

SUSTAINABILITY REPORT 2020



DAIDO STEEL GROUP
Beyond the Special

Daido Steel Group Management Philosophy

Pursuing the potential of materials to support our future

Guidelines

Aim High
Sincere Action
Personal Growth
Team Strengths
Open to Challenges

Daido Steel Group Logo

DAIDO STEEL GROUP Beyond the Special

Kutcharo Natural Forest Daido

Lake Kutcharo lies near the town of Hamatonbetsu, in the Esashi District of Hokkaido Prefecture, around 80 kilometers south of Japan's northmost point, Cape Soya. The lake was the third in Japan to be designated as a registered wetland under the Ramsar Convention* in 1989. At a latitude of 45° north, it is a rarely visited site of unspoiled nature. Each year in spring and autumn, several tens of thousands of swans (*Cygnus bewickii*) rest their wings at this stopping point, while in the winter various migratory birds arrive, such as sea eagles (*Haliaeetus pelagicus*) and white-tailed sea eagles (*Haliaeetus albicilla*), which are designated as an endangered species.

On the shores of this precious lake, the Company has acquired land and it is working to maintain and preserve the forest there.

In 2005, the Company named its forest on the shores of Lake Kutcharo "Kutcharo Natural Forest Daido," and has conducted a range of environmental activities such as environmental education as part of its social contribution activities, using it as a symbol of awareness raising about environmental preservation and nature appreciation.

* Ramsar Convention: An international convention for the protection of wetlands, which are vital breeding grounds for waterfowl.

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Editorial policy
As part of society, companies are called upon to contribute to the sustainable development not only of the environment, but of society overall. As a reporting tool to explain its efforts to realize sustainable development together with society based on ESG and taking a long-term perspective, Daido Steel Co., Ltd. initially published an Environmental Report, which was replaced in 2006 by the CSR Report. From 2020, we will be publishing the Daido Steel Sustainability Report.

Scope
The readership of this report is broadly divided into the Company's stakeholders (people who have dealings with the Company, such as customers, shareholders and investors, local communities, employees, etc.), public institutions, media, education-related readers, and others. The scope of this report is primarily information related to long-term strategy and sustainability.

Reporting period
April 1, 2019 to March 31, 2020 (Includes some activities that take place in fiscal 2020). Photographs appearing in the report were taken prior to the COVID-19 pandemic.

Publication date
November 2020 (previous publication on October 2019)

Regarding Initiatives to Prevent the Spread of COVID-19

The Company has taken the following initiatives to prevent the spread of COVID-19.

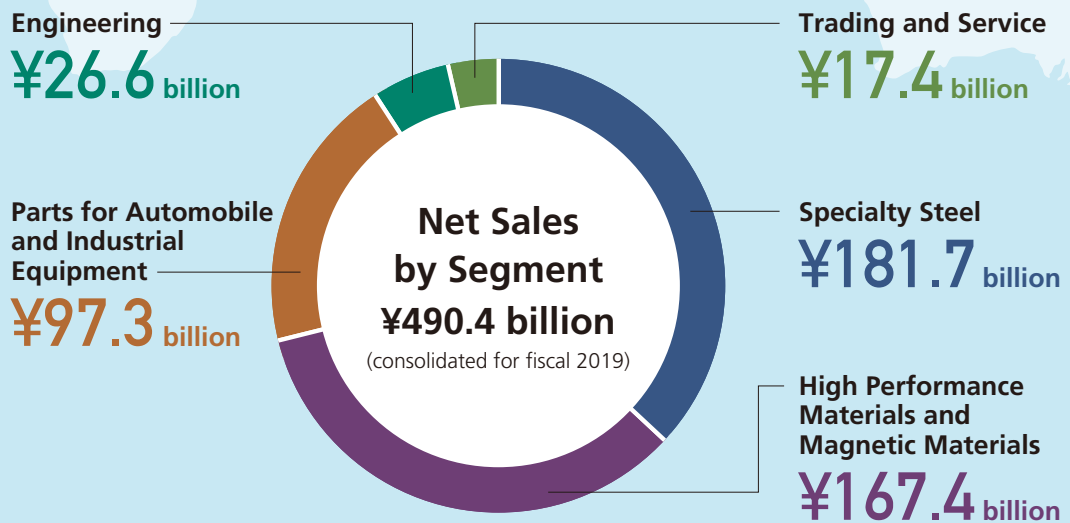
We have adopted a system that encourages working from home for employees working at the Head Office, branches, and sales offices.

When employees come to the workplace, they work with staggered shifts, wear masks at all times, and take thorough measures to prevent infection, such as handwashing and gargling.

For manufacturing sites and research and development laboratories, we have taken measures to prevent infection to the greatest extent possible, such as encouraging employees to work from home and using staggered shifts. We will also continue business activities with only the minimum necessary staff for operating.

Going forward, we will prioritize the safety of all stakeholders and employees, and work to continue business operations appropriately.

Overview of the Daido Steel Group (Countries of operation are shown in red)



Overview of Business

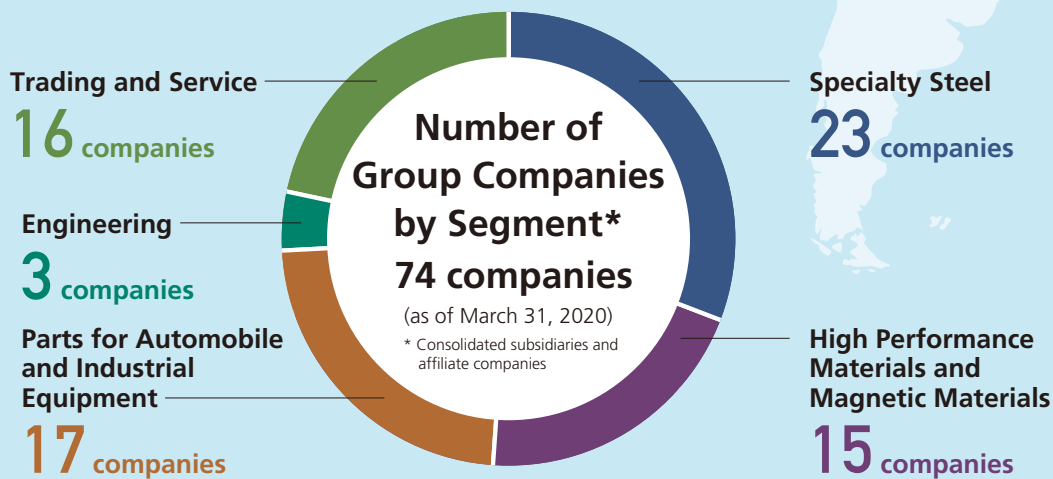
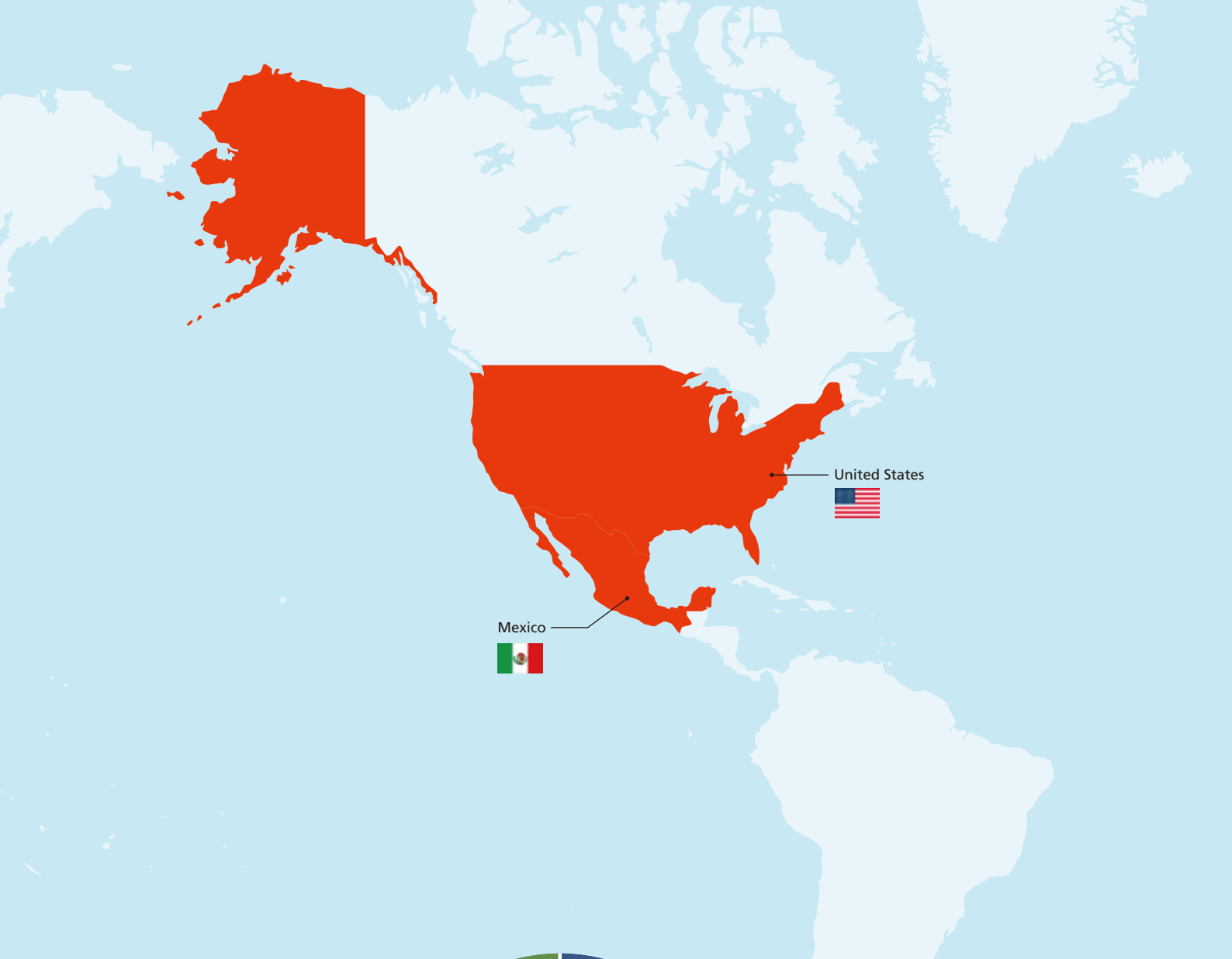
The Company has five business segments which conduct wide-ranging business activities on a global scale.

Specialty Steel

The segment produces and sells structural steel, tool steel and others, mainly for use in automobiles and production machinery.

High Performance Materials and Magnetic Materials

The segment manufactures and sells high-performance materials and magnetic materials used chiefly in automobiles, computers, mobile phones and consumer electronics.



Parts for Automobile and Industrial Equipment

The segment manufactures die forged parts such as crankshafts using specialty steel, precision cast parts for use in turbochargers, as well as engine valves, jet engine shafts, and parts for gas turbines.

Engineering

The segment's activities include the design and manufacture of, and related after-sales services for, melting and refining equipment, vacuum carburizing furnaces, heat treatment furnaces for auto parts, environmental equipment, and machine tools.

Trading and Service

The segment conducts sales of products made by Group companies, employee benefits services, real estate and insurance services, golf course management, analytics, and sales of software to external customers.

Daido Steel and Society

Did you know that specialty steel is a recycled product made mainly from scrap iron?

Steel products that have finished playing their role in society become scrap material and are reborn as new products. By adding various alloys to recycled scrap material, specialty steels with different properties can be created. These find use as materials in automobiles, aircraft, and a wide range of industrial fields where they support people's lives and the development of society.

High Performance Materials and Magnetic Materials

Neodymium hot deformation processed magnet MQ3

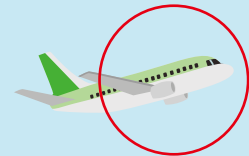
These ring-shaped magnets combine high magnetism with corrosion resistance, helping to realize quiet, smooth movement for industrial robots and contributing to the electrification of automobiles.



Parts for Automobile and Industrial Equipment

Engine shaft alloy

High-strength shafts with excellent durability help to reduce fuel consumption and increase the power output of aircraft engines, supporting safe air travel.



Parts for Automobile and Industrial Equipment

Turbine disk

Power generator parts with high thermal strength, high corrosion resistance, and high durability contribute to improved efficiency and stable supply of electrical energy.



Parts for Automobile and Industrial Equipment

Turbine wheel

Proprietary methods realize materials enabling thin forging and improved thermal resistance which are used for the central section of turbochargers that increase automobile fuel efficiency.



Specialty Steel

Parts for Automobile and Industrial Equipment

Gear steel

Gear steel combines high strength with durability to realize smaller, lighter automobile transmissions, helping to reduce environmental impacts such as CO₂ emissions.



High Performance Materials and Magnetic Materials

Ultrafine stainless steel wire

Thinner*, stronger, high-precision steel wire supports the advancement of a digital society.



* We manufacture stainless steel wire that is only 11 microns thick, thinner than a human hair (50–100 microns).

Parts for Automobile and Industrial Equipment

Soft magnetic powder for reactors

Step-up reactors increase the voltage of batteries for hybrid vehicles. The iron core is formed from soft magnetic powder developed by Daido Steel, and can store a large quantity of energy. It also reduces energy loss and helps to reduce power consumption of the battery.



Engineering

Vacuum carburizing furnace "SyncroTherm"[®]

Contributes to higher-strength, lighter automobile parts through heat treatment using the vacuum carburizing method. It realizes low-volume production for the ultimate in on-demand, as well as rapid response for smart factories.



High Performance Materials and Magnetic Materials

β titanium alloy

Light and strong, titanium alloy is widely used for the faces of golf club heads. Daido Steel's β titanium alloy has distinctive high-strength characteristics that make it the material of choice for various manufacturers of golf club driver heads.



Manufacturing Capabilities Supporting 104 Years of Growth

Daido Steel Co., Ltd.'s history began in the early 1900s, a time of intense focus on building social infrastructure, when Momosuke Fukuzawa, an early proponent of the important role of electricity, was appointed president of Nagoya Dento K.K. and started an electric steel manufacturing operation to make effective use of electric power.

Over the 100 years since its foundation in 1916, the Company passed through various events, including two world wars, Japan's post-war recovery and high economic growth period, the oil crisis, the Plaza Accord, the global financial crisis of 2008, and the Great East Japan Earthquake. The Company overcame numerous challenges, including the switch from munitions to private-sector demand, cooling demand, price decreases driven by excessive competition, pressure on profit margins caused by high prices of raw materials, industry reorganizations, global expansion in line with overseas expansion of its customers, and supply chain interruptions. We have learned from every challenge and continued to manufacture products. With a view to making use of these lessons in an era of dramatic transformation, as we marked our 100th anniversary in 2016, we formulated the Group's management philosophy, "pursuing the potential of materials to support our future."

Today, as we mark our 104th anniversary, we aim to become a company that contributes to the realization of a sustainable society, further refining our manufacturing capabilities under the basic management policy of the Daido Steel Group 2020 Medium-Term Management Plan, "Beyond the Special: We support our customers' technological innovations by supplying high-performance materials."

Foundation 1916-1951

Advancement 1952-1963

Integration 1964-1982

Growth Stage

The Potential of Electric Furnace Steelmaking Emerges as a Strategy for Utilizing Hydropower Resources

As Momosuke Fukuzawa promoted the development of the Kiso River as an electricity source, an electric furnace steelmaking operation using electric power was commercialized, giving birth to the Company's specialty steelmaking predecessor, Electric Steel Manufacturing Co., Ltd.

The Company started by manufacturing alloyed steel and forged steel products, as well as electric furnaces, and expanded through munitions. As the end of the war arrived, the Company's survival depended on changing to meet private-sector demand.



One of the Company's precious assets: a 1.5 ton L-type arc furnace (Designated as part of the "Heritage of Industrial Modernization" by the Ministry of Economy, Trade and Industry)

Anticipating the New Era, a Decision to Build the Chita Plant

On the cusp of Japan's period of high economic growth, having repositioned itself to meet private-sector demand, the Company pinned its future on the construction of the Chita Plant.

Through streamlining of facilities, the Company strengthened its production framework and enhanced its management, meeting growth in demand for specialty steel driven by motorization.



Start of operation of the Chita Plant in October 1962

Merger of Three Companies to Create One of the World's Largest Dedicated Specialty Steel Manufacturers

The 1964 Tokyo Olympics and the openings of the Meishin Expressway and the Tokaido Shinkansen helped to expand demand for specialty steel. However, the specialty steel industry suffered under the impact of the second oil crisis.

Daido Steel, Japan Special Steel, and Tokushu Seiko merged to create a new Daido Steel, as the Company embarked on a new journey as one of the world's largest dedicated specialty steel manufacturers.



In September 1976, Daido Steel, Japan Special Steel, and Tokushu Seiko merged to establish a new Daido Steel

Developments in Society

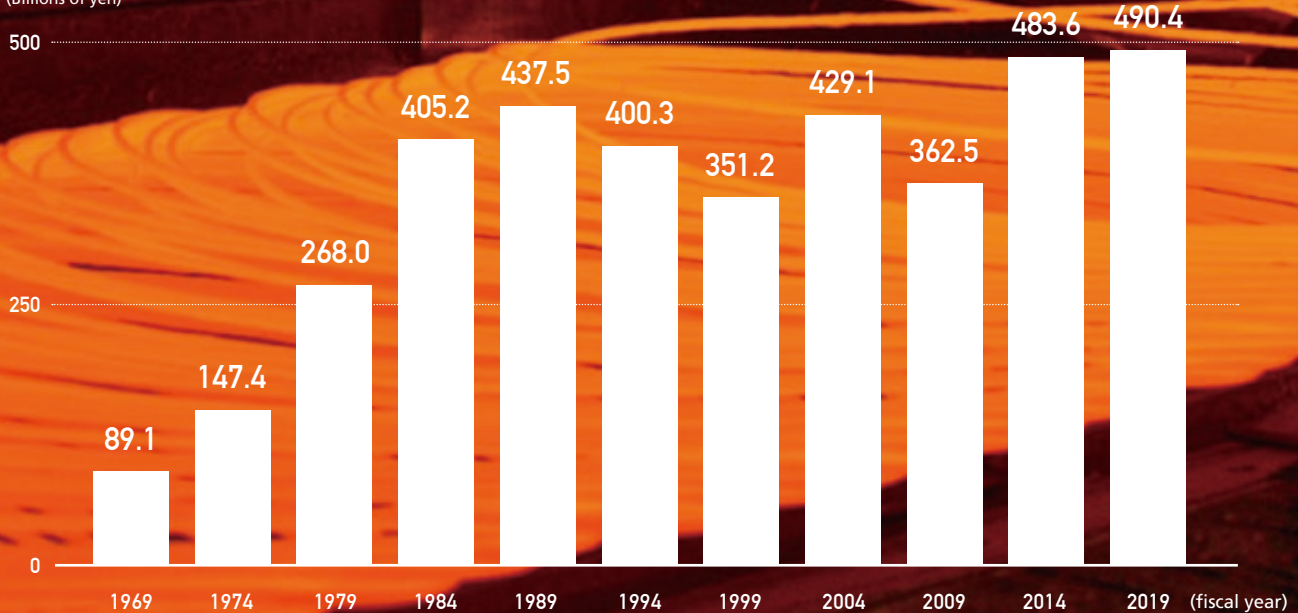
- Introduction of government measures to encourage new industry
- Development of modern industry
- Two world wars

- Japan's post-war recovery

- Japan's period of high economic growth
- Second oil crisis

Past 50 Years' Net Sales (FY1969 to FY2019)

(Billions of yen)



* Consolidated from fiscal 1984

Advancement 1983-2004

Challenge 2005-2016

2017-Present

Strengthening Competitive Capabilities and Expanding Globally

Eyeing the global market, the Company took steps to further strengthen its competitive capabilities in terms of quality, cost, and lead time, using proprietary technologies such as the No. 2 continuous caster (No. 2 CC) at Chita Plant.

We developed new products and actively worked to expand new businesses, establishing overseas offices and promoting our global expansion.



1992 No. 2 CC began operation

Manufacturing Reforms and Stronger Group Management for a New Century

Amid a rapidly changing economic environment, the Company continued to shift its emphasis from quantity to quality, returning its focus to creating products and developing people through "Daido Monozukuri Kaikaku" (DMK) activities.

By strengthening Group management and building stronger internal and external collaboration, the Group worked together as one to step boldly into the new century.



September 2004
Launch of the
Daido Monozukuri
Kaikaku (DMK)
Project



August 2016 100th
founding anniversary of
Daido Steel

Group Management Philosophy

"Pursuing the potential of materials to support our future." The Group will strive to realize this philosophy.

• Plaza Accord

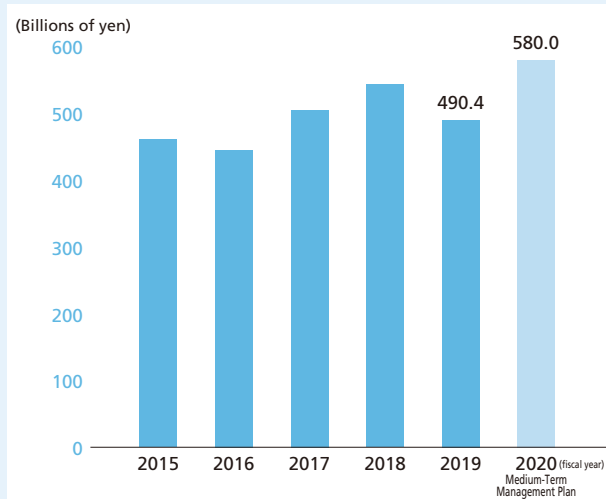
• Global financial crisis
• Great East Japan Earthquake

Japan moves from the Heisei era to the Reiwa era with the ascension of Emperor Naruhito.

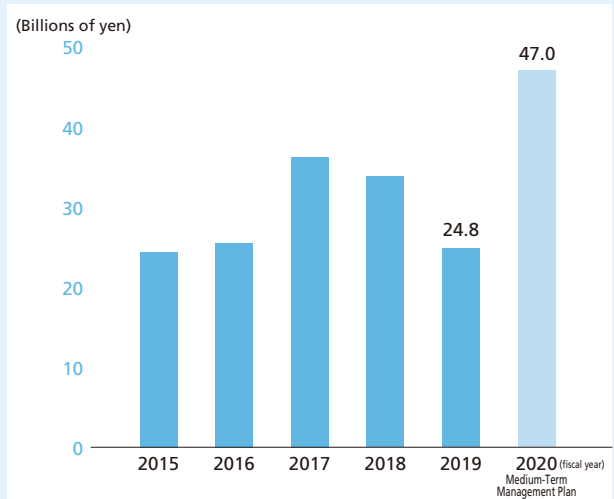
Financial and Non-Financial Information

Financial Performance

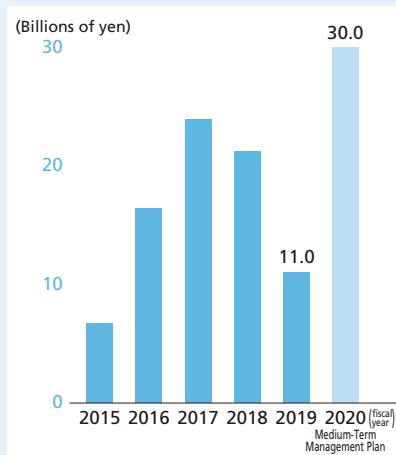
Net Sales



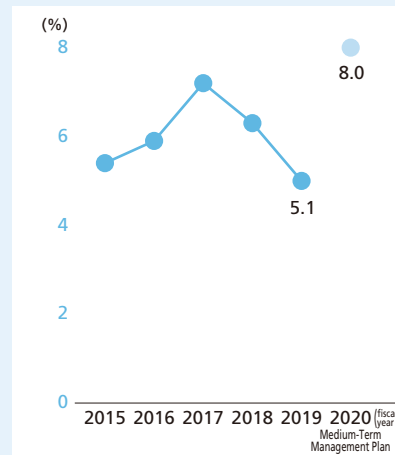
Operating Income



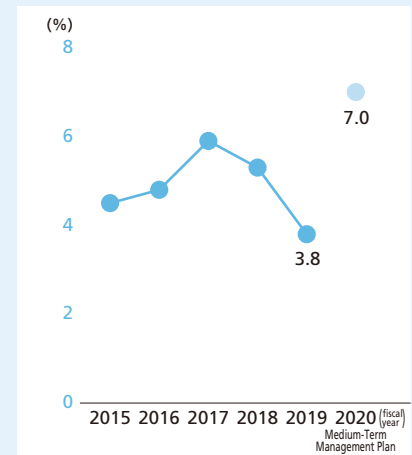
Profit Attributable to Owners of Parent



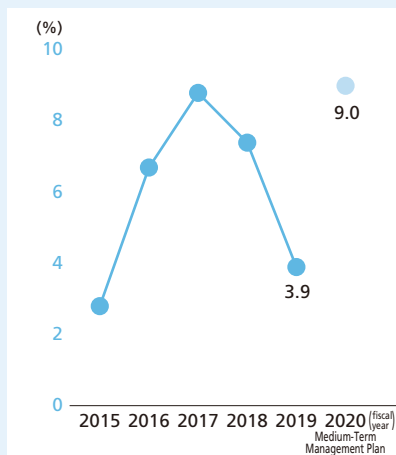
Return on Sales (ROS)



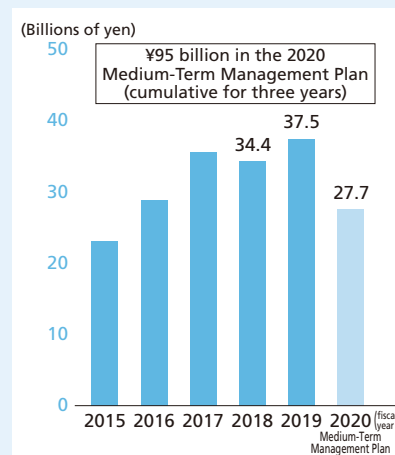
Return on Assets (ROA)



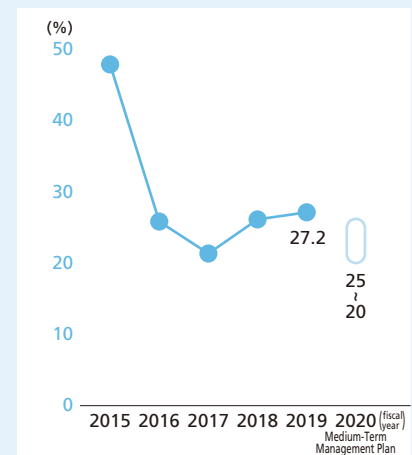
Return on Equity (ROE)



Capital Investment (Construction)



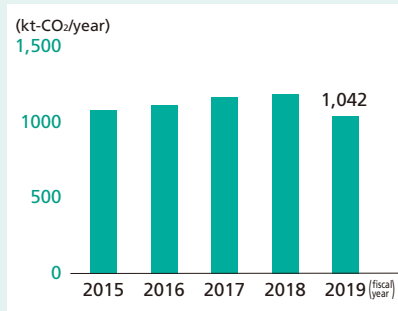
Dividend Payout Ratio



Non-Financial Performance

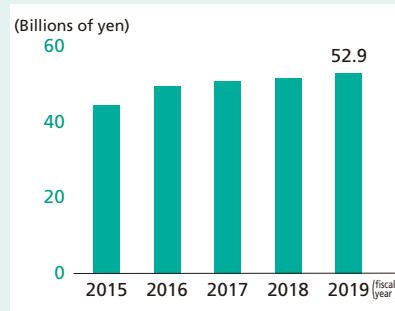
CO₂ Emissions

[▶ P. 24, 27](#)



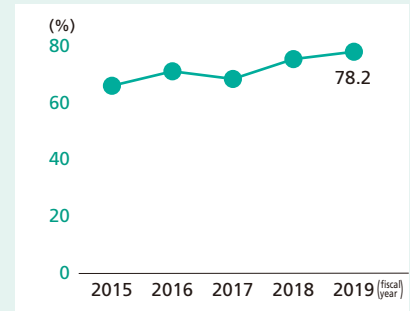
Capital Investment on Energy-Saving Facilities

[▶ P. 29](#)



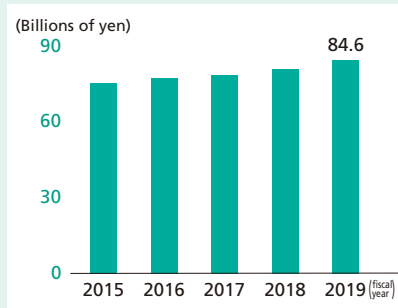
Recycle Rate of Byproducts

[▶ P. 35, 36](#)



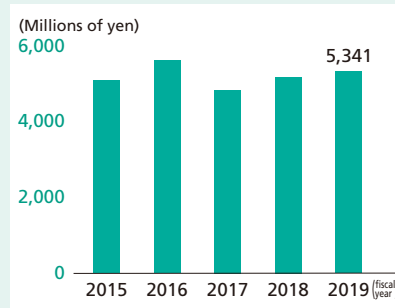
Investment in Environmental Protection

[▶ P. 28](#)



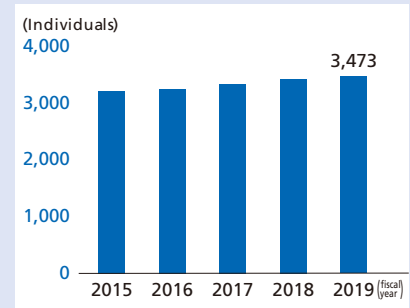
R&D Expenditure Related to Environmental Products

[▶ P. 28](#)



Number of Employees

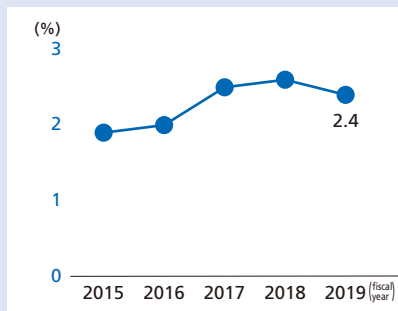
[▶ P. 49](#)



* Cumulative from 1990

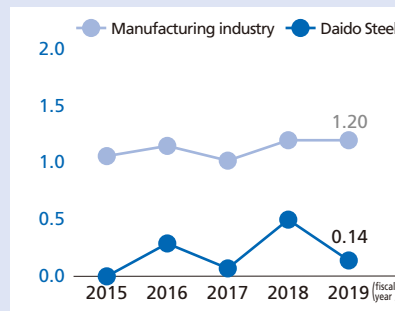
Ratio of Women in Management

[▶ P. 49](#)



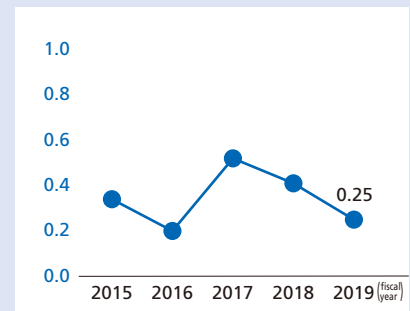
Rate of Lost-Time Work Injuries

[▶ P. 51](#)



Quality Claim Index*

[▶ P. 42](#)



* Index taking the actual results from 2006 as "1"

<Designation by Public Institutions>

2020 Certified Health & Productivity Management Outstanding Organization



Aichi Prefecture Family Friendly Company



Aichi Prefecture Company Supporting Women's Career Advancement



Kurumin



<External Evaluation Related to ESG>

MSCI Japan ESG Select Leaders Index

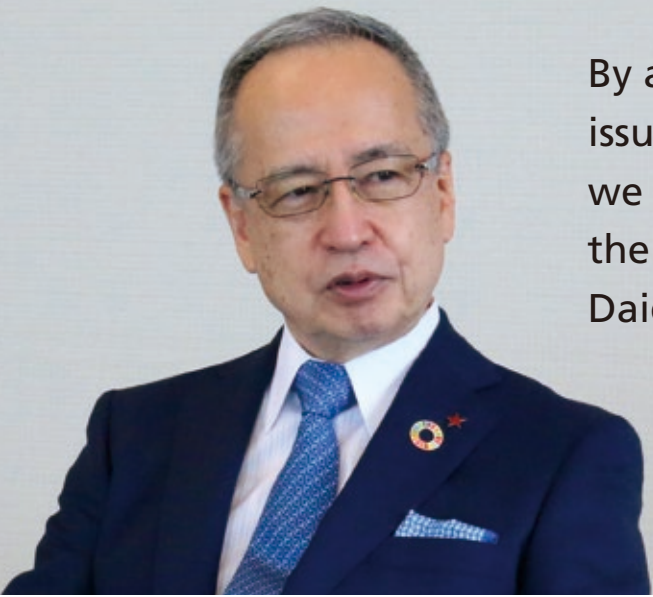
2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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S&P/JPX Carbon Efficient Index



Top Interview



By actively working to solve social issues through our businesses, we aim to contribute to the achievement of the SDGs and Daido Steel's sustained growth.

J. Ishiguro

President & CEO, Representative Executive Director

Q1

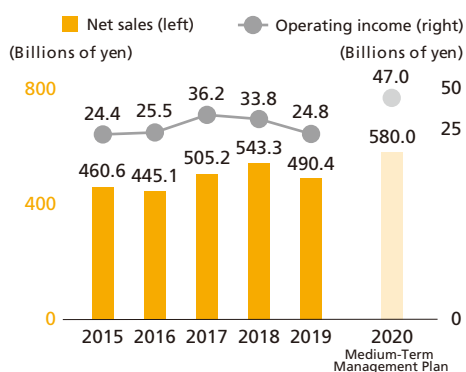
Could you please discuss the current business environment surrounding Daido Steel and its response to the COVID-19 crisis?

Looking back at fiscal 2019 (the fiscal year ended March 31, 2020), the global economy continued to grow steadily, but the business environment came under significant pressure from the second half of the fiscal year, particularly in terms of sales volume. Notably, prolonged trade friction between the U.S. and China led to economic deceleration in China, resulting in a decline in automobile sales volume and a downturn in demand for construction and industrial machinery. On top of this, the spread of the coronavirus (the COVID-19 crisis) caused a decrease in automobile demand around the world. While the impact on business results for fiscal 2019 was negligible, the decrease in global automobile demand led to the disappointing result of a decrease in net sales in the first quarter (April-June period) of fiscal 2020.

That said, not all was bad news. Our administrative divisions benefited from the opportunity to reform business processes using telework and online conference systems, although similar reforms were difficult to implement in production divisions. Initially, these business process reforms were primarily intended to be emergency measures to stop the spread of infections. However, I believe that, as time passes, every employee has started to become aware of the need to reexamine the efficiency of business processes and meetings, and to consider how to increase their productivity under current conditions as they carry out their daily duties. I would like to take this opportunity to instill "new work styles" that will be compatible with "the new normal in daily life" after the COVID-19 crisis comes to an end. We have now formed a working group to consider the specific details. An increase in work style options will make it easier for employees to balance their work and private lives, and it will help the Company to retain personnel. I believe that the availability of more work style options will produce benefits for both employees and the Company alike.

I would also like to make another point. I believe that this is a perfect opportunity to consider rebuilding our business portfolio in anticipation of the period after the COVID-19 pandemic.

Changes in Net Sales and Operating Income
(Fiscal 2015 to Fiscal 2019)
2020 Medium-Term Management Plan Targets



Daido Steel's strength lies in the fact that while it does not have a No. 1 product that stands out, the Company is a first-rate specialty steel manufacturer in terms of its comprehensive capabilities. To draw an analogy with a sports tournament, Daido Steel would perhaps finish only in second or third place in each individual event of the tournament. However, Daido Steel would win the tournament in terms of its overall score. Beginning with the merger of our three predecessor companies (Daido Steel Co., Ltd., Japan Special Steel Co., Ltd., and Tokushu Seiko, Ltd.) in 1976, we have fostered competition and integration among the companies and polished our product lineups while making the most of each company's areas of expertise. As a result, we have gained the ability to produce high-quality products in a wide range of product categories, such as structural steel, tool steel, and stainless steel. Going forward, we intend to continue to make this production system even more resilient, as we work to enhance the overall level of our comprehensive capabilities. However, we believe that the time has come to revise our parts business, such as die forgings, where we add value to materials. In 2019, we recorded impairment losses on a part of the precision casting business. We need to rethink the direction of businesses like these where it is difficult for Daido Steel to add value. To ensure that we can continue to conduct *monozukuri* (manufacturing) based on specialty steel in the future, we will carefully assess what Daido Steel is good at, and what it must accomplish, as we work to rise above this period of profound transformation.

Q2

The Daido Steel Group 2020 Medium-Term Management Plan is currently under way. What kinds of ideas are reflected in your basic management policy, "Beyond the Special: We support our customers' technological innovations by supplying high-performance materials"?

"Beyond the Special" was established as a slogan for the Daido Steel Group in 2016 to mark its 100th founding anniversary. The slogan embodies our aspirations to be **an enterprise that is passionate about continuously supporting people and society by delivering what we call "Beyond the Special Value."** Moreover, the industrial world now faces a wave of technological innovation, driven by what has been described as a once-in-a-century transformation in the automobile industry and the ongoing march of the Digital Revolution. Additionally, customer needs are changing as part of efforts to address stricter environmental regulations worldwide and solve social issues such as the risk of climate change. Demand has been increasing for materials that will fulfill those needs. In this environment, we have arrived at the conclusion that Daido Steel should fulfill the role of supporting customers' technological innovation by supplying high-performance materials, that is, materials that add "Beyond the Special Value" to steel. That is why we have adopted our basic management policy.

Daido Steel manufactures two types of specialty steel. The first type is mass-produced specialty steel with a wide range of applications. The other type is special steel or special materials, as the term "specialty steel" suggests. The latter type offers high-performance features such as high heat resistance, corrosion resistance, and cleanliness. These new materials are developed for use in specific applications based on customer needs, and at times are developed jointly with customers. Among these materials are high-performance magnets for motors installed in hybrid and electric vehicles and super-clean stainless steel needed for semiconductor manufacturing equipment. Accordingly, **we take pride in conducting *monozukuri* (manufacturing) that will support the mobility society of the future and the innovative technologies that will be realized by 5G.** "Beyond the Special" expresses what the Daido Steel Group seeks to be: an enterprise that continually supplies materials that contribute to innovation in these sorts of industries through collaborative creation with customers.

Q3

The 2020 Medium-Term Management Plan has entered its final fiscal year. Looking back at the period from fiscal 2018 to now, how would you rate Daido Steel's progress?

The future of mobility, including automobiles, is steadily heading in the direction of electrification and automation. However, we should continue to see manufacturers compete to improve the efficiency of gasoline engines for some time. To achieve highly efficient internal combustion engines, it is essential to have materials with properties such as the heat and corrosion resistance needed to tolerate usage under the demanding conditions of high temperatures and high engine revolution speeds. Meanwhile, the electrification of automobiles cannot be realized without high-performance magnets. Therefore, the High Performance Materials and Magnetic Materials segment, which covers such materials, has been positioned as a growth field. Portfolio reform was also identified as a key priority. The goal of portfolio reform is to shift from structural materials to high-performance materials. Over the past two years (fiscal 2018 to fiscal 2019), Daido Steel has actively made capital investments to strengthen its supply capacity for high-performance materials and has built a framework to meet customer demand. **We have identified market changes and customer needs and have increased capacity and made capital investments to ensure a steady supply of materials. Therefore, we will put the finishing touches on the plan in fiscal 2020 by steadily putting these capabilities into action.**

In September 2019, Daido Steel acquired a portion of the Aichi Works of IHI Corporation, investing approximately ¥3.0 billion to construct the Second Chita Plant. This acquisition was not included in the initial plan. We are considering turning the new factory into something close to a smart factory. Plans call for creating a factory with cutting-edge equipment that can conduct highly efficient production without increasing personnel.

Moreover, in May 2020, we opened the Nakatsugawa Advanced Magnetic Materials Development Center. The establishment of this facility is part of efforts to drive portfolio reform to shift from structural materials to high-performance materials. Recognizing that high-performance magnets are a field where demand will certainly grow, we will develop this site into a research center that will speed up development of new magnets. In addition, we believe that this facility can contribute to developing engineers and creating local employment (P16–17).

Looking at current conditions, the COVID-19 crisis has led to increasing uncertainty. Nonetheless, the demand environment will reemerge as the world overcomes the current situation and the global economy returns to strength. We need to put preparations in place to ensure that we can fully address this demand environment when it does return. For this purpose, and in order to establish business fundamentals that can tolerate even low levels

Daido Steel Group 2020 Medium-Term Management Plan

Beyond the Special

We support our customers' technological innovations by supplying high-performance materials.

Guidelines for corporate activities

- 1**
Portfolio reform
 - Make investments to increase stainless steel production capacity, including rationalization of the stainless steel continuous casting line at the Chita Plant
 - Promote a growth strategy for the magnet business
 - Steadily capture growth markets for free forgings
 - Expand sales of high-performance powder products
 - Expand engine valve production capacity in order to increase our share in the global market
 - Expand sales of environmental engineering products that contribute to higher labor and energy efficiency
- 2**
Enhance our business fundamentals
 - Secure sustainable profit margins for structural steel and ramp up steel production capacity
 - Expand overseas sales of tool steel
 - Achieve both improved productivity through work style reforms and human resource development
- 3**
Rebuild our business
 - Rebuild die forging businesses in Japan and strengthen overseas sales growth
 - Bring the turbocharger housing business into the black

	Medium-Term Management Plan Targets for Fiscal 2020	Fiscal 2019 Results
Net Sales	¥580.0 billion	¥490.4 billion
Operating Income	¥ 47.0 billion	¥ 24.8 billion
Profit Attributable to Owners of Parent	¥ 30.0 billion	¥ 11.0 billion
Return on Sales (ROS)	8%	5.1%
Return on Assets (ROA)	7%	3.8%
Return on Equity (ROE)	9%	3.9%
Capital Investment (Three-Year Total, Construction Basis)	¥ 95.0 billion	¥ 71.9 billion (Total for fiscal 2018 and 2019)
Dividend Payout Ratio	20~25%	27.2%

of operation, we will implement measures such as cost reductions, selective capital investments, and curtailment of cash outflows.

In order to become a stronger company in the future, Daido Steel must strengthen collaboration between divisions. The production divisions are focused on reducing costs, while the research divisions are focused on responding to customer needs. While these roles are what is naturally expected of each division, the divisions have been unable to collaborate in some respects because their professional commitment to their respective roles has been too strong. The same holds true for sales and other divisions. I have high hopes that if the members of each of these divisions could work to strengthen collaboration, Daido Steel would be able to transform itself into an even stronger company than it is today.

Q4

Beginning with this report, Daido Steel has decided to start publishing a Sustainability Report instead of a CSR Report, in order to present Daido Steel's business activities to stakeholders from a longer-term perspective. What do you think Daido Steel's sustainability strategy should be like?

The Sustainable Development Goals (SDGs) have become a prominent topic of discussion not just in business circles, but also in the news media, and I believe that public recognition of the SDGs has been growing. Social issues on a global scale cannot be solved through the activities of countries and governments alone. To solve these issues, the active involvement and efforts of companies are still essential. We believe that the best way for Daido Steel to contribute to a sustainable society, as targeted by the SDGs, is to clearly identify what it can do to solve social issues through its businesses.

Based on this belief, we have identified Daido Steel's material issues (P14–15). Some of the material issues we have identified through extensive discussions overlap with the items we have implemented so far as part of our CSR activities. From the perspective of solving issues, we need to conduct activities that go a little further than our CSR activities. For example, activities to reduce CO₂ emissions have been undertaken at Daido Steel until now on a standalone basis. From now on, it will be crucial to make modifications within the supply chain from suppliers to customers to whom our products are supplied. In addition, we would like to build on our strengths by implementing even more in-depth measures than before in the fields of safety and human resources, where we had already devoted efforts in the past. In the current fiscal year, we have completed the process up to the stage of identifying and organizing issues. From 2021 onward, we will establish specific targets and conduct activities to achieve those targets. We would like to be able to report on those activities in this report.

Unless we can earn the trust of stakeholders, the meaning of our existence as a company will be lost. Daido Steel's material issues describe what it must do now in order to be a company that continues to earn the trust of society and preserves the meaning of its existence 30, 50 and 100 years from now. As the SDGs and ESG investment increase the importance of sustainability, we believe that implementing sustainable management while flexibly handling changes to the key issues we must address, brought on by changes in the business environment or social trends, will pave the way for Daido Steel's sustained growth.

Daido Steel's founder, Momosuke Fukuzawa, established a set of principles called Gokai Jussoku (The Ten Principles of Conduct) to guide the behavior of employees. In the first four of the ten principles, the founder stressed the primacy of the customer with the word *jyyouka* (customers). **We have carried on the message left to us by our founder, an entrepreneur from a century ago, who urged us to always remember the basic principle of business: Take good care of your customers. Our history of embracing this message and handing it down to future generations, always staying close to our customers, and growing together with our customers has shaped what Daido Steel is today.** While perfecting Quality, Cost, Delivery (QCD), a pillar of the manufacturing business, we will continue working to implement sustainability initiatives as a comprehensive specialty steel manufacturer that fulfills the trust of its customers and all other stakeholders.



SDGs Initiatives and Identification of Material Issues

Daido Steel Group Management Philosophy

Pursuing the potential of materials to support our future.

In 2016, the year of Daido Steel's 100th anniversary, we established the Daido Steel Group Management Philosophy: "Pursuing the potential of materials to support our future." In order to realize this management philosophy, and align Daido Steel more closely with its ideals as a company, we will conduct *monozukuri* (manufacturing) that harnesses the engineering, product development and innovation capabilities that we have fostered to date, with the view to continuously supplying materials for a prosperous future society.









Guided by the slogan "Leave No One Behind," the Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015 to provide a common language for solving social issues and bring the world closer to what it should be.

Daido Steel aims to contribute to the solution of social issues through *monozukuri* (manufacturing) based on specialty steel and be a company that works together with stakeholders to realize a sustainable society, as targeted by the SDGs. To this end, we have identified Daido Steel's material issues.

By clearly identifying Daido Steel's material issues and working to address those issues, we will realize Daido Steel's sustainable growth while contributing to the achievement of the SDGs.

SUSTAINABLE DEVELOPMENT GOALS



Daido Steel's Material Issues		Main Initiatives and Issues	Related SDGs
1	Develop and supply products that contribute to the reduction of environmental impact and the preservation of the global environment	(1) Address climate change <ul style="list-style-type: none"> • Reduce CO₂ through CO₂ emissions reductions and environmental preservation activities • Develop and supply products that contribute to mobility innovation • Develop and supply products that support customers' technological innovation in response to environmental regulations • Develop and supply materials that contribute to the hydrogen use business 	 
		(2) Reduce waste <ul style="list-style-type: none"> • Strengthen the 3Rs (Reduce, Reuse and Recycle) for byproducts • Develop facilities that contribute to waste reduction 	
		(3) Use sustainable natural resources <ul style="list-style-type: none"> • Develop products that conserve resources and are free of rare resources and hazardous elements • Expand the use of renewable energy (hydropower, wind power and solar power) 	
2	Build a highly efficient production system and provide a stable supply of products	(1) Improve energy efficiency <ul style="list-style-type: none"> • Develop and introduce production processes with excellent energy efficiency • Develop products that contribute to energy efficiency 	 
		(2) Provide a stable supply of high-quality products <ul style="list-style-type: none"> • Conduct rigorous quality control and improvement • Formulate business continuity plans (BCPs) 	
3	Ensure a safe and secure work environment	(1) Eradicate industrial accidents <ul style="list-style-type: none"> • Foster a work environment that gives priority to safety above all else • Improve safety awareness 	 
		(2) Promote health management <ul style="list-style-type: none"> • Enhance the health of employees and their families 	
		(3) Coexistence with local communities <ul style="list-style-type: none"> • Conduct safe and secure plant operation • Local environmental preservation and communication with local communities 	
4	Recruit and develop diverse personnel	(1) Promote diversity <ul style="list-style-type: none"> • Create a workplace environment that promotes the success of diverse personnel and fosters a sense of job fulfillment • Improve productivity by promoting new work style reforms 	 
		(2) Recruit and develop personnel <ul style="list-style-type: none"> • Continuously recruit talented human resources and develop independent-minded personnel • Transfer skills at production sites 	

Key Issues that Serve as the Foundation for Business Activities

Strengthen corporate governance

Strictly enforce compliance

Respect human rights

Enhance sustainability awareness

Related SDGs





Identification Process for Material Issues

Identification of social issues

The SDGs targets and the global risks listed in Global Risks Report 2019 were compared, and 95 social issues were identified by excluding overlapping issues and adding issues of high social concern.

▼

Evaluation from a business perspective

Currently, materiality is evaluated in terms of the risks and opportunities for Daido Steel's businesses based on medium- and long-term time scales.

▼

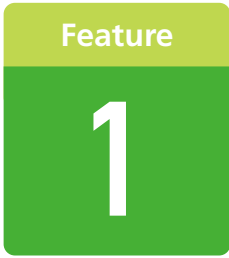
Evaluation from stakeholder perspectives

The relationships between the issues that stakeholders consider to be important in each business field and the evaluation items of ESG ratings agencies are evaluated.

▼

Preparation and identification of materiality matrix

A materiality matrix is prepared by consolidating the business and stakeholder evaluations. Following two discussion sessions in the Management Meeting, Daido Steel's material issues are identified.



Contribute to the Evolution of Next-Generation Mobility



Nakatsugawa Advanced Magnetic Materials Development Center

In the automotive field, electrified vehicles (xEVs*) are expected to serve as a means of combating climate change. The Daido Corporate Research & Development Center (Minami-ku, Nagoya City) conducts a wide range of research and development (R&D) activities focused on xEVs. One of its most prominent R&D fields is magnets for motors. In this field, Daido Steel is working to develop products that contribute to customers' technological innovation. We seek to conduct *monozukuri* (manufacturing) that maximizes the strengths of the Daido Steel Group's magnets and provide optimal proposals to customers. Concurrently, in order to make significant strides forward, we set up a new site in Nakatsugawa, Gifu Prefecture, where we can conduct motor research based on an open innovation approach. By contributing to xEVs and electrification, we will do our utmost to reduce CO₂ emissions, conserve resources and tackle climate change.

* xEV: A collective term for electrified vehicles, including battery electric vehicles (BEV), plug in-hybrid electric vehicles (PHEV), hybrid vehicles (HEV), and fuel-cell electric vehicles (FCEV).

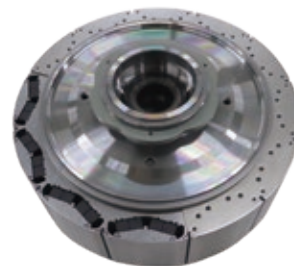
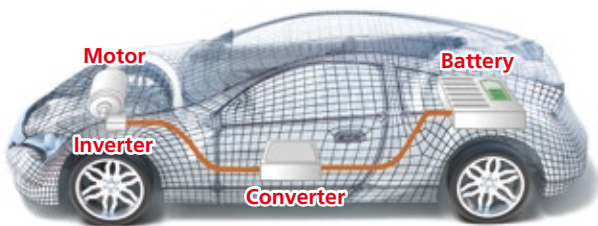
Materials Development to Address the Priority of Improving Electric Vehicle Control System Performance

The Daido Corporate Research & Development Center (Minami-ku, Nagoya City) conducts a wide range of materials development to contribute to the electrification of vehicles. Notably, further improvements in the performance of control systems for electric vehicles are needed. There are certain issues that must be solved. For example, unlike internal combustion engines, electric motors experience a decline in energy efficiency at high driving speeds, so it can be difficult to increase the driving range of electric vehicles. We will solve these sorts of issues with magnets and soft magnetic materials (materials with properties such as low values of coercivity and high values of magnetic permeability). In the process, we will promote materials development that will realize a reduction in CO₂ emissions and conservation of resources.

The Daido Steel Group's neodymium magnets started out as ring-shaped magnets and have been highly rated for their use in electric power steering and AC servo motors. In the past few years, we have also commenced production of plate-shaped magnets. In 2016, in collaboration with Daido Electronics Co., Ltd. (Nakatsugawa City, Gifu Prefecture), Daido Steel developed and put into practical use a neodymium magnet free of heavy rare earth elements, with properties such as high heat resistance and high magnetic performance, in response to customer needs. Together with Honda Motor Co., Ltd., Daido Steel became one of the world's first companies to successfully apply this new magnet to the drive motor of a hybrid vehicle*. Progress on more advanced R&D activities has increased flexibility in terms of shape and magnetic ordering, allowing Daido Steel to propose a wide range of magnets with different shapes and special orderings.

Looking ahead, Daido Steel will continue to push ahead with development so that it can address different shapes and control of magnetic ordering, in order to enhance the performance of motors.

* Received numerous awards, such as the Seventh METI Minister's Prize in the Monozukuri Nippon Grand Award



Drive motor



Plate magnet

● Motor and generator development

The drive motors of xEVs employ Interior Permanent Magnet (IPM) motors, which consist of magnets embedded in a rotor like the one shown in the image to the right. The shapes and magnetic characteristics expected of magnets used in IPM motors have been researched for a long time, and a variety of proposals have been put forward. In general, plate-shaped magnets are often used in IPM motors. However, rising environmental awareness in recent years has put a lot of attention on motors, the centerpiece of electrified vehicles. There have been even stronger calls to improve the performance of magnets, which contribute significantly to the output of those motors.

● **Soft magnetic powder for voltage step-up reactors**

Some hybrid vehicles have (voltage step-up) circuits that temporarily raise the voltage in order to maintain the output of motors over a wide range of engine revolution speeds, although the capacity of drive batteries is smaller than electric vehicles. One of the main components of those circuits is a voltage step-up reactor. Soft magnetic alloy powder developed by Daido Steel has been adopted for use as a material for the iron cores of these reactors. The powder material can undergo near net shape molding*, allowing cost reductions. For this reason, in addition to functioning as a reactor component, it contributes to reducing the environmental impact of hybrid cars and to the need for low-fuel consumption.



3 kW class reactor

* A technique for finishing a material in a shape close to the final product, thereby reducing the subsequent man-hours for processing.

● **Permalloy for high-precision battery sensors**

For electric vehicles, the question of how much of their small battery capacity can be used within a safe range is crucial to fuel economy. To use up more of the battery capacity, a high-precision battery current sensor is needed. The use of a high-magnetic-permeability material* developed by Daido Steel allows the safe use of 10–90% of the battery capacity, whereas previously only 20–80% of the battery capacity could be used safely. This has increased the drive range on the motor only, thereby improving fuel economy.

* Received the 17th (2018) Chubu Science and Technology Center Promotion Award

Targeting Growth in the Magnetic Product Business, the Pillar of Portfolio Reform, to Shift to High-Performance Materials

—Establishment of the Nakatsugawa Advanced Magnetic Materials Development Center—



Signing ceremony for corporate location agreement with Nakatsugawa City. From left: Governor of Gifu Prefecture Hajime Furuta, Daido Steel CEO Takeshi Ishiguro, and Mayor of Nakatsugawa Setsuji Aoyama

On May 25, 2020, the Nakatsugawa Advanced Magnetic Materials Development Center was opened as a site to conduct research into magnetic products and next-generation motors and pursue R&D in applied magnetic material products. The center was established following the transfer of land owned by Nakatsugawa City to Daido Steel.

Under the 2020 Medium-Term Management Plan, Daido Steel is implementing portfolio reform to shift to high-performance materials. As one of the key priorities of these efforts, we are advancing our growth strategy for the magnetic product business. In the magnetic product business, Daido Electronics Co., Ltd., a subsidiary of Daido Steel, has been conducting manufacturing and sales, while the Daido Corporate Research & Development Center of Daido Steel has been conducting research and development (R&D).

The Nakatsugawa Advanced Magnetic Materials Development Center was established in the Nakatsugawa area, where Daido

Electronics is located, in order to concentrate research and manufacturing of magnetic products and the design and evaluation of motors in this area. By doing so, we will promote R&D driven by industry-academia collaboration in the areas of next-generation motor technologies and the high-performance magnetic products underpinning those technologies, with a view to strengthening our R&D framework.



Contributing to the community through industry-academia collaboration

- Develop the automobile, robotics and materials industries
- Develop engineers well versed in innovative motors and materials
- Provide skills training at high schools and other educational institutions
 - Improve the technical skills of young people and help them to stay in the local area
 - Contribute to the development of an attractive urban area for young people

● **Aiming to be an R&D site that fosters collaboration with academia and close ties with the local community**

As part of its collaboration with academia, the Nakatsugawa Advanced Magnetic Materials Development Center has welcomed onboard Emeritus Professor Nobuyuki Matsui, a former president of the Nagoya Institute of Technology, as a technical advisor. Emeritus Professor Matsui will provide technical advice on R&D in motors, as well as provide support to nurture engineering personnel involved in those R&D activities. In addition, Daido Steel will take this opportunity to strengthen its collaboration with Daido University.

By making the Nakatsugawa Advanced Magnetic Materials Development Center a hub for industry-academia collaboration, we will contribute to the development of the automotive, robotics, and materials industries in the Chubu area, along with nurturing cutting-edge engineers who will have in-depth knowledge of both next-generation motors and basic materials such as magnets. The center will also strive to support the improvement of technical skills by offering skills training at high schools and other educational institutions, along with helping young people to stay in the local area. Through these efforts, the center aims to be an R&D institution that contributes to the development of an attractive urban area for young people.

Overview of the Nakatsugawa Advanced Magnetic Materials Development Center

Location	1417-26, Sendanbayashi, Nakatsugawa, Gifu 509-9131, Japan (Total area: approximately 240,000 m ²)
Total investment	Approximately ¥1.5 billion (total of purchasing costs for land and building and investment in R&D facilities)
Personnel	24 (as of the opening of the center)
Research activities	Research and development of applied magnetic material products such as magnetic products and motors

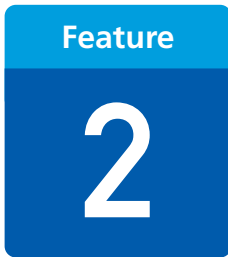
In the automobile industry, **electrification and automated driving, both of which are major once-in-a-century technological innovations,** are currently under way. Against this backdrop, Daido Steel has **strengthened its R&D framework by establishing the Nakatsugawa Advanced Magnetic Materials Development Center.** By carrying out activities in unison with Daido Electronics, Daido Steel will work to speed up development, and to strengthen its ability to offer proposals by promoting motor research based on industry-academia collaboration. We intend to **contribute to technological innovation in industries by focusing particularly on magnets** in the area of high-performance materials.

Yasushi Matsumura

Head of Nakatsugawa Advanced Magnetic Materials Development Center



FEATURE



Developing Human Resources and Promoting Diversity



The Daido Steel Technical Training School develops human resources who will work at Daido Steel's manufacturing sites. The school fosters professionals in specialty steel manufacturing with a variety of curriculums. In the past few years, Daido Steel has been actively recruiting women. From the standpoint of promoting diversity, we eagerly anticipate the success of these women in the future.

Develop Human Resources Who Can Manufacture Specialty Steel with a Sense of Responsibility and Take Pride in Daido Steel's Products

The Daido Steel Technical Training School is an in-house vocational training school for heat treatment of metallic materials. The school is certified by Aichi Prefecture. In the first year after joining Daido Steel, new high-school graduate recruits study steelmaking technology and obtain knowledge and skills in electricity and machinery maintenance while living in a dormitory. Thereafter, they are assigned to their respective work sites. To date, 5,026 people have completed the training program. Many graduates of the school are working successfully on the front lines of *monozukuri* (manufacturing).

At Daido Steel's manufacturing sites, many people with specialist steelmaking skills work together while interacting with one another. In order to ensure that personnel can work energetically and positively at those sites, Daido Steel provides training with an emphasis on diligently instilling a thorough knowledge of steel in the students. Our training curriculums reflect the pride we feel in the fact that our products are supporting society and contributing to people's happiness. The curriculums also reflect our wish for students to grow into personnel who are able to manufacture specialty steel, which must be used in extreme conditions, with a strong sense of responsibility, based on a correct understanding of the products made by Daido Steel. In their private lives, all students spend one year living in a dormitory away from their parents. Except for meals, the students look after all aspects of their lives by themselves. Through this group living experience, they strengthen relationships with their fellow colleagues in their class year from across the country and take the first steps toward becoming independent, working adults.

Develop Human and Technical Skills While Deepening Friendships

The Daido Steel Technical Training School seeks to improve its teaching methods through the exchange of information with other companies' vocational training schools in Aichi Prefecture. Concurrently, the school strives to foster a strong desire to learn among students and to encourage them to deepen friendships by interacting with one another and engaging in healthy competition in the process.

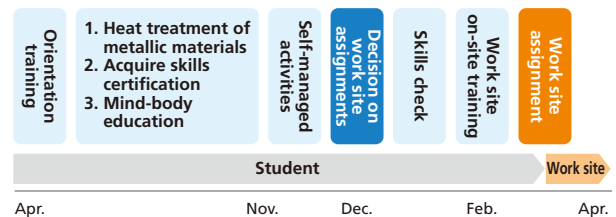
The school has adopted the educational policy of "Developing Human Resources into Positive and Independent 21st Century Leaders." The school provides training that instills correct work habits in students based on the following three policies:

- (1) Foster the awareness needed to recognize hazards as a threat and obtain the skills needed to work safely
- (2) Comply with basic rules as working adults, such as work standards, protocols, quality requirements, and delivery deadlines, as well as the habit of regularly providing reports, keeping communication channels open and asking for guidance or advice

- (3) Acquire basic knowledge and skills as a work site operator and obtain all necessary qualifications

The total number of training hours for the whole year is 1,620 hours (202.5 days). The 8 hours of training per day break down into 2 hours of training on human skills and 6 hours of training on technical skills.

Annual Schedule



Human skills: Morning assembly

In morning assemblies, Daido Steel has established standards for all group activities such as standing at attention and at ease. The prescribed work procedures are followed every day based on the motto, "Practice until you can do it right." The morning assembly provides a forum that helps trainees understand that the habit of following prescribed work procedures lays the groundwork for complying with rules for safety, quality and other aspects of production sites.

In addition, with the aim of improving communication skills, meetings are held to accustom students to conveying their thoughts and ideas in front of large groups of people and to instill the habits of regularly providing reports, keeping communication channels open and asking for guidance or advice.



Technical skills: Training of new operators

At production sites, it is essential to ensure steady operation of facilities. In order to operate and maintain facilities in a normal condition, students learn the maintenance skills of lubricating oils for parts such as bolts and bearings, and sequence control (automated control of facilities and equipment). Through this training, the students obtain the skills they will need to maintain facilities in an ideal condition.



Regular Recruitment of Female Experts* Started in 2015



Daido Steel intends to hone its competitive advantage as a company by finding value in its many and varied individual employees, and by actively harnessing that value. Accordingly, in fiscal 2015, Daido Steel started regular recruitment of female experts for positions at manufacturing sites, in addition to its other work sites.

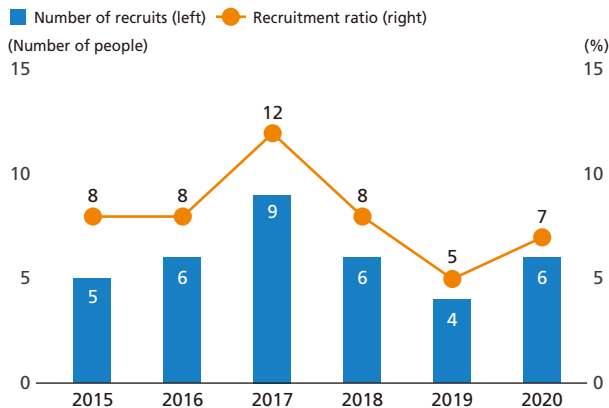
In the past, production sites had been primarily staffed with male employees, and the work environment had been insufficiently prepared to bring onboard female employees. To improve these conditions, Daido Steel has developed work environments where female employees can work safely with peace of mind. We have taken steps such as installing lockers, restrooms and bathing areas, and revising security measures. In addition, we have increased opportunities for instructors of the Daido Steel Technical Training School to attend seminars on fostering an understanding of diversity and team building. In these and other ways, along with the skills handed down in production sites, we strive to bring out the unique characteristics of each individual student of the school, not just women, with the aim of smoothly assigning students to work sites, identifying abilities at an early stage, and ensuring retention of employees.

* Experts: Specialist positions, primarily job categories responsible for operations at manufacturing sites.

Recruitment Results

Daido Steel's target for the female expert recruitment ratio is 5%. Daido Steel has met this target every year since it started regular recruitment of female experts in 2015.

Recruitment Results for Female Experts



In 2020, Daido Steel marks its 75th year since it began training new graduate recruits. This trajectory is the result of our predecessors, who have steadily built a track record of accomplishment on the front lines. We believe that it is also a core strength of Daido Steel, as a company that has consistently poured energy into developing people. We will hand this strength to future generations, while **incorporating new knowledge and technologies in step with changes in the needs that are required of us.** In these and other ways, **I would like to work to develop human resources who can lead Daido Steel into the future.**

We will continue to take pride in the Daido Steel Technical Training School, actively tackle whatever challenges may arise, and make every effort to improve the training of employees.

Sadaharu Nakao

Director of Daido Steel Technical Training School



Main Assigned Work sites

Currently, there are 25 female experts assigned to work sites. Just over 60% of the female experts are working in rotating shifts. Daido Steel regularly confirms their work conditions after they are assigned to their work sites. New issues that had not been identified and problem-solving approaches are reflected in the curriculums of the Daido Steel Technical Training School as necessary, in cooperation with each business site.

Looking ahead, the Daido Steel Technical Training School will continue to provide support as an in-house training institution. Our goals are to nurture and mobilize personnel at an early stage at production sites and ensure that employees can continue working at Daido Steel over the long term.

Number of female experts

25

Female Experts Recruited from 2015 to 2019 (as of July 1, 2020)

Work site	Number of people
Research divisions	1
Facility divisions	4
Environmental divisions	3
Raw materials divisions	2
Analysis and testing	3
Rolling divisions	5
Inspection divisions	3
Special melting	2
Tempering divisions	1
Steel strip divisions	1
Total	25

Fostering New Perspectives

Putting problem-solving at the heart of approaches to new ideas

five years have passed since we started regularly recruiting female experts, and we have found that their abilities are slowly but surely being demonstrated in each work site. One way they are doing so is through self-initiated management activities at production sites. Female experts have been working on improvement activities based on the approach of shaping their problem awareness and generating new ideas from fresh perspectives. As a result, three women ascended the stage for the first time at an internal presentation competition on self-initiated management activities held in October 2019. While building trust with colleagues around them, female experts have shown a steadfast commitment to transforming "what can't be done" into "what can be done," with integrity and attention to detail, while refusing to give up. This commitment is also part and parcel of Daido Steel's strength.

Unwavering camaraderie in the workplace, training support, and individual effort are bearing fruit, and have become a force that will shape the future of our production sites.

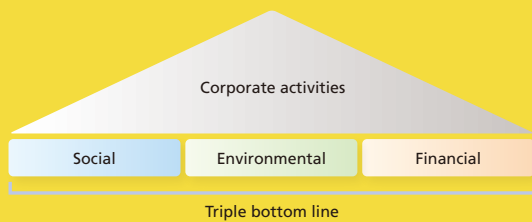


Daido Steel's CSR Activities

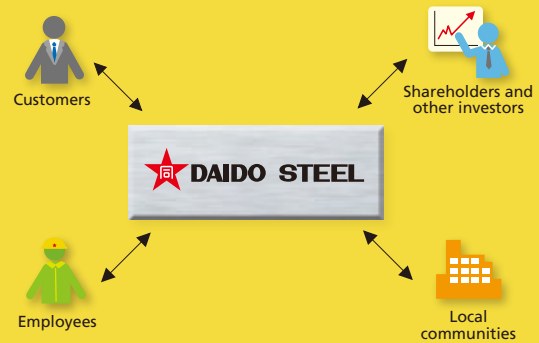
Daido Steel sees customers, shareholders and other investors, local communities, and employees as its stakeholders, and conducts well-rounded activities based on a triple bottom line (social, environmental and financial).

In addition, we seek to fulfill our corporate social responsibility by actively working to address issues in the ESG fields of the environment (E), society (S), and governance (G). At the same time, we aim for sustained improvement in Daido Steel's corporate value.

How Daido Steel Defines Corporate Business Activities

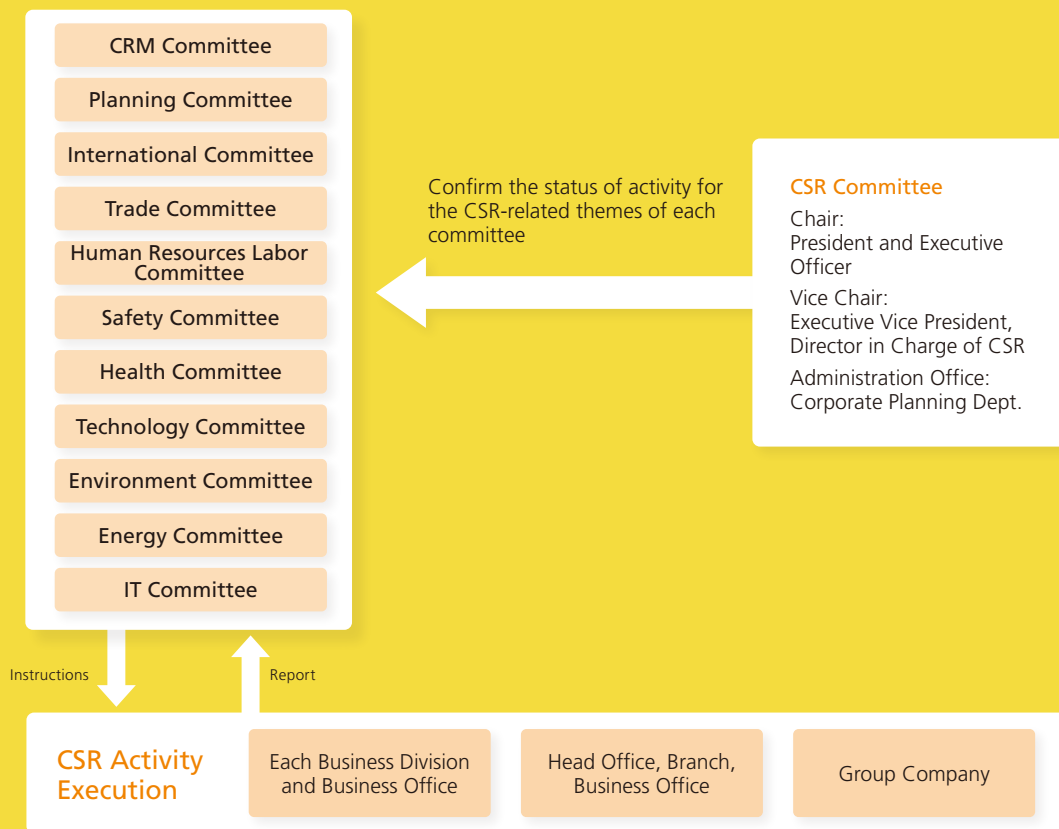


How Daido Steel Defines Stakeholders



CSR Activity Promotion System

In fiscal 2007, Daido Steel established the CSR Committee to strengthen Company-wide CSR activities. The members of the CSR Committee, chaired by the President and Chief Executive Officer, attend committees established on a Company-wide basis for each CSR-related theme. In each committee, the members confirm and inspect CSR activities.



ESG Initiatives (Environment)

Our Responsibilities and Contributions to the Global Environment

To fulfill its responsibility and contribute to the global environment, Daido Steel takes initiatives to reduce its environmental impact and move towards a recycling-oriented society. The Company has built an internal environmental management system and makes concerted efforts to train employees and audit work sites.

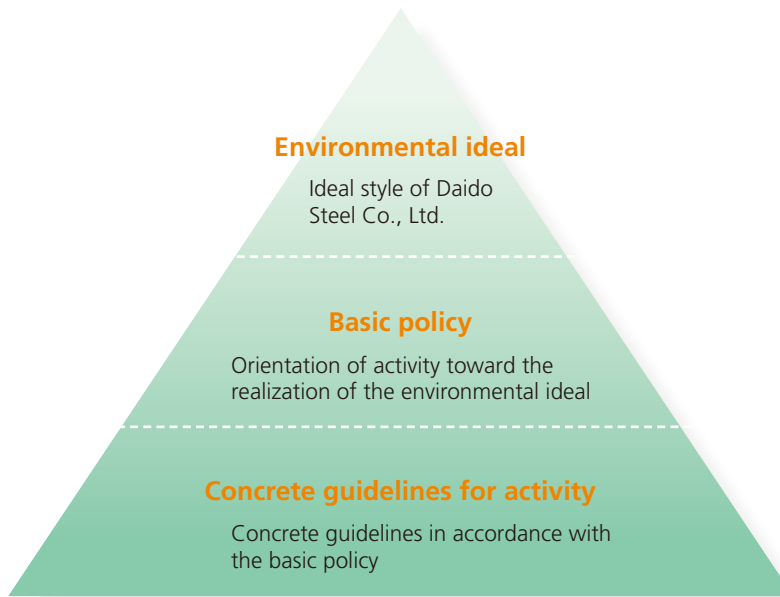
By providing materials made from our advanced technological capabilities, we contribute to the global environment by improving the performance of end products.



Environmental Management

Daido Steel is promoting environmental management by defining its basic stance toward the environment and building up a system for its implementation.

Basic Stance toward the Environment



Environmental Principles

On the basis of a management principle, Daido Steel will strive, from the long-term and global perspective, to harmonize environmental conservation with the development of a recycling-oriented, or zero-waste, economy and society in all business activities, and contribute to the construction of an environmentally harmonious society and global environmental conservation.

Basic Principles

1. Environmental Impact Reduction and Environmental Conservation in All Business Activities

Daido Steel strictly observes and adheres to all related regulations and contracts and makes efforts to continuously contribute to environmental conservation and its improvement through efforts to save natural resources and energy, and recycling in all business activities, including purchasing, manufacturing, distribution, and marketing, based on the ISO 14001 environmental management system.

2. Contributions to Society through Environmentally Friendly Products and Environmental Engineering and Services

Daido Steel intends to play a leading role in promoting the recycling of iron resources in the manufacture of specialty steel products, which is the core business of the Company,

and to promote the development and provision of functional materials. In terms of sales and marketing, Daido Steel will promote the development and marketing of environmentally responsive equipment that has characteristic advantages of integrated management. Furthermore, Daido Steel is determined to utilize its accumulated technologies to proactively develop environmental businesses and contribute to reducing the environmental impact.

3. Promotion of Eco-Communication

In recognition that disclosing the contents and results of activities based on basic policies, such as environmental information, is a responsibility as a corporate citizen, the Company maintains a continuous focus on environmental conservation activities while obtaining comments and understanding from many people for the information widely disclosed using various media including its Sustainability Report.

Specific Action Guidelines

1. Environmental Impact Reduction and Environmental Conservation in All Business Activities

(1) Strengthen Environmental Preservation System and Organization

Daido Steel aims to be an environmentally friendly company through efforts to improve the environment and develop a recycling-oriented economy, while strengthening and augmenting its environmental management system and organizations based on ISO environmental management system guidelines, and constantly taking action to protect the global environment on its own accord.

(2) Compliance with Environment-Related Regulations and Prompt Action

Daido Steel observes all environment-related regulations and contracts, and actively introduces technology and equipment for reducing environmental loads in an effort to reduce emissions of substances that impose a load on the environmental.

(3) Promoting the Saving of Resources, Reducing of Waste, and Recycling

Daido Steel promotes resource-saving and recycling activities to achieve a zero-emission society, by making the utmost use of scrap iron, developing recycling technology for all sorts of coproducts generated in the course of its business activities, and utilizing the byproducts of other industries.

(4) Promoting Energy Savings

From the perspective of global warming prevention, Daido Steel aims to save more energy through the promotion of environmental measures based on a medium- to long-term vision, such as improving energy efficiency in the manufacturing process and introducing energy-saving equipment.

At the same time, Daido Steel promotes environmental measures such as energy saving in offices and distribution channels for raw material procurements and product deliveries.

(5) Consideration for Biodiversity

Daido Steel endeavors to reduce its impact on biodiversity through business activities that respect biodiversity.

2. Contributions to Society through Environmentally Friendly Products and Environmental Engineering and Services

(1) Development and Provision of Environmentally Friendly Products and Equipment

Daido Steel strives to contribute to reducing environmental impact through the development of superior products, such as those with higher strength and toughness and improved resistance to heat and corrosion, and by providing functional materials that give products longer service life, reducing the number of processes, using less materials, and decreasing the weight of products.

Daido Steel is also an extensive provider of environmental equipment developed using the technologies and know-how of the Machinery Business Division and Production Division and environmental technologies.

(2) Approach to Environmental Business and Commercialization

The notion of “development-type” environmental businesses that produce added value is required. Thus, with the keyword being harmony between recycling and nature, Daido Steel will concentrate on the development of the environmental business by using its accumulated technologies and the development of new technology.

(3) Promotion of International Technological Cooperation

Daido Steel is participating in international environmental conservation projects by providing operational guidance relating to environmental conservation, resource saving, energy saving, technology transfers, receiving trainees, and utilizing the Company’s proprietary technologies with the cooperation of related industries and countries.

In the case of overseas business development activities, Daido Steel observes the environmental standards and regulations of the partner country concerned as it continues to make improvements.

3. Promotion of Eco-Communication

(1) Reinforcement of Environment Education and Promotion of Volunteer Activities

Voluntary efforts by employees are increasingly important for reducing environmental impact in business activities. Thus, Daido Steel will continue to promote training that gives individuals a high environmental sensitivity, and positively participate in, and support, volunteer activities in the local community.

(2) Disclosure of Environmental Information

Daido Steel will promote environmental conservation activities by widely disclosing the contents and results of its environment-related activities to employees, customers, investors and local communities, and by receiving their opinions and understanding, will fulfill its responsibility as a corporate citizen.

Environmental Management System

Daido Steel has created and put into practice a Group-wide environmental management system.

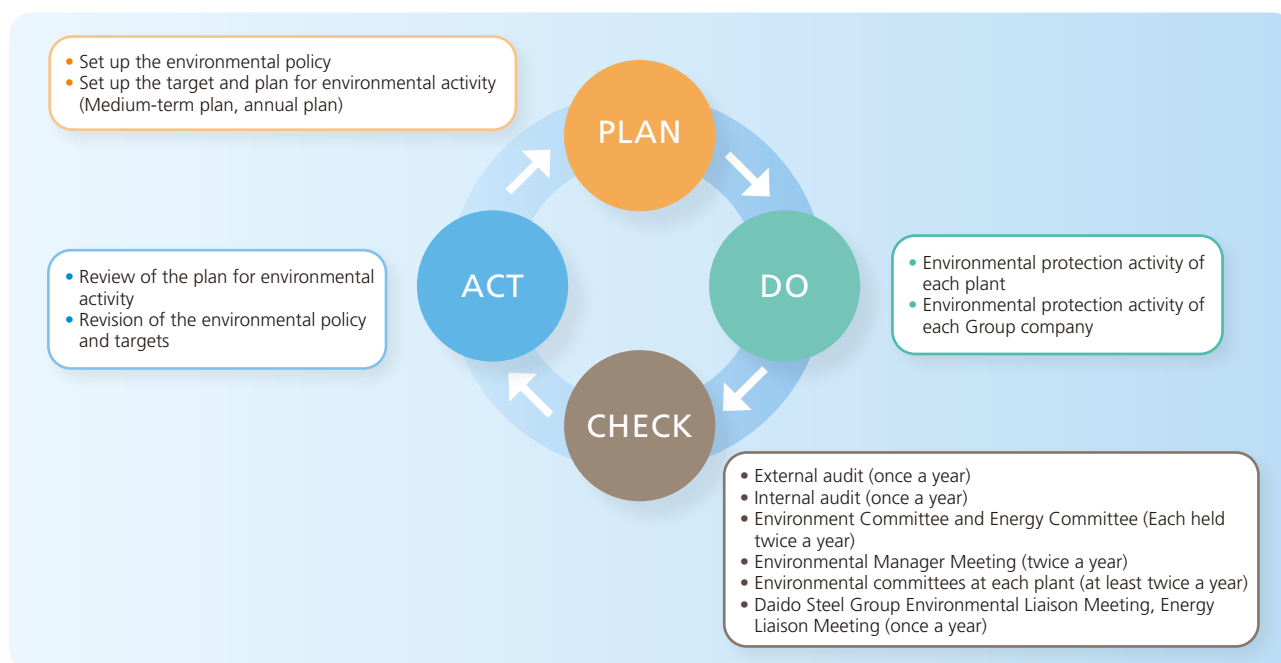
Daido Steel has been an industry pioneer, having obtained ISO 14001 series certification since 1996, with all manufacturing plants having completed the series certification by 1999. By 2006, all the manufacturing companies of the Daido Steel Group had certification. Furthermore, the transition to the 2015 version of the certification was completed in 2018.

For smooth and uninterrupted operation of this management system, Daido Steel is making a thoroughgoing effort to carry out the PDCA (plan-do-check-act) cycle to ensure the execution of environmental policy, action goals, and plans.

[PDCA Cycle]

- Plan: Prepare plan based on results and projections.
- Do: Manage operations in accordance with the plan.
- Check: Verify whether operations are being implemented according to plan.
- Act: Review, revise and improve the portions that do not comply with the plan.

Environmental Energy Management Cycle



Fiscal 2019 Targets and Results

Daido Steel has implemented consistent, ongoing, and effective measures to reduce its environmental impact based on plans to improve environmental preservation activities.

Items	Main Targets	Fiscal 2019 Results	Details Page
Strengthen environmental management	Strengthen environmental preservation system and organization	Increased managers qualified to prevent pollution: 3 lead managers, 2 for atmosphere, 9 for water quality, 3 for noise and vibration	P. 24-26
Initiatives to reduce environmental impact	Reduce environmental risks for atmosphere, water and soil	Environment-related investments: ¥3.6 billion (Refresh wastewater treatment systems at the Hoshizaki Plant, improve dust collectors at continuous casting facilities at the Chita Plant)	P. 28
	Address global warming	CO ₂ emissions per ton of production: 687 kg of CO ₂ /ton of crude steel production (CO ₂ conversion coefficient for electric power: 0.4224 kg of CO ₂ /kWh) (Expanded application of oxygen combustion technology)	P. 29-31
	Manage designated chemical substances (PRTR Act)	Atmospheric emissions: 0.06 tons/year, public waters emissions: 57 tons/year, movement: 2,400 tons/year	P. 32
	Understand and respond to changes in laws and regulations	Steady removal, upgrading of PCB-containing equipment, proper disposal of used equipment	P. 32
Initiatives toward a recycling-oriented society	Reduce final waste disposal volume, increase recycling ratio	Used steel slag as road paving and backfill materials	P. 35-36
Advance environment-related activities	Create a company admired by local residents	Continued efforts to facilitate communications with local communities	P. 45-46
	Strengthen environmental training for all ranks, from frontline workers to managers	Continued to improve environmental training for employees	P. 26
	Preserve biodiversity, maintain, expand and improve quality of greenery	Inochi wo Tsunagu PROJECT received Review Committee Special Award from the Ministry of the Environment (Fiscal 2019)	—

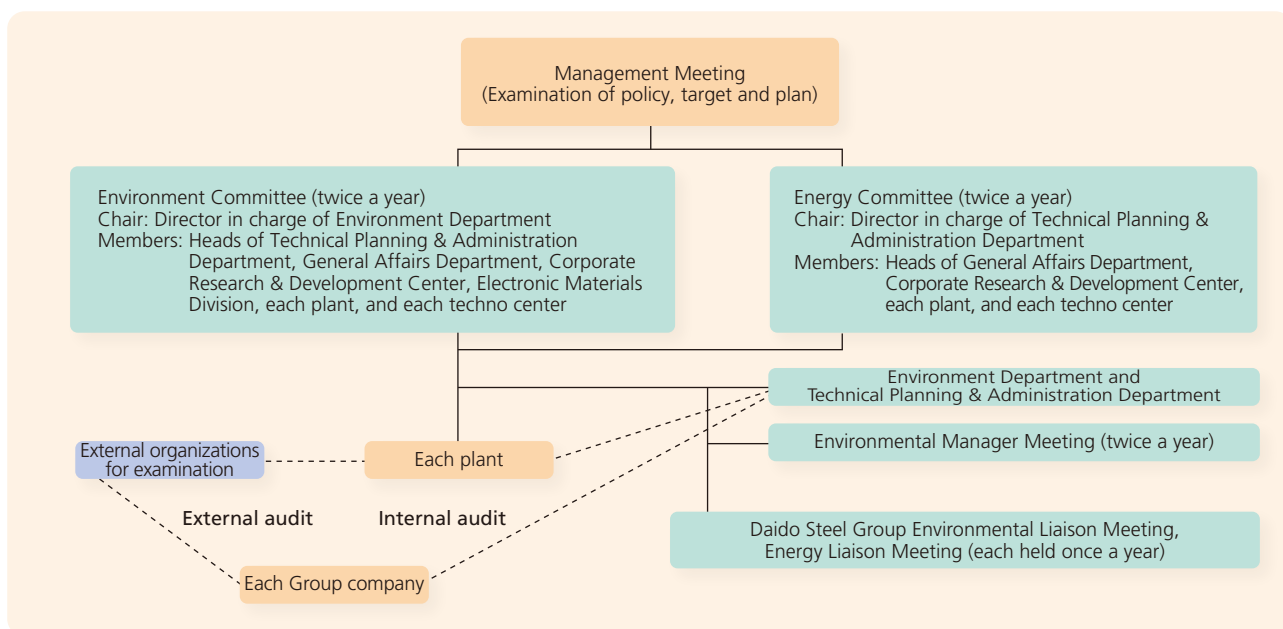
● Promotion System of Environmental Energy Management

Daido Steel holds meetings of the Environment and Energy Committees twice annually where issues in all areas and necessary measures are discussed and Company-wide approaches to these issues are determined. Following decisions, the Environment Department and Technical Planning & Administration Department call environmental and energy managers of the entire Company for the smooth implementation of Company-wide actions.

Daido Steel also holds a Group Communication meeting on environmental energy once per year for Group companies, which serves as a place to share information and communicate about initiatives both inside and outside the Group. They check the implementation status of the actions, and conduct internal audits by making environmental inspection tours.



Environment Committee



● Environment-Focused Equipment Inspection

At the Hoshizaki Plant, equipment designated as likely to affect the environment is carefully inspected once per month as a part of our Environment Key Equipment Inspections program. A team consisting of the deputy plant manager, the pollution prevention manager and persons in charge of the equipment makes every effort to prevent serious environmental incidents by conducting individual equipment inspections, checking the operations of measuring equipment, and running emergency simulations.



Environmental key equipment inspections (Hoshizaki Plant)

● Special Environment Patrols

At the Chita Plant, feedback from daily environment patrols has been used to identify important environment-related items for inspection. The plant is divided into four areas that are subject to special environment patrols once a month by teams consisting of all plant managers, labor union representatives, managers from yard partner companies, and members from the plant’s environmental department. These patrols aim to prevent environmental incidents from occurring by collecting frontline, local information about the environment.



Special environment patrols (Chita Plant)

Environmental Management

● Environmental Education

Daido Steel takes various actions internally to increase environmental awareness, such as the use of training systems, regular awareness campaigns, and environmental education by outside experts. Daido Steel also engages in public activities such as supporting eco-campaigns and building models to help illustrate environmental conservation and nature protection.

Training and Skill Improvement for Internal Auditors

Once a year, Daido Steel invites an outside expert to conduct a two-day training seminar for internal auditors. A large number of employees from Daido Steel and Group companies participate in this seminar as a step toward obtaining qualifications as environment-related internal auditors. Additionally, once a year, qualified environment-related internal auditors and auditors who belong to internal audit departments attend a day-long seminar to hone their skills.



Seminar for training internal auditors



Number of Employees with Environment-Related Qualifications

(as of June 2020)

		(People)
Pollution prevention managers	Lead managers	38
	Atmosphere (levels 1–4)	72
	Water quality (levels 1–4)	87
	Noise and vibration	26
Environment measurers	Dioxins	41
	Concentration	5
Energy managers	Noise and vibration	5
		86
Work environment measurers		3
ISO judge assistants	Environmental management system	4
ISO internal auditors	Environmental management system	173

Activities to Improve Environmental Morals

Daido Steel endeavors to thoroughly understand the meaning and aims of environmental management, as well as implementation methodologies, while turning the spotlight on environmental issues in rank-based training courses, such as courses for newly hired employees and newly promoted mid-level managers. The Company also invites outside experts to give lectures on the environment. Monthly activities are designed to raise environmental awareness, increase recycling and conserve energy, and individual events are held at each plant as a part of continuous Company-wide activities.



Environmental seminar by an external lecturer



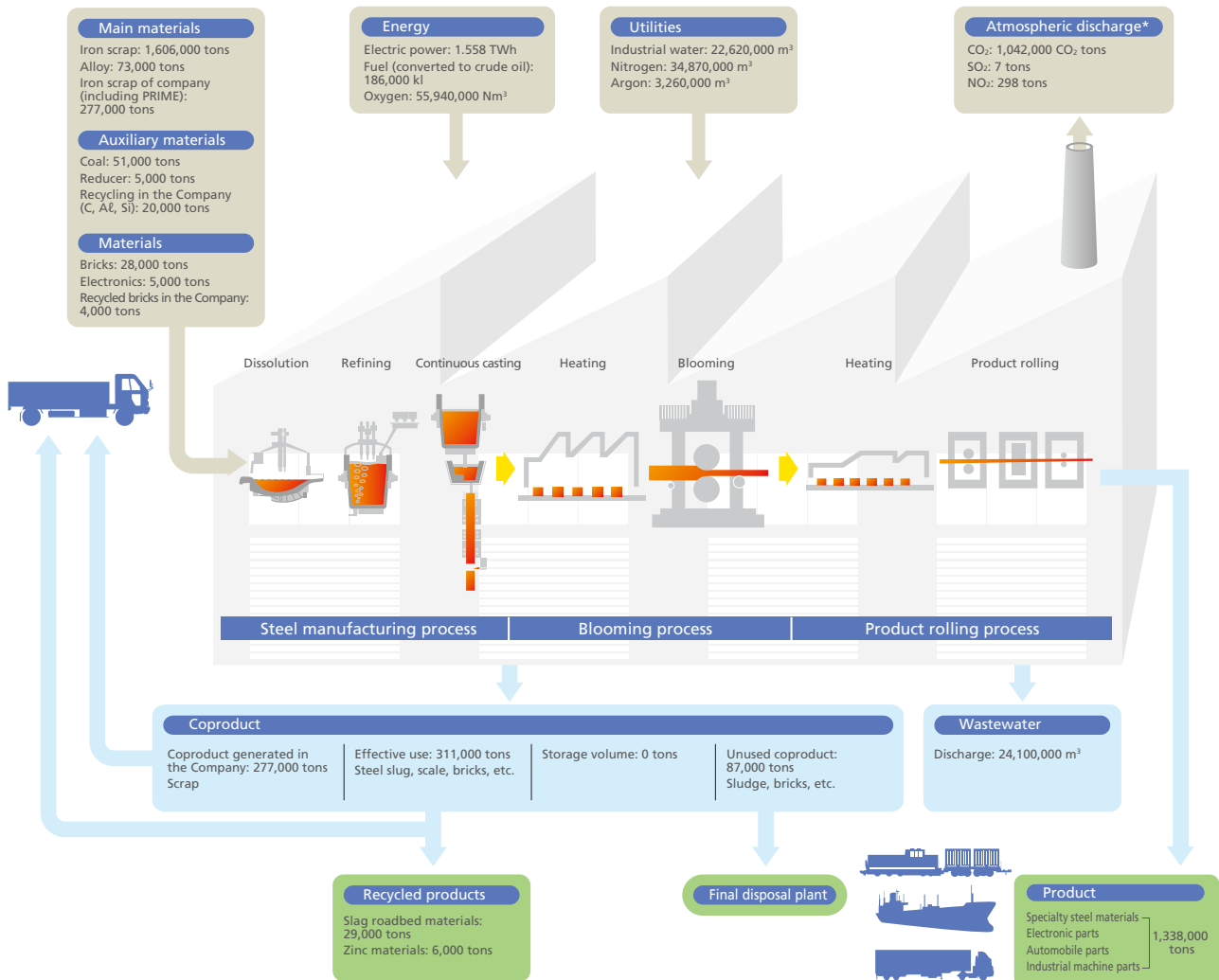
Initiatives to Reduce Environmental Impact

The manufacturing industry, which consumes vast amounts of energy to produce products, must play a leading role in reducing environmental impact. Daido Steel has made steady progress conserving energy and reducing CO₂ emissions by implementing various measures, such as installing energy-saving equipment and developing new technologies. We proactively work to lower emissions of chemical substances and aim to cut emissions and reduce the volume that is moved around.

Production Flow of Daido Steel

The production system of Daido Steel has a flow suited to environmental conservation, right from the start, as 91% of the materials, which are mostly iron scraps, are recycled products. To address the problem of exhaust gas in the production process, Daido Steel has switched fuels and improved fuel consumption, thus achieving significant reductions in CO₂ and sulfur oxide (SO_x) emissions. Coproducts generated in the manufacturing process are effectively utilized through internal recycling and external sales of reproduced products such as base coarse materials.

[Fiscal 2019 Results]



* CO₂: Converted to tons from the energy used in the plant
 Electricity conversion coefficient: Changed in fiscal 2019
 (0.374 kg→0.422 kg-CO₂/kWh)
 SO_x: Converted to SO₂, the S component in the fuel used in the plant
 NO_x: Converted to NO₂ from exhaust gas sampling

Investment/Cost for Environmental Conservation

Daido Steel installs equipment and develops technologies in order to restrict, at the source, emissions of substances that impact the environment. The Company has seen results from these investments that measure up to their costs.

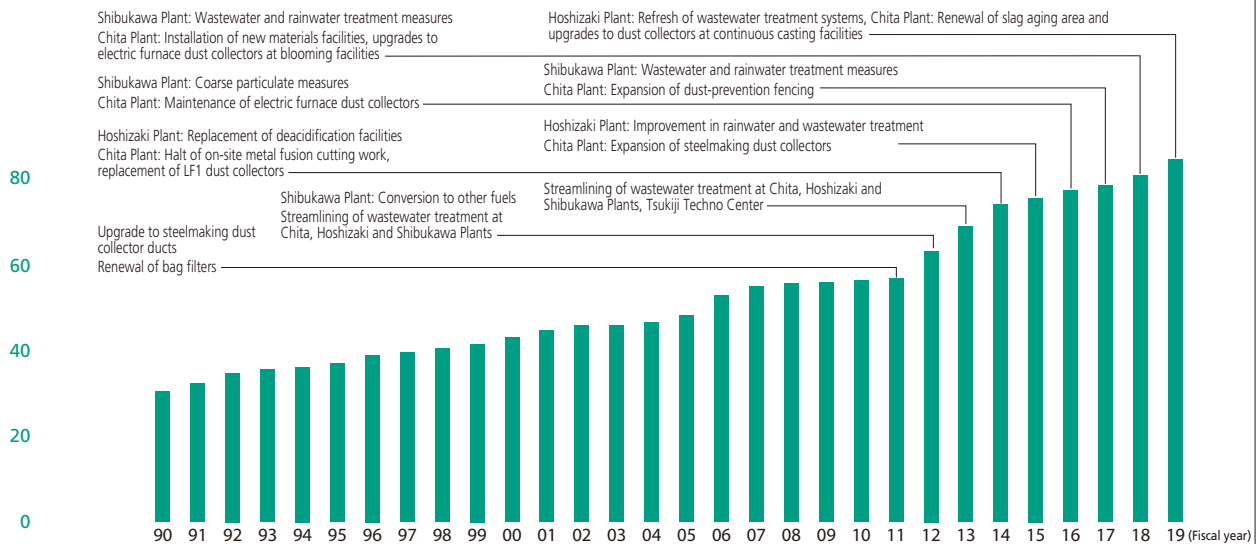
Investment for Environmental Conservation

The Daido Steel Group has continuously implemented environmental protection measures over many years, including the introduction of dust collection equipment, switching fuels to reduce SOx and NOx emissions, the introduction of continuous casting machines that made it possible to increase yields and omit processes, the introduction of technology to reduce fluorine in wastewater, and the introduction of energy-saving

devices such as regenerative burners and cogeneration systems. As of the end of fiscal 2019, such investments have totaled ¥84.6 billion. In fiscal 2019, the main investments made included a refresh of wastewater treatment systems at the Hoshizaki Plant and renewal of the slag aging area and upgrades to dust collectors at continuous casting facilities at the Chita Plant.

Total Investment Amount for Environment-Related Measures and Major Investment Description

(Billions of yen)



Environmental Conservation Costs

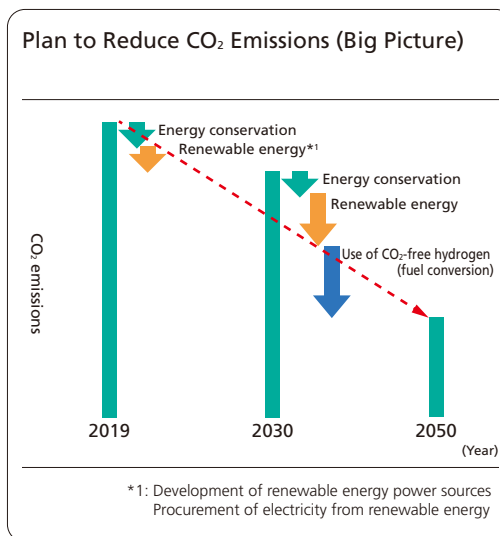
The total investment cost of measures taken for environmental conservation during the fiscal years 2018 to 2019 were tabulated, and the results were quantified according to Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment. The results are as follows:

Costs of Environmental Conservation (Millions of yen)

Items	Definitions	Fiscal 2018	Fiscal 2019
1. Business costs	Cost for preventing pollution, conserving energy and recycling	9,957	8,493
2. Up- and downstream costs	Costs arising from green procurement	281	437
3. Cost of management activities	Costs for operating environmental management systems, environmental training, and on-site greenification	851	884
4. Cost of environmental R&D	Costs for developing environmentally friendly products	5,188	5,341
5. Social activity cost	Costs related to off-site nature preservation	32	79
6. Cost of response for environmental damage	Cost of contributions to projects for preventing damage to health	733	444
Total		17,042	15,678

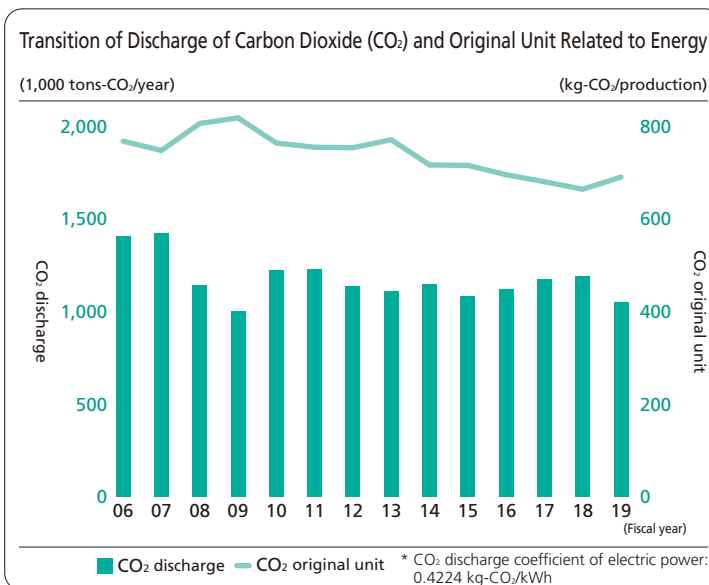
Initiatives to Counter Climate Change

Daido Steel's businesses consume large amounts of energy. Daido Steel understands its responsibilities as a company that uses large amounts of energy, and prioritizes efforts to reduce CO₂ emissions linked to energy use, which account for 85% of greenhouse gas emissions in Japan. The Japanese government's Fifth Basic Energy Plan, which was approved by Cabinet decision in July 2018, calls upon companies to take on the challenges of energy transition and decarbonization towards 2050, and make every effort to realize its targeted energy mix by 2030. Daido Steel is ready to fulfill its responsibilities as a member of Japan's steel industry by improving equipment and operations, as well as advancing the development of technologies, based on the Japan Iron and Steel Federation's Commitment to a Low-Carbon Society. With an eye on the long term, Daido Steel launched a Company-wide project in November 2020 to create long-term strategic reduction targets and action plans for 2050. The Company is keen to reduce CO₂ emissions through (1) the ongoing development of energy-conserving technologies, (2) aggressive use of renewable energy, and (3) comprehensively addressing issues for effectively utilizing CO₂-free hydrogen.



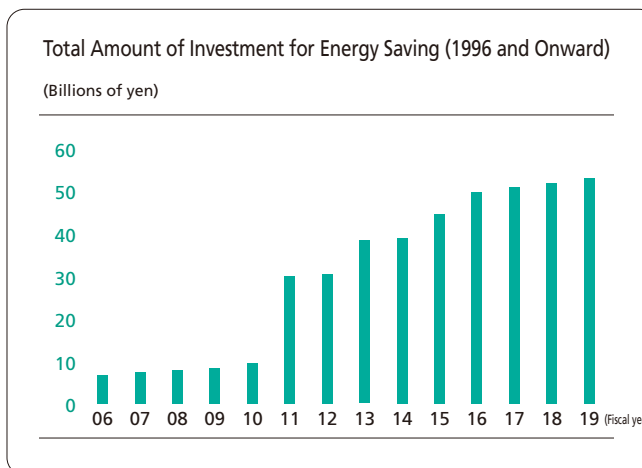
Initiatives to Reduce Energy-Linked CO₂ Emissions and Emissions per Ton of Production

Daido Steel has successfully reduced CO₂ emissions and emissions per ton of production through three-pronged initiatives entailing (1) energy conservation, (2) fuel conversion, and (3) consistent yield improvements. On the energy conservation front, the Company has developed and constructed electric furnaces that excel in energy efficiency, switched to oxygen combustion for ladle preheating equipment in the steelmaking process, and expanded waste heat collection on heating furnaces. For fuel conversion, the Company has switched fuels to city gas, which has a low amount of CO₂ emissions among fossil fuels. The Company has also improved yields by increasing the ratio of continuous casting.



Heavy Investment in Energy-Saving Measures

Over the span of 24 years, from fiscal 1996 to fiscal 2019, Daido Steel has invested a total of ¥52.9 billion in energy-saving measures. In fiscal 2011, the Company has invested ¥19.8 billion in a 150-ton electric furnace with excellent energy efficiency. In fiscal 2016, the Company invested ¥4 billion to streamline its No. 2 continuous casting line in order to rectify molten steel distribution and increase the ratio of continuous casting for specialty stainless steel. For facilities that consume large amounts of fuel, such as heating furnaces, Daido Steel has expanded the application of regenerative burners that have better energy efficiency (burners that recover heat from effluent gas combustion) and oxygen combustion technologies. The Company is helping to reduce CO₂ emissions while aiming to achieve its energy conservation targets, described later, by concentrating investments in energy-saving measures that include consistent yield improvements with an eye on 2030.



Initiatives to Reduce Environmental Impact

Reduction in Transportation CO₂ Emissions

Reducing CO₂ emissions in transportation is an important avenue for combatting global warming. The heavy industry must transport heavy objects, and Daido Steel has coordinated with its supply chain to advance a modal shift* and improve facilities that support a modal shift. Additionally, we are focusing efforts on contributing to the environment by increasing distribution efficiency in a bid to cut CO₂ emissions.

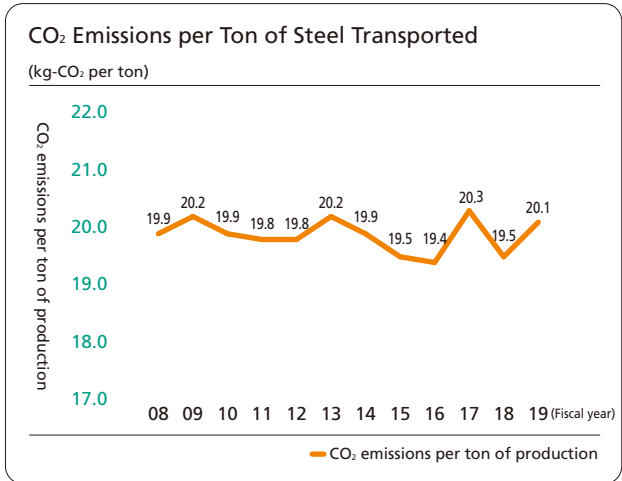
● Modal Shift

On the transportation front, Daido Steel has consistently lowered its CO₂ emissions per ton of steel as a result of modal shifts since fiscal 2003. To promote modal shifts, the Company has made investments in relevant areas. By constructing all-weather berths for ships carrying its steel materials, allowing shipments even in rainy weather, the Company has cut CO₂ emissions per ton by roughly 20% for its steel products by relying on coastal vessels for transportation in a highly efficient environmental way. Daido Steel has also fabricated special uncovered containers that enhance transportation quality and loading efficiency. In 2003, the transportation of steel materials from its factories in the Nagoya region to the Niigata region was switched entirely from trucks to railways. In 2006, the same was done for steel transported from these factories to customers in the Akita and Niigata regions (fiscal 2019 results: 240,000 tons of steel wire, 10,000 tons of rebar annually).

Furthermore, ferries are used for transportation to the Sendai region. In 2008, Daido Steel’s system for advancing modal shifts was recognized with the first Eco Ship Mark Certification.

Daido Steel intends to further advance the modal shift from trucks to ships and railways.

* Modal shift: Transportation that uses railways and ships instead of automobiles and airplanes. This can reduce CO₂ emissions and conserve energy.



Eco Ship Mark



Special uncovered containers for steel materials that can be loaded on both trains and trailers



Transportation by railway

● Eco-Driving

For transportation by truck, eco-driving is thoroughly instilled in drivers, as shown on the right, in an effort to increase safe, low-emission driving that is easier on people and the environment.

Eco-driving

1. Reduce speed: 100 km/h to 80 km/h saves 20% fuel
2. No sudden acceleration: saves 20% fuel or higher
3. Encourage momentum driving with engine braking and exhaust braking: reduces fuel consumption
4. Upshift earlier, downshift later: saves 15% fuel
5. Avoid repeated acceleration/deceleration: saves fuel
6. Check tire air pressure: fuel economy suffers 8% when tire pressure is 20% lower than regulation
7. Turn off engine when idling

Further Advancing Initiatives to Conserve Energy

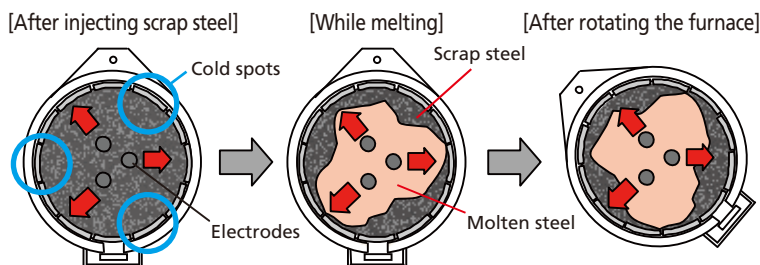
As a medium- to long-term objective for conserving energy, Daido Steel has set the target of reducing energy use by at least 10% by fiscal 2030 (fiscal 2013 BAU comparison). To achieve this objective, the Company has drawn up a road map and is making steady progress.

[Pursuit of Energy Efficiency]

To achieve this objective, Daido Steel is striving to thoroughly reduce heat loss by developing and introducing cutting-edge melting and heating technologies. We introduce our main initiatives below.

● **Technology for Uniformly Melting Scrap Steel**

At the Chita Plant, the 150-ton electric furnace that began operating in November 2013 features the full application of technology for uniformly melting scrap steel with a furnace rotating mechanism developed in-house. Along with rectifying molten steel distribution, the Company has improved energy efficiency per ton of production by 15% for the entire process, from melting to casting, compared with the previous 80-ton electric furnace.



By rotating the furnace, cold spots move closer to the electrodes for a more uniform melting process that boosts energy efficiency



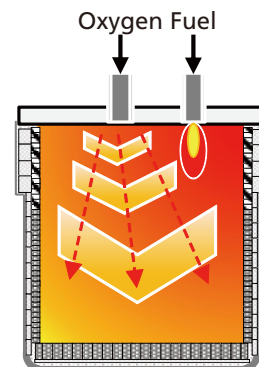
Electric furnace with rotating body

● **Technology for Oxygen Combustion**

Oxygen combustion results in high flame temperatures and lower emissions of gases, so it can improve energy efficiency in temperature ranges above 1,000°C, which is often the case at Daido Steel.

Taking as an example the ladle preheating equipment used in the steel-making process (right diagram), the Company has reduced energy use by 40% compared with previous air combustion methods.

Daido Steel is expanding the application of oxygen combustion to soaking furnaces and continuous casting tundish preheating equipment.



Uniform preheating possible without inconsistencies thanks to oxygen diffusion combustion

● **Reducing Thermal Capacity of Heating Furnace Refractory Materials**

Daido Steel has more than 150 heating furnaces and heat treatment furnaces. Reducing the weight of refractory materials is an effective way to reduce energy usage when temperatures rise quickly from room temperature to furnace temperatures.

By deploying ceramic fiber, which is as light as possible and has excellent insulation properties, in forging heating furnaces, Daido Steel has cut energy usage by 13% (see photo on right).

Ceramic fibers (previously, unshaped refractories and bricks were used)



Example application to forging heating furnaces at the Shibukawa Plant

Reductions in Chemical Substance Emissions

● PRTR Data

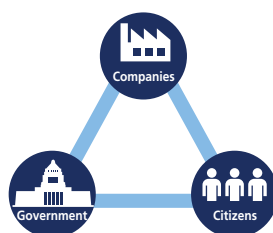
Each year, Daido Steel identifies the volumes of its emissions and transfers of chemical substances into the environment based on the manual prepared by the Japan Iron and Steel Federation (JISF), and reports this information to the government in accordance with the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law)*.

When chemical substances with significant environmental risk are released into the atmosphere or water, they can damage ecological systems, including human beings. To reduce such environmental risks, Daido Steel makes every effort to reduce the emission of chemical substances, starting with measuring amounts emitted into the environment and amounts transported as waste materials.

In fiscal 2019, the Company handled 10 substances subject to notification requirements, of which 60 kg were released into the atmosphere, 57 tons were released into public waters, and a total of 2,400 tons of metals, such as manganese and chrome, and their compounds were transported.

* PRTR system

The PRTR system is designed to measure, collect and publish data on harmful chemical substances, such as their origin, amounts released into the environment, and transport outside business premises, including as waste. Companies submit PRTR data to a government entity once a year.



(Source: Ministry of Economy, Trade and Industry website)

● Reductions in Emissions of Dioxins

Daido Steel is a participant in the voluntary action plan established by the Japan Iron and Steel Federation designed to reduce dioxins, in the case of Daido Steel, emitted from the electric steelmaking furnace used in the Chita Plant. As a result of these efforts, the emission levels of dioxins from the furnace are showing a gradual transition to lower levels, and are far lower than the regulatory baseline value ≤ 5 ng-TEQ/Nm³ applied to existing furnaces from December 2002.

● PCB Management

Based on the Act on the Evaluation of Chemical Substances and Regulation of Their Manufactures (enacted in 1972) and the Act on Special Measures for PCB (2013), Daido Steel has a system for managing all transformers and capacitors that contain PCBs. Using a management ledger, Daido Steel and Group companies properly store and dispose of PCBs.

The Company implements measures to properly dispose PCBs within the timeframes established by law.

● Own Initiatives to Restrict Atmospheric Emissions of Mercury

In October 2013, the Minamata Convention on Mercury was adopted, and the Air Pollution Control Act was revised in 2015 as a part of Japan's obligations in the convention. Under the Air Pollution Control Act, companies are asked to restrict atmospheric emissions of mercury from electric steelmaking furnaces, which are designated as facilities that require emission controls.

Daido Steel participates in initiatives jointly implemented by the Japan Iron and Steel Federation to set its own mercury management standards, measure, record and store data on mercury concentrations in gas emissions, and evaluate and publish updates on its own management initiatives.

● Management of Chlorofluorocarbons

Daido Steel has continued to properly manage chlorofluorocarbons in line with the Act on Rational Use and Proper Management of Fluorocarbons (enacted in 2015) to limit the emission of chlorofluorocarbons, a major cause of global warming, into the atmosphere.

The Company conducts simple and scheduled inspections and measures leakage of chlorofluorocarbons from commercial air conditioners and similar equipment.

Environmental Measures to Protect Air and Water Quality

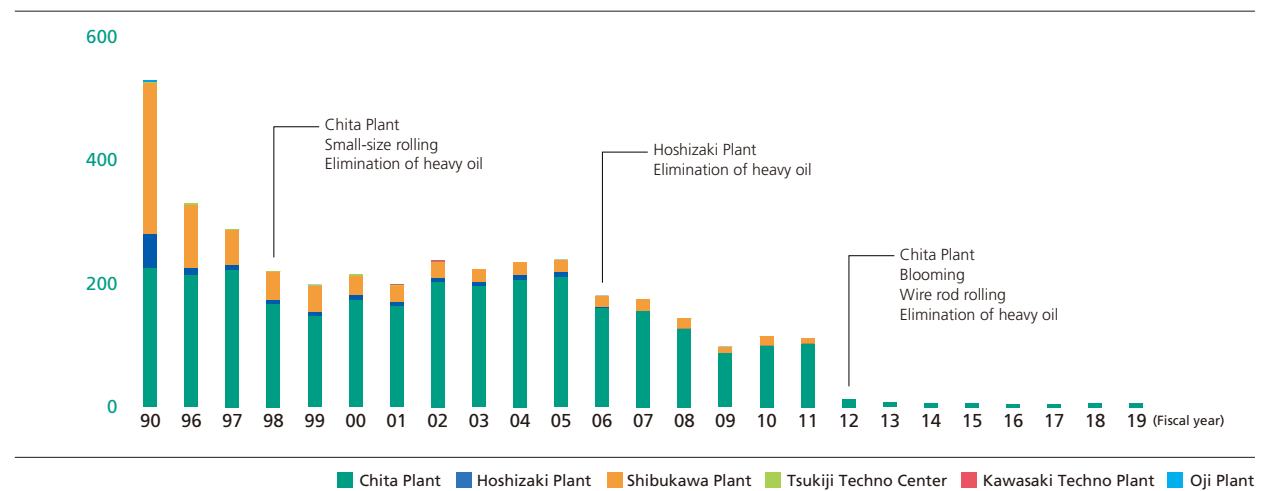
Air and water are fundamental elements in the natural environment, and Daido Steel prioritizes their protection in environmental measures.

Airborne Environmental Conservation

At Daido Steel, we concentrate on reducing emissions of sulfur oxide (SOx) and nitrogen oxide (NOx), the main substances that cause air pollution. At the Hoshizaki Plant and Shibukawa Plant, SOx emissions have been eliminated as a result of efforts to convert to natural gas that does not contain any sulfur. Similar efforts have almost eliminated SOx emissions at the Chita Plant. To reduce NOx emissions, the Company is working to improve combustion. Soot and dust emitted from electric furnaces are captured by dust collectors and kept from flying into surrounding areas as much as possible at Daido Steel. By spraying water on roads and keeping roads maintained, Daido Steel works to suppress dust and flying particles.

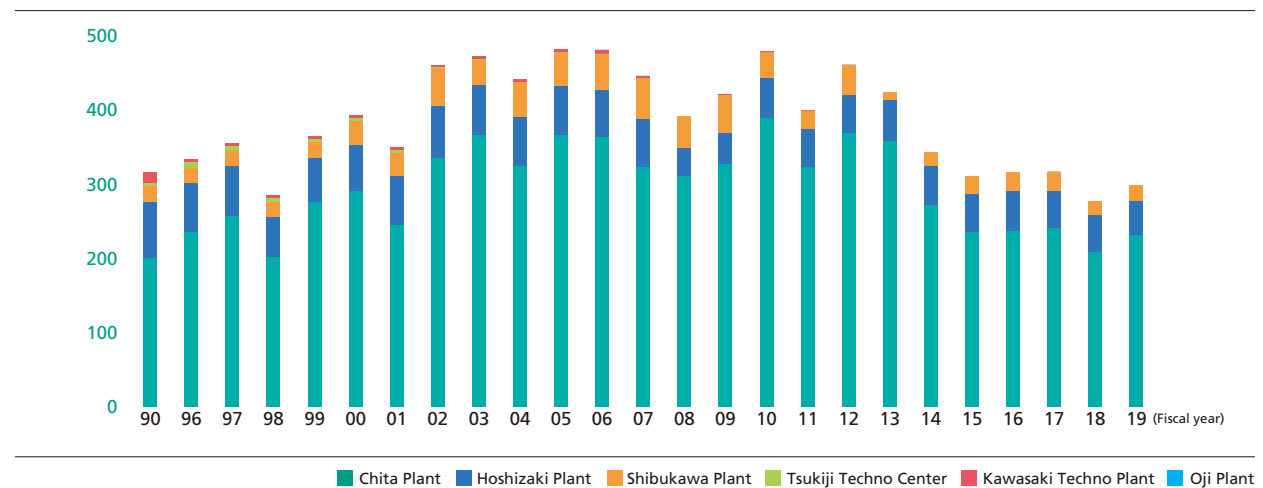
Transition of Discharge of SOx (Converted to SO₂)

(tons/year)



Transition of Discharge of NOx (Converted to NO₂)

(tons/year)



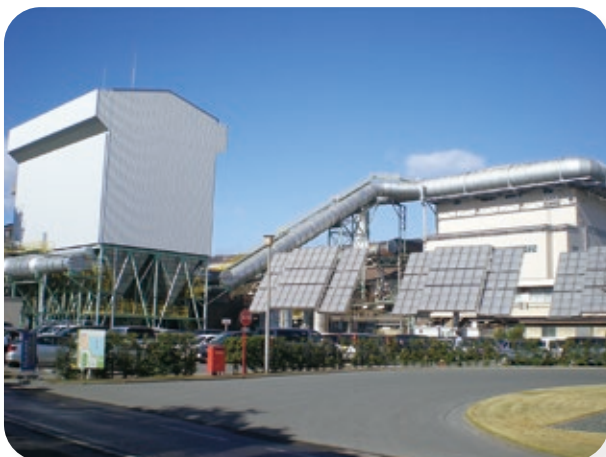
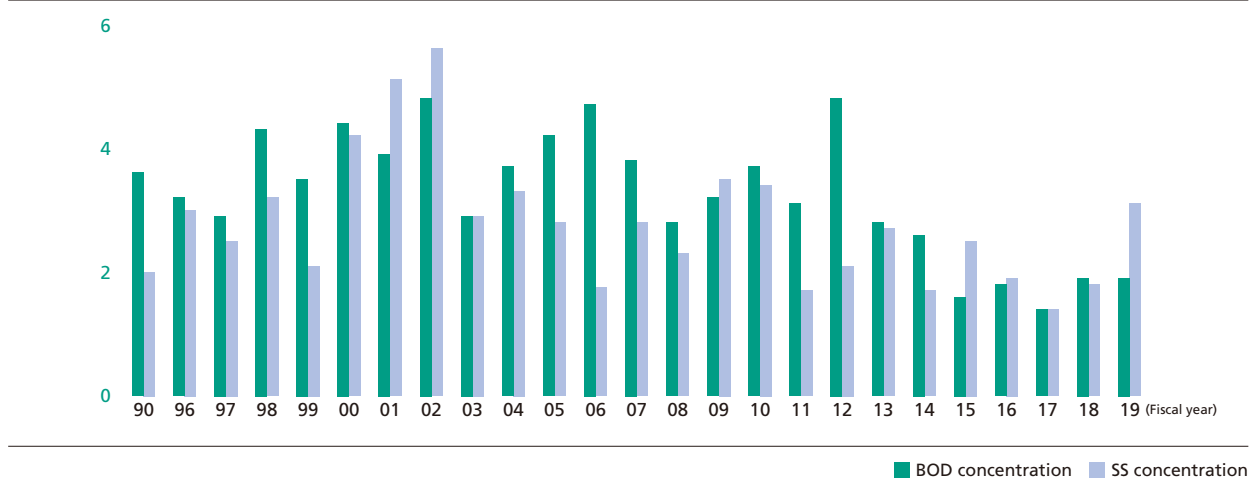
Initiatives to Reduce Environmental Impact

● Environmental Conservation in Water Quality

Iron and steel production are accompanied by many heating operations and the use of large quantities of cooling water. Daido Steel repeatedly reuses this water after treatment and prevents its external discharge, to the maximum extent possible. The water circulation rate at each plant has reached more than 90%. The quality of recycled water after purification is strictly monitored on a continuous basis. With the main objective of dealing with torrential downpours of rain, which has increased in recent years, the Chita Plant and our other plants have been working to expand temporary rainwater collection and treatment capacity. Data obtained from measuring water quality is reported to the relevant authorities.

Transition of Biological Oxygen Demand (BOD) and Suspended Matter Density (SS) (Hoshizaki Plant)

(mg/L)



New dust collectors for 150-ton electric furnace at the Chita Plant



Wastewater treatment at the Hoshizaki Plant

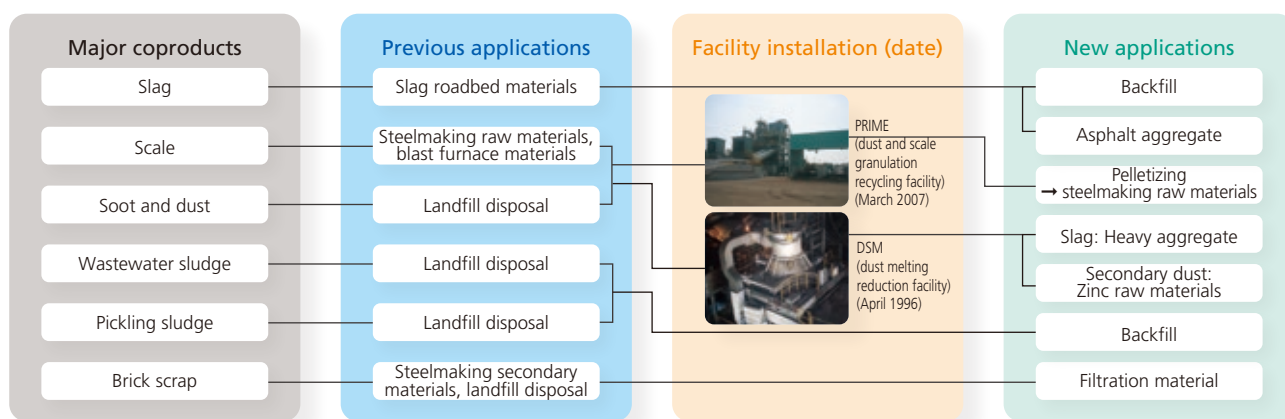
Initiatives for a Recycling-Oriented Society

Amid the destruction of the global environment by water and atmospheric pollution, deforestation, and desertification, developed countries are moving toward a recycling-oriented society as an effective measure to prevent environmental destruction.

Reuse and Recycling of Coproducts

At Daido Steel, in fiscal 2019, coproducts emitted from the electric furnace steelmaking process included 277,000 tons per year of scrap steel (in-house) and 398,000 tons per year of steel slag (effective use: 311,000 tons, landfill: 87,000 tons, storage: 0 tons). Slag at the Company’s Chita Plant is utilized in roadbed materials (maintain social capital), and new applications are being developed to use it as an effective resource.

[Ways of Using Coproducts]

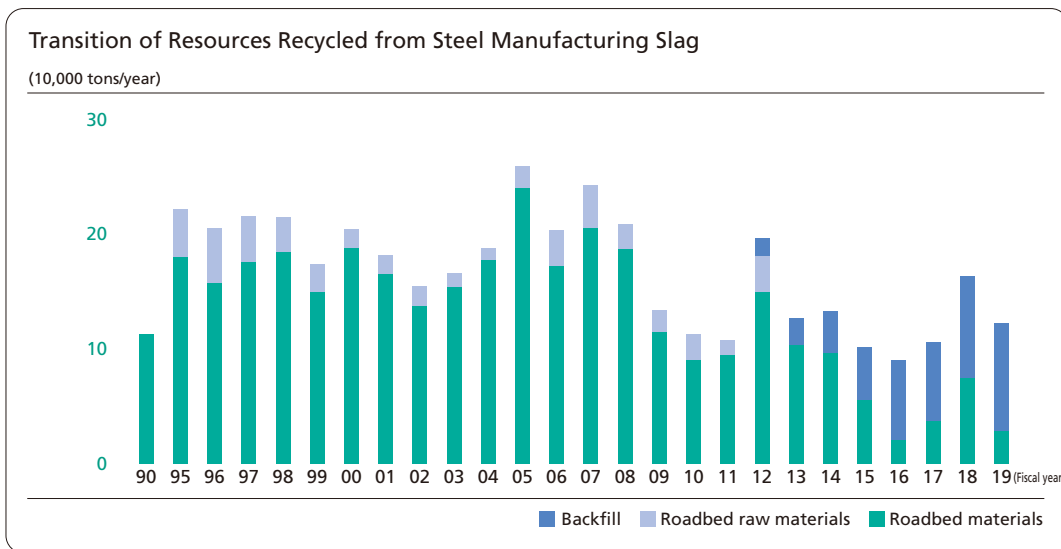


● Recycling of Steel Manufacturing Slag

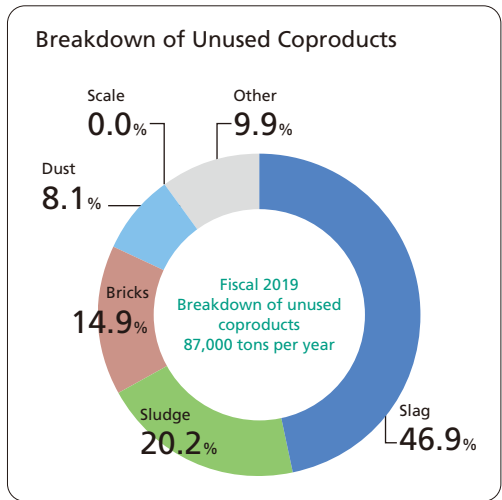
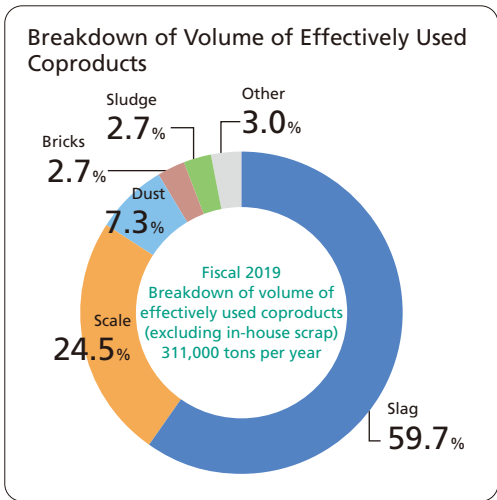
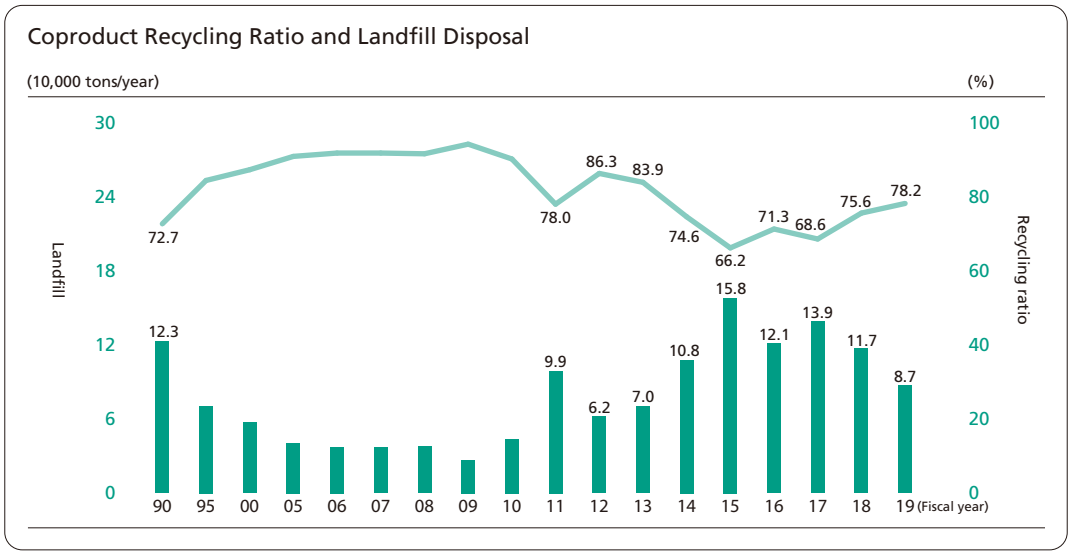
The slag resulting from steelmaking that had been used as a base coarse roadbed material for road construction was selected as a procurement good by enactment of the Green Purchasing Law in 2000.

By helping conserve natural resources and reduce greenhouse gases (GHG), slag is a valuable recyclable resource that contributes to the protection and preservation of the global environment. The Company’s Chita Plant produces and sells steelmaking slag products with proper quality management based on a third-party inspection in accordance with Guidelines Related to Management of Iron and Steel Slag Products, which

was revised in January 2015. Steel slag turned into products at the Shibukawa Plant has been used as roadbed materials in public works projects in Gunma Prefecture. In 2013, however, levels of fluorine and hexavalent chromium that exceeded standards were detected in these materials. The Shibukawa Plant stopped producing and selling all steel slag in January 2014. This resulted in a decline in the amount of recycled steel slag and a sharp increase in landfill disposal. In the future, however, we aim to reduce landfill disposal by developing new recycling applications.



Initiatives for a Recycling-Oriented Society



Plant Data

Chita Plant



Location: Tokai, Aichi Prefecture
 Products: Specialty steel materials, die forging products, strip steel products
 Land area: 1,117,000 m²
 Start of operations: 1962



Tadayuki Kashima *Plant Manager*

Environmental Policy

- The plant manager and all employees work together to protect the environment.
- Environmental targets are set and periodically revised. To improve the environmental performance of all employees, the environmental management system is constantly improved.
- Environmental laws and regulations are closely adhered to at the prefectural, municipality, industry and regional levels.
- The following activities are proactively undertaken to continuously reduce environmental impact and improve the environment.
 - Prevent environmental pollution
 - Save energy, reduce greenhouse gas emissions
 - Conserve resources (use sustainable resources), reduce waste, increase reuse and recycling
 - Consider protections for biodiversity and ecosystems that may be impacted by business activities
 - Develop and supply environmentally friendly technologies and products
- All employees take environmental education and training to enhance their qualifications.

Key Initiatives

- Prevent dispersion of dust and soot
- Prevent leaks of polluted water that impacts wastewater treatment
- Reduce waste disposal volume of coproducts
- Survey and dispose PCB waste
- Reduce energy usage
- Increase employees with environment-related qualifications
- Respond to increasing size of wind and water damage

Atmosphere

Item	Equipment	Regulatory value	Actual value	
			Maximum	Minimum
Dust (g/Nm ³)	Electric furnaces (5 units)	0.04	0.009	<0.002
	Once-through boilers No. 5-No. 10	0.01	<0.002	
	Small rolling heating furnace	0.01	<0.002	
NOx (ppm)	Once-through boilers No. 5-No. 10	90...70	25	14
	Small rolling heating furnace	80	66	51

Water quality

Item	Regulatory value	Actual value		
		Maximum	Minimum	
Hazardous substances (mg/L)	Cadmium	0.03	<0.003	
	Cyanogen	1	<0.1	
	Organic phosphorous	1	<0.1	
	Lead	0.1	<0.02	
	Hexavalent chromium	0.5	<0.04	
	Metallic arsenic	0.1	<0.01	
	Total mercury	0.005	<0.0005	
General items	pH	5.5-8.5	7.4	7.0
	COD	20	2.5	1.4
	SS	30	3	<1.0

Hoshizaki Plant



Location: Minami Ward, Nagoya City
 Products: Stainless steel, tool steel, titanium
 Land area: 330,000 m²
 Start of operations: 1937



Tsuyoshi Watanabe *Plant Manager*

Located in an urban area of Minami Ward, Nagoya City, the Hoshizaki Plant produces stainless steel and tool steel, as well as titanium, high alloy metals and target materials.

Environmental Policy

- All employees support CSR activities and contribute to SDGs.
1. Fulfill corporate social responsibility by strengthening compliance
 2. Prevent global warming and form a recycling-oriented society by conserving energy and resources
 3. Reinforce prevention of environmental pollution by improving level of environmental management
 4. Be a plant with connections to the community and that develops alongside the region

Key Initiatives

1. Strengthen compliance
Reduce risk of environmental noncompliance
2. Lower environmental risks
Evaluate and address flood risks at the plant caused by natural disasters (torrential rainfall and tsunami)
3. Improve level of management
Improve management level for maintaining environmental facilities, promote energy conservation, reduce CO₂
4. Local contributions
Reach out to local communities, promote greenery
5. Strengthen ISO 14001 environmental systems

Atmosphere

Item	Equipment	Regulatory value	Actual value	
			Maximum	Minimum
Dust (g/Nm ³)	No. 5 once-through boiler	0.05	0.004	<0.002
	Large-size rolling soaking furnace	0.20	0.011	<0.002
	Wire rod rolling heating furnace	0.20	<0.002	
NOx (ppm)	No. 5 once-through boiler	150	37	4.4
	Large-size rolling soaking furnace	130	69	26
	Wire rod rolling heating furnace	130	74	70

Water quality

Item	Regulatory value	Actual value		
		Maximum	Minimum	
Hazardous substances (mg/L)	Cadmium	0.03	<0.003	
	Cyanogen	1	<0.1	
	Organic phosphorous	1	<0.1	
	Lead	0.1	<0.02	
	Hexavalent chromium	0.5	<0.04	
	Metallic arsenic	0.1	<0.01	
	Total mercury	0.005	<0.0005	
General items	pH	5.8-8.6	7.4	7.1
	BOD	25	3.7	0.8
	SS	30	11.0	<1

Tsukiji Techno Center



Location: Minato Ward, Nagoya City
 Products: Metallic powders
 Land area: 144,000 m²
 Start of operations: 1918



Shinji Kojima *Center Manager*

Environmental Policy

1. We work to continuously improve the environmental management system and prevent pollution along with affiliated companies.
2. With a full understanding of the impact of our business activities on the environment, we adhere to environmental laws and regulations and pollution prevention agreements, while proactively promoting interactions with local residents to be a company in harmony with the region.
3. We endeavor to develop and supply environmentally friendly products through efficient business activities, in addition to efforts to reduce usage of electricity, which accounts for the bulk of energy consumption, and advance waste recycling.
4. In all our activities, we strive to protect the environment by setting environmental targets and periodically reviewing them.
5. We give all employees environmental education and training to enhance their qualifications.

Key Initiatives

1. Be a company that adheres to laws and regulations and is in harmony with the region
2. Improve level of environmental management and constantly improve through EMS

Atmosphere

No facilities

Water quality

Item	Regulatory value	Actual value		
		Maximum	Minimum	
Hazardous substances (mg/L)	Cadmium	0.03	<0.003	
	Cyanogen	1	<0.1	
	Lead	0.1	<0.02	
	Hexavalent chromium	0.5	<0.04	
	Metallic arsenic	0.1	<0.01	
	Total mercury	0.005	<0.0005	
General items	pH	5.8-8.6	7.5	7.0
	BOD	25	13.0	<0.5
	SS	30	5.0	<1

Plant Data

Shibukawa Plant



Location: Shibukawa City, Gunma Prefecture
 Products: Smith forging products, materials for molds, blooms for castings
 Land area: 180,000 m²
 Start of operations: 1937



Naofumi Hirose *Plant Manager*

Surrounded by mountains in three direction, the Shibukawa Plant is located in central Shibukawa City, which has bountiful water and greenery. The plant has one of the largest specialty steel melting facilities in the world that produces high-spec, high-grade steel and super alloys used in jet engines and power generator turbines.

● Environmental Policy

1. Prevent pollution
 - (1) We aim to have zero impact on the environment by managing pollutants throughout the product life cycle.
 - (2) We properly manage water, gas and waste from our plant in accordance with laws and regulations.
2. Protect the environment
 - (1) We strive to prevent global warming by reducing greenhouse gases with energy conservation.
 - (2) We aim to have zero impact on the environment by managing chemical substances.
 - (3) We endeavor to protect ecosystems and maintain biodiversity through joint programs with communities.
3. Realize a sustainable society of the future
 - (1) We will reduce waste through improvements in production technologies.
 - (2) We will reduce waste disposal volume by recycling coproducts.
 - (3) We will contribute to reductions in the use of natural resources by prolonging the product cycles and by developing and supplying environmentally friendly technologies and products.
 - (4) All employees are given environmental education, training and information to enhance their sensitivity to environmental issues.

● Key Initiatives

1. Reduce environmental risk
 Lower environmental impact inside and outside the plant by strengthening wastewater and flue gas treatment capacity
2. Cut CO₂ emissions
 Reduce CO₂ emissions by improving yields and limiting wasteful energy use
3. Community measures
 Expand outreach to local communities by holding community festivals while emphasizing environmental awareness in neighboring regions

Atmosphere

Item	Equipment	Regulatory value	Actual value	
			Maximum	Minimum
Dust (g/Nm ³)	Boilers	0.05	—*	
	Conditioning annealing furnace	0.20	0.010	<0.002
	Forging heating furnace	0.25	0.022	<0.002
NOx (ppm)	Boilers	150	68	66
	Conditioning annealing furnace	180	41	6
	Forging heating furnace	180	150	16

* Once every five years (next time November 2023)

Water quality

Item	Regulatory value	Actual value	
		Maximum	Minimum
Hazardous substances (mg/L)	Cadmium	0.03	<0.003
	Cyanogen	1	<0.1
	Organic phosphorous	1	<0.1
	Lead	0.1	<0.01
	Hexavalent chromium	0.5	<0.04
	Metallic arsenic	0.1	<0.01
	Total mercury	0.005	<0.0005
General items	pH	5.8–8.6	7.7 7.1
	BOD	25	2 <1
	SS	50	7 <2

Oji Plant



Location: Kita Ward, Tokyo
 Products: Sintered strip steel, band saws
 Land area: 9,000 m²
 Start of operations: 1955



Takumi Sato *Plant Manager*

The Oji Plant procures high-quality, high-performance materials used in cutting tools, especially band saws for processing timber, as well as automotive clutches.

● Environmental Policy

Located in the center of Tokyo, the plant aims to be in harmony with the local and global environment through a spiraling up of activities to protect the environment.

● Key Initiatives

1. Prevent environmental pollution
 - ◆ We maintain and manage environmental facilities.
 - ◆ We are conserving energy by improving per-unit metrics and implementing measures to increase yields in heat treatment furnaces in order to cut CO₂ emissions.
2. Conserve more resources
 - ◆ We aim to reduce waste and increase resource recycling, such as interleaves and containerboard, while improving per-unit metrics for procured materials such as grinding stone and packaging.
3. Promotion of greenery
 - ◆ We are expanding greenery along walking paths on the Sumidagawa River.

Atmosphere

No facilities

Water quality

Item	Regulatory value	Actual value	
		Maximum	Minimum
Hazardous substances (mg/L)	No facilities	—	—
General items	Mineral oil	5.0	<2.5
	Animal and vegetable oils	5.0	<2.5

Nakatsugawa Techno Center



Location: Nakatsugawa City, Gifu Prefecture
 Products: Magnets, forged steel products
 Land area: 110,000 m²
 Start of operations: 1990



Shinji Kojima *Center Manager*

● Environmental Policy

1. We proactively engage in activities to preserve the environment around the industrial park and local community.
2. We aim to have zero environment-related complaints by further enhancing our internal communication system, inspections and supervision system with other companies in the industrial park.

● Key Initiatives

1. We are implementing the necessary environmental measures while ensuring adequate communications among companies.
2. We strive to protect the environment while emphasizing relationships with the local community.
3. We prevent on-site and off-site pollution by maintaining the necessary environmental monitoring system.

Atmosphere

Item	Equipment	Regulatory value	Actual value	
			Maximum	Minimum
Dust (g/Nm ³)	Boilers	0.1	0.002	
	Roasting furnace	0.1	0.004	
	Heating furnace (heat treatment furnace)	0.4	0.004	
NOx (ppm)	Boilers	122	77	64
	Roasting furnace	176	13	7
	Heating furnace (heat treatment furnace)	144	29	25

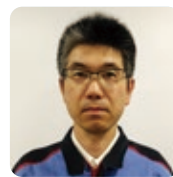
Water quality

Item	Regulatory value	Actual value		
		Maximum	Minimum	
Hazardous substances (mg/L)	Cadmium	0.03	<0.003	
	Cyanogen	1	<0.1	
	Organic phosphorous	1	0.23	0.04
	Lead	0.1	<0.01	
	Hexavalent chromium	0.5	<0.04	
	Total mercury	0.005	<0.0005	
	General items	pH	5.8-8.6	7.3
COD		30	5.0	2.6
SS		40	≤1	

Kimitsu Plant



Location: Kimitsu City, Chiba Prefecture
 Products: Die forging products
 Land area: 22,000 m²
 Start of operations: 1968



Hirohito Ohashi *Plant Manager*

Located on the premises of Nippon Steel's East Nippon Works Kimitsu Area, the Kimitsu Plant produces die forging products using high-speed precision casting equipment.

● Environmental Policy

We strive to understand the impact our production activities have on the global environment, and with the participation of all employees, engage in activities to protect the environment.

● Key Initiatives

1. Reduce environmental risk
 We will create a structure for monitoring and managing equipment, and addressing any incidents of oil leaks to prevent such leaks into the waterways.
2. Promote energy and resource conservation
 We will minimize the energy used in order to increase production efficiency.
 We will promote recycling by separating waste in a bid to reduce waste.
3. Strength compliance
 We continuously train employees so they can correctly understand laws and regulations.

Atmosphere

Item	Equipment	Regulatory value	Actual value	
			Maximum	Minimum
Dust (g/Nm ³)	Multi-purpose heat treatment furnace (MP furnace)	0.05	<0.002	
NOx (ppm)	Multi-purpose heat treatment furnace (MP furnace)	50	23	9

Water quality

Item	Regulatory value	Actual value		
		Maximum	Minimum	
General items	pH	5-9	8.0	6.9
	COD	Below 25	5	2
	SS	Below 50	14	2

Wastewater from the Kimitsu Plant consists solely of wastewater from people and rainwater, not any other type of wastewater from production facilities, so the plant does not measure wastewater for harmful substances.

Response to ISO Environmental Management and Audit Systems

The International Organization for Standardization (ISO) has formulated international standards for environmental management. Standards for environmental management systems and environmental audits were issued in September 1996. In Japan, the Japanese Standards Association issued JISQ 14001 in October 1996 (revised in November 2015).

In response, Daido Steel designated the Hoshizaki Plant as a model plant in September 1995 and began to create environmental management systems. In August 1996, Daido Steel became the second company in the steel industry (after Nippon Steel's Nagoya Works), and the first in the specialty steel industry, to obtain environmental certifications.

The Daido Steel Group will continue to acquire and maintain such certifications while constantly improving its environmental management systems.

Certified Plants

Plant Name	Certification Date	Renewal Date	Certification Body
Hoshizaki Plant	August 19, 1996	August 19, 2020	
Chita Plant (Chita Forging Plant, Kimitsu Plant, Chita Steel Strip Plant, Oji Plant)	February 2, 1998	February 2, 2022	JICQA
Shibukawa Plant	February 2, 1998	February 2, 2022	
Tsukiji Techno Center (including the Metal Powder Plant)	August 26, 1998	August 26, 2022	
Electronic Materials Division (LED Department)	December 12, 2005	December 12, 2020	LRQA

* Kawasaki Techno Center stopped production, and its certification registration was returned on August 26, 2019.

Affiliated Companies Number Certified: 17

Company Name	Certification Date	Renewal Date	Certification Body
Tohoku Steel Co., Ltd.	January 27, 2000	January 27, 2021	JICQA
Japan Drop Forge Co., Ltd.	April 12, 2001	April 12, 2022	JICQA
FUJI OOZX Inc.	July 17, 2001	July 17, 2022	JARI-RB
Daido Electronics Co., Ltd.	November 9, 2003	April 21, 2021	JMA
Daido Kogyo Co., Ltd.	December 10, 2003	May 8, 2022	SGS Japan
Daido Precision Industries Ltd.	January 29, 2004	January 29, 2022	JICQA
Shimomura Tokushu Seiko Co., Ltd.	February 26, 2004	December 19, 2020	JICQA
Daido EcoMet Co., Ltd.	July 1, 2004	July 1, 2022	JICQA
Daido Electronics (Thailand) Co., Ltd.	July 19, 2004	July 19, 2022	BSI
Nissei Seiko Co., Ltd.	October 8, 2004	October 8, 2022	JQA
Riken Seiko Co., Ltd.	December 16, 2004	December 16, 2022	JICQA
Toyo Sangyo Co., Ltd.	January 18, 2005	January 18, 2023	JIA-QA
Daido Electronics (Suzhou) Co., Ltd.	March 23, 2005	December 3, 2022	CNAS
Daido Die & Mold Solutions Co., Ltd.	June 9, 2005	June 9, 2023	JICQA
Nippon Seisen Co., Ltd. (Hirakata Factory, Higashi Osaka Factory)	September 15, 2005	October 8, 2022	JMA
Daido Castings Co., Ltd.	October 13, 2005	October 13, 2020	JMA
Sakurai Kosan Co., Ltd.	July 13, 2006	July 13, 2021	Intertek Certification

As of June 30, 2020

ESG Initiatives (Social)

Responsibility and Contribution to Society

The Company considers it important to treat all stakeholders with sincerity in order to grow sustainably.

For our customers, we reliably delivery high-quality products. For local communities, we deepen communication through events and other means. For shareholders and investors, we strive to communicate information quickly. And for employees, we promote diversity and work-life balance to create an environment conducive to mutual growth.

We will engage sincerely in these activities in order to fulfill our responsibility to society and contribute to it.



Initiatives for Stakeholders

The Company's stakeholders include customers, shareholders and investors, local communities, and employees. We conduct socially and environmentally conscious business activities for these stakeholders.

Approach toward Customers

With its constant aim, ever since its inception, being to earn customer trust, Daido Steel has a high reputation among customers, including for its excellent product development capabilities. At present, the Quality Assurance Committee is leading the project to promote quality control improvements. The project efforts are directed at strengthening a culture of doing what should be done as a matter of course, and to create a Daido Steel Group that adapts well to changes, leading to an increase in customer satisfaction (CS) and customer delight (CD).

Quality Assurance Committee

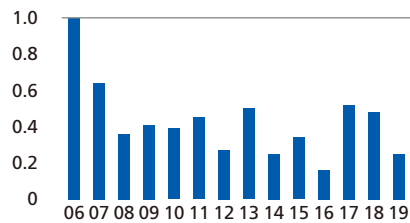
In 2006 the Daido Group established the Quality Assurance Committee, chaired by a director in charge of quality, in what was a rapidly changing social environment. (Members: Plant managers of Daido Plants, Group manufacturing company quality assurance department heads)

The committee for the Daido Steel Group is conducting activities to solidify customer trust by sharing information to achieve early solutions of critical issues, improving common issues to preempt quality complaints, and by using basic activities to reinforce the quality assurance infrastructure.

The committee also concentrates on training programs such as quality education for certification, and the upskilling of frontline workers through competitions.

Quality Claim Index

(Index taking the actual results from 2006 as "1")



Major Activities of Quality Assurance Committee

Measures

(1) Sharing of quality information

- Gathering of intelligence of the entire company
- Quality Solution Center
- Horizontal development activity

(2) Improvement of common quality problems

- Strengthen identification management (Expansion of tools, education)
- Strengthen variation point management
- Accumulate and use the examples of trouble in the past

(3) Basic activity

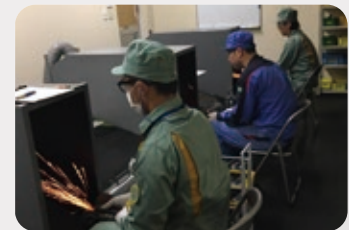
- Analysis subcommittee
- Nondestructive inspection subcommittee
- Spark inspection subcommittee

Three basic focuses of steel quality assurance

Tackle with improvement with the viewpoint of "human resource training," "improvement of accuracy management" and "new technology"

Human resource training activities (Example)

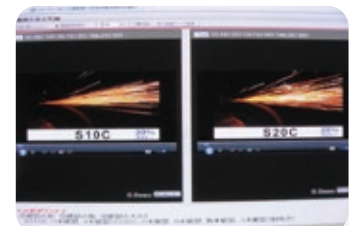
- The Company provides quality education for certification, and the upskilling of frontline workers through competitions.



Fireworks competition

Effect

- Solve quickly important quality problems
- Assure prevention of recurrence of quality claims
- Prior prevention of quality claims
- Strengthen the base of quality assurance (including human resource training)



Fireworks inspection skills are improved using visual manuals

Quality Education

Daido Steel places great importance on quality education for frontline workers based on the Company’s fundamental idea that quality is created at the job site.

Specifically, education by job grade is given to all employees on Q7 techniques (such as Pareto charts, scatter plots, and characteristic diagrams), N7 techniques (such as relational diagrams, system diagrams and matrix diagrams), and IE techniques (such as process analysis, work process analysis, and utilization analysis/ratio-delay studies). These techniques are utilized in the execution of field improvement activities including self-management activities (JK (*jishu kanri*: self-management), which are small-group activities). Groups that implement excellent self-management activities are given an award, to provide further motivation.

Number of JK activity themes
 Daido Steel: Approximately 1,210 themes/year
 (including 211 themes related to quality)
 Group companies: Approximately 756 themes/year

Furthermore, from 2009, we have held a practical course on quality inspection to increase the manufacturing capabilities of staff.

This course uses classroom and practical learning to deepen participants’ understanding of mechanical and internal quality testing for evaluating the end result of products.



Practical class on JK activities



Presentation event for JK activities



Practical course on quality inspection

Control of Toxic and Hazardous Substances in Products

As more and more hazardous-substance-free products are required, Daido Steel is reinforcing systems to control environmental load substances in products.

We issue Safety Data Sheets (SDSs) for each product and certify the non-inclusion of any substances that place a load on the environment.

We also comply with the Chemical information Sharing and Exchange under Reporting Partnership (chemSHERPA) scheme for sharing information in line with the RoHS directive, the ELV directive, and the REACH regulations.

- [Control of hazardous substances that have implications for quality assurance]**
- Cadmium and its compounds
 - Hexavalent chromium compounds
 - Lead and its compounds
 - Mercury and its compounds
 - Polybrominated biphenyls (PBB)
 - Polybrominated diphenyl ethers (PBDE) and others

[Daido Group certification status of ISO 9001]

Daido plants: Certification acquired by all plants
 Group companies: Certification acquired by all manufacturing companies

Efforts towards Shareholders and Investors

Daido Steel is making unceasing efforts to make improvements to enhance corporate value, and is also making untiring efforts to enhance the quality of management through accurate and timely information disclosure and comprehensive communications.

● Communications with Shareholders and Investors

We provide shareholders with a wide range of information, including publications, such as reports sent out after the fiscal year-end and interim financial results, as well as sustainability reports, securities reports, and plant tours. Furthermore, for individual investors, we disclose the above information tools on our website so that they can gain a deeper understanding of the Group.

Moreover, to help stakeholders acquire an even deeper understanding of the Group, we have posted relevant information on our website, such as a message from the president, status of business results, Group information, and topics, in an effort to provide a wide range of information in a timely fashion.

In addition, we hold financial results presentations four times a year for institutional investors and securities analysts to provide them an opportunity to understand the Company's management situation and strategy. We also hold presentations for the medium-term management plan and facility tours of our main plants. Furthermore, in an effort to ensure ongoing communication with institutional investors and analysts in and outside Japan, we proactively hold individual meetings with them.

Through the internal feedback of opinions received through these IR activities to each division including management, Daido Steel also works to reflect these comments in its future business management.

● External Evaluation

The Company has been included as a constituent stock in the MSCI Japan ESG Select Leaders Index compiled by MSCI Inc. of the United States. We have been included continuously since the index started in 2017.

The MSCI Japan ESG Select Leaders Index is compiled from constituent stocks on the MSCI Japan IMI Top 700 Index, aiming for market capitalization amount of 50% by industry type, and is composed of companies selected for having relatively high ESG evaluation.



Shareholder and investor information page on the Company's website



Plant tour

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF Daido Steel Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daido Steel Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Community Approach

Daido Steel emphasizes responsibility and contributions to communities. The Company has six plants in the Chubu-Tokai and Kanto regions, which with the many associated Group companies contribute to the creation of employment in those areas. Each business unit uses a variety of special events to get more involved with community residents.

● Contribution to Local Communities

Each business site carries out the following main activities.

(The events were revised in fiscal 2020 as a countermeasure for preventing the spread of COVID-19.)

Hoshizaki Plant

Cherry Blossom Viewing

At the Hoshizaki Plant, our annual Cherry Blossom Viewing held during the cherry blossom season has become a regular event. The plant grounds are opened to the local public, and around 1,500 people come to enjoy cherry blossom viewing over a three-day period.



Autumn Festival

Started in 1973, the Autumn Festival is held each September, where an athletic meet mainly for the community and games for the employees are carried out to provide a venue for the residents and employees to meet and interact.



Shibukawa Plant

Plant Periphery Clean-Up

We mow the grass around the street on the northern side of the main gate once a month as part of local beautification activities.



Clean-Up of Public Roads and Rivers

Twice a year we conduct a clean-up of the public road and the Mae Kanazawa River, which pass between the forging plant and the steelmaking plant, to help beautify the area.



Chita Plant

Summer Festa Motohama

Daido Steel cosponsors the Summer Festa organized by the Yokosuka-Yofu-Takayokosuka-Nakano-Ike residents' association in Tokai-shi each year in August. Many people come to enjoy the character show, Bon dance, and fireworks.



Interchange Clean-Up

We conduct clean-up activities on the West Chita Industrial Road Yokosuka Interchange and peripheral roads adjacent to the Chita Plant. This is part of a drive to make Tokai City "A beautiful town with abundant greenery and flowers." Each year, many employees take part.

Initiatives for Stakeholders

Tsukiji Techno Center

Cool Breeze Bon Dance Festival

Higashi Tsukuji School Zone Athletics Contest

We open our grounds each year to hold the Cool Breeze Bon Dance Festival and the Higashi Tsukuji School Zone Athletics Contest. These are annual events for the Higashi Tsukuji School Zone in Minato-ku, Nagoya City, where the Tsukiji Techno Center is located.



Plant Periphery Clean-Up Activities

As part of our local activities, twice a year we conduct a clean-up of the plant periphery to contribute to the local neighborhood.



Kawasaki Plant

Plant Periphery Clean-Up

As a volunteer activity, employees of Kawasaki plant sweep the roads and sidewalks around the plant once a month. This activity started in 2003.



Oji Plant

Open the Plant's Sports Ground to the Public

On the days the plant is not in operation, the sports ground is opened up to local residents. Local boy's baseball teams use the field for games.



Support for Cultural Activities

Fiscal 2019 program

October 8 (Tuesday)

MS&AD Shirakawa Hall

Sarah Chang
Violin Recital

Debut with the New York Philharmonic Orchestra at the age of 8! An exciting evening with a prodigious talent. A much awaited performance in Nagoya by the "Queen of the Violin."



©Cliff Watt

November 14 (Thursday)

Denki Bunka Kaikan The Concert Hall

Aimi Kobayashi
Piano Recital

Finalist in the "XVII International Chopin Piano Competition" in 2015! A genius who has been in the media since she was a little girl, Ms. Kobayashi is now ready to launch her international career.



©Warner Classics

November 27 (Wednesday)

Denki Bunka Kaikan The Concert Hall

Sara Kobayashi
Soprano Recital

Piano: Yumi Nakamura
Koto: Yuji Sawamura
Shakuhachi: Taiki Misawa
An opera diva sings a selection ranging from well-known Japanese songs and global hits. A special evening blending a soprano with piano and Japanese instruments.



©NIPPON COLUMBIA

December 8 (Sunday)

MS&AD Shirakawa Hall

Kazuma Miura and Kouhei Ueno
form a Super Duo!

Global recognized young talent come together!
Bach x Piazzolla
An exciting duo recital by two classical musicians.



©Shigeto Imura



Fiscal 2020 program

September 15 (Tuesday)

MS&AD Shirakawa Hall

Mao Fujita
Piano Recital

October 23 (Friday)

Denki Bunka Kaikan The Concert Hall

Haruma Sato
Cello Recital

December 10 (Thursday)

Denki Bunka Kaikan The Concert Hall

YAMATO String Quartet
String Quartet Concert

DAIDO STEEL Great Performer Series

The Great Performer Series has been planned and held each year by Chubu-Nippon Broadcasting Co., Ltd. since 1987, with Daido Steel becoming the sole sponsor from 1991. The series contributed to the musical culture of the local community as an individual recital series based on the concept of "an opportunity for music lovers who are not satisfied by operatic or full-orchestra performances in large halls to savor the enjoyment of a first-class performance in a dedicated chamber-music hall."

Approach toward Employees

Respect for Human Rights

The Daido Steel Corporate Code of Ethics stipulates that the Company will “respect employees’ diversity, character, and individuality, while ensuring safe and comfortable working environments and realizing freedom and high quality of life.” We will apply fair evaluations that neither discriminate nor infringe on workers individuality, to establish working environments that enable each individual to realize their full potential.

Health and Sanitation System

Daido Steel continuously implements the health and sanitation program for employees in cooperation with medical institutions and the health insurance association. In 2016, we made the Health and Productivity Management Declaration, and this initiative has been highly regarded, with our selection as one of the 2020 Certified Health & Productivity Management Outstanding Organizations (also known as “White 500” companies). In addition, going forward we will incorporate the “promotion of health and productivity management systems” in the Daido Steel Group 2020 Medium-Term Management Plan and promote more in-depth initiatives.

<Daido Steel Health and Productivity Management Declaration>

Safety and health are the source of happiness, while human resources are the most valuable of a company’s resources. Recognizing this, we will strive to make Daido Steel a company where employees work with vigor and motivation.

—Health and Productivity Management Policy—

- Supporting increased health awareness of individual employees
- Promoting early detection and early treatment of diseases
- Preventative mental health measures

● Supporting Increased Health Awareness of Individual Employees

The Company conducts activities aimed at embedding proper exercise and diet to create a foundation of lifestyle habits. From fiscal 2017, we introduced physical strength and function measurement and learned about the gap between actual age and age based on physical strength to help increase motivation for exercise. For those with low physical strength, we provide individual support for exercise. In terms of diet support, we promote healthy menus at the Company cafeteria and raise awareness among those who tend to skip breakfast.

Initiatives to Encourage Health Awareness

- Conducting physical strength and function measurement, support those with low physical strength
- Promoting workplace stretching and exercise programs
- Working to increase the ratio of healthy options on the cafeteria menu
- Encouraging people to form a habit of eating breakfast



Conducting physical strength and function measurement



Workplace stretching program

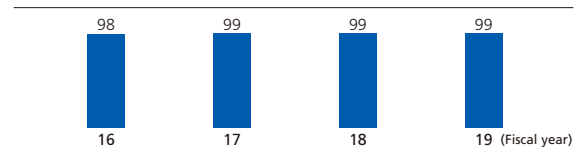
● Promoting Early Detection and Early Treatment of Diseases

The Company has a full staff of industrial health insurance experts who work to promote early detection and treatment to prevent serious cases of disease. They work proactively to raise awareness through posters and leaflets.

Initiatives for Promoting Early Detection and Treatment

- Recommending detailed examination (ensure examinations are taken within three months)
- Awareness raising activities to increase the rate of cancer screening
- Conduct specified health and welfare guidance for all employees

Examination Rate among Employees Requiring Detailed Examination (%)



● Preventative Mental Health Measures

The Company provides consultations by industrial health insurance expert staff for all employees after their regular health checks as part of efforts to keep everyone in good mental health by working closely with employees. We also actively conduct training on team care and self-care.

Preventative Mental Health Measures

- Level-specific education for staff and experts
- Support for employees returning to work after taking leave of absence
- Publicize the consultation desk services (introduction cards for industrial health insurance experts, distribution of leaflets)

● President’s Award for Health

The Company started the President’s Award for Health in fiscal 2017 in order to increase health awareness. In fiscal 2018, the award was presented to workplaces that had conducted activities to prevent passive smoking, such as introducing non-smoking time. From fiscal 2019, the award standard included exercise and diet activities. The award activities for raising health awareness continued in fiscal 2020.



President’s Award for Health ceremony

Initiatives for Stakeholders

Work-Life Harmonization

Daido Steel considers that the development of the Company is closely linked with the fact that each employee who maintains a work-life balance brings about a positive cycle of a fulfilling work and home life. With that aim in mind, Daido Steel incorporates various systems to improve the work environment.

● Initiatives for “Work Style Reform” to Help Realize Work-Life Balance

To enable employees to work in ways that suit their various lifestyles, we introduced a flextime system without core time. Annual paid leave is also available for use in half-day increments, leave that becomes invalid two years after it is allocated can be accumulated at a rate of five days per year, up to a maximum of 60 days, and it can be used for childcare, nursing family members, or volunteer activities.

● Childcare and Nursing Care Support

As a system to support employees who undertake childcare and nursing care while also working, we provide leave systems stipulated in laws and regulations and restrict late night working, among other measures, while also introducing the following systems over and above legal requirements.

Exemption from set work hours Restriction of overtime work Shortening of set work hours	For employees caring for children up to the third year of elementary school. (In the case of nursing care, in accordance with laws and regulations)
Leave for nursing children	For employees who have children who have yet to graduate from elementary school, paid leave can be taken for up to 10 days per year, regardless of the number of children. The leave can be taken in half-day units.
Systems to support early return to work after childcare leave	Employees who have taken parental leave or long-term childcare leave for a certain period can receive a partial subsidy for childcare fees if they seek to return to work early to continue building their careers.
Babysitter support system	Employees who use a babysitter for work purposes such as business trips or overtime can receive a partial subsidy for babysitter fees.
Nursing care leave (long term)	A total of 365 days of leave can be taken and divided up to 3 times for each nursing care recipient.
Nursing care leave (short term)	Employees who are nursing family members are allotted up to 10 days of paid leave per year, regardless of the number of nursing care recipients.
Nursing care helper user support system	Employees who are nursing family members can receive a partial subsidy of the fees for a nursing care helper.

● Aiming for an Age-Free Society

The revised Act on Stabilization of Employment for Elderly Persons was enforced in 2013, mandating the introduction of continuing employment systems for employees who wish to continue working until age 65. However, Daido Steel had introduced a reemployment system in 1992, ahead of the act, and we continued to revise our systems through consultation between labor and management. Today, the resulting “Meister System” is firmly established in the Company.

● System for Restricting Difficult Areas for Work and Career Return System

We have introduced a system that allows workers engaged in childcare or nursing care to restrict work in difficult areas with approval of the Company. We have also introduced a career return system, in which people who are leaving their jobs for reasons such as giving birth, childcare, nursing care, or a spouse's transfer can register with the Company to be reemployed within five years from leaving. When an opening occurs in the Company, all of the registered persons are considered in terms of their career profile and the nature of the position, and if suitable, they may be rehired.

	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Average age	39.4	39.2	39.1	39.1	38.9
Average years of service	17.5	17.3	17.0	16.7	16.5

		Fiscal 2015	Fiscal 2016	Fiscal, 2017	Fiscal 2018	Fiscal 2019
Number of employees taking childcare leave	Total	8	12	11	14	14
	(Of which, men)	(1)	(0)	(2)	(5)	(4)
Number of employees taking nursing care leave	Total	1	0	0	0	0
	(Of which, men)	(1)	(0)	(0)	(0)	(0)
Rate of employees using of paid leave	%	47	52	53	55	65

● Initiatives to Promote Diversity

Having employees who can feel individually fulfilled in their work is the driving force that supports Daido Steel's manufacturing.

Since 2014, the Company has been engaged in a Diversity Promotion Project, which started first with a focus on promoting active roles for women.

Regarding employment of women, the Company has seen the number of female applicants gradually increase as a result of various efforts to deepen understanding, such as showing how female employees are active in the Company, the expansion of their roles, and the creation of suitable working environments. We will continue to promote the creation of environments that enable female employees to continue playing active roles while demonstrating their individual abilities. These include promoting deeper understanding of assigned workplaces, further improving the work environment, and discussing career plans.

In October 2018, we reorganized the project as the Diversity Promotion office, under the management of the Personnel Department. The new office is tasked with building a foundation for promoting diversity management, aiming to create a company where not only women, but all employees can feel job satisfaction. As one of our initiatives, in fiscal 2018 we started diversity management and team-building training

for the next generation of management. The participants engage in practical, hands-on work to learn about how to communicate as a team leader, and the right attitude for a leader. The training also aims to develop a workplace culture where team members can mutually accept and utilize their differences and to develop human resources who can make full use of the potential of each individual employee and create lively workplaces.

We communicate with relevant departments based on the results of an awareness survey conducted for all employees in fiscal 2020. We aim to draw out individual capabilities and enhance job satisfaction even further, create systems that will encourage the formation of a good corporate culture and change people's awareness, and steadily implement system reforms to support active roles for diverse human resources.



Training for the next generation of management

● Official Accreditation for Work-Life Balance Initiatives

We have received official accreditation as a company that conducts initiatives to promote work-life balance, encourage active roles for women, and support childcare.

[Aichi Prefecture Family Friendly Company]

The Company received this accreditation in October 2005 as a company conducting initiatives to promote work-life balance.



Aichi Prefecture Family Friendly Mark

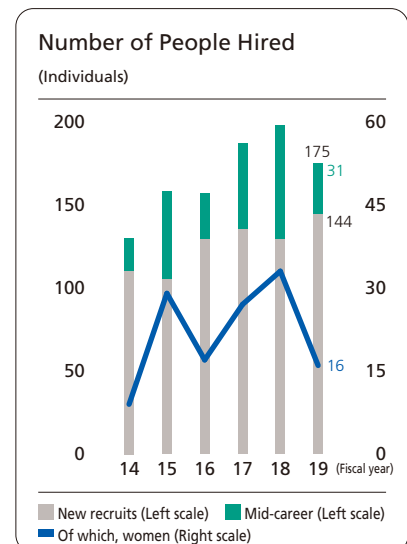
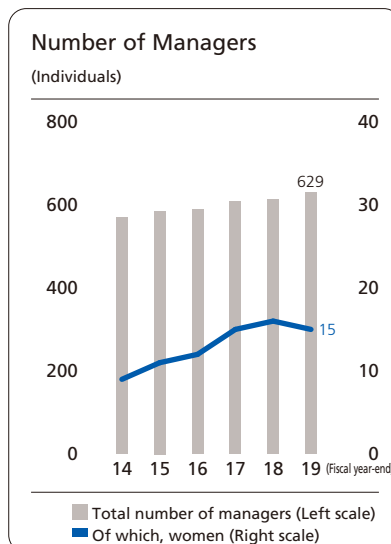
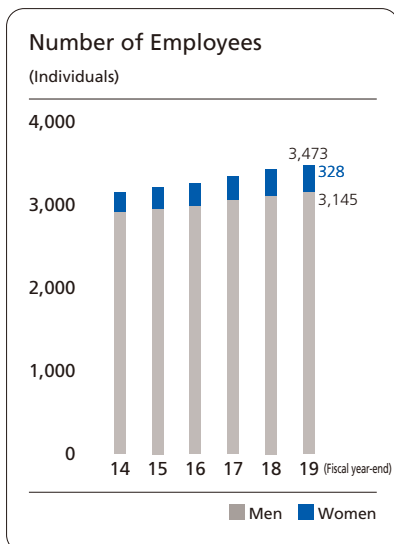
[Aichi Prefecture Company Supporting Women's Career Advancement]

The Company received this accreditation in December 2015 as a company that encourages active roles for women through a public commitment from top management, hiring, expansion of work roles, and promotion of work-life balance.



[Kurumin]

The Company received this accreditation in September 2017 from the Ministry of Health, Labor and Welfare as a company that supports childcare. We received it for a second time in July 2019.



Initiatives for Stakeholders

Education for Employees

To develop human resources that will put the Code of Conduct into practice and realize our management philosophy, we have adopted a human resource development policy of “promoting employee autonomy and developing human resources who will learn (grow) autonomously with a high sense of ethics, and persist in their challenges.” We engage in employee development based on our expectations for each grade summarized in the skills development guidebook to the right, knowledge acquired off-the-job, and skills.



Development of Professional Human Resources

Employees acquired the required knowledge and skills at each level based on our life education system so that they can grow in stages into manufacturing professionals.



Staff course DMK*

* Daido Monozukuri Kaikaku (Daido Manufacturing Reform)

Daido Group New Recruit Training

A seven-night, eight-day training camp is held at Mount Kisokoma. Participants in the camp take their first step from the land of Daido towards becoming working professionals. At the camp, they learn the attitude and knowledge needed to be a professional.



Training for new recruits (Group discussion)

Promotion of Diversity

The Daido Steel Technical Training School provides training for new female recruits at manufacturing sites, and also conducts training for supervisors and managers at the workplaces where the recruits will be assigned to promote understanding of diversity in preparation for the assignment of the recruits one year later.



Female expert staff at the Daido Steel Technical Training School

* Expert: An in-house designation for frontline workers, mainly in the manufacturing sites.

Global Staff Course Education System

Group company acceptance training Required training

		Required training	Training required for promotion (voluntary)	Other core department training	Select training	Self-awareness raising	Life planning
Management	D1	New department manager training			Star seminar Kisokoma workshop High-level management courses Overview workshop (Dept. manager)		50s career training, 40s career training
	D2		Before D1 promotion Management strategy				Consequence courses, e-learning, public courses, English language education
	D3	Newly appointed department manager training (Risk management) (Human resource management)	Before D2 promotion Management leadership	DMK Middle-management staff education Specialist course for materials manufacturing Science background Practical course on quality inspection	Management executive seminar Overview workshop (Dept. manager) Sector leader workshop for lease managers Middle management program		
Staff course	G1		Before D3 promotion G1 training Strategy proposal training G1 risk management training		[Global Human Resource Development] Training for stationed personnel prior to assignment Overseas trainee Overseas study Study away from home inside Japan		
	G2		Before G1 promotion G2 training Career training G2 risk management training	TOEIC test	[RE self-managed learning] Science background Patent course (G1 and below) Science background Other business division (Research 30 year)		
	G3	3rd year training (recognition of current role/G-PDCA/problem-solving, etc.) 3rd year risk management training (Company rules/Employment rules/Information security/Health, sanitation, and mental health/Price management and tax) 2nd year training (recognition of current role/G-PDCA/resilience, logical thinking, etc.) 1st year follow-up training (recognition of current role/G-PDCA/behavioral learning/relationship-building courses, etc.) New recruit training (President speech/Attitude for working professionals/Employment rules/Kisokoma introductory education and compliance/TOEIC/Business etiquette/Plant tour/Frontline practical training/DMK material products course)		[Arts background] Other business division research (G1 and below) [Arts background] General course (2nd year) (Logistics, trade, accounting)			

Expert Course Education System

Group company acceptance training Required training Group company assistance

		Responsibility/Role	DMK	Specialist skills	Management skills	Health and safety	Self-awareness raising
Section manager	E1	Newly appointed section manager training (Risk management) (Human resource management)				THF specialist education	
Process manager	E2	Process manager capability training (alternate years)		Machinery/maintenance technician (beginner, middle and advanced grades), electrical maintenance technician (beginner, middle and advanced grades) General maintenance education (maintenance management, basic machinery knowledge, basic electrical knowledge) Management technique education (Course on eliminating the six main types of loss, course on cost management)	Overseas study		Telecommunications education course
		Newly appointed process manager training					
Team leader	E3	Team leader follow-up training Newly appointed team leader training (Required training under Industrial Safety and Health Act Article 60, Ordinance on Industrial Safety and Health Article 40)	Manufacturing workshop (TPM education, in-house and visiting trainers)	National skills test (preparatory education and test) Skills and qualification acquisition course	Daido University study (In-house instructor education)		
Team member	E4	Visiting trainer Newly appointed team leader and process manager training Businessperson skills and methods for improvement, etc.					
		Training for 7th year of assignment					
		Training for 5th year of assignment					
		Training for relevant middle-management personnel Training for 2nd year of assignment					
		New recruit education (Daido Steel Technical Training School)					

Safety

Daido Steel cooperates in three-way activities with labor and management under the basic policy that "Safety comes before everything."

● Security Management System

Daido Steel always has the security management system ready for action. This system, led by the president, has the capability to provide Company-wide support. The Department of Safety Promotion functions as the compass for the entire Company and at the same time exhibits a cross-divisional coordination capability based on the fundamental principle of safety first. The Department of Safety Promotion is working on improving hardware and software used on work sites and developing safety-assist technology in coordination with on-site safety teams.

Safety and sanitation events are organized throughout the year with the participation of members of management, with the labor union and management jointly promoting safety and sanitation activities.

● Safety Education

The Group provides universal safety education for all employees working on front lines, whether they are internal staff, experts, or partner company employees. The education is divided by work responsibility, and focuses on the importance of safety awareness and responsibility, particularly on the danger of insufficient communication, making facilities essentially safe, and risk assessment. The education also uses experiential facilities to recreate dangers that have become less common in recent manufacturing processes to make employees think about danger factors and how to avoid them.

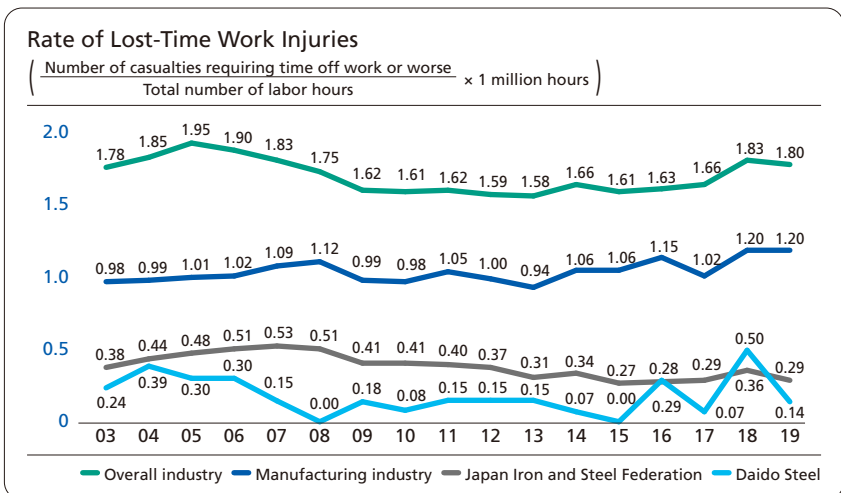


Facilities to experience danger

● Safety Record

Daido Steel's rate of lost-time work injuries* is lower than the average for the entire industry, and for the steel industry, it has remained especially low and stable (see graph). The Daido Steel Group has an excellent track record, even in the steel industry. However, in 2018, as safety performance deteriorated across the overall industry, the manufacturing industry and the steelmaking industry, the Company's performance dropped sharply. We are currently working together in a united Company-wide effort to rebuild our safety foundation.

* Rate of lost-time work injuries shows the frequency of workplace accidents as the number of casualties due to workplace accidents per 1 million labor hours.



Disaster Prevention

Since the Company encompasses many employees, equipment, and facilities, it has a significant social responsibility to prepare to the greatest extent possible for natural disasters, such as the imminently expected Nankai Trough earthquake. Based on this realization, we have prepared disaster manuals and conduct thorough disaster prevention education, such as holding disaster drills. We have also installed an emergency earthquake early warning system and established contact networks to be used in the event of a disaster as part of a fully committed effort to prepare systems for disasters.

ESG Initiatives (Governance)

Corporate Governance Initiatives

Daido Steel will continue to implement corporate governance initiatives in order to realize fair, highly transparent, and sound corporate management. We will build a framework that ensures more rapid, efficient and well-reasoned decision-making and business execution, and enhance the management oversight capabilities needed to supervise those activities. Moreover, we will strive to maximize corporate value by bolstering risk management and compliance initiatives.



Corporate Governance

Daido Steel views corporate governance as one of the key issues for management in today's rapidly changing business environment. We strive to increase management efficiency, accelerate and improve decision-making, and ensure management transparency.

In addition to the Daido Steel Group Management Philosophy and Guidelines, the Company has established the Daido Steel Corporate Code of Ethics to clarify its responsibilities as a corporation that contributes to society. Through these measures, the Company endeavors to maintain its foundation as a corporation that is open to society.

Corporate Governance

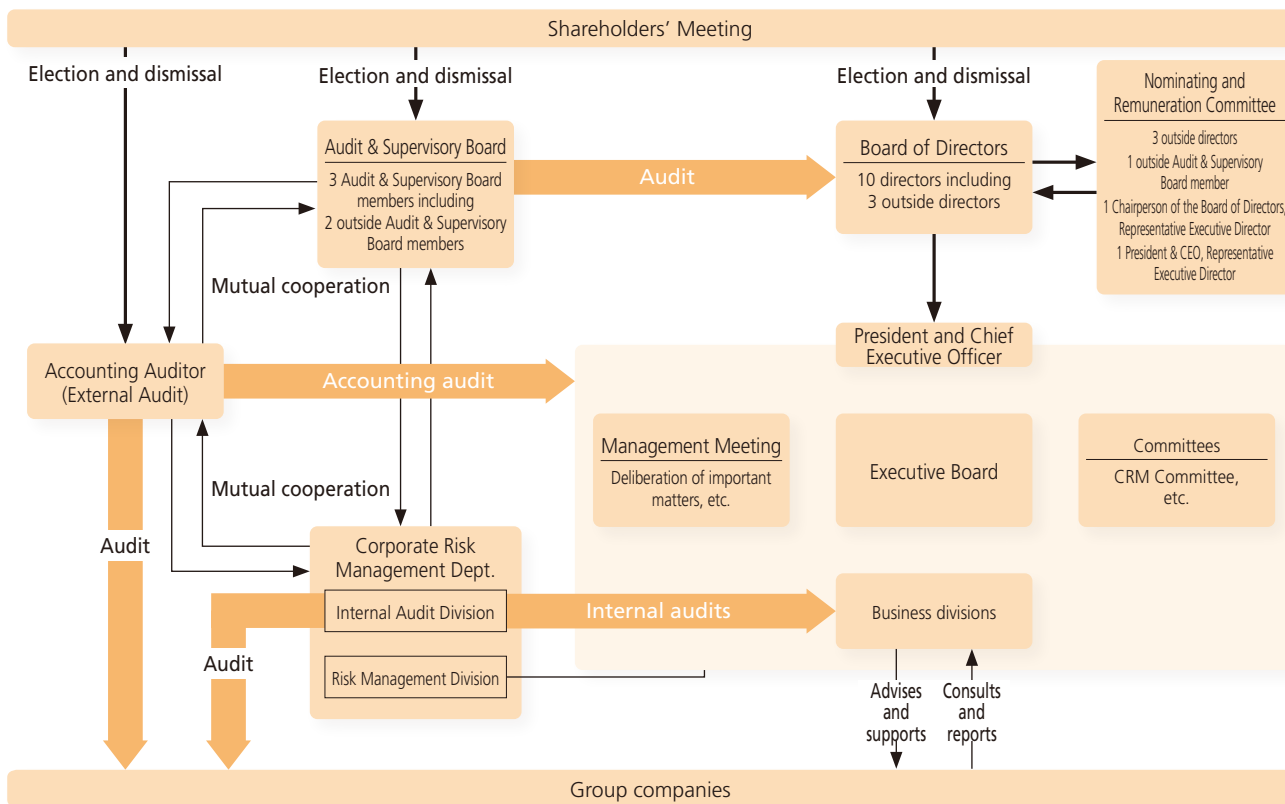
Daido Steel has adopted an Audit & Supervisory Board system. By adopting a system that supervises and oversees business execution through a Board of Directors, including three outside directors, and an Audit & Supervisory Board, including two outside Audit & Supervisory Board members, Daido Steel enhances its corporate governance, optimizes and accelerates decision-making and secures fair and transparent management. Moreover, executive officers concurrently serve as Audit &

Supervisory Board members or directors of Group companies. In these roles, the executive officers audit the status of business execution and provide advice to the Group companies, as part of efforts to strengthen consolidated Group management.

Daido Steel discloses the status of its corporate governance in the Corporate Governance section of its corporate website.

→ <https://www.daido.co.jp/en/ir/policy/governance/index.html>

System of Business Execution, Auditing, Monitoring and Internal Control As of June 25, 2020



Business Execution and Audit and Supervisory Functions

The Daido Steel Group establishes shared targets for business execution and formulates three-year medium-term management plans based on those targets, in principle. The Board of Directors establishes an annual plan for each business division as a means of implementing the medium-term management plan. In order to achieve the medium-term management plan and business targets, Daido Steel ensures that the directors discharge their duties efficiently by clearly defining their scope of authority and division of responsibilities.

The Board of Directors convenes at least once a month to decide important matters, report on the status of the directors' business execution and supervise the fulfillment of directors' duties. A Management Meeting attended by full-time directors and executive officers at the managing executive officer level or above is held once a month, in principle, and on an as-needed basis whenever necessary, in order to increase the flexibility of decision-making on important matters, and provide a forum for closer communication. Moreover, information exchange meetings are held regularly between the Representative Executive Directors and the Accounting Auditor, as part of efforts to promote cooperation.

The Audit & Supervisory Board members and the Accounting Auditor (auditing firm) regularly explain their respective audit plans and results, and exchange opinions and information.

In addition, the Audit & Supervisory Board members and the Corporate Risk Management Department explain their respective audit plans and exchange opinions on the details of audits for a given fiscal year and how the audits will be conducted. They also explain and report on audit results as necessary, and exchange opinions on the results.

Has the Company established an Audit & Supervisory Board?	Yes
Number of Audit & Supervisory Board members based on the Articles of Incorporation	4
Number of Audit & Supervisory Board members	3
Has the Company appointed outside Audit & Supervisory Board members?	Yes
Number of outside Audit & Supervisory Board members	2
Number of people designated as independent auditors among the outside Audit & Supervisory Board members	2

● Establishment of the Nominating and Remuneration Committee

Daido Steel has voluntarily established the Nominating and Remuneration Committee for the purpose of enhancing accountability and supervisory functions. These functions will be enhanced by further improving the corporate governance framework with respect to the determination of the nomination and remuneration of directors and other officers and by increasing the transparency and objectivity of the decision-making process.

Among the committee members listed in the table below, the one individual shown in "Others" is an outside independent director/auditor. Therefore, the committee, which serves as a voluntary advisory body to the Board of Directors, comprises a majority of independent directors/auditors. The committee is positioned as a forum for requesting consultations and holding broad-based discussions on matters related to the nomination and remuneration of directors and other officers.

	Voluntary committee equivalent to a nominating committee	Voluntary committee equivalent to a remuneration committee
Name of committee	Nominating and Remuneration Committee	Nominating and Remuneration Committee
Total number of members	6	6
Number of full-time members	0	0
Number of internal directors	2	2
Number of outside directors	3	3
Number of outside experts	0	0
Others	1	1
Committee Chair (Chairperson)	Internal director	Internal director

Officers

Representative Executive Directors



Tadashi Shimao

*Chairperson of the Board of Directors,
Representative Executive Director*



Takeshi Ishiguro

*President & CEO,
Representative Executive Director*



Tsukasa Nishimura

*Representative Executive Director,
Executive Vice President*

Directors



Tetsuya Shimizu

Director, Managing Executive Officer

General Manager, Corporate Planning Dept. (Commissioned post) Supervisor, Global Business Div. and Planning Dept. for Affiliates



Kazuhiro Toshimitsu

Director, Managing Executive Officer

Responsible for General Affairs Dept., Legal Dept., Personnel Dept., Secretarial Office



Toshiaki Yamashita

Director, Managing Executive Officer

Manager, Automotive Steel Business Unit (Commissioned post) Supervisor, Marketing & Sales Div. Responsible for Global Marketing and Sales Dept., High Alloy Materials Div., Innovation of Product Portfolio Project



Akihito Kajita

Director, Executive Officer

Supervisor, Finance & Accounting Dept. Responsible for IT Planning Dept., Risk Management and Compliance, Internal Control (Financial Instruments and Exchange Act) Cooperation with Executive Vice President Nishimura on the Corporate Risk Management Project



Shuji Soma

Outside Director
Managing Executive Officer,
Nippon Steel Corporation



Hitoshi Tanemura

Outside Director
Senior Adviser,
NORITAKE CO., LIMITED



Mutsuko Jinbo

Outside Director
President, Daido University

Audit & Supervisory Board Members



Susumu Shimura

Audit & Supervisory Board Member (Standing)



Kiyoshi Mizutani

Outside Audit & Supervisory Board Member (Standing)



Kenji Matsuo

Outside Audit & Supervisory Board Member (Non-standing)

Status of Outside Directors and Outside Audit & Supervisory Board Members

Outside directors

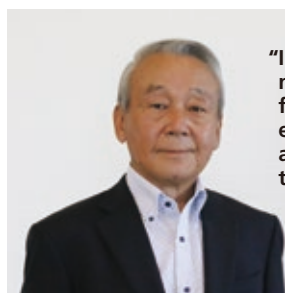
Name	Attendance at Board of Directors meetings (fiscal 2019)	Reason for appointment
Shuji Soma	9 out of 10 meetings*	As a senior management executive of a steel company, Mr. Soma possesses a wide range of knowledge and insight into management, and the Company believes that he will provide appropriate opinions on its management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.
Hitoshi Tanemura	13 out of 13 meetings	Mr. Tanemura possesses a wide range of knowledge and insight into management and has been providing appropriate opinions on the Company's management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.
Mutsuko Jinbo	10 out of 10 meetings*	As a director of an incorporated educational institution and a university president and professor, Ms. Jinbo possesses a wide range of insight and experience, and the Company believes that she will provide appropriate opinions on its management. Accordingly, the Company has determined that she is well suited for the position.

Outside Audit & Supervisory Board members

Name	Attendance at Board of Directors meetings	Reason for appointment
Kiyoshi Mizutani	10 out of 10 meetings*	Based on his experience as a senior management executive at a financial institution and a standing Audit & Supervisory Board member at a non-financial company, Mr. Mizutani possesses a wide range of knowledge and insight into management, and the Company believes that he will conduct appropriate audits of its management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.
Kenji Matsuo	13 out of 13 meetings	Mr. Matsuo possesses a wide range of knowledge and insight into management and has conducted appropriate audits of the Company's management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.

* Attendance after appointment on June 26, 2019.

Message from an Outside Director



"I will provide advice to management primarily from the viewpoint of ensuring that Daido Steel adapts to the changes of the times."

Hitoshi Tanemura
Outside Director

I have served as an outside director of Daido Steel for the past five years. As a leading corporation in Japan's Chubu region, Daido Steel has built up a track record of robust and steady business performance over the course of more than a century. At the same time, the Company has taken proactive steps to serve local communities as a good corporate citizen. Notably, Daido Steel has been operating a hospital and university alongside running its regular business operations. Daido Steel has an admirable history that is worthy of commendation. In the course of its history, Daido Steel has developed a sound corporate culture. The Company has also steadily put in place governance and compliance frameworks. For these reasons, I believe that Daido Steel is very well placed to continue to thrive and succeed.

On the other hand, the times have been changing rapidly and dramatically. In tumultuous times like these, I believe that Daido Steel's greatest management priority is to determine how to respond effectively to such changes. The business environment

surrounding companies has been undergoing rapid upheaval. For example, we are witnessing the depletion of resources and increasingly serious environmental destruction against the backdrop of an explosive increase in the global population. International competition has been intensifying in step with advances in economic globalization. Society has also been reshaped by the current spread of COVID-19 infections. The automobile industry, one of the core markets served by Daido Steel's business, is also undergoing dramatic transformation. Daido Steel will need to transform itself to adapt to these sorts of changes.

Daido Steel has already begun focusing on the development of new products that address new needs and the seeds of new businesses that reflect the SDGs, along with undertaking various initiatives including M&As. Going forward, I believe that Daido Steel must continue these initiatives and redouble its efforts further. Additionally, modern society is heading into an era of full-scale adoption of information technology (IT) and digitalization. The use of IT has become increasingly crucial in many areas, including corporate management. Therefore, another key challenge for Daido Steel will be to use IT to streamline and speed up management.

Innovative initiatives to address these sorts of management priorities inevitably involve risk. For this reason, management decisions must be proactive but also cautious at the same time. By drawing on my experience and knowledge to the fullest extent possible, I will provide advice to management on Daido Steel's initiatives to address its management priorities. In the process, I hope to make a positive contribution to Daido Steel.

Risk Management and Compliance

1 Framework

(1) Philosophy and Organizations

Daido Steel believes that risk management and compliance are the starting points for ensuring the continuity of its businesses.

The Company has laid out basic matters on risk management in the Risk Management Regulations. In addition, we have established a Corporate Risk Management (CRM) Committee to discuss risks surrounding the Daido Steel Group and matters concerning internal control. Moreover, in accordance with the Risk Management Regulations, the Company has appointed a director who is responsible for risk management and compliance.

(2) Code of Ethics and Code of Conduct

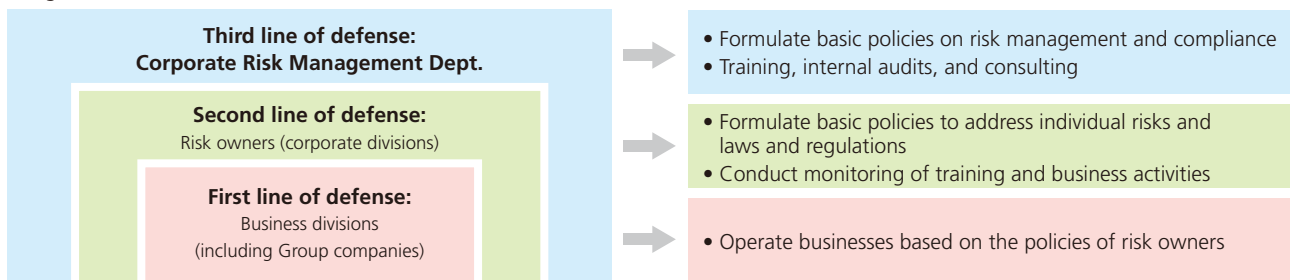
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct as standards for behavior that all Company staff and other concerned parties should follow. Daido Steel distributes the Code of Ethics and Code of Conduct to all employees and offers training on these codes to each tier of its workforce.



(3) Three Lines of Defense

In order to address various risks and laws and regulations, Daido Steel has built a framework consisting of “three lines of defense.” The Corporate Risk Management Dept. is positioned as the final line of defense.

[Diagram of the Three Lines of Defense]



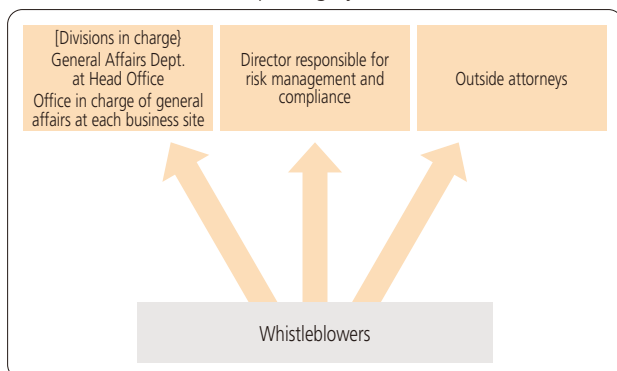
(4) Emergency Countermeasures and Contact Systems

In preparation for the possible occurrence of a major accident or other contingency, Daido Steel has formulated regulations for emergency countermeasures in the event of a major accident or other issue, with the purpose of promptly sharing information with concerned parties, making a speedy response to the issue, and minimizing the impact on business activities. The Daido Steel Group as a whole, including Group companies, conducts business operations based on these regulations.

(5) Internal Reporting System

Daido Steel maintains a hotline to provide a contact point for consultations and reporting on compliance issues. The hotline connects personnel with the director in charge of risk management and compliance, the divisions in charge and outside attorneys.

[Outline of the Internal Reporting System]



2 Risk Map (Abridged) and Key Measures

Daido Steel uses a risk map to organize risks. Risks are classified by degree of impact and frequency of occurrence. Within the risk map, particularly high risks are designated as “special risks.”

Frequency of occurrence	High	Risk that could occur at any time	<ul style="list-style-type: none"> Foreign exchange movements Personal information 	<ul style="list-style-type: none"> Accidents such as fires IT environment 	
	Medium	Risks that have the potential to occur	<ul style="list-style-type: none"> Accounting scandals Taxation-related Overseas affiliates 	<ul style="list-style-type: none"> Cartels Personnel-related 	<ul style="list-style-type: none"> Security trade control Natural disasters Demand environment Inspection data Industrial waste
	Low	Risks that occur by chance or around once or twice per year	<ul style="list-style-type: none"> Transfer pricing Fundraising Embezzlement, breach of trust 	<ul style="list-style-type: none"> Soil contamination Business plan Hazardous substances 	<ul style="list-style-type: none"> Facilities-related Terrorism
	Loss category		Moderate impact	Serious impact	Catastrophic impact
			Degree of impact		

3 Key Initiatives in Fiscal 2019

(1) Risk Management

The CRM Committee held 6 meetings, and discussed issues and countermeasures concerning risk management. Working groups were organized to address "special risks." The working groups implemented the following initiatives.

Working Group 1

(Trade security control and prevention of cartels)

- Trade security control: Offer training and conduct internal audits
- Prevention of cartels: Offer training to relevant divisions

Working Group 2

(Business Continuity Management (BCM))

- Established regulations on BCM
- Strengthened Head Office functions in preparation for emergencies
- Provided BCP support to affiliates

Working Group 3 (Enhance governance of affiliates)

- Convened six subcommittees (Audit & Supervisory Board Members, Important Laws and Regulations, Internal Control, Internal Audit, Risk Management & BCP, Human Resources Management)
- Held various training seminars, offered individual consultations, and provided support

For risks other than "special risks," each risk owner implemented initiatives to prevent and reduce risks.

(2) Compliance

Daido Steel conducted the following compliance initiatives.

- (1) Issued messages from the president, including New Year's greetings from the President and the Corporate Ethics Month (October) message
- (2) Made the internal reporting hotline and how reports are received widely known to staff through media such as internal newsletters
- (3) Identified potential issues through compliance awareness surveys (covering all employees and conducted every two or three years) and implemented necessary countermeasures
- (4) Provided harassment prevention training to all employees at the management level and below
- (5) Identified issues within the Daido Steel Group and offered support for remedial measures
- (6) Provided training on laws and regulations to Daido Steel Group employees
- (7) Held Group CRM study sessions (members comprise directors responsible for compliance within the Daido Steel Group)



(3) Internal Control

In order to ensure the reliability of financial reporting, Daido Steel implemented the following initiatives based on the Internal Control Regulations.

- (1) Self-inspections, internal audits, and external audits based on internal control documents
- (2) In-depth audits with different themes every year and related interviews with each office manager on a risk basis

As a result of these initiatives, we confirmed that there are no major deficiencies at the Daido Steel Group. Incidentally, during an accounting audit, an incident of inappropriate accounting was identified at a subsidiary. We analyzed the cause of the incident and considered measures to prevent a recurrence, among other actions. By the fiscal year-end, we had fixed the major internal control deficiencies. We reported evaluation plans, results and other matters regarding the status of internal control, along with the status of the internal control system (Companies Act), to the CRM Committee and the Board of Directors.

Moreover, we updated the content of training on internal control and held various training seminars for concerned parties.

4 Fiscal 2020 Plan

- (1) Prepare a risk map (for the fiscal 2023 medium-term management plan) and conduct risk management activities based on it
- (2) Identify important laws and regulations (for the fiscal 2023 medium-term management plan), organize legal requirements and formulate response measures
- (3) Implement the necessary measures to upgrade the Daido Steel Group's internal control
- (4) Raise the efficiency of training through the expanded use of e-learning systems and improve the compliance level
- (5) Strengthen and support control over newly established sites and newly consolidated subsidiaries
- (6) Plan new forms of consulting for the Daido Steel Group and consider remote audits (COVID-19 countermeasures)

Corporate Data

Nine-Year Financial Summary

Years ended March 31	2012	2013	2014
Net sales	489,154	440,428	457,731
Operating income	31,533	15,425	18,977
Ordinary income	31,762	16,475	20,287
Profit attributable to owners of parent* ¹	22,717	10,983	12,616
R&D expenses	4,360	4,560	5,160
Capital investment (plan)	39,700	25,400	26,400
Capital investment (construction)	22,365	26,791	44,404
Depreciation	20,463	19,229	20,052
Total assets	512,968	511,159	557,522
Equity	198,653	211,921	232,152
Net assets	231,512	245,741	267,625
Interest-bearing debt	156,336	146,999	143,085
Net cash provided by (used in) operating activities	41,795	33,607	28,567
Net cash provided by (used in) investing activities	(21,411)	(28,471)	(34,313)
Net cash provided by (used in) financing activities	(6,159)	(17,356)	(7,633)
Net assets per share (yen)	458	489	535
Profit attributable to owners of parent per share (yen)	52	25	29
Shareholders' equity ratio (%)	38.7	41.5	41.6
Return on assets (ROA) (%)	6.3	3.2	3.8
Return on equity (ROE) (%)	12.1	5.4	5.7
Return on sales (ROS) (%)	6.4	3.5	4.1
Cash dividends applicable to the year per share (yen)	7.5	4.5	5.0

<Net Sales by Segment>

Specialty Steel	268,311	232,701	250,749
High Performance Materials and Magnetic Materials	182,702	152,759	159,367
Parts for Automobile and Industrial Equipment	130,404	121,868	123,776
Engineering	27,811	33,751	31,980
Trading and Service	18,097	19,221	18,856
(Elimination of intercompany sales)	(138,172)	(119,874)	(127,000)

<Operating Income by Segment>

Specialty Steel	9,897	3,514	1,691
High Performance Materials and Magnetic Materials	13,745	6,648	11,104
Parts for Automobile and Industrial Equipment	4,827	3,394	3,779
Engineering	1,826	762	1,125
Trading and Service	1,241	1,109	1,280
(Elimination of intercompany profits)	(4)	(2)	(3)

*1 Profit attributable to owners of parent was previously presented as "net income" until the fiscal year ended March 31, 2015.

*2 A one-for-ten reverse stock split of common shares was conducted on October 1, 2017.

Nine-Year Financial Summary

(Millions of yen)

2015	2016	2017	2018	2019	2020
483,633	460,577	445,122	505,219	543,255	490,421
20,408	24,432	25,513	36,218	33,815	24,768
21,729	25,108	26,373	36,130	34,343	24,298
10,886	6,746	16,386	23,920	21,182	10,987
5,300	5,766	6,205	5,419	5,638	6,002
20,600	28,300	32,800	38,600	37,200	25,300
30,295	23,205	28,940	35,605	34,413	37,529
22,436	22,454	23,275	20,740	23,171	24,662
588,590	535,675	574,169	642,021	650,697	625,899
256,021	232,832	259,850	284,434	285,508	273,562
292,405	268,345	290,501	316,409	318,140	309,136
146,208	136,114	142,599	160,352	174,998	193,881
25,739	45,731	28,390	31,043	28,114	41,033
(32,178)	(23,164)	(26,449)	(30,215)	(33,707)	(39,326)
(2,792)	(20,164)	(1,843)	5,477	5,589	10,526
590	545	609	6,672	6,697	6,417
25	16	39	561	497	258
43.5	43.5	45.3	44.3	43.9	43.7
3.8	4.5	4.8	5.9	5.3	3.8
4.5	2.8	6.7	8.8	7.4	3.9
4.2	5.3	5.7	7.2	6.2	5.1
6.5	7.5	10.0	Interim 6.0 Year-end 60.0*2	130.0	70.0
262,438	254,150	228,963	254,808	278,924	241,462
178,513	172,786	163,495	186,809	202,357	181,038
130,293	131,078	120,331	130,807	137,839	120,933
25,436	28,609	25,587	26,974	29,340	27,492
21,089	19,612	24,047	25,612	25,962	31,529
(134,137)	(145,659)	(117,304)	(119,793)	(131,168)	(112,033)
3,177	7,560	5,813	6,478	5,998	5,148
13,517	12,331	17,416	22,195	20,694	13,638
1,023	1,298	(516)	3,070	2,308	430
1,652	2,071	1,218	1,835	2,291	2,960
1,043	1,173	1,583	2,686	2,527	2,581
(6)	(2)	(2)	(48)	(5)	9

Company Information

Corporate Data (As of March 31, 2020)

Corporate Name:	Daido Steel Co., Ltd.	Lead Managers:	SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd.
Founded:	August 19, 1916		
Incorporated:	February 1, 1950		
President:	Takeshi Ishiguro		
Number of Employees (Non-Consolidated):	3,473	Principal Business Partners:	
Common Stock:	¥37,172,464,289	<Sales>	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Toyota Motor Corporation, DENSO CORPORATION, Mitsubishi Heavy Industries, Ltd., IHI Corporation, Nidec Corporation
Number of Issued Shares:	43,448,769	<Procurement>	Chubu Electric Power Co., Inc., TOHO GAS Co., Ltd., Obayashi Corporation, Sumitomo Metal Mining Co., Ltd., MM&KENZAI Corporation, HANWA Co., Ltd.
Number of Shareholders:	17,339		
Principal Banks:	Mizuho Bank, Ltd., MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation		

Principal Shareholders:

Name of Shareholder	Investment in the Company	
	Number of Shares Held (Thousands of Shares)	Investment Ratio (%)
NIPPON STEEL CORPORATION	3,100	7.3
Japan Trustee Services Bank, Ltd. (Trust Account)	2,556	6.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,152	5.0
Meiji Yasuda Life Insurance Company	2,075	4.9
Mizuho Bank, Ltd.	1,577	3.7
NHK SPRING CO., LTD.	1,449	3.4
MUFG Bank, Ltd.	1,405	3.3
Honda Motor Co., Ltd.	1,305	3.1
Toyota Motor Corporation	869	2.0
DENSO CORPORATION	800	1.9

* Excluding treasury stock

List of Group Companies (as of March 31, 2020)

Name of company	Number of employees As of March 31, 2020	Location	Corporate website address
Specialty Steel			
DAIDO DMS (THAILAND) CO., LTD.	226	Chachoengsao, Thailand	http://www.daidopdm.co.th
Daido Die & Mold Solutions Co., Ltd.	594	Daito, Osaka	http://www.daidodms.co.jp
Daido Tienwen Steel Co., Ltd.	166	Taoyuan-Hsien, Taiwan	http://www.daidosteel.com.tw
DAIDO DMS MALAYSIA SDN. BHD.	114	Selangor, Malaysia	http://www.daidoamistar.com.my
DAIDO DMS SINGAPORE PTE. LTD.	30	Singapore	—
Daido Technica Co., Ltd.	713	Tokai, Aichi	http://www.daido-technica.co.jp
Daido EcoMet Co., Ltd.	137	Tokai, Aichi	http://www.d-ecomet.co.jp
Riken Seiko Co., Ltd.*	198	Chuo-ku, Tokyo	http://www.rkn.co.jp
Tohoku Steel Co., Ltd.*	300	Murata-cho, Shibata-gun, Miyagi	http://www.tohokusteel.com
Maruta Transport Co., Ltd.*	492	Mizuho-ku, Nagoya City	http://www.maruta.co.jp
Sakurai Kosan Co., Ltd.*	68	Minami-ku, Nagoya City	http://www.sakuraikosan.co.jp
Izumi Denki Kogyo Co., Ltd.*	59	Sumida-ku, Tokyo	http://www.izumidenki.com
Kawaichi Sangyo Co., Ltd.*	201	Kawasaki-ku, Kawasaki	http://www.kawaichi.jp
High Performance Materials and Magnetic Materials			
Nippon Seisen Co., Ltd.	600	Chuo-ku, Osaka	http://www.n-seisen.co.jp
THAI SEISEN Co., Ltd.	199	Samutprakarn, Thailand	—
Daido Electronics Co., Ltd.	293	Nakatsugawa, Gifu	http://www.daido-electronics.co.jp
Daido Electronics (Suzhou) Co., Ltd.	378	Jiangsu Province, China	—
Daido Electronics (GuangDong) Co., Ltd.	129	Guangdong Province, China	—
Daido Electronics (Thailand) Co., Ltd.	490	Ayutthaya, Thailand	—
Shimomura Tokushu Seiko Co., Ltd.	236	Ichikawa, Chiba	http://www.sts-shimomura.com
Shimomura Tokushu Seiko (Suzhou) Co., Ltd.	61	Jiangsu Province, China	http://www.stss-shimomura.cn
Oriental Shimomura Drawing (M) SDN. BHD.	63	Penang, Malaysia	—
Nissei Seiko Co., Ltd.	83	Minami-ku, Nagoya City	http://www.nssy.co.jp
Parts for Automobile and Industrial Equipment			
Daido Castings Co., Ltd.	510	Minami-ku, Nagoya City	http://www.d-cast.jp
DAIDO CASTINGS (SUZHOU) CO., LTD.	60	Jiangsu Province, China	—
Daido Steel (Thailand) Co., Ltd.	64	Chonburi, Thailand	—
FUJI OOXZ Inc.	534	Kikukawa, Shizuoka	http://www.oozx.co.jp
FUJI OOXZ MEXICO, S.A. DE C.V.	163	Guanajuato, Mexico	—
PT. FUJI OOXZ INDONESIA	214	West Java, Indonesia	—
FUJI VALVE (GUANGDONG) CORPORATION	189	Guangdong Province, China	—
FUJI HOLLOW VALVE Inc.	76	Kikukawa, Shizuoka	—
Japan Drop Forge Co., Ltd.	137	Amagasaki, Hyogo	http://www.j-d-f.co.jp
Toyo Sangyo Co., Ltd.	75	Ohira-mura, Kurokawa-gun, Miyagi	http://www.ring-roll-toyo.co.jp
Daido Star Techno Co., Ltd.	269	Shibukawa City, Gunma	http://www.dsteku.jp
Daido Precision Industries Ltd.	200	Toshima-ku, Tokyo	http://www.daidoseimitu.co.jp
OHIO STAR FORGE CO.	122	Ohio, U.S.A.	http://www.ohiostar.com
Engineering			
Daido Machinery Co., Ltd.	350	Minami-ku, Nagoya City	http://www.dm-daido.co.jp
Daido Environment Engineering Co., Ltd.	55	Minami-ku, Nagoya City	http://www.daido-kankyo.co.jp
Daido Plant Industries Co., Ltd.	72	Minami-ku, Nagoya City	http://www.daido-plant.co.jp
Trading and Service			
Daido Kogyo Co., Ltd.	355	Minato-ku, Tokyo	http://www.daidokogyo.co.jp
Silent partnership with TAKAKURA FUNDING CORPORATION LTD. as business operator	—	Chiyoda-ku, Tokyo	—
Daido Life Service Co., Ltd.	191	Minami-ku, Nagoya City	http://www.daidolife.co.jp
Life Support Co., Ltd.	127	Minami-ku, Nagoya City	http://www.ls-lifesupport.co.jp/
Daido Steel (Shanghai) Co., Ltd.	53	Shanghai, China	http://www.daidosteel.net
Daido Kogyo (Thailand) Co., Ltd.	19	Bangkok, Thailand	—
Daido Bunseki Research Inc.	223	Minami-ku, Nagoya City	http://www.daido.co.jp/dbr/
Star Info Tech Co., Ltd.	204	Higashi-ku, Nagoya City	http://www.d-sit.co.jp
Kisokoma Heights Co., Ltd.	571	Kiso-machi, Kiso-gun, Nagano	http://www.kisokoma.co.jp
Daido Steel (America) Inc.	12	Illinois, U.S.A.	http://www.daidosteel.com

22 other companies

Unmarked: consolidated subsidiary * Associated company accounted for by the equity method



DAIDO STEEL GROUP
Beyond the Special

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We welcome your opinions about our Sustainability Report 2020. We will use everyone's opinions and comments for future reference.

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