

Daido Steel Co., Ltd.
FY2025 1st Quarter Financial Results Briefing
Q&A Session (Summary)

Date : July 28, 2025 (Monday)

Respondents: Akihito Kajita, Director, Managing Executive Officer

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- Q. Could you please provide details on the temporary costs associated with the change in the production allocation and the impact of foreign exchange movements on earnings?
- A. Temporary costs associated with the change in the production allocation were 1.7 billion yen in the first quarter, which is generally in line with the first-half earnings forecast of 2.4 billion yen. We anticipate that the remaining 700 million yen or so will be incurred in the second quarter. Regarding the impact of foreign exchange movements on our earnings, the first-half earnings forecast was based on an exchange rate of 140 yen per dollar, 10 yen up from the previous year's 150 yen per dollar. However, the exchange rate was about 145 yen per dollar in the first quarter, which halved the harmful effect of foreign exchange movements on our earnings that had been expected at the beginning of the term. Since we have not changed our foreign exchange rate assumptions for the second quarter, we expect that currency gains will decrease somewhat from the first quarter.
- Q. You said the forecast for first-half earnings would not be revised. However, the results for the first quarter suggest that the second quarter will be significantly weaker. Please let us know your thoughts on this.
- A. Compared with the first quarter, we expect a decrease in operating profit of approximately 1 billion yen due to stockpiling for the summer in the second quarter, which reverses the 500 million yen increase in the first quarter. Additionally, we also anticipate a decrease of approximately 700 million yen due to earlier shipments being brought forward to the first quarter. Despite these challenges, we anticipate an improvement in the company's first-half earnings, provided the current business environment remains stable. However, accurately estimating the extent of the upward swing in operating profit is difficult because of the effects of various factors, including the impact of U.S. tariffs.
- Q. Could you provide an overview of the current situation by segment?
- A. Specialty steel achieved a certain level of profit, despite the relatively low sales volume in the first quarter. We expect this to continue in the second quarter if the current situation surrounding this segment remains unchanged. However, this depends heavily on the production scale and sales conditions of Japanese automakers. The segment of high-performance materials and magnetic materials appears to be slightly down from the previous year, but the volume of stainless steel for semiconductor production equipment is gradually recovering. This product has a high profit margin, so we can expect additional profits. In the segment of parts for automobiles and industrial equipment, sales of engine exhaust valves for ships and engine valves for cars are doing well. However, sales in the oil and gas drilling sector are lackluster.

We expect the overall profit of this segment to increase if this situation continues. Typically, engineering sees quarterly profit fluctuations, but it expects an annual profit to be around 2 billion yen. The trading and service segment will maintain the current profit level in the second quarter and onward.

Q. The US tariffs have been settled at 15%. Would you please tell us how this will affect your earnings?

A. At this point, we cannot accurately estimate the impact of the new 15% tariff on our earnings. Our customers are uncertain about how the new tariff will affect their product orders and how they should reorganize their supply chains in the future. We would like to gather more information from our customers to understand the situation and prepare for the next financial disclosure.

Q. Could you tell us about the earnings forecast for the current fiscal year, to the extent that is possible?

A. It is difficult to make assumptions because the impact of the new US tariffs is unclear. However, compared to the first quarter, we expect specialty steel operating profit to remain flat. We also expect operating profit for high-performance and magnetic materials and parts for automobiles and industrial equipment to exceed the forecast, resulting in an adjusted quarterly operating profit of more than 10 billion yen.

Q. Could you please provide an update on the demand trends for open-die forgings for aircraft and diesel engine exhaust valves for ships?

A. During the previous financial results briefing, we reported that orders for open-die forgings for aircraft were beginning to recover. We are currently seeing a slight upswing in the number of orders. The demand for diesel engine exhaust valves for ships is strong since shipbuilding in China is at a record high, so orders for these items are high.

Q. Could you tell us about demand trends for stainless steel for semiconductor production equipment, including any last-minute jump in demand for the material due to the new U.S. tariffs?

A. The new U.S. tariffs haven't impacted the demand for our stainless steel. Our customers' inventory adjustments are progressing, and their excess inventory is being eliminated. However, their inventory levels have not fallen as much as we had hoped.

Q. Please share your current thoughts on dividends.

A. We have not changed the previously disclosed first-half dividend of 16 yen per share. Moving forward, we will carefully consider the appropriate dividend payout ratio, taking into account the earnings outlook for the second half.

The figures in our plans contained in this document are based on certain assumptions that cannot be fully evaluated at the present time.

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