

Segment Overview and Market Trends

Accounting for approximately 12% of consolidated net sales, this segment supplies materials for electrical and electronics components used in computers, cars and other products, as well as magnets for mobile phones and digital consumer electronics. The segment also produces and sells other products such as target materials and electromagnetic wave absorbers.

Although magnets are used in a wide range of applications, Daido Steel's operations in this area are primarily focused on magnets for hard disk drives (HDDs). The Daido Steel Group now boasts a global market share of about 70% for magnets used in HDD spindle motors*¹.

NUMBER-ONE PRODUCTS



NEOQUENCH-P (NdFeB Polymer-bonded Magnets)

Magnets for precision, high-speed motors used in mobile phones, office automation (OA) equipment and other products. The world's most popular magnet for HDD spindle motors.



Thin-film Deposition Electronic Materials

Leveraging years of experience in specialty steel production technology, Daido Steel produces high-purity, high-density target and deposit materials with uniform composition and low gas content. It also manufactures specialty alloy materials that are highly resistant to heat and corrosion.

Key products include cobalt-evaporation materials, which have secured a large share of the market and are used in magnetic recording materials, and target materials for anti-reflective films used in display units and other products.

HDDs are increasingly being used in products outside the PC field, particularly mobile music players, where demand has been growing rapidly. Ultra-compact magnets developed by the Group are now being used in HDDs with one inch and smaller disks.

This segment also supplies steel strip products for electronic components, including 42 nickel alloy lead frame materials and cold strip products such as high alloy and high-performance stainless steel strips. Using special manufacturing equipment*², the segment is capable of carrying out the integrated manufacture of steel strip products from melting to the finished product. This has helped Daido Steel earn high marks from customers for quality, lot-size flexibility, delivery and customer service.

Daido Steel uses a Steckel Mill to roll hot coil, a semi-finished material. A furnace coiler helps to maintain stable temperatures during rolling. The mill is ideal for producing high-quality alloy strip and flat products with hard workability. This processing capability is opening the door to new business opportunities for Daido Steel.

*¹ Spindle motors: motors used to drive the disks in HDDs

*² Special manufacturing equipment: the distinguishing features of Daido Steel's Hoop Strip Mill (Steckel Mill)

Operating Highlights

The start of the fiscal year saw continued strong demand for components and materials used in electronics products, which have fueled growth since the Athens Olympics, when manufacturers unleashed aggressive marketing strategies. However, a slowdown began to emerge during the summer of 2004 due to production cutbacks in the IT sector. Consequently, manufacturers ran down inventories, resulting in lower sales of nickel alloy steel strip products used in IC lead frames. Although the magnetic materials business was faced with inventory adjustments for magnets used in motors for factory automation (FA) from the second half of the year, sales of magnets for mobile phones and digital consumer electronics were higher compared to a year earlier. In thin-film electronic materials, the segment worked to boost sales of cobalt-evaporation materials and target materials. As a result, the Electronics segment posted an increase in operating income of ¥2,384 million to ¥2,011 million, on net sales of ¥50,740 million, up ¥7,762 million, or 18.1%, from a year earlier.