

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

Securities Code 7245

June 7, 2019

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 111th Annual Shareholders' Meeting

Dear shareholders,

You are cordially invited to the 111th Annual Shareholders' Meeting of Daido Metal Co., Ltd. (the "Company") 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. 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 26, 2019 (Wednesday).

Yours sincerely,

Note

1. **Date and time** 10 a.m. on June 27, 2019 (Thursday)
2. **Venue** 4-2, Marunouchi 2-chome, Naka-ku, Nagoya, Japan
5th Floor Grand Hall of Nagoya Bankers Association
3. **Purpose**
 1. Reporting of business report, consolidated financial statements and results of the audit of consolidated financial statements by the Accounting Auditor and Audit & Supervisory Board for the 111th fiscal year (from April 1, 2018 to March 31, 2019)
 2. Reporting of non-consolidated financial statements for the 111th fiscal year (from April 1, 2018 to March 31, 2019)

Matters for resolution

- | | |
|-------------------|--|
| Agenda Item No. 1 | Appropriation of Surplus |
| Agenda Item No. 2 | Partial Amendments to the Articles of Incorporation |
| Agenda Item No. 3 | Election of Eight Directors |
| Agenda Item No. 4 | Election of Three Audit & Supervisory Board Members |
| Agenda Item No. 5 | Election of One Substitute Member of Audit & Supervisory Board |
| Agenda Item No. 6 | Payment of Bonus to Directors |
| Agenda Item No. 7 | Determination of Amount and Other Details of Performance-linked Stock-based Remuneration for 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 by no later than 5 p.m. on June 26, 2019 (Wednesday).

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

If you exercise your voting rights via the Internet, etc., please review the instructions under “Guidance for exercising your voting rights via the Internet, etc.” described on page 4. Please access the Website designated by the Company (<https://www.web54.net>) to exercise your voting rights following the instructions on the screen by no later than 5 p.m. on June 26, 2019 (Wednesday).

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- ⦿ **If you attend the meeting in person on the day, please kindly submit the enclosed Voting Card to the reception desk.**
 - ⦿ **If you intend to exercise your voting right by proxy, you can designate a single shareholder of the Company to vote on your behalf. In this case, please submit documentation to prove you have properly assigned your rights to your proxy to vote on your behalf.**
 - ⦿ **The reception desk is scheduled to open at 9 a.m. on the day.**
 - ⦿ **If there are any revisions to the business report, consolidated financial statements, non-consolidated financial statements and Reference Materials for the Annual Shareholders’ Meeting, they will be posted online on the Company’s website (<https://www.daidometal.com/>).**
 - ⦿ **Please be advised that the Cool Biz summer dress code applies to the meeting.**

Guidance for exercising your voting rights

«If you intend to attend the Annual Shareholders' Meeting in person»

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

Date and time: 10 a.m. on June 27, 2019 (Thursday)

«If you do not intend to attend the Annual Shareholders' Meeting in person»

In writing:

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

Deadline for vote: 5 p.m. on June 26, 2019 (Wednesday)

Via the Internet, etc.:

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

Deadline for vote: 5 p.m. on June 26, 2019 (Wednesday)

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

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

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

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

- * You may exercise your voting rights only once via “Smart Exercise.”

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

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

1. Accessing the Website to exercise your voting rights
URL of the Website: <https://www.web54.net/>
Click “Next.”
2. Login
Please enter the “Voting Rights Exercise Code” given on the Voting Card and click “Login.”
3. Entering password
Please enter the “Password” given on the Voting Card and click “Next.”

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

«Passwords»

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

«Notes on using the system»

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

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

«The electronic voting platform for institutional investors»

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

(Attachment)

Business Report

(From: April 1, 2018
To: March 31, 2019)

1. Matters Relating to the Current Situation of Corporate Group

(1) Progress of Business and Operating Performance

1) Economic conditions

Global

The global economy during the current fiscal year saw increasingly strong signals of an economic slowdown with uncertainties such as trade friction between the US and China and the UK's departure from the EU, among other factors. Meanwhile, the US economy performed strongly, partly due to the effect of tax cuts by the Trump administration, but signs of deceleration gradually appeared toward the end of the fiscal year. In China, economic activity continued to lose pace, partly due to the dampening effect on investment of the trade friction with the US and other factors. The impact of this has weakened economic activity in parts of Asia and Europe.

Japan

In Japan, external demand continued to be weakened by the impact of the global economic slowdown. On the other hand, employment and income trends were firm as employment attained a record high and real wages trended upward. Except for temporary dips associated with natural disasters, personal spending continued to recover gradually. Corporate activity was also brisk, including a continued increase in capital investment driven by growth in demand for labor saving. The resulting economic expansion period has come to be viewed more widely as the longest in Japan's postwar history. However, Japanese exports came under downward pressure due to waning demand from China and other parts of Asia, and concerns of economic deterioration have emerged with further weakening of exports going into 2019.

2) Business situation in the industries

In the automotive sector, the Group's core business area, the number of new car sales in Japan for FY2018 is trending strongly, with an expected increase of 2.5% year on year to approximately 5.33 million units, surpassing 5 million units for a third consecutive year. However, the number of new car sales in China, the world's largest market, for 2018 (calendar year) fell year on year for the first time in 28 years, declining by 2.8% to slightly over 28.08 million units. Meanwhile, in the US, new car sales in 2018 (calendar year) maintained a high level at slightly over 17.27 million units, up 0.3%, or approximately level year on year. Global new car sales for 2018 were slightly over 97 million units, with subdued growth at just over 1% year on year due to lackluster car sales stemming from tariff issues in the US and China, causing increased uncertainty over the future of global car sales.

In the non-automotive sector, in the shipbuilding industry total global new tonnage under construction at the end of 2018 increased by 5.1% from the end of 2017 to 150.97 million gross tons, the first year-on-year increase in three years. With a resurgence in new tonnage orders globally ahead of the tightening of environmental regulations, such as SOx regulations in 2020, Japan has seen its tonnage under construction increase by 31.27 million gross tons (up 2.8% year on year). Global new tonnage orders increased 19.1% year on year to 51.43 million gross tons, increasing year on year for a second consecutive year. However, despite an apparent recovery trend in global new tonnage orders, the still-unresolved situation regarding excess tonnage and the impact of the US and Chinese economic situations and trade frictions have cast a shadow over the trajectory of the recovery going forward.

In the construction machine industry, domestic demand in FY2018 increased to 992.5 billion yen (up 0.9% year on year), increasing for the first time in three years as a result of the end of a decline that followed a surge in demand for old models of machinery associated with the end of a grace period for 2014 exhaust gas regulations for certain models, along with an increase from stable construction investment. In exports, overseas demand was buoyant, mainly in the three major export destinations: North America, Europe, and Asia, at 1,814.8 billion yen (up 12.6% year on year), increasing for a second consecutive year. Demand in and outside of Japan was 2,807.3 billion yen (up 8.2% year on year).

Other industry sectors continued to perform strongly on the whole, including demand for special types of bearings for power generation facilities, solid lubricant bearings, pump-related products, electrode sheets for capacitors.

3) Summary of the Group's results

Under this business environment, consolidated net sales of the Group for the current fiscal year were 107,718 million yen, an increase of 1,069 million yen (up 1.0%) compared with the previous fiscal year.

Compared with the previous fiscal year, operating profit was 6,944 million yen, an increase of 433 million yen (up 6.7%), and ordinary profit was 6,976 million yen, an increase of 267 million yen (up 4.0%). Profit increased mainly due to expanded sales in the non-automotive bearings segment and the other automotive parts segment, as well as cost reduction through rationalization. However, the automotive engine bearings segment and the automotive non-engine bearings segment were negatively affected by various factors, including economic slowdowns in China and South Korea, changes in sales mixes caused by changing market environments, and changing domestic labor environments. Profit attributable to owners of parent was 4,565 million yen, an increase of 1,283 million yen (up 39.1%) compared with the previous fiscal year. A subsidy of 1 billion yen that the Group received for the construction of a new factory of DAIDO METAL SAGA CO., LTD. is included in extraordinary income.

4) Results by segment

Sales by segment are as follows. The Group has included intersegment sales or transfers, as well as sales to external customers, since the beginning of the current fiscal year.

a) Automotive engine bearings

In Japan, sales grew steadily, as seen that new car sales in FY2018 are expected to exceed 5 million units for the third consecutive year. As a result, sales of automotive engine bearings mainly for passenger cars increased, while those for trucks increased slightly from the previous fiscal year. Net sales of bearings for turbochargers increased 2.9% (year on year) despite decreased orders affected by declined global demand.

Overseas sales decreased 3.9% (year on year) due to weak automotive sales in China, South Korea and Europe although sales in North America remained strong.

Net sales of the segment resulted in 64,835 million yen, a decrease of 620 million yen (down 0.9%) compared with the previous fiscal year.

b) Automotive non-engine bearings

Net sales were 16,985 million yen, an increase of 865 million yen (up 5.4%) compared with the previous fiscal year, mainly due to solid sales of bearings for automotive parts for Japanese market whose sales ratio is high.

c) Non-automotive bearings

With regard to bearings for the shipbuilding industry, the market appeared to have bottomed out. For example, the volume of new shipbuilding orders in the world increased year on year for two consecutive years. With regard to bearings for construction machinery, exports to North America, Europe and Asia (China) remained strong. With regard to bearings for general industries, sales remained on a par with the previous fiscal year mainly due to strong sales of special types of bearings for the energy industry.

As a result, net sales were 9,919 million yen, an increase of 572 million yen (up 6.1%) compared with the previous fiscal year.

d) Other automotive parts

Net sales were 16,219 million yen, an increase of 623 million yen (up 4.0%) from the previous fiscal year, mainly due to increased orders for aluminum die cast and strong sales of parts, such as formed pipes, knock pins and NC milled parts, as a whole in the global automotive industry.

e) Others

This segment, which includes electrode sheets for capacitors, the metallic dry bearings business, pump-related products businesses, and the real estate leasing business, remained strong. Net sales were 2,753 million yen, an increase of 33 million yen (up 1.2%) compared with the previous fiscal year.

(Net sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2017 110 th term	FY 2018 111 th term (Current fiscal year)
Automotive engine bearings	65,455	64,835
Automotive non-engine bearings	16,120	16,985
Non-automotive bearings	9,346	9,919
Other automotive parts	15,596	16,219
Others	2,720	2,753
Elimination of intersegment sales or transfers	(2,590)	(2,995)
Total	106,648	107,718

(Note) Starting from the current fiscal year, in addition to sales to external customers, intersegment sales or transfers are included in net sales by segment.

(2) Status of Financing, etc.

1) Financing

In September 2018, the Company issued new shares through a public offering, disposed of treasury shares, and issued new shares through a third-party allotment conducted in connection with the issuance of over-allotment shares.

As a result, the Company procured a total of 7,150 million yen.

For the details, please see “2. Matters Relating to Shares of the Company.”

2) Capital investment

The Group is the sole all-round plain bearing manufacturer in the world, having the world’s top market shares (our estimate) in automotive engine bearings, bearings for low-speed diesel engines for large ships, and bearings for turbochargers (small turbo chargers for automobiles), and large market shares in other segments.

In the Midterm Business Plan that started in FY2018 (current fiscal year), “Raise Up ‘Daido Spirit’ - Ambitious, Innovative, Challenging -,” the Group has listed the following investment plans:

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

Total capital investment for FY2018 was 7,273 million yen (a decrease of 1,421 million yen compared with the previous fiscal year), a slight increase compared with the initially planned amount of 7,000 million yen.

Described below are major capital investments, which include an investment of 1,986 million yen in the other automotive parts segment that deals with aluminum die cast products, formed pipes, knock pins, NC milled parts, etc. (an increase of 85 million yen from the previous fiscal year).

(Major capital investments during the current fiscal year)

- Investment to enhance production capacity and improve productivity for bimetal (material for bearings) at domestic production sites
- Investment to improve productivity for automotive engine bearings at domestic production sites
- Investment to expand facilities and improve productivity for non-automotive bearings in Japan and the UK
- Investment to enhance production capacity and improve productivity for automotive engine bearings at overseas production sites in the US, China, Thailand, South Korea, the Czech Republic and other countries
- Investment to improve productivity and enhance production capacity for other automotive parts (aluminum die cast, formed pipes, knock pins, NC milled parts, etc.) in Japan, Thailand and other countries
- Investment related to information systems

(3) Financial Conditions and Operating Results

1) Financial conditions and operating results of the Group

Category \ Fiscal year	FY 2015 108 th term	FY 2016 109 th term	FY 2017 110 th term	FY 2018 111 th term (Current fiscal year)
Net sales (Millions of yen)	81,400	85,073	106,648	107,718
Operating profit (Millions of yen)	7,114	5,103	6,511	6,944
Ordinary profit (Millions of yen)	6,796	5,427	6,708	6,976
Profit attributable to owners of parent (Millions of yen)	3,919	2,635	3,281	4,565
Basic earnings per share (Yen)	98.44	66.19	82.42	103.44
Net assets (Millions of yen)	52,148	52,964	57,940	66,490
Total assets (Millions of yen)	122,920	155,331	161,030	163,118

2) Financial conditions and operating results of the Company

Category \ Fiscal year	FY 2015 108 th term	FY 2016 109 th term	FY 2017 110 th term	FY 2018 111 th term (Current fiscal year)
Net sales (Millions of yen)	64,665	63,345	66,413	67,732
Operating profit (Millions of yen)	3,836	2,695	1,851	2,390
Ordinary profit (Millions of yen)	5,294	4,500	3,475	4,024
Profit (loss) (Millions of yen)	4,141	(577)	2,398	3,783
Basic earnings (loss) per share (Yen)	104.01	(14.49)	60.24	85.73
Net assets (Millions of yen)	42,199	40,707	42,002	51,012
Total assets (Millions of yen)	82,295	102,831	104,596	106,462

(Note) The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), etc. has been adopted from the beginning of FY2018 (111th term). The Group's financial conditions and operating results and the Company's financial conditions and operating results for FY2017 (110th term) show the figures after the Accounting Standard, etc. are applied retrospectively.

(4) Company's Fundamental Management Policy

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

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

(5) Issues to be Addressed

Execution of the "Midterm Business Plan"

The Company has started its Midterm Business Plan for the period from FY2018 to FY2023. In view of the achievements and issues of the previous Plan, together with the foreseeable changes and risks in business environment, the Group will work to implement the new Midterm Business Plan with the following four points as its principle management action lines.

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

Main performance results for FY2018 (the initial year of the Midterm Business Plan) are as follows.

The market shares of the current business lines increased in calendar year 2018 (estimated by the Company) from 32.5% to 33.1% for automotive engine half bearings, from 50.5% to 53.5% for bearings for low-speed marine diesel engines, from 14.7% to 15.3% for bearings for mid to high-speed marine and industrial diesel engines, and from 12.8% to 12.9% for polymer bearings, on a year-on-year and annual production basis.

The market share of bearings for turbochargers decreased from 28% to 24%, but the Group is keeping its target of a 40% share by 2023 unchanged. The share of bearings for rotating machinery, including turbines for power generation, leveled off at 3.7%, the same as the previous year. The Company will continue to work toward increasing market share by developing new customers and improving price competitiveness and quality.

Moving on to the new business lines, including the expansion into new area for use in the existing businesses, the Company has advanced a plan to achieve the production of bearings for wind power generation in Europe, where there is high demand for onshore and offshore wind power generation. The Company is currently at the stage where it is about to deliver a product prototype, and is considering a location for a new plant in Europe for the launch of local production. In the wake of the expansion of the TMBS (Turbomachinery Bearing Systems) business to be provided, the Company spun off the TMBS Business Division of the Marine & Industrial Bearings Division in April 2019 and newly formed the Turbo Machinery Bearing Systems Division, with a focus on promoting it.

In addition, DM Casting Technology (Thailand) Co., Ltd., a subsidiary in Thailand, will start production of aluminum die cast EV (electric vehicle) parts, in which the Company invests on a continual basis, in February 2020. In Europe, a cooperative relationship with Nippon Piston Ring Co., Ltd., which is strengthened by a capital alliance made between the company and NPR of Europe GmbH, is expected not only to increase both companies' presence further through the expansion of sales to OEMs in the European market but also lead to mutually enhance business foundations and corporate values.

To build an internal structure for creating new business lines, the Company set up the Future Creation Department in the Technology Division in October 2018. This was done in an effort to strengthen and promote the speedy and continuous output of new products and the pioneering research and technological planning proposals for innovative bearing technologies, without being bound by fields with actual records or experience. In FY2018, the Company joined the Tokai Open Accelerator, a program organized by the Development Bank of Japan Inc. to accelerate start-up companies' growth and new business creation by leading companies. The four companies in the Tokai region including the Company called for collaboration with start-ups with cutting-edge ideas and know-how across Japan, chose among the proposals for collaborative projects taking advantage of respective resources, and decided to conduct demonstration experiments in February 2019 with two start-ups, with a goal of commercializing their collaborative projects.

Moreover, in order to focus on strengthening current business lines further and materializing and researching new business lines, the Company has been committed to developing the management foundation including the systems and financial base. It raised a total of 7,150 million yen in September 2018 by issuing new shares in public offerings and contributing to improvement in the capital adequacy ratio and reinforcement of the financial base. As announced in the press release dated March 28, 2019, “Notice of Transfer of Non-Current Assets and Posting of Extraordinary Income (only available in Japanese),” the Company resolved at the Board of Directors meeting held on the same day to transfer land where the Company’s former headquarters and the Nagoya Plant used to be located (currently rented to a third party), aiming to effectively use management resources and improve asset efficiency, with extraordinary income of approximately 3,906 million yen to be posted in the fiscal year ending March 31, 2020.

The Company strongly believes that the promotion of deepening global recruitment, diversity, and work-life balance should ultimately sustain and improve the vitality of an organization. The Company has laid the groundwork for it by establishing the “Guidelines on Human Rights” in January 2019 (https://www.daidometal.com/company/human_rights_policy/). Having been committed to reduced gross working hours as work-style reforms, the Company also started taking on improved productivity in FY2018 with “health management activities” as a theme and issued the “Daido Metal Group Health and Productivity Management Statement” in October 2018 (https://www.daidometal.com/jp/company/health_management/ (only available in Japanese)). In the belief that promoting a healthy mind and body creates proactive communication for improvement in the workplace and has a positive effect on business operations, the Company expects the realization of sustainability for each one of its employees to lead to the realization of sustainability of the Company itself.

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

(6) Major Business Lines

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

(7) Principal Locations of the Group and Employees

1) Principal locations of the Group

a. The Company

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

b. Subsidiaries

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

2) Employees

a. Employees of the Group

Number of employees (persons)		Change from previous period (persons)	
Japan	2,582	Increase	40
Overseas	4,305	Increase	119
Total	6,887	Increase	159

(Notes) 1. In addition to the above, temporary employees (total of 567) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.

2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

b. Employees of the Company

Number of employees (persons)	Change from previous period (persons)	Average age (years of age)	Average years of service (years)
1,296	Increase 25	38.3	14.4

(Notes) 1. In addition to the above, temporary employees (total of 171) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.

2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

(8) Material Parent Company and Subsidiaries

1) Parent company

None

2) Material subsidiaries

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

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

(Notes) 1. Although the voting rights held by the Company is not more than 50%, these companies are treated as subsidiaries because they are effectively controlled by the Company.

2. Figures in parentheses of percentage of holding of voting rights represent the percentage of indirect holding of voting rights.

3) Status of specified wholly-owned subsidiaries at the end of the fiscal year

None

(9) Major Lenders and Amount of Borrowing

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	17,766
MUFG Bank, Ltd.	9,742
Sumitomo Mitsui Banking Corporation	4,161
Development Bank of Japan Inc.	3,398
Sumitomo Mitsui Trust Bank, Limited	3,186

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

At a Board of Directors meeting held on March 28, 2019, the Company resolved to transfer land where the Company's former headquarters and the Nagoya Plant used to be located, aiming to effectively use management resources and improve asset efficiency.

The Company had used this land for itself until October 2002, but thereafter continuously leased it out to a third party, rather than using it for itself. Under the Midterm Business Plan that was launched in 2018, the Company aims to effectively use its management resources and improve asset efficiency. Therefore, the Company decided to transfer the land, considering its future treatment, etc. as part of implementing the Plan. The Company plans to post extraordinary income of approximately 3,906 million yen in the fiscal year ending March 31, 2020 in connection with this transfer.

2. Matters Relating to Shares of the Company

- (1) Number of authorized shares 80,000,000 shares
- (2) Total number of issued shares 47,520,253 shares (including treasury shares of 324 shares)
- (3) Number of shareholders at end of the fiscal year 8,111 shareholders (Increased by 4,000 shareholders from the previous fiscal year)

(4) Major shareholders (top 10)

Name of shareholder	Number of shares held (1,000 shares)	Ratio of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,075	6.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,827	5.95
Sumitomo Mitsui Trust Bank, Limited	1,978	4.16
Mizuho Bank, Ltd.	1,977	4.16
MUFG Bank, Ltd.	1,822	3.83
Daido Metal Yueikai Employee Stock-Ownership Plan	1,370	2.88
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,107	2.33
The Seri Wathana Industry Co, Ltd. 703000	1,000	2.10
J.P. Morgan Bank Luxembourg S.A. 380578	972	2.04
Nisshin Steel Co., Ltd.	909	1.91

(Notes) 1. Ratio of shareholding is calculated with total shares outstanding net of treasury shares (324 shares).

2. Effective as of April 1, 2019, Nisshin Steel Co., Ltd. changed its trade name to Nippon Steel Nisshin Co., Ltd.

(5) Other Important Matters Relating to Shares

The Company issued new shares, etc. through a public offering in September 2018. As a result, the total number of issued shares came to 47,520,253, up 2,563,400, and the number of shareholders also reached 8,111, up 4,000, as of the end of the current fiscal year, while the number of treasury shares decreased to 324, down 5,141,316.

- Increase in the number of shares due to issuance of new shares through public offering: 1,558,400
- Increase in the number of shares due to issuance of new shares through third-party allotment: 1,005,000
- Number of shares disposed of due to disposal of treasury shares through public offering: 5,141,600

The Company also presents a proposal to introduce a new performance-linked stock-based remuneration, as Agenda Item No. 7, at the 111th Annual Shareholders' Meeting to be held on June 27, 2019. The performance-linked stock-based remuneration plan is intended to encourage Directors to contribute to the enhancement of the Company's performance and corporate value over the medium to long term, by clarifying the linkage between remuneration for Directors, the Company's performance, and its share value, and by Directors sharing with shareholders the benefits and risks of fluctuations in the share price.

Further, the Company resolved to introduce a "trust-type employee stock purchase incentive plan" at the Board of Directors meeting held on May 24, 2019. This plan is intended to encourage the Company's employees to contribute to the enhancement of the Company's corporate value over the medium to long term and to increase employee benefits.

3. Matters Relating to Share Acquisition Rights, etc.

None

4. Company Officers

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2019)

Position	Name	Duties/departments in charge and important concurrent positions at other entities
Chairman & Chief Executive Officer (CEO)	Seigo Hanji	Executive of Japan Auto Parts Industries Association
President & Chief Operating Officer (COO)	Kotaro Kashiyama	In charge of Audit Department, Secretarial Department and Bimetal Division
Director and Senior Managing Executive Officer	Toshiyuki Sasaki	Head of BPR-ICT Division and General Manager of BPR (Business Process Re-engineering) Department
Director and Senior Managing Executive Officer	Masaki Ikawa	Head of Human Resources Planning Division In charge of Purchasing Department and High Performance Bearings and Equipment Division
Director	Toshikazu Takei	Managing Director of Japan Center for International Finance
Director	Kiyotaka Hoshinaga	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution President, Fujita Health University
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	Outside Director of Sumitomo Bakelite Co., Ltd.

- (Notes) 1. Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga are Outside Directors. The Company has registered Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga as “Independent Officers” pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.
2. Ms. Kuniko Tanabe and Mr. Kazuo Matsuda are Outside Audit & Supervisory Board Members. The Company has registered Mr. Kazuo Matsuda as an “Independent Officer” pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.
3. Mr. Toshikazu Takei, Director, was engaged in business execution and served in managerial positions at the Bank of Japan, and has considerable knowledge of international businesses.
4. Mr. Kiyotaka Hoshinaga, Director, has extensive experience gained through involvement in management of a hospital and a university, and has considerable knowledge of organizational management.
5. Ms. Kuniko Tanabe, Audit & Supervisory Board Member, is qualified as a lawyer, and has considerable knowledge of legal affairs.
6. Mr. Kazuo Matsuda, Audit & Supervisory Board Member, has experience working as a Director and Audit & Supervisory Board Member in financial institutions and corporates, and has considerable knowledge of finance and accounting matters.
7. Changes in Directors’ important concurrent positions at other entities during the current fiscal year

Date	Name	New duties and departments in charge	Previous duties and departments in charge
October 2, 2018	Kiyotaka Hoshinaga	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution President, Fujita Health University	Managing Director, Fujita Academy Incorporated Educational Institution President, Fujita Health University

8. Changes in Directors’ duties and departments in charge on or after April 1, 2019

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

9. Changes in Directors' important concurrent positions at other entities on or after April 1, 2019

Date	Name	New important current positions at other entities	Previous important concurrent positions at other entities
April 1, 2019	Toshikazu Takei	Chairman of The Central Council for Financial Services Information	Managing Director of Japan Center for International Finance
April 1, 2019	Kiyotaka Hoshinaga	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution	Managing Director, Fujita Academy Incorporated Educational Institution President, Fujita Health University

10. Changes (including scheduled changes) in Audit & Supervisory Board Members' important concurrent positions at other entities on or after April 1, 2019

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

(2) Outline of Liability Limiting Agreement

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

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

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

Category	Number	Monthly remuneration		Bonus (consolidated performance-linked component)	Total remuneration
		Fixed component	Consolidated performance-linked component		
Directors (Outside Directors)	6 (2)	182 million yen (23 million yen)	53 million yen (- million yen)	181 million yen (- million yen)	417 million yen (23 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	3 (2)	41 million yen (25 million yen)	- million yen (- million yen)	- million yen (- million yen)	41 million yen (25 million yen)

- (Notes) 1. In addition to the above, a total of 34 million yen was paid as employee-portion salaries for employee-directors.
2. "Bonus" amount listed above is an estimated amount to be paid, if the proposed agenda item No. 6 is approved at the 111th Annual Shareholders' Meeting to be held on June 27, 2019.
3. The maximum amount of remuneration to Directors (excluding bonus to Directors and employee-portion salaries for employee-directors) is 400 million yen per annum as per the resolution of the 98th Annual Shareholders' Meeting held on June 29, 2006.
4. The maximum amount of remuneration to Audit & Supervisory Board Members is 45 million yen per annum as per the resolution of the 98th Annual Shareholders' Meeting held on June 29, 2006.

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

(a) Directors' remuneration

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

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

Specific remuneration structure and calculation methodology are as follows:

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

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

(b) Audit & Supervisory Board Members’ remuneration

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

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

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

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

- (Notes) 1. Mr. Kazuo Matsuda worked at Mizuho Bank, Ltd., the Company’s business partner as well as main shareholder; however, more than ten years have passed since he resigned from the Bank in May 2003. The Company borrows from and deposits with Mizuho Bank, Ltd.
2. Mr. Toshikazu Takei retired as Managing Director of Japan Center for International Finance on March 31, 2019, and took up the position of Chairman of The Central Council for Financial Services Information on April 1, 2019.
3. Mr. Kiyotaka Hoshinaga retired as President of Fujita Health University on March 31, 2019.
4. Ms. Kuniko Tanabe is scheduled to retire as Outside Director of KDDI CORPORATION on June 19, 2019.
5. Regarding the detailed reasons for appointing Outside Directors and Outside Audit & Supervisory Board Members, please see the proposed agenda items Nos. 3 and 4 of the 111th Annual Shareholders’ Meeting to be held on June 27, 2019.

2) Main activities of Outside Officers

Position	Name	Main activities
Director	Toshikazu Takei	Attended all 16 meetings of the Board of Directors held during FY2018. Making remarks based on his rich experience and deep insight as he was long engaged in business execution and served in managerial positions at the Bank of Japan; and he is familiar with international businesses.
Director	Kiyotaka Hoshinaga	Attended all 16 meetings of the Board of Directors held during FY2018. Making remarks based on his rich experience and deep insight as he was long engaged in management of a hospital and a university; and he is familiar with organizational management.
Audit & Supervisory Board Member	Kuniko Tanabe	Attended all 16 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2018. Making remarks from a professional well-versed viewpoint in corporate legal affairs based on her rich experience as a lawyer.
Audit & Supervisory Board Member	Kazuo Matsuda	Attended all 16 meetings of the Board of Directors and attended all 15 meetings of the Audit & Supervisory Board held during FY2018. Making remarks from a wide viewpoint based on his rich insight on corporate management accounting and governance of business as he is familiar with finance and international businesses through his many years' experience at banks and securities companies and he has experience and knowledge gained from the management of a manufacturing company.

(5) Other important matters concerning Company Officers

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

The appointment and nomination of candidates for Director, Audit & Supervisory Board Member, and Executive Officer are determined at the Board of Directors' meetings, based on the appointment criteria stipulated in the Company's rules, considering experience, management skills, leadership, personality, a sense of ethics, health, etc. Candidates for Audit & Supervisory Board Member are nominated with the prior consent of the Audit & Supervisory Board.

The dismissal of Directors, Audit & Supervisory Board Members, and Executive Officers is also determined at the Board of Directors' meetings, based on the dismissal criteria stipulated in the Company's rules, considering the levels of damage to the Company's credibility and corporate value caused by their behavior, violation of these criteria, etc.

[About the nomination, appointment and dismissal of candidates for Director and Audit & Supervisory Board Member]

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

5. Accounting Auditor

(1) Name

Deloitte Touche Tohmatsu LLC

(2) Liability Limiting Agreement

None

(3) Remuneration for Accounting Auditor

	Amount paid
Remuneration based on audit attestation service rendered during the current fiscal year, payable by the Company	56 million yen
Total remuneration and benefits payable by the Group to Accounting Auditor	80 million yen

- (Notes)
1. Fees for audit attestation service includes 2 million yen related to financial statements in English.
 2. Financial statements of the overseas subsidiaries are audited by the qualified accountant / auditor / auditing firm other than Deloitte Touche Tohmatsu, the Company's Accounting Auditor.
 3. Remuneration for the audit as per "Companies Act" and as per "Financial Instruments and Exchange Act" is combined in the contract, and amount of work is practically inseparable among the two. As such, the amount of remuneration for the current fiscal year represents the total payable.
 4. Audit & Supervisory Board reviewed the audit plan, audit procedure, basis of calculation for remuneration, and other documents provided by the Accounting Auditor. After an overall assessment of the results of analysis of variance between the estimate in the previous fiscal year and actual results, Audit & Supervisory Board agreed with the amount of remuneration for the current fiscal year, an agreement expected as per Article 399, paragraph 1 of the Companies Act.

(4) Non-audit Services Provided

The Company pays the Accounting Auditor and others 2 million yen for preparing a letter of comfort concerning public offering of shares, etc., which are services other than the audit and attest services under Article 2, paragraph 1 of the Certified Public Accountants Act (non-audit services). There were no non-audit services provided to consolidated subsidiaries.

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

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

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

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

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

With no issues identified with Deloitte Touche Tohmatsu LLC in any of its assessment items, such as quality management systems and independence of audit teams, the Audit & Supervisory Board judges that it is appropriate to reappoint it as the Accounting Auditor of the Company for FY2019.

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

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

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

6. System for Ensuring Proper Business Operations

The Company's systems for ensuring proper business operations are as follows:

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

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

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

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

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

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

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

- 1) The Corporate Ethics Committee is designated as the committee responsible for a system to ensure that performance of duties by Directors and employees conforms to laws and regulations and Articles of Incorporation.
- 2) The Corporate Ethics Committee drafts the "Code of Conduct" and the "Standards of Conduct" in compliance with the internal rules of the Company, etc., and revises their contents as necessary after obtaining approval from the Board of Directors.
- 3) Based on the "Rules on Operation and Management of Standards of Conduct," the Corporate Ethics Committee deliberates on rules and other important matters related to compliance, and instructs the department in charge on the necessary measures.
- 4) The Corporate Ethics Committee instructs the Compliance Division 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.). The General Affairs Department centrally manages such information, including internal distribution of information, and raises awareness of employees.
- (5) System to Ensure Appropriate Business Operations in the Group**
- 1) The Compliance Division and Corporate Planning Department are designated as the departments responsible for “Internal Control System” of the Group, and promote design and operation of the “Internal Control System” at the group companies.
 - 2) The Compliance Division 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 “Group Companies Management Rules” as necessary in order to ensure the effectiveness/efficiency of business operations between the Company and its group companies, and keeps them informed and aware of the rules.
 - 4) The Corporate Planning Department makes the group companies report monthly on their performance of duties, financial conditions, etc. through “Monthly Reports” and other reports.
 - 5) The Risk Management Committee establishes policies concerning a system for managing risks of loss at the group companies, and the group companies develop and operate their rules based on such policies. The group companies periodically report their progress and situation to the Risk Management Committee.
 - 6) Each responsible department reports the status of development and operation of each system of “Internal Control System” of the group companies when they make periodical report to the Board of Directors and the Audit & Supervisory Board.
- (6) Assigning Employees to Assist the Duties of Audit & Supervisory Board Members of the Company, System to Ensure Independence of Such Employees and the Effectiveness of Instruction from the Audit & Supervisory Board Members**
- 1) The Corporate Planning Department is designated as the department responsible for assigning employees to assist the duties of Audit & Supervisory Board Members and for the independence of such employees.
 - 2) An “Secretariat of the Audit & Supervisory Board,” independent of the Directors, is established as a department to assist the Audit & Supervisory Board Members on a regular basis.
 - 3) The Audit & Supervisory Board may receive reports on the transfer and appraisals of employees who assist the “Secretariat of the Audit & Supervisory Board” in advance, and if necessary, may request changes to the officer in charge of Human Resource.
 - 4) Employees who are in charge of “Secretariat of the Audit & Supervisory Board” perform their duties full time in accordance with instructions from Audit & Supervisory Board Members.
- (7) System to Ensure Directors and Employees of the Group Report to Audit & Supervisory Board Members**
- 1) The Head of Compliance Division is designated as the person responsible for reporting to Audit & Supervisory Board Members.
 - 2) Directors and employees swiftly report the following matters to Audit & Supervisory Board Members, in addition to statutory reporting matters, when they occur:
 - a. Cases discussed/reported in the management meeting, etc. in which Audit & Supervisory Board Members are not present;
 - b. Cases that are likely to cause significant damage to the Company;
 - c. Results of internal audits on the group companies performed by the Audit Department;
 - d. Status of whistleblowing and content of the information; and
 - e. Other matters which the Audit & Supervisory Board considers necessary to be reported in the course of performing its duties.
 - 3) “Rules on Whistleblowing, and Report and Consultation” stipulates whistleblowing and who to inform inside and outside the Company, and all employees throughout the 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 in an appropriate manner about any and all information useful for the performance of duties by Audit & Supervisory Board Members.
 - 5) If any compliance issue is found in a whistleblower report, the Head of Compliance Division reports the status of improvement/corrective measures and preventive measure at a “Corporate Ethics Committee,” and reports to the Board of Directors and the Audit & Supervisory Board along with the investigation results.
 - 6) The Company assures that employees (including employees of the group companies) who have reported to the Audit

& Supervisory Board Members will not be dismissed or treated unfairly as a result of their disclosure.

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

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

The Company changed its organizational structure on April 1, 2019, as described in the “Announcement regarding Organizational Changes and Personnel Transfers” released on February 15, 2019 (only available in Japanese).

As a result, the “Compliance Division” and the “Head of Compliance Division” under the above-mentioned “System for Ensuring Proper Business Operations” were renamed to the “Human Resources Planning Division” and the “Head of Human Resources Planning Division,” respectively, at the Board of Directors’ meeting held on April 24, 2019.

Details of this organizational change and the relevant reasons are as follows.

Previously, under the Compliance Division, there were three departments (i.e., Environmental & Safety Management Department, Legal Affairs Department, and Internal Control Department). However, the Company has decided to abolish the Compliance Division and reorganize each department into a section that is closely related to each operation as follows so that each department’s operations can be efficiently carried out.

- 1) The Environmental & Safety Management Department conducted safety and health and environment-related operations for the Group, but its operations were mainly related to those of the Inuyama Site. Therefore, it is currently placed under the control of Head of the Inuyama Site.
- 2) The Legal Affairs Department dealt with legal matters related to compliance with corporate governance codes, revision of major laws, etc., but its operations partially overlapped with those of the General Affairs Department. Therefore, it was transferred to the General Affairs Department. In addition, its name was changed to the Legal Affairs & Corporate Governance Group of the General Affairs Department.
- 3) The Internal Control Department formulated the basic policy on internal control systems, etc. and implemented business continuity plans (BCP), but was transferred to the Human Resources Planning Department after compliance promotion functions, such as the establishment and promotion of the whistle-blowing system, were added. In addition, its name was changed to the Compliance Group of the Human Resources Planning Department.

Before change	After Change
Compliance Division Environmental & Safety Management Department	Inuyama Site Environmental & Safety Management Department
Compliance Division Legal Affairs Department	Corporate & Financial Planning Division General Affairs Department Legal Affairs & Corporate Governance Group
Compliance Division Internal Control Department	Human Resources Planning Division Human Resources Planning Department Compliance Group

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

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

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

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

In addition, the Company strengthened the control of group companies by requiring the group companies to apply for/report on budgets, capital investment, risk control, compliance status, etc.

8. Fundamental Policies on the Governance of the Company

(1) Details of Fundamental Policies

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

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

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

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

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

(2) Initiatives to Achieve Fundamental Policies

1) Specific initiatives for the achievement of fundamental policies

- a. Effective use of the Company’s assets to achieve sustainable growth based on medium- and long-term perspectives
 - The Company has in the past, and still now, been effectively utilizing its assets in order to achieve sustainable growth based on medium- and long-term perspectives.
 - In order for the Company to achieve sustainable growth through management from a medium- to long-term perspective, it is necessary to establish and develop a base network for production, sales and technology to respond to future trends and market changes, to improve productivity of domestic and overseas subsidiaries to the levels achieved by the Company, and to maintain world leading technologies for products, design, manufacturing, production and development. For those purpose, the Company will invest effectively and efficiently in research and development for mainly new products and production technologies, enhancement of “monozukuri (craftsmanship),” utilization and introduction of advanced technologies through industry-government-academia cooperation, corporate protection through intellectual property rights, etc. while considering the balance between such investments and dividends to our shareholders.
- b. Promotion of shareholding by employees
 - The Company promotes the holding of shares by employees by paying incentives to members of the Employee Stock Purchase Plan.
 - The Company continues to implement other measures to grow the Employee Stock Purchase Plan.
- c. Improve local communities’ recognition of the Company
 - The Company interacts with local communities and tries to improve the recognition of the Company by attending social programs and inviting local residents to factory tours at major business locations.

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

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

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

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

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

(3) Assessment of Above Efforts and its Basis

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

9. Policies for Determining Appropriation of Surplus

It is the Company's policy to pay appropriate dividends to our shareholders, based on the results of operations and payout ratio, and to maintain a stable and sustainable level of dividend in overall consideration of the internal reserve for future business development, expansion of research and development, strengthening of business foundations and changes to the business environment.

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

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

As a result, the annual dividend, including the interim dividend of 15 yen per share (actual), would be 30 yen per share, unchanged from the previous fiscal year.

As to dividend payouts for the next fiscal year, the Company adopted the amount to be paid at the Board of Directors meeting held on May 10, 2019, of a total 35 yen per share (interim dividend: 20 yen, year-end dividend: 15 yen), including a commemorative dividend of 5 yen as it will mark the 80th anniversary on November 4, 2019.

10. Other Material Issues relating to the Company

For basic concepts and basic policies on the Company's corporate governance, please refer to the "Corporate Governance Report" posted on the Company's website.

(<https://www.daidometal.com/investors/ir-library/governance/>)

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

Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	79,379	Current liabilities	57,885
Cash and deposits	19,605	Notes and accounts payable - trade	8,437
Notes and accounts receivable - trade	27,109	Electronically recorded obligations - operating	8,759
Electronically recorded monetary claims - operating	2,809	Short-term loans payable	22,703
Merchandise and finished goods	11,441	Current portion of long-term loans payable	6,428
Work in process	9,496	Lease obligations	837
Raw materials and supplies	6,578	Income taxes payable	1,066
Other	2,382	Provision for bonuses	1,976
Allowance for doubtful accounts	(43)	Provision for bonuses for directors (and other officers)	181
		Provision for product compensation	214
		Provision for environmental measures	99
		Electronically recorded obligations - non-operating	1,007
		Other	6,173
Non-current assets	83,739		
Property, plant and equipment	62,043	Non-current liabilities	38,742
Buildings and structures	16,690	Long-term loans payable	26,017
Machinery, equipment and vehicles	26,116	Lease obligations	3,429
Land	10,791	Deferred tax liabilities	1,901
Leased assets	4,555	Provision for environmental measures	1
Construction in progress	2,898	Retirement benefit liability	6,795
Other	991	Asset retirement obligations	17
		Negative goodwill	1
		Other	578
Intangible assets	12,591		
Goodwill	7,147	Total Liabilities	96,628
Leased assets	60	Net Assets	
Other	5,383	Shareholders' equity	59,446
		Capital stock	8,413
		Capital surplus	13,114
		Retained earnings	37,918
		Treasury shares	(0)
Investments and other assets	9,103	Accumulated other comprehensive income	(1,660)
Investment securities	4,832	Valuation difference on available-for-sale securities	906
Long-term loans receivable	273	Foreign currency translation adjustment	(467)
Retirement benefit asset	96	Remeasurements of defined benefit plans	(2,100)
Deferred tax assets	2,756	Non-controlling interests	8,705
Other	1,195		
Allowance for doubtful accounts	(50)	Total Net Assets	66,490
		Total Liabilities and Net Assets	163,118
Total Assets	163,118		

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

Consolidated Statement of Income

(From: April 1, 2018
To: March 31, 2019)

(Unit: Million Yen)

Account	Amount	
Net sales		107,718
Cost of sales		80,262
Gross profit		27,455
Selling, general and administrative expenses		20,510
Operating profit		6,944
Non-operating income		
Interest and dividend income	174	
Amortization of negative goodwill	0	
Share of profit of entities accounted for using equity method	174	
Gain on sales of scraps	663	
Other	429	1,442
Non-operating expenses		
Interest expenses	867	
Foreign exchange losses	225	
Other	318	1,411
Ordinary profit		6,976
Extraordinary losses		
Subsidy income	1,000	1,000
Profit before income taxes		7,976
Income taxes - current	2,557	
Income taxes - deferred	13	2,570
Profit		5,405
Profit attributable to non-controlling interests		840
Profit attributable to owners of parent		4,565

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

Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2018
To: March 31, 2019)

(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,273	8,821	34,663	(1,422)	49,336
Changes of items during period					
Issuance of new shares	1,140	1,140			2,280
Dividends of surplus			(1,310)		(1,310)
Profit attributable to owners of parent			4,565		4,565
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3,152		1,422	4,574
Net changes of items other than shareholders' equity					—
Total changes of items during period	1,140	4,292	3,255	1,422	10,110
Balance at end of current period	8,413	13,114	37,918	(0)	59,446

(Unit: Million Yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,316	557	(1,857)	16	8,588	57,940
Changes of items during period						
Issuance of new shares						2,280
Dividends of surplus						(1,310)
Profit attributable to owners of parent						4,565
Purchase of treasury shares						(0)
Disposal of treasury shares						4,574
Net changes of items other than shareholders' equity	(409)	(1,025)	(243)	(1,677)	117	(1,560)
Total changes of items during period	(409)	(1,025)	(243)	(1,677)	117	8,549
Balance at end of current period	906	(467)	(2,100)	(1,660)	8,705	66,490

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries

33 companies

Names of consolidated subsidiaries

DAIDO LOGITECH CO., LTD.
DAIDO METAL SALES CO., LTD.
Daido Plain Bearings Co., Ltd.
NDC Co., Ltd.
NDC Sales Co., Ltd.
Daido Industrial Bearings Japan Co., Ltd.
Asia Kelmet Co., Ltd.
DAIDO METAL SAGA CO., LTD.
Iino Holding Ltd.
Iino Manufacturing Co., Ltd.
ATA Casting Technology Japan Co., Ltd.
Daido Precision Metal (Suzhou) Co., Ltd.
IINO (Foshan) Technology Co., Ltd.
Chung Yuan Daido Co., Ltd.
Dong Sung Metal Co., Ltd.
Dyna Metal Co., Ltd.
ATA Casting Technology Co., Ltd.
DM Casting Technology (Thailand) Co., Ltd.
PT. IINO INDONESIA
PT. Daido Metal Indonesia
SUPER CUB FINANCIAL CORPORATION
PHILIPPINE IINO CORPORATION
ISS America, Inc.
Daido Metal U.S.A. Inc.
Daido Metal Mexico Sales, S.A. de C.V.
Daido Metal Mexico, S.A. de C.V.
ISS MEXICO MANUFACTURING S.A. de C.V.
DAIDO METAL KOTOR AD
Daido Industrial Bearings Europe Limited
DAIDO METAL EUROPE LIMITED
Daido Metal Russia LLC
Daido Metal Europe GmbH
DAIDO METAL CZECH s.r.o.

(2) Names of unconsolidated subsidiaries

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

Reason for exclusion from scope of consolidation

Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of total assets, net sales, profit attributable to owners of parent, and retained earnings for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

2. Application of equity method

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

Names of companies	4 companies (Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd. (Associates) BBL Daido Private Limited Shippo Asahi Moulds (Thailand) Co., Ltd. NPR of Europe GmbH
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(2) Names of unconsolidated subsidiaries and associates to which the equity method was not applied

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

(3) Special mention regarding the application of equity method

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

3. Matters relating to the accounting period of consolidated subsidiaries

The closing date for Daido Metal U.S.A. Inc., DAIDO METAL KOTOR AD, Daido Industrial Bearings Europe Limited, DAIDO METAL CZECH s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., PT. Daido Metal Indonesia, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Europe GmbH, DAIDO METAL EUROPE LIMITED, Daido Metal Russia LLC, Daido Metal Mexico, S.A. de C.V., Daido Metal Mexico Sales, S.A. de C.V., PHILIPPINE IINO CORPORATION, IINO (Foshan) Technology Co., Ltd., ISS America, Inc., ISS MEXICO MANUFACTURING S.A. de C.V., PT. IINO INDONESIA, and SUPER CUB FINANCIAL CORPORATION is December 31.

Financial statements as of the same date are used in compiling the consolidated financial statements as of March 31, with necessary adjustment for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Other securities

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

Securities without market value Stated at cost using moving average method

2) Basis and method of valuation of derivatives

Stated at market value

3) Basis and method of valuation of inventories

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

(a) Merchandise and finished goods Principally by weighted average method

(b) Work in process Principally by weighted average method

(c) Raw materials Principally by weighted average method

(d) Supplies Principally by moving average method

(2) Method of depreciation of important depreciable assets

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

The Company and six domestic consolidated subsidiaries use the declining balance method (with the exception of

buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998 and facilities annexed to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Estimated useful lives of major assets are as follows:

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

2) Intangible assets (excluding leased assets)

Straight-line method is used.

3) Leased assets

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

(3) Reserves and Provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

2) Provision for bonuses

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

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

An estimated amount of bonuses payable is provided.

4) Provision for product compensation

In order to prepare for any expenditure for quality claims, an estimated amount required to be paid in future is provided.

5) Provision for environmental measures

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

(4) Other significant matters for presentation of consolidated financial statements

1) Accounting for retirement benefits

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

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

Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over 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) Conversion of foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustment and non-controlling interests.

3) Amortization of goodwill and the amortization period

Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during which the benefits are expected to arise.

4) Accounting method of consumption taxes

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

II. Changes in presentation

“Partial Amendments to Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ministry of Justice Order No. 13, March 26, 2018) associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (The Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been adopted from the beginning of the current fiscal year. In line with this adoption, deferred tax assets are now reported under “Investments and other assets”, and deferred tax liabilities are now reported under “Non-current liabilities”.

III. Additional information

Transfer of non-current assets

The company resolved to divest its non-current assets at a board of directors’ meeting held on March 28, 2019 and signed a real estate sales contract on March 29, 2019.

1. Reason for the divestiture

The assets to be transferred had been the company's headquarter and Nagoya plant till October, 2002 and the company has been leasing the land to a third party since then.

The company resolved to transfer the assets in order to promote effective use of management resources and improve asset efficiency, under its new medium-term plan started in 2018.

2. Description of the assets to be transferred

Description and location of the assets	2 Sanage-cho, Kita-ku, Nagoya 1-2 Kizune-cho, Kita-ku Nagoya Land: 17,897.51 m ²
Transfer price	*1
Book value	*1
Gain on transfer (*2)	About JPY 3,906 million
Current status	Leased

*1 Transfer price and book value are not disclosed due to agreement with the purchaser, though the transfer price reflects fair market value.

*2 Gain on transfer is an approximate amount based on transfer price less book value and estimated amount of expenses relating to the transfer, etc.

3. Overview of the purchaser

The purchaser is an ordinary industrial corporation, but the name will not be disclosed due to agreement with the purchaser. The company has no material relationship with the purchaser on capital, personal and business relations.

4. Schedule of the transfer

Property handover date March 31, 2020 (Plan)

5. Impact on financial results

Approximately JPY 3,906 million yen will be accounted for as Extraordinary gains in FY2019 (consolidated and non-consolidated).

IV. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment 93,691 million yen

2. Assets pledged as collateral, and liabilities secured by collateral

Assets pledged as collateral

Buildings and structures	562	million yen
Machinery, equipment and vehicles	1,361	
Land	3,197	
Other	0	
Total	<u>5,121</u>	

Liabilities secured by collateral

Short-term loans payable	2,191	million yen
Long-term loans payable (including amounts scheduled to be repaid within one year)	900	
Total	<u>3,091</u>	

3. Liabilities for guarantee

Employee housing loans, etc. 146 million yen

4. Notes receivable discounted or transferred by endorsement

Discounted export bills 74 million yen

5. Notes matured as of the consolidated balance sheet date

The settlement of the notes receivable are accounted for when the notes are cleared. As the balance sheet date fell upon non-business day, and thus the notes that fell due on that date were not cleared until the following business day, following amount of notes with due date Mar. 31, 2018 is included in the balance sheet.

Notes receivable-trade 182 million yen
and electronically recorded monetary claims - operating

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

1. Total number of shares issued as of the end of the period

Common shares 47,520 thousand shares

2. Matters relating to dividend

(1) Total dividends paid

Resolution	Type of share	Dividends paid (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting held on June 28, 2018	Common share	597	15.00	March 31, 2018	June 29, 2018
Board of Directors' meeting held on November 14, 2018	Common share	712	15.00	September 30, 2018	December 7, 2018

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

It is scheduled to be resolved as follows:

Resolution	Type of share	Dividends paid (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting to be held on June 27, 2019	Common share	712	15.00	March 31, 2019	June 28, 2019

Dividends will be paid out of retained earnings.

VI. Notes on Financial Instruments

1. Matters relating to financial instruments

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

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

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

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

2. Matters relating to market values of financial instruments

Book value, market value and differences as of March 31, 2019 are as follows:

(Unit: million yen)

	Book value (*1)	Market value (*1)	Difference
(1) Cash and deposits	19,605	19,605	—
(2) Notes and accounts receivable - trade	27,109	27,109	—
(3) Electronically recorded monetary claims - operating	2,809	2,809	—
(4) Investment securities	2,563	2,563	—
(5) Notes and accounts payable - trade	(8,437)	(8,437)	—
(6) Electronically recorded obligations - operating	(8,759)	(8,759)	—
(7) Short-term loans payable	(22,703)	(22,703)	—
(8) Income taxes payable	(1,066)	(1,066)	—
(9) Long-term loans payable (including amounts scheduled to be repaid within one year)	(32,445)	(32,516)	(70)
(10) Electronically recorded obligations - non-operating	(1,007)	(1,007)	—
(11) Lease obligations	(4,267)	(4,447)	(180)
(12) Derivatives (*2) Those not qualifying for hedge accounting	26	26	—

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

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

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

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

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

(4) Investment securities

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

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

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

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

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

(12) Derivatives

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

(Note 2) As it is considered extremely difficult to obtain the market values of unlisted stocks (consolidated balance sheet amount of 2,269 million yen) because their market quotations are not available and their future cash flows cannot be estimated, they are not included in "(4) Investment securities."

VII. Notes on Rental Properties

1. Matters relating to rental properties

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

2. Matters relating to market values of rental properties

(Unit: million yen)

Book value	Market value
760	6,395

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

2. The market value at the balance sheet date represents appraised value principally based on the "real-estate appraisal standards" and agreed upon selling price.

VIII. Notes on Per Share Information

1. Net assets per share

1,216.02 yen

2. Basic earnings per share

103.44 yen

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	39,035	Current liabilities	28,703
Cash and deposits	6,125	Accounts payable - trade	5,731
Notes receivable - trade	408	Electronically recorded obligations - operating	10,024
Accounts receivable - trade	18,516	Short-term loans payable	2,134
Electronically recorded monetary claims - operating	2,792	Current portion of long-term loans payable	4,454
Merchandise and finished goods	1,873	Lease obligations	337
Work in process	3,737	Accounts payable - other	1,268
Raw materials and supplies	1,969	Accrued expenses	917
Prepaid expenses	249	Income taxes payable	552
Short-term loans receivable from subsidiaries and associates	1,400	Accrued consumption taxes	209
Accounts receivable - other	1,741	Advances received	422
Other	221	Deposits received	63
Allowance for doubtful accounts	(0)	Unearned revenue	25
		Provision for bonuses	1,348
		Provision for bonuses for directors (and other officers)	181
		Provision for environmental measures	99
Non-current assets	67,427	Electronically recorded obligations - non-operating	929
Property, plant and equipment	19,030	Other	2
Buildings	6,079		
Structures	521	Non-current liabilities	26,746
Machinery and equipment	5,409	Long-term loans payable	19,668
Vehicles	11	Lease obligations	2,179
Tools, furniture and fixtures	226	Provision for retirement benefits	4,010
Land	3,671	Provision for environmental measures	1
Leased assets	2,696	Provision for loss on guarantees	480
Construction in progress	412	Asset retirement obligations	1
		Long-term accounts payable - other	378
Intangible assets	1,487	Other	26
Software	758		
Leased assets	14	Total Liabilities	55,450
Right of using facilities	14	Net Assets	
Other	700	Shareholders' equity	50,246
		Capital stock	8,413
Investments and other assets	46,908	Capital surplus	12,238
Investment securities	1,816	Legal capital surplus	8,789
Shares of subsidiaries and associates	31,675	Other capital surplus	3,449
Investments in capital of subsidiaries and associates	8,722	Retained earnings	29,594
Long-term loans receivable from subsidiaries and associates	1,284	Legal retained earnings	743
Long-term loans receivable from employees	18	Other retained earnings	
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	Reserve for advanced depreciation of non-current assets	2,320
Long-term prepaid expenses	34	General reserve	21,000
Prepaid pension cost	2,348	Retained earnings brought forward	5,530
Deferred tax assets	579	Treasury shares	(0)
Other	873	Valuation and translation adjustments	766
Allowance for doubtful accounts	(448)	Valuation difference on available-for-sale securities	766
		Total Net Assets	51,012
Total Assets	106,462	Total Liabilities and Net Assets	106,462

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

Non-Consolidated Statement of Income

(From: April 1, 2018
To: March 31, 2019)

(Unit: million Yen)

Account	Amount	
Net sales		67,732
Cost of sales		54,125
Gross profit		13,606
Selling, general and administrative expenses		11,216
Operating profit		2,390
Non-operating income		
Interest and dividend income	1,315	
Gain on sales of scraps	397	
Other	232	1,945
Non-operating expenses		
Interest expenses	164	
Foreign exchange losses	29	
Other	117	311
Ordinary profit		4,024
Extraordinary income		
Subsidy income	1,000	1,000
Extraordinary losses		
Provision for loss on guarantees	161	161
Profit before income taxes		4,863
Income taxes - current	910	
Income taxes - deferred	169	1,080
Profit		3,783

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

Non-Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2018
To: March 31, 2019)

(Unit: million Yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Other capital surplus	Legal retained earnings
Balance at beginning of current period	7,273	7,649	297	743
Changes of items during period				
Issuance of new shares	1,140	1,140		
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			3,152	
Net changes of items other than shareholders' equity				
Total changes of items during period	1,140	1,140	3,152	—
Balance at end of current period	8,413	8,789	3,449	743

(Unit: million Yen)

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Other retained earnings				
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	1,724	21,000	3,652	(1,422)	40,917
Changes of items during period					
Issuance of new shares					2,280
Provision of reserve for advanced depreciation of non-current assets	630		(630)		—
Reversal of reserve for advanced depreciation of non-current assets	(34)		34		—
Dividends of surplus			(1,310)		(1,310)
Profit			3,783		3,783
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1,422	4,574
Net changes of items other than shareholders' equity					—
Total changes of items during period	595	—	1,877	1,422	9,328
Balance at end of current period	2,320	21,000	5,530	(0)	50,246

(Unit: million Yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	1,085	1,085	42,002
Changes of items during period			
Issuance of new shares		—	2,280
Provision of reserve for advanced depreciation of non-current assets		—	—
Reversal of reserve for advanced depreciation of non-current assets		—	—
Dividends of surplus		—	(1,310)
Profit		—	3,783
Purchase of treasury shares		—	(0)
Disposal of treasury shares		—	4,574
Net changes of items other than shareholders' equity	(318)	(318)	(318)
Total changes of items during period	(318)	(318)	9,009
Balance at end of current period	766	766	51,012

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

Notes to Financial Statements

I. Notes on Matters Relating to Significant Accounting Policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

1) Shares of subsidiaries and

associates Stated at cost by the moving average method

2) Other securities

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

Securities without market value Stated at cost using moving average method

(2) Basis and method of valuation of inventories

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

1) Merchandise and finished goods Weighted average method

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

3) Raw materials Principally by weighted average method

4) Supplies Principally by moving average method

2. Method of depreciation of non-current assets

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

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

Buildings 3-50 years

Structures 7-60 years

Machinery and equipment 5-9 years

Vehicles 4-10 years

Tools, furniture and fixtures 2-20 years

(2) Intangible assets (excluding leased assets)

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

(3) Leased assets

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

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

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

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

3. Reserves and Provisions

(1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

(2) Provision for bonuses

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

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

An estimated amount of bonuses payable is provided.

(4) Provision for retirement benefits

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

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

Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over 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" and for the payment of cost of soil contamination countermeasures to be incurred, the estimated disposal cost is provided.

(6) Provision for loss on guarantees

In order to prepare for loss on guarantees provided to subsidiaries and associates, the estimated loss amount is provided,

taking into account the financial position, etc. of guaranteed parties.

4. Other significant matters for the presentation of financial statements

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

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

(2) Accounting method for retirement benefits

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

(3) Accounting treatment of consumption taxes

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

II. Changes in presentation

“Partial Amendments to Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ministry of Justice Order No. 13, March 26, 2018) associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (The Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been adopted from the beginning of the current fiscal year. In line with this adoption, deferred tax assets are now reported under “Investments and other assets”, and deferred tax liabilities are now reported under “Non-current liabilities”.

III. Additional information

Transfer of non-current assets

The company resolved to divest its non-current assets at a board of directors’ meeting held on March 28, 2019 and signed a real estate sales contract on March 29, 2019.

For more details, please refer to “Notes to Consolidated Financial Statements III. Additional information.”

IV. Notes to Balance Sheet

1. Accumulated depreciation of property, plant and equipment	43,377 million yen
2. Monetary claims and monetary debts to/from subsidiaries and associates	
Short-term monetary claims	8,221 million yen
Long-term monetary claims	250
Short-term monetary debts	5,274
3. Liabilities for guarantee	
(1) For employee housing loans, etc.	146 million yen
(2) For bank borrowings	
DAIDO METAL CZECH s.r.o.	1,437
DAIDO METAL KOTOR AD	498
Daido Industrial Bearings Europe Limited	1,541
DAIDO METAL EUROPE LIMITED	1,062
Daido Metal U.S.A. Inc.	5,133
Daido Metal Mexico, S.A. de C.V.	2,242
Daido Metal Europe GmbH	1,688
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	119
Daido Industrial Bearings Europe Limited	1
(4) For lease obligations	
Daido Metal Russia LLC	1,346
(5) For export duties	
DAIDO METAL EUROPE LIMITED	21
Daido Metal Europe GmbH	5
Total	<u>15,245</u>

V. Notes to Statement of Income

Amount of transactions with subsidiaries and associates

Operating transactions

Amount of sales	20,266 million yen
Amount of purchases	17,031
Other operating transactions	1,502
Transactions other than operating transactions	1,353

VI. Notes to Statements of Changes to Shareholders' Equity

Type and number of treasury shares at the balance sheet date

Common shares	324 shares
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VII. Notes on Leased Non-current Assets

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

VIII. Notes on Tax Effect Accounting

Breakdown of the main causes of deferred tax assets and liabilities

Deferred tax assets	
Devaluation of finished goods and work in process	430 million yen
Depreciation in excess of tax allowable limit	51
Impairment losses	165
Accrued business tax	67
Loss on valuation of shares of subsidiaries and associates	2,583
Loss on valuation of golf club membership	16
Excess allowance for doubtful accounts	133
Provision for bonuses	412
Provision for loss on guarantees	147
Provision for retirement benefits	874
Long-term accounts payable - other	58
Other	212
Sub-total of deferred tax assets	<u>5,153</u>
Valuation reserves for temporary difference, etc.	<u>(3,159)</u>
Total deferred tax assets	<u>1,993</u>
Deferred tax liabilities	
Reserve for advanced depreciation of non-current assets	(1,023)
Valuation difference on available-for-sale securities	(321)
Other	(70)
Total deferred tax liabilities	<u>(1,414)</u>
Net deferred tax assets	<u>579</u>

IX. Notes on Transactions with Related Parties

Subsidiaries and associates

Type	Name of company	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held)	Relation with related party	Nature of transaction	Transaction amount (million yen) Note 10	Account	Balance at the end of period (million yen) Note 10
Subsidiaries	DAIDO METAL SALES CO., LTD.	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities and loans, etc.	Sale of bearing products Note 1	3,167	Account receivable - trade	1,386
	NDC Co., Ltd.	(Holding) Direct 58.8	Purchase of products, etc., manufacturing of the Company's products, sales of the Company's products, etc., licensing of technology and lease of facilities, etc.	Purchase of bearing products, etc. Note 2	5,419	Account payable - trade	1,737
	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, debt guarantees, etc. and key management personnel service	Purchase of bearing products, etc. Note 2	8,288	Account payable - trade Electronically recorded obligations - operating	1,001 1,955
	Daido Industrial Bearings Japan Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, loans, etc. and key management personnel service	—	—	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	800 850
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sale of the Company's products, etc., purchase of products, licensing of technology, rental of facilities, debt guarantees, etc. and key management personnel service	Sale of bearing products, etc. Note 1 Debt guarantees Note 3	4,462 5,133	Account receivable - trade —	1,339 —
	Daido Metal Mexico, S.A. de C.V.	(Holding) Direct 99.9 (Holding) Indirect 0.0	Sale of the Company's products, rental of facilities and debt guarantees, etc.	Debt guarantees Note 4	2,242	—	—
	DAIDO METAL CZECH s.r.o.	(Holding) Direct 100.0	Sale of the Company's products, etc., purchase of products, licensing of technology, rental of facilities and debt guarantees, etc.	Debt guarantees Note 5	1,437	—	—
	Daido Metal Europe GmbH	(Holding) Direct 100.0	Rental of facilities and debt guarantees	Debt guarantees Note 6	1,693	—	—
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, rental of facilities, debt guarantees and loans, etc.	Debt guarantees Note 7	2,024	—	—
	DAIDO METAL EUROPE LIMITED	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities and debt guarantees, etc.	Sale of bearing products, etc. Note 1 Debt guarantees Note 8	2,101 1,084	Account receivable - trade —	1,071 —
	Daido Metal Russia LLC	(Holding) Direct 99.8	Sale of the Company's products, etc., purchase of products, licensing of technology and debt guarantees, etc.	Debt guarantees Note 9	1,346	—	—

Transaction terms, policies for determining transaction terms, etc.

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

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

(Note 3) Debt guarantees are provided for the bank borrowings (5,133 million yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 4) Debt guarantees are provided for the bank borrowings (2,242 million yen) of Daido Metal Mexico, S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (1,437 million yen) of DAIDO METAL CZECH s.r.o. and guarantee fees of 0.2% per annum are received.

(Note 6) Debt guarantees are provided for the bank borrowings (1,688 million yen) and export duties (5 million yen) of Daido Metal Europe GmbH and guarantee fees of 0.2% per annum are received.

(Note 7) Debt guarantees are provided for the bank borrowings (2,022 million yen) and guarantee for supplier (1 million yen) of Daido Industrial Bearings Europe Limited and guarantee fees of 0.2% per annum are received. In addition, 161 million yen is provided for loss on guarantees, making the balance of provision for loss on guarantees at the end of period 480 million yen. Allowance for doubtful accounts is provided for long-term loans receivable (434 million yen).

(Note 8) Debt guarantees are provided for the bank borrowings (1,062 million yen) and export duties (21 million yen) of DAIDO METAL EUROPE LIMITED and guarantee fees of 0.2% per annum are received.

(Note 9) Debt guarantees are provided for the lease obligations (1,346 million yen) of Daido Metal Russia LLC and guarantee fees of 0.2% per annum are received

(Note 10) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

VIII. Notes on Per Share Information

1. Net assets per share	1,073.49 yen
2. Basic earnings per share	85.73 yen

Independent Auditor's Report

May 17, 2019

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

Deloitte Touche Tohmatsu LLC

<u>Designated Partner</u> <u>Engagement Partner</u>	<u>Certified Public</u> <u>Accountant</u>	<u>Yasufumi Mitomi</u>	<u>Seal</u>
<u>Designated Partner</u> <u>Engagement Partner</u>	<u>Certified Public</u> <u>Accountant</u>	<u>Masaki Okuda</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 notes to consolidated financial statements of Daido Metal Co., Ltd. for the fiscal year from April 1, 2018 to March 31, 2019, 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 auditor. 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

May 17, 2019

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

Deloitte Touche Tohmatsu LLC

<u>Designated Partner</u> <u>Engagement Partner</u>	<u>Certified Public</u> <u>Accountant</u>	<u>Yasufumi Mitomi</u>	<u>Seal</u>
<u>Designated Partner</u> <u>Engagement Partner</u>	<u>Certified Public</u> <u>Accountant</u>	<u>Masaki Okuda</u>	<u>Seal</u>

We have audited the accompanying non-consolidated financial statements, i.e. balance sheet, statement of income, statement of changes in shareholders' equity, and notes to financial statements as well as the supplementary schedules of Daido Metal Co., Ltd. for the 111th fiscal year from April 1, 2018 to March 31, 2019, 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 supplementary 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 supplementary 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 supplementary schedules based on our audits as independent auditor. 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 supplementary 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 supplementary 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 supplementary 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 supplementary 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 supplementary 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 supplementary 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 supplementary 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: translation

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the performance of duties of the Directors of Daido Metal Co., Ltd. during the 111th fiscal year from April 1, 2018 to March 31, 2019, based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

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

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

Based on the aforementioned method the Audit & Supervisory Board Members reviewed the business report and 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 notes to non-consolidated financial statements) 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 shareholders' equity and notes to consolidated financial statements).

2. Results of Audit

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

- 1) In our opinion, the business report and the 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 Regulation for Enforcement of the Companies Act that is described in the business report is in line with said fundamental policies, that it does not undermine the common interests of the Company's shareholders, and that it does not aim to maintain the positions of the Company's officers.

(2) Results of Audit of the Non-consolidated Financial Statements and 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 23, 2019

Audit & Supervisory Board
Daido Metal Co., Ltd.

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

Reference Materials for the Annual Shareholders' Meeting

Agendas and Matters for Reference

Agenda Item No. 1 Appropriation of Surplus

The Company proposes to make the following appropriation of surplus:

It is the Company's basic policy to pay appropriate return of profit to our shareholders based on the results of operations and payout ratio. It is also our policy to maintain a stable and sustainable level of dividends from surplus in overall consideration of the internal reserve for future business development, expansion of research and development, strengthening of business foundations and changes to the business environment.

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

As a result, the annual dividend, including the interim dividend paid of 15 yen per share, would be 30 yen per share.

Details of the year-end dividend

(1) Type of dividend property

Cash

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

15 yen per ordinary share of the Company

Total amount: 712,798,935 yen

(3) Date when dividends from surplus become effective

June 28, 2019

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

1. Purpose of Amendments to the Articles of Incorporation

(1) In an effort to better define business lines based on the current business of the Group, the Company proposes to add the business purposes of two subsidiaries of the Company, Iino Holding Ltd. and SUPER CUB FINANCIAL CORPORATION, in the current Article 2 (Purpose) of the Articles of Incorporation.

(2) There are currently six Directors. When Agenda Item No. 3 “Election of Eight Directors” is approved and adopted, there will be eight Directors, which is the maximum limit as stipulated by the current Article 19 of the Articles of Incorporation.

The Company sets “creating / fostering new business lines” and “enhancing management / operational control platform” as its principal action lines under the Midterm Business Plan. In order to enable appropriate responses to future business creation and business expansion and corporate governance structures enhanced by increased Outside Directors, etc., the Company proposes to revise the number of Directors as set forth in the current Article 19 (Number of Directors) of the Articles of Incorporation, from “eight (8) or less” to “ten (10) or less.”

2. Details of the Amendments

The details of the amendments are as follows:

(The underlined parts indicate the amendments.)

Current Articles of Incorporation	Proposed amendments
(Purpose)	(Purpose)
Article 2 The Company aims to engage in the following undertakings:	Article 2 The Company aims to engage in the following undertakings:
1. - 16. (Omitted)	1. - 16. (Unchanged)
(Added)	<u>17. Holding company</u>
(Added)	<u>18. Sales financing business</u>
<u>17.</u> Any and all business incidental to each business listed in the preceding items.	<u>19.</u> (Unchanged)
(Number of Directors)	(Number of Directors)
Article 19 The number of Directors of the Company shall be <u>eight (8)</u> or less.	Article 19 The number of Directors of the Company shall be <u>ten (10)</u> or less.

Agenda Item No. 3 Election of Eight Directors

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

The Company recognizes that the business environment surrounding the Group will become more challenging, and that the environment will change more quickly than ever and on an unprecedented scale. Under such a highly uncertain business environment, the Company needs to increase the number of Directors in order to respond to the diversification of the Group's business lines and the expansion of the Group companies.

In this regard, the Company proposes the election of eight Directors by adding two Directors to the current six Directors. The candidates for Director are nominated in accordance with the policy and procedures as described in "Policies on and procedures for the appointment and dismissal of candidates for senior management positions and for the nomination of candidates for Director and Audit & Supervisory Board Member" on page 18 in this Notice of Convocation.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(1)	Seigo Hanji (January 2, 1942) Re-election Attendance at Board of Directors meetings 16/16	<p>April 1965 Joined the Company</p> <p>June 1993 Director and Deputy General Manager of Business Division 3</p> <p>April 1994 Director and General Manager of Business Division 1</p> <p>June 1995 President</p> <p>June 2005 President & Chief Executive Officer</p> <p>June 2007 Chairman & Chief Executive Officer (current)</p> <p>May 2008 Executive & Vice Chairman of Japan Auto Parts Industries Association and Chubu Branch Manager of the same Association</p> <p>June 2010 Outside Director of Nichirei Co., Ltd.</p> <p>May 2018 Executive of Japan Auto Parts Industries Association (current)</p> <p>[Important concurrent positions at other entities] Executive of Japan Auto Parts Industries Association</p>	143,637 shares
[Reason for nomination as candidate for Director] Mr. Seigo Hanji has been in charge of the Group's overall management and has led corporate value improvements over the years. He is a person of decision and action backed by his extensive business management experience and strong leadership. In the belief that he will continue to contribute to the Group's sustainable growth, the Company nominated him as a candidate for Director.			
(2)	Kotaro Kashiya (March 28, 1947) Re-election Attendance at Board of Directors meetings 16/16	<p>April 1971 Joined the Company</p> <p>June 2003 Director and Head of Polymer Bearings Division</p> <p>April 2005 Director and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>July 2005 Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>June 2007 Managing Director and Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>July 2007 Managing Director and Senior Executive Officer, and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>June 2009 Managing Director and Senior Executive Officer, and General Manager of Strategy Development Division</p> <p>June 2010 Senior Managing Director and Senior Executive Officer, and General Manager of Strategy Development Division</p> <p>April 2011 President of Daido Plain Bearings Co., Ltd.</p> <p>April 2011 Senior Managing Director and Senior Executive Officer, General Manager of Global Strategy Division and Head of Technology Division</p> <p>June 2011 President of Daido Plain Bearings Co., Ltd.</p> <p>June 2011 President & Chief Operating Officer</p> <p>June 2011 General Manager of Global Strategy Division and Head of Technology Division</p> <p>April 2012 President & Chief Operating Officer (current)</p>	92,975 shares
[Reason for nomination as candidate for Director] Mr. Kotaro Kashiya has held several managerial positions in a broad range of fields at the Company, and has deep insight about the Company's overall business. In the belief that he will continue to strongly advance the Group's Midterm Business Plan and contribute to sustainable growth in corporate value through his swift and appropriate business decisions based on his extensive experience and knowledge, the Company nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities		Number of shares of the Company held by the candidate
(3)	Toshiyuki Sasaki (December 7, 1950) Re-election Attendance at Board of Directors meetings 16/16	<p>April 1974 April 1997 March 2001 June 2002 October 2003 April 2004 April 2005 June 2005 July 2005 June 2007 July 2008 June 2010 June 2011 April 2015 July 2015 July 2016 October 2017 April 2019</p>	<p>Joined Tokai Bank Ltd. Manager of Taipei Branch Manager of Americas, Manager of New York Branch, Manager of Cayman Branch and Manager of Chicago Office General Manager of Toyota Corporate Sales Division and Manager of Toyota Branch of UFJ Bank Limited Seconded to the Company Joined the Company General Manager of Overseas Planning Department, Corporate Planning Division General Manager of Corporate Planning Department, Corporate Planning Division Director and General Manager of Corporate Planning Department, Corporate Planning Division Director and Executive Officer, and General Manager of Corporate Planning Department, Corporate Planning Division Director and Executive Officer, and General Manager of Corporate Planning Division Director and Senior Executive Officer, and Head of Corporate Planning Division Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division Managing Director and Senior Executive Officer, Head of Corporate/Financial Planning Division, and Head of Human Resources Planning Division Managing Director and Senior Executive Officer, and Head of Corporate/Financial Planning Division President of DAIDO METAL SAGA CO., LTD. (part-time) Director and Managing Executive Officer, and Head of Corporate/Financial Planning Division President of DAIDO METAL SAGA CO., LTD. (part-time) Director and Senior Managing Executive Officer, and General Manager of BPR (Business Process Re-engineering) Department President of DAIDO METAL SAGA CO., LTD. (part-time) Director and Senior Managing Executive Officer, Head of BPR-ICT Division, and General Manager of BPR (Business Process Re-engineering) Department Director and Senior Managing Executive Officer, Head of BPR-ICT Division, General Manager of BPR (Business Process Re-engineering) Department, and Head of Inuyama Site (current)</p>	72,837 shares
[Reason for nomination as candidate for Director] Mr. Toshiyuki Sasaki has advanced insight into global business management, which was developed through his extensive international experience at financial institutions. He has made a great contribution to the global development of the Company's business operations as a Director of the Company since 2005. In the belief that he will continue to contribute to building foundations for sustainable growth of the Group by advancing business improvements and efficiency, the Company nominated him as a candidate for Director.				
(4)	Masaki Ikawa (December 12, 1950) Re-election Attendance at Board of Directors meetings 16/16	<p>April 1973 July 2008 October 2009 April 2010 April 2011 July 2011 April 2012 June 2012 July 2015 July 2017</p>	<p>Joined the Company Executive Officer President of Daido Metal Bellefontaine LLC Executive Officer and General Manager of Corporate Planning Department, Corporate Planning Division Executive Officer and General Manager of Bimetal Division Executive Officer and General Manager of Quality Management & Planning Department Senior Executive Officer, General Manager of Quality Management & Planning Department and General Manager of Inuyama Site Senior Executive Officer, General Manager of Human Resources Planning Department and General Manager of Inuyama Site Director and Senior Executive Officer, Head of Human Resources Planning Division and Head of Inuyama Site Director and Managing Executive Officer, Head of Human Resources Planning Division Director and Senior Managing Executive Officer, Head of Human Resources Planning Division (current)</p>	37,714 shares
[Reason for nomination as candidate for Director] Mr. Masaki Ikawa has extensive business experience in the field of quality in addition to international experience. He has been responsible for the development and advancement of the human resources strategy at the Company since 2012 as a Director in charge of Human Resources. In the belief that he will continue to contribute to further improving corporate value through the advancement of a global human resources strategy, the Company nominated him as a candidate for Director.				

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(5)	Motoyuki Miyo (September 8, 1955) <u>New election</u>	<p>April 1979 Joined The Fuji Bank, Limited</p> <p>December 1988 Director of San Francisco Branch</p> <p>April 1995 Deputy General Manager of International Credit Department</p> <p>October 1998 Deputy General Manager of London Branch</p> <p>September 2000 Associate Director-General of International Department</p> <p>April 2002 Associate Director-General of Singapore Branch, Mizuho Corporate Bank, Ltd.</p> <p>March 2007 Associate Director-General of International Coordination Division, Mizuho Corporate Bank, Ltd.</p> <p>September 2008 Joined the Company</p> <p>October 2008 Executive Vice President of Daido Metal Russia LLC</p> <p>July 2011 Executive Officer</p> <p> Executive Vice President of Daido Metal Russia LLC</p> <p>July 2015 Senior Executive Officer</p> <p> Executive Vice President of Daido Metal Russia LLC</p> <p>July 2018 Managing Executive Officer</p> <p> Executive Vice President of Daido Metal Russia LLC</p> <p>April 2019 Managing Executive Officer, Head of Corporate/Financial Planning Division (current)</p>	3,534 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Motoyuki Miyo has extensive international experience in financial institutions. He has made a great contribution to business expansion in Russia since he joined the Company. In the belief that having him as a member of managerial decision-makers, as a person with many years of managerial experience at overseas bases, will contribute to the Group's sustainable growth and medium to long-term improvement in corporate value, the Company nominated him as a candidate for Director.</p>			
(6)	Yoshiaki Sato (December 19, 1956) <u>New election</u>	<p>April 1979 Joined the Company</p> <p>July 2005 Executive Officer and General Manager of Bimetal Division</p> <p>April 2009 Executive Officer and Head of Polymer Bearings Division</p> <p>April 2010 Executive Officer</p> <p> President of Daido Metal Czech s.r.o.</p> <p>April 2012 Executive Officer and Head of Technology Division</p> <p>July 2014 Senior Executive Officer and Head of Technology Division</p> <p>April 2017 Senior Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>July 2018 Managing Executive Officer and Head of Thinwall Bearings & Turbo Charging Bearings Division (current)</p>	32,028 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Yoshiaki Sato has engaged in the fields of production and technologies at the Company over the years, and has broad insight into bearing production including material development and production technologies. In the belief that having him as a member of managerial decision-makers, as a person familiar with the Company's technologies, will contribute to the Group's sustainable growth and medium to long-term improvement in corporate value, the Company nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities		Number of shares of the Company held by the candidate
(7)	Toshikazu Takei (September 22, 1953) Re-election Outside Director Independent Officer Attendance at Board of Directors meetings 16/16	<p>April 1976 Joined Bank of Japan</p> <p>July 1989 Director of Nagoya Branch</p> <p>November 1991 Director of Secretary Office and Secretariat of the Policy Board</p> <p>June 1994 Deputy General Manager for Europe</p> <p>April 1998 Director of Diet Liaison Division, Secretariat of the Policy Board</p> <p>May 1999 General Manager of Matsuyama Branch</p> <p>February 2002 Director-General, Senior Secretary to the Governor, Secretariat</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</p> <p>July 2006 Chief Representative in Europe of the Bank of Japan (stationed in London)</p> <p>June 2008 Left Bank of Japan</p> <p>July 2008 Senior Executive Advisor of Accenture Japan Ltd.</p> <p>October 2012 Managing Director of Japan Center for International Finance</p> <p>June 2015 Outside Director of the Company (current)</p> <p>April 2019 Chairman of The Central Council for Financial Services Information (current)</p> <p>[Important concurrent positions at other entities] Chairman of The Central Council for Financial Services Information</p>	4,560 shares	
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Toshikazu Takei was long engaged in business execution and served in managerial positions at the Bank of Japan. In addition, he is familiar with international businesses and has extensive experience and broad insight. In the belief that he will continue to oversee and supervise the management of the Company based on such experience and insight, the Company nominated him as a candidate for Outside Director.</p> <p>Although Mr. Toshikazu Takei has no experience of engaging in the management of a company, the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and The Central Council for Financial Services Information, where he holds an important concurrent position.</p>				
(8)	Kiyotaka Hoshinaga (November 15, 1950) Re-election Outside Director Independent Officer Attendance at Board of Directors meetings 16/16	<p>April 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</p> <p>April 2014 President, Fujita Health University</p> <p>June 2016 Outside Director of the Company (current)</p> <p>October 2018 Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution (current)</p> <p>[Important concurrent positions at other entities] Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution</p>	3,008 shares	
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Kiyotaka Hoshinaga has served as a director of a hospital and a president of a university after serving as a professor of a university and has extensive knowledge and experience gained through involvement in management of a hospital and a university. In the belief that he will continue to oversee and supervise the management of the Company based on such knowledge and experience, the Company nominated him as a candidate for Outside Director.</p> <p>Although Mr. Kiyotaka Hoshinaga has no experience of engaging in the management of a company, the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and Fujita Academy Incorporated Educational Institution, where he holds an important concurrent position.</p>				

- (Notes)
- There is no special interest between any of candidates and the Company.
 - As for each candidate's position please refer to "4. Company Officers, (1) Directors and Audit & Supervisory Board Members" on pages 15 and 16.
 - Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga are candidates for Outside Director.
 - Liability limitation agreement
The Company has entered into a liability limitation agreement with Mr. Toshikazu Takei and Mr. Kiyotaka Hoshinaga. The Company will continue this agreement with them if they are reelected.
The 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 and Mr. Kiyotaka Hoshinaga have been registered as Independent Officers pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange. If they are reelected, the Company will continue to register them as Independent Officers.
 - The term of office of Mr. Toshikazu Takei as an Outside Director will be four years at the conclusion of this Annual Shareholders' Meeting. The term of office of Mr. Kiyotaka Hoshinaga as an Outside Director will be three years at the conclusion of this Annual Shareholders' Meeting.

Agenda Item No. 4 Election of Three Audit & Supervisory Board Members

The terms of office for all three Audit & Supervisory Board Members expire at the conclusion of this Shareholders' Meeting. The Company therefore proposes the election of three Audit & Supervisory Board Members.

The candidates for Audit & Supervisory Board Member are nominated in accordance with the policy and procedures as described in "Policies on and procedures for the appointment and dismissal of candidates for senior management positions and for the nomination of candidates for Director and Audit & Supervisory Board Member" on page 18 in this Notice of Convocation. The consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidates for Audit & Supervisory Board Member are as follows:

Candidate No.	Name (Date of birth)	Career history, positions at the Company, and important concurrent positions at other entities		Number of shares of the Company held by the candidate
(1)	<p>Masaaki Tamaya (February 4, 1947)</p> <p><u>Re-election</u></p> <p>Attendance at Board of Directors meetings 16/16</p> <p>Attendance at Audit & Supervisory Board meetings 15/15</p>	<p>April 1965</p> <p>April 1999</p> <p>April 2002</p> <p>July 2005</p> <p>July 2008</p> <p>April 2011</p> <p>June 2011</p>	<p>Joined the Company</p> <p>Vice-Head of Thinwall Bearings & Turbo Charging Bearings Division</p> <p>General Manager of General Affairs Department</p> <p>Executive Officer and General Manager of General Affairs Department</p> <p>Senior Executive Officer and General Manager of General Affairs Department</p> <p>Senior Executive Officer assistant to President</p> <p>Full-time Audit & Supervisory Board Member (current)</p>	24,116 shares
<p>[Reason for nomination as candidate for Audit & Supervisory Board Member]</p> <p>Mr. Masaaki Tamaya has held several managerial positions at the administrative divisions of the Company and has extensive business experience and knowledge about sales and general affairs, which were developed over the years. In the belief that he will continue to conduct highly effective audits based on his extensive business experience and knowledge, the Company nominated him as a candidate for Audit & Supervisory Board Member.</p>				
(2)	<p>Kuniko Tanabe (April 1, 1945)</p> <p><u>Re-election</u></p> <p>Outside Audit & Supervisory Board Member</p> <p>Attendance at Board of Directors meetings 16/16</p> <p>Attendance at Audit & Supervisory Board meetings 15/15</p>	<p>April 1973</p> <p>February 1982</p> <p>June 2003</p> <p>June 2011</p> <p>June 2015</p>	<p>Registered as a lawyer (registered with Dai-Ichi Tokyo Bar Association)</p> <p>Joined Sakaki Tadatsune Law Office (to January 1982)</p> <p>Joined Tanabe & Partners (current)</p> <p>Outside Audit & Supervisory Board Member of the Company (current)</p> <p>Outside Auditor of Disco Corporation</p> <p>Outside Director of KDDI CORPORATION</p> <p>[Important concurrent positions at other entities]</p> <p>Partner, Lawyer of Tanabe & Partners</p>	28,685 shares
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p>Ms. Kuniko Tanabe has extensive experience and superior expertise, cultivated as the partner at law firms, in addition to her extensive experience as an outside officer. In addition, she is the only female candidate for Officer. In the belief that she will continue to audit the Company's management based on her extensive experience and superior expertise, and provide pertinent advice and proposals for initiatives regarding the promotion of diversity of the Company from a female perspective, the Company nominated her as a candidate for Outside Audit & Supervisory Board Member.</p> <p>Although Ms. Kuniko Tanabe has no experience of engaging in the management of a company other than as an outside officer, the Company judges that she will appropriately fulfill her duties as an Outside Audit & Supervisory Board Member of the Company based on the above reasons. The Company has concluded a legal advisory contract with Tanabe & Partners, where she holds an important concurrent position. However, the transaction amount accounts for less than 1% and less than 10 million yen of the consolidated net sales of each party in the last three fiscal years.</p>				

Candidate No.	Name (Date of birth)	Career history, positions at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(3)	<p>Kazuo Matsuda (November 11, 1948)</p> <p>Re-election</p> <p>Outside Audit & Supervisory Board Member</p> <p>Independent Officer</p> <p>Attendance at Board of Directors meetings 16/16</p> <p>Attendance at Audit & Supervisory Board meetings 15/15</p>	<p>April 1971 Joined The Fuji Bank, Limited</p> <p>October 1994 Director and General Manager of Capital Markets Division of Fuji Securities Co., Ltd.</p> <p>June 1995 Managing Director and General Manager of Capital Markets Division of Fuji Securities Co., Ltd.</p> <p>June 1996 Senior Managing Director of Fuji Securities Co., Ltd.</p> <p>May 1997 General Manager of Kabutocho Branch of The Fuji Bank, Limited</p> <p>April 2000 Senior Managing Executive Officer in charge of Capital Markets Division of Fuji Securities Co., Ltd.</p> <p>October 2000 Managing Executive Officer and General Manager of Capital Markets Group of Mizuho Securities Co., Ltd.</p> <p>December 2002 Administration Officer of Mizuho Securities Co., Ltd.</p> <p>May 2003 Administration Officer of NSK Ltd.</p> <p>June 2003 Seconded to NSK-Warner K.K.</p> <p>June 2003 Director of NSK-Warner K.K.</p> <p>June 2004 Vice President of NSK Ltd.</p> <p>June 2006 Managing Director of NSK-Warner K.K.</p> <p>June 2006 Senior Vice President, Head of Business Planning Division HQ and Head of Compliance Division HQ of NSK Ltd.</p> <p>September 2007 President of NSK (China) Investment Co., Ltd.</p> <p>June 2008 Executive Vice President, Head of Corporate Strategy Division HQ, Head of Business Planning Division HQ and Head of Compliance Division HQ of NSK Ltd.</p> <p>June 2009 Representative Executive Officer and Executive Vice President, Head of Corporate Strategy Division HQ and Head of Business Planning Division HQ of NSK Ltd.</p> <p>June 2011 Special Advisor of NSK Ltd. Corporate Auditor of NSK-Warner K.K. Outside Audit & Supervisory Board Member of the Company (current)</p> <p>June 2015 Outside Corporate Auditor of Sumitomo Bakelite Company Limited</p> <p>June 2016 Outside Director of Sumitomo Bakelite Company Limited (current)</p> <p>[Important concurrent positions at other entities] Outside Director of Sumitomo Bakelite Company Limited</p>	11,972 shares
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Mr. Kazuo Matsuda has rich insights on governance of the overall management of a company as he is familiar with finance and international businesses through his experience at financial institutions for many years and has experiences and knowledge which he gained through serving as a director and an executive officer for other business entities. In the belief that he will continue to audit the Company's management based on his knowledge, experience and insight, the Company nominated him as a candidate for Outside Audit & Supervisory Board Member. There is no business relationship between the Company and Sumitomo Bakelite Company Limited, where he holds an important concurrent position.</p>			

- (Notes)
- There is no special interest between any of candidates and the Company.
 - Ms. Kuniko Tanabe and Mr. Kazuo Matsuda are both candidates for Outside Audit & Supervisory Board Member.
 - Liability limitation agreement
The Company has entered into a liability limitation agreement with Mr. Masaaki Tamaya, Ms. Kuniko Tanabe and Mr. Kazuo Matsuda. The Company will continue this agreement with them if they are reelected.
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.
 - Mr. Kazuo Matsuda has been registered as an Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange. If he is reelected, the Company will continue to register him as an Independent Officer.
Ms. Kuniko Tanabe does not fall under (1) to (7) of the Standards for Independence of Outside Officers of the Company (refer to the next page) but falls under (8) of said standards, which was originally set by the Company. Accordingly, the Company will not register her as an Independent Officer even when she is reelected.
 - The term of office of Ms. Kuniko Tanabe as an Outside Audit & Supervisory Board Member will be sixteen years at the conclusion of this Annual Shareholders' Meeting. The term of office of Mr. Kazuo Matsuda as an Outside Audit & Supervisory Board Member will be eight years at the conclusion of this Annual Shareholders' Meeting.

[Standards for Independence of Outside Officers]

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

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

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

- (1) Person related to the Company
A person who currently works or has previously worked for the DAIDO Group within the last ten years.
- (2) Person related to the major suppliers
A person who currently is or has previously been an officer or employee of a major supplier to the Company (with which the annual aggregate amount of transactions is 1,000 million yen or more) or its group companies within the last three fiscal years.
- (3) Person related to the major business partners
A person who currently is or has previously been an officer or employee of the Company's major business partner (with which the annual aggregate amount of transactions is 1,000 million yen or more) during any of the last three fiscal years.
- (4) Person related to the financial institutions
 - 1) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a financial institution with which the Company currently has transactions of deposits or borrowings of 1,000 million yen or more.
 - 2) A person who currently is or, in the last three fiscal years, has previously been an officer or employee of a company which is a managing underwriter of the Company.
- (5) Person related to the parties providing professional services
A person who currently receives, or within the last three years, has received from the Company an annual compensation of 20 million yen or more as the Company's legal counsel (law office), the Company's accounting auditor, a certified tax accountant, patent attorney, judicial scrivener, or as a management, finance, technology or marketing consultant.
- (6) Person related to the parties receiving donations or grants from the Company
A person who is a representative or operating officer of an organization (public interest incorporated foundation, public interest incorporated association, not-for-profit organization, etc.) to which the Company has made donations or provided grants exceeding a certain amount (1 million yen or 30% of the organization's annual average total expenses, whichever the larger) in the current fiscal year or in the last three fiscal years.
- (7) Relatives
A relative of a person who currently works or has previously worked for the DAIDO Group within the last five years (the person's spouse, parent, child, sibling, grandparent, grandchild, or relatives living with the person). A relative of a person coming under aforementioned categories (2) to (5).
- (8) Reappointment and reappointed person.
A person who has executed his/her duties without coming under any of the aforementioned categories (1) to (7) for a period exceeding ten years in case of reappointment of Outside Director or for a period exceeding twelve years with three consecutive terms in the case of reappointment of Audit & Supervisory Board Member.

Agenda Item No. 5 Election of One Substitute Member of Audit & Supervisory Board

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

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

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

Name (Date of birth)	Career history and important concurrent positions at other entities	Number of shares of the Company held by the candidate
<p>Nobuyuki Ishiwata (July 12, 1945)</p> <div data-bbox="209 689 357 757" style="border: 1px solid black; padding: 2px; width: fit-content;">Substitute Audit & Supervisory Board Member</div> <div data-bbox="209 779 357 846" style="border: 1px solid black; padding: 2px; width: fit-content;">Outside Audit & Supervisory Board Member</div>	<p>April 1971 Joined Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC)</p> <p>April 1975 Registered as a certified public accountant</p> <p>January 1976 Registered as a licensed tax accountant</p> <p>March 1978 Left Tohmatsu Awoki & Co. Audit Corporation (currently, Deloitte Touche Tohmatsu LLC)</p> <p>April 1978 Opened CPA Nobuyuki Ishiwata accounting firm</p> <p>April 1988 Established Seishin & Co. Audit Corporation (currently, SeishinShisei & Co. Audit Corporation) and assumed the post of Representative Partner (current)</p> <p>August 1999 Outside auditor of Adecco Ltd. (current)</p> <p>July 2003 Established Seishin & Co. Tax Corporation (currently, SeishinShisei & Co. Tax Corporation) and assumed the post of Representative Partner (current)</p> <p>[Important concurrent positions at other entities]</p> <p>Representative Partner of SeishinShisei & Co. Audit Corporation</p> <p>Representative Partner of SeishinShisei & Co. Tax Corporation</p> <p>Outside auditor of Adecco Ltd.</p>	0 shares
<p>[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member]</p> <p>Mr. Nobuyuki Ishiwata has been in practice as a certified public accountant and a licensed tax accountant and has rich accounting and taxation knowledge gained from his experience as a certified public accountant and a licensed tax accountant. In the belief that he will audit the Company's management based on his rich accounting and taxation knowledge if he assumes the position of Audit & Supervisory Board Member, the Company nominated him as a candidate for substitute Audit & Supervisory Board Member.</p> <p>Although Mr. Nobuyuki Ishiwata has no experience of engaging in the management of a company other than as an outside officer, the Company judges that he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member of the Company based on the above reasons. There are no business relationships between the Company and SeishinShisei & Co. Audit Corporation, SeishinShisei & Co. Tax Corporation, and Adecco Ltd., where he holds important concurrent positions.</p>		

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

Agenda Item No. 6 Payment of Bonus to Directors

The Company requests approval for the payment of bonuses amounting to 181.3 million yen in total to the four Directors (excluding two Outside Directors) in office as of March 31, 2019, based on the specified standard of the Company (refer to pages 16 and 17 of this notice) in due consideration of business performance and others during the fiscal year in a comprehensive manner.

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

Agenda Item No. 7 Determination of Amount and Other Details of Performance-linked Stock-based Remuneration for Directors

1. Reasons for the proposal and reasonableness of the remuneration scheme

Remuneration for Directors of the Company currently consists of “monthly remuneration” and “bonus.” The Company requests approval to introduce a new performance-linked stock-based remuneration scheme using trusts (the “Scheme”) for Directors of the Company (excluding Outside Directors; the same applies hereafter in agenda item No. 7). The Company also proposes the details be entrusted to the discretion of the Board of Directors within the limits as mentioned in 2 below.

The Scheme is intended to provide incentives to Directors for the purpose of enhancing the Company’s performance and corporate value over the medium to long term, by further clarifying the linkage between remuneration for Directors and the Company’s performance and share value, by Directors sharing with shareholders not only the benefits of a rise in share prices but also the risks of a decline in share prices. The Company thus believes that the introduction of the Scheme is appropriate.

Specifically, the Company requests approval for granting a new performance-linked stock-based remuneration to Directors who are in office for five fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2024 (the “Period of the Scheme”), separately from the maximum amount of remuneration for Directors (up to 400 million yen per year; however, officers’ bonus and employees’ salary portion are not included), which was approved at the 98th Annual Shareholders’ Meeting held on June 29, 2006.

The current number of Directors eligible for the Scheme is four. If Agenda Item No. 3 “Election of Eight Directors” is approved and adopted as originally proposed, the Company will have six Directors eligible for the Scheme. If this agenda item is approved and adopted as originally proposed, the Company will introduce a similar performance-linked stock-based remuneration scheme for Executive Officers of the Company as well.

2. Amount and other details of remuneration under the Scheme

(1) Overview of structure of the Scheme

The Scheme is a performance-linked stock-based remuneration scheme, where the Company establishes a trust (the “Trust”) by contributing money, and after the Trust acquires the Company’s shares, and deliver the Company’s shares to Directors in accordance with the Share Grant Rule. The number of shares to be delivered to Directors is corresponding to the points granted to Directors in accordance with certain criteria such as position and level of achievement of performance targets.

Under the Scheme, the Company’s shares will be delivered to Directors who remain in office during the Period of the Scheme and the shares will be delivered when they retire from office, in principle.

1) Persons eligible for the Scheme:	Directors of the Company (excluding Outside Directors)
2) Period of the Scheme:	From the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2024
3) Maximum amount of contribution of money by the Company during the five years of the Period of the Scheme as defined in 2), as funds necessary to acquire the Company’s shares to be delivered to Directors:	A total of 400 million yen
4) Method of acquiring the Company’s shares:	Acquisition by subscribing to a disposal of treasury shares or purchase from the market (including after-hour trading)
5) Maximum total points granted to eligible persons as defined in 1):	70,000 points per fiscal year
6) Criteria for granting points:	Points are granted in accordance with certain criteria such as position and level of achievement of business targets
7) Timing of delivering the Company’s shares to eligible persons as defined in 1):	At the time of their retirement from office, in principle

(2) Maximum amount of contribution of money by the Company

The initial trust period of the Trust is set as approximately five years. During the Period of the Scheme, the Company makes a contribution of money up to a total of 400 million yen, as funds to acquire the Company's shares necessary to deliver the Company's shares to Directors under the Scheme, and establishes the Trust with Directors who satisfy certain requirements as beneficiaries. Although the contributed money is treated as remuneration for Directors who are in office during the Period of the Scheme, the Trust acquires the Company's shares by subscribing to a disposal of treasury shares or purchase from the market (including after-hour trading), with the money as a source of funds.

Note: The money the Company actually contributes to the Trust will be the aggregate of the above funds to acquire the Company's shares and estimated necessary expenses such as trust fees and trust administrator remuneration.

The extension of the Period of the Scheme may be determined by resolution of the Board of Directors, with an extension of time specified each time as within a period of ten fiscal years; as a result of this, the trust period will also be extended (including a substantial extension of the period of the Trust when the assets under the Trust are transferred to another trust with the same purpose as the Trust's established by the Company; the same applies hereinafter) to continue the Scheme. In this case, the Company will make an additional contribution of money to the Trust during the extended Period of the Scheme, up to the amount calculated as 80 million yen multiplied by the number of fiscal years of the extended Period of the Scheme, as additional funds to acquire the Company's shares necessary to be delivered under the Scheme to Directors. The Company will continue to grant points as mentioned in (3) below and deliver the Company's shares during the extended trust period.

In addition, even when the Period of the Scheme is not extended as mentioned above or the Scheme is discontinued, if there is a Director who is granted points but who has not retired from office yet at the expiration of the period of the Trust, the trust period may be extended until the Director retires from office and the Company's shares are completely delivered. If, during the trust period, due to an increase in the number of Directors or any other cause, the number of the Company's shares held in the Trust becomes less than that corresponding to the number of points to be granted to Directors during the trust period, the Company may make additional contribution of money to the Trust within the scope of the upper limit above and have the Trust additionally acquire the Company's shares.

(3) Delivery of the Company's shares to Directors

1) Method of granting points to Directors

In accordance with the Share Grant Rule created by the Board of Directors, the Company shall grant points to each Director in the number in accordance with certain criteria such as position and level of achievement of business targets as of the date of granting points during the trust period, as set forth in the Share Grant Rule.

Note that the maximum total points granted by the Company to Directors will be 70,000 points per fiscal year.

2) Delivery of the Company's shares in the number corresponding to the number of points granted

Each Director shall receive the delivery of the Company's shares in the number corresponding to the number of points granted as mentioned in 1) above, by following the process as mentioned in 3) below.

One point is corresponding to one Company share. However, in the event that adjusting the number of the Company's shares to be delivered is considered reasonable, such as in the case of a share split or share consolidation, a reasonable adjustment will be made to the number in proportion to the relevant split ratio, consolidation ratio, etc.

3) Delivery of the Company's shares to Directors

The Company's shares shall be delivered from the Trust to each Director as mentioned in 2) above, when a Director retires from office, by following the beneficiary vesting procedures.

However, a certain portion of the Company's shares may be delivered in money instead of the Company's shares, after they are sold and converted into cash by the Trust in order for the Company to withhold at source tax funds including withholding income tax. If the Company's shares held in the Trust are converted into cash in such cases where the Company's shares are settled after tendering shares for a tender offer, money, instead of the Company's shares, may be delivered.

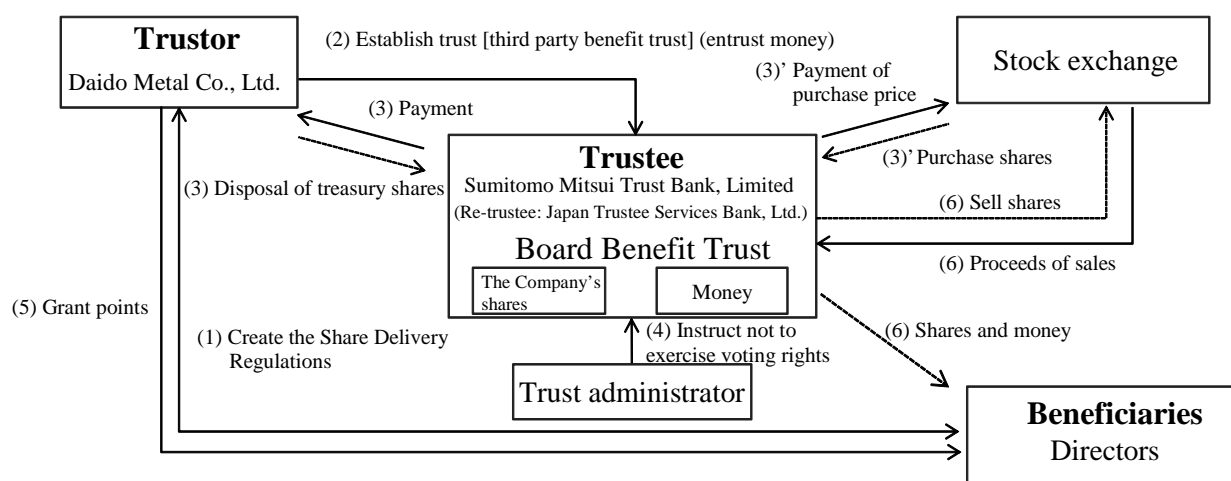
(4) Exercise of voting rights

Regarding the Company's shares held in the Trust, in accordance with the instructions of a trust administrator who is independent of the Company and its officers, the voting rights shall not be exercised. This method is intended to ensure neutrality to the Company's management in relation to the exercise of voting rights associated with the Company's shares held in the Trust.

(5) Treatment of dividends

Dividends of the Company's shares held in the Trust shall be received by the Trust and appropriated to funds to acquire shares, payment of trust fees for the trustee of the Trust, etc.

< Reference: Overview of Structure of the Scheme >



- 1) The Company creates the Share Grant Rule for Directors.
- 2) The Company establishes a Board Benefit Trust (third party benefit trust) with Directors as beneficiaries (the Trust). In so doing, the Company entrusts the money equivalent to share acquisition funds with a trustee (Note: to the extent approved by the Shareholders' Meeting).
- 3) A trustee acquires the Company shares in the number of expected delivery going forward in a lump sum (by subscribing to a disposal of treasury shares or purchase from the market (including after-hour trading)).
- 4) The Company and a trustee appoint a trust administrator (who must be independent of the Company or its officers), and the trust administrator will protect interests of beneficiaries, who will be subject to the Share Grant Rule, and oversee a trustee throughout the trust period. For the Company's shares held in the Trust, a trust administrator gives instruction to a trustee not to exercise voting rights, and a trustee will not exercise any voting rights upon the instruction over the trust period.
- 5) The Company will grant points to Directors in accordance with the Share Grant Rule.
- 6) Directors who satisfy the requirements specified in the Share Grant Rule and a trust agreement for the Trust will receive the delivery of the Company's shares from a trustee, as a beneficiary of the Trust, in the number corresponding to the number of points granted. In the case falling under a certain reason prescribed in the Share Grant Rule or a trust agreement, the Company's shares to be delivered will be partially sold on a stock exchange and delivered in money.

The Company's shares among the assets remaining in the Trust when the Trust terminates will be acquired by the Company without contribution, and then cancelled by resolution of the Board of Directors.

In addition, a certain portion of the money among the assets remaining in the Trust when the Trust terminates will be donated to specified public-service promotion corporations that have no interest in Directors, in accordance with the predetermined provisions in the Share Grant Rule and a trust agreement.

Sumitomo Mitsui Trust Bank, Limited, who will serve as trustee under the Scheme, will re-entrust the administration of trust assets to Japan Trustee Services Bank, Ltd.

End of document