

**DAIDO STEEL GROUP**  
**Beyond the Special**

FY2025 ESG Briefing

# Daido Steel's Approach to ESG Management

Go to Amazing Futures with Specialty Steel !

March 9, 2026

# How this briefing fits into our current management plan

## The Company's vision for 2030

We introduced the “transition management approach” in our 2026 Medium-Term Management Plan, which will enable us to “pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society”.

- We will use this briefing to explain the initiatives and progress related to “**Advancing ESG Management**”, which is one of the three basic action policies of the 2026 Medium-term Management Plan

### Management Philosophy – Our Mission

Universal Values  
We will pursue the potential of materials and continue to support the future of people and society

### “Our Vision for 2030”

How we plan to realize our management philosophy  
We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society.

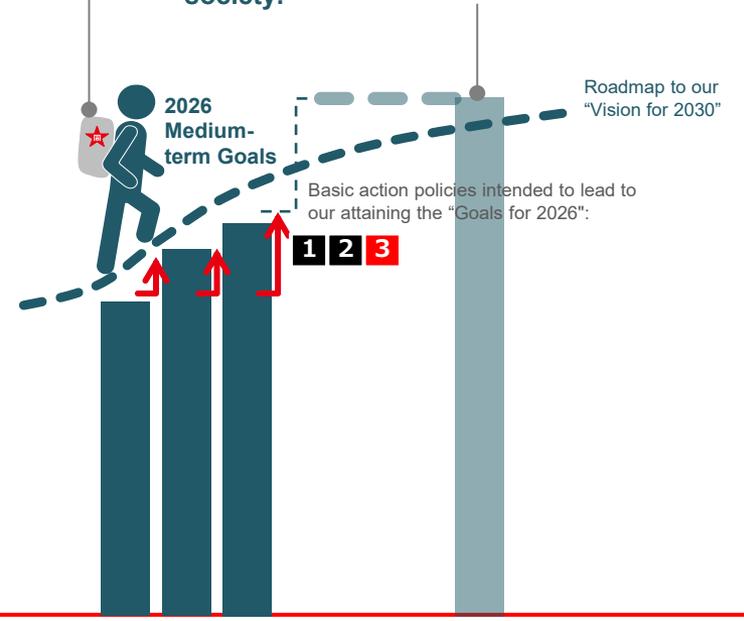
### Action Policies

- 1 Transforming our 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
  - Improve labor productivity and the quality MS by promoting the manufacturing DX, etc. and reinforce business foundations
- 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 so they can develop and contribute to their fullest potential

\* Quality MS: Quality Management System

### 2026 Medium-Term Management Policy

Daido Steel views changes in society, economy, and industrial structure as good business opportunities, and aims to implement the transformation of our business portfolio and realizes sustainable profit growth in new business domains (customers × value provided × approach).



# Positioning of materiality — Impact on society, business, and finance

The 2026 Medium-Term Management Plan is based on three pillars:  
**business strategy, financial strategy, and ESG strategy**

While advancing our business strategies, we continue to drive initiatives addressing the six key issues (materiality) identified in our ESG strategy, thereby shaping a sustainable value-creation story.

[2026 Medium-Term Management Plan period basic action policies]



Materiality	Connection with business strategy	
	Transforming business portfolio	Enhancing management resilience
<b>E Preservation of the global environment (business activities/product supply)</b>		
[E1] Steady implementation of a roadmap to achieve carbon neutrality in the production		○
[E2] Expansion of businesses that contribute to the realization of a sustainable society	○	
[E3] Coexistence with nature and reduction of environmental impact as a manufacturing company		○
<b>S Responsibilities and contributions to society</b>		
[S1] Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I	○	○
[S2] Contributing to solving social issues and fulfilling our corporate responsibilities		○
<b>G Strengthening governance</b>		
[G1] Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	○	○

**Impact**

**[Impact on society]**

- Triggering innovation in industry through technological innovation in materials
- Contributing to the creation of a society where people and nature coexist

**[Impact on business]**

- Transforming our business portfolio and achieving sustainable evolution
- Gaining further trust through increased brand awareness

**[Impact on finances]**

- Maintaining financial soundness while improving capital efficiency

# Our Initiatives and Progress on Materiality

## Preservation of the Global Environment

- The Daido Steel Group\* is working collectively to reduce CO<sub>2</sub> emissions toward achieving carbon neutrality by 2050 (Scope 1 & 2).

\*Including Nippon Koshuha Steel, which became a wholly owned subsidiary of Daido Steel in February 2026.

- Increasing the sales ratio of products for growth markets (energy transition, efficiency improvement, and resource utilization) contributes to societal CO<sub>2</sub> reduction and the shift to a circular economy.
- The ratio of recycled raw materials and water circulation rate are on track to achieve FY2030 targets.

Actions	KPI	FY2024 Results	FY2025 Forecast	FY2030 Targets
CO <sub>2</sub> emissions (vs. FY2013)	Emissions reduction	– 30%	– <b>34%</b>	– 50%
Share of CO <sub>2</sub> -free electricity	Expansion	40%	<b>45%</b>	60% or more
Sales ratio of growth-market products	Expansion	14%	<b>16%*</b>	25% or more
Recycled raw-material ratio	Maintain high level	89%	(90%)	Maintain 90% or more
Water circulation rate	Maintain high level	 <b>95%</b>	(95%)	Maintain 90% or more

 Achieved

\*FY2025 1H Results

# Our Initiatives and Progress on Materiality

## Responsibilities and Contribution to Society

- **Elimination of occupational accidents and promotion of health and productivity management:**  
We are advancing initiatives for both mental and physical health in order to achieve the Health and Productivity Management Declaration: 'Daido Steel — a workplace where employees can work with enthusiasm and vigor.'
- **Promoting diversity:** We promote an understanding of diversity and support a balance between work, childcare and nursing care.
- **Enhancing employee engagement:** We have launched “Dialogue with the President” sessions to deepen understanding of the corporate philosophy.

Actions	KPI	FY2024 Results	FY2025 Forecast	FY2030 Targets
Eliminating occupational accidents	Ratio of lost-time work injuries	0.38	<b>0.75</b>	0.20 or below
Promoting health and productivity management	Reduction in the ratio of employees with abnormal checkup results	68.8%	<b>67.5%</b>	55% or below
Promoting diversity	10-year retention rate of female employees Rate of next-generation management positions held by women Improvement in the rate of female managers	✓ <b>85.7%</b> 11.1% 2.7%	<b>72.7%*</b> <b>12.6%*</b> <b>3.2%*</b>	80% or more 17% 4.4%
Improving labor productivity	Labor productivity	Launch of DX promotion project	—	30% improvement
Enhancing employee engagement	Positive-response rate in the "engagement survey"	78.5%	✓ <b>81.2%</b>	80% or more

Labor productivity indicator: Marginal profit / labor hours invested

✓ **Achieved**

\*FY2025 Apr–Dec Results

# Our Initiatives and Progress on Materiality

## Strengthening Governance

- Risk Management (Group Whistleblowing System): To ensure the organization's self-correcting function, we strictly protect whistleblower privacy and aim for a highly reliable and effective system.
- Ratio of Cross Shareholdings to Net Assets: We sold six cross holdings totaling ¥24.1 billion in FY2024 and continue reducing such holdings, targeting a long-term level of 10% or below.

Actions	KPI	FY2024 Results	FY2025 Forecast	FY2030 Targets
Stable supply of high-quality products	Major quality incidents (Index taking the actual results of FY2006 as "1".)	0.25	<b>0.32*</b>	0
Risk management	Number of internal whistleblowing reports (within the Group) Number of Group support cases	64 cases 171 cases	<b>47 cases*</b> <b>141 cases*</b>	80 cases 180 cases or more
Compliance	Number of legal violations (within the Group) Material deficiencies to be disclosed under the Financial Instruments and Exchange Act	7 cases ✓ <b>0 cases</b>	<b>3 cases*</b> <b>0 cases*</b>	0 cases 0 cases
Strengthening corporate governance	Ratio of cross shareholdings to net assets	17.7%	—	10%

✓ Achieved

\* FY2025 Apr–Dec Results

# External Evaluations (the major ones; as of January 2026)

 <p>Discloser 2025</p>	<p><b>CDP</b>  <b>In January 2026, we were recognized for our efforts in climate change [A-] and water security [A-] for the second consecutive year.</b></p>	 <p><b>MSCI</b>  <b>ESG RATINGS</b></p> <p>CCC B BB BBB <b>A</b> AA AAA</p>	<p><b>MSCI</b>  <b>In 2025, we received an “A” on the MSCI ESG Rating.</b></p>
	<p><b>S&amp;P/JPX</b>  <b>Carbon Efficiency Index</b></p> <p>Ever since 2018, we have been selected as one of the constituents of the S&amp;P/JPX Carbon Efficiency Index.</p>	<p><b>2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数</b></p> <p><b>MSCI Japan ESG Select Leaders Index</b></p> <p>We have been included among the constituents of the Index since January 2024.</p>	
	<p><b>FTSE Blossom Japan Sector Relative Index</b></p> <p>We have been selected as one of the constituents of the FTSE Blossom Japan Sector Relative Index since 2024.</p>	<p><b>2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</b></p> <p><b>MSCI Japan Empowering Women Index (WIN)</b>  <b>MSCI Japan Empowering Women Index (Select)</b></p> <p>We have been included among the MSCI Japan Empowering Women Index constituents (WIN &amp; Select) since June 2024.</p>	
 <p>2025  <b>健康経営優良法人</b>          KENKO Investment for Health          大規模法人部門  <b>ホワイト500</b></p>	<p><b>Certified to be a Health &amp; Productivity Management Outstanding Organization (White 500)</b></p> <p>In 2025, we were certified as a Health and Productivity Management Outstanding Organization (White 500) for the second consecutive year (the sixth time overall).</p>		
	<p><b>Certified as a Kurumin company supporting childcare</b></p> <p>In 2022, we were certified as a Kurumin company under the Act on the Advancement of Measures to Support Raising the Children of the Next Generation. This is our third consecutive certification, following 2017 and 2019.</p>	 <p>あいち生物多様性          認証企業</p>	<p><b>Aichi Biodiversity Company Certification</b></p> <p>In 2022, we were certified as an “Aichi Biodiversity-Certified Company”</p>

# Participation in Initiatives (the major ones)

## WE SUPPORT



### UNGC/GCNJ

In July 2023, we signed the United Nations Global Compact (UNGC), a global initiative proposed by the United Nations that aims to achieve sustainable growth, and joined the Global Compact Network Japan (GCNJ), an organization that carries out the UNGC's philosophy and mission in Japan.

### Ministry of Economy, Trade and Industry's 'GX League'



We are participating in the 'GX League'. This was launched in fiscal 2023 with the aim of achieving a carbon-neutral society by 2050, through collaboration between industry, government and academia, led by the Ministry of Economy, Trade and Industry. Its ultimate goal is to transform the entire economic and social system.



TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

### TCFD

In November 2021, we announced our support for the TCFD recommendations, and we disclose information on the impact of our activities on climate change.



# HereWeGo203030

### Japan Business Federation (Nippon Keidanren) "Here We Go 203030"

We support the "Here We Go 203030" initiative proposed by the Japan Business Federation (Nippon Keidanren).



Taskforce on Nature-related  
Financial Disclosures

### TNFD

In March 2025, we expressed our support for the TNFD recommendations, and are disclosing information about the impact of our activities on the natural environment and biodiversity

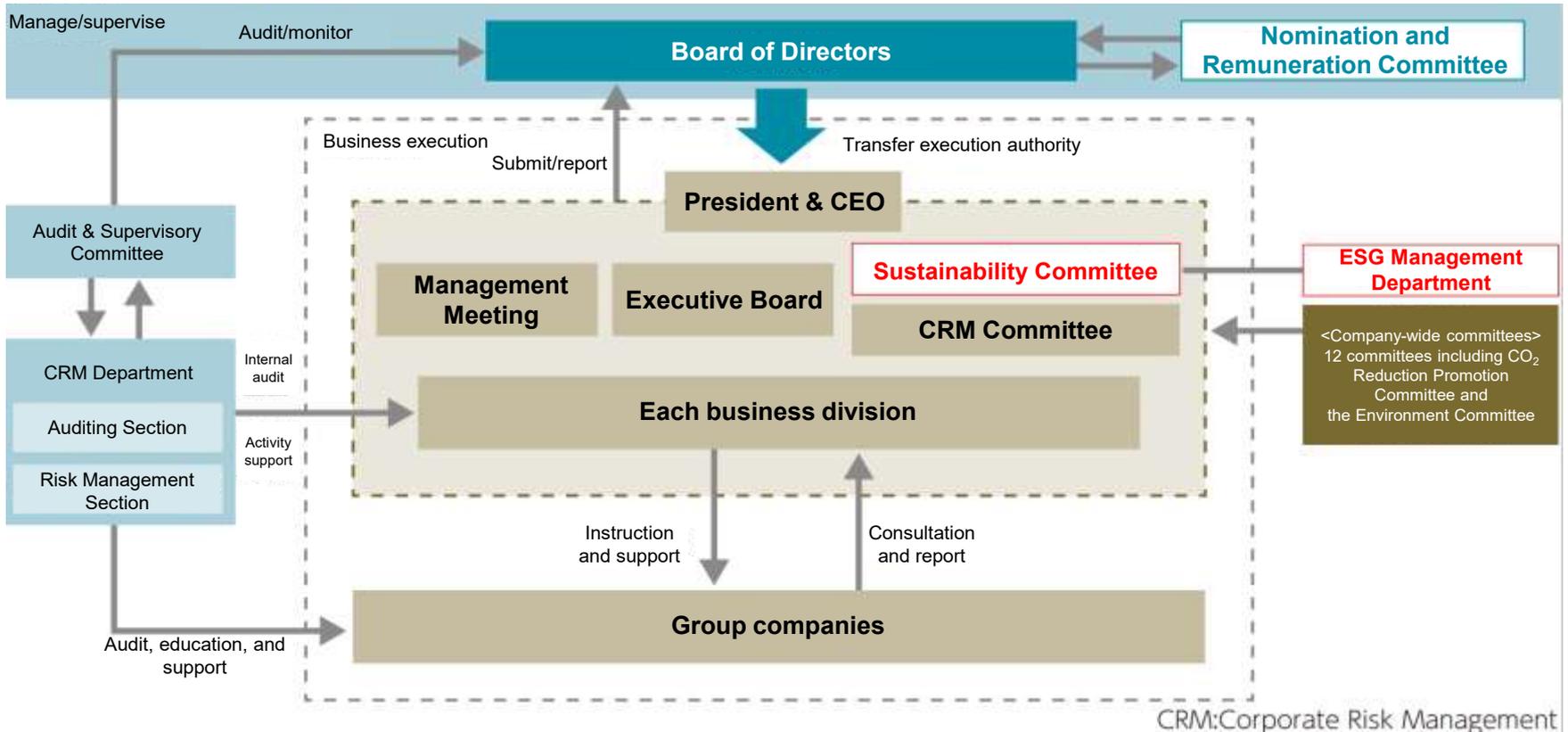


### The Ministry of the Environment's "30 by 30 Alliance for Biodiversity"

We are participating in the '30 by 30 Alliance for Biodiversity', which was established in September 2022 by 17 industry, government and private sector organizations, including the Ministry of the Environment.

# Our Sustainability Promotion System

- We have established the **Sustainability Committee** (chaired by the President) as an advisory body to the Board of Directors, which meets monthly (approximately 20 topics per year).
- In addition, we have established the **ESG Management Department** within the organization to promote and implement various sustainability-related measures on a company-wide basis.



## **E: Preservation of the Global Environment**

1. **Daido Carbon Neutral Challenge**
2. **Participation in Industry-Academia-Government Initiatives toward the Realization of a Carbon-Neutral Society**
3. **Initiatives for Supplying Daido-brand Steel Products Manufactured with Non-Fossil Electricity**
4. **Expanding Our Lines of Products for the Growth Market; Products that Contribute to Sustainability**
5. **Our Efforts to Promote Biodiversity**

## **S: Responsibilities and Contribution to Society**

6. **Human Capital Strategy Framework**
7. **Eliminating Occupational Accidents and Promoting Health and Productivity Management**
8. **Promoting Diversity**
9. **Improving Labor Productivity**
10. **Enhancing Employee Engagement**

## **G: Strengthening Governance**

11. **Stable Supply of High-Quality Products**
12. **Risk Management and Compliance**
13. **Strengthening Corporate Governance**

# Environment Preservation of the Global Environment



1. Daido Carbon Neutral Challenge
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3. Initiatives for Supplying Daido-brand Steel Products Manufactured with Non-Fossil Electricity
4. Expanding Our Lines of Products for the Growth Market; Products that Contribute to Sustainability
5. Our Efforts to Promote Biodiversity

# 1. Daido Carbon Neutral Challenge

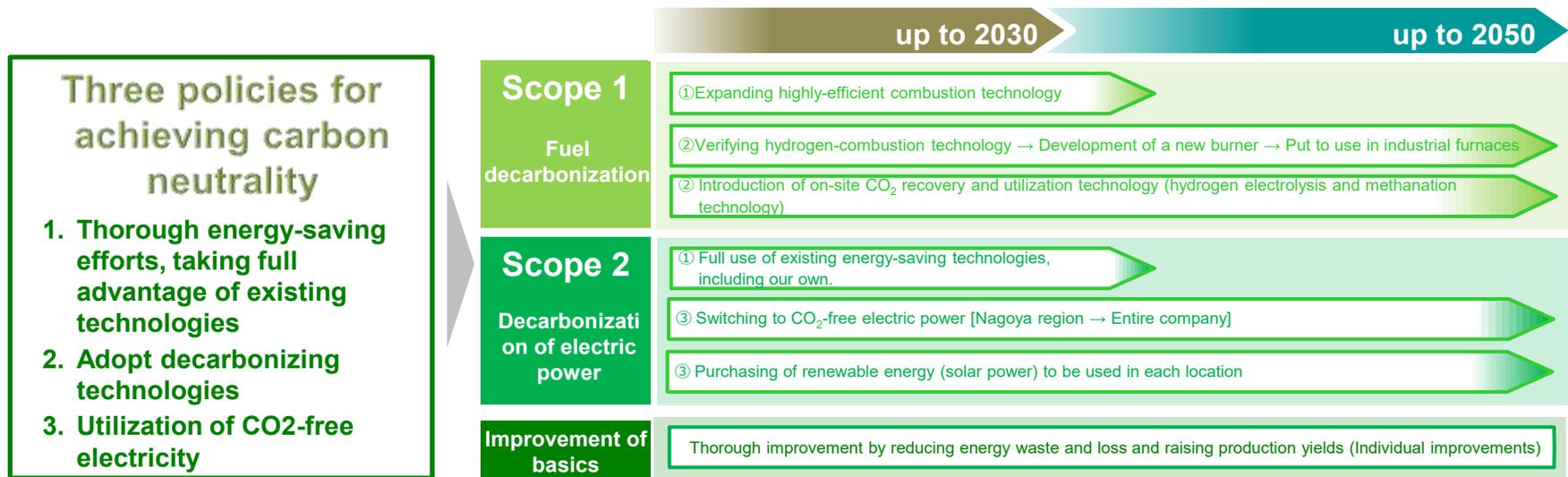
*Toward 2030*

**Reduce CO2 emissions by 50%**  
compared with FY2013

*Toward 2050*

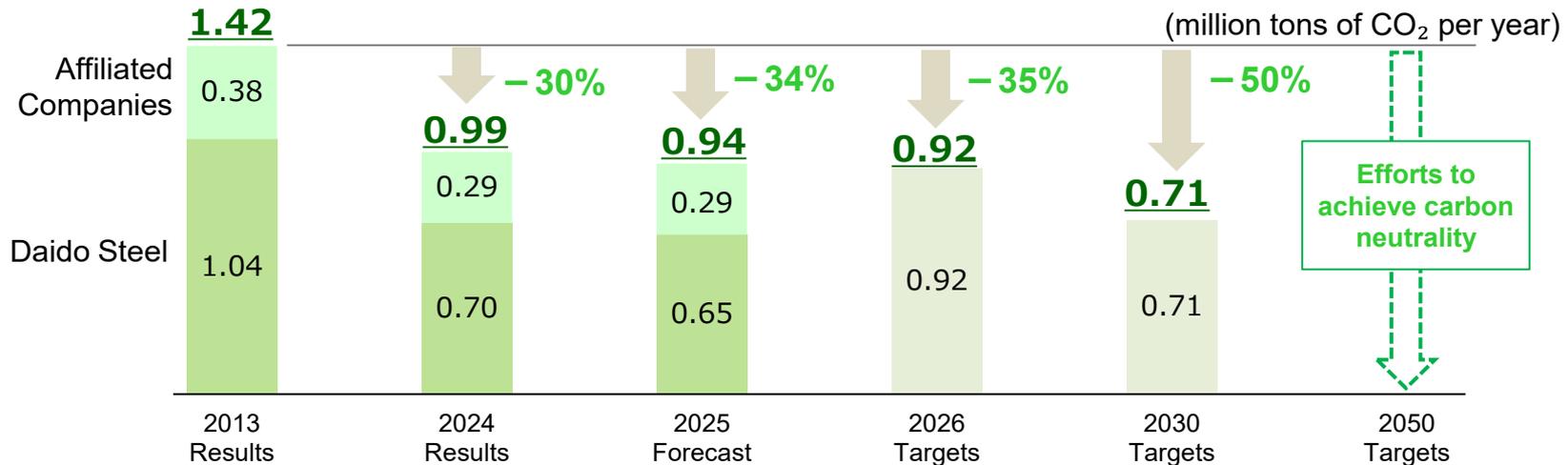
**Aim to achieve carbon neutrality**

in line with the development of decarbonization technologies and infrastructure



# 1. Daido Carbon Neutral Challenge

The entire Daido Steel Group is working to reduce CO<sub>2</sub> emissions with the aim of achieving carbon neutrality by 2050.



Notes: The calculations are limited to Scope 1 + Scope 2 (derived from energy) of the Company and its 63 affiliates (including Nippon Koshuha Steel Group, fully consolidated as of Feb. 2, 2026).

Grid emission factors: (Domestic) CO<sub>2</sub> emission factors following adjustment of electricity supplier and plan used (Overseas) IDEA Ver. 3.5 (April 15, 2025)

## Breakdown of CO<sub>2</sub> reduction (FY2013, FY2025 forecast, FY2030 plan) (million tons)

Details	CO <sub>2</sub> emissions in 2013 (1.44 million tons of crude steel per year)	CO <sub>2</sub> emissions expected in 2025 (1.32 million tons of crude steel per year)	CO <sub>2</sub> emissions planned in 2030 (1.44 million tons of crude steel per year)
Energy saving	1.42	0.94 (-0.48)	-0.15
Renewable energy*1			-0.25
Steel production factor			-0.13
Grid emission factors*2			+0.05
			0.71 (-0.71)
			-0.21
			-0.50
			-
			-

\*1 Renewable energy: Includes renewable energy (e.g., solar power) and renewable-energy-derived sources (e.g., Chubu Electric Power Mirai's CO<sub>2</sub>-free electricity menu, Chubu Electric Power's carbon-offset natural gas, etc.).

\*2 Grid emission factor: The amount of CO<sub>2</sub> generated when 1 kWh of electricity is generated. This changes with the composition of the fuel type used during the given year.

# 1. Daido Carbon Neutral Challenge: Our energy-saving efforts

Our company thoroughly promotes CO<sub>2</sub> reduction through energy-saving efforts during the manufacturing process. In addition, in order to promote energy-saving investment, in August 2021 we introduced the ICP (Internal Carbon Pricing) system.

## Large-scale investments

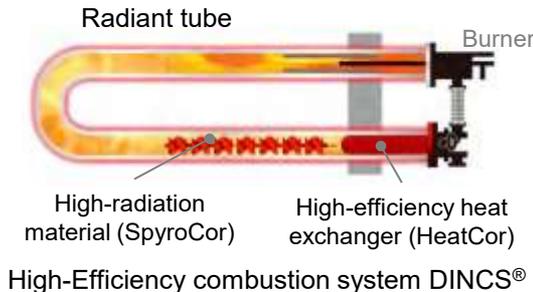
- Electric arc furnace with rotating drives (STARQ®): 150 tons
- Oxygen-enriched burners for the ladle preheating system
- Fuel conversion, etc.



<Electric arc furnace with rotating drives (STARQ®): 150 tons>

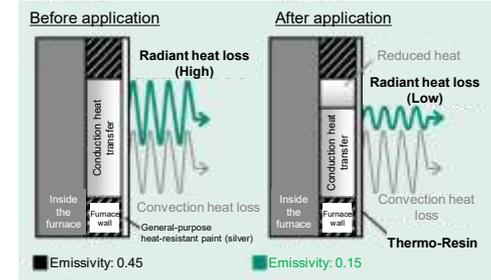
## Horizontal deployment of in-house developed technologies

- Premium STC® Furnace
  - Precision furnace pressure control
  - Fully water-free furnace shell
  - High-efficiency combustion system DINCS®



## Individual improvements

- Application of a low-emissivity heat resistant paint to heating furnaces
- Use of ceramic fibers for the refractories of the heating furnace
- Measures to prevent factory air leakage, etc.



Application of a low-emissivity heat resistant paint to heating furnaces

## Capital Investment for CO<sub>2</sub> Emission Reduction (Daido Steel, non-consolidated)



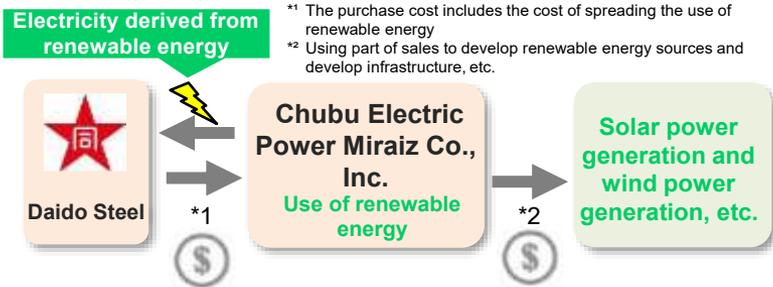
## Use of Internal Carbon Pricing (ICP)

- System introduced in August 2021 (5,800 yen/ton-CO<sub>2</sub>).  
[Purpose]: Raise awareness and promote energy-saving initiatives.  
[Scope]: Capital investments that contribute to CO<sub>2</sub> reduction (Scope 1 and Scope 2).
- To further encourage investments that reduce Scope 1 (fuel) emissions, we revised the ICP from 5,800 yen/ton-CO<sub>2</sub> to 15,000 yen/ton-CO<sub>2</sub> starting in FY2025.

# 1. Daido Carbon Neutral Challenge: Expanding the use of renewable energy

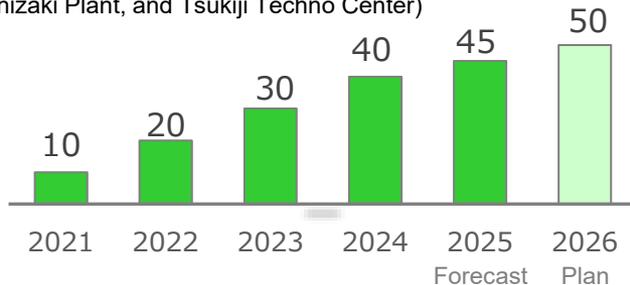
By using CO<sub>2</sub>-free electricity, we contribute to the reduction of our own CO<sub>2</sub> emissions, as well as to more widespread use of renewable energy, and also to the development of electricity infrastructure.  
The Daido Steel Group is also expanding the installation of solar power generation systems.

## Use of CO<sub>2</sub>-free electricity



### Change in the ratio of CO<sub>2</sub>-free electricity purchased, as a percentage

(Percent of CO<sub>2</sub>-free electricity purchased at our Chita Plant, Hoshizaki Plant, and Tsukiji Techno Center)



- Purchasing CO<sub>2</sub>-free electricity began in FY2021. In FY2025, we expect to reduce CO<sub>2</sub> emissions by 270,000 t-CO<sub>2</sub>/year compared with FY2013\*1.

\*1: Calculated using the grid emission factor for FY2024 (The value announced by Chubu Electric Power Miraiz, on August 1, 2025). Beginning in FY2025, the Chita Second Plant started purchasing CO<sub>2</sub>-free electricity to achieve carbon neutrality and all the electricity used at the site is CO<sub>2</sub>-free.

## Utilization of solar power

Expected to contribute to a reduction of approx. 7,000 tons-CO<sub>2</sub>/year in FY2025 vs. FY2013.

**Daido Machinery, Ltd.**

- ① Head Office
- ② 2024
- ③ 830 kW

**Riken Seiko Co., Ltd.**

- ① Kakizaki Plant
- ② 2024
- ③ 1,250 kW

**Sakurai Kosan Co., Ltd.**

- ① Arako Plant
- ② 2023
- ③ 129 kW

**Daido Steel Co., Ltd.**

- ① Shibukawa Plant
- ② 2025
- ③ 120 kW

**Izumi Denki Kogyo Co., Ltd.**

- ① Iwatsuki Warehouse
- ② 2013
- ③ 18 kW

**Shimomura Tokushu Seiko Co., Ltd.**

- ① Fujimi Plant
- ② 2023
- ③ 143 kW

**Nippon Seisen Co., Ltd.**

- ① Hirakata Plant
- ② 2016
- ③ 11 kW

**Fuji OOZX Inc.**

- ① Fujisawa Plant
- ② 2024
- ③ 488 kW

**Fuji OOZX Inc.**

- ① Head Office / Shizuoka Plant
- ② 2023
- ③ 3,985 kW

**Overseas Group Companies: Installation Year & Capacity**

- DAIDO DMS (Thailand): 2022, 590 kW
- FUJI OOZX MEXICO: 2023, 1,000 kW
- FUJI OOZX INDONESIA: 2024, 351 kW

① Installation site  
② Year  
③ Capacity

# 1. Daido Carbon Neutral Challenge: Expansion of carbon-neutral (CN) plants

Following the Chita Second Plant, which achieved carbon-neutral (CN) status in FY2025, we aim to attain CN status at the Takiharuru Techno Center (including the Machinery Division) in FY2026. This will be realized through the use of credits and non-fossil fuel certificates, enabling net-zero CO<sub>2</sub> emissions at a site that serves as a development and production hub for industrial furnaces and environmental equipment that support carbon-neutrality across the industry.

## <Breakdown of CO<sub>2</sub> emissions at the Takiharuru Techno Center (including the Machinery Division) and methods for offsetting and/or reducing CO<sub>2</sub> emissions>

[Scope]	[CO <sub>2</sub> emission sources]	[Percentage of CO <sub>2</sub> emissions (%)]	[CO <sub>2</sub> emissions offset/reduction methods]
Scope 1	City gas	0.4	● Offset through the use of recyclable energy-derived credits
	Gasoline	0.7	
Scope 2	Electricity	98.9	● Reduction through the use of non-fossil fuel certificates (covering 100% of electricity used)

## ► Major energy-saving products of the Machinery Division and their contribution to reducing CO<sub>2</sub> emissions at customers' sites through their use in FY2024\*



Takiharuru Techno Center (Exterior)  
Minami-ku, Nagoya, Aichi Prefecture

Products	Premium STC® (Controlled atmosphere annealing furnace)	DINCS® (High-efficiency combustion system)	ModulTherm® (Energy-saving vacuum carburizing furnace)	Sewage sludge carbonization furnace
Contribution to CO <sub>2</sub> emissions reduction	1,200 t/year	3,500 t/year	23,000 t/year	9,400 t/year

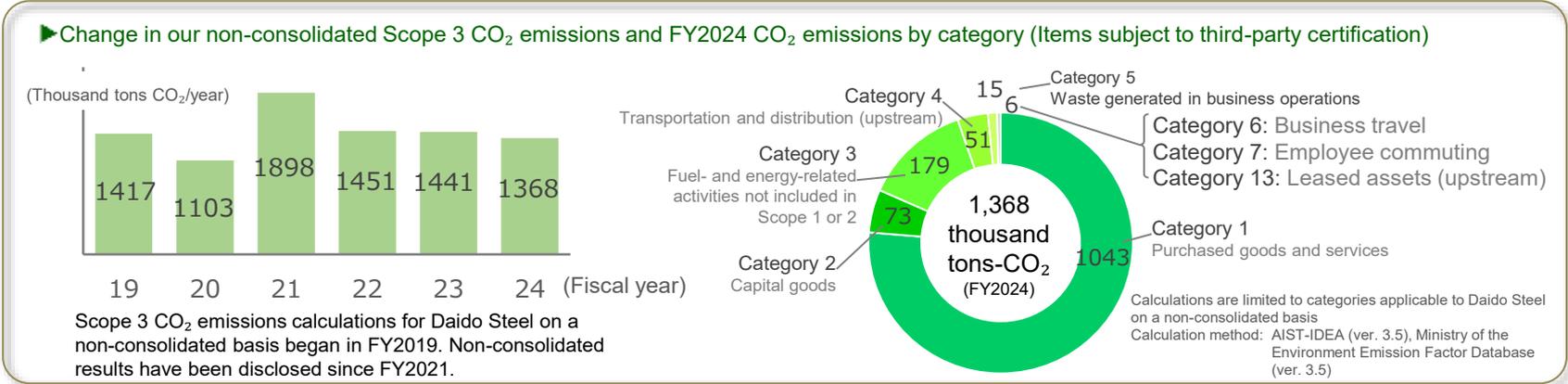
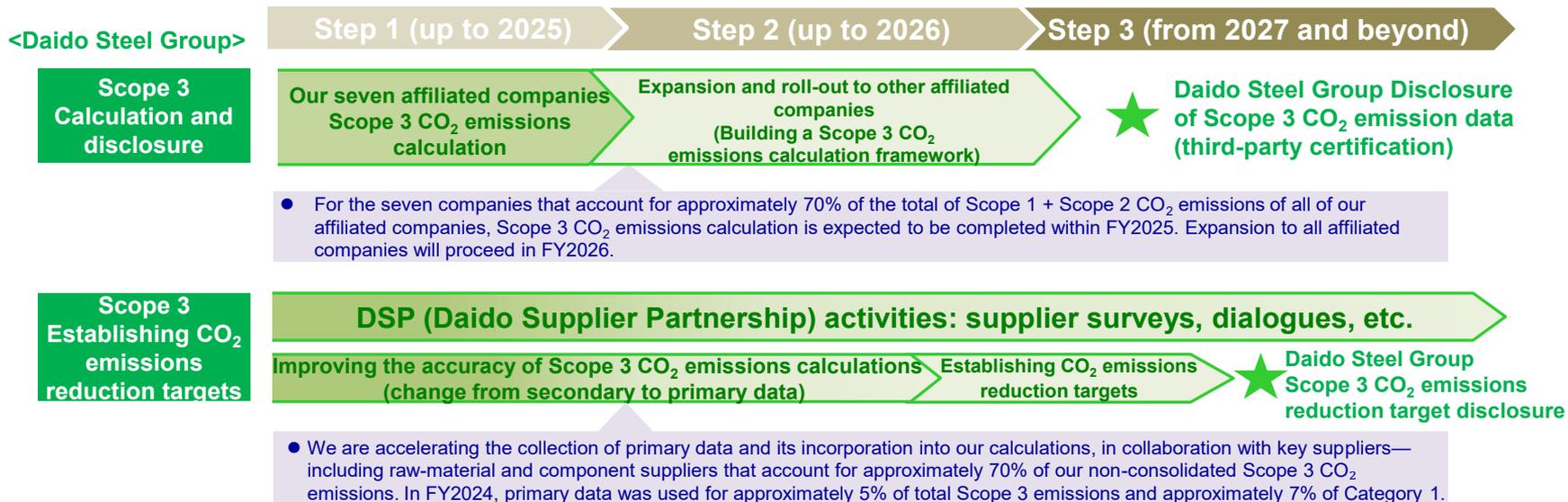
\* Contribution to CO<sub>2</sub> emissions reduction: independently calculated energy-saving effect compared with older or conventional equipment of equivalent performance.

Twelve products, including the four listed above, were certified under the FY2024 supplementary budget for energy-saving subsidies.

# 1. Daido Carbon Neutral Challenge: Our efforts to reduce Scope 3 CO<sub>2</sub> emissions

In order to reduce CO<sub>2</sub> emissions throughout the supply chain, we are working to build relationships with our suppliers to promote the calculation and disclosure of Scope 3 CO<sub>2</sub> emissions across the entire Daido Steel Group, while formulating CO<sub>2</sub> emissions reduction targets and promoting other CO<sub>2</sub> emissions reduction activities.

## Our efforts to reduce Scope 3 emissions within the Daido Steel Group



## Government Initiatives toward the Realization of a Carbon-Neutral Society

To help achieve carbon neutrality by 2050, we participate in a variety of industry–academia–government initiatives. Through collaboration with these initiatives, we aim to contribute to the realization of a carbon-neutral society by leveraging our manufacturing technologies.

### ■ Participation in the “Aichi Environmental Innovation Consortium”

- We joined the Aichi Environmental Innovation Consortium (established by Aichi Prefecture) on January 31, 2025.
- By applying our accumulated expertise in specialty steel manufacturing and environmental impact reduction, we will actively contribute to the consortium’s activities and support the realization of a sustainable society.



\*1 A consortium of 59 organizations (as of Jan. 2026) from industry, academia, and government, established to create and implement environmental innovation originating from Aichi, including initiatives toward carbon neutrality.



### ■ Signing of a Basic Agreement with the “Chubu Hydrogen–Ammonia Social Implementation Promotion Council”

- We signed a basic agreement on May 1, 2025, with the Chubu Hydrogen–Ammonia Social Implementation Promotion Council \*2 (established by Aichi Prefecture) to mutually cooperate in building a hydrogen and ammonia supply chain in the Chubu region. A total of 47 companies, including Daido Steel, signed the agreement.
- We have also been collaborating through the Hydrogen Utilization Study Group in Chubu\*3, which we joined in August 2023, working to create hydrogen demand and advance related initiatives in the region. We will continue contributing to the expansion of hydrogen demand and the development of the hydrogen supply chain in the Chubu area.

\*2: Established in February 2022 by local governments and economic organizations with the aim of building a large-scale hydrogen supply chain in the Chubu region to achieve carbon neutrality by 2050. (Chair: Aichi Governor Omura)

\*3: Established in March 2020 by 11 private companies to study the feasibility of large-scale hydrogen utilization with the aim of building a hydrogen supply chain and facilitating both large-scale demand and stable use. As of December 2025, the organization has 55 member companies. It also participates in the “Chubu Hydrogen–Ammonia Social Implementation Promotion Council.”

### 3. Initiatives for Supplying Daido-brand Steel Products Manufactured with Non-Fossil Electricity E: Preservation of the Global Environment

We are considering the supply and promotion of a steel product manufactured using non-fossil electricity, taking into account customer needs and relevant market and industry regulations, and highlighting the environmental value of this low-CO<sub>2</sub> steel through its CFP certification, which reflects the use of non-fossil value—such as renewable-energy-derived electricity and related certificates—in its production.



■ Industry guidelines on CO<sub>2</sub> emissions from steel production

★ indicates guidelines in which Daido Steel participated as a member of the guideline development team.

**[Cross-Industry] Carbon Footprint (CFP) Guidelines (METI and Ministry of the Environment)** Published March 2023

- General rules for CFP calculation across all industries based on ISO 14067 and the GHG Protocol

**[Steel Industry]**

**CFP Product-Specific Calculation Guidelines for Steel Products (Japan Iron and Steel Federation)**

- General rules for CFP calculation for steel products  
[Scope 1 CO<sub>2</sub> emissions reduction:: Importance of CFP reflecting steel GX and its value  
[Scope 2 CO<sub>2</sub> emissions reduction]: Steel products manufactured using non-fossil electricity

**Newly established** ★

**Published Oct. 28, 2025**

**[Scope 1 CO<sub>2</sub> emissions reduction]**

**GX Steel Guidelines (Japan Iron and Steel Federation)**

- Detailed rules for allocation of GHG reduction amounts and distribution of GHG emissions

**Revised / Renamed**

**Published Oct. 28, 2025**

**[Scope 2 CO<sub>2</sub> emissions reduction]**

**CFP Calculation Guidelines for Steel Products Manufactured Using Non-Fossil Electricity [Japan Iron and Steel Federation and Non-Integrated Steel Producers' Association]**

- Detailed rules for assigning non-fossil electricity attributes.

**Newly established** ★

**Published Oct. 28, 2025**

**[Other Industries] Product-specific CFP calculation rules (other industry associations)**

# 4. Expanding Our Lines of Products for the Growth Market; Products that Contribute to Sustainability

We will contribute to reducing CO<sub>2</sub> emissions and the transition to a circular economy by making sure that our high-performance products and technologies are widely recognized and used.

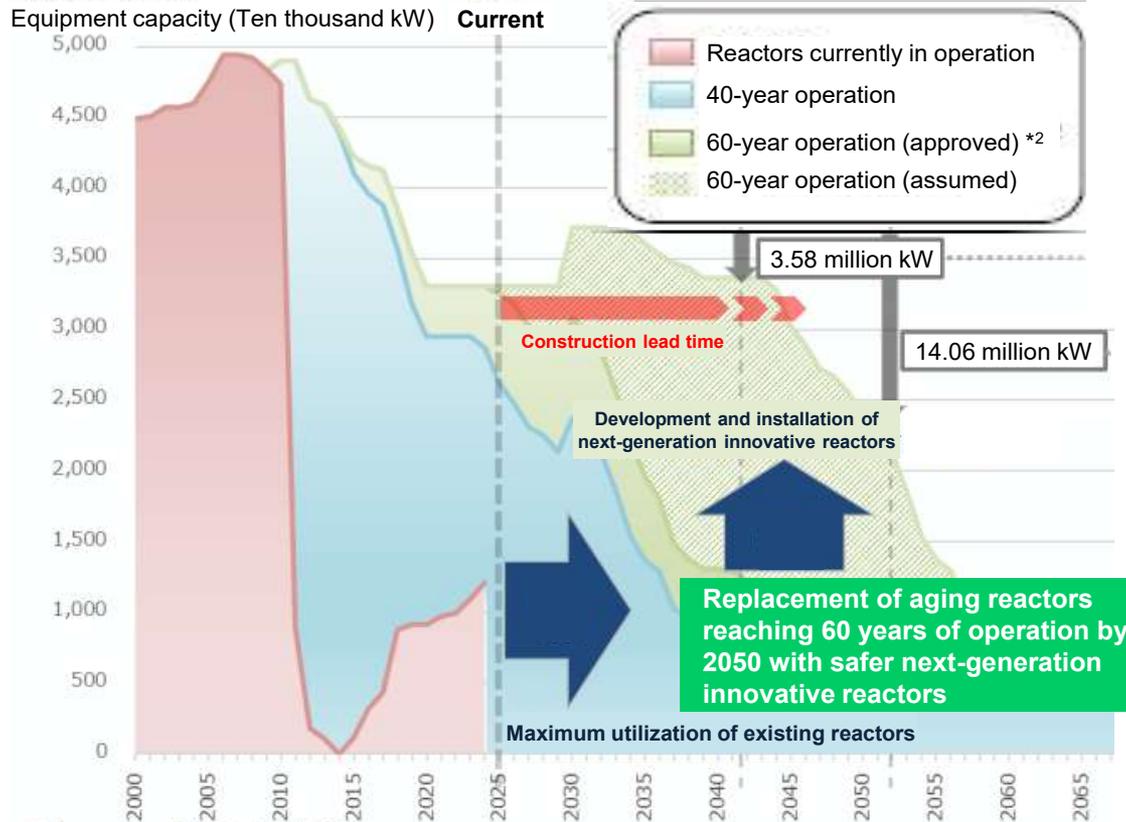
## ■ Main products that contribute to sustainability

[Category]	[Products]	[Applications]	[Contribution to the SDGs]	[Growth markets]
Supporting society's energy transition	Hydrogen embrittlement resistant stainless steel	In hydrogen environments	Realization of a hydrogen society	Clean energy  
	Materials for nuclear power/nuclear fusion reactors	Light water reactors, nuclear fusion reactors	Promotion of power generation with a low amount of CO <sub>2</sub> emissions	
	High flux density soft magnetic steel strips	Motor cores for xEVs and drones	Extension of range through reduced size and weight of motors	CASE  
	High-magnetic specially-shaped and -oriented magnets	Motors, sensors	Extension of EV range, conservation of heavy rare-earth elements	
	Targets for difficult-to-bond substrates	5G antennas, electronic device production	Expansion of the use of increasingly sophisticated electronic devices	Semiconductors 
Improving society's energy efficiency	Electric arc furnace with rotating drives (STARQ®)	Melting furnace for steel materials	Steel production based on reduced energy consumption	Clean energy  
	High thermal conductivity 3D (printer) powder (HTC®)	Mold parts for die-casting through 3D printers	Realization of water-cooled holes with complex shapes → Longer life	Others  
Effective use of resources	Next-generation sewage sludge carbonization system (Ultra-high-temperature carbonization furnace)	Recycling of sewage sludge	Circular economy using activated carbon (B-DASH Project), etc.	Others  

## Contribute to Sustainability: Materials for nuclear fusion reactors

We contribute to the expansion of low-CO<sub>2</sub> power generation by supplying materials for fusion power generation, an emerging next-generation technology that helps reduce future dependence on fossil fuels and supports the growing demand for electricity.

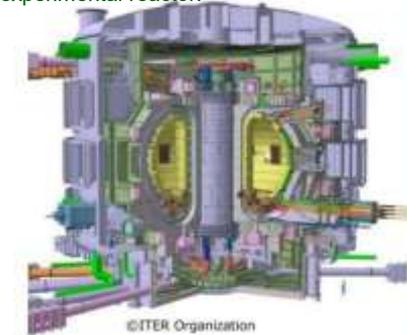
### Development of next-generation innovative reactors aimed at improving nuclear safety



Source: Agency for Natural Resources and Energy

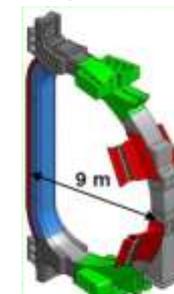
### Fusion Power Generation

- We have been participating in a seven-nation joint project since 2021.
- Daido Steel products are currently awaiting integration testing in the experimental reactor.



<ITER (Experimental reactor)>

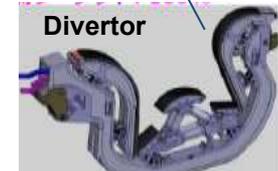
TF Coil



Outer vertical target



Divertor



[Examples of our fusion power generation-related products]

## 5. Our Efforts to Promote Biodiversity

In FY2023, we established our own Biodiversity Activities Policy. As a manufacturing company, we work to understand the relationship between our business activities and biodiversity, positioning biodiversity conservation and global environmental protection as key themes. We also support the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), and in March 2025 disclosed information on the impacts of our activities on natural environments and biodiversity. Going forward, we will continue to clearly communicate nature-related risks and opportunities and improve our communication and disclosure, by strengthening our corporate governance and clarifying our strategies.

### ■ Biodiversity Activities Policy

Established based on the Keidanren Declaration of Biodiversity and Action Guidelines.

- **Target for 2030: Contribute to the realization of a nature-positive economy.**
- **Basic policy:** In order to bring about a human way of life that is coexistent with the natural environment, we will reduce our impacts on biodiversity and work to conserve biodiversity throughout the entire value chain, including in our group companies.
- **Action guidelines:**
  - (1) We will conduct business activities that take biodiversity into consideration, such as by assessing the impacts our business has on biodiversity and working to reduce that impact.
  - (2) We will assess the impact of losses of biodiversity upon our business and strive to reduce those risks.
  - (3) We will disclose information on our approaches related to biodiversity and promote social contribution activities, in collaboration with stakeholders.

The following Daido Steel sites have been certified as “Nationally Certified Sustainably Managed Natural Sites” by Japan’s Ministry of the Environment.

- **Chita Peninsula Green Belt** Certified in FY2023  
... A coastal industrial greenbelt that includes the green areas of the Chita Plant and Chita Second Plant, maintained jointly with partner companies through the “Inochi wo Tsunagu PROJECT (Connecting Lives PROJECT).”
- **Kutcharo Natural Forest Daido** Targeting certification in FY2026  
... FY2024 ecosystem surveys confirmed increases in both flora and fauna species, as well as continued forest growth.
- **Kisokoma Kogen Country Club** Targeting certification in FY2026  
... Seasonal ecosystem surveys are underway, and interim results indicate a diverse range of wildlife.

### ▶ Hamatonbetsu PROJECT (2005–)

(Hamatonbetsu Town, Esashi District, Hokkaido)



The Hamatonbetsu Project is working with the local NPO Lake Kutcharo Eco-Workers to conserve and restore forests and lakes, while also helping to revitalize the local community.

### ▶ Inochi wo Tsunagu PROJECT (2011–)

(Chita Peninsula, Aichi Prefecture Waterfront Industrial Zone)



The Inochi wo Tsunagu Project operates within a coastal industrial greenbelt that serves as a biodiversity hub, where 12 companies, government bodies, NPOs, and students collaborate to enhance biodiversity and build ecosystem networks.

### ▶ Daido Forest (2016–)

(Nagiso Town, Kiso District, Nagano Prefecture)



In our birthplace of Nagiso Town, we signed a “Forest Foster Parent Promotion Agreement” and designated a 2.57-hectare forest as “Daido Forest,” which we continue to protect.

# 5. Example of Our Efforts to Promote Biodiversity: Hamatonbetsu PROJECT

Through conservation and restoration activities in and around the company-owned Kutcharo Natural Forest Daido, we contribute to revitalizing the local community and enhancing employee engagement. These long-term efforts have been highly recognized in Japan, receiving awards such as the Minister of the Environment's Award for Wildlife Protection.

## ■ Hamatonbetsu PROJECT (Kutcharo Natural Forest Daido) — Since 2005

2006



2025



Tree Growth Comparison in Photographic Records (Left: 2006, Right: 2025)



New employee training at the site



Awareness events for local residents

## <FY2024 Ecosystem Survey Results>

	2006 survey results	2024 survey results	Increase/Decrease
Mammals:	7 species	15 species	+8
Birds:	47 species	80 species	+33
Amphibians and Reptiles:	2 species	3 species	+1
Insects:	312 species	333 species	+21
Flora:	248 species	232 species	-16*
Total Species Count:	616 species	663 species	+47

\* The area has transitioned from bamboo grassland to coniferous forest dominated by Sakhalin spruce, along with broadleaf species such as Mongolian oak, resulting in a decrease in grassland vegetation.



White-tailed eagle



Siberian chipmunk

Examples of observed endangered species

## □ Awards received for Hamatonbetsu PROJECT activities

2018: **Received the Minister of the Environment Award in the FY2018 Wildlife Protection Contributors category** at the 72nd Bird Week.

2025: **Received the Biodiversity Conservation Activity Award in the 2025 Sustainable Society Initiative Awards**, hosted by the Ecological Life and Culture Organization [supported by the Ministry of the Environment].

# Social Responsibilities and Contribution to Society

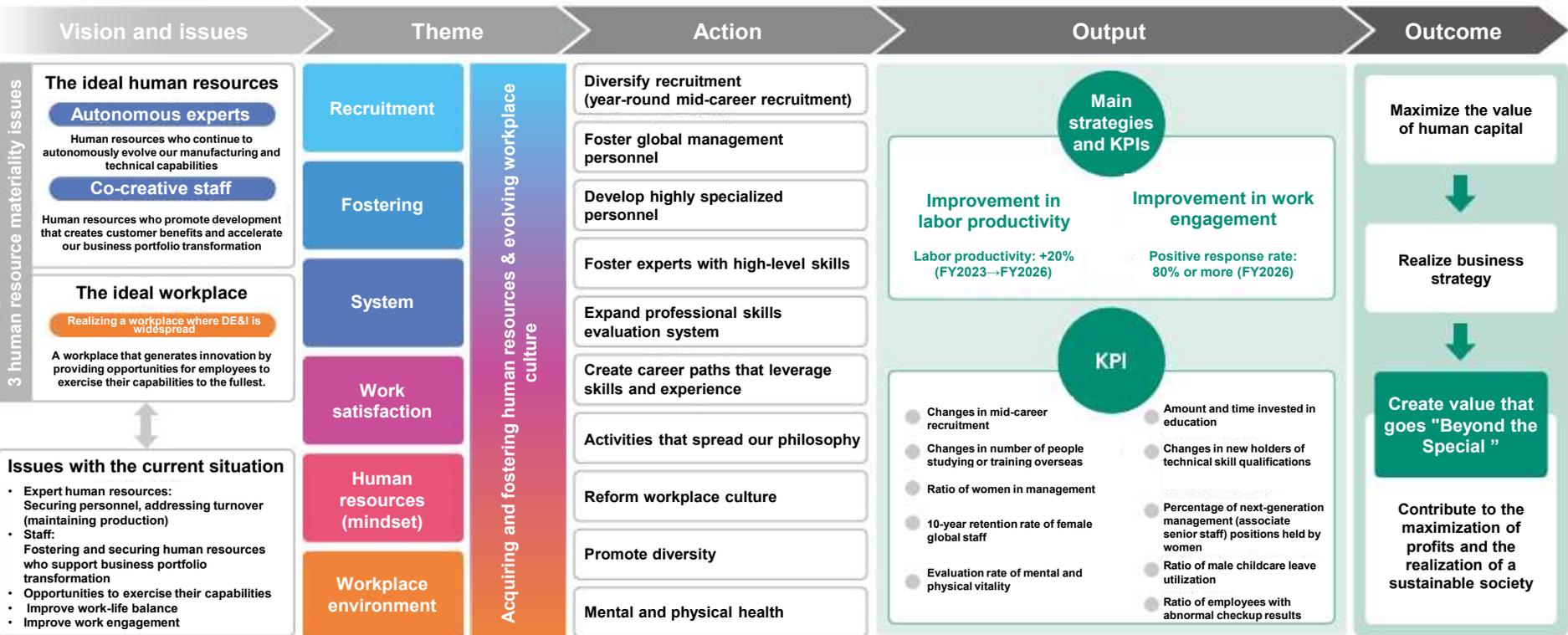


- 6. Human Capital Strategy Framework
- 7. Eliminating Occupational Accidents and Promoting Health and Productivity Management
- 8. Promoting Diversity
- 9. Improving Labor Productivity
- 10. Enhancing Employee Engagement

# 6. Human Capital Strategy Framework

It is our employees who support the execution of our business strategies—balancing profit maximization with contributions to the realization of a sustainable society. To achieve the goals set forth in the FY2026 Medium-Term Management Plan, namely “Transforming the business portfolio” and “Enhancing management resilience,” we have structured a comprehensive set of actions and measurable outputs under the theme of “Acquiring and developing human resources and evolving workplace culture.”

**We will maximize human capital value to ensure steady execution of our business strategies and to achieve the greatest possible impact.**



# 7. Eliminating Occupational Accidents and Promoting Health and Productivity Management

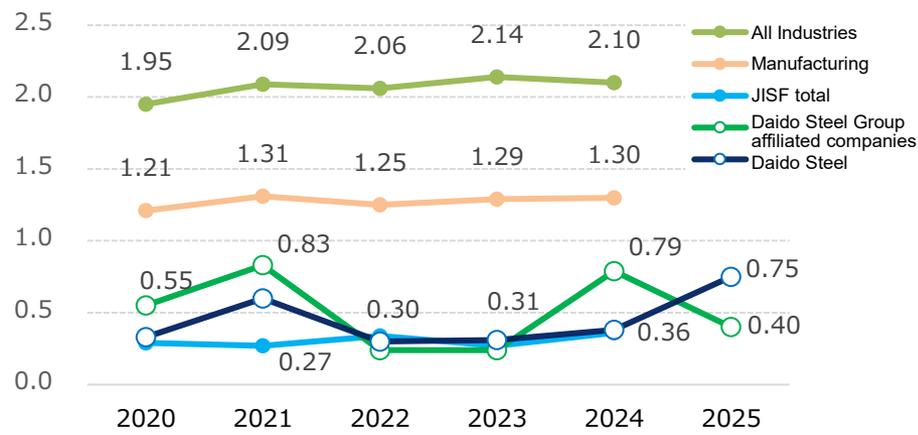
## Eliminating occupational accidents

Basic philosophy on Occupational Safety and Health: "Safety takes precedence over everything."

### Safety Patrols



Ratio of lost-time work injuries =  $\frac{\text{Injuries and fatalities resulting in lost workdays}}{\text{Total actual working hours}} \times 1,000,000 \text{ hours}$



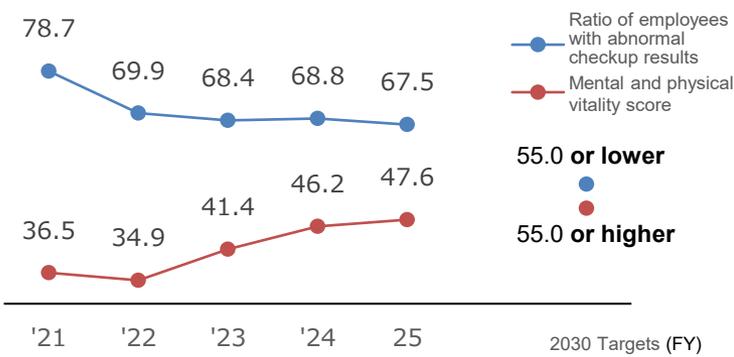
## Promoting health and productivity management

Health and Productivity Management Declaration: "Daido Steel, where employees work with vitality."

### Key issues and initiatives for creating a workplace where employees work with vitality

Four Pillars	Key Issues	Representative measures to address these issues
Mental	Many employees feel anxiety about communication Many employees do not feel adequately rested from sleep	Workplace health classes conducted by public health nurses Individual interviews for all employees after health checkups
Physical disease prevention	Increased risk of falls due to declining basic physical fitness Low awareness of improving diet and exercise habits	Walking event "Personal Health Declaration"
Prevention of secondhand smoke	High smoking rate among younger employees	Smoking cessation education

### KPI for measuring employee vitality



# 8. Promoting Diversity

We established the Diversity Promotion Plan in 2014 with a focus on advancing women’s participation in the workplace, and have since implemented various initiatives, including internal awareness and cultural reforms. We are currently in Step 2, the “Behavioral Transformation Phase,” where we continue the awareness and cultural reforms initiated in Step 1 while strengthening support for women’s career development. We will continue working toward Step 3, in which “creativity driven by diversity” is fully realized.

## Diversity Promotion Plan

### Step 1

Awareness transformation phase  
(Foundation building)

**Understanding and accepting diversity**

<Recognizing and appreciating differences>

- Initiated internal awareness and cultural reforms
- Revised and introduced systems to promote women’s participation

### Step 2

Behavioral transformation phase  
(Enhancing work engagement)

**Utilizing and promoting diversity**

<Leveraging and strengthening differences>

- Continued internal awareness and cultural reforms
- Support for women’s career development

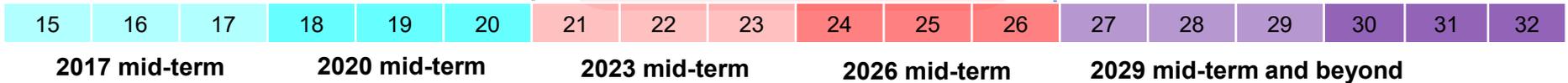
### Step 3

Realization phase  
(Establishment and advancement)

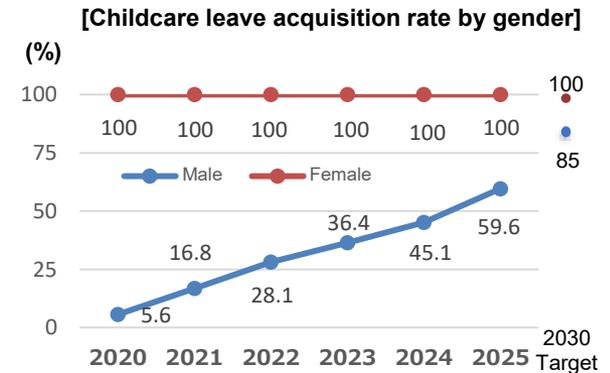
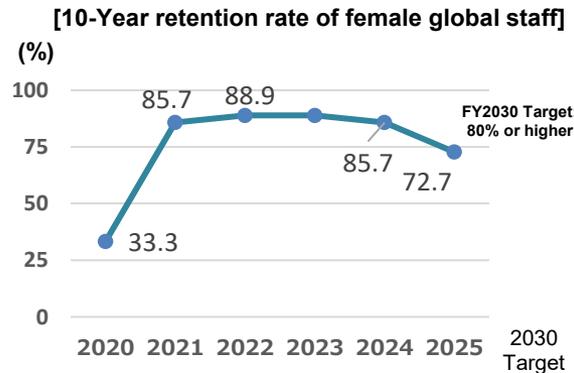
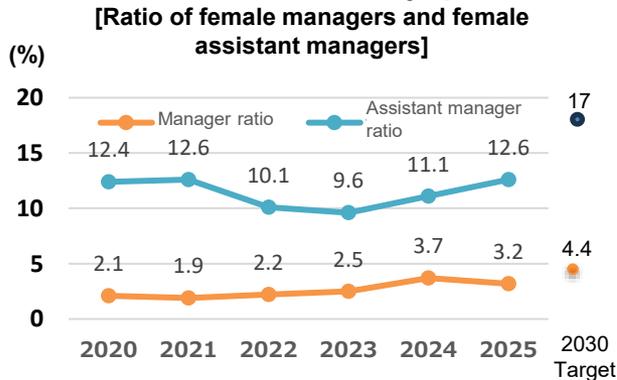
**Demonstrating creativity through diversity**

<Presence and activation of diverse capabilities>

- Maintaining and passing on the reformed organizational culture and mindset



## Trends in diversity promotion KPIs



# 9. Improving Labor Productivity

## Experts

In-house presentation event for self-management activities



Self management activities, TMP activities, Daido Monozukuri Kaikaku (DMK)

President's patrol for Daido Manufacturing Kaikaku



The 43rd Frontline Supervisors' Meeting in Nagoya (hosted by the Japan Management Association) Awarded the Grand Prize for Best Case Study



## Staff

Plan to develop 500 DX personnel over seven years (2024–2030)

Workload reduction initiatives  
(Target: 5% reduction in man-hours)

[Examples of activities]

- Reviewing meetings: necessity, frequency, duration, participants, materials
- Utilizing digital tools: meeting materials, minutes creation

Capacity building through DX training

**Steady progress (138 employees trained in the first two years)**

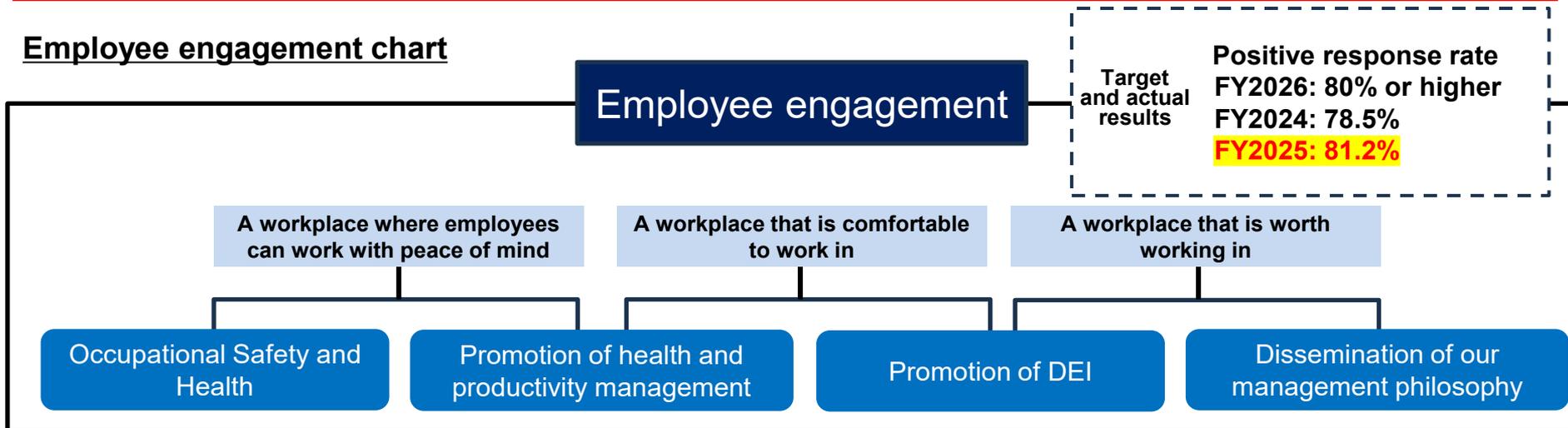
- Data science training (enhancing data analysis and utilization skills)  
**FY2024: 40 employees / FY2025: 56 employees**
- DX theme creation training (developing ideas for new value creation)  
**FY2024: 17 employees / FY2025: 25 employees**



Scenes from data science training

# 10. Enhancing Employee Engagement

## Employee engagement chart



We have introduced a new **“Dialogue with the President”** program to further promote our management philosophy.

[FY2025 results]

### Locations: 10 sites

Chita, Hoshizaki, Shibukawa, Tsukiji, Nakatsugawa, Takiharu, Research Center, Head Office, Tokyo Office, Osaka Branch

### Participants: Assistant managers in their 30s

(future management candidates)

**Total participants:** approx. 200

Format: 6–8 participants per session  
× 25 sessions

Duration: 90 minutes per session



Scenes from the Dialogue Sessions (Shibukawa Plant)

# Topic: Establishment of the Sustainability President's Award (2025)

## Advancing ESG Activities

We have long maintained a system in which the President recognizes outstanding inventions, ideas, and improvement activities. A new award category has now been established to honor activities that make significant contributions to enhancing ESG value. Through this award, we aim to further elevate ESG initiatives and strengthen sustainability awareness among all employees.

**In the Integrated Report 2025, we featured employees who received the Special Sustainability President's Award for FY2025, recognizing their achievements.**



# Governance Strengthening Governance



- 11. Stable Supply of High-Quality Products
- 12. Risk Management and Compliance
- 13. Strengthening Corporate Governance

# 11. Stable Supply of High-Quality Products

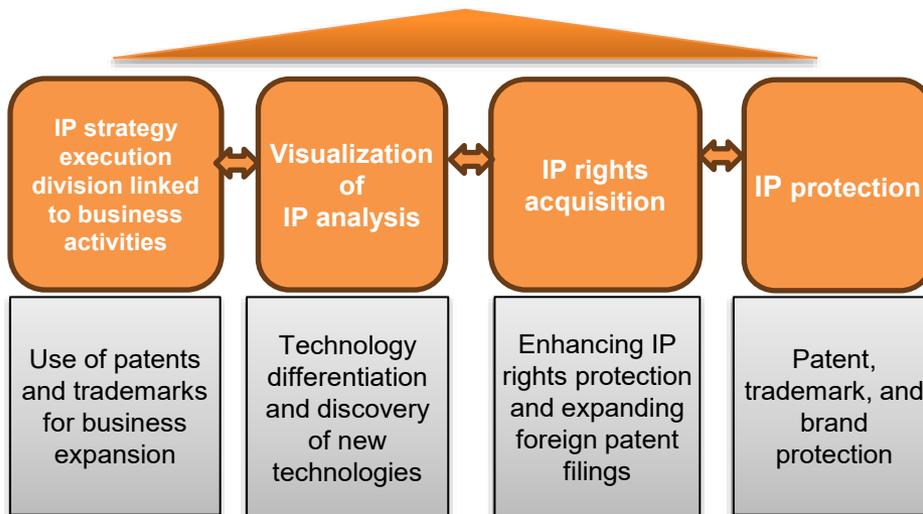
## Promoting growth strategies through intellectual property

We position the strategic use of intellectual property as a key technology strategy and work to enhance corporate value. In priority technology domains that will drive future growth, we are strategically acquiring patents to nurture “seeds of growth,” while also promoting differentiated use of IP through co-creation with customers and partners, and licensing to external parties. We also participate in standardization activities to strengthen the market deployment of our technologies and enhance our presence within the industry.

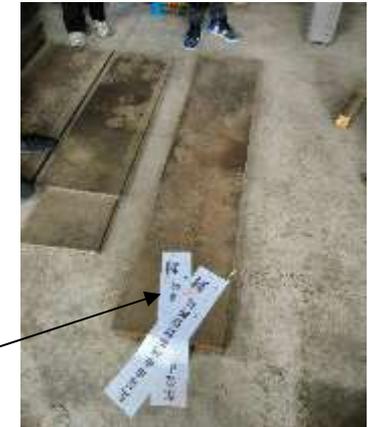
## IP Protection — Brand value protection activities —

We received reports that counterfeit versions of our flagship tool-steel brand—our best-selling product—were being distributed primarily on Chinese e-commerce platforms. Recognizing the serious risks these counterfeits pose to our brand value and to reliability across the value chain, we have implemented one of the most advanced anti-counterfeiting initiatives in the steel industry, drawing on best practices from other sectors. We will continue to monitor the market closely to safeguard our brand value.

### Three-in-one activities: Business / R&D / IP Divisions



On-site investigation



Examples of seized counterfeit goods (up to 1.4 tons)

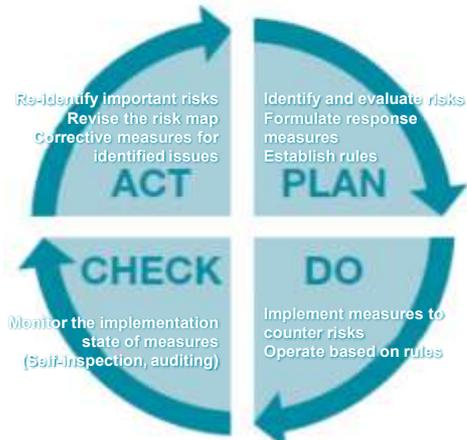
Media Coverage

Featured in Nikkei Shimbun (Nov. 10, 2025) and other industry newspapers

# 12. Risk Management and Compliance

## Risk management

[The PDCA of risk management]



The Company has created a risk map with risks organized by degree of impact and level of countermeasures. The risk map is discussed and approved by the CRM Committee, and working groups (WG) are established for particularly high-risk matters to promote cross-organizational responses for important risks

Working group	Purpose
WG 1: Cartels	Prevent violation of competition laws
WG 2: Business Continuity Management (BCM)	Strive for business continuity in the event of an emergency (such as a major earthquake)
WG 3: Group Company Governance	Strengthen risk management and compliance of Group companies
WG 4: Information Management	Reduce information security risks through confidential information management such as personal information and technical information and through cyber security measures.

## Compliance

Basic approach:

In order to secure the trust of all stakeholders and respond to social requirements, Daido Steel considers compliance to be one of the most important management issues and believes it to be a major prerequisite for ensuring the continuity of its businesses.

Compliance status is reported to the CRM Committee in a timely manner.

In order to instill and ensure thorough compliance, we are vigorously implementing the following various initiatives.

**<Structure>** Establishment and enhancement of the internal reporting system

**<Monitoring>** Number of internal reports received

Compliance awareness survey (conducted every three years since 2015))

**<Awareness & Training>** Group-wide promotion of compliance: Key regulations, training programs for Group companies, Group study sessions and working groups

## Compliance awareness survey (2024)

### [Comparison with previous survey]

<b>Improved areas</b>	<ul style="list-style-type: none"> <li>• Atmosphere that does not tolerate compliance violations</li> <li>• Defined compliance system</li> <li>• Fairness and future prospects</li> <li>• Approach that is customer-oriented and open-minded</li> </ul>
<b>Areas that need improvement</b>	<ul style="list-style-type: none"> <li>• Atmosphere of holding discussion and deliberation</li> <li>• Management actions of supervisors</li> <li>• Mutual feeling of trust in workplace</li> <li>• Job satisfaction and pride in work</li> <li>• Understanding of current status (whether or not there are compliance violations, whether or not harassment is occurring, etc.)</li> </ul>

# Topic: Cybersecurity Measures — Daido-CSIRT Launched in 2025

Cyberattacks are becoming increasingly diverse and sophisticated, with more cases exploiting vulnerabilities in supply chains.

To ensure rapid and accurate response to IT security incidents and minimize damage, we have established a specialized team, **Daido-CSIRT**.

In addition to improving literacy through training, we continuously raise awareness using internal newsletters, posters, and digital signage.

**大同特殊鋼サイバーセキュリティ啓発ポスター**

## サイバー攻撃から会社を守ろう!

**こんな時は「Daido-CSIRT」にご連絡を!**

- PCが乗っ取られたかも!
- PCに脅迫文が!
- メール詐欺に気付いた!
- なりすましメール?
- データ漏洩や窃取の疑い

**Daido-CSIRTとは**

CSIRTは、Computer Security Incident Response Teamの略称で、企業や組織がサイバー攻撃を受けた際に、迅速に対応し、被害を最小限に抑えるための活動を行う、ITシステムの運用部門とも呼ばれる組織です。

当社においても、近年増加しているサイバー攻撃に対して、迅速に対応するセキュリティ対策の強化および攻撃者に侵入された場合の被害対応体制の強化を図るため「Daido-CSIRT」を2025年4月に発足し、サイバー攻撃等の脅威から会社およびグループの信頼性を確保する体制を構築しました。

### 「Daido-CSIRT」にご連絡を!

#### 「Daido-CSIRT」に連絡するのは、どんな時?

Daido-CSIRTは、侵害行為の通報があれば、すぐに大消通しにまいります。消通だけでなく、攻撃に関する通報をグループ内に展開し、同様の被害からの被害を許さないように、防炎活動にも取り組めます。

- 1 PCに脅迫文が届いた!**

PCに脅迫文が届いた!

パソコンを操作中に、急に画面が凍結された!

PCを正常な状態に戻すために、サポートセンターに連絡していただく際の注意文が出て、表示されたサポートセンターに連絡せずに、Daido-CSIRTにご連絡!
- 2 メール詐欺に気付いた!**

メール詐欺に気付いた!

「届いたばかりのメール」と思って添付ファイルを開いたが、詐欺メールであることに気がついた!

知らない間にウイルスに感染しているかもしれない。詐欺メールの添付ファイルを開いたり、URLをクリックしてしまった場合は、Daido-CSIRTにご連絡!
- 3 なりすましメールかも?**

なりすましメール?

社内のA部長から送られてきたメールが届いた。これまでA部長から送られてきたメールと見分けがつかない。

そのメールはなりすましメールかもしれません。迷惑メール入るまでは、上記の通り。なりすましメールでなければ、Daido-CSIRTにご連絡!

**Daido-CSIRT 連絡先**

メール: [csirt@daido.co.jp](mailto:csirt@daido.co.jp)  
 電話: 030-32823-3237  
 事務局: IT交換機 / ITマネジメント室

「Daido-CSIRT」の申請や連絡先については、お問合せください。

サイバー攻撃は、被害額を低く抑える適切な組織となっています。早期発見・早期対応は、重大な被害を未然に防ぎますので、何か異常を見ましたら、すぐに「Daido-CSIRT」に連絡してください。サイバー攻撃によって、お客様への商品・サービスの提供が中断されることのないように、大同特殊鋼グループ一丸となってグループ全体のセキュリティを確保するために取り組んでいます。

Daido-CSIRT 責任者 情報管理部長 菅原利雄

## サイバー攻撃から会社を守るため「Daido-CSIRT」が発足しました

昨今、社会的にDX推進やAI活用などが進み、ITの重要性がますます高まる一方で、サイバー攻撃の脅威も日々増えています。日本国内においても、サイバー攻撃を受けた企業・団体の生産・製造・サービスの停止、情報漏洩などの被害を頻発に見聞きするようになり、大同特殊鋼グループにおいても、このリスクは決して「対策の大事」ではありません。そこで、当社が今年4月に「Daido-CSIRT（シーサート）」を発足しました。（関連記事 28ページ）

### CSIRTとは?

CSIRTは、Computer Security Incident Response Teamの略称で、コンピュータやネットワークに発生するセキュリティインシデント（乗っ取りや攻撃など）に対する専門チームを指します。概念としては、1980年代後半からインターネットの普及とともに発展が顕著し、日本では、2013年に政府が官庁にCSIRTの設置を促しました。民間企業に対しては、セキュリティ強化の一環として設置が推奨され、クラウド活用やDX、AIなどの新技術に活用セキュリティ対応も求められ、その重要性は高まっています。

特に、製造業においては、サプライチェーンの中核にサイバー攻撃を受けて生産停止となってしまうと、サプライチェーン全体が被害を受けてしまうため、当社およびグループ会社に対しては、自動車メーカーはじめ他社から、CSIRT構築を含むセキュリティ強化が求められています。

### CSIRTの役割 CSIRTは「デジタルの消防隊」

サイバー攻撃は、侵害行為が早く発見して対応することが非常に重要ですが、何れも、火災が発生した際の消火活動では、早期に火元の対応が不可欠で、迅速な対応が被害の拡大防止に繋がります。サイバー攻撃への対応も同様、その意味、CSIRTは「デジタルの消防隊」とも呼ばれています。

サイバー攻撃は、パソコンやスマートフォンをはじめとした各種機器を利用する一人のひとりに対して実行されることも多く、みなさんが被害に遭う（被害が発生した）時の第一発見となることは十分考えられます。万が一、パソコンにサイバー攻撃によるとされる異常を感じた場合は、すぐに「Daido-CSIRT」にご連絡ください。

### CSIRTを中心としたセキュリティ体制

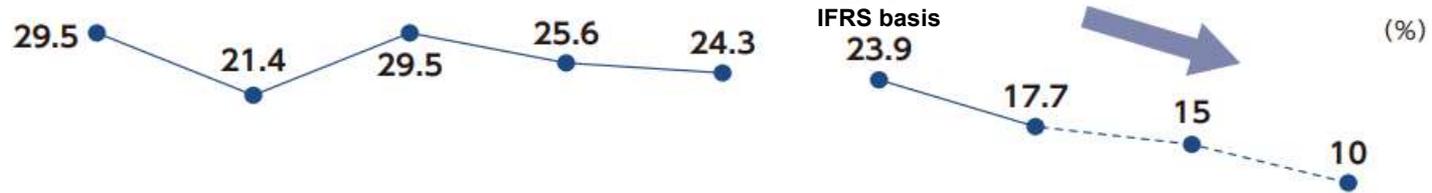
経営層、CRM委員会  
 各業務部門  
 グループ会社  
 Daido-CSIRT  
 セキュリティ対策推進部  
 サイバーセキュリティ推進部  
 サイバーセキュリティセンター

Internal Newsletters

# 13. Strengthening Corporate Governance

## Reduction of cross-shareholdings

Ratio of cross-shareholdings to net assets (including deemed shareholdings)



	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3	FY2026 mid-term	FY2030 target
Number of listed stocks held	41	42	39	34	28	24	22		
Value of cross-shareholdings (100 million yen)	937	661	1,000	933	989	1,093	830		
Net assets* (100 million yen)	3,181	3,091	3,394	3,650	4,055	4,573	4,691		

\* IFRS uses the term "total equity."

## Initiatives to enhance the effectiveness of outside directors

- To enhance the effectiveness of initiatives aimed at improving corporate value and achieving the mid-term plan, we actively provide information and create opportunities for discussion with outside directors.
- In FY2025, we conducted: Chita Plant tour (April 2025); Roundtable meeting with outside directors (June 2025); and Discussion session on human capital strategy (December 2025).
- These activities contribute to strengthening governance effectiveness, and we will continue to promote them proactively.



 **DAIDO STEEL CO., LTD.**