

To shareholders with voting rights

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

**DAIDO METAL CO., LTD.**

Chairman and CEO Seigo Hanji

## Notice of Convocation of the 106th Annual Shareholders' Meeting

Dear shareholders,

You are cordially invited to the 106th Annual Shareholders' Meeting to be held as set forth below. Your attendance to the meeting will be greatly appreciated.

**If you are unable to attend the meeting on the day, you may exercise your voting rights by documents. Therefore, please kindly review the reference materials for the Annual Shareholders' Meeting that follow this notice, and complete the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail so that it will reach us no later than 5 p.m. of June 26, 2014 (Thursday).**

Yours sincerely,

### Note

- 1. Date and time** 10 a.m. of June 27, 2014 (Friday)
- 2. Venue** 4-2, Marunouchi 2-chome, Naka-ku, Nagoya  
5<sup>th</sup> Floor Grand Hall of Nagoya Bankers Association  
(Please see "Information Map of Venues of Shareholders' Meeting in the last page)
- 3. Purpose**  
Reporting matters
  1. Reporting of the 106<sup>th</sup> (from April 1, 2013 to March 31, 2014) business report, consolidated financial statements and results of audit of consolidated financial statements by the accounting auditors and Audit & Supervisory Board
  2. Reporting of non-consolidated financial statements for the 106<sup>th</sup> (from April 1, 2013 to March 31, 2014) fiscal year

Matters for resolution

- Agenda No. 1 Disposition of Surplus
- Agenda No. 2 Election of Five Directors
- Agenda No. 3 Election of One Substitute Audit & Supervisory Board Member
- Agenda No. 4 Payment of Bonuses to Directors

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- ⦿ **When attending the meeting on the day, please kindly submit the enclosed Voting Card to the receptionist.**
  - ⦿ **In the event the shareholder intends to exercise voting right by proxy, he/she can entrust his/her right to a single shareholder who has voting rights of the Company. In this case, please submit a document to prove the authority of proxy.**
  - ⦿ **The reception is scheduled to open at 9 a.m. on the day.**
  - ⦿ **If there are any revisions to the attached documents and Reference Materials for Annual Shareholders' Meeting, they will be posted online on the Company's website (<http://www.daidometal.com/>).**

[Notice]

Please note that this year, we will not hold a shareholders' discussion session that has been held every year after the Annual Shareholders' Meeting.

## Business Report

( From: April 1, 2013  
To: March 31, 2014 )

### 1. Matters Relating to Current Situation of Corporate Group

#### (1) Progress of Business and Operating Performance

Regarding the world economy during the current consolidated fiscal year, the US economy continued its gradual recovery, with employment improving in addition to strong personal spending and housing investment. On the other hand, although Europe is getting out of prolonged economic stagnation, its recovery remained weak. In China, despite maintaining some level of growth, the pace of economic growth slowed, as it worked on structural reforms such as reducing investments and loans. Economic growth in emerging countries also showed signs of slowing down. Overall, the world economy remained unstable.

The domestic economy, led by a weakening yen and rising stock values resulting from monetary measures and others, saw improved corporate business results and a recovery in personal spending, and the step toward recovery became more stable.

In the automotive business, the Company group's core business, the new car sales for 2013 were 84.3 million units worldwide, recording the highest for four consecutive years. The two major markets, the US market and the Chinese market, led such increase, offsetting the decrease in sales in Europe, India, and Asia where demands were sluggish.

In addition, the domestic automotive production volume increased by 3.8% year-on-year to 9.91 million units, exceeding the previous fiscal year in four consecutive years as well. This came after the slight decrease in exports was offset by the increase in domestic demands (9.2% increase year-on-year). Moreover, the overseas automotive production volume reached 16.75 million units (5.9% increase year-on-year).

In the non-automotive segment, the shipbuilding industry seemed to bottom out due to a largely increased order volume and a return to growth in orders received, despite that new shipbuilding production in the world's major shipbuilding countries decreased from the previous year. However, it is expected to take a while for a full-fledged recovery. In Japan on the other hand, there were some encouraging signs including a recovery in order volume of new shipbuilding led by increasing demands for liquefied natural gas carriers and energy-saving high performance vessels, in addition to the better environment to receive orders due to yen depreciation, and uncertainty over the future felt through the previous year is gradually fading.

For the construction machine industry, the amount of domestic shipment increased by 31.9% year-on-year due to the effects of public spending such as the earthquake restoration work and infrastructure development, while the amount of shipment resulted in an increase of only 9.7% year-on-year due to the decreased exports (2.8 % decrease year-on-year). In the overseas markets, similarly as the exporting environment in Japan, the demands for mining machines continue to decrease in mineral-resource producing countries; however, it has started to show a gradual recovery trend with increasing demands for general construction machines in the Chinese market and favorable market conditions in North America and Europe.

In the general industries machines area, businesses including electric power/energy and rotary machines remained strong.

Under this business environment, during the current consolidated fiscal year, Group net sales for the full year exceeded those of the previous year due to factors including that domestic automotive related sales increased in the second half of the fiscal year and the year-on-year rate of decline in sales was on a downward trend in the non-automotive segment (shipbuilding and construction machines in particular) that was sluggish in the previous fiscal year.

Overseas, net sales increased in all regions due to the effect of yen depreciation in addition to strong orders led by infiltration of DAIDO brand mainly in Europe, backed by the growing global automotive market.

As a result, net sales of the Group as a whole grew to 77,350 million yen, a year-on-year increase of 6,463 million yen (up 9.1%).

With respect to profits, operating income was 7,368 million yen, a year-on-year increase of 1,082 million yen (up 17.2%) due to the effects of increased income in automotive related segments, a smaller decrease in income and profits compared to the previous fiscal year in the non-automotive segment, efforts in activities for generating profits including improvement of earnings as well as the effects of depreciation of yen. Ordinary income increased to 8,063 million yen, a year-on-year increase of 1,128 million yen (up 16.3%) due to factors including a recording of foreign exchange gains of 512 million yen. Consolidated net income grew to 4,735 million yen, a year-on-year increase of 349 million yen (up 8.0%) due to increased deductions in corporation tax payment and minority interests among others, while recording extraordinary gains of 896 million yen from capital gains in the sales of the land of the former Tokyo Factory and others.

Sales to external customers by segment are as follows.

Due to the reorganization as of July 1, 2013, the metallic dry bearings business, which was previously categorized under "Non-automotive bearings," is now categorized under "Others." Below are results calculated by classification after the change.

##### 1) Automotive engine bearings

Overseas net sales grew backed by strong orders in North America and Europe, as well as Asian region such as China, in addition to the effect of yen depreciation. In Japan, net sales outperformed those of the previous fiscal year due to increased demands for automobiles and others in the second half of the current consolidated fiscal year.

As a result, net sales were 50,021 million yen, an increase of 5,656 million yen (up 12.8%) compared with the previous consolidated fiscal year.

##### 2) Automotive non-engine bearings

With regard to bearings for automotive parts, overseas net sales increased backed by factors including the results of sales expansion while domestic net sales outperformed those of the previous fiscal year due to increased demands for automobiles in the second half of the current consolidated fiscal year.

As a result, net sales were 14,992 million yen, an increase of 1,222 million yen (up 8.9%) compared with the previous consolidated fiscal

year.

### 3) Non-automotive bearings

In the non-automotive segment, net sales fell to 11,768 million yen, a year-on-year decrease of 457 million yen (down 3.7%). However, compared to the previous fiscal year, the year-on-year rate of decline in sales for previously sluggish ships (large and medium to small ships) and bearings for construction machines is shrinking, showing a gradual sign of bottoming out. For the bearings for rotary machines in general industries, sales of special type of bearings, such as turbine bearings, were firm.

### 4) Others

Net sales for the metallic dry bearings and real estate leasing businesses, etc. were 567 million yen, an increase of 41 million yen (up 7.9%) compared with the previous consolidated fiscal year.

(Sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2012 105 <sup>th</sup> term	FY 2013 106 <sup>th</sup> term (The current consolidated fiscal year)
Automotive engine bearings	44,364	50,021
Automotive non-engine bearings	13,769	14,992
Non-automotive bearings	12,226	11,768
Others	525	567
Total	70,886	77,350

(Note) Sales represent the amount to external customers.

## **(2) Status of Financing, etc.**

### **1) Financing**

During the current consolidated fiscal year, there was no significant operation of financing in both borrowings from financial institutions and issuing stocks or debentures.

### **2) Capital investment**

Currently, under the Medium-Term Business Plan (a six year plan extending from FY2012 to FY2017), the Group is aiming to seize the world's top share in all main industry fields of plain bearings, and to further expand shares in markets where the Group is presumed to have top shares already, the Group is striving to enhance production capabilities which can keep up with the sales expansion on a global basis, especially in the first three years of the plan from FY2012 to FY2014.

During the current consolidated fiscal year, the second year of the Medium-Term Business Plan, the Group continued to enhance automotive and non-automotive bearing production capacities, as did in the previous fiscal year.

As a result, total capital investments reached 10,838 million yen for the year, an increase of 797 million yen compared with the previous year.

(Main capital investment during the current consolidated fiscal year)

- Investment for enhancing production capabilities, including buildings for automotive engine bearings and bearings for automotive parts, in the overseas production sites in Mexico, Thailand, China, Czechoslovakia and others.
- Investment for enhancing production capabilities of automotive and non-automotive bearings in Japan and investment for enhancing production capabilities of bimetal (material for bearings).
- Investment in relation to information systems, etc.

### (3) Movement of Financial Conditions and Operating Results

#### 1) Financial conditions and operating results of the Corporate Group

Category \ Fiscal year	FY 2010 103 <sup>rd</sup> term	FY 2011 104 <sup>th</sup> term	FY 2012 105 <sup>th</sup> term	FY 2013 106 <sup>th</sup> term (Current consolidated fiscal year)
Net sales (Millions of yen)	63,451	70,326	70,886	77,350
Operating income (Millions of yen)	7,713	9,523	6,286	7,368
Ordinary income (Millions of yen)	6,714	8,947	6,935	8,063
Net income (Millions of yen)	8,123	5,435	4,385	4,735
Net income per share (Yen)	203.87	136.44	110.10	118.89
Net assets (Millions of yen)	29,526	34,163	40,062	46,733
Total assets (Millions of yen)	82,795	88,402	92,314	104,099

#### 2) Financial conditions and operating results of the Company

Category \ Fiscal year	FY 2010 103 <sup>rd</sup> term	FY 2011 104 <sup>th</sup> term	FY 2012 105 <sup>th</sup> term	FY 2013 106 <sup>th</sup> term (Current consolidated fiscal year)
Net sales (Millions of yen)	55,536	61,673	57,454	58,978
Operating income (Millions of yen)	6,156	6,235	3,778	3,994
Ordinary income (Millions of yen)	5,642	6,100	4,067	4,611
Net income (Millions of yen)	8,448	3,688	2,740	3,387
Net income per share (Yen)	212.05	92.59	68.79	85.04
Net assets (Millions of yen)	27,708	30,659	32,995	36,039
Total assets (Millions of yen)	67,161	69,009	68,210	69,245

#### (4) Issues to be Addressed

##### Implement “Medium-Term Business Plan”

The Medium-Term Business Plan, “Together to The Top,” which is implemented from the term of FY2012 to FY2017, defined the major themes of (1) maintaining the position holding the world top share (our estimate) in plain bearings as the sole comprehensive manufacturer of plain bearings in the world, (2) further expanding the share of automotive engine bearings, which are the core products of plain bearings, while keeping the world top share (our estimate), (3) gaining the world top share in bearings in each non-automotive segment of ships excluding large ships that already have gained the world top share, construction machines, and rotary machines, (4) structuring and expanding Global Strategy of Five-Hub System (Global corporate structure through independent operational hubs in 5 geographical regions (Japan, Asia, China, Europe and Americas)) for responding to sales expansion both domestic and overseas, (5) strengthening of research and development activities for sustainable technical advantages to respond to geographical characteristics as a company built on technologies, and (6) establishment of solid financial bases.

The Group plans to especially enhance production on a global basis for sales expansion in order to expand and restructure its business base at the first stage (from FY2012 to FY2014), and achieve the Group’s challenge targets of “consolidated net sales of 111 billion yen, operating income of 16.7 billion yen, and an operating margin of 15% or more” and aim to realize “gaining the world top share in all the industry segments of plain bearings” in the final year of the second stage (from FY2015 to FY2017).

The Group has also been expanding and reconstructing the business base during the first stage; Dyna Metal Co., Ltd. (Thailand) completed its third factory and Daido Precision Metal (Suzhou) Co., Ltd. completed its second factory in 2012. In 2013, the second factory at Daido Metal Czech s.r.o., the second factory at PT. Daido Metal Indonesia and the new factory at Daido Metal Mexico S.A. de C.V., the newly established business base, were completed.

The new factory at Daido Metal Mexico S.A. de C.V. aims to gradually increase its production after it begins operations in July 2013 to achieve profitability early as the core production site for the U.S. and Mexico in the future, including South America in the perspective.

Daido Metal Russia LLC will steadily develop and expand its business base through full-scale production for foreign automobile manufacturers and preparation for production in consideration of the truck market in order to further enhance Global Strategy of Five-Hub System in 5 geographical regions (Japan, Asia, China, Europe and Americas).

In the Group’s efforts in expanding sales, the Group will strive to achieve targets by strengthening sales structure, enhancing technical services to our customers, accurately identifying and responding to region-specific needs, and ensuring the Company’s support system which adopts the changes in market environment. Specifically, the Group will implement measures such as strengthening the North American sales structure including the Mexican sales company, and enhancing the European Technical Center in our technical service area. In addition, the Group will focus on expanding the overseas markets for bearings for mid to high speed diesel engines and rotary machines in the non-automotive segment and will make efforts to gain the world top share in such segment.

Along with the expansion of sales, the Group will further reinforce efforts to improve productivity by vitalizing activities to improve income for further profit generation and by especially expanding the global and domestic introduction of the machining line using new method and the compact machining line for automobile engine that were newly developed and installed.

In FY2014, the final fiscal year of the first stage, the Group will perform a review of efforts to date, and identify again and take on the issues to be addressed in order to achieve the Group’s challenge targets of “consolidated net sales of 111 billion yen, operating income of 16.7 billion yen, and an operating margin of 15% or more,” while factoring in the changes in the external environment.

#### (5) Major Business Lines

Major business divisions	Content of business
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 speed (four-cycle) diesel engines, bearings for power generation (water wheels, turbines, etc.), bearings for general industries use (compressors, speed-increasing and speed-reducing gears, etc.), rotary pumps, centralized lubrication systems (for machining tools), electrode sheets for electric capacitors, etc.
Others	Metallic dry bearings business, real estate leasing, etc.

## (6) Major Bases of the Corporate Group and Status of Employees

### 1) Major bases of the corporate group

#### a. The Company

Headquarters	Nagoya HQ (Naka-ku, Nagoya), Tokyo HQ (Shinagawa-ku, Tokyo)
Domestic sales bases	Tokyo Branch (Shinagawa-ku, Tokyo), Nagoya Branch (Inuyama-shi, Aichi), Osaka Branch (Yodogawa-ku, Osaka), Hamamatsu Branch (Naka-ku, Hamamatsu-shi), Hiroshima Branch (Minami-ku, Hiroshima-shi), Kyushu Branch (Nagasaki-shi, Nagasaki)
Domestic production bases	Inuyama Site (Bimetal Division, Inuyama Plant, Maehara Plant*, Others (Inuyama-shi, Aichi), Gifu Plant (Gujyo-shi, Gifu)

\* Manufacturing Section No. 2 in Maehara Plant was reorganized to TMBS (Turbomachinery Bearing Systems) Plant as of April 1, 2014.

#### b. Subsidiaries

Domestic sales bases	Daido Metal Sales Co., Ltd. (Inuyama-shi, Aichi), NDC Sales Co., Ltd. (Narashino-shi, Chiba)
Overseas sales bases	Daido Metal U.S.A. Inc. (U.S.A.), Daido Metal Mexico Sales, S.A. de C.V.*, Chung Yuan Daido Co., Ltd. (Taiwan), Daido Metal Germany GmbH (Germany), Daido Metal Europe Ltd. (England)
Domestic production bases	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)
Overseas production bases	Dyna Metal Co., Ltd. (Thailand), Dongsung Metal Co., Ltd. (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 Ltd. (England), Daido Metal Kotor AD (Montenegro), Daido Metal Czech s.r.o. (Czech), Daido Metal Russia LLC (Russia), Korea Dry Bearing Co., Ltd. (Korea), BBL Daido Private Ltd. (India)
Other domestic bases	Daido Logitech Co., Ltd. (Inuyama-shi, Aichi), Asia Kelmet Co., Ltd. (Ohta-ku, Tokyo)

\* Daido Metal Mexico Sales, S.A. de C.V. was established as of January 6, 2014.



2) Status of employees

a. Employees of the Corporate Group

Number of employees (persons)		Change from end of prior period (persons)	
Domestic	1,923	Increase	23
Overseas	2,135	Increase	98
Total	4,058	Increase	121

(Notes) 1. In addition to the above, temporary employees (total of 581 persons) are under employment. Number of temporary employees represents annual average number of employees (converted by 8 hours a day).

2. Temporary employees include part-timers and employees under non-regular engagement contract but exclude dispatched employees.

b. Employees of the Company

Number of employees (persons)	Change from end of prior period (persons)	Average age (years of age)	Average number of service years (years)
1,130	Increase 14	36.6	13.6

(Notes) 1. In addition to the above, temporary employees (total of 269 persons) are under employment. Number of temporary employees represents annual average number of employees (converted by 8 hours a day).

2. Temporary employees include part-timers and employees under non-regular engagement contract but exclude dispatched employees

**(7) Status of Important Parent Company and Subsidiaries**

## 1) Status of parent company

There are no applicable items.

## 2) Status of important subsidiaries

Name	Capital stock or investments in capital	Percentage of holding of voting rights	Content of major businesses	Remarks
(Consolidated subsidiaries)				
Daido Logitech Co., Ltd.	45 million yen	100.0%	Logistics business and insurance agent business	
Daido Metal Sales Co., Ltd.	100 million yen	100.0%	Sale of bearings	
Daido Plain Bearings Co., Ltd.	300 million yen	100.0%	Manufacture of bearings	
NDC Co., Ltd.	1,575 million yen	39.8%	Manufacture of bearings, etc.	Note 1
NDC Sales Co., Ltd.	90 million yen	100.0% (100.0%)	Sale of bearings/Calme, and insurance agent business	Note 2
Daido Industrial Bearings Japan Co., Ltd.	80 million yen	100.0%	Manufacture of bearings	
Asia Kelmet Co., Ltd.	55 million yen	100.0%	Rental of real estate	
Chung Yuan Daido Co., Ltd.	120 million new Taiwan yuan	50.0%	Sale of bearings	Note 1
Dongsung Metal Co., Ltd.	6,120 million Korean won	50.0%	Manufacture and sale of bearings	Note 1
Dyna Metal Co., Ltd.	200 million Thai baht	50.0%	Manufacture and sale of bearings	Note 1
PT. Daido Metal Indonesia	13,748 million Indonesian rupiah	50.0%	Manufacture and sale of bearings	Note 1
Daido Precision Metal (Suzhou) Co., Ltd.	115,714 thousand Chinese yuan	90.2% (16.2%)	Manufacture and sale of bearings	Note 2
Daido Metal U.S.A. Inc.	12,900 thousand US dollar	100.0%	Manufacture and sale of bearings	
Daido Metal Mexico S.A. de C.V.	283,328 thousand Mexico peso	100.0% (0.0%)	Manufacture of bearings	Note 2
Daido Industrial Bearings Europe Ltd.	13,500 thousand sterling pound	100.0%	Manufacture of bearings	
Daido Metal Kotor AD	26,535 thousand euro	99.6%	Manufacture and sale of bearings	
Daido Metal Germany GmbH	500 thousand euro	100.0%	Sale of bearings	

Name	Capital stock or investments in capital	Percentage of holding of voting rights	Content of major businesses	Remarks
Daido Metal Czech s.r.o.	50 million Czech koruna	100.0%	Manufacture and sale of bearings	
Daido Metal Europe Ltd.	3,613 thousand sterling pound	100.0%	Sale of bearings	
Daido Metal Russia LLC	330 million Russian ruble	99.8%	Manufacture and sale of bearings	
(Unconsolidated subsidiaries to which equity method is applied)				
Korea Dry Bearing Co., Ltd.	3,100 million Korean won	50.0% (50.0%)	Manufacture and sale of bearings	Notes 1 and 2
(Affiliated companies to which equity method is applied)				
BBL Daido Private Ltd.	100 million Indian rupee	40.0%	Manufacture and sale of bearings	

(Note) 1. Although the percentage of holding of voting rights is not more than 50%, the company is included in subsidiary because it is substantially controlled by the Company.

2. Figure in ( ) of percentage of holding of voting rights represents the percentage of indirect holding of voting rights.

#### (8) Major Lenders and Amount of Borrowing

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	5,811
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,609
Japan Bank for International Corporation	3,129
Sumitomo Mitsui Banking Corporation	1,580
Sumitomo Mitsui Trust Bank, Limited	1,541

**(9) Policies for Determination of Dividend, etc. of Surplus**

The Company's basic policy is to return appropriate profits to our shareholders in consideration of the results of operations and payout ratio, and to maintain a stable and long-lasting level of dividend of surplus in overall consideration of the internal reserve funds for future business development, expansion of research and development, reinforcement of business base and changes of business environment.

The Company is of a basic policy to make 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 comprehensive consideration of all the factors including the consolidated performance for the full year based on the basic policy, the year-end dividend would be 10 yen per share for the current fiscal year, an increase of 3 yen compared to the projected year-end dividend of 7 yen per share.

As a result, the annual dividend, including the interim dividend of 7 yen per share (actual), would be 17 yen per share.

For the next fiscal year, the Company plans the interim dividend of 10 yen per share and year-end dividend of 10 yen per share, an annual 20 yen per share.

**(10) Other Significant Matters Relating to Current Situation of The Corporate Group**

There are no applicable items.

## 2. Matters Relating to Shares of the Company

- (1) Number of authorized shares 80,000,000 shares
- (2) Total number of issued shares 44,956,853 shares (including treasury stocks of 5,133,324 shares)
- (3) Number of shareholders at end of the current fiscal year 3,250 shareholders
- (4) Major shareholders (top 10)

Name of shareholder	Number of shares held (1,000 shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,658	6.67
Sumitomo Mitsui Trust Bank, Limited	1,978	4.96
Mizuho Bank, Ltd.	1,977	4.96
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,822	4.57
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,661	4.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,242	3.11
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1,176	2.95
Daido Metal Yueikai Employee Stock-Ownership Plan	1,140	2.86
The Seri Wathana Industry Co, Ltd. 703000	1,000	2.51
Nisshin Steel Co., Ltd.	909	2.28

(Notes) 1. The Company holds treasury stocks of 5,133,324 shares, but is excluded from the above major shareholders.

2. Ratio of shareholding is calculated by deducting the treasury stocks (5,133,324 shares).

## 3. Matters Relating to New Share Subscription Rights, Etc.

There are no applicable items.

**4. Matters Relating to Company Officers**  
**(1) Directors and Audit & Supervisory Board Members**

(As of March 31, 2014)

Position	Name	Duties/departments in charge and important positions at other companies
Chairman & Chief Executive Officer (CEO)	Seigo Hanji	HQ Executive/Vice Chairman of Japan Auto Parts Industries Association, and Executive/Branch Manager of Chubu Branch of the same Association Outside Director of Nichirei Corporation
President & Chief Operating Officer (COO)	Kotaro Kashiya	In charge of Bi-metal Division, Quality Management & Planning Department, Audit Department and Internal Control Department
Managing Director and Senior Executive Officer	Toshiyuki Sasaki	Head of Corporate/Financial Planning Division In charge of General Affairs Department
Director and Senior Executive Officer	Yasuo Kawamura	Head of Polymer Bearings Division
Director and Senior Executive Officer	Masaki Ikawa	Head of Human Resources Planning Department, Head of Daido Metal College and Head of Inuyama Site In charge of Environmental & Safety Management Department and Purchasing Department
Full-time Audit & Supervisory Board Member	Masaaki Tamaya	
Outside Audit & Supervisory Board Member	Kuniko Tanabe	Partner, Lawyer of Tanabe & Partners Outside Auditor of Disco Corporation
Outside Audit & Supervisory Board Member	Kazuo Matsuda	President of NSK (China) Investment Co., Ltd. Special Advisor of NSK Ltd. Corporate Auditor of NSK-Warner K.K.

(Notes) 1. Ms. Kuniko Tanabe and Mr. Kazuo Matsuda are Outside Audit & Supervisory Board Members.

Ms. Kuniko Tanabe is also an “Independent Officer” provided according to the provisions of the Tokyo Stock Exchange, Incorporated and Nagoya Stock Exchange, Incorporated on which the Company’s shares are listed.

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

3. Mr. Kazuo Matsuda, Audit & Supervisory Board Member, has experiences of working as Director and Audit & Supervisory Board Member in financial institutions and business entities, and therefore has considerable knowledge on finance and accounting matters.

4. Changes in departments in charge of Directors during the current fiscal year

Date	Name	New departments in charge	Previous departments in charge
April 1, 2013	Toshiyuki Sasaki	In charge of General Affairs Department	In charge of General Affairs Department and Information Systems Department
July 1, 2013	Yasuo Kawamura	—	In charge of Sales Development Department

5. Changes in duties and departments in charge of Directors after April 1, 2014

Date	Name	New duties and departments in charge	Previous duties and departments in charge
April 1, 2014	Kotaro Kashiyama	In charge of Bi-metal Division, Quality Management & Planning Department and Audit Department	In charge of Bi-metal Division, Quality Management & Planning Department, Audit Department and Internal Control Department
April 1, 2014	Masaki Ikawa	Head of Human Resources Planning Department and Head of Daido Metal College In charge of Purchasing Department	Head of Human Resources Planning Department, Head of Daido Metal College and Head of Inuyama Site In charge of Environmental & Safety Management Department and Purchasing Department

## (2) Total Amount of Remunerations to Directors and Audit & Supervisory Board Members

Category	Number	Remunerations	Bonus to officers	Total amount of remunerations
Directors	5	191 million yen	147 million yen	339 million yen
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	3 (2)	34 million yen (19)	– million yen (–)	34 million yen (19)

- (Notes) 1. Employee-portion salaries for employee-directors are not included in the above amount.  
2. “Bonus to officers” is an estimated amount to be paid, if the proposed agenda No. 4 is approved at the 106th Annual Shareholders’ Meeting to be held on June 27, 2014.  
3. The limit of remunerations to Directors (excluding employee-portion salaries for employee-directors) as per the resolution of the 98th Annual Shareholders’ Meeting held on June 29, 2006 is 400 million yen per annum.  
4. The limit of remunerations to Audit & Supervisory Board Members as per the resolution of the 98th Annual Shareholders’ Meeting held on June 29, 2006 is 45 million yen per annum.

### [Guidelines and Decision-Making Methodology for Calculating the Remuneration Amount for Directors]

#### (a) Directors’ remuneration

Pursuant to the regulations for Directors’ remuneration provided by the Board of Directors, the basic policy of Directors’ remuneration is to obtain and retain human resources suitable for a Director of the Group, to work effectively as an incentive for raising motivation of contributing to enhance business performance and corporate value as well as morale, and the level of remuneration shall correspond to role, responsibility and business performance of each Director.

For the purpose of ensuring objectivity and transparency, the Company established an Advisory Board (“Board”) consisting of in-house and external members in order to deliberate and determine the actual remuneration amounts for each Director.

Specific structure and decision-making methodology are as follows:

- (i) The system of Directors’ remuneration consists of “monthly remuneration” and “bonuses.”  
In the case of remuneration for an Outside Director, if elected, for ensuring independence and neutrality, “monthly remuneration” consists of only a “fixed component.”
- (ii) “Monthly remuneration”
- “Monthly remuneration” consists of a “fixed component” corresponding to role and responsibility associated with execution of Director’s operations and a “consolidated performance component” which are determined after taking into account the Group’s consolidated performance in the previous year and the performance of individual divisions that the Director is responsible for overseeing.
  - Individual payment of monthly remuneration will be determined by the Board of Directors based on the predetermined ratio of payment according to position of each Director, consolidated sales and net income considering the final plan of the Board.
- (iii) “Bonus”
- Total payment of bonuses to be deliberated in the meeting of shareholders is set certain ceiling corresponding to dividend to shareholders and considering the final plan of the Board, it is determined by the Board of Directors.
  - Individual payment amount will be determined by the Board of Directors based on the predetermined ratio of payment according to position of each Director, consolidated sales and net income considering the final plan of the Board.

#### (b) Audit & Supervisory Board Members’ remuneration

For ensuring independence and neutrality, Audit & Supervisory Board Members’ remuneration shall consist of only a “basic remuneration” as a fixed component. Payment amount to each Audit & Supervisory Board Member shall be determined by the discussion of the Audit & Supervisory Board.



**(3) Status of Movement of Directors and Audit & Supervisory Board Members**

1) Matters relating to concurrent holding of positions of operating officer of other corporations and outside officers, etc.

Name	Material concurrent holding of positions	Relation between the Company and such other corporations
Kuniko Tanabe (Outside Audit & Supervisory Board Member)	Partner, Lawyer of Tanabe & Partners	Although the Company has concluded a consultant agreement with Tanabe & Partners and pays consultant fee annually, such consultant fee is relatively small compared with the scale of Tanabe & Partners. Ms. Tanabe is not included in the list of lawyers who provide consultation services to the Company and not involved in the Company's requests.
	Outside Auditor of Disco Corporation	The Company has no transaction with Disco Corporation.
Kazuo Matsuda (Outside Audit & Supervisory Board Member)	President of NSK (China) Investment Co., Ltd.	The Company has no transaction with NSK (China) Investment Co., Ltd.
	Special Advisor of NSK Ltd.	The Company has no particular relation with NSK Ltd., which is required to be disclosed.
	Corporate Auditor of NSK-Warner K.K.	The Company sells its products to NSK-Warner K.K. but such sales are accounted for 0.8% to the Company's consolidated sales.

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

2) Main activities of Outside Officers of other companies

Position	Name	Main activities
Audit & Supervisory Board Members	Kuniko Tanabe	Attended all 16 meetings of the Board of Directors and attended all 16 meetings of the Audit & Supervisory Board held during FY2013. Making remarks from the viewpoint of a professional well-versed in corporate legal affairs based on her rich experience as a lawyer.
Audit & Supervisory Board Members	Kazuo Matsuda	Attended all 16 meetings of the Board of Directors and attended 15 out of 16 meetings of the Audit & Supervisory Board held during FY2013. Making remarks from a wide viewpoint based on his rich insights on corporate accounting and governance of business execution as he is familiar with finance and international business from his experience at banks and securities companies for many years and he has experiences and knowledge gained from management of manufacturing company.

3) Matters relating to liability limiting agreement

The Company amended its Articles of Incorporation at the 98th Annual Shareholders' Meeting held on June 29, 2006 and established provisions regarding the liability limiting agreement for Outside Audit & Supervisory Board Members.

The outline of the liability limiting agreement, which the Company concluded with all Outside Audit & Supervisory Board Members, is as follows:

- When an Outside Audit & Supervisory Board Member is liable for compensating the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount of limit prescribed in laws and regulations (minimum liability stipulated in Article 425, paragraph 1 of the Companies Act).
- The above liability limitation is allowed only when the relevant Outside Audit & Supervisory Board Member is in good faith and free of gross negligence regarding the liability in Article 423 paragraph 1 of the Companies Act.

## 5. Matters Relating to Accounting Auditor

### (1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

### (2) Matters Relating to Liability Limiting Agreement

There are no applicable items.

### (3) Amount of Remunerations to Accounting Auditor

	Amount paid
Amount of remunerations as Accounting Auditor for current fiscal year	40 million yen
Total amount of money and other property gains which the Company and its subsidiaries pay to Accounting Auditor	56 million yen

(Notes) 1. Important consolidated subsidiaries of the Company that receive audits by certified public accountants or audit corporations (including those that possess qualifications equivalent to such qualifications in overseas countries) other than the Accounting Auditor of the Company are as follows:

- Dongsung Metal Co., Ltd. (Korea)
  - Daido Precision Metal (Suzhou) Co., Ltd. (China)
  - Chung Yuan Daido Co., Ltd (Taiwan)
  - PT. Daido Metal Indonesia (Indonesia)
  - Dyna Metal Co., Ltd. (Thailand)
  - Daido Metal U.S.A. Inc. (U.S.A.)
  - Daido Metal Mexico S.A. de C.V. (Mexico)
  - Daido Metal Kotor AD (Montenegro)
  - Daido Industrial Bearings Europe Ltd. (England)
  - Daido Metal Germany GmbH (Germany)
  - Daido Metal Czech s.r.o. (Czech)
  - Daido Metal Europe Ltd. (England)
  - Daido Metal Russia LLC (Russia)
2. In the audit contract between the Company and Accounting Auditor, the amount of remunerations for the audit under the Companies Act and that under the Financial Instruments and Exchange Law are not clearly separated and also substantially inseparable from each other. As such, the amount of remunerations for the current fiscal year represents the total amount of these remunerations.

### (4) Content of Nonaudit Services

The Company pays to the Accounting Auditor remunerations for mainly the advisory service related to the introduction project of a new mission-critical system, which is a service other than the audit and attest services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

**(5) Policies for Decision of Dismissal or Non-Reappointment of Accounting Auditor**

- 1) The policies of the Board of Directors of the Company regarding the decision of dismissal or non-reappointment of the Accounting Auditor are as follows:

The Company's Board of Directors will submit to the Shareholders' Meeting an agenda regarding the decision of dismissal or non-reappointment of the Accounting Auditor if either of the following cases is applicable:

- If dismissal or non-reappointment of the Accounting Auditor is considered necessary based on the overall consideration of the auditing ability, credibility, audit fees, years of continuous audits, etc. of the Accounting Auditor, and approval by the Audit & Supervisory Board on the submission of the said agenda to the Shareholders' Meeting has been obtained, in addition to the cases prescribed in Article 340, paragraph 1, each item of the Companies Act; or
- If a request is made by the Audit & Supervisory Board to submit an agenda regarding the decision of dismissal or non-reappointment of the Accounting Auditor to the Shareholders' Meeting based on the provisions in Article 344, paragraph 2, item 2 or item 3, or paragraph 3 of the Companies Act.

- 2) The policies of the Audit & Supervisory Board of the Company regarding the decision of dismissal or non-reappointment of the Accounting Auditor are as follows:

- If dismissal or non-reappointment of the Accounting Auditor is considered necessary based on the overall consideration of the auditing ability, credibility, audit fees, years of continuous audits, etc. of the Accounting Auditor, in addition to the cases prescribed in each item of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board will request to the Board of Directors for the submission of an agenda regarding the decision of dismissal or non-reappointment of the Accounting Auditor to the Shareholders' Meeting.
- If a proposal is made by the Board of Directors to the effect that the dismissal or non-reappointment of the Accounting Auditor is necessary, the Audit & Supervisory Board will make a decision on whether or not to agree to the said proposal, based on the overall consideration of the situation described in the preceding paragraph.
- If any cases prescribed in each item of Article 340, paragraph 1 of the Companies Act have occurred, and if there is such an urgency as is inappropriate to dismiss the Accounting Auditor by holding the Shareholders' Meeting, the Audit & Supervisory Board will dismiss the Accounting Auditor based on the consent of all Audit & Supervisory Board Members. In such a case, a Audit & Supervisory Board Member elected by the Audit & Supervisory Board will report the fact of dismissal and reasons for dismissal to the first Shareholders' Meeting held after the dismissal.

## **6. System for Ensuring the Appropriateness of Business Operations of Joint-Stock Company**

### **(1) System for Retention and Control of Information on Performance of Duties by Directors**

- Documents and other information related to performance of duties of Directors including minutes of meetings of the Board of Directors and documents regarding decisions and approvals are retained and controlled in accordance with internal rules and regulations that stipulate the retention and control of confidential documents and material documents.

### **(2) Regulations and Other Systems for Management of Risks of Losses**

- Based on “Rules on Risk Management,” the Company develops a system to manage risks properly.
- The “Risk Management Committee” mainly handles management/compliance risks and assesses/understands the risks inherent therein as well as studying measures for responding to such risks. Results of this assessment are reported to the Management Meeting depending on the materiality of risks, and response measures are determined for cross-sectional matters.
- In order to ensure an effective compliance system, the Company establishes a compliance unit and strengthens the company-wide risk management and compliance management.

### **(3) System for Ensuring Efficient Performance of Duties by Directors**

- Medium-term management plan and annual basic policies are developed, based on which policies/plans are prepared by each department. Matters for important decision making are studied from various aspects, and plans and concrete measures are reviewed on a periodical basis, thus enhancing the effectiveness of performance of duties.
- Effective segregation of duties or distribution of authorities regarding the internal organization and its systems is verified on a periodical basis, including the review of the scope of authorities and in-house company system.

### **(4) System for Ensuring that Performance of Duties by Directors and Employees Conform to Laws and Regulations and Articles of Incorporation**

- An internal audit system is developed through the Audit Department in order to ensure the legitimacy, reasonableness, efficiency and legal and regulatory compliance of performance of duties.
- In order to strengthen/fully enforce the compliance, the “Corporate Ethics Committee” clarifies the tasks regarding the prevention of compliance risks and carries out overall control activities for the establishment/promotion of response measures.
- The “Corporate Ethics Committee” establishes the “Standards of Conduct” in complying with the company rules and laws and regulations, and revises their contents as necessary after obtaining the approval of the Board of Directors.
- The Company and its group companies provide their employees with regular compliance education/trainings by utilizing the “Standards of Conduct.”
- The Company keeps employees informed about the ethics consultation window and windows for various consultations under its whistleblower system.
- Based on “Rules on Operation and Management of Standards of Conduct,” the Company develops and operates compliance and whistleblower systems.

### **(5) System for Ensuring Appropriate Business Operations by The Corporate Group Consisting of the Company, its Parent Company and Subsidiaries**

- The Company reviews the size of affiliated companies from time to time as necessary in order to ensure the effectiveness/efficiency of jobs between the Company and its group companies.
- In order to ensure the appropriateness of business operations of group companies, the Company periodically performs operations audit regarding the matters related to the management of group companies based on the rules and regulations relating to the Company’s affiliated companies, and verifies whether or not business activities are carried out appropriately.
- Group companies periodically report to the Directors of the Company on their performance of duties, financial conditions, etc. and promote the exchange of information between the Company and its group companies.
- The Company and its group companies hold meetings to determine the group policies and way of management and establish a system of collaboration.
- If the content of management/management guidance provided by the Company is considered to violate the laws and regulations or have any other problems of compliance, the group companies report them to the ethics consultation desk. Matters with significance are reported to the Audit & Supervisory Board Members, who then express their views to the Directors as necessary and request them to take improvement/remediation measures.
- In order to ensure the reliability of financial reporting, the Company and its group companies develop necessary rules, regulations, procedures, etc., establish a system for appropriate and effective operation and assessment thereof, and promote the management and operation of internal control by establishing “Internal Control Department” for company-wide maintenance and strengthening of internal control.

### **(6) Matters Relating to Assignment of Employees who Assist the Duties of Audit & Supervisory Board Members**

- An “Audit & Supervisory Board Members Secretariat” independent of the Directors is established as a department for assisting the Audit & Supervisory Board Members.

### **(7) Matters Relating to Independence from Directors, of Employees who Assist the Duties of Audit & Supervisory Board Members**

- The Audit & Supervisory Board may receive advance reports on the personnel movements and personnel evaluations relating to the “Audit & Supervisory Board Members Secretariat,” and request to the officer in charge of personnel affairs for changes if such request is necessary.

**(8) System for Reporting to Audit & Supervisory Board Members by Directors and Employees and Other Systems for Reporting to Audit & Supervisory Board Members**

- Directors and employees report the following matters to Audit & Supervisory Board Members without delay, in addition to statutory reporting matters:
  - a. Cases discussed/reported in the management meeting;
  - b. Detected matters that are likely to cause significant damages to the Company;
  - c. Results of operations audit performed by the Audit Department and other internal audit departments;
  - d. Status and content of information relating to the whistleblower system established by the Directors; and
  - e. Other matters which the Audit & Supervisory Board considers necessary to be reported in the course of performing its duties.

**(9) Other Systems for Ensuring Effective Performance of Audit by Audit & Supervisory Board Members**

- Audit & Supervisory Board Members and the Audit & Supervisory Board have regular meetings with the Representative Director, and exchange opinions regarding the tasks to be addressed by the Company, risks surrounding the Company, status of improvement of the environment of audit by the Audit & Supervisory Board Members, significant matters, etc. in performing the audit and other matters, as well as confirming the management policies of the Representative Director.

**(10) Basic Philosophy for Rejection of Anti-Social Forces and Status of Arrangement Thereof**

- The Company includes its “Attitude to Anti-Social Forces” in Article 7 of the “Code of Conduct” which specifies the basic principles of corporate ethics, declaring that the Company will assume a resolute attitude toward any forces/groups threatening the healthy activities of an entity.
- General Affairs Department of the Company assumes the role of company-wide control, which endeavors to collect information on any anti-social forces and doubtful groups, in close collaboration with external institutions (related government offices/associations/lawyers, etc.) and centrally manage such information, including internal distribution of information, calling for attention, etc.
- “Standards of Conduct” which specify specific matters to be observed in performing the business activities in accordance with the “Code of Conduct” are distributed to all officers and employees, in order to enlighten the officers and employees by indicating their required “responses to anti-social forces.”

## 7. Basic Policies Relating to Control of Joint-Stock Company

### (1) Content of Basic Policies

Basic policies regarding the way of being of persons who control the determination of policies for the Company's finance and business are as follows:

The Company has developed business strategies for sales, production, technology, new businesses, etc. based on medium and long term perspectives and has been aiming to achieve the stable development and growth of the Company. However, the circumstances surrounding our business have been changing drastically and requires us an extremely important steering in the short-term management judgment for ensuring a sustainable growth toward the future.

In the Medium-Term Business Plan, the Company plans to reconstruct its business base at the first stage (from FY2012 to FY2014), and achieve the Group's challenge targets of "consolidated net sales of 111 billion yen, operating income of 16.7 billion yen, and an operating margin of 15% or more" in the final years of the second stage (from FY2015 to FY2017).

The Company will strive to strengthen a sustainable business base and enhance corporate value by steadily implementing the Medium-Term Business Plan.

Cooperating with our business partners, including customers and suppliers, employees and their families, local residents and other stakeholders, the Company will pursue flexible responses to the short-term and rapid changes and achieve a sustainable growth of business management in the view of medium and long term perspectives. The Company believes that returning profits gained as a result of such sustainable growth, to shareholders would come to be the better contribution to the common interest rather than distributing short-term or tentative profits to shareholders.

Accordingly, the Company would like stakeholders such as customers and suppliers, employees and their families and local residents, who support our sustainable growth based on medium and long term perspectives aforementioned, to hold our shares with proper balance.

### (2) Efforts for Contributing to Achievement of Basic Policies

#### 1) Special efforts for contributing to achievement of basic policies

- a. Effective utilization of the Company's properties for achieving sustainable growth through business management based on medium and long term perspectives
  - The Company has been utilizing its properties effectively in order to achieve a sustainable growth through business management based on medium and long term perspectives.
  - Since it becomes necessary to establish production and sales bases responsive to the future trend and changes of market, to upgrade product quality, production efficiency, management ability, etc. of domestic and overseas subsidiaries to the standards of the Company, and to maintain product quality, production efficiency, management ability, etc. of domestic and overseas subsidiaries to the standards of the Company, in order to achieve a sustainable growth through business management based on medium and long term perspectives, the Company will invest its properties to proactive research and development activities, utilization of advanced technologies through sending the employees of overseas production bases to the training courses at the Company, utilization of advanced technologies through industry-government-academia cooperation, protection of technologies through acquisition of patents, etc., in consideration of the balance between such investments and dividend of surplus 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-Ownership Plan.
  - The Company also continues to implement active efforts to enhance the Employee Stock-Ownership Plan.
- c. Promotion of understanding of the Company by local residents
  - The Company interacts with local residents and tries to gain better understanding of the Company by local residents, such as by attendance to social programs and local residents' attendance to factory tours at major business locations.

#### 2) Efforts for preventing the control by shareholders who violate basic policies

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

At first, the Company will conduct proactive IR activities in order to increase the corporate reputation of the Company in the market, as well as effectively utilizing the Company's assets to the fullest extent, thus achieving its 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 its substantial shareholders on a continuous basis and, if a hostile acquirer appears, will check and assess the purposes of acquisition by the said hostile acquirer and make negotiations with the said hostile acquirer on hearing the opinions of external specialists. If it is considered that the hostile acquirer is inappropriate in view of the Company's basic policies, the Company will take appropriate countermeasures.

Also, the Company does not deny the introduction of advance measures for the prevention of hostile acquisition in order to prepare for possible appearance of a hostile acquirer, and will continue to make studies on effective measures by reference to laws and regulations, guidance issued by related institutions and the trend of other companies, as well as securing the common interests of our shareholders.

**(3) Judgment on and Reason for Reasonableness of Above Efforts**

It is clear, from the manner of efforts, that the above efforts are consistent with the basic policies, do not infringe the common interests of shareholders, and are not intended to maintain the positions of the Company's officers. We also consider that the countermeasures and measures for the prevention of hostile acquisition are apparently appropriate because they are put to motion only when the acquisition is against the Company's basic policies.

**8. Other Significant Matters Relating to Status of Joint-Stock Company**

There are no applicable items.

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(Note) Amounts, numbers of shares, percentages of holding of voting rights, and ratios of shareholding described in this Business Report are presented by rounding down fractions under units for presentation. Other ratios are presented as units rounded down to the nearest unit.



## Consolidated Balance Sheet

(As of March 31, 2014)

(Unit: 1,000 Yen)

| Assets                              |                    | Liabilities                                            |                    |
|-------------------------------------|--------------------|--------------------------------------------------------|--------------------|
| Account                             | Amount             | Account                                                | Amount             |
| <b>Current assets</b>               | <b>51,743,023</b>  | <b>Current Liabilities</b>                             | <b>32,098,717</b>  |
| Cash and deposits                   | 12,047,664         | Notes and accounts payable-trade                       | 5,938,944          |
| Notes and accounts receivable-trade | 21,057,988         | Electronically recorded obligations - operating        | 7,283,574          |
| Securities                          | 755                | Short-term borrowings                                  | 6,687,379          |
| Merchandise and finished goods      | 6,998,336          | Current portion of bonds                               | 75,000             |
| Work in process                     | 5,765,423          | Current portion of long-term borrowings                | 2,387,389          |
| Raw materials and supplies          | 3,143,785          | Lease liabilities                                      | 624,187            |
| Deferred tax assets                 | 1,417,827          | Accrued income taxes                                   | 1,759,548          |
| Others                              | 1,372,447          | Reserve for bonuses                                    | 1,508,405          |
| Allowance for doubtful accounts     | (61,206)           | Reserve for Directors' bonuses                         | 147,700            |
|                                     |                    | Reserve for compensation for products                  | 102,730            |
| <b>Fixed assets</b>                 | <b>52,356,064</b>  | Electronically recorded obligations - non-operating    | 883,289            |
| <b>Tangible fixed assets</b>        | <b>45,591,634</b>  | Others                                                 | 4,700,567          |
| Buildings and structures            | 14,276,955         | <b>Non-Current Liabilities</b>                         | <b>25,267,059</b>  |
| Machinery, equipment and carriers   | 16,270,358         | Long-term borrowings                                   | 17,667,842         |
| Land                                | 9,303,770          | Lease liabilities                                      | 450,218            |
| Lease assets                        | 786,502            | Deferred tax liabilities                               | 1,922,821          |
| Construction in progress            | 3,673,733          | Net defined benefit liability                          | 4,484,530          |
| Others                              | 1,280,313          | Provision for environmental measures                   | 35,914             |
| <b>Intangible fixed assets</b>      | <b>1,931,362</b>   | Asset retirement obligations                           | 17,720             |
| Goodwill                            | 820,915            | Negative goodwill                                      | 3,761              |
| Lease assets                        | 150,760            | Others                                                 | 684,250            |
| Others                              | 959,686            | <b>Total Liabilities</b>                               | <b>57,365,777</b>  |
| <b>Investments and other assets</b> | <b>4,833,067</b>   | Net Assets                                             |                    |
| Investment securities               | 2,787,183          | <b>Stockholders' equity</b>                            | <b>38,386,356</b>  |
| Long-term loans                     | 72,242             | Capital stock                                          | 7,273,178          |
| Deferred tax assets                 | 1,125,106          | Capital surplus                                        | 7,946,245          |
| Others                              | 891,310            | Retained earnings                                      | 24,578,832         |
| Allowance for doubtful accounts     | (42,775)           | Treasury stocks                                        | (1,411,900)        |
|                                     |                    | <b>Accumulated other comprehensive income</b>          | <b>454,551</b>     |
|                                     |                    | Net unrealized gain (loss) on securities               | 958,119            |
|                                     |                    | Foreign currency translation adjustments               | 782,742            |
|                                     |                    | Remeasurements of defined benefit plans                | (1,286,311)        |
|                                     |                    | <b>Minority interests in consolidated subsidiaries</b> | <b>7,892,403</b>   |
|                                     |                    | <b>Total Net Assets</b>                                | <b>46,733,310</b>  |
| <b>Total Assets</b>                 | <b>104,099,088</b> | <b>Total Liabilities and Net Assets</b>                | <b>104,099,088</b> |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## Consolidated Statement of Income

( From: April 1, 2013  
To: March 31, 2014 )

(Unit: 1,000 Yen)

| Account                                                                    | Amount    |                   |
|----------------------------------------------------------------------------|-----------|-------------------|
| <b>Net sales</b>                                                           |           | <b>77,350,018</b> |
| <b>Cost of sales</b>                                                       |           | <b>56,057,711</b> |
| <b>Gross profit on sales</b>                                               |           | <b>21,292,307</b> |
| <b>Selling, general and administrative expenses</b>                        |           | <b>13,923,773</b> |
| <b>Operating income</b>                                                    |           | <b>7,368,533</b>  |
| <b>Non-operating income</b>                                                |           |                   |
| Interest and dividend income                                               | 96,251    |                   |
| Foreign exchange gains                                                     | 512,039   |                   |
| Amortization of negative goodwill                                          | 603       |                   |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies | 167,671   |                   |
| Proceeds on sale of scraps                                                 | 518,097   |                   |
| Others                                                                     | 343,138   | 1,637,803         |
| <b>Non-operating expenses</b>                                              |           |                   |
| Interest expense                                                           | 484,638   |                   |
| Retirement benefit expenses                                                | 257,451   |                   |
| Others                                                                     | 200,676   | 942,766           |
| <b>Ordinary income</b>                                                     |           | <b>8,063,570</b>  |
| <b>Extraordinary gains</b>                                                 |           |                   |
| Gain on sales of non-current assets                                        | 896,118   |                   |
| Gain on sales of investment securities                                     | 638       | 896,757           |
| <b>Extraordinary losses</b>                                                |           |                   |
| Impairment loss                                                            | 17,430    | 17,430            |
| <b>Income before income taxes</b>                                          |           | <b>8,942,897</b>  |
| Corporation tax, inhabitant tax and business tax                           | 2,670,334 |                   |
| Income taxes-deferred                                                      | 492,866   | 3,163,201         |
| <b>Income before minority interests</b>                                    |           | <b>5,779,696</b>  |
| <b>Minority interests in earnings of consolidated subsidiaries</b>         |           | <b>1,044,123</b>  |
| <b>Net income</b>                                                          |           | <b>4,735,573</b>  |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## Consolidated Statements of Changes in Shareholders' Equity

( From: April 1, 2013  
To: March 31, 2014 )

(Unit: 1,000 Yen)

|                                                                                    | Stockholders' equity |                 |                   |                 |                            |
|------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                                                    | Capital stock        | Capital surplus | Retained earnings | Treasury stocks | Total stockholders' equity |
| Balance at the beginning of the current year                                       | 7,273,178            | 7,946,245       | 20,400,881        | (1,404,836)     | 34,215,468                 |
| Changes during the current year                                                    |                      |                 |                   |                 |                            |
| Dividend of surplus                                                                |                      |                 | (557,621)         |                 | (557,621)                  |
| Net income                                                                         |                      |                 | 4,735,573         |                 | 4,735,573                  |
| Acquisition of treasury stocks                                                     |                      |                 |                   | (7,063)         | (7,063)                    |
| Changes (net) in the items other than stockholders' equity during the current year |                      |                 |                   |                 |                            |
| Total changes during the current year                                              | —                    | —               | 4,177,951         | (7,063)         | 4,170,887                  |
| Balance at the end of the current year                                             | 7,273,178            | 7,946,245       | 24,578,832        | (1,411,900)     | 38,386,356                 |

(Unit: 1,000 Yen)

|                                                                                    | Accumulated other comprehensive income   |                                          |                                         |                                              | Minority interests in consolidated subsidiaries | Total net assets |
|------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------------------------|------------------|
|                                                                                    | Net unrealized gain (loss) on securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                                                 |                  |
| Balance at the beginning of the current year                                       | 725,883                                  | (1,452,808)                              | —                                       | (726,924)                                    | 6,573,542                                       | 40,062,085       |
| Changes during the current year                                                    |                                          |                                          |                                         |                                              |                                                 |                  |
| Dividend of surplus                                                                |                                          |                                          |                                         |                                              |                                                 | (557,621)        |
| Net income                                                                         |                                          |                                          |                                         |                                              |                                                 | 4,735,573        |
| Acquisition of treasury stocks                                                     |                                          |                                          |                                         |                                              |                                                 | (7,063)          |
| Changes (net) in the items other than stockholders' equity during the current year | 232,236                                  | 2,235,551                                | (1,286,311)                             | 1,181,476                                    | 1,318,861                                       | 2,500,337        |
| Total changes during the current year                                              | 232,236                                  | 2,235,551                                | (1,286,311)                             | 1,181,476                                    | 1,318,861                                       | 6,671,225        |
| Balance at the end of the current year                                             | 958,119                                  | 782,742                                  | (1,286,311)                             | 454,551                                      | 7,892,403                                       | 46,733,310       |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## **I. Significant Matters that Form the Basis of Presenting Consolidated Financial Statements**

### 1. Matters relating to scope of consolidation

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Number of consolidated subsidiaries          | 20 companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Names of consolidated subsidiaries               | Daido Logitech Co., Ltd.<br>Daido Metal Sales Co., Ltd.<br>Daido Plain Bearings Co., Ltd.<br>Daido Industrial Bearings Japan Co., Ltd.<br>Daido Metal U.S.A. Inc.<br>Daido Metal Kotor AD<br>Daido Industrial Bearings Europe Ltd.<br>Daido Metal Czech s.r.o.<br>Dyna Metal Co., Ltd.<br>Chung Yuan Daido Co., Ltd.<br>P.T. Daido Metal Indonesia<br>Dongsung Metal Co., Ltd.<br>NDC Co., Ltd.<br>NDC Sales Co., Ltd.<br>Daido Precision Metal (Suzhou) Co., Ltd.<br>Daido Metal Germany GmbH<br>Asia Kelmet Co., Ltd.<br>Daido Metal Europe Ltd.<br>Daido Metal Russia LLC<br>Daido Metal Mexico S.A. de C.V. |
| (2) Names of unconsolidated subsidiaries         | Korea Dry Bearing Co., Ltd.<br>Chung Yuan Daido (Guangzhou) Co., Ltd.<br>Daido Metal Mexico Sales, S.A. de C.V.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Reason for exclusion from scope of consolidation | Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd. and Daido Metal Mexico Sales S.A. de C.V. have been excluded from the scope of consolidation because all these companies are small in size and none of their total assets, sales, net income or loss (amount corresponding to the equity share) and retained earnings (amount corresponding to the equity share) does not have a material effect on the consolidated financial statements.                                                                                                                                                  |

## 2. Matters relating to application of equity method

- (1) Number of unconsolidated subsidiaries and affiliated companies to which the equity method was applied

|                    |                                                                                                        |
|--------------------|--------------------------------------------------------------------------------------------------------|
|                    | 2 companies                                                                                            |
| Names of companies | (Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd.<br>(Affiliated company) BBL Daido Private Ltd. |

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

|                                             |                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             | (Unconsolidated subsidiaries)<br>Chung Yuan Daido (Guangzhou) Co., Ltd.<br>Daido Metal Mexico Sales S.A. de C.V.                                                                                                                                                                                                                                      |
| Reason for non-application of equity method | Chung Yuan Daido (Guangzhou) Co., Ltd. and Daido Metal Mexico Sales S.A. de C.V. have been excluded from the range of application of the equity method, because their effect on net income or loss (amount corresponding to the equity share), retained earnings (amount corresponding to the equity share), etc. is minor and immaterial as a whole. |

- (3) Matters of special mention regarding the procedures for application procedures of equity method
- For companies to which the equity method is applicable and of which closing dates are different from the consolidated closing date, financial statements for the fiscal year of each company are used.

## 3. Matters relating to the fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, the closing date for Daido Metal U.S.A. Inc., Daido Metal Kotor AD, Daido Industrial Bearings Europe LTD., Daido Metal Czech s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., P.T. Daido Metal Indonesia, Dongsung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Germany GmbH, Daido Metal Europe LTD, Daido Metal Russia LLC and Daido Metal Mexico S.A. de C.V. is December 31.  
In the preparation of consolidated financial statements, financial statements as of the same date are used. However, required adjustments for consolidation were made for important transactions that occurred during the period up to the consolidated closing date.

## 4. Matters relating to accounting standards

- (1) Basis and method of valuation of important assets

- 1) Basis and method of valuation of securities

Other securities

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

- 2) Basis and method of valuation of derivatives

Stated at market value

- 3) Basis and method of valuation of inventories

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

|                                          |                                      |
|------------------------------------------|--------------------------------------|
| (a) Merchandise and finished goods ..... | Gross average method                 |
| (b) Work in process .....                | Gross average method                 |
| (c) Raw materials .....                  | Principally by gross average method  |
| (d) Supplies .....                       | Principally by moving average method |

- (2) Method of depreciation of important depreciable assets

- 1) Tangible fixed assets (excluding lease assets)

The Company and 5 companies among the consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Useful lives for major assets are as follows:

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

2) Intangible fixed assets (excluding lease assets)

Straight-line method is used.

3) Lease assets

- Lease assets relating to finance lease transactions which transfer the ownership of lease assets

The same depreciation method as applied to self-owned fixed assets is used.

- Lease assets relating to finance lease transactions which do not transfer the ownership of lease assets

Straight-line method based on the useful life equal to the lease period and residual value of zero is used.

Finance lease transactions, which do not transfer the ownership of lease assets whose lease inceptions are on or before the 1st year of adoption of the revised Accounting Standard for Lease Transactions, are continuously accounted for by a method similar to the method applicable to ordinary lease transactions.

(3) Basis of recording important reserves

1) Allowance for doubtful accounts

In order to prepare for any losses by bad debt receivables, an amount estimated to be unrecoverable is provided based on the calculation of past actual bad debt ratio for general reserves and from reviewing the probability of recovery in individual cases for specific receivable where there is concern over claims.

2) Reserve for bonuses

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

3) Reserve for Directors' bonuses

In order to prepare for future payment of Directors' bonuses, an estimated amount of bonuses payable is provided.

4) Reserve for compensation for products

In order to prepare for any expenditure of warranty expenses relating to the quality of products, an estimated amount required to be paid in future is provided.

5) Provision for environmental measures

In order to prepare for payment of disposal cost of PCB wastes required to be treated as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," an estimated amount of disposal cost to be paid is provided.

(4) Other significant matters which are the basis for presentation of consolidated financial statements

1) Accounting treatment for retirement benefits

When calculating retirement benefit obligation, the straight-line basis is used to allocate estimated retirement benefits over the period up to the end of the current consolidated fiscal year.

A pro-rated amount of differences arising from accounting changes is expensed in 15 years.

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

For actuarial differences, an amount prorated by the straight-line method over the average remaining service years of employees at time of occurrence thereof in each consolidated fiscal year is expensed starting from the consolidated fiscal year that follows the consolidated fiscal year of occurrence.

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

(Change in accounting policy)

Effective from the end of the current consolidated fiscal year, the Company adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits"), except for the provisions prescribed in the main part of Paragraph 35 of the Retirement Benefits Accounting Standard and the main part of Paragraph 67 of the Guidance on Retirement Benefits. Based on this Standard and Guidance, the Company changed the accounting method to record the amount calculated by deducting plan assets from retirement benefit obligation as net defined benefit liability, and recorded unrecognized actuarial differences and unrecognized past service costs as net defined benefit liability.

In accordance with transitional treatment as stipulated in Paragraph 37 of the Retirement Benefits Accounting Standard, the effect of the change is recognized in remeasurements of defined benefit plans within accumulated other comprehensive income as of the end of the current consolidated fiscal year.

As a result, a net defined benefit liability of 4,484,530 thousand yen was recorded at the end of the current consolidated fiscal year. Accumulated other comprehensive income decreased by 1,286,311 thousand yen.

The effect on per share information is described in the relevant notes.

- 2) Standard for conversion of foreign currency denominated assets and liabilities into Japanese Yen  
Foreign currency denominated receivables and payables are translated into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries, etc. are translated into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are included in the foreign currency adjustments and minority interests in consolidated subsidiaries in net assets.
- 3) Accounting method for important hedges
  - (a) Hedge accounting  
Special treatment is applied to interest rate swaps when the conditions of special treatment are met.
  - (b) Hedging instruments  
Derivative transactions (interest rate swaps)
  - (c) Hedged items  
Items with possibility of losses due to market fluctuations, etc. and for which such market fluctuations, etc. are not reflected in their evaluation and items with fixed cash flow and for which such fluctuations are avoided.
  - (d) Hedge policies  
The Company adopts a policy of utilizing derivative transactions as hedging instruments only for the purpose of avoiding the risks to assets and liabilities exposed to risks of market fluctuations.
  - (e) Evaluation of effectiveness of hedges  
The judgment on the evaluation of the effectiveness at the balance sheet date is omitted because the conditions of special treatment of interest swaps are met.
- 4) Matters relating to the amortization of goodwill and the amortization period  
Goodwill is amortized by the straight-line method within a period of 12 years based on the estimated period during which the effect thereof is being developed.
- 5) Accounting treatment of consumption taxes  
Consumption taxes are accounted for by the tax-excluded method.

## **II. Additional Information**

Revision to the amount of deferred tax assets and deferred tax liabilities due to changes in the rate of income taxes

With the promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10, 2014), the Special Reconstruction Corporation Tax will no longer be imposed from the consolidated fiscal year beginning on and after April 1, 2014. In accordance with this Act, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 37.7% applicable hitherto to 35.3%, for the temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2014.

This change in the tax rate has a minor impact on net amount of deferred tax assets (after deduction of deferred tax liabilities).

### III. Notes to Consolidated Balance Sheet

|                                                                                    |                  |              |
|------------------------------------------------------------------------------------|------------------|--------------|
| 1. Accumulated amount of depreciation of tangible fixed assets                     | 71,975,333       | thousand yen |
| 2. Assets pledged as collateral and liabilities corresponding to pledged assets    |                  |              |
| Assets pledged as collateral                                                       |                  |              |
| Buildings and structures                                                           | 616,384          | thousand yen |
| Machinery, equipment and carriers                                                  | 1,431,027        |              |
| Land                                                                               | 856,816          |              |
| Other tangible fixed assets                                                        | 13,269           |              |
| Total                                                                              | <u>2,917,497</u> |              |
| Liabilities corresponding to pledged assets                                        |                  |              |
| Short-term borrowings                                                              | 1,780,000        | thousand yen |
| Long-term borrowings<br>(including amounts scheduled to be repaid within one year) | 1,118,328        |              |
| Total                                                                              | <u>2,898,328</u> |              |
| 3. Liabilities for guarantee                                                       |                  |              |
| Amount of employee housing loans, etc.                                             | 227,297          | thousand yen |
| 4. Discounted notes receivable and transfer by endorsement of notes receivable     |                  |              |
| Discounted export bills                                                            | 24,387           | thousand yen |



#### **IV. Notes to Consolidated Statement of Changes in Shareholders' Equity**

1. Total number of issued shares as of the end of current consolidated fiscal year  
Ordinary shares 44,956 thousand shares
2. Matters relating to dividend
  - (1) Total amount of dividend paid

| Resolution                                            | Kind of share  | Total amount of dividend (1,000 yen) | Amount of dividend per share (yen) | Base date          | Effective date   |
|-------------------------------------------------------|----------------|--------------------------------------|------------------------------------|--------------------|------------------|
| Annual shareholders' meeting held on June 27, 2013    | Ordinary share | 278,818                              | 7.00                               | March 31, 2013     | June 28, 2013    |
| Board of Directors' meeting held on November 14, 2013 | Ordinary share | 278,803                              | 7.00                               | September 30, 2013 | December 9, 2013 |

- (2) Of dividends for which the base date belongs to the current consolidated fiscal year, those that come into effect in the following consolidated fiscal year

| Resolution                                               | Kind of share  | Total amount of dividend (1,000 yen) | Amount of dividend per share (yen) | Base date      | Effective date |
|----------------------------------------------------------|----------------|--------------------------------------|------------------------------------|----------------|----------------|
| Annual shareholders' meeting to be held on June 27, 2014 | Ordinary share | 398,235                              | 10.00                              | March 31, 2014 | June 30, 2014  |

Fiscal resource of dividends is planned to be retained earnings.

## V. Notes to Financial Instruments

### 1. Matters relating to status of financial instruments

The Group limits its investment of funds to short-term deposits only, and the required funds are procured from financial institutions such as banks.

Credit risks of customers relating to notes and accounts receivable-trade are mitigated in line with the credit management regulations.

Investment securities consist mainly of shares, and the market values of listed shares are reviewed in each quarterly period.

Borrowings are used for the working capital (mainly short-term) and capital investment funds (long-term), and interest swap transactions are made for a part of long-term borrowings in order to fix the interest expense against the risk of interest rate fluctuations. Derivative transactions are made within the scope of actual demand in accordance with the internal management regulations.

### 2. Matters relating to market values, etc. of financial instruments

Consolidated balance sheet amounts, market values and differences as of March 31, 2014 are as follows:

(Unit: 1,000 yen)

|                                                                                     | Consolidated balance sheet amount (*) | Market value (*) | Difference |
|-------------------------------------------------------------------------------------|---------------------------------------|------------------|------------|
| (1) Cash and deposits                                                               | 12,047,664                            | 12,047,664       | —          |
| (2) Notes and accounts receivable-trade                                             | 21,057,988                            | 21,057,988       | —          |
| (3) Investment securities                                                           | 2,164,615                             | 2,164,615        | —          |
| (4) Notes and accounts payable-trade                                                | (5,938,944)                           | (5,938,944)      | —          |
| (5) Electronically recorded obligations - operating                                 | (7,283,574)                           | (7,283,574)      | —          |
| (6) Short-term borrowings                                                           | (6,687,379)                           | (6,687,379)      | —          |
| (7) Current portion of bonds                                                        | (75,000)                              | (74,381)         | 618        |
| (8) Long-term borrowings (including amounts scheduled to be repaid within one year) | (20,055,231)                          | (19,944,369)     | 110,861    |
| (9) Electronically recorded obligations - non-operating                             | (883,289)                             | (883,289)        | —          |
| (10) Lease liabilities                                                              | (1,074,406)                           | (1,097,399)      | (22,992)   |

(\*) Items recorded in liabilities are shown by ( ).

(Note 1) Matters relating to the method of calculation of market values of financial instruments, and securities and derivative transactions

#### (1) Cash and deposits and (2) Notes and accounts receivable-trade

These are stated at their carrying values because they are settled in a short period and their market values are almost equal to their carrying values.

#### (3) Investment securities

Market values of investment securities are based on quotations in the stock exchange, and the market values of debentures are calculated based on the present values obtained by discounting the total amount of principal by a rate determined in consideration of the remaining period of such debentures.

#### (4) Notes and accounts payable-trade, (5) Electronically recorded obligations – operating, (6) Short-term borrowings and (9) Electronically recorded obligations - non-operating

These are stated at their carrying values because they are settled in a short period and their market values are almost equal to their carrying values.

#### (7) Current portion of bonds, (8) Long-term borrowings (including amounts scheduled to be repaid within one year) and (10) Lease liabilities

Market values of these items are calculated by discounting the total amount of principal and interest by a rate that is assumed if the same transaction were newly made. Long-term borrowing at variable interest rate subject to the special treatment of interest rate swaps, and their market values are calculated by discounting the amount of principal and interest treated as a unit with such interest rate swaps, by a rate reasonably estimated and applicable if the same borrowings were newly made.

(Note 2) Since it is considered extremely difficult to obtain the market values of unlisted stocks (consolidated balance sheet amount of 622,568 thousand yen) because their market quotations are not available and their future cash flows cannot be estimated, they are not included in “(3) Investment securities.”

## VI. Notes to Rental Properties

### 1. Matters relating to the status of rental properties

The Group owns rental properties in Nagoya city and other districts.

### 2. Matters relating to market values of rental properties

(Unit: 1,000 yen)

| Consolidated balance sheet amount | Market value |
|-----------------------------------|--------------|
| 785,935                           | 4,852,378    |

(Notes) 1. The amount recorded in the consolidated balance sheet represents the acquisition cost deducted by accumulated amount of depreciation and accumulated impairment loss.

2. The market value at the balance sheet date represents an amount principally based on the “real-estate appraisal standards.”

## VII. Notes to Per Share Information

- |                                   |            |
|-----------------------------------|------------|
| 1. Amount of net assets per share | 975.32 yen |
| 2. Net income per share           | 118.89 yen |

\* As described in “Change in accounting policy,” the Company applied the Retirement Benefits Accounting Standard and related Guidance, and followed the transitional treatment as stipulated in Paragraph 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share of the current consolidated fiscal year decreased by 32.30 yen.

## Non-Consolidated Balance Sheet

(As of March 31, 2014)

(Unit: 1,000 Yen)

| Assets                                                      |                   | Liabilities                                         |                    |
|-------------------------------------------------------------|-------------------|-----------------------------------------------------|--------------------|
| Account                                                     | Amount            | Account                                             | Amount             |
| <b>Current assets</b>                                       | <b>33,664,403</b> | <b>Current liabilities</b>                          | <b>20,896,633</b>  |
| Cash and deposits                                           | 4,547,158         | Accounts payable-trade                              | 4,937,315          |
| Notes receivable-trade                                      | 1,341,764         | Electronically recorded obligations - operating     | 8,705,483          |
| Accounts receivable-trade                                   | 17,620,723        | Current portion of long-term borrowings             | 1,059,600          |
| Merchandise and finished goods                              | 1,809,235         | Lease liabilities                                   | 248,100            |
| Work in process                                             | 3,002,461         | Other accounts payable                              | 1,746,720          |
| Raw materials and supplies                                  | 1,531,614         | Accrued expenses                                    | 851,578            |
| Prepaid expenses                                            | 142,431           | Accrued income taxes                                | 1,080,008          |
| Deferred tax assets                                         | 878,318           | Accrued consumption taxes                           | 73,239             |
| Short-term loans to affiliated companies                    | 1,159,452         | Advances received                                   | 6,107              |
| Accounts receivable-other                                   | 1,560,624         | Deposits received                                   | 57,539             |
| Others                                                      | 71,019            | Unearned revenue                                    | 21,175             |
| Allowance for doubtful accounts                             | (400)             | Reserve for bonuses                                 | 1,104,683          |
|                                                             |                   | Reserve for Directors' bonuses                      | 147,700            |
|                                                             |                   | Electronically recorded obligations - non-operating | 856,589            |
|                                                             |                   | Others                                              | 791                |
| <b>Fixed assets</b>                                         | <b>35,581,276</b> | <b>Non-current liabilities</b>                      | <b>12,309,258</b>  |
| <b>Tangible fixed assets</b>                                | <b>14,192,666</b> | Long-term borrowings                                | 9,110,000          |
| Buildings                                                   | 3,595,759         | Lease liabilities                                   | 392,335            |
| Structures                                                  | 564,740           | Long-term accounts payable                          | 557,526            |
| Machinery and equipment                                     | 5,739,476         | Reserve for retirement benefits                     | 2,197,343          |
| Cars and carriers                                           | 13,270            | Provision for environmental measures                | 9,280              |
| Tools, furniture and fixtures                               | 271,372           | Asset retirement obligations                        | 1,800              |
| Land                                                        | 1,957,376         | Others                                              | 40,971             |
| Lease assets                                                | 622,097           |                                                     |                    |
| Construction in progress                                    | 1,428,573         |                                                     |                    |
|                                                             |                   | <b>Total Liabilities</b>                            | <b>33,205,891</b>  |
| <b>Intangible fixed assets</b>                              | <b>796,397</b>    | Net Assets                                          |                    |
| Software                                                    | 367,221           | <b>Stockholders' equity</b>                         | <b>35,184,511</b>  |
| Lease assets                                                | 68,280            | <b>Capital stock</b>                                | <b>7,273,178</b>   |
| Right for using facilities                                  | 17,128            | <b>Capital surplus</b>                              | <b>7,946,245</b>   |
| Others                                                      | 343,767           | Legal capital surplus                               | 7,649,095          |
|                                                             |                   | Other capital surplus                               | 297,150            |
| <b>Investments and other assets</b>                         | <b>20,592,212</b> | <b>Retained earnings</b>                            | <b>21,376,987</b>  |
| Investment securities                                       | 1,730,611         | Legal retained earnings                             | 743,443            |
| Stocks of affiliated companies                              | 9,407,850         | Other retained earnings                             | 20,633,544         |
| Investments of capital in affiliated companies              | 7,526,346         | Reserve for compressed entry of fixed assets        | 1,210,954          |
| Long-term loans to employees                                | 30,450            | General reserve                                     | 15,000,000         |
| Long-term loans receivable from subsidiaries and associates | 151,947           | Retained earnings brought forward                   | 4,422,589          |
| Bankruptcy and reorganization claims, etc.                  | 2,083             | <b>Treasury stocks</b>                              | <b>(1,411,900)</b> |
| Long-term prepaid expenses                                  | 11,763            | <b>Valuation, translation adjustments and other</b> | <b>855,276</b>     |
| Deferred tax assets                                         | 87,863            | Net unrealized gain (loss) on securities            | 855,276            |
| Prepaid pension expenses                                    | 793,944           |                                                     |                    |
| Others                                                      | 862,575           |                                                     |                    |
| Allowance for doubtful accounts                             | (13,223)          |                                                     |                    |
|                                                             |                   | <b>Total Net Assets</b>                             | <b>36,039,787</b>  |
| <b>Total Assets</b>                                         | <b>69,245,679</b> | <b>Total Liabilities and Net Assets</b>             | <b>69,245,679</b>  |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## Non-Consolidated Statement of Income

( From: April 1, 2013  
To: March 31, 2014 )

(Unit: 1,000 Yen)

| Account                                             | Amount    |                   |
|-----------------------------------------------------|-----------|-------------------|
| <b>Net sales</b>                                    |           | <b>58,978,199</b> |
| <b>Cost of sales</b>                                |           | <b>46,298,171</b> |
| <b>Gross profit on sales</b>                        |           | <b>12,680,027</b> |
| <b>Selling, general and administrative expenses</b> |           | <b>8,685,538</b>  |
| <b>Operating income</b>                             |           | <b>3,994,488</b>  |
| <b>Non-operating income</b>                         |           |                   |
| Interest and dividend income                        | 631,200   |                   |
| Foreign exchange gains                              | 25,118    |                   |
| Proceeds on sale of scraps                          | 270,864   |                   |
| Others                                              | 169,837   | 1,097,020         |
| <b>Non-operating expenses</b>                       |           |                   |
| Interest expense                                    | 210,323   |                   |
| Retirement benefit expenses                         | 199,283   |                   |
| Others                                              | 70,683    | 480,291           |
| <b>Ordinary income</b>                              |           | <b>4,611,217</b>  |
| <b>Extraordinary gains</b>                          |           |                   |
| Gain on sales of non-current assets                 | 670,669   |                   |
| Gain on sales of investment securities              | 638       | 671,307           |
| <b>Extraordinary losses</b>                         |           |                   |
| Impairment loss                                     | 17,430    | 17,430            |
| <b>Income before income taxes</b>                   |           | <b>5,265,094</b>  |
| Corporation tax, inhabitant tax and business tax    | 1,535,863 |                   |
| Income taxes-deferred                               | 341,911   | 1,877,774         |
| <b>Net income</b>                                   |           | <b>3,387,320</b>  |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## Non-Consolidated Statements of Changes in Shareholders' Equity

( From: April 1, 2013  
To: March 31, 2014 )

(Unit: 1,000 Yen)

|                                                                                | Shareholders' equity |                       |                       |                         |
|--------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|
|                                                                                | Capital stock        | Capital surplus       |                       | Retained earnings       |
|                                                                                |                      | Legal capital surplus | Other capital surplus | Legal retained earnings |
| Balance at the beginning of the current year                                   | 7,273,178            | 7,649,095             | 297,150               | 743,443                 |
| Changes during the current year                                                |                      |                       |                       |                         |
| Provision of reserve for advanced depreciation of non-current assets           |                      |                       |                       |                         |
| Reversal of reserve for compressed entry of fixed assets                       |                      |                       |                       |                         |
| Reversal of general reserve                                                    |                      |                       |                       |                         |
| Dividend of surplus                                                            |                      |                       |                       |                         |
| Net income                                                                     |                      |                       |                       |                         |
| Acquisition of treasury stocks                                                 |                      |                       |                       |                         |
| Changes (net) in items other than shareholders' equity during the current year |                      |                       |                       |                         |
| Total changes during the current year                                          | —                    | —                     | —                     | —                       |
| Balance at the end of the current year                                         | 7,273,178            | 7,649,095             | 297,150               | 743,443                 |

(Unit: 1,000 Yen)

|                                                                                | Shareholders' equity                         |                 |                                   |                 |                            |
|--------------------------------------------------------------------------------|----------------------------------------------|-----------------|-----------------------------------|-----------------|----------------------------|
|                                                                                | Retained earnings                            |                 |                                   | Treasury stocks | Total shareholders' equity |
|                                                                                | Other retained earnings                      |                 |                                   |                 |                            |
|                                                                                | Reserve for compressed entry of fixed assets | General reserve | Retained earnings brought forward |                 |                            |
| Balance at the beginning of the current year                                   | 947,865                                      | 13,000,000      | 3,855,980                         | (1,404,836)     | 32,361,876                 |
| Changes during the current year                                                |                                              |                 |                                   |                 |                            |
| Provision of reserve for advanced depreciation of non-current assets           | 276,920                                      |                 | (276,920)                         |                 | —                          |
| Reversal of reserve for compressed entry of fixed assets                       | (13,831)                                     |                 | 13,831                            |                 | —                          |
| Reversal of general reserve                                                    |                                              | 2,000,000       | (2,000,000)                       |                 | —                          |
| Dividend of surplus                                                            |                                              |                 | (557,621)                         |                 | (557,621)                  |
| Net income                                                                     |                                              |                 | 3,387,320                         |                 | 3,387,320                  |
| Acquisition of treasury stocks                                                 |                                              |                 |                                   | (7,063)         | (7,063)                    |
| Changes (net) in items other than shareholders' equity during the current year |                                              |                 |                                   |                 |                            |
| Total changes during the current year                                          | 263,089                                      | 2,000,000       | 566,609                           | (7,063)         | 2,822,634                  |
| Balance at the end of the current year                                         | 1,210,954                                    | 15,000,000      | 4,422,589                         | (1,411,900)     | 35,184,511                 |

(Unit: 1,000 Yen)

|                                                                                | Valuation, translation adjustments and other |                                                    | Total net assets |
|--------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|------------------|
|                                                                                | Net unrealized gain (loss) on securities     | Total valuation, translation adjustments and other |                  |
| Balance at the beginning of the current year                                   | 633,510                                      | 633,510                                            | 32,995,386       |
| Changes during the current year                                                |                                              |                                                    |                  |
| Provision of reserve for advanced depreciation of non-current assets           |                                              |                                                    | —                |
| Reversal of reserve for compressed entry of fixed assets                       |                                              |                                                    | —                |
| Reversal of general reserve                                                    |                                              |                                                    | —                |
| Dividend of surplus                                                            |                                              |                                                    | (557,621)        |
| Net income                                                                     |                                              |                                                    | 3,387,320        |
| Acquisition of treasury stocks                                                 |                                              |                                                    | (7,063)          |
| Changes (net) in items other than shareholders' equity during the current year | 221,766                                      | 221,766                                            | 221,766          |
| Total changes during the current year                                          | 221,766                                      | 221,766                                            | 3,044,401        |
| Balance at the end of the current year                                         | 855,276                                      | 855,276                                            | 36,039,787       |

(Note) Amounts are presented by rounding down fractions under 1,000 yen.

## **I. Matters Relating to Significant Accounting Policies**

### 1. Basis and method of valuation of assets

#### (1) Basis and method of valuation of securities

##### 1) Stocks of subsidiaries and

stocks of affiliated companies..... Stated at cost by the moving average method

##### 2) Other securities

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

Securities without market value..... Stated at cost determined by the moving average method

#### (2) Basis and method of valuation of inventories

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

1) Merchandise and finished goods..... Gross average method

2) Work in process..... Gross average method

3) Raw materials ..... Gross average method (Moving average method for a part of raw materials)

4) Supplies ..... Moving average method

### 2. Method of depreciation of fixed assets

#### (1) Tangible fixed assets (excluding lease assets)

Straight-line method is used for buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998, and declining balance method is used for other tangible fixed assets. Useful lives for major assets are as follows:

Buildings 3-50 years

Structures 7-60 years

Machinery and equipment 5-9 years

Cars and carriers 4-10 years

Tools, furniture and fixtures 2-20 years

#### (2) Intangible fixed assets (excluding lease assets)

Straight-line method is used. Useful life for software for in-house use is 5 years, and useful lives for right of using facilities are 15-20 years.

#### (3) Lease assets

- Lease assets relating to finance lease transactions which transfer the ownership of lease assets

The same depreciation method as applied to self-owned fixed assets is used.

- Lease assets relating to finance lease transactions which do not transfer the ownership of lease assets

Straight-line method based on the useful life equal to the lease period and residual value of zero is used.

For finance lease transactions, which do not transfer the ownership of lease assets whose lease inceptions are on or before the 1st year of adoption of the revised Accounting Standard for Lease Transactions, are continuously accounted for by a method similar to the method applicable to ordinary lease transactions.

### 3. Basis of recording reserves

#### (1) Allowance for doubtful accounts

In order to prepare for any losses by bad debt receivables, an amount estimated to be unrecoverable is provided based on the calculation of past actual bad debt ratio for general reserves and from reviewing the probability of recovery in individual cases for specific receivable where there is concern over claims.

#### (2) Reserve for bonuses

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

#### (3) Reserve for Directors' bonuses

In order to prepare for future payment of Directors' bonuses, an estimated amount of bonuses payable is provided.

#### (4) Reserve for retirement benefits

When calculating retirement benefit obligation, the straight-line basis is used to allocate estimated retirement benefits in the period up to the end of the current consolidated fiscal year.

A pro-rated amount of differences arising from accounting changes is expensed in 15 years.

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

For actuarial differences, an amount prorated by the straight-line method over the average remaining service years of employees at 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 operating officers, etc., an amount that would be required to be paid if all eligible officers retired at the balance sheet date is provided.

(5) Provision for environmental measures

In order to prepare for payment of disposal cost of PCB wastes required to be treated as stipulated by the “Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes,” an estimated amount of disposal cost to be paid is provided.

4. Other significant matters which are the basis for the presentation of financial statements

(1) Standard for conversion of foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated receivables and payables are translated into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in gains or losses.

(2) Accounting method for hedges

(a) Hedge accounting

Special treatment is applied to interest rate swaps when the conditions of special treatment are met.

(b) Hedging instruments

Derivative transactions (interest rate swaps)

(c) Hedged items

Items with possibility of losses due to market fluctuations, etc. and for which such market fluctuations, etc. are not reflected in their evaluation and items with fixed cash flow and for which such fluctuations are avoided.

(d) Hedge policies

The Company adopts a policy of utilizing derivative transactions as hedging instruments only for the purpose of avoiding the risks to assets and liabilities exposed to risks of market fluctuations.

(e) Evaluation of effectiveness of hedges

The judgment on the evaluation of the effectiveness at the balance sheet date is omitted because the conditions of special treatment of interest swaps are met.

(3) Accounting method for retirement benefits

The accounting method for unrecognized actuarial differences, unrecognized past service costs and differences arising from accounting changes that are yet to be recognized differs from the accounting method for the above items used in consolidated financial statements.

(4) Accounting treatment of consumption taxes

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



## **II. Notes to Balance Sheet**

|                                                                                                           |                         |
|-----------------------------------------------------------------------------------------------------------|-------------------------|
| 1. Accumulated amount of depreciation of tangible fixed assets                                            | 39,424,780 thousand yen |
| 2. Monetary claims and monetary debts to/from affiliated companies                                        |                         |
| Short-term monetary claims                                                                                | 8,099,194 thousand yen  |
| Long-term monetary claims                                                                                 | 238,754 thousand yen    |
| Short-term monetary debts                                                                                 | 4,626,931 thousand yen  |
| 3. Liabilities for guarantee                                                                              |                         |
| (1) For employee housing loans, etc.                                                                      | 227,297 thousand yen    |
| (2) For bank borrowings                                                                                   |                         |
| Daido Metal Czech s.r.o.                                                                                  | 2,016,730               |
| Daido Metal Kotor AD                                                                                      | 283,300                 |
| Daido Industrial Bearings Europe Ltd.                                                                     | 1,027,860               |
| Daido Metal Europe Ltd.                                                                                   | 1,011,491               |
| Daido Metal U.S.A. Inc.                                                                                   | 1,543,800               |
| Daido Metal Mexico S.A. de C.V.                                                                           | 2,058,400               |
| Daido Precision Metal (Suzhou) Co., Ltd.                                                                  | 1,265,916               |
| Daido Plain Bearings Co., Ltd.                                                                            | 630,500                 |
| (3) For liabilities on purchases                                                                          |                         |
| Daido Metal Kotor AD                                                                                      | 93,344                  |
| (4) For lease liabilities                                                                                 |                         |
| Daido Plain Bearings Co., Ltd.                                                                            | 595,670                 |
| (5) Relating to letter of awareness on management guidance, etc.<br>submitted relating to bank borrowings |                         |
| Daido Industrial Bearings Europe Ltd.                                                                     | 108,927                 |
| Total                                                                                                     | <u>10,863,239</u>       |

### **III. Notes to Statement of Income**

Amount of transactions with affiliated companies

Operating transactions

Amount of sales 17,609,074 thousand yen

Amount of purchases 14,504,803 thousand yen

Transactions other than operating transactions 686,324 thousand yen

### **IV. Notes to Statements of Changes in Shareholders' Equity**

Kinds and number of treasury stocks at the balance sheet date

Ordinary shares 5,133 thousand shares

### **V. Notes to Fixed Assets Used for Leases**

Other than fixed assets recorded in the Balance Sheet, office equipment, manufacturing facilities, etc. are being used under finance lease contracts, which do not transfer the ownership of lease assets.

## VI. Notes to Tax Effect Accounting

### 1. Breakdown of deferred tax assets and liabilities by major causes for occurrence

| Deferred tax assets                                 |                      |
|-----------------------------------------------------|----------------------|
| Devaluation of finished goods and work in process   | 360,527 thousand yen |
| Depreciation in excess of tax limit                 | 75,120               |
| Impairment losses                                   | 197,496              |
| Accrued business tax                                | 84,670               |
| Loss on valuation of stocks of affiliated companies | 1,367,497            |
| Loss on valuation of golf club memberships          | 19,595               |
| Reserve for bonuses                                 | 389,953              |
| Reserve for retirement benefits                     | 1,084,716            |
| Long-term accounts payable                          | 67,134               |
| Others                                              | 154,714              |
| Sub-total of deferred tax assets                    | <u>3,801,425</u>     |
| Valuation reserves                                  | <u>(1,722,808)</u>   |
| Total deferred tax assets                           | <u>2,078,616</u>     |
| Deferred tax liabilities                            |                      |
| Reserve for compressed entry of fixed assets        | (660,690)            |
| Unrealized gain (loss) on securities                | (450,476)            |
| Others                                              | (1,267)              |
| Total deferred tax liabilities                      | <u>(1,112,434)</u>   |
| Net deferred tax assets                             | <u>966,182</u>       |

### 2. Revision to the amount of deferred tax assets and deferred tax liabilities due to changes in the rate of income taxes

With the promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10, 2014), the Special Reconstruction Corporation Tax will no longer be imposed from the fiscal year beginning on and after April 1, 2014. In accordance with this Act, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 37.7% to 35.3%, for the temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2014.

This change in the tax rate has a minor impact on net amount of deferred tax assets (after deduction of deferred tax liabilities).

## VII. Notes to Transactions with Related Parties

### Subsidiaries and affiliated companies, etc.

| Type                                     | Name of company, etc.                    | Ratio (%) of holding (held) of voting rights, etc.                                                                                                      | Relation with related party                                                                                                                                               | Content of transaction                    | Amount of transaction (1,000 yen) Note 13 | Account                                                                   | Balance at fiscal year end (1,000 yen) Note 13 |
|------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|
| Subsidiaries                             | Daido Metal Sales Co., Ltd.              | (Holding) Direct 100.0                                                                                                                                  | Sale of Company's products, lease of facilities and interlocking of officers                                                                                              | Sale of bearing products, etc. Note 1     | 3,497,086                                 | Account receivable-trade                                                  | 1,552,110                                      |
|                                          | NDC Co., Ltd.                            | (Holding) Direct 39.8                                                                                                                                   | Purchase of Company's products, etc., consignment of manufacture of Company's products, sale of Company's products, etc., licensing of technology and lease of facilities | Purchase of bearing products, etc. Note 2 | 5,822,730                                 | Account payable-trade                                                     | 1,766,710                                      |
|                                          | Daido Plain Bearings Co., Ltd.           | (Holding) Direct 100.0                                                                                                                                  | Consignment of manufacture of Company's products, lease of facilities, guarantee of liabilities, etc. and interlocking of officers                                        | Purchase of bearing products, etc. Note 2 | 5,633,452                                 | Account payable-trade                                                     | 683,534                                        |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | -                                         | -                                         | Electronically recorded obligations - operating Accounts receivable-other | 1,831,846                                      |
|                                          | Daido Metal U.S.A. Inc.                  | (Holding) Direct 100.0                                                                                                                                  | Sale of Company's products, etc., guarantee of liabilities and interlocking of officers                                                                                   | Dividend income                           | 300,000                                   | -                                                                         | -                                              |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | Debt guarantee Note 3                     | 1,226,170                                 | -                                                                         | -                                              |
|                                          | Daido Metal Mexico S.A. de C.V.          | (Holding) Direct 99.9 (Holding) Indirect 0.0                                                                                                            | Sale of Company's products, loans, guarantee of liabilities and interlocking of officers                                                                                  | Sale of bearing products, etc. Note 1     | 4,460,843                                 | Account receivable-trade                                                  | 1,509,844                                      |
| Underwriting of capital increase Note 11 |                                          |                                                                                                                                                         |                                                                                                                                                                           | 978,000                                   | -                                         | -                                                                         |                                                |
| Daido Metal Czech s.r.o.                 | (Holding) Direct 100.0                   | Sale of Company's products, etc., purchase of Company's products, licensing of technology, loans, guarantee of liabilities and interlocking of officers | Debt guarantee Note 4                                                                                                                                                     | 1,543,800                                 | -                                         | -                                                                         |                                                |
|                                          |                                          |                                                                                                                                                         | Loans Note 10                                                                                                                                                             | 891,700                                   | Short-term loans to affiliated companies  | 720,440                                                                   |                                                |
| Subsidiaries                             | Daido Industrial Bearings Europe Ltd.    | (Holding) Direct 100.0                                                                                                                                  | Sale of Company's products, purchase of Company's products, licensing of technology, guarantee of liabilities, etc. and interlocking of officers                          | Underwriting of capital increase Note 12  | 1,376,760                                 | -                                                                         | -                                              |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | Debt guarantee Note 5                     | 2,058,400                                 | -                                                                         | -                                              |
| Subsidiaries                             | Daido Precision Metal (Suzhou) Co., Ltd. | (Holding) Direct 74.0 (Holding) Indirect 16.2                                                                                                           | Sale of Company's products, etc., purchase of Company's products, licensing of technology, loans, guarantee of liabilities and interlocking of officers                   | Debt guarantee Note 6                     | 2,016,730                                 | -                                                                         | -                                              |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | Debt guarantee Note 7                     | 1,136,787                                 | -                                                                         | -                                              |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | Sale of bearing products, etc. Note 1     | 4,174,120                                 | Account receivable-trade                                                  | 1,553,897                                      |
|                                          |                                          |                                                                                                                                                         |                                                                                                                                                                           | Debt guarantee Note 8                     | 1,011,491                                 | -                                                                         | -                                              |
| Dyna Metal Co., Ltd.                     | (Holding) Direct 50.0                    | Sale of Company's products, etc., purchase of Company's products, licensing of technology and interlocking of officers                                  | Dividend income                                                                                                                                                           | 162,300                                   | Accounts receivable-other                 | 95,100                                                                    |                                                |
| Daido Metal Europe Ltd.                  | (Holding) Direct 100.0                   | Sale of Company's products, guarantee of liabilities and interlocking of officers                                                                       | Debt guarantee Note 9                                                                                                                                                     | 1,265,916                                 | -                                         | -                                                                         |                                                |

Transaction terms, policies for determination of transaction terms, etc.

(Note 1) Transaction prices are amounts equal to sales prices to customers of each related party multiplied by fixed rates.

(Note 2) Transaction prices are principally amounts equal to sales prices to Company's customers multiplied by fixed rates.

(Note 3) Debt guarantees are provided for bank borrowings (630,500 thousand yen) and lease liabilities (595,670 thousand yen) of Daido Plain Bearings Co., Ltd., and guarantee fees of 0.2% per annum are received.

(Note 4) Debt guarantees are provided for bank borrowings (1,543,800 thousand yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for bank borrowings (2,058,400 thousand yen) of Daido Metal Mexico S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 6) Debt guarantees are provided for bank borrowings (2,016,730 thousand yen) of Daido Metal Czech s.r.o. and guarantee fees of 0.2% per annum are received.

(Note 7) Debt guarantees are provided for bank borrowings (1,027,860 thousand yen) and management guidance promise notes (108,927 thousand yen) of Daido Industrial Bearings Europe Ltd. and guarantee fees of 0.2% per annum are received.

(Note 8) Debt guarantees are provided for bank borrowings (1,011,491 thousand yen) of Daido Metal Europe Ltd. and guarantee fees of 0.2% per annum are received.

(Note 9) Debt guarantees are provided for bank borrowings (1,265,916 thousand yen) of Daido Precision Metal (Suzhou) Co., Ltd. and guarantee fees of 0.2% per annum are received.

(Note 10) Loan interest rates are reasonably determined in consideration of market interest rates.

(Note 11) Underwriting of capital increase is the amount underwritten by the Company to strengthen the capital of Daido Metal U.S.A. Inc.

(Note 12) Underwriting of capital increase is the amount underwritten by the Company to strengthen the capital of Daido Metal Mexico S.A. de C.V.

(Note 13) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

**VIII. Notes to Per Share Information**

|                         |            |
|-------------------------|------------|
| 1. Net assets per share | 904.98 yen |
| 2. Net income per share | 85.04 yen  |

**Independent Auditor's Report on Audit of Consolidated Financial Statements**

Independent Auditor's Report on  
Consolidated Financial Statement Audit

May 16, 2014

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

Deloitte Touche Tohmatsu LLC

|                                                  |                                        |                           |             |
|--------------------------------------------------|----------------------------------------|---------------------------|-------------|
| <u>Designated Partner<br/>Engagement Partner</u> | <u>Certified Public<br/>Accountant</u> | <u>Norio Hattori</u>      | <u>Seal</u> |
| <u>Designated Partner<br/>Engagement Partner</u> | <u>Certified Public<br/>Accountant</u> | <u>Yasuteru<br/>Miura</u> | <u>Seal</u> |

We have audited the accompanying consolidated financial statements, i.e. consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and significant matters that form the basis of presenting consolidated financial statements and other notes, of Daido Metal Co., Ltd. for the 106th fiscal year from April 1, 2013 to March 31, 2014, in accordance with Article 444, paragraph 4 of the Companies Act.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the Company's internal control. However, in making those risk assessment, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Audit opinion**

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position and the results of operations of Daido Metal Co., Ltd. and its consolidated subsidiaries as of the date and for the period for which the consolidated financial statements were prepared in accordance with generally accepted accounting principles in Japan.

**Interests in the Company**

Neither our firm nor any of the engagement partners has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Act.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

**Independent Auditor's Report on Audit of Non-consolidated Financial Statements**

**Independent Auditor's Report on  
Non-consolidated Financial Statement Audit**

May 16, 2014

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

**Deloitte Touche Tohmatsu LLC**

|                           |                         |               |      |
|---------------------------|-------------------------|---------------|------|
| <u>Designated Partner</u> | <u>Certified Public</u> | Norio Hattori | Seal |
| <u>Engagement Partner</u> | <u>Accountant</u>       |               |      |

|                           |                         |                |      |
|---------------------------|-------------------------|----------------|------|
| <u>Designated Partner</u> | <u>Certified Public</u> | Yasuteru Miura | Seal |
| <u>Engagement Partner</u> | <u>Accountant</u>       |                |      |

We have audited the accompanying non-consolidated financial statements, i.e. balance sheet, statement of income, statement of changes in shareholders' equity, and the matters relating to significant accounting policies and other notes as well as the supporting schedules of Daido Metal Co., Ltd. for the 106th fiscal year from April 1, 2013 to March 31, 2014, in accordance with Article 436, paragraph 2, item 1 of the Companies Act.

**Management's responsibility for the non-consolidated financial statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supporting schedules in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and supporting schedules that are free from material misstatement, whether due to fraud or error.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on the non-consolidated financial statements and supporting schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supporting schedules. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and supporting schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the Company's internal control. However, in making those risk assessment, we consider internal control relevant to the Company's preparation and fair presentation of the non-consolidated financial statements and supporting schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supporting schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Audit opinion**

In our opinion, the non-consolidated financial statements and supporting schedules referred to above, present fairly, in all material respects, the financial position and the results of operations of the Company as of the date and for the period for which the non-consolidated financial statements and supporting schedules were prepared in accordance with generally accepted accounting principles in Japan.

**Interests in the Company**

Neither our firm nor any of the engagement partners has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Act.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## Audit Report by Audit & Supervisory Board

### 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 106th fiscal year from April 1, 2013 to March 31, 2014, 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

The Audit & Supervisory Board established an auditing policy and auditing plans, including the assignment of the duties, etc., of each Audit & Supervisory Board Member, received from each Audit & Supervisory Board Member reports on the execution of audits and the results thereof and, in addition, received from the Directors, etc. and the Accounting Auditors reports on the performance of their duties and, when necessary, requested explanations regarding such reports.

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 assignment of duties, etc., each Audit & Supervisory Board Member has taken steps to facilitate communication with the Directors/Audit Center as well as other employees, and has endeavored to gather information and create an improved environment for auditing. Each Audit & Supervisory Board Member also 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. Furthermore, 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 Companies Act Enforcement Regulations to ensure that the performance of duties by the Directors, which are described in the business report, will be in compliance with laws and regulations of Japan and with the Company's Articles of Incorporation and other systems to ensure that the Company's operation will be conducted appropriately, as well as the status of such system established by such resolutions (internal control system), each Audit & Supervisory Board Member periodically received from Directors and employees reports on the status of development and operating situation of such systems and, when necessary, requested explanations regarding such reports and expressed the opinion. Regarding the basic policies prescribed in Article 118, item 3, a of the Companies Act Enforcement Regulations and each task prescribed in b of the same item, that are described in the business report, we studied the content thereof based on the deliberation at the board of Directors and other meetings. With respect to the major subsidiaries of the Company, each Director and Audit & Supervisory Board Member has taken steps to facilitate communication with the directors and Audit & Supervisory Board Members and other related persons of the subsidiaries and to share information among them and, when necessary, received reports from the subsidiaries regarding their businesses. Based on the foregoing method, we examined the business report and the supplementary schedules for this fiscal year.

In addition, the Audit & Supervisory Board Members also audited and examined whether the independent auditors maintain their independence and carry out audits in an appropriate manner. The Audit & Supervisory Board Members received from the Accounting Auditors reports 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 Company Calculation Regulations) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), etc. When necessary, the Audit & Supervisory Board Members requested explanations on such notification. Based on the foregoing method, the Audit & Supervisory Board Members reviewed the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of changes in shareholders' equity) and supplementary schedules thereto and the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in shareholder's equity).

2. Results of Audit

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

- a. In our opinion, the business report and the supplementary 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.
- b. 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.
- c. 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.
- d. There are no matters to be pointed out regarding the basic 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 3, b of the Companies Act Enforcement Regulations that is described in the business report is in line with the said basic policies, that it does not undermine the common interests of the Company's shareholders, and that it does not aim at maintaining the positions of the Company's officers.

(2) Results of Audit of the Non-consolidated Financial Statements and Supplementary 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 22, 2014

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 No. 1 Disposition of Surplus

For the current fiscal year, the Company proposes to make the following disposition of surplus:

The Company's basic policy is to return appropriate profits to our shareholders in consideration of the results of operations and payout ratio, and to maintain a stable and long-lasting level of dividend of surplus in overall consideration of the internal reserve funds for future business development, expansion of research and development, reinforcement of business base and changes on business environment.

In comprehensive consideration of all the factors including the consolidated performance for the full year based on the above basic policy, the year-end dividend would be 10 yen per share for the current fiscal year, an increase of 3 yen compared with the projected year-end dividend of 7 yen.

As a result, the annual dividend, including the interim dividend of 7 yen per share (actual), would be 17 yen per share.

To attain sufficient internal reserves necessary for reinforcing the business base to provide for future business development and changes in business environment, the Company proposes to reverse retained earnings carried forward and to accumulate general reserve as stated below.

#### 1. Items regarding the year-end dividend

##### (1) Type of dividend property

Money

##### (2) Items related to allocation of dividend property to shareholders and the total amount

10 yen per ordinary share of the Company

Total amount: 398,235,290 yen

##### (3) Date when dividends from surplus become effective

June 30, 2014

#### 2. Other items regarding disposition of surplus

##### (1) Item and amount of surplus that increases

General reserve 2,000,000,000 yen

##### (2) Item and amount of surplus that decreases

Retained earnings carried forward 2,000,000,000 yen

## Agenda No. 2 Election of Five Directors

The terms of office for all five Directors expire at the close of this Shareholders' Meeting. We therefore propose the election of five Directors.

The candidates for the position of Director are as follows:

| Candidate No. | Name<br>(Date of birth)          | Personal history, positions at the Company, and important positions at other corporations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number of shares of the Company held by the candidate |
|---------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (1)           | Seigo Hanji<br>(January 2, 1942) | <p>April, 1965 Joined the Company</p> <p>April, 1980 General Manger of Tokyo Sales Office, Sales HQ of the Company</p> <p>April, 1991 General Manager of Management Planning Department, Management Planning Office of the Company</p> <p>April, 1993 Deputy General Manager of Business Division No. 3 of the Company</p> <p>June, 1993 Director and Deputy General Manager of Business Division No. 3 of the Company</p> <p>April, 1994 Director and General Manager of Business Division No. 1 of the Company</p> <p>June, 1995 President of the Company</p> <p>June, 2005 President &amp; CEO of the Company</p> <p>June, 2007 Chairman &amp; CEO of the Company (to present)</p> <p>May, 2008 HQ Executive/Vice Chairman of Japan Auto Parts Industries Association, and Executive/Branch Manager of Chubu Branch of the same Association (to present)</p> <p>June, 2010 Outside Director of Nichirei Co., Ltd. (to present)</p> <p>[Important positions at other corporations]<br/>                     HQ Executive/Vice Chairman of Japan Auto Parts Industries Association, and Executive/Branch Manager of Chubu Branch of the same Association<br/>                     Outside Director of Nichirei Co., Ltd.</p> | 137,342 shares                                        |

| Candidate No. | Name (Date of birth)               | Personal history, positions at the Company, and important positions at other corporations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of shares of the Company held by the candidate |
|---------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (2)           | Kotaro Kashiya<br>(March 28, 1947) | <p>April, 1971 Joined the Company</p> <p>April, 1993 General Manager of Product Planning Department, Production Engineering Laboratory of the Company</p> <p>April, 1994 Manager of Maehara Plant of the Company</p> <p>April, 1996 Deputy General Manager of Business Division No. 2, and Manager of Maehara Plant of the Company</p> <p>April, 1999 Head of Heavywall Bearings, RPB, Heavy Industrial Bearings, Fluid Systems &amp; New Products Division of the Company</p> <p>April, 2000 Head of Polymer Bearings Division of the Company</p> <p>June, 2003 Director and Head of Polymer Bearings Division of the Company</p> <p>April, 2005 Director and Head of Thinwall Bearings &amp; Turbo Charging Bearings Division of the Company</p> <p>July, 2005 Director and Executive Officer, and Head of Thinwall Bearings &amp; Turbo Charging Bearings Division of the Company</p> <p>June, 2007 Managing Director and Executive Officer, and Head of Thinwall Bearings &amp; Turbo Charging Bearings Division of the Company</p> <p>July, 2007 Managing Director and Senior Executive Officer, and Head of Thinwall Bearings &amp; Turbo Charging Bearings Division of the Company</p> <p>June, 2009 Managing Director and General Manager of Strategy Development Division of the Company</p> <p>June, 2010 Senior Managing Director and Senior Executive Officer, and General Manager of Strategy Development Division of the Company</p> <p>Chairman &amp; COO of Daido Plain Bearings Co., Ltd.</p> <p>April, 2011 Senior Managing Director and Senior Executive Officer, and General Manager of Global Strategy Division and Head of Technology Unit of the Company</p> <p>Chairman &amp; COO of Daido Plain Bearings Co., Ltd.</p> <p>June, 2011 President &amp; Chief Operating Officer (COO) of the Company</p> <p>Head of Global Strategy Division and Technology Division</p> <p>April, 2012 President &amp; Chief Operating Officer (COO) of the Company (to present)</p> | 65,516 shares                                         |

| Candidate No. | Name (Date of birth)                | Personal history, positions at the Company, and important positions at other corporations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of shares of the Company held by the candidate |
|---------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (3)           | Toshiyuki Sasaki (December 7, 1950) | <p>April, 1974 Joined Tokai Bank Ltd.</p> <p>April, 1997 Manager of Taipei Branch of the same bank</p> <p>March, 2001 Manager of Americas, Manager of New York Branch, Manager of Cayman Branch and Manager of Chicago Office of the same bank</p> <p>June, 2002 General Manager of Toyota Corporate Sales Division and Manager of Toyota Branch of UFJ Bank Co., Ltd.</p> <p>October, 2003 Seconded to the Company</p> <p>April, 2004 Joined the Company</p> <p>April, 2004 General Manager of Overseas Planning Department, Corporate Planning Division of the Company</p> <p>April, 2005 General Manager of Corporate Planning Department, Corporate Planning Division of the Company</p> <p>June, 2005 Director and General Manager of Corporate Planning Department, Corporate Planning Division of the Company</p> <p>July, 2005 Director and Executive Officer, and General Manager of Corporate Planning Department, Corporate Planning Division of the Company</p> <p>June, 2007 Director and Executive Officer, and General Manager of Corporate Planning Division of the Company</p> <p>April, 2008 Director and Executive Officer, and Head of Corporate Planning Division of the Company</p> <p>July, 2008 Director and Senior Executive Officer, and Head of Corporate Planning Division of the Company</p> <p>July, 2009 Director and Senior Executive Officer, and Head and General Manager of Corporate Planning Department of Corporate Planning Division of the Company</p> <p>October, 2009 Director and Senior Executive Officer, and Head of Corporate Planning Division of the Company</p> <p>April, 2010 Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division of the Company</p> <p>June, 2010 Managing Director and Senior Executive Officer Head of Corporate/Financial Planning Division of the Company</p> <p>June, 2011 Head of Corporate/Financial Planning Division and Head of Human Resources Planning Division of the Company</p> <p>April, 2012 Head of Corporate/Financial Planning Division (to present)</p> | 54,098 shares                                         |
| (4)           | Yasuo Kawamura (December 13, 1949)  | <p>April, 1973 Joined the Company</p> <p>April, 1999 General Manager of Tokyo Branch of the Company</p> <p>July, 2005 Executive Officer and General Manager of Tokyo Branch of the Company</p> <p>April, 2006 Vice-Head of Thinwall Bearings &amp; Turbo Charging Bearings Division of the Company</p> <p>July, 2008 Senior Executive Officer of the Company Director-President of Dyna Metal Co., Ltd. (Thailand)</p> <p>April, 2010 Head of Sales Division of the Company</p> <p>April, 2011 Head of Polymer Bearings Division of the Company</p> <p>June, 2011 Director and Senior Executive Officer of the Company (to present)</p> <p>Head of Polymer Bearings Division of the Company (to present)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 20,836 shares                                         |

| Candidate No. | Name (Date of birth)             | Personal history, positions at the Company, and important positions at other corporations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of shares of the Company held by the candidate |
|---------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (5)           | Masaki Ikawa (December 12, 1950) | <p>April, 1973 Joined the Company</p> <p>April, 2001 General Manager of Overseas Sales and Concerned Office of Company No. 1 of the Company</p> <p>September, 2005 President of Daido Metal U.S.A. Inc. Bellefontaine H.Q.</p> <p>July, 2008 Executive Officer of the Company President of Daido Metal U.S.A. Inc. Bellefontaine H.Q.</p> <p>October, 2009 Executive Officer and General Manager of Corporate Planning Department, Corporate Planning Unit of the Company</p> <p>April, 2010 Executive Officer and General Manager of Bimetal Division of the Company</p> <p>April, 2011 Executive Officer and General Manager of Quality Management &amp; Planning Department of the Company</p> <p>July, 2011 Senior Executive Officer of the Company (to present) General Manager of Quality Management &amp; Planning Department and General Manager of Inuyama Site of the Company</p> <p>March, 2012 Senior Executive Officer, General Manager of Quality Management &amp; Planning Department, President of Daido Metal College and General Manager of Inuyama Site of the Company</p> <p>April, 2012 Senior Executive Officer, General Manager of Human Resources Planning Department, President of Daido Metal College and General Manager of Inuyama Site of the Company</p> <p>June, 2012 Director and Senior Executive Officer of the Company Head of Human Resources Planning Division, Head of Daido Metal College and Head of Inuyama Site of the Company</p> <p>April, 2014 Head of Human Resources Planning Division and Head of Daido Metal College of the Company (to present)</p> | 21,046 shares                                         |

- (Notes) 1. There are no special conflicts of interest between each candidate and the Company.  
2. As for each candidate's position in charge, please refer to "4. Matters Relating to Company Officers, (1) Directors and Audit & Supervisory Board Members" on page 16-17.



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

We propose to elect one substitute Audit & Supervisory Board Member in advance, just in case we lack the number of Audit & Supervisory Board Members stipulated in laws and regulations. The effect of this resolution shall last until the commencement of the next Annual Shareholders' Meeting.

We already received the approval of this agenda from the Audit & Supervisory Board.

The candidate for the positions of substitute Audit & Supervisory Board Member is as follows:

| Name<br>(Date of birth)              | Personal history, positions at the Company, and important positions at other corporations                                                                                                              | Number of shares of the Company held by the candidate |  |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|--|
| Nobuyuki Ishiwata<br>(July 12, 1945) | April, 1971                                                                                                                                                                                            | 0 share                                               |  |
|                                      | April, 1975                                                                                                                                                                                            |                                                       |  |
|                                      | January, 1976                                                                                                                                                                                          |                                                       |  |
|                                      | March, 1978                                                                                                                                                                                            |                                                       |  |
|                                      | April, 1978                                                                                                                                                                                            |                                                       |  |
|                                      | April, 1988                                                                                                                                                                                            |                                                       |  |
|                                      | August, 1999                                                                                                                                                                                           |                                                       |  |
|                                      | July, 2003                                                                                                                                                                                             |                                                       |  |
|                                      | [Important positions at other corporations]<br>Representative Partner of Seishin & Co. Audit Corporation<br>Representative Partner of Seishin & Co. Tax Corporation<br>Outside auditor of Adecco & Co. |                                                       |  |

- (Notes)
1. There are no special conflicts of interest between the candidate and the Company.
  2. Mr. Nobuyuki Ishiwata, candidate for a substitute Audit & Supervisory Board Member, is a candidate for an outside Audit & Supervisory Board Member.
  3. Reason for appointment as candidate for substitute Audit & Supervisory Board Member, and reason for judging that the candidate is able to adequately perform the duties as outside Audit & Supervisory Board Member
    - (1) Reason for appointment as candidate for substitute outside Audit & Supervisory Board Member  
Mr. Nobuyuki Ishiwata has rich accounting/taxation knowledge gained from his experience as a certified public accountant and a licensed tax accountant. We expect that he will reflect such knowledge in the audit of the Company if appointed as an outside Audit & Supervisory Board Member.
    - (2) Reason for judging that the candidate is able to adequately perform the duties as outside Audit & Supervisory Board Member  
Although Mr. Nobuyuki Ishiwata has no experience of engaging in the management of a company, he has been engaging in the practical business of entities as a certified public accountant and a licensed tax accountant, and we judge that he is able to appropriately perform the duties as outside Audit & Supervisory Board Member.
  4. Liability limitation agreement with the outside Audit & Supervisory Board Member
    - (1) In order to secure capable persons as outside Audit & Supervisory Board Members, the Company prescribes in Article 40 of the Company's Articles of Incorporation that it may conclude an agreement with the outside Audit & Supervisory Board Member to limit the liability of the outside Audit & Supervisory Board Member for damages against the Company to a fixed scope of liability. Based on this provision, the Company plans to conclude a liability limitation agreement with Mr. Nobuyuki Ishiwata if he is appointed as outside Audit & Supervisory Board Member.
    - (2) The content of liability limitation agreement is as follows:
      - When an outside Audit & Supervisory Board Member is liable for compensating the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount of limit prescribed in laws and regulations (minimum liability stipulated in Article 425, paragraph 1 of the Companies Act).
      - The above liability limitation is allowed only when the relevant outside Audit & Supervisory Board Member is in good faith and free of gross negligence regarding the liability in Article 423 paragraph 1 of the Companies Act.

### Agenda No. 4 Payment of Bonuses to Directors

The Company requests approval for the payment of bonuses, amounting to 147.7 million yen to the five Directors at the end of this fiscal year based on the specified standard of the Company in duly consideration of business performance, etc. during the fiscal year. (Please refer to page 18 in this Notice.)

It is also proposed that the decisions as to the amounts of the bonus paid to each Director are delegated to the Board of Directors.

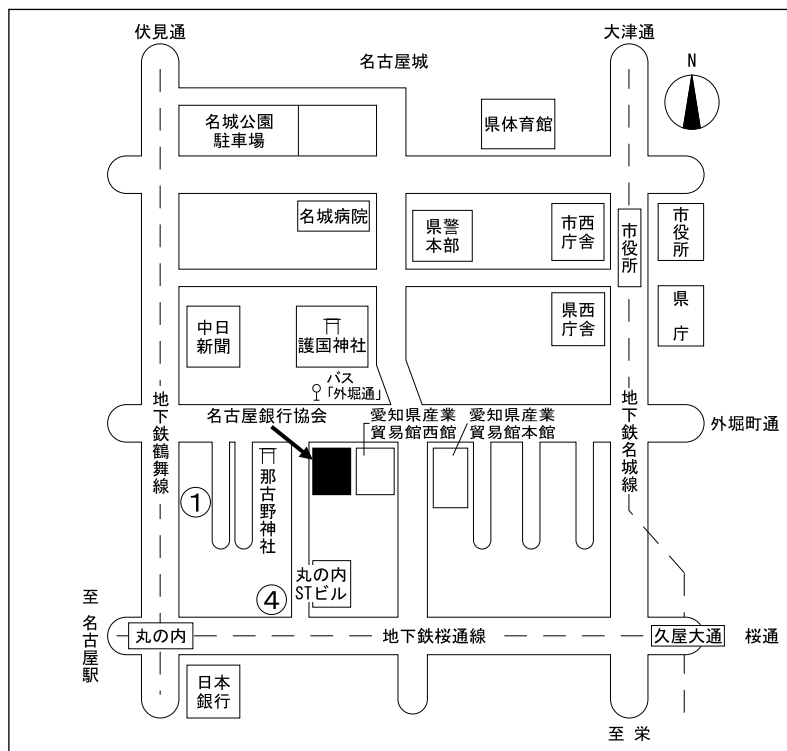
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## Information Map of Venue of Shareholders' Meeting

**Venue** 4-2, Marunouchi 2-chome, Naka-ku, Nagoya  
5<sup>th</sup> Floor Grand Hall of Nagoya Bankers Association

### Transportation

- Subway 6-minute walk from Nos. ① and ④ exits of “Marunouchi Station” on Sakuradori Line/Tsurumai Line
- City bus Just a second by getting off at “Sotoboridori” coming from the Nagoya Bus Terminal



- The reception is scheduled to open at 9 a.m. on the day.
- Since parking spaces are not made available, please refrain from coming by car.

