

Daido Steel Co., Ltd.

FY2025 Third Quarter Financial Results Briefing

Q&A Session (Summary)

Date : January 29, 2026 (Thursday)

Respondents: Akihito Kajita, Director, Managing Executive Officer

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- Q. The Company is forecasting lower profit in Q4 compared with Q3, mainly due to the impact of lower sales volume. Could you explain the factors behind this?
- A. This is a recurring seasonal pattern. Q4 has fewer operating days, and the change in revenue recognition standards implemented several years ago also affects operating results. Under the new standard, revenue is recognized not when products are shipped from our company, but when they are delivered to the customer. In practical terms, this means that shipments made on the final day of the last month of a quarter are recorded as revenue in the following quarter. For example, shipments made on September 30 are recorded not in Q2 but in Q3. At the end of December, year-end holidays mean there are no shipments carried over into Q4. Shipments made on March 31 are recorded in Q1 of the next fiscal year. As a result, Q4 revenue tends to be lower than Q3.
- Q. There is a noticeable gap between Q3 and Q4 profit levels. How should we think about this when forecasting next fiscal year's performance?
- A. We believe it is reasonable to consider the average of Q3 and Q4. The adjusted operating profit for the second half is ¥18.4 billion, so the quarterly baseline would be around ¥9.2 billion. We will continue to refine our outlook based on order trends and provide an updated forecast at the FY2025 financial results briefing.
- Q. Could you explain the order trends for magnetic products?
- A. Inquiry levels remain solid, consistent with the levels reported at the end-October financial results briefing. We are currently working on specification alignment and sample shipments to secure mass-production orders. For the revenue trend graph, we have revised the presentation in this briefing by excluding the sales revenue of the magnet production subsidiary in China that has now completed its liquidation. Using FY2017 as the baseline of 100, FY2024 stands at 109, and FY2025 (April–December) reaches 124, reflecting the contribution from new inquiries that have converted into orders. We expect magnetic products to continue making a greater contribution to profit as a strategic product line.
- Q. You mentioned that the upward revision to profit was driven by strong orders and yen depreciation. Could you explain the background behind the increase in sales volume, and how foreign exchange movements affected the results?
- A. The increase in sales volume was driven primarily by structural steel. Shipments exceeded our plans for the automotive sector as well as for bearings and industrial machinery. Production by Japanese automakers is not significantly above prior expectations, but inventory adjustments for structural steel have progressed, and we believe the market is approaching a bottom. Regarding foreign exchange, the assumption for 2H FY2025

announced at the end-October briefing was ¥145 per USD, while the Q3 average was ¥154 per USD. A simple analysis suggests that this contributed approximately ¥0.8–1.0 billion to revenue and ¥0.6–0.8 billion to profit, after accounting for higher raw material costs.

Q. Could you tell us about the order trends for stainless steel used in semiconductor manufacturing equipment?

A. There has been no significant change from the order situation we explained at the end-October financial results briefing, and we expect a recovery to begin in FY2026. Although the situation varies by customer, some customers have begun making inquiries for stainless steel in line with their plans to ramp up production of semiconductor manufacturing equipment in Q4, and we are currently responding to these requests.

Q. Would you please comment on electricity unit prices and surcharge impacts.

A. Electricity prices are influenced by multiple factors, including crude oil prices and foreign exchange rates, which makes it difficult to isolate the impact of any single factor. At present, electricity prices have leveled off, resulting in only a limited impact from the surcharge.

Q. What are the order trends for open-die forgings?

A. Orders for open-die forgings used in aircraft, diesel engine exhaust valves for ships, heavy electrical machinery, and industrial machinery/chemical plants remain very strong. In particular, orders for aircraft-related products continue to increase each quarter. Meanwhile, orders for oil and gas drilling–related products are still adjusting due to the weak crude oil market, and we understand that inventories in the U.S. remain high. Certification expansion is progressing, and we expect order conditions for open-die forgings to improve once the market recovers.

Q. Nickel prices are rising. Could you tell us about the impact?

A. Fluctuations in nickel prices are reflected in our product pricing. We will adjust our prices to account for the recent increase in nickel costs as well. Although there may be a slight timing lag, prices should stabilize over time.

Q. What are the order trends for open-die forgings used in diesel engine exhaust valves for ships?

A. As mentioned in the end-October briefing, some shipments were brought forward into the first half. However, orders for open-die forgings for these products in Q3 remained at nearly the same level as in the first half, and we expect performance to remain stable going forward.

Q. In the third quarter, the sales volume of specialty steel increased. Could you tell us whether this increase was influenced by contract production undertaken on behalf of a competitor due to its operational troubles?

A. We cannot disclose specific quantities, but a small amount of such contract production is included in the FY2025 outlook.

Q. Could you explain the cause of the upward swing in operating profit in the FY2025 outlook?

A. In the specialty steel segment, the upside is driven by increased orders for structural steel and other products. In the automotive and industrial machinery parts segment, engine valve sales at Fuji OOX Inc., one of the Daido Steel Group companies, are performing strongly.

Q. With nickel prices rising and expectations of further increases, are customers placing orders earlier than usual?

A. Orders are increasing slightly, but we do not see major changes at this point. We will continue monitoring trends.

- Q. Would you tell us about the order trends for titanium products?
- A. As somewhat expected, the titanium product market is currently in an inventory adjustment phase. We will monitor when this adjustment settles and how orders develop from FY2026 onward.
- Q. Are there any upside factors for Q4 results?
- A. Although the Q4 outlook incorporates negative impacts from price changes and raw material market conditions compared with Q3, the plan assumes an exchange rate of 150 yen per USD. It is difficult to predict where the foreign exchange rate will stabilize, but if the yen remains weak, this could become a significant upside factor for profits.
- Q. Would you explain the negative sales mix in the April to December period of FY2025 by segment?
- A. In the specialty steel segment, the decline is mainly due to lower sales of tool steel. The market is shrinking and conditions are challenging, but this trend is already reflected in our medium-term management plan. The key will be how we secure profit despite lower sales volumes. We will also consider production allocation adjustments following the acquisition of Nippon Koshuha Steel Co., Ltd. as we design the business structure for next fiscal year and beyond.
- In the automotive and industrial machinery parts segment, the decline is due to reduced demand for oil and gas drilling-related products. FY2024 saw exceptionally high sales volumes—almost a “drilling boom”—but the FY2025 levels are significantly lower due to weak crude oil markets.
- Q. Is the impact of the Nippon Koshuha Steel acquisition included in the current outlook, and what synergies do you expect from FY2026 onward?
- A. The impact of the acquisition is not included in the current outlook. After the company becomes part of the Daido Group on February 2, we will discuss detailed figures and business plans together and examine how to realize synergies.

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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