[NOTICE: This Notice of Convocation is a translation of the Japanese original for reference purposes only, and in the event of any discrepancy, the Japanese original shall prevail.]

Securities Code 7245
June 8, 2020

To shareholders with voting rights

3-1, Sakae 2-chome, Naka-ku, Nagoya
13F Nagoya Hirokoji Building

DAIDO METAL CO., LTD.

Chairman and
Chief Executive Officer Seigo Hanji

Notice of Convocation of the 112th Annual Shareholders' Meeting

Dear shareholders,

We hereby announce that the 112th Annual Shareholders' Meeting of Daido Metal Co., Ltd. (the "Company") will be held as set forth below.

Recently, the Japanese government and prefectural governors strongly advised all residents to stay at home to prevent the spread of new coronavirus infections (COVID-19). After careful consideration of the current situation, we have decided to implement appropriate measures to prevent the infections before holding the Annual Shareholders' Meeting.

Due to the said stay-at-home advice and from the standpoint of preventing the spread of infections at the Annual Shareholders' Meeting, shareholders are kindly asked to exercise voting rights in advance in writing or via the Internet, etc.

Please kindly review the Reference Materials for the Annual Shareholders' Meeting that follow this notice, and exercise your voting rights by no later than 5 p.m. on June 25, 2020 (Thursday).

Yours sincerely,

Note

1. Date and time 10 a.m. on June 26, 2020 (Friday)

2. Venue 4-2, Marunouchi 2-chome, Naka-ku, Nagoya, Japan
5th Floor Grand Hall of Nagoya Bankers Association

To prevent the spread of new coronavirus infections, we will not provide you with souvenirs or drinks this year. We kindly ask for your understanding.

3. Purpose

Reporting matters

1. Reporting of business report, consolidated financial statements and results of the audit of consolidated financial statements by the Accounting Auditor and Audit & Supervisory Board for the 112th fiscal year (from April 1, 2019 to March 31, 2020)

2. Reporting of non-consolidated financial statements for the 112th fiscal year (from April 1, 2019 to March 31, 2020)

Matters for resolution

Agenda Item No. 1	Appropriation of Surplus
Agenda Item No. 2	Election of Eight Directors
Agenda Item No. 3	Election of One Substitute Member of Audit & Supervisory Board
Agenda Item No. 4	Payment of Bonus to Directors

4. Guidance on exercising voting rights

(1) Exercising voting rights in writing

Please complete the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail to be delivered to us by no later than 5 p.m. on June 25, 2020 (Thursday).

(2) Exercising voting rights via the Internet, etc.

If you exercise your voting rights via the Internet, etc., please review the instructions under "Guidance for exercising your voting rights via the Internet, etc." described on page 4. Please access the Website designated by the Company (https://www.web54.net) to exercise your voting rights following the instructions on the screen by no later than 5 p.m. on June 25, 2020 (Thursday).

- **We may change the above measures, etc. depending on how the spread of new coronavirus infections and what announcements, etc. are made by the government, etc. until the date of the Annual Shareholders' Meeting. Please confirm the relevant information we send via our website (https://www.daidometal.com/).**
- **When attending the meeting in person, you are kindly asked to pay attention to the coronavirus situation as of the date of the meeting, check your health condition until the meeting begins, and help us prevent infections by wearing a mask, etc. At the meeting venue, we may take certain measures to prevent infections such as using alcohol disinfectant sprays and masks and carrying out temperature checks. Your cooperation would be appreciated.**
- **To shorten the meeting for the purpose of preventing the spread of new coronavirus infections, we will omit detailed explanations of reporting matters (including the audit report) and agenda items at the meeting venue. Shareholders are kindly asked to look over this Notice of Convocation in advance.**
- **If you attend the meeting in person on the day, please kindly submit the enclosed Voting Card to the reception desk.**
- **If you intend to exercise your voting right by proxy, you can designate a single shareholder of the Company to vote on your behalf. In this case, please submit documentation to prove you have properly assigned your rights to your proxy to vote on your behalf.**
- **The reception desk is scheduled to open at 9 a.m. on the day.**
- **If there are any revisions to the business report, consolidated financial statements, non-consolidated financial statements and Reference Materials for the Annual Shareholders' Meeting, they will be posted online on the Company's website (https://www.daidometal.com/).**
- **Please be advised that the Cool Biz summer dress code applies to the meeting.**

Guidance for exercising your voting rights

To avoid the Three Cs (closed spaces, crowded places, close-contact settings) set out by the Prime Minister's Office and Ministry of Health, Labour and Welfare of Japan and prevent the spread of infections at the meeting venue, shareholders are kindly asked to exercise voting rights in writing or via the Internet, etc., rather than by attending the meeting in person.

«In writing»

Please fill the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail.

Deadline for vote: 5 p.m. on June 25, 2020 (Thursday)

«Via the Internet, etc.»

Please review the instructions in "Guidance for exercising your voting rights via the Internet, etc." on page 4 and enter your approval or disapproval following the instructions on screen.

Deadline for vote: 5 p.m. on June 25, 2020 (Thursday)

«By attending the Annual Shareholders' Meeting in person»

If you attend the meeting in person on the day, please kindly bring this Notice of Convocation and submit the enclosed Voting Card at the reception desk.

Date and time: 10 a.m. on June 26, 2020 (Friday)

* If voting rights are exercised in writing with the Voting Card and also exercised via the Internet, etc. (duplicate votes), the votes exercised via the Internet, etc. will be considered effective.
* If voting rights are exercised multiple times via the Internet, etc., the final vote cast will be considered effective.

«Please use "Smart Exercise" to exercise voting rights using a smartphone»

By scanning the "Login QR code for Voting Rights Exercise Website using smartphone" printed at the lower right of on the enclosed Voting Card, you can access the website without having to enter the Voting Rights Exercise Code or Password.

(* QR Code is the registered trademark of DENSO WAVE INCORPORATED.)

* You may exercise your voting rights only once via "Smart Exercise."

Guidance for exercising your voting rights via the Internet, etc.

If you exercise your voting rights via the Internet, etc., please follow the instruction below and access the Website to exercise your voting rights. Please enter the "Voting Rights Exercise Code" and "Password" given on the Voting Card, and exercise your voting rights following the instructions on screen.

1. Accessing the Website to exercise your voting rights
   URL of the Website: https://www.web54.net/
   Click "Next."

2. Login
   Please enter the "Voting Rights Exercise Code" given on the Voting Card and click "Login."

3. Entering password
   Please enter the "Password" given on the Voting Card and click "Next."

Please then follow the instructions on the screen and indicate your approval or disapproval on the website.

«Passwords»

- The password is a means to verify the identity of the person exercising voting rights as a shareholder.
- The Company will not be able to respond to inquiries about the password by telephone.
- If you enter an incorrect password more than a certain number of times, the operation will be locked. If you would like a new password to be issued, please follow the instructions on the screen.

«Notes on using the system»

- Internet service provider connection fees and data transmission fees to use the Voting Rights Exercise Website
  - Data transmission fees to the provider are to be borne by shareholders.

<Help desk for Internet voting>
Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Web Support:
Toll free (only within Japan) 0120-652-031
(Business Hours: from 9 a.m. to 9 p.m., Japan time)

«The electronic voting platform for institutional investors»

You can use the electronic voting platform for institutional investors operated by ICJ, Inc.

(Attachment)

Business Report

(From: April 1, 2019
To: March 31, 2020)

1. Matters Relating to the Current Situation of Corporate Group

(1) Progress of Business and Operating Performance

1) Economic conditions

Global

During the current fiscal year, the global economy slowed down markedly due to lackluster production amid sluggish exports particularly in China and Europe in the first half of the fiscal year caused by the effects of the U.S.–China trade frictions, UK's departure from the EU, emergence of geopolitical risks in the Middle East, etc. In the second half of the fiscal year, the prospect for the global economy became more optimistic as the said trade frictions mitigated slightly. However, the global economy worsened rapidly due to the emergence of problems caused by the spread of new coronavirus infections in 2020.

Japan

In Japan, although there was a conspicuous decline in capital investment due to the slowdown of the global economy as well as continued concerns over the economic downturn, a sign of moderate recovery was seen in the first half of the current fiscal year, which was underpinned by robust domestic demand. However, later on, as domestic demand fell due to the impact of the hike in consumption tax and natural disasters caused by large typhoons, early in 2020 the spread of new coronavirus infections dealt a severe blow to the economy, which deteriorated rapidly toward the end of the fiscal year.

2) Business situation in the industries

In the automotive sector, the Group's core business area, the number of new car sales in Japan for FY2019 decreased 4.2% year on year to approximately 5.03 million units, while it surpassed 5 million units for the fourth consecutive year. Meanwhile, the number of new car sales in China, the world's largest market, for 2019 (calendar year) also fell 8.2% year on year to slightly over 25.76 million units, recording a year-on-year decrease for the second consecutive year, due to the sluggish market affected by the U.S.–China trade friction. Moreover, in the U.S., new car sales in 2019 (calendar year) declined 1.3% year on year to approximately 17.05 million units. Due to such lackluster car sales stemming mainly from the U.S.–China trade friction, global new car sales for 2019 remained at a weak level of approximately 90.27 million units, indicating a year-on-year decrease of approximately 4.4%. In 2020, the situation is expected to be extremely tough due to the full-scale impact of the spread of new coronavirus infections.

In the non-automotive sector, total global new tonnage orders for 2019 in the shipbuilding industry decreased 17.7% year on year to 41.49 million gross tons and Japan's export ship tonnage under construction at the end of FY2019 decreased 30.9% year on year to 17.40 million gross tons. This was partly because of the impact of restraint on replacement to newly built ships due to tightening of environmental regulations. However, global new shipbuilding tonnage increased 14.4% year on year to 66.14 million gross tons, marking the first year-on-year increase in four years. Nevertheless, considering the situation regarding global excess tonnage which remains unresolved, it may take some time before a path can be followed to full-scale recovery in global new tonnage demand.

In the construction machinery industry, domestic demand in FY2019 has recovered from the reactionary decline in last-minute demand associated with the environmental regulations, and construction machinery shipments have risen, for the second consecutive year, by 2.8% year on year to 1,020 billion yen. On the other hand, overseas demand decreased 18.4% year on year to 1,481 billion yen, marking the first year-on-year decrease in three years, due to weak overseas demand centered on the three major export destinations of North America, Europe, and Asia. As a result, demand in and outside of Japan decreased 10.9% to 2,501 billion yen.

In the general industry field related to the Company, domestic demand remained weak as a whole, following completion of a set of capital investments in major industries and due to curtailment of capital investment amid the U.S.–China trade friction and overseas demand also remained sluggish as a whole, especially in the major regions of North America and Europe as well as in China.

3) Summary of the Group's results

Under this business environment, consolidated net sales of the Group for the current fiscal year were 100,159 million yen, a decrease of 7,558 million yen (down 7.0%) compared with the previous fiscal year.

Compared with the previous fiscal year, operating profit was 4,168 million yen, a decrease of 3,093 million yen (down 42.6%), and ordinary profit was 3,660 million yen, a decrease of 2,970 million yen (down 44.8%). In the automotive engine bearings segment and the automotive non-engine bearings segment, profit decreased due to the negative effect of the global economic slowdown. In addition, various costs were incurred in the other automotive parts segment, such as costs for consolidating and restructuring domestic and overseas sites of Iino Manufacturing Co., Ltd., a consolidated subsidiary of the Company, and initial costs for starting operations of a new company for aluminum die cast parts in Thailand. However, in the non-automotive bearings segment, there was an increase in profit of approximately 20% year-on-year mainly due to winning over new overseas customers. Profit attributable to owners of parent was 2,740 million yen, a decrease of 1,395 million yen (down 33.7%) compared with the previous fiscal year, as an impairment loss for non-current assets of NDC Co., Ltd., a consolidated subsidiary of the Company, was posted despite a gain on sales of non-current assets of 3,909 million yen (the amount affected by these transactions was a decrease of 976 million yen).

During the current fiscal year, errors in part of the accounting process carried out in the past fiscal years were found at DAIDO METAL EUROPE LIMITED, the Company's UK consolidated subsidiary, and such accounting errors for the past fiscal years were corrected by recording allowance for doubtful accounts and others. The cumulative effect of correcting these errors is reflected in the book value of net assets at the beginning of the current fiscal year, and the total impact is a decrease of 1,236 million yen.

The Company expresses its deepest apologies to shareholders for any inconvenience and concern this matter has caused. In addition, the Company would like to report that we have seriously taken on board the errors that occurred, and have steadily implemented measures to prevent recurrence while striving to improve the internal control system of the Group. (Please note that the Group's Business Report shows the figures after these revisions were made.)

4) Results by segment

Sales by segment are as follows.

The Company has included intersegment sales or transfers in net sales by segment.

a. Automotive engine bearings

In Japan, new car sales in FY2019 decreased 4.2% from the previous fiscal year. Overseas, new car sales decreased approximately 8.2% in China, were down approximately 7.4% in all Asian countries other than China, and remained almost flat in the U.S. and Europe.

Under such circumstances, domestic net sales of the Group decreased approximately 10.5% from the previous fiscal year, and overseas net sales fell approximately 2.8% from the previous fiscal year despite developing some new customers.

Net sales of the segment came to 60,982 million yen (down 5.9% year on year) and segment profit came to 7,285 million yen (down 13.7% year on year) compared with the previous fiscal year.

b. Automotive non-engine bearings

Net sales were 15,515 million yen (down 8.7% year on year) and segment profit was 2,550 million yen (down 23.3% year on year) due to the decreasing demand in the global automotive market.

c. Non-automotive bearings

- Shipbuilding industry

Domestic and overseas orders received showed continued signs of gradual recovery as a whole and demand for bearings for low- to mid-speed diesel engines remained strong. Especially bearings for low-speed diesel engines for exports contributed to an increased market share, by winning over new overseas customers, and as a result, saw increased net sales.

- Construction machinery industry

While demand remained strong in Japan, overseas demand declined in China, the U.S., Southeast Asia, etc., resulting in a decrease in net sales.

- Energy sector in the general industry

In the fossil fuel power generation market as a whole within the energy market, a tough environment continues from the viewpoint of CO_2 reductions, but net sales increased due to higher orders received for bearings for gas turbines and steam turbines for high-efficiency thermal power generation.

As a result, net sales were 10,683 million yen (up 7.7% year on year) and segment profit was 1,632 million yen (up 19.9% year on year) as net sales increased in the shipbuilding industry and in the energy sector in the general industry.

d. Other automotive parts

- Aluminum die cast parts

Net sales declined from the previous fiscal year, due to lower orders for aluminum die cast parts which resulted from a global slowdown in automobile production. In addition, although continuous efforts to generate profits by rationalizing the existing factories in Thailand contributed to improve the profitability, such gains were more than offset by increased initial costs incurred to start operating a new company in Thailand, DM Casting Technology (Thailand) Co., Ltd.

- Formed pipes, knock pins, NC milled parts, etc.

Overseas demand remained firm, but net sales declined from the previous fiscal year due to a drop in domestic demand. In addition, partly because of a temporary increase in costs due to consolidating and restructuring domestic and overseas production sites aimed at production rationalization, profit fell from the previous fiscal year.

As a result, net sales were 13,758 million yen (down 15.2% year on year) and segment loss was 812 million yen, a decrease of 1,030 million yen from a segment profit of 217 million yen compared with the previous fiscal year.

e. Others

Due to concerns over the economic slowdown caused by the U.S.–China trade friction, there was less demand for overall capital investment such as machine tools and various types of industrial machinery, and demand for construction machinery, etc. declined. As a result, net sales of this segment, which includes electrode sheets for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business, decreased to 2,441 million yen (down 11.3% year on year) and segment profit decreased to 528 million yen (down 24.6% year on year), compared with the previous fiscal year.

(Net sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2018 111th term	FY 2019 112th term (Current fiscal year)
Automotive engine bearings	64,835	60,982
Automotive non-engine bearings	16,985	15,515
Non-automotive bearings	9,919	10,683
Other automotive parts	16,219	13,758
Others	2,753	2,441
Elimination of intersegment sales or transfers	(2,995)	(3,221)
Total	107,718	100,159

(Note) In addition to sales to external customers, intersegment sales or transfers are included in net sales by segment.

(2) Status of Financing, etc.

1) Financing

During the current fiscal year, there was no material financing through loans from financial institutions or the issuing of company shares or bonds.

2) Capital investment

In the Midterm Business Plan that started in FY2018, "Raise Up 'Daido Spirit' - Ambitious, Innovative, Challenging -," the Group has listed the following investment plans:

- Continue to invest around 10.0 billion yen per year throughout the plan period to maintain/enhance our competitiveness in our current business area
- Take prudent course of action on investment related to automotive engine bearings in the capital investment in the latter half of the Midterm Business Plan period to prepare for the possibility of a rapid shrinking of the market
- R&D, new business, M&A (business combinations) are the key investment focus area. The Company will finance itself for necessary funds with capital adequacy ratio of 35% as a reference point while ensuring financial soundness

Total capital investment for FY2019 was 10,857 million yen, an increase of 3,583 million yen compared with the previous fiscal year.

Described below are major capital investments, which include investments amounting to 3,625 million yen (an increase of 1,639 million yen from the previous fiscal year) in the other automotive parts segment that deals with aluminum die cast products, formed pipes, knock pins, NC milled parts, etc. partly because of the investment for the construction of a new factory of DM Casting Technology (Thailand) Co., Ltd. started operations in February 2020.

(Major capital investments during the current fiscal year)

- Construction of a new factory of DM Casting Technology (Thailand) Co., Ltd.
- Acquisition of a factory site of Daido Plain Bearings Co., Ltd. (land previously used under a lease agreement with Gifu Land Development Authority)
- Investment to consolidate and restructure domestic production sites for other automotive parts and investment to improve productivity in Thailand
- Investment, etc. to enhance production capacity and streamline production for automotive engine bearings at domestic and overseas production sites
- Investment related to information systems

(3) Financial Conditions and Operating Results

1) Financial conditions and operating results of the Group

Category \ Fiscal year	FY 2016 109th term	FY 2017 110th term	FY 2018 111th term	FY 2019 112th term (Current fiscal year)
Net sales (Millions of yen)	85,073	106,648	107,718	100,159
Operating profit (Millions of yen)	4,700	6,628	7,262	4,168
Ordinary profit (Millions of yen)	5,023	6,826	6,630	3,660
Profit attributable to owners of parent (Millions of yen)	2,212	3,590	4,135	2,740
Basic earnings per share (Yen)	55.56	90.16	93.72	58.22
Net assets (Millions of yen)	51,915	57,147	65,253	64,168
Total assets (Millions of yen)	154,330	160,065	161,881	159,539

2) Financial conditions and operating results of the Company

Category \ Fiscal year	FY 2016 109th term	FY 2017 110th term	FY 2018 111th term	FY 2019 112th term (Current fiscal year)
Net sales (Millions of yen)	63,345	66,413	67,732	62,860
Operating profit (Millions of yen)	2,708	1,859	2,789	1,432
Ordinary profit (Millions of yen)	4,513	3,484	4,026	2,653
Profit (loss) (Millions of yen)	(564)	2,166	3,365	3,905
Basic earnings (loss) per share (Yen)	(14.17)	54.40	76.25	82.97
Net assets (Millions of yen)	40,720	41,783	50,374	51,162
Total assets (Millions of yen)	102,843	104,596	106,465	105,178

(Notes) 1. As accounting errors were found in the past consolidated financial statements, the figures presented for FY2016 (109th term) – FY2018 (111th term) reflect corrections of these errors.

2. Effective from the beginning of FY2019 (112th term), the Group changed accounts regarding proceeds from disposal of scraps, and the Group's financial conditions and operating results and the Company's financial conditions and operating results for FY2018 (111th term) show the figures after the change is applied retrospectively.

3. Basic earnings (loss) per share is calculated by dividing profit (loss) by the average number of shares during the period. (Treasury shares and the shares of the Company relating to the Board Benefit Trust for Officers and Executive Officers and the shares relating to the Daido Metal Employee Stock Purchase Plan Trust are excluded.)

(4) Company's Fundamental Management Policy

The Group has established "Corporate Philosophy," "Code of Conduct," "Standards of Conduct," "Principles" and "Environmental Fundamental Policy" as the management policy, and contributes to society through its business operations. As a company built on technologies, the Group will continue to make proactive efforts to develop industrial technology and environment conservation technology, starting from our core Tribology (friction, wear and lubrication technology), and meet its corporate social responsibilities.

The Group has started "Raise Up 'Daido Spirit' - Ambitious, Innovative, Challenging -," as its new Midterm Business Plan for six years from FY2018 to FY2023. Amid the dramatically changing and unpredictable environment, the Group will accelerate its evolution and create a solid organization.

(5) Issues to be Addressed

As previously stated, during the current fiscal year, errors in part of the accounting process carried out in the past fiscal years were found at DAIDO METAL EUROPE LIMITED, the Company's UK consolidated subsidiary, and such accounting errors for the past fiscal years were corrected by recording allowance for doubtful accounts and others. The Company expresses its deepest apologies to shareholders for any inconvenience and concern this matter has caused.

After an internal investigation was conducted, the Company realized that these accounting errors were caused mainly by insufficient human resources and the resulting excessive workload for accounting staff members as well as by an inadequate internal control system at DAIDO METAL EUROPE LIMITED.

Based on the findings of the internal investigation, the Company has seriously taken on board the errors that occurred, and has steadily implemented measures to prevent recurrence while striving to improve the internal control system of the Group. (For the status of measures implemented to prevent recurrence, please refer to "7. Outline of Operation to Ensure the Appropriateness of Business Operations.")

The Company would like to ask for continued support from all shareholders.

As an urgent issue for the Group, the spread of new coronavirus infections has been damaging the domestic and overseas economies, increasing uncertainty about the future in each industrial sector surrounding the Group, and raising concerns about a significant impact on the Company's business activities and business performance of FY2020 (113th term). To deal with a decline in the number of units produced by auto makers, etc. due to the spread of infections, the Group has adjusted production quantities by tentatively suspending factory operations across the world. However, the Group is striving to minimize relevant effects on its sales.

The Group will continuously strive to achieve the targets of the Midterm Business Plan (FY2018 – FY2023) that started in FY2018, by responding flexibly and swiftly to changes in the business environment and risks that may be materialized due to factors such as the spread of new coronavirus infections while paying close attention to them.

In its Midterm Business Plan, the Company positions the following four points as its principle management action lines. Main performance results and initiatives for FY2019 are as follows.

Action line 1:	Strengthen current business lines further	"True leader in Tribology"
Action line 2:	Creating / fostering new business lines	"Identify new business areas and foster them"
Action line 3:	Enhance management / operational control platform	"Strengthen various platform including production, IT, HR, financial reporting. Review of organizational structure"
Action line 4:	Energetic organization with animated communication and motivation	"To develop people and organization who can adapt oneself to the rule changes in the business"

<Action line 1: Strengthen current business lines further>

1) Automotive engine bearings and automotive non-engine bearings

The market share of the current business lines was 33.0%, the world's top share, in calendar year 2019 (estimated by the Company) for automotive engine half bearings, as was in calendar year 2018. Going forward, the Company will aim to further expand market shares by boosting sales of metal for truck engines and developing new metal for gasoline engines.

With regard to automotive non-engine bearings, the Company will promote sales of new products/applications that meet market needs.

2) Non-automotive bearings

In addition, the market share of bearings for low-speed marine diesel engines was 55.0%, the world's top share, in calendar year 2019 (estimated by the Company), as in calendar year 2018. Especially, bearings for low-speed diesel engines for export contributed to an increased market share, by winning over new overseas customers.

Going forward, in order to further enhance competitiveness, the Company will make efforts to improve productivity and aim to further expand market shares not only of bearings for low-speed diesel engines but also of metals for medium- to high-speed diesel engines.

Also, in the energy sector in the general industry, the Company will work to increase sales of bearings for gas turbines and steam turbines for high-efficiency thermal power generation.

3) Other automotive parts

With regard to aluminum die cast parts, DM Casting Technology (Thailand) Co., Ltd., a new subsidiary in Thailand, which mainly produces aluminum die casting parts for electric vehicles, has been in operation since February 2020. Full-scale mass production is scheduled to start in the summer of 2020, and the Company will further enhance its presence in the electrified vehicle market.

With regard to parts such as formed pipes, knock pins, and NC milled parts, the Company worked to rationalize production by consolidating and restructuring domestic and overseas production sites to streamline production. Going forward, the Company will improve profitability by increasing business synergies with group companies.

<Action line 2: Creating / fostering new business lines>

Moving on to the new business lines, including the expansion into new areas for use in the existing businesses, the Company's sound absorbing plate CALME, which is a porous plate made by sintering aluminum powder with a unique method, was adopted at the Tokyo Aquatics Center, the swimming venue of the Tokyo Olympic Games to be held in 2021. Going forward, the Company will continue to expand its market and work to increase sales from various perspectives centered on reliable quality.

There are higher needs for offshore and onshore wind power generation in Europe and China, and demand for bearings used for wind power generation is expected to grow. Therefore, to strengthen the structure of TMBS (Turbo Machinery Bearing System) business that produces these products, the Company newly set up the Turbo Machinery Bearing Systems Division in April 2019 as a spun-off company of the TMBS Business Division of the Marine & Industrial Bearings Division and started working to promote such business.

To build an internal structure for creating new business lines, the Company set up the Future Creation Department in the Technology Division in October 2018, and has been committed to planning and conducting basic experiments on a variety of types of new field research. This was done in an effort to develop new products, without being bound by existing businesses in which we have actual track records or experience.

<Action line 3: Enhance management / operational control platform>

The Company has been improving its financial structure to strengthen its management base. As part of such efforts, the Company has been committed to improving the capital adequacy ratio, which stood at 30.3% at the end of FY2017. However, as a result of issuing new shares by way of offering, etc. this was improved to 35.0% at the end of FY2018 and 35.1% at the end of FY2019. Moreover, aiming to effectively use management resources and efficiently use assets, the Company transferred the land where the Company's former headquarters and the Nagoya Plant used to be located, with a gain on sales of non-current assets of 3,909 million yen to be recorded in the current fiscal year. The Company is considering the best way to use this gain.

Furthermore, as part of measures to prevent recurrence of the problem of past due accounts receivable which occurred at DAIDO METAL EUROPE LIMITED, the Company set up the Compliance Department in April 2020. Through these measures, the Group has integrated its internal control functions with governance functions, aiming to strengthen its internal control system.

<Action line 4: Energetic organization with animated communication and motivation>

Having been committed to reduced gross working hours as work-style reforms, the Company was certified as an outstanding enterprise in Health and Productivity Management (under the large enterprise category) selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (a health promotion organization) on March 2, 2020. The Certified Health and Productivity Management Organization Recognition Program aims to recognize outstanding organizations

engaged in efforts to advance Health and Productivity Management, based on initiatives to address local health issues or health promotion initiatives proposed by Nippon Kenko Kaigi.

In the belief that promoting a healthy mind and body creates proactive communication for improvement in the workplace and has a positive effect on business operations, the Group regards promotion of physical and mental health of employees as one of the important management issues. It will therefore continue to promote the creation of a workplace where diverse human resources can make full use of their personality and abilities and the development of a proper working environment.

* The matters discussed here concerning the future events are based on certain assumptions by the Group at the end of the current fiscal year. The above descriptions may differ from the actual results and the achievement of such is not guaranteed in any way.

(6) Major Business Lines

Major business divisions	Business lines
Automotive engine bearings	Bearings for automobile engines (passenger cars, trucks and racing cars), bearings for two-wheeled vehicle engines, bearings for engine auxiliary machines (turbochargers and balancer mechanisms), etc.
Automotive non-engine bearings	Bearings for other automotive parts (transmissions, shock absorbers, compressors for air conditioning, steering wheels, injection pumps, etc.)
Non-automotive bearings	Bearings for low speed (two-cycle) diesel engines, bearings for medium- to high-speed (four-cycle) diesel engines, special types of bearings for power generation (hydro, thermal and wind), special types of bearings for general industry use (compressors, accelerators and decelerators), etc.
Other automotive parts	High-precision and high-quality parts for automotive engines and transmissions (such as formed pipes, knock pins, NC milled parts, etc.), aluminum die cast automotive parts
Others	Electrode sheets business for electric double layer capacitors, metallic dry bearings business, pump-related products business, real estate leasing business, etc.

(7) Principal Locations of the Group and Employees

1) Principal locations of the Group

a. The Company

Headquarters	Nagoya HQ (Naka-ku, Nagoya), Tokyo HQ (Shinagawa-ku, Tokyo)
Domestic sales offices	Tokyo Branch (Shinagawa-ku, Tokyo), Nagoya Branch (Inuyama-shi, Aichi), Osaka Branch (Yodogawa-ku, Osaka), Hamamatsu Sales Office (Naka-ku, Hamamatsu-shi), Hiroshima Sales Office (Minami-ku, Hiroshima-shi), Kyushu Sales Office (Nagasaki-shi, Nagasaki), Kitakanto Sales Office (Kumagaya-shi, Saitama)
Domestic production sites	Inuyama Site (Bimetal Division, Inuyama Plant, Maehara Plant, TMBS (Turbomachinery Bearing Systems) Plant, others) (Inuyama-shi, Aichi), Gifu Plant (Gujo-shi, Gifu)

b. Subsidiaries

Domestic sales companies	DAIDO METAL SALES CO., LTD. (Inuyama-shi, Aichi), NDC Sales Co., Ltd. (Narashino-shi, Chiba)
Overseas sales companies	DMS Korea Co., Ltd. (South Korea), Chung Yuan Daido (Guangzhou) Co., Ltd. (China), Daido Metal U.S.A. Inc. (U.S.A.), Daido Metal Mexico Sales, S.A. de C.V. (Mexico), Chung Yuan Daido Co., Ltd. (Taiwan), PT. IINO INDONESIA (Indonesia), ISS America, Inc. (U.S.A.), Daido Metal Europe GmbH. (Germany), DAIDO METAL EUROPE LIMITED (UK)
Domestic production companies	NDC Co., Ltd. Narashino Plant (Narashino-shi, Chiba), NDC Co., Ltd. Kozaki Plant (Katori-gun, Chiba), Daido Plain Bearings Co., Ltd. (Seki-shi, Gifu), Daido Industrial Bearings Japan Co., Ltd. (Inuyama-shi, Aichi), DAIDO METAL SAGA CO., LTD. (Takeo-shi, Saga), Iino Manufacturing Co., Ltd. Yaita Plant (Yaita-shi, Tochigi), Iino Manufacturing Co., Ltd. Tajima Plant (Minamiaizu-gun, Fukushima)
Overseas production companies	Dyna Metal Co., Ltd. (Thailand), Dong Sung Metal Co., Ltd. (South Korea), PT. Daido Metal Indonesia (Indonesia), Daido Precision Metal (Suzhou) Co., Ltd. (China), Daido Metal Mexico, S.A. de C.V. (Mexico), Daido Industrial Bearings Europe Limited (UK), DAIDO METAL KOTOR AD (Montenegro), DAIDO METAL CZECH s.r.o. (Czech Republic), Daido Metal Russia LLC (Russia), Korea Dry Bearing Co., Ltd. (South Korea), IINO (Foshan) Technology Co., Ltd. (China), PHILIPPINE IINO CORPORATION (Philippines), ISS MEXICO MANUFACTURING S.A. de C.V. (Mexico), ATA Casting Technology Co., Ltd. (Thailand), DM Casting Technology (Thailand) Co., Ltd. (Thailand)
Other domestic companies	DAIDO LOGITECH CO., LTD. (Inuyama-shi, Aichi), Asia Kelmet Co., Ltd. (Ohta-ku, Tokyo), Iino Holding Ltd. (Shinagawa-ku, Tokyo), ATA Casting Technology Japan Co., Ltd. (Shinagawa-ku, Tokyo)
Other overseas company	SUPER CUB FINANCIAL CORPORATION (Philippines)

2) Employees

a. Employees of the Group

(As of March 31, 2020)

Number of employees (persons)		Change from previous period (persons)	
Japan	2,536	Decrease	46
Overseas	4,380	Increase	75
Total	6,916	Increase	29

(Notes) 1. In addition to the above, temporary employees (total of 498) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.
2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

b. Employees of the Company

(As of March 31, 2020)

Number of employees (persons)	Change from previous period (persons)	Average age (years of age)	Average years of service (years)
1,323	Increase 27	38.7	14.9

(Notes) 1. In addition to the above, temporary employees (total of 147) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.
2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

(8) Material Parent Company and Subsidiaries

1) Parent company

None

2) Material subsidiaries

(As of March 31, 2020)

Name	Share capital or investments in capital	Percentage of voting rights held by the Company	Major businesses	Notes
(Consolidated subsidiaries) DAIDO LOGITECH CO., LTD.	45 million yen	100.0%	Logistics, insurance agent	
DAIDO METAL SALES CO., LTD.	100 million yen	100.0%	Sales of bearings, etc.	
Daido Plain Bearings Co., Ltd.	300 million yen	100.0%	Production of bearings/jigs, etc.	
NDC Co., Ltd.	1,575 million yen	58.8%	Production of bearings/CALME/ bimetal (material for bearings)	
NDC Sales Co., Ltd.	90 million yen	100.0% (100.0%)	Sales of bearings/CALME, insurance agent	Note 2
Daido Industrial Bearings Japan Co., Ltd.	80 million yen	100.0%	Production of bearings	
Asia Kelmet Co., Ltd.	55 million yen	100.0%	Real estate leasing	
DAIDO METAL SAGA CO., LTD.	100 million yen	100.0%	Production of bimetal (material for bearings)	
Iino Holding Ltd.	96 million yen	100.0%	Holding company	
Iino Manufacturing Co., Ltd.	96 million yen	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
ATA Casting Technology Japan Co., Ltd.	10 million yen	100.0%	Design, development and sales of aluminum die cast automotive parts	
Daido Precision Metal (Suzhou) Co., Ltd.	115,714 thousand Chinese yuan	90.2% (16.2%)	Production and sales of bearings	Note 2
IINO (Foshan) Technology Co., Ltd.	7,796 thousand Chinese yuan	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
Chung Yuan Daido Co., Ltd.	120 million new Taiwan yuan	50.0%	Sales of bearings	Note 1
Dong Sung Metal Co., Ltd.	6,120 million Korean won	50.0%	Production and sales of bearings	Note 1
Dyna Metal Co., Ltd.	200 million Thai baht	50.0%	Production and sales of bearings	Note 1
ATA Casting Technology Co., Ltd.	355 million Thai baht	100.0% (99.9%)	Production and sales of aluminum die cast automotive parts	Note 2
DM Casting Technology (Thailand) Co., Ltd.	500 million Thai baht	99.9%	Production of aluminum die cast automotive parts	
PT. Daido Metal Indonesia	13,748 million Indonesian rupiah	50.0%	Production and sales of bearings	Note 1
PT. IINO INDONESIA	2,845 million Indonesian rupiah	99.0% (99.0%)	Sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
PHILIPPINE IINO CORPORATION	1,393 million yen	99.9% (99.9%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
SUPER CUB FINANCIAL CORPORATION	60 million Philippine peso	59.9% (59.9%)	Sales financing	Note 2
Daido Metal U.S.A. Inc.	40,900 thousand US dollar	100.0%	Production and sales of bearings	
ISS America, Inc.	650 thousand US dollar	100.0% (100.0%)	Sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2

Name	Share capital or investments in capital	Percentage of voting rights held by the Company	Major businesses	Notes
Daido Metal Mexico, S.A. de C.V.	283,328 thousand Mexico peso	100.0% (0.0%)	Production of bearings	Note 2
Daido Metal Mexico Sales, S.A. de C.V.	2,644 thousand Mexico peso	100.0% (0.0%)	Sales of bearings	Note 2
ISS MEXICO MANUFACTURING S.A. de C.V.	22,400 thousand Mexico peso	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
Daido Industrial Bearings Europe Limited	13,500 thousand Sterling pound	100.0%	Production of bearings	
DAIDO METAL EUROPE LIMITED	3,613 thousand Sterling pound	100.0%	Sale of bearings	
DAIDO METAL KOTOR AD	26,535 thousand euro	99.6%	Production and sales of bearings	
Daido Metal Europe GmbH.	500 thousand euro	100.0%	Sales of bearings	
DAIDO METAL CZECH s.r.o.	50 million Czech koruna	100.0%	Production of bearings	
Daido Metal Russia LLC	430 million Russian ruble	99.8%	Production and sales of bearings	
(Unconsolidated subsidiaries to which equity method is applied) Korea Dry Bearing Co., Ltd.	3,100 million Korean won	50.0% (50.0%)	Production and sale of bearings	Notes 1 & 2
(Associated companies to which equity method is applied) BBL Daido Private Limited	280 million Indian rupee	50.0%	Production and sales of bearings	
Shippo Asahi Moulds (Thailand) Co., Ltd.	205 million Thai baht	40.6% (40.6%)	Production and sales of molds for die casting	Note 2
NPR of Europe GmbH.	2,500 thousand euro	30.0%	Sales of automotive-related products, etc.	

(Notes) 1. Although the voting rights held by the Company is not more than 50%, these companies are treated as subsidiaries because they are effectively controlled by the Company.
2. Figures in parentheses of percentage of holding of voting rights represent the percentage of indirect holding of voting rights.

3) Status of specified wholly-owned subsidiaries at the end of the fiscal year
None

(9) Major Lenders and Amount of Borrowings

(As of March 31, 2020)

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	19,103
MUFG Bank, Ltd.	9,854
Sumitomo Mitsui Banking Corporation	4,192
The Aichi Bank, Ltd.	2,938
Development Bank of Japan Inc.	2,901

(10) Other Significant Matters Relating to Current Situation of the Corporate Group
None

2. Matters Relating to Shares of the Company

(1) Number of authorized shares 80,000,000 shares

(2) Total number of issued shares 47,520,253 shares (including treasury shares of 633 shares)

(3) Number of shareholders at end of the fiscal year 12,284 shareholders (Increased by 4,173 shareholders from the previous fiscal year)

(4) Major shareholders (top 10)

Name of shareholder	Number of shares held (1,000 shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,012	4.23
Sumitomo Mitsui Trust Bank, Limited	1,978	4.16
Mizuho Bank, Ltd.	1,977	4.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,831	3.85
MUFG Bank, Ltd.	1,822	3.83
Daido Metal Yueikai Employee Stock-Ownership Plan	1,472	3.10
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,107	2.33
Daido Metal Employee Stock Purchase Plan	1,032	2.17
The Seri Wathana Industry Co, Ltd. 703000	1,000	2.10
The Nomura Trust and Banking Co., Ltd. (Daido Metal Employee Stock Purchase Plan Trust Account)	917	1.93

(Note) Ratio of shareholding is calculated with total shares outstanding net of treasury shares (633 shares). The 432,000 shares of the Company held by Japan Trustee Services Bank, Ltd. (Trust Account) relating to the Board Benefit Trust for Officers and Executive Officers and the 917,000 shares of the Company held by the Nomura Trust and Banking Co., Ltd. (Daido Metal Employee Stock Purchase Plan Trust Account) relating to the Daido Metal Employee Stock Purchase Plan Trust are not included in the number of treasury shares held.

3. Matters Relating to Share Acquisition Rights, etc.

None

4. Company Officers

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2020)

Position	Name			Duties/departments in charge and important concurrent positions at other entities
Chairman & Chief Executive Officer (CEO)	Seigo Hanji			Executive of Japan Auto Parts Industries Association
President & Chief Operating Officer (COO)	Kotaro Kashiyama			In charge of Audit Department, Secretarial Department and Bimetal Division
Director and Senior Managing Executive Officer	Toshiyuki Sasaki			Head of BPR-ICT Division, General Manager of BPR (Business Process Re-engineering) Department and General Manager of Inuyama Site In charge of Environmental & Safety Management Department
Director and Senior Managing Executive Officer	Masaki Ikawa			Head of Human Resources Planning Division In charge of Purchasing Department and High Performance Bearings and Equipment Division
Director and Managing Executive Officer	Motoyuki Miyo			Head of Corporate/Financial Planning Division
Director and Managing Executive Officer	Yoshiaki Sato			Head of Thinwall Bearings & Turbo Charging Bearings Division
Director	Toshikazu Takei	Outside	Independent	Chairman of The Central Council for Financial Services Information
Director	Kiyotaka Hoshinaga	Outside	Independent	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution
Full-time Audit & Supervisory Board Member	Masaaki Tamaya			—
Outside Audit & Supervisory Board Member	Kuniko Tanabe	Outside	Female	Partner, Lawyer of Tanabe & Partners
Outside Audit & Supervisory Board Member	Kazuo Matsuda	Outside	Independent	Outside Director of Sumitomo Bakelite Co., Ltd.

(Notes) 1. Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga are Outside Directors. The Company has registered Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga as "Independent Officers" pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.

2. Ms. Kuniko Tanabe and Mr. Kazuo Matsuda are Outside Audit & Supervisory Board Members.
The Company has registered Mr. Kazuo Matsuda as an "Independent Officer" pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.

3. Mr. Toshikazu Takei, Director, was long engaged in business execution and served in managerial positions at the Bank of Japan, and has considerable knowledge of international businesses.

4. Mr. Kiyotaka Hoshinaga, Director, has served as a director of a hospital and a president of a university after serving as a professor of a university and has considerable knowledge of organizational management.

5. Ms. Kuniko Tanabe, Audit & Supervisory Board Member, is qualified as a lawyer, and has considerable knowledge of legal affairs.

6. Mr. Kazuo Matsuda, Audit & Supervisory Board Member, has experience working as a Director and Audit & Supervisory Board Member in financial institutions and corporates for many years, and has considerable knowledge of finance and accounting matters.

7. Changes in Directors' duties and departments in charge during the current fiscal year

Date	Name	New duties and departments in charge	Previous duties and departments in charge
July 1, 2019	Masaki Ikawa	Head of Human Resources Planning Division In charge of Purchasing Department, Marine & Industrial Bearings Division and High Performance Bearings and Equipment Division	Head of Human Resources Planning Division In charge of Purchasing Department, Marine & Industrial Bearings Division, Polymer Bearings Division and High Performance Bearings and Equipment Division
October 1, 2019	Toshiyuki Sasaki	Head of BPR-ICT Division and General Manager of BPR (Business Process Re-engineering) Department and General Manager of Inuyama Site In charge of Environmental & Safety Management Department	Head of BPR-ICT Division and General Manager of BPR (Business Process Re-engineering) Department
November 1, 2019	Masaki Ikawa	Head of Human Resources Planning Division In charge of Purchasing Department and High Performance Bearings and Equipment Division	Head of Human Resources Planning Division In charge of Purchasing Department, Marine & Industrial Bearings Division and High Performance Bearings and Equipment Division

8. Changes in Audit & Supervisory Board Members' important concurrent positions at other entities during the current fiscal year

Date	Name	New important concurrent positions at other entities	Previous important concurrent positions at other entities
June 19, 2019	Kuniko Tanabe	Partner, Lawyer of Tanabe & Partners	Partner, Lawyer of Tanabe & Partners Outside Director of KDDI CORPORATION

9. Changes in Directors' duties and departments in charge on or after April 1, 2020

Date	Name	New duties and departments in charge	Previous duties and departments in charge
April 1, 2020	Kotaro Kashiyama	In charge of Audit Department and Secretarial Department	In charge of Audit Department, Secretarial Department and Bimetal Division
April 1, 2020	Masaki Ikawa	Head of Human Resources Planning Division In charge of Purchasing Department, Quality Management and Planning Department, High Performance Bearings and Equipment Division and Compliance Department	Head of Human Resources Planning Division In charge of Purchasing Department and High Performance Bearings and Equipment Division
April 1, 2020	Yoshiaki Sato	Head of Thinwall Bearings & Turbo Charging Bearings Division In charge of Bimetal Division	Head of Thinwall Bearings & Turbo Charging Bearings Division

(2) Outline of Liability Limiting Agreement

The Company amended its Articles of Incorporation at the 107th Annual Shareholders' Meeting held on June 26, 2015 and established a policy regarding the liability limiting agreement for Directors (excluding executive Directors, etc.) and Audit & Supervisory Board Members. The outline of the liability limiting agreement, which the Company concluded with Outside Director Mr. Toshikazu Takei, Outside Director Mr. Kiyotaka Hoshinaga, Audit & Supervisory Board Member Mr. Masaaki Tamaya, Outside Audit & Supervisory Board Member Ms. Kuniko Tanabe and Outside Audit & Supervisory Board Member Mr. Kazuo Matsuda in accordance with the provisions of the Company's Articles of Incorporation, is as follows:

- When they are liable for damages caused to the Company for their negligence of duties, they assume such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act).
- The above liability limitation is allowed only when they act in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph (1) of the Companies Act.

(3) Total Remuneration to Directors and Audit & Supervisory Board Members

Category	Number	Monthly remuneration		Bonus (consolidated performance-linked component)	Stock-based remuneration	Total remuneration
		Fixed component	Consolidated performance-linked component			
Directors (Outside Directors)	8 (2)	204 million yen (24 million yen)	83 million yen (– million yen)	105 million yen (– million yen)	16 million yen (– million yen)	410 million yen (24 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	3 (2)	41 million yen (26 million yen)	– million yen (– million yen)	– million yen (– million yen)	– million yen (– million yen)	41 million yen (26 million yen)

(Notes) 1. In addition to the above, a total of 58 million yen was paid as employee-portion salaries for employee-directors.
2. "Bonus" amount listed above is an estimated amount to be paid, if the proposed agenda item No. 4 is approved at the 112th Annual Shareholders' Meeting to be held on June 26, 2020.
3. The maximum amount of remuneration to Directors (excluding bonus to Directors, employee-portion salaries for employee-directors, and performance-linked stock-based remuneration) is 400 million yen per annum as per the resolution of the 98th Annual Shareholders' Meeting held on June 29, 2006. In addition, the proposed introduction of a new performance-based stock-based remuneration scheme for Directors of the Company (excluding Outside Directors) who are in office for five fiscal years from FY2019 (112th term) to FY2023 (116th term) was approved at the 111th Annual Shareholders' Meeting held on June 27, 2019, with the maximum amount of contribution of money by the Company being a total of 400 million yen and the maximum total points granted to each eligible Director being 70,000 points per annum (one point corresponds to one share of the Company).
4. The maximum amount of remuneration to Audit & Supervisory Board Members is 45 million yen per annum as per the resolution of the 98th Annual Shareholders' Meeting held on June 29, 2006.

[Guidelines and decision-making methodology for calculating the remuneration for Directors and Audit & Supervisory Board Members]

(a) Directors' remuneration

Pursuant to the standard for Directors' remuneration agreed upon by the Board of Directors, the basic policy of Directors' remuneration is to attract and retain personnel suitable for the role of a Director of the Group, to serve effectively as an incentive for raising motivation to enhance business performance, corporate value as well as morale, and the level of remuneration shall correspond to a role, responsibility and business performance of each Director.

In order to ensure objectivity and transparency, the Company established an Advisory Board with both in-house and external members who will discuss and determine the actual remuneration for each Director.

Specific remuneration structure and calculation methodology are as follows:

(i) Directors' remuneration consists of "monthly remuneration," "bonuses," and "stock-based remuneration."
For an Outside Director, in order to ensure independence and neutrality, the "monthly remuneration" consists of only a "fixed component."

(ii) "Monthly remuneration"

- "Monthly remuneration" consists of (1) a "fixed component" based on the role and responsibility associated with execution of operations of a Representative Director, or a Director concurrently serving as an Executive Officer, and (2) a "consolidated performance-linked component" paid monthly in addition to the "fixed component" and determined after taking into account the Group's consolidated performance in the previous fiscal year and the degree of contribution to the Company, as described below.
- Individual payment amount of this "fixed component" will be determined by the Board of Directors based on the prescribed base payment table (fixed amount) according to the position of each Director, and by considering the comments from the Advisory Board.
- Furthermore, individual payment amount of the "consolidated performance-linked component" will be determined by the Board of Directors based on the prescribed base payment table according to the position of each Director, the amount proportionally changing in line with consolidated net sales and the ratio of profit to net sales for the previous fiscal year, along with the degree of contribution to the Company (aspects such as the presence of management sense, leadership ability, and ability to guide), and by considering the comments from the Advisory Board. The Company has chosen to use consolidated net sales and the ratio of profit to net sales as indicators used for the consolidated performance-linked component, and it believes that these indicators are useful as they are closely linked to the achievement of two of the principle action lines of the Midterm Business Plan, "Strengthen current business lines further" and "Creating/fostering new business lines."

(iii) "Bonus"

- Total payment of bonuses to be deliberated in the Shareholders' Meeting is limited in proportion to the dividend to shareholders. After considering the comments from the Advisory Board, it is determined by the Board of Directors.
- Individual payment amount will be determined by the Board of Directors based on the prescribed base payment table according to the position of each Director, and the amount proportionally changing in line with consolidated net sales and the ratio of profit to net sales for the previous fiscal year, and by considering the comments from the Advisory Board. The Company believes that these are good indicators based on the "consolidated performance-linked component" as stated in (ii) above.

(iv) "Stock-based remuneration"

- As per the Share Grant Rule created by the Board of Directors, the Company shall grant points to each Director (one point corresponds to one share of the Company). Points granted to each Director consist of (1) a "performance-linked component" which is in accordance with role and responsibility as well as level of achievement of performance targets in the Midterm Business Plan and (2) a "fixed component" based on role and responsibility and determined regardless of the level of achievement of performance targets in the Midterm Business Plan.
- The Company has chosen the consolidated net sales, the ratio of profit to net sales, and ROE (return on equity) as indicators used for the stock-based "performance-linked component." Use of these indicators is supposed to provide incentives to Directors for the purposes of enhancing the Company's performance and corporate value over the medium to long term, by creating a linkage between remuneration for Directors and the Company's performance and share value.

(b) Audit & Supervisory Board Members' remuneration

To ensure independence and neutrality, Audit & Supervisory Board Members' remuneration shall consist of only a "basic remuneration" as a fixed component. Payment amount to each Audit & Supervisory Board Member shall be determined following discussion by the Audit & Supervisory Board Members.

(4) Status of Outside Directors and Outside Audit & Supervisory Board Members

1) Matters relating to positions concurrently held by operating officers of other corporations and outside officers, etc.

Name	Material concurrent holding of positions	Relation between the Company and such other corporations
Toshikazu Takei (Outside Director)	Chairman of The Central Council for Financial Services Information	The Company has no transaction with The Central Council for Financial Services Information that would constitute grounds for concluding that Mr. Toshikazu Takei does not have independence from the Company.
Kiyotaka Hoshinaga (Outside Director)	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution	The Company has no transaction with Fujita Academy Incorporated Educational Institution that would constitute grounds for concluding that Mr. Kiyotaka Hoshinaga does not have independence from the Company.
Kuniko Tanabe (Outside Audit & Supervisory Board Member)	Partner, Lawyer of Tanabe & Partners	The Company has no transaction with Tanabe & Partners that would constitute grounds for concluding that Ms. Kuniko Tanabe does not have independence from the Company.
Kazuo Matsuda (Outside Audit & Supervisory Board Member)	Outside Director of Sumitomo Bakelite Co., Ltd.	The Company has no transaction with Sumitomo Bakelite Co., Ltd. that would constitute grounds for concluding that Mr. Kazuo Matsuda does not have independence from the Company.

(Notes) 1. Mr. Kazuo Matsuda worked at Mizuho Bank, Ltd., the Company's business partner as well as main shareholder; however, more than ten years have passed since he resigned from the Bank in May 2003. The Company borrows from and deposits with Mizuho Bank, Ltd.

2. Ms. Kuniko Tanabe retired as Outside Director of KDDI CORPORATION on June 19, 2019.

2) Main activities of Outside Officers

Position	Name	Main activities
Director	Toshikazu Takei	Attended all 15 meetings of the Board of Directors held during FY2019. Making remarks based on his rich experience and deep insight as he was long engaged in business execution and served in managerial positions at the Bank of Japan; and he is familiar with international businesses.
Director	Kiyotaka Hoshinaga	Attended all 15 meetings of the Board of Directors held during FY2019. Making remarks based on his rich experience and deep insight as he was long engaged in management of a hospital and a university; and he is familiar with organizational management.
Audit & Supervisory Board Member	Kuniko Tanabe	Attended all 15 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2019. Making remarks from a professional well-versed viewpoint in corporate legal affairs based on her rich experience as a lawyer.
Audit & Supervisory Board Member	Kazuo Matsuda	Attended all 15 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2019. Making remarks from a wide viewpoint based on his rich insight on corporate management accounting and governance of business as he is familiar with finance and international businesses through his many years' experience at banks and securities companies and he has experience and knowledge gained from the management of a manufacturing company.

(5) Other important matters concerning Company Officers

[Policies on and procedures for the appointment and dismissal of candidates for senior management positions and for the nomination of candidates for Director and Audit & Supervisory Board Member]

The appointment and nomination of candidates for Director, Audit & Supervisory Board Member, and Executive Officer are determined at the Board of Directors' meetings, based on the appointment criteria stipulated in the Company's rules, considering experience, management skills, leadership, personality, a sense of ethics, health, etc. Candidates for Audit & Supervisory Board Member are nominated with the prior consent of the Audit & Supervisory Board.
The dismissal of Directors, Audit & Supervisory Board Members, and Executive Officers is also determined at the Board of Directors' meetings, based on the dismissal criteria stipulated in the Company's rules, considering the levels of damage to the Company's credibility and corporate value caused by their behavior, violation of these criteria, etc.

[About the nomination, appointment and dismissal of candidates for Director and Audit & Supervisory Board Member]
When appointing candidates, the Board of Directors comprehensively considers various factors such as whether they have excellent management skills and leadership as candidates for Director and whether their personalities, opinions, etc. make them suitable for becoming officers, and then receives the Advisory Board's answers to inquiries about the nominating candidates for Director. Before resolving the appointment, the Board of Directors receives explanations of the reasons for the nomination.

5. Accounting Auditor

(1) Name

Deloitte Touche Tohmatsu LLC

(2) Liability Limiting Agreement

None

(3) Remuneration for Accounting Auditor

	Amount paid
Remuneration based on audit attestation service rendered during the current fiscal year, payable by the Company	92 million yen
Total remuneration and benefits payable by the Group to Accounting Auditor	115 million yen

(Notes) 1. Fees for audit attestation service include 34 million yen related to the fee for auditing financial statements, etc. included in the corrected report under the Financial Instruments and Exchange Act and 2 million yen related to financial statements in English.

2. Financial statements of the overseas subsidiaries are audited by the qualified accountant / auditor / auditing firm other than Deloitte Touche Tohmatsu, the Company's Accounting Auditor.

3. Remuneration for the audit as per "Companies Act" and as per "Financial Instruments and Exchange Act" is combined in the contract, and amount of work is practically inseparable among the two. As such, the amount of remuneration for the current fiscal year represents the total payable.

4. Audit & Supervisory Board reviewed the audit plan, audit procedure, basis of calculation for remuneration, and other documents provided by the Accounting Auditor. After an overall assessment of the results of analysis of variance between the estimate in the previous fiscal year and actual results, Audit & Supervisory Board agreed with the amount of remuneration for the current fiscal year, an agreement expected as per Article 399, paragraph (1) of the Companies Act.

(4) Non-audit Services Provided

The Company pays the Accounting Auditor and others 1 million yen for advisory services to apply accounting standard for revenue recognition, which are services other than the audit and attest services under Article 2, paragraph (1) of the Certified Public Accountants Act (non-audit services). There were no non-audit services provided to consolidated subsidiaries.

(5) Policy regarding the Decision to Dismiss or not to Re-appoint the Accounting Auditor

Policy regarding the decision to dismiss or not to re-appoint the Accounting Auditor is as follows:

1) The Audit & Supervisory Board will decide on an agenda item regarding dismissal or non-reappointment of the Accounting Auditor when (1) the cases prescribed in each item of Article 340, paragraph (1) of the Companies Act, applies, or (2) dismissal or non-reappointment is considered necessary based on overall consideration of audit ability, credibility, audit fees, years of continuous audits, etc.
2) If any cases prescribed in each item of Article 340, paragraph (1) of the Companies Act have occurred, and if the Audit & Supervisory Board considers the case too urgent to wait for the approval of the shareholders meeting, the Audit & Supervisory Board can dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In such a case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the fact of dismissal and reasons for dismissal to the first Shareholders' Meeting held after the dismissal.
3) In the event of dismissal or non-reappointment of the Accounting Auditor, the Audit & Supervisory Board shall collect information on prospective accounting auditors and deliberate over them at the earliest point. If the Accounting Auditor is dismissed based on Article 340, paragraphs (1) and (4) of the Companies Act, the Audit & Supervisory Board will determine the content of an agenda item regarding the election of a new accounting auditor based on overall consideration of auditing ability, credibility, audit fees, etc., pursuant to Article 344, paragraphs (1) and (3) of the Companies Act by the first Shareholders' Meeting to be convened after the dismissal. If an agenda item regarding dismissal or non-reappointment of the Accounting Auditor is submitted to a Shareholders' Meeting, the Audit & Supervisory Board will do the same by the said Shareholders' Meeting.

(6) Policy regarding, and Reasons for, the Selection of the Accounting Auditor

In accordance with the "Assessment Criteria" set in reference to the "Policy regarding the Decision to Dismiss or not to Re-appoint the Accounting Auditor" established by the Audit & Supervisory Board and 14 items of the "Practical Guidelines for Setting Accounting Auditor Assessment Criteria" released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board selects the accounting auditor by asking for opinions of divisions in charge and receiving reports from the accounting auditor to comprehensively assess various factors, including the accounting auditor's quality management system, audit team's independence, level of audit fees etc., and the status of communication between Audit & Supervisory Board Members, management and internal audit division.

With no issues identified with Deloitte Touche Tohmatsu LLC in any of its assessment items, such as quality management systems and independence of audit teams, the Audit & Supervisory Board judges that it is appropriate to reappoint it as the Accounting Auditor of the Company for FY2020.

(7) Assessment of the Accounting Auditor by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board Members and Audit & Supervisory Board assess the Accounting Auditor. To assess whether the Accounting Auditor maintains the quality of audits and performs the audits appropriately, the Company makes comprehensive assessments according to the predetermined assessment criteria as described in "(6) Policy regarding, and Reasons for, the Selection of the Accounting Auditor."

The Company's Audit & Supervisory Board Members and Audit & Supervisory Board confirm and assess that Deloitte Touche Tohmatsu LLC maintains the quality of audits and performs the audits appropriately, as it has an effective management body, effective supervisory and assessment organizations, adherence to professional ethics, and independence of audit teams in place, while the level of its audit fees, etc. is reasonable and its communication with Audit & Supervisory Board Members, management, and the internal audit division is efficient.

6. System for Ensuring Proper Business Operations

The Company's systems for ensuring proper business operations are as follows:
Upon noticing that around 1,390 million yen of accounts receivable at DAIDO METAL EUROPE LIMITED, the Company's UK subsidiary, were past due, the Company changed its organizational structure such as newly setting up the Compliance Department on April 1, 2020, based on the findings of investigation, etc. from an internal investigation committee, as described in the "Announcement regarding Organizational Changes and Personnel Transfers" released on February 17, 2020 (only available in Japanese).

<table>
<tr><th>Before change</th><th>After Change</th></tr>
<tr><td>Corporate & Financial Planning Division
General Affairs Department
Legal Affairs & Corporate Governance Group
(Legal functions/Corporate governance functions)</td><td>Corporate & Financial Planning Division
General Affairs Department
Legal Affairs Group
(Legal functions)</td></tr>
<tr><td>Human Resources Planning Division
Human Resources Planning Department
Compliance Group
(Internal control functions/Compliance promotion functions)</td><td>Compliance Department
(Corporate governance functions/Internal control functions/Compliance promotion functions)</td></tr>
</table>

In light of such organizational structure changes, the Company reviewed the system for ensuring proper business operations of the Group at the Board of Directors meeting held on April 30, 2020, based on the findings of investigation, etc. from an internal investigation committee. (The underlined parts indicate the revisions.)

(1) Retention and Control of Information on the Performance of Duties by Directors

1) The General Affairs Department is designated as the department responsible for retention and control of information on the performance of duties by Directors.
2) The General Affairs Department implements a system to retain and control information on the performance of duties by Directors including the "Regulations of the Board of Directors" and the "Rules on Confidential Information Management." It may give directions to the departments in charge on the correct measures for the retention and control of such information.
3) The information on the performance of duties of Directors set forth in the preceding paragraph is as follows:
   a. Minutes of meetings of the Board of Directors, minutes of meetings of the Management Strategy Committee, etc.
   b. Midterm Business Plan and short-term business plans, etc.
   c. Important contracts relating to acquisitions, investments, etc.
   d. Other important information designated by the Board of Directors, such as documents regarding decisions and approvals.

(2) Regulations and Other Systems regarding Risks of Loss by the Company

1) The Risk Management Committee is designated as the committee responsible for regulations and other systems regarding risks of loss by the Company.
2) The Risk Management Committee develops a system to properly manage risk based on the "Rules on Risk Management."
3) The Risk Management Committee sets risk items to be monitored from a management standpoint and reports to the Board of Directors accordingly.
4) The Risk Management Committee designates departments to implement control measures to mitigate each risk item, and to report the status (result) of the risk to the Board of Directors.
5) The Risk Management Committee establishes the Information Management Subcommittee as its subordinate organization, sets IT Security Guidelines and develops rules related to information management.

(3) System to Ensure Efficient Performance of Duties by Directors

1) The Corporate Planning Department is designated as the department responsible for a system to ensure efficient performance of duties by Directors.
2) Each department in charge formulates management plans such as the Midterm Business Plan, short-term management plans, capital investment plans and financial plans based on the Company's management policy, leading to the allocation of management resources.
3) Each responsible department compiles a progress report, and reports to a meeting of the Board of Directors.
4) The Corporate Planning Department develops (establishes/revises) rules such as the "Rules for Organization," the "Rules for Segregation of Duties" and the "Rules for Authorities" as necessary, which contribute to the efficient and appropriate organization and efficient performance of duties.
5) At least once every quarter, executive Directors report if their own duties were performed efficiently, and if their decisions were made appropriately at a meeting of the Board of Directors.

(4) System to Ensure that Performance of Duties by Directors and Employees Conforms to Laws and Regulations and Articles of Incorporation

1) The Corporate Ethics Committee is designated as the committee responsible for a system to ensure that performance of duties by Directors and employees conforms to laws and regulations and Articles of Incorporation.
2) The Corporate Ethics Committee drafts the "Code of Conduct" and the "Standards of Conduct" in compliance with the internal rules of the Company, etc., and revises their contents as necessary after obtaining approval from the Board of Directors.
3) Based on the "Rules on Operation and Management of Standards of Conduct," the Corporate Ethics Committee deliberates on rules and other important matters related to compliance, and instructs the department in charge on the necessary measures.
4) The Corporate Ethics Committee instructs the Compliance Department to collect information on any events of non-compliance or suspected non-compliance, analyze the causes, fully implement measures to prevent recurrence and to provide employees with regular compliance education/training in order to keep them informed and aware of compliance.
5) The Corporate Ethics Committee reports to the Board of Directors and the Audit & Supervisory Board on the status of the initiatives to achieve and improve compliance on a regular basis, based on reports from the Compliance Department.
6) The General Affairs Department assumes the role of company-wide control on "Attitude to Anti-Social Forces" included in the "Standards of Conduct," in order to assume a resolute attitude toward any forces/groups threatening the healthy activities of the Group.
7) The General Affairs Department assumes the role of company-wide control, which endeavors to collect information on any anti-social forces and suspicious groups, in close collaboration with external institutions (related government offices/associations/lawyers, etc.). The General Affairs Department centrally manages such information, including internal distribution of information, and raises awareness of employees.

(5) System to Ensure Appropriate Business Operations in the Group

1) The Compliance Department and Corporate Planning Department are designated as the departments responsible for "Internal Control System" of the Group, and promote design and operation of the "Internal Control System" at the group companies.
2) The Compliance Department keeps the group companies informed and aware of the "Code of Conduct" and "Standards of Conduct," and also promotes development of necessary rules, regulations, procedures, etc. for appropriate and effective operation and assessment of a compliance system at the group companies.
3) The Corporate Planning Department reviews "Group Companies Management Rules" as necessary in order to ensure the effectiveness/efficiency of business operations between the Company and its group companies, and keeps them informed and aware of the rules.
4) The Corporate Planning Department understands the organizational structure, performance of duties, financial conditions, etc. of each group company and makes the group companies report monthly on these specific situations, etc. through "Monthly Reports" and other reports.
5) The Risk Management Committee establishes policies concerning a system for managing risks of loss at the group companies, and the group companies develop and operate their rules based on such policies. The group companies periodically report their progress and situation to the Risk Management Committee.
6) The Corporate Ethics Committee instructs the Compliance Department to collect information on any events of non-compliance or suspected non-compliance of the group companies, analyze the causes, fully implement measures to prevent recurrence and to provide officers and employees of the group companies with regular compliance education.
7) The Corporate Ethics Committee reports to the Board of Directors and the Audit & Supervisory Board of the Company on the status of the initiatives to achieve and improve compliance of each group company on a regular basis, based on reports from the Compliance Department.
8) Each responsible department reports the status of development and operation of each system of "Internal Control System" of the group companies when they make periodical report to the Board of Directors and the Audit & Supervisory Board.

(6) Assigning Employees to Assist the Duties of Audit & Supervisory Board Members of the Company, System to Ensure Independence of Such Employees and the Effectiveness of Instruction from the Audit & Supervisory Board Members

1) The Corporate Planning Department is designated as the department responsible for assigning employees to assist the duties of Audit & Supervisory Board Members and for the independence of such employees.
2) A "Secretariat of the Audit & Supervisory Board," independent of the Directors, is established as a department to assist the Audit & Supervisory Board Members on a regular basis.
3) The Audit & Supervisory Board may receive reports on the transfer and appraisals of employees who assist the "Secretariat of the Audit & Supervisory Board" in advance, and if necessary, may request changes to the officer in charge of Human Resource.
4) Employees who are in charge of "Secretariat of the Audit & Supervisory Board" perform their duties full time in accordance with instructions from Audit & Supervisory Board Members.

(7) System to Ensure Directors and Employees of the Group Report to Audit & Supervisory Board Members

1) The General Manager of Compliance Department is designated as the person responsible for reporting to Audit & Supervisory Board Members.
2) Directors and employees swiftly report the following matters to Audit & Supervisory Board Members, in addition to statutory reporting matters, when they occur:
   a. Cases discussed/reported in the management meeting, etc. in which Audit & Supervisory Board Members are not present;
   b. Cases that are likely to cause significant damage to the Company;
   c. Results of internal audits on the group companies performed by the Audit Department;
   d. Status of whistleblowing and content of the information; and
   e. Other matters which the Audit & Supervisory Board considers necessary to be reported in the course of performing its duties.
3) "Rules on Whistleblowing, and Report and Consultation" stipulates whistleblowing and who to inform inside and outside the Company, and all employees throughout the Company in Japan are kept informed of development and operation of the whistleblower system. In addition, officers and employees of the group companies in Japan are kept informed of whistleblowing and the person to inform outside the Company in order to collect information on any events of non-compliance or suspected non-compliance.
4) Officers and employees of the group companies, or those who have received reports or consultation from officers and employees of the group companies, report to Audit & Supervisory Board Members in an appropriate manner about any and all information useful for the performance of duties by Audit & Supervisory Board Members.
5) If any compliance issue is found in a whistleblower report, the General Manager of Compliance Department reports the status of improvement/corrective measures and preventive measure at a "Corporate Ethics Committee," and reports to the Board of Directors and the Audit & Supervisory Board along with the investigation results.
6) The Company assures that employees (including officers and employees of the group companies) who have reported to the Audit & Supervisory Board Members will not be dismissed or treated unfairly as a result of their disclosure.

(8) Other Systems to Ensure Effective Audit to be Performed by Audit & Supervisory Board Members

1) The Compliance Department is designated as the department responsible for a system to ensure effective performance of audit by Audit & Supervisory Board Members.
2) The Company maintains a system that allows Audit & Supervisory Board Members and the Audit & Supervisory Board to have regular meetings with the Representative Director, confirming the management policies of the Representative Director, and to exchange opinions regarding the issues to be addressed by the Group, risks surrounding the Group, status of improvements in the audit environment, significant matters in performing audits and other matters.
3) The Company pays necessary expenses in advance or on request where necessary for the performance of duties by the Audit & Supervisory Board Members of the Company.

7. Outline of Operation to Ensure the Appropriateness of Business Operations

With regard to retention and control of information on performance of duties by Directors, the Group provides basic concepts in the "IT Security Guidelines" and strives to maintain appropriate retention and control of internal documents such as minutes of meetings of the Board of Directors, in accordance with "Rules on Document Control" and "Rules on Confidential Information Management" by specifying the retention period and control method. With regard to the risk of loss, the "Risk Management Committee" is held twice a year, where risks to the Group, including the associated companies, are identified. Measures are taken to reduce such risks and the results are reported to the Board of Directors.

In order that the Directors perform their duties in an efficient way, the Company formulates annual management policies, single-year management plans and short-term management plans based on the Midterm Business Plan, and implement them throughout the Group. The Company verifies the level of achievement at divisional and departmental meetings as well as at policy management report meetings.

Moreover, in order to ensure that performance of duties by Directors and employees of the Company conforms to laws and regulations and Articles of Incorporation, the Company has implemented a system whereby any events of non-compliance or suspected non-compliance occurring within the Group are reported to the Company. The events reported are compiled by the Company and reported to the Board of Directors and the Audit & Supervisory Board. The Company resolved to implement the "Guidelines on Human Rights" at the Board of Directors' meeting held in December 2018. These Guidelines are available on the Company's website.

In addition, the Company requires the group companies to apply for/report on budgets, capital investment, risk control, compliance status, etc., and in FY2019 the Company further strengthened the internal control system of group companies by reviewing the whistleblower system of group companies in Japan, investigating the operation status, and so on.

Moreover, in light of the fact that some accounts receivable were past due at DAIDO METAL EUROPE LIMITED, ("DME"), the Company reinforced the accounting and finance department with two additional personnel, by having DME hire a new accountant to reduce the workload per local staff member and by seconding an employee of the Company to DME as Finance Director. The Company is also reviewing the operational flow at DME at the same time, and for transactions with outstanding accounts receivable (with past due or underpaid balances), has built a system to promote collection of outstanding accounts receivables in liaison with other departments such as sales departments and shipping departments, by sharing such information internally through a monthly meeting of business reporting, thus reinforcing the internal system of checks and balances. Furthermore, the Company and DME hold a monthly review meeting for checking the status of past due accounts receivables and their collection as well as a weekly meeting for sharing and discussing issues and problems related to specific business partners in order to perform appropriate customer credit control for DME. Other than the above, with regard to the items requiring improvement which the external auditors pointed out for group companies, the Compliance Department will continue to follow up on them until the required improvements are completed and fully share information on the items requiring improvement and the contents of improvements with the Company and group companies, in order to strengthen the monitoring system for the group companies as a whole.

8. Fundamental Policies on the Governance of the Company

(1) Details of Fundamental Policies

The fundamental policies on persons who exercise control over financial and business decisions of the Company are as follows:

The Company has developed business strategies for sales, production, technology, new business development, etc. from medium- to long-term perspectives, and aims to achieve stable development and growth. The circumstances surrounding our business, however, have been changing dramatically, and therefore short-term business decisions are equally important to ensure sustainable growth in the future.

In order to ensure stable growth and improve sustainable corporate value, the Company has established "Raise Up 'Daido Spirit' - Ambitious, Innovative, Challenging -" as its Midterm Business Plan for six years from FY2018 to FY2023.

Together with our various stakeholders including business partners such as customers and suppliers, employees and their families, local residents and others, the Company will respond to short-term changes in a flexible manner, and achieve sustainable business growth with medium- to long-term perspectives in mind. The Company believes that returning a sustainable level of profits to shareholders would be beneficial to all, rather than distributing from a short-term perspective or out of tentative profits.

The Company would therefore like to have its shares held in a balanced manner by those stakeholders, customers, suppliers, employees and their families, and local residents, who support our objective of sustainable growth with medium- and long-term perspectives.

(2) Initiatives to Achieve Fundamental Policies

1) Specific initiatives for the achievement of fundamental policies

a. Effective use of the Company's assets to achieve sustainable growth based on medium- and long-term perspectives

- The Company has in the past, and still now, been effectively utilizing its assets in order to achieve sustainable growth based on medium- and long-term perspectives.
- In order for the Company to achieve sustainable growth through management from a medium- to long-term perspective, it is necessary to establish and develop a base network for production, sales and technology to respond to future trends and market changes, to improve productivity of domestic and overseas subsidiaries to the levels achieved by the Company, and to maintain world leading technologies for products, design, manufacturing, production and development. For those purpose, the Company will invest effectively and efficiently in research and development for mainly new products and production technologies, enhancement of "monozukuri (craftsmanship)," utilization and introduction of advanced technologies through industry-government-academia cooperation, corporate protection through intellectual property rights, etc. while considering the balance between such investments and dividends to our shareholders.

b. Promotion of shareholding by employees

- The Company promotes the holding of shares by employees by paying incentives to members of the Employee Stock Purchase Plan.
- The Company has introduced a "trust-type employee stock purchase incentive plan (E-Ship®)" in FY2019. This is intended to achieve the performance targets in the Midterm Business Plan as well as to encourage the Company's employees to contribute to the enhancement of the Company's corporate value over the medium to long term and to increase employee benefits.
- The Company continues to implement other measures to grow the Employee Stock Purchase Plan.

c. Improve local communities' recognition of the Company

- The Company interacts with local communities and tries to improve the recognition of the Company by attending social programs and inviting local residents to factory tours at major business locations.

2) Preventive measures against shareholders who do not share our fundamental policies

The Company takes the following measures in order to prevent any inappropriate parties from controlling the decisions on finance and business of the Company (hereinafter referred to as "hostile acquisition"):

Firstly, the Company communicate proactively through Investor Relations activities in order to increase the appreciation of the value of the Company in the market, as well as effectively utilizing the Company's assets to the fullest extent, thus achieving sustainable growth through business management based on the above-mentioned medium- and long-term perspectives, increasing the corporate value, and enabling us to distribute appropriate profits to our shareholders.

Next, the Company will identify beneficial owners of its shares on a continuous basis and, if a hostile acquirer appears, will check and assess the objective of the acquirer and negotiate with the acquirer in consultation with external specialists. If the hostile acquirer is considered to be incompatible with the Company's fundamental policies, the Company will take appropriate countermeasures.

Also, the Company does not exclude the option of taking preventive measures against a possible hostile takeover bid, and will continue to study effective measures available in reference to laws and regulations, guidance issued by authorities and the behavior of other companies, while respecting the common interests of our shareholders.

(3) Assessment of Above Efforts and its Basis

It is clear that the above efforts are consistent with the fundamental policies, do not conflict with the common interests of shareholders, and are not intended to secure the positions of the Company's officers. The Company also considers that the countermeasures and measures for the prevention of a hostile acquisition are appropriate because they are put in motion only when the acquisition is against the Company's fundamental policies.

9. Policies for Determining Appropriation of Surplus

It is the Company's policy to pay appropriate dividends to our shareholders, based on the results of operations 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. interim dividend and 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.

In overall consideration of the factors above, including the consolidated performance of the Company for the full year, the Company proposes the year-end dividend of 15 yen per share.

As a result, the annual dividend, including the interim dividend of 20 yen per share, (including a commemorative dividend of 5 yen), would be 35 yen per share.

As to dividend payouts for the next fiscal year, a forecast is not available at this moment due to uncertain circumstances caused by the worldwide spread of new coronavirus infections.

10. Other Material Issues relating to the Company

For basic concepts and basic policies on the Company's corporate governance, please refer to the "Corporate Governance Report" posted on the Company's website.
(https://www.daidometal.com/investors/ir-library/governance/)

(Note) Amounts, numbers of shares, percentages of voting rights held, and percentages of shareholding described in this Business Report are presented by rounding down fractions. For other ratios, fractions are rounded off to the nearest unit.

Consolidated Balance Sheet

(As of March 31, 2020)

(Unit: Million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	**78,781**	**Current liabilities**	**61,816**
Cash and deposits	22,475	Notes and accounts payable - trade	7,481
Notes and accounts receivable - trade	23,625	Electronically recorded obligations - operating	8,065
Electronically recorded monetary claims - operating	2,304	Short-term loans payable	27,644
Merchandise and finished goods	12,278	Current portion of long-term loans payable	5,762
Work in process	9,039	Lease obligations	2,087
Raw materials and supplies	6,889	Income taxes payable	885
Other	2,613	Provision for bonuses	1,685
Allowance for doubtful accounts	(445)	Provision for bonuses for directors (and other officers)	105
		Provision for product compensation	185
		Provision for environmental measures	50
		Electronically recorded obligations - non-operating	809
Non-current assets	**80,758**	Other	7,053
Property, plant and equipment	**60,974**		
Buildings and structures	15,822	**Non-current liabilities**	**33,554**
Machinery, equipment and vehicles	24,628	Long-term loans payable	21,889
Land	10,405	Lease obligations	2,303
Leased assets	4,819	Deferred tax liabilities	1,680
Construction in progress	4,393	Provision for share-based remuneration	8
Other	905	Provision for share-based remuneration for directors (and other officers)	16
		Provision for loss on guarantees	186
		Retirement benefit liability	6,967
		Asset retirement obligations	17
		Negative goodwill	0
Intangible assets	**12,317**	Other	483
Goodwill	6,193	**Total Liabilities**	**95,370**
Leased assets	46	Net Assets	
Other	6,077	**Shareholders' equity**	**58,204**
		Capital stock	8,413
		Capital surplus	13,114
		Retained earnings	37,693
Investments and other assets	**7,465**	Treasury shares	(1,016)
Investment securities	4,064	**Accumulated other comprehensive income**	**(2,216)**
Long-term loans receivable	230	Valuation difference on available-for-sale securities	361
Retirement benefit asset	365	Foreign currency translation adjustment	(654)
Deferred tax assets	1,794	Remeasurements of defined benefit plans	(1,922)
Other	1,067	**Non-controlling interests**	**8,180**
Allowance for doubtful accounts	(56)	**Total Net Assets**	**64,168**
Total Assets	**159,539**	**Total Liabilities and Net Assets**	**159,539**

(Note) Amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(From: April 1, 2019
To: March 31, 2020)

(Unit: Million Yen)

Account	Amount	
Net sales		**100,159**
Cost of sales		**74,702**
Gross profit		**25,456**
Selling, general and administrative expenses		**21,287**
Operating profit		**4,168**
Non-operating income		
Interest and dividend income	188	
Foreign exchange gains	38	
Amortization of negative goodwill	0	
Share of profit of entities accounted for using equity method	146	
Other	447	821
Non-operating expenses		
Interest expenses	869	
Other	460	1,330
Ordinary profit		**3,660**
Extraordinary income		
Gain on sales of non-current assets	3,909	3,909
Extraordinary losses		
Impairment loss	2,051	
Provision for loss on guarantees	186	**2,237**
Profit before income taxes		**5,331**
Income taxes - current	1,855	
Income taxes - deferred	935	2,790
Profit		**2,540**
Profit attributable to non-controlling interests		**199**
Profit attributable to owners of parent		**2,740**

(Note) Amounts are rounded down to the nearest million yen.

Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2019 To: March 31, 2020)

(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,413	13,114	37,918	(0)	59,446
Cumulative effects of correcting errors			(1,263)		(1,263)
Cumulative effects of changes in accounting policies			(39)		(39)
Restated balance	8,413	13,114	36,616	(0)	58,143
Changes of items during period					
Dividends of surplus			(1,663)		(1,663)
Profit attributable to owners of parent			2,740		2,740
Purchase of treasury shares				(1,122)	(1,122)
Disposal of treasury shares				105	105
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,077	(1,016)	60
Balance at end of current period	8,413	13,114	37,693	(1,016)	58,204

(Unit: Million Yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	906	(467)	(2,100)	(1,660)	8,705	66,490
Cumulative effects of correcting errors		115		115	(88)	(1,236)
Cumulative effects of changes in accounting policies						(39)
Restated balance	906	(352)	(2,100)	(1,545)	8,617	65,214
Changes of items during period						
Dividends of surplus						(1,663)
Profit attributable to owners of parent						2,740
Purchase of treasury shares						(1,122)
Disposal of treasury shares						105
Net changes of items other than shareholders' equity	(545)	(302)	178	(670)	(436)	(1,106)
Total changes of items during period	(545)	(302)	178	(670)	(436)	(1,045)
Balance at end of current period	361	(654)	(1,922)	(2,216)	8,180	64,168

(Note) Amounts are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

I. Notes on Significant Matters that Form the Basis of Presenting the Consolidated Financial Statements, etc.

1. Scope of consolidation

(1) Number of consolidated subsidiaries	33 companies
Names of consolidated subsidiaries	DAIDO LOGITECH CO., LTD. DAIDO METAL SALES CO., LTD. Daido Plain Bearings Co., Ltd. NDC Co., Ltd. NDC Sales Co., Ltd. Daido Industrial Bearings Japan Co., Ltd. Asia Kelmet Co., Ltd. DAIDO METAL SAGA CO., LTD. Iino Holding Ltd. Iino Manufacturing Co., Ltd. ATA Casting Technology Japan Co., Ltd. Daido Precision Metal (Suzhou) Co., Ltd. IINO (Foshan) Technology Co., Ltd. Chung Yuan Daido Co., Ltd. Dong Sung Metal Co., Ltd. Dyna Metal Co., Ltd. ATA Casting Technology Co., Ltd. DM Casting Technology (Thailand) Co., Ltd. PT. IINO INDONESIA PT. Daido Metal Indonesia SUPER CUB FINANCIAL CORPORATION PHILIPPINE IINO CORPORATION ISS America, Inc. Daido Metal U.S.A. Inc. Daido Metal Mexico Sales, S.A. de C.V. Daido Metal Mexico, S.A. de C.V. ISS MEXICO MANUFACTURING S.A. de C.V. DAIDO METAL KOTOR AD Daido Industrial Bearings Europe Limited DAIDO METAL EUROPE LIMITED Daido Metal Russia LLC Daido Metal Europe GmbH DAIDO METAL CZECH s.r.o.
(2) Names of unconsolidated subsidiaries	Korea Dry Bearing Co., Ltd. Chung Yuan Daido (Guangzhou) Co., Ltd. DMS Korea Co., Ltd.
Reason for exclusion from scope of consolidation	Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of total assets, net sales, profit attributable to owners of parent, and retained earnings for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

2. Application of equity method

(1) Number of unconsolidated subsidiaries and associates to which the equity method was applied

Names of companies	4 companies (Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd. (Associates) BBL Daido Private Limited Shippo Asahi Moulds (Thailand) Co., Ltd. NPR of Europe GmbH

(2) Names of unconsolidated subsidiaries and associates to which the equity method was not applied

Reason for non-application of equity method	(Unconsolidated subsidiaries) Chung Yuan Daido (Guangzhou) Co., Ltd. DMS Korea Co., Ltd. Chung Yuan Daido (Guangzhou) Co., Ltd. and DMS Korea Co., Ltd. are immaterial in terms of their impact on consolidated profit and retained earnings, and are not significant overall.

(3) Special mention regarding the application of equity method	For companies consolidated under equity method with closing dates different from the consolidated closing date, financial statements as of their year-end are used.

3. Matters relating to the accounting period of consolidated subsidiaries

The closing date for Daido Metal U.S.A. Inc., DAIDO METAL KOTOR AD, Daido Industrial Bearings Europe Limited, DAIDO METAL CZECH s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., PT. Daido Metal Indonesia, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Europe GmbH, DAIDO METAL EUROPE LIMITED, Daido Metal Russia LLC, Daido Metal Mexico, S.A. de C.V., Daido Metal Mexico Sales, S.A. de C.V., PHILIPPINE IINO CORPORATION, IINO (Foshan) Technology Co., Ltd., ISS America, Inc., ISS MEXICO MANUFACTURING S.A. de C.V., PT. IINO INDONESIA, and SUPER CUB FINANCIAL CORPORATION is December 31.
Financial statements as of the same date are used in compiling the consolidated financial statements as of March 31, with necessary adjustment for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Other securities

Securities with market value ·····	Stated at market value based on the market price at the balance sheet date (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)
Securities without market value ·····	Stated at cost using moving average method

2) Basis and method of valuation of derivatives

Stated at market value

3) Basis and method of valuation of inventories

Basis of valuation is in accordance with the cost basis (with writing down of the carrying value based on any decreased profitability).

(a)Merchandise and finished goods ·····	Principally by weighted average method
(b)Work in process ·····	Principally by weighted average method
(c)Raw materials ·····	Principally by weighted average method
(d)Supplies ·····	Principally by moving average method

(2) Method of depreciation of important depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and six domestic consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998 and facilities annexed to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other

subsidiaries use the straight-line method.
Estimated useful lives of major assets are as follows:

Buildings and structures	3-60 years
Machinery, equipment and vehicles	4-10 years

2) Intangible assets (excluding leased assets)
Straight-line method is used.
3) Leased assets
- Leased assets relating to finance lease transactions which transfer the ownership of leased assets
  The same depreciation method as applied to self-owned non-current assets is used.
- Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets
  Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

(3) Reserves and Provisions
1) Allowance for doubtful accounts
In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.
2) Provision for bonuses
An amount corresponding to the period out of the estimated amount of bonuses payable to employees is provided.
3) Provision for bonuses for directors (and other officers)
An estimated amount of bonuses payable is provided.
4) Provision for product compensation
In order to prepare for any expenditure for quality claims, an estimated amount required to be paid in future is provided.
5) Provision for environmental measures
In order to prepare for the payment of disposal cost of PCB wastes required as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes" and for the payment of cost of soil contamination countermeasures to be incurred, the estimated disposal cost is provided.
6) Provision for loss on guarantees
In order to prepare for the loss on guarantee balance remains at the end of an Employee Shareholding Incentive Plan (E-Ship®) period, an estimated amount of loss is provided.
7) Provision for share-based remuneration, Provision for share-based remuneration for directors (and other officers)
In order to prepare for the payment of share-based remuneration for directors (and other officers), an estimated share-based remuneration amounts based on the estimated points to be granted to eligible directors(and other officers) under the Share Grant Rule of the Company is provided.

(4) Other significant matters for presentation of consolidated financial statements
1) Accounting for retirement benefits
In order to prepare for the payment of retirement benefits to employees (excluding operating officers etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date.
When calculating retirement benefit obligations the benefit formula basis is used to allocate to the current period.
Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof.
For actuarial differences, an amount prorated by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof in each consolidated fiscal year is expensed starting from the consolidated fiscal year that follows the consolidated fiscal year of occurrence.
In order to prepare for the payment of retirement benefits to operating officers, etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.
2) Conversion of foreign currency denominated assets and liabilities into Japanese Yen
Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses.
Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustment and non-controlling interests.
3) Amortization of goodwill and the amortization period
Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during which the benefits are expected to arise.
4) Accounting method of consumption taxes
Consumption taxes are accounted for by the tax-excluded method.

II. Changes in accounting policy

1.Changes in accounts regarding proceeds from disposal of scraps
The Group previously recorded proceeds from disposal of scraps (scrap metal and waste liquid) as Gain on sales of scraps (NonOperating Income). Effective from the beginning of the fiscal year ended March 31, 2020, the Group records such proceeds as deduction of manufacturing costs. This is in line with the Group's revision of cost management method following the increase in scrap disposal proceeds through the improvement in recycling process. The Group applied the

changes in the accounting policy retrospectively, and reclassified the consolidated financial statement for the previous period.
Cost of manufacturing is not recalculated for the past periods, as impact is not material. Gain on sales of scraps for each period is deducted from the Cost of sales. There is no cumulative effect on the opening balance of Net assets at the beginning of the fiscal year ending March 31, 2020.

2.Adoption of IFRS 16, "Leases"
Effective from the beginning of the fiscal year ended March 31, 2020, the Group companies reporting under IFRS for consolidation purpose adopted IFRS 16, "Leases". Those who don't adopt this standard include the Company itself and its domestic subsidiaries (Japanese GAAP), and its US subsidiary (US GAAP). IFRS 16, "Leases" requires lessees, in principle, to record all leases as assets and liabilities.
Accordingly, compared with the case where the previous accounting standards would be applied, retained earnings decreased by 39 million yen at the beginning of the fiscal year ended March 31, 2020.
There is no material impact on the consolidated financial statements for the current period.

III. Notes on correction of errors

During the current fiscal year, errors in part of the accounting process carried out in the past fiscal years were found at DAIDO METAL EUROPE LIMITED, the Company's UK consolidated subsidiary, and such accounting errors for the past fiscal years were corrected by recording allowance for doubtful accounts and others.
The cumulative effect of correcting these errors has been reflected in the accounting book value of net assets at the beginning of the current consolidated fiscal year.
Accordingly, at the beginning of the fiscal year, in the consolidated statement of changes in equity, retained earnings and noncontrolling interests decreased by 1,263 million yen and 88 million yen, respectively, and foreign currency translation adjustments increased by 115 million yen.

IV. Additional information

1.Granting Company Stock to Employees, etc. through a Trust
In order to incentivise employees to achieve the Medium Term plan goals and raise corporate value in medium to long-term, and to enrich the employee welfare program, the Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan (hereinafter "the Incentive Plan").

(i) The Incentive Plan Overview the Incentive Plan is available to Daido Metal group employees who participate in the Daido Metal Employee Stock Purchase Plan (hereinafter, ESPP). Under the Incentive Plan, the Company will set up a trust - Daido Metal ESPP Trust (hereinafter, "ESPP Trust") - with a trust bank. The ESPP Trust will purchase Company shares up front for the amount ESPP will likely to purchase over a certain period, financing its transaction with bank loans. Afterwards, the ESPP Trust will sell Company shares to the ESPP for its periodical purchases. At the end of the trust period, if the ESPP Trust asset balance resulted positive with the accumulated gains on Company shares, such residual assets will be distributed to members of the ESPP who meet beneficiary eligibility criteria. As the Company will guarantee ESPP Trust for its bank borrowing in financing its purchase of Company shares, any shortfalls in repayment at the end of Trust period, due to the accumulated loss at ESPP Trust caused by the drop in Company share price.

(ii) Residual Company shares held in the ESPP Trust Any residual shares of the Company held in the ESPP Trust will be recorded at the ESPP Trust's book value (excluding incidental expenses) as treasury stock under net assets. As of the end of the fiscal year ended March 31, 2020, book value of the treasury stock was JPY 689 million and number of shares was 917,000 shares.

(iii) Book value of debt posted through the application of the total amount method.
As of the end of the fiscal year ended March 31, 2020: JPY 703 million

2.Introduction of Performance-liked Stock-based Remuneration Scheme for Directors and Executive Officers
The Company introduced new performance-linked stock-based remuneration ("the Scheme") for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value over medium to long term.

(i) The Scheme Overview A Board Benefit Trust ("the BBT") is created with the contribution from the Company. The BBT purchases Company shares, and the Company gives eligible Directors and Executive Officers the shares based on accumulated number of points conferred in accordance with their individual rank and their achievement in meeting goals etc., as set forth in Share Grant Rule. Beneficiaries of the BBT shall be those who serve as Directors and Executive Officers during the period. The Company shares are granted to each Director and Executive Officer when they retire from their position.

(ii) Residual Company shares held in the BBT Any residual shares of the Company held in the BBT will be recorded at the BBT's book value (excluding incidental expenses) as treasury stock under net assets.
As of the end of the fiscal year ended March 31, 2020, book value of the treasury stock was JPY 327 million and number of shares was 432,000 shares.

3. Assumptions of Accounting Estimates for the Spread of Novel Coronavirus Infection

To deal with a decline in the number of units produced by automotive manufacturers, etc. due to the spread of the infections, the Group has adjusted production volumes by tentatively suspending factory operations across the world. Based on the information of the production forecast and the timing of the resumption of production by automotive manufacturers in each country and various economic forecasts, we expect that production volume will decline significantly in the first quarter of the next fiscal year, but will start to recover in the second quarter, and that production will recover gradually over the next fiscal year.
According to the assumptions set forth above, the Group has applied impairment accounting to noncurrent assets and estimated the recoverability of its deferred tax assets. As a result, we recorded an impairment loss of 2,051 million yen and reversed 100 million yen of deferred tax assets in the current consolidated fiscal year.

V. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	97,938	million yen
2. Assets pledged as collateral, and liabilities secured by collateral		
Assets pledged as collateral		
Buildings and structures	503	million yen
Machinery, equipment and vehicles	1,382	
Land	1,908	
Other	0	
Total	3,795	
Liabilities secured by collateral		
Short-term loans payable	1,917	million yen
Long-term loans payable (including amounts scheduled to be repaid within one year)	1,089	
Total	3,006	
3. Liabilities for guarantee		
Employee housing loans, etc.	135	million yen
4. Notes receivable discounted or transferred by endorsement		
Discounted export bills	24	million yen

VI. Notes to Consolidated Statement of Changes in Shareholders' Equity

1. Total number of shares issued as of the end of the period
Common shares 47,520 thousand shares
2. Matters relating to dividend
(1) Total dividends paid

Resolution	Type of share	Dividends paid (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting held on June 27, 2019	Common share	712	15.00	March 31, 2019	June 28, 2019
Board of Directors' meeting held on November 8, 2019	Common share	950	20.00	September 30, 2019	December 6, 2019

(2) Dividends with base date in the consolidated fiscal year under review, which come into effect in the following consolidated fiscal year
It is scheduled to be resolved as follows:

Resolution	Type of share	Dividends paid (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting to be held on June 26, 2020	Common share	712	15.00	March 31, 2020	June 29, 2020

Note: The dividends paid includes 20 million yen as dividends for the Company shares held as trust property for E-Ship®, Trust Type Employee Stock Purchase Incentive Plan and a performance-linked stock-based remuneration for Directors and Executive Officers.
Dividends will be paid out of retained earnings.

VII. Notes on Financial Instruments

1. Matters relating to financial instruments

The Group invests its excess cash in short-term deposits and other low risk products, and the funding needs are met by the borrowings from financial institutions such as banks.

The credit risk of customers with regard to notes and accounts receivable - trade, and electronically recorded monetary claims - operating are mitigated according to credit management policy. Investment securities consist mainly of shares, and the market values of listed shares are reviewed each quarter.

Borrowings are used for working capital (mainly short-term) and capital investment (long-term). Currency swap transactions are made for some foreign currency denominated borrowings against the risk of currency fluctuations.

Derivative transactions are made within the scope of actual demand in accordance with internal management regulations.

2. Matters relating to market values of financial instruments

Book value, market value and differences as of March 31, 2020 are as follows:

(Unit: million yen)

	Book value (*1)	Market value (*1)	Difference
(1) Cash and deposits	22,475	22,475	－
(2) Notes and accounts receivable - trade	23,625		
allowance for doubtful accounts *2)	(341)		－
	1,962	1,962	
(3) Electronically recorded monetary claims - operating	2,304	2,304	－
(4) Investment securities	1,793	1,793	－
(5) Notes and accounts payable - trade	(7,481)	(7,481)	－
(6) Electronically recorded obligations - operating	(8,065)	(8,065)	－
(7) Short-term loans payable	(27,644)	(27,644)	－
(8) Income taxes payable	(885)	(885)	－
(9) Long-term loans payable (including amounts scheduled to be repaid within one year)	(27,652)	(27,742)	(89)
(10) Electronically recorded obligations - non-operating	(809)	(809	－
(11) Lease obligations	(4,390)	(4,534)	(144)
(12) Derivatives (*3)			
Those not qualifying for hedge accounting	50	50	－

(*1) Items recorded in liabilities are shown in ( ).

(*2) The allowance for doubtful accounts recorded separately in accounts receivable has been deducted.

(*3) Claims and obligations arising from derivatives are stated in net amounts.

(Note 1) Calculation of market values of financial instruments, securities, and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable - trade (3) Electronically recorded monetary claims - operating

These are stated at their carrying values because they are settled in a short period and their market values are considered to be close to their carrying values.

(4) Investment securities

Market values of equities are based on quotations in the stock exchange, and the market values of other securities are based on reasonable estimates.

(5) Notes and accounts payable - trade, (6) Electronically recorded obligations - operating, (7) Short-term loans payable, (8) Income taxes payable and (10) Electronically recorded obligations - non-operating

These are stated at their carrying values because they are settled in a short period and their market values are considered to be close to their carrying values.

(9) Long-term loans payable (including amounts scheduled to be repaid within one year) and (11) Lease obligations

Market values of these items are calculated by discounting the total amount of principal and interest by a rate that is assumed if the same transaction were newly made. Among long-term loans payable, those at variable interest rates are stated at their carrying values because they reflect market interest rates in the short term and the Company’s credit status has not changed significantly since the execution, and thus their market values approximate their carrying values.

(12) Derivatives

Market values are based on the quoted price obtained from financial institutions, etc., which we have business relationship with

(Note 2) As it is considered extremely difficult to obtain the market values of unlisted stocks (consolidated balance sheet amount of 2,270illion yen) because their market quotations are not available and their future cash flows cannot be estimated, they are not included in “(4) Investment securities.”

Ⅷ. Notes on Rental Properties

1. Matters relating to rental properties
   The Group owns rental properties in Nagoya city and in other areas.
2. Matters relating to market values of rental properties

(Unit: million yen)

Book value	Market value
748	2,322

(Notes) 1. The amount recorded in the consolidated balance sheet represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The market value at the balance sheet date represents appraised value principally based on the “real-estate appraisal standards” .

Ⅸ. Notes on Per Share Information

1. Net assets per share	1,212.16 yen
2. Basic earnings per share	58.22 yen

Non-Consolidated Balance Sheet

(As of March 31, 2020)

(Unit: million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	**35,591**	**Current liabilities**	**29,762**
Cash and deposits	5,017	Accounts payable - trade	5,325
Notes receivable - trade	329	Electronically recorded obligations - operating	9,388
Accounts receivable - trade	16,757	Short-term loans payable	6,046
Electronically recorded monetary claims - operating	2,216	Current portion of long-term loans payable	3,531
Merchandise and finished goods	2,093	Lease obligations	329
Work in process	3,333	Accounts payable - other	1,828
Raw materials and supplies	1,902	Accrued expenses	890
Prepaid expenses	139	Income taxes payable	430
Short-term loans receivable from subsidiaries and associates	1,519	Advances received	0
Accounts receivable - other	2,195	Deposits received	77
Other	85	Unearned revenue	39
Allowance for doubtful accounts	(0)	Provision for bonuses	1,043
		Provision for bonuses for directors (and other officers)	105
		Provision for environmental measures	50
Non-current assets	**69,587**	Electronically recorded obligations - non-operating	672
Property, plant and equipment	**21,473**	Other	1
Buildings	8,231		
Structures	592	**Non-current liabilities**	**24,253**
Machinery and equipment	4,929	Long-term loans payable	17,090
Vehicles	8	Lease obligations	1,853
Tools, furniture and fixtures	204	Deferred tax liabilities	285
Land	4,595	Provision for retirement benefits	4,114
Leased assets	2,436	Provision for share-based remuneration	8
Construction in progress	474	Provision for share-based remuneration for directors (and other officers)	16
		Provision for loss on guarantees	529
		Asset retirement obligations	1
Intangible assets	**2,482**	Long-term accounts payable - other	352
Software	692	Other	1
Leased assets	9	**Total Liabilities**	**54,016**
Right of using facilities	13	Net Assets	
Other	1,766	**Shareholders' equity**	**50,833**
		Capital stock	**8,413**
Investments and other assets	**45,630**	**Capital surplus**	**12,238**
Investment securities	1,169	Legal capital surplus	8,789
Shares of subsidiaries and associates	31,654	Other capital surplus	3,449
Investments in capital of subsidiaries and associates	8,937	**Retained earnings**	**31,198**
Long-term loans receivable from subsidiaries and associates	2,266	Legal retained earnings	743
Long-term loans receivable from employees	21	Other retained earnings	
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	Reserve for advanced depreciation of non-current assets	4,451
Long-term prepaid expenses	18	General reserve	21,000
Prepaid pension cost	2,509	Retained earnings brought forward	5,003
Other	727	**Treasury shares**	**(1,016)**
Allowance for doubtful accounts	(1,676)	**Valuation and translation adjustments**	**328**
		Valuation difference on available-for-sale securities	328
		Total Net Assets	**51,162**
Total Assets	**105,178**	**Total Liabilities and Net Assets**	**105,178**

(Note) Amounts are rounded down to the nearest million yen.

Non-Consolidated Statement of Income

(From: April 1, 2019
To: March 31, 2020)

(Unit: million Yen)

Account	Amount	
Net sales		**62,860**
Cost of sales		**50,478**
Gross profit		**12,381**
Selling, general and administrative expenses		**10,949**
Operating profit		**1,432**
Non-operating income		
Interest and dividend income	1,264	
Other	297	1,562
Non-operating expenses		
Interest expenses	141	
Foreign exchange losses	71	
Other	128	341
Ordinary profit		**2,653**
Extraordinary income		
Gain on sales of non-current assets	3,909	3,909
Extraordinary losses		
Loss on valuation investments in capital of subsidiaries and affiliates	397	
Provision for loss on guarantees	631	1,028
Profit before income taxes		**5,534**
Income taxes - current	577	
Income taxes - deferred	1,050	1,628
Profit		**3,905**

(Note) Amounts are rounded down to the nearest million yen.

Non-Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2019 To: March 31, 2020)

(Unit: million Yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Other capital surplus	Legal retained earnings
Balance at beginning of current period	8,413	8,789	3,449	743
Cumulative effects of correcting errors				
Restated balance	8,413	8,789	3,449	743
Changes of items during period				
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	–	–	–	–
Balance at end of current period	8,413	8,789	3,449	743

(Unit: million Yen)

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Other retained earnings				
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	2,320	21,000	5,530	(0)	50,246
Cumulative effects of correcting errors			(638)		(638)
Restated balance	2,320	21,000	4,892	(0)	49,607
Changes of items during period					
Provision of reserve for advanced depreciation of non-current assets	2,170		(2,170)		–
Reversal of reserve for advanced depreciation of non-current assets	(39)		39		–
Dividends of surplus			(1,663)		(1,663)
Profit			3,905		3,905
Purchase of treasury shares				(1,122)	(1,122)
Disposal of treasury shares				105	105
Net changes of items other than shareholders' equity					–
Total changes of items during period	2,131	–	111	(1,016)	1,225
Balance at end of current period	4,451	21,000	5,003	(1,016)	50,833

(Unit: million Yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	766	766	51,012
Cumulative effects of correcting errors			(638)
Restated balance	766	766	50,374
Changes of items during period			
Provision of reserve for advanced depreciation of non-current assets		–	–
Reversal of reserve for advanced depreciation of non-current assets		–	–
Dividends of surplus		–	(1,663)
Profit		–	3,905
Purchase of treasury shares		–	(1,122)
Disposal of treasury shares		–	105
Net changes of items other than shareholders' equity	(438)	(438)	(438)
Total changes of items during period	(438)	(438)	787
Balance at end of current period	328	328	51,162

(Note) Amounts are rounded down to the nearest million yen.

Notes to Financial Statements

I. Notes on Matters Relating to Significant Accounting Policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

1) Shares of subsidiaries and associates ····· Stated at cost by the moving average method

2) Other securities

Securities with market value ····· Stated at market value based on the market price, etc. at balance sheet date (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)

Securities without market value ··· Stated at cost using moving average method

(2) Basis and method of valuation of inventories

Basis of valuation is in accordance with the cost basis (with writing down of the carrying value based on any decreased profitability).

1) Merchandise and finished goods ···· Weighted average method

2) Work in process ····· Weighted average method

3) Raw materials ····· Principally by weighted average method

4) Supplies ····· Principally by moving average method

2. Method of depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, and declining balance method is used for other property, plant and equipment. Estimated useful lives used for major assets are mainly as follows:

Buildings	3-50 years
Structures	7-60 years
Machinery and equipment	5-9 years
Vehicles	4-10 years
Tools, furniture and fixtures	2-20 years

(2) Intangible assets (excluding leased assets)

Straight-line method is used. Estimated useful life for software for in-house use is mainly 5 years, and those for right to use facilities are mainly 15-20 years.

(3) Leased assets

- Leased assets relating to finance lease transactions which transfer the ownership of leased assets
  The same depreciation method as applied to self-owned non-current assets is used.
- Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets
  Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

3. Reserves and Provisions

(1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided.

General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

(2) Provision for bonuses

An amount corresponding to the period out of the estimated amount of bonuses payable to employees is provided.

(3) Provision for bonuses for directors (and other officers)

An estimated amount of bonuses payable is provided.

(4) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding operating officers, etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date.

When calculating retirement benefit obligation, the benefit formula basis is used to allocate to the current period.

Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof.

For actuarial differences, an amount pro-rated by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at time of the occurrence thereof in each fiscal year is expensed starting from the fiscal year that follows the fiscal year of occurrence.

In order to prepare for the payment of retirement benefits to operating officers, etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.

(5) Provision for environmental measures

In order to prepare for the disposal costs of PCB wastes as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes" and for the payment of cost of soil contamination countermeasures to be incurred, the estimated disposal cost is provided.

(6) Provision for loss on guarantees

In order to prepare for loss on guarantees provided to subsidiaries and associates, the estimated loss amount is provided, taking into account the financial position, etc. of guaranteed parties.

In order to prepare for the loss on guarantee balance remains at the end of an Employee Shareholding Incentive Plan (E-Ship®) period, an estimated amount of loss is provided.

(7) Provision for share-based remuneration, Provision for share-based remuneration for directors (and other officers)

In order to prepare for the payment of share-based remuneration for directors (and other officers), an estimated share-based remuneration amounts based on the estimated points to be granted to eligible directors(and other officers) under the Share Grant Rule of the Company is provided.

4. Other significant matters for the presentation of financial statements

(1) Conversion of foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses.

(2) Accounting method for retirement benefits

The accounting method for unrecognized actuarial differences and unrecognized past service cost differs from the accounting method for the above items used in consolidated financial statements.

(3) Accounting treatment of consumption taxes

Consumption taxes are accounted for by the tax-excluded method.

II. Changes in accounting policy

The Company previously recorded proceeds from disposal of scraps (scrap metal and waste liquid) as Gain on sales of scraps (NonOperating Income). Effective from the beginning of the fiscal year ended March 31, 2020, the Company records such proceeds as deduction of manufacturing costs. This is in line with the Company's revision of cost management method following the increase in scrap disposal proceeds through the improvement in recycling process.

The Company applied the changes in the accounting policy retrospectively, and reclassified the consolidated financial statement for the previous period.

Cost of manufacturing is not recalculated for the past periods, as impact is not material. Gain on sales of scraps for each period is deducted from the Cost of sales. There is no cumulative effect on the opening balance of Net assets of the previous period.

III. Notes on correction of errors

During the current fiscal year, errors in part of the accounting process carried out in the past fiscal years were found at DAIDO METAL EUROPE LIMITED, the Company's UK consolidated subsidiary, and such accounting errors for the past fiscal years were corrected by recording allowance for doubtful accounts and others.

The cumulative effect of correcting these errors has been reflected in the accounting book value of net assets at the beginning of the current consolidated fiscal year.

Accordingly, at the beginning of the fiscal year, in the consolidated statement of changes in equity, the balance of retained earnings carried forward decreased by 638 million yen.

IV. Additional information

1.Granting Company Stock to Employees, etc. through a Trust

In order to incentivise employees to achieve the Medium Term plan goals and raise corporate value in medium to long-term, and to enrich the employee welfareprogram, the Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan (hereinafter "the Incentive Plan").

For more details, please refer to "Notes to Consolidated Financial Statements IV. Additional information."

2.Introduction of Performance-liked Stock-based Remuneration Scheme for Directors and Executive Officers

The Company introduced new performance-linked stock-based remuneration ("the Scheme") for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value over medium to long term.

For more details, please refer to "Notes to Consolidated Financial Statements IV. Additional information."

V. Notes to Balance Sheet

1. Accumulated depreciation of property, plant and equipment	44,653 million yen
2. Monetary claims and monetary debts to/from subsidiaries and associates	
Short-term monetary claims	7,627 million yen
Long-term monetary claims	217
Short-term monetary debts	5,304
3. Liabilities for guarantee	
(1) For employee housing loans, etc.	135 million yen
(2) For bank borrowings	
DAIDO METAL CZECH s.r.o.	740
DAIDO METAL KOTOR AD	478
Daido Industrial Bearings Europe Limited	1,446
DAIDO METAL EUROPE LIMITED	467
Daido Metal U.S.A. Inc.	5,305
Daido Metal Mexico, S.A. de C.V.	1,581
Daido Metal Europe GmbH	1,768
DM Casting Technology (Thailand) Co., Ltd.	734
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	69
Daido Industrial Bearings Europe Limited	2
(4) For lease obligations	
Daido Metal Russia LLC	1,158
(5) For export duties	
Daido Metal Europe GmbH	5
Total	13,893

VI. Notes to Statement of Income

Amount of transactions with subsidiaries and associates

Operating transactions	
Amount of sales	17,816 million yen
Amount of purchases	17,290
Other operating transactions	1,522
Transactions other than operating transactions	1,263

VII. Notes to Statements of Changes to Shareholders' Equity

Type and number of treasury shares at the balance sheet date

Common shares	1,350 thousand shares

(Note) The number of Common shares includes 1,350 thousand shares of the Company held as trust property for E-Ship®, the Trust Type Employee Stock Purchase Incentive Plan and a performance-linked stock-based remuneration for the Directors and the Executive Officers.

Ⅷ. Notes on Leased Non-current Assets

Office equipment, manufacturing facilities, etc. are being used under financial lease contracts, which do not transfer the ownership of leased assets.

Ⅸ. Notes on Tax Effect Accounting

Breakdown of the main causes of deferred tax assets and liabilities

Deferred tax assets	
Devaluation of finished goods and work in process	453 million yen
Depreciation in excess of tax allowable limit	54
Impairment losses	166
Accrued business tax	53
Loss on valuation of shares of subsidiaries and associates	2,711
Loss on valuation of golf club membership	16
Excess allowance for doubtful accounts	507
Provision for bonuses	319
Provision for loss on guarantees	162
Provision for retirement benefits	883
Long-term accounts payable - other	58
Other	187
Sub-total of deferred tax assets	5,573
Valuation reserves for temporary difference, etc.	(3,687)
Total deferred tax assets	1,886
Deferred tax liabilities	
Reserve for advanced depreciation of non-current assets	(1,962)
Valuation difference on available-for-sale securities	(134)
Other	(73)
Total deferred tax liabilities	(2,171)
Net deferred tax liability	(285)

X. Notes on Transactions with Related Parties

Subsidiaries and associates

Type	Name of company	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held)	Relation with related party	Nature of transaction	Transaction amount (million yen) Note 8	Account	Balance at the end of period (million yen) Note 8
Subsidiaries	DAIDO METAL SALES CO., LTD.	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities and loans, and key management personnel service etc.	Sale of bearing products Note 1	2,871	Account receivable - trade	1,216
	NDC Co., Ltd.	(Holding) Direct 58.8	Purchase of products, etc., manufacturing of the Company's products, sales of the Company's products, etc., licensing of technology and lease of facilities, etc.	Purchase of bearing products, etc. Note 2	5,041	Account payable - trade	1,650
	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, and key management personnel service, etc.	Purchase of bearing products, etc. Note 2	8,794	Account payable - trade Electronically recorded obligations - operating	902 2,231
	Daido Industrial Bearings Japan Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, loans and key management personnel service, etc.	–	–	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	800 600
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sale of the Company's products, etc., purchase of products, licensing of technology, rental of facilities, debt guarantees and key management personnel service, etc.	Debt guarantees Note 3	5,305	–	–
	Daido Metal Mexico, S.A. de C.V.	(Holding) Direct 99.9 (Holding) Indirect 0.0	Sale of the Company's products, rental of facilities and debt guarantees and key management personnel service, etc.	Debt guarantees Note 4	1,581	–	–
	Daido Metal Europe GmbH	(Holding) Direct 100.0	Sale of the Company's products, Rental of facilities, debt guarantees and key management personnel service, etc.	Sale of bearing products Note 1	2,924	Account receivable - trade	1,238
				Debt guarantees Note 5	1,773	–	–
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, rental of facilities, debt guarantees and loans, etc.	Debt guarantees Note 6	1,792	–	–
	Daido Metal Russia LLC	(Holding) Direct 99.8	Sale of the Company's products, etc., purchase of products, licensing of technology, debt guarantees and key management personnel service, etc.	Debt guarantees Note 7	1,158	–	–

Transaction terms, policies for determining transaction terms, etc.

(Note 1) Prices are principally set at the sales prices of each related party to the third party multiplied by a fixed rate.

(Note 2) Prices are principally set at the sales prices of the Company to the third party multiplied by a fixed rate.

(Note 3) Debt guarantees are provided for the bank borrowings (5,305 million yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 4) Debt guarantees are provided for the bank borrowings (1,581 million yen) of Daido Metal Mexico, S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (1,768 million yen) and export duties (5 million yen) of Daido Metal Europe GmbH and guarantee fees of 0.2% per annum are received.

(Note 6) Debt guarantees are provided for the bank borrowings (1,789 million yen) and guarantee for supplier (2 million yen) of Daido Industrial Bearings Europe Limited and guarantee fees of 0.2% per annum are received. In addition, 93 million yen is provided for loss on guarantees, making the balance of provision for loss on guarantees at the end of period 343 million yen. Allowance for doubtful accounts is provided for long-term loans receivable (666 million yen).

(Note 7) Debt guarantees are provided for the lease obligations (1,158 million yen) of Daido Metal Russia LLC and guarantee fees of 0.2% per annum are received

(Note 8) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

XI. Notes on Per Share Information

1. Net assets per share	1,108.13 yen
2. Basic earnings per share	82.97 yen

Accounting Auditor's Report on Consolidated Financial Statements: translation

Independent Auditor's Report

May 26, 2020

To the Board of Directors of
Daido Metal Co., Ltd.

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Masaki Okuda	Seal
Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Yasuhiko Goto	Seal

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Daido Metal Co., Ltd. (the "Company"), namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income and consolidated statements of changes in shareholders' equity for the fiscal year from April 1, 2019 to March 31, 2020, and notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group, which consisted of the Company and its consolidated subsidiaries, as of March 31, 2020, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in the notes on correction of errors, the Company made corrections of errors for past fiscal years in the fiscal year under review, and has amended the balance of retained earnings, etc. at the beginning of the period.

This matter has not had any impact on this auditor's opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the maintenance and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes in the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the consolidated financial statements and notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

Accounting Auditor's Report on Non-consolidated Financial Statements: translation

Independent Auditor's Report

May 26, 2020

To the Board of Directors of
Daido Metal Co., Ltd.

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Masaki Okuda	Seal
Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Yasuhiko Goto	Seal

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements of Daido Metal Co., Ltd. (the "Company"), namely, the non-consolidated balance sheet as of March 31, 2020, and the non-consolidated statement of income and non-consolidated statements of changes in shareholders' equity for the 112th fiscal year from April 1, 2019 to March 31, 2020, and notes to financial statements and the accompanying supplemental schedules (hereinafter, collectively, the "non-consolidated financial statements, etc."). In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in the notes on correction of errors, the Company made corrections of errors for past fiscal years in the fiscal year under review, and has amended the balance of retained earnings brought forward at the beginning of the period.
This matter has not had any impact on this auditor's opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc., in accordance with accounting principles generally accepted in Japan, and for the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements, etc., that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc., with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the maintenance and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc., as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc., based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these non-consolidated financial statements, etc.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related notes in the non-consolidated financial statements, etc. or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation of the non-consolidated financial statements, etc., and notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc., represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Audit Report by Audit & Supervisory Board: translation

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the performance of duties of the Directors of Daido Metal Co., Ltd. during the 112th fiscal year from April 1, 2019 to March 31, 2020, based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
   (1) The Audit & Supervisory Board established an auditing policy and auditing plans received from each Audit & Supervisory Board Member reports on the execution of audits and the results thereof and, in addition, received reports from the Directors, etc., and the Accounting Auditors on the performance of their duties and, when necessary, requested explanations regarding such reports.
   (2) In accordance with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, and based on the auditing policy and the auditing plans, each Audit & Supervisory Board Member has taken steps to facilitate communication with the Directors/Audit Center as well as other employees, and has endeavored to gather information and create an improved environment for auditing. Each Audit & Supervisory Board Member has audited in the following manner:
      1) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received from the Directors, employees and other related persons reports on the performance of their duties and, when necessary, requested explanations regarding such reports. In addition, each Audit & Supervisory Board Member inspected important authorized documents and associated information, and examined the business and financial position of the Company at the head office and each major department of the Company. With respect to the subsidiaries of the Company, each Audit & Supervisory Board Member has taken steps to facilitate communication with the Directors and Audit & Supervisory Board Members and other related persons of major subsidiaries and to share information with them and, when necessary, received reports from the subsidiaries regarding their businesses.
      2) In terms of the content of resolutions made by the Board of Directors concerning the establishment of the systems provided in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act to ensure that the performance of duties by the Directors, which are described in the business report, are compliant with the laws and regulations of Japan and with the Company's Articles of Incorporation and other systems to ensure that the operations of the corporate group consisting of the Company and its affiliated companies will be conducted appropriately, as well as the status of such systems established by such resolutions (internal control system), each Audit & Supervisory Board Member periodically received reports on the status of development and operating situation of such systems from Directors, employees and other related persons, when necessary, requested explanations regarding such reports and expressed their opinion.
      3) Regarding the fundamental policies prescribed in Article 118, item (iii) (a) of the Regulation for Enforcement of the Companies Act and each task prescribed in (b) of the same item described in the business report, we studied the content thereof based on the deliberation at the Board of Directors and other meetings.
      4) The Audit & Supervisory Board Members audited and examined whether the Accounting Auditors maintained their independence and performed audits in an appropriate manner. The Audit & Supervisory Board Members received reports from the Accounting Auditors on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that they have taken steps to improve the "System to Ensure Appropriate Execution of the Duties of the Accounting Auditors" (as enumerated in each item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Council on October 28, 2005), etc. When necessary, the Audit & Supervisory Board Members requested explanations on such notifications.

Based on the aforementioned method the Audit & Supervisory Board Members reviewed the business report and supplemental schedules thereto for this fiscal year, the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of changes in shareholders' equity and notes to non-consolidated financial statements) and supplemental schedules thereto and the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in shareholders' equity and notes to consolidated financial statements).

2. Results of Audit

(1) Audit Results on the Business Report, etc.

1) In our opinion, the business report and the supplemental schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
2) With respect to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.
3) In our opinion, the content of the resolutions made by the Board of Directors regarding the internal control system is appropriate, and furthermore, we have not found anything to be pointed out on the content described in the business report and the performance of duties of the Directors concerning the internal control system.
As noted in the business report, the Company noticed that its UK consolidated subsidiary, DAIDO METAL EUROPE LIMITED, had accounts receivable past due because of an accounting error. In response, the Company set up an internal investigation committee, including all of the Audit & Supervisory Board Members as its core members, which investigated facts, including the reason for the accounts receivable being past due, and proposed measures to prevent a recurrence. The Company is taking various measures based on these proposals, such as strengthening personnel in the accounting and finance department, ensuring that operation flows and accounting processes are strictly adhered to, and so forth. The Audit & Supervisory Board will also conduct audits with an awareness of the status of these occurrence prevention measures and ensuring that they are effective.
4) There are no matters to be pointed out regarding the fundamental policies described in the business report, concerning the way of being of personnel that controls the Company's financial and business policies. We consider that each task of Article 118, item (iii), (b) of the Regulation for Enforcement of the Companies Act that is described in the business report is in line with said fundamental policies, that it does not undermine the common interests of the Company's shareholders, and that it does not aim to maintain the positions of the Company's officers.

(2) Results of Audit of the Non-consolidated Financial Statements and Supplemental Schedules
In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC and the Accounting Auditors of the Company are fair and reasonable.

(3) Results of Audit of the Consolidated Financial Statements
In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC and the Accounting Auditors of the Company are fair and reasonable.

May 27, 2020

Audit & Supervisory Board
Daido Metal Co., Ltd.

Full-time Audit & Supervisory Board Member	Masaaki Tamaya	Seal
Outside Audit & Supervisory Board Member	Kuniko Tanabe	Seal
Outside Audit & Supervisory Board Member	Kazuo Matsuda	Seal

Reference Materials for the Annual Shareholders' Meeting

Agendas and Matters for Reference

Agenda Item No. 1 Appropriation of Surplus

The Company proposes to make the following appropriation of surplus:

It is the Company's basic policy to pay appropriate return of profit to our shareholders based on the results of operations and payout ratio. It is also our policy to maintain a stable and sustainable level of dividends from surplus 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.

In consideration of the basic policy above, including the consolidated performance of the Company for the full year, the Company proposes the year-end dividend of 15 yen per share.

As a result, the annual dividend, including the interim dividend paid of 20 yen per share (including a commemorative dividend of 5 yen), would be 35 yen per share.

Details of the year-end dividend

(1) Type of dividend property

Cash

(2) Allocation of dividend property to shareholders and the total amount

15 yen per ordinary share of the Company

Total amount: 712,794,300 yen

(3) Date when dividends from surplus become effective

June 29, 2020

Agenda Item No. 2 Election of Eight Directors

The terms of office for all eight Directors expire at the conclusion of this Shareholders' Meeting.

In this regard, the Company proposes the election of eight Directors.
The candidates for Director are nominated in accordance with the policy and procedures as described in "Policies on and procedures for the appointment and dismissal of candidates for senior management positions and for the nomination of candidates for Director and Audit & Supervisory Board Member" on page 22 in this Notice of Convocation.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(1)	Seigo Hanji (January 2, 1942) Re-election Attendance at Board of Directors meetings 15/15	April 1965 Joined the Company June 1993 Director and Deputy General Manager of Business Division 3 April 1994 Director and General Manager of Business Division 1 June 1995 President June 2005 President & Chief Executive Officer June 2007 Chairman & Chief Executive Officer (current) May 2008 Executive & Vice Chairman of Japan Auto Parts Industries Association and Chubu Branch Manager of the same Association June 2010 Outside Director of Nichirei Co., Ltd. May 2018 Executive of Japan Auto Parts Industries Association (current) [Important concurrent positions at other entities] Executive of Japan Auto Parts Industries Association	147,190 shares
[Reason for nomination as candidate for Director] Mr. Seigo Hanji has been in charge of the Group's overall management and has led corporate value improvements over the years. He is a person of decision and action backed by his extensive business management experience and strong leadership. In the belief that he will continue to contribute to the Group's sustainable growth, the Company nominated him as a candidate for Director.			
(2)	Kotaro Kashiyama (March 28, 1947) Re-election Attendance at Board of Directors meetings 15/15	April 1971 Joined the Company June 2003 Director and Head of Polymer Bearings Division April 2005 Director and Head of Thinwall Bearings & Turbo Charging Bearings Division July 2005 Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division June 2007 Managing Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division July 2007 Managing Director and Senior Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division June 2009 Managing Director and Senior Executive Officer, and General Manager of Strategy Development Division June 2010 Senior Managing Director and Senior Executive Officer, and General Manager of Strategy Development Division President of Daido Plain Bearings Co., Ltd. April 2011 Senior Managing Director and Senior Executive Officer, General Manager of Global Strategy Division and Head of Technology Division President of Daido Plain Bearings Co., Ltd. June 2011 President & Chief Operating Officer General Manager of Global Strategy Division and Head of Technology Division April 2012 President & Chief Operating Officer (current)	103,317 shares
[Reason for nomination as candidate for Director] Mr. Kotaro Kashiyama has held several managerial positions in a broad range of fields at the Company, and has deep insight about the Company's overall business. In the belief that he will continue to strongly advance the Group's Midterm Business Plan and contribute to sustainable growth in corporate value through his swift and appropriate business decisions based on his extensive experience and knowledge, the Company nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(3)	Toshiyuki Sasaki (December 7, 1950) Re-election Attendance at Board of Directors meetings 15/15	April 1974 Joined Tokai Bank Ltd. April 1997 Manager of Taipei Branch March 2001 Manager of Americas, Manager of New York Branch, Manager of Cayman Branch and Manager of Chicago Office June 2002 General Manager of Toyota Corporate Sales Division and Manager of Toyota Branch of UFJ Bank Limited October 2003 Seconded to the Company April 2004 Joined the Company General Manager of Overseas Planning Department, Corporate Planning Division April 2005 General Manager of Corporate Planning Department, Corporate Planning Division June 2005 Director and General Manager of Corporate Planning Department, Corporate Planning Division July 2005 Director and Executive Officer, and General Manager of Corporate Planning Department, Corporate Planning Division June 2007 Director and Executive Officer, and General Manager of Corporate Planning Division July 2008 Director and Senior Executive Officer, and Head of Corporate Planning Division June 2010 Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division June 2011 Managing Director and Senior Executive Officer, Head of Corporate/Financial Planning Division, and Head of Human Resources Planning Division April 2015 Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division President of DAIDO METAL SAGA CO., LTD. (part-time) July 2015 Director and Managing Executive Officer, and Head of Corporate/Financial Planning Division President of DAIDO METAL SAGA CO., LTD. (part-time) July 2016 Director and Senior Managing Executive Officer, and General Manager of BPR (Business Process Re-engineering) Department President of DAIDO METAL SAGA CO., LTD. (part-time) October 2017 Director and Senior Managing Executive Officer, Head of BPR-ICT Division, and General Manager of BPR (Business Process Re-engineering) Department April 2019 Director and Senior Managing Executive Officer, Head of BPR-ICT Division, General Manager of BPR (Business Process Re-engineering) Department, and General Manager of Inuyama Site (current)	79,627 shares
[Reason for nomination as candidate for Director] Mr. Toshiyuki Sasaki has advanced insight into global business management, which was developed through his extensive international experience at financial institutions. He has made a great contribution to the global development of the Company's business operations as a Director of the Company since 2005. In the belief that he will continue to contribute to building foundations for sustainable growth of the Group by advancing business improvements and efficiency, the Company nominated him as a candidate for Director.			
(4)	Masaki Ikawa (December 12, 1950) Re-election Attendance at Board of Directors meetings 15/15	April 1973 Joined the Company July 2008 Executive Officer President of Daido Metal Bellefontaine LLC October 2009 Executive Officer and General Manager of Corporate Planning Department, Corporate Planning Division April 2010 Executive Officer and General Manager of Bimetal Division April 2011 Executive Officer and General Manager of Quality Management & Planning Department July 2011 Senior Executive Officer, General Manager of Quality Management & Planning Department and General Manager of Inuyama Site April 2012 Senior Executive Officer, General Manager of Human Resources Planning Department and General Manager of Inuyama Site June 2012 Director and Senior Executive Officer, Head of Human Resources Planning Division and Head of Inuyama Site July 2015 Director and Managing Executive Officer, Head of Human Resources Planning Division July 2017 Director and Senior Managing Executive Officer, Head of Human Resources Planning Division (current)	46,280 shares
[Reason for nomination as candidate for Director] Mr. Masaki Ikawa has extensive business experience in the field of quality in addition to international experience. He has been responsible for the development and advancement of the human resources strategy at the Company since 2012 as a Director in charge of Human Resources. In the belief that he will continue to contribute to further improving corporate value through the advancement of a global human resources strategy, the Company nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(5)	Motoyuki Miyo (September 8, 1955) Re-election Attendance at Board of Directors meetings 12/12	April 1979 Joined The Fuji Bank, Limited December 1988 Director of San Francisco Branch April 1995 Deputy General Manager of International Credit Department October 1998 Deputy General Manager of London Branch September 2000 Associate Director-General of International Department April 2002 Associate Director-General of Singapore Branch, Mizuho Corporate Bank, Ltd. September 2004 Associate Director-General of Asia Coordination Division (in Hong Kong), Mizuho Corporate Bank, Ltd. March 2007 Associate Director-General of International Coordination Division, Mizuho Corporate Bank, Ltd. September 2008 Joined the Company October 2008 Executive Vice President of Daido Metal Russia LLC July 2011 Executive Officer Executive Vice President of Daido Metal Russia LLC July 2015 Senior Executive Officer Executive Vice President of Daido Metal Russia LLC July 2018 Managing Executive Officer Executive Vice President of Daido Metal Russia LLC April 2019 Managing Executive Officer and Head of Corporate/Financial Planning Division June 2019 Director and Managing Executive Officer, and Head of Corporate/Financial Planning Division (current)	3,772 shares
[Reason for nomination as candidate for Director] Mr. Motoyuki Miyo has extensive international experience in financial institutions. He has made a great contribution to business expansion in Russia since he joined the Company. In the belief that he will continue to contribute to the Group's sustainable growth and medium- to long-term improvement in corporate value through his swift and decisive business judgment based on his outstanding knowledge acquired during many years of managerial experience at overseas bases, the Company nominated him as a candidate for Director.			
(6)	Yoshiaki Sato (December 19, 1956) Re-election Attendance at Board of Directors meetings 12/12	April 1979 Joined the Company July 2005 Executive Officer and General Manager of Bimetal Division April 2009 Executive Officer and Head of Polymer Bearings Division April 2010 Executive Officer President of Daido Metal Czech s.r.o. April 2012 Executive Officer and Head of Technology Division July 2014 Senior Executive Officer and Head of Technology Division April 2017 Senior Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division July 2018 Managing Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division June 2019 Director and Managing Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division (current)	34,226 shares
[Reason for nomination as candidate for Director] Mr. Yoshiaki Sato has engaged in the fields of production and technologies at the Company over the years, and has managerial experience at overseas bases, in addition to broad insight into bearing production including material development and production technologies. In the belief that he will continue to contribute to the Group's sustainable growth and medium- to long-term improvement in corporate value through his business judgment as a person familiar with the Company's technologies, by further improving the Company's core technologies and creating new business lines, the Company nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(7)	Toshikazu Takei (September 22, 1953) Re-election Outside Director Independent Officer Attendance at Board of Directors meetings 15/15	April 1976 Joined Bank of Japan July 1989 Director of Nagoya Branch November 1991 Director of Secretary Office and Secretariat of the Policy Board June 1994 Deputy General Manager for Europe April 1998 Director of Diet Liaison Division, Secretariat of the Policy Board May 1999 General Manager of Matsuyama Branch February 2002 Director-General, Senior Secretary to the Governor, Secretariat July 2003 Advisor to the Governor for Parliamentary Affairs and Public Relations, Secretariat of the Policy Board July 2005 General Manager of Nagoya Branch July 2006 Chief Representative in Europe of the Bank of Japan (stationed in London) June 2008 Left Bank of Japan July 2008 Senior Executive Advisor of Accenture Japan Ltd. October 2012 Managing Director of Japan Center for International Finance June 2015 Outside Director of the Company (current) April 2019 Chairman of The Central Council for Financial Services Information (current) [Important concurrent positions at other entities] Chairman of The Central Council for Financial Services Information	7,225 shares
[Reason for nomination as candidate for Outside Director] Mr. Toshikazu Takei was long engaged in business execution and served in managerial positions at the Bank of Japan. In addition, he is familiar with international businesses and has extensive experience and broad insight. In the belief that he will continue to oversee and supervise the management of the Company based on such experience and insight, the Company nominated him as a candidate for Outside Director. Although Mr. Toshikazu Takei has no experience of engaging in the management of a company, the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and The Central Council for Financial Services Information, where he holds an important concurrent position.			
(8)	Kiyotaka Hoshinaga (November 15, 1950) Re-election Outside Director Independent Officer Attendance at Board of Directors meetings 15/15	April 1975 Joined Department of Urology, Keio University School of Medicine August 1994 Assistant Professor, Department of Urology, Fujita Health University School of Medicine April 2000 Professor, Department of Urology, Fujita Health University School of Medicine February 2006 Deputy Director, Fujita Health University Hospital February 2009 Director, Fujita Health University Hospital April 2013 Managing Director, Fujita Academy Incorporated Educational Institution April 2014 President, Fujita Health University June 2016 Outside Director of the Company (current) October 2018 Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution (current) [Important concurrent positions at other entities] Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution	4,784 shares
[Reason for nomination as candidate for Outside Director] Mr. Kiyotaka Hoshinaga has served as a director of a hospital and a president of a university after serving as a professor of a university and has extensive knowledge and experience gained through involvement in management of a hospital and a university. In the belief that he will continue to oversee and supervise the management of the Company based on such knowledge and experience, the Company nominated him as a candidate for Outside Director. Although Mr. Kiyotaka Hoshinaga has no experience of engaging in the management of a company, the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and Fujita Academy Incorporated Educational Institution, where he holds an important concurrent position.			

(Notes)
1. There is no special interest between any of candidates and the Company.
2. As for each candidate's position please refer to "4. Company Officers, (1) Directors and Audit & Supervisory Board Members" on pages 17 and 18.
3. Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga are candidates for Outside Director.
4. Differences in the number of attendance at Board of Directors meetings are due to differences in the dates of appointment.
5. Liability limitation agreement
   The Company has entered into a liability limitation agreement with Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga. The Company will continue this agreement with them if they are reelected.
   The outline of the agreement is as follows:
   - When a non-executive Director is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act).
   - The above liability limitation is allowed only when the relevant non-executive Director acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph (1) of the Companies Act.
6. Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga have been registered as Independent Officers pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange. If they are reelected, the Company will continue to register them as Independent Officers.
7. The term of office of Mr. Toshikazu Takei as an Outside Director will be five years at the conclusion of this Annual Shareholders' Meeting. The term of office of Mr. Kiyotaka Hoshinaga as an Outside Director will be four years at the conclusion of this Annual Shareholders' Meeting.

[Standards for Independence of Outside Officers]

The Company has established independence standards of Outside Officers, based on those established by the Tokyo Stock Exchange, but much stricter standards. An outside director or an outside audit & supervisory board member who is deemed to have independence from the Company as required by these standards is registered as an independent outside director or as an independent outside audit & supervisory board member. For more details, please refer to [Standards for Independence of Outside Officers of DAIDO METAL CO., LTD.] reported below.

[Standards for Independence of Outside Officers of DAIDO METAL CO., LTD.]
Established on October 28, 2015

An Outside Director or Outside Audit & Supervisory Board Member is deemed not to have independence from the Company if he/she falls under one of the categories below.

(1) Person related to the Company
A person who currently works or has previously worked for the DAIDO Group within the last ten years.

(2) Person related to the major suppliers
A person who currently is or has previously been an officer or employee of a major supplier to the Company (with which the annual aggregate amount of transactions is 1,000 million yen or more) or its group companies within the last three fiscal years.

(3) Person related to the major business partners
A person who currently is or has previously been an officer or employee of the Company's major business partner (with which the annual aggregate amount of transactions is 1,000 million yen or more) during any of the last three fiscal years.

(4) Person related to the financial institutions
1) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a financial institution with which the Company currently has transactions of deposits or borrowings of 1,000 million yen or more.
2) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a company which is a managing underwriter of the Company.

(5) Person related to the parties providing professional services
A person who currently receives, or within the last three years, has received from the Company an annual compensation of 20 million yen or more as the Company's legal counsel (law office), the Company's accounting auditor, a certified tax accountant, patent attorney, judicial scrivener, or as a management, finance, technology or marketing consultant.

(6) Person related to the parties receiving donations or grants from the Company
A person who is a representative or operating officer of an organization (public interest incorporated foundation, public interest incorporated association, not-for-profit organization, etc.) to which the Company has made donations or provided grants exceeding a certain amount (1 million yen or 30% of the organization's annual average total expenses, whichever the larger) in the current fiscal year or in the last three fiscal years.

(7) Relatives
A relative of a person who currently works or has previously worked for the DAIDO Group within the last five years (the person's spouse, parent, child, sibling, grandparent, grandchild, or relatives living with the person). A relative of a person coming under aforementioned categories (2) to (5).

(8) Reappointment and reappointed person.
A person who has executed his/her duties without coming under any of the aforementioned categories (1) to (7) for a period exceeding ten years in case of reappointment of Outside Director or for a period exceeding twelve years with three consecutive terms in the case of reappointment of Audit & Supervisory Board Member.

Agenda Item No. 3 Election of One Substitute Member of Audit & Supervisory Board

The Company proposes to elect one substitute member of Audit & Supervisory Board in advance, just in case the Company is unable to meet the number of Audit & Supervisory Board Members required by laws and regulations. The effect of this resolution is valid until the commencement of the next Annual Shareholders' Meeting.

The consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidate for substitute member of Audit & Supervisory Board is as follows:

Name (Date of birth)	Career history and important concurrent positions at other entities	Number of shares of the Company held by the candidate
Nobuyuki Ishiwata (July 12, 1945) Substitute Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	April 1971 Joined Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC) April 1975 Registered as a certified public accountant January 1976 Registered as a licensed tax accountant March 1978 Left Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC) April 1978 Opened CPA Nobuyuki Ishiwata accounting firm April 1988 Established Seishin & Co. Audit Corporation (currently, Mooreshisei & Co.) and assumed the post of Representative Partner (current) August 1999 Outside auditor of Adecco Ltd. (current) July 2003 Established Seishin & Co. Tax Corporation (currently, Moore Shisei Tax Corporation) and assumed the post of Representative Partner (current) [Important concurrent positions at other entities] Representative Partner of Mooreshisei & Co. Representative Partner of Moore Shisei Tax Corporation Outside auditor of Adecco Ltd.	0 shares

[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member]
Mr. Nobuyuki Ishiwata has been in practice as a certified public accountant and a licensed tax accountant and has rich accounting and taxation knowledge gained from his experience as a certified public accountant and a licensed tax accountant. In the belief that he will audit the Company's management based on his rich accounting and taxation knowledge if he assumes the position of Audit & Supervisory Board Member, the Company nominated him as a candidate for substitute Audit & Supervisory Board Member.
Although Mr. Nobuyuki Ishiwata has no experience of engaging in the management of a company other than as an outside officer, the Company judges that he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member of the Company based on the above reasons. There are no business relationships between the Company and Mooreshisei & Co., Moore Shisei Tax Corporation, and Adecco Ltd., where he holds important concurrent positions.

(Notes) 1. There is no special interest between the candidate and the Company.
2. Mr. Nobuyuki Ishiwata, the candidate for substitute Audit & Supervisory Board Member, is a candidate for Outside Audit & Supervisory Board Member.
3. Liability limitation agreement
The Company will enter into a liability limitation agreement with Mr. Nobuyuki Ishiwata if he is elected as an Audit & Supervisory Board Member and he assumes office.
The outline of the agreement is as follows:
- When an Audit & Supervisory Board Member is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act).
- The above liability limitation is allowed only when the relevant Audit & Supervisory Board Member acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph (1) of the Companies Act.

4. The Company will register Mr. Nobuyuki Ishiwata as an Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange if he assumes office as an Outside Audit & Supervisory Board Member of the Company.

Agenda Item No. 4 Payment of Bonus to Directors

The Company requests approval for the payment of bonuses amounting to 105.7 million yen in total to the six Directors (excluding two Outside Directors) in office as of March 31, 2020, based on the specified standard of the Company (refer to pages 19 and 20 of this notice) in due consideration of business performance and others during the fiscal year in a comprehensive manner.

It is also proposed that decisions as to the amounts of the bonus allotted to each Director be entrusted to the discretion of the Board of Directors.