

Mid-term Management Plan

March 21, 2012



1. Outline of management strategy

- Measures and results
- Changes in management environment of 2014 mid-term
- Outline of mid-term management plan

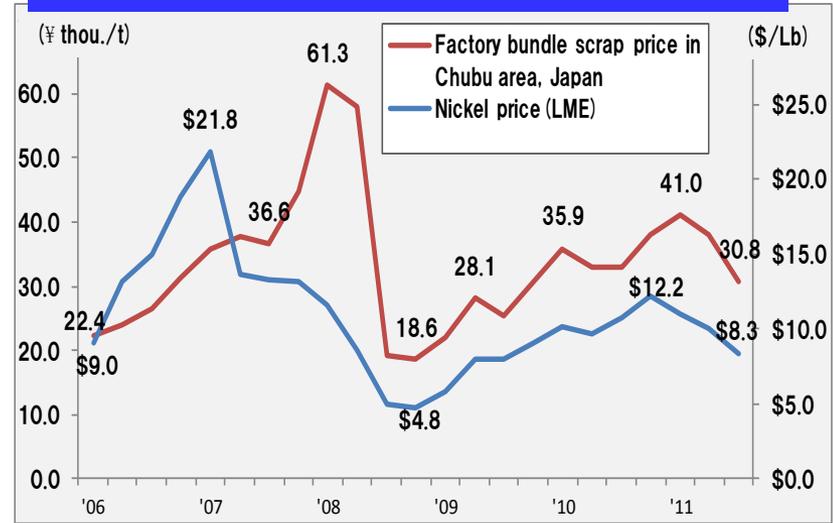


1-1 Review of management environment

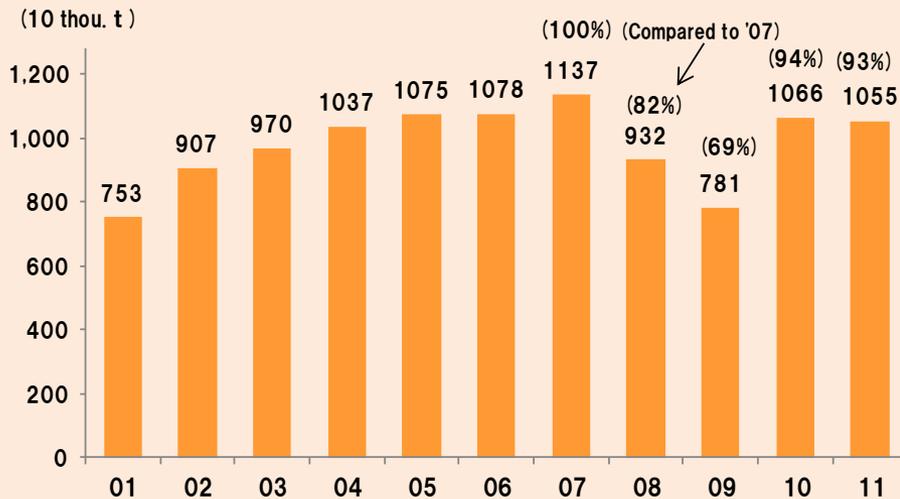
Production trend of Japanese cars



Market Trend of Scrap & Nickel Price



Trend of specialty steel production in Japan (Bar & Wire rod)

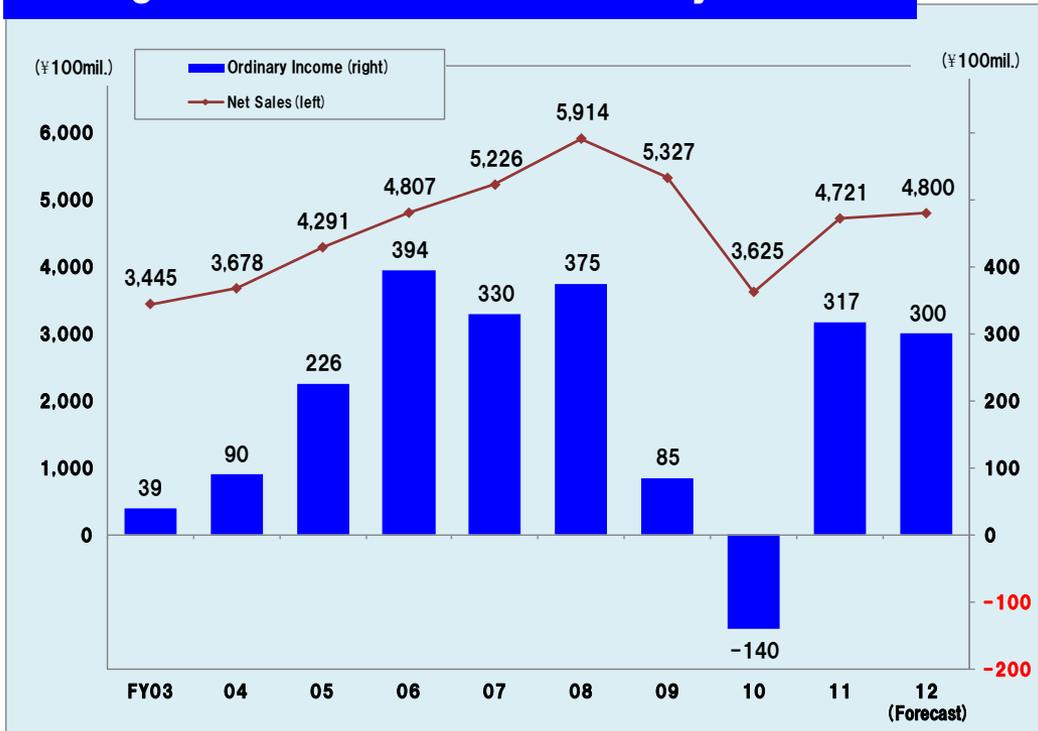


•Great impact on management environment

•Raw materials and specialty steel demand were fluctured. But recent demand is recovered to over 90%

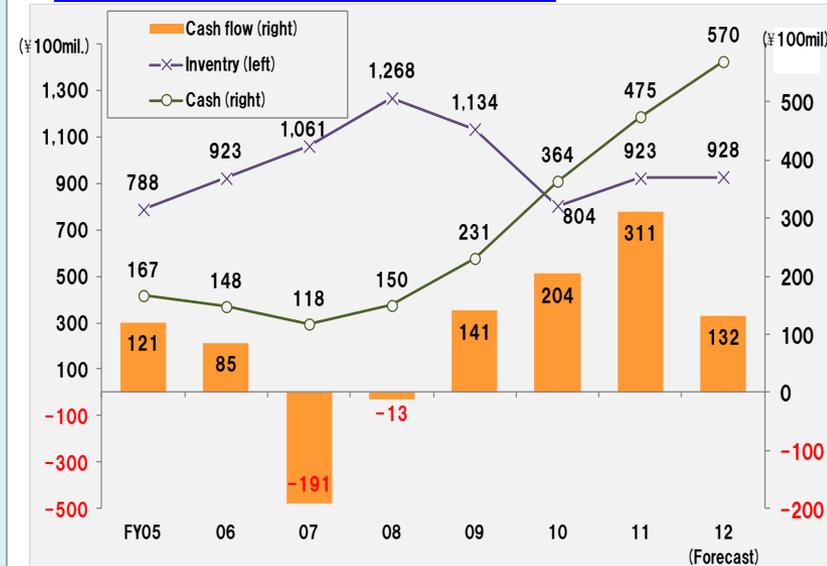
1-2 Measures and results

Changes in Net Sales & Ordinary Income

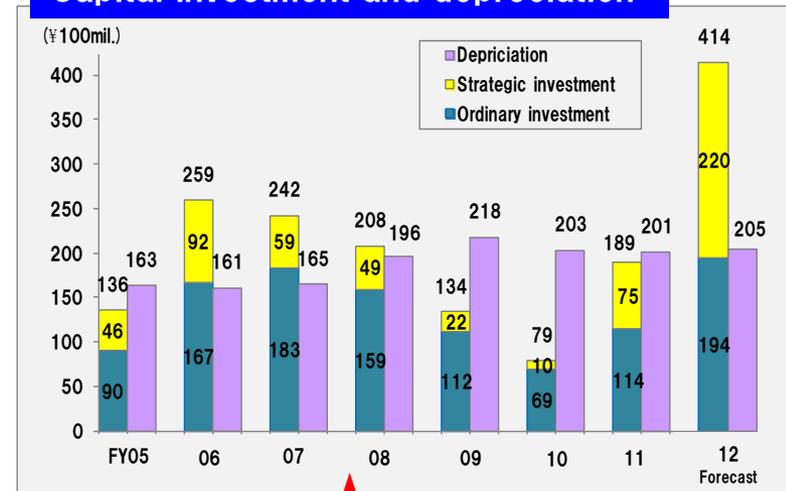


- Improved profitability by cost reduction, selection of capital investment
- Introduction of surcharge system
- Improved free cash flow for strategic capital investment

Cash flow and inventory

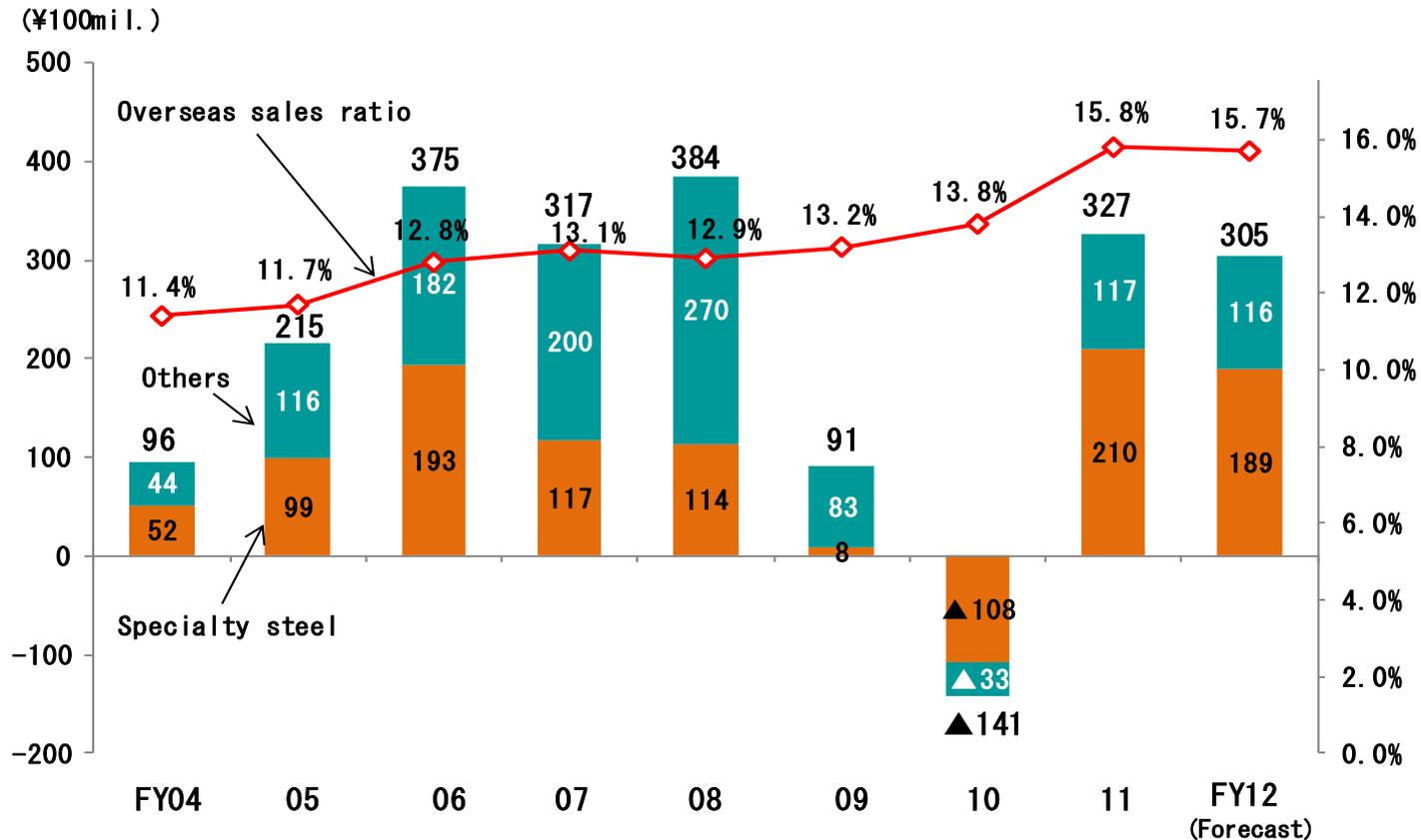


Capital investment and depreciation



1-3 Themes to cope with

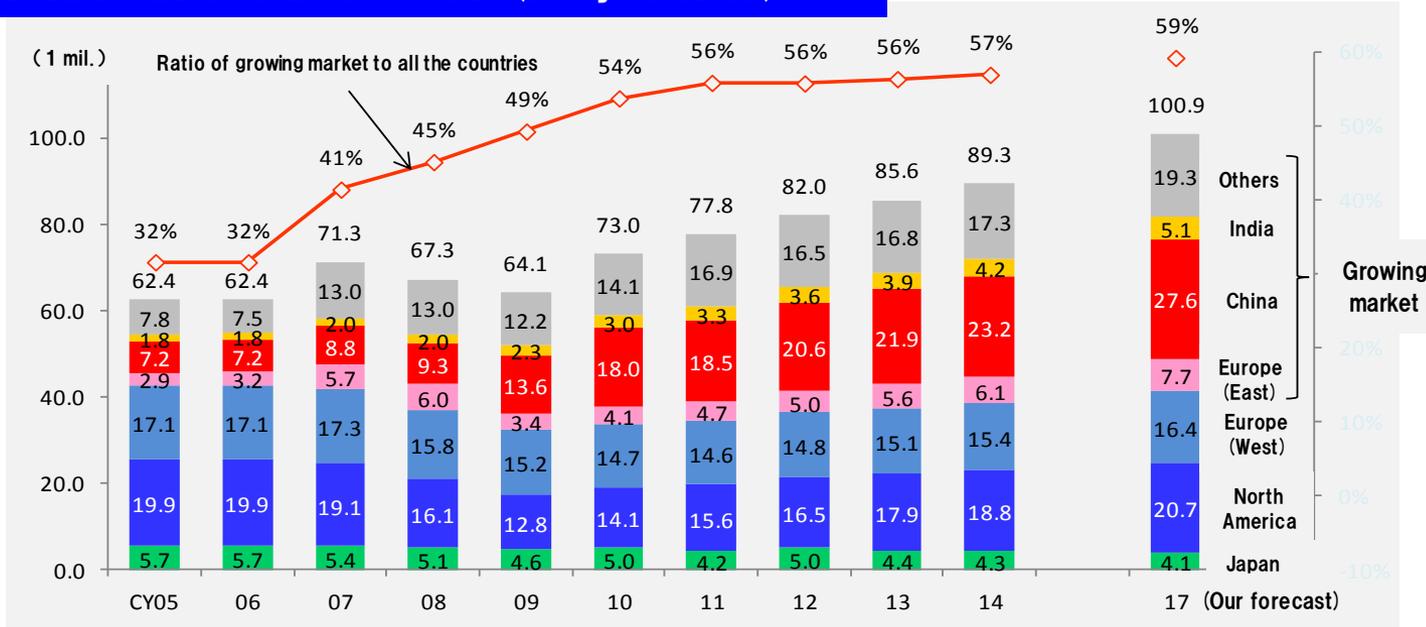
Operating income and loss, and Overseas sales ratio



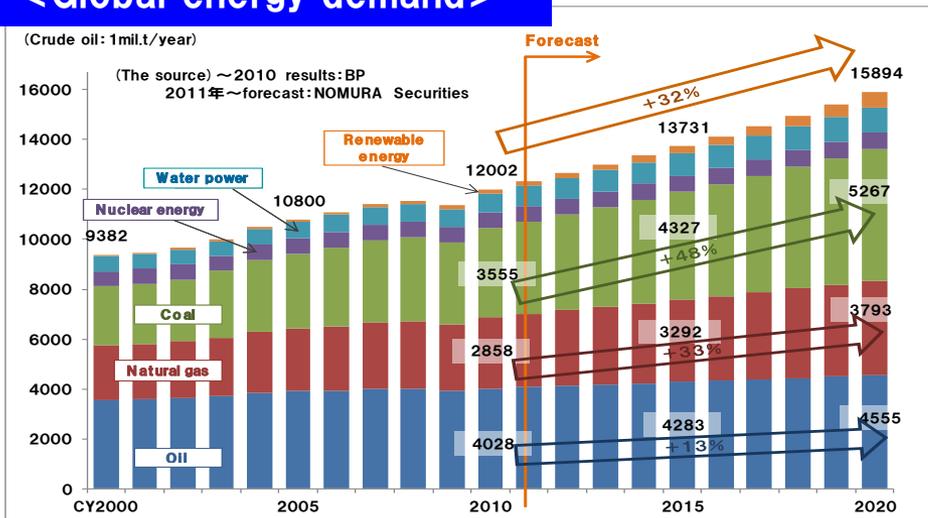
- Stabilized profitability by recovery of specialty steel sales
- Expanding of other business profit and overseas sales are remained themes to cope with.

1-4 Changes in management environment of 2014 mid-term ①

<Global demand for cars (Projections)>



<Global energy demand>



- Specialty steel market will be expanding
- Asian growing countries play key role

1-5 Changes in management environment of 2014 mid-term ②

Changes at customer side

◇ Local production expansion

- Worsened production environment in Japan
- Diversified of procurement
- Improved quality of local makers
- Regulations for local content



Critical parts will be produced by local makers

Changes in cost structure

◇ Rising production cost

- Rise in electricity cost (Higher oil price, CO₂ reduction)
- Higher steel scrap price



Drastic cost reduction is key theme

Executing portfolio reform and production innovation

1-6 Outline of mid-term management plan ①

《Basic management policy》

Aim to be the strongest speciality steel maker



**『Strengthening profitability』 and
『Executing growing strategy』**

1-7 Outline of mid-term management plan ②

『Strengthening profitability』 and 『Executing growing strategy』

Expanding growing market

Executing growing strategy by differentiated products

Drastic cost reduction of existing business

<Expand next growing business and products>

- Change of car structure, energy, medical business
- Solution business

<Global leading products expansion>

- Growing by Daido No.1 products (Special stainless steel, Free forging products)

<Cost reduction of existing products>

- Reconstruct main frame (Chita Plant)
- Diversified alliance

1-8 Drastic cost reduction of existing business①

Strategic investment in steel making plant of Chita

Expanding of steel
making capacity

Reduction of steel
making cost

Improving quality

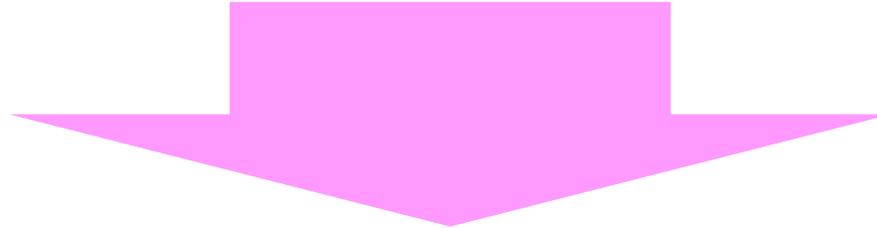
Expanding of Daido
Steel's No.1
products capacity

Enlarge EAF (*) and
Diversifying fuel
(* Electric Arc Furnace)

Stabilizing steel
quality

(1.5→1.8 mil. t/year)

(Fuel cost reduction -10%)



Reconstruct to leading steel making plant of the world

1-9 Executing growing strategy by differentiated products

Global leading products expansion

Portfolio reform to
prepare localization
and less consumption

Technology and solutions
as specialty steel maker

Strategy to expand “Global Leading Products※”

※ Differentiated Daido’s No.1 products

Growing market for Energy, Infrastructure, IT, Environment

1-10 Expanding growing market

Magnet Business

Following Nd magnets market expansion

Increasing HEV and EPS system

High performance airconditioner

➔ Enhancing magnet product portfolio

Turbo Business

Following turbo charger market expansion

Increasing downsized engines

Expanding turbocharger demand

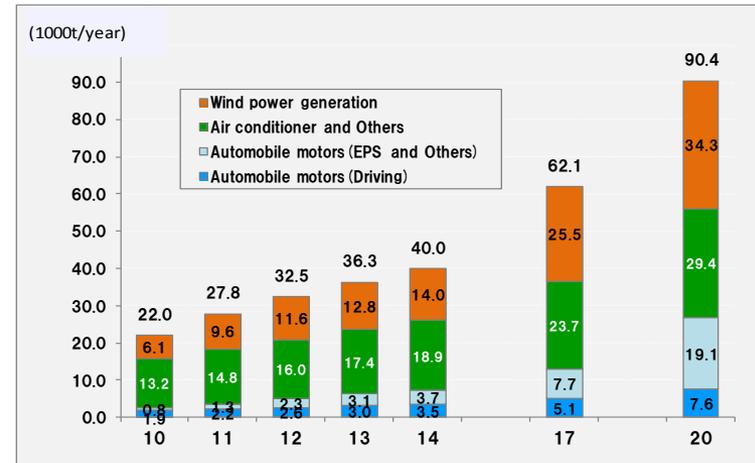
➔ Capacity increase and enhancing marketing

Solutions for customers

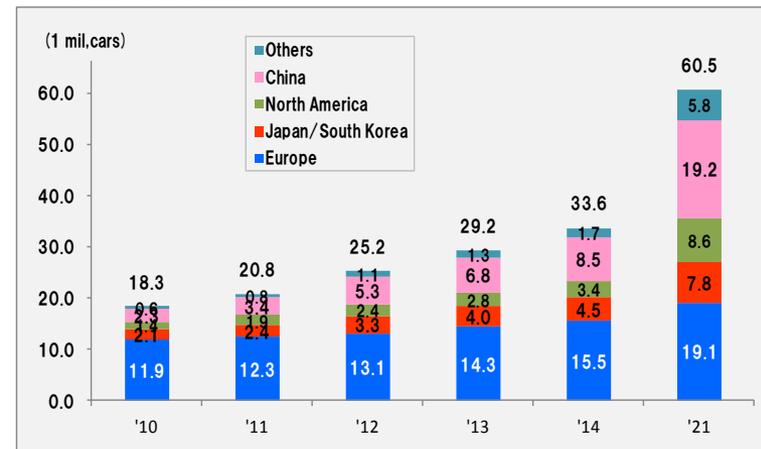
Harmonizing Daido's technology and customer needs

➔ Direct communication with customers by providing Daido's technology

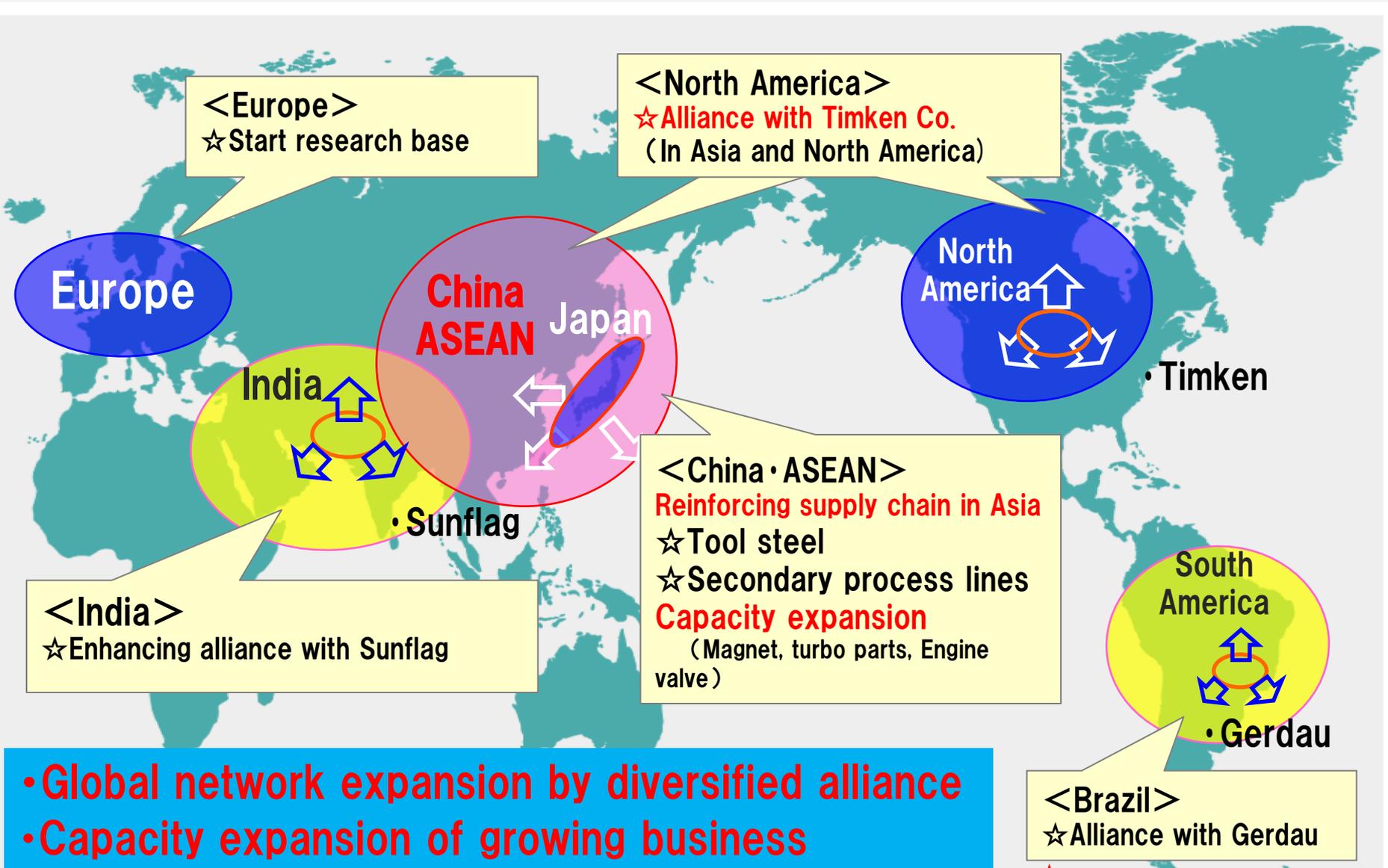
<Nd magnets forecast>



<Turbo forecast>



1-11 Global network and strategy



2. Management strategy by segment

- Change of segment**
- Solution business strategy**
- Growing strategy by segment**



2-1 Change of segment

New segment(FY2013~)

<Former segment>

Main products / Business

Specialty Steel

- Mechanical construction steel (Automobile/Bearing etc)
- Stainless steel
- Tool Steel (Chita Plant)

Electronic & Magnetic Materials

- High alloy (Strip/Bar, Wire Rod)
- Magnets

Parts for Automobile & Industrial Equipment

- Die Forging
- Free Forging (Shibukawa Plant)
- Tool Steel (Shibukawa Plant)
- Engine valve, Turbo parts

Engineering

- Engineering

New Materials

- Powder metal
- Titanium

Trading & Service

- Overseas trading company, Real Estate

<New segment>

Main products / Business

Specialty Steel

- Mechanical construction steel (Automobile/Bearing etc)
- Tool Steel (Shibukawa Plant)

High Performance Materials & Magnet Materials

- Stainless steel
- High alloy (Strip/Bar, Wire Rod)
- Magnets
- Powder metal
- Titanium

Parts for Automobile & Industrial Equipment

- Die Forging
- Free Forging (Shibukawa Plant)
- Engine valve, Turbo parts

Engineering

- Engineering

Trading & Service

- Overseas trading company, Real Estate



2-2 Growing strategy of specialty steel segment

Specialty steel (Structure steel) · Tool steel

Production reform

- Improving QCD of Chita Plant
(Quality, Cost, Delivery)
- Increasing production capacity to supply globally
- Diversifying fuel

Expansion to growing market

- Asian market
(Automobile, Tool steel)
- Global leading products
- Harmonizing Daido's technology and customer needs



Cost reduction of existing products

- Flexible production
- Keeping profit margin (surcharge)
- Diversified alliance (improving procurement)

Production reform and global growing strategy

2-3 Growing strategy of High Performance Materials & Magnet Materials

Stainless, High alloy, Magnet, Powder Metal

Stainless steel

- High performance stainless steel expansion
- Corporation with overseas group company
- Reinforce titanium sales in overseas

Powder metal

- Promotion of differentiated products (Automobile, Solar power generation)
- Development of high performance atomizing process



Magnets

- Growing strategy of Nd magnets
- ⇒ Capacity expansion in China
(Daido Electronics (Suzhou), Daido Electronics (ShenZhen))
- ⇒ PLP magnet business
(※Intermetallics Japan Corporation (IMJ))



High alloy steel Business

- Portfolio reform
- Cost reduction



Global leading products promotion,
Portfolio reform

2-4 Growing strategy of Parts for Automobile & Industrial Equipment

Free forging, Die forging, Engine valve, Turbocharger

Free forging

Capital investment to Shibukawa Plant and growing strategy

- Increasing high grade products
Gas turbin disk, Jet engine shaft



Turbo products

Development of Daido Castings' s business in overseas

- Capacity Expansion (Second plant)
- Marketing in China



Die forging

Portforio reform and technology innovation

- Development of highly value added products
- Promotion of near-net shape and improving yield

Engine valve

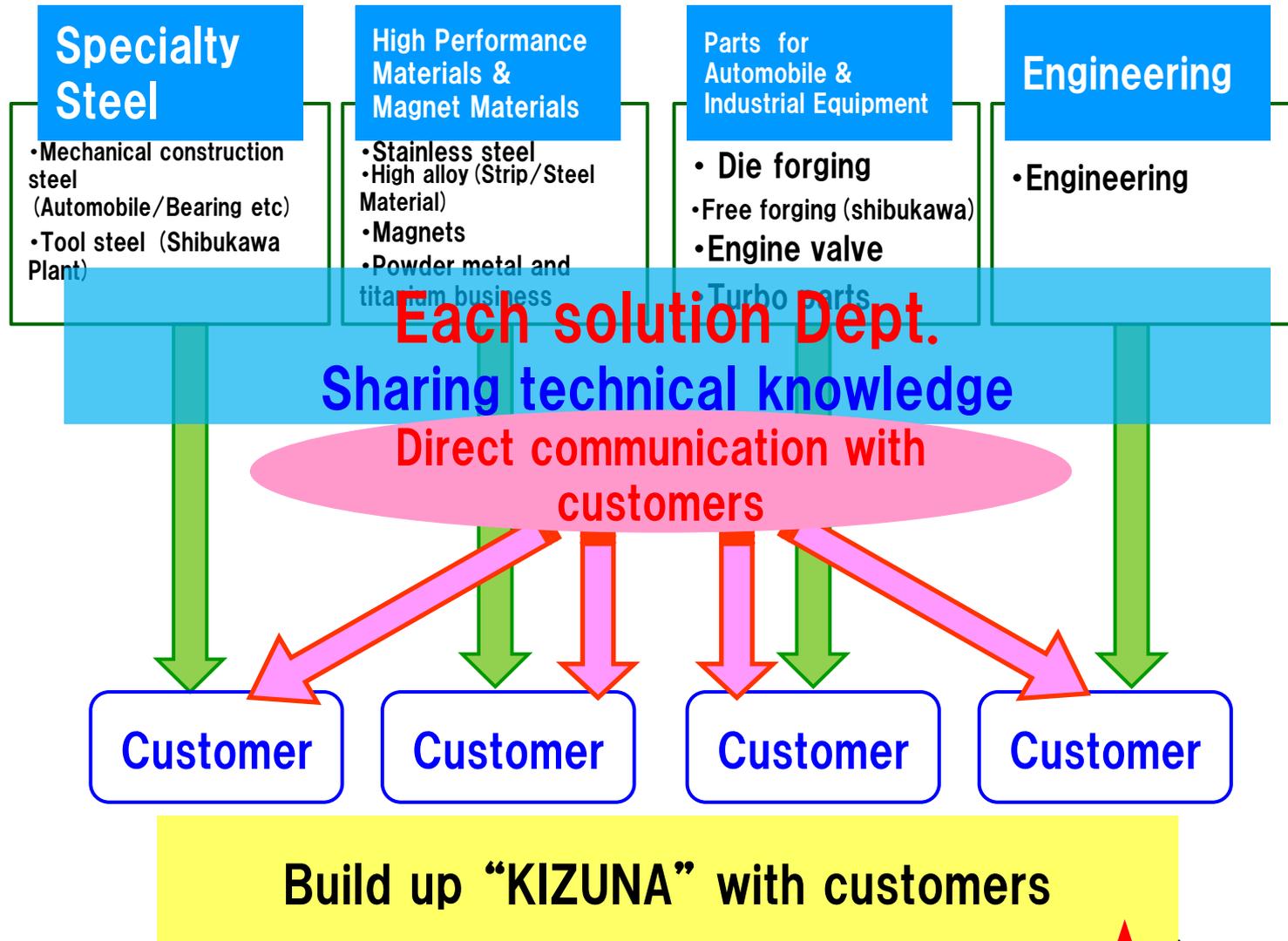
Development of FUJI 00ZX business overseas

- Capital investment to production base in China
(FUJI VALVE (GUANGDONG) CORPORATION)



2-5 Solution business strategy

Harmonizing Daido's technology and customer needs



3. Target of mid-term management plan

- Numerical target
- Enhancing financial status
- Others



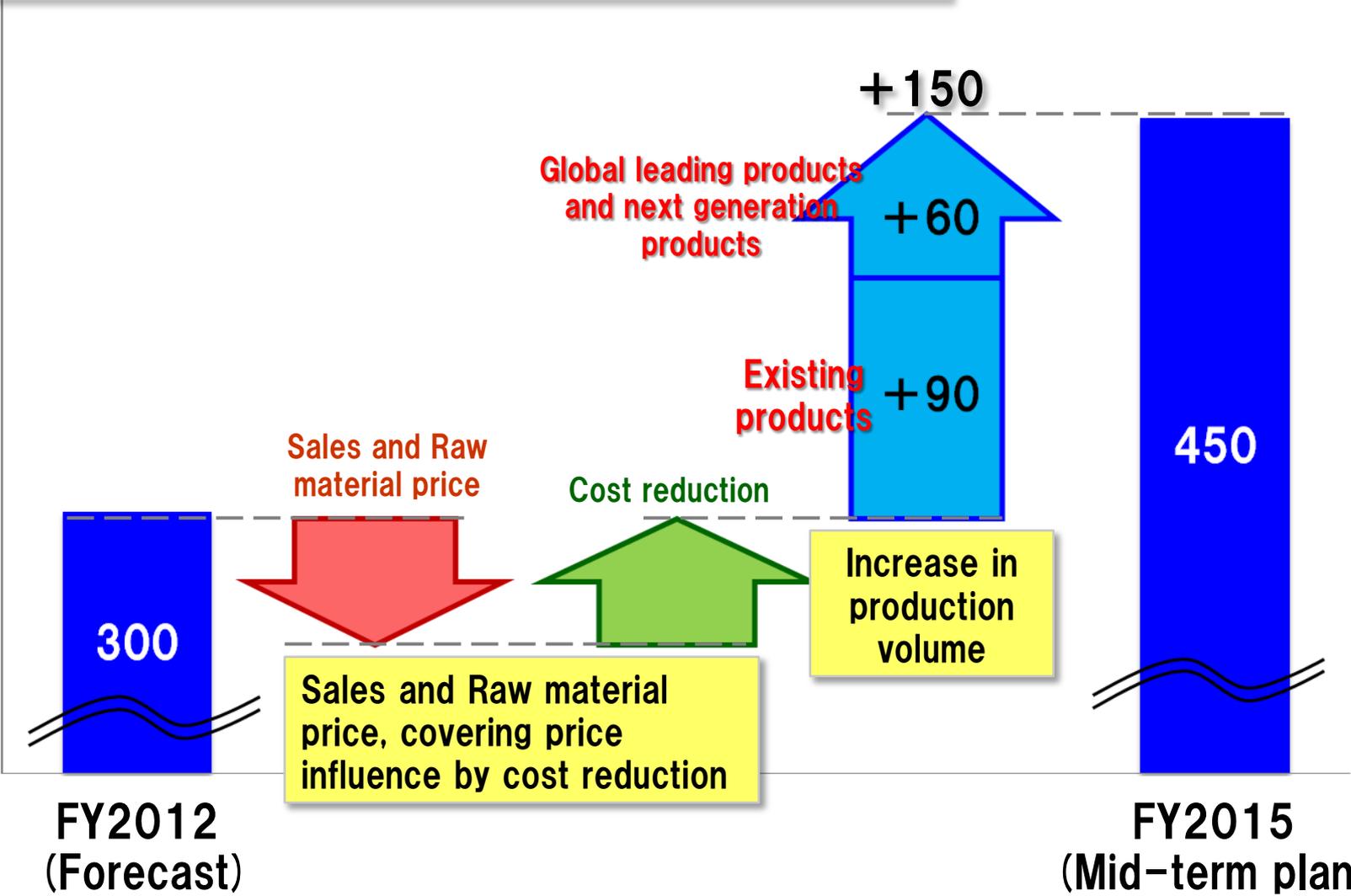
3-1 Target of mid-term management plan << Numerical target >> ①

	FY2012 Forecast*		FY2015 Target*
Net Sales	500 billion yen	➔	580 billion yen
Operating Income	30.5 billion yen	➔	45 billion yen
Ordinary Income	30 billion yen	➔	45 billion yen
Net Income	20 billion yen	➔	23 billion yen
Ordinary Profit Ratio	6.25%	➔	8%

(*Official announcement on Oct, 31 2011)

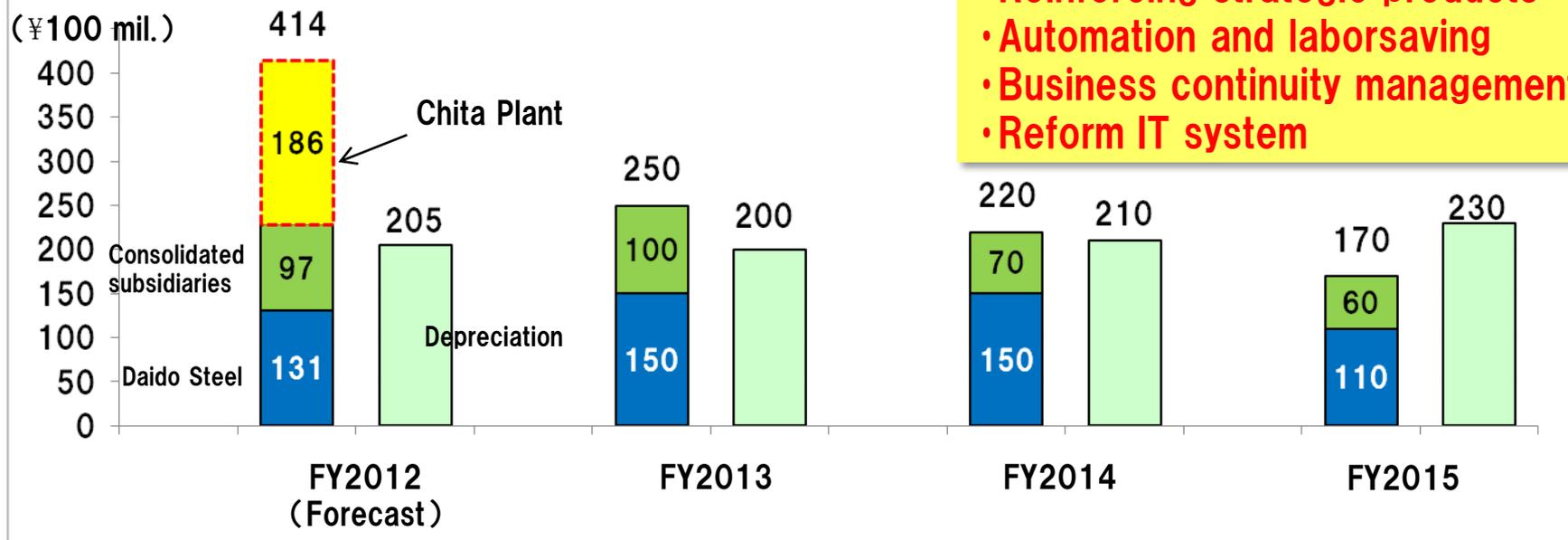
3-2 Target of mid-term management plan << Numerical target >> ②

Changes in Ordinary income(¥ 100 mil.)



3-3 Capital investment and R&D

Capital investment and Depreciation



<Point of capital investment>

- Reconstruct main frame
- Reinforcing strategic products
- Automation and laborsaving
- Business continuity management
- Reform IT system

R&D

Reinforce technology and new business

New business

Next generation products development

Existing business

3-4 Enhancing financial status

Improving productivity

Reinforcing profitability

Stabilized cash flow

	ROA	ROS	D/E Ratio	Interest-bearing debt balance
FY2012 (Forecast)	6.0%	6.2%	0.7	153 billion yen
FY2015 (Target)	8%	8%	0.5	120 billion yen

Dividend policy

- Basically dividend is stabilized. But considering payout ratio, cash flow and financial status.
- Target payout ratio is 15%~20%

Daido Group corporate activity

CSR management by considering Triple Bottom Lines

Society

Environment

Economy

Corporate governance	Energy saving CO ₂ reduction	Communication with share holder and investors
Risk management	Recycle technology	Contribution to customer
Contribution to local society	Environmental products	Care for employees

(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.

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