

# Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



October 31, 2018

Company name: Daido Steel Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Code number: 5471

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

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Scheduled date of filing quarterly securities report: November 14, 2018

Scheduled date of commencing dividend payments: December 5, 2018

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, 2018 (April 1, 2018 to September 30, 2018)

(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, 2018	269,643	11.8	16,752	(10.5)	17,569	(4.1)	10,759	(9.5)
September 30, 2017	241,119	13.2	18,726	94.2	18,320	103.0	11,890	121.7

(Note) Comprehensive income: Six months ended September 30, 2018: ¥11,694 million [(39.3%)]

Six months ended September 30, 2017: ¥19,251 million [489.8%]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2018	252.38	—
September 30, 2017	278.88	—

(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 September 30, 2018	661,998	324,433	44.1
As of March 31, 2018	642,021	316,409	44.3

(Reference) Shareholders' equity: As of September 30, 2018 : ¥291,948 million

As of March 31, 2018 : ¥284,435 million

(Note) The company applies ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the consolidated financial position as of March 31, 2018.

## 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, 2018	—	6.00	—	60.00	—
Fiscal year ending March 31, 2019	—	65.00			
Fiscal year ending March 31, 2019 (Forecast)			—	65.00	130.00

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

\* 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 reflects the impact of the consolidation of shares and disclosure of the annual dividend per share is omitted. The annual dividend per share converted on the basis after the consolidation of shares would be 120 yen for FY2017.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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	551,000	9.1	35,000	(3.4)	36,000	(0.4)	22,000	(8.0)	516.06

(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: No

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, 2018 43,448,769 shares

March 31, 2018 43,448,769 shares

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

September 30, 2018 818,459 shares

March 31, 2018 817,706 shares

3) Average number of shares during the period:

Six months ended September 30, 2018 42,630,727 shares

Six months ended September 30, 2017 42,634,986 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, average number of shares during the period is 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 by a certified public accountant or an audit firm

\* 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, 2018

## (1) Net sales and operating income by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	2Q September 2018	YoY change [% of Change]	2Q September 2018	YoY change
Specialty Steel	102,048	11,698 [12.9%]	2,138	(2,648)
High Performance Materials and Magnetic Materials	92,660	11,591 [14.3%]	11,401	623
Parts for Automobile and Industrial Equipment	55,426	3,692 [7.1%]	1,134	(30)
Engineering	12,652	2,180 [20.8%]	753	78
Trading and Service	6,856	(639) [(8.5%)]	1,336	13
Adjustment	—	—	(11)	(10)
Total	269,643	28,524 [11.8%]	16,752	(1,974)

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

(Millions of yen, %)

	2Q September 2018	YoY change [% of Change]
Net sales	269,643	28,524 [11.8%]
Operating income	16,752	(1,974) [(10.5%)]
Non-operating income and expenses	817	1,224
Ordinary income	17,569	(750) [(4.1%)]
Extraordinary income and losses	0	(731)
Income before income taxes	17,570	(1,481)
Income taxes	5,694	115
Profit attributable to non-controlling interests	1,116	(465)
Profit attributable to owners of parent	10,759	(1,131) [(9.5%)]

(Sales volume of Specialty Steel 673 thou. tons, vs FY2017-2Q +23 thou. tons)

## (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	101	1. Raw material and fuel cost	147
2. Sales volume	29	2. Fixed cost	12
3. Sales mix change	9		
4. Variable cost	1		
5. Non-operating income or loss	12		
Total (a)	152	Total (b)	159
		Change (a) – (b)	(7)

(Reference: Market condition)

	2Q September 2017	2Q September 2018
H2 (Thousands of yen/t)	22.3	29.9
Nickel (LME) (One dollar/lb)	4.5	6.3
Exchange rate (TTM) (yen/dollar)	111.1	110.7

## (4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2018	As of September 30, 2018	Change	Item	As of March 31, 2018	As of September 30, 2018	Change
Current assets	<u>297,307</u>	<u>311,941</u>	<u>14,634</u>	Liabilities	<u>325,611</u>	<u>337,564</u>	<u>11,952</u>
Cash and deposits	42,167	41,595	(572)	Trade payables	90,381	93,437	3,056
Trade receivables	134,152	133,439	(712)	Interest-bearing debt	160,352	174,928	14,575
Inventories	115,064	130,422	15,358	Other	74,877	69,198	(5,679)
Other	5,923	6,484	561	Net assets	<u>316,409</u>	<u>324,433</u>	<u>8,024</u>
Non-current assets	<u>344,714</u>	<u>350,056</u>	<u>5,341</u>	Shareholders' equity	251,664	259,242	7,577
Property, plant and equipment	212,029	219,266	7,237	Accumulated other comprehensive income	32,770	32,705	(64)
Intangible assets	1,697	1,524	(172)	Non-controlling interests	31,974	32,485	510
Investments and other assets	130,988	129,264	(1,723)	Total liabilities and net assets	642,021	661,998	19,976
Total assets	642,021	661,998	19,976				

(Note) The company applies ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the condensed balance sheet as of March 31, 2018.

## (5) Net sales and operating income forecast by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	Forecast for fiscal year ending March 31, 2019	YoY change [% of Change]	Forecast for fiscal year ending March 31, 2019	YoY change
Specialty Steel	208,000	21,164 [11.3%]	4,000	(2,478)
High Performance Materials and Magnetic Materials	187,000	16,212 [9.5%]	23,500	1,304
Parts for Automobile and Industrial Equipment	115,000	8,710 [8.2%]	3,500	429
Engineering	27,000	2,135 [8.6%]	1,500	(335)
Trading and Service	14,000	(2,442) [(14.9%)]	2,500	(186)
Adjustment	—	—	—	48
Total	551,000	45,780 [9.1%]	35,000	(1,218)

(Sales volume of Specialty Steel 1,361 thou. tons, vs FY2017 + 50 thou. tons)

## (6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2019	YoY change [% of Change]
Net sales	551,000	45,780 [9.1%]
Operating income	35,000	(1,218) [(3.4%)]
Ordinary income	36,000	(130) [(0.4%)]
Profit attributable to owners of parent	22,000	(1,920) [(8.0%)]

## (7) Forecasted 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	221	1. Raw material and fuel cost	276
2. Sales volume	50	2. Fixed cost	25
3. Sales mix change	11		
4. Variable cost	7		
5. Non-operating income or loss	11		
Total (a)	300	Total (b)	301
		Change (a) – (b)	(1)

(Reference: Market condition)

	Fiscal year ended March 31, 2018	Forecast for fiscal year ending March 31, 2019
H2 (Thousands of yen/t)	26.1	29.9
Nickel (LME) (One dollar/lb)	5.1	6.4
Exchange rate (TTM) (yen/dollar)	110.9	110.4

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

(Millions of yen)

	Fiscal year ended March 31, 2018		Fiscal year ending March 31, 2019		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	14,899	35,605	15,027	35,400	128	(205)
Depreciation and amortization	10,023	20,740	11,453	23,100	1,430	2,359

## (Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2019
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	
Net sales	483,633	460,577	445,122	505,219	551,000
Operating income	20,408	24,432	25,513	36,218	35,000
Ordinary income	21,729	25,108	26,373	36,130	36,000
Profit attributable to owners of parent	10,886	6,746	16,386	23,920	22,000