

Environmental Protection

DAIDO METAL GROUP Environmental Policy

Due to the necessity for the Group as a whole to tackle environmental conservation activities in order to help achieve a sustainable society, the Company formulated the "DAIDO METAL GROUP Environmental Policy" in April 2004.

By promoting business activities that give maximum consideration to the finite global environment based on the concept of "finite resources and finite purification", the DAIDO METAL GROUP as a whole is working proactively towards the formation of a recycling-based society.

Fundamental Philosophy

The DAIDO METAL GROUP views the global environment as a precious resource for all people to share, and considers protection of the environment to be one of the most important issues facing mankind. We will focus all efforts and technology on preserving the environment.

Fundamental Policies

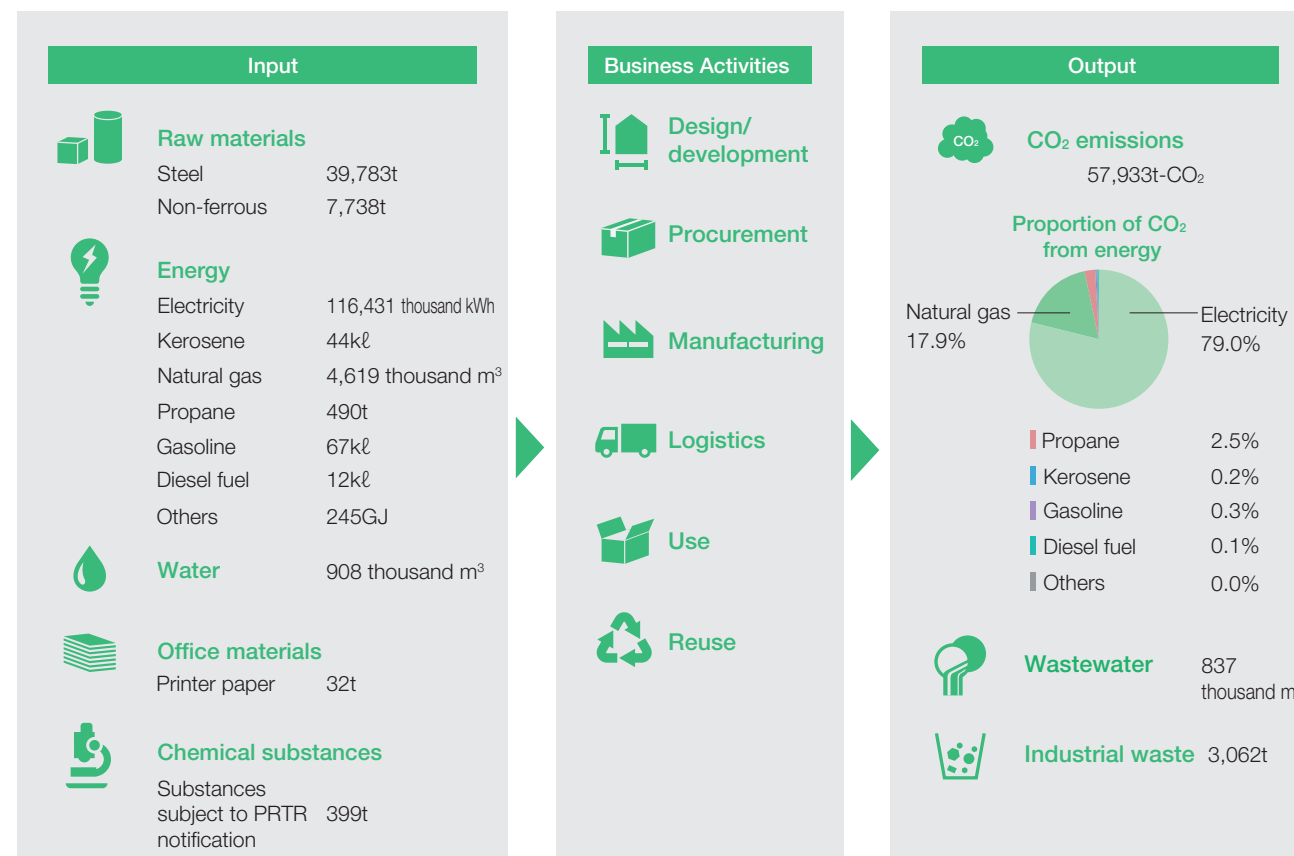
- The Group will comply with environmental laws and regulations and other requirements to which it has agreed.
- In order to promote environmental conservation, continuously improve activities for the maintenance of the environment and prevent pollution, the Company will set and regularly review environmental targets and goals.
- In all business activities, comprehensive efforts will be made to reduce energy consumption and material use, recycle materials, and reduce industrial waste to a minimum.
- Through the development of products and technologies, the Group will employ its overall technical abilities in an effort to preserve and clean up the environment.
- The Group will take active steps to inform customers, the local community and other related parties of its efforts to preserve the environment, and promote communication regarding the issue.
- Through environmental education and informative activities, the Group will seek to boost environmental awareness among all employees, and encourage them to take it upon themselves to participate in environment-related activities.
- In order to increase the effectiveness of this policy, the Company will strive to publicize it among employees and all those working for the Company.

Overall Picture of Business Activities and Environmental Impacts

The amounts of materials, energy and water resources used by the DAIDO METAL GROUP in Japan in FY2022, and the waste generated, are as follows.

Note: Energy usage is presented in accordance with the Energy Saving Act.

Business activities and environmental impact



Environmental Accounting

In environmental accounting the costs and benefits of environmental conservation activities are reflected clearly in environmental management and this information is published, so we have been working to understand environmental costs and benefits since FY2001.

We refer to Ministry of the Environment guidelines when aggregating and categorizing the figures, but we have limited our approach to items identifiable as 100% environmental costs.

Scope of data DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., and Iino Manufacturing Co., Ltd.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Environmental protection costs (Unit: Millions yen)			
Classification	Content	The amount of the investment	
Area-specific costs	Cost of preventing pollution	Measures to address air/water quality, noise	310.8
	Global environmental conservation costs	Global warming prevention, energy savings, etc.	109
	Resource recycling costs	Waste reduction/disposal/recycling, etc.	218.3
Management activity costs	Environmental education, acquisition/maintenance of EMS certification, personnel costs associated with environmental conservation activities, etc.	57.8	
Research activity costs	R&D costs for mitigating environmental impacts	86.4	
Social activity costs	Greening, landscaping, awareness activities, etc.	9.8	
Environmental damage costs	Restoration costs for soil contamination, etc.	13.4	
Total		805.5	

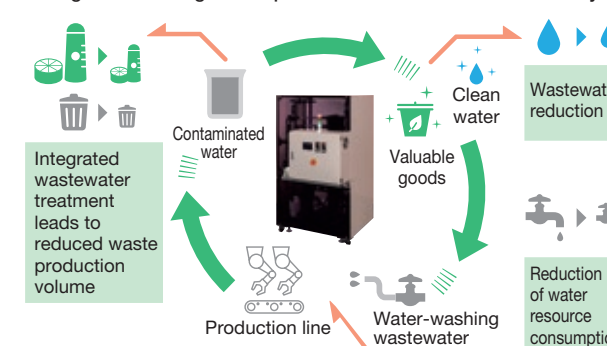
Note: Figures are calculated using the amounts invested in FY2021. We have not aggregated compound costs which combine costs with an environmental purpose and those whose purpose is unrelated. Personnel costs are allocated in proportion to the time spent on such duties. * As all figures are rounded to the nearest whole number, the sum of individual items may not exactly equal the total.

Development and Manufacture of Environmentally Friendly Products Deionization Water Treatment Equipment

In our work to create new environmentally friendly business operations, we are engaged in research and development of a system for deionizing water treatment using electrode sheet technology for electric double-layer capacitors. A distinctive characteristic of the technology is that it requires smaller quantities of chemicals than conventional water deionization processing technology. We have conducted validation testing at our in-house plant since FY2021, and are evaluating its long-term performance.

We are thus helping to reduce environmental impact by treating industrial wastewater so that water resources, and the resources contained in the water, can be reused.

Targeted advantages of implementation = a virtuous resource cycle



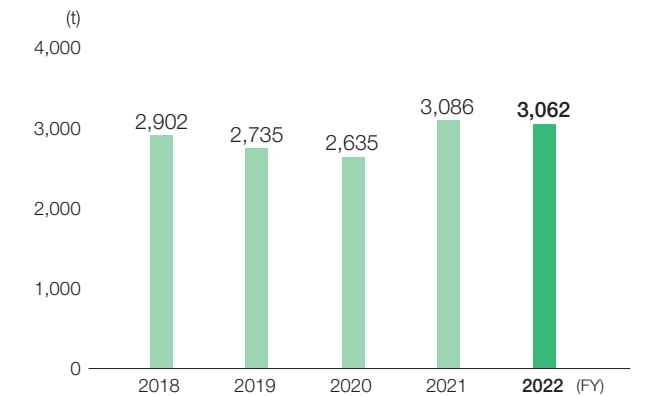
Waste Reduction Activities

A large proportion of our industrial waste is generated from plating and processing processes. Since FY2016 the effect of reducing plating waste fluids has been visible, and we have been implementing measures such as weight reduction by reusing lubricants and solvents. We will continue to take meticulous measures to reduce the use of plastics and other products.

Scope of data DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., and Iino Manufacturing Co., Ltd.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Trends in the volume of waste generated



Management System for Chemicals Contained in Products

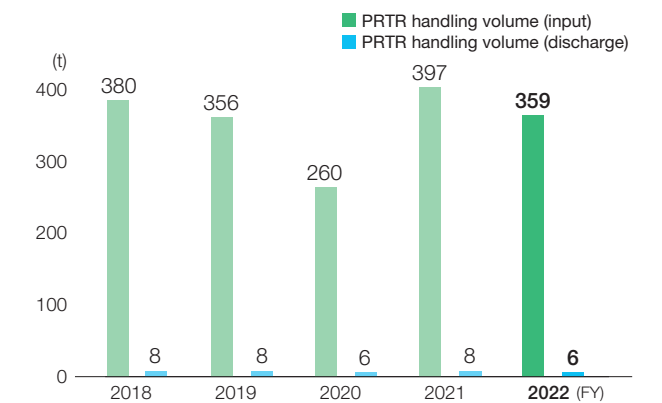
In addition to compliance with international regulations on the use of chemical substances, such as REACH regulations and the RoHS directive, we appropriately manage chemical substances contained in products at each stage of procurement, manufacturing, and shipping, including GADSL and the Chemical Substances Control Law, as requested by our customers.

DAIDO METAL's management of this issue is based on JIS Z 7201 (Management of chemicals in products - Principles and guidelines), and this information is published internally as well as being used to respond promptly to client requests.

Scope of data DAIDO METAL CO., LTD.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Trends in emissions of PRTR substances



Conformity with Environmental Standards (ISO 14001)

All of our production sites in Japan have obtained ISO 14001 certification, the international standard for environmental management systems, and we are working to protect the natural environment by reducing CO₂ emissions and waste.

In addition to complying with laws and regulations, we have established our own standards and are working to reduce and improve risks, including the environment surrounding the Group, including employees and customers.



Conformity with Environmental Standards (ISO 14001)

Not only can we take appropriate measures, but we also ensure the safety of our workers by repeating training, and opinions are exchanged after the training to further improve the level of response.



Concept

Environmental Education

We conduct environmental education with the aim of raising the environmental awareness of our employees. We are deepening our basic understanding of environmental issues and our position, and advancing the level of our daily environmental activities. Using the ISO 14001 General Education Textbook for all employees, we conduct training for new starters and confirm the implementation status.

Environmental Risk Management (Environmental Emergency Drills)

We consider various risks in order to prevent environmental impact.

To prevent the leakage of substances that have an impact on the environment, we conduct emergency response drills every year.

Addressing Climate Change

Addressing Climate Change and Global Warming Prevention

FY2022 Environmental Activity Target and Result of Activities

We believe that responding to climate change and global

warming is a corporate obligation, and regard it as necessary for maintaining and increasing corporate value. As an organization that is expanding its business globally, the DAIDO METAL GROUP works to help resolve the problem of climate change through its business, and to mitigate the environmental impact of its business activities.

Category	Scope	Environmental Target (for FY2022)	Primary Activities (FY2022)	Result of Activities (FY2022)	Reduction Percentage
Global warming prevention and energy reduction	DAIDO METAL GROUP in Japan*1	Reduce CO ₂ emissions to below FY2021 levels by the end of FY2022. • CO ₂ emissions: Less than 61,562t	<ul style="list-style-type: none"> Tracking progress in achieving goals of medium- to long-term plans for energy conservation Considering options for adoption of energysaving equipment Rolling out successful environmental improvements across the organization 	• CO ₂ emissions (actual result) 57,933t	5.9%
	DAIDO METAL CO., LTD.	Reduce CO ₂ emissions to below FY2021 levels by the end of FY2022. • CO ₂ emissions: Less than 30,341t		• CO ₂ emissions (actual result) 28,107t	7.6%
		<ul style="list-style-type: none"> Target for energy/1000JPY of sales Reduce CO₂/1000JPY of sales by 9% when compared to FY2013 by the end of FY2022. • CO₂/1000JPY of sales: 459.38g Reduce energy/1000JPY of sales for each form of energy by 9% when compared to FY2013 by the end of FY2022. • Electricity/1000JPY of sales: 0.8178kwh • Fuel/1000JPY of sales: 154.12g 		<ul style="list-style-type: none"> • Energy/1000JPY of sales • CO₂/1000JPY of sales: 409.74g • Electricity/1000JPY of sales: 0.7301kwh • Fuel/1000JPY of sales: 136.57g 	<ul style="list-style-type: none"> 10.8% 10.7% 11.4%

* DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., Iino Manufacturing Co., Ltd.

* Fuel: Mainly heavy oil, kerosene, light oil, LP gas, and city gas Per-unit: Calculated by CO₂ emissions, electricity consumption, and fuel consumption/production value.

Energy Saving Activities

We promote energy conservation activities in order to help prevent global warming, and for the effective use of energy resources.

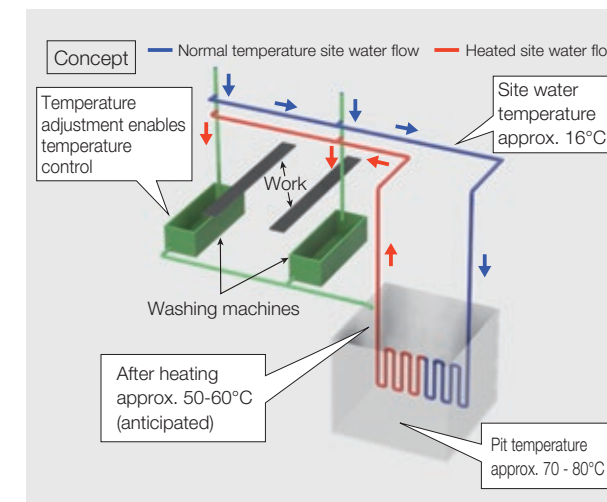
In FY2022 CO₂ emissions by the DAIDO METAL GROUP in Japan were 57,933 tons, a reduction of 5.9% from FY2021.

Examples of Energy-saving Activities (Kouzaki Plant, NDC Co., Ltd.)

The water supply for washing machines had been heated with gas for use in high-temperature washing. Hot water discharged after laundering is used to raise the temperature of the water supply through heat exchange, which reduces the amount of energy consumed.



Heating feed water results in reduction of boiler fuel at sintering furnaces No. 3 and 4



Promoting the Adoption of Renewable Energy (Daido Plain Bearings Co., Ltd.)

We promote the adoption of renewable energy (solar power generation) as part of DAIDO METAL GROUP's efforts toward carbon neutrality. In September 2022 we installed a solar power generation system on the roof of Plant 3 at Daido Plain Bearings Co. (Seki City, Gifu Prefecture). Of the total amount of electricity consumed annually by the whole site, approximately 1% is now renewable energy.

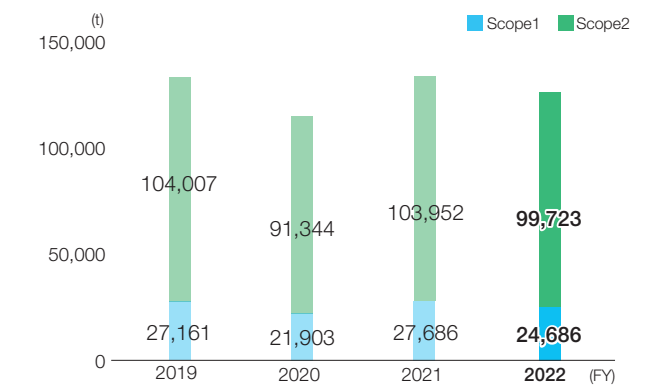
Moving forward, we will continue to promote the adoption of renewable energy throughout our whole Group.



CO₂ Emissions by Scope

As we continue to make progress with energy efficiency at our business sites, we will manage information and promote visualization of the situation in order to cut greenhouse gas emissions throughout our Group.

CO₂ emissions by scope



Employee Training on Carbon Neutrality Begins

We began employee training in FY2022 in order to achieve our companywide carbon neutrality policy.

In addition to providing information through monitor displays in the company cafeteria and articles in the company newsletter, we presented a beginner-level course on carbon neutrality at DAIDO METAL COLLEGE, an in-house educational body, as part of our efforts to foster awareness of decarbonization among our junior employees. Starting in FY2023 we will expand the educational curriculum further by offering an intermediate-level course for mid-level employees as we put in place a system in which all employees work together to advance carbon neutrality.



Digital signage on cafeteria monitors



A lecture at DAIDO METAL COLLEGE

Carbon Neutral Strategy

Information Disclosure Based on TCFD Recommendations

In June 2022 the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with the TCFD recommendations, we will disclose important information on climate change as follows.



Governance

We recognize climate change response as an important issue (Materiality) that we should prioritize in order to promote sustainable management. The Sustainability Committee chaired by the President deliberates on the direction of management including policies for addressing risks and opportunities related to climate change, reports to the Board of Directors as appropriate, and receives instructions and supervision from management.

The Sustainability Committee is held at least twice a year to deliberate and discuss initiatives to resolve issues related

to sustainability (CSR, ESG, SDGs), including climate change.

Corporate Governance

https://www.daidometal.com/sustainability/corporate_governance/?ignore_ip=1



Strategies (Risks and Opportunities)

In order to understand the impact of climate change on the Group business, we have analyzed risks and opportunities for all businesses in the Group using the following two scenarios:

1.5°C Scenario	Scenarios in which the temperature rise at the end of the 21st century will be kept below 1.5°C and the transition to a decarbonized society will be achieved
4°C Scenario	Scenario in which no further global warming measures are taken and physical effects are assumed

[Important risks and opportunities]

We identified risks and opportunities for climate change and examined the importance of climate change to the Group and when it might occur.

- Time axis (time of occurrence) - Short term: By around 2025, Medium term: By around 2030, Long term: By around 2050
- Materiality (potential impacts on strategic and financial plans, etc.) - Large: Large impact, Medium: Moderate impact range, Small: Little impact on the Company

	Items	Descriptions	Response	Timing & Materiality			
				Short	Medium	Long	
Transition risk (1.5°C scenario)	Carbon emission control	• Increase in energy-related expenses associated with the introduction of a carbon tax and higher crude oil prices resulting from stricter regulations on fossil fuels, etc. • Increase in costs for capital investment and conversion to alternative energy sources such as renewable electricity due to the need to achieve decarbonization targets	• Continue energy-saving activities such as reducing energy use • Promote visualization of CO ₂ emissions and promote measures such as switching to energy-efficient equipment	Large	Large	Large	
	Development of EV conversion	• Sales decline with declining demand for products for internal combustion engines due to the shift to EVs	• Develop and expand sales of products for EVs and alternative fuels, and strengthen profitability in non-automotive sectors	Small	Large	Large	
	Rising raw material prices	• Increase in procurement costs due to rising raw material prices in response to decarbonization	• Reduce the amount of materials used, consider expanding/consolidating raw material sources, and continue to negotiate price revisions with customers in response to rising raw material prices	Medium	Large	Large	
	Changes in evaluations by investors	• Decarbonization, rating decline for companies that don't disclose information	• Promote decarbonization • Enhance disclosure and promote dialogue with stakeholders	Small	Medium	Medium	
Physical risk (4°C scenario)	Intensification of abnormal weather	• Heavy rainfall and flooding due to extreme weather conditions, resulting in damage to supplier sites and production facilities, and reduced sales opportunities due to plant shutdowns	• Implementation of disaster countermeasures for buildings, equipment, etc. • Assess risks at key supplier sites and production sites and revise ongoing business continuity plans (BCP)	Small	Medium	Large	
	Rise in average temperature	• Increased frequency of heatstroke among employees (mainly field workers) due to rising temperatures affects factory operations and reduces sales opportunities	• Implement measures for hot workplaces (Thorough compliance with equipment, air conditioning, and employee physical condition management)	Small	Medium	Large	
Opportunity (1.5°C scenario/4°C scenario)	Increase in demand for renewable energy	• Sales increased along with increased demand for sliding bearings for offshore wind power generation due to increased demand for wind power generation	• Continued market development of sliding bearings for wind power generation • Promote development of next-generation wind turbine element technology to cope with the growing size of wind turbines	1.5°C 4°C	Small Small	Large Medium	
	Progress in shift to EVs	• Sales increase due to increased demand for products for ZEVs* as development progresses	• Development and sales expansion of products for EVs (Aluminum die-cast products, products for water pumps, products for air conditioners, etc.) • Entry into the market by repurposing our company core technology, such as tribology-driven sliding parts (E-axle, etc.)	1.5°C 4°C	Small Small	Large Medium	
	Increase in demand for bearings for vessels	• Sales increased due to increased demand for bearings for internal combustion engines as a result of a shift to alternative fuels in response to decarbonization	• Expand and strengthen alternative fuel-compatible products	1.5°C 4°C	Small Small	Medium Medium	
	Growing demand for CN fuel-powered internal combustion engines	• Sales increased due to increased demand for bearings for internal combustion engines in automobiles using CN fuel derived from renewable energy, etc. (hydrogen engine, biofuel engine, etc.)	• Information gathering, technology development and PR on internal combustion engines using CN fuel • Sales expansion of bearings for biofuel engines	1.5°C 4°C	Small Small	Medium Medium	
	Increase in demand for air conditioning equipment	• Increased sales due to increased demand for bearing products for air conditioning systems due to rising temperatures • Sales increased due to demand for bearings for bearing-less compressors, which became necessary as a result of the change to a refrigerant with a lower global warming potential.	• Active information gathering on demand trends and steady orders for target products • Sales expansion of bearings that can perform under refrigerant conditions	1.5°C	Small	Medium	Medium
				4°C	Small	Medium	Large

* ZEVs (Zero-Emission Vehicle): Battery electric vehicles (BEVs) and fuel cell vehicles (FCV) that do not emit carbon dioxide or other exhaust gases when running

[Policy on climate change risks and opportunities]

The Group will use scenario analysis to identify medium- to long-term risks and opportunities, analyze the impact of its management strategy and financial position, and take measures to respond appropriately to risks, strengthen its competitiveness against opportunities, and acquire new business opportunities. The results will be disclosed and reported to stakeholders through media such as the Company website and corporate reports.

[Future direction of management]

As the shift to EVs accelerates in the automotive industry, our mainstay business, we have established a New Business Promotion Division so that we can respond more quickly than before to such major changes in the business environment, and also to powerfully advance our efforts to create and foster new business. While making progress on the shift toward EVs, we are also working to connect the needs of the automotive industry to new businesses, including initiatives for vehicles powered by internal combustion engines that use carbon neutral (CN) fuels such as hydrogen. Aside from these efforts, we are also advancing initiatives that make the most of our existing products and technologies by, for instance, expanding sales of specialized bearings for facilities that manufacture motors and other EV components.

We are also making the most of our core technologies cultivated over many years, and as a contribution to green energy, are continuing to actively develop the market for bearings for wind power generation, for which demand is expected to grow in the renewable energy field. In January 2022 we were selected for a next-generation wind turbine technology development project (wind turbine main bearings using hydrodynamic bearings) under the Japanese Government's Green Innovation Fund Project of the New Energy and Industrial Technology Development Organization (NEDO). Based on the development of next-generation wind turbine technology to cope with the growing size of wind turbines, this project aims to reduce the cost of offshore wind power generation, mainly floating wind turbines, which can be installed in deep sea areas. Through this project, we will contribute to the social implementation of offshore wind power generation and the realization of carbon neutrality by 2050.

We will continue to enhance our profitability (increase in sales and share) by refining existing business while responding to changes in the business environment by creating and fostering new business.

[Risk Management]

The Company has established policies on the Group-wide risk control and management system, and appropriately manages various risks surrounding its business through the collection of information by the Risk Management Committee that is chaired by the President. The Risk Management Committee is held at least twice a year to set priorities for risks that may have a significant impact on the realization of sustainable management in the Group, taking

into account the likelihood that risks will materialize and the degree of impact they will have on our business. We promote measures to mitigate risks based on priority and strengthen risk control. We have identified priority risks such as climate change risks and risks caused by natural disasters and accidents, and the risk management department in charge is responsible for overseeing the risk management of the Group companies.

Risk Management

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[Metrics and targets]

Based on the recent increase in environmental awareness and the Japanese government's efforts to achieve carbon neutrality by 2050, the Group has formulated its Carbon Neutral Policy. In order to fulfill our responsibilities as a member of global society, we aim to achieve carbon neutrality (net-zero CO₂ emissions) by 2050 throughout our Group as a whole. Specifically, we are moving ahead with energy conservation and expanding our use of renewable energy while bringing greater visibility to CO₂ emissions at each of our business sites, plants and facilities. We are advancing these efforts by focusing our priorities and our targeting after we calculate costs such as measures applied to facilities and equipment.

We will also work with our business partners to bring about reductions not just of our own CO₂ emissions (Scope 1 and 2), but those of the whole supply chain (Scope 3).

Carbon Neutral Policy

https://www.daidometal.com/sustainability/carbon-neutrality/?ignore_ip=1



Environmental Initiatives

https://www.daidometal.com/sustainability/environment/?ignore_ip=1



DAIDO METAL's Carbon Neutrality

Having recognized that addressing climate change is an important management issue (Materiality), the Group aims to become carbon neutral by 2050 in order to contribute to a sustainable global society.

[Basic Idea]

In order to achieve net-zero CO₂ emissions by 2050, the Group will incorporate such measures as energy savings, the use of renewable energy, and the promotion of innovation into its action plan. We will promote concrete initiatives aimed at reducing CO₂ emissions in a step-by-step manner with the aim of realizing a sustainable society and Group.

[Major Initiatives]

Environmental Initiatives ⇒ Page 36-37