

Materiality progress

Sustainability basic policy and materiality identification process	50
ESG initiatives	51
Protecting the global environment	52
Respect for human rights	58
Supply chain management	60
Risk management	61
Compliance	63
Anti-corruption	64

Sustainability basic policy and materiality identification process

Sustainability basic policy and actions for SDGs

The Company formulated the Daido Steel Group Sustainability Basic Policy in April 2024.

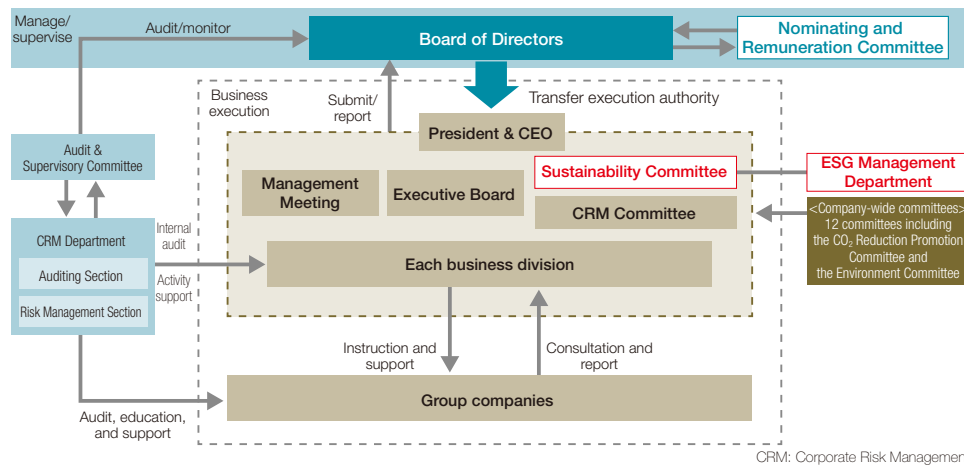
Based on this policy, we will address materiality as a responsible corporate group and contribute to the realization of the better world we are aiming for in our Sustainable Development Goals (SDGs).



[The Sustainability Basic Policy is available on our website.](https://www.daido.co.jp/sustainability/)
<https://www.daido.co.jp/sustainability/> (Japanese only)

Organization of promoting sustainability

The Sustainability Committee, an advisory organ to the Board of Directors, conducts planning and drafting of proposals and provides opinions with regard to basic management policies, as well as promotional activities and strategies related to sustainability. Important matters are decided after being reported to or put on the agenda of the Board of Directors. The Committee met nine times in fiscal 2024.



The ESG Management Department serves as the secretariat for the Sustainability Committee and promotes and rolls out various sustainability-related measures company-wide.

The Company has positioned sustainability at the core of management, and will take a forceful approach to promoting the various measures related to materiality, centered on addressing climate change.

Materiality identification process

Since identifying materiality through the process below in fiscal 2020, we have been revising it every year due to various changes in the external environment and the increasing complexity of sustainability issues.

Materiality identification process

(1) Identifying social issues

By comparing the SDG targets with the global risks in the Global Risks Report 2019, excluding overlapping issues, and adding issues of high social interest, 95 social issues were identified

(2) Evaluation from a business perspective

Evaluated the level of importance of issues in terms of the risks and opportunities they present to our business in the present, medium, and long term

(3) Evaluation from a stakeholder perspective

Evaluated the relationship between issues considered important by stakeholders in each business field and the evaluation criteria of ESG rating institutions

(4) Creating and identifying materiality matrices

Business evaluation and stakeholder evaluation were integrated to create a materiality matrix. Daido Steel's materiality was identified after two discussions at the Sustainability Committee

In fiscal 2024, we incorporated materiality into the management strategy set out in our 2026 Medium-Term Management Plan.

For fiscal 2025, we have referred to the World Economic Forum's Global Risks Report 2025 and other sources, and after considering the progress of the 2026 Medium-Term Management Plan, we have decided, after discussions at the Sustainability Committee, to set the same materiality as for fiscal 2024.

ESG initiatives (April 2024 to March 2025)

Environmental

We have implemented initiatives that contribute to carbon neutrality in terms of both products and manufacturing processes, as well as resource recycling, such as accepting orders for industrial furnaces that enable our customers to achieve zero CO₂ emissions, introducing CO₂-free electricity to our plant equipment, and participating in demonstration experiments for automobile recycling.

In terms of outside recognition, the Company was awarded the Gold Prize at the Aichi Environmental Award, which recognizes outstanding initiatives that contribute to environmental conservation.

Social


In order to further strengthen our human rights activities, we have joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER).

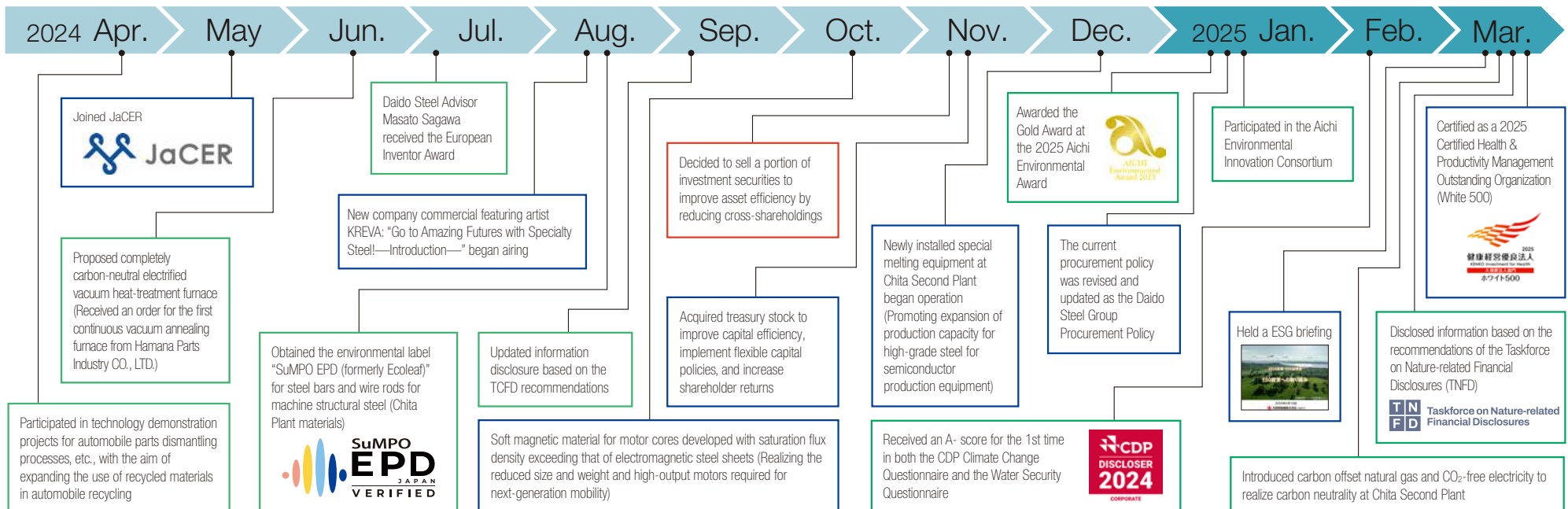
In order to promote sustainability initiatives together with our business partners across the entire group, we have reviewed our existing Procurement Policy and updated it as the Daido Steel Group Procurement Policy.

In terms of products, we developed soft magnetic materials for use in high-power motors for next-generation mobility, and increased our production capacity for stainless steel for semiconductor production equipment.

Governance

We have made the decision to sell a portion of investment securities in order to reduce cross-shareholdings and increase asset efficiency.

 External evaluations, participation in initiatives, and inclusion in indexes are available on our website.
<https://www.daido.co.jp/sustainability/evaluation/index.html>
 (Japanese only)



Protecting the global environment (Transition to a circular economy)

Conduct guidelines for environmental conservation and resource recycling

1. Environmental load reduction and environmental conservation in all business activities

- Strengthening environmental protection systems and organizations
- Compliance with and prompt response to environmental laws and regulations
- Promoting resource conservation, waste reduction, and recycling
- Addressing climate change
- Consideration for biodiversity

2. Contributions to society through environmentally-friendly products and environmental engineering and services

- Development and provision of environmentally-friendly products and equipment
- Environmental business and commercialization initiatives
- Promoting international technological cooperation

3. Promotion of eco-communication

- Promoting environment education and volunteer activities
- Provision and public disclosure of environmental information

Circular economy promotion system

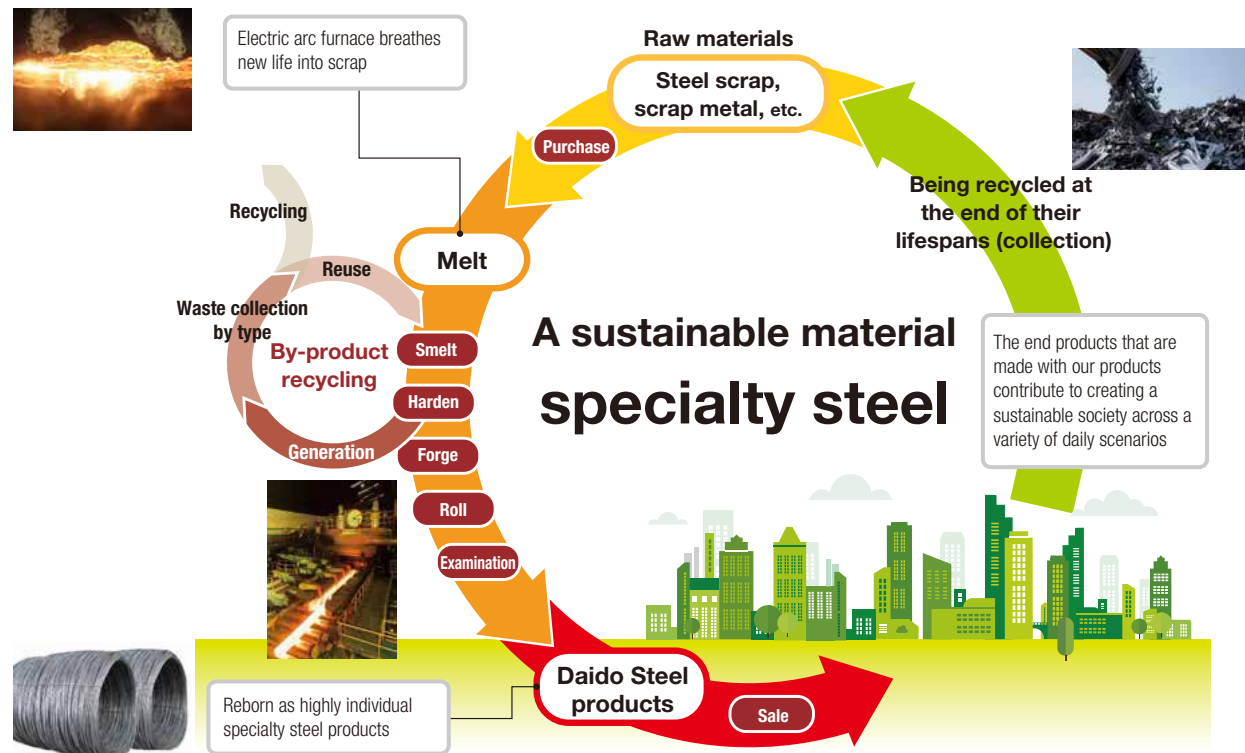
The Company holds Environment Committee and CO₂ Reduction Promotion Committee meetings twice a year to consider issues and response policies in each area and decide on company-wide initiatives. In response to this, the Environment Department and the ESG Management Department are working with the environment and CO₂ reduction heads at each business site to promote these initiatives.

Additionally, we hold an annual Environmental Liaison Meeting and a CO₂ Reduction Promotion Liaison Meeting for Group companies, which serve as a place for sharing information and communicating risks regarding initiatives both inside and outside the Daido Group.

Specialty steel is a sustainable material

The mass-production and mass-consumption economy is the cause of a variety of environmental issues, including the depletion of natural resources and the destruction of biodiversity. Therefore, transitioning to a circular economy is essential for realizing a sustainable society.

In order for us to enjoy the benefits of iron in perpetuity, it is important that we utilize scrap iron, as if it were a precious resource, through electric arc furnace processes, so that it can be reborn over and over again as various specialty steel products and continuously supplied to society.



For more details on the promotion system, please visit our website.

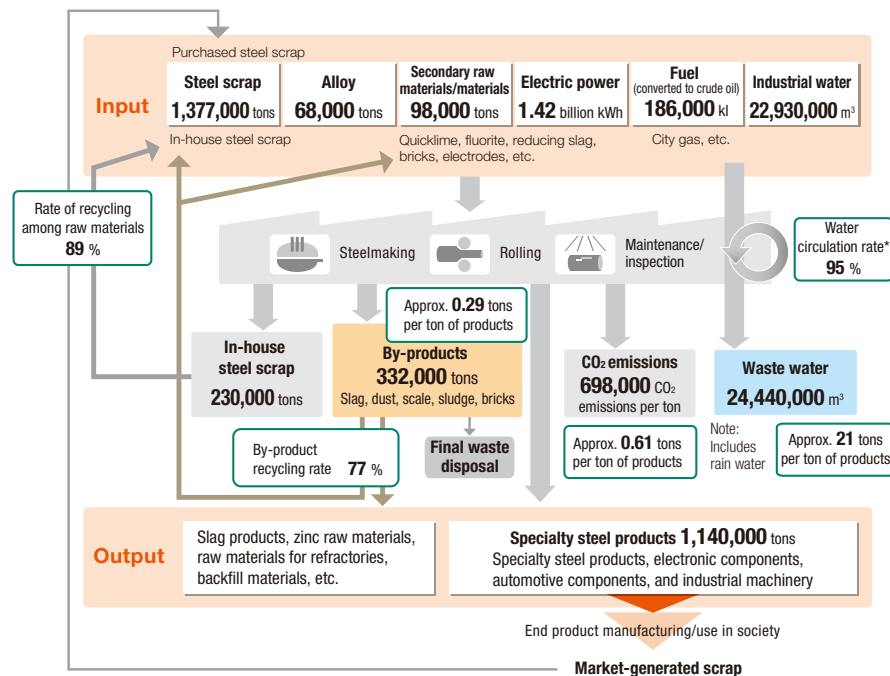
<https://www.daido.co.jp/en/sustainability/eco/policy/index.html>

Recycling at Daido Steel

90% of the raw materials used in Daido Steel's production systems consists of recycled products, mainly steel scrap. By utilizing every last piece of iron, we will shift to a closed-loop system for iron sources. The electric arc furnace process, which brings various types of scrap iron back to life as new products, is the recycling process that drives the circulation of iron resources. In addition, we proactively utilize discarded electrical wires as alloys, and recycled aluminum dross products such as RDFs and RPFs, etc. as secondary raw materials.

Refuse derived fuel (RDF): A crayon-shaped solid fuel made by heating, crushing, and drying the domestic waste collected by local governments, such as food waste, paper, and plastic waste emitted by households

Refuse derived paper and plastics densified fuel (RPF): A high-grade solid fuel primarily composed of waste paper and waste plastics for which material recycling is quite difficult



Notes: 1. Results for FY2024 (non-consolidated)

2. CO₂: Energy used in plants (Scope 1 + Scope 2) converted to CO₂ emissions per ton (using the conversion factors of the respective electric power companies)

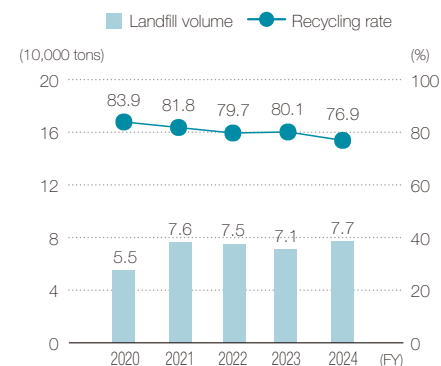
* Some calculations are estimated based on equipment specifications.

Strengthening the 3Rs (Reduce, Reuse, Recycle) and effectively utilizing water and resources

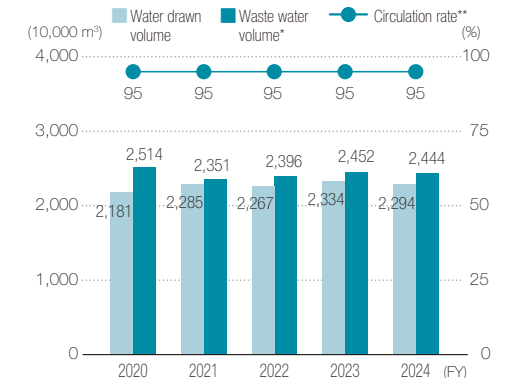
Specialty steel manufacturing generates slag, dust, scale, and other by-products. At Daido Steel, we use our unique technology to promote and strengthen the 3Rs in order to prevent environmental pollution and reduce waste. Our efforts to minimize the amount of waste, such as recycling electric arc furnace slag as roadbed material and electric arc furnace dust as zinc raw materials, contribute to the effective utilization of resources and the reduction of natural resource usage. Furthermore, we set the three key in-house initiatives: (1) reduction of landfill disposal of slag, dust, and sludge, (2) thorough recovery of valuable metals from by-product, and (3) controlling the amount of plastic waste and recycling.

In addition, we properly process and repeatedly reuse the large volumes of water that is used as a coolant in specialty steel manufacturing processes, which involves the heating of materials to high temperatures, so as to minimize the discharges of water to outside the plants. We set a target of maintaining a water circulation rate of more than 90%.

[By-product recycling rate and landfill disposal (non-consolidated)]



[Effective utilization of water resources (non-consolidated)]



* Waste water volume includes rain water.

** Some circulation rate calculations are estimated based on equipment specifications.

Protecting the global environment (Information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD))

Governance

As an organization for investigating and deliberating basic policy, important matters, and risks and opportunities related to climate change, the previous CSR Committee was reconstituted in April 2022 as the "Sustainability Committee." This Committee is chaired by the President & CEO, and matters deliberated and decided there are put on the agenda of the Board of Directors.

Resolutions deliberated and passed by the Board of Directors are rolled out to individual business divisions, which reflect them in their business operations.

Strategy

With the objective of understanding the impact of risks and opportunities presented to the Group by climate change, as well as considering the resilience of Daido Steel's medium- to long-term strategy and the need for further measures, we conducted a scenario analysis for the period 2030 to 2050. For the purpose of this scenario analysis, we referred to climate change scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), namely their 1.5°C and 4°C scenarios.

As a result of verifying countermeasures to these risks and opportunities, we concluded that it is possible to enhance corporate value by developing and expanding sales of high-performance materials and innovative environmental engineering products, based on the basic strategy of the medium-term management plan for addressing changes in society as we approach decarbonization. Our assessment is that the Daido Steel Group strategy is resilient.

[TCFD scenario analysis]

Scenario	Factor	Change	Impact on Daido Steel Group	Daido Steel Group countermeasures	
1.5°C	Progressive shift to electric vehicles	Reduced demand for engine/exhaust system parts due to progressive shift to electric vehicles	Risk Medium	<ul style="list-style-type: none"> We expect internal combustion engine vehicle (ICE)-related demand to decline slightly until 2030, but from 2030 onward we assume a significant decline as a result of the progressive shift to electric vehicles. 	<input type="checkbox"/> Expand sales in the future growth markets of CASE (automotive), semiconductor-related products, clean energy, aerospace, and medical fields to achieve sustainable business growth
		Increased demand for high-performance materials caused by the progressive shift to electric vehicles	Opportunity High	<ul style="list-style-type: none"> With the progressive shift to electric vehicles, demand for high-performance materials is expected to exceed the decline in demand for ICEs by 2030. Note: High-strength steel and magnetic materials used in e-Axle components, battery materials, control system parts, etc. 	<input type="checkbox"/> Develop materials tailored to different product needs <input type="checkbox"/> Increase production capacity in response to rising demand <input type="checkbox"/> Launch new businesses, and launch and enter the market for new products aimed at next-generation vehicles, including rare earth-free magnets
	Strengthening of various regulations, including those governing greenhouse gas emissions	Increase in electricity costs due to use of renewable energy	Risk Low	<ul style="list-style-type: none"> Electricity costs to rise as a result of increases in the ratio of renewable energy used. 	<input type="checkbox"/> Absorb increases in electricity costs by saving energy and improving product yields <input type="checkbox"/> Introduce renewable energy within the Company itself
	Introduction of carbon pricing	Increase in operating costs	Risk Medium	<ul style="list-style-type: none"> Potential increase in operating costs due to the introduction of carbon pricing (carbon tax/emissions trading). 	<input type="checkbox"/> Invest in reducing CO ₂ emissions and move completely to renewable energy for all electric power needs to avoid cost burden
		Rising demand for electric arc furnace materials	Opportunity Medium	<ul style="list-style-type: none"> Due to intensifying demands for decarbonization and a strengthening trend toward low-emission products, we expect rising demand for electric arc furnace materials due to their relatively low CO₂ emissions. 	<input type="checkbox"/> Actively expand sales of low-CO ₂ emissions specialty steel manufactured in our innovative STARQ® <input type="checkbox"/> Move forward with the shift to renewable energy to promote further differentiation <input type="checkbox"/> Incorporate customer needs through accurate CFP presentation
	Rising demand for scrap raw materials	Increase in scrap procurement costs	Risk Medium	<ul style="list-style-type: none"> Rising demand globally for electric arc furnace materials, and rising demand for high-grade scrap. Could be affected by soaring prices and difficulties in procurement as a result. 	<input type="checkbox"/> Expand scrap recovery programs in cooperation with customers, and establish technologies to enable the use of low-grade scrap in order to control soaring prices and secure necessary scrap volumes
	Diffusion of technology to address issues related to the environment and new energy	Rising demand for innovative engineering to address environmental issues	Opportunity High	<ul style="list-style-type: none"> As investments aimed at improving energy efficiency increase in preparation for decarbonization, demand for our environmental engineering will rise. 	<input type="checkbox"/> Actively expand sales of Daido brand energy-saving products Note: STARQ®, DINGS®, ModuTherm®, Premium STC® Furnace, etc. <input type="checkbox"/> Promote the development of engineering products (hydrogen-fueled industrial furnaces, etc.) that match customer needs
		Rising demand for hydrogen-related technology and products	Opportunity Medium	<ul style="list-style-type: none"> As the hydrogen society progresses, demand for high-performance materials such as hydrogen embrittlement resistant steel will increase. Note: High-performance materials used in hydrogen stations, fuel cell vehicles, hydrogen internal combustion engines, and other applications 	<input type="checkbox"/> Develop materials tailored to different product needs <input type="checkbox"/> Acquire new customers and open up new markets
4°C	Increasingly intense (acute) climactic damage	Risk of operations being suspended due to natural disasters on business partners and production sites	Risk Medium	<ul style="list-style-type: none"> Increasing risk of business partners and main plants being struck by natural disasters, leading to suspension of operations. 	<input type="checkbox"/> Promote BCP measures such as risk management in cooperation with business partners and ensuring an appropriate level of inventory <input type="checkbox"/> Continue to implement flood countermeasures for main plants

The degree of impact for high, medium, and low is evaluated based on our current assumptions and anticipations.

We believe that this will change depending on the situation, and we will continue to review our evaluation.

High: It is anticipated that there will be a major impact on finances and business.

Medium: It is anticipated that there will be some impact on finances and business.

Low: It is anticipated that there will be a minor impact on finances and business.

Risk management

As a process for managing climate-related risks, climate-related risks are analyzed, countermeasures are drafted and promoted, and progress is managed through the Sustainability Committee.

Details of matters analyzed and considered by the Sustainability Committee reported to the Board of Directors, and management of risks is integrated across the Company as a whole.

We conducted scenario analyses on climate-related risks, centered on the ESG Promotion and Oversight Division. After taking into account Daido Steel's business strategy, considering the likelihood of each risk and opportunity occurring and their impact in the event that they do occur, and prioritizing climate-related risks, we will focus on countermeasures to address those items with the highest impact.

Indicators and targets

In order to assess and manage the impact of climate-related problems on management, Daido Steel Group has set reduction targets using total emissions of greenhouse gases (CO₂) as indicator.

The Daido Carbon Neutral Challenge was announced in April 2021. The Company established a reduction goal of reducing 2030 CO₂ emissions by 50% over those of fiscal 2013, and of achieving carbon neutrality in 2050.

Furthermore, when formulating the 2026 Medium-Term Management Plan, we expanded the scope to include the Daido Steel Group, including domestic and overseas affiliates. The entire group is working together to promote activities to reduce CO₂ emissions.

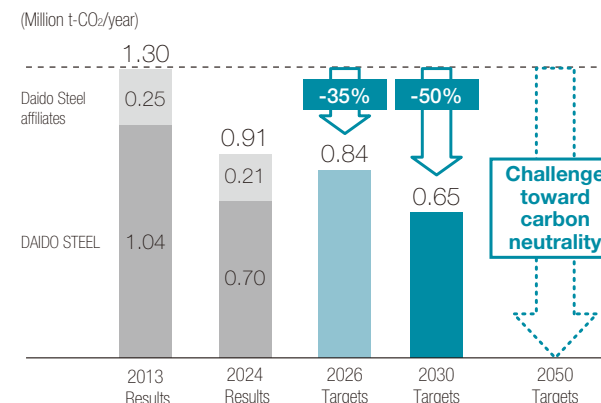
Toward 2030

Reduce CO₂ emissions by 50% compared to FY2013

Toward 2050

Aim to achieve carbon neutrality in line with the development of decarbonization technologies and infrastructure

[Daido Steel Group CO₂ emissions reduction target]



The calculations are limited to Scope 1 + Scope 2 (energy-related) of the Company and its 60 affiliated companies (company names are listed in the Daido Steel Group Greenhouse Gas Emissions Verification Report)

Grid emission factors:

(Domestic) Commenced use of grid emission factors following adjustment of electricity supplier and plan used

(Overseas) AIST-IDEA Ver. 3.5 Standard Edition (April 15, 2025) used by IDEA Lab of AIST Research Institute of Science for Safety and Sustainability

[CO₂ emissions by Scope 3 category (1,000 t-CO₂/year)]

Category	FY2024	
1. Purchased products and services	1,043	Calculated by multiplying the purchase price and purchase weight of raw materials and materials by the CO ₂ emissions factor
2. Capital goods	73	Calculated by multiplying capital investments by CO ₂ emissions factor
3. Fuel and energy-related activities not included in Scope 1 or 2	179	Calculated by multiplying purchased electricity and fuel by CO ₂ emissions factor
4. Transportation and delivery (upstream)	51	Calculated by multiplying the amount of fuel used and the amount purchased under Category 1, as reported under the Act on Rationalizing Energy Use, by CO ₂ emissions factor
5. Waste generated in operations	15	Calculated by multiplying amount of waste for each type of by-product by the CO ₂ emissions factor
6. Business travel	3	Calculated by multiplying the money spent on each mode of transportation by the CO ₂ emissions factor
7. Employee commuting	3	Calculated by multiplying the money spent on each mode of transportation by the CO ₂ emissions factor
13. Leased assets (downstream)	0	Calculated by multiplying the leased surface area by the CO ₂ emissions factor
Total	1,368	

Calculations are limited to categories applicable to Daido Steel on a non-consolidated basis

Calculation method: AIST-IDEA Ver. 3.5 Standard Edition (April 15, 2025) used by IDEA Lab of AIST Research Institute of Science for Safety and Sustainability, and the emission factor database for corporate GHG emissions accounting over the supply chain (Ver. 3.5) used by the Ministry of the Environment
Fiscal 2024 emissions results are subject to third-party verification.



The full text of the Greenhouse Gas Emissions Verification Statement is available on our website.

https://www.daido.co.jp/common/pdf/pages/sustainability/data/20250818_co2_data.pdf (Japanese only)

Protecting the global environment (Information disclosure based on the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD))

Aiming to realize a nature-positive society and further promote initiatives that contribute to protecting biodiversity, we analyzed our “governance, strategy, risk and impact management, metrics and targets” based on the framework (v1.0) of the Taskforce on Nature-related Financial Disclosures (hereinafter referred to as “TNFD”) and disclosed information in March 2025. We would like to introduce excerpts from that disclosure here.

 [The information disclosure based on the TNFD Recommendations is available on our website.](https://daido.co.jp/common/pdf/pages/about/release/2025/250314_tnfd.pdf)
https://daido.co.jp/common/pdf/pages/about/release/2025/250314_tnfd.pdf (Japanese only)

Governance: Biodiversity Initiative Policies

[Daido Steel Group Biodiversity Initiative Policies]

- 2030 target:** We will contribute to the realization of a nature positive economy.
- Fundamental policies:** We are reducing the impact on biodiversity in order to realize a society that coexists with nature, and working to preserve biodiversity not only within the Group companies but also throughout the value chain.
- Conduct guidelines:**
 - (1) Assess the impact of our business on biodiversity and conduct business activities that take biodiversity into consideration, such as striving to reduce that impact.
 - (2) Assess the impact of biodiversity loss on our business and strive to reduce the risk thereof.
 - (3) Disclose biodiversity-related initiatives and promote social contribution activities in cooperation with stakeholders.

Strategy

[Impact on and dependence on nature]

Regarding dependency on nature, it was found to be especially prevalent upstream in the supply chain. In terms of impact, our operations have been found to have the potential to have a significant impact on soil and water quality, etc., and in the upstream supply chain, in addition to the impacts on soil and water quality, there is also the possibility of a significant impact on freshwater use and greenhouse gas emissions.

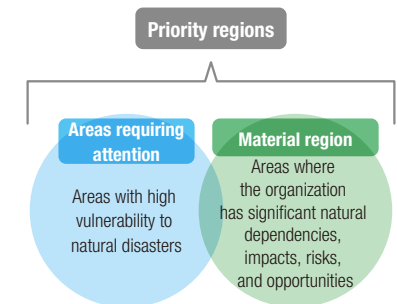
[Risks, opportunities and countermeasures]

Regarding physical risks, if ecosystem services deteriorate due to factors such as the progression of climate change, it is anticipated that the depletion of water resources and an increase in weather disasters will have a negative impact on raw material procurement and lead to water shortages for plant operations. Additionally, transition risks include increased costs for responding to changes in the external environment and reputational and compensation risks in the event of an emergency. On the other hand, we believe that we can mitigate risks and seize opportunities by expanding sales of our products that reduce environmental impact, creating new business opportunities through industry-government-academia collaboration, and undertaking greening initiatives to preserve and restore ecosystems.

[Priority regions]

As a result of analyzing the Company's direct operation sites from the perspectives of the importance of biodiversity and water stress, we found that there are no sites that fall into both material areas and areas requiring attention.

The analysis of the upstream supply chain has not revealed any serious risks at this time, but as this analysis is only an initial assessment, we are considering conducting a more detailed analysis in the future.



Targets

Category	Indicators	Targets
Expansion of businesses that contribute to the realization of a sustainable society	Expansion of products that contribute to effective utilization of resources	Net sales ratio of products for the growth market 15% or more in FY2026 25% or more in FY2030
	Transition to a circular economy	2030 Maintaining the rate of recycling among raw materials at 90% or more
Coexistence with nature and reduction of environmental impact as a manufacturing company	By-product recycling and effective utilization of water resources	2030 · Promote recycling and waste reduction · By-product recycling rate: 85% or more · Maintaining the water circulation rate at 90% or more
	Biodiversity initiatives	2030 Contributing to the realization of nature positive

Protecting the global environment (Biodiversity initiatives)

Hamatonbetsu Project (Hamatonbetsu-cho, Esashi, Hokkaido)

Our company-owned forest by Lake Kutcharo, a Ramsar site located in the northernmost tip of Japan, in Hamatonbetsu-cho, Hokkaido, covers approximately 3.7 million m², and we are working with a local NPO (Lake Kutcharo Eco Workers) to conserve and restore the forest and lake, as well as revitalize the local area.

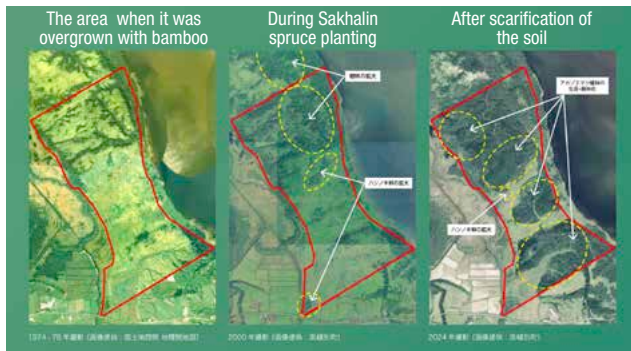
FY2024 eco-monitoring survey

In fiscal 2024, we conducted our first eco-monitoring survey since fiscal 2006 to evaluate the biodiversity protection activities of the Company and the Lake Kutcharo Eco Workers.

The survey results showed that the number of confirmed animal species (mammals, birds, reptiles, and insects) had increased significantly since the previous survey, and that the planted trees had grown into tall forests, promoting forestation and contributing to protection of biodiversity.

Details of the survey will be disclosed on the Company website.

[Eco-monitoring survey examples]



Forest growth seen from the sky



Comparing tree growth through photographic records

<https://daido.co.jp/sustainability/eco/biodiversity/index.html> (Japanese only)

Inochi wo Tsunagu PROJECT (Chita Peninsula, Aichi Prefecture Waterfront industrial zone)

The Inochi wo Tsunagu PROJECT is a project led by a local student group with collaborating companies in the coastal industrial zone, government, experts, and NPOs in order to improve biodiversity and create an ecosystem network. Also, through these activities, we aim to foster growth in young people who will be the leaders of the next generation.



Biotope (Chita Plant)

Daido Forest (Nagiso-machi, Kiso-gun, Nagano)

To mark the 100th anniversary of the Company's founding in 2016, the Company signed a Forest Foster Parent Contract with Nagiso-machi, Nagano Prefecture, where the Company's roots lie. The Company has named the 2.57 ha of forest it has adopted "Daido Forest" and continues to watch over it.



Employees participate in forest maintenance

Activities at each plant

Aiming to preserve the environment and coexist with the local community, we are actively promoting greenery activities at each plant.



An asagimadara (chestnut tiger butterfly) visits the original strain of thoroughwort (Shibukawa Plant)

Respect for human rights

Basic approach

Based on the Daido Steel Group Human Rights Policy formulated in February 2023, we understand the necessity to respect the human rights of all those affected by the Daido Steel Group's business activities, and we are committed to respecting human rights while placing importance on a process of resolution through dialogue.

Provisions of the Daido Steel Group Human Rights Policy (excerpt)

- | | |
|--|---|
| 1. Basis for respecting human rights and priority issues | 4. Implementation of human rights due diligence |
| 2. Scope | 5. Remedy |
| 3. Education | 6. Consultation and dialogue with stakeholders |

 Refer to "Respect for Human Rights" on the website for details.
https://www.daido.co.jp/en/sustainability/society/human_rights/index.html

Implementation of human rights due diligence

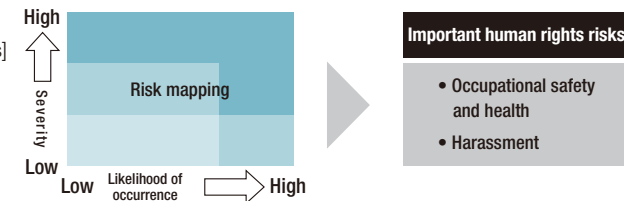
The Daido Steel Group is working on building a human rights due diligence process for identifying and evaluating, and working to prevent and reduce the negative impacts of the Group's business activities on human rights. In fiscal 2024, human rights risks that require attention were identified such as through employee questionnaires, and as a result of evaluating the importance of these, "occupational safety and health" and "harassment" were identified as important human rights risks.

Moving forward, we are strengthening our initiatives for respecting human rights across the entire Daido Steel Group through promotion of risk mitigation measures and information disclosure while continually identifying and evaluating an expanding scope of issues.

[Human rights due diligence]



[Human rights risk map and important human rights risks]



Past results and future plans for actions for respecting human rights

		Actions for respecting human rights
FY2023	Results	<ul style="list-style-type: none"> Formulated Human Rights Policy (Feb. 2023) Joined the Global Compact Network Japan (GCNJ) (Jul. 2023)
FY2024		<ul style="list-style-type: none"> Established the Human Rights Respect Working Group (Apr. 2024) Human rights due diligence started in Group companies → Identified important human rights risks Joined JaCER (May 2024)... Expanded the consultation and reporting desk
FY2025	Planned	<ul style="list-style-type: none"> Consider expanding the scope of identification and evaluation of negative impacts Improve notification methods of the consultation and reporting desk and consider adding multilingual support

DAIDO STEEL GROUP INTEGRATED REPORT 2025

Human rights education

Daido Steel Group has been using e-learning and other means to promote awareness and education among employees of our Human Rights Policy in a step-by-step manner, with education activities already completed at Daido Steel Group companies including overseas offices by fiscal 2024.

However, since the Employee Compliance Awareness Survey conducted in fiscal 2024 indicated an issue with the degree of awareness of Human Rights Policy, we are progressively working on repeat education for employees within the Company and within the Group starting from fiscal 2025.

Furthermore, we are holding seminars on the topic of human rights respect in briefings for business partners. Refer P.60 "Supply Chain Management" for more information about these initiatives.

 [Supply Chain Management ▶ P.60](#)

Harassment education

Daido Steel prioritizes harassment as an important human rights risk, and conducts continual harassment education. In addition, we are also working to promote preventative measures on top of existing initiatives. In fiscal 2024, we focused on the communication gap and extended education including workshop-style training (called the "Communication Basic Course") for improving the quality of dialogue to each tier of the workforce and Daido Steel affiliates.

The implementation records for the harassment education and the Communication Basic Course in fiscal 2024 are shown in the table.

List of training results

Title	Target	Number of times held	Training attendance
Harassment education	(Internal) Executives and general managers	3 times	67 people
	(Internal) Nakatsugawa region	2 times	29 people
	(External) Group companies (responsible divisions)	Once	31 people (19 companies)
Program including harassment education (education separated by level)	(Internal) Targeted at each level	Held separately for each level	444 people
	(Internal) Next-generation management training	12 times	231 people
	(External) Targeted at each level	Held separately for each level	161 people
Communication Basic Course	(Internal) Managers and supervisors	4 times	78 people (including 11 Group companies)
	(External) Group companies	23 times	283 people (2 companies)

In fiscal 2025 we will continue to conduct harassment education and to strengthen prevention initiatives. Specifically, we are planning to expand the content of the Communication Basic Course and develop and introduce a new program aimed at improving psychological safety within the workplace. As part of this, we are newly planning a training course for teaching methods of building relationships of trust through constructive dialogue between supervisors and subordinates as well as training that fosters sensitivity with which the individual can notice abnormalities and changes in the workplace.

Furthermore, we are planning and considering various programs to meet the actual state and needs of the workplace such as extending anger management training and e-learning to the needed levels in addition to continually holding diversity training for the general manager level and next-generation management. Through these initiatives, we have increased psychological safety in the workplace throughout the entire Daido Steel Group to create an environment in which everyone can flourish at work.

Grievance mechanism

The Daido Steel Group is promoting initiatives to respect human rights through the operation of consultation and reporting desks that can be accessed securely by various stakeholders.

Currently, we have setup the following consultation and reporting desks to establish a system for both internal and external stakeholders to use.

List of consultation and reporting desks

Title	Contact method	Target	Supported languages
JaCER* * Japan Center for Engagement and Remedy on Business and Human Rights	(External) Web form	All stakeholders including external stakeholders	Multiple languages
Daido Steel Group Hotline	(Internal) Phone/e-mail (External) Web form/phone	Group employees	Japanese
Daido Steel Group Hotline for business partners	(External) Web form	Business partners of Daido Steel Group	Japanese

In fiscal 2024, a publicity poster was sent to 1,644 business partner companies (including the branch offices of each company) with the aim of raising awareness of JaCER. In the future, we will work to further raise awareness by considering and developing more effective methods including enhanced multilingual support and continually providing information to stakeholders.

In accordance with our Internal Reporting Regulations, we seek to resolve issues that have been consulted on or reported through thoughtful responses focusing on dialogue while ensuring confidentiality.

 Refer to "Corporate Ethics and Compliance" on our website for details on the Daido Steel Group Hotline.

<https://www.daido.co.jp/sustainability/governance/compliance/index.html> (Japanese only)

Supply chain management

Basic approach

In order to fulfill its social responsibilities as a member of society at a higher level, Daido Steel is conscious of the necessity of both initiatives within the Company and throughout the entire supply chain. To achieve these, the Company recognizes that it is vital to work with business partners who understand our intentions.

Renewal of Daido Steel Procurement Policy

In fiscal 2024, the Daido Steel Procurement Policy was updated as the Daido Steel Group Procurement Policy. The following recommendations were added with the aim of further promoting understanding among all stakeholders.

<Recommendations related to respect for human rights>

Prohibition on child labor, forced labor, and discrimination, right to join a union and to collective bargaining, elimination of overwork, appropriate compensation, occupational safety and health

<Recommendations related to preservation of the global environment>

Reduction of CO₂ emissions and promotion of energy saving, reduction of amount of water and resources used, reduction and prevention of pollution, promotion of 3R (reduce, reuse, and recycle) and elimination of waste, reduction of impact on biodiversity, initiatives to preserve the global environment through collaboration with the Company

 [The full text of the Daido Steel Group Procurement Policy is available on our website.](https://www.daido.co.jp/en/about/procurement/policy/index.html)

<https://www.daido.co.jp/en/about/procurement/policy/index.html>

Supplier assessment (Due diligence)

Since fiscal 2022, the Company has been asking our business partners to fill out a survey questionnaire related to the status of initiatives by using the "CSR Procurement Self-assessment Questionnaire" (GCNJ SAQ) created by the Supply Chain Subcommittee of the Global Compact Network Japan (GCNJ). The items on the questionnaire were as follows.

[List of items]

Corporate governance	Environment	Quality and safety of products	Supply chain
Human rights and labor	Fair company activities	Information security	Coexistence with local communities

In fiscal 2024, responses were received from 200 companies. Based on the results of this survey questionnaire to business partners, "corporate governance" and "human rights and labor" were identified as key issues. In fiscal 2024, we held a seminar on corporate governance, and in fiscal 2025 we are planning a seminar on human rights and labor. We will also continue with education activities for our business partners related to other items from fiscal 2026 and onwards. Moving forward, we will strive to further improve our problem-solving initiatives by repeating the cycle of Conducting questionnaires ⇒ Having the results analyzed by the Procurement Department ⇒ Identifying problems ⇒ Providing information and guidance regarding the problems identified ⇒ Conducting questionnaires. Through these activities, we are aiming for the realization of our vision, which is the permeation of the Daido Steel Group Procurement Policy.

Initiatives to strengthen relationships with our business partners

We are expanding our activities along the following three axes with a focus on building mutual understanding with our business partners.

<Information transmission and dialogue>

We are sharing the procurement policy and needs of the Company and promoting dialogue through meetings with business partners and supplier assessments.

<Promotion of proposals through co-creation>

We are promoting initiatives that offer mutual benefit such as the VAVE proposal and joint promotion of BCP and CN.

<Feedback and evaluation>

We are working on continual improvement through sharing the content of the VAVE* proposal, Daido Supplier Partners (DSP) awards, and feedback on supplier assessments.

* VAVE: VA (value analysis): proposals for existing products, VE (value engineering): proposals at the product design stage

 [Other initiatives are published on our website.](https://www.daido.co.jp/sustainability/society/supplychain/index.html)

<https://www.daido.co.jp/sustainability/society/supplychain/index.html> (Japanese only)

Responsible minerals procurement

The Company obtains a certification of non-use of conflict minerals from each business partner to confirm that conflict minerals are not used for 3TG (tantalum, tungsten, tin, and gold) and cobalt.

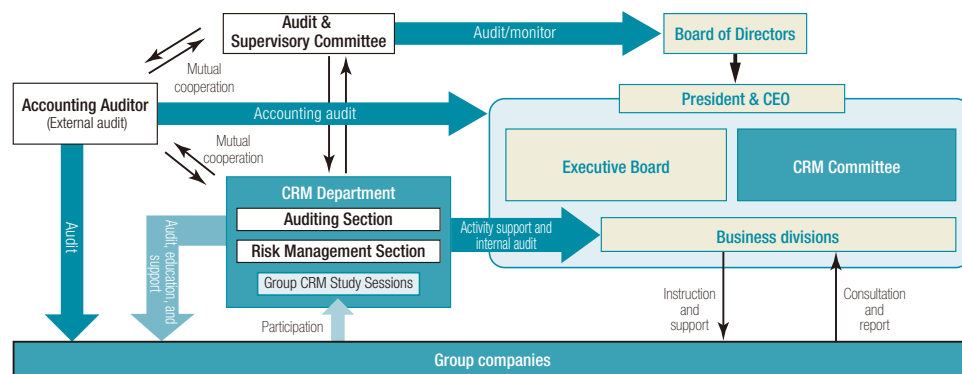
Furthermore, we have also started the same checks for nickel and copper. For new sources also, we are working towards procurement without the risk of conflict minerals by obtaining certification of non-use of conflict minerals and obtaining information about the smelting operator. We are also working towards the use of recycled materials.

Risk management

Basic approach

In order to achieve the sustained growth of the Daido Steel Group, we have established Risk Management Regulations stipulating basic matters on risk management, and are conducting activities accordingly. Based on these regulations, risks are defined as events that could have a detrimental impact on the Company, and we perform comprehensive and integrated tracking and evaluation of risks, determine policies on responses to risks, implement preventative measures, and implement ongoing monitoring of these activities.

[Risk management and compliance system structure]



To promote risk management and compliance initiatives, the President & CEO, Representative Executive Director directly controls the CRM (Corporate Risk Management) Department.

Furthermore, the Corporate Risk Management (CRM) Committee chaired by the President that is an advisory organ to the Board of Directors has been established as an organ to discuss matters related to the risks surrounding the Daido Steel Group and matters concerning internal control, and it supervises the status of operation of internal controls pertaining to risk management and financial reporting.

Furthermore, we have built a three lines model* with the CRM Department as the final line of defense as a system for dealing with various risks, laws and regulations.

* For more details on the three lines model, please visit "Risk Management" on our website.

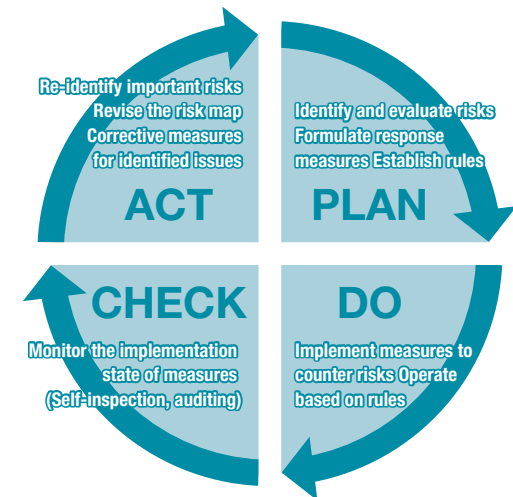
https://www.daido.co.jp/sustainability/governance/risk_management/index.html (Japanese only)

Risk map

The Company has created a risk map with risks organized by degree of impact and level of countermeasures. The risk map is linked to the medium-term management plan, and each risk is reassessed and updated every three years.

The risk map is discussed and approved by the CRM Committee, and working groups (WG) are established for particularly high-risk matters to promote cross-organizational responses for important risks.

[The PDCA of risk management]

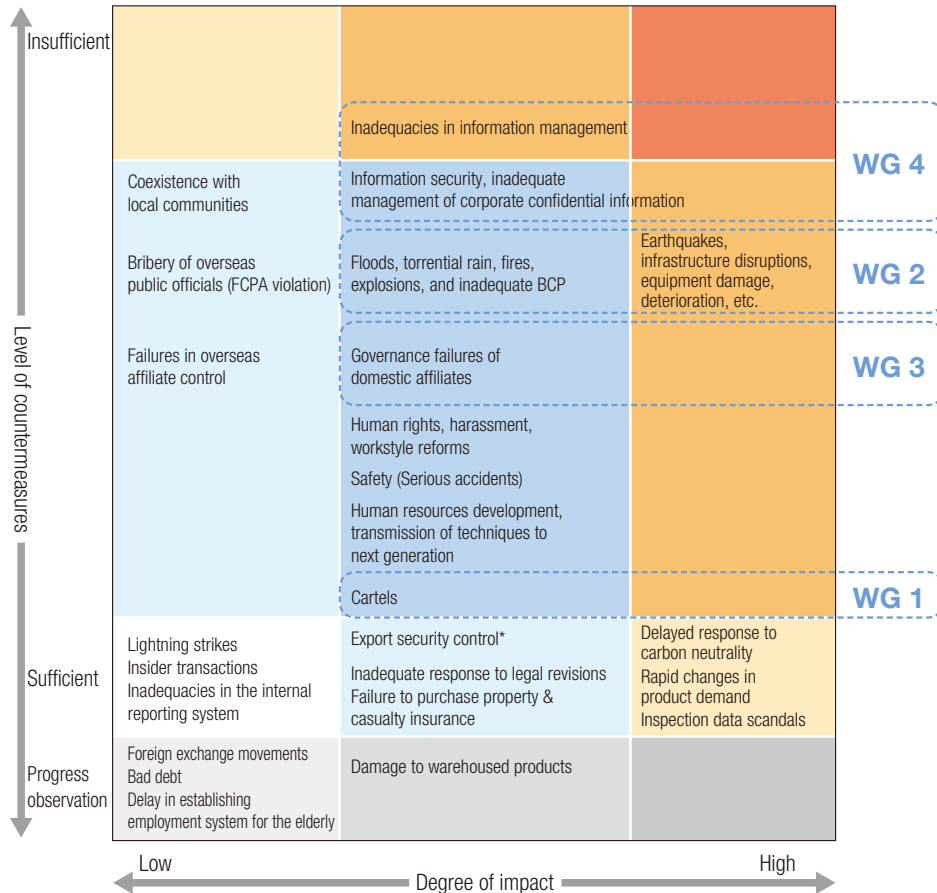


[Working group for important risks]

Working group name	Purpose
WG 1: Cartels	Prevent violation of competition laws
WG 2: Business Continuity Management (BCM)	Strive for business continuity in the event of an emergency (such as a major earthquake)
WG 3: Group Company Governance	Strengthen risk management and compliance of Group companies
WG 4: Information Management	Reduce information security risks through confidential information management such as personal information and technical information and through cyber security measures

Risk map (Excerpted version)

Out of all 89 items on the risk map, the major risks are listed here.



* Since export security control has been moved to standard operations due to a revised work flow, it has been removed from the WG activities starting fiscal 2025.

Refer to P.23 and 24 of the consolidated financial results for business and other risks.
https://www.daido.co.jp/common/pdf/pages/ir/library/stockreport/2506_4q.pdf (Japanese only)

Business continuity management (BCM)

The Company is promoting company-wide BCM activities aimed at business continuity in the event of an emergency (such as a major earthquake). We have established the following four committees under the working groups to formulate and implement measures for earthquake resistance, disaster preparedness and mitigation; to formulate and review business continuity plans; and to provide education and emergency drills.

- Management Committee: Maintaining disaster headquarters functions and Head Office functions during emergencies, and BCM training for management
- Disaster Preparedness Committee: Handling matters pertaining to earthquake resistance and disaster mitigation, and preparing evacuation routes during emergencies
- BCP Committee (Sales): Maintaining sales function during emergencies, and organizing customer demand for supply
- BCP Committee (Production): Early production recovery and smooth resumption of deliveries to customers

In fiscal 2024, the BCP Committee (Sales and Production) worked together to identify issues when restarting production based on customer requests. Based on this, they estimated damage to each business site in the event of a major earthquake, set target recovery lead times, and formulated investment plans for achieving those targets.

In fiscal 2025 we are working on various activities related to business continuity across the entire company.

Information security

In order to strengthen and ensure comprehensive IT security and management of personal and confidential information, a working group was formed as a collaboration between the General Affairs Department, Technical Planning & Administration Department, and IT Planning Department to promote information security activities throughout the Company.

In fiscal 2024, it focused on the following initiatives.

- Revision and auditing of the personal information management framework: Reviewed and provided instruction regarding regulations, and thoroughly applied rules
- Risk assessment of information resources: Clarified digital information document access rights and evaluation values
- Handling when information security incident occurs: Established CSIRT* as a dedicated team

*CSIRT: Computer Security Incident Response Team

In order to handle the cyber attacks that have been becoming more advanced and sophisticated in recent years, a defense system was established that performs monitoring for unauthorized access during normal times, and that immediately notifies a coordinator during an emergency.

Furthermore, as a measure for reducing human factor errors, continuous educational activities are conducted such as information security training, targeted email drills, and timely reminders by the internal network.

Refer to "Risk Management" on the website for information on other risk management initiatives.
https://www.daido.co.jp/sustainability/governance/risk_management/index.html (Japanese only)

Compliance

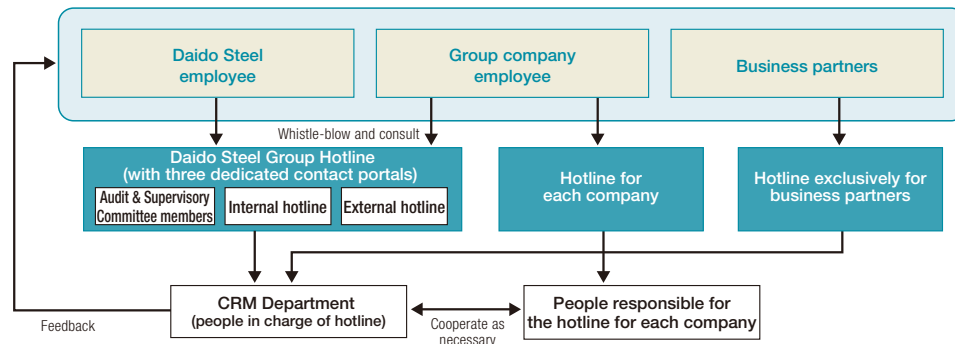
Basic approach

In order to secure the trust of all stakeholders and respond to social requirements, Daido Steel considers compliance to be one of the most important management issues and believes it to be a major prerequisite for ensuring the continuity of its businesses.

Compliance status is reported to the CRM Committee in a timely manner. In order to instill and ensure thorough compliance, we are vigorously implementing the following various initiatives.

Internal reporting system

[Internal reporting system chart]



[Number of reports received by the Company (excluding Group company hotline records)]

	Harassment	Labor management	Improper handling of operations	Private use etc.	Other	Total
FY2022	26	3	1	1	9	40
FY2023	26	2	0	0	9	37
FY2024	22	6	1	5	8	42

In order to receive reports and consultations regarding the compliance in Daido Steel and our Group, we have established Internal Reporting Regulations and are developing an internal reporting system in cooperation with each Group company. In addition to the responsible divisions and Audit & Supervisory Committee Members, we have established an external hotline for whistle-blowing, ensuring independence. Reporters can report or consult with their real names or anonymously, and a system that employees and business partners can use with peace of mind has been established.

Compliance awareness survey

The Company has conducted Employee Compliance Awareness Surveys once every three years since fiscal 2015 in order to understand issues through periodic observation and confirm the effectiveness of the various measures. For the fourth survey in fiscal 2024, 27 Group companies in Japan were added with the survey covering around 11,000 people (response rate of 92.5%).

The survey results are fed back to each division, and improvement activities such as personal interviews are conducted on divisions that have problems. For the Group companies, the CRM Department visits all the companies to formulate and help implement various improvement measures.

[Comparison with previous survey (FY2022)]

Improved areas	Areas that need improvement
<ul style="list-style-type: none"> Atmosphere that does not tolerate compliance violations Defined compliance system Fairness and future prospects Approach that is customer-oriented and open-minded 	<ul style="list-style-type: none"> Atmosphere of holding discussion and deliberation Management actions of supervisors Mutual feeling of trust in workplace Job satisfaction and pride in work Understanding of current status (whether or not there are compliance violations, whether or not harassment is occurring, etc.)

Items for future key initiatives
1. Creating opportunities for dialogue between management and employees
2. More complete training and education activities for Group companies
3. Improving morale through strict adherence to the Group Code of Conduct
4. More complete monitoring functions

■ Promoting compliance as a unified group

<Identification and notification of important laws and regulations>

In addition to nominating important laws and regulations (total of 273) related to the business management of the Group and engaging in sharing of revision information, we also conduct internal and Group company risk-based audits in accordance with laws and regulations.

<Training for Daido Steel Group companies>

We are working on education and training activities for all Daido Steel Group employees such as e-learning, conducting group training, and dispatching teachers from the Company to Group companies.



Harassment prevention training for Group companies

<Group CRM Study Sessions and subcommittees>

We conduct Group-company-led theme-based study sessions and information exchange meetings with a focus on nurturing personnel who can promote compliance at each company.

■ Goals for FY2026 (KPI) and FY2024 results

Goals for FY2026 (KPI)	FY2024 results
1. Number of legal violations: 0 cases/year	Number of legal violations: 7 cases

The number of cases in which we received "recommendations for correction" or higher as a result of local government inspections is counted. We aim to reduce the number of serious violations of laws and regulations in the Daido Steel Group by thoroughly spreading compliance information.

2. Significant inadequacies to be disclosed by the internal control evaluation under the Financial Instruments and Exchange Act: 0 cases/year	Significant inadequacies to be disclosed: 0 cases
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We will continue to appropriately implement internal controls to ensure that significant inadequacies that require disclosure do not occur in the future.

3. Number of Group internal reports: 80 cases/year	Number of Group internal reports: 64 cases
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An internal reporting system is an important tool for self-cleaning within an organization. We will thoroughly protect the privacy of whistle blowers and aim to create a highly reliable and effective system.

4. Number of Group support cases: 180 cases or more/year	Number of Group support cases: 171 cases
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To promote risk management and compliance activities across the Group, we provide appropriate support (instruction, education, consultation desks, etc.) to each company.

Anti-corruption

■ Basic stance of the Daido Steel Group

To prevent corruption, the Daido Steel Group Corporate Code of Ethics specified that we "maintain sound and normal relationships with political and administrative institutions." Through competing for business and conducting appropriate business in a fair, transparent, and free manner, we aim to put the Daido Steel Group's Management Philosophy into practice and realize a future society where people can live affluent lives. We established the Daido Steel Group's Anti-Bribery Policy in 2023, stating the prohibition of bribery and committing to implement effective initiatives and monitoring.

■ Approach to initiatives

In promoting anti-corruption, the Group uses a risk-based approach to prioritize initiatives and conducts extensive employee education. Additionally, in order to strengthen collaboration between divisions, we have established the Anti-Corruption Working Group and are promoting its activities.

■ FY2024 results

Domestically, the Company rules and work flows were revised.

Overseas, we selected pilot companies in China and Vietnam and built an anti-corruption system that will place top priority on focusing on countries listed as high risk in the Corruption Perceptions Index (CPI). Furthermore, in all of the Group companies, the CEO of each company announced a top priority commitment to all employees of prevention of bribery and corruption.

■ FY2025 plan

Domestically, rules and work flows that have been revised by the Company are distributed to all of the Daido Steel Group companies.

Overseas, the improvements at the pilot companies in China and Vietnam, under the system built in fiscal 2024, are being introduced to other Group companies located within those countries. Furthermore, we are newly conducting planned risk-reduction activities such as building an anti-corruption system for selected pilot companies in Thailand and Indonesia.

■ Company status report (FY2020 to FY2024)

The Company does not make any political contributions. In addition, there are no fines, penalties, or settlement payments related to corrupt practices, nor have any of our employees been disciplined for corrupt practices.