

Securities Code 7245
June 8, 2016

To shareholders with voting rights

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

DAIDO METAL CO., LTD.

Chairman and
Chief Executive Officer **Seigo Hanji**

Notice of Convocation of the 108th Annual Shareholders' Meeting

Dear shareholders,

You are cordially invited to the 108th Annual Shareholders' Meeting to be held as set forth below. Your attendance at the meeting will be greatly appreciated.

If you are unable to attend the meeting on the day, you may exercise your voting rights by post or via the Internet, etc. Therefore, please kindly review the reference materials for the Annual Shareholders' Meeting that follow this notice, and exercise your voting rights by no later than 5 p.m. on June 28, 2016 (Tuesday).

Yours sincerely,

Note

- 1. Date and time** 10 a.m. on June 29, 2016 (Wednesday)
- 2. Venue** 4-2, Marunouchi 2-chome, Naka-ku, Nagoya, Japan
5th Floor Grand Hall of Nagoya Bankers Association
(Please see "Information Map of Venues of Shareholders' Meeting on the final page)
- 3. Purpose**
 - Reporting matters 1. Reporting of the 108th business report (from April 1, 2015 to March 31, 2016), consolidated financial statements and results of the audit of consolidated financial statements by the accounting auditors and Audit & Supervisory Board
 2. Reporting of non-consolidated financial statements for the 108th fiscal year (from April 1, 2015 to March 31, 2016)

Matters for resolution

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

4. Guidance on exercising voting rights

- (1) Exercising voting rights by post
Please complete the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail to be delivered to us no later than 5 p.m. of June 28, 2016 (Tuesday).
- (2) Exercising voting rights via the Internet, etc.
If you exercise your voting rights via the Internet, etc., please review the instructions under “Guidance for exercising your voting rights via the Internet” described on pages 4 and 5. Please access the Website to Exercise Voting Rights designated by the Company (<http://www.web54.net>) to exercise your voting rights following the instructions on the screen by no later than 5 p.m. on June 28, 2016 (Tuesday).
- (3) Once you exercised your voting rights by both post and via the Internet, etc., the voting rights exercise via the Internet, etc. shall be treated as the valid vote. If you exercise your voting rights multiple times via the Internet, etc., the voting rights exercised last shall be treated as the valid vote.

End of document

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- ⦿ **When attending the meeting on the day, please kindly submit the enclosed Voting Card to the receptionist.**
 - ⦿ **In the event you intend to exercise voting right by proxy, you can delegate your right to a single shareholder who has voting rights of the Company. In this case, please submit documentation to prove you have rights to act as 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/>).**

Guidance for exercising your voting rights

You may exercise your voting rights either by post (using the Voting Card) or electronically (via the Internet, etc.). If you intend to attend the Annual Shareholders' Meeting in person, it is not necessary to exercise your voting rights by either post or electronically.

- 1) If you intend to attend the Annual Shareholders' Meeting in person: Annual Shareholders' Meeting:
Date and time: 10 a.m. on June 29, 2016

Please bring the enclosed Voting Card and submit it to the receptionist.

- 2) By mail: Deadline for exercising voting rights: 5 p.m. on June 28, 2016 (arrival)

Please fill the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail to be delivered to us by the voting deadline set forth above.

- 3) Via the Internet: Deadline for exercising voting rights: Up to 5 p.m. on June 28, 2016

If you exercise your voting rights via the Internet, please review the instructions under "Guidance for exercising your voting rights via the Internet" described on pages 4 and 5, and exercise your voting rights by the voting deadline set forth above.

If you have any inquiries, please call the telephone number dedicated to Stock Transfer Agency Web Support stated in "Inquiries about the use of the Website to Exercise Voting Rights" on the following page.

«To institutional investors»

If you are an Institutional investor, you may use the electronic voting platform for institutional investors operated by ICJ, Inc. subject to a prior request for use of the platform.

Guidance for exercising your voting rights via the Internet

If you exercise your voting rights via the Internet, please review the items below and access the Website to Exercise Voting Rights at <http://www.web54.net>. Please enter the “Voting Rights Exercise Code” and “Password” given on the bottom right of the Voting Card and indicate your vote for or against the proposal on the website to exercise your voting rights by following the instructions on the screen.

1. Accessing the Website to Exercise Voting Rights
URL of the Website to Exercise Voting Rights: <http://www.web54.net/>
If you use a cellular phone or smartphone, you may access the website by scanning the “QR Code” provided on the right-hand side of the Voting Card as well as on the following page of this document. (*QR Code is the registered trademark of DENSO WAVE INCORPORATED.)
 2. Login
Please enter the “Voting Rights Exercise Code” given on the bottom right of the Voting Card.
 3. Entering password
Please enter the “Password” given on the bottom right of the Voting Card.
- Please then follow the instructions on the screen and indicate your approval or disapproval on the website.

<Help desk about the use of the Website to Exercise Voting Rights>

Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Web Support:

Toll free (only within Japan) 0120-652-031

(Business Hours: from 9 a.m. to 9 p.m., Japanese time)

«Passwords»

- The password is a means to verify the identity of the person exercising voting rights as a shareholder. Please keep the password in a safe place until the conclusion of this Annual Shareholders' Meeting.
- We will not be able to respond to inquiries about the password by telephone.
- If you enter an incorrect password more than a certain number of times, the operation will be locked and rendered unusable. If you would like a new password to be issued, please follow the instructions on the screen.

«Notes on the system»

- Accessing the Website to Exercise Voting Rights using PCs (computers)
 - Please use the following browser:
Microsoft® Internet Explorer® or Windows® Internet Explorer® (Ver.5.01 SP2 or later) (Depending on your computer, settings and other software installed, you may not be able to access the Website to Exercise Voting Rights through your computer even if you use the browser with the above conditions.)
 - Please enable Cookies.
 - Please set your screen resolution to at least 800 x 600 pixels (width by height) (SVGA).
 - Adobe® Reader® (Ver. 6.0 or later) must be installed on your computer to view the reference materials.
- Accessing the Website to Exercise Voting Rights using cellular phones
 - Please use any cellular phones compatible with the internet connection service of i-mode, EZweb, or Yahoo! Keitai.
(Cellular phones must be equipped with SSL communication function which enables encrypted communication.)
 - Please access the website using the QR Code or by entering the URL directly.



QR Code

- Accessing the Website to Exercise Voting Rights through browser using smartphones or cellular phones
 - You may access the website and exercise your voting rights using full browser function. However, depending on your model, browser or Internet connection, you may not be able to access the website.
- Internet connection charges and communication charges to Internet service providers as well as communication charges to telecommunication carriers shall be borne by the shareholder.

(Attachment)

Business Report

(From: April 1, 2015
To: March 31, 2016)

1. Matters Relating to the Current Situation of Corporate Group

(1) Progress of Business and Operating Performance

1) Economic conditions

As for the world economy during the current consolidated fiscal year, employment remained stable in the US although exports failed to grow reflecting appreciation of the US dollar and slowdown in overseas economies, and the US economy continued its recovery, led by domestic demand due to a steady housing market and personal spending. In Europe the economy maintained a trend of moderate recovery. On the other hand, although excessive concerns about the Chinese economy - which was the major cause of confusion in global financial market at the beginning of the year - receded, slowdown in the Chinese economy triggered falling price of resources such as crude oil and affected the economies in emerging countries and resource-rich countries amongst others. Overall, amidst a growing trend of economic stagnation the outlook of the world economy remained uncertain.

The domestic economy followed its slow recovery overall, supported by improved corporate earnings and employment conditions, although personal spending remained weak. However, uncertainty about the outlook for the economy has increased from the second half of the current fiscal year, as concerns about economic slowdown in the emerging countries including China, the strong yen, declining stock prices etc. brought about a growing trend of economic stagnation.

2) Industry trends

In the automotive business, the Group's core business, new car sales for 2015 (calendar year) were 89.09 million units worldwide (a year-on-year increase of 2.0%), recording the highest level for six consecutive years. The overall increase was led by the Chinese market where tax breaks on small-sized passenger cars have been introduced and by the US and European markets where sales remained strong throughout the year.

Furthermore, during the current fiscal year exports increased (a year-on-year increase of 2.0%) for the first time in three years. However, domestic automotive production volume decreased by 4.2% compared with the previous fiscal year to 9.18 million units as domestic sales decreased (a year-on-year decrease of 6.8%), mainly due to a reactional decrease against the last-minute demand before the increase of the light vehicle tax rate. On the other hand, the volume of overseas automotive production by domestic auto manufacturers for 2015 (calendar year) increased to 18.09 million units (a year-on-year increase of 3.5%), recording the highest level for six consecutive years.

In the non-automotive segment, for the shipbuilding industry, although the intake of worldwide orders for shipbuilding for 2015 (calendar year) slightly decreased compared with the previous year, in the domestic shipbuilding industry, both intake of orders and share increased due to its competitive advantage in response to environment and energy savings. However, amidst sluggish demand in resources the shipbuilding industry is yet to get out of excess shipping tonnage.

For the construction machine industry, despite stable demand for construction investment etc. from the public and private sectors in Japan the amount of domestic shipments increased only by 0.5% compared with the previous fiscal year. This resulted from a reactional decrease against the last-minute demand before the expiration of production moratorium with regards to the 2011 exhaust emission regulations and other factors. Meanwhile, in overseas markets, demand for housing construction remained strong in North America. However, exports decreased by 13.0% compared with the previous fiscal year as demand declined in China and demand for mining-machines in resource-rich countries remained sluggish. The total shipment amount of the construction machine industry decreased by 7.5% compared with the previous fiscal year, a decrease for the first time in three years. In particular, overseas demand remained in a harsh condition.

In the area of general industries, with regards to the Company's order conditions, demand for electric power generation facilities for mainly overseas markets remained strong in electric power/energy related business, and there was steady growth overall.

3) Outline of the Group's results

Under this business environment, consolidated net sales of the Group during the current consolidated fiscal year were 81,400 million yen, a decrease of 3,614 million yen (down 4.3%) compared with the previous consolidated fiscal year.

Domestic sales decreased by 2,000 million yen, mainly led by the effects of a reduction in the domestic

automotive production volume and sluggish demand for construction machines in addition to a shift of bearings production from Japan to the overseas production sites due to promotion of the Group's global production system.

Overseas sales decreased by 1,500 million yen, primarily due to the effect of the strong yen. However, sales increased in most bases on a local currency basis (calendar year). Sales increased in North America and Europe, and slightly increased in Asia. In North America automotive-related sales increased due to increased production at the new factory in Mexico, while sales for construction machines decreased, and were affected by the foreign exchange rate. In Europe sales for ships (medium to small ships) increased, and automotive-related sales remained robust on a local currency basis (calendar year). In Asia, despite increased sales in China and Thailand, sales in Korea, Indonesia etc. failed to grow, and automotive-related sales remained flat on a local currency basis (calendar year).

With respect to profits, operating income was 7,114 million yen, a reduction of 519 million yen (down 6.8%) compared with the previous consolidated fiscal year, due to factors such as the recording of various upfront expenditures including labor costs and an increase in depreciation associated with aggressive business development on a global basis. Such aggressive business development includes the setup of Daido Metal Saga Co., Ltd. (production site of bimetal as material for bearings), expansion of the factory of Daido Industrial Bearings Japan Co., Ltd. (production site of bearings for medium speed diesel engines) in Japan and enhancement of overseas facilities due to expanding production at Daido Metal Mexico Sales, S.A. de C.V. Profits increased in Europe, Asia and North America where profitability has steadily been improving due to the effects of increased income, while domestic profits decreased.

Furthermore, ordinary income was 6,796 million yen, a reduction of 1,333 million yen (down 16.4%) compared with the previous consolidated fiscal year, mainly due to factors including the recording of foreign exchange loss of 823 million yen attributable mainly to depreciation of Chinese yuan and other emerging and resource-rich countries' currencies.

Profit attributable to owners of parent was 3,919 million yen, a decrease of 540 million yen (down 12.1%) compared with the previous consolidated fiscal year.

4) Results by segment

Sales to external customers by segment are as follows.

a) Automotive engine bearings

In Japan net sales decreased mainly due to the fact that domestic automotive production volume remained sluggish. In North America net sales increased backed by enhanced sales expansion activities in addition to firm demand and expansion of production at the new factory in Mexico. Furthermore, net sales reduced in Europe and Asia due to the effect of foreign exchange rates, while sales on a local currency basis (calendar year) was firm in Europe and slightly increased in Asia.

As a result net sales were 51,863 million yen, a reduction of 3,402 million yen (down 6.2%) compared with the previous consolidated fiscal year.

b) Automotive non-engine bearings

With regards to bearings for automotive parts, net sales were 16,171 million yen, a reduction of 245 million yen (down 1.5%) compared with the previous consolidated fiscal year, mainly due to the decreased domestic sales and the effect of foreign exchange rates despite robust sales on a local currency basis in Europe.

c) Non-automotive bearings

With regards to bearings for ships, domestic sales including export of bearings for medium- and high-speed diesel engines increased, and in Europe, sales of bearings for medium- and high-speed diesel engines turned out in line with the plan.

With regards to bearings for general industries, sales of special types of bearings used for turbine for power generator facilities etc. in electric power/energy areas remained firm. Meanwhile demand for the construction machine industry decreased in most regions overseas, although a certain level of demand was maintained in Japan.

As a result, net sales were 11,713 million yen, a reduction of 257 million yen (down 2.2%) compared with the previous consolidated fiscal year.

d) Others

As a result of significant sales growth in the new area of electrode sheets for electric double layer capacitors net sales including the real estate leasing business, the metallic dry bearings and pump-related products businesses were 1,707 million yen, an increase of 291 million yen (up 20.6%) compared with the previous consolidated fiscal year.

(Sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2014 107 th term	FY 2015 108 th term (The current consolidated fiscal year)
Automotive engine bearings	55,265	51,863
Automotive non-engine bearings	16,362	16,117
Non-automotive bearings	11,970	11,713
Others	1,416	1,707
Total	85,015	81,400

(Notes) 1. Sales represent the amount to external customers.

2. Due to the reorganization as of April 1, 2015, the pump-related products business, which was previously categorized under "Non-automotive bearings," is now categorized under "Others." The above results were calculated as per the new classification.

(2) Status of Financing etc.

1) Financing

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

2) Capital investment

The Group has already seized the world's top shares (our estimate) in the automotive engine bearings, in the bearings for low-speed diesel engines for large ships and in the bearings for turbochargers (small turbo), and has gained the world's top share (the estimate by the Company) in the plain bearings (the total of bearings for all use). The Group has been striving to strengthen its production facilities based on the priorities of regions and business segments as the effects of such sales expansion have brought about urgent need for expansion of production capability in the near future.

As a result total capital investment for the current consolidated fiscal year was 14,802 million yen, an increase of 4,205 million yen compared with the previous year.

(Main capital investment during the current consolidated fiscal year)

- Investment to enhance production capabilities and improve productivity for bimetal (material for bearings) in Japan.
Investment in existing bimetal factories and at Daido Metal Saga Co., Ltd., which is a new production site.
- Investment to enhance production capabilities for automotive engine bearings and investment to strengthen production facilities and improve production capabilities for non-automotive bearings in Japan.
- Investment to enhance production capabilities for automotive engine bearings at overseas production sites in Mexico, Russia and others.
- Investment to enhance production capabilities for automotive non-engine bearings at production sites in the Czech Republic and others.
- Investment in relation to IT systems etc.

(3) Financial Conditions and Operating Results

1) Financial conditions and operating results of the Corporate Group

Fiscal year Category	FY 2012 105 th term	FY 2013 106 th term	FY 2014 107 th term	FY 2015 108 th term (Current consolidated fiscal year)
Net sales (Millions of yen)	70,886	77,350	85,015	81,400
Operating income (Millions of yen)	6,286	7,368	7,633	7,114
Ordinary income (Millions of yen)	6,935	8,063	8,129	6,796
Profit attributable to owners of parent (Millions of yen)	4,385	4,735	4,459	3,919
Net income per share (Yen)	110.10	118.89	112.00	98.44
Net assets (Millions of yen)	40,062	46,733	53,093	52,148
Total assets (Millions of yen)	92,314	104,099	116,533	122,920

2) Financial conditions and operating results of the Company

Fiscal year Category	FY 2012 105 th term	FY 2013 106 th term	FY 2014 107 th term	FY 2015 108 th term (Current consolidated fiscal year)
Net sales (Millions of yen)	57,454	58,978	67,269	64,665
Operating income (Millions of yen)	3,778	3,994	5,296	3,836
Ordinary income (Millions of yen)	4,067	4,611	6,220	5,294
Profit (Millions of yen)	2,740	3,387	4,000	4,141
Net income per share (Yen)	68.79	85.04	100.46	104.01
Net assets (Millions of yen)	32,995	36,039	39,301	42,199
Total assets (Millions of yen)	68,210	69,245	77,042	82,295

(4) Company's Fundamental Policy

The Group has established "Corporate Philosophy," "Code of Conduct," "Standards of Conduct," "Principles" and "Environmental Fundamental Policy," and contributes to society through its business operations. As a company built on technologies, the Group will continue to actively make efforts to develop industrial technology and environmental conservation technology, starting with the area of Tribology (friction, wear and lubrication technology), and fulfill its corporate social responsibilities.

In order to achieve further growth the Group began the Midterm Business Plan "Together to The Top" in April 2012, which will be in place for six years from FY2012 to FY2017.

Going forward, the Group is committed to further improving its business performance, aiming at gaining the global top share in all segments of plain bearings and increasing the Group's presence of the Group in the world and enhancing its corporate value.

(5) Issues to be Addressed

Implement "Midterm Business Plan"

1) Outline of the Midterm Business Plan

The Midterm Business Plan (from FY2012 to FY2017) defined the major themes of (1) maintaining the position of holding the world's 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 maintaining the world's top share (our estimate), (3) gaining the world's top share in bearings in each non-automotive segment of ships (excluding large ships as we have already gained the world top share (our estimate)), construction machines, and rotary machines, (4) structuring and expanding Global Strategy of Five-Hub System (Global corporate structure through independent operational hubs in five geographical regions (Japan, Asia, China, Europe and Americas)) to deal with both domestic and overseas sales expansion, (5) strengthening research and development activities for sustainable technical advantages to enable us to respond to geographical characteristics as a company built on technologies, and (6) establishing solid financial foundations.

In Stage 1 of the Midterm Business Plan (FY2012 to FY2014) the Group has also been expanding and reconstructing business bases in order to enhance production capabilities on a global basis and deal with increased sales, and 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" and therefore achieve the target of "gaining the world's top share in all industry segments of plain bearings" in the final year of Stage 2 of the Midterm Business Plan (from FY2015 to FY2017).

2) Result of Stage 1

The Group has also been expanding and reconstructing business bases during Stage 1 (from FY2012 to FY2014); 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.

In the Group's efforts in expanding sales, the Group has strived to achieve targets by strengthening the sales structure, enhancing technical services to our customers, accurately identifying and responding to region-specific needs, and ensuring the Group's support system which adopts the changes in market environment. Specifically, the Group implemented measures such as establishing Daido Metal Mexico Sales, S.A. de C.V. to strengthen the sales structure in Mexico, setting up the Guangzhou Branch of Daido Precision Metal (Suzhou) Co., Ltd. to enhance sales activities in China and setting up the European Technical Center in the Czech Republic for technical support services, to enhance the Group-wide organizational structure.

Along with the expansion of sales, the Group has advanced efforts to improve the efficiency of capital investment and increase productivity by promoting activities to improve earnings for further profit generation and in particular by introducing a new compact line production method for automobile engine bearings both in Japan and overseas to replace which is different from conventional production lines. Through these initiatives, the Group has successively strengthened production, sales and development structure during Stage 1, and fortified the Global Strategy of Five-Hub System in five geographical regions (Japan, Americas, Europe, Asia and China) more than ever before.

3) Progress of Stage 2

The primary goals at Stage 2 of the Midterm Business Plan (from FY2015 to FY2017) include achieving

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 achieving the target of "gaining the world's top share in all industry segments of plain bearings." Specifically, the Group is steadily making progress on development of its business bases in line with the plan, by quickly bringing the businesses in North America into profit, starting up the automotive engine bearing business at BBL Daido Private Ltd. (India), working on the truck bearing business and the bearing business for foreign automobile manufacturers at Daido Metal Russia LLC, and planning mass production from FY2016 at Daido Metal Saga Co., Ltd. established in April 2015 to increase production capabilities for bimetal, a material used for bearings.

The Group set up the North American Technical Center in the US in October 2015 for technical support services following the establishment of the European Technical Center in the Czech Republic. Through these initiatives the Group will further promote the enhancement of technical services to our customers by accurately identifying different needs by region and developing a system of speedily responding to each customer request as part of efforts to expand sales.

Furthermore, during Stage 2, the Group will begin to establish a streamlined production system on a global basis and review business processes (business process reengineering) due to an increased number of manufacturing bases in Japan and overseas in order to promote more efficient business development. Specifically, in April 2016, the Group established a new Global Business Administration Department in the Thinwall Bearings & Turbo Charging Bearings Division (automotive engine bearings segment) in an aim to increase production efficiency and investment efficiency by controlling production on a global basis and identifying optimum investment as well as to achieve uniform quality around the world. In addition the Company has also established the new Business Process Re-engineering (BPR) Department for the purpose of working on quantum improvement in operational efficiency from April 2016 and will promote cross-organizational reform.

In regards to North America, which will lead the challenge to achieve sales targets in the final year of the Midterm Business Plan (FY2017), both production and sales have been progressing at a pace exceeding the plan, and the Group anticipates a significant increase in sales and bringing the businesses into profit in FY2016. Furthermore, the Group anticipates expansion of businesses in FY2017 as a result of starting up of new bearing businesses in India, Russia and others, in addition to the North American market where a further increase in order intake and production volume can be expected and the Chinese market where a steady increase in demand can be expected although the growth rate is on a downward trend.

As the business environment surrounding the Group is rapidly changing, the Group will focus on the development of new products and new markets/applications by responding to the market trends and needs of each region in the world in a swift and appropriate manner, while further strengthening cost competitiveness and improving customer services. Moreover, in addition to fully enforcing compliance, with initiatives to enhance the corporate governance system, the Group will strive to improve its corporate value and achieve sustainable development through Group-wide efforts in order to gain trust from and appeal to our stakeholders including our shareholders and business partners.

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

(6) 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.) etc.
Others	Metallic dry bearings business, pump-related products business, electrode sheet business for electric double layer capacitors, real estate leasing etc.

(7) 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), Kitakanto Branch (Kumagaya-shi, Saitama)
Domestic production bases	Inuyama Site (Bimetal Division, Inuyama Plant, Maehara Plant, TMBS (Turbomachinery Bearing Systems) Plant, Others) (Inuyama-shi, Aichi), Gifu Plant (Gujo-shi, Gifu)

b. Subsidiaries

Domestic sales 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), Daido Metal Saga Co., Ltd. (Takeo-shi, Saga)
Overseas production bases	Dyna Metal Co., Ltd. (Thailand), Dong Sung 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 Republic), 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)

2) Status of employees

a. Employees of the Corporate Group

Number of employees (persons)		Change from end of prior period (persons)	
Domestic	2,207	Increase	172
Overseas	2,430	Increase	144
Total	4,637	Increase	316

- (Notes) 1. In addition to the above, temporary employees (total of 509 persons) are employed. 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 contract but exclude temporary staff.

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)
1,285	Increase 100	37.2	13.4

- (Notes) 1. In addition to the above, temporary employees (total of 228 persons) are employed. 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 contract but exclude temporary staff.

(8) 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	58.8%	Manufacture of bearings etc.	
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	
Daido Metal Saga Co., Ltd.	100 million yen	100.0%	Manufacture of material for bearings etc.	
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
Dong Sung 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.	27,900 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	
Daido Metal Mexico Sales, S.A. de C.V.	2,644 thousand Mexico peso	100.0% (0.0%)	Sale of bearings	Note 2
(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.	280 million Indian rupee	50.0%	Manufacture and sale of bearings	

- (Note) 1. Although the percentage of holding of voting rights is not more than 50%, the company is included as a 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.

- 3) Status of specified wholly-owned subsidiaries at the end of the fiscal year
There are no applicable items.

(9) Major Lenders and Amount of Borrowing

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	8,543
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,906
Development Bank of Japan Inc.	3,366
Japan Bank for International Corporation	3,075
Sumitomo Mitsui Trust Bank, Limited	2,410

(10) Policies for Determining Dividends etc. of Surplus

The Company's fundamental 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, strengthening of business foundations and changes to the business environment.

The Company has a fundamental policy of making a dividend of surplus twice a year, i.e. interim dividend and year-end dividend. The decision-making bodies for these dividends of surplus are the Shareholders' Meeting for the year-end dividend and the Board of Directors for the interim dividend in accordance with the provisions of the Company's Articles of Incorporation.

In comprehensive consideration of all the factors including the consolidated performance for the full year based on the fundamental policy, the year-end dividend would be 13 yen per share for the current fiscal year.

As a result, the annual dividend for the current fiscal year, including the interim dividend of 13 yen per share (actual), would be 26 yen per share, an increase of 6 yen compared with the annual dividend of 20 yen per share (actual) for the previous fiscal year.

For the next fiscal year, the Company plans an annual 30 yen per share (the interim dividend of 15 yen per share and year-end dividend of 15 yen per share), an increase of 4 yen compared with the current fiscal year.

(11) 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 5,140,389 shares)
(3) Number of shareholders at end of the current fiscal year 3,961 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)	3,016	7.57
Sumitomo Mitsui Trust Bank, Limited	1,978	4.96
Mizuho Bank, Ltd.	1,977	4.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,974	4.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,822	4.57
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,661	4.17
Daido Metal Yueikai Employee Stock-Ownership Plan	1,236	3.10
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	1,069	2.68
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 5,140,389 shares, but is excluded from the above list of major shareholders.
2. Ratio of shareholding is calculated by deducting the treasury stocks (5,140,389 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, 2016)

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 Branch Manager of Chubu Branch of the same Association Outside Director of Nichirei Corporation
President & Chief Operating Officer (COO)	Kotaro Kashiyama	In charge of Bi-metal Division, Quality Management & Planning Department, Audit Department, Production Engineering Division and Polymer Bearings Division
Director and Managing Executive Officer	Toshiyuki Sasaki	Head of Corporate/Financial Planning Division and President of Daido Metal Saga Co., Ltd. (part-time) In charge of General Affairs Department
Director and Managing Executive Officer	Yasuo Kawamura	Head of Thinwall Bearings & Turbo Charging Bearings Division
Director and Managing Executive Officer	Masaki Ikawa	Head of Human Resources Planning Division, General Manager of Human Resources Planning Department, and Head of Daido Metal College In charge of Purchasing Department
Director	Toshikazu Takei	Managing Director of Japan Center for International Finance
Full-time Audit & Supervisory Board Member	Masaaki Tamaya	—
Outside Audit & Supervisory Board Member	Kuniko Tanabe	Partner, Lawyer of Tanabe & Partners Outside Director of KDDI CORPORATION
Outside Audit & Supervisory Board Member	Kazuo Matsuda	Special Advisor of NSK Ltd. Corporate Auditor of NSK-Warner K.K. Outside Corporate Auditor of Sumitomo Bakelite Company Limited

- (Notes) 1. Mr. Toshikazu Takei is Outside Director. The Company has registered him as an “Independent Officer” pursuant to the provisions of the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.
2. Ms. Kuniko Tanabe and Mr. Kazuo Matsuda are Outside Audit & Supervisory Board Members.
The Company has registered Mr. Kazuo Matsuda as an “Independent Officer” pursuant to the provisions of the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.
3. Mr. Toshikazu Takei, Director, was engaged in business execution and served in managerial positions at the Bank of Japan, and therefore has considerable knowledge on international businesses.
4. Ms. Kuniko Tanabe, Audit & Supervisory Board Member, is qualified as a lawyer, and therefore has considerable knowledge of legal affairs.
5. Mr. Kazuo Matsuda, Audit & Supervisory Board Member, has experience working as a Director and Audit & Supervisory Board Member in financial institutions and business entities, and therefore has considerable knowledge of finance and accounting matters.

6. Changes in duties and departments in charge of Directors after April 1, 2016

Date	Name	New duties and departments in charge	Previous duties and departments in charge
April 1, 2016	Kotaro Kashiyama	In charge of Marine & Industrial Bearings Division, Polymer Bearings Division, Audit Department and Secretarial Department	In charge of Bi-metal Division, Quality Management & Planning Department, Audit Department, Production Engineering Division and Polymer Bearings Division
April 1, 2016	Toshiyuki Sasaki	General Manager of Business Process Re - engineering (BPR) Department and President of Daido Metal Saga Co., Ltd. (part-time)	Head of Corporate/Financial Planning Division and President of Daido Metal Saga Co., Ltd. (part-time) In charge of General Affairs Department
April 1, 2016	Yasuo Kawamura	Head of Thinwall Bearings & Turbo Charging Bearings Division and General Manager of Global Business Administration Department	Head of Thinwall Bearings & Turbo Charging Bearings Division
April 1, 2016	Masaki Ikawa	Head of Human Resources Planning Division and Head of Daido Metal College In charge of Purchasing Department	Head of Human Resources Planning Division, General Manager of Human Resources Planning Department and Head of Daido Metal College In charge of Purchasing Department
June 1, 2016	Yasuo Kawamura	Head of Thinwall Bearings & Turbo Charging Bearings Division	Head of Thinwall Bearings & Turbo Charging Bearings Division and General Manager of Global Business Administration Department

7. Changes in important positions at other companies of Directors after April 1, 2016 (including scheduled positions)

Date	Name	New important positions at other companies	Previous important positions at other companies
June 22, 2016	Seigo Hanji	HQ Executive/Vice Chairman of Japan Auto Parts Industries Association and Branch Manager of Chubu Branch of aforementioned Association	HQ Executive/Vice Chairman of Japan Auto Parts Industries Association and Branch Manager of Chubu Branch of aforementioned Association Outside Director of Nichirei Corporation

8. Changes in important positions at other companies of Audit & Supervisory Board Members after April 1, 2016 (including scheduled positions)

Date	Name	New important positions at other companies	Previous important positions at other companies
June 22, 2016 June 24, 2016	Kazuo Matsuda	Outside Corporate Auditor of Sumitomo Bakelite Company Limited	Special Advisor of NSK Ltd. Corporate Auditor of NSK-Warner K.K. Outside Corporate Auditor of Sumitomo Bakelite Company Limited

(2) Outline of Liability Limiting Agreement

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

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

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

Category	Number	Remunerations	Bonus to officers	Total amount of remunerations
Directors (Outside Directors)	6 (1)	199 million yen (8 million yen)	135 million yen (– million yen)	335 million yen (8 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	3 (2)	36 million yen (22 million yen)	– million yen (– million yen)	36 million yen (22 million yen)

(Notes) 1. In addition to the above, a total of 37 million yen was paid as employee-portion salaries for employee-directors.

2. "Bonus to officers" is an estimated amount to be paid, if the proposed agenda item No. 4 is approved at the 108th Annual Shareholders' Meeting to be held on June 29, 2016.

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 the role of a Director of the Group, to work effectively as an incentive for raising motivation and 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.

In order to ensure 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 to ensure independence and neutrality the "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 operations of a Representative Director or a Director concurrently serving as an Executive Officer and a "consolidated performance component" which is 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 payment ratio according to the position of each Director, consolidated sales and profit attributable to the parent company and by considering the report in response to consultation from the Board.

(iii) "Bonus"

- Total payment of bonuses to be deliberated in the meeting of shareholders is limited in accordance with the dividend to shareholders and by considering the report in response to consultation from 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 payment ratio according to the position of each Director, consolidated sales and profit attributable to the parent company and by considering the report in response to consultation from the Board.

(b) Audit & Supervisory Board Members' remuneration

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

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

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

Name	Material concurrent holding of positions	Relation between the Company and such other corporations
Toshikazu Takei (Outside Director)	Managing Director of Japan Center for International Finance	The Company has no transaction with Japan Center for International Finance.
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 Director of KDDI CORPORATION	The Company has no particular relation with KDDI CORPORATION, which is required to be disclosed.
Kazuo Matsuda (Outside Audit & Supervisory Board Member)	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 0.5% to the Company's consolidated sales.
	Outside Corporate Auditor of Sumitomo Bakelite Company Limited	The Company has no particular relation with Sumitomo Bakelite Company Limited, which is required to be disclosed.

(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 with Mizuho Bank, Ltd.

2) Main activities of Outside Officers of other companies

Position	Name	Main activities
Director	Toshikazu Takei	Attended all 12 meetings of the Board of Directors held after he assumed office in June 2015. Making remarks based on his rich experience and broad insights as he was long engaged in business execution and served managerial positions at the Bank of Japan; and he is familiar with international businesses.
Audit & Supervisory Board Members	Kuniko Tanabe	Attended 14 out of 15 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2015. 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 15 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2015. Making remarks from a wide viewpoint based on his rich insight on corporate management accounting and governance of business as he is familiar with finance and international businesses through his many years' experience at banks and securities companies and he has experience and knowledge gained from the management of a manufacturing company.

5. 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	42 million yen
Total amount of money and other property gains which the Company and its subsidiaries pay to the Accounting Auditor	51 million yen

(Notes) 1. Important consolidated subsidiaries of the Company who 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:

- Dong Sung 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 Mexico Sales, 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 Republic)
- Daido Metal Europe Ltd. (England)
- Daido Metal Russia LLC (Russia)

2. In the audit contract between the Company and the Accounting Auditor, the amount of remunerations for the audit in accordance with the Companies Act and 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.

3. In regards to the remunerations for the current fiscal year, the Audit & Supervisory Board reviewed auditing plans, content of audit, calculation basis for estimated remunerations etc., which were explained by the Accounting Auditor to the Audit & Supervisory Board in advance. After comprehensive examination the Audit & Supervisory Board has concluded that these are appropriate and consents to the remunerations as set forth in Article 399, paragraph 1 of the Companies Act.

(4) Content of Nonaudit Services

There are no applicable items.

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

The policies regarding the decision of dismissal or non-reappointment of the Accounting Auditor are as follows:

- 1) If dismissal or non-reappointment of the Accounting Auditor is considered necessary based on overall consideration of auditing ability, credibility, audit fees, years of continuous audits etc., in addition to the cases prescribed in each item of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board will decide on an agenda item regarding dismissal or non-reappointment of the Accounting Auditor.
- 2) If any cases prescribed in each item of Article 340, paragraph 1 of the Companies Act have occurred, the Audit & Supervisory Board can dismiss the Accounting Auditor based on the consent of all Audit & Supervisory Board members without the approval of the shareholders meeting. In such a case, an 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.
- 3) In the event of dismissal or non-reappointment of the Accounting Auditor, the Audit & Supervisory Board shall collect information on prospective accounting auditors and deliberate over them at the earliest point. If the Accounting Auditor is dismissed based on Article 340, paragraphs 1 and 4 of the Companies Act, the Audit & Supervisory Board will determine the content of an agenda item regarding the election of a new Accounting Auditor based on overall consideration of auditing ability, credibility, audit fees etc., pursuant to Article 344, paragraphs 1 and 3 of the Companies Act by the first Shareholders' Meeting to be convened after the dismissal. If an agenda item regarding dismissal or non-reappointment of the Accounting Auditor is submitted to a Shareholders' Meeting, the Audit & Supervisory Board will do the same by the said Shareholders' Meeting.

6. System for Ensuring Business Operations of the Company are Appropriate

The Company's systems for ensuring business operations of the Company are appropriate are as follows:

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

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

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

- 1) The Risk Management Committee is designated as the committee responsible for regulations and other systems regarding risks of loss by the Company.
- 2) The Risk Management Committee develops a system to properly manage risk based on the "Rules on Risk Management."
- 3) The Risk Management Committee sets risk items to be monitored from a management standpoint and reports to the Board of Directors accordingly.
- 4) The Risk Management Committee designates a department to control measures to mitigate each item of risk control the progress and to report the status (result) of the risk control to the Board of Directors.

(3) System for Ensuring Efficient Performance of Duties by Directors of the Company

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

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

- 1) The Corporate Ethics Committee is designated as the committee responsible for a system for ensuring that performance of duties by Directors and employees of the Company conforms to laws and regulations and Articles of Incorporation.
- 2) The Corporate Ethics Committee drafts the "Code of Conduct" and the "Standards of Conduct" in complying with the internal rules of the Company etc., and revises their contents as necessary after obtaining approval from the Board of Directors.
- 3) The Corporate Ethics Committee deliberates on rules and other important matters related to compliance based on the "Rules on Operation and Management of Standards of Conduct," and instructs the department in charge on the necessary response.
- 4) The Corporate Ethics Committee instructs the Compliance Unit to provide employees with regular compliance education/training in order to strengthen/fully enforce compliance and keep them informed and aware of compliance.
- 5) The Corporate Ethics Committee reports to the Board of Directors and the Audit & Supervisory Board on the status of compliance on a regular basis.
- 6) The General Affairs Department assumes the role of company-wide control on "Attitude to Anti-Social Forces" included in the "Standards of Conduct," in order to assume a resolute attitude toward any

forces/groups threatening the healthy activities of the Group.

- 7) The General Affairs Department assumes the role of company-wide control, which endeavors to collect information on any anti-social forces and suspicious groups, in close collaboration with external institutions (related government offices/associations/lawyers etc.) and centrally manages such information, including internal distribution of information, making employees aware etc.

(5) System for Ensuring Business Operations in the Group are Appropriate

- 1) The Compliance Unit and Corporate Planning Department are designated as the departments responsible for “Internal Control System” of the Group, and promote development and operation of the “Internal Control System” at the group companies.
- 2) The Compliance Unit keeps the group companies informed and aware of the “Code of Conduct” and “Standards of Conduct” and promotes development of necessary rules, regulations, procedures etc. including “Rules of Employment” for appropriate and effective operation and assessment of a compliance system at the group companies.
- 3) The Corporate Planning Department reviews “Affiliated Companies Management Rules” as necessary in order to ensure the effectiveness/efficiency of business operations between the Company and its group companies, and keeps them informed and aware of the rules.
- 4) The Corporate Planning Department makes the group companies report monthly on their performance of duties, financial conditions etc. through “Monthly Reports” and other such reports.
- 5) The Risk Management Committee establishes policies concerning a system for managing risks of loss at the group companies, and the group companies develop and operate their rules based on such policies. The group companies periodically report their progress and situation to the Risk Management Committee.
- 6) Each responsible department also reports the status of development and operation of each system of “Internal Control System” of the group companies when periodically reporting to the Board of Directors and the Audit & Supervisory Board.

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

- 1) The Corporate Planning Department is designated as the department responsible for assigning employees to assist the duties of Audit & Supervisory Board Members and for the system ensuring independence of such employees.
- 2) An “Audit & Supervisory Board Members Secretariat” independent of the Directors is established as a department for assisting the Audit & Supervisory Board Members of the Company on a regular basis.
- 3) The Audit & Supervisory Board may receive advance reports on the personnel movements and personnel appraisals relating to employees who are in charge of the “Audit & Supervisory Board Members Secretariat,” and if necessary may request changes from the officer in charge of personnel affairs.
- 4) Employees who are in charge of “Audit & Supervisory Board Members Secretariat” perform their duties full time in accordance with instructions from Audit & Supervisory Board Members.

(7) System for Reporting to Audit & Supervisory Board Members of the Company by Directors and Employees of the Group

- 1) The Head of Compliance Unit is designated as the person responsible for reporting to Audit & Supervisory Board Members of the Company.
- 2) Directors and employees of the Company swiftly report the following matters to Audit & Supervisory Board Members of the Company, in addition to statutory reporting matters, when they occur:
 - a. Cases discussed/reported in the management meeting etc. in which Audit & Supervisory Board Members are not present;
 - b. Cases that are likely to cause significant damage to the Company;
 - c. Results of internal audits on the group companies of the Company performed by the Audit Department;
 - d. Status of whistleblowing and content of the information; and
 - e. Other matters which the Audit & Supervisory Board of the Company considers necessary to be reported in the course of performing its duties.
- 3) “Rules on Whistleblowing, and Report and Consultation” stipulates whistleblowing and who to inform inside and outside the Company, and all employees throughout the Group in Japan are kept informed of development and operation of the whistleblower system.
- 4) Officers and employees of the group companies, or those who have received reports or consultation from officers and employees of the group companies, report to Audit & Supervisory Board Members of the Company in appropriate manner about any and all information useful for the performance of duties by Audit & Supervisory Board Members.
- 5) In the event any compliance is found to be violated based on a whistleblower report the Head of Compliance Unit reports the status of improvement/correction measures and preventive measurements at a

meeting of the “Corporate Ethics Committee,” and reports to the Audit & Supervisory Board along with the investigation results.

- 6) The Company guarantees that employees (including employees of the group companies) who have reported to the Audit & Supervisory Board Members of the Company will not be dismissed or treated unfairly as a result of their disclosure

(8) Other Systems for Ensuring Effective Audit Performance by Audit & Supervisory Board Members of the Company

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

7. Outline of Operation of System for Ensuring the Appropriateness of Business Operations

In regards to retention and control of information on performance of duties by Directors, the Company strives to achieve the appropriate retention and control of internal documents including minutes of meetings of the Board of Directors in accordance with “Rules on Document Control” by stipulating the retention period and control method. The “Risk Management Committee” is held twice a year, where risks to the Group including the affiliated companies are identified, measures are taken to reduce such risks and reports provided on the results to the Board of Directors.

In order to ensure efficient performance of duties by Directors, the Company formulates annual management policies and short-term management plans based on the Midterm Business Plan in order to achieve more efficient performance of duties by fully enforcing such policies and plans throughout the Group, and verifies the status of achievement at divisional and departmental meetings as well as at policy management report meetings.

Moreover, in order to ensure that performance of duties by Directors and employees of the Company conforms to laws and regulations and Articles of Incorporation, the Company implemented a system this current fiscal year whereby any events of non-compliance or suspected compliance violations occurring in the Group are reported to the Company. The events reported are compiled by the Company and reported to the Board of Directors and the Audit & Supervisory Board. In addition, the Company strengthened the control system of group companies by developing a reporting system from the group companies to the Company detailing application/report on budgets, capital investment, risk control, compliance status etc.

8. Fundamental Policies Related to the Governance of the Company

(1) Details of Fundamental Policies

The fundamental policies for people who control decisions on the Company's financial and business policies are as follows:

The Company has developed business strategies for sales, production technology, capturing new business etc. based on medium and long term perspectives and aims to achieve stable development and growth of the Company. However, the circumstances surrounding our business have been changing dramatically and therefore important navigation towards short-term business decisions is essential for ensuring sustainable growth in the future. In the Midterm Business Plan, the Company plans to reconstruct its business base during Stage 1 (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 Stage 2 (from FY2015 to FY2017).

The Company will strive to strengthen sustainable business foundations and further enhance corporate value by steadily implementing the Midterm 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 short-term and rapid changes and achieve sustainable business management growth 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 be a better contribution to common interests than distributing short-term or tentative profits. The Company would therefore 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 to hold on to our shares.

(2) Efforts Contributing to the Achievement of Fundamental Policies

1) Special efforts contributing to the achievement of fundamental policies

- a. Effective utilization of Company's investment to achieve sustainable growth through business management based on medium and long term perspectives
 - The Company has been effectively utilizing its investments in order to achieve sustainable growth through business management based on medium and long term perspectives.
 - As it is necessary to establish production and sales bases which are responsive to future trends and market changes, to upgrade productivity etc. of domestic and overseas subsidiaries to the levels achieved by the Company, and to maintain world leading technologies for products, design, manufacturing, production and development, the Company will invest effectively and efficiently in proactive research and development activities predominantly for new products and production technologies, enhancement of monozukuri, utilization and introduction of advanced technologies through industry-government-academia cooperation, corporate protection through intellectual property rights etc. in consideration of the balance between such investments and dividends 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. Helping local residents gain better understanding of the Company
 - The Company interacts with local residents and tries to help them gain better understanding of the Company by attending social programs and inviting local residents to factory tours at major business locations.

2) Efforts to prevent control by shareholders who violate fundamental policies

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

Firstly the Company 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 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 said hostile acquirer and make negotiations with 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 fundamental policies, the Company will take appropriate countermeasures.

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

(3) Decision and Reason for Concluding Above Efforts are Reasonable

It is clear that the above efforts are consistent with the fundamental 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 a hostile acquisition are appropriate because they are put to motion only when the acquisition is against the Company's fundamental policies.

9. Other Significant Matters Relating to Status of the Company

There are no applicable items.

(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, 2016)

(Unit: 1,000 Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	60,002,212	Current Liabilities	40,337,695
Cash and deposits	14,268,885	Notes and accounts payable-trade	7,003,486
Notes and accounts receivable-trade	22,824,103	Electronically recorded obligations - operating	7,783,966
Electronically recorded monetary claims - operating	1,304,213	Short-term borrowings	12,485,361
Merchandise and finished goods	8,172,014	Current portion of long-term borrowings	3,552,328
Work in process	6,993,294	Lease liabilities	203,731
Raw materials and supplies	3,219,504	Accrued income taxes	983,578
Deferred tax assets	1,820,826	Reserve for bonuses	1,566,933
Others	1,458,704	Reserve for Directors' bonuses	135,800
Allowance for doubtful accounts	(59,335)	Reserve for compensation for products	237,267
		Electronically recorded obligations - non-operating	1,132,725
		Others	5,252,515
Fixed assets	62,918,336	Non-Current Liabilities	30,434,608
Tangible fixed assets	55,324,271	Long-term borrowings	19,817,597
Buildings and structures	15,838,868	Lease liabilities	1,446,993
Machinery, equipment and carriers	20,034,180	Deferred tax liabilities	1,833,647
Land	10,954,142	Net defined benefit liability	29,006
Lease assets	1,652,291	Provision for environmental measures	6,920,785
Construction in progress	5,844,970	Asset retirement obligations	17,720
Others	999,819	Negative goodwill	2,693
		Others	366,164
Intangible fixed assets	2,124,994	Total Liabilities	70,772,303
Goodwill	482,362	Net Assets	
Lease assets	121,529	Stockholders' equity	45,729,227
Others	1,521,102	Capital stock	7,273,178
		Capital surplus	8,821,612
Investments and other assets	5,469,071	Retained earnings	31,055,453
Investment securities	2,827,111	Treasury stocks	(1,421,016)
Long-term loans	70,294	Accumulated other comprehensive income	(1,753,622)
Deferred tax assets	1,542,107	Net unrealized gain (loss) on securities	886,829
Others	1,070,842	Foreign currency translation adjustments	(159,513)
Allowance for doubtful accounts	(41,284)	Remeasurements of defined benefit plans	(2,480,938)
		Non-controlling interests in consolidated subsidiaries	8,172,639
		Total Net Assets	52,148,245
Total Assets	122,920,549	Total Liabilities and Net Assets	122,920,549

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

Consolidated Statement of Income

(From: April 1, 2015
To: March 31, 2016)

(Unit: 1,000 Yen)

Account	Amount	
Net sales		81,400,799
Cost of sales		58,599,589
Gross profit on sales		22,801,210
Selling, general and administrative expenses		15,686,425
Operating income		7,114,785
Non-operating income		
Interest and dividend income	123,979	
Amortization of negative goodwill	533	
Equity in earnings of unconsolidated subsidiaries and affiliated companies	88,218	
Proceeds on sale of scraps	480,036	
Others	461,041	1,153,808
Non-operating expenses		
Interest expense	311,366	
Foreign exchange losses	823,578	
Others	337,174	1,472,118
Ordinary income		6,796,474
Extraordinary gains		
Gain on sales of investment securities	2,716	
Subsidy income	200,000	202,716
Profit before income taxes		6,999,191
Corporation tax, inhabitant tax and business tax	2,151,889	
Income taxes-deferred	82,149	2,234,039
Profit		4,765,152
Profit attributable to non-controlling interests		845,295
Profit attributable to owners of parent		3,919,856

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

Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2015
To: March 31, 2016)

(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	28,051,389	(1,420,012)	41,850,799
Changes during the current year					
Dividend of surplus			(915,792)		(915,792)
Profit attributable to parent company			3,919,856		3,919,856
Acquisition of treasury stocks				(1,003)	(1,003)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		875,367			875,367
Changes (net) in items other than stockholders' equity during the current year					
Total changes during the current year	—	875,367	3,004,064	(1,003)	3,878,427
Balance at the end of the current year	7,273,178	8,821,612	31,055,453	(1,421,016)	45,729,227

(Unit: 1,000 Yen)

	Accumulated other comprehensive income				Non-controlling 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	1,250,907	1,340,744	(860,741)	1,730,909	9,512,211	53,093,921
Changes during the current year						
Dividend of surplus						(915,792)
Profit attributable to owners of parent						3,919,856
Acquisition of treasury stocks						(1,003)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						875,367
Changes (net) in items other than stockholders' equity during the current year	(364,077)	(1,500,257)	(1,620,196)	(3,484,531)	(1,339,572)	(4,824,104)
Total changes during the current year	(364,077)	(1,500,257)	(1,620,196)	(3,484,531)	(1,339,572)	(945,676)
Balance at the end of the current year	886,829	(159,513)	(2,480,938)	(1,753,622)	8,172,639	52,148,245

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

Notes on Consolidated Financial Statements

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

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries	22 companies
Names of consolidated subsidiaries	Daido Logitech Co., Ltd. Daido Metal Sales Co., Ltd. Daido Plain Bearings Co., Ltd. Daido Industrial Bearings Japan Co., Ltd. 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., Ltd. P.T. Daido Metal Indonesia Dong Sung Metal Co., Ltd. NDC Co., Ltd. NDC Sales Co., Ltd. Daido Precision Metal (Suzhou) Co., Ltd. Daido Metal Germany GmbH Asia Kelmet Co., Ltd. Daido Metal Europe Ltd. Daido Metal Russia LLC Daido Metal Mexico S.A. de C.V. Daido Metal Mexico Sales, S.A. de C.V. Daido Metal Saga Co., Ltd.
	Daido Metal Saga Co., Ltd. has been included as a consolidated subsidiary due to being newly established during the consolidated fiscal year under review.
(2) Names of unconsolidated subsidiaries	Korea Dry Bearing Co., Ltd. Chung Yuan Daido (Guangzhou) Co., Ltd.
Reason for exclusion from scope of consolidation	Korea Dry Bearing Co., Ltd. and Chung Yuan Daido (Guangzhou) Co., Ltd. have been excluded from the scope of consolidation because these companies are small in size and none of their total assets, sales, profit or loss (amount corresponding to the equity share) and retained earnings (amount corresponding to the equity share) 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

Names of companies	2 companies (Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd. (Affiliated company) BBL Daido Private Ltd.
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(2) Names of unconsolidated subsidiaries and affiliated companies to which the equity method was not applied

	(Unconsolidated subsidiaries) Chung Yuan Daido (Guangzhou) Co., Ltd.
Reason for non-application of equity method	Chung Yuan Daido (Guangzhou) Co., Ltd. has been excluded from the range of application of the equity method because their effect on profit 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 application of equity method

For companies to which the equity method is applicable and of whose 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

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, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Germany GmbH, Daido Metal Europe LTD., Daido Metal Russia LLC, Daido Metal Mexico S.A. de C.V. and Daido Metal Mexico Sales 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 policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Other securities

Securities with market value	Stated at market value based on the market price 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.)
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Securities without market value	Stated at cost determined by the moving average method
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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 based on any decreased profitability).

(a)Merchandise and finished goods	Principally by gross average method
(b)Work in process	Principally by 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 five domestic consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Lifespan of 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 lifespan equal to the lease period and residual value of zero is used.
- (3) Basis of recording important reserves
- 1) Allowance for doubtful accounts

In order to prepare for any losses due to 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 by 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 for quality claims an estimated amount required to be paid in future is provided.
 - 5) Provision for environmental measures

In order to prepare for the payment of disposal cost of PCB wastes required as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes" an estimated amount for disposal costs 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

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

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

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 the time of occurrence thereof.

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

In order to prepare for the payment of retirement benefits to operating officers etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.
 - 2) Standard for converting foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated receivables and payables are converted 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 converted 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 non-controlling 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 the 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 method of consumption taxes
Consumption taxes are accounted for by the tax-excluded method.

(Change in accounting policy)

Starting from the consolidated fiscal year under review, the Company will apply the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Standard”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Standard”). Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year they are incurred. Also, for business acquisitions taking place at or after the beginning of the consolidated fiscal year under review, if adjustments to the allocation of acquisition cost under provisional accounting methods are made in the financial period following the financial period in which the days of the relevant business acquisitions are included, the accounting method will be changed to a method whereby the amount of effect on the opening balance of the fiscal year in which the adjustments are made is presented separately and the opening balance reflecting the effect of the adjustments is clearly stated. In addition, the Company has changed the presentation of profit and other related items, as well as the presentation of “minority interests” to “non-controlling interests.” The Business Combinations Standard etc. were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively applied from the beginning of the consolidated fiscal year under review.

The effect of these changes for the current consolidated fiscal year has a minor impact on operating income, ordinary income and profit before income taxes. Furthermore, capital surplus as of the end of the current consolidated fiscal year increased by 875,367 thousand yen.

Fiscal year end balance of capital surplus in the Consolidated Statement of Changes

in Shareholders' Equity for the consolidated fiscal year ended March 31, 2016 increased by 875,367 thousand yen.

The effect on per share information is minor.

(Changes in Representation Methods)

Electronically recorded monetary claims – operating, (827,899 thousand yen in the previous consolidated fiscal year), which was included in notes and accounts receivable-trade under current assets in the previous consolidated fiscal year, is presented separately from the consolidated fiscal year ending March 31, 2016 due to an increase in significance.

II. Additional Information

Following the establishment of the “Act for Partial Amendment of the Income Tax Act etc.” and “Act for Partial Amendment of the Local Taxation Act etc.” in the Diet on March 29, 2016, the statutory tax rate used in the previous consolidated fiscal year for the calculation of deferred tax assets and deferred tax liabilities for the current consolidated fiscal year (applied only to assets and liabilities to be eliminated on or after April 1, 2016) has changed from 32.2% used in the previous consolidated fiscal year to 30.8% for assets and liabilities expected to be collected or paid during the period of April 1, 2016 to March 31, 2018, and to 30.6% for those expected to be collected or paid on or after April 1, 2018, respectively.

As a result of this change deferred tax assets (net of deferred tax liabilities), deferred income taxes (debit), and re-measurements of defined benefit plans (credit) decreased by 15,136 thousand yen, 18,016 thousand yen, and 54,673 thousand yen, respectively, while unrealized gain (loss) on securities (credit) increased by 21,520 thousand yen.

III. Notes on Consolidated Balance Sheet

1. Accumulated amount of depreciation of tangible fixed assets	80,742,432	thousand yen
2. Assets pledged as collateral and liabilities corresponding to pledged assets		
Assets pledged as collateral		
Buildings and structures	544,997	thousand yen
Machinery, equipment and carriers	1,567,067	
Land	867,242	
Other tangible fixed assets	12,253	
Total	<u>2,991,561</u>	
Liabilities corresponding to pledged assets		
Short-term borrowings	1,700,000	thousand yen
Long-term borrowings (including amounts scheduled to be repaid within one year)	955,556	
Total	<u>2,655,556</u>	
3. Liabilities for guarantee		
Amount of employee housing loans etc.	181,104	thousand yen
4. Discounted notes receivable and transfer by endorsement of notes receivable		
Discounted export bills	8,531	thousand yen

IV. Notes on Consolidated Statement of Changes in Shareholders' Equity

1. Total number of issued shares as of the end of the 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 26, 2015	Ordinary share	398,173	10.00	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 12, 2015	Ordinary share	517,618	13.00	September 30, 2015	December 7, 2015

(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 29, 2016	Ordinary share	517,614	13.00	March 31, 2016	June 30, 2016

Fiscal resource of dividends is planned to be retained earnings.

V. Notes on Financial Instruments

1. Matters relating to the 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.

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

Borrowings are used for working capital (mainly short-term) and capital investment funds (long-term) and interest swap transactions are made for part of long-term borrowings in order to fix the interest costs against the risk of interest rate fluctuations. Derivative transactions are made within the scope of actual demand in accordance with 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, 2016 are as follows:

(Unit: 1,000 yen)

	Consolidated balance sheet amount (*)	Market value (*)	Difference
(1) Cash and deposits	14,268,885	14,268,885	—
(2) Notes and accounts receivable-trade	22,824,103	22,824,103	—
(3) Electronically recorded monetary claims – operating	1,304,213	1,304,213	—
(4) Investment securities	1,977,491	1,977,491	—
(5) Notes and accounts payable-trade	(7,003,486)	(7,003,486)	—
(6) Electronically recorded obligations - operating	(7,783,966)	(7,783,966)	—
(7) Short-term borrowings	(12,485,361)	(12,485,361)	—
(8) Long-term borrowings (including amounts scheduled to be repaid within one year)	(23,369,925)	(23,490,354)	(120,429)
(9) Electronically recorded obligations - non-operating	(1,132,725)	(1,132,725)	—
(10) Lease liabilities	(1,650,724)	(1,672,429)	(21,704)

(*) 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 (3) Electronically recorded monetary claims – operating

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

(4) 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.

(5) Notes and accounts payable-trade, (6) Electronically recorded obligations – operating, (7) 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.

(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. Among long-term borrowings, those at variable interest rate are stated at their carrying values because they reflect market interest rate in the short-term and the Company's credit status has not changed significantly since the execution, and thus their market values approximate their carrying value.

Long-term borrowings 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) As it is considered extremely difficult to obtain the market values of unlisted stocks (consolidated balance sheet amount of 849,619 thousand yen) because their market quotations are not available and their future cash flows cannot be estimated they are not included in "(4) Investment securities."

VI. Notes on Business etc. Acquisitions and Mergers

Transaction under common control

Acquisition of additional shares in a subsidiary

1. Summary of the transaction

(1) Name of the company and description of its business

Name of the company: NDC Co., Ltd.

Description of the business: Mainly manufacture and sale of automotive engine bearings

(2) Date of business acquisition: December 22, 2015

(3) Legal form of the business acquisition: Share acquisition from non-controlling shareholders

(4) Name of the entity after the business acquisition: No change to the name of the company.

(5) Other matters concerning summary of the transaction

In order to strengthen collaboration inside the Group and further improve the corporate value of the Group and management efficiency, the Company acquired additional shares of NDC Co., Ltd.

2. Applied accounting standard

The Company accounted for the business acquisition as a transaction with non-controlling shareholders under common control in accordance with the Business Combinations Standards and the Guidance on Business Combinations Standard and Business Divestitures Standard.

3. Additional acquisition of shares in a subsidiary

Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	434,000 thousand yen
Acquisition cost		434,000 thousand yen

4. Change in equity related to transaction with non-controlling shareholders

(1) Main reason for the change in capital surplus

Additional acquisition of the subsidiary's shares

(2) Increase in capital surplus by transaction with non-controlling shareholders

875,367 thousand yen

VII. Notes on 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
755,290	4,796,497

(Notes) 1. The amount recorded in the consolidated balance sheet represents the acquisition cost minus the 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 on Per Share Information

1. Amount of net assets per share

1,104.45 yen

2. Net income per share

98.44 yen

* As stated in "Change in accounting policy" the Business Combinations Standard etc. have been applied.

Non-Consolidated Balance Sheet

(As of March 31, 2016)

(Unit: 1,000 Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	38,388,870	Current liabilities	23,279,745
Cash and deposits	6,323,803	Accounts payable-trade	5,796,499
Notes receivable-trade	408,203	Electronically recorded obligations - operating	9,577,247
Accounts receivable-trade	19,250,039	Current portion of long-term borrowings	1,827,100
Electronically recorded monetary claims – operating	1,707,856	Lease liabilities	188,325
Merchandise and finished goods	1,862,074	Other accounts payable	2,040,703
Work in process	3,376,591	Accrued expenses	855,123
Raw materials and supplies	1,392,382	Accrued income taxes	569,966
Prepaid expenses	162,306	Advances received	9,431
Deferred tax assets	865,335	Deposits received	58,413
Short-term loans to affiliated companies	602,225	Unearned revenue	24,013
Accounts receivable-other	2,267,399	Reserve for bonuses	1,093,453
Others	171,052	Reserve for Directors' bonuses	135,800
Allowance for doubtful accounts	(400)	Electronically recorded obligations - non-operating	1,102,870
		Others	797
Fixed assets	43,906,580		
Tangible fixed assets	19,543,468	Non-current liabilities	16,815,781
Buildings	6,225,744	Long-term borrowings	13,129,600
Structures	701,054	Lease liabilities	193,649
Machinery and equipment	5,538,777	Long-term accounts payable	204,119
Cars and carriers	11,497	Deferred tax liabilities	70,440
Tools, furniture and fixtures	319,461	Reserve for retirement benefits	3,172,241
Land	3,671,939	Provision for environmental measures	2,957
Lease assets	418,601	Asset retirement obligations	1,800
Construction in progress	2,656,391	Others	40,971
		Total Liabilities	40,095,526
Intangible fixed assets	1,227,213	Net Assets	
Software	1,100,080	Stockholders' equity	41,406,762
Lease assets	39,075	Capital stock	7,273,178
Right for using facilities	16,267	Capital surplus	7,946,245
Others	71,789	Legal capital surplus	7,649,095
		Other capital surplus	297,150
Investments and other assets	23,135,898	Retained earnings	27,608,355
Investment securities	1,557,643	Legal retained earnings	743,443
Stocks of affiliated companies	11,626,076	Other retained earnings	
Investments of capital in affiliated companies	7,526,346	Reserve for compressed entry of fixed assets	1,616,618
Long-term loans to employees	21,684	General reserve	19,000,000
Bankruptcy and reorganization claims etc.	2,083	Retained earnings brought forward	6,248,293
Long-term prepaid expenses	44,475	Treasury stocks	(1,421,016)
Prepaid pension expenses	1,352,318	Valuation, translation adjustments and other	793,161
Others	1,018,444	Net unrealized gain (loss) on securities	793,161
Allowance for doubtful accounts	(13,173)		
		Total Net Assets	42,199,924
Total Assets	82,295,450	Total Liabilities and Net Assets	82,295,450

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

Non-Consolidated Statement of Income

(From: April 1, 2015
To: March 31, 2016)

(Unit: 1,000 Yen)

Account	Amount	
Net sales		64,665,021
Cost of sales		51,524,516
Gross profit on sales		13,140,504
Selling, general and administrative expenses		9,303,825
Operating income		3,836,678
Non-operating income		
Interest and dividend income	1,194,374	
Proceeds from sale of scrap	197,631	
Others	359,850	1,751,856
Non-operating expenses		
Interest expense	92,641	
Foreign exchange losses	70,975	
Others	130,492	294,109
Ordinary income		5,294,425
Extraordinary gains		
Gain on sales of investment securities	2,716	
Subsidy income	200,000	202,716
Profit before income taxes		5,497,141
Corporation tax, inhabitant tax and business tax	1,182,970	
Income taxes-deferred	172,667	1,355,638
Profit		4,141,502

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

Non-Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2015
To: March 31, 2016)

(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				
Profit				
Acquisition of treasury stocks				
Changes (net) to 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		Retained earnings brought forward		
	Reserve for compressed entry of fixed assets	General reserve			
Balance at the beginning of the current year	1,458,004	17,000,000	5,181,197	(1,420,012)	38,182,056
Changes during the current year					
Provision of reserve for advanced depreciation of non-current assets	169,342		(169,342)		—
Reversal of reserve for compressed entry of fixed assets	(10,727)		10,727		—
Reversal of general reserve		2,000,000	(2,000,000)		—
Dividend of surplus			(915,792)		(915,792)
Profit			4,141,502		4,141,502
Acquisition of treasury stocks				(1,003)	(1,003)
Changes (net) to items other than shareholders' equity during the current year					
Total changes during the current year	158,614	2,000,000	1,067,095	(1,003)	3,224,706
Balance at the end of the current year	1,616,618	19,000,000	6,248,293	(1,421,016)	41,406,762

(Unit: 1,000 Yen)

	Valuation, conversion adjustments etc.		Total net assets
	Net unrealized gain (loss) on securities	Total valuation, translation adjustments and other	
Balance at the beginning of the current year	1,119,573	1,119,573	39,301,630
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			(915,792)
Profit			4,141,502
Acquisition of treasury stocks			(1,003)
Changes (net) to items other than shareholders' equity during the current year	(326,411)	(326,411)	(326,411)
Total changes during the current year	(326,411)	(326,411)	2,898,294
Balance at the end of the current year	793,161	793,161	42,199,924

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

Notes on Financial Statements

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 based on any decreased profitability).

1) Merchandise and finished goods

Gross average method

2) Work in process

Gross average method

3) Raw materials

Principally by gross average method

4) Supplies

Principally by 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. Lifespan for major assets are mainly 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. Lifespan for software for in-house use is mainly 5 years, and lifespan for rights to use facilities are mainly 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 lifespan equal to the lease period and residual value of zero is used.

3. Basis of recording reserves

(1) Allowance for doubtful accounts

In order to prepare for any losses due to 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

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

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

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

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

that follows the fiscal year of occurrence.

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

(5) Provision for environmental measures

In order to prepare for the disposal costs of PCB wastes as stipulated by the “Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes” the estimated amount of disposal costs 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 converted 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

1) Hedge accounting

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

2) Hedging instruments

Derivative transactions (interest rate swaps)

3) Hedged items

Items with the 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.

4) Hedge policies

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

5) 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 and unrecognized past service costs 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.

(Change in accounting policy)

Starting from the consolidated fiscal year under review, the Company will apply the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Standard”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Standard”). Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year they are incurred. Also, for business acquisitions taking place at or after the beginning of the consolidated fiscal year under review, if adjustments to the allocation of acquisition cost under provisional accounting methods are made in the financial period following the financial period in which the days of the relevant business acquisitions are included, the accounting method will be changed to a method whereby the amount of effect on the opening balance of the fiscal year in which the adjustments are made is presented separately and the opening balance reflecting the effect of the adjustments is clearly stated.

The Business Combinations Standard etc. were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively applied from the beginning of the consolidated fiscal year under review.

The effect of these changes for the current consolidated fiscal year has a minor impact on non-consolidated financial statements and per share information.

(Changes in Representation Methods)

Electronically recorded monetary claims – operating, (1,156,047 thousand yen in the previous fiscal year),

which was included in notes and accounts receivable-trade under current assets in the previous fiscal year, is presented separately from the fiscal year ending March 31, 2016 due to an increase in significance.

II. Notes on Balance Sheet

1. Accumulated amount of depreciation of tangible fixed assets	42,116,584 thousand yen
2. Monetary claims and monetary debts to/from affiliated companies	
Short-term monetary claims	9,740,055 thousand yen
Long-term monetary claims	379,097
Short-term monetary debts	5,569,857
3. Liabilities for guarantee	
(1) For employee housing loans etc.	181,104 thousand yen
(2) For bank borrowings	
Daido Metal Czech s.r.o.	2,360,067
Daido Metal Kotor AD	483,599
Daido Industrial Bearings Europe Ltd.	1,862,080
Daido Metal Europe Ltd.	971,520
Daido Metal U.S.A. Inc.	3,802,950
Daido Metal Mexico S.A. de C.V.	3,009,010
Daido Precision Metal (Suzhou) Co., Ltd.	1,447,359
Daido Plain Bearings Co., Ltd.	255,300
(3) For liabilities on purchases	
Daido Metal Kotor AD	71,493
(4) For lease liabilities	
Daido Metal Russia LLC	1,684,060
(5) Relating to letter of awareness on management guidance etc. submitted relating to bank borrowings	
Daido Industrial Bearings Europe Ltd.	42,717
(6) For export duties	
Daido Metal Europe Ltd.	24,288
Total	<u>16,195,552</u>

III. Notes on Statement of Income

Amount of transactions with affiliated companies

Operating transactions

Amount of sales 21,593,502 thousand yen

Amount of purchases 17,331,550 thousand yen

Other operating transactions 1,119,879 thousand yen

Transactions other than operating transactions 1,226,356 thousand yen

IV. Notes on Statements of Changes to Shareholders' Equity

Type and number of treasury stocks at the balance sheet date

Ordinary shares 5,140 thousand shares

V. Notes on Leased Fixed Assets

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

VI. Notes on Tax Effect Accounting

1. Breakdown of the main causes of deferred tax assets and liabilities

Deferred tax assets

Devaluation of finished goods and work in process	427,985 thousand yen
Depreciation in excess of tax limit	63,250
Impairment losses	166,651
Accrued business tax	61,400
Loss on valuation of stocks of affiliated companies	1,301,979
Loss on valuation of golf club memberships	16,986
Reserve for bonuses	336,783
Reserve for retirement benefits	868,552
Long-term accounts payable	58,196
Others	138,495
Sub-total of deferred tax assets	<u>3,440,283</u>
Valuation reserves	<u>(1,596,831)</u>
Total deferred tax assets	<u>1,843,452</u>
Deferred tax liabilities	
Reserve for compressed entry of fixed assets	(712,918)
Unrealized gain (loss) on securities	(333,632)
Others	(2,006)
Total deferred tax liabilities	<u>(1,048,557)</u>
Net deferred tax assets	<u>794,895</u>

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

In accordance with the establishment of the “Act for Partial Amendment of the Income Tax Act etc.” and “Act for Partial Amendment of the Local Taxation Act etc.” in the Diet on March 29, 2016, the statutory tax rate used in the previous fiscal year for the calculation of deferred tax assets and deferred tax liabilities for the current fiscal year (applied only to assets and liabilities to be eliminated on or after April 1, 2016) has changed from 32.2% used in the previous fiscal year to 30.8% for assets and liabilities expected to be collected or paid during the period of April 1, 2016 to March 31, 2018, and to 30.6% for those expected to be collected or paid on or after April 1, 2018, respectively.

As a result of this change, deferred tax assets (net of deferred tax liabilities) decreased by 36,519 thousand yen, while income taxes-deferred (debit) and unrealized gain (loss) on securities (credit) increased by 53,964 thousand yen and 17,444 thousand yen, respectively.

VII. Notes on Transactions with Related Parties

Subsidiaries and affiliated companies etc.

Type	Name of company etc.	Ratio (%) of voting rights held etc.	Relationship with related party	Content of transaction	Transaction amount (1,000 yen) Note 11	Account	Balance at fiscal year end (1,000 yen) Note 11
Subsidiaries	Daido Metal Sales Co., Ltd.	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities, loans etc. and shared Directors	Sales of bearing products Note 1	3,848,869	Account receivable-trade	1,710,028
	NDC Co., Ltd.	(Holding) Direct 58.8	Purchase of the Company's products etc. manufacture of the Company's products, sales of the Company's products etc., licensing of technology, lease of facilities etc. and shared Directors	Sales of bearing products etc. Note 1	1,803,316	Account receivable-trade	156,797
				Purchase of bearing products etc. Note 2	5,755,658	Electronically recorded monetary claims - operating Account payable-trade	687,976 1,877,504
	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacture of the Company's products, lease of facilities, debt guarantees etc. and shared Directors	Purchase of bearing products etc. Note 2	8,791,903	Account payable-trade	1,005,756
				Dividend income	500,000	Electronically recorded obligations-operating	2,276,287 -
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sales of Company's products etc., purchase of Company's products, licensing of technology, rental of facilities, loans, debt guarantees and shared Directors	Sales of bearing products etc. Note 1	6,003,446	Account receivable-trade	2,287,141
				Underwriting of capital increase Note 10 Debt guarantees Note 3	864,080 3,802,950	- -	- -
	Daido Metal Mexico S.A. de C.V.	(Holding) Direct 99.9 (Holding) Indirect 0.0	Sales of the Company's products, rental of facilities, debt guarantees etc. and shared Directors	Debt guarantees Note 4	3,009,010	-	-
	Daido Metal Czech s.r.o.	(Holding) Direct 100.0	Sales of the Company's products etc., purchase of the Company's products, licensing of technology, rental of facilities, loans, debt guarantees etc. and shared Directors	Debt guarantees Note 5	2,360,067	-	-
	Daido Industrial Bearings Europe Ltd.	(Holding) Direct 100.0	Sales of the Company's products, purchase of the Company's products, licensing of technology, rental of facilities, debt guarantees etc. and shared Directors	Debt guarantees Note 6	1,904,797	-	-
Daido Metal Europe Ltd.	(Holding) Direct 100.0	Sales of the Company's products, rental of facilities, debt guarantees etc. and shared Directors	Sales of bearing products etc. Note 1	4,295,777	Account receivable-trade	1,332,603	
			Debt guarantees Note 7	995,808	-	-	
Dyna Metal Co., Ltd.	(Holding) Direct 50.0	Sales of the Company's products etc., purchase of the Company's products, licensing of technology, rental of facilities and shared Directors	Dividend income	195,900	Accounts receivable-other	95,700	
Daido Precision	(Holding) Direct 74.0	Sales of the Company's products etc., purchase of the	Dividend income	177,156	-	-	

Type	Name of company etc.	Ratio (%) of of voting rights held etc.	Relationship with related party	Content of transaction	Transaction amount (1,000 yen) Note 11	Account	Balance at fiscal year end (1,000 yen) Note 11
	Metal (Suzhou) Co., Ltd.	(Holding) Indirect 16.2	Company's products, rental of facilities, licensing of technology, loans, debt guarantees etc. and shared Directors	Debt guarantees Note 8	1,447,359	-	-
	Daido Metal Russia LLC	(Holding) Direct 99.8	Sale of the Company's products etc., licensing of technology, debt guarantees etc. and shared Directors	Debt guarantees Note 9	1,684,060	-	-

Transaction terms, policies for determining transaction terms etc.

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

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

(Note 3) Debt guarantees are provided for the bank borrowings (3,802,950 thousand yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 4) Debt guarantees are provided for the bank borrowings (3,009,010 thousand yen) of Daido Metal Mexico S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (2,360,067 thousand yen) of Daido Metal Czech s.r.o. and guarantee fees of 0.2% and 0.3% per annum are received.

(Note 6) Debt guarantees are provided for the bank borrowings (1,862,080 thousand yen) of Daido Industrial Bearings Europe Ltd. and guarantee fees of 0.2% per annum are received. In addition, debt guarantees are provided for the management guidance promissory notes (42,717 thousand yen) of Daido Industrial Bearings Europe Ltd.

(Note 7) Debt guarantees are provided for the bank borrowings (971,520 thousand yen) and export duties (24,288 thousand yen) of Daido Metal Europe Ltd. and guarantee fees of 0.2% per annum are received.

(Note 8) Debt guarantees are provided for the bank borrowings (1,447,359 thousand yen) of Daido Precision Metal (Suzhou) Co., Ltd. and guarantee fees of 0.2% per annum are received.

(Note 9) Debt guarantees are provided for the lease obligations (1,684,060 thousand yen) of Daido Metal Russia LLC and guarantee fees of 0.2% per annum are received.

(Note 10) Underwriting of capital increase is the amount underwritten by the Company to strengthen the capital of Daido Metal U.S.A. Inc.

(Note 11) 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 | 1,059.86 yen |
| 2. Net income per share | 104.01 yen |

Independent Auditor's Report on Audit of Consolidated Financial Statements

Independent Auditor's Report on
Consolidated Financial Statement Audit

May 20, 2016

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

Deloitte Touche Tohmatsu LLC

<u>Designated Partner Engagement Partner</u>	<u>Certified Public Accountant</u>	<u>Norio Hattori</u>	<u>Seal</u>
<u>Designated Partner Engagement Partner</u>	<u>Certified Public Accountant</u>	<u>Yasuteru 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 the consolidated financial statements and other notes, of Daido Metal Co., Ltd. for the 108th fiscal year from April 1, 2015 to March 31, 2016, 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 performing this 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 20, 2016

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

Deloitte Touche Tohmatsu LLC

Designated Partner Certified Public
Engagement Partner Accountant Norio Hattori Seal

Designated Partner Certified Public
Engagement Partner Accountant Yasuteru Miura Seal

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 108th fiscal year from April 1, 2015 to March 31, 2016, 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 performing this 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 108th fiscal year from April 1, 2015 to March 31, 2016, based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

- (1) The Audit & Supervisory Board established an auditing policy and auditing plans, 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 etc. reports on the performance of their duties from the Directors and the Accounting Auditors and, when necessary, requested explanations regarding such reports.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, and based on the auditing policy and the 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 has audited in the following manner:
 - 1) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received from the Directors, employees and other related persons reports on the performance of their duties and, when necessary, requested explanations regarding such reports. In addition, each Audit & Supervisory Board Member inspected important authorized documents and associated information, and examined the business and financial position of the Company at the head office and each major department of the Company. With respect to the subsidiaries of the Company, each 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 major subsidiaries and to share information with them and, when necessary, received reports from the subsidiaries regarding their businesses.
 - 2) In terms of the content of resolutions made by the Board of Directors concerning the establishment of the systems provided in Article 100, paragraphs 1 and 3 of the Companies Act Enforcement Regulations to ensure that the performance of duties by the Directors, which are described in the business report, are compliant with the laws and regulations of Japan and with the Company's Articles of Incorporation and other systems to ensure that the Company's operation will be conducted appropriately, as well as the status of such systems established by such resolutions (internal control system), each Audit & Supervisory Board Member periodically received reports on the status of development and operating situation of such systems from Directors and employees and, when necessary, requested explanations regarding such reports and expressed their opinion.
 - 3) Regarding the fundamental policies prescribed in Article 118, item 3, of the Companies Act Enforcement Regulations and each task prescribed in (b) of the same item described in the business report, we studied the content thereof based on the deliberation at the board of Directors and other meetings.
 - 4) The Audit & Supervisory Board Members audited and examined whether the independent auditors maintained their independence and performed audits in an appropriate manner. The Audit & Supervisory Board Members received reports from the Accounting Auditors on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that they have taken steps to improve the "System to Ensure Appropriate Execution of the Duties of the Accounting Auditors" (as enumerated in each item of Article 131 of the 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 notifications.

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

- 1) 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.
- 2) With respect to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.
- 3) In our opinion, the content of the resolutions made by the Board of Directors regarding the internal control system is appropriate, and furthermore, we have not found anything to be pointed out on the content described in the business report and the performance of duties of the Directors concerning the internal control system.
- 4) There are no matters to be pointed out regarding the fundamental policies described in the business report, concerning the way of being of personnel that controls the Company's financial and business policies. We consider that each task of Article 118, item 3, (b) of the Companies Act Enforcement Regulations that is described in the business report is in line with said fundamental policies, that it does not undermine the common interests of the Company's shareholders, and that it does not aim to maintain the positions of the Company's officers.

(2) Results of Audit of the Non-consolidated Financial Statements and 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 26, 2016

Audit & Supervisory Board
Daido Metal Co., Ltd.

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

Reference Materials for the Annual Shareholders' Meeting

Agendas and Matters for Reference

Agenda Item No. 1 Disposition of Surplus

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

The Company's fundamental 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, strengthening of business foundations and changes to the business environment.

In comprehensive consideration of all the factors including the consolidated performance for the full year based on the above fundamental policy, the year-end dividend would be 13 yen per share for the current fiscal year.

As a result, the annual dividend, including the interim dividend of 13 yen per share (actual), would be 26 yen per share, an increase of 6 yen compared with the annual dividend of 20 yen per share (actual) for the previous fiscal year.

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

1. Details of the year-end dividend

(1) Type of dividend

Cash

(2) Allocation of dividends to shareholders and the total amount

13 yen per ordinary share of the Company

Total amount: 517,614,032 yen

(3) Date when dividends from surplus become effective

June 30, 2016

2. Other items regarding disposition of surplus

(1) Item and amount of surplus to be increased

General reserve 2,000,000,000 yen

(2) Item and amount of surplus to be decreased

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

Agenda Item No. 2 Election of Seven Directors

The terms of office for all six Directors expire at the close of this Shareholders' Meeting. To ensure the transparency of management and further enhance corporate governance, the Company believes it should increase the number of Directors from six to seven by newly appointing one Outside Director. We therefore propose the election of seven Directors.

The candidates for the position of Director are as follows:

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
(1)	Seigo Hanji (January 2, 1942) <u>Reappointment</u>	<p>April 1965 Joined the Company</p> <p>April 1980 General Manager 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 & Chief Executive Officer of the Company</p> <p>June 2007 Chairman & Chief Executive Officer of the Company (to present)</p> <p>May 2008 HQ Executive/Vice Chairman of Japan Auto Parts Industries Association and Branch Manager of Chubu Branch of the same Association (to present)</p> <p>June 2010 Outside Director of Nichirei Co., Ltd.</p> <p>[Important positions at other corporations] HQ Executive/Vice Chairman of Japan Auto Parts Industries Association and Branch Manager of Chubu Branch of the aforementioned Association</p>	139,412 shares
(2)	Kotaro Kashiyama (March 28, 1947) <u>Reappointment</u>	<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 & 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 & Turbo Charging Bearings Division of the Company</p> <p>July 2005 Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division of the Company</p> <p>June 2007 Managing Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division of the Company</p> <p>July 2007 Managing Director and Senior Executive Officer, and Head of Thinwall Bearings & 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 President 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 Division of the Company President of Daido Plain Bearings Co., Ltd.</p> <p>June 2011 President & Chief Operating Officer of the Company Head of Global Strategy Division and Technology Division</p> <p>April 2012 President & Chief Operating Officer of the Company (to present)</p>	75,369 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) <u>Reappointment</u>	<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, and Head of Corporate/Financial Planning Division of the Company</p> <p>June 2011 Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division and Head of Human Resources Planning Division of the Company</p> <p>April 2012 Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division of the Company</p> <p>April 2015 Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division of the Company President of DAIDO METAL SAGA CO., LTD. (part-time) (to present)</p> <p>July 2015 Director and Managing Executive Officer, and Head of Corporate/Financial Planning Division of the Company President of DAIDO METAL SAGA CO., LTD. (part-time)</p> <p>April 2016 Director and Managing Executive Officer, and General Manager of Business Process Re - engineering (BPR) Department of the Company President of DAIDO METAL SAGA CO., LTD. (part-time) (to present)</p>	60,863 shares
(4)	Yasuo Kawamura (December 13, 1949) <u>Reappointment</u>	<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 & 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 Senior Executive Officer and Head of Sales Division of the Company</p> <p>April 2011 Senior Executive Officer and Head of Polymer Bearings Division of the Company</p> <p>June 2011 Director and Senior Executive Officer, and Head of Polymer Bearings Division of the Company</p> <p>April 2015 Director and Senior Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division of the Company</p> <p>July 2015 Director and Managing Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division of the Company</p> <p>April 2016 Director and Managing Executive Officer, Head of Thinwall Bearings & Turbo Charging Bearings Division and General Manager of Global Business Administration Department of the Company</p> <p>June 2016 Director and Managing Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division of the Company (to present)</p>	24,494 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) <u>Reappointment</u>	<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 Bellefontaine LLC</p> <p>July 2008 Executive Officer of the Company President of Daido Metal Bellefontaine LLC</p> <p>October 2009 Executive Officer and General Manager of Corporate Planning Department, Corporate Planning Division 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 & Planning Department of the Company</p> <p>July 2011 Senior Executive Officer, General Manager of Quality Management & Planning Department and General Manager of Inuyama Site of the Company</p> <p>March 2012 Senior Executive Officer, General Manager of Quality Management & 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, Head of Human Resources Planning Division, Head of Daido Metal College and Head of Inuyama Site of the Company</p> <p>April 2014 Director and Senior Executive Officer, Head of Human Resources Planning Division and Head of Daido Metal College of the Company</p> <p>April 2015 Director and Senior Executive Officer, Head of Human Resources Planning Division, General Manager of Human Resources Planning Department and Head of Daido Metal College</p> <p>July 2015 Director and Managing Executive Officer, Head of Human Resources Planning Division, General Manager of Human Resources Planning Department and Head of Daido Metal College</p> <p>April 2016 Director and Managing Executive Officer, Head of Human Resources Planning Division and Head of Daido Metal College (to present)</p>	25,382 shares
(6)	Toshikazu Takei (September 22, 1953) <u>Reappointment</u> <u>Outside Director</u> <u>Independent Officer</u>	<p>April 1976 Joined the Bank of Japan</p> <p>July 1989 Director of Nagoya Branch of the Bank of Japan</p> <p>November 1991 Director of Secretary Office and Secretariat of the Policy Board of the Bank of Japan</p> <p>June 1994 Deputy General Manager for Europe of the Bank of Japan</p> <p>April 1998 Director of Diet Liaison Division, Secretariat of the Policy Board of the Bank of Japan</p> <p>May 1999 General Manager of Matsuyama Branch of the Bank of Japan</p> <p>February 2002 Director-General, Senior Secretary to the Governor, Secretariat of the Bank of Japan</p> <p>July 2003 Advisor to the Governor for Parliamentary Affairs and Public Relations, Secretariat of the Policy Board</p> <p>July 2005 General Manager of Nagoya Branch of the Bank of Japan</p> <p>July 2006 Chief Representative in Europe of the Bank of Japan (stationed in London)</p> <p>June 2008 Retired from the Bank of Japan</p> <p>July 2008 Senior Executive Advisor of Accenture</p> <p>October 2012 Managing Director of Japan Center for International Finance (to present)</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>[Important positions at other corporations] Managing Director of Japan Center for International Finance</p>	681 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
(7)	Kiyotaka Hoshinaga (November 15, 1950) <u>New appointment</u> <u>Outside Director</u> <u>Independent Officer</u>	<p>May 1975 Joined Department of Urology, Keio University School of Medicine</p> <p>August 1994 Assistant Professor, Department of Urology, Fujita Health University School of Medicine</p> <p>April 2000 Professor, Department of Urology, Fujita Health University School of Medicine</p> <p>February 2006 Deputy Director, Fujita Health University Hospital</p> <p>February 2009 Director, Fujita Health University Hospital</p> <p>April 2013 Managing Director, Fujita Academy Incorporated Educational Institution (to present)</p> <p>April 2014 President, Fujita Health University Hospital (to present)</p> <p>[Important positions at other corporations] President, Fujita Health University Hospital Managing Director, Fujita Academy Incorporated Educational Institution</p>	0 shares

- (Notes)
- There are no particular conflicts of interest between each candidate and the Company.
 - As for each candidate's position please refer to "4. Matters Relating to Company Officers, (1) Directors and Audit & Supervisory Board Members" on pages 19-20.
 - Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga are candidates for Outside Directors.
 - Mr. Toshikazu Takei was long engaged in business execution and served in managerial positions at the Bank of Japan. We expect that he will oversee and supervise the management of the Company with his familiarity with international businesses and based on his rich experience and broad insight. We therefore propose the election of Mr. Takei as an Outside Director. Although he has no experience in the management of a company, he has appropriately overseen and supervised the management of the Company as an Outside Director, and therefore we re-nominated him as a candidate for an Outside Director.
 - Mr. Kiyotaka Hoshinaga has served as a director of a hospital and a president of a university after serving as a professor of a university. We expect that he will oversee and supervise the management of the Company based on his extensive knowledge and experience as a manager of a hospital and a president of a university. We therefore propose the election of Mr. Hoshinaga as an Outside Director. Although he has no experience in the management of a company, we judge for the reason above that he is able to appropriately oversee and supervise the management of the Company as an Outside Director.
 - Liability limitation agreement
The Company has entered into a liability limitation agreement with Mr. Toshikazu Takei. The Company will continue this agreement with him if he is elected as an Outside Director and he assumes office.
The Company will enter into a liability limitation agreement with Mr. Kiyotaka Hoshinaga if he is elected as an Outside Director and he assumes office.
The outline of the agreement is as follows:
 - When a non-executive Director is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act).
 - The above liability limitation is allowed only when the relevant non-executive Director acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph 1 of the Companies Act.
 - Mr. Toshikazu Takei has been registered as an "Independent Officer" pursuant to the provisions of the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. If he is elected as an Outside Director and he assumes office the Company will continue to register him as an "Independent Officer."
 - The Company will register Mr. Kiyotaka Hoshinaga as an "Independent Officer" pursuant to the provisions of the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. if he is elected as a Director and he assumes office.
 - The term of office of Mr. Toshikazu Takei as an Outside Director will be one year at the conclusion of this Annual Shareholders' Meeting.

[Standards for Independence of Outside Officers]

The Company has established independence standards, which refer to the independence standards in the independent officers system established by the Tokyo Stock Exchange, Inc., and set even stricter standards. In principle, an outside director or outside audit & supervisory board member who is deemed to have independence from the Company is registered as an independent outside director or independent outside audit & supervisory board member. For more details please refer to [Standards for Independence of Outside Officers of DAIDO METAL CO., LTD.] as stated below.

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

An Outside Director or Outside Audit & Supervisory Board Member is deemed not to have independence from the Company in the event that he/she comes under any of the categories below.

- (1) Person related to the Company
A person who currently works or has previously worked for the DAIDO Group within the last ten years.
- (2) Person related to the major suppliers
A person who currently is or has previously been an officer or employee of a major supplier to the Company (with which the annual aggregate amount of transactions is 1,000 million yen or more) or its group companies within the last three fiscal years.
- (3) Person related to the major business partners
A person who currently is or has previously been an officer or employee of the Company's major business partner (with which the annual aggregate amount of transactions is 1,000 million yen or more) during any of the last three fiscal years.
- (4) Person related to the financial institutions
 - 1) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a financial institution with which the Company currently has transactions of deposits or borrowings of 1,000 million yen or more.
 - 2) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a company which is a managing underwriter of the Company.
- (5) Person related to the parties providing professional services
A person who currently receives, or within the last three years, has received from the Company an annual compensation of 20 million yen or more as the Company's legal counsel (law office), the Company's accounting auditor, a certified tax accountant, patent attorney, judicial scrivener, or as a management, finance, technology or marketing consultant.
- (6) Person related to the parties receiving donations or grants from the Company
A person who is a representative or operating officer of an organization (public interest incorporated foundation, public interest incorporated association, non-profitable corporation, etc.) to which the Company has made donations or provided grants exceeding a certain amount (either an annual amount of 1.0 million yen or an annual average of 30% of the organization's total expenses, whichever is larger) in the current fiscal year or in the last three fiscal years.
- (7) Relative
A relative of a person who currently works or has previously worked for the DAIDO Group within the last five years (the person's spouse, parent, child, sibling, grandparent, grandchild, or relatives living with the person).
A relative of a person coming under aforementioned categories (2) to (5). Reappointment and reappointed person.
A person who has executed his/her duties as an outside director for a period exceeding ten years without coming under any of the aforementioned categories (*a period exceeding twelve years in three consecutive terms in case of reappointment of Audit & Supervisory Board Member).

Agenda Item 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 have already received the approval of this agenda from the Audit & Supervisory Board.

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

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
Nobuyuki Ishiwata (July 12, 1945) Substitute Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	April 1971 Joined Tohmatsu Aoki Audit Corporation (now Deloitte Touche Tohmatsu LLC) April 1975 Registered as a certified public accountant January 1976 Registered as a licensed tax accountant March 1978 Left Tohmatsu Aoki Audit Corporation (now Deloitte Touche Tohmatsu LLC) April 1978 Opened CPA Nobuyuki Ishiwata accounting firm April 1988 Established Seishin & Co. Audit Corporation (currently, SeishinShisei & Co. Audit Corporation) and assumed the post of Representative Partner (to present) August 1999 Outside auditor of Adecco Ltd. (to present) July 2003 Established Seishin & Co. Tax Corporation (currently, SeishinShisei & Co. Tax Corporation) and assumed the post of Representative Partner (to present) [Important positions at other corporations] Representative Partner of SeishinShisei & Co. Audit Corporation Representative Partner of SeishinShisei & Co. Tax Corporation Outside auditor of Adecco Ltd.	0 shares

(Notes) 1. There are no particular 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 the position of substitute Audit & Supervisory Board Member, and reason for judging that the candidate is able to adequately perform the duties as an Outside Audit & Supervisory Board Member:

(1) Reason for appointment as candidate for the position of substitute Outside Audit & Supervisory Board Member

Mr. Nobuyuki Ishiwata has rich accounting and 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 he assumes the role of Audit & Supervisory Board Member.

(2) Reason for judging that the candidate is able to adequately perform the duties as an Outside Audit & Supervisory Board Member:

Although Mr. Nobuyuki Ishiwata has no experience in the management of a company, he has been engaged 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 an Outside Audit & Supervisory Board Member.

4. Liability limitation agreement

The Company will enter into a liability limitation agreement with Mr. Nobuyuki Ishiwata if he is elected as an Audit & Supervisory Board Member and he assumes office.

The outline of the agreement is as follows:

- When an Audit & Supervisory Board Member is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act).
- The above liability limitation is allowed only when the relevant Audit & Supervisory Board Member acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph 1 of the Companies Act.

Agenda Item No. 4 Payment of Bonuses to Directors

The Company requests approval for the payment of bonuses amounting to 135.8 million yen to the five Directors (excluding one Outside Director) at the end of this fiscal year based on the specified standard of the Company in due consideration of business performance, etc. during the fiscal year. (Please refer to page 22 of this Notice.)

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

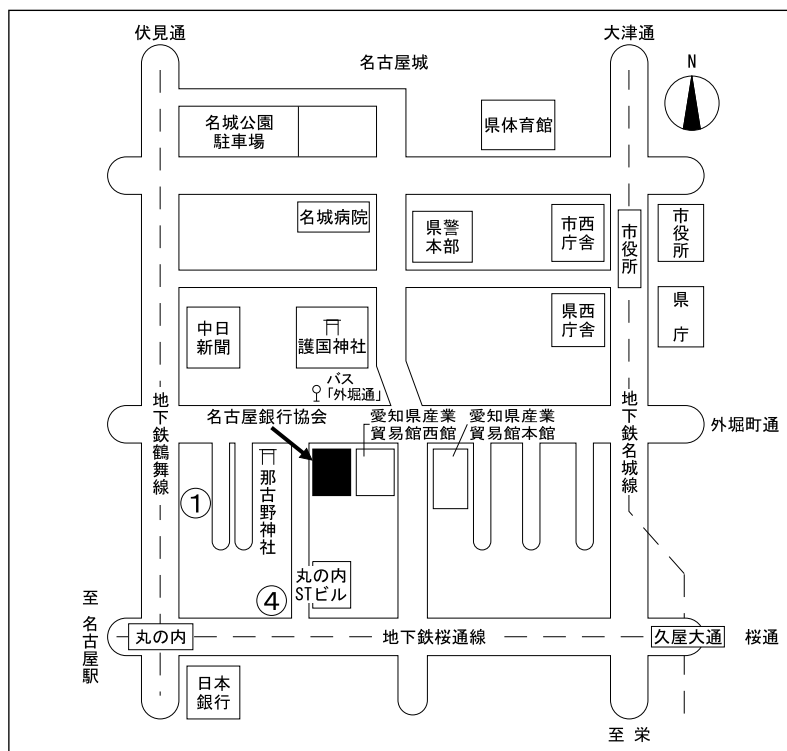
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Information Map of Venue of Shareholders' Meeting

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

Transportation

- Subway 6-minute walk from = No. ① and No. ④ exit of Marunouchi Station on the Sakuradori Line/Tsurumai Line
- City bus When coming from Nagoya Bus Terminal Sotobodori bus stop is just by the venue



- ◎ The reception is scheduled to open at 9 a.m. on the day.
- ◎ Shareholders are politely requested not to travel by car due to the lack of parking spaces.

