

Consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]



January 30, 2018

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: February 14, 2018

Scheduled date of commencing dividend payments: —

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 Nine Months Ended December 31, 2017(April 1, 2017 to December 31, 2017)

(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	%
Nine months ended December 31, 2017	370,846	14.6	27,871	58.1	28,200	53.9	18,306	68.1
December 31, 2016	323,536	(6.5)	17,631	0.2	18,326	(0.8)	10,888	65.9

(Note) Comprehensive income: Nine months ended December 31, 2017: ¥34,345 million [93.6%]

Nine months ended December 31, 2016: ¥17,743 million [345.7%]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Nine months ended	Yen	Yen
December 31, 2017	429.38	—
December 31, 2016	256.83	—

(Note) The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017. Accordingly, the earnings per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2017	636,324	318,385	45.0
As of March 31, 2017	574,169	290,501	45.3

(Reference) Shareholders' equity: As of December 31, 2017 : ¥286,134 million

As of March 31, 2017 : ¥259,851 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, 2017	—	4.00	—	6.00	10.00
Fiscal year ending March 31, 2018	—	6.00	—		
Fiscal year ending March 31, 2018 (Forecast)				60.00	—

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

(Note) Breakdown of dividends for the fiscal year ended March 31, 2017

Ordinary dividends 4.00Yen Commemorative dividends 2.00Yen

* The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017.

Accordingly, the amount of the year-end dividend per share for FY2017 (Forecast) reflects the impact of the consolidation of shares and disclosure of the annual dividend per share is omitted. Excluding the impact of the consolidation of shares, the year-end dividend per share for FY2017 (Forecast) would be 6 yen and the annual dividend per share would be 12 yen. For information, refer to "Explanation of the proper use of financial results forecast and other notes."

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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	496,000	11.4	36,000	41.1	36,000	36.5	23,000	40.4	539.48

(Note) Revision to the financial results forecast announced most recently: No

* Profit attributable to owners of parent per share under the consolidated financial results forecast in the year ending March 31, 2018 (FY2017) reflects the impact of the consolidation of shares. For information, refer to "Explanation of the proper use of financial results forecast and other notes."

*** 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: No

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: Yes

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):

December 31, 2017 43,448,769 shares

March 31, 2017 43,448,769 shares

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

December 31, 2017 817,408 shares

March 31, 2017 813,343 shares

3) Average number of shares during the period:

Nine months ended December 31, 2017 42,633,961 shares

Nine months ended December 31, 2016 42,396,714 shares

(Note) The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017. Accordingly, number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares during the period are calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

* These quarterly financial results are outside the scope of quarterly review procedures

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

1. 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.

2. The company consolidated its common shares at the ratio of 10 shares to 1 share on the effective date as of October 1, 2017, following approval of a proposal for the consolidation of shares at the General Meeting of Shareholders held on June 28, 2017. The dividend forecast and the consolidated financial results forecast in the year ending March 31, 2018(FY2017) excluding the impact of the consolidation of shares are as follows;

(1) Dividend forecast for the year ending March 31, 2018

Dividends per share; 2nd quarter-end 6 yen (Note1), Year-End 6 yen (Note2)

(2) Consolidated financial results forecast for the fiscal year ending March 31, 2018

Profit attributable to owners of parent per share; full year 53.95 yen

Notes:

1. The interim dividend is paid out based on the number of shares before the consolidation of shares.

2. Represents the dividend amount excluding the impact of the consolidation of shares.

3. The annual dividend for the year ending March 31, 2018(excluding the impact of the consolidation of shares) is 12 yen per share.

Consolidated Financial Results for the Nine Months Ended December 31, 2017

(1) Net sales by reportable segment

(Millions of yen, %)

	3Q December 2017	(YoY change)	
		Change	% of Change
Specialty Steel	138,829	19,919	16.8
High Performance Materials and Magnetic Materials	125,507	16,712	15.4
Parts for Automobile and Industrial Equipment	78,366	7,490	10.6
Engineering	16,207	(121)	(0.7)
Trading and Service	11,936	3,308	38.3
Total	370,846	47,309	14.6

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

(Millions of yen, %)

	3Q December 2017	(YoY change)	
		Change	% of Change
Net sales	370,846	47,309	14.6
Operating income	27,871	10,240	58.1
Non-operating income	3,629	359	—
Non-operating expenses	3,299	726	—
Ordinary income	28,200	9,874	53.9
Extraordinary income	756	222	—
Extraordinary losses	7	(438)	—
Income before income taxes	28,950	10,535	—
Income taxes	8,414	2,318	—
Profit attributable to non-controlling interests	2,229	799	—
Profit attributable to owners of parent	18,306	7,417	68.1

(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. Sales price	119	1. Raw material and fuel cost	152
2. Sales volume	81	2. Fixed cost	8
3. Sales mix change	51	3. Non-operating income or loss	4
4. Variable cost	12		
Total (a)	263	Total (b)	164
		Change (a) – (b)	99

(Reference: Market condition)

	3Q December 2016	3Q December 2017
H2 (Thousands of yen/t)	16.5	24.2
Nickel (LME) (One dollar/lb)	4.5	4.7
Exchange rate(TTM) (yen/dollar)	106.6	111.7

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2017	As of December 31, 2017	Change	Item	As of March 31, 2017	As of December 31, 2017	Change
Current assets	257,208	288,556	31,347	Liabilities	283,668	317,939	34,270
Cash and deposits	34,966	42,395	7,428	Trade payables	75,159	84,884	9,724
Trade receivables	113,215	125,285	12,070	Interest-bearing debt	142,599	160,342	17,743
Inventories	98,477	111,390	12,912	Other	65,908	72,711	6,803
Other	10,549	9,485	(1,063)				
Non-current assets	316,960	347,767	30,807	Net assets	290,501	318,385	27,884
Property, plant and equipment	190,915	205,674	14,758	Shareholders' equity	232,983	245,809	12,825
Intangible assets	2,193	1,802	(390)	Accumulated other comprehensive income	26,867	40,325	13,457
Investments and other assets	123,851	140,290	16,438	Non-controlling interests	30,649	32,250	1,601
Total assets	574,169	636,324	62,155	Total liabilities and net assets	574,169	636,324	62,155