

# Fiscal Year Ending March 2022 Financial Results Briefing

April 28, 2022



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# **Financial Results for FY2021 (April 2021 to March 2022)**

# Financial Results Overview for FY2021 (April 2021 to March 2022)

- Sales volumes recovered across a broad spectrum of fields from last year when the demand decreased due to the economic downturn caused by the COVID-19 pandemic, and we gained a substantial increase in both revenue and profits as compared with the previous year.
- We are now negotiating with customers to allow us to raise the selling prices of our raw materials products, in response to the decline in the profitability of raw materials products.
- Strong semiconductor-related product sales contributed to an improved overall sales mix.

(thou. t·¥100 million)

	FY2020 Results			FY2021 Results			y/y	Deviations from the forecast
	First Half	Second Half	Total	First Half	Second Half	Total		
Sales Volume of Specialty Steel	378	600	978	634	619	1,253	275	-13
Sales	1,795	2,332	4,127	2,552	2,745	5,297	1,170	-3
Operating Income	▲ 35	136	101	192	178	370	269	20
Ordinary Income	▲ 21	147	126	206	186	392	266	22
Extraordinary Profit and Loss	0	▲ 26	▲ 26	▲ 4	19	15	41	-12
Corporate Tax	▲ 2	▲ 53	▲ 55	▲ 74	▲ 64	▲ 138	-83	-1
Net income owed to parent company shareholders	▲ 23	68	45	128	141	269	224	9

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

(¥100 million)

	FY2020 Results		FY2021 Results						y/y	
	Annual Results		First Half		Second Half		Annual Results		Sales	Operating Income
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income		
Specialty Steel	1,458	▲ 26	932	15	1,046	23	1,978	38	520	64
High-Performance Materials and Magnetic Materials	1,494	122	948	139	1,028	128	1,976	267	482	145
Parts for Automobile and Industrial Equipment	808	▲ 21	465	31	460	19	925	50	117	71
Engineering	202	8	87	▲ 7	95	▲ 6	182	▲ 13	-20	-21
Trading and Service	165	18	120	14	116	14	236	28	71	10
<b>Total</b>	<b>4,127</b>	<b>101</b>	<b>2,552</b>	<b>192</b>	<b>2,745</b>	<b>178</b>	<b>5,297</b>	<b>370</b>	<b>1,170</b>	<b>269</b>

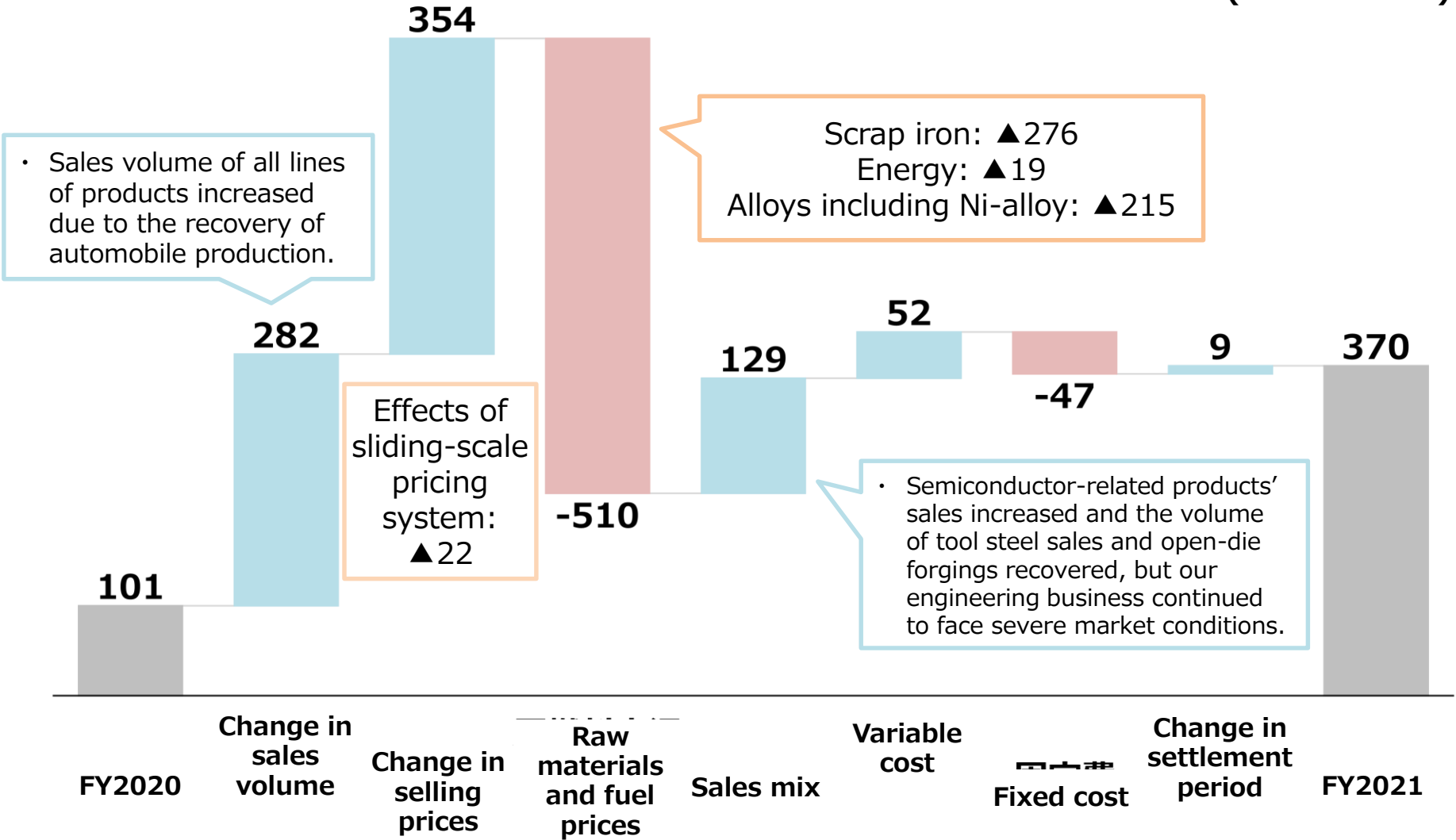
(thou. t)

Sales Volume of Specialty Steel (non-consolidated)	978	634	619	1,253	275
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# Changes in Operating Income for FY2021 (y/y)

## Changes in Operating Income

(¥100 million)



# ■ Net Sales & Operating Income by Segment (Difference from the forecast)

(¥100 million)

	Forecast for FY2021		FY2021 Results						y/y	
	Annual Results		First Half		Second Half		Annual Results		Sales	Operating Income
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income		
Specialty Steel	1,980	29	932	15	1,046	23	1,978	38	-2	9
High-Performance Materials and Magnetic Materials	1,985	261	948	139	1,028	128	1,976	267	-9	6
Parts for Automobile and Industrial Equipment	944	46	465	31	460	19	925	50	-19	4
Engineering	186	▲ 13	87	▲ 7	95	▲ 6	182	▲ 13	-4	0
Trading and Service	205	27	120	14	116	14	236	28	31	1
<b>Total</b>	<b>5,300</b>	<b>350</b>	<b>2,552</b>	<b>192</b>	<b>2,745</b>	<b>178</b>	<b>5,297</b>	<b>370</b>	<b>-3</b>	<b>20</b>

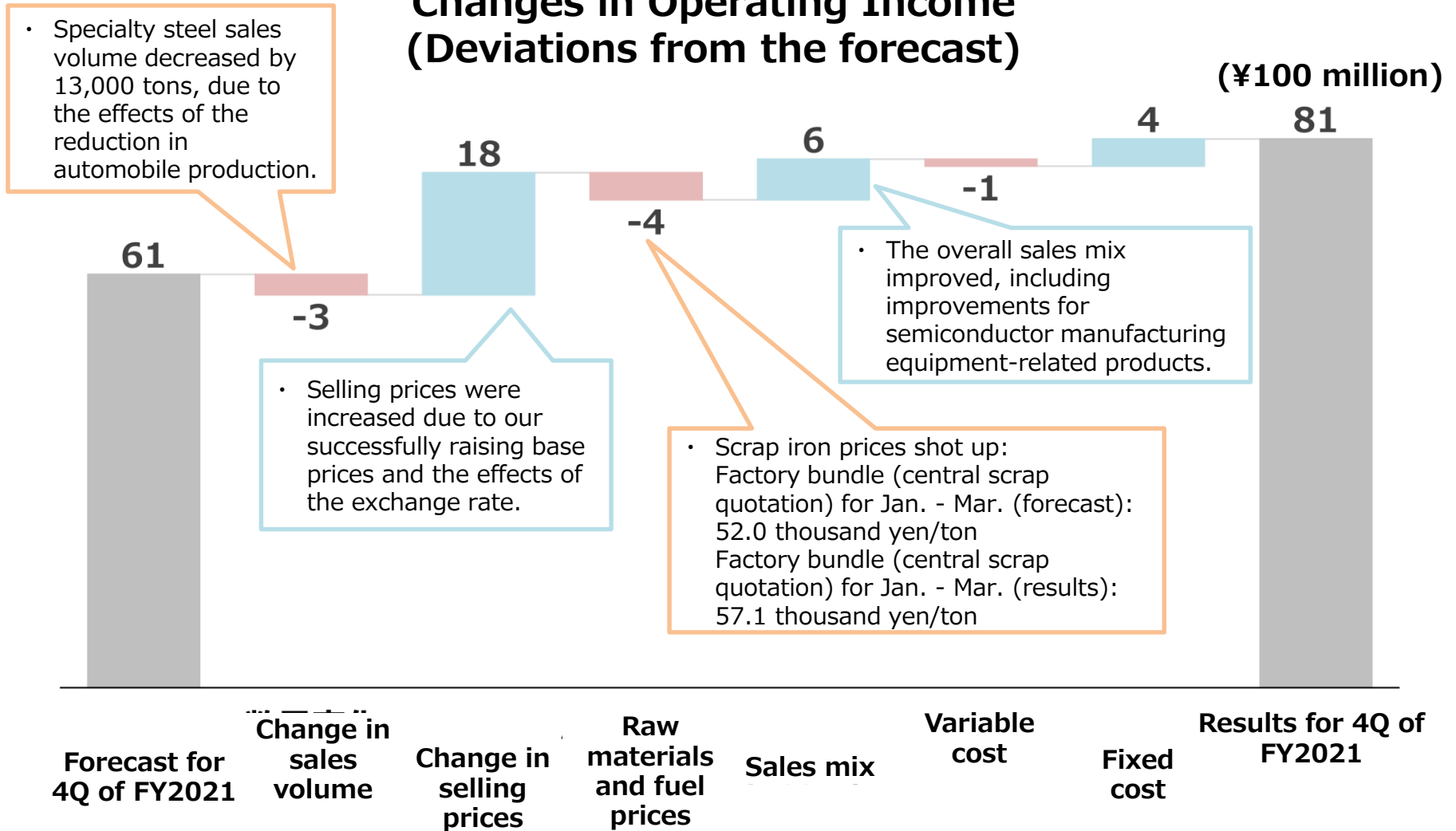
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Sales Volume of Specialty Steel (non-consolidated)	1,266	634	619	1,253	-13
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# Changes in Operating Income FY2021 4Q (Deviations from the forecast)

## Changes in Operating Income (Deviations from the forecast)

(¥100 million)

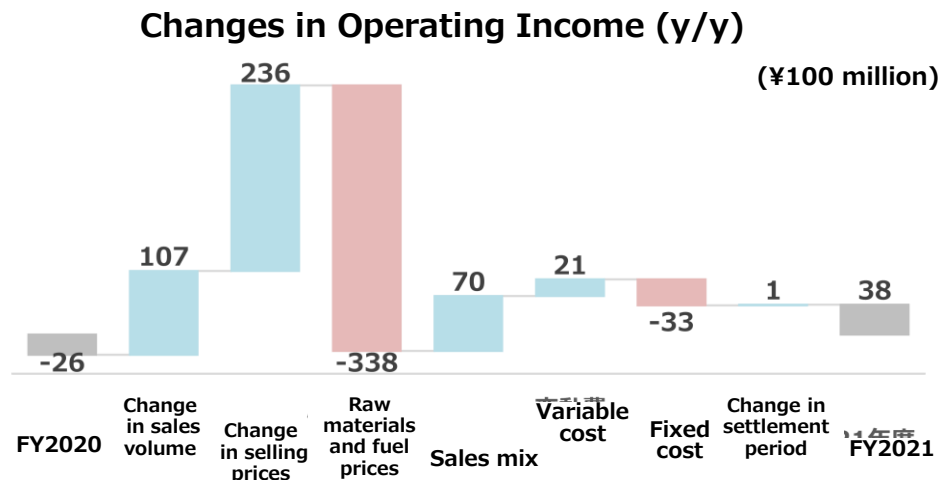




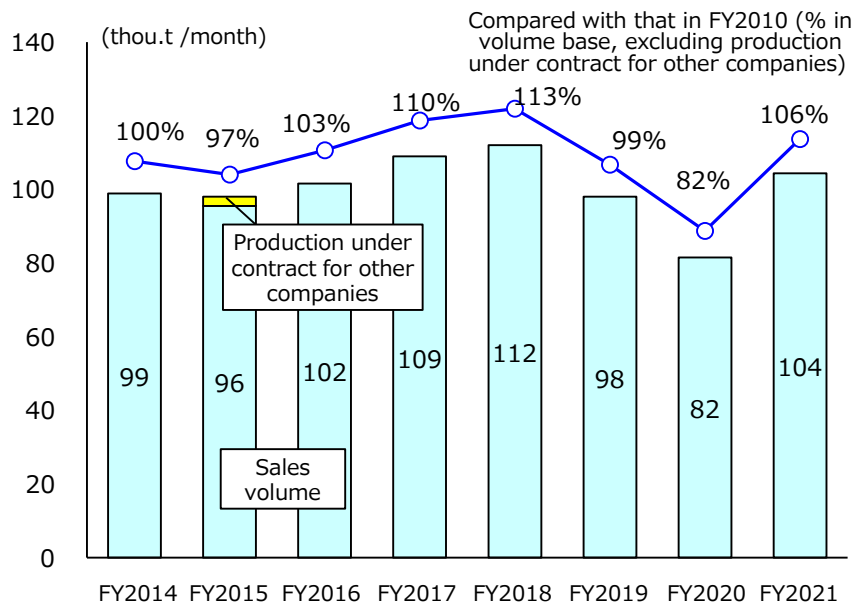
# Specialty Steel Overview

(¥100 million)

	FY2020	Forecast for FY2021	FY2021	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Sales	1,458	1,980	1,978	520	-2
Operating Income	-26	29	38	64	9
Sliding-scale Pricing System	-23	-40	-45	-22	-5



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



## POINT 1

The increased automobile parts sales volume and the recovery of tool steel sales improved our overall sales mix, but the selling prices did not catch up with steep rises in raw materials and fuel prices, ending up with our having a FY2021 operating income of just 3.8 billion yen.

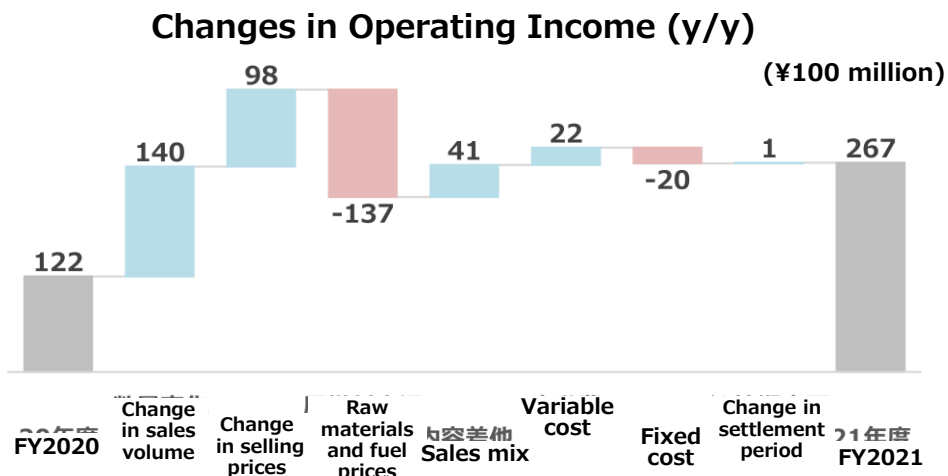
## POINT 2

The negotiations regarding raising base prices to compensate for increases in costs, such as for energy, are still only halfway completed. It is necessary to address this issue during the next term, including taking steps to expand the application of the surcharge scheme to energy costs.

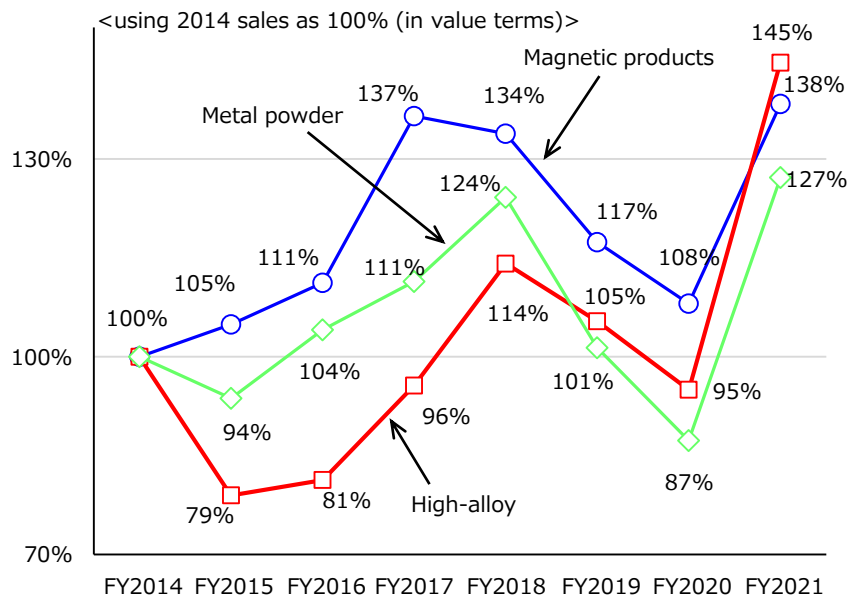
# High-Performance and Magnetic Materials Overview

(¥100 million)

	FY2020	Forecast for FY2021	FY2021	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Sales	1,494	1,985	1,976	482	-9
Operating Income	122	261	267	145	6



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



## POINT 1

Strong demand for stainless steel continued, including that for semiconductor-related products, and production was maximized to cope with it. Demand for other products also remained strong, resulting in a FY2021 operating income of 26.7 billion yen.

## POINT 2

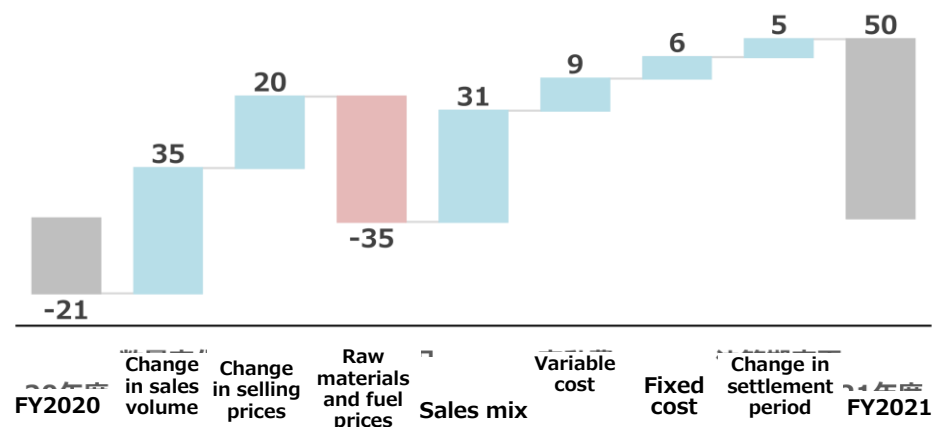
Profitability deteriorated temporarily due to increases in energy costs and alloys that are not surcharged. It will be necessary to make further increases in selling prices and stainless steel production for the next term.

# Automotive Parts and Industrial Machine Parts Overview

(¥100 million)

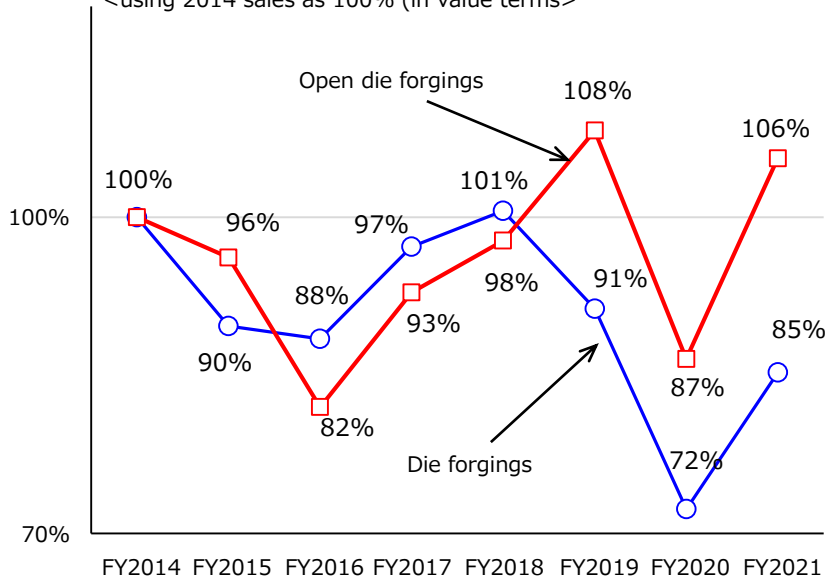
	FY2020	Forecast for FY2021	FY2021	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Sales	808	944	925	117	-19
Operating Income	-21	46	50	71	4

Changes in Operating Income (y/y) (¥100 million)



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

<using 2014 sales as 100% (in value terms)>



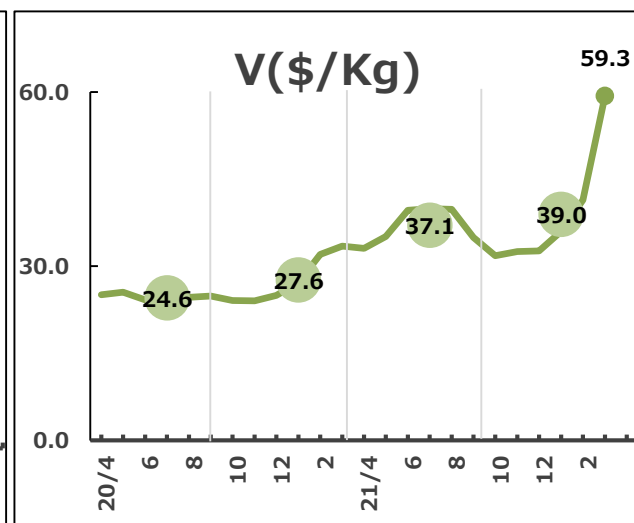
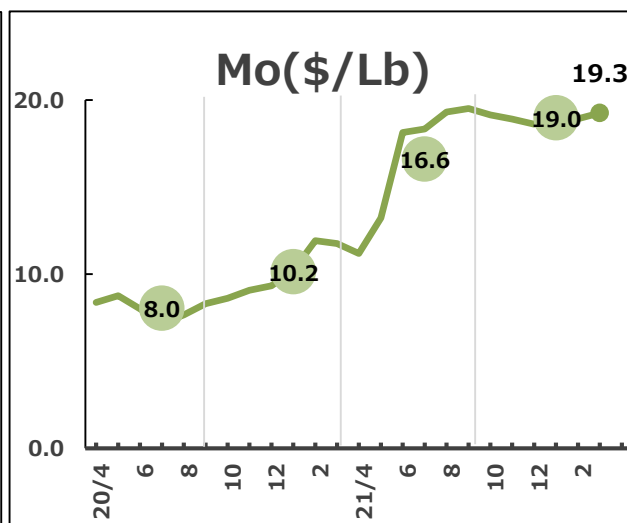
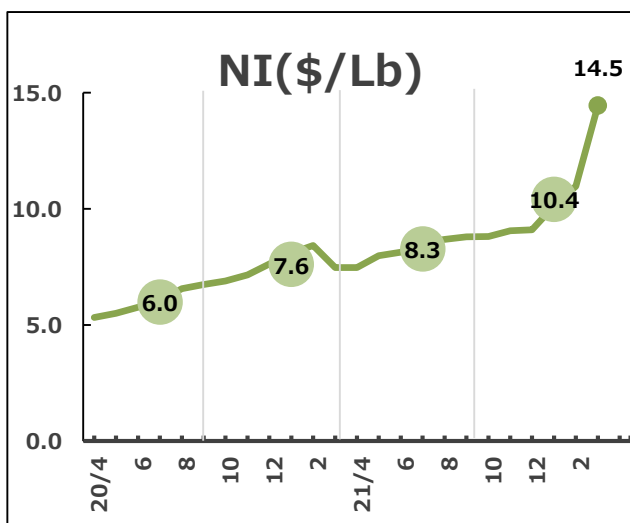
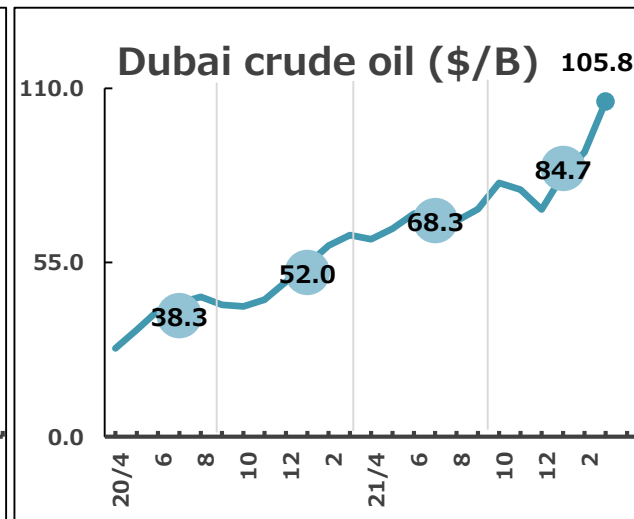
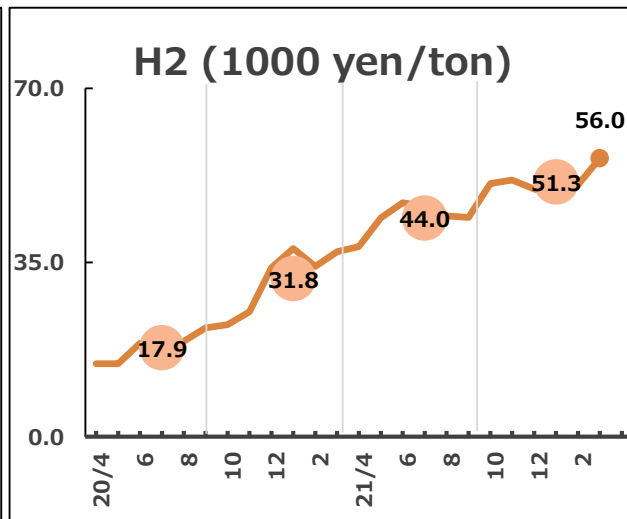
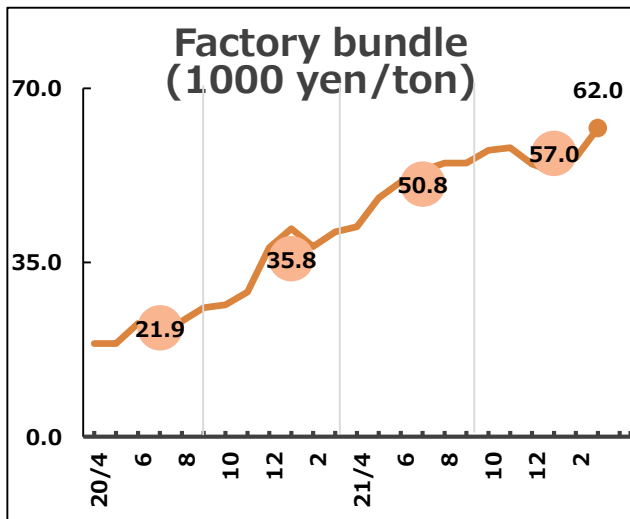
## POINT 1

Automobile parts sales volumes increased, including those for die forgings, thanks to the recovery of automobile production. Demand for open die forgings remained firm due to increased demand for semiconductor-related products and energy-related equipment, thus resulting in an operating income of 5 billion yen for FY2021.

## POINT 2

To prepare for the future, the open die forgings area needs to address both the risk of a steep rise of Ni alloy prices and the opportunities presented by a weak yen.

# Raw Materials Prices

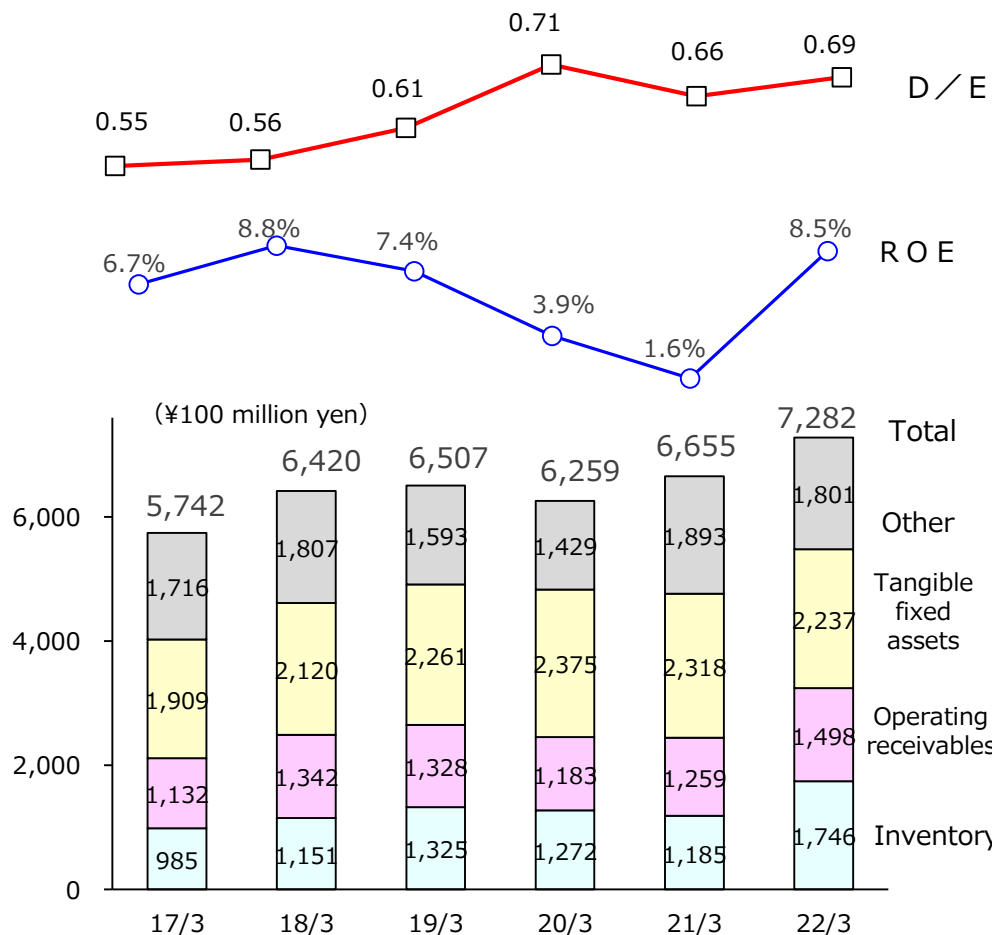


# ■ Total Assets, Interest-Bearing Debt, D/E Ratio

- Total assets increased, mainly thanks to increased operating receivables and inventories that rose due to the recovery of demand and steep rises in raw materials and energy costs.
- Interest-bearing debt increased by about 30 billion yen because of our need to increase our working capital.

(¥100 million)

	21/3	22/3	Change
Cash and deposits	673	581	-92
Inventory	1,185	1,746	561
Operating receivables	1,259	1,498	239
Other	77	92	15
Current assets	3,194	3,917	723
Tangible fixed assets	2,318	2,237	-81
Investment securities	939	865	-74
Other	204	263	59
Fixed assets	3,461	3,365	-96
<b>Total of assets</b>	<b>6,655</b>	<b>7,282</b>	<b>627</b>
Interest-bearing debt	1,988	2,291	303
Other	1,274	1,341	67
Debt	3,262	3,632	370
Equity capital	2,803	3,032	229
Other accumulated comprehensive income	228	265	37
Non-controlling interest	362	353	-9
Net assets	3,394	3,650	256
<b>Total of debt and net assets</b>	<b>6,655</b>	<b>7,282</b>	<b>627</b>

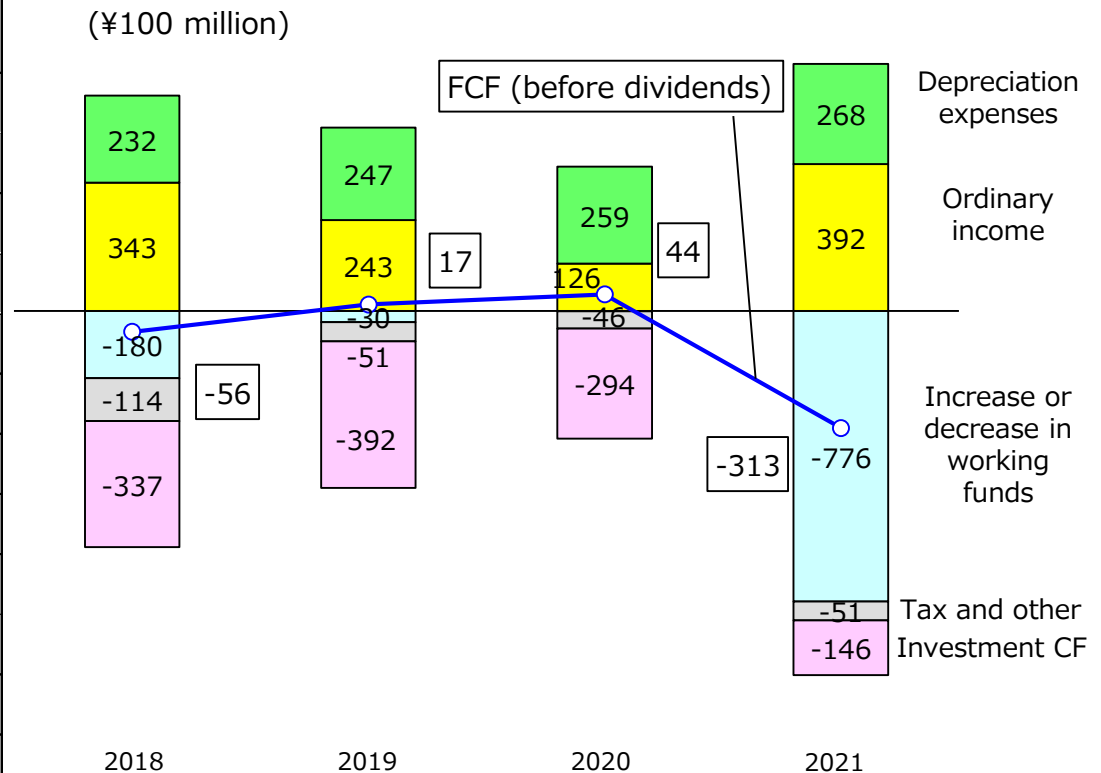


# Cash Flow

Earnings increased for FY2021, but free cash flow was negative by a substantial amount -- about 30 billion yen. This was primarily due to the effects of a notable deterioration of our working capital position caused by the soaring prices of raw materials and energy versus the recovery in the number of orders received.

(¥100 million)

		FY2020 results	FY2021 results	
Operating CF	Ordinary profit	126	392	
	Depreciation expenses	259	268	
	Increase or decrease in working funds	Accounts receivable	-79	-239
		Accounts payable	8	-28
		Inventory	83	-509
			12	-776
Tax and other	-59	-51		
		338	-167	
Investment CF	Capital investment	-278	-191	
	Other	-16	45	
		-294	-146	
Free cash flow		44	-313	



# Outlook for FY2022 (April 2022 to March 2023)

# ■ FY2022 Plan Overview

## Perspectives on our business environment

- ◆ For FY2022, a certain amount of demand for our products is expected with the possible growth of the global economy. However, the overall business environment will contain a risk of lowering global demand, possibly due to lingering of the COVID-19 pandemic or reductions in automobile production caused by the shortage of parts, including semiconductors.
- ◆ In addition, a substantial increase in production costs is expected because of soaring energy and raw materials prices attributable to the situation in Ukraine, and the steep decline in the value of the Japanese yen.

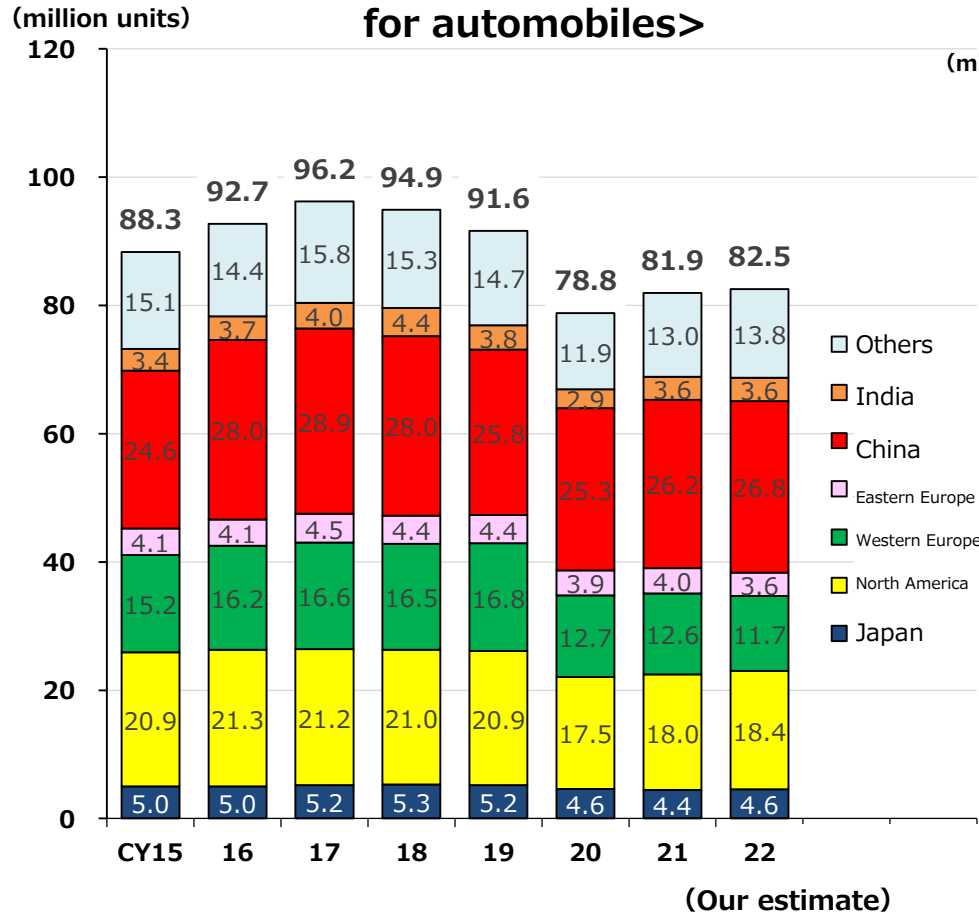
## Our basic policy

- A steep rise in raw materials prices will have a negative effect on earnings in the first half of FY2022, due to our delay in passing it on in the selling prices of our products. However, we are going to improve our margins appropriately in the second half of FY2022 by swiftly including it in the selling prices of our products.
  - ⇒ We will strive to raise the selling prices of our products to appropriate levels, ones that make it possible for us to continue to produce products in a continuous and stable flow. This goal should be attained without delay, to reduce negative effects on our earnings.
  - ⇒ We will also continue to work hard on reducing costs, including fixed costs.
- We aim to capture overseas demand for our products, including open die forgings, by taking advantage of the weak yen.

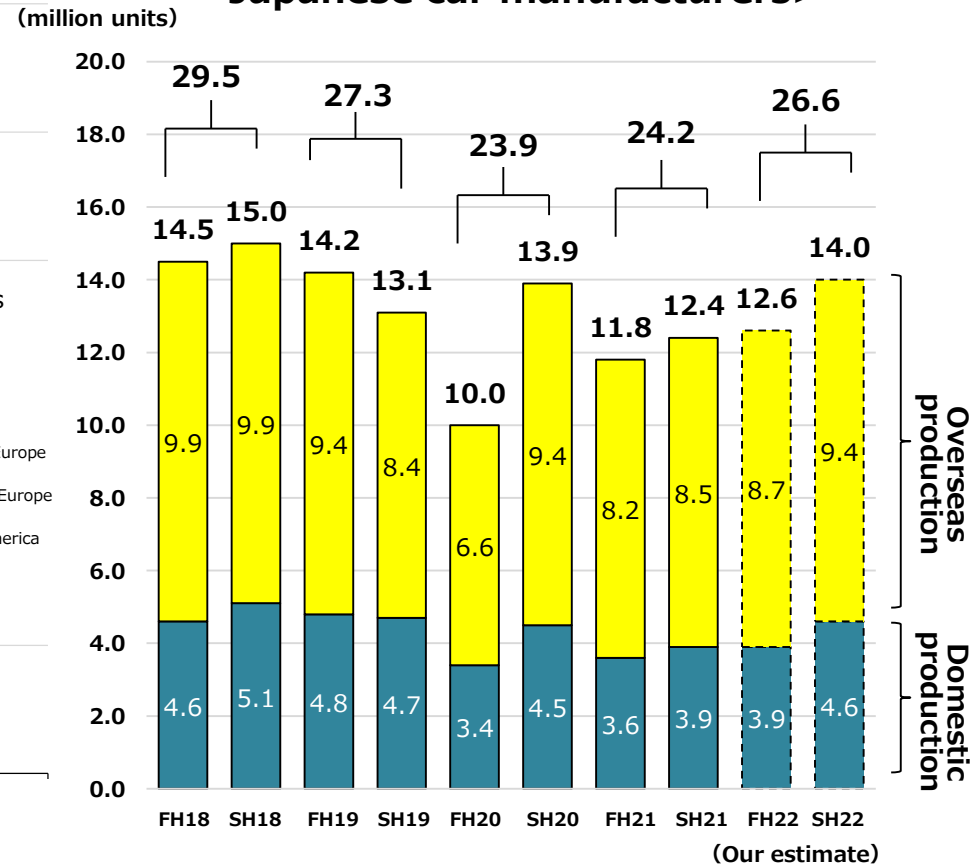


# ■ Outlook for Major Markets <Automobile-Related Demand>

## <Estimated global demand for automobiles>



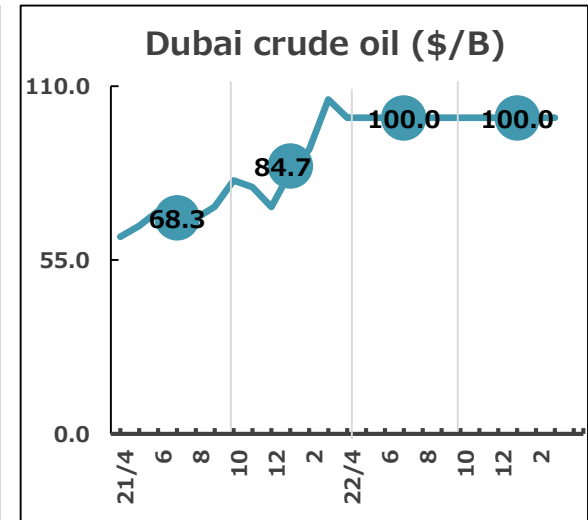
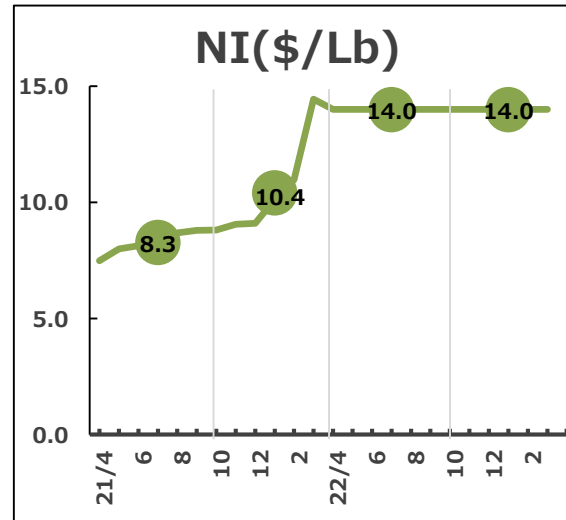
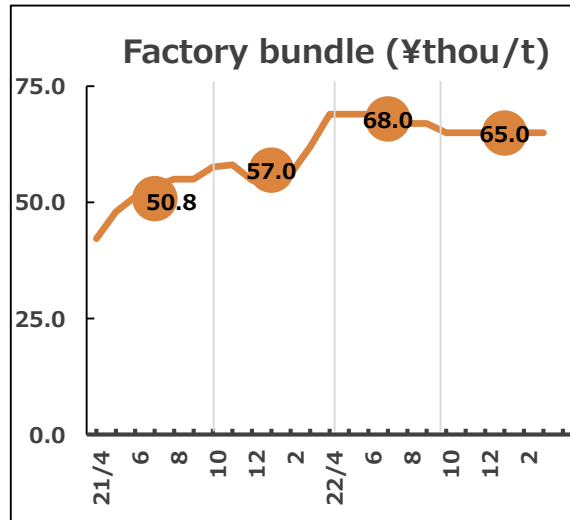
## <Prospective car production by Japanese car manufacturers>



- Global demand: There is still a restricted supply of parts, due to the re-expansion of the COVID-19 pandemic and parts shortages (including for semiconductors).
- Production levels will not recover to those recorded before the occurrence of the COVID-19 crisis, because of this same restricted supply of parts (including semiconductors).

# Profit-Planning Premises for FY2022 (Market Trends)

			FY2020 results	FY2021 results	Premises of FY2022's plan	
						Difference from previous year
Scrap iron	H2 (Central scrap quotation)	¥thou./t	24.9	47.6	61.5	+13.9
	Factory bundle (Central scrap quotation)		28.9	53.9	66.5	+12.6
Nickel	LME	\$/Lb	6.8	9.3	14.0	+4.7
Crude oil	Dubai	\$/B	45.8	76.6	100.0	+23.4
Exchange rate	TTM	¥/\$	107.1	113.4	120.0	+6.6



# Consolidated Earnings Outlook for FY2022

- We are going to strive, during the second half of FY2022, to raise the selling prices of our products in order to finish passing the effects of the soaring raw material and energy prices on in the selling prices of our most products.
- The overall sales mix will be improved because of increased demand for semiconductor-related products and the recovery of sales of open die forgings and the output of our engineering business

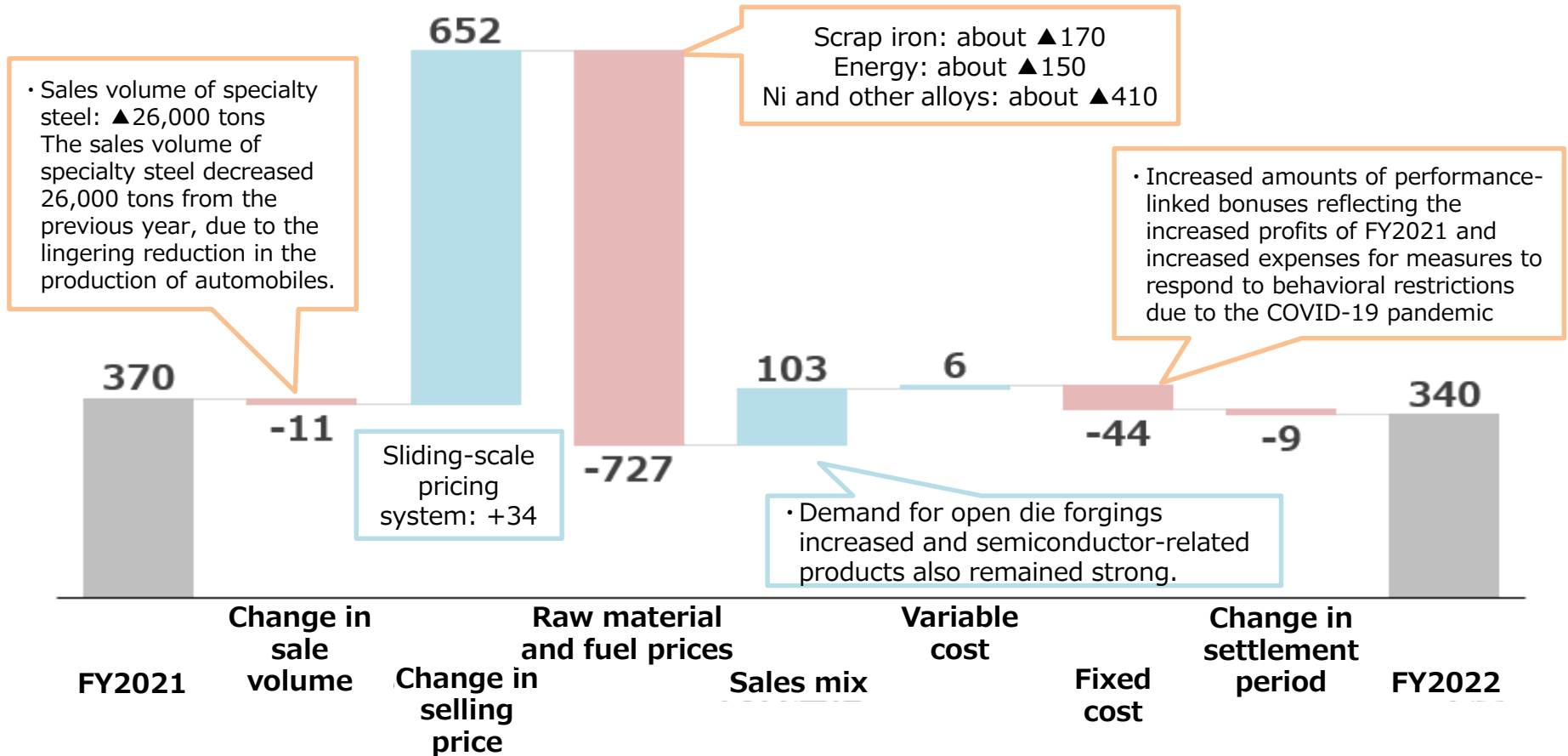
(thou.t.¥100 million)

	FY2021 results			FY2022 forecast			Compared with previous year
	First half	Second half	Total	First half	Second half	Total	
Sales Volume of Specialty Steel	634	619	1,253	584	643	1,227	-26
Net Sales	2,552	2,745	5,297	2,800	3,200	6,000	703
Operating Income	192	178	370	115	225	340	-30
Ordinary Income	206	186	392	120	230	350	-42
Extraordinary Profit and Loss	▲ 4	19	15	-	-	-	-15
Corporate Tax and Other Taxes	▲ 74	▲ 64	▲ 138	▲ 30	▲ 70	▲ 100	38
Net income owed to parent company shareholders	128	141	269	90	160	250	-19

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

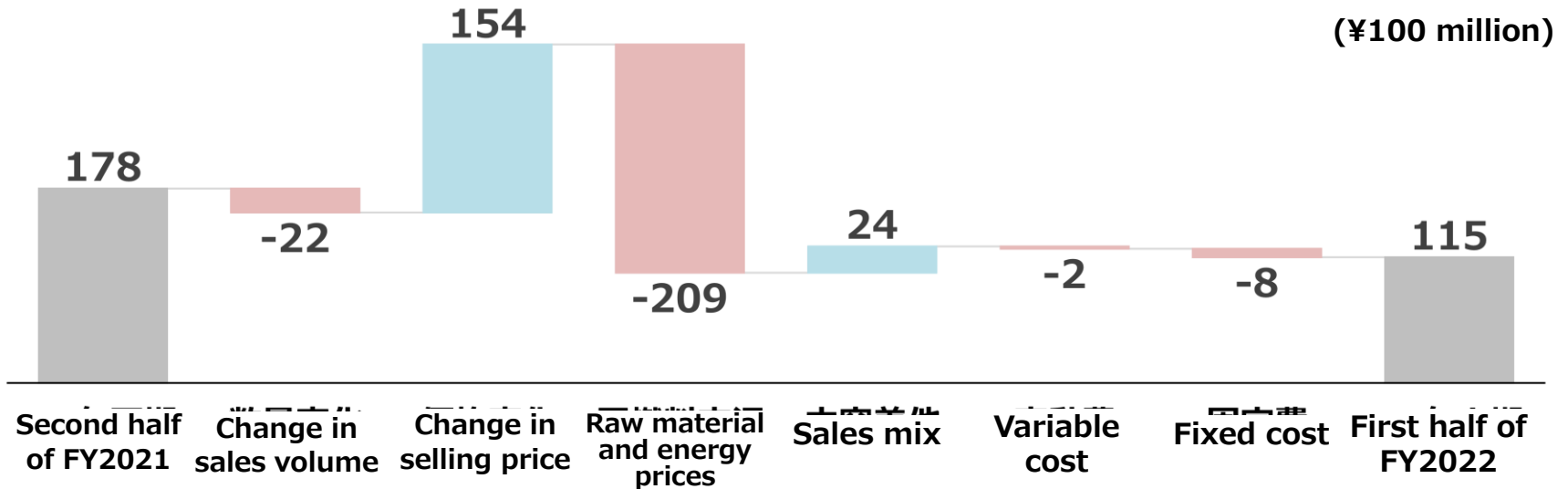
(¥100 million)

## Changes in operating income (y/y)

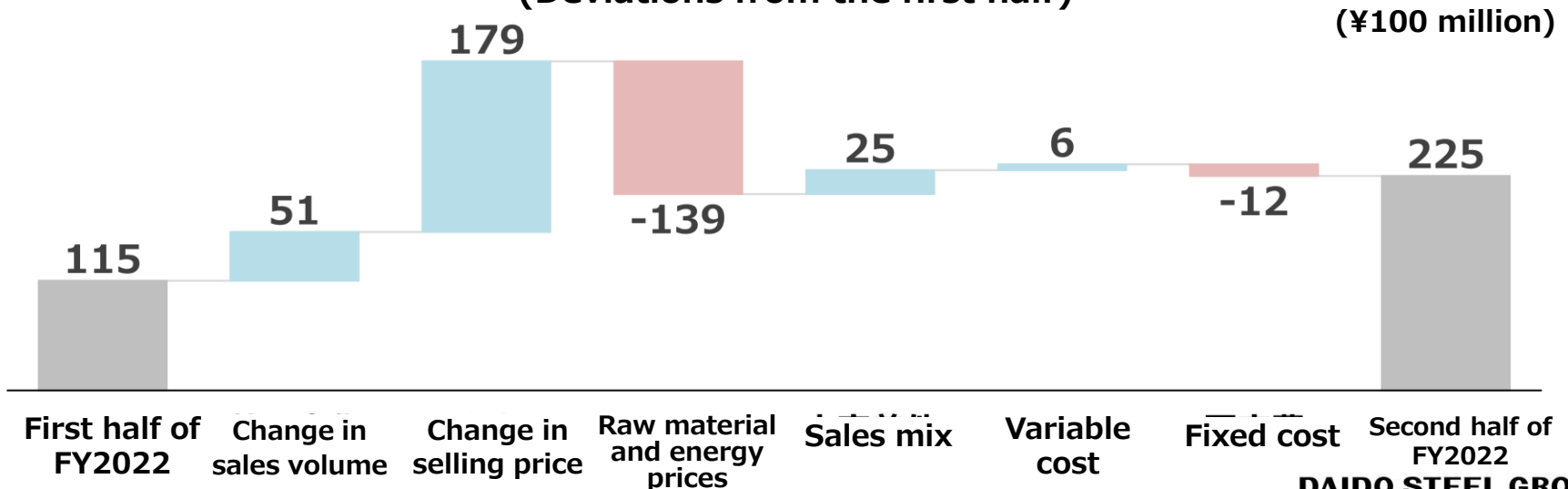


# Changes in Operating Income in FY2022 (h/h)

Changes in operating income in the first half of FY2022  
(Deviations from the second half of the previous year)



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



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

(¥100 million)

	FY2021 Results		FY2022 Forecast						y/y	
	Annual Results		First Half		Second Half		Annual Results		Sales	Operating Income
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income		
Specialty Steel	1,978	38	1,020	▲ 25	1,200	35	2,220	10	242	-28
High-Performance Materials and Magnetic Materials	1,976	267	1,100	120	1,270	135	2,370	255	394	-12
Parts for Automobile and Industrial Equipment	925	50	500	10	530	35	1,030	45	105	-5
Engineering	182	▲ 13	95	0	110	5	205	5	23	18
Trading and Service	236	28	85	10	90	15	175	25	-61	-3
<b>Total</b>	<b>5,297</b>	<b>370</b>	<b>2,800</b>	<b>115</b>	<b>3,200</b>	<b>225</b>	<b>6,000</b>	<b>340</b>	<b>703</b>	<b>-30</b>

(thou. t)

Sales Volume of Specialty Steel (non-consolidated)	1,253	587	640	1,227	-26
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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	FY2022		d	(y/y) d-a
		First half	Second half		
	a	b	c		
Sales	1,978	1,020	1,200	2,220	242
Operating Income	38	-25	35	10	-28
Sliding-scale Pricing System	-45	-14	3	-11	34

## High-performance Materials and Magnetic Materials

(¥100 million)

	FY2021	FY2022		d	(y/y) d-a
		First half	Second half		
	a	b	c		
Sales	1,976	1,100	1,270	2,370	394
Operating Income	267	120	135	255	-12

## Parts for Automobiles and Industrial Equipment

(¥100 million)

	FY2021	FY2022		d	(y/y) d-a
		First half	Second half		
	a	b	c		
Sales	925	500	530	1,030	105
Operating Income	50	10	35	45	-5

### POINT

- There seems to be a tendency toward a reduction of the negative effects of the sliding-scale pricing system, but during the first half of FY2022 we will still see an operating loss due to the effects of the soaring raw materials and fuel prices. The business will go into the black in the second half of FY2022, when the rises in raw materials and fuel prices will be completely passed on in the selling prices of our products.
- The specialty steel sales volume will be weak during the first half of FY2022 because of the lingering reduction in automotive production and a possible inventory adjustment. (619 thousand tons in the second half of FY2021 → 587 thousand tons in the first half of FY2022)

### POINT

- Sales of stainless steel will be firm, but customers are likely to make adjustments in magnetic materials inventories, thus keeping the overall sales volume of this segment at the same level as the previous year.
- The sales mix will be improved because sales of semiconductor-related products will remain strong, but a temporary deterioration of profitability will occur in the first half of FY2022, due to the steep rise of raw materials and fuel prices. In addition, operating income is expected to drop from the previous year because of increased fixed costs.

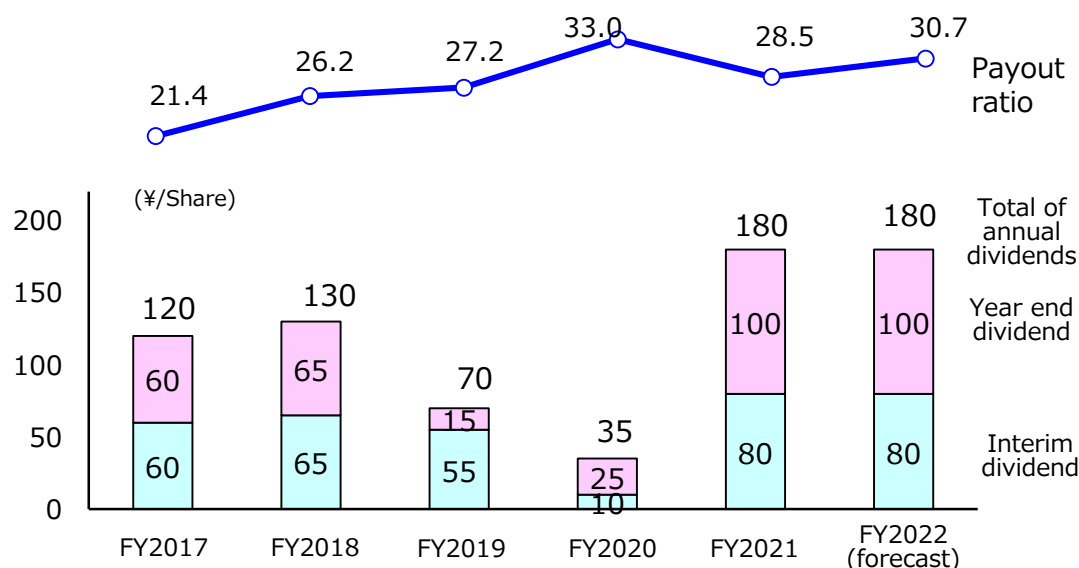
### POINT

- The sales volume of automobile parts is expected to remain at the same level on the whole as during the previous year. However, sales of open die-forgings are projected to increase, including semiconductor-related and energy-related products.
- Operating income is expected to drop from the previous year, partly due to the increased fixed costs and the effects of the change in our settlement period.

# Dividend per Share FY2022

	FY2021		FY2022 (Forecast)	
	Interim	Year-end	Interim	Year-end
Ordinary Income (¥100 million)	206	392	120	350
Net Income (¥100 million)	128	269	90	250
Dividend per Share (¥/Share)	80.0	180.0 (End of term: 100.0)	80.0	180.0 (End of term: 100.0)
Payout Ratio (%)	26.6	28.5	37.9	30.7

\*Net income owed to parent company shareholders



## 【Dividend payment policy】

We will use a yearly dividend payout ratio of **30% as a guide.**

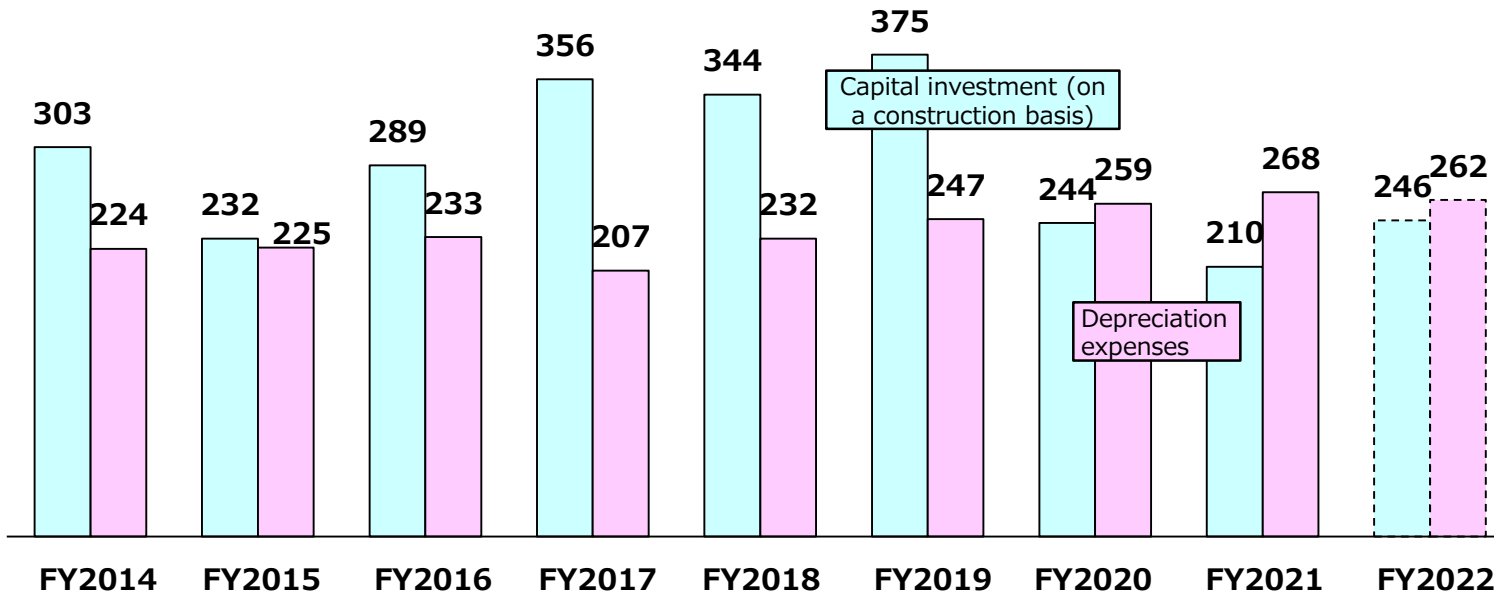


# Capital Investments

- We will continue to promote capital investments, focusing on the reorganization of our operational capacity and carefully selected strategic capital investment targets, such as cost reductions and productivity improvements and CO2 emissions reductions. In addition, we will continue to lower the amount of investment below the total amount of depreciation expenses.
- We will enhance IT investments, including the plan to visualize and remote-control operations in the Chita Second Plant and reform our employees' work styles.

## Changes in capital investment and depreciation expenses

(¥100 million)





# Mid-term Management Plan Progress

# Expanding Businesses in Fast-Growing Areas

## R&D activities to attain carbon neutrality

We are installing a new testing system to evaluate the performance of new materials that are used in new use environments. This will be used to develop new materials for various fields that are expected to grow substantially, such as mobility and energy.

### CASE and semiconductor (Spread of EVs and advancements in ICT)

e-Axle

Motor

Semiconductor  
-related  
products



Carbon neutrality  
for 2050

Hydrogen

Ammonia

Biomass

Green energy  
(Diversification of fuel)

Field	Use	Materials for development and/or increased sales <u>Evaluation equipment to be used is underlined.</u>
<b>CASE</b> ·Semiconductors 	Reduction gears for e-Axles	Steel for gears <u>High periphery-speed evaluation equipment: to be put into operation in 2022</u>
	Motors	Magnetic and semi magnetic materials <u>Motor tester: in operation</u>
	Semiconductor manufacturing equipment	Stainless steel and high alloy <u>Gaseous corrosion testing equipment: to be installed in 2022</u>
<b>Green energy</b> 	Hydrogen and ammonia manufacturing	Stainless steel, high alloy <u>Brittleness evaluation equipment: to be put into operation in 2022</u>
	For manufacturing of biomass	Stainless steel and high-alloy <u>Corrosion tester: in operation</u>

# Strengthening Our Business Organization

## Increase production flexibility and look for improvements leading to production cost reductions

### Improve stainless steel melting efficiency

Improve the melting efficiency of electric furnaces by installing stabilizing burners and materials transfer equipment  
(Will increase the quantity of crude stainless steel produced by 5%)

⇒ The equipment has been installed and the return on investment is being reaped.

- Amount of investment: about 400 million yen
- Period during which the equipment starts operating: January 2022  
(The equipment started operating as planned.)



### Enhance the vacuum re-melting furnace (VAR) system

Increase our capacity for manufacturing stainless steel for semiconductor manufacturing equipment and high-alloy materials  
(Our manufacturing capability for such products will be increased 10%)

⇒ The final in-house decision was made and the placement of an order for the equipment was completed.

- The amount of investment: about 800 million yen
- The period during which the equipment will start operating: First half of FY2023  
(The project is progressing as planned.)



# Strengthening Our Business Organization

**Enhance our ability to produce high-performance materials, reduce the number of man-hours and save labor by promoting DX (digital transformation).**

## Upgrade our capacity for secondary processing of steel bars

Add new machining equipment  
(Stainless steel machining capacity is to be increased 15%.)

⇒ An order for the equipment has been placed.  
The foundation and auxiliary systems for operation are now being prepared.

- The amount of investment: about 1 billion yen.
- The period during which the equipment will start operating: Second half of FY2022

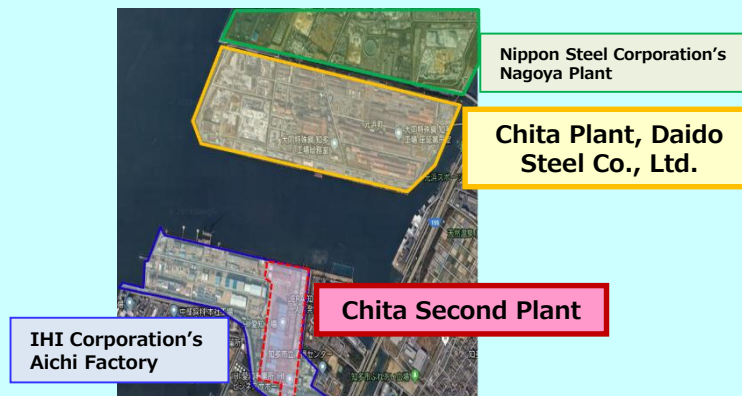


## Promote DX at the Chita Second Plant.

Build up the DX foundation by installing a new system that visualizes and remote-controls operations.

⇒ The development of the new system has been completed.  
Preparations are now under way for starting the system.

- The amount of investment: about 300 million yen.
- The period during which the system should start operating: First half of FY2022



Source: Google Maps

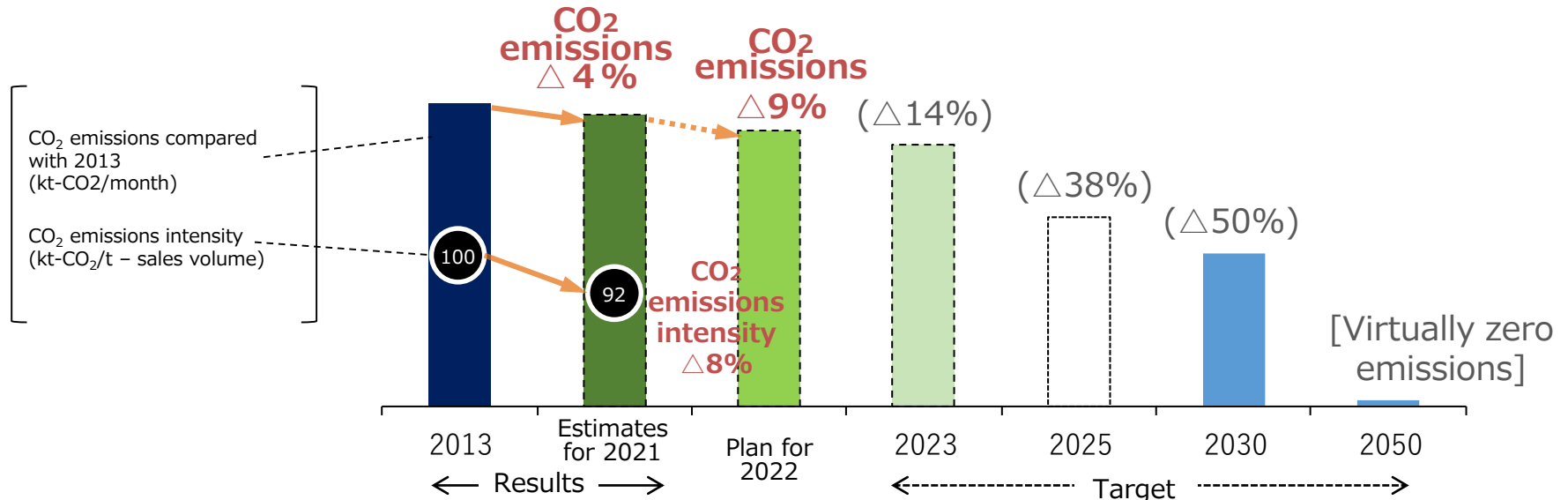
# Our Approach to ESG: Reducing CO<sub>2</sub> Emissions

## The present status of our approach to achieving carbon neutrality



### Theme Results obtained up to March 2022

Theme	Results obtained up to March 2022
<b>Scope 1</b> Fuel decarbonization	Highly-efficient combustion technology: The installation of an exhaust gas analyzer and an oxygen-rich burner at the Chita Plant. (The operation of the equipment will start in January 2023)
	Hydrogen-combustion technology: A hydrogen-mixed combustion test is being performed in the STC furnace.
<b>Scope 2</b> Decarbonization of electric power	CO <sub>2</sub> -free electric power: Switched 20% of the electric power in use by our plants in the Nagoya area to CO <sub>2</sub> -free electric power (April 2022 and thereafter) (10% for FY2021 ⇒ 20% for FY2022)
	Renewable energy: The installation of solar power generation units in Shibukawa Plant has started. (Operation is to begin in July 2022.)



## ■ Our Approach to ESG: Reducing the Number of Strategically-held Shares

- Reduced the number of strategically-held shares (6 entities and worth 7.4 billion yen) during FY2021.
- The reduction target stated in the Mid-Term Management Plan (below 20% of our net assets) was achieved.

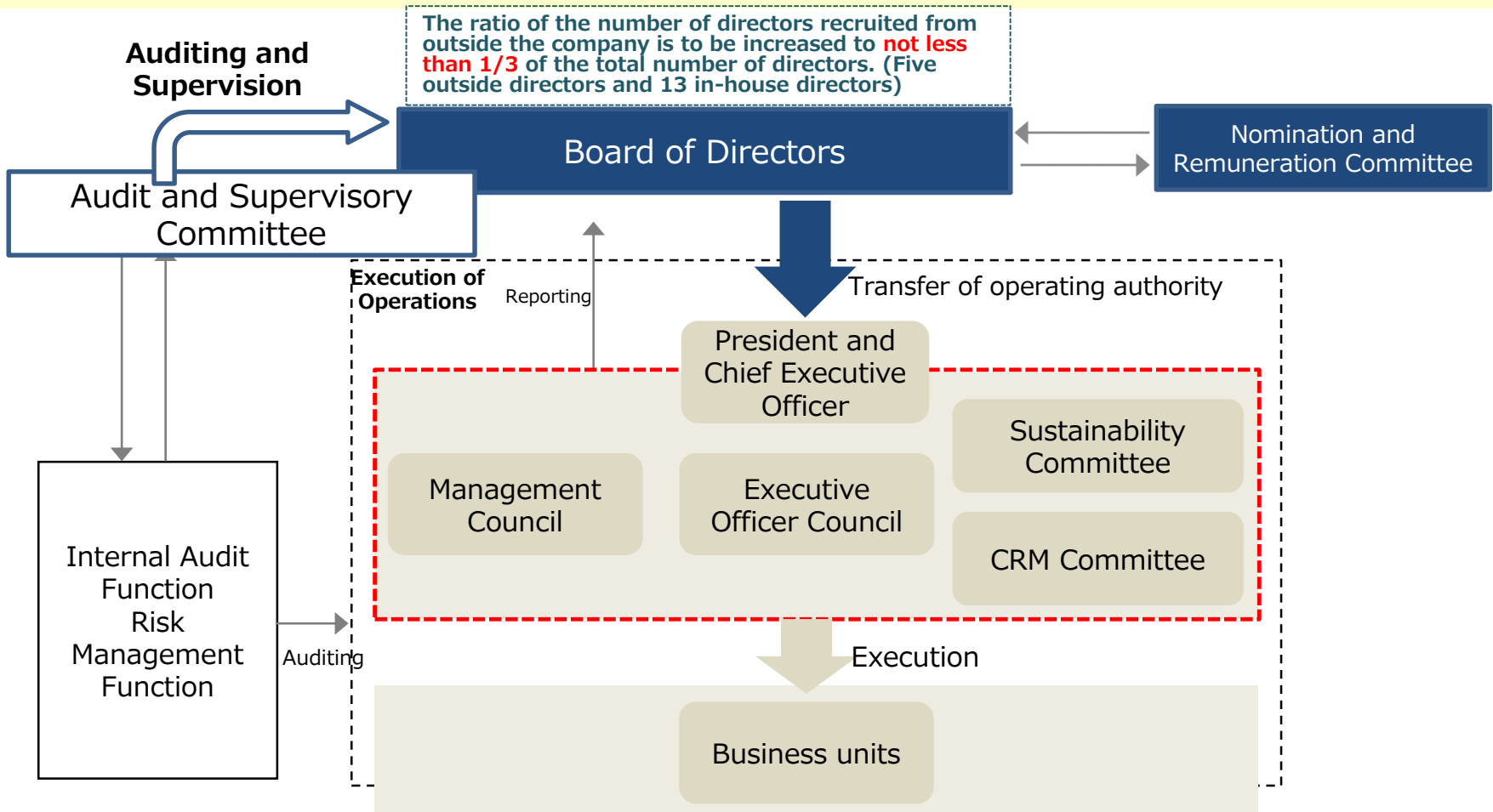
(The ratio of strategically-held shares to our net assets in value terms as of the end of March, 2022)

	Investment securities	Net assets	Ratio of strategically-held shares to net assets in value terms
Strategically-held shares only	68.5 billion yen	365 billion yen	18.8%
(Reference) Including deemed holdings of equity securities	93.3 billion yen	365 billion yen	25.6%

- In the new Mid-Term Management Plan, we aim to further reduce the number of strategically-held shares, including deemed holdings of equity securities, to lower the ratio of this type of shares to net assets to not more than 20%. (Our strategically-held shares were reduced by more than 20 billion yen as of the end of March FY2022.)
- We will use the funds obtained by selling strategically-held shares aggressively for investments toward attaining carbon neutrality.

# Our Approach to ESG: Enhancing Our Corporate Governance

- The CSR Committee was renamed **The Sustainability Committee** as of April 1, 2022 to express its enhanced functions. In addition, on the same day a **Sustainability Promotion Office** was set up within the Management Planning Department.
- We decided that, if we received approval at the Regular Meeting of Shareholders in June 2022, we would convert the **Company** to one **with an Audit and Supervisory Committee**





# ■ Our Approach to ESG: Promoting Sustainability

## 1 We endorse the TCFD recommendations (announced in November 2021)

We prepared specific policies for the governance and risk management systems and performed strategic Scenario Analyses at both 1.5°C and 4°C. The results will be posted on our website in June 2022.

## 2 Results of our "B-" CDP climate change evaluation (announced in December 2021)

We submitted a reply for the first time and obtained a CDP rating of "B-".

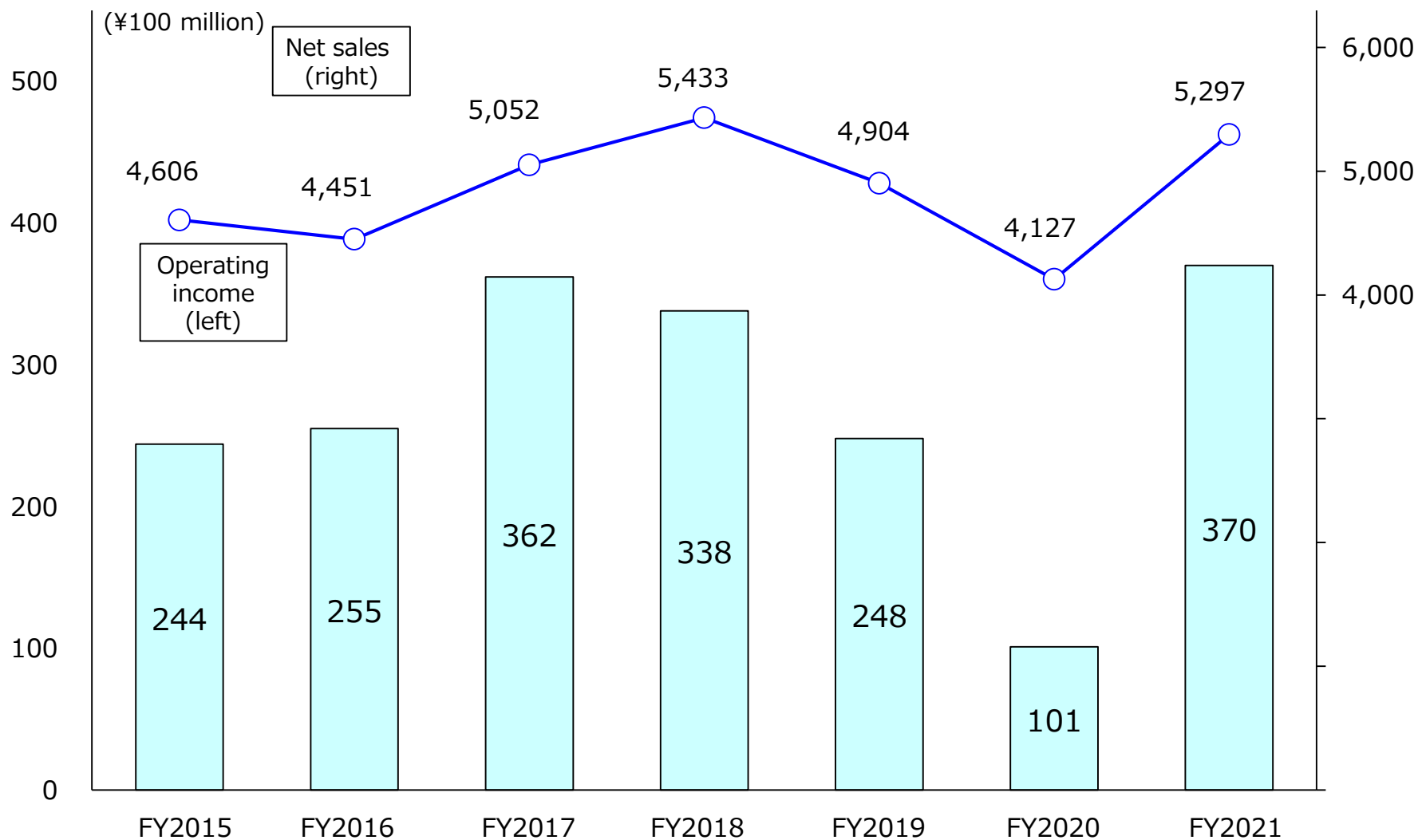
Next year and thereafter, we are aiming to have a higher score. We also replied about water security and will make efforts to promote the further disclosure of information in the future.

## 3 We endorse the GX League's Basic Concept (announced in March 2022)

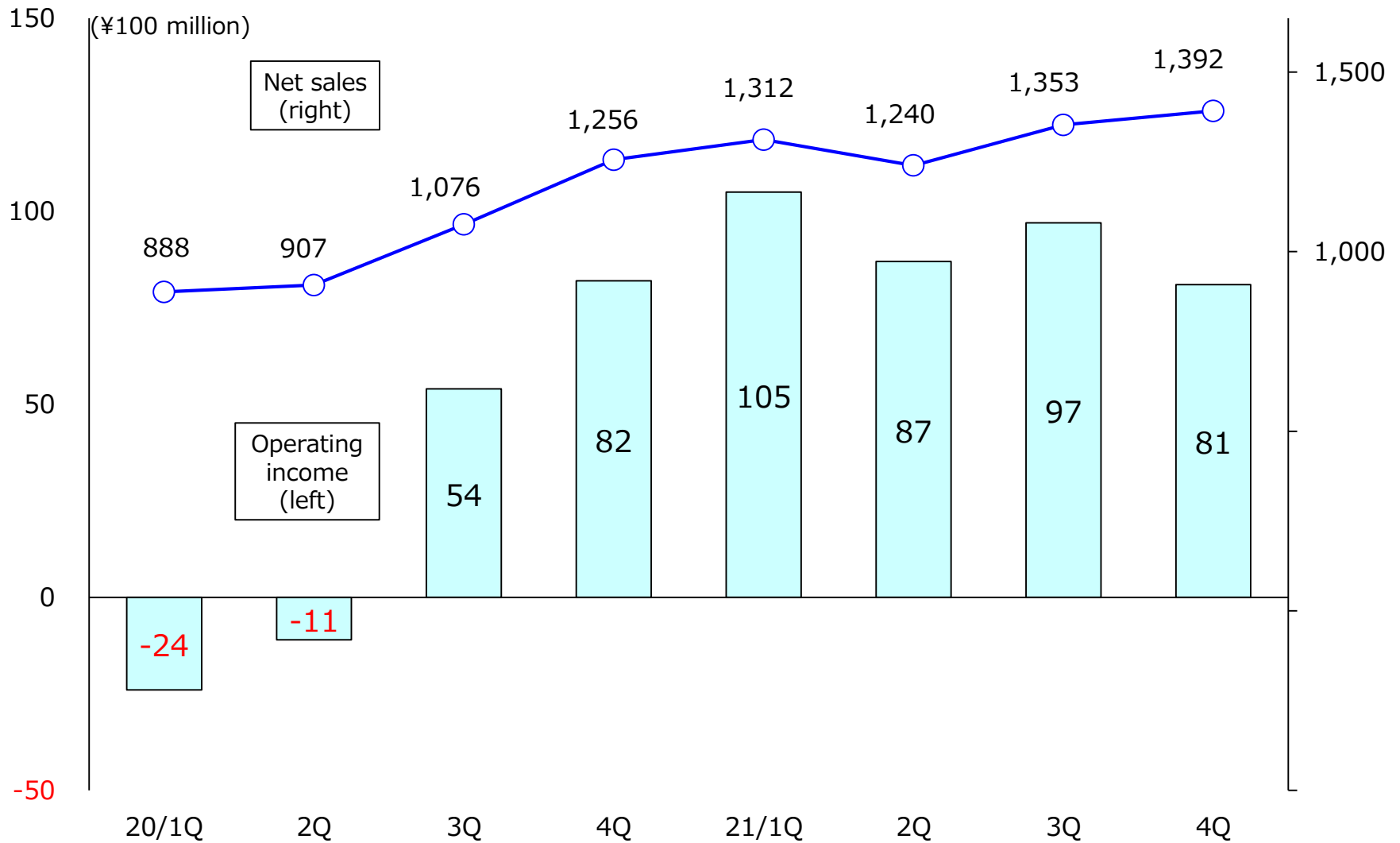
The GX League is a framework created under the leadership of the ministry of Economy, Trade and Industry to produce a group of companies that are winners in the global marketplace, in terms of achieving the target of carbon neutrality by 2050. We will examine the details of the project in preparation for participating in it in the future.

# Reference Materials

# Changes in Net Sales and Operating Income

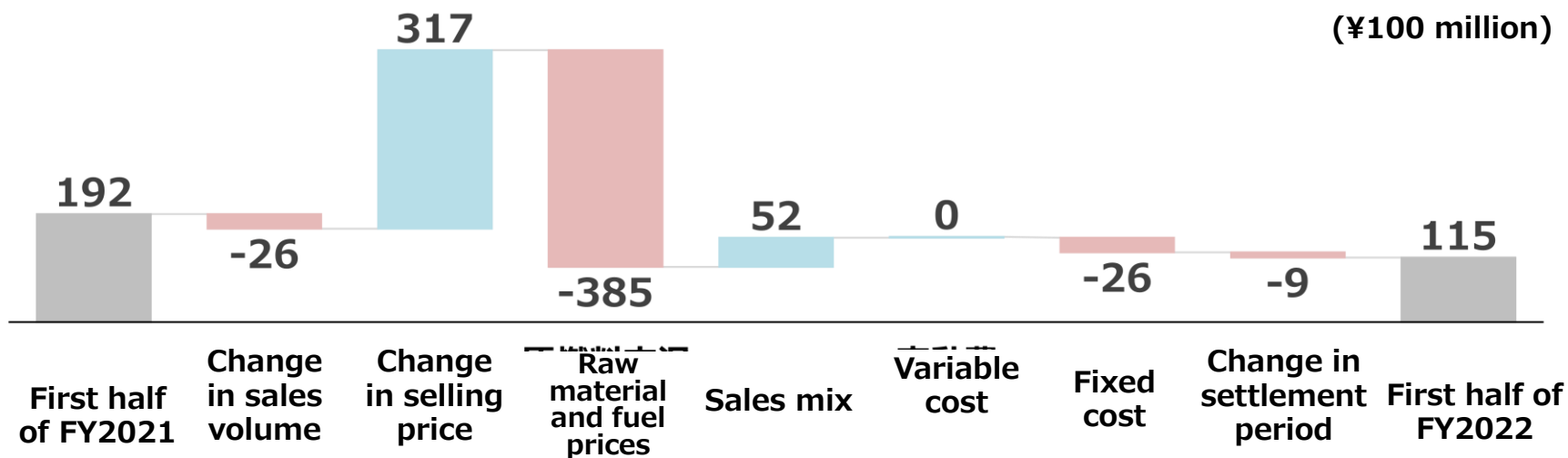


# ■ Changes in Net Sales and Operating Income (Quarterly)

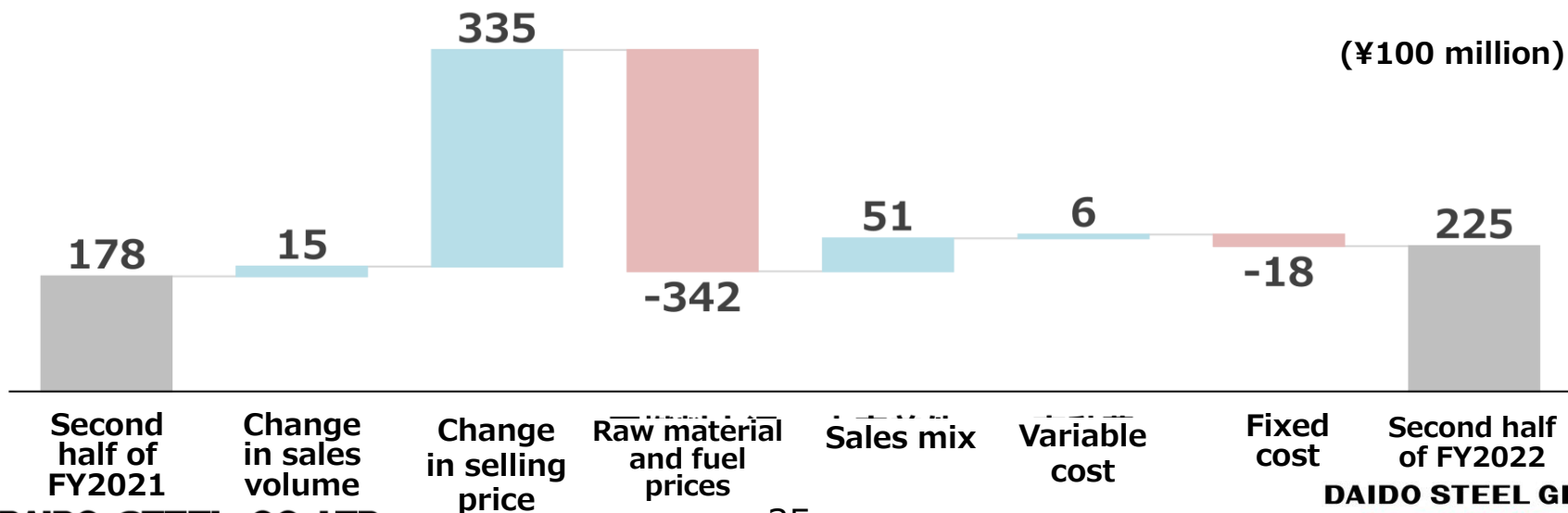


# Changes in Operating Income in FY2022 (y/y)

## Changes in operating income in the first half of FY2022 (y/y)



## Change in operating income in the second half of FY2022 (y/y)



## ■ Our Corporate Adviser, Mr. Masato Sagawa, Received the 2020 Queen Elizabeth Prize for Engineering

He invented the Neodymium Iron Boron (Nd-Fe-B) permanent magnet and contributed towards the development of cleaner, energy-saving technologies



Mr. Masato Sagawa,  
our Corporate Adviser

- ✓ Mr. Masato Sagawa, won the 2020 Queen Elizabeth Prize for Engineering in February 2020. This is an international award that commends internationally excellent members of the field of engineering.
- ✓ Reason for the award:  
The award recognizes his discovery, development and global commercialization of the sintered Neodymium Iron Boron (Nd-Fe-B) permanent magnet, and its contribution to cleaner, energy-saving technologies.
- ✓ Neodymium Iron Boron (Nd-Fe-B) permanent magnets contribute to improvements in the performance of a variety of products in many fields, including the motors used for EVs and wind power generators (which require high output and great efficiency), robots that need compact, light-weight and strong magnets, automated systems, and home appliances.

# ■ Our approach to ESG: Promoting Diversity

We endorse "Challenge to reach 30% in 2030 (#Here We Go 203030)"



<https://challenge203030.com/>

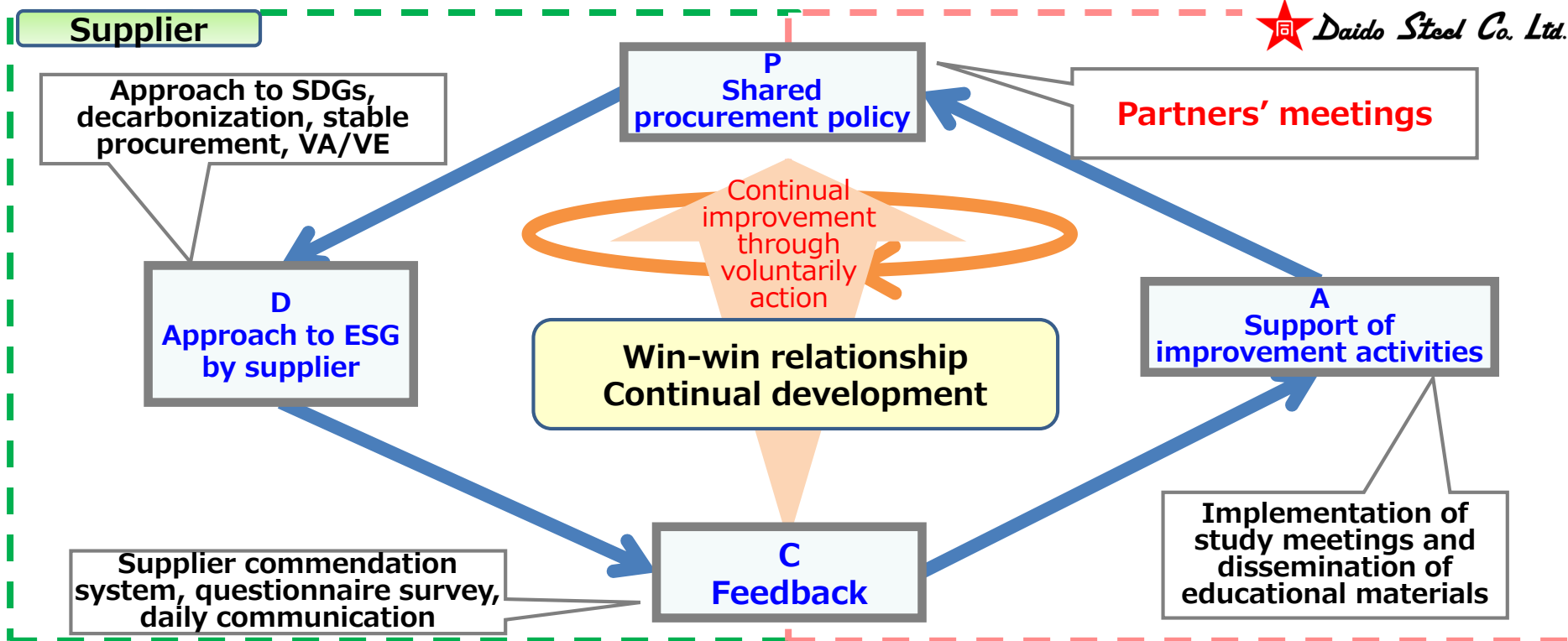
We expressed our endorsement of the "Challenge to reach 30% in 2030 (#Here We Go 203030)" initiative in January 2022.

"Challenge to reach 30% in 2030" is an effort advocated by the Japan Business Federation (or Keidanren) as a new growth strategy for the post COVID-19 era, focused on accelerating efforts toward greater diversity and inclusion in workplaces in Japan. The new growth strategy adopts as a specific goal, reached by 2030, to have not less than 30% of executives to be women.

We set up a Diversity Promotion Office in October 2018 as one of our efforts to advance the prospects of our personnel within the company. We are going to make further efforts to promote diversity within management by, among other things, increasing the proportion of female workers in general.

# Our approach to ESG: Our Supplier-Partner System

## Creating a new supplier/partner system



Name	: DSP (Daido Supplier Partnership)
Companies involved	: 200 materials and equipment suppliers
Timing	: Held in April every year
Location	: Online (The event could be held at an actual site, depending on the circumstances concerning COVID-19 infections in 2023 and thereafter.)
Purpose	: Our perception of the business environment and our consequent Mid-term Management Plan will be explained to the participants. In addition, our new policies and requests for cooperation to our suppliers will be set forth.
Other items	: We will perform a questionnaire-based survey of our suppliers (the VOS: Voice of the Supplier) in order to get feedback from suppliers about their procurement operations, to learn what they want to request from us and to find out what points need to be improved. Our procurement operations will be reviewed at regular intervals so we can help our suppliers do business with us under fair and favorable conditions.



# Fact Book

# Fact Book Financial highlight

## Consolidation

(¥1 mil.)

	'18/3	'19/3	'20/3	'21/3	'22/3	'17/9	'18/9	'19/9	'20/9	'21/9
Net sales	505,219	543,255	490,421	412,722	529,667	241,119	269,643	252,476	179,490	255,224
Operating income	36,218	33,815	24,768	10,070	36,982	18,726	16,752	13,711	▲3,531	19,156
Ordinary income	36,130	34,343	24,298	12,642	39,200	18,320	17,569	13,711	▲2,112	20,556
Net income	23,920	21,182	10,987	4,516	26,894	11,890	10,759	11,257	▲2,318	12,840
R & D expenses	5,419	5,638	6,002	4,722	5,785	2,770	2,788	2,896	2,185	2,694
Capital investment(Plan)	38,600	37,200	25,300	12,500	25,500	20,300	18,800	15,100	7,500	13,150
Capital investment(Construction)	35,605	34,413	37,529	24,448	21,027	14,899	15,027	22,092	13,955	10,172
Depreciation	20,740	23,171	24,662	25,912	26,797	10,023	11,453	12,022	12,794	13,469
Financial account balance	995	1,606	1,297	806	1,326	429	584	656	459	693
Total assets	642,021	650,697	625,899	665,506	728,187	614,828	661,998	651,112	621,997	686,373
Equity	284,435	285,508	273,561	303,143	329,713	274,221	291,948	293,276	276,815	315,674
Interest-bearing debt	160,352	174,998	193,881	198,812	229,090	157,201	174,928	185,536	207,302	210,608
Pay roll number	11,873	12,421	13,436	13,109	12,605	11,843	12,559	13,775	13,474	12,838
ROA(%)	5.9	5.3	3.8	2.0	5.6	6.2	5.4	4.2	▲0.7	6.1
ROE(%)	8.8	7.4	3.9	1.6	8.5	8.9	7.5	7.8	▲1.7	8.3
Consolidated subsidiary number	36	38	65	66	62	36	38	65	68	65
(Equity method affiliate number is excluded from the above)	( 6)	( 6)	( 9)	( 9)	( 8)	( 6)	( 6)	( 9)	( 9)	( 9)
Ratio of the consolidated to the non-consolidated										
Net sales	1.6	1.6	1.6	1.7	1.5					
Ordinary income	1.7	1.4	1.2	1.4	1.6					
Net income	1.6	1.3	1.0	0.7	1.2					

\*Long-term prepaid expenses are not included in the depreciation. Net income after 2015 belongs to stockholder of parent company.

# Fact Book Net Sales & Operating Income by Segment

<New segment(From Apr.1st in 2012)>

(¥100 mil.)

		'18/3	'19/3	'20/3	'21/3	'22/3
Speciality Steel	Net Sales	1,868	2,078	1,817	1,458	1,978
	Operating Income	65	60	52	▲ 26	38
High Performance Materials & Magnetic Materials	Net Sales	1,708	1,846	1,674	1,494	1,976
	Operating Income	222	207	136	122	267
Parts for Automobile & Industrial Equipment	Net Sales	1,063	1,099	973	808	925
	Operating Income	30	23	4	▲ 21	50
Engineering	Net Sales	249	275	266	202	182
	Operating Income	18	23	30	8	▲ 13
Trading and Service	Net Sales	164	135	174	165	236
	Operating Income	27	25	26	18	28
Total	Net Sales	5,052	5,433	4,904	4,127	5,297
	Operating Income	362	338	248	101	370

(¥100 mil.)

		'17/4-9	'17/10-3	'18/4-9	'18/10-3	'19/4-9	'19/10-3	'20/4-9	'20/10-3	'21/4-9	'21/10-3
Speciality Steel	Net Sales	903	965	1,020	1,058	971	846	598	860	932	1,046
	Operating Income	48	17	21	39	32	20	▲ 30	4	15	23
High Performance Materials & Magnetic Materials	Net Sales	811	897	927	919	847	827	648	846	948	1,028
	Operating Income	108	114	114	93	70	66	22	100	139	128
Parts for Automobile & Industrial Equipment	Net Sales	517	546	554	545	499	474	361	447	465	460
	Operating Income	11	19	11	12	6	▲ 2	▲ 41	20	31	19
Engineering	Net Sales	105	144	126	149	124	142	103	99	87	95
	Operating Income	7	11	8	15	15	15	5	3	▲ 7	▲ 6
Trading and Service	Net Sales	75	89	69	66	84	90	85	80	120	116
	Operating Income	13	14	14	11	14	12	9	9	14	14
Total	Net Sales	2,411	2,641	2,696	2,737	2,525	2,379	1,795	2,332	2,552	2,745
	Operating Income	187	175	168	170	137	111	▲ 35	136	192	178

## (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.