May 12, 2025

Company Name: Daido Steel Co., Ltd.
Name of Representative: Tetsuya Shimizu
President & CEO,
Representative Executive Director
(Securities code: 5471; Prime Market of the Tokyo Stock Exchange, Premier Market of the Nagoya Stock Exchange)
Inquiries: Takashi Nagai
General Manager, General Affairs Dept.
(TEL: +81-52-963-7501)

Notice concerning Acquisition of All of the Shares of Nippon Koshuha Steel Co., Ltd. to Make it a Wholly Owned Subsidiary and concerning change in a Specified Subsidiary

Daido Steel Co., Ltd. (the "Company") hereby announces that it resolved today to acquire all of the outstanding shares (excluding treasury stock) of Nippon Koshuha Steel Co., Ltd. ("Nippon Koshuha Steel") (the "Shares") from Kobe Steel, Ltd. ("Kobe Steel") (the "Share Acquisition") and signed an agreement (the "Share Purchase Agreement") with Kobe Steel on the same day. The Share Acquisition is subject to the completion of procedures, including a share exchange through which Kobe Steel will become a wholly-owning parent company of Nippon Koshuha Steel and Nippon Koshuha Steel will become a wholly-owned subsidiary of Kobe Steel (the "Share Exchange"), and a payment of dividends in kind by Nippon Koshuha Steel to Kobe Steel, which is a transfer of all of issued shares in Koshuha-Foundry Co., Ltd. ("Koshuha-Foundry") and assets held by Nippon Koshuha Steel in connection with its casting iron business to Kobe Steel (the "Dividends in Kind").

As the Company will be required to obtain approvals from the Fair Trade Commission and other relevant domestic and overseas authorities for the Share Acquisition (the "Acquisition of the Clearance"), the Share Exchange is subject to the Acquisition of the Clearance. The Share Exchange will take effect on the effective date of February 2, 2026, subject to the simplified share exchange procedures by Kobe Steel in which an approval by a resolution of the general meeting of shareholders is not required in accordance with the provisions of Article 796, Paragraph 2 of the Companies Act (Law No. 86 of 2005, as may be amended from time to time, the same applies hereinafter), and subject to the approval for an agreement on the Share Exchange by a resolution of the annual general meeting of shareholders of Nippon Koshuha Steel scheduled to be held on June 24, 2025.

For details of a series of transactions to realize the Share Acquisition, including the Share Exchange (the "Transactions"), please refer to the announcements released by Kobe Steel and Nippon Koshuha Steel today titled "Notice concerning Conclusion of Share Exchange Agreement to Make Nippon Koshuha Steel a Wholly-Owned Subsidiary of Kobe Steel (Simplified Share Exchange) and Transfer of Shares in Nippon Koshuha Steel to Daido Steel."

Since the amount of capital of Nippon Koshuha Steel is more than 10% of the Company's capital,

Nippon Koshuha Steel is going to be a specified subsidiary of the Company.

1. Reason and method for the Share Acquisition

(1) Reason for the Share Acquisition

The Company formulated the 2026 Medium-Term Management Plan ("Medium-Term Management Plan") and announced it on June 6, 2024. In the Medium-Term Management Plan, the three-year period from FY 2024 to FY 2026 is positioned as the period for transformation and transition management. During the period, the Company aims to achieve its "Vision for 2030," which is to say, the target of "pursuing high-performance materials, creating benefits for customers and contributing to the realization of a sustainable society." Accordingly, the Company has been striving to implement the Medium-Term Management Plan.

Meanwhile, the former company of Nippon Koshuha Steel was founded as Nippon Koshuha Heavy Industry Co., Ltd. in January 1936, which started integrated production from refining to product manufacturing. It used high-frequency electric shock refining method to refine low-grade ore and iron sand. In May 1950, it was founded as Nippon Koshuha Steel Co., Ltd. As of March 31, 2025, the Nippon Koshuha Steel Group consisted of Nippon Koshuha Steel, its parent company Kobe Steel, and four subsidiaries (Nippon Koshuha Steel and its four subsidiaries are referred to as the "Nippon Koshuha Steel Group"). The main business of the Nippon Koshuha Steel Group is the manufacture and sales of specialty steel and cast-iron products. Nippon Koshuha Steel, combined with other companies of the Nippon Koshuha Steel Group, has two business segments. One is specialty steel business (manufacturing and sales of tool steel, special alloy and bearing steel (steel wires, wire rods, bars, forged steel products, secondary processed products, etc.)). The other is casting business (manufacturing and sales of specialty cast products such as auto parts, and parts for construction machinery and industrial equipment).

As the Nippon Koshuha Steel Group's specialty steel business coincides with the specialty steel business of the Company group (the company group with the Company as the core company; the same applies hereinafter), the Company started discussions with Kobe Steel regarding the acquisition of specialty steel business of Nippon Koshuha Steel from Kobe Steel, which the Company had a business relationship with. The Company continued to hold discussions with Kobe Steel multiple times, and considered the acquisition based on the results of those discussions. Eventually, the Company decided that it would be the best option to aim at increasing the corporate value in specialty steel business of the Company and the Nippon Koshuha Steel Group by acquiring the Nippon Koshuha Steel Group's special steel business from Kobe Steel. Subsequently, after repeated discussions with Kobe Steel, the Company and Kobe Steel proposed on May 31, 2024, that Nippon Koshuha Steel go private and that the Company acquire the specialty steel business of Nippon Koshuha Steel.

After that, the Company and Kobe Steel carried out due diligence of Nippon Koshuha Steel, as well as more detailed examinations and discussions regarding the company to be acquired. Consequently, the Company, Kobe Steel, and Nippon Koshuha Steel reached an agreement that Kobe Steel, the parent company of Nippon Koshuha Steel, would take the lead in making Nippon Koshuha Steel private for the time being to implement the procedures for the Share Acquisition smoothly.

In addition, after the Company, Kobe Steel, and Nippon Koshuha Steel hold further discussions, they concluded that the Share Acquisition was beneficial for enhancing the corporate value in specialty steel business of the Company and Nippon Koshuha Steel. The reason is because the Share Acquisition will enable Nippon Koshuha Steel to utilize the management know-how of the Company group in specialty steel business, and to benefit from the synergies generated. That will also make it possible for Nippon Koshuha Steel to strengthen competitiveness and increase profitability.

The Company, Nippon Koshuha Steel, and Kobe Steel believe that the Share Acquisition will generate the following synergies.

(i) Cost reduction by optimizing production allocation and production layout, increase in production volume, and avoidance of overlapping investment

Nippon Koshuha Steel and the Company will be able to improve productivity and increase production volume and production lots by utilizing excess capacity through optimization of production allocation and production layout. In addition, avoiding overlapping investments will improve cash flow and Nippon Koshuha Steel will be able to raise the competitiveness of its specialty steel business.

(ii) Presence improvement and sales expansion by utilizing the Company group's extensive domestic and overseas networks

In the domestic business, the Nippon Koshuha Steel Group and the Company will acquire new customers by enhancing its presence through sharing of sales networks of the Nippon Koshuha Steel Group and the Company group. In the overseas business, the Nippon Koshuha Steel Group will be able to expand sales and improve services by promoting sales of its products, utilizing the Company’s extensive overseas network.

(iii) Optimization of resources by sharing or integrating operation functions, and integration of distribution

It is intended that the resources at the departments of sales, research, procurement, logistics, corporate and others will be optimized at the Nippon Koshuha Steel Group and at the Company. In the medium-to long-term, the Nippon Koshuha Steel and the Company are considering integrating distribution functions to promote the efficient operation at the Nippon Koshuha Steel Group and the Company group, as well as improving services and reducing costs.

Even after the Share Acquisition, the Company will continue to support the future of people and society by pursuing the potential of materials in cooperation with the Nippon Koshuha Steel Group, while respecting the Nippon Koshuha Steel Group’s history that has been cultivated over many years and its management philosophy that is “to contribute to the building of an affluent society where lifestyles are harmonized with the environment, by supplying products with wide appeal.”

(2) Method of the Share Acquisition

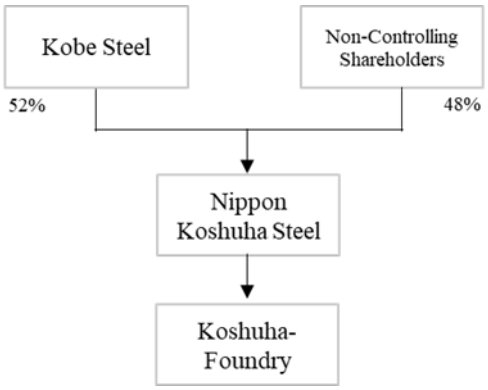
The Company and Kobe Steel agreed that (a) Kobe Steel will make Nippon Koshuha Steel a wholly owned subsidiary of Kobe Steel through the Share Exchange, (b) Nippon Koshuha Steel will pay the Dividends in Kind on the condition that the Share Exchange takes effect, and (c) the Company will acquire the Share subject to the Share Exchange, the Dividends in Kind, and the Acquisition of the Clearance.

The following is a summary of the Share Exchange, the Dividends in Kind and the Share Acquisition.

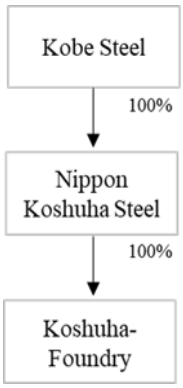
(i) Implementation of the Share Exchange

Subject to the Acquisition of the Clearance, the Share Exchange will be implemented. Through the Share Exchange, Kobe Steel will become a wholly-owning parent company of Nippon Koshuha Steel and Nippon Koshuha Steel will become a wholly-owned subsidiary of Kobe Steel after Kobe Steel implement a simplified share exchange that does not require approval by the resolution of the general meeting of shareholders and Nippon Koshuha Steel obtains approval at its annual general meeting of shareholders.

(Before the Share Exchange)



(After the Share Exchange)



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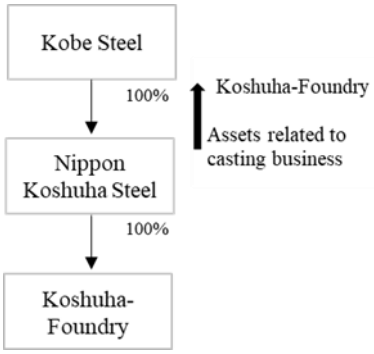
(Note) Percentages in the chart indicate the percentage of voting rights held to the total number of voting rights. This also applies to the charts below showing the structure of the Transactions.

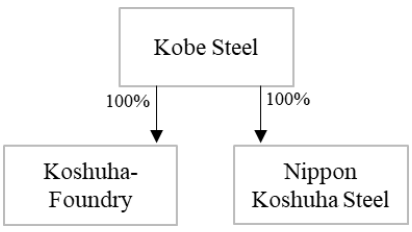
(ii) Implementation of the Dividends in Kind

On the condition that the Share Exchange takes effect, Nippon Koshuha Steel is scheduled to pay the Dividends in Kind to Kobe Steel by transferring common shares in Koshuha-Foundry and assets held by Nippon Koshuha Steel in connection with its casting business.

(Before the Dividends in Kind)



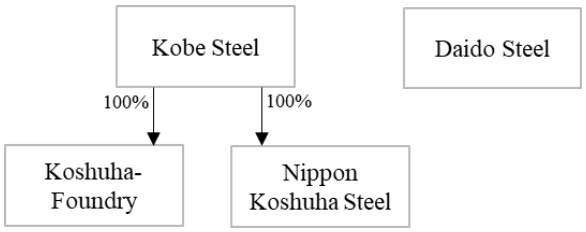
(After the Dividends in Kind)



(iii) Implementation of the Share Acquisition

On the condition that the Share Exchange mentioned in the (i) above takes effect and the Dividends in Kind in the (ii) above are paid, and the Acquisition of Clearance is completed, the Company will acquire all of the outstanding shares of Nippon Koshuha Steel held by Kobe Steel. There is no capital relationship between the Company and Kobe Steel as of today, and no capital relationship is expected to arise after the Share Acquisition.

(Before the Share Acquisition)



(After the Share Acquisition)



2. Overview of the subsidiary (Nippon Koshuha Steel) subject to change

(1) Name	Nippon Koshuha Steel Co., Ltd.		
(2) Address	1-10-5 Iwamoto-cho, Chiyoda-ku, Tokyo		
(3) Name and job title of representative	Daisuke Ogura, President		
(4) Description of business	Manufacture and sales of tool steel, special alloy, bearing steel Manufacture and sales of special casting products such as motor parts, the construction machine and industry machinery parts		
(5) Capital	12,721 million JPY (as of March 31, 2025)		
(6) Date of establishment	May 18, 1950		
(7) Major shareholders and ownership ratio (as of March 31, 2025)	Kobe Steel, Ltd.		51.69%
	Tetsuhiro Ohno		2.06%
	Asai Sangyo Co., Ltd.		1.85%
	JEFFERIES LLC-SPEC CUST AC FBO CUSTOMER (Standing Proxy: Citibank N.A., Tokyo Branch)		1.19%
	Mineo Ishii		1.13%
	Okaichi KK		0.83%
	Kazuyasu Kato		0.83%
	Ryosaku Hayashi		0.80%
	Mitsuru Ozaki		0.75%
	Rakuten Securities, Inc.		0.50%
(8) Relationship between the Company and Nippon Koshuha Steel	Capital relationship	There are no applicable matters.	
	Personnel relationship	There are no applicable matters.	
	Business relationship	There are no applicable matters.	

(9) Consolidated operating results and financial positions of Nippon Koshuha Steel for the past three years

Fiscal year ended	March 31, 2023	March 31, 2024	March 31, 2025
Consolidated net assets	15,136	21,768	13,661
Consolidated total assets	41,998	38,958	32,123
Consolidated net assets per share (Yen)	1,032.83	1,485.48	932.30
Consolidated net sales	44,551	36,614	36,774
Consolidated operating profit	821	-1,635	-787
Consolidated ordinary profit	866	-1,585	-728
Profit attributable to owners of parent	-150	6,612	-7,738
Consolidated profit per share (Yen)	-10.30	451.21	-528.09
Dividend per share (Yen)	5.00	50.00	-

(millions of yen, unless otherwise noted)

<Reference Information>

As described above in “(1) Reason and method for the Share Acquisition” and “(2) Method for the Share Acquisition,” prior to the Share Acquisition, Nippon Koshuha Steel is planning to transfer the all of issued shares of Koshuha-Foundry Co., Ltd., a wholly-owned subsidiary of Nippon Koshuha Steel, to Kobe Steel through the Dividend in Kind. Accordingly, those shares in Koshuha-Foundry are not expected to be included in the scope of direct or indirect acquisitions through the Share Acquisition. Net sales and operating profit of casting business segment of Nippon Koshuha Steel for the last three years are as follows:

(million JPY)

Fiscal year ended	March 31, 2023	March 31, 2024	March 31, 2025
Net sales	10,847	8,893	8,158
Operating profit	46	-127	62

(Note) In the casting business segment, there are Koshuha-Foundry and Tohoku Core Center Co., Ltd. which is its wholly-owned subsidiary. The amount for the fiscal year ended March 31, 2025 is an estimate.

3. Overview of the counterparty to the acquisition of shares

(1) Name	Kobe Steel, Ltd.	
(2) Address	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo	
(3) Name and job title of representative	Yoshihiko Katsukawa President, CEO and Representative Director	
(4) Description of business	Manufacture and sales of iron, steel, non-ferrous metals, and alloys, manufacture and sales of cast iron products, cast and forged products, and cast and forged products of non-ferrous metal alloys, supply of electricity, manufacture and sales of industrial, transportation, electrical, and other machinery and equipment, engineering of and contracting for the construction of various plants	
(5) Capital	250,930 million JPY (as of March 31, 2025)	
(6) Date of establishment	June 28, 1911	
(7) Consolidated net assets	1,237,059 million JPY (Fiscal year ended March 31, 2025)	
(8) Consolidated total assets	2,891,053 million JPY (Fiscal year ended March 31, 2025)	
(9) Major shareholders and ownership ratio (as of March 31, 2025)	The Master Trust Bank of Japan, Ltd. (Trust Account)	16.94%
	Custody Bank of Japan, Ltd. (Trust Account)	4.26%
	The Nomura Trust and Banking Co., Ltd. (Trust Account)	2.22%
	STATE STREET BANK AND TRUST COMPANY 505001	1.41%
	Nippon Life Insurance Company	1.28%
	STATE STREET BANK WEST CLIENT—TREATY 505234	1.25%
	SHIMABUN Corporation	1.12%
	Kobe Steel Employee Stock Ownership Plan	1.09%
	STATE STREET BANK AND TRUST COMPANY 505103	1.02%
	Shinko Kurogane Kyoei Society	0.88%
(8) Relationship between the Company and Kobe Steel	Capital relationship	There are no applicable matters.
	Personnel relationship	There are no applicable matters.
	Business relationship	Kobe Steel has transactions for products and services with the Company group.
	Status as related party	Not applicable.

4. Number of Shares Acquired, Acquisition Price, and Shareholding Before and After Acquisition

(1) Number of shares held before the change	Number of shares held	0 shares
	(Number of voting rights:	0 units)
	(Ratio of voting rights held:	0.0%)
(2) Number of shares to be acquired	The number equivalent to all of the Shares (excluding treasury stock) after the Share Exchange and the Dividends in Kind	
(3) Acquisition price	The Acquisition price is not disclosed due to the non-disclosure agreement. The Acquisition price was determined through consultation with the parties concerned after reasonable consideration of stock valuation and legal and financial examinations carried out by third-party professionals.	
(4) Number of shares held after the change	The number equivalent to all of the Shares (excluding treasury stock) after the Share Exchange and the Dividends in Kind (Ratio of voting rights held: 100.0%)	

(Note) Although the number of treasury stock held by Nippon Koshuha Steel may change by the time of the Share Acquisition, the Company will acquire all of the outstanding shares (excluding treasury stock) from Kobe Steel through the Share Acquisition.

5. Timetable

(1) Date of conclusion of the Share Purchase Agreement	May 12, 2025
(2) Effective date of the Share Exchange	February 2, 2026 (planned)
(3) Execution date of the Dividends in Kind	February 2, 2026 (planned)
(4) Execution date of the Share Acquisition	February 2, 2026 (planned)

6. Future Outlook

The possible effect of the Transactions on the consolidated financial results for the fiscal year ending March 31, 2026 is currently under review. If there is anything that needs to be disclosed, the Company will make an immediate announcement.