

Consolidated Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]



July 27, 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: August 10, 2017

Scheduled date of commencing dividend payments: —

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 Three Months Ended June 30, 2017(April 1, 2017 to June 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	%
Three months ended June 30, 2017	119,133	12.2	9,049	121.2	9,301	135.7	5,786	148.6
June 30, 2016	106,156	(9.0)	4,090	3.1	3,946	(6.9)	2,328	30.2

(Note) Comprehensive income: Three months ended June 30, 2017: ¥5,859 million [—%]

Three months ended June 30, 2016: (¥3,547)million [—%]

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
Three months ended	Yen	Yen
June 30, 2017	13.57	—
June 30, 2016	5.46	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2017	592,479	292,871	44.2
As of March 31, 2017	574,169	290,501	45.3

(Reference) Shareholders' equity: As of June 30, 2017 : ¥261,842 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	—				
Fiscal year ending March 31, 2018 (Forecast)		5.00	—	50.00	—

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

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

Ordinary dividends 4.00Yen Commemorative dividends 2.00Yen

* The company plans to consolidate 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 yearend 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 5 yen and the annual dividend per share would be 10 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
First half	237,000	11.3	14,500	50.4	15,000	66.2	10,000	86.4	23.45
Full year	480,000	7.8	30,000	17.6	31,000	17.5	20,000	22.1	469.10

(Note) Revision to the financial results forecast announced most recently: No

* 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):

June 30, 2017	434,487,693 shares
March 31, 2017	434,487,693 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2017	8,135,590 shares
March 31, 2017	8,133,431 shares

3) Average number of shares during the period:

Three months ended June 30, 2017	426,353,088 shares
Three months ended June 30, 2016	426,448,025 shares

* 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 plans to consolidate 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 5 yen, Year-End 5 yen

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

Profit attributable to owners of parent per share; first half 23.45 yen, full year 46.91 yen

Consolidated Financial Results for the Three Months Ended June 30, 2017

(1) Net sales by reportable segment

(Millions of yen, %)

	1Q June 2017	(YoY change)	
		Change	% of Change
Specialty Steel	45,031	6,063	15.6
High Performance Materials and Magnetic Materials	40,402	4,928	13.9
Parts for Automobile and Industrial Equipment	25,705	2,585	11.2
Engineering	4,419	(1,057)	(19.3)
Trading and Service	3,573	456	14.7
Total	119,133	12,976	12.2

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

(Millions of yen, %)

	1Q June 2017	(YoY change)	
		Change	% of Change
Net sales	119,133	12,976	12.2
Operating income	9,049	4,959	121.2
Non-operating income	1,268	125	—
Non-operating expenses	1,016	(270)	—
Ordinary income	9,301	5,355	135.7
Extraordinary income	—	(3)	—
Extraordinary losses	—	(56)	—
Income before income taxes	9,301	5,408	—
Income taxes	2,858	1,595	—
Profit attributable to non-controlling interests	655	354	—
Profit attributable to owners of parent	5,786	3,458	148.6

(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 volume	37	1. Raw material and fuel cost	32
2. Sales price	32	2. Fixed cost	6
3. Sales mix change	11		
4. Variable cost	7		
5. Non-operating income or loss	5		
Total (a)	92	Total (b)	38
		Change (a) – (b)	54

(Reference: Market condition)

	1Q June 2016	1Q June 2017
H2 (Thousands of yen/t)	17.3	20.6
Nickel (LME) (One dollar/lb)	4.0	4.2
Exchange rate(TTM) (yen/dollar)	108.1	111.1

(4) Condensed balance sheet

(Millions of yen)

Item	As of March 31, 2017	As of June 30, 2017	Change	Item	As of March 31, 2017	As of June 30, 2017	Change
Current assets	<u>257,208</u>	<u>270,913</u>	<u>13,705</u>	Liabilities	<u>283,668</u>	<u>299,607</u>	<u>15,939</u>
Cash and deposits	34,966	42,261	7,295	Trade payables	75,159	76,586	1,426
Trade receivables	113,215	117,748	4,532	Interest-bearing debt	142,599	157,306	14,707
Inventories	98,477	102,406	3,928	Other	65,908	65,714	(193)
Other	10,549	8,498	(2,051)	Net assets	<u>290,501</u>	<u>292,871</u>	<u>2,370</u>
Non-current assets	<u>316,960</u>	<u>321,565</u>	<u>4,605</u>	Shareholders' equity	232,983	235,700	2,716
Property, plant and equipment	190,915	198,585	7,669	Accumulated other comprehensive income	26,867	26,142	(725)
Intangible assets	2,193	2,063	(129)	Non-controlling interests	30,649	31,029	379
Investments and other assets	123,851	120,917	(2,934)	Total liabilities and net assets	574,169	592,479	18,310
Total assets	574,169	592,479	18,310				