

Fiscal Year Ending March 2024 Interim Results (Apr.1 - Sep.30/2023)

October 30, 2023



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FY2023 Interim Results (Apr.1 - Sep.30/2023)

■ Overview of FY2023 Interim Results (Apr. 1 - Sep. 30/2023)

- While Inventory adjustment continued, mainly for stainless steel, operating income increased in line with the plan. This was chiefly due to the current low costs of raw materials and fuel, and the results of our efforts to raise products' selling prices.
- Net income was less than planned, due to costs associated with the liquidation of a group company associated with the reorganization of our production system.
- Operating income decreased from the previous year, due to a temporary drop in shipments of high-performance materials during the downturn phase of the semiconductor cycle.

(thousand tons, ¥100 mil.)

	First-half Results for FY 2022			First-half Results for FY 2023			y/y	Differences from the forecast announced on April 28
	1 Q	2 Q	Total	1 Q	2 Q	Total		
Steel Sales Volume	280	260	540	266	263	529	-11	-15
Net Sales	1,377	1,442	2,819	1,419	1,467	2,886	67	-14
Operating Income	102	130	232	80	110	190	-42	0
Ordinary Income	113	128	241	97	114	211	-30	11
Extraordinary Profit and Loss	-	▲ 4	▲ 4	-	▲ 27	▲ 27	-23	-27
Corporate Tax and Other Taxes	▲ 14	▲ 40	▲ 54	▲ 34	▲ 35	▲ 69	-15	1
Net income attributable to owners of the parent	99	84	183	63	52	115	-68	-15

■ Net Sales & Operating Income by Segment (Y/Y and Differences from the Forecast)

(¥100 million)

	FY 2022 Results		FY 2023 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	1,028	42	553	28	536	35	1,089	63
High-Performance Materials and Magnetic Materials	1,096	134	513	33	513	38	1,026	71
Parts for Automobiles and Industrial Equipment	495	34	241	5	273	21	514	26
Engineering	83	4	50	5	60	6	110	11
Trading and Service	117	18	62	9	85	10	147	19
Total	2,819	232	1,419	80	1,467	110	2,886	190

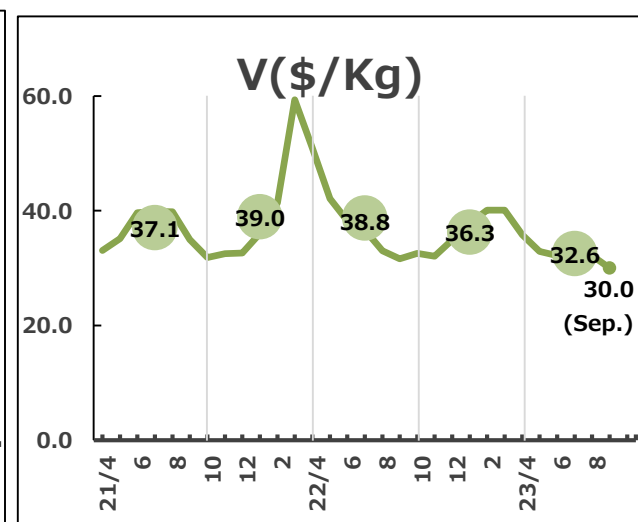
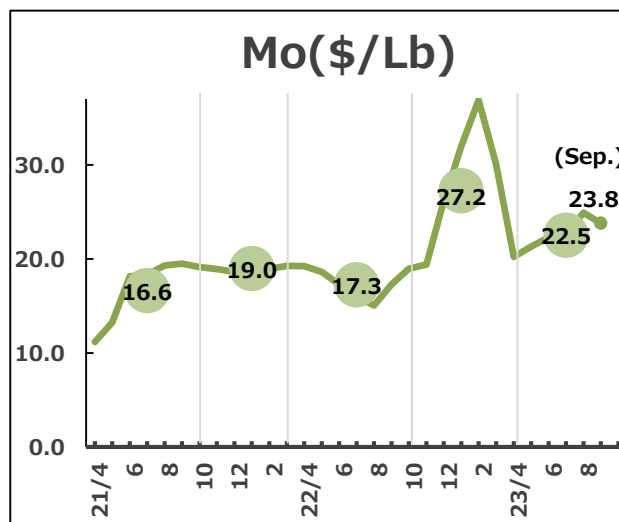
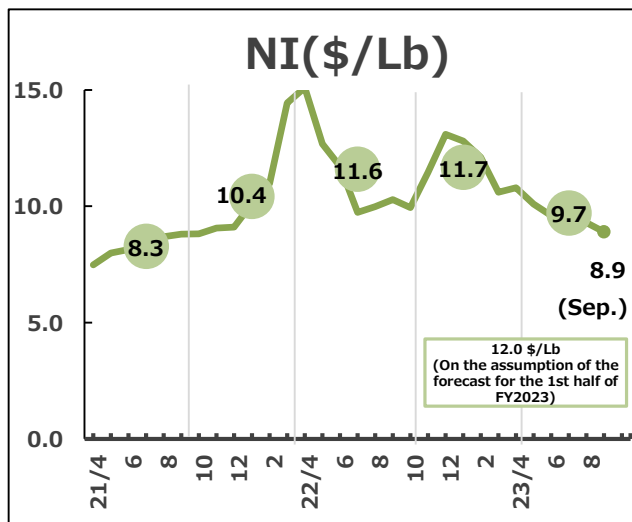
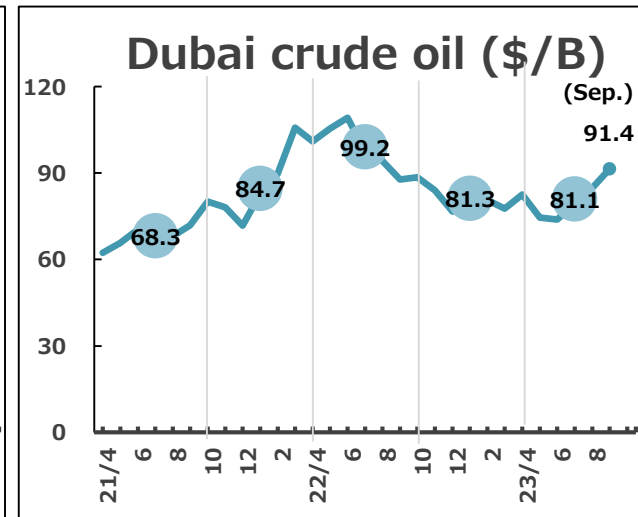
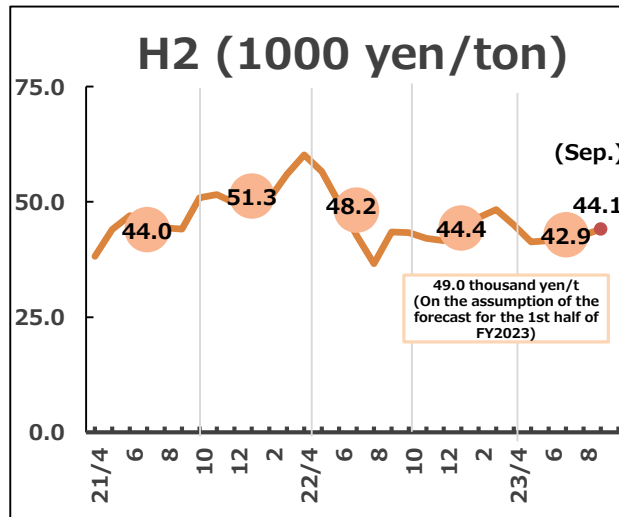
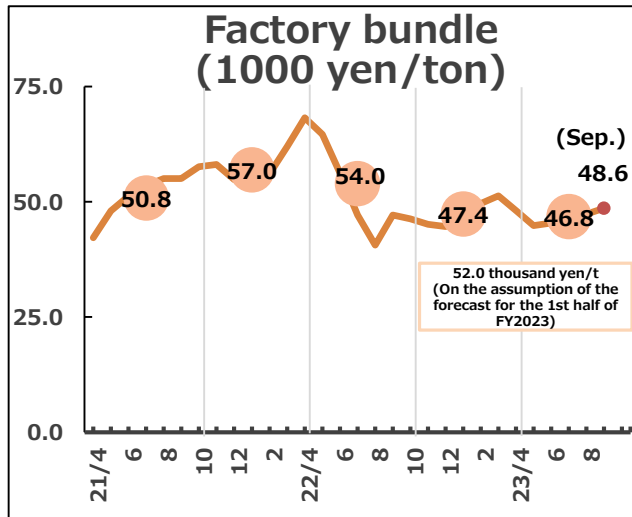
y/y		Differences from the forecast announced on April 28	
Net Sales	Operating Income	Net Sales	Operating Income
61	21	-31	13
-70	-63	-24	-19
19	-8	-6	-4
27	7	20	6
30	1	27	4
67	-42	-14	0

(thou. tons)

Sales volume of steel (nonconsolidated)	540	266	263	529
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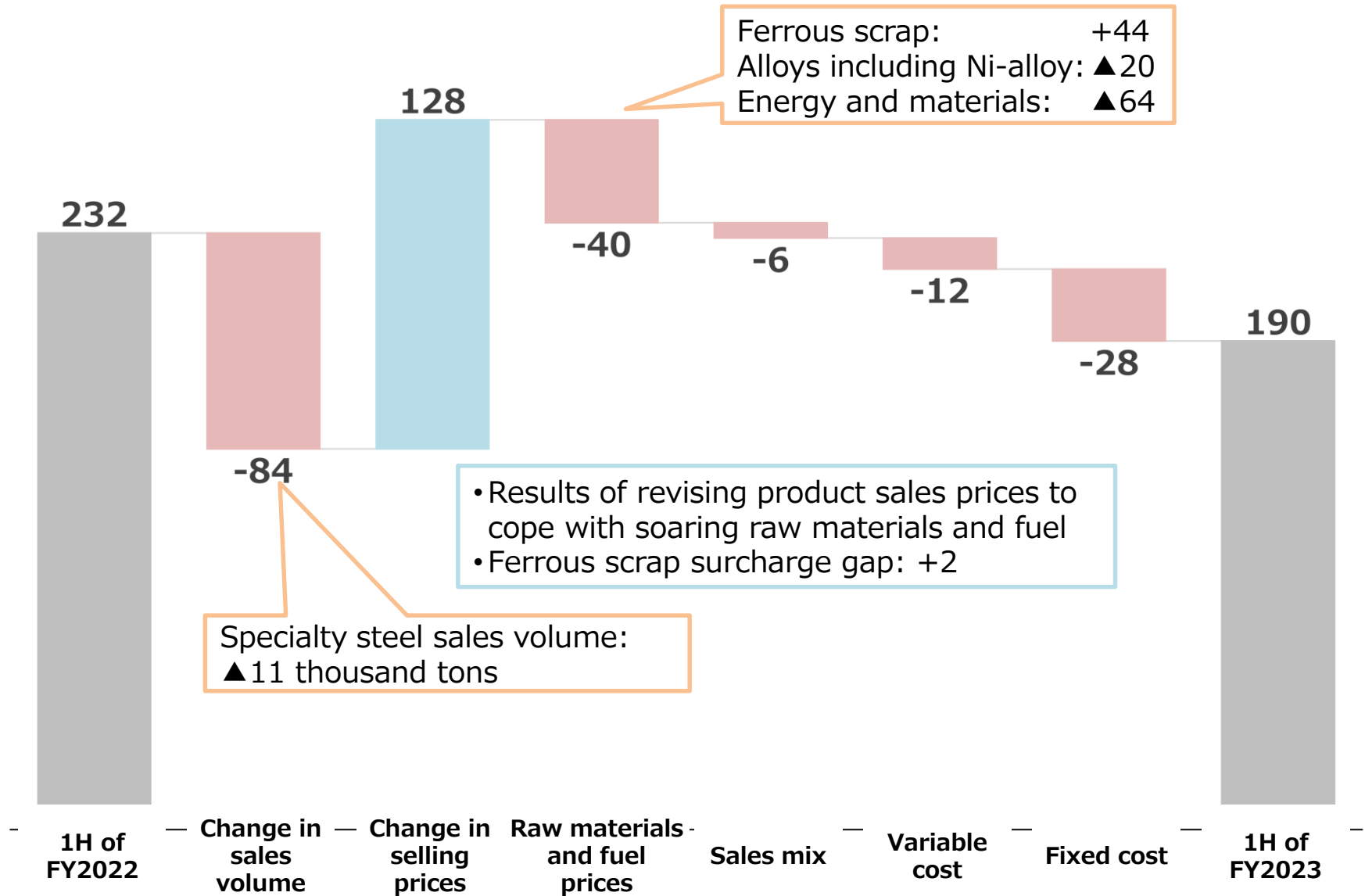
-11	-15
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Raw Materials Prices



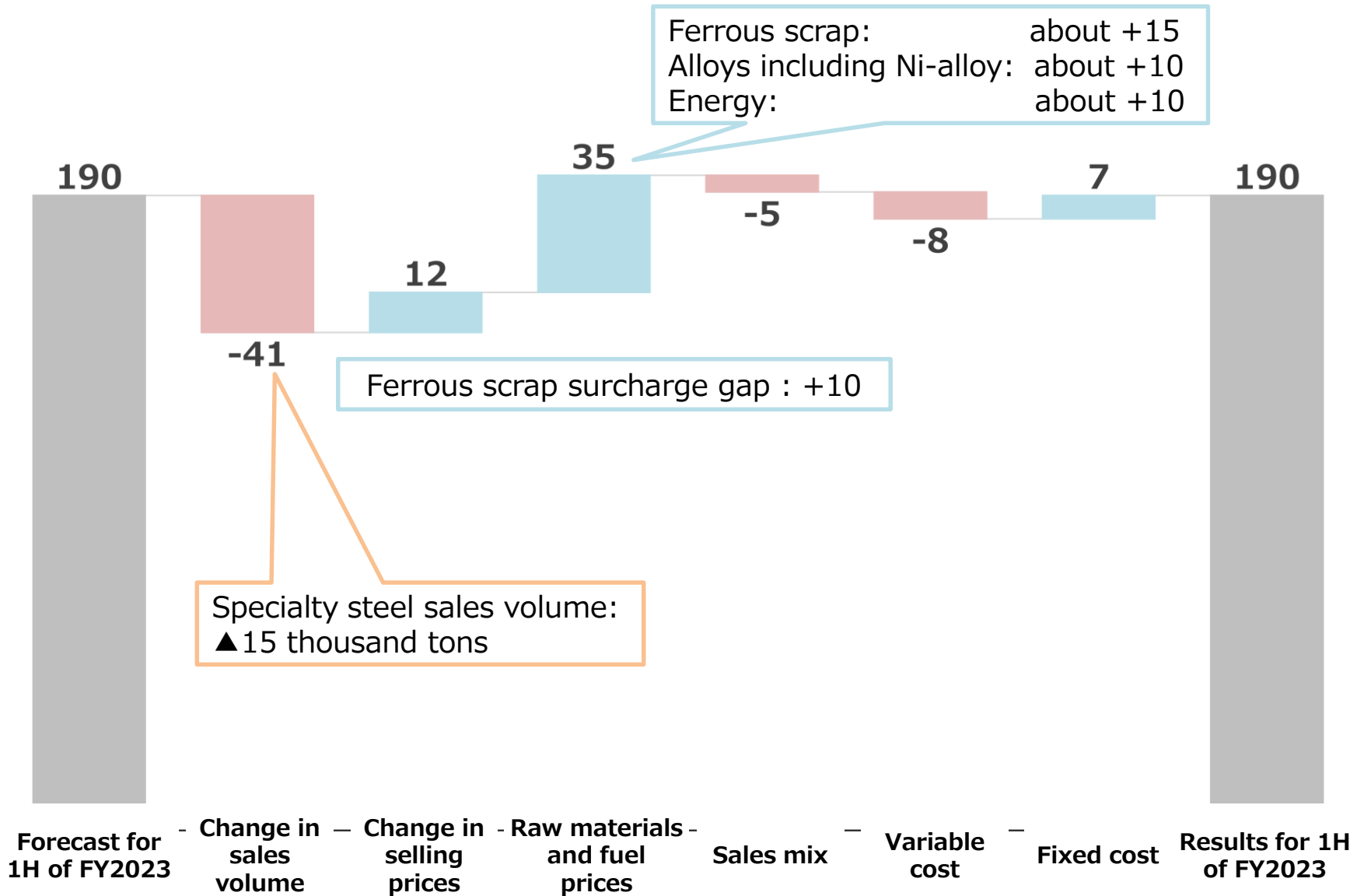
Changes in Operating Income for the First Half of FY2023 (Y/Y)

(¥100 million)



Changes in Operating Income for the First Half of FY2023 (Differences from the Forecast Announced on April 28)

(¥100 million)



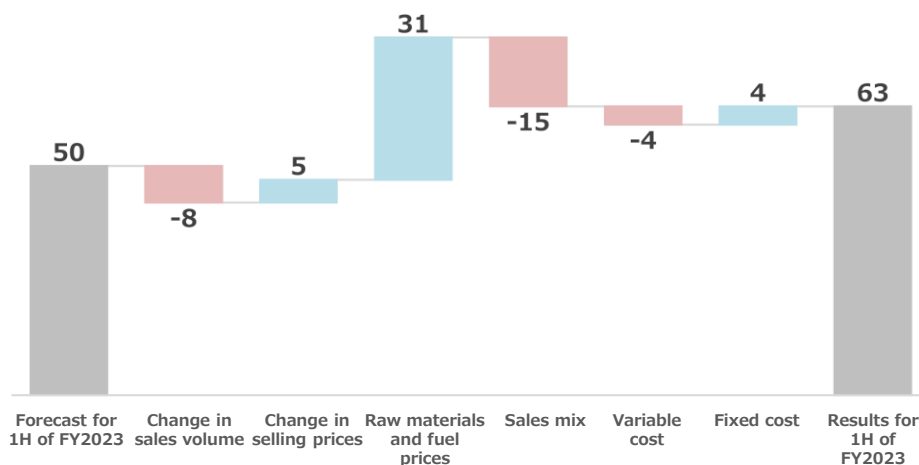
Overview of Specialty Steel

(¥100 million)

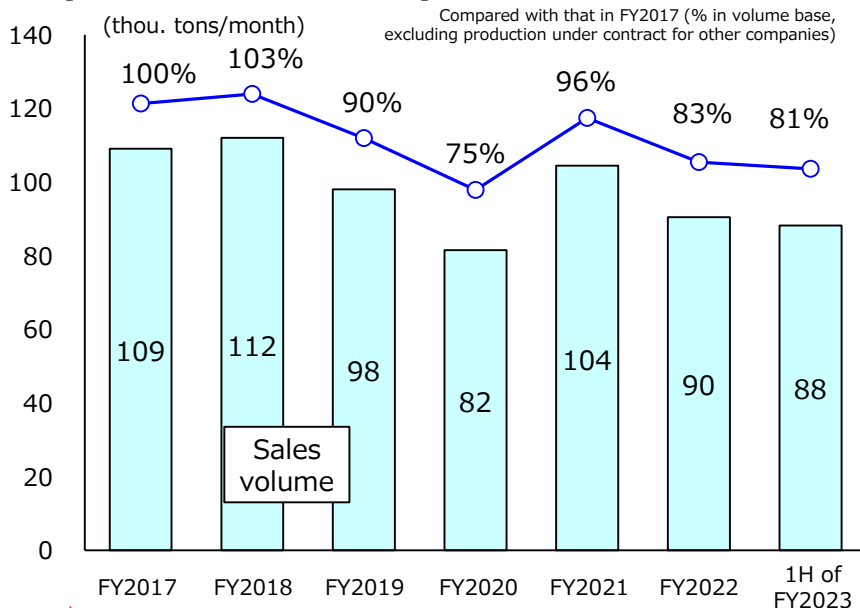
	1st half of FY2022	Forecast for 1st half of FY2023 (Announced on April 28)	1st half of FY2023	y/y	Differences from the forecast announced on April 28
	a	b	c	c-a	c-b
Net Sales	1,028	1,120	1,089	61	-31
Operating Income	42	50	63	21	13
Slide gap	-1	-9	1	2	10

Changes in Operating Income

(¥100 million)



Sales volume of specialty steel (non-consolidated)



POINT 1

Weakening raw materials and fuel prices led to an increase in profit, as compared with the initial forecast, despite the lower industrial equipment market demand and tool steel inventory adjustments.

POINT 2

The volume of automobile-related structural steel sales increased from the previous year, thanks to the easing of semiconductor supply constraints. Operating income increased YoY due to the results of our efforts to increase the prices of these products in response to rising energy costs.

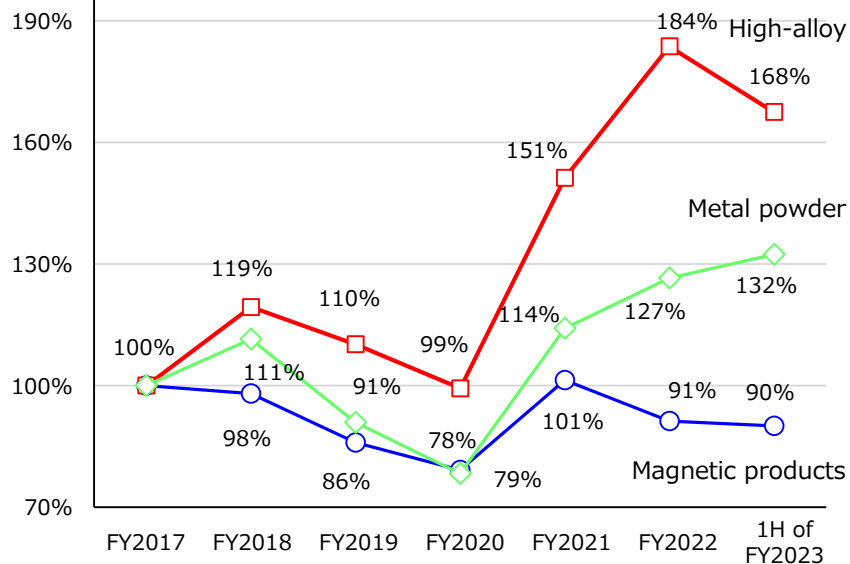
Overview of High-Performance and Magnetic Materials

(¥100 million)

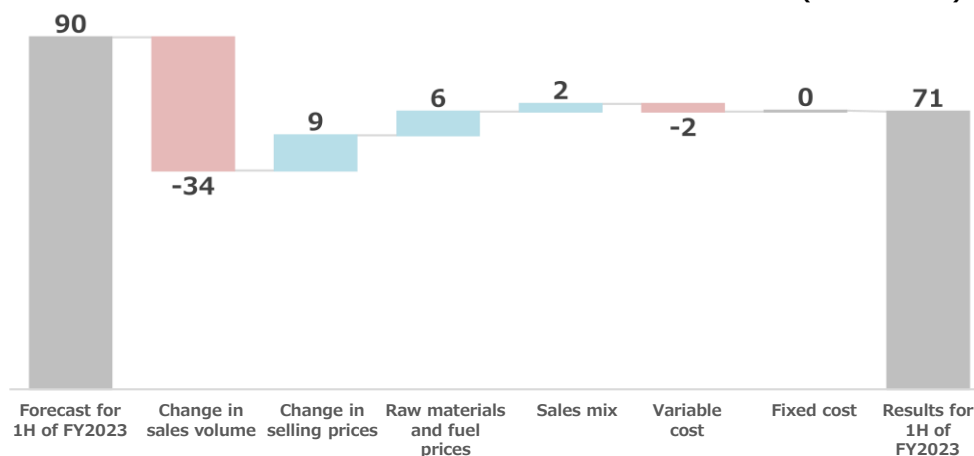
	1st half of FY2022	Forecast for 1st half of FY2023 (Announced on April 28)	1st half of FY2023	y/y	Differences from the forecast announced on April 28
	a	b	c	c-a	c-b
Net Sales	1,096	1,050	1,026	-70	-24
Operating Income	134	90	71	-63	-19

<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

Operating income was lower than forecasted, due to a temporary reduction of product shipments, caused by a decrease in the number of orders for semiconductor-related products and prolonged inventory adjustments.

POINT 2

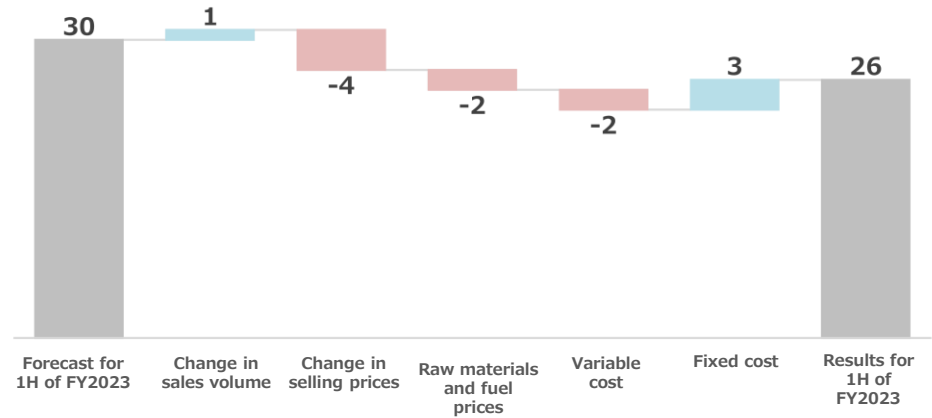
Operating income decreased from the previous year, owing to the significant impact of lower sales volumes, despite our efforts to raise selling prices in response to rising energy costs.

Overview of Parts for Automobiles and Industrial Equipment

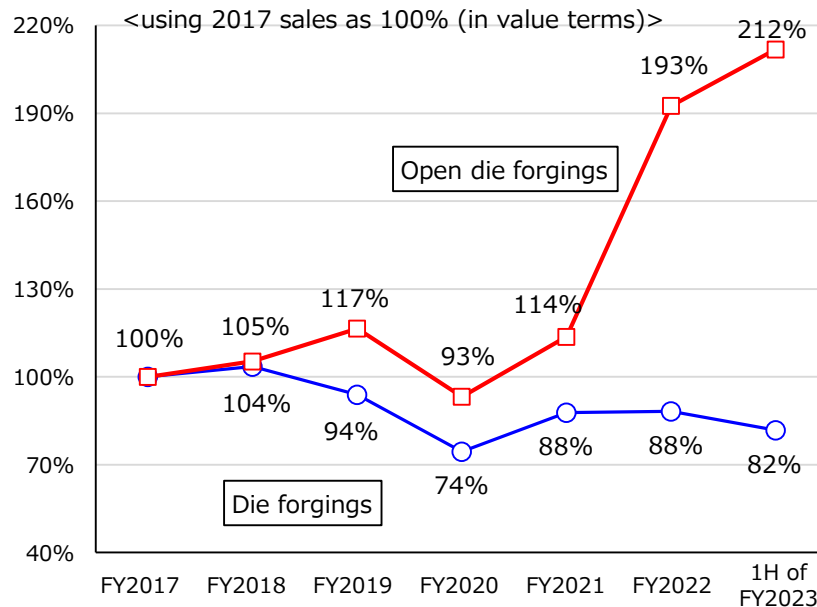
(¥100 million)

	1st half of FY2022	Forecast for 1st half of FY2023 (Announced on April 28)	1st half of FY2023	y/y	Differences from the forecast announced on April 28
	a	b	c	c-a	c-b
Net Sales	495	520	514	19	-6
Operating Income	34	30	26	-8	-4

Changes in Operating Income (¥100 million)



<Sales of die forgings and open die forgings>



POINT 1

Orders from the energy and aircraft sectors remained strong for open-die forgings, and on the whole the planned garnering of operating income was successful.

POINT 2

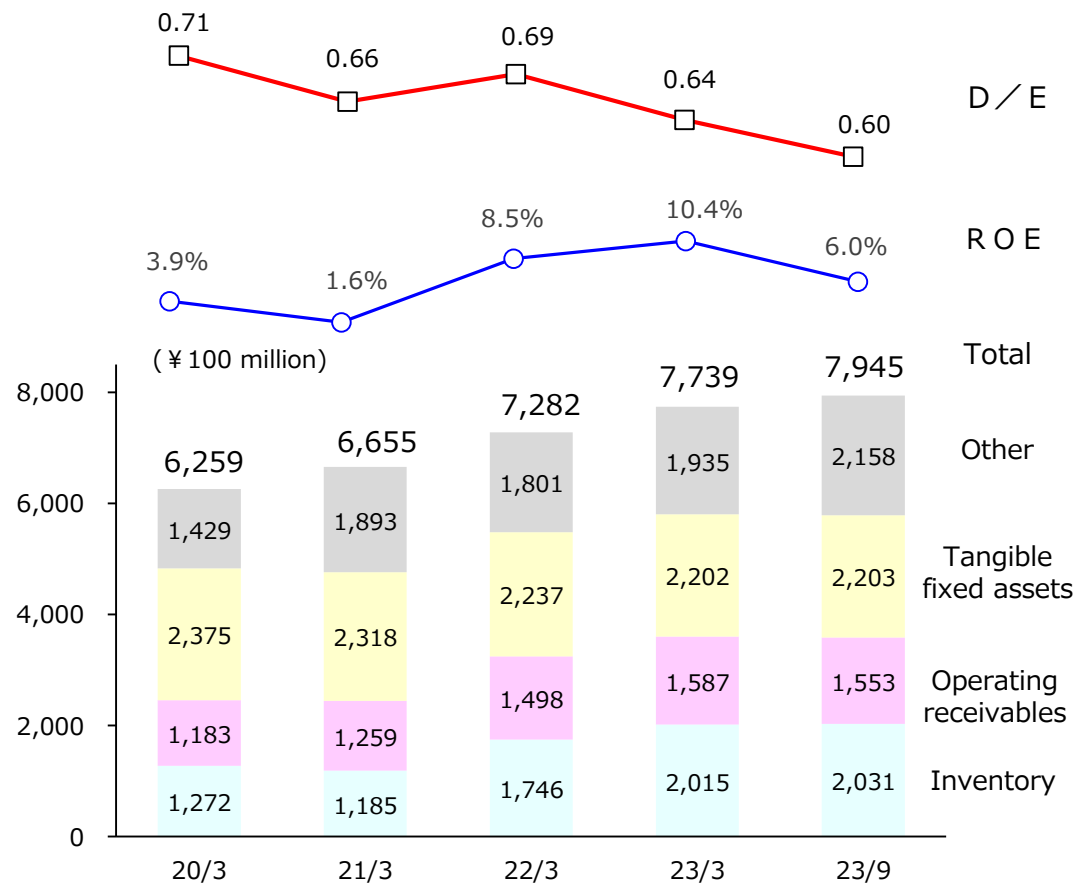
Operating income declined from the previous year because of lower numbers of orders for cold-rolled special steel strip products and precision casting products.

■ Total Assets, Interest-Bearing Debts, and the D/E Ratio

- Total assets increased as a result of investment securities valuation increases.
- We intend to improve our asset efficiency by continuing to reduce our inventory through efficient production methods.

(¥100 million)

	23/3	23/9	Differences from 1H
Current assets	4,281	4,281	0
Cash instruments	582	610	28
Operating receivables	1,587	1,553	-34
Inventory	2,015	2,031	16
Fixed assets	3,458	3,664	206
Tangible fixed assets	2,202	2,203	1
Investment securities	903	1,105	202
Total of assets	7,739	7,945	206
Liabilities	3,684	3,657	-27
Interest bearing debt	2,368	2,346	-22
Net assets	4,055	4,288	233
Shareholders equity	3,687	3,909	222
Non-controlling interest	368	379	11
Total liabilities and net assets	7,739	7,945	206

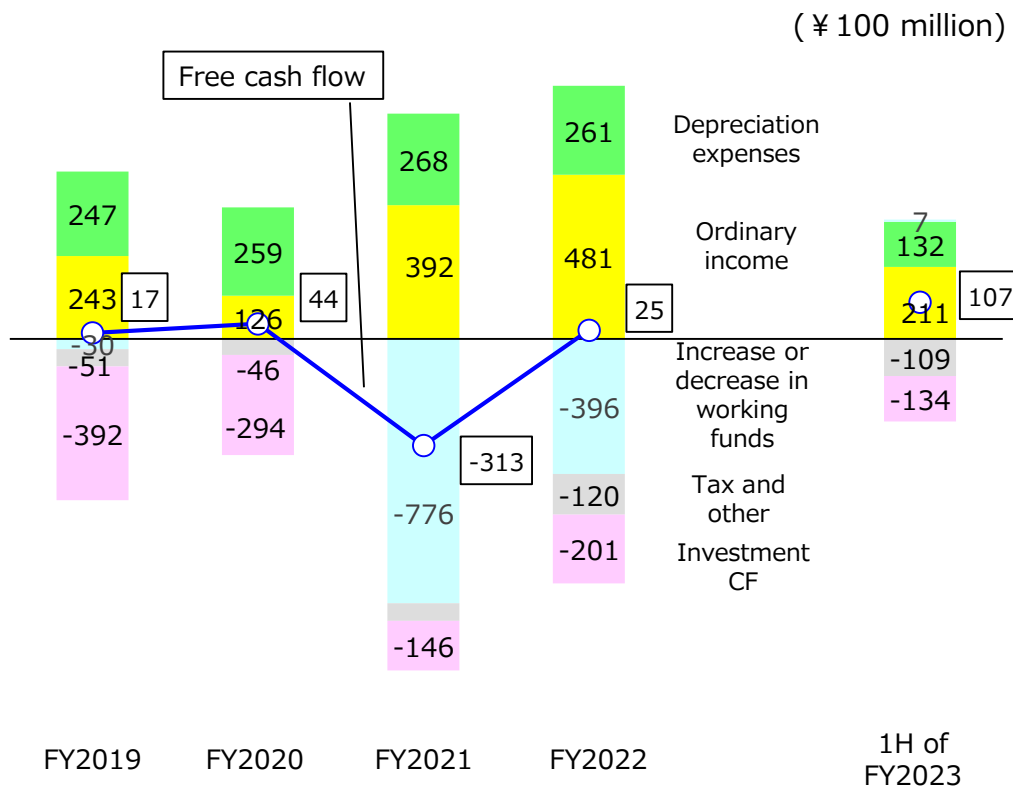


Cash Flow

- Working capital expenditures increased during the periods of FY2021 through FY 2022, due to soaring raw materials and energy costs.
- Free cash flow improved in the first half of FY2023, as the result of increased profits and reduced expenditures of working capital.

(¥100 million)

		FY2022		FY2023	
		First half	Annual results	First half	
Operating CF	Ordinary income	241	481	211	
	Depreciation expenses	130	261	132	
	Increase or decrease in working funds	Accounts receivable	-69	-80	47
		Accounts payable	-39	-59	-43
		Inventory	-257	-257	3
			-365	-396	7
	Tax and other	-82	-120	-109	
		-76	226	241	
Investment C/F	Capital investment	-101	-215	-131	
	Other	-4	14	-3	
		-105	-201	-134	
	Free cash flow	-181	25	107	



Outlook for FY2023 (Apr.1/2023 - Mar.31/2024)

■ Overview of Our FY2023 Revised Plan

Perspectives on the current business environment

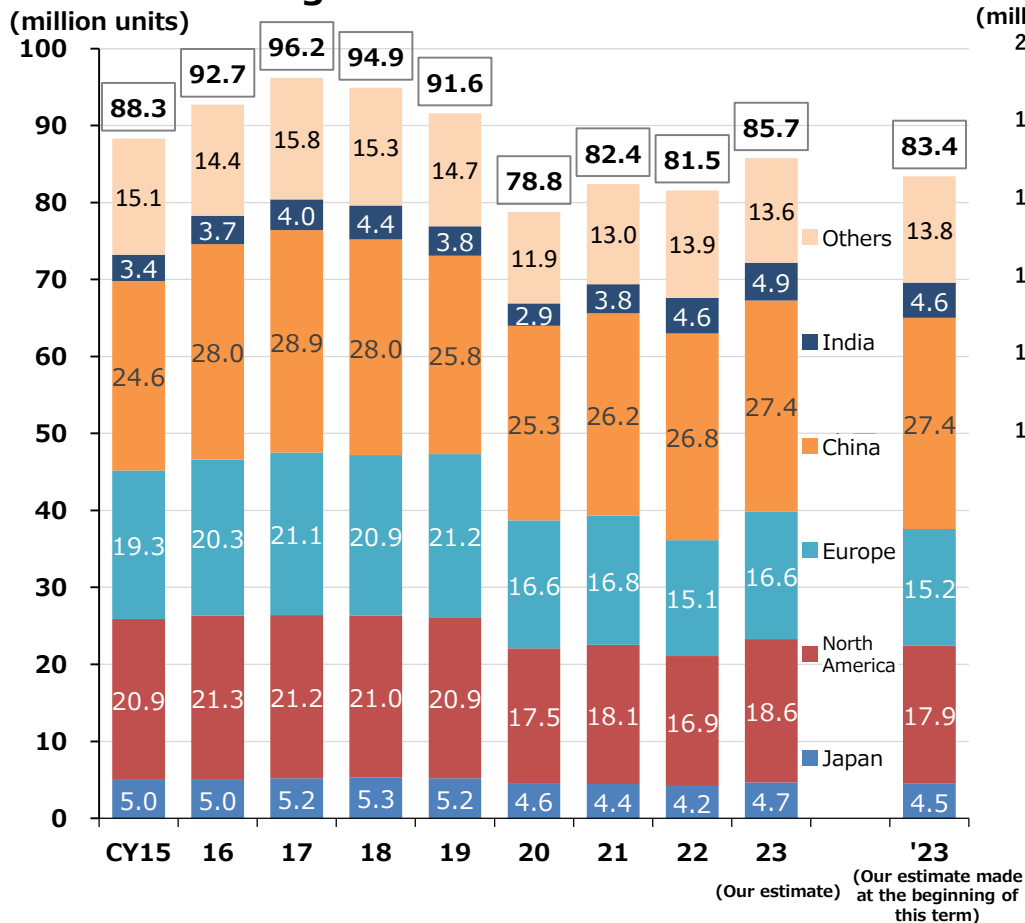
- Automobile production is trending toward recovery, due to the easing of semiconductor supply constraints. We expect automobile-related demand for our products to recover gradually during the second half of FY2023, as initially anticipated.
However, due to sluggishness in the Chinese economy and other factors, industrial equipment-related demand has weakened slightly, as compared with our initial forecast, and we need to keep a close eye on this trend.
- Global inflationary pressures, including not only rising prices for raw materials and fuel but also increases of food prices and wages, will continue to mount in the presence of international instability, which includes the conflicts involving Ukraine and Israel.

Basic management policy

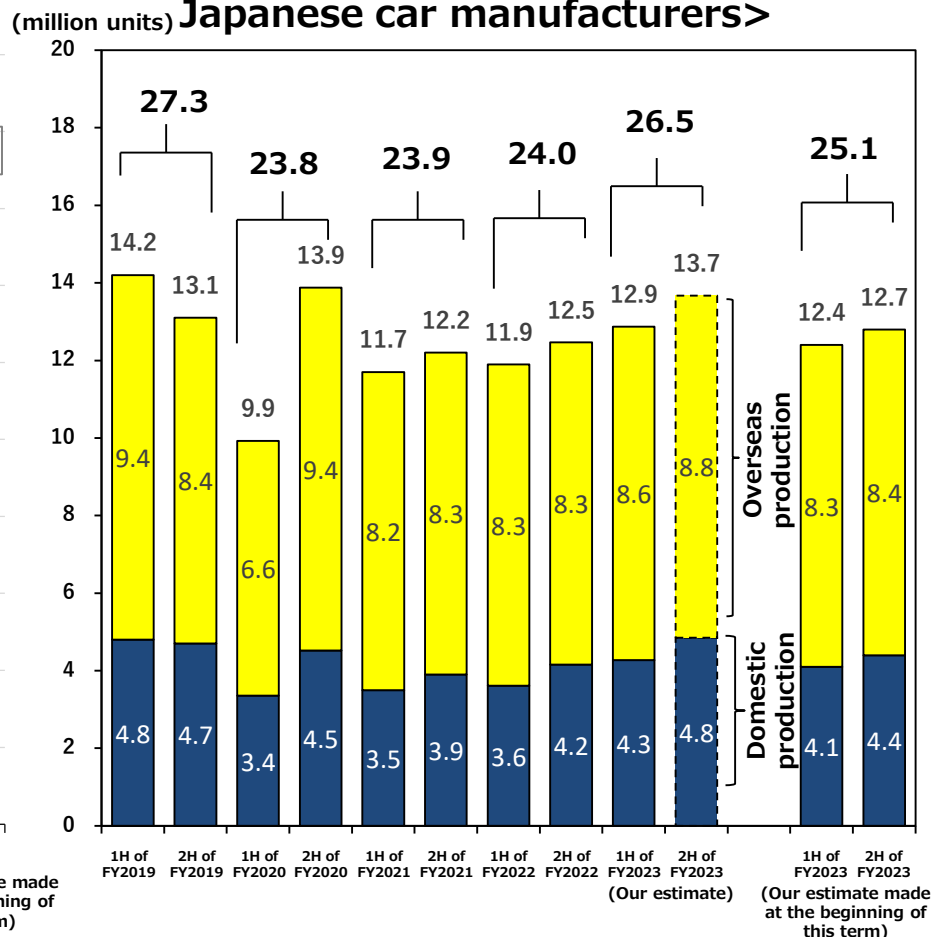
- Negative effects on earnings are caused by a cost-push inflationary environment, where the costs of raw materials, resources and energy rise on a steep curve. To avoid these effects, we are going to attempt to **ensure** sustainable **appropriate margins** by passing on these increases swiftly, including them promptly in the selling prices of our products.
- We intend to **manage our business nimbly, by responding flexibly** to business environment changes. In addition, we are continuing to improve cash flow by taking such necessary measures as reducing our inventories and carefully watching the approach of times of rising prices.
- We continue to take advantage of the weak yen, so we can find opportunities to capture overseas demand for our products. This especially applies to open-die forgings (exporting superalloy products) and titanium products that are now enjoying strong demand.
In addition, we intend to make capital investments as necessary to **increase production flexibility, testing the waters to determine times when demand for our strategic products is about to grow.**

■ Outlook for Major Markets (Automobile-Related Demand)

<Estimated global demand for automobiles>



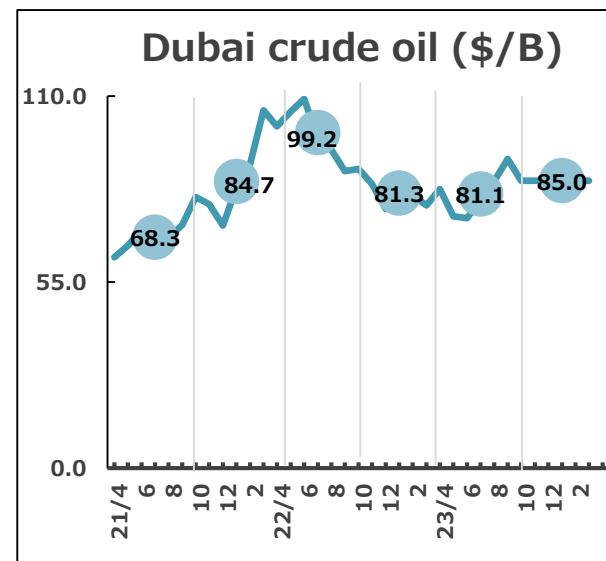
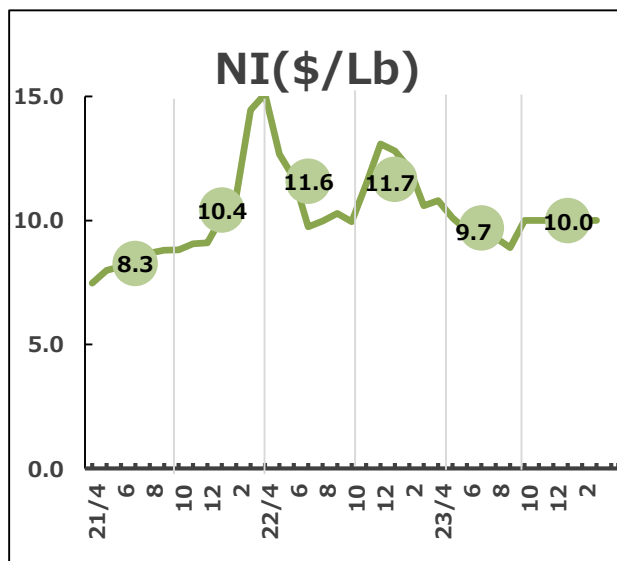
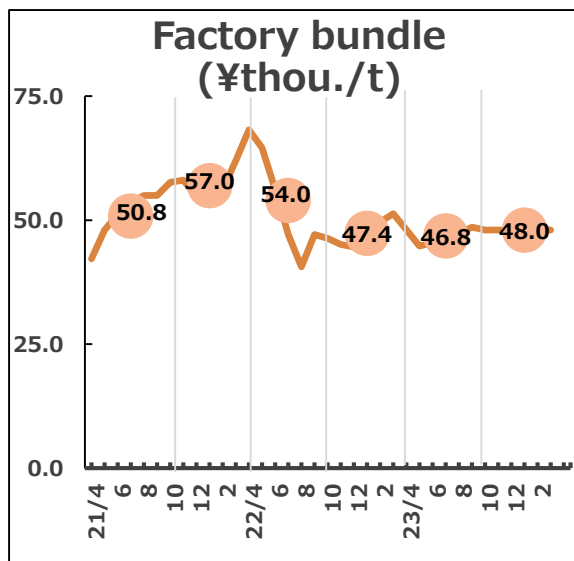
<Prospective car production by Japanese car manufacturers>



The global demand for automobiles and the car production by Japanese car manufactures will be higher than the estimates we made at the beginning of FY2023, due to easing of supply constraints of semiconductors and other parts.

Profit-Planning Premises for FY2023 (Market Trends)

			FY2022 results	Results of 1H of FY2023	Premises of FY2023 2H's plan	
					Differences from forecast (April 28)	
Ferrous scrap	H2	¥thou./t	46.3	42.9	44.0	-7.0
	Factory bundle		50.7	46.8	48.0	-6.0
Nickel	LME	\$/Lb	11.6	9.7	10.0	-2.0
Crude oil	Dubai	\$/B	90.3	81.1	85.0	±0.0
Exchange rate	TTM	yen/\$	135.5	140.9	145.0	+15.0



Consolidated Earnings Outlook for FY2023

- Sales volume will decline compared with the forecast announced on April 28. However, operating income is expected to be as planned, due to the fact that market prices for fuels and raw materials such as ferrous scrap were lower than was estimated at the beginning of the term.
- Operating income, as compared with the previous year, is expected to continue on at the same level, because the increases we've made in selling prices will make up for the declines in sales volumes caused by stainless steel inventory adjustments.

(thou. tons, ¥100 million)

	FY2022 results			Forecast for FY2023			y/y	Differences from the forecast (April 28)
	First half	Second half	Total	First half	Second half	Total		
Sales Volume of Steel	540	545	1,085	529	547	1,076	-9	-53
Net Sales	2,819	2,967	5,786	2,886	3,114	6,000	214	0
Operating Income	232	238	470	190	280	470	0	0
Ordinary Income	241	240	481	211	274	485	4	0
Extraordinary Profit and Loss	▲ 4	16	12	▲ 27	27	-	-12	0
Corporate Tax and Other Taxes	▲ 54	▲ 75	▲ 129	▲ 69	▲ 96	▲ 165	-36	0
Net income attributable to owners of the parent	183	181	364	115	205	320	-44	0

Net sales & Operating Income by Segment (Y/Y and Differences from the Forecast)

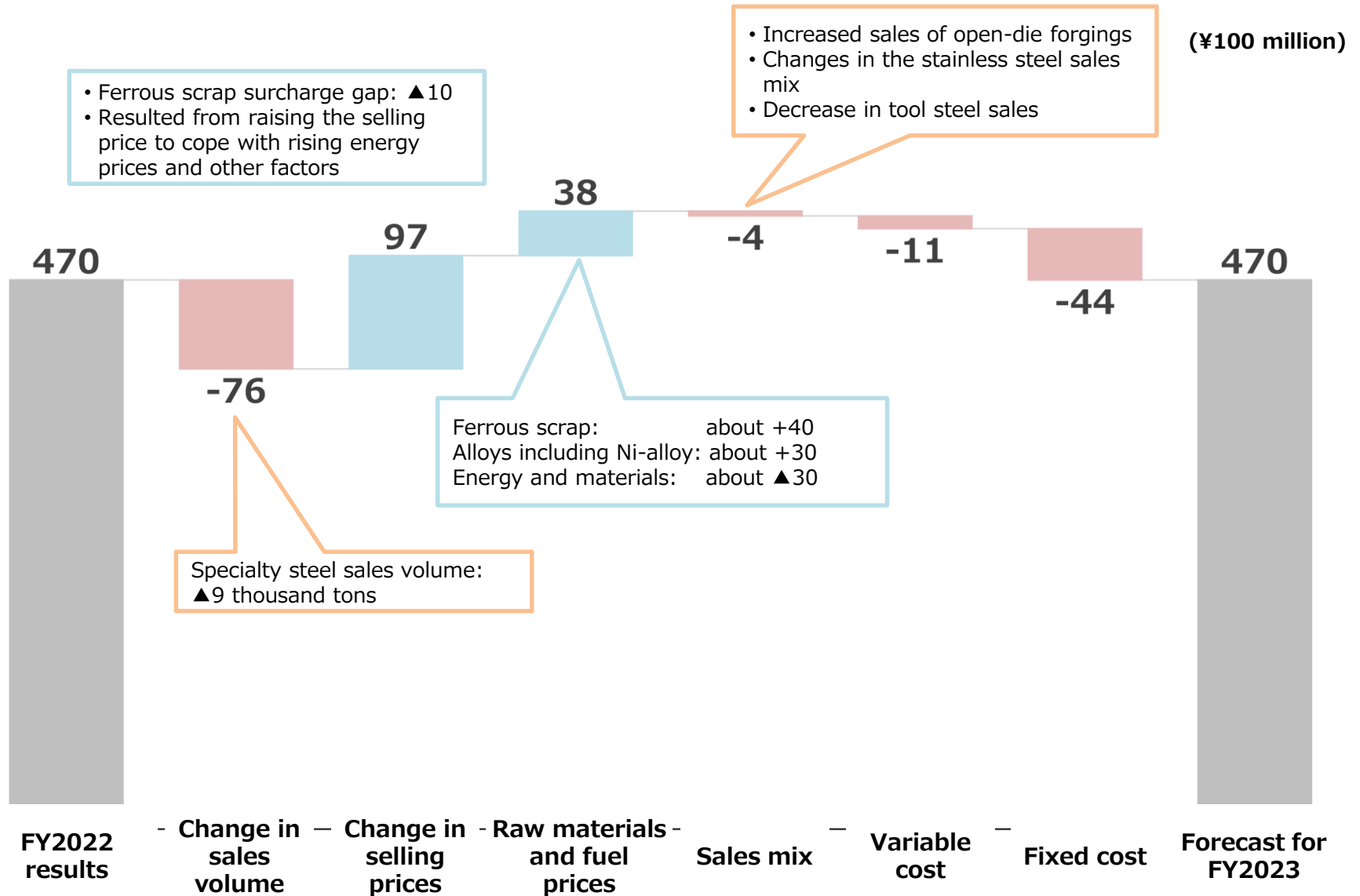
(¥100 million)

	FY2022 results		Forecast for FY2023						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	2,148	98	1,089	63	1,181	72	2,270	135	122	37	-50	0
High-Performance Materials and Magnetic Materials	2,197	243	1,026	71	1,074	119	2,100	190	-97	-53	-100	-25
Parts for Automobiles and Industrial Equipment	1,012	82	514	26	626	74	1,140	100	128	18	80	15
Engineering	190	14	110	11	120	4	230	15	40	1	40	5
Trading and Service	239	33	147	19	113	11	260	30	21	-3	30	5
Total	5,786	470	2,886	190	3,114	280	6,000	470	214	0	0	0

(thou.t)

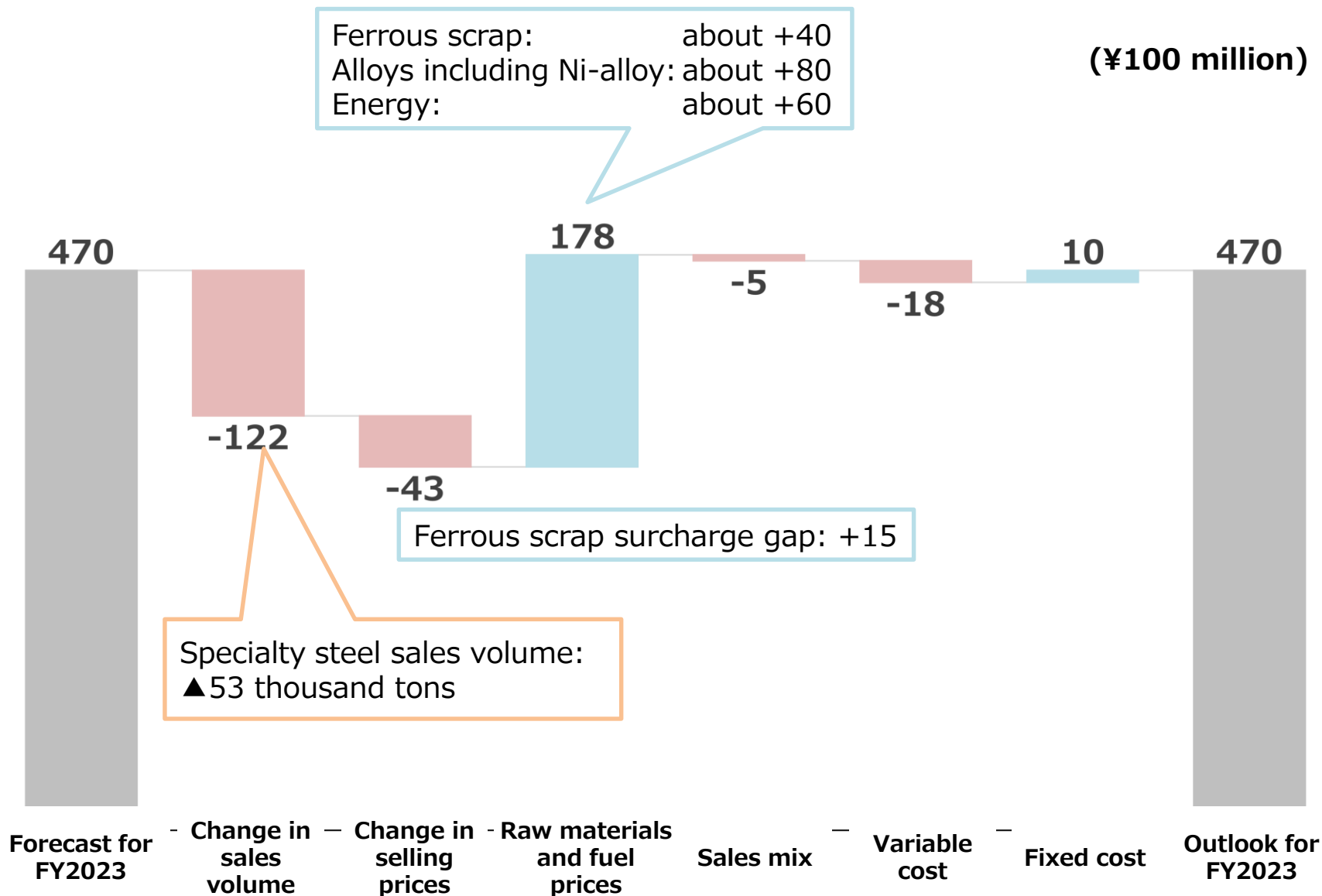
Sales Volume of Specialty Steel (non-consolidated)	1,085	529	547	1,076	-9	-53
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Changes in Operating Income for FY2023 (Y/Y)



Changes in Operating Income for FY2023 (Differences from the Forecast Announced on April 28)

(¥100 million)



Overview by Segment

Specialty Steel

(¥100 million)

	FY2022 Total	FY2023			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	2,148	1,089	1,181	2,270	122	-50
Operating Income	98	63	72	135	37	0
Slide Gap	14	1	3	4	-10	15

POINT

- Despite tool steel inventory adjustments and decreased demand for our industrial equipment-related products, on the whole we expect automobile production to undergo a moderate recovery,
- We expect to secure the originally planned profit by passing increased energy costs on in the selling prices of the products, and by promoting efficient production at the plants.

High-performance Materials and Magnetic Materials

(¥100 million)

	FY2022	FY2023			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	2,197	1,026	1,074	2,100	-97	-100
Operating Income	243	71	119	190	-53	-25

POINT

- Operating income is expected to decrease, as compared with the forecast, due to a decrease in shipments of various products.
- However, stainless steel inventory adjustment in the second half of FY2023 will progress in stages, as automobile production recovers.

Parts for Automobiles and Industrial Equipment

(¥100 million)

	FY2022	FY2023			y/y	Differences from the forecast (April 28)
		First half	Second half	Total		
Net Sales	1,012	514	626	1,140	128	80
Operating Income	82	26	74	100	18	15

POINT

- Both sales and operating income are expected to exceed the forecasts made at the beginning of the term, because orders for open-die forgings remain strong and demand for automobile-related products is also on a recovering path.

■ About the Stock Split

The Board of Directors resolved to conduct a stock split (on October 30, 2023) in order to improve the company's stock liquidity and expand the investor base.

[Outline of the Stock Split]

The method of the split: The company's stock will be split in the ratio of 5:1.

Record date: December 31, 2023

Effective date: January 1, 2024

[The purpose of the stock split]

This will reduce the size of the investment unit to a level that makes it easier for investors to hold shares over the medium to long term, taking into account the introduction of the new NISA system in 2024 in Japan.

Dividend per Share

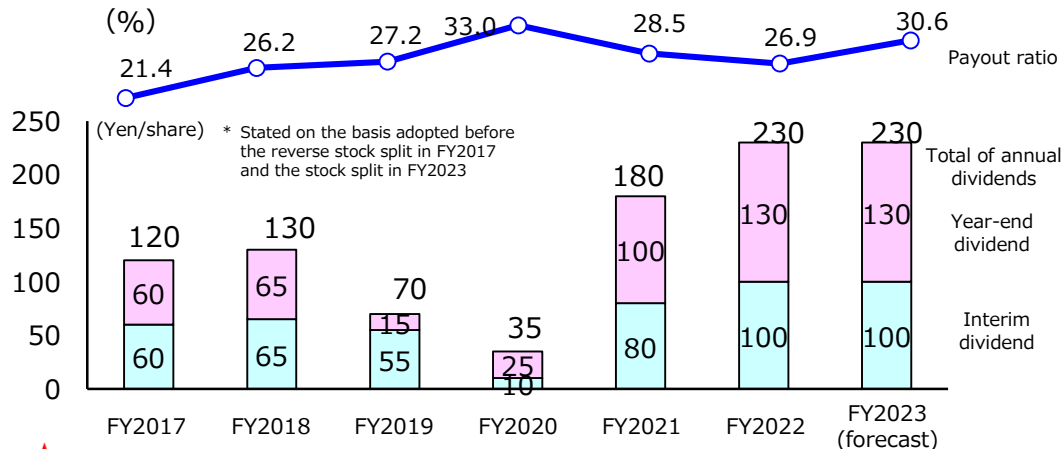
	FY2022		FY2023 (Forecast)	
	Interim	Year-end	Interim	Year-end
Ordinary Income (¥100 million)	241	481	211	485
Net Income *1 (¥100 million)	183	364	115	320
Dividend per Share (¥/Share)	100	230	100	230 (End of term after stock split: 26)
Payout Ratio (%)	23.3	26.9	37.2	30.6

* 1 . Net income attributable to owners of the parent

Dividend payout ratio excluding one-off effects (*2)

Dividend payout ratio (%)	26.6	29.5	30.1	30.6
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*2. Profits or losses due to the "Japanese Group Relief" system, capital gains on securities or fixed assets, losses on the liquidation of our affiliated company and impairment losses on fixed assets are excluded.

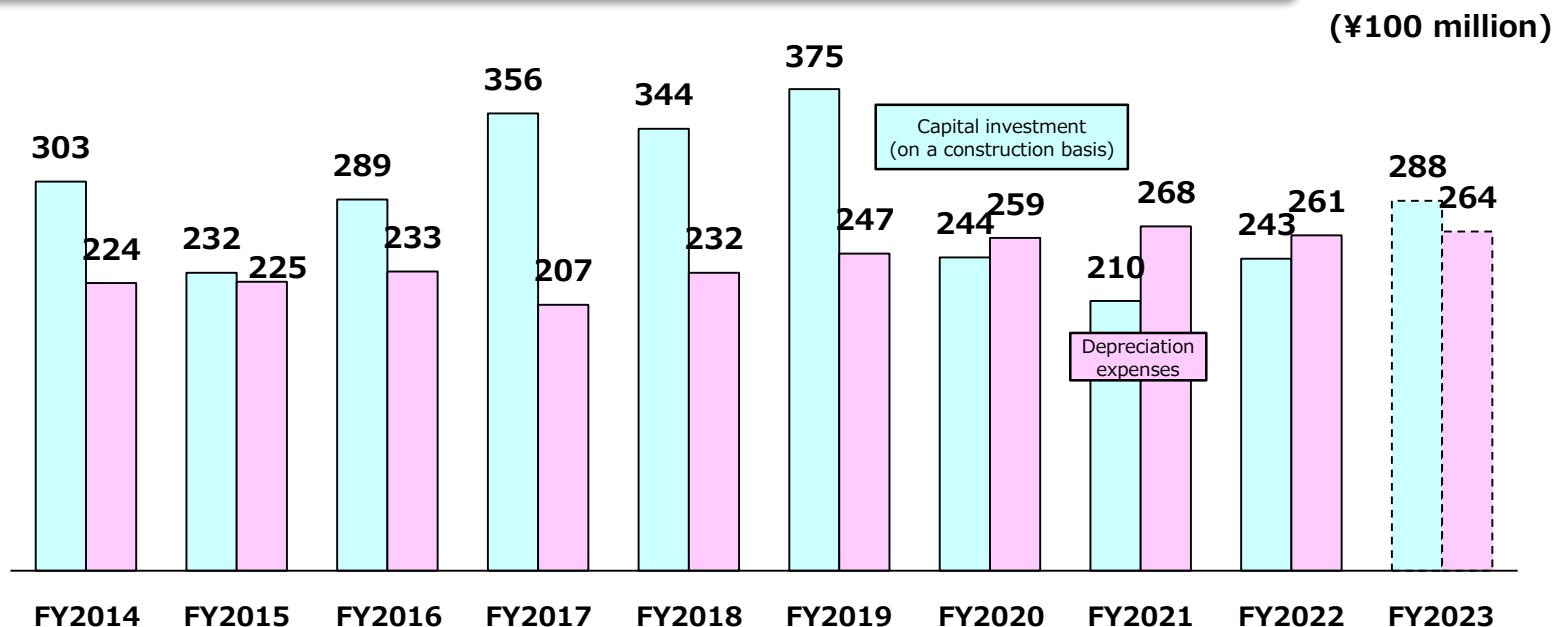


We aim to maintain a dividend payout ratio of 30%, taking into account our current financial situation, future strategic investments, the amount of investment required to attain future carbon neutrality, and the effects of various one-off factors on our earnings.

Capital Investments

- We will continue to invest capital at high levels. This will include making strategic investments (portfolio reform) in fast-growing fields, investments to support CO₂ emissions reduction activities, enhancement of our operational capacity and basic underpinnings (such as cost reductions and productivity improvements, BCP, and emergency response preparedness).
- We will enhance IT investments (including means of visually monitoring operations on the production floors), strengthening quality management and reforming work practices, and preparing for DX (digital transformation).

Changes in capital investment and depreciation expenses



Topics

Prospects for Our Stainless Steel Business

	Conditions in the 1H of FY2023	Outlook for recovery
Stainless steel for semiconductor manufacturing equipment	Sales volume decreased from the previous year due to the bottom of the semiconductor cycle.	The semiconductor market will show signs of recovery during the period from April to June of 2023. We expect orders for our products to bottom out in the October to December period of FY2023 and begin to recover in FY2024.
Stainless steel for automobile parts and other uses	The production of stainless steel for automobile parts is trending toward recovery, but inventory adjustment in the supply chain is continuing. Sales volume decreased from the previous year.	Stainless steel sales, including for automobile parts, will recover, reflecting actual demand. But, stainless steel for industrial equipment parts sales are expected to undergo gradual recovery during FY2023's 2H because of continued inventory adjustments in this sector.

Figure: Semiconductor sales (WSTS) and changes in the number of orders for our semiconductor manufacturing equipment stainless steel (including the rate of change curve for the same period in the previous year)

- ① Semiconductor sales (WSTS) show signs of recovery during the period from April to June, 2023.
- ② Orders for stainless steel for semiconductor manufacturing equipment are expected to bottom out in October-December of FY2023 because of a delay in the timing of adjustments relative to semiconductor sales.

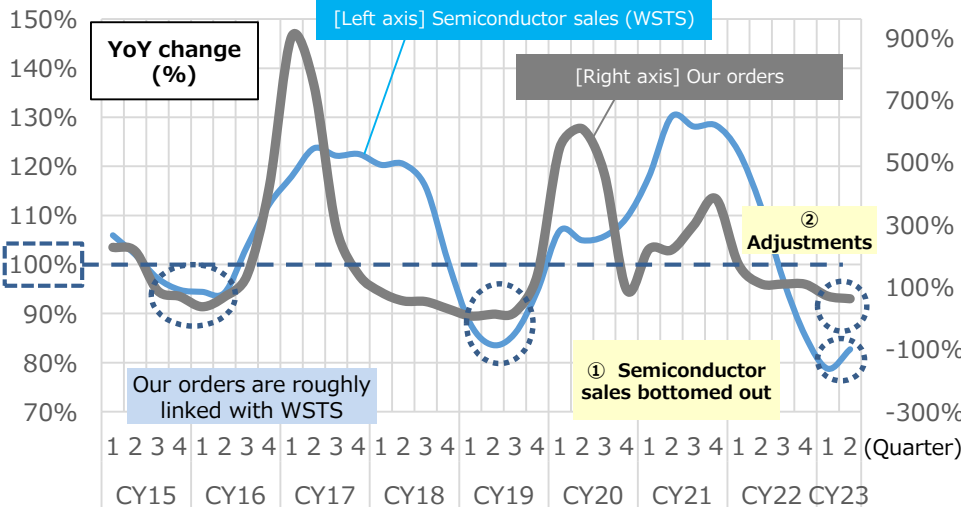
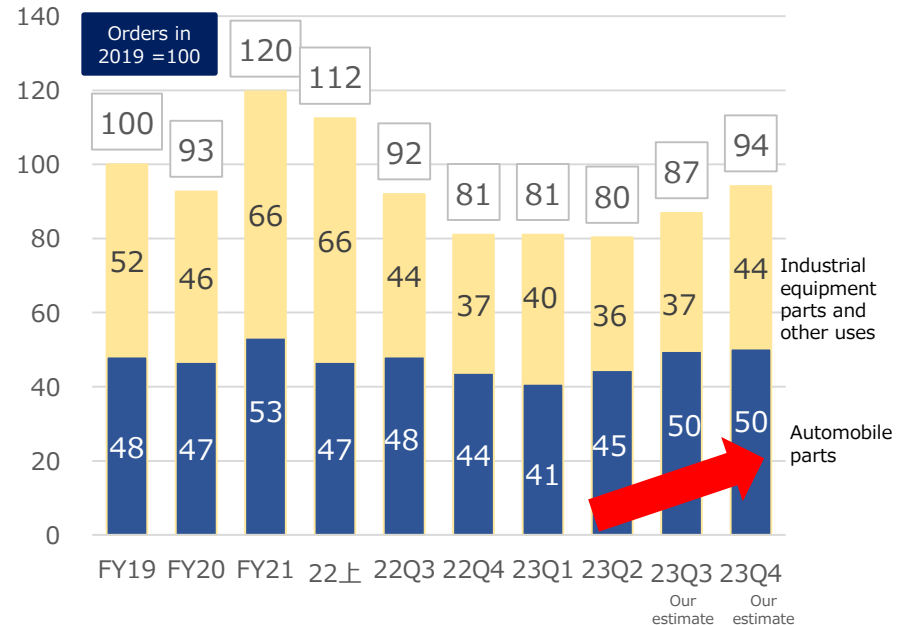


Figure: Changes in the number of orders for our stainless steel products, excluding for semiconductor manufacturing equipment (Orders in 2019 = 100).



Our Magnet and Titanium Businesses

Topics related to our magnet business

Liquidation of Daido Electronics (Suzhou) Co., Ltd.

- Due in part to sluggish demand caused by changes in automotive component mechanisms, this company was liquidated and its production of magnets was consolidated into our magnet production base in Japan (Daido Electronics Co., Ltd.).

The consolidation of magnet production will have almost no impact on our net sales. The impact on profit-&-loss, such as expenses associated with the production base consolidation (as far as they are known as of the second quarter of FY 2023), has already been fully included in our financial statements.

Advisor Masato Sagawa was awarded the Queen Elizabeth for Engineering Prize and attended a ceremony to bestow the prize on October 12, 2023.

- Announcement of the award was made in February 2022, in recognition of his invention, development, and worldwide commercialization of the "neodymium magnet", the world's strongest permanent magnet.
- The award ceremony was held at Buckingham Palace in London.



Mr. Sagawa (right) receives recognition from King Charles.



Mr. Sagawa holding the trophy

Expanding our titanium business

Orders for our titanium products are expected to increase by a factor of 1.6 in FY2023 and by 2.1 in FY2030, as compared with FY2018.

Figure: Estimates for titanium product orders
(Orders in 2018 = 100)



- Orders for our titanium products are strong, partly due to the diversification of the supply chain.
- The combined results for 1Q and 2Q of FY2023 were the **highest titanium sales and profits** since 2010.
- Medical titanium products are expected to **expand over the medium to long term**, due to the global population growth and the need to meet demand for advanced medical care.
- We aim to achieve a 20% share of the global market for medical titanium products by 2030. We are currently around 10%, according to our research.
Competitors: Titanium product manufacturers in the U.S., Russia, and some other countries

[Our titanium product materials]

- Biomaterials: artificial bone, and artificial joint and tooth materials
- Equipment materials: For making energy devices, dental handpieces, etc.



Expanding Our Engineering Business

- **We aim to expand our engineering business in the medium- to long-term range, against the backdrop of the increasing need for achieving a decarbonized society.**

We anticipate expanded orders for advanced low-CO₂ equipment, such as electric arc furnaces.

→ Capture demand from blast furnace steel manufacturers for electric arc furnaces and take advantage of the expansion of the market for electric arc furnaces used for ordinary steel

- **Develop products from the user's perspective, by integrating improved technologies for both operation and equipment.**
- **Contribute to sustainability by providing energy-saving equipment.**

Delivery track record and market share of our electric arc furnaces and refining furnaces (according to our survey)

■ Electric arc furnaces

- Delivery track record: a total of 241 units (since 1950)
- Top domestic market share (1/3 of the Japanese market share)

■ Ladle furnaces (LF)

- Delivery track record: a total of 73 units
- Top domestic market share (2/3 of the Japanese market share)

Delivery track record and market share of our heat treatment furnaces (according to our survey)

■ Vacuum sintering furnaces

- Delivery track record: a total of 137 units
- Top domestic market share for rare earth magnets in Japan, according to our company's survey.

■ Protective atmosphere annealing furnace (STC furnace)

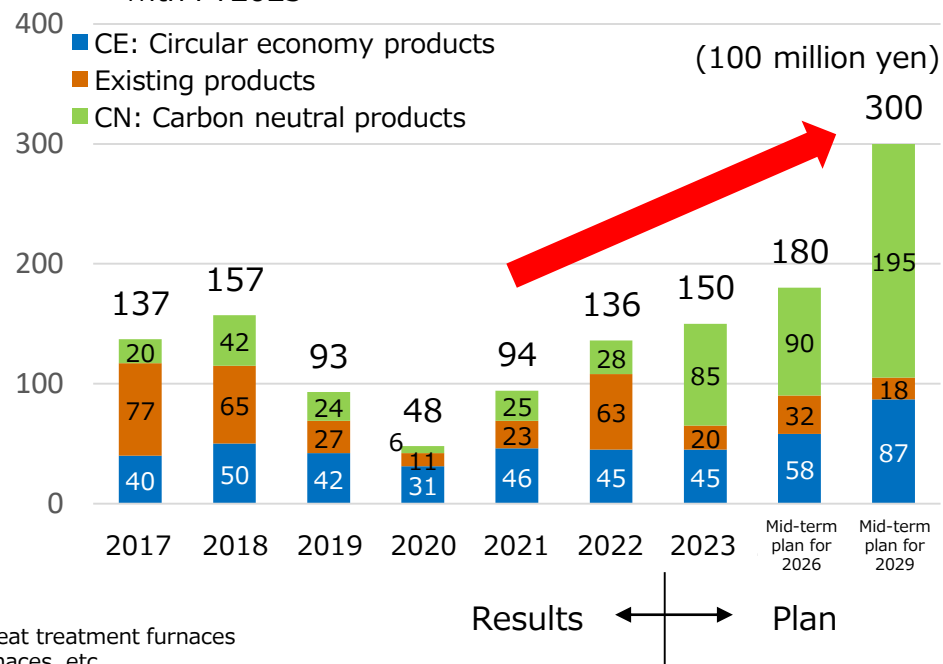
- Delivery track record: a total of 360 units
- Top domestic share for specialty steel heat treatment furnaces, according to our company's survey

CN (Carbon Neutral) products: Electric arc furnaces with rotating drives (STARQ), heat treatment furnaces (the premium STC furnace), vacuum carburizing furnaces, etc.

CE: (Circular Economy) products: Sewage sludge carbonizing furnaces, electric furnace dust recycling furnaces, maintenance services, etc.



Figure: Engineering business order-receipt plan (non-consolidated)

Goal: to increase orders by 15 billion yen, as compared with FY2023



■ Strategic Investments in Fast-Growing Areas

We are making strategic capital investments in areas that are expected to grow rapidly, such as **high-performance stainless steel, superalloys, and titanium products.**

	Details of capital investments	Inside the plant
<p>Enhance the VAR (vacuum arc remelting) furnace: High-performance stainless steel Superalloys</p>	<p>Increase our capacity for manufacturing stainless steel for semiconductor manufacturing equipment and superalloy materials</p> <ul style="list-style-type: none"> ■Install a VAR furnace in the Shibukawa Plant This will increase our manufacturing capability for such products by 10%. Amount of investment: about 800 million yen Start of operation: Sep. 2023 ■Install two VAR furnaces in the Chita Second Plant This will increase our manufacturing capability for such products by 20%. Amount of investment: about 5.2 billion yen (including incidental equipment) Period during which the equipment starts operating: End of 2024 	 <p>VAR furnace installed in the Shibukawa Plant</p>
<p>Enhance the VAR (vacuum arc remelting) furnace: Titanium products (for medical use)</p>	<p>Increase our capacity for manufacturing titanium products to meet the increasing number of orders for such products</p> <ul style="list-style-type: none"> ■Install a VAR furnace for titanium products in the Chita Second Plant Amount of investment: about 2.1 billion yen (including incidentals) Period during which the equipment starts operating: End of 2024 	<p>Titanium product inspection equipment [Ultrasonic testing machine] Scheduled to be installed in January 2024 (at the Hoshizaki Plant)</p>
<p>Improve the manufacturing process for difficult-to-machine wire materials: i.e., superalloys, titanium products, etc.</p>	<ul style="list-style-type: none"> ■Enhance the rolling line at the Hoshizaki Plant Improve our competitiveness in difficult-to-machine wire materials, such as superalloys and titanium products Amount of investment: about 200 million yen Period during which the equipment starts operating: November, 2024 	

■ The Present Status of Our Approach to Promoting Hydrogen Utilization

We have participated in a cross-industry initiative program and installed hydrogen evaluation equipment in order to promote the use of hydrogen energy to bring about carbon neutrality.

Participation in the Hydrogen Utilization Study Group in Chubu

"The Hydrogen Utilization Study Group in Chubu"

This Group undertook the first effort in Japan to conduct industry-wide cross-sectional investigation into the utilization of hydrogen.

- Established: March 2020
 - Objective:
This Group studies the potential for large-scale utilization of hydrogen in the Chubu region, with the aim of building a supply chain that can meet increased demand and support stable utilization.
 - Goal: Implementation of the large-scale use of hydrogen by 2030 (200,000 tons per year).
- ⇒ By participating in this study group, we will contribute to the **expansion of hydrogen demand in the Chubu region** and the **construction of a hydrogen supply chain**.

Installation of equipment to test materials used in the high-pressure hydrogen gas atmosphere furnace

- Purpose: To promote research into and development of hydrogen-resistant materials
- Amount of investment: About 600 million yen
- Location of the equipment installation:
Hydrogen Energy Test and Research Center (HyTRec)

Hydrogen causes the deterioration of metallic materials. We use this equipment for in-house materials evaluation as we work to develop hydrogen-resistant materials.



High-pressure hydrogen gas atmosphere furnace materials testing machine (Outside pressure type)



Exposure test equipment

■ Promotion of Asset Efficiency

- We intend to sell off idle assets that we hold as a move toward effective asset utilization.
- We will use the funds obtained by selling unused assets to make aggressive investments that help us attain carbon neutrality.

☆ Selling strategically-held shares

- ✓ We plan to sell strategically-held shares during the second half of FY2023, including deemed holdings of equity securities, to lower the ratio of this type of shares to net assets to 20% or less, by the end of March, 2024.

<The ratio of strategically-held shares to our net assets in value terms as of the end of March, 2023>

	Investment securities	Net assets	Ratio of strategically-held shares to net assets in value terms
Strategically-held shares only	71.8 billion yen	405.5 billion yen	17.7%
Including deemed holdings of equity securities	98.9 billion yen	405.5 billion yen	24.3%

☆ Other assets (real estate)

- ✓ Regarding assets other than the strategically-held shares mentioned above, such as real estate, we are also considering capitalizing these, with an eye to improving the effective use of resources and the efficiency of our asset management.

■ Our Approach to ESG

- We published an Integrated Report in September 2023.
- We plan to hold an in-person ESG explanatory meeting on December 19, starting at 14:30, at the Tokyo Head Office. The meeting will also be live streamed on our website.

E	1 Global environmental protection (Business activities)	<ul style="list-style-type: none"> ➤ Reducing CO₂ emissions [Target: 50% reduction by 2030 and attainment of carbon neutrality by 2050] ➔ We succeeded in <u>reducing CO₂ emissions by 21%</u> in FY2022, by conserving energy and using <u>CO₂ free electricity</u>. ➤ We are working to obtain third-party certification of CO₂ emissions for each product. ➤ We participated in the Hydrogen Utilization Study Group in Chubu in August 2023. ➤ We participated in the GX League in April 2023.
	2 Global environmental protection (Supply products)	<ul style="list-style-type: none"> ➤ Developing new technology that contributes to the effective use of resources, such as an <u>ultra high temperature carbonization furnace</u> The development of this technology was selected for the Ministry of Land, Infrastructure, Transport, and Tourism's 2023 "Breakthrough by Dynamic Approach in Sewage High Technology Project" (the B-DASH Project). We will demonstrate the CO₂ reduction effect, etc. of the technology, and expand its use.
S	3 Social responsibility and contributions to human well-being	<ul style="list-style-type: none"> ➤ Respect for human rights ➔ We announced the Group's Basic Policy on Human Rights in February 2023. In addition, we are pursuing our 2023 Human Rights Due Diligence activities to increase our employees' awareness of the importance of human rights. <u>We endorsed and signed the United Nations Global Compact (UNGC), and joined the Global Compact Network Japan (GCNJ) in July 2023.</u> ➤ Promoting ESG activities in our supply chain ➔ <u>We conducted an investigation to examine both the current CO₂ emissions data and the risk that there might be human rights violations within our supply chain.</u>
G	4 Enhancement of sound corporate governance	<ul style="list-style-type: none"> ➤ Our approach to preventing bribery ➔ We announced the Group's Anti-Bribery Policy in June 2023. We are also planning to develop action guidelines to promote understanding of the importance of overcoming the occurrence of bribery in business.

Our Approach to ESG

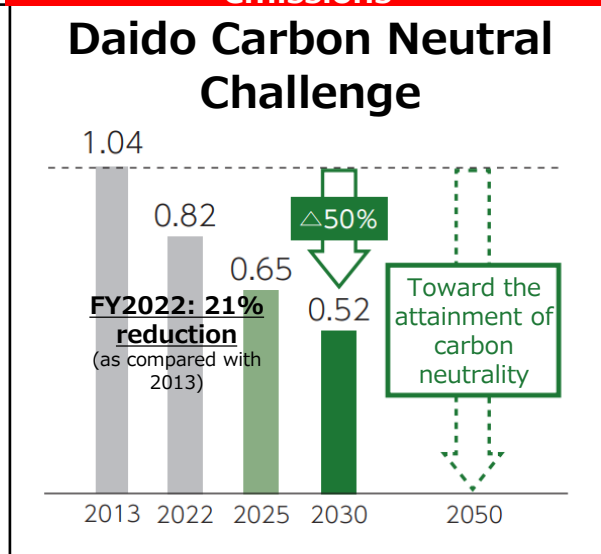
The present status of our participation in the initiatives

<p style="text-align: center;">TCFD</p>  <p style="text-align: center;">Endorsement in November 2021 Disclosures since June 2022</p>	<p style="text-align: center;">The GX League</p>  <p style="text-align: center;">Endorsement of the basic concepts in March 2022 Participation in the GX League in April 2023</p>	<p style="text-align: center;">The 30by30 Alliance for Biodiversity</p>  <p style="text-align: center;">Participation in September 2022</p>
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Social evaluation of our participation in the ESG initiatives

<p style="text-align: center;">CDP</p>  <p style="text-align: center;">2022 scores: Our climate change evaluation: B Our water security evaluation: B</p>	<p style="text-align: center;">Aichi Biodiversity Company Certification Program</p>  <p style="text-align: center;">あいち生物多様性 認証企業 Certified in November 2022</p>
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Our approach to reducing CO₂ emissions



■ Toward the Target of Achieving a PBR of 1x

	Mid-term management plan	FY2022 results	FY2023 plan
Operating income (100 million yen)	≥400	470	470
ROE	8.0%	10.4%	8.4%

[Major Achievements in fulfilling the 2023 Mid-Term Management Plan]

- Expanded sales of high-value-added products including open-die forgings, high-performance stainless steel, and titanium products
- Raised selling prices to compensate for increases in energy costs and to ensure appropriate margins.
- Withdrew from unprofitable businesses and concentrated management resources on fast-growing areas (restructuring our die-forging business and liquidating the tool steel production base)
- Promoted sales of strategically-held shares (reduced the net asset ratio to less than 20% as of the end of FY2023, including deemed holdings of equity securities)
- Promoted ESG-based management (increased the ratio of renewable energy and established the Group's human rights policy, among other things.)
- Raised the dividend payout ratio to 30% as a guide (20-25% had been proposed in the 2020 mid-term management plan)

Measures to improve PBR

Increasing ROE

- **Ensuring medium- to long-term returns (profits) by investing in fast-growing areas**
We will capture demand for our products, such as open-die forgings, high-performance stainless steel, titanium products, and engineering products, in fast-growing areas.
- **Effective use of assets**
We will perform appropriate inventory management and capitalization of strategically-held shares and idle real estate into funds
- **Dividend policy**
Based on the principle of maintaining a stable return of profit to investors, we will determine the dividend payout ratio by taking into consideration medium- to long-term investments, profit levels, and financial positions.

Non-financial strategies and fostering expectations for growth

- **Promoting ESG responses**
 - E: Implement the Carbon Neutral Challenge program (Reduce CO₂ emissions by 50% by 2030)
 - S: Promote human capital management and diversity (Integrate this with the next mid-term management plan)
 - G: Strengthen our corporate governance
- **Disseminate information by strengthening our PR, IR, and SR activities**
This information includes non-financial information, such as our progress on ESG activities.
Strengthen information dissemination
Conduct dialogues through various IR events

Specific future numerical targets will be announced in the next mid-term management plan.

■ Promoting Corporate PR Activities

We have created a corporate concept video to promote widespread recognition of Daido Steel as a successful and responsible corporate entity. From mid-August to September of this year, we placed advertisements on TV, in digital media, newspapers, transportation routes, and other media.



Fact Book

Fact Book : Financial Highlights

Consolidation

(¥1 million)

	19/3	20/3	21/3	22/3	23/3	18/9	19/9	20/9	21/9	22/9	23/9
Net sales	543,255	490,421	412,722	529,667	578,564	269,643	252,476	179,490	255,224	281,857	288,594
Operating income	33,815	24,768	10,070	36,982	46,986	16,752	13,711	▲3,531	19,156	23,225	19,003
Ordinary income	34,343	24,298	12,642	39,200	48,122	17,569	13,711	▲2,112	20,556	24,092	21,083
Net income	21,182	10,987	4,516	26,894	36,438	10,759	11,257	▲2,318	12,840	18,294	11,465
R&D expenses	5,638	6,002	4,722	5,785	6,255	2,788	2,896	2,185	2,694	3,092	3,095
Capital investment (Plan)	37,200	25,300	12,500	25,500	34,900	18,800	15,100	7,500	13,150	9,000	9,000
Capital investment (Construction)	34,413	37,529	24,448	21,027	24,284	15,027	22,092	13,955	10,172	11,077	12,808
Depreciation	23,171	24,662	25,912	26,797	26,054	11,453	12,022	12,794	13,469	12,988	13,182
Financial account balance	1,606	1,297	806	1,326	1,544	584	656	459	693	828	844
Total assets	650,697	625,899	665,506	728,187	773,851	661,998	651,112	621,997	686,373	757,206	794,523
Equity	285,508	273,561	303,143	329,713	368,718	291,948	293,276	276,815	315,674	343,043	390,894
Interest-bearing debt	174,998	193,881	198,812	229,090	236,761	174,928	185,536	207,302	210,608	250,076	234,558
Payroll number	12,421	13,436	13,109	12,605	12,422	12,559	13,775	13,474	12,838	12,668	12,096
ROA(%)	5.3	3.8	2.0	5.6	6.4	5.4	4.2	▲0.7	6.1	6.5	5.4
ROE(%)	7.4	3.9	1.6	8.5	10.4	7.5	7.8	▲1.7	8.3	10.9	6.0
Consolidated subsidiary number	38	65	66	62	63	38	65	68	65	62	64
(Equity method affiliate number is excluded from the above.)	(6)	(9)	(9)	(8)	(8)	(6)	(9)	(9)	(9)	(8)	(8)
Ratio of the consolidated to the non-consolidated											
Net sales	1.6	1.6	1.7	1.5	1.5						
Ordinary income	1.4	1.2	1.4	1.6	1.3						
Net income	1.3	1.0	0.7	1.2	1.3						

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

Fact Book: Net Sales & Operating Income by Segment

Consolidation

<New segment (From April in 2012)>

(¥1 million)

		19/3	20/3	21/3	22/3	23/3
Specialty Steel	Net Sales	2,078	1,817	1,458	1,978	2,148
	Operating Income	60	52	▲ 26	38	98
High-Performance Materials & Magnetic Materials	Net Sales	1,846	1,674	1,494	1,976	2,197
	Operating Income	207	136	122	267	243
Parts for Automobile & Industrial Equipment	Net Sales	1,099	973	808	925	1,012
	Operating Income	23	4	▲ 21	50	82
Engineering	Net Sales	275	266	202	182	190
	Operating Income	23	30	8	▲ 13	14
Trading and Service	Net Sales	135	174	165	236	239
	Operating Income	25	26	18	28	33
Total	Net Sales	5,433	4,904	4,127	5,297	5,786
	Operating Income	338	248	101	370	470

(¥1 million)

		18/4-9	18/10-3	19/4-9	19/10-3	20/4-9	20/10-3	21/4-9	21/10-3	22/4-9	22/10-3	23/4-9
Specialty Steel	Net Sales	1,020	1,058	971	846	598	860	932	1,046	1,028	1,120	1,089
	Operating Income	21	39	32	20	▲ 30	4	15	23	42	56	63
High-Performance Materials & Magnetic Materials	Net Sales	927	919	847	827	648	846	948	1,028	1,096	1,101	1,026
	Operating Income	114	93	70	66	22	100	139	128	134	109	71
Parts for Automobile & Industrial Equipment	Net Sales	554	545	499	474	361	447	465	460	495	517	514
	Operating Income	11	12	6	▲ 2	▲ 41	20	31	19	34	48	26
Engineering	Net Sales	126	149	124	142	103	99	87	95	83	107	110
	Operating Income	8	15	15	15	5	3	▲ 7	▲ 6	4	10	11
Trading and Service	Net Sales	69	66	84	90	85	80	120	116	117	122	147
	Operating Income	14	11	14	12	9	9	14	14	18	15	19
Total	Net Sales	2,696	2,737	2,525	2,379	1,795	2,332	2,552	2,745	2,819	2,967	2,886
	Operating Income	168	170	137	111	▲ 35	136	192	178	232	238	190

(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.

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