

# CORPORATE REPORT 2022



DAIDO METAL CO., LTD.

13F Nagoya Hirokoji Building  
2-3-1 Sakae, Naka-ku, Nagoya, Aichi 460-0008, JAPAN  
<https://www.daidometal.com>

[ Contacts ]

General Affairs Department / Information and Marketing Group  
TEL 81-52-205-1400 FAX 81-52-205-1408

● Universal Design Fonts are utilized to ensure good visibility and legibility



The DAIDO METAL GROUP will solve social issues and be a company with value in the world through our business activities.

## Environment/Energy

### Promoting energy-saving measures and popularizing next-generation batteries

Polymer-based "DDL22" and lead-free "dry bearings" contribute to reducing friction loss and saving energy. "Electrode sheet" contributes to clean energy supply.



## Food

### Contributing to improved food availability worldwide

By supplying food manufacturers with high-performance sanitary pumps with a long lifespan that are able to withstand high pressures, we contribute to the supply of hygienic processed food, and reduce food losses.



## Infrastructure

### Helping to prolong useful life and shift to oil-free technology for infrastructure

By supplying metallic non-lubricated bearings for use in power generation, railways, steelmaking and other areas of infrastructure, we help mitigate environmental impacts by prolonging the useful life of the infrastructure itself and shifting to oil-free technology. The world's only aluminum sintered sound absorbing plate "CALME" born from advanced sintering technology contributes to the creation of ideal acoustic spaces in auditoriums, sports facilities, etc.



## Industry

### Helping industrial efficiency

We help the manufacturing industry pass on skills and technology and improve the quality and efficiency of its training by encouraging the adoption of VR cloud software for manufacturers.

## Contents

### 02 Overview

#### Company Outline of DAIDO METAL

- 02 History of Daido Metal
- 04 Business of Daido Metal
- 06 Value Creation Process
- 08 Source of Value Creation - Cultivated Strengths -
- 10 Risks and Opportunities/Materialities
- 14 Financial and Non-financial Highlights

### 16 Strategy

#### Aim for Sustainable Growth

- 16 Message from Management
- 20 Midterm Business Plan
- 22 Financial Strategies
- 24 Initiatives for New Technologies

### 26

#### Sustainability

- |                              |                               |                         |
|------------------------------|-------------------------------|-------------------------|
| 27 Society                   | 32 Environment                | 38 Corporate Governance |
| 27 Safety-related Activities | 32 Environmental Protection   | 38 List of Officers     |
| 28 Quality/Procurement       | 35 Addressing Climate Change  | 40 Corporate Governance |
| 29 Human Resources           | 36 Carbon-neutrality Strategy | 44 Compliance           |
| 31 Social Contribution       |                               | 45 Risk Management      |

### 46

#### Data

- 46 10-Year Major Consolidated Financial Summary
- 48 ESG Data
- 49 Company Information

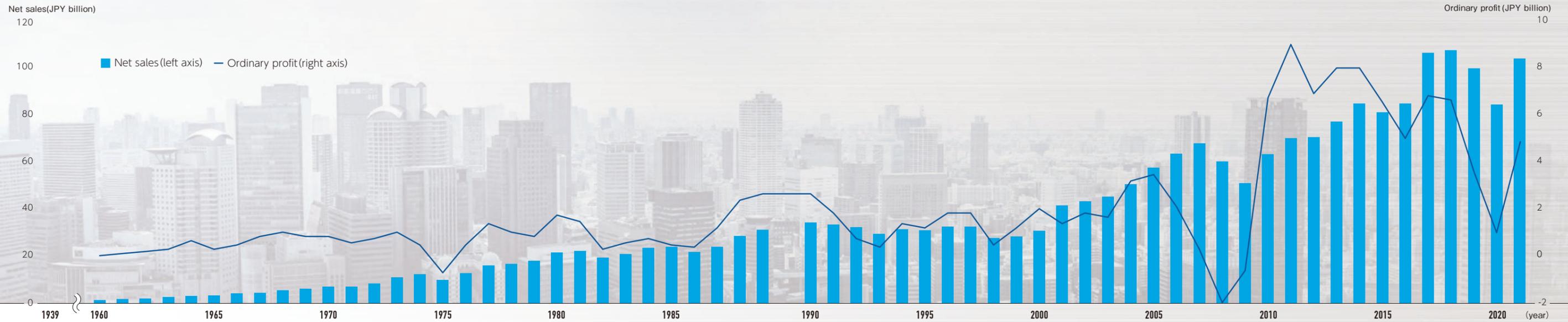
# History of Daido Metal

Since DAIDO METAL CO., LTD. was established in 1939 we have responded to the expectations of our customers and the needs of society while supporting diverse industrial sectors as a company that specializes in producing a full lineup of plain bearings.

FY2021

Net sales **104 billion yen**

Ordinary profit **4.8 billion yen**



## Founding and establishment of management foundations

- 1939** • Foundation
- 1940** • Started operation of Nakagawa Plant. (Nakagawa-ku, Nagoya) (Moved to Gifu in July 1945.)
- Started bearing business for automotive engine.
- 1943** • Moved head office to Naka-ku, Nagoya.
- Started operation of Kurokawa Plant. (Kita-ku, Nagoya) (Former Nagoya Office, closed in October 2002.)
- 1945** • Started operation of Gifu Plant. (Gujo, Gifu)
- 1947** • Moved head office from Naka-ku, Nagoya to Kita-ku, Nagoya.
- 1961** • Listed in 2nd section of the Nagoya Stock Exchange.
- 1962** • Started operation of Inuyama Plant. (Inuyama, Aichi)
- 1965** • Production started for Dry bearings.
- 1967** • Initial expansion overseas
- Taiho Industries Inc. founded.
- Started sales of bearings for high-speed rotating machinery
- 1968** • Started operation of Maehara Plant. (Inuyama, Nagoya)
- Started bearing business for marine engines.
- 1971** • Merged with Nagato Metal Co., Ltd. (Former Tokyo Plant (Kohoku-ku, Yokohama) closed in March 2008.)
- Merged with Nihon Metal Co., Ltd. (Former Saitama Plant (Iruma, Saitama) closed in September 2008.)
- Acquired shares of Asia Kelmet Co., Ltd. (Ota-ku, Tokyo)



## Business growth and global expansion

- 1973** • Established Dyna Metal Co., Ltd. (Thailand)
- 1977** • Started Pump Business Division.
- 1979** • Established US office (current Daido Metal U.S.A. Inc.)
- 1984** • Established Daido Metal U.S.A. Inc. (United States)
- Established China Daido Metal Industries Inc. (Taiwan) (current Chung Yuan Daido Co., Ltd.)
- 1986** • Started selling Drum feeder.
- Started selling Centralized lubrication equipment.(MR-LUB)
- 1989** • Established Dong Sung Metal Co., Ltd. (Korea)
- 1991** • Established PT. Daido Metal Indonesia. (Indonesia)
- 1992** • Established DAIDO LOGITECH CO., LTD. (Naka-ku, Nagoya)
- 1996** • Acquired shares of NDC Co., Ltd. (Narashino, Chiba)
- Established Daido Metal America Corp. (United States) (Wound up in September 2010.)
- 1997** • Established Glacier Daido America LLC. (United States) (Divested in August 2005.)
- Established DAIDO METAL SALES CO., LTD. (Naka-ku, Nagoya)
- Listed in 1st section of the Nagoya Stock Exchange.



## Becoming a truly global company

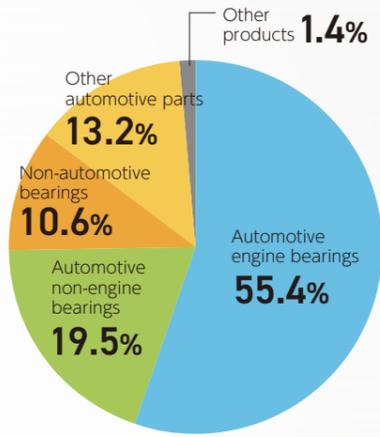
- 1998** • Established European manufacturing plant.
- Established Federal Mogul Daido HWB Limited. (United Kingdom) (current Daido Industrial Bearings Europe Limited)
- 2000** • Established DMC Co., Ltd. (current Daido Plain Bearings Co., Ltd. (Seki, Gifu))
- 2001** • Established BBL Daido Private Limited. (India)
- 2002** • Established DAIDO METAL KOTOR AD. (Montenegro)
- Moved head office from Kita-ku, Nagoya to Naka-ku, Nagoya.
- Established Daido Precision Metal (Suzhou) Co., Ltd. (China)
- Fuel cell vehicles equipped with electrode sheets for electric double layer capacitors were announced.
- 2003** • Established Daido Metal Europe GmbH. (Germany)
- 2004** • Listed in 2nd section of the Tokyo Stock Exchange.
- 2005** • Listed in 1st section of the Tokyo Stock Exchange.
- Established DAIDO METAL CZECH s.r.o. (Czech Republic)
- Established Daido Metal Bellefontaine L.L.C. (United States) (Wound up in September 2010.)
- Established Tokyo Head Office in Shinagawa-ku, Tokyo.
- 2006** • Established DAIDO METAL EUROPE LIMITED. (United Kingdom)

- 2007** • Set up Seki Plant of Daido Plain Bearings Co., Ltd. to expand its production capability.
- Acquired shares of ZMZ-Bearings. (Russia) (current Daido Metal Russia LLC)
- Established Chung Yuan Daido (Guangzhou) Co., Ltd. (China)
- Established Daido Rebuild Services, Inc. (Philippines) (Wound up in August 2013.)
- 2012** • Established Daido Metal Mexico, S.A. de C.V. (Mexico)
- Established Daido Industrial Bearings Japan Co., Ltd.
- 2014** • Established Daido Metal Mexico Sales, S.A. de C.V. (Mexico)
- 2015** • Established DAIDO METAL SAGA CO., LTD. (Takeo, Saga)
- 2016** • Acquired all shares of Iino Holding Ltd. (Saitama, Saitama)
- 2017** • Invested in DMS Korea Co. Ltd. (Korea)
- Acquired all shares of ATA Casting Technology Japan Co., Ltd. (Kikugawa, Shizuoka) (Relocated its office to Inuyama, Aichi in December 2017)
- 2018** • Established DM Casting Technology (Thailand) Co., Ltd. (Thailand)
- Acquired 30% shares of NPR of Europe GmbH. (Germany)
- 2020** • Started selling VR-Cloud software
- 2022** • Moved to the Tokyo Stock Exchange Prime Market
- Moved to Nagoya Stock Exchange Premier Market



# Business of Daido Metal

## Overview of Business Segments



FY2021 share of sales (sales ratio by customer)



### Automotive engine bearings

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



### Automotive non-engine bearings

Automotive bearings (for transmissions, shock absorbers, air conditioning compressors, steering columns, fuel injection pumps), etc.



### Non-automotive bearings

Bearings for ship engines, power generation equipment (windmills, water mills, turbines), industrial equipment (compressors, acceleration/reduction gears), etc.



### Other automotive parts

Die-cast aluminum products for automobiles, formed pipes, knock pins, numerical control (NC) machine products, etc.



### Other products

Electrode sheets for electric double layer capacitors, metallic non-lubricated (dry) bearings, rotary pumps for food / beverages / cosmetics, centralized lubrication equipment for machine tools, sound absorbing plates (CALME), etc.

## Global Network

(As of 31 March 2022)

**11**  
domestic  
affiliated companies

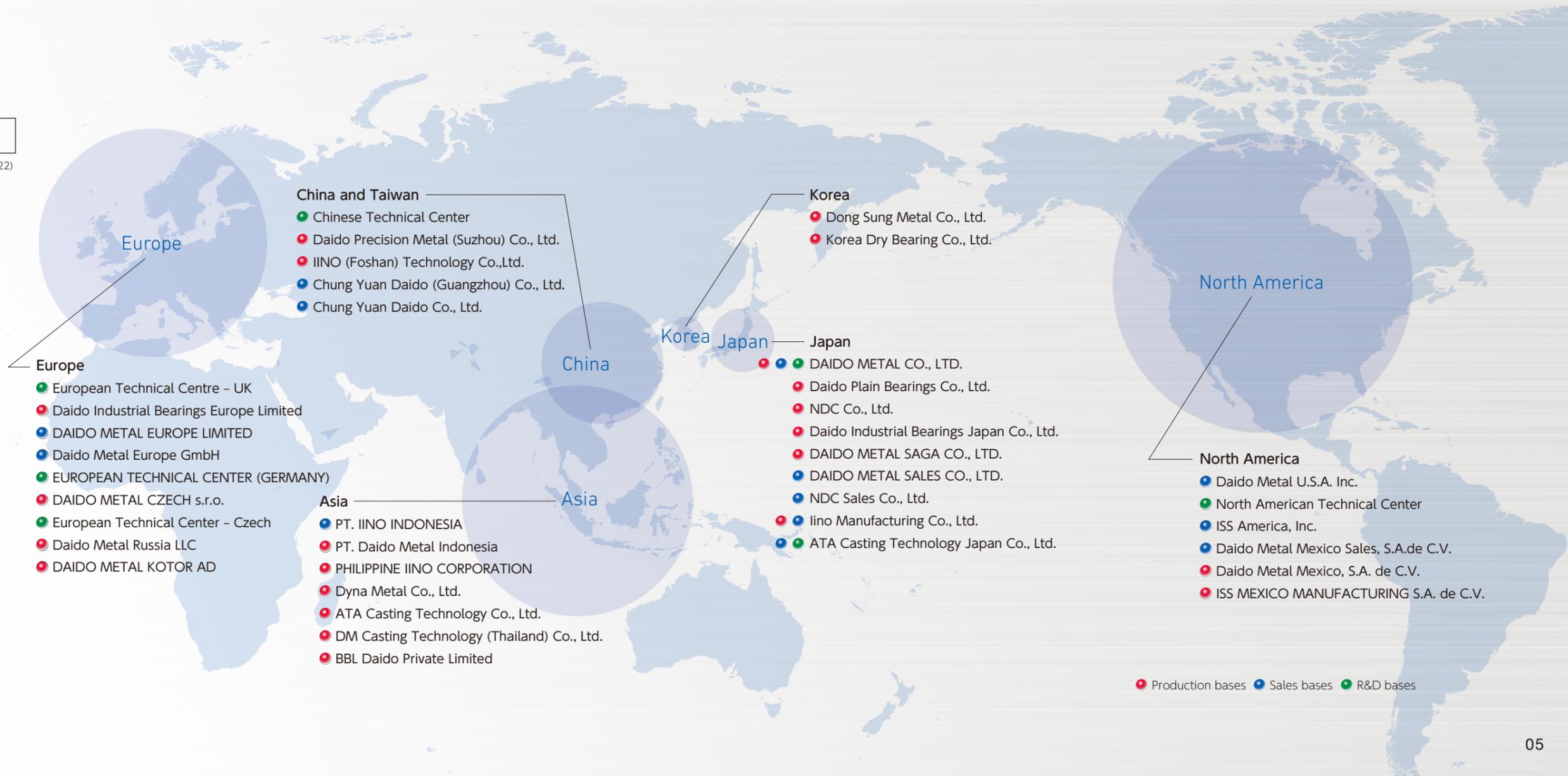
**26**  
overseas affiliated  
companies

Number of domestic  
employees:

**2,502**

Number of overseas  
employees:

**4,482**



# Value Creation Process

## The environment in which the Company operates

### 1 Business environment

- Changes in demand and use of automobiles due to progress in CASE\* and the accelerating shift to EVs (however, internal combustion engines will remain for a while)  
\*CASE: C (Connected), A (Autonomous), S (Shared & Services), E (Electric)
- Evolution toward a decarbonized and carbon-neutral society (increasing demand for renewable energy)
- Continuing soaring material costs and prolonged tight demand for semiconductors.
- Resource prices soared due to the worsening situation in Ukraine.

### 2 Corporate management environment

- Trends of enhancing ESG and SDGs activities
- Moves to enhance corporate governance

### 3 Work style

- Spread of remote work
- Promotion of diversity (becoming an organization in which individuality is mutually respected and naturally recognized)
- Decline in labor force (especially in Japan)

## Input Management capital

\* All figures from FY2020

### Financial capital

Total assets  
—— 166.2 billion yen  
Net assets  
—— 68.7 billion yen

### Manufacturing capital

6 production locations in Japan and 16 production locations overseas  
Capital expenditure  
—— 6.8 billion yen

### Intellectual capital

Development of products with lower environmental impact  
Research and development expenses  
—— 1.9 billion yen  
R&D Centers — 6 locations

### Human capital

Number of employees  
Consolidated — 6,984  
Non-consolidated — 1,365

### Social and relationship capital

Corporate culture that actively engages in social contribution activities

### Natural capital

Water resource input  
—— 1,170,000 m<sup>3</sup>  
Raw material input  
—— 50,743 t

\* Natural capital data is the sum of the amounts used by all domestic group companies.

## Activity (Business activities)

### Our Corporate Philosophy

- Our Duty** We hold ourselves responsible for the happiness of everyone in our organization and the contributions we make to global society.
- Our Resolve** We will create a vigorous and open-minded corporate culture through diligent self-discipline and ethical behavior.
- Our Foundation** We will learn from our markets, respond to our customers' requirements, and surpass our customers' expectations.
- Our Approach** We will devote ourselves to creation, innovation, and the realization of dreams.
- Our Objective** We will strive to be the world leader in tribology through constant technical improvement, development, and innovation.

### The philosophy that lies at the roots of our business activities



### Source of value creation



Automotive engine bearings

Automotive non-engine bearings

## Output

Businesses, products

→P.04-05

Non-automotive bearings

Other automotive parts

Other products

### Economic value (FY2021 results)

Net sales — 104 billion yen

Operating profit — 5 billion yen

ROE — 3.3%

Equity ratio — 36.3%

Dividend per share — 25 yen

## Outcome

Value provided to society

## SUSTAINABLE DEVELOPMENT GOALS

### Social value

Improving the value to stakeholders

**Customers:**  
Contributing to social and economic development

**Shareholders:**  
Increasing corporate value  
Stable shareholder returns

**Employees:**  
Corporate culture that considers health and safety  
Achieving diversity and work-life balance

**Business Partners:**  
Mutual benefits (coexistence and co-prosperity) and sustainable growth

**Local Communities:**  
Contributing to the revitalization and development of regions

# Source of value creation -Cultivated Strengths-

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

## Three advantages

### Core technologies pursue advanced values

#### Technologies

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

#### Research and Development

- We are engaged in a wide range of development, such as material development, bearing product development, design, and production technology development.
- Daido Metal participates in the "ISO/TC123 Japan Plain Bearing Committee" of the Japan Society of Mechanical Engineers. And we present academic research results overseas, earning high acclaim.

R&D expenses **1.9** billion yen (Fiscal year ending March 2022)

### Quality to create trust and peace of mind

#### Product quality

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

#### Human Resources

- knowhow-sharing human resources developed through DQC Circles, Daido Metal College, quality training for selected employees, etc.

Capital expenditure **6.8** billion yen (Fiscal year ending March 2022)

### Collaboration to achieve better products Global Network

#### Global Network

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

Number of consolidated employees **6,984** [Non-consolidated:1,365] (March 2022)



# Risks and Opportunities/Materialities

Amid significant changes in the social environment surrounding the Company, we have identified issues (materialities) to address as a priority in each area of ESG by examining both the risks and opportunities that will affect the Company's sustainable growth. In response to these issues, we are promoting initiatives to achieve a sustainable society.



## Business

### The environment surrounding the business

| Risks and opportunities involved in business activities             |                    | Key countermeasures  |
|---|--------------------|--|
| A decrease in automobiles equipped with internal combustion engines | Risk               | Strengthen profit structure, optimize production to improve competitiveness and increase market share  |
| Growth of EVs   | Opportunities      | Entry to the EV market by expanding sales of aluminum die-casting products for EVs and diverting our core technologies such as sliding parts rooted in tribology   |
| Increased demand for automobiles in emerging countries              | Opportunities      | Strengthening existing businesses and expanding sales opportunities through increased demand   |
| Popularization of AI and IoT  | Opportunities      | Progress in labor saving of facilities, production innovation and efficiency improvement by promotion of DX  |
| The spread of infectious diseases                                   | Risk               | Contactless support such as BCP formulation, remote sales and services   |
| Responding to climate change  | Risk Opportunities | Establish new businesses such as special bearings for wind power generation, and step-by-step and concrete CO <sub>2</sub> reductions through energy-saving measures, the use of renewable energy, and the promotion of innovation with the aim of achieving carbon neutrality by 2050 |
| Tighter environmental regulations                                   | Risk Opportunities | Develop new materials that do not contain environmentally hazardous substances, and conduct surveys of the inclusion of environmentally hazardous substances in purchased products   |



## Company Management

### The environment surrounding company management

|                                    |                    |  |
|------------------------------------|--------------------|--|
| Strengthened ESG and SDGs          | Risk Opportunities | Promote sustainability management with enhanced linkage with management issues by identifying materiality and setting KPIs             |
| Strengthened corporate governance  | Risk Opportunities | Establish a risk management system in line with the actual business conditions of overseas affiliates and strengthen internal controls |
| Compliance Practices               | Risk               | Reorganize the compliance education system and enhance the whistle blowing and reporting consultation scheme                           |
| Responding to information security | Risk               | Build a backup system and information management system utilizing external data centers, and educate employees                         |
| Risk from natural disasters        | Risk               | Formulate BCP and implement disaster prevention drills   |



## Work Style

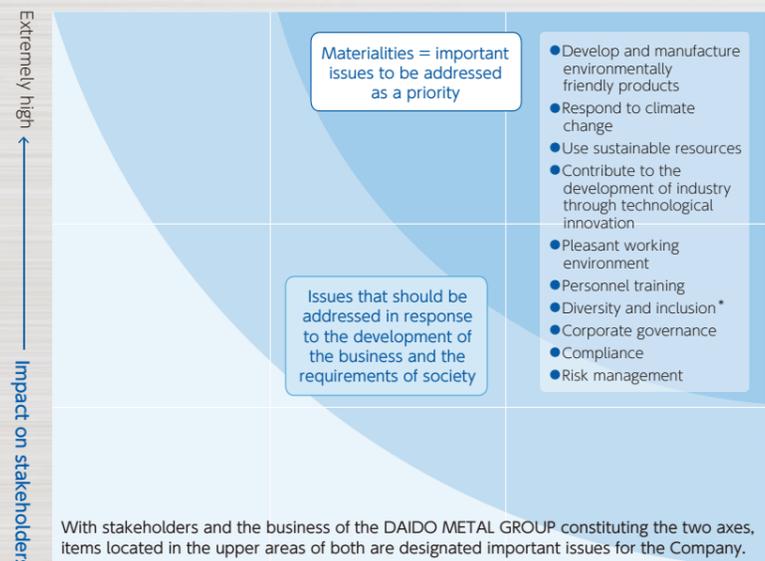
### How we work The environment surrounding the working people

|  |                    |   |
|--|--------------------|---|
| Diversification of human resources           | Risk Opportunities | Hire women and foreign employees, re-hire retired employees, and employ people with disabilities on farms (Daido Metal Joyful Farm)         |
| Diversification of work styles and values    | Risk Opportunities | Support for remote work, invigorate communication, create a vibrant organization and promote work style reform                              |
| Improving the safety and health of employees | Risk               | Promote health management (raising health awareness, health challenges, smoking cessation measures, etc.), and health and safety activities |

## Identification of Materialities (Important Issues)

- Step 1**  
**Extraction of issues**  
 From DAIDO METAL GROUP policies and business plans, and matters relating to risks, SDGs, ISO 26000, GRI standards, ESG surveys and benchmarking against other companies, we have extracted 84 issues for the Group that have a significant impact on the economy, the environment, and society.
- Step 2**  
**Evaluation of issues (1)**  
 The order of priority for the Group of these extracted issues was assessed in the context of policies and business strategies such as the management philosophy and the Midterm Business Plan, and in conjunction with interviews with the heads of related departments and discussion by related subcommittees. 19 candidates for the important issues were extracted.
- Step 3**  
**Evaluation of issues (2)**  
 The order of priority for stakeholders of these extracted issues was assessed in the context of international norms, major sources of guidance, analysis of important issues at other companies and an understanding of requests from stakeholders, in conjunction with discussion by related subcommittees.
- Step 4**  
**Identifying issues to be addressed as a priority**  
 As a result of this evaluation 10 important issues were identified. To assess their validity the issues were reviewed by Outside Directors and Outside Audit & Supervisory Board Members, and underwent deliberation by the Sustainability Committee and the Board of Directors before being identified as materialities.

### Identification of materialities through evaluation of issues



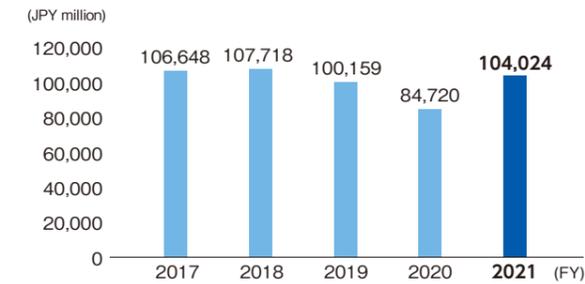
|                  | Materialities  | Contributing SDGs  | Goal (KPI)  | FY2021 Results   |
|------------------|--|--|---|--|
| E<br>Environment | Develop and manufacture environmentally friendly products                  | 7 AFFORDABLE AND CLEAN ENERGY<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION | ①Development of plain bearings for next-generation wind power generation: Delivered prototypes<br>②Provision of bearings for internal combustion engines using fuel produced by carbon recycling (eg. Hydrogen or biofuel engines, etc.)<br>③Continued activities to receive orders for DF*-type engine bearings<br><small>*Dual-fuel engines: Engines capable of switching between liquid and gaseous fuels to reduce environmental impact</small> | Delivery of prototype plain bearings for evaluation purposes<br>Our company's plain bearings are chosen in the hydrogen engine for racing<br>Orders received: 54 units in total  |
|                  | Respond to climate change  | 13 CLIMATE ACTION  | ①Reduction of energy intensity (CO <sub>2</sub> intensity): (FY2022) 9% less (non-consolidated) compared to FY2013  | Target: 8% less compared to FY2013 (non-consolidated)<br>actual: 8.1% less [469.96g CO <sub>2</sub> /thousand yen]   |
|                  | Use sustainable resources  |  | ①Investigation of the inclusion of substances of concern in purchased products is conducted twice a year  | Conducted twice a year   |
| S<br>Society     | Contribute to the development of industry through technological innovation | 3 GOOD HEALTH AND WELL-BEING   | ①Establishment of manufacturing method for electrode sheets for next-generation storage batteries (FY2025)  | Delivery of prototype started  |
|                  | Pleasant working environment   | 8 DECENT WORK AND ECONOMIC GROWTH  | ①Certified as an Health and Productivity Management Organization (White 500) (non-consolidated)<br>②Promotion of taking paid leave: Increased to a minimum of 12 days per year (FY2022) (Non-consolidated)  | Certified as Health and Productivity Management Organization 2022<br>Minimum annual acquisition 10 days or more (attainment rate 99.3%)  |
|                  | Personnel training   | 9 INDUSTRY INNOVATION AND INFRASTRUCTURE                                   | ①Enhancement of training for managers and supervisors: Implementation of training for group leaders and section managers<br>②Implementation of quality control training for selected employees (off-the job training for six months from each department)   | Implementation of evaluator training and focus on development aspects such as interview skills (221 participants, 100% participation rate)<br>Education for 8 people (6 months of education with practical activities) |
|                  | Diversity and inclusion  | 11 SUSTAINABLE CITIES AND COMMUNITIES                                      | ①Percentage of women in managerial positions: 7% or more (FY2023) (Non-consolidated)<br>②Employment rate for people with disabilities: Above the statutory rate (statutory rate for FY2022: 2.3%) (Non-consolidated)  | 5.3%(FY2020: 4.9%)<br>2.71% (FY2020: 2.45%)  |
| G<br>Governance  | Corporate governance   |  | ①Enhancement of functions by conducting an evaluation of the effectiveness by the Board of Directors: Implementation of an evaluation of the effectiveness from a third-party perspective (FY2022)<br>②Execution of executive training: 100% implementation (acquisition of knowledge necessary for the duties of directors and corporate auditors)   | Conduct an evaluation of the effectiveness by the Board of Directors and respond to issues<br>Implementation rate: 100% (Web course on carbon neutrality and submission of report)                                     |
|                  | Compliance   | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS                                  | ①100% implementation of Code of Conduct comprehension check (domestic consolidated)   | Implementation rate: 100%  |
|                  | Risk management  |  | ①Reduction of deficiencies in internal control (J-SOX) and issues pointed out: Less than 10 cases remaining (FY2022)<br>②Conducting surveys based on the CSR Procurement Guidelines   | Number of remaining cases: 27 (86 in fiscal 2020)<br>Last implementation in fiscal 2019 (to be held regularly)   |

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

# Financial and Non-financial Highlights

## Major financial information

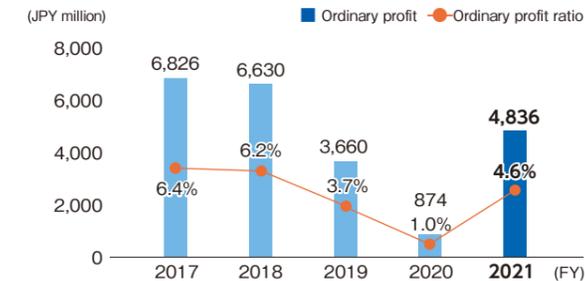
### ▶ Net sales



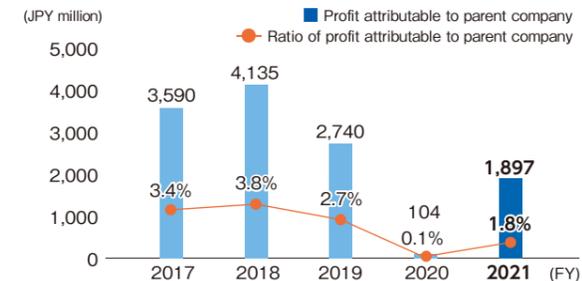
### ▶ Operating profit



### ▶ Ordinary profit



### ▶ Profit attributable to parent company



### ▶ Capital expenditure/Depreciation



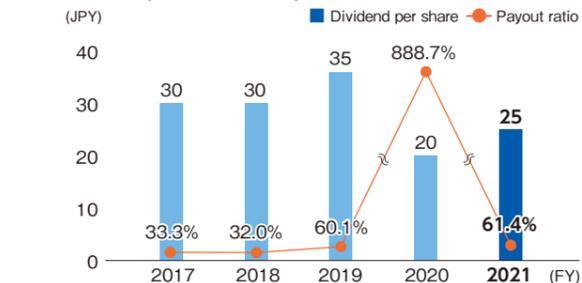
### ▶ ROE (Return on equity)



### ▶ Equity ratio



### ▶ Dividend per share/Payout ratio



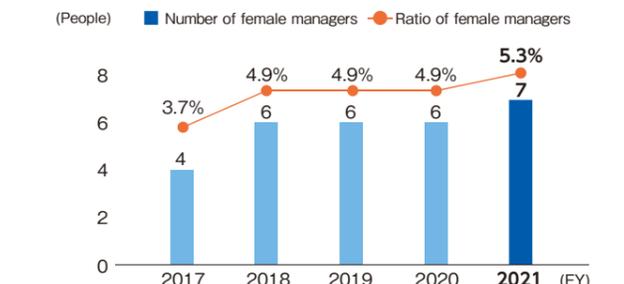
## Major non-financial information

\*Financial information and the number of employees are presented on a consolidated basis, while all other information is presented on a non-consolidated basis.

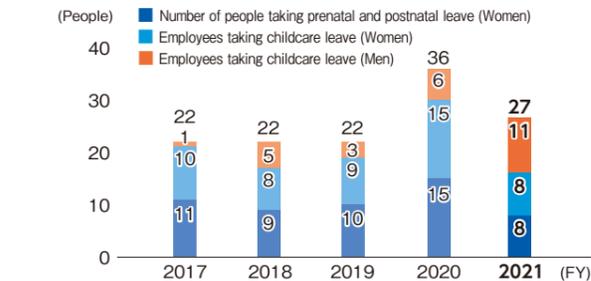
### ▶ Number of employees



### ▶ Female managers

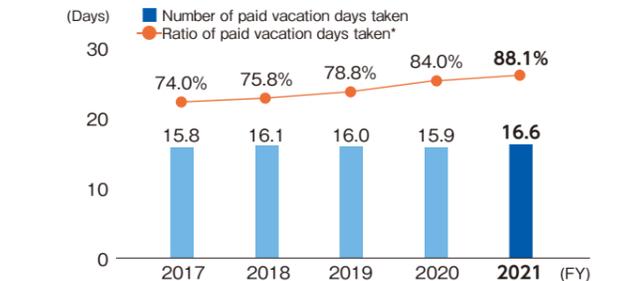


### ▶ Prenatal/postnatal leave and childcare leave\*



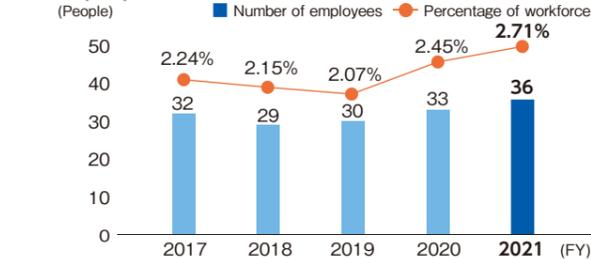
\*Number of employees taking childcare leave shows the number of people who began taking it during each fiscal year

### ▶ Paid vacation days taken

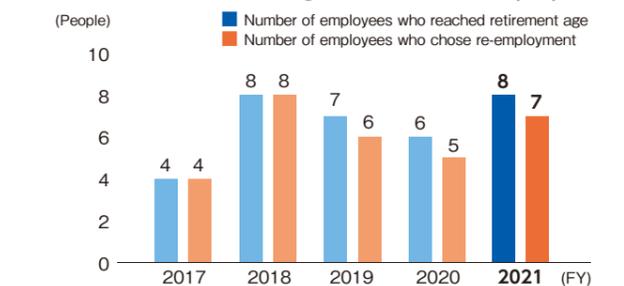


\*Percentage of the number of paid vacation days awarded each fiscal year (when it exceeds the number of days taken, it is calculated as 100%)

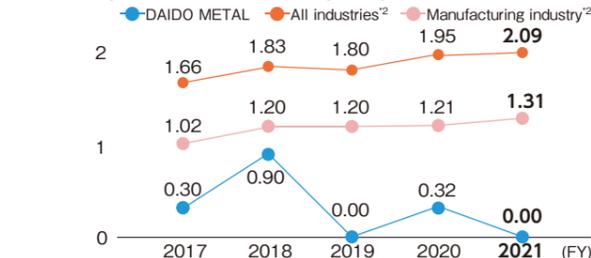
### ▶ Number of people with disabilities employed/employment ratio



### ▶ Number of retirement age individuals re-employed



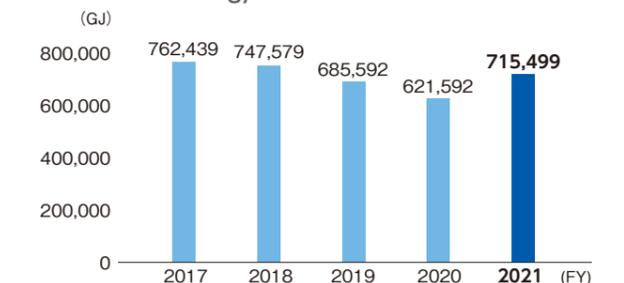
### ▶ Occurrence of workplace accidents (Occupational accident frequency rate<sup>1</sup>)



<sup>1</sup> Occupational accident frequency rate (number of victims of lost work accidents/total number of working hours x 1 million hours, up to two decimal places)

<sup>2</sup> Aggregated calendar-year figures announced by Ministry of Health, Labor and Welfare

### ▶ Amount of energy used



# Message from Management

**“The stakeholder of a corporation is the earth”**  
**As the only major company in the world specializing in producing a full lineup of plain bearings, we will strive to improve our corporate value in order to solve social issues through our business activities and to continue to be a leading global company.**

## Seigo Hanji

Chairman & Chief Executive Officer (CEO)



### Introduction

We, the DAIDO METAL GROUP, are celebrating the 83rd anniversary since we started our operation in Nagoya in 1939, and have grown into a global enterprise with 44 bases in 15 countries around the world. Since its founding, the Company has constantly listened to the opinions of customers, and has pursued quality and increased the added value of products as the only major company in the world specializing in producing a full lineup of plain bearings that support the rotation of

equipment in all industries, focusing on the automotive industry, but also for ships, construction equipment and general industry segment. As a global leader in the field of tribology – the science and technology of friction, wear and lubrication – the Group constantly provides a multitude of advanced, top-quality products that have earned the trust of our business partners worldwide and helped the Group establish a strong network of business partners.

### Review of FY2021

In FY2021 the situation remained tough due to the impact of semiconductor shortages and logistics disruptions, although there were signs of recovery due to progress in vaccination against COVID-19. In addition, the outlook remains uncertain due to the surge in raw material and energy prices associated with the increasing tension in Ukraine.

In the automotive industry - the main delivery destination of the Group's products - domestic and overseas new car sales have been sluggish due to lockdowns, supply chain issues caused by global shortages of parts/components, and other factors. Therefore, our sales increased only slightly year-on-year. In the shipbuilding industry in FY2021, the volume of new shipbuilding orders worldwide increased significantly from the previous year due to increased cargo traffic and soaring shipping markets.

In the construction machinery industry, demand for both public and private construction remained steady, resulting in an increase for the first time in two years. In general industries, capital expenditures were restrained in FY2020 due to trade friction between the United States and China since the beginning of 2019 and the spread of COVID-19, but in FY2021, capital expenditures showed a trend of recovery and a steady change in general. Under these market situations, the Group's net sales for the consolidated fiscal year totaled 104.024 billion yen, an increase of 19.303 billion yen (up 22.8%) from the previous fiscal year.

### Progress of the Midterm Business Plan

#### Promotion of “Raise up ‘Daido Spirit’ –Ambitious, Innovative, Challenging–”

The Group has established and been promoting the “Raise Up ‘Daido Spirit’ –Ambitious, Innovative, Challenging–” Midterm Business Plan (from FY2018 to FY2023). Based on the results of the first three fiscal years, we formulated a plan for the second three fiscal years in May 2021.

In addition to changes in the operations, corporate management, working styles, and the environment surrounding the workforce, the situation continues to be even more tough including soaring materials and logistics costs. On the other hand, demand in the automotive and shipping industries is recovering from the impact of COVID-19 both inside and outside Japan. As a result of group-wide productivity improvements and cost reductions through streamlining, we were able to significantly exceed our targets of FY2021.

Although the outlook for the future is becoming increasingly uncertain, the Group is committed to the basic strategies of “strengthen existing business lines further,” “create / foster new business lines,” “enhance management/operational control platforms,” and “energetic organization with animated communication and motivation” set forth in the Midterm Business Plan. Based on the strategies, we will aim to further improve earnings by responding flexibly and promptly to changes in environment surrounding the business and follow changes.

### ► Objectives of the Midterm Business Plan



## Action line 1

### Strengthen current business lines further

As for the market share of the current business lines (calendar year 2021, estimated by the Company), the world's top share of automotive engine half bearings was achieved, as it was in calendar year 2020. Going forward, the Company will aim to further expand market shares by boosting sales of truck engine bearings and developing new gasoline engine bearings while carefully considering and dealing with the capital investment and securely meeting actualized and latent market needs.

In addition, as for the market share of bearings for low-speed marine engines (calendar year 2021, estimated by the Company), the world's top share was achieved, as it was in calendar year 2020. In particular, the continuously improving ordering environment such as growing demand for large ships including container and LNG ships has helped ensure new overseas customers, leading to increasing market share. The Company will aim to further increase market share in bearings by improving productivity and competitiveness.

## Action line 2

### Create / foster new business lines

DM Casting Technology (Thailand) Co., Ltd., which was established in 2018 and mainly produces aluminum die-cast products for electrified vehicles, started full-scale mass production in the summer of 2021. The Company could achieve its sales target for FY2021 by means of its active marketing. As we believe that there are still issues such as improving yields including lowering of the defect rate, and reducing logistics costs we will work to improve profitability along with expanding sales in FY2022.

## Action line 3

### Enhance management / operational control platforms

In FY2021 we continued to share technical development information from six locations around the world under our technology development system. In the spring of 2022 we started accepting engineers from overseas at the R&D



department in Japan, and we will also work to exchange personnel between Japan and other countries. In addition, from the perspective of risk management, we have restructured our management system including overseas locations, and strengthened our response to cyberattacks, which have recently affected manufacturing companies. In addition, the Group has partially started the operation of the quality assurance system based on enhanced quality audit standards, aiming to further improve quality while continuing to strengthen governance over business operations and daily operations, and its risk management system.

## Action line 4

### Energetic organization with animated communication and motivation

In 2021, the first fiscal year of the second half of the three-year plan related to the Midterm Business Plan, the Group worked to enhance various internal communication tools in order to revitalize communication. The Corporate Planning Department, in charge of the formulation of plans, engaged in direct dialog with each department and affiliated companies. In addition, with the promotion of the physical and mental health of our employees as one of our important management issues, we were certified as a Health and Productivity Management Organization 2022 (large enterprise category) selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi in March 2022. Going forward, we will continue to promote the creation and improvement of workplaces where diverse human resources can play active roles in diverse work styles.

We are currently formulating a long-term vision with a view to ten or thirty years from now. As demand for engine bearings is decreasing due to the accelerated shift to EVs, we must make a major shift. On the other hand, it is important to carefully assess the future of engines. To this end, we are gathering information from around the world, collecting opinions and knowledge from the entire Group, including production, development, and sales departments, to formulate a long-term vision.

There are still many cars on the planet with an internal combustion engine, and spare parts to repair the engines are necessary. In addition, development of hydrogen engines and engine platforms focusing on natural gas is progressing. Although fuels will change, the development of engines themselves is expected to continue in the future. In order to keep up with this trend, it is necessary to prepare for further development and innovation by looking beyond. As a technology-based company, the Group will continue to strengthen its development capabilities and create and nurture new businesses while focusing on strengthening existing businesses.

## Sustainability

**Increasing corporate value through ESG Management  
Contributing to efforts to achieve the various targets set forth in the SDGs**

### Materialities

In order to contribute to achieving a sustainable society through its business activities, increase corporate value and grow over the medium and long term, the DAIDO METAL GROUP has identified materialities (important issues) to address as a priority in the area of ESG.

|                         | Materialities   | Contributing SDGs   |
|-------------------------|---|---|
| <b>E</b><br>Environment | Develop and manufacture environmentally friendly products<br>Respond to climate change<br>Use sustainable resources   | 7 AFFORDABLE AND CLEAN ENERGY<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>13 CLIMATE ACTION   |
| <b>S</b><br>Society     | Contribute to the development of industry through technological innovation<br>Pleasant working environment<br>Personnel training<br>Diversity and inclusion | 3 GOOD HEALTH AND WELL-BEING<br>8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>11 SUSTAINABLE CITIES AND COMMUNITIES |
| <b>G</b><br>Governance  | Corporate governance<br>Compliance<br>Risk management   | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS   |

With regard to materialities, we will set KPIs for each theme to progress, enhance linkage with management issues, and promote sustainability management in each area of ESG.

### Environment (E)

With regard to our response to climate change, the Group has formulated a carbon neutral policy in light of recent heightened environmental awareness and the Japanese government's efforts to achieve carbon neutrality by 2050. In June 2022 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and disclosed important information on climate change in line with the recommendations of the TCFD. In order to fulfill our responsibilities as a member of global society, we aim to achieve carbon neutrality by 2050 across the entire Group, including overseas affiliated companies, by implementing energy-saving measures, using renewable energy, and promoting innovation etc. We will work on step-by-step and concrete reduction of CO<sub>2</sub> emissions. The R&D Division will promote the development of new products that contribute to carbon neutrality, and actively engage in research in new fields that lead to the development of energy-saving and environmentally friendly materials and functional products. In April 2022 we formulated the Group's strategy to achieve carbon neutrality and established the Carbon Neutral Promotion DEPT., a specialist organization that oversees various measures.

Carbon neutrality is an unavoidable challenge as a company and cannot be achieved by automakers alone.

As a supplier, the entire Company will work together to reduce CO<sub>2</sub> emissions as much as possible when manufacturing bearings.

### Society (S)

With regard to human resource development in a rapidly changing environment, we believe that "collaborative creation leadership" is necessary to innovate with members with diverse values and create new value. Specifically, we are enhancing training for supervisors and implementing evaluator training that emphasizes the acquisition of interview skills. In addition, with the aim of fostering human resources who can implement the strengthening of the Group's quality assurance system, we provide selected members with education to improve the basics of quality control (thinking and methods) and the basic ability to promote operations through classroom lectures and practices. As for Diversity Inclusion, we respect the diversity of our employees as the source of the power of corporate development, and aim to create a workplace environment in which employees can fully demonstrate their individuality and abilities and play an active role. We will continue to recruit diverse human resources, including women, foreigners, and mid-career recruits with various careers, while providing necessary education and training. In addition, we will improve the workplace environment and promote the development of core human resources.

### Governance (G)

With regard to corporate governance, in order to continue to be a company that is trusted by our stakeholders, we have established a board of directors that aims to achieve sustainable growth and increase corporate value over the medium and long term. In order to confirm that the Company's Board of Directors is operating effectively and to improve the issues identified, the effectiveness of the Board of Directors is being evaluated from a third-party perspective. In addition, the Company discloses the balance of the composition of directors and the appropriateness of their appointments in relation to the skills and diversity required in light of the Group's management strategy, as a skill matrix that lists the expertise and experience of each director.

Finally, the Group's management policy includes the "Corporate Philosophy," "Code of Conduct," "Standards of Conduct," "Principles," "Environmental Fundamental Policy," and "SDGs policy," and we are actively working to achieve the various targets set forth in the "Sustainable Development Goals (SDGs)." As the only major company in the world specializing in producing a full lineup of plain bearings, we will strive to promote ESG management with an emphasis on materialities and to improve our corporate value in order to solve social issues through our business activities and to continue to be a leading global company with the saying "the stakeholder of a corporation is the earth".

We trust that these efforts will earn the confidence and continued support of our stakeholders.

# Midterm Business Plan

## Progress of the Midterm Business Plan

### Action line 1 Strengthen current business lines further

- Expansion of market share
- Strengthening of profitability
- Production innovation, efficiency improvement and technology innovation

#### Secured the top share in three fields

We achieved the world's top share in the three fields. We aim to further expand our market shares.

Global market share of plain bearings

(On a calendar year basis / our own estimate) (%)

| Application | Automotive engines | Turbochargers (Small turbo) | Low speed marine diesel engines | Medium to high-speed marine and industrial diesel engines | Polymer bearings | Industrial High-speed rotating machinery |
|-------------|--------------------|-----------------------------|---------------------------------|---|------------------|--|
| FY2019      | 33.0               | 20.5                        | 55.0                            | 15.0  | 12.8             | 4.6                                      |
| FY2020      | 33.5               | 19.6                        | 58.0                            | 15.0  | 12.9             | 4.9                                      |
| FY2021      | 36.7 <b>TOP</b>    | 16.1 <b>TOP</b>             | 66.0 <b>TOP</b>                 | 23.0 (No.2)   | 13.0 (No.2)      | 5.6                                      |

#### IoT in factories

We aim to improve productivity and quality control systems through the introduction of IoT in production sites, and establish a solid foundation that can flexibly respond to major changes in the business environment.

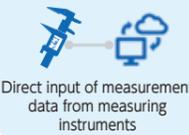
##### Key initiatives



Visualization of equipment operation status



Digitalization of daily work report entry



Direct input of measurement data from measuring instruments



Establishment of a traceability system using barcodes and other technologies

### Action line 2 Creating/fostering new business lines

- Sales expansion of die-cast aluminum products for EV
- Establishment of new businesses such as bearings for wind power turbines
- Research in new fields

#### Aluminum die-cast products

DM Casting Technology (Thailand) Co., Ltd. established and in operation

By applying the aluminum die-casting technology of ATA Casting Technology Co., Ltd., acquired in FY2016, we are strengthening the production of parts for electrically powered automobiles.

Commenced delivery of aluminum die-cast products for electrified vehicles

Products: Aluminum die-cast cases for PCUs (Power Control Units), cover cases for motors and inverters



DM Casting Technology (Thailand) Co., Ltd.

Power control unit

#### Formed pipes, knock pins, and NC machined products

We are strengthening the production of products for electrically powered automobiles by applying the precision metal processing technology of Iino Manufacturing Co., Ltd., which we acquired in FY2016.

Commenced mass production and delivery of parts/components for electrically powered automobiles (plug-in hybrids)

Products: Transmission pipes, motor parts/components

⇒ Going forward, we will promote measures to strengthen competitiveness, such as the use of local materials and local production, with the aim of further expanding orders.

#### Establishment of new organization (April 2022)

##### Newly established EV Shift Action Promotion Department

In order to strengthen the Group's ability to respond to the accelerating electrification of automobiles around the world, we have established the dedicated EV Shift Action Promotion Department. We will respond to the shift not only to EVs, but also to vehicles that do not use fossil fuels (hydrogen-fueled vehicles, etc.), in order to link the needs of the automotive industry to new businesses.

##### Newly established Wind Turbine Technology R&D Institute

In order to expand sales of the wind turbine business, we have established the Wind Turbine Technology R&D Institute as an organization dedicated to the development (design and evaluation) of basic technology related to wind turbine bearings. We will work to further speed up the sales expansion of the wind turbine business.

#### Taking on a challenge in the renewable energy field

##### Adopted by NEDO "Green Innovation Fund Project (Project for Lowering the Cost of Offshore Wind Power Generation)"

##### - Next Generation Wind Turbine Technology Development Project

##### (Development of Hydrodynamic Bearings in the Wind Turbine Main Bearing location) -

Daido Metal Co., Ltd. is pleased to announce that we have applied for a next-generation wind turbine technology development project (development of wind turbine main bearings using hydrodynamic bearings) under the Japanese Government's Green Innovation Fund Project (hereinafter referred to as "the Project") of the New Energy and Industrial Technology Development Organization (NEDO). The project was selected on 21 January 2022.

Based on the development of next-generation wind turbine technology to cope with the growing size of wind turbines, this project aims to reduce the cost of offshore wind power generation, mainly floating wind turbines, which can be installed in deep sea areas. Through this project we will contribute to the social implementation of offshore wind power generation and the realization of carbon neutrality by 2050.



### Action line 3 Enhance management/ operational control platform

- Enhancement of consolidated business management
- Restructuring of global quality assurance system, global technology development, and global production system
- Introduction of global governance and Human Resources systems
- Strengthening of financial base

⇒ Details: Financial Strategies (P22-23), Strengthening Quality Assurance (P28), Strengthening Corporate Governance (P40-43), Re-enforcing Global Risk Management (P44-45)

### Action line 4 Energetic organization with animated communication and motivation

- Animated communication
- Creating a system to support challenges
- Creating culture of a dynamic organization and promote work style reform

Our non-consolidated indicators

|  | FY2019 (Actual) | FY2020 (Actual) | FY2021 (Actual) | FY2023 (Target) |
|--|-----------------|-----------------|-----------------|-----------------|
| Percentage of female employees (%) (Number of people)              | 14.9 (197)      | 15.1 (206)      | 14.8 (208)      | 14.0            |
| Percentage of women in managerial positions (%) (Number of people) | 4.9 (6)         | 4.9 (6)         | 5.3 (7)         | 7.0             |

⇒ Details: Revitalization of communication, enhancement of various training systems, and initiatives for diversity and health management (P29-30)

# Financial Strategies

While tracking changes in the business environment, the DAIDO METAL GROUP executes a flexible and appropriate financial strategy.

## Cash management

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

## Investment strategy

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

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

## Profitability strategy

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

## Reinforcing the financial structure

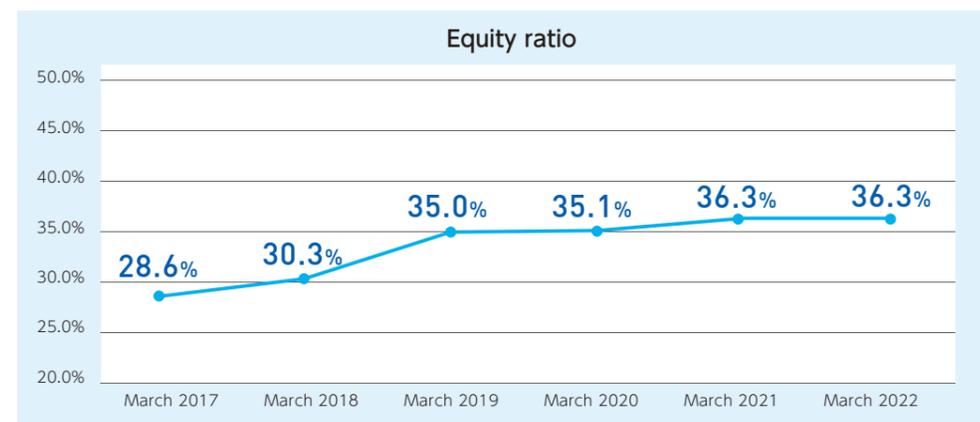
The DAIDO METAL GROUP uses the consolidated capital to asset ratio as an indicator of financial structure, and aims for at least 35%. The Group has implemented continuous programs of capital investment and M&A in order to optimize its business portfolio in response to changes in society.

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

## Policies for Determining Appropriation of Surplus

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

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



## Quantitative targets for the latter half

Sales from FY2021 onwards are calculated under the new accounting standard

| Consolidated basis             | FY2019 (Actual) | FY2020 (Actual) | FY2021 (Actual) | FY2022 (Plan) | FY2023 (Plan) |
|--------------------------------|-----------------|-----------------|-----------------|---------------|---------------|
| Sales (JPY billion)            | 100.1           | 84.7            | 104             | 98.2          | 102.1         |
| Operating profit (JPY billion) | 4.1             | 1.3             | 5               | 6.3           | 8.2           |
| Operating margin (%)           | 4.2             | 1.6             | 4.8             | 6.4           | 8.0           |
| ROE (%)                        | 4.9             | 0.2             | 3.3             | —             | 9.0           |

- Although the business performance has been steadily recovering from the impact of COVID-19, uncertainties about future trends still remain. In the midst of this, we will ensure that the various measures implemented in the first three years link to results in the latter three years.
- In FY2022, we aim to return sales to near the pre-covid level, and in FY2023, the final year of the Midterm Plan, we aim to achieve sales of 102.1 billion yen and an operating margin of 8.2 billion yen.
- Utilizing the core technologies of the Daido Metal Group, we aim to expand the added value of existing businesses as well as new businesses, while responding appropriately to the shift to EV and contributing more to society than before, and aim for further growth in the next Midterm Plan.

| FY2023 Targets | Sales            | <b>102.1 billion yen</b> (+ 2 billion yen vs. FY2019) |
|----------------|------------------|---|
|                | Operating margin | <b>8.2 billion yen</b> (+ 4 billion yen vs. FY2019)   |
|                | Operating margin | <b>8.0%</b>   |

## Financial strategies for the latter half

### Positive investment in growth areas while ensuring financial soundness

- Reduce interest-bearing debt with increased profitability and with optimized cash management
- Take a cautious approach to capital investment related to automotive engine bearings in the latter half of the Plan in preparation for a possible rapid market contraction in automotive engine bearings
- Positive investment in R&D, new businesses, M&A, etc. Provide necessary financing while ensuring financial soundness with capital-to-asset ratio of 35% as a reference point

### Effective capital investment

- Strict management of hurdle rate to boost the return on investment
- Improve the accuracy of investment by precisely measuring the effectiveness of post-investment activities

### Dividend policy and corporate value enhancement

- Stable dividend payout
- Focus on ROE, aiming for 9% in FY2023

## New Technology Development Strategy

# DAIDO METAL's new technologies contributing to the industrial fields

### Responding to social issues with new technologies

We aim to develop our business by solving social issues faced by the industrial world, such as climate change, mobility change, and energy shift. We are actively developing products that create a new value to reduce energy loss by reducing frictional resistance against movements in a wide range of fields around the world.



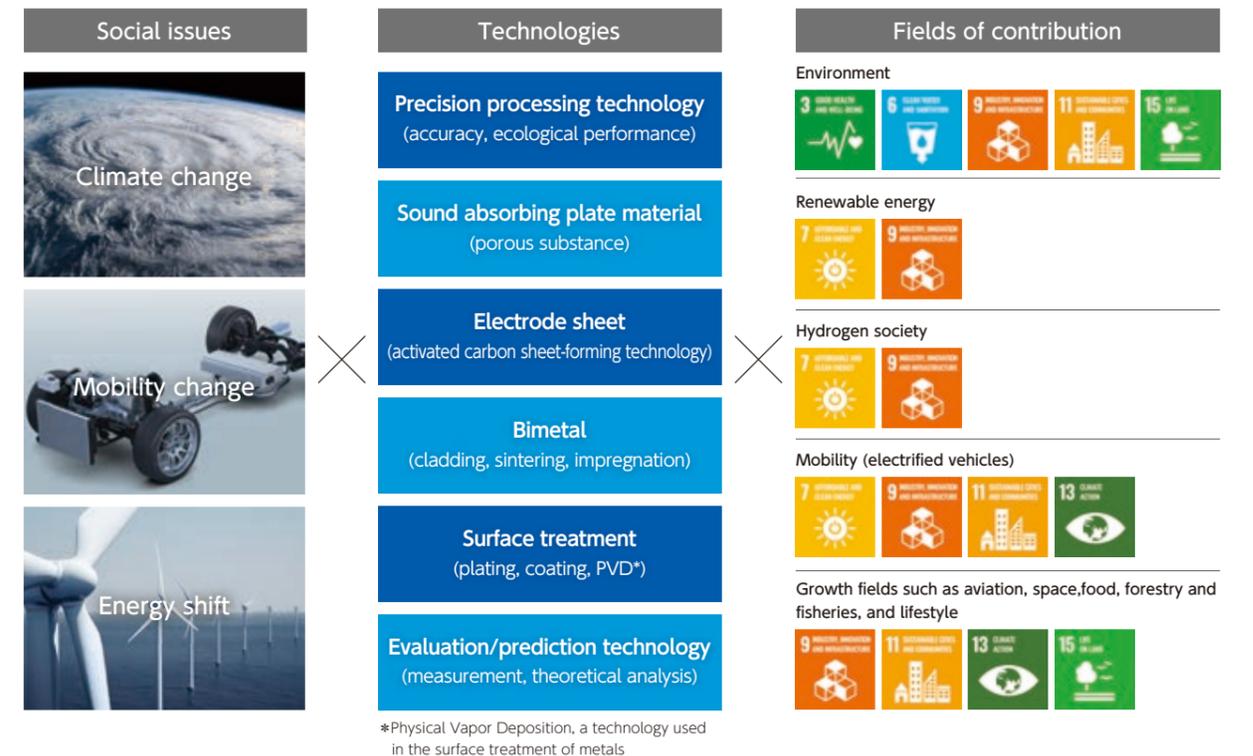
### R&D Center that opens up the possibilities of new technologies

With "Tribology" being in our DNA we will create new businesses through research and new technologies that go beyond existing business domains, based on our core technologies and global R&D system.



### Make the most of six technologies to create new businesses

Based on the six technologies, i.e. precision processing technology, sound absorbing plate material, electrode sheet, bimetal, surface treatment, evaluation/prediction technology, we are engaged in research and development of new technologies by making full use of our knowledge, experience, and information. We will make a contribution to growing fields, e.g. environment, renewable energy, hydrogen energy-based society, mobility, aviation, space, food, agriculture, forestry and fisheries, and lifestyle, by brushing up on the existing technologies and accelerating new technology development.



### Topics

#### Development of bearings to open up the future of wind power generation

In the past, blades had to be removed to replace bearings, but since our bearings can be disassembled into various parts, bearings can be replaced without removing the blades. This will reduce replacement time, power generation downtimes and replacement costs.



Our plain bearings

# Sustainability

## DAIDO METAL GROUP's Sustainability Strategy

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

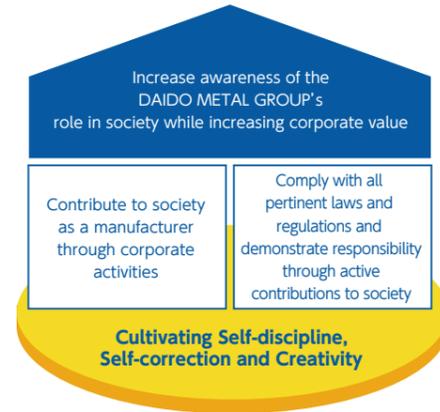
## DAIDO METAL GROUP's SDGs Policy

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

## DAIDO METAL GROUP's Approach to CSR

As a corporate citizen required to take responsible actions, in order to continuously grow, the Group continues to serve society through its products—as they are of course the essence of a manufacturer—and strives to be a trusted partner of customers, shareholders, employees, business partners and the communities in which we operate, by fulfilling corporate social responsibility (CSR) including legal compliance and contribution to the community.

To meet the above objectives, the Group has been introducing and promoting a multitude of programs and activities for CSR which cultivate the qualities of self-discipline, self-correction and creativity in every officer and employee, under the slogan: "Self-discipline, Self-correction and Creativity".



## Relationship With Stakeholders

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

| Stakeholders   | Policy of and attitude toward the Group's efforts   | Examples of dialogue and communication methods  |
|--|---|---|
|  <b>Customers</b>         | <ul style="list-style-type: none"> <li>We develop and provide socially useful and safe products, and gain satisfaction and trust.</li> </ul>  | <ul style="list-style-type: none"> <li>Exhibiting at various exhibitions</li> <li>Exchange information through our point of contact in the sales department</li> <li>Point of contact for inquiries on our website</li> </ul>   |
|  <b>Shareholders</b>      | <ul style="list-style-type: none"> <li>We continue sustainable growth through increasing our corporate value.</li> <li>We communicate widely with society, and actively and fairly disclose corporate information.</li> </ul>   | <ul style="list-style-type: none"> <li>Announcement of financial results and financial results briefing session</li> <li>Exhibiting at various IR events</li> <li>Shareholders' Meeting</li> </ul>                              |
|  <b>Employees</b>         | <ul style="list-style-type: none"> <li>We respect and encourage the diversity, personality and individuality of employees and ensure a harmonious and cooperative working environment in which health and safety are of the utmost importance.</li> </ul>   | <ul style="list-style-type: none"> <li>Labor union and management consultation</li> <li>Internal newsletters</li> <li>Internal portal site</li> <li>Various education and training</li> <li>Meeting with supervisors</li> </ul> |
|  <b>Business Partners</b> | <ul style="list-style-type: none"> <li>We promote CSR activities and strive for sustainable growth throughout the whole supply chain.</li> </ul>  | <ul style="list-style-type: none"> <li>Presentations for business partners</li> <li>Various surveys and questionnaires</li> </ul>   |
|  <b>Local Communities</b> | <ul style="list-style-type: none"> <li>We are aware of our status as a member of the community and promote social contribution activities.</li> <li>We continue to evolve as a global company by contributing to business activities in other countries while respecting the laws, cultures, local customs and interests of stakeholders of each country and region.</li> </ul> | <ul style="list-style-type: none"> <li>Summer festival and factory tour</li> <li>Social contribution activities</li> </ul>  |

# Safety

## Safety-related Activities

### Fundamental Policy on Health and Safety and ISO45001 Certification Status

#### Fundamental Policy on Health and Safety

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

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

#### Scope of certification: Operations certified under ISO 45001

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



Certificate number: JQA-OH0045

### Checks on the state of the work site by the top management and the workforce

In conjunction with the National Occupational Safety Week (July), National Occupational Health Week (October) and the New Year's Disaster Prevention Program (January), the Company carries out on-site assessments that involve cooperation between top management and the workforce. In 2021, due to the influence of COVID-19, the target was limited.

In terms of safety, the Company checks the status of countermeasures and of activities to mitigate risk in workplaces where accidents have occurred. In terms of health, the Company strives to maintain a good working environment in the workplace by improving the working environment with regard to heatstroke, noise, and other problems, and in particular by confirming the measures to prevent the spread of COVID-19. In terms of education, the top management and the workforce hold meetings regarding the details of on-site managers' efforts and provide advice to promote increased safety awareness.

## Global Safety Activities

As part of our safety activities for our domestic and overseas affiliated companies, we conduct self-inspections regarding safety twice a year. The results of the self-inspection were checked, and educational follow-up activities were implemented, such as distributing educational materials and developing methods.

### TOPICS

#### Contribution to the development and implementation of health and safety measures

##### DAIDO METAL KOTOR AD

In 2003, the International Labor Organization (ILO) declared April 28 to be the World Day for Safety and Health at Work. Since then, the purpose of this day has been to "mourn for the dead and injured workers" and to "promote ways to form and sustain a preventative health and safety culture in the workplace, focusing on the prevention of occupational accidents and diseases."

In Montenegro, the Occupational Health and Safety Association holds an annual meeting on Occupational Health and Safety on this day. DAIDO METAL KOTOR AD (hereafter DMK) was commended for its contribution to ZZNR (zaštite i zdravlja na radu, i.e. occupational health and safety).



Commended DMK members

# Quality / Procurement

## Quality

### Quality Control (QC) policy for FY2021

Our basic concept is "Quality is Life," and we establish a QC policy every year for the purpose of thoroughly disseminating this concept throughout the Company.  
In FY2021 we have been working on quality improvement activities under the slogan "We will achieve the ultimate goal of stabilizing processes by predicting and preventing defects, and of thoroughly preventing recurrence, in order to prevent defects from occurring and/or outflowing."

### DQC\* Circle Competition to promote QC Circle activities

The 36th DQC Circle Convention was held on 15 December 2021, and excellent improvement examples selected from domestic production bases were presented. In addition, Daido Precision Metal Co., Ltd. (China) participated remotely due to the impact of COVID-19 to present their examples of improvement.

\*DQC\* Circle Convention to promote QC Circle activities  
\* DQC stands for Daido Metal Quality Control.



Presentation on improvements made

### 5S Champion Activities

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



Meeting of 5S Champions

## Procurement

### Provision of CSR Procurement Guidelines and Green Procurement Guidelines

We have formulated "CSR Procurement Guidelines" and "Green Procurement Guidelines" in order to expand CSR and green procurement initiatives throughout the supply chain in cooperation with our suppliers, and posted them on our website

### Won the Supplier Quality Excellence Award

Daido Plain Bearings, Daido Metal Mexico S.A. de CV (Mexico), ATA Casting Technology Co., Ltd. (Thailand), and Dyna Metal Co., Ltd. (Thailand) have won the GM Supplier Quality Excellence Award 2020 from General Motors in June 2021.



### Quality Control Training for Selected Employees

The quality control training for selected employees, which began in October 2018, has been held six times and attended by 30 employees up to FY2021. In this training program, we have established an "open course" in which participants give lectures in-house, and we have created an opportunity for the participants to become an instructor of in-house courses based on what they have learned in external courses. This is an educational opportunity within the Company and is also useful for reviewing themselves.



7th program participants learning in the class

### Revitalization of QC Circle Activities

Dyna Metal Co., Ltd. (Thailand) has participated in the Thailand Quality Prize 2022 organized by the Technology Promotion Association (Thailand-Japan) as the culmination of QC Circle activities in FY2021, and won the Diamond Award (Type of Junior Manufacturing QCC Prize). We will continue to revitalize QC circle activities within the Group.



QCC "Diamond Award"

so that our stakeholders can see the contents and activities of these guidelines.

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

# Human Resources

## Personnel Training: Employee training programs

In the midst of major changes in work styles and environments, such as decreasing workforce, changes in employees' sense of value to work, the spread of remote work, and the promotion of part-time and side jobs, we are working to develop human resources who can act autonomously and independently while maintaining a high level of motivation by building diverse career paths.

For this reason, we offer various stage-based and global training programs with the aim of developing roles and skills according to the stage.

In addition, serving as the Company's in-house educational institution, Daido Metal College is a special training facility which continuously provides training focused on passing on knowledge, technology and skills accumulated by the Company.

### ► Daido Metal Training Structure

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

## Promoting Diversity

### Initiatives Regarding Participation by Women

Based on the Act on the Promotion of Women's Active Engagement in Professional Life, we have formulated an action plan from FY2019 to FY2022 and published it on our website.

The ratio of women in the recruitment of new graduates for executive candidates has almost reached the target, and two or more women are hired in engineering positions every year.

As for the expansion of the placement of women, the Company placed four new female graduates as executive candidates in sales positions for the first time in 2020, and two female graduates were placed in 2021.

In addition, the number of employees taking childcare leave stays at a high level, and the number of female and male employees taking childcare leave is increasing year by year.

### Implementing Employee Satisfaction (ES) survey

In 2020 we conducted an Employee Satisfaction (ES) survey, and based on the results, we are implementing initiatives for mid- to long-term reforms.

In 2021 the Labor-Management Personnel System Review Committee was established to review the evaluation system, which found strong demand for improvement. In addition, to

promote two-way communication between the management and employees, we are promoting internal communication by posting messages from the top management and company performance data on the monitor screens in the employee cafeteria.

### Employing workers with disabilities

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

Since June 2020 the Company has been leasing a communal farm and opened Daido Metal Joyful Farm to implement initiatives that entail directly hiring people with disabilities. Vegetables harvested on the farm are donated to nearby children's cafeterias, and the profits from selling vegetables within the Company are donated to areas hit by natural disasters, thus enhancing our social contribution activities.

# Promoting Social Contribution

## Recruitment of foreign employees

For future executive candidates, we continue to recruit foreign nationals and new graduates, and we hired one in both 2021 and 2022. Currently they are engaged in a wide range of positions including R&D, production engineering, and sales.

On the other hand, the foreign technical intern trainees were unable to enter Japan due to the COVID-19 pandemic, but it has become possible to accept them again since 2022, and we are currently accepting about 20 foreign technical intern trainees. In recent years there have been an increasing number of cases in which those who have completed the technical internship (three years of internship) go on to undertake another technical internship resulting in a total of five years of study.

## Work-family balance support

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

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

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

## Food drive held

In December 2021 we organized food drive\* titled "Think SDGs! Daido Metal Food Drive Action" as our commitment for SDGs.

Food donated from employees was delivered to people and facilities in need of food support through Second Harvest Nagoya, a certified NPO.

\*Food drive is an activity to bring unconsumed food that cannot be used in each household and donate them to those who need them through food banks and other means.



## Support for adopted families

### Daido Metal U.S.A. Inc.

DMUSA provided special Christmas support to six families who adopted children between the ages of 6 and 14. A group of employees and Santa Claus delivered gifts to those families just before Christmas, making it a memorable day for both parties.



Preparing Christmas gifts for children

## Health management initiatives

### Recognized as the 2022 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category)

The Company has been recognized as one of the "2022 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)" by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Japan Health Council). The "Health and Productivity Management Outstanding Organization" scheme honors corporations, such as large and small and medium-sized enterprises, that practice particularly excellent health and productivity management, based on initiatives that address regional health issues and health promotion initiatives promoted by the Nippon Kenko Kaigi.

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



## Work style reform

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

Specific activities include posting posters with goals in each workplace, setting company-wide targets for annual paid leave on a quarterly basis; yellow cards, orange cards or red cards will be issued if not achieved. We are promoting achievement by issuing red cards. In addition, we are not only reducing working hours by setting Wednesdays as no overtime days for the whole Company, but also reviewing and improving the efficiency of our operations at the same time.

## Mental health initiatives

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

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

## Improving employee health

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

In addition, we held two events organized by our health insurance association using a walking app for the purpose of maintaining and improving health. Approximately 150 employees participated each time, aiming at an average 8,000 steps a day over a two-month period.

## Installation of 360-degree lights and donation to educational institution

### BBL Daido Private Ltd.

BBL Daido Private Ltd. (hereafter BBLD) has installed 360-degree lights on the median in front of the vehicle exit of BBLD at the request of the local government.

There is a famous temple in front of BBLD, and many people visit the temple. We will strive to ensure the safety and security of our employees and local residents.

In addition, BBLD made a donation to the Sri Paramakalyani Education Society to support learning.



A monument installed under the 360-degree lights

BBLD and 360-degree lights viewed from the temple side

## Participated in landscaping projects

### Daido Metal U.S.A. Inc.

Daido Metal U.S.A. Inc. (hereafter DMUSA) supports community scheme United Way in a variety of ways, including volunteering at the annual Community Care Day event and supporting Stuff the Bus-School Supply Drive. In 2021 DMUSA worked on landscaping projects such as preparing flower beds and carving river rocks.



Supporting members from DMUSA



Landscaping

## DAIDO METAL Pro Bono Program

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

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

## Social contribution activities through the employment of people with disabilities at the farm and the cultivation of vegetables

### 大同メタルジョイフルファーム

We began the use of farm to employ people with disabilities in order to provide more employment opportunities and a safe and enjoyable workplace for people with disabilities in June 2020.

The farm was named "Daido Metal Joyful Farm" following in-house suggestions. Vegetables grown there are donated to nearby children's cafeterias and welfare facilities for the disabled.



Shipment of vegetables

# Environmental protection

## Daido Metal Group Environmental Policy

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

By promoting business activities based on the concept of "finite resources and finite possibilities for cleansing", and that take the finite nature of the global environment into account to the maximum extent possible, the DAIDO METAL GROUP as a whole is working proactively towards the formation of a recycling-based society.

### Fundamental philosophy

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

### Fundamental policies

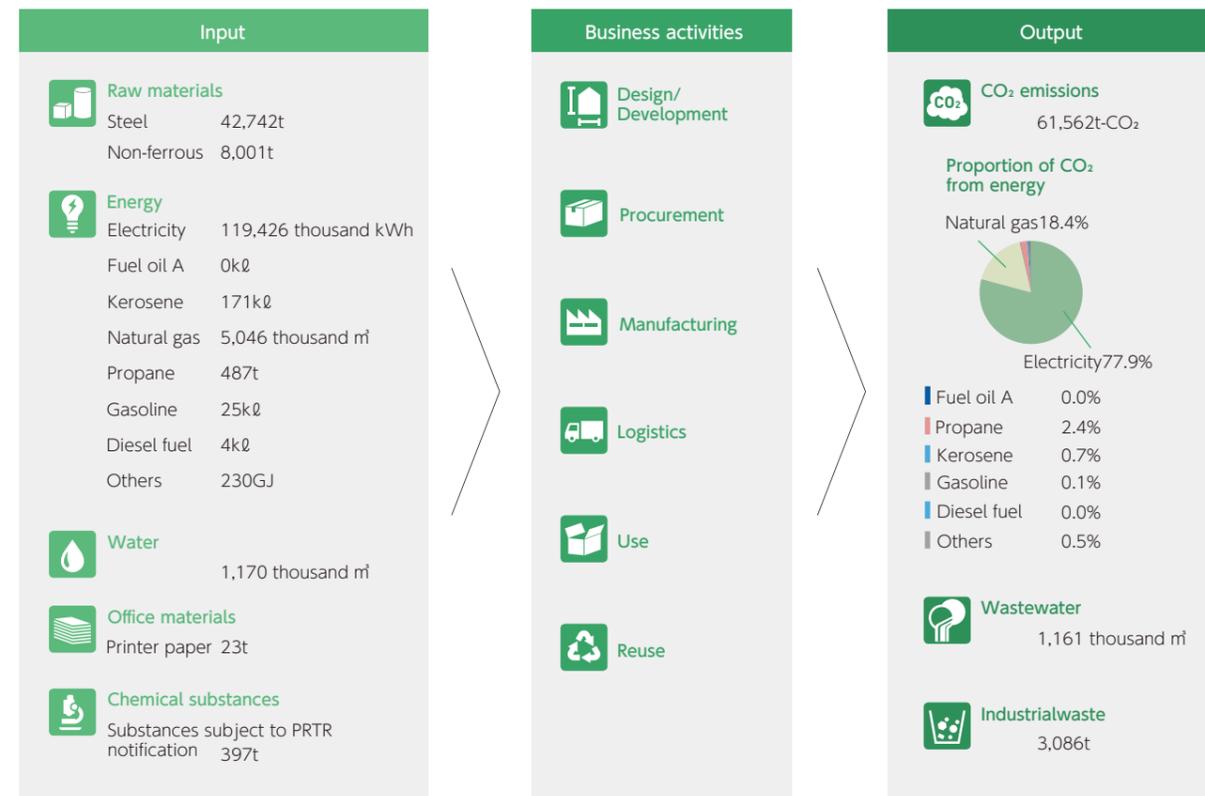
- The Group will comply with environmental laws and regulations and other requirements to which it has agreed.
- In order to promote environmental conservation, continuously improve activities for the maintenance of the environment and prevent pollution, the Company will set and regularly review environmental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

## Overall picture of business activities and environmental impacts

The amounts of materials, energy and water resources used by the DAIDO METAL GROUP in Japan in FY2021, and the waste generated, are as follows.

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

### Business activities and environmental impact



## Environmental accounting

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

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

### [Scope of data]

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

### [Period under review]

FY2021 (1 April 2021 - 31 March 2022)

### Environmental conservation costs

(Unit: Millions yen)

| Classification             | Content  | The amount of the investment                    |       |
|----------------------------|--|---|-------|
| Area-specific costs        | Cost of preventing pollution   | Measures to address air/water quality, noise    | 184.2 |
|                            | Global environmental conservation costs  | Global warming prevention, energy savings, etc. | 48.3  |
|                            | Resource recycling costs   | Waste reduction/disposal/recycling, etc.        | 208.5 |
| Management activity costs  | Environmental education, acquisition/maintenance of EMS certification, personnel costs associated with environmental conservation activities, etc. | 34.3  |       |
| Research activity costs    | R&D costs for mitigating environmental impacts   | 61.1  |       |
| Social activity costs      | Greening, landscaping, awareness activities, etc.  | 10.4  |       |
| Environmental damage costs | Restoration costs for soil contamination, etc.   | 32  |       |
| <b>Total</b>               |  | <b>578.8</b>                                    |       |

Note: Figures are calculated using the amounts invested in FY2021.

We have not aggregated compound costs which combine costs with an environmental purpose and those whose purpose is unrelated. Personnel costs are allocated in proportion to the time spent on such duties.

\*As all figures are rounded to the nearest whole number, the sum of individual items may not exactly equal the total.

## Development and manufacture of environmentally friendly products

"Hydrogen Corolla," the ORC Rookie Racing Corolla H2 Concept, completed Super Endurance Round 3 at the Fuji 24 Hour Race.

The hydrogen based G16E engine is a gasoline engine that has been refined in racing. The engines use our plain bearings.

Our products also contribute to technological development toward carbon neutrality (a decarbonized society).

## Waste Reduction Activities

A large proportion of our industrial waste is generated from plating and processing processes. Since FY2016 the effect of reduction of plating waste fluids has been visible, and we have been implementing measures such as weight reduction by reusing lubricants and solvents. We will continue to discuss reduction and weight reduction measures at the Environmental Meeting, and will continue to implement detailed reduction measures in the future.

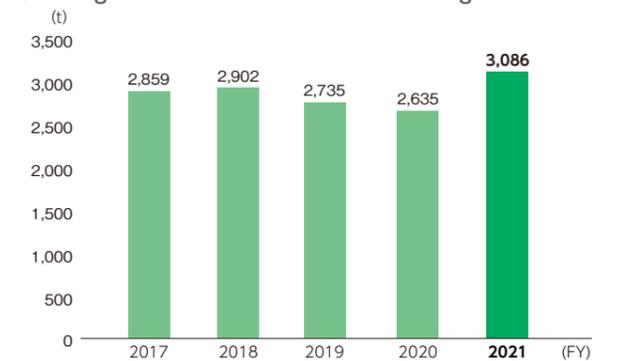
### [Scope of data]

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

### [Period under review]

FY2021 (1 April 2021 - 31 March 2022)

### Changes in the amount of waste discharge



## TOPICS

### Use a water dispenser to eliminate plastic bottle waste!

#### Daido Metal Europe GmbH

The world's oceans are increasingly polluted by plastic waste and plastic particles, and are threatened with catastrophic effects on marine life.

Since its establishment in 2017, Daido Metal Europe has installed water dispensers

instead of vending machines that use plastic bottles, limiting the use of plastic products.

Therefore, there is almost no plastic waste. Using glasses, they can drink carbonated and cold water, so it has a reputation for being good for health, and the employees are becoming more aware of recycling.



An employee bringing their own glass to reduce plastic waste

### Management System for Chemicals Contained in Products

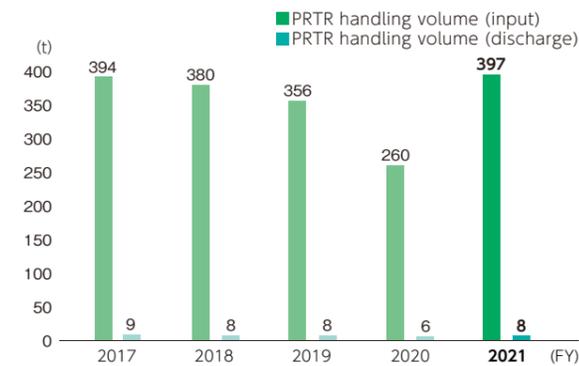
With progress being made in the creation of frameworks for controlling the use of chemical substances at an international level, such as REACH regulations, it is important that management of chemical substances contained in products is implemented appropriately at each stage of procurement, manufacturing, and shipping.

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

**[Scope of data]**  
DAIDO METAL CO., LTD.,

**[Period under review]**  
FY2021 (1 April 2021 - 31 March 2022)

#### Changes in the amount of PRTR discharge



### Conformity with Environmental Standards (ISO 14001)

All of our production sites in Japan have obtained ISO 14001 certification, the international standard for environmental management systems, and we are working to protect the natural environment by reducing CO<sub>2</sub> emissions and waste.

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



Conformity with Environmental Standards (ISO 14001)

### Environmental risk management (environmental emergency drills)

We are considering various risks to prevent environmental impact.

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

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



### Environmental Education

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

# Addressing Climate Change

## Addressing Climate Change and Global Warming Prevention

### FY2021 environmental activity target and result of activities

We believe that responding to climate change and global warming is a corporate obligation, and regard it as necessary for maintaining and increasing corporate value. As an organization that is expanding its business globally, the DAIDO

METAL GROUP works to help resolve the problem of climate change through its business, and to mitigate the environmental impact of its business activities.

| Category                                       | Scope                       | Environmental target (for FY2021)   | Primary activities (FY2021)   | Result of activities (FY2021)  | Reduction percentage   |
|--|-----------------------------|---|---|--|------------------------|
| Global warming prevention and energy reduction | DAIDO METAL GROUP in Japan* | Reduce CO <sub>2</sub> emissions to below FY2020 levels by the end of FY2021.<br>●CO <sub>2</sub> emissions: Less than 54,893t  |   | ●CO <sub>2</sub> emissions (actual result): 61,562t  | △12.1%                 |
|  |                             | Reduce CO <sub>2</sub> emissions to below FY2020 levels by the end of FY2021.<br>●CO <sub>2</sub> emissions: Less than 28,574t  | ●Tracking progress in achieving goals of medium- to longterm plans for energy conservation  | ●CO <sub>2</sub> emissions (actual result): 30,431t  | △6.5%                  |
|  | DAIDO METAL CO., LTD        | ●Target for energy/1000JPY of sales<br>Reduce CO <sub>2</sub> /1000JPY of sales by 8% when compared to FY2013 by the end of FY2021.<br>·CO <sub>2</sub> /1000JPY of sales: 464.43g<br>Reduce energy/1000JPY of sales for each form of energy by 8% when compared to FY2013 by the end of FY2021.<br>·Electricity/1000JPY of sales: 0.8268kWh<br>·Fuel/1000JPY of sales: 155.81g | ●Considering options for adoption of energysaving equipment<br>●Rolling out successful environmental improvements across the organization | ●Energy/1000JPY of sales<br>·CO <sub>2</sub> /1000JPY of sales: 469.96g<br>·Electricity/1000JPY of sales: 0.8169kWh<br>·Fuel/1000JPY of sales: 160.22g | △1.2%<br>1.2%<br>△2.8% |

\*DAIDO METAL CO., LTD., Daido Plain Bearings Co., Ltd., Daido Industrial Bearings Japan Co., Ltd., DAIDO METAL SAGA CO., LTD., NDC Co., Ltd., Iino Manufacturing Co., Ltd.  
\*Fuel: Mainly heavy oil, kerosene, light oil, LP gas, and city gas Per-unit: Calculated by CO<sub>2</sub> emissions, electricity consumption, and fuel consumption/production value.

### Energy saving activities

We are promoting energy-saving activities with the aim of preventing global warming and making effective use of energy resources.

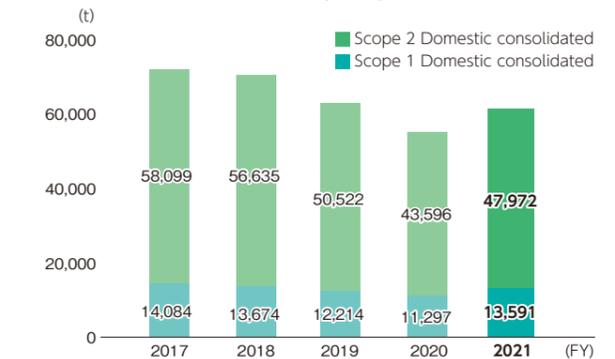
In FY2021 CO<sub>2</sub> emissions increased along with an increase in production volume, but we reduced emissions by 98.78g-CO<sub>2</sub>/thousand yen on intensity basis.

### CO<sub>2</sub> emissions by scope

We support the TCFD framework and aim to become carbon neutral by 2050.

In addition to continuously promoting energy efficiency at business sites, we will coordinate information and visualize the situation in order to reduce the greenhouse gas emissions of the entire Group.

#### Trends in CO<sub>2</sub> emissions by scope



# Carbon Neutral Strategy

INFORMATION DISCLOSURE BASED ON TCFD RECOMMENDATIONS

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



## Governance

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

management.

The Sustainability Committee is held at least twice a year to deliberate and discuss initiatives to resolve issues related to sustainability (CSR, ESG, SDGs), including climate change.

### Corporate Governance

[https://www.daidometal.com/sustainability/corporate\\_governance/?ignore\\_ip=1](https://www.daidometal.com/sustainability/corporate_governance/?ignore_ip=1)



## Strategies (Risks and opportunities)

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

|                |   |
|----------------|---|
| 1.5°C scenario | A scenario to ensure a transition to a decarbonized society   |
| 4°C scenario   | A scenario in which measures against global warming that surpass the current level are not taken and physical effects are assumed |

## Important risks and opportunities

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

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

|  | Items   | Descriptions of risks and opportunities   | Timing & Materiality |                  |                  |                  |
|--|---|---|----------------------|------------------|------------------|------------------|
|  |   |   | Short term           | Medium term      | Long term        |                  |
| Transition risk (1.5°C scenario)           | Carbon tax  | Increase in operating costs due to the introduction and rise of a carbon tax  | Small                | Medium           | Large            |                  |
|  | Carbon emission control   | Increase in operational costs due to stricter regulations on fossil fuels (higher crude oil prices and higher conversion costs to alternative fuels) and rise of capital expenditures and other costs for coping with it  | Large                | Large            | Large            |                  |
|  | Development of EV conversion  | In line with the spread of EV conversion, sales decrease due to declining demand for products for internal combustion engines; production facilities become stranded assets (with zero value)   | Small                | Large            | Large            |                  |
|  | Changes in evaluations by investors                                   | Deterioration of valuation for companies that do not decarbonize (decline of stock price due to their divestment)   | Small                | Medium           | Medium           |                  |
|  | Changes in reputations among job seekers and employees                | Worsening evaluation for companies without decarbonization initiatives results in fewer job seekers, more retirees, and lower employee motivation and productivity  | Medium               | Medium           | Medium           |                  |
| Physical risk (4°C scenario)               | Intensification of abnormal weather                                   | Intensified abnormal weather events cause an increase in damage such as plant shutdowns and impacts on supply chains  | Small                | Medium           | Large            |                  |
|  | Rise in average temperature   | Increased cooling costs (air conditioning energy costs) due to rising temperatures, and an increased occurrence of heatstroke among employees   | Small                | Medium           | Large            |                  |
|  | Rise in sea level   | As sea levels rise, floods and storm surges increase, and coastal factories and transportation infrastructure are damaged, disrupting supply chains and causing increased costs   | Small                | Medium           | Large            |                  |
| Opportunity (1.5°C scenario, 4°C scenario) | Increase in demand for renewable energy                               | Demand for sliding bearings for offshore wind power plant increases due to increased demand for wind power generation. Contribution to cost reduction such as maintenance costs compared with conventional rolling bearings   | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Medium | Large<br>Medium  |
|  | Progress in shift to EVs  | •Sales increase due to product development for ZEV* Aluminum die-cast products, products for water pumps, products for air conditioners, etc.<br>•Penetration into EV market by diverting our core technologies such as tribological frictional parts-e-Axle and others   | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Medium | Large<br>Medium  |
|  | Increase in demand for high value-added products                      | Demand for high value-added products that contribute to energy saving through lower friction materials increases in order to comply with fuel efficiency regulations  | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Medium | Medium<br>Medium |
|  | Increase in demand for bearings for vessels                           | Demand for vessels increases due to the growth of the global economy and the expansion of maritime trade. Demand for bearings for internal combustion engines increases due to the shift to alternative fuels as a response to decarbonization and the updating of ships. | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Medium | Large<br>Medium  |
|  | Demand for internal combustion engines using CN-fuels                 | Increasing demand for bearings for internal combustion engine using CN (carbon neutral) fuel derived from renewable energy sources (hydrogen engine, biofuel engine, etc.)  | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Small  | Medium<br>Small  |
|  | Increase in demand for air conditioning equipment                     | Increase in demand for bearings for air conditioning equipment due to rising temperatures   | 1.5°C<br>4°C         | Small<br>Small   | Medium<br>Medium | Large<br>Large   |
|  | Continued demand for turbine bearings for power generation facilities | Increase in sales due to increased demand for turbine bearings for hydrogen and ammonia power generation plants (demand will continue as coal and oil are replaced with alternative fuels)  | 1.5°C<br>4°C         | Medium<br>Medium | Medium<br>Medium | Medium<br>Medium |

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

## Policy on climate change risks and opportunities

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

## Future direction of management

As the shift to EVs accelerates in our mainstay the automotive industry, the Company has established the EV Shift Action Promotion Dept. which is not only responding to the shift to EV, but is also working to connect the needs of the automotive industry to new businesses, such as initiatives to vehicles equipped with internal combustion engines using CN-fuel (hydrogen-fueled vehicles, etc.). In addition, we will actively engage in research in new fields that lead to the development of products with environmentally and energy-friendly materials and functions. With regard to capital investment, we will promote the development of facilities with less energy loss and less use of materials and oils and review the optimal investment plan while paying close attention to future trends in demand for internal combustion engines.

We are also making the most of our core technologies cultivated over many years, and as a contribution to green energy, are continuing to actively develop the market for bearings for wind power generation, for which demand is expected to grow in the renewable energy field. We have established the Wind Turbine Technology R&D Institute, an independent organization dedicated to the development (design and evaluation) of basic technologies for bearings for wind power generation, so as to further increase sales in the wind turbine business.

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

## Risk Management

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

priority and strengthen risk control. We have identified priority risks such as climate change risks and risks caused by natural disasters and accidents, and the risk management department in charge is responsible for overseeing the risk management of the Group companies.

### Risk Management

<https://www.daidometal.com/sustainability/risk-management/>



## Metrics And Targets

Based on the recent increase in environmental awareness and the Japanese government's efforts to achieve carbon neutrality by 2050, the Group has formulated its carbon neutral policy and established the Carbon Neutral Promotion Dept., a specialist organization that oversees various measures.

In order to fulfill our responsibilities as a member of the global society, we aim to achieve carbon neutrality (net-zero CO<sub>2</sub> emissions) by 2050 in the Group as a whole, including overseas companies. We will work to reduce CO<sub>2</sub> emissions concretely in a step-by-step manner by working to reduce to energy, utilizing renewable energy, and promoting innovation.

### Environmental Initiatives

<https://www.daidometal.com/sustainability/environment/>



## Daido Metal's Carbon Neutrality

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

### Basic Idea

In order to achieve net-zero CO<sub>2</sub> emissions by 2050, the Group will incorporate such measures as energy savings, the use of renewable energy, and the promotion of innovation into its action plan. We will promote concrete initiatives aimed at reducing CO<sub>2</sub> emissions in a step-by-step manner with the aim of realizing a sustainable society and Group.

### Major Initiatives

Environmental Initiatives ⇒ P32

# List of Officers (as of 1 July 2022)



Chairman & Chief Executive Officer (CEO)

**Seigo Hanji**

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



President & Chief Operating Officer(COO)

**Motoyuki Miyo**

March 2007 Associate Director-General of International Coordination Division, Mizuho Corporate Bank, Ltd.  
 September 2008 Joined the Company  
 October 2008 Executive Vice President of Daido Metal Russia LLC  
 April 2019 Head of Corporate/Financial Planning Division  
 June 2019 Director  
 April 2021 Head of Corporate Planning Division  
 June 2021 President (current)



Full-time Audit & Supervisory Board Member

**Masaaki Tamaya**

April 1965 Joined the Company  
 April 1999 Vice-Head of Thinwall Bearings & Turbocharger Bearings Division  
 April 2002 General Manager of General Affairs Department  
 July 2008 Senior Executive Officer and General Manager of General Affairs Department  
 June 2011 Full-time Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member

**Kuniko Tanabe**

April 1973 Registered as a lawyer  
 February 1982 Partner of Tanabe & Partners (current)  
 June 2003 Audit & Supervisory Board Member of the Company (current)  
 June 2011 Outside Auditor of Disco Corporation  
 June 2015 Outside Director of KDDI CORPORATION



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

**Yoshiaki Sato**

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



Director and Managing Executive Officer  
 Head of Human Resources Planning Division

**Shigemasa Hakakoshi**

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



Outside Audit & Supervisory Board Member

**Kazuo Matsuda**

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



Director and Managing Executive Officer  
 Head of Technology Division

**Arihiro Yoshida**

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



Outside Director

**Toshikazu Takei**

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



Outside Director

**Kiyotaka Hoshinaga**

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



Outside Director

**Miyuri Shirai**

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

## Skills matrix

| Attribute                        | Name      | Principal areas of specialized experience/Areas in which contributions are particularly expected |                        |                                       |                       |                                    |         |                              |                   |   |
|----------------------------------|-----------|--|------------------------|---------------------------------------|-----------------------|------------------------------------|---------|------------------------------|-------------------|---|
|                                  |           | Corporate management   | Technology development | Manufacturing (Industrial production) | Sales and Procurement | Human resources and Administration | Finance | Legal affairs and Compliance | Global experience |   |
| Director                         | Internal  | Seigo Hanji  | ○                      |                                       |                       | ○                                  | ○       |                              | ○                 | ○ |
|                                  |           | Motoyuki Miyo  | ○                      |                                       |                       | ○                                  |         | ○                            | ○                 | ○ |
|                                  |           | Yoshiaki Sato  | ○                      | ○                                     | ○                     |                                    |         |                              | ○                 | ○ |
|                                  |           | Shigemasa Hakakoshi  | ○                      | ○                                     | ○                     |                                    | ○       |                              |                   | ○ |
|                                  |           | Arihiro Yoshida  | ○                      | ○                                     | ○                     | ○                                  |         |                              |                   | ○ |
| Director                         | Outside   | Toshikazu Takei  | ●                      |                                       |                       |                                    | ●       |                              | ●                 |   |
|                                  |           | Kiyotaka Hoshinaga   | ●                      |                                       |                       |                                    | ●       |                              | ●                 |   |
|                                  |           | Miyuri Shirai  | ●                      |                                       |                       | ●                                  |         |                              | ●                 |   |
| Audit & Supervisory Board Member | Full-time | Masaaki Tamaya   |                        |                                       |                       | ●                                  | ●       |                              | ●                 |   |
|                                  |           | Outside  | Kuniko Tanabe          |                                       |                       |                                    | ●       |                              | ●                 |   |
|                                  |           |  | Kazuo Matsuda          | ●                                     |                       |                                    |         |                              | ●                 |   |

\* For Internal Directors, ○ indicates a principal area of specialized experience, and for Outside Directors, a Full-time Audit & Supervisory Board Member and Outside Audit & Supervisory Board Members, ● indicates an area in which contributions are particularly expected.  
 \* The expertise and experience in the above table do not represent all of the knowledge possessed by each person.

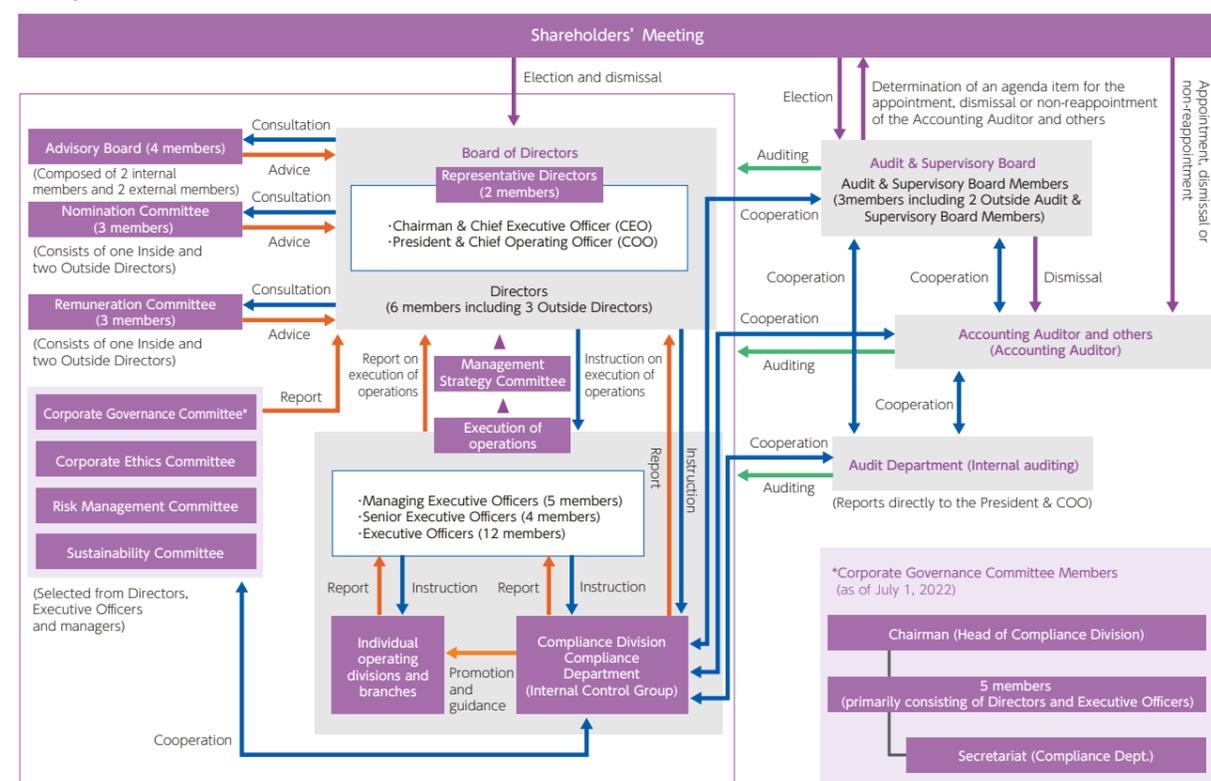
# Corporate Governance

## Corporate Governance Structure

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

with the aim of enhancing transparency, fairness and propriety. The Company has established a Corporate Governance Committee, which will take responsibility for setting basic policies related to the governance of the Company. In addition, it has introduced an effectiveness evaluation system for the Board of Directors, and continues to improve its operation based on the results. The Company's approaches to governance are described in detail in the Corporate Governance Report issued in July 2022.

### ► Corporate Governance Structure (as of July 1, 2022)



### Board of Directors

Board of Directors will decide on the execution of the Company's business operations, and oversee the performance of individual Directors. Actual execution of the business operations is delegated to Executive Officers or employees. FY2021 results: 15th meeting held

### Audit & Supervisory Board

Audit & Supervisory Board (3 members) will audit the business execution of Directors. The Audit & Supervisory Board consists of three members, one full-time and two outside members to maintain management transparency. FY2021 results: 15th meeting held

### Management Strategy Meeting

Other than the Board of Directors meeting, a "Management Strategy Meeting" is held once or twice each month, where important management issues such as management policy and Midterm Business Plan are discussed with the presence of Inside Directors and full-time auditor. FY2021 results: 14th meeting held

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

### ► List of Executive Management Meetings

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

### Nomination Committee and Remuneration Committee

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

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

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

#### 1) Name

"Nomination Committee" and "Remuneration Committee"

#### 2) Objective

These committees are aimed at using the knowledge of members, gathering information on management domestically and overseas, and contributing to ensuring the transparency of the Company's management.

#### 3) Authority and role

"Nomination Committee"

Deliberates on the following matters and determines the content of reports to the Board of Directors.

- (1) Verification of the composition, operation and skills of the Board of Directors

- (2) Verification of the current standards for appointing Directors
- (3) Consideration and recommendation of candidates for Outside Director
- (4) Proposal of the appointment and dismissal of Directors, etc., to be proposed at a General Meeting of Shareholders
- (5) Succession plan
- (6) Other matters concerning the nomination etc. of Directors, etc., considered to be necessary by the Nomination Committee

"Remuneration Committee"

Deliberates on the following matters and determines the content of reports to the Board of Directors.

- (1) Policy for determination of the remuneration, etc., of individual Directors
- (2) Procedures for determination of the remuneration, etc., of Directors
- (3) Remuneration levels and the percentage composition of remuneration (fixed remuneration, performance-linked remuneration, non-monetary remuneration, etc.) in the "Standards for Directors' Remuneration, etc."
- (4) Verification and operation of the design and mechanism of performance-linked remuneration
- (5) Proposals on the total amount of Directors' bonuses to be submitted to a General Meeting of Shareholders
- (6) Proposals to the Board of Directors regarding the individual remuneration of Directors
- (7) Other matters concerning the remuneration etc. of Directors considered by the Remuneration Committee to be necessary

4) Members

The members of the "Nomination Committee" and "Remuneration Committee" are elected by the Board of Directors. The members of both committees are as follows.  
Chair Seigo Hanji (Chairman & Chief Executive Officer)  
Committee member Toshikazu Takei (independent Outside Director)  
Committee member Kiyotaka Hoshinaga (independent Outside Director)

5) View on the independence of the committees' composition

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

Implementing Board of Directors effectiveness evaluations

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

In the survey conducted in FY2021, in addition to further improving the optimization of materials submitted to the Board of Directors, we also made improvements such as the use of management indicators in the progress report of the Midterm Business Plan.

By continuing to promote improvements based on the effectiveness evaluation going forward, we will work to ensure still greater efficacy.

Policy for appointing members of the Board of Directors

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

prior consent of the Audit & Supervisory Board.

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

► Reasons for Appointment of Outside Directors and Outside Audit & Supervisory Board Members

| Title                                    | Name                            | Reasons for appointment   | Attendance status at meetings of the Board of Directors in FY2021         |
|--|---------------------------------|---|---|
| Outside Director                         | Toshikazu Takei                 | Mr. Toshikazu Takei has long been engaged in business execution and served in managerial positions at the Bank of Japan. In addition, he is familiar with international businesses and has extensive experience and broad insight. In the belief that he will continue to oversee and supervise the management of the Company based on such experience and insight, the Company has appointed him as an Outside Director.   | 15/15 times   |
|  | Kiyotaka Hoshinaga              | After serving as a university professor, Mr. Kiyotaka Hoshinaga served as a hospital director and university president, and is currently chairman of a university's board of directors. He has extensive knowledge and experience gained through involvement in management of a hospital and a university. In the belief that he will continue to oversee and supervise the management of the Company based on such knowledge and experience, the Company has appointed him as an Outside Director.                           | 15/15 times   |
|  | Miyuri Shirai (newly appointed) | Ms. Shirai has held various positions such as university professor and researcher, and is currently a university professor. She has been researching consumer behavior and marketing. In the belief that she will oversee and supervise the management of the Company based on such knowledge and experience, the Company has appointed her as an Outside Director.   | —   |
| Outside Audit & Supervisory Board Member | Kuniko Tanabe                   | In addition to her abundant experience and outstanding expertise cultivated as a partner of a law firm, she has abundant experience as an outside officer. The Company has elected her as an outside Audit & Supervisory Board Member in order to continue to audit the Company's management based on her abundant experience and outstanding expertise, and to provide appropriate advice and recommendations regarding the Company's efforts to promote diversity.  | Board of Directors 15/15 times<br>Board of Corporate Auditors 15/15 times |
|  | Kazuo Matsuda                   | In addition to being well-versed in finance and international operations that he has cultivated over many years at a financial institution, he also makes use of his knowledge and experience as a director and executive officer of other operating companies. He has sufficient insight to govern the overall management of the Company. The Company has elected him as an outside Audit & Supervisory Board Member in order to continue to audit the Company's management based on his knowledge, experience, and insight. | Board of Directors 15/15 times<br>Board of Corporate Auditors 15/15 times |

Executive Training

-Attending a Taking Carbon Neutrality Seminar-

This was an opportunity for not only officers of the Company, but also for executive officers and representatives of Group companies to acquire basic knowledge about carbon neutrality

and examples of initiatives. Going forward, we will continue to carry out similar activities on a regular basis to promote carbon neutrality in the Group as a whole.

Cross-Shareholdings

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

From this perspective, the Company believes that these holdings provide certain benefits to its business. The Board of Directors will assess every year the situation of each cross-shareholdings, evaluating the financial return during the

previous year against our cost of capital, considering our business relationship or our contribution to local communities or to preservation of Japanese traditional culture.

If it is recognized that there is no business relationship or a limited business relationship with the Company, the Company will consider reducing its shareholding by selling shares on the stock market, etc.

Executive remuneration

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

As an advisory body to the Board of Directors, the Company had established the Advisory Board consisting of outside and in-house members for the purpose of ensuring objectivity and transparency of remuneration. However, the Company established the Nomination Committee and the Remuneration Committee for the purpose of ensuring the transparency of management of the Company. Accordingly, the Company changed and updated the decision-making policy at the Board of Directors' meeting held on 25 February 2022.

(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 has set up a Remuneration Committee composed of three or more Directors (the majority of whom must be Outside Directors) appointed by resolution of the Board of Directors. In light of comments from the committee, the Board of Directors deliberates on and 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."

(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, the 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, the 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 the 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.

# Compliance

## Basic concept

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

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

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

## Compliance education

The Company conducted a check on the level of understanding of the Code of Conduct for 2,894 employees (including temporary staff employed by a staffing agency) of the Company and its affiliated companies in Japan in October 2021, and implemented a web-based compliance test for 204 managers and supervisors in July. Going forward, by instilling the DAIDO METAL GROUP's Code of Conduct into employees we will further raise their awareness of compliance and continue to work for the prevention of corporate misconduct.

## Publication of "Compliance Times"

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

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

## Initiatives for establishing and strengthening a global compliance system

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

understanding of the current status of overseas locations, and a policy on establishing and strengthening a system was drafted.

In FY2021 we conducted interviews with overseas locations to ascertain the status of management systems at affiliated companies, formulated improvement policies, and promoted the development of organizational and educational systems.

The Company has established and strengthened initiatives for a global compliance system by clarifying responsible persons, translating the Code of Conduct, checking measures to disseminate ideas, through practice of rules for whistle blowing. As for risk management, we formulated the risk management policy at corporate and global level as FY2022 policy.

### ▶ No. of whistleblowing/reporting and consultation cases

| FY2019 | FY2020 | FY2021 |
|--------|--------|--------|
| 2      | 5      | 5      |

## Sustainability system

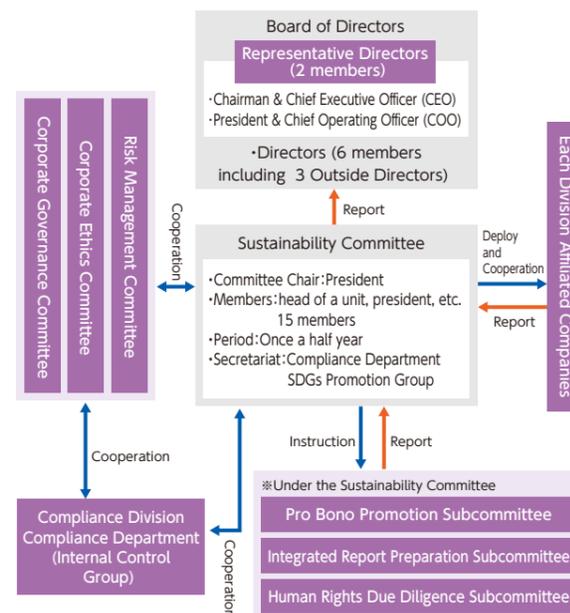
The Company has established the Sustainability Committee as a Management Meetings to deliberate and discuss initiatives to solve issues related to sustainability (CSR, ESG, and SDGs) activities.

The Sustainability Committee deliberates and discusses the following five issues.

- ① Determination of policies, targets, and action plans related to sustainability
- ② Promotion of activities, progress monitoring, confirmation of results and review of activities
- ③ Planning of integrated reports
- ④ Determination of the content of ESG data to be posted on IR and CSR sites
- ⑤ Planning of Pro Bono activities

Under the Sustainability Committee, we have established the Integrated Report Preparation Subcommittee, Pro Bono Promotion Subcommittee, and Human Rights Due Diligence Subcommittee.

### ▶ Positioning of the Sustainability Committee



# Risk management

## Basic concept

We have established the Risk Management Committee to manage the risks surrounding the Group. In order to respond to various risks in our business activities, including the cycle of identifying risks, assessing risks, implementing risk reduction measures, and reporting to the Risk Management Committee and Executive Committee.

We are also promoting the strengthening of risk management systems at Group companies, and the risk management personnel at each site take the lead in identifying risks, assessing them, and taking measures to mitigate them as necessary. The Risk Management Committee of the Company regularly monitors the status of management.

We will continue to strengthen the risk management system of all Group companies.

### ▶ Risk Management Committee Members (as of July 2022)

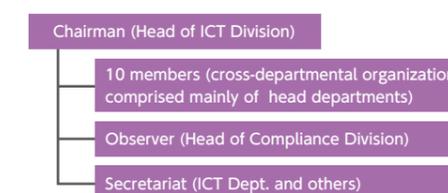


## Information Management Subcommittee

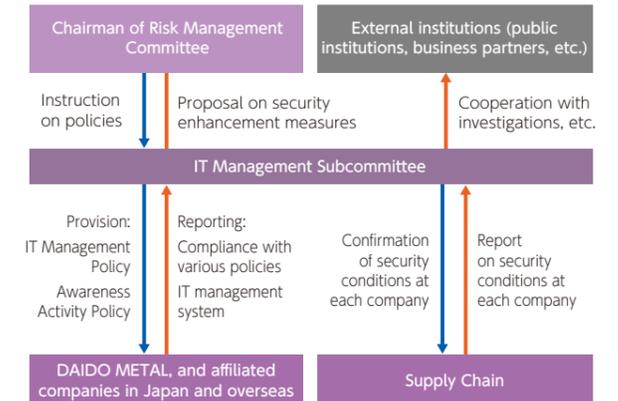
Under the Risk Management Committee, we have established the IT Management Subcommittee to promote cross-divisional information management measures.

In addition to establishing a company-wide policy and overseeing efforts to prevent information leaks and inappropriate access, in FY2020 we conducted a survey on the current status of IT management systems at overseas bases of the Group. By doing so, we are able to grasp the actual situation not only from the technical aspects, but also in a wide range, including the establishment of management rules and education for system users. Furthermore in FY2021 we have been strengthening our server security in the face of increased server attacks worldwide.

### ▶ Information Management Subcommittee Members (as of July 2022)



### Organizational Position of the IT Management Subcommittee



## Efforts to strengthen IT risk management -Employee education on cyberattacks-

In FY2021 the IT Management Subcommittee promoted efforts in four areas: security measures; awareness-raising activities, monitoring; and information gathering.

We have taken measures such as strengthening anti-virus measures, conducting targeted e-mail training, conducting radio wave information leakage tests, and preparing to join the Nippon CSIRT Association (joined in April 2022).

## BCP activities

### Response to the new coronavirus infection (COVID-19)

In order to prepare for the spread of COVID-19, we established the COVID-19 Countermeasures Committee in April 2020 to implement measures to prevent the spread of COVID-19, and have promoted global measures such as exchanging information with overseas locations and responding to production plans.

As the threat of COVID-19 remains, we will continue to promote infection prevention measures by establishing a new lifestyle and taking appropriate measures in a timely manner, such as reviewing the criteria for deciding whether or not to come to work.

# 10-Year Major Consolidated Financial Summary

(JPY million)

|  | 2013/3  | 2014/3  | 2015/3   | 2016/3   | 2017/3   | 2018/3   | 2019/3   | 2020/3   | 2021/3   | 2022/3   |
|--|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| net sales                                      | 70,886  | 77,350  | 85,015   | 81,400   | 85,073   | 106,648  | 107,718  | 100,159  | 84,720   | 104,024  |
| Net sales growth rate [%]                      | 0.8     | 9.1     | 9.9      | △4.3     | 4.5      | 25.4     | 1.0      | △7.0     | △15.4    | 22.8     |
| Cost of sales                                  | 52,178  | 56,057  | 62,086   | 58,617   | 63,135   | 78,638   | 79,596   | 74,702   | 65,200   | 77,266   |
| Gross profit                                   | 18,708  | 21,292  | 22,928   | 22,783   | 21,938   | 28,010   | 28,121   | 25,456   | 19,520   | 26,758   |
| Selling general and administrative expenses    | 12,422  | 14,000  | 15,339   | 15,878   | 17,238   | 21,381   | 20,858   | 21,287   | 18,205   | 21,715   |
| Operating profit                               | 6,286   | 7,291   | 7,588    | 6,904    | 4,700    | 6,628    | 7,262    | 4,168    | 1,315    | 5,042    |
| Operating profit growth rate [%]               | △34.0   | 16.0    | 4.1      | △9.0     | △31.9    | 41.0     | 9.6      | △42.6    | △68.5    | 283.4    |
| Ordinary profit (loss)                         | 6,935   | 7,986   | 8,084    | 6,586    | 5,023    | 6,826    | 6,630    | 3,660    | 874      | 4,836    |
| Ordinary profit growth rate [%]                | △22.5   | 15.2    | 1.2      | △18.5    | △23.7    | 35.9     | △2.9     | △44.8    | △76.1    | 453.3    |
| Profit (loss) attributable to owners of parent | 4,385   | 4,658   | 4,312    | 3,709    | 2,212    | 3,590    | 4,135    | 2,740    | 104      | 1,897    |
| profit growth rate                             | △19.3   | 6.2     | △7.4     | △14.0    | △40.4    | 62.3     | 15.2     | △33.7    | △96.2    | —        |
| Total assets                                   | 92,314  | 103,867 | 115,944  | 122,146  | 154,330  | 160,065  | 161,881  | 159,539  | 155,176  | 166,155  |
| Inventories                                    | 15,199  | 15,907  | 18,211   | 18,348   | 22,566   | 25,799   | 27,538   | 28,206   | 25,527   | 33,543   |
| Current assets                                 | 47,405  | 51,353  | 58,165   | 59,228   | 67,147   | 70,857   | 78,142   | 78,781   | 75,242   | 85,928   |
| Non-current assets                             | 44,909  | 52,513  | 57,778   | 62,918   | 87,182   | 89,207   | 83,739   | 80,758   | 79,934   | 80,227   |
| Current liabilities                            | 39,154  | 32,056  | 37,355   | 40,337   | 73,515   | 66,163   | 57,885   | 61,816   | 57,452   | 65,414   |
| Non-current liabilities                        | 13,098  | 25,595  | 26,083   | 30,434   | 28,899   | 36,754   | 38,742   | 33,554   | 33,185   | 32,045   |
| Equity   | 33,488  | 38,426  | 42,992   | 43,201   | 44,181   | 48,559   | 56,636   | 55,988   | 56,388   | 60,340   |
| Net assets                                     | 40,062  | 46,216  | 52,504   | 51,374   | 51,915   | 57,147   | 65,253   | 64,168   | 64,538   | 68,695   |
| Interest-bearing debt                          | 26,911  | 27,892  | 30,966   | 37,506   | 63,312   | 65,801   | 59,415   | 59,685   | 58,466   | 57,126   |
| Earnings per share:[YEN]                       | 110.10  | 116.97  | 108.29   | 93.17    | 55.56    | 90.16    | 93.72    | 58.22    | 2.25     | 40.70    |
| Book-value per share:[YEN]                     | 840.76  | 964.90  | 1,079.74 | 1,085.02 | 1,109.64 | 1,219.61 | 1,191.85 | 1,212.66 | 1,213.08 | 1,289.96 |
| Dividend per share:[YEN]                       | 14.00   | 17.00   | 20.00    | 26.00    | 30.00    | 30.00    | 30.00    | 35.00    | 20.00    | 25.00    |
| Operating cash flows                           | 10,928  | 13,133  | 9,605    | 9,372    | 9,801    | 11,186   | 11,709   | 12,822   | 10,098   | 13,207   |
| Investing cash flows                           | △10,169 | △10,019 | △9,469   | △13,364  | △30,821  | △12,331  | △5,462   | △7,297   | △7,043   | △8,072   |
| Financing cash flows                           | △3,213  | △1,016  | 626      | 4,989    | 20,679   | △53      | △746     | △3,553   | △3,098   | △5,076   |
| Cash and cash equivalents at fiscal year-end   | 9,196   | 11,427  | 12,595   | 13,376   | 12,827   | 11,866   | 17,127   | 19,170   | 18,637   | 18,868   |
| Free cash flows                                | 759     | 3,113   | 135      | △3,991   | △21,019  | △1,145   | 6,247    | 5,525    | 3,055    | 5,135    |
| Return on assets (ROA) [%]                     | 4.9     | 4.7     | 3.9      | 3.1      | 1.6      | 2.3      | 2.6      | 1.7      | 0.1      | 1.2      |
| Return on equity (ROE) [%]                     | 14.2    | 13.0    | 10.6     | 8.6      | 5.1      | 7.7      | 7.9      | 4.9      | 0.2      | 3.3      |
| Capital expenditure                            | 10,040  | 10,838  | 10,597   | 14,802   | 12,329   | 8,694    | 7,273    | 10,857   | 8,128    | 6,752    |
| Depreciation                                   | 4,838   | 5,027   | 5,027    | 5,744    | 6,259    | 8,795    | 8,528    | 9,517    | 8,790    | 9,240    |
| R&D expenses                                   | 1,251   | 1,319   | 1,559    | 1,667    | 1,821    | 1,923    | 2,047    | 2,105    | 1,971    | 1,934    |

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

[Notes] figures presented are rounded down to JPY million, and ratios are rounded off.

·The company applied the "Partial Amendments to Accounting Standard for Tax Accounting Standards Board of Japan Statement No. 28, February 16, 2018) from FY3/2019. The figures for FY3/2018 are adjusted retrospectively to reflect the aforementioned standard.

·Effective from the beginning of FY3/2020, the Company changed accounts regarding proceeds from disposal of scraps, and the results for FY3/2019 show the figures after the change is applied retrospectively.

## ESG Data

| Environmental Data   |                               |                  | FY2017    | FY2018    | FY2019    | FY2020    | FY2021    | Unit               | Aggregation period |
|--|-------------------------------|------------------|-----------|-----------|-----------|-----------|-----------|--------------------|--------------------|
| CO <sub>2</sub> emissions  | CO <sub>2</sub> emissions     | Groups in Japan  | 72,184    | 70,309    | 62,736    | 54,893    | 61,563    | t                  | FY                 |
|  | Scope1                        |                  | 14,084    | 13,674    | 12,214    | 11,297    | 13,591    |                    |                    |
|  | Scope2                        |                  | 58,099    | 56,635    | 50,522    | 43,596    | 47,972    |                    |                    |
|  | Scope3*1                      | Non-consolidated | —         | —         | —         | —         | 248,406   |                    |                    |
| *1 Scope3 categories are categories 1,2,3,4,5,6,7                      |                               |                  |           |           |           |           |           |                    |                    |
| Energy Consumption**   | Total energy consumption      | Groups in Japan  | 1,475,855 | 1,460,766 | 1,368,982 | 1,238,781 | 1,450,113 | GJ                 | FY                 |
|  | Electricity                   |                  | 120,883   | 120,377   | 114,005   | 102,739   | 119,426   | 1000kWh            |                    |
|  | Fuel oil A                    |                  | 126       | 42        | 2         | 28        | 0         | kℓ                 |                    |
|  | Kerosene                      |                  | 169       | 125       | 116       | 122       | 171       |                    |                    |
|  | Gasoline                      |                  | 31        | 28        | 24        | 23        | 25        |                    |                    |
|  | City gas                      |                  | 5,212     | 5,035     | 4,531     | 4,157     | 5,046     | 1000m <sup>3</sup> |                    |
|  | LPG                           |                  | 466       | 521       | 451       | 408       | 487       | t                  |                    |
| ** Energy usage is presented in accordance with the Energy Saving Act. |                               |                  |           |           |           |           |           |                    |                    |
| Conservation of Water Resources  | Total water used              | Groups in Japan  | —         | 919       | 1,103     | 1,018     | 1,170     | 1000m <sup>3</sup> | FY                 |
|  | Discharged water              |                  | —         | 862       | 1,068     | 991       | 1,161     |                    |                    |
| Environmental Accounting   | Environment Conservation Cost | Groups in Japan  | —         | —         | 472       | 561       | 579       | million yen        | FY                 |

| Social Data   |   |                  | FY2017               | FY2018 | FY2019 | FY2020 | FY2021  | Unit        | Aggregation period |  |         |
|---|---|------------------|----------------------|--------|--------|--------|---------|-------------|--------------------|--|---------|
| Status of Employees   | Number of employees   | Non-consolidated | Total                | 1,271  | 1,296  | 1,323  | 1,357   | 1,365       | persons            | The end of each fiscal year                          |         |
|   |   |                  | Male                 | 1,080  | 1,107  | 1,126  | 1,151   | 1,162       |                    |  |         |
|   |   |                  | Female               | 191    | 189    | 197    | 206     | 203         |                    |  |         |
|   |   | Consolidated     | Total                | 6,728  | 6,887  | 6,916  | 6,795   | 6,984       |                    |  |         |
|   |   |                  | Male                 | 5,546  | 5,578  | 5,585  | 5,513   | 5,003       |                    |  |         |
|   |   |                  | Female               | 1,182  | 1,309  | 1,331  | 1,282   | 1,981       |                    |  |         |
| Status of Temporary Workers   | Average age of employees  | Non-consolidated | Total                | 37.9   | 38.3   | 38.7   | 39.0    | 40.0        | age                | FY   |         |
|   |   |                  | Male                 | 38.5   | 38.9   | 39.3   | 39.7    | 40.6        |                    |  |         |
|   |   |                  | Female               | 34.5   | 34.9   | 35.1   | 35.2    | 36.3        |                    |  |         |
|   | Average number of consecutive years served  | Non-consolidated | Total                | 14.0   | 14.5   | 14.9   | 15.0    | 16.1        | year               | FY   |         |
|   |   |                  | Male                 | 14.4   | 14.8   | 15.3   | 15.7    | 16.6        |                    |  |         |
|   |   |                  | Female               | 11.6   | 12.5   | 12.6   | 12.7    | 13.6        |                    |  |         |
| Manager   |   | Non-consolidated | Male                 | 102    | 116    | 117    | 117     | 123         | persons            | As of July after the General Meeting of Shareholders |         |
|   |   |                  | Female               | 4      | 6      | 6      | 6       | 7           |                    |  |         |
|   |   |                  | Percentage of female | 3.7    | 4.9    | 4.9    | 4.9     | 5.3         |                    |  | %       |
|   |   | Consolidated     | Male                 | 261    | 263    | 271    | 262     | 251         |                    |  | persons |
|   |   |                  | Female               | 51     | 48     | 51     | 50      | 54          |                    |  |         |
|   |   |                  | Percentage of female | 16.3   | 15.4   | 15.8   | 16.0    | 17.7        |                    |  |         |
| Hiring  | Number of new employees (New graduate and Career hiring)  | Non-consolidated | Total                | 65     | 54     | 56     | 62      | 45          | persons            | FY   |         |
|   |   |                  | Male                 | 53     | 44     | 42     | 47      | 40          |                    |  |         |
|   |   |                  | Female               | 12     | 10     | 14     | 15      | 5           |                    |  |         |
|   | New graduate hiring   | Non-consolidated | Total                | 54     | 47     | 50     | 52      | 38          | persons            | FY   |         |
|   |   |                  | Male                 | 45     | 38     | 39     | 37      | 33          |                    |  |         |
|   |   |                  | Female               | 9      | 9      | 11     | 15      | 5           |                    |  |         |
|   | Retention rate of new graduates (within 3 years after joining the company)  | Non-consolidated | 87                   | 96     | 75     | 85     | 87      | %           | FY                 |  |         |
|   | Career hiring   | Non-consolidated | Total                | 11     | 7      | 6      | 10      | 7           | persons            | FY   |         |
|   |   |                  | Male                 | 8      | 6      | 3      | 10      | 7           |                    |  |         |
|   |   |                  | Female               | 3      | 1      | 3      | 0       | 0           |                    |  |         |
|   | Employees rate for career hiring**  | Non-consolidated | 17                   | 13     | 11     | 16     | 15      | %           | FY                 |  |         |
|   | ** The employees rate for career hiring is based on the Act on Comprehensive Promotion of Labor Measures. (Date of announcement: November 11, 2022) |                  |                      |        |        |        |         |             |                    |  |         |
| Maternity/child care/long-term nursing care leave                   | Employees who took child care leave**   | Non-consolidated | Total                | 11     | 13     | 12     | 21      | 19          | persons            | FY   |         |
|   |   |                  | Male                 | 1      | 5      | 3      | 6       | 11          |                    |  |         |
|   |   |                  | Female               | 10     | 8      | 9      | 15      | 8           |                    |  |         |
|   | Employees who took nursing care leave   | Non-consolidated | Total                | 1      | 2      | 2      | 1       | 1           | persons            | FY   |         |
|   |   |                  | Male                 | 0      | 0      | 0      | 1       | 1           |                    |  |         |
|   |   |                  | Female               | 1      | 2      | 2      | 0       | 0           |                    |  |         |
| Number of persons taking prenatal and postnatal leave               | Non-consolidated  | 11               | 9                    | 10     | 15     | 8      | persons | FY          |                    |  |         |
| Childcare leave return to work rate                                 | Non-consolidated  | 100              | 100                  | 100    | 100    | 100    | %       | FY          |                    |  |         |
| ** List the number of persons who started taking leave in each year |   |                  |                      |        |        |        |         |             |                    |  |         |
| Working hours   | Average overtime working hours  | Non-consolidated | 22.8                 | 21.6   | 16.3   | 13.1   | 21.7    | hours/month | FY                 |  |         |

| Governance Data                          |                                     |                         | FY2017   | FY2018 | FY2019 | FY2020 | FY2021 | Unit  | Aggregation period |    |         |
|--|-------------------------------------|-------------------------|--|--------|--------|--------|--------|-------|--------------------|----|---------|
| Board of Directors and Board of Auditors | Directors**                         | Non-consolidated        | Total  | 6      | 6      | 8      | 6      | 6     | persons            | FY |         |
|  |                                     |                         | Male   | 6      | 6      | 8      | 6      | 6     |                    |    |         |
|  |                                     |                         | Female   | 0      | 0      | 0      | 0      | 0     |                    |    |         |
|  |                                     |                         | Percentage of female   | 0      | 0      | 0      | 0      | 0     |                    |    | %       |
|  |                                     |                         | Outside Directors (Independent officers)                         | 2      | 2      | 2      | 2      | 2     |                    |    | persons |
|  |                                     |                         | Percentage of outside directors                                  | 33.3   | 33.3   | 25.0   | 33.3   | 33.3  |                    |    | %       |
|  | Audit & Supervisory Board Members** | Non-consolidated        | Total  | 3      | 3      | 3      | 3      | 3     | persons            | FY |         |
|  |                                     |                         | Male   | 2      | 2      | 2      | 2      | 2     |                    |    |         |
|  |                                     |                         | Female   | 1      | 1      | 1      | 1      | 1     |                    |    |         |
|  |                                     |                         | Percentage of female   | 33.3   | 33.3   | 33.3   | 33.3   | 33.3  |                    |    | %       |
|  |                                     |                         | Outside Audit & Supervisory Board Members (Independent officers) | 1      | 1      | 1      | 1      | 1     |                    |    | persons |
|  |                                     |                         | Percentage of outside directors                                  | 33.3   | 33.3   | 33.3   | 33.3   | 33.3  |                    |    | %       |
| Board of Directors                       | Non-consolidated                    | Frequency               | 15   | 16     | 15     | 13     | 15     | times | FY                 |    |         |
|  |                                     | Average attendance rate | 100  | 100    | 100    | 100    | 100    | %     |                    |    |         |
| Audit & Supervisory Board                | Non-consolidated                    | Frequency               | 15   | 15     | 15     | 13     | 15     | times | FY                 |    |         |
|  |                                     | Average attendance rate | 100  | 100    | 100    | 97     | 100    | %     |                    |    |         |

\*\*The number of directors and auditors is the number after the General Meeting of Shareholders for each fiscal year

## Company information

### Company Profile (as of 31 March 2022)

Established 4 November 1939

Capital 8,413 million yen

Number of employees Consolidated 6,984 / Non-consolidated 1,365

### Business description

#### Automotive engine bearings

Bearings for automobiles (passenger cars, trucks, racing cars) engines, bearings for two-wheeled engines, bearings for engine accessories (turbocharger and balancer mechanisms), etc.

#### Automotive non-engine bearings

Bearings for automotive parts (transmissions, shock absorbers, air conditioning compressors, steering), etc.

#### Non-automotive bearings

Bearings for low-speed (2-cycle) diesel engines, medium- to high-speed (4-cycle) diesel engines, bearings for power generation (water turbines, turbines, etc.), bearings for industrial applications (compressors, reduction gears, etc.), etc.

#### Other automotive parts

High-precision and high-quality parts (bending pipes, knock pins, NC cutting products, etc.) around engines and transmissions for automobiles, aluminum die-casting products for automobiles, etc.

#### Other products

Electrode sheet business for electric double layer capacitors, metal-based non-lubricating bearings business, pump-related products business, sound absorbing plates (CALME), real estate leasing business, etc.

### Stock matters (as of 31 March 2022)

#### Stock status

Total number of shares authorized to be issued 80,000,000 shares

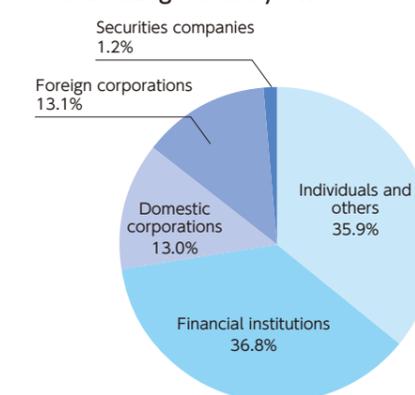
Total number of issued shares 47,520,253 shares (including 1,344 shares of treasury stock)

Number of shareholders 13,385

#### Major shareholders

| Name of shareholder                                  | Number of shares held (Thousands of shares) |
|--|---|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 4,883                                       |
| Custody Bank of Japan, Ltd. (Trust account)          | 2,176                                       |
| Sumitomo Mitsui Trust Bank, Limited                  | 1,978                                       |
| Mizuho Bank, Ltd.                                    | 1,977                                       |
| MUFG Bank, Ltd.                                      | 1,822                                       |
| The Daido Metal Friendship Association               | 1,663                                       |
| Daido Metal Employees' Shareholding Association      | 1,489                                       |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.      | 1,107                                       |
| The Seri Wathana Industry Co, Ltd. 703000            | 1,000                                       |
| Marubeni-Itochu Steel Inc.                           | 886   |

#### Shareholding status by owner



#### Policy

Since 2012 the DAIDO METAL GROUP has published a report detailing its initiatives for achieving a sustainable society. The report was originally called "Environmental Report" and was changed to "Corporate Social Responsibility Information Digest" in 2014. From this year the report will now be called the "Corporate Report". The report for FY2022 covers the main initiatives of the Group during the period under review. The ESG-related initiatives and CSR activities of the Group are detailed in this Corporate Report. This report also aims to facilitate communication with our stakeholders as well as further raising awareness among all our employees.

#### Scope

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

#### Period under review

FY2021 (April 2021 - March 2022)

Some information is updated to reflect the latest activities.

#### Publication date

January 2023

#### Reference guidelines

ISO 26000

Ministry of the Environment's "Environmental Reporting Guidelines 2018" Global Reporting Initiative (GRI) Standards

#### Precautions for forward-looking statements

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