Overview of Business
Specialty steel, the Company’s core business, generates approximately 37% of consolidated net sales. Specialty steel is made by combining steel with alloys to add value in the form of properties such as resistance to heat, abrasions or rust. Because a range of special properties can be achieved by varying the type and amount of alloy, one of the special features of the business is that products are developed to meet the specific applications required by the user. The automobile and industrial machinery sectors are the primary users of specialty steel, accounting for about 80% of sales in this business segment.

Results of Operations
Orders for mechanical construction steel started to recover gradually from the third quarter after inventory adjustments that began early on in the fiscal year in the automotive sector, a major source of demand for this steel, ran their course in the fall. However, due mainly to a decline in use of this steel in industrial and construction machinery from the summer onward, caused by the economic slowdown in China, sales volume declined from the previous fiscal year. Sales in tool steel remained robust, particularly from the automotive industry in Japan.

Meanwhile, the cost of steel scrap, the main raw material, declined substantially from the summer onward as overseas demand for steel scrap declined, particularly in South Korea, after an oversupply of steel drove China to ramp up its exports of cheaply priced intermediate steel.

As a result, the specialty steel segment’s net sales in fiscal 2015 fell 9.8% year on year to ¥170,514 million, due primarily to a decline in sales volume and sales prices, which were driven down by the falling raw material costs. In contrast, operating income increased by ¥4,382 million to ¥7,561 million, with falling steel scrap prices and lower energy costs contributing to the increase.
Overview of Business
This segment, which accounts for roughly 34% of consolidated net sales, manufactures and sells high performance materials and magnetic materials used chiefly in computers, automobiles, mobile phones and consumer electronics. Notably, Daido Steel holds the world’s largest market share as a supplier of magnets for spindle motors* for hard disk drives (HDD).

Key products include rare earth magnets (used in spindle motors for HDD and other products), high alloys, titanium products and high performance powder metal products, and electromagnetic materials.

* Spindle motor: The motor used to rotate hard disk drives installed in computers.

Results of Operations
Sales volume of stainless steel products declined year on year as demand was reduced by a decline in demand for HDDs in response to sluggish sales of PCs and expectations for lower nickel prices. On the other hand, net sales of electromagnetic materials increased, driven by robust demand for use in motors for electric power steering systems in automobiles, and strong sales of in titanium products for medical application in Japan and overseas. Another contributing factor was the consolidation of Intermetallics Japan Corporation as a subsidiary at the end of the previous fiscal year. Meanwhile, net sales of high alloys declined year on year. This was due mainly to persistently sluggish demand for use as lead frames for semiconductors. Other factors weighing on sales included a slump overseas in powder metal products for use in the automotive industry and lower sales prices driven down by a fall in the price of nickel and other raw materials.

As a result, net sales for high performance materials and magnetic materials in fiscal 2015 decreased 4.0% year on year to ¥155,250 million, while operating income decreased by ¥1,186 million to ¥12,331 million.
Overview of Business
This segment contributes around 22% of consolidated net sales. It manufactures die forged parts such as crankshafts using specialty steel, precision cast parts for use in gears and turbochargers (used in diesel engines to improve fuel efficiency and reduce exhaust gases), as well as engine valves, jet engine shafts and parts for gas turbines. Most of the auto parts sold in this segment use materials that were developed through joint projects with automakers to meet their exacting requirements. These parts can therefore lower processing expenses at customers’ factories as well as contribute to reducing the weight of finished products.

Many products in this segment are leading products in their respective market categories, such as aircraft jet engine shafts and marine diesel engine valves. Daido Steel also has a high market share in numerous other product categories, including automobile engine valves and turbine disks. We will continue to develop and launch new products that differentiate us from competitors and support our position as a provider of advanced products.

In addition to specialty steel supplied by the specialty steel segment of the Group, some steel materials used in this segment are manufactured in-house.

Results of Operations
Net sales of free forged products decreased year on year. Sluggish demand for use in oil rigs and plants caused by falling oil prices absorbed strong demand for use in civilian aircraft. Meanwhile, sales volume of die forged products declined, mainly as a result of sluggish truck sales in the emerging markets. On the other hand, net sales of engine valves increased year on year. This was attributable to a boost in orders received atop strong sales of automobiles in North America. Sales of engine-related castings and precision cast products rose, driven by an increase in turbo charger-related demand.

As a result, net sales in the parts for automobile and industrial equipment segment for fiscal 2015 rose 0.3% year on year to ¥99,679 million, while operating income increased by ¥274 million to ¥1,298 million.
Overview of Business
This segment generates about 6% of consolidated net sales. Major activities include the manufacture of steelmaking equipment, industrial furnaces, and associated equipment. This segment also manufactures environmental equipment for the treatment of wastewater, gas emissions and waste materials (mainly to public-sector clients with incinerated ash melting systems for urban waste) and machine tools.

With respect to environmental equipment in particular, the operation and engineering technologies we have fostered over the years support our cutting-edge engineering business, in which we constantly maintain a grasp of current market needs. The many new types of equipment and technologies that this segment has created contribute to environmental preservation and energy reduction in a wide variety of settings. Operations also include maintenance and management of this machinery and equipment.

Results of Operations
Engineering segment sales for fiscal 2015 rose 14.0% year on year to ¥26,104 million, while operating income increased by ¥419 million to ¥2,071 million. This was mainly attributable to strong overseas sales of STC® (Short Time Cycle) annealing furnaces, a main product for the segment, as well as an increase in sales of vacuum carburizing furnaces for automobile manufacturers and vacuum sintering furnaces for magnet manufacturers.

Overview of Business
The major activities of this segment, which accounts for approximately 2% of consolidated net sales, include the sale of products made by Group companies, employee benefits services, real estate and insurance services, golf course management, analytics, and sales of software to external customers.

Results of Operations
Net sales in the trading and service segment for fiscal 2015 fell 13.7% year on year to ¥9,029 million, while operating income increased by ¥129 million to ¥1,173 million. The decline in sales was mainly attributable to a fall in information system-related revenues.