



**INTEGRATED**  
**REPORT**  
**2024**

# Cover Story 1

## **Moving Towards a Sustainable Future**

As a manufacturing company, we strive to protect the environment and contribute to the realization of a sustainable society.



### **Kutcharo Natural Forest Daido**

Our company-owned forest by Lake Kutcharo, a Ramsar site located in the northernmost tip of Japan, in Hamatonbetsu-cho, Hokkaido, covers approximately 3.7 million m<sup>2</sup> and is home to migratory birds like Bewick's swans and wild animals such as brown bears, Yezo sika deer, and Ezo red fox. We collaborate with a local non-profit organization to protect and restore forests and lakes, as well as revitalize local communities.

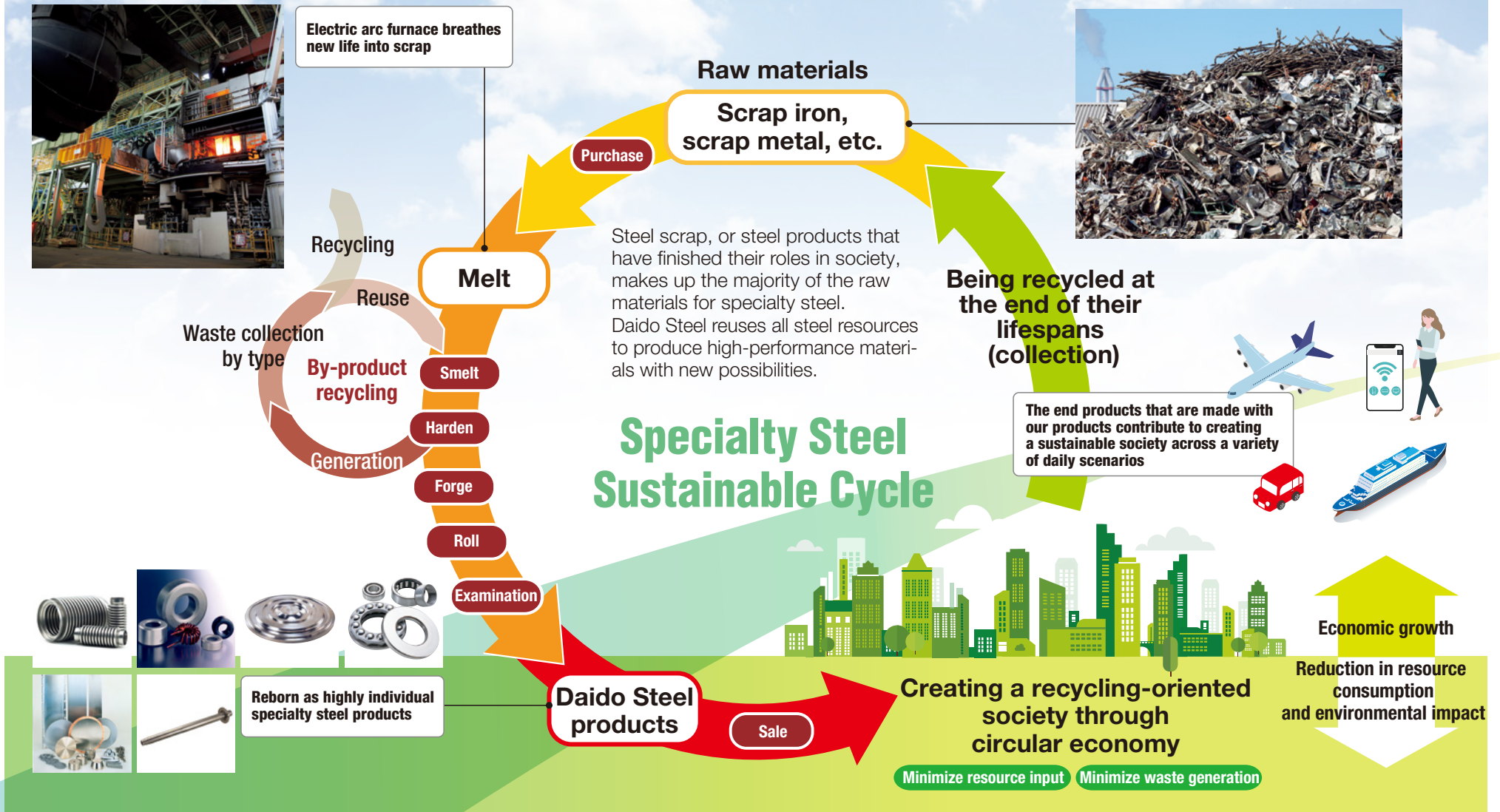


Dedicated Website for Daido's Environment Protection Activities

<https://www.daido.co.jp/sustainability/eco/special/> (Japanese only)



# Cover Story 2 Specialty Steel—The Ultimate Sustainable Material

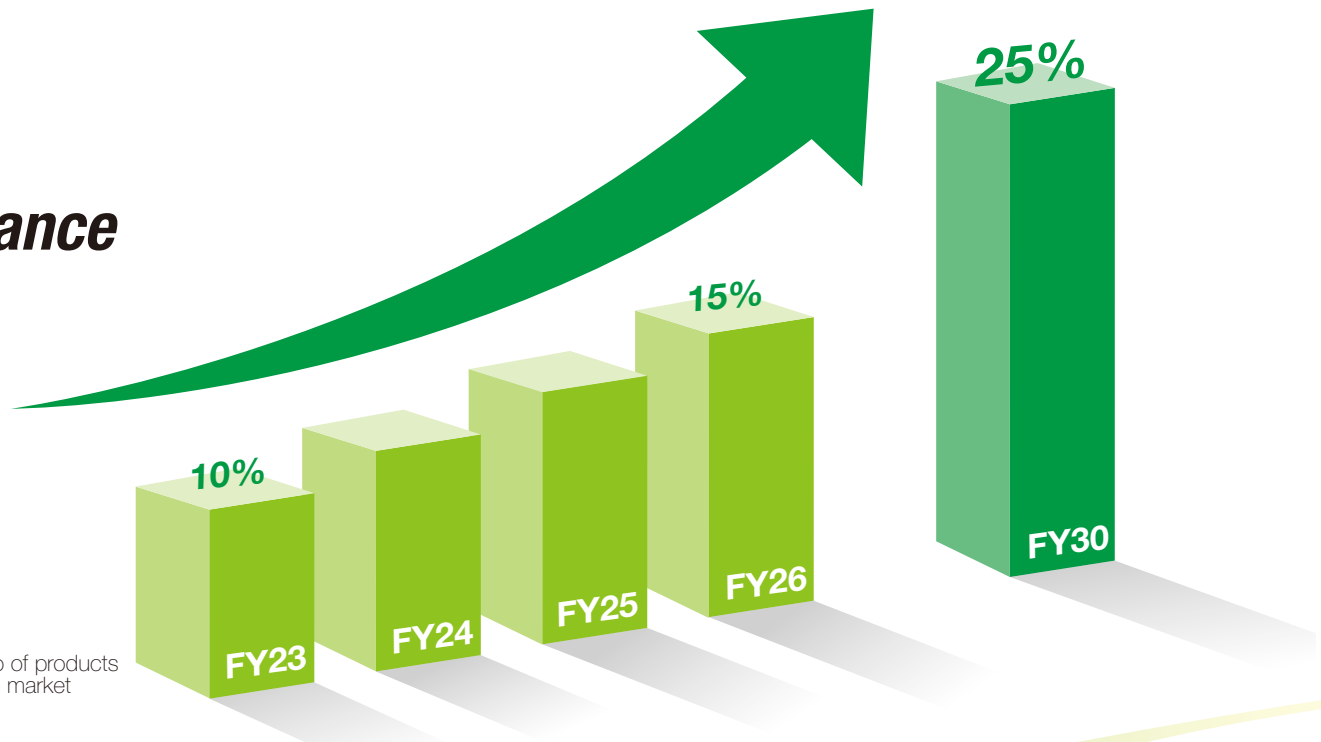


# Cover Story 3

## Daido Steel's High-performance Products and Technology Contribute to Global Environment Protection

We will continue to create earth-friendly products that contribute to the realization of a sustainable future.

Net sales ratio of products for the growth market



**Ultra-clean stainless steel "CLEANSTAR®"**

Highly corrosion-resistant stainless steel for semiconductor production equipment strongly supports semiconductor production, which is essential to realizing a sustainable society.



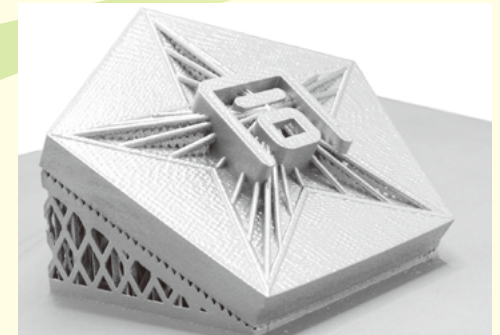
**Electric arc furnaces with rotating drives "STARQ®"**

The rotating mechanism of the furnace body promotes uniform melting of scrap, making it possible to significantly reduce energy usage in electric arc furnaces.



**Anisotropic NdFeB hot-deformed magnet (specially-shaped and -oriented magnets)**

Using a unique manufacturing method, we control the shape and orientation to achieve high performance, reduce the amount of heavy rare earths used, and conserve resources.



**High thermal conductivity die steel powder for 3D printers**

By using high thermal conductivity die steel powder as the raw material for 3D printing molds, we can increase yields and extend the life of the molds, contributing to resource conservation.





## *Cover Story 4*

# ***Creating a Daido Steel That Continues to Support Our Future***

In order to realize our management philosophy, we will provide our value, value that is **“Beyond the Special,”** and continue to support people’s lives and the advancement of society.

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### Thoughts behind the cover design

The cover was developed from the bridge-like pattern used in last year's design.

This represents our conviction that by offering "value that goes beyond the special," we provide a "bridge" that leads to everyday life and industrial development.

At the same time, the design symbolizes Daido Steel Group as a team striving to reach our targets as one on a global scale.



## Editorial policy

As a reporting tool to explain its efforts to contribute to sustainable development from a long-term perspective based on ESG, Daido Steel Co., Ltd. initially published an Environmental Report, which was replaced in 2006 with the CSR Report, and then in 2020 with the Daido Steel Sustainability Report. From 2021, we have been publishing an integrated report that can comprehensively communicate the Company's value creation process, strategies, and materiality progress for realizing an increase in corporate value in the medium- to long-term, as well as the Company's initiatives in general.

We expect the readers of this report to be the Company's stakeholders (customers, local communities, shareholders/investors, business partners, employees, etc., all persons related in company business), public institutions, media, and educational institutions, etc. The scope of this report covers Daido Steel Co., Ltd. and its group companies, and mainly contains information related to "strategy" and "sustainability" from a long-term perspective.

### [Reporting period]

April 1, 2023 to March 31, 2024  
 (includes some fiscal 2024 activities and past results)

### [Referenced guidelines]

GRI "Sustainability Reporting Standards"  
 IFRS Foundation "International Integrated Reporting Framework"  
 Ministry of the Environment "Environmental Reporting Guidelines 2018"  
 Ministry of Economy, Trade and Industry "Guidance for Collaborative Value Creation"

### [Publication date]

September 2024 (last published in September 2023)

## How to use

Each page has navigation buttons that will allow you to easily move between pages.

### [Navigation buttons]

Click this to go to the Table of Contents page

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### [Links]

Goes to an external website


Goes to the relevant page within this Report


# About This Report


## Points in the Integrated Report 2024

In order to communicate Daido Steel's sustainable value creation and sustainability initiatives to all our stakeholders in a way that is easy to read and easy to understand, we have switched to a horizontal A4 layout and edited it to emphasize the following content.

- ✔ We created cover stories to let stakeholders know that we are an environmentally-friendly company.

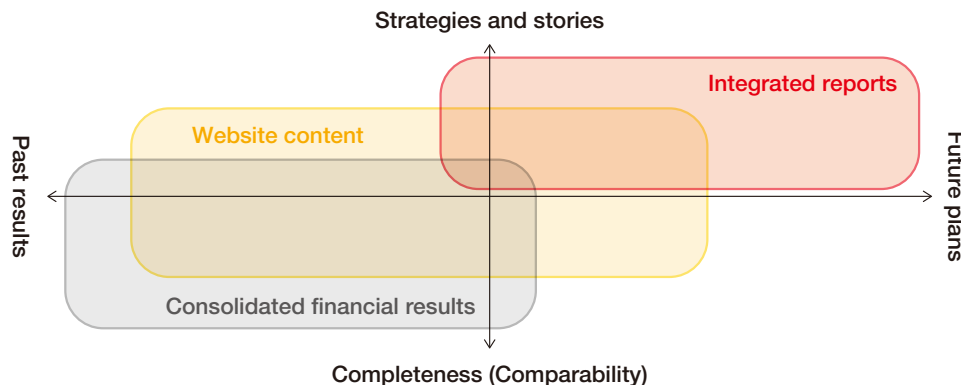
 [Cover Stories ▶ P.1-4](#)
- ✔ We made the 2026 Medium-Term Management Plan the main content and clarified what we aim to accomplish.

 [2026 Medium-Term Management Plan ▶ P.24](#)
- ✔ By clearly stating the targets and KPIs for our materiality initiatives, we have shown that the initiatives are advancing steadily.

 [Progress of materiality ▶ P.52](#)

## Information disclosure system

The Integrated Report 2024 is positioned as content that expresses the strategies for our "Vision for 2030" as well as our value creation stores.



## Materiality review

Since formulating materiality in fiscal 2020, we have been revising it every fiscal year due to the various changes in the external environment and the complexity of sustainability issues. Since we are aware that, in order to realize the "Vision for 2030" in the 2026 Medium-Term Management Plan, we must reorganize the sustainability issues linked to our management strategies and have revised them as shown below.

Before revision		
1. Preservation of the global environment (business activities)		Initiatives to address climate change
		Transition to a circular economy
2. Preservation of the global environment (product supply)		Technological innovation for energy transition
		Improvements in energy efficiency
		Effective utilization of natural resources
3. Responsibilities and contributions to society		Respect for human rights
		Elimination of occupational accidents
		Promotion of health and productivity management
		Promotion of diversity
		Work style reforms
		Social contribution initiatives
		Supply chain management
4. Strengthening governance		Strengthening of corporate governance
		Risk management and compliance
		Stable supply of high-quality products
		Stakeholder communication*

\*Reviewed in fiscal 2022

After revision		
E: Preservation of the global environment (business activities/ product supply)		Steady implementation of a roadmap to achieve carbon neutrality in the production process
		Expansion of businesses that contribute to the realization of a sustainable society
		Coexistence with nature and reduction of environmental impact as a manufacturing company
S: Responsibilities and contributions to society		Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I
		Contributing to solving social issues and fulfilling our corporate responsibilities
G: Strengthening governance		Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system

 [Materiality review ▶ P.50](#)



# The Present and Future of Daido Steel

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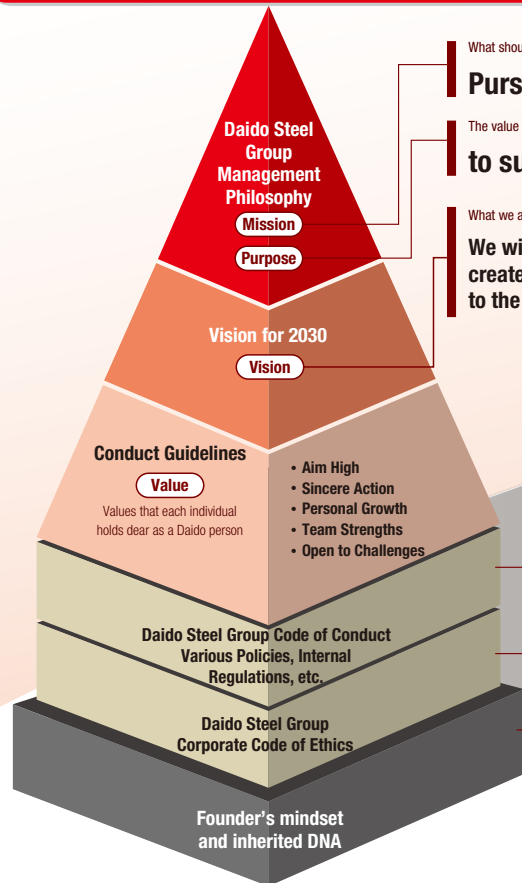
# Corporate Philosophy Structure and Business Direction

## Daido Steel Way

The Daido Steel Group aims to enhance corporate value by practicing the Daido Steel Way (corporate philosophy structure), which systematizes its vision and the basis of its actions.

### Beyond the Special

From the past to the present, we have continued to support our future. In order to do this, we will continue pursuing materials' potential and what is beyond the special.



What should we do to realize the value of our existence?  
**Pursuing the potential of materials, to support our future**

The value of our existence for society and why do we exist?  
**We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society**

What we aim to accomplish in the process of realizing our purpose

Specific behavioral standards, policies, and rules for officers and employees

Ethical rules that the Company must follow

Our unchanging founding principles have been passed down to our employees

1916 Birth

1916 100th Year Anniversary of Daido Steel's Founding  
 Founder Momosuke Fukuzawa  
 "Frontier Mindset"  
 "Customer First"  
 108-Year History of Daido Steel  
 ▶ P.14

## Business Direction for Corporate Value Enhancement

Looking toward carbon neutrality in 2050, the Company is setting "We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society" as our "Vision for 2030". We will further strengthen our relationship with stakeholders and make efforts to realize our vision together.

### From the present to 2030

We will advance into the future while focusing on the basic action policies for our medium-term management plan, including "transforming business portfolio," "enhancing management resilience," and "advancing ESG management"

Present

2030

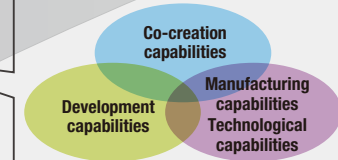
2050

Aimed at the Next Generation  
 "Achieving carbon neutrality"

### Main strategies and KPI for our "Vision for 2030"

Pursuing high-performance materials and creating benefits for customers	▶ Net sales ratio of products for the growth market	<b>25%</b>
Contributing to the realization of a sustainable society	▶ CO <sub>2</sub> emissions	<b>-50%</b>

Utilizing the "core competencies" we have built to realize our vision



### 2026 Medium-Term Management Plan

2026 Medium-Term Management Plan ▶ P.24

"Transforming business portfolio"

"Enhancing management resilience"

### "Advancing ESG management"



Materiality ▶ P.52



## CEO Message

# Transition Management for Our “Vision for 2030”

### Previous Medium-Term Management Plan Truly Showed Our Real Strength

It has been a year since I became president of Daido Steel. In this rapidly-changing social and economic environment, the year has gone by in a flash. It was a year in which, as I went through a variety of new experiences, I felt every day the weight of the determination and the responsibility needed for the role of company president.

Looking back over the previous medium-term management plan, although the steel product sales volume was not large, we were able to reach our operating income target one year early and maintain record high levels in fiscal 2023 as well. In the past, this level of sales volume did not produce much profit, but behind the profits earned was the fact that we had moved forward with one of the basic action policies of that management plan, which was strengthening management agility.

One of the specific initiatives was the introduction of an energy surcharge scheme. In the specialty steel segment, profits were susceptible to downward pressure as the prices of raw materials and energy soared, but the surcharge scheme enabled us to reliably ensure our margins. The reason this activity paid off was the extraordinary efforts of our sales divisions to gain our customers' recognition of the value of our steel. While the “deflation mindset” is still generally widespread throughout Japan, we have worked to adjust our margins while taking the time to provide clear explanations.

**Tetsuya Shimizu**  
President & CEO,  
Representative Executive Director





In addition, the ability of our automobile and industrial equipment parts segment to keep up with the vigorous demand was major factor contributing to profits. However, being at the bottom of the semiconductor cycle, the high-performance materials and magnetic materials segment, which had been driving our profits until now, struggled.

In this kind of situation, with the Company as a whole having ensured profits, I am struck by the feeling that it has been a 3-year period of growth.

## Portfolio Transformation Through Increased Capacity and Speed

In the previous medium-term management plan, apart from ensuring operating income, we also reached our targets for financial indicators such as ROE and D/E ratio, but two significant challenges remain. The first is to increase production capacity in order to handle the increase in orders for automobile and industrial equipment parts, where demand has risen further, and the second is to speed up the creation of new business.

For the former, to increase production capacity, we will optimize production allocation to higher-efficiency plants and respond to demand by deploying the manufacturing know-how of the Shibukawa Plant at the Chita and Hoshizaki Plants as well.

For the latter, we needed to supercharge the functions of the Next-Generation Products Development Center, an organization dedicated to creating new business. The new businesses dreamed up by the Center are totally new fields which currently have no resources, such as production facilities or sales teams. They therefore have to cultivate new customers as well. As the automotive

industry has been our main business until now, for us to break new ground in unknown industries, we need to deepen our mutual understanding, so it will surely take some time, but we must proceed more rapidly than in the past. Previously, we had used various kinds of help, such as collaboration with mid-career hires and research institutions or using external consultants, to increase mobility, but we could not yet say that it was enough.

We are therefore reorganizing the Center, from this fiscal year, as the Material Solution Department, an organization under the direct control of the President. In this way, decisions will be made promptly and new businesses will be created more rapidly. Until now, there has never been this kind of organization, directly controlled by the President, at Daido Steel, so it will be a challenging initiative, but I believe and am determined that this too must change.

I also intend to properly ensure our capacity to supply materials that can be invested in markets that are positioned as growth markets, such as high-performance stainless steel and titanium.

## Deepening our “Vision for 2030”

From this fiscal year, we have changed our “Vision for 2030” from ‘pursuing high-performance specialty steel and contributing to “realizing a green society”’ to ‘pursuing high-performance materials, creating benefits for customers, and contributing to the realization of a sustainable society.’

Firstly, the change from “specialty steel” to “materials” has actually been discussed since the previous medium-term management plan was being formulated, and we

decided to temporarily leave it as “specialty steel”. But after much careful consideration, we resolved to make the switch to “materials”. The word “steel” is even in the Company’s name and we are fond of it, but after taking into account our customers’ awareness about Daido Steel’s actual business conditions, we opted to change it. This was a very big change for us.

Furthermore, the reason we changed from “green society” to “sustainable society” is that our goals are not limited to carbon neutrality and a circular economy. We are working on solving a variety of sustainability issues, and we will broadly extend the range of products that contribute to sustainability, so we wanted to convey that accurately.

Creating customer benefits is based on “customer first” and “working closely with customers to anticipate their needs,” which have been Daido Steel’s DNA since the Company was founded. When coming up with our current vision, we included the hope that we will make





good materials that contribute to helping our customers produce good products.

Following much discussion the vision itself became clearer and more specific. Through this, awareness of it within the Company has also heightened which I consider a deepening of our “Vision for 2030.” We will promptly put the 2026 Medium-Term Management Plan into action in order to realize this vision.

### Managing Transitions with the 2026 Medium-Term Management Plan

Under the 2026 Medium-Term Management Plan is the subheading of “transition management.” Underlying this is the fact that, amid massive social change, the environment around the specialty steel industry in particular has changed. As the electrification of automobiles progresses,

the demand for specialty steel will gradually decrease. With Japan’s GDP also projected to fall going forward, we must change too. Amid such changes in society and industry, how should we change? I believe that it is not by stopping everything we have been doing up to now and starting completely new things, but, while we fulfill our responsibility to supply our existing products, we need a strategy under which we will gradually shift to new products. We will effectively utilize our limited management resources and steadily implement this strategy. To demonstrate these intentions, we have labelled it “transition management.” This will be another challenging initiative, but it is essential for achieving our vision.

Regarding “transforming business portfolio”, which is one of the basic action policies for the 2026 Medium-Term Management Plan, in addition to what I mentioned earlier, I want to create a good balance in the sales scale of each segment named in the “Vision for 2030.” In engineering, in particular, apart from having a large number of products that contribute to the realization of parts of the vision, such as carbon neutrality and a circular economy, Daido Steel has unique characteristics that other companies do not, such as the operational know-how accumulated by using these products in-house. Therefore, I believe they will be the targets of growth investment. From the perspective of this kind of segment balancing, we changed the basic action policy from “expanding businesses in fast-growing fields,” which is in the previous medium-term management plan, to “transforming business portfolio.”

As for “enhancing management resilience,” we particularly want to focus on strengthening our human capital. The truth is, we are currently going through

multiple rounds of discussions, and our aim is to complete the setting of targets for our engagement score, which is named as one of our main strategies and KPIs, within fiscal 2024. In addition, we are taking on the challenge of agile organizational design in order to rapidly transform our business portfolio. This is important for the creation of new businesses and is also closely linked to diversity. Hence, as an unsettled matter of our human resources portfolio, we will need further discussions about what kind of human resources will be appointed and how they will be assigned. People’s minds do not change immediately even if we, operating with agility, wish to make sudden switches, so I think this initiative also needs a “transition” phase.

The topics handled as management foundations have also expanded to cover a wide range of matters, such as financial strategy. Above all, strengthening our quality management is very important. Daido Steel’s products are used as parts of major infrastructure in our society, so problems with quality are a deadly social risk. Therefore, I believe it is an issue of the utmost importance that we will pursue as the basis of our manufacturing.

### Changing the Indicator from Volume to Quality

In the past, the sales volume of steel products was a management objective, and until over 10 years ago, the usual mindset was all about how to ensure volume.

However, as the electrification of automobiles has progressed and the usage of specialty steel has declined, this attitude of growing only our volume is not realistic. For this awareness to permeate the Company, in the 2026 Medium-Term Management Plan, we have adopted return



on sales as one of the main strategies and KPIs that are our management indicators. By pursuing this indicator, we will manage in a way that increases quality.

### Advancing the ESG Management Underlying the Achievement of Our Vision

To me, ESG management is a basic premise for a company to grow, including in economic terms, and also contributing to achieving a sustainable society in addition to fulfilling a social responsibility.

Among the basic action policies—“transforming business portfolio,” “enhancing management resilience,” and “advancing ESG management”—for our “Vision for 2030,” I see advancing ESG management as the foundation of the other two. As matters that influence corporate value, we set the ratios of CO<sub>2</sub> emissions, labor productivity, engagement scores, and cross-shareholdings in the respective environmental, social and governance indicators.

These ESG initiatives have been engrained at Daido Steel for quite some time with actual practices. Still, I think what is even more important from a corporate value perspective is for all stakeholders to have the right amount of understanding of our true strength and to assess the Company appropriately. We noticed that there had not been enough activities for that purpose up to now, and since the previous medium-term management plan, we have also been putting our efforts into communication activities.

In addition, to strengthen our adaptability as an organization to ESG issues and, as one part of our management strategy, to enhance initiatives leading

to improved corporate value, we established the Sustainability Committee in April 2022 and the ESG Management Department in January 2023. Among these initiatives, we will monitor the progress of the indicators set here, appropriately communicate the achievements and challenges to society, and gain the understanding of the stakeholders.

### Message to Employees for Achieving Our Vision

As we aim for our vision and change the Company, it is my strong wish that all employees will change as well. Surely, we will not change the things that represent Daido Steel’s good DNA, but I want us to foster the awareness that we will reinvent ourselves. And it is exactly what we are aiming for through developing the autonomous experts and co-creative staff in human capital strengthening.

As the base of this, the five conduct guidelines we have set out are the Company’s values that all employees should share, so please always act with these in mind. This is also Daido Steel’s DNA, which must not be altered.

In addition, I personally think that it is very important to respect other people. A company functions because each of us is assigned our respective role, so please do not forget to understand, accept, and respect each other.

Let us all combine our efforts to achieve the 2026 Medium-Term Management Plan, which by extension will realize our “Vision for 2030,” through autonomously changing ourselves, sharing values, and respecting each other.





# Daido Steel's Value Creation Process

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## 108-Year History of Daido Steel

### 108-Year History of Daido Steel

Even in today's world, where the industrial structure is going through a significant period of transition, steel, which has long supported a variety of industrial fields, has an immense amount of potential. Steel is believed to be a highly useful material for the advancement of electrification technology and the information and communications industries. Steel produced by the electric arc furnace process, which uses iron scrap, is anticipated to be environmentally friendly and the ultimate recycling methods.

The history of Daido Steel began in the early 1900s. When the importance of social infrastructure development was growing, Momosuke Fukuzawa, was among the first to notice the importance of electricity and started an electric steel manufacturing business to make effective use of electricity. Since then, we have overcome many difficulties; a harsh business environment and the transition to new technology, through various events such as two world wars, postwar reconstruction and rapid economic growth, the oil crises, the global financial crisis (Lehman Brothers bankruptcy), and the Great Eastern Japan Earthquake. We have learned from all those difficulties, refined our technologies, and contributed to the development of society. At present, the roles that companies are expected to play are expanding significantly, including contributing to the global environment. As a leading specialty steel company, Daido Steel provides products and solutions that contribute to the world's sustainable growth and creates benefits for our customers.

### The Mindset of Founder Momosuke Fukuzawa

When founder Momosuke Fukuzawa became president of Nagoya Dento Co., Ltd., he established the "GOKAI JUSSOKU (Ten Guiding Tenets)" for employees. This is still in our DNA today.

#### The conduct guidelines from 100 years ago, the "GOKAI JUSSOKU (Ten Guiding Tenets)"

1. The happiness we enjoy is thanks to the patronage of many customers
2. We must never forget the support from our customers even for a moment
3. The consumer's opinions are always right and should be treated hospitably
4. Absolutely prevent breakdowns and satisfy customers
5. Time and effort are precious and should be used with the greatest efficiency
6. Work that needs to be done that day should not be postponed until tomorrow
7. Even the smallest things should not be overlooked. Even little things must not be lost
8. Debate and formality are trivial matters. Think about how to make a profit
9. Complaining and laziness are bad for your health. Do your job happily
10. This company succeeds or fails depends on whether we can unite as one.  
Let's work together



For more details about our Company's history, please visit our 100th anniversary special website.  
<https://www.daido-100th.com/history/> (Japanese only)



Our history

<p><b>Seeing the potential of electric arc furnace steelmaking as a way to utilize hydropower resources</b></p> <p>Momosuke Fukuzawa, who was working on the development of power sources in the Kiso River, commercialized electric arc furnace steelmaking using electricity, and Electric Steel Manufacturing Co., Ltd., a specialty steel manufacturer that became the foundation of our Company, was born. The Company began manufacturing ferroalloys, cast steel products, and electric arc furnaces, and expanded due to military demand. We transitioned our business to civil demand after the war in order to continue operating.</p>	<p><b>Thinking ahead of the times, the Chita Plant was constructed</b></p> <p>Our Company, seeing that its fate was on the line, chose to create a Chita Plant in response to civil demand on the verge of explosive economic growth. The Company responded to the growing demand for specialty steel brought on by motorization by improving its production system and enhancing management through equipment streamlining.</p>	<p><b>Three companies merge to become one of the world's leading specialty steel manufacturers</b></p> <p>The demand for specialty steel had increased due to the Tokyo Olympics and the opening of the Meishin Expressway and Tokaido Shinkansen, but the two oil crises caused hardships for the specialty steel industry. Daido Steel, which was created through the merger of Daido Steel, Japan Special Steel, and Tokushu Seiko, embarked on a new journey as one of the world's leading specialty steel manufacturers.</p>	<p><b>Increase competitiveness and aim for globalization</b></p> <p>With an eye on the global market, the Company aimed to further strengthen its competitiveness in terms of quality, cost, delivery, etc. by making full use of the Chita Plant's No. 2CC and other unique technologies. Our Company actively developed new products and expanded new businesses, established overseas sites, and promoted global expansion.</p>	<p><b>Entering a new century with "Monozukuri Kaikaku" and strengthening group management</b></p> <p>In a rapidly changing economic environment, we promoted the shift from quantity to quality, a return to manufacturing and personnel development, and developing DMK (Daido Monozukuri Kaikaku) activities. We strengthened group management, further enhanced collaboration both internally and externally, and united as a group to take a bold stride into the new century.</p>	<p><b>Continuing to contribute to the realization of a sustainable society</b></p> <p>While appreciating the DNA we have inherited, we continue to evolve and aim to realize our "Vision for 2030." We will also continue to carefully listen to the voices of society and open up the possibilities of materials.</p>
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Examples of product development that created customer benefits

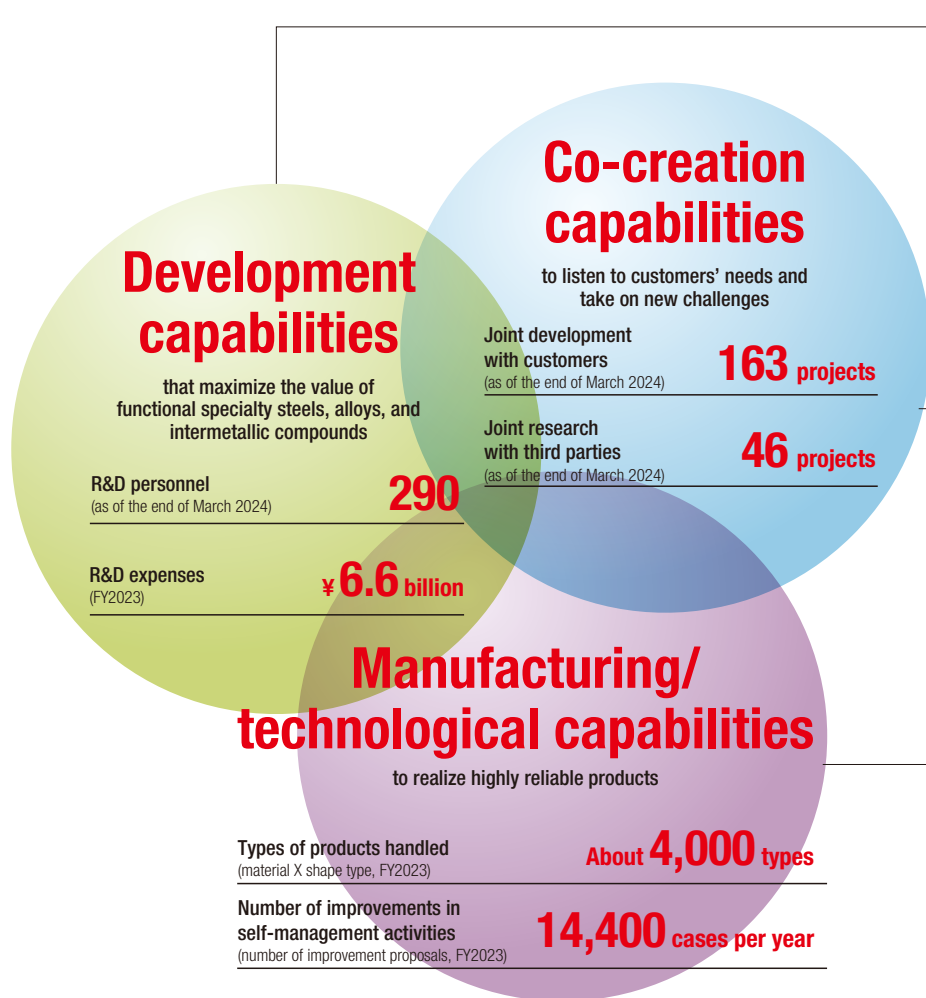
 <p>One of the Company's precious assets: a 1.5-ton L-type arc furnace (certified as a "Heritage of Industrial Modernization" by the Ministry of Economy, Trade and Industry)</p>	<p><b>Development of various free-cutting steels following the development of precision industry after the war</b></p> <p>1957 Developed ferritic free-cutting stainless steel (SS4F)              1960 Developed super free-cutting steel (SFC3F)</p> 	<p><b>A combination of three firms' technologies and knowledge: High-performance cold work tool steel</b></p> <p>1976 Considered application of gas nitrocarburizing treatment on tool steel              1981 Commenced research and development</p> 	<p><b>The world's leading aircraft jet engine shaft</b></p> <p>1983 Establishment of international joint development project. Start of joint development of V2500              1995 Began GE1014 development</p> 	<p><b>Soft magnetic powder adopted for hybrid vehicles</b></p> <p>2008 Began mass production of soft magnetic powder for reactors</p> 	<p>While appreciating the DNA we have inherited, we continue to evolve and aim to realize our "Vision for 2030." We will also continue to carefully listen to the voices of society and open up the possibilities of materials.</p>
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# Daido Steel's core competency creates "value that goes beyond the special"



## Initiatives to maintain and improve "development capabilities"

- Anticipating the needs of future society and expanding basic technology
- Introducing AI technology to further utilize accumulated material development capabilities
- Accelerating the development of new fields through partnerships with universities, research institutes, and other companies

R&D is split between the materials realm, which is comprised of specialty steel\*1 and magnetic materials, and the production process realm. In the existing business area, we are developing materials such as specialty steel and superalloys, which are our core realms of business technologies. We are promoting material development that integrates component design and manufacturing process technology. We are also focusing on commercializing new products such as hot-working processed neodymium magnets and soft magnetic powder.

\*1: Steel for high-strength gears for automobiles, electromagnetic stainless steel for automobiles, clean stainless steel for semiconductor production equipment, maraging steel for aircraft shafts, titanium alloy for consumer medical use, nickel alloy for drilling, etc.

## Initiatives to maintain and improve "co-creation capabilities"

- Realizing "co-creation" through development in collaboration with customers
- Establishing a Material Solution Department to co-create products that contribute to the realization of a sustainable society
- Machinery Division that turns ideas born from customer feedback into reality

We have long maintained deep relationships with customers in the automotive, heavy electrical, industrial machinery, and aviation industries, and have worked on many themes related to improving heat and corrosion resistance and increasing efficiency. The Machinery Division is promoting joint development with national and public organizations, such as the "Ultra-high Temperature Carbonization Technology Demonstration Project," which was selected as part of the Breakthrough by Dynamic Approach in Sewage High Technology Demonstration.

## Initiatives to maintain and improve "manufacturing capabilities" and "technological capabilities"

- Improving manufacturing technology through collaboration and analysis with the Process Technology Research Department
- The workplace encourages its own improvements (self-management and TPM activities), which are pushed even further by Daido Monozukuri Kaikaku (DMK) efforts
- Supporting manufacturing capabilities with high-quality manufacturing education (Daido Steel Technical Training School)

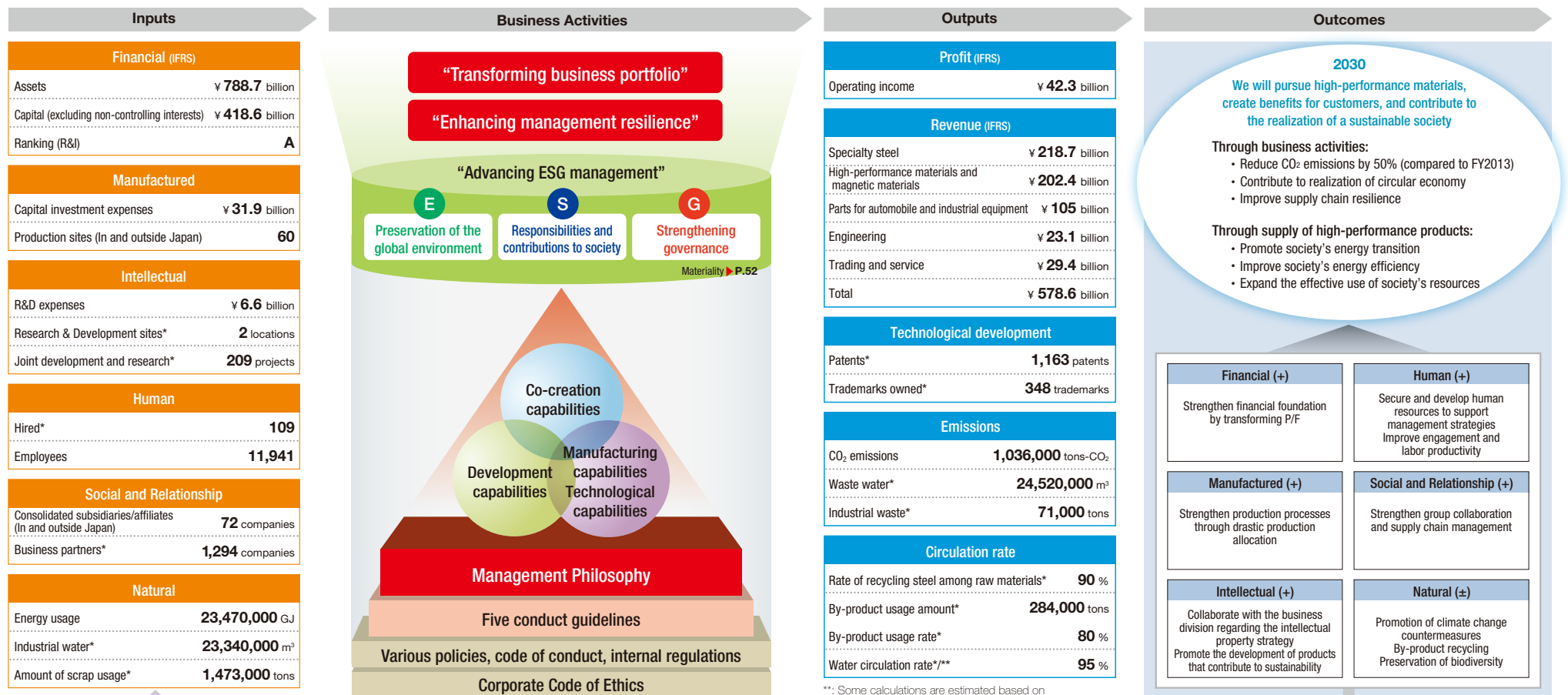
Daido Steel manufactures a wide variety of specialty steels using proprietary equipment and technology\*2 to provide materials that precisely meet customer needs. We are able to achieve steady reproducibility because of the advanced manufacturing capabilities we have accumulated over the years.

\*2: Large rotating electric furnace, composite refining, round section vertical continuous casting, chance-free & precision rolling, difficult-to-process wire rod rolling, combined process using free forging press and radial forging machine, etc.



# Value Creation Process

Since the founding in 1916, the Company has, along with the customer, continued to conduct manufacturing that contributes to innovation that society needs. Through manufacturing that maximizes the diverse management resources held by the Company, we aim to improve corporate value while progressing with ESG management that realizes a sustainable society. Daido Steel will continue to be a company that generates “value that goes beyond the special” under the banner of the slogan “Beyond the Special” to exceed stakeholder expectations.



As of March 31, 2024 or FY2023 results  
\*: Non-consolidated

\*\* : Some calculations are estimated based on equipment specifications



# Relationship of Daido Steel and Society

Daido Steel is striving to reduce weight, enhance strength, enhance corrosion resistance, and lengthen life-spans of various products to contribute to the reduction of CO<sub>2</sub> emissions in the world.

The Daido Steel Group supplies society with steel-related products for a wide range of fields, such as specialty steel, high-performance magnets, and industrial furnaces. While not often seen by the general public, these products are used in automobiles, aircraft, power generation as well as medical treatments, etc. We play a role in increasing sustainability in industrial fields that help to support people's lives.





**Jet engine shaft alloy**

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




**Medical titanium**

Titanium has excellent properties such as being lightweight, non-magnetic, and biocompatible. We provide materials that respond to various needs in the advancing medical field.




**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.



**Gear steel**

Gear steel combines high strength with durability to be able to handle the higher circumferential speeds of automobile e-Axle reduction gears, contributing to reducing society's CO<sub>2</sub> emissions.



**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.



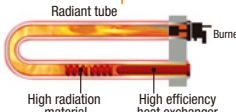
**Ultra-clean stainless steel "CLEANSTAR"**

Clean SUS316L is made with advanced manufacturing technology. It is widely used as an essential material for parts of semiconductor production equipment that require high cleanliness.



**Vacuum carburizing furnace ModulTherm**

A nitriding treatment function has been added to support the high strength and low distortion required for gear parts for electric vehicles. CO<sub>2</sub> emissions are significantly reduced when compared to gas type.




**Retrofitting**

By introducing the latest technology to existing equipment, we can improve functions such as energy saving. We reduce equipment waste and contribute to a circular economy through our technological proposal capabilities. (The figure depicts DINCS® installed)




**Stainless steel for ballpoint pen tips**

The part that supports the ball at the tip of the ballpoint pen is made by carving highly corrosion resistant stainless steel. By imparting properties that make it extremely easy to carve, it is possible to perform complex machining with high precision, resulting in clear lettering and long life.



**STARPAS® permalloy foil**

We offer ultra-thin permalloy foil (thickness 10µm or more) with excellent workability and flexibility that is suitable for high-frequency magnetic shields and yokes.



**Ultrafine stainless steel wire**

The incredibly thin 11µm\* realizes high-precision, high-detail screen printing. We are contributing to the efficiency and reducing the size of next-generation electronic circuits such as solar panels and capacitors. \* Human hair is 50 to 100µm.



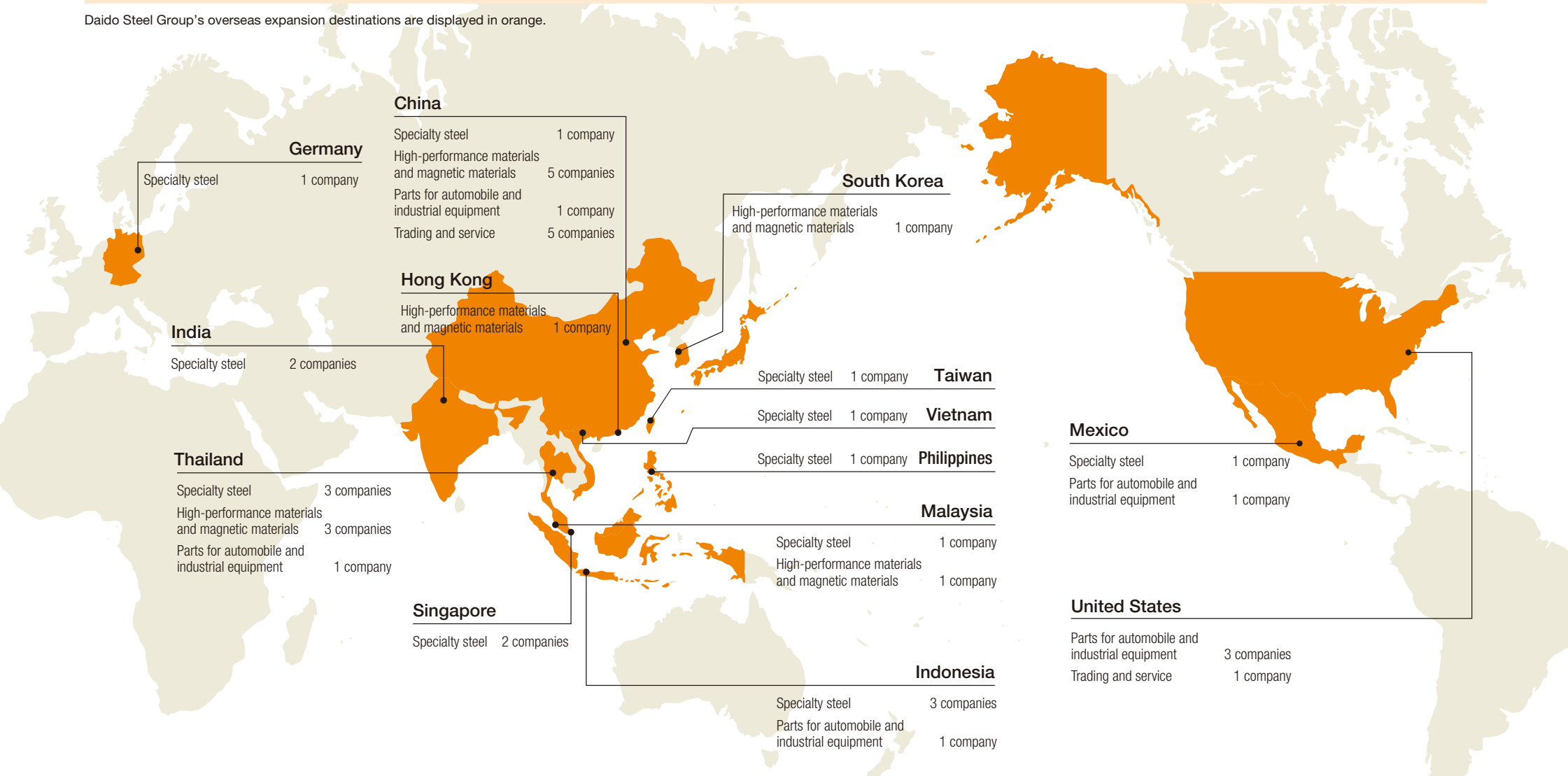
**Ship diesel engine valves**

We develop and provide nickel alloy valves with excellent high-temperature corrosion resistance to assist stable navigation as NOx and SOx emissions rules for ships become more stringent.



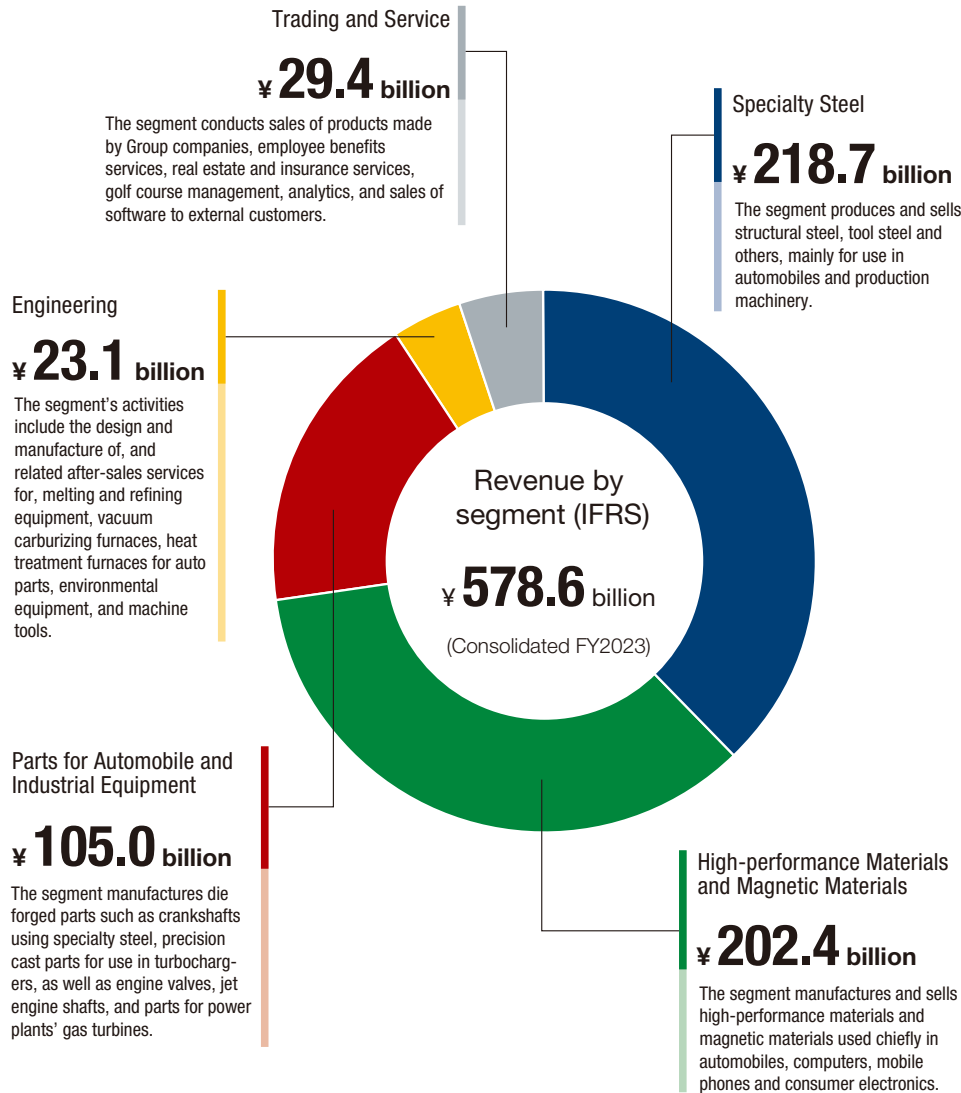
# Overview of Daido Steel Group

Daido Steel Group's overseas expansion destinations are displayed in orange.

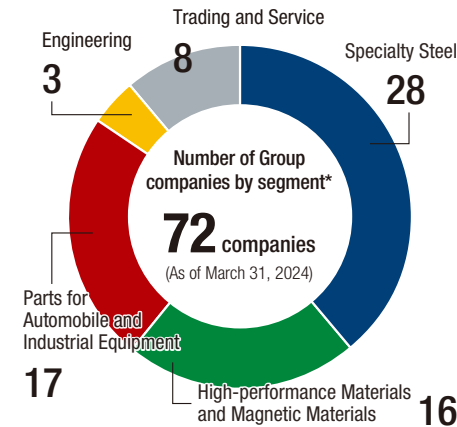




Revenue by segment (IFRS)

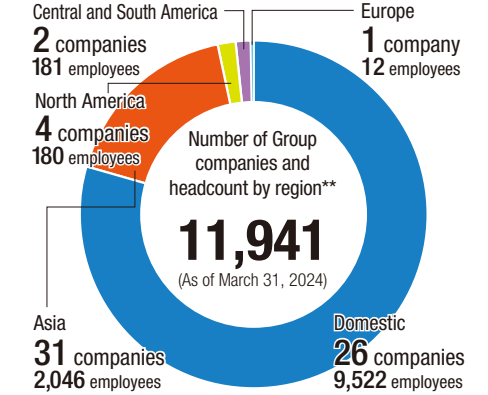


Number of Group companies by segment



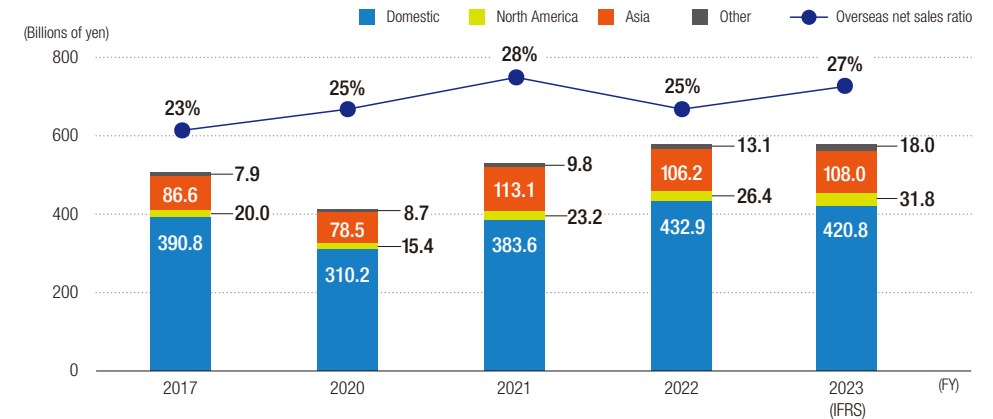
\* Consolidated subsidiaries/affiliates

Number of Group companies and headcount by region



\*\* Our non-consolidated company + consolidated subsidiaries

Progress in sales revenue by region and overseas net sales ratio



An overview of the Daido Steel Group (overseas) is available on our website.

<https://www.daido.co.jp/en/about/overseas/index.html>

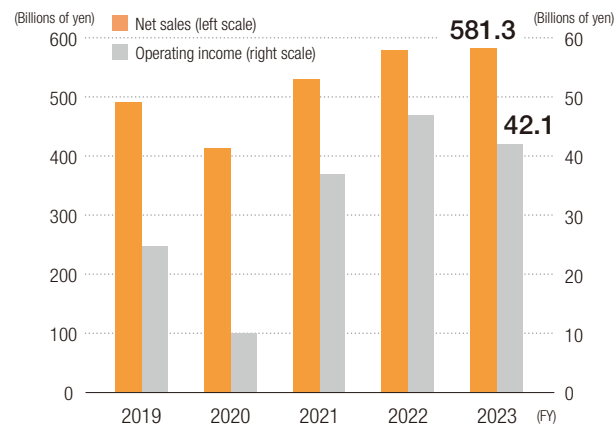


# Financial/Non-financial Highlights

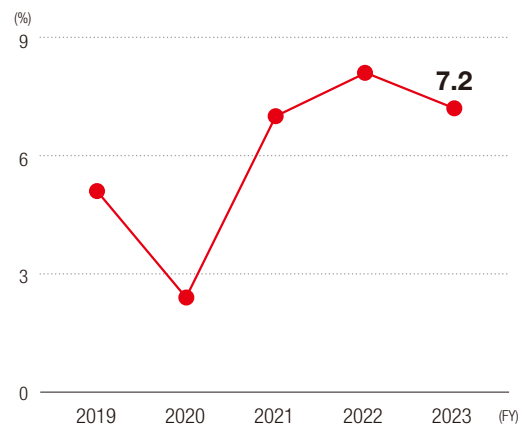
Note: The Daido Steel Group has transitioned to International Financial Reporting Standards (IFRS) from the fiscal year ending March 2024, replacing the Japanese GAAP, but the graphs on this page have been created using the Japanese GAAP.

## Financial performance (Consolidated)

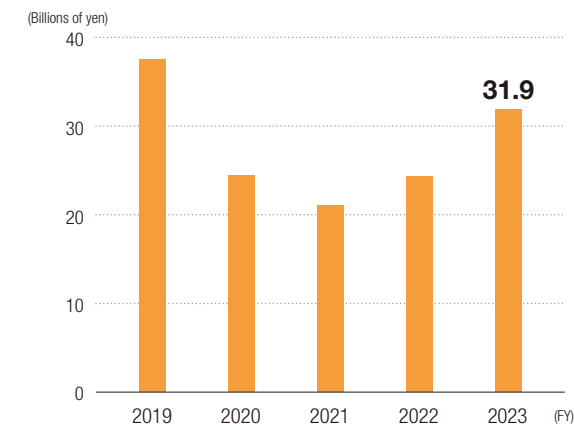
Net sales and operating income



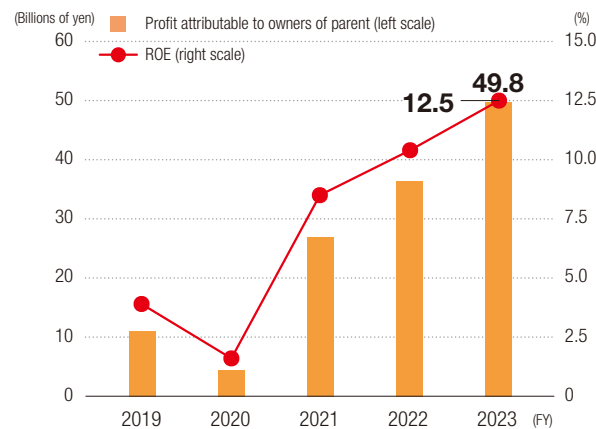
Return on sales (ROS)



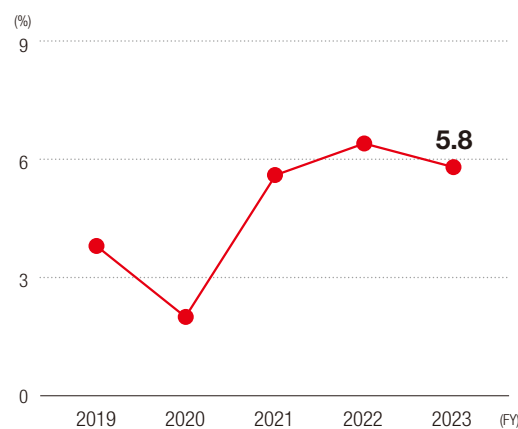
Capital investment (construction base)



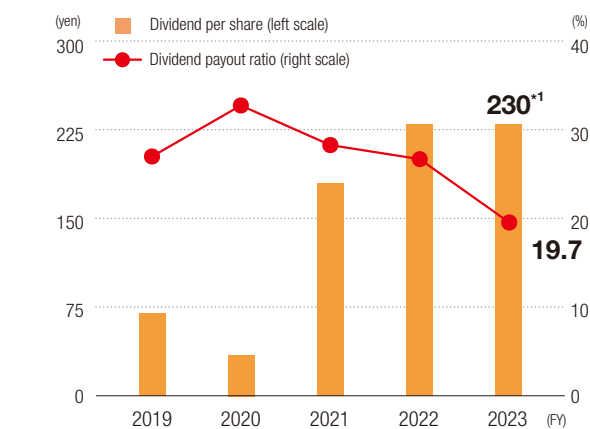
Profit attributable to owners of parent and ROE



Return on assets (ROA)



Dividend

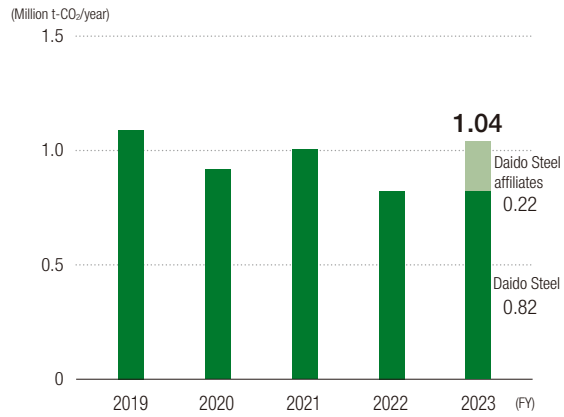


\*1 We conducted a stock split at the ratio of 1 share of common share to 5 shares effective on January 1, 2024, but the per share dividend amount for fiscal 2023, the amount listed, is based on the assumption that the stock split had not taken place.

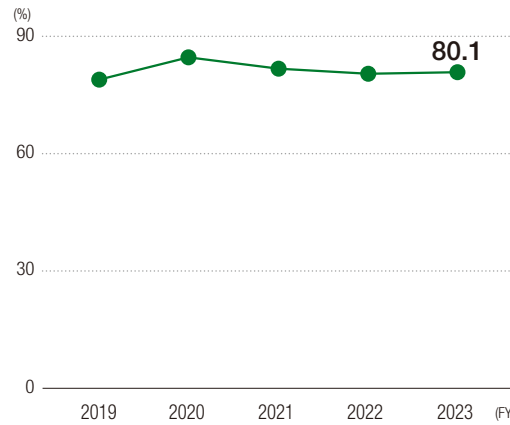


## Non-financial performance (Non-consolidated)

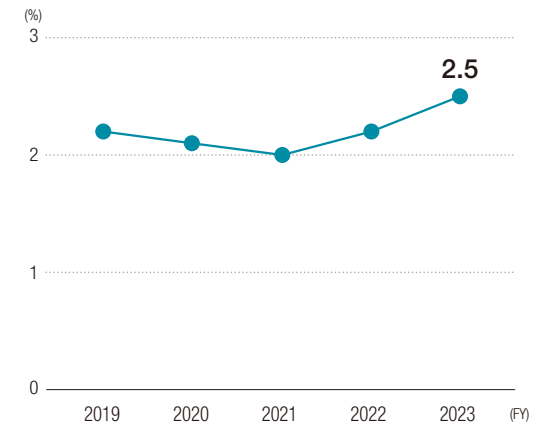
CO<sub>2</sub> emissions



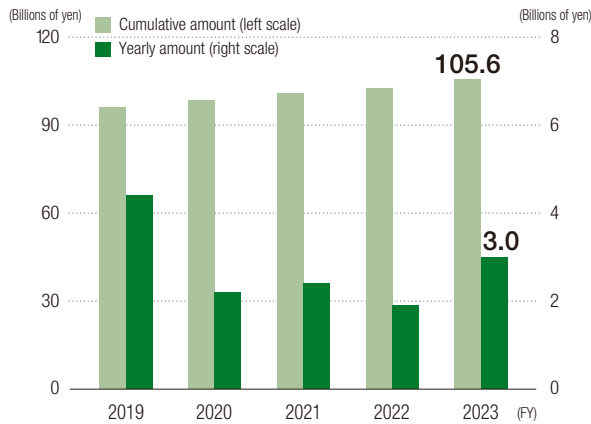
By-product recycling rate



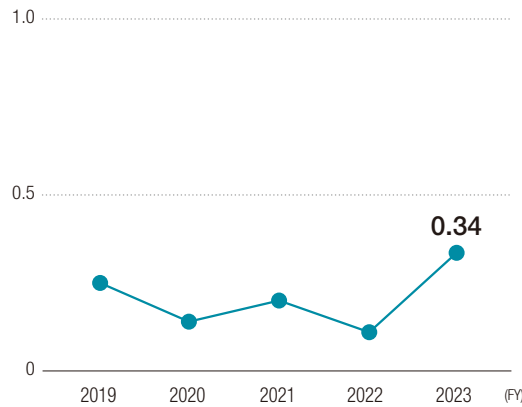
Ratio of women in management



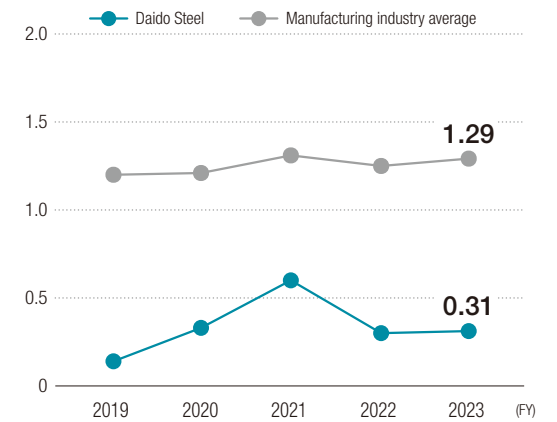
Amount of capital invested in environmental protection Note: Cumulative total from 1977



Major quality accident index\* \* Index taking the actual results from FY2006 as "1"



Ratio of lost-time work injuries





# Daido Steel's Growth Strategy

2026 Medium-Term Management Plan	<b>24</b>	Information Disclosure Based on the Recommendations of the "Task Force on Climate-related Financial Disclosures (TCFD)"	<b>39</b>
Financial Strategy for the 2026 Medium-Term Management Plan Period	<b>29</b>	Daido Carbon Neutral Challenge	<b>41</b>
Launching the 2026 Medium-Term Management Plan! Discussion Between Executive Officers	<b>31</b>	Human Capital Strategy	<b>43</b>
Daido Steel's High-performance Products Contribute to the Realization of a Sustainable Society	<b>35</b>	DX Strategy and DX Human Resource Development to Enhance Management Resilience	<b>47</b>





2026 Medium-Term Management Plan

# Launching the 2026 Medium-Term Management Plan!

In June 2024, we launched the 2026 Medium-Term Management Plan.

While maintaining the basic policies of the previous medium-term management plan, in our 2026 Medium-Term Management Plan, Daido Steel views changes in society, economy, and industrial structure as good business opportunities, and we aim to implement the transformation of our business portfolio and realize sustainable profit growth in new businesses and domains (customers × value provided × approach).

Changes in society, economy, and industrial structure that will be good business opportunities

### Positively view change as an opportunity for transformation

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

### Product differentiation can change threats to opportunities

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

#### 2026 Medium-Term Management Plan's basic policies

The plan sets forward the Company's position during the 10-year-period from fiscal 2021 to fiscal 2030 and identifies it as the "Decade of Business Transformation"

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

#### Basic action policies

### 1 Transforming business portfolio

- Develop new customers and provide products with new value (such as next-generation products, etc.)
- Transform our means of providing value (production technology, improved supply chains, etc.)

### 2 Enhancing management resilience

- Acquire the human capital and organizational capability to support long-term business growth
- Improve labor productivity by promoting the manufacturing DX, etc. and reinforce business foundations

### 3 Advancing ESG management

- Make the value of ESG-related KPIs more visible and link them to the improvement of corporate value or PBR
- In particular, implement measures to maximize the ability of our personnel so they can develop and contribute to their fullest potential

**"Image for 2050"**  
is to keep supplying **high-performance materials** essential for the new social infrastructure

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

**"Vision for 2030"**  
is to be a company that pursues high-performance materials, creates benefits for customers, and contributes to the realization of a sustainable society

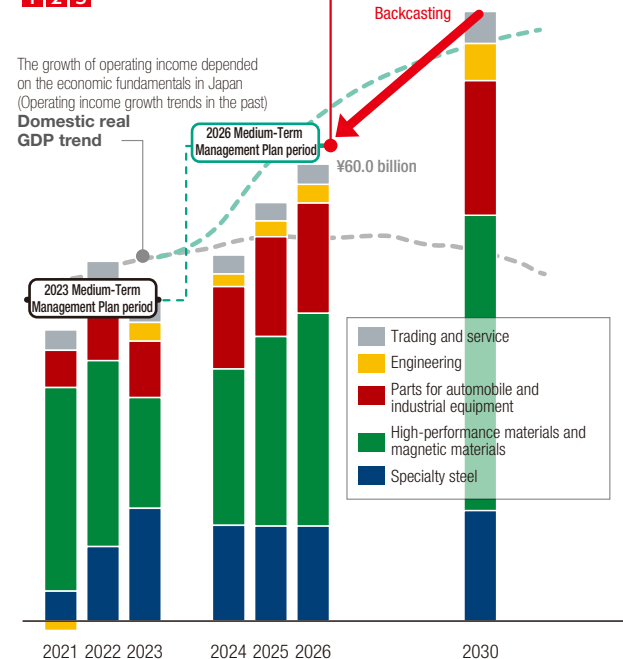
**"Goal for 2026"**  
is to achieve sustainable profit growth in new business domains by transforming business portfolio

Basic action policies that lead to attaining our "Goal for 2026"

1 2 3

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

Domestic real GDP trend

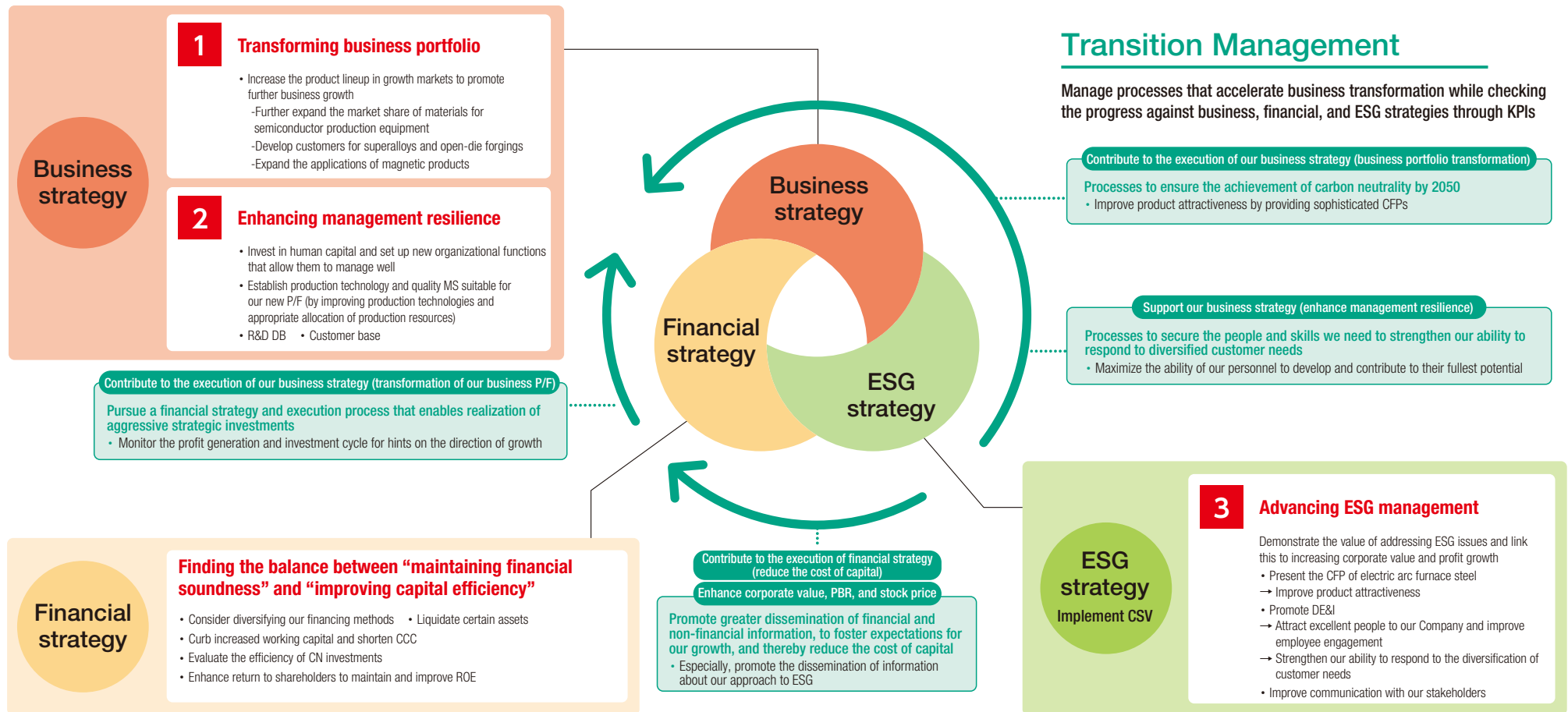




2026 Medium-Term Management Plan

# 2026 Medium-Term Management Plan Period Basic Action Policies and Strategies “Transition Management”

In the 2026 Medium-Term Management Plan, we will comprehensively promote all three strategies (business strategy, ESG strategy, and financial strategy) in a well-balanced manner. The progress of the respective strategies will be verified with KPIs, causing transformations to accelerate.



Note: P/F: Portfolio, Quality MS: Quality management system, DB: Database, CCC: Cash conversion cycle, CN: Carbon neutral, CFP: Carbon footprint, CSV: Creating shared value, DE&I: Diversity, equity, and inclusion



2026 Medium-Term Management Plan

# Management Targets for the 2026 Medium-Term Management Plan Period and Main Strategies and KPIs

We aim for our business to grow to ¥60.0 billion in operating income, with a capital efficiency of 9% or more in ROE.

We will also promote management based on an awareness of capital efficiency and enhancing shareholder return based on the status of our achievements in the areas of investment, profit, and financial strength.

Management targets for the 2026 Medium-Term Management Plan period

	Results of the fiscal year ending March 2024 (FY2023) (Japanese GAAP)	Medium-term management plan for fiscal year ending March 2027 ("Goal for FY2026") (IFRS)	"Vision for 2030"
Operating income	¥ 42.1 billion	¥ 60.0 billion or more	¥ 80.0 billion or more
Return on equity (ROE)	12.5 % (excl. extraordinary income/loss: 7.8%)	9 % or more	10 % or more
D/E ratio	0.41	Approx. 0.5	Approx. 0.5
Amount invested (3-year total on approval basis)	Total (FY2021-FY2023) ¥ 94.7 billion	Total (FY2024-FY2026) ¥ 150.0 billion	—
Return to shareholders Note: Excluding one-time gains and losses	Dividend payout ratio 31.6 %	Dividend payout ratio 30 % or more	—

	FY2024	FY2025	FY2026
Operating income	¥ 48.0 billion	¥ 55.0 billion	¥ 60.0 billion or more
Specialty steel	¥ 12.5 billion	¥ 12.5 billion	¥ 12.5 billion or more
High-performance materials and magnetic materials	¥ 20.5 billion	¥ 25.0 billion	¥ 28.0 billion or more
Parts for automobile and industrial equipment	¥ 11.0 billion	¥ 13.0 billion	¥ 14.5 billion or more
Engineering	¥ 1.5 billion	¥ 2.0 billion	¥ 2.5 billion or more
Trading and service	¥ 2.5 billion	¥ 2.5 billion	¥ 2.5 billion or more

Main strategies and KPIs

Strategy category	Strategy and KPI	FY2023 results (Japanese GAAP)	2026 Medium-Term Management Plan for FY2026 (IFRS)	"Vision for 2030"
Business strategy	Return on sales (ROS)	7.2 %	10 % or more	12 % level
	Net sales ratio of products for the growth market	9.6 %	15 % or more	25 % or more
Financial strategy	ROE	12.5 % (excl. extraordinary income/loss: 7.8%)	9 % or more	10 % or more
	D/E ratio (Balance between maintaining financial soundness and improving capital efficiency)	0.41	Approx. 0.5	Approx. 0.5
	Equity ratio (Balance between maintaining financial soundness and improving capital efficiency)	54.4 %	50-55 %	50 % or more
ESG strategy	E: CO <sub>2</sub> emissions (Daido Steel Group's CO <sub>2</sub> emissions reduction target [compared to 2013])	-20 % (Expected achievement)	-35 %	-50 %
	S: Improvement in labor productivity (non-consolidated)	Standard	+20 %	+30 %
	S: Improvement in employee engagement score (non-consolidated) (Improvement among employees, who share our Mission, in their willingness to contribute)	—	Target value to be set during FY2024	Revised target value to be set during FY2024
	G: Ratio of cross-shareholdings to net assets	23.4 %	Target: 15 %	Target: 10 %

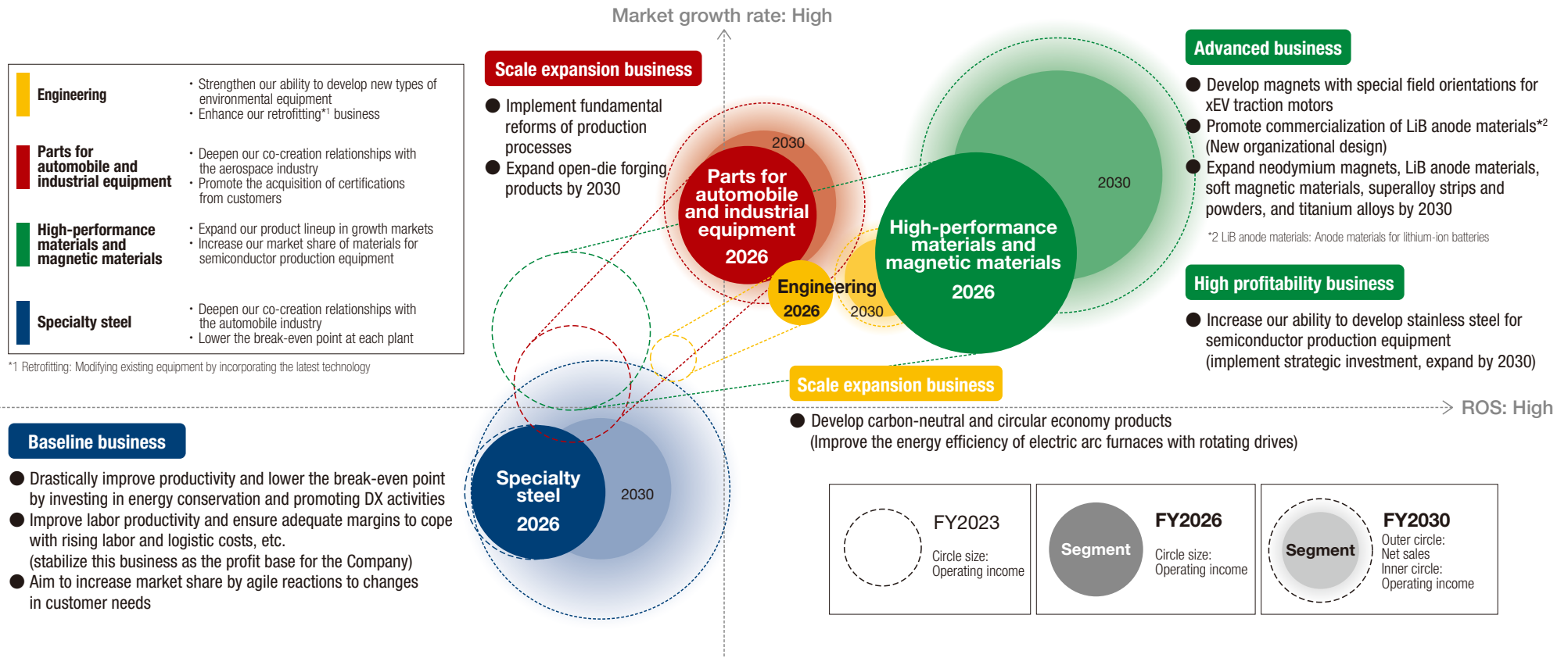


2026 Medium-Term Management Plan

# Transforming Business Portfolio

The business portfolio we are aiming for in order to achieve our “Vision for 2030” will be one in which three segments, parts for automobile and industrial equipment, high-performance materials and magnetic materials, and specialty steel, will experience well-balanced increases in net sales and profits, while growing engineering into a segment of greater presence.

In the 2026 Medium-Term Management Plan, we aim to achieve our objective of an operating income of ¥60.0 billion or more by fully developing parts for automobile and industrial equipment, high-performance materials and magnetic materials, and engineering into businesses that will increase profits, while continuing to support specialty steel as the business that forms our earnings base.



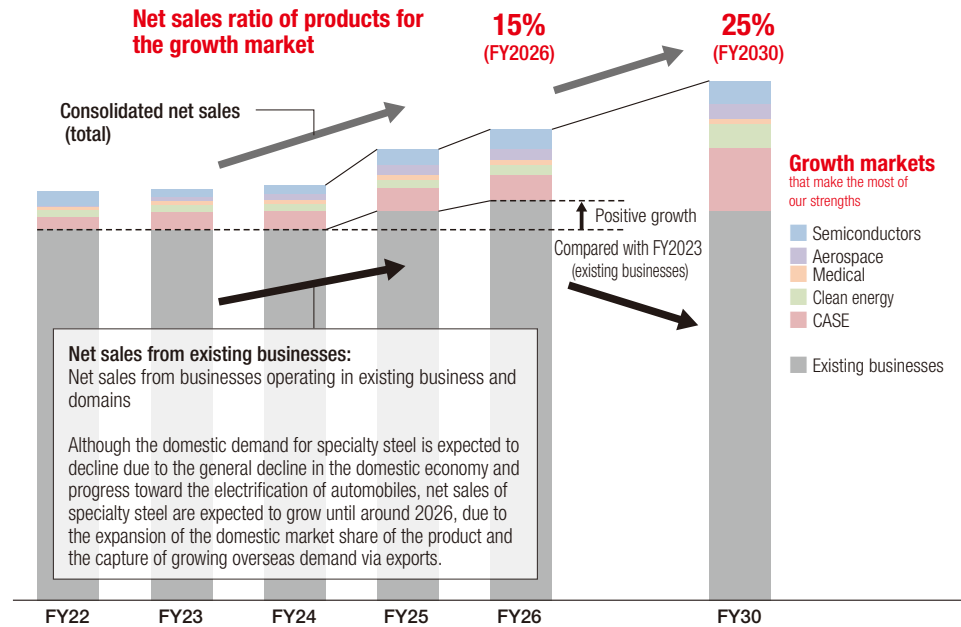


2026 Medium-Term Management Plan

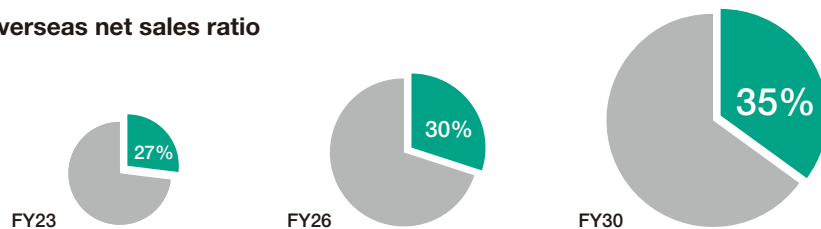
# Growth Market Product Expansion

## Growth markets: Industries where technological innovations in materials triggers innovation

During the period of the 2026 Medium-Term Management Plan, we will work to grow net sales of existing businesses even in an environment where domestic demand for specialty steel is declining in the medium- to long-term. We will also invest earnings from existing businesses in growth investments, increasing our overseas net sales ratio while striving to expand net sales of growth market products to 25% in fiscal 2030.



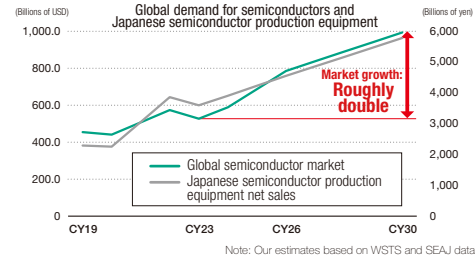
## Overseas net sales ratio



## Growth market prediction

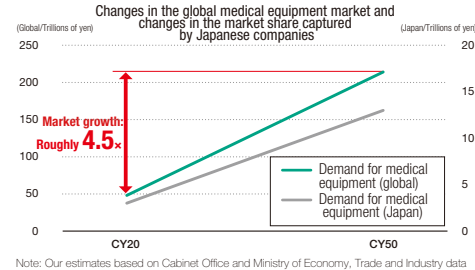
### Semiconductors

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



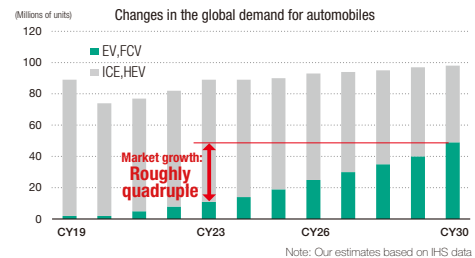
### Medical

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



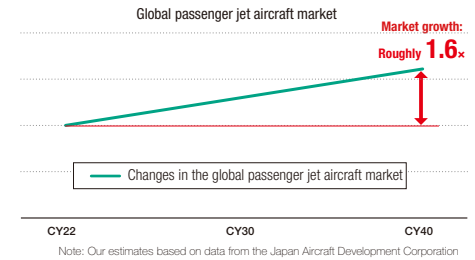
### CASE

Nearly 50% of all vehicles will be electrified



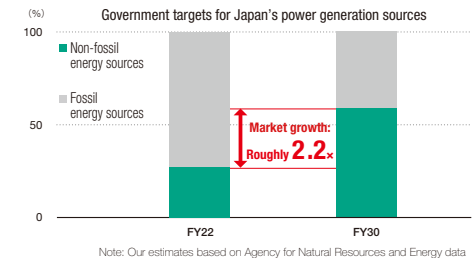
### Aerospace

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



### Clean energy

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



### Overseas

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

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

Note: Our estimates based on IMF data





## Maintaining financial soundness

In recent years, Daido Steel's profit levels have generally grown smoothly, and as a result of having accumulated equity, the D/E ratio and equity ratio, which are financial soundness indicators, have steadily improved. In particular, in the past there have also been periods in which the equity ratio did not necessarily reach adequate levels, but in the most recent period, it has reached levels exceeding 50%.

High levels of investment are planned in the 2026 Medium-Term Management Plan, and if we look further at 2030, we must anticipate increases in capital investment to continue portfolio transformations and increases in operating capital due to fluctuations in conditions in the raw materials market, etc., so from the point of view of maintaining financial soundness, we will always be mindful of asset streamlining. Besides working on reducing the cash conversion cycle (CCC) as a long-term challenge by curbing increases in inventory assets, etc., we also plan to continue making steady advances in streamlining cross-shareholdings, which still account for a significant portion of the balance sheet due to recent increases in stock prices.

Having had our long-term bond issuer rating raised to A in 2021, we definitely intend to maintain it going forward.

## Asset efficiency improvement and shareholder returns

Given that we have steadily improved our financial soundness up to now, under the 2026 Medium-Term Management Plan we must manage our finances with more awareness than ever of the balance between improving capital efficiency and maintaining financial soundness. As for ROE, we are aiming for a level of 9% or more, and in addition to monitoring the cycle of proactive strategic investment and growth of the profits obtained thereby, we need to keep a close eye on the balance between profit levels and the size of equity as well.

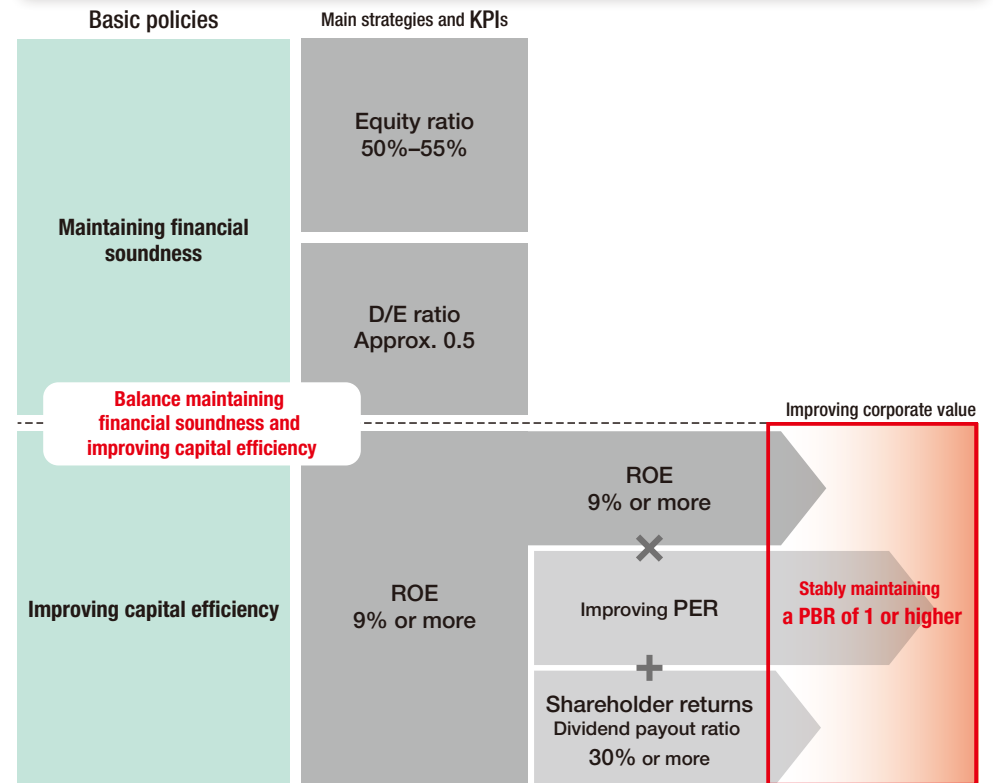
In the matter of shareholder returns, in the 2023 Medium-Term Management Plan we set the dividend payout ratio, excluding one-time profit/loss, at approximately 30%, but in the 2026 Medium-Term Management Plan it is set at 30% or more, and we are considering enhancing shareholder returns based on progress in cash allocation.

Furthermore, by expanding the disclosure of financial and non-financial information, such as PR, IR, and SR, and proactively working on ESG activities as well, we hope to create expectations of growth on the stock market and increase our stock prices, and, by extension, connect these to stably achieving a PBR of 1 or higher.

Basic policies of the financial strategy:

### Balance maintaining financial soundness and improving capital efficiency

- Considering diversifying our capital procurement methods
- Securitization of assets, replacement and effective utilization of holdings
- Curbing increases in operating capital and reduce CCC
- Evaluating the efficiency of carbon-neutral investments
- Enhancing shareholder returns to maintain and improve ROE

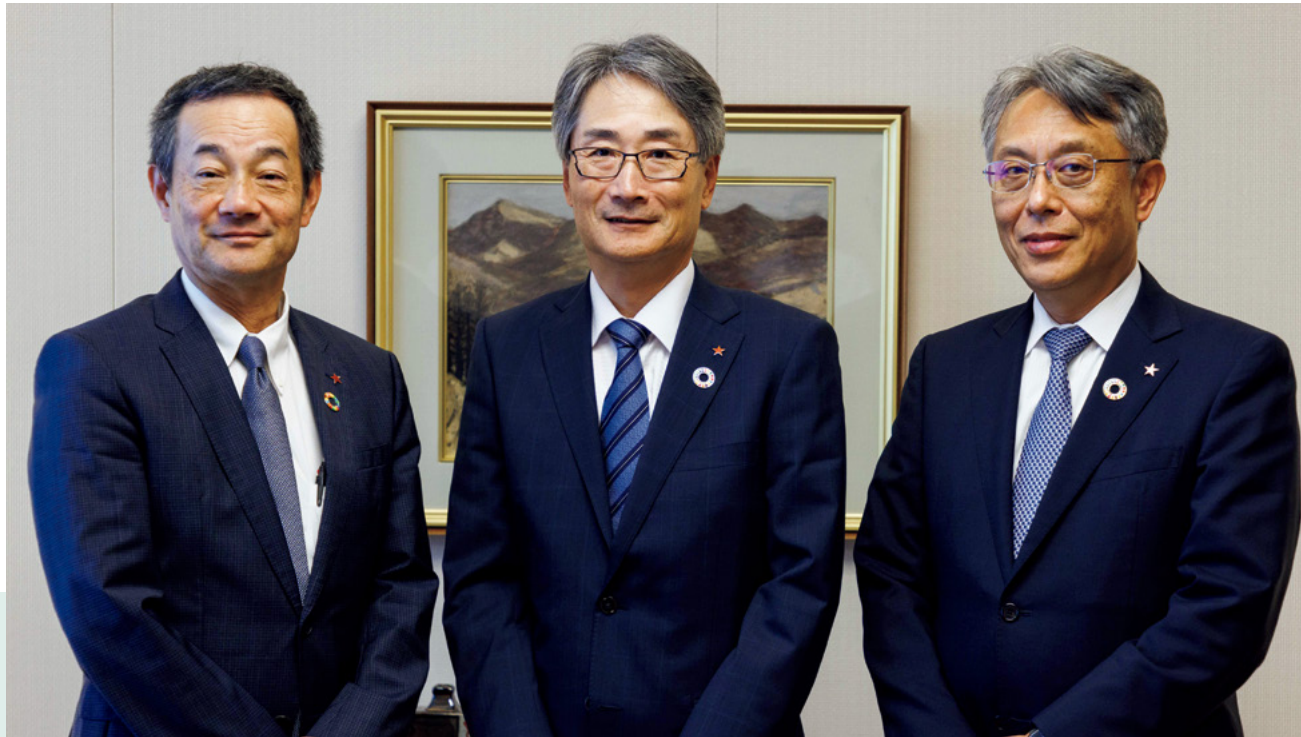




Launching the 2026 Medium-Term Management Plan! Discussion Between Executive Officers

# Realizing Sustainable Profit Growth in New Businesses and Domains

Daido Steel announced our “Vision for 2030” and our 2026 Medium-Term Management Plan in June 2024. From their respective positions, three of our executive officers discussed the challenges and the strategies for achieving the management objectives of both.



Director, Managing Executive Officer  
In charge of Corporate Planning and ESG  
Management Department

**Tatsushi Iwata**

Representative Executive Director, Executive  
Vice President  
In charge of sales divisions

**Toshiaki Yamashita**

Director, Managing Executive Officer  
In charge of manufacturing divisions

**Tadayuki Kashima**

## Issues for realizing our “Vision for 2030” and 2026 Medium-Term Management Plan

**Yamashita:** Until now, our sales volumes fluctuated with automobile industry trends, and the issue was that our profits changed along with these fluctuations. However, as the Company’s character is improving, now we can generate profit even when sales volumes are low. While we are also making cost reductions, this improvement is a result of honest and persistent negotiations in margin adjustments, including the energy surcharge in the previous medium-term management plan. We have also reviewed the idea of selling good products cheaply.

As a major reform in recent years, the automobile industry has made up a large portion of our sales until now, but going forward, we need to expand well-balanced sales into other areas as well, and dealing with this was one of the issues.

**Iwata:** The three basic action policies of the 2026 Medium-Term Management Plan, “transforming business portfolio,” “enhancing management resilience,” and “advancing ESG management,” are deeply interconnected. Hence, there are difficulties in implementing them simultaneously instead of going ahead with one of them based on priorities.

Regarding advancing ESG management in particular, the demands from society will become increasingly stringent, and the objectives that are our interim goals will also probably keep increasing, so we have to work constantly and respond flexibly.

**Kashima:** What we are focusing on in terms of production is increasing our production capacity so that we do not miss inquiries from growth areas. The challenge is striking a balance between maintaining the competitiveness of our existing products with the need to also strengthen our production





capacity for products targeting growth markets. In particular, we receive a huge number of orders at the Shibukawa Plant, which manufactures superalloys, and we cannot keep up with the manufacturing. We are conducting large-scale capital investment as the Superalloy Manufacturing Process Transformation Project, but the construction will not be completed for another 3 years. We need to look into how we can increase production capacity in the meantime.

### Important points in “transforming business portfolio”

**Yamashita:** With the progressive shift to electric vehicles, in the medium- to long-term, we will see a gradual decrease in the amount of specialty steel used per vehicle. In this situation, the issue is how to ensure profits that equal or exceed those we have now. For that reason, we are strengthening our foothold in five growth markets: semiconductors, aerospace, CASE, clean energy, and medical.

**Iwata:** As our existing products are in a gradual decline, as viewed from a medium- to long-term perspective, we must proceed quickly with development and sales activities and not delay in making capital investments, so that we can avoid failure in starting up our growth market products. In addition, these markets are not only in Japan. Overseas is important too, and I think more than half of the markets would be outside Japan.

**Yamashita:** In particular, we are currently increasing

our overseas presence in ultra-clean stainless steel for semiconductor production equipment, which is our specialty. For this purpose, delivery that is timely and tailored to the customers needs is important as well as quality and cost, and we have been making capital investments based on prioritization.

**Iwata:** When expanding overseas, we will not just start selling by ourselves—we expect to make good use of our overseas networks and make our collaborations with our partners stronger than before.

**Yamashita:** Also, for superalloys, for which the targets are aerospace and clean energy, our current global market share is about 4%, but we are aiming to get it to at least 10% in fiscal 2030.

**Kashima:** The key point in making this a reality is building systems that can manufacture superalloys at the Chita and Hoshizaki Plants as well. This will require technology to control the material structures unique to superalloys and handle difficult processing. In addition, besides manufacturing technology, we also need to make them capable of handling the production management and quality assurance aspects in the same way as the Shibukawa Plant does.

Employees’ skill acquisition is another urgent issue, and they will need new skills that are different from those cultivated at the Chita and Hoshizaki Plants. We will seek to optimize our human resources portfolio, including personnel exchanges with the Shibukawa Plant.

**Yamashita:** With regard to magnets, following the expansion of the CASE market, we are aiming for net sales of ¥50 billion

or more in fiscal 2030. As for titanium, we are working on expanding our capacity to supply it for medical use and will have the ability to handle orders received.

### Important points in “enhancing management resilience”

**Yamashita:** QCD (quality, cost, and delivery) is the foundation in our relationships with our customers. I am certain that the enormous trust our customers have in us was earned through the efforts of our predecessors. Thanks to these relationships of trust that we have built, we receive top reviews in terms of co-creation, and the source of this is our human resources.

**Iwata:** To realize the 2026 Medium-Term Management Plan and increase our ability to get things done, we will conduct thorough surveys about employees’ engagement and their job



**We are proud to be a world leader in terms of overall QCD. That is why we are confident that we will continue to handle high levels of demand.**

(Yamashita)



**For ESG, the goal is not the world we see from our current position. It is important for us to realize that there are things beyond that and to make steady progress. (Iwata)**

satisfaction and work to improve them. We will also enhance investment in human capital. As part of raising the level of our employees and improving efficiency, we are taking on the promotion of DX and getting to work on the human resources development and organization-building for that. Furthermore, because of the need for an organization that combines speed and flexibility in the commercialization of new products in growth markets, we have established the Material Solution Department, which has sales, development, production, and management functions that can respond to environmental changes. To place emphasis on speedy decision-making, the department has been put under the direct control of the President.

**Yamashita:** In our response to environmental changes, the way we communicate with our customers has changed in

the automotive business too. Until now, if we could talk about specialty steel, there were no problems, but these days, if we cannot talk about magnetic materials such as magnets as well, we can no longer meet customers' needs.

**Iwata:** The Material Solution Department takes these changes into account, and we will also be trying out multi-account management.

**Kashima:** We discussed the need for employee reskilling and also production allocation earlier. From a cost reduction perspective, these measures are also linked to strengthening. For example, if it becomes possible for products currently manufactured by forging to be manufactured by rolling, that can reduce costs. We are now focusing efforts on

technological development for that purpose too. One more point is obtaining QA certifications. We aim to be the first Asian company to obtain Prime Certification for nickel-based alloys for large-sized rotating parts of aircraft engines, which will improve the status of our superalloys. Through this measure, we expect the orders for superalloys to become the foundation of steady business, and not just end up as fleeting orders.

**Iwata:** Finally, in order to carry out the measures we have mentioned, financial stability is essential. In this sense, one of the important points is maintaining a sound financial structure. In the previous medium-term management plan, we were able to achieve our management objectives, such as D/E ratio and ROE, and our financial structure is sound at the moment.





Regarding capital investment, strategic investments of ¥64 billion are planned, but we plan to use a similar amount of about ¥60 billion for the maintenance of existing equipment.

### Important points in “advancing ESG management”

**Yamashita:** Advancing ESG management supports the other two basic action policies, transforming business portfolio and enhancing management resilience. We are aware that they became engrained at Daido Steel long ago, but we have also seen that there are some gaps.

**Iwata:** Our materiality initiatives are all advancing steadily, but, as was mentioned before, the goals are changing. Rather than thinking of it as endless improvements, like continually climbing a mountain, we must move forward with our initiatives while keeping a close eye on the milestones. In terms of society (S) and governance (G) in particular, it has become clear in the previous medium-term management plan that some things were missing in our initiatives up to that point. We have therefore launched three working groups (WG) with the intention that they will conduct their activities autonomously. Furthermore, the risk management for all three groups will be supervised by the Corporate Risk Management (CRM) Department, which will strengthen this system.

**Kashima:** In terms of risk, we are a circular economy business entity that uses scrap iron as a raw material in production, but with blast furnace manufacturers converting to electric

furnaces, the shortage of high-grade scrap is a concern going forward. We have been honing our technology for using scrap for a long time, but we also need to step up our game and develop technology that uses the waste scrap on the market effectively. In addition, we will continue to discuss the important matter of a circulation scheme that recovers customers' offcuts.

**Iwata:** With regard to governance, we have received a variety of opinions, and for steady improvement, we will carefully sort through the aims of the opinions and the Company's ideas, and conduct discussions to delve deeper.

### Message to employees

**Yamashita:** The fact that we have become able to generate profits even when sales volumes are low has, without a doubt, been thanks to the hard work of all our employees, and I'd like to express my sincere gratitude. However, it was not all good news in the 2026 Medium-Term Management Plan. We need initiatives to further improve productivity for our existing products. We are not the only ones targeting the area of growth market products—other companies have their eyes on it too. That is why I hope the development, sales, and manufacturing divisions will all join forces to keep us a step ahead as we move forward.

The next three years will bring a succession of challenges, but we also have many dreams. Let us work hard and pursue those dreams together.

**Iwata:** As we have already said, we need to keep the three

basic action policies well-balanced as we move forward with the 2026 Medium-Term Management Plan. This is not something that can be accomplished if specific departments work hard. All of us, including the management divisions, must move forward together. Let us band together and put these plans into action.

**Kashima:** The ¥30 billion investment in the Superalloy Manufacturing Process Transformation Project is one of the biggest in the Company's history. The investment spans multiple plants, and there are many challenges as we push ahead. That is why I hope the project will proceed with even greater consideration for collaboration between plants and divisions. In addition, I would like many employees to get actively involved in this project, treating it as if it were their own, particularly as JK (*jishu kanri*, or self-management activities by small groups) and DMK (Daido Monozukuri Kaikaku) activities, and for each workplace to take up related themes as well. Let us all gather our wisdom and make this project a success.



**The Superalloy Manufacturing Process Transformation Project is the one of the biggest investments in our history.**

**We will increase recognition of the Company as a top supplier of superalloy products as well. (Kashima)**



# Daido Steel's High-performance Products Contribute to the Realization of a Sustainable Society

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

Daido Steel strongly promotes preservation of the global environment, which is what the "E" in "ESG management" represents, and we are pursuing the expansion of businesses that contribute to the realization of a sustainable society as one of the Company's material issues. We will contribute to society's reduction of CO<sub>2</sub> emissions and the transition to a circular economy by obtaining wide recognition of our high-performance products and technologies and increasing their usage.

### Products that support technological innovation for energy transition



- Products that support the electrification and automation of mobility, such as automobiles
- Products that support clean power generation with low CO<sub>2</sub> emissions
- Products that support the implementation of a hydrogen society
- Products that support carbon capture and methanation technology



### Products that contribute to improvements in energy efficiency



- Products that improve the fuel and electricity consumption of mobility, such as automobiles
- Products that contribute to society's conservation of energy and reduction of energy loss
- Products that contribute to improving productivity



### Products that contribute to effective utilization of resources



- Products that contribute to lifespan extension
- Products that contribute to the development of water resources
- Products that contribute to the conversion of waste and by-products into resources



### Products that support technological innovation for energy transition

\* Compared to FY2023 ↑ : Increase of less than double ↑↑ : Increase of double or more

Segment	Product	Applications	Contribution to SDGs	Status	Expected sales* (2030)	Growth market
Specialty steel	Case-hardening steel for gears that support high peripheral speeds	e-Axle gear reducers	BEV=Expansion of zero-CO <sub>2</sub> emissions	Some volume production	↑↑	CASE
	Structural steel for motor shafts that support high peripheral speeds	e-Axle gear reducers	BEV=Expansion of zero-CO <sub>2</sub> emissions	Some volume production	↑↑	CASE
	Large highly clean bearing steel (TPG-accredited)	Wind power generation gear reducers	Expansion of clean energy through steady operation of wind power generation	Volume production	↑	Clean energy
High-performance materials and magnetic materials	Hydrogen embrittlement resistant stainless steel	In hydrogen environments	Realization of a hydrogen society	Some volume production	↑↑	Clean energy
	Ultra-clean stainless steel CLEANSTAR®	Semiconductor production equipment	Improvement of semiconductor performance	Volume production	↑	Semiconductors
	High flux density soft magnetic steel strips	xEV, motor cores for drones	Extension of range through reduced size and weight of motors	Under development	Commercialization in 2026	CASE
	High corrosion-resistant stainless steel strips	SOFC/SOEC	Reduction of CO <sub>2</sub> emissions through methanation	Under development	From 2026	Clean energy
	High corrosion-resistant nickel-based alloy strips	Electrodes for carbon capture	Reduction of CO <sub>2</sub> emissions, expansion of clean energy	Under development	From 2026	Clean energy
	High flux density, low-iron-loss soft magnetic powder	Reactors, etc.	Reduction of size and improvement of efficiency of components in units for HEV systems	Volume production	↑	CASE
	High-magnetic specially-shaped and -oriented magnets	Motors, sensors	Extension of EV range, conservation of heavy rare-earth elements	Some volume production	Commercialization in 2026	CASE
	High-magnetic PLP magnets	Motors, sensors	Extension of EV range, reduction of motor size	Volume production	↑	CASE
Parts for automobile and industrial equipment	High corrosion-resistant SmFeN magnets	Motors, sensors	Functionality improvements of industrial equipment motors, conservation of heavy rare-earth elements	Some volume production	Commercialization in 2025	CASE
	Materials for hydrogen delivery and storage	Liquid hydrogen pumps, valves, etc.	Realization of a hydrogen society	Some volume production	From 2026	Clean energy
	High corrosion-resistant materials for geothermal power generation	Next-generation geothermal power generation	Expansion of clean energy by steady operation of geothermal power generation	Under development	Commercialization in 2025	Clean energy
	Materials for nuclear power/nuclear fusion reactors	Light water reactors, nuclear fusion reactors	Promotion of power generation with a low amount of CO <sub>2</sub> emissions	Some volume production	↑↑	Clean energy
	Materials for high corrosion-resistant drill collar	Oil and gas drilling	Improvement of resource drilling efficiency	Under development	Commercialization in 2026	Other
Materials for eVTOL devices	eVTOL motors and generators	Reduction of CO <sub>2</sub> emissions from mobility	Under development	Commercialization in 2026	Aerospace	



### The development of hydrogen embrittlement resistance steel is making hydrogen utilization more accessible

Managing Executive Officer and Head of Technology Development Division  
**Ikuo Sugie**

At Daido Steel, we are promoting the development of materials that will improve the characteristics and reduce the costs of hydrogen embrittlement resistance steel.

In recent years, in order to achieve carbon neutrality, technologies related to the use of hydrogen energy have been developed in a variety of fields, including automobiles and power generation. Because hydrogen frequently degrades the characteristics of metallic materials, parts that are exposed to a hydrogen atmosphere require materials that are resistant to hydrogen. Our SUS316 and SUH660, which are high-nickel equivalent, are used as hydrogen embrittlement resistance steel. To increase the adoption of equipment that uses hydrogen, we must improve the characteristics, such as cost reduction and strength, of hydrogen embrittlement resistance steel.

In conducting research and development into hydrogen embrittlement resistance steel and applying it to parts, it is necessary to evaluate the various mechanical properties of the materials in a high-pressure hydrogen gas atmosphere. We introduced a high-pressure hydrogen gas atmosphere machine for material testing to accelerate the research and development of hydrogen embrittlement resistance steel. Using this testing machine, we have developed materials that excel in their hydrogen-embrittlement-resistant characteristics. The hydrogen embrittlement resistance steels we developed are currently being evaluated by our customers. Furthermore, as part of our standardization operations, we have registered our DSN<sup>®</sup> austenitic stainless steel, Daido brand steel with excellent hydrogen-embrittlement-resistant characteristics, in the ASTM standards\*, which are used in a broad range of fields worldwide. We anticipate that this registration will lead to these products being used by a wide variety of customers.

Going forward, we will contribute to the realization of a sustainable society in terms of developing technologies that use hydrogen.

\* Standards formulated by the American Society for Testing and Materials, the world's top non-governmental organization for standards development.

High-pressure hydrogen gas atmosphere machine for material testing  
(Installed at HyTReC)



### Supplying society with more clean energy by providing materials for nuclear power/nuclear fusion reactors

Managing Executive Officer and General Manager, Fabricated Materials Business Division  
**Muneyoshi Matsuo**

At Daido Steel, we are focusing on supplying materials for nuclear power generation facilities, which are expected to provide clean energy with lower CO<sub>2</sub> emissions.

We have more than 40 years' experience in manufacturing nuclear power materials. With the skills, know-how, and solid quality assurance we have amassed over that period, we have manufactured materials for nuclear power, which demand a high degree of reliability.

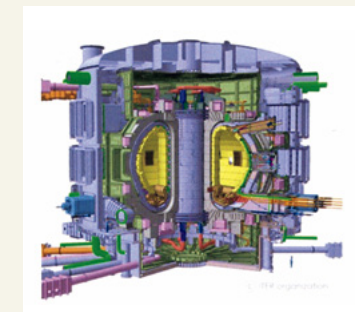
In the future, we plan to also provide materials for innovative reactors such as small module reactors (SMRs), which are based on existing nuclear reactors and have been improved regarding their safety, fast reactors, and high-temperature gas reactors. We received orders for the initial SMR products in 2024. These innovative reactors demand materials with better resistance to heat and corrosion than existing reactors, so we are also working to develop the manufacturing technology for that.

In addition, we have been participating in the manufacturing of ITER (international thermonuclear experimental reactor) materials since 2012. ITER is a joint project by seven members to develop a dream energy reactor that does not emit CO<sub>2</sub> or high-level radioactive waste, and our products are also currently included in this experimental reactor and are awaiting testing.

In this way, Daido Steel will contribute to the realization of a sustainable society by providing materials for clean energy.



SMR (Photo credit: Hitachi-GE Nuclear Energy, Ltd.)



ITER (Photo credit: National Institutes for Quantum Science and Technology)



Products that contribute to improvements in energy efficiency

\* Compared to FY2023 ↑ : Increase of less than double ↑↑ : Increase of double or more

Segment	Product	Applications	Contribution to SDGs	Status	Expected sales* (2030)	Growth market
Specialty steel	Steel for high-strength springs	Automobile	Improvement in fuel consumption through reduced size and weight	Some volume production	↑	CASE
	Microalloyed steel for cold heading	Automobile	Reduction of CO <sub>2</sub> emissions by omitting heat treatment	Some volume production	↑↑	CASE
	Hot stamp molds DHA-HS1 and RDH406	Hot stamp mold materials	Improvement of mold cooling effect through wear resistance and high thermal conductivity (improved productivity)	Volume production	↑↑	CASE
	Gigapress molds DHAGIGA and RDH472	Extra-large die-cast mold materials	Improvement of mold lifespan by ensuring toughness in large molds (improved productivity)	Some volume production	Commercialization in 2024	CASE
	High-performance die-cast mold RDH450	Die-cast mold materials	Reduction of repair frequency and improvement of yield rate through improved heat check resistance	Under development	Commercialization in 2024	CASE
High-performance materials and magnetic materials	STARPAS <sup>®</sup> magnetic noise suppression sheet	Magnetic shield sheet	Reduction of operation loss of electronic equipment	Volume production	↑↑	Other
	High purity Ni target	Semiconductor interlayer	Improvement of electricity consumption through power semiconductor installation	Volume production	↑↑	Semiconductors
	High magnetic permeability, high flux density Fe-Si spherical fine powder	Flow rectification parts for power circuits (power inductor)	Improvement of power circuit efficiency through high superposition characterization of inductor parts	Under development	Commercialization in 2026	Semiconductors
	HTC <sup>®</sup> high thermal conductivity 3D (printer) powder	Mold parts for die-casting through 3D printers	Improvement of mold life through the arrangement of water-cooling holes in complex shapes (reduced mold manufacturing energy)	Volume production	↑↑	Other
	LTX <sup>®</sup> low mold-warping 3D (printer) powder	Mold parts for die-casting through 3D printers	Improvement of mold life through the arrangement of water-cooling holes in complex shapes (reduced mold manufacturing energy)	Volume production	↑↑	Other
	High-capacity LiB anode active material	LiB for automotive/consumer batteries	Extension of EV range	Under development	Commercialization in 2025	CASE
	Soft magnetic steel permalloy with high magnetic permeability	Current sensors	Extension of EV range through improved precision of detection	Volume production	↑↑	CASE
	Low resistance band material	Current sensors	Extension of EV range through improved precision of detection	Volume production	↑↑	CASE
Parts for automobile and industrial equipment	Aircraft jet engine shaft	Jet engines	Energy-saving through improved engine efficiency	Volume production	↑	Aerospace
	Valves for ships	Diesel engines for ships	Supports high-temperature combustion according to environmental regulations	Volume production	↑	Other
Engineering	Electric arc furnaces with rotating drives (STARQ <sup>®</sup> )	Melting furnace for steel materials	15% reduction in energy consumption rate compared to the existing 150t arc furnace at our Chita Plant	Volume production	↑	Clean energy
	Electric arc furnace equipped with scrap preheater in movable furnace top	Melting furnace for steel materials	-80kWh/t to -100kWh/t in energy consumption rate compared to the furnaces without preheater	Volume production	↑	Clean energy
	Premium STC <sup>®</sup> Furnace (2nd generation)	Heat treatment furnace for automotive components, etc.	15% reduction in energy consumption rate compared to the existing furnace	Volume production	↑↑	Clean energy
	DINCS <sup>®</sup> (high-efficiency combustion system)	Energy-saving equipment for heat treatment furnaces	10% reduction in energy consumption rate compared to the existing system	Volume production	↑↑	Clean energy
	ModulTherm	Vacuum carburizing furnace for automotive components, etc.	39% reduction in energy consumption rate compared to the existing gas carburizing furnace	Volume production	↑	Clean energy
	SyncoTherm <sup>®</sup>	Vacuum carburizing furnace for automotive components, etc.	Substantial energy savings compared with the existing gas carburizing furnace	Volume production	↑	Clean energy
	Retrofitting modifications	Various industrial furnaces	Introducing the latest technology to existing equipment in order to improve functions such as reducing energy	Volume production	↑↑	Clean energy



Saving more energy in steel production by providing electric arc furnaces with rotating drives (STARQ<sup>®</sup>)

Managing Executive Officer, responsible for Machinery Division

Yuji Noguchi

The 150t electric arc furnace with rotating drive (STARQ<sup>®</sup>) at the Chita Plant achieved a 15% improvement in energy consumption throughout the entire process, from melting to casting, compared

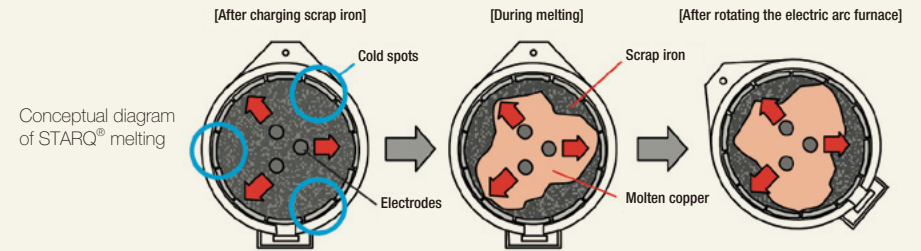
to the existing 80t electric arc furnace.

Daido Steel is one of the few companies in the world that not only manufactures specialty steel, but also designs and manufactures steel manufacturing facilities and heat treatment equipment including electric furnaces. STARQ<sup>®</sup> is a furnace that uses cutting-edge equipment technologies to achieve operational technologies that originated in the ideas of the engineers at our plants.

By having the furnace itself rotate during scrap iron melting, heat is transferred efficiently, reducing electric power input and enabling uniform melting.



The 150t furnace (STARQ<sup>®</sup>) introduced at the Chita Plant



Because the structure of the STARQ<sup>®</sup> furnace is the same as that of existing electric arc furnaces, there are no restrictions, compared with continuous-feed type electric arc furnaces, on not only the shape of raw material, scrap iron, but on feeding in reduced iron, ferroalloys, etc. Therefore, customers can achieve energy savings without changing the operational conditions they have been using until now.

By developing products and improving technology from the unique perspective as both a user and a manufacturer of electric arc furnaces, Daido Steel will contribute to the decarbonization of the steel industry and, by extension, the realization of a sustainable society.



Products that contribute to effective utilization of resources

\* Compared to FY2023 ↑ : Increase of less than double ↑↑ : Increase of double or more

Segment	Product	Applications	Contribution to SDGs	Status	Expected sales* (2030)	Growth market
High-performance materials and magnetic materials	Lead-free super free-cutting stainless steel	Ballpoint pen tips	Does not use regulated chemical elements	Volume production	↑	Other
	High-performance 3D manufacturing wires	Repair and shape-forming of molds, jigs, etc.	Extension of lifespan (effective utilization of resources)	Under development	Commercialization in 2024	Other
	DHW <sup>®</sup> : For molds					
	DSAW: For superalloys					
	DSDW: For duplex stainless steel					
	DSNW: For austenitic stainless steel					
DSPW: For precipitation hardening stainless steel						
Parts for automobile and industrial equipment	G-Coat <sup>®</sup> high-performance 3D manufacturing titanium and titanium alloy wires	Aerospace	Reduction of raw materials (effective utilization of resources)	Under development	Commercialization in 2024	Other
	Pump shaft materials	Desalination plant	Promotion of development of water resources	Volume production	↑	Other
Engineering	Next-generation sewage sludge carbonization system (ultra-high-temperature carbonizing furnace)	Recycling of sewage sludge	Utilization as an alternative to activated carbon or as soil conditioner	Under development	Commercialization in 2026	Other
	Incinerated refuse ash-melting and recycling furnace (DAP <sup>®</sup> )	Recycling of trash incineration ash	Volume reduction and utilization in roadbed material, etc.	Volume production	↑	Other
	Daido Special Recycling Process for Dust and Slag Melting (DSM)	Recycling of electric arc furnace dust	Circulation of zinc, conversion of molten slag into resources	Volume production	↑	Other



A more circular economy thanks to the next-generation sewage sludge carbonization system (ultra-high-temperature carbonizing furnace)

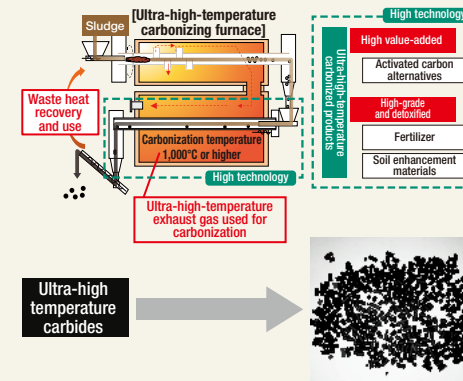
Managing Executive Officer, responsible for Machinery Division  
**Yuji Noguchi**

Daido Steel has developed the next-generation sewage sludge carbonization system (ultra-high-temperature carbonizing furnace) for heating sludge to 1000°C or higher for steaming and incineration. And now the system is under a full-scale demonstration test in the Kesenuma Terminal Treatment Plant under the 2023 Breakthrough by Dynamic Approach in Sewage High Technology Project (B-DASH project) conducted by the Ministry of Land, Infrastructure, Transport and Tourism.

The ultra-high-temperature carbonized products created using this system can be used as activated carbon alternatives as well as fertilizer and soil enhancement materials, which realizes the turning of sewage sludge into a high value-added, high-grade, and detoxified material.

Furthermore, compared with existing carbonization systems, this system saves energy and greatly reduces greenhouse gas emissions through its application of technology that effectively makes use of waste heat.

With the rollout of the next-generation sewage sludge carbonization system (ultra-high-temperature carbonizing furnace), we will contribute to the realization of a sustainable society in terms of utilizing sewage sludge resources.



Characteristics of the demonstrated technology



Equipment in the demonstration facility



# Information Disclosure Based on the Recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)”

## (1) Governance

- As an organization for investigating and deliberating basic policy, important matters, and risks and opportunities related to climate change, the previous CSR Committee was reconstituted in April 2022 as the “Sustainability Committee.” This Committee is chaired by the President & CEO, and matters deliberated and decided there are put on the agenda of the Board of Directors.
- Resolutions deliberated and passed by the Board of Directors are rolled out to individual business divisions, which reflect them in their business operations.

## (2) Strategy

- With the objective of understanding the impact of risks and opportunities presented to the Company by climate change, as well as considering the resilience of Daido Steel’s medium- to long-term strategy and the need for further measures, we conducted a scenario analysis for the period 2030 to 2050. For the purpose of this scenario analysis, we referred to climate change scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), namely their 1.5°C and 4°C scenarios.
- As a result of verifying countermeasures to these risks and opportunities, we concluded that it is possible to enhance corporate value by developing and expanding sales of high-performance materials and innovative environmental engineering products, based on the basic strategy of the medium-term management plan for addressing changes in society as we approach decarbonization. Our assessment is that the Daido Steel strategy is resilient.

TCFD scenario analysis

Scenario	Factor	Change	Impact on Daido Steel	Countermeasures	
1.5°C	Progressive shift to electric vehicles	Reduced demand for engine/exhaust system parts due to progressive shift to electric vehicles	Risk Medium ↓	● We expect internal combustion engine vehicle (ICE)-related demand to decline slightly until 2030, but from 2030 onward we assume a significant decline as a result of the progressive shift to electric vehicles.	<input type="checkbox"/> Expand sales in future growth markets such as CASE (automotive), semiconductor-related products and clean energy to achieve sustainable business growth
		Increased demand for high-performance materials caused by the progressive shift to electric vehicles	Opportunity High ↑	● With the progressive shift to electric vehicles, demand for high-performance materials is expected to exceed the decline in demand for ICEs by 2030. Note: High-strength steel and magnetic materials used in e-Axle components, battery materials, control system parts, etc.	<input type="checkbox"/> Develop materials tailored to different product needs <input type="checkbox"/> Increase production capacity in response to rising demand <input type="checkbox"/> Launch new businesses, and launch and enter the market for new products aimed at next-generation vehicles
	Strengthening of various regulations, including those governing greenhouse gas emissions	Increase in electricity costs due to use of renewable energy	Risk Low ↓	● Electricity costs to rise as a result of increases in the ratio of renewable energy used.	<input type="checkbox"/> Absorb increases in electricity costs by saving energy and improving product yields <input type="checkbox"/> Introduce renewable energy within the Company itself
	Introduction of carbon pricing	Increase in operating costs	Risk Medium ↓	● Potential increase in operating costs due to the introduction of carbon pricing (carbon tax/emissions trading).	<input type="checkbox"/> Invest in reducing CO <sub>2</sub> emissions and move completely to renewable energy for all electric power needs to avoid cost burden
		Rising demand for electric arc furnace materials	Opportunity Medium ↑	● Due to intensifying demands for decarbonization and a strengthening trend toward low-emission products, we expect rising demand for electric arc furnace materials due to their relatively low CO <sub>2</sub> emissions.	<input type="checkbox"/> Actively expand sales of low-CO <sub>2</sub> emissions specialty steel manufactured in our innovative STARQ® <input type="checkbox"/> Move forward with the shift to renewable energy to promote further differentiation <input type="checkbox"/> Incorporate customer needs through accurate CFP presentation
	Rising demand for scrap raw materials	Increase in scrap procurement costs	Risk Medium ↓	● Rising demand globally for electric arc furnace materials, and rising demand for high-grade scrap. ● Could be affected by soaring prices and difficulties in procurement as a result.	<input type="checkbox"/> Expand scrap recovery programs in cooperation with customers, and establish technologies to enable the use of low-grade scrap in order to control soaring prices and secure necessary scrap volumes
Diffusion of technology to address issues related to the environment and new energy	Rising demand for innovative engineering to address environmental issues	Opportunity High ↑	● As investments aimed at improving energy efficiency increase in preparation for decarbonization, demand for our environmental engineering will rise.	<input type="checkbox"/> Actively expand sales of Daido brand energy-saving products Note: STARQ®, DINCS®, ModuTherm®, Premium STC® Furnace, etc. <input type="checkbox"/> Promote the development of engineering products (hydrogen-fueled industrial furnaces, etc.) that match customer needs	
	Rising demand for hydrogen-related technology and products	Opportunity Medium ↑	● Rising demand for high-performance materials, such as hydrogen embrittlement resistance steel, as a result of shift toward hydrogen society. Note: High-performance materials used in hydrogen stations, fuel cell vehicles, hydrogen internal combustion engines, and other applications	<input type="checkbox"/> Develop materials tailored to different product needs <input type="checkbox"/> Acquire new customers and open up new markets	
4°C	Increasingly intense (acute) climatic damage	Risk of operations being suspended due to natural disasters on business partners and production sites	Risk Medium ↓	● Increasing risk of business partners and main plants being struck by natural disasters, leading to suspension of operations.	<input type="checkbox"/> Promote BCP measures such as risk management in cooperation with business partners and ensuring an appropriate level of inventory <input type="checkbox"/> Continue to implement flood countermeasures for main plants

The degree of impact for high, medium, and low is evaluated based on our current assumptions and anticipations. We believe that this will change depending on the situation, and we will continue to review our evaluation.

High: It is anticipated that there will be a major impact on finances and business.  
 Medium: It is anticipated that there will be some impact on finances and business.  
 Low: It is anticipated that there will be a minor impact on finances and business.





**(3) Risk management**

- As a process for managing climate-related risks, climate-related risks are analyzed, countermeasures are drafted and promoted, and progress is managed through the Sustainability Committee.
- Details of matters analyzed and considered by the Sustainability Committee reported to the Board of Directors, and management of risks is integrated across the Company as a whole.
- We conducted scenario analyses on climate-related risks, centered on the ESG Promotion and Oversight Division. After taking into account Daido Steel's business strategy, considering the likelihood of each risk and opportunity occurring and their impact in the event that they do occur, and prioritizing climate-related risks, we will focus on countermeasures to address those items with the highest impact.

**(4) Indicators and targets**

- In order to assess and manage the impact of climate-related problems on management, Daido Steel has set reduction targets using total emissions of greenhouse gases (CO<sub>2</sub>) as indicator.
- The Daido Carbon Neutral Challenge was announced in April 2021. The Company established a reduction goal of reducing 2030 CO<sub>2</sub> emissions by 50% over those of fiscal 2013, and of achieving carbon neutrality in 2050.
- Furthermore, when formulating the 2026 Medium-Term Management Plan, we expanded the scope to include the Daido Steel Group, including domestic and overseas affiliates. The entire group is working together to promote activities to reduce CO<sub>2</sub> emissions.

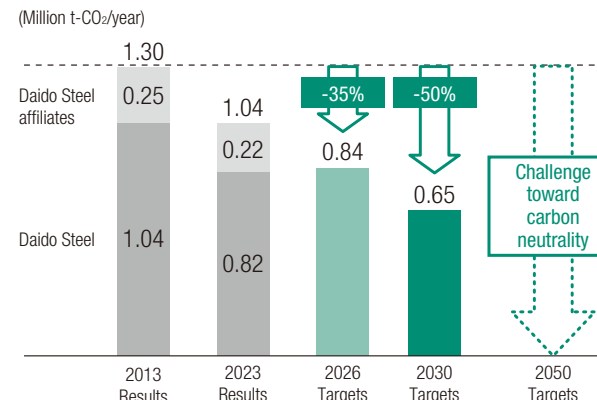
**Toward 2030**

**Reduce CO<sub>2</sub> emissions by 50%**  
compared to FY2013

**Toward 2050**

**Aim to achieve carbon neutrality**  
in line with the development of decarbonization technologies and infrastructure

Daido Steel Group CO<sub>2</sub> emissions reduction target



The calculations are limited to Scope 1 + Scope 2 (derived from energy) of the Company and its 31 affiliates (company names are listed in the Daido Steel Group Greenhouse Gas Emissions Verification Report)

Grid emission factors: (Domestic) Commenced use of grid emission factors following adjustment of electricity supplier and plan used (Overseas) IDEA Ver. 3.4 (April 30, 2024) used by IDEA Lab of AIST Research Institute of Science for Safety and Sustainability

**[CO<sub>2</sub> emissions by Scope 3 category (1,000 t-CO<sub>2</sub>/year)]**

Category	FY2023	
1. Purchased products and services	1,116	Calculated by multiplying the purchase price and purchase weight of raw materials and materials by the CO <sub>2</sub> emissions factor
2. Capital goods	56	Calculated by multiplying capital investments by CO <sub>2</sub> emissions factor
3. Fuel and energy-related activities not included in Scope 1 or 2	187	Calculated by multiplying purchased electricity and fuel by CO <sub>2</sub> emissions factor
4. Transportation and delivery (upstream)	56	Calculated by multiplying the amount of fuel used and the amount purchased under Category 1, as reported under the Act on Rationalizing Energy Use, by CO <sub>2</sub> emissions factor
5. Waste generated in operations	15	Calculated by multiplying amount of waste for each type of by-product by the CO <sub>2</sub> emissions factor
6. Business travel	3	Calculated by multiplying the money spent on each mode of transportation by the CO <sub>2</sub> emissions factor
7. Employee commuting	3	Calculated by multiplying the money spent on each mode of transportation by the CO <sub>2</sub> emissions factor
13. Leased assets (downstream)	5	Calculated by multiplying the leased surface area by the CO <sub>2</sub> emissions factor
Total	1,441	

Calculations are limited to categories applicable to Daido Steel on a non-consolidated basis  
 Calculation method: IDEA LCI database Ver. 3.4 (April 30, 2024) used by IDEA Lab of AIST Research Institute of Science for Safety and Sustainability, and the emission factor database for corporate GHG emissions accounting over the supply chain (Ver. 3.4) used by the Ministry of the Environment  
 Fiscal 2023 emissions results (Scope1, Scope2, Scope3) are subject to third-party verification.



The full text of the Greenhouse Gas Emissions Verification Statement is available on our website.

[https://www.daido.co.jp/common/pdf/pages/sustainability/data/20240819\\_co2\\_data.pdf](https://www.daido.co.jp/common/pdf/pages/sustainability/data/20240819_co2_data.pdf) (Japanese only)



# Daido Carbon Neutral Challenge Status of Daido Steel Group CO<sub>2</sub> Emissions Reduction Initiative

## Examples of CO<sub>2</sub> emissions reductions by saving energy

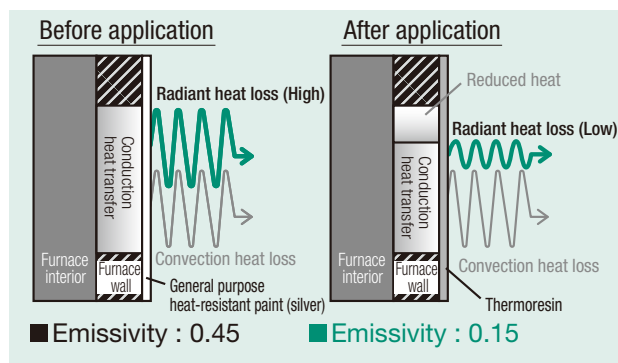
The Daido Steel Group promotes energy saving in the manufacturing process. Here we introduce some of these initiatives.

### [Application of heat resistant paint to heating furnaces and heat treatment furnaces]

Due to their high fuel consumption and wide temperature range, heating furnaces and heat treatment furnaces lose a significant amount of heat by conduction heat transfer from the furnace body. Additionally, the temperature of the surrounding air rises, which negatively affects the working environment.

By applying a low-emissivity heat resistant paint and reducing radiant heat loss, we can suppress energy loss and lower the working environment temperature. Consequently, the range of applications can gradually be expanded. We are working to further reduce CO<sub>2</sub> by combining this with the continual and expansive use of ceramic fibers in refractories, which we have already been implementing.

Overview of effects of heat resistant paint



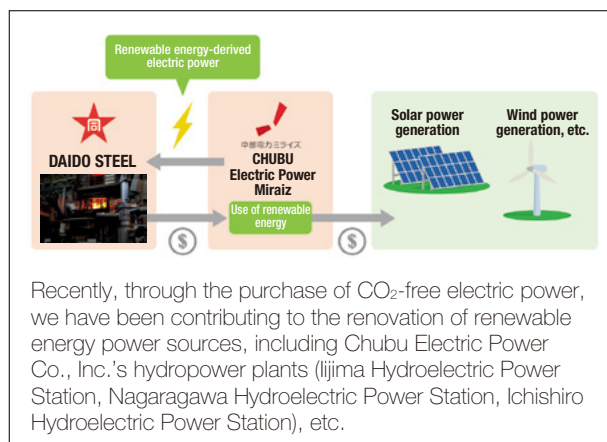
## Reducing the amount of CO<sub>2</sub> emissions by utilizing CO<sub>2</sub>-free electric power

In order to decarbonize our sources of power, Daido Steel buys CO<sub>2</sub>-free electric power. In addition, we are promoting initiatives to reduce CO<sub>2</sub> by installing solar power generation facilities as a way of introducing renewable energy.

### [Utilizing CO<sub>2</sub>-free electric power and promoting more widespread use of renewable energy in the regions]

In fiscal 2021, the Company started purchasing CO<sub>2</sub>-free electric power and in fiscal 2023, this was expanded to an annual reduction of 170,000 t-CO<sub>2</sub>/year\*<sup>1</sup>. In addition to further expanding the amount purchased as we approach 2030, we will work in cooperation with Chubu Electric Power Miraiz Co., Inc. to encourage more widespread use of renewable energy in the regions.

\*1: Calculated based on the electric power emission factor for fiscal 2022



## [Utilizing solar power generation]

The Daido Steel Group is continuing with the installation of solar power generation panels as a way of introducing renewable energy.

Solar panel installation

Key	Place installed	Year installed	Power generating capacity [kW]	CO <sub>2</sub> reduction amount [t-CO <sub>2</sub> /year]
1	Shibukawa Plant	2022	100	64
1	D-BASE Motohama (Formerly Motohamaryo: Tokai, Aichi Prefecture)	2024	50	27
2	Head Office and Shizuoka Plant	2023	3,985	1,874
2	Fujisawa Plant	2024	488	169
2	FUJI OOZX MEXICO	2023	1,000	654
3	Matsuo Plant	2015	466	255
3	Fujimi Plant	2023	143	59
4	Hirakata Plant	2016	11	7
5	Arako Plant	2023	129	12
6	Head Office	2024	830	303
7	Kakizaki Plant	2024	1,250	513

1: Daido Steel, 2: Fuji OOZX Inc., 3: Shimomura Tokushu Seiko Co., Ltd., 4: Nippon Seisen Co., Ltd., 5: Sakurai Kosan Co., Ltd., 6: Daido Machinery Co., Ltd., 7: Riken Seiko Co., Ltd.

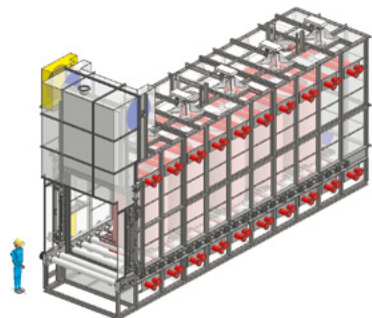


**Development of radiant tube type hydrogen burner**

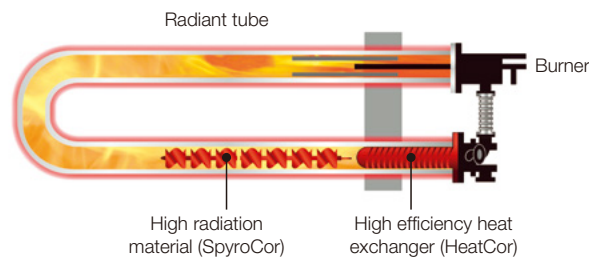
STC<sup>®</sup> annealing furnaces and continuous annealing furnaces perform the annealing heat treatment necessary for the rolling process of steel materials. The heating element of these furnaces, radiant tube burners, currently use fossil fuels such as city gas, but we have been developing hydrogen combustion burners since 2021 and have successfully tested hydrogen-only combustion and mixed combustion of hydrogen and city gas at any ratio. We are planning to commercialize products equipped with DINCS<sup>®</sup> (high-efficiency combustion system) and NOxBuster<sup>®</sup> during fiscal 2026. This offers a promising solution to decarbonizing not only the

annealing furnaces that our plants have but also the more than 350 furnaces that are sold outside the Company.

Furthermore, we are working on decarbonizing atmospheric gas, which plays an important role in the annealing quality of steel materials, and are planning a demonstration test of a CN-STC<sup>®</sup> annealing furnace that emits no CO<sub>2</sub> in either fuel gases or atmospheric gases from 2026 onwards. Through these developments, we will contribute to the achievement of the Daido Carbon Neutral Challenge and the decarbonization of secondary steel processing methods in Japan and neighboring countries.



STC annealing furnace



Radiant tube type hydrogen burner

**Addressing climate change [CDP climate change and water security]**

We submitted the Climate Change Questionnaire and the Water Security Questionnaire and received a B score in both questionnaires. We are making efforts to further disclose information.



**[Participation in the GX League]**

To achieve a carbon-neutral society by 2050 and transform the entire socioeconomic system, led by the Ministry of Economy, Trade and Industry and through the cooperation of government, industry, and academia, we participated in the GX League, which started from fiscal 2023.



**[Hydrogen Utilization Study Group in Chubu]**

In the Chubu region, where manufacturing is thriving, we aim to create cross-industry hydrogen demand and build a hydrogen supply chain, and are participating in the Hydrogen Utilization Study Group in Chubu, which is considering the implementation of Japan's first hydrogen society.



Human Capital Strategy

# Human Capital Strategy for Business Strategy Execution

## — Pursuing Three Human Resource Materialities

Human resources are the source of realizing business strategies.

We interviewed the executive officer in charge of the Personnel Department regarding the human capital strategy, which is a key measure in the 2026 Medium-Term Management Plan.



Managing Executive Officer in charge of Personnel Department

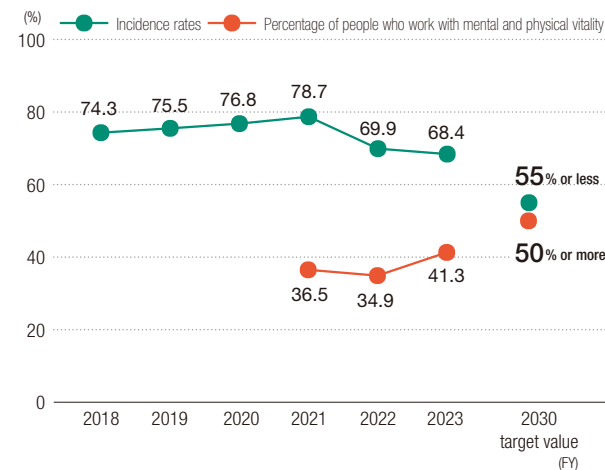
**Takaaki Taketsuru**

### Looking back on the previous medium-term management plan

First, I would like to look back at the achievements and issues of the previous medium-term management plan regarding the materiality of human capital, particularly “elimination of occupational accidents,” “promotion of health and productivity management,” and “promotion of diversity.”

In order to eliminate occupational accidents, we are working on activities aimed at establishing an accident-free workplace based on our basic philosophy of safety takes precedence over anything. Specifically, over the past few years, we have assigned a total of 74 Safety Evangelists to provide immediate guidance, and have been working on a three-year plan to promote risk assessment. Our safety activities have no end point. We believe that by continuing to focus on building a scheme that involves improving tangible aspects and routinely reviewing activities, and by continuing to make tireless efforts with the participation of all employees, we will be able to eliminate occupational accidents.

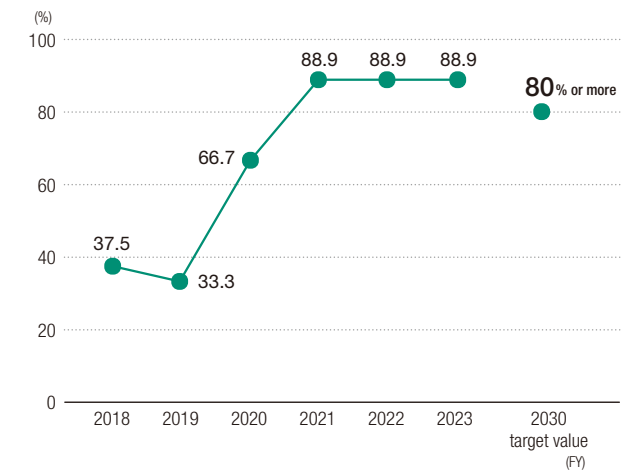
Incidence rate and percentage of people who work with mental and physical vitality



Our goals in promoting health and productivity management are to raise the number of motivated workers, improve overall organizational productivity, and boost business value. Under a promotion organization headed by the President, we have been supporting health promotion activities in collaboration with the health insurance association and labor union. In recent years, we have utilized the analysis results of stress check-ups to conduct various improvement activities such as interviews with public health nurses, Individual Health Declaration, and on-site education by public health nurses. As a result, the percentage of people who work with mental and physical vitality increased from 37% in fiscal 2021 to 41% in fiscal 2023, and the incidence rate decreased from 79% to 68%. One of our biggest successes as a result of these efforts is that we were chosen as a Health & Productivity Stock Selection brand for the first time in three years.

In terms of promoting diversity, we believe that the 10-year retention rate for women has significantly improved, and we have created a population that is poised to double the number of women in managerial positions—both of which are

10-year retention rate of female global staff





substantial accomplishments. Last year, we held a roundtable discussion with female employees. We were able to learn about the difficulties these women face and received their opinions for future improvements. We would like to continue initiatives like these in the future.

**Newly identified human resources materiality**

In order to realize our "Vision for 2030," we believe that human capital management is extremely important. Our business mission is to pursue the potential of materials and continue to support the future of people and society, and it is critical to develop human resources who can embody this mission. To this end, we have identified three human resources materialities.

1. Acquisition of autonomous expert\* (recruitment and fostering)
2. Acquisition of co-creative staff (recruitment and fostering)
3. Realization of a workplace where DE&I (diversity, equity, and inclusion) is widespread

\*Expert: Our Company defines on-site employees as experts.

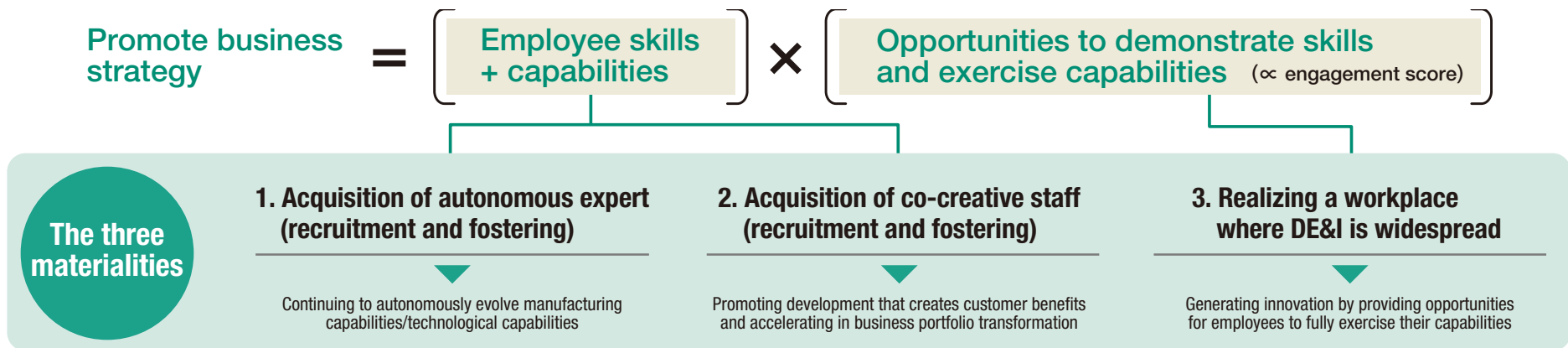
Regarding the background of the three human resource materialities, I would like to first explain "1. Acquisition of autonomous expert." Our Company is responsible for material, the starting point of the manufacturing industry, and the experts at the manufacturing site are the ones who support the foundation of manufacturing. Since I was young, I have cherished the teaching that value is built into products at

the factory. Our vision for such experts comprises of those who; tirelessly pursue improvement and highly developed manufacturing technology, follow the rules on safety and quality as a professional and autonomously strengthen the manufacturing capabilities of their teams, and who are leaders that appreciate diversity and strive to educate and enhance teamwork. We believe that our mission is for each expert to take pride in their work, autonomously increase productivity, and continue to provide stable, high-quality materials.

Next, regarding "2. Acquisition of co-creative staff," the power of co-creation in which human resources with different backgrounds work together to create new value will help us realize our vision more than ever before. We aim to acquire frontier sales personnel, who take on challenges that will generate business growth; next-generation product and

**Enhancing management resilience through human capital strategy**

- ✓ Establish a system for human capital acquisition that supports long-term business growth, leading to a +20% improvement in labor productivity (from FY2023 to FY2026)
- ✓ Introduce a continuous analysis system for engagement scores to create a work environment where employees can fully exercise their capabilities



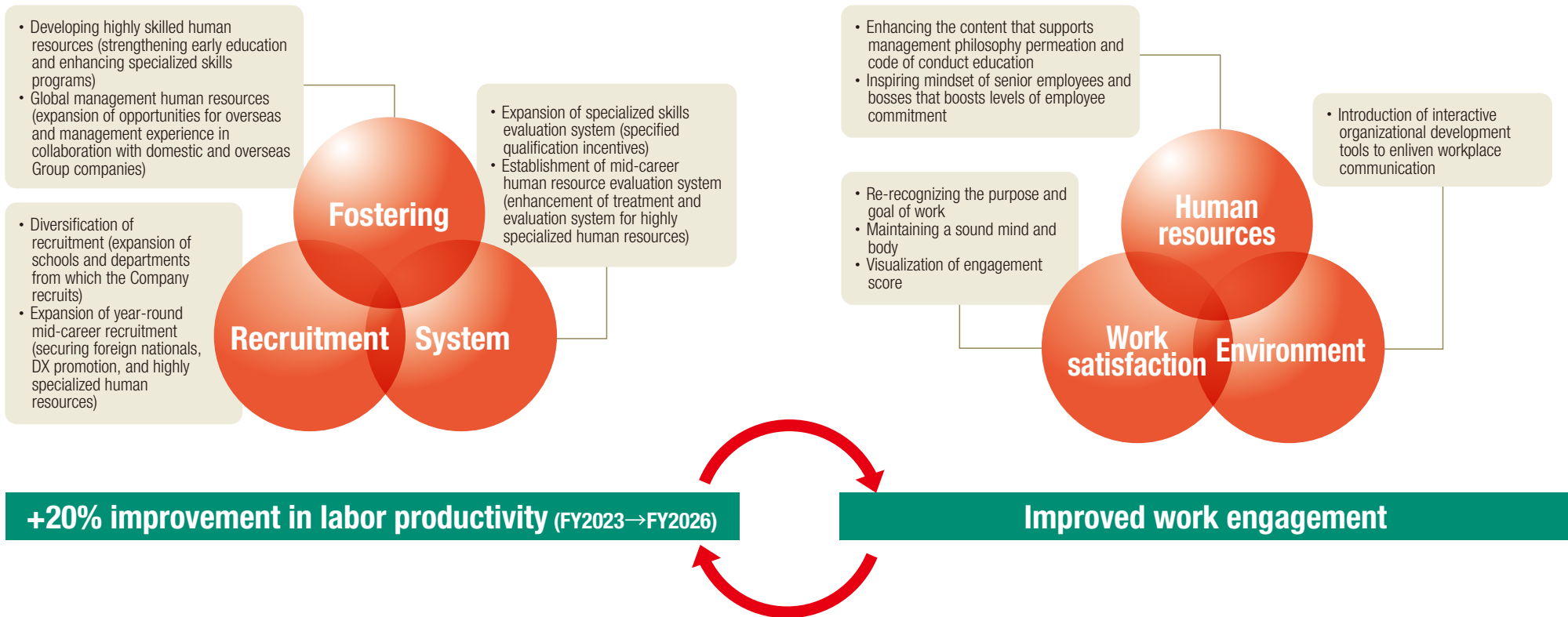


technology development personnel, with highly specialized expertise who can meet customer expectations and master manufacturing technology; and personnel who promote operational reform and efficiency through DX, etc. We hope that this will encourage diverse talent to stimulate each other and create new ideas and solutions. I have worked in a variety of workplaces, but I have always considered each workplace to be my calling, and have welcomed new challenges with excitement. Our conduct guidelines include the phrase “open to challenges,” and we have a culture that encourages

challenges, such as the President’s Award for Inventions and Business Improvements. For example, I believe that job rotation is an opportunity to study in a new workplace, which can lead to discoveries, challenges, and learning. We would like to provide a variety of opportunities for challenges so that each employee can exercise their capabilities to the fullest.

Finally, “3. Creating a workplace where DE&I (diversity, equity, and inclusion) is widespread” means more than simply accepting diversity. We aim to create a work environment where all employees are evaluated fairly, where diversity is

recognized, and where everyone respects and improves each other. By ensuring psychological safety and creating an environment in which women, foreign nationals, and other human resources with different backgrounds can thrive, to put it simply, by improving the organizational culture, we believe the organization will be revitalized and the growth of individuals and their abilities will be enhanced. I myself strongly feel the importance of accepting diverse perspectives and embedding them as part of the corporate culture.





## Started an initiative to clarify the image of the ideal workplace

When formulating our human capital strategy, we gathered members from the Personnel Department, Innovative Safety and Health Department, General Affairs Department, IT Planning Department, and the ESG Management Department to establish the Human Capital Working Group (WG) to carry out cross-functional activities with a clear image of what we wish for not only our human resources but also our workplace as well. To increase corporate value, we believe that it is extremely important for employees not only to take pride in their work, but also to feel excited, and we are considering systems and mechanisms to increase this. For example, it is important to communicate to employees how much our products contribute to society and enrich the future. Furthermore, we plan to share the future vision and dreams

that management has in mind.

By enhancing the content that supports management philosophy permeation and code of conduct education, we enable each and every employee to understand and empathize with the Company's goals, and to work together toward achieving them.

Also, in order to change the work environment, it is critical that the bosses are willing to change their mindsets and attitude. Specifically, we will strive to lower the hurdles for reporting to, and communicating and consulting with bosses and will encourage said bosses to adopt an attitude and patina that demonstrates a willingness to listen to anything employees have to say. By building a work environment that increases employee motivation, engagement is enhanced, which creates a positive cycle that further improves productivity and employee retention rates.

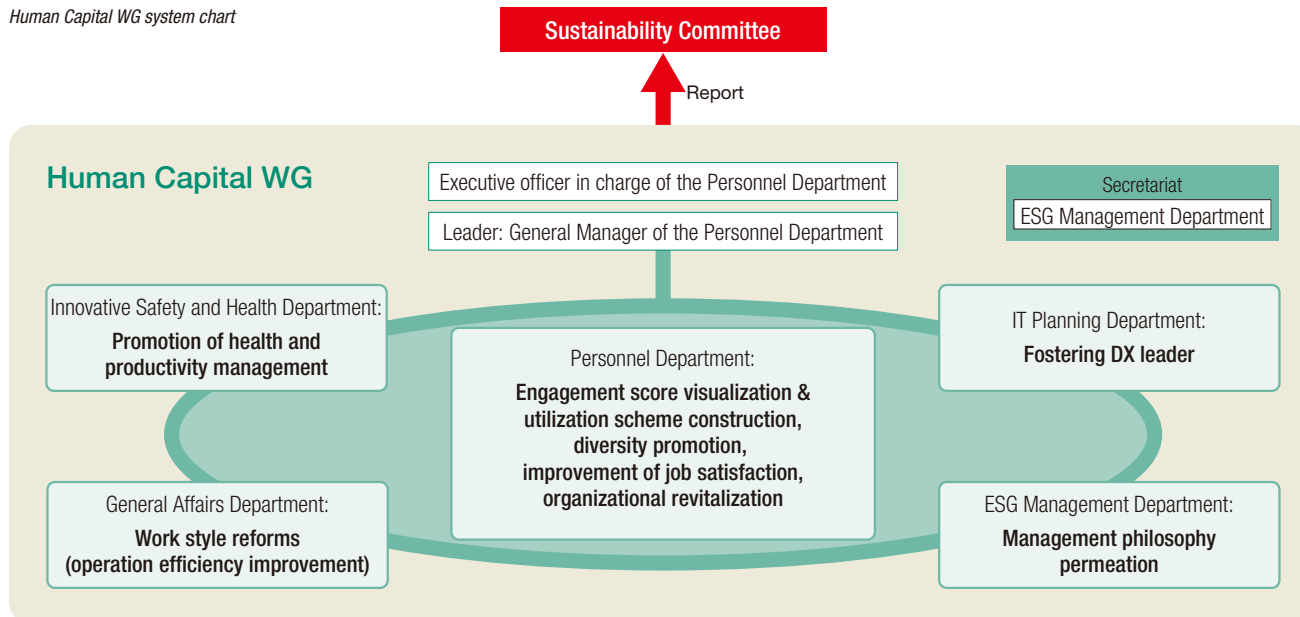
## To all employees

All three human resources materialities are important and necessary for promoting business strategy.

To achieve this, I would like each and every employee to make a concerted effort to improve their mental and physical health, the foundation of the Company's much emphasized health and productivity management. Also, always consider if your actions will be of benefit to your own growth before proceeding with them. Additionally, dialogue and communication are essential in the workplace. I would like you all to build a relationship where you respect each other, listen to what someone has to say, and share opinions. I believe that if everyone works on these points as if they were their own, we will experience progress.

We will undertake a wide range of initiatives to realize the ideal image of human resources and the workplace. Together with a strong focus on thoroughly sharing information and reducing waste in our activities, we will develop ourselves while improving one another.

Human Capital WG system chart





# DX Strategy and DX Human Resource Development to Enhance Management Resilience

## ■ Fundamental policies

### [Objectives and goals]

To date, the Company has been working to improve the efficiency of Head Office operations by utilizing various cloud tools, AIOCR, generative AI that can reference our own data, and updating the OA infrastructure to promote internal communication. Additionally, for production sites, we have implemented systems that incorporate new IT technology and data utilization ideas, such as visualizing operations at the Chita Second Plant and creating a remelting material management system at the Shibukawa Plant. Making operations visible leads to the discovery and awareness of new correlations between data, and the use of devices such as smartphones is effective in raising productivity and preventing human errors.

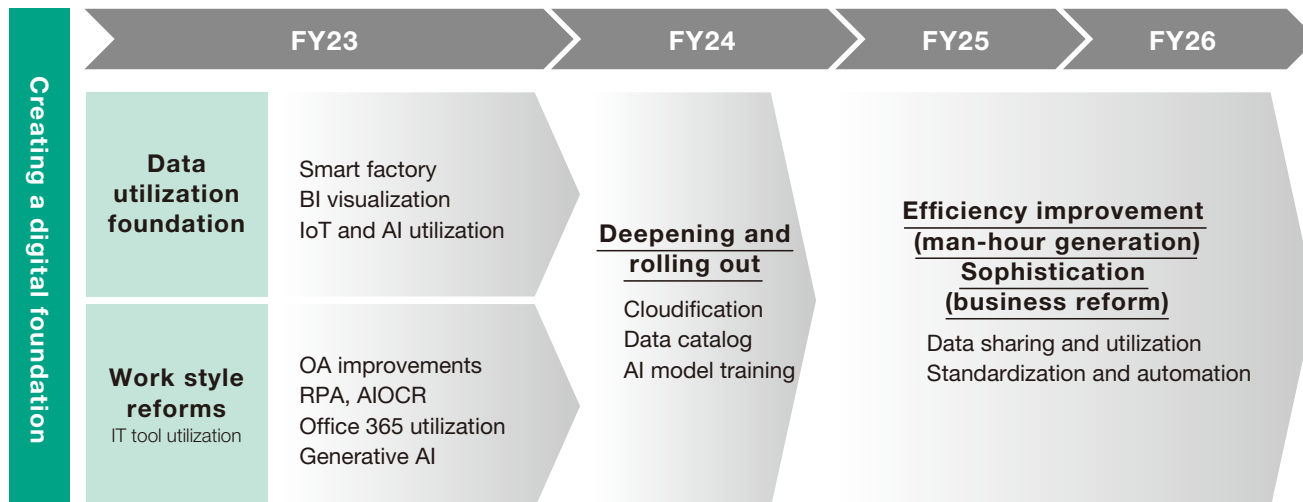
Under the 2026 Medium-Term Management Plan, we will deepen and roll out these DX initiatives, and promote improved operational efficiency and sophistication through data sharing

and automation. We also intend to make solid investments in the human capital that supports this, and hope to develop a system that supports the transformation of our business portfolio and enhancing of our management resilience.

### [DX areas]

In advancing DX activities under the 2026 Medium-Term Management Plan, we have defined seven DX areas as areas where issues and success stories can be shared. Although the technologies and tools used may be comparable, the target results and approach methods are not necessarily the same. Therefore, we have divided our internal operations into seven DX areas, and within these areas, we will compile successful cases of DX coming from new ideas and value creation, and will roll them out. We hope that this will accelerate DX activities in each area. This will lead to the creation of new value.

<b>Manufacturing DX</b>	<ul style="list-style-type: none"> <li>Improving production efficiency and quality by utilizing IoT and AI</li> </ul>
<b>Production DX</b>	<ul style="list-style-type: none"> <li>Optimization of production planning, logistics, and procurement</li> </ul>
<b>Maintenance DX</b>	<ul style="list-style-type: none"> <li>Improving operation rates through remote monitoring and predictive monitoring</li> </ul>
<b>R&amp;D DX</b>	<ul style="list-style-type: none"> <li>Increase R&amp;D speed by utilizing MI and PI</li> </ul>
<b>Financial DX</b>	<ul style="list-style-type: none"> <li>Data-driven decision making</li> </ul>
<b>Sales DX</b>	<ul style="list-style-type: none"> <li>Speeding up sales decisions and reinforcing supply chain collaboration</li> </ul>
<b>DX in work style</b>	<ul style="list-style-type: none"> <li>Development of highly specialized human resources and business reform</li> </ul>



## ■ Human resources development DX

In order to further integrate DX into our Company, it is important to instill a corporate culture of digital utilization, in which we advance our business reforms through the utilization of digital technology. To this end, it is necessary to develop human resources who have sufficient knowledge of business and operations, as well as digital knowledge and the ability to think creatively about digital utilization.

To date, our Company has been training AI analysis experts to support materials informatics (MI) and process reform initiatives, as well as training all employees in staff positions to improve the level of data utilization. In the 2026 Medium-Term Management Plan, we will train DX leaders who will be responsible for planning and promoting DX in order to enliven DX activities throughout the Company's workplaces.





These DX leaders are responsible for conducting DX activities in each workplace based on the particular conditions and issues recognized there. This requires a certain level of human resources, therefore roughly 100 people are hired each year. We plan to train roughly 500 DX leaders by 2030, which allows us to deploy around two DX leaders in each department and section.

Regarding the development of DX leaders, currently we plan to provide education in the following three directions, and intend to continue to fine-tuning instruction depending on efficacy.

**[DX leader education]**

**(1) DX theme creation**

By creating issues and themes in the seven DX areas, cultivate the creativity that leads to new value creation through the utilization of the latest technology

**(2) Solving DX issues**

After learning about the latest IT technologies, develop strategic thinking when applying approaches and technologies to solve issues in actual business processes

**(3) Data science**

Acquire knowledge of data analysis, machine learning, and AI, and develop data-based business execution skills

**■ Base activities**

**[Rebuilding of core systems]**

As we move forward with Daido DX, creating a picture of the future status of host-based core systems that have been in use for many years has become an important issue. Our core system is a system that supports the fundamentals of corporate activities, etc. It not only largely determines the efficiency of daily operations and labor productivity, but also stores and manages a variety of internal data related to operation, quality, sales, etc. that are important in promoting DX. Therefore, it is extremely important to optimize the system and change it into a format that makes it easier to utilize the

data in terms of DX promotion. Rebuilding the core system will require a certain amount of effort and time, but we will proceed steadily from a medium- to long-term perspective.

**[Cyber security]**

In recent years, cyberattacks have become more advanced and intricate. There have been cases in which key corporate data was encrypted, causing severe damage to corporate activities, and while in other cases, information was leaked due to unauthorized access. The risks are increasing every year. In order to use data and systems safely in DX activities, it is necessary to invest a considerable amount of energy and cost into security measures. At the Company, we use security tools and other tools to improve our systems. We are also working to improve our intangible aspects, including implementing group-wide security education and establishing a Computer Security Incident Response Team (CSIRT).

 [Cyber Security ▶ P.62](#)



# Daido Steel's Materiality Progress

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# Sustainability Basic Policy

## Sustainability Basic Policy and actions for SDGs

Through deliberations by the Board of Directors, the Company revised the existing Sustainability Basic Policy and, in April 2024, formulated the Daido Steel Group Sustainability Basic Policy.

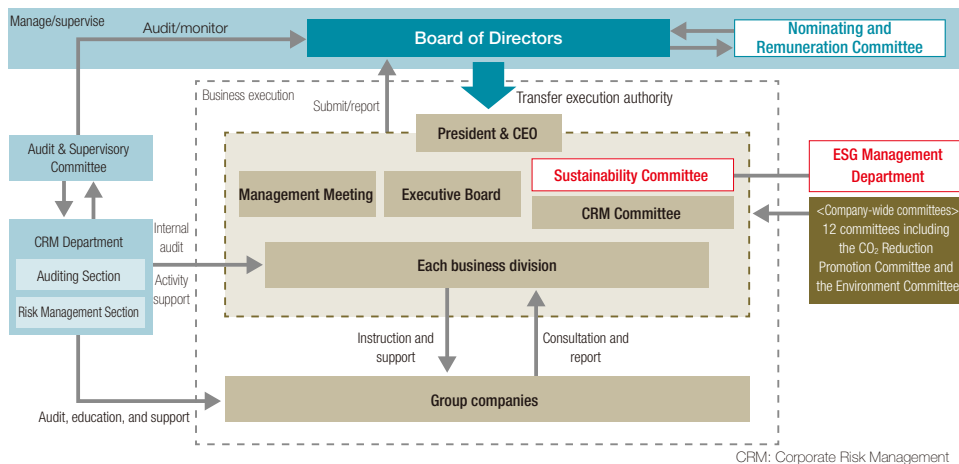
Based on this policy, we will address materiality as a responsible corporate group and contribute to the realization of the better world we are aiming for in our Sustainable Development Goals (SDGs).



[The Sustainability Basic Policy is available on our website.](https://www.daido.co.jp/sustainability/)  
<https://www.daido.co.jp/sustainability/> (Japanese only)

## Organization of promoting sustainability

In April 2022, we established the Sustainability Committee as an advisory body to the Board of Directors. We also established the ESG Management Department within the organization and have been promoting and rolling out various sustainability-related measures on a company-wide basis.



The Sustainability Committee conducts planning and drafting of proposals and provides opinions with regard to basic management policies, as well as promotional activities and strategies related to sustainability. Important matters are decided after being reported to or put on the agenda of the Board of Directors.

The Committee met nine times in fiscal 2023.

The Company has positioned sustainability at the core of management, and will take a forceful approach to promoting the various measures related to materiality, centered on addressing climate change.

## Daido Steel's Materiality

We have reorganized the sustainability issues linked to the 2026 Medium-Term Management Plan and reviewed them as materiality for fiscal 2024. The chart comparing it with materiality for fiscal 2023 is as follows.

Theme	Materiality for FY2023	Materiality for FY2024
<b>E: Preservation of the global environment</b> (business activities) (product supply)	(1) Initiatives to address climate change	<b>E1</b> Steady implementation of a roadmap to achieve carbon neutrality in the production process
	(3) Technological innovation for energy transition (4) Improvements in energy efficiency (5) Effective utilization of natural resources	<b>E2</b> Expansion of businesses that contribute to the realization of a sustainable society
	(2) Transition to a circular economy	<b>E3</b> Coexistence with nature and reduction of environmental impact as a manufacturing company
<b>S: Responsibilities and contributions to society</b>	(6) Human capital (Elimination of occupational accidents, promotion of health and productivity management, promotion of diversity, work style reforms)	<b>S1</b> Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I
	(7) Stakeholder communication (8) Respect for human rights (9) Supply chain management (10) Social contribution initiatives	<b>S2</b> Contributing to solving social issues and fulfilling our corporate responsibilities
<b>G: Strengthening governance</b>	(11) Strengthening of corporate governance (12) Risk management and compliance (13) Stable supply of high-quality products	<b>G1</b> Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system



## ESG Initiatives (April 2023 to March 2024)

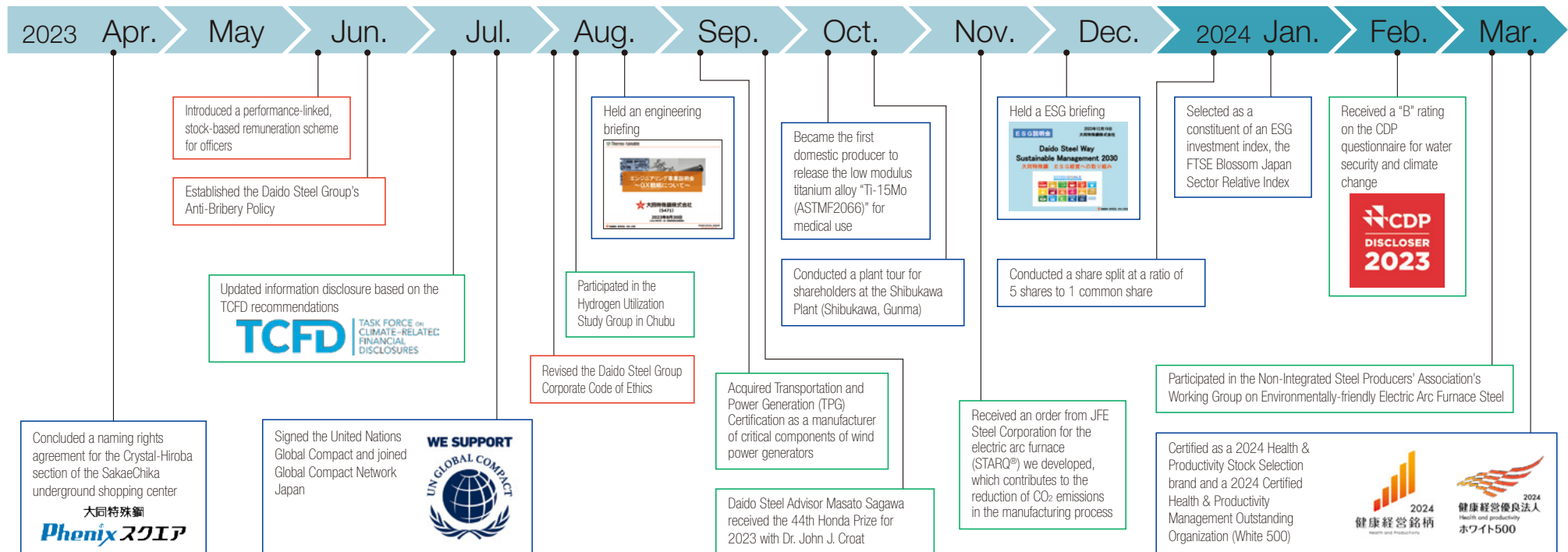
For “**Environmental**,” Daido Steel continues to participate in international initiatives such as business expansion, including the acquisition of certifications for products and manufacturing processes that contribute to the reduction of CO<sub>2</sub> emissions, as well as information disclosure based on the TCFD recommendations, and responses to the CDP. We are also participating in the Hydrogen Utilization Study Group in Chubu and, together with companies in the Chubu region, will aim to

realize the implementation of a hydrogen society.

In terms of “**Social**,” in addition to undertaking initiatives such as concluding a naming rights agreement in Nagoya’s Sakae district as a contribution to revitalizing local communities, signing the United Nations Global Compact, and holding plant tours and briefings for shareholders and investors, we have launched sales of products that meet the needs of the medical field. Daido Steel has also received assessments

from outside the Company, such as being selected as a FTSE Blossom Japan Sector Relative Index constituent and certified as a Health & Productivity Stock Selection brand.

Regarding “**Governance**,” and our efforts to bolster it, we have implemented measures such as introducing a performance-linked, stock-based remuneration scheme for officers, established the Anti-Bribery Policy, and revised the Corporate Code of Ethics to group company standards.





# Targets and KPIs of Actions for SDGs and Materiality

## E: Preservation of the global environment (business activities/product supply)

Materiality	Actions	2026 Medium-Term or Long-Term Targets/KPIs	Pages Referenced	Related SDGs
[E1] Steady implementation of a roadmap to achieve carbon neutrality in the production process	Reduction of CO <sub>2</sub> emissions by integrating energy-saving technologies	35% reduction in CO <sub>2</sub> emissions in 2026, 50% in 2030 (compared to FY2013)	P.41	
	Promotion of the utilization of CO <sub>2</sub> -free electric power	30% or more increase in ratio of CO <sub>2</sub> -free electric power in 2026, 60% or more in 2030		
[E2] Expansion of businesses that contribute to the realization of a sustainable society	Expansion of products that support technological innovation for energy transition	Net sales ratio of products for the growth market 15% or more in FY2026, 25% or more in FY2030	P.35-36	
	Expansion of products that contribute to improvements in energy efficiency		P.37	
	Expansion of products that contribute to effective utilization of resources		P.38	
[E3] Coexistence with nature and reduction of environmental impact as a manufacturing company	Transition to a circular economy	2030: Maintaining the rate of recycling among raw materials at 90% or more	P.53	
	By-product recycling and effective utilization of water resources	2030: Minimizing the amount of waste by recycling electric arc furnace slag as roadbed material and electric arc furnace dust as zinc raw materials, etc. 2030: Maintaining the water circulation rate at 90% or more	P.54	
	Biodiversity initiatives	2030: Contributing to the realization of nature positive	P.55-56	

## S: Responsibilities and contributions to society

Materiality	Actions	2026 Medium-Term or Long-Term Targets/KPIs	Pages Referenced	Related SDGs
[S1] Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I	Elimination of occupational accidents	2030: Ratio of accidents resulting in time off work: 0.20% or lower	P.43-46	
	Promotion of health and productivity management	2030: Findings rate: 55% or lower, rate of people who work with mental and physical vitality: 50% or more		
	Promotion of diversity	2030: Female employee 10-year retention rate: 80% or more, percentage of next-generation management (associate senior staff) positions held by women: 17% or more, improvement in the percentage of female managers: 4.4%		
	Improvement in labor productivity	20% increase in labor productivity in FY2026, 30% in FY2030		
	Improvement in employee engagement	Target value of engagement score to be set during FY2024		
[S2] Contributing to solving social issues and fulfilling our corporate responsibilities	Respect for human rights	Establishment and steady implementation of human rights due diligence	P.57-58	
	Social contribution	Engage in more intensive communication about the environment with local communities	P.59	
	Supply chain management	Improvement of supply chain engagement	P.60	
	Stakeholder communication	Enhanced transmission of corporate information and promotion of communication with stakeholders	P.61	

## G: Strengthening governance

Materiality	Actions	2026 Medium-Term or Long-Term Targets/KPIs	Pages Referenced	Related SDGs
[G1] Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	Stable supply of high-quality products	Zero major quality accidents	P.62	
	Risk management	Number of internal reports: 80/year, number of Group support cases: 180 or more/year	P.63-64	
	Compliance	Number of violations of laws: 0/year, material inadequacies to be disclosed under the Financial Instruments and Exchange Act: 0/year	P.65-66	
	Strengthening of corporate governance	Net asset ratio of cross-shareholdings: 15% in FY2026, 10% in FY2030	P.73-76	

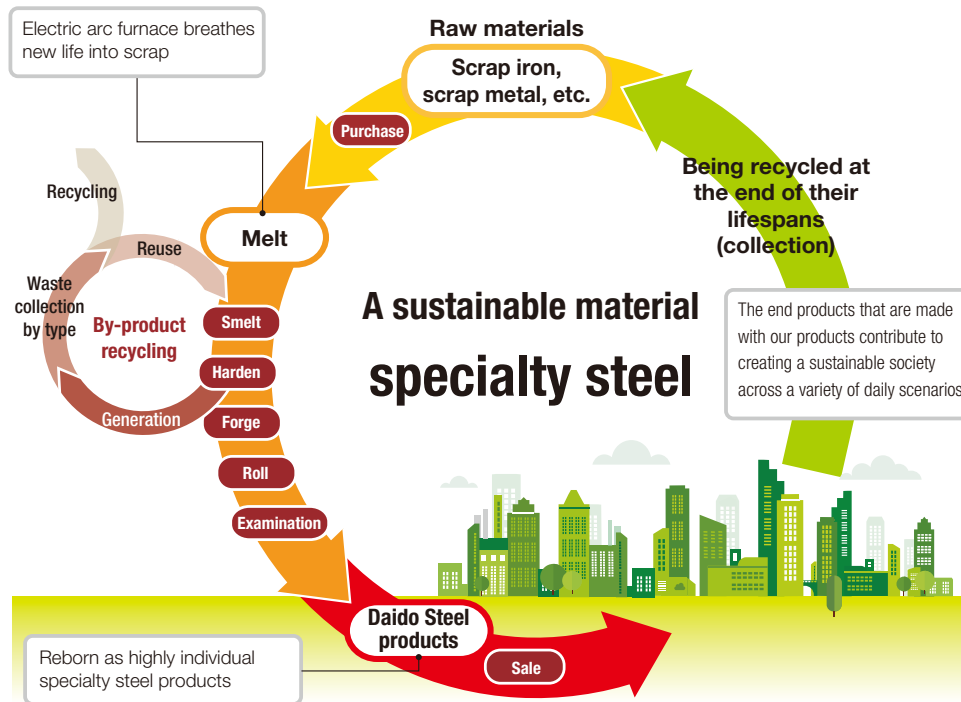


# Transition to a Circular Economy

## Specialty Steel is a sustainable material

The mass-production and mass-consumption economy is the cause of a variety of environmental issues, including the depletion of natural resources and the destruction of biodiversity. Therefore, transitioning to a circular economy is essential for realizing a sustainable society.

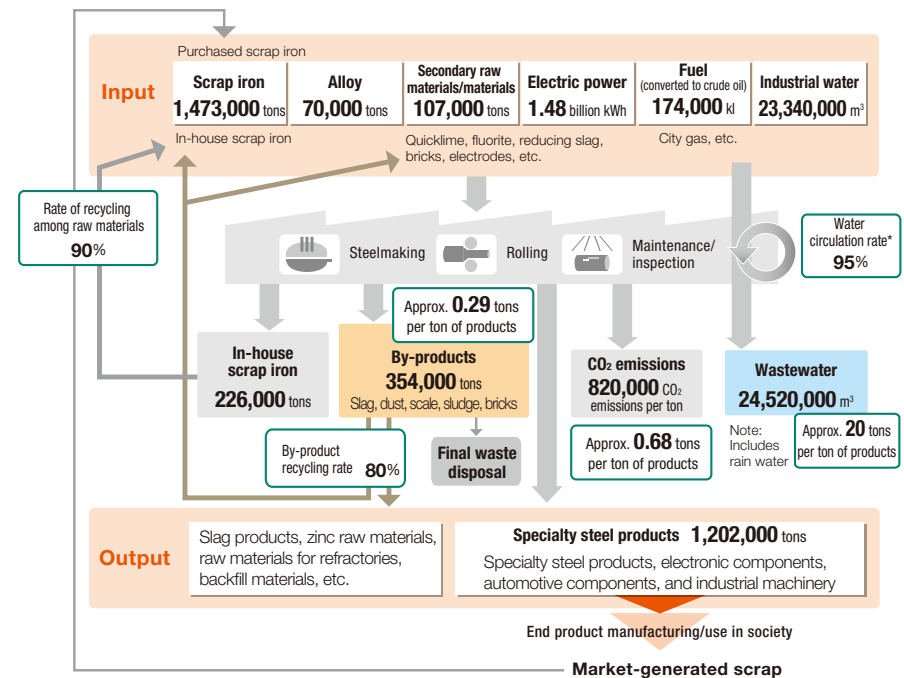
In order for us to enjoy the benefits of iron in perpetuity, it is important that we utilize scrap iron, as if it were a precious resource, through electric arc furnace processes, so that it can be reborn over and over again as various specialty steel products and continuously supplied to society.



## Recycling at Daido Steel

90% of the raw materials used in Daido Steel's production systems consists of recycled products, mainly scrap iron. By utilizing every last piece of iron, we will shift to a closed-loop system for iron sources. The electric arc furnace process, which brings various types of scrap iron back to life as new products, is the recycling process that drives the circulation of iron resources. In addition, we proactively utilize discarded electrical wires as alloys, and recycled aluminum dross products such as RDFs and RPFs, etc. as secondary raw materials.

RDF (refuse derived fuel): A crayon-shaped solid fuel made by heating, crushing, and drying the domestic waste collected by local governments, such as food waste, paper, and plastic waste emitted by households  
 RPF (refuse derived paper and plastics densified fuel): A high-grade solid fuel primarily composed of waste paper and waste plastics for which material recycling is quite difficult



Notes: 1. Results for FY2023 (non-consolidated)  
 2. CO<sub>2</sub>: Energy used in plants (Scope 1 + Scope 2) converted to CO<sub>2</sub> emissions per ton (using the conversion factors of the respective electric power companies)  
 \*: Some calculations are estimated based on equipment specifications.



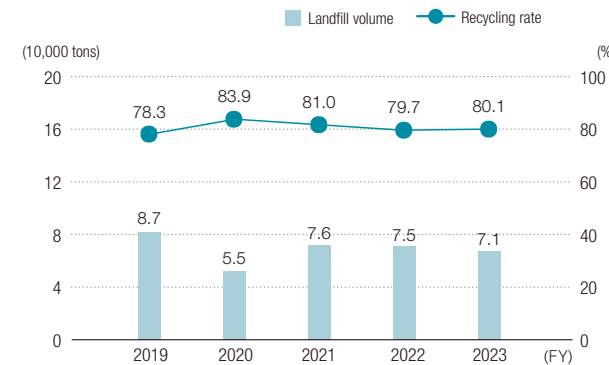
**Strengthening the 3Rs (Reduce, Reuse, Recycle) and effectively utilizing water and resources**

Specialty steel manufacturing generates slag, dust, scale, and other by-products. At Daido Steel, we use our unique technology to promote and strengthen the 3Rs in order to prevent environmental pollution and reduce waste. Our efforts to minimize the amount of waste, such as recycling electric arc furnace slag as roadbed material and electric arc furnace dust as zinc raw materials, contribute to the effective utilization of resources and the reduction of natural resource usage. Furthermore, we set the three key in-house initiatives: (1) reduction of landfill disposal of slag, dust, and sludge, (2) thorough recovery of valuable metals from by-product, and (3) controlling of the amount of plastic waste and recycling.

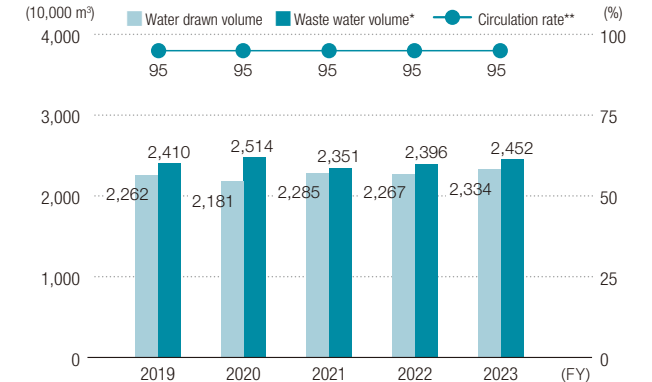
In addition, we properly process and repeatedly reuse the large volumes of water that is used as a coolant in specialty steel manufacturing processes, which involves the heating of materials to high temperatures, so as to minimize the discharges of water to outside the plants. We set a target of

maintaining a water circulation rate of more than 90% and achieved it in fiscal 2023.

By-product recycling rate and landfill disposal



Effective utilization of water resources



\*: Waste water volume includes rain water  
 \*\*: Some circulation rate calculations are estimated based on equipment specifications

**Fiscal 2023 programs to promote cooperation between industry, government and academia to expand the use of recycled materials in automobile recycling**

Daido Steel participated in the Demonstration of Manufacturing-and-Recycling Integrated Process for Horizontal Cycle\*<sup>1</sup> Enabled by Automated Sophisticated Dismantling of ELVs\*<sup>2</sup>, which is one of the Ministry of the Environment's industry-government-academia collaborative projects aiming to expand the recycle content for automobile in the fiscal year 2023. Regarding the recycling of ELVs until now, the use of recycled materials in automotive components, which demand high quality, was limited.

The participating corporations cooperating in this demonstration include operators of ELV dismantling and crushing businesses, providers of dismantling systems, makers of materials, makers of automotive components, and research institutions. The aim of the demonstration is to unify the whole process like the arteriovenous system\*<sup>3</sup>, and ensure both the quality and the quantity of each material derived from the ELVs.

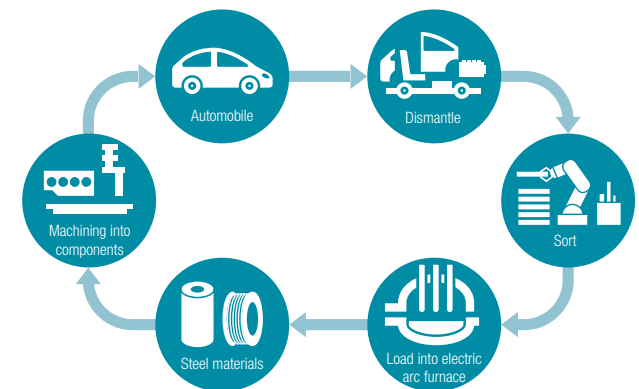
Our responsibility in this project is to develop a recycling process that is compatible with the quality for use in automotive components and evaluates the recycled materials in the field of specialty steel. Our main role is to ascertain, together with the other participating corporations, the optimal dismantling level and economic rationality and the environmental impact reduction effect by evaluating the quality of the dismantled components and the level of detailed dismantling.

Through this project, Daido Steel aims to expand the use of recycled materials in automotive components, and we will also contribute to the realization of a circular economy in the automobile industry, which will become unified, like the arteriovenous system.

\*1: Horizontal cycle: A recycling system that turns products that are no longer used into resources and uses them in the same products

\*2: ELV (end of life vehicle): An automobile whose use has ended

\*3: Arteriovenous system: A name that uses the blood circulation of animals as a metaphor for economic activities. Industries that process resources and produce products, etc. are referred as "arterial industries." Conversely, industries that collect products, which are no longer used and by means such as reselling or reprocessing them redistributes them back to society, are referred as "venous industries."





## Biodiversity Initiatives

Recognition that support for natural capital and biodiversity is second only to climate change as a globally important environmental challenge has been growing.

For over half a century, Daido Steel has kept watch over a company-owned forest on the shores of Lake Kutcharo in Hokkaido, and has worked together with a local non-profit organization to preserve and regenerate the forest and the lake. Since 2005, we also have launched the Hamatonbetsu Project and increased our efforts into biodiversity preservation activities.

As a manufacturing company, we strive to understand the relationship between our business activities and biodiversity. Furthermore, will continue to contribute to the preservation of biodiversity, with the preservation of the global environment as a major theme.

### Basic approach (initiative policy)

Daido Steel will promote activities to preserve biodiversity based on the following initiative policies.

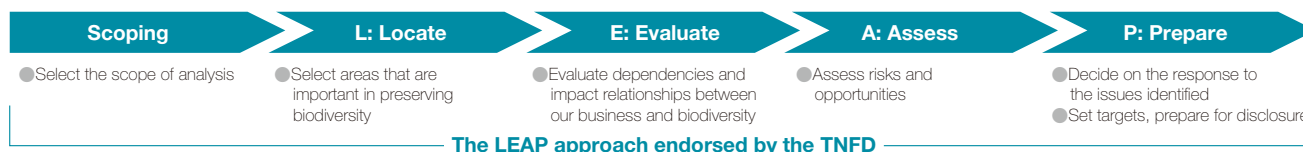
#### [Daido Steel Group Biodiversity Initiative Policies]

- ✔ **2030 target:** We will contribute to the realization of a nature positive economy.
- ✔ **Fundamental policies:** We are reducing the impact on biodiversity in order to realize a society that coexists with nature, and working to preserve biodiversity not only within the Group companies but also throughout the value chain.
- ✔ **Conduct Guidelines:**
  - (1) Assess the impact of our business on biodiversity and conduct business activities that take biodiversity into consideration, such as striving to reduce that impact.
  - (2) Assess the impact of biodiversity loss on our business and strive to reduce the risk thereof.
  - (3) Disclose biodiversity-related initiatives and promote social contribution activities in cooperation with stakeholders.

### Strengthening initiatives related to information disclosure

Daido Steel will promote information disclosure based on the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) published in September 2023.

In a process that is in line with the LEAP approach endorsed by the TNFD, we have started assessing the impact of our business activities on nature. We are aiming for publication by the end of fiscal 2024.



The LEAP approach endorsed by the TNFD

### Contributions to activities for achieving 30by30

Daido Steel participated in the 30by30 Alliance for Biodiversity, which was established in September 2022 by 17 organizations in industry and the public and private sectors, including the Ministry of the Environment. We will contribute to the preservation of biodiversity through initiatives such as Kutcharo Natural Forest Daido, our company-owned forest in Hamatonbetsu-cho, Esashi, Hokkaido, and the Inochi wo Tsunagu PROJECT in which we are also taking part. In addition, our efforts to date concerning the preservation of biodiversity have received recognition, and in November 2022 the Company was certified by Aichi prefecture as a Certified Aichi Biodiversity Company. Going forward, Daido Steel will proactively work as a member of local communities on activities such as those which increase biodiversity in order to contribute to the realization of nature positive.



### Environmental preservation initiatives

Daido Steel is contributing to the restoration of biodiversity through a variety of environmental preservation activities.

#### 1. Hamatonbetsu Project (Hamatonbetsu-cho, Esashi, Hokkaido)

##### [A home to wild animals]

Kutcharo Natural Forest Daido, our company-owned forest on the shores of Lake Kutcharo in Hokkaido, has an area of approximately 3.7 million m<sup>2</sup> and is home to migratory birds





like Bewick's swans and wild animals such as brown bears, Yezo sika deer, and Ezo red fox.



Kutcharo Natural Forest Daido



Ezo red fox

**[Transitioning to a mixed coniferous and broad-leaved forest]**

Although Kutcharo Natural Forest was originally a coniferous forest, we planted broad-leaved trees such as Mongolian oak and promoted its transition to a mixed coniferous and broad-leaved forest. As the variety of trees increases, so does the variety of inhabiting insects and wildlife, leading to improved biodiversity.

**[Activities that are integrated into the local area]**

Forest preservation and maintenance are carried out by Lake Kutcharo Eco Workers, a local non-profit organization, and Daido Steel supports them as a special supporter. We also hold environmental lectures and environmental events and promote exchange activities in Hamatonbetsu-cho.

**[Connecting with the next generation]**

Daido Steel Technical Training School has been conducting training in Hamatonbetsu-cho since 2023, where tree-planting and exchange activities with the townspeople enable trainees to learn the significance of environmental preservation activities and increase their awareness about the environment.



Tree-planting activities in Kutcharo Natural Forest Daido

**2. Daido Forest (Nagiso-machi, Kiso-gun, Nagano)**

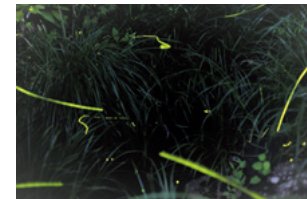
Nagiso-machi is an area associated with Daido Steel's founder, Momosuke Fukuzawa, and the Momosuke Bridge and Momosuke Fukuzawa Memorial Museum (the former second home of Momosuke Fukuzawa) are located there. In November 2016 we concluded a Forest Foster Parent Contract with Nagiso-machi and named a 2.57 ha forest "Daido Forest," and we began supporting forest maintenance by the town. Currently, we not only provide financial assistance but also carry out operations such as thinning in cooperation with the town.



Thinning operations in Daido Forest

**3. Firefly Orchard (Hoshizaki Plant premises, Daido-cho, Minami-ku, Nagoya)**

Our Hoshizaki Plant promotes keeping fireflies on site with the slogan "A steel company where the fireflies glow" and has been holding firefly viewing sessions for the locals.



Fireflies flying

**4. Inochi wo Tsunagu PROJECT (Chita Peninsula, Aichi Prefecture Waterfront industrial zone)**

The Chita Peninsula Green Belt, which was established in an area spanning approximately ten kilometers in the waterfront industrial zone of the Chita Peninsula, is a forest inhabited by a diverse range of living creatures.

In the Inochi wo Tsunagu PROJECT, 12 collaborating companies, including Daido Steel, alongside non-profit organizations, local governments, and an executive committee comprised of students, has been working to preserve the

biodiversity of the Green Belt since 2011. In October 2023, the Green Belt was recognized by the Ministry of the Environment as a certified nature-friendly site.

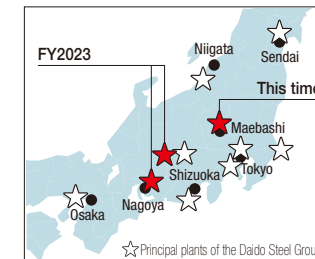


Waterside biotope in the Green Belt

**5. The Asagimadara Network (at each Daido Steel plant)**

On Tuesday, May 28, 2024, 100 seedlings of the original strain of thoroughwort were planted at our Shibukawa Plant. The original strain of thoroughwort is a flower visited by the "traveling butterfly (Asagimadara, chestnut tiger butterfly)", and this thoroughwort has been classified as Endangered Class 1A\* on the Red List of Gunma prefecture. This time, MIRAIJUKU, a community development organization, provided the seedlings and also gave instructions about planting on that day.

\* Endangered Class 1A: Among the species on the verge of extinction, those with an extremely high risk of extinction in the wild in the very near future if the current state continues.



Daido Steel's plants



The members of MIRAIJUKU and the staff of Shibukawa Plant who planted the original strain of thoroughwort



# Respect for Human Rights

## Basic approach (Human Rights Policy)

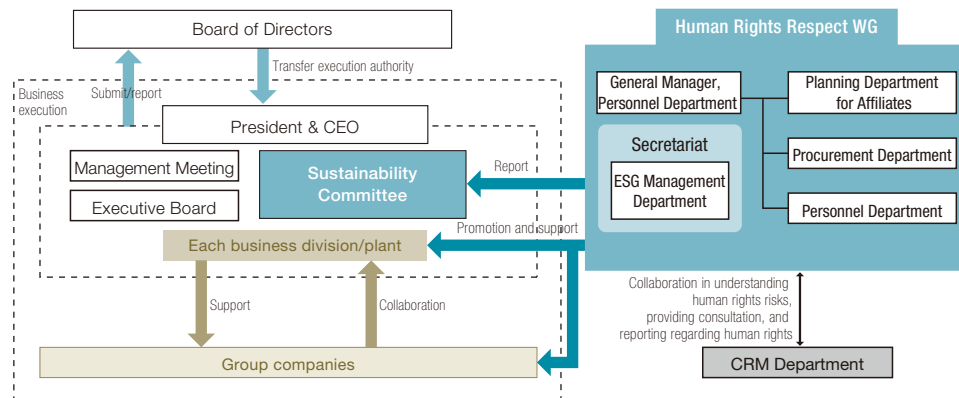
Based on the Daido Steel Group Human Rights Policy formulated in February 2023, we understand the necessity to respect the human rights of all those affected by the Group's business activities, and we are committed to respecting human rights. We began human rights due diligence (HRDD) in fiscal 2023, and continue to carry out our activities with consideration to the process of resolving issues through dialogue.

### Provisions of the Daido Steel Group Human Rights Policy (excerpt)

1. Basis for respecting human rights and priority issues
2. Scope
3. Education
4. Implementation of human rights due diligence
5. Remedy
6. Consultation and dialogue with stakeholders

[The full text of the Daido Steel Group Human Rights Policy is available on our website.](https://www.daido.co.jp/en/common/pdf/pages/sustainability/policy_human.pdf)  
[https://www.daido.co.jp/en/common/pdf/pages/sustainability/policy\\_human.pdf](https://www.daido.co.jp/en/common/pdf/pages/sustainability/policy_human.pdf)

## Promotion organization for respect for human rights



As an organization that reports and makes proposals on issues and activities related to respect for human rights to the Sustainability Committee (chair: President), we launched the Human Rights Respect Working Group (WG) which is comprised of Executive Officers and members from the Personnel Department, Planning Department for Affiliates, and other related divisions such as the Procurement Department. Reports are made to the Sustainability Committee once a year, but reports can be made and deliberations can be held as necessary.

The Human Rights Respect WG holds regular meetings once a month, and works together to evaluate human rights risks and consider improvement measures, and promote human rights activities in a cross-functional manner.

## Roadmap

Led by the Human Rights Respect WG, which was launched in fiscal 2024, we will continue to conduct human rights due diligence and consider and implement appropriate corrective and preventive measures.

We will continue to collaborate with Daido Steel Group companies to promote human rights due diligence and to ensure that initiatives for the respect for human rights are thoroughly implemented.

Additionally, we will continue to conduct survey questionnaires on human rights of our business partners and offer pertinent feedbacks to help them comprehend and comply with our Human Rights Policy.

Action	FY2024		FY2025		
	First half	Second half	First half	Second half	
Enhancement and revision of HRDD	Human rights education	[Progress bar]			
	Workplace questionnaires	[Progress bar]		[Progress bar]	
	Identification and evaluation of negative impacts		[Progress bar]	[Progress bar]	
	Implementation of corrective and preventive measures	Implementation for identified negative impacts (as and when the needs of a case dictate)			
Remedy	Supply chain management	Implementation of questionnaires	Feedback	Implementation of questionnaires	Feedback
	Monitoring		[Progress bar]	[Progress bar]	
Strengthening of grievance mechanism	Joined JaCER in May 2024				
	Consider participation in outside organizations				
		Improvement activities as and when required			



■ Initiatives in FY2023

**[Human rights due diligence]**

Based on existing surveys, we have identified human rights risks for internal employees. As a result, we identified high human rights risks related to power harassment and sexual harassment. Together with initiatives to improve organization culture and harassment education, we will promote improvement initiatives aimed at preventing and minimizing harassment.

**[Education]**

We used e-learning and other means to educate and raise awareness of our Human Rights Policy among our employees and major business partners with 3,263 internal employees taking part. We have also started educating our domestic Group companies (27 major companies).

As a measure against harassment, we have long provided training to managers and supervisors (section managers, lead supervisors, and supervisors) and group companies. In fiscal 2023, we conducted face-to-face training for 673 people at the line leader level within the Company, and for a total of 442 people (4 companies) at domestic Group companies.

■ FY2024 plan

**[Human rights due diligence]**

To understand more about human rights risks, we will use the employee compliance awareness surveys. In fiscal 2024, we are reviewing the questions and survey scope related to human rights, aiming to more comprehensively extract and identify potential human rights risks. Additionally, we will expand the scope of the survey to all employees of our domestic Group companies (27 major companies) to better understand human rights risks within the Daido Steel Group.

**[Education]**

We will continue to promote awareness and education of our Human Rights Policy among Group companies. We will also continue to provide harassment education for our Company and Group companies.

**[Grievance mechanism]**

In May 2024, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) in order to further strengthen our human rights grievance mechanism. As a result, the human rights consultation and reporting desk established by JaCER is available for use. In accordance with our Internal Reporting Regulations, we seek to resolve issues that have been consulted on or reported through thorough discussion while preserving confidentiality.



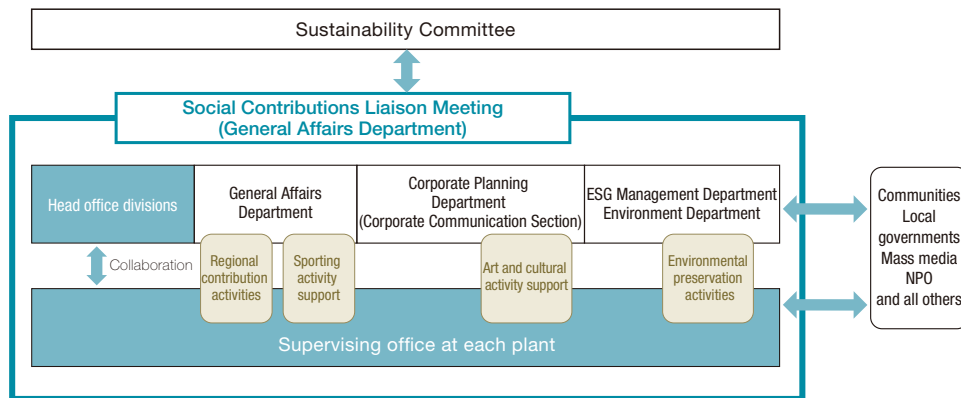


# Social Contribution

## Basic approach, objective

Daido Steel has multiple manufacturing centers throughout Japan, and its corporate activities are maintained with the support of all those in these respective regions. We aim to achieve harmony with everyone in these communities through activities aligned to the region and characteristics of each plant's location, and to contribute to the realization of a sustainable society. In this endeavor, we will take as our themes regional contribution activities, sporting activity support, art and cultural activity support, and environmental preservation activities.

## Activities system



Within the Company, social contribution activities are divided into multiple departments. The Social Contributions Liaison Meeting is held three times a year to share information and resolve problems between departments.

We also listen to the opinions of local residents and stakeholders, and make every effort to reflect them in our activities.

## Regional contribution activities

Each of our plants is involved in close exchanges with the local authorities and residents of the communities to which they belong, and holds various events and activities. In addition to festivals, plant tours, and other events to promote mutual friendship, we will continue to play an active role as one member of these communities, and will undertake diverse initiatives including clean-up campaigns, cooperation in disaster prevention and crime prevention, and decorative public lighting displays.

## Sporting activity support

The Company's internal athletic clubs provide on-site classes and demonstrations at various events with the main aim of contributing to the development of youth.

## Art and cultural activity support

By supporting cultural and artistic activities, we contribute to the development of local communities and future generations. Starting from fiscal 2024, in order to foster future audiences and leaders in art and culture, a children's rate was established for Daido Steel Excellent Performer Series tickets. The Company also supports the Shiki Theater Company's invitational performances for children, "Kokoro no Gekijo project", to which elementary school students from all over the country are invited free of charge at each school (Aichi and Gunma prefecture performances only).

### Main activities content/Example

Activity themes	Location	Main activities	
Regional contribution	Local interaction	Chita	Summer Festa Motohama (summer festival)
		Hoshizaki	Cherry blossom viewing party, tours for local residents (social studies and plant tours)
		Shibukawa	Exhibition of artworks by children (painting/calligraphy)
	Disaster prevention Crime prevention	Tsukiji	Higashi-Tsukiji School District Bon Odori Festival
		Each plant	Community clean-ups, decorative lighting displays, plant tours
		Tsukiji	Registered as a "Community Disaster Prevention Cooperation Office." We have concluded agreements with local authorities for the provision of materials for use in rescue efforts as well as medical supplies for use in the event of a large-scale earthquake, or damage caused by winds and flooding.
Sports	Each plant	Hoshizaki	Registered as a "Designated Emergency Evacuation Site (Tsunami Evacuation Building)."
		Hoshizaki	A primary location to which one can flee from the threat of a tsunami.
Art and culture	Head Office	Registered as a "Kodomo 110-ban no ie" (children's emergency shelter)	
Environmental preservation	Each plant	Daido Steel Excellent Performer Series, sponsorship of various performances and events	
		Biodiversity initiatives (Please see pages 55-56 for details)	



# Supply Chain Management

## Basic approach

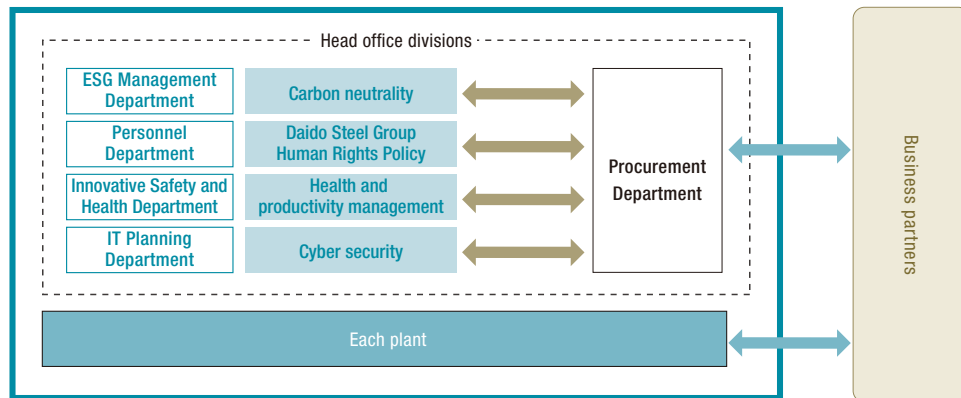
In order to fulfill its social responsibilities as a member of society at a higher level, Daido Steel is conscious of the necessity of both initiatives within the Company and throughout the entire supply chain. To achieve these, the Company recognizes that it is vital to work with business partners who understand our intentions.

The Daido Steel Procurement Policy defines the basic approach and stance regarding the social responsibilities we must fulfill. It advocates for fair and equitable transactions, compliance, and respect for the environment, society, and human rights as a means to continue to deliver products and services that satisfy customers while simultaneously establishing and maintaining strong partnerships with our suppliers.

The full text of the Daido Steel Procurement Policy is available on our website.

<https://www.daido.co.jp/about/procurement/policy/> (Japanese only)

## Promotion organization



## Our approach to activities with business partners

Activity	Objective/Content	Example
Information transmission and dialogue	Communicating the Company's policies and needs and promoting mutual understanding	DSP meeting CSR questionnaire
Co-creation with our business partners	We are open to proposals that have mutual benefits and contribute to SDGs, stable procurement, etc.	VAVE proposals Joint promotion of BCP and CN
Feedback	Dialogue with each company, sharing and awarding various proposals	Study groups, award system CSR questionnaire feedback

DSP: Daido Supplier Partnership

VA (value analysis): proposals for existing products

VE (value engineering): proposals at the product design stage

## Initiatives to strengthen relationships with our business partners

	2023 Medium-Term Management Plan		2026 Medium-Term Management Plan
	FY2022 results	FY2023 results	FY2024 Plan
Dissemination of procurement policy	CSR questionnaire No. 1	CSR questionnaire No. 2	• CSR questionnaire No. 3 • CSR questionnaire special briefing sessions held*1
DSP	First partner meeting	Second partner meeting First DSP award*2	Third partner meeting Second DSP award
	Carbon neutrality	Initiatives at model case companies	Expansion of target companies
	BCP	Initiatives at major companies	Expansion of target companies
VAVE	Communicating plant needs to business partners/Regular meetings with major companies		

\*1 To promote understanding of the questionnaire content, several explanation sessions were conducted (six times in the first half of fiscal 2024)

\*2 The scope of the conventional VAVE award focused on cost contribution has been revised to include CN/BCP as a DSP award.



## Stakeholder Communication

We are working to achieve sustainable growth and improve corporate value through dialogue with stakeholders. We will continue to provide various opportunities and aim to establish trustworthy relationships.

Stakeholder	Approach	Main initiatives in FY2023	
		Content	Number of times/year (month held)
Customers	We aim to be a company that is trusted by customers, and meet their needs with a stable supply of high-quality products.	· Communication through sales activities	As needed
		· Satisfaction surveys and individual hearings	As needed
		· Providing product information on the company website and at exhibitions	As needed
		· Implementation of plant tours	As needed
Local communities	We place great importance on our responsibility and contribution to the local community, and we will deepen our communication with local residents through various events.	· Cleaning activities around plants	As needed
		· Firefly viewing (Hoshizaki Plant)	Once (Jun.)
		· Communication with local residents through events held on plant premises	As needed
		· Sporting activities	Once (Dec.)
		· Mécénat activities (sponsoring Daido Steel Excellent Performer Series)	Four times (Oct., Nov., Dec., Jan.)
Shareholders and investors	We will work to improve communication and disclose accurate and timely information so that our stakeholders can gain a deeper understanding of the Daido Steel Group.	· Financial results briefings for institutional investors	Four times (Apr., Jul., Oct., Jan.)
		· ESG Briefings	Once (Dec.)
		· Plant tours for shareholders and institutional investors	Shareholders: Twice (Sep., Mar.) Institutional investors: Once (Mar.)
		· IR and SR meetings for institutional investors	166 times
		· Publishing sponsored research reports for overseas institutional investors	Four times (May, Aug., Nov., Feb.)
		· Company information briefings for individual investors	Four times (Twice in Sep., Dec., Feb.)
		· Exhibitor at IR events for individual investors	Three times (Three times in Sep.)
		· Video delivery of financial results briefings on the company website	Four times (Apr., Jul., Oct., Jan.)
Business partners	In order to more completely fulfill our social responsibilities, we promote sustainability initiatives across our whole supply chain.	· Holding DSP (Daido Supplier Partnership) meetings	Once (May)
		· Implementation of CSR questionnaire	Once (Jun.)
		· Support for ESG activities, VAVE, etc.	As needed
Employees	It is assumed that employees will continue to grow and maximize their performance both as a team and individuals, and we aim to build a company where employees can work with vigor and motivation.	· Communication within the workplace	As needed
		· Publishing and operation of internal newsletters (booklets, portal sites) and hearing opinions through questionnaires	As needed
		· Internal reporting system	As needed
		· Introduction of 360 degree evaluation and feedback	Once (Mar.)
		· Work satisfaction surveys	Once
		· Labor-management committee	Four times (Apr., Feb., twice in Mar.)
		· Various level-based training and self-development support	As needed



## Stable Supply of High-quality Products

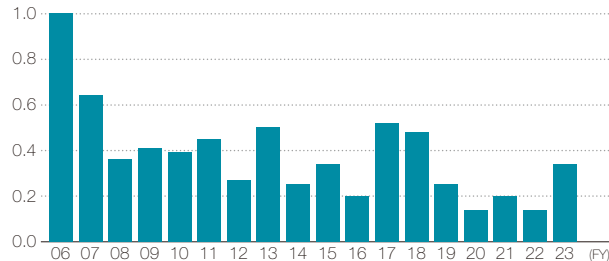
### President's quality policy

**"Quality is the source of business competitiveness"**  
**Keep producing goods that consumers can use with confidence**

Based on the President's quality policy, Daido Steel is broadly promoting the improvement of employees' skills and sensitivity to quality, sharing and rolling out of examples of quality improvement and accidents, and activities to prevent misidentification, including in Group companies. Going forward, we will endeavor to maintain and improve quality to continue to be a materials manufacturer that is a cornerstone of a safe and secure sustainable society by delivering reliable quality to customers.

Major quality accident index

(Index taking the actual results from FY2006 as "1")

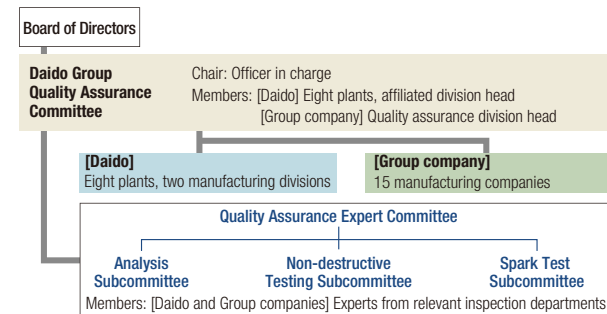


### Management organization: Daido Group Quality Assurance Committee

The Daido Steel Group is promoting quality control improvement measures centered on Daido Group Quality Assurance Committee.

By sharing and rolling out information, improving common quality issues, and introducing examples of improvements throughout the

entire Daido Steel Group, the Committee is attempting to prevent serious quality incidents.



### Quality education and human resources development

The Company focuses on quality compliance education in accordance with the Japan Iron and Steel Federation's guidelines for enhancing quality assurance systems, and ensures thorough compliance with laws, contracts, and internal rules.

In addition, we are training advanced inspectors through subcommittee activities organized across the Group for each inspection field.

In addition, we maintain internal quality-related education such as self-management activity education and practical courses on quality investigation.

### Product safety

The Group handles environmentally hazardous substances (RoHS Directive, REACH Regulation, etc.) appropriately, and in response to customer requests, we provide non-containment certificates, Safety Data Sheets (SDS), and chemSHERPA (information dissemination scheme on environmentally hazardous substances).

## Cyber Security

Cyberattacks have become increasingly advanced and intricate in recent years and security risks are increasing year by year including multiple instances in Japan of harm where key corporate data was encrypted and a ransom was demanded for release of the data as well as information leaks due to unauthorized access. The Company has been implementing countermeasures at appropriate levels such as developing information management rules, taking defensive measures, making backups, and educating its employees. Currently, we are implementing measures with a focus on the following points.

- (1) The parent company plays a central role in efforts to raise the level of countermeasures across the entire Daido Steel Group, including domestic and overseas companies, with the aim of achieving compliance with the guidelines that stipulate the security measures for U.S. outsourcing companies (NIST: National Institute of Standards and Technology).
- (2) In addition to strengthening existing defensive measures, we develop countermeasures premised on intrusion including detection and isolation
- (3) We optimize and document information management rules and processes for the security incident response team (CSIRT: Computer Security Incident Response Team) and monitoring system (SOC: Security Operation Center) operating at Daido Steel. We will roll out these rules and processes throughout the Daido Steel Group, including overseas sites, and develop emergency response systems both domestically and internationally

For more details, please visit "Approach toward customers" on our website.  
<https://www.daido.co.jp/en/sustainability/society/customer/index.html>

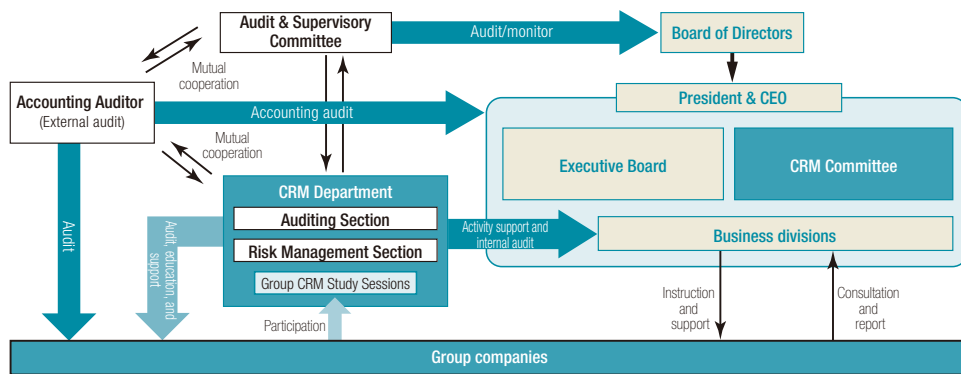


# Risk Management

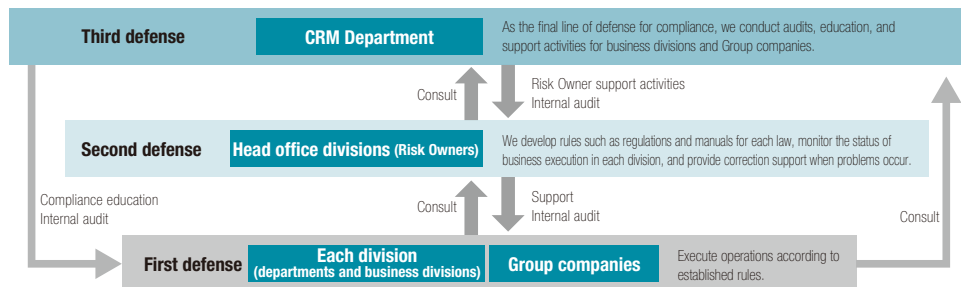
## Basic approach

In order to achieve the sustained growth of the Daido Steel Group, we have established Risk Management Regulations stipulating basic matters on risk management, and are conducting activities accordingly. Based on these regulations, risks are defined as events that could have a detrimental impact on the Company, and we perform comprehensive and integrated tracking and evaluation of risks, determine policies on responses to risks, implement preventative measures, and implement ongoing monitoring of these activities.

Risk management and compliance system structure



Three lines model



To promote risk management and compliance initiatives, the President & CEO, Representative Executive Director directly controls the CRM (Corporate Risk Management) Department. Furthermore, the Corporate Risk Management (CRM) Committee chaired by the President that is an advisory organ to the Board of Directors has been established as an organ to discuss matters related to the risks surrounding the Daido Steel Group and matters concerning internal control, and it supervises the status of operation of internal controls pertaining to risk management and financial reporting.

Regarding risks that affect our business operations, the Company formulates and revises risk maps in accordance with our medium-term management plan, conducts risk assessments, select important risks related to the Company, and discusses responses with relevant divisions. Furthermore, working groups (WG) are established for risks that should be addressed by the entire company, and they conduct companywide activities and periodically report to the CRM Committee.

Furthermore, we have built a three lines model with the CRM Department as the final line of defense as a system for dealing with various risks, laws and regulations.

Goals for FY2026 (KPI)	FY2023 results
1. Number of Group internal reports: <b>80 cases/year</b>	Number of Group internal reports: <b>63 cases</b>

An internal reporting system is an important tool for self-cleaning within an organization. We will thoroughly protect the privacy of whistle blowers and aim to create a highly reliable and effective system.

2. Number of Group support cases: <b>180 or more/year</b>	Number of Group support cases: <b>157 cases</b>
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To promote risk management and compliance activities across the Group, we provide appropriate support (instruction, education, consultation desks, etc.) to each company.

## Results and future plans

### [Initiatives in FY2023]

Regarding individual risks, the Company has designated the divisions responsible for company-wide risk management as the Risk Owner (2nd Defense). A risk map was created with risks organized by degree of impact and level of countermeasures. The risk map is linked to the medium-term management plan, and each risk is reassessed and updated every three years. The risk map is discussed and approved by the CRM Committee, and working groups are established for particularly high-risk matters to promote cross-organizational responses.

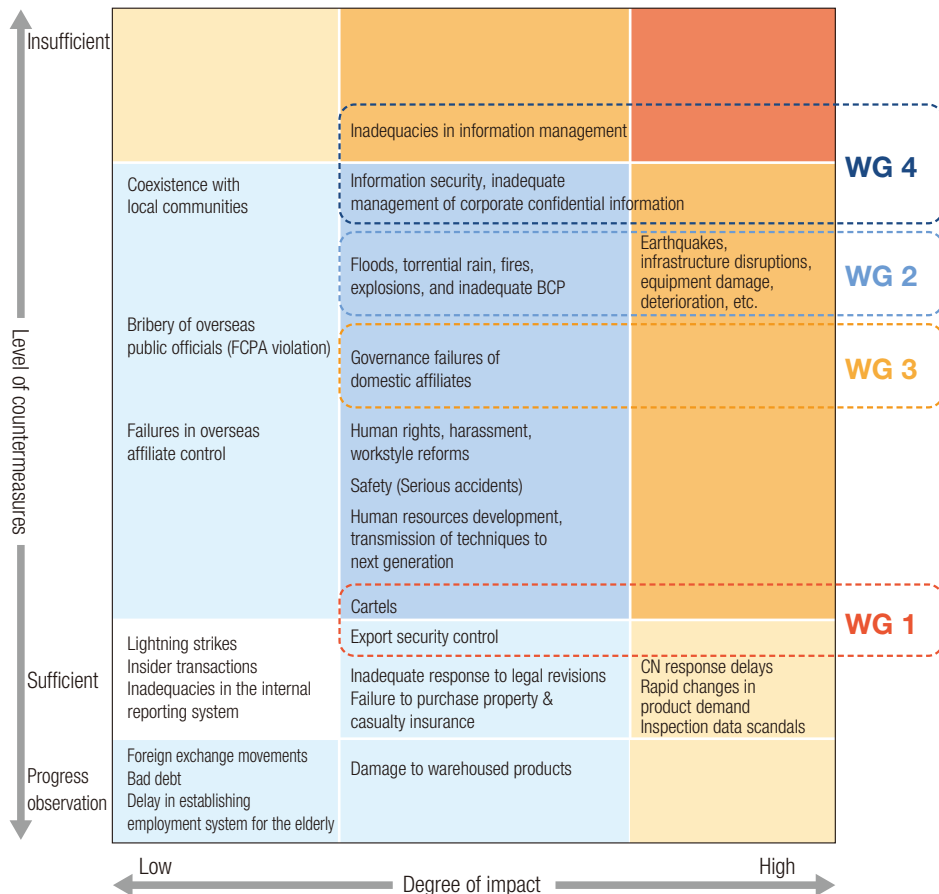




We also updated our risk map in fiscal 2023 to reflect the 2026 Medium-Term Management Plan. Based on this, we have established four working groups (Export management/Cartel, BCM, governance of Group companies, and information management) and are collaborating with Risk Owners to advance risk management activities toward the 2026 Medium-Term Management Plan.

**Risk map (Excerpted version)**

Out of all 89 items on the risk map, the major risks are listed here.



**[FY2024 plan]**

The Company is promoting company-wide BCM activities aimed at business continuity in the event of an emergency (such as a major earthquake). Specifically, we have established the following three committees to formulate and implement measures for earthquake resistance, disaster prevention and mitigation; to formulate and review business continuity plans; to formulate, review, and implement plans related to preventative measures and provide education and training on said measures.

- Management Committee: Maintaining disaster headquarters functions and Head Office functions during emergencies
- Disaster Prevention Committee: Handling matters pertaining to earthquake resistance and disaster mitigation, preparing evacuation routes during emergencies
- BCP Committee (including Sales and Production Committees): Early production recovery and smooth resumption of deliveries to customers

In fiscal 2024, we are expanding our activities to formulate a supply chain recovery plan. We are strengthening collaboration between the Sales and Production Committees, shortening recovery lead times, and closely examining customer response. Through this, we will enhance our business continuity capabilities in the event of large-scale disasters.

The specific details of the action plan is as follows.

- (1) Shortening recovery lead time: Estimating damage to each workplace in the event of a major earthquake, analyzing and considering measures to shorten the time required for recovery.
- (2) Close examination of customer response: Identifying issues when restarting production based on customer requests.

Through these efforts, we will establish a system that allows us to recommence business more quickly and stably.

[For more details on risk management, please visit our website.](https://www.daido.co.jp/en/sustainability/system/riskmanagement/index.html)  
<https://www.daido.co.jp/en/sustainability/system/riskmanagement/index.html>



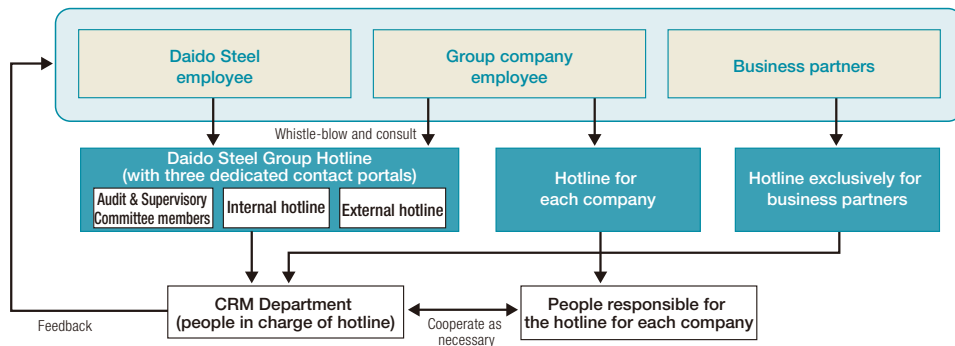
# Compliance

## Basic approach

In order to secure the trust of all stakeholders and respond to social requirements, Daido Steel considers compliance to be one of the most important management issues and believes it to be a major prerequisite for ensuring the continuity of its businesses. Compliance status is reported to the CRM Committee in a timely manner. In order to instill and ensure thorough compliance, we are vigorously implementing the following various initiatives.

## Internal reporting system

Internal reporting system chart



Number of reports received by the Company

	Harassment	Labor management	Improper handling of operations	Private use etc.	Other	Total
FY2022	26	3	1	1	9	40
FY2023	26	2	0	0	9	37

In order to receive reports and consultations regarding the compliance in Daido Steel and our Group, we have established Internal Reporting Regulations and are developing an internal reporting system in cooperation with each Group company. In addition to the responsible divisions and Audit & Supervisory Committee Members, we have established an external hotline for whistle-blowing, ensuring independence. Additionally, the Daido Steel Group Code of Conduct clearly stipulates to not engage in any behavior that would be disadvantageous to those reporting or seeking

consultation. Reporters can report or consult with their real names or anonymously, and a system that employees and business partners can use with peace of mind has been established. Those responsible for the hotline conduct investigations based on the content of reports and consultations, and the Company takes corrective measures as necessary. The operational status is reported once a year to the Board of Directors, Audit and Supervisory Committee, and CRM Committee.

In fiscal 2023, 37 reports and consultations were received at our domestic hotlines, and approximately 75% were related to harassment and labor law issues. The table displays the breakdown. We assess every report and consultation we receive to see if there are any compliance violations and take the appropriate action.

## Revisions to the Daido Steel Group Code of Conduct

Our Company has established the Daido Steel Group Corporate Code of Ethics and the Daido Steel Group Code of Conduct that all executives and employees of our Group are required to follow. The Code of Conduct Guidebook is distributed to all employees and training is offered to each tier of the workforce.

In light of changes in demands of society, we revised the Daido Steel Corporate Code of Ethics and renamed to the Daido Steel Group Corporate Code of Ethics in August 2023. In line with this, the content of the Code of Conduct, which serves as specific rules, was deliberated by the CRM Committee chaired by the President, and was reformed in April 2024. The new Code of Conduct incorporates items essential to sustainability management, expands its scope of application to the entire Group, and has been renamed to the Daido Steel Group Code of Conduct.

In the future, we will formulate and work on measures to disseminate this policy throughout the Group, in order to create a system in which all employees have a common awareness to carry out strategies as members of the Group.

Goals for FY2026 (KPI)	FY2023 Results
1. Number of legal violations: <b>0 cases per year</b>	Number of legal violations: <b>6 cases</b>
2. Significant inadequacies to be disclosed by the internal control evaluation under the Financial Instruments and Exchange Act: <b>0 per year</b>	Significant inadequacies to be disclosed: <b>0 cases</b>

The number of cases in which we received "recommendations for correction" or higher as a result of local government inspections is counted. We aim to reduce the number of serious violations of laws and regulations in the Daido Steel Group by thoroughly spreading compliance information.

We will continue to appropriately implement internal controls to ensure that significant inadequacies that require disclosure do not occur in the future.



■ Results and future plans

[Initiatives in FY2023]

The Daido Steel Group has identified important laws and regulations to be followed in the course of business operations and compiled a list of Important Laws and Regulations, evaluating their importance from various angles. The evaluation items include the degree of influence of laws and regulations, the scope of relations, and management. The relevant laws and regulations are scored for each item and then classified into S, A, and B according to the scores.

The Daido Group Important Laws and Regulations List is updated regularly, and 267 laws regulations were selected for review in fiscal 2023. Among these, we are addressing the most important ones, and each Risk Owner and the CRM Department are cooperating to implement e-learning on the Important Laws and Regulations, provide necessary risk-based education, and conduct internal audits. Additionally, information on newly established and revised Daido Group Important Laws and Regulations is distributed to each Risk Owner within the Company and each Group company, and is also reported to the CRM Committee in a timely manner.

[FY2024 plan]

In fiscal 2024, we are planning to conduct an Employee Compliance Awareness Survey targeting all employees of our Group. This study has three objectives:

1. Understand the issues and trends using quantitative and qualitative data and implement countermeasures: Based on specific data, we understand issues and trends and take necessary countermeasures.
2. Ascertain compliance issues through fixed-point observation and confirm the effectiveness of measures: We understand compliance-related issues through regular observations and confirm the effectiveness of measures.
3. Utilize survey results in activities related to human rights due diligence and anti-corruption: We utilize survey results in related activities such as human rights due diligence and anti-corruption.

This is the first employee awareness survey targeting the entire Group, and is an important compliance initiative.

## Anti-corruption

■ Basic stance of the Daido Steel Group

To prevent corruption, the Daido Steel Group Corporate Code of Ethics specified that we “maintain sound and normal relationships with political and administrative institutions.” Through competing for business and conducting appropriate business in a fair, transparent, and free manner, we aim to put the Daido Steel Group’s Management Philosophy into practice and realize a future society where people can live affluent lives. We established the Daido Steel Group’s Anti-Bribery Policy in 2023, stating the prohibition of bribery and committing to implement effective initiatives and monitoring.

■ Approach to initiatives

In promoting anti-corruption, the Group uses a risk-based approach to prioritize initiatives and conducts extensive employee education. Additionally, in order to strengthen collaboration between divisions, we have established the Anti-Corruption Working Group and are promoting its activities.

■ FY2023 results

We conducted interviews through outside consultants with Group companies located in countries with high risks according to the Corruption Perceptions Index (CPI) and compiled a list of risks.

We also created guidelines based on the situations of each company confirmed through interviews, and distributed them and provided training to all domestic and overseas Group companies.

■ FY2024 plan

Domestically, we will confirm the details of transactions between public servants (including those related to universities) and the divisions that have a business relationship.

Overseas, in fiscal 2024, we are selecting pilot companies in China and Vietnam and building an anti-corruption system. Activities at the pilot companies will then be expanded to other Group companies in both countries. In addition, we will gradually improve the systems of overseas Group companies located in various other countries from next year onwards.

■ Company status report (FY2019 to FY2023)

The Company does not make any political contributions. In addition, there are no fines, penalties, or settlement payments related to corrupt practices, nor have any of our employees been disciplined for corrupt practices.



# Governance of Daido Steel

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Discussion Between Outside Directors and Chairperson of the Board of Directors, Representative Executive Director

## Towards Increasing Sustainable Corporate Value

Chairperson Ishiguro and four outside directors shared their opinions on the newly-formulated 2026 Medium-Term Management Plan and discussed the issues and expectations for increasing sustainable corporate value.



Outside Director

**Ryoichi Yamamoto**



Outside Director

**Mutsuko Jinbo**



Outside Director, Audit & Supervisory  
Committee Member

**Kenji Matsuo**



Outside Director

**Noriyuki Hiramitsu**



Chairperson of the Board of Directors,  
Representative Executive Director

**Takeshi Ishiguro**

### Please tell us what kind of progress you have noticed in the governance system since becoming an outside director.

**Yamamoto:** What I have come to consider important as the mission of the Board of Directors is creating solid management policies and monitoring the implementation of them. The outside directors participated in the strategic planning of the 2026 Medium-Term Management Plan from the prior deliberations

that were conducted three times. I feel it was a major step forward that a medium-term management plan that reflects the opinions of the outside directors was published.

**Matsuo:** When I was first appointed six years ago, there were occasions when there was not enough time for in-depth discussions. But in the past year or two, we have not only discussed management strategy but also reviewed the succession plan and had lively exchanges of opinion about matters such as active roles for women, making progress

in overall governance. As for detailed discussions, I feel that the top management undertakes reforms with a strong commitment, and they are moving in the right direction. Daido Steel compares favorably with the companies I have been involved with up to now.

**Jinbo:** Compared with the Board of Directors when I was first appointed, I also feel that the content of the deliberations and discussions has become noticeably deeper. In addition, recently we have been provided with opportunities to talk not



only with the Board members, but with employees as well. It was very valuable to learn about the way they think in the workplace. As I gain a deeper understanding through these interactions, I would like to make some proposals that lead to the improvement of labor productivity and engagement scores.

**Hiramitsu:** As a new director in my first year of appointment, I appreciate that the Board of Directors explanatory material is very concise and easy to understand. Also, on the Board of Directors, we have an atmosphere in which it is easy for outside directors to offer their opinions, and I feel that the directors on the executive side also listen carefully to what we have to say.

**Please provide us with your opinions regarding the process of formulating the 2026 Medium-Term Management Plan and the plan itself.**

**Yamamoto:** I hold in high regard the proactive investment stance toward Superalloy Manufacturing Process Transformation Project in order to acquire a lasting presence in the aerospace industry and the oil and gas market. However, I would have liked to have also seen a blueprint covering the 10 to 20 years after the optimization of the production sites driving this



transformation during our deliberations. I assume investors also want to know how the Company perceives social change over the long term, and the outlook behind investment.

**Hiramitsu:** In connection with that, I would have liked to have had a bit more exchanging of opinions to get a clearer picture of the “Vision for 2030” and a sustainable society. Regarding investment in Superalloy Manufacturing Process Transformation Project, while figuring out how to resolve the constraints with existing facilities is extremely difficult, it was meticulously thought out and I could fully appreciate its necessity. However, I think it would be even better if we could simulate how uncertain elements impact earnings when making investment decisions. Also, I wish we could have verified over the long term whether the decisions are profitable even in a slump and whether earnings grow even more in favorable conditions.

**Matsuo:** Regarding the large-scale investment described in this 2026 Medium-Term Management Plan, I think the concern is whether a return on the investment is feasible or whether it will just be pie in the sky. Still, I find it quite meaningful that the President declared his determination to achieve the plan, putting careful examination of accuracy and risks involved with the plan aside. I feel that, in the Japanese manufacturing industry, the stance toward large-scale investment is often one of excessive caution. But with content that fully demonstrates motivation and a growth-oriented mindset, I truly hope the Company will go all the way with the investment.

**Jinbo:** Regarding “transforming business portfolio,” I think we have a clear policy of realizing sustainable profit growth in new businesses and domains. However, as Mr. Yamamoto said, I think we need foresight, especially with the rapid changes in the current environment. Above all, regarding the initiatives focused on the future decrease in the working population, we must quickly prepare and take preventive measures.

**Yamamoto:** I feel there is still not enough discussion about this. The 2026 Medium-Term Management Plan showed the future form (the To Be) of “transforming business portfolio,” but unfortunately even the Board of Directors did not see enough of the To Be of human capital. In my experience, overseas investors often told me “If you do not have human resources that can execute the plan, we cannot invest in it.” Corporate values do not increase in Japanese companies even though they move forward with reforms to governance and boards of directors. This is because they are not accompanied by the ability to execute. Going forward, to increase corporate value, once we demonstrate the As Is and To Be, we must have discussion at the Board of Directors on the human capital strategy for bridging the gaps.



**Ishiguro:** On the Board of Directors, I think we have been able to make considerable progress in discussions about business strategy and governance over the past year, but I am aware that we have not talked enough about human capital. I realize that we need to conduct discussions from the perspective of the human capital for realizing the 2026 Medium-Term Management Plan.



**Matsuo:** Acquiring human resources is a nationwide issue in Japan, but I think that, in the case of manufacturers in particular, it is important to secure the employees to support workplaces. To put it in extreme terms, specialists who take on the development of cutting-edge technologies can be hired using services such as headhunting. On the other hand, for workplace employees, it is not that simple. Because not only do we need to gather a certain number of them, we also need to secure a period of time for skills acquisition.

**Hiramitsu:** I think we should consider securing human resources from two perspectives: quality and quantity. For the quality aspect, the kind of human resources and how many to hire is decided according to the specific type of functional material that will lead the portfolio we are aiming for going forward. Therefore, I think the employees who are engaged in practical operations are the best to take the initiative in this matter.

On the other hand, for the quantity aspect, though we need to continue to secure the necessary number of personnel, we need to keep in mind that it takes time to become proficient in iron-making skills and, furthermore, the working population may have fallen by 20% ten years from now so maintaining our hiring ability is a foreseeable issue. We must also prepare for hiring to become more difficult and improve productivity using

DX in addition to traditional means such as mechanization, while also moving forward with streamlining and determining the minimum number of personnel needed. In that sense, I think that future investment in streamlining will be conducted from the perspective of sustainability, not cost reduction, and decisions that exceed return on investment will be important.

**Ishiguro:** When it comes to “transforming business portfolio,” there are businesses that grow and businesses that shrink, and we must consider assigning the personnel of the latter to new businesses. In human resources training in the steel industry, it is essential to accumulate experience and know-how. Hence, psychological hurdles must be high when they think their skills and knowledge, cultivated over many years, may go to waste with a transfer. We must strive to enhance the engagement initiatives and workplace environments that will overcome that hurdle.

### Please tell us your opinions about financial strategy.

**Matsuo:** At the moment, there seems to be reserves in the cashflow due to improved profitability. Since we do not need to borrow a large amount of capital for the ¥30 billion strategic investments and environment-related investments that are presented in the 2026 Medium-Term Management Plan, I think we are capable of securing our financial stability.

**Yamamoto:** While management that is aware of share prices and capital costs is called for, the return on investment is thoroughly considered. However, the hurdle rates such as WACC are not demonstrated, and the standards for investments are not clear. Furthermore, I think that being presented with clear views on ROIC by business and shareholder returns and enabling monitoring by the Board of Directors are urgent issues for improving the PBR, which is less than 1.0.

### Please share the challenges in realizing sustainability.

**Yamamoto:** As a company with high energy consumption, the biggest issue is reducing CO<sub>2</sub>. But with only our own energy-saving activities and our use of renewable-energy electricity, we will reach a limit sooner or later. While we continue individual energy-saving improvements and the use of non-fossil credits, we also need to discuss drastic reduction measures.



**Hiramitsu:** Ultimately, energy transitions such as hydrogen utilization and CCS (carbon capture and storage), and infrastructure development for CO<sub>2</sub> capture need to be done. But there is absolutely no way that those can be achieved by a single company. In working towards the 2030 and 2050 targets, Japan, like Europe, needs to invest proactively while each company proactively collaborates with industry, government, and academia. I think this is the ideal roadmap towards carbon neutrality. In addition, from the point of view of sustainability in business, it is important to create a way to turn the costs for achieving carbon neutrality into product value.

**Matsuo:** I agree that, for a company like Daido Steel, which is a high consumer of energy, it is very difficult to move forward



alone with drastic reduction measures and investments, and there are limits even if we keep piling up individual initiatives. I get the sense that, as Mr. Hiramitsu said, the government will consider the drastic matters, and all each company can do is various collaborations.

**Jinbo:** On the topic of collaborations, I hope that, by participating in government-supported R&D projects, joining organizations, and so on, we will proactively collaborate with companies in other industries and fields as well.

**Please tell us your assessment of and expectations for President Shimizu's governance.**

**Yamamoto:** I appreciate that he has worked to improve corporate value in a reform-minded way as a manager. In particular, his drive to transform the business portfolio and improve corporate value was made clear in the 2026 Medium-Term Management Plan. Although getting the PBR above 1.0, which we asked for when he was appointed, was unfortunately a short-lived achievement, I hope he will continue to work on it. In addition, I am hopeful about how he is proactive in international IR and dialogues with investors.

**Matsuo:** I sense the enthusiasm and zeal he possesses as a president who comes from a technology and development background, to try to accelerate the portfolio transformation, which is a task he took over from his predecessor. From the existing ton-based sales model, he changed the course to management that emphasizes increased value and is not swayed by ups and downs in production volume. He also has a strong awareness of the situation with the PBR being below 1.0 and has been overcoming the hurdles one by one, such as initiatives to promote the understanding of the business partners about reducing cross-shareholding.

**Jinbo:** I feel that, since Mr. Shimizu became President, discussions about products and technology have increased at the Board of Directors, and problems such as how to pursue the potential of materials have become clear. In order to develop further in the future, he will probably be forced to make some decisions that will

bring pain, such as letting go of existing businesses. Risks come along with growth, but I hope that he will overcome those risks and increase Daido Steel's presence as a company that is indispensable to society.

**Hiramitsu:** I highly rate the fact that he established the Material Solution Department when strengthening our competitiveness and transforming the portfolio. R&D tends to stay quite distant from the market, but I anticipate that putting the department that connects them under the direct control of the President will lead to the biggest and fastest growth. To what extent we strengthen our collaborations and make organic connections depends on the President's capabilities, and I have great expectations about that and hope that he will tackle it diligently.

**Ishiguro:** Thank you for the very valuable feedback you have shared here today. I hope that this will lead to further improvements in corporate value.







## Messages from Directors and Members of the Audit & Supervisory Committee



### Issues and expectations for the corporate governance of Daido Steel

Director, Audit & Supervisory Committee Member  
**Susumu Shimura**

The current state of Daido Steel's corporate governance can be fully grasped based on the content disclosed in the Corporate Governance Report. It can be assessed as having the implementation of the principles at the beginning of that report all in compliance, and its compliance with the

required principles is in order. However, that assessment is based on a principle-based approach, in line with the Corporate Governance Code, and the reporters were granted a certain amount of freedom in the detailed practices and their level.

From the position of the Audit & Supervisory Committee, when auditing the legality of the internal control system required by the Companies Act and the Financial Instruments and Exchange Act and the propriety of the directors' business execution, I noticed that the range it is meant to cover is enormous. This range will be covered through collaboration between the CRM Department, which is the Internal Audit Division, and the external audit activities of the Accounting Auditor, and here a risk-based approach is mainstream.

From these two perspectives (principle-based approach and risk-based approach), we have a bird's-eye view of the state of the Company's governance and, especially, at the point where last year's 2026 Medium-Term Management Plan was formulated, we can see good parts and challenges.

For example, from the initial stages of deliberations on the medium-term management plan, going through the process of lively exchanges of opinion that included outside directors multiple times, and content that mentioned governance-related matters in the main strategies and KPIs and the key measures were unprecedented developments.

On the other hand, there was continued consideration and handling of several management issues such as reducing cross-shareholding, parent-subsidiary listed company relationships, and focusing on human capital management including systematic cultivation of female managers, and these are specified in the medium-term management plan as well.

The Company's management was strongly aware of these good points and challenges themselves, and their proactive attitude towards strengthening the Company's governance was plain to see in their work on formulating the plan and what they applied in the medium-term management plan.

In accordance with the medium-term management plan's progress, as an Audit & Supervisory Committee member, I will be anticipating and monitoring the Company's efforts to undertake initiatives to strengthen governance, maintain relationships of trust with stakeholders, and increase medium- to long-term corporate value.



### As appointed to the Audit & Supervisory Committee

Director, Audit & Supervisory Committee Member  
**Ryuichiro Ono**

In June 2024, at the 100th milestone, I was appointed to the Audit & Supervisory Committee. As a member of the Audit & Supervisory Committee of Daido Steel, which has a long history, I will undertake my duties with the necessary sincerity and sense

of urgency required, so as to fulfill the mandate of the shareholders. I will monitor and supervise the business execution of the directors and carry out my duties, remembering to always take a fair and objective position, to establish a corporate governance system that fulfills the public trust.

Daido Steel is starting a new medium-term management plan from this fiscal year. The management policy of this medium-term management plan is implementing "transforming business portfolio" and realizing sustainable profit growth in new businesses and domains. It mentions "enhancing management resilience" and "advancing ESG management" as the basic action policies for achieving these goals.

For the core strategy of "transforming business portfolio", we aim to improve corporate value by offering high-profit products to growth markets through understanding our customers' needs, developing new manufacturing technologies, and capital investment. At the same time, we need to create a system that appropriately grasps and manages the risks arising from proactive corporate activities since companies are exposed to a variety of risks.

The Audit & Supervisory Committee will promote collaboration with the internal control divisions—which are in charge of designing and operating systems such as internal audits, risk management, and compliance—monitor their implementation and assess whether the internal control systems are functioning appropriately, and play a role in making corrections when necessary.

For "enhancing management resilience," investment in human capital is essential. We must promote the development of diverse personnel and establish workplace environments that are comfortable to work in. Furthermore, we must increase employees' psychological safety by ensuring mental and physical health, safe workplaces, and creating positive and pleasant environments.

"Advancing ESG management" contributes to the sustainable growth of the Company. We are promoting initiatives such as preservation of the global environment, respect for human rights, reducing cross-shareholding, and appointing women in managerial positions. As a member of the Audit & Supervisory Committee, I will contribute to the establishment of a solid governance system that supports long-term development based on the Code of Ethics and the Code of Conduct, in order to build the trust of stakeholders.

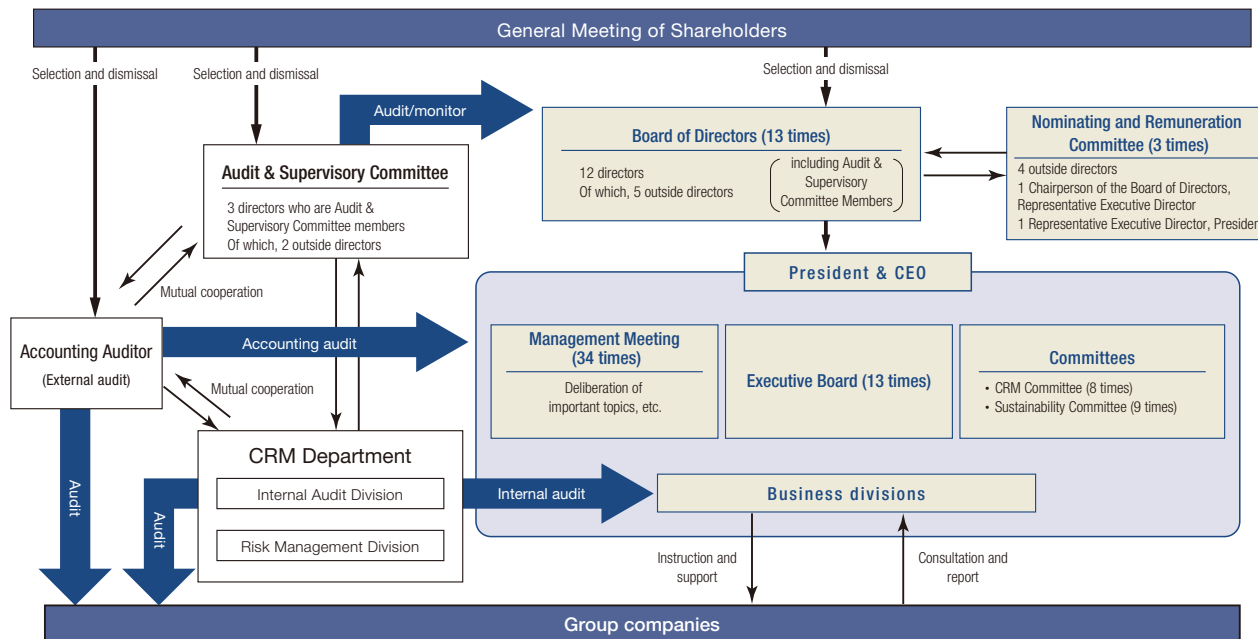


# Strengthening of Corporate Governance

## ■ 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.

### Business execution and auditing and internal control mechanisms



(Note) CRM Committee: Corporate Risk Management Committee  
 CRM Department: Corporate Risk Management Department  
 Figures in parentheses indicate the number of meetings held in fiscal 2023.

## ■ Governance system

The Company has adopted the organizational form of a company with an audit and supervisory committee. Part of the business execution has been delegated to the President to speed up management decision-making. In addition, the Board of Directors' deliberation focus is on management policy and strategy, with the goal of improving corporate value in the medium- to long-term. Our goal is to strengthen the governance system for management of the Board of Directors by allowing directors who are Audit and Supervisory Committee members to have voting rights on the Board of Directors.

Additionally, we have established the Nominating and Remuneration Committee as an advisory body to the Board of Directors. Having independent outside directors make up the majority of committee members improves transparency and objectivity.

## ■ Board of Directors

The matters to be discussed and reported for deliberation by the Board of Directors are specified in the Company rules. The matters to be discussed include proposals to be submitted at the General Meeting of Shareholders, matters related to the directors and executive officers, etc., matters related to important business plans, and matters related to the settlement of accounts. Of the matters to be discussed, some matters involving business execution, other than those specified under laws and regulations and the Articles of Incorporation, are handled as matters delegated by the President, allowing the focus at the Board of Directors meetings to be deliberation on matters such as management policy and management strategy.

## ■ Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of three members, two of whom meet the requirements for independent outside directors, and their specialties and overall career are considered during selection.

The members of the Audit & Supervisory Committee supervise and audit the Directors' execution of their duties by such means as attendance at Board of Directors meetings, periodic interviews with the Representative Executive Director, and various field

[The state of Daido Steel's corporate governance report is disclosed on the Company's website.](https://www.daido.co.jp/common/pdf/pages/ir/policy/governance/governance.pdf)  
<https://www.daido.co.jp/common/pdf/pages/ir/policy/governance/governance.pdf> (Japanese only)



audits including Group companies. In close collaboration with the Internal Audit Division (CRM Department), they help to maintain the soundness of management through efforts that include participation in a variety of meetings, operation of the whistleblower system, and direct instructions for supervision and auditing.

**Nominating and Remuneration Committee**

Daido Steel has established a Nominating and Remuneration Committee as a voluntary advisory organ to the Board of Directors. The Committee is composed of six members: the Chairperson of the Board of Directors and Representative Executive Director (the chairperson of the Committee), the Representative Executive Director, President, and four independent outside directors (one of whom is a member of the Audit & Supervisory Committee).

**[Matters on which the Committee consults]**

- (1) Matters related to the selection and dismissal of directors
- (2) Matters related to the selection and dismissal of the Representative Executive Director and the executive directors
- (3) Matters related to officer remuneration
- (4) Matters related to the succession planning for the CEO and others
- (5) Other matters for which the Representative Executive Director desires the opinions of the Committee

**Evaluation of effectiveness of the Board of Directors**

Since fiscal 2016, Daido Steel has performed an evaluation of the effectiveness of the Board of Directors, targeting all directors. Until fiscal 2021, this was done by means of a survey using in-house questionnaires, but from fiscal 2022 we have switched to an evaluation by a third-party organization with the goal of expanding the content and increasing the objectivity of the evaluation. Along with the results of the evaluation, matters such as an action plan to improve items with low evaluation results are reported to the Board of Directors. Issues and the improvement action results and action plans are as follows.

**[Evaluation implementation guidelines]**

- Implementation method

Questionnaires were given to all directors. Calculations and analysis were outsourced to an external evaluator (Sumitomo Mitsui Trust Bank).

- Evaluation process
  - (1) Distribution of questionnaire to each Director (using the web)
  - (2) Respond to questionnaire (using the web)
  - (3) Questionnaire analysis and summary
  - (4) Report and deliberation regarding effectiveness evaluation at the Board of Directors meeting

**[Summary of analysis/evaluation results]**

In general, the Board of Directors' efficacy is well regarded. In the fiscal 2023 evaluation, the Board of Directors received particularly high marks for "Appropriateness of deliberation items at Board of Directors meetings," "Free and constructive discussion and exchange of opinions," and "Securing the necessary time for deliberation." In addition, items that received relatively low evaluations are listed as issues.

**[Fiscal 2023 results of actions]**

- Issues raised in FY2022
  - a. Potential risks of the entire Daido Steel Group and the corresponding responses and Crisis Management System
  - b. Feedback from dialogue with shareholders
  - c. Designing the management remuneration scheme and the specific amounts of remuneration
- Results of actions
  - a. Reports were made to the Board of Directors by the CRM Committee concerning the deliberation topics as appropriate

- b. IR/SR activities were enhanced and their activity statuses were reported to the Board of Directors (reported two times in fiscal 2023)
- c. The remuneration structure for directors, etc. was reviewed

**[Fiscal 2024 action plans]**

- Issues raised in FY2023
  - d. Appropriate gender balance on the Board of Directors
  - e. Training opportunities for officers to acquire necessary knowledge, etc.
  - f. Supervising and monitoring the construction and operational status of internal control systems for the entire Group
  - g. Feedback from dialogue with shareholders
- Action plans
  - d. Continued consideration of candidates
  - e. Holding seminars, individual explanations and opinion exchange meetings on management issues, and viewing major business sites, etc.
  - f. g. Reporting to the Board of Directors as appropriate and striving to further improve operations by referring to the opinions raised at Board of Directors meetings

Going forward, we will continue efforts to improve effectiveness.

**Main activities of the Board of Directors**





**Skill matrix**

The seven skill objectives and types

**[Skills forming the basis for corporate management]**

(1) ESG Management/Planning (2) Manufacturing Technology/R&D (3) Sales/Marketing (4) Finance/Accounting

**[Skills to focus on that will be essential for business operations in the future]**

(5) IT (6) Overseas business

**[Skills required in non-financial aspects]**

(7) Legal/Compliance

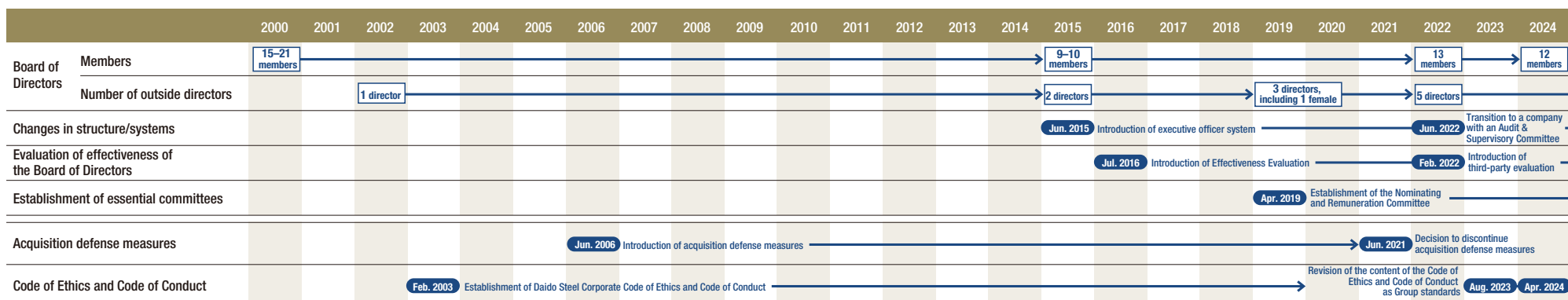
The seven skills were decided by the Board of Directors, with the opinions of the Nominating and Remuneration Committee as references. The skills required will be reviewed based on the business environment and the demands of society.

	Name	ESG Management/ Planning	Manufacturing Technology/ R&D	Sales/ Marketing	Finance/ Accounting	IT	Overseas Business	Legal/ Compliance	Independent Officer	Nominating and Remuneration Committee	Number of Board of Directors meetings attended in FY2023	Number of Audit & Supervisory Committee/Audit & Supervisory Board meetings attended in FY2023
Directors	Takeshi Ishiguro	○		○			○			Chair	13/13 (100%)	
	Tetsuya Shimizu	○	○				○			Member	13/13 (100%)	
	Toshiaki Yamashita	○		○							13/13 (100%)	
	Akihito Kajita			○	○	○		○			13/13 (100%)	
	Tatsushi Iwata	○		○	○		○				10/10 (100%)	
	Tadayuki Kashima	○	○								10/10 (100%)	
	Mutsuko Jinbo		○					○	○	Member	13/13 (100%)	
	Ryoichi Yamamoto	○		○					○	Member	13/13 (100%)	
Audit & Supervisory Committee members	Noriyuki Hiramitsu		○			○			○	Member	10/10 (100%)	
	Kenji Matsuo	○		○	○				○	Member	13/13 (100%)	13/13 (100%)
	Susumu Shimura	○	○					○			13/13 (100%)	13/13 (100%)
	Ryuichiro Ono	○		○	○				○		-	-

**Reason for selection of independent outside directors**

Mutsuko Jinbo	It was determined that she is well qualified because she was involved in management as the director and the president of an educational corporation, and, having been active as a professor for many years, she has a wide range of experience and knowledge.
Ryoichi Yamamoto	It was determined that he is well qualified because he has served for many years as a Representative Executive Director and a Representative Executive Officer in different industries than that of Daido Steel, and he has a wide range of experience and knowledge.
Noriyuki Hiramitsu	It was determined that he is well qualified because he has a wide range of experience and knowledge as a management executive of a leading company in the specialty steel industry.
Kenji Matsuo	It was determined that he is well qualified because he has served as a representative director and representative executive officer of a financial institution for many years, and has a wide range of management experience and insight.
Ryuichiro Ono	It was determined that he is well qualified because he has served as a management executive of a financial institution for many years, and has a wide range of management experience and insight.

**Progress in strengthening of corporate governance**





■ Cross-shareholdings

Cross-shareholdings policy for listed stocks

We believe that cooperative relationships with related companies are essential in all areas of business conducted by the Company, such as procurement of raw materials and others, development, manufacture and sale of products, and stable supply. To achieve sustained growth in future, we believe it is necessary to maintain relationships of trust with stakeholders and increase medium- to long-term corporate value. Therefore, our basic policy is to reduce cross-shareholdings as a whole while only continuing appropriate holdings in light of the perspective of increasing corporate value.

Review of Cross-shareholdings

Every year, Daido Steel reviews the confirmation of the purpose and appropriateness of holding individual cross-shareholdings in the Board of Directors. The appropriateness of holdings is reviewed by performing a quantitative review of financial stability, share price and dividends of the portfolio company, and a qualitative evaluation of the importance in

Daido Steel's business by considering the amount sold to or from the portfolio company, the amount of profit and the amount of financial transactions. Holdings will be reduced if not found to be appropriate according to the conditions in future.

In fiscal 2023, we sold four stocks worth ¥35.7 billion in order to reduce the net asset ratio of cross-shareholdings, including deemed cross-shareholdings, to 20% or less. However, due to the increase in stock prices, the net asset ratio rose to 23.4% (based on Japanese standards). In the 2026 Medium-Term Management Plan, we plan to continue reducing cross-shareholdings to 15% by fiscal 2026, and aim for a long-term level of 10% or less.

Voting Criteria

Daido Steel exercises its voting rights by making comprehensive decisions based on the issuing company not performing antisocial acts, whether the proposal will contribute to enhancing the medium- to long-term corporate value of the issuing company, and the impact on the Company.

■ About the state of listed subsidiaries

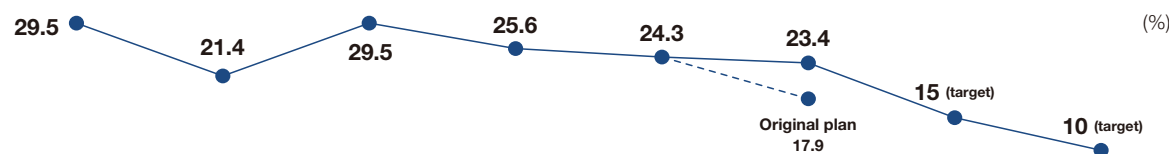
Based on our group management philosophy of "Pursuing the potential of materials to support our future," we aim to achieve sustainable growth for the entire group and increase corporate value over the medium- to long-term. In regards to our listed subsidiaries, we regularly assess whether it makes sense whether to maintain their listing from the perspective of improving corporate value over the medium- to long-term, taking into account the uniqueness of their business, joint development in the relevant business field, and brand strength.

The Company has two listed subsidiaries: Nippon Seisen Co., Ltd., which manufactures and sells secondary processed stainless steel products, and FUJI OOZX Inc., which manufactures and sells engine valves. By having these, we have secured a competitive advantage by leveraging the listed benefits of expanding business transactions based on name recognition and trustworthiness, having an advantage in capital procurement, and securing excellent human resources, and by strengthening each core technology and customer base.

Both companies have established governance committees/special committees to ensure management independence and protect the interests of minority shareholders.

Net asset ratio of cross-shareholding (including deemed cross-shareholdings)

In fiscal 2023, the Company sold cross-shareholdings with the aim of reducing the net asset ratio to 18% or less, but due to the impact of the rising prices of the stocks being held, the net asset ratio as of the end of March 2024 was 23.4% (slight reduction).



	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	2026 Medium-term	2030 target
Number of stocks (listed stocks)	41	42	39	34	28	24		
Cross-shareholdings (Billions of yen)	93.7	66.1	100.0	93.3	98.9	109.3		
Net assets amount (Billions of yen)	318.1	309.1	339.4	365.0	405.5	467.7		

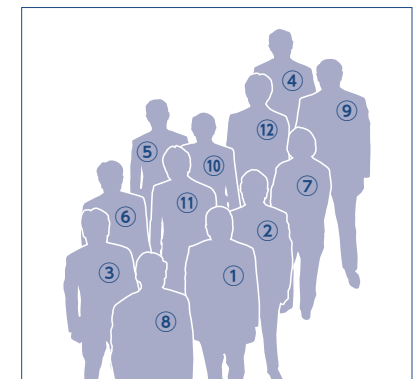


# List of Officers

## Directors (As of June 26, 2024)



- ① **Takeshi Ishiguro**  
Chairperson of the Board of Directors, Representative Executive Director
- ② **Tetsuya Shimizu**  
President, Representative Executive Director
- ③ **Toshiaki Yamashita**  
Representative Executive Director, Executive Vice President Assistant to the President Supervisor of Sales Divisions
- ④ **Akihito Kajita**  
Director
- ⑤ **Tatsushi Iwata**  
Director
- ⑥ **Tadayuki Kashima**  
Director Supervisor of Manufacturing Divisions
- ⑦ **Mutsuko Jinbo**  
Director (outside)  
<Independent Officer>  
[Status of important concurrent positions]  
Research Fellow, Graduate School of Engineering, Mie University
- ⑧ **Ryoichi Yamamoto**  
Director (outside)  
<Independent Officer>  
[Status of important concurrent positions]  
• Advisor, J. FRONT RETAILING Co., Ltd.  
• Outside Director, NORITAKE CO., LIMITED
- ⑨ **Noriyuki Hiramitsu**  
Director (outside)  
<Independent Officer>  
[Status of important concurrent positions]  
Managing Executive Officer, Nippon Steel Corporation
- ⑩ **Kenji Matsuo**  
Director (outside)  
Audit & Supervisory Committee member  
<Independent Officer>  
[Status of important concurrent positions]  
• Honorary Advisor, Meiji Yasuda Life Insurance Company  
• Outside Audit & Supervisory Board member, Mitsubishi Research Institute, Inc.
- ⑪ **Susumu Shimura**  
Director  
Full-Time Audit & Supervisory Committee Member
- ⑫ **Ryuichiro Ono**  
Director (outside)  
Full-Time Audit & Supervisory Committee Member  
<Independent Officer>





■ Outside director bio

Position	Name	Bio
Director	Mutsuko Jinbo	Mar. 1992 Acquired Doctor of Engineering at Nagoya University Apr. 1996 Assistant Professor of Materials Engineering Laboratory, Daido Institute of Technology Apr. 2001 Professor, School of Engineering, Daido Institute of Technology Apr. 2017 Director of Daido Educational Institutions Apr. 2017 President of Daido University Jun. 2019 Director of Daido Steel Co., Ltd. (current position) Apr. 2023 Advisor, Daido Educational Institutions Apr. 2023 Research Fellow, Graduate School of Engineering, Mie University (current position)
Director	Ryoichi Yamamoto	Apr. 1973 Joined The Daimaru, Inc. Feb. 1993 Manager of Sales Planning Department, Osaka Umeda Store Feb. 2001 Director, and General Manager of Sales Reform Promotion Office and General Manager of Sales Planning Office, Department Store Operations Headquarters, Head Office May 2003 President and COO Sep. 2007 Director, J. FRONT RETAILING Co., Ltd. Director, Matsuzakaya Co., Ltd. Mar. 2010 President of Daimaru Matsuzakaya Department Stores Co. Ltd. Apr. 2013 President of J. FRONT RETAILING Co., Ltd. May 2017 Director, President, and Representative Executive Officer May 2020 Director and Board of Directors Chairperson Jun. 2021 Director of Daido Steel Co., Ltd. (current position) May 2024 Advisor, J. FRONT RETAILING Co., Ltd. (current position)
Director	Noriyuki Hiramitsu	Apr. 1991 Joined Nippon Steel Corporation Apr. 2016 General Manager, Head of Div., Production & Technical Control Division, Nagoya Works, Nippon Steel & Sumitomo Metal Corporation Apr. 2018 Assistant Head of Works, Nagoya Works, Nippon Steel & Sumitomo Metal Corporation Apr. 2020 Executive Officer, Head of Center, Plant Engineering and Facility Management Center, Nippon Steel Corporation Apr. 2023 Managing Executive Officer, Head of Works, Nagoya Works, Nippon Steel Corporation (current position) Jun. 2023 Director of Daido Steel Co., Ltd. (current position)

Position	Name	Bio
Director, Audit & Supervisory Committee Member	Kenji Matsuo	Apr. 1973 Joined Meiji Life Insurance Company Jul. 2001 Director and General Manager, Real Estate Investment Department Apr. 2005 Managing Director of Meiji Yasuda Life Insurance Company Dec. 2005 President Jul. 2006 President, Director, Representative Executive Officer Jul. 2013 Representative Executive Officer Jul. 2013 Senior Adviser Jun. 2017 Audit & Supervisory Board Member of Daido Steel Co., Ltd. Apr. 2022 Honorary Advisor, Meiji Yasuda Life Insurance Company (current position) Jun. 2022 Director, Audit & Supervisory Committee Member of Daido Steel Co., Ltd. (current position)
Director, Full-Time Audit & Supervisory Committee Member	Ryuichiro Ono	Apr. 1988 Joined The Tokai Bank, Limited May 2013 General Manager of No. 4 Sales Division, No. 1 Sales Headquarters, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2016 Finance Manager Jun. 2016 Executive Financial Manager May 2018 Executive Officer Senior Superintendent, MUFG Bank, Ltd., Jun. 2018 Advisor, Mitsubishi UFJ Research and Consulting Co., Ltd., Jun. 2018 Director and Senior Managing Executive Officer Jun. 2024 Director, Full-Time Audit & Supervisory Committee Member of Daido Steel Co., Ltd. (current position)



Executive Officers and the assignment of business operations and commissioning of posts (As of July 1, 2024)

Position	Name	Responsibility and commissioned post
President & CEO	Tetsuya Shimizu	—
Executive Vice President	Toshiaki Yamashita	Assistant to the President Supervisor of Sales Divisions In charge of Sales Management Department, Hot Forming Division General Manager, Tokyo Head Office (commissioned post)
Managing Executive Officer	Takaaki Taketsuru	In charge of Environment Department, Innovative Safety and Health Department, General Affairs Department, Legal Department, Personnel Department, Director's Departmental Section, risk management and compliance Assistant to President & CEO Shimizu for the CRM Department Assistant to Managing Executive Officer Iwata for the environment of the ESG Management Department
	Akihito Kajita	In charge of Finance & Accounting Department, IT Planning Department, Internal Control (Financial Instruments and Exchange Act)
	Yuji Noguchi	In charge of Tool Steel Business Division, Machinery Division General Manager, Osaka Branch (commissioned post)
	Tatsushi Iwata	In charge of Corporate Planning Department, ESG Management Department, Planning Department for Affiliates Assistant to President & CEO Shimizu for the Material Solution Department
	Tadayuki Kashima	Supervisor of Manufacturing Divisions In charge of Procurement Department, Advanced Manufacturing Department, Superalloy Manufacturing Process Transformation Project General Manager, Production Division (commissioned post)
	Ikuo Sugie	Supervisor of Technological Development Divisions In charge of Technology Planning & Administration Department, Corporate Quality Management Department Assistant to Managing Executive Officer Iwata for the ESG Management Department reduction of CO <sub>2</sub>
	Muneyoshi Matsuo	General Manager, Fabricated Materials Business Division (commissioned post)
	Akihiro Nagatani	Assistant General Manager, Production Division, Chita Plant Manager, Production Division

Position	Name	Responsibility and commissioned post
Executive Officer	Masayasu Nukushina	General Manager, Hot Forming Division (commissioned post)
	Tetsuya Niwa	General Manager, ESG Management Department (commissioned post)
	Takeshi Watanabe	General Manager, Planning Department for Affiliates (commissioned post)
	Takashi Kano	General Manager, Corporate Planning Department (commissioned post)
	Shin Takamiya	General Manager, Specialty Steel Business Division (commissioned post)
	Mikine Kishi	General Manager, Corporate Quality Management Department (commissioned post)
	Kunio Matsuo	General Manager, Machinery Division (commissioned post)
	Yasushi Matsumura	General Manager, Material Solutions Department (commissioned post)
Koji Hada	General Manager, Sales Management Department (commissioned post)	





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# Ten-year Financial Summary

Note: The Daido Steel Group has transitioned to International Financial Reporting Standards (IFRS) from the fiscal year ended March 2024, replacing the previous Japanese generally accepted accounting principles (J-GAAP). J-GAAP/IFRS are used where two expense items are listed.

(Millions of yen)

Years ended March 31	J-GAAP										IFRS	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2023	FY2024
Net sales/Revenue	483,633	460,577	445,122	505,219	543,255	490,421	412,722	529,667	578,564	581,287	579,013	578,564
Operating profit	20,408	24,432	25,513	36,218	33,815	24,768	10,070	36,982	46,986	42,113	50,025	42,250
Profit attributable to owners of parent /Profit attributable to proprietors of parent	10,886	6,746	16,386	23,920	21,182	10,987	4,516	26,894	36,438	49,759	36,301	30,555
R&D expenses	5,300	5,766	6,205	5,419	5,638	6,002	4,722	5,785	6,255	6,567	6,255	6,567
Capital investment (plan)	20,600	28,300	32,800	38,600	37,200	25,300	12,500	25,500	34,900	34,300	30,075	36,910
Depreciation	22,436	22,454	23,275	20,740	23,171	24,662	25,912	26,797	26,054	26,508	29,567	29,764
Total assets	588,590	535,675	574,169	642,021	650,697	625,899	665,506	728,187	773,851	787,517	772,361	788,734
Equity												
/Equity attributable to owners of the parent	256,021	232,832	259,851	284,435	285,508	273,561	303,143	329,713	368,718	428,359	358,122	418,562
Net assets/Total equity	292,405	268,345	290,501	316,409	318,140	309,136	339,353	365,004	405,479	467,687	394,767	457,313
Interest-bearing debt	146,208	136,114	142,599	160,352	174,998	193,881	198,812	229,090	236,761	176,933	239,653	176,235
Cash flows from operating activities	25,739	45,731	28,390	31,043	28,114	41,033	33,766	(16,684)	22,634	58,657	27,907	50,239
Cash flows from investing activities	(32,178)	(23,164)	(26,449)	(30,215)	(33,707)	(39,326)	(29,395)	(14,568)	(20,084)	16,777	(23,902)	13,618
Cash flows from financing activities	(2,792)	(20,164)	(1,843)	5,477	5,589	10,526	2,999	19,402	(2,668)	(71,810)	(4,105)	(76,484)
Net assets per share/Equity attributable to owners of the parent per share	590	545	609	6,672*1	6,697	6,417	7,111	7,735	8,650	2,010*2	1,680	1,964
Earnings per share/ Basic earnings per share (yen)	25	16	39	561*1	497	258	106	631	855	233*2	170	143
Equity ratio/Ratio of equity attributable to owners of parent to total assets (%)	43.5	43.5	45.3	44.3	43.9	43.7	45.6	45.3	47.6	54.4	46.4	53.1
Return on sales (ROS) (%) /Ratio of operating profit to revenue (%)	4.2	5.3	5.7	7.2	6.2	5.1	2.4	7.0	8.1	7.2	8.6	7.3
Return on assets (ROA) (%) /Ratio of profit before tax to total assets (%)	3.8	4.5	4.8	5.9	5.3	3.8	2.0	5.6	6.4	5.8	7.0	5.8
Return on equity (ROE) (%)/Return on equity attributable to owners of parent (%)	4.5	2.8	6.7	8.8	7.4	3.9	1.6	8.5	10.4	12.5	10.6	7.9
Cash dividends applicable to the year per share (yen)	6.5	7.5	10.0	Interim 6.0 Year-end 60.0*1	130.0	70.0	35.0	180.0	230.0	Interim 100 Year-end 26*2	-	-



(Millions of yen)

Years ended March 31	J-GAAP										IFRS	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2023	FY2024
<Net sales by segment>												
Specialty steel	262,438	254,150	228,963	254,808	278,924	241,462	198,218	267,310	290,458	283,535	290,191	283,262
High-performance materials and magnetic materials	178,513	172,786	163,495	186,809	202,357	181,038	161,254	212,319	237,373	220,531	237,448	220,077
Parts for automobile and industrial equipment	130,293	131,078	120,331	130,807	137,839	120,933	100,355	120,980	135,891	139,860	135,996	139,234
Engineering	25,436	28,609	25,587	26,974	29,340	27,492	21,259	18,644	19,556	23,640	19,563	23,614
Trading and service	21,089	19,612	24,047	25,612	25,962	31,529	28,954	38,872	41,104	48,419	41,636	47,042
(Elimination of intercompany sales)	(134,137)	(145,659)	(117,304)	(119,793)	(131,168)	(112,033)	(97,320)	(128,459)	(145,819)	(134,699)	(145,823)	(134,666)
<Operating profit by segment>												
Specialty steel	3,177	7,560	5,813	6,478	5,998	5,148	(2,632)	3,827	9,771	14,797	10,114	13,724
High-performance materials and magnetic materials	13,517	12,331	17,416	22,195	20,694	13,638	12,172	26,650	24,286	14,432	25,483	10,275
Parts for automobile and industrial equipment	1,023	1,298	(516)	3,070	2,308	430	(2,109)	4,979	8,217	7,539	7,946	5,719
Engineering	1,652	2,071	1,218	1,835	2,291	2,960	858	(1,277)	1,425	2,424	1,591	2,136
Trading and service	1,043	1,173	1,583	2,686	2,527	2,581	1,786	2,834	3,293	2,900	4,897	10,369
(Elimination of intercompany profit or loss)	(6)	(2)	(2)	(48)	(5)	9	(4)	(31)	(8)	19	(8)	26

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

\*2 A five-for-one stock split of common shares was conducted on January 1, 2024.



## Company Overview

<b>Corporate name:</b>	Daido Steel Co., Ltd.
<b>Founded:</b>	August 19, 1916
<b>Incorporated:</b>	February 1, 1950
<b>President:</b>	Tetsuya Shimizu
<b>Number of employees (Non-consolidated):</b>	3,273 (As of March 31, 2024)
<b>Common stock:</b>	¥37,172,464,289
<b>Number of issued shares:</b>	217,243,845 (As of March 31, 2024)*
<b>Number of shareholders:</b>	22,939 (As of March 31, 2024)
<b>Principal banks:</b>	Mizuho Bank, Ltd., MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation
<b>Lead managers:</b>	SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd.
<b>Principal business partners:</b>	
<b>&lt;Sales&gt;</b>	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Toyota Motor Corporation, DENSO Corporation, Mitsubishi Heavy Industries, Ltd., IHI Corporation, Nidec Corporation
<b>&lt;Procurement&gt;</b>	Chubu Electric Power Co., Inc., TOHO GAS Co., Ltd., Obayashi Corporation, Sumitomo Metal Mining Co., Ltd., MM&KENZAI Corporation, HANWA Co., Ltd.

**Principal shareholders:**

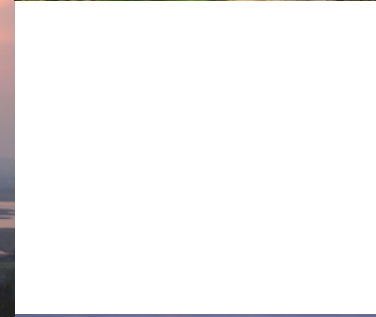
Name of shareholder	Investment in the Company	
	Number of shares held (thousands of shares)	Investment ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,982	10.28
Custody Bank of Japan, Ltd. (Trust Account)	15,567	7.28
NIPPON STEEL CORPORATION	15,504	7.25
Meiji Yasuda Life Insurance Company	10,379	4.85
Mizuho Bank, Ltd.	7,886	3.69
NHK SPRING CO., LTD.	7,248	3.39
Honda Motor Co., Ltd.	6,526	3.05
MUFG Bank, Ltd.	6,071	2.84
Toyota Motor Corporation	4,345	2.03
Nippon Steel Kowa Real Estate Co., Ltd.	3,747	1.75

Note: Excluding treasury stock

\* As of January 1, 2024, a five-for-one stock split of common shares was conducted, increasing the total number of issued shares from 43,448,769 to 217,243,845.



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**Beyond the Special**



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Please let us hear your opinions about the Integrated Report 2024.  
We will refer to your opinions and comments for future reference.

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