

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

Securities Code 7245

June 6, 2024

To shareholders with voting rights

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

DAIDO METAL CO., LTD.

Chairman, President, and
Chief Executive Officer **Seigo Hanji**

Notice of Convocation of the 116th Annual Shareholders' Meeting

Dear shareholders,

We hereby announce that the 116th Annual Shareholders' Meeting of Daido Metal Co., Ltd. (the "Company") will be held as set forth below.

In convening this Annual Shareholders' Meeting, we have taken measures for providing information that constitutes the content of reference documents for the Shareholders' Meeting, etc. (items for which the measures for providing information in electronic format will be taken) in electronic format and presented on the following official website of the Company.

The Company's official website:

<https://www.ir.daidometal.com/stock/meeting.html> (in Japanese)

Items for which the measures for providing information in electronic format will be taken were presented not only on the above-mentioned website but also on the official website of the Tokyo Stock Exchange (TSE) and that of the Nagoya Stock Exchange (NSE).

TSE official website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

You should access the above-mentioned TSE official website (Listed Company Search), input an issue name (company name) or a code for searching, and select "Basic Information" or "Viewing Documents and Public Relations Information" to confirm the information.

NSE official website (Listed Companies)

<https://www.nse.or.jp/listing/search/> (in Japanese)

You should access the above-mentioned NSE official website (Listed Companies), input an issue name (company name) or a code for searching, and select "Timely Disclosure Information" to confirm the information.

If you are not attending the Annual Shareholders' Meeting in person, you may also exercise your voting rights in writing or via the Internet, etc. Please take the time to review the Reference Documents for the Annual Shareholders' Meeting and exercise your voting rights by 5 p.m. on Wednesday, June 26, 2024.

Yours sincerely,

Note

1. **Date and time** 10 a.m. on June 27, 2024 (Thursday)
2. **Venue** 10-19, Sakae 2-chome, Naka-ku, Nagoya, Japan
2nd Floor Hall of Nagoya Chamber of Commerce & Industry Building

- Please note the venue of the Annual Shareholders' Meeting has been changed from last year's one.
- We will not provide you with souvenirs or drinks at the Annual Shareholders' Meeting. We kindly ask for your understanding.

3. **Purpose**

- Reporting matters
1. Reporting of business report, consolidated financial statements and results of the audit of consolidated financial statements by the Accounting Auditor and Audit & Supervisory Board for the 116th fiscal year (from April 1, 2023 to March 31, 2024)
 2. Reporting of non-consolidated financial statements for the 116th fiscal year (from April 1, 2023 to March 31, 2024)

Matters for resolution

- | | |
|-------------------|---|
| Agenda Item No. 1 | Election of Eight Directors |
| Agenda Item No. 2 | Election of One Substitute Audit & Supervisory Board Member |
| Agenda Item No. 3 | Payment of Bonus to Directors |

4. **Guidance on exercising voting rights**

- (1) Exercising voting rights in writing
Please complete the enclosed Voting Card, indicating your approval or disapproval, and send the Card by return mail to be delivered to us by no later than 5 p.m. on June 26, 2024 (Wednesday). If you do not indicate your approval or disapproval for agenda items, you will be deemed to have expressed approval for them.
- (2) Exercising voting rights via the Internet, etc.
If you exercise your voting rights via the Internet, etc., please review the instructions under "Guidance for exercising your voting rights" described on pages 4 to 5. Please exercise your voting rights by no later than 5 p.m. on June 26, 2024 (Wednesday).

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- ◎ For this Annual Shareholders' Meeting promote dialogue with shareholders, we will omit detailed explanations of reporting matters (including the audit report) at the venue. Shareholders are kindly asked to look over this Notice of Convocation in advance.
 - ◎ If you attend the meeting in person on the day, please kindly submit the enclosed Voting Card to the reception desk.
 - ◎ If you intend to exercise your voting right by proxy, you can designate a single shareholder of the Company to vote on your behalf. In this case, please submit documentation to prove you have properly assigned your rights to your proxy to vote on your behalf.
 - ◎ Any shareholder intending to exercise voting rights in a non-uniform manner is kindly asked to inform us to that effect and the reason in writing or by an electromagnetic means at least three days prior to the date of the Annual Shareholders' Meeting.
 - ◎ The reception desk is scheduled to open at 9 a.m. on the day.
 - ◎ If any revision is made to items for which the measures for providing information in electronic format will be taken, we will state to that effect and present pre-revision matters

and post-revision matters on the official website of the Company, the TSE official website, and the NSE official website that are each shown above.

- ⊙ Due to a revision to the Companies Act, you are supposed to access any of the above-mentioned official websites to check about items for which the measures for providing information in electronic format will be taken, in principle, and we are now supposed to inform them in writing solely to shareholders who have made a document delivery request no later than a record date. However, for this Annual Shareholders' Meeting, we will uniformly deliver a document stating items for which the measures for providing information in electronic format will be taken to shareholders regardless of whether they have made a document delivery request.

Of information that constitutes the content of reference documents for the Annual Shareholders' Meeting in electronic format, the following items are not included in this document in accordance with laws and regulations as well as the Articles of Incorporation of the Company. Documents subject to audit including the following items are audited by the Audit & Supervisory Board Members and the Accounting Auditor.

- Consolidated Statements of Changes in Equity and Notes to Consolidated Financial Statements, among Consolidated Financial Statements
 - Non-consolidated Statements of Changes in Equity and Notes to Non-consolidated Financial Statements, among Non-consolidated Financial Statements
- ⊙ Please be advised that the Cool Biz summer dress code applies to the meeting.

Guidance for exercising your voting rights

If you exercise your voting rights in advance

Deadline for vote: **5 p.m. on June 26, 2024 (Wednesday)**

Internet

Please access the designated website (<https://www.web54.net>) for exercising voting rights and indicate your approval or disapproval to each of the proposals. For details, please refer to the following page.

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

Mail

Please fill out the enclosed Voting Card, cut it off and send it back to us as follows.

Voting Card
Please send this part back to us.

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

- In case voting rights are exercised via mail and the Internet, etc., the vote exercised via the Internet, etc. will be regarded as valid.
- In case voting rights are exercised more than once via the Internet, etc., the last vote cast will be regarded as valid.

If you attend the meeting in person on the day

Date and time: **10 a.m. on June 27, 2024 (Thursday)**

Please kindly bring the enclosed Voting Card and submit it at the reception desk.

Electronic Voting Platform (for institutional investors):

For institutional investors, the Electronic Voting Platform operated by ICJ, Inc. is available for exercising your voting rights for this meeting.

Exercise voting rights using “Smart Exercise”

(1) Access the Voting Rights Exercise Website for Smartphone

Scan the “Login QR code for Voting Rights Exercise Website for Smartphone” printed at the lower right of on the enclosed Voting Card using smartphones or tablets.

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

(2) Open the Voting Rights Exercise Website

Access the indicated URL, and you will be directed to the voting website. You have two options for voting.

Indicate “Approval” to all agendas of the Company’s proposals → (4)

Vote on each agenda of the proposals → (3)

(3) Vote on each agenda of the proposals

Enter your approval or disapproval for each agenda item following the instructions on screen.

(4) Indicate “Approval” to all agendas of the Company’s proposals

Confirm your voting on the confirmation screen, and complete your voting process.

Note: If you would like to change your vote after submitting it, you are requested to input the Voting Code and Password listed in your Voting Card. (You may also access the desktop version of the voting site (<https://www.web54.net>) directly, and resubmit your vote.)

* Internet connection fees and data transmission fees to use the Voting Rights Exercise Website are to be borne by shareholders.

* Please be aware that exercising voting rights via the Voting Right Exercise Website may not be possible in certain Internet user environments, or depending on the services in use or certain types of mobile phones.

Exercise voting rights using PCs, etc.

(1) Access the Voting Rights Exercise Website

URL: <https://www.web54.net/>

(2) Login

Enter the “Voting Rights Exercise Code” given on the enclosed Voting Card.

(3) Enter the password

Enter the “Password” given on the enclosed Voting Card.

Enter the new password that you will actually use.

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

Business Report

(From: April 1, 2023
To: March 31, 2024)

1. Matters Relating to the Current Situation of Corporate Group

(1) Progress of Business and Operating Performance

1) Economic conditions

During the fiscal year ended March 31, 2024, the outlook for the world economy remained uncertain, as seen in slowing economic growth following monetary tightening caused by accelerating inflation and in soaring prices of raw materials and energy sources induced by the Ukraine situation, as well as rising wages, becoming protracted.

Concerns about recovery of the Japanese economy grew in response to the depreciation of the yen against the U.S. dollar due to the growing interest rate gap between Japan and the U.S., soaring resource prices and persistently high energy prices despite a visible revival trend stemming from rebounding economic activity, helped by an easing of movement restrictions that were in place due to COVID-19.

2) Summary of the Group's results

Under this business environment, consolidated net sales of the Group for the current fiscal year were 128,738 million yen, up 13,257 million yen, or 11.5% year on year. As for profits, operating profit was 6,084 million yen, up 3,259 million yen (up 115.4% year on year) mainly due to the increase in net sales, ordinary profit was 5,825 million yen, up 2,915 million yen (up 100.2% year on year), and profit attributable to owners of parent was 2,569 million yen (compared to loss attributable to owners of parent of 2,208 million yen for the previous fiscal year).

3) Results by segment

Results by segment are as follows.

The Company has included intersegment sales or transfers in net sales by segment.

a. Automotive engine bearings

Worldwide new car sales in 2023 (calendar year) grew 11.0% from the previous year to approximately 90 million units, as demand recovered steadily thanks to the resolution of semiconductor supply shortage. In Japan (FY2023), new car sales increased 3.3% to approximately 4.52 million units. Overseas for 2023 (calendar year), new car sales increased 12.3% in the United States, 17.8% in Europe, and 12% in China.

In this situation, the Group's sales of automotive engine bearings increased approximately 6% year on year in Japan, and also increased approximately 15% year on year overseas thanks to the steady demand recovery and a weakening yen.

As a result, net sales of the segment increased 10.4% year on year to 70,076 million yen and segment profit increased 30.5% year on year to 9,083 million yen.

b. Automotive non-engine bearings

The Group's sales of non-engine bearings grew in Japan due to higher orders received due to the resolution of semiconductor supply shortage, and also climbed overseas due to higher orders received thanks to rebounding demand mainly in Europe, helped by the weakening yen.

As a result, net sales of the segment increased 3.0% year on year to 20,074 million yen and segment profit increased 4.8% year on year to 2,797 million yen.

c. Non-automotive bearings

• Large shipbuilding

Japan's export ship tonnage under construction at the end of FY2023 increased approximately 25% year on year to 27.63 million gross tons. Due to the higher demand for containers and other large ships, we boosted orders received due to continued new development activities for China, and increased orders received for service parts due to the recovery from COVID-19. As a result, sales in the segment increased approximately 13% year on year.

• Construction machinery/small- to middle-sized shipbuilding/industrial power generators, etc.

In the construction machinery industry, with regard to construction machinery shipments in FY2023, domestic demand increased 7.0% year on year to 1,130.7 billion yen, and overseas demand also grew to 2,605.2 billion yen, up 7.8% year on year, as demand for construction machinery was vigorous in North America, Europe, and Asia, with strong demand in North America, in particular. In this situation, the Group's orders received from service parts demand decreased due mainly to inventory adjustment, while assembly demand was strong. Demand for bearings for medium- to high-speed engines used for ship auxiliary machines and electricity generators grew a marked amount of approximately 18% year on year.

• Electric power energy/compressors for industry use, etc.

Amid the strong energy market, net sales rose year-on-year, helped by an increase in orders received due mainly to strong demand of bearings for high-efficiency electricity generator gas turbines using natural gas, etc.

As a result, net sales of the segment increased 12.4% year on year to 16,646 million yen, and segment profit rose 56.0% year on year to 3,253 million yen.

d. Other automotive parts

- Aluminum die cast parts

The automobile industry in Thailand was affected by a slowdown of personal spending due to interest rate hikes and tightened loan screening, resulting in a decrease of approximately 9% year on year in domestic automobile production. However, the Group's net sales in the country grew sharply year-on-year as a local plant (DM Casting Technology (Thailand) Co., Ltd.) saw strong sales of electric vehicle (EV) parts mainly for North America. Profit also improved year on year, helped by a review of the production management system and process, and by profit improvement through negotiations on delivery prices with purchasers, etc.

- Precision metal processing parts (formed pipes, knock pins, NC milled parts, etc.)

Net sales increased year on year, helped by higher orders received due to the resolution of the semiconductor supply shortage in Japan and the United States, and an increase in orders received for new parts for EVs for North America. Profit also improved, helped by stronger revenues, despite higher logistics costs in order to meet delivery deadlines.

As a result, net sales increased 21.3% year on year to 21,535 million yen and segment loss was 1,722 million yen (segment loss of 2,096 million yen in the previous fiscal year). Although not affecting the consolidated financial results, for its non-consolidated financial results, the Company recorded 1,962 million yen in provision of allowance for doubtful accounts in relation to DM Casting Technology (Thailand) Co., Ltd.

e. Others

Net sales of this segment increased year on year, helped by the recovery of the market of metallic dry bearings used under high temperature, an increase in orders received through customer development efforts, and an increase in orders received due to the restarting of capital investment in the pump-related product business. Profit also increased accordingly.

As a result, net sales of this segment, which includes the electrode sheets business for electric double layer capacitors, the metallic dry bearings business, the pump-related products business, and the real estate leasing business, increased 6.0% year on year to 2,253 million yen and segment profit increased 4.8% year on year to 396 million yen.

(Net sales by segment)

Segment	Net sales (Millions of yen)	
	FY 2022 115 th term	FY 2023 116 th term (Current fiscal year)
Automotive engine bearings	63,469	70,076
Automotive non-engine bearings	19,489	20,074
Non-automotive bearings	14,807	16,646
Other automotive parts	17,751	21,535
Others	2,125	2,253
Elimination of intersegment sales or transfers	(2,163)	(1,847)
Total	115,480	128,738

(Notes) 1. In addition to sales to external customers, intersegment sales or transfers are included in net sales by segment.

2. "Others" includes metallic dry bearings business, pump-related products businesses, electrode sheets business for electric double layer capacitors, and real estate leasing business.

(2) Status of Financing, etc.

1) Financing

During the current fiscal year, there was no material financing through loans from financial institutions or the issuing of company shares or bonds.

2) Capital investment

In the Midterm Business Plan for six years from FY2018 to FY2023, “Raise Up ‘Daido Spirit’ - Ambitious, Innovative, Challenging -,” the Group announced the plan for the latter three years (FY2021 to FY2023) in May 2021, and has listed the following investment plans:

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

Total capital investment for FY2023 was 7,762 million yen, an increase of 1,767 million yen compared with the previous fiscal year, and described below are major capital investments.

(Major capital investments during the current fiscal year)

- Investment to improve productivity and investment to enhance production capacity for automotive engine bearings at domestic and overseas production sites
- Construction of a new factory of DAIDO METAL CZECH s.r.o.
- Investment to enhance production capacity and investment to improve productivity for other automotive parts in Japan and Thailand

(3) Financial Conditions and Operating Results

1) Financial conditions and operating results of the Group

Category \ Fiscal year	FY 2020 113 th term	FY 2021 114 th term	FY 2022 115 th term	FY 2023 116 th term (Current fiscal year)
Net sales (Millions of yen)	84,720	104,024	115,480	128,738
Operating profit (Millions of yen)	1,315	5,042	2,824	6,084
Ordinary profit (Millions of yen)	874	4,836	2,909	5,825
Profit (loss) attributable to owners of parent (Millions of yen)	104	1,897	(2,208)	2,569
Basic earnings (loss) per share (Yen)	2.25	40.70	(47.05)	54.50
Net assets (Millions of yen)	64,538	68,695	70,454	78,721
Total assets (Millions of yen)	155,176	166,155	173,317	188,369

2) Financial conditions and operating results of the Company

Category \ Fiscal year	FY 2020 113 th term	FY 2021 114 th term	FY 2022 115 th term	FY 2023 116 th term (Current fiscal year)
Net sales (Millions of yen)	54,197	65,868	68,087	71,635
Operating profit (Millions of yen)	723	1,499	712	2,631
Ordinary profit (Millions of yen)	2,159	2,564	1,944	3,740
Profit (loss) (Millions of yen)	1,690	(197)	(2,271)	1,343
Basic earnings (loss) per share (Yen)	36.49	(4.24)	(48.40)	28.50
Net assets (Millions of yen)	52,372	51,482	48,239	49,969
Total assets (Millions of yen)	110,247	109,208	111,102	118,701

(Notes) 1. Basic earnings (loss) per share for the 116th term is calculated by dividing profit (loss) by the average number of shares during the period. (Treasury shares and the shares of the Company relating to the Board Benefit Trust for Officers and Executive Officers are excluded.)

2. Basic earnings (loss) per share for the 115th term and before is calculated by dividing profit (loss) by the average number of shares during the period. (Treasury shares and the shares of the Company relating to the Board Benefit Trust for Officers and Executive Officers and the shares relating to the Daido Metal Employee Stock Purchase Plan Trust are excluded.)

3. From the beginning of the 114th term, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations. Therefore, financial conditions and operating results for the 114th term were indicators, etc. after the application of the accounting standard, etc.

(4) Company's Fundamental Management Policy

The Group has established "Corporate Philosophy," "Code of Conduct," "Standards of Conduct," "Principles" and "Environmental Fundamental Policy" as the management policy, and contributes to society through its business operations. As an organization built on technologies and a technological leader centering on our core Tribology (friction, wear and lubrication technology), we at the Group look ahead to the future, brush up our skills, and meet our corporate social responsibilities.

In pursuit of the above management policy, the Group, in order to achieve sustainable growth, has strived to improve corporate value through activities based on its Midterm Business Plan "Raise Up 'Daido Spirit' — Ambitious, Innovative, Challenging."

Even amid the dramatically changing environment and unpredictable situation, induced by the protracted period of the Ukraine crisis, the deteriorated Middle East situation, and concern over continued global inflation, the Group will continue to accelerate its evolution and create a solid organization.

(5) Issues to be Addressed

FY2023 was the final year of the Midterm Business Plan initiated in FY2018. During the term of six years, in addition to the impact of the spread of COVID-19 infection, we saw a rise in raw material prices and energy costs due to the prolonged Ukraine crisis, changes in geopolitical conditions in countries and regions in which the Group conducts business, and currency fluctuations, etc., all of which had a complex and significant impact on the Group's net sales and profit.

The Group struggled to achieve the targets of the Midterm Business Plan for the latter three years which we formulated in May 2021. As a result, the Group's net sales for FY2023 were 128.7 billion yen (up 13.2 billion yen year on year), exceeding the target of 102.1 billion yen, thanks to a recovery in the production of major automobile customers helped by the mitigation of the semiconductor supply shortage in the automobile industry, and by responding to vigorous demand from the shipbuilding industry and construction machinery industry. However, despite the efforts to solve negative factors that pushed profit down by, for example, passing rising material costs on to prices, operating profit was 6.0 billion yen (up 3.2 billion yen year on year) and the operating profit margin was 4.7% (up 2.3 points year on year), which fell short of the targets (operating profit of 8.2 billion yen and an operating profit margin of 8.0%).

We take these results against the previous Midterm Business Plan seriously. To pursue the Group's sustainable growth and continue providing social contributions amid a rapidly changing business environment, the Group considers it important to examine "what the Group aims for toward 2030," "a medium-term roadmap to find solutions to issues facing the Group," and "establishment of a system to address changes in the business environment flexibly." In this regard, the Group has positioned FY2024 as the preparation period to formulate the Midterm Business Plan for the next term starting from April 2025, and plans to disclose the Midterm Business Plan for the next term by around May 2025.

The Group presented numerical targets for "operating profit margin" and "ROE" in the previous Midterm Business Plan, and in recognition of increasing ROE, in particular, as a top-priority management issue, the Group implemented countermeasures to realize it. Targeting an ROE above the cost of shareholder's equity, the Group will develop the necessary growth strategies in the next Midterm Business Plan.

Described below are the major results for FY2023, the final year of the previous Midterm Business Plan:

<Action line 1: Strengthen current business lines further>

1) Automotive engine bearings and automotive non-engine bearings

While the market share of the current business lines was 33.3%, maintaining the world's top share, in calendar year 2023 (estimated by the Company) for automotive engine half bearings, as it was in calendar year 2022, it decreased from the previous year due to sluggish sales of vehicles with internal combustion engines in China, etc.

While demand for internal combustion engines declines due to the shift to electric vehicles (EVs) in certain regions, we recognize that a global shift to EVs differs in each region and the situation is volatile. While considering and making capital investments carefully, we aim to securely meet actual and potential market needs and gain further market share by expanding sales of truck engine bearings, and gaining new business for gasoline engine bearings, among other things.

With regard to automotive non-engine bearings, we will further boost sales of new products, and for new applications, in a manner catering to needs of both the automobile market and non-automobile markets.

2) Non-automotive bearings

The market share of bearings for low-speed marine diesel engines in calendar year 2023 (estimated by the Company) remained 73.0% amid the steady shipbuilding market, thanks to our continued priority efforts to serve new overseas market customers, which contributed to higher sales. Our market share in bearings for medium- and high-speed marine and industrial diesel engines climbed in the latter three years of the previous Midterm Business Plan, which enabled us to expect that the scope of their application could be expanded to non-shipbuilding markets in the future.

In the energy sector in the general industry, strong demand for high-efficiency power-generating turbine bearings using natural gas, etc., an increase in orders received for service parts, and our efforts to serve new customers of compressor bearings for petroleum processing plants, etc., contributed to sales. The Company will continue to pursue higher market share in this area, and at the same time, seek new business.

3) Other automotive parts

With regard to aluminum die cast products, net sales increased due to rising orders received for EV parts and growing demand for precision metal processing parts such as formed pipes and knock pins stemming from the mitigated semiconductor supply shortage.

However, with regard to aluminum die cast products for which a significant amount of impairment loss was recorded in FY2022, despite our efforts in FY2023 to improve the production management system and processes, review the quality control system, etc., to boost profitability, we recognize that there are still issues to be improved. We will continue to enhance and promote the production management system, improve processes, and revamp the quality control system, striving to secure proper profits.

<Action line 2: Creating / fostering new business lines>

In order to respond to the global trend toward carbon neutrality and improve engine thermal efficiency in accordance with the tightening of regulations on carbon dioxide emissions, we are developing bearing products whose friction properties are improved using an alternative concept, with the aim of further reducing friction loss. In addition to EVs, we are also working to support vehicles that do not use fossil fuels (e.g., hydrogen-fueled vehicles), and we are working to link this to new business opportunities. Through the basic research of the Company's core technology and technical development in new fields, such as the strengthening the wind-power generator special bearings business and developing new products that can contribute to lower environmental burden, we will continue to make maximum use of our technology that has been cultivated for many years.

<Action line 3: Enhance management / operational control platform>

To contribute to achieving a sustainable society as a global enterprise, the Group identified important issues (materialities) required to be addressed in areas of ESG on a priority basis, from a perspective of impact on its stakeholders and importance for the Group, and continue to deal with them. The Group also has been continuing to pursue its efforts toward attaining carbon neutrality. In addition to expressing support for recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the Group has implemented scenario analysis for risks and opportunities to grasp the impact of climate change on the Group's business and disclosed the outcome in accordance with the TCFD recommendation. Furthermore, as an effort to strengthen sustainability management, the Group formulated its Human Rights Policy, and the Integrated Report for the first time to present its value-creation story in FY2023.

In addition, the Company will keep taking measures against potential cyberattacks as well as risks coming from a potential failure of an information technology network or system. From a perspective workforce exchange with overseas entities, we in Japan hosted personnel from our overseas subsidiaries and affiliates and bolstered recruiting non-Japanese employees. We will continue to pursue exchange activities on both the technical and skill fronts.

<Action line 4: Energetic organization with animated communication and motivation>

The Group steadily implements measures related to human capital and diversification, and focuses on building an energetic organization and improving productivity through increasing employees' motivation. In its human resource strategy, it sets, as a priority issue to be solved, "building a workplace environment in which employees can work well" and "human resource development." In FY2023, in addition to formulating the above Human Rights Policy, the Group strengthened efforts to realize a flexible working style by, for example, expanding the scope of people with a reduced work schedule that allows them to shorten their official working hours. In addition, to eliminate unconscious bias and foster a work environment in which every employee can work comfortably, manager training programs were also improved.

Based on 'Daido Spirit' – "Ambitious, Innovative, Challenging," the Group will continue to develop innovative personnel who are willing to improve their ability and skills proactively, and, at the same time, have an open and vigorous discussion with members and demonstrate creativity, while establishing a good work environment for them.

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

(6) Major Business Lines

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

(7) Principal Locations of the Group and Employees

1) Principal locations of the Group

a. The Company

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

b. Subsidiaries

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

(Note) As of October 1, 2023, the Company merged with Asia Kelmet Co., Ltd., a former wholly-owned subsidiary of the Company.

2) Employees

a. Employees of the Group

(As of March 31, 2024)

Number of employees (persons)		Change from previous period (persons)	
Japan	2,510	Increase	12
Overseas	4,545	Increase	98
Total	7,055	Increase	110

- (Notes) 1. In addition to the above, temporary employees (total of 587) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.
2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

b. Employees of the Company

(As of March 31, 2024)

Number of employees (persons)	Change from previous period (persons)	Average age (years of age)	Average years of service (years)
1,377	Increase 7	40.8	16.7

- (Notes) 1. In addition to the above, temporary employees (total of 162) are employed. Number of temporary employees is calculated as annual average at the rate of 8 hours a day.
2. Temporary employees include part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

(8) Material Parent Company and Subsidiaries

1) Parent company

None

2) Material subsidiaries

(As of March 31, 2024)

Name	Share capital or investments in capital	Percentage of voting rights held by the Company	Major businesses	Notes
(Consolidated subsidiaries) DAIDO LOGITECH CO., LTD.	45 million yen	100.0%	Logistics, insurance agent	
DAIDO METAL SALES CO., LTD.	100 million yen	100.0%	Sales of bearings, etc.	
Daido Plain Bearings Co., Ltd.	300 million yen	100.0%	Production of bearings/jigs, etc.	
NDC Co., Ltd.	1,575 million yen	58.8%	Production of bearings/bimetal (material for bearings)	
NDC Sales Co., Ltd.	90 million yen	100.0% (100.0%)	Bearings and insurance agent	Note 2
Daido Industrial Bearings Japan Co., Ltd.	80 million yen	100.0%	Production of bearings	
DAIDO METAL SAGA CO., LTD.	100 million yen	100.0%	Production of bimetal (material for bearings)	
Iino Holding Ltd.	96 million yen	100.0%	Holding company	
Iino Manufacturing Co., Ltd.	96 million yen	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
ATA Casting Technology Japan Co., Ltd.	310 million yen	100.0%	Design, development and sales of aluminum die cast automotive parts	
Daido Precision Metal (Suzhou) Co., Ltd.	115,714 thousand Chinese yuan	90.2% (16.2%)	Production and sales of bearings	Note 2
IINO (Foshan) Technology Co., Ltd.	7,796 thousand Chinese yuan	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
Chung Yuan Daido Co., Ltd.	120 million new Taiwan yuan	50.0%	Sales of bearings	Note 1
Dong Sung Metal Co., Ltd.	6,120 million Korean won	50.0%	Production and sales of bearings	Note 1
Dyna Metal Co., Ltd.	200 million Thai baht	50.0%	Production and sales of bearings	Note 1
ATA Casting Technology Co., Ltd.	355 million Thai baht	100.0% (99.9%)	Production and sales of aluminum die cast automotive parts	Note 2
DM Casting Technology (Thailand) Co., Ltd.	850 million Thai baht	99.9%	Production of aluminum die cast automotive parts	
PT. Daido Metal Indonesia	13,748 million Indonesian rupiah	50.0%	Production and sales of bearings	Note 1
PT. IINO INDONESIA	2,845 million Indonesian rupiah	99.0% (99.0%)	Sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
PHILIPPINE IINO CORPORATION	1,393 million yen	99.9% (99.9%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
SUPER CUB FINANCIAL CORPORATION	100 million Philippine peso	59.9% (59.9%)	Sales financing	Note 2
Daido Metal U.S.A. Inc.	40,900 thousand US dollar	100.0%	Production and sales of bearings	
ISS America, Inc.	650 thousand US dollar	100.0% (100.0%)	Sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
Daido Metal Mexico, S.A. de C.V.	283,328 thousand Mexico peso	100.0% (0.0%)	Production of bearings	Note 2

Name	Share capital or investments in capital	Percentage of voting rights held by the Company	Major businesses	Notes
Daido Metal Mexico Sales, S.A. de C.V.	2,644 thousand Mexico peso	100.0% (0.0%)	Sales of bearings	Note 2
ISS MEXICO MANUFACTURING S.A. de C.V.	22,400 thousand Mexico peso	100.0% (100.0%)	Production and sales of various parts for automobiles, motorcycles, and general-purpose machines	Note 2
Daido Industrial Bearings Europe Limited	13,500 thousand Sterling pound	100.0%	Production of bearings	
DAIDO METAL EUROPE LIMITED	3,613 thousand Sterling pound	100.0%	Sales of bearings	
DAIDO METAL KOTOR AD	26,457 thousand euro	99.6%	Production and sales of bearings	
Daido Metal Europe GmbH.	500 thousand euro	100.0%	Sales of bearings	
DAIDO METAL CZECH s.r.o.	50 million Czech koruna	100.0%	Production of bearings	
Daido Metal Russia LLC	1,200 million Russian ruble	99.9%	Production and sales of bearings	
(Unconsolidated subsidiaries to which equity method is applied)				
Korea Dry Bearing Co., Ltd.	3,100 million Korean won	50.0% (50.0%)	Production and sales of bearings	Notes 1 & 2
(Associated companies to which equity method is applied)				
BBL Daido Private Limited	160 million Indian rupee	50.0%	Production and sales of bearings	
Shippo Asahi Moulds (Thailand) Co., Ltd.	205 million Thai baht	40.6% (40.6%)	Production and sales of molds for die casting	Note 2
NPR of Europe GmbH.	2,500 thousand euro	30.0%	Sales of automotive-related products, etc.	

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

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

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

None

(9) Major Lenders and Amount of Borrowings

(As of March 31, 2024)

Lender	Outstanding Balance (Millions of yen)
Mizuho Bank, Ltd.	24,700
MUFG Bank, Ltd.	9,336
Sumitomo Mitsui Banking Corporation	5,347
Sumitomo Mitsui Trust Bank, Limited	3,600
Development Bank of Japan Inc.	2,562

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

None

2. Matters Relating to Shares of the Company

- (1) Number of authorized shares 80,000,000 shares
- (2) Total number of issued shares 47,520,253 shares (including treasury shares of 2,202 shares)
- (3) Number of shareholders at end of the fiscal year 12,874 shareholders (Decreased by 2,482 shareholders from the previous fiscal year)

(4) Major shareholders (top 10)

Name of shareholder	Number of shares held (1,000 shares)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,543	9.56
Sumitomo Mitsui Trust Bank, Limited	1,978	4.16
Mizuho Bank, Ltd.	1,977	4.16
Custody Bank of Japan, Ltd. (Trust Account)	1,949	4.10
Daido Metal Employee Stock Purchase Plan	1,882	3.96
Daido Metal Yueikai Employee Stock-Ownership Plan	1,848	3.88
MUFG Bank, Ltd.	1,822	3.83
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,107	2.33
The Seri Wathana Industry Co, Ltd. 703000	1,000	2.10
Marubeni-Itochu Steel Inc.	886	1.86

(Note) Ratio of shareholding is calculated with total shares outstanding net of treasury shares (2,202 shares). The 382,000 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) relating to the Board Benefit Trust for Officers and Executive Officers are not included in the number of treasury shares held.

(5) Shares granted to company officers during the current fiscal year as rewards for execution of duties

The Company introduced a stock-based remuneration scheme for Directors (excluding Outside Directors) who have been in office for six fiscal years from FY2019 (112th term) to FY2024 (117th term), based on which the Company's shares were granted to a Director who was in office in the current fiscal year.

- Total number of shares granted to Directors who were in office by category

Category	Number of shares granted	Number of recipients
Directors who were in office (excluding Outside Directors)	17,561 shares	1

3. Matters Relating to Share Acquisition Rights, etc.

None

4. Company Officers
(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2024)

Position	Name				Duties/departments in charge and important concurrent positions at other entities
Chairman and President Chief Executive Officer (CEO) and Chief Operating Officer (COO)	Seigo Hanji				Executive of Japan Auto Parts Industries Association In charge of Secretarial Department and Audit Department
Director and Managing Executive Officer	Yoshiaki Sato				Head of Compliance Division, Head of New Business Promotion Division, and General Manager of Inuyama Site In charge of Bi-metal Division and Quality Management and Planning Department
Director and Managing Executive Officer	Shigemasa Hakakoshi				Head of Human Resources Planning Division In charge of Purchasing Department and Environmental & Safety Management & CN Promotion Department
Director and Managing Executive Officer	Arihiro Yoshida				Head of Technology Division
Director and Managing Executive Officer	Tomomitsu Furukawa				Head of Global Management for Production Machinery Division
Director	Toshikazu Takei	Outside	Independent		Chairman of The Central Council for Financial Services Information
Director	Kiyotaka Hoshinaga	Outside	Independent		Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution
Director	Miyuri Shirai	Outside	Independent	Female	Professor of Faculty of Business and Commerce, Keio University
Full-time Audit & Supervisory Board Member	Koji Takaki				–
Outside Audit & Supervisory Board Member	Kazuo Matsuda	Outside			Outside Director of Sumitomo Bakelite Co., Ltd.
Outside Audit & Supervisory Board Member	Etsuaki Yoshida	Outside	Independent		Professor of Graduate School of Doshisha Business School

- (Notes) 1. Mr. Toshikazu Takei, Mr. Kiyotaka Hoshinaga, and Ms. Miyuri Shirai are Outside Directors. The Company has registered them as “Independent Officers” pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.
2. Mr. Kazuo Matsuda and Mr. Etsuaki Yoshida are Outside Audit & Supervisory Board Members. The Company has registered Mr. Etsuaki Yoshida as an “Independent Officer” pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange.
3. Mr. Toshikazu Takei, Director, was long engaged in business execution and served in managerial positions at the Bank of Japan, and has considerable knowledge of international businesses.
4. Mr. Kiyotaka Hoshinaga, Director, has served as a director of a hospital and a president of a university after serving as a professor of a university and has considerable knowledge of organizational management.
5. Ms. Miyuri Shirai, Director, has served in positions such as university professor and researcher, and is currently a university professor. Over many years, she has been engaging in research on consumer behavior and marketing, and has considerable knowledge of sales matters including marketing.
6. Mr. Kazuo Matsuda, Audit & Supervisory Board Member, has experience working as a Director and Audit & Supervisory Board Member in financial institutions and corporates for many years, and has considerable knowledge of finance and accounting matters.
7. Mr. Etsuaki Yoshida, Audit & Supervisory Board Member, has been researching international finance, the economy, and global business administration as a graduate school professor after serving in public financial institutions, and has considerable knowledge of international business, finance, and accounting.
8. Audit & Supervisory Board Members Mr. Masaaki Tamaya and Ms. Kuniko Tanabe retired as such at conclusion of the 115th Annual Shareholders’ Meeting held on June 29, 2023.

9. Changes in Directors' duties and departments in charge on or after April 1, 2024

Date	Name	New positions, duties and departments in charge	Previous positions, duties and departments in charge
April 1, 2024	Yoshiaki Sato	Head of New Business Development Promotion Division and General Manager of Inuyama Site In charge of Bimetal Division	Head of Compliance Division, Head of New Business Promotion Division, and General Manager of Inuyama Site In charge of Bimetal Division and Quality Management and Planning Department
April 1, 2024	Arihiro Yoshida	Head of Technology Division and General Manager of Tribology Research Department	Head of Technology Division
April 1, 2024	Tomomitsu Furukawa	Head of Global Management for Production Machinery Division In charge of Marine & Industrial Bearings Division and Polymer Bearings Division	Head of Global Management for Production Machinery Division
May 1, 2024	Yoshiaki Sato	Head of New Business Development Promotion Division, General Manager of New Business Development Promotion Department, and General Manager of Inuyama Site In charge of Bimetal Division	Head of New Business Development Promotion Division and General Manager of Inuyama Site In charge of Bimetal Division

(2) Outline of Liability Limiting Agreement

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

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

(3) Outline of Directors and Officers Liability Insurance Policy

In seeking to hire qualified persons as Director and Audit & Supervisory Board Member, the Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The full amount of insurance premiums is borne by the Company or its subsidiaries.

In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds (Directors, Audit & Supervisory Board Members, Executive Officers and important employees of the Company or its subsidiaries) assumes.

(4) Remuneration for Directors and Audit & Supervisory Board Members for the current fiscal year

1) Matters relating to a decision-making policy on the details of remuneration to each Director

The Company established a decision-making policy on the details of remuneration to each Director (hereinafter referred to as “decision-making policy”), which is determined and outlined as follows.

(a) 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 had 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 decide details of the decision-making policy.

(b) 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.”

The performance-linked stock-based remuneration scheme had been introduced for Directors (excluding Outside Directors) who were in office for five fiscal years from FY2019 (112th term) to FY2023 (116th term). At the meeting of the Board of Directors held on March 27, 2024, it was decided to extend the Directors’ term of office for one more year until FY2024. The Company will re-consider the scheme after FY2025 based on the state of preparation toward the next Midterm Business Plan and reports of the Remuneration Committee, etc.

(i) “Monthly remuneration”

“Monthly remuneration” consists of (1) a “fixed component” based on the role and responsibility associated with execution of operations of a Representative Director, or a Director concurrently serving as an Executive Officer, and (2) a “consolidated performance-linked component” paid monthly in addition to the “fixed component” and determined after taking into account the Group’s consolidated performance in the previous fiscal year and the degree of contribution to the Company, as described below. Individual payment amount of this “fixed component” will be determined by the Board of Directors based on the prescribed base payment table (fixed amount) according to the position of each Director, and by considering the comments from the Remuneration Committee.

Furthermore, individual payment amount of the “consolidated performance-linked component” will be determined by the Board of Directors based on the prescribed base payment table according to the position of each Director, the amount proportionally changing in line with consolidated net sales and the ratio of profit to net sales for the previous fiscal year, along with the degree of contribution to the Company (aspects such as the presence of management sense, leadership ability, and ability to guide), and by considering the comments from the Remuneration Committee.

(ii) “Bonus”

Total payment of bonuses to be deliberated in the Shareholders’ Meeting is limited in proportion to the dividend to shareholders. After considering the comments from the Remuneration Committee, it is determined by the Board of Directors.

Furthermore, individual payment amount of the bonus will be determined by the Board of Directors based on the prescribed base payment table according to the position of each Director, and the amount proportionally changing in line with consolidated net sales and the ratio of profit to net sales for the previous fiscal year, and by considering the comments from the Remuneration Committee.

(iii) “Stock-based remuneration”

As per the Share Grant Rule created by the Board of Directors, the Company shall grant points (one point corresponds to one share of the Company) to each Director (excluding Outside Directors). Points granted to each Director consist of (1) a “performance-linked component” which is in accordance with role and responsibility as well as level of achievement of performance targets in the Midterm Business Plan and (2) a “fixed component” based on role and responsibility and determined regardless of the level of achievement of performance targets in the Midterm Business Plan.

2) Matters relating to the resolution of the Shareholders’ Meeting concerning remuneration to Directors and Audit & Supervisory Board Members

(a) The maximum amount of remuneration to Directors (excluding bonus to Directors, employee-portion salaries for employee-directors, and performance-linked stock-based remuneration) is 400 million yen per annum as per the resolution of the 98th Annual Shareholders’ Meeting held on June 29, 2006. The number of Directors eligible for this resolution is seven.

In addition, the proposed introduction of a new performance-linked stock-based remuneration scheme for Directors of the Company (excluding Outside Directors) who are in office for five fiscal years from FY2019 (112th term) to FY2023 (116th term) was approved at the 111th Annual Shareholders’ Meeting held on June 27, 2019, with the maximum amount of contribution of money by the Company being a total of 400 million yen and the maximum total points granted to each eligible Director being 70,000 points per annum (one point corresponds to one share of the Company). The number of Directors eligible for this resolution is six. (As mentioned in (1) above, it was decided to extend the Directors’ term of office for one more year until FY2024.)

(b) The maximum amount of remuneration to Audit & Supervisory Board Members is 45 million yen per annum as per the resolution of the 98th Annual Shareholders’ Meeting held on June 29, 2006. The number of Audit & Supervisory Board Members eligible for this resolution is four (including three Outside Audit & Supervisory Board Members).

3) Matters relating to delegation concerning decision-making on the details of remuneration to each Director

Regarding remuneration to each Director, Seigo Hanji, Chairman and President, Chief Executive Officer and Chief Operating Officer, decides the amount of remuneration for each Director within the scope of resolution of the Shareholders’ Meeting of the Company regarding remuneration for Directors, as entrusted by the Board of Directors, based on the prescribed base payment table above, considering comments from the Remuneration Committee. The reason for entrusting the authority to the Chairman and President, Chief Executive Officer and Chief Operating Officer is that such person is considered to be the most appropriate for evaluating the degree of contribution of each Director to the Company (aspects such as the presence of management sense, leadership ability, and ability to guide).

The Board of Directors receives reports from the Chairman and President, Chief Executive Officer and Chief Operating Officer about the amount of remuneration for each Director and outline of reasons for determining the amount, and discusses the adequacy to oversee whether remuneration for each Director is determined appropriately in accordance with the decision-making policy. With these oversight procedures, the Board of Directors considers the amount of remuneration for each Director has been determined according to the decision-making policy.

4) Total Remuneration to Directors and Audit & Supervisory Board Members

Category	Total remuneration	Total remuneration by type			Number of recipient officers
		Fixed component	Performance-linked component	Nonmonetary remuneration	
Directors (Outside Directors)	271 million yen (36 million yen)	149 million yen (36 million yen)	107 million yen (– million yen)	15 million yen (– million yen)	8 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	41 million yen (26 million yen)	41 million yen (26 million yen)	– million yen (– million yen)	– million yen (– million yen)	5 (3)

- (Notes) 1. The above includes two Audit & Supervisory Board Members who retired at conclusion of the 115th Annual Shareholders' Meeting held on June 29, 2023.
2. In addition to the above, a total of 63 million yen was paid as employee-portion salaries for four employee-directors.
3. Stock-based remuneration is included in nonmonetary remuneration.
4. The performance indicator used as a basis of calculating a performance-linked component (“consolidated performance-linked component” and “bonus”) and its calculating method are described in 1) above. The Company has selected to use consolidated net sales and the ratio of profit to net sales as indicators used for the “consolidated performance-linked component” and “bonus,” and it believes that these indicators are useful as they are closely linked to the achievement of two of the principle action lines of the Midterm Business Plan, “Strengthen current business lines further” and “Creating/fostering new business lines.” The actual consolidated net sales and the ratio of profit to net sales for the current fiscal year were 128,738 million yen and 2.0% respectively. The Company plans to pay 103 million yen as “bonus” on the condition that Agenda Item No. 3 to be submitted to the 116th Annual Shareholders' Meeting to be held on June 27, 2024, is approved and resolved as originally proposed. The total amount of performance-linked component, including said “bonus” is expected to be 107 million yen as stated above.
5. As nonmonetary remuneration, stock-based remuneration has been granted to Directors (excluding Outside Directors) as described in 1) above. The Company has selected the consolidated net sales, the ratio of profit to net sales, and ROE (return on equity) as indicators used for the “performance-linked component” of stock-based remuneration. Use of these indicators is supposed to provide incentives to Directors for the purposes of enhancing the Company’s performance and corporate value over the medium to long term, by creating a linkage between remuneration for Directors and the Company’s performance and share value. The actual results for the current fiscal year were 128,738 million yen, 4.7%, and 4.0% respectively. In the current fiscal year, the Company granted points to each Director as per the Share Grant Rule, and granted the Company’s shares to one Director who was in office and retired on March 31, 2023.
6. To ensure independence and neutrality as Audit & Supervisory Board Member, Audit & Supervisory Board Members’ remuneration shall consist of only a “fixed component.” Remuneration amount to each Audit & Supervisory Board Member shall be determined following discussion by the Audit & Supervisory Board Members.

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

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

Name	Material concurrent holding of positions	Relation between the Company and such other corporations
Toshikazu Takei (Outside Director)	Chairman of The Central Council for Financial Services Information	The Company has no transaction with The Central Council for Financial Services Information that would constitute grounds for concluding that Mr. Toshikazu Takei does not have independence from the Company.
Kiyotaka Hoshinaga (Outside Director)	Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution	The Company has no transaction with Fujita Academy Incorporated Educational Institution that would constitute grounds for concluding that Mr. Kiyotaka Hoshinaga does not have independence from the Company.
Miyuri Shirai (Outside Director)	Professor of Faculty of Business and Commerce, Keio University	The Company has no transaction with Keio University that would constitute grounds for concluding that Ms. Miyuri Shirai does not have independence from the Company.
Kazuo Matsuda (Outside Audit & Supervisory Board Member)	Outside Director of Sumitomo Bakelite Co., Ltd.	The Company has no transaction with Sumitomo Bakelite Co., Ltd. that would constitute grounds for concluding that Mr. Kazuo Matsuda does not have independence from the Company.
Etsuaki Yoshida (Outside Audit & Supervisory Board Member)	Professor of Graduate School of Doshisha Business School	The Company has no transaction with Graduate School of Doshisha Business School that would constitute grounds for concluding that Mr. Etsuaki Yoshida does not have independence from the Company.

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

2) Outline of duties executed by Outside Directors and Outside Audit & Supervisory Board Members for roles they were expected to play

Position	Name	Outline of duties executed by Outside Directors and Outside Audit & Supervisory Board Members
Director	Toshikazu Takei	In addition to 13 of the 13 meetings of the Board of Directors (participation: 100%), he attended meetings of the Nomination Committee and Remuneration Committee. At the Board of Directors, he fulfilled his role to help enhance medium- to long-term corporate value by making periodical comments on global political, economic and financial developments, in addition to making remarks, when necessary, based on his rich experience and deep insight into finance and international businesses. Also demonstrated management oversight and supervisory functions to the fullest.
Director	Kiyotaka Hoshinaga	In addition to 13 of the 13 meetings of the Board of Directors (participation: 100%), he attended meetings of the Nomination Committee and Remuneration Committee. At the Board of Directors, he fulfilled his role to help enhance medium- to long-term corporate value by making remarks on operational development and management from a perspective of health and productivity management as a doctor, in addition to making remarks, when necessary, based on his rich experience and deep insight gained through the management of a hospital and a university. Also demonstrated management oversight and supervisory functions to the fullest.
Director	Miyuri Shirai	Attended 13 of the 13 meetings of the Board of Directors (participation: 100%). At the Board of Directors, she fulfilled her role to help enhance medium- to long-term corporate value by making remarks on global group management and business operation, in addition to making remarks, when necessary, based on her rich experience and deep insight into sales matters including marketing. Also demonstrated management oversight and supervisory functions to the fullest.

Audit & Supervisory Board Member	Kazuo Matsuda	Attended 13 of the 13 meetings of the Board of Directors (participation: 100%) and 13 of the 13 meetings of the Audit & Supervisory Board (participation: 100%). Demonstrated management oversight and supervisory functions to the fullest by leveraging insight gained through the finance and international businesses at banks and securities companies, and knowledge and experience of the management of a manufacturing company in the execution of audit work, and making remarks, when necessary, based on his knowledge of corporate management accounting and governance over business execution.
Audit & Supervisory Board Member	Etsuaki Yoshida	Attended 10 of the 10 meetings of the Board of Directors (participation: 100%) and 10 of the 10 meetings of the Audit & Supervisory Board (participation: 100%). Demonstrated management oversight and supervisory functions to the fullest by executing audit work based on his insight and experience gained through the finance and international businesses at public financial institutions for many years, and making remarks from the viewpoint of an expert in international finance, economy, and global business management as a university professor.

(6) Other important matters concerning Company Officers

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

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

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

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

When appointing candidates, the Board of Directors comprehensively considers various factors such as whether they have excellent management skills and leadership as candidates for Director and whether their personalities, opinions, etc. make them suitable for becoming officers. Before resolving the appointment, the Board deliberates on the proposed nomination in light of the reasons for it after receiving comments of the Nomination Committee composed of three or more Directors (the majority of whom must be Outside Directors) appointed by resolution of the Board of Directors.

5. Accounting Auditor

(1) Name

Deloitte Touche Tohmatsu LLC

(2) Liability Limiting Agreement

None

(3) Remuneration for Accounting Auditor

	Amount paid
Remuneration based on audit attestation service rendered during the current fiscal year, payable by the Company	63 million yen
Total remuneration and benefits payable by the Group to Accounting Auditor	83 million yen

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

(4) Non-audit Services Provided

None

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

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

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

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

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

With no issues identified with Deloitte Touche Tohmatsu LLC in any of its assessment items, such as quality management systems and independence of audit teams, the Audit & Supervisory Board judges that it is appropriate to reappoint it as the Accounting Auditor of the Company for FY2024.

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

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

The Company's Audit & Supervisory Board Members and Audit & Supervisory Board confirm and assess that Deloitte Touche Tohmatsu LLC maintains the quality of audits and performs the audits appropriately, as it has an effective management body, effective supervisory and assessment organizations, adherence to professional ethics, and independence

of audit teams in place, while the level of its audit fees, etc. is reasonable and its communication with Audit & Supervisory Board Members, management, and the internal audit division is efficient.

6. System for Ensuring Proper Business Operations

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

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

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

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

- 1) The Risk Management Committee is designated as the committee responsible for regulations and other systems regarding risks of loss by the Company.
- 2) The Risk Management Committee develops a system to properly manage risk based on the "Rules on Risk Management."
- 3) The Risk Management Committee sets risk items to be monitored from a management standpoint and reports to the Board of Directors accordingly.
- 4) The Risk Management Committee designates departments to implement control measures to mitigate each risk item, and to report the status (result) of the risk to the Board of Directors.
- 5) The Risk Management Committee, having the Information Management Subcommittee in place as a subordinate unit, exists to reinforce the platform by determining company-wide policies on information management.

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

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

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

- 1) The Corporate Ethics Committee is designated as the committee responsible for a system to ensure that performance of duties by Directors and employees conforms to laws and regulations and Articles of Incorporation.
- 2) The Corporate Ethics Committee drafts the "Code of Conduct" and the "Standards of Conduct" in compliance with the internal rules of the Company, etc., and revises their contents as necessary after obtaining approval from the Board of Directors.
- 3) Based on the "Rules on Operation and Management of Standards of Conduct," the Corporate Ethics Committee deliberates on rules and other important matters related to compliance, and instructs the department in charge on the necessary measures.
- 4) The Corporate Ethics Committee instructs the Legal Affairs and Compliance Department to collect information on any events of non-compliance or suspected non-compliance, analyze the causes, fully implement measures to prevent recurrence and to provide employees with regular compliance education/training in order to keep them informed and aware of compliance.
- 5) The Corporate Ethics Committee reports to the Board of Directors and the Audit & Supervisory Board on the status of the initiatives to achieve and improve compliance on a regular basis, based on reports from the Legal Affairs and Compliance Department.
- 6) The General Affairs Department assumes the role of company-wide control on "Attitude to Anti-Social Forces" included in the "Standards of Conduct," in order to assume a resolute attitude toward any forces/groups threatening the healthy activities of the Group.

- 7) The General Affairs Department assumes the role of company-wide control, which endeavors to collect information on any anti-social forces and suspicious groups, in close collaboration with external institutions (related government offices/associations/lawyers, etc.). The General Affairs Department centrally manages such information, including internal distribution of information, and raises awareness of employees.
- (5) System to Ensure Appropriate Business Operations in the Group**
- 1) The Legal Affairs and Compliance Department and Corporate Planning Department are designated as the departments responsible for “Internal Control System” of the Group, and promote design and operation of the “Internal Control System” at the group companies.
 - 2) The Legal Affairs and Compliance Department keeps the group companies informed and aware of the “Code of Conduct” and “Standards of Conduct,” and also promotes development of necessary rules, regulations, procedures, etc. for appropriate and effective operation and assessment of a compliance system at the group companies.
 - 3) The Corporate Planning Department reviews “Group Companies Management Rules” as necessary in order to ensure the effectiveness/efficiency of business operations between the Company and its group companies, and keeps the group companies as a whole informed and aware of the rules.
 - 4) The Corporate Planning Department understands the organizational structure, performance of duties, financial conditions, etc. of each group company and makes the group companies report monthly on these specific situations, etc. through “Monthly Reports” and other reports.
 - 5) The Risk Management Committee establishes policies concerning a system for managing risks of loss at the group companies, and the group companies develop and operate their rules based on such policies. The group companies periodically report their progress and situation to the Risk Management Committee.
 - 6) The Corporate Ethics Committee instructs the Legal Affairs and Compliance Department to collect information on any events of non-compliance or suspected non-compliance of the group companies, analyze the causes, fully implement measures to prevent recurrence and to provide officers and employees of the group companies with regular compliance education.
 - 7) The Corporate Ethics Committee reports to the Board of Directors and the Audit & Supervisory Board of the Company on the status of the initiatives to achieve and improve compliance of each group company on a regular basis, based on reports from the Legal Affairs and Compliance Department.
 - 8) Each responsible department reports the status of development and operation of each system of “Internal Control System” of the group companies when they make periodical report to the Board of Directors and the Audit & Supervisory Board.
- (6) System to endure the reliability of financial reporting by the Group**
- 1) The Legal Affairs and Compliance Department is specified as a unit responsible for a system to ensure the reliability of financial reporting by the Group.
 - 2) The Legal Affairs and Compliance Department will build a system to ensure the reliability of financial reporting by the Group in conformity to an internal control reporting system stipulated in the Financial Instruments and Exchange Act, and will continue to develop internal controls, assess internal control operation, and improve internal controls.
- (7) Assigning Employees to Assist the Duties of Audit & Supervisory Board Members of the Company, System to Ensure Independence of Such Employees and the Effectiveness of Instruction from the Audit & Supervisory Board Members**
- 1) The Corporate Planning Department is designated as the department responsible for assigning employees to assist the duties of Audit & Supervisory Board Members and for the independence of such employees.
 - 2) A “Secretariat of the Audit & Supervisory Board,” independent of the Directors, is established as a department to assist the Audit & Supervisory Board Members on a regular basis.
 - 3) The Audit & Supervisory Board may receive reports on the transfer and appraisals of employees who assist the “Secretariat of the Audit & Supervisory Board” in advance, and if necessary, may request changes to the officer in charge of Human Resource.
 - 4) Employees who are in charge of “Secretariat of the Audit & Supervisory Board” perform their duties full time in accordance with instructions from Audit & Supervisory Board Members.
- (8) System to Ensure Directors and Employees of the Group Report to Audit & Supervisory Board Members**
- 1) The General Manager of Legal Affairs and Compliance Department is designated as the person responsible for reporting to Audit & Supervisory Board Members.
 - 2) Directors and employees swiftly report the following matters to Audit & Supervisory Board Members, in addition to statutory reporting matters, when they occur:
 - a. Cases discussed/reported in the management meeting, etc. in which Audit & Supervisory Board Members are not present;
 - b. Cases that are likely to cause significant damage to the Company;
 - c. Results of internal audits on the group companies performed by the Audit Department;
 - d. Status of whistleblowing and content of the information; and
 - e. Other matters which the Audit & Supervisory Board considers necessary to be reported in the course of performing its duties.
 - 3) “Rules on Whistleblowing, and Report and Consultation” stipulates whistleblowing and who to inform inside and outside the Company, and all employees throughout the Company in Japan are kept informed of development and operation of the whistleblower system. In addition, officers and employees of the group companies in Japan are kept informed of whistleblowing and the person to inform outside the Company in order to collect information on any events

- of non-compliance or suspected non-compliance.
- 4) Officers and employees of the group companies, or those who have received reports or consultation from officers and employees of the group companies, report to Audit & Supervisory Board Members in an appropriate manner about any and all information useful for the performance of duties by Audit & Supervisory Board Members.
 - 5) If any compliance issue is found in a whistleblower report, the General Manager of Legal Affairs and Compliance Department reports the status of improvement/corrective measures and preventive measure at a “Corporate Ethics Committee,” and reports to the Board of Directors and the Audit & Supervisory Board along with the investigation results.
 - 6) The Company assures that employees (including officers and employees of the group companies) who have reported to the Audit & Supervisory Board Members will not be dismissed or treated unfairly as a result of their disclosure.

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

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

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

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

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

Moreover, in order to ensure that performance of duties by Directors and employees of the Company conforms to laws and regulations and Articles of Incorporation, the Company has implemented a system whereby any events of non-compliance or suspected non-compliance occurring within the group companies are reported to the Company. The events reported are compiled by the Company and reported to the Board of Directors and the Audit & Supervisory Board.

In addition, the Company has implemented a system to require the group companies to apply for/report on budgets, capital investment, risk control, compliance status, etc., and in FY2023, we checked the improvement and operation status of internal control to ensure the reliability of the Group’s financial reporting, and made recommendations and instructions to strengthen the system for early detection and improvement of deficiencies. In addition, the Company made progress in responding to the internal control reporting system that was revised as of April 1, 2024.

Amid continued uncertainties caused by price increases including soaring raw material and energy prices due to the prolonged unstable Ukraine situation, the Company strove to lower costs by reducing material consumption more intensely through improving the yield rate, etc., and to ensure stable procurement in bolstered collaboration with suppliers, etc. for risk prevention. At the same time, the Group continued to negotiate with customers on proposed price revisions and respond to suppliers’ price hike requests flexibly in consideration of soaring energy prices.

8. Fundamental Policies on the Governance of the Company

(1) Details of Fundamental Policies

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

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

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

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

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

(2) Initiatives to Achieve Fundamental Policies

1) Specific initiatives for the achievement of fundamental policies

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

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

The Company takes the following measures in order to prevent any inappropriate parties from controlling the decisions on finance and business of the Company (hereinafter referred to as “acquisition without consent”):

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

Next, the Company will identify beneficial owners of its shares on a continuous basis and, if an acquirer without consent appears, will check and assess the objective of the acquirer and negotiate with the acquirer in consultation with external specialists. If the acquirer without consent is considered to be incompatible with the Company’s fundamental policies, the Company will take appropriate countermeasures.

Also, the Company does not exclude the option of taking preventive measures against a possible takeover bid without consent, and will continue to study effective measures available in reference to laws and regulations, guidance issued by authorities and the behavior of other companies, while respecting the common interests of our shareholders.

(3) Assessment of Above Efforts and its Basis

It is clear that the above efforts are consistent with the fundamental policies, do not conflict with the common interests of shareholders, and are not intended to secure the positions of the Company’s officers. The Company also considers that the countermeasures and measures for the prevention of an acquisition without consent are appropriate because they are put in motion only when the acquisition is against the Company’s fundamental policies.

9. Policies for Determining Appropriation of Surplus

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

At a Board of Directors meeting held on May 30, 2024, we decided to pay a year-end dividend of 13 yen per share from June 28, 2024 as a result of taking comprehensive account of the consolidated financial results for the full fiscal year under review, under our basic policy.

As a result, the annual dividend, including the interim dividend of 2 yen per share, would be 15 yen per share.

For the next fiscal year, the Company plans an annual dividend of 15 yen per share (the interim dividend of 7 yen per share and year-end dividend of 8 yen per share).

The Articles of Incorporation of the Company stipulates that it may pay dividends of surplus by resolution of the Board of Directors with September 30 of a given year and March 31 of a given year as the record date, pursuant to Article 459 of the Companies Act.

10. Other Material Issues relating to the Company

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

(<https://www.ir.daidometal.com/management/governance.html>)

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

Consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	103,549	Current liabilities	74,468
Cash and deposits	30,956	Notes and accounts payable - trade	9,083
Notes receivable - trade	1,553	Electronically recorded obligations - operating	11,960
Accounts receivable - trade	27,921	Short-term borrowings	32,487
Electronically recorded monetary claims - operating	3,199	Current portion of long-term borrowings	7,739
Merchandise and finished goods	16,816	Lease liabilities	668
Work in process	11,720	Income taxes payable	1,488
Raw materials and supplies	8,815	Contract liabilities	90
Other	2,650	Provision for bonuses	1,778
Allowance for doubtful accounts	(85)	Provision for bonuses for directors (and other officers)	103
		Provision for product compensation	68
		Electronically recorded obligations - non-operating	672
		Other	8,328
Non-current assets	84,820	Non-current liabilities	35,179
Property, plant and equipment	56,865	Long-term borrowings	21,088
Buildings and structures	16,330	Lease liabilities	1,398
Machinery, equipment and vehicles	22,997	Deferred tax liabilities	4,355
Land	10,522	Provision for share awards	83
Leased assets	2,654	Provision for share awards for directors (and other officers)	58
Construction in progress	3,370	Retirement benefit liability	7,796
Other	989	Asset retirement obligations	17
		Other	380
Intangible assets	9,384	Total Liabilities	109,647
Goodwill	4,070	(Net Assets)	
Leased assets	1	Shareholders' equity	57,786
Other	5,312	Share capital	8,413
		Capital surplus	13,114
Investments and other assets	18,570	Retained earnings	36,549
Investment securities	7,323	Treasury shares	(291)
Long-term loans receivable	311	Accumulated other comprehensive income	11,033
Retirement benefit asset	8,212	Valuation difference on available-for-sale securities	1,615
Deferred tax assets	1,685	Foreign currency translation adjustment	6,418
Other	1,080	Remeasurements of defined benefit plans	2,999
Allowance for doubtful accounts	(43)	Non-controlling interests	9,901
		Total Net Assets	78,721
Total Assets	188,369	Total Liabilities and Net Assets	188,369

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

Consolidated Statement of Income

(From: April 1, 2023
To: March 31, 2024)

(Millions of yen)

Account	Amount	
Net sales		128,738
Cost of sales		97,433
Gross profit		31,304
Selling, general and administrative expenses		25,219
Operating profit		6,084
Non-operating income		
Interest and dividend income	476	
Foreign exchange gains	322	
Share of profit of entities accounted for using equity method	235	
Subsidy income	258	
Other	344	1,636
Non-operating expenses		
Interest expenses	1,632	
Loss on retirement of non-current assets	75	
Other	187	1,895
Ordinary profit		5,825
Extraordinary income		
Gain on sale of investment securities	210	210
Profit before income taxes		6,036
Income taxes - current	2,688	
Income taxes - deferred	(99)	2,589
Profit		3,447
Profit attributable to non-controlling interests		878
Profit attributable to owners of parent		2,569

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

Consolidated Statement of Changes in Equity

(From: April 1, 2023
To: March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,413	13,114	34,170	(310)	55,388
Changes during period					
Dividends of surplus			(190)		(190)
Profit attributable to owners of parent			2,569		2,569
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				19	19
Net changes in items other than shareholders' equity					
Total changes during period	-	-	2,378	19	2,398
Balance at end of period	8,413	13,114	36,549	(291)	57,786

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	974	4,359	414	5,748	9,317	70,454
Changes during period						
Dividends of surplus						(190)
Profit attributable to owners of parent						2,569
Purchase of treasury shares						(0)
Disposal of treasury shares						19
Net changes in items other than shareholders' equity	640	2,059	2,584	5,285	584	5,869
Total changes during period	640	2,059	2,584	5,285	584	8,267
Balance at end of period	1,615	6,418	2,999	11,033	9,901	78,721

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries

32 companies

Names of consolidated subsidiaries

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

Asia Kelmet Co., Ltd. (“AKS”), which was a consolidated subsidiary of the Company, is excluded from the scope of consolidation as a result of an absorption-type merger, effective from October 1, 2023, whereby the Company became the surviving company and AKS dissolved.

(2) Names of unconsolidated subsidiaries

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

Reason for exclusion from scope of consolidation

Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group’s point of view in terms of total assets, net sales, profit (the amount proportionate to equity), and retained earnings (the amount proportionate to equity) and do not have a significant impact on the consolidated financial statements, and are not material as a whole.

2. Application of equity method

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

Names of companies

4 companies
(Unconsolidated subsidiary)
Korea Dry Bearing Co., Ltd.
(Associates)
BBL Daido Private Limited
Shippo Asahi Moulds (Thailand) Co., Ltd.
NPR of Europe GmbH.

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

Reason for non-application of equity method

(Unconsolidated subsidiaries)
Chung Yuan Daido (Guangzhou) Co., Ltd.
DMS Korea Co., Ltd.
Chung Yuan Daido (Guangzhou) Co., Ltd. and DMS Korea Co., Ltd. have been excluded from the scope of the equity method because these companies are immaterial from the Group's point of view in terms of profit or loss (the amount proportionate to equity) and retained earnings (the amount proportionate to equity) and do not have a significant impact on the consolidated financial statements, and are not material as a whole.

(3) Special mention regarding the application of equity method

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

3. Matters relating to the accounting period of consolidated subsidiaries

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

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

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Available-for-sale securities

- Available-for-sale securities other than shares and other securities without market price
Stated at fair value (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)
- Shares and other securities without market price
Stated at cost using moving average method

2) Basis and method of valuation of derivatives

Stated at fair value

3) Basis and method of valuation of inventories

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

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

(2) Method of depreciation of important depreciable assets

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

The Company and five domestic consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Estimated useful lives of major assets are as follows:

Buildings and structures	3-60 years
Machinery, equipment and vehicles	3-20 years

2) Intangible assets (excluding leased assets)

Straight-line method is used.

3) Leased assets

- Leased assets relating to finance lease transactions which transfer the ownership of leased assets
The same depreciation method as applied to self-owned non-current assets is used.
- Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets
Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.
- Right-of-use assets
Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.
For overseas consolidated subsidiaries, regarding the accounting treatment for lessees, in principle, all leases are recorded as assets and liabilities on the balance sheet in accordance with IFRS 16 and ASC 842.

(3) Recognition criteria of significant allowances and provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an estimated uncollectible amount is provided. The amount for general receivables is calculated based on the past loss experience, and the amount for specific receivables such as highly doubtful receivables is calculated by reviewing the probability of recovery in each individual case.

2) Provision for bonuses

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

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

An estimated amount of bonuses payable to directors (and other officers) is provided.

4) Provision for product compensation

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

5) Provision for share awards, Provision for share awards for directors (and other officers)

In order to prepare for the share awards for directors and executive officers, estimated share award amounts based on the estimated points to be granted to eligible directors and executive officers under the Share Grant Rule of the Company is provided.

- (4) Recognition criteria of revenue and expenses
- 1) Main performance obligation in the Company's principal business line
Manufacturing of bearing products is the principal business line of the Company. With respect to the sales of such products, the Company regards the delivery of products to customers as a performance obligation.
 - 2) The point in time when the Company typically satisfies its performance obligations (the point in time when the Company typically recognizes revenue)
Revenue is recognized, in principle, at the time of delivering products to customers as we consider that the control of goods is transferred to the customer and our performance obligation is satisfied at the time of delivering products. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in an agreement with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial component.
- (5) Other significant matters for presentation of consolidated financial statements
- 1) Accounting for retirement benefits
In order to prepare for the payment of retirement benefits to employees (excluding executive officers, etc.), an amount estimated to have occurred at the end of the current fiscal year is provided based on the projected benefit obligation and plan assets at the end of the current fiscal year.
When calculating retirement benefit obligations, the benefit formula basis is used to allocate the estimated amount of retirement benefits to the period up to the end of the current fiscal year.
Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof.
For actuarial differences, an amount prorated by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof in each fiscal year is expensed starting from the fiscal year that follows the fiscal year of occurrence.
In order to prepare for the payment of retirement benefits to executive officers, etc., the amount that would need to be paid if all eligible officers retired at the end of the fiscal year is provided.
 - 2) Conversion of foreign currency denominated assets and liabilities into Japanese Yen
Foreign currency denominated monetary claims and obligations are converted into Japanese Yen at the spot exchange rates prevailing at the consolidated balance sheet date, and the resulting exchange differences are recorded as gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustment and non-controlling interests.
 - 3) Amortization of goodwill and the amortization period
Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during which the benefits are expected to arise.

II. Notes on Accounting Estimates

1. Valuation of intangible assets including goodwill

(1) Amount recorded in consolidated financial statements

Goodwill of 4,070 million yen (886 million yen for Iino Holding Ltd. and its subsidiaries (hereinafter referred to as the "Iino Group") and 3,183 million yen for ATA Casting Technology Japan Co., Ltd. and its subsidiaries (hereinafter referred to as the "ATA Group")), and customer-related assets of 3,007 million yen (2,286 million yen for the Iino Group and 721 million yen for the ATA Group)

(2) Additional information that contributes to consolidated financial statement users' better understanding of accounting estimates

To strengthen product offerings to existing customers of the Group, and diversify and expand products and businesses for the Group over the medium to long term, the Group acquired the Iino Group and the ATA Group in the fiscal year ended March 2017, categorizing both groups as "Other automotive parts," and recording intangible assets including goodwill in the consolidated balance sheets.

The Group applies impairment accounting to these non-current assets after redefining each company group as an asset group and performing such accounting to the largest asset group to which goodwill and customer-related assets have been added to the non-current assets, etc. related to each company group.

The impairment test for the assets attributable to each of these asset groups identifies a sign of impairment including goodwill because the amount allocated to goodwill and intangible assets excluding goodwill is relatively large. The carrying amount of non-current assets including goodwill is 6,605 million yen for the Iino Group and 8,328 million yen for the ATA Group. The impairment test shows that the total amount of future cash flow before discount exceeds the amount of carrying amount of non-current assets including goodwill, and therefore, there is no impairment loss to be recognized for both groups.

The cash flow before discount is calculated based on the figures presented in the future business plans of each of the company groups. Among these figures, net sales are obtained by adding up based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. In addition, market development forecasts for aluminum metal, the main raw materials, are reflected in the plans. As for expenses, pass on to selling prices in response to market price fluctuations of main raw materials, cost reduction effects through cutting labor expenses, promoting in-house manufacturing, and improving the efficiency of logistics are partially reflected in the plans.

When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts or the cost reduction status, an impairment loss may be recognized for the following fiscal year.

2. Valuation of property, plant and equipment of DM Casting Technology (Thailand) Co., Ltd.

(1) Amount recorded in consolidated financial statements

Property, plant and equipment of 1,990 million yen

(2) Additional information that contributes to consolidated financial statement users' better understanding of accounting estimates

In January 2018, the Group founded DM Casting Technology (Thailand) Co., Ltd. as a firm that would manufacture electric vehicle aluminum die-cast products, which were classified into the "Non-automotive bearings" segment. As an impairment test for the firm's property, plant and equipment, we determined and measured the recognition of an impairment loss on any of such assets found to show signs of impairment. For any of the asset group whose recoverable value is less than its carrying value, we lowered the carrying value to the recoverable value before recognizing the decline in value as an impairment loss.

Since the launch of mass production of products, the firm experienced many production defects for certain items. An increased cost of inspections intended to prevent defective goods from flowing out as well as an additional cost of transport by air as a means of meeting delivery deadlines led to an operating loss, which shows signs of impairment. Therefore, we determined and measured the recognition of an impairment loss. In deciding to recognize and/or measure an impairment loss, we computed the recoverable value in accordance with its use value, based on the numbers of the firm's future business plans. Of them, net sales are obtained by adding up based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. In addition, the plans factored in an increase of production capacity due to capital expenditures and productivity improvement and a termination of transportation by air as a result of these efforts.

For the next fiscal year, an impairment loss may be recognized if the assumptions used for the estimations need to be revised due to changes in automobile production forecasts or a progress of the firm's cost reduction efforts.

III. Additional Information

1. Granting Company Shares to Employees, etc. through a Trust

In order to incentivize employees to achieve the Midterm Business Plan goals and raise corporate value in medium to long term, and to enrich the employee welfare program, the Company introduced an E-Ship[®], trust-type employee stock purchase incentive plan (hereinafter “the Incentive Plan”). However, the Incentive Plan was terminated on April 2023.

(i) The Incentive Plan Overview

The Incentive Plan is available to Daido Metal group employees who participate in the Daido Metal Employee Stock Purchase Plan (hereinafter, “ESPP”). Under the Incentive Plan, the Company will set up a trust - Daido Metal ESPP Trust (hereinafter, “ESPP Trust”) - with a trust bank. The ESPP Trust will purchase Company shares up front for the amount ESPP will likely to purchase over a certain period. Afterwards, the ESPP Trust will sell Company shares to the ESPP for its periodical purchases. At the end of the trust period, if the ESPP Trust asset balance resulted positive with the accumulated gains on Company shares, such residual assets will be distributed to members of the ESPP who meet beneficiary eligibility criteria. As the Company will provide guarantees for ESPP Trust’s borrowings to purchase Company shares, any shortfalls in repayment at the end of Trust period, due to the accumulated loss at ESPP Trust caused by the drop in Company share price, shall be reimbursed by the Company.

(ii) Residual Company shares held in the ESPP Trust

Residual shares held in the ESPP Trust were recorded as treasury shares under Net Assets at book value in the ESPP Trust (excluding ancillary expenses). However, treasury shares are no longer recorded because the Incentive Plan was terminated.

(iii) Carrying amount of borrowings posted through the application of the total amount method

No borrowings are posted because the Incentive Plan was terminated.

2. Introduction of Performance-linked Stock-based Remuneration Scheme for Directors and Executive Officers

The Company introduced new performance-linked stock-based remuneration scheme (“the Scheme”) for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value over medium to long term.

(i) The Scheme Overview

Under the Scheme, a Board Benefit Trust (“the BBT”) is created with the contribution from the Company. The BBT purchases Company shares, and the Company gives eligible Directors and Executive Officers the shares as performance-linked stock-based remuneration based on the number of points awarded in accordance with their individual rank and target achievement etc., as set forth in the Share Grant Rule. Beneficiaries of the BBT shall be those who serve as Directors and Executive Officers during the period. The Company shares are granted to each Director and Executive Officer when they retire from their position.

(ii) Residual Company shares held in the BBT

Any residual shares of the Company held in the BBT will be recorded at the BBT’s carrying amount (excluding incidental expenses) as treasury shares under net assets. As of the end of the fiscal year ended March 31, 2024, the carrying amount of the treasury shares was 289 million yen and the number of shares was 382,000 shares.

IV. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	133,050	million yen
2. Assets pledged as collateral, and liabilities secured by collateral		
Assets pledged as collateral		
Buildings and structures	507	million yen
Machinery, equipment and vehicles	1,432	
Land	1,932	
Other	0	
Total	<u>3,872</u>	
Liabilities secured by collateral		
Short-term borrowings	3,148	million yen
Long-term borrowings (including amounts scheduled to be repaid within one year)	1,054	
Total	<u>4,202</u>	
3. Guarantee obligations		
Employee housing loans, etc.	84	million yen
4. Notes receivable discounted or transferred by endorsement		
Discounted export bills	9	million yen

5. Bills matured at the end of a consolidated fiscal year, etc.

Accounting for bills matured at the end of a consolidated fiscal year is done on the bill clearance date.

Since the last day of the consolidated fiscal year ended March 31, 2024, was a holiday of financial institutions, the following bills that matured at the end of the consolidated fiscal year are included in the balance of the consolidated fiscal year:

Notes receivable—trade and electronically recorded monetary claims—operating 224 million yen

V. Notes to Consolidated Statement of Changes in Equity

1. Total number of shares issued as of the end of the current fiscal year

Common shares 47,520 thousand shares

2. Matters relating to dividend

(1) Total dividends paid

Resolution	Type of share	Dividends paid (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Board of Directors meeting held on May 25, 2023	Common share	95	2.00	March 31, 2023	June 30, 2023
Board of Directors meeting held on November 9, 2023	Common share	95	2.00	September 30, 2023	December 7, 2023

(Notes) 1. The dividends paid as per the resolution of the Board of Directors meeting held on May 25, 2023 includes 0 million yen as dividends for the Company shares held as trust property for E-Ship[®], trust-type employee stock purchase incentive plan and trust property for a performance-linked stock-based remuneration scheme.

2. The dividends paid as per the resolution of the Board of Directors meeting held on November 9, 2023 includes 0 million yen as dividends for the Company shares held as trust property for a performance-linked stock-based remuneration scheme.

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

Resolution	Type of share	Dividends paid (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Board of Directors meeting held on May 30, 2024	Common share	617	13.00	March 31, 2024	June 28, 2024

(Note) The dividends paid includes 4 million yen as dividends for the Company shares held as trust property for a performance-linked stock-based remuneration scheme.

Dividends are paid out of retained earnings.

VI. Notes on Financial Instruments

1. Matters relating to financial instruments

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

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

Borrowings are used for working capital (mainly short-term) and capital investment (long-term). For derivative transactions, we do forward exchange transaction to hedge the risk of foreign exchange fluctuations for portions of foreign currency denominated monetary claims and obligations. Derivative transactions are made within the scope of actual demand in accordance with internal management regulations.

2. Matters relating to fair values of financial instruments

Consolidated balance sheet amounts, fair values and differences as of March 31, 2024 are as follows. We omitted presentation of cash and deposits, notes receivable - trade, accounts receivable - trade, electronically recorded monetary claims - operating, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, income taxes payable, and electronically recorded obligations - non-operating because they are in cash and their fair values are nearly equal to their carrying amounts due to being settled in a short period of time.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	4,394	4,394	—
Total assets	4,394	4,394	—
(1) Long-term borrowings (including amounts scheduled to be repaid within one year)	28,827	28,517	(309)
(2) Lease liabilities	2,066	2,073	6
Total liabilities	30,894	30,591	(303)
Derivatives (*1) Those not qualifying for hedge accounting	5	5	—

(*1) Net claims and net obligations caused by derivatives are presented, and any item representing net obligation on a combined basis is shown in parenthesis.

(*2) Shares and other securities without market price are not included in “(1) Investment securities.”
Shown below is the value of the financial instrument as recorded in the consolidated balance sheet.

Category	Current fiscal year (Millions of yen)
Unlisted stock	2,929

3. Matters regarding the breakdown, etc., of financial instruments by fair value level

Financial instrument fair values are classified into the following three levels in accordance with the observability and importance of an input for fair value measurement.

Level 1 fair value: A fair value measured in accordance with market price related to an asset or liability targeted for fair value measurement formed on an active market, among observable inputs for measurement of fair values

Level 2 fair value: A fair value measured by using an input for measurement of fair values other than the Level 1 input, among observable inputs for measurement of fair values

Level 3 fair value: A fair value measured by using unobservable inputs for measurement of fair values

In cases where multiple inputs that materially affect fair value measurement are used, the fair value is classified into the lowest order of priority level for fair value measurement, among levels to which each input belongs.

(1) Financial instruments recorded at their fair value on the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	4,394	—	—	4,394
Derivatives				
Currency-related	—	5	—	5
Total assets	4,394	5	—	4,400

(2) Financial instruments other than those recorded at their fair value on the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	28,517	–	28,517
Lease liabilities	–	2,073	–	2,073
Total liabilities	–	30,591	–	30,591

(Note) Description of valuation methods used for fair value measurement and of inputs for fair value measurement

Investment securities

Listed stocks are valued at market price. Since they are traded on active markets, their fair value is classified into Level 1 fair value.

Derivatives

Fair value of forward exchange contract is measured with the discounted present value method by using observable inputs such as the foreign exchange rate, and is classified into Level 2 fair value.

Long-term borrowings and lease liabilities

The fair value of long-term borrowings and lease liabilities is measured with the discounted present value method in accordance with a total amount of principal and interest, and an interest rate reflecting the remaining time to maturity of the obligations and credit risk involved, and is classified into Level 2 fair value.

VII. Notes on Rental Properties

1. Matters relating to rental properties

The Group owns rental properties in Tokyo and in other areas.

2. Matters relating to the fair value of rental properties

(Millions of yen)

Consolidated balance sheet amount	Fair value
1,107	2,318

- (Notes) 1. The consolidated balance sheet amount represents the acquisition cost less accumulated depreciation and impairment.
2. The fair value at the end of the fiscal year represents appraised value principally based on the “real-estate appraisal standards.”

VIII. Notes on Revenue Recognition

1. Breakdown of revenue generated from contracts with customers

(Millions of yen)

	Reporting Segment					Others (Note 2)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Japan	27,799	9,183	10,195	4,834	52,012	1,089	53,102
North America	8,269	2,429	1,020	4,353	16,072	68	16,140
Asia	21,435	4,938	1,749	11,443	39,566	146	39,713
Europe	8,385	2,402	3,450	1	14,239	72	14,312
Other	3,617	885	194	667	5,364	18	5,383
Revenue generated from contracts with customers	69,506	19,839	16,610	21,300	127,257	1,395	128,652
Other revenue	–	–	–	–	–	85	85
Sales to external customers	69,506	19,839	16,610	21,300	127,257	1,481	128,738

- (Notes) 1. Revenue generated from contracts with customers was classified by country and territory using customer location as the basis.
2. “Others” includes business areas not included in above reporting segments. It includes electrode sheets business for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.

2. Information forming the basis for understanding revenue

For details of information forming the basis for understanding revenue, please refer to “Notes to Consolidated Financial Statements I. Notes on Significant Matters that Form the Basis of Presenting the Consolidated Financial Statements, etc. 4. Matters relating to accounting policies (4) Recognition criteria of revenue and expenses.”

3. Information with which to understand the revenue values for the fiscal year under review and next fiscal year onward

(1) Balances of contract assets and contract liabilities

(Millions of yen)

	Current fiscal year	
	Beginning balance	Ending balance
Liabilities stemming from contracts with customers	30,316	32,674
Contract assets	–	–
Contract liabilities	82	90

Contract liabilities, mainly, are reversed due to revenue recognition because they concern advances received from customers under payment terms and conditions mainly for bearing products.

Of the revenue values recognized for the current fiscal year, values included in the beginning balance of contract liabilities were insignificant.

(2) Transaction prices allocated to residual fulfillment obligations

The Group used practical convenient methods in the absence of any significant transaction for individual expected contract term of over one year, and omitted to present information on residual fulfillment obligations. Payments resulting from contracts with customers did not include any significant value not contained in transaction values.

IX. Notes on Per Share Information

1. Net assets per share	1,460.05 yen
2. Basic earnings per share	54.50 yen

Non-consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

Account (Assets)	Amount	Account (Liabilities)	Amount
Current assets	42,919	Current liabilities	41,518
Cash and deposits	5,894	Accounts payable - trade	6,575
Notes receivable - trade	140	Electronically recorded obligations - operating	12,540
Accounts receivable - trade	19,462	Short-term borrowings	9,593
Electronically recorded monetary claims - operating	3,020	Current portion of long-term borrowings	6,150
Merchandise and finished goods	3,226	Lease liabilities	395
Work in process	4,816	Accounts payable - other	1,631
Raw materials and supplies	2,777	Accrued expenses	1,014
Prepaid expenses	202	Income taxes payable	654
Short-term loans receivable from subsidiaries and associates	1,558	Accrued consumption taxes	65
Accounts receivable - other	1,624	Contract liabilities	839
Other	195	Deposits received	61
Allowance for doubtful accounts	(0)	Unearned revenue	37
		Provision for bonuses	1,193
		Provision for bonuses for directors (and other officers)	103
		Electronically recorded obligations - non-operating	657
		Other	3
Non-current assets	75,782	Non-current liabilities	27,213
Property, plant and equipment	19,482	Long-term borrowings	18,312
Buildings	7,405	Lease liabilities	692
Structures	589	Deferred tax liabilities	816
Machinery and equipment	3,709	Provision for retirement benefits	5,101
Vehicles	17	Provision for share awards	83
Tools, furniture and fixtures	375	Provision for share awards for directors (and other officers)	58
Land	5,065	Provision for loss on guarantees	1,310
Leased assets	1,766	Provision for loss on business of subsidiaries and associates	521
Construction in progress	552	Asset retirement obligations	17
Intangible assets	2,059	Long-term accounts payable - other	237
Software	1,269	Other	62
Leased assets	0		
Right to use facilities	20		
Other	769	Total Liabilities	68,732
Investments and other assets	54,240	(Net Assets)	
Investment securities	3,342	Shareholders' equity	48,656
Shares of subsidiaries and associates	29,779	Share capital	8,413
Investments in capital of subsidiaries and associates	13,867	Capital surplus	12,238
Long-term loans receivable from subsidiaries and associates	9,135	Legal capital surplus	8,789
Long-term loans receivable from employees	12	Other capital surplus	3,449
Long-term prepaid expenses	10	Retained earnings	28,295
Prepaid pension costs	4,249	Legal retained earnings	743
Other	281	Other retained earnings	27,551
Allowance for doubtful accounts	(6,436)	Reserve for tax purpose reduction entry of non-current assets	4,120
		General reserve	21,000
		Retained earnings brought forward	2,431
		Treasury shares	(291)
		Valuation and translation adjustments	1,313
		Valuation difference on available-for-sale securities	1,313
Total Assets	118,701	Total Net Assets	49,969
		Total Liabilities and Net Assets	118,701

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

Non-consolidated Statement of Income

(From: April 1, 2023
To: March 31, 2024)

(Millions of yen)

Account	Amount	
Net sales		71,635
Cost of sales		56,962
Gross profit		14,672
Selling, general and administrative expenses		12,041
Operating profit		2,631
Non-operating income		
Interest and dividend income	2,267	
Foreign exchange gains	83	
Other	330	2,681
Non-operating expenses		
Interest expenses	598	
Loss on retirement of non-current assets	47	
Other	926	1,572
Ordinary profit		3,740
Extraordinary income		
Gain on extinguishment of tie-in shares	413	413
Extraordinary losses		
Provision of allowance for doubtful accounts	1,962	1,962
Profit before income taxes		2,191
Income taxes - current	961	
Income taxes - deferred	(112)	848
Profit		1,343

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

Non-consolidated Statement of
Changes in Equity
(From: April 1, 2023)
(To: March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of period	8,413	8,789	3,449	12,238	743
Changes during period					
Provision of reserve for tax purpose reduction entry of non-current assets					
Reversal of reserve for tax purpose reduction entry of non-current assets					
Dividends of surplus					
Profit					
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	-	-	-	-
Balance at end of period	8,413	8,789	3,449	12,238	743

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings					
	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	4,163	21,000	1,234	27,141	(310)	47,483
Changes during period						
Provision of reserve for tax purpose reduction entry of non-current assets	49		(49)	-		-
Reversal of reserve for tax purpose reduction entry of non-current assets	(92)		92	-		-
Dividends of surplus			(190)	(190)		(190)
Profit			1,343	1,343		1,343
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares					19	19
Net changes in items other than shareholders' equity						
Total changes during period	(42)	-	1,196	1,153	19	1,172
Balance at end of period	4,120	21,000	2,431	28,295	(291)	48,656

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	755	755	48,239
Changes during period			
Provision of reserve for tax purpose reduction entry of non-current assets			-
Reversal of reserve for tax purpose reduction entry of non-current assets			-
Dividends of surplus			(190)
Profit			1,343
Purchase of treasury shares			(0)
Disposal of treasury shares			19
Net changes in items other than shareholders' equity	557	557	557
Total changes during period	557	557	1,730
Balance at end of period	1,313	1,313	49,969

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

Notes to Non-consolidated Financial Statements

I. Notes on Matters Relating to Significant Accounting Policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

1) Shares of subsidiaries and

associates Stated at cost by the moving average method

2) Available-for-sale securities

- Available-for-sale securities other than shares and other securities without market price
Stated at fair value (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)
- Shares and other securities without market price
Stated at cost using moving average method

(2) Basis and method of valuation of inventories

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

1) Merchandise and finished goods

Weighted average method

2) Work in process

Weighted average method

3) Raw materials

Principally by weighted average method

4) Supplies

Principally by moving average method

2. Method of depreciation of non-current assets

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

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

Buildings 3-50 years

Structures 7-60 years

Machinery and equipment 4-10 years

Vehicles 4-10 years

Tools, furniture and fixtures 2-20 years

(2) Intangible assets (excluding leased assets)

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

(3) Leased assets

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

3. Recognition criteria of allowances and provisions

(1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an estimated uncollectible amount is provided. The amount for general receivables is calculated based on the past loss experience, and the amount for specific receivables such as highly doubtful receivables is calculated by reviewing the probability of recovery in each individual case.

(2) Provision for bonuses

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

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

An estimated amount of bonuses payable to directors (and other officers) is provided.

(4) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding executive officers, etc.), an amount estimated to have occurred at the end of the current fiscal year is provided based on the projected benefit obligation and plan assets at the end of the current fiscal year.

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

Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over a period within the average remaining service years of employees (14 years) at the time of occurrence thereof.

For actuarial differences, an amount pro-rated by the straight-line method over a period within the average remaining service years of employees (14 years) at the time of occurrence thereof in each fiscal year is expensed starting from the fiscal year that follows the fiscal year of occurrence.

In order to prepare for the payment of retirement benefits to executive officers, etc., the amount that would need to be paid if all eligible officers retired at the end of the fiscal year is provided.

(5) Provision for loss on guarantees

In order to prepare for loss on guarantees provided to subsidiaries and associates, the estimated loss amount is provided, taking into account the financial position, etc. of guaranteed parties.

(6) Provision for share awards, Provision for share awards for directors (and other officers)

In order to prepare for the share awards for directors and executive officers, estimated share award amounts based on the estimated points to be granted to eligible directors and executive officers under the Share Grant Rule of the Company is

provided.

(7) Provision for loss on business of subsidiaries and associates

In order to prepare for loss on business of subsidiaries and associates, an estimated loss amount is provided by taking their financial position, etc., into account.

4. Recognition criteria of revenue and expenses

(1) Main performance obligation in the Company's principal business line

Manufacturing of bearing products is the principal business line of the Company. With respect to the sales of such products, the Company regards the delivery of products to customers as a performance obligation.

(2) The point in time when the Company typically satisfies its performance obligations (the point in time when the Company typically recognizes revenue)

Revenue is recognized, in principle, at the time of delivering products to customers as we consider that the control of goods is transferred to the customer and our performance obligation is satisfied at the time of delivering products. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in an agreement with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial component.

5. Other significant matters for the presentation of non-consolidated financial statements

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

Foreign currency denominated monetary claims and obligations are converted into Japanese Yen at the spot exchange rates prevailing at the fiscal year-end date, and the resulting exchange differences are recorded as gains or losses.

(2) Accounting method for retirement benefits

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

II. Notes on Accounting Estimates

Valuation of shares of subsidiaries and associates

(1) Amount recorded in non-consolidated financial statements

Shares of subsidiaries and associates of 29,779 million yen (10,751 million yen for ATA Casting Technology Japan Co., Ltd. and 10,230 million yen for Iino Holding Ltd.)

(2) Additional information that contributes to non-consolidated financial statement users' better understanding of accounting estimates

In evaluating the shares of subsidiaries and associates of above-mentioned two companies, the Company compared the actual value calculated based on a present discounted value of future cash flow after discount with an acquisition value to identify a significant decrease in the actual value. Our evaluation found that the actual values did not decrease significantly compared to the acquisition values, and therefore, neither of the companies' shares were subject to impairment treatment.

Future cash flow is calculated based on the figures presented in the future business plans of each of the company groups. Among these figures, net sales are obtained based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. As for expenses, pass on to selling prices in response to market price fluctuations of main raw materials, cost reduction effects through cutting labor expenses, promoting in-house manufacturing, and improving the efficiency of logistics are partially reflected in the plans.

As for a discount rate, the Company uses a rate that reasonably reflects the required rate of return of the stock market and the level of interest rates of the country to which the subsidiary or associate belongs.

When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts or the cost reduction status, an impairment loss from investment may be recognized for the following fiscal year.

III. Additional Information

1. Granting Company Shares to Employees, etc. through a Trust

In order to incentivize employees to achieve the Midterm Business Plan goals and raise corporate value in medium to long term, and to enrich the employee welfare program, the Company introduced an E-Ship[®], trust-type employee stock purchase incentive plan. However, the plan was terminated on April 2023.

For more details, please refer to "Notes to Consolidated Financial Statements III. Additional Information."

2. Introduction of Performance-linked Stock-based Remuneration Scheme for Directors and Executive Officers

The Company introduced new performance-linked stock-based remuneration scheme for Directors (excluding Outside Directors) and Executive Officers (excluding a Director concurrently serving as an Executive Officer) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value over medium to long term.

For more details, please refer to "Notes to Consolidated Financial Statements III. Additional Information."

IV. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	52,434 million yen
2. Monetary claims and monetary obligations to/from subsidiaries and associates	
Short-term monetary claims	8,118 million yen
Long-term monetary claims	19
Short-term monetary obligations	5,303
3. Guarantee obligations	
(1) For employee housing loans, etc.	84 million yen
(2) For bank borrowings	
DAIDO METAL KOTOR AD	652
DAIDO METAL CZECH s.r.o.	1,378
Daido Metal Europe GmbH.	1,363
Daido Metal U.S.A. Inc.	2,895
Daido Metal Mexico, S.A. de C.V.	1,095
Daido Metal Mexico Sales, S.A. de C.V.	0
DM Casting Technology (Thailand) Co., Ltd.	1,988
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	158
(4) For export duties	
Daido Metal Europe GmbH.	7
Total	<u>9,625</u>

V. Notes to Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates	
Operating transactions	
Amount of sales	18,220 million yen
Amount of purchases	16,469
Other operating transactions	1,625
Transactions other than operating transactions	2,200

VI. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares at the end of the current fiscal year

Common shares 385 thousand shares

(Note) The number of common shares includes 382 thousand shares of the Company held as trust property for a performance-linked stock-based remuneration scheme.

VII. Notes on Leased Non-current Assets

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

VIII. Notes on Tax Effect Accounting

Breakdown of the main causes of deferred tax assets and liabilities

Deferred tax assets

Devaluation of finished goods and work in process	349 million yen
Depreciation in excess of tax allowable limit	26
Impairment losses	155
Accrued business tax	83
Loss on valuation of shares of subsidiaries and associates	3,778
Loss on valuation of golf club membership	16
Excess allowance for doubtful accounts	1,966
Provision for bonuses	365
Provision for loss on guarantees	400
Provision for loss on business of subsidiaries and associates	159
Provision for retirement benefits	773
Long-term accounts payable - other	53
Other	43
Sub-total of deferred tax assets	8,172
Valuation reserves for temporary difference, etc.	(6,607)
Total deferred tax assets	1,564
Deferred tax liabilities	
Reserve for tax purpose reduction entry of non-current assets	(1,816)
Valuation difference on available-for-sale securities	(554)
Other	(10)
Total deferred tax liabilities	(2,381)
Net deferred tax liability	(816)

IX. Notes on Transactions with Related Parties

Subsidiaries and associates

Type	Name of company	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held)	Relation with related party	Nature of transaction	Transaction amount (Millions of yen) Note 11	Account	Balance at end of period (Millions of yen) Note 11
Subsidiaries	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, and key management personnel service (one officer)	Purchase of bearing products, etc. Note 1	8,545	Accounts payable - trade Electronically recorded obligations - operating	724 1,952
	NDC Co., Ltd.	(Holding) Direct 58.8	Manufacturing of the Company's products, sale of the Company's products and bimetal, purchase of products and bimetal, lease of facilities, licensing of technology, and key management personnel service (one officer)	Purchase of bearing products, etc. Note 1	4,043	Accounts payable - trade	1,998
	DAIDO METAL SALES CO., LTD.	(Holding) Direct 100.0	Sale of the Company's products, lease of facilities, loans	Sale of bearing products, etc. Note 2	2,081	Accounts receivable - trade	1,300
	DM Casting Technology (Thailand) Co., Ltd.	(Holding) Direct 99.9	Debt guarantees and loans, and key management personnel service (one officer)	Debt guarantees Note 3 Loans Notes 6, 8	3,298 2,580	- Long-term loans receivable from subsidiaries and associate	- 3,494
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sale of the Company's products and bimetal, purchase of products, licensing of technology, debt guarantees	Sale of bearing products, etc. Note 2 Debt guarantees Note 4	3,916 2,895	Accounts receivable - trade -	1,513 -
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, loans	Loans Notes 6, 7	498	Long-term loans receivable from subsidiaries and associates	5,258
	Daido Metal Europe GmbH	(Holding) Direct 100.0	Sale of the Company's products, debt guarantees	Sale of bearing products, etc. Note 2 Debt guarantees Note 9	3,436 1,370	Accounts receivable - trade -	1,357 -
	DAIDO METAL CZECH s.r.o.	(Holding) Direct 100.0	Sale of the Company's products and bimetal, purchase of products, licensing of technology, and debt guarantees	Debt guarantees Note 5 Subscription to capital increase Note 10	1,378 3,610	- -	- -

Transaction terms, policies for determining transaction terms, etc.

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

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

(Note 3) Debt guarantees are provided for the bank borrowings (3,298 million yen) of DM Casting Technology (Thailand) Co., Ltd. and guarantee commission of 0.2% per annum are received. As a result of the Company recording 711 million yen in reversal of provision for loss on guarantees for the current fiscal year, fiscal year-end balance of provision for loss on guarantees was 1,310 million yen.

(Note 4) Debt guarantees are provided for the bank borrowings (2,895 million yen) of Daido Metal U.S.A. Inc. and guarantee commission of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (1,378 million yen) of DAIDO METAL CZECH s.r.o. and guarantee commission of 0.2% per annum are received.

(Note 6) Loan interest rates are determined reasonably, taking into account the market interest rates.

(Note 7) Allowance for doubtful accounts provided for long-term loans receivable to Daido Industrial Bearings Europe Limited (5,258 million yen) is 2,628 million yen as of the end of the fiscal year.

(Note 8) Allowance for doubtful accounts provided for long-term loans receivable to DM Casting Technology (Thailand) Co., Ltd. (3,494 million yen) is 3,494 million yen as of the end of the fiscal year.

(Note 9) Debt guarantees are provided for the bank borrowings (1,363 million yen) and export duties (7 million yen) of Daido Metal Europe GmbH and guarantee commission of 0.2% per annum are received.

(Note 10) The subscription to capital increase means that the Company subscribed to capital increase conducted by subsidiary.

(Note 11) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

X. Notes on Revenue Recognition

Information forming the basis for understanding revenue

For details of information forming the basis for understanding revenue, please refer to “Notes to Non-consolidated Financial Statements I. Notes on Matters Relating to Significant Accounting Policies 4. Recognition criteria of revenue and expenses.”

XI. Notes on Per Share Information

1. Net assets per share	1,060.12 yen
2. Basic earnings per share	28.50 yen

XII. Note on Business Combination

(Merger with a consolidated subsidiary)

The Company made a resolution at the meeting of the Board of Directors held on May 25, 2023, to conduct an absorption-type merger of a consolidated subsidiary of the Company, Asia Kelmet Co., Ltd. as of October 1, 2023, with the former as the surviving company and the latter as the dissolved company. The Company concluded a merger agreement with Asia Kelmet Co., Ltd. on the same day, and executed the merger agreement as of October 1, 2023.

(1) Outline of Transaction

(i) Name and Business Details of Acquired Company

Asia Kelmet Co., Ltd.

(ii) Date of Business Combination

October 1, 2023

(iii) Method of Business Combination

Absorption-type merger with the Company as the surviving company and Asia Kelmet Co., Ltd. as the dissolved company (simplified merger and short-form merger)

(iv) Name of Company after Business Combination

Daido Metal Co., Ltd.

(v) Main Grounds for Business Combination

To concentrate management resources and improve efficiency of the Group management, the Company merged with Asia Kelmet Co., Ltd. which engaged in the bearing processing and real estate leasing businesses.

(2) Outline of accounting treatment

The transaction is recorded as a transaction under common control, based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019)”. As for the difference between book value of the subsidiary’s shares and net assets received, a loss on extinguishment of tie-in shares of 413 million yen was recorded as an extraordinary loss in the financial statements.

Independent Auditor's Report

May 21, 2024

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

Deloitte Touche Tohmatsu LLC

Nagoya Office

Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Atsuki Jinno
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Designated Unlimited Liability Partner Engagement Partner	Certified Public Accountant	Yasuhiko Goto
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Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Daido Metal Co., Ltd. (the "Company"), namely, the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2023 to March 31, 2024, and notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group, which consisted of the Company and its consolidated subsidiaries, as of March 31, 2024, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Statements

Other statements are a business report and the accompanying supplemental schedules. Management is responsible for preparation and presentation of other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for observance of execution of duties by Directors for the design and operation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not cover other statements, and we do not express an opinion on them.

In auditing the consolidated financial statements, we are responsible for reading other statements completely, examining in the process whether there is any material discrepancy between the other statements and the consolidated financial statements and/or knowledge we obtain in the audit process, and for paying attention to see whether there is any sign of material error in the other statements other than such material discrepancy.

If we conclude there to be material errors in the other statements based on the work we have performed, we are required to report the fact.

There is no information we are required to report on the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the maintenance and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes in the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, countermeasures to eliminate factors that may hinder our independence or related safeguards to mitigate such factors to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

Independent Auditor's Report

May 21, 2024

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

Deloitte Touche Tohmatsu LLC

Nagoya Office

Designated Unlimited Liability Partner
Engagement Partner

Certified Public
Accountant

Atsuki Jinno

Designated Unlimited Liability Partner
Engagement Partner

Certified Public
Accountant

Yasuhiko Goto

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements of Daido Metal Co., Ltd. (the "Company"), namely, the non-consolidated balance sheet as of March 31, 2024, and the non-consolidated statement of income and non-consolidated statement of changes in equity for the 116th fiscal year from April 1, 2023 to March 31, 2024, and notes to non-consolidated financial statements and the accompanying supplemental schedules (hereinafter, collectively, the "non-consolidated financial statements, etc."). In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Statements

Other statements are a business report and the accompanying supplemental schedules. Management is responsible for preparation and presentation of other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for observance of execution of duties by Directors for the design and operation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements, etc. does not cover other statements, and we do not express an opinion on them.

In auditing the non-consolidated financial statements, etc., we are responsible for reading other statements completely, examining in the process whether there is any material discrepancy between the other statements and the non-consolidated financial statements and/or knowledge we obtain in the audit process, and for paying attention to see whether there is any sign of material error in the other statements other than such material discrepancy.

If we conclude there to be material errors in the other statements based on the work we have performed, we are required to report the fact.

There is no information we are required to report on the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc., in accordance with accounting principles generally accepted in Japan, and for the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements, etc., that are free from material misstatement, whether due to fraud or error. In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc., with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the maintenance and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc., as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc., based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these non-consolidated financial statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes in the non-consolidated financial statements, etc. or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc., and notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc., represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, countermeasures to eliminate factors that may hinder our independence or related safeguards to mitigate such factors to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Audit Report by Audit & Supervisory Board: translation

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the performance of duties of the Directors of Daido Metal Co., Ltd. during the 116th fiscal year from April 1, 2023 to March 31, 2024, based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

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

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

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

2. Results of Audit

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

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

(2) Results of Audit of the Non-consolidated Financial Statements and Supplemental Schedules

In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC and the Accounting Auditors of the Company are fair and reasonable.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC and the Accounting Auditors of the Company are fair and reasonable.

May 29, 2024

Audit & Supervisory Board
Daido Metal Co., Ltd.

Full-time Audit & Supervisory Board Member	Koji Takaki	Seal
Outside Audit & Supervisory Board Member	Kazuo Matsuda	Seal
Outside Audit & Supervisory Board Member	Etsuaki Yoshida	Seal

Reference Materials for the Annual Shareholders' Meeting

Agendas and Matters for Reference

Agenda Item No. 1 Election of Eight Directors

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

In this regard, the Company proposes the election of eight Directors.

The candidates for Director are nominated in accordance with the policy and procedures as described in "Policies on and procedures for the appointment and dismissal of candidates for senior management positions and for the nomination of candidates for Director and Audit & Supervisory Board Member" on page 21 in this Notice of Convocation.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(1)	Seigo Hanji (January 2, 1942) [Re-election] Attendance at Board of Directors meetings 13/13	April 1965 Joined the Company June 1993 Director and Deputy General Manager of Business Division 3 April 1994 Director and General Manager of Business Division 1 June 1995 President June 2005 President & Chief Executive Officer June 2007 Chairman & Chief Executive Officer May 2008 Executive & Vice Chairman of Japan Auto Parts Industries Association and Chubu Branch Manager of the same Association June 2010 Outside Director of Nichirei Co., Ltd. May 2018 Executive of Japan Auto Parts Industries Association (current) April 2023 Chairman and President, Chief Executive Officer and Chief Operating Officer of the Company (current) [Important concurrent positions at other entities] Executive of Japan Auto Parts Industries Association	157,059 shares
[Reason for nomination as candidate for Director] Mr. Seigo Hanji has been in charge of the Group's overall management and has led corporate value improvements over the years. He is a person of decision and action backed by his extensive business management experience and strong leadership. In the belief that he will continue to contribute to the Group's sustainable growth, the Company nominated him as a candidate for Director.			
(2)	Tomomitsu Furukawa (January 29, 1962) [Re-election] Attendance at Board of Directors meetings 10/10	April 1984 Joined the Company April 2009 President of Daido Metal Kotor AD (Montenegro) (stationed in Montenegro) January 2013 President of Daido Metal Mexico, S.A. DE C.V. (Mexico) (stationed in Mexico) July 2016 Executive Officer President of Daido Metal Mexico, S.A. DE C.V. (Mexico) (stationed in Mexico) April 2017 Executive Officer President of NDC Co., Ltd. April 2019 Executive Officer President of Daido Plain Bearings Co., Ltd. July 2019 Senior Executive Officer President of Daido Plain Bearings Co., Ltd. July 2021 Managing Executive Officer President of Daido Plain Bearings Co., Ltd. April 2023 Managing Executive Officer, and Head of Global Management for Production Machinery Division June 2023 Director and Managing Executive Officer, and Head of Global Management for Production Machinery Division (current)	18,782 shares
[Reason for nomination as candidate for Director] Mr. Tomomitsu Furukawa has engaged in the fields of production and technologies at the Company over many years, and has managerial experience at domestic and overseas bases, in addition to having broad insights into such things as quality control and production techniques. In the belief that, if he is involved in business decision-making as a professional well-versed in the Company's operations and technologies by leveraging his extensive managerial experience, he will lead the Company to expand its operating fields and contribute to sustainable growth of the Group and improving the Group's corporate value over the medium- to long-term, the Company nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities		Number of shares of the Company held by the candidate
(3)	Shigemasa Hakakoshi (April 11, 1961) Re-election Attendance at Board of Directors meetings 13/13	April 1986 April 2011 April 2015 July 2016 April 2017 April 2019 July 2019 April 2021 June 2021 July 2021	Joined the Company General Manager of Bimetal Division Head of Polymer Bearings Division Executive Officer and Head of Polymer Bearings Division Executive Officer President of DAIDO METAL SAGA CO., LTD. Executive Officer President of Dyna Metal Co., Ltd. (Thailand) Senior Executive Officer President of Dyna Metal Co., Ltd. (Thailand) Senior Executive Officer and Advisor to the Head of Human Resources Planning Division Director and Managing Executive Officer, and Advisor to the Head of Human Resources Planning Division Director and Managing Executive Officer, and Head of Human Resources Planning Division (current)	25,811 shares
[Reason for nomination as candidate for Director] Mr. Shigemasa Hakakoshi has engaged in the fields of production and technologies at the Company over the years, and has experienced the development and promotion of a human resource strategy at domestic and overseas bases, in addition to having broad insight into bimetal manufacturing and processing technologies, among other things. In the belief that he will continue to contribute to building foundations for sustainable growth of the Group and improving the Group's corporate value over the medium- to long-term through his business judgment as a person familiar with the Company's core technologies, the Company nominated him as a candidate for Director.				
(4)	Arihiro Yoshida (March 11, 1964) Re-election Attendance at Board of Directors meetings 13/13	April 1986 January 2006 July 2016 April 2017 April 2019 July 2019 April 2021 April 2022 June 2022 April 2024	Joined the Company General Manager of Europe Regional Headquarters, Corporate Planning Division (UK) Executive Officer and General Manager of Design Department Executive Officer and Head of Technology Division and General Manager of Design Department Executive Officer and Head of Technology Division Senior Executive Officer and Head of Technology Division Senior Executive Officer and Deputy Head of Technology Division Senior Executive Officer and Head of Technology Division Director and Managing Executive Officer, and Head of Technology Division Head of Technology Division and General Manager of Tribology Research Department (current)	15,377 shares
[Reason for nomination as candidate for Director] Mr. Arihiro Yoshida has engaged in the fields of technologies at the Company over the years, and has experienced the overall management at overseas bases, in addition to having broad insight into product design, among other things. In the belief that he will contribute to the Group's sustainable growth and medium- to long-term improvement in corporate value through his business judgment based on his familiarity with the Company's technology and his experience of developing technologies meeting customer needs over many years, by expanding the Company's business areas, the Company nominated him as a candidate for Director.				
(5)	Hiroki Ito (August 24, 1964) New election	April 1989 July 2014 October 2016 April 2019 July 2020 April 2022 July 2022	Joined Mitsui Trust Bank, Limited (currently, Sumitomo Mitsui Trust Bank, Limited) General Manager Corporate Business Department II, Nagoya, Sumitomo Mitsui Trust Bank, Limited Corporate Officer and General Manager Corporate Business Department VII, Headquarters Executive Officer and General Manager Sapporo Branch Joined the Company Executive Officer and Head of Compliance Division and General Manager of Legal Affairs Department Head of Finance Planning Division Senior Executive Officer and Head of Finance Planning Division (current)	3,817 shares
[Reason for nomination as candidate for Director] Mr. Hiroki Ito has engaged in business execution and supervision at financial institutions over the years where he gained extensive knowledge and experience of business management and finance. After joining the Company, he has made a great contribution in the fields of compliance and legal affairs, as well as management and finance. In the belief that he will continue to contribute to building foundations for sustainable growth of the Group and improving the Group's corporate value over the medium to long term through his business judgment based on such extensive knowledge and experience accumulated over the years, the Company nominated him as a candidate for Director.				

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(6)	Toshikazu Takei (September 22, 1953) <div style="text-align: center;"> Re-election Outside Director Independent Officer </div> Attendance at Board of Directors meetings 13/13	<p>April 1976 Joined Bank of Japan July 1989 Director of Nagoya Branch November 1991 Director of Secretary Office and Secretariat of the Policy Board June 1994 Deputy General Manager for Europe April 1998 Director of Diet Liaison Division, Secretariat of the Policy Board May 1999 General Manager of Matsuyama Branch February 2002 Director-General, Senior Secretary to the Governor, Secretariat July 2003 Advisor to the Governor for Parliamentary Affairs and Public Relations, Secretariat of the Policy Board July 2005 General Manager of Nagoya Branch July 2006 Chief Representative in Europe of the Bank of Japan (stationed in London) June 2008 Left Bank of Japan July 2008 Senior Executive Advisor of Accenture Japan Ltd. October 2012 Managing Director of Japan Center for International Finance June 2015 Outside Director of the Company (current) April 2019 Chairman of The Central Council for Financial Services Information (current)</p> <p>[Important concurrent positions at other entities] Chairman of The Central Council for Financial Services Information</p>	16,944 shares
<p>[Reason for nomination as candidate for Outside Director and outline of its role expected] Mr. Toshikazu Takei was long engaged in business execution and served in managerial positions at the Bank of Japan. In addition, he is familiar with international businesses and has extensive experience and broad insight. In the belief that he will continue to oversee and supervise the management of the Company based on such experience and insight, the Company nominated him as a candidate for Outside Director. The Company continues to expect Mr. Toshikazu Takei to oversee and supervise the management of the Company and provide advice for the management based on his extensive experience and broad insight mainly in international businesses. Although Mr. Toshikazu Takei has no experience of engaging in the management of a company, the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and The Central Council for Financial Services Information, where he holds an important concurrent position.</p>			
(7)	Kiyotaka Hoshinaga (November 15, 1950) <div style="text-align: center;"> Re-election Outside Director Independent Officer </div> Attendance at Board of Directors meetings 13/13	<p>April 1975 Joined Department of Urology, Keio University School of Medicine August 1994 Assistant Professor, Department of Urology, Fujita Health University School of Medicine April 2000 Professor, Department of Urology, Fujita Health University School of Medicine 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 Outside Director of the Company (current) October 2018 Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution (current)</p> <p>[Important concurrent positions at other entities] Chairman, Board of Directors of Fujita Academy Incorporated Educational Institution</p>	13,544 shares
<p>[Reason for nomination as candidate for Outside Director and outline of its role expected] Mr. Kiyotaka Hoshinaga has served as a director of a hospital and a president of a university after serving as a professor of a university and is currently at the position of chairman, board of directors. He has extensive knowledge and experience gained through involvement in management of a hospital and a university. In the belief that he will continue to oversee and supervise the management of the Company based on such knowledge and experience, the Company nominated him as a candidate for Outside Director. The Company continues to expect Mr. Kiyotaka Hoshinaga to oversee and supervise the management of the Company, and provide advice for the management based on his extensive knowledge and experience mainly in organizational management. Mr. Kiyotaka Hoshinaga engages in the management of an incorporated educational institution, and the Company judges that he will appropriately fulfill his duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and Fujita Academy Incorporated Educational Institution, where he holds an important concurrent position.</p>			

Candidate No.	Name (Date of birth)	Career history, positions and duties at the Company, and important concurrent positions at other entities	Number of shares of the Company held by the candidate
(8)	Miyuri Shirai (January 2, 1963) <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Re-election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Independent Officer</div> Attendance at Board of Directors meetings 13/13	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 Outside Director of the Company (current) [Important concurrent positions at other entities] Professor, Faculty of Business and Commerce, Keio University	3,610 shares
<p>[Reason for nomination as candidate for Outside Director and outline of its role expected]</p> <p>Ms. Miyuri Shirai has served in positions such as university professor and researcher, and is currently a university professor. Over many years, she has been engaging in research on consumer behavior and marketing. In the belief that she will continue to oversee and supervise the management of the Company based on such knowledge and experience, the Company nominated her as a candidate for Outside Director.</p> <p>The Company expects Ms. Miyuri Shirai to continue to oversee and supervise the management of the Company and provide advice for the management based on her extensive knowledge and experience mainly in sales fields including marketing.</p> <p>Although Ms. Miyuri Shirai has no experience of engaging in the management of a company other than as an outside officer, the Company judges that she will appropriately fulfill her duties as an Outside Director of the Company based on the above reasons. There is no business relationship between the Company and Keio University, where she holds an important concurrent position.</p>			

- (Notes)
1. There is no special interest between any of candidates and the Company.
 2. As for each candidate's position please refer to "4. Company Officers, (1) Directors and Audit & Supervisory Board Members" on pages 16 and 17.
 3. Mr. Toshikazu Takei, Mr. Kiyotaka Hoshinaga, and Ms. Miyuri Shirai are candidates for Outside Director.
 4. Liability limitation agreement
The Company has entered into a liability limitation agreement with Mr. Toshikazu Takei, Mr. Kiyotaka Hoshinaga, and Ms. Miyuri Shirai. The Company will continue this agreement with them if they are reelected.
The outline of the agreement is as follows:
 - When a non-executive Director is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act).
 - The above liability limitation is allowed only when the relevant non-executive Director acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph (1) of the Companies Act.
 5. Directors and officers liability insurance policy
The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds assumes. If this proposal is approved and adopted as originally proposed, each candidate will be included in the policy as an insured. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
 6. Mr. Toshikazu Takei, Mr. Kiyotaka Hoshinaga, and Ms. Miyuri Shirai have been registered as Independent Officers pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange. If they are reelected, the Company will continue to register them as Independent Officers.
 7. The term of office of Mr. Toshikazu Takei as an Outside Director will be nine years at the conclusion of this Annual Shareholders' Meeting. The term of office of Mr. Kiyotaka Hoshinaga as an Outside Director will be eight years at the conclusion of this Annual Shareholders' Meeting. The term of office of Ms. Miyuri Shirai as an Outside Director will be two years at the conclusion of this Annual Shareholders' Meeting.

Reference: Business management structure (planned) if Agenda Item No. 1 is approved

Attribute	Name		Main fields of specialized experience/Areas where contributions are particularly expected								
			Overall management	Technology development	Manufacturing	Sales and procurement	Human resources and general affairs	Finance and accounting	Legal and compliance	Global experience	
Director	Inside	Seigo Hanji	Male	○			○	○		○	○
		Tomomitsu Furukawa	Male	○	○	○		○		○	○
		Shigemasa Hakakoshi	Male	○	○	○		○			○
		Arihiro Yoshida	Male	○	○	○	○				○
		Hiroki Ito (Newly appointed)	Male	○			○		○	○	
	Outside	Toshikazu Takei	Male Independent	●					●		●
		Kiyotaka Hoshinaga	Male Independent	●				●			●
		Miyuri Shirai	Female Independent	●			●				●
	Audit & Supervisory Board Member	Full-time	Koji Takaki	Male				●		●	●
Kazuo Matsuda			Male	●					●		●
Outside		Etsuaki Yoshida	Male Independent						●		●

* Main fields in which Inside Directors have specialized experience are marked with a white circle symbol, and fields in which Outside Directors, full-time Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members, are expected to particularly make contribution are marked with a black circle symbol.

* Specialty and experience indicated above are not intended to show all knowledge held by the individuals.

Skill possession standard

- (i) The person has experience as an officer or head of a company or unit related to applicable factors.
- (ii) The person has public qualifications or practical experience with which to objectively judge the person to be equipped sufficiently with applicable factors.

[Standards for Independence of Outside Officers]

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

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

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

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

Agenda Item No. 2 Election of One Substitute Audit & Supervisory Board Member

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

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

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

Name (Date of birth)	Career history and important concurrent positions at other entities	Number of shares of the Company held by the candidate
<p>Shinji Ishihara (November 3, 1954)</p> <p>Substitute Audit & Supervisory Board Member</p> <p>Outside Audit & Supervisory Board Member</p> <p>Independent Officer</p>	<p>April 1985 Registered as a lawyer (Aichi Prefecture) Joined Ishihara Law Office</p> <p>August 2011 Managing Partner of Ishihara Law Office (current)</p> <p>June 2013 Outside Director of YAHAGI CONSTRUCTION CO., LTD. (current)</p> <p>August 2015 Outside Director (Audit & Supervisory Committee Member) of OTAKE CORPORATION (current)</p> <p>April 2016 Chairman of Aichi Bar Association Vice President of Japan Federation of Bar Associations</p> <p>October 2021 Outside Director (Audit & Supervisory Committee Member) of Juroku Financial Group, Inc. (current)</p> <p>[Important concurrent positions at other entities] Managing Partner of Ishihara Law Office Outside Director of YAHAGI CONSTRUCTION CO., LTD. Outside Director (Audit & Supervisory Committee Member) of OTAKE CORPORATION Outside Director (Audit & Supervisory Committee Member) of Juroku Financial Group, Inc.</p>	<p>0 shares</p>
<p>[Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member]</p> <p>Mr. Shinji Ishihara is well-versed in legal affairs as a lawyer. In the belief that he will audit the Company's management based on his experience and rich insight from an objective and unbiased perspective, the Company nominated him as a candidate for substitute Audit & Supervisory Board Member. Although Mr. Shinji Ishihara has no experience of engaging in the management of a company other than as an outside officer, the Company judges that he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member of the Company based on the above reasons. There are no business relationships between the Company and Ishihara Law Office, YAHAGI CONSTRUCTION CO., LTD., OTAKE CORPORATION, and Juroku Financial Group, Inc., where he holds important concurrent positions.</p>		

- (Notes)
- There is no special interest between the candidate and the Company.
 - Mr. Shinji Ishihara, the candidate for substitute Audit & Supervisory Board Member, is a candidate for Outside Audit & Supervisory Board Member.
 - Liability limitation agreement
The Company will enter into a liability limitation agreement with Mr. Shinji Ishihara if he is elected as an Audit & Supervisory Board Member and he assumes office.
The outline of the agreement is as follows:
 - When an Audit & Supervisory Board Member is liable to compensate the Company for damages due to his/her negligence of duties, he/she assumes such liability up to the amount stipulated by laws and regulations (the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act).
 - The above liability limitation is allowed only when the relevant Audit & Supervisory Board Member acts in good faith and without gross negligence with respect to the liability as set forth in Article 423, paragraph (1) of the Companies Act.
 - Directors and officers liability insurance policy
The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. In cases where a claim for damages is made by a third party, including shareholders, during the policy term, the policy covers losses, such as the amount of indemnification liability and related litigation expenses, that any of the insureds assumes. If this proposal is approved and adopted as originally proposed and Mr. Shinji Ishihara assumes office as an Outside Audit & Supervisory Board Member of the Company, he will be included in the policy as an insured. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
 - The Company will register Mr. Shinji Ishihara as an Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and Nagoya Stock Exchange if he assumes office as an Outside Audit & Supervisory Board Member of the Company.

Agenda Item No. 3 Payment of Bonus to Directors

The Company requests approval for the payment of bonuses amounting to 103,420,000 yen in total to the five Directors (excluding three Outside Directors) in office as of March 31, 2024, in due consideration of business performance and others during the fiscal year in a comprehensive manner.

The Company judges that the Directors' bonuses are reasonable due to reflecting the Company's business performance for the previous fiscal year in accordance with "decision-making policy on the details of remuneration to each Director" as shown in page 18 of this Notice of Convocation.

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