

Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]



October 31, 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/>

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Scheduled date of filing quarterly securities report: November 14, 2019

Scheduled date of commencing dividend payments: December 5, 2019

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, 2019 (April 1, 2019 to September 30, 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	%
Six months ended September 30, 2019	252,476	(6.4)	13,711	(18.2)	13,711	(22.0)	11,257	4.6
September 30, 2018	269,643	11.8	16,752	(10.5)	17,569	(4.1)	10,759	(9.5)

(Note) Comprehensive income: Six months ended September 30, 2019: ¥7,863 million [(32.8%)]

Six months ended September 30, 2018: ¥11,694 million [(39.3%)]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Six months ended	Yen	Yen
September 30, 2019	264.08	—
September 30, 2018	252.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2019	651,112	328,419	45.0
As of March 31, 2019	650,697	318,140	43.9

(Reference) Shareholders' equity: As of September 30, 2019 : ¥293,276 million

As of March 31, 2019 : ¥285,508 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, 2019	—	65.00	—	65.00	130.00
Fiscal year ending March 31, 2020	—	55.00	—	—	—
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	65.00	120.00

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

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
Full year	493,000	(9.3)	29,000	(14.2)	29,000	(15.6)	21,500	1.5	504.35

(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: No

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, 2019 43,448,769 shares

March 31, 2019 43,448,769 shares

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

September 30, 2019 819,720 shares

March 31, 2019 819,275 shares

3) Average number of shares during the period:

Six months ended September 30, 2019 42,629,272 shares

Six months ended September 30, 2018 42,630,727 shares

* These quarterly financial results are outside the scope of quarterly review 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 Six Months Ended September 30, 2019

(1) Net sales and operating income by reportable segment

(Millions of yen, %)

	Net sales		Operating income	
	2Q September 2019	YoY Change [% of Change]	2Q September 2019	YoY Change
Specialty Steel	97,117	(4,930) [(4.8%)]	3,215	1,076
High Performance Materials and Magnetic Materials	84,693	(7,967) [(8.6%)]	6,946	(4,455)
Parts for Automobile and Industrial Equipment	49,928	(5,497) [(9.9%)]	620	(514)
Engineering	12,361	(290) [(2.3%)]	1,524	770
Trading and Service	8,375	1,519 [22.2%]	1,409	72
Adjustment	—	—	(3)	7
Total	252,476	(17,167) [(6.4%)]	13,711	(3,041)

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

(Millions of yen, %)

	2Q September 2019	YoY Change [% of Change]
Net sales	252,476	(17,167) [(6.4%)]
Operating income	13,711	(3,041) [(18.2%)]
Non-operating income and expenses	(0)	(817)
Ordinary income	13,711	(3,858) [(22.0%)]
Extraordinary income and losses	3,774	3,774
Income before income taxes	17,485	(84)
Income taxes	5,717	22
Profit attributable to non-controlling interests	511	(605)
Profit attributable to owners of parent	11,257	498 [4.6%]

(Sales volume of Specialty Steel 625 thou. tons, decreasing 48 thou. tons vs FY2018-2Q)

(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	24	1. Sales volume	60
2. Raw material and fuel cost	7	2. Variable cost	6
3. Newly consolidated subsidiaries	5	3. Sales mix change	4
4. Fixed cost	3	4. Non-operating income or loss	8
Total (a)	39	Total (b)	78
		Change (a) – (b)	(39)

(Reference: Market condition)

	2Q September 2018	2Q September 2019
H2 (Thousands of yen/t)	29.9	23.3
Nickel (LME) (One dollar/lb)	6.3	6.3
Exchange rate (TTM) (yen/dollar)	110.7	109.6

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2019	As of September 30, 2019	Change	Item	As of March 31, 2019	As of September 30, 2019	Change
Current assets	<u>313,081</u>	<u>306,852</u>	<u>(6,228)</u>	Liabilities	<u>332,557</u>	<u>322,692</u>	<u>(9,864)</u>
Cash and deposits	41,734	46,449	4,715	Trade payables	87,361	70,040	(17,321)
Trade receivables	132,800	123,651	(9,149)	Interest-bearing debt	174,998	185,536	10,537
Inventories	132,546	131,004	(1,541)	Other	70,196	67,116	(3,080)
Other	5,999	5,746	(253)	Net assets	<u>318,140</u>	<u>328,419</u>	<u>10,279</u>
Non-current assets	<u>337,616</u>	<u>344,260</u>	<u>6,643</u>	Shareholders' equity	267,106	278,719	11,612
Property, plant and equipment	226,078	240,863	14,785	Accumulated other comprehensive income	18,402	14,557	(3,844)
Intangible assets	1,502	1,487	(14)	Non-controlling interests	32,631	35,142	2,511
Investments and other assets	110,035	101,908	(8,126)	Total liabilities and net assets	650,697	651,112	415
Total assets	650,697	651,112	415				

(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	187,000	(20,744) [(10.0%)]	8,500	2,501
High Performance Materials and Magnetic Materials	166,000	(18,553) [(10.1%)]	14,500	(6,194)
Parts for Automobile and Industrial Equipment	98,000	(11,929) [(10.9%)]	1,000	(1,308)
Engineering	25,000	(2,528) [(9.2%)]	2,500	208
Trading and Service	17,000	3,500 [25.9%]	2,500	(27)
Adjustment	—	—	—	5
Total	493,000	(50,255) [(9.3%)]	29,000	(4,815)

(Sales volume of Specialty Steel 1,234 thou. tons, decreasing 115 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	493,000	(50,255) [(9.3%)]
Operating income	29,000	(4,815) [(14.2%)]
Ordinary income	29,000	(5,343) [(15.6%)]
Profit attributable to owners of parent	21,500	317 [1.5%]

(Sales volume of Specialty Steel 1,234 thou. tons, decreasing 115 thou. tons vs FY2018)

(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. Raw material and fuel cost	97	1. Sales volume	109
2. Newly consolidated subsidiaries	8	2. Sales price	27
		3. Variable cost	9
		4. Sales mix change	7
		5. Fixed cost	1
		6. Non-operating income or loss	5
Total (a)	105	Total (b)	158
		Change (a) – (b)	(53)

	Fiscal year ended March 31, 2019	Forecast for fiscal year ending March 31, 2020
H2 (Thousands of yen/t)	28.7	21.6
Nickel (LME) (One dollar/lb)	5.9	6.9
Exchange rate (TTM) (yen/dollar)	111.1	107.3

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

(Millions of yen)

	Fiscal year ended March 31, 2019		Fiscal year ending March 31, 2020		YoY change	
	First half	Full year	First half	Full year (Forecast)	First half	Full year
Capital expenditures	15,027	34,413	22,092	37,500	7,064	3,086
Depreciation and amortization	11,453	23,171	12,022	24,500	568	1,328

(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	493,000
Operating income	24,432	25,513	36,218	33,815	29,000
Ordinary income	25,108	26,373	36,130	34,343	29,000
Profit attributable to owners of parent	6,746	16,386	23,920	21,182	21,500