

[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, 2022

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 114th Annual Shareholders' Meeting

Dear shareholders,

We hereby announce that the 114th Annual Shareholders' Meeting of Daido Metal Co., Ltd. (the "Company") will be held as set forth below.

To prevent the spread of COVID-19 infections, we will hold the Annual Shareholders' Meeting, with appropriate measures to prevent the infections taken.

From the standpoint of preventing the spread of COVID-19 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 28, 2022 (Tuesday).

Yours sincerely,

Note

- 1. Date and time** 10 a.m. on June 29, 2022 (Wednesday)
- 2. Venue** 4-2, Marunouchi 2-chome, Naka-ku, Nagoya, Japan
5th Floor Grand Hall of Nagoya Bankers Association

To prevent the spread of COVID-19 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 114th fiscal year (from April 1, 2021 to March 31, 2022)
 2. Reporting of non-consolidated financial statements for the 114th fiscal year (from April 1, 2021 to March 31, 2022)

Matters for resolution

- | | |
|-------------------|--|
| Agenda Item No. 1 | Appropriation of Surplus |
| Agenda Item No. 2 | Partial Amendments to the Articles of Incorporation |
| Agenda Item No. 3 | Election of Eight Directors |
| Agenda Item No. 4 | Election of One Substitute Member of Audit & Supervisory Board |
| Agenda Item No. 5 | 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 28, 2022 (Tuesday).

(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 28, 2022 (Tuesday).

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- ⦿ **We may change the above measures, etc. depending on how the spread of COVID-19 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 COVID-19 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 COVID-19 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) 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 28, 2022 (Tuesday)

«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 28, 2022 (Tuesday)

«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 29, 2022 (Wednesday)

- * 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.

<p>1. Accessing the Website to exercise your voting rights URL of the Website: https://www.web54.net/ Click “Next.”</p> <p>2. Login Please enter the “Voting Rights Exercise Code” given on the Voting Card and click “Login.”</p> <p>3. Entering password Please enter the “Password.” Enter the new password that you will actually use. Click “Register.”</p>
<p>Please then follow the instructions on the screen and indicate your approval or disapproval on the website.</p>

«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, 2021
To: March 31, 2022)

1. Matters Relating to the Current Situation of Corporate Group

(1) Progress of Business and Operating Performance

1) Economic conditions

During the fiscal year ended March 31, 2022, the world economy remained in a challenging situation, affected by semiconductor shortages and logistics disruptions, despite a rebound being witnessed due to the progress of COVID-19 vaccinations. Future outlook is still uncertain, as seen in soaring prices of raw materials and energy sources induced by the Ukraine crisis becoming more serious of late.

The Japanese economy is increasingly feared to again decline because COVID-19 infections surged in number after the turn of the year due to a new variant.

2) Business situation in the industries

The automotive sector, the Group's core business area, was sluggish with new car sales in Japan being approximately 4.21 million units for FY2021, down 9.5% year on year, owing to supply chain issues. Global new car sales for 2021 (calendar year) were approximately 81.30 million units, a small gain of 4.6% or so year on year, impacted by lockdowns and worldwide shortages of parts supply. New car sales in China, the world's biggest automobile market, saw 2021 (calendar year) new car sales grow 3.8% year on year to approximately 26.27 million units, a small increase after a three-year decline from 2018. New car sales in the U.S. for 2021 (calendar year) also rose slightly to approximately 15.07 million units, an increase of 3.4% year on year.

In the non-automotive sector, the shipbuilding industry recorded a significant year-on-year increase in global new tonnage orders for the 2021 calendar year, helped by growing freight traffic and a surging shipping market, while global new shipbuilding tonnage stood at 60.0 million gross tons, an increase of 2.9% year on year. Japan's export ship tonnage under construction at the end of FY2021 were approximately 19.01 million gross tons, up a marked 25.6% year on year.

In the construction machinery industry, with regard to construction machinery shipments in FY2021, domestic demand increased 1.2% year on year to 997.9 billion yen, which marked the first gain in two years, while demand from public-sector and private-sector construction was strong. Overseas demand increased for the first time in three years to 1,913.2 billion yen, up 55.7% year on year, as demand for general construction machines was vigorous in North America, Europe, Asia, and the Middle and Near East, with demand for mining machines soaring in North America and Indonesia, in particular. Consequently, demand in and outside of Japan increased 31.5% year on year to 2,911.1 billion yen.

In the general industry field related to the Company, business was buoyant, showing an overall recovery trend during FY2021, although FY2020 had seen capital spending curbed, affected by U.S.-China trade tensions from early 2019 and spreading COVID-19.

3) Summary of the Group's results

Under this business environment, consolidated net sales of the Group for the current fiscal year were 104,024 million yen, up 19,303 million yen, or 22.8% year on year.

Operating profit was 5,042 million yen, up 3,726 million yen (compared to 1,315 million yen for the previous fiscal year), and ordinary profit was 4,836 million yen, up 3,962 million yen (compared to 874 million yen for the previous fiscal year) as we endeavored to generate higher profits by growing net sales, lower fixed costs and expenses continuously, engage in profit improvement activities, and enhance productivity. Profit attributable owners of parent was 1,897 million yen, up 1,793 million yen (compared to 104 million yen for the previous fiscal year) despite 456 million yen in impairment losses being recorded as DM Casting Technology (Thailand) Co., Ltd., a consolidated subsidiary of the Company, was late in fulfilling its projected business plan because its production costs had overrun its initial projection when it came into full operation. Although not affecting the consolidated financial results, for its non-consolidated financial results, the Company recorded 1,720 million yen in loss on valuation of shares of subsidiaries and associates, and 336 million yen in provision for loss on guarantees in relation to DM Casting Technology (Thailand) Co., Ltd., and 244 million yen in loss on valuation of investments in capital of subsidiaries and associates in relation to Daido Metal Europe GmbH, a consolidated subsidiary of the Company.

As we applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, net sales of the Group were 223 million yen lower than had been prior to the application.

4) Results by segment

Results by segment are as follows.

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

a. Automotive engine bearings

For FY2021, new car sales declined 9.5% in Japan, while overseas, for the 2021 calendar year, new car sales declined 4.2% in Thailand, and 2.7% in Europe compared to FY2020, but it grew 3.8% in China and 3.4% in the U.S., causing overall global new car sales to increase slightly year on year due to performing solidly, helped by a recovery from the effects of COVID-19.

In this situation, the Group's sales of automotive engine bearings grew approximately 21% year on year in Japan and approximately 26% year on year overseas as group companies accumulated inventories in an effort to deal with a risk of supply chain disruption.

As a result, net sales of the segment increased 23.8% year on year to 58,388 million yen and segment profit increased 38.5% year on year to 8,380 million yen.

b. Automotive non-engine bearings

Like automotive engine bearings, the Group's sales of automotive non-engine bearings grew approximately 23% year on year in Japan and approximately 36% year on year overseas. Net sales of the segment increased 27.3% year on year to 20,399 million yen and segment profit increased 82.5% year on year to 3,338 million yen.

c. Non-automotive bearings

• Shipbuilding industry

Shipbuilding was strong, supported by rising demand for new tonnage due to growing freight traffic across the world. Sales grew approximately 7% year on year as the Group gained market share by developing new customers for business targeting China in relation to bearings for low-speed diesel engines of LNG tankers (tanker ships to transport liquefied natural gas) and other types of tankers, while having recently begun to deliver new mass-produced bearings for large ships.

• Construction machinery industry

Sales grew an impressive 20% or so year on year due to resumption of home building projects and infrastructure projects, after a period of slump, as well as to climbing demand for production-exploration machines for oil and natural gas in response to rising fuel prices.

• Energy sector in the general industry

Sales declined approximately 12% year on year as demand for mainly bearings for steam turbines and gas turbines decreased due to prolonged projects for plants and facilities, affected by COVID-19, although orders received for bearings assembly for hydraulic power generation were strong at a time when renewable energy sources attracted much attention in the energy market.

As a result, net sales of the segment were 11,076 million yen, up 7.6% year on year, and segment profit was 1,750 million yen, up 20.0% year on year, driven mainly by strong demand for bearings for low-speed diesel engines and new customer development activities in the shipbuilding industry, and a surging demand in the construction machinery industry due to a demand rebound, in spite of declining demand in the energy sector in the general industry.

d. Other automotive parts

• Aluminum die cast parts

The automobile industry in Thailand continued to generally recover, supported partly by the economic stimulus measures taken by the Thai government in connection with COVID-19 infection despite persistent effects of lockdowns and semiconductor shortages throughout the year. A new plant that began to produce electric vehicle (EV) parts (DM Casting Technology (Thailand) Co., Ltd.) caused sales to soar, helped throughout the year by full-scale mass production for new deliveries of EV parts.

Segment profit improved compared with the previous fiscal year due to rising net sales despite depreciation and higher initial investment costs, including for the new plant building.

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

Increased orders were received in and outside Japan due to a recovery from the effects of COVID-19.

As a result, net sales increased 34.5% year on year to 14,436 million yen and segment loss was 1,649 million yen (segment loss of 1,852 million yen in the previous fiscal year).

e. Others

Recovering from the decline of demand due to the COVID-19 pandemic, demand for overall capital investment such as machine tools and various types of industrial machinery, and demand for construction machinery, etc. increased. As a result, net sales of this segment, which includes the electrode sheets business for electric double layer capacitors, the metallic dry bearings business, the pump-related products business, and the real estate leasing business, increased 3.8% year on year to 2,122 million yen and segment profit increased 7.8% year on year to 343 million yen.

(Net sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2020 113 th term	FY 2021 114 th term (Current fiscal year)
Automotive engine bearings	47,146	58,388
Automotive non-engine bearings	16,024	20,399
Non-automotive bearings	10,291	11,076
Other automotive parts	10,730	14,436
Others	2,044	2,122
Elimination of intersegment sales or transfers	(1,516)	(2,399)
Total	84,720	104,024

(Notes) 1. In addition to sales to external customers, intersegment sales or transfers are included in net sales by segment.

2. From the beginning of the 114th term, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations. Therefore, net sales by segment for the 114th term were indicators, etc. after the application of the accounting standard, etc.

(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 for six years from FY2018 to FY2023, “Raise Up ‘Daido Spirit’ - Ambitious, Innovative, Challenging -,” the Group announced the plan for the latter three years (FY2021 to FY2023) in May last year, and has listed the following investment plans:

- 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 FY2021 was 6,752 million yen, a decrease of 1,375 million yen compared with the previous fiscal year, and described below are major capital investments.

(Major capital investments during the current fiscal year)

- Investment to enhance production capacity and investment to improve productivity for other automotive parts in Japan and Thailand
- Investment to improve productivity and investment to enhance production capacity 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 2018 111 th term	FY 2019 112 th term	FY 2020 113 th term	FY 2021 114 th term (Current fiscal year)
Net sales (Millions of yen)	107,718	100,159	84,720	104,024
Operating profit (Millions of yen)	7,262	4,168	1,315	5,042
Ordinary profit (Millions of yen)	6,630	3,660	874	4,836
Profit attributable to owners of parent (Millions of yen)	4,135	2,740	104	1,897
Basic earnings per share (Yen)	93.72	58.22	2.25	40.70
Net assets (Millions of yen)	65,253	64,168	64,538	68,695
Total assets (Millions of yen)	161,881	159,539	155,176	166,155

2) Financial conditions and operating results of the Company

Category \ Fiscal year	FY 2018 111 th term	FY 2019 112 th term	FY 2020 113 th term	FY 2021 114 th term (Current fiscal year)
Net sales (Millions of yen)	67,732	62,860	54,197	65,868
Operating profit (Millions of yen)	2,789	1,432	723	1,499
Ordinary profit (Millions of yen)	4,026	2,653	2,159	2,564
Profit (loss) (Millions of yen)	3,365	3,905	1,690	(197)
Basic earnings (loss) per share (Yen)	76.25	82.97	36.49	(4.24)
Net assets (Millions of yen)	50,374	51,162	52,372	51,482
Total assets (Millions of yen)	106,465	105,178	110,247	109,208

- (Notes) 1. As accounting errors regarding the past consolidated financial statements were found in FY2019 (112th term), the figures presented for 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 materials such as metal scraps generated in manufacturing processes, 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. From the beginning of the 114th term, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations. Therefore, financial conditions and operating results for the 114th term were indicators, etc. after the application of the accounting standard, etc.

(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 an organization built on technologies and a technological leader centering on our core Tribology (friction, wear and lubrication technology), we at the Group look ahead to the future, brush up our skills, and meet our corporate social responsibilities.

The Group promotes "Raise Up 'Daido Spirit' - Ambitious, Innovative, Challenging -," as its new Midterm Business Plan for six years from FY2018 to FY2023. Even amid the COVID-19 pandemic and dramatically changing and unpredictable environment, the Group will accelerate its evolution and create a solid organization.

(5) Issues to be Addressed

One year has passed since the Company announced on May 14, 2021, a plan for three years making up the second half of the term of the Midterm Business Plan (FY2018 - FY2023). Although in May last year we became aware of changes in the environment surrounding our operations and corporate business management, as well as work style and workers, the operational environment has been becoming more and more challenging to date, as seen in even sharper rises in materials and logistics costs, among other things. Meanwhile, amid these developments, sectors such as the automobile industry and the shipbuilding industry have witnessed demand recovery from the effects of COVID-19 in and outside Japan, and we endeavored to further lower fixed costs and expenses, such as through group-wide efforts on productivity improvement and rationalization. As a result, net sales were 104.0 billion yen (up 12.0 billion yen), operating profit was 5.0 billion yen (up 1.5 billion yen), and operating margin was 4.8% (up 1.0 percentage point) in comparison to net sales of 92.0 billion yen, operating profit of 3.5 billion yen, and an operating margin of 3.8%, which were our targets in FY2021, showing them to have been more than achieved.

While the end of COVID-19 is not yet in sight, the future outlook is becoming increasingly more uncertain as seen in continued surges in materials prices, a protracted period of tight semiconductor demand, and soaring prices of resources due to a worsening Ukraine situation, among other things. We will further grow revenue by discovering the environment for our operations and changes in it, and responding flexibly and swiftly under a basic strategy set forth in the Midterm Business Plan, namely, "strengthen current business lines further," "creating/fostering new business lines," "enhance management/operational control platform," and "energetic organization with animated communication and motivation."

The main FY2021 performance results and issues to be addressed are as follows.

<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 36.7%, the world's top share, in calendar year 2021 (estimated by the Company) for automotive engine half bearings, as was in calendar year 2020. Although a shift to electric vehicle (EVs) is now in progress, it will likely take time before demand for internal combustion engines declines due to the shift to EVs. While considering and making capital investments carefully, we aim to securely meet actual and potential market needs and gain further market share by expanding sales of truck engine bearings, and gaining new business for gasoline engine bearings, among other things.

With regard to automotive non-engine bearings, we will accelerate sales expansion of new products, and for new applications, in a manner catering to market needs.

2) Non-automotive bearings

The market share of bearings for low-speed marine diesel engines was 66.0%, the world's top share, in calendar year 2021 (estimated by the Company), as in calendar year 2020. We succeeded in gaining market share by managing to serve new overseas customers as the order intake environment remained good in particular, as seen in rising demand for large container vessels and LNG tankers, and the like. Our market share in bearings for medium- and high-speed marine diesel engines also climbed due to our avid endeavors to seek new business in the domestic market and overseas markets. We aim to expand our market shares further in the coming years by becoming higher in productivity and competitiveness.

In the energy sector in the general industry, the Company aims to gain market share in bearings for gas turbines and steam turbines for thermal power generation, as these types of bearings will likely continue to enjoy growing demand in the foreseeable future. At the same time, we will seek new business in the small hydraulic power generation domain.

3) Other automotive parts

With regard to aluminum die cast products, DM Casting Technology (Thailand) Co., Ltd., a new subsidiary mainly producing aluminum die cast products for electric vehicles, started mass production on a full-scale basis in summer 2021. By seeking new business in electric vehicle parts, the Company succeeded in achieving its FY2021 net sales target (200 million yen above the target). For 2022, it will endeavor to increase sales and improve profitability as it is seemingly still beset with issues such as yield enhancement, including for defect rate reduction, as well as logistics costs.

Our FY2021 net sales target for formed pipes, knock pins, NC milled parts, etc. was also achieved (200 million yen above the target), as demand recovered strongly in Japan, North America, and China.

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

To contribute to green energy efforts, the Company continues to avidly access new market segments for bearings for wind power generation. In spring 2022, the Company set up the Wind Turbine Technology R&D Institute, an independent unit developing basic technologies for bearings for wind power generation (design and assessment) on a dedicated basis, and will speed up these efforts with a view to expanding sales in the wind turbine business.

The Company also set up the EV Shift Action Promotion Department considering that the EV shift had been accelerating in the automobile industry, the main business for the Group. We will not only respond to the EV shift, but also work to turn automobile industry needs, such as for non-fossil fuel vehicles (hydrogen fuel cell vehicles) into new business.

In addition, we will continue to keenly pursue new domain research that would lead to development of products involving materials and functions that are friendly to the environment and energy, while maximally tapping into technologies nurtured over many years through fundamental research on our core technologies as well as technological development in new domains.

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

To contribute to achieving a sustainable society as a global enterprise, the Group identified important issues (materialities) required to be addressed in areas of ESG on a priority basis, from perspectives of impact on its stakeholders and importance for the Group.

The Group has been pursuing its efforts toward attaining carbon neutrality by devising strategies, a move reflecting growing environmental awareness of late and the Japanese government's goal of going carbon neutral by 2050, and setting up the Carbon Neutral Promotion Department, a specialized unit intended to oversee various measures.

During FY2021, our five bases across the world continued to share technological development data with each other under the technological development platform. In spring 2022, we will arrange for human exchange between Japan and foreign countries.

In addition, from a perspective of risk management, the Company rebuilt a management platform including for our overseas bases, bolstering our preparedness against potential cyberattacks, a type of attack through which manufacturers have suffered damages recently. We aim to further upgrade quality by beginning to partially operate a quality assurance program under a strengthened quality audit standard. At the same time, we will continue to step up governance of our business operation and routine business activities and enhance our risk management structure.

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

To revitalize communication, the Group upgraded various internal communication tools. During FY2021, the first year of three years constituting the second half of the term of the Midterm Business Plan (FY2018 - FY2023), we arranged for direct dialogue between the corporate planning unit that had controlled the plan formulation and both other units and subsidiaries-associates for the purpose of permeating the plan.

The Company, which regards the promotion of physical and mental health of employees as one of our important management issues, engaged in various activities with the result that it was recognized under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (a health promotion organization) in March 2022. Going forward, we will continue to build and develop a workplace environment in which diverse professionals can work well in various ways.

* 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, 2022)

Number of employees (persons)		Change from previous period (persons)	
Japan	2,502	Decrease	21
Overseas	4,482	Increase	210
Total	6,984	Increase	189

- (Notes) 1. In addition to the above, temporary employees (total of 429) 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, 2022)

Number of employees (persons)	Change from previous period (persons)	Average age (years of age)	Average years of service (years)
1,365	Increase 8	39.9	16.1

- (Notes) 1. In addition to the above, temporary employees (total of 127) 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, 2022)

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.	310 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	100 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	1,200 million Russian ruble	99.9%	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	160 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, 2022)

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	18,799
MUFG Bank, Ltd.	8,852
Sumitomo Mitsui Banking Corporation	4,754
Development Bank of Japan Inc.	3,678
Sumitomo Mitsui Trust Bank, Limited	2,537

(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 1,344 shares)
- (3) Number of shareholders at end of the fiscal year 13,385 shareholders (Increased by 747 shareholders from the previous fiscal year)
- (4) Major shareholders (top 10)

Name of shareholder	Number of shares held (1,000 shares)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,883	10.27
Custody Bank of Japan, Ltd. (Trust Account)	2,176	4.58
Sumitomo Mitsui Trust Bank, Limited	1,978	4.16
Mizuho Bank, Ltd.	1,977	4.16
MUFG Bank, Ltd.	1,822	3.83
Daido Metal Yueikai Employee Stock-Ownership Plan	1,663	3.50
Daido Metal Employee Stock Purchase Plan	1,489	3.13
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,107	2.33
The Seri Wathana Industry Co, Ltd. 703000	1,000	2.10
Marubeni-Itochu Steel Inc.	886	1.86

(Note) Ratio of shareholding is calculated with total shares outstanding net of treasury shares (1,344 shares). The 411,000 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) relating to the Board Benefit Trust for Officers and Executive Officers and the 330,000 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.

(5) Shares granted to company officers during the current fiscal year as rewards for execution of duties

The Company, having introduced a stock-based remuneration scheme for Directors (excluding Outside Directors), granted shares of the Company to three Directors who resigned in the current fiscal year, as follows.

Total shares granted to Directors by title

Title	Number of shares	Number of grantees
Director (excluding Outside Director)	14,080 shares	3 persons

3. Matters Relating to Share Acquisition Rights, etc.

None

4. Company Officers
(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2022)

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)	Motoyuki Miyo			In charge of Audit Department and Secretarial Department
Director and Managing Executive Officer	Yoshiaki Sato			Head of Technology Division and General Manager of Inuyama Site In charge of Bimetal Division and Quality Management and Planning Department
Director and Managing Executive Officer	Shigemasa Hakakoshi			Head of Human Resources Planning Division In charge of Purchasing Department and Environmental & Safety Management Department
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. Directors Mr. Kotaro Kashiyama, Mr. Toshiyuki Sasaki, and Mr. Masaki Ikawa retired as such at conclusion of the 113th Annual Shareholders’ Meeting held on June 29, 2021.
8. 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
June 29, 2021	Motoyuki Miyo	In charge of Audit Department and Secretarial Department	Head of Corporate Planning Division
June 29, 2021	Yoshiaki Sato	Head of Technology Division In charge of Bimetal Division and Quality Management and Planning Department	Head of Technology Division In charge of Thinwall Bearings & Turbo Charging Bearings Division and Bimetal Division
June 29, 2021	Shigemasa Hakakoshi	Advisor to the Head of Human Resources Planning Division In charge of Purchasing Department and Environmental & Safety Management Department	Advisor to the Head of Human Resources Planning Division
July 1, 2021	Yoshiaki Sato	Head of Technology Division and General Manager of Inuyama Site In charge of Bimetal Division and Quality Management and Planning Department	Head of Technology Division In charge of Bimetal Division and Quality Management and Planning Department

Date	Name	New duties and departments in charge	Previous duties and departments in charge
July 1, 2021	Shigemasa Hakakoshi	Head of Human Resources Planning Division In charge of Purchasing Department and Environmental & Safety Management Department	Advisor to the Head of Human Resources Planning Division In charge of Purchasing Department and Environmental & Safety Management Department

9. Changes in Directors' duties and departments in charge on or after April 1, 2022

Date	Name	New duties and departments in charge	Previous duties and departments in charge
April 1, 2022	Yoshiaki Sato	Head of Compliance Division, Head of EV Shift & Carbon Neutral Response Division, and General Manager of Inuyama Site In charge of Bimetal Division and Quality Management and Planning Department	Head of Technology Division and General Manager of Inuyama Site In charge of Bimetal Division and Quality Management and Planning Department

(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) Outline of Directors and Officers Liability Insurance Policy

In seeking to hire qualified persons as Director and Audit & Supervisory Board Member, the Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The full amount of insurance premiums is borne by the Company or its subsidiaries.

In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds (Directors, Audit & Supervisory Board Members, Executive Officers and important employees of the Company or its subsidiaries) assumes.

(4) Remuneration for Directors and Audit & Supervisory Board Members for the current fiscal year

1) Matters relating to a decision-making policy on the details of remuneration to each Director

The Company established a decision-making policy on the details of remuneration to each Director (hereinafter referred to as “decision-making policy”), which is determined and outlined as follows.

To keep its remuneration practices objective and transparent, the Company had an Advisory Board in place composed of external and in-house members as an advisory body to the Board of Directors. However, to keep its business management transparent, the Company set up the Nomination Committee and Remuneration Committee. We thus amended and renewed the decision-making policy at a Board of Directors meeting held on February 25, 2022.

(a) Method for determining the decision-making policy

Pursuant to the standard for Directors’ remuneration, the basic policy of Directors’ remuneration and its level is to attract and retain personnel suitable for the role of a Director of the Group, to serve effectively as an incentive for increasing motivation to enhance business performance, corporate value as well as morale. To help keep its business management transparent, the Company had set up a Remuneration Committee composed of three or more Directors (the majority of whom must be Outside Directors) appointed by resolution of the Board of Directors. In light of comments from the committee, the Board of Directors deliberates on and decide details of the decision-making policy.

(b) Outline of details of the decision-making policy

Directors’ remuneration consists of “monthly remuneration,” “bonuses,” and “stock-based remuneration.” However, for an Outside Director, in order to ensure independence and neutrality, the “monthly remuneration” consists of only a “fixed component.”

(i) “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 Remuneration Committee.

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 Remuneration Committee.

(ii) “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 Remuneration Committee, it is determined by the Board of Directors.

Furthermore, individual payment amount of the bonus 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 Remuneration Committee.

(iii) “Stock-based remuneration”

As per the Share Grant Rule created by the Board of Directors, the Company shall grant points (one point corresponds to one share of the Company) to each Director (excluding Outside Directors). 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.

2) Matters relating to the resolution of the Shareholders’ Meeting concerning remuneration to Directors and Audit & Supervisory Board Members

(a) 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. The number of Directors eligible for this resolution is seven.

In addition, the proposed introduction of a new performance-linked 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). The number of Directors eligible for this resolution is six.

(b) 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. The number of Audit & Supervisory Board Members eligible for this resolution is four (including three Outside Audit & Supervisory Board Members).

3) Matters relating to delegation concerning decision-making on the details of remuneration to each Director

Regarding remuneration to each Director, Seigo Hanji, Chairman & Chief Executive Officer, decides the amount of remuneration for each Director within the scope of resolution of the Shareholders’ Meeting of the Company regarding remuneration for Directors, as entrusted by the Board of Directors, based on the prescribed base payment table above, considering comments from the Remuneration Committee. The reason for entrusting the authority to the Chairman & Chief Executive Officer is that such person is considered to be the most appropriate for evaluating the degree of contribution of each Director to the Company (aspects such as the presence of management sense, leadership ability, and ability to guide). The Board of Directors receives reports from the Chairman & Chief Executive Officer about the amount of remuneration for each Director and outline of reasons for determining the amount, and discusses the adequacy to oversee whether remuneration for each Director is determined appropriately in accordance with the decision-making policy. With these

oversight procedures, the Board of Directors considers the amount of remuneration for each Director has been determined according to the decision-making policy.

4) Total Remuneration to Directors and Audit & Supervisory Board Members

Category	Total remuneration	Total remuneration by type			Number of recipient officers
		Fixed component	Performance-linked component	Nonmonetary remuneration	
Directors (Outside Directors)	275 million yen (24 million yen)	197 million yen (24 million yen)	51 million yen (– million yen)	26 million yen (– million yen)	9 (2)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	42 million yen (26 million yen)	42 million yen (26 million yen)	– million yen (– million yen)	– million yen (– million yen)	3 (2)

(Notes) 1. The above includes three Directors who retired at the conclusion of the 113th Annual Shareholders' Meeting held on June 29, 2021.

2. In addition to the above, a total of 39 million yen was paid as employee-portion salaries for five employee-directors.
3. Stock-based remuneration is included in nonmonetary remuneration.
4. The performance indicator used as a basis of calculating a performance-linked component ("consolidated performance-linked component" and "bonus") and its calculating method are described in 1) above. The Company has selected to use consolidated net sales and the ratio of profit to net sales as indicators used for the "consolidated performance-linked component" and "bonus," 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." The actual consolidated net sales and the ratio of profit to net sales for the current fiscal year were 104,024 million yen and 1.8% respectively. The Company plans to pay 39 million yen as "bonus" on the condition that Agenda Item No. 5 to be submitted to the 114th Annual Shareholders' Meeting to be held on June 29, 2022, is approved and resolved as originally proposed. The total amount of performance-linked component, including said "bonus" is expected to be 51 million yen as stated above.
5. As nonmonetary remuneration, stock-based remuneration has been granted to Directors (excluding Outside Directors) as described in 1) above. The Company has selected the consolidated net sales, the ratio of profit to net sales, and ROE (return on equity) as indicators used for the "performance-linked component" of stock-based remuneration. 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. The actual results for the current fiscal year were 104,024 million yen, 4.8%, and 3.3% respectively. In the current fiscal year, the Company granted points to each Director as per the Share Grant Rule, and granted the Company's shares to three Directors who retired at the conclusion of the 113th Annual Shareholders' Meeting held on June 29, 2021.
6. To ensure independence and neutrality as Audit & Supervisory Board Member, Audit & Supervisory Board Members' remuneration shall consist of only a "fixed component." Remuneration amount to each Audit & Supervisory Board Member shall be determined following discussion by the Audit & Supervisory Board Members.

(5) 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.

(Note) 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) Outline of duties executed by Outside Directors and Outside Audit & Supervisory Board Members for roles they were expected to play

Position	Name	Outline of duties executed by Outside Directors and Outside Audit & Supervisory Board Members
Director	Toshikazu Takei	In addition to 15 of the 15 meetings of the Board of Directors (participation: 100%), he attended meetings of the Nomination Committee and Remuneration Committee. At the Board of Directors, he fulfilled his role to help enhance medium- to long-term corporate value by making periodical comments on global political, economic and financial developments, in addition to making remarks, when necessary, based on his rich experience and deep insight into finance and international businesses. Also demonstrated management oversight and supervisory functions to the fullest.
Director	Kiyotaka Hoshinaga	In addition to 15 of the 15 meetings of the Board of Directors (participation: 100%), he attended meetings of the Nomination Committee and Remuneration Committee. At the Board of Directors, he fulfilled his role to help enhance medium- to long-term corporate value by making remarks on operational development and management in light of the COVID-19 pandemic from a doctor's perspective, in addition to making remarks, when necessary, based on his rich experience and deep insight gained through the management of a hospital and a university. Also demonstrated management oversight and supervisory functions to the fullest.
Audit & Supervisory Board Member	Kuniko Tanabe	Attended 15 of the 15 meetings of the Board of Directors (participation: 100%) and 15 of the 15 meetings of the Audit & Supervisory Board (participation: 100%). Demonstrated management oversight and supervisory functions to the fullest by executing audit work based on her rich experience as a lawyer, and making remarks, when necessary, from the viewpoint of an expert in corporate legal affairs.
Audit & Supervisory Board Member	Kazuo Matsuda	Attended 15 of the 15 meetings of the Board of Directors (participation: 100%) and 15 of the 15 meetings of the Audit & Supervisory Board (participation: 100%). Demonstrated management oversight and supervisory functions to the fullest by leveraging insight gained through the finance and international businesses at banks and securities companies, and knowledge and experience of the management of a manufacturing company in the execution of audit work, and making remarks, when necessary, based on his knowledge of corporate management accounting and governance over business execution.

(6) 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. Before resolving the appointment, the Board deliberates on the proposed nomination in light of the reasons for it after receiving the Nomination Committee's comments about the nominated candidates for Director.

To ensure that candidates for Director are selected in an objective and transparent manner, the Company had an Advisory Board in place composed of external and in-house members as an advisory body to the Board of Directors. However, to keep its business management transparent, the Company set up the Nomination Committee and Remuneration Committee. Consequently, the Company replaced the Advisory Board with the Nomination Committee composed of three or more Directors (the majority of whom must be Outside Directors) appointed by resolution of the Board of Directors as an advisory body for selection of candidates for Director.

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	61 million yen
Total remuneration and benefits payable by the Group to Accounting Auditor	82 million yen

- (Notes) 1. Fees for audit attestation service include 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

None

(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 FY2022.

(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:

(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, having the Information Management Subcommittee in place as a subordinate unit, exists to reinforce the platform by determining company-wide policies on 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 the group companies as a whole 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 companies 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.

In addition, the Company requires the group companies to apply for/report on budgets, capital investment, risk control, compliance status, etc., and in FY2021, we worked to strengthen the system further by investigating the risk management system of overseas group companies and assisted them in revising it as required, etc.

Amid the COVID-19 pandemic, the Company established a COVID-19 Task Force in April 2020. The Task Force led the effort to keep taking infection prevention measures, such as avid use of a work-from-home program and remote conferencing, as well as promotion of workplace COVID-19 vaccinations, causing no material damage to operations to ensure the appropriateness of business operations.

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 promotes “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 new business creation, upskilling initiatives, strengthening of the management foundation, 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 10 yen per share, would be 25 yen per share.

For the next fiscal year, the Company plans an annual dividend of 25 yen per share (the interim dividend of 10 yen per share and year-end dividend of 15 yen per share). If Agenda Item No. 2 to be submitted to the 114th Annual Shareholders' Meeting to be held on June 29, 2022, is approved and resolved as originally proposed, the Shareholders' Meeting or the Board of Directors will serve as the body determining year-end dividends.

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.ir.daidometal.com/management/governance.html>)

(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, 2022)

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	85,928	Current liabilities	65,414
Cash and deposits	23,018	Notes and accounts payable - trade	8,555
Notes receivable - trade	1,107	Electronically recorded obligations - operating	11,130
Accounts receivable - trade	23,444	Short-term borrowings	27,055
Electronically recorded monetary claims - operating	2,732	Current portion of long-term borrowings	7,733
Merchandise and finished goods	14,606	Lease liabilities	668
Work in process	10,864	Income taxes payable	1,522
Raw materials and supplies	8,073	Contract liabilities	88
Other	2,206	Provision for bonuses	1,555
Allowance for doubtful accounts	(126)	Provision for bonuses for directors (and other officers)	39
		Provision for product compensation	74
		Electronically recorded obligations - non-operating	521
		Other	6,467
Non-current assets	80,227		
Property, plant and equipment	57,291	Non-current liabilities	32,045
Buildings and structures	16,693	Long-term borrowings	19,678
Machinery, equipment and vehicles	24,119	Lease liabilities	1,992
Land	9,875	Deferred tax liabilities	2,201
Leased assets	3,097	Provision for share awards	49
Construction in progress	2,577	Provision for share awards for directors (and other officers)	41
Other	926	Provision for loss on guarantees	143
		Retirement benefit liability	7,514
		Asset retirement obligations	17
		Other	406
Intangible assets	11,497	Total Liabilities	97,460
Goodwill	5,152	Net Assets	
Leased assets	19	Shareholders' equity	58,534
Other	6,325	Share capital	8,413
		Capital surplus	13,114
		Retained earnings	37,567
		Treasury shares	(560)
Investments and other assets	11,439	Accumulated other comprehensive income	1,805
Investment securities	5,450	Valuation difference on available-for-sale securities	981
Long-term loans receivable	212	Foreign currency translation adjustment	906
Retirement benefit asset	3,203	Remeasurements of defined benefit plans	(82)
Deferred tax assets	1,541	Non-controlling interests	8,355
Other	1,084	Total Net Assets	68,695
Allowance for doubtful accounts	(52)	Total Liabilities and Net Assets	166,155
Total Assets	166,155		

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

Consolidated Statement of Income

(From: April 1, 2021
To: March 31, 2022)

(Millions of yen)

Account	Amount	
Net sales		104,024
Cost of sales		77,266
Gross profit		26,758
Selling, general and administrative expenses		21,715
Operating profit		5,042
Non-operating income		
Interest and dividend income	155	
Foreign exchange gains	227	
Share of profit of entities accounted for using equity method	108	
Subsidy income	61	
Other	337	890
Non-operating expenses		
Interest expenses	620	
Loss on retirement of non-current assets	222	
Other	253	1,096
Ordinary profit		4,836
Extraordinary losses		
Impairment losses	456	456
Profit before income taxes		4,379
Income taxes - current	2,364	
Income taxes - deferred	(480)	1,884
Profit		2,494
Profit attributable to non-controlling interests		597
Profit attributable to owners of parent		1,897

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

Consolidated Statement of Changes in Equity

(From: April 1, 2021
To: March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,413	13,114	36,609	(780)	57,356
Cumulative effects of changes in accounting policies			10		10
Restated balance	8,413	13,114	36,619	(780)	57,367
Changes during period					
Dividends of surplus			(950)		(950)
Profit attributable to owners of parent			1,897		1,897
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				220	220
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	947	220	1,167
Balance at end of period	8,413	13,114	37,567	(560)	58,534

(Millions of 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 period	995	(1,170)	(793)	(968)	8,150	64,538
Cumulative effects of changes in accounting policies						10
Restated balance	995	(1,170)	(793)	(968)	8,150	64,548
Changes during period						
Dividends of surplus						(950)
Profit attributable to owners of parent						1,897
Purchase of treasury shares						(0)
Disposal of treasury shares						220
Net changes in items other than shareholders' equity	(13)	2,076	710	2,774	205	2,979
Total changes during period	(13)	2,076	710	2,774	205	4,146
Balance at end of period	981	906	(82)	1,805	8,355	68,695

(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.
Korea Dry Bearing Co., Ltd.
Chung Yuan Daido (Guangzhou) Co., Ltd.
DMS Korea Co., Ltd.

(2) Names of unconsolidated subsidiaries

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 (the amount proportionate to equity), and retained earnings (the amount proportionate to equity) and do not have a significant impact on the consolidated financial statements, and are not material as a whole.

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. have been excluded from the scope of the equity method because these companies are immaterial from the Group's point of view in terms of profit or loss (the amount proportionate to equity) and retained earnings (the amount proportionate to equity) and do not have a significant impact on the consolidated financial statements, and are not material as a whole.

(3) Special mention regarding the application of equity method

For companies consolidated under equity method with balance sheet dates different from the consolidated balance sheet date, financial statements as of their year-end are used.

3. Matters relating to the accounting period of consolidated subsidiaries

The balance sheet 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 consolidated balance sheet date.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Available-for-sale securities

- Available-for-sale securities other than shares and other securities without market price
Stated at fair value (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)
- Shares and other securities without market price
Stated at cost using moving average method

2) Basis and method of valuation of derivatives

Stated at fair 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 amount 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 attached to buildings) acquired on or after April 1, 1998 and facilities attached 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.
- Right-of-use assets
Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.
For overseas consolidated subsidiaries other than U.S. subsidiaries, financial statements are prepared in accordance with International Financial Reporting Standards, and International Financial Reporting Standard No. 16, "Leases" ("IFRS 16") is applied. Under IFRS 16, regarding the accounting treatment for lessees, in principle, all leases are recorded as assets and liabilities on the balance sheet.

(3) Recognition criteria of significant allowances and provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an estimated uncollectible amount is provided. The amount for general receivables is calculated based on the past loss experience, and the amount for specific receivables such as highly doubtful receivables is calculated by reviewing the probability of recovery in each individual case.

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 to directors (and other officers) 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 loss on guarantees

In order to prepare for the loss on guarantee balance remaining at the end of a period of trust-type employee stock purchase incentive plan (E-Ship[®]), an estimated amount of loss is provided.

6) Provision for share awards, Provision for share awards for directors (and other officers)

In order to prepare for the share awards for directors and executive officers, estimated share award amounts based on the estimated points to be granted to eligible directors and executive officers under the Share Grant Rule of the Company is provided.

- (4) Recognition criteria of revenue and expenses
- 1) Main performance obligation in the Company's principal business line
Manufacturing of bearing products is the principal business line of the Company. With respect to the sales of such products, the Company regards the delivery of products to customers as a performance obligation.
 - 2) The point in time when the Company typically satisfies its performance obligations (the point in time when the Company typically recognizes revenue)
Revenue is recognized, in principle, at the time of delivering products to customers as we consider that the control of goods is transferred to the customer and our performance obligation is satisfied at the time of delivering products. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in an agreement with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial component.
- (5) 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 executive officers, etc.), an amount estimated to have occurred at the end of the current fiscal year is provided based on the projected benefit obligation and plan assets at the end of the current fiscal year.
When calculating retirement benefit obligations, the benefit formula basis is used to allocate the estimated amount of retirement benefits to the period up to the end of the current fiscal year.
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 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 executive officers, etc., the amount that would need to be paid if all eligible officers retired at the end of the fiscal year is provided.
 - 2) Conversion of foreign currency denominated assets and liabilities into Japanese Yen
Foreign currency denominated monetary claims and obligations are converted into Japanese Yen at the spot exchange rates prevailing at the consolidated 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.

II. Notes on Changes in Accounting Policy

1. Adoption of Accounting Standard for Revenue Recognition, etc.

(1) Details of and the reason for change in accounting policies

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the current fiscal year, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers. The main changes resulting from the application are as follows.

1) Consideration paid to customers

The Group previously recorded revenue from fee-based payment transactions, etc., in which raw materials, etc. are purchased from customers and processed, and then such processed products are sold to those customers, at the gross amount of consideration including the purchase price of the raw materials, etc. Effective from the beginning of the current fiscal year, the Group records revenue at the net amount of consideration excluding the purchase price of raw materials, etc.

2) Export transactions of semi-finished goods

The Group previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to the trading company. Effective from the beginning of the current fiscal year, the Group records revenue upon arrival of the semi-finished products at customers.

In accordance with the transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the current fiscal year was added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.

(2) Monetary effects on main items in consolidated financial statements

As a result of this change, for the current fiscal year, net sales decreased by 223 million yen, cost of sales decreased by 224 million yen and operating profit, ordinary profit, and profit before income taxes increased by 0 million yen, compared with those calculated by the previous method. The balance of retained earnings at the beginning of the fiscal year increased by 10 million yen.

(3) Change in presentation method due to change in accounting policies

From the current fiscal year, "Notes and accounts receivable - trade" presented under "Current assets" and "Other" presented under "Current liabilities" are included in "Notes receivable - trade" and "Accounts receivable - trade" and in "Contract liabilities" and "Other," respectively.

2. Adoption of Accounting Standard for Fair Value Measurement, etc.

(1) Details of and the reason for change in accounting policies

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Accounting Standard for Fair Value Measurement”), etc. from the beginning of the current fiscal year. We decided to present notes on matters, etc., related to breakdown, etc., of financial instruments by fair value level in “VIII. Notes on Financial Instruments.”

(2) Reason, etc., for not implementing retroactive application

With respect to the adoption of the Accounting Standard for Fair Value Measurement, etc., the Group has applied the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement.

(3) Monetary effects on main items in consolidated financial statements

There is no impact on the consolidated financial statements for the current fiscal year.

III. Notes on Changes in the Presentation Method

Consolidated statement of income

Loss on retirement of non-current assets (52 million yen for the previous fiscal year), which was included in “Other” under “Non-operating expenses” in the previous fiscal year, is stated separately in the current fiscal year, since its quantitative materiality increased.

IV. Notes on Accounting Estimates

Valuation of intangible assets including goodwill

(1) Amount recorded in consolidated financial statements

Goodwill of 5,152 million yen (1,531 million yen for Iino Holding Ltd. and its subsidiaries (hereinafter referred to as the “Iino Group”) and 3,621 million yen for ATA Casting Technology Japan Co., Ltd. (hereinafter referred to as the “ATA Group”), and customer-related assets of 3,143 million yen (2,462 million yen for the Iino Group and 681 million yen for the ATA Group)

(2) Additional information that contributes to consolidated financial statement users’ better understanding of accounting estimates

To strengthen product offerings to existing customers of the Group, and diversify and expand products and businesses for the Group over the medium to long term, the Group acquired the Iino Group and the ATA Group in the fiscal year ended March 2017, categorizing both groups as “Other automotive parts,” and recording intangible assets including goodwill in the consolidated balance sheets.

The Group applies impairment accounting to these non-current assets after redefining each company group as an asset group and performing such accounting to the largest asset group to which goodwill and customer-related assets have been added to the non-current assets, etc. related to each company group.

The impairment test for the assets attributable to each of these asset groups identifies a sign of impairment including goodwill because the amount allocated to goodwill and intangible assets excluding goodwill is relatively large. The carrying amount of non-current assets including goodwill is 7,152 million yen for the Iino Group and 8,624 million yen for the ATA Group. The impairment test shows that the total amount of future cash flow before discount exceeds the amount of carrying amount of non-current assets including goodwill, and therefore, there is no impairment loss to be recognized for both groups.

The cash flow before discount is calculated based on the figures presented in the medium-term business plans of each of the company groups. Among these figures, net sales are obtained by adding up based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. As for expenses, cost reduction effects through cutting labor expenses, promoting in-house manufacturing, and improving the efficiency of logistics are partially reflected in the plans.

When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts, including those amid the COVID-19 pandemic, or the cost reduction status, an impairment loss may be recognized for the following fiscal year.

V. Additional Information

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

In order to incentivize employees to achieve the Midterm Business 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. 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 provide guarantees for ESPP Trust’s borrowings to purchase 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, shall be reimbursed by the Company.

(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 carrying amount (excluding incidental expenses) as treasury shares under net assets. As of the end of the fiscal year ended March 31, 2022, the carrying amount of the treasury shares was 248 million yen and number of shares was 330,000 shares.

(iii) Carrying amount of borrowings posted through the application of the total amount method

As of the end of the fiscal year ended March 31, 2022: 349 million yen

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

The Company introduced new performance-linked stock-based remuneration scheme (“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

Under the Scheme, 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 as performance-linked stock-based remuneration based on the number of points awarded in accordance with their individual rank and target achievement etc., as set forth in the 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 carrying amount (excluding incidental expenses) as treasury shares under net assets.

As of the end of the fiscal year ended March 31, 2022, the carrying amount of the treasury shares was 311 million yen and the number of shares was 411,000 shares.

VI. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	111,652	million yen
2. Assets pledged as collateral, and liabilities secured by collateral		
Assets pledged as collateral		
Inventories	252	million yen
Buildings and structures	499	
Machinery, equipment and vehicles	1,217	
Land	1,912	
Other	0	
Total	<u>3,882</u>	
Liabilities secured by collateral		
Short-term borrowings	2,328	million yen
Long-term borrowings (including amounts scheduled to be repaid within one year)	1,079	
Total	<u>3,407</u>	
3. Guarantee obligations		
Employee housing loans, etc.	106	million yen

VII. Notes to Consolidated Statement of Changes in Equity

1. Total number of shares issued as of the end of the current fiscal year		
Common shares	47,520	thousand shares

2. Matters relating to dividend

(1) Total dividends paid

Resolution	Type of share	Dividends paid (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Annual Shareholders' Meeting held on June 29, 2021	Common share	475	10.00	March 31, 2021	June 30, 2021
Board of Directors' meeting held on November 12, 2021	Common share	475	10.00	September 30, 2021	December 7, 2021

- (Notes) 1. The dividends paid as per the resolution of the Annual Shareholders' Meeting held on June 29, 2021 includes 10 million yen as dividends for the Company shares held as trust property for E-Ship[®], trust-type employee stock purchase incentive plan and trust property for a performance-linked stock-based remuneration scheme.
2. The dividends paid as per the resolution of the Board of Directors' meeting held on November 12, 2021 includes 8 million yen as dividends for the Company shares held as trust property for E-Ship[®], trust-type employee stock purchase incentive plan and trust property for a performance-linked stock-based remuneration scheme.

(2) Dividends with base date in the current fiscal year, which come into effect in the following fiscal year

It is scheduled to be resolved as follows:

Resolution	Type of share	Dividends paid (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Annual Shareholders' Meeting to be held on June 29, 2022	Common share	712	15.00	March 31, 2022	June 30, 2022

- (Note) The dividends paid includes 11 million yen as dividends for the Company shares held as trust property for E-Ship[®], trust-type employee stock purchase incentive plan and trust property for a performance-linked stock-based remuneration scheme. Dividends will be paid out of retained earnings.

VIII. 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 receivable - trade, accounts receivable - trade, and electronically recorded monetary claims - operating are mitigated according to credit management policy. Investment securities consist mainly of shares, and the fair values of listed shares are reviewed each quarter.

Borrowings are used for working capital (mainly short-term) and capital investment (long-term). For derivative transactions, we do forward exchange transaction to hedge the risk of foreign exchange fluctuations for portions of foreign currency denominated monetary claims and obligations. Derivative transactions are made within the scope of actual demand in accordance with internal management regulations.

2. Matters relating to fair values of financial instruments

Consolidated balance sheet amounts, fair values and differences as of March 31, 2022 are as follows. We omitted presentation of cash and deposits, notes receivable - trade, accounts receivable - trade, electronically recorded monetary claims - operating, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, income taxes payable, and electronically recorded obligations - non-operating because they are in cash and their fair values are nearly equal to their carrying amounts due to being settled in a short period of time.

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Investment securities Available-for-sale securities	3,052	3,052	–
(2) Long-term borrowings (including amounts scheduled to be repaid within one year)	[27,411]	[27,343]	(67)
(3) Lease liabilities	[2,661]	[2,733]	71
(4) Derivatives (*2) Those not qualifying for hedge accounting	[5]	[5]	–

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

(*2) Net claims and net obligations caused by derivatives are presented, and any item representing net obligation on a combined basis is shown in parenthesis.

(*3) Shares and other securities without market price are not included in “(1) Investment securities.”

Shown below is the value of the financial instrument as recorded in the consolidated balance sheet.

Category	Current fiscal year (Millions of yen)
Unlisted stock	2,397

3. Matters regarding the breakdown, etc., of financial instruments by fair value level

Financial instrument fair values are classified into the following three levels in accordance with the observability and importance of an input for fair value measurement.

Level 1 fair value: A fair value measured in accordance with market price related to an asset or liability targeted for fair value measurement formed on an active market, among observable inputs for measurement of fair values

Level 2 fair value: A fair value measured by using an input for measurement of fair values other than the Level 1 input, among observable inputs for measurement of fair values

Level 3 fair value: A fair value measured by using unobservable inputs for measurement of fair values

In cases where multiple inputs that materially affect fair value measurement are used, the fair value is classified into the lowest order of priority level for fair value measurement, among levels to which each input belongs.

(1) Financial instruments recorded at their fair value on the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	3,052	–	–	3,052
Total assets	3,052	–	–	3,052
Derivatives Currency-related	–	5	–	5
Total liabilities	–	5	–	5

(2) Financial instruments other than those recorded at their fair value on the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	27,343	–	27,343
Lease liabilities	–	2,733	–	2,733
Total liabilities	–	30,076	–	30,076

(Note) Description of valuation methods used for fair value measurement and of inputs for fair value measurement

Investment securities

Listed stocks are valued at market price. Since they are traded on active markets, their fair value is classified into Level 1 fair value.

Derivatives

Fair value of forward exchange contract is measured with the discounted present value method by using observable inputs such as the foreign exchange rate, and is classified into Level 2 fair value.

Long-term borrowings and lease liabilities

The fair value of long-term borrowings and lease liabilities is measured with the discounted present value method in accordance with a total amount of principal and interest, and an interest rate reflecting the remaining time to maturity of the obligations and credit risk involved, and is classified into Level 2 fair value.

IX. Notes on Rental Properties

1. Matters relating to rental properties

The Group owns rental properties in Tokyo and in other areas.

2. Matters relating to the fair value of rental properties

(Millions of yen)

Consolidated balance sheet amount	Fair value
1,287	2,866

- (Notes) 1. The consolidated balance sheet amount represents the acquisition cost less accumulated depreciation and impairment.
2. The fair value at the end of the fiscal year represents appraised value principally based on the “real-estate appraisal standards.”

X. Notes on Revenue Recognition

1. Breakdown of revenue generated from contracts with customers

(Millions of yen)

	Reporting Segment					Sub total	Others (Note)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non-automotive bearings	Other automotive parts				
Japan	24,757	10,245	6,778	3,313	45,095	1,146	46,242	
North America	4,913	1,926	729	2,113	9,683	66	9,749	
Asia	18,704	5,224	1,324	7,684	32,937	165	33,103	
Europe	6,824	2,077	2,091	2	10,995	67	11,062	
Other	2,394	781	110	574	3,861	5	3,866	
Revenue generated from contracts with customers	57,595	20,255	11,033	13,688	102,572	1,451	104,024	

- (Notes) 1. Revenue generated from contracts with customers was classified by country and territory using customer location as the basis.
2. “Others” includes business areas not included in above reporting segments. It includes electrode sheets business for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.

2. Information forming the basis for understanding revenue

For details of information forming the basis for understanding revenue, please refer to “Notes to Consolidated Financial Statements I. Notes on Significant Matters that Form the Basis of Presenting the Consolidated Financial Statements, etc. 4. Matters relating to accounting policies (4) Recognition criteria of revenue and expenses.”

XI. Notes on Per Share Information

- | | |
|-----------------------------|--------------|
| 1. Net assets per share | 1,289.96 yen |
| 2. Basic earnings per share | 40.70 yen |

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	37,590	Current liabilities	34,800
Cash and deposits	2,922	Accounts payable - trade	6,506
Notes receivable - trade	163	Electronically recorded obligations - operating	12,222
Accounts receivable - trade	17,695	Short-term borrowings	5,825
Electronically recorded monetary claims - operating	2,518	Current portion of long-term borrowings	5,232
Merchandise and finished goods	2,837	Lease liabilities	388
Work in process	4,106	Accounts payable - other	1,160
Raw materials and supplies	2,652	Accrued expenses	932
Prepaid expenses	158	Income taxes payable	472
Short-term loans receivable from subsidiaries and associates	2,393	Contract liabilities	458
Accounts receivable - other	2,051	Deposits received	61
Other	90	Unearned revenue	49
Allowance for doubtful accounts	(0)	Provision for bonuses	956
		Provision for bonuses for directors (and other officers)	39
		Electronically recorded obligations - non-operating	491
		Other	2
Non-current assets	71,617	Non-current liabilities	22,925
Property, plant and equipment	20,353	Long-term borrowings	15,057
Buildings	7,933	Lease liabilities	1,402
Structures	574	Deferred tax liabilities	479
Machinery and equipment	4,018	Provision for retirement benefits	4,659
Vehicles	3	Provision for share awards	49
Tools, furniture and fixtures	337	Provision for share awards for directors (and other officers)	41
Land	5,079	Provision for loss on guarantees	480
Leased assets	2,257	Provision for loss on business of subsidiaries and associates	438
Construction in progress	148	Asset retirement obligations	1
Intangible assets	2,907	Long-term accounts payable - other	297
Software	2,588	Other	17
Leased assets	2		
Right to use facilities	12	Total Liabilities	57,726
Other	303		
Investments and other assets	48,357	Net Assets	
Investment securities	2,129	Shareholders' equity	50,693
Shares of subsidiaries and associates	29,933	Share capital	8,413
Investments in capital of subsidiaries and associates	10,257	Capital surplus	12,238
Long-term loans receivable from subsidiaries and associates	4,018	Legal capital surplus	8,789
Long-term loans receivable from employees	20	Other capital surplus	3,449
Distressed receivables	2	Retained earnings	30,601
Long-term prepaid expenses	58	Legal retained earnings	743
Prepaid pension costs	2,994	Other retained earnings	
Other	477	Reserve for tax purpose reduction entry of non-current assets	4,259
Allowance for doubtful accounts	(1,535)	General reserve	21,000
		Retained earnings brought forward	4,598
		Treasury shares	(560)
		Valuation and translation adjustments	789
		Valuation difference on available-for-sale securities	789
Total Assets	109,208	Total Net Assets	51,482
		Total Liabilities and Net Assets	109,208

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

Non-consolidated Statement of Income

(From: April 1, 2021
To: March 31, 2022)

(Millions of yen)

Account	Amount	
Net sales		65,868
Cost of sales		52,207
Gross profit		13,660
Selling, general and administrative expenses		12,160
Operating profit		1,499
Non-operating income		
Interest and dividend income	1,419	
Foreign exchange gains	40	
Other	129	1,589
Non-operating expenses		
Interest expenses	133	
Loss on retirement of non-current assets	179	
Other	212	525
Ordinary profit		2,564
Extraordinary losses		
Loss on valuation of investments in capital of subsidiaries and associates	244	
Loss on valuation of shares of subsidiaries and associates	1,720	
Provision for loss on guarantees	336	2,302
Profit before income taxes		261
Income taxes - current	657	
Income taxes - deferred	(198)	459
Loss		(197)

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

Non-consolidated Statement of
Changes in Equity
(From: April 1, 2021)
(To: March 31, 2022)

(Millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		Retained earnings
		Legal capital surplus	Other capital surplus	Legal retained earnings
Balance at beginning of period	8,413	8,789	3,449	743
Cumulative effects of changes in accounting policies				
Restated balance	8,413	8,789	3,449	743
Changes during period				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Dividends of surplus				
Loss				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	-	-	-	-
Balance at end of period	8,413	8,789	3,449	743

(Millions of yen)

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Other retained earnings		Retained earnings brought forward		
	Reserve for tax purpose reduction entry of non-current assets	General reserve			
Balance at beginning of period	4,359	21,000	5,597	(780)	51,572
Cumulative effects of changes in accounting policies			48		48
Restated balance	4,359	21,000	5,646	(780)	51,621
Changes during period					
Reversal of reserve for tax purpose reduction entry of non-current assets	(100)		100		-
Dividends of surplus			(950)		(950)
Loss			(197)		(197)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				220	220
Net changes in items other than shareholders' equity					-
Total changes during period	(100)	-	(1,048)	220	(928)
Balance at end of period	4,259	21,000	4,598	(560)	50,693

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	800	800	52,372
Cumulative effects of changes in accounting policies			48
Restated balance	800	800	52,421
Changes during period			
Reversal of reserve for tax purpose reduction entry of non-current assets		-	-
Dividends of surplus		-	(950)
Loss		-	(197)
Purchase of treasury shares		-	(0)
Disposal of treasury shares		-	220
Net changes in items other than shareholders' equity	(11)	(11)	(11)
Total changes during period	(11)	(11)	(939)
Balance at end of period	789	789	51,482

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

Notes to Non-consolidated 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) Available-for-sale securities

- Available-for-sale securities other than shares and other securities without market price
Stated at fair value (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)
- Shares and other securities without market price
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 amount 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 of major assets are as follows:

Buildings 3-50 years

Structures 7-60 years

Machinery and equipment 4-9 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. Recognition criteria of allowances and provisions

(1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an estimated uncollectible amount is provided. The amount for general receivables is calculated based on the past loss experience, and the amount for specific receivables such as highly doubtful receivables is calculated by reviewing the probability of recovery in each individual case.

(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 to directors (and other officers) is provided.

(4) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding executive officers, etc.), an amount estimated to have occurred at the end of the current fiscal year is provided based on the projected benefit obligation and plan assets at the end of the current fiscal year.

When calculating retirement benefit obligations, the benefit formula basis is used to allocate the estimated amount of retirement benefits to the period up to the end of the current fiscal year.

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 (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 (14 years) at the time of 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 executive officers, etc., the amount that would need to be paid if all eligible officers retired at the end of the fiscal year is provided.

- (5) 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 remaining at the end of a period of trust-type employee stock purchase incentive plan (E-Ship[®]), an estimated amount of loss is provided.
- (6) Provision for share awards, Provision for share awards for directors (and other officers)
In order to prepare for the share awards for directors and executive officers, estimated share award amounts based on the estimated points to be granted to eligible directors and executive officers under the Share Grant Rule of the Company is provided.
- (7) Provision for loss on business of subsidiaries and associates
In order to prepare for loss on business of subsidiaries and associates, an estimated loss amount is provided by taking their financial position, etc., into account.

4. Recognition criteria of revenue and expenses

- (1) Main performance obligation in the Company's principal business line
Manufacturing of bearing products is the principal business line of the Company. With respect to the sales of such products, the Company regards the delivery of products to customers as a performance obligation.
- (2) The point in time when the Company typically satisfies its performance obligations (the point in time when the Company typically recognizes revenue)
Revenue is recognized, in principle, at the time of delivering products to customers as we consider that the control of goods is transferred to the customer and our performance obligation is satisfied at the time of delivering products. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in an agreement with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial component.

5. Other significant matters for the presentation of non-consolidated financial statements

- (1) Conversion of foreign currency denominated assets and liabilities into Japanese Yen
Foreign currency denominated monetary claims and obligations are converted into Japanese Yen at the spot exchange rates prevailing at the fiscal year-end 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.

II. Notes on Changes in Accounting Policy

1. Adoption of Accounting Standard for Revenue Recognition, etc.

- (1) Details of and the reason for change in accounting policies
The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the current fiscal year, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers. The main changes resulting from the application are as follows.
 - 1) Consideration paid to customers
The Company previously recorded revenue from fee-based payment transactions, etc., in which raw materials, etc. are purchased from customers and processed, and then such processed products are sold to those customers, at the gross amount of consideration including the purchase price of the raw materials, etc. Effective from the beginning of the current fiscal year, the Company records revenue at the net amount of consideration excluding the purchase price of raw materials, etc.
 - 2) Export transactions of semi-finished goods
The Company previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to the trading company. Effective from the beginning of the current fiscal year, the Company records revenue upon arrival of the semi-finished products at customers.
In accordance with the transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the current fiscal year was added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.
- (2) Monetary effects on main items in non-consolidated financial statements
As a result of this change, for the current fiscal year, net sales decreased by 1,652 million yen, cost of sales decreased by 1,822 million yen and operating profit, ordinary profit, and profit before income taxes increased by 169 million yen, compared with those calculated by the previous method. The balance of retained earnings at the beginning of the fiscal year increased by 48 million yen.
- (3) Change in presentation method due to change in accounting policies
From the current fiscal year, "Advances received" presented under "Current liabilities" are included in "Contract liabilities."

2. Adoption of Accounting Standard for Fair Value Measurement, etc.

- (1) Details of and the reason for change in accounting policies
The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the current

fiscal year.

- (2) Reason, etc., for not implementing retroactive application

With respect to the adoption of the Accounting Standard for Fair Value Measurement, etc., the Company has applied the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement.

- (3) Monetary effects on main items in non-consolidated financial statements

There is no impact on the non-consolidated financial statements for the current fiscal year.

III. Notes on Changes in the Presentation Method

Non-consolidated statement of income

Loss on retirement of non-current assets (44 million yen for the previous fiscal year), which was included in “Other” under “Non-operating expenses” in the previous fiscal year, is stated separately in the current fiscal year, since its quantitative materiality increased.

IV. Notes on Accounting Estimates

Valuation of shares of subsidiaries and associates

- (1) Amount recorded in non-consolidated financial statements

Shares of subsidiaries and associates of 29,933 million yen (10,751 million yen for ATA Casting Technology Japan Co., Ltd. and 10,230 million yen for Iino Holding Ltd.)

- (2) Additional information that contributes to non-consolidated financial statement users’ better understanding of accounting estimates

In evaluating the shares of subsidiaries and associates of above-mentioned two companies, the Company compared the actual value calculated based on a present discounted value of future cash flow after discount with an acquisition value to identify a significant decrease in the actual value. Our evaluation found that the actual values did not decrease significantly compared to the acquisition values, and therefore, neither of the companies’ shares were subject to impairment treatment.

Future cash flow is calculated based on the figures presented in the medium-term business plans of each of the company groups. Among these figures, net sales are obtained by adding up based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. As for expenses, cost reduction effects through cutting labor expenses, promoting in-house manufacturing, and improving the efficiency of logistics are partially reflected in the plans.

As for a discount rate, the Company uses a rate that reasonably reflects the required rate of return of the stock market and the level of interest rates of the country to which the subsidiary or associate belongs.

When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts, including those amid the COVID-19 pandemic, or the cost reduction status, an impairment loss from investment may be recognized for the following fiscal year.

V. Additional Information

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

In order to incentivize employees to achieve the Midterm Business 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.

For more details, please refer to “Notes to Consolidated Financial Statements V. Additional Information.”

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

The Company introduced new performance-linked stock-based remuneration scheme for Directors (excluding Outside Directors) and Executive Officers (excluding a Director concurrently serving as an Executive Officer) 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 V. Additional Information.”

VI. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	48,551 million yen
2. Monetary claims and monetary obligations to/from subsidiaries and associates	
Short-term monetary claims	8,083 million yen
Long-term monetary claims	104
Short-term monetary obligations	6,098
3. Guarantee obligations	
(1) For employee housing loans, etc.	106 million yen
(2) For bank borrowings	
DAIDO METAL CZECH s.r.o.	944
DAIDO METAL KOTOR AD	546
Daido Metal U.S.A. Inc.	4,344
Daido Metal Mexico, S.A. de C.V.	1,232
Daido Metal Europe GmbH	1,190
DM Casting Technology (Thailand) Co., Ltd.	3,280
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	147
Daido Industrial Bearings Europe Limited	21
(4) For export duties	
Daido Metal Europe GmbH	9
Total	<u>11,824</u>

VII. Notes to Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates	
Operating transactions	
Amount of sales	18,885 million yen
Amount of purchases	16,215
Other operating transactions	1,571
Transactions other than operating transactions	1,415

VIII. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares at the end of the current fiscal year

Common shares 743 thousand shares

(Note) The number of common shares includes 742 thousand shares of the Company held as trust property for E-Ship®, the trust-type employee stock purchase incentive plan and trust property for a performance-linked stock-based remuneration scheme.

IX. 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.

X. 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	321	million yen
Depreciation in excess of tax allowable limit	38	
Impairment losses	162	
Accrued business tax	60	
Loss on valuation of shares of subsidiaries and associates	3,366	
Loss on valuation of golf club membership	16	
Excess allowance for doubtful accounts	464	
Provision for bonuses	292	
Provision for loss on guarantees	147	
Provision for loss on business of subsidiaries and associates	134	
Provision for retirement benefits	954	
Long-term accounts payable - other	54	
Other	169	
Sub-total of deferred tax assets	6,183	
Valuation reserves for temporary difference, etc.	(4,415)	
Total deferred tax assets	1,768	
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(1,878)	
Valuation difference on available-for-sale securities	(325)	
Other	(43)	
Total deferred tax liabilities	(2,247)	
Net deferred tax liability	(479)	

XI. 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 (Millions of yen) Note 9	Account	Balance at end of period (Millions of yen) Note 9
Subsidiaries	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, etc. and key management personnel service (one officer)	Purchase of bearing products, etc. Note 1	9,102	Accounts payable - trade Electronically recorded obligations - operating	877 2,093
	NDC Co., Ltd.	(Holding) Direct 58.8	Manufacturing of the Company's products, sale of the Company's products and bimetal, purchase of products and bimetal, lease of facilities, licensing of technology, etc.	Purchase of bearing products, etc. Note 1	4,067	Accounts payable - trade	1,908
	DAIDO METAL SALES CO., LTD.	(Holding) Direct 100.0	Sale of the Company's products lease of facilities, loans, etc. and key management personnel service (one officer)	Sale of bearing products, etc. Note 2	2,459	Accounts receivable - trade	1,314
	DM Casting Technology (Thailand) Co., Ltd.	(Holding) Direct 99.9	Debt guarantees and key management personnel service (one officer)	Debt guarantees Note 3	3,617	-	-
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sale of the Company's products and bimetal, purchase of products, licensing of technology, debt guarantees, etc. and key management personnel service (one officer)	Sale of bearing products, etc. Note 2 Debt guarantees Note 4	3,967 4,344	Accounts receivable - trade -	1,457 -
	Daido Metal Mexico, S.A. de C.V.	(Holding) Direct 99.9 (Holding) Indirect 0.0	Sale of the Company's products, debt guarantees, etc.	Debt guarantees Note 5	1,232	-	-
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, loans, debt guarantees, etc.	Loans Notes 6, 7	451	Long-term loans receivable from subsidiaries and associates	3,539
	Daido Metal Europe GmbH	(Holding) Direct 100.0	Sale of the Company's products, loans, debt guarantees, etc., key management personnel service (one officer)	Sale of bearing products, etc. Note 2 Debt guarantees Note 8	3,413 1,199	Accounts receivable - trade -	1,133 -

Transaction terms, policies for determining transaction terms, etc.

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

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

(Note 3) Debt guarantees are provided for the bank borrowings (3,617 million yen) of DM Casting Technology (Thailand) Co., Ltd. and guarantee commission of 0.2% per annum are received. As a result of the Company recording 336 million yen in provision for loss on guarantees for the current fiscal year, fiscal year-end balance of provision for loss on guarantees was 336 million yen.

(Note 4) Debt guarantees are provided for the bank borrowings (4,344 million yen) of Daido Metal U.S.A. Inc. and guarantee commission of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (1,232 million yen) of Daido Metal Mexico, S.A. de C.V. and guarantee commission of 0.2% per annum are received.

(Note 6) Loan interest rates are determined reasonably, taking into account the market interest rates.

(Note 7) Allowance for doubtful accounts provided for long-term loans receivable to Daido Industrial Bearings Europe Limited (3,539 million yen) is 1,307 million yen as of the end of the fiscal year.

(Note 8) Debt guarantees are provided for the bank borrowings (1,190 million yen) and export duties (9 million yen) of Daido Metal Europe GmbH and guarantee commission of 0.2% per annum are received.

(Note 9) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

XII. Notes on Revenue Recognition

Information forming the basis for understanding revenue

For details of information forming the basis for understanding revenue, please refer to “Notes to Non-consolidated Financial Statements I. Notes on Matters Relating to Significant Accounting Policies 4. Recognition criteria of revenue and expenses.”

XII. Notes on Per Share Information

1. Net assets per share	1,100.59 yen
2. Loss per share	(4.24) yen

Independent Auditor's Report

May 20, 2022

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	<u>Masaki Okuda</u>
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Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	<u>Yasuhiko Goto</u>
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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, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, 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, 2022, 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.

Other statements

Other statements are a business report and accompanying supplemental schedules. Management is responsible for preparation and presentation of other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for observance of execution of duties by Directors for the design and operation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not cover other statements, and we do not express an opinion on them.

In auditing the consolidated financial statements, we are responsible for reading other statements completely, examining in the process whether there is any material discrepancy between the other statements and the consolidated financial statements and/or knowledge we obtain in the audit process, and for paying attention to see whether there is any sign of material error in the other statements other than such material discrepancy.

If we conclude there to be material errors in the other statements based on the work we have performed, we are required to report the fact.

There is no information we are required to report on the other statements.

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.

Independent Auditor's Report

May 20, 2022

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

Designated Unlimited Liability Partner
Engagement Partner

Certified Public
Accountant

Yasuhiko Goto

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, 2022, and the non-consolidated statement of income and non-consolidated statement of changes in equity for the 114th fiscal year from April 1, 2021 to March 31, 2022, and notes to non-consolidated 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, 2022, 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.

Other statements

Other statements are a business report and the accompanying supplemental schedules. Management is responsible for preparation and presentation of other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for observance of execution of duties by Directors for the design and operation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements, etc. does not cover other statements, and we do not express an opinion on them.

In auditing the non-consolidated financial statements, etc., we are responsible for reading other statements completely, examining in the process whether there is any material discrepancy between the other statements and the non-consolidated financial statements and/or knowledge we obtain in the audit process, and for paying attention to see whether there is any sign of material error in the other statements other than such material discrepancy.

If we conclude there to be material errors in the other statements based on the work we have performed, we are required to report the fact.

There is no information we are required to report on the other statements.

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 non-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 non-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 114th fiscal year from April 1, 2021 to March 31, 2022, 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 and the Audit Department as well as other employees. They have done so using telephone lines and internet connections as necessary, and have 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 Regulations 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 Regulations 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 Regulations 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. The Audit & Supervisory Board members consulted the Accounting Auditors on key audit matters for discussion, received reports on the execution of audits and, when necessary, requested explanations regarding such reports.

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 statement of changes in 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 statement of changes in 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.
For an issue of accounts receivable - trade that were past due at DAIDO METAL EUROPE LIMITED, a consolidated subsidiary in the U.K., as revealed in 2019, we have verified that it enhanced and revised its operational processes, management structure, organization, and staffing in accordance with a recurrence prevention recommendation from an internal investigation committee and recovered most of the accounts receivable - trade in the current fiscal year.
The Audit & Supervisory Board will keep working to prevent a recurrence by continuing to share information with relevant units.
- 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 Regulations 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 26, 2022

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 10 yen per share, would be 25 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: 712,783,635 yen

(3) Date when dividends from surplus become effective

June 30, 2022

Agenda Item No. 2 Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

- (1) The Company intends to add a business purpose to Article 2 (Purpose) of the current Articles of Incorporation to prepare for future business development.
- (2) Since the revised provisions set forth in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into force on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for an introduction of the system for electronically providing informational materials, etc., for the Shareholders' Meeting:
 - (i) Article 15, paragraph (1) of the proposed amendments will stipulate that the Company shall take measures to electronically provide information contained in reference documents for the Shareholders' Meeting, etc.;
 - (ii) Article 15, paragraph (2) of the proposed amendments will establish a provision to limit the scope of items to be stated in paper-based documents to be delivered to shareholders who ask for them;
 - (iii) Since the provisions for internet-based disclosure and deemed provision of reference documents for Shareholders' Meeting (Article 16 of the current Articles of Incorporation) will become unnecessary, they will be deleted;
 - (iv) Due to the abovementioned establishment and deletion of provisions, supplementary provisions on effective dates, etc., will be established.
- (3) To make our capital and dividend policies flexible, the Company intends to establish Article 43 (Decision-Making Bodies for Dividends of Surplus, Etc.) and Article 44 (Record Date for Dividend of Surplus) as shown in the proposed amendments so that dividend of surplus, etc., can be paid by resolution of not only the Shareholders' Meeting but also of the Board of Directors in accordance with the provision of Article 459, paragraph (1) of the Companies Act. In addition, the Company will delete the provisions of Article 7 of the current Articles of Incorporation (Purchase of Company's Own Shares) and Article 44 (Record Date for Dividend of Surplus), and Article 45 (Interim Dividend) that will be redundant.
- (4) Due to the abovementioned amendments, the number of articles will be revised as required.

2. Details of the Amendments

Details of the amendments are as follows.

(The underlined parts indicate the amendments.)

Current Articles of Incorporation	Proposed amendments
(Purpose) Article 2 The Company aims to engage in the following undertakings: 1. - 18. (Omitted) (Newly established) <u>19.</u> Any and all business incidental to each business listed in the preceding items.	(Purpose) Article 2 The Company aims to engage in the following undertakings: 1. - 18. (Unchanged) <u>19.</u> Telecommunication business <u>20.</u> (Unchanged)
<u>(Purchase of Company's Own Shares)</u> <u>Article 7 The Company may, by a resolution of the Board of Directors, purchase its own shares through market transactions or other permitted methods in accordance with the provision of Article 165, paragraph (2) of the Companies Act.</u>	(Deleted)
Articles <u>8 - 15</u> (Omitted)	Articles <u>7 - 14</u> (Unchanged)
<u>(Internet-based Disclosure and Deemed Provision of Reference Documents for Shareholders' Meeting)</u> <u>Article 16 The Company, in convening a Shareholders' Meeting, may be deemed to have provided its shareholders with information on the matters that should be stated or displayed in the reference documents of the Shareholders' Meeting including business reports, financial statements, and consolidated financial statements by disclosing the said information through the Internet pursuant to the provisions stipulated in the applicable Ordinance of the Ministry of Justice.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p><u>(Measures, etc. for Providing Information in Electronic Format)</u> <u>Article 15</u></p> <p>(1) <u>When the Company convenes a Shareholders' Meeting, it shall take measures for providing information that constitutes the content of reference documents for the Shareholders' Meeting, etc. in electronic format.</u></p> <p>(2) <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>
Articles <u>17 - 43</u> (Omitted)	Articles <u>16 - 42</u> (Unchanged)
<p><u>(Record Date for Dividend of Surplus)</u> <u>Article 44</u></p> <p>(1) <u>The record date for the year-end dividend of the Company shall be March 31 of each year.</u></p> <p>(2) <u>In addition to the record date provided for in the preceding paragraph, the Company may prescribe a record date and distribute the dividend of surplus.</u></p>	(Deleted)
<p><u>(Interim Dividend)</u> <u>Article 45</u> The Company, subject to a resolution of the Board of Directors, may distribute an interim dividend as of the record date of September 30 of each year.</p>	(Deleted)
(Newly established)	<p><u>(Decision-Making Bodies for Dividends of Surplus, Etc.)</u> <u>Article 43</u> <u>Unless otherwise provided for by laws and regulations, the Company may, by resolution of the Board of Directors, determine dividends of surplus and other matters set forth in the items of Article 459, paragraph (1) of the Companies Act.</u></p>
(Newly established)	<p><u>(Record Date for Dividend of Surplus)</u> <u>Article 44</u></p> <p>(1) <u>The record date for the year-end dividend of the Company shall be March 31 of each year.</u></p> <p>(2) <u>The record date for the interim dividend of the Company shall be September 30 of each year.</u></p> <p>(3) <u>In addition to the record date provided for in the preceding paragraphs, the Company may prescribe a record date and distribute the dividend of surplus.</u></p>
Article <u>46</u> (Omitted)	Article <u>45</u> (Unchanged)
(Newly established)	<p><u>(Supplementary Provisions)</u></p> <p>(1) <u>The deletion of Article 16 (Internet-based Disclosure and Deemed Provision of Reference Documents for Shareholders' Meeting) in the pre-amended Articles of Incorporation and the establishment of the new Article 15 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of</u></p>

Current Articles of Incorporation	Proposed amendments
	<p><u>the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>(2) Notwithstanding the provision of the preceding paragraph, Article 16 of the pre-amended Articles of Incorporation shall remain effective regarding any Shareholders’ Meeting held on a date within six months from the Date of Enforcement.</u></p> <p><u>(3) These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the Shareholders’ Meeting in the preceding paragraph, whichever is later.</u></p>

Agenda Item No. 3 Election of Eight Directors

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

The Company believes it is necessary to increase the number of Directors, including Outside Directors, in order to further strengthen its business management structure and enhance its business management supervision function.

In this regard, the Company proposes the election of eight Directors by adding two Directors to the current six 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 20 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) Attendance at Board of Directors meetings 15/15	<p>April 1965 Joined the Company</p> <p>June 1993 Director and Deputy General Manager of Business Division 3</p> <p>April 1994 Director and General Manager of Business Division 1</p> <p>June 1995 President</p> <p>June 2005 President & Chief Executive Officer</p> <p>June 2007 Chairman & Chief Executive Officer (current)</p> <p>May 2008 Executive & Vice Chairman of Japan Auto Parts Industries Association and Chubu Branch Manager of the same Association</p> <p>June 2010 Outside Director of Nichirei Co., Ltd.</p> <p>May 2018 Executive of Japan Auto Parts Industries Association (current)</p> <p>[Important concurrent positions at other entities] Executive of Japan Auto Parts Industries Association</p>	152,541 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)	Motoyuki Miyo (September 8, 1955) Attendance at Board of Directors meetings 15/15	<p>April 1979 Joined The Fuji Bank, Limited</p> <p>December 1988 Director of San Francisco Branch</p> <p>April 1995 Deputy General Manager of International Credit Department</p> <p>October 1998 Deputy General Manager of London Branch</p> <p>September 2000 Associate Director-General of International Department</p> <p>April 2002 Associate Director-General of Singapore Branch, Mizuho Corporate Bank, Ltd.</p> <p>September 2004 Associate Director-General of Asia Coordination Division (in Hong Kong), Mizuho Corporate Bank, Ltd.</p> <p>March 2007 Associate Director-General of International Coordination Division, Mizuho Corporate Bank, Ltd.</p> <p>September 2008 Joined the Company</p> <p>October 2008 Executive Vice President of Daido Metal Russia LLC</p> <p>July 2011 Executive Officer</p> <p>July 2015 Executive Vice President of Daido Metal Russia LLC</p> <p>July 2018 Senior Executive Officer</p> <p>July 2018 Executive Vice President of Daido Metal Russia LLC</p> <p>July 2018 Managing Executive Officer</p> <p>July 2018 Executive Vice President of Daido Metal Russia LLC</p> <p>April 2019 Managing Executive Officer and Head of Corporate/Financial Planning Division</p> <p>June 2019 Director and Managing Executive Officer, and Head of Corporate/Financial Planning Division</p> <p>April 2021 Director and Managing Executive Officer, and Head of Corporate Planning Division</p> <p>June 2021 President & Chief Operating Officer (current)</p>	11,803 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 overseas business expansion 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.			

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)	Yoshiaki Sato (December 19, 1956) [Re-election] Attendance at Board of Directors meetings 15/15	<p>April 1979 Joined the Company</p> <p>July 2005 Executive Officer and General Manager of Bimetal Division</p> <p>April 2009 Executive Officer and Head of Polymer Bearings Division</p> <p>April 2010 Executive Officer</p> <p> President of Daido Metal Czech s.r.o.</p> <p>April 2012 Executive Officer and Head of Technology Division</p> <p>July 2014 Senior Executive Officer and Head of Technology Division</p> <p>April 2017 Senior Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>July 2018 Managing Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>June 2019 Director and Managing Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>April 2021 Director and Managing Executive Officer, and Head of Technology Division</p> <p>July 2021 Director and Managing Executive Officer, and Head of Technology Division and General Manager of Inuyama Site</p> <p>April 2022 Director and Managing Executive Officer, and Head of Compliance Division, Head of EV Shift & Carbon Neutral Response Division, and General Manager of Inuyama Site (current)</p>	43,208 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 based on his abundant knowledge and experience regarding the Company's business, by promoting the Company's sustainable management, the Company nominated him as a candidate for Director.			
(4)	Shigemasa Hakakoshi (April 11, 1961) [Re-election] Attendance at Board of Directors meetings 12/12	<p>April 1986 Joined the Company</p> <p>April 2011 General Manager of Bimetal Division</p> <p>April 2015 Head of Polymer Bearings Division</p> <p>July 2016 Executive Officer and Head of Polymer Bearings Division</p> <p>April 2017 Executive Officer</p> <p> President of DAIDO METAL SAGA CO., LTD.</p> <p>April 2019 Executive Officer</p> <p> President of Dyna Metal Co., Ltd. (Thailand)</p> <p>July 2019 Senior Executive Officer</p> <p> President of Dyna Metal Co., Ltd. (Thailand)</p> <p>April 2021 Senior Executive Officer and Advisor to the Head of Human Resources Planning Division</p> <p>June 2021 Director and Managing Executive Officer, and Advisor to the Head of Human Resources Planning Division</p> <p>July 2021 Director and Managing Executive Officer, and Head of Human Resources Planning Division (current)</p>	16,024 shares
[Reason for nomination as candidate for Director] Mr. Shigemasa Hakakoshi has engaged in the fields of production and technologies at the Company over the years, and has experienced the development and promotion of a human resource strategy at domestic and overseas bases, in addition to having broad insight into bimetal manufacturing and processing technologies, among other things. In the belief that he will continue to contribute to building foundations for sustainable growth of the Group and improving the Group's corporate value over the medium- to long-term through his business judgment as a person familiar with the Company's core technologies, the Company nominated him as a candidate for Director.			
(5)	Arihiro Yoshida (March 11, 1964) [New election]	<p>April 1986 Joined the Company</p> <p>January 2006 General Manager of Europe Regional Headquarters, Corporate Planning Division (UK)</p> <p>July 2016 Executive Officer and General Manager of Design Department</p> <p>April 2017 Executive Officer and Head of Technology Division and General Manager of Design Department</p> <p>April 2019 Executive Officer and Head of Technology Division</p> <p>July 2019 Senior Executive Officer and Head of Technology Division</p> <p>April 2021 Senior Executive Officer and Deputy Head of Technology Division</p> <p>April 2022 Senior Executive Officer and Head of Technology Division (current)</p>	5,892 shares
[Reason for nomination as candidate for Director] Mr. Arihiro Yoshida has engaged in the fields of technologies at the Company over the years, and has experienced the overall management at overseas bases, in addition to having broad insight into product design, among other things. In the belief that he will contribute to the Group's sustainable growth and medium- to long-term improvement in corporate value through his business judgment based on his familiarity with the Company's technology and his experience of developing technologies meeting customer needs over many years, by expanding the Company's business areas, 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
(6)	Toshikazu Takei (September 22, 1953) <div style="text-align: center;"> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Re-election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div> </div> Attendance at Board of Directors meetings 15/15	<p>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)</p> <p>[Important concurrent positions at other entities] Chairman of The Central Council for Financial Services Information</p>	13,586 shares
<p>[Reason for nomination as candidate for Outside Director and its role expected] 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. The Company continues to expect Mr. Toshikazu Takei to oversee and supervise the management of the Company and provide advice for the management based on his extensive experience and broad insight mainly in international businesses. 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.</p>			
(7)	Kiyotaka Hoshinaga (November 15, 1950) <div style="text-align: center;"> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Re-election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div> </div> Attendance at Board of Directors meetings 15/15	<p>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)</p> <p>[Important concurrent positions at other entities] Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution</p>	9,026 shares
<p>[Reason for nomination as candidate for Outside Director and its role expected] 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 is currently at the position of chairman, board of directors. He 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. The Company continues to expect Mr. Kiyotaka Hoshinaga to oversee and supervise the management of the Company, and provide advice for the management based on his extensive knowledge and experience mainly in organizational management. Mr. Kiyotaka Hoshinaga engages in the management of an incorporated educational institution, and 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.</p>			

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
(8)	Miyuri Shirai (January 2, 1963) New election Outside Director Independent Officer	<p>April 1998 Assistant professor, Faculty of Business Administration, Yokohama National University</p> <p>April 1999 Associate professor, Faculty of Business Administration, Yokohama National University</p> <p>August 1999 Visiting scholar, The Fuqua School of Business, Duke University</p> <p>May 2003 Visiting scholar, Keio Business School</p> <p>June 2005 Outside director, Nichirei Corporation</p> <p>April 2009 Professor, Faculty of Business Administration, Yokohama National University</p> <p>April 2011 Professor, International Graduate School of Social Sciences, Yokohama National University</p> <p>April 2015 Professor, Faculty of Business and Commerce, Keio University (current)</p> <p>[Important concurrent positions at other entities] Professor, Faculty of Business and Commerce, Keio University</p>	0 shares

[Reason for nomination as candidate for Outside Director and its role expected]

Ms. Miyuri Shirai has served in positions such as university professor and researcher, and is currently a university professor. Over many years, she has been engaging in research on consumer behavior and marketing. In the belief that she will oversee and supervise the management of the Company based on such knowledge and experience, the Company nominated her as a candidate for Outside Director.

The Company expects Ms. Miyuri Shirai to oversee and supervise the management of the Company and provide advice for the management based on her extensive knowledge and experience mainly in sales fields including marketing.

Although Ms. Miyuri Shirai has no experience of engaging in the management of a company other than as an outside officer, the Company judges that she will appropriately fulfill her duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and Keio University, where she holds an important concurrent position.

- (Notes)
- There is no special interest between any of candidates and the Company.
 - As for each candidate's position please refer to "4. Company Officers, (1) Directors and Audit & Supervisory Board Members" on pages 16 and 17.
 - Mr. Toshikazu Takei, Mr. Kiyotaka Hoshinaga, and Ms. Miyuri Shirai are candidates for Outside Director.
 - 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 Company will enter into a liability limitation agreement with Ms. Miyuri Shirai if she is elected and assumes office.
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.
 - Directors and officers liability insurance policy
The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds assumes. If this proposal is approved and adopted as originally proposed, each candidate will be included in the policy as an insured. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
 - 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.
 - The Company will register Ms. Miyuri Shirai as an Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange if she is elected and assumes office as a Director.
 - The term of office of Mr. Toshikazu Takei as an Outside Director will be seven years at the conclusion of this Annual Shareholders' Meeting. The term of office of Mr. Kiyotaka Hoshinaga as an Outside Director will be six years at the conclusion of this Annual Shareholders' Meeting.

Reference: Business management structure (planned) if Agenda Item No. 3 is approved

Attribute	Name		Main fields of specialized experience/Areas where contributions are particularly expected								
			Overall management	Technology development	Manufacturing	Sales and procurement	Human resources and general affairs	Finance and accounting	Legal and compliance	Global experience	
Director	Inside	Seigo Hanji	Male	○			○	○		○	○
		Motoyuki Miyo	Male	○			○		○	○	○
		Yoshiaki Sato	Male	○	○	○				○	○
		Shigemasa Hakakoshi	Male	○	○	○		○			○
		Arihiro Yoshida (Newly appointed)	Male	○	○	○	○				○
	Outside	Toshikazu Takei	Male Independent	●					●		●
		Kiyotaka Hoshinaga	Male Independent	●				●			●
		Miyuri Shirai (Newly appointed)	Female Independent	●			●				●
	Audit & Supervisory Board Member	Full-time	Masaaki Tamaya	Male				●	●		●
Kuniko Tanabe			Female					●		●	
Outside		Kazuo Matsuda	Male Independent	●					●		●

* Main fields in which Inside Directors have specialized experience are marked with a white circle symbol, and fields in which Outside Directors, full-time Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members, are expected to particularly make contribution are marked with a black circle symbol.

* Specialty and experience indicated above are not intended to show all knowledge held by the individuals.

Skill possession standard

- (i) The person has experience as an officer or head of a company or unit related to applicable factors.
- (ii) The person has public qualifications or practical experience with which to objectively judge the person to be equipped sufficiently with applicable factors.

[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. 4 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
<p>Nobuyuki Ishiwata (July 12, 1945)</p> <p>Substitute Audit & Supervisory Board Member</p> <p>Outside Audit & Supervisory Board Member</p> <p>Independent Officer</p>	<p>April 1971 Joined Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC)</p> <p>April 1975 Registered as a certified public accountant</p> <p>January 1976 Registered as a licensed tax accountant</p> <p>March 1978 Left Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC)</p> <p>April 1978 Opened CPA Nobuyuki Ishiwata accounting firm</p> <p>April 1988 Established Seishin & Co. Audit Corporation (currently, Moore Shisei & Co.) and assumed the post of Representative Partner</p> <p>August 1999 Outside auditor of Adecco Ltd. (current)</p> <p>July 2003 Established Seishin & Co. Tax Corporation (currently, Moore Shisei Tax Corporation) and assumed the post of Representative Partner (current)</p> <p>[Important concurrent positions at other entities] Representative Partner of Moore Shisei Tax Corporation Outside auditor of Adecco Ltd.</p>	<p>0 shares</p>
<p>[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member]</p> <p>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.</p> <p>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 Moore Shisei Tax Corporation and Adecco Ltd., where he holds important concurrent positions.</p>		

- (Notes)
- There is no special interest between the candidate and the Company.
 - Mr. Nobuyuki Ishiwata, the candidate for substitute Audit & Supervisory Board Member, is a candidate for Outside Audit & Supervisory Board Member.
 - 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.
 - Directors and officers liability insurance policy**
The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds assumes. If this proposal is approved and adopted as originally proposed and Mr. Nobuyuki Ishiwata assumes office as an Outside Audit & Supervisory Board Member of the Company, he will be included in the policy as an insured. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
 - 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. 5 Payment of Bonus to Directors

The Company requests approval for the payment of bonuses amounting to 39.9 million yen in total to the four Directors (excluding two Outside Directors) in office as of March 31, 2022, in due consideration of business performance and others during the fiscal year in a comprehensive manner.

The Company judges that the Directors' bonuses are reasonable due to reflecting the Company's business performance for the previous fiscal year in accordance with "decision-making policy on the details of remuneration to each Director" as shown in page 18 of this Notice of Convocation.

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.