

Consolidated Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]



October 31, 2016

Company name: Daido Steel Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Code number: 5471

URL: <http://www.daido.co.jp/>

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Scheduled date of filing quarterly securities report: November 14, 2016

Scheduled date of commencing dividend payments: December 5, 2016

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2016	213,010	(8.9)	9,643	(10.4)	9,023	(21.1)	5,363	163.2
September 30, 2015	233,832	(2.1)	10,757	24.2	11,431	18.2	2,037	(50.5)

(Note) Comprehensive income: Six months ended September 30, 2016: ¥3,263 million [- %]

Six months ended September 30, 2015: (¥3,005) million [- %]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2016	12.69	—
September 30, 2015	4.70	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2016	523,304	266,991	44.3
As of March 31, 2016	535,675	268,345	43.5

(Reference) Shareholders' equity: As of September 30, 2016 : ¥231,600 million

As of March 31, 2016 : ¥232,832 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	5.00	—	2.50	7.50
Fiscal year ending March 31, 2017	—	4.00			
Fiscal year ending March 31, 2017 (Forecast)			—	4.00	8.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	435,000	(5.6)	21,000	(14.0)	21,000	(16.4)	13,500	100.1	31.93

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2016 434,487,693 shares

March 31, 2016 434,487,693 shares

2) Total number of treasury shares at the end of the period:

September 30, 2016 17,481,498 shares

March 31, 2016 7,473,866 shares

3) Average number of shares during the period:

Six months ended September 30, 2016 422,814,958 shares

Six months ended September 30, 2015 433,675,505 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

Consolidated Financial Results for the Six Months Ended September 30, 2016

(1) Net sales by reportable segment

(Millions of yen, %)

	2Q September 2016	(YoY change)	
		Change	% of Change
Specialty Steel	78,081	(7,850)	(9.1)
High Performance Materials and Magnetic Materials	71,122	(9,580)	(11.9)
Parts for Automobile and Industrial Equipment	46,671	(2,732)	(5.5)
Engineering	11,450	(1,730)	(13.1)
Trading and Service	5,684	1,071	23.2
Total	213,010	(20,822)	(8.9)

(2) Condensed statement of profit and loss (cumulative)

(Millions of yen, %)

	2Q September 2016	(YoY change)	
		Change	% of Change
Net sales	213,010	(20,822)	(8.9)
Operating income	9,643	(1,113)	(10.4)
Non-operating income	2,074	(689)	—
Non-operating expenses	2,694	604	—
Ordinary income	9,023	(2,408)	(21.1)
Extraordinary income	231	(992)	—
Extraordinary losses	63	(6,083)	—
Income before income taxes	9,192	2,682	—
Income taxes	3,109	270	—
Profit attributable to non-controlling interests	718	(913)	—
Profit attributable to owners of parent	5,363	3,326	163.2

(3) Reasons for change in the amount of ordinary income (YoY comparison)

(100 millions of yen)

Reasons for increase	Amount	Reasons for decrease	Amount
1. Raw material and fuel cost	138	1. Sales price	112
2. Variable cost	7	2. Sales mix change	24
		3. Fixed cost	18
		4. Non-operating income or loss	12
		5. Sales volume	3
Total (a)	145	Total (b)	169
		Change (a) – (b)	(24)

(Reference: Market condition of raw material)

	2Q September 2015	2Q September 2016
H2 (Thousands of yen/t)	19.0	15.7
Nickel (LME) (One dollar/lb)	5.3	4.3
Molybdenum (MD) (One dollar/lb)	6.7	7.0

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2016	As of September 30, 2016	Change	Item	As of March 31, 2016	As of September 30, 2016	Change
Current assets	<u>238,467</u>	<u>224,480</u>	<u>(13,986)</u>	Liabilities	<u>267,329</u>	<u>256,313</u>	<u>(11,016)</u>
Cash and deposits	34,887	31,391	(3,496)	Trade payables	68,152	63,836	(4,316)
Trade receivables	98,800	92,848	(5,951)	Interest-bearing debt	136,114	133,172	(2,941)
Inventories	95,131	90,876	(4,254)	Other	63,062	59,304	(3,757)
Other	9,648	9,364	(284)	Net assets	<u>268,345</u>	<u>266,991</u>	<u>(1,354)</u>
Non-current assets	<u>297,208</u>	<u>298,823</u>	<u>1,615</u>	Shareholders' equity	217,585	218,584	999
Property, plant and equipment	188,778	190,885	2,107	Accumulated other comprehensive income	15,247	13,016	(2,230)
Intangible assets	2,583	2,441	(141)	Non-controlling interests	35,513	35,390	(122)
Investments and other assets	105,846	105,496	(350)	Total liabilities and net assets	535,675	523,304	(12,371)
Total assets	535,675	523,304	(12,371)				

(5) Net sales forecast by reportable segment

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2017	(YoY change)	
		Change	% of Change
Specialty Steel	158,000	(12,513)	(7.3)
High Performance Materials and Magnetic Materials	143,000	(12,250)	(7.9)
Parts for Automobile and Industrial Equipment	97,000	(2,679)	(2.7)
Engineering	25,500	(604)	(2.3)
Trading and Service	11,500	2,470	27.4
Total	435,000	(25,577)	(5.6)

(6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2017	(YoY change)	
		Change	% of Change
Net sales	435,000	(25,577)	(5.6)
Operating income	21,000	(3,432)	(14.0)
Ordinary income	21,000	(4,108)	(16.4)
Profit attributable to owners of parent	13,500	6,753	100.1

(7) Forecasted reasons for change in the amount of ordinary income (YoY comparison)

(100 millions of yen)

(Reference: Market condition of raw material)

Reasons for increase	Amount	Reasons for decrease	Amount		Fiscal year ended March 31, 2016	Forecast for fiscal year ending March 31, 2017
1. Raw material and fuel cost	196	1. Sales price	165	H2		
2. Sales volume	18	2. Fixed cost	58	(Thousands of yen/t)	15.5	15.9
3. Variable cost	12	3. Sales mix change	37	Nickel (LME)		
		4. Non-operating income or loss	7	(One dollar/lb)	4.7	4.9
Total (a)	226	Total (b)	267	Molybdenum(MD)		
		Change (a) – (b)	(41)	(One dollar/lb)	5.9	7.3

(8) Amount of capital expenditures (based on completion of construction) and depreciation and amortization

(Millions of yen)

	Fiscal year ended March 31, 2016		Fiscal year ending March 31, 2017		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	9,241	23,205	15,791	33,200	6,549	9,994
Depreciation and amortization	11,039	22,454	11,087	23,200	48	745

(Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2017
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	
Net sales	440,428	457,731	483,633	460,577	435,000
Operating income	15,425	18,977	20,408	24,432	21,000
Ordinary income	16,475	20,287	21,729	25,108	21,000
Profit attributable to owners of parent	10,983	12,616	10,886	6,746	13,500