DAIDO STEEL CO., LTD.

Daido Steel Co., Ltd.
FY2025 Financial Results Briefing
Q&A Session (Summary)

Date : May 15, 2026 (Friday)
Respondents: Tetsuya Shimizu, President & CEO, Representative Executive Director
Tatsushi Iwata, Director, Managing Executive Officer
Kenichiro Saito, Executive Officer and General Manager, Corporate Planning Dept.

Q. Could you explain the factors behind the 3 billion-yen decline in adjusted operating profit for the Specialty Steel Products segment in FY2026 compared with FY2025?

A. Approximately 2 billion yen is attributable to the surcharge gaps of ferrous scrap and energy costs. Although we will continue our price-increase initiatives in FY2026, considering market conditions and the geopolitical situation in the Middle East, we have incorporated around 1 billion yen of risk associated with not being able to fully implement price increases within the fiscal year.

Q. What are the recent order trends for stainless steel used in semiconductor production equipment (SPE) and for magnets?

A. Orders for stainless steel used in SPE—such as for valves, mass-flow controllers, and filters—have increased significantly across the board. In the FY2026 Mid-Term Plan revised in October 2025, we expected orders to recover from the second half of FY2026, but the recovery has been brought forward to the first half. For magnets, inquiries remain strong, and some are already leading to new orders.

Q. Could you explain the order trends for open-die forgings by the type of industry?

A. Orders for the products from aerospace and heavy-electric equipment industries remain strong and are expected to increase, reaching historically high levels. Orders for diesel engine exhaust valves for ships are also expected to remain at high levels following FY2025. Orders for open-die forgings related to semiconductors have recently increased, and we have positive expectations going forward. Orders for open-die forgings for drilling applications remain sluggish, but we are closely monitoring supply–demand trends and will respond promptly once signs of recovery emerge.

Q. How should we evaluate the FY2026 adjusted operating profit forecast of 40.1 billion yen?

A. Based on the current order environment, upside potential cannot be ruled out. However, we have set the forecast at this level in consideration of geopolitical risks in the Middle East.

Q. What would be the impact if crude oil prices were to remain at USD 90/bbl?

A. As stated on page 13 of the financial results briefing, if crude oil were USD 90/bbl only in the first quarter, the cost impact would be 1.2 billion yen. If this level were to continue for the full year, the impact is estimated to be around 2 billion yen.

Q. Regarding the 6.9 billion-yen increase in fixed costs for FY2026, please explain the items other than the 2.3 billion yen allocated for wage increases.

A. The remaining increase is mainly attributable to an additional 2.9 billion yen in depreciation expenses as new equipment comes online in line with our strategic investment plan. We have also incorporated higher repair and maintenance costs.

Q. It appears that sales price adjustments are not keeping pace with the deterioration in raw material and fuel markets in FY2026. How should we understand this?

A. We expect price-increase negotiations with customers to take slightly longer than in previous years, and we recognize the risk of timing mismatches that may prevent full implementation of price increases within FY2026. Depending on how cost increases develop, we may consider additional pricing measures in the second half.

Q. Sales volume of stainless steel for semiconductor production equipment (SPE) is expected to increase, but profit growth appears limited. Is there room for upside?

A. While sales volume is expected to increase, we are taking a somewhat conservative view regarding product mix and other factors. We currently assume that second-half sales volume will be roughly in line with the first half, but we are monitoring order trends. If the current favorable recovery continues, there is potential for upside.

Q. Could you explain the current production capacity for open-die forgings and the outlook for profitability?

A. Production capacity is currently sufficient, as the VIM furnace with expanded capacity at the Shibukawa Plant and the two additional VAR furnaces with the associated machining and inspection lines at the Chita Second Plant—which were introduced under the Superalloy Manufacturing Process Transformation Project—have now entered commercial operation. Regarding profitability, depreciation expenses will precede profit contributions in FY2026. We expect the profit contribution from these strategic investments to expand further from FY2027 onward.

Q. Could you explain your outlook for orders of specialty steel for automotive parts?

A. For FY2026, we expect monthly order volumes to decline by several hundred tons compared with FY2025. While production volumes of Japanese automakers are assumed to remain roughly flat year on year, there are differences among manufacturers, and we expect our order volumes to decrease slightly.

Q. Profit growth in the second half of FY2026 appears limited compared with the first half. Would you explain the factors?

A. The recent rise in crude oil prices affects costs with a lag of about seven months, resulting in higher costs in the second half compared with the first half. Depreciation expenses are planned to increase by 2.9 billion yen year on year in FY2026, and because depreciation increases gradually as new equipment installed in the first half begin operation, the burden will be heavier in the second half. Additionally, this is because the potential increase in sales volume of stainless steel for SPE has not been incorporated into the profit forecast for the second half, as the volume may fluctuate depending on circumstances.

Q. When do you expect synergy effects with Nippon Koshuha Steel to materialize?

A. Synergies may begin to emerge gradually from the second half of FY2026 at the earliest. Specific outcomes are currently under detailed review, as transferring production requires discussions with customers and quality verification. The sales, manufacturing, and planning divisions of both Daido Steel and Nippon Koshuha Steel are working together to advance these initiatives. Synergy effects are not included in the current earnings forecast.