

INTEGRATED REPORT 2021



DAIDO STEEL GROUP
Beyond the Special



Daido Steel Group Management Philosophy

Pursuing the potential of materials to support our future

Guidelines

Aim High
Sincere Action
Personal Growth
Team Strengths
Open to Challenges

Daido Steel Group Logo

DAIDO STEEL GROUP **Beyond the Special**

Kutcharo Natural Forest Daido

Lake Kutcharo lies near the town of Hamatonbetsu, in the Esashi District of Hokkaido Prefecture, around 80 kilometers south of Japan's northmost point, Cape Soya. The lake was the third in Japan to be designated as a registered wetland under the Ramsar Convention* in 1989. At a latitude of 45° north, it is a rarely visited site of unspoiled nature. Each year in spring and autumn, several tens of thousands of swans (*Cygnus bewickii*) rest their wings at this stopping point, while in the winter various migratory birds arrive, such as sea eagles (*Haliaeetus pelagicus*) and white-tailed sea eagles (*Haliaeetus albicilla*), which are designated as an endangered species.

On the shores of this precious lake, the Company has acquired land and it is working to maintain and preserve the forest there.

In 2005, the Company named its forest on the shores of Lake Kutcharo "Kutcharo Natural Forest Daido," and has conducted a range of environmental activities such as environmental education as part of its social contribution activities, using it as a symbol of awareness raising about environmental preservation and nature appreciation.

* Ramsar Convention: An international convention for the protection of wetlands, which are vital breeding grounds for waterfowl.

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Editorial policy

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

Scope

The readership of this report is broadly divided into the Company's stakeholders (people who have dealings with the Company, such as customers, shareholders and investors, local communities, employees, etc.), public institutions, media, education-related readers, and others. The scope of this report is primarily information related to long-term strategy and sustainability.

Reporting period

April 1, 2020 to March 31, 2021
(Includes some activities that take place in fiscal 2021)

Reference guidelines

GRI "Sustainability Reporting Standards"
International Integrated Reporting Council (IIRC)
Guidelines "International Integrated Reporting Framework"
Ministry of the Environment "Environmental Reporting Guidelines 2018"

Publication date

November 2021
(previous publication in November 2020)

Regarding Initiatives to Prevent the Spread of COVID-19

The Company has taken the following initiatives to prevent the spread of COVID-19.

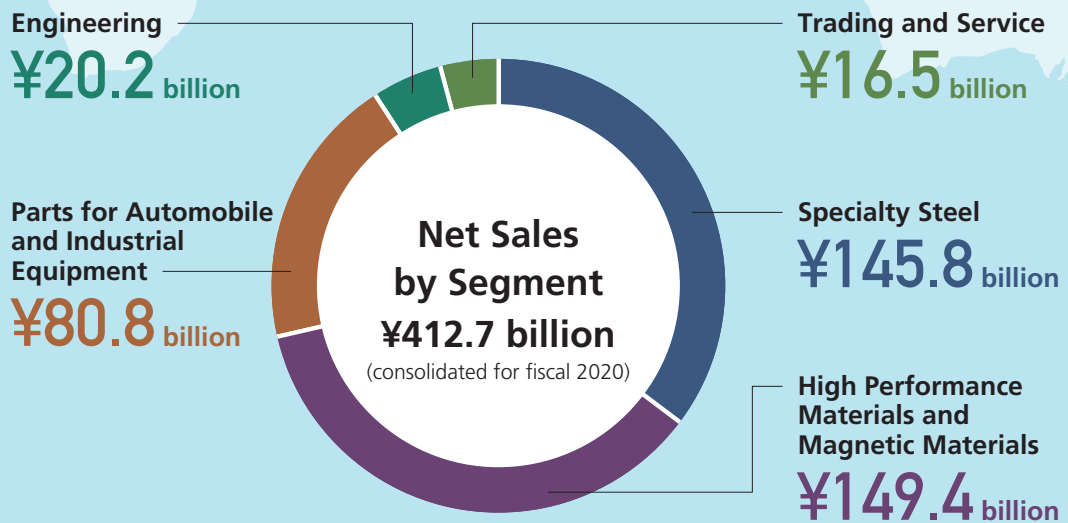
We have adopted a system that encourages working from home for employees working at the Head Office, branches, and sales offices.

When employees come to the workplace, they work with staggered shifts, wear masks at all times, and take thorough measures to prevent infection, such as handwashing and gargling.

For manufacturing sites and research and development laboratories, we have taken measures to prevent infection to the greatest extent possible, such as encouraging employees to work from home and using staggered shifts. We will also continue business activities with only the minimum necessary staff for operating.

Going forward, we will prioritize the safety of all stakeholders and employees, and work to continue business operations appropriately.

Overview of the Daido Steel Group (Countries of operation are shown in red)



Overview of Business

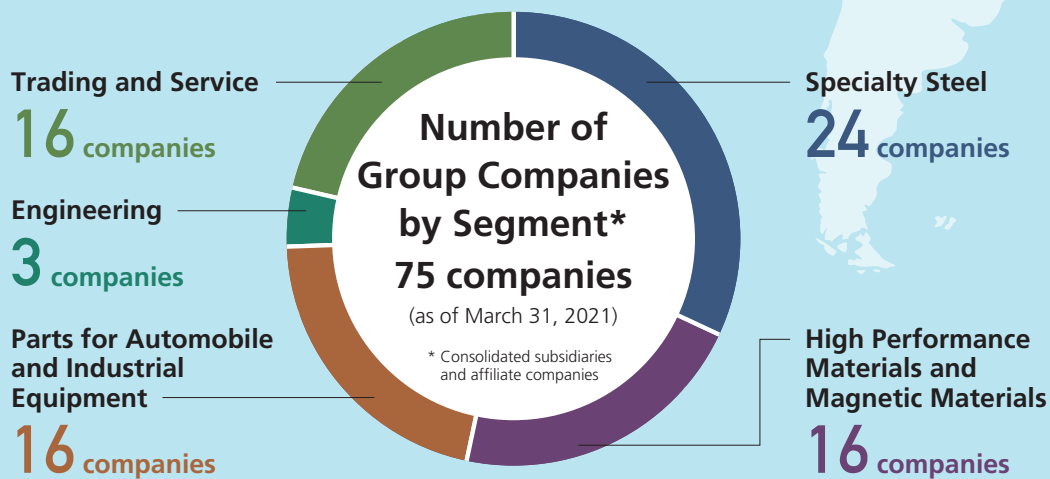
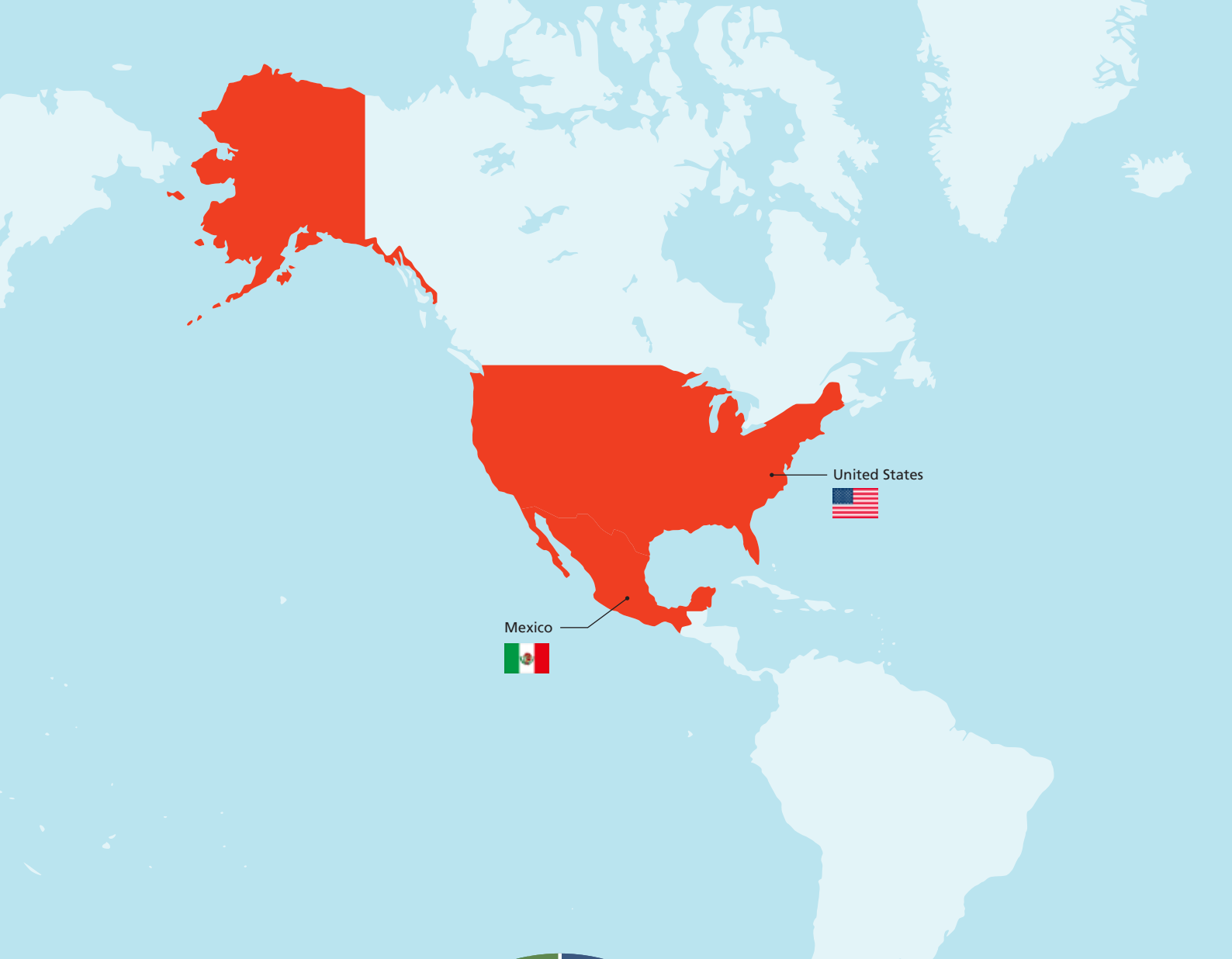
The Company has five business segments which conduct wide-ranging business activities on a global scale.

Specialty Steel

The segment produces and sells structural steel, tool steel and others, mainly for use in automobiles and production machinery.

High Performance Materials and Magnetic Materials

The segment manufactures and sells high-performance materials and magnetic materials used chiefly in automobiles, computers, mobile phones and consumer electronics.



Parts for Automobile and Industrial Equipment

The segment manufactures die forged parts such as crankshafts using specialty steel, precision cast parts for use in turbochargers, as well as engine valves, jet engine shafts, and parts for gas turbines.

Engineering

The segment's activities include the design and manufacture of, and related after-sales services for, melting and refining furnaces, vacuum carburizing furnaces, heat treatment furnaces for auto parts, environmental equipment, and machine tools.

Trading and Service

The segment conducts sales of products made by Group companies, employee benefits services, real estate and insurance services, golf course management, analytics, and sales of software to external customers.

Daido Steel and Society

The Daido Steel Group supplies society with steel-related products for a wide range of fields, such as specialty steel, high-performance magnets, and industrial furnaces.

In particular, specialty steel is a recycled product made mainly from scrap iron. Steel products that have finished serving their purpose in society are scrapped and then reborn as new products.

While not often seen by the general public, these products are used in automobiles and aircraft as well as various industrial sectors, helping to support people's lives and the development of society.

High Performance Materials and Magnetic Materials

Neodymium hot deformation processed magnet MQ3

These ring-shaped magnets combine high magnetism with corrosion resistance, helping to realize quiet, smooth movement for industrial robots and contributing to the electrification of automobiles.



Parts for Automobile and Industrial Equipment

Engine shaft alloy

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



Parts for Automobile and Industrial Equipment

Turbine disk

Power generator parts with high thermal strength, high corrosion resistance, and high durability contribute to improved efficiency and stable supply of electrical energy.



Parts for Automobile and Industrial Equipment

Turbine wheel

Proprietary methods realize materials enabling thin forging and improved thermal resistance which are used for the central section of turbochargers that increase automobile fuel efficiency.



Specialty Steel

Parts for Automobile and Industrial Equipment

Gear steel

Gear steel combines high strength with durability to realize smaller, lighter automobile transmissions, helping to reduce environmental impacts such as CO₂ emissions.



High Performance Materials and Magnetic Materials

Ultrafine stainless steel wire

Thinner*, stronger, high-precision steel wire supports the advancement of a digital society.

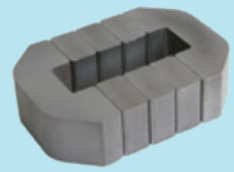


* We manufacture stainless steel wire that is only 11 microns thick, thinner than a human hair (50–100 microns).

Parts for Automobile and Industrial Equipment

Soft magnetic powder for reactors

Step-up reactors increase the voltage of batteries for hybrid vehicles. The iron core is formed from soft magnetic powder developed by Daido Steel, and can store a large quantity of energy. It also reduces energy loss and helps to reduce power consumption of the battery.



Engineering

Vacuum carburizing furnace "SyncroTherm"[®]

Contributes to higher-strength, lighter automobile parts through heat treatment using the vacuum carburizing method. It realizes low-volume production for the ultimate in on-demand, as well as rapid response for smart factories.



High Performance Materials and Magnetic Materials

Titanium for medical applications

Titanium has excellent properties such as being light weight, non-magnetic, and biocompatible. We provide materials to meet the various needs in the field of advanced medicine.



105-Year History of Daido Steel and Its Relationship with Society

Throughout its long history, steel has continued to support a wide range of industrial fields. Even in our current era, where the structure of industry is on the cusp of a tremendous transformation, steel has great latent potential. As a high-performance material in the development of the IT field and electrification technologies, steel, and the electric smelting process using steel scrap, are expected to be gentle on the environment, which is the ultimate recycling scheme.

Daido Steel Co., Ltd.'s history began in the early 1900s, a time of intense focus on building social infrastructure, when Momosuke Fukuzawa, an early proponent of the important role of electricity, started an electric steel manufacturing operation to make effective use of electric power. Subsequently, the Company overcame numerous difficulties, such as adverse business environments and the adoption of new technologies, amid a stream of various events including two world wars, Japan's post-war recovery and high economic growth period, the oil crisis, the global financial crisis of 2008, and the Great East Japan Earthquake. We learned lessons from all of these events, honed our technologies, and contributed to the development of society.

Today, the role that society requires the Company to play is expanding significantly, including aspects such as contributing to the global environment. Daido Steel will provide products and solutions that contributed to sustainable global growth as a leading company in the specialty steel sector. We will also step up our initiatives for achieving the SDGs by pursuing environmentally friendly manufacturing processes.

Foundation 1916-1951

Advancement 1952-1963

Integration 1964-1982

Growth Stage

The Potential of Electric Furnace Steelmaking Emerges as a Strategy for Utilizing Hydropower Resources

As Momosuke Fukuzawa promoted the development of the Kiso River as an electricity source, an electric furnace steelmaking operation using electric power was commercialized, giving birth to the Company's specialty steelmaking predecessor, Electric Steel Manufacturing Co., Ltd.

The Company started by manufacturing alloyed steel and forged steel products, as well as electric furnaces, and expanded through munitions. As the end of the war arrived, the Company's survival depended on changing to meet private-sector demand.



One of the Company's precious assets: a 1.5-ton L-type arc furnace (Designated as part of the "Heritage of Industrial Modernization" by the Ministry of Economy, Trade and Industry)

Anticipating the New Era, a Decision to Build the Chita Plant

On the cusp of Japan's period of high economic growth, having repositioned itself to meet private-sector demand, the Company pinned its future on the construction of the Chita Plant.

Through streamlining of facilities, the Company strengthened its production framework and enhanced its management, meeting growth in demand for specialty steel driven by motorization.



Start of operation of the Chita Plant in October 1962

Merger of Three Companies to Create One of the World's Largest Dedicated Specialty Steel Manufacturers

The 1964 Tokyo Olympics and the openings of the Meishin Expressway and the Tokaido Shinkansen helped to expand demand for specialty steel. However, the specialty steel industry suffered under the impact of the second oil crisis.

Daido Steel, Japan Special Steel, and Tokushu Seiko merged to create a new Daido Steel, as the Company embarked on a new journey as one of the world's largest dedicated specialty steel manufacturers.



In September 1976, Daido Steel, Japan Special Steel, and Tokushu Seiko merged to establish a new Daido Steel

Developments in Society

- Introduction of government measures to encourage new industry
- Development of modern industry
- Two world wars

- Japan's post-war recovery

- Japan's period of high economic growth
- Second oil crisis

Net Sales (FY1971 to FY2020)

(Billions of yen)

750

500

250

0

Merger of three companies
(Daido Steel Co., Ltd.,
Japan Special Steel Co., Ltd.,
Tokushu Seiko, Ltd.)

Change of fiscal year end
(June 30 to March 31)

1971

1980

1990

2000

2010

2020 (fiscal year)

* Consolidated from fiscal 1984

Advancement 1983-2004

Challenge 2005-2016

2017-Present

Strengthening Competitive Capabilities and Expanding Globally

Eyeing the global market, the Company took steps to further strengthen its competitive capabilities in terms of quality, cost, and lead time, using proprietary technologies such as the No. 2 continuous caster (No. 2 CC) at Chita Plant.

We developed new products and actively worked to expand new businesses, establishing overseas offices and promoting our global expansion.



1992 No. 2 CC began operation

Manufacturing Reforms and Stronger Group Management for a New Century

Amid a rapidly changing economic environment, the Company continued to shift its emphasis from quantity to quality, returning its focus to creating products and developing people through "Daido Monozukuri Kaikaku" (DMK) activities.

By strengthening Group management and building stronger internal and external collaboration, the Group worked together as one to step boldly into the new century.



September 2004
Launch of the
Daido Monozukuri
Kaikaku (DMK)
Project



August 2016 100th
founding anniversary of
Daido Steel

As the shift towards high-performance materials continues, we aim to be a comprehensive specialty steel manufacturer supporting industrial innovation through co-creation with customers.

• Plaza Accord

• Global financial crisis
• Great East Japan Earthquake

• After COVID-19
• Decarbonized society

Value Creation Process

Our founder, Momosuke Fukuzawa, promoted *Gokai Jussoku* (The Ten Principles of Conduct) to guide the behavior of employees. These stressed the primacy of the customer. We have carried on this message since 1916, working with our customers to promote manufacturing that contributes to the innovation needed by society. The Group logo “Beyond the Special” expresses our commitment to creating value that goes beyond special

Daido Steel’s DNA

Customer first

The principle of “satisfy the customer” passed down from founder Momosuke Fukuzawa (from The Ten Principles of Conduct)

Pursue the potential of materials

Support industrial transformation with *monozukuri* (manufacturing)

Frontier spirit

Through relentless effort and training provide value that goes beyond special

Strengths (Core Competences)

Multiple and diverse high-performance materials and technological capability to develop them

2,000 types of specialty steel:
bars, wire, plates, forged steel products, powder

Highly reliable manufacturing supported by frontline capabilities (stable supply of high quality, high added value materials)

DMK* activities, JK* activities, TPM* activities,
Daido Steel Technical Training School

A willingness to listen to customer feedback and pursue co-creation

Co-creation projects: **167** (as of March 2021)

* DMK: Daido Monozukuri Kaikaku (Daido Manufacturing Reform)

JK: Jisshu Kanri (Self-Management)

TPM: Total Productive Maintenance
(production maintenance with total staff participation)

Management Capitals

Sound financial foundation (Financial)

- Credit rating (R&I): **A**
- Shareholders’ equity ratio: **45.6%** (as of March 2021)

Hybrid equipment able to separately create multiple and diverse materials in an efficient manner

- Production plants: **28** in Japan and overseas (as of March 2021)

Development personnel who produce outstanding materials and intellectual property (Intellectual)

- Research and development: **309** personnel
- Technology services: **120** personnel (as of March 2021)

Manufacturing support personnel (Human)

- Number of employees: **13,109** (consolidated)
- Technical Training School graduates: **5,026** (as of March 2021)

Overseas network (Social and Relationship)

- Overseas net sales ratio: **25%**
- Overseas Group companies: **37** (as of March 2021)

Business activities

Management Philosophy — Pursuing



Specialty Steel



High Performance Materials and Magnetic Materials



Parts for Automobile and Industrial Equipment



Engineering



Trading and Service

Input

Continue bolstering business and preparing for future environmental changes

Megatrends

- Acceleration of efforts to become a green society
- Major transformation of the automobile industry

and exceeds our customers' expectations. Through business activities that fully leverage the DNA, strengths, and capitals accumulated by the Company over its more than 100-year history, we aim to continue to be a company that contributes to solutions for social issues.

DAIDO STEEL GROUP
Beyond the Special

the potential of materials to support our future

1. Expansion of business in growth fields



CASE (automobiles)



Semiconductor manufacturing equipment



Green energy

2. Strengthen business structure

Respond flexibly to changes in the external environment

3. Continue overseas expansion

Expand high-performance materials, mainly in East Asian markets

4. ESG management

- Reduce CO₂ emissions
- Carry out social responsibilities
- Enhance corporate governance

Output

| Created value

Contribute to realizing a green society by refining high-performance materials

Support customers' technology innovation with outstanding high-performance materials

Promote green energy and support the mobility society of the future and the digital revolution

Make effective use of scrap iron to contribute to realizing a recycling-oriented society

Contribute to realizing a sustainable society envisaged by the SDGs, with a primary focus on global environmental issues



Leverage individual differences to realize job satisfaction for employees

Promote increased awareness of sustainability

- Spread of COVID-19
- Protectionist trade policies
- Decrease in the domestic working-age population

Further increase corporate value

Basic Policy on Sustainability and Key Issues (Materiality)

Daido Steel Group Management Philosophy

Pursuing the potential of materials to support our future.










To embody the Daido Steel Group Management Philosophy: “Pursuing the potential of materials to support our future,” and align Daido Steel more closely with its ideals as a company, we will conduct *monozukuri* (manufacturing) that harnesses the engineering, product development and innovation capabilities that we have fostered to date, with the view to continuously supplying materials for a prosperous future society.

Guided by the slogan “Leave No One Behind,” the Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015 to provide a common language for solving social issues and bring the world closer to what it should be.

Since the Company aims to be a company that continues to advance together towards the realization of a sustainable society envisaged by the SDGs, we have clearly identified key issues (materiality), and we are working to address them with a view to achieving the Company’s sustainable growth and contributing to the achievement of the SDGs.

SUSTAINABLE DEVELOPMENT GOALS

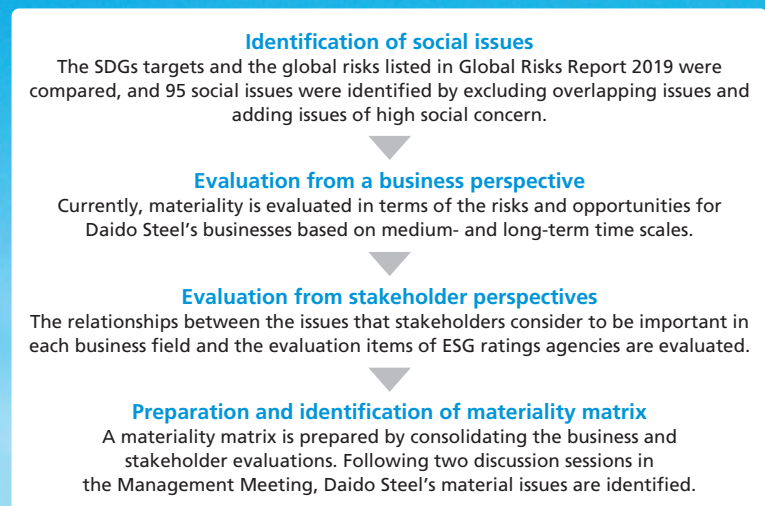


Daido Steel's Material Issues		Main Initiatives and Issues	Related SDGs
1	Develop and supply products that contribute to the reduction of environmental impact and the preservation of the global environment	(1) Address climate change <ul style="list-style-type: none"> Reduce CO₂ through CO₂ emissions reductions and environmental preservation activities Develop and supply products that contribute to mobility innovation Develop and supply products that support customers' technological innovation in response to environmental regulations Develop and supply materials that contribute to the hydrogen use business 	 
		(2) Reduce waste <ul style="list-style-type: none"> Strengthen the 3Rs (Reduce, Reuse and Recycle) for coproducts Develop facilities that contribute to waste reduction 	
		(3) Use sustainable natural resources <ul style="list-style-type: none"> Develop products that conserve resources and are free of rare resources and hazardous elements Expand the use of renewable energy (hydropower, wind power and solar power) 	
2	Build a highly efficient production system and provide a stable supply of products	(1) Improve energy efficiency <ul style="list-style-type: none"> Develop and introduce production processes with excellent energy efficiency Develop products that contribute to energy efficiency 	 
		(2) Provide a stable supply of high-quality products <ul style="list-style-type: none"> Conduct rigorous quality control and improvement Promote business continuity management (BCM) activities 	
3	Ensure a safe and secure work environment	(1) Eradicate industrial accidents <ul style="list-style-type: none"> Foster a work environment that gives priority to safety above all else Improve safety awareness 	  
		(2) Promote health management <ul style="list-style-type: none"> Enhance the health of employees and their families 	
		(3) Coexistence with local communities <ul style="list-style-type: none"> Conduct safe and secure plant operation Local environmental preservation and communication with local communities 	
4	Recruit and develop diverse personnel	(1) Promote diversity <ul style="list-style-type: none"> Create a workplace environment that promotes the success of diverse personnel and fosters a sense of job fulfillment Improve productivity by promoting new work style reforms 	 
		(2) Recruit and develop personnel <ul style="list-style-type: none"> Continuously recruit talented human resources and develop independent-minded personnel Transfer skills at production sites 	

Key Issues that Serve as the Foundation for Business Activities



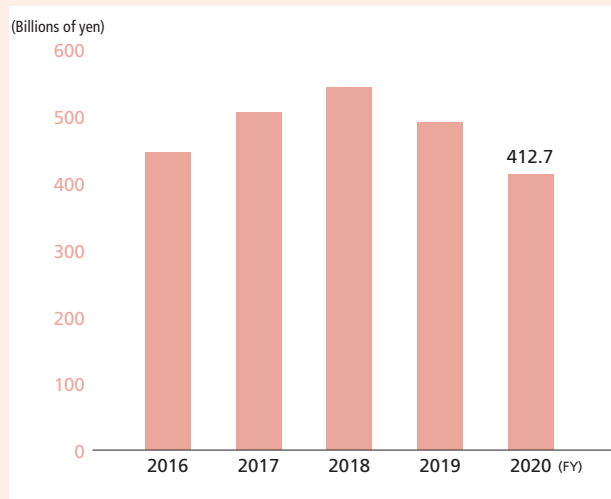
Identification Process for Material Issues



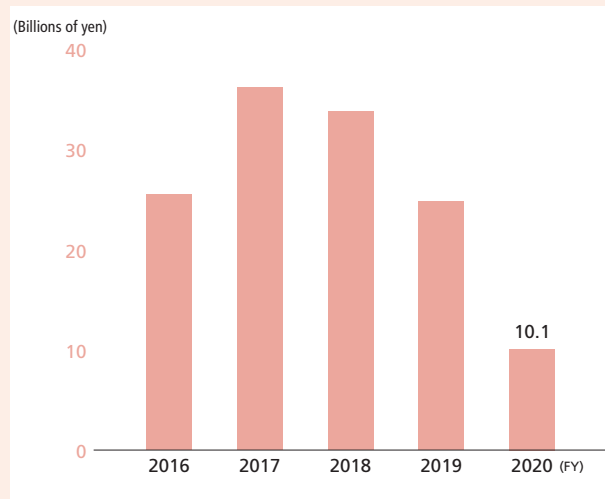
Financial and Non-Financial Information

Financial Performance

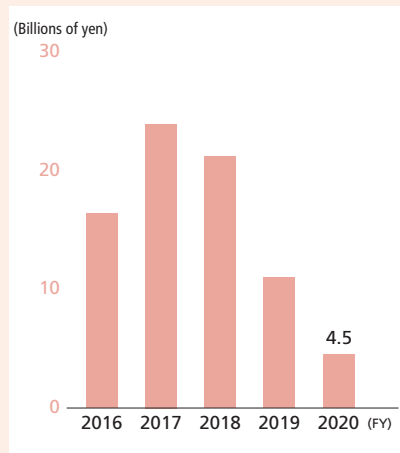
Net Sales



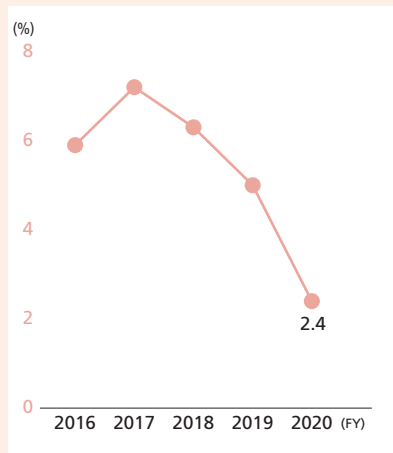
Operating Income



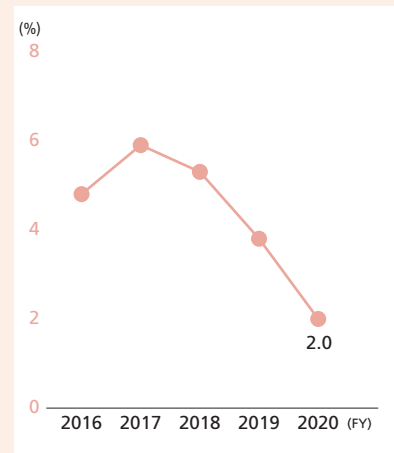
Profit Attributable to Owners of Parent



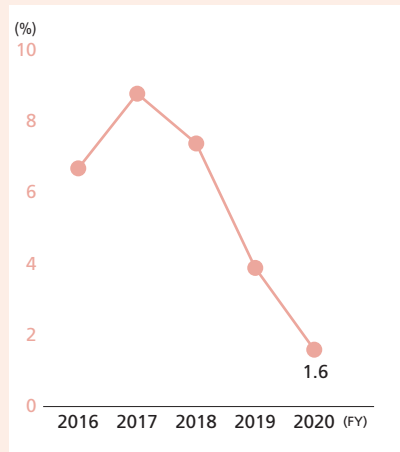
Return on Sales (ROS)



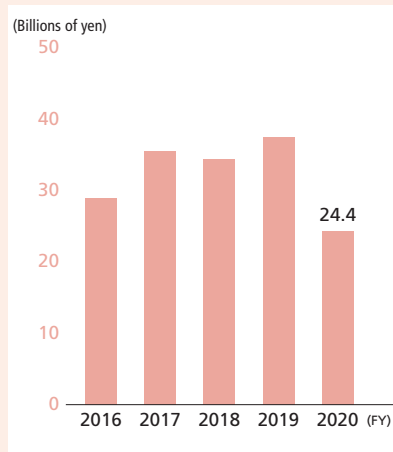
Return on Assets (ROA)



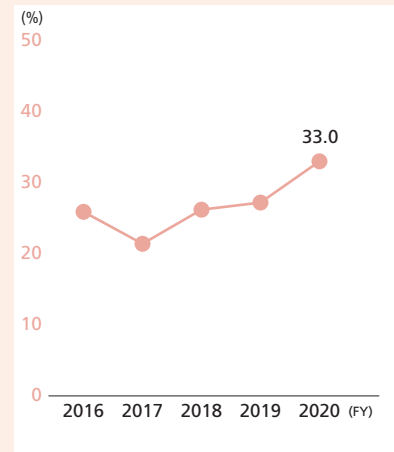
Return on Equity (ROE)



Capital Investment (Construction)



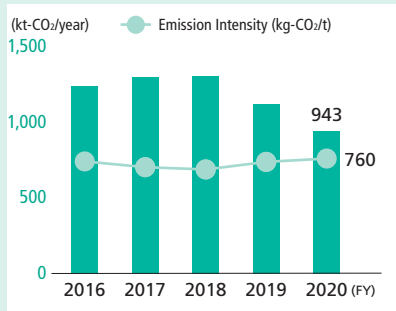
Dividend Payout Ratio



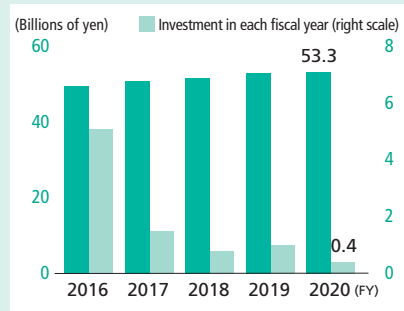
Non-Financial Performance (Non-Consolidated)

* Details about environmental data are disclosed on our website. (<https://www.daido.co.jp/en/sustainability/index.html>)

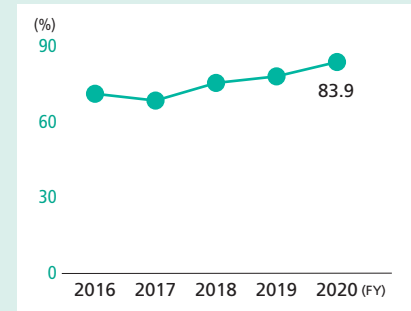
CO₂ Emissions and Emission Intensity



Capital Investment on Energy-Saving Facilities

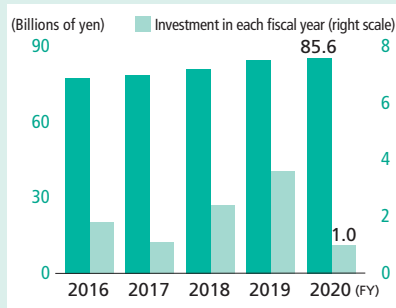


Recycle Rate of Coproducts



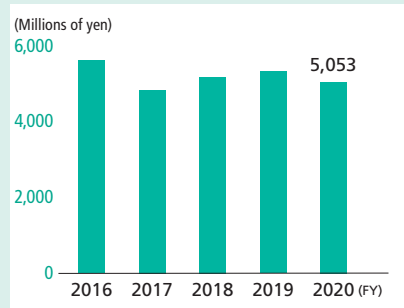
* Cumulative from 1996

Investment in Environmental Protection

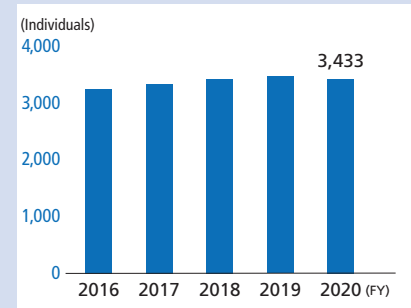


* Cumulative from 1977

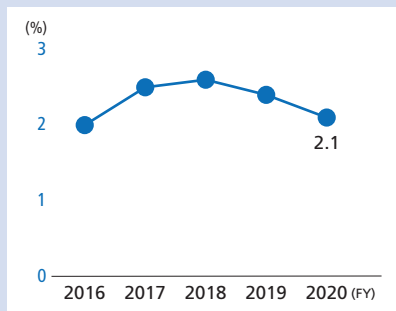
R&D Expenditure Related to Environmental Products



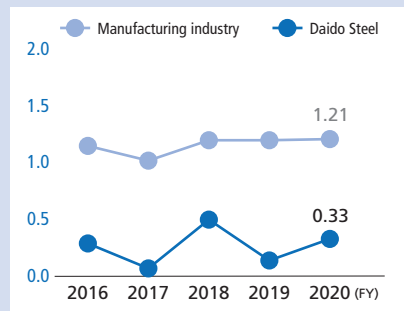
Number of Employees



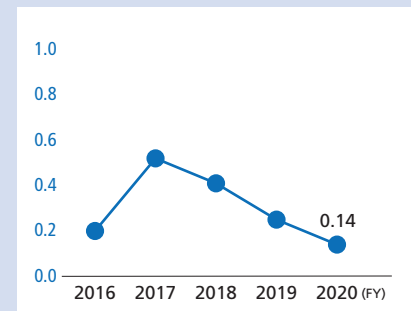
Ratio of Women in Management



Rate of Lost-Time Work Injuries



Major Quality Accident Index*



* Index taking the actual results from 2006 as "1"

<Designation by Public Institutions>

2021 Certified Health & Productivity Management Outstanding Organization



Aichi Prefecture Family Friendly Company



Aichi Prefecture Company Supporting Women's Career Advancement



Kurumin



<External Evaluation Related to ESG>

MSCI Japan ESG Select Leaders Index

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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S&P/JPX Carbon Efficient Index



Message from Top Management

By actively working to solve social issues through our businesses, we aim to contribute to the achievement of the SDGs and Daido Steel's sustained growth

J. Ishiguro

President & CEO, Representative Executive Director



Foreword

As one of the world's largest dedicated specialty steel manufacturers, we have continued to make contributions to society through manufacturing based on specialty steel since our foundation in 1916.

We recently developed STARQ (furnace with a rotation drive), an advanced and innovative electric furnace that combines revolutionary, high-efficiency melting technology using a rotation drive and an optimal melting guidance system that relies on emission gas analysis for the melting process of varied and diverse specialty steel. As the ultimate eco-recycling process, we are also making more proactive efforts to address

environmental issues such as a reduction of greenhouses gases and the formation of a recycling-oriented society.

In the 2023 Medium-Term Management Plan, which began in fiscal 2021, we promoted a policy of investing managerial resources into future growth fields in an aim toward carbon neutrality by 2050 and further enhancing our governance system. We will strive to contribute to the achievement of the SDGs and to Daido Steel's sustainable growth by working to proactively solve social issues through business in the future as well.

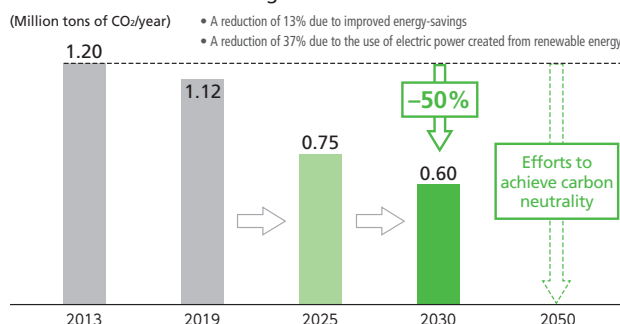
Cutting-Edge Electric Furnace STARQ®



Energy-saving electric furnace with a rotation drive



CO₂ Emission Reduction Target for 2030



Business Environment Surrounding Daido Steel and Responses

Looking back at fiscal 2020 (the fiscal year ended March 31, 2021), the spread of the coronavirus (the COVID-19 crisis) caused the economy to experience tremendous negative growth. Although our Company was also inevitably affected to a significant degree, we secured full-year ordinary income in fiscal 2020 due to an upturn in orders brought on by the rapid recovery of automobile production, such as in China, that began in the second half of the fiscal year, and the implementation of cost reductions including those of fixed costs. The trend of upturns in orders continued in the first half of fiscal 2021, allowing us to achieve record-high profits for the first half of a fiscal year. Through self-evaluation, I see this as the result of steadily advancing the policies laid out in the prior medium-term management plan up to fiscal 2020, in addition to seizing the COVID-19 crisis as an opportunity, carrying out various kinds of improvement activities while united together with employees, and facing off against adversity.

On the other hand, since the latter part of the first half of the year, adjustments to production have continued in industries related to automobiles, our key source of demand, due to a shortage of semiconductors and interruptions to supply chains

in Southeast Asia, and the pace of recovery has slowed down. Moreover, prices of scrap iron and various materials and energy costs for crude oil, etc. have soared to a level unlike anything we have experienced in the past 10 years, while the business environment surrounding our Company continues to face an uncertain future and is extremely severe. The recent surge in the costs in raw materials, materials, and energy has surpassed a level that can be absorbed through the efforts of a single company. Our mission is to ensure our Company's ability to securely provide products and protect the supply chain, including customers, by quickly passing on the increase to sales prices.

While the recent business environment has been changing at a remarkable speed in this way, social trends are also in the process of transforming significantly in the lead up to achieving carbon neutrality by 2050. We believe that continuing to adapt flexibly to transformations and modifications, such as changes to societal and industrial structures, changes in customers, and transformations in social issues that must be addressed to achieve the SDGs, will lead to sustainable growth for Daido Steel.

Looking Back at the 2020 Medium-Term Management Plan

In the 2020 Medium-Term Management Plan, we set forth the three guidelines for corporate activities of (1) portfolio reform, (2) enhance our business fundamentals, and (3) rebuild our business, and undertook various measures under our basic management policy of supporting our customers' technological innovations by supplying high-performance materials. We were unable to achieve the business objectives which we set as goals for fiscal 2020, as net sales significantly decreased due to the COVID-19 crisis, and the manifestation of results from investment and improvements was delayed. However, we achieved success for each of our guidelines for corporate activities.

(1) For portfolio reform, we completed strategic investment in specialty stainless steel, among other things, according to plan, while for magnet business, we opened the Nakatsugawa

Advanced Magnetic Materials Development Center, and strengthened our development systems. As a result of these efforts, we succeeded in our goal of making high performance materials and magnetic materials into the top segment in terms of net sales. In (2) enhance our business fundamentals, we improved profit margins by raising base prices, while in (3) rebuild our business, we worked to improve the financial soundness of the turbocharger housing business. Meanwhile, we carried over the reorganization of the die forging business as an ongoing issue. We were unable to maximize the effects of capital investments due to the COVID-19 crisis, which will become an issue going forward. However, the results of these initiatives are scheduled to manifest from fiscal 2021 onward.

● Targets for Fiscal 2020

Net sales	¥580.0 billion
Operating income	¥47.0 billion
Profit attributable to owners of parent	¥30.0 billion
Return on equity (ROE)	9%
Capital investment (Three years total, construction basis)	¥95.0 billion
Dividend payout ratio	20–25%

● Fiscal 2020 Results

	1H	2H	Full-year
Net sales	¥179.5 billion	¥233.2 billion	¥412.7 billion
Operating income	–¥3.5 billion	¥13.6 billion	¥10.1 billion
Profit attributable to owners of parent	–¥2.3 billion	¥6.8 billion	¥4.5 billion
Return on equity (ROE)	—	—	1.6%
Capital investment (Three years total, construction basis)	—	—	¥93.9 billion
Dividend payout ratio	—	—	33%

Company Ideal for 2030

In June 2021, we announced the new medium-term management plan, 2023 Medium-Term Management Plan, and unveiled the Company Ideal for 2030 ahead of its formulation. Initiatives to restrain global warming on a worldwide scale have been fully launched, and the social structure is going through a transformation in order to reduce CO₂ emissions. In the automobile industry, which is our key source of demand, electrification is accelerating and automobiles with internal combustion engines are expected to peak out during the mid-2020s. Additionally, due to the shift from fossil fuels to green energy, offshore wind power and hydrogen are gaining attention as new sources of energy. On top of this, the semiconductor industry, which supports digitalization such as telecommunications, is projected to experience sustainable

growth in the future as well due to the acceleration of the digital revolution. Even as the external environment surrounding Daido Steel changes at a remarkable pace, we formulated the Company Ideal for 2030 as refining high-performance materials, and helping to realize a green society in order to realize our Management Philosophy, “pursuing the potential of materials to support our future.” Up until now, the Daido Group has supported customers’ technological innovations by supplying high-performance materials. Although this policy will not change, in order to adapt to these changes in the external environment, we have strengthened our business and will improve its resilience against environmental changes, while meeting new social needs by refining high-performance materials, thereby helping to realize a green society.

2023 Medium-Term Management Plan

Although the business environment will change dramatically by restraining global warming in the medium to long term, it is our understanding that changes to the business environment will be limited in the next three years in terms of a decrease in the number of products for internal combustion engines.

Under the 2023 Medium-Term Management Plan, we will continue to improve guidelines for corporate activities listed in the 2020 Medium-Term Management Plan, while promoting business activities in anticipation of future environmental changes in order to make the Company Ideal for 2030 into a reality.

Guidelines for Corporate Activities (P. 25–26)

1. Business expansion in growth fields	2. Strengthening business quality
Concentration on key growth products that will be the next priorities such as CASE* (automobiles), semiconductor-related products, and the green energy field	Improve resilience against external environmental changes (expand the presence of existing business)
3. Expand overseas development	4. ESG management
Expand high-performance materials primarily in Southeast Asian markets <ul style="list-style-type: none"> • High-performance stainless steel • High alloys • Tool steel 	<ul style="list-style-type: none"> — Reduce CO₂ emissions for sustainable management — Enhance governance

* CASE: Connected, Autonomous, Shared and Services, Electric

Changes to Organizational Structure (P. 20–27)

(1) Specialty Steel Material Business Div.	Reorganized
(2) Fabricated Materials & Tool Steel Business Div.	Integrated
(3) Functional Products Business Div. <ul style="list-style-type: none"> ↳ Next-Generation Products Development Center 	Newly established

Management Plan Targets

	FY2020 Results	2023 Medium-Term Targets
Operating income	¥10.1 billion	¥40.0 billion or more
Return on Equity (ROE)	1.6%	8.0%
Debt-equity ratio	0.66	0.50
Capital investment: Three years total, on the basis of internal approval	¥79.6 billion	¥85.0 billion
Steel material sales (non-consolidated)	978,000 tons	1,200,000 tons
Dividend payout ratio	20–25%	Around 30%

1. Business Expansion in Growth Fields

Daido Steel will strengthen initiatives to supplement the demand for the future growth markets of CASE (automobiles), semiconductor-related products, and the green energy field.

Among CASE-related products, regarding specialty steel materials such as gear reducers for a high peripheral speed, we will combine knowledge related to conventional manufacturing technology for steel used in high-quality gears with special surface treatment technology, thereby providing solutions with an even higher degree of reliability. In addition, for magnets used in main components, auxiliary components, and sensors, we will fully utilize the Nakatsugawa Advanced Magnetic Materials Development Center to capture new demand through bonded magnets for sensors with special features and auxiliary components in addition to magnets with special alignments for main motors.

Daido Steel is also steadily capturing demand for semiconductor-related products, which are expected to

experience even more rapid growth in the fields of telecommunication and information, through the Group’s wide array of high-performance products.

In the field of green energy, in addition to developing bearing steel that resists hydrogen embrittlement and implementing hydrogen burners for industrial furnaces which are both durable under high-temperature and high-pressure hydrogen environments. In addition, in the field of wind power, we are steadily meeting demand through high-cleanliness steel and high-corrosion-resistant materials for speed-up gears, which require long-term reliability.

In the field of green energy and among semiconductor-related products, we will search out demand in each new market, broadly assess the know-how possessed by the Group, and establish a Company-wide working group to connect that know-how to product strategies and sales expansion activities in the future.

Product Groups by Growth Field

CASE (automobiles)	e-Axle (gear reducers)	Steel material for gears (for a high peripheral speed)
	Main components, auxiliary components, and sensors (magnets)	Neodymium magnets with special alignments for main motors Bonded neodymium magnets for sensors High-corrosion-resistant bonded SmFeN magnets for auxiliary components (injection molded magnets)
	Current sensors/Noise absorption	High-performance soft magnetic material
	Batteries	Negative electrode material for lithium-ion batteries
Semiconductor-related	Semiconductor manufacturing equipment	High-cleanliness valve material, low thermal expansion wafer polishing materials, gas filters, thin-film formation/ etching material
Green energy	Hydrogen-related	Bearing steel that resists hydrogen embrittlement (high-temperature and high-pressure environments), hydrogen combustion burners
	Offshore wind power	Materials for speed-up gears (high-cleanliness steel), seawater resistant structural materials

2. Strengthening Business Structure

In order to improve resilience against external environmental changes and expand the presence of existing business, on the sales front, we will increase marginal profit products by securing an appropriate margin and reforming our portfolio. On the production side, in the 2023 Medium-Term Management Plan, we have also set our sights on re-enlarging capacity and, to supplement the strategic investments made under the 2020 Medium-Term Management Plan, will carry out investment to improve upward flexibility of production, primarily in the steelmaking division of Chita Plant. Additionally, as a way of addressing the decrease in long-term demand for specialty steel for internal combustion engines, we will implement various measures during the current medium-term plan that will help to lower the break-even point, such as production consolidation between plants, improving productivity, and improving the yield ratio, and will move forward with improving production efficiency as well as cost reduction. Furthermore, with regard to the production framework, we will work on optimal placement and optimization of personnel as well as reducing hours and workers by promoting DX, and strive to improve work productivity.

3. Expand Overseas Development

We will aim to expand sales of high-performance stainless steel, high alloys, and tool steel overseas, primarily in East Asian markets. In July 2021, we obtained full ownership of U.S. company TimkenSteel’s Chinese sales base. This served as an opportunity for us to further deepen our cooperative relationship with TimkenSteel, and will strive for additional sales expansion of SBQ (Special Bar Quality) products for the Chinese market as well as strengthen our abilities to sell high alloy and specialty stainless steel. Moreover, we will accelerate initiatives to enhance sales in each region, including developing the European and U.S. markets by adapting to overseas regulations and utilizing an alliance with SUNFLAG IRON & STEEL in the Indian market.

4. Promotion of ESG Management

We promote ESG management for sustainable business.

On the environmental front, we aim to cut CO₂ emissions by fiscal 2030 by 50% compared with the fiscal 2013 level. Daido Steel formulated the Daido Carbon Neutral Challenge in an aim to achieve carbon neutrality by 2050, and by 2030, which is in the middle of the process, we will promote reduction of CO₂ emissions by making full use of existing energy-saving technologies, including our own, and switching to CO₂-free electric power. In addition, we will strive to reduce CO₂ emissions throughout the entire steel industry by engaging in the “Challenge Zero” project in collaboration with Keidanren (Japan Business Federation) towards a decarbonized society.

On the social front, Daido Steel was recognized as a 2021 Health & Productivity Stock, which are jointly selected by the Ministry of Economy, Trade and Industry (METI) and the Tokyo

Stock Exchange (TSE), for the first time in fiscal 2020. We will continue to further prior initiatives such as promotion of health management and diversity, and work to earn the trust of all stakeholders including employees.

As for governance, this fiscal year, we resolved to discontinue anti-takeover measures. Going forward, we will further increase the self-discipline of management and aim to enhance dialogues with shareholders. With regard to our cross-shareholdings policy, during the current medium-term management plan period, we will reduce the monetary amount of cross-shareholdings to 20% or less of net assets and work to improve capital efficiency. We will also strive to strengthen Group management and reevaluate the structure of the Board of Directors, which will in turn lead to enhancing corporate governance.

Daido Steel's Material Issues (Contributions to Achievement of the SDGs)

Daido Steel aims to contribute to the solution of social issues through *monozukuri* (manufacturing) based on specialty steel and be a company that works together with stakeholders to realize a sustainable society, as targeted by the SDGs. To this end, we identified Daido Steel's material issues in ESG in 2020. Daido Steel's material issues describe what it must do now in order to be a company that continues to earn the trust of society and preserves the meaning of its existence 30, 50 and 100 years from now. In order to steadily promote various initiatives for those material issues that have been identified, we track the progress of actions taken based on KPI (Key Performance Indicators) (P. 28–31).

One of the material issues is addressing climate change. In fiscal 2021, we made a declaration in agreement with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and resolved to enhance disclosures about the impacts that the risks and opportunities caused by climate change have on our business activities. Among the SDGs, we understand that addressing environmental issues such as the reduction of greenhouse gases and the formation of a recycling-oriented society, which are measures against climate change, is a key mission for Daido Steel as well. By steadily following the roadmap for achieving carbon neutrality by 2050 as formulated under the Daido Carbon Neutral Challenge, we will reduce CO₂ emissions, and contribute to the formation of a recycling-oriented society by pursuing recycling of resources such as scrap iron, which is our main raw material, while also proactively working to protect the natural environment through such activities as preserving and revitalizing the forests of Kutcharo Natural Forest Daido (P. 44). Additionally, by harnessing Daido Steel's strengths of technological and development capabilities, we will develop and provide the world with highly energy-efficient production processes and products that help

Daido Steel's Material Issues			
1	Develop and supply products that contribute to the reduction of environmental impact and the preservation of the global environment	(1) Address climate change (2) Reduce waste (3) Use sustainable natural resources	
	2	Build a highly efficient production system and provide a stable supply of products	(1) Improve energy efficiency (2) Provide a stable supply of high-quality products
		3	Ensure a safe and secure work environment
4	Recruit and develop diverse personnel		(1) Promote diversity (2) Recruit and develop personnel

to save energy, thereby contributing to the reduction of CO₂ emissions in our overall supply chain, including customers, and to improved energy efficiency. Nine items of equipment eligible as advanced equipment and systems were recognized for the subsidy for businesses to support the promotion of investment in advanced energy savings in fiscal 2021 (P. 29).

As for the other material issues of ensuring a safe and secure work environment and recruiting and developing diverse personnel, in line with the Health and Productivity Management Declaration made in 2016, we are promoting more in-depth policies. As we proceed with reforming new

work styles learned from the COVID-19 crisis, we will progress so that each individual employee can achieve job satisfaction utilizing their uniqueness.

Daido Steel's material issues are closely related to its long-term value creation. In issuing this Integrated Report, we streamlined the process of that value creation. (P. 8–9)

The idea of "customers first," which is part of Daido Steel's DNA, was derived from the *Gokai Jussoku* (The Ten Principles of Conduct) established by Daido Steel's founder Momosuke Fukuzawa to guide the behavior of employees. Among the ten principles of conduct, four of them include the word "customer." We have carried on the message left to us by our founder, an entrepreneur from a century ago, who urged us to always remember the basic principle of business: Take good care of your customers. Our history of embracing this message and handing it down to future generations, always staying close to our customers, and growing together with our customers has shaped the bedrock of Daido Steel's strengths, which are its technological development capabilities and the power to co-create.

Daido Steel's DNA has been passed down through its history of more than 100 years, while the strengths and management capital born and accumulated from conduct are based on that DNA. By conducting business activities that fully utilize all of those things, we will create value beyond the special, and aim to become a company that contributes to social issues.

Health and Productivity Management Declaration 2016

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



Gokai Jussoku (The Ten Principles of Conduct) from 100 Years Ago

1. All the happiness we enjoy is given to us by the customer.
2. We must not forget the blessing we receive from customers even for a moment.
3. The customer is always right, so please deal with them politely.
4. Please do all you can to prevent damages, and deliver satisfaction to the customer.
5. Time and labor are precious, so please use them as effectively as possible.
6. Do the work that needs to be done on that day and do not leave it to the next day.
7. Even detailed matters must be handled properly. Make sure that even the small things remain undamaged.
8. Put discussion and formality last, and focus on making a profit.
9. Complaints and negligence are bad for your health. Enjoy your job.
10. We bear responsibility for a company's ups and downs. Please cooperate and work hard.



Momosuke Fukuzawa, founder of Daido Steel

Conclusion

We believe that Daido Steel's Group Management Philosophy of "pursuing the potential of materials to support our future" is perfectly aligned with the philosophy of the Group's ESG management, and that carrying out sustainable management while adapting flexibly to transformations in social issues that must be addressed alongside changes in the business

environment and societal trends will lead to sustainable growth for Daido Steel. We will continue working to implement sustainability initiatives as a comprehensive specialty steel manufacturer that fulfills the trust of its customers and all other stakeholders.

Message from a Business Division Manager **1**

Objectives of Newly Establishing the Functional Products Business Division

In conjunction with the global movement to reduce CO₂ emissions, so-called electrification, which means shifting away from the system of converting fossil fuels into energy and using electricity as a power source, is developing across the entire mobility industry, including automobiles.

In addition, the sophistication of sensing technology and information processing technology, including automatic driving support mechanisms for automobiles and the automation of industrial machinery, is underway. In line with these changes, for characteristics sought in specialty steel as well, functional characteristics focused on magnetism have come to be more highly sought than mechanical characteristics based on durability as structural material for automobile engines, transmission gears, and undercarriage parts. In particular, materials with magnetic properties, which are in high demand due to electrification, are being used widely in shapes such as steel strips and

powder by making them small and thin in order to ensure more advanced characteristics.

In formulating the 2023 Medium-Term Management Plan, we newly established the Functional Products Business Division in order to promote comprehensive growth of functional products, for which demand is expected to grow in this way. In terms of the organizational structure, this division is comprised of three production departments: the Steel Strip Department; the Metal Powder Department; and the Electronic Materials Department, which handles target materials for forming functional thin films and point source LEDs. Additionally, to grow the functional products business, we must boldly advance into new markets and new business domains. As a division that promotes this point as a strength, we established the Next-Generation Products Development Center within the business division.

2023 Medium-Term Management Plan for the Functional Products Business Division

The Functional Products Business Division is expected to grow significantly so that it can become one of the pillars that supports Daido Steel's earnings in the future. In the 2023 Medium-Term Management Plan as well, Daido Steel envisioned not only securing short- to medium-term earnings over the next 3 years, but long-term business growth 10 or 20 years down the road.

In the steel strip business, sales of metal seal products such as gaskets for turbochargers in automobiles are projected to continue steadily. Although these products are used in internal combustion engines, during the 2023 Medium-Term Management Plan period, they are expected to support the

business as a base load. In addition, there has been a steady increase in materials used in sensors and relays, such as resistance materials, which Daido Steel has been focusing on as a post-internal combustion engine product. We will work on expanding these products developed for electric vehicles, including overseas. At the same time, we will focus efforts on developing and commercializing new products to capture the demand for steel strips, which will grow in response to electrification in materials such as high-performance motors used in so-called air mobility, which includes drones and flying automobiles.



Gaskets

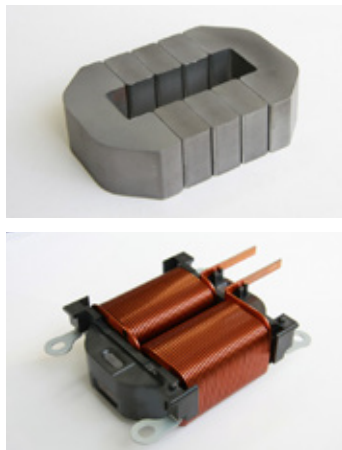
Tetsuya Shimizu
Director, Managing
Executive Officer
Functional Products
Business Division Manager

Currently, the metal powder business consists of approximately 70% products for automobile parts. Although these products will be decreased in the future, we will aim to secure maximum production volume by strengthening our competitive edge of thorough cost efficiency and by deepening co-creation with existing customers during the 2023 Medium-Term Management Plan. Functional powders, which make up the remaining 30% of products, are represented by magnetic powder for booster circuits used in electric vehicles. Regarding this product, we already have over 10 years of production results, have accumulated the technical knowledge, and have even built-up strong customer relationships. We will strive to maintain and expand our share by continuing to increase productivity for existing customers, while also proceeding to

open the way for new customers, and expand business in our main fields. Growth products, in which magnetism is required, not only are used in booster circuits but cover a wide range including inductors and products to prevent electromagnetic wave noise, so we will expand our product lineup and increase the sales ratio of magnetic powder. Meanwhile, with regard to additive manufacturing, also known as 3D printers, we would like to strengthen the structure of supplying powder, which will become a material, while observing the growth of the market. Previously, we spent several years accumulating fundamental knowledge of the performance required of powder to be used in 3D printers, and are currently working to expand our lineup of steel-type products specifically designed for 3D printers that we independently developed based on that knowledge. Our first target is the field of molds, which utilize tool steel. Leveraging our strong relationships with customers for tool steel, especially alloy tool steel, we will focus on expanding development of powder while providing solutions for additive manufacturing.



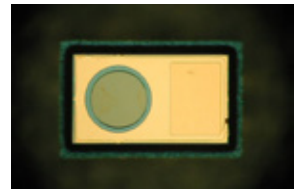
Magnetic powder raw materials and booster circuits using those materials



of production, which had been an issue, we are currently making investments to enhance capacity so that we can triple production capacity, and are proceeding steadily toward a launch in fiscal 2022. Going forward, we will harness our enhanced production capacity to capture demand for encoders, which are becoming even more precise, and aim for significant business expansion by developing new products utilizing our Company's point source LEDs, such as photoelectric sensors.



Target products with high purity



Point source LED

Products handled by the Electric Materials Department consist of two types: high purity target products used in the formation of functional thin film, and point source LEDs. We have developed and implemented a diverse range of functional target products for uses such as protective film in smartphone and personal computer display screens, the formation of film to protect against light reflection, and for wiring or electrodes in touch panels, as the base load of hard coating products to deliver hardness needed for items like cutting tools. Although this fundamental direction will not change even under the 2023 Medium-Term Management Plan, we hope to achieve business growth. We will strive to develop and expand suitable target products, such as for power semiconductors, for which the market is growing tremendously alongside the advancement of electrification, as well as target products in line with market demand, which includes the trends toward enlargement and rounded surfaces of dashboard touch panels in automobiles. Point source LEDs are mainly used for encoders, which are used for highly accurate position control. Daido Steel's point source LEDs have a small light emitting source and high brightness, and additionally have been praised as highly reliable, which has allowed us to obtain a stable position in the market so far. As for the upward flexibility

The Next-Generation Products Development Center is required to promote the development and commercialization of new products in functional products for which future market growth is anticipated. This includes those products for which Daido Steel does not have the mass production capacity. Regarding product types that can be produced with existing equipment such as for steel strip and powder products, we have continued to expand sales through normal sales activities, and will address the future decrease of materials for internal combustion engines. However, among the products for sales expansion that will be increased as electrification progresses, there are many cases that require products processed up to the level of parts and part materials rather than just steel strips and powder materials. At the Next-Generation Products Development Center, we will have a bird's eye view of market demand, the know-how of our Corporate Research & Development Center, and the production technology and equipment capacity possessed by Daido Steel, build a suitable supply chain, and move ahead with the commercialization of new products. Additionally, as part of the 2023 Medium-Term Management Plan, we will promote commercialization under four themes including active materials for negative electrode materials in lithium-ion batteries, which have been reviewed for some time. At the same time, we will conduct creation activities based on new business topics.

Riding the wave of motorization that began in Japan in the 1960s, Daido Steel developed specialty steel for high-quality structural part materials sought by auto makers, and has grown by supplying products that are stable in both aspects of quality and price. In an era where the electrification of automobiles is underway, which is said to be a period of great change that occurs once every 100 years, we will make advancements to increase earnings from functional products based on a new business division structure to achieve new growth.

Message from a Business Division Manager 2

Recent Issues in the Specialty Steel Business

Demand for specialty steel, which had largely declined due to the COVID-19 crisis, has recently been returning to high levels both domestically and abroad, primarily in relation to automobiles. Although there is a sense of uncertainty due in part to reduced production of automobiles because of difficulties in procuring parts brought on by the resurgence of COVID-19, demand is expected to remain high for the next several years. On the other hand, the price of scrap iron, which is the main raw material of specialty steel, has been skyrocketing due to the effects of surges in overseas market conditions and vigorous crude steel production within Japan. In addition, energy costs rose due to an increase in the price of crude oil, as did logistics costs against a background of increased global

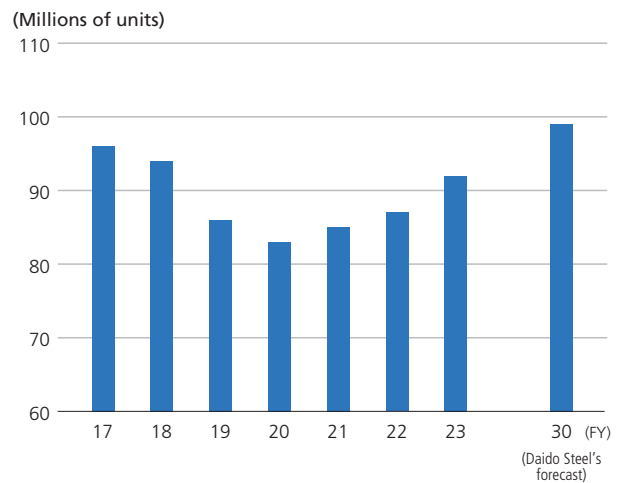
demand, as well as costs to achieve a stable supply to address environmental issues.

As a result of these cost increases, structural steel, which is Daido Steel's mainstay product, dipped below the price level at which production would be possible. As a result, rapidly improving earnings has become our most pressing issue. In order to solve it, we will further intensify the cost reductions undertaken up to now, while working to reevaluate sales prices. To strengthen the foundation of the specialty steel business, we will continue preparations for the coming decarbonized society while at the same time raising the structural steel price to a level that allows for production.

Recognition of the Medium- to Long-term Business Environment

Looking at the automobile industry, which is our key source of demand, automobile production, mainly in China and India, is projected to expand steadily, and reach a level of 100 million units per year in 2030. Although this will be an advantage for Daido Steel, various countries are promoting policies aimed at decarbonization, and the electrification of automobiles is proceeding at a rapid pace, led by China and western Europe. The auto makers that make up Daido Steel's customers are also drastically changing course toward electrification, resulting in a decrease of specialty steel for gasoline-powered automobiles. We must prepare ourselves to accept that the demand for structural steel in particular will vanish over time.

● Projections for Global Automobile Production



Outside of the automobile industry, we believe that demand for special stainless steel and high alloys, which are our specialties, will increase further due to factors such as progress in the use of new forms of energy like hydrogen, ammonia, and wind power, and a rise in semiconductor demand caused by a huge increase in the amount of information distribution.

Namely, in order to continue the specialty steel business as a sustainable business, we must hold off the decline in our mainstay product of structural steel, and undertake initiatives to steadily capture demand for special stainless steel and high alloys in growth fields. We will carry out the measures for that under the 2023 Medium-Term Management Plan.

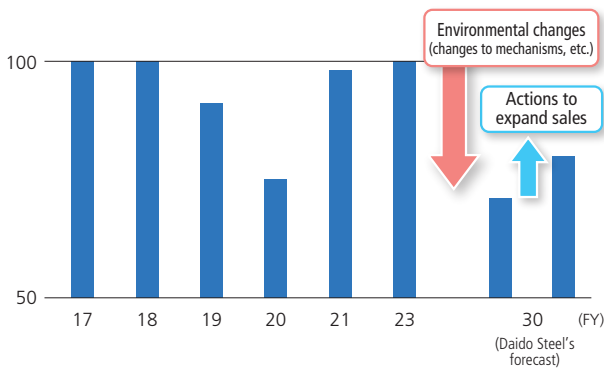


Toshiaki Yamashita
 Director, Managing Executive Officer
 Specialty Steel Business Division Manager

Basic Policy and Action Plan for 2023 Medium-Term Management Plan

In preparation for the decrease in domestic medium- to long-term demand for specialty steel due in part to the acceleration of electrification of automobiles, we abolished our business unit system for sales from fiscal 2021 onward, and reorganized the units into a consolidated sales department. The basic policy and action plan of the 2023 Medium-Term Management Plan under this structure are as follows.

● Daido Steel's Projection for Specialty Steel Demand (with an index based on FY2017 as 100)



(Structural steel)

We will enact the following three measures so that structural steel can remain a mainstay product of Daido Steel even in 2030 under the new sales department system.

I. Raising the level of base demand

For existing customers, we will maximize their share of Daido Steel's materials by increasing the types of developed steel through collaboration, and strive to build relationships with new customers using our Company's capability for proposals as a weapon.

II. Active sales expansion for new products

We will actively promote the development and sales of new products such as steel material for gears used in e-Axle (gear reducers), high purity steel used in offshore wind power generation, etc., and other new products.

III. Secure stable earnings by strengthening business structure (strengthening earning power)

As stated previously, we will pursue a price level that allows for production through cost reduction and reevaluation of sales prices. Regarding scrap iron, for which the balance between supply and demand is expected to tighten in the future, we will work on stable supplies by expanding conditional trading for collecting scrap iron and work on diversifying sources of iron by introducing scrap preprocessing equipment in an aim toward sustainable manufacturing.

(Stainless steel, high alloys)

We will implement the following growth strategies to continue stabilizing them as a pillar of companywide earnings.

I. Active sales expansion of growth products (thorough follow-up with types of steel that are Daido Steel's strengths)

We will overcome sudden changes in demand, which repeatedly occur in the semiconductor market, through our overwhelming supply capability, and increase our presence both in Japan and overseas. At the same time, we will also work to maintain a high share for HDD stainless steel for data centers.

II. New product development (in fields with potential for new demand)

In the energy fields of hydrogen and offshore wind power, we will promote cross-organizational working group activities to capture future demand. With sales, production, and research forming a trinity, we will work on developing new products that can meet demands in each market.

III. Further expansion of specialty steel and high alloy sales for overseas markets

We worked to expand sales channels in the Chinese market, obtaining full ownership of U.S. company TimkenSteel's Chinese sales base and establishing a new company in July 2021. Going forward, we will enhance sales capabilities for stainless steel and high alloys for overseas markets by using it as a base.

Contributing to a Green Society through Specialty Steel

Up until now, the specialty steel business has grown while proactively engaging in co-development with customers, crafting specialty steel while emphasizing quality, cutting customers' processing costs and reducing their processes, and succeeding at making products lightweight and functional. Recently, efforts toward a decarbonized society have begun on a global scale, and initiatives aimed at carbon neutrality have begun in each industrial field. Amid those conditions, calls are starting to emerge from customers who, for instance, want to transition to microalloyed steels, in which the process of preparing structural steel is skipped, or change from hot-rolled steel to cold-rolled steel, or switch fossil fuels to high frequencies derived from renewable energy for hardening parts.

In specialty steel related to hydrogen as well, we receive requests for bearing steel that resists hydrogen embrittlement under high temperatures in hydrogen turbine power generation, or the establishment of performance evaluation technology on the customer side in hydrogen environments. I think it will be important to further draw out customer needs and demonstrate our expertise as a material manufacturer by developing Company-wide working group activities in the future.

As we have done up until now, we will make it our top priority to meet customers' expectations, while moving ahead on expanding the percentage of stainless steel and high alloys through enhancing structural steel and portfolio reform in order to make the specialty steel business sustainable.

Changes in the Business Environment and Policy for Addressing Those Changes

We continue to encounter dramatic changes with respect to the environment in which the Company operates, particularly marked by the need to address climate change, developments in the realm of mobility, and transformation of energy systems. We have accordingly drawn up the Daido Steel Group 2023 Medium-Term Management Plan, which seeks to turn such changes in our external environment into business opportunities.

Significant Changes in the External Environment

Initiatives toward achieving a green society gaining momentum

Regulations on greenhouse gas emissions becoming more stringent

Electric mobility making rapid progress with goals involving development of non-gas vehicles being worked out mainly in developed economies

Digitization of lifestyles and work gaining momentum following outbreak of the COVID-19 pandemic

Prices of raw and processed materials surging amid lower demand for steel due to the impact of trade friction between the U.S. and China

Protectionism gaining prominence worldwide

The size of Japan's labor force poised to be approximately 20% smaller in 2040 compared with 2017 due to the nation's declining birthrate and aging population

Promoting active roles for women a matter of growing importance

Note: According to provisional forecasts of Japan's Ministry of Health, Labour and Welfare

Effects on the Daido Steel Group

The steel industry accounts for approximately 15% of Japan's CO₂ emissions and Daido Steel accounts for approximately 0.1% of national emissions



Reduction of CO₂ is inevitable when it comes to achievement of a green society

Rising demand for high-performance magnetic products against falling demand for structural specialty steel



The High-Performance Materials and Magnetic Materials segment poised to serve as the top business segment in terms of net sales in fiscal 2020, in place of the Specialty Steel segment

Long-term growth of the semiconductor manufacturing equipment market amid proliferation of 5th generation mobile communications systems (5G)



Mounting demand for high-performance stainless steel

Intensifying competition from abroad



Fixed cost reduction and productivity gains constitute pressing challenges

Women serving in managerial positions in Japan's steel industry account for a low 2.2% of management (fiscal 2020)



It is essential that the Group promote active roles for women and create rewarding work environments

In that regard, we aim to achieve sustainable growth and increase our corporate value by pursuing business expansion and developing a more robust business structure in growth sectors, while also promoting ESG (environment, social and corporate governance) management practices. We will also contribute to achieving the Sustainable Development Goals (SDGs) through our business activities by addressing material issues (materialities).

Policy for Addressing Changes

Daido Steel has embarked on initiatives to reduce CO₂



Daido Carbon Neutral Challenge

—Pursuing the potential of materials to support our future—

Changing our organizational framework for the sake of adjusting to the dramatically changing external environment and achieving sustainable growth

- (1) Specialty Steel Business **Reorganization**
- (2) Fabricated Materials and Tool Steel Business **Consolidation**
- (3) High-Performance Products Business and Next-Generation Products Development Center **Newly established**



2023 Medium-Term Management Plan (FY2021 to FY2023)

We will promote business activities with our sights set on reaping the benefits of implementing the 2020 Medium-Term Management Plan and readying ourselves for future environmental changes (Although we are bound to encounter substantial changes in the business environment due to constraints pertaining to global warming and other such factors over the medium to long term. We also deem that over the next three years environmental changes are poised to be limited particularly in terms of decreasing quantities of products for internal combustion engines.)

Guidelines for Corporate Activities

1. Expand business in growth sectors
2. Develop a more robust business structure
3. Extend overseas expansion
4. Promote ESG management practices

Identify material issues with the aim of contributing to achievement of the SDGs

Action Plan and Key Sustainability Challenges

Action Plan

Daido Carbon Neutral Challenge (P32)

- Reduce CO₂ emissions by 50% by 2030 compared with fiscal 2013
- Aim to achieve carbon neutrality by 2050

Changes to the Organizational Framework (P16)

- **Reorganization of the Specialty Steel Business**
→ Develop more robust steel business and tap demand for specialty steel overseas
- **Consolidation of the Fabricated Materials and Tool Steel Business**
→ Increase sales in overseas markets and also streamline production and strengthen cost-competitiveness of the open die forging business
- **New establishment of the High-Performance Products Business and Next-Generation Products Development Center**
→ Build a framework for promoting growth of high-performance products across the board, stimulate new demand, and develop commercial business in emerging fields

2023 Medium-Term Management Plan

Guidelines for Corporate Activities

1. Expand business in growth sectors

Focus on key growth products for the next fiscal year in areas that include CASE (automobiles), semiconductor-related products, and the green energy sector

2. Develop a more robust business structure

- Enhance resiliency to changes in the external environment and expand presence in existing businesses.
- Seek to develop more robust production by specializing in functions of each plant with sights set on further production streamlining

3. Extend overseas expansion

Redouble efforts for expanding business in high-performance materials (high-performance stainless steel, high alloy metals, tool steel) centered on East Asian markets

4. Promote ESG management

Place top priority on the health and safety of employees, maintain social credibility, and more extensively engage in diversification initiatives (health management, diversity, work style reform, white logistics)

Daido Steel Group 2023 Medium-Term Management Plan Targets

Operating income	¥40 billion or more	ROE	8.0%
Capital investment (3-year cumulative on an approval basis)	¥85 billion or more	D/E ratio	0.50
Sales volume of specialty steel (non-consolidated)	1,200,000 tons	Dividend payout ratio	approx. 30%

Material Issues and SDGs

Develop and supply products that contribute to the reduction of environmental impact and the preservation of the global environment (P28–29)

- (1) Address climate change
- (2) Reduce waste
- (3) Use sustainable natural resources



Build a highly efficient production system and provide a stable supply of products (P28–29)

- (1) Improve energy efficiency
- (2) Provide a stable supply of high-quality products



Ensure a safe and secure work environment (P30–31)

- (1) Eradicate industrial accidents
- (2) Promote health management
- (3) Coexistence with local communities



Recruit and develop diverse personnel (P30–31)

- (1) Promote diversity
- (2) Recruit and develop personnel



Progress Achieved with SDG Initiatives and Material Issues

Develop and supply products that contribute to the reduction of environmental impact and the preservation of the global environment

		2023 Medium-Term Targets & KPIs
(1) Address climate change	· Reduce CO ₂ through CO ₂ emissions reductions and environmental preservation activities	· Promote the Daido Carbon Neutral Challenge · Undertake reforestation of Company-owned forest for absorption of CO ₂ (tree planting) · Biodiversity preservation and regeneration
	· Develop and supply products that contribute to mobility innovation	· Key growth products for the next fiscal year: Focus on CASE (automobiles), semiconductors, and green energy · Tap future demand by developing products and sowing seeds in growth sectors, while simultaneously contributing to realization of a decarbonized world economy
	· Develop and supply products that support customers' technological innovation in response to environmental regulations	
	· Develop and supply materials that contribute to the hydrogen use business	
(2) Reduce waste	· Strengthen the 3Rs (Reduce, Reuse and Recycle) for coproducts	· Promote recycling of coproducts (slag, dust, sludge, etc.)
	· Develop facilities that contribute to waste reduction	· Develop high-temperature, corrosion-resistant materials for power generation using biomass and waste · Reduce landfill volumes by setting up slag reuse technology
(3) Use sustainable natural resources	· Develop products that conserve resources and are free of rare resources and hazardous elements	· Develop new grades of steel with sights set on achieving minimal use of alloy additives · Develop equivalent-performance materials that do not contain hazardous elements
	· Expand the use of renewable energy (hydropower, wind power and solar power)	· Promote increased purchases of renewable energy-derived electric power (CO ₂ -free electric power) · Promote introduction of renewable energy (hydropower, wind power, and solar power generation)

Build a highly efficient production system and provide a stable supply of products

		2023 Medium-Term Targets & KPIs
(1) Improve energy efficiency	· Develop and introduce production processes with excellent energy efficiency	· Increase sales of energy-saving equipment: continuous vacuum carburizing furnaces (ModulTherm and SyncroTherm), electric furnaces with a rotation drive (STARQ®), STC® furnace (DINCS®), etc.
	· Develop products that contribute to energy efficiency	· Develop materials that facilitate production of high-efficiency electric vehicles (non-combustion engines) · Develop high-strength materials that give rise to smaller and lighter-weight components · Develop steel materials that give rise to lower energy consumption by eliminating the need for heat treatment when manufacturing components, achieving shorter manufacturing times, and improving productivity
(2) Provide a stable supply of high-quality products	· Conduct rigorous quality control and improvement	· Index of major quality incidents: 0
	· Promote business continuity management (BCM) activities	· Promote disaster prevention and mitigation to address the prospect of increasingly intense and frequent meteorological catastrophes and earthquakes



Fiscal 2020 Results and Main Initiatives	See Page
<ul style="list-style-type: none"> · CO₂ emissions: 12% decrease (compared with 2013) · Took part in Keidanren's Challenge Zero project · Carried out Company-owned forest preservation and revitalization activities jointly with the environmental NPO Lake Kutcharo Eco Workers · Coverage: 1.5 ha/year (cumulative total of 23.9 ha since 2006) 	P32–35, 44
<ul style="list-style-type: none"> · ¥5.1 billion in R&D expenses incurred for environmental products · Opened the Nakatsugawa Advanced Magnetic Materials Development Center, which serves as a site for development of high-performance magnets and next-generation motor technologies · Developed permalloy foil featuring world's highest level of magnetic noise suppression · Developed surface mount device (SMD) with a high-power red point source LED for photoelectric sensors and optical encoders · Activities initiated of Company-wide interdepartmental working group with sights set on expansion of semiconductor manufacturing equipment, new fuels, and wind power generation (July 2021) · Contribution to mobility innovation: Established Next-Generation Products Development Center (June 2021) 	P14–23
<ul style="list-style-type: none"> · Coproduct recycling rate: 83.9% (Waste disposal volume: 55,000 tons/year) · Engaged in ongoing development of materials with superior resistance to high-temperature corrosion · Investigated solubility conditions for recycling 	P46–47
<ul style="list-style-type: none"> · Launched sales of high thermal conductivity metallic powders (cobalt-free) for 3D printers (FY2021) · Launched sales of STARMESH®-B1 sputtering target for metal-mesh blackening layer (does not contain indium or other rare metals, FY2021) 	—
<ul style="list-style-type: none"> · Promoted increased purchases of renewable energy-derived electric power (CO₂-free electric power) · Promoted introduction of renewable energy (hydropower, wind power, and solar power generation) 	P34–35



FY2020 Results and Main Initiatives	See Page
<ul style="list-style-type: none"> · Gained certification for advanced equipment and systems eligibility for the subsidy for businesses to support the promotion of investment in advanced energy savings in fiscal 2021 (9 items selected: the most in the industry) 	P34–37
<ul style="list-style-type: none"> · Engaged in basic and applied development of high-performance products used in batteries and motors (10 development initiatives) · Engaged in basic and applied development of high-strength steel materials used in automotive components (gears and other components for internal combustion and non-combustion engines, 9 development initiatives) · Engaged in basic and applied development of steel materials suitable for energy-efficient processing including clean and efficient vacuum and surface treatment (7 development initiatives) 	—
<ul style="list-style-type: none"> · Index of major quality incidents: 0.14 (index assuming 1 as a basis for actual results in 2006) 	P52
<ul style="list-style-type: none"> · Properly equipped Head Office functions for addressing emergencies and conducted emergency simulation training · Continued to implement emergency measures to address secondary disasters at plants 	P63, 69

Progress Achieved with SDG Initiatives and Material Issues

Ensure a safe and secure work environment

		2023 Medium-term Targets & KPIs
(1) Eradicate industrial accidents	· Foster a work environment that gives priority to safety above all else	· Lost time incident rate: Less than 0.20% · Number of fatal accidents: 0
	· Improve safety awareness	· Promote safety education and hands-on training to improve knowledge, skills and attitudes toward ensuring safety
(2) Promote health management	· Enhance the health of employees and their families	· Promote early detection and early treatment of diseases and mental health issues, and also promote greater health awareness among employees · Promote health management
(3) Coexistence with local communities	· Conduct safe and secure plant operation	· Comply with environmental regulations (target: 100% compliance with environmental regulations) · Continue to promote environmental preservation and improvement
	· Local environmental preservation and communication with local communities	· More extensively engage in communication regarding the environment with local communities

Recruit and develop diverse personnel

		2023 Medium-term Targets & KPIs
(1) Promote diversity	· Create a workplace environment that promotes the success of diverse personnel and fosters a sense of job fulfillment	· Continue to administer job satisfaction surveys to all employees (annually) · Hold management training for those in managerial roles (annually) · Seek to make improvements by developing topics in relation to maintaining employment and career paths to be conveyed through career interviews and roundtable discussions for female career-track employees (annually)
	· Improve productivity by promoting new work style reforms	· Create a business environment that enables employees to embrace work arrangements that are efficient irrespective of location and time enlisting IT infrastructure · Seek to prevent attrition through achievement of better work-life balance by promoting diverse work arrangements
(2) Recruit and develop personnel	· Continuously recruit talented human resources and develop independent-minded personnel	· Ratio of women in next-generation managerial roles (section manager): 14% · Retention rate of female employees hired prior to FY2009 to FY2011: 73%
	· Transfer skills at production sites	· Promote JK (<i>jishu kanri</i>) self-management activities

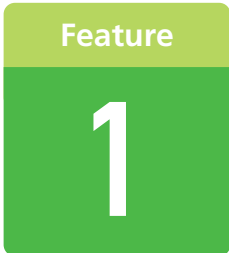


FY2020 Results and Main Initiatives	See Page
<ul style="list-style-type: none"> · Lost time incident rate: 0.33% · Number of fatal accidents: 0 	P63
<ul style="list-style-type: none"> · Safety training (education for new managers and junior employees): 187 participants · Hands-on hazard training: 2,091 participants (total number of participants) 	P13, 57
<ul style="list-style-type: none"> · Smoking prevalence: 28% (2 percentage points lower than in the previous year) · Selected for inclusion in the 2021 Health & Productivity Stock and recognized as a "White 500" enterprise in the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program 	P40–41, 50
<ul style="list-style-type: none"> · Rate of compliance with environmental regulations: 100% · Appropriately managed and disposed of waste containing high concentrations of PCBs, submitted PRTR notification, etc. · Timely and appropriate environmental equipment improvement and investment: ¥1 billion 	P51, 55–56
<ul style="list-style-type: none"> · Continued to participate in the Inochi wo Tsunagu PROJECT in the Chita Peninsula Seaside Plant zone · Continued to hold exchange events with local residents and others amid opening of plant site 	—



FY2020 Results and Main Initiatives	See Page
<ul style="list-style-type: none"> · Held trial training sessions after having selected model workplaces for workplace vitalization, chosen based on findings of job satisfaction surveys administered to all employees · Initiated harassment eradication activities to achieve a culture where diverse employees are able to play active roles in the absence of tolerance for harassment 	P59
<ul style="list-style-type: none"> · Ratio of employees in Head Office divisions working remotely: 63.8% (January to March 2021 average) · Maintained and promoted remote work environments of Head Office divisions <ul style="list-style-type: none"> - Maintained online meeting platform - Set up satellite offices and initiated use of shared office services 	—
<ul style="list-style-type: none"> · Ratio of women in next-generation managerial roles (section manager): 12% · Retention rate of female employees hired prior to FY2009 to FY2011: 66.7% 	—
<ul style="list-style-type: none"> · Promoted JK (<i>jishu kanri</i>) self-management activities: 1,913 themes completed 	—

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Initiatives to Address Climate Change

—Information disclosure upon endorsing recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)—



The Company intends to endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) during fiscal 2021. Subsequent to such endorsement, the Company will proactively disclose information related to climate change while performing scenario analysis based on the TCFD recommendations and promoting the Daido Carbon Neutral Challenge.



Daido Carbon Neutral Challenge

—Pursuing the potential of materials to support our future—

Daido Steel’s CO₂ Emissions Reduction Targets

Target for 2030

Reduce CO₂ emissions by **50%** by 2030
 (as compared with the 2013 level)

Target for 2050

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

With progress being made in worldwide discussions on climate change, Japan has announced that it seeks to achieve carbon neutrality by 2050 and accordingly intends to cut its CO₂ emissions by 46% by 2030 compared with those of fiscal 2013. Daido Steel likewise aims to achieve carbon neutrality with its sights set on the year 2050, while attaining a 50% reduction in its CO₂ emissions in 2030 compared with those of fiscal 2013.

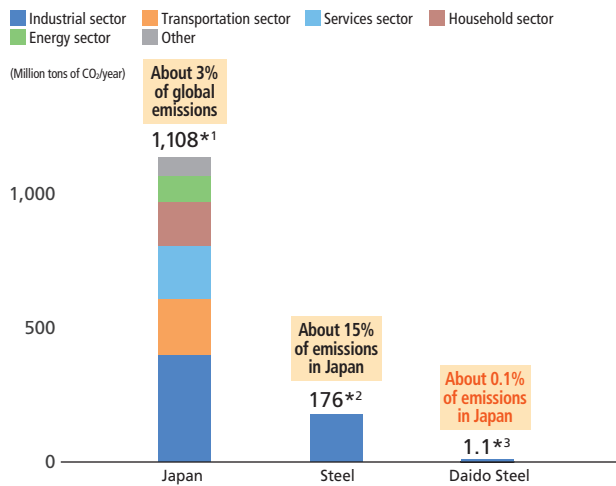
Daido Steel's Position (situational awareness)

Globally, CO₂ emissions ostensibly amount to approximately 33 billion tons annually. Of those emissions, about 1.1 billion tons, approximately 3%, are attributable to Japan and the nation's steel sector accounts for approximately 15% of the national total at about 176 million tons. The Company's emissions (excluding Scope 3 emissions) amount to approximately 1 million tons, which constitutes approximately 0.1% of Japan's total. Still, that is not an insignificant amount for a single enterprise.

The Company's business entails substantial electricity consumption, with electric energy accounting for approximately 60% of its CO₂ emissions. (Electric power CO₂ emissions are determined using CO₂ emissions factors calculated by the relevant electricity utility. The amount is defined as the CO₂ emitted by a business entity supplied with electricity distributed by such electricity utility in order for the business entity to conduct its business activities.)

With city gas accounting for another 30% of the Company's CO₂ emissions, it is crucial that we implement measures addressing both electric power and city gas in order to achieve decarbonization with respect to its business operations.

Daido Steel's Position Regarding CO₂ Reduction Activities in Japan

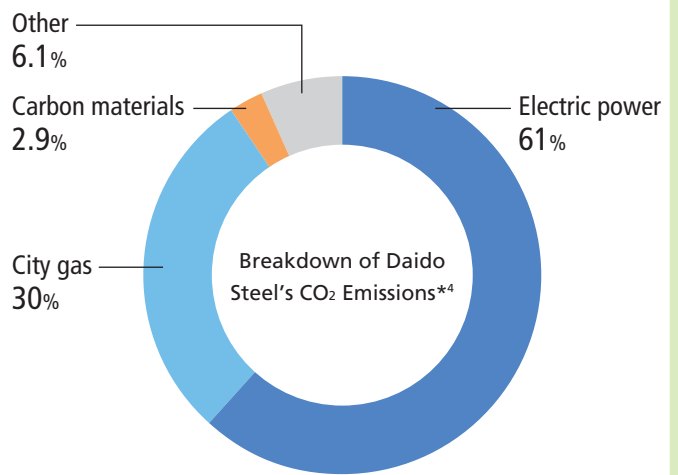


*1 Source: Data on CO₂ Emissions (as a share of CO₂ emissions from public electricity and heat production in 2019), Greenhouse Gas Inventory Office of Japan, National Institute for Environmental Studies, Website of the Ministry of the Environment

*2 Source: JISF's Commitment to a Low Carbon Society, Japan Iron and Steel Federation (FY2019 data)

*3 Source: Energy-derived CO₂ emissions, Daido Steel (Results of fiscal 2019)

Breakdown of Daido Steel's CO₂ Emissions



*4 Source: Energy-derived CO₂ emissions, Daido Steel (Results of fiscal 2020)

Major Initiatives and Achievements Made So Far at Daido Steel (Energy-derived CO₂ emissions)



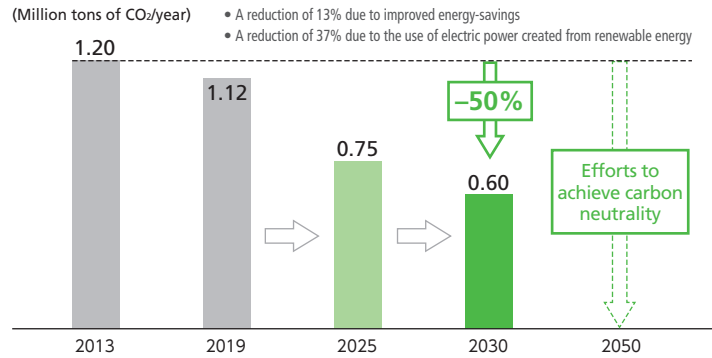
The Company promotes energy efficiency primarily by shifting to city gas for heating steel and powering combustion furnaces. With respect to the Company's energy-derived CO₂ emissions (Scope 1 + Scope 2 + distribution), this has resulted in a reduction of approximately 12% in CO₂ emissions and a reduction of approximately 9% in terms of the adjusted CO₂ emissions factor*⁵.

*5 The CO₂ conversion coefficient for electric power was adjusted to 0.452kg-CO₂/kWh in fiscal 2019.

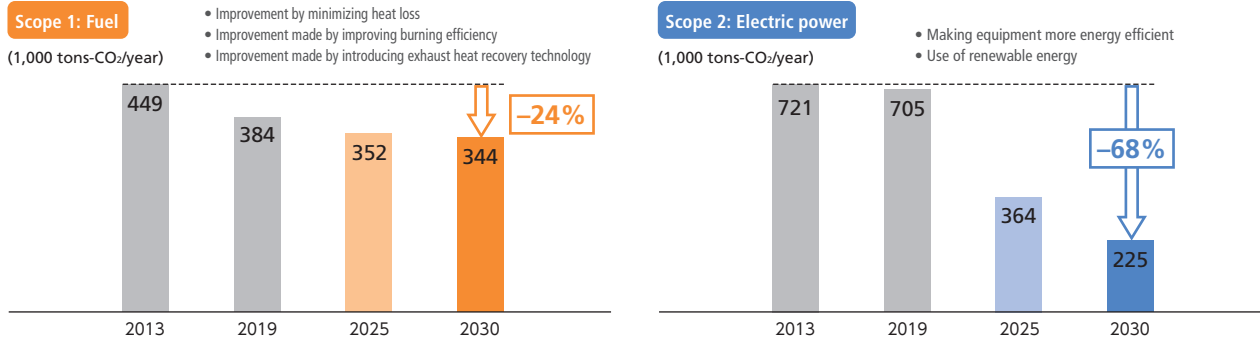
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Initiatives to Reduce CO₂ by 2030

CO₂ Emissions Reduction Targets for 2030



Our Approach to CO₂ Reduction for 2030 (by Scope)



The Company seeks to achieve 50% less CO₂ emissions in 2030 compared with fiscal 2013. To such ends, we will make improvements particularly in terms of achieving greater equipment efficiency and using renewable energy. We will also reduce our Scope 1 (fuel) emissions by 24% and Scope 2 (electric power) emissions by 68%.

Profile of Selected Initiatives

Lateral Development of DINCS® High-Efficiency Combustion System

The Company developed the DINCS® energy-saving combustion system. The system's high-efficiency heat exchanger formed by means of 3D printing enables it to achieve better fuel consumption and substantial reductions in CO₂ emissions.

CO₂ emissions reduction: 1,000 t/year

Contributing to Greater Use of Renewable Energy (CO₂-free Electricity) and its Increasing Prevalence in Communities

In fiscal 2021, the Company began purchasing electricity derived from renewable energy (CO₂-free electric power). Going forward, we seek to help bring about more widespread use of renewable energy by communities while also contributing to the development of electric power infrastructure by working jointly with Chubu Electric Power Miraizu Co., Ltd., underpinned by funds that we devote to successively increasing purchases of CO₂-free electric power heading toward 2030.

Renewable energy-derived electric power

Daido Steel Co., Ltd.

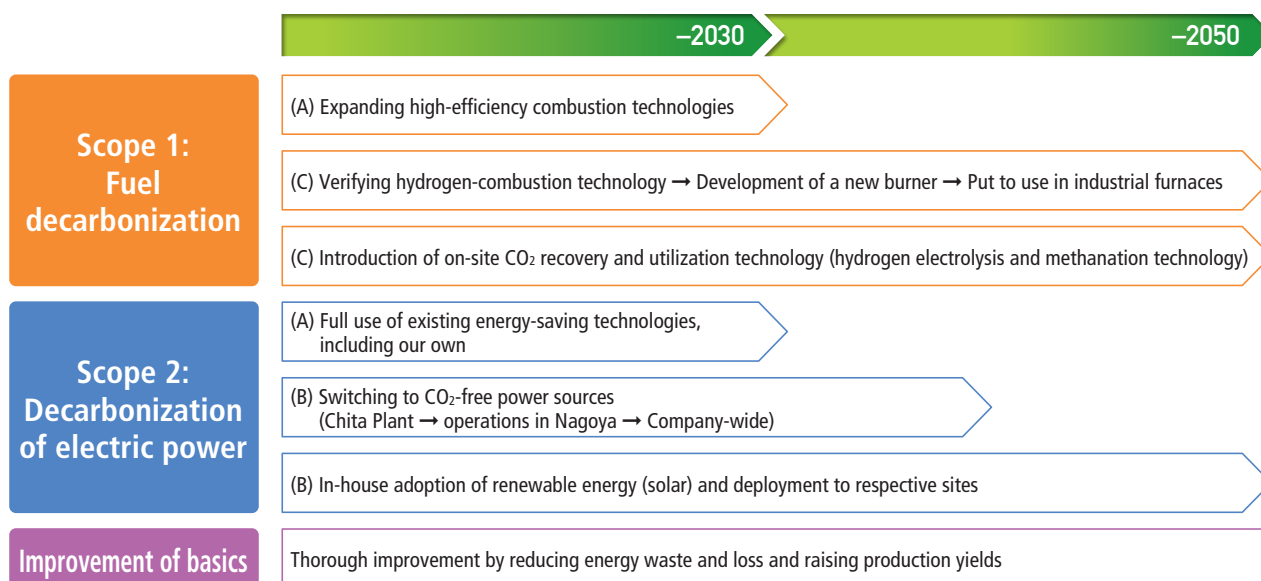
Chubu Electric Power Miraizu Co., Ltd.

Solar power generation

Wind power generation, etc.

Use of renewable energy

Roadmap to Achieving Carbon Neutrality by 2050



We aim to achieve carbon neutrality by 2050 under the following three policies devised on the basis of initiatives to attain drastic improvements with respect to energy and production yields.

- (A) Achieve drastic energy savings by combining existing technologies:
More extensively deploy high-efficiency combustion technologies and existing proprietary energy-saving technologies
- (B) Use decarbonized power sources: Adopt and deploy in-house renewable energy using CO₂-free power sources
- (C) Adopt decarbonization technologies: Develop carbon-free combustion technologies (hydrogen, etc.) and adopt CO₂ recovery and utilization technologies

<Reference> Scope 3: CO₂ Emissions by Category

1,000 tons-CO₂/year

Category	FY2019	FY2020	Calculation Method
1. Purchased goods and services	910	695	Calculated by multiplying the amount of raw material and other material purchases by the CO ₂ emissions factor
2. Capital goods	80	50	Calculated by multiplying the amount of capital investment by the CO ₂ emissions factor
3. Fuel and energy-related activities not included in Scope 1 or 2	183	159	Calculated by multiplying the amount of electric power and fuel purchases by the CO ₂ emissions factor
4. Transportation and delivery (upstream)	57	49	Calculated based on means of transportation and transportation distance using purchase volume under Category 1
5. Waste generated in operations	20	16	Calculated based on waste and recycling volume for each type of coproduct
6. Business travel	3	1	Calculated by multiplying the CO ₂ emissions factor by each mode of transportation
7. Employee commuting	3	3	Calculated by multiplying the CO ₂ emissions factor by the amount of money spent on each mode of transportation
13. Leased assets (downstream)	5	5	Calculated by multiplying the CO ₂ emissions factor by the leased surface area
Total	1,261	978	

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

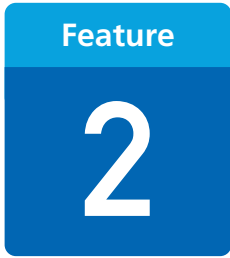
Note: Calculations have been performed using methodology of the Ministry of the Environment's Green Value Chain Platform (database version 3.1).

Companies must place top priority on initiatives to achieve decarbonization, which have become standard practice worldwide. As such, Daido Steel aspires to work with its customers and the supply chain to achieve carbon neutrality in the future, with such efforts underpinned by its aim of making the most of the energy-saving technologies it has developed thus far. We seek to take on challenges of technological innovation with our sights set on becoming the top-ranking company in the specialty steel and electric furnace industry.



Takashi Yamauchi Project Leader of CO₂ Emissions Reduction

FEATURE



Daido Steel's Technology Helps Pave the Way to a Green Society



Heat treatment is an indispensable manufacturing process when it comes to manufacturing specialty steel.

This mainly involves use of a radiant tube burner, which serves as a thermal unit for such heat treatment.

The Machinery Division has developed the DINCS combustion system, which greatly improves radiant tube burner thermal efficiency and contributes to energy savings.

STC Furnace Serves as the Best-Selling Heat Treatment Furnace of the Machinery Division

The Machinery Division designs and manufactures Short Time Cycle (STC) furnaces used in the annealing process for wire coil. Such STC furnaces are capable of handling various types of heat treatment for a wide variety of small-lot specialty steel products.

Thus far we have delivered a total of more than 350 units to customers in Japan and overseas. In 2016, we developed the Premium STC Furnace, which is an STC furnace equipped with our proprietary DINCS* energy-saving system.



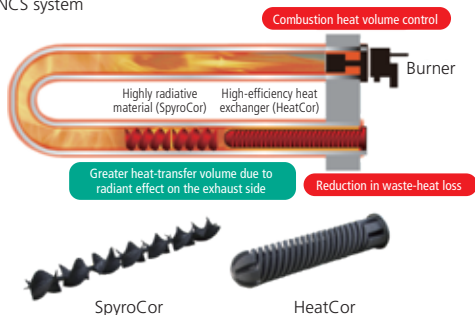
STC Furnace

* DINCS: Daido Innovative Neo Combustion System

Premium STC Furnace Equipped with the DINCS Combustion System

STC furnaces indirectly heat products by burning fuel within a radiant tube. As a waste-heat recovery system that improves combustion efficiency, the DINCS system mainly consists of a SpyroCor radiant tube insert and a HeatCor recuperator. The DINCS system is equipped with two main functions that include facilitating radiation of heat by causing sensible heat of combustion gas to be transferred to the radiant tube, and serving as a heat exchanger that preheats fresh air whereby combustion gas waste heat is fed to the burner. The key to serving such functions within the limited space within the radiant tube is that of the DINCS system having employed a component molded into a complex shape using silicon carbide (SiC) materials, which enable highly efficient heat transfer. We are currently equipping nearly all of our newly installed STC furnaces and continuous furnaces with the DINCS system. Combined with modifications made to our previously installed furnaces, we now have more than 640 such systems in use.

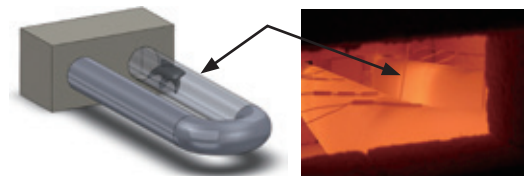
Overall DINCS system



SpyroCor Enhances Heat Radiation

SpyroCor radiant tube inserts are made of SiC and feature a twist design. Installed at the exhaust leg of a radiant tube burner, SpyroCor units absorb latent heat of exhaust gas and reradiate such heat into radiant tubes. This enables efficient transfer into a furnace of heat otherwise lost with exhaust gas emissions. SiC requires almost no maintenance because it is highly resistant to thermal shock and accordingly lacks potential for damage.

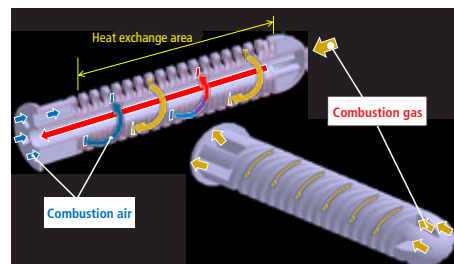
Heating of the radiant tube surface area where SpyroCor is installed



Effect of SpyroCor installation

HeatCor Greatly Boosts Efficiency of Heat Exchange

With conventional STC furnaces, Perculator* heat exchangers function to recover waste heat of the radiant tube burner. The DINCS system employs the HeatCor high-efficiency heat exchanger in lieu of the Perculator* heat exchanger. As with SpyroCor, HeatCor heat exchangers use SiC, which enables highly efficient heat transfer. HeatCor heat exchangers are also distinguished by their ability to achieve highly efficient heat recovery of otherwise lost heat due to their complex shape and expansive heat exchange surface area. Meanwhile, HeatCor requires almost no maintenance because it is highly resistant to thermal shock, which is an advantage that it has in common with SpyroCor.

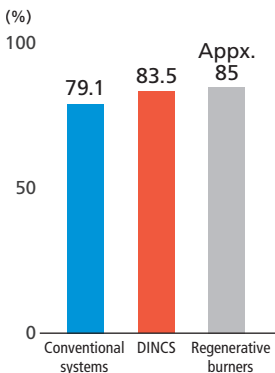


Energy Savings Attributable to DINCS

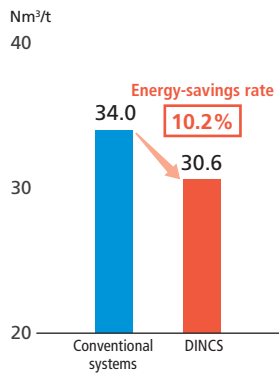
The effective heat ratio* of the DINCS system is higher than that of the Perculator* system previously used in STC furnaces and approaches that of the regenerative burner systems, which are now considered to be the world's most efficient combustion systems. We have obtained data indicating that installing the DINCS system in production equipment results in 10.2% better fuel consumption performance than that of the equipment prior to such installation (on the basis of average fuel consumption per ton of heat-treated material).

* The effective heat ratio indicates what percentage of heat generated by burner combustion is effectively transferred to the furnace.

Comparison of Effective Heat Ratios (%)

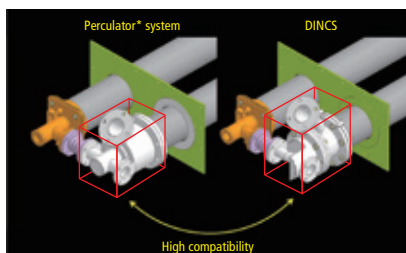


Result of DINCS Installation



Highly Compatible with Existing Combustion Systems

The DINCS system is designed so that it can be easily retrofitted in existing heat treatment furnaces as well as in new ones. The system makes it possible to continue using most radiant tube burner components without modification and can be installed at low cost in a short amount of time because setting it up does not require peripheral installation of piping. That constitutes a significant advantage over regenerative burners that require extensive modifications.



Compatibility between conventional systems and DINCS

Background to DINCS Development

Upon having come up with DINCS technology in 2012 jointly with the Performance Ceramics & Refractories division (the High-Performance Ceramics Division) of Saint-Gobain Ceramics, it took roughly four years to successfully combine the combustion equipment technologies of our Machinery Division with the ceramics processing technologies of Saint-Gobain. We continue to deepen our ties with Saint-Gobain with the aim of further improving on these technologies.

Seeking Applications Involving Industrial Furnaces Other Than STC Annealing Furnaces

The Machinery Division has built a test furnace within the Takiharu Techno Center with the aim of identifying applications for the DINCS system in radiant tube burners used in various industrial furnaces. Whereas STC furnaces invariably employ the same type of radiant tube burner, when it comes to other types of industrial furnaces approaches to applying DINCS technology and outcomes of DINCS installation vary given that other furnace types use radiant tube burners equipped for various combustion capacities, feature various configurations, and use different fuels.

We use our test furnace to perform combustion testing for customers who are exploring the option of installing DINCS systems. This enables us to help our customers make such decisions by providing them with extensive data on energy-savings performance enlisting the DINCS system, specifically aligned with the customer's operating environment.



DINCS test furnace (Takiharu Techno Center)

Selected for Eligibility for Grants under the Project for Promotion and Support of Investment in Innovative Energy Savings for FY2021

Our DINCS system has been selected for eligibility for grants under the Project for Promotion and Support of Investment in Innovative Energy Savings for FY2021, organized by Japan's Ministry of Economy, Trade and Industry. This will enable us to forge ahead with hopes of further accelerating more widespread adoption of our DINCS system given that this eligibility lowers hurdles for customers seeking to install the system.

Equipment designed for the purpose of saving energy is not likely to gain widespread acceptance unless customers considering the option of installing such systems are presented with the benefit of recovering their investment. With the DINCS system, we are able to address this challenge by offering both energy-savings performance along with ease of installation and maintenance. Going forward, we will engage in efforts that involve further building on such advantages, striving to propose optimal solutions to various customers both in Japan and overseas, and contributing to reduction of CO₂ emissions worldwide.



Hiroyuki Akita Heat Treatment Systems Design Office, Machinery Engineering Department, Machinery Division

Stakeholder Initiatives






Daido Steel's CSR Activities

Daido Steel sees the global environment, customers, shareholders and other investors, local communities, and employees as its stakeholders, and conducts well-rounded activities based on a triple bottom line (social, environmental and financial).

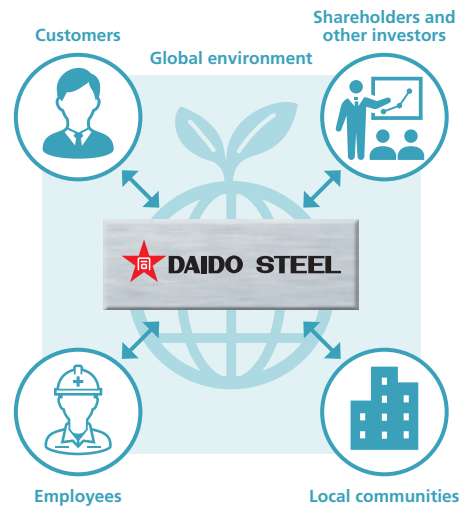
In addition, we seek to fulfill our corporate social responsibility by actively working to address issues in the ESG fields of the environment (E), society (S), and governance (G). At the same time, we aim for sustained improvement in Daido Steel's corporate value.

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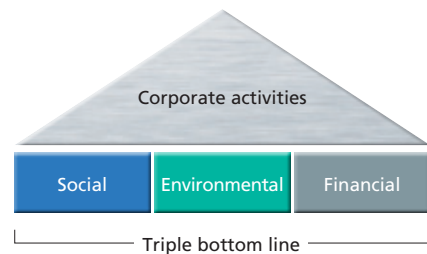
Stakeholder Initiatives

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How Daido Steel Defines Stakeholders



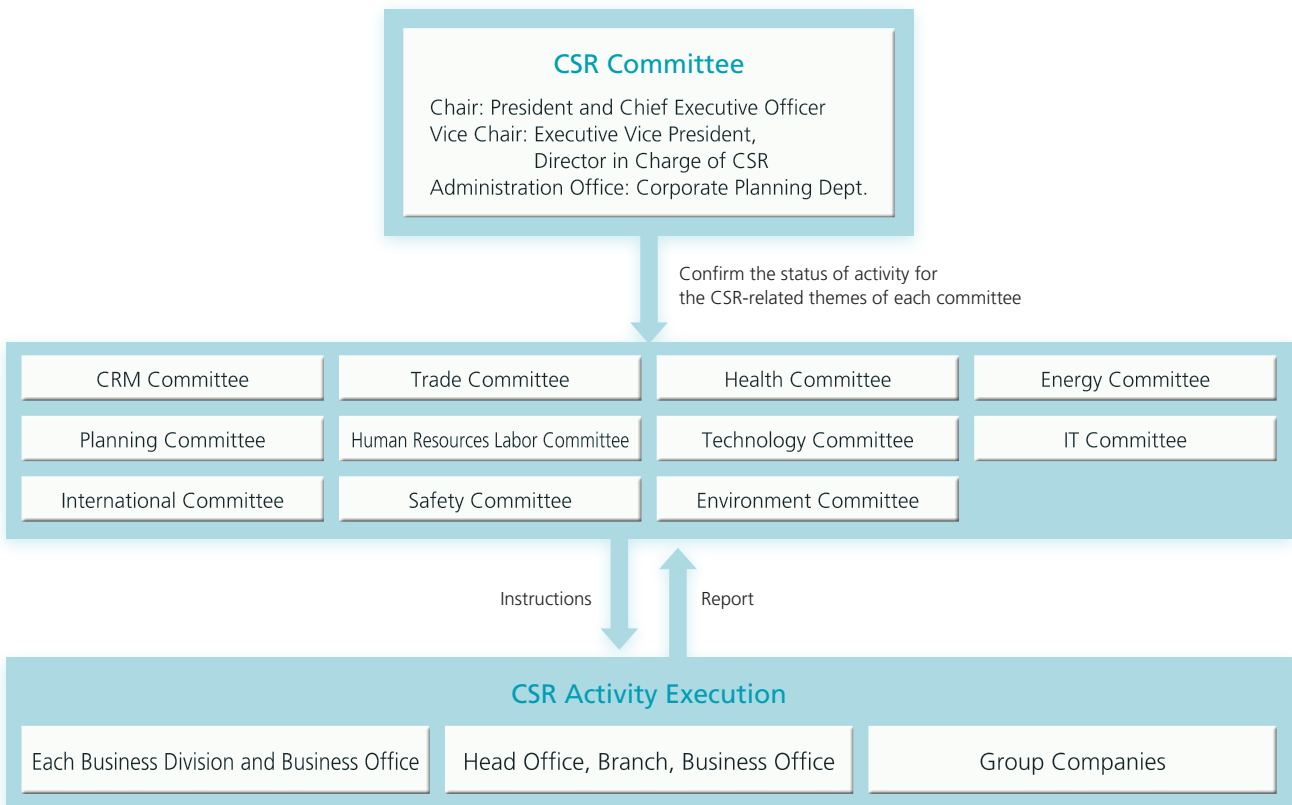
How Daido Steel Defines Corporate Business Activities



CSR Activity Promotion System

In fiscal 2007, Daido Steel established the CSR Committee to strengthen Company-wide CSR activities.

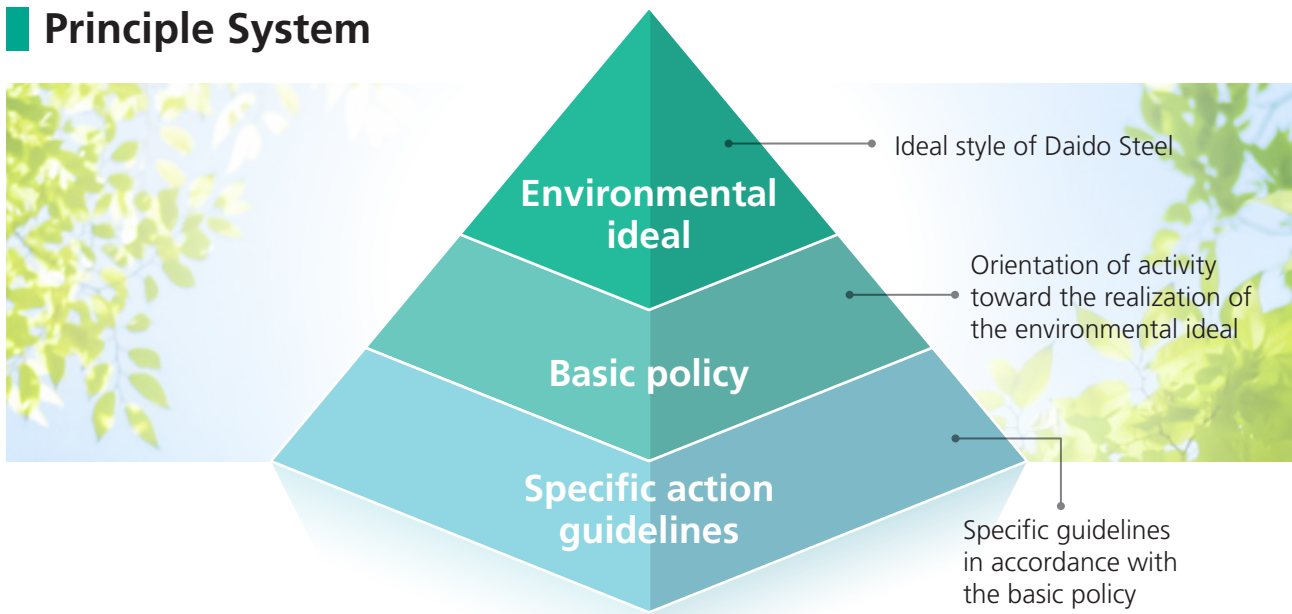
The members of the CSR Committee, chaired by the President and Chief Executive Officer, attend committees established on a Company-wide basis for each CSR-related theme. In each committee, the members confirm and inspect CSR activities.



Environmental Principles

On the basis of pursuing the potential of materials and a management principle to support our future, Daido Steel will strive, from the long-term and global perspectives, to harmonize environmental conservation with the development of a recycling-oriented, or zero-waste, economy and society in all business activities, and contribute to the construction of an environmentally harmonious society and global environmental conservation.

Principle System



Basic Principles

1. Environmental Impact Reduction and Environmental Conservation in All Business Activities

Daido Steel strictly observes and adheres to all related regulations and contracts and makes efforts to continuously contribute to environmental conservation and its improvement through efforts to save natural resources, reduce CO₂ emissions, and to recycle in all business activities, including purchasing, manufacturing, distribution, and marketing, based on the ISO 14001 environmental management system.

2. Contributions to Society through Environmentally Friendly Products and Environmental Engineering and Services

Daido Steel intends to play a leading role in promoting the recycling of iron resources in the manufacture of specialty steel products, which is the core business of the Company, and to promote the development and provision of functional materials. In terms of sales and marketing, we will promote the development and marketing of environmentally responsive equipment that has characteristic advantages of integrated management.

Furthermore, we are determined to utilize our accumulated technologies to proactively develop environmental businesses and contribute to reducing the environmental impact.

3. Promotion of Eco-Communication

In recognition of its responsibility as a corporate citizen to disclose the contents and results of activities conducted through basic policies, the Company maintains a constant focus on environmental conservation activities while obtaining feedback and understanding from many people for the information, including environmental information, that it widely discloses using various media, including the Integrated Report.



Specific Action Guidelines

1. Environmental Impact Reduction and Environmental Conservation in All Business Activities

(1) Strengthen Environmental Conservation System and Organization

Daido Steel aims to be an environmentally friendly company through efforts to improve both the environment and develop a recycling-oriented economy, while strengthening and augmenting its environmental management system and organizations based on ISO environmental management system guidelines, and constantly taking action to conserve the global environment on its own accord.

(2) Compliance with Environment-Related Regulations and Prompt Action

Daido Steel observes all environment-related regulations and contracts, and actively introduces technology and equipment for reducing environmental loads in an effort to reduce emissions of substances that impose a load on the environment.

(3) Promoting the Saving of Resources, Reducing of Waste, and Recycling

Daido Steel promotes resource-saving and recycling activities to achieve a recycling-oriented society, by making the utmost use of scrap iron, developing recycling technology for all sorts of coproducts generated in the course of its business activities, and utilizing the coproducts of other industries.

(4) Responding to Climate Change

Heading toward realizing a decarbonized society, Daido Steel aims to reduce CO₂ emissions and save more energy through the promotion of environmental measures based on a medium- to long-term vision, such as improving energy efficiency in the manufacturing process and introducing energy-saving equipment and renewable energies.

At the same time, Daido Steel promotes environmental measures such as CO₂ reduction and energy saving in offices and distribution channels for raw material procurements and product logistics.

(5) Consideration for Biodiversity

Daido Steel endeavors to reduce its impact on biodiversity through business activities that respect biodiversity.

2. Contributions to Society through Environmentally Friendly Products and Environmental Engineering and Services

(1) Development and Provision of Environmentally Friendly Products and Equipment

Daido Steel strives to contribute to reducing environmental impact through the development of superior products, such as those with higher strength and toughness and improved resistance to heat and corrosion, and by providing functional materials that give products longer service life, reducing the number of processes, using less materials, and decreasing the weight of products.

Daido Steel is also an extensive provider of environmental equipment developed using the technologies and knowhow of the Machinery Business Division and Production Division and environmental technologies.

(2) Approach to Environmental Business and Commercialization

The notion of “development-type” environmental businesses that produce added value is required. Thus, with the keyword being harmony between decarbonization, recycling and nature, Daido Steel will concentrate on the development of the environmental business by using its accumulated technologies and the development of new technology.

(3) Promotion of International Technological Cooperation

Daido Steel is participating in international environmental conservation projects by providing operational guidance relating to environmental conservation, resource saving, CO₂ reductions, technology transfers, receiving trainees, and utilizing the Company’s proprietary technologies with the cooperation of related industries and countries.

In the case of overseas business development activities, we observe the environmental standards and regulations of the partner country concerned as it continues to make improvements.

3. Promotion of Eco-Communication

(1) Reinforcement of Environment Education and Promotion of Volunteer Activities

Voluntary efforts by employees are increasingly important for reducing environmental impact in business activities. Thus, Daido Steel will continue to promote training that gives individuals a high environmental sensitivity, and positively participate in, and support, volunteer activities in the local community.

(2) Disclosure of Environmental Information

Daido Steel will promote environmental conservation activities by widely disclosing the contents and results of its environment-related activities to employees, customers, investors and local communities, and by receiving their opinions and understanding, will fulfill its responsibility as a corporate citizen.



Daido Steel's Initiatives for CO₂ Emissions and Saving Energy

Initiatives to Reduce Energy-Linked CO₂ Emissions and Energy Consumption

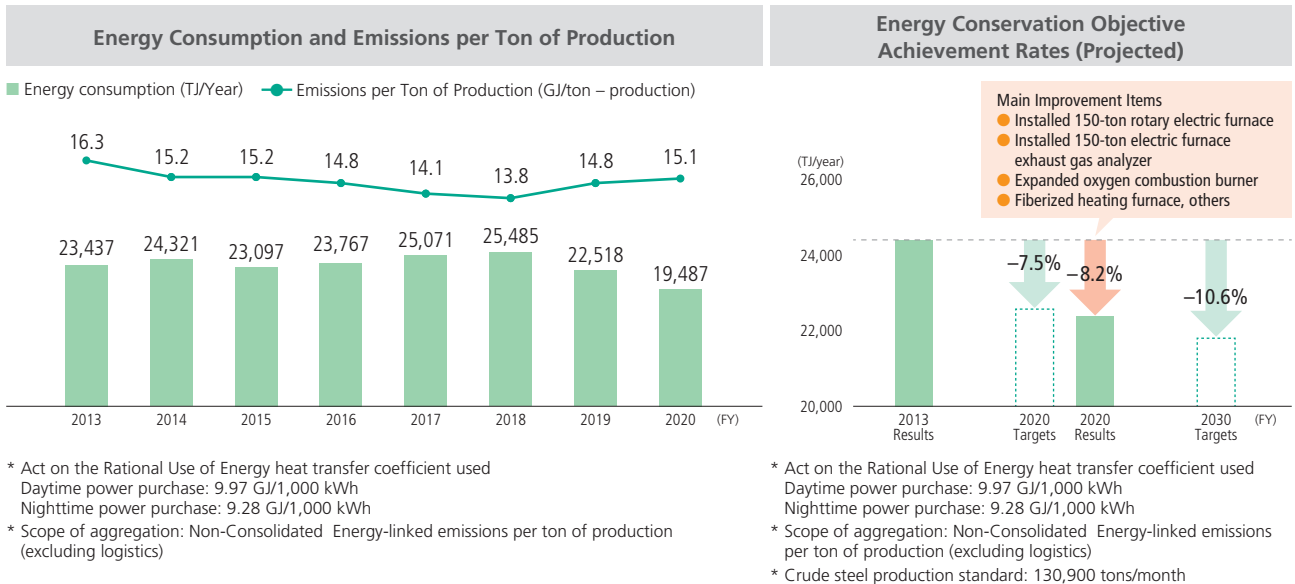
Daido Steel's businesses consume large amounts of energy. Daido Steel understands its responsibilities as a company that uses large amounts of energy, and prioritizes efforts to reduce CO₂ emissions linked to energy use, which account for 85% of greenhouse gas emissions in Japan.

With a three-pillared approach of expanding highly efficient combustion technology, using power sources free of CO₂ and consistent yield, the Company is promoting reductions in environmental impact, CO₂ emissions and energy consumption (Initiatives to reduce CO₂ emissions are in the Features section).

Medium- to Long-Term Objective for Conserving Energy

At least 10% by fiscal 2030 (fiscal 2013 BAU comparison)

* BAU: Business as usual



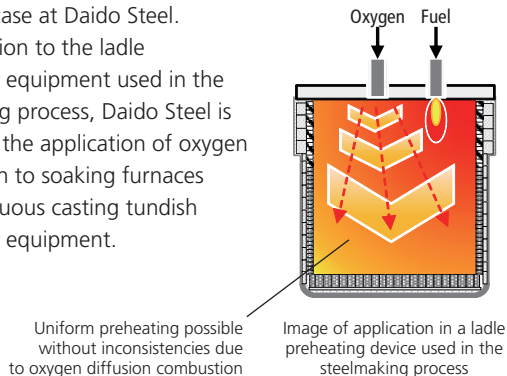
Examples of CO₂ Emission Reduction

Daido Steel rigorously reduces waste and loss from each production process to reduce CO₂ emissions and strives for improvements in such ways as using technology for oxygen combustion to raise heating efficiency and ceramic fibers to enhance insulation in heating furnaces.

Technology for Oxygen Combustion

Oxygen combustion results in high flame temperatures and does not need combustion air, so it can improve energy efficiency in temperature ranges above 1,000°C, which is often the case at Daido Steel.

In addition to the ladle preheating equipment used in the steelmaking process, Daido Steel is expanding the application of oxygen combustion to soaking furnaces and continuous casting tundish preheating equipment.



Using Ceramic Fibers in Heating Furnace Refractory Materials

Daido Steel has more than 150 heating furnaces and heat treatment furnaces.

Upgrading to ceramic fiber, which has excellent insulation properties, better retains heat and enables cuts in energy use.

Ceramic fibers (previously, unshaped refractories and bricks were used)



Example of application in forging heating furnaces at the Shibukawa Plant



Reduction in Transportation CO₂ Emissions

Reducing CO₂ emissions in transportation is an important avenue for combatting climate change. Heavy industries must transport heavy objects, and Daido Steel has coordinated with its supply chain to advance a modal shift* and improve facilities that support a modal shift. Additionally, we strive to contribute to the environment by increasing distribution efficiency in a bid to cut CO₂ emissions.

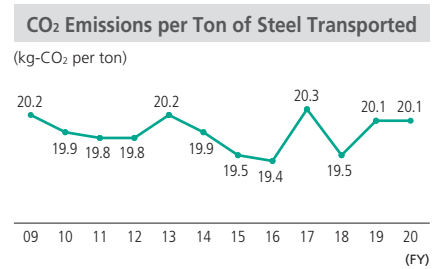
Modal Shift

On the transportation front, Daido Steel has consistently lowered its CO₂ emissions per ton of steel as a result of modal shifts since fiscal 2003. To promote modal shifts, the Company has made investments in relevant areas. By constructing all-weather berths for ships carrying its steel materials, allowing shipments even in rainy weather, the Company has cut CO₂ emissions per ton by roughly 20% for its steel products by relying on coastal vessels for transportation in a highly efficient environmental way. Daido Steel has also fabricated special uncovered containers that enhance transportation quality and loading efficiency. In 2003, the transportation of steel materials from its factories in the Nagoya region to the Niigata region was switched entirely from trucks to railways. In 2006, the same was done for steel transported from these factories to customers in the Akita and Niigata regions (fiscal 2020 results: 19,000 tons of steel wire, 8,000 tons of rebar annually).

Furthermore, ferries are used for transportation to the Sendai region. In 2008, Daido Steel's system for advancing modal shifts was recognized with the first Eco Ship Mark Certification.

Daido Steel intends to further advance the modal shift from trucks to ships and railways.

* Modal shift: Transportation that uses railways and ships instead of automobiles and airplanes. This can reduce CO₂ emissions and conserve energy.



Eco Ship Mark



Special uncovered containers for steel materials that can be loaded on both trains and trailers



Transportation by railway



Coastal vessel



All-weather berth loading

Eco-Driving

For transportation by truck, eco-driving is thoroughly instilled in drivers, as shown below, in an effort to increase safe, low-emission driving that is easier on people and the environment.

Eco-driving

1. Reduce speed 100 km/h to 80 km/h saves 20% fuel
2. No sudden acceleration Saves 20% fuel or higher
3. Encourage momentum driving with engine braking and exhaust braking Reduces fuel consumption
4. Upshift earlier, downshift later Saves 15% fuel
5. Avoid repeated acceleration/deceleration Saves fuel
6. Check tire air pressure Fuel economy suffers 8% when tire pressure is 20% lower than regulation
7. Turn off engine when idling



Contribution to Realizing a Decarbonized Society: CO₂ Reduction through Natural Environment Activities

Greenery Initiatives: Daido Steel preserves over 4 million m² of greenery.

Daido Steel owns over 4 million m² of forests throughout Japan, including a Company-owned forest at Lake Kutcharo in Hokkaido, and preserves greenery. That total area is equivalent to about 568 soccer pitches.

Kutcharo Natural Forest Daido

Main Activity Conserve the forest and conduct reforestation activities in cooperation with Lake Kutcharo Eco Workers, a local environmental NPO

Bamboo grass, which affects tree growth, infests the area. Each year, bamboo grass is removed from about 1.5 ha, soil raked to promote germination of seeds in the soil and hardwood saplings planted. This activity has been conducted since 2006 and by October 2020 had been carried out on a cumulative total of 23.9 ha.

Reference: Lake Kutcharo

- During the spring and autumn migratory seasons about 20,000 swans and 50,000–60,000 ducks pass by Lake Kutcharo
- The area is a registered wetland under the Ramsar Convention, an international treaty to protect wetlands, which are valuable habitats for waterfowl.



Topics Eco Workers Receive Minister of the Environment Award

Eco Workers was awarded the Minister of the Environment Award and Eco Workers Chairman Hidetoshi Mohri was handed a certificate by Forestry Office Manager Daisuke Kon in a presentation ceremony held in the Forestry Office, Soya General Subprefectural Bureau on June 23, 2021.



From the left: Manager Daisuke Kon of the Forestry Office, Soya General Subprefectural Bureau, Chairman Hidetoshi Mohri of Eco Workers and Mayor Nobuo Sugawara of Hamatonbetsu, Hokkaido

Nagiso Daido Forest

Main Activity Concluded a forest caretaker agreement with the town of Nagiso

Daido Steel commemorated the 100th anniversary of foundation on November 1, 2016, by concluding an agreement on being a forest caretaker with the town of Nagiso, Nagano Prefecture, where founder Momosuke Fukuzawa had worked in hydroelectric power generation.

The forest we took over was named Nagiso Daido Forest. We will support forest maintenance in Nagiso and employees will take part in forest preservation activities such as tree planting.



A commemorative ceremony held between the town of Nagiso and the forest owners' cooperative



The forest will be used for Daido Steel employee training



Daido Steel's Energy-Saving Equipment and Technologies

Contributing to Provision of Environmentally Aware Products

To reduce CO₂, Daido Steel not only promotes reduction in the production process of its products, but also contributes to reducing the volume of CO₂ in customers' end products. We are working toward the formation of a decarbonized society through the expansion of production and sales of highly functional materials that contribute to high value-added end products, and sales of energy-saving products such as electric furnaces and heat treatment furnaces.

* Registered as an innovation challenge in the Challenge Zero initiative by Keidanren (Japan Business Federation)

STARQ®*



Energy saving electric furnace with a rotation drive

Furnace rotation reduces cold spots, while optimizing rotation patterns contributes to cutting current flow time, contributing to saving energy and reducing CO₂ emissions.

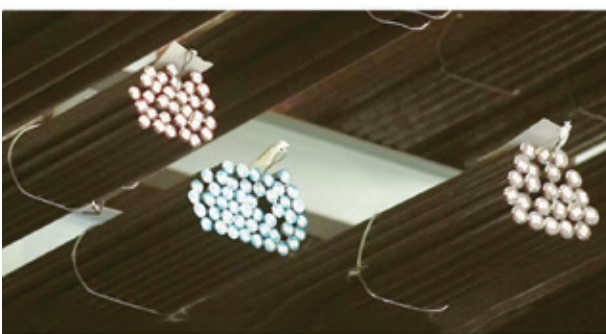
ModulTherm®*



Energy saving vacuum carburizing furnace

High temperature carburizing shortens processing time and launch time due to a highly airtight furnace, contributing to saving energy and reducing CO₂ emissions.

Specialty Steel



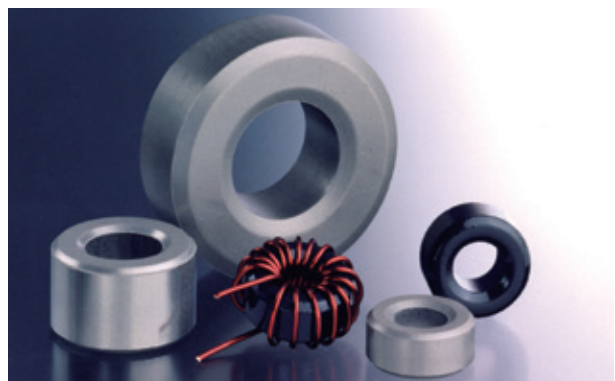
High strength materials

Higher strength materials compared to general purpose materials contributes to making parts smaller and lighter, reducing the volume of materials and lowering CO₂ emissions.

Non-tempered materials

Non-tempered materials enable elimination or shortening of heat treatment, contributing to enhanced productivity and reduced energy consumption.

Soft magnetic materials



Highly sensitive, soft magnetic materials are needed for current and torque sensors to electrify cars. These contribute to reducing CO₂ emissions when driving.

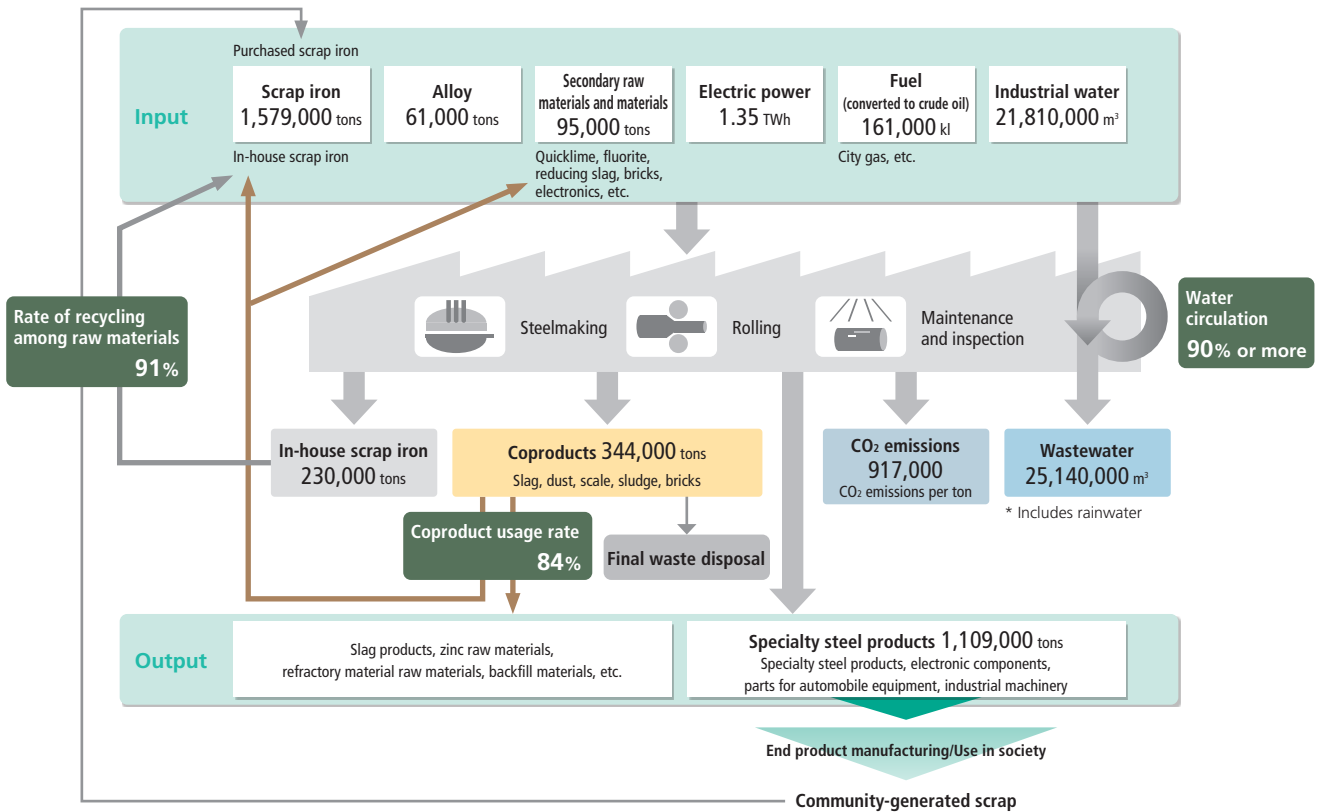


Contributing to the Realization of a Recycling-Oriented Society Strengthening Coproduct 3Rs (Reduce, Reuse, Recycle)

Daido Steel's Energy-Material Balance: Daido Steel's raw materials are 91% recycled products

Daido Steel's production system uses mainly scrap iron (91% of raw materials are recycled products), so the resource recycling flow is appropriate for environmental conservation.

We are also cutting CO₂ emissions and CO₂ emissions per ton in a three-pronged initiative entailing expansion of highly efficient fuel technology, using CO₂-free power sources and consistent yield improvements.

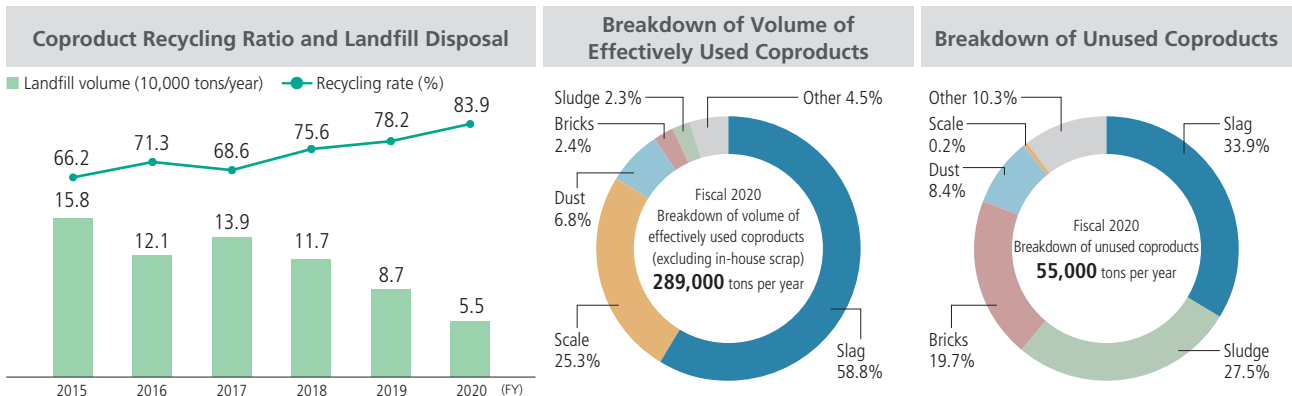


* CO₂: Energy used in plants (SCOPE 1 and 2) is converted into CO₂ emissions per ton (using conversion coefficients for each electric power company)
* FY 2020 results

Daido Steel's Coproduct Usage Rate: Daido Steel's coproduct usage is 84%

Many coproducts are generated together with the manufacturing of steel, including slag, sludge, scale and brick scrap. Daido Steel strives to cut the amount of waste by minimizing the volume generated and reusing and recycling as much as possible, using originally developed technologies.

Going forward, we will contribute to realizing a recycling-oriented society by further reducing the volume of waste generated.



Recycling Example from Slag Generated at the Chita Plant

Steelmaking slag generated at the Chita Plant is mainly recycled as roadbed material, which is steel slag for roads, or aggregate for asphalt concrete.

Slag is inevitably generated as part of the steelmaking process. Daido Steel uses many facilities and testing equipment, including steam aging and steam expansion testing equipment, to ensure high quality and stable supply.

More improvements will go into the slag product lineup to further raise the recycling rate and respond to society's infrastructure demands.



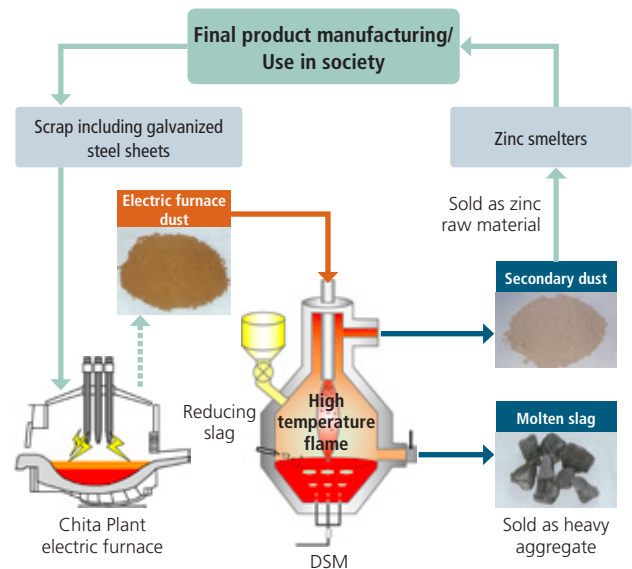
Recycling Example from Electric Furnace Dust

Electric furnace dust generated at the Chita Plant undergoes melt processing using Daido Steel's originally developed recycling equipment Daido Special Recycling Process for Dust and Slag Melting (DSM).

Scrap iron remelted in electric furnaces includes galvanized steel sheets, so the electric furnace dust generated contains approximately 20% zinc, which is an important recycling resource. However, zinc smelters will not accept it simply as electric furnace dust as its zinc content is too low to be used as a raw material for zinc smelting.

Using DSM, the electric furnace dust undergoes melt processing by being blown directly into a high-temperature flame burner for melting, which obtains a secondary dust enriched with zinc oxide, which is sold to zinc smelters as a zinc raw material with high zinc content. Moreover, molten slag generated at the same time is also sold as heavy aggregate, which achieved complete conversion to resources of electric furnace dust.

Since starting operations in 1996, Chita Plant has continued to process electric furnace dust, contributing to reducing final disposal volume as a matter of course and recycling zinc resources.



Recycling Example from Stainless Steel Dust Scale

Chita Plant's use of Daido Steel original recycling equipment does not stop at just DSM, but another device has been operating since 2007. Premium Resources with Innovative Method (PRIME) is a powder coproduct granulation plant.

Using PRIME, scale and stainless steel dust are mixed with a reducing agent, made into pellets by a granulator and recycled as raw materials for melting in electric furnaces.

Making the scale and dust powder coproducts into pellets cuts handling loss and loss when feeding into an electric furnace. Stainless steel dust contains expensive valuable metals such as nickel, and this also makes their retrieval more efficient.

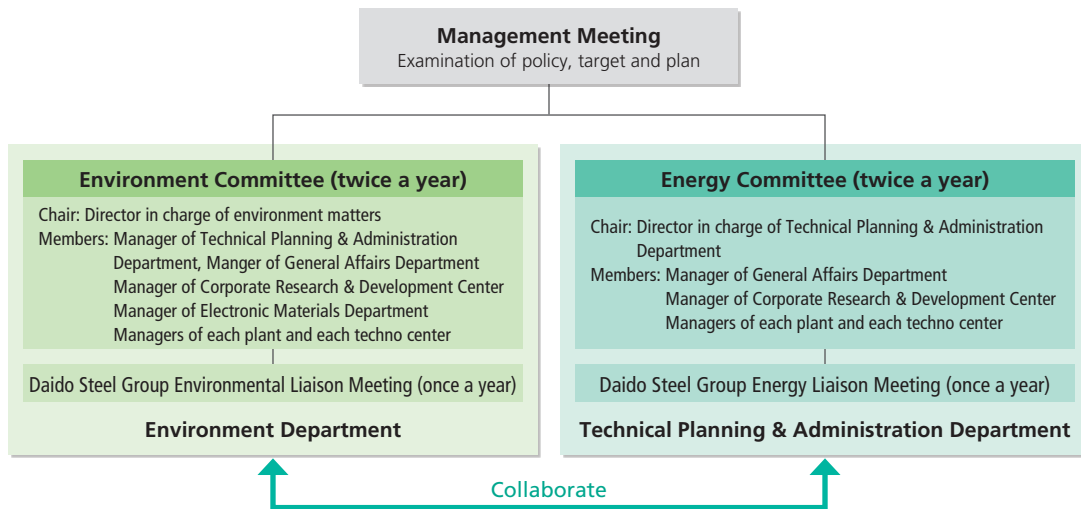


Initiatives to Conserve the Global Environment

Promotion System of Environmental Energy Management

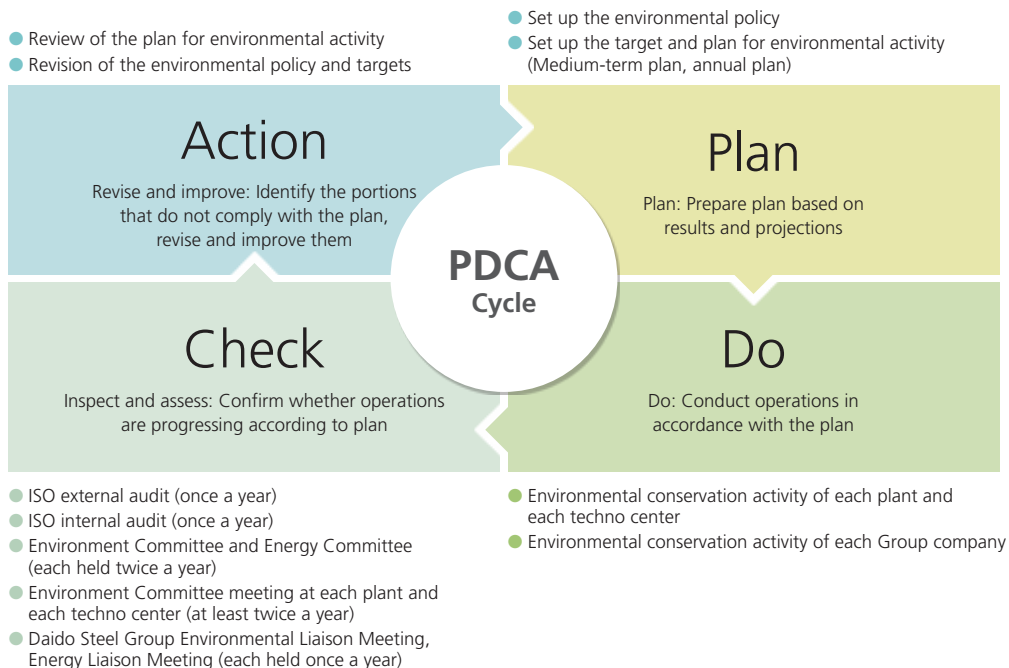
Daido Steel holds meetings of the Environment and Energy Committees twice annually where issues in all areas and necessary measures are discussed and Company-wide approaches to these issues are determined. Following decisions, the Environment Department and Technical Planning & Administration Department assemble environmental and energy managers of the entire Company for the smooth implementation of Company-wide actions.

Daido Steel also holds a Group communication meeting on environmental energy once a year for Group companies, which serves as a place to share information and communicate about initiatives both inside and outside the Group.



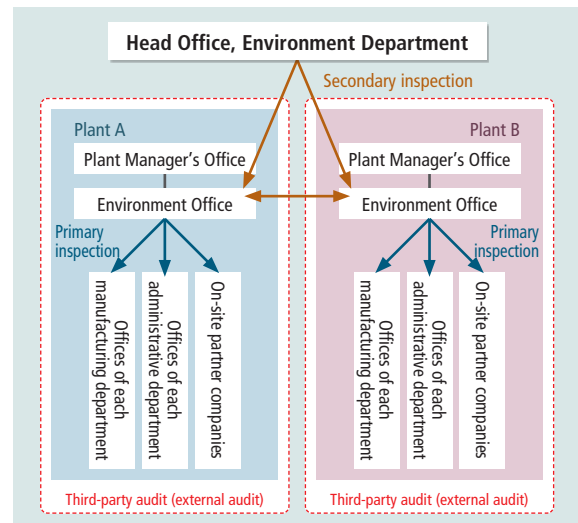
Management Cycle (PDCA Cycle)

Daido Steel not only maintains and enhances its environmental management system by running a PDCA cycle, it also steadily achieves results through waste reduction to realize a recycling-oriented society and environmental conservation to reduce impact on the environment.



Environmental Audits

Daido Steel periodically conducts environmental audits. Environmental audits focus on auditing based on environmental laws and regulations that have higher risks among the most recently enacted or revised environmental laws and regulations and items the Company has assessed to be a risk. Under ISO 14001 audits are conducted under the system in the chart to the right to evaluate and improve its effectiveness.



Environmental Inspections at Each Business Office

Daido Steel periodically conducts environmental inspections at each business office. Inspection teams consisting of upper management members from plants, labor unions, Group companies and on-site partner companies, pollution control managers and Environment Office employees conduct inspections mainly by checking actual items on site. By sharing awareness of existing and latent risks, the aim is to prevent major environmental accidents by carrying out precise and rapid improvements.



Environmental Accounting (Cost for Environmental Conservation)

Daido Steel quantifies the cost for environmental conservation in accordance with the Ministry of the Environment's "Environmental Accounting Guidelines 2005." The total cost for environmental conservation in fiscal 2020 was ¥15,043 million.

Airborne Environmental Conservation: Daido Steel has almost totally eliminated emissions of sulfur oxide (SOx), which causes asthma and acid rain

Regarding SOx emissions, at the Hoshizaki Plant and Shibukawa Plant, SOx emissions have been totally eliminated as a result of efforts to convert to city gas that does not contain any sulfur. Similar efforts have almost totally eliminated SOx emissions at the Chita Plant, significantly reducing them. To reduce nitrogen oxide (NOx) emissions, the Company is working to improve combustion, and is reducing emissions.

Reducing Dispersed Dust

Daido Steel works to keep down the amount of dust dispersed outside of work sites, paving roads inside plants, installing dust collectors near equipment that generates dust and setting up dust collectors and dustproof fences in plant buildings. Going forward, by properly maintaining and managing equipment, we will reduce the amount of dust dispersed outside of plants.



Global Environment

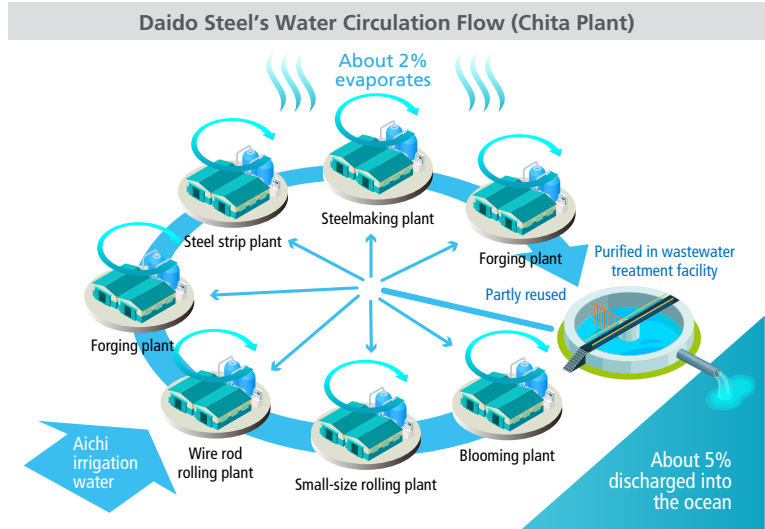
Environmental Conservation in Water Quality:

Daido Steel achieves a water circulation rate of 90% or greater

The specialty steel manufacturing process is accompanied by handling high-temperature materials and the use of large quantities of cooling water. Daido Steel repeatedly reuses this water after treatment and by preventing its external discharge to the maximum extent possible, the water circulation rate at each plant has reached more than 90%.

The chart to the right shows the circulation of water at the Chita Plant.

Each plant within the Chita Plant has set up a cooling water pool and water is reused. About 5% of total wastewater is appropriately treated in wastewater treatment facilities and then discharged into the ocean.



Measures against Water Damage to Plants

With the objective of dealing with torrential downpours of rain that have increased in recent years, our plants have been working to strengthen and expand temporary rainwater collection and treatment capacity.

This protects people working at the plants from water damage and prevents polluted water from being discharged externally during torrential downpours of rain.



Reductions and Management of Chemical Substance Emissions

Daido Steel reduces and manages chemical substance emissions in compliance with various types of laws and regulations.

Items	Assessments	Details
PRTR data	○	<ul style="list-style-type: none"> ▶ Each year, Daido Steel reports to the government in accordance with the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law). ▶ In fiscal 2020, the Company handled 11 substances subject to notification requirements, a total of 2,100 tons comprised of emissions into the environment and waste materials that were transported. (Reference: Fiscal 2019 2,400 tons)
Dioxins	○	<ul style="list-style-type: none"> ▶ Dioxin emission concentrations in electric steelmaking furnaces continue being managed in accordance with the Act on Special Measures against Dioxins. ▶ In fiscal 2020, the Company was far lower than the baseline value of 5 ng-TEQ/Nm³ (Reference: Fiscal 2019 less than 5 ng-TEQ/Nm³)
PCB	○	<ul style="list-style-type: none"> ▶ PCBs disposed appropriately within the time frames established by law in compliance with the Act on Special Measures for PCB.
Atmospheric mercury	○	<ul style="list-style-type: none"> ▶ Atmospheric emissions of mercury from electric steelmaking furnaces restricted through voluntary measures, in compliance with the Air Pollution Control Act. ▶ In fiscal 2020, emissions less than the regulatory baseline value of 50 µg/m³. (Reference: Fiscal 2019 less than 50 µg/m³)
Chlorofluorocarbons	○	<ul style="list-style-type: none"> ▶ Chlorofluorocarbons continue to be properly managed in compliance with the Act on Rational Use and Proper Management of Fluorocarbons. ▶ In fiscal 2020, emissions were less than the regulatory baseline value of 1,000 tons/year. (Reference: Fiscal 2019 less than 1,000 tons/year)

* Details about environmental data are disclosed on our website: <https://www.daido.co.jp/en/sustainability/index.html>



Initiative for Biodiversity: Daido Steel Participates in the Inochi wo Tsunagu PROJECT


The Inochi wo Tsunagu PROJECT has received various awards, including the Prime Minister's Commendations for Contributors to the National Greening Campaign in 2020.



We are protecting biodiversity across corporate boundaries.

Inochi wo Tsunagu PROJECT
The Chita peninsula, where Daido Steel's Chita Plant is located, has a vegetated buffer (greenbelt) about 100 m wide and about 10 km long in the industrial zone along the coastline. This area of greenery is viewed as a base for biodiversity and is where the various activities are undertaken in the Inochi wo Tsunagu PROJECT carried out in collaboration between 12 companies, government bodies, NPOs and students.

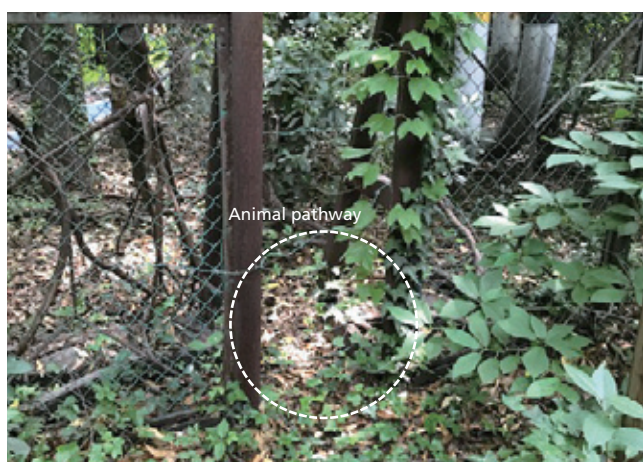
Collaborating Companies	Government Bodies
IHI Corporation Aichi Works	Aichi Prefecture
Aichi Steel Corporation	Chita City
ENEOS Corporation Chita Plant	Tokai City
NIPPON STEEL CORPORATION Nagoya Works	Secretariat
Daido Steel Co., Ltd. Chita Plant	Japan Ecologist Association of Support (NPO)
Chita LNG Co., Ltd.	Experts
TOHO Gas Co., Ltd. Chita Production Dept.	Eco-Asset™ Consortium
TORAY INDUSTRIES, INC. Tokai Plant	
TOYOTA INDUSTRIES CORPORATION	
JERA Co., Inc.	
Idemitsu Kosan Co., Ltd. Aichi Refinery	
LIXIL Corporation Chita Plant	



Inochi wo Tsunagu PROJECT
Inochi wo Tsunagu PROJECT, led by the local student club Inochi wo Tsunagu PROJECT Student Organizing Committee with 12 companies, government bodies, experts and NPOs linked under the single theme of biodiversity to exchange information and collaborate on activities with the aim of raising biodiversity throughout the community and forming an ecological network.
These activities also aim to develop the young people who will lead future generations.



Initiative example (1): Biotope
Expanding a habitat for living creatures by establishing a biotope in a corner of a company's vegetated area with consideration for biodiversity.



Initiative example (2): Animal pathway
Expanding activity space for living creatures by creating openings that only animals can pass through in fences and other dividers between company sites.



Customers

The Company's stakeholders include customers, shareholders and investors, local communities, and employees. We conduct socially and environmentally conscious business activities for these stakeholders.

Approach toward Customers

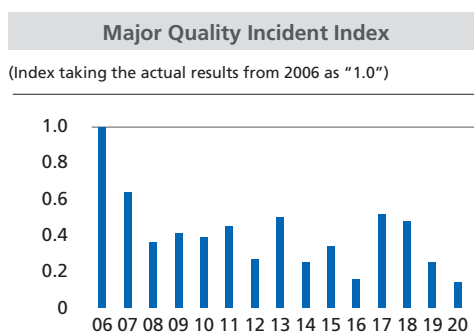
With its constant aim, ever since its inception, being to earn customer trust, Daido Steel has a high reputation among customers, including for its excellent product development capabilities. At present, the Quality Assurance Committee is leading the project to promote quality control improvements. The project efforts are directed at strengthening a culture of doing what should be done as a matter of course, and to create a Daido Steel Group that adapts well to changes, leading to an increase in customer satisfaction (CS) and customer delight (CD).

Quality Assurance Committee

In 2006 the Daido Group established the Quality Assurance Committee, chaired by a director in charge of quality, in what was a rapidly changing social environment. (Members: Plant managers of Daido Plants, Group manufacturing company quality assurance department heads).

The committee for the Daido Steel Group is conducting activities to solidify customer trust by sharing information to achieve early solutions of critical issues, improving common issues to preempt quality complaints, and by using basic activities to reinforce the quality assurance infrastructure.

The committee also concentrates on training programs such as quality education for certification, and the upskilling of frontline workers through competitions.



Major Activities of Quality Assurance Committee

Measures

- (1) Sharing of quality information
 - Gathering of intelligence of the entire company
 - Quality Solution Center
 - Horizontal development activity
- (2) Improvement of common quality problems
 - Strengthen identification management (Expansion of tools, education)
 - Strengthen variation point management
 - Accumulate and use the examples of trouble in the past

(3) Basic activity

- Analysis subcommittee
- Nondestructive inspection subcommittee
- Spark inspection subcommittee

Three basic focuses of steel quality assurance
Tackle with improvement with the viewpoints of "human resource training," "improvement of accuracy management" and "new technology"

Effect

- Solve quickly important quality problems
- Assure prevention of recurrence of quality claims
- Prior prevention of quality claims
- Strengthen the base of quality assurance (including human resource training)

Human resource training activities (Example)

- The Company provides quality education for certification, and the upskilling of frontline workers through competitions.



Fireworks competition



Fireworks inspection skills are improved using visual manuals



Quality Education

Daido Steel places great importance on quality education for frontline workers based on the Company's fundamental idea that quality is created at the job site.

Specifically, education by job grade is given to all employees on Q7 techniques (such as Pareto charts, scatter plots, and characteristic diagrams), N7 techniques (such as relational diagrams, system diagrams and matrix diagrams), and IE techniques (such as process analysis, work process analysis, and utilization analysis/ratio-delay studies). These techniques are utilized in the execution of field improvement activities including self-management activities (JK (*jishu kanri*: self-management), which are small-group activities). Groups that implement excellent self-management activities are given an award, to provide further motivation.

Number of JK activity themes

Daido Steel: Approximately 1,913 themes/year
(including 219 themes related to quality)
Group companies: Approximately 736 themes/year

Furthermore, from 2009, we have held a practical course on quality inspection to increase the manufacturing capabilities of staff.

This course uses classroom and practical learning to deepen participants' understanding of mechanical and internal quality testing for evaluating the end result of products.



Practical class on JK activities



Presentation event for JK activities



Practical course on quality inspection

Control of Toxic and Hazardous Substances in Products

As more and more hazardous-substance-free products are required, Daido Steel is utilizing the ISO 9001 quality standard and the ISO 14001 environmental standard, among others, to reinforce systems to control environmental load substances in products.

We issue Safety Data Sheets (SDSs) for each product and certify the non-inclusion of any substances that place a load on the environment.

We also comply with the Chemical information Sharing and Exchange under Reporting Partnership (chemSHERPA) scheme for sharing information in line with the RoHS directive, the ELV directive, and the REACH regulations.

[Control of hazardous substances that have implications for quality assurance]

(Example) the RoHS directive

- Cadmium and its compounds
- Hexavalent chromium compounds
- Lead and its compounds
- Mercury and its compounds
- Polybrominated biphenyls (PBB)
- Polybrominated diphenyl ethers (PBDE) and others

[Daido Group certification status of ISO 9001] (ISO 9001 quality standard and ISO 14001 environmental standard)

Daido plants: Certification acquired by all plants
Group companies: Certification acquired by all manufacturing companies



Efforts toward Shareholders and Investors

Daido Steel is making unceasing efforts to make improvements to enhance corporate value, and is also making untiring efforts to enhance the quality of management through accurate and timely information disclosure and comprehensive communications.

Communications with Shareholders and Investors

We provide shareholders with a wide range of information, including publications, such as reports sent out after the fiscal year end and interim financial results, as well as integrated reports, securities reports, and plant tours. Furthermore, for individual investors, we disclose the above information tools on our website so that they can gain a deeper understanding of the Group.

Moreover, to help stakeholders acquire an even deeper understanding of the Group, we have posted relevant information on our website, such as a message from the president, status of business results, Group information, and topics, in an effort to provide a wide range of information in a timely fashion.

In addition, we hold financial results presentations four times a year for institutional investors and securities analysts to provide them an opportunity to understand the Company's management situation and strategy. We also hold presentations for the medium-term management plan and facility tours of our main plants. Furthermore, in an effort to ensure ongoing communication with institutional investors and analysts in and outside Japan, we proactively hold individual meetings with them.

Through the internal feedback of opinions received through these IR activities to each division including management, Daido Steel also works to reflect these comments in its future business management.

External Evaluation

The Company has been included as a constituent stock in the MSCI Japan ESG Select Leaders Index compiled by MSCI Inc. of the United States. We have been included continuously since the index started in 2017.

The MSCI Japan ESG Select Leaders Index is compiled from constituent stocks on the MSCI Japan IMI Top 700 Index, aiming for a market capitalization amount of 50% by industry type, and is composed of companies selected for having relatively high ESG evaluation.



Shareholder and investor information page on the Company's website



Plant tour

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF Daido Steel Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daido Steel Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



Community Approach

Daido Steel emphasizes responsibility and contributions to communities. The Company has six plants in the Chubu-Tokai and Kanto regions, which with the many associated Group companies contribute to the creation of employment in those areas. Each business unit uses a variety of special events to get more involved with community residents.

Contribution to Local Communities

Each business site carries out the following main activities.

(The events were revised or cancelled in fiscal 2020 as a countermeasure for preventing the spread of COVID-19.)

Hoshizaki Plant

Cherry Blossom Viewing

At the Hoshizaki Plant, our annual Cherry Blossom Viewing held during the cherry blossom season has become a regular event. The plant grounds are opened to the local public, and around 1,500 people come to enjoy cherry blossom viewing over a three-day period.



Winter Illumination

We set up an illumination display every Christmas season to express our gratitude for coexistence with the local community.



Shibukawa Plant

Plant Periphery Clean-Up

We mow the grass around the street on the northern side of the main gate once a month as part of local beautification activities.



Clean-Up of Public Roads and Rivers

Twice a year we conduct a clean-up of the public road and the Mae Kanazawa River, which pass between the forging plant and the steelmaking plant, to help beautify the area.



Chita Plant

Summer Festa Motohama

Daido Steel cosponsors the Summer Festa organized by the Yokosuka-Yofu-Takayokosuka-Nakano-Ike residents' association in Tokai-shi each year in August. Many people come to enjoy the character show, Bon dance, and fireworks.



Interchange Clean-Up

We conduct clean-up activities on the West Chita Industrial Road Yokosuka Interchange and peripheral roads adjacent to the Chita Plant. This is part of a drive to make Tokai City "A beautiful town with abundant greenery and flowers." Each year, many employees take part.



In clean-up activities, we remove weeds, pick up empty cans, plastic waste, and so forth to contribute to preservation of the local environment. Plastic waste does not degrade, even if it is left for a long time, eventually breaking down into smaller pieces to become microplastic waste. It is difficult to recover microplastic waste, and marine plastic contamination can have harmful effects on the human body via the food chain of marine organisms. It is becoming a major global threat.



Local Communities

Tsukiji Techno Center

Cool Breeze Bon Dance Festival

Higashi Tsukuji School Zone Athletics Contest

We open our grounds each year to hold the Cool Breeze Bon Dance Festival and the Higashi Tsukuji School Zone Athletics Contest. These are annual events for the Higashi Tsukiji School Zone in Minato-ku, Nagoya City, where the Tsukiji Techno Center is located.



Plant Periphery Clean-Up Activities

As part of our local activities, twice a year we conduct a clean-up of the plant periphery to contribute to the local neighborhood.



Kawasaki Techno Center

Plant Periphery Clean-Up

As a volunteer activity, employees of Kawasaki plant sweep the roads and sidewalks around the plant once a month. This activity started in 2003.



Oji Plant

Open the Plant's Sports Ground to the Public

On the days the plant is not in operation, the sports ground is opened up to local residents. Local boy's baseball teams use the field for games.



Support for Cultural Activities

Fiscal 2020 program

September 15 (Tuesday)
MS&AD Shirakawa Hall
Mao Fujita
Piano Recital



©EIICHI_IKEDA

Second prize winner in the world's most prestigious International Tchaikovsky Competition in 2019
A triumphal return concert for a young genius pianist on the Excellent Performer Series!

October 23 (Friday)
Denki Bunka Kaikan The Concert Hall
Haruma Sato
Cello Recital
Piano: Keita Obushi



©HIDAKITOMOKO

The first Japanese contestant to win a prize at the elite ARD International Music Competition Cello Section!
The much-anticipated cellist from Nagoya who surprised the world finally takes the stage

December 10 (Thursday)
Denki Bunka Kaikan The Concert Hall
YAMATO String Quartet
String Quartet Concert



A hugely popular performance encompassing genres from classical to modern
A special ensemble featuring talented violinist Yasunao Ishida

Fiscal 2021 program

November 2 (Tuesday)
MS&AD Shirakawa Hall
Can Çakmur
Piano recital

November 20 (Saturday)
MS&AD Shirakawa Hall
Dai Miyata
Unaccompanied cello recital

December 2 (Thursday)
MS&AD Shirakawa Hall
Kazuma Miura
Quintet
Piazzolla the Best

December 23 (Thursday)
Denki Bunka Kaikan The Concert Hall
Masaya Kamei
Piano recital

★ DAIDO STEEL Excellent Performer Series

The Excellent Performer Series has been planned and held each year by Chubu-Nippon Broadcasting Co., Ltd. since 1987, with Daido Steel becoming the sole sponsor from 1991. The series contributed to the musical culture of the local community as an individual recital series based on the concept of "an opportunity for music lovers who are not satisfied by operatic or full-orchestra performances in large halls to savor the enjoyment of a first-class performance in a dedicated chamber-music hall."



Approach toward Employees

Respect for Human Rights

The Daido Steel Corporate Code of Ethics stipulates that the Company will “respect employees’ diversity, character, and individuality, while ensuring safe and comfortable working environments and realizing freedom and high quality of life.” We will apply fair evaluations that neither discriminate nor infringe on workers’ individuality, to establish working environments that enable each individual to realize their full potential.

Health and Sanitation System

Daido Steel continuously implements the health and sanitation program for employees in cooperation with industrial health insurance expert staff and the health insurance association. In 2016, we made the Health and Productivity Management Declaration, and our initiatives to date have been highly regarded, with our inclusion for the first time as one of the 2021 Health & Productivity Stock. Moreover, we were selected as one of the 2021 Certified Health & Productivity Management Outstanding Organizations (also known as “White 500” companies), our fourth consecutive year of selection.

We will continue promoting initiatives to create workplaces where all employees can work with enthusiasm and in good health, so that their lives can be enriched.

<Daido Steel Health and Productivity Management Declaration>

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

—Health and Productivity Management Policy—

- Supporting increased health awareness of individual employees
- Promoting early detection and early treatment of diseases
- Preventative mental health measures

Measures to Prevent Infection

The Company is taking a range of infection prevention measures at each business site and workplace to prevent outbreaks and spread of COVID-19. We also held a workplace vaccination drive from June to August, 2021 at our Hoshizaki and Shibukawa Plants for employees (including affiliated and partner companies) and their families who want to be vaccinated.



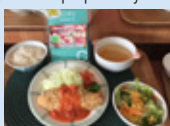
Vaccination

Supporting Increased Health Awareness of Individual Employees

The Company conducts activities aimed at embedding proper exercise and diet to create a foundation of lifestyle habits. In fiscal 2020, we started streaming our own original exercise program video online.

Initiatives to Encourage Health Awareness

- Encourage a habit of walking to a target of at least 8,000 steps per day
- Conducting physical strength and function measurement, support those with low physical strength
- Promoting workplace stretching and exercise programs
- Encouraging people to form a habit of eating breakfast
- Encourage a habit of eating 350 g of vegetables per day
- Provide healthy menu options at company cafeterias



Example of healthy menu options

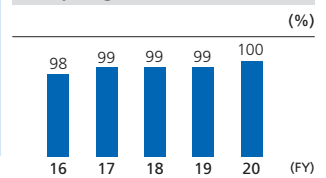
Promoting Early Detection and Early Treatment of Diseases

The Company has a full staff of industrial health insurance experts who work to promote early detection and treatment to prevent serious cases of disease.

Initiatives for Promoting Early Detection and Treatment

- Recommending detailed examination
- Awareness raising activities to increase the rate of cancer screening
- Conduct specified health and welfare guidance for all employees

Examination Rate among Employees Requiring Detailed Examination (%)



Preventative Mental Health Measures

The Company provides consultations by industrial health insurance expert staff for all employees after their regular health checks as part of efforts to keep everyone in good mental health by working closely with employees. We also actively conduct training on team care and self-care to gain preventative awareness of mental health. In 2021, we conducted these activities online as an infection prevention measure.

Initiatives for Preventative Mental Health Measures

- Level-specific education for staff and experts
- Support for employees returning to work after taking leave of absence
- Publicize the consultation desk services (introduction cards for industrial health insurance experts, distribution of leaflets)

President’s Award for Health

The Company started the President’s Award for Health in fiscal 2017 in order to increase health awareness. The evaluation items started from prevention of passive smoking, adding exercise and diet in 2019 and “promotion of health and productivity management systems” and “infectious diseases” in 2020.

Through these efforts, the Company is promoting further increases in health awareness Company-wide and the building of a sanitation management system.



President’s Award for Health ceremony



Employees

Work-Life Balance

Daido Steel considers that the development of the Company is closely linked with the fact that each employee who maintains a work-life balance brings about a positive cycle of a fulfilling work and home life. With that aim in mind, Daido Steel incorporates various systems to improve the work environment.

Initiatives for “Work Style Reform” to Help Realize Work-Life Balance

To enable employees to work in ways that suit their various lifestyles, we introduced a flextime system without core time. Annual paid leave is also available for use in half-day increments, leave that becomes invalid two years after it is allocated can be accumulated at a rate of five days per year, up to a maximum of 60 days, and it can be used for childcare, nursing family members, or volunteer activities.

Childcare and Nursing Care Support

As a system to support employees who undertake childcare and nursing care while also working, we provide leave systems stipulated in laws and regulations and restrict late night working, among other measures, while also introducing the following systems over and above legal requirements.

Exemption from set work hours Restriction of overtime work Shortening of set work hours	For employees caring for children up to the third year of elementary school. (In the case of nursing care, in accordance with laws and regulations)
Leave for nursing children	For employees who have children who have yet to graduate from elementary school, paid leave can be taken for up to 10 days per year, regardless of the number of children. The leave can be taken in hourly units.
Systems to support early return to work after childcare leave	Employees who have taken parental leave or long-term childcare leave for a certain period can receive a partial subsidy for childcare fees if they seek to return to work early to continue building their careers.
Babysitter support system	Employees who use a babysitter for work purposes such as business trips or overtime can receive a partial subsidy for babysitter fees.
Nursing care leave (long term)	A total of 365 days of leave can be taken and divided up to 3 times for each nursing care recipient.
Nursing care leave (short term)	Employees who are nursing family members are allotted up to 10 days of paid leave per year, regardless of the number of nursing care recipients. The leave can be taken in hourly units.
Nursing care helper user support system	Employees who are nursing family members can receive a partial subsidy of the fees for a nursing care helper.

Aiming for an Age-Free Society

The revised Act on Stabilization of Employment for Elderly Persons was enforced in 2013, mandating the introduction of continuing employment systems for employees who wish to continue working until age 65. However, Daido Steel had introduced a reemployment system in 1992, ahead of the act, and we continued to revise our systems through consultation between labor and management. Today, the resulting “Meister System” is firmly established in the Company.

System for Restricting Difficult Areas for Work and Career Return System

We have introduced a system that allows workers engaged in childcare or nursing care to restrict work in difficult areas with approval of the Company. We have also introduced a career return system, in which people who are leaving their jobs for reasons such as giving birth, childcare, nursing care, or a spouse’s transfer can register with the Company to be reemployed within five years from leaving. When an opening occurs in the Company, all of the registered persons are considered in terms of their career profile and the nature of the position, and if suitable, they may be rehired.

Official Accreditation for Work-Life Balance Initiatives

We have received official accreditation as a company that conducts initiatives to promote work-life balance, encourage active roles for women, and support childcare.

[Aichi Prefecture Family Friendly Company]

The Company received this accreditation in October 2005 as a company conducting initiatives to promote work-life balance.



Aichi Prefecture Family Friendly Mark

[Aichi Prefecture Company Supporting Women’s Career Advancement]

The Company received this accreditation in December 2015 as a company that encourages active roles for women through a public commitment from top management, hiring, expansion of work roles, and promotion of work-life balance.



[Kurumin]

The Company received this accreditation in September 2017 from the Ministry of Health, Labor and Welfare as a company that supports childcare. We received it for a second time in July 2019.



Initiatives to Promote Diversity

Having employees who can feel individually fulfilled in their work is the driving force that supports Daido Steel’s manufacturing.

After starting with a Diversity Promotion Project, the Company reorganized the project in October 2018 as the Diversity Promotion Office, under the management of the Personnel Department. We have built a foundation for promoting diversity management, aiming to create a company where not only women, but all employees, can work with motivation.

Regarding the encouragement of active roles for women, which has been a focus since the start, the Company has seen the number of female applicants gradually increase as a result of various efforts to deepen understanding, such as showing how female employees are active in the Company, the expansion of their roles, and the creation of suitable working environments. At the same time, going into the future we will continue to promote the creation of environments that enable female employees to continue playing active roles while demonstrating their individual abilities. These include promoting deeper understanding of assigned workplaces, further improving the work environment, and holding career consultations.

Furthermore, since fiscal 2019 the Company has participated in a farm business operated by people with disabilities as part of efforts to utilize diverse human resources, aiming to increase opportunities for people with disabilities to work. We are promoting employment for people with physical disabilities and also intellectual disabilities, which have traditionally presented a higher barrier to employment in our primary

operations. We will accumulate expertise and deeper understanding on assisting their employment and further expand opportunities for people with disabilities to work.

We believe one of the important elements for building a foundation for promoting diversity management is to have a highly tolerant corporate culture where people accept one another and a situation where people can demonstrate their individual abilities, as well as ensuring that both these aspects are working together and that active participation in the workplace is encouraged. Since fiscal 2020, in addition to our existing initiatives, we have started conducting an awareness survey of all employees, created mechanisms for promoting cooperation with relevant departments and a reform in corporate culture and awareness, and started activities to realize active roles for diverse human resources.

Specifically, based on the survey results, we have conducted activities that reach even more deeply into workplaces and manufacturing frontlines, such as practical management training for drawing out team capabilities, targeted at section leaders, who are key persons in the workplace, and model workplace cultivation, aimed at manufacturing frontlines. Together with our ongoing awareness surveys, we will promote efforts to further stimulate workplaces and the company overall, encouraging the creation of environments where individuals can continue to demonstrate their capabilities to a greater degree, and continue initiatives towards building a foundation for increasing job satisfaction and promoting diversity management.

Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (Details are disclosed on our website)

Plan period: April 1, 2021 to March 31, 2026 (five years)

- Issues for the Company:**
- Lack of women in management positions
 - Lack of career support incorporating life events and opportunities for career development
 - Cultivation of a workplace environment that encourages diversity has not yet been achieved

- Targets:**
- Achieve a ratio of 17% for women in assistant manager positions, which are next-generation management positions.
 - Achieve a retention rate of 80% for female employees hired 9–11 fiscal years ago.
 - Conduct career development support activities for women.
 - Continue and promote the creation of a corporate culture that accepts and utilizes diversity.

Initiatives to Reform Awareness and Corporate Culture

Increased hiring and expansion of work roles	We formulated a plan for the number of recruits and set a target percentage for recruitment based on our long-term vision, and are linking that to the recruitment of talented human resources and improvements in retention rates. Additionally, we are carrying out placement and expansion of work roles through aptitude and strive to develop and demonstrate each individual’s abilities.
Strategic job rotation and career support	Through building career paths matched to future positions and opportunities to develop practical abilities, we broaden perspectives, and offer career support so that each individual can envision and realize a future in which they play an active role, while placing expectations for new ideas.
Initiatives for workplace vitalization	We carry out initiatives such as training, including workplace evaluations, for those in managerial roles so that Daido Steel can continue to be a workplace where employees generate their own sense of fulfillment and can continually work with vigor and motivation.
Training to reform and foster corporate culture	We will deepen understanding of diversity promotion and tie that into the formation of a corporate culture that harnesses individuality (characteristics) and improvements to managerial skills.



Training for the next generation of management

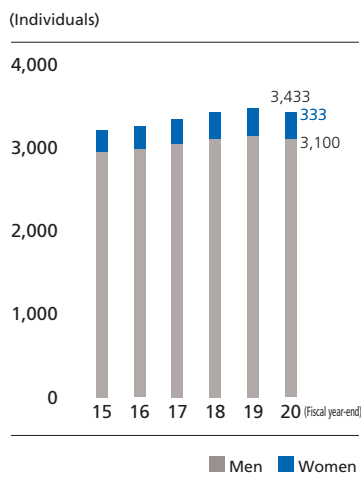


Employees

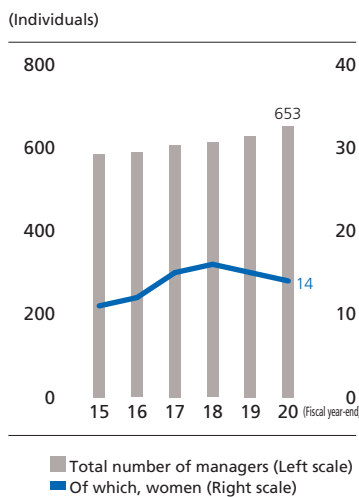
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Average age	39.2	39.1	39.1	38.9	38.8
Average years of service	17.3	17.0	16.7	16.5	16.4

		Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of employees taking childcare leave	Total	12	11	14	14	13
	(Of which, men)	(0)	(2)	(5)	(4)	(8)
Number of employees taking nursing care leave	Total	0	0	0	0	2
	(Of which, men)	(0)	(0)	(0)	(0)	(2)
Rate of employees using paid leave	%	52	53	55	65	42

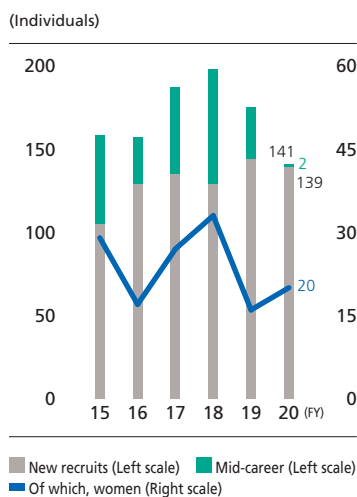
Number of Employees (Non-Consolidated)



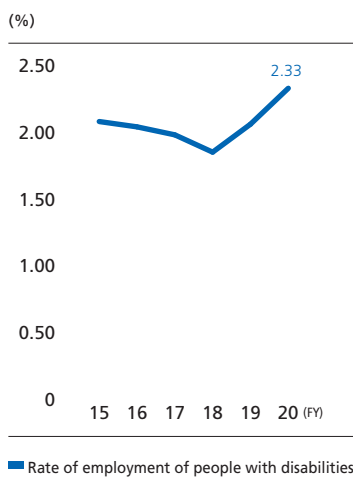
Number of Managers



Number of People Hired

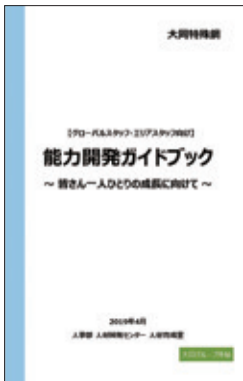


Rate of Employment of People with Disabilities



Education for Employees

To develop human resources that will put the Code of Conduct into practice and realize our management philosophy, we have adopted a human resource development policy of “promoting employee autonomy and developing human resources who will learn (grow) autonomously with high aspirations and persist in their challenges.” We engage in employee development based on our expectations for each grade, knowledge acquired off-the-job and skills, as summarized in the skills development guidebook below.



Development of Professional Human Resources

Employees acquired the required knowledge and skills at each level based on our life education system so that they can grow in stages into manufacturing professionals.



Staff course DMK*
* Daido Monozukuri Kaikaku (Daido Manufacturing Reform)

Promotion of Diversity

The Daido Steel Technical Training School provides training for new female recruits at manufacturing sites, and also conducts training for supervisors and managers at the workplaces where the recruits will be assigned to promote understanding of diversity in preparation for the assignment of the recruits one year later.



Female expert staff at the Daido Steel Technical Training School

* Expert: An in-house designation for frontline workers, mainly in the manufacturing sites.

Global Staff Course Education System

Group company acceptance training Required training

	Required training	Training required for promotion (voluntary)	Other core department training	Select training	Self-awareness raising	Life planning
Management	D1 New department manager training			Star seminar Kisokoma workshop High-level management courses Overview workshop (Dept. manager)	Correspondence courses, e-learning, public courses, English language education	50s career training, 40s career training
	D2	Before D1 promotion Management strategy				
	D3 Newly appointed department manager training (Risk management) (Human resource management)	Before D2 promotion Management leadership	[DMK] - Middle-management staff education (Specialist course for materials manufacturing) - Science background) Practical course on quality inspection	Management executive seminar Overview workshop (Dept. manager) Section leader workshop for team managers Middle management program		
Staff course	G1	Before D3 promotion G1 training Strategy proposal training G1 risk management training		Global Human Resource Development Training for stationed personnel (prior to assignment) Overseas trainee Overseas study Study away from home inside Japan	Correspondence courses, e-learning, public courses, English language education	
	G2	Before G1 promotion G2 training Career training G2 risk management training	TOEIC test	[RE self-managed learning] (Science background) Patent course (G1 and below) (Science background) Other business division research (5th year)		
	G3	3rd year training (recognition of current role/G-PDCA/problem-solving, etc.) 3rd year risk management training (Company rules/Employment rules/ Information security/Health, sanitation, and mental health/Price management and tax) 2nd year training (recognition of current role/G-PDCA/resilience, logical thinking, etc.) 1st year follow-up training (recognition of current role/G-PDCA/personal learning/relationship-building courses, etc.) New recruit training (President speech/Attitude for working professionals/ Employment rules/Kisokoma introductory education and compliance/ TOEIC/Business etiquette/Plant tour/Frontline practical training/DMK material products course)		(Arts background) Other business division research (G1 and below) (Arts background) General course (2nd year) (Logistics, trade, accounting)		

Expert Course Education System

Group company acceptance training Required training Group company assistance

	Responsibility/Role	DMK	Specialist skills	Management skills	Health and safety	Self-awareness raising
Section manager	E1 Newly appointed section manager training (Risk management) (Human resource management)					
Process manager	E2 Process manager capability training (alternate years) Newly appointed process manager training			Overseas study	THP-specialist education	
Team leader	E3 Team leader follow-up training Newly appointed team leader training (Required training under Industrial Safety and Health Act Article 60, Ordinance on Industrial Safety and Health Article 40)	Manufacturing workshop (TMA education, in-house and visiting trainers)	National skills test (preparatory education and tests) Skills and qualification acquisition course			Telecommunications education course
Team member	E4 Visiting trainer Newly appointed team leader and process manager training (Businessperson skills and methods for improvement, etc.) Training for 7th year of assignment Training for 5th year of assignment Training for relevant middle-management personnel Training for 2nd year of assignment New recruit education (Daido Steel Technical Training School)		Modern maintenance technician (beginner, middle, and advanced grades), electrical maintenance technician (beginner, middle, and advanced grades) General maintenance education (maintenance management, basic machinery knowledge, basic electrical knowledge) Management technique education (Course on eliminating the six main types of loss, course on cost management) Workplace observation session Daido University study (Workplace instructor education)			JK (QZNF) technique course Statutory special education

Employees

Staff Course Education

The environment for companies is changing dramatically: customers and their needs are diversifying, markets are globalizing, and the world is accelerating towards carbon neutrality. The abilities and specialist knowledge required of individual employees is also becoming more diverse, with organizations and individuals strongly expected to demonstrate the ability to adapt to changes more than ever before.

To respond to these changes, the Company is conducting various types of training designed to develop human resources with high aspirations who will continue to learn by themselves (grow) and take on challenges, since each individual will need to make autonomous judgements and actions and constantly develop their abilities. Moreover, safety and sanitation events are organized throughout the year with the participation of members of management, with the labor union and management jointly promoting safety and sanitation activities.

Development of Global Human Resources

We are also working to develop global human resources in response to the globalization of markets.

Trainee System

Employees are dispatched to Group companies overseas where they learn business practices that they cannot learn through study overseas, as well as acceptance of other values and work styles.

Study Overseas

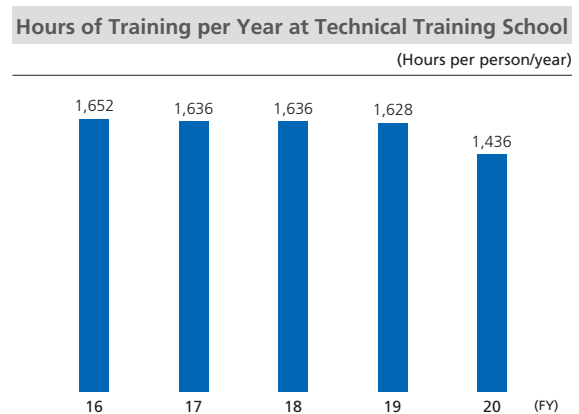
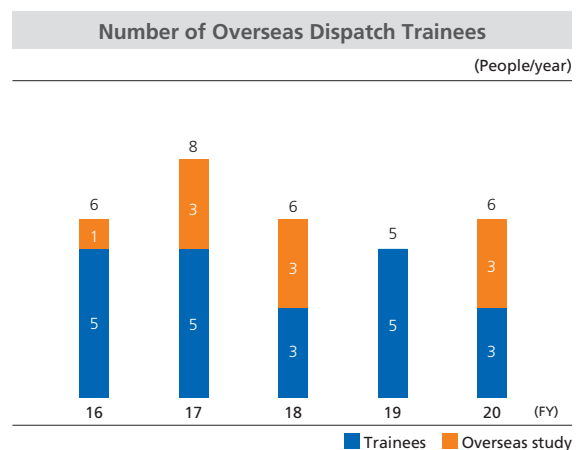
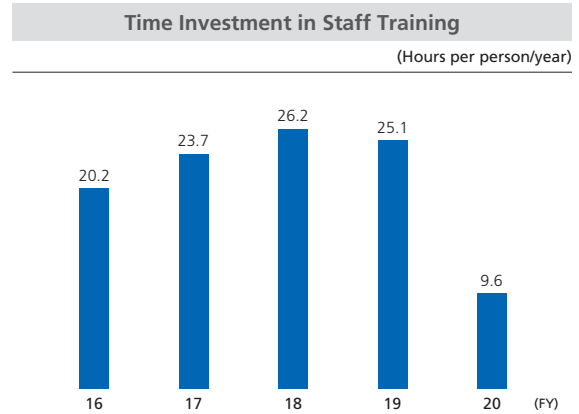
Employees study overseas at universities, research institutions and so forth, learning specialist knowledge, culture, and languages that can only be acquired overseas.

Expert Course Education

The Company has an in-house vocational training school, where new high-school graduate recruits receive skills training for one year after joining the company on manufacturing technology, electricity, and machine maintenance at the Daido Steel Technical Training School.

The school has adopted the educational policy of “Developing Human Resources into Positive and Independent 21st Century Leaders.” The school provides training based on the following three policies:

- (1) Foster the awareness needed to recognize hazards as a threat and obtain the skills needed to work safely
- (2) Comply with basic rules as working adults, such as work standards, protocols, quality requirements, and delivery deadlines, as well as the habit of regularly providing reports, keeping communication channels open and asking for guidance or advice
- (3) Acquire basic knowledge and skills as a worksite operator and obtain all necessary qualifications



Safety

Daido Steel cooperates in three-way activities with labor and management under the basic policy that “Safety comes before everything.”

Security Management System

Daido Steel always has the security management system ready for action. This system, led by the president, has the capability to provide Company-wide support. The Department of Safety Promotion functions as the compass for the entire Company and at the same time exhibits a cross-divisional coordination capability based on the fundamental principle of safety first. The Department of Safety Promotion is working on improving

hardware and software used on work sites and developing safety-assist technology in coordination with on-site safety teams.

Safety and sanitation events are organized throughout the year with the participation of members of management, with the labor union and management jointly promoting safety and sanitation activities.

Safety Education

The Group provides universal safety education for all employees working on front lines, whether they are internal staff, experts, or partner company employees. The education is divided by work responsibility, and focuses on the importance of safety awareness and responsibility, particularly on the danger of insufficient communication, making facilities essentially safe, and risk assessment. The education also uses experiential facilities to recreate dangers that have become less common in recent manufacturing processes to make employees think about danger factors and how to avoid them.



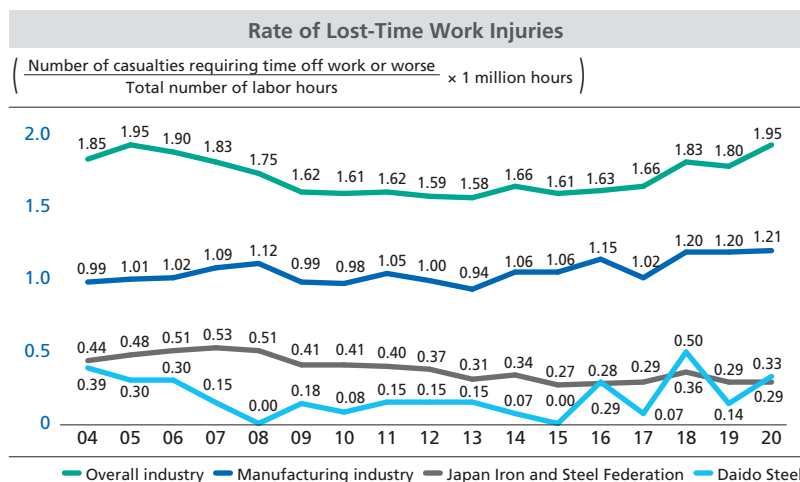
Facilities to experience danger

Safety Record

Daido Steel’s rate of lost-time work injuries* is lower than the average for the entire industry, and for the steel industry, it has remained especially low and stable (see graph).

The Daido Steel Group has an excellent track record, even in the steel industry. However, in 2018, as safety performance deteriorated across the overall industry, the manufacturing industry and the steelmaking industry, the Company’s performance dropped sharply. We are currently working together in a united Company-wide effort to rebuild our safety foundation.

* Rate of lost-time work injuries shows the frequency of workplace accidents as the number of casualties due to workplace accidents per 1 million labor hours.



Disaster Prevention

Since the Company encompasses many employees, equipment, and facilities, it has a significant social responsibility to prepare to the greatest extent possible for natural disasters, such as the imminently expected Nankai Trough earthquake. Based on this realization, in terms of disaster prevention activities, we have continued disaster prevention education including countermeasures to mitigate disasters at workplaces, preparing manuals, and holding disaster drills. For BCM initiatives, we prioritize human life and information as part of a fully committed effort to prepare systems for initial responses.



Corporate Governance

Daido Steel views corporate governance as one of the key issues for management in today’s rapidly changing business environment. We strive to increase management efficiency, accelerate and improve decision-making, and ensure management transparency.

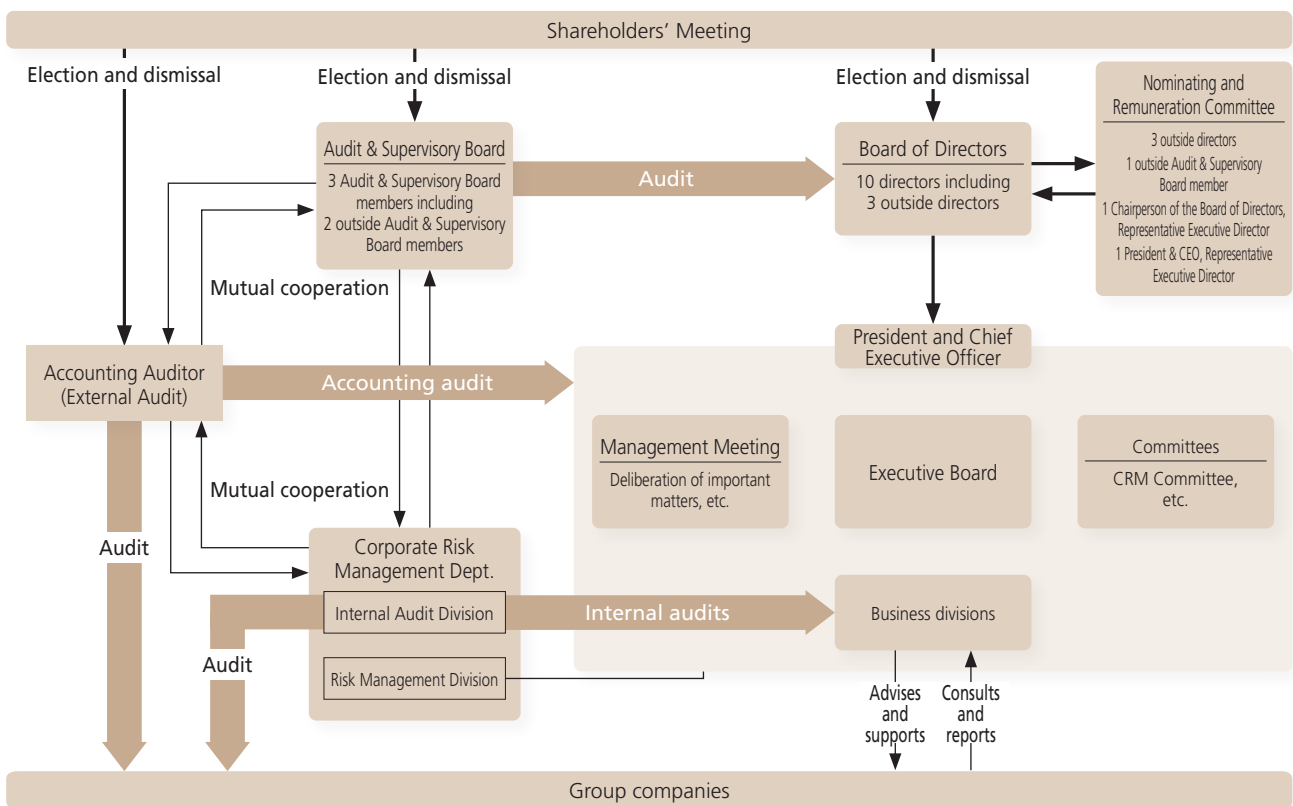
In addition to the Daido Steel Group Management Philosophy and Guidelines, the Company has established the Daido Steel Corporate Code of Ethics to clarify its responsibilities as a corporation that contributes to society. Through these measures, the Company endeavors to maintain its foundation as a corporation that is open to society.

Corporate Governance

Daido Steel has adopted an Audit & Supervisory Board system. By adopting a system that supervises and oversees business execution through a Board of Directors, including three outside directors, and an Audit & Supervisory Board, including two outside Audit & Supervisory Board members, Daido Steel enhances its corporate governance, optimizes and accelerates decision-making and secures fair and transparent management. Moreover, executive officers concurrently serve as Audit &

Supervisory Board members or directors of Group companies. In these roles, the executive officers audit the status of business execution and provide advice to the Group companies, as part of efforts to strengthen consolidated Group management. Daido Steel discloses the status of its corporate governance in the Corporate Governance section of its corporate website. → <https://www.daido.co.jp/en/ir/policy/governance/index.html>

System of Business Execution, Auditing, Monitoring and Internal Control As of June 24, 2021



Business Execution and Audit and Supervisory Functions

The Daido Steel Group establishes shared targets for business execution and formulates three-year medium-term management plans based on those targets, in principle. The Board of Directors establishes an annual plan for each business division as a means of implementing the medium-term management plan. In order to achieve the medium-term management plan and business targets, Daido Steel ensures that the directors discharge their duties efficiently by clearly defining their scope of authority and division of responsibilities.

The Board of Directors convenes at least once a month to decide important matters, report on the status of the directors' business execution and supervise the fulfillment of directors' duties. A Management Meeting attended by full-time directors and executive officers at the managing executive officer level or above is held once a month, in principle, and on an as-needed basis whenever necessary, in order to increase the flexibility of decision-making on important matters, and provide a forum for closer communication. Moreover, information exchange meetings are held regularly between the Representative Executive

Directors and the Accounting Auditor (auditing firm), as part of efforts to promote cooperation.

The Audit & Supervisory Board members and the Accounting Auditor regularly explain their respective audit plans and results, and exchange opinions and information.

In addition, the Audit & Supervisory Board members and the Corporate Risk Management Department explain their respective audit plans and exchange opinions on the details of audits for a given fiscal year and how the audits will be conducted. They also explain and report on audit results as necessary, and exchange opinions on the results.

Has the Company established an Audit & Supervisory Board?	Yes
Number of Audit & Supervisory Board members based on the Articles of Incorporation	4
Number of Audit & Supervisory Board members	3
Has the Company appointed outside Audit & Supervisory Board members?	Yes
Number of outside Audit & Supervisory Board members	2
Number of people designated as independent auditors among the outside Audit & Supervisory Board members	2

Establishment of the Nominating and Remuneration Committee

Daido Steel has voluntarily established the Nominating and Remuneration Committee for the purpose of enhancing accountability and supervisory functions. These functions will be enhanced by further improving the corporate governance framework with respect to the determination of the nomination and remuneration of directors and other officers and by increasing the transparency and objectivity of the decision-making process.

Among the committee members listed in the table below, the one individual shown in "Others" is an outside independent director/auditor. Therefore, the committee, which serves as a voluntary advisory body to the Board of Directors, comprises a majority of independent directors/auditors. The committee is positioned as a forum for requesting consultations and holding broad-based discussions on matters related to the nomination and remuneration of directors and other officers.

	Voluntary committee equivalent to a nominating committee	Voluntary committee equivalent to a remuneration committee
Name of committee	Nominating and Remuneration Committee	Nominating and Remuneration Committee
Total number of members	6	6
Number of full-time members	0	0
Number of internal directors	2	2
Number of outside directors	3	3
Number of outside experts	0	0
Others	1	1
Committee Chair (Chairperson)	Internal director	Internal director

Status of Outside Directors and Outside Audit & Supervisory Board Members

Outside directors

Name	Attendance at Board of Directors meetings (fiscal 2020)	Reason for appointment
Shuji Soma	13 out of 13 meetings	As a senior management executive of a steel company, Mr. Soma possesses a wide range of knowledge and insight into management, and the Company believes that he will provide appropriate opinions on its management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.
Hitoshi Tanemura	13 out of 13 meetings	Mr. Tanemura possesses a wide range of knowledge and insight into management and has been providing appropriate opinions on the Company's management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position. * Retired on June 24, 2021
Mutsuko Jinbo	12 out of 13 meetings	As a director of an incorporated educational institution and a university president and professor, Ms. Jinbo possesses a wide range of insight and experience, and the Company believes that she will provide appropriate opinions on its management. Accordingly, the Company has determined that she is well suited for the position.

Outside Audit & Supervisory Board members

Name	Attendance at Board of Directors meetings	Reason for appointment
Kiyoshi Mizutani	13 out of 13 meetings	Based on his experience as a senior management executive at a financial institution and a standing Audit & Supervisory Board member at a non-financial company, Mr. Mizutani possesses a wide range of knowledge and insight into management, and the Company believes that he will conduct appropriate audits of its management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.
Kenji Matsuo	13 out of 13 meetings	Mr. Matsuo possesses a wide range of knowledge and insight into management and has conducted appropriate audits of the Company's management from an impartial and independent perspective. Accordingly, the Company has determined that he is well suited for the position.

Officers

Representative Executive Directors



Tadashi Shimao

*Chairperson of the Board of Directors,
Representative Executive Director*



Takeshi Ishiguro

*President & CEO,
Representative Executive Director*



Tsukasa Nishimura

*Representative Executive Director,
Executive Vice President*

Directors



Tetsuya Shimizu

Director, Managing Executive Officer
General Manager, Functional Products
Business Div. (Commissioned post),
Responsible for the Corporate
Research & Development Center
Assistant to Managing Executive
Officer Yamashita for the Specialty
Steel Technical Service Dept.



Kazuhiro Toshimitsu

Director, Managing Executive Officer
Responsible for General Affairs
Dept., Legal Dept., Personnel Dept.,
Director's Departmental Sect.



Toshiaki Yamashita

Director, Managing Executive Officer
General Manager, Specialty Steel
Business Div. (Commissioned post),
Responsible for Die Forging Div.



Akihito Kajita

Director, Managing Executive Officer
Responsible for Finance & Accounting
Dept., IT Planning Dept., Internal
Control (Financial Instruments and
Exchange Act)



Shuji Soma

Outside Director
Managing Executive Officer,
Nippon Steel Corporation



Ryoichi Yamamoto

Outside Director
Director,
J. FRONT RETAILING Co., Ltd.
* Appointed June 24, 2021



Mutsuko Jinbo

Outside Director
President, Daido University

Audit & Supervisory Board Members



Susumu Shimura

*Audit & Supervisory
Board Member (Standing)*



Kiyoshi Mizutani

*Outside Audit & Supervisory
Board Member (Standing)*



Kenji Matsuo

*Outside Audit & Supervisory
Board Member (Non-standing)*

Message from Outside Officers



Mutsuko Jinbo
Outside Director

The image I had of the Company during my contact with the people working in the R&D Division was that it was “steady.” In 2019, I was appointed outside director, and even after I became involved with the core of management, my image hasn’t changed. The company moves forward determinedly, step-by-step without breaking stride. That is the kind of atmosphere I feel here.

On the other hand, the business execution that is reported at the Board of Directors’ meetings has a very swift feel to it, and the Board is having many deliberations on how to promote business operations and achieve the development and growth of the Company amid a rapidly changing environment.

The Company has announced its 2023 Medium-Term Management Plan, and has set out to respond to CASE as a measure for “expansion of business in growth fields.” The E stands for Electric Vehicles (EVs), an area in which the Company is working on the development of magnets for motors and researching next-generation motor technologies. In 2020, the Company built a new R&D base in Nakatsugawa City, Gifu Prefecture, and it also partnered with academia to establish the Motor Research Center at Daido University. In this way, the Company is not only conducting R&D, but is also conducting activities with an eye to developing the human resources needed to undertake it. Looking ahead, I hope that the Company will become a leader in this field and contribute to the evolution of EVs. However, there are also

some points that I think the Company needs to address. Will the world ultimately follow its present course directly to adopt EVs? Or will some completely different technology arise, and create a new trend that is different from what we have seen to date? I can’t stop having this kind of thought. What I would like to see the Company do is to develop materials that will support industries using new concepts, not discarding any views even if the world does continue in the same direction. I believe that to do so would be to embody the Company’s management philosophy, “pursuing the potential of materials to support our future.”

When considering how to ensure corporate diversity, promoting the active participation of women is an important element. Diversity is the ability of diverse human resources to demonstrate their abilities, and the Company has systems that allow all employees, not just women, to work flexibly when they are dealing with various life events. However, the existence of these systems has not been well communicated to society, I feel. This is particularly noticeable at engineering universities and high schools where there are few female students. I think that the Company should make it widely known that it has such systems in place. By doing so, it will be able to attract diverse human resources whose various viewpoints will surely give rise to new ideas.

Among the 10 directors of the Company, I am the only female director. However, I believe that going forward experienced women with deep insight will come to participate in decision making. I will utilize my experience as a researcher, while hoping for great things from those that come after me. I hope to contribute to increasing corporate value by offering evaluations and proposals in the field of materials development and providing information.



Kiyoshi Mizutani
Outside Audit & Supervisory Board Member

I was appointed an outside Audit & Supervisory Board member in June 2019. Since then, I have used my somewhat unusual position as an independent outside officer working full time in order to fulfill my responsibilities. This responsibility is to audit and supervise the Board of Directors and the directors’ execution of business on behalf of all stakeholders, including the Company’s shareholders. The main areas that I focus on are gover-

nance and internal controls (collectively, corporate governance).

When I was first appointed, I recognized a significant number of issues with the Company’s corporate governance, but this was no more than I had envisaged. Through my past career, heavy industry manufacturers have been the ultimate examples of Japanese-style management (bulk recruitment, lifetime employment, promotion by seniority). I was fully aware that each company was strongly averse to changing its individual management style due to external pressure.

Therefore, I feared that transforming the Company’s corporate governance (global standardization) would probably require significant time and entail some friction. However, it seems I needn’t have worried, because in just two and a half years, the Company has achieved numerous improvements and enhancements. These changes have been spurred partly by significant changes in the external environment (CASE, etc.) but I recognize that an even greater factor has been a powerful momentum due to the sharing of a positive attitudes between top management and the executive

team that “we want to continue to be a growing company.”

Specific reforms include the establishment of the Nominating and Remuneration Committee, initiation of a sell-off of cross-shareholdings, non-continuation of takeover defense measures, and the decision to adopt IFRS. All of these measures have been intended to ensure management transparency, but the non-continuation of takeover defense measures in particular has been a brave decision in my estimation given the large number of operating companies that have retained them.

In the recently announced 2023 Medium-Term Management Plan, the Company has set out to strengthen corporate governance as part of ESG management, while also contributing to the decarbonization of society and executing its social responsibilities (health and productivity management, diversity, work style reform, and white logistics). All of these themes are both important and very difficult, but I have strong expectations for the promotion of diversity in particular.

Currently all of the Company’s executive officers and the Management Meeting members selected from among them are Japanese men. I feel that probably including even a small number of women, people with disabilities, non-Japanese, or sexual minorities and so forth among the members would bring forth in their various discussions previously unnoticed issues or new ideas for growth. I think this concept is really connected to the Company’s main business of adding various alloy elements to ordinary steel to produce high added value specialty steel with superior aspects such as strength, ductility, corrosion resistance, and heat resistance.

Going forward, as the full-time independent outside officer, I intend to watch closely over the Company’s sound and steady operational management.

Risk Management and Compliance

1 Framework

(1) Philosophy and Organizations

Daido Steel believes that risk management and compliance are the starting points for ensuring the continuity of its businesses.

The Company has laid out basic matters on risk management in the Risk Management Regulations. In addition, we have established a Corporate Risk Management (CRM) Committee to discuss risks surrounding the Daido Steel Group and matters concerning internal control. Moreover, in accordance with the Risk Management Regulations, the Company has appointed a director who is responsible for risk management and compliance.

(2) Code of Ethics and Code of Conduct

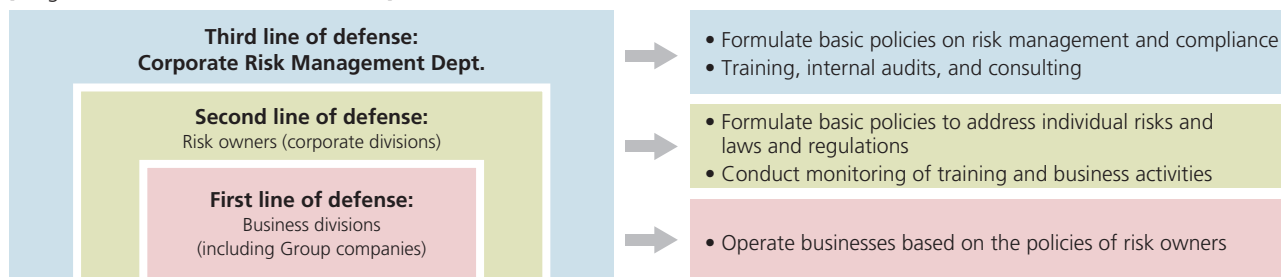
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct as standards for behavior that all Company staff and other concerned parties should follow. Daido Steel distributes the Code of Ethics and Code of Conduct to all employees and offers training on these codes to each tier of its workforce.



(3) Three Lines of Defense

In order to address various risks and laws and regulations, Daido Steel has built a framework consisting of “three lines of defense.” The Corporate Risk Management Dept. is positioned as the final line of defense.

[Diagram of the Three Lines of Defense]



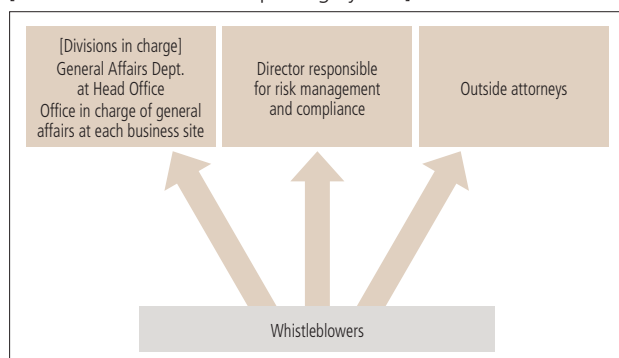
(4) Emergency Countermeasures and Contact Systems

In preparation for the possible occurrence of a major accident or other contingency, Daido Steel has formulated regulations for emergency countermeasures in the event of a major accident or other issue, with the purpose of promptly sharing information with concerned parties, making a speedy response to the issue, and minimizing the impact on business activities. The Daido Steel Group as a whole, including Group companies, conducts business operations based on these regulations.

(5) Internal Reporting System

Daido Steel maintains a hotline to provide a contact point for consultations and reporting on compliance issues. The hotline connects personnel with the director in charge of risk management and compliance, the divisions in charge and outside attorneys.

[Outline of the Internal Reporting System]



2 Risk Map (Abridged) and Key Measures

Daido Steel uses a risk map to organize risks. Risks are classified by degree of impact and frequency of occurrence. Within the risk map, particularly high risks are designated as “special risks.”

Frequency of occurrence	High	Risk that could occur at any time	<ul style="list-style-type: none"> Foreign exchange movements Personal information Overseas business 	<ul style="list-style-type: none"> Accidents such as fires IT environment Information security Harassment 	
	Medium	Risks that have the potential to occur	<ul style="list-style-type: none"> Accounting scandals Taxation-related Raw material prices 	<ul style="list-style-type: none"> Cartels Personnel-related Non-preparation of BCP 	<ul style="list-style-type: none"> Security trade control Natural disasters Inspection data Industrial waste
	Low	Risks that occur by chance or around once or twice per year	<ul style="list-style-type: none"> Transfer pricing Embezzlement, breach of trust 	<ul style="list-style-type: none"> Soil contamination Business plan Hazardous substances 	<ul style="list-style-type: none"> Carbon neutral measures Facilities-related Terrorism Demand environment
	Loss category		Moderate impact	Serious impact	Catastrophic impact
			Degree of impact		

3 Key Initiatives in Fiscal 2020

(1) Risk Management

The CRM Committee held four meetings and discussed issues and countermeasures concerning risk management during ordinary times, such as response to key management risks.

Preparation of a Risk Map

(2023 Medium-Term Management Plan Version)

We created a risk map for the 2023 Medium-Term Management Plan by discussing the Company's main risk items for business operations and their evaluation with respective risk owners.*

* General managers of each corporate division are appointed as risk owners.

To address risks that have particularly high importance or priority, we organized dedicated working groups (WG), and carried out the following kinds of initiatives.

Working Group 1

(Trade security control and prevention of cartels)

- Trade security control: Internal audits and training via the e-learning system
- Prevention of cartels: Establish relevant internal rules

Working Group 2 (BCM)

- Implement simulated drills for Head Office functions envisaging an incident.
- Equipment-related secondary disaster prevention countermeasures
- Support BCP formulation for Group companies

Working Group 3 (Enhance governance of affiliates)

- Convened six subcommittees (Audit & Supervisory Board members, important laws and regulations, internal control, risk management, BCM, human resources management)
- Held various training seminars, offered individual consultations, and provided support

For risks other than the above, each risk owner implemented initiatives to prevent and reduce risks.

(2) Compliance

Daido Steel conducted the following compliance initiatives.

- (1) Issued messages from the president, including New Year's greetings from the President and the Corporate Ethics Month (October) message
- (2) Made the internal reporting hotline and how reports are received widely known to staff through media such as internal newsletters
- (3) Formulated the "Important Laws and Regulations for the 2023 Medium-Term Management Plan" (identify important laws and regulations related to the Group's business operations, organize legal requirements, and propose and implement countermeasures for laws and regulations of especially high priority)
- (4) Provided harassment prevention training to all employees at the management level and below
- (5) Identified issues within the Daido Steel Group and offered support for remedial measures
- (6) Provided training on laws and regulations to Daido Steel Group employees
- (7) Held Group CRM study sessions (members comprise directors responsible for compliance within the Daido Steel Group)

* In fiscal 2020, the content was truncated, and the meetings were held online due to the spread of COVID-19 infections.

(3) Internal Control

In order to ensure the reliability of financial reporting, Daido Steel implemented the following initiatives based on the Internal Control Regulations.

- (1) Self-inspections, internal audits, and external audits based on internal control documents (In fiscal 2020, some of the inspections were conducted remotely to prevent the spread of COVID-19 infections.)
- (2) Reformulated the Group company internal control evaluation method (added evaluation items, strengthened check items related to Group company governance and internal controls)
- (3) In-depth audits with different themes every year and related interviews with each office manager on a risk basis

We report evaluation plans, results and other matters as well as the status of the internal control system (Companies Act), to the CRM Committee, the Executive Board, and the Board of Directors.

Moreover, we held various training seminars for persons involved in internal controls.

4 Fiscal 2021 Plan

- (1) Implement risk management activities (risk owner activities) based on the "Risk Map for the 2023 Medium-Term Management Plan"
- (2) Continue working group activities for "special risks" and take action on new working group (information management)
- (3) Continue and enhance initiatives for "harassment elimination activities"
- (4) Implement the necessary measures to upgrade the Daido Steel Group's risk management and compliance
- (5) Efficiently implement training through the expanded use of e-learning systems within the Group
- (6) Conduct compliance audits on Company business sites and at Group companies
- (7) Implement internal reporting system training for people responsible for internal reporting at the Company's Group companies

Ten-Year Financial Summary

Years ended March 31	2012	2013	2014	2015
Net sales	489,154	440,428	457,731	483,633
Operating income	31,533	15,425	18,977	20,408
Ordinary income	31,762	16,475	20,287	21,729
Profit attributable to owners of parent* ¹	22,717	10,983	12,616	10,886
R&D expenses	4,360	4,560	5,160	5,300
Capital investment (plan)	39,700	25,400	26,400	20,600
Capital investment (construction)	22,365	26,791	44,404	30,295
Depreciation	20,463	19,229	20,052	22,436
Total assets	512,968	511,159	557,522	588,590
Equity	198,653	211,921	232,152	256,021
Net assets	231,512	245,741	267,625	292,405
Interest-bearing debt	156,336	146,999	143,085	146,208
Net cash provided by (used in) operating activities	41,795	33,607	28,567	25,739
Net cash provided by (used in) investing activities	(21,411)	(28,471)	(34,313)	(32,178)
Net cash provided by (used in) financing activities	(6,159)	(17,356)	(7,633)	(2,792)
Net assets per share (yen)	458	489	535	590
Profit attributable to owners of parent per share (yen)	52	25	29	25
Shareholders' equity ratio (%)	38.7	41.5	41.6	43.5
Return on assets (ROA) (%)	6.4	3.5	4.1	4.2
Return on equity (ROE) (%)	6.3	3.2	3.8	3.8
Return on sales (ROS) (%)	12.1	5.4	5.7	4.5
Cash dividends applicable to the year per share (yen)	7.5	4.5	5.0	6.5

<Net Sales by Segment>

Specialty Steel	268,311	232,701	250,749	262,438
High Performance Materials and Magnetic Materials	182,702	152,759	159,367	178,513
Parts for Automobile and Industrial Equipment	130,404	121,868	123,776	130,293
Engineering	27,811	33,751	31,980	25,436
Trading and Service	18,097	19,221	18,856	21,089
(Elimination of intercompany sales)	(138,172)	(119,874)	(127,000)	(134,137)

<Operating Income by Segment>

Specialty Steel	9,897	3,514	1,691	3,177
High Performance Materials and Magnetic Materials	13,745	6,648	11,104	13,517
Parts for Automobile and Industrial Equipment	4,827	3,394	3,779	1,023
Engineering	1,826	762	1,125	1,652
Trading and Service	1,241	1,109	1,280	1,043
(Elimination of intercompany profits)	(4)	(2)	(3)	(6)

*1 Profit attributable to owners of parent was previously presented as "net income" until the fiscal year ended March 31, 2015.

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

(Millions of yen)

2016	2017	2018	2019	2020	2021
460,577	445,122	505,219	543,255	490,421	412,722
24,432	25,513	36,218	33,815	24,768	10,070
25,108	26,373	36,130	34,343	24,298	12,642
6,746	16,386	23,920	21,182	10,987	4,516
5,766	6,205	5,419	5,638	6,002	4,722
28,300	32,800	38,600	37,200	25,300	12,500
23,205	28,940	35,605	34,413	37,529	24,448
22,454	23,275	20,740	23,171	24,662	25,912
535,675	574,169	642,021	650,697	625,899	665,506
232,832	259,850	284,434	285,508	273,562	303,143
268,345	290,501	316,409	318,140	309,136	339,353
136,114	142,599	160,352	174,998	193,881	198,812
45,731	28,390	31,043	28,114	41,033	33,766
(23,164)	(26,449)	(30,215)	(33,707)	(39,326)	(29,395)
(20,164)	(1,843)	5,477	5,589	10,526	2,999
545	609	6,672	6,697	6,417	7,111
16	39	561	497	258	106
43.5	45.3	44.3	43.9	43.7	45.6
5.3	5.7	7.2	6.2	5.1	2.4
4.5	4.8	5.9	5.3	3.8	2.0
2.8	6.7	8.8	7.4	3.9	1.6
7.5	10.0	Interim 6.0 Year-end 60.0* ²	130.0	70.0	35.0
254,150	228,963	254,808	278,924	241,462	198,218
172,786	163,495	186,809	202,357	181,038	161,254
131,078	120,331	130,807	137,839	120,933	100,355
28,609	25,587	26,974	29,340	27,492	21,259
19,612	24,047	25,612	25,962	31,529	28,954
(145,659)	(117,304)	(119,793)	(131,168)	(112,033)	(97,320)
7,560	5,813	6,478	5,998	5,148	(2,632)
12,331	17,416	22,195	20,694	13,638	12,172
1,298	(516)	3,070	2,308	430	(2,109)
2,071	1,218	1,835	2,291	2,960	858
1,173	1,583	2,686	2,527	2,581	1,786
(2)	(2)	(48)	(5)	9	(4)

Corporate Data (As of March 31, 2021)

Corporate Name:	Daido Steel Co., Ltd.	Lead Managers:	SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd.
Founded:	August 19, 1916		
Incorporated:	February 1, 1950		
President:	Takeshi Ishiguro		
Number of Employees (Non-Consolidated):	3,433	Principal Business Partners:	
Common Stock:	¥37,172,464,289	<Sales>	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Toyota Motor Corporation, DENSO CORPORATION, Mitsubishi Heavy Industries, Ltd., IHI Corporation, Nidec Corporation
Number of Issued Shares:	43,448,769	<Procurement>	Chubu Electric Power Co., Inc., TOHO GAS Co., Ltd., Obayashi Corporation, Sumitomo Metal Mining Co., Ltd., MM&KENZAI Corporation, HANWA Co., Ltd.
Number of Shareholders:	16,154		
Principal Banks:	Mizuho Bank, Ltd., MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation		

Principal Shareholders:

Name of Shareholder	Investment in the Company	
	Number of Shares Held (Thousands of Shares)	Investment Ratio (%)
NIPPON STEEL CORPORATION	3,100	7.3
Custody Bank of Japan, Ltd. (Trust Account)	2,740	6.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,552	6.0
Meiji Yasuda Life Insurance Company	2,075	4.9
Mizuho Bank, Ltd.	1,577	3.7
NHK SPRING CO., LTD.	1,449	3.4
MUFG Bank, Ltd.	1,405	3.3
Honda Motor Co., Ltd.	1,305	3.1
Toyota Motor Corporation	869	2.0
DENSO CORPORATION	800	1.9

* Excluding treasury stock

List of Group Companies (as of March 31, 2021)

Name of company	Number of employees As of March 31, 2021	Location	Corporate website address
Specialty Steel			
Daido Die & Mold Steel Solutions Co., Ltd.	553	Daito, Osaka	http://www.daidodms.co.jp/en/
DAIDO DMS MALAYSIA SDN. BHD.	118	Selangor, Malaysia	http://www.daidoamistar.com.my
DAIDO DMS SINGAPORE PTE. LTD.	21	Singapore	—
DAIDO DMS (THAILAND) CO., LTD.	208	Chachoengsao, Thailand	http://www.daidopdm.co.th
Daido Tienwen Steel Co., Ltd.	163	Taoyuan-Hsien, Taiwan	http://www.daidosteel.com.tw
Daido Technica Co., Ltd.	706	Tokai, Aichi	http://www.daido-technica.co.jp
Daido EcoMet Co., Ltd.	150	Tokai, Aichi	http://www.d-ecomet.co.jp
Tohoku Steel Co., Ltd.*	317	Murata-cho, Shibata-gun, Miyagi	http://www.tohokusteel.com
Izumi Denki Kogyo Co., Ltd.*	60	Sumida-ku, Tokyo	http://www.izumidenki.com
Kawaichi Sangyo Co., Ltd.*	192	Kawasaki-ku, Kawasaki	http://www.kawaichi.jp
Sakurai Kosan Co., Ltd.*	67	Minami-ku, Nagoya	http://www.sakuraikosan.co.jp
Maruta Transport Co., Ltd.*	488	Mizuho-ku, Nagoya	http://www.maruta.co.jp
Riken Seiko Co., Ltd.*	201	Chuo-ku, Tokyo	http://www.rkn.co.jp
High Performance Materials and Magnetic Materials			
Nippon Seisen Co., Ltd.	596	Chuo-ku, Osaka	https://www.n-seisen.co.jp/en/
THAI SEISEN CO., LTD.	197	Samutprakarn, Thailand	—
Shimomura Tokushu Seiko Co., Ltd.	234	Ichikawa, Chiba	http://www.sts-shimomura.com/en/
Oriental Shimomura Drawing SDN. BHD.	66	Penang, Malaysia	—
Shimomura Tokushu Seiko (Suzhou) Co., Ltd.	53	Jiangsu Province, China	http://www.stss-shimomura.cn
Daido Electronics Co., Ltd.	289	Nakatsugawa, Gifu	http://www.daido-electronics.co.jp/english/
Daido Electronics (GuangDong) Co., Ltd.	119	Guangdong Province, China	—
Daido Electronics (Suzhou) Co., Ltd.	365	Jiangsu Province, China	—
Daido Electronics (Thailand) Co., Ltd.	493	Ayutthaya, Thailand	—
Nissei Seiko Co., Ltd.	72	Minami-ku, Nagoya	http://www.nssy.co.jp
Parts for Automobile and Industrial Equipment			
FUJI OOZX Inc.	504	Kikukawa, Shizuoka	http://www.oozx.co.jp
FUJI HOLLOW VALVE Inc.	70	Kikukawa, Shizuoka	—
FUJI VALVE (GUANGDONG) CORPORATION	175	Guangdong Province, China	—
PT. FUJI OOZX INDONESIA	204	West Java, Indonesia	—
FUJI OOZX MEXICO, S.A. DE C.V.	161	Guanajuato, Mexico	—
Daido Castings Co., Ltd.	498	Minato-ku, Nagoya	http://www.d-cast.jp
Daido Precision Industries Ltd.	208	Toshima-ku, Tokyo	http://www.daidoseimitu.co.jp/e/index.htm
Toyo Sangyo Co., Ltd.	74	Ohira-mura, Kurokawa-gun, Miyagi	http://www.ring-roll-toyo.co.jp
Japan Drop Forge Co., Ltd.	126	Amagasaki, Hyogo	http://www.j-d-f.co.jp
OHIO STAR FORGE CO.	122	Ohio, U.S.A.	http://www.ohiostar.com
Daido Steel (Thailand) Co., Ltd.	55	Chonburi, Thailand	—
Daido Star Techno Co., Ltd	262	Shibukawa, Gunma	http://www.dsteku.jp
Engineering			
Daido Machinery Co., Ltd.	343	Minami-ku, Nagoya	—
Daido Environment Engineering Co., Ltd.	47	Minami-ku, Nagoya	http://www.daido-kankyo.co.jp
Daido Plant Industries Co., Ltd.	70	Minami-ku, Nagoya	http://www.daido-plant.co.jp
Trading and Service			
Daido Kogyo Co., Ltd.	357	Minato-ku, Tokyo	http://www.daidokogyo.co.jp
Daido Kogyo (Thailand) Co., Ltd.	21	Bangkok, Thailand	—
Daido Steel (America) Inc.	11	Illinois, U.S.A.	—
Daido Steel (Shanghai) Co., Ltd.	49	Shanghai, China	—
Star Info Tech Co., Ltd.*	213	Higashi-ku, Nagoya	http://www.daido-its.co.jp
Daido Bunseki Research, Inc.	224	Minami-ku, Nagoya	https://www.daido.co.jp/dbr/en/index.html
Daido Life Service Co., Ltd.	175	Minami-ku, Nagoya	http://www.daidolife.co.jp
Kisokoma Heights Co., Ltd.	29	Kiso-machi, Kiso-gun, Nagano	http://www.kisokoma.co.jp
Silent partnership with TAKAKURA FUNDING CORPORATION LTD. as business operator	—	Chiyoda-ku, Tokyo	—

28 other companies

* On April 1, 2021, the Company name was changed to "Daido IT Solutions Co., Ltd."

Unmarked: consolidated subsidiary

* Associated company accounted for by the equity method



DAIDO STEEL GROUP
Beyond the Special

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We welcome your opinions about our Integrated Report 2021. We will use everyone's opinions and comments for future reference.

For inquiries:

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