

# **Fiscal Year ending March 2010 Interim Results Briefing (Apr.1 – Sep.30 / 2009)**

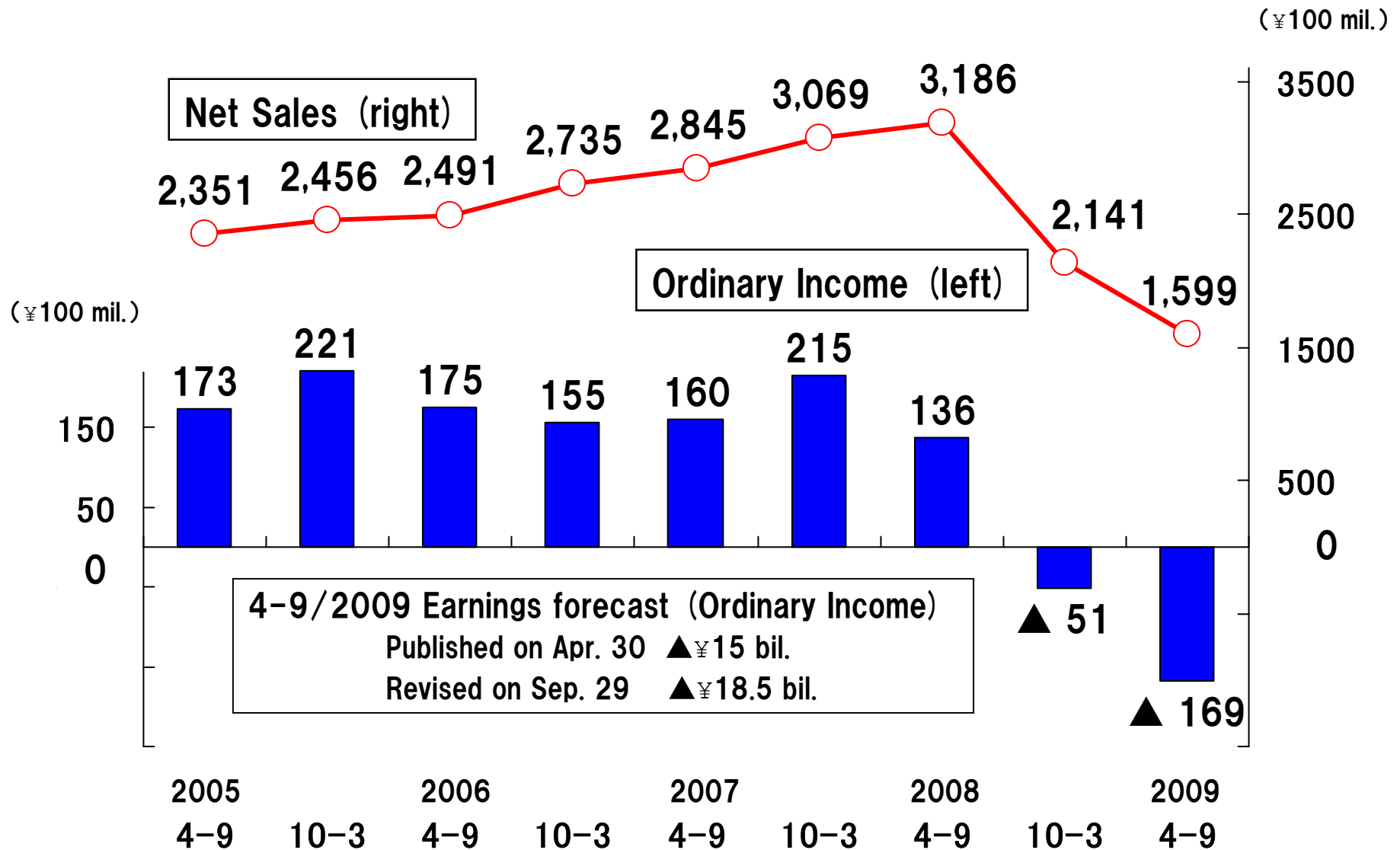
October 30<sup>st</sup> 2009



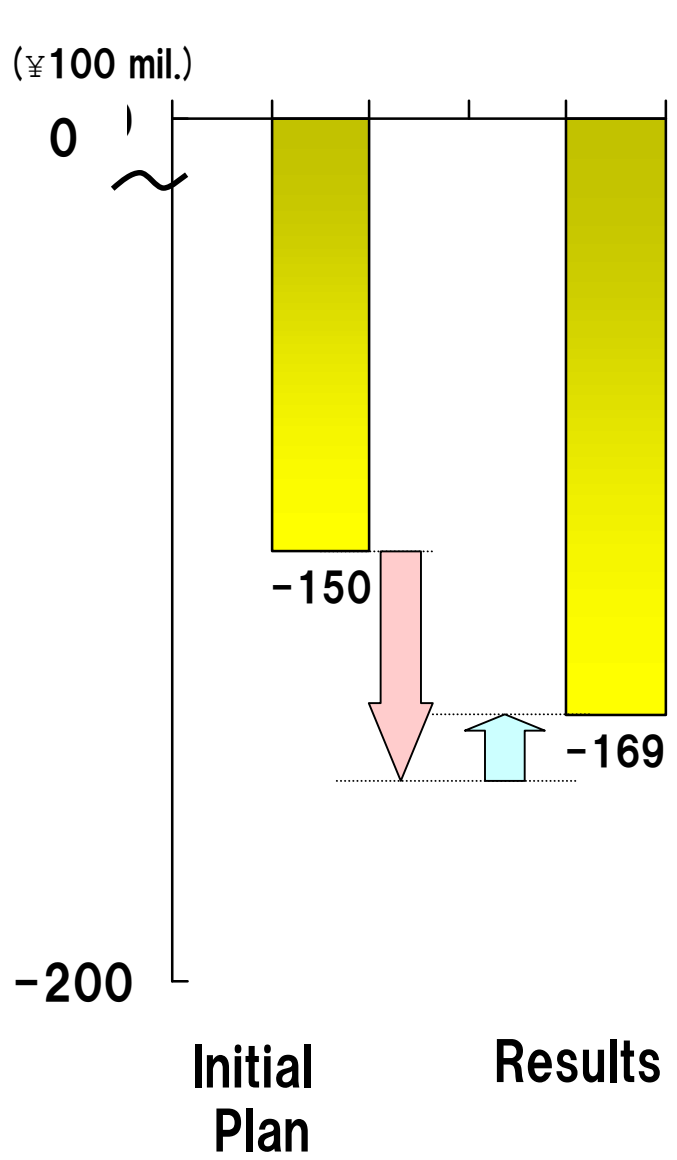
# FY2010 Interim Results

## (Apr.1 – Sep.30 / 2009)

# Changes in Net Sales & Ordinary Income ( Interim )



# 4-9/2009 Changes in Ordinary Income (Comparison with the initial plan)



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

(¥100 mil.)

<b>▲150</b>	
<b>▲5</b>	
	<b>+8</b>
<b>▲10</b>	
<b>▲16</b>	
<b>▲2</b>	
<b>▲33</b>	<b>+8</b>
	<b>+6</b>
<b>▲169 (▲19)</b>	

## 4-9/2009 Net Sales and Operating Income by Segment

(¥100 mil.)

		4-9/2008 Result (A)	4-9/2009 Result (B)	y/y basis (B) - (A)
<b>Specialty Steel</b>	Net Sales	1,906	857	-1,049
	Operating Income	44	▲ 128	-172
<b>Electronic &amp; Magnetic Materials</b>	Net Sales	385	179	-206
	Operating Income	19	▲ 13	-32
<b>Parts for Automobile &amp; Industrial Equipment</b>	Net Sales	607	322	-285
	Operating Income	47	▲ 28	-75
<b>Engineering</b>	Net Sales	171	150	-21
	Operating Income	10	13	3
<b>New Materials</b>	Net Sales	64	30	-34
	Operating Income	9	▲ 20	-29
<b>Trading &amp; Service</b>	Net Sales	53	61	8
	Operating Income	7	6	-1
<b>Total</b>	Net Sales	3,186	1,599	-1,587
	Operating Income	136	▲ 170	-306

## 4-9/2009 Extraordinary Income/Loss • Interim Net Income

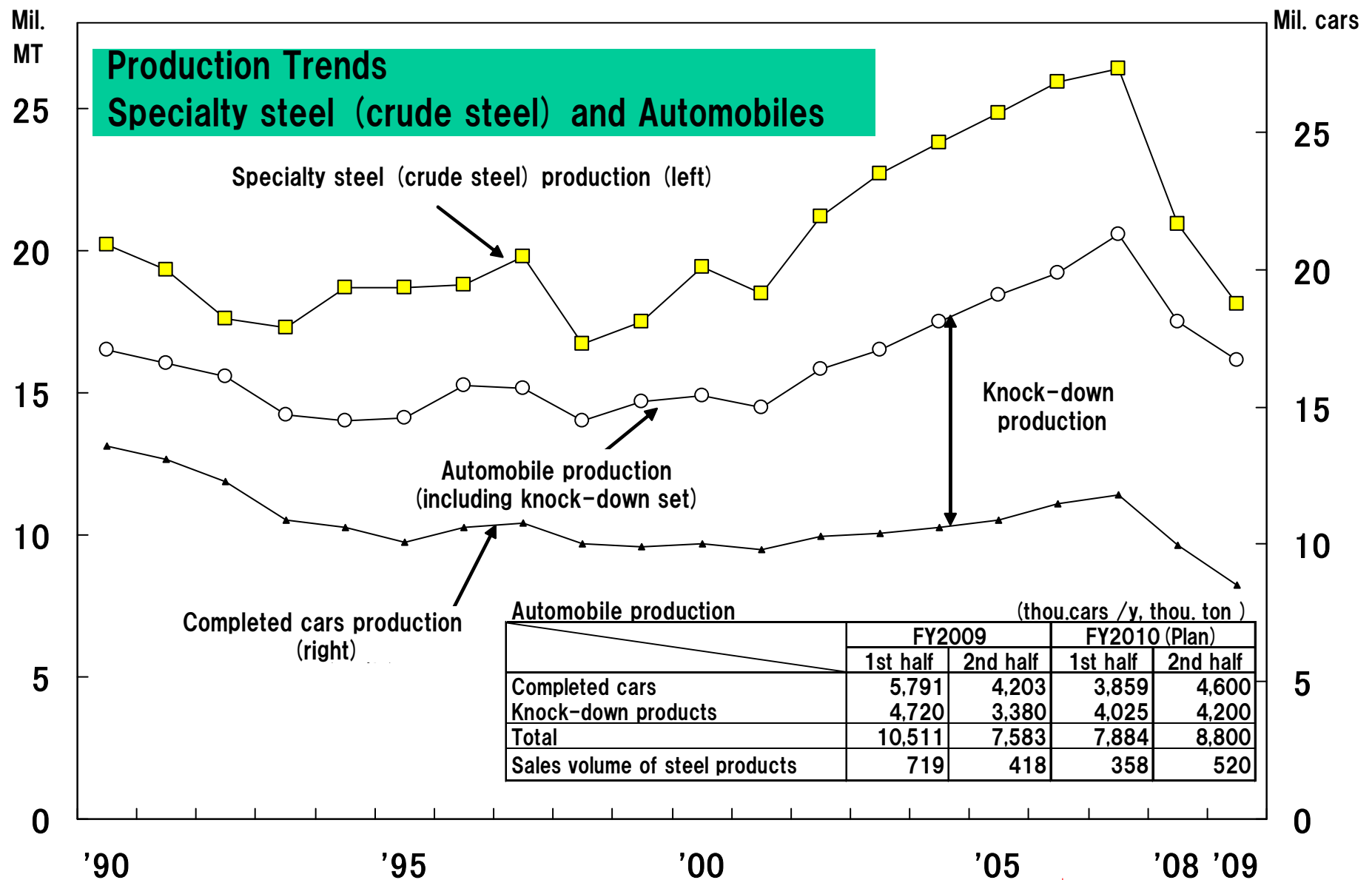
(¥100 mil.)

<b>FY2010 Interim results (4-9/2009) Ordinary income</b>	<b>▲169</b>
<b>Extraordinary income / loss</b>	<b>0</b>
<b>Income taxes and minority interests</b>	<b>▲3</b>
<b>FY2010 Interim results (4-9/2009) Net income</b>	<b>▲172</b>

# Plan for FY2010

(Apr.1 / 2009 – Mar.31 / 2010)

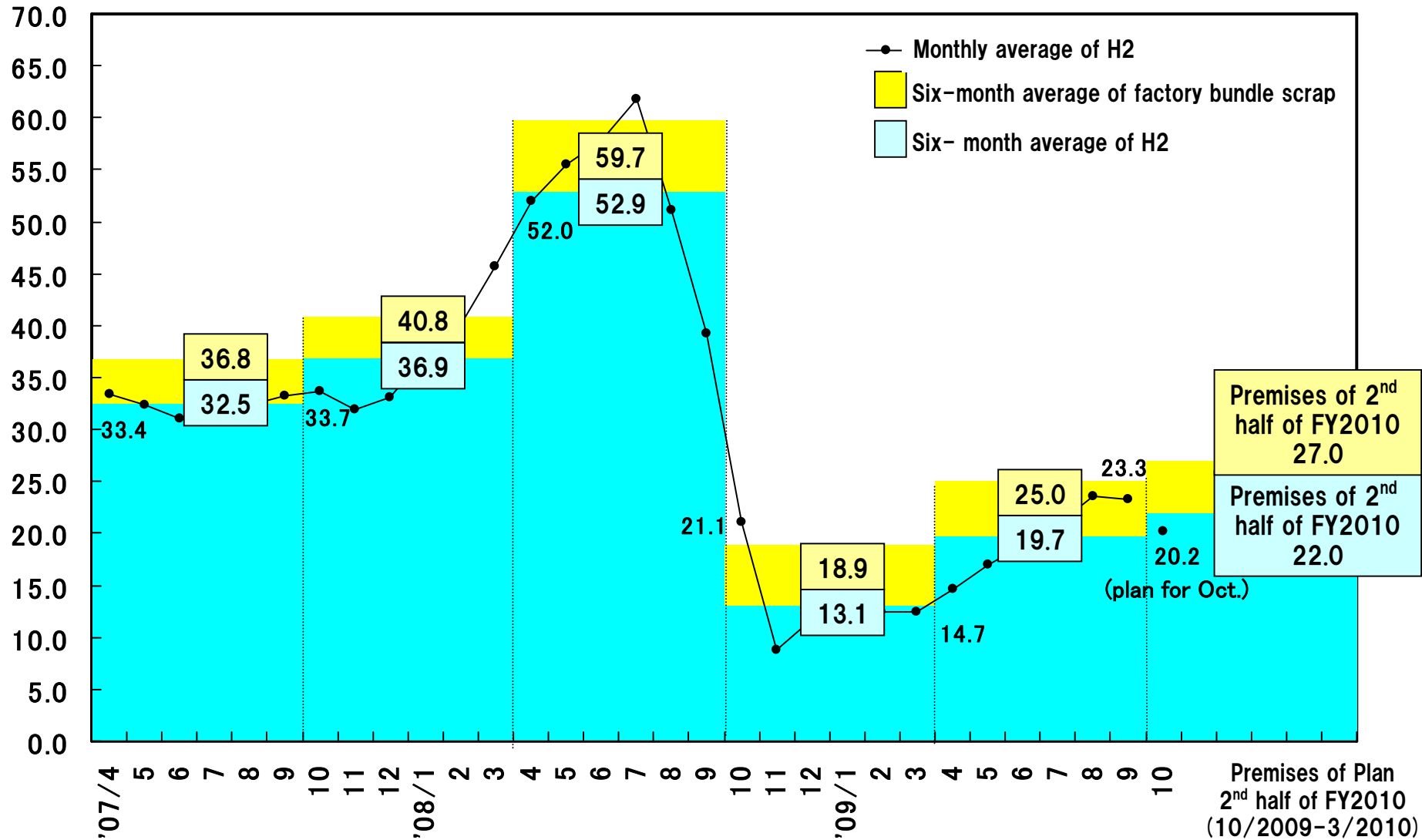
# Production of Specialty Steel and Automobile





# Scrap Steel Prices

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



## Premises of Profit Planning for FY2010 (Market Trend)

	UNIT	FY2009 Results	FY2010 1 <sup>st</sup> half Interim Results (4-9/2009)	FY2010 2 <sup>nd</sup> half Premises of plan (10/2009-3/2010)	FY2010 2 <sup>nd</sup> half Initial premises
<b>Scrap steel</b> Upper:H2 Lower:Factory bundle	¥thou.	<b>33.0</b>	<b>19.7</b>	<b>22.0</b>	<b>23.0</b>
	/MT	<b>39.3</b>	<b>25.0</b>	<b>27.0</b>	<b>28.0</b>
<b>Nickel</b> (LME)	\$/LB	<b>7.48</b>	<b>6.95</b>	<b>8.00</b>	<b>5.5</b>
<b>Molybdenum</b> (MW)	\$/LB	<b>23.0</b>	<b>11.8</b>	<b>18.0</b>	<b>12.0</b>
<b>Chrome</b> (South African price quotation )	¢ /LB	<b>173.3</b>	<b>87.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Exchange rate</b>	¥/\$	<b>100.5</b>	<b>96.5</b>	<b>90</b>	<b>90</b>

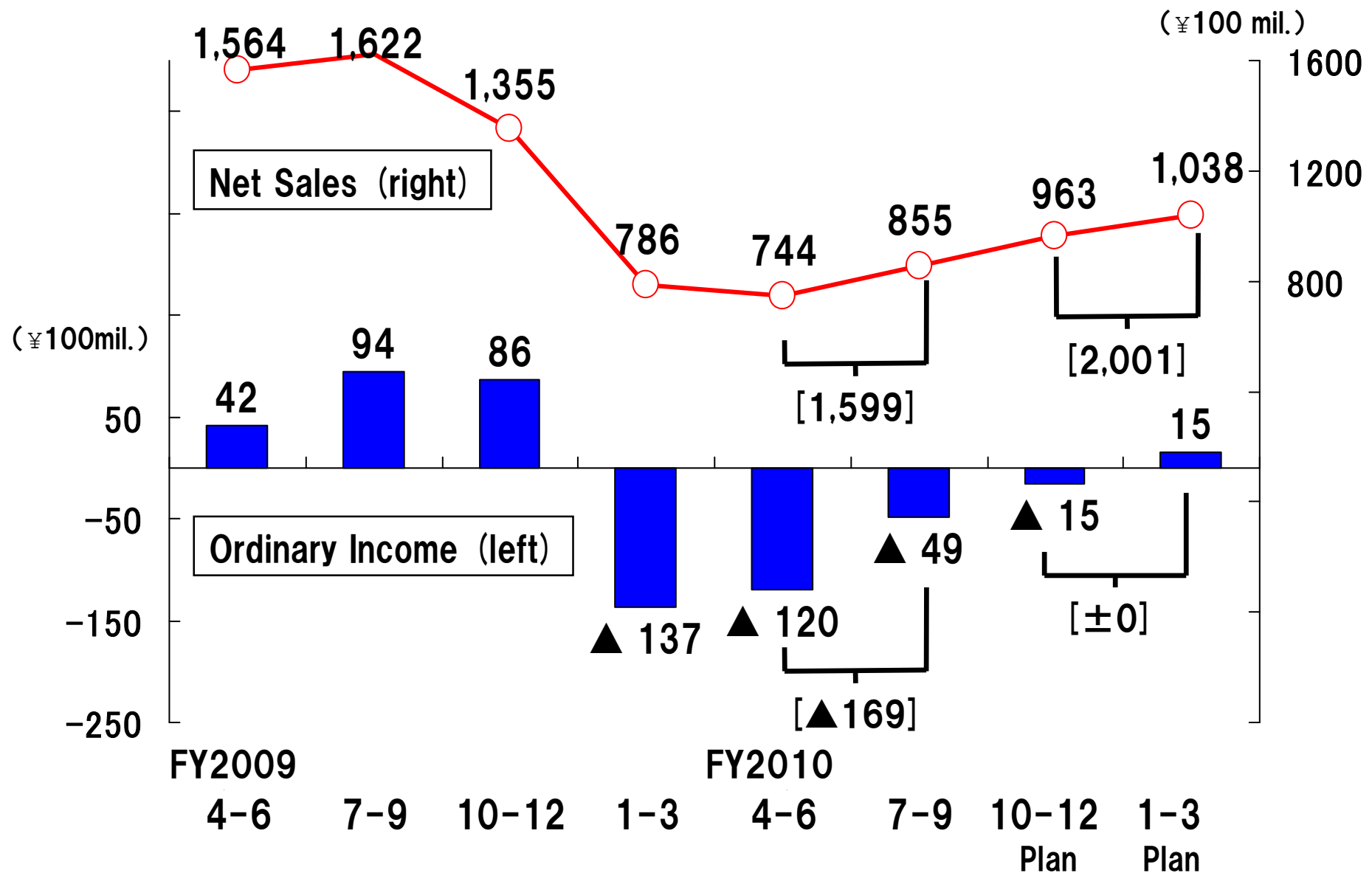
Scrap steel·· Into a correction phase

Nickel·· Market upturn

Molybdenum·· On the rise

Chrome·· Basically plateaued

# Changes in Net Sales & Ordinary Income (Quarterly)



# FY2010 Net Sales & Operating Income by Segment

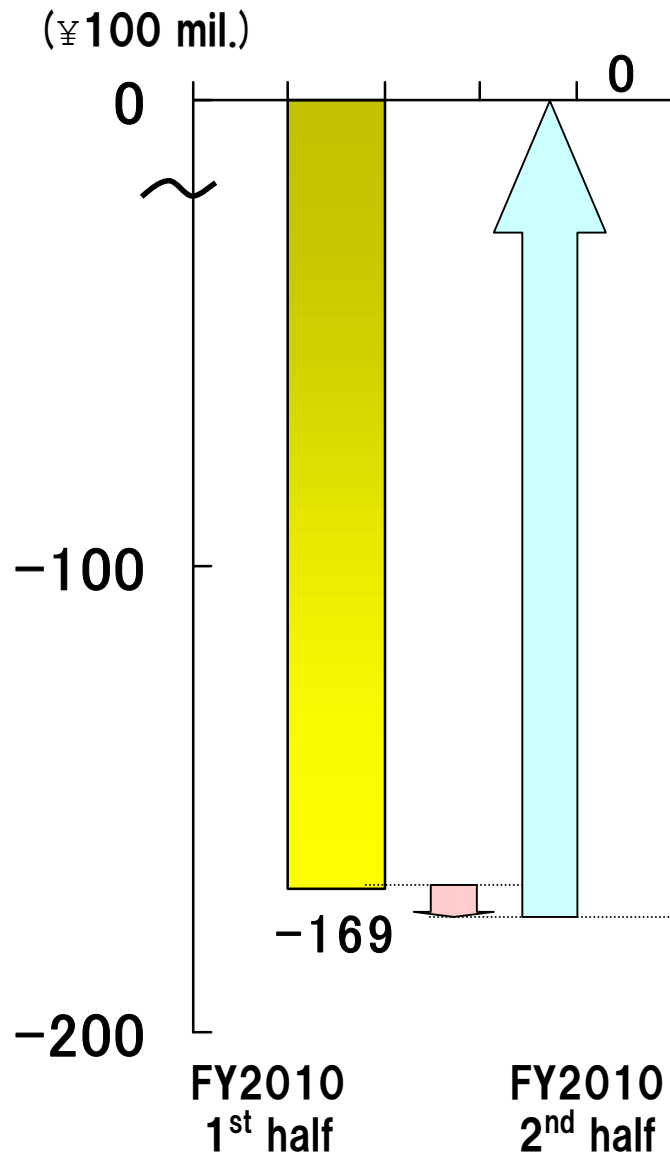
(¥100 mil.)

		4-9/2009	10/2009-3/2010	Changes from 1st half to 2nd half	FY2010 Plan
		Results (A)	Plan (B)	(B) - (A)	(A) + (B)
<b>Specialty Steel</b>	Net Sales	857	1,187	330	2,044
	Operating Income	▲ 128	21	149	▲ 107
<b>Electronic &amp; Magnetic Materials</b>	Net Sales	179	227	48	406
	Operating Income	▲ 13	▲ 13	0	▲ 26
<b>Parts for Automobiles &amp; Industrial Equipment</b>	Net Sales	322	364	42	686
	Operating Income	▲ 28	▲ 5	23	▲ 33
<b>Engineering</b>	Net Sales	150	140	-10	290
	Operating Income	13	▲ 2	-15	11
<b>New Materials</b>	Net Sales	30	38	8	68
	Operating Income	▲ 20	▲ 4	16	▲ 24
<b>Trading &amp; Service</b>	Net Sales	61	45	-16	106
	Operating Income	6	3	-3	9
<b>Total</b>	Net Sales	1,599	2,001	402	3,600
	Operating Income	▲ 170	0	170	▲ 170

# FY2010 Changes in Ordinary Income

(Comparison between 1<sup>st</sup> half and 2<sup>nd</sup> half )

(¥100 mil.)



FY2010 1 <sup>st</sup> half Ordinary Income		▲ 169	
Changes (y/y)	Operating Income / Loss	Raw material price	+18
		Sales volume	+78
		Sales price	+36
		Sales mix	+20
		Variable cost	+23
		Fixed cost	▲5
		Subtotal	▲5 +175
	Non-operating income	▲1	
FY2010 2 <sup>nd</sup> half Ordinary Income (Assumption)		±0 (+169)	

# Acceleration of Cost Reduction

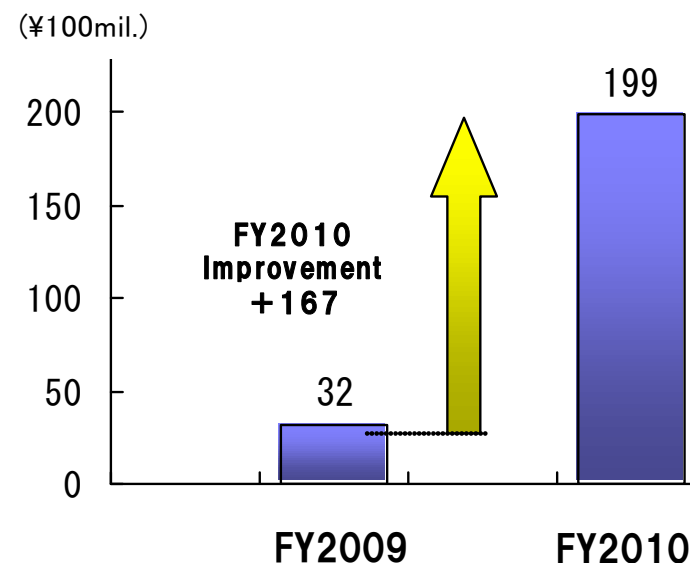
## Reduction of fixed cost

(¥100 mil.)

(Improvement in comparison with FY2009)	FY2010 Plan	Forecast	Difference
Labor cost	+139	+141	+2
Retirement benefit cost	▲26	▲28	▲2
Depreciation cost	+18	+18	0
Repairing cost and others*	+34	+36	+2
<b>Total</b>	<b>+165</b>	<b>+167</b>	<b>+2</b>

(※Difference between plan and forecast : special retirement benefit -6, Others +8)

## <Changes in Fixed Cost Reduction (Comparison with FY2009) >



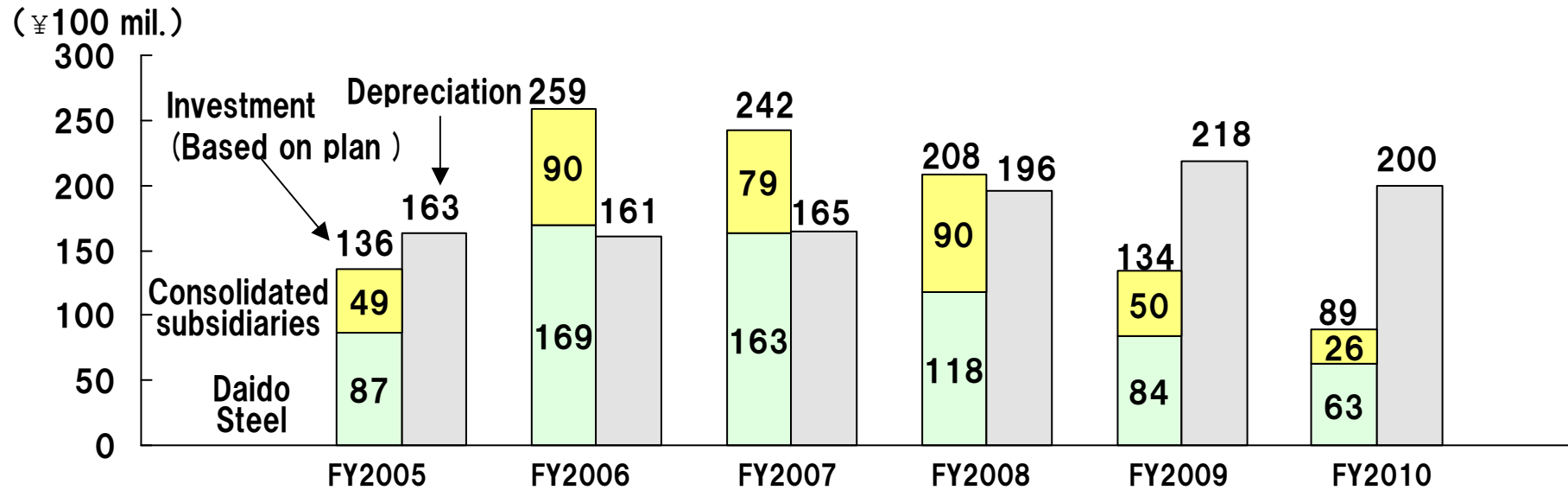
## Improvement of variable cost

(¥100 mil.)

(Improvement in comparison with FY2009)	FY2010 Plan	Forecast	Difference
	+29	+32	+3

- **Renovate production process**  
Maximize CC ratio.  
Rationalize processes.
- **Pursue high-quality and low cost**  
Improve total yield.  
Reduce cost of materials.

# Capital Investment

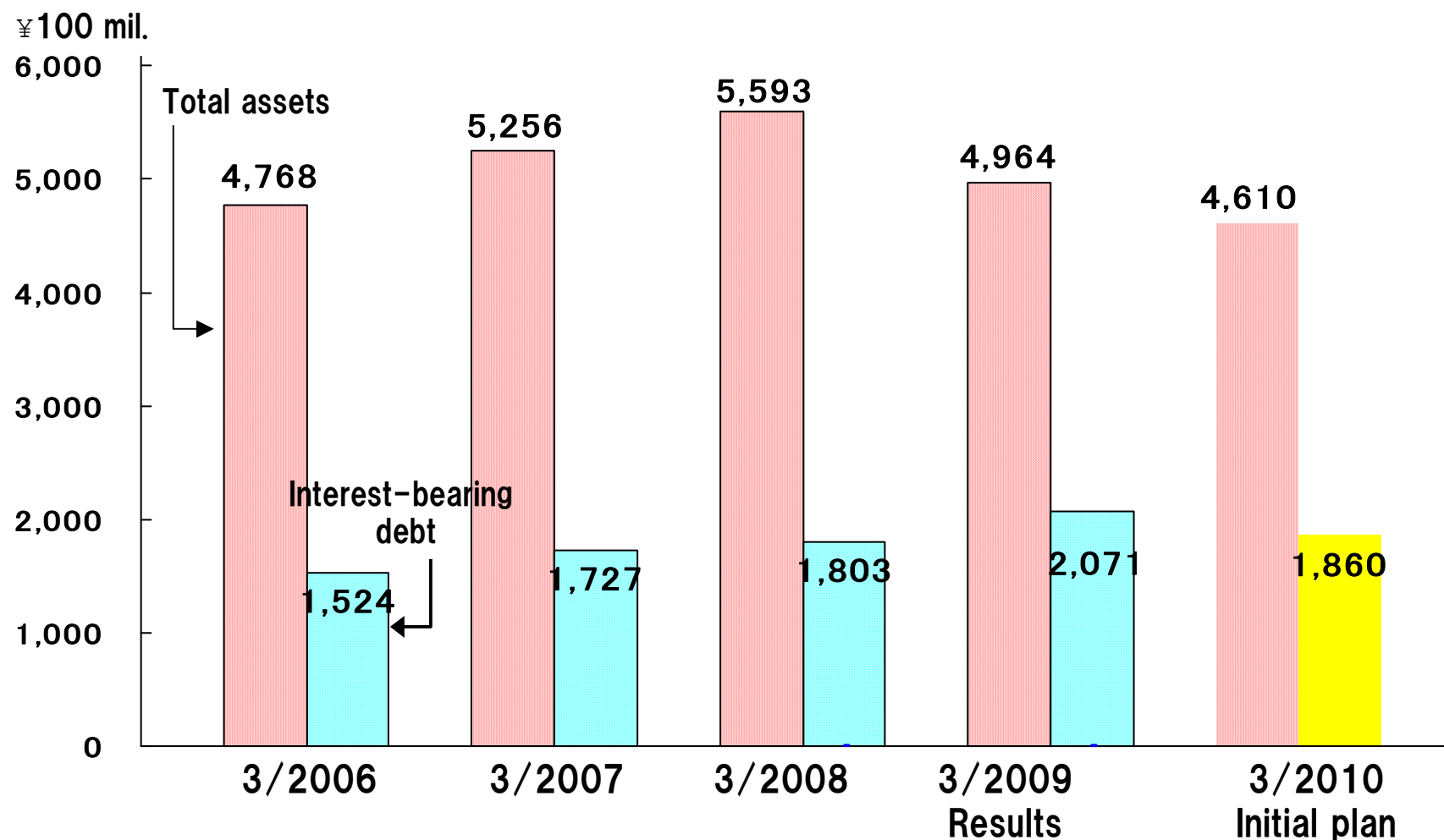


- Strategic investments of immediate need had been implemented from FY2006 to FY2009 (Total ¥84.3 bil.)
- From now on, promote streamlining & labor-saving investment for drastic structural reform.
- Establish profit system under 70% operation.

## [Major capital investment by start-up year]

	~FY2007	FY2008	FY2009	FY2010~
Specialty steel	Upgrade CC cast capacity		Streamline wire rod billet	Investment for structural reform
Industrial equipment parts	Improve processing and inspection ability	ESR	7000t press, VAR	Vacuum ESR
Automobile parts	High-speed hot forging machine	Ring roll line		
New materials	Upgrade atomizing capacity for powder metal melting	New titanium melting furnace		

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



	'06/3	'07/3	'08/3	'09/3	'10/3
ROA	8.6%	6.6%	6.9%	1.6%	-
D/E	0.88	0.92	0.96	1.25	1.26



## FY2010 Plan for Dividend per Share

	FY2009		FY2010	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	<b>136</b>	<b>85</b>	<b>▲169</b>	<b>▲169</b>
Net income (¥100 mil)	<b>61</b>	<b>▲81</b>	<b>▲172</b>	<b>▲172</b>
Dividend per share (¥/share)	<b>4.0</b>	<b>6.0</b>	<b>0</b>	To be determined

# Priority Subjects

## from FY2011 to FY2012

# Priority subjects from FY2011 to FY2012

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## Basic Principle

### ➤ Drastic structural reform for sustainable growth

Develop task-force projects.

«Cost reduction  $\Delta 30\%$ »

Create C/F by reforming production lead time.

### ➤ Positive development in growing businesses

Pursue even higher performance and differentiation.

Expand businesses actively in the global market.

Promote commercialization of new businesses.

# Management Direction

Target industry	Specialty steel	Automobile · industrial parts	Electronics · magnetic materials	Engineering	New materials · New business	
<b>Drastic structural reform</b>	<ul style="list-style-type: none"> <li>• Consolidation of facilities</li> <li>• Reorganization of wire rod processing</li> </ul>	<ul style="list-style-type: none"> <li>• Die forging business</li> <li>Alliance reinforcement of three group companies</li> </ul>	<ul style="list-style-type: none"> <li>• Rebuilding of steel strips business</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio reform</li> <li>Consolidation into parts business</li> </ul>	<ul style="list-style-type: none"> <li>• MONOZUKURI reform (Drastic improvement of productivity)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Production sector : "Rationalize workforce in 70% operation." "Secure profit."</li> <li>• Optimization of property : "Reduce total assets by shortening the lead time." "Pursue efficient production."</li> </ul>					
<b>Positive expansion in growing businesses</b>	<b>Environment &amp; ecology businesses</b>	<ul style="list-style-type: none"> <li>• High-strength gear steel (Lighter weight)</li> <li>• Steel for common rail</li> </ul>	<ul style="list-style-type: none"> <li>• Sales promotion of nuclear-power-generation parts</li> <li>• Titanium turbo parts</li> <li>• Ethylene super tube</li> </ul>	<ul style="list-style-type: none"> <li>• Magnets for automobiles</li> </ul>	<ul style="list-style-type: none"> <li>• Sales promotion of products with less CO2 emission (Vacuum carburizing furnace)</li> </ul>	<ul style="list-style-type: none"> <li>• HEV High-performance powder metal</li> </ul>
	<b>Overseas market (Emerging countries)</b>	<ul style="list-style-type: none"> <li>• Timken Cooperation in Asia</li> <li>• Gerdau project in North America</li> <li>• India project</li> <li>• Sales promotion of tool steel in Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Sales promotion in European turbo market</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcement of magnet for EPS (China)</li> </ul>	<ul style="list-style-type: none"> <li>• Securing of facility demand in Asia (STC furnace, steelmaking facility)</li> </ul>	<ul style="list-style-type: none"> <li>• Concentrating photovoltaic system</li> </ul>
<b>Pursuit for even higher efficiency and differentiation</b>		<b>Reinforcement of European business bases.</b>		<b>Reinforcement of business and procurement bases in East Asia</b>		

# Drastic Structural Reform

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## ✧ Promote task-force project

Effort for Cost Reduction  $\Delta 30\%$

- Cut down labor cost.

Direct sector : Optimization of workforce at 70% operational levels

Indirect sector: Drastic downsizing by streamlining businesses

- Reduce raw material cost.

Procure raw materials at lower costs.

(Expansion of overseas procurement)

Yield improvement

- Create employment by commercializing new businesses from our developments.

# Positive Development in Growing Businesses①

## Environment・Ecology Products

Prevention of global warming  
(CO2 reduction)

Measures  
against harmful  
substances

### Current automobiles

### Next-generation automobiles

### Energy

Diesel car  
•Steel for common rail  
•Turbo parts

Vacuum carburizing furnace  
+ DEG steel

High-strength gear steel

Ring magnet for EPS

High-alloy engine valve

Hybrid car parts  
•Soft magnetic  
powder metal

In-car sensor

Vacuum sintering furnace

Solar power generation  
•Concentrating solar-  
power generation

GIG sensor

Damping alloy

Non-lead free-cutting  
stainless steel bar

High-performance LED  
Cylinder target material

Oxy-fuel burner application  
facility

## Net Sales

FY2010 (Forecast) ¥22 bil. ⇒ FY2012 (Plan) ¥32 bil.

## Positive Development in Growing Businesses②

Business expansion in emerging countries

Social infrastructure improvement

Soaring resource prices

Increase of energy demand

Construction machinery · Industrial equipment

Efficient use of resources

Petroleum

Power generation (Thermal · Nuclear)

High-grade · Thick-diameter structural materials  
[Alignment with Timken]

Hollowed steel

Cold-work die steel  
·DCLT, DCMX

High-nitrogen stainless steel strip

Fuel carburization furnace

EST  
(Coking-resistant tube for ethylene plant)

Drill collar for oil rig

Gas turbine parts

Parts for nuclear power generation

Net Sales

FY2010 (Forecast) ¥6 bil. ⇒ FY2012 (Plan) ¥15 bil.

## Positive Development in Growing Businesses③

Globalization・Aging society with fewer children・Integration strategy

### Globalization

### Aging society with fewer children

Increasing movement of people and products

Sophisticated information

Improving medical treatment

Aircraft engine shaft

Large engine valve for vessel

Stainless steel for HDD

High-grade plastic die steel

Cobalt deposition materials

Nd-Fe-B bond magnet  
DPR-NRC composite magnet sheet

Magnetic shield room

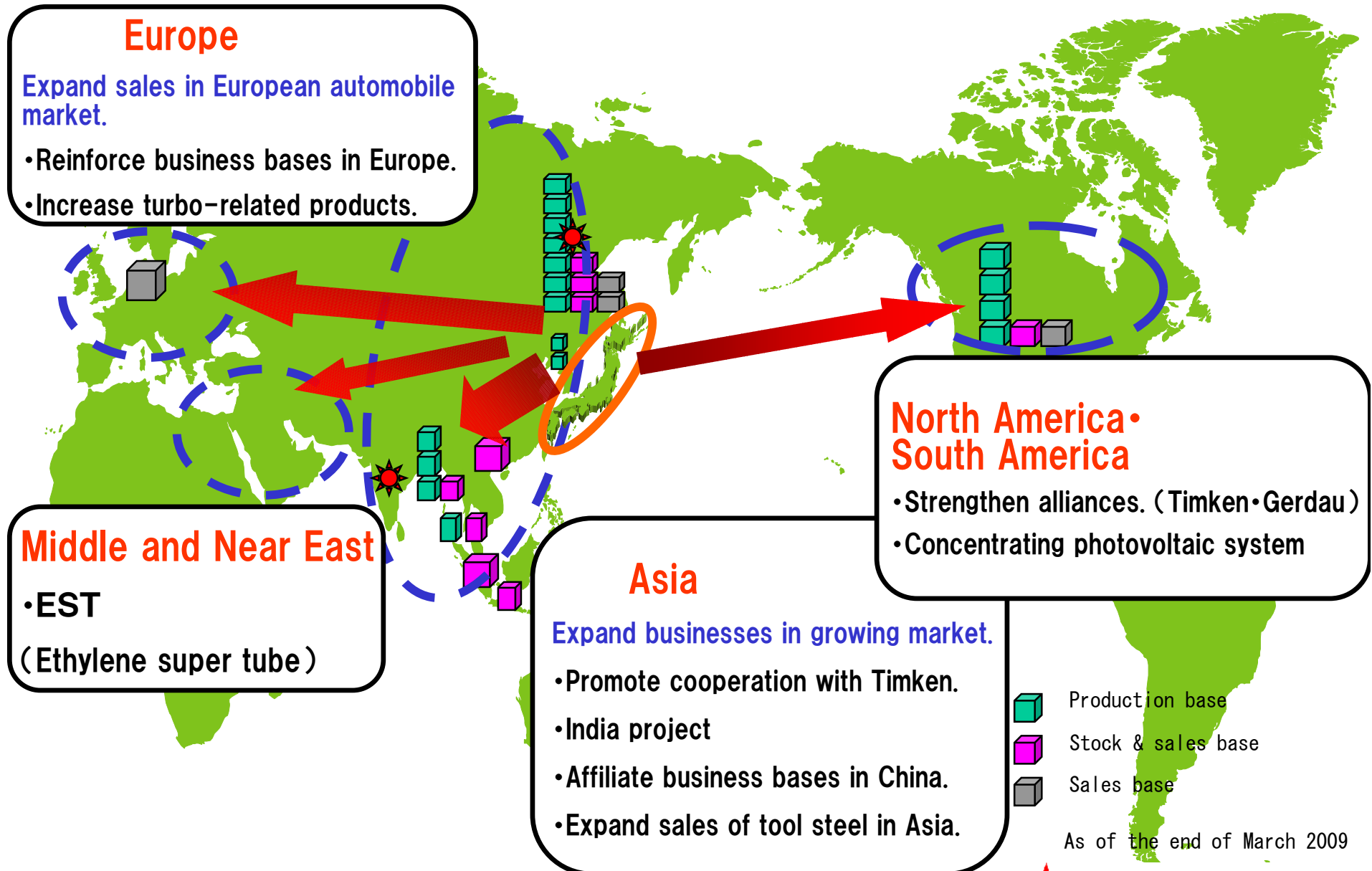
Titanium alloy for medical application

### Net Sales

FY2010 (Forecast) ¥15 bil. ⇒ FY2012 (Plan) ¥21 bil.

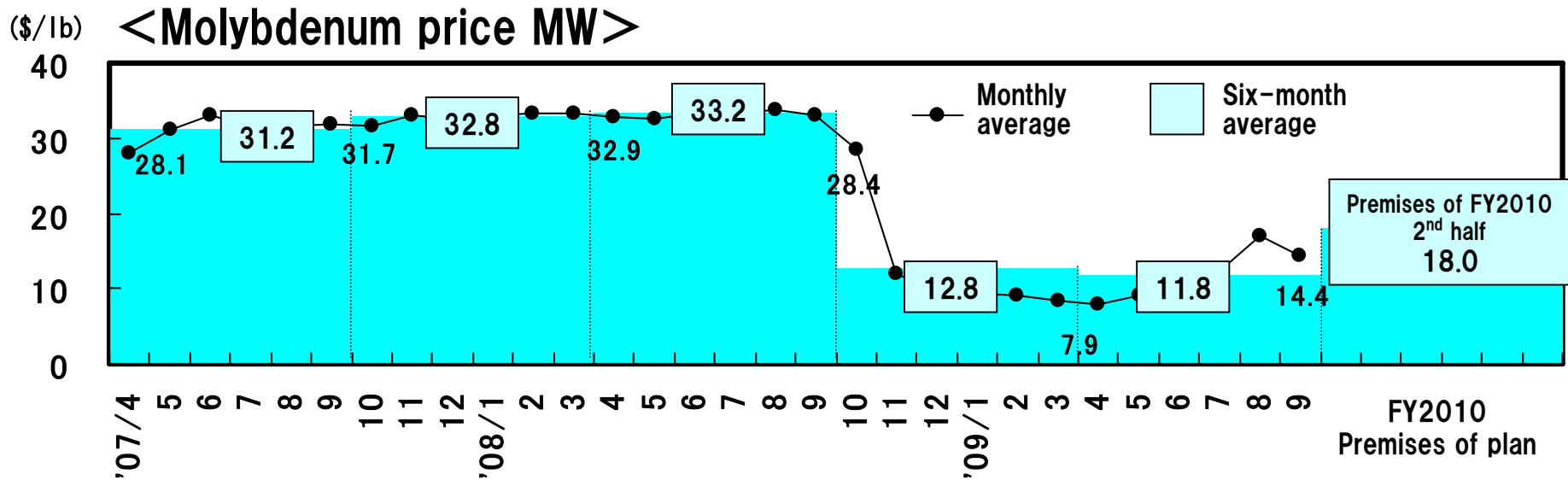
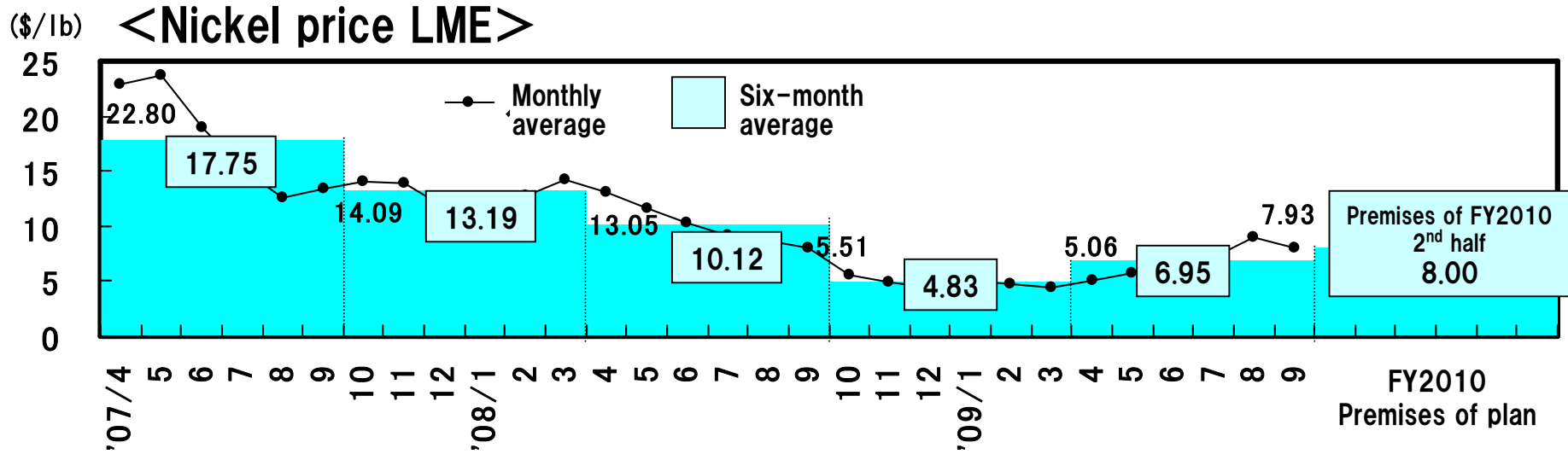


# Positive Development in Growing Business④



# Reference Materials

# Market Trends of Nickel (LME) & Molybdenum (MW)



# Fact Book

## 1. Financial highlight

## Consolidation

(¥100 mil.)

	05/3	06/3	07/3	08/3	09/3	06/9	07/9	08/9	09/9
Net sales	429,105	480,703	522,620	591,398	532,655	249,084	284,505	318,648	159,934
Operating income	21,456	37,542	31,700	38,441	9,115	16,731	15,724	13,599	▲17,015
Ordinary income	22,630	39,366	33,029	37,501	8,533	17,478	16,042	13,648	▲16,888
Net income	11,385	21,196	19,552	14,196	▲8,147	10,122	3,596	6,147	▲17,187
R & D expenses	3,094	3,574	4,313	4,447	4,244	2,071	2,111	2,223	1,911
Capital investment	13,600	25,900	24,200	20,800	13,400	13,000	9,600	11,200	3,700
Depreciation	16,328	16,067	16,544	19,586	21,809	7,970	9,026	11,011	10,071
Financial account balance	▲1,095	▲647	▲713	▲950	▲741	▲139	▲387	▲176	▲677
Total assets	436,335	476,816	525,569	559,278	496,411	493,851	544,157	570,399	453,231
Equity	144,267	172,647	187,839	188,090	166,235	179,257	188,524	189,891	153,776
Interest-bearing debt	159,648	152,387	172,732	180,295	207,123	162,752	187,531	190,076	183,848
Payroll number	9,992	10,231	10,664	11,131	10,212	10,630	10,805	11,418	10,660
ROA(%)	5.2	8.6	6.6	6.9	1.6	7.2	6.0	4.8	—
ROE(%)	8.2	13.4	10.8	7.6	▲4.6	11.5	3.8	6.5	▲21.5
Consolidated subsidiary number	32	31	32	32	32	32	32	32	32
(Equity method affiliate number is excluded from the above.)	( 8)	( 8)	( 8)	( 6)	( 6)	( 8)	( 8)	( 6)	( 6)
Ratio of the consolidated to the non-consolidated									
Net sales	1.7	1.6	1.6	1.5	1.5				
Ordinary income	2.4	1.9	2.1	2.0	7.4				
Net income	2.3	1.3	1.8	0.7	—				

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

## 2. Net Sales and Operating Income by Segment

Consolidation

(¥100 mil.)

		05/3	06/3	07/3	08/3	09/3	06/4-9	06/10-3	07/4-9	07/10-3	08/4-9	08/10-3	09/4-9
Specialty Steel	Net Sales	2,314	2,656	2,877	3,296	3,069	1,370	1,507	1,574	1,722	1,906	1,163	857
	Operating Income	99	193	117	114	8	73	44	35	79	44	▲ 36	▲ 128
Electronic & Magnetic Materials	Net Sales	507	517	645	792	647	295	350	395	397	385	262	179
	Operating Income	20	30	34	58	▲ 6	11	23	32	26	19	▲ 25	▲ 13
Parts for Automobile & Industrial Equipment	Net Sales	930	1,041	1,070	1,159	1,041	523	547	572	587	607	434	322
	Operating Income	69	109	105	134	46	55	50	56	78	47	▲ 1	▲ 28
Engineering	Net Sales	307	339	372	411	366	177	195	171	240	171	195	150
	Operating Income	8	17	23	29	27	12	11	8	21	10	17	13
New Materials	Net Sales	82	115	139	156	104	58	81	79	77	64	40	30
	Operating Income	7	10	23	35	4	7	16	17	18	9	▲ 5	▲ 20
Trading & Service	Net Sales	151	139	123	100	100	68	55	54	46	53	47	61
	Operating Income	12	16	15	14	12	9	6	9	5	7	5	6
Total	Net Sales	4,291	4,807	5,226	5,914	5,327	2,491	2,735	2,845	3,069	3,186	2,141	1,599
	Operating Income	215	375	317	384	91	167	150	157	227	136	▲ 45	▲ 170

### 3. List of Consolidated Company

Segment	Company	Business Contents
Specialty steel	Tohoku Steel Co., Ltd. *	Production and sales of high-grade specialty steel
	Riken Seiko Co., Ltd. *	Production and sales of Specialty steel secondary products (Shaft bearing, tool steel)
	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 tools
	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 steel production
	Daido EcoMet Co., Ltd.	Development, production, sales of indirect materials for steel-making
	Daido Technica Co., Ltd.	Seam-removing, maintenance, processing of steel
	Sakurai Kosan Co., Ltd. *	Heat treatment works
	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, diamond tools
	Tienwen Steel Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials
	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.	Processing, sales of die products / Sales of die materials (in Thailand)	
Electronic magnetic materials	Daido Electronics Co., Ltd.	Production and sales of magnetic materials and electronic device parts
	Daido Electronics (Thailand) Co., Ltd.	Production 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

Segment	Company	Business Contents
Automobile & Industrial parts	Daido Precision Industries Ltd.	Production and sales of processing parts, power transmission, base-isolation & vibration-control 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
	Toyo Sangyo Co., Ltd.	Production and sales of die forging
	Japan Drop Forge Co., Ltd.	Production and sales of die forging( became 100% subsidiary in Oct.2002)
	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.	Founded in Apr. 2002 / Production and sales of stainless steel casting, precise casting, manganese rail
Engineering	Daido Plant Industries Co., Ltd.	Design, production, sales of industrial furnace, facility equipment and ancillary facility
	Daido Machinery Ltd.	Production and sales of machine tool / Maintenance of machine equipment
	Daido Environment Engineering Co., Ltd.	Maintenance and design( contact-work) 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
	Life Support., Ltd.	Welfare business
	Kisokomakogen Kankokaihatsu Co., Ltd.	Management of golf course and hotel
	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



(Notes)

Figures such as “business forecast” 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 results, 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.