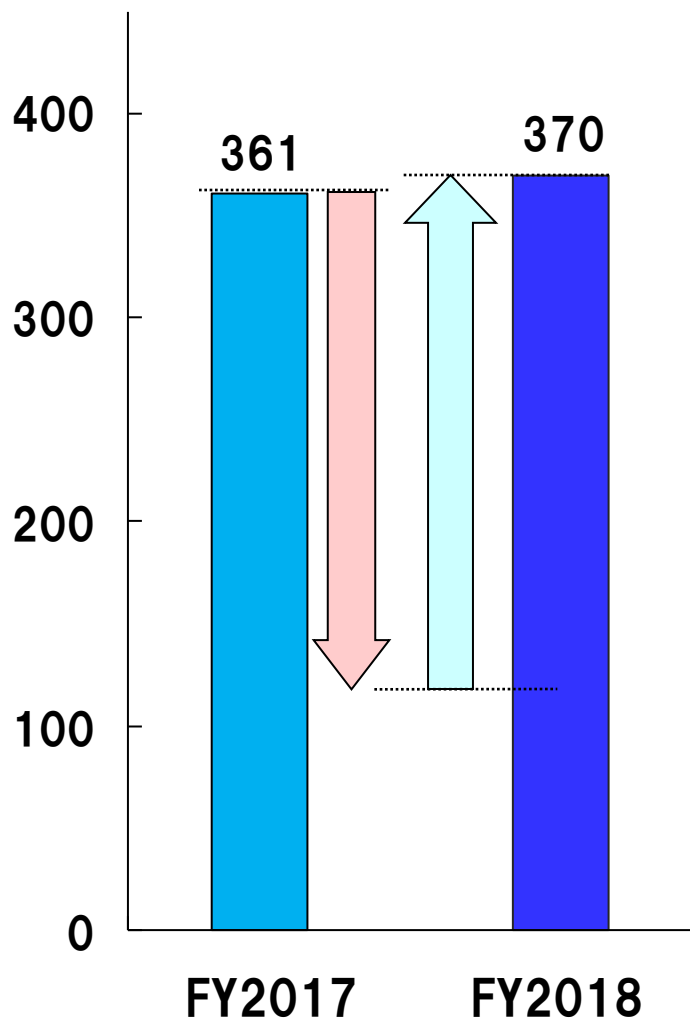
	UNIT	FY2017 Results	FY2018 Premises of plan (Previous year difference)
Scrap steel Upper:H2 Lower:Factory bundle	¥thou./t	26.1	30.0 (+3.9)
		31.1	35.0 (+3.9)
Nickel (LME)	\$/LB	5.1	6.0 (+0.9)
Molybdenum (MD)	\$/LB	9.4	12.0 (+2.6)
Crude oil (Dubai)	\$/B	55.9	60.0 (+4.1)
Exchange rate (TTM)	¥/\$	110.9	110.0 (-0.9)

Net Sales & Ordinary Income (Forecast for FY2018)



FY2018 Changes in Ordinary Income (y/y)

(¥100 mil.)



(¥100 mil.)

FY2017 Ordinary Income		361	
Changes (y/y)	Operating Income / Loss	Raw material/Fuel price	-228
		Sales volume	54
		Sales price	179
		Sales mix	9
		Variable cost	16
		Fixed cost	-27
		Subtotal	-255
	Non-operating Income	6	
FY2018 Ordinary Income		370 (+9)	

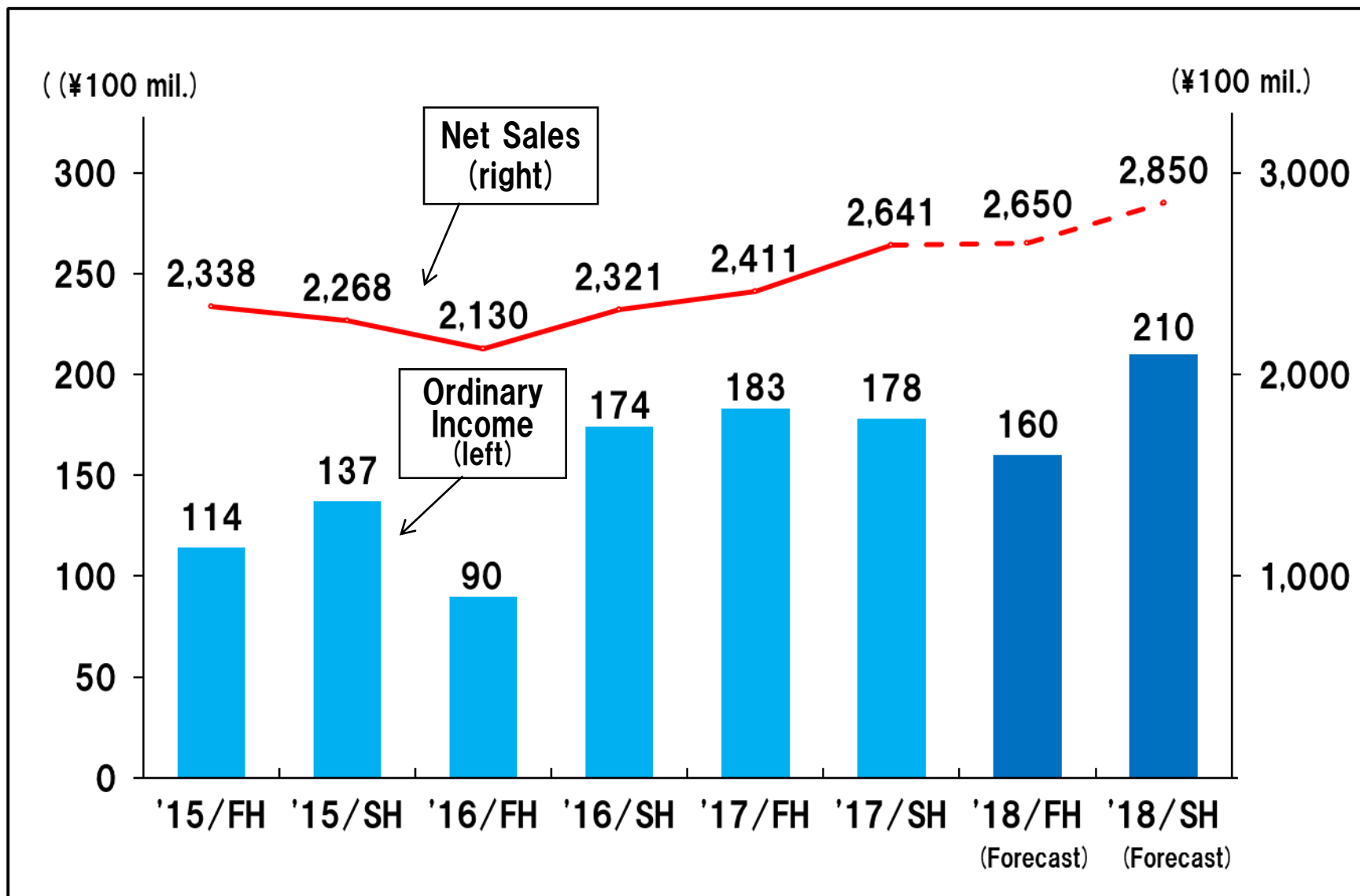
FY2018 Net Sales & Operating Income by Segment (y/y)

(¥100 mil.)

		FY2017 Results (A)	FY2018 Forecast (B)	y / y (B) - (A)
Specialty Steel	Net Sales	1,890	2,020	130
	Operating Income	65	45	-20
High Performance Materials & Magnetic Materials	Net Sales	1,708	1,900	192
	Operating Income	222	245	23
Parts for Automobile & Industrial Equipment	Net Sales	1,063	1,160	97
	Operating Income	30	35	5
Engineering	Net Sales	249	265	16
	Operating Income	18	15	-3
Trading & Service	Net Sales	142	155	13
	Operating Income	27	25	-2
Total	Net Sales	5,052	5,500	448
	Operating Income	362	365	3

Sales volume of specialty steel 1,311 thou.t 1,337 thou.t 26 thou.t

Net Sales & Ordinary Income (Interim)



FY2018 Net Sales & Operating Income by Segment (6 months)

(¥100 mil.)

		FY2018		
		4-9/2018 Forecast	10/2018- 3/2019 Forecast	Full year Plan
Specialty Steel	Net Sales	980	1,040	2,020
	Operating Income	15	30	45
High Performance Materials & Magnetic Materials	Net Sales	910	990	1,900
	Operating Income	115	130	245
Parts for Automobile & Industrial Equipment	Net Sales	560	600	1,160
	Operating Income	8	27	35
Engineering	Net Sales	125	140	265
	Operating Income	5	10	15
Trading & Service	Net Sales	75	80	155
	Operating Income	12	13	25
Total	Net Sales	2,650	2,850	5,500
	Operating Income	155	210	365

Sales volume of specialty steel

663 thou.t 674 thou.t 1,337 thou.t

FY2018 Extraordinary profit and loss • Net income

(¥100 mil.)

FY2018 Ordinary income	370
Extraordinary profit / loss	—
Income taxes and profit attributable to non-controlling interests	▲130
FY2018 Net income that is profit attributable to owners of parent	240

FY2018 Dividend per share

	FY2017		FY2018	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	183	361	160	370
Net income (¥100 mil.)	119	239	100	240
Dividend per share (※) (¥/Share)	6.0	Interim 6.0	65.0	130.0
		Year-end 60.0		
Payout ratio (%)	21.5	21.4	27.7	23.1

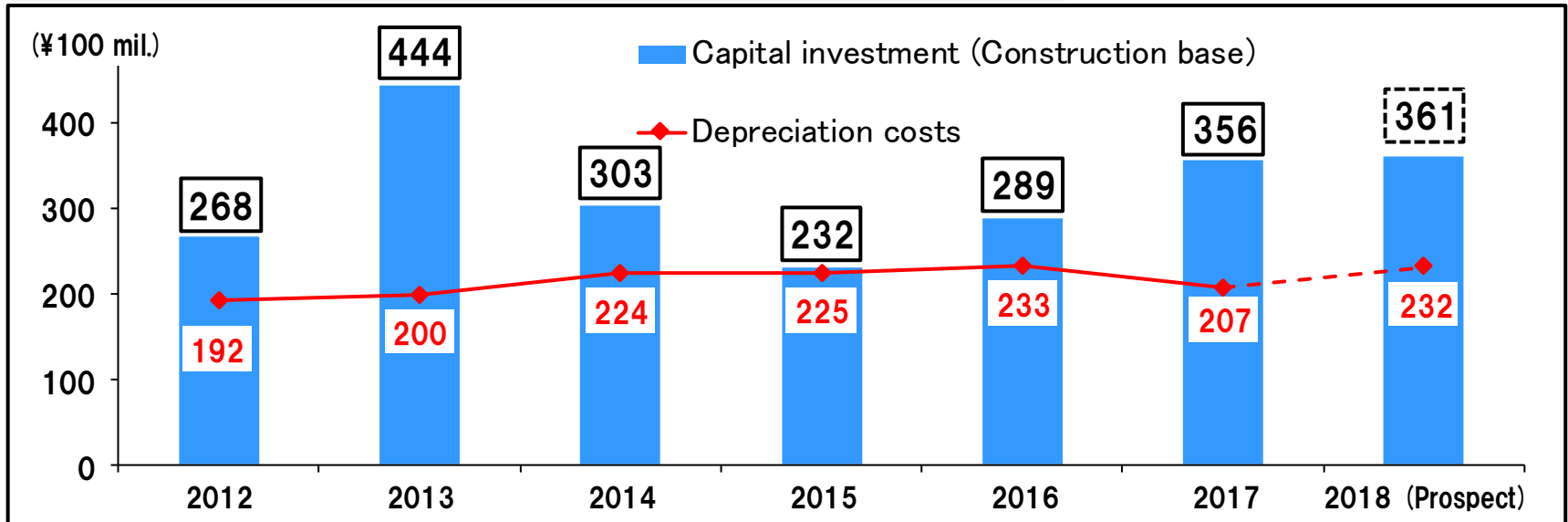
※2: We implemented a reverse stock split which makes one for ten common stocks on October 1, 2017

[Returns to shareholders]

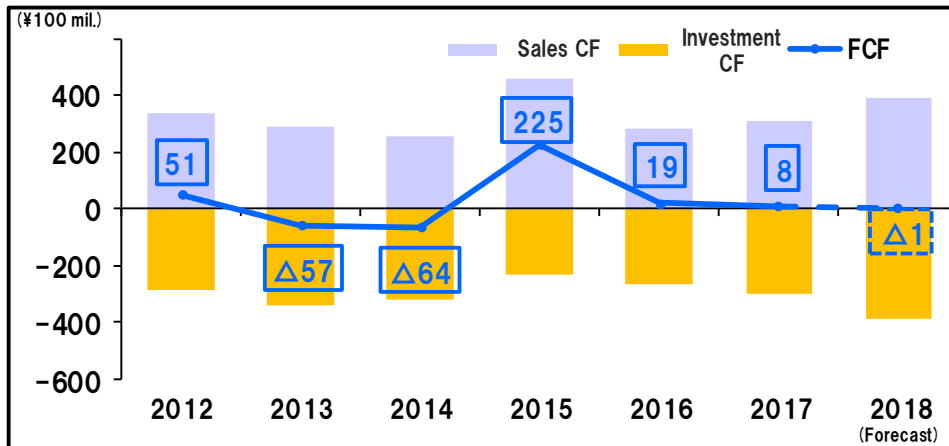
We will use a consolidated dividend payout ratio of 20 to 25% as a guide when returning these earnings to shareholders.

Capital investment plan

Changes in capital investment and depreciation costs



<Changes in free cash flow>



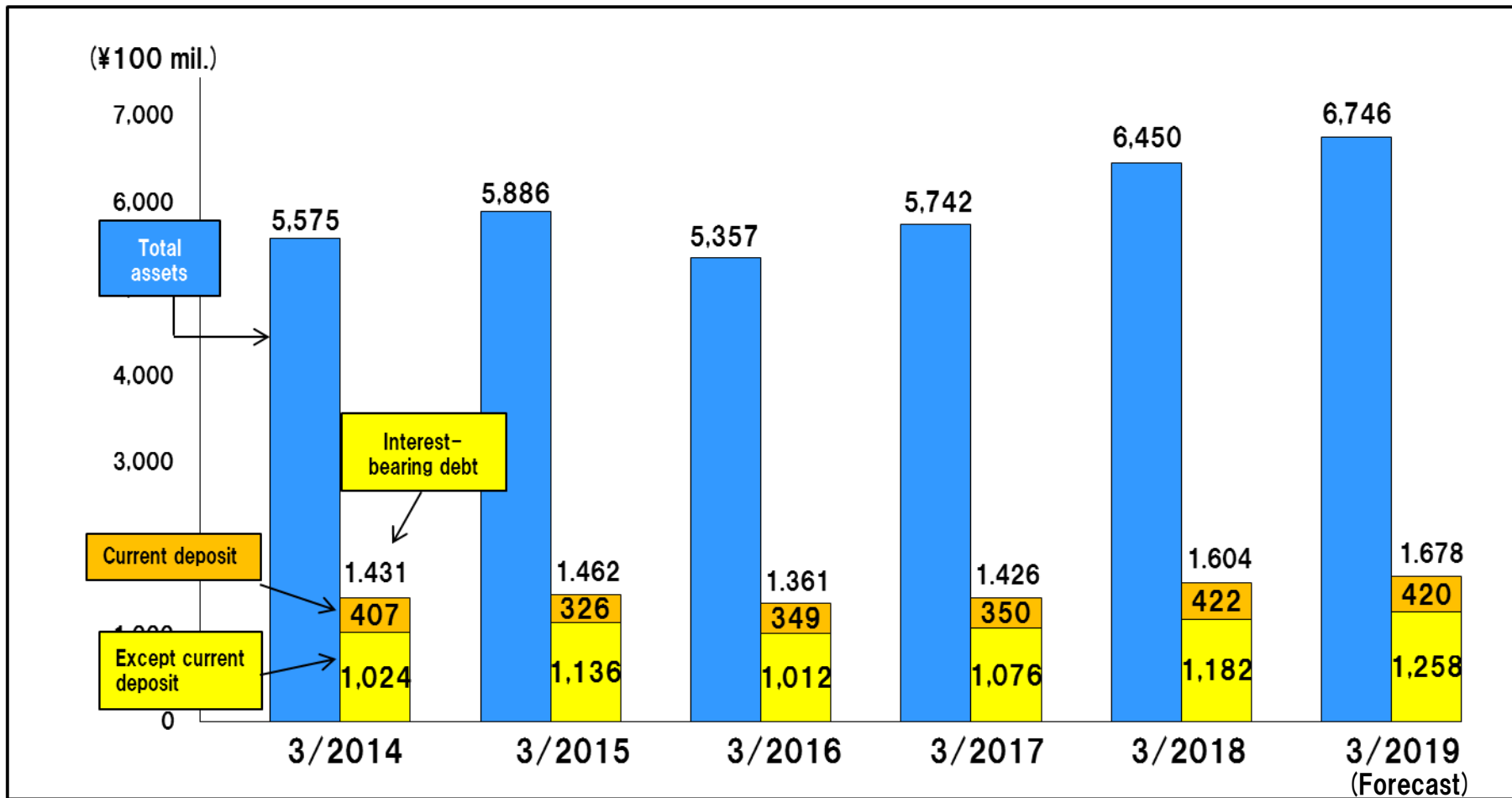
Continue capital investment in strategic businesses

Major investment projects

<Expand businesses that have prospects for growth>

- Engine valves
- Expansion of stainless steel production capacity
- Other

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



	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019 (Forecast)
ROA	3.8%	3.8%	4.5%	4.8%	5.9%	5.6%
D/E	0.62	0.57	0.58	0.55	0.56	0.55

Next Mid Term Management Plan

**20Mid Term Management Plan
(FY2018-2020)**

To be announced on June 6th 2018

Fact Book

Fact Book Financial highlight

Consolidation

(¥1 mil.)

	'12/3	'13/3	'14/3	'15/3	'16/3	'17/3	18/3	'12/9	'13/9	'14/9	'15/9	'16/9	'17/9
Net sales	489,154	440,428	457,731	483,633	460,577	445,122	505,219	233,724	222,123	238,917	233,832	213,010	241,119
Operating income	31,533	15,425	18,977	20,408	24,432	25,513	36,218	9,604	10,562	8,664	10,757	9,643	18,726
Ordinary income	31,762	16,475	20,287	21,729	25,108	26,373	36,130	9,304	11,033	9,670	11,431	9,023	18,320
Net income	22,717	10,983	12,616	10,886	6,746	16,386	23,920	5,507	6,771	4,116	2,037	5,363	11,890
R & D expenses	4,360	4,560	5,160	5,300	5,766	6,206	5,419	2,065	2,449	2,671	2,716	3,158	2,770
Capital investment(Plan)	39,700	25,400	26,400	20,600	28,300	32,800	38,600	10,200	10,700	10,900	16,100	15,800	20,300
Capital investment(Construction)	22,400	26,800	44,400	30,300	23,200	28,900	35,600	-	-	-	-	-	-
Depreciation	20,463	19,229	20,052	22,436	22,454	23,275	20,740	9,390	9,352	10,650	11,039	11,087	10,023
Financial account balance	▲744	▲362	28	719	949	904	995	▲268	▲136	396	541	432	429
Total assets	512,968	511,159	557,522	588,590	535,675	574,169	645,041	500,213	548,455	568,193	567,439	523,304	614,828
Equity	198,653	211,921	232,153	256,022	232,832	259,851	284,435	196,338	225,031	237,892	250,255	231,600	274,221
Interest-bearing debt	156,336	146,999	143,085	146,208	136,114	142,599	160,352	149,129	152,141	146,470	146,461	133,172	157,201
Pay roll number	10,365	10,447	10,709	10,855	11,036	11,498	11,873	10,587	10,827	10,927	11,126	11,574	11,843
ROA(%)	6.3	3.2	3.8	3.8	4.5	4.8	5.9	3.7	4.2	3.4	4.0	3.4	6.2
ROE(%)	12.1	5.4	5.7	4.5	2.8	6.7	8.8	5.6	6.2	3.5	1.6	4.6	8.9
Consolidated subsidiary number	33	32	33	34	36	34	36	32	33	33	35	35	36
(Equity method affiliate number is excluded from the above)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Ratio of the consolidated to the non-consolidated													
Net sales	1.6	1.6	1.6	1.6	1.6	1.7	1.6						
Ordinary income	1.7	1.8	1.9	1.8	1.6	1.5	1.7						
Net income	1.3	1.7	1.6	2.5	1.2	1.1	1.6						

*Long-term prepaid expenses are not included in the depreciation. Net income after 2015 belongs to stockholder of parent company.

Fact Book Net Sales & Operating Income by Segment

Consolidation

<New segment(From Apr.1st in 2012)>

(¥100 mil.)

		'12/3	'13/3	'14/3	'15/3	'16/3	'17/3	'18/3
Speciality Steel	Net Sales	1,950	1,694	1,841	1,891	1,705	1,646	1,890
	Operating Income	99	35	17	32	75	58	65
High Performance Materials & Magnetic Materials	Net Sales	1,646	1,368	1,435	1,618	1,553	1,485	1,708
	Operating Income	137	66	111	135	123	174	222
Parts for Automobile & Industrial Equipment	Net Sales	942	933	970	994	997	975	1,063
	Operating Income	49	34	38	10	13	▲ 5	30
Engineering	Net Sales	258	320	241	229	261	239	249
	Operating Income	18	8	11	17	21	12	18
Trading and Service	Net Sales	96	89	90	104	90	106	142
	Operating Income	12	11	13	10	12	16	27
Total	Net Sales	4,892	4,404	4,577	4,836	4,606	4,451	5,052
	Operating Income	315	154	190	204	244	255	362

(¥100 mil.)

		'11/4-9	'11/10-3	'12/4-9	'12/10-3	'13/4-9	'13/10-3	'14/4-9	'14/10-3	'15/4-9	'15/10-3	'16/4-9	'16/10-3	'17/4-9	'17/10-3
Speciality Steel	Net Sales	962	988	902	792	887	1,004	951	940	859	846	787	859	914	976
	Operating Income	37	62	24	11	23	9	6	26	21	54	26	32	48	17
High Performance Materials & Magnetic Materials	Net Sales	829	817	721	647	705	913	787	831	807	746	711	774	811	897
	Operating Income	74	63	41	25	54	81	67	68	63	60	75	99	108	114
Parts for Automobile & Industrial Equipment	Net Sales	463	479	475	458	471	523	492	502	494	503	467	508	517	546
	Operating Income	20	29	18	16	23	▲ 13	4	6	8	5	▲ 16	11	11	19
Engineering	Net Sales	109	149	193	127	111	118	107	122	132	129	115	124	105	144
	Operating Income	8	10	6	2	▲ 1	18	3	14	10	11	3	9	7	11
Trading and Service	Net Sales	50	46	46	43	47	57	52	52	46	44	50	56	64	78
	Operating Income	7	5	7	4	7	3	7	3	6	6	8	8	13	14
Total	Net Sales	2,413	2,479	2,337	2,067	2,221	2,615	2,389	2,447	2,338	2,268	2,130	2,321	2,411	2,641
	Operating Income	146	169	96	58	106	98	87	117	108	136	96	159	187	175

Fact Book List of consolidated companies ①

Segment	Company	Business Contents
Specialty steel	Daido PDM (Thailand) Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Thailand)
	Daido Die & Mold Solutions Co., Ltd.	Sales of tool steel / Production and sales of die products and finished tool / heat-treatment of metal
	Daido TIEN WEN Steel Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Taiwan)
	DAIDO AMISTAR(M) SDN. BHD.	Processing, sales of die products / Sales of die materials (in Malaysia)
	DAIDO DMS SINGAPORE PTE Ltd.	Processing, sales of die products / Sales of die materials (in Singapore)
	DAIDO SHIZAI SERVICE Co., Ltd.	Sales of materials for production
	DAIDO TECHNICA CO., LTD.	Seam-removing, maintenance, processing of steel
	DAIDO ECOMET CO., LTD.	Development, production, sales of indirect materials for steel-making / recycling of waste and by-products from steel-making-process
	RIKEN SEIKO CO., LTD. *	Production and sales of Specialty steel secondary products (shaft bearing) , cutting tool and machine tool
	Tohoku Steel Co., Ltd. *	Production and sales of specialty steel secondary products / heat-treatment of metal
	MARUTA TRANSPORT CO., LTD. *	Transportation and warehousing business
	SAKURAI KOSAN CO., LTD. *	Heat treatment works, surface treatment
High Performance Materials & Magnetic Materials	izumi electric industries co., ltd. *	Design and construction of electric work / Design and production of power distribution board
	KAWAICHI SANGYO CO.LTD. *	Transportation and warehousing business
	Nippon Seisen Co., Ltd.	Production and sales of stainless steel wire, metallic fiber
	THAI SEISEN Co., Ltd.	Production and sales of stainless steel wire
	Daido Electronics Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts
	Daido Electronics (Suzhou) Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts (in China)
	Daido Electronics (Thailand) Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts (in Thailand)
	SHIMOMURA TOKUSYU SEIKO CO., LTD.	Drawing of free-cutting steel & stainless steel / Production and sales of grinding processed products
NISSEI SEIKO CO., LTD.	Production and sales of screw, bolt and cold-forging parts for automobile	

Fact Book List of consolidated companies ②

Segment	Company	Business Contents
Automobile & Industrial parts	Daido Castings Co., Ltd.	Production and sales of casting, precise casting, manganese rail
	FUJI OOZX Inc.	Production and sales of engine valve
	FUJI VALVE (GUANGDONG) CORPORATION	Production and sales of engine valve(in China)
	JAPAN DROP FORGE CO., LTD.	Production and sales of die forging
	TOYO SANGYO CO., LTD.	Production and sales of die forging
	DAIDO STAR TEKUNO Co., Ltd.	Seam-removing, maintenance, device processing of steel and forging
	Daido Precision Industries Ltd.	Production and sales of processing parts for compressor, power transmission, base-isolation device
	OHIO STAR FORGE CO.	Production and sales of precise forging (in U.S.)
	Daido Steel (Thailand) Co., Ltd.	Production and sales of die forging
Engineering	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
	DAIDO PLANT INDUSTRIES CO., LTD.	Design, production, sales of industrial furnace, facility equipment and ancillary facility
Trading & Service	Daido Kogyo Co., Ltd.	Trading company specializing in specialty steel, equipment, steel-making materials
	DAIDO LIFE SERVICE CO., LTD.	Dealing and subdivision of real estate / Management of welfare provision / Insurance agent travel agent, printing
	Daido Steel (Shanghai) Co., Ltd.	Export & import of DAIDO group products / Group's front company for China (in China)
	DAIDO BUNSEKI RESEARCH, INC.	Analysis, research, consulting regarding iron, steel, cast metal, ceramics
	Star Info Tech Co., Ltd.	Planning, design, development, maintenance of information system / Development and sale of software
	Life Support., Ltd.	Cleaning, security, food-service operating, management of facility, tree-planting, labor dispatch service
	KISOKOMAKOGEN KANKOKAIHASTU CO., LTD.	Management of golf course / management of land for vacation house / minor water project
	Daido Steel (America) Inc.	Export & import of DAIDO group products / Group's front company for U.S. (in U.S.)
	The silent partnership which makes TAKAKURA FUNDING CORPORATION LTD. a business operator	Owning a commercial complex



(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.