

Consolidated Financial Results
for the Six Months Ended September 30, 2015
[Japanese GAAP]



October 30, 2015

Company name: Daido Steel Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Code number: 5471

URL: <http://www.daido.co.jp/>

Representative: Tadashi Shima, President and Representative Executive Director

Contact: Shinichiro Azuma, General Manager, General Affairs Department

Phone: +81-52-963-7501

Scheduled date of filing quarterly securities report: November 13, 2015

Scheduled date of commencing dividend payments: December 3, 2015

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, 2015(April 1, 2015 to September 30, 2015)

(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, 2015	233,832	(2.1)	10,757	24.2	11,431	18.2	2,037	(50.5)
September 30, 2014	238,917	7.6	8,664	(18.0)	9,670	(12.4)	4,116	(39.2)

(Note) Comprehensive income: Six months ended September 30, 2015: (¥3,005) million [−%]

Six months ended September 30, 2014: ¥10,397 million [(29.0%)]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2015	4.70	—
September 30, 2014	9.49	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2015	567,439	288,034	44.1
As of March 31, 2015	588,590	292,405	43.5

(Reference) Shareholders' equity: As of September 30, 2015 : ¥250,254 million

As of March 31, 2015 : ¥256,021 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, 2015	—	3.00	—	3.50	6.50
Fiscal year ending March 31, 2016	—	5.00			
Fiscal year ending March 31, 2016 (Forecast)			—	5.00	10.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% 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	464,000	(4.1)	26,000	27.4	26,500	22.0	14,000	28.6	32.28

(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: Yes

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, 2015 434,487,693 shares

March 31, 2015 434,487,693 shares

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

September 30, 2015 818,326 shares

March 31, 2015 805,395 shares

3) Average number of shares during the period:

Six months ended September 30, 2015 433,675,505 shares

Six months ended September 30, 2014 433,699,343 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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.

Financial Results for the Six Months Ended September 30, 2015

(1) Net sales by reportable segment

(Millions of yen, %)

	2Q September 2015	(YoY change)	
		Change	% of Change
Specialty Steel	85,931	(9,149)	(9.6)
High Performance Materials and Magnetic Materials	80,703	2,033	2.6
Parts for Automobile and Industrial Equipment	49,403	222	0.5
Engineering	13,180	2,424	22.5
Trading and Service	4,613	(615)	(11.8)
Total	233,832	(5,085)	(2.1)

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

(Millions of yen, %)

	2Q September 2015	(YoY change)	
		Change	% of Change
Net sales	233,832	(5,085)	(2.1)
Operating income	10,757	2,092	24.2
Non-operating income	2,764	351	—
Non-operating expenses	2,089	682	—
Ordinary income	11,431	1,761	18.2
Extraordinary income	1,224	1,012	—
Extraordinary losses	6,147	4,557	—
Income before income taxes	6,509	(1,784)	—
Income taxes	2,839	(324)	—
Profit attributable to non-controlling interests	1,632	619	—
Profit attributable to owners of parent	2,037	(2,078)	(50.5)

(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	55	1. Sales volume	18
2. Sales mix change	8	2. Sales price	22
3. Variable cost	6	3. Fixed cost	8
		4. Non-operating income or loss	4
Total (a)	69	Total (b)	52
		Change (a) – (b)	17

(Reference: Market condition of raw material)

	2Q September 2014	2Q September 2015
H2 (Thousands of yen/t)	28.0	19.0
Nickel (LME) (One dollar/lb)	8.4	5.3
Molybdenum (MD) (One dollar/lb)	13.2	6.7

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2015	As of September 30, 2015	Change	Item	As of March 31, 2015	As of September 30, 2015	Change
Current assets	256,181	249,440	(6,741)	Liabilities	296,184	279,405	(16,779)
Cash and deposits	32,585	34,927	2,341	Trade payables	78,039	69,606	(8,432)
Trade receivables	105,006	100,992	(4,014)	Interest-bearing debt	146,208	146,461	253
Inventories	108,561	104,298	(4,263)	Other	71,937	63,336	(8,600)
Other	10,027	9,222	(804)	Net assets	292,405	288,034	(4,370)
Non-current assets	332,408	317,999	(14,408)	Shareholders' equity	217,463	218,023	560
Property, plant and equipment	189,375	188,130	(1,245)	Accumulated other comprehensive income	38,558	32,231	(6,326)
Intangible assets	7,283	2,755	(4,527)	Non-controlling interests	36,383	37,779	1,396
Investments and other assets	135,749	127,113	(8,635)	Total liabilities and net assets	588,590	567,439	(21,150)
Total assets	588,590	567,439	(21,150)				

(5) Net sales forecast by reportable segment

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2016	(YoY change)	
		Change	% of Change
Specialty Steel	170,300	(18,824)	(10.0)
High Performance Materials and Magnetic Materials	160,000	(1,758)	(1.1)
Parts for Automobile and Industrial Equipment	97,700	(1,686)	(1.7)
Engineering	26,500	3,595	15.7
Trading and Service	9,500	(959)	(9.2)
Total	464,000	(19,633)	(4.1)

(6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2016	(YoY change)	
		Change	% of Change
Net sales	464,000	(19,633)	(4.1)
Operating income	26,000	5,591	27.4
Ordinary income	26,500	4,770	22.0
Profit attributable to owners of parent	14,000	3,113	28.6

(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	186	1. Sales volume	38
2. Sales mix change	1	2. Sales price	93
3. Variable cost	18	3. Fixed cost	18
		4. Non-operating income or loss	8
Total (a)	205	Total (b)	157
		Change (a) – (b)	48

(Reference: Market condition of raw material)

	Fiscal year ended March 31, 2015	Forecast for fiscal year ending March 31, 2016
H2 (Thousands of yen/t)	25.3	15.5
Nickel (LME) (One dollar/lb)	7.6	4.9
Molybdenum(MD) (One dollar/lb)	11.0	5.8

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

(Millions of yen)

	Fiscal year ended March 31, 2015		Fiscal year ending March 31, 2016		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	13,967	30,295	9,241	23,800	(4,725)	(6,495)
Depreciation and amortization	10,650	22,436	11,039	23,000	388	563

(Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2016
	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	
Net sales	489,154	440,428	457,731	483,633	464,000
Operating income	31,533	15,425	18,977	20,408	26,000
Ordinary income	31,762	16,475	20,287	21,729	26,500
Profit attributable to owners of parent	22,717	10,983	12,616	10,886	14,000