

Daido Steel Co., Ltd.

FY2025 2nd Quarter Financial Results Briefing

Q&A Session (Summary)

Date : October 30, 2025 (Thursday)

Respondents: Tetsuya Shimizu, President & CEO, Representative Executive Director

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Tatsushi Iwata, Director, Managing Executive Officer

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1. About the Fiscal Year Ending March 2026 Interim Results

Q. Could you explain the segment-by-segment differences in adjusted operating profit between the first and second halves of FY2025?

A. Profit in the Specialty Steel segment is expected to decline due to several factors: a reduction of approximately ¥500 million in the impact of the ferrous scrap surcharge gap, a decrease of several hundred million yen resulting from lower sales volumes of structural steel, and the recognition in the second half of FY2025 of approximately half of the fixed costs that were deferred in the first half.

Profits in the High-Performance Materials and Magnetic Materials segment are expected to increase, driven by factors such as anticipated growth in stainless steel sales volume. However, fixed costs are also projected to rise, similar to the factor seen in the Specialty Steel segment. Regarding the Parts for Automobiles and Industrial Equipment segment, we achieved a sales boost for diesel engine exhaust valves for ships in the first half of FY2025, and we expect to maintain a high level of orders for this product. However, since some orders were brought forward, we are taking a slightly conservative view and projecting a decline in profits.

Q. Would you please share your insights on anticipated demand trends for growth products?

A. Exports of our diesel engine exhaust valves for ships to China and South Korea have remained strong, and we expect this trend to continue. In addition, we anticipate new demand driven by the expansion of the shipbuilding industry in Japan and the United States. Demand for aircraft engine shafts is also expected to follow an upward trajectory. We believe the current supply-demand balance in the aircraft market is very tight, and we intend to respond with flexibility. As for oil and gas drilling-related products, we recognize that demand is closely linked to crude oil prices. If crude oil prices rise, we expect a corresponding increase in orders, which would contribute to our profitability. For stainless steel for semiconductor production equipment, we expect a slight decline in orders in the second half of FY2025, with a full recovery anticipated around the latter half of FY2026. Inquiries for our magnet products have increased significantly, including from European and American manufacturers with whom we previously had no business. We expect this momentum to continue, leading to further growth in orders.

Q. Could you please clarify the definition of shareholders' equity as it is used in calculating the Dividend on Equity (DOE) ratio? Additionally, could you provide the amount of shareholders' equity recorded as of the end of the previous fiscal year (March 31, 2025)?

A. As of the end of the previous fiscal year, shareholders' equity was ¥389,421 million. This figure is derived by

subtracting ¥39,857 million in “Other components of equity” from ¥429,278 million in “Total equity attributable to owners of the parent,” as reported under the equity section. The “Other components of equity” include market value fluctuations of securities, remeasurements of defined benefit pension plans, and foreign currency translation differences related to investments in overseas subsidiaries.

Q. How do you see the current order trends for specialty steel, including the analysis of inventory cycles?

A. Inventory adjustments appear to be largely complete, and current order volumes for specialty steel products are generally aligned with actual demand. Production levels among Japanese automakers vary by manufacturer, and we expect specialty steel sales to decline slightly in the second half of FY2025 compared to the first half.

Q. Could you explain how trends in ferrous scrap prices affect the company's performance?

A. Although ferrous scrap prices remain difficult to forecast, our assumption for the second half of FY2025 is ¥41,000 per ton. The current price is approximately ¥42,000 per ton, which we attribute to the depreciation of the yen. Our forecast for the second half is based on an exchange rate of ¥145 to the U.S. dollar, and we anticipate some fluctuations around this level.

Q. Could you tell us how the sales composition by major business segment for open-die forgings has been changing recently?

A. For aircraft-related products, the sales ratio was approximately 20% in FY2024 but is expected to exceed 25% in the second half of FY2025, driven by recovering orders. The ratio for open-die forgings used in shipbuilding was below 15% in FY2024 but is projected to surpass 15% in the second half of FY2025 due to increased demand. In contrast, the ratio for oil and gas drilling-related products, which stood at around 25–30% in FY2024, will decline to approximately 10% in the second half of FY2025, reflecting the impact of falling crude oil prices.

Q. Your outlook on stainless steel demand for semiconductor production equipment seems cautious. Could you explain your thinking?

A. As we mentioned in recent briefings, we had expected orders for this product to recover; however, the recovery has been slower than anticipated. While we remain confident that demand will eventually rebound, we are continuing to gather customer feedback and will update our projections only once firm orders are confirmed.

2. Redesign of the 2024-2026 Mid-Term Management Plan

Q. How confident are you in achieving the FY2026 operating profit target of ¥40 billion or more? Could you explain the profit growth drivers from FY2025 to FY2026?

A. We believe this operating profit target is achievable, provided there are no major changes in the external environment. The expected profit growth from FY2025 to FY2026 will be driven by: an increase in steel product sales volume of approximately 30,000 tons; a recovery in demand for stainless steel used in semiconductor production equipment, even after accounting for potential risks; and a moderate increase in orders for open-die forgings.

Q. Could you explain the factors driving the increase in adjusted operating profit for the High-Performance Materials and Magnetic Materials segment in FY2026 compared to FY2025?

A. We anticipate increased profits based on favorable market conditions for stainless steel and solid demand trends for various products, including superalloy bars and wire rods, steel strips, and powders. Although the recovery in demand for stainless steel used in semiconductor production equipment was delayed in FY2025 due to

temporary production adjustments by major manufacturers, we expect a moderate recovery by the second half of FY2026 at the latest.

- Q. In light of recent changes in the order environment, how are you planning to adapt your future production structure?
- A. Production volumes for specialty steel products have been declining, and we do not expect significant growth going forward. Accordingly, we are gradually transitioning to a production structure that is better aligned with actual demand. We are considering implementing more decisive measures from the latter half of this fiscal year through the next. Our goal is to optimize production structures by product line across our Chita Plant, Chita Second Plant, Shibukawa Plant, and Nippon Koshuha Steel Co., Ltd., which is scheduled to be acquired in February 2026.
- Q. I understand that the mid-term management plan was revised downward due to significant changes in the demand environment. Rather than relying solely on a recovery in external conditions, what specific measures are you considering for the future?
- A. Our fundamental policy remains unchanged: to steadily build profits by transforming our future product portfolio centered on strategic investments. Since demand was weaker than projected in the mid-term plan, we will thoroughly pursue all possible measures, including expanding sales in existing fields. For example, although our company has not traditionally focused on manufacturing large-sized stainless steel round bars, we are now undertaking initiatives such as investing in rolling equipment for such products at our Chita Plant.

The figures in our plans contained in this document are based on certain assumptions that cannot be fully evaluated at the present time.

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