

# Consolidated Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]



October 31, 2017

Company name: Daido Steel Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Code number: 5471

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

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Scheduled date of filing quarterly securities report: November 14, 2017

Scheduled date of commencing dividend payments: December 5, 2017

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, 2017 (April 1, 2017 to September 30, 2017)

(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, 2017	241,119	13.2	18,726	94.2	18,320	103.0	11,890	121.7
September 30, 2016	213,010	(8.9)	9,643	(10.4)	9,023	(21.1)	5,363	163.2

(Note) Comprehensive income: Six months ended September 30, 2017: ¥19,251 million [489.8%]

Six months ended September 30, 2016: ¥3,263 million [—%]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2017	278.88	—
September 30, 2016	126.86	—

(Note) The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017. Accordingly, the earnings per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

## (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2017	614,828	306,257	44.6
As of March 31, 2017	574,169	290,501	45.3

(Reference) Shareholders' equity: As of September 30, 2017 : ¥274,221 million

As of March 31, 2017 : ¥259,851 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, 2017	—	4.00	—	6.00	10.00
Fiscal year ending March 31, 2018	—	6.00			
Fiscal year ending March 31, 2018 (Forecast)			—	60.00	—

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) Breakdown of dividends for the fiscal year ended March 31, 2017

Ordinary dividends 4.00Yen Commemorative dividends 2.00Yen

\* The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017.

Accordingly, the amount of the year-end dividend per share for FY2017 (Forecast) reflects the impact of the consolidation of shares and disclosure of the annual dividend per share is omitted. Excluding the impact of the consolidation of shares, the year-end dividend per share for FY2017 (Forecast) would be 6 yen and the annual dividend per share would be 12 yen. For information, refer to "Explanation of the proper use of financial results forecast and other notes."

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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	496,000	11.4	36,000	41.1	36,000	36.5	23,000	40.4	539.46

(Note) Revision to the financial results forecast announced most recently: Yes

\* Profit attributable to owners of parent per share under the consolidated financial results forecast in the year ending March 31, 2018 (FY2017) reflects the impact of the consolidation of shares. For information, refer to "Explanation of the proper use of financial results forecast and other notes."

**\* 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: No

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: Yes

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, 2017 43,448,769 shares

March 31, 2017 43,448,769 shares

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

September 30, 2017 814,406 shares

March 31, 2017 813,343 shares

3) Average number of shares during the period:

Six months ended September 30, 2017 42,634,986 shares

Six months ended September 30, 2016 42,281,495 shares

(Note) The company consolidated its common shares at a ratio of 10 shares to 1 share on the effective date as of October 1, 2017. Accordingly, number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares during the period are calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

\* These quarterly financial results are outside the scope of quarterly review procedures

\* Explanation of the proper use of financial results forecast and other notes

1. 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.

2. The company consolidated its common shares at the ratio of 10 shares to 1 share on the effective date as of October 1, 2017, following approval of a proposal for the consolidation of shares at the General Meeting of Shareholders held on June 28, 2017. The dividend forecast and the consolidated financial results forecast in the year ending March 31, 2018(FY2017) excluding the impact of the consolidation of shares are as follows;

(1) Dividend forecast for the year ending March 31, 2018

Dividends per share; 2nd quarter-end 6 yen (Note1), Year-End 6 yen (Note2)

(2) Consolidated financial results forecast for the fiscal year ending March 31, 2018

Profit attributable to owners of parent per share; full year 53.95 yen

Notes:

1. The interim dividend will be paid out based on the number of shares before the consolidation of shares.

2. Represents the dividend amount excluding the impact of the consolidation of shares.

3. The annual dividend for the year ending March 31, 2018(excluding the impact of the consolidation of shares) is 12 yen per share.

## Consolidated Financial Results for the Six Months Ended September 30, 2017

## (1) Net sales by reportable segment

(Millions of yen, %)

	2Q September 2017	(YoY change)	
		Change	% of Change
Specialty Steel	90,349	12,268	15.7
High Performance Materials and Magnetic Materials	81,068	9,946	14.0
Parts for Automobile and Industrial Equipment	51,733	5,062	10.8
Engineering	10,471	(978)	(8.5)
Trading and Service	7,496	1,811	31.9
Total	241,119	28,109	13.2

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

(Millions of yen, %)

	2Q September 2017	(YoY change)	
		Change	% of Change
Net sales	241,119	28,109	13.2
Operating income	18,726	9,083	94.2
Non-operating income	2,057	(16)	—
Non-operating expenses	2,464	(230)	—
Ordinary income	18,320	9,296	103.0
Extraordinary income	738	506	—
Extraordinary losses	7	(56)	—
Income before income taxes	19,051	9,859	—
Income taxes	5,579	2,469	—
Profit attributable to non-controlling interests	1,582	864	—
Profit attributable to owners of parent	11,890	6,526	121.7

## (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. Sales price	74	1. Raw material and fuel cost	81
2. Sales volume	61	2. Fixed cost	8
3. Sales mix change	36		
4. Variable cost	9		
5. Non-operating income or loss	2		
Total (a)	182	Total (b)	89
		Change (a) – (b)	93

(Reference: Market condition)

	2Q September 2016	2Q September 2017
H2 (Thousands of yen/t)	15.7	22.3
Nickel (LME) (One dollar/lb)	4.3	4.5
Exchange rate(TTM) (yen/dollar)	105.3	111.1

## (4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2017	As of September 30, 2017	Change	Item	As of March 31, 2017	As of September 30, 2017	Change
Current assets	<u>257,208</u>	<u>281,530</u>	<u>24,321</u>	Liabilities	<u>283,668</u>	<u>308,571</u>	<u>24,903</u>
Cash and deposits	34,966	45,100	10,134	Trade payables	75,159	79,761	4,602
Trade receivables	113,215	120,897	7,682	Interest-bearing debt	142,599	157,201	14,601
Inventories	98,477	106,113	7,635	Other	65,908	71,608	5,699
Other	10,549	9,419	(1,129)	Net assets	<u>290,501</u>	<u>306,257</u>	<u>15,755</u>
Non-current assets	<u>316,960</u>	<u>333,298</u>	<u>16,337</u>	Shareholders' equity	232,983	241,798	8,814
Property, plant and equipment	190,915	202,038	11,122	Accumulated other comprehensive income	26,867	32,423	5,555
Intangible assets	2,193	1,920	(272)	Non-controlling interests	30,649	32,035	1,386
Investments and other assets	123,851	129,339	5,487	Total liabilities and net assets	574,169	614,828	40,659
Total assets	574,169	614,828	40,659				

## (5) Net sales forecast by reportable segment

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2018	(YoY change)	
		Change	% of Change
Specialty Steel	183,500	20,413	12.5
High Performance Materials and Magnetic Materials	166,000	17,531	11.8
Parts for Automobile and Industrial Equipment	107,500	10,008	10.3
Engineering	23,500	(417)	(1.7)
Trading and Service	15,500	3,341	27.5
Total	496,000	50,877	11.4

## (6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2018	(YoY change)	
		Change	% of Change
Net sales	496,000	50,877	11.4
Operating income	36,000	10,486	41.1
Ordinary income	36,000	9,626	36.5
Profit attributable to owners of parent	23,000	6,613	40.4

## (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. Sales price	137	1. Raw material and fuel cost	188
2. Sales volume	90	2. Fixed cost	11
3. Sales mix change	60	3. Non-operating income or loss	9
4. Variable cost	17		
Total (a)	304	Total (b)	208
		Change (a) - (b)	96

(Reference: Market condition)

	Fiscal year ended March 31, 2017	Forecast for fiscal year ending March 31, 2018
H2 (Thousands of yen/t)	18.1	23.7
Nickel (LME) (One dollar/lb)	4.6	4.8
Exchange rate(TTM) (yen/dollar)	108.4	110.6

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

(Millions of yen)

	Fiscal year ended March 31, 2017		Fiscal year ending March 31, 2018		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	15,791	28,940	14,899	32,200	(891)	3,259
Depreciation and amortization	11,087	23,275	10,023	20,600	(1,063)	(2,675)

## (Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2018
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Net sales	457,731	483,633	460,577	445,122	496,000
Operating income	18,977	20,408	24,432	25,513	36,000
Ordinary income	20,287	21,729	25,108	26,373	36,000
Profit attributable to owners of parent	12,616	10,886	6,746	16,386	23,000