

Technology Development Strategy

Development of technologies and products that can contribute to global society.

Through our business, we aim to solve social issues faced by the industrial world, such as climate change, mobility change, and energy shift.

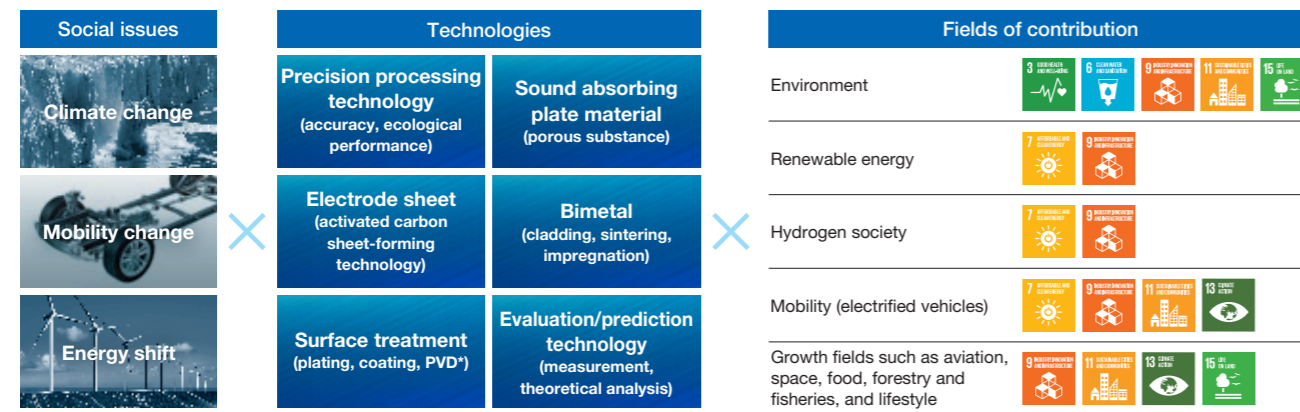
We are actively promoting the development of products that create new value by reducing frictional resistance and energy loss in response to 'movement' in a wide range of fields around the world.



Make the Most of Six Technologies to Create New Businesses

Based on the six technologies, i.e. precision processing technology, sound absorbing plate material, electrode sheet, bimetal, surface treatment, evaluation/prediction technology, we are engaged in research and development of new technologies by making full use of our knowledge, experience,

and information. We will make a contribution to growing fields, e.g. environment, renewable energy, hydrogen energy-based society, mobility, aviation, space, food, agriculture, forestry and fisheries, and lifestyle, by brushing up on the existing technologies and accelerating new technology development.

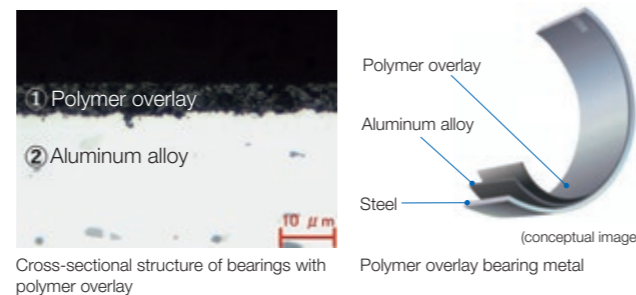


* Physical Vapor Deposition, a technology used in the surface treatment of metals

Develop Products with Environmentally Friendly and Energyefficient Materials and Functions

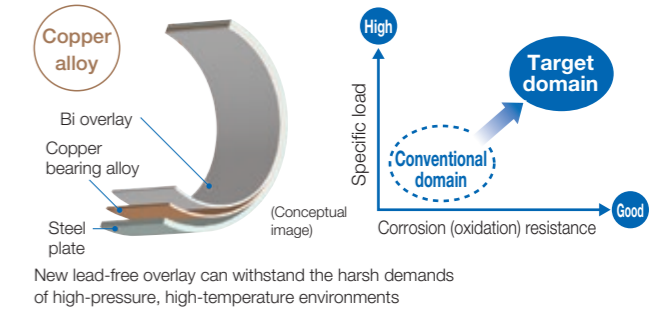
In response to the worldwide effort toward carbon neutrality, and to increase the thermal efficiency of engines in keeping with tighter regulations on CO₂ emissions, we are helping to reduce friction loss even further by developing and supplying polymer overlay surface treatments that improve low-friction characteristics by applying concepts different from those of conventional designs.

In order to respond to stricter exhaust gas regulations, we have developed a new lead-free overlay that can stand up to



severe demands such as the high specific load, high temperature environments and long service life requirements of truck engines, and have obtained good results from tests using actual engine. In the area of engines for marine vessels and power generation, we have developed lead-free copper alloys with improved corrosion resistance for use in gas engines (including DF), which are coming into increasingly widespread use. We are also conducting research into technologies for hydrogen and ammonia fuels.

We also undertake more environmentally conscious development, such as polymers using biomass ingredients.



New lead-free overlay can withstand the harsh demands of high-pressure, high-temperature environments

Develop CASE-Compatible Products

In responding to demand for new automotive parts in line with the shift to EVs, we are developing and evaluating polymer-based materials, as well as the conversion of motor bearings from rolling to sliding designs. We are moving forward with development of applications for laminate materials that incorporate cladding technology to bond dissimilar metals, as well as applications for porous metallic substances that combine sound- and water-absorbing as well as heat-dispersing properties with the strength and heat resistance of metals.



Promote Global Technology Development

We will utilize our network of technical centers scattered around the world in a five-pronged system to obtain new information from global customers and create new businesses by conducting research on new technologies through activities with universities and conferences not only in Japan but also overseas.



TOPICS

Development of Bearings to Open up the Future of Wind Power Generation

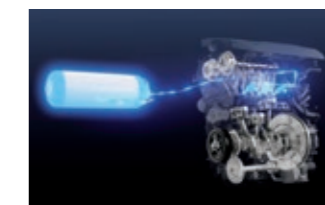
Given the increasing demand for renewable energy, we have received high marks for our provision and mass production of bearings used in wind power generation in Europe, where demand for wind-generated electric power is strong. We are also advancing research into technologies for the various kinds of special bearings suited to this market, and preparing to introduce various types of equipment for bearing evaluation testing based on the NEDO Green Innovation Fund Project (aimed at reducing the cost of offshore wind power generation).



DAIDO METAL plain bearings

Advancing Development of Technologies for Hydrogen Engines

In the effort to bring about carbon neutrality, hydrogen is drawing interest as an alternative to fossil fuels. A broad range of potential applications is under consideration, including not just motorcycle, automobile, and commercial vehicle engines, but also engines for general industry and marine vessels. Amid these circumstances, as various companies undertake advanced research on hydrogen engines and their practical development, we, as a supplier of bearings, are proactively joining in the effort, moving forward with development toward practical applications while keeping tabs on the impact that hydrogen fuel is having.



Conceptual illustration of a hydrogen engine



Hydrogen engine truck road test

Financial Strategies

While tracking changes in the business environment, we will execute a flexible and appropriate financial strategy.

Cash Management

The DAIDO METAL GROUP, including its major sales locations around the world, uses a system of notional pooling involving multiple currencies to share funds among affiliated companies within the Group. This not only improves capital efficiency but also acts as a risk hedge against currency risks associated with accounts receivable and accounts payable.

Investment Strategy

The Group considers resolving issues associated with environmental changes caused by working towards a sustainable society to be a business opportunity. It is therefore pivoting away from the previous business model, which was based on the internal combustion engine and fossil fuels, and making investments towards carbon neutral business (as epitomized by electric vehicles) and renewable energy such as wind and hydroelectric power.

Within this context, as it seeks to maintain its competitive advantage against global competition the DAIDO METAL GROUP will continuously implement capital investment, and will provide the necessary financing while ensuring financial soundness with an equity ratio of around 35%.

Profitability Strategy

In addition to diversifying risk by developing multiple businesses with different levels of profitability and profit, we will strive for a balance of profitability, stability, and growth potential for the Group as a whole, optimizing the DAIDO METAL GROUP's business portfolio with the aim of achieving a portfolio mix that enables an ROE of 9%.

Reinforcing the Financial Structure

The DAIDO METAL GROUP uses the consolidated capital to asset ratio as an indicator of financial structure, and aims for at least 35%. The Group has implemented continuous programs of capital investment and M&A in order to optimize its business portfolio in response to changes in society.

By considering a variety of funding sources, we will build a stable financial structure that targets a consolidated capital to asset ratio of at least 35%, even in cases where we implement significant M&A or other investments as part of modifications to the business portfolio.

Policies for Determining Appropriation of Surplus

It is the Company's policy to pay appropriate dividends to our shareholders, based on the results of operation and payout ratio, and to maintain a stable and sustainable level of dividend in overall consideration of the internal reserve for future business development, expansion of research and development, strengthening of business foundations and changes to the business environment.

The Company has a fundamental policy of making a dividend of surplus twice a year, i.e. an interim dividend and a year-end dividend. The decision-making bodies for these dividends of surplus are the Shareholders' Meeting for the Year-end dividend, and the Board of Directors for the interim dividend in accordance with the provisions of the Company's Articles of Incorporation.

