



DAIDO STEEL GROUP
Beyond the Special

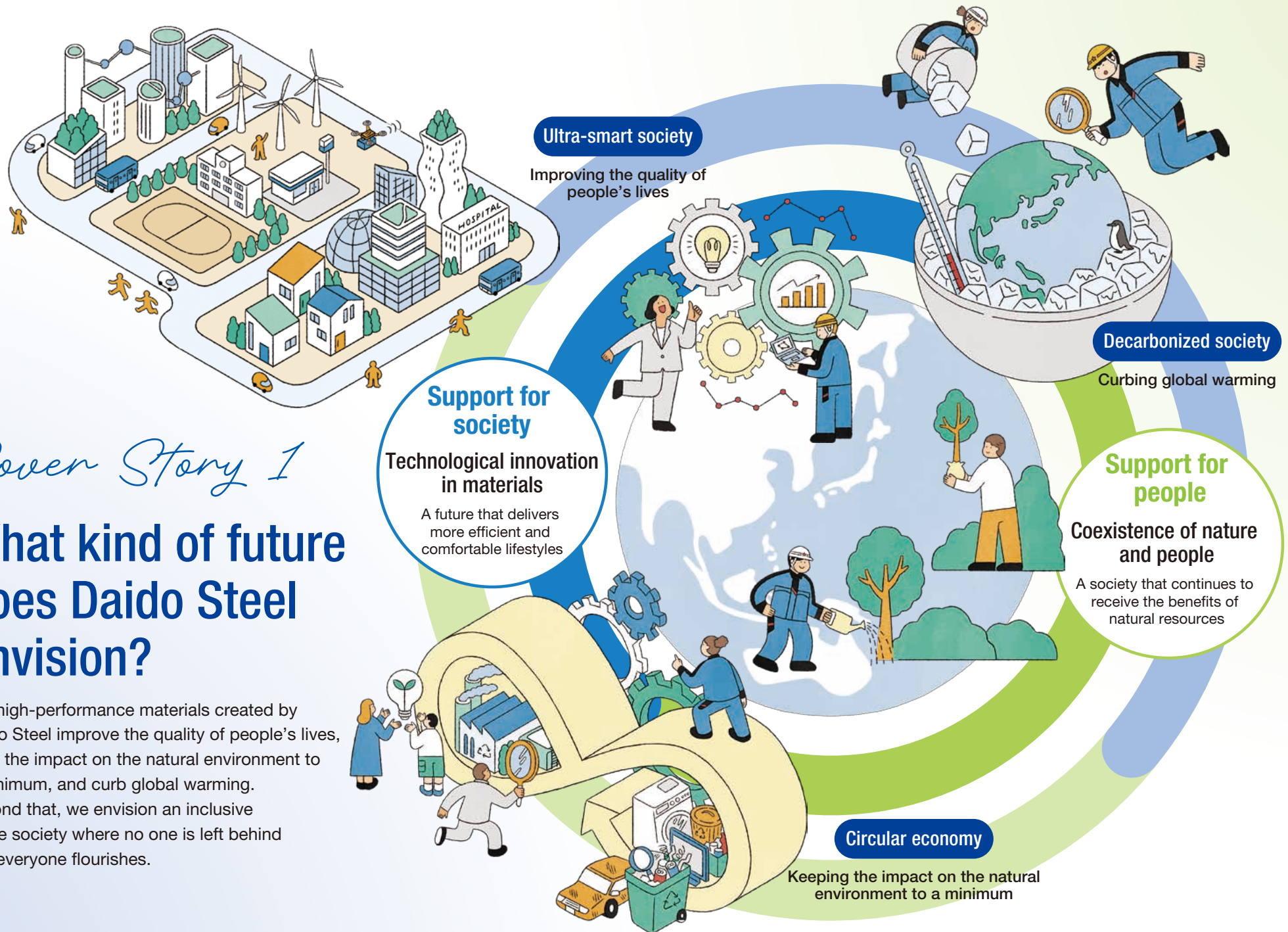
INTEGRATED
REPORT
2025

Go to Amazing Futures with Specialty Steel !

Cover Story 1

What kind of future does Daido Steel envision?

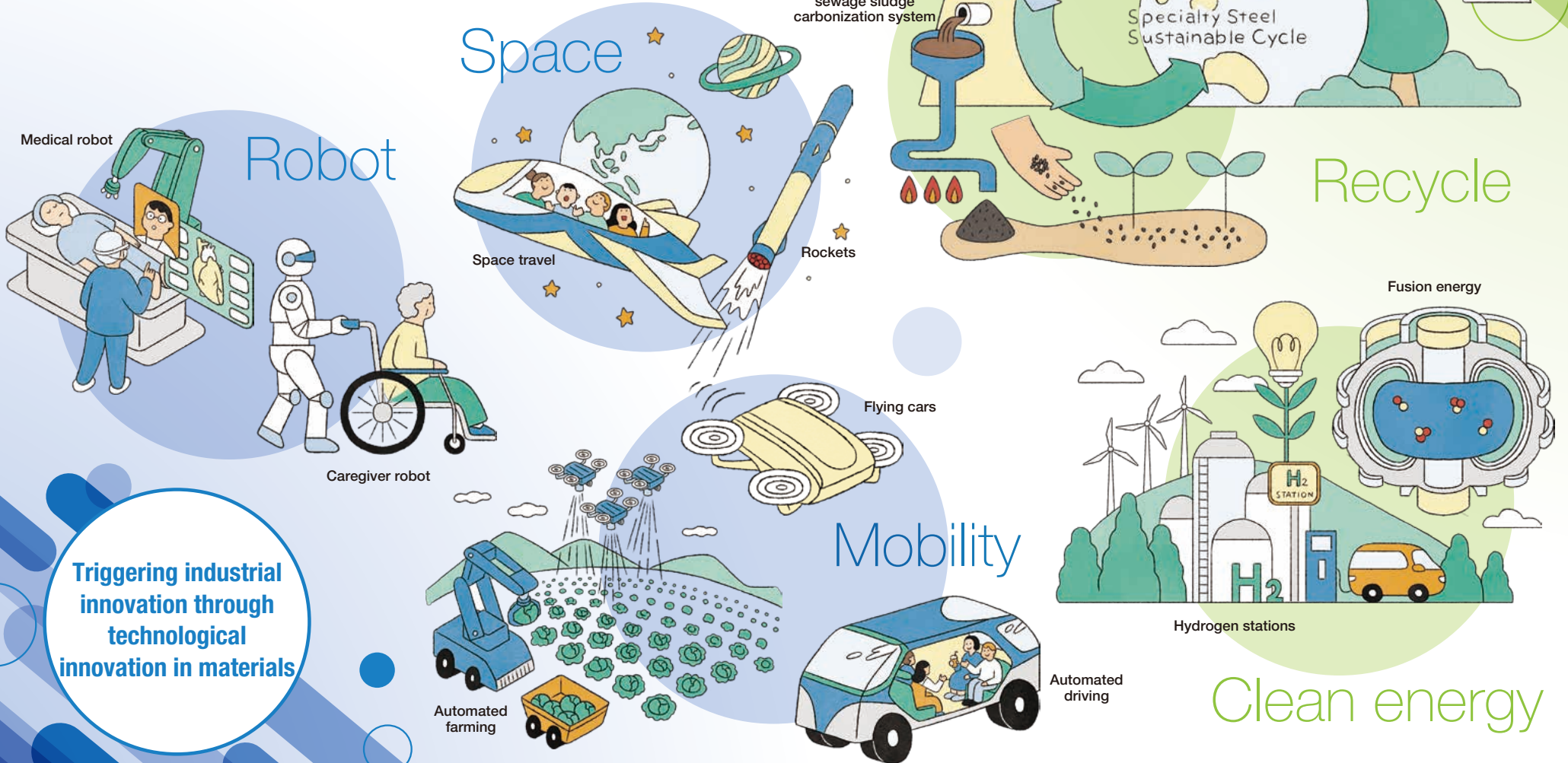
The high-performance materials created by Daido Steel improve the quality of people's lives, keep the impact on the natural environment to a minimum, and curb global warming. Beyond that, we envision an inclusive future society where no one is left behind and everyone flourishes.



How will Daido Steel contribute to future society?

Developing industry through technological innovation will lead to solving a variety of social issues, making people's lives richer and more comfortable. In addition, the technology that will allow us to continue to receive the benefits of natural resources will be essential in realizing a sustainable future society. At Daido Steel, we will continue to pursue the potential of materials that contribute to a society where industrial innovation coexists with nature, and to create "value that goes *Beyond the Special.*"

Contributing to the creation of a society where nature and people coexist



Triggering industrial innovation through technological innovation in materials



Cover Story 2

Going *Beyond the Special* toward a sustainable society


Daido Steel continues to take on challenges, aiming to realize a sustainable future society.  [More about Cover Story 2 ▶ P.5](#)



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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, 2024 to March 31, 2025
 (includes some fiscal 2025 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 2025 (last published in September 2024)

About this report

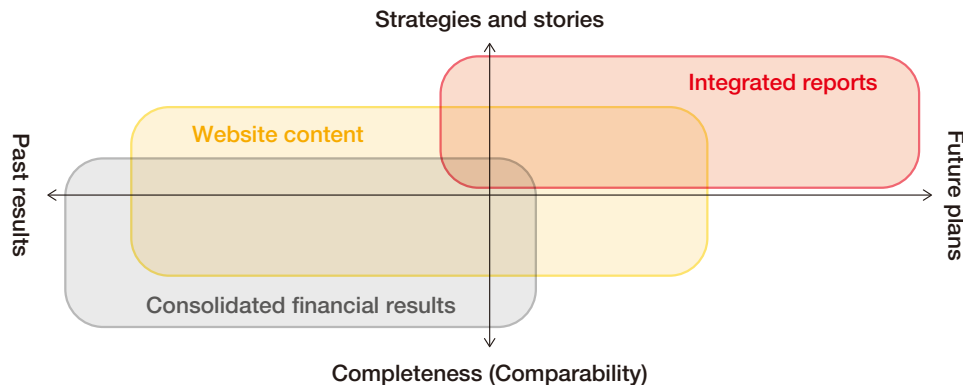
Points in the Integrated Report 2025

In order to communicate Daido Steel's sustainable value creation initiatives in a way that is easy to read and understand, we have edited it to emphasize the following content.

- ✔ We have created cover stories to describe how we will contribute to future society.
📖 [Cover Stories ▶ P.1-3](#)
- ✔ We have explained each phase of the value creation process in detail so you will understand our value creation story.
📖 [Value creation process ▶ P.17](#)
- ✔ We have described the goals and progress of the Superalloy Manufacturing Process Transformation Project in order to share part of our portfolio transformation, which is one of the business strategies in the 2026 Medium-Term Management Plan.
📖 [Superalloy Manufacturing Process Transformation Project ▶ P.37-39](#)

Information disclosure system

The Integrated Report 2025 is positioned as content that expresses our value creation stories, including the strategies for our "Vision for 2030," which will continue into the future beyond that.



About the cover

The words on the cover:

Go to Amazing Futures with Specialty Steel!


In our new corporate commercial, which began airing in August 2024, the artist KREVA sings over a bouncy audio track about the success of Daido Steel's products in various advanced fields and announces the slogan "Go to Amazing Futures with Specialty Steel!"

Cover design:

A bridge-like pattern

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.

 [The gallery of our commercials is available here.](https://www.daido.co.jp/about/special_content/)
https://www.daido.co.jp/about/special_content/ (Japanese only)

Cover Story 2: Going *Beyond the Special* toward a sustainable society

Cover Story 2 shows the employees who received a special award in "Contributing to Sustainability," a new division established in the President's Awards from fiscal 2025.

By evaluating and recognizing activities that improve non-financial value, we will raise the sustainability awareness of each and every employee and promote ESG management.

Vision of the future

Daido Steel's present, and the future we envision

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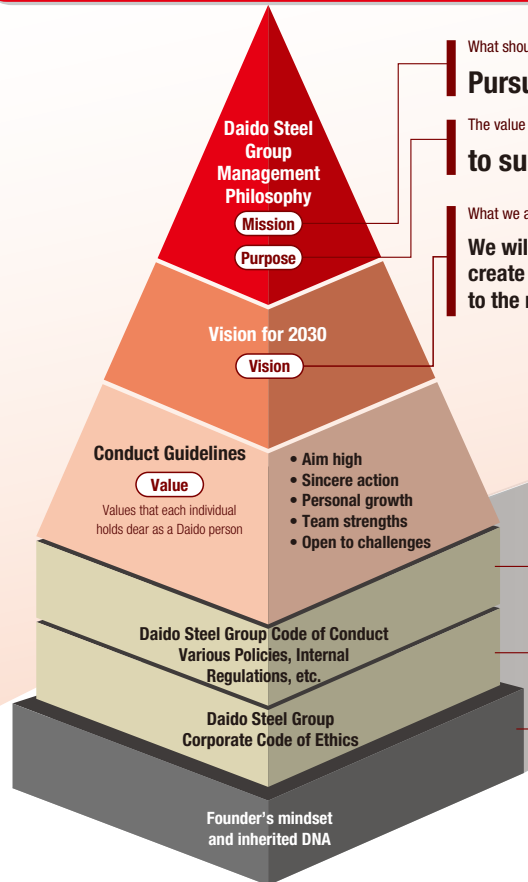
Corporate philosophy structure and business direction

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

Business direction for corporate value enhancement

The Company has set "We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society" as its "Vision for 2030." We will further strengthen our relationship with stakeholders and make efforts to realize our vision together.

To the future we envision

Cover Stories ▶ P.1

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"

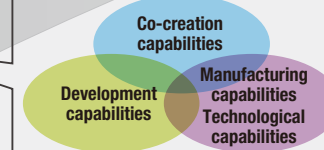
2030

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	25%
Contributing to the realization of a sustainable society	▶ CO ₂ emissions	-50%

Present

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



Core competency ▶ P.19

2016
100th year anniversary of Daido Steel's founding

1916
Birth

Founder Momosuke Fukuzawa
 "Frontier Mindset"
 "Customer First"
 109-year history and DNA of Daido Steel
 ▶ P.12

2026 Medium-Term Management Plan

"Transforming business portfolio" "Enhancing management resilience"

"Advancing ESG management"



CEO message

A transition that pursues materials and builds the future



Tetsuya Shimizu
President & CEO,
Representative Executive Director



To realize the future we envision

The need for business transformation

In the 2026 Medium-Term Management Plan, we emphasize the word “future,” and we announced the slogan “Go to Amazing Futures with Specialty Steel!” in our corporate advertising. Behind this is the fact that society and industry are on the verge of a period of massive change, and the automotive industry in particular is entering a period of “once in a century” revolutionary transformation. In automotive-related specialty steel, which is currently our flagship business, plateauing volumes are forecast going forward due to shifts in the industry such as the EV transition. That is why we must focus on our vision, our image of the future, and future growth markets and move forward with our business transformation.

Specifically, we are transforming our business portfolio, as mentioned in the 2026 Medium-Term Management Plan, by investing management resources in fast-growing fields such as

open-die forgings for the aerospace market and energy-related markets and titanium products for the medical market, and will be working to expand our business. In the capital investment for transforming our business portfolio, we scrupulously analyze market trends and the effects of investments, then enforce selection and focus, and work to improve capital efficiency.

Our vision and our image of the future are not limited to merely expanding the Company’s business. We want to be a corporation that continues to provide better value to society. To that end, I believe it is essential that we communicate our message about the future we envision both internally and externally, and that each and every employee will identify with the direction we are taking and will go on this journey with us.

Daido Steel’s reason for being

When I imagine our vision, I go back to the Company’s reason for being. Paradoxically, I try to imagine a world in which Daido Steel does not exist. What would happen if the materials we provide were gone? A familiar example is ballpoint pen tips. These are mainly made of either brass or nickel silver (an alloy of copper, nickel, and zinc), which soft and workable. When

a Japanese person is writing, the kanji characters in particular feature stops and upward sweeps at the end of strokes, so the writer tends to apply more pressure with their pen than when writing alphabet letters. You may have experienced difficulty in writing if you continue to use a ballpoint pen, with the ink leaking or becoming clogged. The feeling of fluidity when writing depends on the development of the pen manufacturer's ink. However, we provide a stainless material that is harder than brass or nickel silver and combines rust-resistance and workability, helping to achieve ballpoint pens with little leakage and a smooth feel. It probably seems obvious now, but we are supporting a "world" in which you can write things down smoothly and without getting your shirt dirty.

In this way, our materials are not just parts of products. They play a role in making people's lives comfortable, and due to properties such as being easy to carve and easy to process, they also shorten processing times and improve the efficiency of the energy used in the manufacturing process, contributing to improved productivity and reduced CO₂ emissions. I believe that being a company that continues to provide this kind of value to people and society is itself our reason for being and our mission.

An obsession with materials driven by our co-creation capability

The foundation of our business is pursuing materials, and at its core is our core competency, which solidifies our three capabilities: development, co-creation, and manufacturing and technology. We can also say that, out of these three, our co-creation capability is the DNA that has been handed down to us since the Company was founded. Our great strength is the way we coordinate with our customers to solve issues and come up with even better products. We don't just make and

sell standardized products—we pick up on our customers' concerns and the functions they need, and, with our materials, we solve their issues and, in turn, contribute to solving future social issues as well. Our co-creation capability is the force that drives us to work together with customers for solutions aimed at realizing a better society through materials.

Going forward, society will continue to advance, but the possibility of technological innovation in materials triggering innovation, is infinite. I am confident that leveraging materials is essential in gaining a global competitive advantage. Among the variety of products in the world, there are many that can be made more attractive by pursuing materials. We will continue to hold fast to our core competency and our obsession with materials throughout the future.

Unparalleled manufacturing capital supports our co-creation capability and competitiveness

The foundation supporting our co-creation capability and competitiveness is the different characteristics of our plants, such as the Chita and Hoshizaki Plants and the Shibukawa Plant. The Chita and Hoshizaki Plants are focused the productivity of specialty steel, while the Shibukawa Plant is focused on the quality demands among specialty steels. And now, our strong foundations will be reborn by combining these plants, enabling us to keep pace with the needs of society as they advance.

One example is our high-cleanliness stainless steel and high-performance stainless steel for semiconductor production equipment, which have ensured us a high share in the global market. This has been made possible by combining the Shibukawa Plant's competitiveness in quality and the Chita and Hoshizaki Plants' high productivity. Looking around the

world, I cannot find another case like ours. In the past, I had proposed a collaboration between these plants, with their totally different production mechanisms and organizational cultures, but it was completely unacceptable at that time. Since then, times have changed and so have attitudes. Each steel plant's manufacturing technology is now under the centralized management of a single Production Division, and exchanges of engineers between the plants are also progressing. Going forward, we will leverage our unrivalled manufacturing capital to elevate our competitive advantage to even greater heights.

Future specific initiatives for the future we envision

Progress of the 2026 Medium-Term Management Plan

Daido Steel is working on our Medium-Term Management Plan with 2026 as its final year. This plan is a vital step toward our Vision for 2030 as it builds the foundations for the realization of our image of the future. For this reason, we have been reviewing our existing business portfolio and are aiming for sustainable growth by expanding into new markets.

Up to now, two-thirds of sales in our business portfolio have been automotive-related. However, going forward we will be working on business growth by actively expanding sales into high value-added markets other than automotive-related. For example, sales of aerospace and energy-related open-die forgings are steadily expanding, and in materials for semiconductor production equipment, although there are delays in the recovery of the demand phase of the semiconductor cycle, we are going ahead with establishing



supply systems in preparation for its return. To reach our target of raising the sales revenue ratio (15% in fiscal 2026, 25% in fiscal 2030) of products for fast-growing markets, we are promoting the strengthening of measures such as business portfolio transformation and cost reductions.

In light of recent changes in society and international markets, however, I think we will have to review the 2026 Medium-Term Management Plan. Specifically, we are thinking of reconfiguring measures including improving capital efficiency from the perspective of both present and future benefits, at the stage when the United States' tariff policy trends have settled down. While we are working to increase corporate value, we strive to communicate with our investors to help them understand the attractiveness and the potential of our business and our materials. In particular, recognition of Daido Steel overseas is still not enough, so we will be focusing on global investor relations.

Expansion into overseas markets

Expansion into overseas markets is a key pillar in our growth strategies. Overseas sales in our automobile and industrial equipment parts segment in particular grew significantly in the previous fiscal year. This was the result of having won customers' trust, spending ten years gaining their recognition and continuing to provide a stable supply of goods. We then built up this trust and secured our presence in the global market.

We are also enhancing our product range and taking action in each market in order to further expand sales in overseas markets. In terms of enhancing our product range, we are accelerating the speed at which we strengthen our marketing and cultivate demand for heavy rare-earth-metal free hot-deformed magnets, and in terms of actions in each market, in the U.S. market we are leveraging our manufacturing companies in that country as a response to its tariff policies, and in the Asian and Chinese markets, we are leveraging our sales sites in Singapore and China to capture the demand in those countries respectively.

Human resources development for the transition

It goes without saying that a company consists of people. Developing our human resources is essential in maintaining and refining the Company's core competency, and we are aware of the materiality in achieving sustainable management. Developing Daido Steel's human resources requires us to not only increase the knowledge, techniques, and skills of our employees, but also to deepen their understanding of our Management Philosophy and the five Conduct Guidelines that form the standards in fulfilling our responsibilities and contributions to society. I believe that, by meeting both of these

requirements, we can work together to achieve our targets, and each one of us will feel pride and satisfaction in our work. As an indicator of the pride we hold and the satisfaction we feel in our work, we measured the employee engagement scores and set targets based on them in fiscal 2024. In fiscal 2025, because we are working to instill our Management Philosophy and the five Conduct Guidelines, we are holding townhall meetings and having dialogues with as many employees as possible. First we will target employees in their thirties, with a total of 26 meetings planned, and we will discuss not only our Management Philosophy, the five Conduct Guidelines, and the Mid-Term Management Plan, but also the future of materials and the future of Daido Steel from a more long-term perspective.

I hope that another aspect of such new initiatives will be maintaining the "essence" of Daido Steel that we hold dear. For example, when we make capital investments, the equipment design will reflect our own original ingenuity for better manufacturing of better materials that meet customers' expectations. Beginning with the Chita Plant, each plant will be equipped with facilities that hold the "essence" of Daido Steel. Fostering human resources who will make this "essence" of Daido Steel a reality, pass it on to future generations, and ensure the Company's competitiveness going forward is the translation in personnel development.

Sustainable management that builds the future we envision

The transition to carbon neutrality

Reducing CO₂ emissions is an extremely important theme in our business. Amid the high expectations of society as a whole

for corporations to reduce their environmental impact, we too must fulfill this responsibility. Specifically, the two pillars of our efforts to reduce CO₂ emissions are eco-products and eco-processes.

Eco-products contribute to the reduction of CO₂ emissions in our customers' manufacturing processes by providing materials with properties such as being easy to carve and easy to process. Materials that are easy to carve shorten processing times and curb energy consumption, thereby reducing the environmental impact. Eco-processes advance our CO₂ emission reduction initiatives in our own manufacturing processes. Along with hardware investment through the continual and expansive use of ceramic fibers in heating furnaces and heat treatment furnaces, as well as the application of heat-resistant paint on furnace bodies, and knowledge investment through education on improving combustion efficiency, we are also introducing CO₂-free energy, which is derived from renewable energy, and in fiscal 2024, our CO₂ emissions had been reduced by 30% compared to fiscal 2013. Furthermore, the Chita Second Plant has realized carbon neutrality with CO₂ emissions being net zero. Such initiatives are an important step toward our targets, such as reducing CO₂ emissions by 50% by 2030 and achieving carbon neutrality in 2050.

In the future, we aim to convert to heating furnaces and heat treatment furnaces with hydrogen as a fuel. Although there are many technological issues in this fuel conversion, it has the potential to significantly reduce environmental impact. We want to contribute to the realization of a sustainable society through these steady efforts and technological innovations.

Actively developing business with DX and intellectual property

In our research and development, materials informatics (MI)

plays an important role in one of our digital transformations (DX). Using the enormous amount of data we have accumulated up to now, we are undertaking initiatives to optimize alloy design and process development.

We are also focusing efforts on using our intellectual property. In the past, it was mainly the researchers who used intellectual property. With the addition of sales divisions as well, we are formulating intellectual property strategies from a broad perspective. For example, using technologies to develop different kinds of steel and assess functionality is proactively linked to business growth, such as expanding transactions with new customers overseas. In Daido Steel's corporate culture, which emphasizes relationships with our customers, our goal with intellectual strategy is not only protecting our technology, but also responding to customers' needs and providing new value to society as a whole.

The "GOKAI JUSSOKU (Ten Guiding Tenets)" must remain unchanged

At the root of Daido Steel's corporate culture are the "GOKAI JUSSOKU (Ten Guiding Tenets)" taught by our founder. The Tenets are what tell us how we should conduct business, and the first four in particular emphasize the fact that we must take good care of our customers. Teachings such as "We must never forget the support from our customers" and "Satisfy customers" form the basis of our Conduct Guidelines. These teachings are not just a philosophy. Even now, they live on in at the Company as the specific actions as the "essence" of Daido Steel, and they are the driving force that increases the competitiveness of the materials we provide.

The teaching "This company succeeds or fails depends on whether we can unite as one. Let's work together" is deeply

engrained in our Conduct Guidelines. This symbolizes our attitude in persistently continuing to take on challenges. In fact, customers have praised the Company, saying "Daido Steel never gives up," and I think that is proof that they appreciate the way we work stubbornly to solve issues. In this way, the "GOKAI JUSSOKU (Ten Guiding Tenets)" form the core of our corporate culture, and we will continue to hold them dear as guidelines for creating the future.

For us, there are things we should change and things we should not change. With a clear awareness of that fact, we are making a steady transition to our Vision for 2030, and we will continue to perfect materials support our future as a company whose presence is indispensable to society.



109-year history and DNA of Daido Steel

109-year history of Daido Steel

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. With this business Momosuke Fukuzawa helped to develop industry in our country, aiming to enrich people's lives and to contribute to society. 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 2008 global financial crisis, and the Great Eastern Japan Earthquake. We have learned from all those difficulties, refined our technologies, and contributed to the development of society.

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. In the Tenets, he put himself in the shoes of consumers and showed employees the actions and approaches to take, an idea still holds true nowadays. This idea has become the foundation of our Conduct Guidelines (values), and it remains relevant today.


Daido Steel's mission and DNA

"We support society and industry." That was the mission Momosuke Fukuzawa aspired to, and it has been passed down to us today, across the generations, as "Daido Steel's DNA." As a leading specialty steel company, this mission is the foundation of the trust we have built with industry and customers. Now, in a period of significant transition, society's needs are changing constantly as well. However, the fact remains that the materials we produce are still essential for society no matter how it changes.

Going forward, we will continue to support our future and to pursue the potential of materials as we have done in the past to the present day.

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

 Daido Steel has created a video to help you understand our purpose and mission. Please visit this URL to view it.
<https://www.youtube.com/watch?v=48IT93mEblg&list=PLIGI6AD1Ovw2U3uGK3CUoabU8wLbnjVAK&index=8>

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>Seeing the potential of electric arc furnace steelmaking as a way to utilize hydropower resources</p> <p>Momosuke Fukuzawa, who was working on the development of power sources in the Kiso River, commercialized 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>Thinking ahead of the times, the Chita Plant was constructed</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>Three companies merge to become one of the world's leading specialty steel manufacturers</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>Increase competitiveness and aim for globalization</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>Entering a new century with "Monozukuri Kaikaku" and strengthening group management</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>Continuing to contribute to the realization of a sustainable society</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>Development of various free-cutting steels following the development of precision industry after the war</p> <p>1957 Developed ferritic free-cutting stainless steel (SS4F) 1960 Developed super free-cutting steel (SFC3F)</p>	<p>A combination of three firms' technologies and knowledge: High-performance cold work tool steel</p> <p>1976 Considered application of gas nitrocarburizing treatment on tool steel 1981 Commenced research and development</p>	<p>The world's leading aircraft jet engine shaft</p> <p>1983 Establishment of international joint development project. Start of joint development of V2500 1995 Began GE1014 development</p>	<p>Soft magnetic powder adopted for hybrid vehicles</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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In society



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 CO₂ 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 CO₂ 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. CO₂ emissions are significantly reduced when compared to gas type.



STARPAS[®] permalloy foil

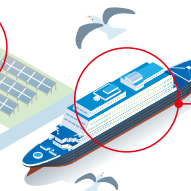
We offer ultra-thin permalloy foil (thickness 10μm or more) with excellent workability and flexibility that is suitable for high-frequency magnetic shields and yokes.



Ultrafine stainless steel wire

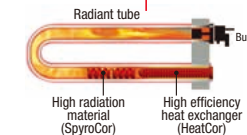
The incredibly thin 11μm* realizes high-precision, high-detail screen printing. We are contributing to the efficiency and reducing the size of next-generation electronic circuits such as solar panels and capacitors.

* 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 NO_x and SO_x emissions rules for ships become more stringent.



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)

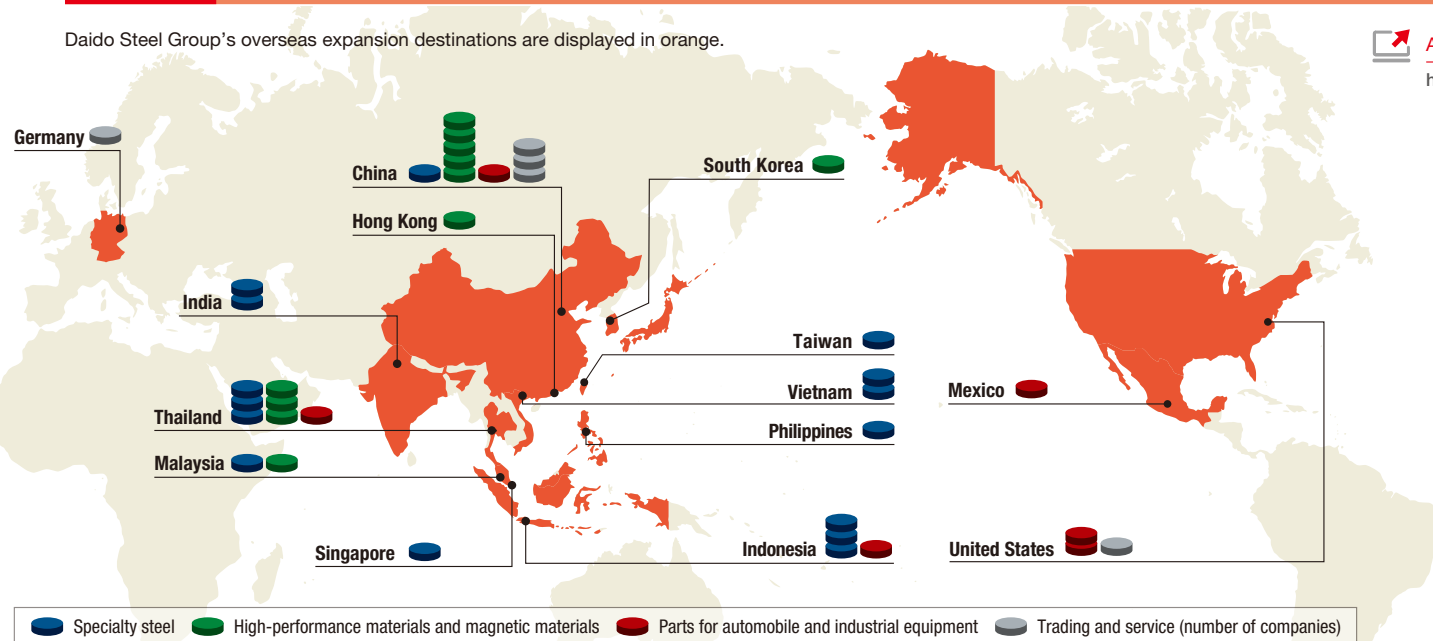


Stainless steel for ballpoint pen tips

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.

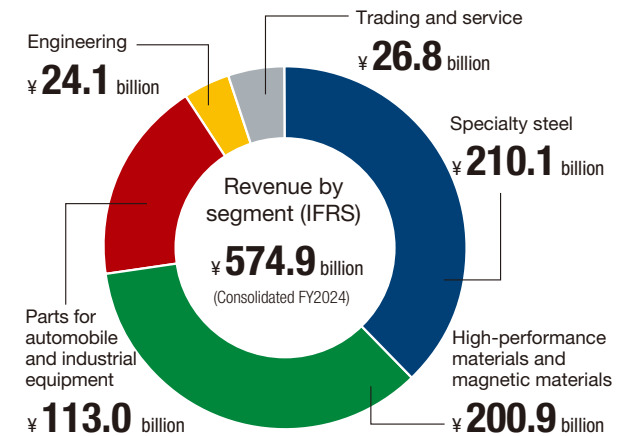
Overview of Daido Steel Group

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

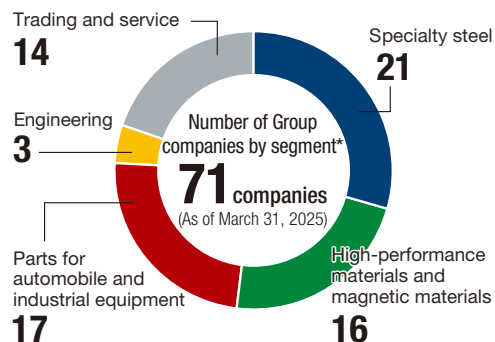


An overview of the Daido Steel Group (overseas) is available on our website. <https://www.daido.co.jp/en/about/overseas/index.html>

Revenue by segment (IFRS)

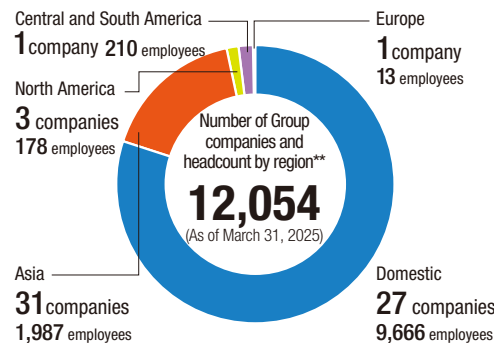


Number of Group companies by segment



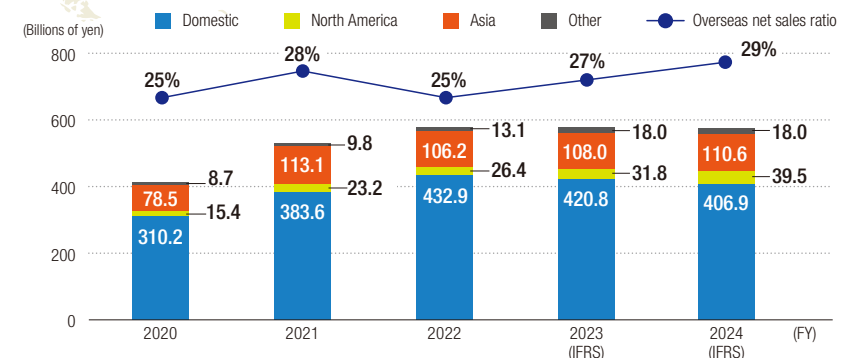
* Consolidated subsidiaries and equity method affiliates

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

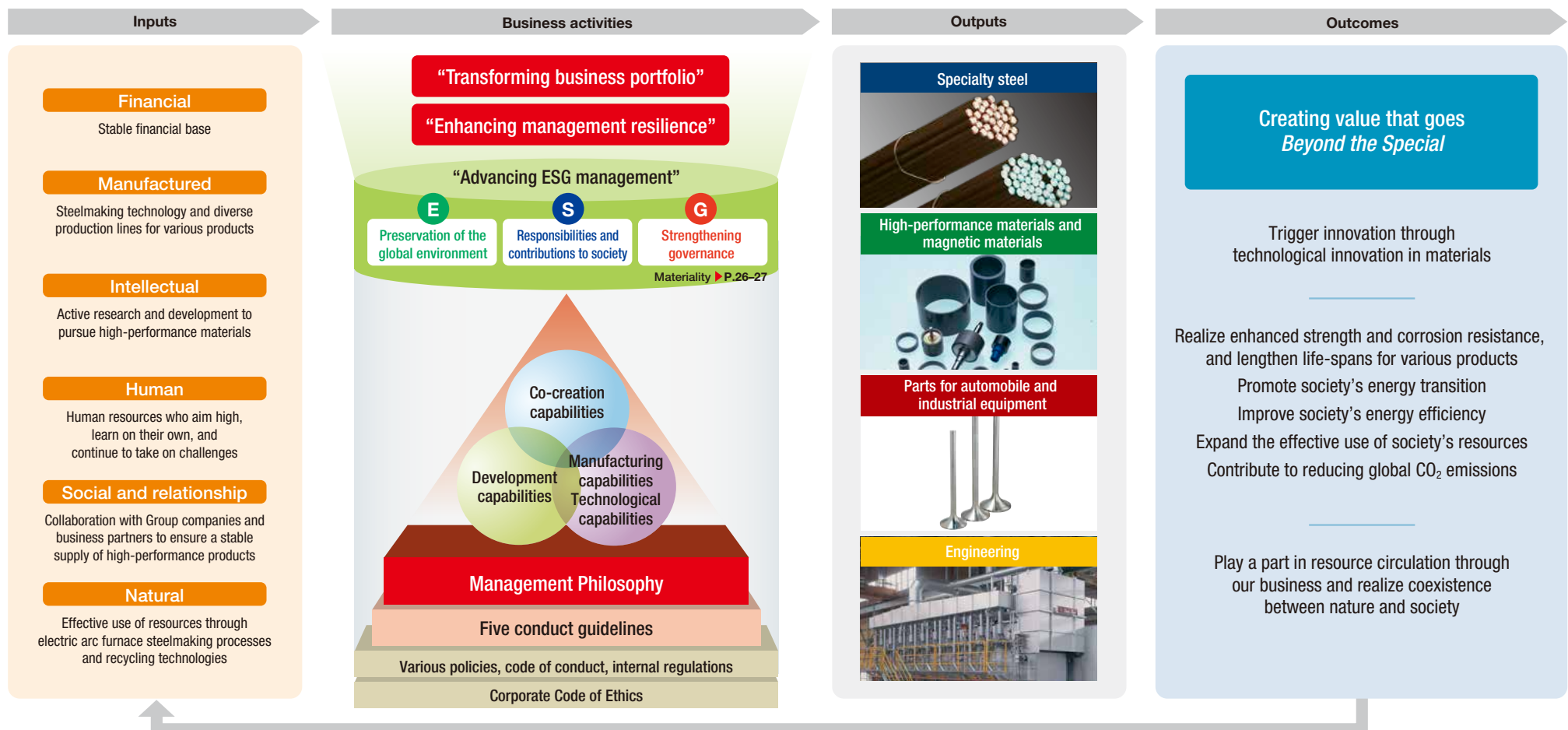


Value creation process

Value creation process	17
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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 capital 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 creates "value that goes *Beyond the Special*" under the banner of the slogan *Beyond the Special* to exceed stakeholder expectations.



Management capital

The six types of business capital	Capital enhancement measures	Indicators
<p>Financial —Stable financial base—</p> <p>Because of expanding profit levels and efforts to improve financial soundness, the D/E ratio has remained low, and the equity ratio has remained above 50% in recent years. In order to respond to future changes in the business environment, we aim to build a strong financial structure by improving our profit structure and making strategic investments with an eye to the future.</p>	<ul style="list-style-type: none"> Improving capital structure Diversifying our capital procurement methods Active dialogue with capital markets 	<p>Assets ¥783.0 billion</p> <p>Capital (excluding non-controlling interests) ¥429.3 billion</p> <p>D/E ratio 0.41 times</p> <p>Ranking (R&I) A</p>
<p>Manufactured —Steelmaking technology and diverse production lines for various products—</p> <p>The source of the Company's distinctive wide variety of products is our steelmaking technology and diverse production lines for various products. To achieve sustainable profit growth, we will proceed with a fundamental review of production allocation and develop efficient and adaptable production processes in line with our new business portfolio.</p>	<ul style="list-style-type: none"> Promoting the Superalloy Manufacturing Process Transformation Project Increasing production capacity of high-performance stainless steel Building a global alliance 	<p>Capital investment ¥46.9 billion</p> <p>Production sites 60</p> <p>Types of products handled About 4,000 types</p> <p>Number of improvements in self-management activities 13,100 cases per year</p>
<p>Intellectual —Active research and development to pursue high-performance materials—</p> <p>We are actively engaged in research and development to pursue high-performance materials, with the aim of contributing to the realization of a sustainable society. We will continue to venture into new realms, accelerate research and development through close collaboration both internally and externally, and create materials with special value and functionality to support the foundations of society.</p>	<ul style="list-style-type: none"> Obtaining customer approval for high-performance products and rolling out Strengthening collaboration between the R&D divisions and the Material Solution Department Accelerating R&D by utilizing MI 	<p>R&D personnel 294</p> <p>R&D expenses ¥6.6 billion</p> <p>R&D sites* 2 locations</p> <p>Patents held* Domestic: 590, Overseas: 571</p>
<p>Human —Employees who aim high, learn on their own, and continue to take on challenges—</p> <p>We will work to create an environment where employees who practice our Conduct Guidelines can exercise their skills and capabilities in order to realize our vision, and we will work to enhance our management resilience. We will acquire (recruit and foster) autonomous experts and co-creative staff committed to improving labor productivity, and promote the dissemination of our philosophy and health and productivity management to increase employee engagement.</p>	<ul style="list-style-type: none"> Management philosophy permeation Recruiting and fostering autonomous and co-creative staff Initiatives to improve employee engagement scores 	<p>Hired* 86 new graduates, 75 mid-career employees</p> <p>Employees 12,054</p> <p>Number and ratio of women in managerial positions* 19 (2.7%)</p> <p>Educational hours* and education costs per person* 37 hours, ¥66,000</p> <p>Employee engagement score positive response rate* 78.5%</p>
<p>Social and relationship —Collaboration with Group companies and business partners to ensure a stable supply of high-performance products—</p> <p>We are working as a group in order to more completely fulfill our social responsibilities together with our business partners. We will continue to earn the trust of society and our customers by thoroughly improving quality and ensuring stable supply throughout the entire supply chain.</p>	<ul style="list-style-type: none"> Promoting quality control improvement activities with Group companies Strengthening relationships with our business partners 	<p>Consolidated subsidiaries/affiliates (In and outside Japan) 71 companies</p> <p>Business partners* 1,277 companies</p>
<p>Natural —Effective use of natural resources through electric arc furnace steelmaking processes and recycling technologies—</p> <p>We are committed to reducing our environmental impact and transition to a circular economy. We will steadily implement our roadmap to achieve carbon neutrality in the production process, and realize a closed-loop system of iron sources by recycling various scrap into new products in our electric arc furnace steelmaking process.</p>	<ul style="list-style-type: none"> Promoting the expansion of steel scrap recycling Continuing nature conservation activities and evaluating efforts Promoting biodiversity preservation activities 	<p>Energy usage 23,360,000 GJ</p> <p>Industrial water* 22,930,000 m³</p> <p>Amount of scrap usage* 1,377,000 tons</p>

MI: Materials informatics

As of March 31, 2025 or FY2024 results. * Non-consolidated

Daido Steel's core competency creates "value that goes *Beyond the Special*"

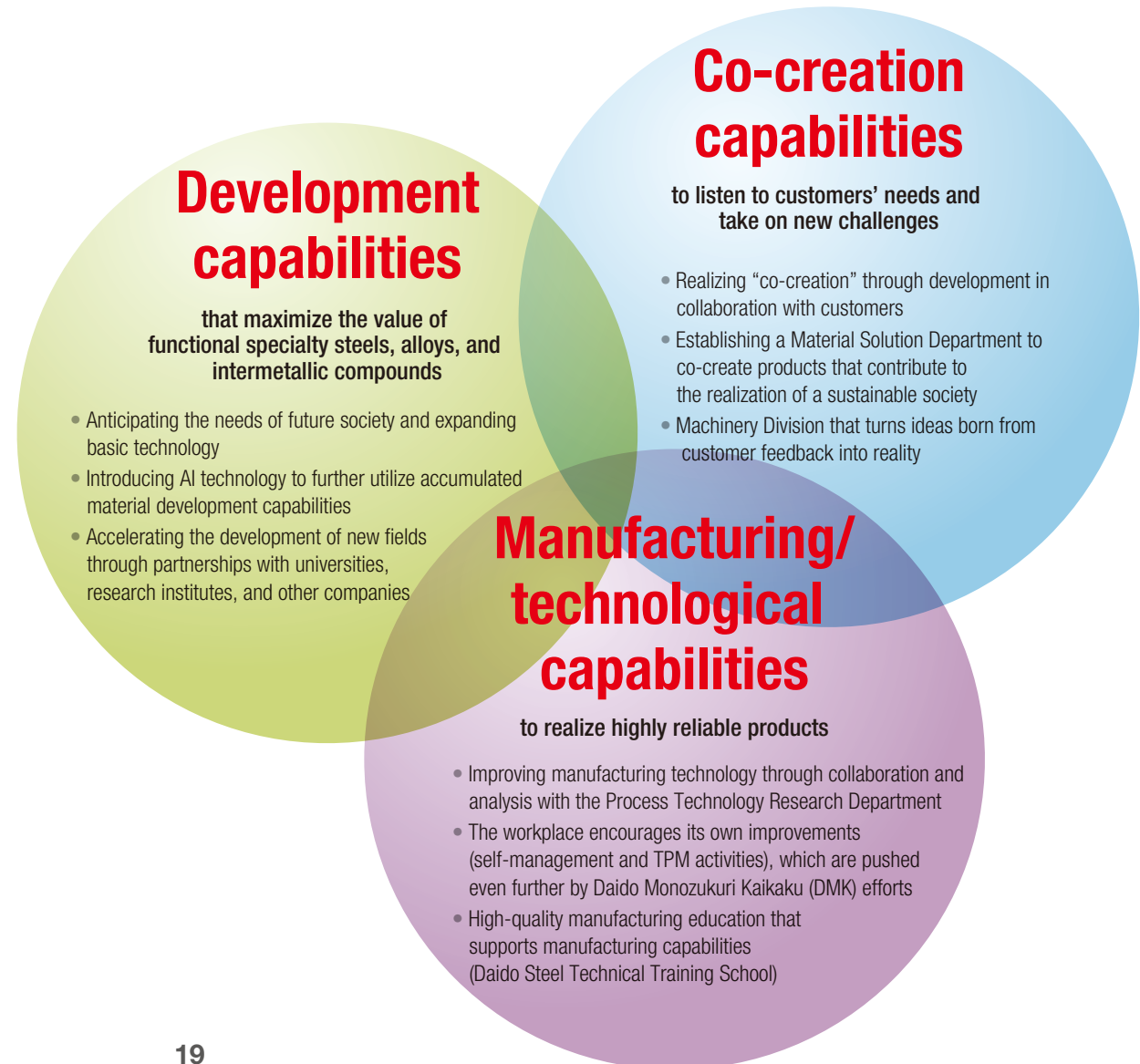
We believe that the creation of "value that goes *Beyond the Special*" is the culmination of the following three strengths that make up our core;

- **"Development capabilities"** that maximize the value of materials
- **"Co-creation capabilities"** to listen to customers' needs and take on new challenges
- **"Manufacturing and technological capabilities"** that allow us to create highly reliable products

Everything is for the consumers.

By meeting the advanced needs placed on materials in a rapidly evolving world and anticipating the needs of future society, we will pursue the potential of materials to support our future.

We have been and will continue to be a company that creates "value that goes *Beyond the Special*" and triggers innovation through technological innovation in materials, so we will continue to hone our manufacturing and technological capabilities.



Core competency roundtable

Pursuing infinite possibilities and paving the way for the future. “Development capabilities”

We define our core competencies as “Development capabilities,” “Co-creation capabilities,” and “Manufacturing and technological capabilities.” The business activities that combine these three capabilities are the value creation process that supports our Company's competitive advantage. Through “Co-creation with customers,” we gain essential insight into the needs of our customers and society, and by continuing to hone our development capabilities and evolving our manufacturing capabilities and manufacturing technology, we bring new products and technologies to the world.

We spoke with three key people about topics related to research and development, and first had the opportunity to delve deeper into the core competency of “development capabilities.”



Shigeki Ueta

General Manager, R&D Center

Takashi Kano

Managing Executive Officer
Supervisor of Technological
Development Divisions

Yasushi Matsumura

Executive Officer
In charge of the Corporate Research & Development Center
General Manager, Material Solution Department
(commissioned post)

Developing specialty steel that anticipates the needs of future society

Kano: By adjusting the amount and combination of the 118 elements listed in the periodic table, it is possible to develop an infinite variety of specialty steels. Currently, there are approximately 150 to 200 types of specialty steel defined in the industrial standards of Japan, the United States, and Europe. However, as industry becomes more sophisticated in the future, it is expected that new specialty steel will be developed to meet specific needs.

The development of specialty steels that contribute to innovation in growth industries such as semiconductors, Connected, Autonomous, Shared, Electric (CASE), clean energy, aerospace, and advanced medical care is currently expanding beyond the realm of conventional iron-based alloys to include nickel-based and cobalt-based alloys and intermetallic compounds.

Ueta: A term that is now receiving a lot of attention in the world of specialty steel development is "hydrogen society." In the future, when hydrogen will be widely used as an energy source, materials that do not become embrittled in hydrogen environments will be necessary. In developing these materials, we have introduced experimental equipment that can reproduce the behavior of materials exposed to hydrogen, and have established a system that allows us to obtain data on the effects of alloying elements and microstructures on embrittlement characteristics.

Additionally, our engineering division, the Machinery Division, is also working on developing hydrogen combustion technology. We hold the top domestic market share for the manufacture and sale of specialty steel heat treatment furnaces, and we also offer retrofitting that converts the fuel used in heat treatment equipment to hydrogen, eliminating CO₂ emissions, thereby

contributing to our customers' carbon neutrality activities. Furthermore, new materials are also needed to utilize clean energy sources other than hydrogen. As AI becomes more prevalent in society, the demand for electricity increases. We are working on developing materials that are compatible with hydrogen-ammonia co-firing power generation and small module reactors (SMRs). Furthermore, with an eye to future nuclear fusion power generation, we are promoting the development of materials necessary for industrial innovation through our participation in ITER (International Thermonuclear Experimental Reactor).

Matsumura: Along with the energy transformation, we are also focusing on the mobility transformation. Magnetism is attracting attention as motors evolve with the progressive shift to electric vehicles. To achieve high magnetism in a compact design, we are developing soft magnetic materials that go beyond the

realm of electron behavior control, while also strengthening our application-oriented infrastructural technologies, such as motor design and evaluation techniques. In the future, we are considering expanding our application to robots, advanced air mobility, and more in addition to automobiles.

Utilizing AI technology dramatically increases R&D speed

Ueta: The enormous amount of records we have accumulated over many years on material development is truly "big data" and the source of our "Development capabilities." By formalizing this data using AI and reconstructing it as a body of knowledge that can be used by everyone in the Company, including inexperienced researchers, we can dramatically increase the efficiency of materials development. Previously, it was necessary

With curiosity as our motivation, we will continue to support research and development that goes beyond the boundaries of specialty steel and pursue the potential of materials.





Our competitive advantage lies in extracting the necessary characteristics and achieving the optimum solution for performance and cost.

to conduct numerous experiments to obtain the desired material characteristics, but by utilizing AI, it is now possible to predict the microstructure and properties that will result from alloy design and production processes, making it possible to reduce the number of experiments required. It is also possible to reverse-calculate the required alloy design and optimal production process by analyzing an enormous amount of past experimental data and papers.

Kano: AI is already playing an important role in our research and development. By introducing materials informatics (MI), a technology that analyzes enormous amounts of data using AI, machine learning, and statistical analysis, it is possible to predict, "If a material with this alloy design is produced using this process, it will have these heat and corrosion resistance properties." Meanwhile, technology to simulate the entire process, such

as "what kind of alloy design should be used, what kind of microstructure will be formed by deformation processing at what temperature, and as a result, what kind of material will be made that is both heat- and corrosion-resistant," has already been put to practical use. This technology is called Integrated Computational Materials Engineering (ICME).

In this way, AI technology will dramatically increase the speed of material development. Furthermore, it is expected to reduce research and development costs and contribute to strengthening the Company's "development capabilities."

By adjusting the amount and combination of alloys added to specialty steels, an infinite variety of specialty steel development is possible. Furthermore, the possibilities are substantially expanded by adjusting the production conditions. Materials development, which involves finding the optimal alloy design and

production process from such an infinite number of options, can be said to have a high affinity with AI technology.

State of partnerships with universities, research institutes, and other companies

Ueta: Because we have been involved in the field of specialty steels for many years, we have extensive knowledge and experience. Currently, we are actively working to develop new fields by making the most of the knowledge and sensibilities of our talented researchers. In order to expand our development scope and speed up our development efforts, we are also actively promoting joint research with universities and research institutes. Specifically, we are taking steps such as sending researchers as working adult doctoral students to universities engaged in advanced materials development, and establishing endowed courses within universities and assigning dedicated researchers to them. This has enabled us to acquire external knowledge and analytical techniques, allowing us to utilize knowledge in areas in which we previously had little experience. The efficiency of development has increased as a result.

Matsumura: Researchers have been exploring new areas such as magnets and battery materials from scratch for over ten years, and although they have faced difficulties along the way, they have continued thanks to their strong will and tenacity. In these new areas, customers expect us to go beyond material development and delve into application perspectives, such as the design and evaluation of end products. Because of this, we actively promote industry-academia collaboration and conduct research in cooperation with universities and external institutions. In the development of magnets and battery materials, we overcome the difficulty of creating something from scratch by working together

with external parties to evaluate materials and verify production processes, thereby opening up new possibilities.

Kano: In order to accelerate the development of new materials, collaboration with universities, external research institutes and other companies is essential. In fact, the Company is increasingly collaborating with external research institutes and other companies in the development of nickel alloys and anode materials for lithium-ion batteries, new areas in which we have had little experience until now. The ICME mentioned earlier is an example of how a “materials development platform” has been utilized to improve the efficiency of material development with excellent heat and corrosion resistance.

Given that internal development resources are limited, planning and considering what external resources to utilize is also an important step in strengthening our “Development capabilities.” Collaboration with external parties goes beyond simply supplementing development resources; it also involves co-creation development. For example, by bringing together organizations from different industries with the common goal of developing a highly efficient motor and exchanging opinions from different perspectives, it's possible new ideas may be born. Furthermore, we would like to utilize external collaboration for human resource training. Researchers are now required to have knowledge in a wide range of fields, not just metallic materials science, so our idea is to utilize research activities at external institutions as a place to learn about science and engineering in areas where there is little knowledge within the Company.

Message to researchers

Ueta: I would like you to take a customer-centric approach to development. To create value that exceeds expectations and

Start from scratch, never give up, and
expand the realm while creating
something.
That is the DNA of R&D.

goes *Beyond the Special*, simply meeting specific requirements is not enough. As you begin development, imagine how your material will be used, how it will be made, and even the background and essential needs behind it. Also, I would like you to face challenges head-on. By gaining experience overseas and trying new evaluation methods, as well as venturing into new realms that you have not explored before, you will gain the ability to carve out your own future.

Matsumura: Development that starts from the materials is a truly fascinating world. Iron and specialty steel have infinite possibilities, and new value can be created depending on how they are used and combined. That's why I want you to take on challenges boldly. People who worked on specialty steels take on magnets, and people who worked on magnets take on motors. Taking on challenges this way, by stepping outside



of the domain in which you normally work, will lead to personal growth. And beyond that lies a breakthrough that will change the future.

Kano: One of our core competencies is our “Manufacturing and technological capabilities.” This is closely related to the Company’s “Development capabilities” and is an important factor that supports its competitive advantage. This refers to the ability to reliably realize the material components and production processes designed by researchers as volume production technology, and provides a very comfortable work environment for researchers.

We hope you will trust in our “Manufacturing and technological capabilities” and proactively work on development that pursues the infinite possibilities of specialty steel.

Intellectual property activities that lead to increased corporate value

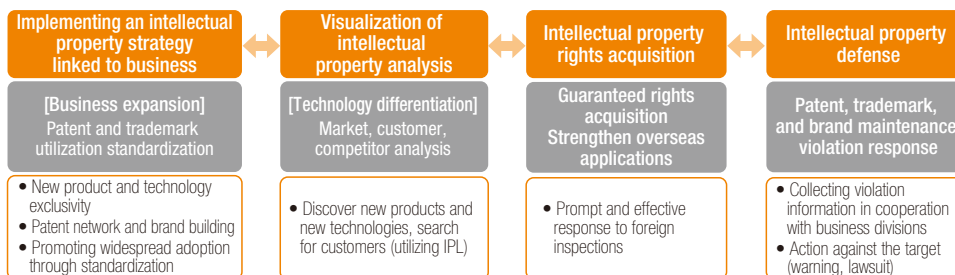
Basic policy on intellectual property

Under our 2026 Medium-Term Management Plan, we have positioned intellectual property as a key issue in our technology strategy, and are working to increase our corporate value through the creation and utilization of intellectual property. Intellectual property is an important intangible asset, on a par with technology and human resources, and we view it as a source of strengthening competitiveness, stabilizing business, and even creating new value. Furthermore, we are working to improve intellectual property literacy through ongoing education and training, with the aim of fostering a corporate culture in which all employees understand the importance of intellectual property and proactively utilize it. We will vigorously promote the increase of sustainable corporate value through a technology strategy based on intellectual property.

Promoting growth strategies using intellectual property

To achieve the growth targets set for each business, the business divisions, R&D divisions, and intellectual property divisions work together to promote intellectual property strategies from formulation to implementation. In particular, in important technology realms that will drive future growth, we are strategically acquiring patents and focusing on differentiating our intellectual property in order to steadily cultivate the seeds of growth. Additionally, by utilizing generative AI and digital tools to collect and analyze intellectual property information, we aim to optimize applications and investigative work, thereby improving the quality and speed of our intellectual property activities. Furthermore, we do not limit our intellectual property to mere “defensive measures,” but actively utilize it as “offensive assets.” Through co-creation with customers and partner companies, licensing to external parties, and participation in standardization operations, we aim to improve the market development capabilities of our own technology and strengthen our presence within the industry.

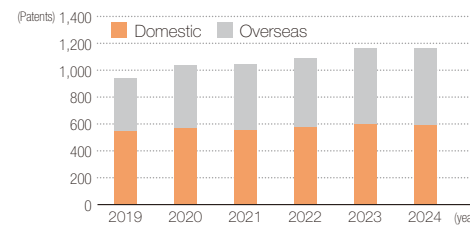
Three integrated activities: Business divisions, R&D divisions, and intellectual property divisions



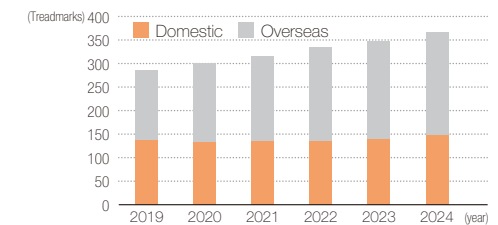
Patent and trademark ownership status

The number of patents and trademarks held domestically over the past six years has remained stable, and we are working to maintain our existing technologies and brand power. Meanwhile, as a result of accelerating business expansion in global markets and strategic efforts to strengthen intellectual property in order to respond promptly to local needs, the number of patents and trademarks held overseas has increased by approximately 1.5 times.

[Number of patents held]



[Number of trademarks held]



Intellectual property defense and standardization operations

As a company whose very foundation is built of high technology and creative ideas, we aim to achieve business stability and continuous innovation by properly protecting and managing our intellectual property and defending it against imitation and unauthorized use. We are also working to strengthen our defense system, which is applicable globally, by formulating protection strategies for each technology field. When we become aware of any violation of our rights both inside and outside of Japan, we take strict action, including legal action. For example, we requested Chinese authorities to investigate a company selling counterfeit products of our tool steel NAK®80 in Guangdong Province, China, and that company was ordered to cease sales, had the counterfeit products confiscated, and was fined.

We also view product standardization and regulation as an important technological infrastructure that contributes to ensuring stable quality, strengthening cost competitiveness, and accelerating global expansion. In particular, in our important business realms, we are promoting standardization operations with an eye to the future and strengthening collaboration with organizations within the industry and partner companies. In the field of high-performance materials, we have registered our high-strength, heat-resistant titanium alloy DAT® 57M for automotive and aerospace applications, and our hydrogen-embrittlement-resistant austenitic stainless steel DSN®9, which promotes the use of hydrogen energy, in the ASTM standards*.

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

Business activities (Impact on society, business, and finance)

The 2026 Medium-Term Management Plan is based on three pillars: business strategy, financial strategy, and ESG strategy. Among these, our ESG strategy sets “advancing ESG management” as our basic action policy, and the relationship that is deeply linked to our business strategy is shown in the diagram below.

By addressing the identified key issues (materiality), the Company will strongly accelerate the advancement of ESG management. We also aim to increase corporate value and achieve sustainable profit growth. Furthermore, the impact on society and business that can be achieved by solving these issues is an essential component in weaving our value creation story.

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



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

Materiality initiative targets and KPIs

▶ P.26-27

Impact

[Impact on society]

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

[Impact on business]

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

[Impact on finances]

- Maintaining financial soundness while improving capital efficiency

Business activities (Materiality initiatives and KPIs)

The Company has identified material issues for increasing its corporate value and have set specific initiatives to solve each issue.

To steadily advance and deepen each activity, we set medium- to long-term targets and KPIs and monitor progress.

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



Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[E1]	Steady implementation of a roadmap to achieve carbon neutrality in the production process	Reduction of CO ₂ emissions by integrating energy-saving technologies	35% reduction in CO ₂ emissions in 2026, 50% in 2030 (compared to FY2013)	30% reduction	P.54–55
		Promotion of the utilization of CO ₂ -free electric power	CO ₂ -free electric power ratio 30% or more in 2026, 60% or more in 2030	CO ₂ -free electric power ratio: 40%	
[E2]	Expansion of businesses that contribute to the realization of a sustainable society	Expansion of products that support technological innovation for energy transition	Revenue ratio of products for the growth market 15% or more in FY2026, 25% or more in FY2030	Revenue ratio for the growth market: 12%	P.33
		Expansion of products that contribute to improvements in energy efficiency			
		Expansion of products that contribute to effective utilization of resources			
[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	The rate of recycling: 89%	P.52–53
		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	Water circulation rate: 95%	P.52–53
		Biodiversity initiatives	2030: Contributing to the realization of nature positive	Information disclosure based on the recommendations of the TNFD	P.56

S Responsibilities and contributions to society



Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[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 lost-time work injuries: 0.20 or less	Ratio of lost-time work injuries: 0.38	–
		Promotion of health and productivity management	2030 Findings rate: 55% or less Rate of people who work with mental and physical vitality: 50% or more	Findings rate: 68.8% Rate of people who work with mental and physical vitality: 46.2%	P.40–48
		Promotion of diversity	2030 Female employee 10-year retention rate: 80% or more Rate of next-generation management (associate senior staff) positions held by women: 17% or more Improvement in the rate of female managers: 4.4%	Female employee 10-year retention rate: 85.7% Rate of next-generation management positions held by women: 11.1% Rate of female managers: 2.7%	
		Improvement in labor productivity	20% increase in labor productivity in FY2026, 30% in 2030	Launch of DX promotion project	
		Improvement in employee engagement	Positive response rate of 80% or more in FY2026	Positive response rate: 78.5%	
[S2]	Contributing to solving social issues and fulfilling our corporate responsibilities	Respect for human rights	Establishment and steady implementation of human rights due diligence	Creating a human rights risk map and identifying human rights risks	P.58–59
		Social contribution	Engage in more intensive communication about the environment with local communities	Improvement of communication with the local communities	P.56–57
		Supply chain management	Improvement of supply chain engagement	Renewal of procurement policy and implementation of supplier assessment	P.60
		Stakeholder communication	Enhanced transmission of corporate information and promotion of communication with stakeholders	Enhancement of stakeholder communication, including IR/SR interviews, etc.	P.36

G Strengthening governance



Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[G1]	Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	Stable supply of high-quality products	0 major quality accidents	0.25 (Index taking the actual results from FY2006 as "1")	–
		Risk management	Number of internal reports: 80/year Number of Group support cases: 180 or more/year	Number of internal reports: 64/year Number of Group support cases: 171/year	P.61–62
		Compliance	Number of violations of laws: 0/year Material inadequacies to be disclosed under the Financial Instruments and Exchange Act: 0/year	Number of violations of laws: 7/year Material inadequacies to be disclosed: 0/year	P.63–64
		Strengthening of corporate governance	Net asset ratio of cross-shareholdings: 15% in FY2026, 10% in FY2030	Net asset ratio of cross-shareholdings: 17.7%	P.74

Outputs (Overview of the 4 main segments)

Segment	Specialty steel	High-performance and magnetic materials	Parts for automobile and industrial equipment	Engineering																																																
Representative market share, etc.	<p>Bearing steel Domestic share approx. 20%</p> <p>Tool steel Domestic share approx. 30%</p>	<p>Stainless steel Domestic share 40% or more</p> <p>Stainless steel for semiconductor production equipment Global share approx. 40%</p>	<p>Superalloy bars Global share TOP 20</p> <p>Aircraft jet engine parts Market share approx. 25%</p>	<p>Electric arc and heat treatment furnaces achieved domestic top share</p> <p>Products eligible for energy-saving investment promotion subsidy 12 products</p>																																																
Features	<p>The main specialty steels are structural steel and bearing steel, mainly for Japanese automobile and industrial equipment manufacturers. With regards to the automobile industry, we custom-engineer the specifications of our specialty steel for each manufacturer. These steels are then used in a variety of applications, including engines, drivetrain parts, and suspensions. Tool steel is a material used in a wide range of industries, and the Company is also focusing on expanding sales overseas.</p>	<p>Stainless steel has a wide range of uses, including in automobiles, industrial equipment, and electrical and electronic equipment, and the use of our steel in the etching process of semiconductor production equipment accounts for approximately 40% of the global share. We are also currently supplying neodymium magnets that do not contain any heavy rare earths for use in electric vehicles. Other high-performance materials that are expected to grow include steel strips, powder, and titanium.</p>	<p>Demand for open-die forgings has increased dramatically in recent years. Our aircraft jet engine shafts, gas turbine components for heavy electrical equipment, ship engine valves, and drilling materials are high-performance materials used in harsh environments and are certified by each manufacturer. Specialty products include die forged products for automobiles, engine valves, and turbo parts.</p>	<p>The Company also sells industrial furnaces such as electric arc furnaces and heat treatment furnaces. We utilize our know-how and technology as a specialty steel manufacturer in our equipment design. As we move towards a decarbonized society, there is a growing need for our high-efficiency production equipment, and some of our equipment products have been certified as subsidized equipment by the Ministry of Economy, Trade and Industry.</p>																																																
Financial Indicators (profit level)	<p>Operating income (Billions of yen)</p> <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Income</th><td>-2.6</td><td>3.8</td><td>9.8</td><td>13.7</td><td>12.1</td></tr> </table>	FY	2020	2021	2022	2023	2024	Income	-2.6	3.8	9.8	13.7	12.1	<p>Operating income (Billions of yen)</p> <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Income</th><td>12.2</td><td>26.7</td><td>24.3</td><td>10.3</td><td>11.0</td></tr> </table>	FY	2020	2021	2022	2023	2024	Income	12.2	26.7	24.3	10.3	11.0	<p>Operating income (Billions of yen)</p> <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Income</th><td>-2.1</td><td>5.0</td><td>8.2</td><td>5.7</td><td>11.3</td></tr> </table>	FY	2020	2021	2022	2023	2024	Income	-2.1	5.0	8.2	5.7	11.3	<p>Operating income (Billions of yen)</p> <table border="1"> <tr><th>FY</th><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr> <tr><th>Income</th><td>0.8</td><td>-1.3</td><td>1.4</td><td>2.2</td><td>2.2</td></tr> </table>	FY	2020	2021	2022	2023	2024	Income	0.8	-1.3	1.4	2.2	2.2
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Note: IFRS has been used since FY2023

Outcomes (Creating social value through high-performance products)

In the future society, the Company's high-performance products will contribute to solving problems in people's lives and society, and create a richer and more comfortable environment.

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 CO₂ 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, etc.

- 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



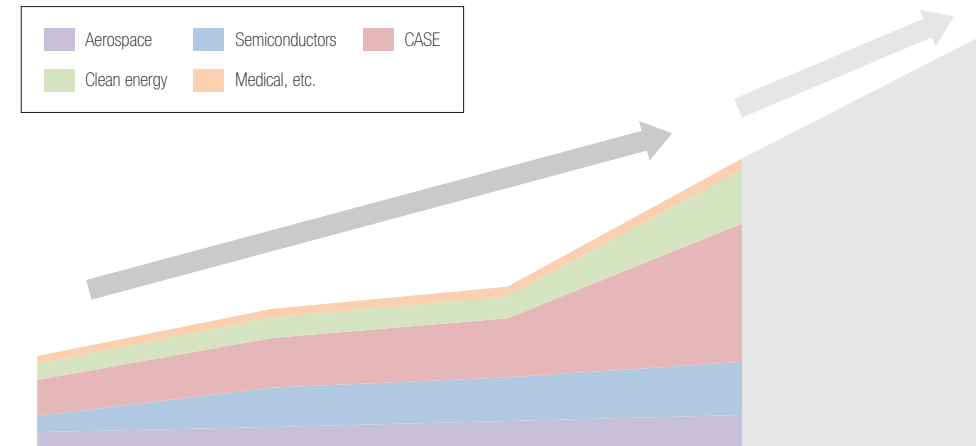
Growth depiction of high-performance products

The Company is developing materials for next-generation mobility, such as high-performance magnets that do not contain any heavy rare earth elements and high-strength specialty steel for e-Axes, contributing to electrification and higher efficiency.

Sales of these CASE-related materials are expected to grow from 2030 onwards as the electrification of vehicles expands.

In the clean energy field, we are focusing on supplying products that support the energy transition toward achieving carbon neutrality by 2050.

Specifically, we are supplying materials for ITER (international thermonuclear experimental reactor), which is looking ahead to future nuclear fusion power generation, and we are developing hydrogen embrittlement resistance steel for hydrogen infrastructure and working towards registering it under ASTM standards. We also support the decarbonization of the steel industry by providing our own high-efficiency electric arc furnace, "STARQ[®]," and promoting energy conservation in steel scrap recycling. We expect these products to become one of the key pillars driving sales growth as the clean energy market expands in the future.



FY24 results

FY30

Products for each market that are prominent and high performing

* Compared to FY2024 ↑: Increase of less than double ↑↑: Increase of double or more

	Market	Product	Application and function	Expected sales (2030)
CO ₂	CASE	Steel for gears that support high peripheral speeds	e-Axle gear reducers	↑↑
		Structural steel that supports high peripheral speeds		↑↑
		High corrosion-resistant SmFeN magnets	Functionality improvements of industrial equipment motors	↑
		High-magnetic specially-shaped and -oriented hot-deformed magnet	Extension of EV range	↑↑
	Clean energy	Hydrogen embrittlement resistant material	Hydrogen production, transportation, and storage	↑
	Semiconductors	Ultra-clean stainless steel (CLEANSTAR [®])	Semiconductor production equipment	↑↑
Lightbulb	Clean energy	Electric arc furnaces with rotating drives (STARQ [®])	High-efficiency electric melting furnace	↑
	Aerospace	Aircraft jet engine shaft	Jet engines	↑
Circular arrow	Medical	Medical titanium material	Advanced medical equipment	↑
	Other	Next-generation sewage sludge carbonization system	Recycling of sewage sludge	Commercialization in 2026

Growth strategy

Progress of the 2026 Medium-Term Management Plan	31
Special feature: Transforming business portfolio	37
Human capital strategy	40
Promotion of DX	47

Progress of the 2026 Medium-Term Management Plan

Progress of the profit plan for the 2026 Medium-Term Management Plan

[2026 Medium-Term Management Plan management policies]—Transition management—

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

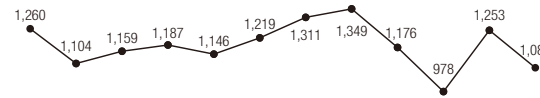
The first fiscal year of Daido Steel's 2026 Medium-Term Management Plan (three-year plan), which we announced in June 2024, has ended. The first fiscal year had a difficult start due to factors such as sluggish demand, and we have needed to reconfigure the plan starting from fiscal 2025 due to changes in the global economy, including the United States' tariff policies in particular. However, we are steadily taking action towards our goals for our "Vision for 2030," and we will continue to accelerate our initiatives for improving corporate value.

[Progress of the profit plan]

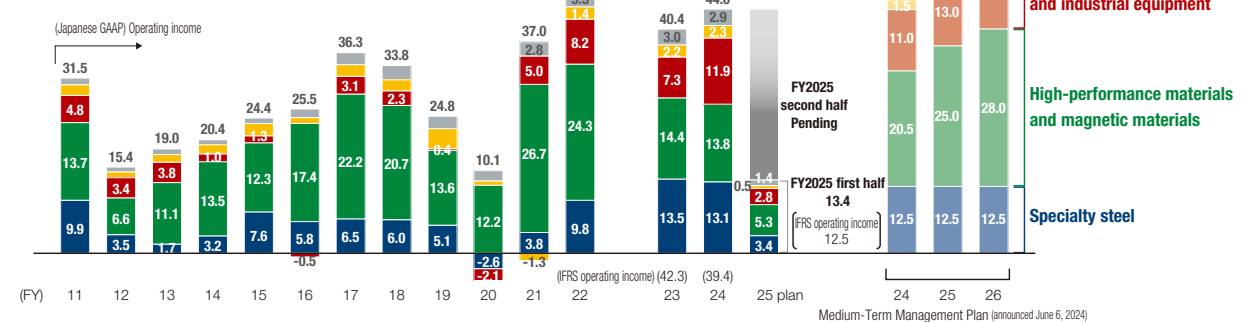
Daido Steel's fiscal 2024 results did not reach the first-year plan due to the slowdown in demand for Japanese automobiles and industrial equipment, particularly affecting the high-performance materials and magnetic materials segments.

	2026 Medium-Term Management Plan	FY2024 results
Operating income	FY2024 ¥48.0 billion FY2026 ¥60.0 billion	¥39.4 billion
Return on equity (ROE)	9% or more (target for FY2026)	6.7%
D/E ratio	0.50	0.41
Shareholder returns (excluding extraordinary gains/losses)	30% or more	Dividend payout ratio 34.9% Total return ratio 64.9%

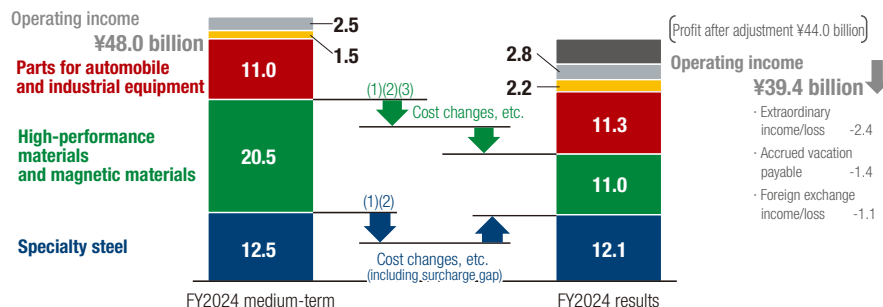
<Specialty steel sales volume (1,000 tons/year)>



<Operating income progress (Billions of yen)>



Medium-Term Management Plan (FY2024) → FY2024 results and the impact on operating income



	Specialty steel	High-performance materials Magnetic materials	Automotive parts Parts for industrial equipment
(1) Slumping Japanese automobile sales (surge in new energy vehicles and strengthened electric vehicle competitiveness in China)	High impact	High impact	Low impact
(2) Slowdown in demand for domestic industrial equipment (progression of manufacturing in China)	Medium impact	High impact	—
(3) Delayed recovery in machine, electronic, semiconductor	—	Medium impact	—

Progress of the 2026 Medium-Term Management Plan

Transforming business portfolio [Our "Vision for 2030"]

Scale up businesses in line with market growth

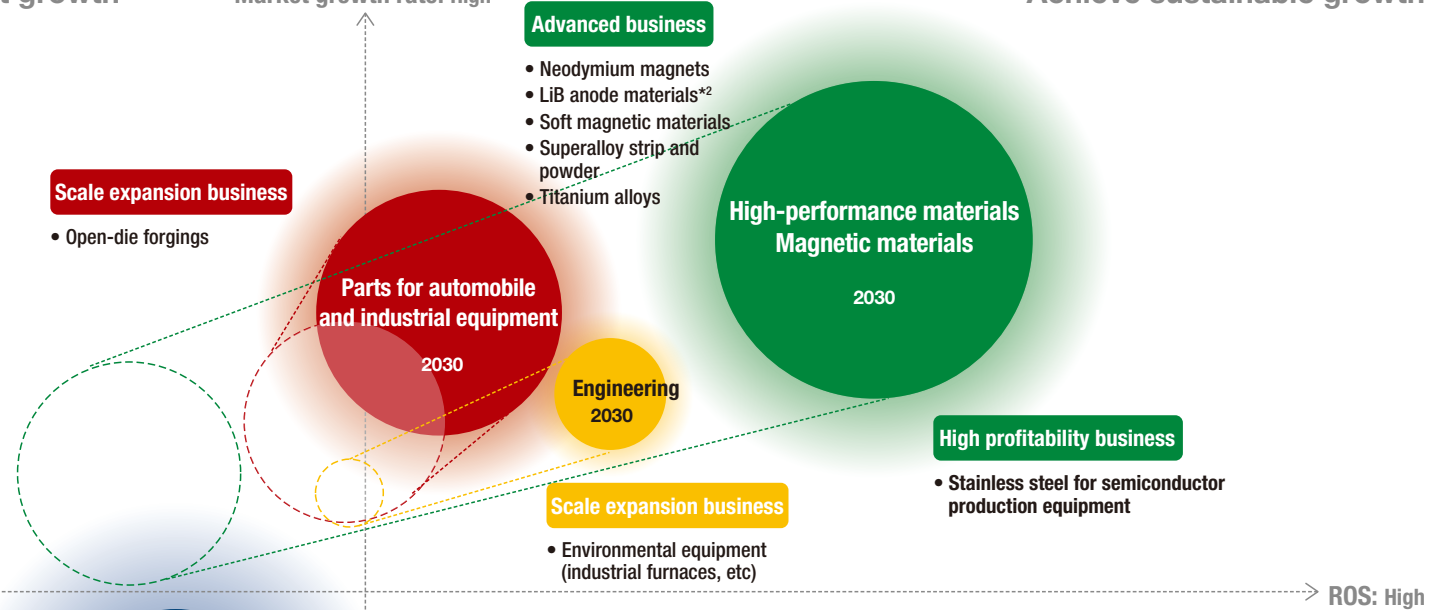
Market growth rate: High

Achieve sustainable growth

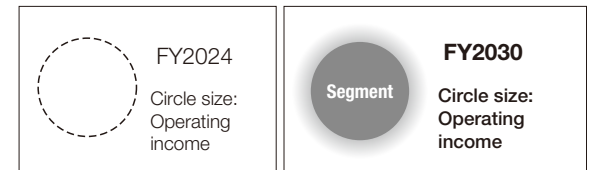
Engineering	<ul style="list-style-type: none"> Strengthen our ability to develop new types of environmental equipment Enhance our retrofitting*1 business
Parts for automobile and industrial equipment	<ul style="list-style-type: none"> Deepen our co-creation relationships with the aerospace industry Promote the acquisition of certifications from customers
High-performance materials and magnetic materials	<ul style="list-style-type: none"> Expand our product lineup in growth markets Increase our market share of materials for semiconductor production equipment
Specialty steel	<ul style="list-style-type: none"> Deepen our co-creation relationships with the automobile industry Lower the break-even point at each plant

*1 Retrofitting: Modifying existing equipment by incorporating the latest technology

*2 LiB anode materials: Anode materials for lithium-ion batteries



While keeping specialty steel as the mainstay of our earnings base, we advance profit growth in high-performance materials and magnetic materials, parts for automobile and industrial equipment, and engineering.



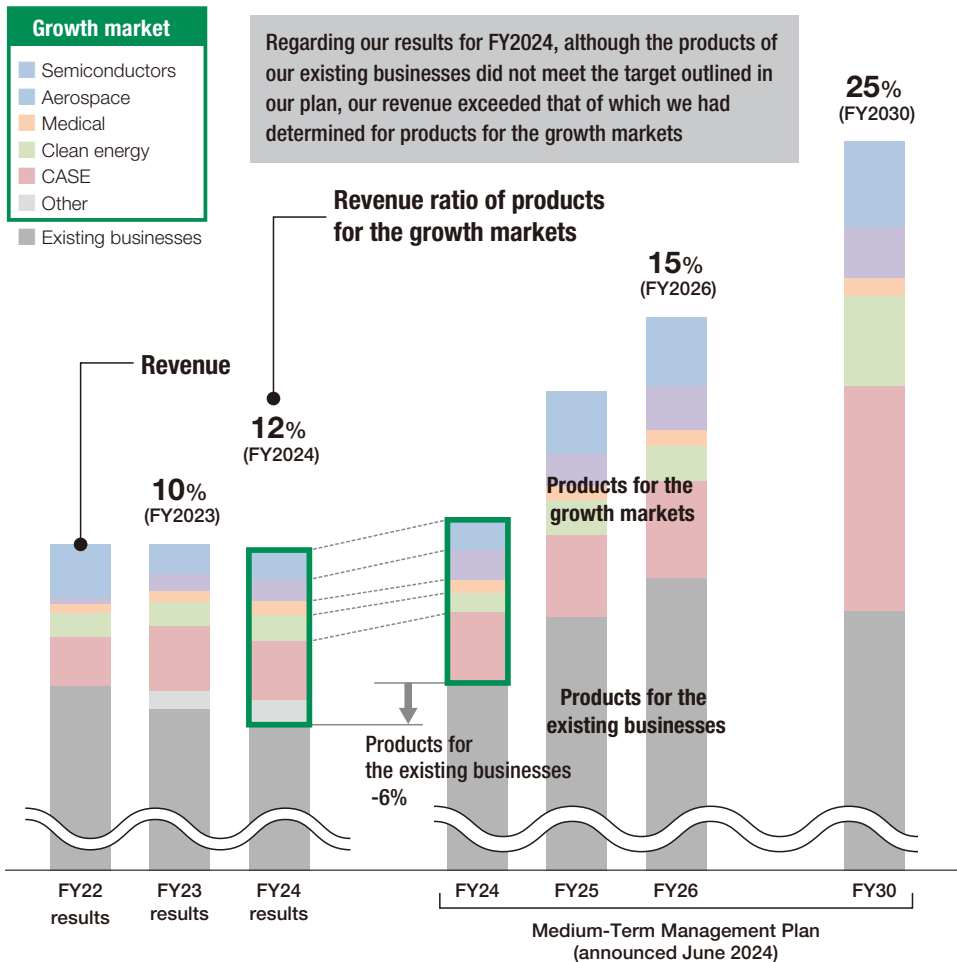
Generate stable operating cash flow

Achieve a dominant market presence

Progress of the 2026 Medium-Term Management Plan

Growth market product expansion

Revenue ratio of products for the growth markets (consolidated)



[Overview of activities by each growth market in FY2024]

Semiconductors	Installed vacuum arc remelting furnaces (VAR) with an eye to the recovery in demand for materials for semiconductor production equipment from FY2025 Increased transactions with new overseas customers through technology that develops and assesses steel
Aerospace	Smooth growth in open-die forgings for aircraft
Medical	Smooth growth in titanium products for medical use Developed the manufacturing technology for and launched the low modulus titanium alloy for medical use "Ti-15Mo"
Clean energy	Steady growth in low energy products such as STARQ® (electric arc furnace with rotating drive) Promotion of initiatives for the adoption of materials for small module reactors (SMRs)
CASE	Steady growth in the demand for soft magnetic powder for reactors Construction of a manufacturing line for the expansion of magnets used in motors in electric vehicles is underway

Product groups responsible for future growth

Aircraft jet engine shaft



- Acquired approval for manufacturing from the world's major aircraft engine manufacturers
- Approx. 25% of global market share in engines for passenger aircraft of 100 seats or more

Gas turbine parts



- Approx. 30% of global market share in mid- to large-sized turbines

Ship engine valves



- Approx. 80% of global market share in valves for mid- to large-sized ships

Components for oil and gas drilling equipment



- Promoting acquisition of certification as an OEM of drilling equipment

Titanium alloys and magnets

Materials for semiconductor production equipment



- Stainless steel for semiconductor production equipment
- Approx. 40% of global market share in bars and wire rods

Medical titanium



- Low modulus titanium alloy for medical use "Ti-15Mo"
Developed the manufacturing technology and launched the product

Hot-deformed magnet



- Completely free of heavy rare earths (Dy, Tb)

Specialty steel for e-Axes



- e-Axle gear reducer gears

Progress of the 2026 Medium-Term Management Plan

Progress of the action plan for the 2026 Medium-Term Management Plan (Transforming business portfolio)

Amid falling sales volumes in the structural steel on which Daido Steel was built, our medium- to long-term initiatives for capturing the demand in growth markets are progressing according to plan.

Business segment/ Major products		Basic strategy (Taking advantage of our strengths)	Action plan	Progress in FY2024
Specialty steel	Structural steel Bearing steel Tool steel	<ul style="list-style-type: none"> Deepen our co-creation relationships with the automobile industry Expedite responses to changes in customer needs (Increase market share) Maximize the production efficiency of Chita Plant (Lower the break-even point) 	<ul style="list-style-type: none"> Improve labor productivity and ensure adequate margins Develop a new type of steel for e-Axle Invest in energy conservation and promote DX activities (Improve productivity and lower the break-even point) Promote the advantages of electric arc furnace steel in reducing CO₂ (CFP calculation) 	<ul style="list-style-type: none"> Amid slumping sales volume, promoted cost reductions and improved pricing, and recorded profits equivalent to the 2026 Medium-Term Management Plan Sales and development divisions worked together to promote initiatives for capturing the demand for steel for e-Axes
	Neodymium magnets LiB anode materials Soft magnetic materials	<ul style="list-style-type: none"> Expand product lineup in growth markets Keep reforming manufacturing processes for products for the growth markets Build a quality management system for new products Strengthen the supply chain from raw materials to finished products Enhance the R&D system Acquire organizational capabilities to accelerate commercialization of new products and technologies 	<ul style="list-style-type: none"> Develop magnets with special magnetic field orientations for xEV traction motors Promote commercialization of LiB anode materials 	<ul style="list-style-type: none"> Constructing a manufacturing line for magnets used in motors in electric vehicles At the Advanced Magnetic Materials Development Center, promoted the development of magnets, aiming for performance above that of heavy rare earth-free and high-performance sintering magnets
	Superalloy strips Superalloy powder High-performance alloy powder Titanium alloys	<ul style="list-style-type: none"> Reform manufacturing technology for steel for superalloy strips Increase manufacturing capabilities for superalloy powder products (Develop original manufacturing technology) Expand the supply capacity for titanium alloys for medical use Develop powder manufacturing technology for special materials 	<ul style="list-style-type: none"> Considering enhancement of melt atomization manufacturing capacity to handle increased medium- to long-term demand for reactor powder and superalloy powder Developed the manufacturing technology for and launched the low modulus titanium alloy for medical use "Ti-15Mo" Introducing two VARs for titanium at the Chita Second Plant 	
High-performance materials and magnetic materials	Stainless steel Bars and wires	<ul style="list-style-type: none"> Reform stainless steel manufacturing process for hydrogen infrastructure Increase market share of stainless steel for semiconductor production equipment Expand product lineup for semiconductor production equipment Reorganize the stainless steel value chain for semiconductor production equipment 	<ul style="list-style-type: none"> Increase sales of hydrogen embrittlement resistant stainless steel Enhance manufacturing capacity of stainless steel for semiconductor production equipment (production allocation, etc) 	<ul style="list-style-type: none"> Promoted development of hydrogen embrittlement resistant stainless steel Introduced two VARs at the Chita Second Plant to capture the increasing demand for stainless steel for semiconductor production equipment and for superalloy
	Open-die forgings	<ul style="list-style-type: none"> Deepen our co-creation relationships with aerospace customers Promote the acquisition of customer certifications in industries like aerospace, oil & gas drilling, nuclear power generation, hydrogen infrastructure, etc. 	<ul style="list-style-type: none"> Implement fundamental reforms of production processes (i.e., Superalloy Manufacturing Process Transformation Project) Reorganize overseas sales locations 	<ul style="list-style-type: none"> The Superalloy Manufacturing Process Transformation Project is proceeding as planned Promoted acquisition of certification as an OEM of drilling equipment Currently, a temporary slowdown in drilling and aircraft (inventory adjustment) Promoted activities to increase sales, looking ahead to FY2026 and beyond
Engineering	Environmental equipment	<ul style="list-style-type: none"> Strengthen the ability to develop new types of environmental equipment (products for the growth markets) Expand our retrofit business Increase and improve overseas sales locations 	<ul style="list-style-type: none"> Develop CN and CE products (e.g., improve the energy efficiency of electric arc furnaces with rotating drives) 	<ul style="list-style-type: none"> 2024 supplementary budget: 12 products eligible for energy-saving investment promotion subsidy Received orders for the completely carbon-neutral electrified vacuum heat-treatment furnace (continuous vacuum annealing furnaces) Set up Overseas Market Development Section. Attracting demand from overseas markets

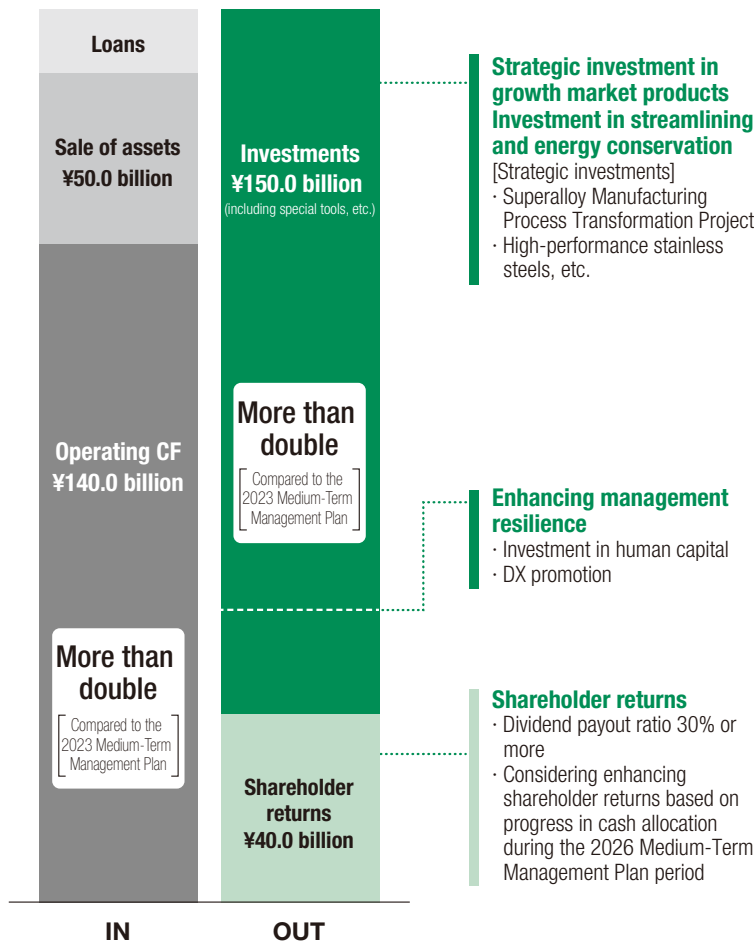
CFP: Carbon footprint, Retrofitting: Modifying existing equipment by incorporating the latest technology, CN: Carbon neutral, CE: Circular economy, LiB anode materials: Anode materials for lithium-ion batteries, VAR: Vacuum arc remelting furnace

Progress of the 2026 Medium-Term Management Plan

Financial strategy: Cash allocation status

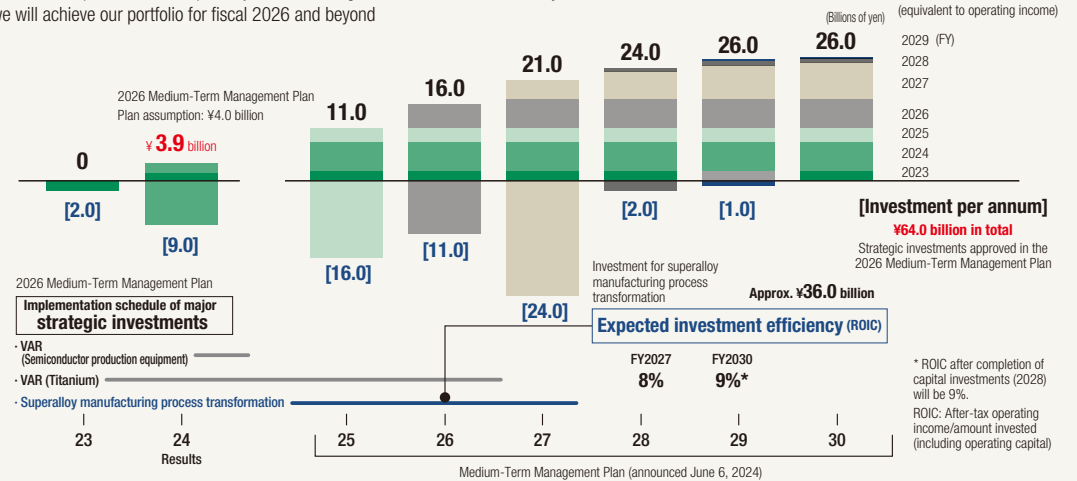
2026 Medium-Term Management Plan (IFRS)

Note: 3-year cumulative



Profit increase effect of strategic investments (Progress)

- ✓ ROI for fiscal 2024 was roughly equivalent to the 2026 Medium-Term Management Plan assumption
- ✓ With the completion of the Superalloy Manufacturing Process Transformation Project, etc., we will achieve our portfolio for fiscal 2026 and beyond



Acquisition of shares of Nippon Koshuha Steel Co., Ltd. (Planned for February 2, 2026)

Nippon Koshuha Steel Co., Ltd.

- Net sales from specialty steel business: ¥28.0 billion
- Sales volume: 50,000 tons

<Toyama Works: Main equipment>

- **Steelmaking:** 40- and 10-ton electric arc furnaces, 2- and 0.3-ton vacuum induction furnaces
- **Forging:** 3,000- and 1,500-ton high-speed oil-hydraulic presses
- **Rolling:** Ingot casting facility (double shifting reverse mill)/ Medium and small-sized rolling mills with diameters of $\phi 124$ – $\phi 13$
Wire rod block mill with a diameter of $\phi 12.5$ – $\phi 5.5$

Goals (Synergistic effects)

- (1) Reduce costs, increase production volume, and curb overlapping investments through optimization of production allocation and production layout
- (2) Increase our presence and expand sales by capitalizing on the Daido Steel Group's far-reaching domestic and international networks
- (3) Optimize resources and integrate distribution functions by sharing and centralizing each function

Progress of the 2026 Medium-Term Management Plan

Initiatives to improve PBR

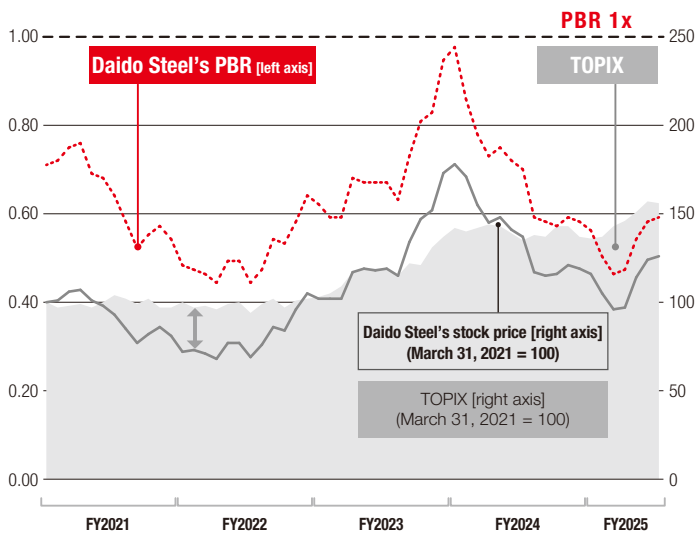
In the 2026 Medium-Term Management Plan, Daido Steel has stated that we are working to improve PBR by improving the three indicators: ROE, PER, and shareholder returns.

In fiscal 2024, the first year of the plan, specialty steel sales volume remained at a low level, so ROE ended low at 6.7%. However, by moving quickly to buy back our own shares, our total return ratio was 64.9%.

We aim to improve our corporate value in the stock market by enhancing our release of information and stabilizing shareholder returns, in addition to implementing the three basic action policies in the Medium-Term Management Plan.

Improvement target for indicator	Improvement measures	Progress of measures
ROE of 9% or more	<ul style="list-style-type: none"> Transforming business P/F Enhancing management resilience 	Although initiatives for growth market product expansion are mostly progressing according to plan, sales of other existing products are slow compared with the Medium-Term Management Plan. (Planning to revise the 2026 Medium-Term Management Plan)
Improving PER	Enhancing release of information	The number of meetings with investors has increased substantially compared with the previous year. We are strengthening dialogue and information transmission through events such as business briefings.
	ESG promotion activities	The promotion of CO ₂ reduction is proceeding according to plan. Consideration of green steel is moving forward as well. We are also starting to take action on social (human rights and human capital, etc.) and governance (reducing cross-shareholdings, etc.) issues as planned.
Shareholder returns of 30% or more	Stabilizing shareholder returns	In fiscal 2024, the total return ratio, including the buyback of our own shares, was 64.9%, and the level of shareholder returns has exceeded policies of the Medium-Term Management Plan.

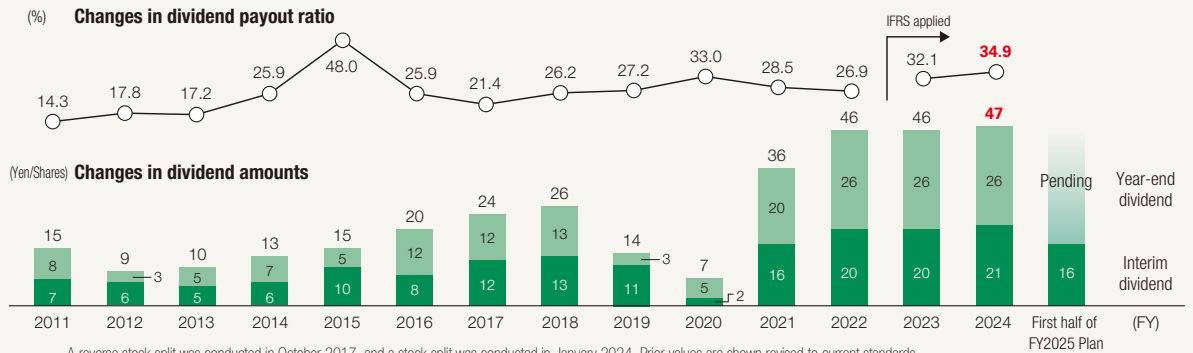
Changes in our stock price and PBR



Changes in shareholder returns and dividend amounts

[Policies on shareholder returns in the 2026 Medium-Term Management Plan]

- On the premise of stable returns, we are targeting a consolidated dividend payout ratio of 30% or more.
- Considering enhancing shareholder returns based on progress in cash allocation during the 2026 Medium-Term Management Plan period



Status of the most recent buyback of our own shares

	2024/11/28	2025/7/29
Total number of shares acquired (percentage of number of issued shares)	7,398,000 shares (3.4%)	6,041,000 shares (2.8%)
Total acquisition value of shares	¥8.5 billion	¥6.6 billion

Special feature: Transforming business portfolio

Superalloy Manufacturing Process Transformation Project

Leaping into areas of high value-added products and building new manufacturing systems for support

Until now, a large portion of Daido Steel's sales have been automotive-related, but as the demand for specialty steel products declines in the medium- to long-term with the progressive shift to electric vehicles, costs such as electricity, logistics, and labor are trending upwards, we face the challenge of the difficulty of ensuring stable growth under the existing revenue model. With this understanding, we rank maintaining and strengthening our competitiveness and improving cost-competitiveness as the most important issues, and we are working to upgrade our products and production processes. In particular, we are promoting the transformation of our business portfolio from its focus on the specialty steel segment to high-growth fields such as high-performance materials and magnetic materials, parts for automobile and industrial equipment, and superalloy products especially are the area of strategic investment that will play a key role.

The Superalloy Manufacturing Process Transformation Project is an extremely important initiative aimed at qualitatively changing our revenue structure by establishing manufacturing processes that are optimized for the new business portfolio and increasing the productivity of high value-added products through a drastic review of production allocation. In addition, we are working to strengthen our competitiveness even more by using this project to establish the manufacturing technology for large superalloy bars and overhaul our systems so we can address even the market needs that have been difficult to respond to up to now. Furthermore, as shown in the graph on the right, in worldwide high-growth industries such as aerospace, nuclear power generation, and hydrogen infrastructure, the vigorous demand for superalloy materials that have better resistance to heat and corrosion, will be a major opportunity for us. Through this project, our goals include setting our sights on acquiring Prime Certification* in large-sized rotating parts for aircraft engines, and we will expand our customer base and increase our market presence in these fast-growing fields.

* A system in which engine manufacturers evaluate our manufacturing technology and quality control systems and certify us as a supplier

Daido Steel's superalloy

Alloys with a high ratio of nickel and chromium are called superalloys. Compared with stainless steel, superalloys are superior in properties such as heat resistance, corrosion resistance, and magnetism, and are used in a wide range of applications including aircraft, automobiles, ships, electric power, and petrochemistry. Daido Steel's superalloys are produced through an integrated manufacturing system, from melting to secondary processing, and provide steel bars, wire rods, strips, and forged parts.



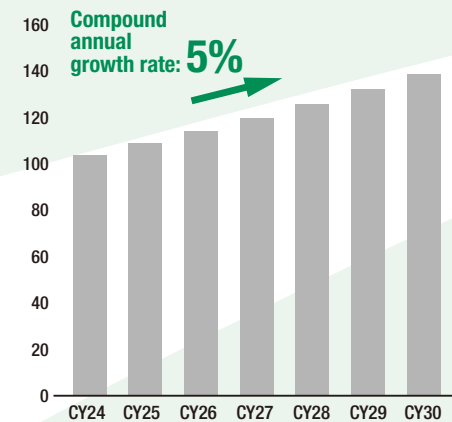
Scale of investment

Total investment	¥ 36.0 billion
Total project period (starting in 2024)	4 years (to be completed in 2027)

Expected effects

Operating income (effect after completion)	+¥ 5 billion or more
Investment ROIC (post-completion level)	9 %

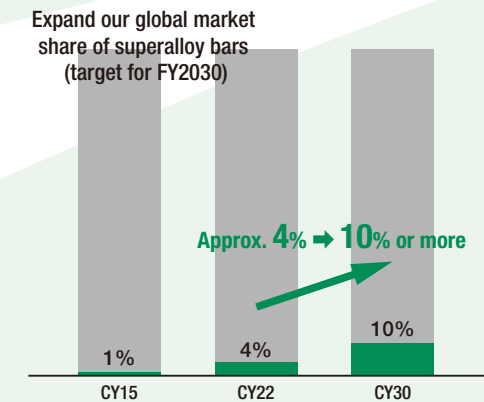
[Demand forecast for superalloy bars]



(CY24=100)

Demand for superalloy bar is expected to grow at CAGR 5%, due to increased demand for aircraft parts applications.

[Daido Steel's market share of superalloy bars]



We are promoting the acquisition of Prime Certification of nickel-based alloys for large-sized rotating parts for aircraft engines and making efforts to gain the widespread approval of customers concerned with the parts used for drills utilized at oil and gas wells in order to become a key superalloy supplier in Asia.

Transforming the manufacturing process to provide a stable supply and keep up with growth markets

Technological capabilities to support a stable supply of critical commodities

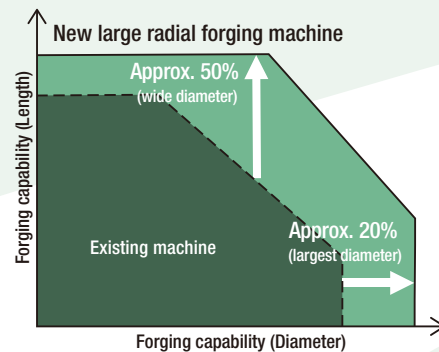
One of the reasons Daido Steel is making a ¥36.0 billion strategic investment in strengthening our domestic manufacturing infrastructure, focusing on the Shibukawa Plant, is to meet customers' expectation that we will provide a stable supply of products over the long term. We are establishing a manufacturing system to meet the demand for growth market products related to energy and semiconductor production equipment, centered on critical components of aircraft engines.

In particular, the main components of aircraft, which are used in both domestic and international logistics and travel, are positioned as specific critical commodities, and they are essential in ensuring the normal and safe operation of aircraft. For many years, Daido Steel has been cultivating special melting and refining technologies in the production of aircraft jet engine shafts, and we have received approval from the Ministry of Economy, Trade and Industry for our Plans for Ensuring a Stable Supply under the Economic Security Promotion Act. We will be responsible for ensuring a stable supply of aircraft parts in Japan as a critical process in the supply chain of large-sized die-forged parts for aircraft.

Targeted manufacturing capabilities

Manufacturable dimensions	Product diameter	Approx. 20% larger
	Product length	Approx. 50% longer
Production capacity	Output	Approx. 100% more (roughly double)
	Lead time	Approx. 10% shorter

[Expansion of the range of manufacturable dimensions]



Strive to gain the widespread approval of customers involved in aircraft parts, as well as those concerned with the parts used for drills utilized at oil and gas wells.

Manufacturing capabilities upgrade

Currently, our Shibukawa Plant is carrying out integrated manufacturing from upstream (melting, forging) to downstream (heat treatment, machining, inspection), but with this project, we are working to build the optimal manufacturing system for each product.

Specifically, the Shibukawa Plant will continue with the integrated manufacturing of the aircraft engine components for which we acquired Prime Certification, while the installation of a large radial forging machine will expand the range of dimensions manufacturable. Meanwhile, some downstream manufacturing processes of superalloys for tool steel and oil and gas drilling will be transferred to the Chita Second Plant. Furthermore, to expand the dimensions of hot rolled superalloy bars, operations such as quality control and customer response will be transferred to the Hoshizaki Plant, the main location of rolling processes.

These initiatives will upgrade our superalloy manufacturing capabilities, broaden our product range, and lead to sales channel expansion as well.

Superalloy manufacturing processes

Process	Shibukawa Plant	Chita Second Plant	Hoshizaki Plant
Melt	Aircraft components Forged parts*1 Forged bars*2 Rolled bars*3		
Hot deformation	Increase primary melting capacity Integrated manufacturing at Shibukawa Plant Shibukawa Superalloy mother plant Installation of a large radial forging machine (end of FY2027)	Increase secondary melting capacity	
Heat treatment		Introduce heat treatment process	Increase rolling capacity
Machining	Increase machining capacity	Efficient production at Chita Second Plant	Efficient production at Chita Second Plant
Testing/Inspection	Automation and increase of inspection capacity	Introduce machining process	Integrated manufacturing after rolling at Hoshizaki Plant

*1: Irregular-shaped parts manufactured by forging (form indicated in drawing)
 *2: Regular-shaped round bars and flat square bars manufactured by forging
 *3: Round bars and flat square bars manufactured by rolling

Conventional processes → **Aforementioned investment**
 Other investment

Completing the project that will secure the Company's future prosperity and realizing the transformation of our business portfolio



Koki Morita
Executive Officer
Assistant General
Manager, Production
Division
Superalloy Manufacturing
Process Transformation
Project Leader

The Superalloy Manufacturing Process Transformation Project is a project that is evolving our superalloy manufacturing processes and increasing our manufacturing capital in order to generate the high-performance materials that will support the future new social infrastructure. To achieve this, we are aiming to transform our business portfolio, which is the top priority in our 2026 Medium-Term Management Plan, and this includes creating product groups that are used in high-growth-rate markets such as aircraft, oil and gas drilling, and semiconductor production.

For aircraft parts, which are the main target, we need to acquire Prime Certification, and the hurdles for that are high. However, acquiring Prime Certification will increase the Company's brand strength and help us to earn the trust of our customers. Our efforts are currently focused on establishing technologies for acquiring Prime Certification. Overall, we are progressing smoothly toward this goal as, even when faced with technological issues, we have an established system that allows prime manufacturers, Tier 1, and Daido Steel to collaborate and engage in discussions that result in prompt resolutions.

Status of certification acquisition

- **Nickel-based alloys for large-sized rotating parts for aircraft engines: Target for FY2030**
- **Energy-related certification: During the period of the 2026 Medium-Term Management Plan (certification progress brought forward to FY2024, currently around the halfway point)**

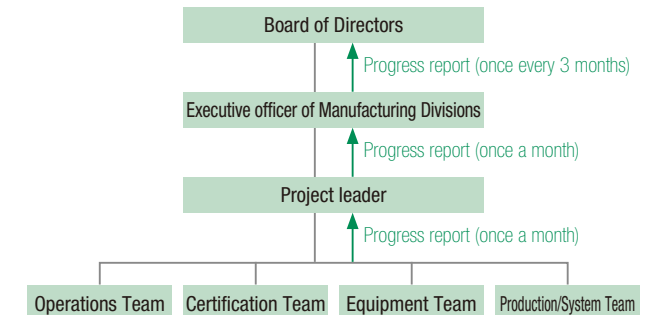
This project began in 2023, and I have been serving as Project Leader since 2024. My mission is to smoothly and promptly arrange for the equipment to enlarge products and increase production, and to steadily launch product lines that respond to increasing demand. Upon completion, the three plants will link each process and build the products.

As the project has proceeded, we have faced many difficulties and complications. Although the plants are all part of Daido Steel, each handles different products and each has its

own unique mechanisms and culture. Holding discussions with members of such diverse backgrounds and carrying the project through towards the single objective of supporting the future social infrastructure was extremely challenging. Through the knowledge and cooperation of all the divisions involved and the perseverance of the members, I truly feel that we are making steady progress.

As for myself personally, I have a strong attachment to this project. We are not just expanding the business—we are contributing to society, and I want it to grow into a business that employees can be proud of. The evolution of superalloy manufacturing processes is truly at the heart of the realization of the Daido Steel's vision. I am doing all I can to guide this project to success.

[Superalloy Manufacturing Process Transformation Project organization chart]



Project members: 34 (over 80 when combined with those holding additional posts)



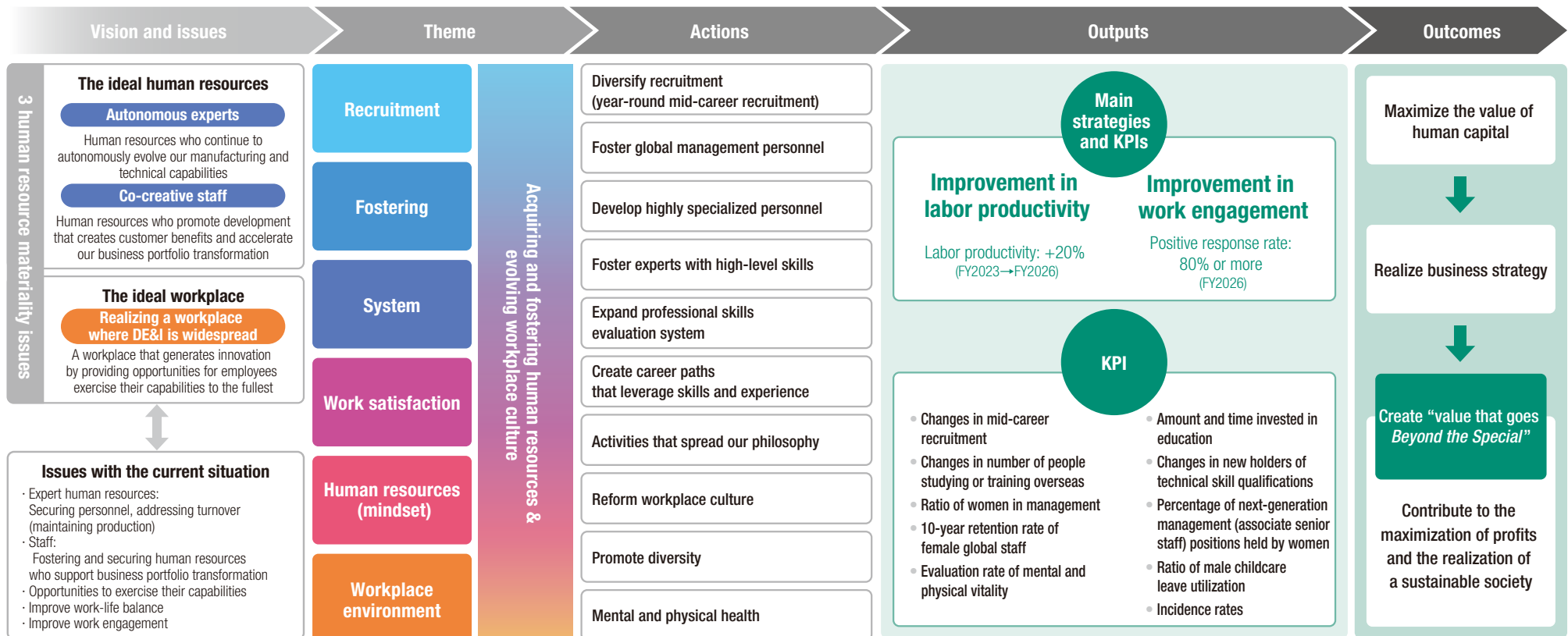
Project Leader Morita surrounded by the leaders of each team

Human capital strategy

In the 2026 Medium-Term Management Plan, Daido Steel has set “advancing ESG management” as our ESG strategy. We have identified the material issues for each of “E,” “S,” and “G,” and are promoting initiatives to solve those issues. In our human capital strategy, we have set three human resource materiality issues (acquisition of autonomous experts, acquisition of co-creative staff, and realization of a workplace where DE&I is widespread) to realize the development of human resources who embody our Management Philosophy and Conduct Guidelines and the promotion of DE&I.

In order to make these visions a reality, we are analyzing the gap between them and the current situation, and are planning and implementing actions to improve the situation. In particular, in achieving the ideal workplace we are aiming for, from fiscal 2024 we established the Human Capital Working Group and are promoting interdivisional activities. By improving labor productivity and engagement, we will enhance management resilience, complete our business portfolio transformation, and realize a human capital strategy that supports long-term business growth.

 [Sustainability basic policy and materiality identification process ▶ P.50](#)



Message on human capital strategy



Takaaki Taketsuru

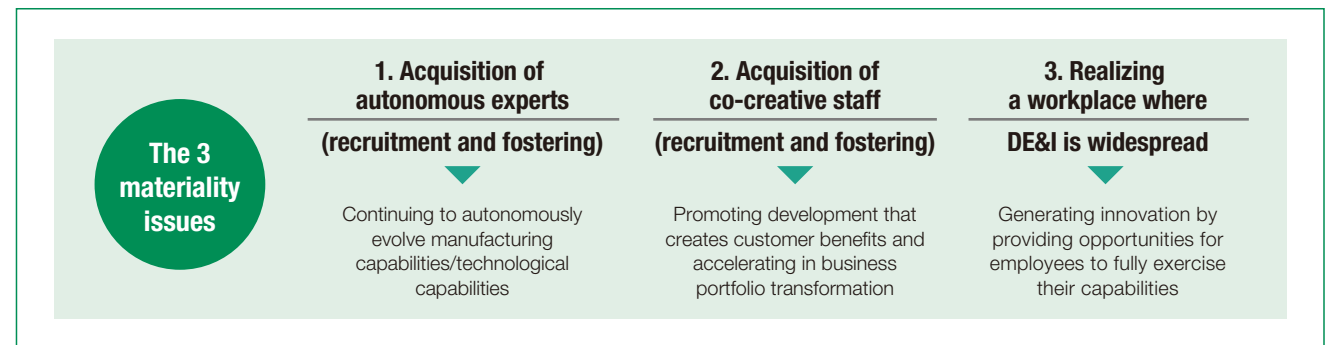
Managing Executive Officer in charge of the Personnel Department

A human capital strategy to create a future that supports business transition

Looking toward carbon neutrality in 2050, Daido Steel set "We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society" as our "Vision for 2030." To realize this vision, we must work on expanding sales in growth markets that make the most of our strengths and move forward with our business transition. Enhancing management resilience is essential to steadily carry out this business transition. In particular, we have established three human resource materiality issues, which are acquisition of autonomous experts, acquisition of co-creative staff, and realization of a workplace where DE&I is widespread, and we are striving to evolve the development, co-creation, and manufacturing and technology capabilities that make up our core competency.

Fostering personnel who will go after the global market

Daido Steel's existing businesses are supported by the demand for automotive-related specialty steel, and the markets are mainly in Japan. Meanwhile, the growth markets that we are aiming for going forward are global, and overseas markets will be our targets to win more orders and increase market share. In the business divisions that handle open-die forging products such as aircraft components, we have been seeing some success from proactively fostering personnel who are able to thrive in the global market. For example, for over ten years now, we have been making progress in fostering employees of diverse citizenships and personnel who have studied abroad, which has enabled us to open up overseas markets with different business practices and build relationships with new customers. Because the main target of the business transition we are currently undergoing is the global market, I believe that we will need to roll out the personnel fostering model of the business divisions that



Human capital strategy

handle open-die forging products, etc. company-wide in order to continuously foster and increase human resources who can thrive globally as well as in Japan.

Starting from their third year after joining the company, employees may independently apply to study or train overseas, and mid-level employees may be deployed to overseas universities or research institutes on the recommendation of their business division. The Company is currently working to improve the systems that provide these and other opportunities for employees to accumulate overseas experience. Through these systems, employees who have gained overseas experience or actually been posted overseas will grow as personnel with not only foreign language skills but a global perspective that can adapt to different cultures. Going forward, in matters of promoting business transition, it is essential that we increase the number of personnel who possess a global perspective, and we will continue to provide opportunities for motivated staff to gain international business experience. For such initiatives to achieve some success in the organization, we must continue to rotate personnel. I believe that continuously fostering employees who can take on the global market, an action which will lead internationalization within the Company, will revitalize the entire organization of Daido Steel.

Traditionally, Daido Steel's overseas studies have not imposed any special restraints on themes or destinations if they were related to our businesses. In addition to business schools and doctoral programs in Japan and abroad, the Company has also deployed employees to venture companies that are far removed from our business in order to foster personnel who can create value from zero and develop a business quickly. We hope that employees who have accumulated diverse experiences through a variety of measures will engage in our business transition and bring new value to the whole company.

New possibilities generated by internal collaboration

Until now, the personnel at the Company who support manufacturing have inherited our manufacturing DNA through activities such as self-management activities, TPM activities, and DMK (Daido Monozukuri Kaikaku) activities. The plants handle products which, although made from the same specialty steel, differed in size and functions, and they have their own unique manufacturing cultures, so we have conducted our business activities in a way that leveraged the strengths of each plant. During collaborations between plants with their own manufacturing cultures, there were probably times when they were bewildered. However, project teams that form the core of activities related to the optimization of production allocation, associated with the Superalloy Manufacturing Process Transformation Project, have been launched and will encourage mutual understanding. Among these activities, as we reskill expert employees, transplant manufacturing technologies, and rebuild the manufacturing quality control system, we are simultaneously working to amalgamate these manufacturing cultures, such as strengthening collaboration between plants and increasing exchanges of technologies and personnel. For each employee involved in strengthening these internal collaborations, this will also be a chance for them to really feel that their own work is supporting the business transition, which will become an important opportunity to increase a sense of unity in the entire organization. Going forward, I hope that, by encouraging all employees to think "I can do that too" and "I want to try that too", promoting proactive exchanges between people from different divisions and other departments, and increasing the expertise of each employee so that said skills can be leveraged in fields where future growth is expected, we will open up new possibilities in the Company's business.

Aiming to improve employee engagement

Daido Steel is developing an environment in which employees can work enthusiastically, and we are aiming to establish a virtuous circle in which each employee grows autonomously, and that growth is directly linked to the development of our business. From various internal questionnaires, including the engagement survey, we understand that there are issues with employees' work-life balance and work satisfaction. When resolving these issues, in addition to the ongoing proactive improvements to the workplace environment, we are working to spread our management philosophy and conduct guidelines, reform workplace culture, promote active roles for women, support the balance between childcare or caregiving and work, and promote health and productivity management. By enabling each employee to exercise their capabilities with peace of mind and increasing their autonomous growth and their work satisfaction, we will achieve sustainable growth for the Company.

Acquisition and fostering of autonomous experts and co-creative staff



Diversifying recruitment methods Recruitment

With the increasing mobility of human resources, Daido Steel is working to secure the personnel needed for the Company's future operations, so we have reviewed our policy of restricting hiring to new graduates in bulk, and switched to a policy of year-round recruitment that includes mid-career hires, which reached 40% of the total number of people hired in fiscal 2024. In particular, the recruitment of foreign nationals and mid-career employees has had an enormous impact as a way to acquire the various kinds of professionals, such as DX personnel, that are called for in our business strategy, and get them into the workforce at an early stage. We will expand this policy going forward.

We have also opened our recruitment doors wider for expert personnel, and we are working to secure diverse human resources, with women, for example, accounting for 12% of expert new graduate employees in fiscal 2024.

Experts (Daido Steel Technical Training School) Fostering

Daido Steel has a technical training school so that we can continue to foster the personnel who support our workplaces. The technical school has a history of over 80 years, and it provides a one-year program for new employees that have just graduated from high school. The students start by preparing an adult frame of mind and living together communally in the dormitory, and over the course of a year, they acquire steel manufacturing and maintenance skills and knowledge, such as electrical and mechanical maintenance, that they will need at each workplace. Going forward, we will continue to support our manufacturing sites from the ground up through the school's education.

Diversifying overseas study deployments Fostering

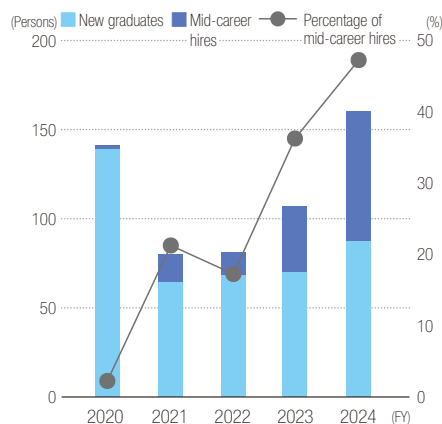
For many years, Daido Steel has continued to deploy employees to overseas sites for training and to study at universities and research institutes both in Japan and overseas for studies on the theme of materials research. Moreover, in recent years we have

been working to foster diverse personnel who will contribute to future business growth, such as deploying them to study data science abroad. We will strive to increase opportunities for our staff to grow by fostering an understanding of different cultures and an ability to think flexibly.

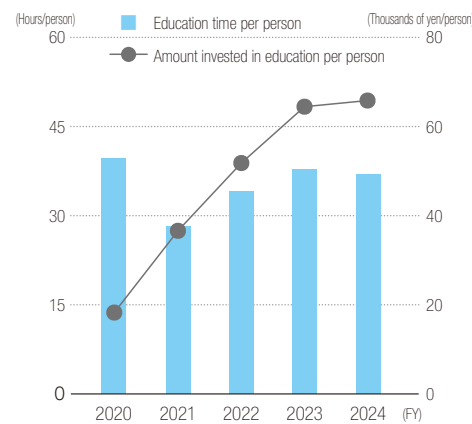
Upgrading required quality-related qualifications System

Daido Steel is transforming its portfolio to high value-added products, and quality control is an essential component in ensuring the safety and reliability of production. As part of the enhancement of this system, we have upgraded the allowance for required qualifications paid to those who hold some important quality qualifications in order to renew awareness of the importance of quality control and evaluate employees' efforts and contributions. Going forward, we will encourage employees to obtain qualifications, while also improve the system that both continually supports their acquisition of the qualifications and skills vital to business growth, as well as evaluates their efforts.

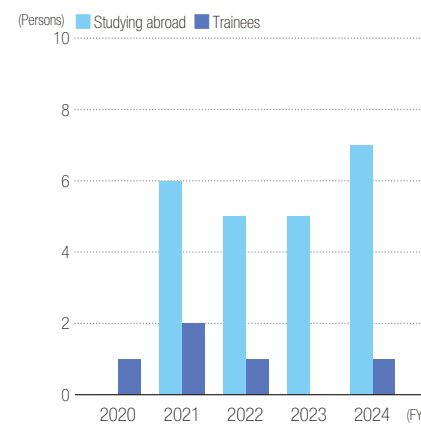
[Changes in new graduates and mid-career hires]



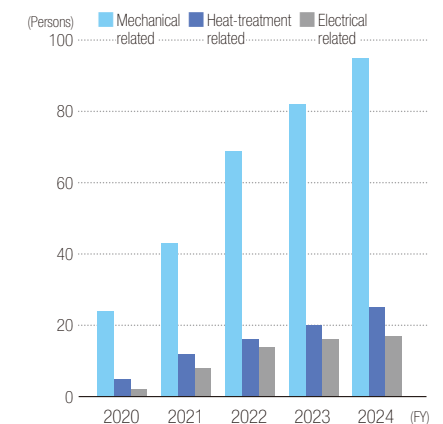
[Amount and time invested in education per employee]



[Changes in number of people studying or training overseas]



[Changes in new holders of technical skill qualifications]





Communication with employees

Improve work engagement

Main strategies and KPIs (2026) Positive response rate **80% or more**

Daido Steel's has been working to improve employee engagement for many years, and we have conducted questionnaires such as work satisfaction surveys, 360-degree surveys, and compliance awareness surveys in order to understand present conditions and measure effectiveness. In fiscal 2024, we conducted a new engagement survey, and the result was a positive response rate of 78.5%.

In individual surveys conducted at the same time, a trend of emphasizing "work-life balance," "compensation and benefits," and "industry presence" was observed, and high degree of satisfaction was seen in "compensation and benefits" and "industry presence."

On the other hand, the degree of satisfaction with "work-life balance" tended to be low, and among employees in their twenties and thirties and female employees, it was lower compared with other employees. Based on these results, in fiscal 2025 we are promoting work-life balance improvement activities, and we will be working towards an engagement positive response rate of 80% or more.

[Results of engagement survey]

Question: How likely are you to recommend working at this company to close friends, acquaintances, or family members?

Response rate: Employees 93.2%

Result: Positive response rate 78.5%

Activities that spread our philosophy

Activities that spread our management philosophy and code of conduct, etc.

Daido Steel's corporate philosophy structure, called the "Daido Steel Way," summarizes its vision and the basis of its actions.

[Corporate philosophy structure and business direction ▶ P. 7](#)

In fiscal 2024, the Company created a video as a tool to deepen understanding of our purpose and mission. As for the Daido Steel Group Code of Conduct, we are also proceeding with activities to spread awareness and understanding throughout the Group companies, such as working to localize the Code of Conduct Guidebook in multiple languages.

[The Code of Conduct Guidebook can be viewed at this URL.](https://www.daido.co.jp/common/pdf/pages/about/philosophy/guidebook_en.pdf)
https://www.daido.co.jp/common/pdf/pages/about/philosophy/guidebook_en.pdf

In the questionnaire conducted in fiscal 2024 for the purpose of understanding present conditions, it became obvious that young people in particular are worried about their own futures and that of the Company. Our analysis attributes the cause to the fact that we have not communicated the Company's purpose, mission, and management policies, etc., and that the transmission of information has been one-way only.

In fiscal 2025, we will create an opportunity for the President and employees in their thirties to engage in direct dialogue and two-way communication. This is so as to generate both a sense of reassurance and belonging in the Company and also improve awareness of the aim of to build a better company.

Reform workplace culture

The "Making a company that people look forward to working at every day" project, part II

With the slogan "Energizing our people! Energizing our workplaces!" targeting this project launched in-house training in fiscal 2024 using the appreciative inquiry method. The project targets 1,656 employees and is to be completed at the end of March 2027.

All the participating members will elicit the good points of the people and the organization through dialogues, and put together the "next new value (organizational culture)." In this process, the employees increase their trust in each other, and each of them is supporting the formation of an organization where they can feel work satisfaction.



Starting one-on-one meeting training

From fiscal 2025, we are conducting one-on-one meeting training for supervisors as an initiative to build relationships of trust between them and their subordinates. This training incorporates role-playing of one-on-one meeting methods that ensure psychological safety and points such as greetings and questions to understand the circumstances of subordinates, which supports improvement in the quality of the relationships between the supervisors and their subordinates.



Promotion of diversity

KPI (2030)

- Ratio of women in management: **4.4% or more**
- 10-year retention rate of female global staff: **80% or more**
- Percentage of next-generation management (associate senior staff) positions held by women: **17% or more**
- Ratio of male childcare leave utilization: **85% or more**

Promoting active roles for women

Global staff (working globally and responsible for overall operations, such as project planning and management operations)

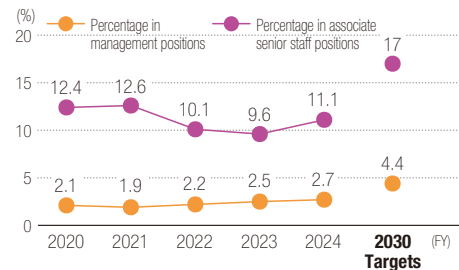
Focusing on female global staff in their twenties and thirties, Daido Steel has continued to conduct annual career consultations in order to find solutions to their concerns about life events and enable them to plan out their careers. In fiscal 2025, we set up new opportunities for employees who had experienced various life events to share their experiences with young colleagues. While developing an environment in which women can work with peace of mind for many years, we are also sending them to external training and networking events and further accelerating their individual career autonomy*.

* Individuals independently consider their career choices and objectives and take action themselves towards those goals.

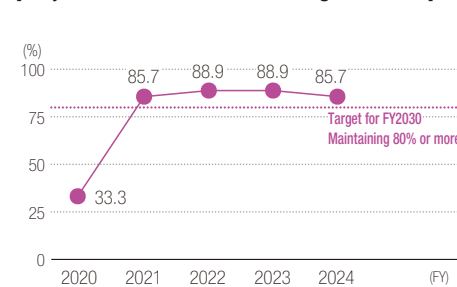
Area staff (in principle, working restricted to the local area and mainly responsible for fixed or support operations)

Since 2017, we have been selectively training area staff members with the goal of nurturing them as key persons supporting the workplace. As of now, 16 people have completed selective training and are active as role models, such as becoming core members of project and improvement teams in their respective workplaces.

[Changes in percentage of women in management and associate senior staff positions]



[10-year retention rate of female global staff*]



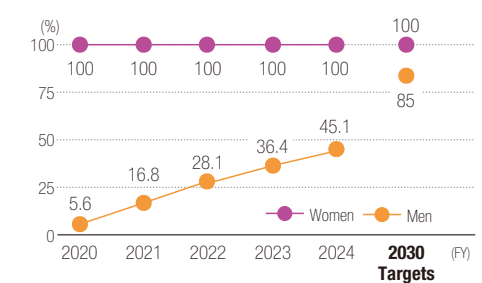
* Retention rate of people hired ten business years ago and in the business years around that time

Initiatives to support balance (support for childcare and caregiving)

From the "balance with childcare" perspective, we believe that it is important to have a workplace culture in which employees can take childcare leave with peace of mind. We are continuing initiatives to reform workplace culture while also providing education to supervisors. There is a growing trend of men taking childcare leave, and we are working to develop an environment where both men and women will easily be able to take childcare leave in the future.

From the "balance with caregiving" perspective, from fiscal 2025 we are introducing a consultation desk for individual consultation with an expert, and a Caregiving Concierge Service to help with preparations. Through individual consultation and seminars, we are finding solutions for concerns about caregiving and encouraging employees to make preparations, supporting them in balancing caregiving with their work.

[Ratio of childcare leave utilization by gender]



Creating work satisfaction

Daido Steel is conducting diversity management training for managers to create satisfaction for each employee. Managers learn how to manage in a way that allows employees to give their best performances and brings out the source of their vitality through a deep understanding of each individual's character and harmonious communication, leading to revitalization of the entire organization.

[Diversity management training]

Level	Objectives	Goals
For general managers	To increase diversity in their own departments and motivate and vitalize the organization	To realize management strategy
For section managers	To develop subordinates' strengths and motivate them	To grow and foster the organization
For next-generation management	To leverage their own strengths and understand their team members	To understand influence and the ability to get people involved



Health and productivity management initiatives

KPIs (2030) Percentage of people who work with mental and physical vitality: **50% or more**
Incidence rates: **55% or less**

The connection between our Health and Productivity Management Declaration and management policies

In order to achieve sustainable profit growth in new business domains by transforming business portfolio, which was set out by the Daido Steel Group in the management policies of our 2026 Medium-Term Management Plan, it is essential for employees to maintain sound minds and bodies and for us to provide a safe and secure workplace environment. Based on our Health and Productivity Management Declaration issued in 2016, we will be conducting ongoing initiatives that also take occupational safety and health into consideration.

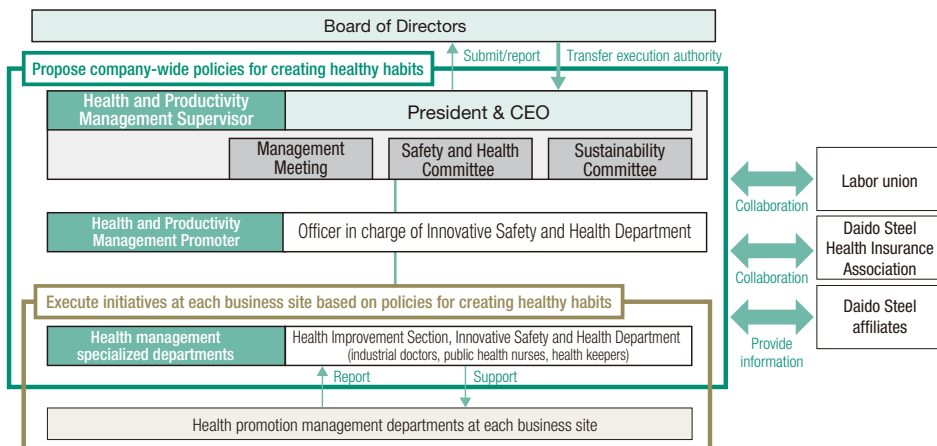


Daido Steel Health and Productivity Management Declaration

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

Tetsuya Shimizu President & CEO, Representative Executive Director

Promotion organization for health and productivity management

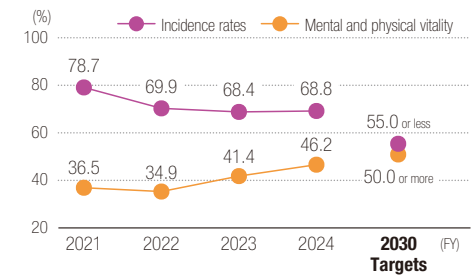


Headed by the President, health management specialized departments and the health promotion management departments at each business site collaborate to promote activities. The health and productivity management promotion policy is formulated by the Health Improvement Section, Innovative Safety and Health Department, which is a specialized department, after discussion with each business site, and it is decided at the Management Meeting. In addition, the Company collaborates with the labor union, the health insurance association, and employees' families in conducting an exchange of opinions, etc. about creating health habits, with the Health Improvement Section, Innovative Safety and Health Department playing a central role, and we also provide information to our affiliates.

KPIs measuring employees' motivation, health and productivity management strategies

To build an environment where employees work with vigor and motivation, as stated in our Health and Productivity Management Declaration, we have set the percentage of people who work with mental and physical vitality ("mental and physical vitality") and incidence rates as our KPIs.

* "Mental and physical vitality" are set as the items in the history taking during health check-ups, and the positive response percentage is calculated



Based on the results of the health and stress check-ups, we identify issues from the perspective of the "four pillars"; mental, physical (improvement in exercise and eating habits), disease and infectious disease prevention, and prevention of passive smoking. We verify the effectiveness of the measures we take while deploying measures that will help us to realize an environment where employees work with vigor and motivation.

<Issues and initiatives for realizing an environment where employees work with vigor and motivation>

Four pillars	Issues	Example of measures
Mental	Many people feel that communication is poor Many people cannot get enough rest from sleep	Workplace workshops by public health nurses One-on-one meetings with all employees after health check-ups
Physical Disease prevention	Risk of accidents involving falls due to low basic physical fitness Low awareness of improving eating and exercise habits	Walking events Individual Health Declaration activities
Prevention of passive smoking	High rate of smoking among young people	Non-smoking education

Promotion of DX (Accelerating Daido DX Activities, fostering DX personnel)

Daido Steel will accelerate the DX activities in the seven DX areas defined in the 2026 Medium-Term Management Plan, promote operational reforms and upgrades, and develop a system that supports the transformation of our business portfolio and the enhancement of our management resilience.

■ Launch of DX Promotion Project

In April 2025, we launched the DX Promotion Project under the Corporate Planning Department. In this project, we started with discussions with management, and we are working to clarify the direction of DX promotion, and formulate company-wide policies and strategies.

We have also assigned the project members who will be responsible for mapping out the operational issues in each of the seven DX areas and discussing solutions for them. They will

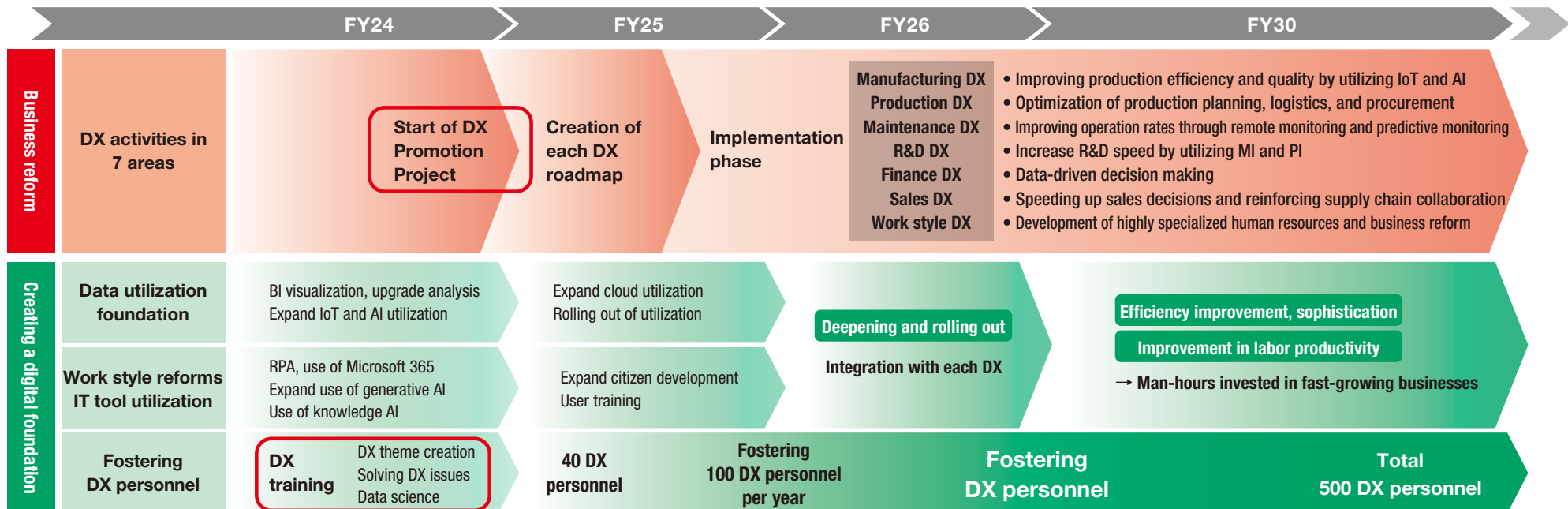
identify the operational issues in each area and discuss measures for them, then move on sequentially to the implementation phase.

■ Fostering DX personnel

To date, our Company has been training AI analysis experts to support materials informatics (MI) and process reform and teaching them to utilize generative AI and cloud tools. However, we believe that, in order to accelerate DX utilization within the

Company, we need to train DX personnel who will be responsible for planning and promoting DX, and we started specialized training from fiscal 2024.

Through training in the three areas of DX theme creation, solving DX issues, and data science, we are training the data scientists who will implement data-based operational reforms and enhancing the development of the management level (DX promoters) who will drive DX activities.



Content of DX training

—Training in DX theme creation and data science—

(1) Training in DX theme creation

We started providing training in DX theme creation, which cultivates the creativity that leads to new value creation, by mapping out the issues and creating the themes in each DX area. In fiscal 2024, 17 people took part, and after mapping out the operational issues in their own divisions, they discussed the DX themes for resolving them. They made their presentation about the conclusion of the discussion with officers in attendance, and a lively exchange of opinions took place. Going forward, it is expected that the participants will collaborate with the project, the highly-effective themes will be implemented, and the important themes will be discussed in more depth.

(2) Training in data science

We started providing training in data science for our employees in order that they may acquire knowledge of data analysis, machine learning, and AI and improve their fundamental ability to

analyze and use data. In this training, the goal is to teach practical skills through lectures and workshops delivered by invited external instructors, and foster data scientists who can practice a data-based approach in the solving of operational issues.

The course started at the beginner level in fiscal 2024, with 40 people from a wide range of divisions taking part.

The intermediate level started in fiscal 2025 with the objective of acquiring higher-level knowledge and skills.



Training in data science

Comments from a DX training attendee

Hiromi Kamiya
Senior Staff, Planning
Department for Affiliates



I attended two DX training lectures.

In the training in DX theme creation, we learned the latest developments in DX and discussed the activity themes that would work for Daido Steel, and on the last day we presented our activity theme implementations to the Company's managers. By discussing things with attendees from other divisions, we were able to understand the current situations and issues of each division.

In the training in data science, we learned the basics of data analysis and machine learning.

I shared the content of the course in my department and I think it helped raise the level of knowledge among the department.

Going forward, I will continue to discuss more efficient operations across divisions in order to implement the themes we discussed in the training in DX theme creation.

Materiality progress


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Sustainability basic policy and materiality identification process

Sustainability basic policy and actions for SDGs

The Company formulated the Daido Steel Group Sustainability Basic Policy in April 2024.

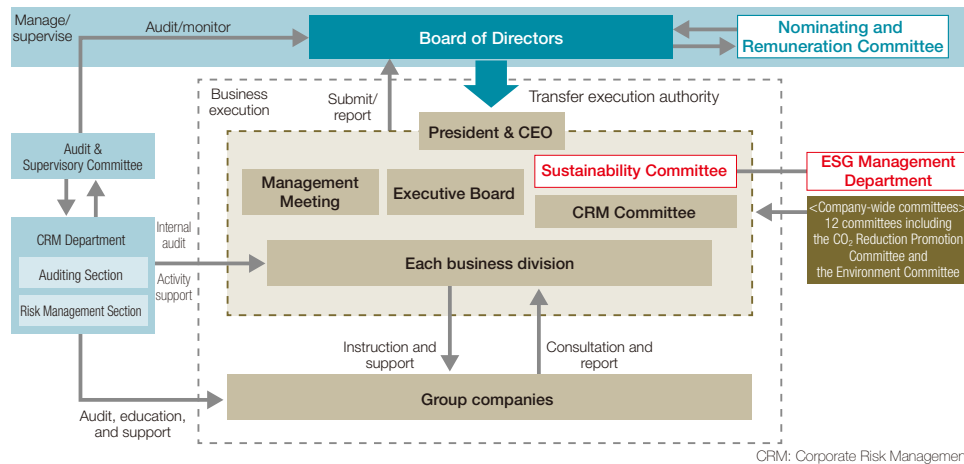
Based on this policy, we will address materiality as a responsible corporate group and contribute to the realization of the better world we are aiming for in our Sustainable Development Goals (SDGs).

 [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

The Sustainability Committee, an advisory organ to the Board of Directors, 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 2024.

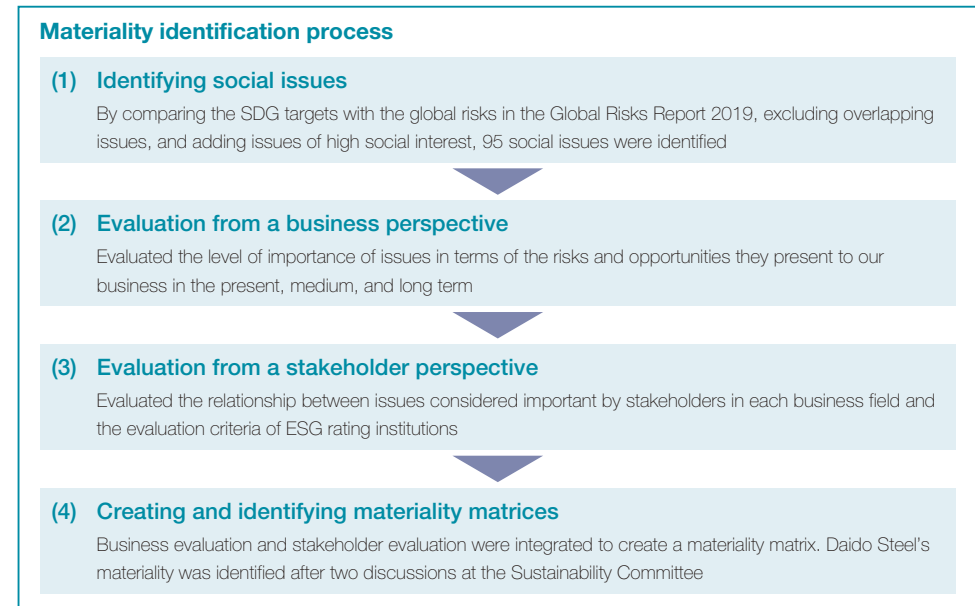


The ESG Management Department serves as the secretariat for the Sustainability Committee and promotes and rolls out various sustainability-related measures company-wide.

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.

Materiality identification process

Since identifying materiality through the process below in fiscal 2020, we have been revising it every year due to various changes in the external environment and the increasing complexity of sustainability issues.



In fiscal 2024, we incorporated materiality into the management strategy set out in our 2026 Medium-Term Management Plan.

For fiscal 2025, we have referred to the World Economic Forum's Global Risks Report 2025 and other sources, and after considering the progress of the 2026 Medium-Term Management Plan, we have decided, after discussions at the Sustainability Committee, to set the same materiality as for fiscal 2024.

ESG initiatives (April 2024 to March 2025)

Environmental

We have implemented initiatives that contribute to carbon neutrality in terms of both products and manufacturing processes, as well as resource recycling, such as accepting orders for industrial furnaces that enable our customers to achieve zero CO₂ emissions, introducing CO₂-free electricity to our plant equipment, and participating in demonstration experiments for automobile recycling.

In terms of outside recognition, the Company was awarded the Gold Prize at the Aichi Environmental Award, which recognizes outstanding initiatives that contribute to environmental conservation.

Social


In order to further strengthen our human rights activities, we have joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER).

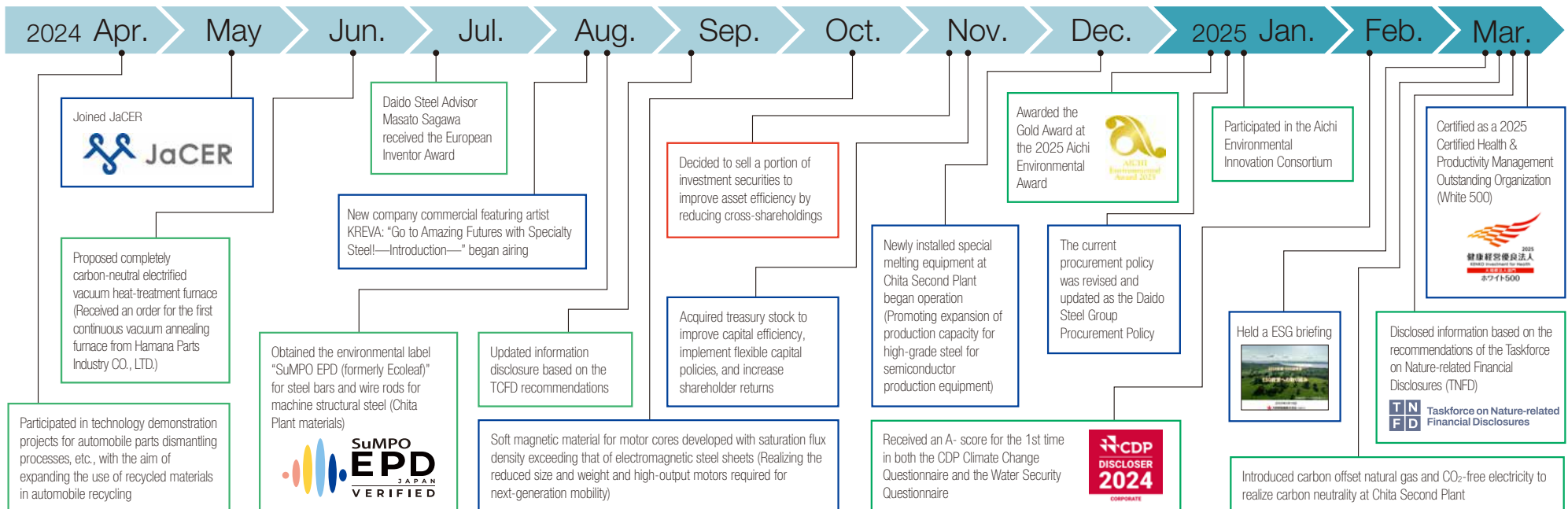
In order to promote sustainability initiatives together with our business partners across the entire group, we have reviewed our existing Procurement Policy and updated it as the Daido Steel Group Procurement Policy.

In terms of products, we developed soft magnetic materials for use in high-power motors for next-generation mobility, and increased our production capacity for stainless steel for semiconductor production equipment.

Governance

We have made the decision to sell a portion of investment securities in order to reduce cross-shareholdings and increase asset efficiency.

 External evaluations, participation in initiatives, and inclusion in indexes are available on our website.
<https://www.daido.co.jp/sustainability/evaluation/index.html>
 (Japanese only)



Protecting the global environment (Transition to a circular economy)

Conduct guidelines for environmental conservation and resource recycling

1. Environmental load reduction and environmental conservation in all business activities

- Strengthening environmental protection systems and organizations
- Compliance with and prompt response to environmental laws and regulations
- Promoting resource conservation, waste reduction, and recycling
- Addressing climate change
- Consideration for biodiversity

2. Contributions to society through environmentally-friendly products and environmental engineering and services

- Development and provision of environmentally-friendly products and equipment
- Environmental business and commercialization initiatives
- Promoting international technological cooperation

3. Promotion of eco-communication

- Promoting environment education and volunteer activities
- Provision and public disclosure of environmental information

Circular economy promotion system

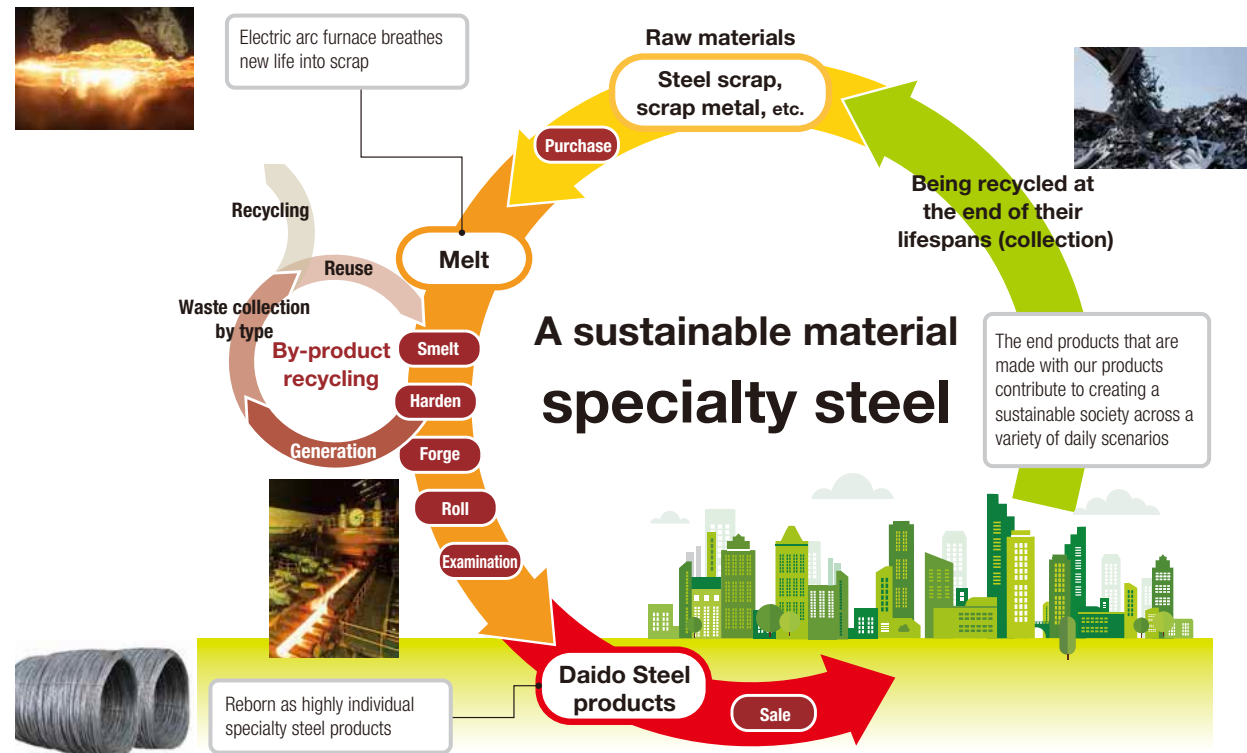
The Company holds Environment Committee and CO₂ Reduction Promotion Committee meetings twice a year to consider issues and response policies in each area and decide on company-wide initiatives. In response to this, the Environment Department and the ESG Management Department are working with the environment and CO₂ reduction heads at each business site to promote these initiatives.

Additionally, we hold an annual Environmental Liaison Meeting and a CO₂ Reduction Promotion Liaison Meeting for Group companies, which serve as a place for sharing information and communicating risks regarding initiatives both inside and outside the Daido Group.

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.



For more details on the promotion system, please visit our website.

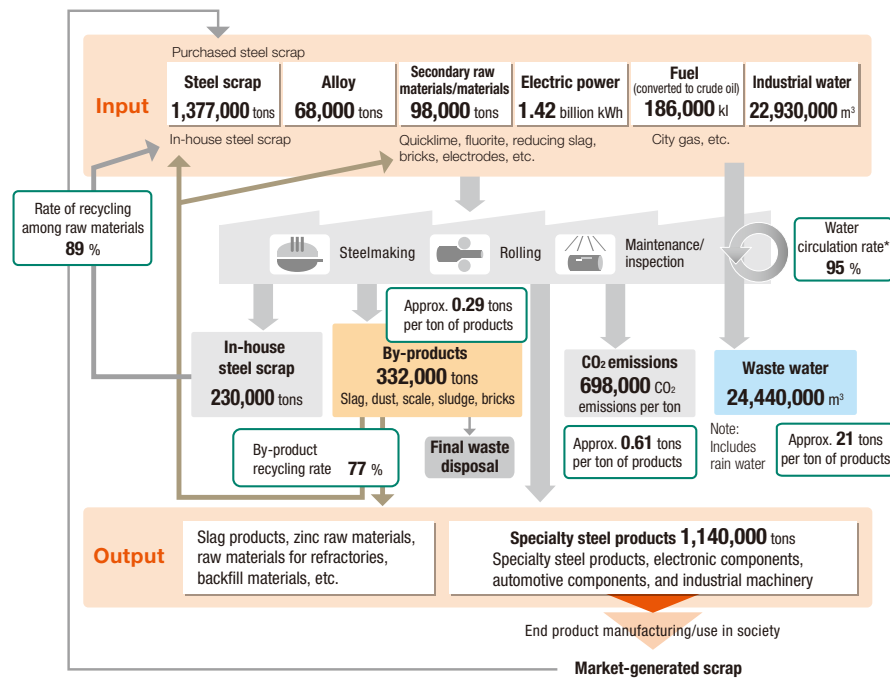
<https://www.daido.co.jp/en/sustainability/eco/policy/index.html>

Recycling at Daido Steel

90% of the raw materials used in Daido Steel's production systems consists of recycled products, mainly steel scrap. 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.

Refuse derived fuel (RDF): 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

Refuse derived paper and plastics densified fuel (RPF): A high-grade solid fuel primarily composed of waste paper and waste plastics for which material recycling is quite difficult



Notes: 1. Results for FY2024 (non-consolidated)

2. CO₂: Energy used in plants (Scope 1 + Scope 2) converted to CO₂ emissions per ton (using the conversion factors of the respective electric power companies)

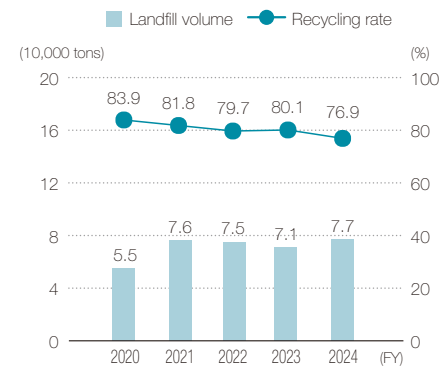
* Some calculations are estimated based on equipment specifications.

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

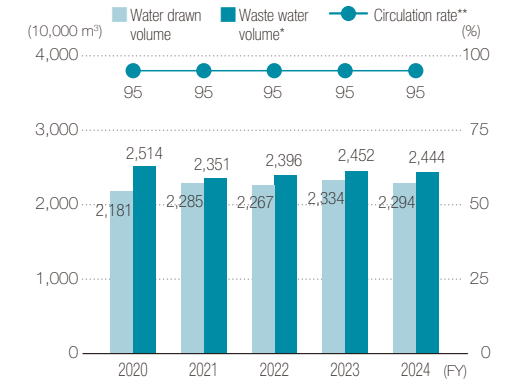
Specialty steel manufacturing generates slag, dust, scale, and other by-products. At Daido Steel, we use our unique technology to promote and strengthen the 3Rs in order to prevent environmental pollution and reduce waste. Our efforts to minimize the amount of waste, such as recycling electric arc furnace 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 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%.

[By-product recycling rate and landfill disposal (non-consolidated)]



[Effective utilization of water resources (non-consolidated)]



* Waste water volume includes rain water.

** Some circulation rate calculations are estimated based on equipment specifications.

Protecting the global environment (Information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD))

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.

Strategy

With the objective of understanding the impact of risks and opportunities presented to the Group 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 Group strategy is resilient.

[TCFD scenario analysis]

Scenario	Factor	Change	Impact on Daido Steel Group	Daido Steel Group 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	<ul style="list-style-type: none"> 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 the future growth markets of CASE (automotive), semiconductor-related products, clean energy, aerospace, and medical fields to achieve sustainable business growth
		Increased demand for high-performance materials caused by the progressive shift to electric vehicles	Opportunity High	<ul style="list-style-type: none"> 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, including rare earth-free magnets
	Strengthening of various regulations, including those governing greenhouse gas emissions	Increase in electricity costs due to use of renewable energy	Risk Low	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Potential increase in operating costs due to the introduction of carbon pricing (carbon tax/emissions trading).
	Rising demand for scrap raw materials		Rising demand for electric arc furnace materials	Opportunity Medium	<ul style="list-style-type: none"> 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 CO₂ emissions.
		Diffusion of technology to address issues related to the environment and new energy	Increase in scrap procurement costs	Risk Medium	<ul style="list-style-type: none"> 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.
	Rising demand for innovative engineering to address environmental issues		Rising demand for innovative engineering to address environmental issues	Opportunity High	<ul style="list-style-type: none"> As investments aimed at improving energy efficiency increase in preparation for decarbonization, demand for our environmental engineering will rise.
		Rising demand for hydrogen-related technology and products	Opportunity Medium	<ul style="list-style-type: none"> As the hydrogen society progresses, demand for high-performance materials such as hydrogen embrittlement resistant steel will increase. 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) climactic damage	Risk of operations being suspended due to natural disasters on business partners and production sites	Risk Medium	<ul style="list-style-type: none"> 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.

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.

Indicators and targets

In order to assess and manage the impact of climate-related problems on management, Daido Steel Group has set reduction targets using total emissions of greenhouse gases (CO₂) as an indicator.

The Daido Carbon Neutral Challenge was announced in April 2021. The Company established a reduction goal of reducing 2030 CO₂ 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 CO₂ emissions.

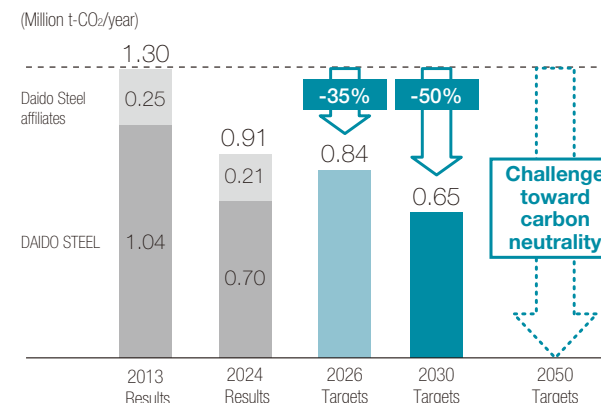
Toward 2030

Reduce CO₂ 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 CO₂ emissions reduction target]



The calculations are limited to Scope 1 + Scope 2 (energy-related) of the Company and its 60 affiliated companies (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) AIST-IDEA Ver. 3.5 Standard Edition (April 15, 2025) used by IDEA Lab of AIST Research Institute of Science for Safety and Sustainability

[CO₂ emissions by Scope 3 category (1,000 t-CO₂/year)]

Category	FY2024	
1. Purchased products and services	1,043	Calculated by multiplying the purchase price and purchase weight of raw materials and materials by the CO ₂ emissions factor
2. Capital goods	73	Calculated by multiplying capital investments by CO ₂ emissions factor
3. Fuel and energy-related activities not included in Scope 1 or 2	179	Calculated by multiplying purchased electricity and fuel by CO ₂ emissions factor
4. Transportation and delivery (upstream)	51	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 ₂ emissions factor
5. Waste generated in operations	15	Calculated by multiplying amount of waste for each type of by-product by the CO ₂ emissions factor
6. Business travel	3	Calculated by multiplying the money spent on each mode of transportation by the CO ₂ emissions factor
7. Employee commuting	3	Calculated by multiplying the money spent on each mode of transportation by the CO ₂ emissions factor
13. Leased assets (downstream)	0	Calculated by multiplying the leased surface area by the CO ₂ emissions factor
Total	1,368	

Calculations are limited to categories applicable to Daido Steel on a non-consolidated basis

Calculation method: AIST-IDEA Ver. 3.5 Standard Edition (April 15, 2025) 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. 3.5) used by the Ministry of the Environment
Fiscal 2024 emissions results 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/20250818_co2_data.pdf (Japanese only)

Protecting the global environment (Information disclosure based on the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD))

Aiming to realize a nature-positive society and further promote initiatives that contribute to protecting biodiversity, we analyzed our “governance, strategy, risk and impact management, metrics and targets” based on the framework (v1.0) of the Taskforce on Nature-related Financial Disclosures (hereinafter referred to as “TNFD”) and disclosed information in March 2025. We would like to introduce excerpts from that disclosure here.

 [The information disclosure based on the TNFD Recommendations is available on our website.](https://daido.co.jp/common/pdf/pages/about/release/2025/250314_tnfd.pdf)
https://daido.co.jp/common/pdf/pages/about/release/2025/250314_tnfd.pdf (Japanese only)

Governance: Biodiversity 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.

Strategy

[Impact on and dependence on nature]

Regarding dependency on nature, it was found to be especially prevalent upstream in the supply chain. In terms of impact, our operations have been found to have the potential to have a significant impact on soil and water quality, etc., and in the upstream supply chain, in addition to the impacts on soil and water quality, there is also the possibility of a significant impact on freshwater use and greenhouse gas emissions.

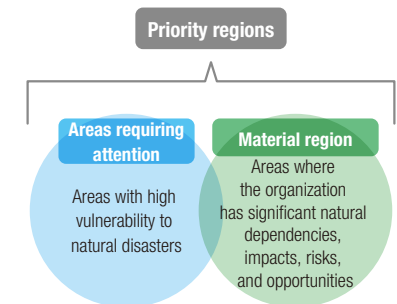
[Risks, opportunities and countermeasures]

Regarding physical risks, if ecosystem services deteriorate due to factors such as the progression of climate change, it is anticipated that the depletion of water resources and an increase in weather disasters will have a negative impact on raw material procurement and lead to water shortages for plant operations. Additionally, transition risks include increased costs for responding to changes in the external environment and reputational and compensation risks in the event of an emergency. On the other hand, we believe that we can mitigate risks and seize opportunities by expanding sales of our products that reduce environmental impact, creating new business opportunities through industry-government-academia collaboration, and undertaking greening initiatives to preserve and restore ecosystems.

[Priority regions]

As a result of analyzing the Company's direct operation sites from the perspectives of the importance of biodiversity and water stress, we found that there are no sites that fall into both material areas and areas requiring attention.

The analysis of the upstream supply chain has not revealed any serious risks at this time, but as this analysis is only an initial assessment, we are considering conducting a more detailed analysis in the future.



Targets

Category	Indicators	Targets
Expansion of businesses that contribute to the realization of a sustainable society	Expansion of products that contribute to effective utilization of resources	Net sales ratio of products for the growth market 15% or more in FY2026 25% or more in FY2030
		2030 Maintaining the rate of recycling among raw materials at 90% or more
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
	By-product recycling and effective utilization of water resources	2030 · Promote recycling and waste reduction · By-product recycling rate: 85% or more · Maintaining the water circulation rate at 90% or more
	Biodiversity initiatives	2030 Contributing to the realization of nature positive

Protecting the global environment (Biodiversity initiatives)

Hamatonbetsu Project (Hamatonbetsu-cho, Esashi, Hokkaido)

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 m², and we are working with a local NPO (Lake Kutcharo Eco Workers) to conserve and restore the forest and lake, as well as revitalize the local area.

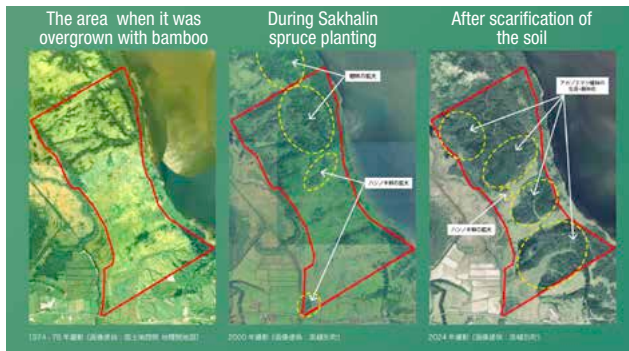
FY2024 eco-monitoring survey

In fiscal 2024, we conducted our first eco-monitoring survey since fiscal 2006 to evaluate the biodiversity protection activities of the Company and the Lake Kutcharo Eco Workers.

The survey results showed that the number of confirmed animal species (mammals, birds, reptiles, and insects) had increased significantly since the previous survey, and that the planted trees had grown into tall forests, promoting forestation and contributing to protection of biodiversity.

Details of the survey will be disclosed on the Company website.

[Eco-monitoring survey examples]



Forest growth seen from the sky



Comparing tree growth through photographic records

<https://daido.co.jp/sustainability/eco/biodiversity/index.html> (Japanese only)

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

The Inochi wo Tsunagu PROJECT is a project led by a local student group with collaborating companies in the coastal industrial zone, government, experts, and NPOs in order to improve biodiversity and create an ecosystem network. Also, through these activities, we aim to foster growth in young people who will be the leaders of the next generation.



Biotope (Chita Plant)

Daido Forest (Nagiso-machi, Kiso-gun, Nagano)

To mark the 100th anniversary of the Company's founding in 2016, the Company signed a Forest Foster Parent Contract with Nagiso-machi, Nagano Prefecture, where the Company's roots lie. The Company has named the 2.57 ha of forest it has adopted "Daido Forest" and continues to watch over it.



Employees participate in forest maintenance

Activities at each plant

Aiming to preserve the environment and coexist with the local community, we are actively promoting greenery activities at each plant.



An asagimadara (chestnut tiger butterfly) visits the original strain of thoroughwort (Shibukawa Plant)

Respect for human rights

Basic approach

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 Daido Steel Group's business activities, and we are committed to respecting human rights while placing importance on a process of resolution through dialogue.

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

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

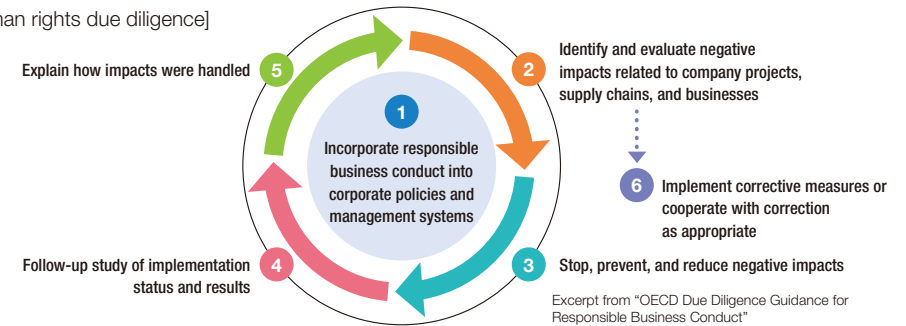
 [Refer to "Respect for Human Rights" on the website for details.](https://www.daido.co.jp/en/sustainability/society/human_rights/index.html)
https://www.daido.co.jp/en/sustainability/society/human_rights/index.html

Implementation of human rights due diligence

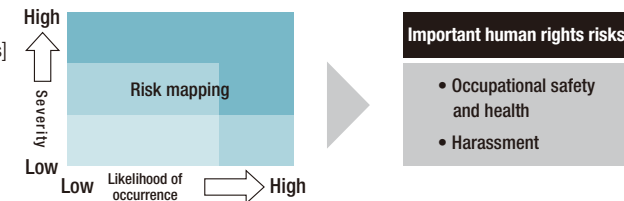
The Daido Steel Group is working on building a human rights due diligence process for identifying and evaluating, and working to prevent and reduce the negative impacts of the Group's business activities on human rights. In fiscal 2024, human rights risks that require attention were identified such as through employee questionnaires, and as a result of evaluating the importance of these, "occupational safety and health" and "harassment" were identified as important human rights risks.

Moving forward, we are strengthening our initiatives for respecting human rights across the entire Daido Steel Group through promotion of risk mitigation measures and information disclosure while continually identifying and evaluating an expanding scope of issues.

[Human rights due diligence]



[Human rights risk map and important human rights risks]



Past results and future plans for actions for respecting human rights

		Actions for respecting human rights
FY2023	Results	<ul style="list-style-type: none"> Formulated Human Rights Policy (Feb. 2023) Joined the Global Compact Network Japan (GCNJ) (Jul. 2023)
FY2024		<ul style="list-style-type: none"> Established the Human Rights Respect Working Group (Apr. 2024) Human rights due diligence started in Group companies → Identified important human rights risks Joined JaCER (May 2024)... Expanded the consultation and reporting desk
FY2025	Planned	<ul style="list-style-type: none"> Consider expanding the scope of identification and evaluation of negative impacts Improve notification methods of the consultation and reporting desk and consider adding multilingual support

DAIDO STEEL GROUP INTEGRATED REPORT 2025

Human rights education

Daido Steel Group has been using e-learning and other means to promote awareness and education among employees of our Human Rights Policy in a step-by-step manner, with education activities already completed at Daido Steel Group companies including overseas offices by fiscal 2024.

However, since the Employee Compliance Awareness Survey conducted in fiscal 2024 indicated an issue with the degree of awareness of Human Rights Policy, we are progressively working on repeat education for employees within the Company and within the Group starting from fiscal 2025.

Furthermore, we are holding seminars on the topic of human rights respect in briefings for business partners. Refer P.60 "Supply Chain Management" for more information about these initiatives.

 [Supply Chain Management ▶ P.60](#)

Harassment education

Daido Steel prioritizes harassment as an important human rights risk, and conducts continual harassment education. In addition, we are also working to promote preventative measures on top of existing initiatives. In fiscal 2024, we focused on the communication gap and extended education including workshop-style training (called the "Communication Basic Course") for improving the quality of dialogue to each tier of the workforce and Daido Steel affiliates.

The implementation records for the harassment education and the Communication Basic Course in fiscal 2024 are shown in the table.

List of training results

Title	Target	Number of times held	Training attendance
Harassment education	(Internal) Executives and general managers	3 times	67 people
	(Internal) Nakatsugawa region	2 times	29 people
	(External) Group companies (responsible divisions)	Once	31 people (19 companies)
Program including harassment education (education separated by level)	(Internal) Targeted at each level	Held separately for each level	444 people
	(Internal) Next-generation management training	12 times	231 people
	(External) Targeted at each level	Held separately for each level	161 people
Communication Basic Course	(Internal) Managers and supervisors	4 times	78 people (including 11 Group companies)
	(External) Group companies	23 times	283 people (2 companies)

In fiscal 2025 we will continue to conduct harassment education and to strengthen prevention initiatives. Specifically, we are planning to expand the content of the Communication Basic Course and develop and introduce a new program aimed at improving psychological safety within the workplace. As part of this, we are newly planning a training course for teaching methods of building relationships of trust through constructive dialogue between supervisors and subordinates as well as training that fosters sensitivity with which the individual can notice abnormalities and changes in the workplace.

Furthermore, we are planning and considering various programs to meet the actual state and needs of the workplace such as extending anger management training and e-learning to the needed levels in addition to continually holding diversity training for the general manager level and next-generation management. Through these initiatives, we have increased psychological safety in the workplace throughout the entire Daido Steel Group to create an environment in which everyone can flourish at work.

Grievance mechanism

The Daido Steel Group is promoting initiatives to respect human rights through the operation of consultation and reporting desks that can be accessed securely by various stakeholders.

Currently, we have setup the following consultation and reporting desks to establish a system for both internal and external stakeholders to use.

List of consultation and reporting desks

Title	Contact method	Target	Supported languages
JaCER* * Japan Center for Engagement and Remedy on Business and Human Rights	(External) Web form	All stakeholders including external stakeholders	Multiple languages
Daido Steel Group Hotline	(Internal) Phone/e-mail (External) Web form/phone	Group employees	Japanese
Daido Steel Group Hotline for business partners	(External) Web form	Business partners of Daido Steel Group	Japanese

In fiscal 2024, a publicity poster was sent to 1,644 business partner companies (including the branch offices of each company) with the aim of raising awareness of JaCER. In the future, we will work to further raise awareness by considering and developing more effective methods including enhanced multilingual support and continually providing information to stakeholders.

In accordance with our Internal Reporting Regulations, we seek to resolve issues that have been consulted on or reported through thoughtful responses focusing on dialogue while ensuring confidentiality.

 Refer to "Corporate Ethics and Compliance" on our website for details on the Daido Steel Group Hotline.

<https://www.daido.co.jp/sustainability/governance/compliance/index.html> (Japanese only)

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.

Renewal of Daido Steel Procurement Policy

In fiscal 2024, the Daido Steel Procurement Policy was updated as the Daido Steel Group Procurement Policy. The following recommendations were added with the aim of further promoting understanding among all stakeholders.

<Recommendations related to respect for human rights>

Prohibition on child labor, forced labor, and discrimination, right to join a union and to collective bargaining, elimination of overwork, appropriate compensation, occupational safety and health

<Recommendations related to preservation of the global environment>

Reduction of CO₂ emissions and promotion of energy saving, reduction of amount of water and resources used, reduction and prevention of pollution, promotion of 3R (reduce, reuse, and recycle) and elimination of waste, reduction of impact on biodiversity, initiatives to preserve the global environment through collaboration with the Company

 [The full text of the Daido Steel Group Procurement Policy is available on our website.](https://www.daido.co.jp/en/about/procurement/policy/index.html)

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

Supplier assessment (Due diligence)

Since fiscal 2022, the Company has been asking our business partners to fill out a survey questionnaire related to the status of initiatives by using the "CSR Procurement Self-assessment Questionnaire" (GCNJ SAQ) created by the Supply Chain Subcommittee of the Global Compact Network Japan (GCNJ). The items on the questionnaire were as follows.

[List of items]

Corporate governance	Environment	Quality and safety of products	Supply chain
Human rights and labor	Fair company activities	Information security	Coexistence with local communities

In fiscal 2024, responses were received from 200 companies. Based on the results of this survey questionnaire to business partners, "corporate governance" and "human rights and labor" were identified as key issues. In fiscal 2024, we held a seminar on corporate governance, and in fiscal 2025 we are planning a seminar on human rights and labor. We will also continue with education activities for our business partners related to other items from fiscal 2026 and onwards. Moving forward, we will strive to further improve our problem-solving initiatives by repeating the cycle of Conducting questionnaires ⇒ Having the results analyzed by the Procurement Department ⇒ Identifying problems ⇒ Providing information and guidance regarding the problems identified ⇒ Conducting questionnaires. Through these activities, we are aiming for the realization of our vision, which is the permeation of the Daido Steel Group Procurement Policy.

Initiatives to strengthen relationships with our business partners

We are expanding our activities along the following three axes with a focus on building mutual understanding with our business partners.

<Information transmission and dialogue>

We are sharing the procurement policy and needs of the Company and promoting dialogue through meetings with business partners and supplier assessments.

<Promotion of proposals through co-creation>

We are promoting initiatives that offer mutual benefit such as the VAVE proposal and joint promotion of BCP and CN.

<Feedback and evaluation>

We are working on continual improvement through sharing the content of the VAVE* proposal, Daido Supplier Partners (DSP) awards, and feedback on supplier assessments.

* VAVE: VA (value analysis): proposals for existing products, VE (value engineering): proposals at the product design stage

 [Other initiatives are published on our website.](https://www.daido.co.jp/sustainability/society/supplychain/index.html)

<https://www.daido.co.jp/sustainability/society/supplychain/index.html> (Japanese only)

Responsible minerals procurement

The Company obtains a certification of non-use of conflict minerals from each business partner to confirm that conflict minerals are not used for 3TG (tantalum, tungsten, tin, and gold) and cobalt.

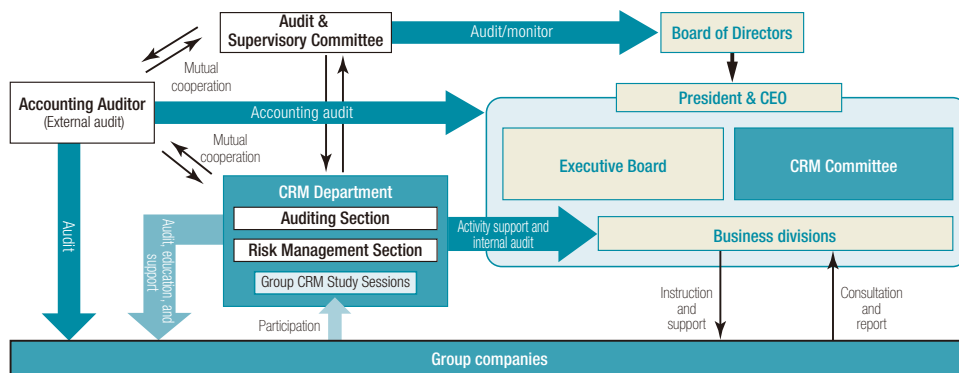
Furthermore, we have also started the same checks for nickel and copper. For new sources also, we are working towards procurement without the risk of conflict minerals by obtaining certification of non-use of conflict minerals and obtaining information about the smelting operator. We are also working towards the use of recycled materials.

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]



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.

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.

* For more details on the three lines model, please visit "Risk Management" on our website.

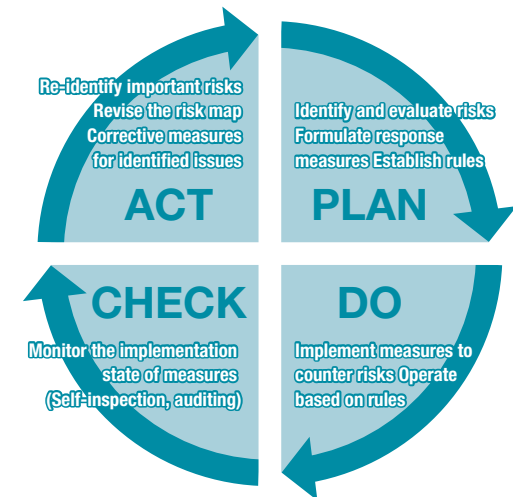
https://www.daido.co.jp/sustainability/governance/risk_management/index.html (Japanese only)

Risk map

The Company has created a risk map 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 (WG) are established for particularly high-risk matters to promote cross-organizational responses for important risks.

[The PDCA of risk management]

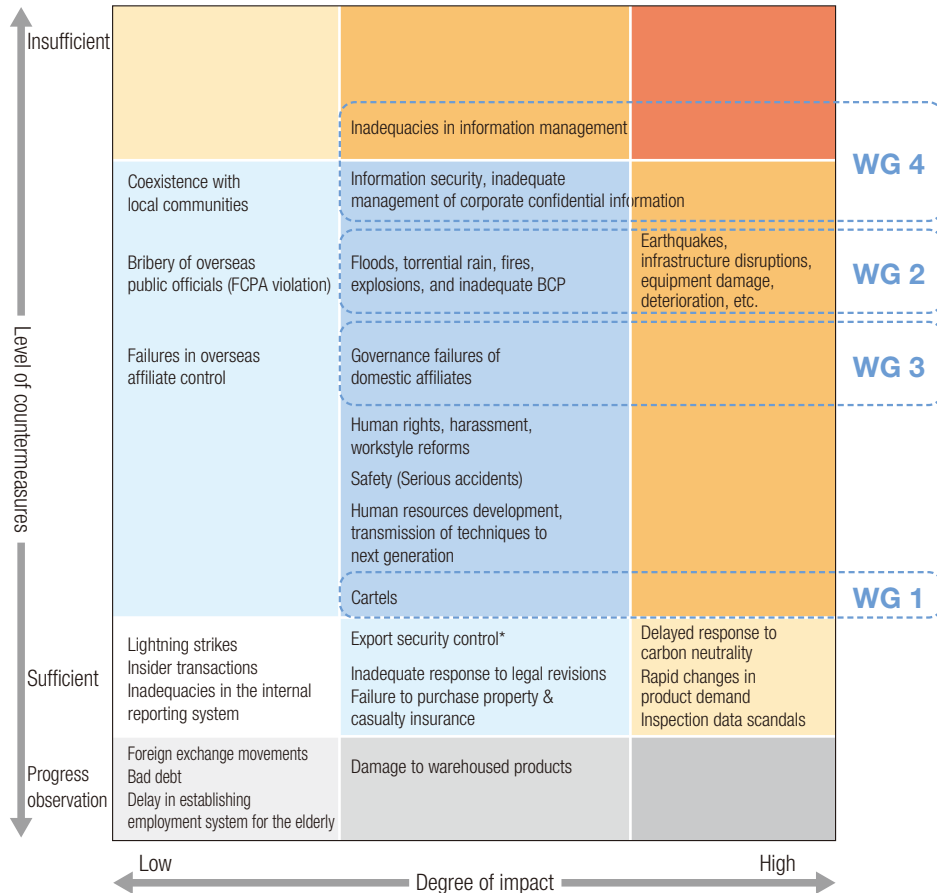


[Working group for important risks]

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

Risk map (Excerpted version)

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



* Since export security control has been moved to standard operations due to a revised work flow, it has been removed from the WG activities starting fiscal 2025.

Refer to P.23 and 24 of the consolidated financial results for business and other risks.
https://www.daido.co.jp/common/pdf/pages/ir/library/stockreport/2506_4q.pdf (Japanese only)

Business continuity management (BCM)

The Company is promoting company-wide BCM activities aimed at business continuity in the event of an emergency (such as a major earthquake). We have established the following four committees under the working groups to formulate and implement measures for earthquake resistance, disaster preparedness and mitigation; to formulate and review business continuity plans; and to provide education and emergency drills.

- Management Committee: Maintaining disaster headquarters functions and Head Office functions during emergencies, and BCM training for management
- Disaster Preparedness Committee: Handling matters pertaining to earthquake resistance and disaster mitigation, and preparing evacuation routes during emergencies
- BCP Committee (Sales): Maintaining sales function during emergencies, and organizing customer demand for supply
- BCP Committee (Production): Early production recovery and smooth resumption of deliveries to customers

In fiscal 2024, the BCP Committee (Sales and Production) worked together to identify issues when restarting production based on customer requests. Based on this, they estimated damage to each business site in the event of a major earthquake, set target recovery lead times, and formulated investment plans for achieving those targets.

In fiscal 2025 we are working on various activities related to business continuity across the entire company.

Information security

In order to strengthen and ensure comprehensive IT security and management of personal and confidential information, a working group was formed as a collaboration between the General Affairs Department, Technical Planning & Administration Department, and IT Planning Department to promote information security activities throughout the Company.

In fiscal 2024, it focused on the following initiatives.

- Revision and auditing of the personal information management framework: Reviewed and provided instruction regarding regulations, and thoroughly applied rules
- Risk assessment of information resources: Clarified digital information document access rights and evaluation values
- Handling when information security incident occurs: Established CSIRT* as a dedicated team

*CSIRT: Computer Security Incident Response Team

In order to handle the cyber attacks that have been becoming more advanced and sophisticated in recent years, a defense system was established that performs monitoring for unauthorized access during normal times, and that immediately notifies a coordinator during an emergency.

Furthermore, as a measure for reducing human factor errors, continuous educational activities are conducted such as information security training, targeted email drills, and timely reminders by the internal network.

Refer to "Risk Management" on the website for information on other risk management initiatives.
https://www.daido.co.jp/sustainability/governance/risk_management/index.html (Japanese only)

Compliance

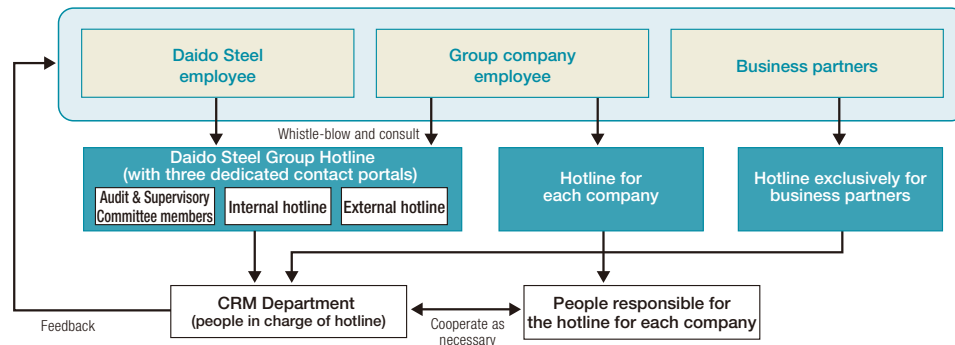
Basic approach

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 (excluding Group company hotline records)]

	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
FY2024	22	6	1	5	8	42

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. 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.

Compliance awareness survey

The Company has conducted Employee Compliance Awareness Surveys once every three years since fiscal 2015 in order to understand issues through periodic observation and confirm the effectiveness of the various measures. For the fourth survey in fiscal 2024, 27 Group companies in Japan were added with the survey covering around 11,000 people (response rate of 92.5%).

The survey results are fed back to each division, and improvement activities such as personal interviews are conducted on divisions that have problems. For the Group companies, the CRM Department visits all the companies to formulate and help implement various improvement measures.

[Comparison with previous survey (FY2022)]

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

Items for future key initiatives
1. Creating opportunities for dialogue between management and employees
2. More complete training and education activities for Group companies
3. Improving morale through strict adherence to the Group Code of Conduct
4. More complete monitoring functions

■ Promoting compliance as a unified group

<Identification and notification of important laws and regulations>

In addition to nominating important laws and regulations (total of 273) related to the business management of the Group and engaging in sharing of revision information, we also conduct internal and Group company risk-based audits in accordance with laws and regulations.

<Training for Daido Steel Group companies>

We are working on education and training activities for all Daido Steel Group employees such as e-learning, conducting group training, and dispatching teachers from the Company to Group companies.



Harassment prevention training for Group companies

<Group CRM Study Sessions and subcommittees>

We conduct Group-company-led theme-based study sessions and information exchange meetings with a focus on nurturing personnel who can promote compliance at each company.

■ Goals for FY2026 (KPI) and FY2024 results

Goals for FY2026 (KPI)	FY2024 results
1. Number of legal violations: 0 cases/year	Number of legal violations: 7 cases

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.

2. Significant inadequacies to be disclosed by the internal control evaluation under the Financial Instruments and Exchange Act: 0 cases/year	Significant inadequacies to be disclosed: 0 cases
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We will continue to appropriately implement internal controls to ensure that significant inadequacies that require disclosure do not occur in the future.

3. Number of Group internal reports: 80 cases/year	Number of Group internal reports: 64 cases
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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.

4. Number of Group support cases: 180 cases or more/year	Number of Group support cases: 171 cases
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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.

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.

■ FY2024 results

Domestically, the Company rules and work flows were revised.

Overseas, we selected pilot companies in China and Vietnam and built an anti-corruption system that will place top priority on focusing on countries listed as high risk in the Corruption Perceptions Index (CPI). Furthermore, in all of the Group companies, the CEO of each company announced a top priority commitment to all employees of prevention of bribery and corruption.

■ FY2025 plan

Domestically, rules and work flows that have been revised by the Company are distributed to all of the Daido Steel Group companies.

Overseas, the improvements at the pilot companies in China and Vietnam, under the system built in fiscal 2024, are being introduced to other Group companies located within those countries. Furthermore, we are newly conducting planned risk-reduction activities such as building an anti-corruption system for selected pilot companies in Thailand and Indonesia.

■ Company status report (FY2020 to FY2024)

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

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Outside directors roundtable

Enhancing corporate value: Expectations and challenges

Daido Steel's five outside directors gathered to discuss progress made in the first year of the 2026 Medium-Term Management Plan and issues and expectations for enhancing corporate value.

Outside Director

Mutsuko Jinbo

(front row, center)

Outside Director

Ryoichi Yamamoto

(front row, left)

Outside Director

Noriyuki Hiramitsu

(back row, left)

Outside Director,
Audit & Supervisory
Committee Member

Kenji Matsuo

(front row, right)

Outside Director,
Full-Time Audit &
Supervisory
Committee Member

Ryuichiro Ono

(back row, right)



A look back at the first year of the 2026 Medium-Term Management Plan

Yamamoto: Regarding transforming the Company's business portfolio, which is the centerpiece of the 2026 Medium-Term Management Plan, I see great value in the start of operation of the special melting equipment at the Chita Second Plant. On-site inspection confirmed that capital investment in growth areas is being steadily carried out. Acting speedily in this way has direct impact on enhancing corporate value, which I believe is one of Daido Steel's strengths.

Hiramitsu: While the steel industry as a whole is seeing a drop in revenue, Daido Steel's results for fiscal 2024 continued to show strong revenue growth. To me, this means that management has been able to adjust flexibly to external conditions. The ability to sustain appropriate margins even with higher costs for materials and labor and securing revenue while cost-cutting is a very positive development. On the other hand, the numerical targets set in the 2026 Medium-Term Management Plan were not met. To close the gap between the management plan and actual performance, taking into consideration changes in the environment for high-performance materials and magnetic materials, I hope to hear clear explanations about improvement targets for costs and prices and how this will be reflected in management indexes. This is something the Board of Directors will also be following.

Jinbo: I agree with what you have said. Social changes such as national policies and election results which affect corporate activities are changing more rapidly than ever. Ongoing evaluation of whether the numerical targets set in the 2026 Medium-Term Management Plan are appropriate for the realities of rapid social change is needed; revisions might even be necessary, as the case may be. I feel that's more important than ever to take the initiative to adopt a growth strategy appropriate for the realities of the market.

Matsuo: The slowdown in the automotive industry and stagnant demand for semiconductor production equipment impacted

business performance in fiscal 2024. But compared to changes in the business environment in fiscal 2024, the Trump administration's policies will have a much greater impact on the business environment. Since the specialty steel industry is affected by trends in demand industries, corporations' ability to respond to business environment changes will be tested even more. With the acquisition of Nippon Koshuha Steel Co., Ltd. (making it a fully-owned subsidiary of Daido Steel), Daido Steel's corporate structure will also be changing. The Audit & Supervisory Committee will be following these changes, to monitor how flexibly and strategically the Daido Steel Group can respond.

Ono: As Mr. Hiramitsu mentioned earlier about not meeting numerical targets, we need to seriously consider the fact that the sentiment of the investors is already being reflected in Daido Steel's share price. To enhance stakeholders' confidence, the following steps should be taken: acting to meet the targets of the medium-term business plan, for example by cutting costs or reviewing allocations to boost productivity, adopting specific and visualized measures to increase sales, and ensuring a high level of transparency when showing the status of the strategies, such as roadmap presentations, involved in these initiatives. Showing quantitative progress of transformation of our business portfolio and establishing a clear schedule for making improvements can help win understanding and satisfaction both inside and outside the Company.

Strengthening human resources to support business portfolio transformation

Yamamoto: Daido Steel is taking steps to transform its business portfolio. One urgent task is to clarify the gap between where personnel are currently allocated and the human resources needed for future changes in the business structure, and to develop and reassign personnel in ways that match Daido Steel's business strategy.

One issue faced by many Japanese companies today is that

the existing Japanese employment system is no longer able to respond to changes in the business environment. Features of Japanese-style employment such as mass hiring of new graduates and lifetime employment provide stability and nurture a sense of cohesion, but suffer from structural limitations making it difficult to assign personnel flexibly according to job and to secure specialists. In industries where technological change is rapid, under the existing employment system it is difficult to quickly secure personnel who are familiar with new technological fields; job-based employment is also becoming more common. To ensure sustainable growth, the time has come for Daido Steel to conduct a fundamental review of specialization, personnel mobility and remuneration, depending on the job, to establish a system making it possible to obtain and train the necessary human resources.

Jinbo: I believe thinking about nurturing human resources in manufacturing should start in earnest at the university or senior high school level. Many enterprises talk about transforming their business portfolios, and to achieve their transformation goals, a





necessary perspective is to invest in developing human resources, including high school education. As far as the university level is concerned, a structural issue in the current education and research environment is that operational subsidies and research grants are provided separately, and that research grants, including funding for research, tend to be concentrated in certain fields. That means that both quality and quantity of basic research, which is the role universities are expected to fulfill, are neglected, making it difficult to develop the personnel needed to support basic technologies. Under these circumstances, it's difficult for educational institutions to develop the specialists that companies need. I feel that industry-academia cooperation should be promoted to create a seamless ecosystem for developing human resources, from high school education through to employee training.

Hiramitsu: In a manufacturing enterprise like Daido Steel, advanced technology is the source of our competitiveness. But the development of new materials and advances into new areas need to be buttressed by knowledge built up through

basic research. There is heavy reliance on universities and graduate schools for basic research, and while companies are actively hiring post-docs and PhDs, there is a growing need for people familiar with the foundations of technology. One of the Company's objectives is to double profitability in the high-performance materials area, but does it have enough personnel to accomplish this in the first place, and have those people had the necessary training to generate results? That is an issue that needs to be reviewed. It's important to train the needed personnel within the limited resources available, and thinking strategically to have the right people in the right place at the right time.

Matsuo: Some companies have begun showing a preference for hiring specialists, depending on the area of expertise required, but most important is to focus on developing specialists among personnel already hired and take a patient and generous approach over the long term to develop personnel. In R&D, especially, results won't be immediate, and the environment needs to support trial and error in taking on challenges. When hiring, it's also important to bear in mind that young people's attitudes toward work have changed. Creating a flexible structure to respond to young people's needs—they want to avoid transfers, and they want to become more specialized—is a way of appealing to them and securing capable human resources.

Ono: Japanese manufacturing will face the strong risk of a severe lack of manpower in the future. This is an important issue that applies not just to hiring but also to corporate governance and sustainability. To obtain and retain personnel, it's necessary to ensure that workers can feel comfortable in their work environment, in other words, the employer needs to provide psychological safety. With this in mind, the Daido Steel Group conducted a survey among employees, which identified specific problems with awareness of compliance issues and harassment. We plan to utilize the survey's findings to improve the workplace environment so that we can become a more attractive hiring partner for line staff. I am sure that detailed

actions of this kind will help us obtain human resources and sustain corporate growth in the future.

Expectations regarding sustainability initiatives

Yamamoto: Through the Company's membership in CDP, we disclose information related to climate change and water resources, which earned us an A- in fiscal 2024. This means our response to environmental issues has reached a certain standard, but I hope the Company will continue working toward earning an A rating. We are also making institutional initiatives, such as participation in the GX League and disclosing non-financial information based on TCFD. How we communicate about environmental response is important. By impartially showing the appropriateness of our initiatives, I hope that this will help investors and stakeholders place more trust in Daido Steel.

Hiramitsu: Achieving carbon neutrality is very important for manufacturers. Three elements need to be in place to reduce



CO₂ emissions: technological development, advantages to the business, and market demand. Having to bear the costs in connection with cutting CO₂ emissions, especially, has a direct impact on corporate survival. The continuation of subsidies and



market formation through private and public sector coordination are essential; there are limits to what a single company can do. That is why industry-wide initiatives and working together with the Ministry of Economy, Trade and Industry and other administrative bodies is important. While environmental initiatives are a company's mission, it also needs to set up a sustainable business model. Building a framework that allows environmental value to be reflected in prices is something that is likely to affect Daido Steel's future competitiveness.

Jinbo: Daido Steel is carrying out initiatives to reduce and retrieve CO₂ emissions and utilize green energy, but this

approach is focused on cutting CO₂ emissions, and there is the risk of hitting a wall and not being able to go any further. We need to go one more step, for example by developing technologies for not emitting any CO₂ at all, utilizing the CO₂ emitted, or creating energy. I hope Daido Steel will create new technologies for generating renewable energy in-house or recirculating carbon resources as potential businesses that can offer growth opportunities.

Ono: I believe that enhanced internal governance is a fundamental element of sustainability to support sustainable corporate growth. At Daido Steel, CRM, the internal governance department, is playing a central role in setting out rules and seeing that they are adhered to, but further efforts are needed in this direction. Deepening the connection between the third line, the internal governance department, and the second line, risk owner, of the three-line model, is particularly important. The third line must have a thorough understanding of the duties of the second line. A system needs to be created to ensure useful guidance and advice through constructive dialogue, and such a system would be the key to enhancing the effectiveness of internal governance. At the same time, it's important to create a corporate culture where all the second-line departments are aware of their role and take responsibility for risk management. Nurturing this kind of mutual understanding and approach to responsibility will help further a framework for supporting corporate value.

The Board of Directors' role in the future

Yamamoto: Daido Steel's external corporate governance structure has been steadily implemented. But the true essence of governance is to ensure that it is not merely an empty formula. I think the spirit of governance has penetrated to a certain extent, but dialogue with outside directors who are also executive directors needs to be invigorated. Thinking of the background to Japan's corporate governance reforms, I feel there are structural contradictions in the current

system, particularly the difficult position of directors with both executive and supervisory functions. Although it may be an idealistic notion, I think the time will come to change the Board of Directors' structure so that it can perform its original function of deepening discussions.

Matsuo: The ideal would be to establish a clear separation between directorial and executive functions, but in realistic terms, we haven't reached that stage yet. The Board of Directors currently operates through discussions between



outside directors and directors who are also executive directors. More time and a more mature organization are needed before the high-level functioning of the Board Mr. Yamamoto has mentioned can be achieved. But even so, we need to continue working toward that ideal. It will not be easy, but we have to make steady efforts in that direction.

Ono: To make Daido Steel's governance function more effectively, I feel that frank discussions are needed with outside directors. The Board of Directors currently has animated discussions but the agenda is primarily set by the executive side, and steps should be taken to cover all topics that need to be discussed. For example, there could be a tie-up with the CRM Department, the internal governance department, which reports directly to the President. The CRM Department oversees internal audits and risk management for the whole Group; improving communication with the outside directors can help the whole Group share awareness of the issues. It would also be useful to provide a forum where outside directors can share information, so as to have deeper discussions at Board meetings.

Jinbo: In the six years since I became an outside director, it seems to me that the Board of Directors atmosphere has changed quite a bit. There are more active exchanges between outside directors and people within the Company. We can now point out specific issues and ask questions, and discussions have deepened. If, as Mr. Ono suggested, we had regular talks with the CRM Department, we could get up to date and share information outside the Board meetings; I feel that would make deeper discussions possible. Doing so would enable the Board to evolve as a venue for discussing how to enhance corporate value rather than simply for decision-making.

Hiramitsu: The quality and quantity of the information that outside directors receive is vital for enabling the directors to perform their role. Documentation is shared in advance to enable discussion, but when outside directors feel they would like to hear more detail, it's a problem that they often cannot learn more on the spot. Creating a system to more actively provide information and supplementary explanations will help improve the quality of Board meetings even more. Having a flexible, bi-directional framework for sharing information would help outside directors play their role and contribute to enhance governance effectiveness.

Message from Director and member of the Audit & Supervisory Committee

As appointed to the Audit & Supervisory Committee



Tetsuya Niwa

Director, Full-Time Audit & Supervisory Committee Member

I was recently appointed to the Audit & Supervisory Committee, which has renewed my awareness of the position's responsibilities. I will devote myself wholeheartedly to ensuring the Company's sustainable growth and establishing overall sound governance, applying my long years of experience with the Company to the task.

My duties in the Finance & Accounting Department until now have been to ensure the soundness of the Company's finances and that compliance requirements are met. In the Corporate Planning Department, I was in charge of medium- to long-term planning. In my recent duties in the ESG Management Department, I have worked to create non-financial value from the environmental, social and governance perspectives. All of these duties have helped deepen my understanding of how the Company's

sustainability and society are interwoven.

As a member of the Audit & Supervisory Committee, I will take an impartial stance to ensure the transparency and appropriateness of corporate decision-making while offering constructive advice based on conditions within the Company. Keeping in mind our business' feature of utilizing electric furnaces to produce specialty steel, I will endeavor to enhance governance quality so that Daido Steel can continue contributing to society in terms of both technology and the environment.

The steel industry is at a turning point today. Our electric furnace technology has great potential for achieving carbon neutrality and resource recirculation to address these social issues. The varied possibilities offered by specialty steel are full of opportunities for supporting the development of society. We are making sincere efforts to address social issues through our corporate activities, but support for this comes from competent governance and the aspirations of all our employees. As part of that effort, I will fulfill my duties by continuing to explore how corporations can create social value.

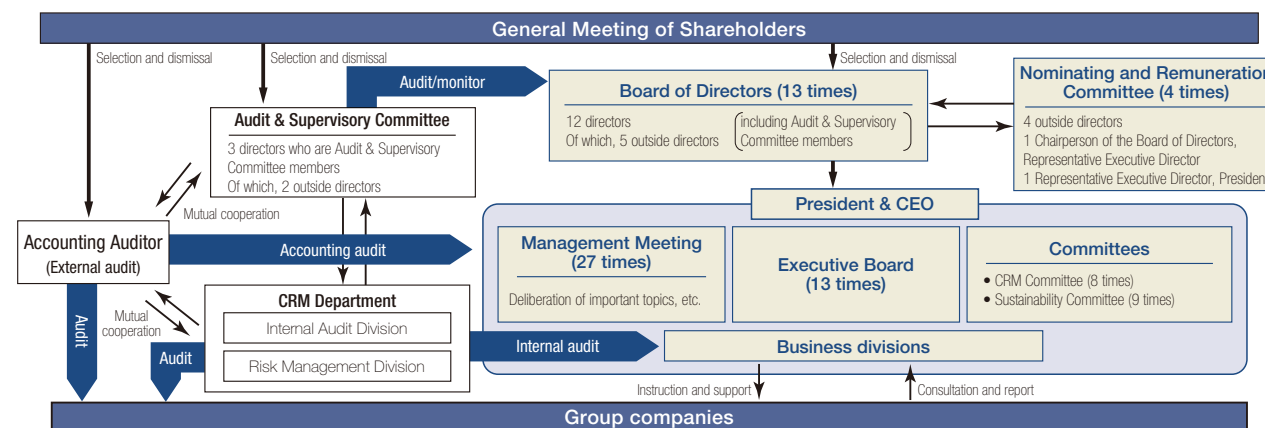
I look forward to our stakeholders' understanding of the steps we are taking and hope we will continue to create a vision for the future through sustained mutual dialogue. I will do my best to meet your expectations and be worthy of your support.

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 2024. The number of meetings of the Board of Directors, Executive Board, CRM Committee, and Sustainability Committee was the same in fiscal 2023 and fiscal 2024.

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 attending important meetings such as Board of Directors meetings, periodic interviews with the Representative Executive Director, and various field 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 internal reporting 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

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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 2024 evaluation, the Board of Directors received particularly high marks for "Securing the necessary time for deliberation," "Free and constructive discussion and exchange of opinions," and "Providing financially supported reports." In

addition, items that received relatively low evaluations are listed as issues.

[Fiscal 2024 results of actions]

- Issues raised in FY2023
 - a. Appropriate gender balance on the Board of Directors
 - b. Training opportunities for officers to acquire necessary knowledge, etc.
 - c. Supervising and monitoring the construction and operational status of internal control systems for the entire Group
 - d. Feedback from dialogue with shareholders
- Results of actions
 - a. Continued consideration of candidates
 - b. Exchange of opinions regarding human capital strategies and Daido Monozukuri Kaikaku activities
 - c. Reporting the status of activities to the Board of Directors as appropriate

[Fiscal 2025 action plans]

- Issues raised in FY2024
 - a. Appropriate gender balance on the Board of Directors
 - b. Training opportunities for officers to acquire necessary

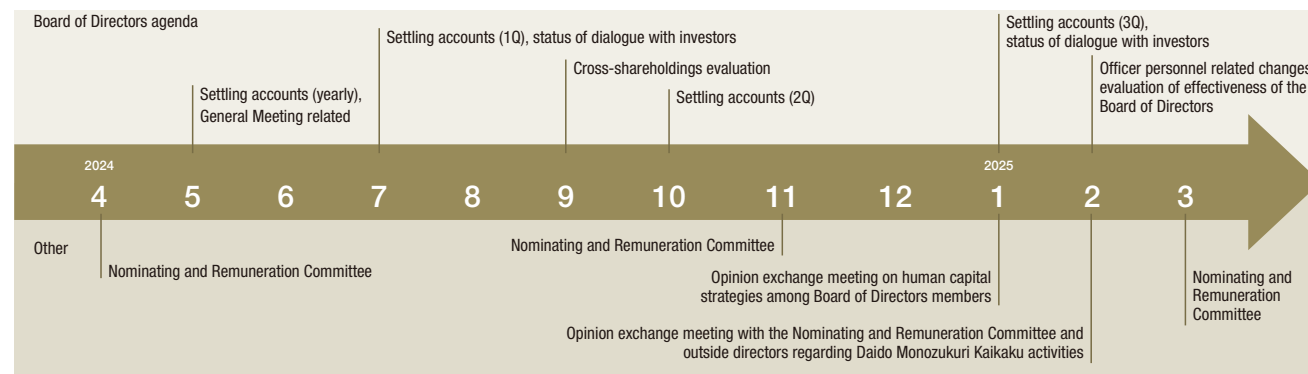
knowledge, etc.

- c. Supervising and monitoring the construction and operational status of internal control systems for the entire Group
- Action plans
 - a. Continued consideration of candidates
 - b. Holding seminars, individual explanations and opinion exchange meetings on management issues, and viewing major business sites, etc.
 - c. 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

Additionally, in fiscal 2024, a new evaluation was conducted on the Nominating and Remuneration Committee, which was evaluated based on "Appropriate selection of agenda items in line with the purpose and role of the committee," "Securing the necessary time for deliberation," "Free and constructive discussion and exchange of opinions," and "Performance of duties by the committee chair," all of which received high marks.

Going forward, we will continue efforts to improve effectiveness.

[Main activities of the Board of Directors]



Notes: 1. The Nominating and Remuneration Committee met in April and November 2024, and in February and March 2025.
 2. The opinion exchange meetings were held in January and February 2025.

DAIDO STEEL GROUP INTEGRATED REPORT 2025

Skill matrix

In conjunction with the updating of our Medium-Term Management Plan, we are reviewing the skills matrix items for fiscal 2025. We selected skills items that are deemed essential for ensuring diversity on the Board of Directors, referring to the opinions of the Nominating and Remuneration Committee when necessary.

[Reasons for selecting skill]

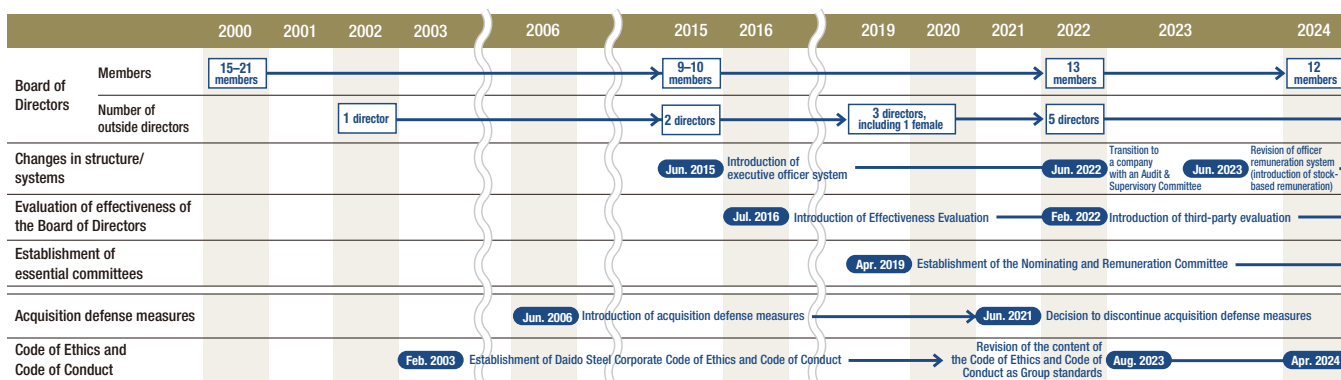
Skill	Reasons for selecting skill
Business management	To make comprehensive judgments and appropriate decisions regarding business management, as well as to effectively supervise business execution
ESG management	To provide appropriate advice on activities such as the challenge towards carbon neutrality, utilization of human capital, and strengthening of corporate governance, as well as to effectively supervise business execution
Manufacturing technology/R&D	To provide appropriate advice on new value creation, stabilizing business foundations, and manufacturing and research activities aimed at enhancing corporate competitiveness, as well as to effectively supervise business execution
Sales	To provide appropriate advice on sales strategies and marketing activities aimed at expanding business profits and sales channels, as well as to effectively supervise business execution
Finance/Accounting	To provide appropriate advice on initiatives aimed at maintaining management stability, financial soundness, and improving capital efficiency, as well as to effectively supervise business execution
IT/DX strategy	To provide appropriate advice on value creation using digital technology and to effectively supervise business execution
Overseas business	To provide appropriate advice on overseas business expansion and effectively supervise business execution
Legal/Compliance	For monitoring compliance with laws, international rules and their mindset, as well as social standards, and for risk management

	Name	Business management	ESG management	Manufacturing technology/R&D	Sales	Finance/Accounting	IT/DX strategy	Overseas business	Legal/Compliance	Independent Officer	Nominating and Remuneration Committee	Board of Directors attendance rate for FY2024	Audit and Supervisory Committee attendance rate for FY2024
Director	Takeshi Ishiguro	○	○		○			○			Chair	100%	
	Tetsuya Shimizu	○	○	○				○			Member	100%	
	Toshiaki Yamashita	○			○							100%	
	Akihito Kajita				○	○	○		○			100%	
	Tatsushi Iwata	○	○		○	○		○				100%	
	Tadayuki Kashima	○		○								100%	
	Noriyuki Hiramitsu	○		○			○			○	Member	100%	
	Ryoichi Yamamoto	○	○		○					○	Member	100%	
	Mutsuko Jinbo			○					○	○	Member	100%	
Audit & Supervisory Committee member	Tetsuya Niwa		○			○			○			-	-
	Ryuichiro Ono	○			○	○				○		100%	100%
	Kenji Matsuo	○	○		○	○				○	Member	100%	100%

Reason for selection of independent outside directors

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 steel industry.
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.
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.
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.
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.

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, from the perspective of improving corporate value, our basic policy is to hold shares that are appropriate and reduce those that have become diluted.

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 2024, we sold six stocks for ¥24.1 billion, reducing the ratio of our holdings to net assets, including cross-shareholdings, to 17.7%. Going forward, we will continue to reduce cross-shareholdings, aiming for 15% by fiscal 2026 and below 10% in the long term.

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.

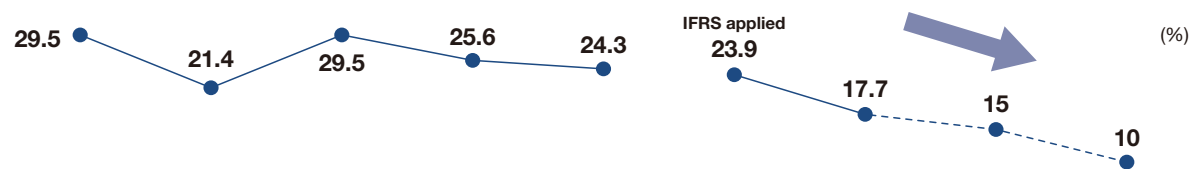
About the state of listed subsidiaries

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)]



	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3	2026 Medium-term	2030 target
Number of stocks (listed stocks)	41	42	39	34	28	24	22		
Cross-shareholdings (Billions of yen)	93.7	66.1	100.0	93.3	98.9	109.3	83.0		
Net assets amount* (Billions of yen)	318.1	309.1	339.4	365.0	405.5	457.3	469.1		

* "Total equity" under IFRS

List of officers

Directors (As of June 25, 2025)



- | | | | | | | | | |
|---|---|---|---|--|---|--|---|--|
| <p>① Takeshi Ishiguro
Chairperson of the Board of Directors, Representative Executive Director</p> | <p>② Tetsuya Shimizu
President, Representative Executive Director</p> | <p>③ Toshiaki Yamashita
Representative Executive Director, Executive Vice President
Assistant to the President
Supervisor of Sales Divisions</p> | <p>④ Akihito Kajita
Director
In charge of Finance & Accounting Department, IT Planning Department, Internal Control (Financial Instruments and Exchange Act)</p> | <p>⑤ Tatsushi Iwata
Director
In charge of Corporate Planning Department, ESG Management Department, Planning Department for Affiliates</p> | <p>⑥ Tadayuki Kashima
Director
Supervisor of Manufacturing Divisions</p> | <p>⑦ Mutsuko Jinbo
Director (outside)
<Independent Officer>
[Status of important concurrent positions]
Research Fellow, Graduate School of Engineering, Mie University
Executive Trustee and Vice President of Toyohashi University of Technology</p> | <p>⑧ Ryoichi Yamamoto
Director (outside)
<Independent Officer>
[Status of important concurrent positions]
Senior Advisor, J. FRONT RETAILING Co., Ltd.</p> | |
| <p>⑨ Noriyuki Hiramitsu
Director (outside)
<Independent Officer>
[Status of important concurrent positions]
Managing Executive Officer, Nippon Steel Corporation</p> | <p>⑩ Kenji Matsuo
Director (outside)
Audit & Supervisory Committee Member
<Independent Officer>
[Status of important concurrent positions]
Honorary Advisor, Meiji Yasuda Life Insurance Company</p> | <p>⑪ Ryuichiro Ono
Director (outside)
Full-Time Audit & Supervisory Committee Member
<Independent Officer></p> | <p>⑫ Tetsuya Niwa
Director
Full-Time Audit & Supervisory Committee Member</p> | <p>Photographed in front of the Company's precious assets, a 1.5-ton arc furnace
It is the oldest surviving arc furnace in Japan and is on display at the Chita Plant as a precious asset of the Company. It has been certified as a "Heritage of Industrial Modernization" by the Ministry of Economy, Trade and Industry.</p> | | | | |

DAIDO STEEL GROUP INTEGRATED REPORT 2025

■ **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)
Jan. 2025 Executive Trustee and Vice President of Toyohashi University of Technology (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.
		Mar. 2010 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.		
Jul. 2025 Senior Adviser (current position)		

Position	Name	Bio
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)		
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 June 25, 2025)

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)
	Tatsushi Iwata	In charge of Corporate Planning Department, ESG Management Department, Planning Department for Affiliates
	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)
	Muneyoshi Matsuo	In charge of Tool Steel Business Division General Manager, Fabricated Materials Business Division (commissioned post)
	Akihiro Nagatani	In charge of Machinery Division General Manager, Functional Products Business Division (commissioned post)
	Takashi Kano	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 ² Assistant to President & CEO Shimizu for the Material Solution Department

Position	Name	Responsibility and commissioned post
Executive Officer	Shin Takamiya	General Manager, Specialty Steel Business Division (commissioned post)
	Mikine Kishi	General Manager, Corporate Planning Department (commissioned post)
	Kunio Matsuo	General Manager, Machinery Division (commissioned post)
	Yasushi Matsumura	Responsible for the Corporate Research & Development Center General Manager, Material Solution Department (commissioned post)
	Koji Hada	General Manager, Sales Management Department (commissioned post)
	Kenichiro Kimura	General Manager of Osaka Branch and Tool Steel Business Division (commissioned post)
	Koki Morita	Deputy General Manager, Production Division, Superalloy Manufacturing Process Transformation Project Leader (commissioned post)
	Yoshimichi Onishi	General Manager, Specialty Steel Marketing & Sales Department No. 1, Specialty Steel Business Division (commissioned post)
Kohei Watanabe	General Manager, Planning Department for Affiliates (commissioned post)	

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DAIDO STEEL GROUP INTEGRATED REPORT 2025

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.

Years ended March 31	J-GAAP								IFRS	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Net sales/Revenue	460,577	445,122	505,219	543,255	490,421	412,722	529,667	578,564	578,564	574,945
Operating income	24,432	25,513	36,218	33,815	24,768	10,070	36,982	46,986	42,250	39,408
Profit attributable to owners of parent /Profit attributable to proprietors of parent	6,746	16,386	23,920	21,182	10,987	4,516	26,894	36,438	30,555	28,314
R&D expenses	5,766	6,205	5,419	5,638	6,002	4,722	5,785	6,255	6,567	6,596
Capital investment (plan)	28,300	32,800	38,600	37,200	25,300	12,500	25,500	34,900	36,910	46,858
Depreciation	22,454	23,275	20,740	23,171	24,662	25,912	26,797	26,054	29,764	30,265
Total assets	535,675	574,169	642,021	650,697	625,899	665,506	728,187	773,851	788,734	782,974
Equity /Equity attributable to owners of the parent	232,832	259,851	284,435	285,508	273,561	303,143	329,713	368,718	418,562	429,278
Net assets/Total equity	268,345	290,501	316,409	318,140	309,136	339,353	365,004	405,479	457,313	469,144
Interest-bearing debt	136,114	142,599	160,352	174,998	193,881	198,812	229,090	236,761	176,235	176,848
Cash flows from operating activities	45,731	28,390	31,043	28,114	41,033	33,766	(16,684)	22,634	50,239	53,516
Cash flows from investing activities	(23,164)	(26,449)	(30,215)	(33,707)	(39,326)	(29,395)	(14,568)	(20,084)	13,618	(15,586)
Cash flows from financing activities	(20,164)	(1,843)	5,477	5,589	10,526	2,999	19,402	(2,668)	(76,484)	(22,715)
Net assets per share/Equity attributable to owners of the parent per share	545	609	6,672* ¹	6,697	6,417	7,111	7,735	8,650	1,964	2,086
Earnings per share /Basic earnings per share (yen)	16	39	561* ¹	497	258	106	631	855	143	135
Equity ratio/Ratio of equity attributable to owners of parent to total assets (%)	43.5	45.3	44.3	43.9	43.7	45.6	45.3	47.6	53.1	54.8
Return on sales (ROS) (%) /Ratio of operating income to revenue (%)	5.3	5.7	7.2	6.2	5.1	2.4	7.0	8.1	7.3	6.9
Return on assets (ROA) (%) /Ratio of profit before tax to total assets (%)	4.5	4.8	5.9	5.3	3.8	2.0	5.6	6.4	5.8	5.4
Return on equity (ROE) (%)/Return on equity attributable to owners of parent (%)	2.8	6.7	8.8	7.4	3.9	1.6	8.5	10.4	7.9	6.7
Cash dividends applicable to the year per share (yen)	7.5	10.0	Interim 6.0 Year-end 60.0* ¹	130.0	70.0	35.0	180.0	230.0	46* ²	47.0

(Millions of yen)

DAIDO STEEL GROUP INTEGRATED REPORT 2025

(Millions of yen)

Years ended March 31	J-GAAP								IFRS	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
<Net sales by segment>										
Specialty steel	254,150	228,963	254,808	278,924	241,462	198,218	267,310	290,458	283,262	280,778
High-performance materials and magnetic materials	172,786	163,495	186,809	202,357	181,038	161,254	212,319	237,373	220,077	219,791
Parts for automobile and industrial equipment	131,078	120,331	130,807	137,839	120,933	100,355	120,980	135,891	139,234	146,963
Engineering	28,609	25,587	26,974	29,340	27,492	21,259	18,644	19,556	23,614	24,653
Trading and Service	19,612	24,047	25,612	25,962	31,529	28,954	38,872	41,104	47,042	46,898
(Elimination of intercompany sales)	(145,659)	(117,304)	(119,793)	(131,168)	(112,033)	(97,320)	(128,459)	(145,819)	(134,666)	(144,139)
<Operating income by segment>										
Specialty steel	7,560	5,813	6,478	5,998	5,148	(2,632)	3,827	9,771	13,724	12,088
High-performance materials and magnetic materials	12,331	17,416	22,195	20,694	13,638	12,172	26,650	24,286	10,275	11,028
Parts for automobile and industrial equipment	1,298	(516)	3,070	2,308	430	(2,109)	4,979	8,217	5,719	11,337
Engineering	2,071	1,218	1,835	2,291	2,960	858	(1,277)	1,425	2,136	2,201
Trading and Service	1,173	1,583	2,686	2,527	2,581	1,786	2,834	3,293	10,369	2,770
(Elimination of intercompany profit or loss)	(2)	(2)	(48)	(5)	9	(4)	(31)	(8)	26	(17)

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

*2 Specified using standard after the stock split that was conducted on January 1st, 2024.

Non-financial data summary

Environmental data

	FY2020	FY2021	FY2022	FY2023	FY2024
CO ₂ emissions: From energy (1,000 t-CO ₂ /year)	917	1,004	824	820	698
CO ₂ emissions factor: From energy (kg-CO ₂ /ton-steel production)	712	598	598	582	528
SO _x emissions (SO ₂ equivalent) (tons/year)	3	6	6	8	9
NO _x emissions (NO ₂ equivalent) (tons/year)	285	284	290	282	284
Total fresh water consumption (10,000 m ³)*1	2,181	2,285	2,423	2,482	2,442
Total waste water (10,000 m ³)*1	2,514	2,351	2,545	2,586	2,580
By-product recycling rate (%)	83.9	81.8	79.7	80.1	76.9
Amount of capital invested in environmental protection annually (billions of yen)	2.2	2.4	1.9	3.0	1.6
Amount of capital invested in environmental protection (billions of yen) Note: Cumulative total from 1977	98.3	100.7	102.6	105.6	107.2

Social data

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of employees (consolidated) (persons)	13,109	12,605	12,422	11,941	12,054
Number of employees (persons)	3,433	3,332	3,283	3,273	3,347
Male (persons)	3,100	3,004	2,959	2,938	2,994
Female (persons)	333	328	324	335	353
Ratio of women in management (%)	2.1	1.9	2.2	2.5	2.7
Ratio of female next-generation management (associate senior staff) (%)	12.4	12.6	10.1	9.6	11.1
10-year retention rate of female global staff (%)	33.3	85.7	88.9	88.9	85.7
Ratio of disabled employees (%)	2.33	2.76	2.97	2.94	2.99
Childcare leave utilization ratio: Male (%)	5.6	16.8	28.1	36.4	45.1
Childcare leave utilization ratio: Female (%)	100	100	100	100	100
Training time per person (hours)	39.7	28.2	34.0	37.8	37.0
Training time per person (thousands of yen)	18	37	52	64	66
Lost time injury rate Note: Cumulative total for January to December	0.33	0.60	0.30	0.31	0.38
Health examination incidence rate (%)*2	76.8	78.7	69.9	68.4	68.8
Mental and physical vitality index (%)*3	—	36.5	34.9	41.4	46.2
Major quality accident index Note: Index taking the actual results from FY2006 as "1"	0.14	0.20	0.14	0.34	0.25

*1 · Waste water also includes rainwater. · Up to FY2021 only shows single main plants (Chita, Hoshizaki, Shibukawa, Tsukiji)

· From FY2022, values include domestic and overseas consolidated subsidiaries and equity method affiliates (but excludes overseas sales offices).

*2 Ratio of persons receiving health checkups that had incidents *3 Percentage of persons who answered yes to the diagnostic question "Have you worked with mental and physical vitality in the most recent month?" in the health checkup

Company overview

Corporate name:	Daido Steel Co., Ltd.
Founded:	August 19, 1916
Incorporated:	February 1, 1950
President:	Tetsuya Shimizu
Number of employees (Non-consolidated):	3,347 (As of March 31, 2025)
Common stock:	¥37,172,464,289
Number of issued shares:	217,243,845 (As of March 31, 2025)
Number of shareholders:	29,848 (As of March 31, 2025)
Principal banks:	Mizuho Bank, Ltd., MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation
Lead managers:	SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd.
Principal business partners:	
<Sales>	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Toyota Motor Corporation, DENSO Corporation, Mitsubishi Heavy Industries, Ltd., IHI Corporation, Nidec Corporation
<Procurement>	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)	20,284	9.83
Custody Bank of Japan, Ltd. (Trust Account)	13,572	6.57
NIPPON STEEL CORPORATION	10,862	5.26
Meiji Yasuda Life Insurance Company	10,379	5.03
Mizuho Bank, Ltd.	7,886	3.82
NHK SPRING CO., LTD.	7,248	3.51
MUFG Bank, Ltd.	6,071	2.94
Honda Motor Co., Ltd.	4,568	2.21
Toyota Motor Corporation	4,345	2.10
Nippon Steel Kowa Real Estate Co., Ltd.	3,747	1.81

Note: Excluding treasury stock