

November 27, 2019

Daido Metal Co., Ltd.

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Notice on Introduction of Trust-Type Employee Stock Purchase Incentive Plan
(Details Confirmed)

As reported in the “Notice on Introduction of Trust-Type Employee Stock Purchase Incentive Plan” dated May 24, 2019, Daido Metal Co., Ltd. (hereinafter “the Company”) decided to introduce an E-Ship[®] Trust-Type Employee Stock Purchase Incentive Plan (hereinafter “the Incentive Plan”).

Today, the Company decided on date of trust set up, total amount the trust will borrow to finance the purchase, trust period and other details, as described below. The newly confirmed parts are underlined.

1. Outline of Employee Stock Purchase Plan Trust

- (1) Name: Daido Metal Employee Stock Purchase Plan Trust (hereinafter “ESPP Trust”)
- (2) Trustor: The Company
- (3) Trustee: The Nomura Trust and Banking Co., Ltd.
- (4) Beneficiaries: Employees who meet beneficiary eligibility criteria
- (5) Date of trust contract: November 27, 2019
- (6) Trust period: November 27, 2019 to May 29, 2024
- (7) Purpose of trust: Stable and continuous supply of shares to the Employee Stock Purchase Plan (hereinafter “ESPP”) and distribution of trust assets to those employees who meet beneficiary eligibility criteria
- (8) Beneficiary eligibility criteria: To be eligible, a beneficiary must be alive on the date when procedures for confirming eligibility begin (such as, the date on which the trust period ended, when all trust assets were converted to cash or all the Company stock held as trust assets were sold to the ESPP), and be a member of this ESPP (or a former member who withdrew its membership due to mandatory retirement, job transfer or promotion to an executive position on or after the trust contract was signed and up to the date when procedures for confirming beneficiary eligibility begin).

2. Matters on acquisition of the Company’s shares by ESPP Trust

- (1) Class of shares to be acquired: Common shares
- (2) Acquisition price: 796,000,000 yen
- (3) Period of share acquisition: December 2, 2019 to January 22, 2020
- (4) Method of share acquisition: Purchase from the market (including after-hour trading)

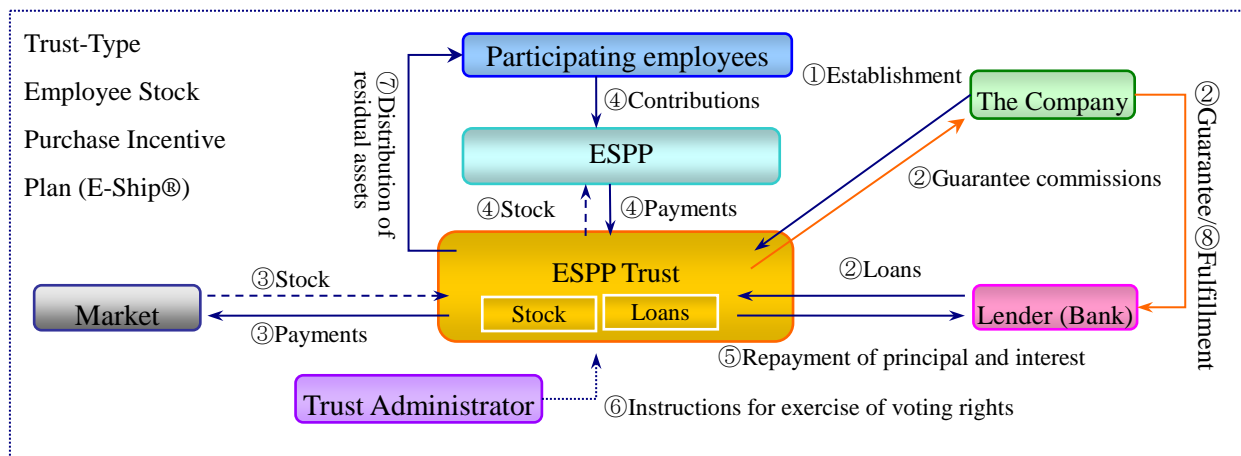
(Reference)

1. The Incentive Plan Overview

The Incentive Plan is available to Daido Metal group employees who participate in the ESPP. Under the Incentive Plan, the Company will set up the ESPP Trust with a trust bank. The ESPP Trust will purchase Company shares up front for the amount ESPP will likely to purchase over the next 4 years and 6 months, financing its transaction with bank loans. Afterwards, ESPP Trust will sell Company shares to the ESPP for its periodical purchases. At the end of the trust period, if ESPP Trust asset balance resulted positive with the accumulated gains on Company shares, such residual assets will be distributed to members of the ESPP who meet beneficiary eligibility criteria. As the Company will guarantee ESPP Trust for its bank borrowing in financing its purchase of Company shares, any shortfalls in repayment at the end of Trust period, due to the accumulated loss at ESPP Trust caused by the drop in Company share price.

The Incentive Plan aims to provide employees with incentives to raise corporate value in medium to long-term, and to support wealth building of employees through their stock purchase.

3. Incentive Plan Framework



- (1) The Company will set up the ESPP Trust as a third-party trust whose beneficiaries are members of the ESPP who meet beneficiary eligibility criteria.
- (2) The ESPP Trust will borrow cash from banks to fund its Company share purchase. The Company will guarantee the repayment of such borrowing. The Company will receive guarantee commissions from the ESPP Trust for its guarantee obligation.
- (3) The number of Company shares purchased by the ESPP Trust will be equivalent to the number of shares that the ESPP is expected to purchase during the trust period.
- (4) Throughout the trust period, the ESPP Trust will periodically sell the Company shares it acquired in accordance with (3) above to the ESPP at market price, in line with a pre-defined

conditions and methods.

(5) The ESPP Trust will use proceeds from the sales of Company shares to the ESPP as well as dividends on Company shares which it holds, to repay loan interest and principal.

(6) Voting rights associated with Company shares held by the ESPP Trust will be exercised according to instructions from the trust administrator, who will be selected to act on behalf of beneficiaries.

(7) Any residual assets held in the ESPP Trust at the end of trust period will be distributed to individuals who meet beneficiary eligibility criteria.

(8) Any loans outstanding at the end of the trust period will be repaid by the Company under loan guarantee obligations, as described in (2) above.

(Reference)

E-Ship[®] is the registered trademark of Nomura Securities Co., Ltd.

E-Ship[®] (an abbreviation of Employee Shareholding Incentive Plan) is an incentive plan for employees modeled after employee stock ownership plans widely used in the United States. It was jointly developed by Nomura Securities Co., Ltd., and The Nomura Trust and Banking Co., Ltd., for use as an employee stock ownership plan.

This is a translation of the Japanese press release for reference purposes only. In the event of any discrepancy, the Japanese original shall prevail.