

Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



October 30, 2020

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 13, 2020

Scheduled date of commencing dividend payments: December 7, 2020

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, 2020(April 1, 2020 to September 30, 2020)

(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, 2020	179,490	(28.9)	(3,531)	—	(2,112)	—	(2,318)	—
September 30, 2019	252,476	(6.4)	13,711	(18.2)	13,711	(22.0)	11,257	4.6

(Note) Comprehensive income: Six months ended September 30, 2020: ¥4,046 million [(48.5%)]

Six months ended September 30, 2019: ¥7,863 million [(32.8%)]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2020	(54.39)	—
September 30, 2019	264.08	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2020	621,997	312,050	44.5
As of March 31, 2020	625,899	309,136	43.7

(Reference) Shareholders' equity: As of September 30, 2020 : ¥276,815 million

As of March 31, 2020 : ¥273,561 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, 2020	—	55.00	—	15.00	70.00
Fiscal year ending March 31, 2021	—	10.00	—	—	—
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	10.00	20.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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	390,000	(20.5)	2,000	(91.9)	3,500	(85.6)	500	(95.4)	11.73

(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, 2020 43,448,769 shares

March 31, 2020 43,448,769 shares

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

September 30, 2020 820,787 shares

March 31, 2020 820,446 shares

3) Average number of shares during the period:

Six months ended September 30, 2020 42,628,168 shares

Six months ended September 30, 2019 42,629,272 shares

* 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, 2020

(1) Net sales and operating income by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	2Q September 2020	YoY Change [% of Change]	2Q September 2020	YoY Change
Specialty Steel	59,834	(37,282) [(38.4%)]	(2,984)	(6,199)
High Performance Materials and Magnetic Materials	64,806	(19,886) [(23.5%)]	2,175	(4,770)
Parts for Automobile and Industrial Equipment	36,050	(13,878) [(27.8%)]	(4,096)	(4,716)
Engineering	10,265	(2,096) [(17.0%)]	489	(1,034)
Trading and Service	8,533	157 [1.9%]	877	(531)
Adjustment	—	—	6	10
Total	179,490	(72,985) [(28.9%)]	(3,531)	(17,243)

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

(Millions of yen, %)

	2Q September 2020	YoY Change [% of Change]
Net sales	179,490	(72,985) [(28.9%)]
Operating income	(3,531)	(17,243) [—%]
Non-operating income and expenses	1,419	1,419
Ordinary income	(2,112)	(15,823) [—%]
Extraordinary income and losses	38	(3,735)
Income before income taxes	(2,073)	(19,559)
Income taxes	151	(5,565)
Profit attributable to non-controlling interests	93	(418)
Profit attributable to owners of parent	(2,318)	(13,576) [—%]

(Sales volume of Specialty Steel 378 thou. tons, decreasing 247 thou. tons vs FY2019-2Q)

(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	108	1. Sales volume	180
2. Fixed cost	46	2. Sales price	73
3. Non-operating income or loss	14	3. Sales mix change	55
		4. Variable cost	18
Total (a)	168	Total (b)	326
		Change (a) – (b)	(158)

(Reference: Market condition)

	2Q September 2019	2Q September 2020
H2 (Thousands of yen/t)	23.3	17.9
Nickel (LME) (One dollar/lb)	6.3	6.0
Exchange rate (TTM) (yen/dollar)	109.6	107.9

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2020	As of September 30, 2020	Change	Item	As of March 31, 2020	As of September 30, 2020	Change
Current assets	<u>310,641</u>	<u>296,723</u>	<u>(13,918)</u>	Liabilities	<u>316,763</u>	<u>309,946</u>	<u>(6,816)</u>
Cash and deposits	59,558	79,789	20,231	Trade payables	66,821	47,714	(19,107)
Trade receivables	118,281	93,735	(24,546)	Interest-bearing debt	193,881	207,302	13,421
Inventories	127,174	116,550	(10,623)	Other	56,060	54,929	(1,131)
Other	5,627	6,647	1,019	Net assets	<u>309,136</u>	<u>312,050</u>	<u>2,914</u>
Non-current assets	<u>315,257</u>	<u>325,274</u>	<u>10,016</u>	Shareholders' equity	276,101	273,032	(3,069)
Property, plant and equipment	237,492	238,002	509	Accumulated other comprehensive income	(2,539)	3,783	6,322
Intangible assets	1,619	2,185	565	Non-controlling interests	35,574	35,235	(339)
Investments and other assets	76,145	85,085	8,940	Total liabilities and net assets	625,899	621,997	(3,902)
Total assets	625,899	621,997	(3,902)				

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

(Millions of yen, %)

	Net sales		Operating income	
	Forecast for fiscal year ending March 31, 2021	YoY Change [% of Change]	Forecast for fiscal year ending March 31, 2021	YoY Change
Specialty Steel	135,000	(46,674) [(25.7%)]	(4,500)	(9,648)
High Performance Materials and Magnetic Materials	142,000	(25,356) [(15.2%)]	8,700	(4,938)
Parts for Automobile and Industrial Equipment	79,000	(18,343) [(18.8%)]	(4,100)	(4,530)
Engineering	20,000	(6,583) [(24.8%)]	500	(2,460)
Trading and Service	14,000	(3,463) [(19.8%)]	1,400	(1,181)
Adjustment	—	—	—	(9)
Total	390,000	(100,421) [(20.5%)]	2,000	(22,768)

(Sales volume of Specialty Steel 922 thou. tons, decreasing 254 thou. tons vs FY2019)

(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. Raw material and fuel cost	152	1. Sales volume	223
2. Fixed cost	72	2. Sales price	115
3. Non-operating income or loss	20	3. Sales mix change	98
		4. Variable cost	16
Total (a)	244	Total (b)	452
		Change (a) – (b)	(208)

(6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2021	YoY Change [% of Change]
Net sales	390,000	(100,421) [(20.5%)]
Operating income	2,000	(22,768) [(91.9%)]
Ordinary income	3,500	(20,798) [(85.6%)]
Profit attributable to owners of parent	500	(10,487) [(95.4%)]

(Reference: Market condition)

	Fiscal year ended March 31, 2020	Forecast for fiscal year ending March 31, 2021
H2 (Thousands of yen/t)	20.6	20.5
Nickel (LME) (One dollar/lb)	6.3	6.3
Exchange rate (TTM) (yen/dollar)	109.7	106.5

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

(Millions of yen)

	Fiscal year ended March 31, 2020		Fiscal year ending March 31, 2021		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	22,092	37,529	13,955	25,900	(8,137)	(11,629)
Depreciation and amortization	12,022	24,662	12,794	26,000	772	1,337

(Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2021
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	
Net sales	445,122	505,219	543,255	490,421	390,000
Operating income	25,513	36,218	33,815	24,768	2,000
Ordinary income	26,373	36,130	34,343	24,298	3,500
Profit attributable to owners of parent	16,386	23,920	21,182	10,987	500