

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2018
[Japanese GAAP]



April 27, 2018

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

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Scheduled date of ordinary general shareholders' meeting: June 27, 2018

Scheduled date of filing annual securities report: June 27, 2018

Scheduled date of commencing dividend payments: June 28, 2018

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, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	505,219	13.5	36,218	42.0	36,130	37.0	23,920	46.0
March 31, 2017	445,122	(3.4)	25,513	4.4	26,373	5.0	16,386	142.9

(Note) Comprehensive income: Year ended March 31, 2018: ¥32,946 million [11.1%]

Year ended March 31, 2017: ¥29,655 million [-%]

	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, 2018	561.08	—	8.8	5.9	7.2
March 31, 2017	385.92	—	6.7	4.8	5.7

(Reference) Equity in earnings (losses) of affiliates: Year ended March 31, 2018: ¥978 million

Year ended March 31, 2017: ¥811 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, 2018	645,041	316,409	44.1	6,672.02
March 31, 2017	574,169	290,501	45.3	6,094.74

(Reference) Shareholders' equity: As of March 31, 2018: ¥284,435 million

As of March 31, 2017: ¥259,851 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, net assets per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

(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, 2018	31,043	(30,215)	5,477	40,259
March 31, 2017	28,390	(26,449)	(1,843)	33,685

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, 2017	—	4.00	—	6.00	10.00	4,227	25.9	1.7
March 31, 2018	—	6.00	—	60.00	—	5,117	21.4	1.9
Fiscal year ending March 31, 2019 (Forecast)	—	65.00	—	65.00	130.00		23.1	

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

Ordinary dividends 4.00 Yen Commemorative dividends 2.00 Yen

* 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 100 yen for FY2016 and 120 yen for FY2017.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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	265,000	9.9	15,500	(17.2)	16,000	(12.7)	10,000	(15.9)	234.57
Full year	550,000	8.9	36,500	0.8	37,000	2.4	24,000	0.3	562.97

* 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: Yes

3) Changes in accounting estimates: Yes

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, 2018 43,448,769 shares

March 31, 2017 43,448,769 shares

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

March 31, 2018 817,706 shares

March 31, 2017 813,343 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2018 42,633,279 shares

Fiscal year ended March 31, 2017 42,459,513 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.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	307,746	14.9	18,192	28.9	21,172	18.3	14,942	(3.8)
March 31, 2017	267,768	(4.6)	14,111	8.4	17,898	15.2	15,531	177.1

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
March 31, 2018	350.38	—	—	—
March 31, 2017	365.70	—	—	—

(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, 2018	445,384	194,592	194,592	194,592	43.7	43.7	4,563.28	4,563.28
March 31, 2017	400,404	178,570	178,570	178,570	44.6	44.6	4,187.10	4,187.10

(Reference) Shareholders' equity: As of March 31, 2018: ¥194,592 million

As of March 31, 2017: ¥178,570 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, net assets per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the previous fiscal year.

* 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, 2018

(1) Net sales by reportable segment

(Millions of yen, %)

	Fiscal year ended March 31, 2018	(YoY change)	
		Change	% of Change
Specialty Steel	186,835	23,748	14.6
High Performance Materials and Magnetic Materials	170,787	22,319	15.0
Parts for Automobile and Industrial Equipment	106,289	8,797	9.0
Engineering	24,864	947	4.0
Trading and Service	16,442	4,284	35.2
Total	505,219	60,096	13.5

(Sales volume of Specialty Steel 1,311 thou. tons, vs FY2016 +92 thou. tons)

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

(Millions of yen, %)

	Fiscal year ended March 31, 2018	(YoY change)	
		Change	% of Change
Net sales	505,219	60,096	13.5
Operating income	36,218	10,704	42.0
Non-operating income	4,334	(2)	—
Non-operating expenses	4,422	944	—
Ordinary income	36,130	9,757	37.0
Extraordinary income	769	(2,354)	—
Extraordinary losses	68	(2,072)	—
Income before income taxes	36,831	9,475	—
Income taxes	10,143	1,051	—
Profit attributable to non-controlling interests	2,767	889	—
Profit attributable to owners of parent	23,920	7,534	46.0

(3) 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	167	1. Raw material and fuel cost	217
2. Sales volume	87	2. Fixed cost	6
3. Sales mix change	62	3. Non-operating income or loss	10
4. Variable cost	14		
Total (a)	330	Total (b)	233
		Change (a) – (b)	97

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
H2 (Thousands of yen/t)	18.1	26.1
Nickel (LME) (One dollar/lb)	4.6	5.1
Exchange rate(TTM) (yen/dollar)	108.4	110.9

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2017	As of March 31, 2018	Change	Item	As of March 31, 2017	As of March 31, 2018	Change
Current assets	<u>257,208</u>	<u>301,895</u>	<u>44,686</u>	Liabilities	<u>283,668</u>	<u>328,631</u>	<u>44,963</u>
Cash and deposits	34,966	42,167	7,201	Trade payables	75,159	90,381	15,221
Trade receivables	113,215	134,152	20,936	Interest-bearing debt	142,599	160,352	17,753
Inventories	98,477	115,064	16,586	Other	65,908	77,897	11,988
Other	10,549	10,511	(38)	Net assets	<u>290,501</u>	<u>316,409</u>	<u>25,908</u>
Non-current assets	<u>316,960</u>	<u>343,145</u>	<u>26,185</u>	Shareholders' equity	232,983	251,664	18,680
Property, plant and equipment	190,915	212,029	21,113	Accumulated other comprehensive income	26,867	32,770	5,902
Intangible assets	2,193	1,697	(495)	Non-controlling interests	30,649	31,974	1,325
Investments and other assets	123,851	129,419	5,567	Total liabilities and net assets	574,169	645,041	70,872
Total assets	574,169	645,041	70,872				

(5) Net sales forecast by reportable segment

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2019	(YoY change)	
		Change	% of Change
Specialty Steel	202,000	15,164	8.1
High Performance Materials and Magnetic Materials	190,000	19,212	11.2
Parts for Automobile and Industrial Equipment	116,000	9,710	9.1
Engineering	26,500	1,635	6.6
Trading and Service	15,500	(942)	(5.7)
Total	550,000	44,780	8.9

(Sales volume of Specialty Steel 1,337 thou. tons, vs FY2017 +26 thou. tons)

(6) Financial results forecast

(Millions of yen, %)

	Forecast for fiscal year ending March 31, 2019	(YoY change)	
		Change	% of Change
Net sales	550,000	44,780	8.9
Operating income	36,500	281	0.8
Ordinary income	37,000	869	2.4
Profit attributable to owners of parent	24,000	79	0.3

(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		Fiscal year ended March 31, 2018	Forecast for fiscal year ending March 31, 2019
1. Sales price	179	1. Raw material and fuel cost	228	H2 (Thousands of yen/t)	26.1	30.0
2. Sales volume	54	2. Fixed cost	27	Nickel (LME) (One dollar/lb)	5.1	6.0
3. Variable cost	16			Exchange rate(TTM) (yen/dollar)	110.9	110.0
4. Sales mix change	9					
5. Non-operating income or loss	6					
Total (a)	264	Total (b)	255			
		Change (a) - (b)	9			

(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 ended March 31, 2018	(YoY change)		Forecast for fiscal year ending March 31, 2019	(YoY change)	
			Change			Change	
Capital expenditures	28,940	35,605	6,665		36,100	494	
Depreciation and amortization	23,275	20,740	(2,534)		23,200	2,459	

(Reference) Historical Financial Results

(Millions of yen)

	Actual results				Forecast for fiscal year ending March 31, 2019
	Fiscal year ending March 31, 2015	Fiscal year ending March 31, 2016	Fiscal year ending March 31, 2017	Fiscal year ending March 31, 2018	
Net sales	483,633	460,577	445,122	505,219	550,000
Operating income	20,408	24,432	25,513	36,218	36,500
Ordinary income	21,729	25,108	26,373	36,130	37,000
Profit attributable to owners of parent	10,886	6,746	16,386	23,920	24,000