

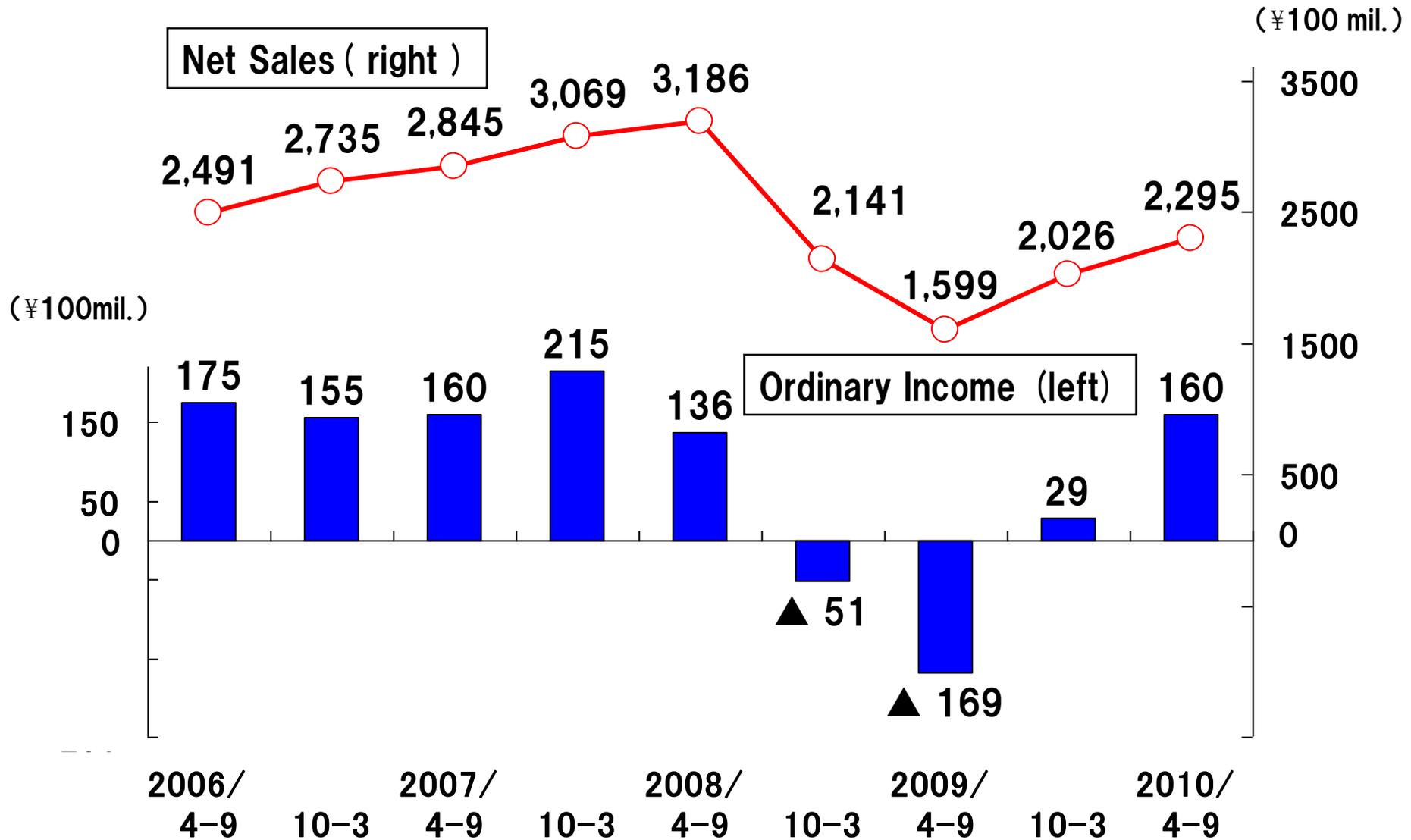
# **Fiscal Year ending March 2011 Interim Results Briefing (Apr.1 – Sep.30/2010)**

**October 29<sup>th</sup> 2010**

# **FY2011 Interim Results**

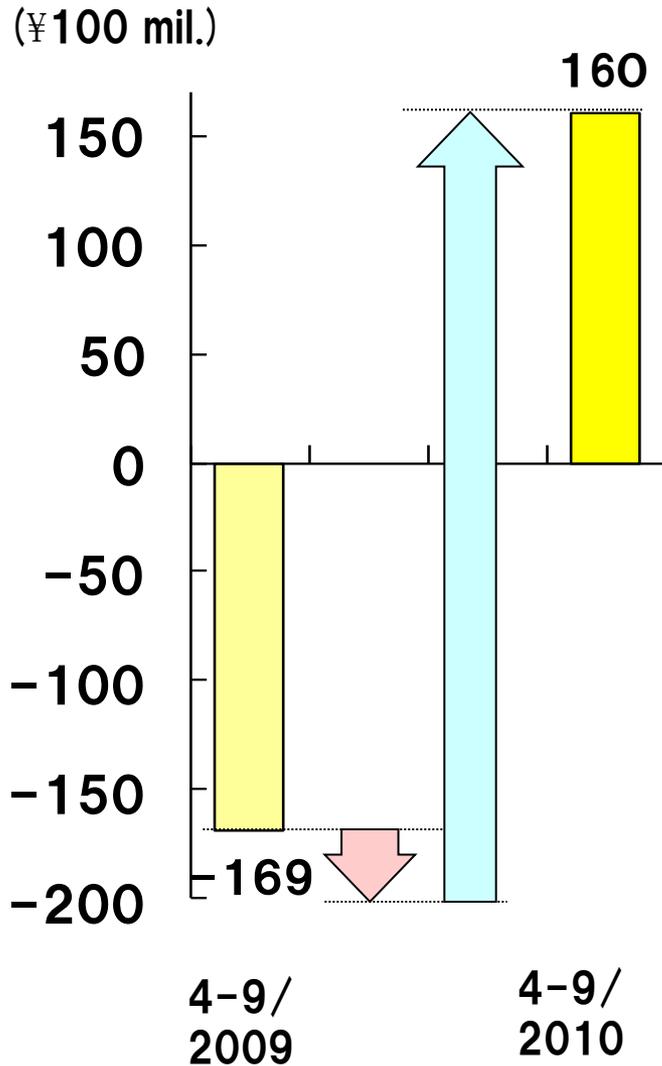
## **(Apr.1 – Sep.30/2010)**

# Changes in Net Sales & Ordinary Income (Interim)



# 4-9/2010 Changes in Ordinary Income (y/y)

(¥100 mil.)



4-9/2009 Ordinary Income	
Changes (y/y)	Operating Income / Loss
	Raw material price
	Sales volume
	Sales price
	Sales mix
	Variable cost
	Fixed cost
	Subtotal
Non-Operating income	
4-9/2010 Ordinary Income	

<b>▲ 169</b>	
<b>▲ 18</b>	/
/	<b>+227</b>
/	<b>+61</b>
/	<b>+48</b>
/	<b>+29</b>
<b>▲ 14</b>	/
<b>▲ 32</b>	<b>+365</b>
<b>▲ 4</b>	/
<b>160 (+329)</b>	

# 4-9/2010 Net Sales & Operating Income by Segment

(¥100 mil.)

		4-9/2009 Results (A)	4-9/2010 Results (B)	y/y basis (B) - (A)
Specialty Steel	Net Sales	857	1,404	547
	Operating Income	▲ 128	106	234
Electronic & Magnetic Materials	Net Sales	149	192	43
	Operating Income	▲ 18	11	29
Parts for Automobile & Industrial Equipment	Net Sales	352	499	147
	Operating Income	▲ 23	32	55
Engineering	Net Sales	150	108	-42
	Operating Income	13	8	-5
New Materials	Net Sales	30	46	16
	Operating Income	▲ 20	0	20
Trading & Service	Net Sales	61	46	-15
	Operating Income	6	6	0
Total	Net Sales	1,599	2,295	696
	Operating Income	▲ 170	163	333

# 4-9/2010 Extraordinary Income/Loss • Interim Net Income

(¥100 mil.)

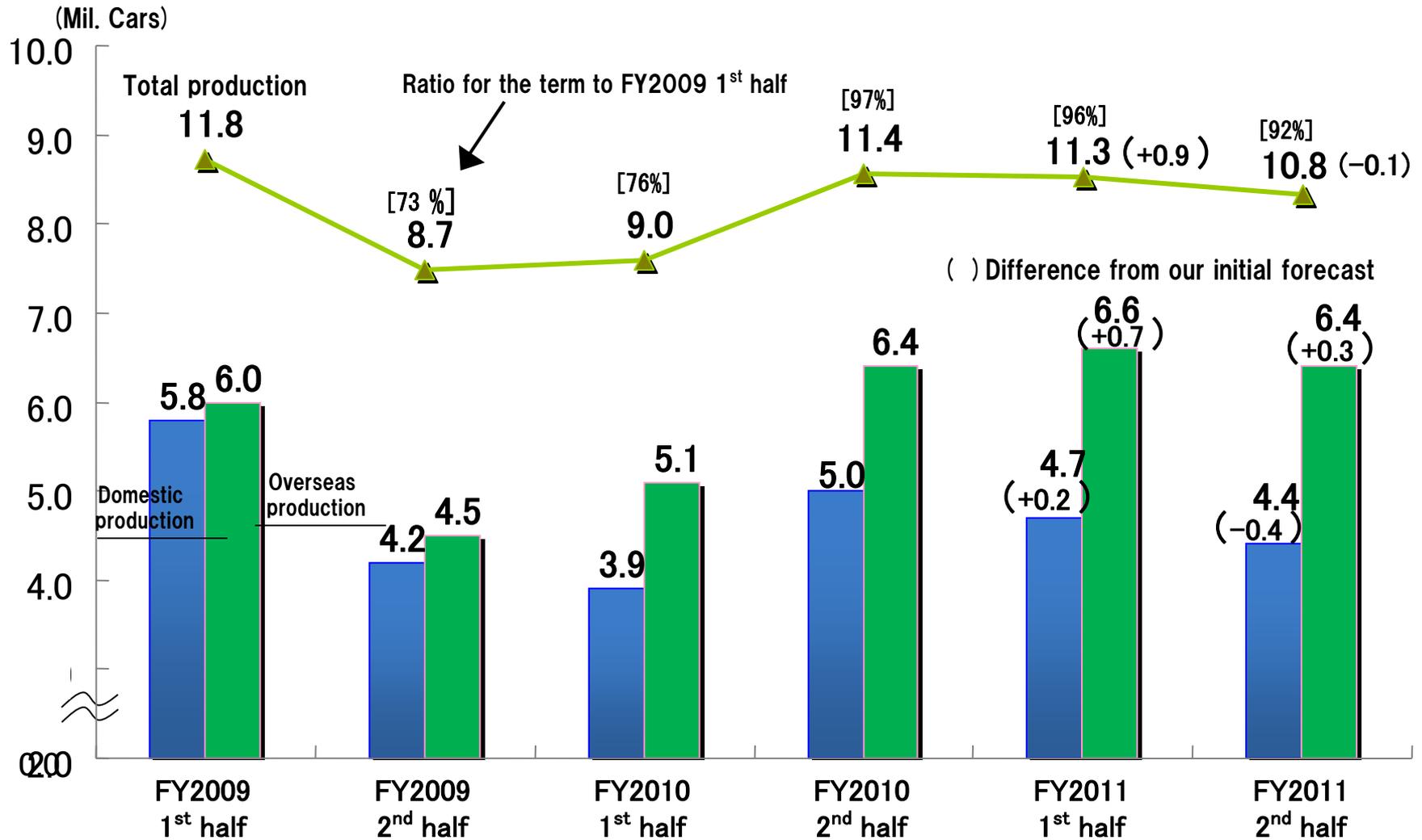
<b>FY2011 Interim results (4-9/2010) Ordinary income</b>	<b>160</b>
<b>Extraordinary income / loss</b>	<b>▲4</b>
<b>Income taxes and minority interests</b>	<b>▲43</b>
<b>FY2011 Interim results (4-9/2010) Net income</b>	<b>113</b>

# Plan for FY2011

(Apr.1 / 2010–Mar.31 / 2011)

# Demand Environment

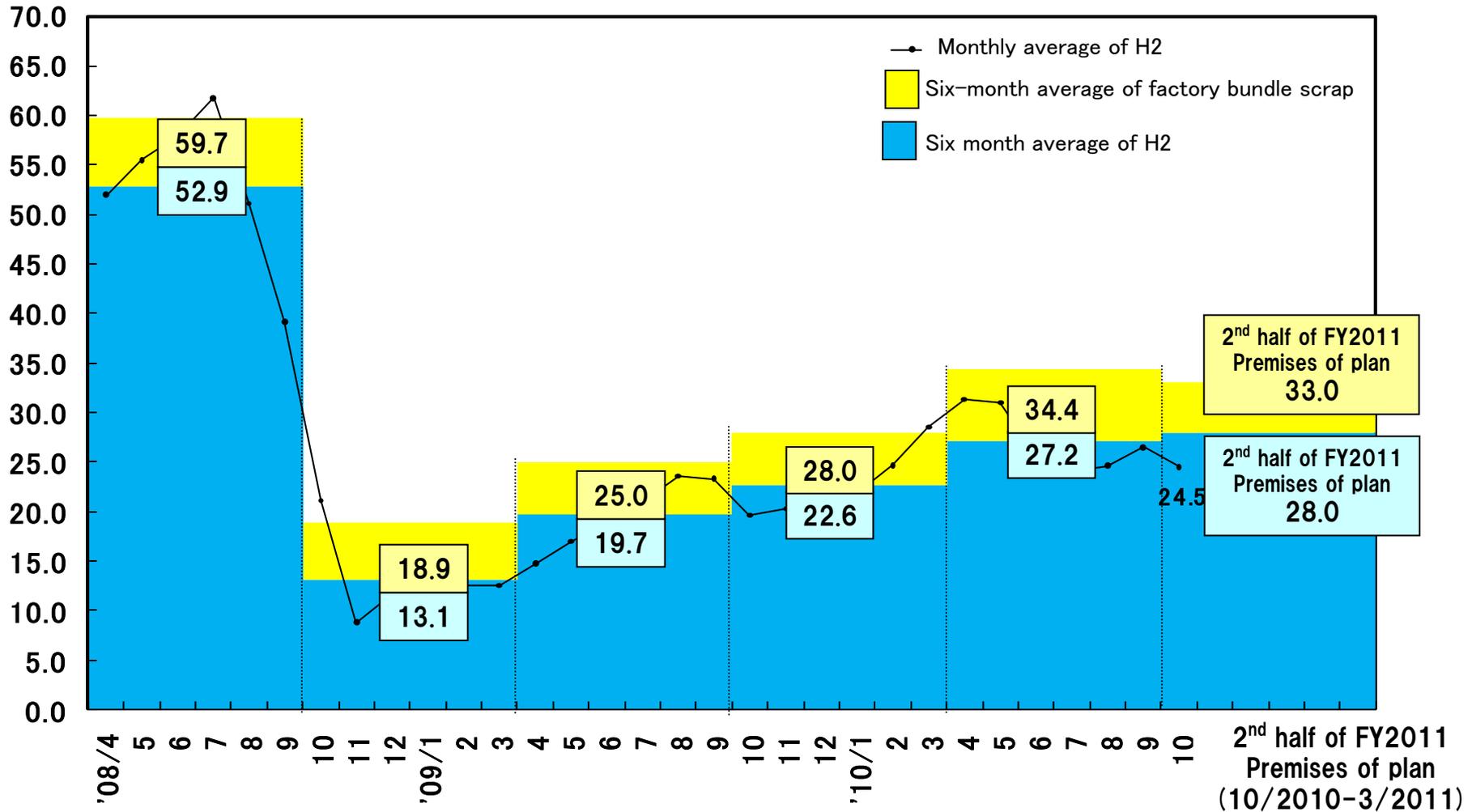
## < Production trend of Japanese cars >



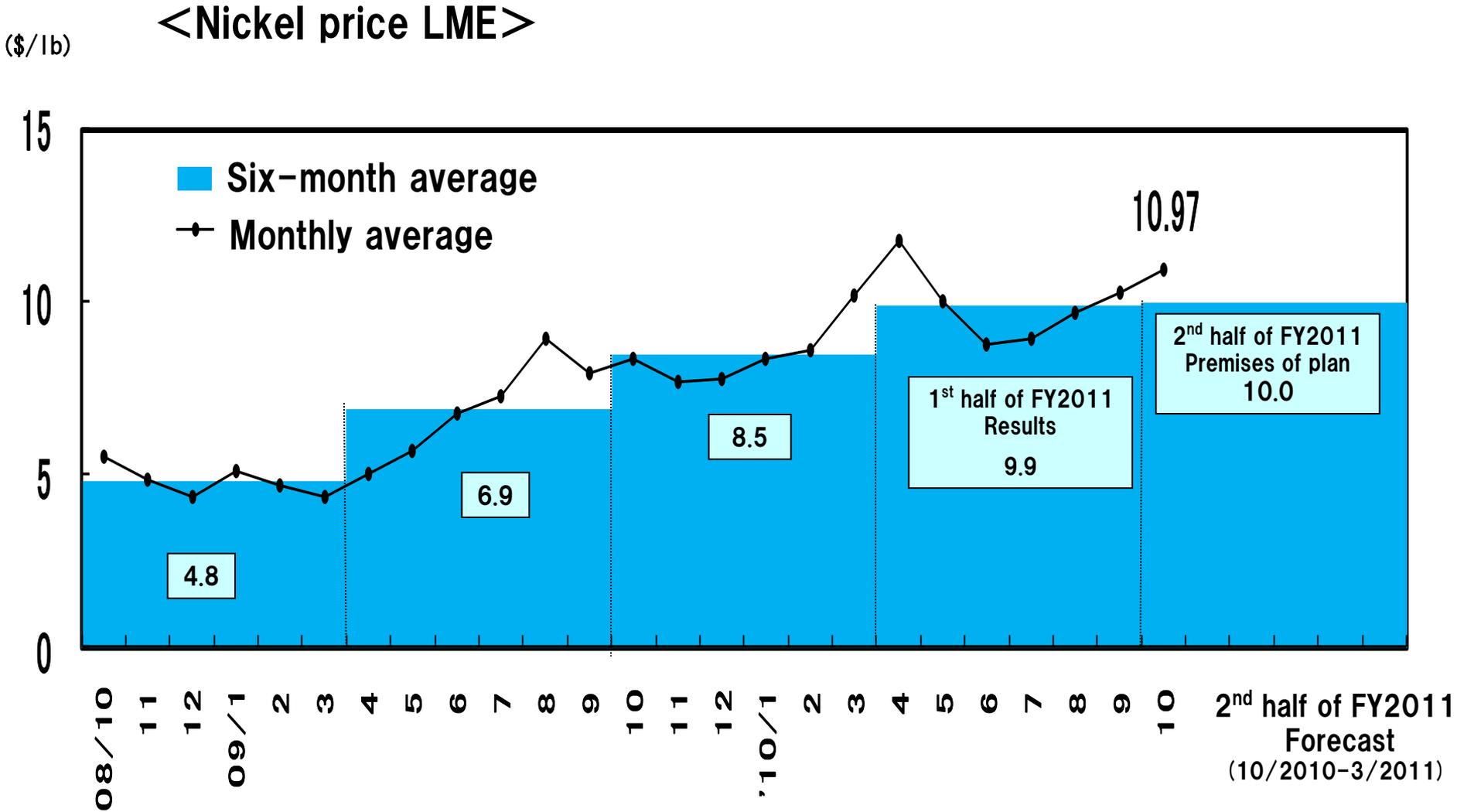
FY2011 Our forecast

# Market Trend of Raw Materials (Scrap Steel Prices)

(¥thou. /MT) <H2 and Factory bundle scrap prices in Chubu area, Japan>



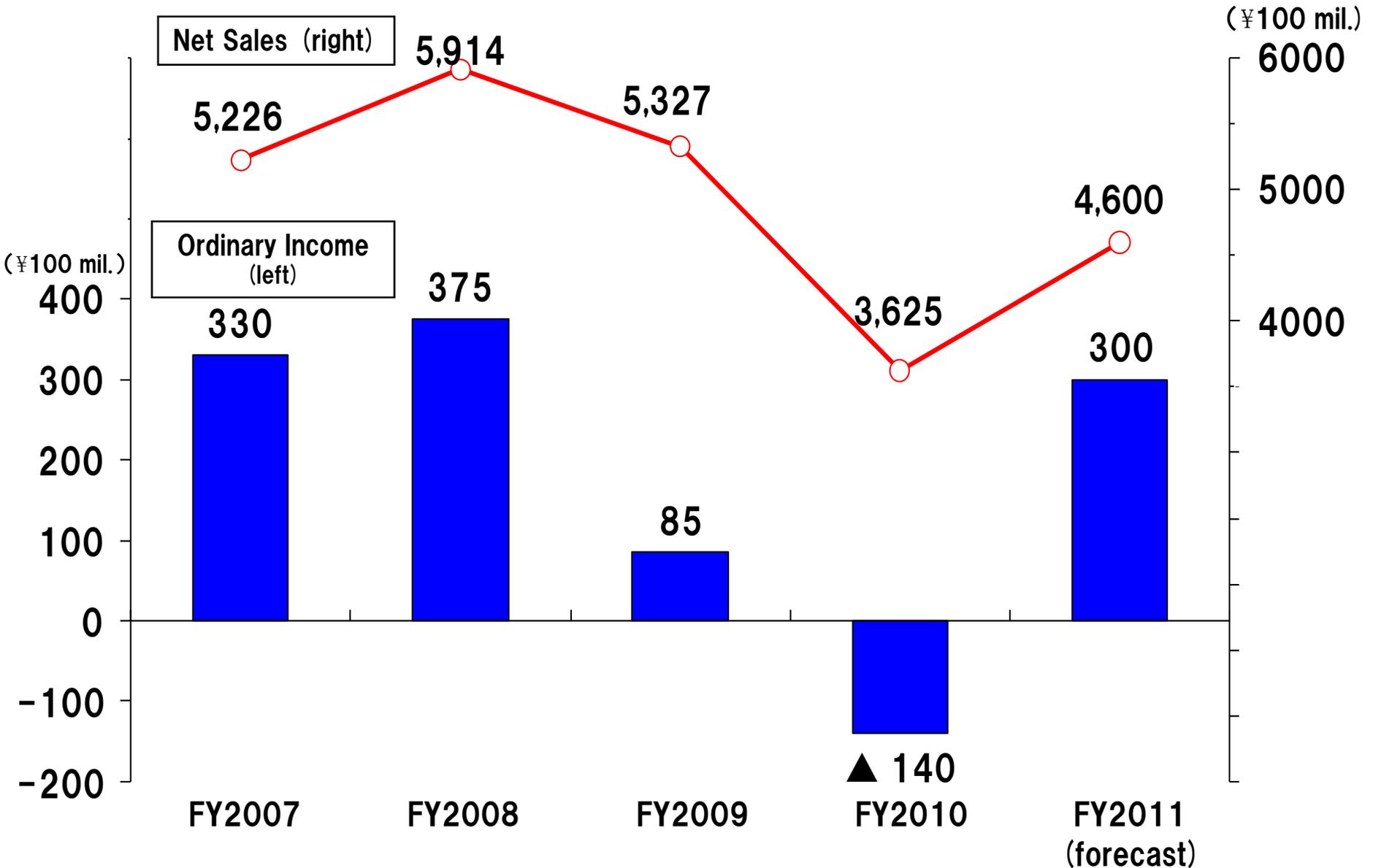
# Market Trend of Raw Materials (Nickel LME)



# Premises of Profit Planning for FY2011 (Market Trend)

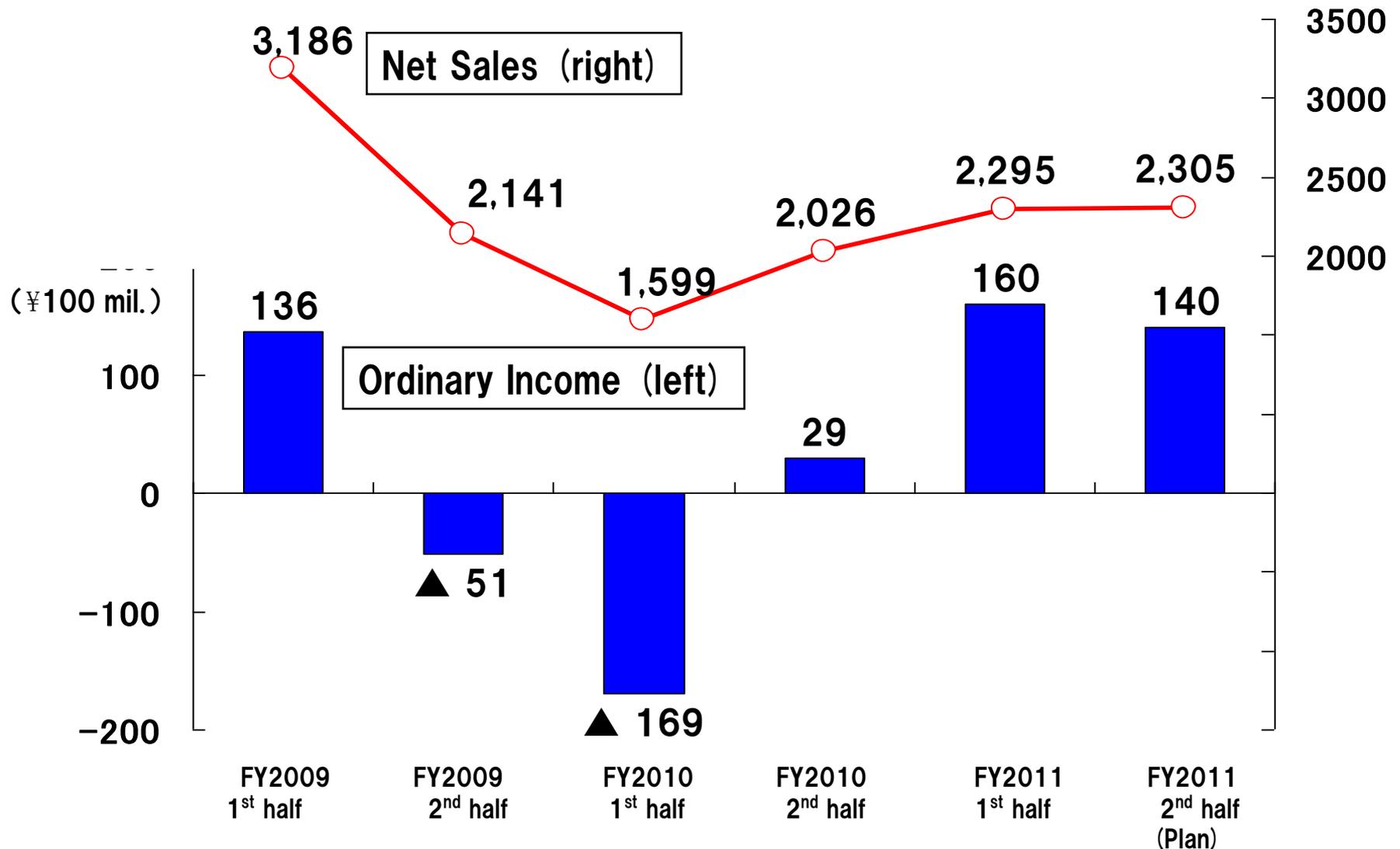
	UNIT	4-9/2010 Results ( Difference from the initial forecast)	10/2010-3/2011 Premises of plan ( Difference from the initial forecast)
<b>Scrap steel</b> Upper:H2 Lower:Factory bundle	¥thou. /MT	<b>27.2 (-5.8)</b> <b>34.4 (-3.6)</b>	<b>28.0 (-7.0)</b> <b>33.0 (-7.0)</b>
<b>Nickel</b> (LME)	\$/LB	<b>9.90 (-0.1)</b>	<b>10.00 (±0)</b>
<b>Molybdenum</b> (MW)	\$/LB	<b>15.7 (-4.3)</b>	<b>18.0 (-2.0)</b>
<b>Chrome</b> (South African price quotation)	¢ /LB	<b>141.0 (+6.0)</b>	<b>144.0 (+9.0)</b>
<b>Exchange rate</b>	¥/\$	<b>89.0 (-1.0)</b>	<b>85.0 (-5.0)</b>

# Changes in Net Sales & Ordinary Income (Forecast for FY2011)



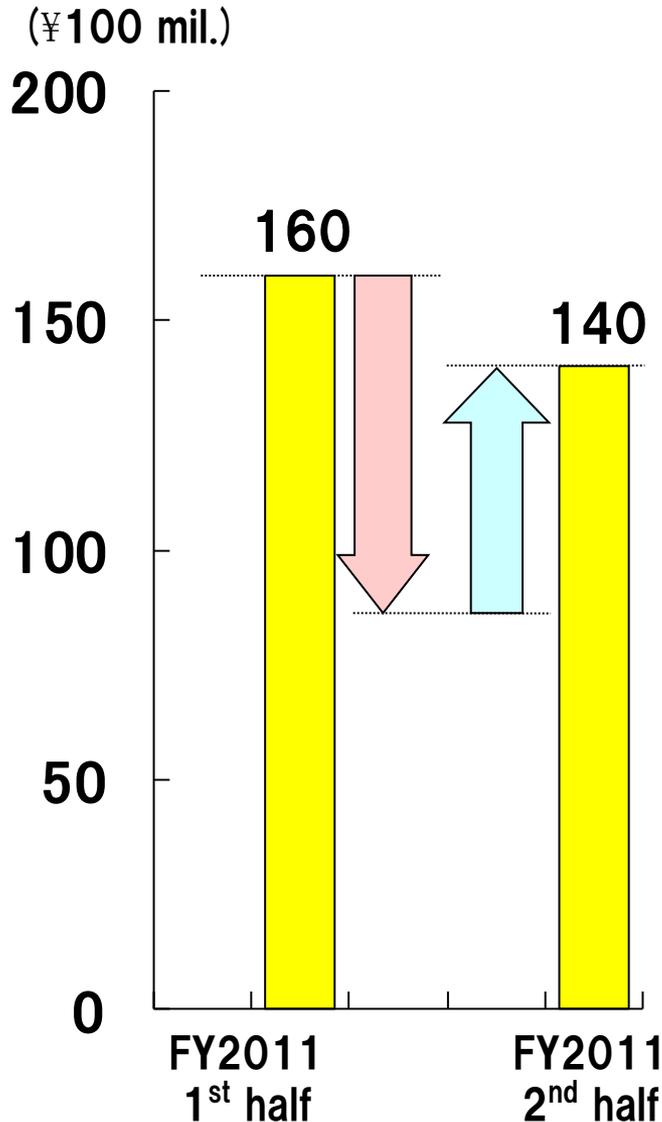
# Changes in Net Sales & Ordinary Income (Interim)

(¥100 mil.)



# FY2011 Changes in Ordinary Income (Comparison between 1<sup>st</sup> half & 2<sup>nd</sup> half)

•Based on the assumption that business volume will decrease due to the slowing economy. (¥100 mil.)



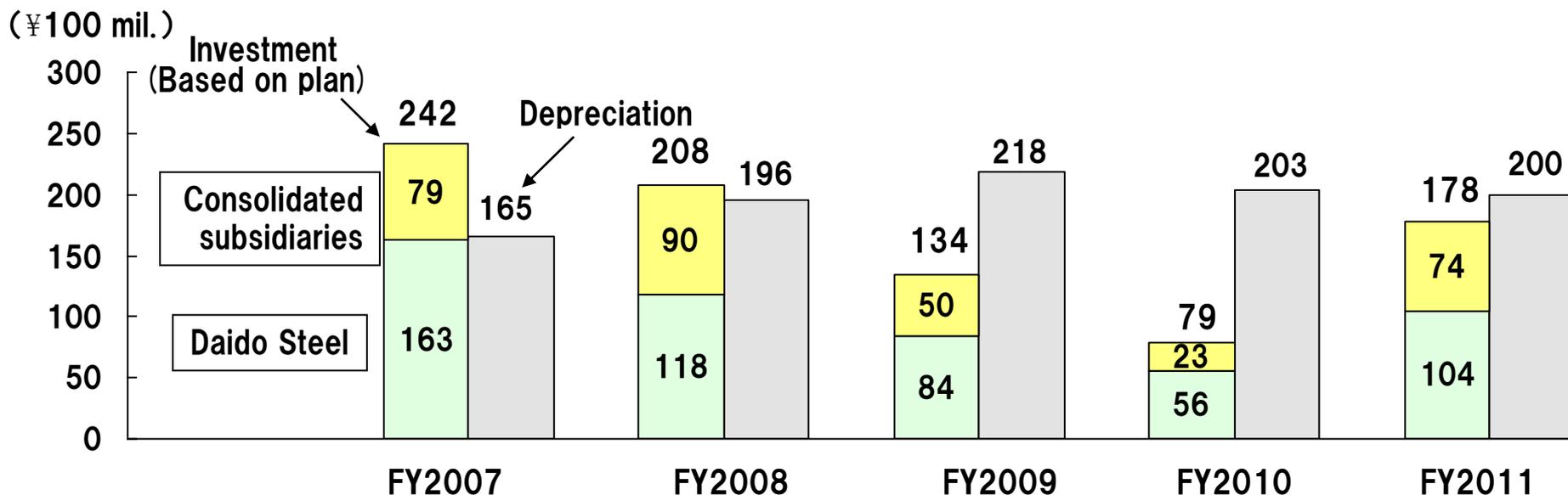
1 <sup>st</sup> half of FY2011 Ordinary Income		160	
Changes (Comparison with 1 <sup>st</sup> half)	Operating income / loss	Raw material price	-18
		Sales volume	-25
		Sales price	+31
		Sales mix	
		Variable cost	+11
		Fixed cost	-25
		Subtotal	-68
	Non-operating income	+42	
2 <sup>nd</sup> half of FY2011 Ordinary Income (Assumption)		140 (-20)	

# FY2011 Net Sales & Operating Income by Segment

(¥100 mil. thou.t)

		4-9/2010	10/2010- 3/2011	Changes from 1st half to 2nd half	FY2011
		Results (A)	Plan (B)	(B) - (A)	Plan (A) + (B)
<b>Specialty Steel</b>	Net sales	1,404	1,375	-29	2,779
	Operating Income	106	82	-24	188
	Volume (Non-consolidated)	606	586	-20	1,192
<b>Electronic &amp; Magnetic Materials</b>	Net sales	192	215	23	407
	Operating Income	11	9	-2	20
<b>Parts for Automobiles &amp; Industrial Equipment</b>	Net sales	499	504	5	1,003
	Operating Income	32	33	1	65
<b>Engineering</b>	Net sales	108	121	13	229
	Operating Income	8	5	-3	13
<b>New Materials</b>	Net sales	46	43	-3	89
	Operating Income	0	3	3	3
<b>Trading &amp; Service</b>	Net sales	46	47	1	93
	Operating Income	6	5	-1	11
<b>Total</b>	Net sales	2,295	2,305	10	4,600
	Operating Income	163	137	-26	300

# Capital Investment



➤ **Structural reform** • **Investment focused on growing businesses (including overseas) and new businesses**

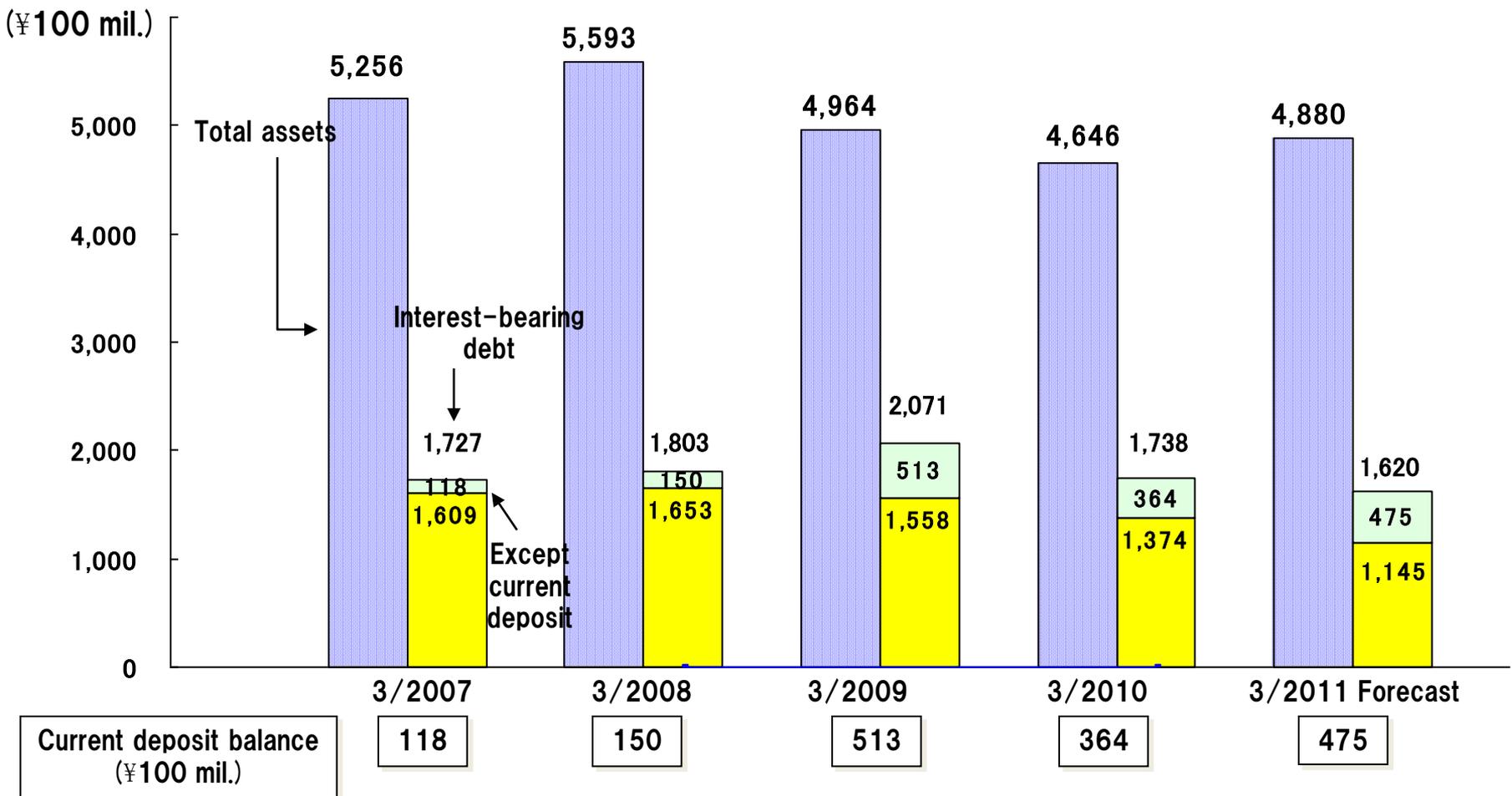
## Structural reform: ¥3.5 bil.

- Re-organize secondary processing of wire-rod.
- Integrate rolling processing.
- Invest for labor-saving. (Introduction of FA robot)

## Growing businesses : ¥4.5 bil. New businesses

- Strengthen performance of turbo-related parts.
- China: Strengthen performance of magnet and engine valve.
- Processing machine for parts of nuclear power generation
- Concentrating photovoltaic system

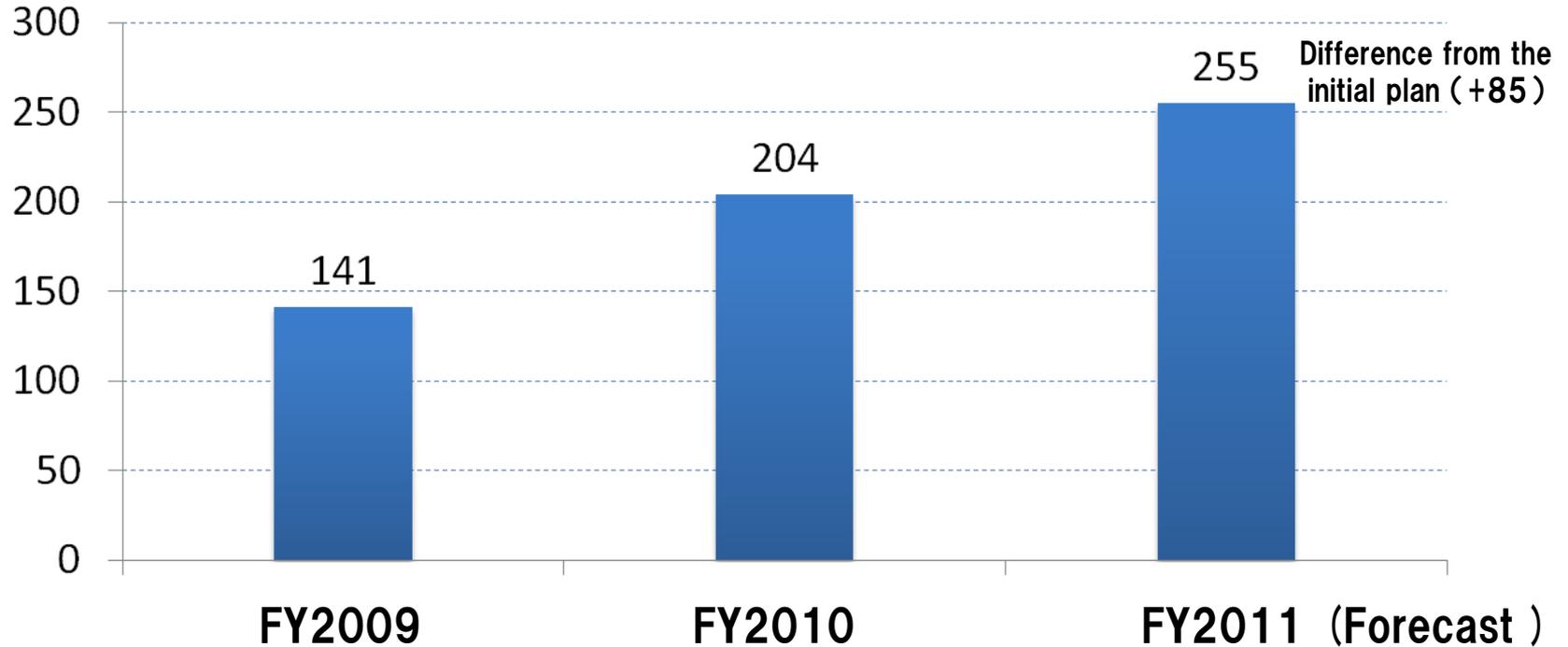
# Total Assets, Interest-bearing Debt, D/E Ratio



	3/2007	3/2008	3/2009	3/2010	3/2011
ROA	6.6%	6.9%	1.6%	▲2.9%	6.3%
D/E	0.92	0.96	1.25	1.09	0.88

# Cash Flow

(¥100 mil.) <Changes in free cash flow>



[Ordinary Income] [¥8.5 bil.]

[▲¥14 bil.]

[¥30 bil.]

•Free cash flow has remained in surplus due to profit increase and carefully-screened capital investment.

# FY2011 Extraordinary Income / Loss • Net Income

(¥100 mil.)

<b>FY2011 Ordinary income</b>	<b>300</b>
<b>Extraordinary income / loss</b>	<b>▲15</b>
<b>Income taxes and minority interests</b>	<b>▲25</b>
<b>FY2011 Net Income</b>	<b>260</b>

# FY2011 Plan for Dividend per Share

	FY2010		FY2011	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	▲169	+29	160	140
Net income (¥100 mil.)	▲172	+26	113	147
Dividend per share (¥/share)	0.0	2.0	3.0	3.0
Dividend ratio (%)	—	33.4	11.5	8.9

# Priority Subjects

# Recognition of Business Environment ①

## The latest changes in business environment

### <Demand Environment>

Expansion of emerging markets (automobile)

Effect of economic-stimulus policy (automobile•home electrical appliance)

Demand increase for IT (semiconductor•HDD)

Improvement of capacity utilization and more inventory adjustment of high-grade steel

### <Procurement status of raw materials>

Sluggish demand for domestic construction (Production cutback of blast furnace and cable installation)

Production cutback in Chinese steel industry

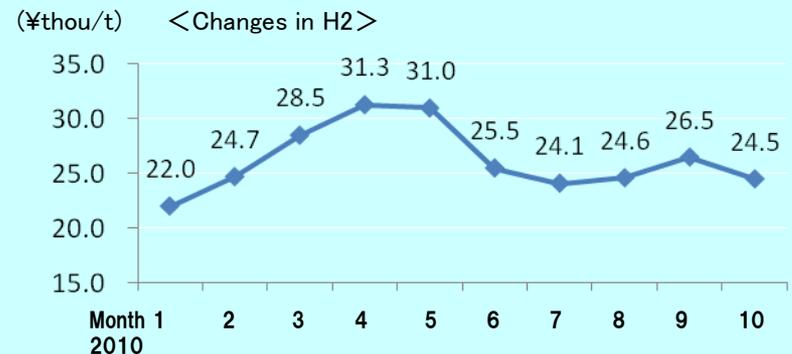
Sharp appreciation of yen

The latest profit environment has dramatically recovered.

- Demand increase of specialty steel for automobile
- Demand recovery for high-grade steel (stainless steel•tool steel)



### Control of price increase of scrap steel



# Recognition of Business Environment ②

## Mid and long-term business environment

### Emerging countries

Continuous high-growth  
mainly in China and India

- Upgrading and industrialization of demand
- Development into growing inland area

Energy • Infrastructure • IT /  
Expansion of environment-related demand

### Domestic state

- Aging society with declining birthrate
- Pressure of deflation
- Sluggish economic growth

- Hollowing-out of domestic market
- Shift to overseas production
- Accelerated local procurement

Tightening of environmental regulation /  
Advancement and diversification of  
environment-friendly technology

Domestic demand for specialty steel is assumed to decrease in the long term.

Business chances lie in response to globalization and expansion into new markets.

# Basic Policy ①



**Rebuild competitiveness in manufacturing.  
(MONOZUKURI power)**



**Reinforce relationship  
with markets and customers.**



**Accelerate development overseas.**

# Basic Policy ②

## Automobile

- Deepen Key technologies.
- Promote strategy for global market.

- Deepen technology for key materials  
(EV, HEV • Shift to turbo engine • Weight saving)
- Renovate steel making process  
(Optimize production. Strengthen price competitiveness on world-level)
- Expand market  
(Modularized products, sales to local manufacturers. )
- Develop DAIDO-brand globally

## Strategic Industries

Develop more in growing markets.  
(Infrastructure, energy, environment  
IT, medical sector, globalization)

- Expand infrastructure and energy industry in emerging countries.  
(Heavy electric machinery, nuclear power, construction equipment, plant)
- World-wide demand increase for environment-related products  
(Reduction of CO<sub>2</sub>, wind power generation, photovoltaic generation)
- IT, Medical care, Globalization  
(HDD, titanium for medical application, aircraft, vessel)

**Concentrating on strategic products**

# Basic Policy ③

## Expansion and deepening of strategic products

**Environment  
Ecology**

**Emerging countries  
Infrastructure  
& Energy**

**Globalization  
Informatization &  
Medical application**

### Automobile

Steel for common rail  
Steel for vacuum carburizing  
(DEG steel)

Turbo-related products  
High-alloy engine valve  
Soft magnet powder metal  
for HV  
Ring magnet for EPS



### Strategic industries

Vacuum carburizing furnace  
Concentrating photovoltaic  
system

Parts for nuclear power  
generation

Parts for gas turbine

Ethylene super-tube

Drill collar for oil drilling

High-grade large-diameter  
structure materials

Aircraft engine shaft

Magnet and stainless steel  
for HDD

Titanium alloy for medical  
application

# Specialty Steel

## Market Trend

- Hollowing-out of domestic market  
Accelerated shift to overseas market
- Fiercer global competition
- Expansion of market for environment,  
infrastructure, energy

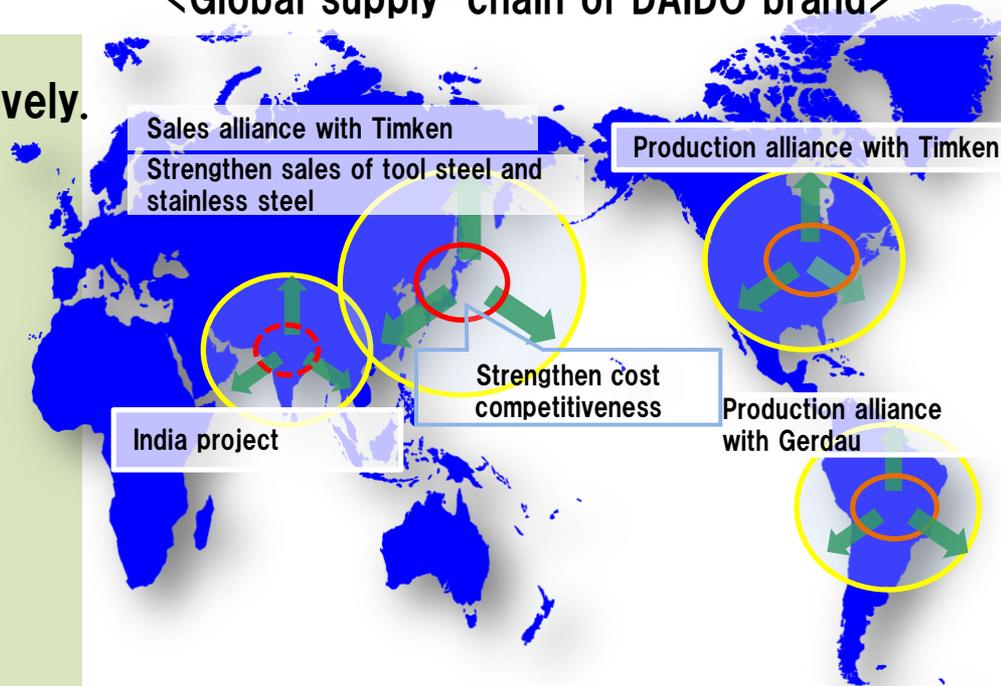
## DAIDO's achievement

- Reinforced cost competitiveness by reducing  
fixed cost.
- Built up global alliance.
- Strengthened sales base in East Asia.

## Future Strategy

- Strengthen global competitiveness intensively.  
⇒ Reform process of three steel  
factories.
- Enter into specialty steel market in  
emerging countries.  
⇒ Reinforce global supply-chain.
- Develop in strategic industries actively.  
⇒ Construction machine, infrastructure,  
energy

## <Global supply-chain of DAIDO brand>



# Electronic & Magnetic Materials

## Market Trend

- Worldwide demand increase for IT-related products
- Faster response to environment in automobile industry
- Procurement problem of rare earth element

## DAIDO's achievement

- Strengthened IT-related products.  
(Magnet for HDD, high-alloy steel strip)
- Reinforced business base for magnet.  
(Magnet for electric power steering)
- Developed magnet saving rare-earth element

## Future Strategy

### ● Promote expansion of magnet business

- ⇒ Expand business base in China.  
(Reduce risk in materials procurement.  
Deploy market.)
- ⇒ Strengthen development of new products.  
(Save rare earth element.  
Expand automobile market.)

### ● Promote IT-related products.

- ⇒ Reinforce business profitability.  
(Promote cost reduction.  
Reform product portfolio.)

### < Major products >

Nd-Fe-B anisotropic magnet for ring



Magnet for electric power steering motor



# Automobile • Industrial Equipment

## Market Trend

- Expanding demand for energy and infrastructure
- Faster response to environment in automobile
- Further globalization

## DAIDO's achievement

- Strengthened forging business. (Introduced 7000t press.)
- Expanded turbo-parts business (Improved production base.)
- Developed No.1 product. (Aircraft shaft, valve for vessel)

## Future Strategy

Strengthen and expand strategic industries.

⇒ Promote sales of heavy electric machinery • parts for nuclear power generation.

- Promote global development of turbo-parts business.

⇒ Response to down-sizing of engine.

- Reinforce cost competitiveness in forging business.

⇒ Reform portfolio. Reorganize groups.

⇒ Strengthen efforts toward business of energy-related materials.

## < Major Products >

Parts for heavy electric machinery (Compressor disc)



Turbo-parts (Wheel)



# Engineering

## Market Trend

- Sluggish investment for domestic facilities
- Demand increase in emerging countries
- More needs for responsiveness to environment

## DAIDO's achievement

- Keep profitable by reducing fixed cost.
- Established business base and accelerated sales promotion in China.
- Developed vacuum carburizing furnace.  
(Cut CO<sub>2</sub> emission by half. Tripled productivity.)

## Future Strategy

- Develop in emerging markets
  - ⇒ Continuous annealing furnace, facilities for steel-related products
  - ⇒ Strengthen business in Chinese market.
- Promote sales of environment-friendly products.
  - ⇒ Vacuum carburizing furnace + DEG steel

### < Major products >

#### Vacuum carburizing furnace



# New Materials • New Business

## Market Trend

- Demand increase for high-performance powder metal (Shift to HEV and others)
- Bottoming-out of demand for titanium
- Photovoltaic system  
Demand increase for energy

## DAIDO's achievement

- Expanded business of powder metal.  
(Developed reactor core for hybrid cars)
- Promoted development of titanium products for niche market.
- Promoted commercialization of new businesses.  
(Concentrating photovoltaic system • Ethylene super-tube)

## Future Strategy

Strengthen business competitiveness by selection and concentration.

⇒ Powder metal ...Materials for reactor core and others

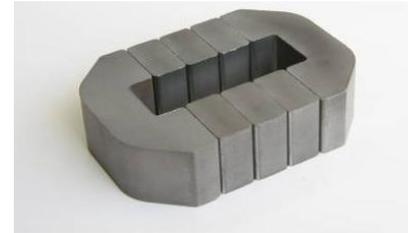
⇒ Titanium...Parts for medical application

● Promote commercialization of new businesses and make decision.

⇒ Concentrate and streamline business resources.

### < Major Products >

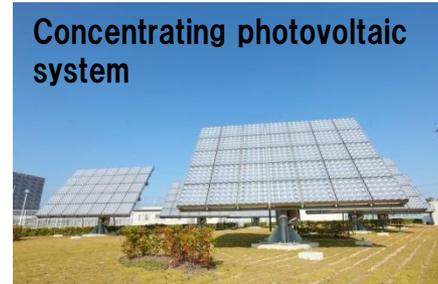
High-performance powder metal for hybrid cars



Parts for prosthetic arms and legs



Concentrating photovoltaic system



# Reinforcement of Business Quality

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## 【Promote strategic investment】

Reform cost structure drastically.

Accelerate global development.

Promote development of new products.

## 【Improve financial strength】

Streamline assets and achieve fiscal soundness.

Reinforce management of cash flow.

Select and concentrate businesses.

**Strengthen Business Quality**

**<Form flexible and robust corporate quality >**

# Fact Book

# 1.Financial highlight

## Consolidation

(¥100 mil.)

	06/3	07/3	08/3	09/3	10/3
Net sales	480,703	522,620	591,398	532,655	362,507
Operating income	37,542	31,700	38,441	9,115	▲14,050
Ordinary income	39,366	33,029	37,501	8,533	▲13,994
Net income	21,196	19,552	14,196	▲8,147	▲14,610
R & D expenses	3,574	4,313	4,447	4,244	3,910
Capital investment	25,900	24,200	20,800	13,400	7,900
Depreciation	16,067	16,544	19,586	21,809	20,303
Financial account balance	▲647	▲713	▲950	▲741	▲1,442
Total assets	476,816	525,569	559,278	496,411	464,629
Equity	172,647	187,839	188,090	166,235	159,301
Interest-bearing debt	152,387	172,732	180,295	207,123	173,790
Payroll number	10,231	10,664	11,131	10,212	10,414
ROA(%)	8.6	6.6	6.9	1.6	▲2.9
ROE(%)	13.4	10.8	7.6	▲4.6	▲9.0
Consolidated subsidiary number	31	32	32	32	32
(Equity method affiliate number is excluded from the above.)	( 8)	( 8)	( 6)	( 6)	( 6)
Ratio of the consolidated to the non-consolidated					
Net sales	1.6	1.6	1.5	1.5	1.7
Ordinary income	1.9	2.1	2.0	7.4	-
Net income	1.3	1.8	0.7		-

	06/9	07/9	08/9	09/9	10/9
	249,084	284,505	318,648	159,934	229,456
	16,731	15,724	13,599	▲17,015	16,316
	17,478	16,042	13,648	▲16,888	15,960
	10,122	3,596	6,147	▲17,187	11,284
	2,071	2,111	2,223	1,911	2,042
	13,000	9,600	11,200	3,700	9,200
	7,970	9,026	11,011	10,071	9,871
	▲139	▲387	▲176	▲677	▲530
	493,851	544,157	570,399	453,231	479,697
	179,257	188,524	189,891	153,776	165,466
	162,752	187,531	190,076	183,848	172,045
	10,630	10,805	11,418	10,660	10,405
	7.2	6.0	4.8	▲7.1	6.8
	11.5	3.8	6.5	▲21.5	13.9
	32	32	32	32	32
	( 8)	( 8)	( 6)	( 6)	( 6)

\* Long-term prepaid expenses are not included in the depreciation.

## 2. Net Sales and Operating Income by Segment

Consolidation

(¥100 mil.)

		06/3	07/3	08/3	09/3	10/3	06-4-9	06-10-3	07/4-9	07/10-3	08/4-9	08/10-3	09/4-9	09/10-3	08/10-3	09/4-9	09/10-3	10/4-9
Specialty Steel	Net Sales	2,656	2,877	3,296	3,069	2,070	1,370	1,507	1,574	1,722	1,906	1,163	857	1,213	857	857	1,213	1,404
	Operating Income	193	117	114	8	▲ 108	73	44	35	79	44	▲ 36	▲ 128	20	▲ 128	▲ 128	20	106
Electronic & Magnetic Materials	Net Sales	517	645	792	647	412	295	350	395	397	385	262	179	233	179	179	198	192
	Operating Income	30	34	58	▲ 6	▲ 22	11	23	32	26	19	▲ 25	▲ 13	▲ 9	▲ 13	▲ 13	▲ 15	11
Parts for Automobile & Industrial Equipment	Net Sales	1,041	1,070	1,159	1,041	712	523	547	572	587	607	434	322	390	322	322	425	499
	Operating Income	109	105	134	46	▲ 14	55	50	56	78	47	▲ 1	▲ 28	14	▲ 28	▲ 28	20	32
Engineering	Net Sales	339	372	411	366	261	177	195	171	240	171	195	150	111	150	150	111	108
	Operating Income	17	23	29	27	20	12	11	8	21	10	17	13	7	13	13	7	8
New Materials	Net Sales	115	139	156	104	68	58	81	79	77	64	40	30	38	30	30	38	46
	Operating Income	10	23	35	4	▲ 27	7	16	17	18	9	▲ 5	▲ 20	▲ 7	▲ 20	▲ 20	▲ 7	0
Trading & Service	Net Sales	139	123	100	100	102	68	55	54	46	53	47	61	41	61	61	41	46
	Operating Income	16	15	14	12	10	9	6	9	5	7	5	6	4	6	6	4	6
<b>Total</b>	<b>Net Sales</b>	<b>4,807</b>	<b>5,226</b>	<b>5,914</b>	<b>5,327</b>	<b>3,625</b>	<b>2,491</b>	<b>2,735</b>	<b>2,845</b>	<b>3,069</b>	<b>3,186</b>	<b>2,141</b>	<b>1,599</b>	<b>2,026</b>	<b>1,599</b>	<b>1,599</b>	<b>2,026</b>	<b>2,295</b>
	<b>Operating Income</b>	<b>375</b>	<b>317</b>	<b>384</b>	<b>91</b>	<b>▲ 141</b>	<b>167</b>	<b>150</b>	<b>157</b>	<b>227</b>	<b>136</b>	<b>▲ 45</b>	<b>▲ 170</b>	<b>29</b>	<b>▲ 170</b>	<b>▲ 170</b>	<b>29</b>	<b>163</b>

Segment	Company	Business Contents
Specialty steel	Tohoku Steel Co., Ltd. *	Production and sales of specialty steel secondary products / heat-treatment of metal
	Riken Seiko Co., Ltd. *	Production and sales of Specialty steel secondary products (shaft bearing), cutting tool and machine tool
	Shimomura Tokushu Seiko Co., Ltd.	Drawing of free-cutting steel & stainless steel / Production and sales of grinding processed products
	Daido Amistar Co., Ltd.	Production and sales of die products and finished tool/ heat-treatment of metal
	Daido Matex Co., Ltd.	Processing and sales of tool steel
	Maruta Transport Co., Ltd. *	Transportation and warehousing business
	Kawaichi Sangyo Co., Ltd. *	Transportation and warehousing business
	Daido Shizai Service Co., Ltd.	Sales of materials for production
	Daido EcoMet Co., Ltd.	Development, production, sales of indirect materials for steel-making/ recycling of waste and by-products from steel-making-process
	Daido Technica Co., Ltd.	Seam-removing, maintenance, processing of steel
	Sakurai Kosan Co., Ltd. *	Heat treatment works, surface treatment
	Izumi Electric Industries Co., Ltd. *	Design and construction of electric work / Design and production of power distribution board
	Nippon Seisen Co., Ltd.	Production and sales of stainless steel wire, metallic fiber
	Tienwen Steel Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Taiwan)
	Daido Amistar(S) PTE Ltd.	Processing, sales of die products / Sales of die materials (in Singapore)
Daido Amistar(M) SDN. BHD.	Processing, sales of die products / Sales of die materials (in Malaysia)	
Daido PDM (Thailand) Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Thailand)	
Electronic magnetic materials	Daido Electronics Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts
	Daido Electronics (Thailand) Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts(in Thailand)
	Daido Special Metals Ltd.	Merger with Special Metals (U.S.): Sales of Nickel alloy products

(Note) \* Equity method affiliate

<b>Segment</b>	<b>Company</b>	<b>Business Contents</b>
	Daido Precision Industries Ltd.	Production and sales of processing parts for compressor, power transmission, base-isolation device
	Fuji OOZX Inc.	Production and sales of engine valve
	Nissei Seiko Co., Ltd.	Production and sales of screw, bolt and cold-forging parts for automobile
Automobile & Industrial parts	Toyo Sangyo Co., Ltd.	Production and sales of die forging
	Japan Drop Forge Co., Ltd.	Production and sales of die forging
	Ohio Star Forge Co.	Production and sales of precise forging (in U.S.)
	Daido Star Techno Co., Ltd.	Seam-removing, maintenance, device processing of steel and forging
	Daido Castings Co., Ltd.	Production and sales of casting, precise casting, manganese rail
	Daido Plant Industries Co., Ltd.	Design, production, sales of industrial furnace, facility equipment and ancillary facility
Engineering	Daido Machinery Ltd.	Production and sales of machine tool / Installation, maintenance and repair of machine equipment
	Daido Environment Engineering Co., Ltd.	Maintenance and repair of environment device
Trading & Service	Daido Kogyo Co., Ltd.	Trading company specializing in specialty steel, equipments, steel-making materials, building products
	Daido Steel(America)Inc.	Export & import of DAIDO group products / Group's front company for U.S. (in U.S.)
	Daido Life Service Co., Ltd.	Dealing and subdivision of real estate / Management of welfare provision / Insurance agent
		travel agent, printing
	Life Support., Ltd.	Cleaning, security, food-service operating, management of facility, tree-planting, labor dispatch service
	Kisokomakogen Kankokaihatsu Co., Ltd.	Management of golf course / management of land for vacation house / minor water project
	Star Info Tech Co., Ltd.	Planning, design, development, maintenance of information system / Development and sale of software
	Daido Bunseki Research, Inc.	Analysis, research, consulting regarding iron, steel, cast metal, ceramics

## (Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

However, changes in circumstances could lead to different business outcomes, so blind reliance on this data as decision criterion is not recommended.

Also predicted figures can be changed in the future without prior notice. All use of this document is at the volition and discretion of the user. Please be aware that our company shall not assume any responsibility for the results of using the information in this document.