

2023

Integrated Report



DAIDO METAL CO., LTD.

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Our Corporate Philosophy

Our Duty

We hold ourselves responsible for the happiness of everyone in our organization and the contributions we make to global society.

Our Resolve

We will create a vigorous and open-minded corporate culture through diligent self-discipline and ethical behavior.

Our Foundation

We will learn from our markets, respond to our customers' requirements, and exceed our customers' expectations.

Our Approach

We will devote ourselves to creation, innovation and the realization of dreams.

Our Objective

We will strive to be the world leader in tribology through constant technical improvement, development, and innovation.

Our Principles

We will always approach business from a global perspective.

We will always attend to the needs and desires of our customers.

We will continue to recognize the importance of the environment.

We will continue to value individuality and work to achieve synergy among people.

We will always remain open to new ideas and proposals.

We will always respond with speed and agility.

Daido Spirit

Ambitious

Innovative

Challenging

Policy

Integrated Report 2023 is the first edition of our Integrated Report. Based on the Corporate Reports of previous years, it presents enhanced content to provide an understanding of our value creation process by integrating our Corporate Philosophy, our capital input (management capital), and our Business Summary.

We plan to continuously improve the report into one that expresses how our contribution to the global community is the foundation of our sustainability, and demonstrates our company's unique value creation story which grows over the long term with our company and society as we help solve social issues through our business operations.

Scope of Reporting

This report covers the activities of DAIDO METAL CO.,LTD. and some of its affiliated companies

Period of Reporting

FY2022 (April 2022 - March 2023)
Some information is updated to reflect the latest activities.

Publication Date

November 2023

Reference Guidelines

- International Integrated Reporting Council (IIRC)
"The International Integrated Reporting Framework"
- Global Reporting Initiative (GRI)
"Sustainability Reporting Standards"
- Ministry of the Environment's
"Environmental Reporting Guidelines 2018"
- ISO26000 "Guidance on social responsibility"
- Final Report Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Notes for Forward-Looking Statements

This report contains forward-looking statements such as plans, strategies and forecasts based on currently available information, as well as historical and current facts about the DAIDO METAL GROUP. As such, these forward-looking statements involve risks, uncertainties and other factors, and actual results may differ from those expressed or implied in the forward-looking statements.

Information Disclosure System

	Financial information	Non-financial information
Report	<ul style="list-style-type: none">• Annual Securities Report• Consolidated Financial Results• Notice of Convocation• Shareholder Newsletter	<ul style="list-style-type: none">• Corporate Governance Report
	Integrated Report 2023	
Web	Investors	Sustainability

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History of DAIDO METAL

Since DAIDO METAL CO., LTD. was established in 1939 we have responded to the expectations of our customers and the needs of society as the only major company in the world specializing in producing a full lineup of plain bearings that supports the rotation of equipment in all industries.

1939 • Foundation

1940 • Started operation of Nakagawa Plant. (Nakagawa-ku, Nagoya)

- Started automotive engine bearing business

1943 • Moved head office to Naka-ku, Nagoya.

- Started operation of Kurokawa Plant. (Kita-ku, Nagoya) (Former Nagoya Office, closed in October 2002.)

1945 • Started operation of Gifu Plant. (Gujo, Gifu)

1947 • Moved head office from Naka-ku, Nagoya to Kita-ku, Nagoya.

1961 • Listed in 2nd section of the Nagoya Stock Exchange.

1962 • Started operation of Inuyama Plant. (Inuyama, Aichi) (Started production of automotive engine bearings)

1965 • Production started for Dry bearings.

1967 • Initial expansion overseas

- Taiho Industries Inc. founded.
- Started sales of bearings for rotating machinery

1968 • Started operation of Maehara Plant. (Inuyama, Nagoya)

- Started marine engine bearing business

1971 • Merged with Nagato Metal Co., Ltd. (Former Tokyo Plant (Kohoku-ku, Yokohama) closed in March 2008.)

- Merged with Nihon Metal Co., Ltd. (Former Saitama Plant (Iruma, Saitama) closed in September 2008.)

- Acquired shares of Asia Kelmet Co., Ltd. (Ota-ku, Tokyo) (Merged in October 2023)

1973 • Established Dyna Metal Co., Ltd. (Thailand)



Automotive engine bearings



Dry bearings



Bearings for high-speed rotating machinery

1976 • Started Pump Business Division in former Nagoya Office.

(Moved to Inuyama Office in May 2001.)

1979 • Established US office (current Daido Metal U.S.A. Inc.)

1984 • Established Daido Metal U.S.A. Inc. (United States)

- Established China Daido Metal Industries Inc. (Taiwan)

(current Chung Yuan Daido Co., Ltd.)

1986 • Started selling Drum feeders.

- Started selling Centralized lubrication equipment. (MR-LUB)

1989 • Established Dong Sung Metal Co., Ltd. (Korea)

1991 • Established PT. Daido Metal Indonesia. (Indonesia)

1992 • Established DAIDO LOGITECH CO., LTD. (Naka-ku, Nagoya)

1996 • Acquired shares of NDC Co., Ltd. (Narashino, Chiba)

- Established Daido Metal America Corp. (United States) (Wound up in September 2010.)

1997 • Established Glacier Daido America LLC. (United States) (Divested in August 2005.)

- Established DAIDO METAL SALES CO., LTD. (Naka-ku, Nagoya)

- Listed in 1st section of the Nagoya Stock Exchange.



Rotary pumps



Centralized lubrication equipment

1998 • Established European manufacturing plant.

- Established Federal Mogul Daido HWB Limited. (United Kingdom)

(current Daido Industrial Bearings Europe Limited)

2000 • Established DMC Co., Ltd. (current Daido Plain Bearings Co., Ltd. (Seki, Gifu))

2001 • Established BBL Daido Private Limited. (India)

2002 • Established DAIDO METAL KOTOR AD. (Montenegro)

- Moved head office from Kita-ku, Nagoya to Naka-ku, Nagoya.

• Established Daido Precision Metal (Suzhou) Co., Ltd. (China)

- Started sales of electrode sheets for electric double layer capacitors

2003 • Established Daido Metal Europe GmbH. (Germany)

2004 • Listed in 2nd section of the Tokyo Stock Exchange.

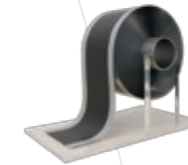
2005 • Listed in 1st section of the Tokyo Stock Exchange.

- Established DAIDO METAL CZECH s.r.o. (Czech Republic)

• Established Daido Metal Bellefontaine L.L.C. (United States)

- Established Tokyo Head Office in Shinagawa-ku, Tokyo.

- Established Tokyo Head Office in Shinagawa-ku, Tokyo.



Electrode sheet for electric double layer capacitors

2006 • Established DAIDO METAL EUROPE LIMITED. (United Kingdom)

2007 • Established Seki Plant of Daido Plain Bearings Co., Ltd. to expand its production capability.

- Acquired shares of ZMZ-Bearings. (Russia) (current Daido Metal Russia LLC)

• Established Chung Yuan Daido (Guangzhou) Co., Ltd. (China)

• Established Daido Rebuild Services, Inc. (Philippines)

(Wound up in August 2013.)

2012 • Established Daido Metal Mexico, S.A. de C.V. (Mexico)

- Established Daido Industrial Bearings Japan Co., Ltd.

2014 • Established Daido Metal Mexico Sales, S.A. de C.V. (Mexico)

2015 • Established DAIDO METAL SAGA CO., LTD. (Takeo, Saga)

2016 • Acquired all shares of Iino Holding Ltd. (Saitama, Saitama)

(Relocated its office to Shinagawa-ku, Tokyo in June 2019)

2017 • Invested in DMS Korea Co. Ltd. (Korea)

- Acquired all shares of ATA Casting Technology Japan Co., Ltd. (Kikugawa, Shizuoka)

(Relocated its office to Shinagawa-ku, Tokyo in September 2019)

2018 • Established DM Casting Technology (Thailand) Co., Ltd. (Thailand)

- Acquired 30% shares of NPR of Europe GmbH. (Germany)

2020 • Started selling VR-Cloud software

2022 • Moved to the Tokyo Stock Exchange Prime Market

- Moved to Nagoya Stock Exchange Premier Market



Aluminum die-casting



Founding and establishment of management foundations

Business growth and global expansion

Becoming a truly global company

Net sales

(JPY billion)

FY2022

Net sales **115.4** billion yen Ordinary profit **2.9** billion yen

120

100

80

60

40

20

0

1939 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 (year)

■ Net sales (left axis) — Ordinary profit (right axis)

Ordinary profit

(JPY billion)

10

8

6

4

2

0

-2

Message from Management



Seigo Hanji

Chairman & Chief Executive
Officer (CEO)

We will overcome the era of volatility, uncertainty, omplexity, and ambiguity (VUCA), and aim for further increases in corporate value by executing our long-term vision and reform plan with dynamism in thought and action.

Introduction

At DAIDO METAL GROUP, we have grown and developed as the world's only comprehensive manufacturer of plain bearings for all fields of industry, including primarily motor vehicles, and also ships, construction machinery, and general industry. We always listen to our customers as we continue to pursue quality and boost the added value of our products so that we can provide top-level appealing products based on our sense of mission as a world leader in tribology (friction, wear, lubrication). Having grown to become a worldwide company with 44 bases in 15 countries around the world, we have a strong reputation as a business partner that is trusted by business associates the world over.

Since I became President in 1995, our Group has enjoyed the two assets of good customers and good employees. Management's role is to make the most of such wonderful assets so that the company is an organization with a meaningful existence. In managing this company, I have always made a conscious effort to eliminate barriers based on gender, age, department, and nationality to give rise to a flat, open corporate culture. In fact, I have worked to get rid of departments and sections to establish an open corporate culture. I can still remember that in the address I gave upon being appointed, I made it clear that I wanted to create an organization in which eliminating barriers would bring about intellectual exhilaration. Long before diversity became a focus of attention we have placed great importance on recognizing diversity among our employees, welcoming those employees in, and enabling them to fully engage.

Down through the years, we have always tried to pursue participatory management in which all employees could take part. We even created the Group Corporate Philosophy that lies at the heart of our business activities by soliciting ideas from all employees. Anyone can create a Med-Term Business Plan, if only to create a plan. What's important is to be able to do it with a sense of ownership. Before the "Lehman shock" financial crisis of 2008, I was telling our employees to reduce inventory volumes and capital investment because of the sense of crisis I felt amid a global economy that was rushing ahead with money

games that were destroying capitalism. Unable to take immediate action, however, we ended up with a large deficit. Simply telling people to do something does not enable them to make it happen, so I have always insisted on having everyone participate in making decisions on policy and planning.

It does no good for human society or the planet if a company thinks solely of its profit. A company should have the earth as a stakeholder. I think corporations should contribute more to society because boosting corporate value by working to achieve the SDGs and ESG management is a matter of course. We continue to let our employees know that in contributing to the company through their work, their contribution leads to the company's contribution to society.

Review of FY2022

In FY2022 there was a drastic rise in the cost of materials such as steel, nonferrous metals and aluminum due to the impact of the COVID-19 pandemic and adjustments in vehicle production due to a semiconductor shortage, in addition to the increasingly tense situation in Ukraine. Energy and logistics costs also increased drastically, weighing down on profit. Given the drastic rise in the cost of materials, we are working to eliminate the factors that are weighing down on profits by moving ahead with price pass-through efforts in the appropriate transactions. Amid a rapid increase in orders for products for electric vehicles we have used air cargo transport to meet delivery deadlines, which has increased logistics costs. We will work to improve logistics costs by increasing production efficiency.

Regarding our overall Group business performance, net sales totaled 115.480 billion yen, up 11.455 billion yen (+11.0%) from the previous year. In terms of profit, we continued to work on reducing fixed costs and expenses while increasing profitability and productivity, but operating profit decreased 2.217 billion yen from the previous year to 2.824 billion yen, while ordinary profit fell 1.926 billion yen from the previous year to 2.909 billion yen. As a result, our net loss attributable to parent company was 2.208 billion yen, down 4.106 billion yen from the year before.

“Raise Up ‘Daido Spirit’ - Ambitious, Innovative, Challenging--” is a six-year Mid-Term Business Plan that runs from FY2018 to FY2023.

Based on four pillars, “Strengthen current business lines further,” “Creating/fostering new business lines,” “Enhance management/operational control platform” and “Energetic organization with animated communication and motivation,” it is aimed at heightening our Daido Spirit and taking great strides forward, with high aspirations, an eagerness for reform, and the spirit to take on challenges. We revised the plan upon completing its first stage (FY2018 to FY2020), and have been working since then to move forward with the second stage (FY2021 to FY2023).

We will continue to focus effort on maintaining and expanding our share of the market for plain bearings during the coming fiscal year, while also working to tap into the automotive industry’s need to generate new business, such as needs emerging from the shift to vehicles that do not use fossil fuels (e.g. hydrogen-fueled vehicles) as well as the shift to EVs. We will also continue to engage proactively in research into new fields leading to development of environmentally friendly materials and products, putting to maximum use the technologies that our Group has cultivated over many years while also advancing research in core technologies and technological development in new areas.

Heightened political uncertainties resulting from Russia’s invasion of Ukraine and conflict between the U.S. and China have fomented the development of bloc-based global economics, with diminished economic freedom. Even with the development of good, inexpensive products, inefficiencies such as fragmentation of the economic sphere making it impossible to purchase them results in unsustainability. I intend to put my faith in the wisdom of the human race. Moving forward, while we will continue R&D work at each of our overseas bases, we are going to have to rethink our approach to production. We will move forward with the future-oriented consolidation of our manufacturing bases and relocation of our facilities.

Developing a Long-Term Vision and Implementing a Reform Plan

In recent years, the world has undergone change at incredible speed. If our conventional organization and thinking remains as it is, we are going to fall behind the times. The automotive industry is approaching a once in a century period of great upheaval, which makes a changeover of business structure an urgent issue for our Group as automotive engine bearings are our mainstay products.

At the beginning of 2022, we therefore communicated to all of our employees our plans to create “Daido’s Great Path to the Future,” showing the journey that our Group

must take up through 2050. In doing so, we formulated a Long-term Vision while holding interviews with each department. We are now producing a Reform Plan based on that Long-term Vision. We need to undertake a major reimagining of our ways of selling, our ways of manufacturing, and our logistics. Once we have formulated it, however, that doesn’t mean it shouldn’t change. I intend for us to move forward flexibly with change as we make corrections in line with the times and circumstances.

Amid the decrease in demand for automotive engine bearings due to the accelerating shift to EVs, we have already started efforts to double the percentage of our sales represented by non-automotive products, aiming for 50%. We have been working proactively to link customer needs to the creation and nurturing of new business operations, such as by expanding sales of die-cast aluminum products for electric vehicles, having our bearing products used in test operation of hydrogen engine trucks, and adapting to automobiles fitted with internal combustion engines that run on carbon-neutral fuel.

We are also making the most of our core technologies cultivated over many years in our exploration of the market for wind power generation bearings, which is expected to be in demand for the renewable energy sector. We have also concluded a supply contract for plain bearings used in the main shafts of offshore wind power generators in Europe, and have decided to invest 6 billion yen in construction of a new plant in the Czech Republic, with the aim of starting production in 2025. Our Group’s wind power generation bearings, the first of their kind in the world, comprise multiple circularly divided component parts, and can be disassembled. Not only are these components easier to transport for repairs than conventional components, but they hold the promise of reducing maintenance costs by only having to replace faulty parts for instance. Through this, we intend to contribute to the social implementation of offshore wind power generation and the realization of carbon neutrality by 2050.

Despite the accelerating shift to EVs, demand for automotive engine bearings will not necessarily disappear. There are still regions of the world that are not reached by electric power. And there is also an aftermarket. Where older products are concerned, there are cases in which jigs that direct and guide the working positions of parts and tools during processing and assembly are lacking, so we will continue to put these sales channels and production systems in place. Moreover, as competitors withdraw in the future, we can look forward to some of the profits that accrue to the remaining players as a result. Countless tasks lie before us in the field of automotive engine bearing products, and we will move forward with expansion of operations in both existing and new businesses.

Promoting Sustainability Management

The Kojiki, an ancient chronicle of Japan, includes a passage of waka-style verse said to be composed by Yamato Takeru

no Mikoto, extolling the beauty of Japan’s natural grandeur and verdant abundance. Roughly translated into modern prose, it states that, “Yamato is the best place in the country. Surrounded by mountains like layer upon layer of green hedges, Yamato truly is a beautiful place.” Because we are born into a country so naturally abundant, it is incumbent upon us to protect the natural environment.

As the world’s only comprehensive manufacturer of plain bearings, our Group is striving to help realize a sustainable society and enhance corporate value through our business activities. Our duty, as stated in our Corporate Philosophy, is that, “We hold ourselves responsible for the happiness of everyone in our organization and the contributions we make to global society.” Accordingly, since long before the SDGs were adopted in 2015, we have communicated to our employees that, “A company should contribute to society, and the employees comprising the company contribute to society through the company.” In order for us all to pull together in promoting the SDGs, we have built the targets of the SDGs into the policy management of our departments in order to continue to advance them.

Regarding action toward carbon neutrality, our whole Group is working to reduce CO₂ emissions in stages toward achieving carbon neutrality by 2050. Specifically, we are moving ahead with energy conservation and expanding our use of renewable energy, while bringing greater visibility to our CO₂ emissions, after calculating the costs of such measures. In June 2022 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we disclose important information on climate change in line with the TCFD recommendations. Because carbon neutrality in automobiles is not something that automobile manufacturers can accomplish by themselves, we will place no limit on our efforts as a supplier to minimize the CO₂ emissions that occur in the production of bearings.

In terms of human resource development, we understand people to be critical human capital which provides our Company with its source of development. In order to achieve sustained growth and to boost productivity, we believe we must offer our employees opportunities and an environment in which each person can demonstrate his or her abilities to the fullest extent. To do so, we are moving ahead with systematic human resource development based on the Daido Spirit – Ambitious, Innovative, Challenging.

Regarding our efforts on diversity, we respect diversity, personality, and individuality, and we encourage the creation of a workplace and the establishment of an environment in which employees can demonstrate their abilities and engage actively. Specifically, our work-style reforms have included specifying numerical targets for minimum paid vacation days taken, and for the ratio of women in managerial positions. Ever since the days when women were rarely seen in general employment career-track positions, our Group has been proactive about hiring personnel regardless of gender, recruiting women into career-track jobs and promoting them to the ranks of our

management. I do not think it will be difficult for us to further increase the ratio of female managers. Since we should never skimp on investment for human resources, I intend for us to create a virtuous cycle in which we generate profits to invest in our human resources. We will also take the initiative to increase human resource fluidity among each of our domestic and overseas bases, which will enable us to assign suitable personnel to the positions that suit them.

Regarding the state of governance, we established a Sustainability Committee as an executive committee in April 2021, and tasked it with deliberating and discussing solutions to issues related to sustainability, such as efforts to address climate change and to respect human rights. In our Group’s efforts to advance sustainability management, we also identify and disclose priority issues (materialities) for our efforts in the area of the ESGs. The content of these sustainability-related deliberations is reported to the Board of Directors on a regular basis for guidance and oversight. We will continue to move forward with the reinforcement of governance that covers the worldwide distribution of our production facilities, product inventory management, and our affiliates and organizations.

To All of Our Stakeholders

If you only look at the figures this has been a severe year, but it has also been an enormously meaningful year whereby we have set in order a sequence of initiatives for our future which cannot be expressed in numbers. My hope is that all of our stakeholders will look at our business activities not merely in terms of short-term figures, but a bit more in the longer term. Moving forward, I would like us to concentrate effort on enhancing our communication tools and spreading the word to achieve widespread awareness of our non-financial aspects, such as our open, participatory corporate culture that includes all employees, and our contributions to society, which are fundamental to our Group.

I look forward to your continued support and encouragement.



Value Creation Process



Six Categories of Capital that Support Value Creation

In holding to our basic ethos of “Quality Is Life,” we have measured up to the trust our customers place in us as the world’s only comprehensive manufacturer of plain bearings for all fields of industry. Taking as our foundation the six kinds of capital that we have built up to now, we will continue to grow sustainably as we continue to provide business operations and products that contribute to society.

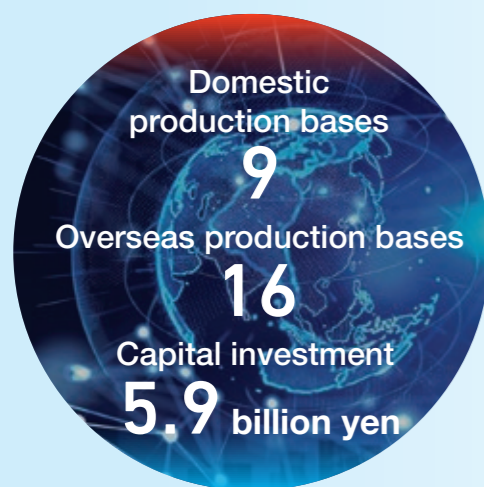


Financial Capital

Investing in the future while ensuring soundness

In FY2022 we added 1.6 billion yen to our invested capital, for a total of 117.3 billion yen. This can be broken down into 55.3 billion yen in total shareholder equity, and 61.9 billion yen in interest-bearing debt. Of our total assets, 79.2 billion yen, or 45.7%, were fixed assets including intangible assets, down 0.9 billion yen from the previous year.

Our plans for FY2023 and beyond call for aggressive investment in new business projects, including investment of 6 billion yen in the Czech wind turbine business. In optimizing our business portfolio, we are aiming for a business structure capable of generating a 9% ROE as we build up a stable financial foundation with an equity ratio target of 35%.

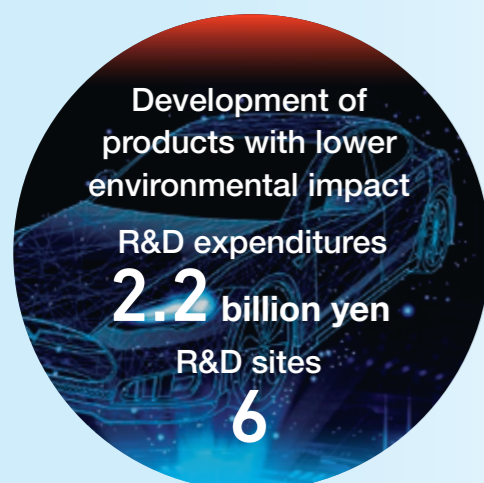


Manufacturing Capital

High-quality products give rise to strong trust and unlimited potential

At our 25 manufacturing bases in Japan and overseas, our Group produces high-quality products with a production system that remains consistent from materials to processing.

“Quality Is Life”— this is the basic ethos that is consistent throughout all of our Group’s organizations and activities. We carry out our own production and quality assurance activities based on this philosophy, which includes designing and fabricating jigs, dies, and production equipment in-house, adopting the latest mechatronics, and thoroughly implementing “in-line assurance,” which places responsibility for quality assurance with all production staff. We also promote environmental management including energy conservation, recycling, and industrial waste reduction. This is how we marshal the collective intelligence of all of our production processes in efforts to continually meet our customers’ needs through production technology innovation.



Intellectual Capital

Refining technologies, creating new businesses and products

We are undertaking research and development of new technologies as we apply our cumulative knowledge, experience and information to an initiative based on the six technologies of precision processing, sound-absorbing materials, electrode sheets, bimetal,* surface treatments, and evaluation/prediction technology. While further refining our existing technologies and accelerating the development of new ones, this will enable us to contribute to such growth fields as the environment, renewable energy, hydrogen society, mobility, aerospace, food, agriculture, forestry, fisheries, and lifestyle.

* Composite materials that consist of bearing layers with diverse properties bonded to a base of steel plate



Human Capital

A diverse workforce that can innovate based on the Daido Spirit

Our Company’s development has its source in individuals who have diverse expertise, experience, values, and sensibilities. We hire and train employees who demonstrate creativity and bring about innovation rooted in the Ambitious, Innovative, Challenging Daido Spirit.

Recruitment

We keep in mind the ratio of women when hiring new graduates. In conjunction with this, we also actively engage in mid-career recruitment in order to incorporate diverse values.

Education and development

We maintain a range of educational programs, including education by rank adapted to the trainee’s anticipated role, as well as language learning support to help with globalization. We encourage employees to transform their consciousness and behavior in ways that enable them to practically apply in the workplace all that they learn in training as they autonomously increase the value of their work.

Career path

We have a system of consulting on one’s own career with senior coworkers, and have introduced it at on-site departments as well. We also encourage independent career formation by allowing side jobs through our permit system.



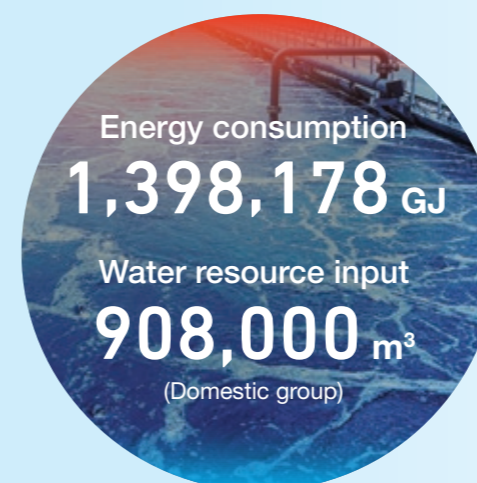
Social and Relationship Capital

Engagement with diverse stakeholders

It is crucial that we build good relationships with customers, shareholders, suppliers, local communities, and all other stakeholders.

We will fulfill our social responsibilities so that we can respond to the varied requirements of society and the voices of all our customers.

We proactively engage in social contribution activities including pro bono work in support of NPOs, participation in forest cultivation projects, and implementation of food drives. ⇒Refer to p. 33.



Natural Capital




Working to reduce environmental impact

As our Group business activities use industrial water and large quantities of mineral resources as raw materials for our products in the processes of plating and processing, we are actively engaged in reducing our environmental impact. Our efforts to reduce waste include the implementation of meticulous efforts to reduce plating waste liquids, and to reuse lubricants and solvents.

Our whole Group is working in stages to reduce CO₂ emissions in order to achieve carbon neutrality by 2050.

Risks and Opportunities / Materialities

Amid the enormous changes taking place in the social environment encompassing our Group, we have identified key issues (materialities) that we need to address through efforts prioritized for each area of the ESGs, upon considering the risks and opportunities that impact our sustained growth. Where materialities are concerned, we will promote sustainability management in each ESG area through specifying KPIs by theme and working to make progress toward them, and through improving connectivity with management issues.

		Risks and opportunities involved in business activities	Key countermeasures
<div>Business</div> 	<div>The environment surrounding the business</div>	A decrease in automobiles equipped with internal combustion engines <div>Risk</div>	Optimize production to improve competitiveness and increase market share Development and sales expansion of EV and alternative fuel products
		Growth of EVs <div>Opportunities</div>	Entry to the EV market by expanding sales of aluminum die-casting products for EVs and diverting our core technologies such as sliding* parts rooted in tribology <small>* the action of moving something by slipping it</small>
		Increased demand for automobiles in emerging countries <div>Opportunities</div>	Strengthening existing businesses and expanding sales opportunities through increased demand
		Popularization of AI and IoT <div>Opportunities</div>	Progress in labor saving of facilities, production innovation and efficiency improvement by promotion of DX
		Responding to climate change <div>Risk</div> <div>Opportunities</div>	Establish new businesses such as bearings for wind power generation, and step-by-step and concrete CO ₂ reductions through energy-saving measures, the use of renewable energy, and the promotion of innovation with the aim of achieving carbon neutrality by 2050
		Tighter environmental regulations <div>Risk</div> <div>Opportunities</div>	Develop new materials that do not contain environmentally hazardous substances, and conduct surveys of the inclusion of environmentally hazardous substances in purchased products
<div>Company Management</div> 	<div>The environment surrounding company management</div>	Strengthened ESG and SDGs <div>Risk</div> <div>Opportunities</div>	Promote sustainability management with enhanced linkage with management issues by identifying materiality and setting KPIs
		Strengthened corporate governance <div>Risk</div> <div>Opportunities</div>	Establish a risk management system in line with the actual business conditions of overseas affiliates and strengthen internal controls, and promotion of human rights due diligence
		Compliance Practices <div>Risk</div>	Reorganize the compliance education system and enhance the whistle blowing and reporting consultation scheme, and thorough dissemination of information
		Responding to information security <div>Risk</div>	Build a backup system and information management system utilizing external data centers, and educate employees Establish in-house CSIRT*, and join the Japan Sea Cert Council <small>* CSIRT: Computer Security Incident Response Team</small>
		Risk from natural disasters <div>Risk</div>	Formulate BCP and implement disaster prevention drills, and purchasing fire, wind, flood, and earthquake insurance
<div>Work Style</div> 	<div>How we work</div> <div>The environment surrounding the working people</div>	Diversification of human resources <div>Risk</div> <div>Opportunities</div>	Promotion of recruitment and career recruitment of women and foreign employees
		Diversification of work styles and values <div>Risk</div> <div>Opportunities</div>	Support for remote work, revitalization of communication, and promotion of dynamic organization and work style reform
		Improving the safety and health of employees <div>Risk</div>	Promote health management (raising health awareness, health challenges, smoking cessation measures, etc.), and health and safety activities

Identification of Materialities (Important Issues)

STEP 1

Extraction of issues

From DAIDO METAL GROUP policies and business plans, and matters relating to risks, SDGs, ISO 26000, GRI standards, ESG surveys and benchmarking against other companies, we have extracted 84 issues for the Group that have a significant impact on the economy, the environment, and society.

STEP 2

Evaluation of issues (1)

The order of priority for the Group of these extracted issues was assessed in the context of policies and business strategies such as the management philosophy and the Mid-Term Business Plan, and in conjunction with interviews with the heads of related departments and discussion by related subcommittees. 19 candidates for the important issues were extracted.

STEP 3

Evaluation of issues (2)

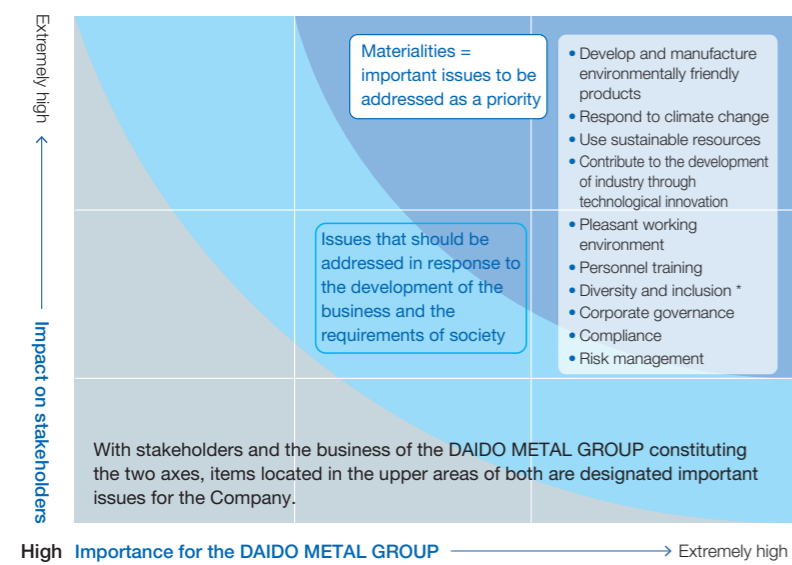
The order of priority for stakeholders of these extracted issues was assessed in the context of international norms, major sources of guidance, analysis of important issues at other companies and an understanding of requests from stakeholders, in conjunction with discussion by related subcommittees.

STEP 4

Identifying issues to be addressed as a priority









As a result of this evaluation 10 important issues were identified. To assess their validity the issues were reviewed by Outside Directors and Outside Audit & Supervisory Board Members, and underwent deliberation by the Sustainability Committee and the Board of Directors before being identified as materialities.

Identification of Materialities Through Evaluation of Issues



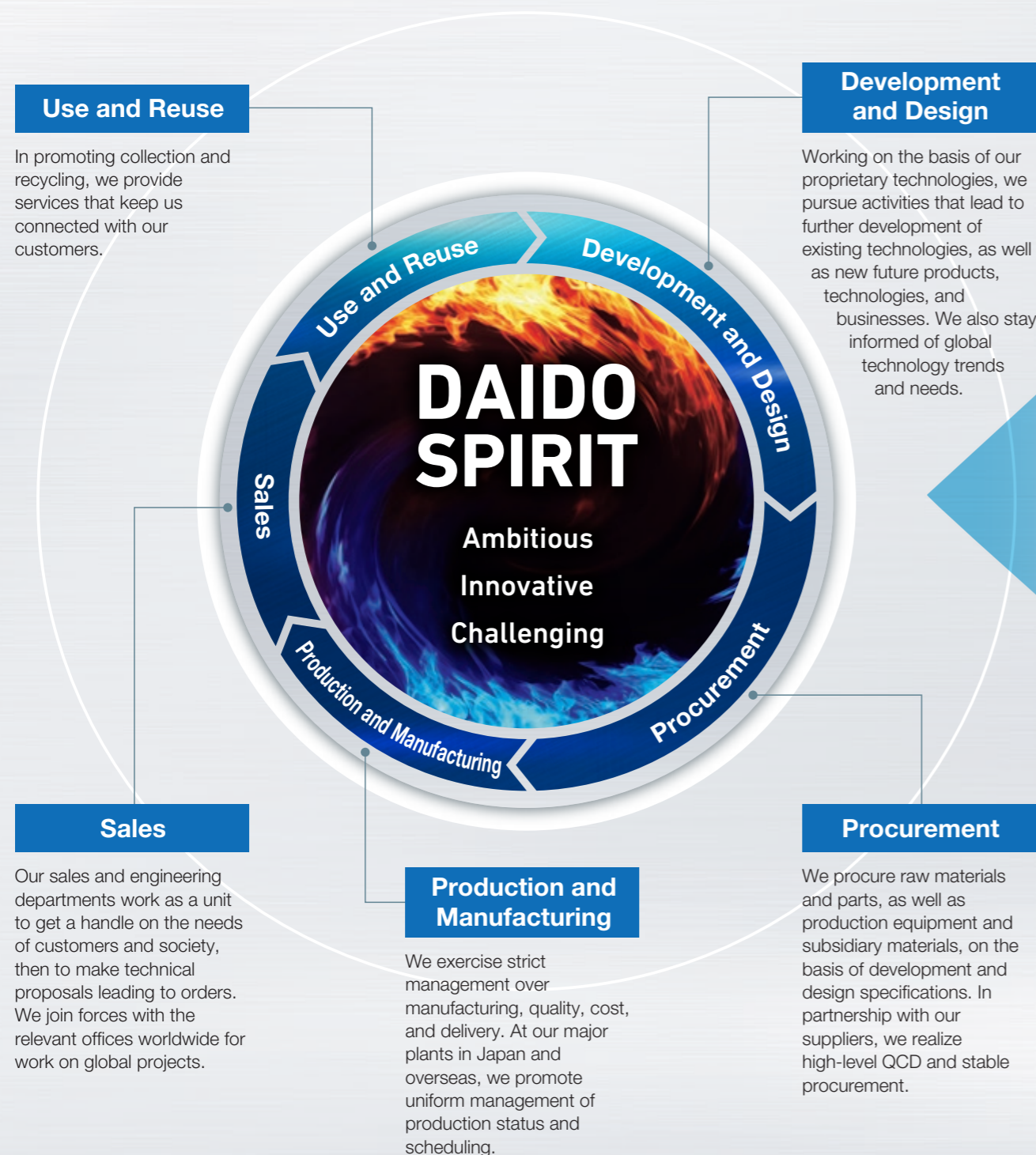
* Respecting and recognizing people's individuality and making use of their good points, irrespective of external attributes such as sex, age, disability and nationality, or internal attributes such as lifestyle, career history, and values.

Materialities and KPIs

	Materialities	Contributing SDGs	FY2023 Goal (KPI)	FY2022 Results
E Environment	Develop and manufacture environmentally friendly products	  	① Development of plain bearings for next-generation wind power generation: Delivered Mass Production Prototypes	① Delivered prototype plain bearings for next-generation wind power generation
			② Provision of bearings for internal combustion engines using fuel produced by carbon recycling and grasping the effects (eg. Hydrogen or biofuels, ammonia, etc.)	② Participation in various projects for practical application such as demonstration running of engines equipped with hydrogen engines
			③ Continued activities to receive orders for DF*-type engine bearings for marine * Dual-fuel engines: Engines capable of switching between liquid and gaseous fuels to reduce environmental impact	③ Increase in orders received: 83 units (FY2021 54 units)
			④ Provision of products that contribute to the environment: Completion of switching to PFOA*-free products * Perfluorooctanoic acid (a type of organofluorine compound)	④ Preparation to apply to switch to PFOA-free products (applying for approval from customers)
	Respond to climate change	① Reduction of energy intensity (CO ₂ intensity): 10% less compared to FY2013 [454.33g-CO ₂ /1,000 yen] (Non Consolidated)	① Target: 9% less compared to FY2013 (Non Consolidated) Actual: 18.8% less [409.74 g-CO ₂ /1,000 yen]	
	Use sustainable resources	① Investigation of the inclusion of substances of concern in purchased products is conducted twice a year	① Conducted twice a year	
		② Development and commercialization of water treatment equipment: Conducting demonstration tests outside the company and affiliated companies	② Development of water treatment equipment, application study, and in-house demonstration test	
S Society	Contribute to the development of industry through technological innovation	   	① Establishment of manufacturing method for electrode sheets for next-generation storage batteries (FY 2025)	① Delivery of prototype started
	Pleasant working environment		① Certified as an Health and Productivity Management Organization (White 500) (Non Consolidated)	① Certified as Health and Productivity Management Organization 2023
			② Promotion of taking paid leave: Increased to a minimum of 13 days per year (Non Consolidated)	② Minimum annual acquisition 12 days or more (attainment rate 99.6%)
	Personnel training		① Enhancement of training for managers and supervisors: Implementation of training on Harassment Response for Supervisors to Strengthen Field Capabilities	① Implementation of training for group leaders and section managers Theme: Young Employee Development (203 participants, 100% participation rate)
			② Implementation of quality control training for selected employees (off-the job training for six months from each department)	② Implementation of quality control training for 3 people (6 months of education with practical activities)
	Diversity and inclusion		① Female managers: 7% or more (Non Consolidated)	① 5.7% (FY 2021: 5.3%)
			② Employment rate for people with disabilities: 2.7% or more (Non Consolidated) (statutory rate for 2023: 2.3%)	② 2.79% (FY2021: 2.71%)
G Governance	Corporate governance		① Enhancement of functions by implementing Board of Directors effectiveness evaluations	① Implementation of improvement measures based on the results of Board of Directors effectiveness evaluations
			② Execution of executive training: Implementation of Education on sustainability and governance	② Enhancement the Board's ability to address sustainability issues by taking online courses on human rights and sustainability
	Compliance		① Penetration and activation of the Whistleblowing scheme	① Revision of the Whistleblowing scheme in line with the revision of the Whistleblower Protection Law, and implementation of in-house study sessions to promote the scheme
			② 100% implementation of Code of Conduct comprehension check (Domestic Group companies)	② Implementation rate: 100%
	Risk management		① Reduction of deficiencies in internal control (J-SOX) and issues pointed out: Less than 10 cases remaining	① Number of remaining 14 cases (FY2021: 27 cases)
			② Conducting surveys based on the revised CSR Procurement Guidelines (Non Consolidated)	② Postponement of implementation * Postponement of Implementation to FY 2023 by revise CSR procurement guidelines

Source of Value Creation -Cultivated Strengths-

Since our Group was established in 1939, we have been the world's only comprehensive manufacturer of plain bearings that support motions such as rotation, sliding, and oscillation in equipment of all fields of industry, including automobiles, ships, construction machinery and general industry. As a world leader in tribology who always pays attention to our customers, pursues quality, and increases the value we add to our products, we have earned our reputation among customers worldwide as a reliable business partner by continuously providing first-rate, appealing products. We have also set about the creation and development of pillars for new business operations aside from the bearing business, such as by expanding our sales of die-cast aluminum products for electric vehicles, and embarking on new business operations including bearings for wind power generation.



Today too, in diverse places around the world, we are supporting society and people in their lives

We will continue to improve the sustainability of our Company by continuing to improve our high quality capabilities based on four core technologies, the diverse human resources that support them, and a system that responds to a wide range of needs in the global market.

Four core technologies in pursuit of advanced value

Technologies

- Bimetal Technology, Precision Processing Technology, Surface Treatment Technology, Analysis Technology we have four core technologies as our strengths and pursue tribology technology.
- The world's top share of automotive engine half bearings and low-speed marine engine achieved. (estimated by the Company)

Research and Development

- We are engaged in a wide range of development, such as material development, bearing product development, design, and production technology development.
- Participation in the activities of various international conferences and domestic academic societies: International Tribology Conference (ITC), International Conference on Combustion Engines (CIMAC), the ISO/TC123 Plain Bearings National Committee, Japan Society of Mechanical Engineers (JSME), etc.
- Presentations overseas of academic research findings: Continuous presentation of research results on the materials, designs, tribology technology and other aspects of bearings at the World Congress Experience (WCX) - SAE International, hosted by the Society of Automotive Engineers of America (SAE), etc.



Quality to create trust and peace of mind

Product Quality

- ISO9001 certification has been obtained by all of our domestic and overseas business sites and affiliated companies with a few exceptions.
- Certified as compliant with the ISO/TS 16949 (currently IATF 16949) in 2004 for the departments responsible for the bearings for automotive engines and automotive parts/components, and JIS Q 9100 in 2019 for the departments responsible for bearings for aircrafts.

Human Resources

- Knowhow-sharing human resources developed through DQC Circles, DAIDO METAL COLLEGE, quality training for selected employees, etc.



Collaboration to achieve better products Global Network

Global Network

- Provides products and services to customers from 44 locations in 15 countries around the world.
- Responds to market needs with a global R&D system of 6 locations around the world.



Mid-Term Business Plan

The Group has established and been promoting the “Raise Up ‘Daido Spirit’ –Ambitious, Innovative, Challenging–” Mid-Term Business Plan (from FY2018 to FY2023).

Objectives of the Mid-Term Business Plan



Priority items to be implemented

1	Strengthen current business lines further	[1]-A Expansion of market share [1]-B Strengthening of profitability [1]-C Production innovation, efficiency improvement and technology innovation
2	Creating/fostering new business lines	[2]-A Sales expansion of die-cast aluminum products for EV [2]-B Establishment of new businesses such as bearings for wind power turbine [2]-C Research in the new fields
3	Enhance management/operational control platform	[3]-A Enhancement of consolidated business management [3]-B Restructuring of global quality assurance system, global technology development, and global production system [3]-C Introduction of global governance and Human Resources systems [3]-D Strengthening of financial base
4	Energetic organization with animated communication and motivation	[4]-A Animated communication [4]-B Creating a system to support challenges [4]-C Creating culture of a dynamic organization and promote work style reform

Progress on the Mid-Term Business Plan



Strengthen current business lines further

We will continue to focus our efforts on maintaining and expanding our share of the market for plain bearings, while also working to tap into the automotive industry's needs, such as those emerging from the shift to vehicles that do not use fossil fuels (e.g. hydrogen-fueled vehicles) as well as the shift to EVs.

Automotive engine half bearings

- Exceeded 35% for the first time ever in FY2021, rising to 36.7%, maintained in FY2022
- For internal combustion engines other than EVs, increased from 39% in FY2021 to 41% in FY2022

Low-speed and medium- or high-speed marine engines

- Continued exploration of the China market, coupled with a great increase in demand particularly for low-speed engines led to a major increase in market share to 73%

	FY2018	FY2019	FY2020	FY2021	FY2022
Automotive engine	33.1	33.0	33.5	36.7	36.7 TOP
Turbochargers (Small turbo)	24.0	20.5	19.6	18.4	17.9 TOP
Low speed marine diesel engine	54.0	55.0	58.0	66.0	73.0 TOP
Mid to high-speed marine and industrial diesel engine	15.0	15.0	15.0	23.0	24.0
Polymer bearing	12.9	12.8	12.9	13.0	13.0
Industrial High-speed rotating machinery	3.7	4.6	4.9	5.6	6.3



Creating/fostering new business lines

In addition to expanding sales of aluminum die-cast products for electric vehicles, we are continuing to actively develop the market for bearings for wind power generation as a contribution to green energy.

Aluminum die-cast products

- Sales ratio for electric vehicles increased to 28% (compared to aluminum die-casting group sales)
- Received orders for new electric vehicle products for Europe [started mass production in 2023]



Motor bracket inverter case



Transfer case

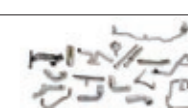
ino Manufacturing Co., Ltd. Precision Metal Processing Products

- Enhancing products for electric vehicles by applying high-precision molding technology, cutting and polishing technology, and various joining technologies
- Development of collaboration products with aluminum die casting products



Die-cast aluminum case and 17mm joint tube for power control unit

- Bent pipes
Bent pipes used mainly for flow of various fluids in transmissions



- NC/MC machined parts
Parts used in various locations within automobiles, including transmissions



Taking on the challenge of renewable energy

Strengthening our efforts for wind power generation bearings, demand for which is expected to grow in the future
⇒Refer to p. 25.



Enhance management/ operational control platform

In order to advance the reinforcement of our Risk Management System for group companies, we are working on building a Global Risk Management System, and on measures against information leaks, which include responses to cyber attacks. ⇒Refer to p. 49.

Also refer to Financial Strategies for information on our efforts to reinforce our financial foundation.
⇒Refer to p. 26.



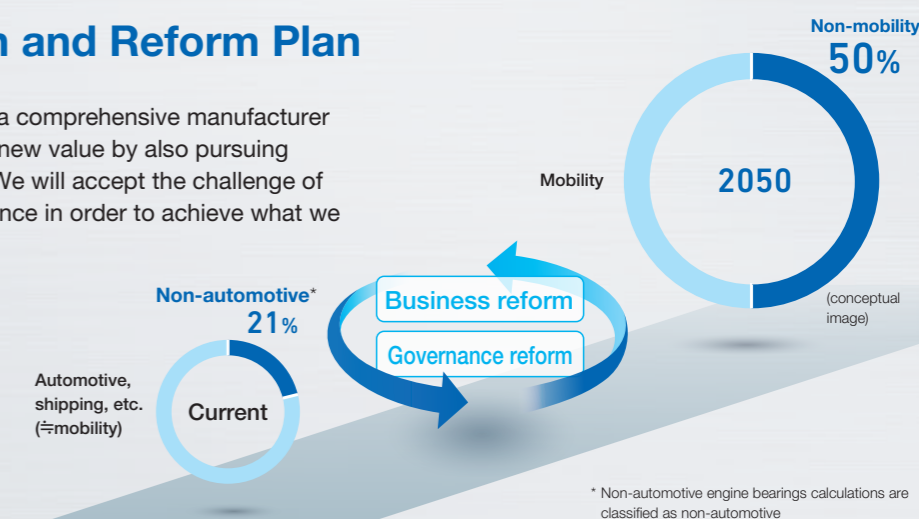
Energetic organization with animated communication and motivation

In terms of communication between management layer and employees, we are continuing to implement measures to deliver a large amount of information to employees. (In-house newsletter, portal site, screens in the cafeteria etc.) ⇒Refer to p. 29.

In addition we conducted new training especially for managers in the area of workplace communication.
⇒Refer to p. 16-17.

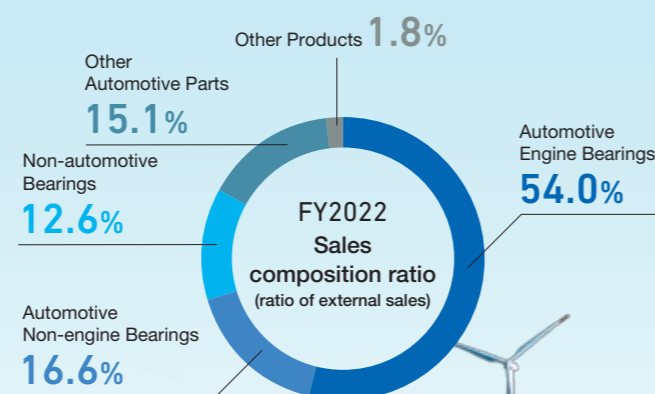
Long-Term Vision and Reform Plan

As we aim for further growth as a comprehensive manufacturer of plain bearings, we will create new value by also pursuing potential in non-mobility fields. We will accept the challenge of reforming business and governance in order to achieve what we want to become by 2050.



Business Summary

Based on our Mid-Term Business Plan, we aim to capture the top worldwide market share for plain bearings in all fields. At the same time, we are preparing for an impending automotive paradigm shift (from engines to motors) by strengthening our initiatives in new business areas in which we anticipate stronger demand. These include die-cast aluminum products for electric automobiles such as EVs, PHVs, and HVs. We also intend to make progress in expanding our business by boosting the ratio of sales other than for automotive engine bearings. Our plans call for expanding market share by maintaining and reinforcing our worldwide sales system to respond to growing demand for specialized bearings used in wind power generation and other types of renewable energy in general industry, an existing business area where growth is anticipated.



Non-automotive Bearings

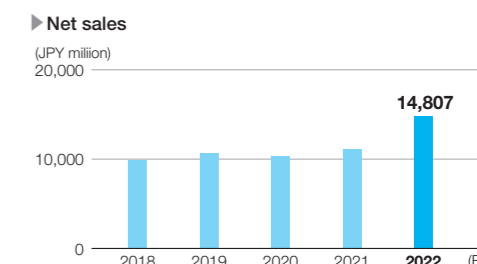


Bearings for marine low-speed engines, bearings for marine/industrial medium and high-speed engines, power generation equipment (water mills / thermal power / turbines), industrial equipment (compressors / acceleration / reductions gears) etc.

Shipbuilding: Demand remained solid, mainly for container ships and bulk carriers, amid a recovery in maintenance-related demand from stagnation that resulted from restrictions on factors including personnel flow. Sales revenue increased greatly from the previous fiscal year due in part to continued growth in market share for low-speed engine bearings for tankers and liquefied natural gas (LNG) carriers resulting from development of the China market, as well as the start of new mass production deliveries for large vessels for China.

Construction machinery: A continuing favorable demand environment, primarily in North America, Central and South America, and Southeast Asia (Indonesia, etc.), also contributed to strong demand for service parts and other products, resulting in a major year-on-year increase in sales revenue.

Energy for general industry: Demand in the general industrial energy market had fallen partly because of prolonged construction periods resulting from the impact that the COVID-19 pandemic had on plants and facilities. More recently, however, a recovery in demand for bearings used in steam and gas turbines, as well as inventory buildup efforts, resulted in an increase in orders taken by the Group, which led in turn to a major increase in sales revenue.



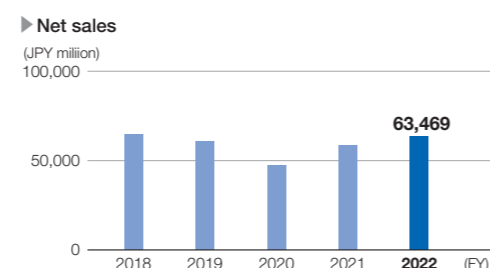
Automotive Engine Bearings



Automotive engine bearings (for cars, trucks, race cars). Motorcycle engine bearings, engine component bearings (turbochargers, balancers), etc

New motor vehicle sales in Japan rose slightly during FY2022 compared to the previous fiscal year, while overseas in Thailand and China, sales increased from the previous year during 2022, while sales in Europe and the U.S. decreased from the previous year. Underlying support for overall global sales remained steady amid the recovery from the COVID-19 pandemic, although there was a minor decrease from the previous year.

Under these circumstances, our Group increased sales both within Japan and overseas as domestic sales benefited from the recovery at the beginning of the year and various companies increased orders as they built up their inventories.



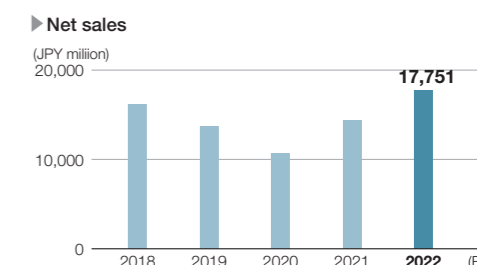
Other Automotive Parts



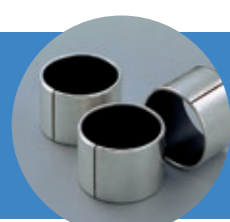
Aluminum die casting parts for automobiles (incl. electric vehicles). Automobiles and motorcycles for bent pipe products, machined products and knock pins etc

Aluminum die-cast products: Demand for Thailand's automotive industry remained strong on the whole, as domestic sales of new vehicles in Thailand increased slightly from the previous fiscal year and the number of finished vehicle exports in Thailand increased due to the recovery trend of the global automotive industry. In our Group, net sales increased significantly from the previous fiscal year due to an increase in sales due to a recovery in demand in Thailand and the start of an increase in new aluminum die cast for electric vehicles at a new plant in Thailand (DM Casting Technology (Thailand) Co., Ltd.). However, segment profit decreased from the previous fiscal year due to delays in improving costs, which increased due to the start of full-scale production of aluminum die cast for electric vehicles, and an increase in costs for new orders.

Formed pipes, knock pins, and NC machined products: Despite the impact of a decline in orders due to global semiconductor supply shortages, the yen's depreciation also contributed to a slight year-on-year increase. Segment profit decreased from the previous fiscal year due to high raw material and energy prices.

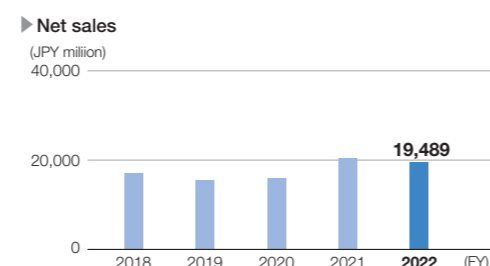


Automotive Non-engine Bearings



Automotive bearings (for shock absorbers, air conditioning compressors, steering columns, transmissions), etc

Although the weaker yen helped boost Group overseas sales, domestic sales decreased from the previous year amid a decrease in orders due to production cutbacks by manufacturers suffering shortages of supplies including semiconductors.

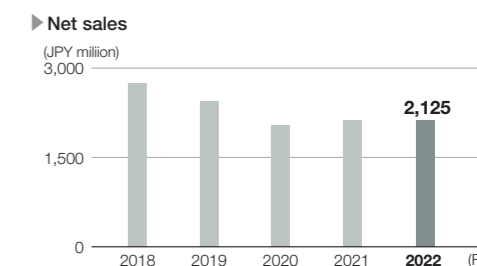


Other Products



Electrode sheet business for electric double layer capacitors, Metal-based unlubricated bearings business, Pump-related products business, Centralized lubricating equipment, Sound absorbing materials (CALME), etc.

Although difficulty in procuring measurement equipment due to the semiconductor supply shortage reduced sales of lubrication equipment for machine tools, market exploration in some areas led to an increase in orders for unlubricated metallic bearings, which increased sales slightly. Market development for value-added bearing products increased sales, which also contributed to the increase in profits.



Technology Development Strategy

Development of technologies and products that can contribute to global society.

Through our business, we aim to solve social issues faced by the industrial world, such as climate change, mobility change, and energy shift.

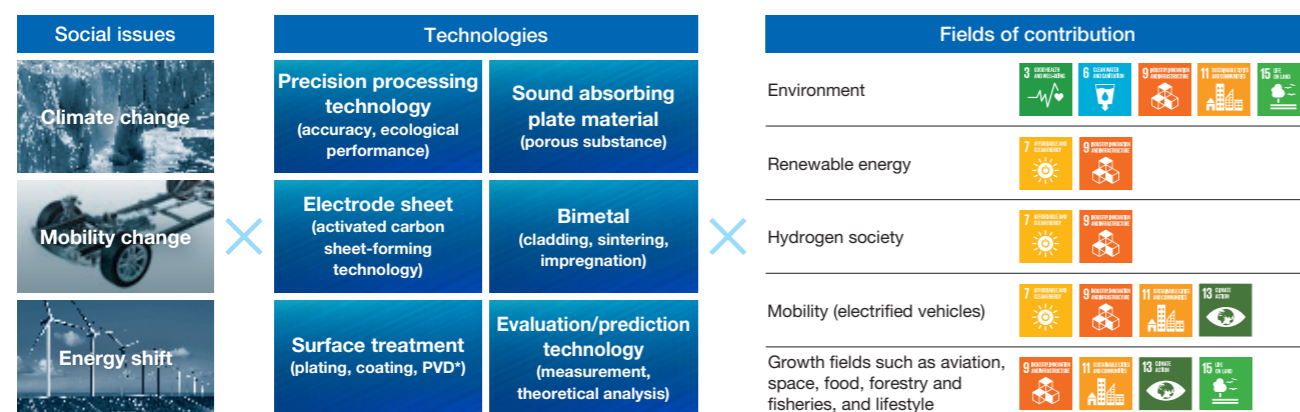
We are actively promoting the development of products that create new value by reducing frictional resistance and energy loss in response to 'movement' in a wide range of fields around the world.



Make the Most of Six Technologies to Create New Businesses

Based on the six technologies, i.e. precision processing technology, sound absorbing plate material, electrode sheet, bimetal, surface treatment, evaluation/prediction technology, we are engaged in research and development of new technologies by making full use of our knowledge, experience,

and information. We will make a contribution to growing fields, e.g. environment, renewable energy, hydrogen energy-based society, mobility, aviation, space, food, agriculture, forestry and fisheries, and lifestyle, by brushing up on the existing technologies and accelerating new technology development.

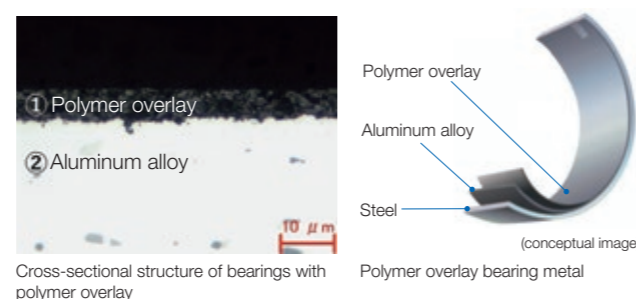


* Physical Vapor Deposition, a technology used in the surface treatment of metals

Develop Products with Environmentally Friendly and Energyefficient Materials and Functions

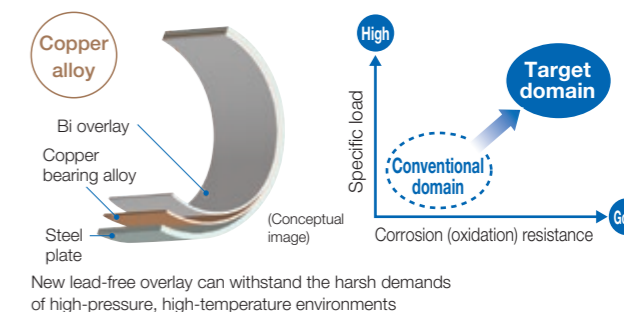
In response to the worldwide effort toward carbon neutrality, and to increase the thermal efficiency of engines in keeping with tighter regulations on CO₂ emissions, we are helping to reduce friction loss even further by developing and supplying polymer overlay surface treatments that improve low-friction characteristics by applying concepts different from those of conventional designs.

In order to respond to stricter exhaust gas regulations, we have developed a new lead-free overlay that can stand up to



severe demands such as the high specific load, high temperature environments and long service life requirements of truck engines, and have obtained good results from tests using actual engine. In the area of engines for marine vessels and power generation, we have developed lead-free copper alloys with improved corrosion resistance for use in gas engines (including DF), which are coming into increasingly widespread use. We are also conducting research into technologies for hydrogen and ammonia fuels.

We also undertake more environmentally conscious development, such as polymers using biomass ingredients.



Develop CASE-Compatible Products

In responding to demand for new automotive parts in line with the shift to EVs, we are developing and evaluating polymer-based materials, as well as the conversion of motor bearings from rolling to sliding designs. We are moving forward with development of applications for laminate materials that incorporate cladding technology to bond dissimilar metals, as well as applications for porous metallic substances that combine sound- and water-absorbing as well as heat-dispersing properties with the strength and heat resistance of metals.



Promote Global Technology Development

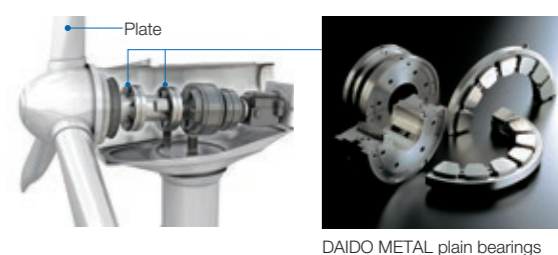
We will utilize our network of technical centers scattered around the world in a five-pronged system to obtain new information from global customers and create new businesses by conducting research on new technologies through activities with universities and conferences not only in Japan but also overseas.



TOPICS

Development of Bearings to Open up the Future of Wind Power Generation

Given the increasing demand for renewable energy, we have received high marks for our provision and mass production of bearings used in wind power generation in Europe, where demand for wind-generated electric power is strong. We are also advancing research into technologies for the various kinds of special bearings suited to this market, and preparing to introduce various types of equipment for bearing evaluation testing based on the NEDO Green Innovation Fund Project (aimed at reducing the cost of offshore wind power generation).



Advancing Development of Technologies for Hydrogen Engines

In the effort to bring about carbon neutrality, hydrogen is drawing interest as an alternative to fossil fuels. A broad range of potential applications is under consideration, including not just motorcycle, automobile, and commercial vehicle engines, but also engines for general industry and marine vessels. Amid these circumstances, as various companies undertake advanced research on hydrogen engines and their practical development, we, as a supplier of bearings, are proactively joining in the effort, moving forward with development toward practical applications while keeping tabs on the impact that hydrogen fuel is having.



Financial Strategies

While tracking changes in the business environment, we will execute a flexible and appropriate financial strategy.

Cash Management

The DAIDO METAL GROUP, including its major sales locations around the world, uses a system of notional pooling involving multiple currencies to share funds among affiliated companies within the Group. This not only improves capital efficiency but also acts as a risk hedge against currency risks associated with accounts receivable and accounts payable.

Investment Strategy

The Group considers resolving issues associated with environmental changes caused by working towards a sustainable society to be a business opportunity. It is therefore pivoting away from the previous business model, which was based on the internal combustion engine and fossil fuels, and making investments towards carbon neutral business (as epitomized by electric vehicles) and renewable energy such as wind and hydroelectric power.

Within this context, as it seeks to maintain its competitive advantage against global competition the DAIDO METAL GROUP will continuously implement capital investment, and will provide the necessary financing while ensuring financial soundness with an equity ratio of around 35%.

Profitability Strategy

In addition to diversifying risk by developing multiple businesses with different levels of profitability and profit, we will strive for a balance of profitability, stability, and growth potential for the Group as a whole, optimizing the DAIDO METAL GROUP's business portfolio with the aim of achieving a portfolio mix that enables an ROE of 9%.

Reinforcing the Financial Structure

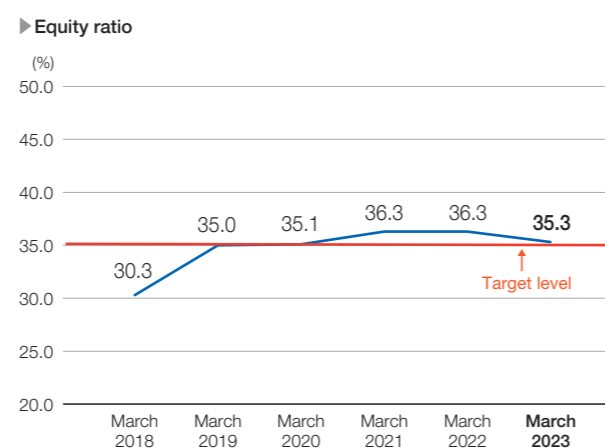
The DAIDO METAL GROUP uses the consolidated capital to asset ratio as an indicator of financial structure, and aims for at least 35%. The Group has implemented continuous programs of capital investment and M&A in order to optimize its business portfolio in response to changes in society.

By considering a variety of funding sources, we will build a stable financial structure that targets a consolidated capital to asset ratio of at least 35%, even in cases where we implement significant M&A or other investments as part of modifications to the business portfolio.

Policies for Determining Appropriation of Surplus

It is the Company's policy to pay appropriate dividends to our shareholders, based on the results of operation 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. an interim dividend and a 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.



Sustainability

DAIDO METAL GROUP's Sustainability Strategy

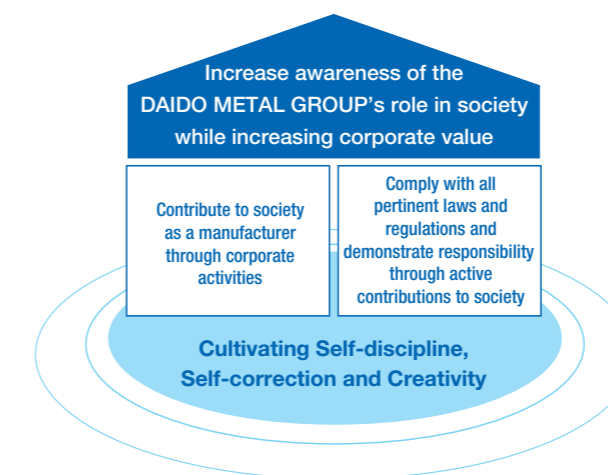
Through our business, we will solve social issues and become a sustainable company, contributing to the achievement of a sustainable society.

DAIDO METAL GROUP's SDGs Policy

In order to fulfill our responsibility as a global enterprise, the DAIDO METAL GROUP will contribute to achieving the various targets set forth in the SDGs.

The DAIDO METAL GROUP Concept of Sustainability

In order to continue growing on a sustained basis while serving as a corporate citizen required to act responsibly, our Group considers it crucial to be a trusted partner of customers, shareholders, employees, business associates and the communities in which we operate, fulfilling our role of contributing to society through our business operations, in addition to fulfilling our corporate social responsibilities, which include compliance with laws and regulations and contribution to the community.



To meet the above objectives, our Group has been undertaking initiatives relating to sustainability issues as we cultivate the qualities of self-discipline, self-correction and creativity in every officer and employee, under the slogan: "Self-discipline, Self-correction and Creativity."

Sustainability System

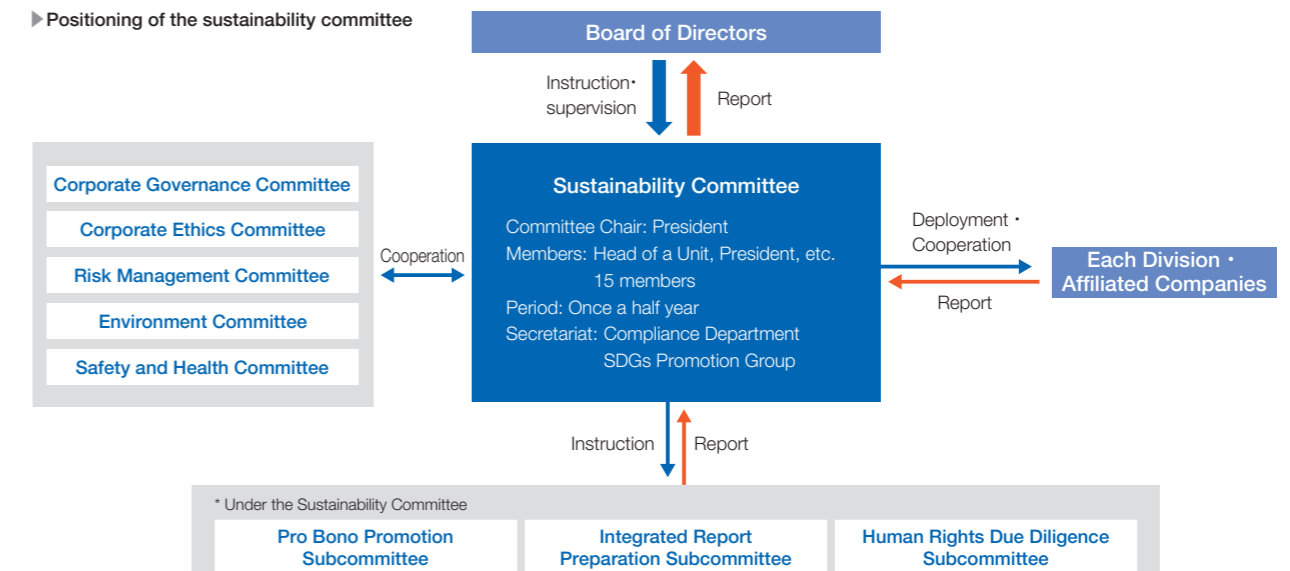
We have established a Sustainability Committee as one of our executive committees, which deliberates and discusses initiatives to resolve issues related to sustainability.

The following are the Sustainability Committee's main tasks for discussion and deliberation.

- (1) Deciding on policies, targets, and activity plans related to sustainability
- (2) Promoting activities, monitoring progress, confirming results, and reviewing activities
- (3) Integrated Report planning

We have set up the Integrated Report Preparation Subcommittee, the Pro Bono Promotion Subcommittee, and the Human Rights Due Diligence Promotion Subcommittee as bodies subordinate to the Sustainability Committee.

Positioning of the sustainability committee



Relationship with Stakeholders

The business activities of the Group have grown thanks to the support of all our various stakeholders. The Group considers dialogue with customers, shareholders, employees, business partners and local communities to be important.

Stakeholders	Policy and Attitude of the Group's Efforts	Examples of Dialogue and Communication Methods
	<ul style="list-style-type: none">We develop and provide socially useful and safe products, and gain satisfaction and trust.	<ul style="list-style-type: none">Exhibiting at various exhibitionsExchange information through our point of contact in the sales departmentPoint of contact for inquiries on our website
	<ul style="list-style-type: none">We continue sustainable growth through increasing our corporate value.We will proactively and fairly disclose corporate information.	<ul style="list-style-type: none">Announcement of financial results and financial results briefing sessionExhibiting at various IR eventsShareholders' Meeting
	<ul style="list-style-type: none">In addition to respecting diversity, we will ensure a safe and healthy work environment.	<ul style="list-style-type: none">Labor union and management consultationInternal newslettersInternal portal siteVarious education and training
	<ul style="list-style-type: none">We promote CSR activities and strive for sustainable growth throughout the whole supply chain.	<ul style="list-style-type: none">Presentations for business partnersVarious surveys and questionnaires
	<ul style="list-style-type: none">We are aware of our status as a member of the community and promote social contribution activities.We will contribute to the development of countries and regions by paying attention to compliance with local laws and respect for international norms, culture and customs.	<ul style="list-style-type: none">Summer festival and factory tourSocial contribution activities

Human Resources

Basic Policy on Human Resources Strategy

While refining our existing businesses in our aspiration to be a true leader in tribology, our Group will also conceive of this transformative period in the automotive industry as a great opportunity to build new pillars of business by focusing effort on the creation and development of new business. The human resource strategy to achieve these goals is defined as follows: "We create workplace environments and provide training to enable employees to develop their own abilities and skills while engaging in free and vigorous discussions with members, to demonstrate creativity and to bring about innovation rooted in the Ambitious, Innovative, Challenging Daido Spirit." For our Company to grow sustainably and boost productivity, we must provide each and every employee with opportunities and an environment that heightens job satisfaction (pleasant and satisfying working conditions), and allows them to put their abilities to the greatest possible use. We believe that our pursuit of these goals will lead to the fulfillment of our corporate philosophy: "We hold ourselves responsible for the happiness of everyone in our organization and the contributions we make to global society."

Employee Training Programs

In the midst of major changes in work styles and environments, such as decreasing workforce, changes in employees' sense of value to work, the spread of remote work, and the promotion of part-time and side jobs, we are working to develop employees who can act autonomously and independently while maintaining a high level of motivation by building diverse career paths. For this reason, we offer various stage-based and global training programs with the aim of developing roles and skills according to the stage. In addition, serving as the Company's in-house educational institution, DAIDO METAL COLLEGE is a special training facility which continuously provides training focused on passing on knowledge, technology and skills accumulated by the Company.

DAIDO METAL training structure

	Position-specific Training	Global	DAIDO METAL COLLEGE Courses
Top Management	Executive Officer training		
Division Managers	Selective training	Management training prior to overseas secondment	
Departmental Managers	Departmental Manager training	Overseas risk management seminars	
Experienced Employees	Management program Self-improvement training	Global production training	
General Employees	Training for third-year employees Training for second-year employees	Overseas short-term study abroad system for language study	
Newly Hired Employees	Follow-up training for newly hired employees Training for newly hired employees		
International personnel development system			
Mid-level and entry-level courses for career track employees			
General skilled worker course			
Technical instruction			
Training for Supervisor candidates I			
Training for Supervisor candidates II			

Promoting Diversity

Initiatives Regarding Participation by Women

We formulated an action plan for FY2019 to FY2023 based on the Act on the Promotion of Women's Active Engagement in Professional Life and published it on our website. The ratio of female graduates hired for general positions has generally achieved the target and female skilled workers are also hired every year. In order to increase the number of female employees the Company assigned four new female graduates in sales positions for the first time in 2020, and two female graduates in 2022. In addition, the number of employees taking childcare leave stays at a high level, and the number of female and male employees taking childcare leave is increasing year by year.

Conducting Surveys on Employee Satisfaction (ES), and Working on Improvements Toward Stimulating Communication

In 2020 we conducted an Employee Satisfaction (ES) survey and we are implementing initiatives for mid- to long-term reforms based on the results. In 2021 we launched the Labor Management Personnel System Review Committee to review the evaluation system, which had received many calls for improvement. Last year, we created a booklet entitled "Introduction to Understanding the DAIDO METAL Evaluation System" to promote understanding of the evaluation system and promote communication between supervisors and subordinates, and distributed it to employees. In addition, we promote two-way communication between management and employees by displaying messages from top management and company results in easy-to-understand content on a monitor in the cafeteria.

Recruitment of Foreign Employees

We continue to recruit foreign nationals and new graduates as future executive candidates, and we hired one in both 2021 to 2023. Currently they are engaged in a wide range of positions including R&D, production engineering, and sales.

On the other hand, the foreign technical intern trainees were unable to enter Japan due to the COVID-19 pandemic, but it has become possible to accept them again since 2022, and we are currently accepting about 40 foreign technical intern trainees. In recent years there have been an increasing number of cases in which those who have completed the technical internship (three years of internship) go on to undertake another technical internship resulting in a total of five years of study.

Support to Achieve Balance

In order to support the balance between work and family, we have introduced various systems such as work-from-home scheme and measures to reduce working hours (shorter working hours).

In addition, in 2016 we introduced a job return scheme to re-employ those who left the Company for reasons such as accompanying spouses to relocate, nursing care, childbirth, and childcare and reinstated several employees.

We have prepared a handbook for childcare support (different editions for men and women) and a handbook for nursing care with the aim of disseminating childcare-related schemes, to support employees in balancing work and family.

In addition, since April 2023 we have been expanding the system of shorter working hours, which allows employees to reduce their scheduled working hours to the end of the 6th grade of elementary school, instead of the previous system of raising children until the end of the 3rd grade of elementary school.

Employing Workers with Disabilities

The Company's ongoing recruitment efforts involve targeting special-needs schools in its recruitment drives and using AICHI Shogaisha Koyo Sogo Support Desk of Aichi Prefecture. After people with disabilities join the Company, we strive to develop a pleasant and satisfying workplace that involves seeking the advice of job coaches from vocational centers for people with disabilities and also seeking the advice of employment support professionals from employment and livelihood support centers for people with disabilities.

In addition to being active in offices and production, since June 2020 the Company has been leasing a communal farm and opened DAIDO METAL JOYFUL FARM to implement initiatives that entail directly hiring people with disabilities. Vegetables harvested on the farm are donated to nearby children's cafeterias, and the profits from selling vegetables within the Company are donated to areas hit by natural disasters, thus enhancing our social contribution activities.

Health Management Initiatives

Recognized as the 2023 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category)

The Company has been recognized as one of the "2023 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)" by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Japan Health Council). The "Health and Productivity Management Outstanding Organization" scheme honors corporations, such as large and small and medium-sized enterprises, that practice particularly excellent health and productivity management, based on initiatives that address regional health issues and health promotion initiatives promoted by the Nippon Kenko Kaigi, a committee consisting of labor and management that sets KPIs to strengthen health management activities.

The Group considers the physical and mental health of the employees to be an important management issue, and will further promote the creation of workplaces where diverse human resources can fully demonstrate their individuality and abilities, and the improvement of the environment.



Work Style Reforms

In order to enrich the lives of employees, including their work, we have been promoting work style reforms in which employees and management work together under the name of "Work Style Reform" since November 2016.

As a specific activity, we set a company-wide target for annual paid leave every quarter, and issue yellow cards, orange cards, and red cards if the target is not met, and labor and management promote the systematic acquisition of paid leave. In addition, there is no overtime on a Wednesday and employee-management patrols are conducted to ensure thorough cooperation.

In addition, we are actively promoting QC circle activities in clerical departments, which used to be centered on manufacturing sites, not simply by reducing working hours, but also by reviewing and improving the efficiency of operations.

Mental Health Initiatives

Line Care Training is held twice a year for all managers. The purpose of this training is to deepen the understanding of mental health, which is required of managers, and at the same time, to understand the factors causing stress for subordinates, and to be able to respond quickly as an organization.

In addition, we have established rules for improving workplaces using group analysis of stress checks, and for employees whose monthly overtime hours exceed a certain amount of time in a row, health checks become mandatory, and interviews with occupational doctors are required as necessary.

Improving Employee Health

Since August 2019 we have thoroughly enforced non-smoking indoors to prevent passive smoking.

In addition, we held two events organized by our health insurance association using a walking app for the purpose of maintaining and improving health. Approximately 200 employees participated each time, aiming at an average 8,000 steps a day over a two-month period.

Human Rights Initiatives

Our Group established the DAIDO METAL GROUP Human Rights Policy in April 2023 in order to promote efforts to respect human rights by demonstrating both internally and externally that it will continue to protect and improve the human rights of all stakeholders affected by its business activities. Going forward, we will develop and implement human rights due diligence mechanisms and procedures based on the United Nations Guiding Principles on Business and Human Rights.

DAIDO METAL GROUP Human Rights Policy (Items Only)

1. Fundamental Way of Thinking
2. Applicable Range
3. Human Rights Due Diligence
4. Correction and Remedy
5. Training
6. Dialogue and Consultation
7. Information Disclosure

Human Rights Policy (attachment) Human Rights Issues to be Addressed by the DAIDO METAL GROUP

- (1) Ban on Discrimination, Respect and Acceptance of Diversity
- (2) Ban on Child Labor
- (3) Ban on Forced Labor
- (4) Ban on Human Trafficking
- (5) Respect for Employee Rights
- (6) Appropriate Remuneration and Control of Working Hours
- (7) Ensuring a Safe and Comfortable Working Environment

DAIDO METAL GROUP Human Rights Policy

https://www.daidometal.com/sustainability/human_rights_policy/?ignore_ip=1



Health and Safety-related Activities

Fundamental Policy on Health and Safety and ISO45001 Certification Status

Fundamental Policy on Health and Safety

Based on its people-oriented management philosophy the DAIDO METAL GROUP does its utmost to protect the health and safety of its valued employees. Maintaining high levels of employee safety is a top company priority, and the Company invests whatever management resources are required to maintain the highest possible levels of safety.

Having adopted a management philosophy that places great emphasis on people, the Company engages in occupational health and safety activities aimed at completely eliminating workplace accidents. With our focus on the Company's major production sites in Japan, we first gained Occupational Health and Safety Assessment Series (OHSAS) certification in 2003, and our occupational health and safety management systems were certified as compliant with the ISO 45001 international standard in September 2020.

Scope of Certification: Operations Certified under ISO 45001

- DAIDO METAL CO., LTD.
 - Headquarters
 - Inuyama Site Office
 - Gifu Plant
- DAIDO METAL SALES CO., LTD.
- DAIDO LOGITECH CO., LTD.
- Daido Plain Bearings Co., Ltd.
- Daido Industrial Bearings Japan Co., Ltd.



Certificate number:
JQA-OH0045

Confirmation of Workplace Conditions by Employees and Top Management

In conjunction with National Occupational Safety Week (July), National Occupational Health Week (October) and the New Year's Disaster Prevention Program (January), the company carries out on-site assessments that involve cooperation between top management and the workforce. Measures against COVID-19 infection were also implemented with full consideration given to infection control measures.

In terms of safety, the Company checks the status of countermeasures and of activities to mitigate risks, such as the handling of heavy objects, in workplaces where accidents have occurred. In terms of health, the Company strives to maintain good workplace environments, checking on conditions related to heat stroke, the status of chemical substance control and other matters. In terms of education, the top management and the workforce hold meetings regarding the details of on-site managers' efforts and provide advice to promote increased safety awareness.

Global Safety Activities

As part of our safety activities for our domestic and overseas affiliated companies, we conduct self-inspections regarding safety twice a year. The results of self-inspections are reflected in safety activities for the next fiscal year, thereby improving safety activities.

Quality/Procurement

Quality

Quality Control (QC) Policy for FY2022

Our basic concept is “Quality is Life,” and we establish a QC policy every year for the purpose of thoroughly disseminating this concept throughout the Company.

In FY2022 we have been working on quality improvement activities under the slogan “Learn from the past and move on to the future; improve customer satisfaction by preventing recurrence.”

DQC* Circle Convention to Promote QC Circle Activities

The 37th DQC Circle Convention was held on 12 December 2022, and excellent improvement examples selected from domestic production bases were presented. In addition, as the impact of COVID-19 has reduced we invited Dyna Metal CO., LTD. (Thailand) to come to Japan and present their improvement case. Furthermore, as a mutual exchange, the first and second place circles were invited to Dyna Metal Co. Ltd (Thailand) and Dong Sung Metal Co., Ltd. (Korea) to present to them their improvement activities.

* DQC stands for DAIDO METAL Quality Control.



Award ceremony at the DQC Circle competition

5S Champion Activities

At our production sites in Japan, we selected a 5S champion to promote 5S activities and to continuously improve our own workplaces. In addition, 5S champions meetings are held on a regular basis at the host plant to confirm the contents of improvement cases, exchange opinions, and promote the application of the improvements to individual workplaces.



At the 5S Champions Meeting

Supplier Awards for Excellence

In FY2022 we received awards in six locations from 17 companies in Japan, China, Thailand, India, Montenegro, and Mexico. Moving forward, we will continue to carry out activities by which we earn the trust of our customers.



Quality Control Training for Selected Employees

The quality control training for selected employees, which began in October 2018, has been held 7 times and attended by 34 employees up to FY2022. In this training program, we have established an “open course” in which participants give lectures in-house, and we have created an opportunity for the participants to become an instructor of in-house courses based on what they have learned in external courses. This is an educational opportunity within the Company and is also useful for reviewing themselves.



Group discussion

Revitalization of QC Circle Activities

The Turbo Circle at the Inuyama Plant received two prestigious honors: the Hajime Ishikawa Award from the Union of Japanese Scientists and Engineers (JUSE) in May, and the Nishibori Award from the Central Japan Quality Control Association in June. We plan to continue invigorating our group's QC circle activities.



Procurement

Provision of CSR Procurement Guidelines and Green Procurement Guidelines

We have formulated “CSR Procurement Guidelines” and “Green Procurement Guidelines” in order to expand CSR and green procurement initiatives throughout the supply chain in cooperation with our suppliers, and posted them on our website so that our stakeholders can see the contents and activities of these guidelines.

Through this initiative, we aim to enhance the corporate value of both the Company and its business partners, while ensuring thorough compliance with policies including human rights and child labor laws, and in consideration with the environment.

Formulation of the Declaration on Building Partnership

We have formulated a Declaration on Building Partnership, posted it at a dedicated portal site, and distributed it internally in our efforts to increase added value throughout the supply chain while ensuring fair and appropriate business relationships.

Promoting Social Contribution

Initiatives to Help Solve Local Community Issues



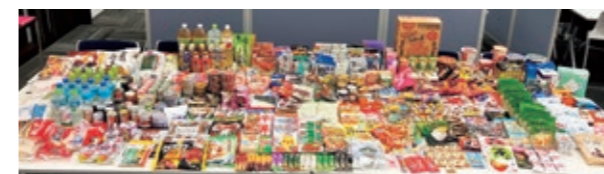
Since FY2019 the Company has been operating the “DAIDO METAL Pro Bono* Program”, which creates opportunities for employees to become aware of societal issues and to leverage the experience they have accumulated in the Company for the good of local communities. By supporting the creation of the basic structures necessary for NPOs through our provision of subsidies to local NPOs and the involvement of employees in volunteer activities, we are contributing to the resolution of societal issues.

* “Pro bono” refers to volunteer activities that utilize experience and skills cultivated during work for social or public purposes, or to persons carrying out such activities.

Food Drive Held

In December 2022 we organized a food drive* titled “Think SDGs! DAIDO METAL Food Drive Action| as our commitment for SDGs. Food donated from employees was delivered to people and facilities in need of food support through Second Harvest Nagoya, a certified NPO.

It was also the first time that our domestic affiliate NDC had carried out this program, and we will be expanding our circle of support in the future.



Food donations collected from employees



Donation to Second Harvest Nagoya

* A food drive is an activity where households bring unconsumed food that they cannot use and donate them to those who need them through food banks and other means.

Holding a Used Book Charity Fundraiser

In May 2022 we solicited donations of used items including books and CDs for the Think SDGs! DAIDO METAL Used Book Charity Fundraiser, one of our initiatives for the SDGs. The donated items collected from employees were appraised through Charibon, run by VALUE BOOKS, and the appraised amount was donated to the Ashinaga Foundation, a private NPO that provides children with scholarships and support, as well as emotional care.



Collected donations

China Student Support

Daido Precision Metal (Suzhou) Co., Ltd.

Daido Precision Metals (Suzhou) Co., Ltd. received an award through the Volunteer Association of the Suzhou Industrial Park Charity Foundation for assisting six children who are disadvantaged in attending school because of conditions faced by their families.



Support was provided for children who have difficulty traveling to and from school.

Mexico Sponsorship by

Daido Metal Mexico S.A. de C.V. of an Extracurricular Japanese Language School

Daido Metal Mexico S.A. DE C.V. sponsored operations and donated to Colegio Japonés de Guadalajara, an extracurricular Japanese-language school. Colegio Japonés de Guadalajara is a supplementary school that provides Japanese children living in the local area with semi-full-day classes in Japanese language, with instruction performed in Japanese, in compliance with the Japanese educational curriculum. We support operation of the school to enable Japanese nationals working in the area to do so with peace of mind, for themselves and their families.



Thailand Participation in Mangrove Planting Activity Dyna Metal Co., Ltd.

A total of 50 Dyna Metal Co., Ltd. members participated in mangrove planting activities. In Japan, afforestation is an activity associated with mountain areas, but in Thailand, it is done in tidal flats at the mouths of rivers. Many activities are under way to bring back the former mangrove forests as a way to reduce greenhouse gases while preventing flood damage. The location is a mangrove afforestation park facility situated about an hour by car from Bangkok. Each person planted six mangroves making a total of 300.



In tidal flats, 300 mangroves were planted.

Environmental Protection

DAIDO METAL GROUP Environmental Policy

Due to the necessity for the Group as a whole to tackle environmental conservation activities in order to help achieve a sustainable society, the Company formulated the "DAIDO METAL GROUP Environmental Policy" in April 2004.

By promoting business activities that give maximum consideration to the finite global environment based on the concept of "finite resources and finite purification", the DAIDO METAL GROUP as a whole is working proactively towards the formation of a recycling-based society.

Fundamental Philosophy

The DAIDO METAL GROUP views the global environment as a precious resource for all people to share, and considers protection of the environment to be one of the most important issues facing mankind. We will focus all efforts and technology on preserving the environment.

Fundamental Policies

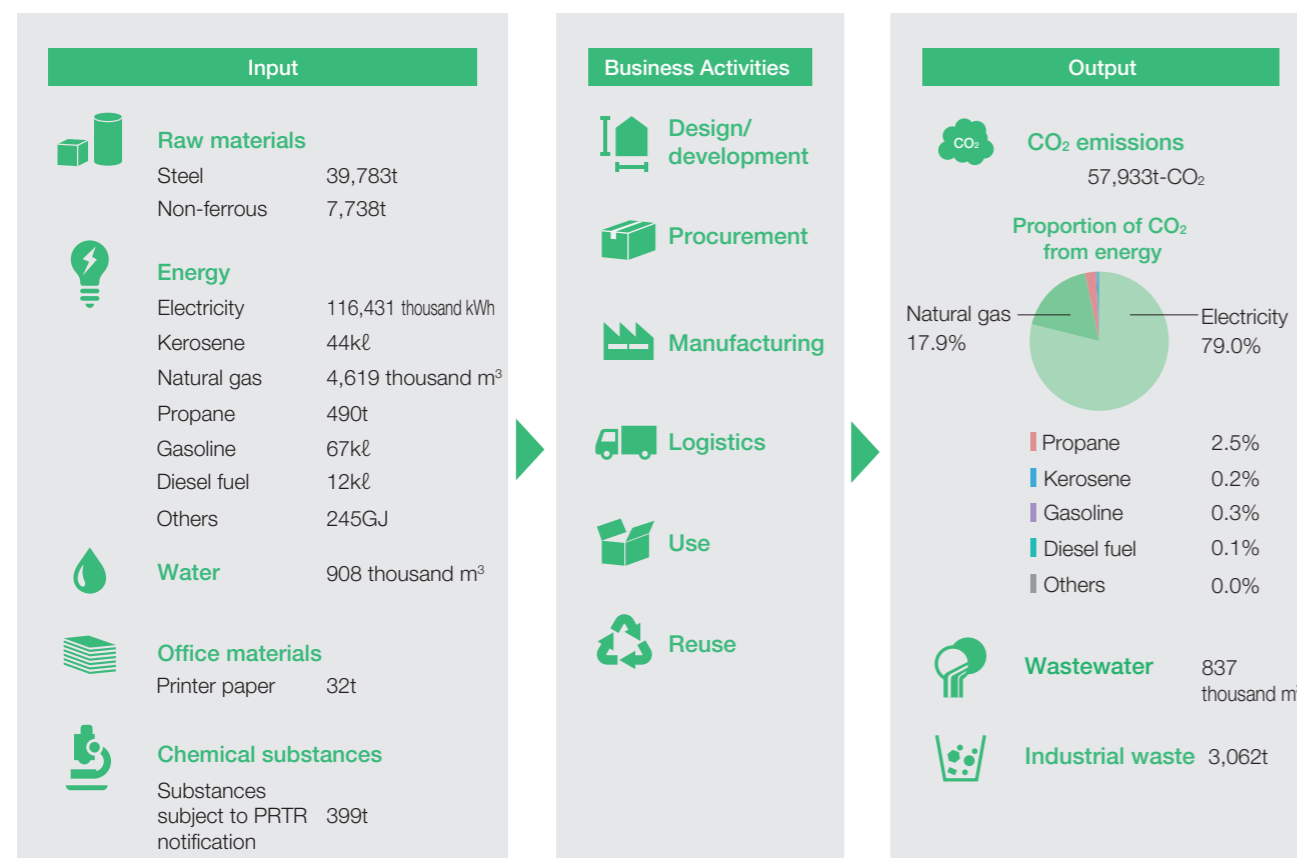
- The Group will comply with environmental laws and regulations and other requirements to which it has agreed.
- In order to promote environmental conservation, continuously improve activities for the maintenance of the environment and prevent pollution, the Company will set and regularly review environmental targets and goals.
- In all business activities, comprehensive efforts will be made to reduce energy consumption and material use, recycle materials, and reduce industrial waste to a minimum.
- Through the development of products and technologies, the Group will employ its overall technical abilities in an effort to preserve and clean up the environment.
- The Group will take active steps to inform customers, the local community and other related parties of its efforts to preserve the environment, and promote communication regarding the issue.
- Through environmental education and informative activities, the Group will seek to boost environmental awareness among all employees, and encourage them to take it upon themselves to participate in environment-related activities.
- In order to increase the effectiveness of this policy, the Company will strive to publicize it among employees and all those working for the Company.

Overall Picture of Business Activities and Environmental Impacts

The amounts of materials, energy and water resources used by the DAIDO METAL GROUP in Japan in FY2022, and the waste generated, are as follows.

Note: Energy usage is presented in accordance with the Energy Saving Act.

Business activities and environmental impact



Environmental Accounting

In environmental accounting the costs and benefits of environmental conservation activities are reflected clearly in environmental management and this information is published, so we have been working to understand environmental costs and benefits since FY2001.

We refer to Ministry of the Environment guidelines when aggregating and categorizing the figures, but we have limited our approach to items identifiable as 100% environmental costs.

Scope of data DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., and Iino Manufacturing Co., Ltd.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Environmental protection costs (Unit: Millions yen)		
Classification	Content	The amount of the investment
Area-specific costs	Cost of preventing pollution	Measures to address air/water quality, noise
	Global environmental conservation costs	Global warming prevention, energy savings, etc.
	Resource recycling costs	Waste reduction/disposal/recycling, etc.
Management activity costs		Environmental education, acquisition/maintenance of EMS certification, personnel costs associated with environmental conservation activities, etc.
Research activity costs		R&D costs for mitigating environmental impacts
Social activity costs		Greening, landscaping, awareness activities, etc.
Environmental damage costs		Restoration costs for soil contamination, etc.
Total		805.5

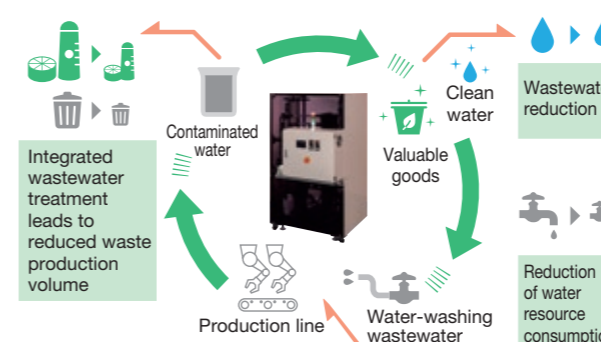
Note: Figures are calculated using the amounts invested in FY2021. We have not aggregated compound costs which combine costs with an environmental purpose and those whose purpose is unrelated. Personnel costs are allocated in proportion to the time spent on such duties. * As all figures are rounded to the nearest whole number, the sum of individual items may not exactly equal the total.

Development and Manufacture of Environmentally Friendly Products Deionization Water Treatment Equipment

In our work to create new environmentally friendly business operations, we are engaged in research and development of a system for deionizing water treatment using electrode sheet technology for electric double-layer capacitors. A distinctive characteristic of the technology is that it requires smaller quantities of chemicals than conventional water deionization processing technology. We have conducted validation testing at our in-house plant since FY2021, and are evaluating its long-term performance.

We are thus helping to reduce environmental impact by treating industrial wastewater so that water resources, and the resources contained in the water, can be reused.

Targeted advantages of implementation = a virtuous resource cycle



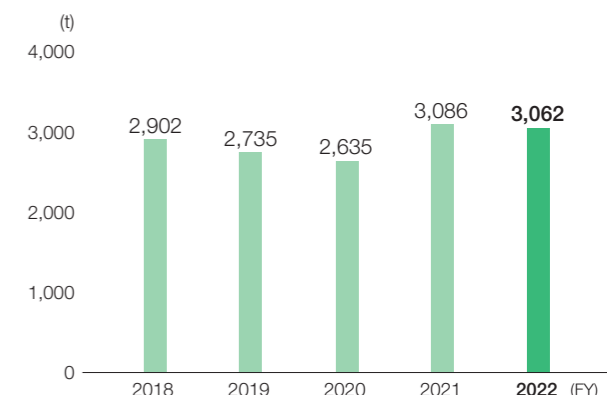
Waste Reduction Activities

A large proportion of our industrial waste is generated from plating and processing processes. Since FY2016 the effect of reducing plating waste fluids has been visible, and we have been implementing measures such as weight reduction by reusing lubricants and solvents. We will continue to take meticulous measures to reduce the use of plastics and other products.

Scope of data DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., and Iino Manufacturing Co., Ltd.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Trends in the volume of waste generated



Management System for Chemicals Contained in Products

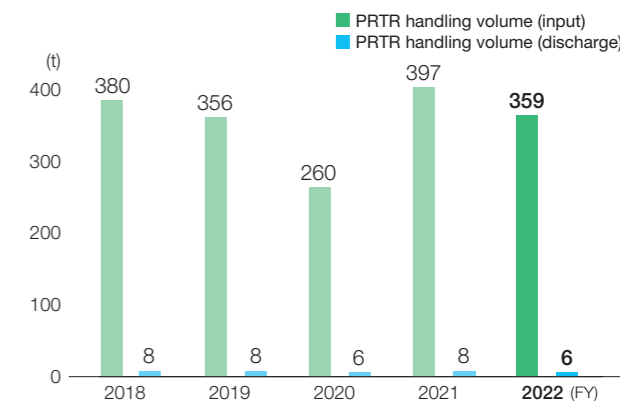
In addition to compliance with international regulations on the use of chemical substances, such as REACH regulations and the RoHS directive, we appropriately manage chemical substances contained in products at each stage of procurement, manufacturing, and shipping, including GADSL and the Chemical Substances Control Law, as requested by our customers.

DAIDO METAL's management of this issue is based on JIS Z 7201 (Management of chemicals in products - Principles and guidelines), and this information is published internally as well as being used to respond promptly to client requests.

Scope of data DAIDO METAL CO., LTD.

Period under review FY2022 (1 April 2022 - 31 March 2023)

Trends in emissions of PRTR substances



Conformity with Environmental Standards (ISO 14001)

All of our production sites in Japan have obtained ISO 14001 certification, the international standard for environmental management systems, and we are working to protect the natural environment by reducing CO₂ emissions and waste.

In addition to complying with laws and regulations, we have established our own standards and are working to reduce and improve risks, including the environment surrounding the Group, including employees and customers.



Conformity with Environmental Standards (ISO 14001)

Not only can we take appropriate measures, but we also ensure the safety of our workers by repeating training, and opinions are exchanged after the training to further improve the level of response.



Concept

Environmental Education

We conduct environmental education with the aim of raising the environmental awareness of our employees. We are deepening our basic understanding of environmental issues and our position, and advancing the level of our daily environmental activities. Using the ISO 14001 General Education Textbook for all employees, we conduct training for new starters and confirm the implementation status.

Environmental Risk Management (Environmental Emergency Drills)

We consider various risks in order to prevent environmental impact.

To prevent the leakage of substances that have an impact on the environment, we conduct emergency response drills every year.

Addressing Climate Change

Addressing Climate Change and Global Warming Prevention

FY2022 Environmental Activity Target and Result of Activities

We believe that responding to climate change and global

warming is a corporate obligation, and regard it as necessary for maintaining and increasing corporate value. As an organization that is expanding its business globally, the DAIDO METAL GROUP works to help resolve the problem of climate change through its business, and to mitigate the environmental impact of its business activities.

Category	Scope	Environmental Target (for FY2022)	Primary Activities (FY2022)	Result of Activities (FY2022)	Reduction Percentage
Global warming prevention and energy reduction	DAIDO METAL GROUP in Japan*	Reduce CO ₂ emissions to below FY2021 levels by the end of FY2022. • CO ₂ emissions: Less than 61,562t	<ul style="list-style-type: none"> Tracking progress in achieving goals of medium- to long-term plans for energy conservation Considering options for adoption of energysaving equipment Rolling out successful environmental improvements across the organization 	• CO ₂ emissions (actual result) 57,933t	5.9%
	DAIDO METAL CO., LTD.	Reduce CO ₂ emissions to below FY2021 levels by the end of FY2022. • CO ₂ emissions: Less than 30,341t		• CO ₂ emissions (actual result) 28,107t	7.6%
		<ul style="list-style-type: none"> Target for energy/1000JPY of sales: Reduce CO₂/1000JPY of sales by 9% when compared to FY2013 by the end of FY2022. CO₂/1000JPY of sales: 459.38g Reduce energy/1000JPY of sales for each form of energy by 9% when compared to FY2013 by the end of FY2022. Electricity/1000JPY of sales: 0.8178kwh Fuel/1000JPY of sales: 154.12g 		<ul style="list-style-type: none"> • CO₂/1000JPY of sales: 409.74g • Electricity/1000JPY of sales: 0.7301kwh • Fuel/1000JPY of sales: 136.57g 	<ul style="list-style-type: none"> 10.8% 10.7% 11.4%

* DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., Iino Manufacturing Co., Ltd.

* Fuel: Mainly heavy oil, kerosene, light oil, LP gas, and city gas Per-unit: Calculated by CO₂ emissions, electricity consumption, and fuel consumption/production value.

Energy Saving Activities

We promote energy conservation activities in order to help prevent global warming, and for the effective use of energy resources.

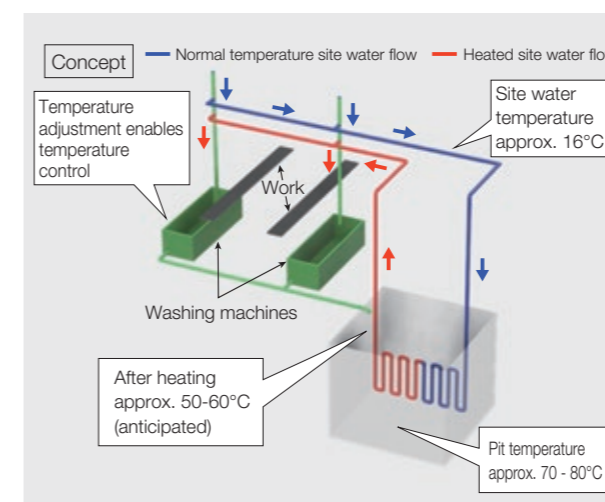
In FY2022 CO₂ emissions by the DAIDO METAL GROUP in Japan were 57,933 tons, a reduction of 5.9% from FY2021.

Examples of Energy-saving Activities (Kouzaki Plant, NDC Co., Ltd.)

The water supply for washing machines had been heated with gas for use in high-temperature washing. Hot water discharged after laundering is used to raise the temperature of the water supply through heat exchange, which reduces the amount of energy consumed.



Heating feed water results in reduction of boiler fuel at sintering furnaces No. 3 and 4



Promoting the Adoption of Renewable Energy (Daido Plain Bearings Co., Ltd.)

We promote the adoption of renewable energy (solar power generation) as part of DAIDO METAL GROUP's efforts toward carbon neutrality. In September 2022 we installed a solar power generation system on the roof of Plant 3 at Daido Plain Bearings Co. (Seki City, Gifu Prefecture). Of the total amount of electricity consumed annually by the whole site, approximately 1% is now renewable energy.

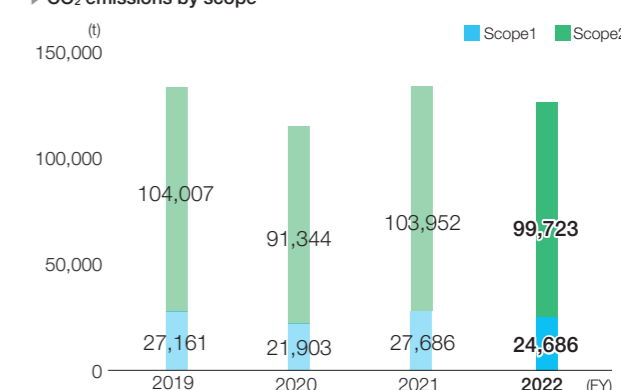
Moving forward, we will continue to promote the adoption of renewable energy throughout our whole Group.



CO₂ Emissions by Scope

As we continue to make progress with energy efficiency at our business sites, we will manage information and promote visualization of the situation in order to cut greenhouse gas emissions throughout our Group.

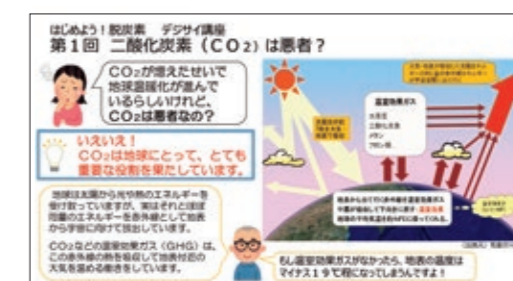
CO₂ emissions by scope



Employee Training on Carbon Neutrality Begins

We began employee training in FY2022 in order to achieve our companywide carbon neutrality policy.

In addition to providing information through monitor displays in the company cafeteria and articles in the company newsletter, we presented a beginner-level course on carbon neutrality at DAIDO METAL COLLEGE, an in-house educational body, as part of our efforts to foster awareness of decarbonization among our junior employees. Starting in FY2023 we will expand the educational curriculum further by offering an intermediate-level course for mid-level employees as we put in place a system in which all employees work together to advance carbon neutrality.



Digital signage on cafeteria monitors



A lecture at DAIDO METAL COLLEGE

Carbon Neutral Strategy

Information Disclosure Based on TCFD Recommendations

In June 2022 the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with the TCFD recommendations, we will disclose important information on climate change as follows.



Governance

We recognize climate change response as an important issue (Materiality) that we should prioritize in order to promote sustainable management. The Sustainability Committee chaired by the President deliberates on the direction of management including policies for addressing risks and opportunities related to climate change, reports to the Board of Directors as appropriate, and receives instructions and supervision from management.

The Sustainability Committee is held at least twice a year to deliberate and discuss initiatives to resolve issues related

to sustainability (CSR, ESG, SDGs), including climate change.

Corporate Governance

https://www.daidometal.com/sustainability/corporate_governance/?ignore_ip=1



Strategies (Risks and Opportunities)

In order to understand the impact of climate change on the Group business, we have analyzed risks and opportunities for all businesses in the Group using the following two scenarios:

1.5°C Scenario	Scenarios in which the temperature rise at the end of the 21st century will be kept below 1.5°C and the transition to a decarbonized society will be achieved
4°C Scenario	Scenario in which no further global warming measures are taken and physical effects are assumed

[Important risks and opportunities]

We identified risks and opportunities for climate change and examined the importance of climate change to the Group and when it might occur.

- Time axis (time of occurrence) - Short term: By around 2025, Medium term: By around 2030, Long term: By around 2050
- Materiality (potential impacts on strategic and financial plans, etc.) - Large: Large impact, Medium: Moderate impact range, Small: Little impact on the Company

	Items	Descriptions	Response	Timing & Materiality		
				Short	Medium	Long
Transition risk (1.5°C scenario)	Carbon emission control	• Increase in energy-related expenses associated with the introduction of a carbon tax and higher crude oil prices resulting from stricter regulations on fossil fuels, etc. • Increase in costs for capital investment and conversion to alternative energy sources such as renewable electricity due to the need to achieve decarbonization targets	• Continue energy-saving activities such as reducing energy use • Promote visualization of CO ₂ emissions and promote measures such as switching to energy-efficient equipment	Large	Large	Large
	Development of EV conversion	• Sales decline with declining demand for products for internal combustion engines due to the shift to EVs	• Develop and expand sales of products for EVs and alternative fuels, and strengthen profitability in non-automotive sectors	Small	Large	Large
	Rising raw material prices	• Increase in procurement costs due to rising raw material prices in response to decarbonization	• Reduce the amount of materials used, consider expanding/consolidating raw material sources, and continue to negotiate price revisions with customers in response to rising raw material prices	Medium	Large	Large
	Changes in evaluations by investors	• Decarbonization, rating decline for companies that don't disclose information	• Promote decarbonization • Enhance disclosure and promote dialogue with stakeholders	Small	Medium	Medium
Physical risk (4°C scenario)	Intensification of abnormal weather	• Heavy rainfall and flooding due to extreme weather conditions, resulting in damage to supplier sites and production facilities, and reduced sales opportunities due to plant shutdowns	• Implementation of disaster countermeasures for buildings, equipment, etc. • Assess risks at key supplier sites and production sites and revise ongoing business continuity plans (BCP)	Small	Medium	Large
	Rise in average temperature	• Increased frequency of heatstroke among employees (mainly field workers) due to rising temperatures affects factory operations and reduces sales opportunities	• Implement measures for hot workplaces (Thorough compliance with equipment, air conditioning, and employee physical condition management)	Small	Medium	Large
Opportunity (1.5°C scenario/ 4°C scenario)	Increase in demand for renewable energy	• Sales increased along with increased demand for sliding bearings for offshore wind power generation due to increased demand for wind power generation	• Continued market development of sliding bearings for wind power generation • Promote development of next-generation wind turbine element technology to cope with the growing size of wind turbines	1.5°C 4°C	Small Small	Large Medium
	Progress in shift to EVs	• Sales increase due to increased demand for products for ZEVs* as development progresses	• Development and sales expansion of products for EVs (Aluminum die-cast products, products for water pumps, products for air conditioners, etc.) • Entry into the market by repurposing our company core technology, such as tribology-driven sliding parts (E-axis, etc.)	1.5°C 4°C	Small Small	Large Medium
	Increase in demand for bearings for vessels	• Sales increased due to increased demand for bearings for internal combustion engines as a result of a shift to alternative fuels in response to decarbonization	• Expand and strengthen alternative fuel-compatible products	1.5°C 4°C	Small Small	Medium Medium
	Growing demand for CN fuel-powered internal combustion engines	• Sales increased due to increased demand for bearings for internal combustion engines in automobiles using CN fuel derived from renewable energy, etc. (hydrogen engine, biofuel engine, etc.)	• Information gathering, technology development and PR on internal combustion engines using CN fuel • Sales expansion of bearings for biofuel engines	1.5°C 4°C	Small Small	Medium Medium
	Increase in demand for air conditioning equipment	• Increased sales due to increased demand for bearing products for air conditioning systems due to rising temperatures • Sales increased due to demand for bearings for bearing-less compressors, which became necessary as a result of the change to a refrigerant with a lower global warming potential.	• Active information gathering on demand trends and steady orders for target products • Sales expansion of bearings that can perform under refrigerant conditions	1.5°C	Small	Medium
				4°C	Small	Medium
				4°C	Small	Large

* ZEVs (Zero-Emission Vehicle): Battery electric vehicles (BEVs) and fuel cell vehicles (FCV) that do not emit carbon dioxide or other exhaust gases when running

[Policy on climate change risks and opportunities]

The Group will use scenario analysis to identify medium- to long-term risks and opportunities, analyze the impact of its management strategy and financial position, and take measures to respond appropriately to risks, strengthen its competitiveness against opportunities, and acquire new business opportunities. The results will be disclosed and reported to stakeholders through media such as the Company website and corporate reports.

[Future direction of management]

As the shift to EVs accelerates in the automotive industry, our mainstay business, we have established a New Business Promotion Division so that we can respond more quickly than before to such major changes in the business environment, and also to powerfully advance our efforts to create and foster new business. While making progress on the shift toward EVs, we are also working to connect the needs of the automotive industry to new businesses, including initiatives for vehicles powered by internal combustion engines that use carbon neutral (CN) fuels such as hydrogen. Aside from these efforts, we are also advancing initiatives that make the most of our existing products and technologies by, for instance, expanding sales of specialized bearings for facilities that manufacture motors and other EV components.

We are also making the most of our core technologies cultivated over many years, and as a contribution to green energy, are continuing to actively develop the market for bearings for wind power generation, for which demand is expected to grow in the renewable energy field. In January 2022 we were selected for a next-generation wind turbine technology development project (wind turbine main bearings using hydrodynamic bearings) under the Japanese Government's Green Innovation Fund Project of the New Energy and Industrial Technology Development Organization (NEDO). Based on the development of next-generation wind turbine technology to cope with the growing size of wind turbines, this project aims to reduce the cost of offshore wind power generation, mainly floating wind turbines, which can be installed in deep sea areas. Through this project, we will contribute to the social implementation of offshore wind power generation and the realization of carbon neutrality by 2050.

We will continue to enhance our profitability (increase in sales and share) by refining existing business while responding to changes in the business environment by creating and fostering new business.

Risk Management

The Company has established policies on the Group-wide risk control and management system, and appropriately manages various risks surrounding its business through the collection of information by the Risk Management Committee that is chaired by the President. The Risk Management Committee is held at least twice a year to set priorities for risks that may have a significant impact on the realization of sustainable management in the Group, taking

into account the likelihood that risks will materialize and the degree of impact they will have on our business. We promote measures to mitigate risks based on priority and strengthen risk control. We have identified priority risks such as climate change risks and risks caused by natural disasters and accidents, and the risk management department in charge is responsible for overseeing the risk management of the Group companies.

Risk Management

https://www.daidometal.com/sustainability/risk-management/?ignore_ip=1



[Metrics and targets]

Based on the recent increase in environmental awareness and the Japanese government's efforts to achieve carbon neutrality by 2050, the Group has formulated its Carbon Neutral Policy. In order to fulfill our responsibilities as a member of global society, we aim to achieve carbon neutrality (net-zero CO₂ emissions) by 2050 throughout our Group as a whole. Specifically, we are moving ahead with energy conservation and expanding our use of renewable energy while bringing greater visibility to CO₂ emissions at each of our business sites, plants and facilities. We are advancing these efforts by focusing our priorities and our targeting after we calculate costs such as measures applied to facilities and equipment.

We will also work with our business partners to bring about reductions not just of our own CO₂ emissions (Scope 1 and 2), but those of the whole supply chain (Scope 3).

Carbon Neutral Policy

https://www.daidometal.com/sustainability/carbon-neutrality/?ignore_ip=1



Environmental Initiatives

https://www.daidometal.com/sustainability/environment/?ignore_ip=1



DAIDO METAL's Carbon Neutrality

Having recognized that addressing climate change is an important management issue (Materiality), the Group aims to become carbon neutral by 2050 in order to contribute to a sustainable global society.

[Basic Idea]

In order to achieve net-zero CO₂ emissions by 2050, the Group will incorporate such measures as energy savings, the use of renewable energy, and the promotion of innovation into its action plan. We will promote concrete initiatives aimed at reducing CO₂ emissions in a step-by-step manner with the aim of realizing a sustainable society and Group.

[Major Initiatives]

Environmental Initiatives ⇒ Page 36-37

Corporate Governance

Corporate Governance Structure

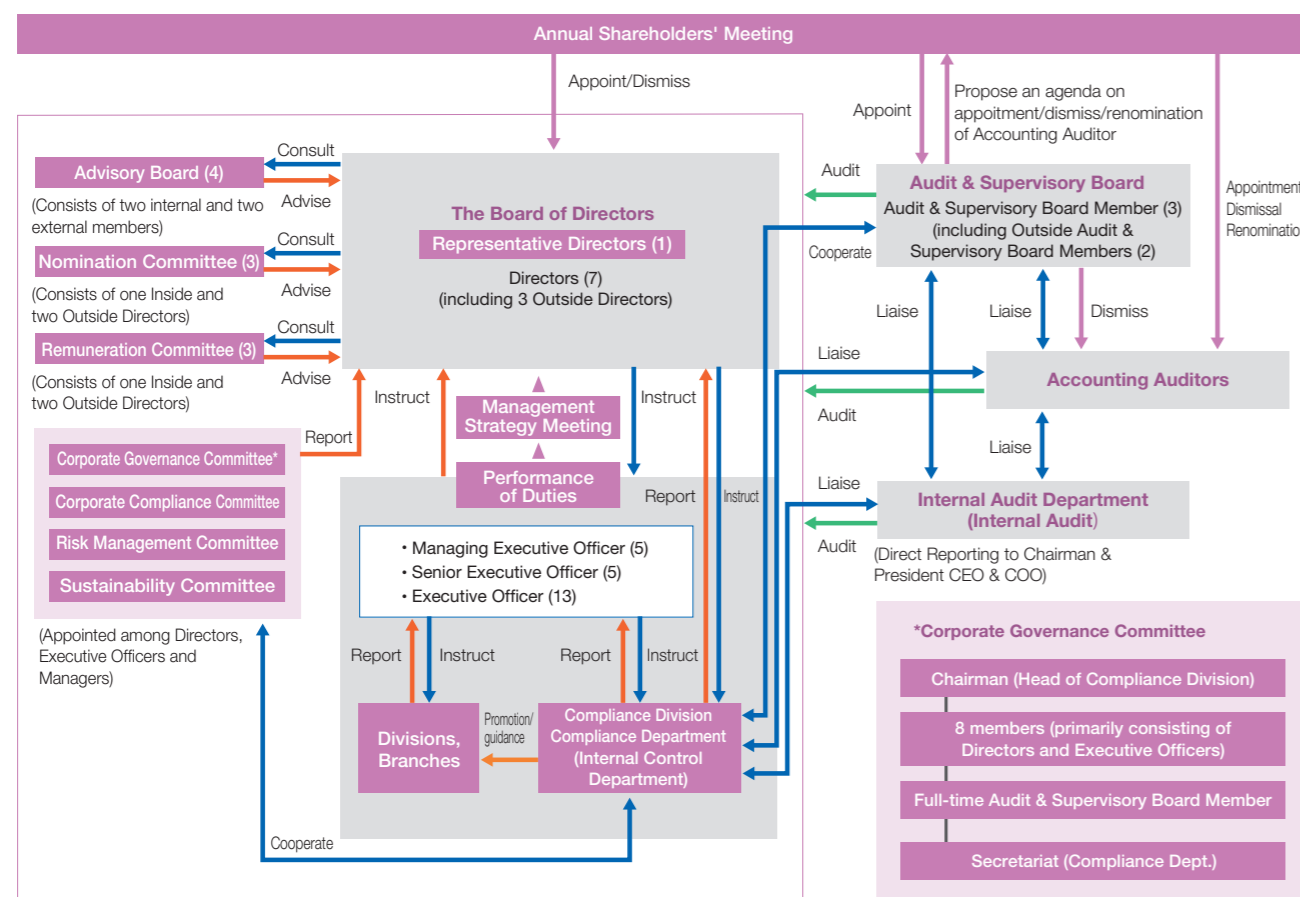
The Company has adopted a Board of Directors structure as part of the continuing effort to earn the trust of shareholders, customers, employees and other stakeholders, by pursuing a future of sustainable growth and endeavoring to increase corporate value over the medium and long term. In addition, an Executive Officer system has been introduced in order to further increase management efficiency, and the Company has appointed Outside Directors and Outside Audit & Supervisory Board

► **Organizational structure for corporate governance** (as of July 1, 2023)

Members to oversee and supervise the other Directors with the aim of enhancing transparency, fairness and propriety.

The Company has established a Corporate Governance Committee, which will take responsibility for setting basic policies related to the governance of the Company. In addition, it has introduced an effectiveness evaluation system for the Board of Directors, and continues to improve its operation based on the results.

The Company's approaches to governance are described in detail in the Corporate Governance Report issued in July 2023.



Board of Directors

Board of Directors will decide on the execution of the Company's business operations, and oversee the performance of individual Directors. Actual execution of the business operations is delegated to Executive Officers or employees.

FY2022 results: 15 meetings held

Audit & Supervisory Board

Audit & Supervisory Board (3 members) will audit the business execution of Directors. The Audit & Supervisory Board consists of three members, one full-time and two outside members to maintain management transparency. FY2022 results: 15 meetings held

Management Strategy Meeting

Other than the Board of Directors meeting, a “Management Strategy Meeting” is held once or twice each month, where important management issues such as management policy and Mid-Term Business Plan are discussed with the presence of Inside Directors and the full-time auditor.

FY2022 results: 15 meetings held

In addition, the following system has been adopted in order to strengthen and speed up decision-making functions by establishing management meetings for different purposes.

▶ Executive Committee List

Name	Purpose	Chairman	Period
The Board of Directors	The Board reports, deliberates, and makes decisions on important matters relating to overall management and business execution in accordance with the corporate laws and the rules of the Board of Directors.	Chairman	Once a month (twice in May, November, and February)
Management Strategy Meeting	① Deliberation and decision on proposals to be submitted for deliberation by the Board of Directors ② Decision on business execution authorized by the Board of Directors ③ Report opinions on matters consulted by the Chairman and President ④ Report on important matters such as various projects	Chairman	Once or twice a month
Departmental Heads Meeting	① Thoroughly disseminating management policies, management plans, and other matters ② Thoroughly disseminating temporary measures such as emergency profit measures ③ Decision on business execution authorized by the Board of Directors ④ Reporting opinions on matters consulted by the Chairman and President	President	Once a month (excluding April and October)
Extended Quality Control Committee	In order to ensure thorough implementation and deployment of quality-related company policies, the Committee shall report on quality results and audit results, and determine the direction of development of priority QC for the next fiscal year.	President	Once a year (November)
Profit Improvement Committee	Makes plans and reports results on earnings improvement, thoroughly implements the company policy, and promotes earnings improvement results.	President	Four times a year (May, early August, November, early February)
Company-wide Environmental Committee	Deliberates and decides on environmental policies and implementation plans. Reports on the implementation of each company and division and deliberates on it.	Head of Human Resources Planning Div. (Officer in charge of Environmental & Safety Management Dept.)	Twice a year (September, March)
Risk Management Committee	In order to appropriately manage various risks in the Group's business activities, the Committee supervises the initiatives of each risk management department and the risk management of the Group as a whole.	President	Twice a year (September, March)
Corporate Ethics Committee	In order to strengthen and improve the compliance system, the Committee shall deliberate on matters related to compliance as a whole.	Head of Compliance Division	Twice a year (September, March)
Corporate Governance Committee	Deliberates on various governance matters in the Company and advises the Board of Directors.	Head of Compliance Division	Twice a year (May, March) * As needed
Sustainability Committee	Deliberates and discusses initiatives to solve issues related to sustainability (CSR, ESG, SDGs) activities.	President	Twice a year (September, March) * A meeting is to be held as needed

“Nomination Committee” and “Remuneration Committee”

The Company receives comments from the optional Nomination Committee on the nomination of candidates for Director aimed at ensuring management objectivity and transparency, and the Board of Directors passes a resolution on nominations after explaining the reasons for them. In addition, with the same aim, the Board of Directors makes decisions on the remuneration etc., of Directors after

receiving comments from the optional Remuneration Committee.

The Nomination Committee and the Remuneration Committee are optional advisory committees whose main members are independent Outside Directors. The Head of Human Resources Planning Division is in charge of secretariat work.

The outlines of the Nomination Committee and the Remuneration Committee are as follows.

Nominating Committee	Remuneration Committee
<p>Deliberates on the following matters and determines the content of reports to the Board of Directors.</p>	
<p>[Authority and role]</p> <ol style="list-style-type: none"> (1) Verification of the composition, operation and skills of the Board of Directors (2) Verification of the current standards for appointing Directors (3) Consideration and recommendation of candidates for Outside Director (4) Proposal of the appointment and dismissal of Directors etc., to be proposed at a General Meeting of Shareholders (5) Succession plan (6) Other matters concerning the nomination etc. of Directors etc., considered to be by the Nomination Committee to be necessary 	<p>[Authority and role]</p> <ol style="list-style-type: none"> (1) Policy for determination of the remuneration etc., of individual Directors (2) Procedures for determination of the remuneration etc., of Directors (3) Remuneration levels and the percentage composition of remuneration (fixed remuneration, performance-linked remuneration, non-monetary remuneration, etc.) in the “Standards for Directors’ Remuneration, etc.” (4) Verification and operation of the design and mechanism of performance-linked remuneration (5) Proposals on the total amount of Directors’ bonuses to be submitted to a General Meeting of Shareholders (6) Proposals to the Board of Directors regarding the individual remuneration of Directors (7) Other matters concerning the remuneration etc. of Directors considered by the Remuneration Committee to be necessary

Member names and attendance in FY22

Position		Title	Nominating Committee	Remuneration Committee
Chair	Seigo Hanji	Chairman & President & CEO & COO	2/2 times	2/2 times
Committee member	Toshikazu Takei	Independent Outside Director	2/2 times	2/2 times
Committee member	Kiyotaka Hoshinaga	Independent Outside Director	2/2 times	2/2 times

FY22 consultation status

Nominating Committee (Held twice)	<ul style="list-style-type: none">About the Board Skill MatrixOfficer Structure in FY2023About Succession Plans
Remuneration Committee (Held twice)	<ul style="list-style-type: none">Total amount of bonuses paid to directorsCompensation by individual directorVerification and operation of performance-linked compensation design and structure

View on the Independence of the Committees' Composition

The Nomination Committee and the Remuneration Committee are composed of three or more Directors selected by resolution of the Board of Directors, and the majority of members are Outside Directors, thereby ensuring independence.

Reasons for appointment as outside director

Title	Name	Reasons for appointment	Attendance at Board of Directors meetings in FY2022
Outside Director	Toshikazu Takei	Mr. Toshikazu Takei has long been 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. The Company has appointed him as an Outside Director in the belief that he will continue to oversee and supervise the management of the Company based on such experience and insight.	15/15 times
	Kiyotaka Hoshinaga	After serving as a university professor, Mr. Kiyotaka Hoshinaga served as a hospital director and university president, and is currently chairman of a university's board of directors. He has extensive knowledge and experience gained through involvement in management of a hospital and a university. The Company has appointed him as an Outside Director in the belief that he will continue to oversee and supervise the management of the Company based on such knowledge and experience.	15/15 times
	Miyuri Shirai	Ms. Shirai has held various positions such as university professor and researcher, and is currently a university professor. She has been researching consumer behavior and marketing. The Company has appointed her as an Outside Director in the belief that she will oversee and supervise the management of the Company based on such knowledge and experience.	12/12 times
Outside Audit & Supervisory Board Member	Kazuo Matsuda	In addition to being well-versed in finance and international operations that he has cultivated over many years at a financial institution, he also makes use of his knowledge and experience as a director and executive officer of other operating companies. He has sufficient insight to govern the overall management of the Company. The Company has elected him as an outside Audit & Supervisory Board Member in order to continue to audit the Company's management based on his knowledge, experience, and insight.	Board of Directors 15/15 times Board of Corporate Auditors 15/15 times
	Etsuaki Yoshida (New Appointment)	Mr. Yoshida has acquired a thorough knowledge of finance and international affairs cultivated through his many years of service at public financial institutions, and his many years of research into international finance, economics and global management as a university professor. We have elected him as an Outside Audit & Supervisory Board Member to audit the company's management based on his knowledge, experience, and insight.	—

Implementing Board of Directors Effectiveness Evaluations

The Company operates a continuous program for the annual evaluation of the effectiveness of the Board of Directors with the aim of both checking that the Board of Directors is being managed effectively and providing a foundation for improving the issues extracted.

In the survey conducted in FY2022, there was room for further improvement in executive training for the purpose of acquiring necessary knowledge and deliberations on diversity within the Company, and we will continue to review the results.

Policy for Appointing Members of the Board of Directors

The election and nomination of candidates for Director, Auditor and Executive Officer are based on the election standards established in internal regulations, and take into consideration work experience, management sense, leadership, personality, ethics, health, etc., and candidates for Director are discussed and determined by the Board of Directors after receiving comments from the Nomination Committee. Candidates for Audit & Supervisory Board Members are nominated with the prior consent of the Audit & Supervisory Board.

The dismissal of Directors, Audit & Supervisory Board Members and Senior Management is also resolved at the Board of Directors, as prescribed in the Company's rules on dismissal, considering how much the behavior of the person in question damages the Company's credit and corporate value, or whether the person in question is still fit and proper vis-à-vis the Company's selection criteria.

Executive Remuneration

The Company has established a policy for determining the details of remuneration, etc. for individual Directors (hereafter, the policy), and the method and outline of the policy are as follows.

[Method for determining the decision-making policy]
Pursuant to the standard for Directors' remuneration, the basic policy of Directors' remuneration and its level is to attract and retain personnel suitable for the role of a Director of the Group, to serve effectively as an incentive for increasing motivation to enhance business performance, corporate value as well as morale.

To help keep its business management transparent, the

Company has set up a Remuneration Committee composed of three or more Directors (the majority of whom must be Outside Directors) appointed by resolution of the Board of Directors. In light of comments from the Committee, the Board of Directors deliberates on and decides details of the decision-making policy.

[Outline of details of the decision-making policy]
Directors' remuneration consists of "monthly remuneration," "bonuses," and "stock-based remuneration." However, for an Outside Director, in order to ensure independence and neutrality, the "monthly remuneration" consists of only a "fixed component."

Composition of executive compensation

Type of Reward	Monthly Remuneration		Bonuses	Stock Compensation
	Fixed remuneration	Consolidated performance-linked compensation		
Subject of compensation	Director	Directors (excluding Outside Directors)	Directors (excluding Outside Directors)	Directors (excluding Outside Directors)
Details of compensation	Standard Amount of Payment (Fixed Amount)	the base payment amount that will increase or decrease proportionally in line with the rank, consolidated net sales and net income ratio for the previous consolidated fiscal year;	Determined based on a table of payment standards that will increase or decrease proportionally in line with the rank, consolidated net sales and net income ratio for the previous consolidated fiscal year	Each director (Excludes outside directors.) based on the share delivery rules established by the Board of Directors in advance, points (one point equals one share of our company stock) to Points granted to each director consist of a "performance-linked portion" that is linked according to the position and the degree of achievement of the performance targets in the medium-term management plan, etc., and a "fixed portion" that is determined according to the position and not linked to the degree of achievement of the performance targets in the medium-term management plan, etc.

Officer Training - Attending a Human Rights Seminar

As part of our officer training, we held a webinar for Outside Directors regarding human rights in December 2022. The webinar was attended not only by Directors, but also by Executive Officers and Group company representatives, providing an opportunity to learn about the basics of human rights and examples of human rights initiatives. Moving forward we will regularly make similar efforts as we promote human rights initiatives throughout our Group.

Cross-Shareholdings

The Company, being an independent company, is not affiliated with any particular corporate group, and thus it is necessary to maintain long-lasting, good relationships with business partners to continue its business.

From this perspective, the Company believes that these holdings provide certain benefits to its business. Every year the Board of Directors will assess the situation of each cross-shareholding, evaluating the financial return during the previous year against our cost of capital, considering our business relationship or our contribution to local communities or to preservation of Japanese traditional culture. If it is recognized that there is no business relationship or a limited business relationship with the Company, the Company will consider reducing its shareholding by selling shares on the stock market, etc.

Messages from Outside Directors



Miyuri Shirai

Toshikazu Takei

Kiyotaka Hoshinaga

Deepening discussions on strengthening growth strategy and the appropriateness of business strategy by making the most of outside perspectives

Toshikazu Takei
Outside Director

We are the top manufacturer of plain bearings, and in particular, we enjoy the world's largest share of the market for half bearings used in automotive engines.* However, a company cannot grow simply by continuing its existing businesses. It is from this perspective that we are now supplying bearings for wind power generation, and pursuing other plans such as entering the aluminum die-casting business for EVs. As an Outside Director, I would like to take our discussions deeper than before, applying my outside perspective to the strengthening of our growth strategies through these new business efforts, and to the appropriateness of our business strategies, including those of our existing businesses. It goes without saying that the most important factor in a company's growth is securing and developing what we call "human resources." The Nomination Committee and the Remuneration Committee will be responsible for keeping an eye on the construction and development of this kind of human resources portfolio. Moreover, I intend to take a long-term perspective from the standpoint of sustainability management to check on whether the direction that management takes amid our changing social environment leads to contributions to society.

I think that if a company is to grow sustainably, it must lead the way in working to solve social issues. Our Company is among those that make proactive efforts in each of these areas, such as climate change and the carbon neutrality it entails, diversity initiatives, and legal

compliance. Of these areas, diversity is one in which I believe the depth and breadth of a company's ability to hold onto highly skilled people of varied nationalities and backgrounds without regard to gender is the key to its ability to achieve sustained growth globally.

Regarding my impression of the Company, I would say it has an open workplace atmosphere, with many people who are serious about what they do. The technical staff in particular gave me the impression of taking pride in their company's technology. The distinctive characteristics of these Executives and workers are among the company's major strengths. I hope that you will redouble the constructive spirit with which you take on challenges, and rebound against the pressure that the rising energy and raw material costs are putting on profits in the wake of the COVID-19 pandemic. In doing so, on-site workplace capabilities are going to be crucial. This is because discovering new customers and persisting in cost reduction practices emerge at the front lines, on the ground in our plants and sales offices. Starting from a single company in the Central Japan region, we quickly spread business sites around the world, achieving rapid global expansion. Because of this, we have come to feel a major impact from global political and economic developments. Inflation, high interest rates, and increasing geopolitical risks are intensifying the severity of our global environment. I want to overcome these challenges by addressing them flexibly and appropriately to bring about our next stage of growth.

My aim is to develop the company further by expressing opinions that I think are of benefit to our Company from the perspective of another industry.

Kiyotaka Hoshinaga
Outside Director

Founded in 1939, our Company continued its development, becoming the world's leading manufacturer of sliding bearings for automobiles and ships. In Japan, we have more than a dozen plants, business sites and consolidated subsidiaries, including not just our sites in Aichi and Gifu Prefectures, but also in Chiba, Saitama, and Saga Prefectures, and Tokyo. Globally, we are a major corporation with sales exceeding 100 billion yen and a workforce of 6,900 employees on a consolidated basis, with sales bases in 15 countries in North America, Asia, and Europe. However, as the major advanced nations shift course toward decarbonization, progress in the conversion to EVs has been rapid, and the future of demand for our mainstay plain bearing products in the automotive industry in Japan, a key domestic industry, has become uncertain. Various factors of a worsening business environment also exerted an exceedingly negative impact on our operations, including Russia's invasion of Ukraine, rising raw material and utility costs, and plant closures in various countries due to the COVID-19 pandemic.

I have served as an Outside Director since 2017, and was originally the director of a private-sector educational corporation which operates the hospital with the largest number of acute care beds in Japan as well as a medical university, so I pursue resolute risk management and

reliable profitability as the most important goals in my work. I think that what manufacturing has in common with hospital and school management is that in the former we produce precise, durable, high-quality products so that customers can feel satisfied, and in the latter, we are sincere with patients and students, providing loving care and education so that they can feel a high degree of satisfaction when they leave the hospital or graduate.

In our Mid-Term Business Plan, we put forward four pillars as key items to be implemented on the way to increasing our corporate value through ESG management, and I think that the second of these pillars, creating and fostering new businesses, is the most important. In particular, I believe that we will determine the value of our Company's existence in the future by expanding our product offerings for EVs, establishing our business for wind power generation bearings, and developing a range of products in new fields.

As an Outside Director, I intend to express opinions at the Board of Directors by which our Company can benefit from the perspective of a different industry. In my statements, I will pay attention to the approach we take to compliance as one of Japan's leading companies. I also look forward with anticipation to seeing all of our employees show the "Raise Up 'Daido Spirit,'" making continued progress in developing the company further under the "All Daido" spirit.

I will support the practice of sound management by offering opinions with objectivity and specialized expertise, and by engaging fully in our deliberations.

Miyuri Shirai
Outside Director

In July 2022 I was appointed to my second year as outside director of our Company. I believe that my role is to do my part, however minor, to support the practice of sound administration by keeping a close eye on management from an outside perspective, offering my opinions on our management policies and strategies with objectivity and specialized expertise, and by engaging fully in our deliberations. I intend to do my utmost for the sake of our sustained growth and development.

The strength of our Company lies in the fact that we have built up a solid foundation with our core plain bearing business. Based on our basic philosophy that "Quality is Life," we have leveraged sophisticated technology to provide products of superb quality, thereby successfully expanding our market share in various areas, gaining major shares of both domestic and international markets. I also think that our Corporate Philosophy, which expresses the Company's mission, heart, origins, purpose and aspirations, has a positive impact on our employees' motivation and behavior, as it represents sincere, future-oriented thinking with an emphasis on our relationship to our stakeholders and on our development as a Company. I feel that our new business initiatives are due in large part to the dissemination of this Corporate Philosophy, including the manufacture and sale of aluminum die-cast products in response to the shift toward EVs, and our business of developing technologies for environmentally friendly wind power generation. I genuinely sense that our Company is serious about

putting these philosophical principles into practice, and I value this as another of our strengths.

We have now entered the final year of our Mid-Term Business Plan, and are seeing drastic changes in business conditions resulting from various developments that we could not have foreseen when the Plan was formulated, resulting in a downturn in profits in some of our business operations. Moving forward, I think we are going to be pressed to come up with flexible organizational capabilities that enable us to discern key management issues, efficiently carry out the process of determining and implementing appropriate solutions, and respond quickly to changes in our environment. I also think that in these times of drastic change, it is going to become all the more necessary for us to enhance our applied capabilities, such as by adopting new and different approaches, while we discover new businesses in which we can leverage the core technologies of our main business.

Our top management takes a positive attitude toward change, viewing it as a source of opportunity, and I believe this bold and enterprising attitude will boost the morale of the whole company as a driving force behind the advancement of our business. Another advantage of ours lies in the technological, R&D, quality, and human resources capabilities that we have cultivated, as well as the global network we have built. I look forward to seeing us make ever-greater strides forward as we leverage these strengths to keep overcoming various difficulties and taking on challenges.

List of Officers (as of 1 July 2023)



Seigo Hanji
Chairman and President,
CEO and COO

April 1965 Joined the Company
April 1993 Deputy General Manager of Business Division 3
June 1993 Director
June 1995 President
June 2007 Chairman (current)
June 2010 Outside Director of Nichirei Co., Ltd.
May 2018 Executive of Japan Auto Parts Industries Association (current)
April 2023 Chairman and President, CEO and COO (current)



Yoshiaki Sato
Director and Managing Executive Officer
Head of Compliance Division, Head of EV Shift & Carbon Neutral Response Division

April 1979 Joined the Company
April 2010 President of Daido Metal Czech s.r.o.
April 2012 Head of Technology Division
April 2017 Head of Thinwall Bearings & Turbocharger Bearings Division
June 2019 Director (current)
April 2021 Head of Technology Division
July 2021 Head of Technology Division and General Manager of Inuyama Site
April 2022 Head of Compliance Division, Head of EV Shift & Carbon Neutral Response Division and General Manager of Inuyama Site
April 2023 Head of Compliance Division, Head of New Business Promotion Division, and General Manager of Inuyama Site (current)



Koji Takaki
Full-time Audit & Supervisory Board Member

October 2005 Joined the Company
April 2013 Chief, Business Management Center, Corporate/Financial Planning Division
April 2023 Audit & Supervisory Board Secretariat
June 2023 Full-time Audit & Supervisory Board Member (current)



Kazuo Matsuda
Outside Audit & Supervisory Board Member

June 1996 Senior Managing Director of Fuji Securities Co.,Ltd.
May 1997 General Manager of Kabutocho Branch of The Fuji Bank, Limited
June 2004 Managing Director of NSK-Warner K.K.
June 2009 Representative Executive Officer and Executive Vice President of NSK Ltd.
June 2011 Audit & Supervisory Board Member of the Company (current), Special Advisor of NSK Ltd., and Corporate Auditor of NSK-Warner K.K.
June 2016 Outside Director of Sumitomo Bakelite Company Limited (current) and Administration Officer of NSK Ltd.



Shigemasa Hakakoshi
Director and Managing Executive Officer
Head of Human Resources Planning Division

April 1986 Joined the Company
April 2015 Head of Polymer Bearings Division
April 2017 President of DAIDO METAL SAGA CO., LTD.
April 2019 President of Dyna Metal Co., Ltd. (Thailand)
June 2021 Director (current)
July 2021 Head of Human Resources Planning Division (current)



Arihiro Yoshida
Director and Managing Executive Officer
Head of Technology Division

April 1986 Joined the Company
January 2006 General Manager of the European Headquarters, Corporate Planning Division (UK)
July 2016 General Manager of Design Department
April 2017 Head of Technology Division and General Manager of Design Department
April 2019 Head of Technology Division
April 2021 Deputy Head of Technology Division
April 2022 Head of Technology Division (current)
June 2022 Director (current)



Etsuaki Yoshida
Outside Audit & Supervisory Board Member
[Independent Director]

April 1995 Joined Bank of Japan
April 2007 Joined Japan Bank for International Cooperation
October 2015 Specially Appointed Associate Professor, Graduate School of Asian and African Area Studies, Kyoto University
December 2019 Seconded to the Deputy Minister of the Ministry of Information and Communication of the Republic of Uzbekistan
April 2022 Professor, Doshisha Business School, Doshisha University (current)
June 2023 Outside Audit & Supervisory Board Member of the Company (current)



Tomomitsu Furukawa
Director and Managing Executive Officer
Head of Global Management for Production Machinery Division

April 1984 Joined the Company
April 2009 President, DAIDO METAL Kotor AD. (Montenegro)
January 2013 President, Daido Metal Mexico S.A. DE C.V. (Mexico)
April 2017 President, NDC Co., Ltd.
April 2019 President, Daido Plain Bearings Co., Ltd.
April 2023 Head of Global Management for Production Machinery Division (current)
June 2023 Director (current)



Toshikazu Takei
Outside Director
[Independent Director]

July 2005 General Manager of Nagoya Branch of the Bank of Japan
July 2006 Chief Representative in Europe of the Bank of Japan
July 2008 Senior Executive Advisor of Accenture Japan Ltd.
October 2012 Managing Director of Japan Center for International Finance
June 2015 Director of the Company (current)
April 2019 Chairman of The Central Council for Financial Services Information (current)



Kiyotaka Hoshinaga
Outside Director
[Independent Director]

February 2006 Deputy Director, Fujita Health University Hospital
February 2009 Director, Fujita Health University Hospital
April 2013 Managing Director, Fujita Academy Incorporated Educational Institution
April 2014 President, Fujita Health University
June 2016 Director of the Company (current)
October 2018 Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution (current)



Miyuri Shirai
Outside Director
[Independent Director]

April 1998 Assistant professor, Faculty of Business Administration, Yokohama National University
April 1999 Associate professor, Faculty of Business Administration, Yokohama National University
August 1999 Visiting scholar, The Fuqua School of Business, Duke University
May 2003 Visiting scholar, Keio Business School
June 2005 Outside Director, Nichirei Corporation
April 2009 Professor, Faculty of Business Administration, Yokohama National University
April 2011 Professor, International Graduate School of Social Sciences, Yokohama National University
April 2015 Professor, Faculty of Business and Commerce, Keio University (current)
June 2022 Director of the Company (current)

Skill matrix

Attribute		Name	Main areas of specialist experience / areas where contributions are expected in particular							
			General management	Technological development	Manufacturing (Production)	Sales, procurement	Personnel, general affairs	Finance	Legal affairs, compliance	Global experience
Director	Inside	Seigo Hanji	○			○	○		○	○
		Yoshiaki Sato	○	○	○				○	○
		Shigemasa Hakakoshi	○	○	○		○			○
		Arihiro Yoshida	○	○	○	○				○
		Tomomitsu Furukawa	○	○	○		○			○
	Outside	Toshikazu Takei	●					●		●
		Kiyotaka Hoshinaga	●				●			●
		Miyuri Shirai	●			●				●
Auditor	Full-time	Koji Takaki				●		●		
	Outside	Kazuo Matsuda	●					●		●
		Etsuaki Yoshida						●		●

* The main areas of specialist experience of Inside Directors are indicated by ○, and areas where contributions are expected in particular from Outside Directors, Full-time Auditors and Outside Auditors are indicated by ●.
* The expertise and experience described above do not represent the full knowledge of each individual.

Compliance

Basic Concept

When approaching compliance, the Group insists that employees not only uphold all laws, regulations, and company internal rules, but also abide by the rules and standards of behavior of the communities in which they operate, and as members of the Group conduct themselves with proper social norms and common sense.

The Company has created the “DAIDO METAL GROUP Performance Standards” to ensure compliance is at the heart of the execution of all company business activities and strives to keep all employees informed, and the Company has established the “Corporate Ethics Committee”, chaired by the Head of the Compliance Division, as a place to discuss various measures relating to compliance. The Company has also created a “Whistleblowing, Reporting and Consultation Scheme” as a system for discussing and reporting compliance-related matters, and is also putting in place mechanisms for the early identification of matters posing concern over infringement of compliance standards and for the protection of the person making the report.

The Corporate Ethics Committee provides the Board of Directors with regular reports on the status of compliance activities within the Group, with concerted efforts from the Group to achieve compliance management.

Compliance Training

The Company conducted a check on the level of understanding of the Code of Conduct for 3,026 employees (including temporary staff employed by a staffing agency) of the Company and its affiliated companies in Japan in November 2022, and implemented a web-based compliance test for 209 managers and supervisors in December.

In addition, in response to the revision of the Whistleblower Protection Act in June 2022, a study session on the whistleblower/report consultation system was held for 209 supervisors from June to July. We will continue to work to further improve compliance awareness and prevent corporate scandals by instilling our Group’s standards of conduct.

Publication of “Compliance Times”

In FY2020 we used the opportunity provided by the establishment of the Compliance Department within the Company to begin monthly distribution of a “Compliance Times” publication with the aim of fostering awareness of compliance among employees.

This has established itself as a useful tool for communicating general information, covering not only the field of compliance, but also a wide range of other themes, including risk management, internal control, and the SDGs.

Initiatives for Establishing and Strengthening a Global Compliance System

During the three-year Mid-Term Business Plan running from FY2020 to FY2022, the Company is establishing and strengthening initiatives for a global compliance system. In the first year, FY2020, a questionnaire survey was conducted to get a better understanding of the current

status of overseas locations, and a policy on establishing and strengthening a system was drafted. In FY2021 we conducted interviews with overseas locations to ascertain the status of management systems at affiliated companies, formulated improvement policies, and promoted the development of organizational and educational systems.

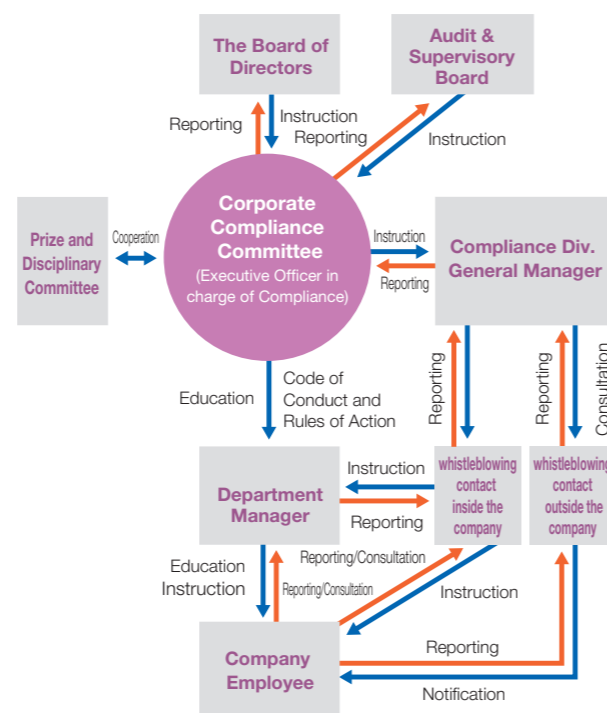
With regard to the compliance system, we encouraged each company to establish an autonomous system so that they can conduct regular self-checks, and with regard to the risk management system, we confirmed and improved the operational status of the organizational system and the system based on the results of our understanding of the current situation.

Whistleblowing/Reporting and Consultation System

Based on the DAIDO METAL GROUP Performance Standards and the Whistleblower Protection Law, we have established a Whistleblowing/Reporting and Consultation System together with our domestic affiliated companies for early detection and correction of any violation of laws, Articles of Incorporation, internal regulations, corporate ethics, and social norms. The system is made available to company employees, officers, and retirees, and both internal and an external points of contact have been set up.

Anonymous reports and consultations are accepted, and the annual numbers of whistleblowing/reporting consultations are reported by the Corporate Ethics Committee.

Operation system diagram



No. of whistleblowing/reporting and consultation cases

FY2020	FY2021	FY2022
4	6	9

Risk Management

Risk Management System

We have organized a Risk Management Committee in order to manage the risks that affect our Group, and in order to address the various risks attendant upon our business activities, we have formed an internal system for risk management through which we run a cycle of risk assessment, risk reduction measure implementation, and reporting to the Risk Management Committee and executive committees.

We are working to reinforce the risk management systems of our Group companies, and risk mitigation measures are undertaken at each site as needed. The Risk Management Committee also regularly monitors the management status of these efforts.

Risk management committee (members) As of July 2023



Risks in business operations, etc.

Top priority risks	(1) Risks related to an unstable raw material supply/demand environment (2) Risk of cyber attack, IT network and system failure
Priority risks	<div> (1) Risk of natural disaster and accident (2) Risk of product failure (3) Risk of exchange rate fluctuation (4) Risks related to global business deployment (5) Risks related to dependence on specific fields or industries (6) Risks related to price competition (7) Risk of unsuccessful new product development </div> <div> (8) Risks related to environmental regulations (9) Risks related to intellectual property rights (10) Risks related to capital investment, joint ventures, partnerships and acquisitions (11) Risks related to climate change (12) Risks related to securing human resources </div>

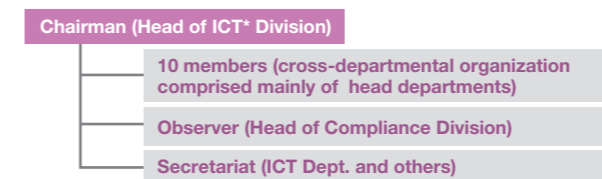
* Refer to the 115th Annual Securities Report for details on business and other risks.
https://ssl4.eir-parts.net/doc/7245/yuho_pdf/S100R3AW/00.pdf



IT Management Subcommittee

Under the Risk Management Committee, we have established the IT Management Subcommittee to promote cross-divisional information management measures. In addition to formulating Company-wide policies and supervising efforts to prevent information leaks and inbound threats, we conduct surveys on the current status of IT management systems at overseas sites, and we seek to improve the security level of the entire Group by understanding not only the technical aspects but also the actual situation in a wide range of areas, including the development of management rules and education for system users, and providing appropriate advice.

Information management subcommittee (Organizing members) as of July 2023



*Information and Communication Technology

Organizational position of the IT management subcommittee



Employee Training on Cyberattacks

In FY2022 the Information Management Subcommittee undertook efforts in the four areas of awareness-raising activities, monitoring, maintenance of regulations, and information gathering.

We have joined in the activities of the Nippon CSIRT Association, which we joined in April 2022, and have also conducted employee education using the “Cyber Security Kawaraban” system, targeted e-mail training, and inspections for radio wave information leakage. We have also specified how to respond when incidents occur, and have clarified our response system.

BCP Initiatives

Raise Awareness of BCP through Initial Action Drills

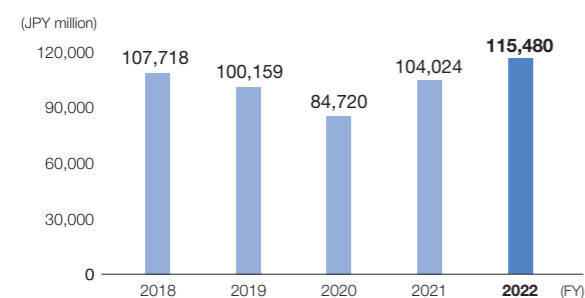
We have created a Business Continuity Plan (BCP) in the event of a disaster such as a large-scale earthquake and in addition to disaster prevention drills and BCP drills for each business site, we are conducting BCP initial response drills that simulate various disasters in each factory. These activities begin with procedures for confirming the safety of employees in the event of an earthquake, followed by decisions on prioritization and methods of recovery work in the event that the plant is damaged, and securing the necessary personnel.

By reviewing the problem areas we discover through this training, we will continue to upgrade our preparedness in order to respond appropriately if an emergency occurs.

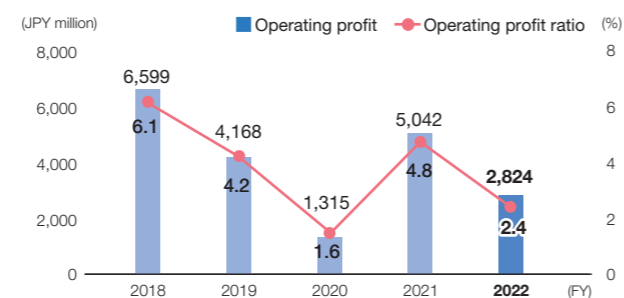
Financial and Non-financial Highlights

Major Financial Information

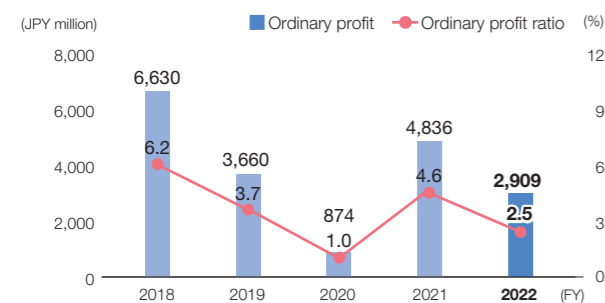
Net sales



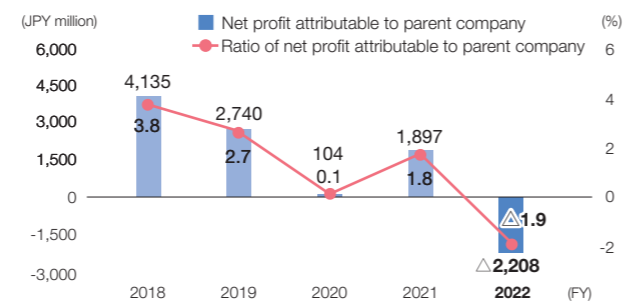
Operating profit



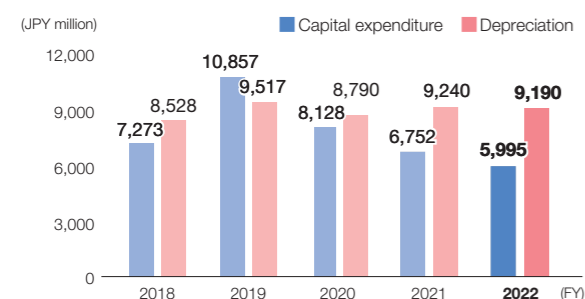
Ordinary profit



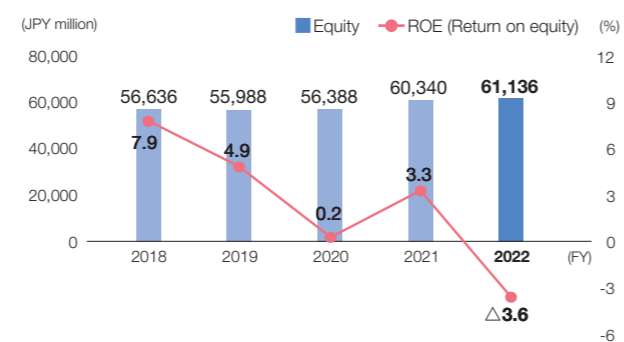
Net profit attributable to parent company



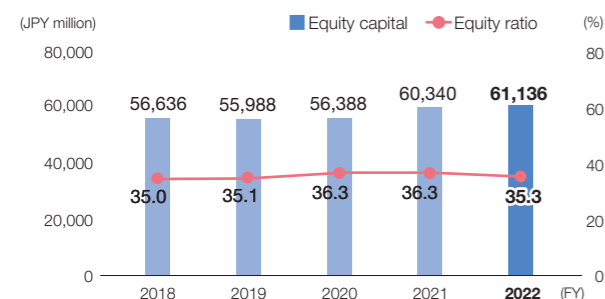
Capital expenditure / Depreciation



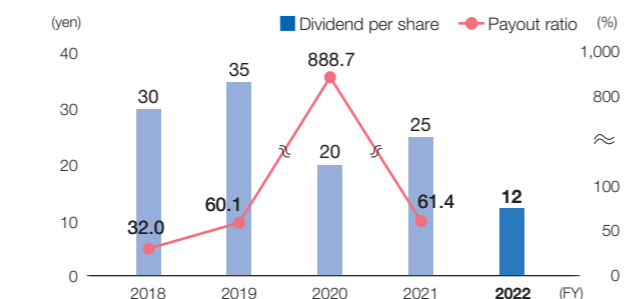
ROE (Return on equity)



Equity ratio



Dividend per share / Payout ratio

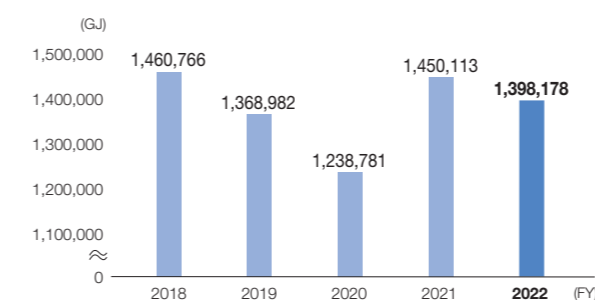


Major Non-financial Information

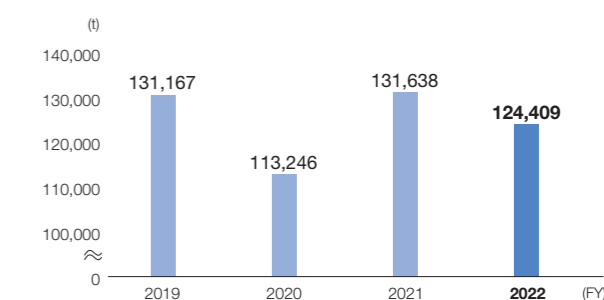
*1. Financial information, total CO₂ emissions, and employee count figures are on a consolidated basis. Figures for energy consumption include the domestic Group, and other information is shown on a non-consolidated basis (← please reflect).
*2. The figure shown for the number of employees comprises those working for the Company (excluding employees seconded to other companies but including those seconded to our Company from other companies)

E (Environment)

Energy consumption

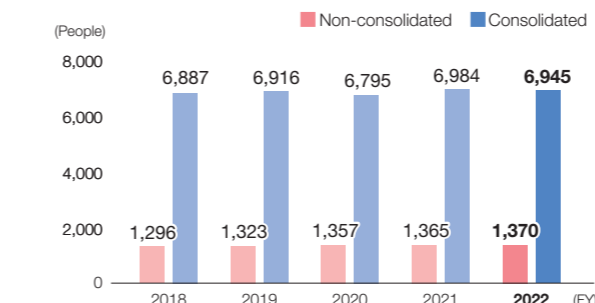


Total CO₂ emissions

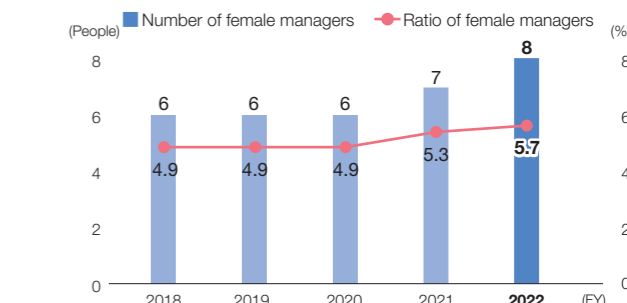


S (Society)

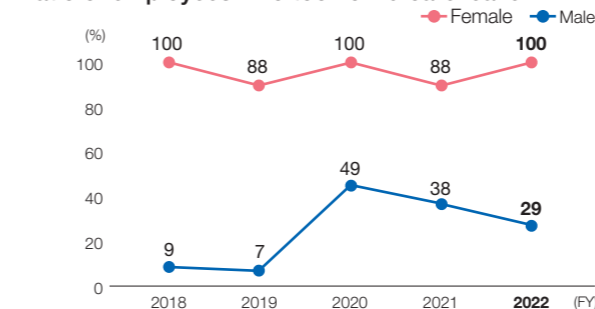
Number of employees / Consolidated number of employees



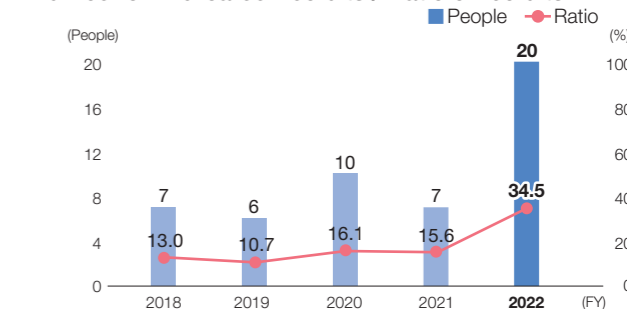
Number of female managers / Ratio of female managers



Ratio of employees who took child care leave

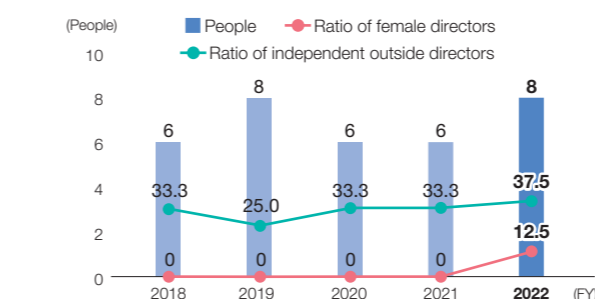


Number of mid-career recruits / Ratio of recruits

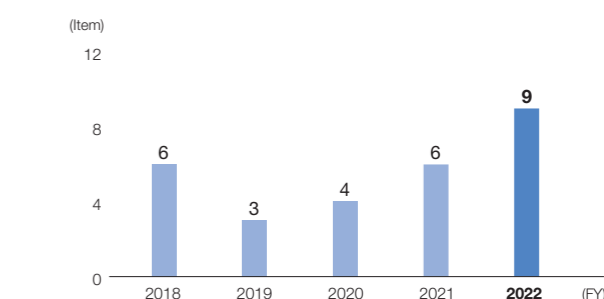


G (Governance)

Number of directors / Independent outside director / Ratio of female directors



Number of whistleblowing / Reporting consultations



10-Year Major Consolidated Financial Summary

(JPY million)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	77,350	85,015	81,400	85,073	106,648	107,718	100,159	84,720	104,024	115,480
Net sales growth rate [%]	9.1	9.9	△4.3	4.5	25.4	1.0	△7.0	△15.4	22.8	11.0
Cost of sales	56,057	62,086	58,617	63,135	78,638	80,260	74,702	65,200	77,266	89,312
Gross profit	21,292	22,928	22,783	21,938	28,010	27,457	25,456	19,520	26,758	26,167
Selling general and administrative expenses	14,000	15,339	15,878	17,238	21,381	20,858	21,287	18,205	21,715	23,342
Operating profit	7,291	7,588	6,904	4,700	6,628	6,599	4,168	1,315	5,042	2,824
Operating profit growth rate [%]	16.0	4.1	△9.0	△31.9	41.0	△0.4	△36.8	△68.4	283.2	44.0
Ordinary profit (loss)	7,986	8,084	6,586	5,023	6,826	6,630	3,660	874	4,836	2,909
Ordinary profit growth rate [%]	15.2	1.2	△18.5	△23.7	35.9	△2.9	△44.8	△76.1	453.2	△39.8
Plofit (loss) attributable to owners of parent	4,658	4,312	3,709	2,212	3,590	4,135	2,740	104	1,897	△2,208
Profit growth rate [%]	6.2	△7.4	△14.0	△40.4	62.3	15.2	△33.7	△96.2	—	△216.4
Total assets	103,867	115,944	122,146	154,330	160,065	161,881	159,539	155,176	166,155	173,317
Inventries	15,907	18,211	18,348	22,566	25,800	27,539	28,207	25,528	33,545	37,008
Current assets	51,353	58,165	59,228	67,147	70,857	78,142	78,781	75,242	85,928	94,054
Non-current assets	52,513	57,778	62,918	87,182	89,207	83,739	80,758	79,934	80,227	79,262
Current liabilities	32,056	37,355	40,337	73,515	66,163	57,885	61,816	57,452	65,414	68,723
Non-current liabilities	25,595	26,083	30,434	28,899	36,754	38,742	33,554	33,185	32,045	34,140
Equity	38,426	42,992	43,201	44,181	48,559	56,636	55,988	56,388	60,340	61,136
Equity Ratio [%]	37.3	37.4	35.4	28.6	30.3	35.0	35.1	36.3	36.3	35.3
Net assets	46,216	52,504	51,374	51,915	57,147	65,253	64,168	64,538	68,695	70,454
Interest-bearing debt	27,892	30,966	37,506	63,312	65,801	59,417	59,687	58,469	57,129	61,933
Earnings per share:[YEN]	116.97	108.29	93.17	55.56	90.16	93.72	58.22	2.25	40.70	△47.05
Book-value per share:[YEN]	964.90	1,079.74	1,085.02	1,109.64	1,219.61	1,191.85	1,212.66	1,213.08	1,289.96	1,297.76
Dividend per share:[YEN]	17.00	20.00	26.00	30.00	30.00	30.00	35.00	20.00	25.00	12.00
Operating cash flows	13,133	9,605	9,372	9,801	11,186	11,709	12,822	10,098	13,207	5,003
Investing cash flows	△10,019	△9,469	△13,364	△30,821	△12,331	△5,462	△7,297	△7,043	△8,072	△6,345
Financing cash flows	△1,016	626	4,989	20,679	△53	△746	△3,553	△3,098	△5,076	790
Cash and cash equivalents at fiscal year-end	11,427	12,595	13,376	12,827	11,866	17,127	19,170	18,637	18,868	18,955
Free cash flows	3,113	135	△3,991	△21,019	△1,145	6,247	5,524	3,054	5,135	△1,341
Return on assets (ROA) [%]	4.7	3.7	3.0	1.4	2.2	2.6	1.7	0.1	1.1	△1.3
Return on equity (ROE) [%]	13.0	10.6	8.6	5.1	7.7	7.9	4.9	0.2	3.3	△3.6
Capital expenditure	10,838	10,597	14,802	12,329	8,694	7,273	10,857	8,128	6,752	5,995
Depreciation	5,027	5,744	6,259	6,751	8,795	8,528	9,517	8,790	9,240	9,190
R&D expenses	1,319	1,559	1,667	1,821	1,923	2,047	2,105	1,971	1,934	2,205

Free cash flows = Operating cash flows + investing cash flows
 ROA = Profit attributable to owners of parent / Average total assets
 ROE = Profit attributable to owners of parent / Average equity

[Notes] • Figures presented are rounded down to JPY million, and ratios are founded off.
 • The company applied the "Partial Amendments to Accounting Standard" for Tax Accounting Standards Board of Japan Statement No. 28, February 16, 2018) from FY3/2019. The figures for FY3/2018 are adjusted retrospectively to reflect the aforementioned standard.
 • Effective from the beginning of FY3/2020, the Company changed accounts regarding proceeds from disposal of scraps, and the results for FY3/2019 show the figures after the change is applied retrospectively.

ESG Data

Environmental Data

			FY2018	FY2019	FY2020	FY2021	FY2022	Unit	Aggregation period
CO ₂ Emissions	CO ₂ Emissions	Consolidated	—	131,167	113,246	131,638	124,409	t	Fiscal year
	Scope 1	Consolidated	—	27,161	21,903	27,686	24,686		
	Scope 2	Consolidated	—	104,006	91,344	103,952	99,723		
	Scope 3*1	Non Consolidated	—	—	—	248,406	283,460		
*1 Scope 3 categories are categories 1,2,3,4,5,6,7									
Energy Consumption*2	Total energy consumption	Groups in Japan	1,460,766	1,368,982	1,238,781	1,450,113	1,398,178	GJ	Fiscal year
	Electricity		120,377	114,005	102,739	119,426	116,431	MWh	
	Breakdown: Renewable Energy Consumption (Electricity)		—	—	—	—	2,162		
	Diesel fuel		—	—	—	11	12	kl	
	Kerosene		125	116	122	171	44		
	Gasoline		28	24	23	25	67		
	City gas		5,035	4,531	4,157	5,046	4,619	1000m³	
	LPG		521	451	408	487	490	t	
*2 Energy usage is presented in accordance with the Energy Saving Act.									
Conservation of Water Resources	Total water used	Groups in Japan	919	1,103	1,018	1,170	908	1000m³	Fiscal year
	Discharged water		862	1,068	991	1,161	837		
Management of Waste and Chemical Substances	Waste generated	Groups in Japan	2,902	2,735	2,635	3,086	3,062	t	Fiscal year
Environmental protection	Environment Conservation Costs	Groups in Japan	—	472	561	579	806	Million yen	Fiscal year

Social Data

				FY2018	FY2019	FY2020	FY2021	FY2022	Unit	Aggregation period
Status of Employees	Number of employees**3	Non Consolidated	Total	1,296	1,323	1,357	1,365	1,370	People	The end of each fiscal year
			Male	1,107	1,126	1,151	1,162	1,161		
			Female	189	197	206	203	209		
		Consolidated	Total	6,887	6,916	6,795	6,984	6,945		
			Male	5,578	5,585	5,513	5,003	4,968		
			Female	1,309	1,331	1,282	1,981	1,977		
	Average age of employees	Non Consolidated	Total	38.3	38.7	39.0	40.0	40.3	Age	The end of each fiscal year
			Male	38.9	39.3	39.7	40.6	41.0		
			Female	34.9	35.1	35.2	36.3	36.9		
	Average number of consecutive years served	Non Consolidated	Total	14.5	14.9	15.0	16.1	16.4	Year	
			Male	14.8	15.3	15.7	16.6	16.9		
			Female	12.5	12.6	12.7	13.6	13.9		
	Gender pay gap	Non Consolidated		62.9	62.7	69.8	67.4	72.7	%	
	Managers	Non Consolidated	Male	116	117	117	123	132	People	
			Female	6	6	6	7	8		
			Percentage of females	4.9	4.9	4.9	5.3	5.7		
		Consolidated	Male	263	271	262	251	370	People	
			Female	48	51	50	54	69		
			Percentage of females	15.4	15.8	16.0	17.7	15.7		

*3 The number of employees is calculated as the number of people employed by the company, excluding those seconded to outside companies, but including those seconded to our company from outside companies.

Social Data

				FY2018	FY2019	FY2020	FY2021	FY2022	Unit	Aggregation period
Recruitment	Number of new employees (new graduate and career recruits)	Non Consolidated	Total	54	56	62	45	58	People	Fiscal year
			Male	44	42	47	40	46		
			Female	10	14	15	5	12		
	New graduate recruits	Non Consolidated	Total	47	50	52	38	38	People	Fiscal year
			Male	38	39	37	33	29		
			Female	9	11	15	5	9		
	Retention rate of new graduates (within 3 years after joining the company)	Non Consolidated		96	75	85	87	86	%	The end of each fiscal year
	Number of career recruits	Non Consolidated	Total	7	6	10	7	20	People	Fiscal year
Male			6	3	10	7	17			
Female			1	3	0	0	3			
Percentage of career recruits	Non Consolidated		13.0	10.7	16.1	15.6	34.5	%	The end of each fiscal year	
Percentage of people with disabilities	Non Consolidated		Rate	2.15	2.07	2.45	2.71	2.79	%	1 June of each fiscal year
Maternity/child care/long-term nursing care leave	Employees who took child care leave**4	Non Consolidated	Total (usage rate)	13 22	12 27	21 38	19 43	15 38	People (%)	Fiscal year
			Male (usage rate)	5 9	3 7	15 49	11 38	9 29		
			Female (usage rate)	8 100	9 88	6 100	8 88	6 100		
	Employees who took nursing care leave	Non Consolidated	Total	2	2	1	1	0	People	Fiscal year
			Male	0	0	1	1	0		
			Female	2	2	0	0	0		
*4 The number of people who started taking leave in each year										
Working hours	Average overtime working hours	Non Consolidated		21.6	16.3	13.1	21.7	18.8	Hours/Month	Fiscal year
Human Resource Development	Education and training expenses per employee	Non Consolidated		83,681	97,161	39,788	69,715	70,318	Yen	Fiscal year

Governance Data

				FY2018	FY2019	FY2020	FY2021	FY2022	Unit	Aggregation period
Board of Directors and Board of Auditors	Directors	Non Consolidated	Total	6	8	6	6	8	People	After the General Meeting of Shareholders for each fiscal year
			Male	6	8	6	6	7		
			Female	0	0	0	0	1		
			Percentage of females	0	0	0	0	12.5	%	
			External Directors (independent officers)	2	2	2	2	3	People	
			Percentage of External Directors	33.3	25.0	33.3	33.3	37.5	%	
	Audit & Supervisory Board Members	Non Consolidated	Total	3	3	3	3	3	People	
			Male	2	2	2	2	2		
			Female	1	1	1	1	1		
			External Audit & Supervisory Board Members (independent officers)	1	1	1	1	1		
			Percentage of external Audit & Supervisory	33.3	33.3	33.3	33.3	33.3	%	
	Board of Directors	Non Consolidated	Frequency	16	15	13	15	15	Times	Fiscal year
			Attendance rate	100	100	100	100	100	%	
	Audit & Supervisory Board	Non Consolidated	Frequency	15	15	13	15	15	Times	Fiscal year
			Attendance rate	100	100	97.4	100	100	%	
Compliance	Number of whistleblowing incidents	Non Consolidated		6	3	4	6	9	Cases	Fiscal year

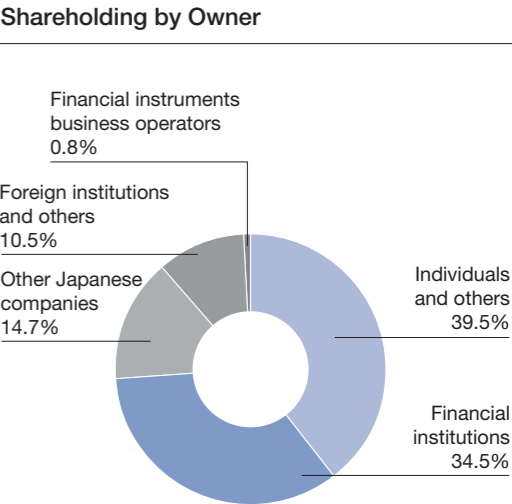
Company Information

Company Profile (as of 31 March 2023)

Established	4 November 1939		
Capital	8,413 million yen		
Number of employees	Consolidated 6,945 / Non-consolidated 1,370		
Business Summary	● Automotive Engine Bearings	● Other Automotive Parts	
	Bearings for automobiles (passenger cars, trucks, racing cars) engines, bearings for two-wheeled engines, bearings for engine accessories (turbocharger and balancer mechanisms), etc.	High-precision and high-quality parts (bending pipes, knock pins, NC cutting products, etc.) around engines and transmissions for automobiles, aluminum die-casting products for automobiles, etc.	
	● Automotive Non-engine Bearings	● Other Products	
	Bearings for automotive parts (transmissions, shock absorbers, air conditioning compressors, steering), etc.	Electrode sheet business for electric double layer capacitors, metal-based non-lubricating bearings business, pump-related products business, sound absorbing plates (CALME), real estate leasing business, etc.	
● Non-automotive Bearings			
	Bearings for low-speed (2-cycle) diesel engines, medium-to high-speed (4-cycle) diesel engines, bearings for power generation (water turbines, turbines, etc.), bearings for industrial applications (compressors, reduction gears, etc.), etc.		

Stock Information (as of 31 March 2023)

Stock Overview	
Total number of shares authorized to be issued	80,000,000 shares
Total number of issued shares	47,520,253 shares (including 1,732 shares of treasury stock)
Number of shareholders	15,356
Major Shareholders	
Name of shareholder	Number of shares held (Thousands of shares)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,570
Custody Bank of Japan, Ltd. (Trust account)	2,118
Sumitomo Mitsui Trust Bank, Limited	1,978
Mizuho Bank, Ltd.	1,977
MUFG Bank, Ltd.	1,822
Daido Metal Yueikai Stock Ownership	1,796
Daido Metal Employee Stock Purchase Plan	1,765
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,107
THE SERI WATHANA INDUSTRY CO.,LTD 703000	1,000
Marubeni-Itochu Steel Inc.	886



Global Network (As of 31 March 2023)

