Financial Strategies

While tracking changes in the business environment, the DAIDO METAL GROUP executes a flexible and appropriate financial strategy.

Cash management

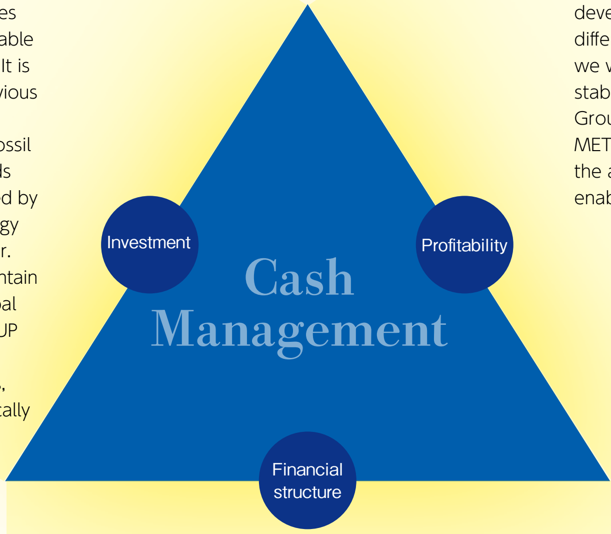
The DAIDO METAL GROUP, including its major sales locations around the world, uses a system of notional pooling involving multiple currencies to share funds among affiliated companies within the Group. This not only improves capital efficiency but also acts as a risk hedge against currency risks associated 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 versus global competition the DAIDO METAL GROUP will continuously implement capital investment, M&A and other programs, and carry out investments to dynamically optimize the business portfolio.

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.

■ Equity ratio