

ENVIRONMENTAL AND SOCIAL ACTIVITIES

BASIC POLICY

At Daido Steel, contributing to the realization of sustainable development through our operations is an important goal. We have a firm commitment to meeting the demands of society today as well as those of future generations. Since its inception, Daido Steel has demonstrated the value it places on people by operating schools and hospitals, as well as factories. Guiding our operations is a management philosophy that is firmly rooted in the desire to contribute to society through mutual prosperity and coexistence with communities.

Regarding environmental issues, the business operations of Daido Steel play a part in helping create an economy based on recycling. Our core specialty steel manufacturing and sales business is based on the use of recycled steel. We intend to make more contributions to the conservation of resources and energy by developing outstanding specialty steel production methods and conducting other R&D programs.

Corporate social responsibility (CSR) is a key element of the current medium-term management plan. One of the central targets is "placing importance on CSR and conducting management reform activities that are closely tied to business operations." As one way to achieve this goal, we are conducting programs that protect the environment and help achieve sustainable development.

ACTIVITIES FOR ENVIRONMENTAL PROTECTION

Programs to conserve energy

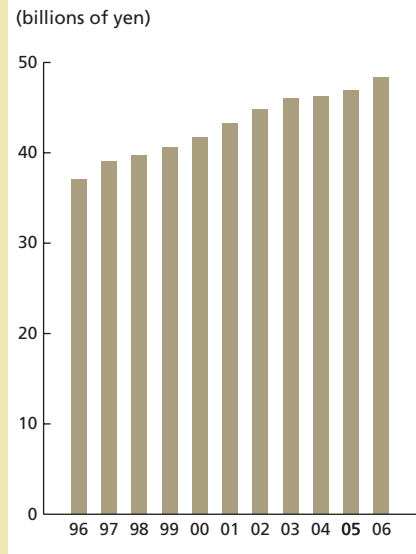
Daido Steel invested a total of ¥5.1 billion in energy conservation measures during the 10-year period that ended in March 2005. We were the first steelmaker worldwide operating electric arc furnaces to begin using large molten steel storage vessels. Using these vessels, we developed a new melting process that reduces the consumption of expensive daytime electricity and permits the use of low-grade steel scrap. In addition, we continue to work on improvements to our rotary hearth furnace to achieve further reductions in energy consumption. Another accomplishment was an improvement to the exhaust heat recovery system at the soaking pit furnace of the Chita Plant.

ACTIVITIES FOR A RECYCLING-ORIENTED SOCIETY

Devising ways to use steelmaking by-products

Every year, Daido Steel generates about 840,000 tons of slag and other by-products as part of its steelmaking operations. In the fiscal year ended March 2005, we achieved a by-product recycling rate of 93.8%. This accomplishment was due in large part to the many recycling technologies we have developed in-house. Our goal is to achieve zero emissions. One step bringing us closer to this target is a program to recycle all dust by-products by upgrading the performance of the Daido Steel-developed DSR (direct and smelting reduction) furnace.

Cumulative Environmental Investments and Major Projects (Years ended March 31)



A DSR furnace

ACTIVITIES USING PRODUCTS, TECHNOLOGIES AND FACTORIES

Using products and manufacturing technologies to protect the environment

Steel products are well suited for a recycling-oriented society because steel can be recycled with ease. Instrumental to making this recycling possible is the production of steel with an electric arc furnace, which uses steel scrap as the main ingredient to make a variety of steel products.

We are constantly working on ways to improve product quality and develop new types of steel that offer greater strength, a longer life, lighter weight and other properties. In addition, we supply companies in many industries with steel formulated to conserve resources and even eliminate the need for entire production processes. Overall, these materials play a big part in lowering the environmental impact of these companies. Daido Steel also supplies environmental protection systems that incorporate technologies we acquired as a manufacturer of specialty steel.

ACTIVITIES IN THE COMMUNITY

Community programs of the Daido Institute of Technology

The Daido Institute of Technology, our internal college, participated in the "Love the Earth Expo" in 2005 in Aichi, Japan. At this world expo, the institute showcased the four wind turbines on its campus and, with the Nagoya Chapter of the Japan Young Astronauts Club, conducted boomerang classes. Additionally, the institute's school of information mechanics and partners outside the Daido Group held performances featuring a wind-up circus robot and soccer robot.

Community programs at the Daido Hospital

Musical performances are occasionally held at the Daido Hospital. One highlight was the January 2005 concert by the New Japan Philharmonic Orchestra. The following April, hospital patients and staff members enjoyed a performance in the rehabilitation garden by the Joyful Sounds, a band made up of Toho Gas employees. Both events proved popular with patients and staff.

Daido-no-Mori

Daido Steel has programs that protect nature as well as many activities to manage and lower the use of harmful substances. Daido-no-Mori (the Daido Forest) covers about 370 hectares of land that Daido Steel purchased in 1940 in Hamatonbetsu, which is on the northern tip of Hokkaido. We have been managing this forest ever since, including the planting of trees every year since 1991. Today, Daido-no-Mori is a valuable resource that is designated as part of the North Okhotsk Prefectural Nature Park and a national wildlife protection zone.

For more details, please refer to Environmental Report.

URL: <http://www.daido.co.jp/csr/report/new/index.html>