Value creation process

Value creation process

Since the founding in 1916, the Company has, along with the customer, continued to conduct manufacturing that contributes to innovation that society needs. Through manufacturing that maximizes the diverse management capital held by the Company, we aim to improve corporate value while progressing with ESG management that realizes a sustainable society. Daido Steel will continue to be a company that creates "value that goes *Beyond the Special*" under the banner of the slogan *Beyond the Special* to exceed stakeholder expectations.

Inputs

Financial
Stable financial base

Manufactured
Steelmaking technology and diverse production lines for various products

Intellectual
Active research and development to pursue high-performance materials

Human
Human resources who aim high, learn on their own, and continue to take on challenges

Social and relationship
Collaboration with Group companies and business partners to ensure a stable supply of high-performance products

Natural
Effective use of resources through electric arc furnace steelmaking processes and recycling technologies

Business activities

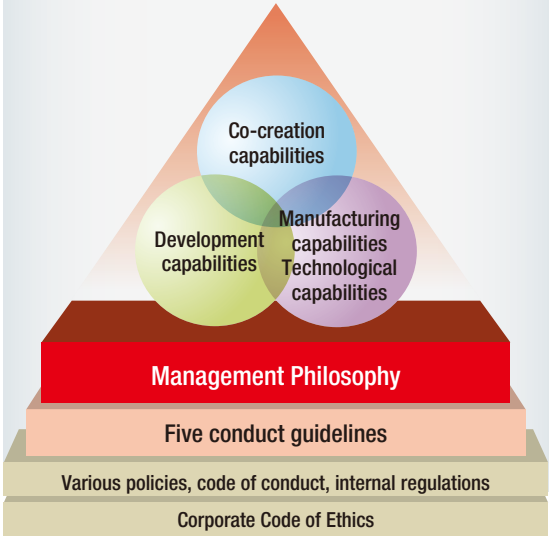
"Transforming business portfolio"

"Enhancing management resilience"

"Advancing ESG management"

- E: Preservation of the global environment
- S: Responsibilities and contributions to society
- G: Strengthening governance

Materiality ▶P.26–27



Outputs

Specialty steel

High-performance materials and magnetic materials

Parts for automobile and industrial equipment

Engineering

Outcomes

Creating value that goes *Beyond the Special*

Trigger innovation through technological innovation in materials

Realize enhanced strength and corrosion resistance, and lengthen life-spans for various products

Promote society's energy transition

Improve society's energy efficiency

Expand the effective use of society's resources

Contribute to reducing global CO_2 emissions

Play a part in resource circulation through our business and realize coexistence between nature and society

Management capital

The six types of business capital	Capital enhancement measures	Indicators
Financial —Stable financial base— Because of expanding profit levels and efforts to improve financial soundness, the D/E ratio has remained low, and the equity ratio has remained above 50% in recent years. In order to respond to future changes in the business environment, we aim to build a strong financial structure by improving our profit structure and making strategic investments with an eye to the future.	• Improving capital structure • Diversifying our capital procurement methods • Active dialogue with capital markets	Assets **¥783.0 billion** Capital (excluding non-controlling interests) **¥429.3 billion** D/E ratio **0.41 times** Ranking (R&I) **A**
Manufactured —Steelmaking technology and diverse production lines for various products— The source of the Company's distinctive wide variety of products is our steelmaking technology and diverse production lines for various products. To achieve sustainable profit growth, we will proceed with a fundamental review of production allocation and develop efficient and adaptable production processes in line with our new business portfolio.	• Promoting the Superalloy Manufacturing Process Transformation Project • Increasing production capacity of high-performance stainless steel • Building a global alliance	Capital investment **¥46.9 billion** Production sites **60** Types of products handled **About 4,000 types** Number of improvements in self-management activities **13,100 cases per year**
Intellectual —Active research and development to pursue high-performance materials— We are actively engaged in research and development to pursue high-performance materials, with the aim of contributing to the realization of a sustainable society. We will continue to venture into new realms, accelerate research and development through close collaboration both internally and externally, and create materials with special value and functionality to support the foundations of society.	• Obtaining customer approval for high-performance products and rolling out • Strengthening collaboration between the R&D divisions and the Material Solution Department • Accelerating R&D by utilizing MI	R&D personnel **294** R&D expenses **¥6.6 billion** R&D sites* **2 locations** Patents held* **Domestic: 590, Overseas: 571**
Human —Employees who aim high, learn on their own, and continue to take on challenges— We will work to create an environment where employees who practice our Conduct Guidelines can exercise their skills and capabilities in order to realize our vision, and we will work to enhance our management resilience. We will acquire (recruit and foster) autonomous experts and co-creative staff committed to improving labor productivity, and promote the dissemination of our philosophy and health and productivity management to increase employee engagement.	• Management philosophy permeation • Recruiting and fostering autonomous and co-creative staff • Initiatives to improve employee engagement scores	Hired* **86 new graduates, 75 mid-career employees** Employees **12,054** Number and ratio of women in managerial positions* **19 (2.7%)** Educational hours* and education costs per person* **37 hours, ¥66,000** Employee engagement score positive response rate* **78.5%**
Social and relationship —Collaboration with Group companies and business partners to ensure a stable supply of high-performance products— We are working as a group in order to more completely fulfill our social responsibilities together with our business partners. We will continue to earn the trust of society and our customers by thoroughly improving quality and ensuring stable supply throughout the entire supply chain.	• Promoting quality control improvement activities with Group companies • Strengthening relationships with our business partners	Consolidated subsidiaries/affiliates (In and outside Japan) **71 companies** Business partners* **1,277 companies**
Natural —Effective use of natural resources through electric arc furnace steelmaking processes and recycling technologies— We are committed to reducing our environmental impact and transition to a circular economy. We will steadily implement our roadmap to achieve carbon neutrality in the production process, and realize a closed-loop system of iron sources by recycling various scrap into new products in our electric arc furnace steelmaking process.	• Promoting the expansion of steel scrap recycling • Continuing nature conservation activities and evaluating efforts • Promoting biodiversity preservation activities	Energy usage **23,360,000 GJ** Industrial water* **22,930,000 m^3** Amount of scrap usage* **1,377,000 tons**

MI: Materials informatics

As of March 31, 2025 or FY2024 results. * Non-consolidated

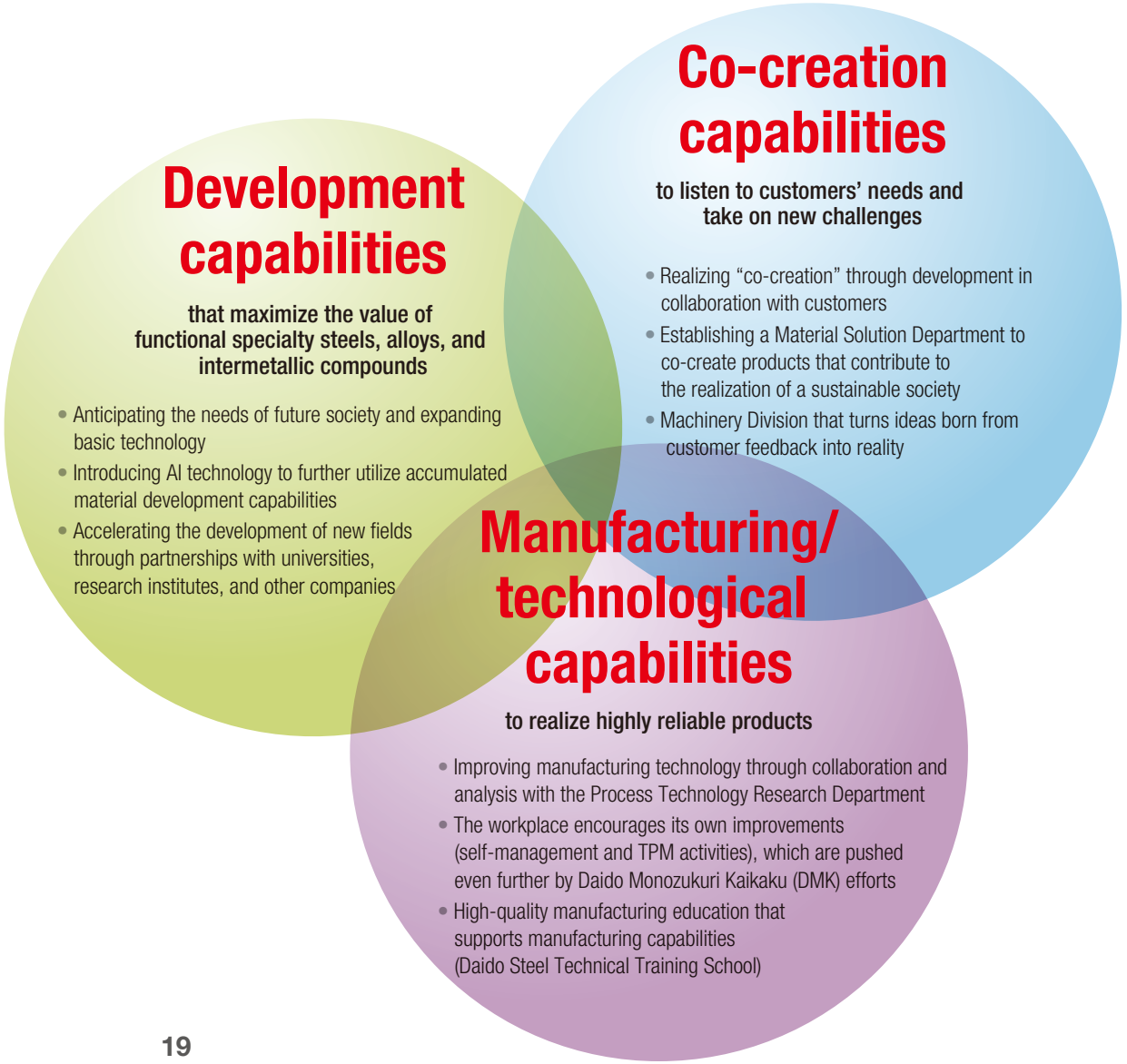
Daido Steel's core competency creates "value that goes *Beyond the Special*"

We believe that the creation of "value that goes *Beyond the Special*" is the culmination of the following three strengths that make up our core;

- **"Development capabilities"** that maximize the value of materials
- **"Co-creation capabilities"** to listen to customers' needs and take on new challenges
- **"Manufacturing and technological capabilities"** that allow us to create highly reliable products

Everything is for the consumers.
By meeting the advanced needs placed on materials in a rapidly evolving world and anticipating the needs of future society, we will pursue the potential of materials to support our future.

We have been and will continue to be a company that creates "value that goes *Beyond the Special*" and triggers innovation through technological innovation in materials, so we will continue to hone our manufacturing and technological capabilities.



Core competency roundtable

Pursuing infinite possibilities and paving the way for the future. "Development capabilities"

We define our core competencies as "Development capabilities," "Co-creation capabilities," and "Manufacturing and technological capabilities." The business activities that combine these three capabilities are the value creation process that supports our Company's competitive advantage. Through "Co-creation with customers," we gain essential insight into the needs of our customers and society, and by continuing to hone our development capabilities and evolving our manufacturing capabilities and manufacturing technology, we bring new products and technologies to the world.

We spoke with three key people about topics related to research and development, and first had the opportunity to delve deeper into the core competency of "development capabilities."

Shigeki Ueta
General Manager, R&D Center

Takashi Kano
Managing Executive Officer
Supervisor of Technological Development Divisions

Yasushi Matsumura
Executive Officer
In charge of the Corporate Research & Development Center
General Manager, Material Solution Department
(commissioned post)

Developing specialty steel that anticipates the needs of future society

Kano: By adjusting the amount and combination of the 118 elements listed in the periodic table, it is possible to develop an infinite variety of specialty steels. Currently, there are approximately 150 to 200 types of specialty steel defined in the industrial standards of Japan, the United States, and Europe. However, as industry becomes more sophisticated in the future, it is expected that new specialty steel will be developed to meet specific needs.

The development of specialty steels that contribute to innovation in growth industries such as semiconductors, Connected, Autonomous, Shared, Electric (CASE), clean energy, aerospace, and advanced medical care is currently expanding beyond the realm of conventional iron-based alloys to include nickel-based and cobalt-based alloys and intermetallic compounds.

Ueta: A term that is now receiving a lot of attention in the world of specialty steel development is "hydrogen society." In the future, when hydrogen will be widely used as an energy source, materials that do not become embrittled in hydrogen environments will be necessary. In developing these materials, we have introduced experimental equipment that can reproduce the behavior of materials exposed to hydrogen, and have established a system that allows us to obtain data on the effects of alloying elements and microstructures on embrittlement characteristics.

Additionally, our engineering division, the Machinery Division, is also working on developing hydrogen combustion technology. We hold the top domestic market share for the manufacture and sale of specialty steel heat treatment furnaces, and we also offer retrofitting that converts the fuel used in heat treatment equipment to hydrogen, eliminating CO_2 emissions, thereby contributing to our customers' carbon neutrality activities.

Furthermore, new materials are also needed to utilize clean energy sources other than hydrogen. As AI becomes more prevalent in society, the demand for electricity increases. We are working on developing materials that are compatible with hydrogen-ammonia co-firing power generation and small module reactors (SMRs). Furthermore, with an eye to future nuclear fusion power generation, we are promoting the development of materials necessary for industrial innovation through our participation in ITER (International Thermonuclear Experimental Reactor).

Matsumura: Along with the energy transformation, we are also focusing on the mobility transformation. Magnetism is attracting attention as motors evolve with the progressive shift to electric vehicles. To achieve high magnetism in a compact design, we are developing soft magnetic materials that go beyond the realm of electron behavior control, while also strengthening our application-oriented infrastructural technologies, such as motor design and evaluation techniques. In the future, we are considering expanding our application to robots, advanced air mobility, and more in addition to automobiles.

Utilizing AI technology dramatically increases R&D speed

Ueta: The enormous amount of records we have accumulated over many years on material development is truly "big data" and the source of our "Development capabilities." By formalizing this data using AI and reconstructing it as a body of knowledge that can be used by everyone in the Company, including inexperienced researchers, we can dramatically increase the efficiency of materials development. Previously, it was necessary

With curiosity as our motivation, we will continue to support research and development that goes beyond the boundaries of specialty steel and pursue the potential of materials.

Our competitive advantage lies in extracting the necessary characteristics and achieving the optimum solution for performance and cost.

to conduct numerous experiments to obtain the desired material characteristics, but by utilizing AI, it is now possible to predict the microstructure and properties that will result from alloy design and production processes, making it possible to reduce the number of experiments required. It is also possible to reverse-calculate the required alloy design and optimal production process by analyzing an enormous amount of past experimental data and papers.

Kano: AI is already playing an important role in our research and development. By introducing materials informatics (MI), a technology that analyzes enormous amounts of data using AI, machine learning, and statistical analysis, it is possible to predict, "If a material with this alloy design is produced using this process, it will have these heat and corrosion resistance properties." Meanwhile, technology to simulate the entire process, such as "what kind of alloy design should be used, what kind of microstructure will be formed by deformation processing at what temperature, and as a result, what kind of material will be made that is both heat- and corrosion-resistant," has already been put to practical use. This technology is called Integrated Computational Materials Engineering (ICME).

In this way, AI technology will dramatically increase the speed of material development. Furthermore, it is expected to reduce research and development costs and contribute to strengthening the Company's "development capabilities."

By adjusting the amount and combination of alloys added to specialty steels, an infinite variety of specialty steel development is possible. Furthermore, the possibilities are substantially expanded by adjusting the production conditions. Materials development, which involves finding the optimal alloy design and production process from such an infinite number of options, can be said to have a high affinity with AI technology.

State of partnerships with universities, research institutes, and other companies

Ueta: Because we have been involved in the field of specialty steels for many years, we have extensive knowledge and experience. Currently, we are actively working to develop new fields by making the most of the knowledge and sensibilities of our talented researchers. In order to expand our development scope and speed up our development efforts, we are also actively promoting joint research with universities and research institutes. Specifically, we are taking steps such as sending researchers as working adult doctoral students to universities engaged in advanced materials development, and establishing endowed courses within universities and assigning dedicated researchers to them. This has enabled us to acquire external knowledge and analytical techniques, allowing us to utilize knowledge in areas in which we previously had little experience. The efficiency of development has increased as a result.

Matsumura: Researchers have been exploring new areas such as magnets and battery materials from scratch for over ten years, and although they have faced difficulties along the way, they have continued thanks to their strong will and tenacity. In these new areas, customers expect us to go beyond material development and delve into application perspectives, such as the design and evaluation of end products. Because of this, we actively promote industry-academia collaboration and conduct research in cooperation with universities and external institutions. In the development of magnets and battery materials, we overcome the difficulty of creating something from scratch by working together

with external parties to evaluate materials and verify production processes, thereby opening up new possibilities.

Kano: In order to accelerate the development of new materials, collaboration with universities, external research institutes and other companies is essential. In fact, the Company is increasingly collaborating with external research institutes and other companies in the development of nickel alloys and anode materials for lithium-ion batteries, new areas in which we have had little experience until now. The ICME mentioned earlier is an example of how a "materials development platform" has been utilized to improve the efficiency of material development with excellent heat and corrosion resistance.

Given that internal development resources are limited, planning and considering what external resources to utilize is also an important step in strengthening our "Development capabilities." Collaboration with external parties goes beyond simply supplementing development resources; it also involves co-creation development. For example, by bringing together organizations from different industries with the common goal of developing a highly efficient motor and exchanging opinions from different perspectives, it's possible new ideas may be born. Furthermore, we would like to utilize external collaboration for human resource training. Researchers are now required to have knowledge in a wide range of fields, not just metallic materials science, so our idea is to utilize research activities at external institutions as a place to learn about science and engineering in areas where there is little knowledge within the Company.

Message to researchers

Ueta: I would like you to take a customer-centric approach to development. To create value that exceeds expectations and goes *Beyond the Special*, simply meeting specific requirements is not enough. As you begin development, imagine how your material will be used, how it will be made, and even the background and essential needs behind it. Also, I would like you to face challenges head-on. By gaining experience overseas and trying new evaluation methods, as well as venturing into new realms that you have not explored before, you will gain the ability to carve out your own future.

Matsumura: Development that starts from the materials is a truly fascinating world. Iron and specialty steel have infinite possibilities, and new value can be created depending on how they are used and combined. That's why I want you to take on challenges boldly. People who worked on specialty steels take on magnets, and people who worked on magnets take on motors. Taking on challenges this way, by stepping outside of the domain in which you normally work, will lead to personal growth. And beyond that lies a breakthrough that will change the future.

Kano: One of our core competencies is our "Manufacturing and technological capabilities." This is closely related to the Company's "Development capabilities" and is an important factor that supports its competitive advantage. This refers to the ability to reliably realize the material components and production processes designed by researchers as volume production technology, and provides a very comfortable work environment for researchers.

We hope you will trust in our "Manufacturing and technological capabilities" and proactively work on development that pursues the infinite possibilities of specialty steel.

Start from scratch, never give up, and expand the realm while creating something.
That is the DNA of R&D.

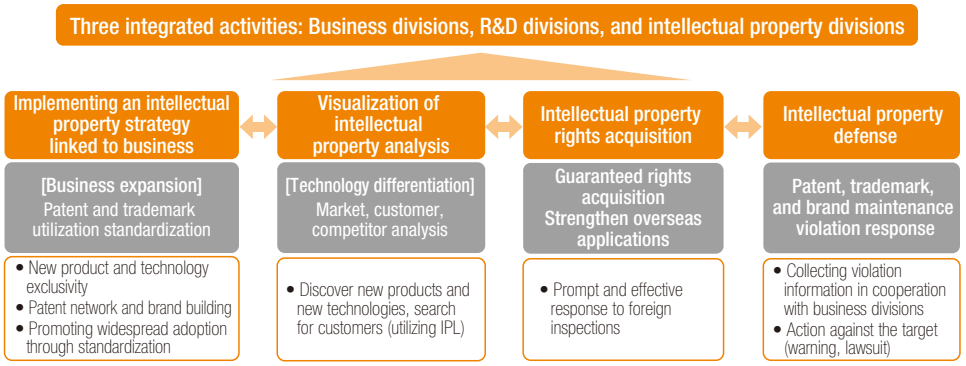
Intellectual property activities that lead to increased corporate value

Basic policy on intellectual property

Under our 2026 Medium-Term Management Plan, we have positioned intellectual property as a key issue in our technology strategy, and are working to increase our corporate value through the creation and utilization of intellectual property. Intellectual property is an important intangible asset, on a par with technology and human resources, and we view it as a source of strengthening competitiveness, stabilizing business, and even creating new value. Furthermore, we are working to improve intellectual property literacy through ongoing education and training, with the aim of fostering a corporate culture in which all employees understand the importance of intellectual property and proactively utilize it. We will vigorously promote the increase of sustainable corporate value through a technology strategy based on intellectual property.

Promoting growth strategies using intellectual property

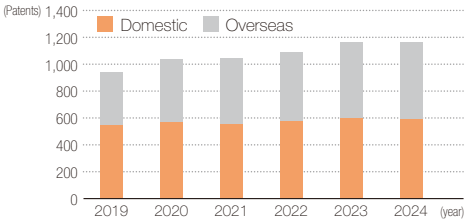
To achieve the growth targets set for each business, the business divisions, R&D divisions, and intellectual property divisions work together to promote intellectual property strategies from formulation to implementation. In particular, in important technology realms that will drive future growth, we are strategically acquiring patents and focusing on differentiating our intellectual property in order to steadily cultivate the seeds of growth. Additionally, by utilizing generative AI and digital tools to collect and analyze intellectual property information, we aim to optimize applications and investigative work, thereby improving the quality and speed of our intellectual property activities. Furthermore, we do not limit our intellectual property to mere "defensive measures," but actively utilize it as "offensive assets." Through co-creation with customers and partner companies, licensing to external parties, and participation in standardization operations, we aim to improve the market development capabilities of our own technology and strengthen our presence within the industry.



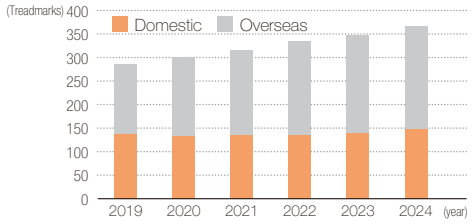
Patent and trademark ownership status

The number of patents and trademarks held domestically over the past six years has remained stable, and we are working to maintain our existing technologies and brand power. Meanwhile, as a result of accelerating business expansion in global markets and strategic efforts to strengthen intellectual property in order to respond promptly to local needs, the number of patents and trademarks held overseas has increased by approximately 1.5 times.

[Number of patents held]



[Number of trademarks held]



Intellectual property defense and standardization operations

As a company whose very foundation is built of high technology and creative ideas, we aim to achieve business stability and continuous innovation by properly protecting and managing our intellectual property and defending it against imitation and unauthorized use. We are also working to strengthen our defense system, which is applicable globally, by formulating protection strategies for each technology field. When we become aware of any violation of our rights both inside and outside of Japan, we take strict action, including legal action. For example, we requested Chinese authorities to investigate a company selling counterfeit products of our tool steel NAK®80 in Guangdong Province, China, and that company was ordered to cease sales, had the counterfeit products confiscated, and was fined.

We also view product standardization and regulation as an important technological infrastructure that contributes to ensuring stable quality, strengthening cost competitiveness, and accelerating global expansion. In particular, in our important business realms, we are promoting standardization operations with an eye to the future and strengthening collaboration with organizations within the industry and partner companies. In the field of high-performance materials, we have registered our high-strength, heat-resistant titanium alloy DAT® 57M for automotive and aerospace applications, and our hydrogen-embrittlement-resistant austenitic stainless steel DSN®9, which promotes the use of hydrogen energy, in the ASTM standards*.

* Standards designated by the American Society for Testing and Materials, the world's top non-governmental organization for standards development.

Business activities (Impact on society, business, and finance)

The 2026 Medium-Term Management Plan is based on three pillars: business strategy, financial strategy, and ESG strategy. Among these, our ESG strategy sets "advancing ESG management" as our basic action policy, and the relationship that is deeply linked to our business strategy is shown in the diagram below.

By addressing the identified key issues (materiality), the Company will strongly accelerate the advancement of ESG management. We also aim to increase corporate value and achieve sustainable profit growth. Furthermore, the impact on society and business that can be achieved by solving these issues is an essential component in weaving our value creation story.

[2026 Medium-Term Management Plan period basic action policies]

Materiality		Connection with business strategy: Transforming business portfolio	Connection with business strategy: Enhancing management resilience
E	: Preservation of the global environment (business activities/product supply)		
[E1]	Steady implementation of a roadmap to achieve carbon neutrality in the production process		○
[E2]	Expansion of businesses that contribute to the realization of a sustainable society	○	
[E3]	Coexistence with nature and reduction of environmental impact as a manufacturing company		○
S	: Responsibilities and contributions to society		
[S1]	Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I	○	○
[S2]	Contributing to solving social issues and fulfilling our corporate responsibilities		○
G	: Strengthening governance		
[G1]	Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	○	○

Materiality initiative targets and KPIs

▶ P.26-27

Impact

[Impact on society]

- Triggering innovation in industry through technological innovation in materials
- Contributing to the creation of a society where people and nature coexist

[Impact on business]

- Transforming our business portfolio and achieving sustainable evolution
- Gaining further trust through increased brand awareness

[Impact on finances]

- Maintaining financial soundness while improving capital efficiency

Sustainability basic policy and materiality identification process ▶ P.50

Business activities (Materiality initiatives and KPIs)

The Company has identified material issues for increasing its corporate value and have set specific initiatives to solve each issue.
To steadily advance and deepen each activity, we set medium- to long-term targets and KPIs and monitor progress.

E Preservation of the global environment (business activities/product supply)

Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[E1]	Steady implementation of a roadmap to achieve carbon neutrality in the production process	Reduction of CO_2 emissions by integrating energy-saving technologies	35% reduction in CO_2 emissions in 2026, 50% in 2030 (compared to FY2013)	30% reduction	P.54–55
		Promotion of the utilization of CO_2-free electric power	CO_2-free electric power ratio 30% or more in 2026, 60% or more in 2030	CO_2-free electric power ratio: 40%	
[E2]	Expansion of businesses that contribute to the realization of a sustainable society	Expansion of products that support technological innovation for energy transition	Revenue ratio of products for the growth market 15% or more in FY2026, 25% or more in FY2030	Revenue ratio for the growth market: 12%	P.33
		Expansion of products that contribute to improvements in energy efficiency			
		Expansion of products that contribute to effective utilization of resources			
[E3]	Coexistence with nature and reduction of environmental impact as a manufacturing company	Transition to a circular economy	2030: Maintaining the rate of recycling among raw materials at 90% or more	The rate of recycling: 89%	P.52–53
		By-product recycling and effective utilization of water resources	2030: Minimizing the amount of waste by recycling electric arc furnace slag as roadbed material and electric arc furnace dust as zinc raw materials, etc. 2030: Maintaining the water circulation rate at 90% or more	Water circulation rate: 95%	P.52–53
		Biodiversity initiatives	2030: Contributing to the realization of nature positive	Information disclosure based on the recommendations of the TNFD	P.56

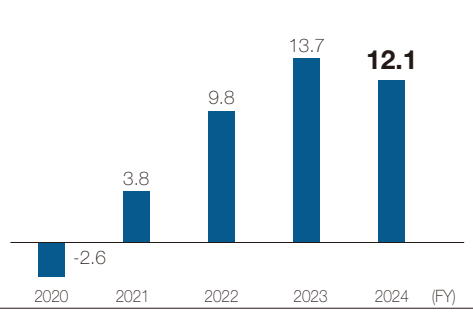
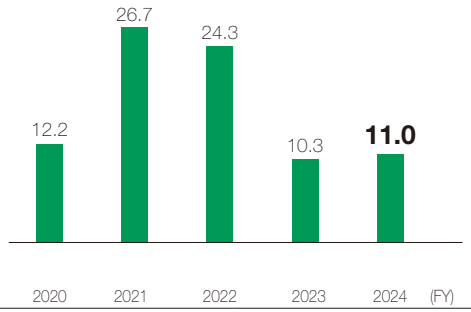
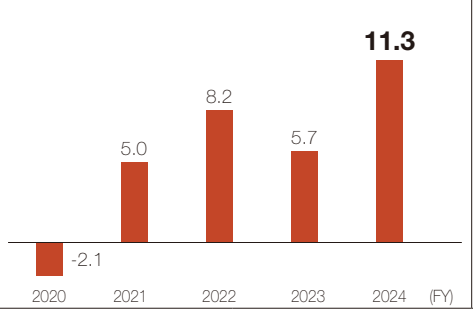
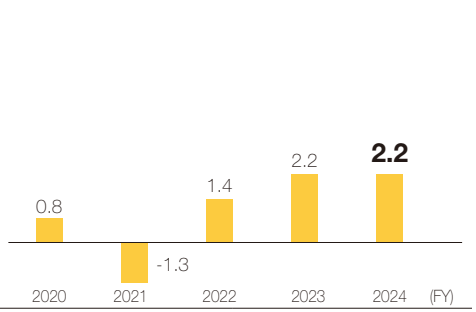
S Responsibilities and contributions to society

Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[S1]	Development of human resources who embody our Management Philosophy and Conduct Guidelines and promotion of DE&I	Elimination of occupational accidents	2030 Ratio of lost-time work injuries: 0.20 or less	Ratio of lost-time work injuries: 0.38	–
		Promotion of health and productivity management	2030 Findings rate: 55% or less Rate of people who work with mental and physical vitality: 50% or more	Findings rate: 68.8% Rate of people who work with mental and physical vitality: 46.2%	P.40–48
		Promotion of diversity	2030 Female employee 10-year retention rate: 80% or more Rate of next-generation management (associate senior staff) positions held by women: 17% or more Improvement in the rate of female managers: 4.4%	Female employee 10-year retention rate: 85.7% Rate of next-generation management positions held by women: 11.1% Rate of female managers: 2.7%	
		Improvement in labor productivity	20% increase in labor productivity in FY2026, 30% in 2030	Launch of DX promotion project	
		Improvement in employee engagement	Positive response rate of 80% or more in FY2026	Positive response rate: 78.5%	
[S2]	Contributing to solving social issues and fulfilling our corporate responsibilities	Respect for human rights	Establishment and steady implementation of human rights due diligence	Creating a human rights risk map and identifying human rights risks	P.58–59
		Social contribution	Engage in more intensive communication about the environment with local communities	Improvement of communication with the local communities	P.56–57
		Supply chain management	Improvement of supply chain engagement	Renewal of procurement policy and implementation of supplier assessment	P.60
		Stakeholder communication	Enhanced transmission of corporate information and promotion of communication with stakeholders	Enhancement of stakeholder communication, including IR/SR interviews, etc.	P.36

G Strengthening governance

Materiality		Actions	Medium- to long-term targets/KPIs	FY2024 results	Pages referenced
[G1]	Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	Stable supply of high-quality products	0 major quality accidents	0.25 (Index taking the actual results from FY2006 as "1")	–
		Risk management	Number of internal reports: 80/year Number of Group support cases: 180 or more/year	Number of internal reports: 64/year Number of Group support cases: 171/year	P.61–62
		Compliance	Number of violations of laws: 0/year Material inadequacies to be disclosed under the Financial Instruments and Exchange Act: 0/year	Number of violations of laws: 7/year Material inadequacies to be disclosed: 0/year	P.63–64
		Strengthening of corporate governance	Net asset ratio of cross-shareholdings: 15% in FY2026, 10% in FY2030	Net asset ratio of cross-shareholdings: 17.7%	P.74

Outputs (Overview of the 4 main segments)

Segment	Specialty steel	High-performance and magnetic materials	Parts for automobile and industrial equipment	Engineering
				
Representative market share, etc.	Bearing steel Domestic share approx. 20% Tool steel Domestic share approx. 30%	Stainless steel Domestic share 40% or more Stainless steel for semiconductor production equipment Global share approx. 40%	Superalloy bars Global share TOP 20 Aircraft jet engine parts Market share approx. 25%	Electric arc and heat treatment furnaces achieved domestic top share Products eligible for energy-saving investment promotion subsidy 12 products
Features	The main specialty steels are structural steel and bearing steel, mainly for Japanese automobile and industrial equipment manufacturers. With regards to the automobile industry, we custom-engineer the specifications of our specialty steel for each manufacturer. These steels are then used in a variety of applications, including engines, drivetrain parts, and suspensions. Tool steel is a material used in a wide range of industries, and the Company is also focusing on expanding sales overseas.	Stainless steel has a wide range of uses, including in automobiles, industrial equipment, and electrical and electronic equipment, and the use of our steel in the etching process of semiconductor production equipment accounts for approximately 40% of the global share. We are also currently supplying neodymium magnets that do not contain any heavy rare earths for use in electric vehicles. Other high-performance materials that are expected to grow include steel strips, powder, and titanium.	Demand for open-die forgings has increased dramatically in recent years. Our aircraft jet engine shafts, gas turbine components for heavy electrical equipment, ship engine valves, and drilling materials are high-performance materials used in harsh environments and are certified by each manufacturer. Specialty products include die forged products for automobiles, engine valves, and turbo parts.	The Company also sells industrial furnaces such as electric arc furnaces and heat treatment furnaces. We utilize our know-how and technology as a specialty steel manufacturer in our equipment design. As we move towards a decarbonized society, there is a growing need for our high-efficiency production equipment, and some of our equipment products have been certified as subsidized equipment by the Ministry of Economy, Trade and Industry.
Financial indicators (profit level)	Operating income (Billions of yen) 	Operating income (Billions of yen) 	Operating income (Billions of yen) 	Operating income (Billions of yen) 

Note: IFRS has been used since FY2023

Outcomes (Creating social value through high-performance products)

In the future society, the Company's high-performance products will contribute to solving problems in people's lives and society, and create a richer and more comfortable environment.

Products that support technological innovation for energy transition

- Products that support the electrification and automation of mobility, such as automobiles
- Products that support clean power generation with low CO_2 emissions
- Products that support the implementation of a hydrogen society
- Products that support carbon capture and methanation technology

Products that contribute to improvements in energy efficiency

- Products that improve the fuel and electricity consumption of mobility, such as automobiles
- Products that contribute to society's conservation of energy and reduction of energy loss
- Products that contribute to improving productivity

Products that contribute to effective utilization of resources, etc.

- Products that contribute to lifespan extension
- Products that contribute to the development of water resources
- Products that contribute to the conversion of waste and by-products into resources

Products for each market that are prominent and high performing

* Compared to FY2024 ↑: Increase of less than double ↑↑: Increase of double or more

Market	Product	Application and function	Expected sales (2030)
CASE	Steel for gears that support high peripheral speeds	e-Axle gear reducers	↑↑
	Structural steel that supports high peripheral speeds		↑↑
	High corrosion-resistant SmFeN magnets	Functionality improvements of industrial equipment motors	↑
	High-magnetic specially-shaped and -oriented hot-deformed magnet	Extension of EV range	↑↑
Clean energy	Hydrogen embrittlement resistant material	Hydrogen production, transportation, and storage	↑
Semiconductors	Ultra-clean stainless steel (CLEANSTAR®)	Semiconductor production equipment	↑↑
Clean energy	Electric arc furnaces with rotating drives (STARQ®)	High-efficiency electric melting furnace	↑
Aerospace	Aircraft jet engine shaft	Jet engines	↑
Medical	Medical titanium material	Advanced medical equipment	↑
Other	Next-generation sewage sludge carbonization system	Recycling of sewage sludge	Commercialization in 2026

Growth depiction of high-performance products

The Company is developing materials for next-generation mobility, such as high-performance magnets that do not contain any heavy rare earth elements and high-strength specialty steel for e-Axles, contributing to electrification and higher efficiency.

Sales of these CASE-related materials are expected to grow from 2030 onwards as the electrification of vehicles expands.

In the clean energy field, we are focusing on supplying products that support the energy transition toward achieving carbon neutrality by 2050.

Specifically, we are supplying materials for ITER (international thermonuclear experimental reactor), which is looking ahead to future nuclear fusion power generation, and we are developing hydrogen embrittlement resistance steel for hydrogen infrastructure and working towards registering it under ASTM standards. We also support the decarbonization of the steel industry by providing our own high-efficiency electric arc furnace, "STARQ®," and promoting energy conservation in steel scrap recycling. We expect these products to become one of the key pillars driving sales growth as the clean energy market expands in the future.