

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2019
[Japanese GAAP]



MEMBERSHIP
April 26, 2019

Company name: Daido Steel Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Code number: 5471

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

Representative: Takeshi Ishiguro, President and Representative Executive Director

Contact: Kazuhiro Toshimitsu, Executive officer

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Scheduled date of ordinary general shareholders' meeting: June 26, 2019

Scheduled date of filing annual securities report: June 26, 2019

Scheduled date of commencing dividend payments: June 27, 2019

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual 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 Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(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	%
March 31, 2019	543,255	7.5	33,815	(6.6)	34,343	(4.9)	21,182	(11.4)
March 31, 2018	505,219	13.5	36,218	42.0	36,130	37.0	23,920	46.0

(Note) Comprehensive income: Year ended March 31, 2019: ¥8,871 million [(73.1%)]

Year ended March 31, 2018: ¥32,946 million [11.1%]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2019	496.88	—	7.4	5.3	6.2
March 31, 2018	561.08	—	8.8	5.9	7.2

(Reference) Equity in earnings (losses) of affiliates: Year ended March 31, 2019: ¥1,134 million

Year ended March 31, 2018: ¥978 million

(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	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2019	650,697	318,140	43.9	6,697.44
March 31, 2018	642,021	316,409	44.3	6,672.02

(Reference) Shareholders' equity: As of March 31, 2019 : ¥285,508 million

As of March 31, 2018 : ¥284,435million

(Note) The company applies ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the consolidated financial position as of March 31, 2018.

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
March 31, 2019	28,114	(33,707)	5,589	40,728
March 31, 2018	31,043	(30,215)	5,477	40,259

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	—	6.00	—	60.00	—	5,117	21.4	1.9
March 31, 2019	—	65.00	—	65.00	130.00	5,543	26.2	1.9
Fiscal year ending March 31, 2020 (Forecast)	—	55.00	—	65.00	120.00		21.3	

(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 amount of the year-end dividend per share for FY2017 reflects the impact of the consolidation of shares and disclosure of the annual dividend per share is omitted. The annual dividend per share converted on the basis after the consolidation of shares would be 120 yen for FY2017.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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
First half	260,000	(3.6)	13,500	(19.4)	13,500	(23.2)	12,000	11.5	281.50
Full year	530,000	(2.4)	31,000	(8.3)	31,500	(8.3)	24,000	13.3	562.99

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2019 43,448,769 shares

March 31, 2018 43,448,769 shares

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

March 31, 2019 819,275 shares

March 31, 2018 817,706 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2019 42,630,293 shares

Fiscal year ended March 31, 2018 42,633,279 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, average number of shares during the period is calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	340,813	10.7	19,146	5.2	24,393	15.2	15,912	6.5
March 31, 2018	307,746	14.9	18,192	28.9	21,172	18.3	14,942	(3.8)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
March 31, 2019	373.17	—	—	—
March 31, 2018	350.38	—	—	—

(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) Non-consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Million yen	Million yen	Million yen	Million yen	%	Yen	Yen	
March 31, 2019	455,577	195,486	195,486	195,486	42.9	4,584.39	4,584.39	
March 31, 2018	443,557	194,592	194,592	194,592	43.9	4,563.28	4,563.28	

(Reference) Shareholders' equity: As of March 31, 2019 : ¥195,486million

As of March 31, 2018 : ¥194,592million

(Note) The company applies ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the non-consolidated financial position as of March 31, 2018.

* These financial results are outside the scope of audit process procedures by a certified public accountant or an audit firm

* 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.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

(1) Net sales and operating income by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	Fiscal year ended March 31, 2019	YoY Change [% of Change]	Fiscal year ended March 31, 2019	YoY Change
Specialty Steel	207,744	18,649 [9.9%]	5,998	(479)
High Performance Materials and Magnetic Materials	184,553	13,766 [8.1%]	20,694	(1,501)
Parts for Automobile and Industrial Equipment	109,929	3,640 [3.4%]	2,308	(761)
Engineering	27,528	2,664 [10.7%]	2,291	455
Trading and Service	13,499	(683) [(4.8%)]	2,527	(158)
Adjustment	—	—	(5)	43
Total	543,255	38,036 [7.5%]	33,815	(2,403)

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

(Millions of yen, %)

	Fiscal year ended March 31, 2019	YoY Change [% of Change]
Net sales	543,255	38,036 [7.5%]
Operating income	33,815	(2,403) [(6.6%)]
Non-operating income and expenses	527	615
Ordinary income	34,343	(1,787) [(4.9%)]
Extraordinary income and losses	(1,232)	(1,932)
Income before income taxes	33,110	(3,720)
Income taxes	10,224	81
Profit attributable to non-controlling interests	1,703	(1,063)
Profit attributable to owners of parent	21,182	(2,738) [(11.4%)]

(Sales volume of Specialty Steel 1,349 thou. tons, increasing 38 thou. tons vs FY2017)

(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	217	1. Raw material and fuel cost	252
2. Sales volume	31	2. Fixed cost	21
3. Variable cost	1		
4. Non-operating income or loss	6		
Total (a)	255	Total (b)	273
		Change (a) – (b)	(18)

(Reference: Market condition)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
H2 (Thousands of yen/t)	26.1	28.7
Nickel (LME) (One dollar/lb)	5.1	5.9
Exchange rate (TTM) (yen/dollar)	110.9	111.1

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2018	As of March 31, 2019	Change	Item	As of March 31, 2018	As of March 31, 2019	Change
Current assets	<u>297,307</u>	<u>313,081</u>	<u>15,773</u>	Liabilities	<u>325,611</u>	<u>332,557</u>	<u>6,945</u>
Cash and deposits	42,167	41,734	(433)	Trade payables	90,381	87,361	(3,019)
Trade receivables	134,152	132,800	(1,351)	Interest-bearing debt	160,352	174,998	14,646
Inventories	115,064	132,546	17,482	Other	74,877	70,196	(4,681)
Other	5,923	5,999	76	Net assets	<u>316,409</u>	<u>318,140</u>	<u>1,730</u>
Non-current assets	<u>344,714</u>	<u>337,616</u>	<u>(7,098)</u>	Shareholders' equity	251,664	267,106	15,441
Property, plant and equipment	212,029	226,078	14,049	Accumulated other comprehensive income	32,770	18,402	(14,368)
Intangible assets	1,697	1,502	(194)	Non-controlling interests	31,974	32,631	657
Investments and other assets	130,988	110,035	(20,952)	Total liabilities and net assets	642,021	650,697	8,675
Total assets	642,021	650,697	8,675				

(Note) The company applies ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the condensed balance sheet as of March 31, 2018.

(5) Net sales and operating income forecast by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	Forecast for fiscal year ending March 31, 2020	YoY Change [% of Change]	Forecast for fiscal year ending March 31, 2020	YoY Change
Specialty Steel	199,000	(8,744) [(4.2%)]	6,500	501
High Performance Materials and Magnetic Materials	176,000	(8,553) [(4.6%)]	17,000	(3,694)
Parts for Automobile and Industrial Equipment	113,000	3,070 [2.8%]	3,500	1,191
Engineering	26,000	(1,528) [(5.6%)]	1,500	(791)
Trading and Service	16,000	2,500 [18.5%]	2,500	(27)
Adjustment	—	—	—	5
Total	530,000	(13,255) [(2.4%)]	31,000	(2,815)

(Sales volume of Specialty Steel 1,313 thou. tons, decreasing 36 thou. tons vs FY2018)

(6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2020	YoY change [% of Change]
Net sales	530,000	(13,255) [(2.4%)]
Operating income	31,000	(2,815) [(8.3%)]
Ordinary income	31,500	(2,843) [(8.3%)]
Profit attributable to owners of parent	24,000	2,817 [13.3%]

(7) Forecasted reasons for change in the amount of ordinary income (YoY comparison)

(100 millions of yen)

(Reference: Market condition)

Reasons for increase	Amount	Reasons for decrease	Amount
1. Sales price	19	1. Sales volume	34
2. Variable cost	12	2. Sales mix change	24
3. Raw material and fuel cost	11	3. Fixed cost	22
4. Newly consolidated subsidiaries	10		
Total (a)	52	Total (b)	80
		Change (a) – (b)	(28)

	Fiscal year ended March 31, 2019	Forecast for fiscal year ending March 31, 2020
H2 (Thousands of yen/t)	28.7	28.0
Nickel (LME) (One dollar/lb)	5.9	5.5
Exchange rate (TTM) (yen/dollar)	111.1	110.0

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	(YoY change)		Forecast for fiscal year ending March 31, 2020	(YoY change)	
			Change	Change		Change	Change
Capital expenditures	35,605	34,413	(1,192)		38,600	4,186	
Depreciation and amortization	20,740	23,171	2,430		24,400	1,228	

(Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2020
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
Net sales	460,577	445,122	505,219	543,255	530,000
Operating income	24,432	25,513	36,218	33,815	31,000
Ordinary income	25,108	26,373	36,130	34,343	31,500
Profit attributable to owners of parent	6,746	16,386	23,920	21,182	24,000