

Fiscal Year Ending March 2024 Financial Results Briefing

May 10, 2024



<Contents>


Financial Results for FY2023 (April 2023 - March 2024)

Financial Results Overview for FY2023	p.1
Net Sales and Operating Income by Segment (y/y and deviations from the forecast)	2
Raw Materials Prices	3
Changes in Operating Income in FY2023 (y/y)	4
Changes in Operating Income in the Second Half of FY2023 (Difference between the forecast on Oct. 30 and results for 4Q)	5
Overview of Specialty Steel	6
Overview of High-Performance Materials and Magnetic Materials	7
Overview of Parts for Automobile and Industrial Equipment	8
Overview of Engineering Business	9
Total Assets, Interest-Bearing Debt, D/E Ratio	10
Cash Flow	11

Outlook for FY2024 (April 2024 to March 2025)

FY2024 Plan Overview	12
Outlook for Major Markets (Automobile-Related Demand>	13
Profit-Planning Premises for FY2024 (Market Trends)	14
Consolidated Earnings Outlook for FY2024	15
Net Sales & Operating Income by Segment (y/y)	16

Changes in Operating Income for FY2024 (y/y)	19
Overview by Segment (specialty steel, high-performance materials and magnetic materials, and parts for automobile and industrial equipment)	20
Dividends per Share for FY2024	21
Capital Investments	22
<u>Topics</u>	23
Mid-term Management Plan Progress	24
Changes in Operating Income from the FY2023 Mid-Term Plan (FY2023 Results)	25
Changes in Consolidated Operating Income (Comparison with the 2023 Mid-Term Management Plan)	26
Industrial Equipment-Related Product Demand Trends	27
Outlook for Stainless Steel Business	28
Strategic Investments in Fast-growing Areas	29
Strategic Investments in the Chita Second Plant	30
Promoting Improved Asset Efficiency	31
Our Approach to ESG	32
Evaluating our Approach to ESG	33
Aiming to Achieve a Constant PBR of 1x or More	34
<u>Fact Book</u>	36-38



Financial Results for FY2023 (April 2023 - March 2024)

Financial Results Overview for FY2023

- Our operating income decreased, both from the previous year and from the forecast, due to a decline in orders for semiconductor-related products and a drop in demand for parts for industrial equipment.
- The profit level remained high because the effects of selling price hikes of our products contributed to our income throughout the year.
- Net income reached an all-time high due to extraordinary profits gained from the sales of cross-shareholdings and real estate for lease, which were performed to gain more effective utilization of assets held by the Company.

(thou.t.¥100 million)

	FY2022 Results			FY2023 Results			y/y	Deviations from the forecast (on October 30)
	First Half	Second Half	Total	First Half	Second Half	Total		
Sales Volume of Specialty Steel	540	545	1,085	529	543	1,072	-13	-4
Net Sales	2,819	2,967	5,786	2,886	2,927	5,813	27	-187
Operating Income	232	238	470	190	231	421	-49	-49
Ordinary Income	241	240	481	211	239	450	-31	-35
Extraordinary Profit and Loss	- 4	16	12	- 27	312	285	273	285
Corporate Tax	- 54	- 75	- 129	- 69	- 168	- 237	-108	-72
Net income owned to parent company shareholders	183	181	364	115	383	498	134	178

■ Net Sales and Operating Income by Segment (y/y and deviations from the forecast)

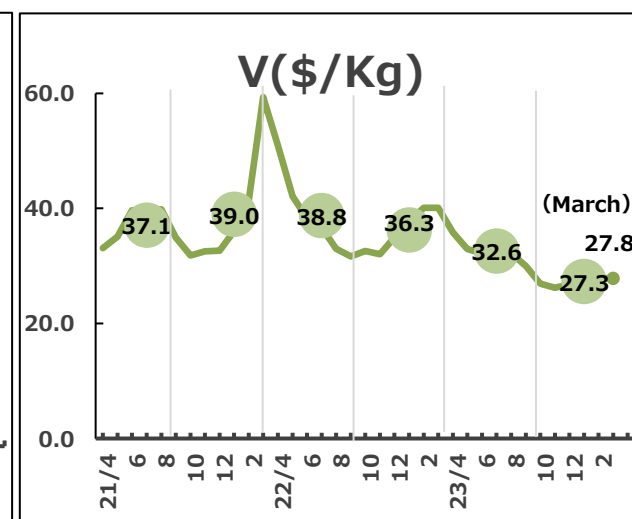
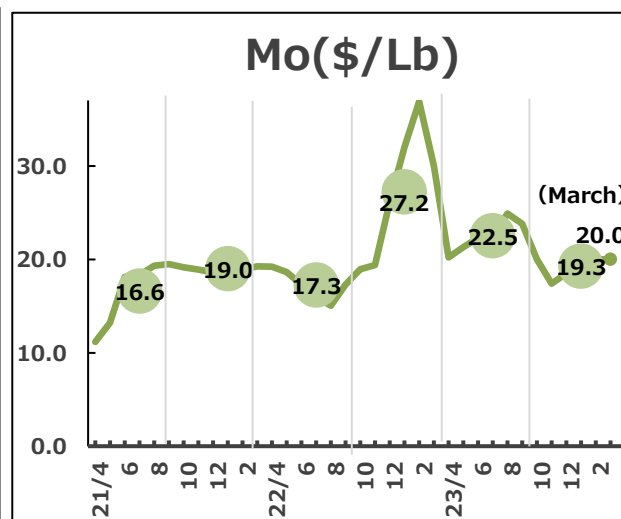
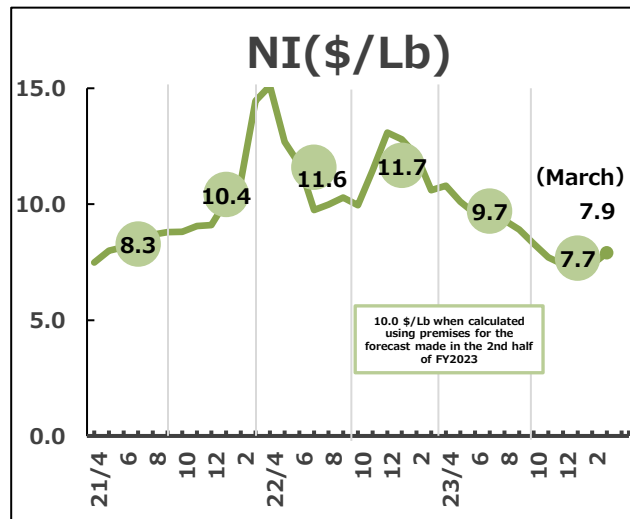
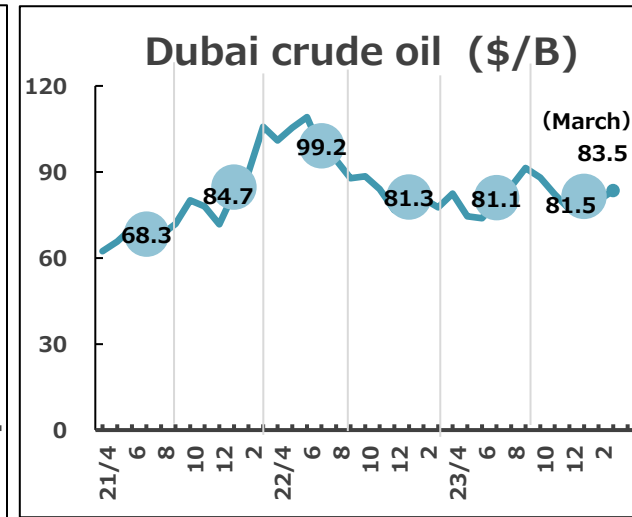
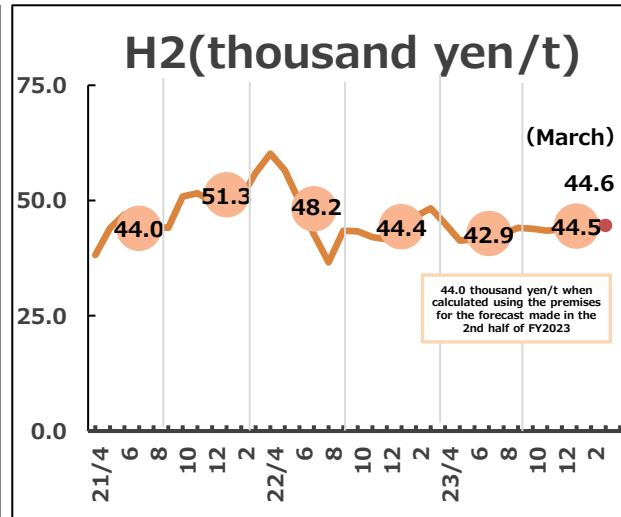
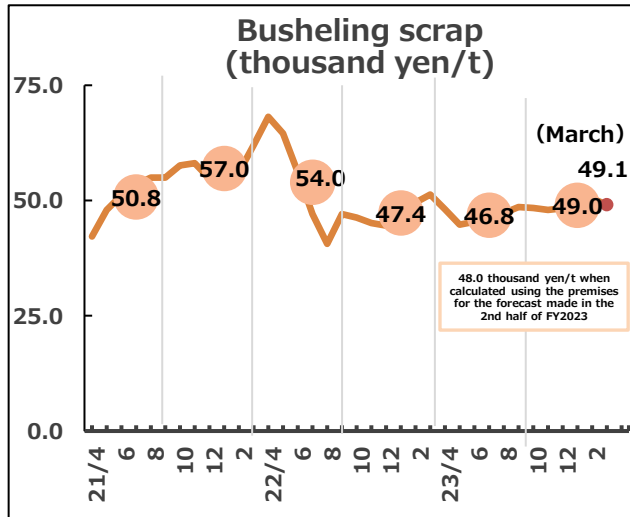
(¥100 million)

	FY2022 Results		FY2023 Results						y/y		Deviations from the forecast on October 30	
	Annual Results		First Half		Second Half		Annual Results					
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Specialty Steel	2,148	98	1,089	63	1,101	85	2,190	148	42	50	-80	13
High-performance Materials and Magnetic Materials	2,197	243	1,026	71	1,002	73	2,028	144	-169	-99	-72	-46
Parts for Automobile and Industrial Equipment	1,012	82	514	26	543	50	1,057	76	45	-6	-83	-24
Engineering	190	14	110	11	121	13	231	24	41	10	1	9
Trading and Service	239	33	147	19	160	10	307	29	68	-4	47	-1
Total	5,786	470	2,886	190	2,927	231	5,813	421	27	-49	-187	-49

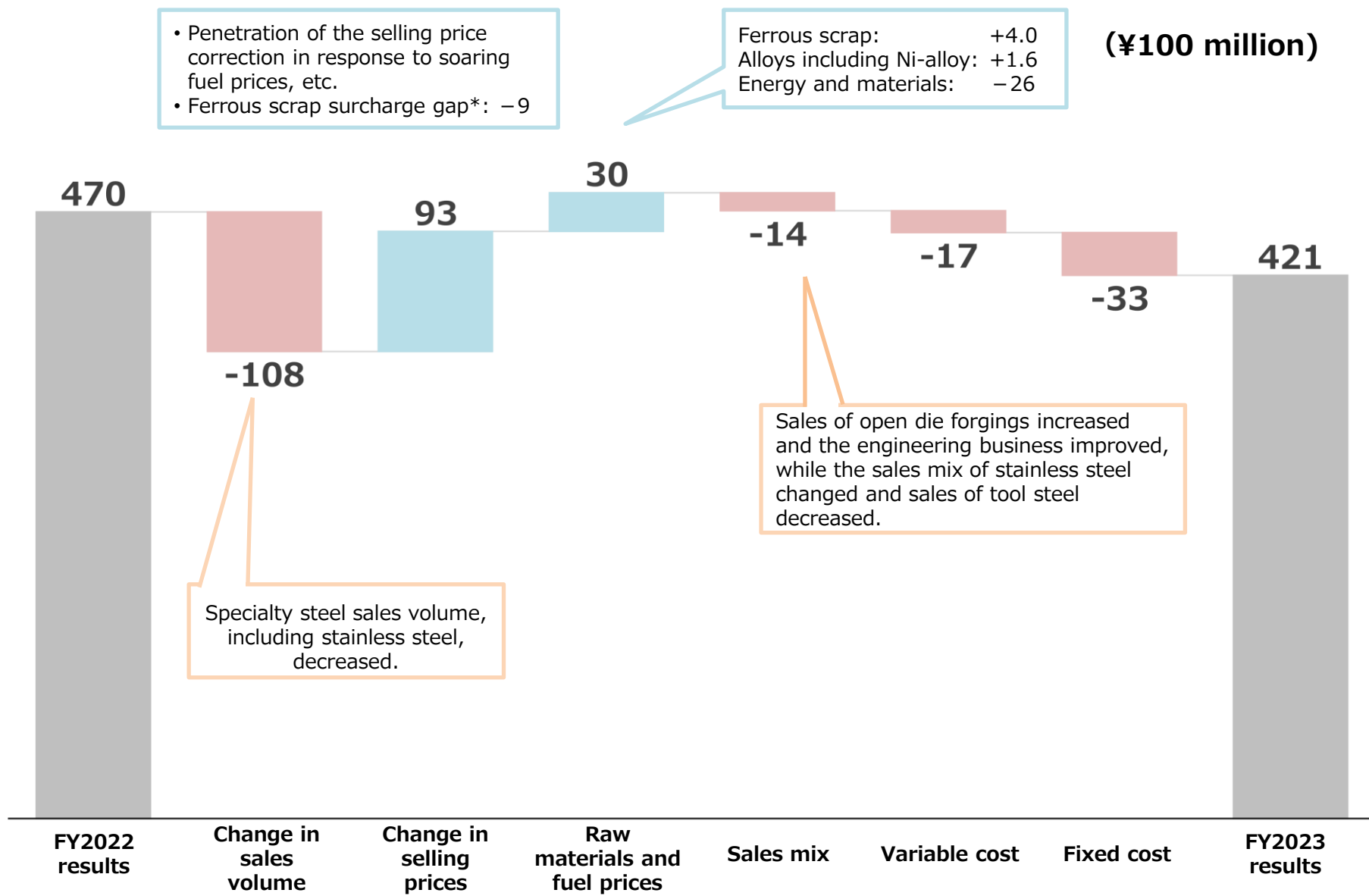
(thou. t)

Sales Volume of Specialty Steel (non-consolidated)	1,085	529	543	1,072	-13	-4
--	-------	-----	-----	-------	-----	----

Raw Materials Prices



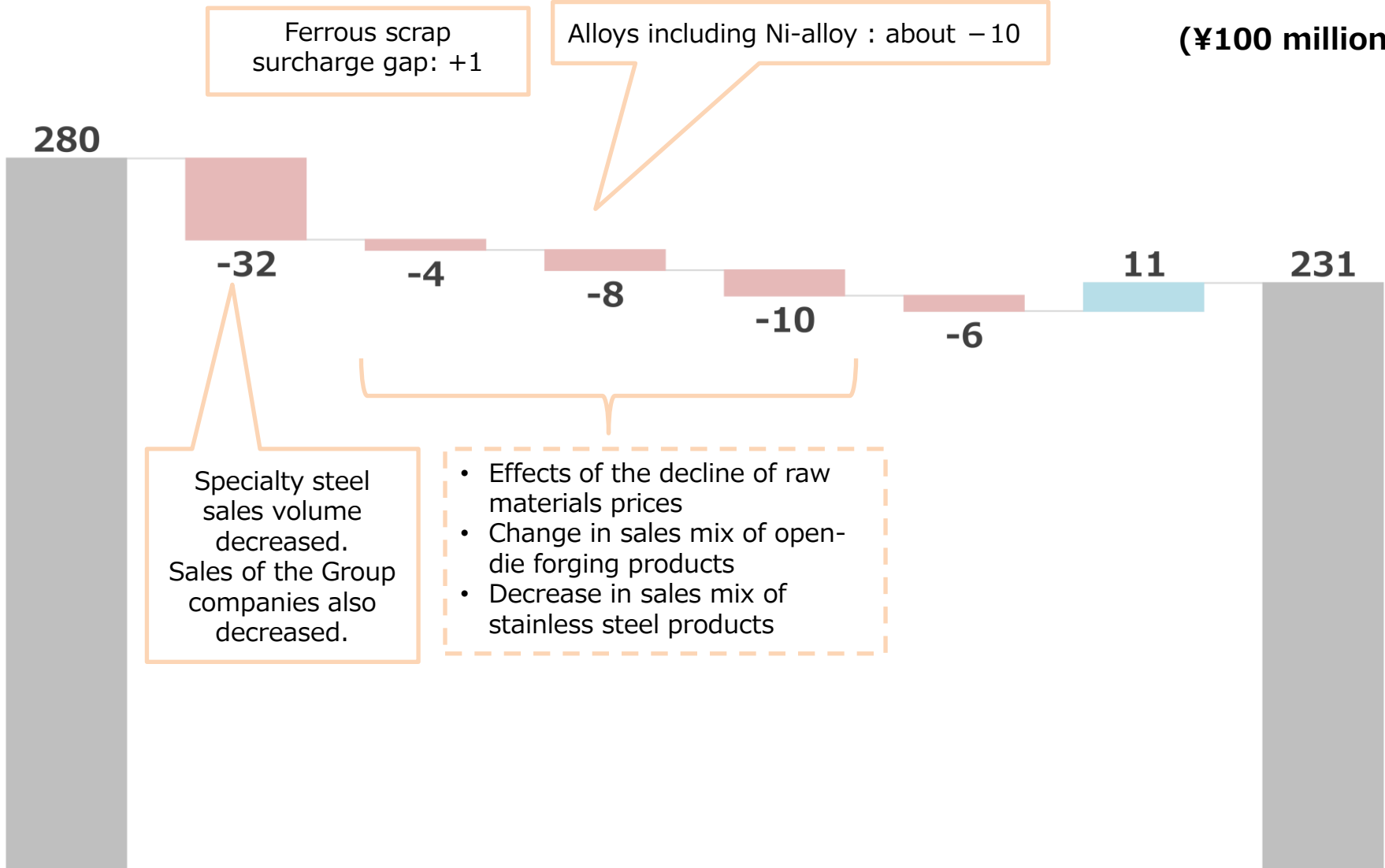
Changes in Operating Income in FY2023 (y/y)



* surcharge gap: the time lag to get the price adjustment agreed with customers.

Changes in Operating Income in the Second Half of FY2023 (Difference between the forecast on Oct. 30 and results for 4Q)

(¥100 million)



Forecast for the second half of FY2023

Change in sales volume

Change in selling prices

Raw materials and fuel prices

Sales mix

Variable cost

Fixed cost

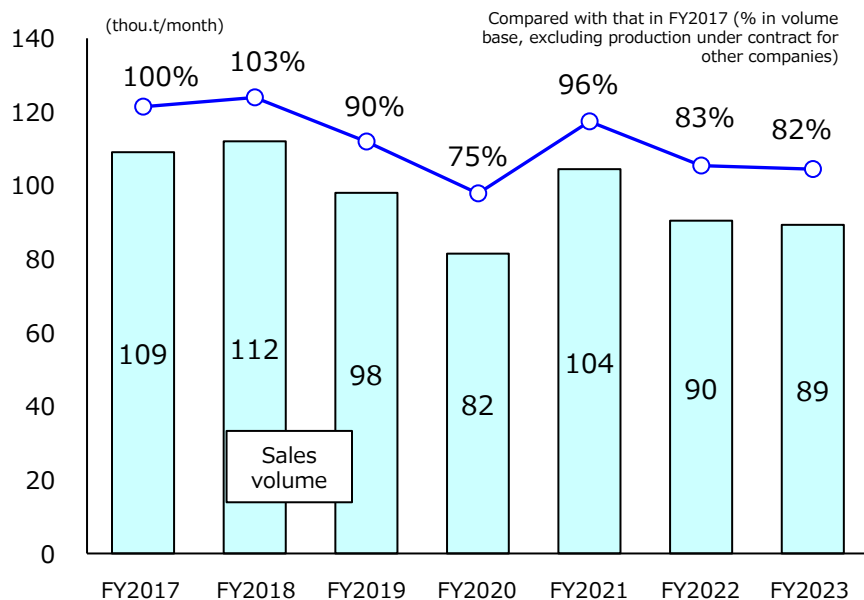
Results for the second half of FY2023

Overview of Specialty Steel

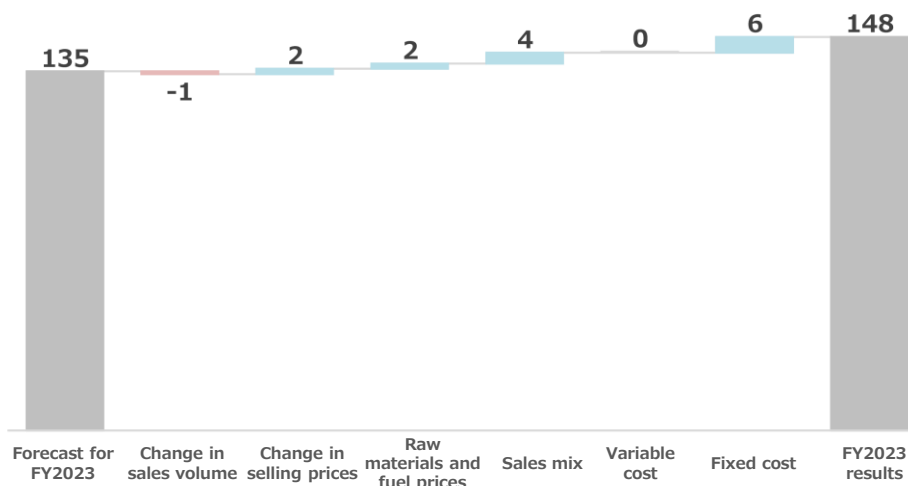
(¥100 million)

	FY2022	Forecast for FY2023	FY2023	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Net Sales	2,148	2,270	2,190	42	-80
Operating Income	98	135	148	50	13
Surcharge Gap	14	4	5	-9	1

Sales Volume of Specialty Steel (non-consolidated)



Changes in Operating Income (y/y) (¥100 million)



POINT 1 (y/y)

The sales volume of specialty steel for the automotive industry increased, due to the easing of constraints on semiconductor supplies.

In addition, the effects of selling price corrections of our products contributed to a significant increase in profit throughout the year.

POINT 2 (Deviations from the forecast)

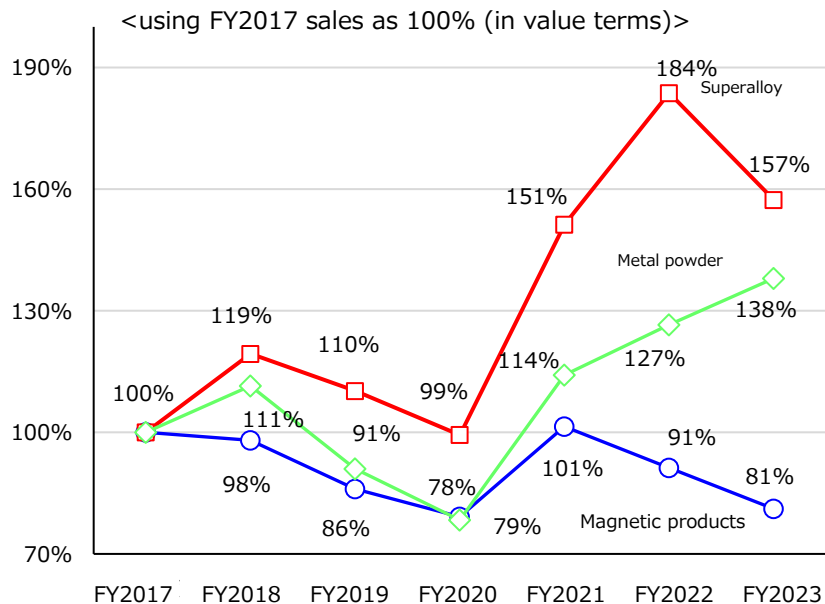
Our fixed cost burden decreased due to a temporary increase in inventories, which was allowed in an effort to continue efficient production with reduced power costs. In addition, gains resulting from favorable foreign exchange conditions through forward foreign exchange contracts at group companies also contributed to an increase in profits over those anticipated by the forecast.

Overview of High-Performance Materials and Magnetic Materials

(¥100 million)

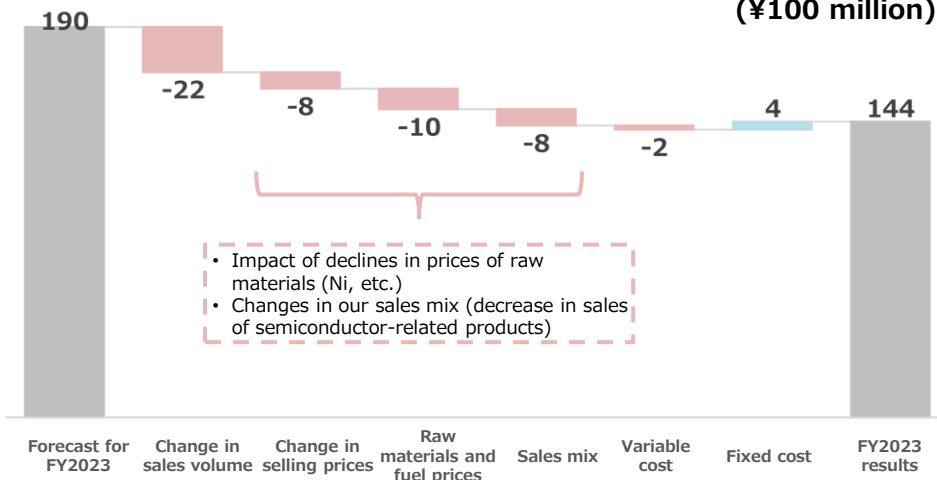
	FY2022	Forecast for FY2023	FY2023	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Net Sales	2,197	2,100	2,028	-169	-72
Operating Income	243	190	144	-99	-46

<Sales of superalloy, magnetic products and metal powder>



Changes in Operating Income (Deviations from the forecast)

(¥100 million)



POINT 1 (y/y)

Net income decreased due to lower sales volumes, despite efforts to adjust the selling prices of our products to compensate for rising energy costs.

POINT 2 (Deviations from the forecast)

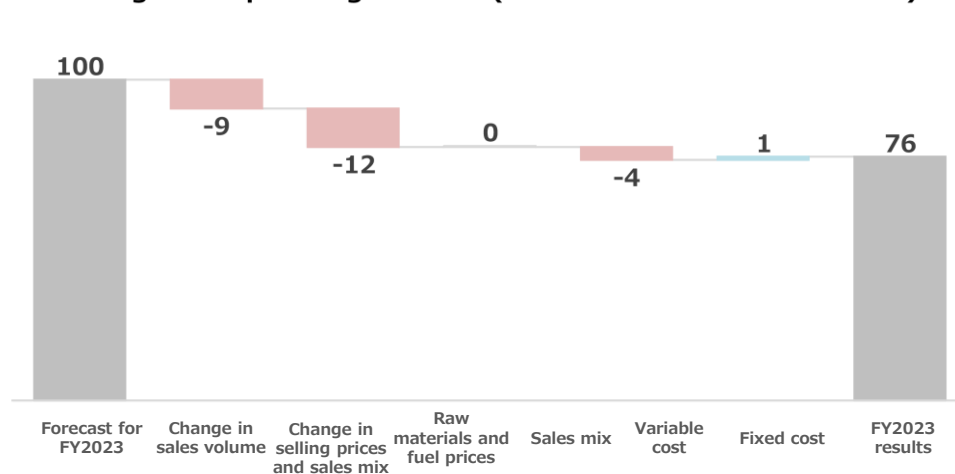
Shipment volume decreased from the forecast, due to sluggish demand for steel for semiconductor manufacturing equipment and industrial equipment. In addition, profits decreased due to temporary circumstances, such as the inventory revaluation reflecting a decline in nickel prices.

Overview of Parts for Automobile and Industrial Equipment

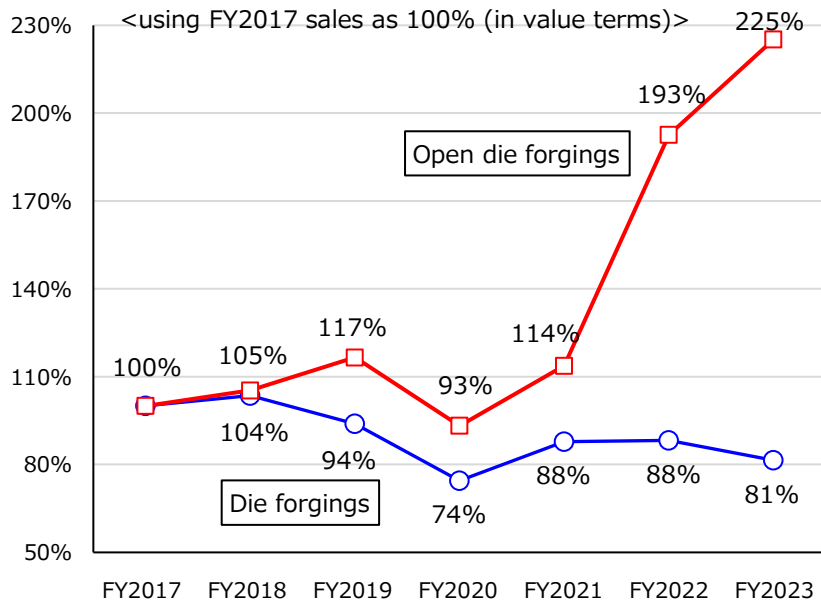
(¥100 million)

	FY2022	Forecast for FY2023	FY2023	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Net Sales	1,012	1,140	1,057	45	-83
Operating Income	82	100	76	-6	-24

(¥100 million)
Changes in Operating Income (Deviations from the forecast)



<Sales of die forgings and open die forgings>



POINT 1 (y/y)

Operating income decreased from the previous year due to a decrease in the number of orders for cold-rolled steel strip products and precision castings.

POINT 2 (Deviations from the forecast)

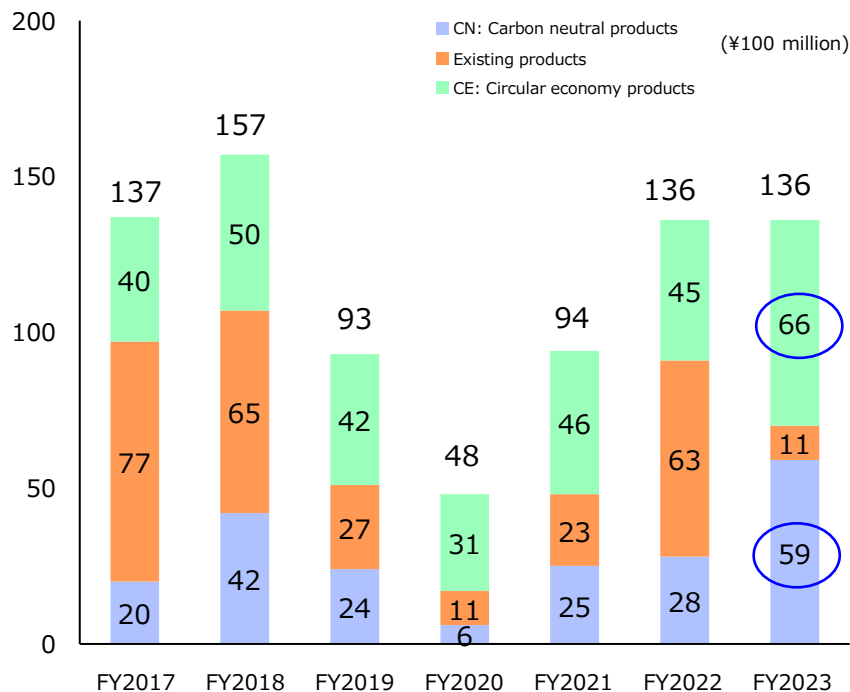
Open-die forging orders remained strong for energy-related and aircraft-related products, but operating income did not attain the forecasted level, due to changes in the product sales mix.

Overview of Engineering Business

(¥100 million)

	FY2022	Forecast for FY2023	FY2023	y/y	Deviations from the forecast
	a	b	c	c-a	c-b
Net Sales	190	230	231	41	1
Operating Income	14	15	24	10	9

<Changes in the number of orders in engineering business (non-consolidated)>

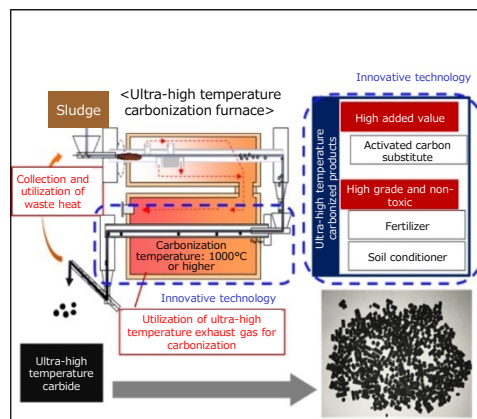


POINT 1 (y/y and deviations from the forecast)

Both sales and operating income increased from the previous year, thanks to the expansion of demand for carbon-neutral products as well as strong performance in the equipment maintenance business.

POINT 2 (Special note)

Daido Steel's "Demonstration Research on Ultra-High Temperature Carbonization Technology that Adds Value to Sludge and Contributes to Achieving a Low-Carbon Society" was selected for the FY2023 B-DASH Project, an innovative technology demonstration project for sewage systems, and we constructed a full-scale demonstration facility.



Demonstration facility building for ultra-high temperature carbonization equipment

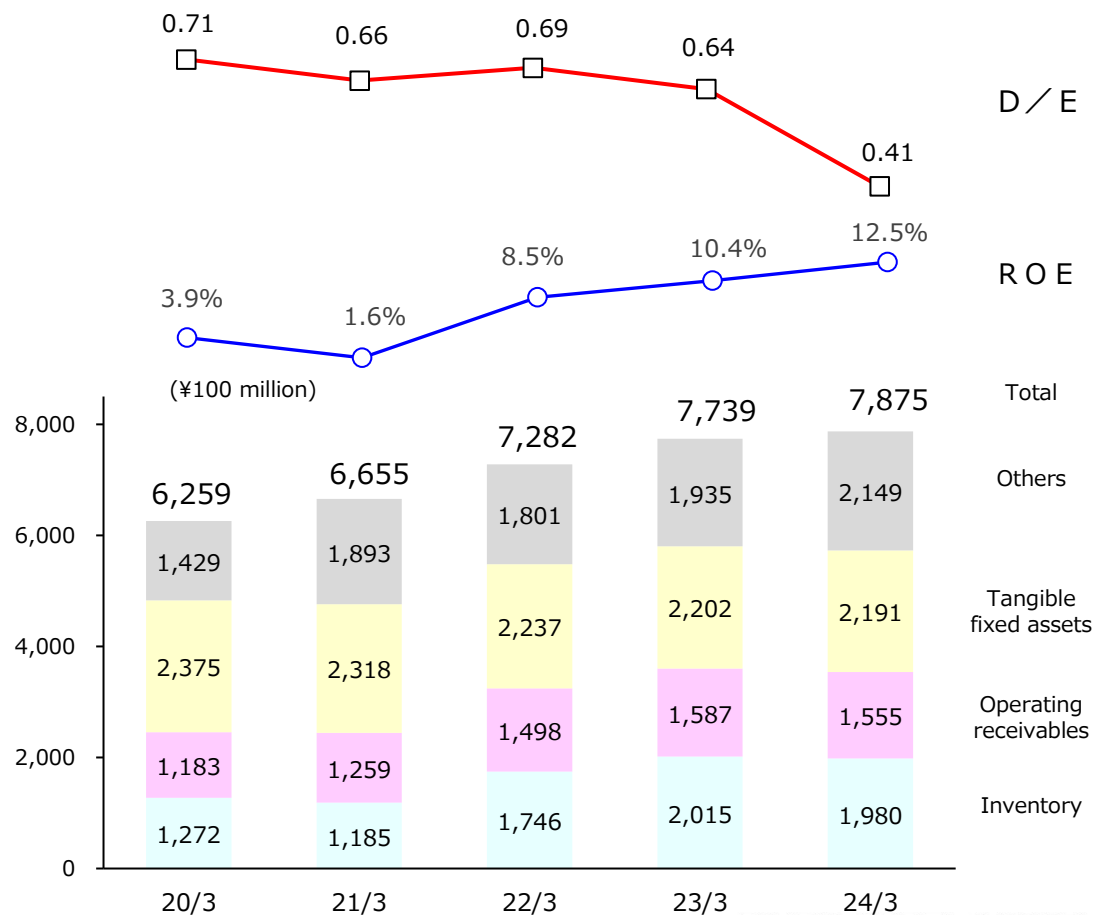


■ Total Assets, Interest-Bearing Debt, D/E Ratio

- Total assets increased, due to the rise in the market value of cross-shareholdings (including deemed shareholdings) despite the sale of investment securities (35.8 billion yen in sales), sales of real estate held by the company, and the reduction of working capital.
- Our D/E ratio improved because some interest-bearing debts were repaid as a temporary funding measure, until the allocation of funds from asset sales to strategic investments is completed.

(¥100 million)

	23/3	24/3	Compared with previous year
Current assets	4,281	4,254	-27
Cash and deposits	582	642	60
Operating receivables	1,587	1,555	-32
Inventory	2,015	1,980	-35
Fixed assets	3,458	3,621	163
Tangible fixed assets	2,202	2,191	-11
Investment securities	903	891	-12
Total of assets	7,739	7,875	136
Debts	3,684	3,198	-486
Interest-bearing debt	2,368	1,769	-599
Net assets	4,055	4,677	622
Equity capital	3,687	4,284	597
Non-controlling interest	368	393	25
Total of debt and net assets	7,739	7,875	136

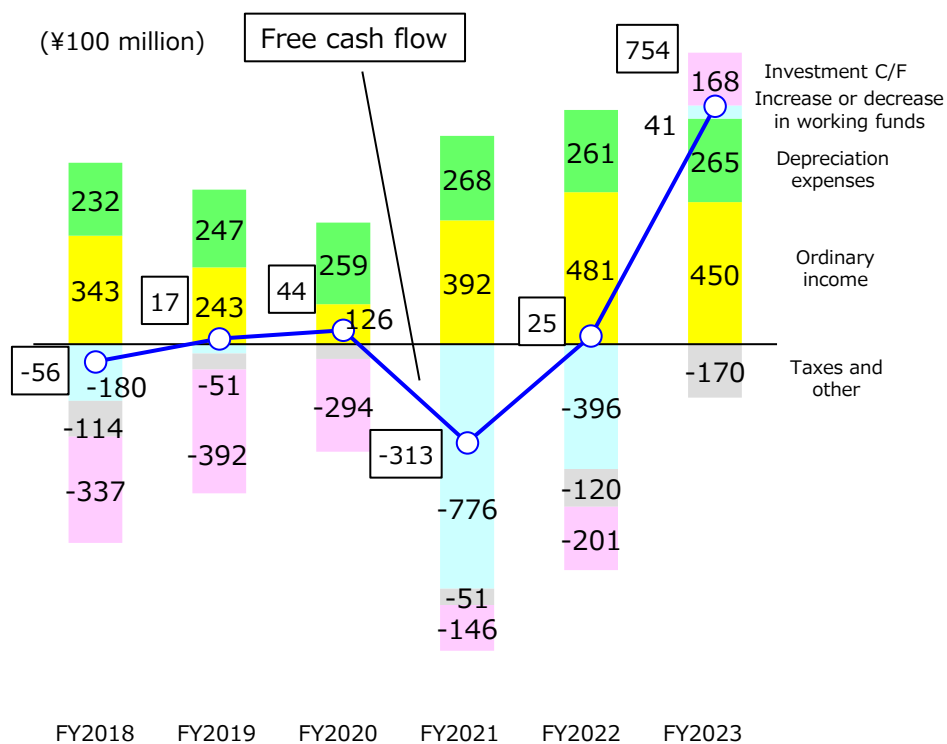


Cash Flow

- Free cash flow was significantly positive, due to the sale of assets held by the company and improvements in working capital, etc., in addition to the high level of profit recorded.
- We intend to put the cash acquired for strategic investments to effective use in growth areas, to further strengthen our business structure.

(¥100 million)

		FY2021 Results	FY2022 Result	FY2023 Results	
Operating C/F	Ordinary income	392	481	450	
	Depreciation expenses	268	261	265	
	Increase or decrease in working funds	Accounts receivable	-239	-80	48
		Accounts payable	-28	-59	-65
		Inventory	-509	-257	58
			-776	-396	41
	Taxes and other	-51	-120	-170	
		-167	226	586	
Investment C/F	Capital investment (tangible)	-191	-215	-272	
	Other	45	14	440	
		-146	-201	168	
Free cash flow		-313	25	754	



Outlook for FY2024 (April 2024 to March 2025)

■ FY2024 Plan Overview

Perspectives on the current business environment

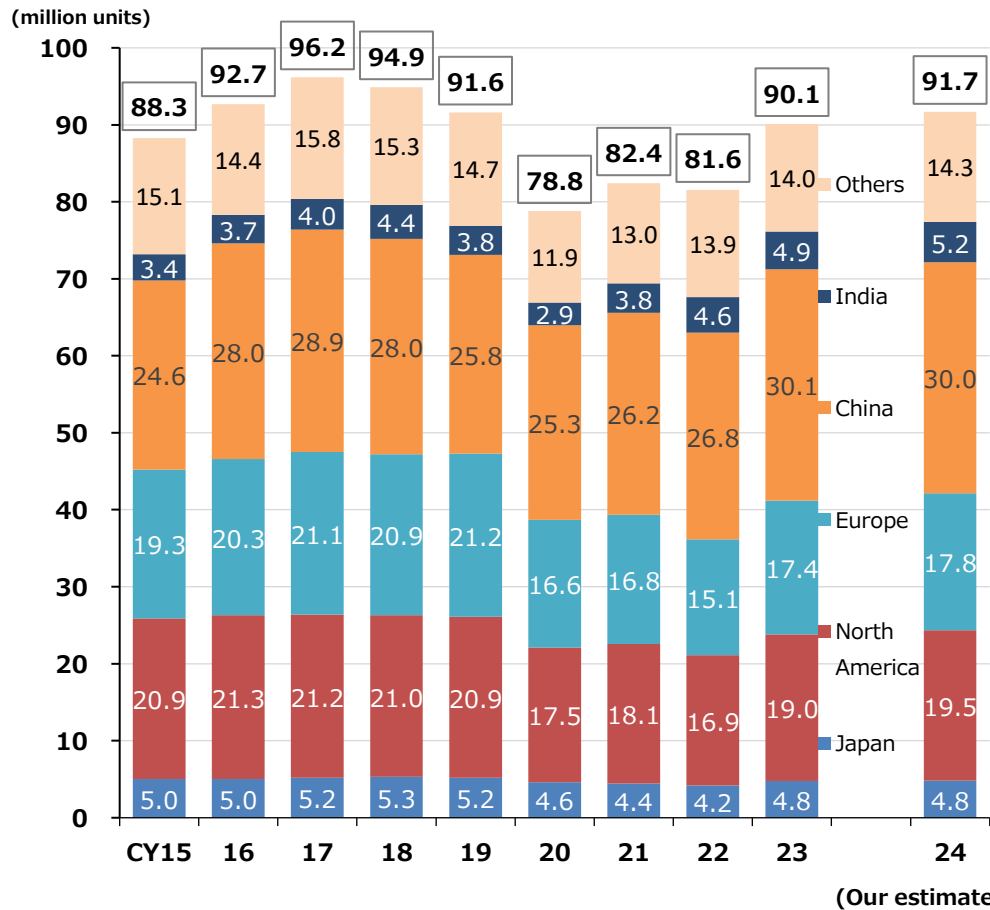
- The recent increase in automobile production due to the easing of the shortage of parts, including semiconductors, is expected to run its course and return to a level commensurate with actual demand in the next fiscal year.
Demand for industrial equipment-related products is also expected to recover moderately through the second half of FY2024. Demand for semiconductor-related products, which was sluggish in FY2023, may pick up sharply in FY2024.
- The business environment will be fraught with downside risks to the global economy, including price hikes and supply chain disruptions due to the tensions in Ukraine and the Middle East.

Our basic policy

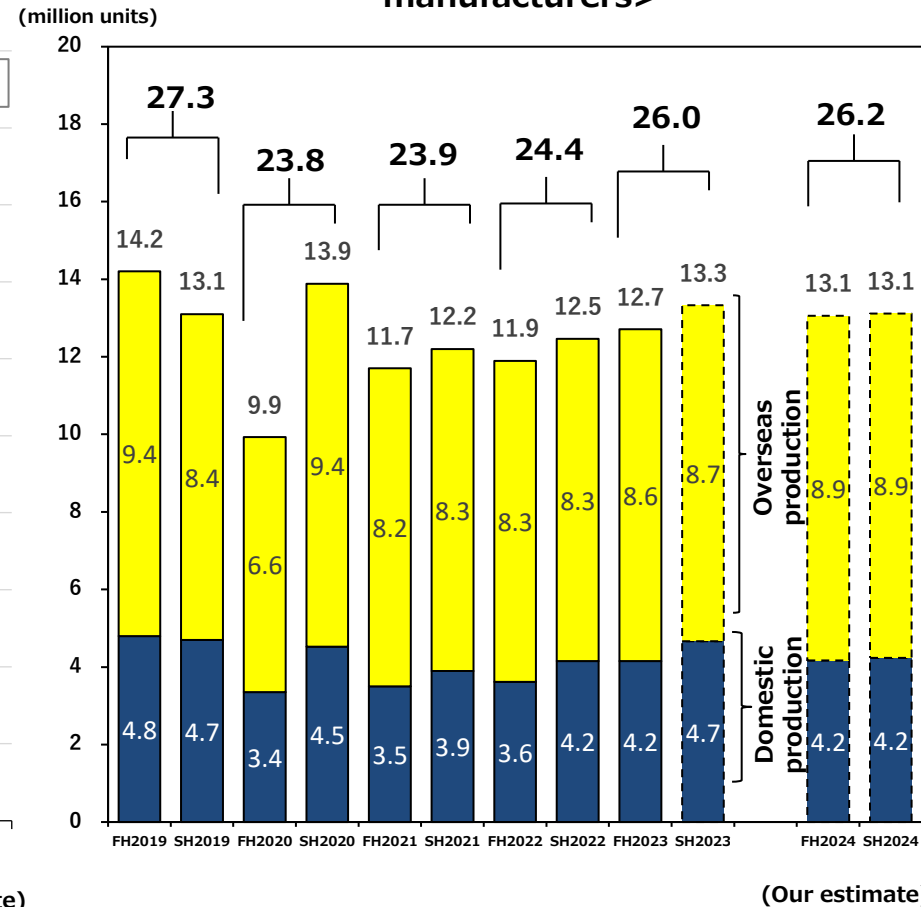
- In this environment of rising inflation and wage hike pressure (affecting both our labor and freight costs), we will reduce costs steadily, improve labor productivity, and implement sales pricing strategies.
- Our management strategy will be to be alert and respond nimbly to changes in the business environment. In addition, we will continue to further improve our cash flow by such necessary measures as controlling our inventories properly and watching carefully for the approach of soaring prices.
- We will also continue to make appropriate capital investments that enable flexible increases in production, spotting times when demand for our strategic products will grow. We will also continue promoting our mid- to long-term business portfolio reforms. Furthermore, we will respond flexibly to any sudden increase in the demand for stainless steel for semiconductor-manufacturing equipment, including enhancing the production capacity for such products.

■ Outlook for Major Markets (Automobile-Related Demand)

<Estimated global demand for automobiles>



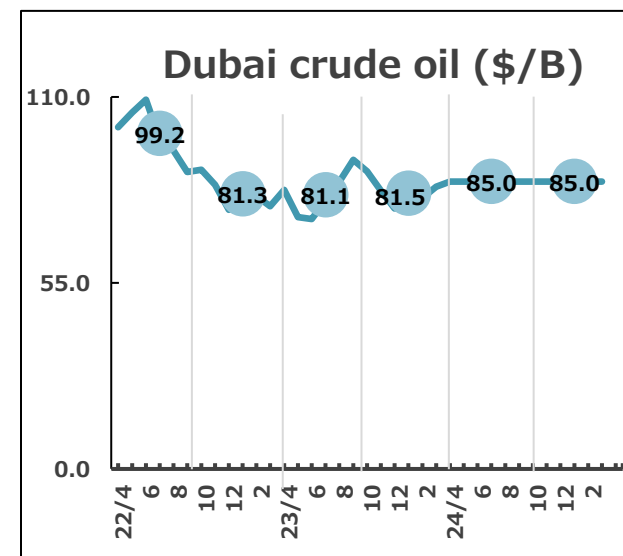
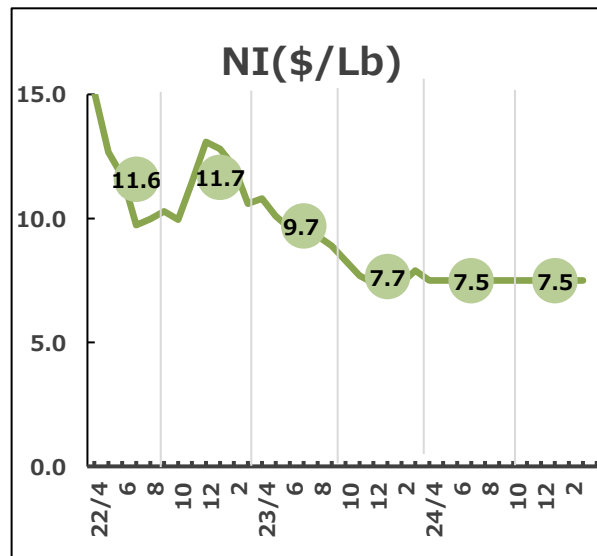
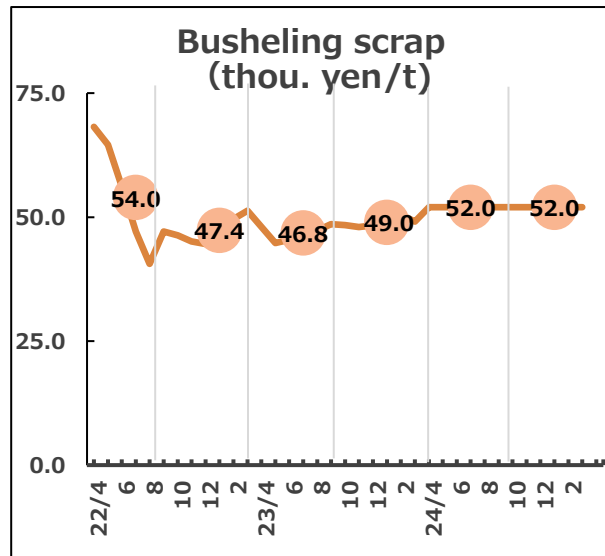
<Prospective car production by Japanese car manufacturers>



✓ Demand is expected to be generally on a par with the previous year, because this recovery lacks strength, partly due to a slowdown in the Chinese economy.

Profit-Planning Premises for FY2024 (Market Trends)

			FY2022 Results	FY2023 Results	Premises for FY2024' Plan	
						y/y
Ferrous Scrap	H2	Thou. yen/t	46.3	43.7	47.5	3.8
	Busheling scrap		50.7	47.9	52.0	4.1
Nickel	LME	\$/Lb	11.6	8.7	7.5	-1.2
Crude oil	Dubai	\$/B	90.3	81.3	85.0	3.7
Exchange rate	T T M	Yen/\$	135.5	144.6	150.0	5.4



Consolidated Earnings Outlook for FY2024

- We expect demand for semiconductor- and industrial equipment-related products to recover in the second half of FY2024, and plan to have increased profits, as compared with FY2023.
- Operating income is anticipated to drop by 2 billion yen, due to the change of accounting standards from Japanese GAAP to IFRS.

(thou. yen • ¥ 100 million)

	FY2023 Results (Japanese GGAP)			FY2024 Forecast (IFRS)			y/y
	First Half	Second Half	Total	First Half	Second Half	Total	
Sales Volume of Specialty Steel	529	543	1,072	526	554	1,080	8
Net Sales	2,886	2,927	5,813	2,900	3,100	6,000	187
Operating Income	190	231	421	220	260	480	59
Pretax Profit	184	551	735	230	270	500	-235
Corporate Tax and Other Taxes	-69	-168	-237	-80	-90	-170	67
Net income owned to parent company shareholders	115	383	498	150	180	330	-168
(Reference) Operating income calculated under Japanese GAAP.				220	280	500	79

■ Net Sales & Operating Income by Segment (y/y)

(¥100 million)

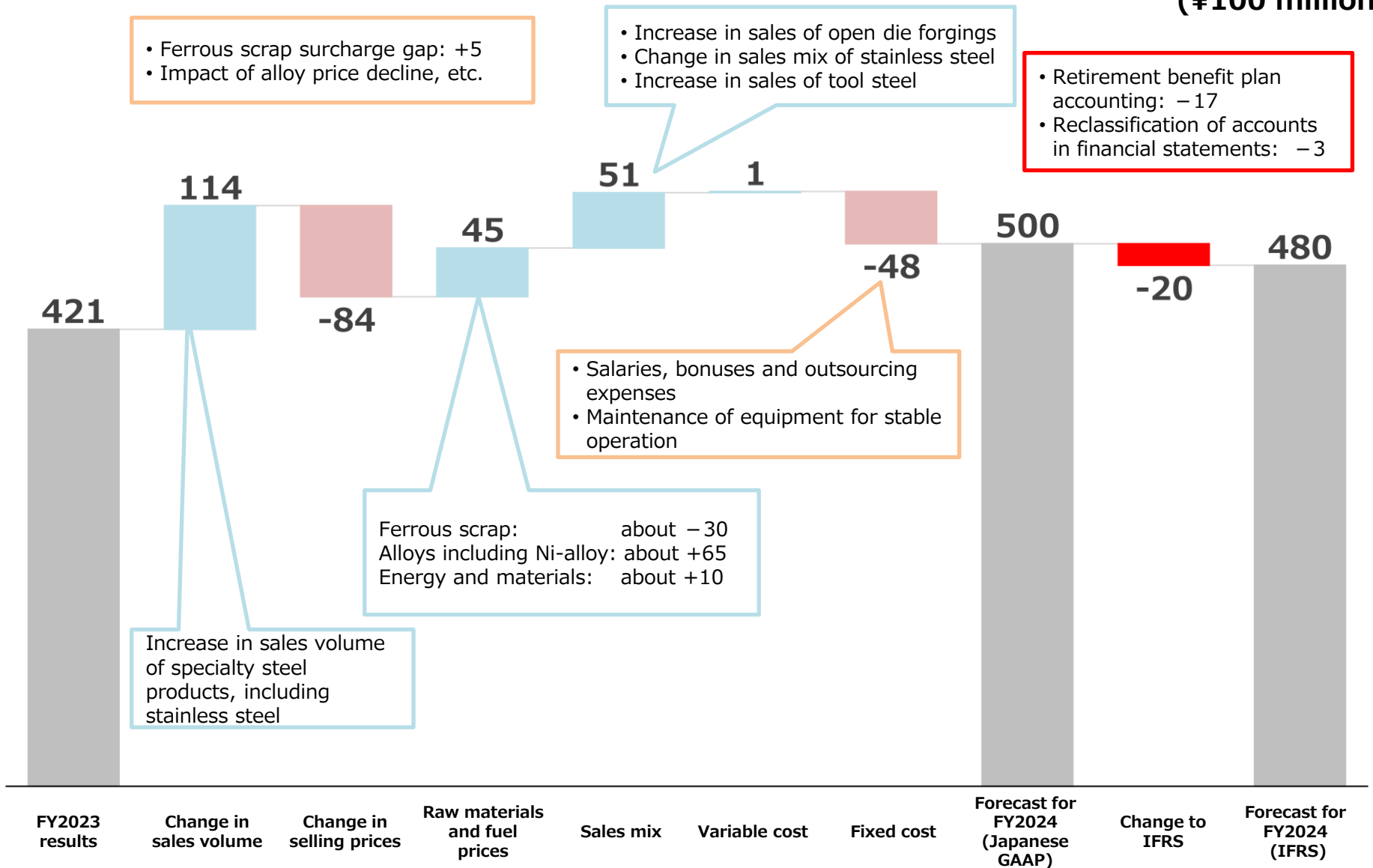
	FY2023 (Japanese GAAP)		FY2024 Forecast (IFRS)						y/y	
	Annual Results		First Half		Second Half		Annual Results		Net Sales	Operating Income
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income		
Specialty Steel	2,190	148	1,100	55	1,150	70	2,250	125	60	-23
High-Performance Materials and Magnetic Materials	2,028	144	1,000	95	1,100	110	2,100	205	72	61
Parts for Automobile and Industrial Equipment	1,057	76	550	50	600	60	1,150	110	93	34
Engineering	231	24	100	5	100	10	200	15	-31	-9
Trading and Service	307	29	150	15	150	10	300	25	-7	-4
Total	5,813	421	2,900	220	3,100	260	6,000	480	187	59

(thou. t)

Sales Volume of Specialty Steel (non-consolidated)	1,072	526	554	1,080	8
--	-------	-----	-----	-------	---

Changes in Operating Income for FY2024 (y/y)

(¥100 million)



Overview by Segment (specialty steel, high-performance materials and magnetic materials, and parts for automobile and industrial equipment)

Specialty Steel

(¥100 million)

	FY2023	FY2024 (Japanese GAAP)			y/y d-a	FY2024 (IFRS)
		First Half	Second Half	d		
		a	b			
Net sales	2,190	1,100	1,150	2,250	60	2,250
Operating income	148	55	80	135	-13	125
Surcharge gap	5	2	8	10	5	

POINT

- Operating income will decrease due to the current decrease in the sales volume of automotive parts and increases in fixed costs.
- Our plants will make efforts to ensure efficient production, in response to changes in the external business environment.

High-Performance Materials and Magnetic Materials

(¥100 million)

	FY2023	FY2024 (Japanese GAAP)			y/y d-a	FY2024 (IFRS)
		First Half	Second Half	d		
		a	b			
Net sales	2,028	1,000	1,100	2,100	72	2,100
Operating income	144	95	115	210	66	205

POINT

- Profits will increase from the previous term, due to increased shipments of products, including stainless steel.
- To cope with a rising demand for semiconductor manufacturing equipment, we will respond flexibly to maximize the shipment of steel that is needed for that product line.

Parts for Automobiles and Industrial Equipment

(¥100 million)

	FY2023	FY2024 (Japanese GAAP)			y/y d-a	FY2024 (IFRS)
		First Half	Second Half	d		
		a	b			
Net sales	1,057	550	600	1,150	93	1,150
Operating income	76	50	65	115	39	110

POINT

- With the number of orders for open die forgings remaining high, operating income is expected to exceed the previous year's level.

Dividends per Share for FY2024

	FY2023		FY2024 (Forecast)	
	Interim	Year-end	Interim	Year-end
Operating income (¥100 million)	190	421	220	480
Net income (¥100 million) *1	115	498	150	330
Dividend (yen/share) *2	20.0	46.0 (End of term: 26.0)	21.0	47.0 (End of term: 26.0)
Dividend payout ratio (%)	37.2	19.7	29.8	30.4

Dividend payout ratio excluding one-time effects (*3)

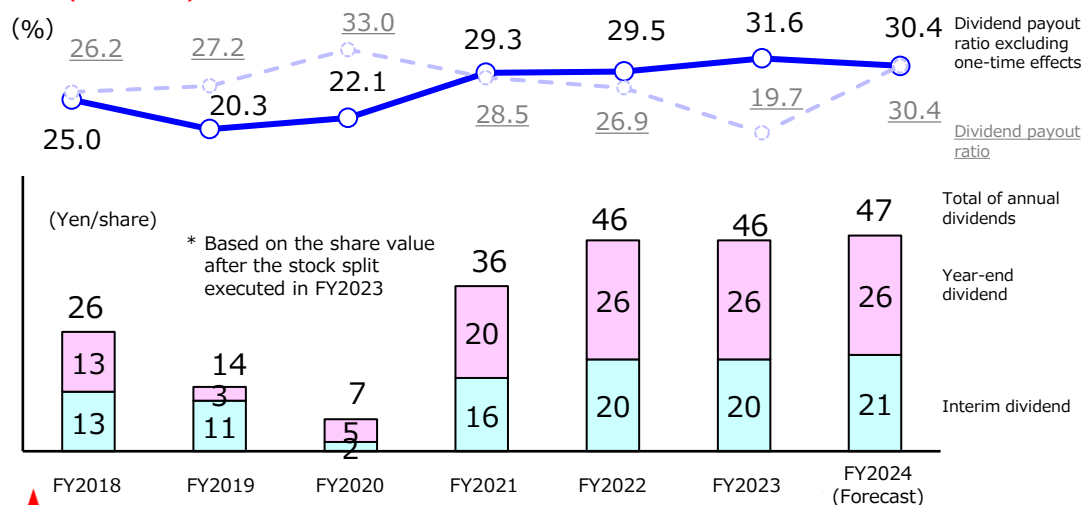
Dividend payout ratio (%)	30.1	31.6	29.8	30.4
---------------------------	------	------	------	------

*1. Net income owned to parent company shareholders.

*2. Effective January 1, 2024, the company executed a 5-for-1 stock split of shares of common stock.

Dividends per share for FY2023 are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year.

*3 Capital gains on securities and fixed assets, losses on the liquidation of affiliates, and impairment losses on fixed assets are excluded (after tax)

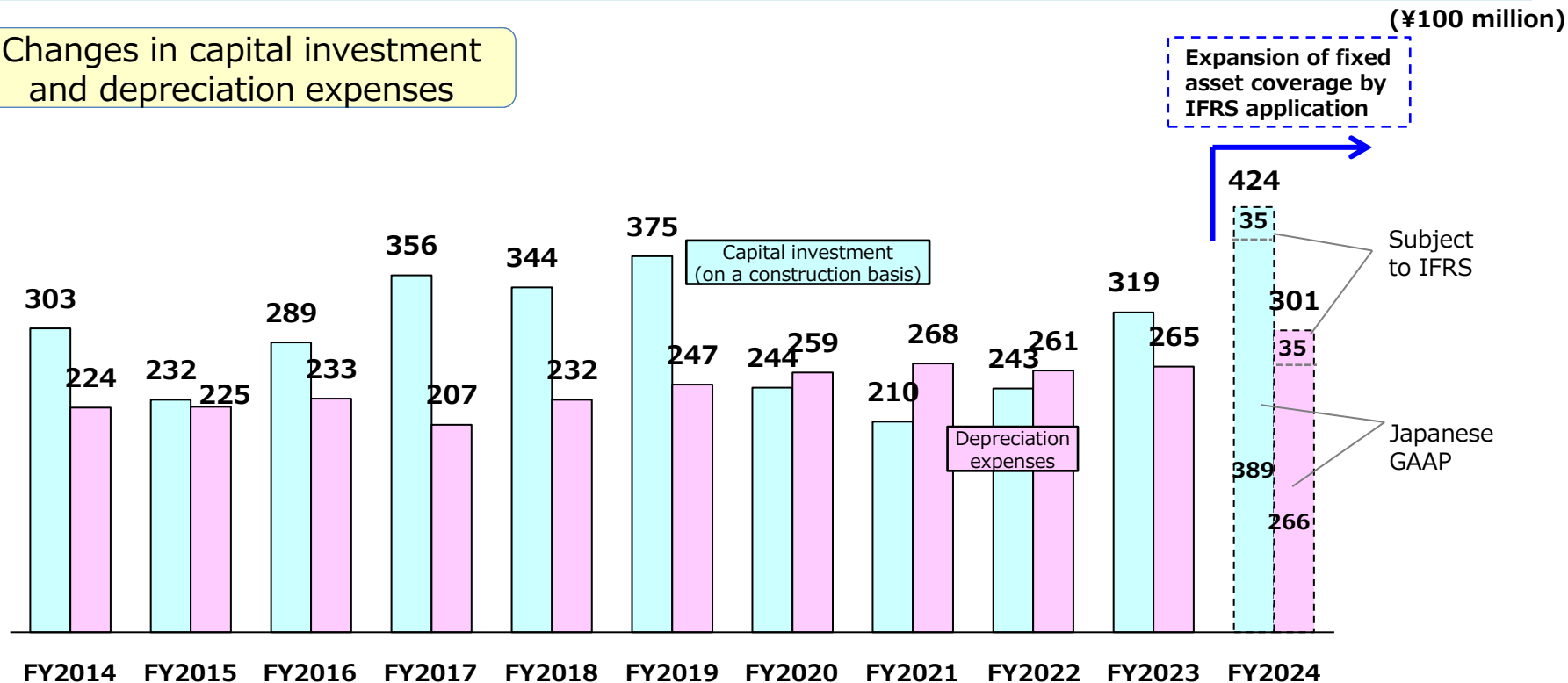


We will aim for a dividend payout ratio of 30%, excluding one-time earnings effects, taking into account the current financial situation, future strategic investments, carbon neutral investments, and other factors.

Capital Investments

- In addition to strategic investments in fast-growing markets and investments for improving productivity that we expect will contribute to earnings growth, we will also promote the strengthening of our business foundations, including CO2 reduction and BCP measures. (These latter include updating and earthquake resistance enhancement of important facilities, and environment protection activities).
- In FY2024, we plan to launch into use various strategically important equipment, such as two vacuum re-melting furnaces (VAR) for high-performance stainless steel and superalloy steel.

Changes in capital investment and depreciation expenses



Topics

Mid-term Management Plan Progress

➤ **Operating income exceeded the level set in the mid-term plan.**

Although the specialty steel sales volume was below the target set by the mid-term plan, the introduction of energy surcharges and other factors stabilized our performance in the face of fluctuations in prices for raw materials and fuel.

➤ We will make strategic investments in fast-growing areas to capture demand for our products in a timely fashion.

	FY2023 mid-term targets	FY 2023 results	Evaluation
Operating income	Not less than 40 billion yen	42.1 billion yen	Operating income was higher than the target value.
ROE (Return on Equity)	8.0%	12.5%	ROE was significantly higher than the target value due to the sale of cross-shareholdings.
D/E ratio	0.50	0.41	Our financial position was strengthened by improved cash flow.
3-year total of investment (on an approval basis)	85 billion yen	94.7 billion yen	Strategic investments were promoted in fast-growing areas.
Specialty steel sales	Over 1,200 thousand tons	1,072 thousand tons	We failed to reach the target values for automobile- and industrial equipment-related products, due to declines in demand.

Changes in Operating Income from the FY2023 Mid-Term Plan (FY2023 Results)

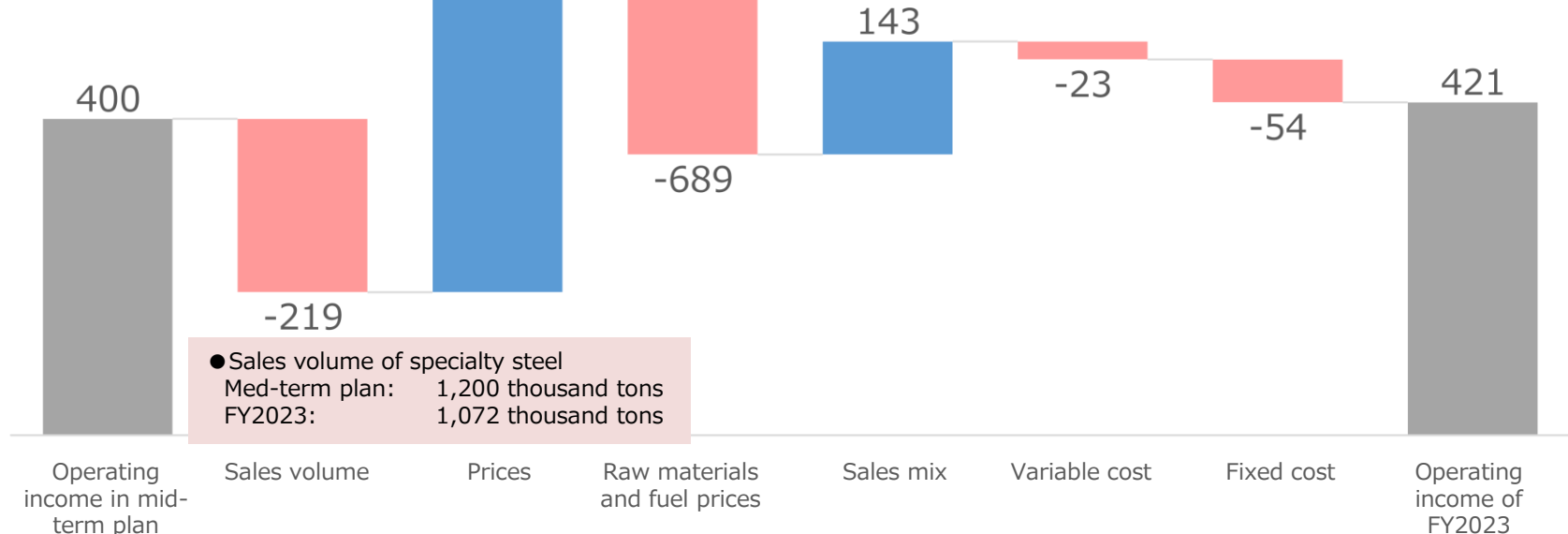
Revision of the selling prices of our products to compensate for soaring raw materials and fuel prices. Our roll margins (processing charges) improved.

Market condition	FY2023 mid-term plan	FY2023 results
Exchange rate	105	145 (Yen/\$)
Ferrous scrap	38	47.9 (thou. yen/t)
Crude oil (Dubai)	60	81 (\$/b b l)
Ni (LME)	8.5	8.7 (\$/l b)

(¥100 million)

Breakdown of raw Materials and fuel prices

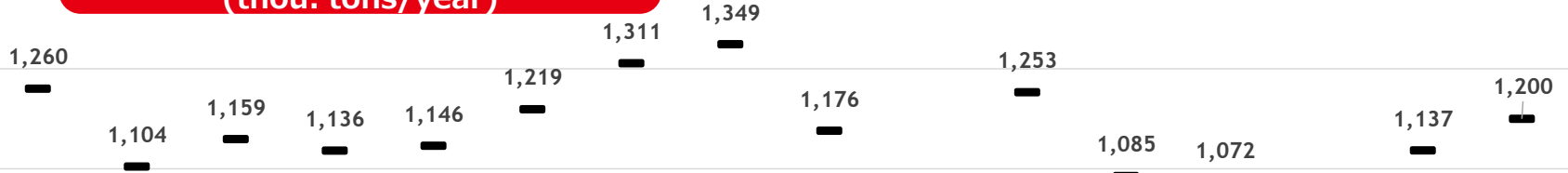
Ferrous Scrap	- 89
Energy	- 193
Alloys including Ni-alloy	- 407



● Sales volume of specialty steel
 Med-term plan: 1,200 thousand tons
 FY2023: 1,072 thousand tons

Changes in Consolidated Operating Income (Comparison with the 2023 Mid-Term Management Plan)

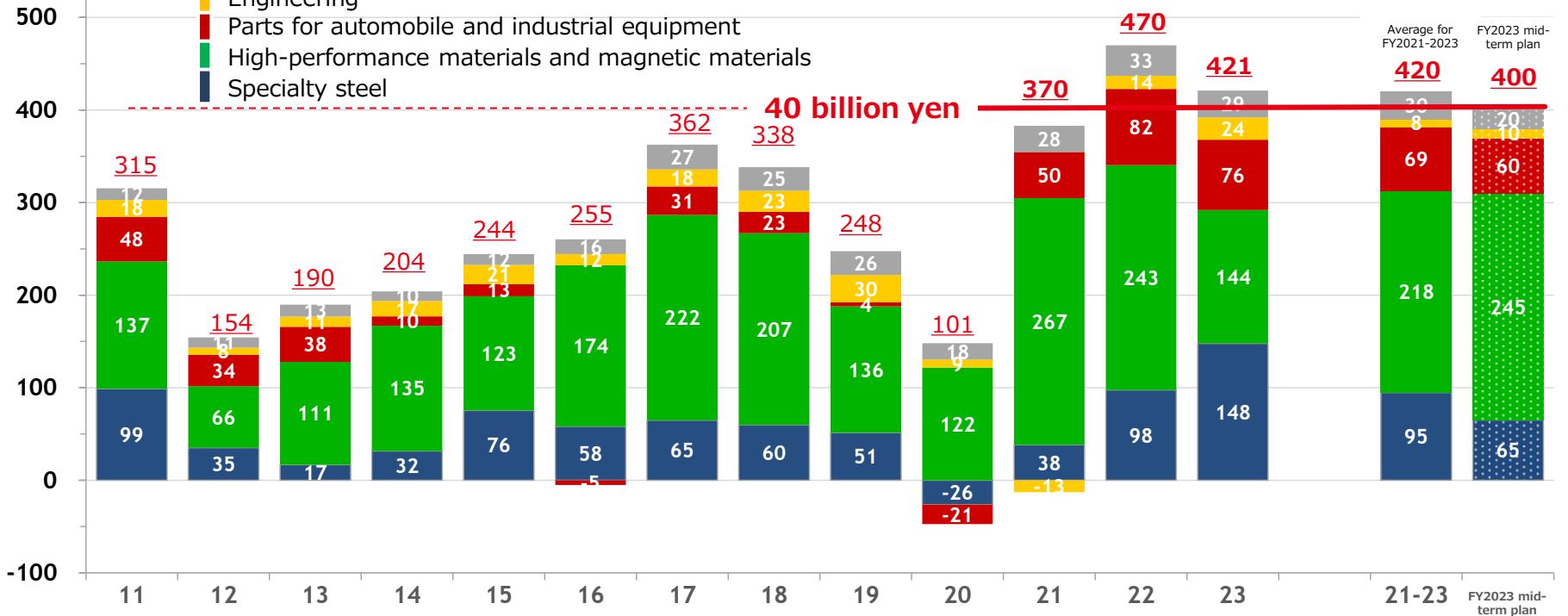
Specialty steel sales volume
(thou. tons/year)



Consolidated operating income
(¥100 million/year)

- Trading and service
- Engineering
- Parts for automobile and industrial equipment
- High-performance materials and magnetic materials
- Specialty steel

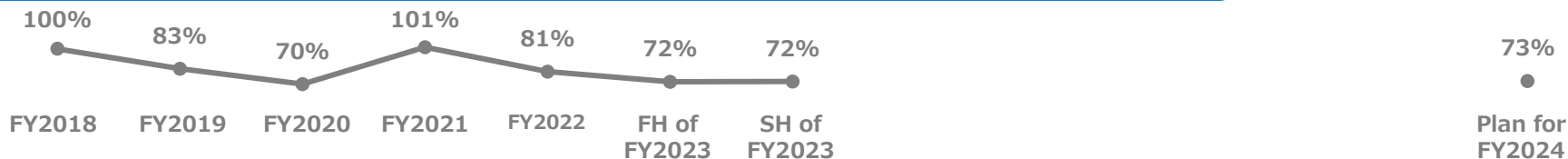
Consolidated operating income ≥ 40 billion yen attained



Industrial Equipment-Related Product Demand Trends

- ✓ Demand for our industrial equipment-related product (structural steel) in FY2024 is expected to be about 70% of the FY2018 level.
- ✓ Machine tool order statistics also show that the demand is declining about 30% from the FY2018 level, after adjustments for price fluctuations.
- ✓ We expect that demand will gradually recover toward the latter half of FY2024.

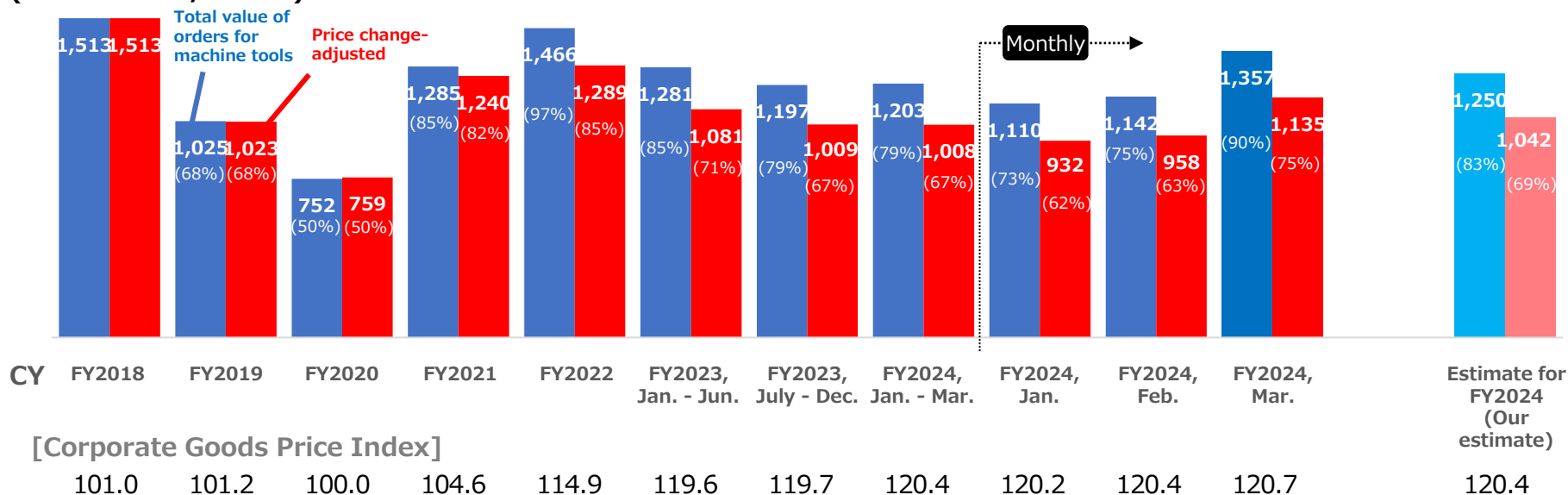
Changes in orders for our industrial equipment-related product (structural steel) (FY2018=100)



Value of orders for machine tools (Japan Machine Tool Builders' Association: "Machine Tool Statistics")

(¥100 million/month)

(Figures in parentheses indicate the rate of difference from FY2018.)

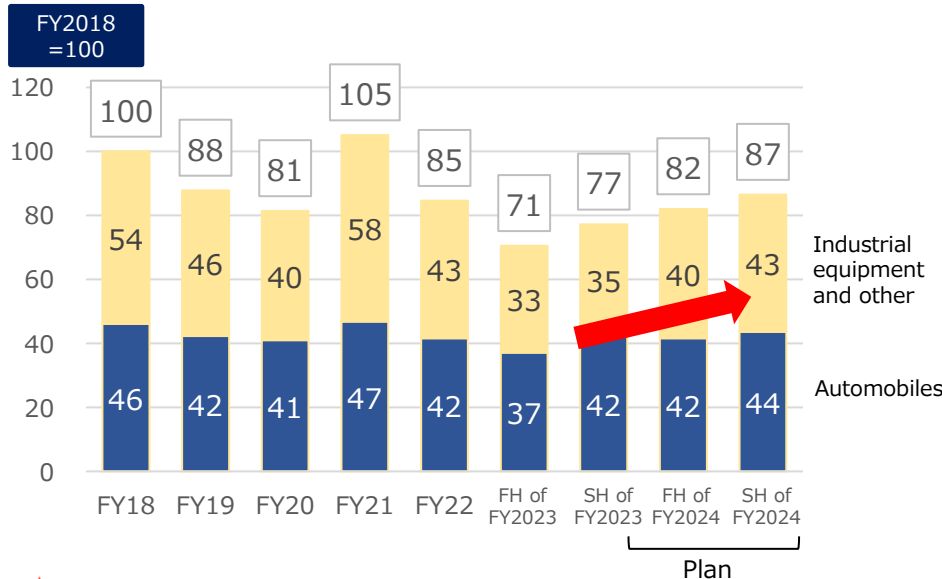


Value of Machine Tool Orders: Compiled by Daido Steel based on "Machine Tool Statistics," Japan Machine Tool Builders' Association.
 Corporate Goods Price Index: "Corporate Goods Price Index (2020)," Bank of Japan

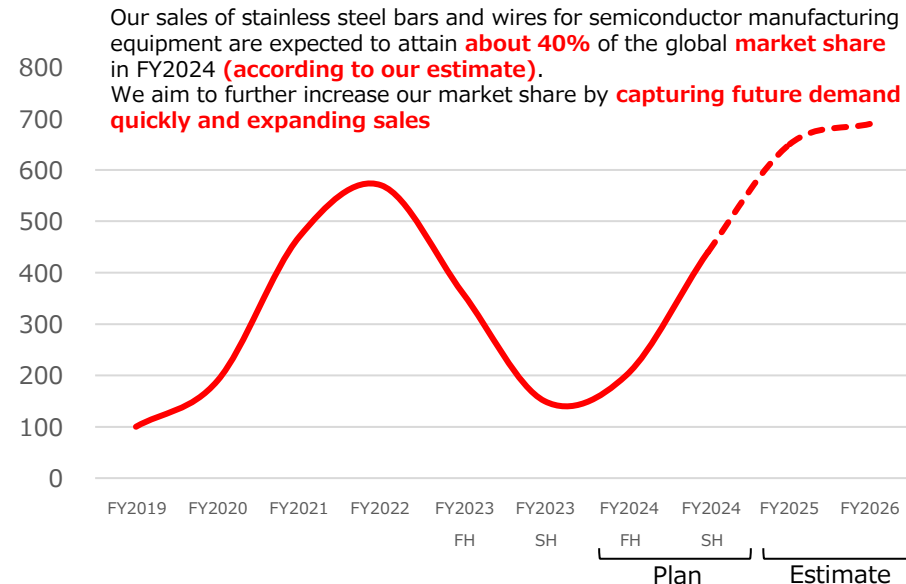
Outlook for Stainless Steel Business

	Conditions in FY2023	FY2024 Plan Assumptions
Stainless steel for automobiles and industrial equipment	Demand recovered for automobile-related products in the second half of FY2023, due to the easing of the parts supply shortage. Demand remained low for industrial equipment-related products.	The plan assumes that demand will recover gradually for industrial equipment-related products toward the second half of FY2024.
Stainless steel for semiconductor manufacturing equipment	In FY2023, demand decreased substantially due to the inventory adjustment in the supply chain. Demand bottomed out in the second half of FY2023.	The plan assumes that the inventory adjustment in the supply chain will continue until the first half of FY2024. Full recovery of demand is expected from the second half of FY 2024.

Figure: Changes in the number of orders for stainless steel (FY2018=100), excluding orders for stainless steel for semiconductor manufacturing equipment





Estimated sales volume of our stainless steel bars and wires for semiconductor manufacturing equipment (FY2019=100)



■ Strategic Investments in Fast-growing Areas

We are making strategic capital investments in areas that are expected to grow rapidly, such as **superalloys, high-performance stainless steel, titanium and magnetic products.**

	Details of capital investments	Inside the plant
<p>Install two VAR (vacuum arc re-melting) furnaces for high-performance stainless steel and superalloys</p>	<p>■ Install two VAR furnaces in the Chita Second Plant This will increase our manufacturing capability for such products by 20%. Amount of investment: about 5.2 billion yen (including incidental equipment) Start of operation: End of 2024.</p>	
<p>Install two VAR (vacuum arc re-melting) furnaces for Titanium products (for medical use)</p>	<p>Increase our capacity for manufacturing titanium products to meet increasing numbers of orders for such products</p> <p>■ Install two VAR furnaces for titanium products in the Chita Second Plant (Installation of the second furnace was approved in April 2024.) Amount of investment: about 4.1 billion yen (including incidental equipment) Start of operation: May 2025 for the first furnace and July 2026 for the second one</p>	<p>Titanium product inspection equipment [Ultrasonic testing machine] Scheduled to be installed in January 2024 at the Hoshizaki Plant</p>
<p>Improve process of manufacturing difficult-to-process wires of superalloy or titanium</p>	<p>■ Enhance the rolling line at the Hoshizaki Plant Improve the market competitiveness of difficult-to-process superalloy or titanium wire. Amount of investment: about 200 million yen Start of operation: November 2024</p>	
<p>Enhance magnet production capacity, Hot-deformed magnets</p>	<p>■ Install a new production line for EV drive motor magnets Amount of investment: about 1.5 billion yen This investment is to respond to the demand expected to increase in FY2026 and thereafter.</p>	<p>Certified by the Economic Security program of the Ministry of Economy, Trade and Industry on April 25, 2024 (Funding up to 500 million yen)</p>

Strategic Investments in the Chita Second Plant

We plan to promote capital investments in the Chita Second Plant for manufacturing products required in fast-growing areas, such as superalloys, high-performance stainless steel and titanium products

In Operation

- Installation of an integrated inspection line for **high-performance stainless steel bars**
- Two peeling machines (PM)
 - Stainless steel heat treatment furnace
 - Precision ultrasonic flaw detector

In Operation

- Gas corrosion tester (scheduled to start operating in April 2024) for **high-performance stainless steel**

Under Construction

- Two VAR (vacuum arc re-melting) furnaces are scheduled to be installed for the production of **superalloys & high-performance stainless steel**.
Amount of investment: 5.2 billion yen
Start of operating: End of 2024.

- Two VAR (vacuum arc re-melting) furnaces are scheduled to be installed for the production of **titanium products (for medical use)**
Amount of investment: 4.1 billion yen
Start of operating:
May 2025 for the first furnace
July 2026 for the second one

<Chita Plant>
(Site: 1,117,000 m²)

Straight line distance (550m)

<Chita Second Plant>
State-of-the-art Smart factory
(Site: 239,000 m²)

We are considering utilization of Chita Second Plant to produce open die forgings more efficiently.

The Shibukawa Plant plans to install a large-size forging machine utilizing government funding program of up to 6.5 billion yen. (Certified by the Economic Security program of the Ministry of Economy, Trade and Industry)

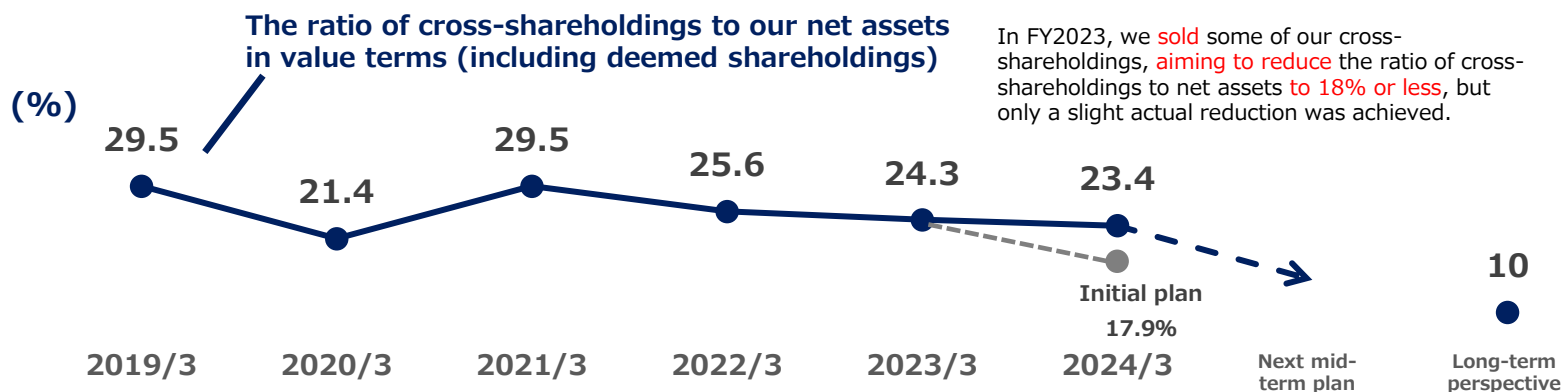
[Ground areas of our major plants]

- Hoshizaki Plant (Nagoya City, Aichi):
313,000 m²
Shibukawa Plant (Shibukawa City, Gunma):
180,000 m²

Promoting Improved Asset Efficiency

☆ Sale of cross-shareholdings

- ✓ In the FY2023 Mid-Term Management Plan, we decided on a policy of continuously reducing cross-shareholdings, and sold a considerable amount of these. The number of stocks has been reduced by more than 40% of what we held in March 2019. (The amount of stock sold for FY2021 to FY2023: 44.8 billion yen)
- ✓ In FY2023, we sold our cross-shareholdings so that the amount of cross-shareholdings was reduced to 18% or less of our net assets. (FY 2023: 35.8 billion yen, in 4 issues sold). However, the result was that the value of our cross-shareholdings decreased only slightly as compared with the previous year, or by 23.4% of our net assets, partly due to an increase in stock prices.
- ✓ We intend to continue to reduce our cross-shareholdings.



Number of issues (listed stocks)	41	42	39	34	28	24	Future reduction targets for our cross-shareholdings will be stated in the next mid-term management plan
Number of cross-shareholdings (¥100 million)	937	661	1,000	933	989	1,093	
Net assets (¥100 million)	3,181	3,091	3,394	3,650	4,055	4,677	

☆ Real estate sales (Sale of “AEON MALL Atsuta” real estate holding)

- ✓ We sold the trust beneficiary right (with a building with sublease right) of AEON MALL Atsuta, owned by one of our consolidated subsidiaries. This was done for effective utilization of the Daido Steel Group's management resources and improvement of asset efficiency.
- ✓ We recorded a gain on sale, 6.9 billion yen, in the fourth quarter of FY2023 financial results.

Our Approach to ESG

E	<p>1. Protecting the global environment (Business Activities) (Product Supply)</p>	<ul style="list-style-type: none"> ➤ Promoting the reduction of CO2 emissions [Target: 50% reduction by 2030 and attainment of carbon neutrality by 2050] ➔ We expect to reduce our CO₂ emissions by 20% in FY2023, by conserving energy and using CO₂-free electricity. ➤ We are working to obtain third-party certification of our CO₂ emissions by product ➤ We are participating in the “Environmentally Friendly Electric Furnace Steel Materials WG” sponsored by the Non-integrated Steel Products' Association. ➤ Our “CDP Climate Change” and “CDP Water Security” Score: “B” ➤ Development of technologies contributing to the effective use of resources: <u>Ultra-high temperature carbonization furnace</u> We constructed a full-scale demonstration facility for the B-DASH Project, an innovative technology demonstration project for sewage systems initiated by the Ministry of Land, Infrastructure, Transport and Tourism.
S	<p>2. Social responsibility and contributions</p>	<ul style="list-style-type: none"> ➤ Respect for human rights ➔ Based on the Group's Basic Policy for Human Rights (announced in February 2023), we are pursuing our human rights due diligence activities to mitigate and prevent negative impacts on human rights (through education programs) ➤ Supply chain development ➔ We conducted questionnaire surveys on CSR and information sharing, as well as on <u>CO2 emissions.</u> ➤ Communication with our stakeholders ➔ We increased the number of briefings and event activities. We also produced a TV commercial for the first time in 30 years.
G	<p>3. Strengthening governance</p>	<ul style="list-style-type: none"> ➤ We will continue reducing cross-shareholdings (Stocks worth of 35.8 billion yen sold in FY2023) ➤ We have established a CQM (Corporate Quality Management) Dept. ➔ To strengthen quality governance ➤ Our approach to preventing bribery ➔ We <u>announced the Group's Anti-Bribery Policy</u> in June 2023, and are now preparing rules and regulations to promote understanding of the importance of defeating bribery in business.

Evaluating our Approach to ESG

For the first time, Daido Steel was selected as one of the FTSE Blossom Japan Sector Relative Index constituents.



**FTSE Blossom
Japan Sector
Relative Index**

This was in recognition of Daido Steel's ESG activities, including information disclosure based on TCFD recommendations.

This index is used as an important criterion by investors. This is illustrated by the fact that the Government Pension Investment Fund (GPIF) has adopted it as one of its benchmarks for passive ESG investment.

"FTSE Blossom Japan Sector Relative Index"

FTSE Blossom Japan Sector Relative Index is an ESG-focused index provided by FTSE Russell. The index reflects the relative performance of those Japanese companies that excel in ESG measures in their respective sectors. (605 Japanese stocks had been selected, as of June 2023)

Daido Steel was selected as a "2024 Health and Productivity Stock" and a "Certified Health & Productivity Management Outstanding Organization (White 500)"

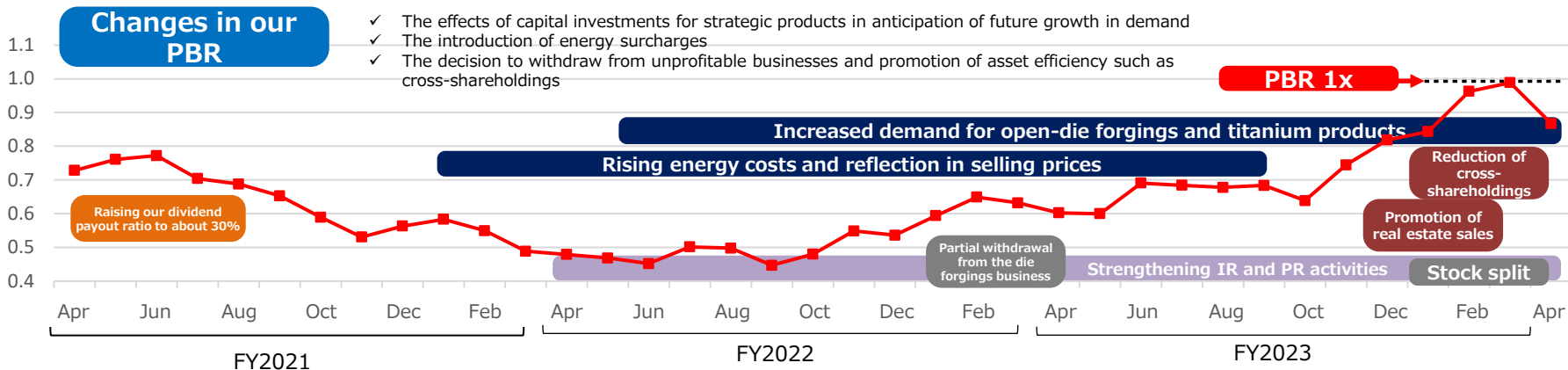
* We have been selected as a Health and Productivity Stock for the first time in three years, and the second time overall (1 enterprise is selected per type of industry, in principle)
We have been selected as a Certified Health & Productivity Management Outstanding Organization (White 500) for the first time in three years and the fifth time overall.
We have also been selected as a Certified Health & Productivity Management Outstanding Organization for seven consecutive years.



We implement business initiatives in accordance with our health and productivity management policy, based on the recognition that safety and health are the foundations of happiness and that a company's human resources are the backbone of corporate activity.

Daido Steel's employee health support system, such as for example our implementation of post-health checkup interviews with all employees, health guidance for diet and exercise, and mental healthcare provided by health personnel at each plant, have been positively evaluated,

Aiming to Achieve a Constant PBR of 1x or More



PBR improvement

Increase ROE

Secure medium- to long-term returns (profit) by investing in fast-growing areas.

Capture demand in fast-growing areas such as open die forgings, high-performance stainless steel, titanium products, and engineering services

Effective utilization of assets

Appropriate inventory management
Convert cross-shareholdings and real estate into funds

Dividend policy

We evaluate our dividend policy by taking into account medium- to long-term investments, profit levels, and financial conditions, with the basic goal of providing a stable return of profits,

Non-financial strategies and fostering growth expectations

Promote ESG measures

E: Implement the Carbon Neutral Challenge (50% reduction of CO2 emissions by 2030)
S: Promote human capital management and diversity (Integration with the next mid-term management plan)
G: Strengthen governance

Disseminate information by strengthening PR, IR, and SR activities

Strengthen information dissemination, including non-financial information such as our ESG progress.
Conduct dialogues through various IR events.
Provide feedback on the status of these dialogues to the Board of Directors.

Specific management strategies and numerical targets will be announced in the next medium-term management plan

2026 Mid-Term Management Plan

To be announced on June 6, 2024

Main contents

- **New Medium-Term Management Targets (2030 Vision)**
- **New medium-term business strategy (Business portfolio reform)**
- **Major strategic investments (Superalloy steel manufacturing process reform project)**
- **Toward improvement of P/B ratio (Sustainable improvement of corporate value)**

Fact Book

Fact Book: Financial Highlights

1. Financial highlights

Consolidated

(¥100 million)

	20/3	21/3	22/3	23/3	24/3	19/9	20/9	21/9	22/9	23/9
Net sales	490,421	412,722	529,667	578,564	581,287	252,476	179,490	255,224	281,857	288,594
Operating income	24,768	10,070	36,982	46,986	42,113	13,711	-3,531	19,156	23,225	19,003
Ordinary income	24,298	12,642	39,200	48,122	45,031	13,711	-2,112	20,556	24,092	21,083
Net income	10,987	4,516	26,894	36,438	49,759	11,257	-2,318	12,840	18,294	11,465
R&D expenses	6,002	4,722	5,785	6,255	6,567	2,896	2,185	2,694	3,092	3,095
Capital Investment (planned)	25,300	12,500	25,500	34,900	34,300	15,100	7,500	13,150	9,000	9,000
Capital investment (Construction)	37,529	24,448	21,027	24,284	31,927	22,092	13,955	10,172	11,077	12,808
Depreciation	24,662	25,912	26,797	26,054	26,508	12,022	12,794	13,469	12,988	13,182
Financial account balance	1,297	806	1,326	1,544	1,695	656	459	693	828	844
Total assets	625,899	665,506	728,187	773,851	787,517	651,112	621,997	686,373	757,206	794,523
Equity	273,561	303,143	329,713	368,718	428,359	293,276	276,815	315,674	343,043	390,894
Interest-bearing debt	193,881	198,812	229,090	236,761	176,933	185,536	207,302	210,608	250,076	234,558
Number of employees	13,436	13,109	12,605	12,422	11,941	13,775	13,474	12,838	12,668	12,096
ROA(%)	3.8	2.0	5.6	6.4	5.8	4.2	-0.7	6.1	6.5	5.4
ROE(%)	3.9	1.6	8.5	10.4	12.5	7.8	-1.7	8.3	10.9	6.0
Number of consolidated subsidiaries	65	66	62	63	64	65	68	65	62	64
(Number of affiliated companies not accounted for by the equity-method)	(9)	(9)	(8)	(8)	(8)	(9)	(9)	(9)	(8)	(8)
Consolidated/nonconsolidated ratio										
Net sales	1.6	1.7	1.5	1.5	1.5					
Ordinary income	1.2	1.4	1.6	1.3	1.1					
Net income	1.0	0.7	1.2	1.3	1.0					

* Long-term prepaid expenses are not included in the depreciation. Net income after 2015 belongs to stockholders of parent company.

Fact Book: Net Sales and Operating Income by Segment

2. Net Sales and Operating Income by Segment

Consolidated

<New Segments (From Apr. 2012)>

(¥100 million)

		19/3	20/3	21/3	22/3	23/3	24/3
Specialty Steel	Net Sales	2,078	1,817	1,458	1,978	2,148	2,190
	Operating income	60	52	- 26	38	98	148
High-Performance Materials and Magnetic Materials	Net Sales	1,846	1,674	1,494	1,976	2,197	2,028
	Operating income	207	136	122	267	243	144
Parts for Automobile and industrial Equipment	Net Sales	1,099	973	808	925	1,012	1,057
	Operating income	23	4	- 21	50	82	76
Engineering	Net Sales	275	266	202	182	190	231
	Operating income	23	30	8	- 13	14	24
Trading and Service	Net Sales	135	174	165	236	239	307
	Operating income	25	26	18	28	33	29
Total	Net Sales	5,433	4,904	4,127	5,297	5,786	5,813
	Operating income	338	248	101	370	470	421

(¥100 million)

		19/4-9	19/10-3	20/4-9	20/10-3	21/4-9	21/10-3	22/4-9	22/10-3	23/4-9	23/10-3
Specialty Steel	Net Sales	971	846	598	860	932	1,046	1,028	1,120	1,089	1,101
	Operating income	32	20	- 30	4	15	23	42	56	63	85
High-Performance Materials and Magnetic Materials	Net Sales	847	827	648	846	948	1,028	1,096	1,101	1,026	1,002
	Operating income	70	66	22	100	139	128	134	109	71	73
Parts for Automobile and industrial Equipment	Net Sales	499	474	361	447	465	460	495	517	514	543
	Operating income	6	- 2	- 41	20	31	19	34	48	26	50
Engineering	Net Sales	124	142	103	99	87	95	83	107	110	121
	Operating income	15	15	5	3	- 7	- 6	4	10	11	13
Trading and Service	Net Sales	84	90	85	80	120	116	117	122	147	160
	Operating income	14	12	9	9	14	14	18	15	19	10
Total	Net Sales	2,525	2,379	1,795	2,332	2,552	2,745	2,819	2,967	2,886	2,927
	Operating income	137	111	- 35	136	192	178	232	238	190	231

(Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

However, changes in circumstances could lead to different business outcomes, so blind reliance on this data as decision criterion is not recommended.

Also predicted figures can be changed in the future without prior notice. All use of this document is at the volition and discretion of the user. Please be aware that our company shall not assume any responsibility for the results of using the information in this document.