

Daido Steel Way Sustainable Management 2030

Daido Steel's Approach to ESG Management



Daido Sustainable Management 2030

“Beyond the Special”

We are promoting management reform that further enhances our corporate value, and brings us closer to making the following visions for 2030 reality.

Pursue high-performance specialty steel and contribute to “realizing a green society”

■ Boost earning power

- Extend activity in rapidly expanding fields. (Reshape our product portfolio to attain carbon neutrality)
- Make our management even more agile. (Improve production efficiency and promote efficient selection and concentration of business resources)
- Expand overseas business (Strengthen the supply chain for high-performance products)

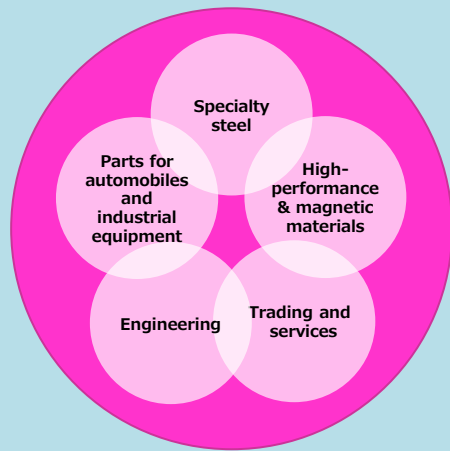
■ ESG management promotion

- Protect the global environment (Reduce CO2 emissions by 50% of the 2013 figures)
- Contribute responsibly to society (Promote sensitive human capital management)
- Enhance our corporate governance structure (Comply with the CGC’s requirements)

Value Creation Process 2030

Pursue high-performance specialty steel and contribute to “realizing a green society” in 2030

Boost earning power



Implementation of management strategy



ESG management promotion



Resolving materiality

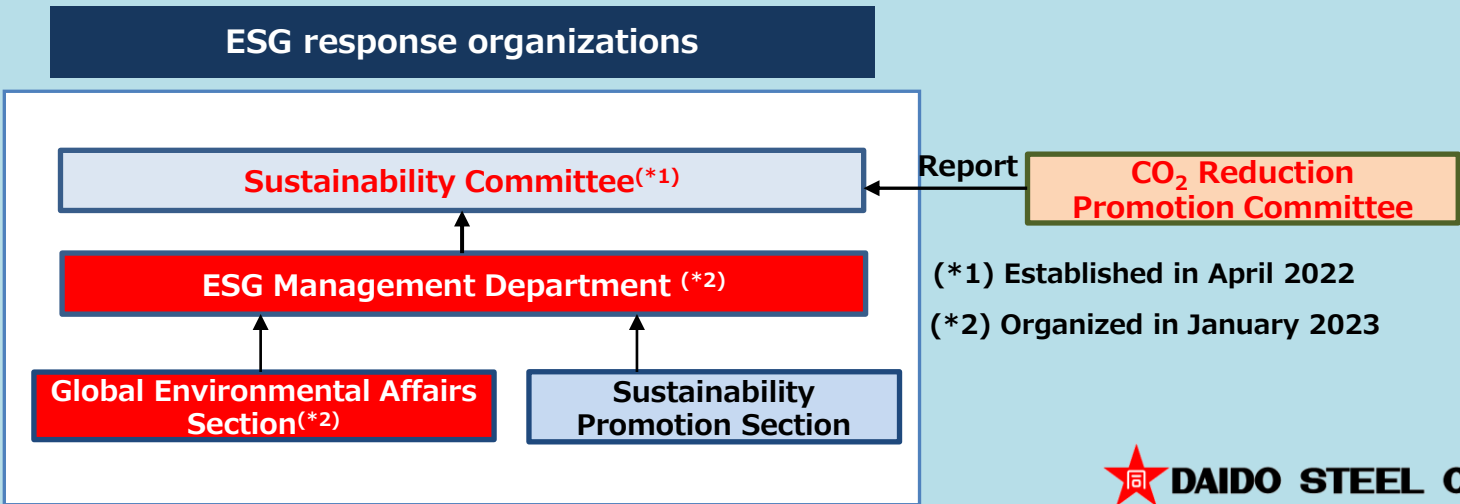
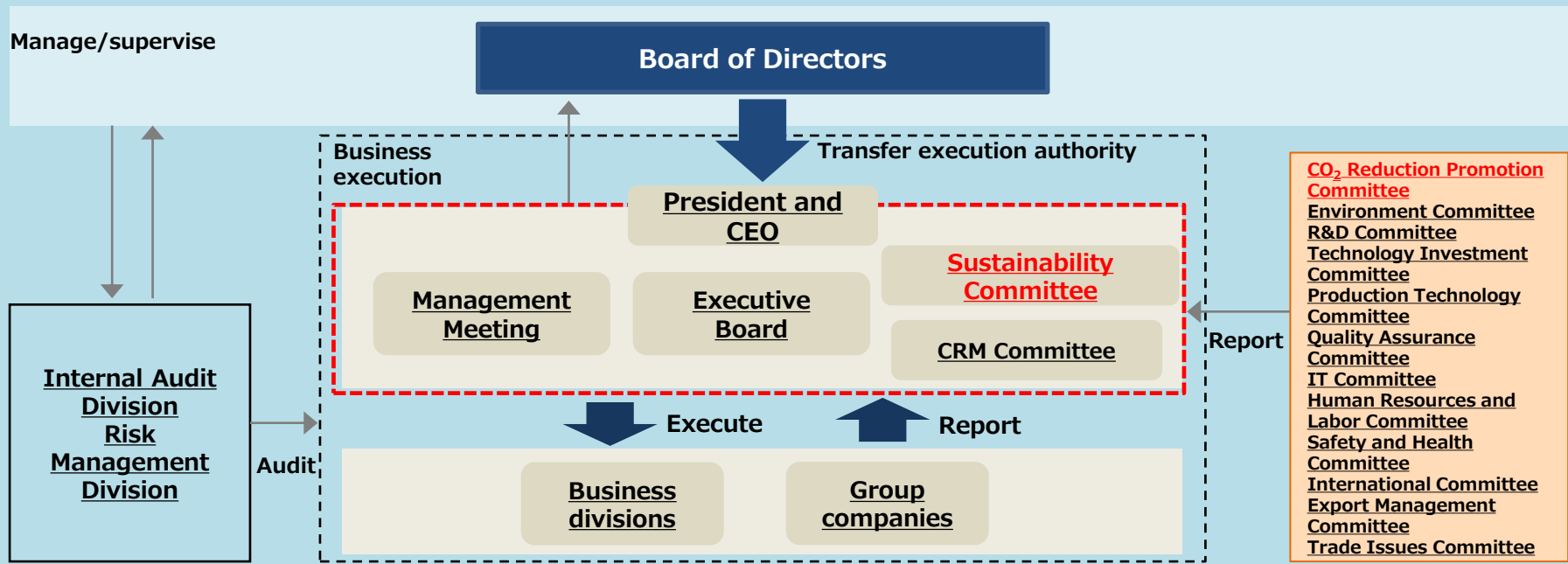
■ FY2023 Mid-Term Management Plan Results

	FY 2023 Mid-Term Management Plan	FY2022 results	Estimates for FY2023
Sales volume of our specialty steel (non-consolidated)	1,200,000 tons	1,085,000 tons	1,076,000 tons
Operating income	40 billion yen	47 billion yen	47 billion yen
ROE	8.0%	10.4%	8.4%

Materiality (FY2023)

Materiality (3 key material issues)		16 specific measures to solve materiality
1. Preservation of the global environment	(business activities)	• Initiatives to address climate change
		• Transition to a circular economy
	(product supply)	• Technological innovation for energy transition
		• Improvements in energy efficiency
		• Effective utilization of natural resources
2. Responsibilities and contributions to society		• Respect for human rights (reviewed in FY2021)
		• Elimination of occupational accidents
		• Promotion of health and productivity management
		• Promotion of diversity
		• Work style reforms
		• Social contribution initiatives
		• Supply chain management (reviewed in FY2021)
3. Strengthening governance		• Strengthening corporate governance
		• Risk management and compliance
		• Stable supply high-quality products
		• Stakeholder communication (reviewed in FY2022)

Sustainability Promotion Structure 2023



The Environment

- Measures to prevent global warming
- A Circular Economy

Daido Carbon Neutral Challenge

Toward 2030

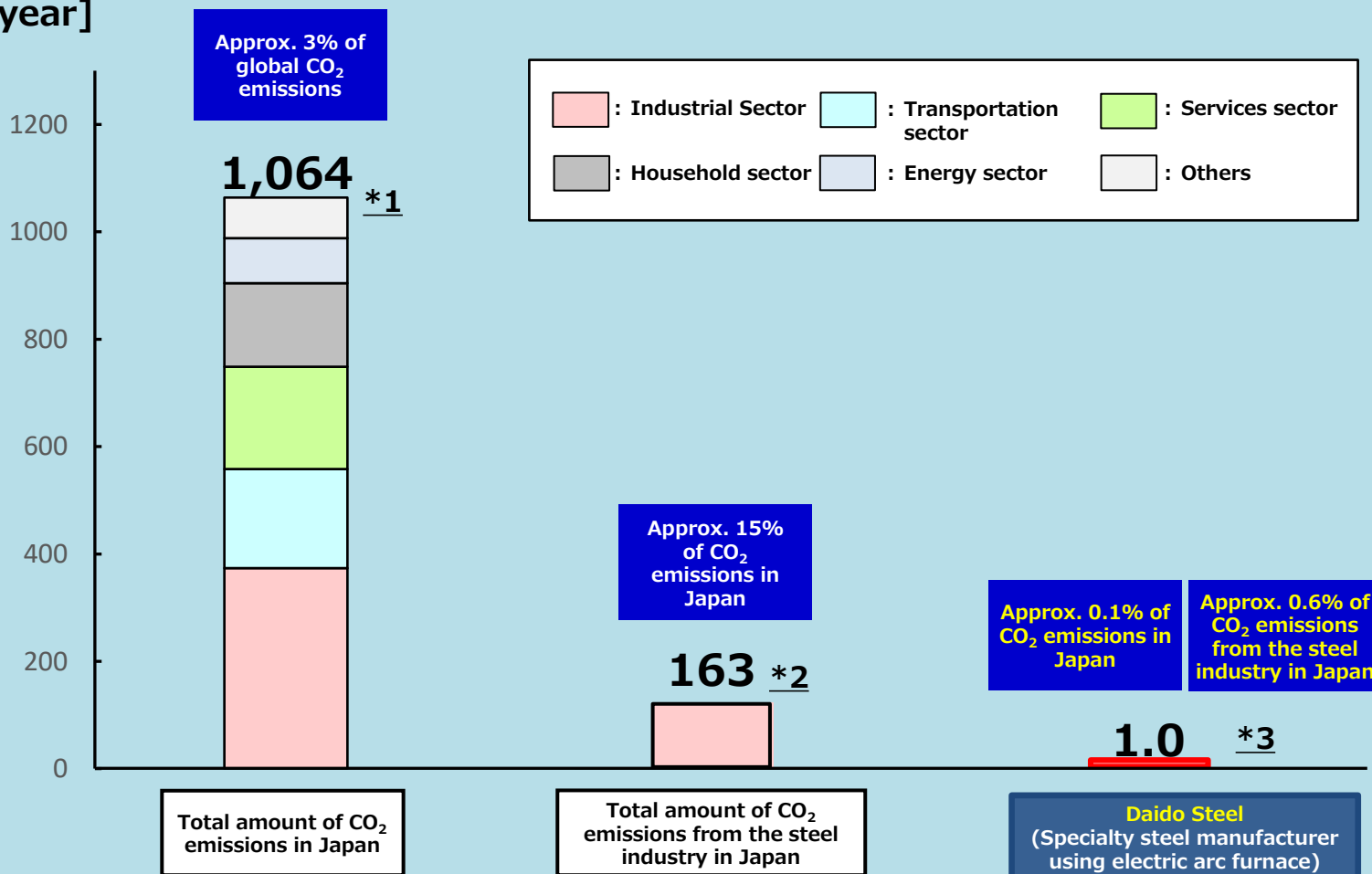
Reduce CO₂ emissions by 50%
compared to FY2013

Toward 2050

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

Domestic CO₂ Emissions Status (2021)

[Million tons of CO₂/year]

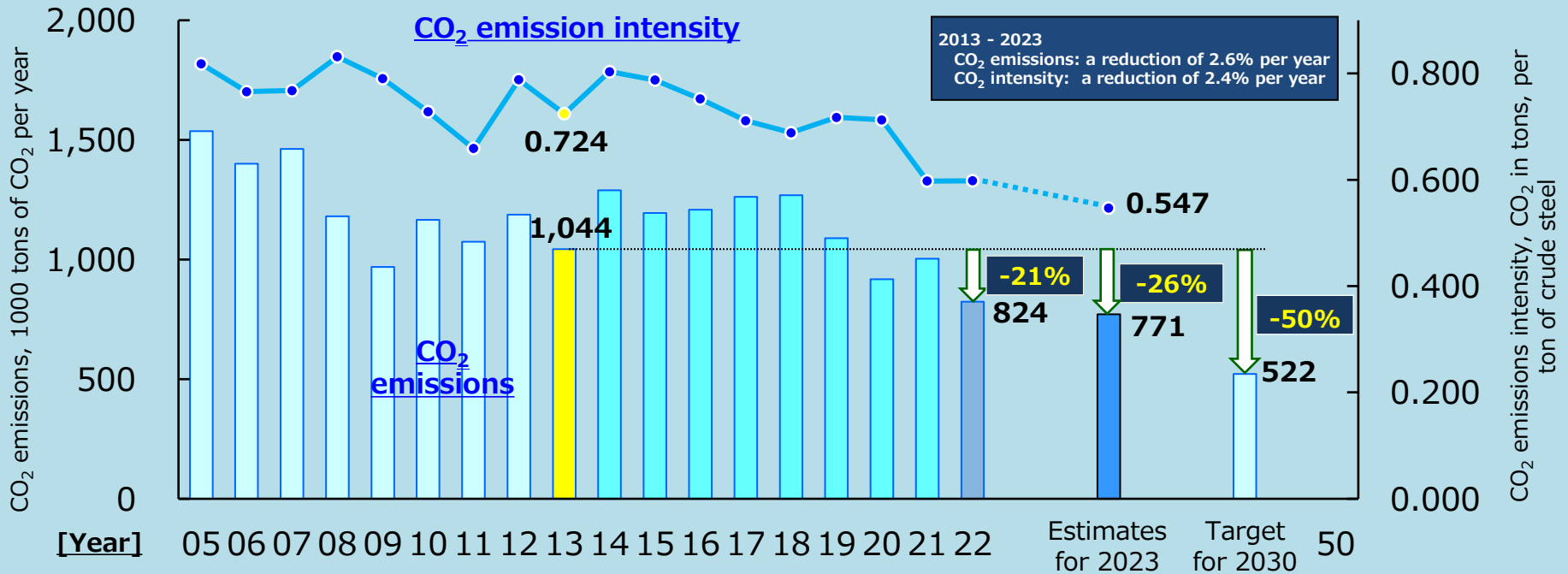


*1 Source: Greenhouse Gas Inventory Office of Japan from the National Institute for Environmental Studies, Data on CO₂ Emissions (as a share of CO₂ emissions from public electricity and heat production, in 2021) (from the website of the Ministry of the Environment)

*2 Source: Report on Carbon Neutrality Activities Plan (Low Carbon Society Action Plan), Japan Iron and Steel Federation (FY2021 Results)

*3 Source: FY2021 Results of CO₂ Reduction Activities at Daido Steel (SCOPE1 and 2)

Changes in Daido Steel's CO₂ Emissions



Factors that contributed to reducing CO₂ emissions (2013 → 2022)

Item	CO ₂ emissions in 2013 (1.44 million tons of crude steel per year)	CO ₂ emissions in 2022	Estimated CO ₂ emissions in 2030
Energy savings	1044 thousand tons	824 thousand tons (-220)	- 97 thousand tons
CO ₂ -free electricity			- 97 thousand tons
Steel production factor			- 47 thousand tons
CO ₂ emission factor			+ 21 thousand tons
			522 thousand tons (- 522)
			- 136 thousand tons
			- 386 thousand tons
			-
			-

CO₂ emission factor: The amount of CO₂ generated when 1 KWH of electricity is generated. It changes with the composition of the fuel type used during the given year.

Carbon Neutral Products

We contribute to the realization of a green society by developing a variety of innovative products that lead to energy conversion.

<Providing products that respond to the mobility revolution>

(Unit: tons per year)

Classification	Product	Applications	Contributions to society	FY 2022 results	FY 2026 Plan (draft)
Already in production	Gear steel	e-Axle gear reducers	Acceleration of the spread of BEVs	400	6,000 or more
	Hydrogen embrittlement resistant steel	FCV, hydrogen infrastructure	Realization of a hydrogen society	10	60
	Soft-magnetic strips	Current sensors	Acceleration of the spread of BEVs	300	400
	CLEANSTAR (SUS)	Semiconductor manufacturing equipment	Response to increased semiconductor demand	7,000	9,000 or more
	Soft-magnetic powder	Reactors, converters	Acceleration of the spread of BEVs	3,000	4,000 or more
	Specially oriented magnets	EV traction motors	Acceleration of the spread of BEVs, downsizing of motors	100	450
Development completed or still being developed	Soft-magnetic strips	Motor cores	Improved motor performance, downsizing	-	10
	Soft-magnetic foils	High-frequency transformers, sensors	Higher efficiency, lighter weight		30
	High-performance fine powder	Rectifier circuit parts	Improve power-semiconductor performance		90
	Li-ion battery negative electrode material	Improvement of Li-ion battery performance	Acceleration of the spread of BEVs, extension of cruising range		10
	High-performance magnets	e-VTOL motors	Acceleration of the spread of advanced air mobility		1

Carbon Neutrality Attainment Solutions

We help our customers achieve CO₂ reduction by delivering products that incorporate innovative energy-saving technologies based on our engineering design and steelmaking technical know-how.

<Providing technologies that contribute to protecting the global environment> (Unit: number of furnaces)

Classification	Product	Mainly used for	Contribution to society	Total number of orders received	Plan for the total number from 2024 to 2026 (Plan for the total number from 2027 to 2030)
Already Commercialized	Electric arc furnace with rotating drives (STARQ)	Steel melting furnace	Saves energy by melting scrap uniformly	4	2 (3)
	Premium STC furnace (2nd generation)	Annealing furnace	Reduces CO ₂ emissions by using advanced energy-saving technology	7	9 (20)
	DINCS (Highly efficient combustion system)	Heat treatment furnace Energy-saving equipment	Saves energy by effective use of combustion exhaust heat	850	680 (980)
	Electric arc furnace equipped with scrap preheater in movable furnace top	Steel melting furnace	Saves energy by using exhaust heat directly and effectively	4	1 (1)
	Vacuum carburizing furnace (Module-Thermo, Synchro-Thermo)	Vacuum carburizing furnace for automotive parts	Reduces CO ₂ emissions by using our proprietary carburizing technology	27	6 (6)
Under development	Next-generation sewage sludge carbonization system	Recycling sewage sludge	For use as an activated carbon and soil conditioner	1 (A demonstration furnace under construction)	- (4)
	Carbon neutral STC furnace	Annealing furnace	Reduces CO ₂ emissions by using hydrogen burners and exhaust gas methanation technology	-	- (3)

* The actual results and the number of furnaces planned include the number of furnaces installed at our own plants and those constructed under government-led projects

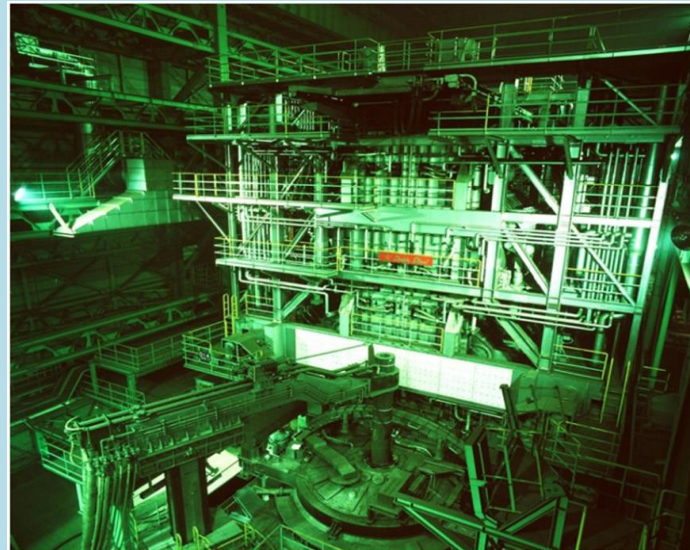
STARQ, Synchro-Thermo, Premium STC and DINCS are trademarks or registered trademarks of Daido Steel Co., Ltd.

Carbon Neutrality Attainment Solutions

Steelmaking equipment



Electric arc furnace with rotating drives, operating at our Chita Plant (STARQ®)



Electric arc furnace equipped with scrap preheater in a movable furnace top (delivered to Oji Steel Co., Ltd.)

Heat treatment equipment



Premium STC® furnace, operating at our Hoshizaki Plant



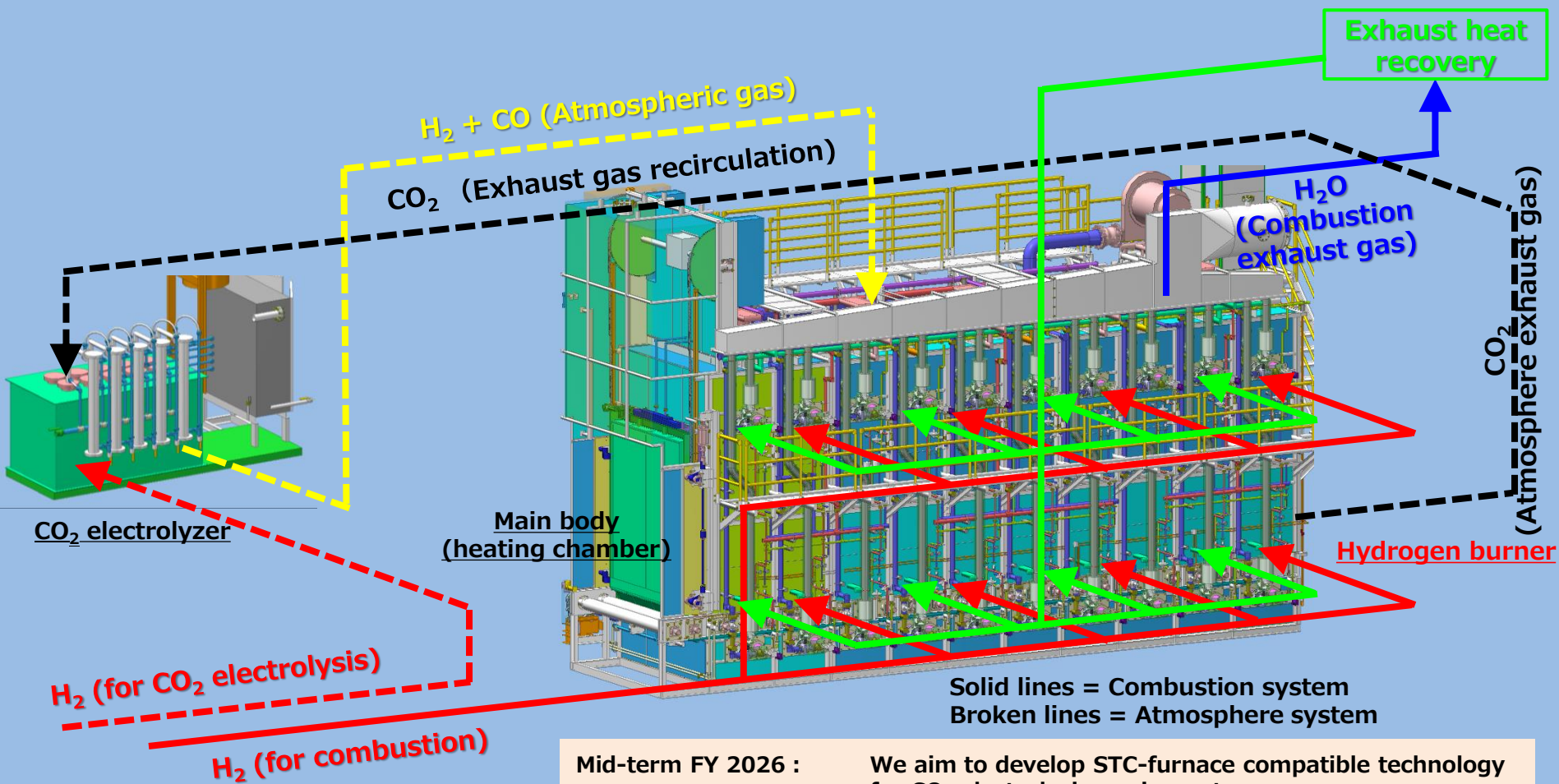
A highly thermal-radiating material that is used in the DINCS® (Spirocore)



A highly efficient heat exchanger that is used in the DINCS® (Heatcore)

STARQ, Premium STC and DINCS are trademarks or registered trademarks of Daido Steel Co., Ltd.

Carbon Neutral STC Furnace (Under Development)



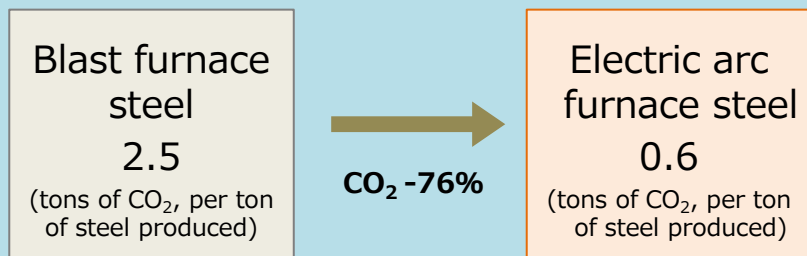
Mid-term FY 2026 : We aim to develop STC-furnace compatible technology for CO₂ electrolysis equipment
FY 2027 and thereafter: Planning to commercialize carbon neutral STC furnaces

CO₂ intensity: 0 kg (CO₂/ton of product)
during the standard annealing process

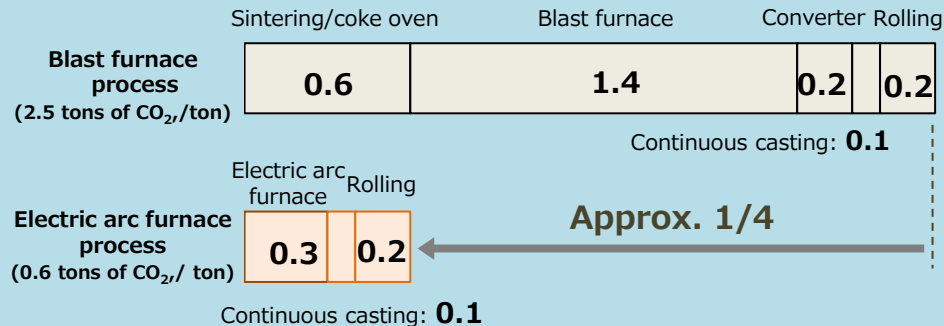
Daido Green Steel's Approach

Demand from users for the supply of Green Steel is increasing, even for electric arc furnace steel manufacturers like Daido Steel, despite the fact that we are already emitting about 1/4 of the amount of CO₂ emitted by blast furnace steel manufacturers. Currently we are working to acquire CFP certification in response to these types of user requests.

<Blast Furnace/Electric Arc Furnace Processes>



*CFP: Carbon Footprint of Products



[Crude steel production: 2021]

Blast furnace process: 71 million tons per year

Electric arc furnace process: 24 million tons per year

* Source: Carbon Trust 2021: Inter National Carbon flows- Steel

<Our Approach>

[Targets for FY 2023]

CFP calculations by product

Acquisition of third-party CFP certification
(for a representative product group)

[FY '23 - FY '24]

Developing a CO₂ calculation system
(STEP1: For steel products, STEP2: Expand to all products)

We are considering supplying Green Steel through CFP certification by using non-fossil electricity (green power, renewable energy certificates, etc.)

Transition to a Circular Economy

The electric arc furnace process is the ultimate recycling process for creating new steel from scrap iron.

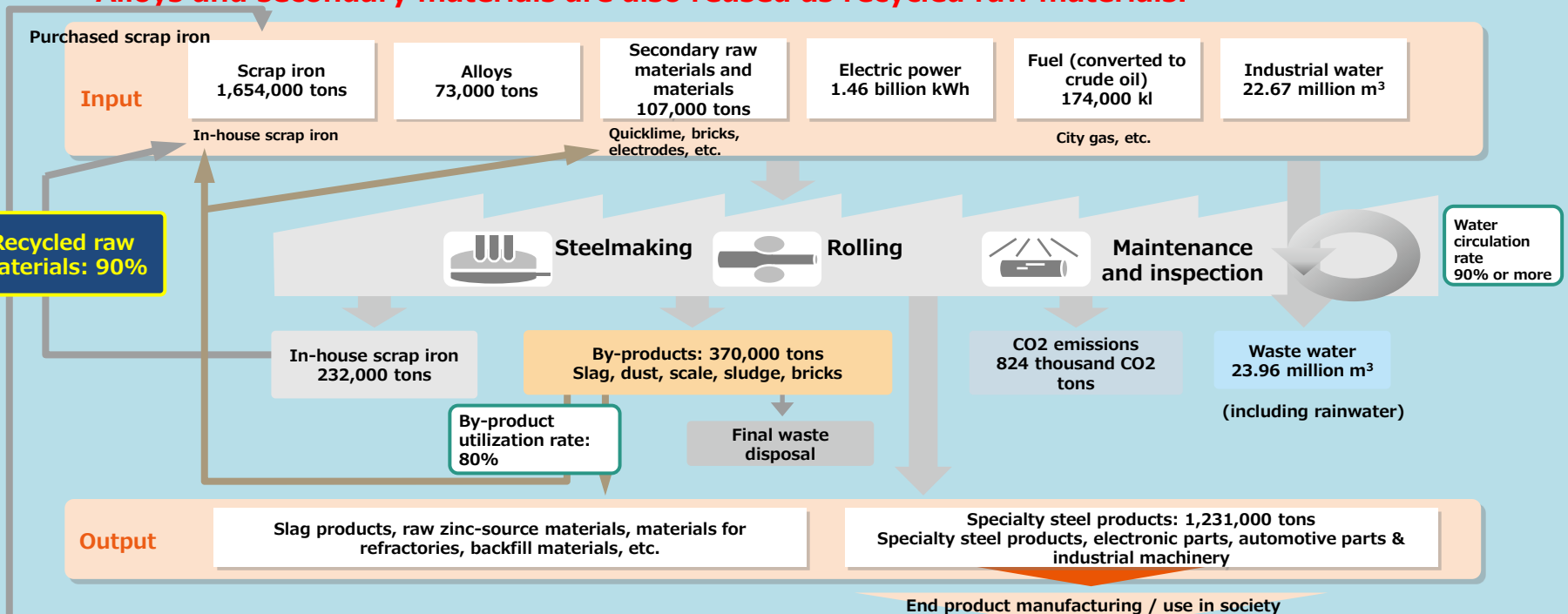
(The ratio of recycled stock to the total amount of raw materials is 90%.)

■ Our recycling status (Our actual results in FY 2022)

90% of the raw materials used in our steel production system are recycled stock, including scrap iron.

Almost 100% of ferrous raw materials are recycled stock, consisting of scrap from the domestic market and scrap generated at Daido Steel.

Alloys and secondary materials are also reused as recycled raw materials.



Participation in Various Initiatives

Status of our participation in various initiatives

TCFD



Endorsement in Nov. 2021
Disclosure in Jun. 2022

The GX League



Endorsement of the Basic Concept in Mar. 2022
Participation in the GX League in Apr. 2023

The 30 by 30 Alliance for Biodiversity (*1)



Participation in Sep. 2022

The Hydrogen Utilization Study Group in Chubu (*2)

- ◆ Japan's first approach to realizing a hydrogen society across the whole industry is being applied in the Chubu region.
- ◆ Established in March 2020

Our participation began in Aug. 2023

(*1) **The 30 by 30 Alliance for Biodiversity**
This is a coalition of companies, local governments, and NPOs to finance and promote domestic efforts to achieve the "30 by 30 target", an international goal of conserving the biodiversity of at least 30% of the land masses and seas by 2030.

(*2) **The Hydrogen Utilization Study Group in Chubu**
The Group is studying the feasibility of using hydrogen on a large scale with the aim of building a hydrogen supply chain, to facilitate large-scale demand and stable use. The Group is striving to see the achievement of large-scale hydrogen use (200,000 tons per year) by 2030.

Social Evaluation Scores

CDP



2022 scores
Climate change: [B] Water security] [B]

Aichi Biodiversity Certified Companies (*3)



Certified in Nov. 2022

(*3) **Aichi Biodiversity-Certified Companies**
Aichi Prefecture launched the "Aichi Biodiversity-Certified Company System" this fiscal year. It certifies companies that are implementing excellent practices, with the aim of promoting corporate initiatives for the conservation of biodiversity and spreading excellent initiatives within the prefecture.

Society

- Respect for Human Rights
- Human Capital Management
- Social Contribution Initiatives

Respect for Human Rights

- We established the Daido Steel Group Human Rights Policy in February 2023, and formulated priority issues for our Human Rights Policy.
- In July 2023, we signed the United Nations Global Compact (UNGC) and joined the Global Compact Network Japan (GCNJ).

Education and awareness

- (1) e-Learning [for online education in one's spare time]
 - Respect for Human Rights (with a 15 min. video): In FY 2023 all employees took this course.
 - Prohibition of Harassment (with a 62 min. video): In FY 2020 all employees took the course.
- (2) A "Business and Human Rights" lecture was given by an outside lecturer in August 2022.
 - Attendees: Directors and executive officers
- (3) Our in-house magazine (Fureai DAIDO) featured:
 - A message from top management about respect for human rights in April 2023.

- The human rights of all people affected by business activities must be respected throughout the Daido Steel Group.
- All officers and employees must recognize and practice the importance of respecting human rights, in accordance with the Management Philosophy, the Daido Steel Corporate Code of Ethics, and Basic Sustainability Policy.
- We contribute to the realization of a society free from human rights violations and discrimination by respecting individuality and diversity and promoting the creation of a workplace environment where everyone can work with enthusiasm and vigor.

Future roadmap

Human rights due diligence: to be completed in FY2024

(Use of questionnaires → identify and assess negative impacts → implement corrective and preventive measures)

Priority issues of the Daido Steel Group Human Rights Policy

- (1) Elimination of discrimination
- (2) Prohibition of harassment
- (3) Respect the right to work
- (4) Prohibition of forced labor and child labor
- (5) Creation of motivating work environment

UNGC signatory and GCNJ membership

The Daido Steel Group endorses the ten principles in the four areas of "human rights", "labor", "environment", and "anti-corruption" proposed by the UNGC, and will work assiduously to realize them.

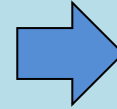


Human Capital Management: Conduct guidelines and human resources development strategy

We established our "Five Conduct Guidelines" in 2016 for our employees who create and implement the Daido Steel Group's management philosophy and who will make the Company's visions for 2030 become reality.
 We will focus on creating a human resource development strategy that nurtures the development of the people who work at the Company and makes their work meaningful, as key management issues.

■ Daido Steel Group's Management Philosophy
"Pursuing the potential of materials to support our future."

■ Our visions for 2030
Pursue high-performance specialty steel and contribute to "realizing a green society"



Five Conduct Guidelines

- Aim High
- Sincere Action
- Personal Growth
- Team Strengths
- Open to Challenges

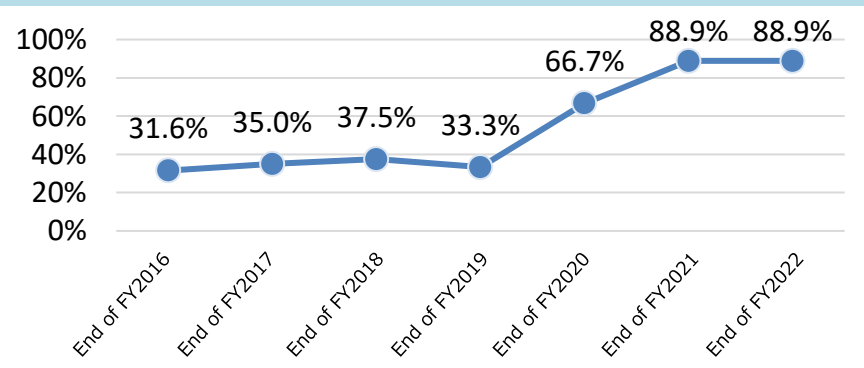
<Human Resource Development Strategy: Develop and utilize human resources>

Human resource development strategy	Key points of the strategy (details to follow)
Promotion of diversity	• Create a comfortable work environment that facilitates job satisfaction – and then improve upon it
Work style reforms	• Eliminate wasted time by utilizing IT tools and improving the efficiency of the use of meetings
Human resource development and education	• Use a systematic, stratified employee education program and selective training to develop professionalism throughout our workforce
Elimination of occupational accidents	• Promote Safety Evangelist activities and effective risk assessments
Promotion of health and productivity management	• Strengthen health and productivity management by promoting employee health awareness and an awareness of the importance of life-style to good health / behavior change.

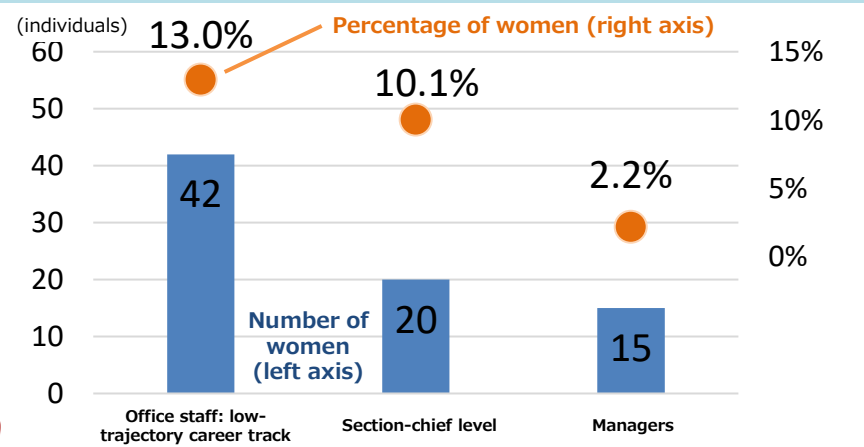
Human Capital Management: Promotion of diversity

- We launched our diversity promotion project in 2014. It focused on initiatives to facilitate job satisfaction and revitalize the workplace with an emphasis on promoting the encouragement of active roles for women at the workplace.
- We held various seminars and round-table discussions for female staff. There we emphasized the importance of a working environment that is comfortable for all. Our retention rate of female employees after 10 years of employment has been improved significantly.
- A plan is being developed to double the number of female managers, increasing their number from 15 to 30, by 2030.

The retention rate of female employees after 10 years of employment



The number of female office staff (regular full-time position) as a percentage of the total of female staff (end of March 2023)



Female staff seminars





Roundtable discussions among female staff



Human Capital Management: Human resource development and education

- Our education program is usually life-long. During their employment each year, our employees receive education through mandatory training to acquire the knowledge and skills they will require for their current work. When an employee is promoted, new skills taught and knowledge is provided to support success in the new position. In particular, Our 10-month-long training program for new employees at our on-the-job technical academy (a vocational training school) has an impressive 80 year track record as a successful provider of essential training.
- It is essential for office staff members to acquire a certain proficiency score on the TOEIC test, before promotion to the section chief level.
- Many talented young employees are sent for selective training to overseas universities and other institutions, to become overseas trainees who will be part of our development of a body of resources for global operation. These experiences are intended to help accelerate their growth. In addition, thorough education has been given to a small number of elite management candidates, to prepare them for their roles. This program has been provided since 2004 through STAR seminars conducted by external lecturers.

Class		Required training	Training required for promotion	Selective training
Managers	General manager level	New department manager training		STAR seminars (for management executive candidates) High-level management courses "Fukan Juku" generalist workshop (for general managers)
	Deputy manager level		Before promotion: Management strategy	Executive management seminar
	Section manager level	New office manager training: • Risk management • Human resources management	Before promotion: • Leadership management	Section manager workshop for female managers "Fukan Juku" generalist workshop (for office managers)
Office staff	Section chief level		Before promotion: • Risk management • Strategy planning, etc.	Global human resources development • Overseas training • Study at universities abroad and in Japan
	Rank and file	3rd-year training: • Risk management • Problem solving, etc. 2nd-year training: • PDCA • Logical thinking, etc. New recruit training (about 3 months)	TOEIC test Before promotion: • Risk management • Career training, etc.	Mid-career staff training 
Field operators	General foreman for production line	New general foreman training (together with new office manager training)		
	Supervisory foreman	New supervisory foreman training		
	Foreman	New foreman training		
	Rank and file	7th-year training 5th-year training 2nd-year training New recruit training (about 10 months)		

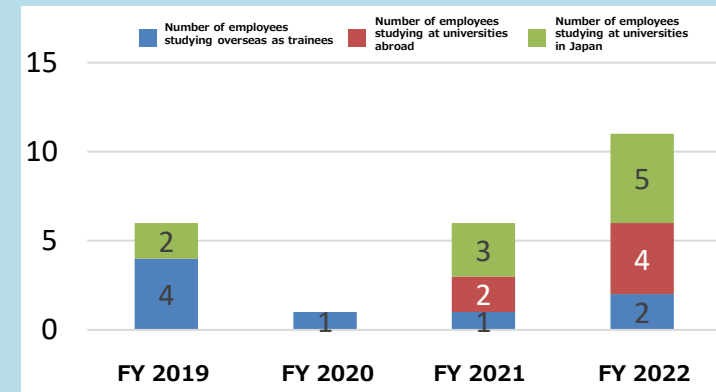
Human Capital Management: Human resource development and education

- We offer an ESG education program through our proprietary online e-Learning system, Star-D, for all of our employees who participate in the program in their spare time. Created content can be used by Daido Steel Group companies.
- We offer our employees opportunities to study at universities in Japan and abroad for the purpose of acquiring qualifications and degrees and conducting research in cutting-edge technologies. We are particularly keen to increase the number of young employees who study abroad as overseas trainees.

Contents of the e-Learning system "Star-D"

Item	Star-D contents
Compliance Risk management	<ul style="list-style-type: none"> ◆ Internal controls ◆ Important laws and regulations ◆ Understanding "Internal controls" (the basics) ◆ Compliance ◆ A message from our vice-president about compliance ◆ Risk management ◆ Basics of non-life insurance ◆ Education about being a resident in a foreign country
Safety	<ul style="list-style-type: none"> ◆ How to read SDS ◆ Proper management of toxic and deleterious substances
Health	<ul style="list-style-type: none"> ◆ Mental health
Environment	<ul style="list-style-type: none"> ◆ Waste Management and the Public Cleansing Act (the basics) ◆ Video training for using the industrial waste DB system ◆ CFC Emission Control Law "The Management of Class I Specified Products"
Technology	<ul style="list-style-type: none"> ◆ Basics of Intellectual Property Rights ◆ Energy management
Accounting	<ul style="list-style-type: none"> ◆ Appropriate accounting and tax treatment ① Fixed assets ② Inventory control ③ Tax compliance ④ 3-year lump-sum depreciable assets
Human resources	<ul style="list-style-type: none"> ◆ Harassment (general information) ◆ Maternity harassment, paternal harassment, nursery care harassment ◆ Worker Dispatch Law (the basics) ◆ Human rights ◆ LGBT ◆ Childcare leave
General affairs	<ul style="list-style-type: none"> ◆ Emergency response ◆ Information management ◆ Document control rules (including electronic documents) ◆ Measures to protect from targeted e-mail attacks
Contracts	<ul style="list-style-type: none"> ◆ Confidentiality agreements
Procurement	<ul style="list-style-type: none"> ◆ Subcontracting Law ◆ Prevention of fraudulent purchases
Sales	<ul style="list-style-type: none"> ◆ Antimonopoly Law
Export	<ul style="list-style-type: none"> ◆ Security export control

Number of trainees/students dispatched to study abroad



Practical training of students at Daido Steel Technical Training School



Human Capital Management: Work style reforms

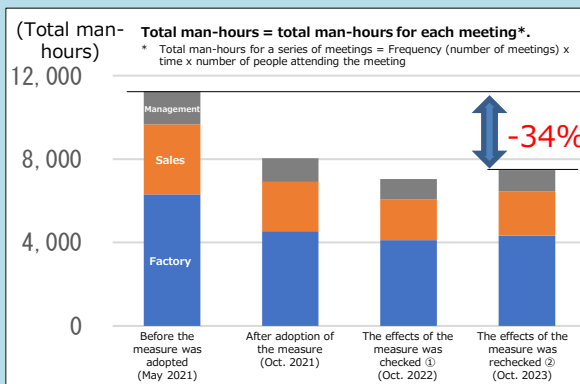
- Improving work efficiency by improving the working environment: Achieving a better work-life balance by making it easier to perform the work
- Improving productivity through the use of IT tools: Promoting man-hour reduction by introducing RPA* and other software functions

Details of "work style reform" measures

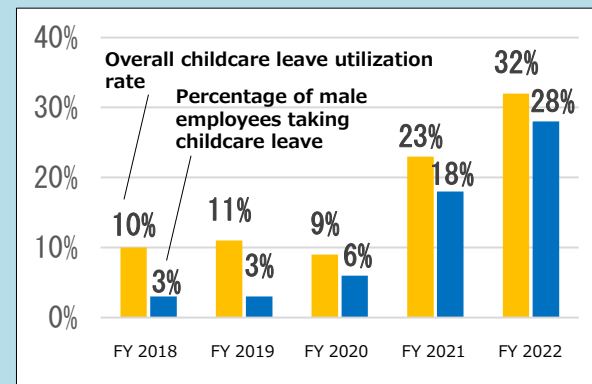
*RPA: Robotic Process Automation

	Measures	Specific details
Improvement of the work environment	Improve meeting efficiency	Review the frequency of meetings and the number and nature of the participants to improve meeting efficiency
	Promote working at home	Reduce time lost to commuting, by working at home and at satellite offices
	Increase the rate of employees taking parental leave	Encourage male employees to take childcare leave, throughout the company, to improve the childcare leave utilization rate.
Use of IT tools	Introduce RPA*	Use RPA* to perform low value-added tasks such as data entry work. (Figure 1)
	Distribution of portable computers to employees	Portable computers were distributed to almost all staff members, in particular for use in web conferencing.
	Adoption of a paperless system	Promote electronic documentation by reviewing document management rules.

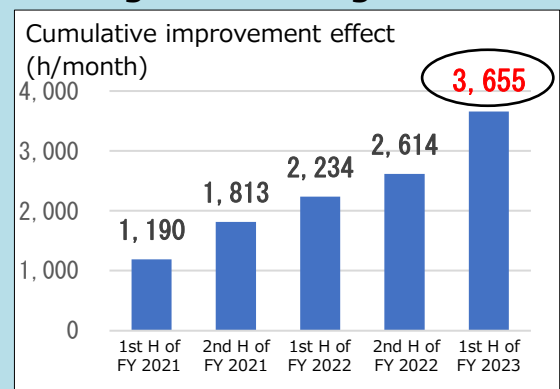
Reduction of man-hours by streamlining meetings



Percentage of employees taking parental leave



Reduction of man-hours through introducing RPA



Human Capital Management: Elimination of occupational accidents

- Safety and health are the foundation of happiness and the backbone of corporate management. (Goal: Zero serious accidents)
- The number of occupational accidents has increased in recent years. The following trends are evident in the occurrence of such accidents:
 - The number of accidents is higher among younger workers who are less knowledgeable and are inexperienced concerning the sources of hazards in their workplaces.
 - Many accidents tend to occur when workers fail to follow the three basic safety principles (stop, move away, and check footing).

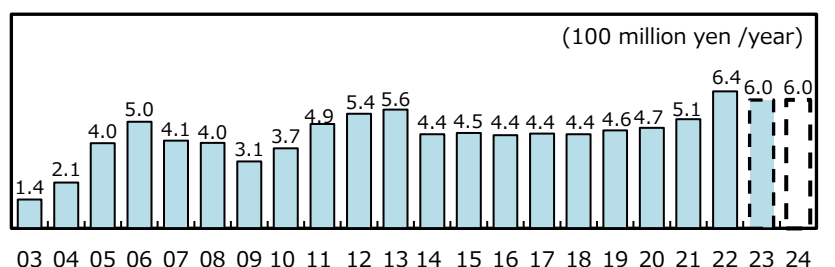
Safety Evangelist activities

- In order to prevent accidents among younger workers, in 2022 we started to deploy 74 "Safety Evangelists", safety experts with abundant knowledge and experience, at major work sites.
- They will provide on-site guidance to younger and inexperienced employees, improve their sensitivity to danger, and increase communication to foster a sense of unity in the workplace.

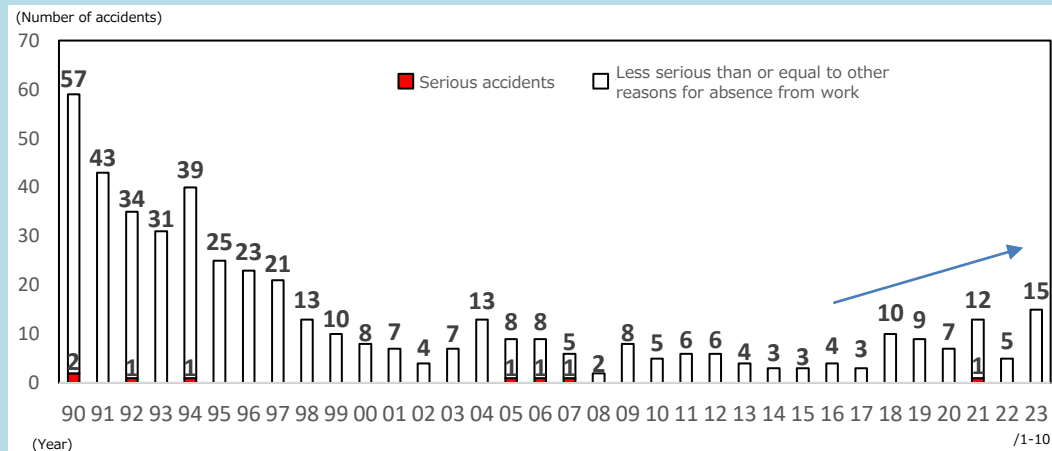
3-year risk assessment promotion plan

- We launched the "3-year risk assessment promotion plan" in 2022 to promote the elimination of hazards.
- In FY 2023, we have been focused on risk identification and information sharing.

<Figure 2> Changes in safety equipment investment



<Figure 1> Changes in the number of occupational accidents



<Safety Evangelist activities>



Human Capital Management: Promotion of health and productivity management

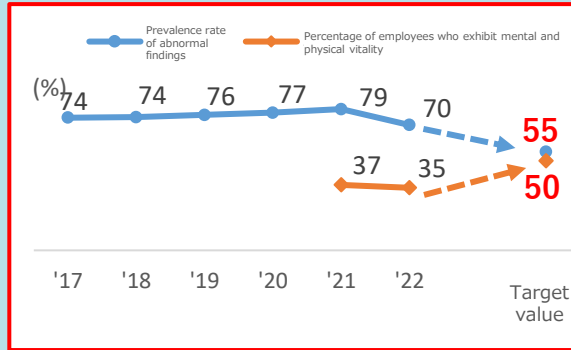


Based on the recognition that "health is the foundation of happiness" and "our people are the Company's most valuable asset", as is stated in our Health Management Declaration, we have formulated strategies that enhance the wellbeing of our employees. We carry them out enthusiastically, in order to strengthen the basis of "Daido Steel, where employees work with vitality."

Health and productivity management targets

KPI item	Target values
Increase in the number of employees who can work with full mental and physical vitality	50% (2022 results: 35%)
Reduction of the prevalence rate of abnormal findings	55% (2022 results: 70%)

<Figure 1> Changes in KPIs



Employee health and productivity management data

	FY 2021	FY 2022
Rate of employees receiving stress checks	99.99%	99.98%
Rate of employees showing high stress	7.7%	7.4%
Percentage of employees who are well rested through good sleep	74.0%	71.8%
Smoker rate	26.7%	26.5%
Rate of those eligible for specific health guidance	18.6%	18.8%
Percentage of employees who underwent a thorough examination after an ordinary medical checkup	98.2%	98.9%

Details of our health and productivity management initiatives

Item	Details
Mental healthcare	
Illness prevention	
Physical care	
Prevention of passive smoking	

Promote employee awareness and behavior change to improve KPI

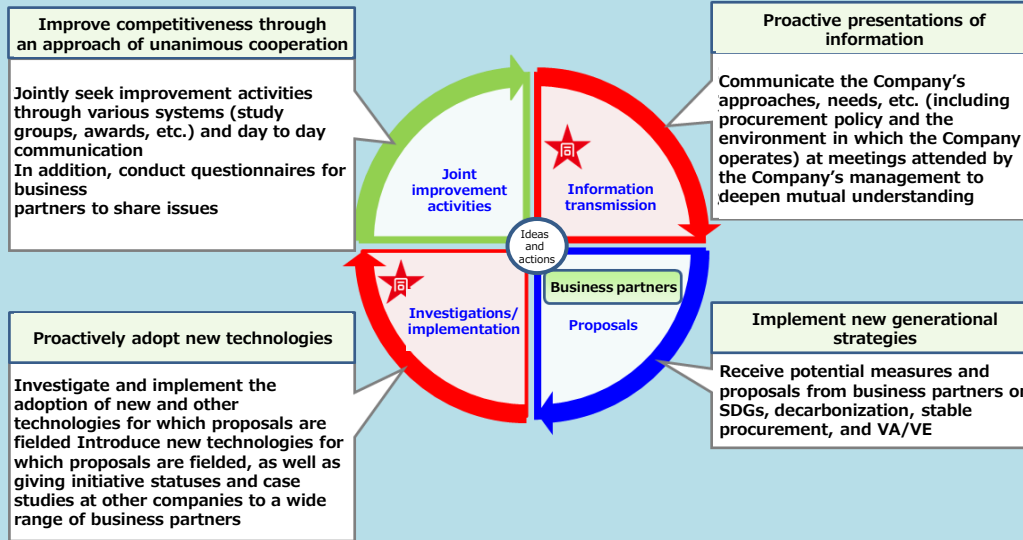
Scenes from the "Making a company that people look forward to working at every day" Project



Social Contribution Initiatives: Supply Chain Management

- Daido Steel's "Daido Steel Procurement Policy" was established in February 2021 to set forth our basic approach and stance on the social responsibilities to be fulfilled by the Company.
- We launched the DSP (Daido Supplier Partnership) system in May 2022 to establish and maintain a strong partnership with our business partner companies. The second DSP conference was held in May of this year and attended by about 300 people (from about 200 companies).
- The DSP system promotes fair and equitable transactions, compliance, and respect for the environment, society, and human rights.

DSP (Daido Supplier Partnership) system



- (1) Information disseminated by our company
 - (2) Proposals from suppliers
 - (3) Examination of new technologies and adoption for use at our company
 - (4) Joint improvement activities
- The DSP system promotes the above activities, as a cyclic process. We promote ESG management in cooperation with our suppliers.

Joint themes shared with suppliers	Details
Carbon neutrality	CO ₂ emissions and intensity calculations; holding study sessions on the results of calculations.
BCP (Business Continuity Plan)	Establishment and improvement of our BCP
VA/VE	VA proposals based on our factories needs
Protection of human rights	Respect for human rights, practiced both by the Company and by our suppliers
Compliance	Ensure compliance with laws and regulations
Information security	Establishment of strong information management system
Safety/health	Ensure occupational safety and promote health & productivity management

DSP meeting (ESG lecture)



Environmental Preservation Activities (Biodiversity Initiatives)

- Kutcharo Natural Forest Daido is a company-owned forest (green area: approx. 3,730,000 m²) on the shores of Lake Kutcharo in Hamatombetsu-cho, Hokkaido. In cooperation with a local NPO, the Lake Kutcharo Ecoworkers, we are working to protect that ecosystem, and are engaged in nature conservation activities there.
- The Chita Peninsula Green Belt is a vast green belt that stretches through the industrial area on the coast of the Chita Peninsula, Aichi Prefecture. The "Inochi wo Tsunagu PROJECT; Connecting Lives PROJECT," a wide-area collaborative activity with a focus on biodiversity was launched in this area in 2011. Currently, 11 companies including Daido Steel, government agencies, students at university, experts, and NPOs are working together on this project. The area was certified as an "Other Effective area based on Conservation Measure: OECM) by the Ministry of the Environment as part of the 30 by 30 Alliance for Biodiversity in Japan in October 2023.

Kutcharo Natural Forest Daido



The area surrounding it is a Ramsar wetland



Wildlife Protection Merit Award given in 2018
(A commendation by the Minister of the Environment)



Our Technical Training School students
(62 students) held a Tree Planting Festival
in 2023

Inochi wo Tsunagu PROJECT: forests created by reclaiming the sea



A Northern Goshawk was confirmed to be living in the green belt.



A Japanese red fox was observed in the green belt



Mecenat Activities (Art and Cultural Activity Support)

- We have been sponsoring the "Master Music Performers Series", a music concert held four times a year, since 1991. This music event was originally started in 1987 under the plan and sponsorship of Chubu Nippon Broadcasting Co., Ltd. We took over its sponsorship in 1991.
- We also co-sponsored the Nagoya Castle Children's Shogi Championship and other events in 2023.
- We obtained the naming right for the "Crystal Square," a corner of the underground shopping center in the center of Sakae, Nagoya City, and renamed it "Daido Steel Phenix Square" in June 2023 to better serve the local community.

Concerts of Outstanding Music Performers

大同特殊鋼 名演奏家シリーズ 2023

中村 滉己 津軽三味線 リサイタル

地元・名古屋出身の19歳、津軽三味線の若手チャンピオンが登場！
新たな感性で和楽器界のエンタテインメントを切り拓く、津軽三味線最高峰競争の二刀流！
昨年がデビューアルバムとなる初の現場ライブも好評となった現役大卒2年生！

10/13(金) 18:45開演 電気文化会館 ザコンサートホール
曲目/津軽じんごり歌、秋田野方歌、竹田の子守歌、神々の舞、花(作詞:朝原和夫、作曲:山田重太郎) ほか
入場料 ¥3,000(全席指定・税込) [Pコード] 243-990 [Lコード] 40321 高橋優介(ピアノ)

宮田 大&田村 響 デュオ・リサイタル

ロストロボ・ヴィジュアル・コンクール優勝の宮田×コンクールファイバー・コンクール優勝の田村、
同じ年、二人の実力派が奏でる圧巻のデュオ！

11/19(日) 15:00開演 三井住友海上しらかわホール
曲目/ベートーヴェン・シューベルトの演奏の中心となる急ぎのテンポ、シューベルト・協奏曲 Op.142-2 (ピアノ)、
ラヴェル・組曲(ピアノ)、ワグネル・楽隊のためのホルン奏法、プロコフィエフ・ロソック

入場料 S席¥6,000 A席¥4,500(全席指定・税込) [Pコード] 243-995 [Lコード] 40322

亀井 聖矢 ピアノ・リサイタル

昨年の「名演奏家シリーズ」出演直後にロストロボ・ヴィジュアル・国際音楽コンクールで優勝！
輝道を続ける一貫出身21歳の俊英が凱旋します！！

12/24(日) 15:00開演 三井住友海上しらかわホール
曲目/ショパン・舟歌 第4楽章 作品60、「ドン・ジョヴァンニ」の「お手をとる」による演奏曲の長調 作品2 ほか

入場料 S席¥5,000 A席¥3,500(全席指定・税込) [Pコード] 243-997 [Lコード] 40323

宮川 彬良&アンサンブル・ベガ ニューイヤー・コンサート

年のはじめは、ご家族揃ってコンサートに出かけましょう！アキラさんの楽しいトークと、コミカ
みな演奏もこなす手打ちによるプレミア・アム音楽団は、たまたま人なにオケストラの音が
する！！ワクワク、ドキドキ、ワクワク、楽しいときとときを一緒に過ごしましょう！！

2024年 1/14(日) 15:00開演 東海市芸術劇場
曲目/アンサンブル・ベガのニューイヤーのための即興(パティエール/宮川彬良)
マツケンサンバII(歌川信子) ほか

入場料 おとな ¥4,000(税込) こども ¥2,000(税込) [Pコード] 243-998 [Lコード] 40324

6月23日(金) 10:00~ 一般発売開始

[チケット] 05070-00-5310 (アプリ専用) [チケット] 05070-00-5311 (チケット) [チケット] 05070-00-5312 (チケット) [チケット] 05070-00-5313 (チケット) [チケット] 05070-00-5314 (チケット)

大同特殊鋼 <https://www.daido.co.jp/>

Nagoya Castle Children's Shogi Championship



小学1〜中3年生 出場者募集!

名古屋城 こども 王位戦

予選大会 8月5日(土)
決勝大会 9月16日(土)

表彰式には 藤井聡太七冠が スペシャルゲスト として来場!!



Daido Steel Phenix Square (naming rights acquired)



DAIDO STEEL CO., LTD.

Community Contribution Activities: Activities at each plant

Each of our plants interacts closely with the local government in which it is located and with residents in its neighborhood. In addition to events to deepen friendship such as local festivals and cherry blossom viewing, we promote communication with local residents through various events and activities, such as cleanup activities, cooperation in disaster prevention and crime prevention activities, illumination events, and support for sports activities.

Various mixers and social events



Hoshizaki Plant: Cherry blossom viewing party



Shibukawa Plant: Exhibition of artworks by children

Community clean-up campaigns



Chita Plant: Community cleanup



Shibukawa Plant: Community cleanup

Disaster prevention and crime prevention activities



**Tsukiji Techno Center Office (HEART):
Community Disaster Prevention Cooperation Office**



**Hoshizaki Plant:
Children's Emergency Shelter**

Sporting activity support



**On-demand Handball Classes
(for elementary school students)**

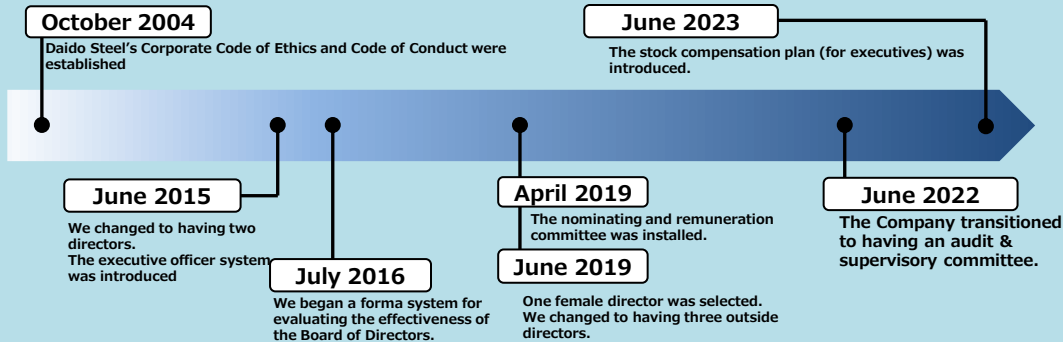
Corporate Governance

- Strengthen corporate governance
- Risk management

Our Approach to Strengthening Corporate Governance

■ We recognize that corporate governance is one of the most important management issues. We strive to improve management efficiency, ensure appropriate and speedy decision-making, and ensure transparency in management.

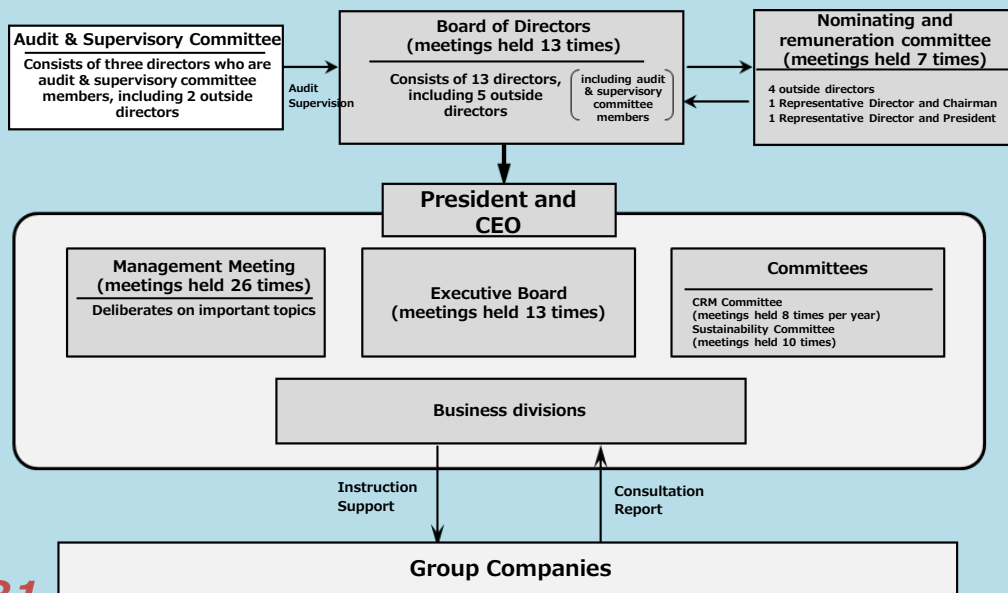
The history of our steps toward strengthening corporate governance



<Major track record of our strengthening corporate governance>

- Established the Nominating and Remuneration Committee in 2019
We appointed one female director and established a three-outside-directors system
- Transitioned to having an audit & supervisory committee in 2022
Some of the items previously resolved by the Board of Directors became decisions of the President, to speed up decision-making to focus the content of deliberation at the Board of Directors on management policy and strategy.
- Introduced a stock compensation system for executives in 2023.

Corporate governance structure



<Number of opinions and proposals offered by outside directors at meetings of the Board of Directors>

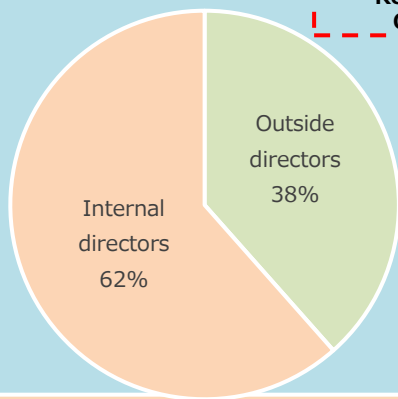
Outside directors have offered 148 constructive opinions and proposals about 105 topics for resolution at Board of Directors meetings since April 2022, an average of 1.4 times per topic.

Fiscal Year	Number of agenda items (resolutions)	Number of opinions or proposals offered by outside directors	
		Directors	Audit & Supervisory Committee members
FY 2022 (meetings held 13 times)	57	59	12
FY 2023 (meetings held 8 times)	48	63	14
Total	105	122	26

Board of Directors, Audit & Supervisory Committee, Nominating and Remuneration Committee

- The Board of Directors meets once a month, in principle. (13 meetings were held in FY 2022)
- The Audit & Supervisory Committee also meets once a month in principle (13 meetings were held in 2022, including 3 meetings of the Board of Corporate Auditors before the transition to a company with an audit & supervisory committee.)
- The Nominating and Remuneration Committee met seven times in FY 2022. The Committee deliberates on matters related to the nomination and remuneration of directors and submits the results to the Board of Directors. The Committee interviewed candidates and deliberated multiple times before deciding to appoint the current Representative Director and President in FY 2023.

Ratio of outside directors



Members of Nominating and Remuneration Committee

Outside Directors



Outside directors
(Independent Officer)
Mutsuko Jinbo



Outside directors
(Independent Officer)
Ryoichi Yamamoto



Outside Director
(Independent Officer)
Noriyuki Hiramitsu

Directors and Members of the Audit & Supervisory Committee



Director and audit & supervisory committee member
(Independent Officer)
Kenji Matsuo



Director and audit & supervisory committee member
(Independent Officer)
Kiyoshi Mizutani

Directors



Chairperson of the Board of Directors, Representative Executive Director

Takeshi Ishiguro



President, Representative Executive Director

Tetsuya Shimizu



Executive Vice President, Representative Executive Director

Tsukasa Nishimura



Executive Vice President, Representative Executive Director

Toshiaki Yamashita



Director

Akihito Kajita



Director

Tatsushi Iwata



Director

Tadayuki Kashima

Directors and members of the Audit & Supervisory Committee



Director and audit & supervisory committee member

Susumu Shimura

Toward the Target of Achieving a PBR of 1x

	Mid-term management plan	FY 2022 results	FY 2023 plan
Operating Income (100 million yen)	≥400	470	470
ROE	8.0%	10.4%	8.4%

[Major Achievements toward fulfilling the 2023 Mid-Term Management Plan]

- Expanded sales of high-value-added products, including open-die forgings, high-performance stainless steel, and titanium products
- Raised selling prices to compensate for increases in energy costs and to ensure appropriate margins.
- Withdrew from unprofitable businesses and concentrated management resources on fast-growing areas (restructuring our die-forging business and liquidating the tool steel production base)
- Promoted sales of cross-shareholdings (reduced the net asset ratio to less than 20% as of the end of FY 2023, including deemed shareholdings)
- Promoted ESG-based management (increased the ratio of renewable energy and established the Group's human rights policy, among other things.)
- Raised the dividend payout ratio to 30% as a guide (20-25% had been proposed in the 2020 mid-term management plan)

Measures to improve PBR

Increasing ROE

- **Ensuring medium- to long-term returns (profits) by investing in fast-growing areas**
We will capture demand for our products, such as open-die forgings, high-performance stainless steel, titanium products, and engineering products, in fast-growing areas.
- **Effective use of assets**
We will perform appropriate inventory management and capitalization of cross-shareholdings and idle real estate into funds
- **Dividend policy**
Based on the principle of maintaining a stable return of profit to investors, we will determine the dividend payout ratio by taking into consideration medium- to long-term investments, profit levels, and financial positions.

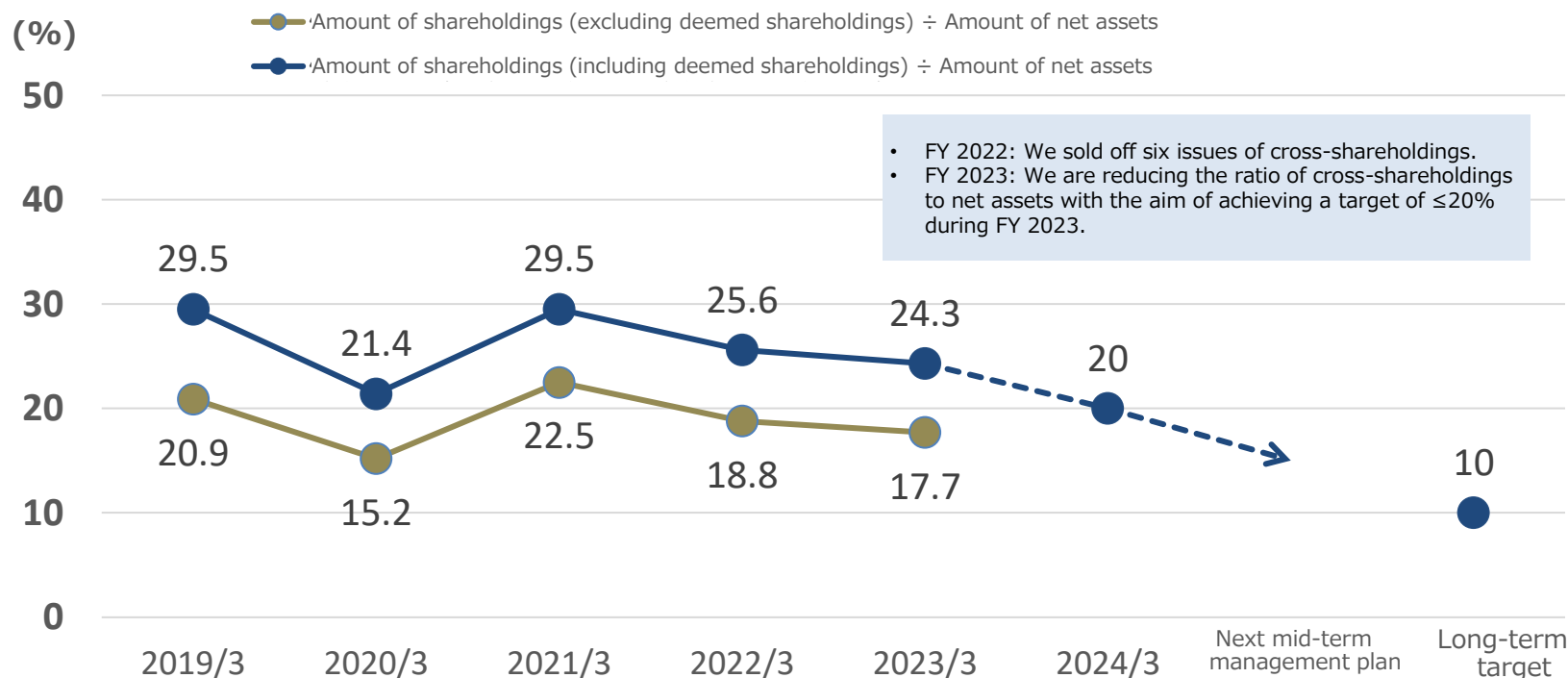
Non-financial strategies and fostering expectations for growth

- **Promoting ESG responses**
E: Implement the Carbon Neutral Challenge program (Reduce **CO₂** emissions by 50% by 2030)
S: Promote human capital management and diversity (Integrate this with the next mid-term management plan)
G: Strengthen our corporate governance
- **Disseminate information by strengthening our PR, IR, and SR activities**
This information includes non-financial information, such as our progress on ESG activities. Strengthen information dissemination. Conduct dialogues through various IR events

Specific future numerical targets will be announced in the next mid-term management plan.

Reduction of Cross-Shareholdings

- Each year, we examine the purpose and appropriateness of holding individual cross-shareholdings at the Board of Directors.
- We reduced the ratio of cross-shareholdings (including deemed shareholdings) of our net assets to 24.3%, at the end of FY 2022. We plan to reduce to $\leq 20\%$ by the end of FY 2023 (the final year of the 2023 Mid-Term Management Plan).
- We aim to reduce that ratio to 10% over the long term, with specific targets to be disclosed in the next mid-term management plan.



	2019/3	2020/3	2021/3	2022/3	2023/3
Number of issues	41	42	39	34	28
Cross-shareholdings (in value terms) (excluding deemed shareholdings)	937 (665)	661 (471)	1,000 (763)	933 (685)	989 (718)
Total net assets (in value terms)	3,181	3,091	3,394	3,650	4,055

(million yen)

(million yen)



Stakeholder Communication

- In July 2022, we reorganized our public relations department and installed the Corporate Communication Section in the Corporate Planning Department, as a new unit that oversees both public relations and investor relations activities.
- This section promotes activities such as strengthening the dissemination of corporate information, including non-financial information, and building the corporate brand, with the aims of strengthening relationships with all stakeholders and enhancing corporate value.

<IR activities for shareholders and investors>

Details of communication	FY 2022 (Results)	FY 2023 (Estimates)
Financial results briefings for institutional investors	4 times	4 times
ESG briefings and business briefings	Once	Twice
Plant tours (for institutional investors)	Once	Once
Participation in IR events for overseas investors	Once	Twice
President's Small Meeting	Once	Twice
Issuance of sponsored research reports for overseas investors	4 times	4 times
Exhibition in IR events for individual investors	Twice	3 times
Video distribution of financial results briefing (website)	Twice	4 times

We are going to make further increases of our IR activities aimed at shareholders and investors, to help them gain a deeper understanding of the Daido Steel Group and build stronger relationships with us.

<TV commercials>



<Stakeholder PR activities>

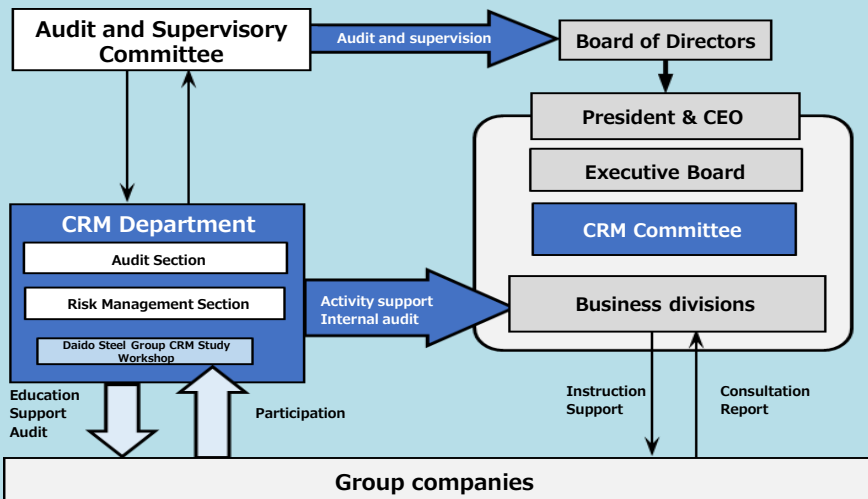
We are conducting various PR activities to give stakeholders a more detailed impression of the Company.

- TV commercials and advertisements in newspapers and other media (August 2023)
- We obtained naming rights to a corner of the Sakae underground shopping center in Nagoya (Daido Steel Phenix Square)

Risk Management System

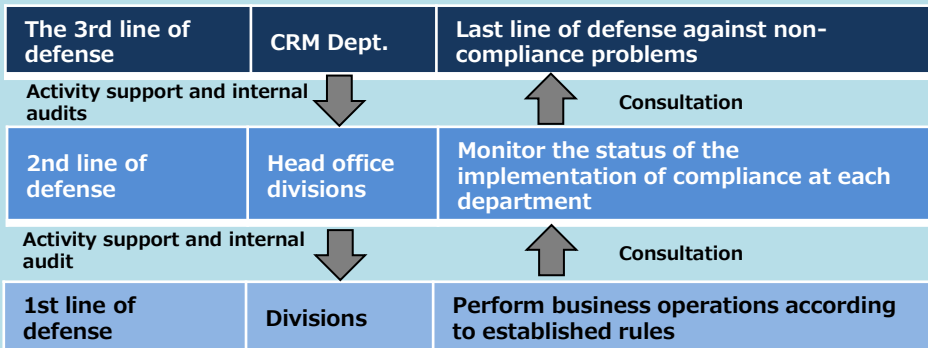
- We have established a Corporate Risk Management (CRM) Committee, chaired by the President, which serves as an advisory organ to the Board of Directors and supervises risk management activities performed by the Company. It oversees the status of operation of internal controls pertaining to risk management and financial reporting.
- We periodically formulate and revise a risk map. It gives a visual presentation of the risks that impact our business operations, details specific assessments of those risks, and points out especially important risks related to the Company. The relevant divisions are then notified of the results of this complex risk analysis.

Our risk management system



Our 3-line defense system against risks of non-compliance

We have established a 3-line model as a line of defense against non-compliance. The head office divisions constitute the second line of defense and serve as risk owners. The CRM Department forms the tertiary, and final, line of defense.



Response to major risks

For critical risks that require a company-wide response, we work on risk mitigation as the WG (Working Group) system.

WG	Focus	Purpose and details of activities
WG1	Export controls and cartels	Activities aimed at preventing violations of security export control and competition laws
WG2	BCM	Activities aimed at ensuring business continuity in the event of a contingency (such as a major earthquake)
WG3	Group company corporate governance	Activities to raise the level of risk management and compliance within the Daido Steel Group
WG4	Information management	Activities to reduce information security risks through secure management of confidential information and implementation of cyber security measures

Quality Management

- We have developed a new President's Quality Policy and updated our key measures and guidelines for quality.
- We launched the Corporate Quality Management (CQM) Department to strengthen quality governance in Nov. 2023, in response to the existing business environment, within which demand is rapidly expanding for very difficult-to-manufacture and high-quality products (such as those for aircraft) and other special products for the global market.

A Message from Top Management

The President's Quality Policy

"Quality is the source of our business competitiveness"
Let's continue to provide products that users can choose with confidence.

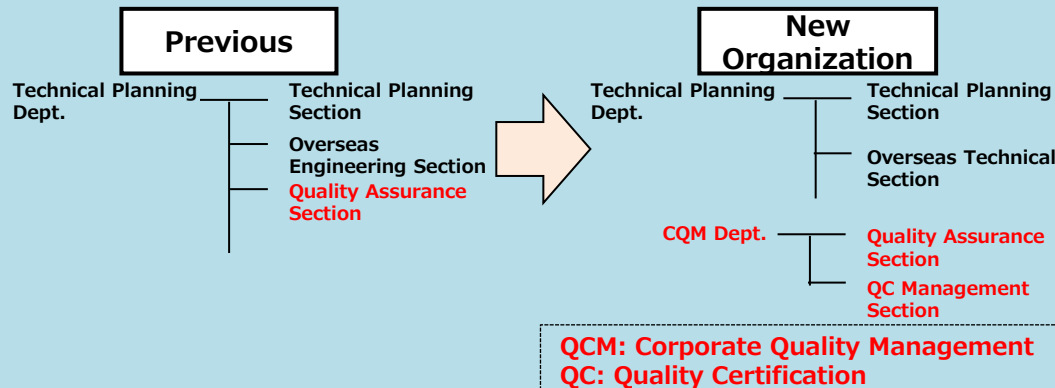
Key measures

- ◆ **Expand our business in fast-growing areas**
Provide materials with reliable quality control to meet new needs in fast-growing areas, such as the automotive CASE, semiconductor-related fields, and clean energy fields.
- ◆ **Enhance our business agility**
Improve production processes while maintaining quality
- ◆ **Quality compliance**
Comply with all laws, regulations, and standards and share risks

Guidelines for quality

- ① Manufacture products from the user's perspective
- ② Provide users with stable quality products at the agreed-upon delivery dates
- ③ Retain users' confidence in Daido's products

CQM Department Organization



Organization	Details of operation
CQM Dept. (newly established)	Strengthen corporate governance
	Supervise Daido Steel Group's quality assurance activities
	QA Section Prevent serious quality accidents and violations of quality compliance, and implement corrective actions Standardize and present systematic approaches to quality assurance Establish training programs for quality assurance
QC Management Section (newly established)	Promote acquisition of official standards certification
	Monitor and improve the standards certification compliance system
	Develop inspectors and promote in-house qualification systems Comply with all laws and regulations concerning hazardous chemical substances our products contain

End