

Basic management policy

Beyond the Special

We support our customers' technological innovations by supplying high performance materials.

A big wave of technological innovation is occurring throughout many industries. The automobile sector, one of our major sources of customers, is bursting with new product possibilities, like highly efficient internal combustion engines, electric vehicles and self-driving cars.

DAIDO STEEL is providing an agile response to this astonishing revolution that comes only once every 100 years and the digital-age innovations that help drive it. We are committed to supporting our customers' technological innovations by supplying the high performance materials they need.

In consideration of the business environment points listed on the left, we have set forth the following three guidelines in order to reliably support increased demand for materials with excellent functionality, as well as our customers' technological innovations.

<Global issues>

- Global warming
- Destruction of the natural environment
- Increased populations in emerging countries and decline of the working-age population in Japan

<Changes in market, Technical innovation>

- Highly efficient internal combustion engines
- Electric vehicles and self-driving cars
- Digitalization (big data, AI, IoT, FA, etc.)

Guidelines for corporate activities

Portfolio reform

Shift from structural materials to high performance materials

Enhance our business fundamentals

Improve the break-even point and strengthen our corporate structure

Rebuild our business

Stronger focus on die forging and turbine housing businesses

Portfolio reform

■ High performance materials and magnetic materials

- Expand our production capacity corresponding to the increase in demand
Stainless steel, high alloys, high performance powder products, high performance LED products
- Promote a growth strategy for high performance neodymium magnets

■ Parts for automobile and industrial equipment

- Reliably support market growth for open free forgings
- Expand production capacity to increase global market share for engine valves

■ Engineering

- Reduce environmental impact by reducing the energy consumption of electric furnaces, Streamline automotive parts heat treatment and renovate the production line

Enhance our business fundamentals

■ Specialty steel

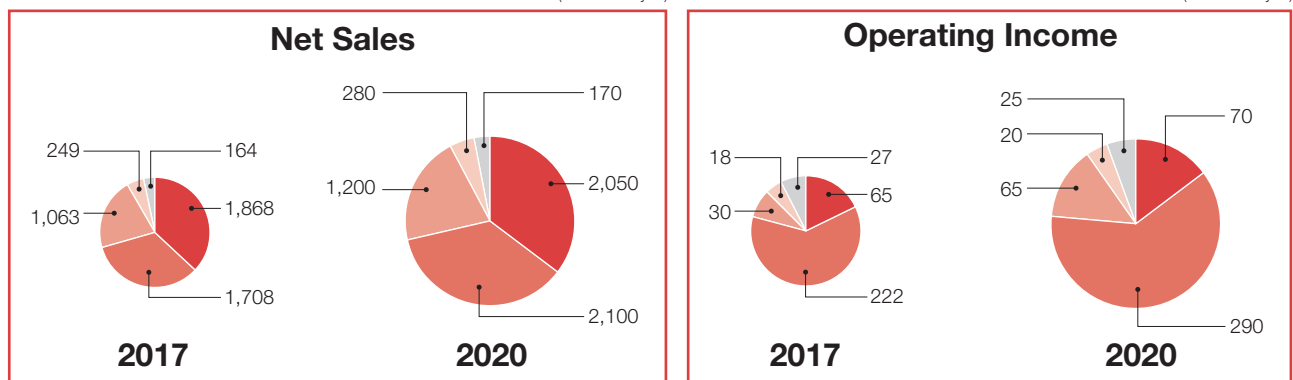
- Attract stable demand for specialty steel, implement initiatives for the near future
- Secure sustainable profit margins for structural steel by rethinking our selling price to account for the rising costs of materials
- Secure the Chita Plant's structural steel production capacity

Rebuild our business

■ Parts for automobile and industrial equipment

- Rethink emphasis on domestic business and accelerate overseas growth for die forgings
- Respond to increases in demand for turbocharger components

Net Sales & Operating Income by Segment
(Compared to the last year of the Mid-Term Management Plan)
(100 million yen)



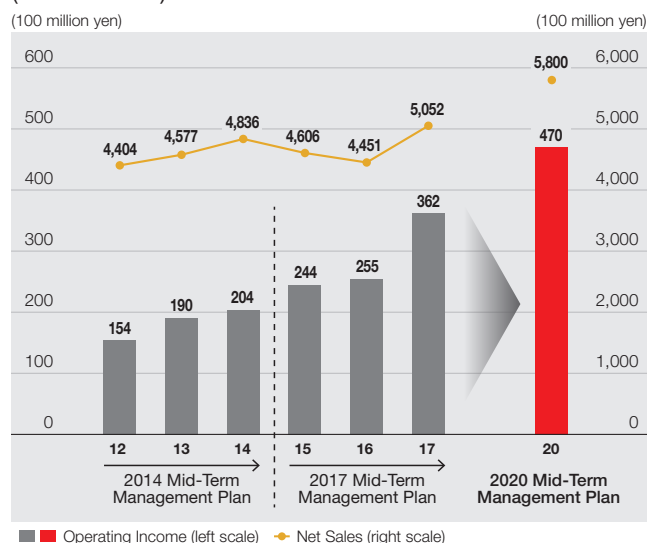
■ Specialty Steel ■ High Performance Materials & Magnetic Materials ■ Parts for Automobile & Industrial Equipment ■ Engineering ■ Trading & Service
 * Please refer to the presentation document for details regarding the 2020 Mid-Term Management Plan.
<https://www.daido.co.jp/en/ir/presentation/2020mid.pdf>

Objectives of the 2017 Mid-Term Management Plan
(Target vs Results)

(*:100 million yen)

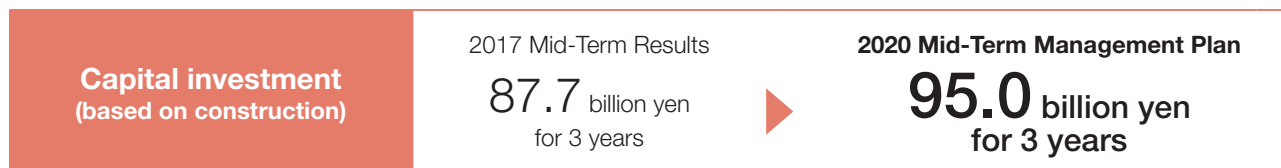
	Results of FY2017	Target for FY2020
Net sales	5,052*	5,800*
Operating income	362*	470*
Net income	239*	300*
ROS	7.2%	8%
ROA	5.9%	7%
ROE	8.8%	9%
Capital investment (Three years total, Construction base)	877*	950*
Dividend payout ratio	21.4%	20~25%

Net Sales and Operating Income (Consolidated)



[Capital investment (Total from fiscal 2018 to 2020)]

Continue vigorous investment in growing businesses



(Depreciation costs: 66.5 billion yen for 3 years 72 billion yen for 3 years)

[Enhance our ability to provide solutions]

To enhance our ability to provide solutions by collaborating with customers, we will integrate the proposing of specialty steel and solutions materials solutions to implement priority strategies as projects.

- I) Electrification and self-driving products project
- II) High performance turbocharger parts project
- III) Semiconductor manufacturing equipment project
- IV) High performance powder products project