

Daido Steel Co., Ltd.  
FY2026 First Quarter Financial Results Briefing  
Q&A Session (Summary)

Date : July 28, 2026 (Tuesday)

Respondents: Tatsushi Iwata, Director, Managing Executive Officer

Kenichiro Saito, Executive Officer and General Manager, Corporate Planning Dept.

Q. Could you explain the first-quarter performance by segment?

A. In the Specialty Steel segment, profit remained at the same level as in the corresponding period of the previous year, despite rising raw material and fuel prices. This was supported by strong orders for industrial equipment applications, including bearing steel for non-automotive uses. According to the machine tool order statistics that we continuously monitor, the activity level—adjusted for price fluctuations—had stayed below 70 for several years (with FY2018 set at 100), but recovered to 94 in the first quarter. In the High-Performance Materials and Magnetic Materials segment, titanium products faced challenges due to inventory adjustments, while stainless steel continued to perform steadily. The stainless steel order index was planned at 93 for the first half (with FY2018 set at 100), but the first quarter reached 99. Efforts to increase sales of stainless steel for industrial equipment—particularly plant-related demand—made a significant contribution, and the underlying base demand for stainless steel used in industrial equipment also increased. For stainless steel used in semiconductor production equipment, the sales index was planned at around 400 for the first half (with FY2019 set at 100), yet the first quarter exceeded this level. Strong sales of the products targeted for expansion led to a substantial increase in profit. For the Parts for Automobiles and Industrial Equipment segment, sales of open-die forgings reached ¥4.3 billion per month in the first quarter, exceeding expectations. Order conditions for aircraft and heavy electrical machinery are trending upward, and we are optimistic going forward. Engine valves also performed well.

Q. Please tell us your outlook for future profit.

A. Prices of raw materials such as ferrous scrap, nickel, molybdenum, and crude oil are trending higher than expected. Although we anticipate profit growth supported by strong orders, we have decided to keep our earnings forecast unchanged, taking into account the potential impact of surcharge gap effects.

Q. Would you tell us about the recent trend in your efforts to raise selling prices of steel products?

A. The selling price increases applied to April contracts have largely taken hold. Their impact began to appear in sales as early as June, and we expect the full effect to materialize from the second quarter onward. Meanwhile, in response to ongoing cost-push pressures, we implemented additional price increases starting with August contracts, which will begin contributing from October. We intend to adjust selling prices appropriately to prevent margin erosion.

Q. Considering one-off factors in Q1, what is your profit outlook going forward?

A. As in previous years, we built up summer inventory in Q1—around 30,000 tons—which will be drawn down in Q2. This has an impact of approximately ¥0.5–1.0 billion. Raw material prices are trending higher than expected,

and the full cost impact has not yet appeared in Q1; additional cost increases are anticipated in Q2 and beyond. Surcharge-based recovery will take place in the second half. Taking these factors into account, Q1 profit increased year on year, but we have kept the FY2026 earnings forecast unchanged.

Q. Please update us on the profit-enhancement effects of the strategic investments explained at the FY2025 financial results briefing held on May 15, 2026.

A. Cash outflows for the investments are progressing smoothly as planned. Regarding returns, titanium products are currently in an inventory-adjustment phase, so we expect a slight negative impact. Conversely, open-die forgings and stainless steel for semiconductor production equipment are expected to contribute positively. At the FY2025 results briefing, we disclosed ¥7.2 billion as the investment effect for FY2026, but our current expectation is in the range of ¥7.2–8.0 billion. We will refine the FY2026 outlook when preparing the second-half plan in September.

Q. What is the direction of future capital investment?

A. We have just begun formulating the next mid-term management plan. After completing the second-half plan for the current fiscal year, we will proceed with full discussions on the next mid-term management plan, with the aim of presenting it around May 2027. Capital investment will be based on the continuation of current initiatives, supplemented by additional measures. We will carefully assess order certainty and required capacity levels before determining the appropriate scale.

Q. Could you tell us about your outlook and upside potential for stainless steel used in semiconductor production equipment?

A. Orders were exceptionally strong in Q1, and we expect this momentum to continue through Q2 and beyond. While specific figures are still under evaluation, it is clear that order volumes will increase from Q1 levels. With respect to production capacity—including the VAR furnaces installed at the Chita Second Plant—we have sufficient capability to accommodate further demand growth. Even if orders exceed our current expectations, capacity will not be a constraint. We have expanded our production capability to supply volumes surpassing the peaks seen in FY2021–FY2022, and we are now fully prepared to utilize this capacity.

Q. Regarding open-die forgings for drilling, you previously mentioned that demand had been weak over the past year. What is driving the recent recovery?

A. Although crude oil prices above \$80/B do not appear to be supported by fundamental demand, we are seeing signs of activity resuming in certain regions, and this has begun to translate into increased orders for us. That said, current order volumes remain significantly below FY2024 levels. We will continue to monitor future developments closely.

Q. For stainless steel used in semiconductor production equipment, the June 12, 2026 Growth Market Products Business Briefing indicated that Q1 orders were at the FY2022 peak level. Considering lead times, will second-half sales reach FY2022 levels?

A. Stainless steel for semiconductor production equipment consists of three grades—A, B, and C. Due to differences in manufacturing processes, lead times are approximately 3–4 months for grade C and at least 6 months for grade A. As a result, sales typically lag orders by one to two quarters. We believe that Q1 order levels include some inventory adjustments. We will provide second-half sales projections at the next earnings briefing.

- Q. Will the Specialty Steel segment see lower profit in Q2 compared with Q1?
- A. We expect a ¥0.5–1.0 billion decline in profit due to seasonal inventory buildup during the summer. In addition, the impact of higher raw material costs will be more pronounced in Q2 than in Q1. We are currently reviewing sales volume and cost conditions.
- Q. Regarding order composition for stainless steel used in semiconductor production equipment, you explained at the beginning of this term that orders for high-grade products were increasing. Could you tell us about the current situation?
- A. At the beginning of the fiscal year, we noted that orders for grade B products were increasing among grades A, B, and C, improving the overall sales mix. Currently, orders are rising across all grades. If favorable trends continue, we expect orders for grade A—our highest value-added product—to reach unprecedented levels.
- Q. The global economy is in a cost-push environment. Is there potential to raise selling prices beyond cost increases, given your high market share and competitive advantage?
- A. We will implement selling price increases that correspond to cost-push pressures. As for price increases beyond cost-push factors, these products compete in global markets, so we will make decisions with careful consideration of prevailing market prices. In addition to price adjustments, we aim to enhance competitiveness by improving manufacturing proficiency and reducing costs.
- Q. You previously explained that orders for open-die forgings were either rising significantly or remaining at high levels. Could you tell us what the lead time is for these products?
- A. Lead times for open-die forgings vary by product due to differences in melting processes, but they generally range from six to twelve months.
- Q. I think expanding the production capacity of the Shibukawa Plant by installing a new VIM furnace has increased fixed costs. What returns do you expect?
- A. As explained at the FY2025 results briefing held on May 15, 2026, we expect profit increases that will far exceed the rise in fixed costs. Although it will take some time, we are proceeding in a systematic manner to secure future returns.
- Q. There was an explanation that open-die forgings accounted for 41% of the sales revenue in the Parts for Automobiles and Industrial Equipment segment in Q1. What level are you expecting this ratio to reach going forward?
- A. The 41% in Q1 reflects an increase in open-die forging sales, driven by higher production of open-die forgings associated with increased sales of engine valves for the North American market manufactured by our affiliated company. Looking ahead, we aim to raise this ratio to above 50% around fiscal years 2027 to 2028.

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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