

Fiscal Years 2024 - 2026

Mid-Term Management Plan

- Transition Management -

Company-owned forest "Kutcharo Natural Forest Daido"

Security
code: 5471

June 6, 2024

 **DAIDO STEEL CO., LTD.**

Daido Steel Group Management Philosophy

**Pursuing the potential of materials
to support our future**

Our "Vision for 2030"

We will pursue high-performance materials, create benefits for customers and contribute to the realization of a sustainable society

2026 Mid-Term Management Plan

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We will view the coming changes in socioeconomic and industrial conditions as opportunities for business growth and transformation of our business portfolio and achieve sustainable profit growth in new business domains (customers, value proposition, and approach)

AGENDA

2026 Mid-Term Management Plan
- Transition Management -

Company-owned forest "Kutcharo
Natural Forest Daido"

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■ Chapter I: Review of 2023 Mid-Term Management Plan

- 1) Progress toward the targets set in 2023 mid-term management plan (operating income and capital efficiency)
- 2) Evaluation for basic action policies set in 2023 mid-term management plan

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- 1) "Opportunities" & "Threats," business strategies to leverage our strengths
- 2) Basic action policies to achieve our "Vision for 2030"
- 3) Fast-growing markets (Industries where technological innovation in materials triggers consecutive innovation)

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- 1) Business Strategy: Transforming business portfolio and Enhancing management resilience
- 2) Financial Strategy: Balance between "maintaining financial soundness" and "improving capital efficiency"
- 3) ESG Strategy: Promoting ESG activities to maximize corporate value

I-1) | Progress toward the targets set in 2023 mid-term management plan

We have **achieved all the targets**, despite changes in the sales volume

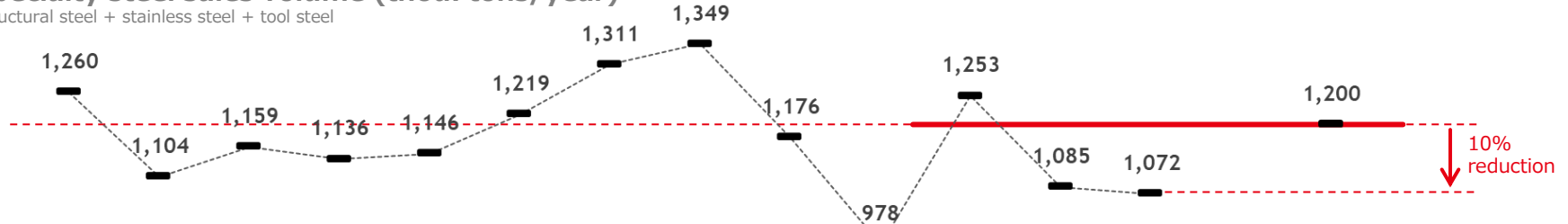
- ✓ While the steel sales volume was lower than expected, we achieved the operating income target one year ahead of schedule, and maintained our record high level during FY2023
- ✓ We hit our capital efficiency (ROE) targets by increasing profitability through product portfolio reform and business resiliency

	Results of the fiscal year ending March 31, 2021 (FY2020) (Japanese GAAP)	2023 mid-term plan targets (Japanese GAAP)	Results of the fiscal year ending March 31, 2022 (FY2021) (Japanese GAAP)	Results of the fiscal year ending March 31, 2023 (FY2022) (Japanese GAAP)	Results of the fiscal year ending March 31, 2024 (FY2023) (Japanese GAAP)
Specialty steel sales volume (non-consolidated)	978 thousand tons	1,200 thousand tons	1,253 thousand tons	1,085 thousand tons	1,072 thousand tons
Operating income	10.1 billion JPY	40 billion JPY or more	37 billion JPY	47 billion JPY	42.1 billion JPY
Return on equity (ROE)	1.6%	8.0%	8.5% (Excl. extraordinary income/loss: 8.3%)	10.4% (Excl. extraordinary income/loss: 10.2%)	12.5% (Excl. extraordinary income/loss: 7.8%)
D/E ratio	0.66	0.5	0.69	0.64	0.41
Investment amount (3-year total on an approval basis)	—	85 billion JPY	—	—	94.7 billion JPY
Dividend payout ratio * Excluding one-time effects	Dividend payout ratio: 22.1%	Dividend payout ratio: about 30%	Dividend payout ratio: 29.3%	Dividend payout ratio: 29.5%	Dividend payout ratio: 31.6%

I-1) | Progress toward the targets set in 2023 mid-term management plan (operating income)

Specialty steel sales volume (thou. tons/year)

Structural steel + stainless steel + tool steel



2014 mid-term plan:

Sales increase of special steel GL products
Vertical collaboration of Group companies

Development of overseas customers for specialty steel
Start of operation of Chita Plant's 150-ton electric arc furnace

2017 mid-term plan:

Sales increase of HEV and turbocharger parts
Co-creation of products, in cooperation with automobile parts manufacturers

Entry into the traction motor magnet market (for xEVs)
Start of operation of Shibukawa Plant's 25-ton VIM

2020 mid-term plan:

Shift from structural steel to high-performance steel
Restructuring unprofitable businesses

Modification of the Chita Plant's CC equipment
Installation of re-melting furnaces at Chita and Shibukawa Plant
- Investment in excess of depreciation expenses -

2023 mid-term plan:

Shift of focus from a sales volume emphasis to overall product portfolio
Increase of the gross operating income from specialty steel

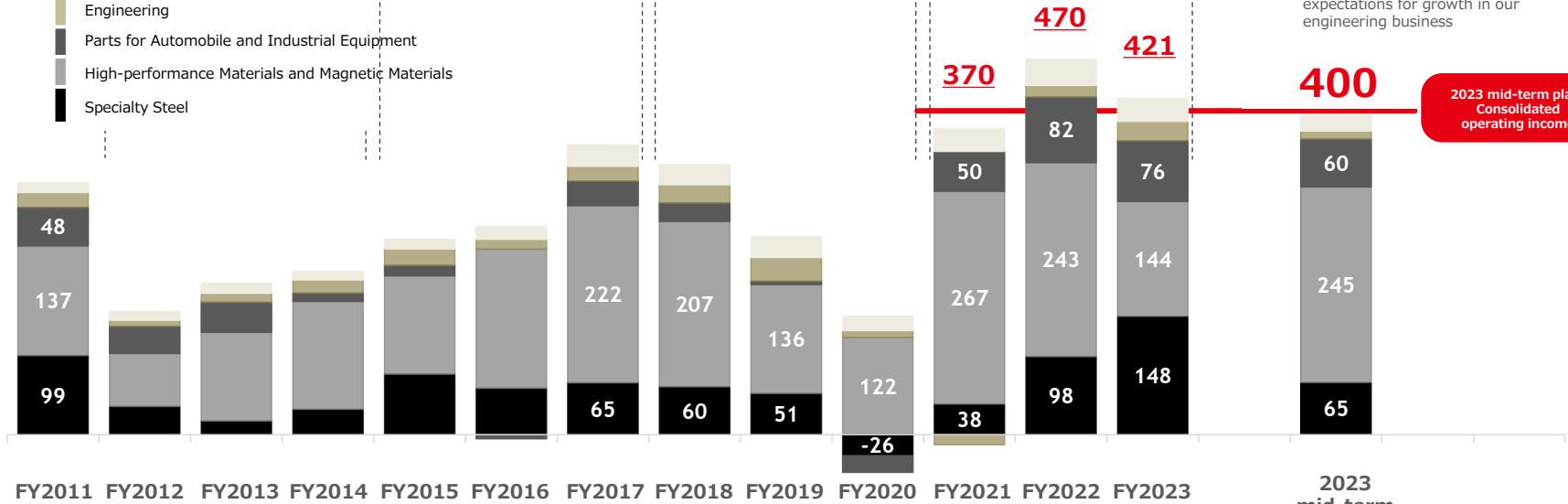
Expansion of demand for stainless steel for SPE
Sales increase of open-die forgings and titanium bars and wires

<Summary of our progress>

- Demand decreased more than expected (down about 10%)
- Measures to increase gross operating income from specialty steel products brought about successful profit growth.
- Prolonged stagnation in SPE-related demand put downward pressure on profits from high-performance and magnetic materials
- We created a new product P/F (product portfolio) item by capturing the opportunity of expanding demand for open-die forgings and titanium products.
- The development of new environmental equipment succeeded in fostering expectations for growth in our engineering business

Consolidated operating income (100 million JPY/year)

- Trading and Service
- Engineering
- Parts for Automobile and Industrial Equipment
- High-performance Materials and Magnetic Materials
- Specialty Steel

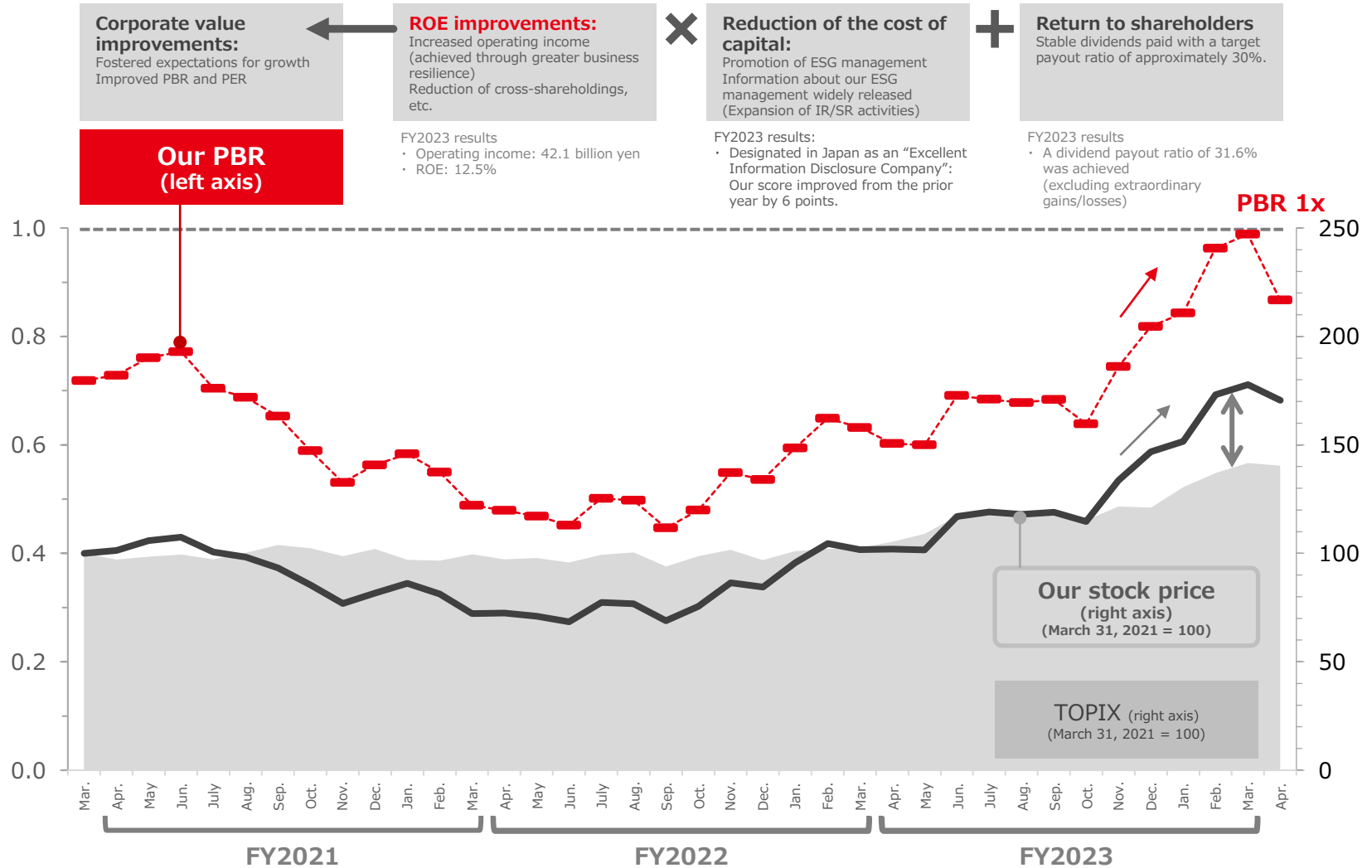


2023 mid-term plan:
Consolidated operating income

* Specialty steel GL products: global leading specialty steel products: VIM (Vacuum Induction Melting) Furnace; SPE (Semiconductor Production Equipment); P/F (Portfolio)

I-1) | Progress toward the targets set in 2023 mid-term management plan (capital efficiency)

- ✓ ROE improved due to the sale of cross-shareholdings, in addition to increased operating income (thanks to business expansion and our improved business resiliency)
- ✓ The promotion of ESG management (reduced CO2 emissions, strengthened corporate governance, etc.) and enhanced information release regarding our approach to ESG all contributed to a reduction of the cost of capital



I-2) | Evaluation for basic action policies set in 2023 mid-term management plan

[Expanding businesses in fast-growing fields]



[Strengthening management agility]

Operating income obtained from open-die forgings increased **7.9-folds**

- **The effects from the investments made to expand production capacity under the 2020 mid-term management plan:**
 - Profit increased from the sale of open-die forgings, aerospace-related products and products for energy-related industries (heavy electricity machinery and oil & gas drilling)
 - The sale of high-performance stainless steel for semiconductor production equipment increased
- **The proactive introduction of material development equipment for CASE (xEV):**
 - High-speed rotating fatigue-failure testing equipment [steel for e-Axle reduction gears]
 - Motor-characteristics testing machine [for magnets used in high-efficiency motors]
- **Aggressive sales expansion of titanium products for medical care:**
 - Development of Ti-15Mo, a biocompatible titanium alloy
- **Start of the sale of CN and CE environmental protection equipment:**
 - Electric arc furnaces with rotating drives (3 units have been delivered in Japan).
 - Industrial furnaces equipped with environmental load reduction functions (A total of 7 units have been delivered in Japan and overseas)

The values represent changes from FY2018 to FY2023

+74% Operating income per metric ton of specialty steel increased

- **Our quest for optimal production operation at the specialty steel plants:**
 - Establishment of an annual operation plan for electric arc furnaces, taking into account power costs
 - Implementation of shipment volume leveling on a trial basis (to cope with the "Logistics 2024" problem)
 - Implement of the "pull system" on a trial basis (to minimize inventory)
- **Expansion of the surcharge system (for special steel products):**
 - Energy surcharges in response to changes in raw material and fuel prices.
- **Expansion of our capacity to produce required items in fast-growing categories (utilization of Chita Second Plant):**
 - Increase of the melting capacity of VAR for superalloys and high-performance stainless steel
- **Restructuring of unprofitable businesses:**
 - Withdraw from die forging/housing businesses and concentrate on resources needed to the hot former business

**4 Action Plans,
2023 mid-term
management
plan**

- **Expansion of overseas sales of high-performance materials:**
 - Open-die forgings: We increased our overseas distributors accounts
 - Titanium products: We developed a new titanium alloy to meet overseas needs
- **Reorganization of locations in East and Southeast Asian regions:**
 - China: We acquired Daido Steel Materials Technology Shanghai Co., Ltd.
 - China: We closed the hot-deform magnet manufacturing plant in China
 - Vietnam: We established a new sales and marketing location for specialty steel and tool steel
- **North America: We established a new location for our forging die manufacturing and machining business**
- **India: We opened the new tool steel sales location in the western India**

- **Environmental protection activities (through business activities and product supply):**
 - Promote energy conservation, improve yields, support fuel conversions and introduce DX at our factories
 - Supply products that contribute to sustainability
- **Enhance the release of information about our approach to ESG:**
 - Daido Steel was selected as one of the FTSE Blossom Japan Sector Relative Index constituents
 - We will increase the opportunities of dialogue even more with our supply chain companies and Group companies
- **Implement measures, in line with the revised CGS guidelines:**
 - Enhance the Board of Directors, establish an Audit and Supervisory Committee, and promote diversity
 - Efforts to address sustainability issues

Improvement in the overseas sales ratio of open-die forgings

+30%

**20%
reduction**

Reduction of CO₂ emissions compared with 2013

[Expanding overseas business]



[ESG-based management]



* CN: Carbon Neutral, CE: Circular Economy, VAR: Vacuum Arc Remelting Furnace, CGS Guidelines: The Practical Guidelines for Corporate Governance Systems

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II-1) | “Opportunities” & “Threats,” business strategies to leverage our strengths



Development Capability

Pursue the potential of Fe, and promote R&D to maximize the value of high-performance specialty steel, alloys, and intermetallic compounds

- Develop specialty steel **for xEVs**.
[The proposal of steel for e-Axles that guarantees functionality as a component, to expand market share]
- Increase production capacity for superalloys for the **aerospace industry**
[Increase customers taking advantage of the acquisition of materials and process certifications]
- Develop new materials that contribute to energy savings and the miniaturization of **IT components**
[Promote the development of materials by utilizing MI]
- Develop an innovative manufacturing process for **heavy rare earth-free magnets** [Propose new functions to create a new market]
- Bring about a world's-first **steelmaking process** by pioneering the use of **high-efficiency electric arc furnace**
(Convey to customers the appeal of the environmental contributions of using an electric arc furnace)



Manufacturing and technological capabilities

Produce a wide variety of high-performance materials using our proprietary technology and excellent equipment. Allow our manufacturing technology to evolve through our DMK (Daido Manufacturing Kaikaku) activities

- Turn into reality a leading-edge and most optimal **production system** for our new product P/F [Minimizes manufacturing costs]
- Make an integrated manufacturing process for **high-performance materials** for the hydrogen infrastructure become reality
[Minimizes manufacturing costs]
- Develop new manufacturing processes for foil strips and metal powders, creating new functions for **soft magnetic materials**
[Improve product characteristics]
- Implement our proprietary manufacturing technology that makes it possible to differentiate the characteristics of our LiB anode materials from those of the competition into the mass production process [product function differentiation]
- Implement our operational know-how so that our environmental equipment functions can evolve continuously [Expand our retrofit business]



Co-Creation Capability

Develop new materials in cooperation with customers in the automotive, heavy electrical equipment, and aerospace industries, etc in order to bring about a sustainable society

- Emphasize customer dialogue, rather than following a preset one-size-fits-all process
- Develop products that create clear benefits for customers
- Respond flexibly to changes, rather than clinging blindly to an established plan

- Deepen our co-creation relationship with the **automotive industry** in xEV- and SDV-related technologies.
[Support transformation in the mobility field]
- Build new co-creation relationships with the **aerospace, semiconductor production equipment, and medical care** industries [Take big strides toward customer-oriented management]
- Increase the applicable range of our high-performance materials in products for **semiconductor production equipment**
[Increase sales of our high-performance materials for SPE, taking advantage of current global market share of 40%]
- Enter into **economic security**-related product businesses [This contributes to strengthening domestic industry]
- Diversify the sources for **procuring ferrous raw materials** and promote collaboration among different industries to strengthen the CE process [This enables stable procurement and environment-friendly management]

Positively view change as an **opportunity** for transformation

- ① **Fast-growing markets**, including those for semiconductor production equipment, CASE (xEV), aerospace, clean energy, medical care, telecommunications, and robots, will generate the need for new materials
This trend requires us to establish technological innovations
- ② Recognition will grow rapidly that people need to bring about a decarbonized society faster than previously thought (CN technology)
- ③ Demand for high-performance materials will grow
- ④ Awareness of the importance of protecting economic security will grow, accelerating the development of advanced domestic technologies and improvement of the domestic supply chain

Product differentiation can change **threats** to opportunities

- ① **The demand for specialty steel will decrease in Japan:**
Japan's GDP will record negative growth from 2026 onward, with electrification, local production and local consumption accelerated
- ② Competition in the market for domestic specialty steel will intensify; supply will exceed demand, and responses to calls for carbon neutrality (CN) will absolutely be required
- ③ Ferrous scrap generation will decrease in Japan
- ④ Increased responsibility for ESG will push up ESG costs
- ⑤ Labor, logistics and electricity costs will increase
- ⑥ The size of the labor force will decrease

* MI: Materials Informatics. Retrofit: improving existing equipment by incorporating the latest technology in it. SC: Supply Chain. CN: Carbon Neutrality. P/F: Portfolio. LiB Anodes: Anode material for Li-ion batteries. SDV: Software Defined Vehicles. CE: Circular Economy.

II-2) | 2026 mid-term management plan's basic policies

2026 mid-term management plan's basic policies

The plan sets forward the company's position during the 10-year period from the 2023 mid-term to 2030 and identifies it as the "Decade of Business Transformation"

Continuation and evolution of 2023 mid-term management plan

"Image for 2050"

Is to keep supplying **high-performance materials** essential for the new social infrastructure

It is necessary for us to envision what we want our Company to be like clearly, in order to develop our "Vision for 2030"

- ✓ 2023 mid-term plan period: Profit increased in response to the recovery of the economic environment after the COVID-19 pandemic
→ 2026 mid-term management plan will continue the basic policies determined in 2023 mid-term management plan
- ✓ We will need to prepare for a gradual decline in demand for specialty steel products for automobiles. This requires making significant changes to the business portfolio over the next 10 years
- ✓ We must make efforts to attain our "Vision for 2030" according to the "as-is/to-be" approach and make the necessary transformations to cope with the continual changes in the coming era of volatility, uncertainty, complexity, and ambiguity (VUCA)
- ✓ The plan prioritizes measures to achieve profit growth in a period of long-term and continuous deterioration of domestic economic fundamentals

"Goal for 2026"

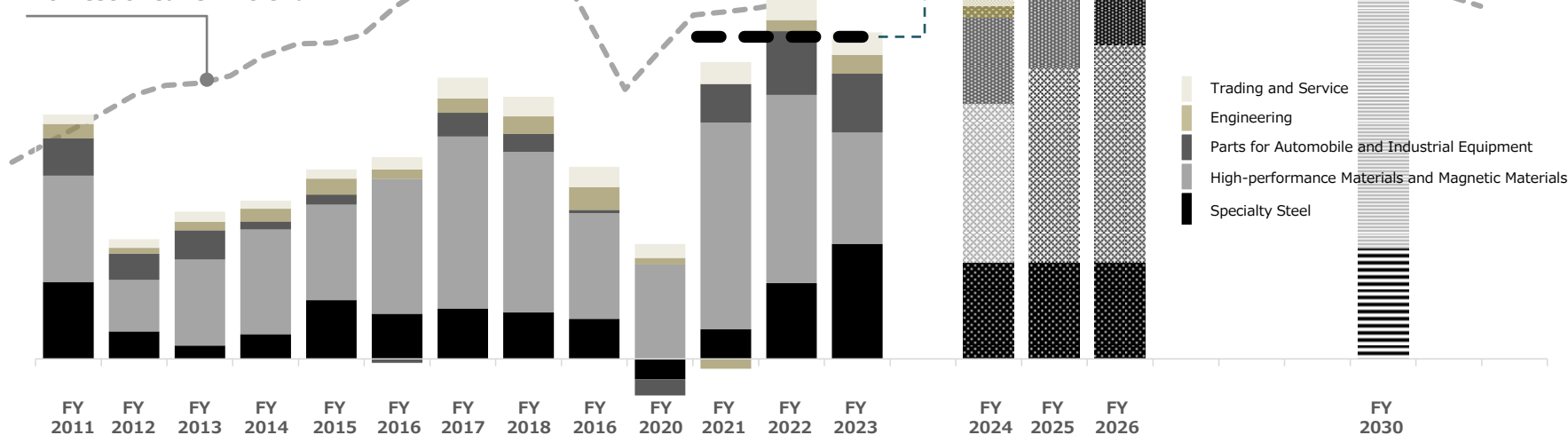
is to achieve sustainable profit growth in new business domains by transforming business portfolio

"Vision for 2030"

is to be a company that pursues high-performance materials and creates customer benefits

The growth of operating income depended on the economic fundamentals in Japan (Operating income growth trends in the past)

Domestic real GDP trend



II-2) | Basic action policies to achieve our "Vision for 2030"

Our Mission

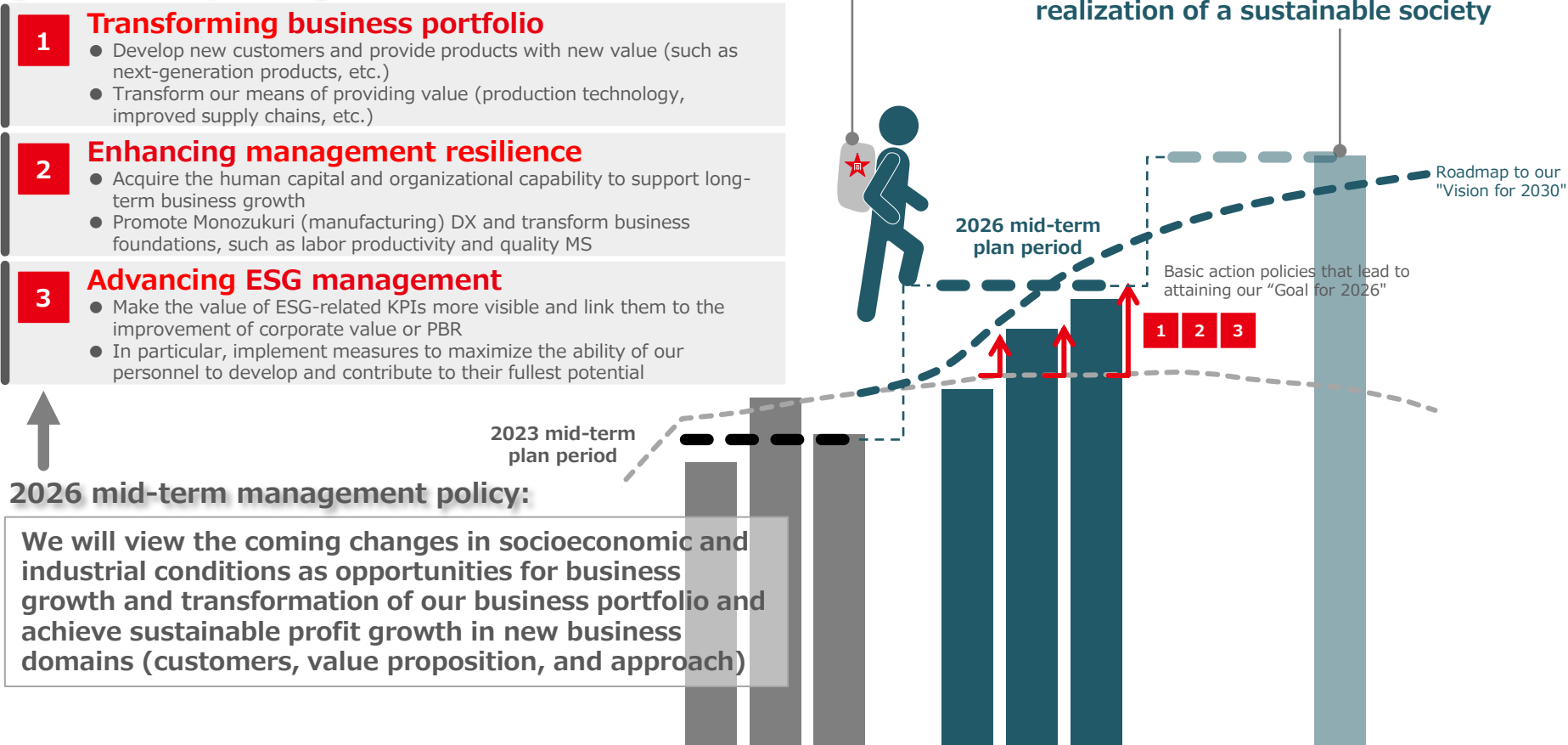
Subscribing to universal values:
We keep pursuing the potential of materials to support our future.

[Basic action policies]

- 1 Transforming business portfolio**
 - Develop new customers and provide products with new value (such as next-generation products, etc.)
 - Transform our means of providing value (production technology, improved supply chains, etc.)
- 2 Enhancing management resilience**
 - Acquire the human capital and organizational capability to support long-term business growth
 - Promote Monozukuri (manufacturing) DX and transform business foundations, such as labor productivity and quality MS
- 3 Advancing ESG management**
 - Make the value of ESG-related KPIs more visible and link them to the improvement of corporate value or PBR
 - In particular, implement measures to maximize the ability of our personnel to develop and contribute to their fullest potential

Our "Vision for 2030"

Achieving our mission:
We will pursue high-performance materials, create benefits for customers and contribute to the realization of a sustainable society



↑
2026 mid-term management policy:
 We will view the coming changes in socioeconomic and industrial conditions as opportunities for business growth and transformation of our business portfolio and achieve sustainable profit growth in new business domains (customers, value proposition, and approach)

* Quality MS: Quality management system

II-2) | 2026 mid-term basic action policies and strategies

"Transition Management"

Business Strategy

1 Transforming business portfolio

- Increase the product lineup in fast-growing areas to promote further business growth
- Further expand the market share of materials for semiconductor production equipment
- Develop customers for superalloys and open-die forgings
- Expand the applications of magnetic products

2 Enhancing management resilience

- Invest in human capital and set up new organizational functions that allow them to manage well.
- Establish production technology and quality MS suitable for our new P/F (by improving production technologies and appropriate allocation of production resources)
- R&D DB
- Customer base

Contribute to the execution of our business strategy (transformation of our business P/F)

Pursue a financial strategy and execution process that enables realization of aggressive strategic investments

- Monitor the profit generation and investment cycle for hints on the direction of growth

Financial Strategy

Balance between "maintaining financial soundness" and "improving capital efficiency"

- Consider diversifying our financing methods
- Liquidate certain assets
- Curb increased working capital and shorten CCC
- Evaluate the efficiency of CN investments
- Enhance return to shareholders to maintain and improve ROE

Transition Management

Manage processes that accelerate business transformation while checking the progress against business, financial and ESG strategies through KPIs

Contribute to the execution of our business strategy (business portfolio transformation)

Processes to ensure the achievement of carbon neutrality by 2050

- Improve product attractiveness by providing sophisticated CFPs

Support our business strategy (enhance management resilience)

Processes to secure the people and skills we need to strengthen our ability to respond to diversified customer needs

- Maximize the ability of our personnel to develop and contribute to their fullest potential

ESG Strategy Implement CSV

3 Advancing ESG management

- Demonstrate the value of addressing ESG issues and link this to increasing corporate value and profit growth
- Present the CFP of electric arc furnace steel → Improve product attractiveness
 - Promote DE&I → Attract excellent people to our company and improve employee engagement
 - Strengthen our ability to respond to the diversification of customer needs
 - Improve communication with our stakeholders

Contribute to the execution of financial strategy (reduce the cost of capital)
Enhance corporate value, PBR and stock price

Promote wider release of financial and non-financial information, to foster expectations for our growth, and thereby reduce the cost of capital

- Especially, promote the release of information about our approach to ESG

* Quality MS: Quality Management System. DB: Database. CCC: Cash Conversion Cycle. CN: Carbon Neutral. CFP: Carbon Footprint. CSV: Creating Shared Value. DE&I: Diversity, Equity & Inclusion

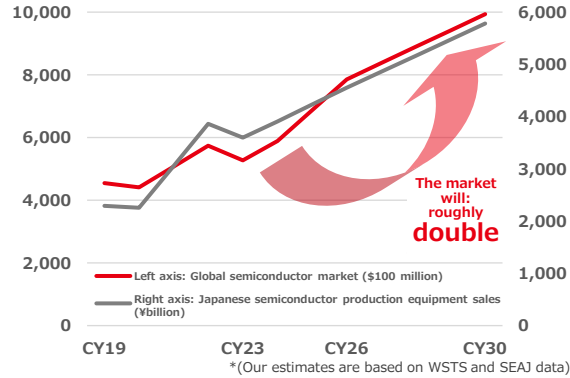
II-3) | Fast-growing markets

(Industries where technological innovation in materials triggers consecutive innovation)

Semiconductors

- Both the global semiconductor market and the Japanese semiconductor production equipment market will nearly double in size

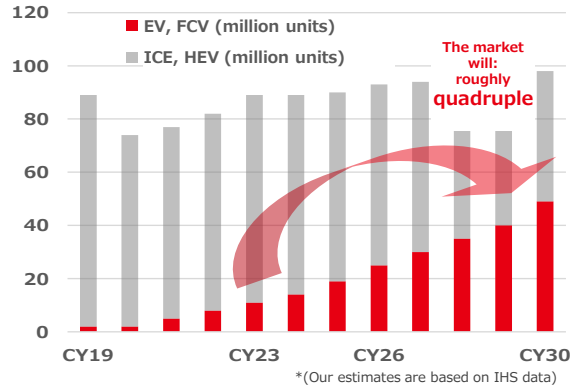
Fig. 1: Global demand for semiconductors and Japanese semiconductor production equipment



CASE

- Nearly 50% of all vehicles will be electrified

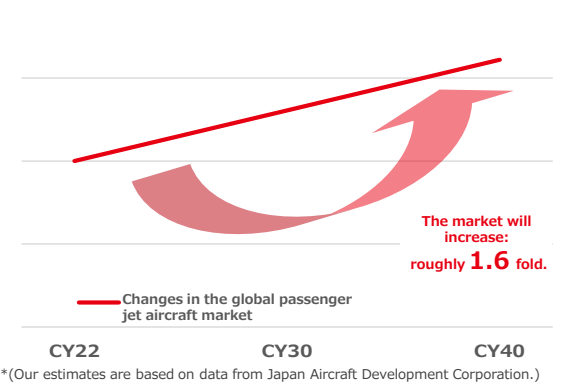
Fig. 2: Changes in the global demand for automobiles



Aerospace

- The size of the passenger jet aircraft market will increase roughly 1.6 fold

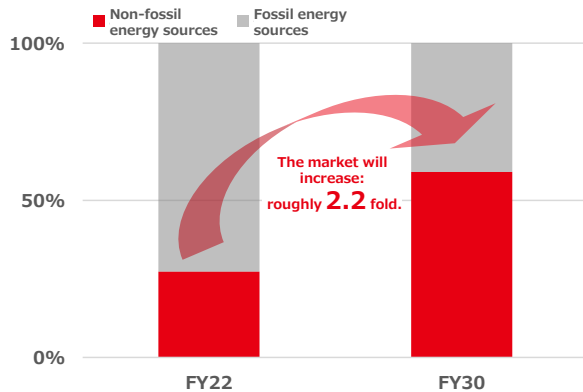
Fig. 3: Global passenger jet aircraft market



Clean energy

- The use of renewable energy and nuclear power are expected to increase

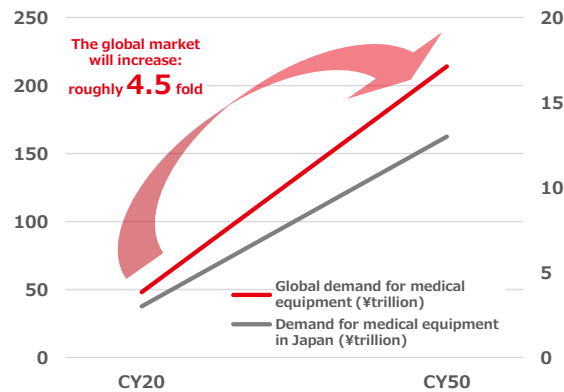
Fig. 4: Government targets for Japan's power generation sources



Medical equipment

- The global medical equipment market size is expected to exceed 200 trillion JPY

Fig. 5: Changes in the global medical equipment market and changes in the market share captured by Japanese companies



Overseas

- Japan's real GDP growth is expected to plateau. We will focus on the following five overseas markets

Fig. 6: Real GDP growth rates (unit: %)

	CY23	CY24	CY25	CY26	CY27	CY28	CY29
World	3.2	3.2	3.2	3.2	3.1	3.1	3.1
Japan	1.9	0.9	1.0	0.8	0.6	0.6	0.4
North America	2.5	2.6	1.9	2.0	2.1	2.1	2.1
Europe	1.0	1.4	1.8	1.7	1.6	1.6	1.5
China	5.2	4.6	4.1	3.8	3.6	3.4	3.3
India	7.8	6.8	6.5	6.5	6.5	6.5	6.5
ASEAN5	4.1	4.5	4.6	4.6	4.6	4.6	4.6

* (Our estimates are based on IMF data.)

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III-1) | 2026 Mid-Term Management Targets

- ✓ We aim for our business to grow to 60 billion JPY in operating income, with a capital efficiency of 9% or more in ROE (return on equity)
- ✓ We will promote management based on an awareness of capital efficiency and enhancing shareholder return based on the status of our achievements in the areas of investment, profit, and financial strength

	Results of the fiscal year ending March 2024 (FY2023) (Japanese GAAP)	Mid-term plan for fiscal year ending March 2027 ("Goal for FY2026") (IFRS)	"Vision for 2030"
Operating income	42.1 billion JPY	60 billion JPY or more	80 billion JPY or more
Return on equity (ROE)	12.5% (excl. extraordinary income/loss: 7.8%)	9% or more	10% or more
D/E ratio	0.41	about 0.5	about 0.5
Amount invested (3-year total on approval basis)	Total (FY21-FY23) 94.7 billion JPY	Total (FY24-FY26) 150 billion JPY	—
Return to shareholders * Excluding one-time gains and losses	Dividend payout ratio: 31.6%	Dividend payout ratio: 30% or more	—

III-1) | Main strategic KPIs

Strategy category	Strategic KPI	FY2023 results (Japanese GAAP)	2026 Mid-term management plan for FY2026 (IFRS)	"Vision for 2030"
Business Strategy	ROS (Return on sales)	7.2%	10% or more	12% level
	Percent of products sold in fast-growing markets	9.6%	15% or more	25% or more
Financial Strategy	ROE	12.5% (excl. extraordinary income/loss)	9% or more	10% or more
	D/E ratio (Balance between maintaining financial soundness and improving capital efficiency)	0.41	about 0.5	about 0.5
	Equity ratio (Balance between maintaining financial soundness and improving capital efficiency)	54.4%	50-55%	50% or more
ESG Strategy	E: CO2 emissions (Daido Steel Group's CO2 emissions reduction target (compared with 2013))	20% reduction (Expected achievement)	35% reduction	50% reduction
	S: Improvement in labor productivity (non-consolidated)	Standard	+20%	+30%
	S: Improvement in employee engagement score (non-consolidated) (Improvement in willingness to contribute among employees who share our Mission)	—	The target value to be set during FY2024	A revised target value to be set during FY2024
	G: Ratio of cross-shareholdings to net assets	23.4%	Target: 15%	Target: 10%

III-1) | Operating income expansion plan by segment

✓ During 2026 mid-term plan period, when decline in demand for specialty steel for automotive is expected to be relatively limited, we expect to expand the High-performance and magnetic materials business and the open-die-forging business and to increase operating income in Parts for automobile and industrial equipment segment to a level higher than that of the Specialty steel segment in FY2025

100 million JPY

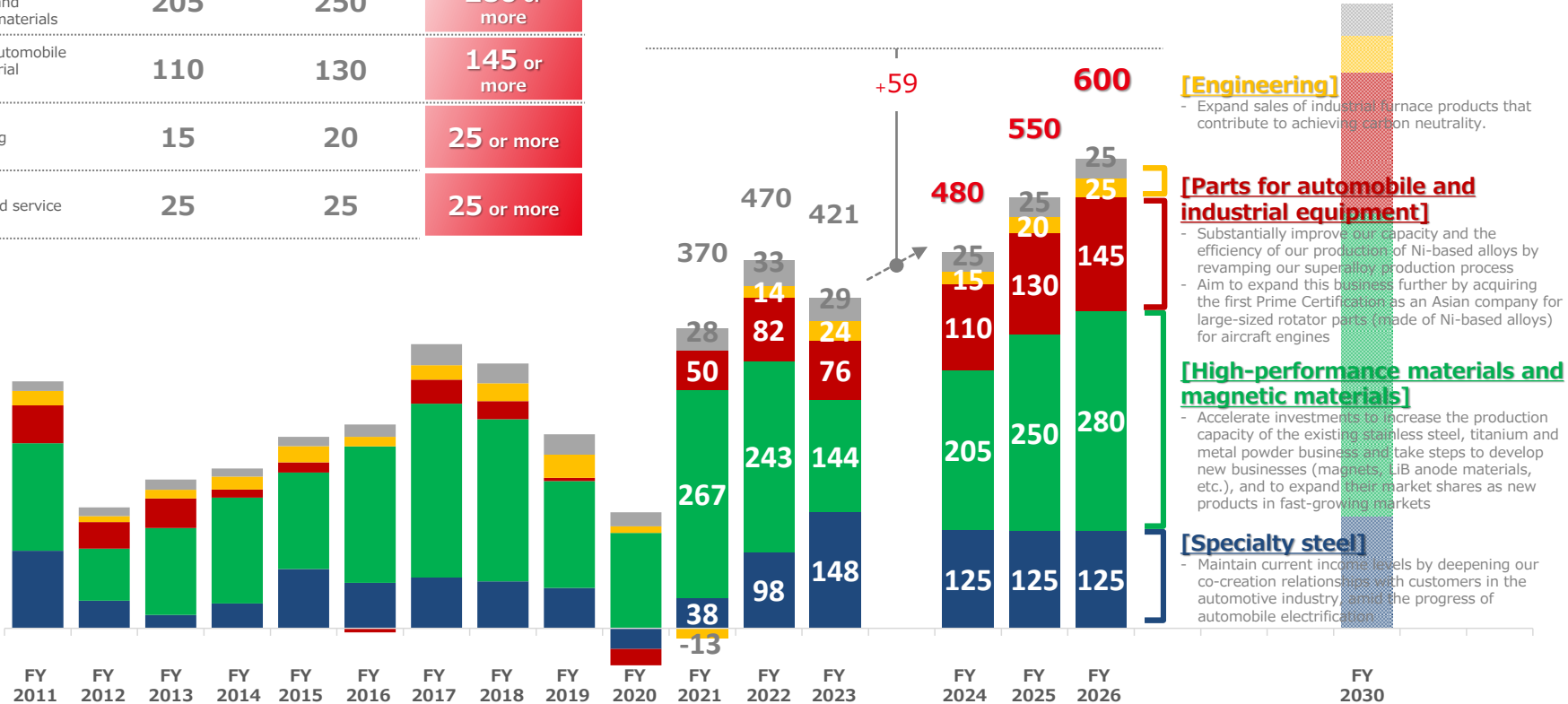
	FY2024	FY2025	FY2026
Operating income	480	550	600 or more
Specialty steel	125	125	125 or more
High-performance materials and magnetic materials	205	250	280 or more
Parts for automobile and industrial equipment	110	130	145 or more
Engineering	15	20	25 or more
Trading and service	25	25	25 or more

Factors to decrease profit in FY2024 from FY2023

- Labor costs and prices up
- Electricity and energy costs up
- Fluctuations in nickel prices
- Foreign exchange rate effect
- IFRS

Measures to increase profit in FY2024 from FY2023

- Sales increase (Sales volume)
- Improvement in profitability
- Effects of strategic investments
- Foreign exchange rates effect



[Engineering]

- Expand sales of industrial furnace products that contribute to achieving carbon neutrality.

[Parts for automobile and industrial equipment]

- Substantially improve our capacity and the efficiency of our production of Ni-based alloys by revamping our superalloy production process
- Aim to expand this business further by acquiring the first Prime Certification as an Asian company for large-sized rotor parts (made of Ni-based alloys) for aircraft engines

[High-performance materials and magnetic materials]

- Accelerate investments to increase the production capacity of the existing stainless steel, titanium and metal powder business and take steps to develop new businesses (magnets, LIB anode materials, etc.), and to expand their market shares as new products in fast-growing markets

[Specialty steel]

- Maintain current income levels by deepening our co-creation relationships with customers in the automotive industry, amid the progress of automobile electrification

* LIB anode materials: Anode materials for lithium-ion batteries

III-2) | Basic action policies and main priority measures

- ✓ We have mapped out 4 priority measures for each of 3 basic action policies, determined in 2026 mid-term management plan
- ✓ We have formulated action plans linking main strategic KPIs or quantitative targets for each priority measures to achieve the target set in 2026 mid-term management plan

	(1)	(2)	(3)	(4)
1 Transforming business portfolio <ul style="list-style-type: none"> ● Develop new customers and provide new value (next-generation products, new businesses, etc.) ● Transform the means of providing value (manufacturing technology, supply chains, etc.) 	Develop new products for fast-growing markets and cultivate new customers Increase our shares of the sale of products for fast-growing markets: (by FY2026) 15% or more	Develop products for fast-growing markets and cultivate new customers Substantially increase our market share of materials for semiconductor production equipment: (by FY2026) Our goal: 50% in terms of global market share	Develop products for fast-growing markets and cultivate new customers Increase sales of magnetic products: (by FY2030) Sales: 50 billion JPY	Acquisition of production capabilities and optimization of production allocation in line with new product P/F Promote secure completion of the superalloy production process reform project. (To be completed by the end of FY2027)
2 Enhancing management resilience <ul style="list-style-type: none"> ● Strengthen the six "management fundamentals" by implementing "Daido DX" and investing proactively in human assets: <ol style="list-style-type: none"> (1) Human capital (2) Organizational capability (3) Production technology and quality management system (4) R&D database (5) Financial strategy (financial foundations) (6) Customer base 	Implement human capital investment - Establish a human resource development system for co-creation Improve employee engagement and labor productivity (by FY2026): Labor productivity +20%	Create an organization that accelerates commercialization of fast-growing market products Design and set up an agile organization (by FY 2024) Create a new organization	Establish a new quality management system to cope with a new business P/F Promote certification acquisition and standardization activities [Deepen CQM activities] Promote the acquisition of certifications.	Amount to be invested: 30 billion JPY
3 Advancing ESG management <ul style="list-style-type: none"> ● Demonstrate the value of addressing ESG issues and link them to corporate value creation and growth <ol style="list-style-type: none"> 1) E: Achieve carbon neutrality (CN) by 2050 2) E: Provide environmentally friendly products 3) Disseminate our management philosophy and develop the human resources to participate in co-creation, promotion of DE&I 4) Promote stakeholder communication 	(E) Protecting the global environment Steadily implement the roadmap to achieve CN by 2050 (in 2026, compared with 2013) CO ₂ emissions: 35% reduction	(E) Protecting the global environment Businesses that contribute to the realization of a sustainable society (from FY2024) Demonstrate the merit of electric arc furnaces through accurate CFP calculation and promote this fact	(S)Responsibilities and contributions to society [Investment in human capital and fulfillment of corporate responsibilities] Disseminate our management philosophy and develop human resources to participate in co-creation (Target values to be set in FY2024) Improve the engagement score	(G) Strengthen corporate governance [Improve the effectiveness of our dialogue with institutional investors] Reduce cross-shareholdings (Target for FY2026) Ratio of cross-shareholdings to net assets: 15%

AGENDA

2026 Mid-Term Management Plan
- Transition Management -

01

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- 1) Progress toward the targets set in 2023 mid-term management plan (operating income and capital efficiency)
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■ Chapter II: 2026 Mid-Term Management Policies

- 1) "Opportunities" & "Threats," business strategies to leverage our strengths
- 2) Basic action policies to achieve our "Vision for 2030"
- 3) Fast-growing markets (Industries where technological innovation in materials triggers consecutive innovation)

03

■ Chapter III: 2026 Mid-Term Management Targets

- 1) 2026 Mid-Term Management Targets, Main strategic KPIs
- 2) Operating income expansion plan by segment
- 3) 2026 mid-term basic action policies and main priority measures

04

■ Chapter IV: Management Strategies

- 1) Business Strategy: Transforming business portfolio and Enhancing management resilience
- 2) Financial Strategy: Balance between "maintaining financial soundness" and "improving capital efficiency"
- 3) ESG Strategy: Promoting ESG activities to maximize corporate value

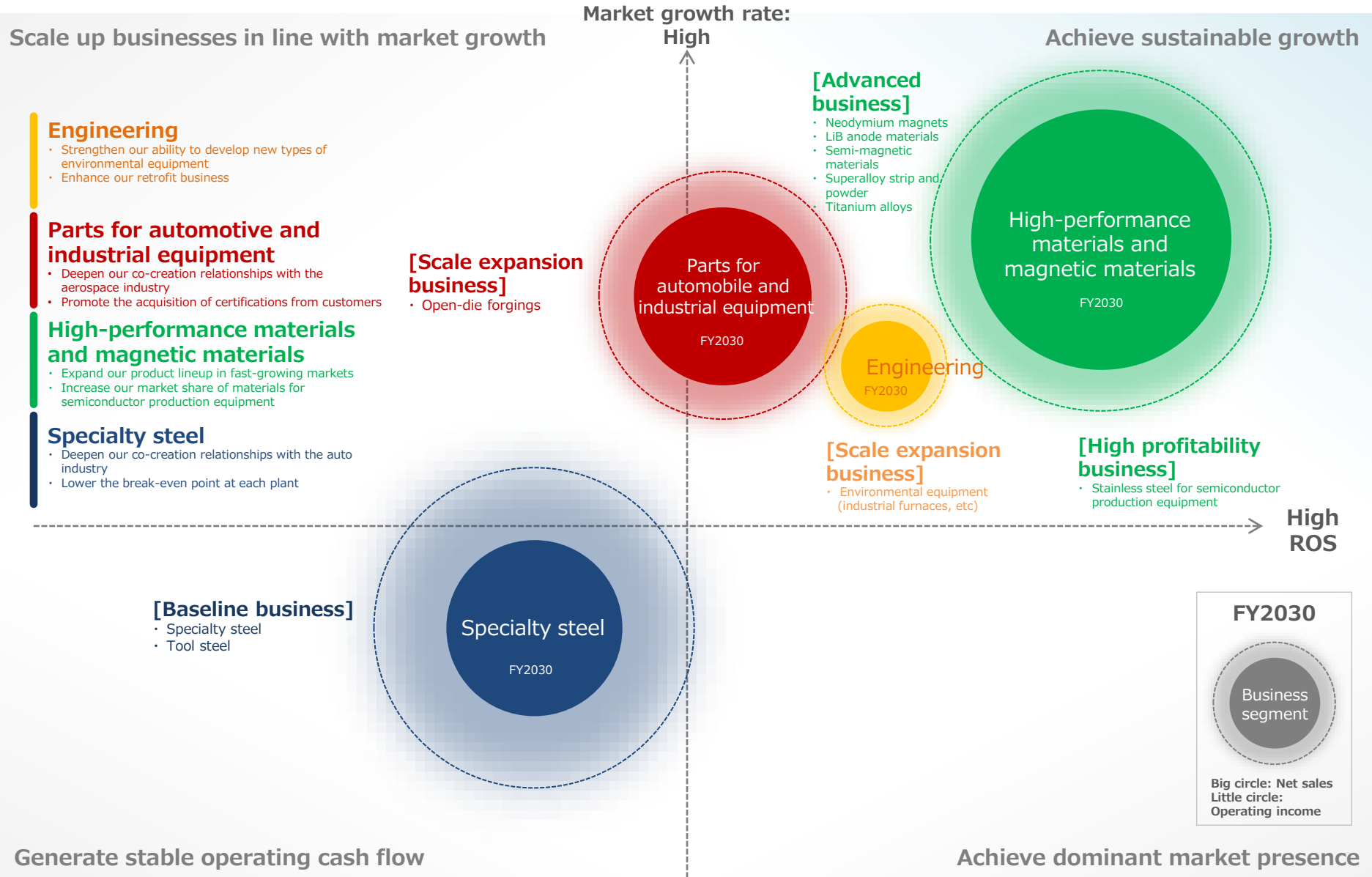
IV-1) | Transforming business portfolio [Action plan summary]

- Strive for stable earnings in the specialty steel business by continuously improving the efficiency of production facilities and expanding market share by leveraging the superiority of electric arc furnace steel
- Accelerate expansion of the fast-growing market product business by acquiring production functions and optimizing production allocation in line with a new product P/F

P/F strategy category	Business segment/ Major products	Basic strategy (take advantage of our strengths)	Action plan	Products for fast-growing markets
[Baseline business] Generate stable C/F by strengthening the business structure even more	Specialty steel Tool steel	<ul style="list-style-type: none"> Deepen our co-creation relationship with the automotive industry Agile actions to changes in customer needs (Increase market share) Maximize the production efficiency of Chita Plant (Lower the break-even point) 	<ul style="list-style-type: none"> Improve labor productivity and ensure adequate margins to cope with rising labor and distribution costs, etc. (Stabilize this business as profit base for the company) Develop a new type of steel for e-Axle.(Differentiate its properties from the competitors' types, using our low-alloy steel design technology) Thoroughly improve productivity and lower the break-even point by investing in energy conservation and promoting DX activities Perform accurate CFP calculations to quantify the superiority of electric arc furnace steel in reducing CO2 emissions 	CASE
				Clean energy
[Scale expansion business] Provide specific products for specific needs to increase sales in response to growing markets	Parts for industrial equipment	<ul style="list-style-type: none"> Deepen our co-creation relationships with aerospace customers Promote the acquisition of customer certifications in industries like aerospace, oil & gas drilling, nuclear power generation, hydrogen infrastructure, etc 	<ul style="list-style-type: none"> Implement fundamental reforms of production processes (i.e., Superalloy Production Process Reform Project") Reorganize overseas sales locations 	Semiconductor
				Aerospace industry
[Advanced business] Respond flexibly to demand for new types of product or provide appropriate solutions that lead to the creation of a new business P/F	Engineering	<ul style="list-style-type: none"> Strengthen the ability to develop new types of environmental equipment (products for fast-growing markets) Expand our retrofit business Increase and improve overseas sales locations 	<ul style="list-style-type: none"> Develop CN and CE products (e.g., improve the energy efficiency of electric arc furnaces with rotating drives) Cooperate with other industries to develop specific basic technologies (to be considered) Improve the productivity of our equipment development activities by energetically promoting Daido Manufacturing DX 	Clean energy
				Clean energy
[High profitability business] Sustained profit growth through our presence in these markets	High-performance materials and magnetic materials	<ul style="list-style-type: none"> Expand product lineup for fast-growing markets Keep reforming manufacturing processes for products for fast-growing markets Build a quality management system for new products Strengthen the supply chain from raw materials to finished products Enhance the R&D system Acquire organizational capabilities to accelerate commercialization of new products and technologies 	<ul style="list-style-type: none"> Develop magnets with special magnetic field orientations for xEV traction motors Promote commercialization of LiB anode materials Promote R&D activities to achieve the commercialization of the new materials included in our "Vision for 2030" 	CASE
				Medical use
[High profitability business] Sustained profit growth through our presence in these markets	High-performance materials and magnetic materials	<ul style="list-style-type: none"> Reform stainless steel production process for hydrogen infrastructure Increase market share of stainless steel for semiconductor production equipment Expand product lineup for semiconductor production equipment Reorganize the stainless steel value-chain for semiconductor production equipment 	<ul style="list-style-type: none"> Reform production technology for superalloy strips Increase production capabilities for superalloy powder products (developing original production technology) Expand the supply capacity for titanium alloys for medical use (Increase VARs and establish overseas sales locations) Develop powder manufacturing technology for special materials (Secondary processing technology for atomized powder, etc) 	CASE
				Semiconductor
[High profitability business] Sustained profit growth through our presence in these markets	High-performance materials and magnetic materials	<ul style="list-style-type: none"> Reform stainless steel production process for hydrogen infrastructure Increase market share of stainless steel for semiconductor production equipment Expand product lineup for semiconductor production equipment Reorganize the stainless steel value-chain for semiconductor production equipment 	<ul style="list-style-type: none"> Strengthen activities to increase sales of stainless steel that resists hydrogen-caused brittleness Enhance production capacity of stainless steel for semiconductor production equipment (production allocation, etc) 	Medical use
				Semiconductor
[High profitability business] Sustained profit growth through our presence in these markets	High-performance materials and magnetic materials	<ul style="list-style-type: none"> Reform stainless steel production process for hydrogen infrastructure Increase market share of stainless steel for semiconductor production equipment Expand product lineup for semiconductor production equipment Reorganize the stainless steel value-chain for semiconductor production equipment 	<ul style="list-style-type: none"> Strengthen activities to increase sales of stainless steel that resists hydrogen-caused brittleness Enhance production capacity of stainless steel for semiconductor production equipment (production allocation, etc) 	Clean energy
				Medical use

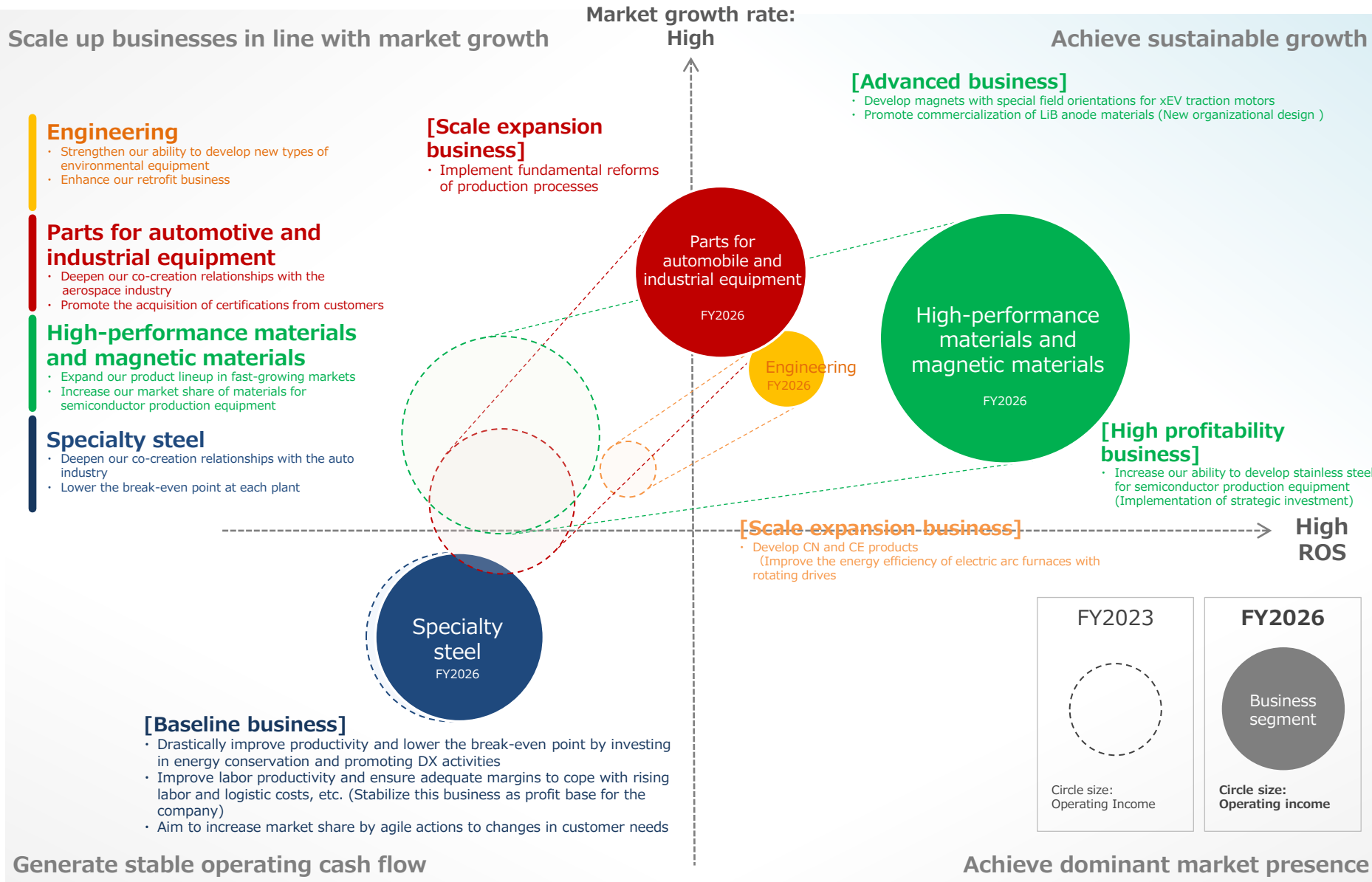
* P/F: portfolio; C/F: cash flow; CFP: carbon footprint; CN: carbon neutral; Retrofit: improving existing equipment by incorporating the latest technology in it; CE: circular economy; LiB anode material: Anode material for lithium-ion batteries; VAR: Vacuum Arc Remelting Furnace; Atomize: a method of producing metal powders by solidifying molten metal by gas or water sprays

IV-1) | Transforming business portfolio [Our "Vision for 2030"]



* Retrofit: improving existing equipment by incorporating the latest technology in it, CN: Carbon neutral, CE: Circular economy, LiB anode material: Anode material for lithium-ion batteries

IV-1) | Transforming business portfolio [2026 mid-term action plan]



* Retrofit: improving existing equipment by incorporating the latest technology in it, CN: Carbon neutral, CE: Circular economy, LiB anode material: Anode material for lithium-ion batteries

(IV-1) | Transforming business portfolio

[Sales expansion for fast-growing markets]

- ✓ Increase sales of “existing businesses” in an environment where domestic demand for specialty steel is expected to decline in the medium to long term (strengthen the business foundation)
- ✓ Invest earnings from existing businesses in businesses that are expected to grow in the future, to expand sales in fast-growing markets up to 25% by FY2030

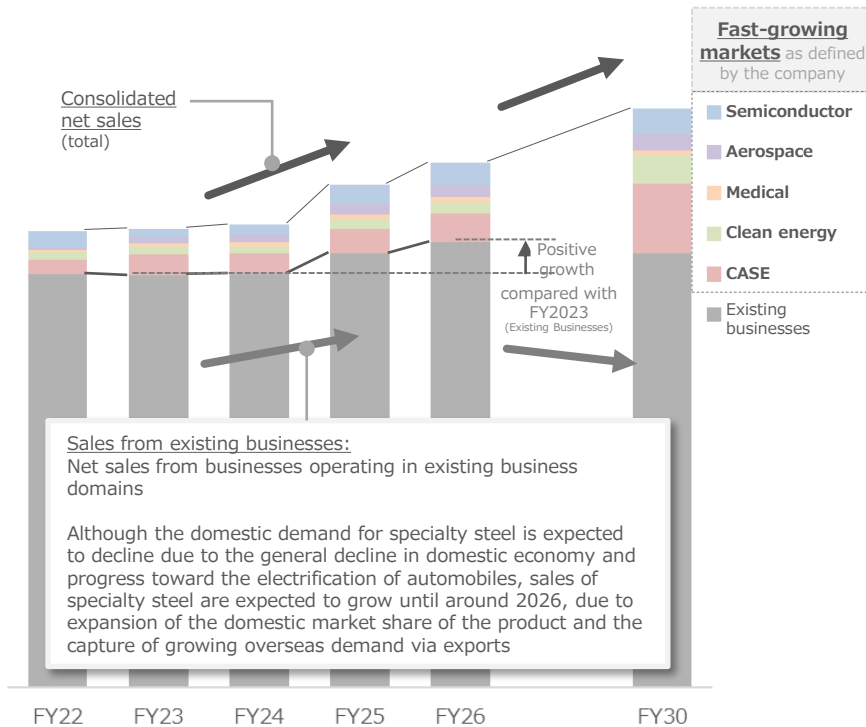
Sales for fast-growing markets

While significant sales increases in existing businesses are not expected, sales for fast-growing markets will continue to increase

Sales ratio for fast-growing markets

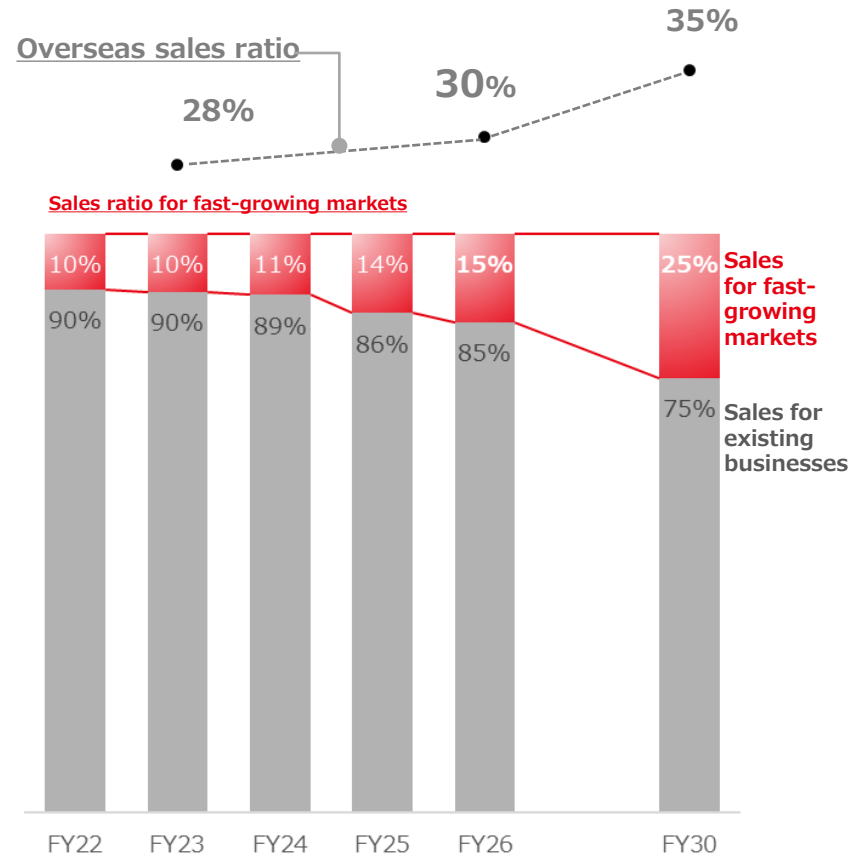
15%
(FY2026)

25%
(FY2030)



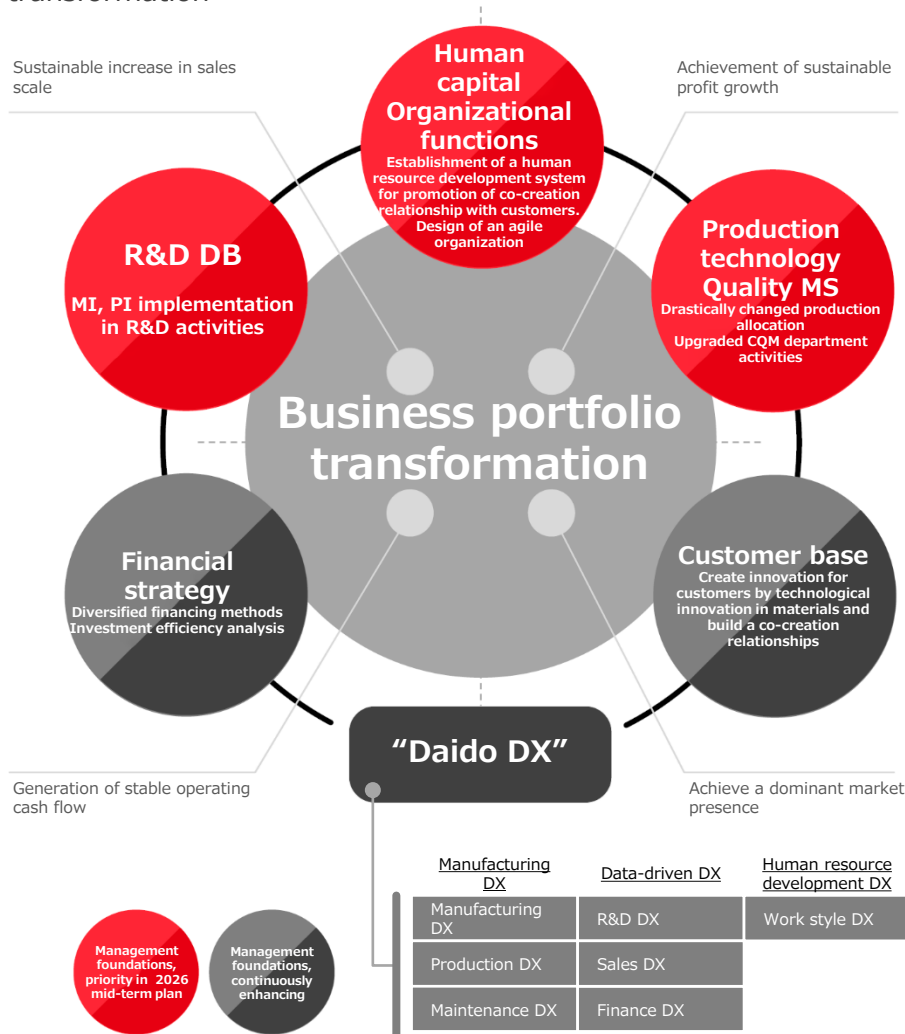
Sales ratio for fast-growing markets and overseas sales ratio

The overseas sales ratio will increase due to increased sales for fast-growing markets (i.e., overseas sales figure will increase)



IV-1) | Enhancing management resilience

- ✓ Place top priority on human capital investments to acquire the human capital and organizational functions that will support long-term business growth
- ✓ Define 7 DX activities to strengthen our 6 essential management foundations that will lead to completing our business portfolio transformation



2 Enhancing management resilience

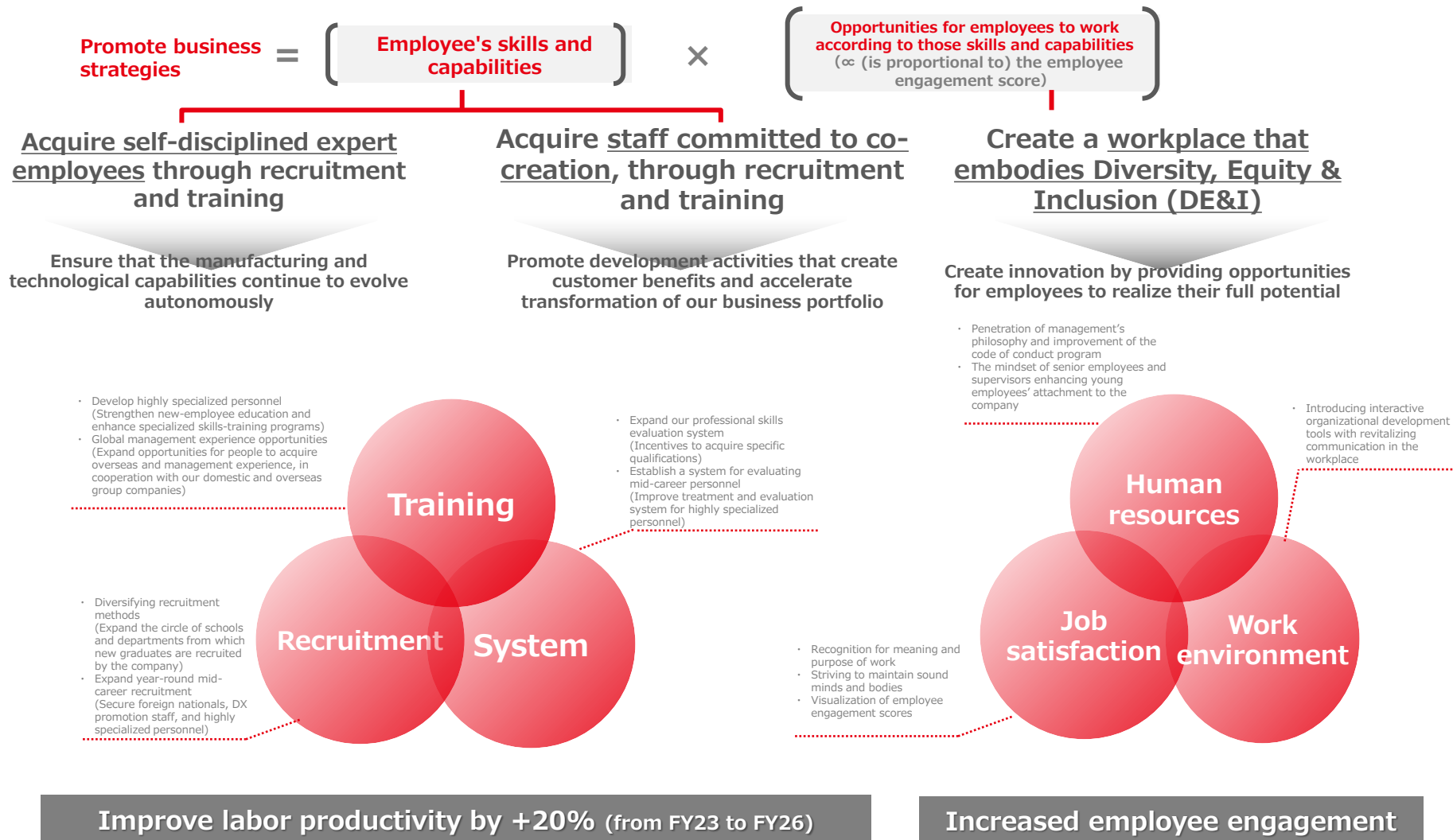
We will strengthen our core competencies (“development capabilities,” “manufacturing and technological capabilities,” and “co-creation capabilities”) in terms of the following points:

- i. Human capital**
Spread our management philosophy throughout the employee population and develop people who can work together for both self-reliance and co-creation
- ii. Organizational capability**
Design an organization that facilitates accelerated transformation of our business portfolio
- iii. Production technology and the quality management system**
Classify and allocate production functions in line with the new P/F and build a new quality management system
- iv. R&D database (DB)**
Develop a new MI/PI system to enable effective utilization of our accumulated R&D database
- v. Financial strategy**
Formulate a proactive financial strategy that improves capital efficiency by analyzing investment efficiency
Maintain financial soundness through the effective use of a variety of financing methods
- vi. Customer base**
Create innovation for customers by technological innovation in materials
Build a co-creation relationships with customers to develop new material technologies for the realization of a sustainable society

* CQM: Corporate Quality Management, MI: Materials Informatics, PI: Process Informatics, Quality MS: Quality Management System, P/F: Portfolio

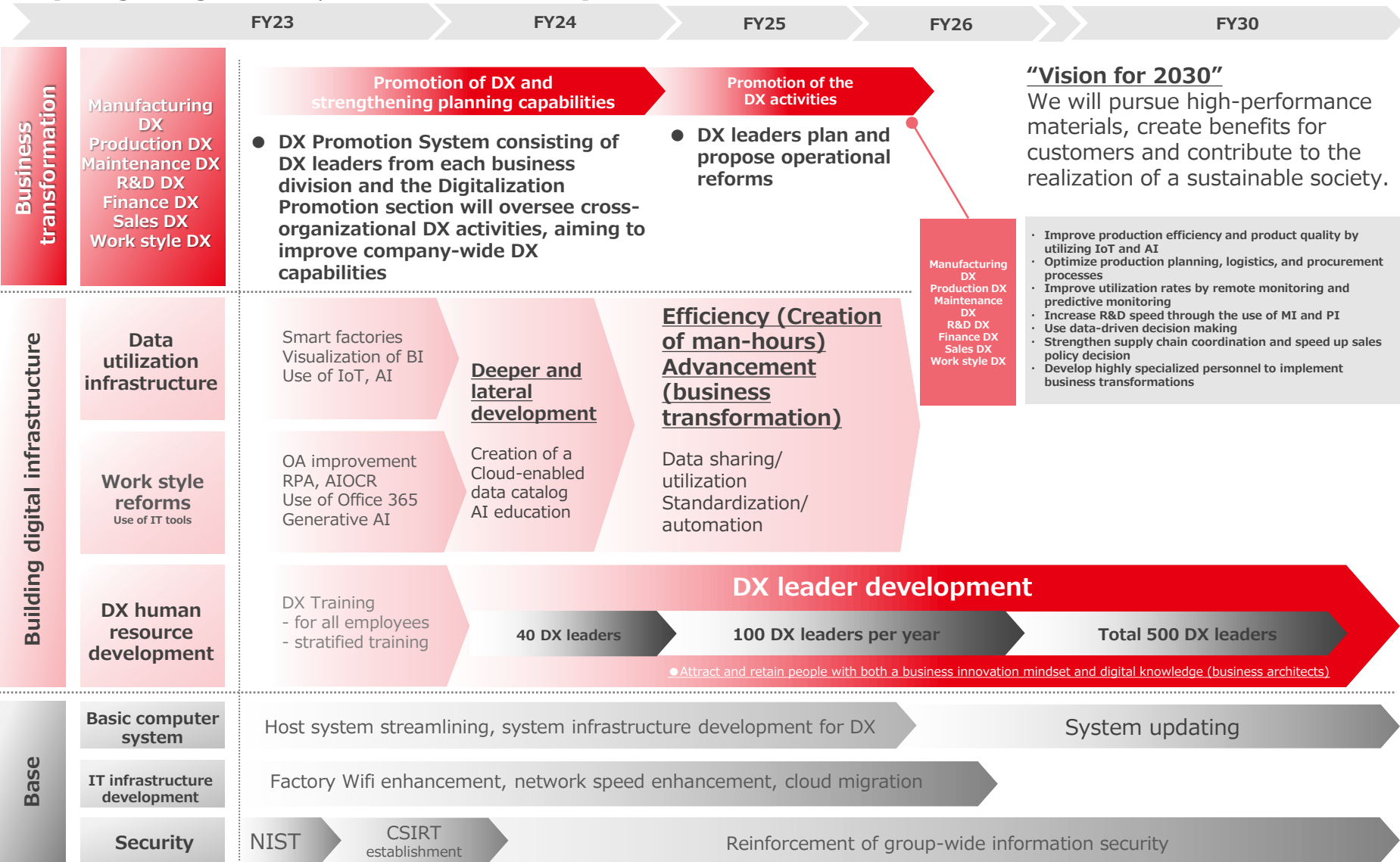
IV-1) | Enhancing management resilience through human capital strategies

- ✓ Establish a system for attracting the people who have the best fit with our business community to support our long-term business growth and improve labor productivity (with the goal of a +20% improvement in FY2026)
- ✓ Introduce a system for the ongoing analysis of employee engagement scores, so that we can create a work environment that allows employees to put forth their best



IV-1) | Enhancing management resilience through “Daido DX”

☑ Cultivate 240 DX leaders who have both a business reform mindset and digital knowledge, during the 2026 mid-term plan period [Strengthening human capital for business reforms]



IV-1) | Transforming business portfolio and enhancing management resilience

- ✓ Improve the efficiency of the integrated processes at the Chita Plant, increase the superalloy melting capacity of the Shibukawa Plant, and enhance the manufacturing capacity for high-performance materials at the Hoshizaki Plant & Chita Second Plant, while developing efficient and flexible production processes in line with the new P/F through drastic production reallocation

Superalloy Manufacturing Process Transformation Project

Amount of investment:	30 billion JPY
Profit increase:	+5 billion JPY
Investment efficiency (ROIC):	9%

Shibukawa Plant

Integrated manufacturing plant for aerospace products and open-die forged parts

- VIM-VAR furnaces

Open-die forged bars for industrial equipment

The Superalloy Manufacturing Process Transformation Project

- **Shibukawa Plant:** Upgrade the melting, forging and heat-treatment equipment → **Increase the superalloy production capacity**
- **Chita Second Plant:** Transfer heat treatment, machining, and inspection processes from Shibukawa Plant to Chita Second Plant, and make it a smart factory by introducing cutting-edge IoT/AI technology

Upgrade our capacity to produce high-performance stainless steel

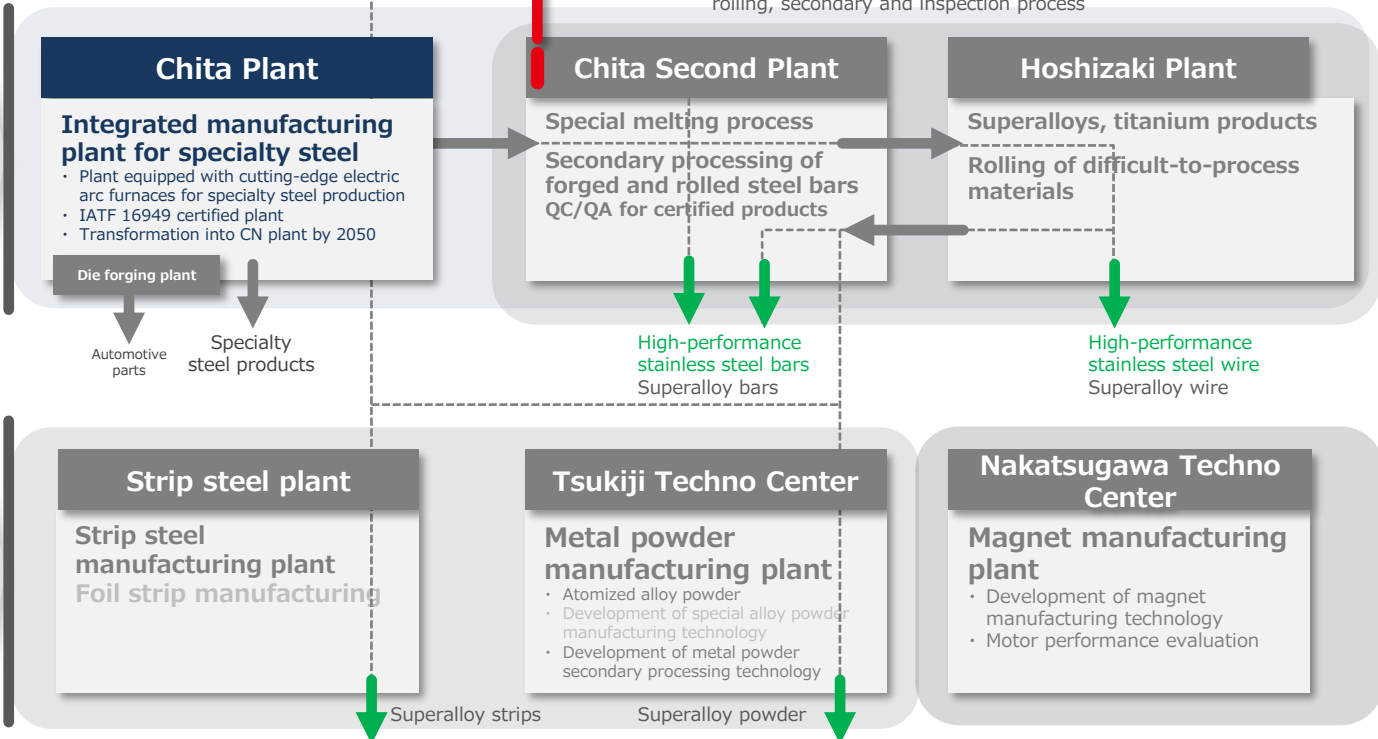
- **Shibukawa Plant:** Increase the VIM-VAR furnace melting capacity
- **Chita Plant:** Maximize the efficiency of the integrated manufacturing system for electric arc furnace melted stainless steel.
- **Hoshizaki Plant, Chita Second Plant:** Consolidation and Expansion of rolling, secondary and inspection process

Reform manufacturing processes for high-performance materials, starting at Chita Plant

- Introduce energy-saving/CN equipment made in-house
- Electric arc furnace with rotating drives, using waste heat
- CN industrial heat treatment furnace
- Hydrogen-mixed combustion technology

Development of technologies that contribute to improved manufacturing processes for next-generation products

- High-precision cold strip rolling technology
- Rolling technology for thin strips and foils
- Special alloy atomized powder manufacturing technology
- Strengthened value chain for magnet products



* P/F: portfolio, CN: carbon neutral, VIM: vacuum induction furnace, VAR: vacuum arc remelting furnace, QC: quality control, QA: quality assurance, IATF16949: international standard for automotive quality management systems, Atomize: a method of producing metal powders by solidifying molten metal by gas or water sprays

IV-1) | Superalloy Manufacturing Process Transformation Project

✓ Aim to be the first Asian company to obtain Prime Certification, for Ni-based alloys for large-sized rotating parts of aircraft engines. To reach this goal, we have launched a project to fundamentally reform the superalloy production process, with an investment of approx. 30 billion JPY, in order to acquire a lasting presence in the growing aircraft industry

Scale of investment

Total investment	30 billion JPY
Total construction period (starting in 2024)	4 years (to be completed in 2027)

Expected effects

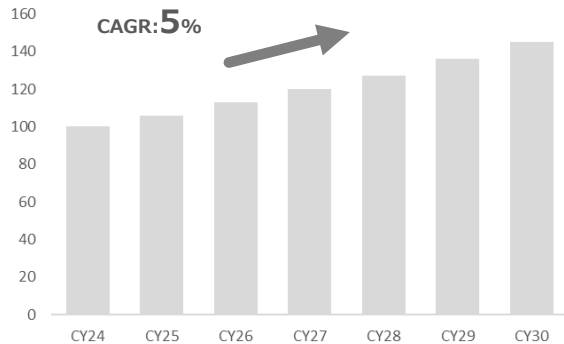
Operating income (effect after construction)	+5 billion JPY
Investment ROIC (Post-construction level)	9%

Manufacturing capabilities upgrade

Dimensions Capability	Product diameter	Approx. 20% larger
	Product length	Approx. 50% longer
Production capacity	Output	Approx. 100% more capacity
	L/T	Approx. 10% shorter

Growing awareness of the importance of economic security Increasing superalloys demand for aircraft application

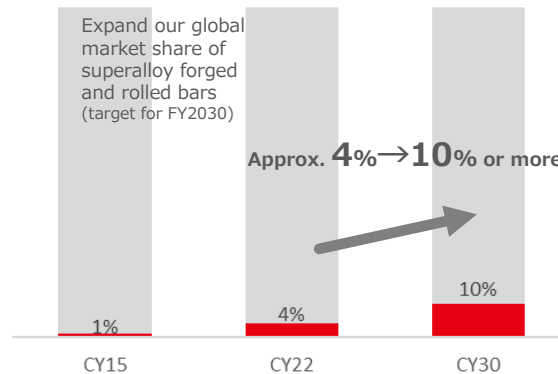
Demand for superalloy material is expected to grow at CAGR 5%, mainly due to increased demand for aircraft parts applications. In addition, from the perspective of economic security, domestic SC for aircraft parts is expected as a specific critical commodity



Demand forecast for superalloy forged/rolled bars CY24 = 100

Global market share expansion

We aim to acquire the first Prime Certification as an Asia company for Ni-based alloys for large-sized rotating parts of aircraft engines in order to become a key superalloy supplier in Asia

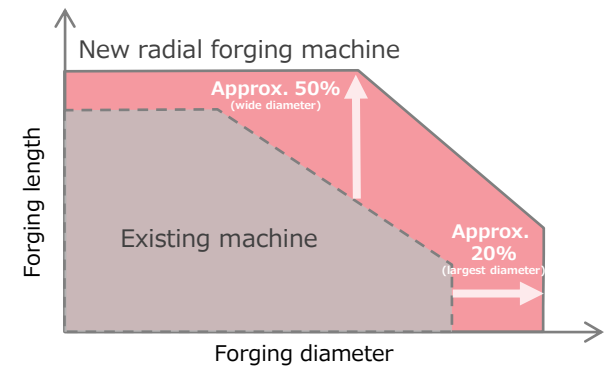


Daido's market share of superalloy forged and rolled bars (%)

Manufacturing capacity

We will be able to expand the manufacturable dimensions of radial forging machine and acquire manufacturing capacities to cover almost 100% of the market needs for Ni alloys for aircrafts (while also implementing measures to shorten L/T)

- Strive to expand the range of our products to meet for certifications offered by aircraft and O&G customers



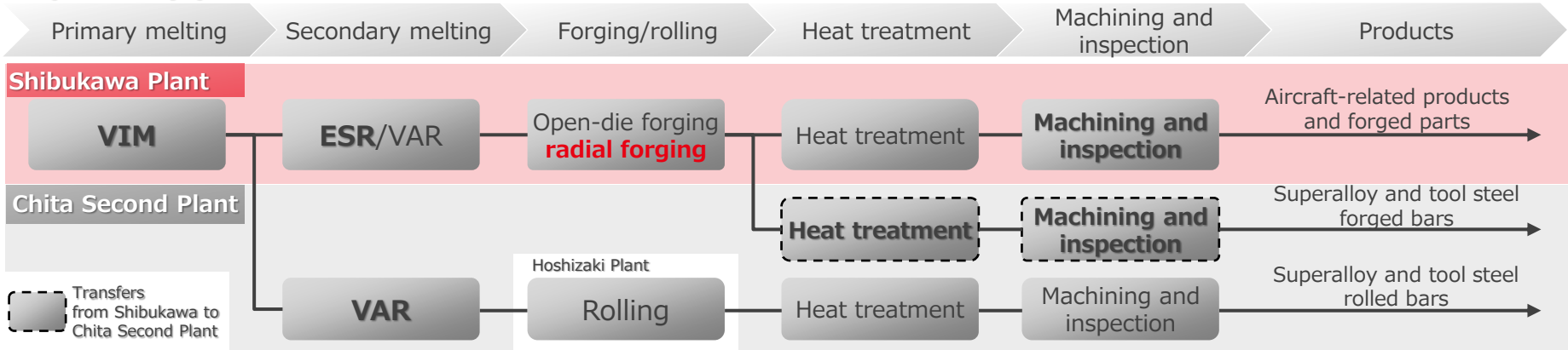
Expansion of manufacturable dimension range

IV-1) | Superalloy Manufacturing Process Transformation Project

[Outline of investments]

- ✓ Plan to transfer heat treatment, machining, and inspection processes at Shibukawa to Chita Second Plant, and plan to upgrade melting through open-die forging processes at Shibukawa Plant
- ✓ Plan to transform Shibukawa Plant to integrated manufacturing plant for aircraft-related products and forged parts, while upgrading processes for superalloy bar, wire, and strip in Nagoya area

Superalloy process flow



Investing Equipment

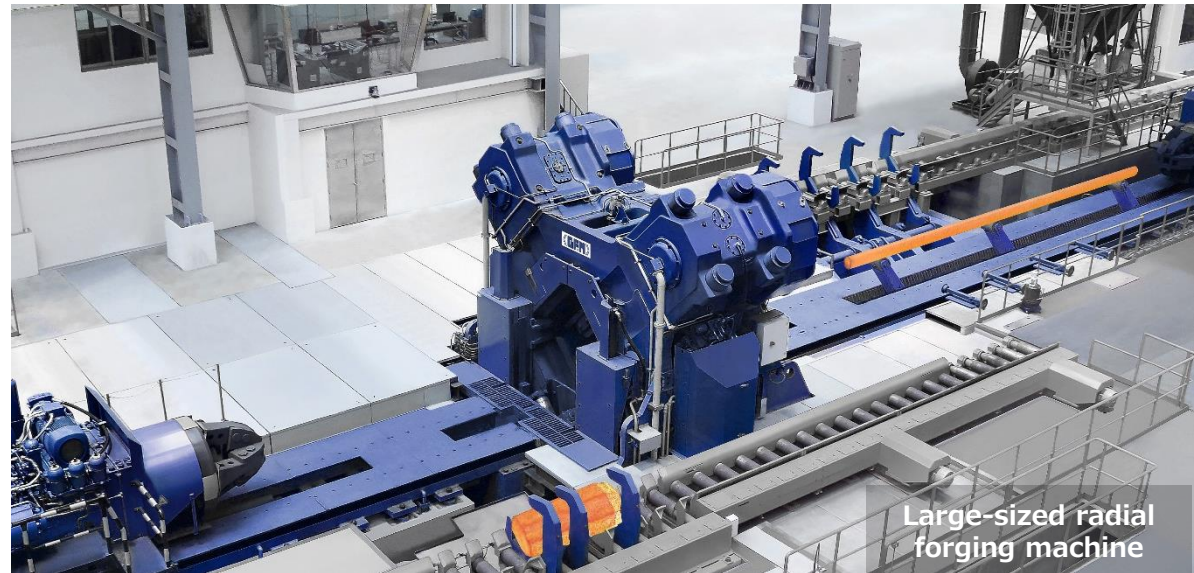
Shibukawa Plant: integrated manufacturing plant for aerospace products and forged parts

- Increase VIM furnaces
- Increase ESR (including replacement)
- **Installation of large radial forging machine**
- Introduction of machining and inspection equipment (for aerospace products and forged parts)

Transferring Machining equipment to Chita 2nd (for superalloy and tool steel forged bars)

Chita Second Plant: Efficient machining and inspection of forged and rolled products

- Installation of two VAR furnaces
- Introduction of heat-treatment furnace
- Introduction of machining and inspection equipment (for superalloy and tool steel forged bars)



Large-sized radial forging machine

(IV-1) | Stainless steel production capacity expansion for semiconductor production equipment

- ✓ As semiconductor production equipment performance advancing, we will invest in production capacity expansion to prepare for growing demand for VIM-VAR melted stainless steel.
- ✓ At the same time, we will establish production system to enhance the upward elasticity of production capacity in order to prevent lost opportunities and to prevent longer lead times in the event of cyclical demand surges.

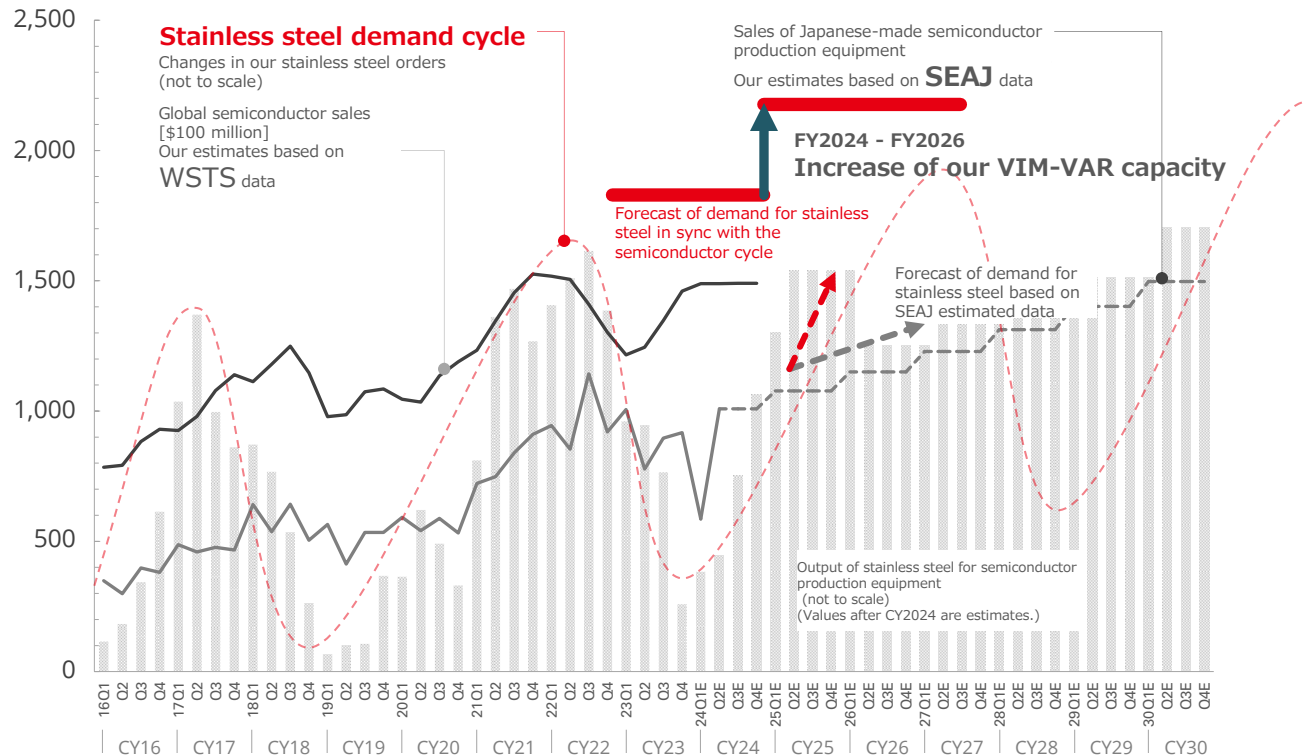
Various components for semiconductor production equipment

Functional products for semiconductor production equipment

304
316L
UNS S35000
Alloy 625
C22
C276
Alloy242



₩WSTS [\$100 million]
¥SEAJ [¥billion]



• VIM: Vacuum Induction Furnace, VAR: Vacuum Arc Remelting Furnace, L/T: Lead Time, LM guide: Linear Motion Guide



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IV-2) | Financial Strategy [Basic policy and main strategic KPIs]

- ✓ Adopt BS-oriented IFRS and execute effective management with greater awareness of capital efficiency indicators such as C/F and ROE
- ✓ Balance aggressive capital investment for business P/F transformation against the need to maintain financial soundness

Basic policy

Main strategic KPIs

A process of implementing our financial strategy that enables us to simultaneously take aggressive strategic investment positions

Basic financial strategy policy:

Balance between maintaining financial soundness and improving capital efficiency

- Consider diversification of financing methods
- Liquidate assets, replace or make effective use of company-held assets
- Curb increased working capital and shorten CCC
- Evaluate the efficiency of CN investments
- Monitor the profit creation and investment cycles for growth
- Enhance return to shareholders to maintain and improve ROE

Maintain financial soundness

Equity ratio:
50 to 55% (%)

D/E ratio:
about 0.5

Balance between maintaining financial soundness and improving capital efficiency

Improving capital efficiency

ROE:
9% or more

- Transforming business P/F
 - Increase sales of products intended for fast-growing markets
 - Promote R&D activities to create new products sustainably that will lead to the establishment of advanced businesses
 - Optimize production reallocation

- Enhancing management resilience
 - Maximize the value of human capital
 - Replace and/or make effective use of company-held assets
 - Production process reform
 - Promote C/F management

- Enhancing our release of information about our accomplishments
 - Expand IR/SR/PR activities
 - Increase the quantity of information release
 - Promote communication with stakeholders

- Promoting our ESG activities
 - Promote our ESG activities by making the value of solving ESG issues apparent and linking this to improvements in corporate value (leading to profit growth)

- Stabilize shareholder returns
 - Considering strengthening shareholder returns while taking into account progress in cash allocation during the 2026 mid-term

ROE
over 9%

PER
improvement

Shareholder return
Dividend payout ratio:
30% or more

Corporate value enhancement

Constantly maintain PBR at 1x or higher

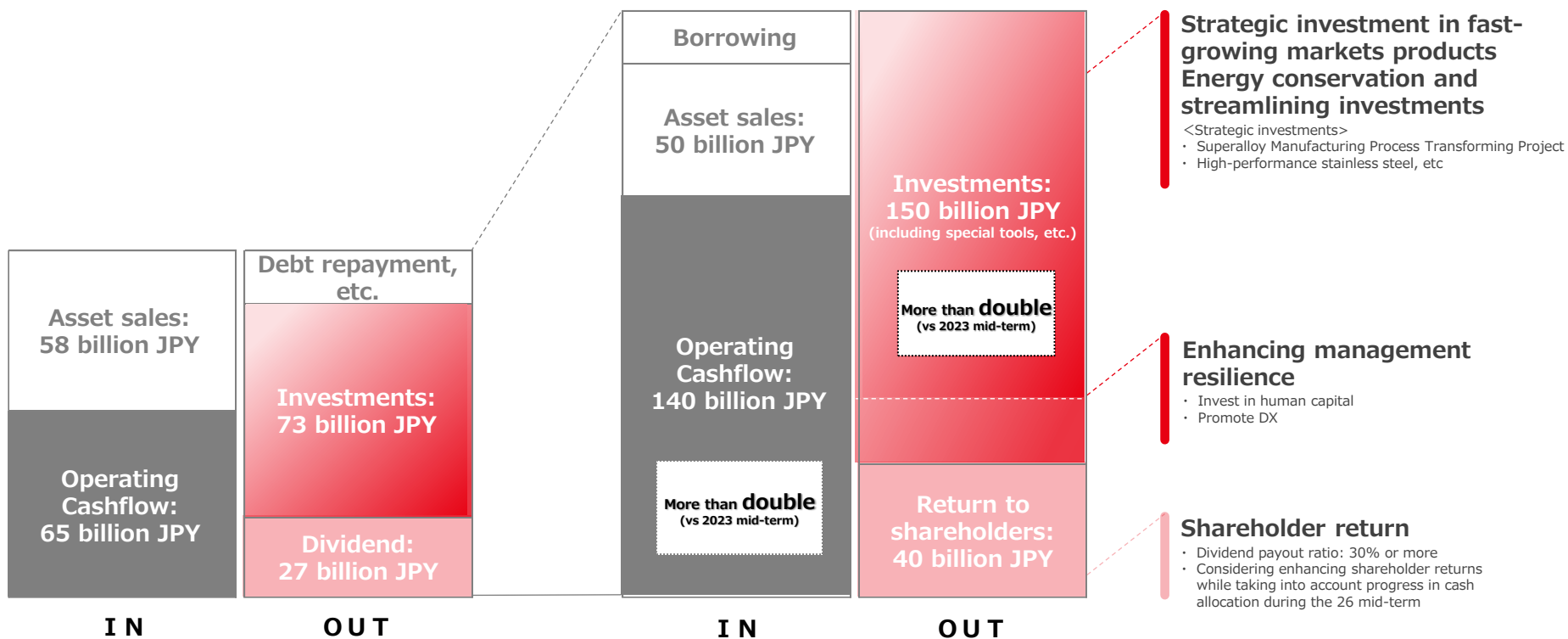
* P/F: portfolio, C/F: cash flow, CCC: cash conversion cycle, CN: carbon neutral

IV-2) | Financial Strategy [Cash allocation]

- ☑ Plan to generate more than double the amount of operating Cashflow (2026 mid-term vs 2023 mid-term)
- ☑ Plan to promote investment in fast-growing areas, while improving capital efficiency and enhancing shareholder returns

2023 mid-term results (3-year total)
(Japan GAAP)

2026 mid-term plan (3-year total)
(IFRS)

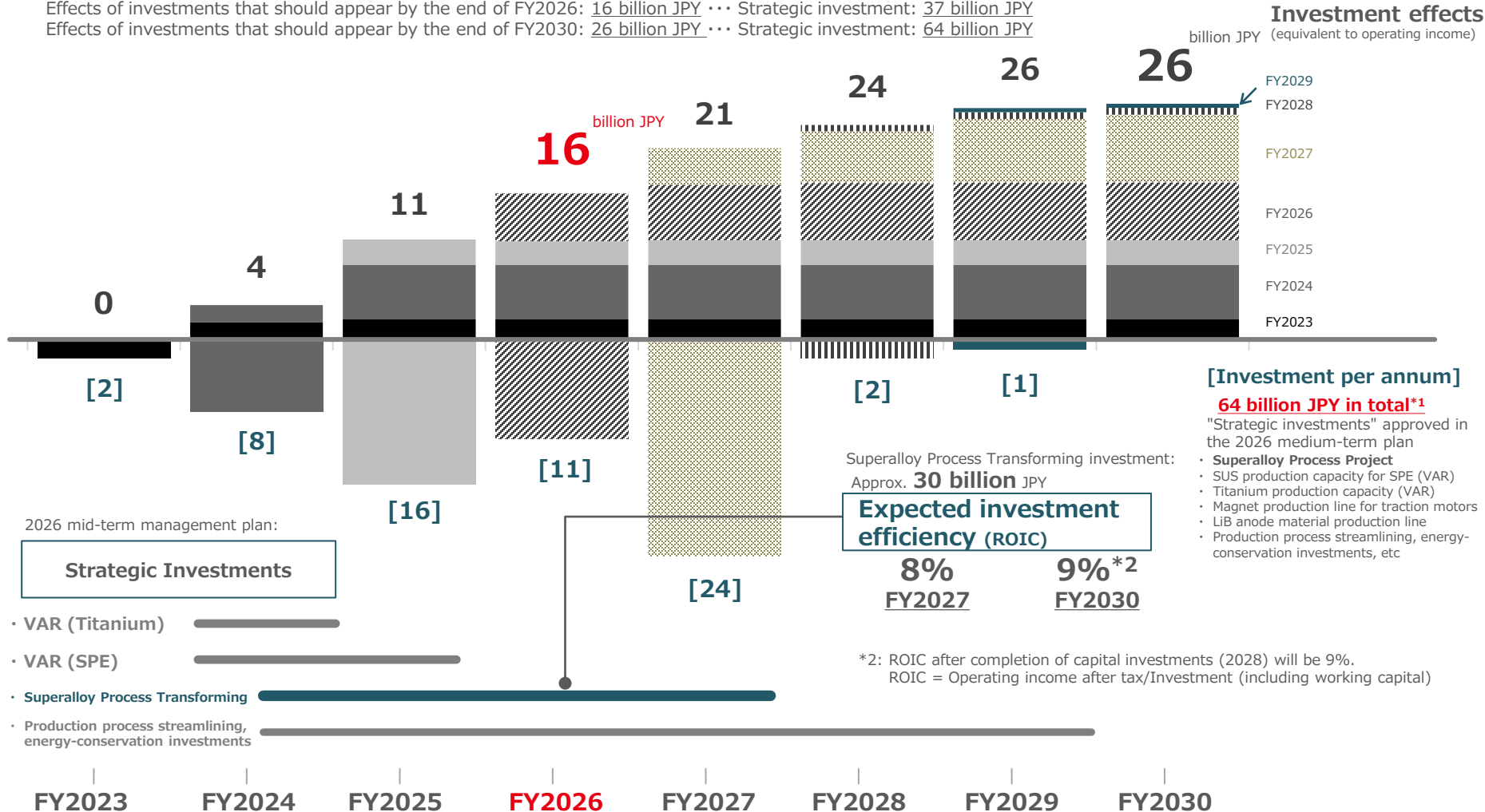


IV-2) | Financial Strategy

[Analysis of profit growth effects on strategic investments]

- ✓ Plan to generate an increase in operating income of approximately 16 billion JPY by the end of FY2026 through strategic investments to be scheduled in 2026 mid-term management plan
- ✓ Plan to aim further profit growth by investments effect of installment completion beyond 2026 mid-term

*1: Of the 150 billion JPY of investments in the 2026 mid-term plan, "strategic investments" will amount to more than 64 billion JPY
 Effects of investments that should appear by the end of FY2026: 16 billion JPY ... Strategic investment: 37 billion JPY
 Effects of investments that should appear by the end of FY2030: 26 billion JPY ... Strategic investment: 64 billion JPY



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Advancing ESG management

To contribute to realizing a sustainable society, we will transform our efforts on ESG themes into autonomous activities, which will also lead to the enhancement of our overall corporate value

Company-owned forest in Hokkaido "Kutcharo Natural Forest Daido"

ESG Category

(E) Preservation of the global environment

(S) Responsibilities and contributions to society

(G) Strengthening governance

Key Issues (Materiality)

- Implement the roadmap for achieving carbon neutrality in production processes
- Expand businesses that contribute to the realization of sustainable society
- Recognize coexistence with nature and reduce environmental impact as a manufacturing company
- Cultivate human resources to embody management philosophy and conduct guidelines, and promote DE&I*
- Contribute to solving social issues and fulfill corporate responsibilities
- Enhance corporate resilience and governance system to ensure trust and security

Promoting ESG activities to maximize corporate value

* DE&I: Diversity, Equity and Inclusion: To ensure fairness and mutual recognition within the diverse range of the members of corporate community, and to enable everyone to maximize their abilities and play active community roles

IV-3) | ESG strategy [E] : Daido Carbon Neutral Challenge

Preservation of the global environment
(Business activities - Product supply)

Our "Vision for 2030"
Challenge to carbon neutrality & accelerating innovation to support sustainable society

Materiality / Conduct guidelines

Specific activities

Implement the roadmap for achieving carbon neutrality in production processes

As compared with 2013

Reduce CO₂ emissions by 50%

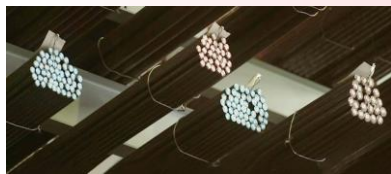
By 2050

We aim to achieve carbon neutrality, in step with society's decarbonization technology and infrastructure development

- Promote "Daido Carbon Neutral Challenge" project
Reduce CO₂ emissions by 50% by 2030 (as compared with 2013)
Achieve carbon neutrality by 2050
* Target for 2026: 35% reduction (as compared with 2013)

- Scopes 1 & 2: Improve energy efficiency, by recovering waste heat from electric furnaces, etc., and utilizing CO₂-free electricity
- Scope 3: Reduce indirect CO₂ emissions
- Participate in CN innovation technology and infrastructure development projects
- Establish hydrogen combustion process technology

Expand businesses that contribute to the realization of sustainable society



- Improve our product attractiveness by providing accurate CFP calculations
- Expand the lineup of products contributing to the development of sustainability
- Increase sales of engineering products contributing to CN/CE

- Acquiring third-party CFP certifications
- Develop a CFP calculation system and disclose our CFP information to customers so they can be aware of our CN-contributing products
- Develop products related to clean energy, CASE, and medical care
- Increase sales of CN-contributing products in global fast-growing markets
- Propose retrofitting projects (incorporating the latest technology) and the modification of existing equipment

Recognize coexistence with nature and reduce environmental impact as a manufacturing company



- Expand scrap recycling initiatives
- Promote biodiversity activities and perform quantitative evaluations & disclosures of the results

- Expand the use of recycled materials in automobile recycling
- Continue our nature conservation activities and evaluate them
- Comply with the initiatives of the TNFD (Taskforce on Nature-related Financial Disclosures)

* CFP: Carbon Footprint, CN: Carbon Neutral, CE: Circular Economy, Retrofit: Modifying existing equipment to incorporate the latest technology in it

IV-3) | ESG Strategy [S]: Respect for human rights and contributions to society

Responsibilities and contributions

Our "Vision for 2030"
Contribute to stakeholders and fulfill social responsibilities

Materiality / Conduct guidelines

Specific activities

Cultivate human resources to embody management philosophy and conduct guidelines, and promote DE&I*



Company-owned forest in Hokkaido "Kutcharo Natural Forest Daido"

Enhance management resilience by promoting human capital strategies

- Improve employee engagement
- Improve labor productivity by 20% (FY2026 vs FY2023)

Respect human rights

- Human capital strategy
 - Acquire self-disciplined expert employees through recruitment and training
 - Acquire staff committed to co-creation, through recruitment and training
 - Create workplaces and organizations where employees mutually enhance each other's abilities
- Respect human rights
 - Promote human rights due diligence and risk mapping for human rights violations
 - Harassment training, dissemination to group companies
 - Dissemination of relief contacts and steady implementation of corrective measures

Contribute to solving social issues and fulfill corporate responsibilities



Daido Steel's Phenix Handball Team

Prevent corruption and reduce business risks

Promote stakeholder communication

- Establish stable business foundation through community contribution activities
- Improve corporate recognition through Mecenat activities and contribute to education and sports promotion



"Daido Steel Phenix Square" at the underground shopping center in Sakae, Nagoya City

- Prevent corruption and reduce business risks
 - Review of regulations from an anti-corruption perspective, dissemination to group companies
- Promote stakeholder communication
 - Promote stakeholder PR activities and IR/SR activities
 - Hold community events (plant tours, community festivals, etc.)
 - Improve internal and external recognition of the Company's sports club activities
 - Hold events for elementary and junior high school students (sports education, art exhibitions, etc.)
- Supply chain development
 - dissemination of ESG activities to group companies and suppliers

IV-3) | ESG Strategy [G]: Governance policy

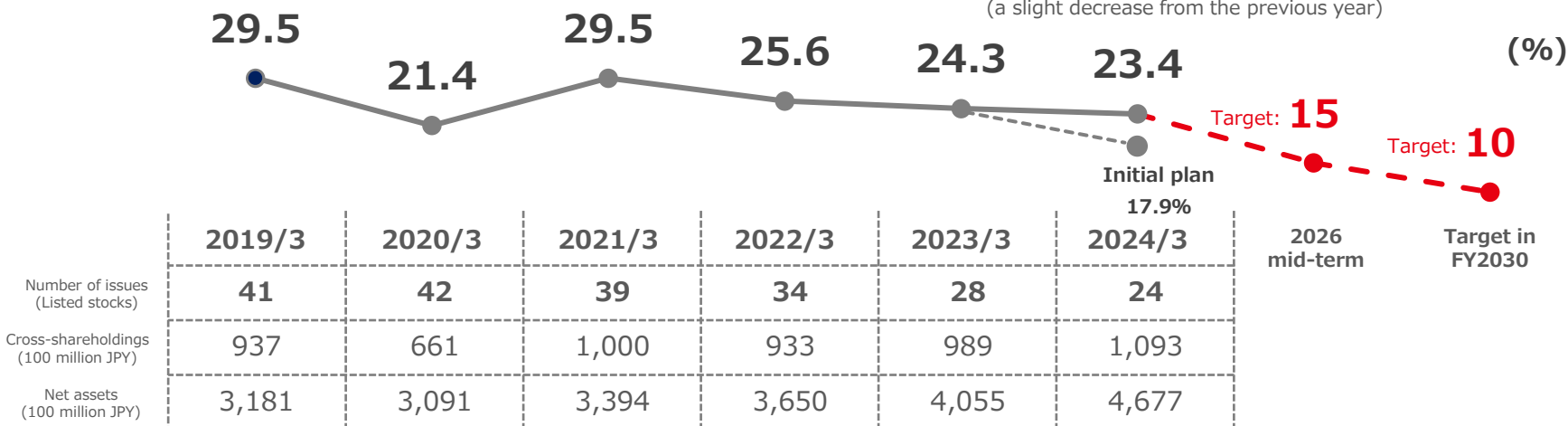
➤ Enhance corporate resilience and governance systems to ensure trust and security

Cross-shareholdings

- Plan to reduce cross-shareholdings to 10% or less of net assets over the long term, while clarifying the appropriateness of shares we will continue to hold.

Figure: Cross-shareholdings as a percentage of net assets (including deemed holdings of equity securities)

During FY2023, we sold cross-shareholdings with the goal of achieving 18% or less, but due to the impact of rising stock prices, the ratio remained at 23.4% as of March 31, 2024 (a slight decrease from the previous year)



Other issues regarding corporate governance

- Continue making efforts to address other governance issues and measures that will lead to more sophisticated governance in the medium to long term
- Reconsider our approach to the selection of outside directors
- Enhance the skill matrix of the directors
- Improve the functions of the Nomination and Compensation Committees
- Evaluate the indicators for determining directors' compensation
- Take a systematic approach to developing female managers
- Pursue initiatives to enhance dialogues with shareholders and investors
- Verify the rationale for maintaining the listings of listed subsidiaries and the significance of holding these subsidiaries
- Other important governance issues

Daido Steel Group Management Philosophy

**Pursuing the potential of materials
to support our future**

Our "Vision for 2030"

We will pursue high-performance materials, create benefits for customers and contribute to the realization of a sustainable society

2026 Mid-Term Management Plan

- Transition Management -

We will view the coming changes in socioeconomic and industrial conditions as opportunities for business growth and transformation of our business portfolio and achieve sustainable profit growth in new business domains (customers, value proposition, and approach)

(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 a total 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 users. Please be aware that our company shall not assume any responsibility for the results of using the information in this document.

Daido Steel Co., Ltd.

Company-owned forest in Hokkaido
"Kutcharo Natural Forest Daido"