DAIDO STEEL CO., LTD (5471 JP)

MTP TO FY26 WAS REVISED WITH DOE AS A NEW SHAREHOLDER RETURN MEASURE

EXECUTIVE SUMMARY

- **FY25 1H Earnings**: Daido Steel (5471 JP) produced FY25 (March year-end) 1H OP [IFRS basis] of ¥18,464mil (+1.1% YoY) on sales of ¥284,499mil (+0.4% YoY). Both sales and OP surpassed guidance which called for OP of ¥12,500mil (-31.5% YoY) on sales of ¥275,000mil (-3.0% YoY), thanks primarily to stronger than expected demand for ship engine valves in the open die forging business and despite having incurred about ¥2,300mil of costs related to the Superalloy Manufacturing Process Transformation Project, one of the firm's ongoing strategic investments in the current MTP.
- **Assumptions for FY25 guidance:** The firm is guiding for full-year OP of ¥33,000mil (-16.3% YoY) on sales of ¥565,000mil (-1.7% YoY) based on the following assumptions: (1) steel products sales volumes remain flattish at 503K ton in 2H, given weak production by Japanese OEMs and a slow recovery in demand from the industrial machinery sector, (2) the performance of open die forging, which saw an improved sales mix in FY24, will also face slower demand on the back of suspended orders by oil & gas customers given the current crude oil price, (3) a one-off cost related to the Superalloy Manufacturing Process Transformation Project (-¥3,300mil), and (4) a more conservative FOREX rate of ¥145/USD in 2H, vs the FY25 1H average of ¥146/USD and FY24 2H average of ¥152.5/USD.
- **Review of MTP:** The Mid-Term Plan [MTP], which ends in FY26, was revised down to reflect (1) a larger than expected decline in steel product sales volumes, (2) sluggish auto production and weaker than expected industrial machinery-related orders and (3) increasing lack of clarity in the business environment.
- **Change in Cash Allocation Policy:** Daido Steel commits to a stable dividend pay-out ratio of more than 30%. To ensure a stable dividend payment, the firm newly introduced DOE, which commits 2.5% of DOE as minimum of annual dividend during the tenure of current MTP.

Daido Steel (5471): Share Information						
Market Cap (¥mil)		**330,900**	**Market Cap ($mil)**			**2,135**
22-day Average Trading Volume (¥mil)		**1,563**	**22-day Average Trading Volume ($mil)**			**10.1**
Share performance (%)	**5471**	**TOPIX**	**Earnings Summary (¥mil, %)**	**FY23**	**FY24**	**FY25 CE**
Share price (26 Nov 2025)	1,523.50	3,355.50	**Sales**	578,564	574,945	565,000
3mo (from 26 Aug)	21.4	9.2	**OP**	42,250	39,408	33,000
6mo (from 26 May)	57.1	21.9	**OPM (%)**	7.3	6.9	5.8
YTD	27.4	21.6	**EBITDA**	68,621	69,673	66,100*
1yr	31.2	24.8	**EPS (¥)**	143.37	134.57	116.57
5yrs	67.4	87.8	**Financial Leverage (X)**	1.8	1.8	1.8*
Per-share and Valuations	**5471**	**TOPIX**	**Net D/E Ratio (X)**	0.2	0.2	0.2*
EPS (¥, FY25 CE)	116.57	189.76	**FCF**	17,900	37,930	11,300*
DPS (¥, FY25 CE)	49	N/A	**Shareholder Return Summary**	**FY23**	**FY24**	**FY25 CE**
BPS (¥, FY25 EST*)	2,154	N/A	**Dividend (¥)**	46	47	49
FCFPS (¥, FY25 EST*)	52.1	N/A	**Dividend Payout (%)**	32.1	34.9	42.0
Forward PER (X)	13.1	17.01	**Dividend Yield (%)**	N/A	N/A	2.8
Forward PBR (x)	0.7	1.61	**DOE (%)**	2.5	2.3	2.5
PCFR (x)	29.2	N/A	**Treasury Shares (%)**	N/A	1.6	1.6
EV/EBITDA (X)	5.7	N/A	**ROE (%)**	11.6	6.5	5.1*

*Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / * Nippon-IBR estimates*

FY25 1H RESULTS

Daido Steel (5471 JP) produced FY25 (March year-end) 1H OP [IFRS basis] of ¥18,464mil (+1.1% YoY) on sales of ¥284,499mil (+0.4% YoY). Both sales and OP surpassed guidance of OP of ¥12,500mil (-31.5% YoY) on sales of ¥275,000mil (-3.0% YoY), thanks primarily to stronger than expected demand for ship engine valves in the open die forging business, and despite having incurred about ¥2,300mil of costs related to the Superalloy Manufacturing Transformation Project. On the other hand, adjusted for non-operating items such as FOREX gains, taxes on fixed assets and inventory revaluation gains (included in IFRS-based OP), FY25 1H OP would have declined -10.6% YoY, due a -2.9% YoY decline in steel sales volumes to 504,000 tons vs the firm's assumption of 500,000 tons in 1H.

In Q2 alone, the firm produced OP of ¥9,806mil (+19.7% YoY / +13.3% QoQ) on sales of ¥142,147mil (+0.6% YoY / -0.1% QoQ).

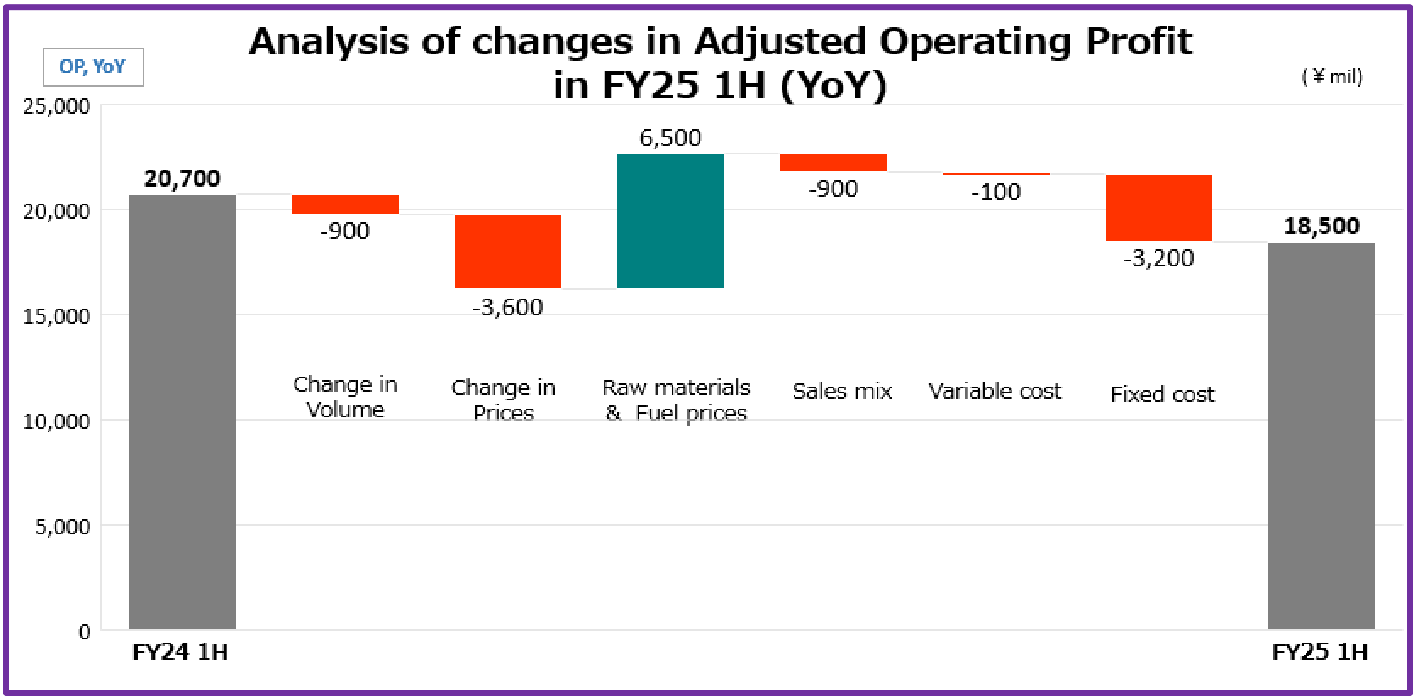
Daido Steel (5471 JP): Earnings Results Summary

(¥mil)	FY24			FY25				
	1H	2H	FY	1H	YoY (%)	HoH (%)	1H CE	1H vs 1HCE (%)
Steel Products Sales Volume (ton)	519,000	496,000	1,015,000	504,000	-2.9	1.6	500,000	0.8
Sales	283,439	291,506	574,945	284,499	0.4	-2.4	275,000	3.5
COGS	231,582	239,175	470,757	234,347	1.2	-2.0	N/A	N/A
COGS / Sales (%)	81.7	82.0	81.9	82.4	+0.7ppt	+0.4ppt	N/A	N/A
GP	51,856	52,331	104,187	50,151	-3.3	-4.2	N/A	N/A
GPM (%)	18.3	18.0	18.1	17.6	-0.7ppt	-0.4ppt	N/A	N/A
SG&A	29,689	31,646	61,335	31,468	6.0	-0.6	N/A	N/A
SG&A / Sales (%)	10.5	10.9	10.7	11.1	+0.6ppt	+0.2ppt	N/A	N/A
OP	18,258	21,150	39,408	18,464	1.1	-12.7	12,500	47.7
OPM (%)	6.4	7.3	6.9	6.5	+0.1ppt	-0.8ppt	4.5	+2.0ppt
Pretax profit	19,608	23,045	42,653	19,650	0.2	-14.7	13,000	51.2
Corporation Tax	-6,410	-5,682	-12,092	-5,631	-12.2	-0.9	N/A	N/A
NP*	12,152	16,162	28,314	12,937	6.5	-20.0	8,000	61.7

Source: Nippon-IBR based on Daido Steel's earnings results materials

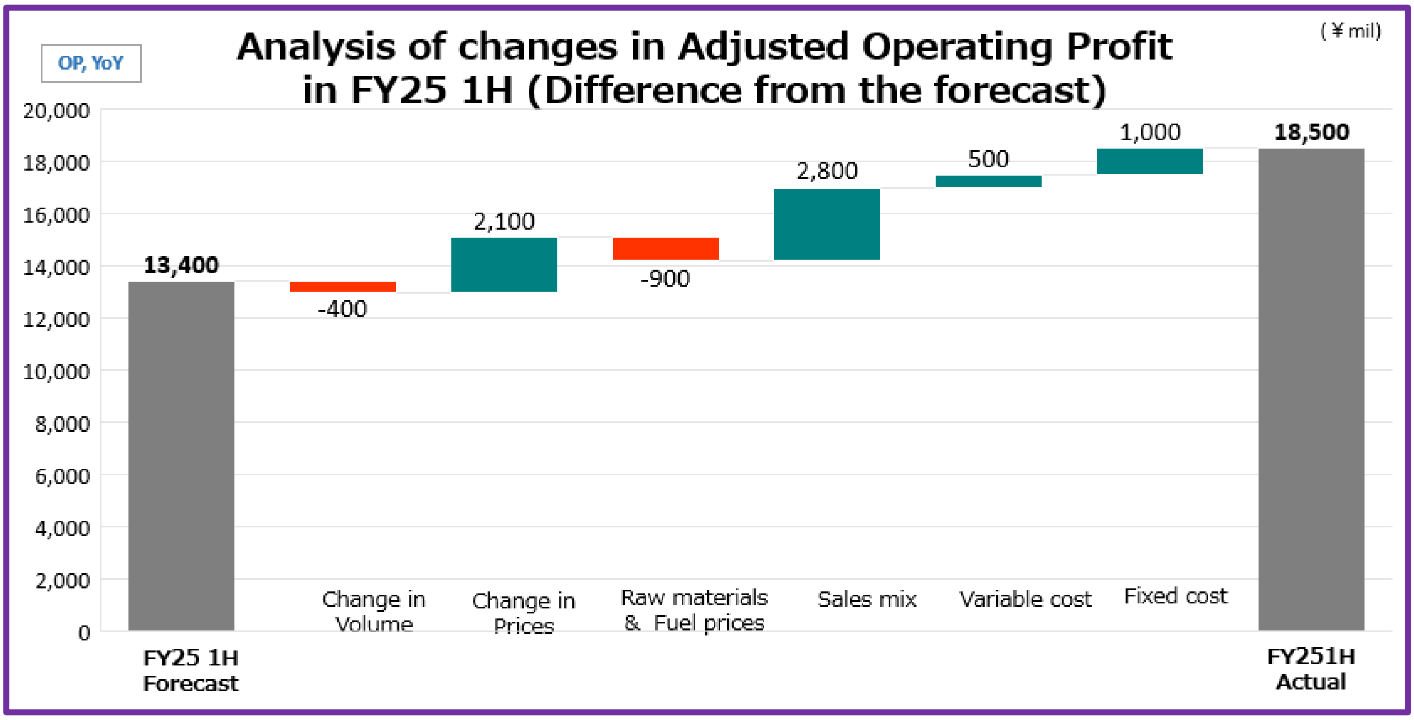
** NP attributed to the parent's shareholders*

Adjusted for the aforementioned non-operating items, the decline in FY25 1H OP [-¥2,195mil to ¥18,524mil, vs FY24 1H adjusted OP of ¥20,719mil] was mainly due to (1) price adjustments to reflect lower raw material and energy costs (-¥3,600mil), and an increase in fixed costs such as hike in labour cost (-¥3,200mil), which were partially offset by lower raw material and energy costs (+¥6,500mil). Other negative factors include weak sales volumes (-¥900mil) and a change in sales mix (-¥900mil) on the back of decline in open die forging orders related to the oil and gas sector.



Source: Nippon-IBR based on Daido Steel's earnings results material

Similarly, 1H adjusted OP overshot the forecast of ¥13,400mil, thanks to (1) an improved sales mix on the back of stronger than expected sales of ship engine valves (+¥2,800mil), (2) price hikes (+¥2,100mil) and (3) lower than expected fixed costs (+¥1,000mil),despite the negative impact of higher-than-expected raw material and energy prices (-¥900mil) and lower sales volume (-¥400mil).



Source: Nippon-IBR based on Daido Steel's earnings results material

FY25 1H PERFORMANCE BY SEGMENT

Key factors regarding the performance of Daido Steel's three major segments are discussed below:

1. Specialty Steel Segment

[FY25 1H Sales ¥99,979mil (-5.2% YoY) / OP ¥5,424mil (-11.3% YoY) / OPM 5.4% (-0.4ppt YoY)]

FY25 1H sales volumes of steel products were 84,000 ton/month, slightly below FY24's 85,000 ton/month, mainly due to the continued weakness in auto production by Japanese OEMs, especially in China. Japanese OEMs production volume remained sluggish at 12.3mil units during 1H, essentially running at the same pace as FY24. As a result, segment sales for the 1H landed at ¥99,979mil (-5.2% YoY), but were 1% above the firm's expected 1H sales.

Both of the FY25 1H IFRS-based OP and adjusted OP surpassed guidance of ¥3,000mil and ¥3,400mil by ¥2,424mil and ¥2,200mil, respectively. Although there was a negative effect from higher raw material costs (-¥400mil), it was offset by the following factors:

1. Revised prices to reflect cost increases (+¥1,500mil), which includes approx. ¥400mil positive impact from the weaker yen.
2. Reduction in fixed costs (+¥900mil) and variable costs (+¥100mil).
3. Although sales volume declined -2.9% YoY to 504,000 tons, it landed better than expected (+¥100mil).

2. High-Performance Materials & Magnetic Materials Segment [HP&MM]

[FY25 1H sales ¥96,794mil (-3.3% YoY) / OP ¥6,316mil (+24.3% YoY) / OPM 6.5% (+1.4ppt YoY)]

Both FY25 1H segment sales and OP landed above the firm's expectation by approx.+0.8% and +14.8%, respectively. The rise in OP was supported by an increase in sales volumes of stainless steel, thanks to steady demand for data centre HDDs. However, the recovery in demand for stainless steel was not as strong as expected given the sluggish recovery in demand from the industrial machinery sector including SPEs. The firm has high exposure to SPEs for front-end process, whose full-fledged recovery is now expected to be pushed back to FY26 2H and onward.

Sales volumes of high alloy products improved thanks to demand from the auto sector. Given export restrictions on rare earth materials, Daido Steel's magnetic material, which is free from heavy rare earths such as Dysprosium [Dy] and Terbium [Tb], saw a boost in demand. On the other hand, titanium products sales were affected by inventory adjustment by medical equipment makers.

Adjusted OP came in at around ¥5,700mil (-21.9% YoY), compared to the firm's guidance of ¥5,300mil (-27.4% YoY). Despite the negative impact from raw materials (-¥300mil) and weaker than expected sales volumes (-¥500mil), the following three factors supported the better-than-expected performance:

1. Price hikes (+¥600mil)
2. Improved sales mix (+¥300mil)
3. Cost reductions in both fixed (+¥100mil) and variable (+¥200mil) costs.

3. Parts for Automobiles / Industrial Equipment Segment

[FY25 1H sales ¥59,166mil (+10.1% YoY) / OP ¥3,601mil (-25.4% YoY) / OPM 6.1% (-2.9 ppt YoY)]

The solid growth in segment sales was supported by steady demand for engine valves in US as well as open die forging for the ship diesel engine valves whose demand was especially strong in China. The weak OP was due to sluggish sales of open die forging for aircraft engine shafts given (1) production adjustments by Boeing and (2) inventory adjustments by the oil and gas industry reflecting uncertainty surrounding the market which led to crude oil price hovering around $60.00/bbl. Open die forging sales, which generated 41%of FY25 1H segment sales, declined about -7% YoY.

FY25 1H OP and adjusted OP surpassed the firm's forecast by +80.1% and +51.7%, respectively, thanks primarily to an improved sales mix as the firm saw strong demand for open die forging for ship engine valves.

Daido Steel (5471JP): Sales, OP and OPM by Segment

(¥mil)		FY24			FY25				
		1H	2H	FY	1H	YoY (%)	HoH (%)	1H CE	1H vs 1HCE (%)
Specialty Steel	Sales	105,478	104,684	210,162	99,979	-5.2	-4.5	99,000	1.0
	OP	6,112	5,976	12,088	5,424	-11.3	-9.2	3,000	80.8
	OPM (%)	5.8	5.7	5.8	5.4	-0.4ppt	-0.3ppt	3.0	+2.4ppt
High Performance Materials & Magnetic Materials	Sales	100,116	100,747	200,863	96,794	-3.3	-3.9	96,000	0.8
	OP	5,081	5,947	11,028	6,316	24.3	6.2	5,500	14.8
	OPM (%)	5.1	5.9	5.5	6.5	+1.4ppt	+0.6ppt	5.7	+0.8ppt
Parts for Automobile and Industrial Equipment	Sales	53,734	59,297	113,031	59,166	10.1	-0.2	54,000	9.6
	OP	4,829	6,508	11,337	3,601	-25.4	-44.7	2,000	80.1
	OPM (%)	9.0	11.0	10.0	6.1	-2.9ppt	-4.9ppt	3.7	+2.4ppt
Engineering	Sales	10,587	13,480	24,067	14,257	34.7	5.8	12,000	18.8
	OP	809	1,392	2,201	1,275	57.6	-8.4	500	155.0
	OPM (%)	7.6	10.3	9.1	8.9	+1.3ppt	-1.4ppt	4.2	+4.7ppt
Trading & Service	Sales	13,522	13,298	26,820	14,300	5.8	7.5	14,000	2.1
	OP	1,428	1,342	2,770	1,796	25.8	33.8	1,500	19.7
	OPM (%)	10.6	10.1	10.3	12.6	+2.0ppt	+2.5ppt	10.7	+1.9ppt
Total	Sales	283,439	291,506	574,945	284,499	0.4	-2.4	275,000	3.5
	OP	18,258	21,150	39,408	18,464	1.1	-12.7	12,500	47.7
	OPM (%)	6.4	7.3	6.9	6.5	+0.1ppt	-0.8ppt	4.5	+2.0ppt

Source: Nippon-IBR based on Daido Steel's earnings results materials

Total numbers are after adjusted for inter-segment trades.

FY25 OUTLOOK

Due to multiple unknown factors surrounding the business environment, such as the impact from the US trade tariff policy and volatile FOREX, Daido Steel did not release a FY25 forecast until the 1H results The firm is now guiding for full-year OP of ¥33,000mil (-16.3% YoY) on sales of ¥565,000mil (-1.7% YoY) based on the following assumptions:

1. Steel products sales volume remain flattish at 503K ton in 2H, assuming (1) Auto production volumes by Japanese OEMs of 12.6mil vehicles – this is largely the same level seen over the past 18 months [FY24 1H 12.1mil units in / FY24 2H 12.6mil units / FY25 1H 12.3mil units] and (2) Industrial machinery-related demand will likely stay at the same level as in 1H on the back of low domestic production.
2. The performance of open die forging, which saw an improved sales mix in FY24, will also face slower demand on the back of suspended orders by oil & gas customers given the current crude oil price, while orders for aircraft engine shafts have started to recover. Declines in open die forging revenues [-¥2,800mil included in the -¥3.400mil YoY change in sales mix] are budgeted to reduce FY25 OP.
3. A one-off cost related to the Superalloy Manufacturing Process Transformation Project (-¥3,300mil).
4. A more conservative FOREX rate of ¥145/USD in 2H, vs the FY25 1H average of ¥146/USD and FY24 2H average of ¥152.5/USD. Under IFRS, valuation losses of receivables and payables due to changes in FOREX are reflected in OP. Consequently, the firm has reflected a -¥600mil loss in its 1H OP guidance.

Daido Steel newly introduced DOE of 2.5% as a minimum dividend measure in addition to the existing annual payout ratio of more than 30% on normalised EPS which excludes any one-off impact to earnings. Daido Steel plans to pay out an annual dividend of ¥49/share (¥22/share in 1H), which indicates a pay-out ratio of 42.0% vs 34.9% in FY24.

Daido Steel (5471 JP): Earnings Results and Forecast

(¥mil)	FY24			FY25				
	1H	2H	FY	1H	2H CE	YoY (%)	FY CE	YoY (%)
Steel Products Sales Volume (tone)	519,000	496,000	1,015,000	504,000	503,000	1.4	1,007,000	-0.8
Sales	283,439	291,506	574,945	284,499	280,500	-3.8	565,000	-1.7
OP	18,258	21,150	39,408	18,464	14,500	-31.4	33,000	-16.3
OPM (%)	6.4	7.3	6.9	6.5	5.2	-2.1ppt	5.8	-1.0ppt
Pretax profit	19,608	23,045	42,653	19,650	14,800	-35.8	34,500	-19.1
Corporation Tax	-6,410	-5,682	-12,092	-5,631	N/A	N/A	N/A	N/A
NP*	12,152	16,162	28,314	12,937	10,600	-34.4	23,500	-17.0

Source: Nippon-IBR based on Daido Steel's earnings results materials

** NP attributed to the parent's shareholders*

FY25 OUTLOOK BY SEGMENT

The FY25 earnings outlook for Daido Steel’s three major segments are discussed below:

1. Specialty Steel

[FY25 sales ¥200,000mil (-4.8% YoY), OP ¥8,500mil (-29.7% YoY), OPM 4.3%]

Daido Steel is guiding for FY25 segment OP of ¥8.500mil (-29.7% YoY) on sales of ¥200,000mil (-4.8% YoY). Management expects 2H steel product sales volumes to remain relatively flat HoH at 503K ton (+1.4% YoY), primarily due to declines in auto production volumes by Japanese OEMs, especially in China where Japanese makers hold a low market share and in ASEAN where demand remain sluggish. Recovery in demand for industrial machinery also remains slow. Weak sales volumes are also likely to lead to an increase in the fixed cost ratio and a decline in profitability. The firm’s focus in this segment is to maintain the margin, hence prompt price revision will likely take place.

2. High-Performance Materials & Magnetic Materials

[FY25 sales ¥195,500mil (-2.7% YoY), OP ¥ 12,500mil (+13.3% YoY), OPM 6.4%]

Here, the firm guides for FY25 segment OP of ¥12,500mil (+13.3% YoY) on sales of ¥195,500mil (-2.7% YoY). Although stainless steel demand for SPE is expected to gradually recover, management is currently taking a conservative stance on stainless steel sales volumes and assumes that a full-fledged recovery in SPE-related demand will be pushed back to FY26 2H and onward. Demand from the auto and industrial machinery sectors will likely be flat at best, however, demand from data centre HDDs is expected to be solid. Demand for heavy rare earth magnetic material will likely see sales growth of 15~20% in FY25.

3. Parts for Automobile and Industrial Equipment Segment

[FY25 sales ¥112,500mil (-0.5% YoY), OP ¥6,500mil (-42.7% YoY), OPM 5.8%]

For FY25, Daido Steel expects this segment to see OP fall to ¥6,500mil (-42.7% YoY) on sales of ¥112,500mil (-0.5% YoY). While open die forging remains the firm’s core strategic product and enjoys strong demand for ship engine valves, it has been hit by the uncertainty in the US oil & gas industry given low crude oil market. Production adjustments by Boeing have run its course and demand has started recovering.

Daido Steel (5471JP): Sales, OP and OPM by Segment Forecast

(¥mil)		FY24			FY25				
		1H	2H	FY	1H	2H CE	YoY (%)	FY CE	YoY (%)
Specialty Steel	Sales	105,478	104,684	210,162	99,979	100,000	-4.5	200,000	-4.8
	OP	6,112	5,976	12,088	5,424	3,000	-49.8	8,500	-29.7
	OPM (%)	5.8	5.7	5.8	5.4	3.0	-2.7ppt	4.3	-1.5ppt
High Performance Materials & Magnetic Materials	Sales	100,116	100,747	200,863	96,794	98,700	-2.0	195,500	-2.7
	OP	5,081	5,947	11,028	6,316	6,200	4.3	12,500	13.3
	OPM (%)	5.1	5.9	5.5	6.5	6.3	+0.4ppt	6.4	+0.9ppt
Parts for Automobile and Industrial Equipment	Sales	53,734	59,297	113,031	59,166	53,300	-10.1	112,500	-0.5
	OP	4,829	6,508	11,337	3,601	2,900	-55.4	6,500	-42.7
	OPM (%)	9.0	11.0	10.0	6.1	5.4	-5.6ppt	5.8	-4.2ppt
Engineering	Sales	10,587	13,480	24,067	14,257	14,300	6.1	28,500	18.4
	OP	809	1,392	2,201	1,275	1,200	-13.8	2,500	13.6
	OPM (%)	7.6	10.3	9.1	8.9	8.4	-1.9ppt	8.8	-0.3ppt
Trading & Service	Sales	13,522	13,298	26,820	14,300	14,200	6.8	28,500	6.3
	OP	1,428	1,342	2,770	1,796	1,200	-10.6	3,000	8.3
	OPM (%)	10.6	10.1	10.3	12.6	8.5	-1.6ppt	10.5	+0.2ppt
Total	Sales	283,439	291,506	574,945	284,499	280,500	-3.8	565,000	-1.7
	OP	18,258	21,150	39,408	18,464	14,500	-31.4	33,000	-16.3
	OPM (%)	6.4	7.3	6.9	6.5	5.2	-2.1ppt	5.8	-1.1ppt

Source: Nippon-IBR based on Daido Steel's earnings results materials

Total numbers are after adjusted for inter-segment trades.

REDESIGNING MEDIUM-TERM MANAGEMENT PLAN [MTP]

Daido Steel revised the ongoing MTP that is to complete in FY26, on the back of (1) more than expected decline in steel product sales volume, (2) weaker than expected orders related to auto and industrial machinery sectors, and (3) increasing lack of clarity in the business environment. The firm revised the following KPIs:

1. FY26 OP target was revised down from ¥60,000mil+ to ¥40,000mil+.
2. Total investment over the three years reduced from ¥150,000mil to ¥140,000mil.
3. D/E ratio at around 0.5x remains the same.
4. ROE target lowered to 7% or more from 9% or more vs estimated capital cost of about 7% based on CAPM.
5. Shareholders return of dividend pay-out ratio of 30% or more remains unchanged. DOE of 2.5% is also introduced to ensure a stable shareholder return. Also, the firm plans to do share buybacks in case extra cash can be allocated.

FY26 OP variance includes:

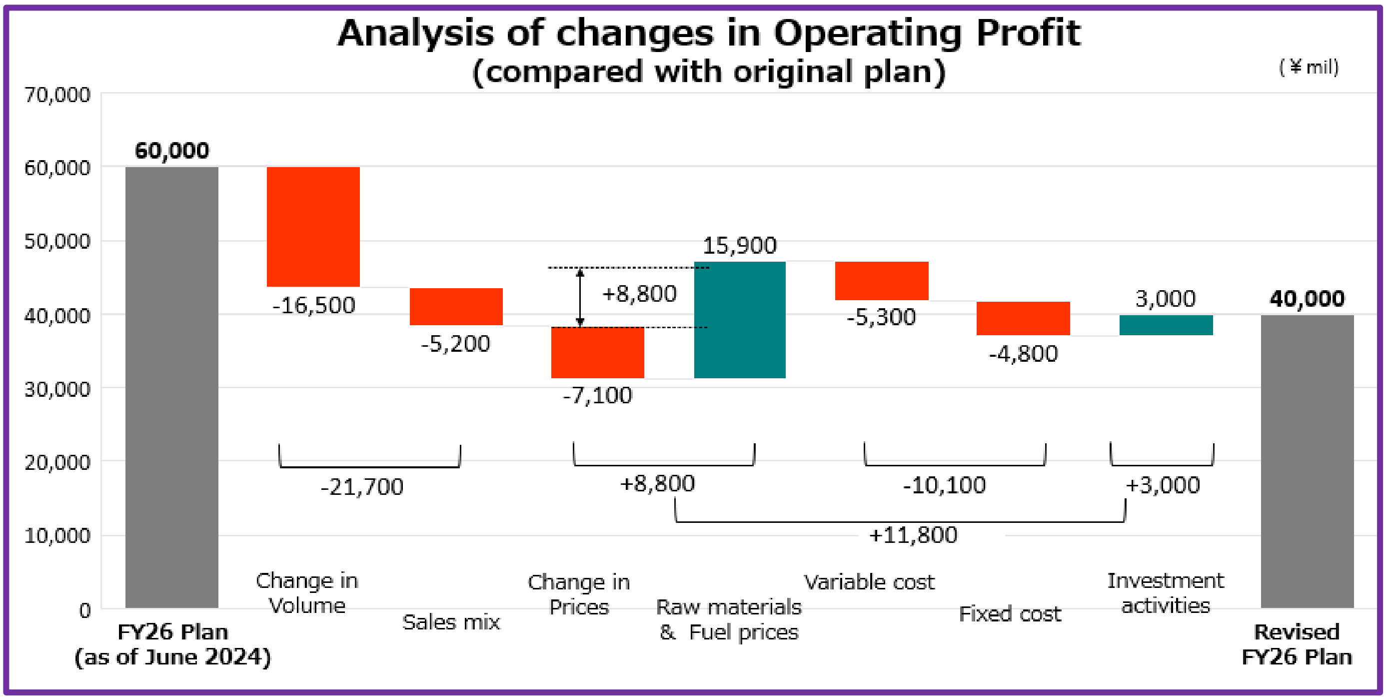
- Lower steel product sales volumes (-¥21,700mil), on the back of weak demand from the auto, industrial machinery (-¥16,500mil), SPE and oil& gas sectors (-¥5,200mil).
- Price hikes +¥8,800mil.
- Cost increases (-¥10,100mil) comprising a reduction in (1) variable costs (-¥5,300mil) is (2) fixed costs (-¥4,800mil).
- Contributions from sales expansion, improved production and lower-than-expected increases in fixed costs (+¥3,000mil).

Daido Steel (5471JP): Medium-term Target for Segment Sales, OP and OPM by Segment

(¥mil)		FY23	FY24	FY25 F/C	FY26 Target / Old	3-year CAGR (%)	FY26 Target / New	3-year CAGR (%)
Specialty Steel	Sales	218,743	210,162	200,000	N/A	N/A	N/A	N/A
	OP	13,724	12,088	8,500	12,500	-3.1%	8,000	-16.5%
	OPM (%)	6.3	5.8	4.3	N/A	N/A	N/A	N/A
High Performance Materials & Magnetic Materials	Sales	202,384	200,863	195,500	N/A	N/A	N/A	N/A
	OP	10,275	11,028	12,500	28,000	39.7%	18,000	20.5%
	OPM (%)	5.1	5.5	6.4	N/A	N/A	N/A	N/A
Parts for Automobile and Industrial Equipment	Sales	104,996	113,031	112,500	N/A	N/A	N/A	N/A
	OP	5,719	11,337	6,500	14,500	36.4%	9,500	18.4%
	OPM (%)	5.4	10.0	5.8	N/A	N/A	N/A	N/A
Engineering	Sales	23,091	24,067	28,500	N/A	N/A	N/A	N/A
	OP	2,136	2,201	2,500	2,500	5.4%	1,500	-11.1%
	OPM (%)	9.3	9.1	8.8	N/A	N/A	N/A	N/A
Trading & Service	Sales	29,347	26,820	28,500	N/A	N/A	N/A	N/A
	OP	10,369	2,770	3,000	2,500	-37.8%	3,000	-33.9%
	OPM (%)	35.3	10.3	10.5	N/A	N/A	N/A	N/A
Total	Sales	578,564	574,945	565,000	600,000	1.2%	N/A	N/A
	OP	42,250	39,408	33,000	60,000	12.4%	40,000	-1.8%
	OPM (%)	7.3	6.9	5.8	10.0	N/A	N/A	N/A

Source: Nippon-IBR based on Earnings Results Materials published by Daido Steel

NB: Figures for FY24 onwards are on IFRS basis, therefore, CAGR numbers compared to FY23 are for reference only.



Source: Nippon-IBR based on Daido Steel's earnings results material

CASH ALLOCATION

Daido Steel also revised its cash allocation during the MTP, given (1) the lower-than-expected operating cash flow [OCF] (revised from ¥140,000mil over the three years to above ¥120,000mil), but noted that (2) the firm is willing to prioritise strategic investment for the future growth as well as improve shareholders return (from ¥40,000mil to ¥50,000mil over the three years).

Investment was revised from ¥150,000mil to ¥140,000mil, however, the firm plans to maintain the level of strategic investments and instead, reduce maintenance CAPEX.

To fill the gap of cash inflow, Daido Steel will accelerate the sale of non-core assets from an initial estimate of ¥50,000mil to ¥60,000mil. For example, the ratio of strategic equity portfolio holdings to net asset will be further reduced to less than 15% by the end of FY26, from 17.7% in FY24.

To improve capital efficiency, Daido Steel completed the repurchase of 6,041,100 shares (2.92% of shares outstanding) at a cost of ¥6,603mil as of 29 July.

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