DAIDO STEEL CO., LTD.

Daido Steel Co., Ltd.

FY2024 Financial Results Briefing

Q&A Session (Summary)

Date : May 8, 2025 (Thursday)

Respondents: Tetsuya Shimizu, President & CEO, Representative Executive Director
Akihito Kajita, Director, Managing Executive Officer
Tatsushi Iwata, Director, Managing Executive Officer
Mikine Kishi, Executive Officer and General Manager, Corporate Planning Dept.

Q. Could you share your thoughts on the impact of the U.S. tariff policy?

A. Currently, the impact of the U.S. tariff policy on specialty steel products exported directly to the United States is uncertain. We have factored some of this impact into our earnings forecast for the first half of FY 2025. We do not expect it to have a significant impact on our earnings forecast for the first half of FY 2025. Our primary concern at this time is how Japanese automobile manufacturers and the auto parts industry will respond to the new U.S. tariff policy. We do not know how they will manage their supply chains and production volumes in response to the tariffs imposed on their products by the U.S. administration. This makes it difficult for us to estimate the impact on our specialty steel orders during the second half of FY 2025. Therefore, we have decided not to include earnings forecasts for the second half of fiscal year 2025 in the financial results briefing for FY 2024.

Q. Please explain the one-time factors affecting the performance outlook for the first half of FY 2025.

A. The costs associated with optimizing the allocation of production and the effects of foreign exchange rates should be viewed as temporary. Regarding exchange rates, we changed the rate from 150 yen per dollar, which was set for FY 2024, to 140 yen per dollar for the first half of FY 2025, assuming that the yen will rise by about 10 yen against the dollar during this period. In the short term, there will be a lag in the impact of the exchange rate change on the prices of products and raw materials, which will temporarily reduce profits. We are confident that orders for our open-die forgings will recover because the impact of the decrease in production at Boeing, which has resulted in reduced sales of this product, is temporary.

Q. Could you please provide specific details regarding the one-time expenses associated with the plan to optimize the allocation of production in the first half of FY 2025?

A. These expenses are primarily temporary environmental costs incurred as part of the investment in the superalloy manufacturing process transformation project. The soil beneath the facility where new equipment will be installed needs to be improved. Please understand that these costs are temporary and are associated with the installation of new equipment.

Q. I would like to ask about sales in the High-Performance and Magnetic Materials segment. We had expected an increase in profits from magnet products in the first half of FY 2025, but profits are the same as the previous year. Please provide details on the profit trends for each product in this segment.

A. Although we are receiving many inquiries about our magnet products, we expect it will take some time before sales increase. Additionally, the recovery in orders for our stainless steel products is slower than anticipated. This leads us to project that the profit level of this segment for the first half of FY 2025 will be on par with the previous year.

Q. Why are profits for the Parts for Automobiles and Industrial Equipment segment forecast to significantly decline year-over-year in the first half of FY 2025?

A. This is due to reduced production at Boeing and order adjustments related to oil and gas drilling. We expect the impact of Boeing's decreased production to be temporary, and we anticipate that orders for our products will recover. On the other hand, orders for our oil and gas drilling products are greatly affected by crude oil prices. Unlike the automotive industry, the number of orders for these products fluctuates sharply, so we recognize that these kinds of fluctuations are unavoidable. We expect orders for our products related to oil and gas drilling to sharply increase once customers' inventories are depleted. However, the current decline in crude oil prices means that energy-related development will not be promoted anytime soon.

Q. Please tell us the ratios of products related to aircraft and oil and gas drilling to the total production of open-die forgings.

A. In the second half of FY 2024, open-die forging products for aircraft, and oil and gas drilling accounted for more than 20% of the total, respectively. These two industries account for the largest share of production volume for our open-die forging products.

Q. According to your forecast for the first half of FY2025, demand for stainless steel in semiconductor manufacturing equipment is expected to remain at the same level as the second half of FY2024. It appears that this is a downgrade from previous forecasts. Could you please explain the reasoning behind this figure?

A. Sales of steel materials for semiconductor manufacturing equipment have been recovering since reaching their lowest point in the second half of FY 2023. However, we have observed that customers are adopting a wait-and-see approach due to significant uncertainty about the economic outlook. Therefore, we have estimated that sales of steel for semiconductor manufacturing equipment for the first half of FY 2025 will be equivalent to the second half of FY 2024.

Q. Please provide an update on the actions under consideration in response to the U.S. tariff policy.

A. In response to the US tariff policy, we are planning to utilize and strengthen our bases in Singapore, primarily for open-die forging products. Currently, we are in the negotiation phase with U.S. customers, and we aim to move to the implementation phase as soon as possible. We are also planning to use Ohio Star Forge Co., one of our group companies, for forging to meet the demand for our automobile parts that are exported to the U.S. We have already received inquiries about locally produced open-die forging products. Therefore, we would like to be prepared to respond appropriately, and we will initiate local production of automobile parts if necessary. Since installing new production equipment in the company would take time, we are considering maximizing the use of its existing equipment for now. We are considering using Daido Steel Materials Technology Shanghai Co., Ltd., one of our group companies in China, and we plan to leverage the Daido Steel Group network for our production activities, as necessary. We also plan to increase demand for our heavy rare earth (Dy, Tb)-free, hot-deformed neodymium magnet. We consider this magnet to be a strategic product, and we plan to address this issue from a medium- to long-term perspective, which includes overseas production.

Q. You explained that you would redesign the 2026 midterm management plan to improve capital efficiency once the U.S. tariff policy situation stabilizes. Could you please elaborate on your ideas?

A. At this point, we cannot share our thoughts on this issue, but our goal of achieving a PBR of 1 or higher remains unchanged. We will reassess how to set targets for ROE, PER, and shareholder returns, taking into account changes in the business environment, such as trends in orders.