



FY2024 ESG Briefing

# Daido Steel's Approach to ESG Management

“Kutcharo Nature Forest Daido”: our company-owned forest in Hokkaido

March 18, 2025

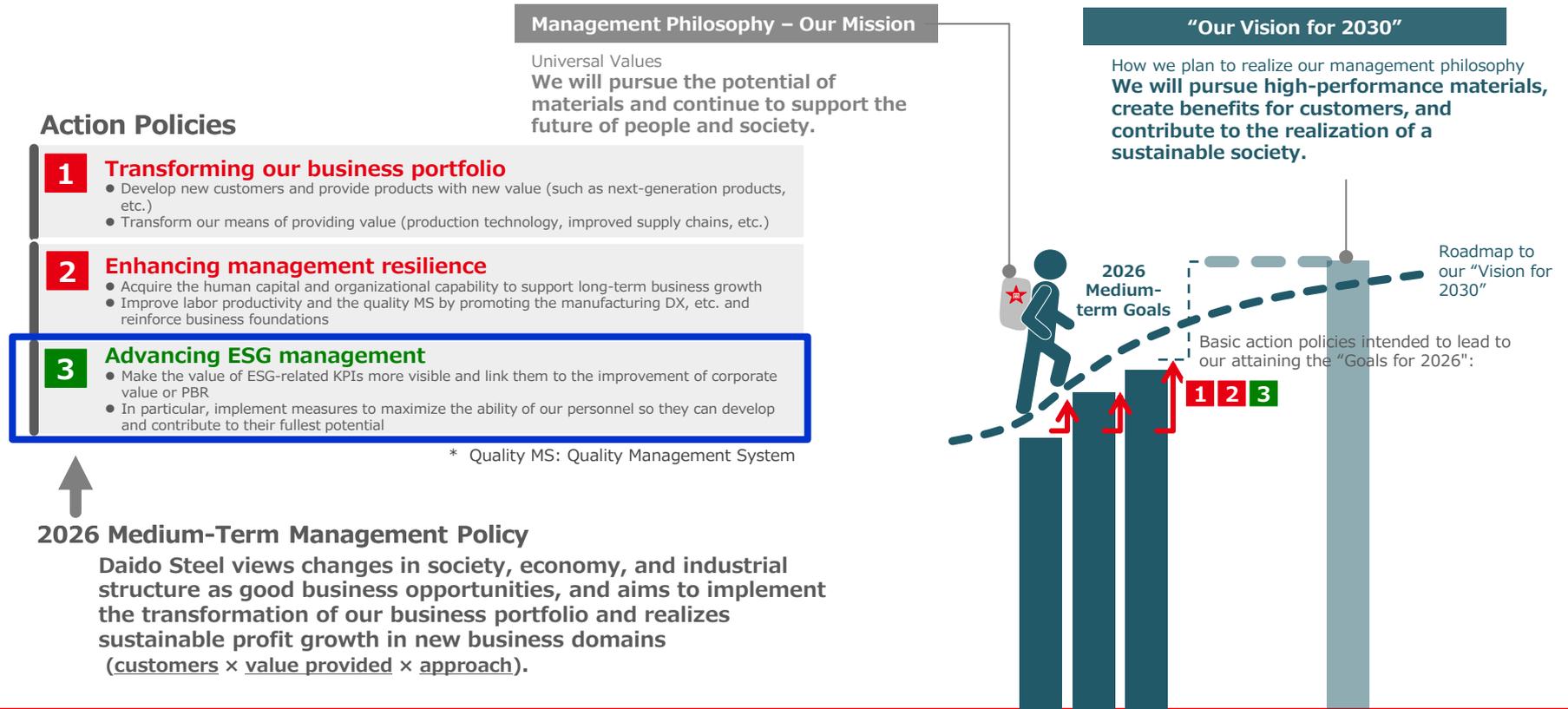
 **DAIDO STEEL CO., LTD.** (5471)

# How this briefing fits into our current management plan

## The Company's vision for 2030

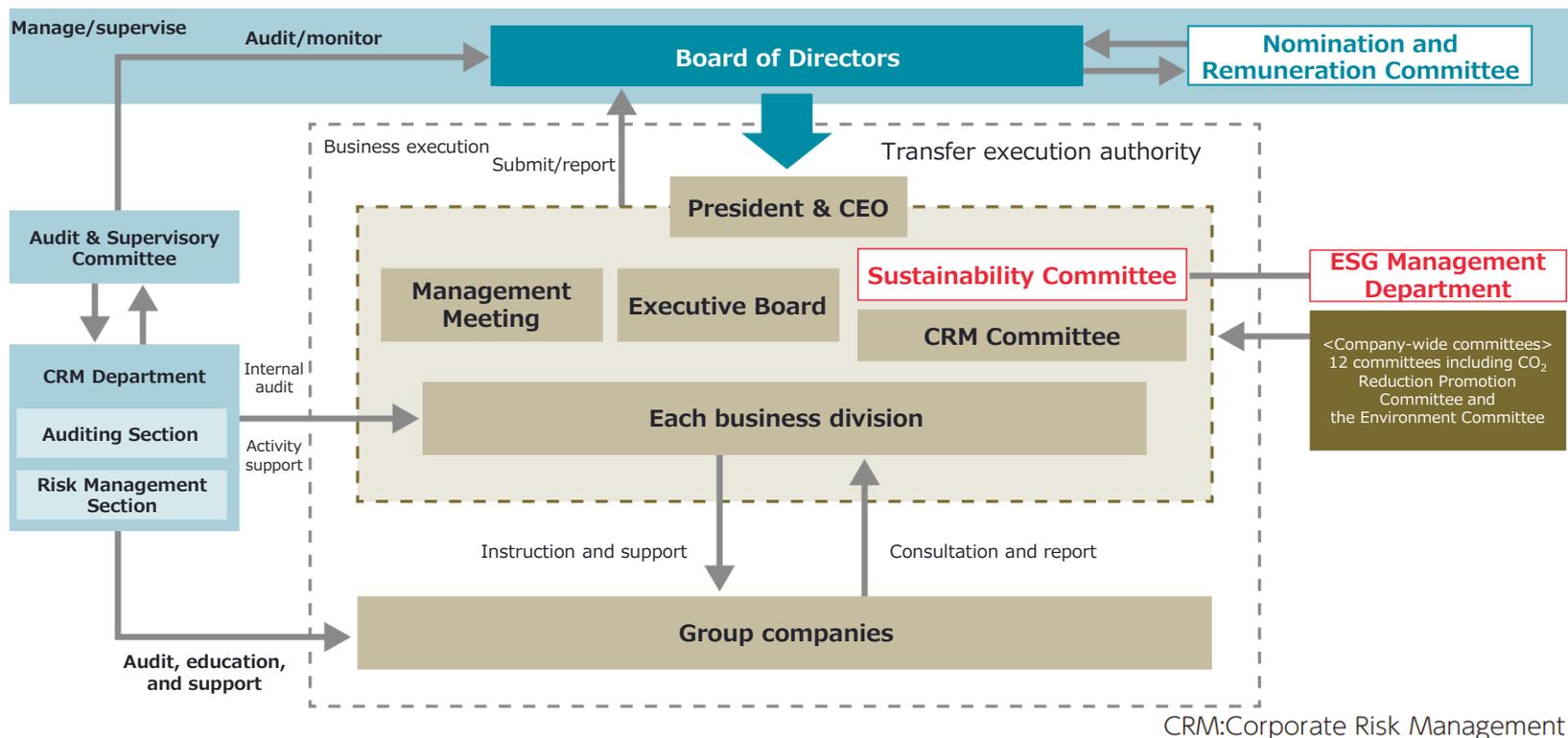
We introduced the “transition management approach” in our 2026 Medium-Term Management Plan, which will enable us to “pursue high-performance materials, create benefits for customers, and contribute to the realization of a sustainable society”.

We will use this briefing to explain the material related to “3. Advancing ESG Management”, which is one of the three basic action policies of the 2026 Medium-term Management Plan



We have established the Sustainability Committee (chaired by the President) as an advisory body to the Board of Directors, which meets monthly (approximately 20 topics per year).

In addition, we have established the ESG Management Department within the organization to promote and implement various sustainability-related measures on a company-wide basis.



Theme	Materiality	Action
<b>E</b> Preservation of the global environment (business activities, product supply)	E1 Steady implementation of the roadmap to achieve carbon neutrality in the production process	<ul style="list-style-type: none"> <li>• <b>Decarbonizing fuel and electricity</b></li> <li>• <b>Reduction of Scope 3 CO<sub>2</sub> emissions</b></li> <li>• Participation in CN innovative technology/infrastructure development</li> </ul>
	E2 Expansion of businesses that contributes to the realization of a sustainable society	<ul style="list-style-type: none"> <li>• Develop a product-specific CO<sub>2</sub> calculation system and acquire CFP third-party certification</li> <li>• <b>Supply Daido green EAF steel</b></li> <li>• <b>Expand the line of products that contribute to sustainability</b></li> </ul>
	E3 Coexistence with nature and reduction of environmental impact as a manufacturing company	<ul style="list-style-type: none"> <li>• <b>Water security and the preservation of biodiversity</b></li> <li>• Promote the 3Rs (Reduce, Reuse, Recycle) and the transition to a circular economy</li> </ul>
<b>S</b> Responsibilities and contribution to society	S1 Development of human resources that embodies Our Management Philosophy and Conduct Guidelines and promotion of DE&I	<ul style="list-style-type: none"> <li>• <b>Investing in human capital</b></li> <li>• Promoting diversity/improving the workplace environment</li> <li>• Pursuing well-being and improving engagement</li> </ul>
	S2 Contribution to solving social issues and fulfilling our corporate responsibilities	<ul style="list-style-type: none"> <li>• <b>Respect for human rights</b></li> <li>• <b>Supply chain management</b></li> <li>• Enhance stakeholder communication</li> <li>• <b>Social contribution activities</b></li> </ul>
<b>G</b> Strengthening governance	G1 Strengthening the corporate foundation that bolsters reliability and security, and enhancing the governance system	<ul style="list-style-type: none"> <li>• <b>Risk management and monitoring</b></li> <li>• Identifying governance issues and enhancing corporate governance</li> <li>• Addressing individual issues</li> </ul>

## **E: Preservation of the Global Environment**

- ① Daido Carbon Neutral Challenge
- ② Our Approach to Supplying Daido Green EAF Steel
- ③ Expanding Our Lines of Products for the Growth Market; Products that Contribute to Sustainability
- ④ Our Efforts to Promote Biodiversity
- ⑤ Daido Steel Wins the Gold Prize at the 2025 Aichi Environmental Awards.

## **S: Responsibilities and Contribution to Society**

- ⑥ Human Capital Management
- ⑦ Respect for Human Rights
- ⑧ Supply Chain Management
- ⑨ Social Contributions and Activities

## **G: Strengthening Governance**

- ⑩ Risk Management
- ⑪ Steps toward the Using Assets Effectively and Improving Capital Efficiency

# E: Preservation of the Global Environment



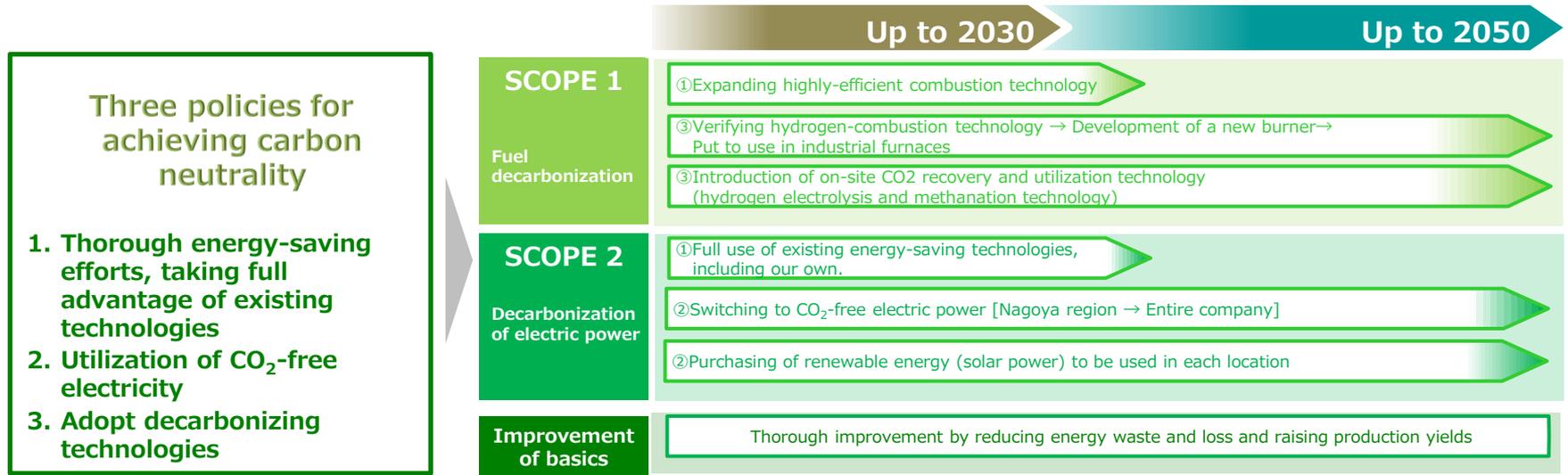
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*Towards 2030*

**Reduce CO2 emissions by 50% compared to FY2013**

*Towards 2050*

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



The entire Daido Steel Group is working to reduce CO<sub>2</sub> emissions with the aim of achieving carbon neutrality by 2050.



Notes: The calculations are limited to Scope 1 + Scope 2 (derived from energy) of the Company and its 31 affiliates.

Grid emission factors: (Domestic) CO<sub>2</sub> emission factors following adjustment of electricity supplier and plan used  
(Overseas) IDÉA Ver. 3.4 (April 30, 2024)

### <Breakdown of CO<sub>2</sub> reduction (2013→2024)>

(million tons)

Details	CO <sub>2</sub> emissions in 2013 (1.44 million tons of crude steel per year)	CO <sub>2</sub> emissions expected in 2024 (1.37 million tons of crude steel per year)	CO <sub>2</sub> emissions planned in 2030 (1.44 million tons of crude steel per year)
Energy saving	1.29	0.95 (-0.34)	-0.14
CO <sub>2</sub> -free electricity*1			-0.22
Steel production factor			-0.08
CO <sub>2</sub> emission factor*2			+0.10
			0.65 (-0.64)
			-0.16
			-0.48
			-
			-

※1 CO<sub>2</sub>-free electricity: We plan to gradually increase the purchase of CO<sub>2</sub>-free electricity to achieve the 2030 50% reduction target.  
(The introduction ratio at our production facilities in the Chubu region: 30% in 2023, 40% expected in 2024, 50% planned in 2025)

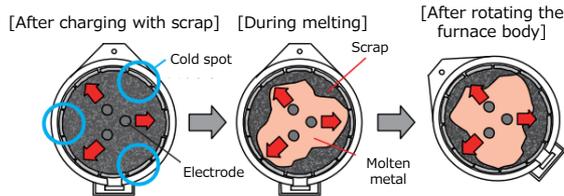
※2 CO<sub>2</sub> emission factor: The amount of CO<sub>2</sub> generated when 1 KWH of electricity is generated. This changes with the composition of the fuel type used during the given year.

# ① Daido Carbon Neutral Challenge: Examples of our energy-saving efforts

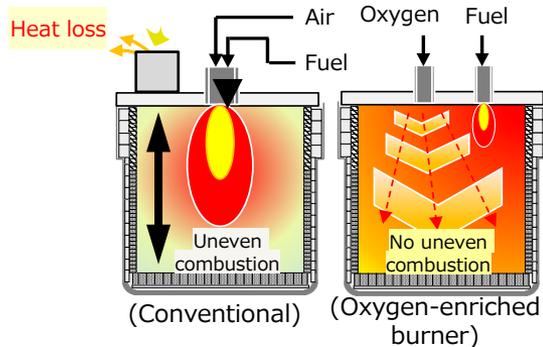
Our company thoroughly promotes CO<sub>2</sub> reduction through energy-saving efforts during the manufacturing process. In addition, in order to promote energy-saving investment, in August 2021 we introduced the ICP (Internal Carbon Pricing) system.

## ● Large-scale investment

Electric arc furnace with rotating drives (STARQ®): 150 tons



## Installation of oxygen-enriched burners to the ladle preheating system

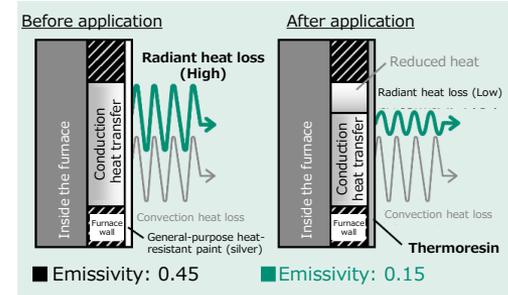


## ● Individual improvements

Use of ceramic fibers for the refractories of the heating furnace

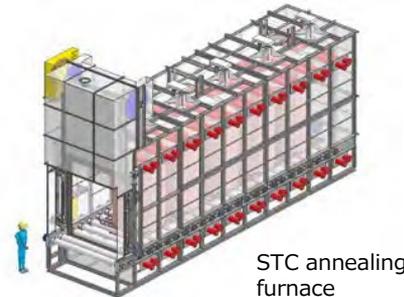


Application of a low-emissivity heat resistant paint to heating furnaces

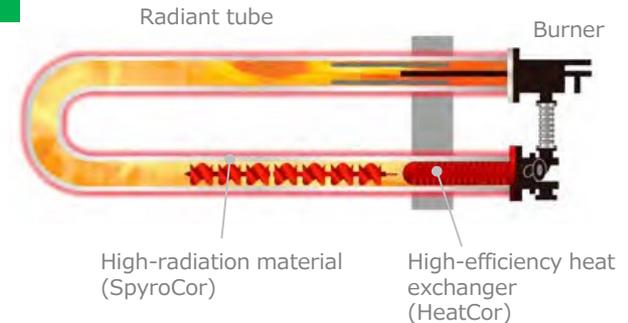


## ● Horizontal deployment in-house developed technology

Highly efficiency combustion system DINCS®



Hydrogen combustion radiant tube burner

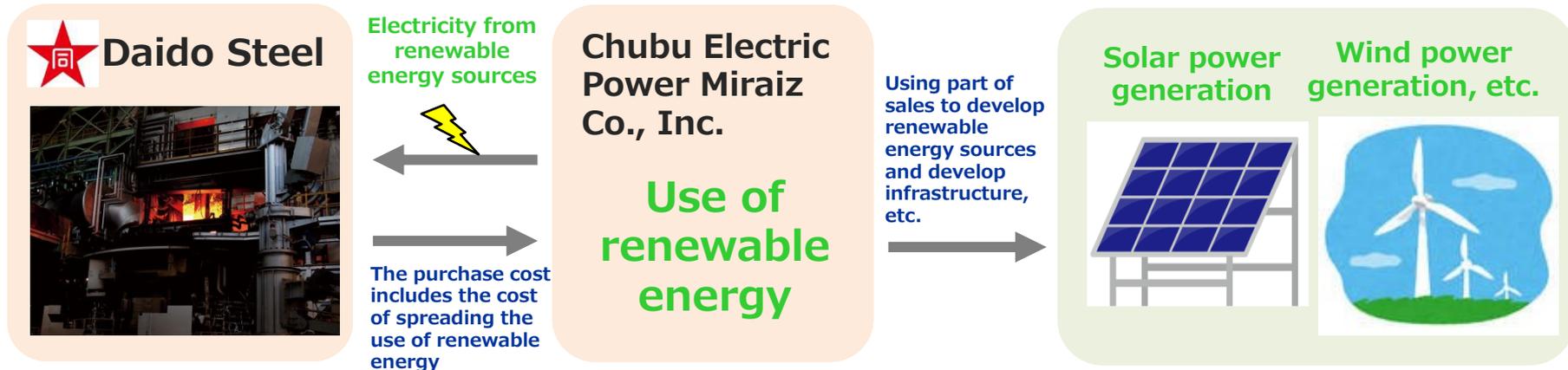


## ■ Use of ICP (Internal Carbon Pricing) [Introduced in August 2021]

- ✓ To encourage investment in Scope 1 (fuel) reduction, starting in FY2025 we plan to revise the current ICP of 5,800 yen/ton-CO<sub>2</sub> to 15,000 yen/ton-CO<sub>2</sub>.

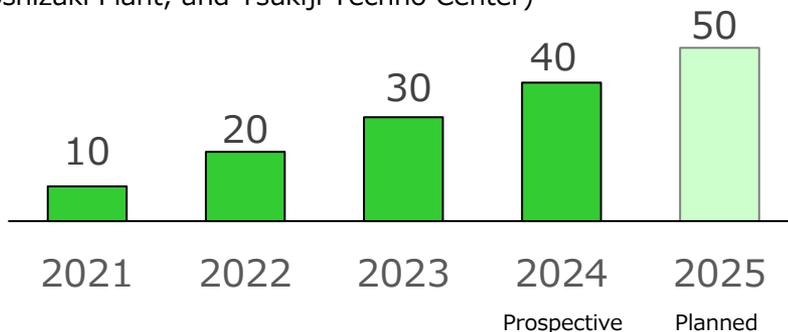
# ① Daido Carbon Neutral Challenge : Expanding the use of CO<sub>2</sub>-free electricity

By using CO<sub>2</sub>-free electricity, we contribute to the reduction of our own CO<sub>2</sub> emissions, as well as to more widespread use of renewable energy, and also to the development of electricity infrastructure.



## [Change in the ratio of CO<sub>2</sub>-free electricity purchased, as a percentage]

(Percent of CO<sub>2</sub>-free electricity purchased at our Chita Plant, Hoshizaki Plant, and Tsukiji Techno Center)



**We are going to gradually increase the amount of CO<sub>2</sub>-free electricity purchased, with the aim of achieving the target of reducing CO<sub>2</sub> emissions in FY2030 (as compared to FY2013) by 50%.**

\*Purchasing CO<sub>2</sub>-free electricity began in FY2021. In FY2024, we expect to reduce CO<sub>2</sub> emissions by 220,000 t-CO<sub>2</sub>/year\*<sup>1</sup>.

\*1: Calculated using the grid emission factor for FY2023 (The value announced by Chubu Electric Power Miraiz, on August 2, 2024).

① Daido Carbon Neutral Challenge : Making the Chita Second Plant carbon neutral

Starting in FY2025, we are converting the Chita Second Plant, which is a manufacturing base for our growth market products such as high-purity stainless steel for semiconductor manufacturing equipment, to a carbon neutral (CN) plant with virtually zero CO<sub>2</sub> emissions. We will do this through the use of the J-Credit Scheme and CO<sub>2</sub>-free electricity.

<Breakdown of CO<sub>2</sub> emissions at the Chita Second Plant and methods for offsetting and/or reducing CO<sub>2</sub> emissions>

[Scope]	[CO <sub>2</sub> emission sources]	[Percentage of CO <sub>2</sub> emissions]	[CO <sub>2</sub> emissions offset/reduction method]
Scope 1	Natural gas	16.51	●Offset through the use of recyclable energy-derived J-credits
	Gasoline and diesel fuel	0.03	
Scope 2	Electricity	83.46	●Reduction through the use of CO <sub>2</sub> -free electricity (100% of electricity used)



The Chita Second Plant as viewed from the Chita Plant side

	Year operations started	Site area	Building area
Chita Second Plant	2019	239,000 m <sup>2</sup>	112,000 m <sup>2</sup>
Chita Plant	1962	1,117,000 m <sup>2</sup>	290,000 m <sup>2</sup>

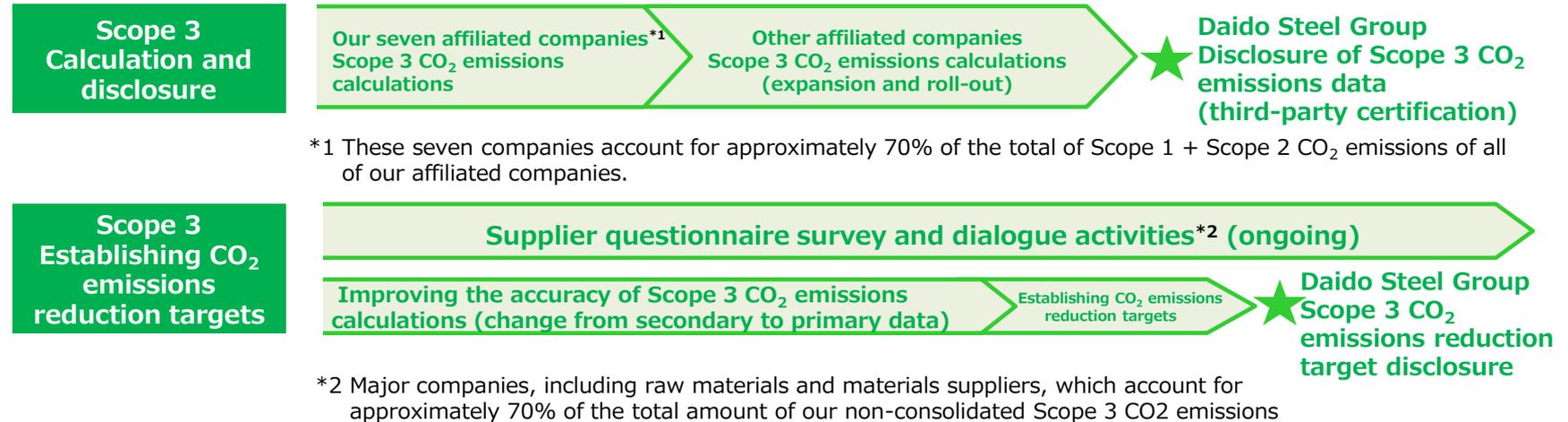
## ① Daido Carbon Neutral Challenge: Our efforts to reduce Scope 3 CO<sub>2</sub> emissions

In order to reduce CO<sub>2</sub> emissions throughout the supply chain, we are working to build relationships with our suppliers to promote the calculation and disclosure of Scope 3 CO<sub>2</sub> emissions across the entire Daido Steel Group, while formulating CO<sub>2</sub> emissions reduction targets and promoting other CO<sub>2</sub> emissions reduction activities.

### □ Our efforts to reduce Scope 3 CO<sub>2</sub> emissions within the Daido Steel Group

- ✓ The Daido Steel Group began calculating the amount of Scope 3 CO<sub>2</sub> emissions for Daido Steel alone in FY2019, and also began disclosing calculation results (for FY2019 and FY2020) in FY2021. We are currently working towards calculating and disclosing Scope 3 CO<sub>2</sub> emissions at each of our group companies.
- ✓ It is important that the entire supply chain works together to reduce Scope 3 CO<sub>2</sub> emissions. In order to improve the accuracy of our Group's Scope 3 CO<sub>2</sub> emissions calculations and calculate reduction targets, we are currently circulating questionnaires to our main suppliers and exchanging information and opinions through interviews and other means regarding CO<sub>2</sub> emissions calculations and the status of our reduction efforts, etc. These steps are intended to promote deeper engagement of our Group companies in Scope 3 CO<sub>2</sub> emissions reduction activities.

#### <Daido Steel Group>



## ② Our Approach to Supplying Daido Green EAF Steel

We are considering supplying and promoting Green Steel, taking into account customer needs and market and industry regulations, as well as emphasizing the environmental value of this low CO<sub>2</sub> emission steel through the CFP certification awarded for the use of non-fossil value (renewable energy-derived electricity, certificates, etc.) in its production.

### Phase 1

FY2023-2024

■ Acquisition of SuMPO EPD\*<sup>1</sup> for “steel for mechanical structures: steel bars and wire rod products (steel materials produced at the Chita Plant)” (August 2024)

- One of the EPD (Environmental Product Declaration) certification programs that objectively and quantitatively evaluates environmentally friendly products and discloses highly reliable and transparent data. This is used by customers as a reference when making purchasing decisions.
- \*1) A “Type III Environmental Declaration” that conforms with the international standard ISO 14025, and one of the EPD (Environmental Product Declaration) programs. (Name changed from “EcoLeaf” in April 2024).



■ Development of a CFP calculation tool for each type of product [our own original tool]

- We have developed our own sophisticated CFP calculation tool for each product, which uses the energy consumption of each production process and the amount of raw materials and materials used for each product, taken from the Standard Cost System.

(Figure) Cradle-to-Gate CO<sub>2</sub> emissions intensity (an index with general structural steel\* set at 1.0)  
\*Mainly carbon steel and alloy steel



■ Establishment of electric arc furnace (EAF) steel guidelines that apply non-fossil values. [Participation in industry working groups]

- Participation in the Environmentally Friendly Electric Furnace Steel Materials WG sponsored by the Non-integrated Steel Producers' Association (established in March 2024, with 30 EAF steelmaking companies: 23 ordinary steel producers, 7 specialty steel producers).
- Participation in the Study Group on Green Steel for Green Transformation (GX) (Ministry of Economy, Trade and Industry, November 2024 - January 2025). Promotes the widespread use of EAF Green Steel using non-fossil certificates

### Phase 2

FY2024-2025

■ Acquisition of third-party certification for our CFP calculation system, by product

- Acquisition of third-party certification for our CFP calculation and verification system for each product using our own original CFP calculation tool.

### Phase 3

FY2025-2026

■ Daido Green Steel: Environmental Value and Supply Preparation

- Keeping in mind customer needs and its environmental value, we will promote and supply Daido Green Steel through accurate CFP calculation, verification and labeling, using non-fossil values (renewable energy-derived electricity, certificates, etc.) in accordance with market and industry regulations.

### ③ Expanding Our Lines of Products for the Growth Market; Products that Contribute to Sustainability

### E: Preservation of the Global Environment

We will contribute to reducing CO<sub>2</sub> emissions and the transition to a circular economy by making sure that our high-performance products and technologies are widely recognized and used.

● Main products that contribute to sustainability

[Category]	[Products]	[Applications]	[Contribution to the SDGs]	[Growth markets]
Supporting society's energy transition	Hydrogen embrittlement resistant stainless steel	In hydrogen environments	Realization of a hydrogen society	Clean energy  
	Materials for nuclear power/nuclear fusion reactors	Light water reactors, nuclear fusion reactors	Promotion of power generation with a low amount of CO <sub>2</sub> emissions	
	High flux density soft magnetic steel strips	Motor cores for xEVs and drones	Extension of range through reduced size and weight of motors	CASE  
	High-magnetic specially-shaped and -oriented magnets	Motors, sensors	Extension of EV range, conservation of heavy rare-earth elements	
	Targets for difficult-to-bond substrates	5G antennas, electronic device production	Expansion of the use of increasingly sophisticated electronic devices	Semiconductors 
Improving society's energy efficiency	Electric arc furnace with rotating drives (STARQ®)	Melting furnace for steel materials	Steel production based on reduced energy consumption	Clean energy  
	High thermal conductivity 3D (printer) powder(HTC®)	Mold parts for die-casting through 3D printers	Realization of water-cooled holes with complex shapes → Longer life	Others 
Effective use of resources	Next-generation sewage sludge carbonization system (Ultra-high-temperature carbonization furnace)	Recycling of sewage sludge	Circular economy using activated carbon (B-DASH Project) , etc.	Others  

We have endorsed the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) and have disclosed information on the impact of our activities on the natural environment and biodiversity (March 14, 2025).

Going forward, we will continue to clearly communicate nature-related risks and opportunities and improve our communication and disclosure, by strengthening our corporate governance and clarifying our strategies based on these recommendations.

### ■ Medium-term Action Plan for 2026

<The Themes of the Initiatives>	Fiscal 2024	Fiscal 2025	Fiscal 2026
① <b>Responses to water-related security risks</b>	Understanding the current situation	Understanding the impact on business	Setting targets and making action plans
② <b>Strengthening nature conservation activities</b>	Our Kutcharo Forest monitoring survey	Apply for certification of "Other Effective Areas based on Conservation Measures: OECM)"	Continue to publicize our activities outside the company
③ <b>Information disclosure based on the recommendations of TNFD</b>	Initial disclosure (March 14, 2025)	Revised	Revised

<Establishment in FY2023>

### ■ Biodiversity Activities Policy

\* Basic policy/Action guidelines...Established on the basis of the Keidanren Declaration on Biodiversity: Action Guidelines.

- Target for 2030: Contribute to the realization of a nature-positive economy.
- Basic policy: In order to bring about a human way of life that is coexistent with the natural environment, we will reduce our impacts on biodiversity and work to conserve biodiversity throughout the entire value chain, including in our group companies.
- Action guidelines:
  - (1) We will conduct business activities that take biodiversity into consideration, such as by assessing the impacts our business has on biodiversity and working to reduce that impact.
  - (2) We will assess the impact of losses of biodiversity upon our business and strive to reduce those risks.
  - (3) We will disclose information on our approaches related to biodiversity and promote social contribution activities, in collaboration with stakeholders.

# ⑤ Daido Steel Wins the Gold Prize at the 2025 Aichi Environmental Awards

E: Preservation of the Global Environment

At the 2025 Aichi Environmental Awards, we were awarded the top prize, the Gold Prize, for our contribution to the realization of a sustainable society through the development of high-performance products such as the STARQ® electric arc furnace with rotating devices.

This award recognizes outstanding initiatives that contribute to conservation of the environment, and we are the only company to have received the Gold Prize this year.

### <Key points of the award>

Daido Steel's accumulated production and equipment-development technology, in its role as a specialty steel manufacturer, were evaluated as having made a highly significant contribution to the realization of carbon neutrality, through their substantial reductions of production energy and the development of new decarbonization core technology.



Satoru Katsuno, Chairman of the Environmental Partnership Organizing Club (EPOC) (Chairman of Chubu Electric Power Co., Inc.)

Tetsuya Shimizu, President of Daido Steel Co., Ltd.

Hideaki Omura, Governor of Aichi Prefecture



At the awards ceremony on Thursday, February 13, 2025 (Hotel Mielparque Nagoya, Convention Hall Zuiun)

\* The Aichi Environmental Award: Established by Aichi Prefecture to promote the formation of a recycling-oriented society and to publicize widely the high level of environmental technology and environmental activities happening in Aichi Prefecture, by awarding recognition to excellent technologies and activities related to resource and energy conservation and recycling activities, etc. in conjunction with the 2005 Aichi Expo. There were 45 applications for the 2025 Aichi Environmental Awards, including our own, and 15 awards were given (one Gold Prize, two Silver Prizes, one Bronze Prize, and 11 other prizes including the Excellence Award).

# S Responsibilities and Contribution to Society



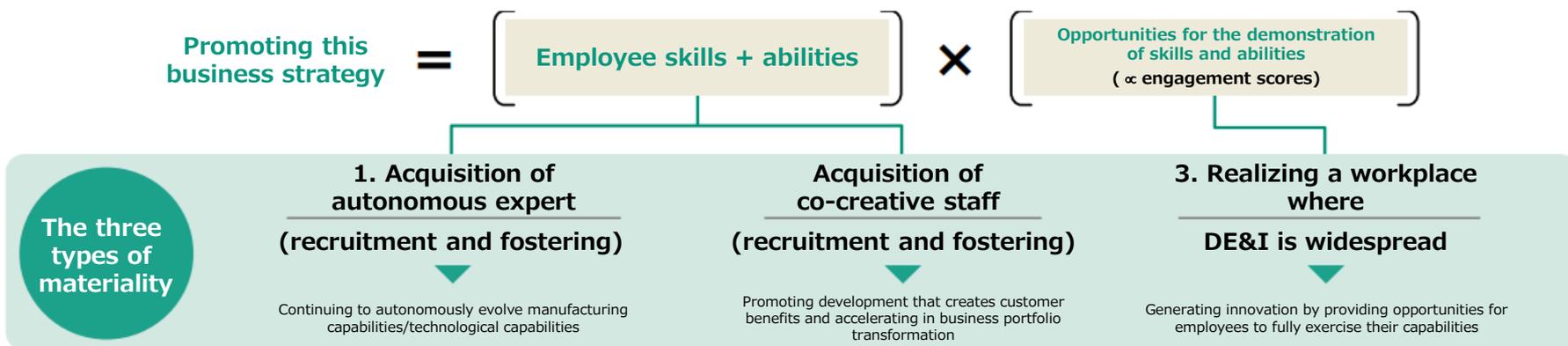
- ⑥ Human Capital Management
- ⑦ Respect for Human Rights
- ⑧ Supply Chain Management
- ⑨ Social Contributions and Activities

Human capital management is extremely important for achieving our Vision 2030. We have identified three human capital materiality issues in order to develop human resources that can embody our management philosophy of “pursuing the potential of materials to support the future of people and society”.

In particular, we believe that improving the engagement of employees has a significant impact on employee retention, providing them opportunities to demonstrate their abilities, and we will explain our approach in the pages that follow.

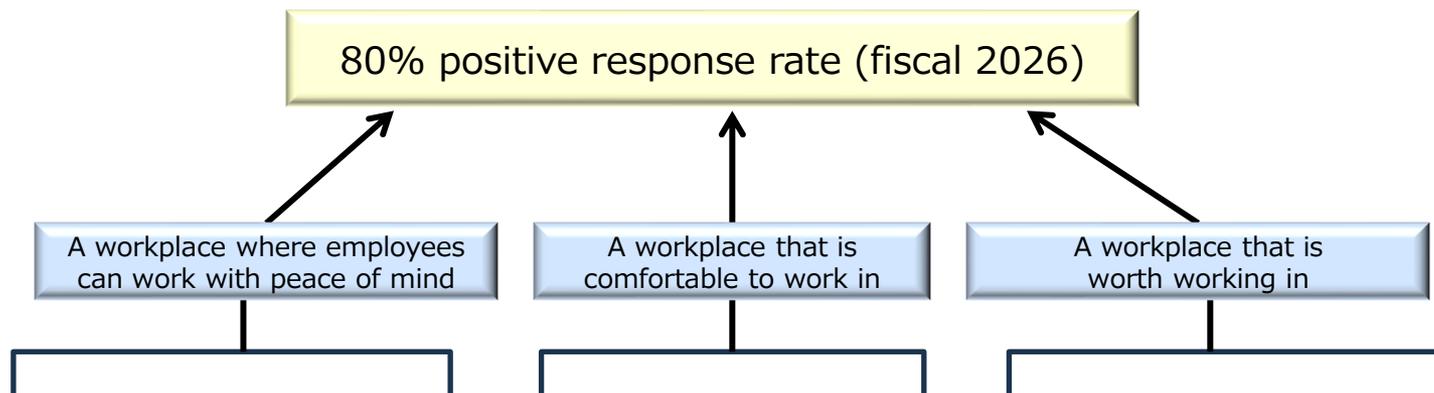
### Enhancing management resilience through our human capital strategy

- ✓ Establish a system for human capital acquisition that supports long-term business growth, leading to a +20% improvement in labor productivity (from FY2023 to FY2026)
- ✓ Introduce a continuous analysis system for engagement scores to create a work environment where employees can fully exercise their capabilities.



In our advanced manufacturing field, important aspects of ESG management are the development and retention of human resources and the creation of a workplace environment that provides strong motivation to our employees and allows them to maximize their abilities.

We will promote measures to improve employees' engagement, with the aim of achieving an 80% positive response rate to our employee-engagement survey in fiscal 2026. (This was 78.5% in fiscal 2024)



### Occupational Health and Safety

- Attending risk awareness training and risk prediction training sessions
- On-the-spot guidance from safety evangelists
- Hardware-aspect improvements, through collaboration between the Health and Safety Promotion Department and individual workplaces
- Promotion of risk assessment

### Health Management

- Public health nurses visit workplaces to provide psychological safety education
- A company-wide manual is being prepared to improve mental health and prevent recurrences of mental problems
- A company-wide walking event was held to focus on preventing falls and accidents
- Support and education were provided regarding the importance of vegetables in people's diets

### Promotion of DE&I\*

- Diversity training for general managers, section managers, and next-generation employees
- Career interviews for women
- Workplace revitalization using appreciative inquiries
- Support for balancing work with child and nursing responsibilities

### Dissemination of our management philosophy

- Awareness-raising using Purpose & Mission videos
- Presenting information that connects our management philosophy with the mission of one's own workplace
- Appropriate levels of education that helps everyone make our management philosophy their own work philosophy

### Important initiatives in terms of respect for human rights

\*DE&I:

Diversity, Equity & Inclusion: This is needed to ensure fairness to everyone, so that we can all recognize each other as colleagues and maximize our own abilities to the fullest extent possible

In promoting DE&I, we are working to create a workplace that is not only comfortable to work in, but also a workplace that is worth working in.

### (1) Introduction of AI (Appreciative Inquiry\*)

We are working **to improve communication within the workplace** by introducing AI to our frontline workplaces in stages, starting in fiscal 2024.

#### \*Appreciative Inquiry

This is one of the organizational development theories. It supports a process in which the members involved in the organization discover the values that already exist within it, through questioning, proactively creating the future vision they want to achieve, think about how to achieve it, and then take action



### (2) Creation of the Daido Steel Group's Purpose & Mission Video

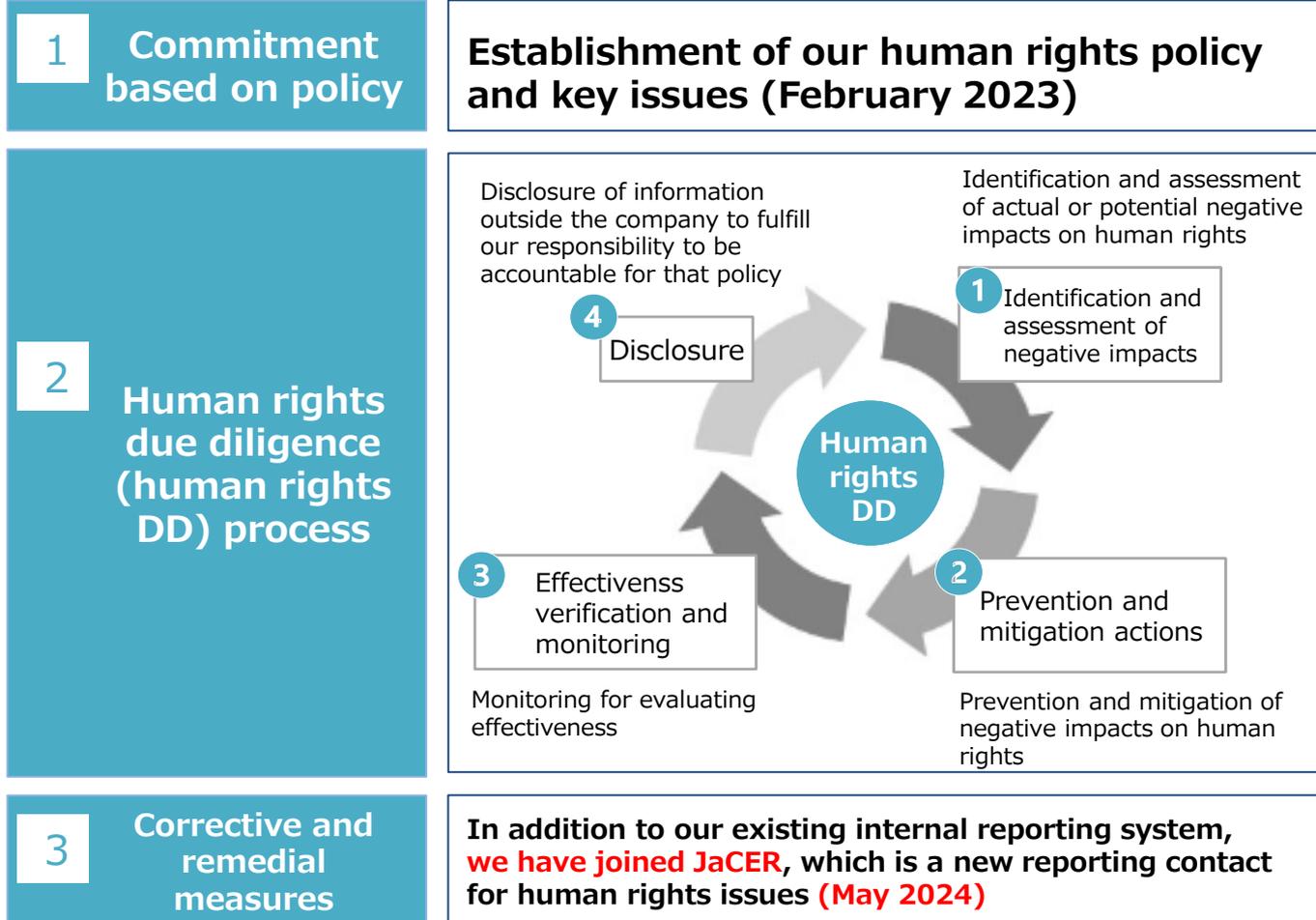
In FY2024, we created a Purpose & Mission Video, including a message from our President, with the aim of **spreading our management philosophy throughout the entire company**, and using it as an e-Learning tool.

We will continue to **create mechanisms that connect our management philosophy with the missions of individual workplaces**, and implement appropriate levels of education to make sure the management philosophy is consistent with and incorporated into each employee's own personal code of conduct.



[Daido Steel Group Purpose & Mission Video](#)

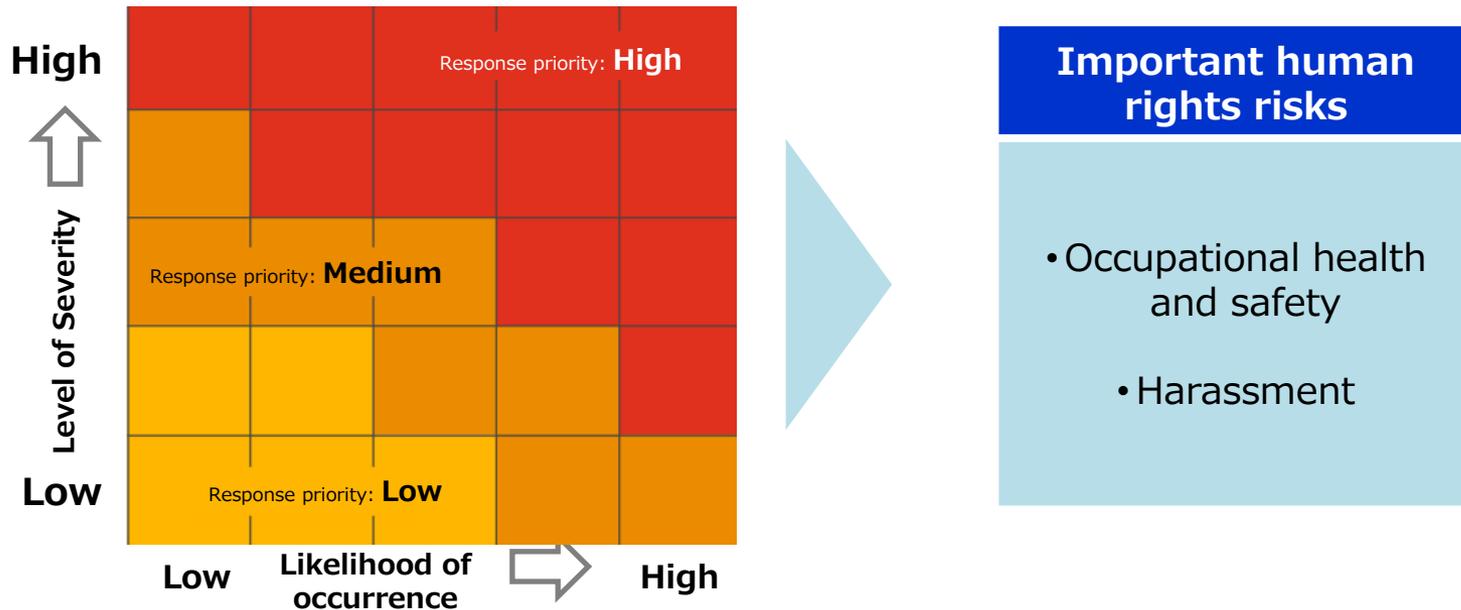
We expanded our human rights due diligence (human rights DD), which started in fiscal 2023, into fiscal 2024, and extended it to include major Group companies



<https://jacer-bhr.org/index.html>

We have developed a human rights risk map, based on the results of an employee survey, to identify important human rights risks

- We have determined degrees of severity of problems, based on our business content and areas of activity
- We have determined the likelihood of occurrences, based on the results of the employee survey



- Identifying important human rights risks through risk mapping  
(The darker the color, the more significant the human rights risk)

We will continue to take action to prevent and mitigate significant human rights risks.

We will also enhance our human rights grievance mechanism and continue to contribute to the realization of a society free from human rights violations and discrimination.

Risk	Action
Occupational Health and Safety	<p>Prevention</p> <ul style="list-style-type: none"> <li>Continue to offer risk awareness training and risk prediction training sessions</li> <li>On-the-spot guidance provided by safety evangelists using actual equipment</li> <li>Hardware-aspect improvements through collaboration between the Health and Safety Promotion Department and individual workplaces</li> </ul> <p>→ <b>Significant reduction in regular work-related accidents</b> (17 cases in 2018-21 → 4 cases in 2022-24)</p> <ul style="list-style-type: none"> <li><b>Implementation of company-wide walking events to prevent falls.</b></li> </ul>
	<p>Mitigation</p> <ul style="list-style-type: none"> <li>Promotion of risk assessment</li> </ul> <p>→ <b>Implemented measures prioritizing high-risk targets, completing 811 measures.</b> (These were half the number of the risks identified in 2022-24)</p>
Harassment	<p>Prevention</p> <ul style="list-style-type: none"> <li>Disseminate the Daido Steel Group Code of Conduct</li> <li>Continue to provide education on identifying various forms of harassment (group education, e-learning, etc.)</li> </ul> <p>→ <b>In FY2024, we started providing education focusing on unconscious bias and anger management, which can be direct causes of harassment (Education for directors and general managers was completed in FY2024, and education for section managers is scheduled for FY2025)</b></p>
	<p>Mitigation</p> <ul style="list-style-type: none"> <li>Continue to understand the situation through internal reporting, consultation services, and regular surveys</li> </ul>



In December 2024, Daido Steel renewed its Procurement Policy, and identified it as the Daido Steel Group Procurement Policy.

We believe it is an important part of our contribution to the realization of a sustainable society for our business partners to gain an understanding of the Daido Steel Group Procurement Policy as they work with us.

We are conducting a CSR questionnaire survey of our business partners, using the UNGC's CSR Self-Assessment Tool. We received responses to our questionnaire from 98% of our business partners, as measured by the amount of transactions with our company. Based on the results of this survey, we then held the following explanatory meetings with our business partners, to promote understanding

Name of explanatory meeting <Sustainability theme name>	Period in which the meeting was held	Method of holding meeting
<b>DSP (Daido Supplier Partnership) meeting</b> <CO <sub>2</sub> emissions reduction, respect for human rights, and anti-corruption>	May 2023	Online
<b>CSR briefing session</b> <Understanding our procurement policy and use of CSR questionnaire survey>	March-July 2024	Online
<b>DSP meeting</b> <Environmental issues: CO <sub>2</sub> emissions reduction, biodiversity conservation Social issues: respect for human rights, anti-corruption, and CSR questionnaire survey feedback>	July 2024	Online
<b>2024 second-half production briefing (hosted by the cooperatives of partner factories)</b> <Social issues: respect for human rights>	November 2024	On-site
<b>Dialogue on reducing CO<sub>2</sub> emissions</b> (One-on-one dialogue with some business partners)	February 2025 and thereafter	On-site

**In December 2024, we established the Daido Steel Group Basic Policy on Social Contributions, with four guidelines for conduct.**

### **Daido Steel Group Basic Policy on Social Contributions**

The Daido Steel Group has multiple manufacturing bases throughout Japan, and we conduct our business with the support of people in each region.

We value our relationships with the local community and contribute to the realization of a sustainable society through social contribution activities focused on local action, educational support, environmental protection, and support for sports, the arts, and cultural activities.

#### **[Guidelines for conduct]**

The Daido Steel Group aims to become a company that its employees and their families can be proud of, and to that end we implement the following:

- 1) We contribute to the development of local communities through local action.
- 2) We contribute to the development of the next generation through educational support for the community's children.
- 3) We contribute to the preservation of the global environment through various activities that support biodiversity.
- 4) We contribute to the development of sports, the arts and cultural activities and the healthy development of young people.

**Strengthening our social contribution activities, starting in fiscal 2024 we added "contribution for sustainability" to the categories in the existing President's Award.**

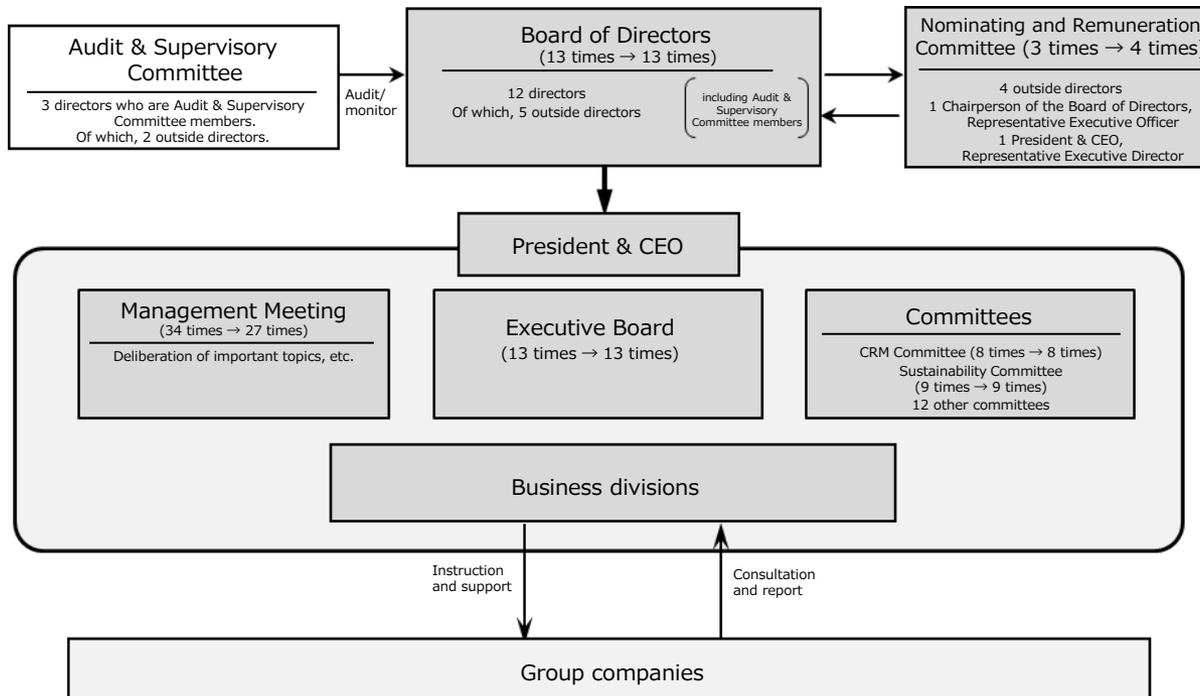
# G: Strengthening Governance



- ⑩ Risk Management
- ⑪ Steps toward Using Assets Effectively and Improving Capital Efficiency

We are working to improve management efficiency, ensure appropriate and speedy decision-making, and ensure management transparency as means of responding to the rapidly changing business environment.

Management risks deliberated upon at management meetings and by various committees are included, as necessary, in the Board of Directors agenda. In particular, every year the status of internal audits and internal reporting is raised as an agenda item at the Board of Directors meeting, and the effectiveness and validity of the internal control system are reviewed and improved, which is then reflected in subsequent activity plans.

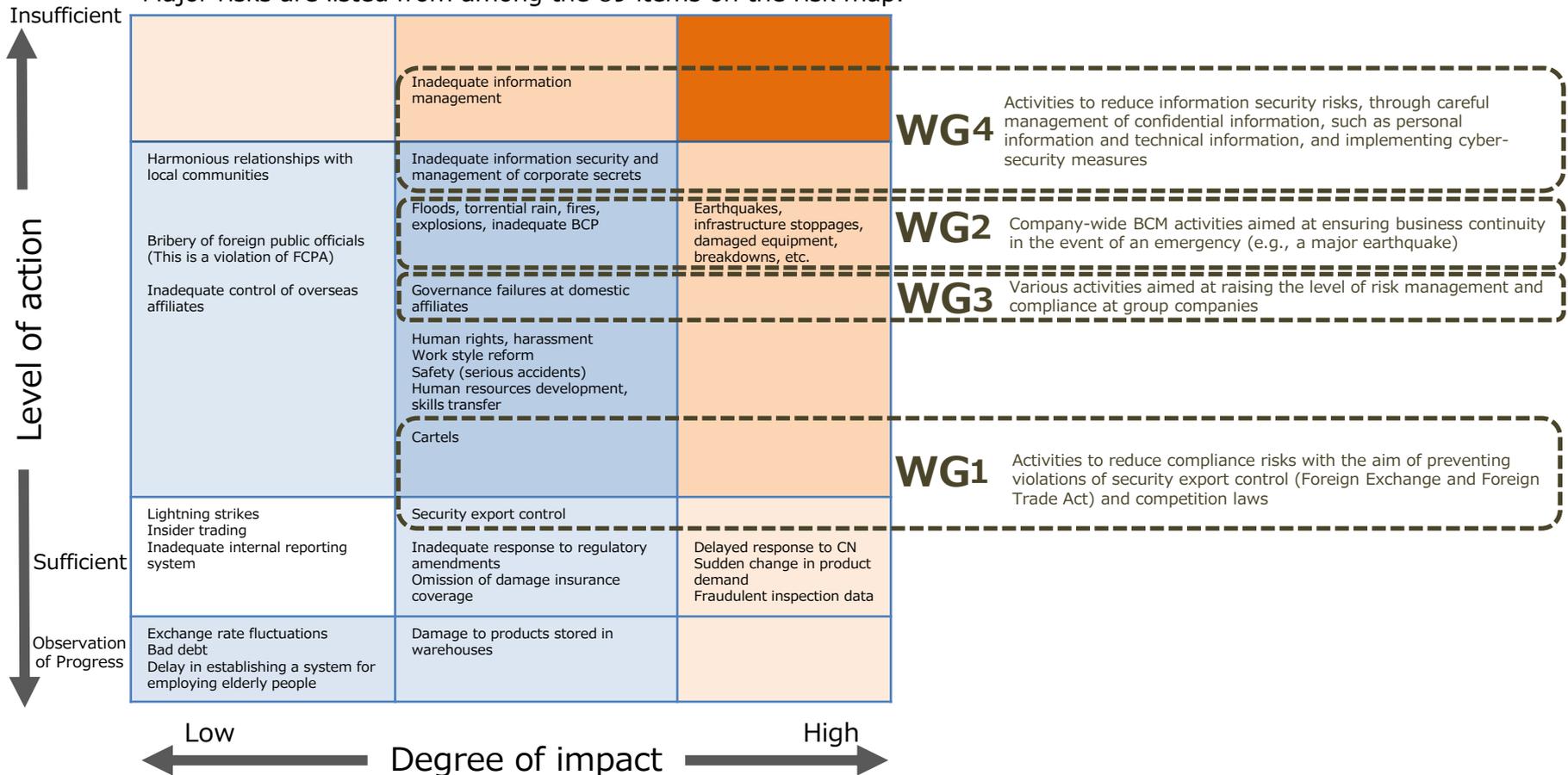


The numbers in parentheses are the number of times from FY2023 to FY2024.

We have created a risk map by organizing risks by "degree of impact and level of action" for each individual risk.

We have established working groups (WGs) for particularly high-risk items and are promoting cross-organizational responses.

Major risks are listed from among the 89 items on the risk map.



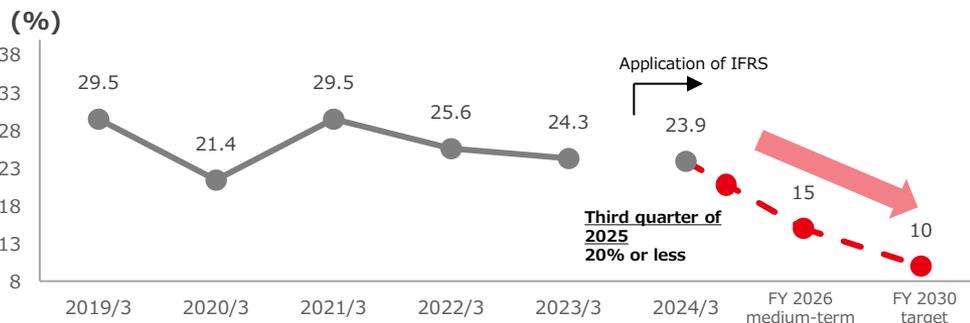
# ⑪ Steps toward Using Assets Effectively and Improving Capital Efficiency

We are working to reduce the number of cross-shareholdings to 20% or less by the end of fiscal 2024 (e.g., a treasury stock acquisition in November 2024).

We will promote management aimed at improving capital efficiency, including improving ROE, making effective use of assets held, and strengthening shareholder returns.

### ■ Making effective use of assets held [e.g., sale of cross-shareholdings]

- Aiming for 15% of net assets by FY2026, and 10% of net assets by 2030
- Aiming for a level of 20% or less by the end of FY2024



### ■ Acquisition of treasury stock (November 28, 2024)

- Acquisition of treasury stock in November 2024
- Number of shares acquired: 7,398,00 shares
- Ratio to number of shares issued (excluding treasury stock): 3.5%
- Total acquisition amount: 8.5 billion yen



# External Evaluations (the major ones; as of March 2025)

	<p><b>CDP</b></p> <p>In February 2025, we were recognized for our efforts in climate change [A-] and water security [A-].</p>	 <p><b>MSCI</b></p> <p>In 2024, we received an "A" on the MSCI ESG Rating.</p> <p>CCC B BB BBB <b>A</b> AA AAA</p>
	<p><b>S&amp;P/JPX</b> Carbon Efficiency Index</p> <p>Ever since 2018, we have been selected as one of the constituents of the S&amp;P/JPX Carbon Efficiency Index.</p>	<p>2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数</p> <p><b>MSCI Japan ESG Select Leaders Index</b></p> <p>We have been included among the constituents of the Index since January 2024.</p>
 <p><b>FTSE Blossom Japan Sector Relative Index</b></p>	<p><b>FTSE Blossom Japan Sector Relative Index</b></p> <p>We have been selected as one of the constituents of the FTSE Blossom Japan Sector Relative Index.</p>	<p>2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</p> <p><b>MSCI Japan Women's Empowerment Index (WIN)</b> <b>MSCI Japan Women's Empowerment Index (Select)</b></p> <p>We have been included among the MSCI Japan Women's Empowerment Index constituents (WIN &amp; Select) since June 2024.</p>
	<p>2025 <b>健康経営優良法人</b> KENKO Investment for Health 大規模法人部門 ホワイト500</p>	<p><b>Certified to be a Health &amp; Productivity Management Outstanding Organization (White 500)</b></p> <p>In 2025, we were certified as a Health and Productivity Management Outstanding Organization (White 500) for the second consecutive year (the sixth time overall).</p>
	<p><b>Certified as a Kurumin company supporting childcare</b></p> <p>In 2022, we were certified as a Kurumin company under the Act on the Advancement of Measures to Support Raising the Children of the Next Generation. This is our third consecutive certification, following 2017 and 2019.</p>	 <p><b>Aichi Biodiversity Company Certification</b></p> <p>In 2022, we were certified as an "Aichi Biodiversity-Certified Company"</p> <p>あいち生物多様性 認証企業</p>

## WE SUPPORT



### UNGC/GCNJ

In July 2023, we signed the United Nations Global Compact (UNGC), a global initiative proposed by the United Nations that aims to achieve sustainable growth, and joined the Global Compact Network Japan (GCNJ), an organization that carries out the UNGC's philosophy and mission in Japan.



### Ministry of Economy, Trade and Industry's 'GX League'

We are participating in the 'GX League'. This was launched in fiscal 2023 with the aim of achieving a carbon-neutral society by 2050, through collaboration between industry, government and academia, led by the Ministry of Economy, Trade and Industry. Its ultimate goal is to transform the entire economic and social system.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

### TCFD

In November 2021, we announced our support for the TCFD recommendations, and we disclose information on the impact of our activities on climate change.



# HereWeGo203030

### Japan Business Federation (Nippon Keidanren) "Here We Go 203030"

We support the "Here We Go 203030" initiative proposed by the Japan Business Federation (Nippon Keidanren).

## TNFD (Application for use of the logo is pending)

### TNFD

In March 2025, we expressed our support for the TNFD recommendations, and are disclosing information about the impact of our activities on the natural environment and biodiversity.



### The Ministry of the Environment's "30 by 30 Alliance for Biodiversity"

We are participating in the '30 by 30 Alliance for Biodiversity', which was established in September 2022 by 17 industry, government and private sector organizations, including the Ministry of the Environment.

A white swan is swimming in a pond, surrounded by tall green reeds. The swan is in the center of the frame, facing left. The water is calm, and the reeds are dense and vibrant green. A semi-transparent grey box is overlaid on the top half of the image, containing text.

Daido Steel Group's Management Philosophy

**Pursuing the potential of materials  
to support our future.**

**DAIDO STEEL GROUP**  
**Beyond the Special**

Our Company-owned forest in Hokkaido:  
"Kutcharo Natural Forest Daido"