Growth strategy

Progress of the 2026 Medium-Term Management Plan

Progress of the profit plan for the 2026 Medium-Term Management Plan

[2026 Medium-Term Management Plan management policies]—Transition management—
We will view the coming changes in socioeconomic and industrial conditions as opportunities for business growth and transformation of our business portfolio and achieve sustainable profit growth in new business domains (customers, value proposition, and approach)

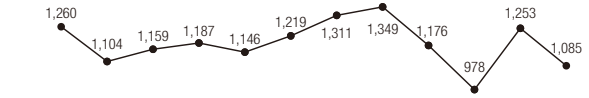
The first fiscal year of Daido Steel's 2026 Medium-Term Management Plan (three-year plan), which we announced in June 2024, has ended. The first fiscal year had a difficult start due to factors such as sluggish demand, and we have needed to reconfigure the plan starting from fiscal 2025 due to changes in the global economy, including the United States' tariff policies in particular. However, we are steadily taking action towards our goals for our "Vision for 2030," and we will continue to accelerate our initiatives for improving corporate value.

[Progress of the profit plan]

Daido Steel's fiscal 2024 results did not reach the first-year plan due to the slowdown in demand for Japanese automobiles and industrial equipment, particularly affecting the high-performance materials and magnetic materials segments.

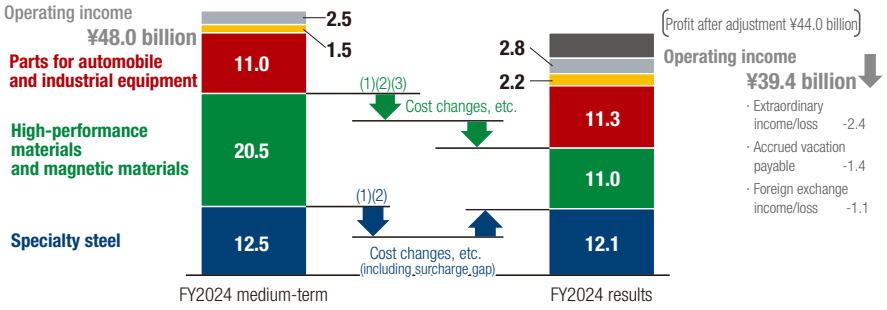
	2026 Medium-Term Management Plan	FY2024 results
Operating income	FY2024 ¥48.0 billion FY2026 ¥60.0 billion	¥39.4 billion
Return on equity (ROE)	9% or more (target for FY2026)	6.7%
D/E ratio	0.50	0.41
Shareholder returns (excluding extraordinary gains/losses)	30% or more	Dividend payout ratio 34.9% Total return ratio 64.9%

<Specialty steel sales volume (1,000 tons/year)>



<Operating income progress (Billions of yen)>

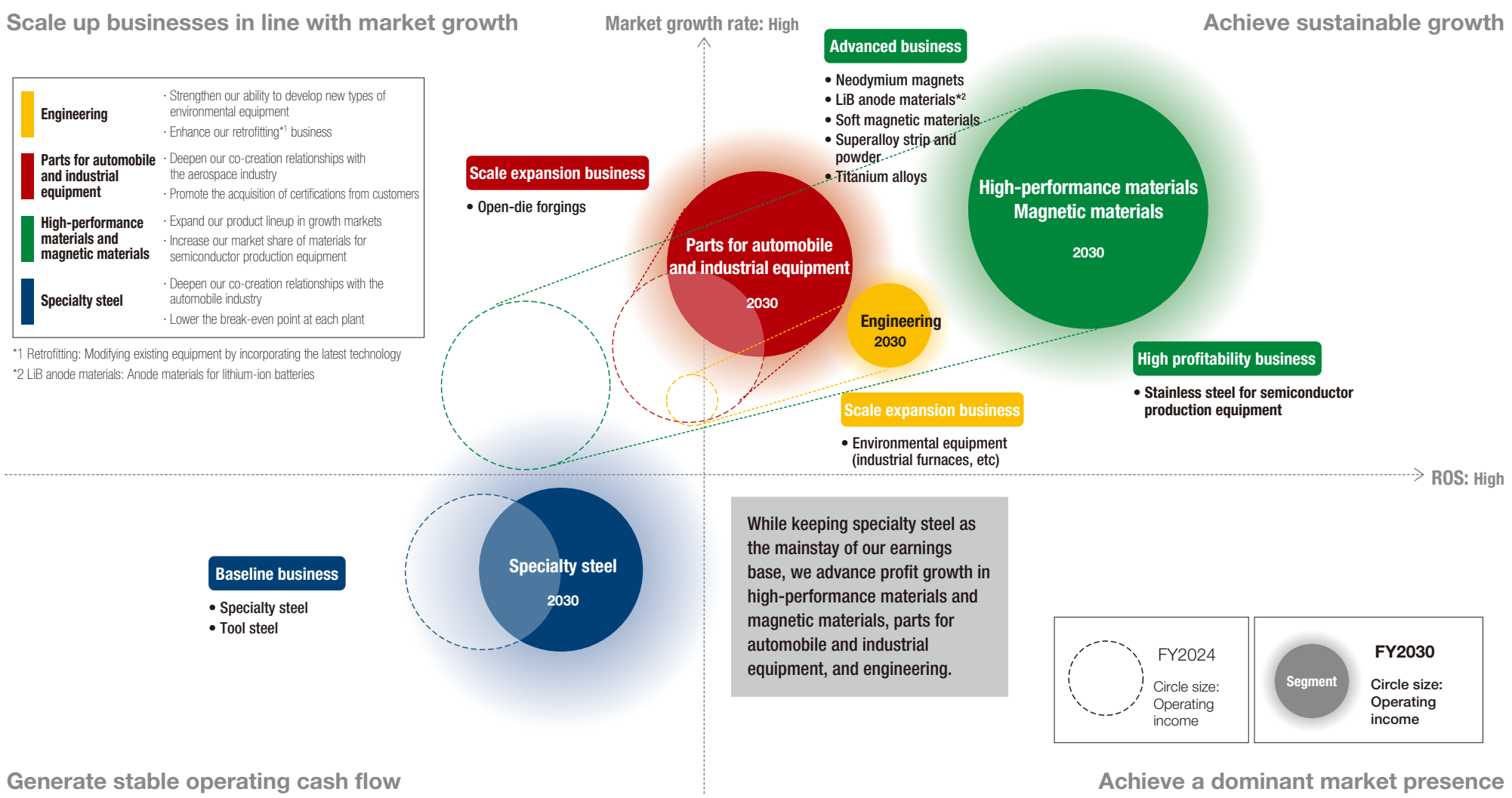
Medium-Term Management Plan (FY2024) →FY2024 results and the impact on operating income



		Specialty steel	High-performance materials Magnetic materials	Automotive parts Parts for industrial equipment
(1)	Slumping Japanese automobile sales (surge in new energy vehicles and strengthened electric vehicle competitiveness in China)	High impact	High impact	Low impact
(2)	Slowdown in demand for domestic industrial equipment (progression of manufacturing in China)	Medium impact	High impact	—
(3)	Delayed recovery in machine, electronic, semiconductor	—	Medium impact	—

Progress of the 2026 Medium-Term Management Plan

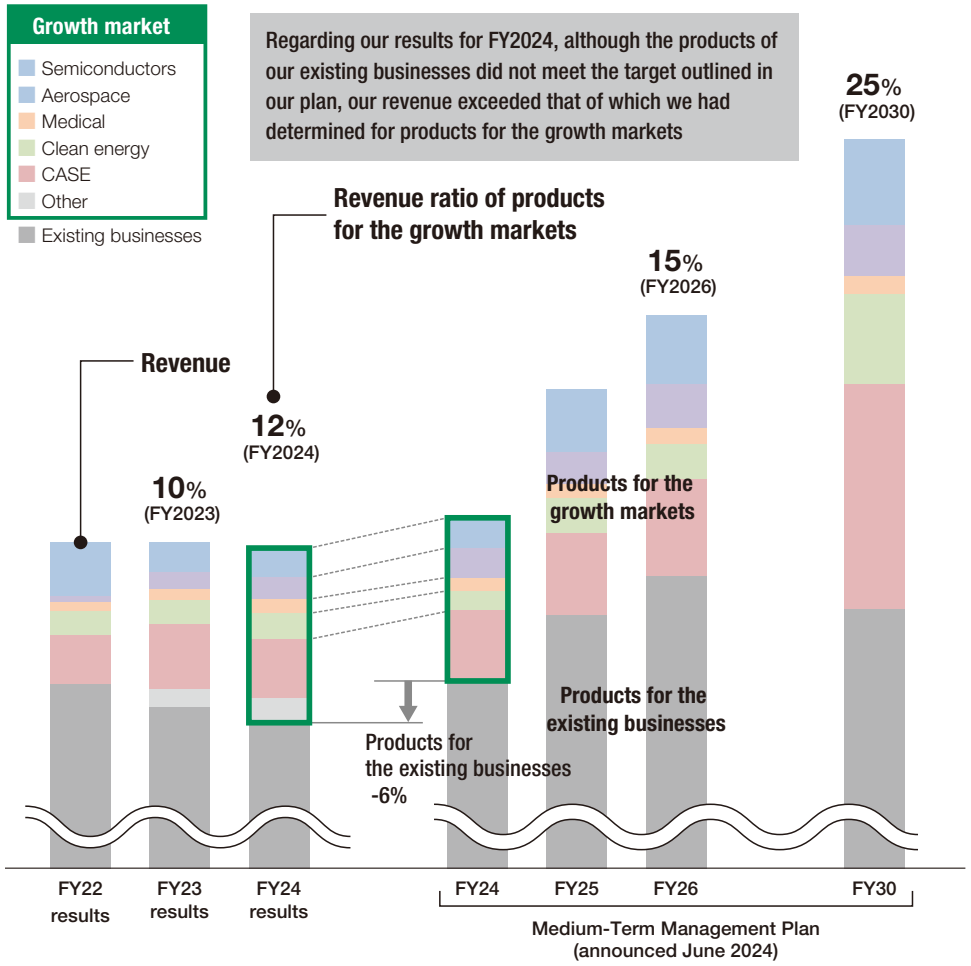
Transforming business portfolio [Our "Vision for 2030"]



Progress of the 2026 Medium-Term Management Plan

Growth market product expansion

Revenue ratio of products for the growth markets (consolidated)



[Overview of activities by each growth market in FY2024]

Semiconductors	Installed vacuum arc remelting furnaces (VAR) with an eye to the recovery in demand for materials for semiconductor production equipment from FY2025 Increased transactions with new overseas customers through technology that develops and assesses steel
Aerospace	Smooth growth in open-die forgings for aircraft
Medical	Smooth growth in titanium products for medical use Developed the manufacturing technology for and launched the low modulus titanium alloy for medical use "Ti-15Mo"
Clean energy	Steady growth in low energy products such as STARQ® (electric arc furnace with rotating drive) Promotion of initiatives for the adoption of materials for small module reactors (SMRs)
CASE	Steady growth in the demand for soft magnetic powder for reactors Construction of a manufacturing line for the expansion of magnets used in motors in electric vehicles is underway

Product groups responsible for future growth

Aircraft jet engine shaft

- Acquired approval for manufacturing from the world's major aircraft engine manufacturers
- Approx. 25% of global market share in engines for passenger aircraft of 100 seats or more

Gas turbine parts

- Approx. 30% of global market share in mid- to large-sized turbines

Ship engine valves

- Approx. 80% of global market share in valves for mid- to large-sized ships

Components for oil and gas drilling equipment

- Promoting acquisition of certification as an OEM of drilling equipment

Materials for semiconductor production equipment

- Stainless steel for semiconductor production equipment
  Approx. 40% of global market share in bars and wire rods

Titanium alloys and magnets

Medical titanium

- Low modulus titanium alloy for medical use "Ti-15Mo"
  Developed the manufacturing technology and launched the product

Hot-deformed magnet

- Completely free of heavy rare earths (Dy, Tb)

Specialty steel for e-Axles

- e-Axle gear reducer gears

Progress of the 2026 Medium-Term Management Plan

Progress of the action plan for the 2026 Medium-Term Management Plan (Transforming business portfolio)

Amid falling sales volumes in the structural steel on which Daido Steel was built, our medium- to long-term initiatives for capturing the demand in growth markets are progressing according to plan.

Business segment/ Major products		Basic strategy (Taking advantage of our strengths)	Action plan	Progress in FY2024
Specialty steel	Structural steel Bearing steel Tool steel	· Deepen our co-creation relationships with the automobile industry · Expedite responses to changes in customer needs (Increase market share) · Maximize the production efficiency of Chita Plant (Lower the break-even point)	· Improve labor productivity and ensure adequate margins · Develop a new type of steel for e-Axle · Invest in energy conservation and promote DX activities (Improve productivity and lower the break-even point) · Promote the advantages of electric arc furnace steel in reducing CO_2 (CFP calculation)	· Amid slumping sales volume, promoted cost reductions and improved pricing, and recorded profits equivalent to the 2026 Medium-Term Management Plan · Sales and development divisions worked together to promote initiatives for capturing the demand for steel for e-Axles
High-performance materials and magnetic materials	Neodymium magnets LiB anode materials Soft magnetic materials	· Expand product lineup in growth markets · Keep reforming manufacturing processes for products for the growth markets · Build a quality management system for new products · Strengthen the supply chain from raw materials to finished products · Enhance the R&D system · Acquire organizational capabilities to accelerate commercialization of new products and technologies	· Develop magnets with special magnetic field orientations for xEV traction motors · Promote commercialization of LiB anode materials	· Constructing a manufacturing line for magnets used in motors in electric vehicles · At the Advanced Magnetic Materials Development Center, promoted the development of magnets, aiming for performance above that of heavy rare earth-free and high-performance sintering magnets
	Superalloy strips Superalloy powder High-performance alloy powder Titanium alloys		· Reform manufacturing technology for steel for superalloy strips · Increase manufacturing capabilities for superalloy powder products (Develop original manufacturing technology) · Expand the supply capacity for titanium alloys for medical use · Develop powder manufacturing technology for special materials	· Considering enhancement of melt atomization manufacturing capacity to handle increased medium- to long-term demand for reactor powder and superalloy powder · Developed the manufacturing technology for and launched the low modulus titanium alloy for medical use "Ti-15Mo" · Introducing two VARs for titanium at the Chita Second Plant
	Stainless steel Bars and wires	· Reform stainless steel manufacturing process for hydrogen infrastructure · Increase market share of stainless steel for semiconductor production equipment -Expand product lineup for semiconductor production equipment -Reorganize the stainless steel value chain for semiconductor production equipment	· Increase sales of hydrogen embrittlement resistant stainless steel · Enhance manufacturing capacity of stainless steel for semiconductor production equipment (production allocation, etc)	· Promoted development of hydrogen embrittlement resistant stainless steel · Introduced two VARs at the Chita Second Plant to capture the increasing demand for stainless steel for semiconductor production equipment and for superalloy
Parts for automobile and industrial equipment	Open-die forgings	· Deepen our co-creation relationships with aerospace customers · Promote the acquisition of customer certifications in industries like aerospace, oil & gas drilling, nuclear power generation, hydrogen infrastructure, etc.	· Implement fundamental reforms of production processes (i.e., Superalloy Manufacturing Process Transformation Project) · Reorganize overseas sales locations	· The Superalloy Manufacturing Process Transformation Project is proceeding as planned · Promoted acquisition of certification as an OEM of drilling equipment · Currently, a temporary slowdown in drilling and aircraft (inventory adjustment) · Promoted activities to increase sales, looking ahead to FY2026 and beyond
Engineering	Environmental equipment	· Strengthen the ability to develop new types of environmental equipment (products for the growth markets) · Expand our retrofit business · Increase and improve overseas sales locations	· Develop CN and CE products (e.g., improve the energy efficiency of electric arc furnaces with rotating drives)	· 2024 supplementary budget: 12 products eligible for energy-saving investment promotion subsidy · Received orders for the completely carbon-neutral electrified vacuum heat-treatment furnace (continuous vacuum annealing furnaces) · Set up Overseas Market Development Section. Attracting demand from overseas markets

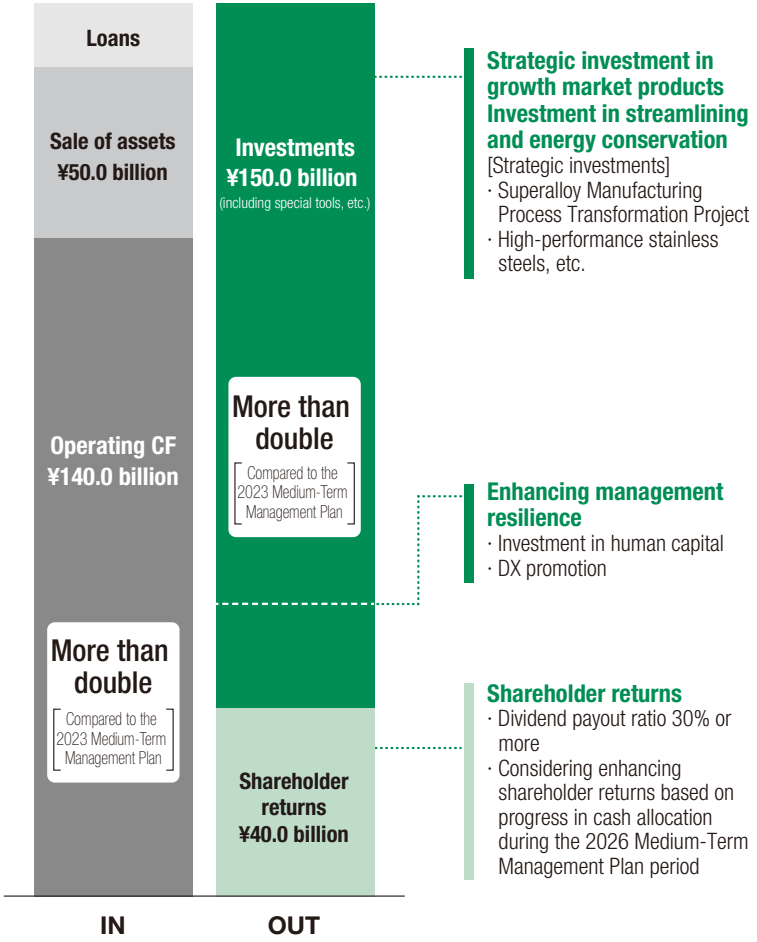
CFP: Carbon footprint, Retrofitting: Modifying existing equipment by incorporating the latest technology, CN: Carbon neutral, CE: Circular economy, LiB anode materials: Anode materials for lithium-ion batteries, VAR: Vacuum arc remelting furnace

Progress of the 2026 Medium-Term Management Plan

Financial strategy: Cash allocation status

2026 Medium-Term Management Plan (IFRS)

Note: 3-year cumulative



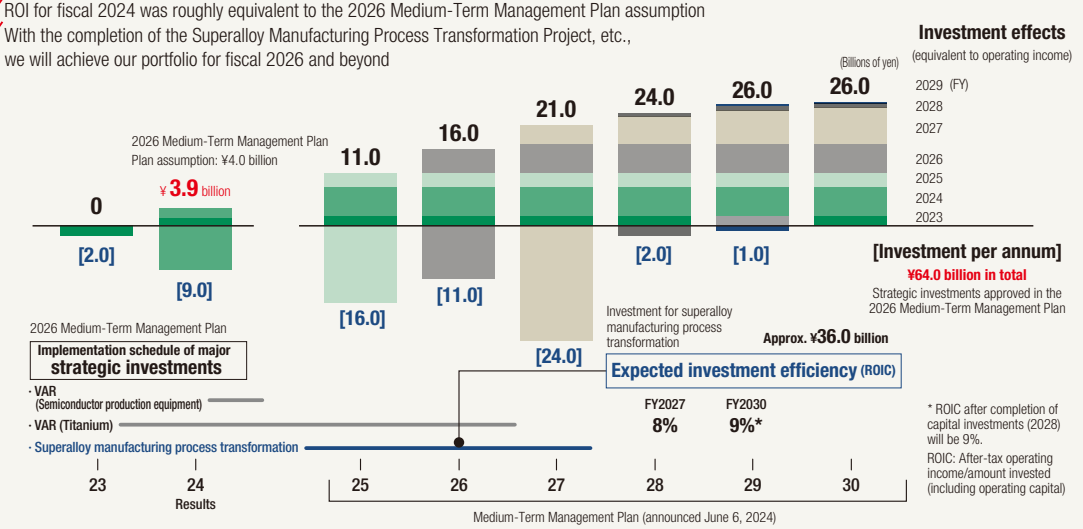
Strategic investment in growth market products
Investment in streamlining and energy conservation
[Strategic investments]
- Superalloy Manufacturing Process Transformation Project
- High-performance stainless steels, etc.

Enhancing management resilience
- Investment in human capital
- DX promotion

Shareholder returns
- Dividend payout ratio 30% or more
- Considering enhancing shareholder returns based on progress in cash allocation during the 2026 Medium-Term Management Plan period

Profit increase effect of strategic investments (Progress)

☑ ROI for fiscal 2024 was roughly equivalent to the 2026 Medium-Term Management Plan assumption
☑ With the completion of the Superalloy Manufacturing Process Transformation Project, etc., we will achieve our portfolio for fiscal 2026 and beyond



Acquisition of shares of Nippon Koshuha Steel Co., Ltd. (Planned for February 2, 2026)

Nippon Koshuha Steel Co., Ltd.

- **Net sales from specialty steel business:** ¥28.0 billion
- **Sales volume:** 50,000 tons

<Toyama Works: Main equipment>
- **Steelmaking:** 40- and 10-ton electric arc furnaces, 2- and 0.3-ton vacuum induction furnaces
  7- and 3-ton vacuum arc remelting (VAR) furnaces
- **Forging:** 3,000- and 1,500-ton high-speed oil-hydraulic presses
- **Rolling:** Ingot casting facility (double shifting reverse mill)/ Medium and small-sized rolling mills with diameters of ϕ124–ϕ13
  Wire rod block mill with a diameter of ϕ12.5–ϕ5.5

Goals (Synergistic effects)

(1) Reduce costs, increase production volume, and curb overlapping investments through optimization of production allocation and production layout
(2) Increase our presence and expand sales by capitalizing on the Daido Steel Group's far-reaching domestic and international networks
(3) Optimize resources and integrate distribution functions by sharing and centralizing each function

Progress of the 2026 Medium-Term Management Plan

Initiatives to improve PBR

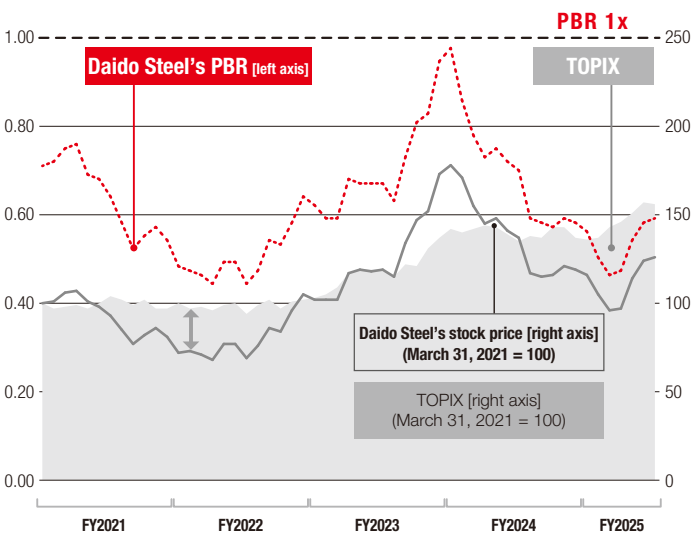
In the 2026 Medium-Term Management Plan, Daido Steel has stated that we are working to improve PBR by improving the three indicators: ROE, PER, and shareholder returns.

In fiscal 2024, the first year of the plan, specialty steel sales volume remained at a low level, so ROE ended low at 6.7%. However, by moving quickly to buy back our own shares, our total return ratio was 64.9%.

We aim to improve our corporate value in the stock market by enhancing our release of information and stabilizing shareholder returns, in addition to implementing the three basic action policies in the Medium-Term Management Plan.

Improvement target for indicator	Improvement measures	Progress of measures
ROE of 9% or more	· Transforming business P/F · Enhancing management resilience	Although initiatives for growth market product expansion are mostly progressing according to plan, sales of other existing products are slow compared with the Medium-Term Management Plan. (Planning to revise the 2026 Medium-Term Management Plan)
Improving PER	Enhancing release of information	The number of meetings with investors has increased substantially compared with the previous year. We are strengthening dialogue and information transmission through events such as business briefings.
	ESG promotion activities	The promotion of CO_2 reduction is proceeding according to plan. Consideration of green steel is moving forward as well. We are also starting to take action on social (human rights and human capital, etc.) and governance (reducing cross-shareholdings, etc.) issues as planned.
Shareholder returns of 30% or more	Stabilizing shareholder returns	In fiscal 2024, the total return ratio, including the buyback of our own shares, was 64.9%, and the level of shareholder returns has exceeded policies of the Medium-Term Management Plan.

Changes in our stock price and PBR



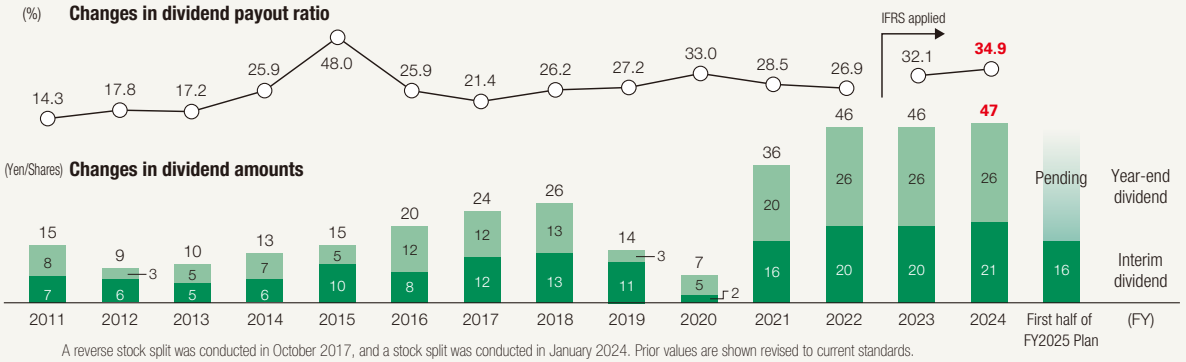
Changes in shareholder returns and dividend amounts

[Policies on shareholder returns in the 2026 Medium-Term Management Plan]

- On the premise of stable returns, we are targeting a consolidated dividend payout ratio of 30% or more.
- Considering enhancing shareholder returns based on progress in cash allocation during the 2026 Medium-Term Management Plan period

Status of the most recent buyback of our own shares

	2024/11/28	2025/7/29
Total number of shares acquired (percentage of number of issued shares)	7,398,000 shares (3.4%)	6,041,000 shares (2.8%)
Total acquisition value of shares	¥8.5 billion	¥6.6 billion



A reverse stock split was conducted in October 2017, and a stock split was conducted in January 2024. Prior values are shown revised to current standards.

Special feature: Transforming business portfolio

Superalloy Manufacturing Process Transformation Project

Leaping into areas of high value-added products and building new manufacturing systems for support

Until now, a large portion of Daido Steel's sales have been automotive-related, but as the demand for specialty steel products declines in the medium- to long-term with the progressive shift to electric vehicles, costs such as electricity, logistics, and labor are trending upwards, we face the challenge of the difficulty of ensuring stable growth under the existing revenue model. With this understanding, we rank maintaining and strengthening our competitiveness and improving cost-competitiveness as the most important issues, and we are working to upgrade our products and production processes. In particular, we are promoting the transformation of our business portfolio from its focus on the specialty steel segment to high-growth fields such as high-performance materials and magnetic materials, parts for automobile and industrial equipment, and superalloy products especially are the area of strategic investment that will play a key role.

The Superalloy Manufacturing Process Transformation Project is an extremely important initiative aimed at qualitatively changing our revenue structure by establishing manufacturing processes that are optimized for the new business portfolio and increasing the productivity of high value-added products through a drastic review of production allocation. In addition, we are working to strengthen our competitiveness even more by using this project to establish the manufacturing technology for large superalloy bars and overhaul our systems so we can address even the market needs that have been difficult to respond to up to now. Furthermore, as shown in the graph on the right, in worldwide high-growth industries such as aerospace, nuclear power generation, and hydrogen infrastructure, the vigorous demand for superalloy materials that have better resistance to heat and corrosion, will be a major opportunity for us. Through this project, our goals include setting our sights on acquiring Prime Certification* in large-sized rotating parts for aircraft engines, and we will expand our customer base and increase our market presence in these fast-growing fields.

* A system in which engine manufacturers evaluate our manufacturing technology and quality control systems and certify us as a supplier

Daido Steel's superalloy

Alloys with a high ratio of nickel and chromium are called superalloys. Compared with stainless steel, superalloys are superior in properties such as heat resistance, corrosion resistance, and magnetism, and are used in a wide range of applications including aircraft, automobiles, ships, electric power, and petrochemistry. Daido Steel's superalloys are produced through an integrated manufacturing system, from melting to secondary processing, and provide steel bars, wire rods, strips, and forged parts.

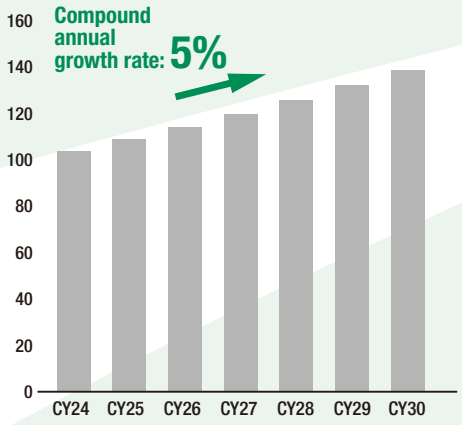
Scale of investment

Total investment	¥36.0 billion
Total project period (starting in 2024)	4 years (to be completed in 2027)

Expected effects

Operating income (effect after completion)	+¥5 billion or more
Investment ROIC (post-completion level)	9 %

[Demand forecast for superalloy bars]



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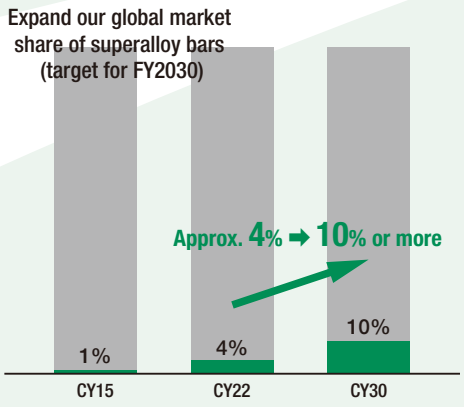
Demand for superalloy bar is expected to grow at CAGR 5%, due to increased demand for aircraft parts applications.

[Daido Steel's market share of superalloy bars]



We are promoting the acquisition of Prime Certification of nickel-based alloys for large-sized rotating parts for aircraft engines and making efforts to gain the widespread approval of customers concerned with the parts used for drills utilized at oil and gas wells in order to become a key superalloy supplier in Asia.

Transforming the manufacturing process to provide a stable supply and keep up with growth markets

Technological capabilities to support a stable supply of critical commodities

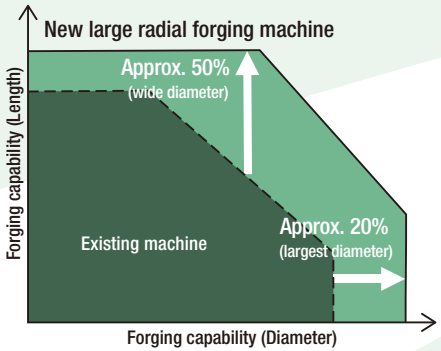
One of the reasons Daido Steel is making a ¥36.0 billion strategic investment in strengthening our domestic manufacturing infrastructure, focusing on the Shibukawa Plant, is to meet customers' expectation that we will provide a stable supply of products over the long term. We are establishing a manufacturing system to meet the demand for growth market products related to energy and semiconductor production equipment, centered on critical components of aircraft engines.

In particular, the main components of aircraft, which are used in both domestic and international logistics and travel, are positioned as specific critical commodities, and they are essential in ensuring the normal and safe operation of aircraft. For many years, Daido Steel has been cultivating special melting and refining technologies in the production of aircraft jet engine shafts, and we have received approval from the Ministry of Economy, Trade and Industry for our Plans for Ensuring a Stable Supply under the Economic Security Promotion Act. We will be responsible for ensuring a stable supply of aircraft parts in Japan as a critical process in the supply chain of large-sized die-forged parts for aircraft.

Targeted manufacturing capabilities

Manufacturable dimensions	Product diameter	Approx. 20% larger
	Product length	Approx. 50% longer
Production capacity	Output	Approx. 100% more (roughly double)
	Lead time	Approx. 10% shorter

[Expansion of the range of manufacturable dimensions]



Strive to gain the widespread approval of customers involved in aircraft parts, as well as those concerned with the parts used for drills utilized at oil and gas wells.

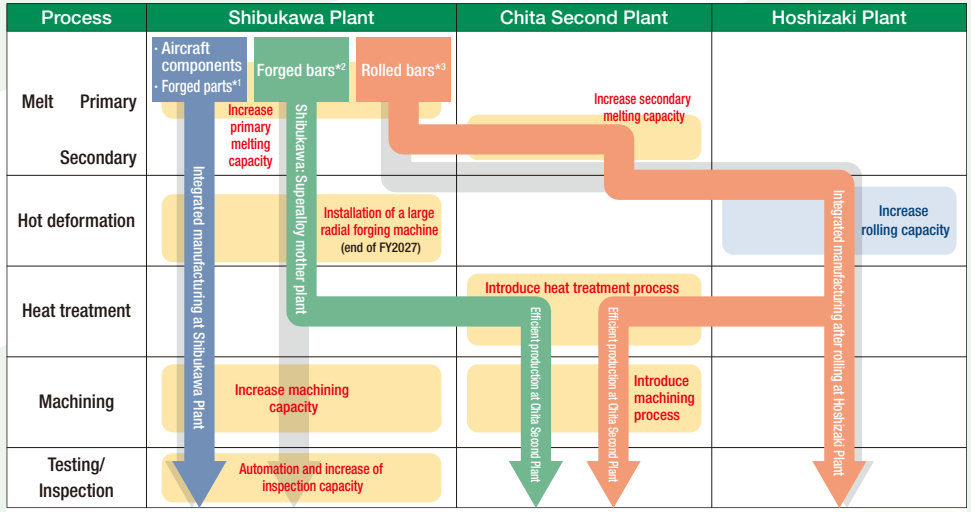
Manufacturing capabilities upgrade

Currently, our Shibukawa Plant is carrying out integrated manufacturing from upstream (melting, forging) to downstream (heat treatment, machining, inspection), but with this project, we are working to build the optimal manufacturing system for each product.

Specifically, the Shibukawa Plant will continue with the integrated manufacturing of the aircraft engine components for which we acquired Prime Certification, while the installation of a large radial forging machine will expand the range of dimensions manufacturable. Meanwhile, some downstream manufacturing processes of superalloys for tool steel and oil and gas drilling will be transferred to the Chita Second Plant. Furthermore, to expand the dimensions of hot rolled superalloy bars, operations such as quality control and customer response will be transferred to the Hoshizaki Plant, the main location of rolling processes.

These initiatives will upgrade our superalloy manufacturing capabilities, broaden our product range, and lead to sales channel expansion as well.

Superalloy manufacturing processes



Completing the project that will secure the Company's future prosperity and realizing the transformation of our business portfolio

Koki Morita
Executive Officer
Assistant General Manager, Production Division
Superalloy Manufacturing Process Transformation Project Leader

The Superalloy Manufacturing Process Transformation Project is a project that is evolving our superalloy manufacturing processes and increasing our manufacturing capital in order to generate the high-performance materials that will support the future new social infrastructure. To achieve this, we are aiming to transform our business portfolio, which is the top priority in our 2026 Medium-Term Management Plan, and this includes creating product groups that are used in high-growth-rate markets such as aircraft, oil and gas drilling, and semiconductor production.

For aircraft parts, which are the main target, we need to acquire Prime Certification, and the hurdles for that are high. However, acquiring Prime Certification will increase the Company's brand strength and help us to earn the trust of our customers. Our efforts are currently focused on establishing technologies for acquiring Prime Certification. Overall, we are progressing smoothly toward this goal as, even when faced with technological issues, we have an established system that allows prime manufacturers, Tier 1, and Daido Steel to collaborate and engage in discussions that result in prompt resolutions.

Status of certification acquisition

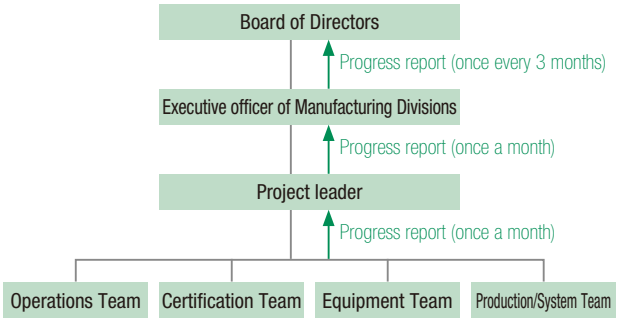
- **Nickel-based alloys for large-sized rotating parts for aircraft engines: Target for FY2030**
- **Energy-related certification: During the period of the 2026 Medium-Term Management Plan (certification progress brought forward to FY2024, currently around the halfway point)**

This project began in 2023, and I have been serving as Project Leader since 2024. My mission is to smoothly and promptly arrange for the equipment to enlarge products and increase production, and to steadily launch product lines that respond to increasing demand. Upon completion, the three plants will link each process and build the products.

As the project has proceeded, we have faced many difficulties and complications. Although the plants are all part of Daido Steel, each handles different products and each has its own unique mechanisms and culture. Holding discussions with members of such diverse backgrounds and carrying the project through towards the single objective of supporting the future social infrastructure was extremely challenging. Through the knowledge and cooperation of all the divisions involved and the perseverance of the members, I truly feel that we are making steady progress.

As for myself personally, I have a strong attachment to this project. We are not just expanding the business—we are contributing to society, and I want it to grow into a business that employees can be proud of. The evolution of superalloy manufacturing processes is truly at the heart of the realization of the Daido Steel's vision. I am doing all I can to guide this project to success.

[Superalloy Manufacturing Process Transformation Project organization chart]



Project members: 34 (over 80 when combined with those holding additional posts)

Project Leader Morita surrounded by the leaders of each team

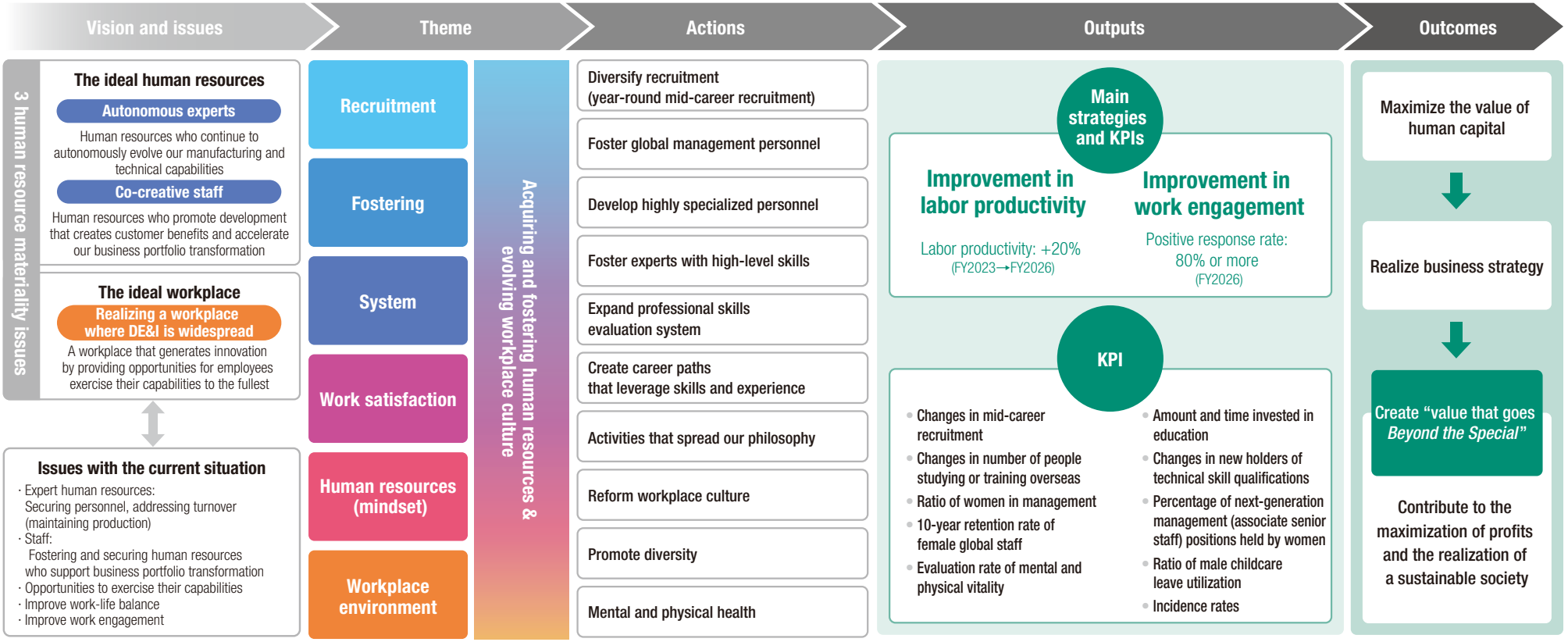
As of June 2025

Human capital strategy

In the 2026 Medium-Term Management Plan, Daido Steel has set "advancing ESG management" as our ESG strategy. We have identified the material issues for each of "E," "S," and "G," and are promoting initiatives to solve those issues. In our human capital strategy, we have set three human resource materiality issues (acquisition of autonomous experts, acquisition of co-creative staff, and realization of a workplace where DE&I is widespread) to realize the development of human resources who embody our Management Philosophy and Conduct Guidelines and the promotion of DE&I.

Sustainability basic policy and materiality identification process ▶ P.50

In order to make these visions a reality, we are analyzing the gap between them and the current situation, and are planning and implementing actions to improve the situation. In particular, in achieving the ideal workplace we are aiming for, from fiscal 2024 we established the Human Capital Working Group and are promoting interdivisional activities. By improving labor productivity and engagement, we will enhance management resilience, complete our business portfolio transformation, and realize a human capital strategy that supports long-term business growth.



Message on human capital strategy

Takaaki Taketsuru
Managing Executive Officer in charge of the Personnel Department

A human capital strategy to create a future that supports business transition

Looking toward carbon neutrality in 2050, Daido Steel set "We will pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society" as our "Vision for 2030." To realize this vision, we must work on expanding sales in growth markets that make the most of our strengths and move forward with our business transition. Enhancing management resilience is essential to steadily carry out this business transition. In particular, we have established three human resource materiality issues, which are acquisition of autonomous experts, acquisition of co-creative staff, and realization of a workplace where DE&I is widespread, and we are striving to evolve the development, co-creation, and manufacturing and technology capabilities that make up our core competency.

Fostering personnel who will go after the global market

Daido Steel's existing businesses are supported by the demand for automotive-related specialty steel, and the markets are mainly in Japan. Meanwhile, the growth markets that we are aiming for going forward are global, and overseas markets will be our targets to win more orders and increase market share. In the business divisions that handle open-die forging products such as aircraft components, we have been seeing some success from proactively fostering personnel who are able to thrive in the global market. For example, for over ten years now, we have been making progress in fostering employees of diverse citizenships and personnel who have studied abroad, which has enabled us to open up overseas markets with different business practices and build relationships with new customers. Because the main target of the business transition we are currently undergoing is the global market, I believe that we will need to roll out the personnel fostering model of the business divisions that

The 3 materiality issues

1. Acquisition of autonomous experts (recruitment and fostering)	2. Acquisition of co-creative staff (recruitment and fostering)	3. Realizing a workplace where DE&I is widespread
Continuing to autonomously evolve manufacturing capabilities/technological capabilities	Promoting development that creates customer benefits and accelerating in business portfolio transformation	Generating innovation by providing opportunities for employees to fully exercise their capabilities

Human capital strategy

handle open-die forging products, etc. company-wide in order to continuously foster and increase human resources who can thrive globally as well as in Japan.

Starting from their third year after joining the company, employees may independently apply to study or train overseas, and mid-level employees may be deployed to overseas universities or research institutes on the recommendation of their business division. The Company is currently working to improve the systems that provide these and other opportunities for employees to accumulate overseas experience. Through these systems, employees who have gained overseas experience or actually been posted overseas will grow as personnel with not only foreign language skills but a global perspective that can adapt to different cultures. Going forward, in matters of promoting business transition, it is essential that we increase the number of personnel who possess a global perspective, and we will continue to provide opportunities for motivated staff to gain international business experience. For such initiatives to achieve some success in the organization, we must continue to rotate personnel. I believe that continuously fostering employees who can take on the global market, an action which will lead internationalization within the Company, will revitalize the entire organization of Daido Steel.

Traditionally, Daido Steel's overseas studies have not imposed any special restraints on themes or destinations if they were related to our businesses. In addition to business schools and doctoral programs in Japan and abroad, the Company has also deployed employees to venture companies that are far removed from our business in order to foster personnel who can create value from zero and develop a business quickly. We hope that employees who have accumulated diverse experiences through a variety of measures will engage in our business transition and bring new value to the whole company.

New possibilities generated by internal collaboration

Until now, the personnel at the Company who support manufacturing have inherited our manufacturing DNA through activities such as self-management activities, TPM activities, and DMK (Daido Monozukuri Kaikaku) activities. The plants handle products which, although made from the same specialty steel, differed in size and functions, and they have their own unique manufacturing cultures, so we have conducted our business activities in a way that leveraged the strengths of each plant. During collaborations between plants with their own manufacturing cultures, there were probably times when they were bewildered. However, project teams that form the core of activities related to the optimization of production allocation, associated with the Superalloy Manufacturing Process Transformation Project, have been launched and will encourage mutual understanding. Among these activities, as we reskill expert employees, transplant manufacturing technologies, and rebuild the manufacturing quality control system, we are simultaneously working to amalgamate these manufacturing cultures, such as strengthening collaboration between plants and increasing exchanges of technologies and personnel. For each employee involved in strengthening these internal collaborations, this will also be a chance for them to really feel that their own work is supporting the business transition, which will become an important opportunity to increase a sense of unity in the entire organization. Going forward, I hope that, by encouraging all employees to think "I can do that too" and "I want to try that too", promoting proactive exchanges between people from different divisions and other departments, and increasing the expertise of each employee so that said skills can be leveraged in fields where future growth is expected, we will open up new possibilities in the Company's business.

Aiming to improve employee engagement

Daido Steel is developing an environment in which employees can work enthusiastically, and we are aiming to establish a virtuous circle in which each employee grows autonomously, and that growth is directly linked to the development of our business. From various internal questionnaires, including the engagement survey, we understand that there are issues with employees' work-life balance and work satisfaction. When resolving these issues, in addition to the ongoing proactive improvements to the workplace environment, we are working to spread our management philosophy and conduct guidelines, reform workplace culture, promote active roles for women, support the balance between childcare or caregiving and work, and promote health and productivity management. By enabling each employee to exercise their capabilities with peace of mind and increasing their autonomous growth and their work satisfaction, we will achieve sustainable growth for the Company.

Acquisition and fostering of autonomous experts and co-creative staff

Recruitment Fostering System

Diversifying recruitment methods Recruitment

With the increasing mobility of human resources, Daido Steel is working to secure the personnel needed for the Company's future operations, so we have reviewed our policy of restricting hiring to new graduates in bulk, and switched to a policy of year-round recruitment that includes mid-career hires, which reached 40% of the total number of people hired in fiscal 2024. In particular, the recruitment of foreign nationals and mid-career employees has had an enormous impact as a way to acquire the various kinds of professionals, such as DX personnel, that are called for in our business strategy, and get them into the workforce at an early stage. We will expand this policy going forward.

We have also opened our recruitment doors wider for expert personnel, and we are working to secure diverse human resources, with women, for example, accounting for 12% of expert new graduate employees in fiscal 2024.

Experts (Daido Steel Technical Training School) Fostering

Daido Steel has a technical training school so that we can continue to foster the personnel who support our workplaces. The technical school has a history of over 80 years, and it provides a one-year program for new employees that have just graduated from high school. The students start by preparing an adult frame of mind and living together communally in the dormitory, and over the course of a year, they acquire steel manufacturing and maintenance skills and knowledge, such as electrical and mechanical maintenance, that they will need at each workplace. Going forward, we will continue to support our manufacturing sites from the ground up through the school's education.

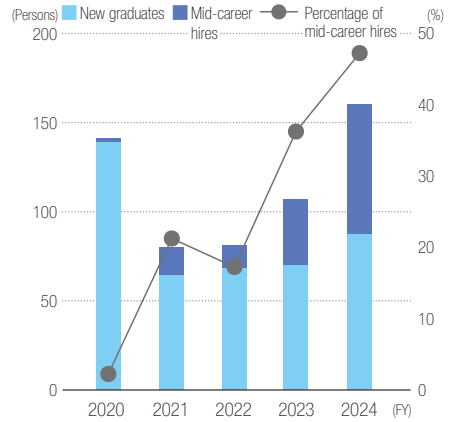
Diversifying overseas study deployments Fostering

For many years, Daido Steel has continued to deploy employees to overseas sites for training and to study at universities and research institutes both in Japan and overseas for studies on the theme of materials research. Moreover, in recent years we have been working to foster diverse personnel who will contribute to future business growth, such as deploying them to study data science abroad. We will strive to increase opportunities for our staff to grow by fostering an understanding of different cultures and an ability to think flexibly.

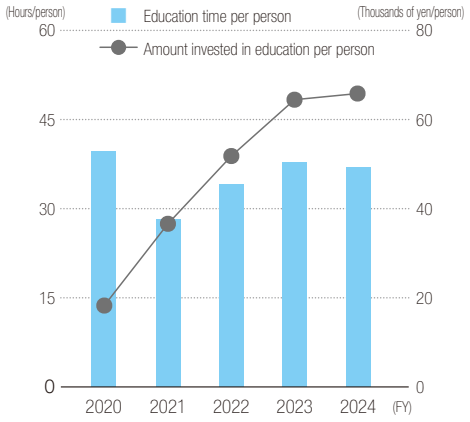
Upgrading required quality-related qualifications System

Daido Steel is transforming its portfolio to high value-added products, and quality control is an essential component in ensuring the safety and reliability of production. As part of the enhancement of this system, we have upgraded the allowance for required qualifications paid to those who hold some important quality qualifications in order to renew awareness of the importance of quality control and evaluate employees' efforts and contributions. Going forward, we will encourage employees to obtain qualifications, while also improve the system that both continually supports their acquisition of the qualifications and skills vital to business growth, as well as evaluates their efforts.

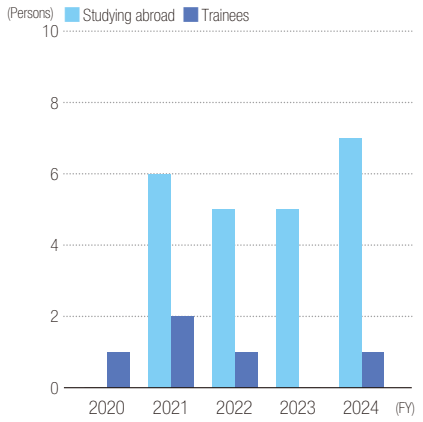
[Changes in new graduates and mid-career hires]



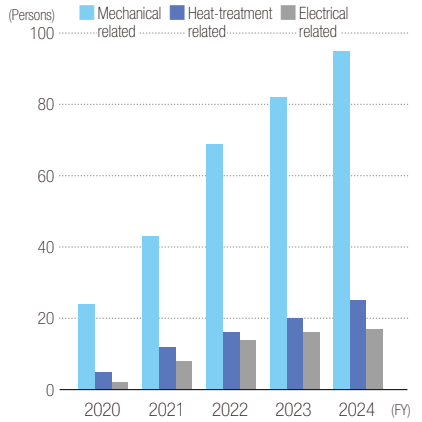
[Amount and time invested in education per employee]



[Changes in number of people studying or training overseas]



[Changes in new holders of technical skill qualifications]



Communication with employees

Work satisfaction | Human resources | Workplace environment

Improve work engagement

Main strategies and KPIs (2026) Positive response rate **80% or more**

Daido Steel's has been working to improve employee engagement for many years, and we have conducted questionnaires such as work satisfaction surveys, 360-degree surveys, and compliance awareness surveys in order to understand present conditions and measure effectiveness. In fiscal 2024, we conducted a new engagement survey, and the result was a positive response rate of 78.5%.

In individual surveys conducted at the same time, a trend of emphasizing "work-life balance," "compensation and benefits," and "industry presence" was observed, and high degree of satisfaction was seen in "compensation and benefits" and "industry presence."

On the other hand, the degree of satisfaction with "work-life balance" tended to be low, and among employees in their twenties and thirties and female employees, it was lower compared with other employees. Based on these results, in fiscal 2025 we are promoting work-life balance improvement activities, and we will be working towards an engagement positive response rate of 80% or more.

[Results of engagement survey]

Question: How likely are you to recommend working at this company to close friends, acquaintances, or family members?
Response rate: Employees 93.2%
Result: Positive response rate 78.5%

Activities that spread our philosophy

Activities that spread our management philosophy and code of conduct, etc.

Daido Steel's corporate philosophy structure, called the "Daido Steel Way," summarizes its vision and the basis of its actions.

Corporate philosophy structure and business direction ▶ P. 7

In fiscal 2024, the Company created a video as a tool to deepen understanding of our purpose and mission. As for the Daido Steel Group Code of Conduct, we are also proceeding with activities to spread awareness and understanding throughout the Group companies, such as working to localize the Code of Conduct Guidebook in multiple languages.

The Code of Conduct Guidebook can be viewed at this URL.
https://www.daido.co.jp/common/pdf/pages/about/philosophy/guidebook_en.pdf

In the questionnaire conducted in fiscal 2024 for the purpose of understanding present conditions, it became obvious that young people in particular are worried about their own futures and that of the Company. Our analysis attributes the cause to the fact that we have not communicated the Company's purpose, mission, and management policies, etc., and that the transmission of information has been one-way only.

In fiscal 2025, we will create an opportunity for the President and employees in their thirties to engage in direct dialogue and two-way communication. This is so as to generate both a sense of reassurance and belonging in the Company and also improve awareness of the aim of to build a better company.

Reform workplace culture

The "Making a company that people look forward to working at every day" project, part II

With the slogan "Energizing our people! Energizing our workplaces!" targeting this project launched in-house training in fiscal 2024 using the appreciative inquiry method. The project targets 1,656 employees and is to be completed at the end of March 2027.

All the participating members will elicit the good points of the people and the organization through dialogues, and put together the "next new value (organizational culture)." In this process, the employees increase their trust in each other, and each of them is supporting the formation of an organization where they can feel work satisfaction.

Starting one-on-one meeting training

From fiscal 2025, we are conducting one-on-one meeting training for supervisors as an initiative to build relationships of trust between them and their subordinates. This training incorporates role-playing of one-on-one meeting methods that ensure psychological safety and points such as greetings and questions to understand the circumstances of subordinates, which supports improvement in the quality of the relationships between the supervisors and their subordinates.

Promotion of diversity

Work satisfaction | Human resources | Workplace environment

KPI (2030)

- Ratio of women in management: **4.4% or more**
- 10-year retention rate of female global staff: **80% or more**
- Percentage of next-generation management (associate senior staff) positions held by women: **17% or more**
- Ratio of male childcare leave utilization: **85% or more**

Promoting active roles for women

Global staff (working globally and responsible for overall operations, such as project planning and management operations)

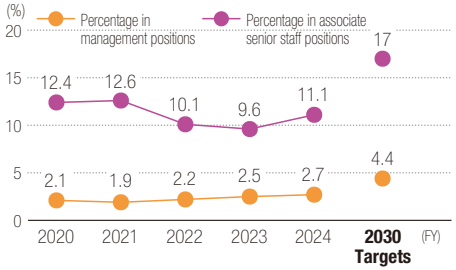
Focusing on female global staff in their twenties and thirties, Daido Steel has continued to conduct annual career consultations in order to find solutions to their concerns about life events and enable them to plan out their careers. In fiscal 2025, we set up new opportunities for employees who had experienced various life events to share their experiences with young colleagues. While developing an environment in which women can work with peace of mind for many years, we are also sending them to external training and networking events and further accelerating their individual career autonomy*.

* Individuals independently consider their career choices and objectives and take action themselves towards those goals.

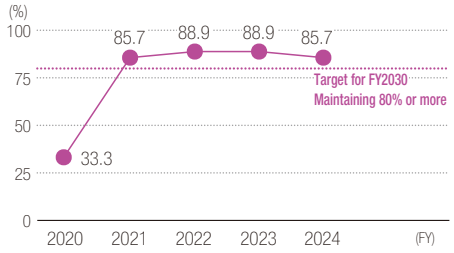
Area staff (in principle, working restricted to the local area and mainly responsible for fixed or support operations)

Since 2017, we have been selectively training area staff members with the goal of nurturing them as key persons supporting the workplace. As of now, 16 people have completed selective training and are active as role models, such as becoming core members of project and improvement teams in their respective workplaces.

[Changes in percentage of women in management and associate senior staff positions]



[10-year retention rate of female global staff*]



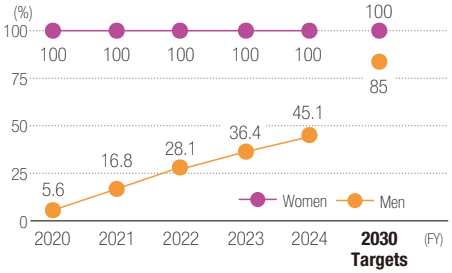
* Retention rate of people hired ten business years ago and in the business years around that time

Initiatives to support balance (support for childcare and caregiving)

From the "balance with childcare" perspective, we believe that it is important to have a workplace culture in which employees can take childcare leave with peace of mind. We are continuing initiatives to reform workplace culture while also providing education to supervisors. There is a growing trend of men taking childcare leave, and we are working to develop an environment where both men and women will easily be able to take childcare leave in the future.

From the "balance with caregiving" perspective, from fiscal 2025 we are introducing a consultation desk for individual consultation with an expert, and a Caregiving Concierge Service to help with preparations. Through individual consultation and seminars, we are finding solutions for concerns about caregiving and encouraging employees to make preparations, supporting them in balancing caregiving with their work.

[Ratio of childcare leave utilization by gender]



Creating work satisfaction

Daido Steel is conducting diversity management training for managers to create satisfaction for each employee. Managers learn how to manage in a way that allows employees to give their best performances and brings out the source of their vitality through a deep understanding of each individual's character and harmonious communication, leading to revitalization of the entire organization.

[Diversity management training]

Level	Objectives	Goals
For general managers	To increase diversity in their own departments and motivate and vitalize the organization	To realize management strategy
For section managers	To develop subordinates' strengths and motivate them	To grow and foster the organization
For next-generation management	To leverage their own strengths and understand their team members	To understand influence and the ability to get people involved

Health and productivity management initiatives

Work satisfaction | Human resources | Workplace environment

KPIs (2030) Percentage of people who work with mental and physical vitality: **50% or more**
Incidence rates: **55% or less**

The connection between our Health and Productivity Management Declaration and management policies

In order to achieve sustainable profit growth in new business domains by transforming business portfolio, which was set out by the Daido Steel Group in the management policies of our 2026 Medium-Term Management Plan, it is essential for employees to maintain sound minds and bodies and for us to provide a safe and secure workplace environment. Based on our Health and Productivity Management Declaration issued in 2016, we will be conducting ongoing initiatives that also take occupational safety and health into consideration.

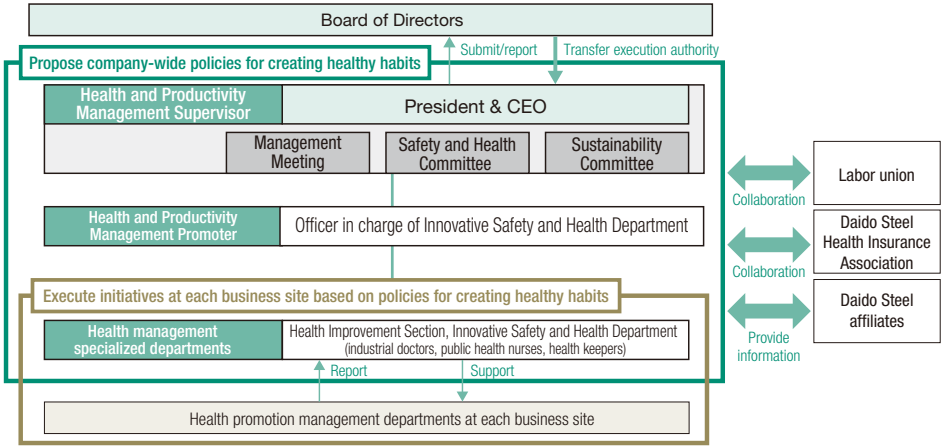
2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

Daido Steel Health and Productivity Management Declaration

Safety and health are the source of happiness, while human resources are the most valuable of a company's resources. Recognizing this, we will strive to make Daido Steel a company where employees work with vigor and motivation.

Tetsuya Shimizu President & CEO, Representative Executive Director

Promotion organization for health and productivity management

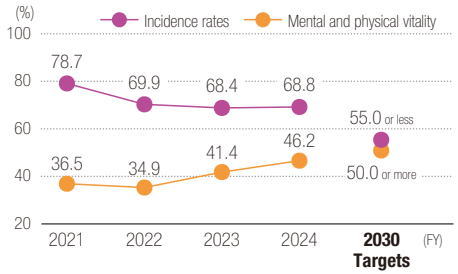


Headed by the President, health management specialized departments and the health promotion management departments at each business site collaborate to promote activities. The health and productivity management promotion policy is formulated by the Health Improvement Section, Innovative Safety and Health Department, which is a specialized department, after discussion with each business site, and it is decided at the Management Meeting. In addition, the Company collaborates with the labor union, the health insurance association, and employees' families in conducting an exchange of opinions, etc. about creating health habits, with the Health Improvement Section, Innovative Safety and Health Department playing a central role, and we also provide information to our affiliates.

KPIs measuring employees' motivation, health and productivity management strategies

To build an environment where employees work with vigor and motivation, as stated in our Health and Productivity Management Declaration, we have set the percentage of people who work with mental and physical vitality ("mental and physical vitality"*) and incidence rates as our KPIs.

* "Mental and physical vitality" are set as the items in the history taking during health check-ups, and the positive response percentage is calculated



Based on the results of the health and stress check-ups, we identify issues from the perspective of the "four pillars"; mental, physical (improvement in exercise and eating habits), disease and infectious disease prevention, and prevention of passive smoking. We verify the effectiveness of the measures we take while deploying measures that will help us to realize an environment where employees work with vigor and motivation.

<Issues and initiatives for realizing an environment where employees work with vigor and motivation>

Four pillars	Issues	Example of measures
Mental	Many people feel that communication is poor Many people cannot get enough rest from sleep	Workplace workshops by public health nurses One-on-one meetings with all employees after health check-ups
Physical Disease prevention	Risk of accidents involving falls due to low basic physical fitness Low awareness of improving eating and exercise habits	Walking events Individual Health Declaration activities
Prevention of passive smoking	High rate of smoking among young people	Non-smoking education

Promotion of DX (Accelerating Daido DX Activities, fostering DX personnel)

Daido Steel will accelerate the DX activities in the seven DX areas defined in the 2026 Medium-Term Management Plan, promote operational reforms and upgrades, and develop a system that supports the transformation of our business portfolio and the enhancement of our management resilience.

Launch of DX Promotion Project

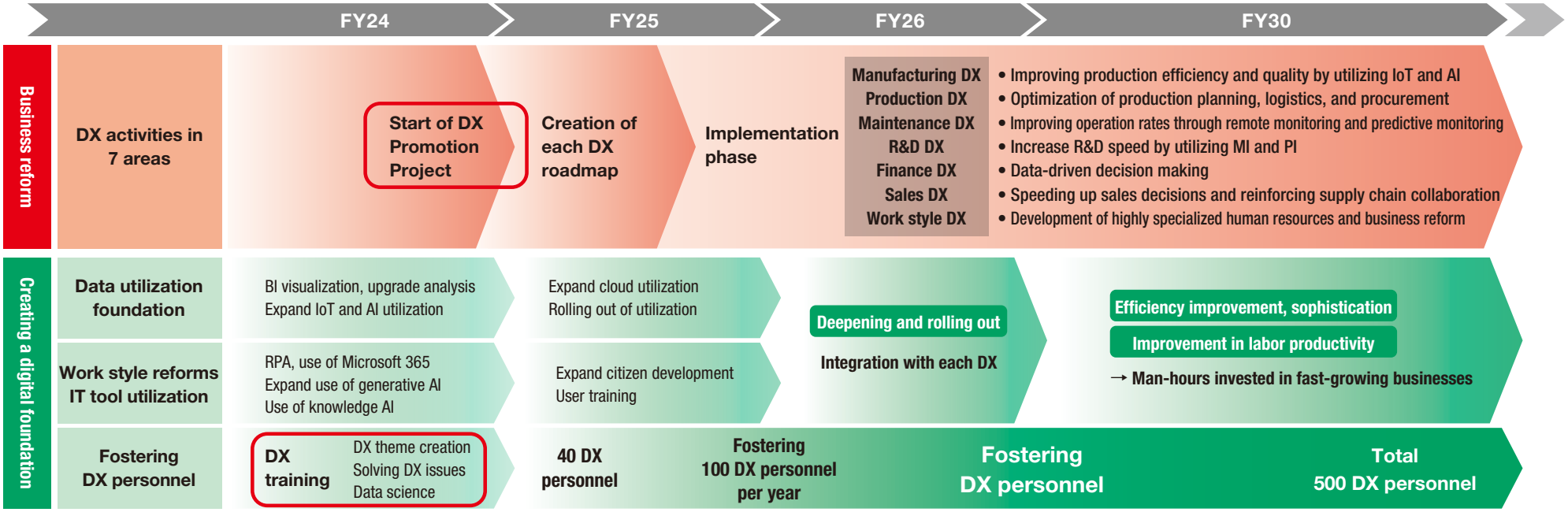
In April 2025, we launched the DX Promotion Project under the Corporate Planning Department. In this project, we started with discussions with management, and we are working to clarify the direction of DX promotion, and formulate company-wide policies and strategies.

We have also assigned the project members who will be responsible for mapping out the operational issues in each of the seven DX areas and discussing solutions for them. They will identify the operational issues in each area and discuss measures for them, then move on sequentially to the implementation phase.

Fostering DX personnel

To date, our Company has been training AI analysis experts to support materials informatics (MI) and process reform and teaching them to utilize generative AI and cloud tools. However, we believe that, in order to accelerate DX utilization within the Company, we need to train DX personnel who will be responsible for planning and promoting DX, and we started specialized training from fiscal 2024.

Through training in the three areas of DX theme creation, solving DX issues, and data science, we are training the data scientists who will implement data-based operational reforms and enhancing the development of the management level (DX promoters) who will drive DX activities.



Content of DX training —Training in DX theme creation and data science—

(1) Training in DX theme creation

We started providing training in DX theme creation, which cultivates the creativity that leads to new value creation, by mapping out the issues and creating the themes in each DX area. In fiscal 2024, 17 people took part, and after mapping out the operational issues in their own divisions, they discussed the DX themes for resolving them. They made their presentation about the conclusion of the discussion with officers in attendance, and a lively exchange of opinions took place. Going forward, it is expected that the participants will collaborate with the project, the highly-effective themes will be implemented, and the important themes will be discussed in more depth.

(2) Training in data science

We started providing training in data science for our employees in order that they may acquire knowledge of data analysis, machine learning, and AI and improve their fundamental ability to analyze and use data. In this training, the goal is to teach practical skills through lectures and workshops delivered by invited external instructors, and foster data scientists who can practice a data-based approach in the solving of operational issues.

The course started at the beginner level in fiscal 2024, with 40 people from a wide range of divisions taking part.

The intermediate level started in fiscal 2025 with the objective of acquiring higher-level knowledge and skills.

Training in data science

Comments from a DX training attendee

Hiromi Kamiya
Senior Staff, Planning Department for Affiliates

I attended two DX training lectures.

In the training in DX theme creation, we learned the latest developments in DX and discussed the activity themes that would work for Daido Steel, and on the last day we presented our activity theme implementations to the Company's managers. By discussing things with attendees from other divisions, we were able to understand the current situations and issues of each division.

In the training in data science, we learned the basics of data analysis and machine learning.

I shared the content of the course in my department and I think it helped raise the level of knowledge among the department.

Going forward, I will continue to discuss more efficient operations across divisions in order to implement the themes we discussed in the training in DX theme creation.