

# Fiscal Year ending March 2023 Interim Results (Apr.1 - Sep.30/2022)

October 28, 2022



# **FY2022 Interim Results (Apr.1 - Sep.30/2022)**

## ■ Overview of FY2022 Interim Results (Apr. 1 - Sep. 30/2022)

- The lingering reduction in automotive production has decreased our products' overall sales volume during the first half of FY2022
- Net sales increased due to our efforts to revise the selling prices of our products in the face of the soaring costs of raw materials and energy.
- The sales mix of stainless steel products improved.

(thousand tons, ¥100 mil.)

	First-half Results for FY 2021			First-half Results for FY 2022			y/y	Difference from the forecast announced on July 29
	1 Q	2 Q	Total	1 Q	2 Q	Total		
Steel Sales Volume	322	312	634	280	260	540	-94	-7
Net Sales	1,312	1,240	2,552	1,377	1,442	2,819	267	19
Operating Income	105	87	192	102	130	232	40	37
Ordinary Income	118	88	206	113	128	241	35	41
Extraordinary Profit and Loss	-	▲ 4	▲ 4	-	▲ 4	▲ 4	0	-4
Corporate Tax and Other Taxes	▲ 42	▲ 32	▲ 74	▲ 14	▲ 40	▲ 54	20	-9
Net income owed to parent company shareholders	76	52	128	99	84	183	55	28

# ■ Net Sales & Operating Income by Segment (y/y)

(¥100 million)

	FY 2021 Results		FY 2022 Results					
	First Half		1 Q		2 Q		First Half	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Specialty Steel	932	15	506	1	522	41	1,028	42
High-Performance Materials and Magnetic Materials	948	139	544	75	552	59	1,096	134
Parts for Automobiles and Industrial Equipment	465	31	238	18	257	16	495	34
Engineering	87	▲ 7	38	▲ 1	45	5	83	4
Trading and Service	120	14	51	9	66	9	117	18
<b>Total</b>	<b>2,552</b>	<b>192</b>	<b>1,377</b>	<b>102</b>	<b>1,442</b>	<b>130</b>	<b>2,819</b>	<b>232</b>

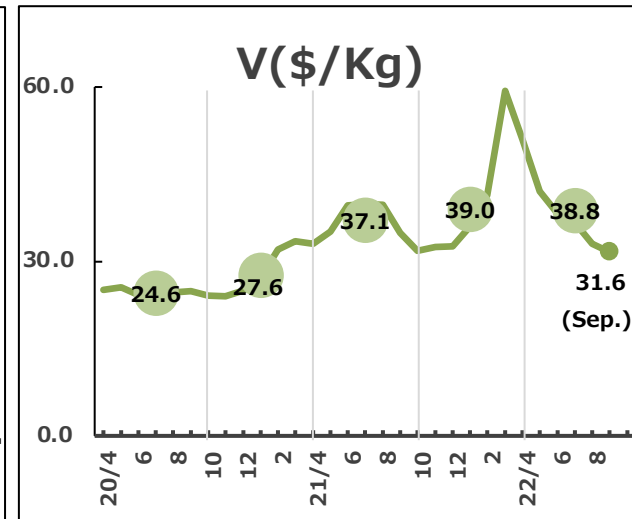
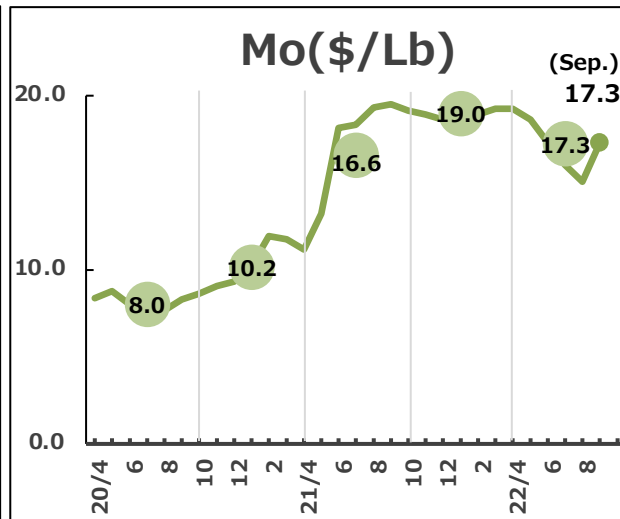
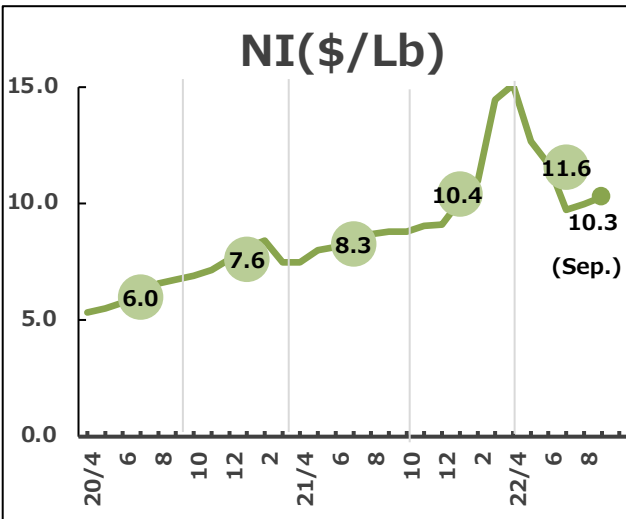
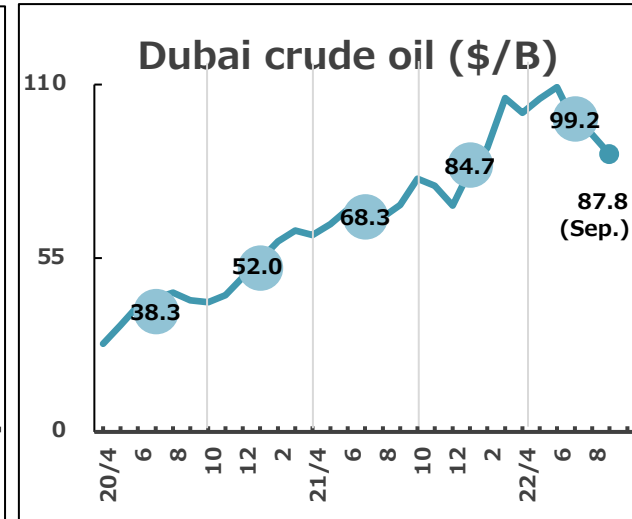
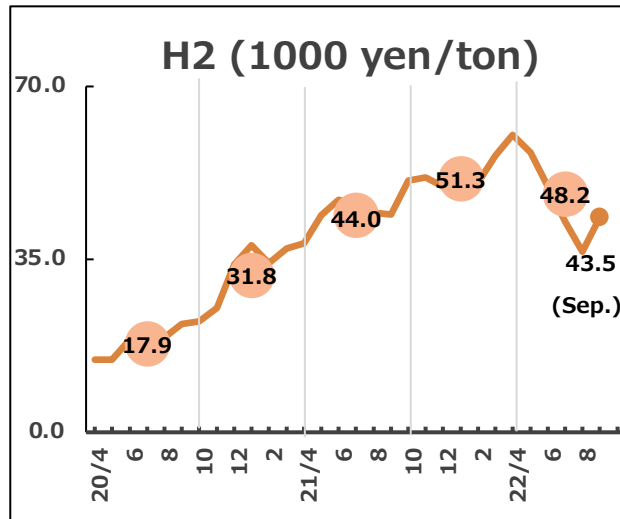
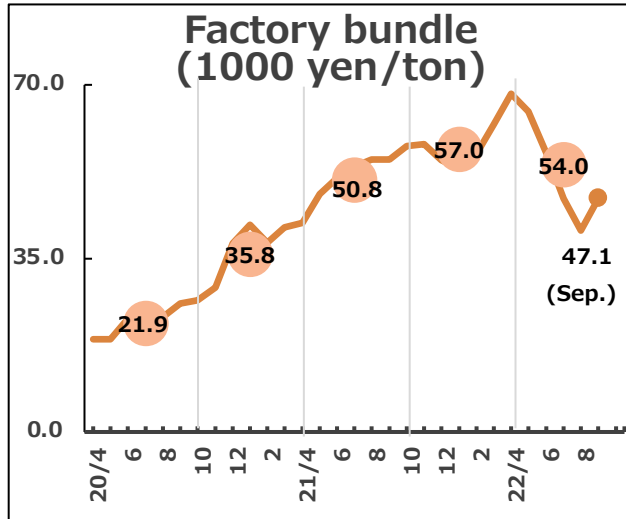
y/y		Difference from the forecast announced on July 29	
Net Sales	Operating Income	Net Sales	Operating Income
96	27	7	29
148	-5	15	4
30	3	-14	1
-4	11	-4	2
-3	4	15	1
<b>267</b>	<b>40</b>	<b>19</b>	<b>37</b>

(thou. tons)

Sales volume of steel (non-consolidated)	634	280	260	540
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-94	-7
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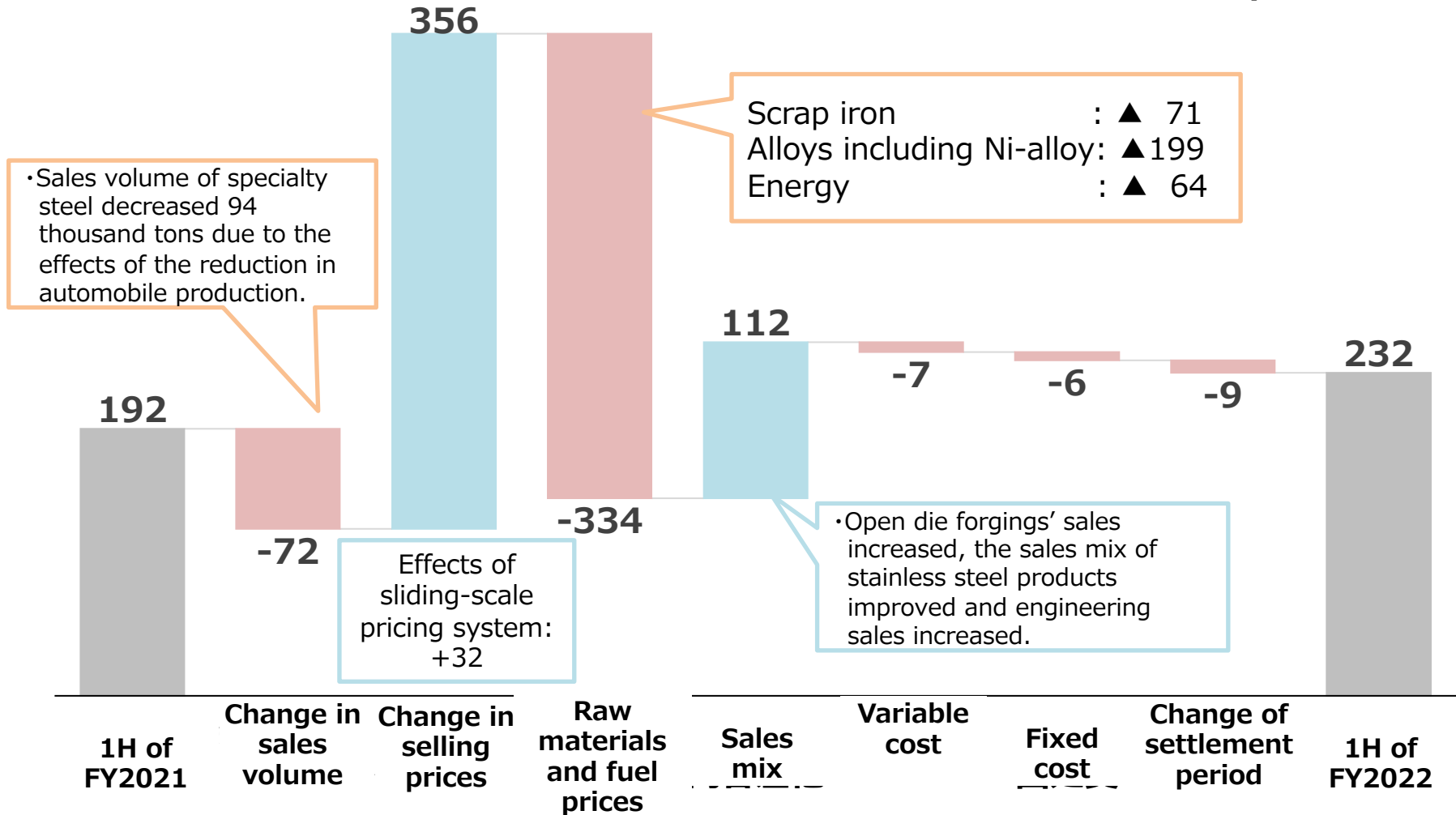
# Raw Materials Prices



# Changes in Operating Income for the first half of FY2022 (y/y)

## Changes in Operating Income (y/y)

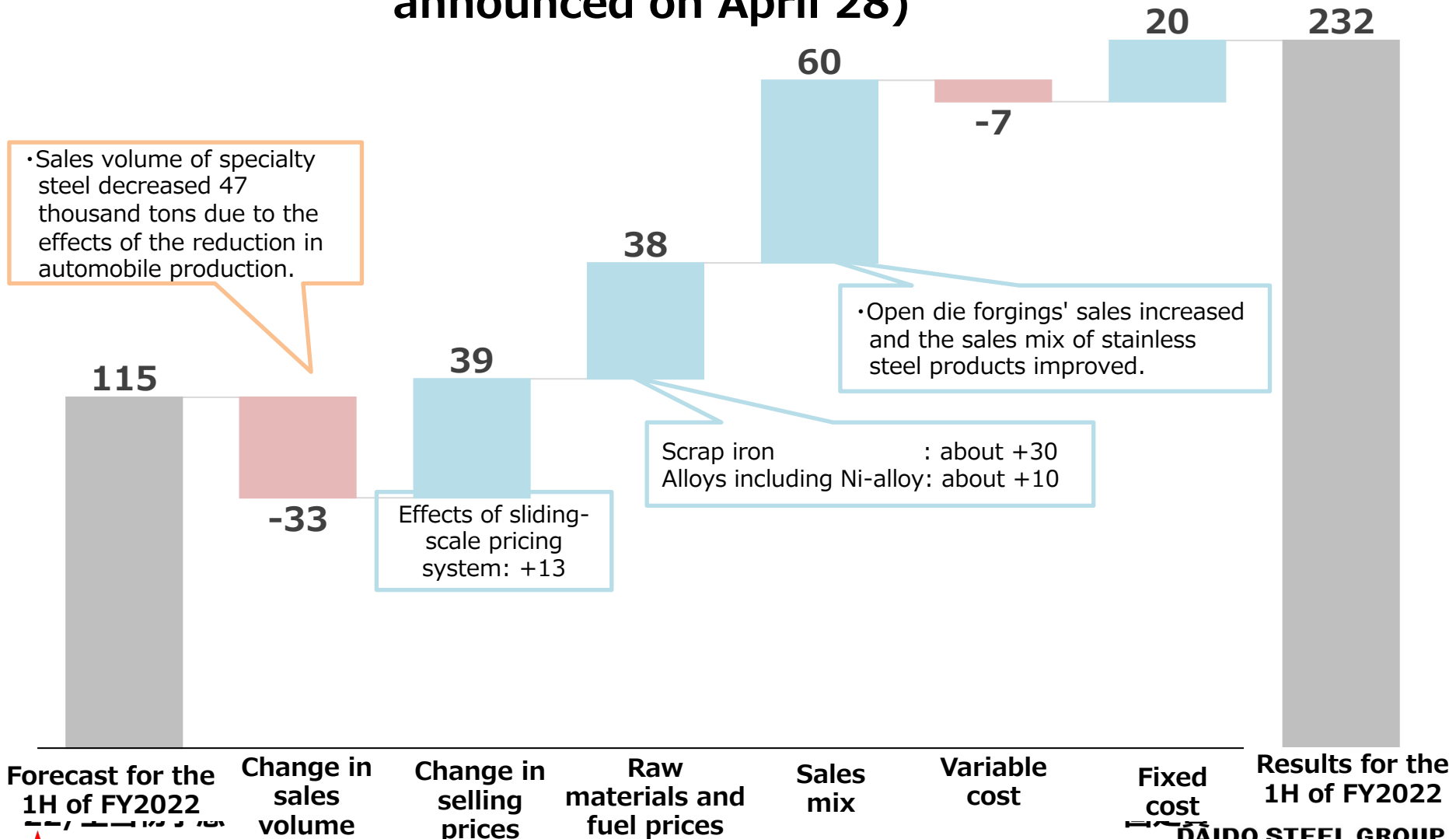
(¥100 million)



**■ Changes in Operating Income for the first half of FY2022  
(difference from the forecast announced on April 28)**

**Changes in Operating Income  
(difference from the forecast  
announced on April 28)**

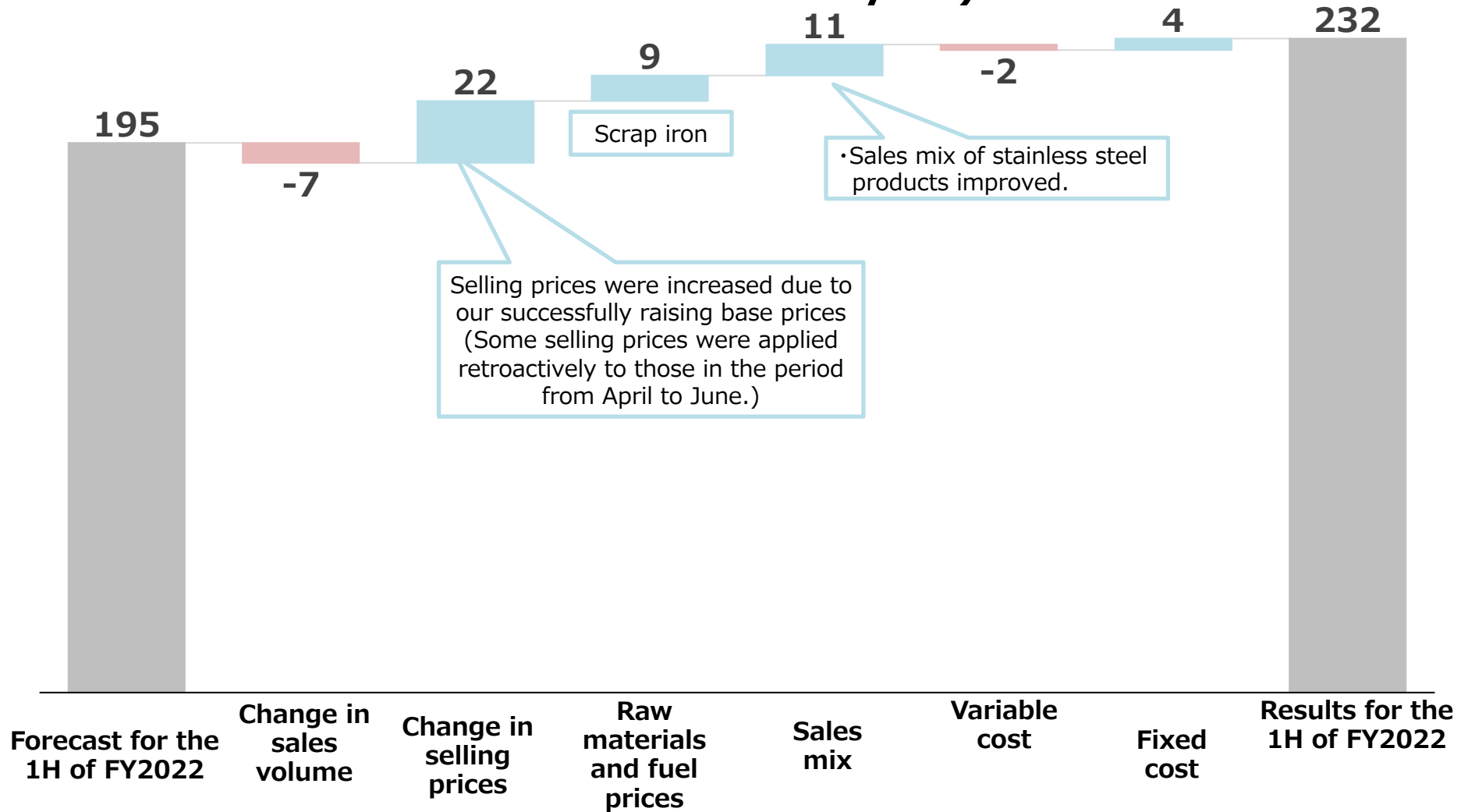
(¥100 million)



■ Changes in Operating Income for the first half of FY2022  
(difference from the forecast announced on July 29)

Changes in Operating Income  
(difference from the forecast  
announced on July 29)

(¥100 million)





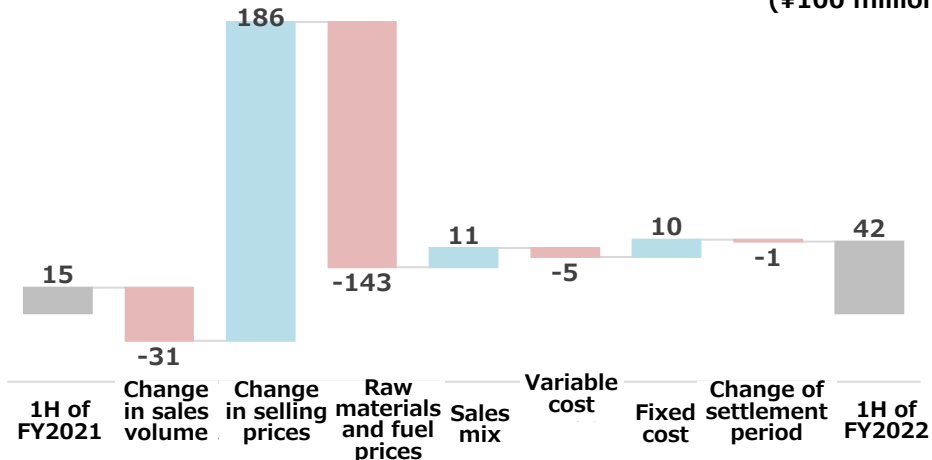
# Specialty Steel Overview

(¥100 million)

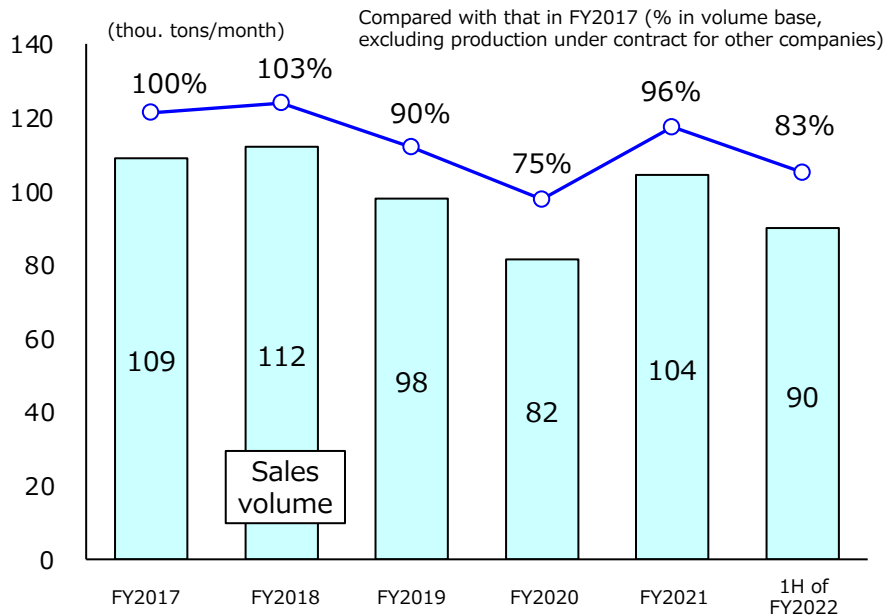
	1st half of FY2021	Forecast for 1st half of FY2022 (Announced on July 29)	1st half of FY2022	y/y	Differences from the forecast announced on July 29
	a	b	c	c-a	c-b
Net Sales	932	1,021	1,028	96	7
Operating Income	15	13	42	27	29
Sliding-scale Pricing System	-33	-3	-1	32	2

## Changes in Operating Income

(¥100 million)



## Sales Volume of Specialty Steel (non-consolidated)



## POINT 1

Specialty steel sales shrank, due to the continued reduction in automobile production, but operating income for the first half of FY2022 reached 4.2 billion yen thanks to the reduced impact of sliding-scale pricing and curtailed fixed costs.

## POINT 2

The negotiations regarding raising base prices to compensate for increases in costs (such as energy) have progressed as planned.

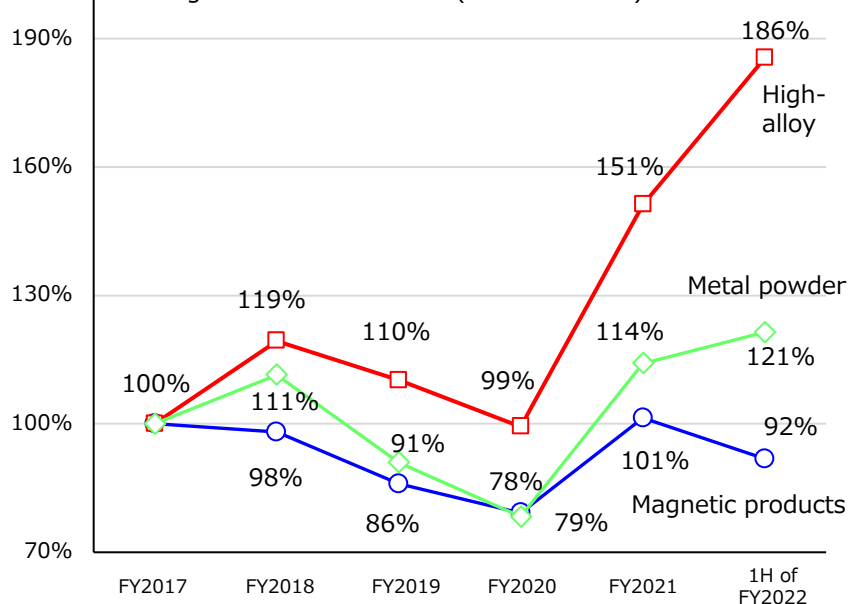
# High-Performance and Magnetic Materials Overview

(¥100 million)

	1st half of FY2021 a	Forecast for 1st half of FY2022 (Announced on July 29) b	1st half of FY2022 c	y/y c-a	Differences from the forecast announced on July 29 c-b
Net Sales	948	1,081	1,096	148	15
Operating Income	139	130	134	-5	4

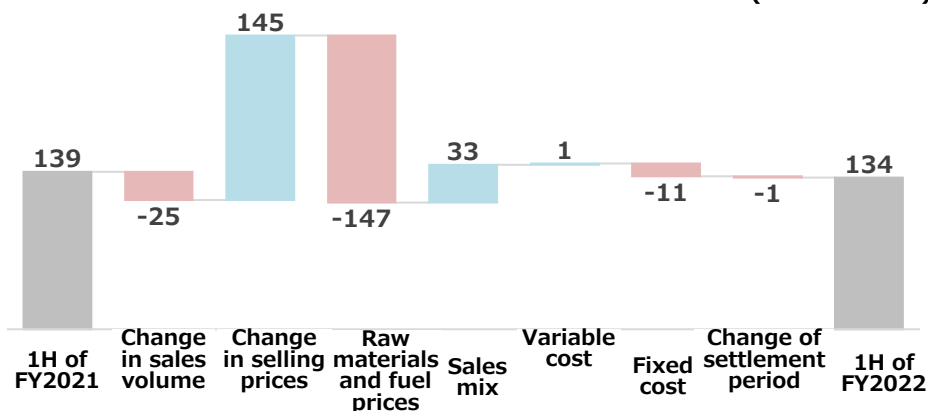
## <Sales of high-alloy, magnetic products and metal powder>

<using 2017 sales as 100% (in value terms)>



## Changes in Operating Income

(¥100 million)



### POINT 1

Stainless steel shipment was sluggish due to weak demand for this product from the automotive industry and customers' reluctance to buy it because of their anticipation of a falling nickel price.

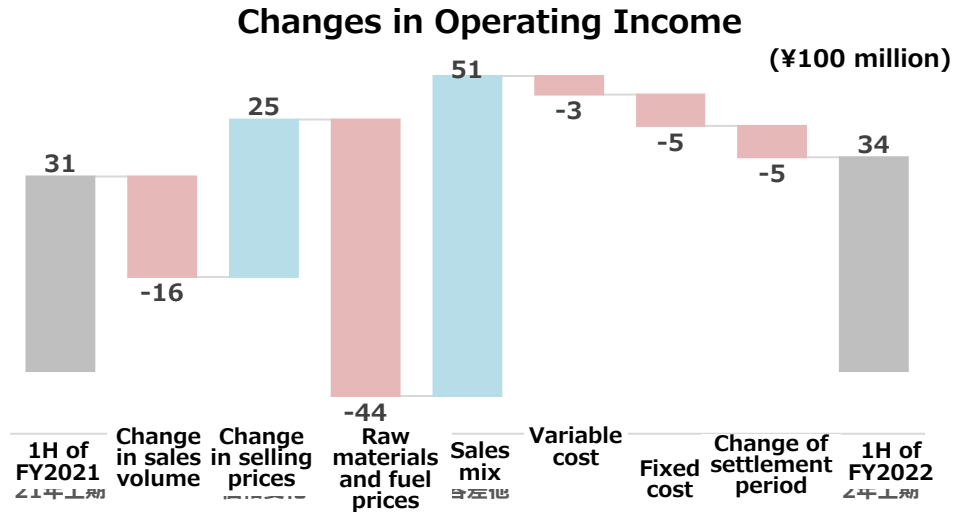
### POINT 2

However, the sales mix improved due to the increase in the volume of semiconductor-related products and some other factors. This segment's operating income reached 13.4 billion yen because we succeeded in raising its prices, which allowed us to offset increased production costs caused by the soaring nickel price.

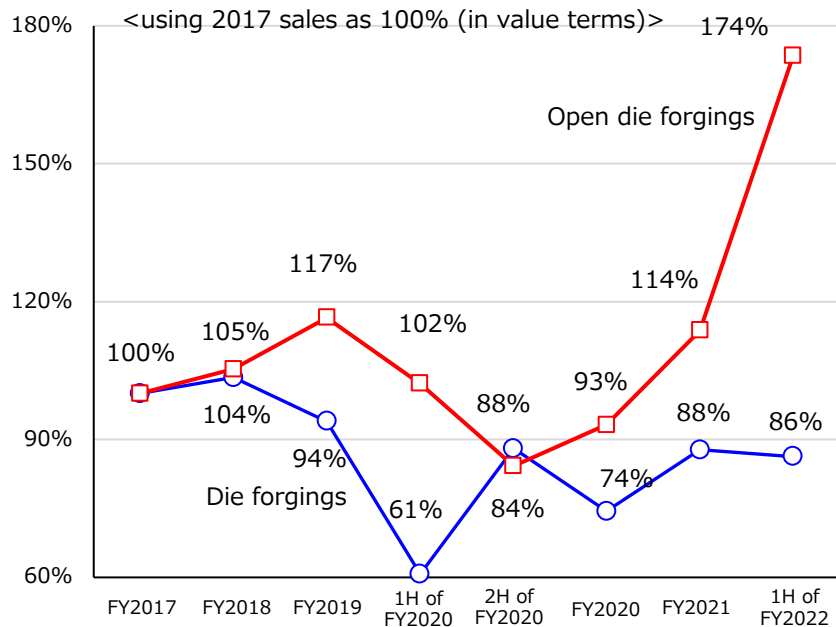
# Automotive Parts and Industrial Machine Parts Overview

(¥100 million)

	1st half of FY2021 a	Forecast of the 1st half of FY2022 announced on July 29 b	1st half of FY2022 c	y/y c-a	Differences from the forecast announced on July 29 c-b
Net Sales	465	509	495	30	-14
Operating Income	31	33	34	3	1



## <Sales of die forgings and open die forgings>



## POINT 1

The volume of automotive parts sales, such as for die forgings, went down but demand for open die forgings (for such things as semiconductor- and energy-related products) remained strong. This resulted in an operating income of 3.4 billion yen for the first half of FY2022.

## POINT 2

The number of orders for open die forgings remained high, due to the weak yen. We aim to further increase our profits by maximizing production.

# Outlook for FY2022 (Apr.1/2022 - Mar.31/2023)

# ■ Overview of FY2022's Plan Review

## Perspectives on our business environment

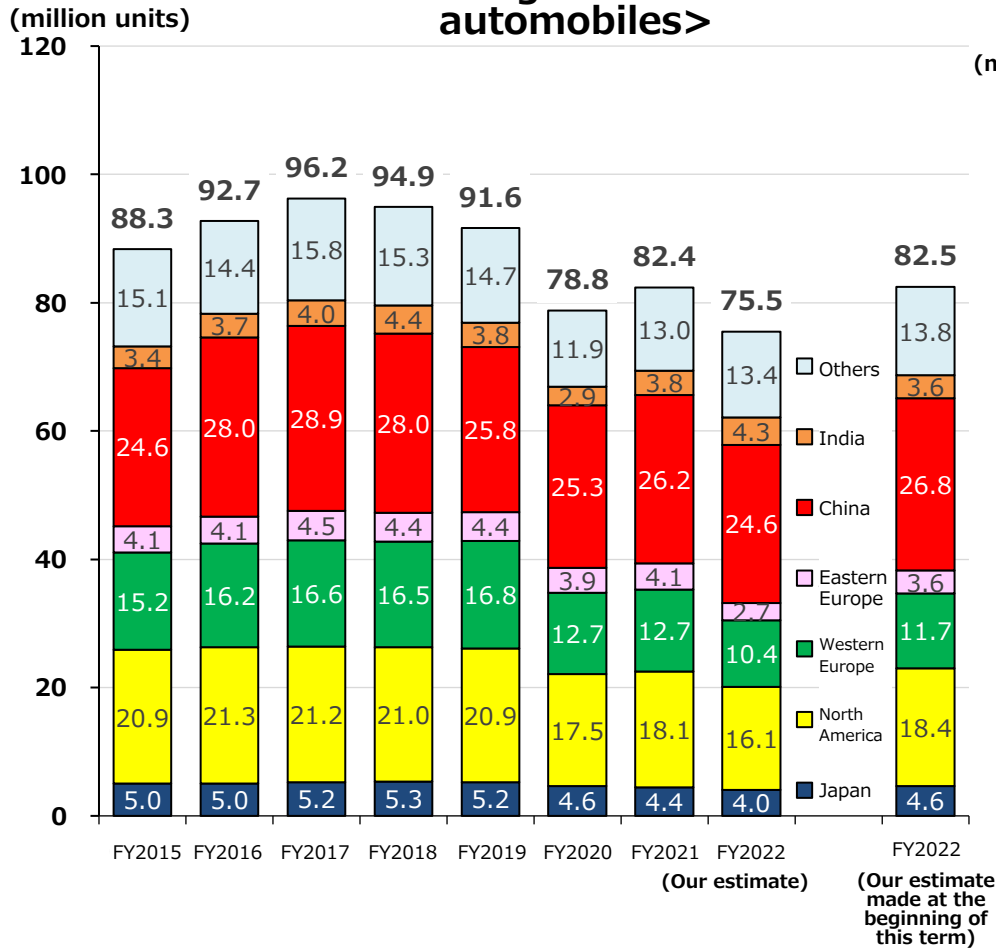
- ◆ While Japan's economy is expected to recover slowly from the COVID-19 pandemic, overseas demand might shrink still further due to an economic slowdown in Europe, the U.S. and China in the second half of FY2022. Therefore, **we think it will be difficult to substantially recover to our previous sales levels in the second half of FY2022**, although that was what we were hoping for at the beginning of this term.
- ◆ In addition, the overall business environment will involve unanticipated risks, such as a downturn in consumer spending in response to global price hikes, delayed recovery of automobile production caused by parts shortages, and various geopolitical risks.

## Our basic policy

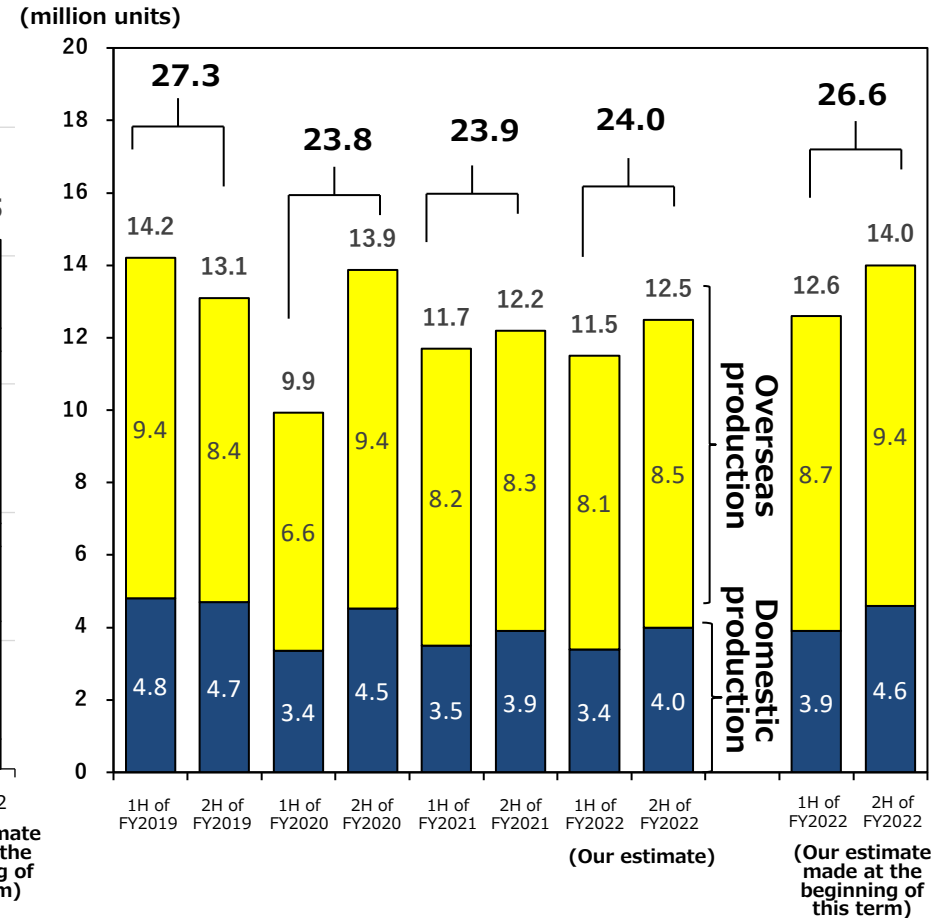
- To avoid negative effects on earnings caused by a steep rise in the costs of raw materials, resources and energy, we are going to attempt to ensure appropriate margins by passing the increases on swiftly, by including them in the selling prices of our products.
- We intend to manage our business by responding flexibly to changes in the business environment. In addition, we hope to further improve our cash flow further by taking necessary measures, such as reducing our inventories and carefully watching the approach of times of rising prices.
- We are going to take advantage of the weak yen to capture overseas demand for our products, including open die forgings.

# ■ Outlook for Major Markets (Automobile-Related Demand)

## <Estimated global demand for automobiles>



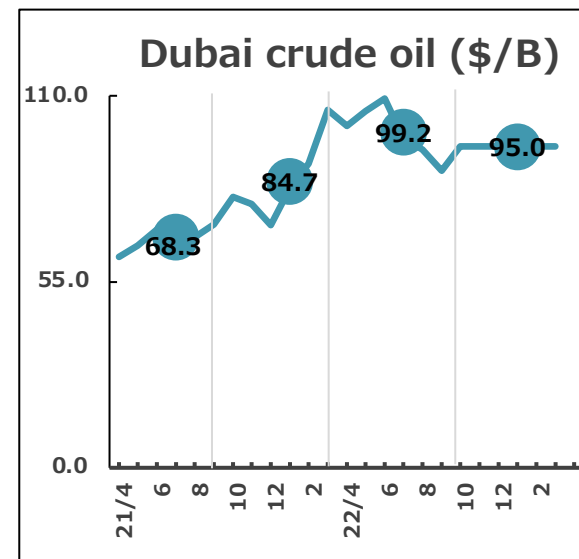
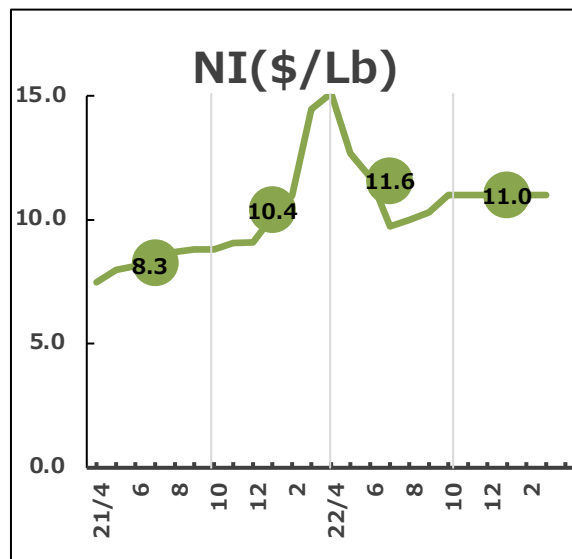
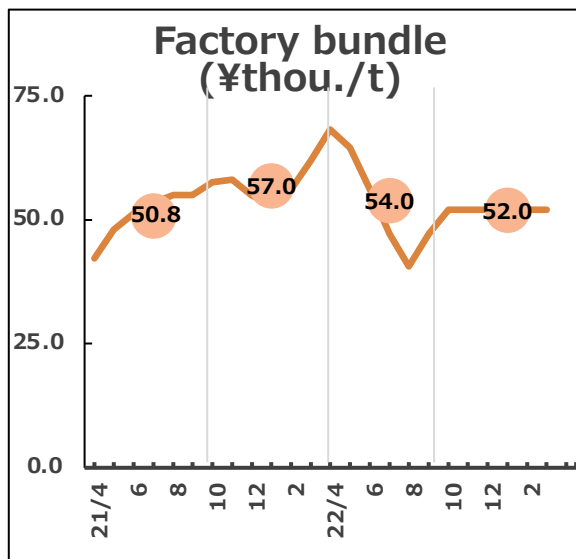
## <Prospective car production by Japanese car manufacturers>



The global demand for automobiles and the car production by Japanese car manufacturers will be lower than the estimates we made at the beginning of FY2022, due to restricted parts supplies, including semiconductors.

# Profit-Planning Premises for FY2022 (Market Trends)

			FY2021 results	Results of 1H of FY2022	Premises of FY2022 2H's plan	
						Differences from forecast (April 28)
Scrap iron	H2 (Central scrap quotation)	¥thou./t	47.6	48.2	48.0	-13.0
	Factory bundle (Central scrap quotation)		53.9	54.0	52.0	-13.0
Nickel	LME	\$/Lb	9.3	11.6	11.0	-3.0
Crude oil	Dubai	\$/B	76.6	99.2	95.0	-5.0
Exchange rate	TTM	¥/\$	113.4	134.0	140.0	+20.0



# Consolidated Earnings Outlook for FY2022

- We will have gains in sales and earnings, thanks to an improved sales mix and the increases we've made in selling prices. This will work to overcome our previous year's hardships, such as sales reductions caused by the lingering adjustment of automobile production and the soaring raw materials and fuel prices.
- Although sales volume will be less than the forecast made on April 28, profit is expected to increase because of the improved overall sales mix and lower scrap iron and nickel prices than those forecast made at the beginning of the term.

(thou. tons, ¥100 million)

	FY2021 results			FY2022 forecast		
	First half	Second half	Total	First half	Second half	Total
Sales Volume of Steel	634	619	1,253	540	550	1,090
Net Sales	2,552	2,745	5,297	2,819	2,881	5,700
Operating Income	192	178	370	232	218	450
Ordinary Income	206	186	392	241	219	460
Extraordinary Profit and Loss	▲ 4	19	15	▲ 4	-	▲ 4
Corporate Tax and Other Taxes	▲ 74	▲ 64	▲ 138	▲ 54	▲ 62	▲ 116
Net income owed to parent company shareholders	128	141	269	183	157	340

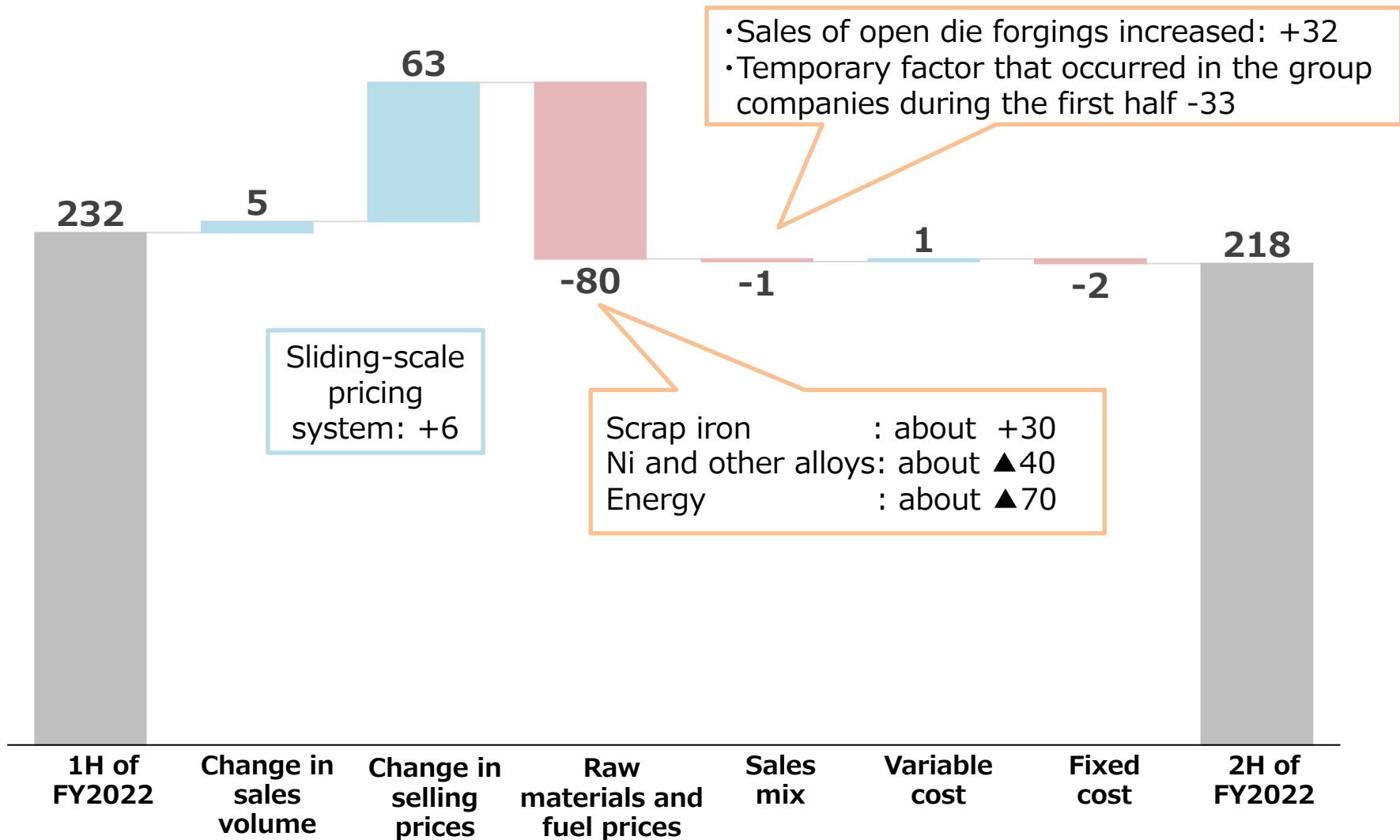
Compared with previous year	Differences from the forecast (April 28)
-163	-137
403	-300
80	110
68	110
-19	-4
22	-16
71	90



# Changes in Operating Income in the Second Half of FY2022 (Differences from the First Half)

## Changes in operating income in the second half of FY2022 (differences from the first half)

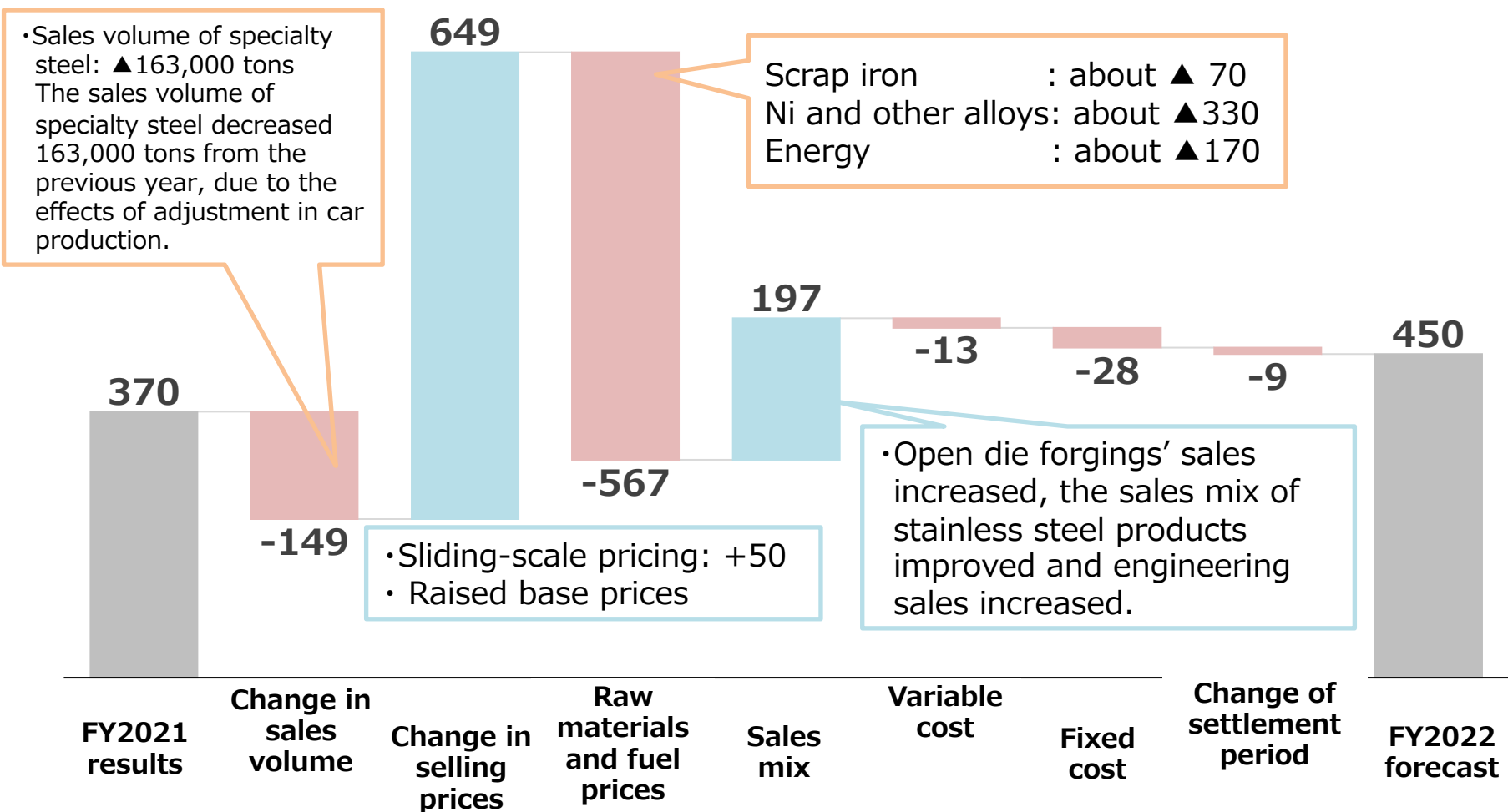
(¥100 million)



# Changes in Operating Income in FY2022 (y/y)

## Changes in operating income (y/y)

(¥100 million)



# Net sales & Operating Income by Segment (y/y and differences from the forecast)

(¥100 million)

	FY2021 Results		FY2022 Forecast						y/y		Differences from the forecast (April 28)	
	Annual Results		First Half		Second Half		Annual Results					
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Specialty Steel	1,978	38	1,028	42	1,072	38	2,100	80	122	42	-120	70
High-Performance Materials and Magnetic Materials	1,976	267	1,096	134	1,054	106	2,150	240	174	-27	-220	-15
Parts for Automobiles and Industrial Equipment	925	50	495	34	555	56	1,050	90	125	40	20	45
Engineering	182	▲ 13	83	4	97	6	180	10	-2	23	-25	5
Trading and Service	236	28	117	18	103	12	220	30	-16	2	45	5
<b>Total</b>	<b>5,297</b>	<b>370</b>	<b>2,819</b>	<b>232</b>	<b>2,881</b>	<b>218</b>	<b>5,700</b>	<b>450</b>	<b>403</b>	<b>80</b>	<b>-300</b>	<b>110</b>

(thou.t)

Sales Volume of Specialty Steel (non-consolidated)	1,253	540	550	1,090	-163	-137
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# ■ Overview by Segment (specialty steel, high-performance and magnetic materials, and automotive parts and industrial machine parts)

## Specialty Steel

(¥100 million)

	FY2021 Total	FY2022			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	1,978	1,028	1,072	2,100	122	-120
Operating Income	38	42	38	80	42	70
Sliding-scale Pricing	-45	-1	6	5	50	16

### POINT

- The lingering slow pace of automobile production reduced our specialty steel sales to a lower level than we had estimated in the forecast made at the beginning of the term. On the other hand, our operating income situation improved due to a decline in scrap iron prices and our cost-reduction efforts, including those of fixed costs.

## High-performance Materials and Magnetic Materials

(¥100 million)

	FY2021 Total	FY2022			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	1,976	1,096	1,054	2,150	174	-220
Operating Income	267	134	106	240	-27	-15

### POINT

- It is expected that our operating income will decrease more than was forecast, due to reduced sales of stainless steel, even though the sales mix improved due to increased sales of semiconductor-related products.

## Parts for Automobiles and Industrial Equipment

(¥100 million)

	FY2021 Total	FY2022			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	925	495	555	1,050	125	20
Operating Income	50	34	56	90	40	45

### POINT

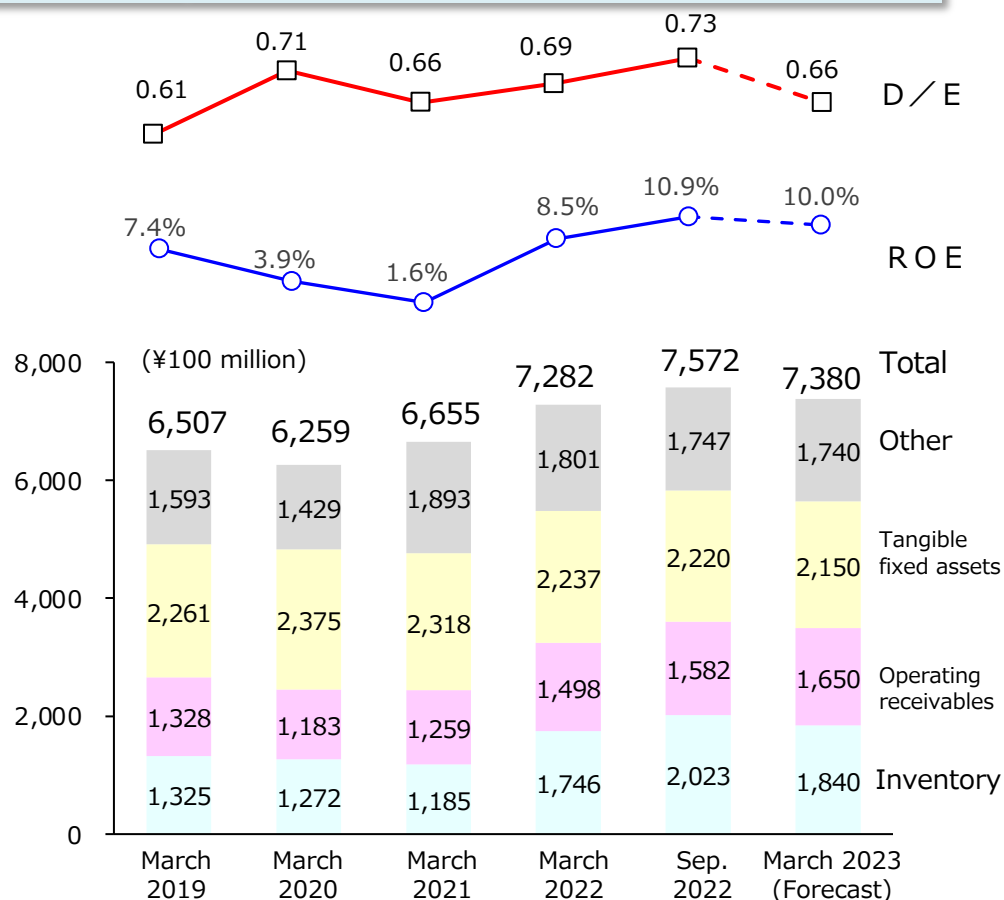
- Operating income beat the forecast substantially because the number of orders for open die forgings stayed high, in spite of reduced sales of automotive parts.

# ■ Total Assets, Interest bearing Debt, D/E Ratio

- Total assets increased mainly due to the soaring costs of raw materials and energy and increases in operating receivables and inventory caused by the growth of value-added products.
- We intend to improve our asset efficiency by reducing our inventory through efficient production and taking measures to improve cash flow.

(¥100 million)

	22/3	22/9	Differences from 1st half	Forecast for March 2023
Current assets	3,917	4,257	340	4,170
Cash instruments	581	568	-13	570
Operating receivables	1,498	1,582	84	1,650
Inventory	1,746	2,023	277	1,840
Fixed assets	3,365	3,315	-50	3,210
Tangible fixed assets	2,237	2,220	-17	2,150
Investment securities	865	806	-59	800
<b>Total of assets</b>	<b>7,282</b>	<b>7,572</b>	<b>290</b>	<b>7,380</b>
Debt	3,632	3,777	145	3,510
Interest bearing debt	2,291	2,501	210	2,320
Net assets	3,650	3,795	145	3,870
Return on equity	3,297	3,430	133	3,500
Non-controlling interest	353	365	12	370
<b>Total of debt and net assets</b>	<b>7,282</b>	<b>7,572</b>	<b>290</b>	<b>7,380</b>

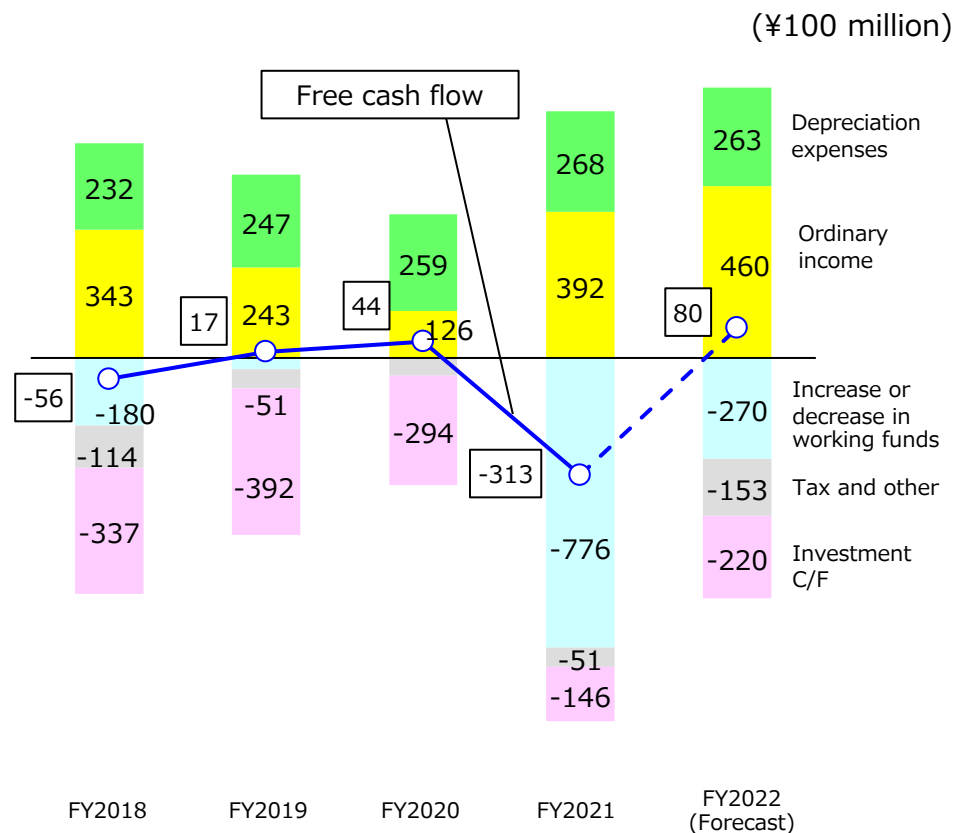


# Cash Flow

- Cash flow continued to be negative during the period of FY2021 through the first half of FY2022, due to a need for increased working capital caused by soaring raw materials and energy costs.
- It is expected that our cash flow will become positive during the second half of FY2022 thanks to improvements in the value returned by our use of working capital, such as increased profits and our ability to reduced inventory.

(¥100 million)

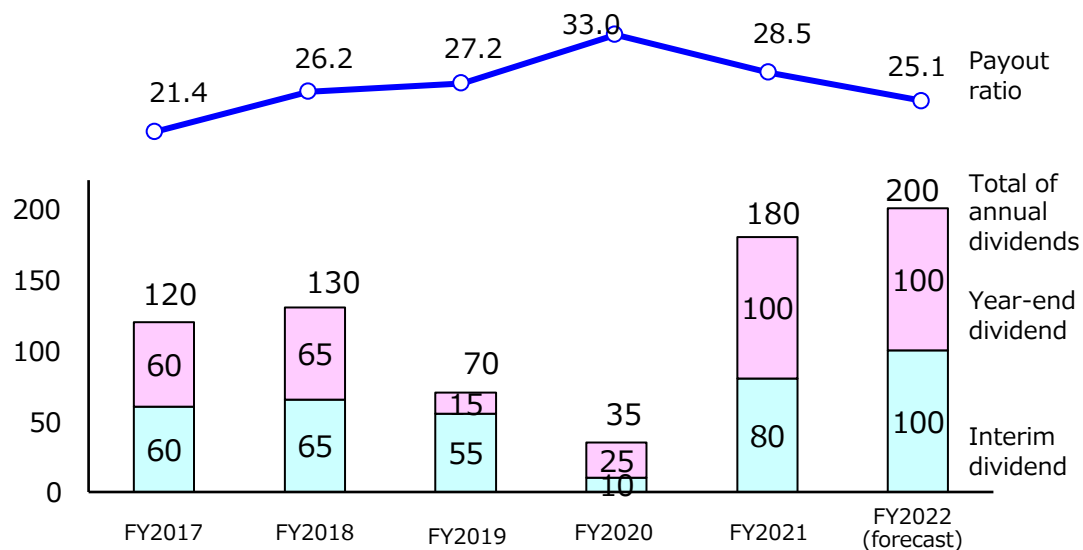
		FY2021		FY2022		
		First half	Annual results	First half	Forecast for annual results of FY2022	
Operating CF	Ordinary income	206	392	241	460	
	Depreciation expenses	135	268	130	263	
	Increase or decrease in working funds	Accounts receivable	-105	-239	-69	-152
		Accounts payable	-60	-28	-39	-24
		Inventory	-220	-509	-257	-94
			-385	-776	-365	-270
	Tax and other	-48	-51	-82	-153	
		-92	-167	-76	300	
Investment CF	Capital investment	-94	-191	-101	-220	
	Other	-14	45	-4	0	
		-108	-146	-105	-220	
Free cash flow		-200	-313	-181	80	



# Dividend per Share

	FY2021		FY2022 (Forecast)	
	Interim	Year-end	Interim	Year-end
Ordinary Income (¥100 million)	206	392	241	460
Net Income (¥100 million)	128	269	183	340
Dividend per Share (¥/Share)	80.0	180.0 (End of term: 100.0)	100.0	200.0 (End of term: 100.0)
Payout Ratio (%)	26.6	28.5	23.3	25.1

\* Net income owed to parent company shareholders.



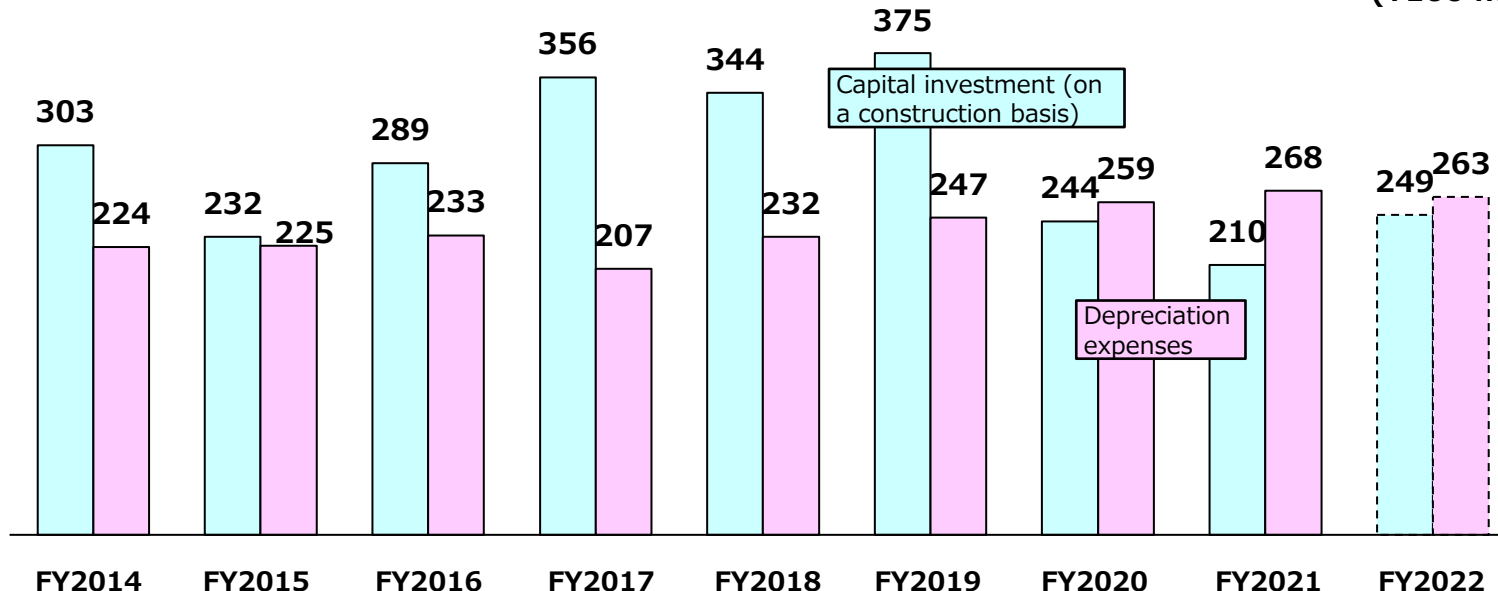
We plan to pay a total dividend of 200 yen (an interim payment of 100 yen and another 100 yen at year-end), taking into consideration our financial condition at those times, the amount of investment required to attain carbon neutrality in the future, and the effects of the "Japanese Group Relief" system.

# Capital Investments

- We will continue to promote strategic capital investments, such as those for strengthening our existing businesses through cost reductions and productivity improvements, and reducing CO2 emissions. In addition, we will also promote investments in reorganizing our operational capacity.
- We will enhance IT investments, including the plan to improve our employees' operating efficiency and work styles and preparations for DX (digital transformation).

## Changes in capital investment and depreciation expenses

(¥100 million)





# Topics

## ■ Midterm Management Plan and Forecast for FY2022 Earnings

- It is expected that **operating income and ROE will attain the targets of the midterm management plan in FY2022.**
- On the other hand, cash flow deterioration will increase interest-charging debts. Thus, our D/E ratio will probably be unable to attain our planned target.

	FY2023 midterm targets	FY2022 plan	Progress
Operating Income	40 billion yen or more	45 billion yen	Expected to attain the targets
Return on Equity (ROE)	8.0%	10.0%	Expected to attain the targets
D/E Ratio	0.5	0.66	We expect to need to take on more interest-charging debt, which will make it difficult to attain the target.
Total of investments for 3 years (on a settlement basis)	85 billion yen	85 billion yen	Progressing as planned.
Sales volume of steel	1,200 thousand tons	1090 thousand tons	Not expected to reach the targets, because of reduced automobile-related demand

# FY2023 Midterm Management Plan: Four Major Corporate Activities

## 1. Expand businesses in fast-growing fields

Focus our efforts on **products that are expected to grow rapidly in the near future**, such as those in CASE\* (automobile), semiconductor manufacturing, and green energy fields.

Engineering that contributes to carbon neutrality

## 2. Strengthen management' agility

**Enhance our resilience** in the presence of change in the business environment surrounding the company (Expand the presence of our existing businesses)

## 3. Expand overseas business

**Expand the high-performance material business**, putting an emphasis on the East-Asian markets.

- High-performance stainless steel, highalloy and tool steel

Expansion of open die forgings business

## 4. ESG-based management

- **Cut CO2 emissions** in order to ensure sustainable management
- **Enhance corporate governance**

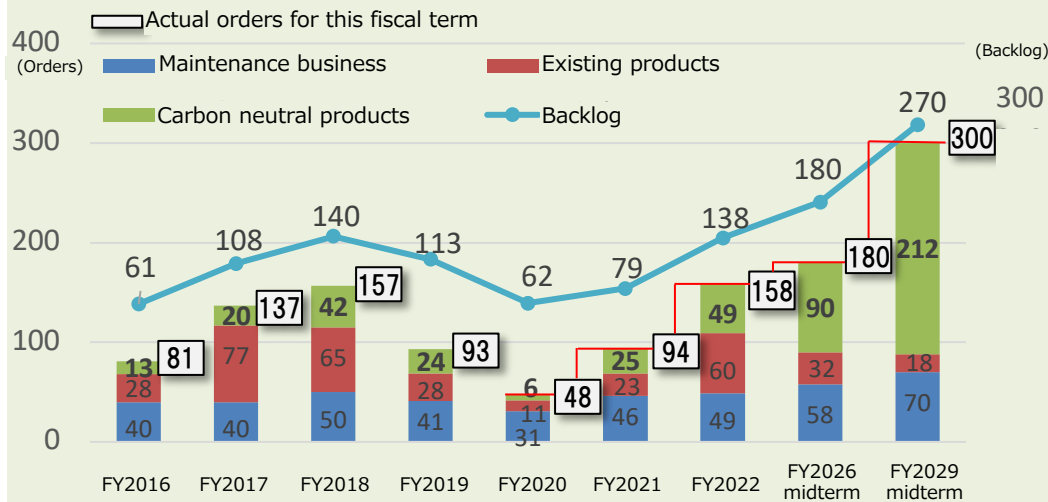
Publication of the INTEGRATED REPORT

\* CASE (Connectivity, Autonomy, Sharing and Electrification)

# Expanding Businesses in Fast-Growing fields (engineering-related ones)

We aim to expand our businesses leading up to the 2030's to meet the requirement to attain carbon neutrality. We will bend our efforts to increase the number of orders for advanced low-CO2 generating equipment such as electric furnaces, and promote the development of next-generation carbon neutral products.

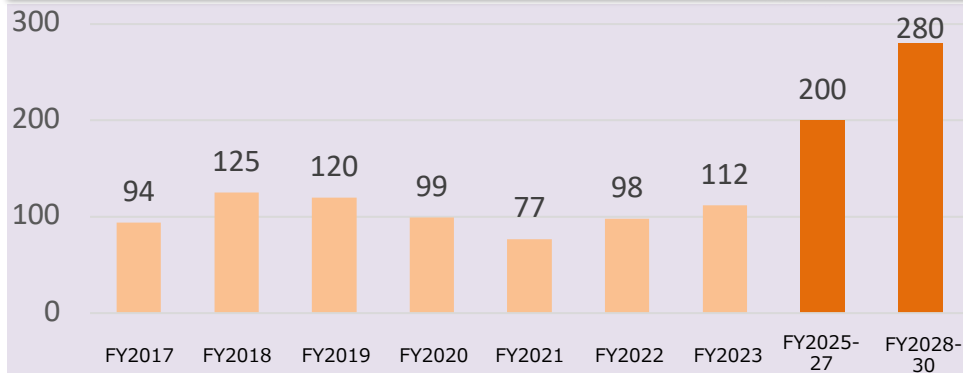
## Engineering business: Numbers of orders in the past and the plan for the future (¥100 million)



## Increasing the number of orders

- Advanced energy-saving products:
  - Approved as advanced energy-saving equipment by the METI: 11 of all the 122 items
- New technologies for carbon neutrality
  - Enhanced technology for electric furnace
  - Commercialization of hydrogen combustion burners
  - Methanation technology
- New markets: locations and fields
  - Sophistication of and addition of value to our sewage sludge carbonization technology
  - Strengthen our partnership with the Asian regions subsidiaries.
- Commercialization of products fitted with DX-technology
  - Expand maintenance service using digital technology.

## Engineering business: Sales in the past and future plan (¥100 million)



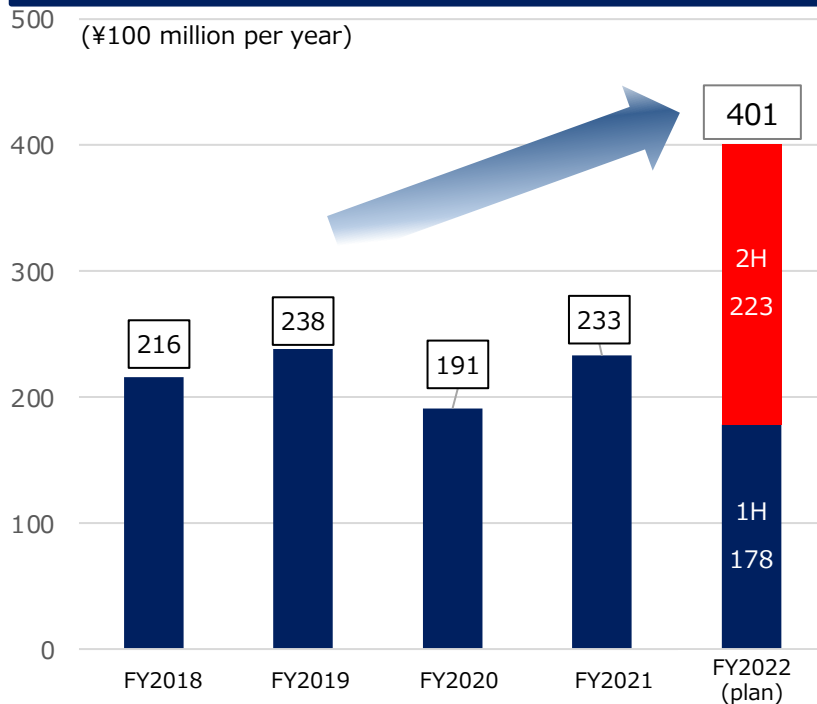
## Enhancing our "monozukuri" manufacturing organization

- Human resources
  - Efficient use and reallocation of people in the Daido Group
- Domestic and overseas business networks
  - Use of skilled ASEAN workers as subcontractors to perform design work.
  - Increasing collaboration between our staff and overseas subcontractors for Daido Group manufacturing and construction projects.
- Manufacturing making use of digital applications

# Expand overseas business: Expand open die forgings business

- Demand for open die forgings is increasing in energy-related industries (heavy electricity machinery and oil & gas drilling) and environmental protection (diesel engine exhaust valves for ships) fields.  
The trend toward a weak yen is also favorable for open die forgings, because they are primarily produced for export.
- Shibukawa Factory, where we manufacture open die forgings, continues to operate on a full scale.

## Sales of open die forgings



### ■ Heavy electricity machinery

Demand for gas turbines remains strong, as they are being substituted for the coal-fired power plant or as power supply adjusting equipment for renewable energy sources.

### ■ Diesel engine exhaust valves for ships

The use of our Ni-based alloy diesel engine exhaust valves for ships (with high-temperature resistance) has expanded due to enactment of tougher marine environment regulations. Increased demand for marine transportation is also causing increased demand.

### ■ Oil & gas drilling

The production of open die forgings is being reduced in Europe because of the power shortage there. This is resulting in increased orders' being placed with Daido Steel. The trend toward a weak yen is also favorable for us.

# ■ Our Approach to ESG: Publication of the Integrated Report 2022

- We published our INTEGRATED REPORT 2022 on September 30, 2022. We are now preparing **an English version of the INTEGRATED REPORT 2022, which is scheduled to be published in December 2022.**
- We are holding an ESG briefing on Monday, December 19th.



The INTEGRATED REPORT 2022 lays out our approach to integrate ESG principles into our business management, such as our contribution to the realization of a green society and improvements to sustainable corporate value.

URL :

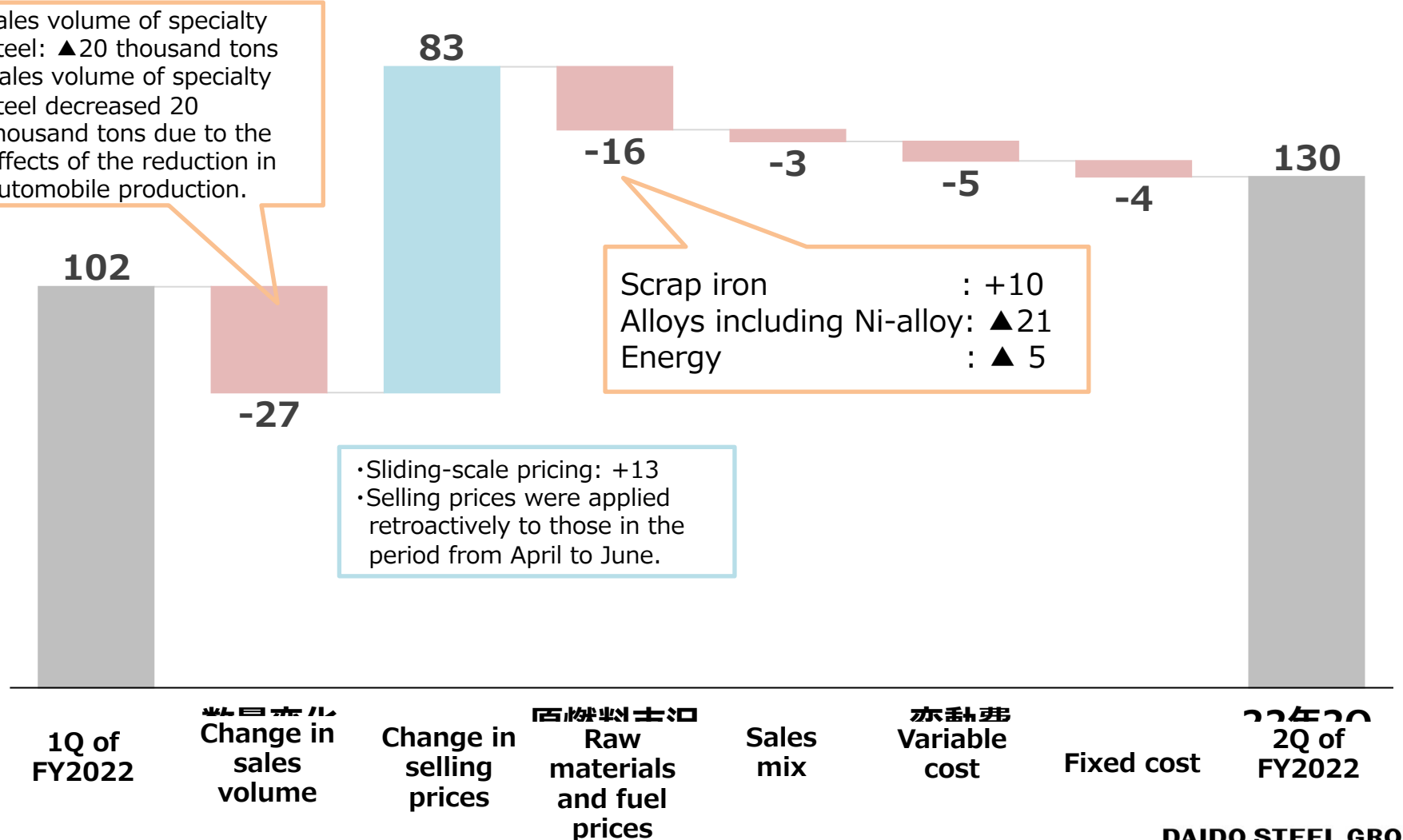
<https://www.daido.co.jp/sustainability/data/report/index.html>

# Reference Materials

# Changes in Operating Income for the Second Quarter of FY2022 (Difference from the 1st quarter)

## Changes in Operating Income (Difference from the previous quarter) (¥100 million)

• Sales volume of specialty steel: ▲20 thousand tons  
Sales volume of specialty steel decreased 20 thousand tons due to the effects of the reduction in automobile production.



Scrap iron : +10  
Alloys including Ni-alloy: ▲21  
Energy : ▲5

• Sliding-scale pricing: +13  
• Selling prices were applied retroactively to those in the period from April to June.



# Fact Book

# Fact Book Financial highlight

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## (Note)

Figures such as the business forecasts 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 outcomes, 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.