

Daido Steel Co., Ltd.  
FY2023 ESG Briefing  
Q&A Session (Summary)

Date : Tuesday, December 19, 2023

Respondents: Tsukasa Nishimura, Representative Executive Director, Executive Vice President  
Tatsushi Iwata, Director, Managing Executive Officer  
Tetsuya Niwa, Executive Officer and General Manager, ESG Management Dept.

Q. What is your outlook on the prospects for halving CO2 emissions in FY2030, as compared with FY2013?

A. We believe that we have already achieved considerable energy-savings through streamlining our manufacturing process and systems, which seems to be a highly cost-effective way to reduce our CO2 emissions. At this point, we do expect to be able to achieve our CO2 emissions reduction plan by FY2030. We are planning to acquire about 70% of our total electricity consumption in the form of CO2-free electricity. Therefore, we believe that we will be able to halve our CO2 emissions by FY2030, through a combination of steps that include reductions through further streamlining of our production processes and systems. We want to promote our CO2 emissions reduction primarily through energy-conservation, and purchase as little CO2-free electricity as we can, in-as-much as it is a costly option. However, we will proceed carefully, keeping an eye on the overall balance.

Q. Could you tell us if there will be any change in your policy regarding the purchase of CO2-free electricity, such as by putting some of the money that you save through cost reductions elsewhere toward that purpose?

A. We began purchasing CO2-free electricity in FY2021. Our plan to allocate some of the money that we obtain through our cost reduction efforts elsewhere for the purchase of CO2-free electricity remains unchanged. We believe it is feasible to increase the amount of CO2-free electricity we purchase by 10% each year.

Q. I'd like to ask about Green Steel. Would you please tell us about the progress of your plan toward the goal of conducting CFP (Carbon Footprint of Products) calculations for each product and obtaining third-party certification in FY2023?

A. We produce small quantities of a wide variety of products, and the amounts of associated CO2 emissions vary considerably among them. We intend ultimately to calculate precisely the CO2 emissions related to the production of each steel grade, using a CO2 emissions calculation system, and finally to obtain CFP (Carbon Footprint of Products) certification for all of our products. At this point, we are expecting to obtain CFP certification for a representative group of steel products that we manufacture in large quantities, by the end of FY2023. We hope to expand the scope of certification to other product groups during the next fiscal year and beyond.

Q. You said that users are making increasingly greater numbers of requests for Green Steel. Could you share with us specifically which customers are issuing increased requests for this?

A. Yes. We are receiving an increasing number of inquiries about CO2 emissions and Green Steel. However, it's not that these are clearly coming from some specific users, but rather they're from a variety of users as they take into account the characteristics of electric furnaces and our approach to CO2 emissions reduction. Some users have expressed a desire to reduce Scope 3 emissions as part of their mid- to long-term efforts to diversify their procurement sources, and we have a feeling that the perspectives of users are changing in that regard.

- Q. I would like to know if there are any long-term obstacles to the procurement of Busheling scrap.
- A. In the manufacture of specialty steel, the use of high-grade ferrous scrap is inevitable, as a means of maintaining quality while reducing costs. However, we have been working on ways to use and blend in low-cost scrap. We believe that the absolute volume of high-grade scrap will undoubtedly decrease, due to reduced generation within Japan and increased exports. We are going to conduct a thorough investigation over the next few years to determine how and to what extent we can increase the ratio of low-cost scrap as we go forward.
- Q. The long-term target of strategically-held shares is presently 10% of the monetary value of your net assets. Will it be difficult to achieve this target for the period covered by the next medium-term management plan? Over the three years of the current medium-term management plan, the strategically-held shares allocation has been reduced by about 10%. What do you think are the prospects of further reductions, if any?
- A. We will be considering the general circumstances and adjusting our strategic investments in general and strategically-held shares in particular, as well as looking at overall cash allocation and the relationship to the need to reserve cash for shareholder returns. We hope to set a specific target for reducing strategically-held shares in the 2026 medium-term management plan.
- Q. There seem to have been an increasing number of work-related accidents, in particular among young employees, in recent years. Would you please explain why you think this is particularly happening to young people?
- A. The supervisors who are in charge of supervising young workers are from a younger generation, themselves, and so even they have not received strict work safety guidance sufficiently. We think they probably are not serving as clear models of sufficient safe work practices and self-protection for the younger workers, and may not be pointing out work errors on the spot. Applying those suppositions, we have introduced a plan wherein veteran employees with demonstrated sensitivity to safety issues act as safety evangelists, conveying the importance of being aware of potential dangers at work and the key points of working safely onsite.
- Q. I believe that the winds are favorable for open-die forgings, with such trends as civilian-use demand in Europe. Could you please tell us about your risk management approach to ensuring the profitability of open-die-forged products?
- A. We are vigorously expanding our open-die forging business, and the number of orders for these products should increase a great deal. We recognize that it is crucial to have solid management at the helm. We have a system in place to ensure that the product will bring in a profit at the time of delivery, because our open-die forgings lead time is currently six months or longer in most cases. On the other hand, we believe it is extremely important to have a production system in operation that can respond to ensure time as well as cost-competitiveness, and step-by-step we have been making capital investments to create this, for some time. Now, more than ever, we intend to strengthen our risk management in this regard.