ANNUAL REPORT 2014

Year ended March 31, 2014

UTILIZING OUR STRENGTHS, AIMING AT FURTHER GROWTH

DAIDO STEEL CO., LTD.

THE COMPANY

DAIDO STEEL CO., LTD. ranks among the world's largest manufacturers of specialty steel. With a history dating back to 1916, the Company has accumulated extensive skills in combining steel scrap with other materials to achieve the strength, workability and other characteristics to match exacting requirements. Along with the manufacture of value-added steel, the Company offers many services that leverage its technological resources. Most services target high-end market sectors that demand the highest levels of quality and specialization. DAIDO STEEL is one of the leading players worldwide in the manufacture of critical steel components where nothing less than absolute reliability is acceptable. These components include automobile transmission and engine parts as well as components used in ships, aircraft and electric generators. DAIDO STEEL shares are traded on the First Section of the Tokyo Stock Exchange under the securities code 5471.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning DAIDO STEEL CO., LTD.'s and its Group companies' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Rather, they represent the assumptions and beliefs of DAIDO STEEL's management based on information currently available.

They should therefore not be relied upon as the sole basis for evaluating the Company. DAIDO STEEL also wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks and uncertainties.

FINANCIAL HIGHLIGHTS

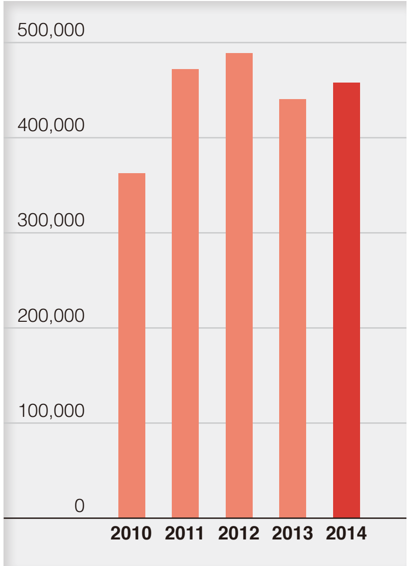
DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

	Millions of Yen					Thousands of U.S. Dollars
	2014	2013	2012	2011	2010	**2014**
For the Year:						
Net Sales	**457,731**	440,428	489,155	472,063	362,507	**4,443,990**
Operating Income (Loss)	**18,977**	15,426	31,534	32,730	(14,050)	**184,243**
Net Income (Loss)	**12,616**	10,983	22,718	23,004	(14,610)	**122,485**
R&D Expenses	**5,160**	4,560	4,360	4,254	3,909	**50,097**
Capital Expenditures	**44,404**	25,400	39,700	18,900	7,900	**256,311**
Depreciation and amortization	**20,052**	19,229	20,464	20,073	20,303	**194,680**
At Year-end:						
Total Assets	**557,522**	511,159	512,969	491,722	464,629	**5,412,835**
Total Equity	**232,152**	211,921	198,654	178,348	159,301	**2,253,902**
Interest-bearing Debt	**143,085**	146,999	156,336	157,445	173,790	**1,389,175**
Number of Employees	**10,709**	10,447	10,365	10,272	10,414	**–**
Number of Consolidated Subsidiaries	**33**	32	33	32	32	**–**
Per Share of Common Stock (Yen and U.S. Dollars):						
Basic Net Income	**29.09**	25.32	52.37	53.02	(33.68)	**0.28**
Cash Dividends Applicable to the Year	**5.00**	4.50	7.50	7.00	2.00	**0.05**
ROA (%)	**3.8**	3.2	6.3	6.6	(2.9)	**–**
ROE (%)	**5.7**	5.4	12.1	13.6	(9.0)	**–**

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥103 to $1, the approximate rate of exchange at March 31, 2014.

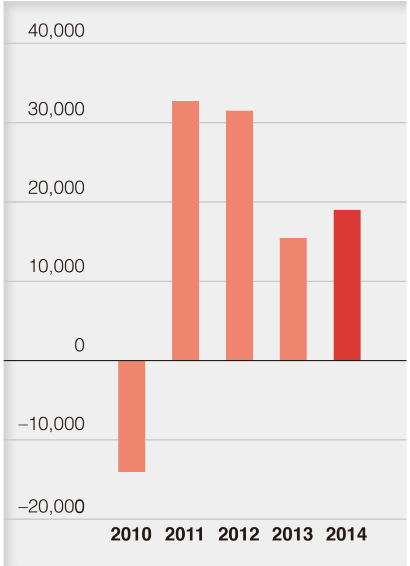
NET SALES
Years ended March 31

(millions of yen)



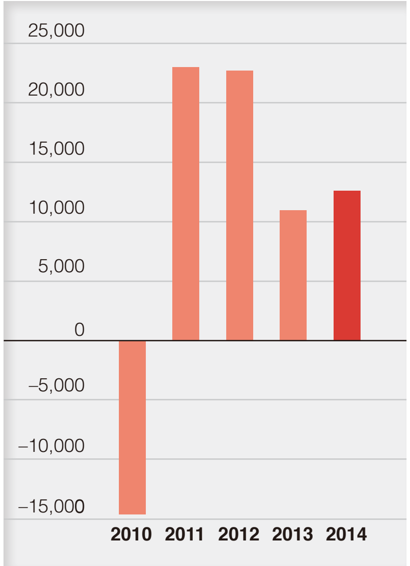
OPERATING INCOME (LOSS)
Years ended March 31

(millions of yen)



NET INCOME (LOSS)
Years ended March 31

(millions of yen)



Overview of Results for Fiscal 2013

In fiscal 2013, the Japanese economy continued on a recovery track due to firm personal consumption and signs of a pick-up in production in the mining and manufacturing industries. Production by Japanese automakers remained firm, driven by favorable sales in Japan and the U.S., although this was offset by slowdowns of demand in some emerging countries. At the same time, demand related to industrial machinery moved to a recovery phase following the completion of inventory adjustments in the second half of the previous fiscal year.

As a result, the Group's net sales in fiscal 2013 increased by ¥17,303 million year on year to ¥457,731 million. This reflects the improved export environment resulting from the recovery in domestic demand and the weaker yen. Ordinary income rose ¥3,812 million to ¥20,287 million due to the benefit of improved earnings such as the increased sales of strategic products, and currency exchange gains generated by the weak yen, despite increased import costs of energy. Net income was ¥12,616 million.

Outlook for Fiscal 2014

The Japanese economy going forward is expected to recover as various economic and financial stimulus measures take effect and consumption rebounds. Overseas economies also are expected to gradually expand. However, there is still the risk of downward pressure on business conditions from emerging economies experiencing a downturn and geopolitical risks. Such changes in the management environment will need to be closely monitored.

Demand for Japanese automobiles is projected to continue to expand against a backdrop of growth in overseas markets, but the factors that cause structural changes as regards specialty steel, such as shifting production overseas and the trend toward more compact vehicles, will also need to be watched carefully. At the same time, industrial machinery-related demand is expected to remain firm on improvement in the export environment.

In this business environment, the Daido Group is endeavoring to secure profits by rigorously cutting costs. At the same time, we are working to realize the benefits of our strategic investment in Chita Plant as soon as possible, and to expand our growth businesses of magnets, turbo parts and powder metal products.

Given these conditions, our segment forecasts for the coming fiscal year are as follows.

SPECIALTY STEEL

In specialty steel, automobile-related demand will be affected by the trend toward utilizing local suppliers and the trend toward more compact vehicles, but continued mild growth is generally anticipated on increased Japanese auto production. We anticipate that other areas of demand will profit strongly against the backdrop of the improved export environment. We will grasp these growth opportunities and endeavor to vigorously expand sales in overseas markets. At the same time, the cost of electric power and other energy sources will rise significantly due to increased import costs caused by the weaker yen and to rises in electric power charges. We hope to gain the understanding of our customers as we reflect these cost increases in our sales prices, while working to realize the cost benefits of the large investments made in streamlining steelmaking processes at the Chita Plant as soon as possible.

HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS

Stainless steel and high alloy products will probably also remain firm. With magnetic products, we intend to vigorously make efforts to expand demand for their applications in vehicles. Because demand for titanium products is likely to expand into medical and IT applications, we will endeavor to expand sales in these fields. Powder metal products are expected to see solid demand undergirded by the auto industry, and we will focus on expanding sales of products derived from the new alloyed powder line that we started operating last year.

PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

Demand for die forgings for trucks and construction machinery continues to be weak, however we are receiving increased demand for die forgings for passenger vehicles. At the same time, we are aiming to start operating a new forging machine and leveraging its dynamic force as soon as possible. Moreover, we also expect a recovery in demand for free forgings given an improved export environment thanks to the yen's depreciation and a turnaround in energy-related investment. We will increase our production activities and capital expenditures in response to any expansion of demand. In turbo-related products, a greater proportion of vehicles are expected to include turbo systems, so we anticipate a growth in demand, and we will endeavor to boost production of related products. We expect sales of engine valves to be the same as the previous fiscal year on the whole.

ENGINEERING

Domestic demand is likely to remain soft, but in light of growth in capital investment in China and Southeast Asia, we intend to further strengthen sales and expand to overseas markets. Regarding our forecast for net sales for the coming fiscal year, we are expecting a decline in net sales accompanying a reduction in projects.

TRADING AND SERVICE

In the trading and service segment, demand should generally remain around the same as that in the year under review.

Based on this, forecasts for consolidated performance in fiscal 2014 are net sales of ¥490.0 billion, operating income of ¥24.0 billion, ordinary income of ¥25.0 billion and net income of ¥16.0 billion. Raw material prices are expected to rise as are energy related costs, including for electric power, but demand is expected to continue its upward trajectory in the automobile and industrial machinery sectors, and sales of strategic products are expected to increase.

Medium- to Long-Term Management

Over the medium and long term, we believe that specialty steel demand will continue expanding, particularly in emerging countries, amid a further acceleration in market globalization. At the same time, we assume that both change in demand and intensification of the competitive environment will take place at an accelerated pace. Key factors would include users shifting more production offshore and increasing local procurement, as well as higher costs of electricity and other manufacturing inputs. To address these changes in the operating environment, the Group instituted a three-year management plan through fiscal 2014 and since then has been working to address a variety of management issues. Trends in domestic and overseas demand and the cost structure for energy and other elements will no doubt undergo various changes going forward. However, we will build a robust business infrastructure through actions that include construction to revamp processes at the Chita Plant, sales promotion activities for global leading products, and enhancements to business continuity management.

September 2014

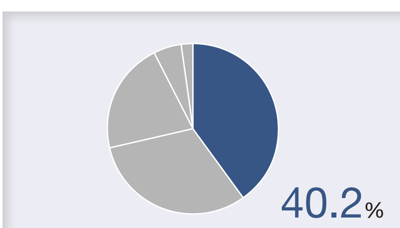
Tadashi Shimao
President

SPECIALTY STEEL

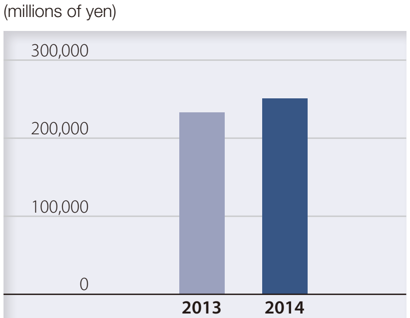
MAIN PRODUCTS

Specialty steel for automotive parts, industrial machinery parts, electrical machinery parts, construction, tool steel, etc.
Specialty steel products and materials manufacturing, distribution, raw materials sales, transportation and logistics

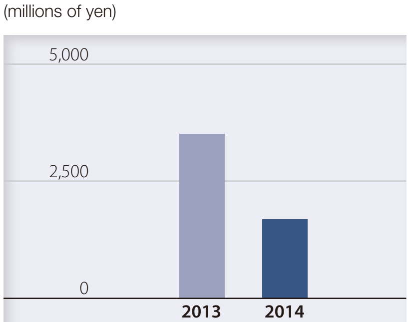
SHARE OF NET SALES
(%)



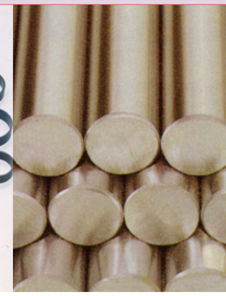
NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)



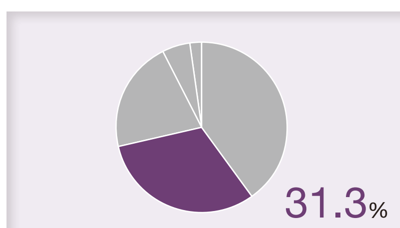
HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS



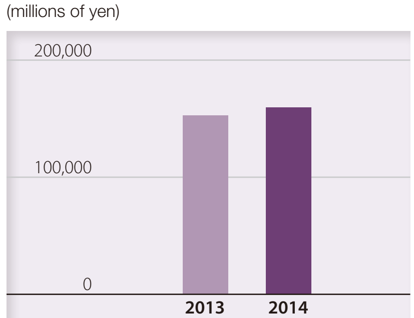
MAIN PRODUCTS

Stainless steel, nickel-based alloys, electrical and electronics parts, magnetic material products (OA·FA motors, automotive meters, sensors, measuring device components, etc.), Alloy powder (magnetic powder for HEV), Titanium products (medical titanium alloys, shape-memory alloys), welding wire

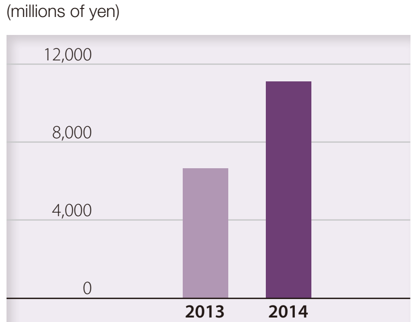
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)

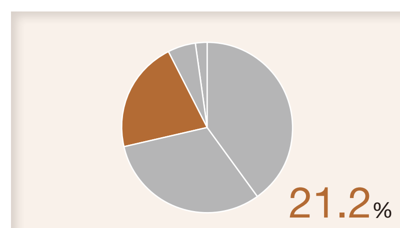


PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

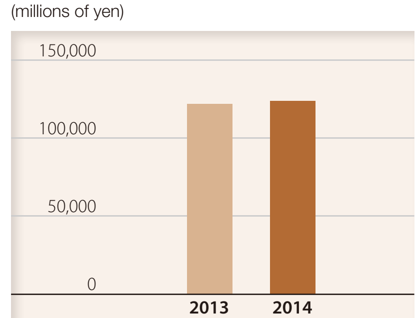
MAIN PRODUCTS

Die forging, precise hot forging, welded parts (automotive parts and bearing races) / Open die forging (parts for boats and ships, industrial machines, heavy electric machines, steel making equipment, chemical equipment, oil drilling rigs, and spacecraft and aircraft) / Casting (manganese railway rails, components for automobiles, industrial machines, electric machines and furnaces, advanced cast steel products, etc.) / Precision casting (automotive, industrial machines, electric machines, telecommunications equipment, etc.) / Engine valves, compressors, hydraulic equipment, machine tool parts

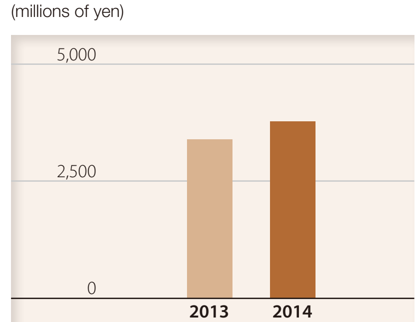
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)

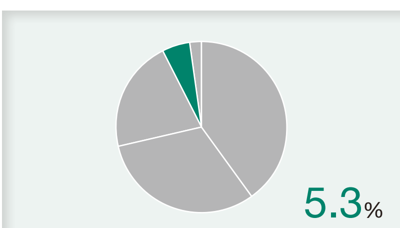


ENGINEERING

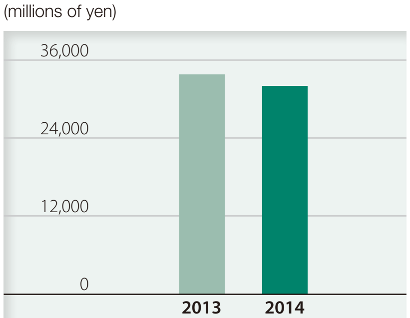
MAIN PRODUCTS

Steel making equipment, industrial furnaces and facilities, environmental equipment (for drain, exhaust, waste disposal and treatment facilities), machine tools, machine maintenance

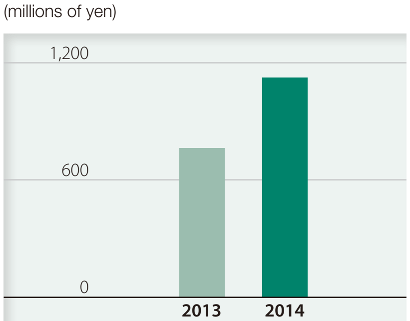
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)

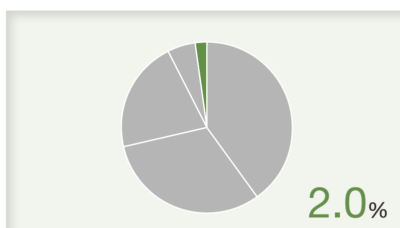


TRADING AND SERVICE

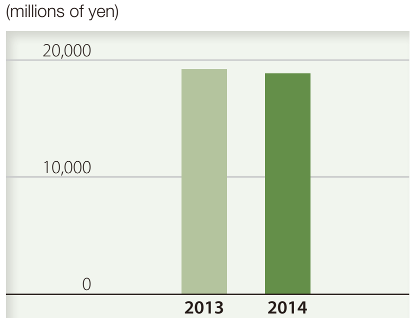
MAIN PRODUCTS

Sale of Group company products, welfare services, real estate and insurance business Golf course management, analysis business, outside software sales business

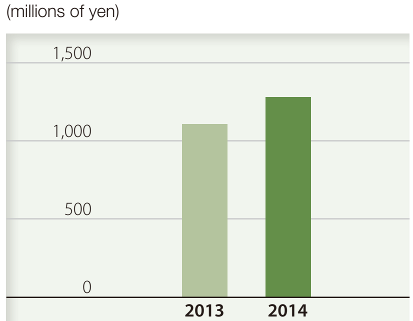
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



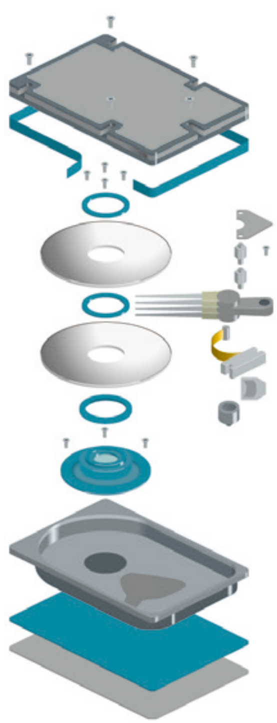
OPERATING INCOME Years ended March 31
(millions of yen)



SPECIALTY STEEL

Overview of Business

Specialty steel, the Company's core business, generates approximately 40% of consolidated net sales. Specialty steel is made by combining steel with alloys to add value in the form of properties such as resistance to heat, abrasions or rust. Because a range of special properties can be achieved by varying the type and amount of alloy, one of the special features of the business is that products are developed to meet the specific applications required by the user. The automobile and industrial machinery sectors are the primary users of specialty steel, accounting for about 80% of sales in this business segment.



HDD Spindle Motors
Daido Steel is the world's leading supplier of stainless steel for HDD spindle motors.

Results of Operations

Sales volume increased year on year in the specialty steel segment for the following reasons. Demand for structural steel in the automobile industry and in the industrial equipment sector turned around from the previous year's inventory adjustment phase and was robust. Moreover, demand for tool steel also increased due to firmness in domestic and overseas markets and benefits from sales expansion at overseas bases.

Under these circumstances, the Company earnestly strove to reduce production costs while responding flexibly to the demand recovery. In addition, as regards the strategic investment in the Chita Plant, the main production base, we started operating the new electric furnace in November last year, and are now in the mass production phase.

As a result, the specialty steel segment's net sales increased 8.7% year on year to ¥184,100 million. Operating income fell ¥1,824 million to ¥1,691 million in fiscal 2013. The main factors were the launch costs accompanying the new electric furnace at the Chita Plant, and the impact of expanding energy costs due to the depreciation of the yen.

HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS

Overview of Business

This segment, which accounts for roughly 31% of consolidated net sales, manufactures and sells high performance materials and magnetic materials used chiefly in computers, automobiles, mobile phones and consumer electronics. Notably, Daido Steel holds the world's largest market share as a supplier of magnets for spindle motors* for hard disk drives (HDD).

Key products include rare earth magnets (used in spindle motors* for HDD and other products), high alloys, titanium products and high performance powder metal products, and electromagnetic materials.

* Spindle motor: The motor used to rotate hard disk drives installed in computers.

Results of Operations

Net sales of stainless steel and high alloy products increased year on year due to firm demand for their use in industrial machinery and HDD-related products, which recovered from the inventory adjustments of the previous year. Sales of magnetic products increased year on year. In addition to the completion of inventory adjustments in magnets for servo motors used in factory automation and in magnets for HDD, demand expanded for magnets used in power steering systems installed in vehicles.

Sales of powder metal products rose due to robust demand for vehicles, especially soft magnetic powder for hybrid electric vehicles. At the same time, sales of high alloy products declined due to the Company's withdrawal from cold-rolled strip steel for lead-frames. Sales of titanium products also decreased year on year due to demand adjustments for export products and other factors.

As a result of this and driven by the recovery in demand for stainless steel and magnetic products, net sales for the high performance materials and magnetic materials segment in fiscal 2013 increased 4.8% year on year to ¥143,485 million. Operating income also increased by ¥4,456 million to ¥11,104 million, due to higher sales volumes and reduction of fixed cost.

NEOQUENCH-P (NdFeB Polymer-bonded Magnets)
Magnets for precision, high-speed motors used in mobile phones, office automation (OA) equipment and other products; currently the world's most popular magnet for HDD spindle motors.

PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

Overview of Business

This segment contributes around 21% of consolidated net sales. It manufactures die forged parts such as crankshafts using specialty steel, precision cast parts for use in gears and turbochargers (used in diesel engines to improve fuel efficiency and reduce exhaust gases), engine valves, jet engine shafts and parts for gas turbines. Most of the auto parts sold in this segment use materials that were developed through joint projects with automakers to meet their exacting requirements. These parts can therefore lower processing expenses at customers' factories as well as contribute to reducing the weight of finished products.

Many products in this segment are leading products in their respective market categories, such as aircraft jet engine shafts and marine diesel engine valves. Daido Steel also has a high market share in numerous other product categories, including automobile engine valves and turbine disks. We will continue to develop and launch new products that differentiate us from competitors and support our position as a provider of advanced products.

In addition to specialty steel supplied by the specialty steel segment of the Group, some steel materials used in this segment are manufactured in-house.

Hot, High-speed Precision Forgings
Daido Steel is one of the largest manufacturers of hot, high-speed precision forgings.

Results of Operations

Sales of free forging products increased year on year due to rising energy demand and an expansion in demand for heavy electric machines and plant-related equipment as a result of the stable Japanese yen. In castings and precision cast products, sales increased year on year due to robust demand for turbo-related products in Europe and North America, despite stagnating demand in castings for industrial machinery. At the same time, sales of die forging products decreased year on year due to the slump in demand for trucks as a result of deteriorating business conditions in the ASEAN market. Sales of engine valves also decreased, due to reduced year-on-year sales volumes.

As a result, net sales in the parts for automobile and industrial equipment segment for the fiscal year under review increased 4.0% to ¥97,002 million. Operating income rose ¥385 million to ¥3,779 million.

ENGINEERING

Overview of Business

This segment generates about 5% of consolidated net sales. Major activities include the manufacture of steelmaking equipment, industrial furnaces, and associated equipment. This segment also manufactures environmental equipment for the treatment of wastewater, gas emissions and waste materials (mainly to public-sector clients with incinerated ash melting systems for urban waste) and machine tools.

With respect to environmental equipment in particular, the operation and engineering technologies we have fostered over the years support our cutting-edge engineering business, which constantly has a grasp of current market needs. The many new types of equipment and technologies that this segment has created contribute to environmental preservation and energy reduction in a wide variety of settings. Operations also include maintenance and management of this machinery and equipment.

Results of Operations

In the engineering segment, overseas projects, such as the construction of industrial furnaces in the ASEAN region, expanded steadily. However, sales from large construction projects, such as a facility for manufacturing magnetic materials for related companies, had been concentrated in the previous year and, consequently, net sales decreased year on year.

Engineering segment sales for the fiscal year under review decreased by 24.6% to ¥24,105 million. However, operating income increased ¥362 million to ¥1,126 million, mainly due to the margin on projects improving.

Daido Arc Process (DAP)

TRADING AND SERVICE

Overview of Business

The major activities of this segment, which accounts for approximately 2% of consolidated net sales, include the sale of products made by Group companies, employee benefits services, real estate and insurance services, golf course management, analytics, and sales of software to external customers.

Results of Operations

Net sales in the trading and service segment in the fiscal year under review increased 1.0% to ¥9,039 million, mainly due to the impact of increased real estate-related contract-type construction projects. Operating income rose ¥171 million to ¥1,280 million.

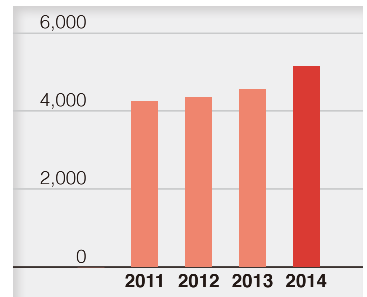
The Daido Steel Group's basic management policy is to leverage its advanced technology capabilities in specialty steel to "foster a corporate culture of creativity and originality that contributes to the 21st century society." Based on this policy, the Group conducts a proactive program of research and development (R&D) to expand new products and businesses and strengthen the foundations for existing businesses.

Currently, we are pursuing R&D for new products, materials and technologies, primarily through the Daido Corporate Research & Development Center, which houses the Special Steel Research Lab, Electromagnetic Material Research Lab, and Process Technology Development Center. We employ a total of 276 researchers throughout the Daido Steel Group.

R&D expenses for the Daido Steel Group during the fiscal year under review amounted to ¥5,160 million. An explanation of our R&D efforts by segment, including purpose, major achievements, and expenditures follows.

R&D EXPENDITURES
Years ended March 31

(millions of yen)



(1) Specialty Steel

In this segment, R&D includes basic material development, such as automotive structural materials and tool steel, and process innovations ranging from steelmaking, refining and solidification to quality assurance.

R&D costs for the fiscal year under review in this segment totaled ¥1,445 million.

Major Achievements

• DHW, a welding repair material exclusively for die-casting dies

Daido Steel has developed a new welding repair material, DHW, to improve the life of repaired die casting dies. DHW is able to delay the occurrence of cracks known as heat checking and extend the repair interval of dies compared with conventional welding materials. Moreover, DHW has no cobalt in compliance with the Ordinance on the Prevention of Hazards Due to Specified Chemical Substances that was revised in October 2012.

(2) High Performance Materials and Magnetic Materials

In this segment the Daido Steel Group conducts R&D focusing on developing materials that resist corrosion and heat, high-grade strip steel, welding materials, magnetic materials and electronic devices. Magnet research is carried out principally by the Company and its consolidated subsidiary, Daido Electronics Co., Ltd.

R&D costs for the fiscal year under review in this segment totaled ¥2,388 million. The following are some of our major achievements in this area.

Major Achievements

• Neodymium series hot-pressed magnet containing no heavy rare-earth elements

The ND-40SHF hot-pressed magnet was developed as a neodymium-iron-boron (Nd-Fe-B) magnet without any heavy rare-earth elements; specifically, dysprosium (Dy) and terbium (Te), which are both rare and expensive. This magnet incorporating a newly developed hot plastic forming process and magnetic compositions has the highest magnetism and thermal resistance in the world for magnets without heavy rare-earth elements.

Daido Electronics has been conducting mass production of the magnet since 2014 for motors in automobiles, in particular for the growing electronic power steering (EPS) market, industrial machinery, office automation equipment and consumer electronics.

• Development of technology for mass production of ultra-high performance PLP magnets with low levels of heavy rare-earth elements

The mass production technology for the pressless process (PLP) magnets has been developed. PLP magnets provide both high magnetism and ultra-high thermal resistance with substantially reduced heavy rare-earth elements. The mass production of the magnets started last year at Intermetallics Japan Corporation, a joint venture established with Mitsubishi Corporation and Molycorp. Inc. of the U.S. The magnets are used in electric vehicles, energy-saving air conditioners and other applications.

• GIG magnetic sensors: Construction of mass production line and sales launch

We have continued to undertake R&D activities in order to market GIG magnetic sensors, which offer higher output in response to an external magnetic field than MR magnets. The GIG magnetic sensor was invented by the Research Institute for

Electromagnetic Materials and has been developed in joint research using our thin film manufacturing technology and mass production technology. The GIG magnetic sensors are expected to be applied to industrial uses that require high sensitivity and low power consumption, such as magnetic identification sensors and current sensors.

- **Development of target material for touch panel copper wiring barrier film**

NCT, a target material composed of nickel, copper and titanium, has been developed as a target for barrier film of copper wiring in mainly touch panels. In touch panels for large screens, the need for highly conductive wiring is increasing and copper wiring is preferred to ordinary aluminum wiring. In copper wiring, barrier materials are necessary to prevent copper diffusion to integrated circuits and improve adhesion on the substrate and the corrosion resistance of copper wiring.

- **High nitrogen stainless steel**

Nitrogen is an effective element for improving both strength and corrosion resistance of stainless steels. Daido Steel has been trying to introduce as much nitrogen as possible in steel with atmospheric pressure dissolution. We have developed high-nitrogen martensite stainless steels that have hardness of over 58 HRC and corrosion resistance equivalent to SUS 630. This newly developed steel can be used under highly corrosive conditions in which the use of conventional martensite stainless steels is difficult. We have found applications for this steel we have developed in cutting elements of machinery and so on. Looking ahead, we expect it to find a wide range of applications in components such as bearings and valves.

(3) Parts for Automobile and Industrial Equipment

R&D in this segment concentrates on development of engine valves and other automotive parts and parts for various types of industrial machinery.

R&D costs for the fiscal year under review in this segment totaled ¥1,164 million. The following are some of our major achievements in this area.

Major Achievements

- **Development of technology for automating inspections of internal defects and exteriors**

Daido Steel has developed various inspection technologies to improve production efficiency by strengthening its inspection capabilities of automobile materials and parts, and reducing the number of human inspectors. As regards the materials, we use ultrasonic flaw detection for screening internal defects in round-bar steels. And to detect more minute defects and inclusions, we have developed and made practical an array-type ultrasonic flaw detection technology. Furthermore, for the inspection of non-magnetic black leather materials, we have been developing technology employing eddy current examinations to improve the articulation performance of scratches and noise.

As regards parts, we are developing an automated external inspection technology for forged parts and casting parts, which hitherto were inspected visually. CCD cameras and laser beams are used in the inspection equipment with our original hardware design and software to detect external defects such as fractures, chips, foreign matter and scratches.

(4) Engineering

Engineering R&D focuses on the development of environmental conservation and recycling equipment, and a variety of energy-saving industrial furnaces.

R&D expenditures in this segment during the fiscal year under review amounted to ¥162 million.

Major Achievements

- **Performance verification of ultra-small batch vacuum carburizing furnace SyncroTherm**

ModulTherm®, a technology from the German firm ALD Vacuum Technologies that Daido Steel introduced in advance in Japan, has been steadily penetrating the market centered on domestic automobile makers with its application to vacuum carburizing equipment that strengthens the advanced functions and lengthens the working life of automobile parts.

Recently, we formed a technological alliance with the same company as regards the new ultra-small batch vacuum carburizing furnace SyncroTherm®. Subsequently, a demonstration furnace facility was installed inside our Takiharu Techno Center in Nagoya, and we are now demonstrating the superior heat treatment performance of the furnace while at the same time enabling our customers to try out their intended equipment and suchlike.

In the past, conventional carburizing furnaces could only process large batches of several hundred components for treatment on multi-layered trays. SyncroTherm® has simplified the treatment and can now process as few as 10 to 20 components for treatment on one tray. SyncroTherm® enables "on-demand" carburizing treatments of components without having to maintain a large working inventory of components in between different treatment processes.

Daido Steel's SyncroTherm®, which we have developed in line with our new concept for furnaces, has already attracted many business inquiries from domestic automobile makers and components makers in the same manner as the introduction in advance of the ModulTherm® model.

Basic Policy

The Daido Steel Group considers it extremely important for contemporary corporations to take on a role that extends beyond economic activities and to contribute to the sustainable development of society through environmentally conscious activities and involvement in the resolution of social issues.

The Daido Steel Group is playing a part in helping to create a recycling-oriented economy and society through its primary business operations: the manufacture and sale of specialty steel largely created from recycled scrap steel. Daido Steel is also engaged in a broad range of initiatives, including developing a variety of environmental activities, abiding firmly by our corporate ethics, striving for disclosure to increase the transparency of management, and creating a safe and pleasant place for employees to work.

Major Initiatives

Preventing global warming

The first commitment period for the Kyoto Protocol ran from 2008 to 2012. In that time frame, Daido Steel aimed to reduce its CO_2 emissions volume by 10% compared to the 1990 level in accordance with the guidelines of the Japan Iron and Steel Federation. We worked to achieve this goal by expanding the use of exhaust heat recovery in heating furnaces, shifting our fuel source from heavy oil to natural gas, and improving the yield ratio through an increase in the ratio of production by continuous casters. Due to the effects of cumulative investments of ¥5.0 billion made from 2006 to 2012, operational improvements and changes in production levels, annual CO_2 emissions from 2008 to 2012 and in 2013 decreased by 24.7% on average and 25.8%, respectively, compared to 1990. Turning to fuel conversion, we achieved a change in the natural gas percentage in fuel from 35% (calorie basis) in 2005 to 81% at the end of fiscal 2013.

Going forward, we will implement further reform measures, such as reductions in the number of heat exchangers and improving the yield ratios. Daido Steel did not purchase carbon credits during the first commitment period.

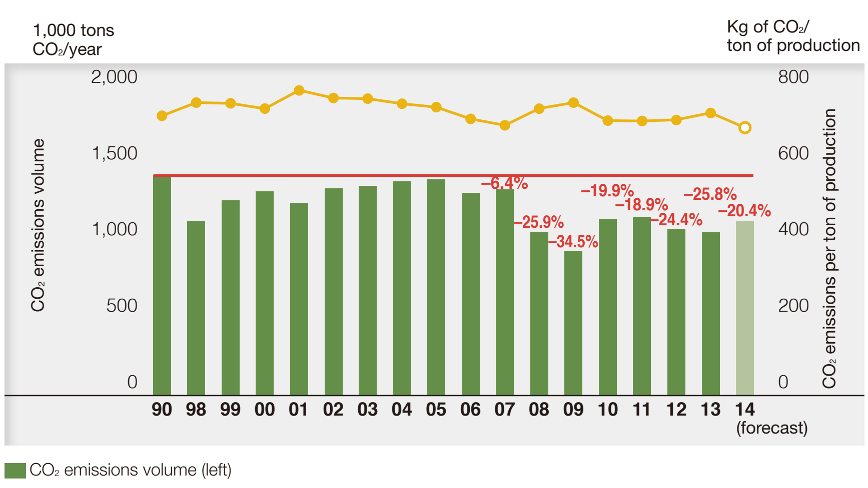
Strengthening the CSR Promotion Framework

The Daido Steel Group has responded to the needs of our various stakeholders by establishing the Human Resources Labor Committee and various other committees as parent organizations to support CSR activities, such as the Environment and Energy Committee. With a view to further strengthening this framework, in fiscal 2007 the CSR Committee was established to supervise general CSR activities. Members of the CSR Committee formulate Group-wide policies and action plans with the aim of unifying and expanding CSR activities across all Group companies and divisions.

Starting January 2013, the Environment and Energy Committee was split into two independent committees (namely, the Environment Committee and the Energy Committee) to promote CSR activities in a more fulfilling way.

For details, please refer to the annually issued CSR Report.
URL: http://www.daido.co.jp/csr/data/report.html
(Japanese only)

ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS VOLUME



CO_2 emissions coefficient for electric power: 0.374 kg of CO_2/ kWh
Figures for 2014 are estimates

Basic Policy

Daido Steel views corporate governance as one of the key issues for management in today's rapidly changing business environment. We strive to increase management efficiency, accelerate and improve decision-making, and ensure management transparency.

In addition, in order to clarify our responsibilities as a company contributing to society, Daido Steel has established a Risk Management Committee. The Company has also implemented the Daido Steel Corporate Code of Ethics, and is working to improve its basic structure as a company open to society. In order to ensure the reliability of its financial reporting, the Company has set up an Internal Control Committee.

Governance System

Daido Steel uses the corporate auditor system. The business execution of the 21 directors (including one external director) is conducted according to a medium-term management plan, covering a period of three years in principle, and one-year plans for each business segment that specify steps to be taken under the medium-term plan, based on common Group goals shared with all employees.

The Board of Directors convenes a minimum of once a month to decide important matters and report on the status of the directors' business execution. A Management Meeting attended by managing directors and above is held once monthly in principle, as well as on an as-needed basis, in order to increase the flexibility of decision-making on important matters and ensure more detailed dissemination of information. In addition, the Executive Directors' Meeting takes place once a month to increase the efficiency of execution of duties by directors and review the progress on the medium-term management plan.

Three corporate auditors, including one external corporate auditor, attend important meetings such as the Management Meeting and Board of Directors' meetings and conduct visiting audits of all business divisions and consolidated subsidiaries in order to audit and oversee the business execution of directors.

Internal Control System

Risk Management Initiatives

Daido Steel emphasizes risk management and legal compliance in its management. To this end, the Company has set out basic points for risk management in the Risk Management Regulations. In addition, the Risk Management Committee, chaired by the president, discusses management of projected upcoming and latent risks within the Group, reports to the Company's Executive Directors and advises the Company's Board of Directors. The Company also appoints a director who is responsible for the Company-wide supervision of risk management and compliance.

In preparation for a major accident or other problem, relevant information is shared with all concerned people, and speedy and smooth countermeasures are formulated. The Company has also formulated regulations for emergency countermeasures in the event of a major accident, aimed at minimizing the impact of the accident or other problem on business activities, and disseminated the regulations to all employees and Group companies.

Furthermore, in response to any major share-purchase activity (for example, purchases of the Company's shares aimed at increasing the voting rights of a specific shareholders' group to over 20%), Daido Steel will implement takeover defense measures from the perspective of ensuring and improving corporate value and, by extension, the shared beneficial interests of all shareholders.

Efforts to enhance compliance

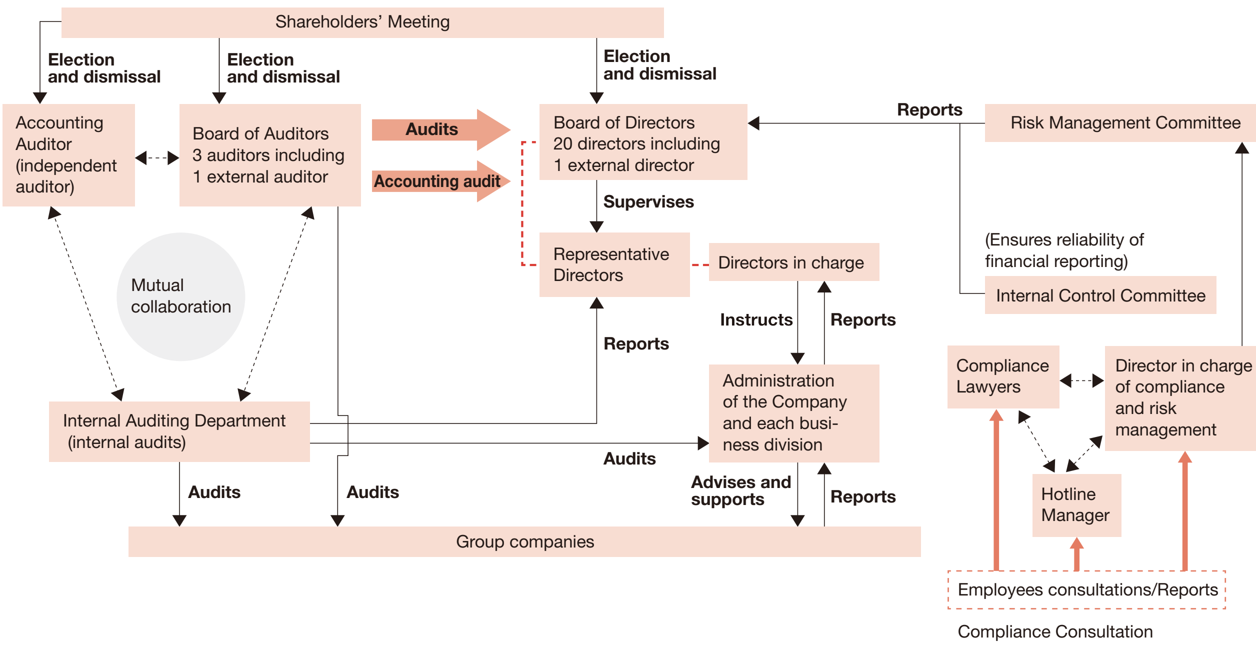
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for consultation and reporting by employees regarding compliance, as well as directors in charge of compliance and risk management, divisions in charge and outside attorneys.

Efforts to ensure the reliability of financial reporting

In order to ensure the reliability of financial reporting and enhance the level of response of the Company and Group companies to J-SOX, the Daido Steel Group prescribes the basic points for system improvement and operation in the Internal Control Regulations and has established an Internal Control Committee chaired by the president.

MECHANISM FOR BUSINESS EXECUTION, AUDIT, SUPERVISION AND INTERNAL CONTROL

(As of June 27, 2014)



BOARD OF DIRECTORS AND CORPORATE AUDITORS

CHAIRMAN AND REPRESENTATIVE EXECUTIVE DIRECTOR


Masatoshi Ozawa

PRESIDENT AND REPRESENTATIVE EXECUTIVE DIRECTOR


Tadashi Shimao

EXECUTIVE VICE PRESIDENTS AND REPRESENTATIVE EXECUTIVE DIRECTORS


Michio Okabe


Motoshi Shinkai


Takeshi Ishiguro

MANAGING DIRECTORS


Akira Miyajima


Yasuhiro Itazuri


Hajime Takahashi


Kazuto Tachibana


Tsukasa Nishimura


Satoshi Tsujimoto

DIRECTORS

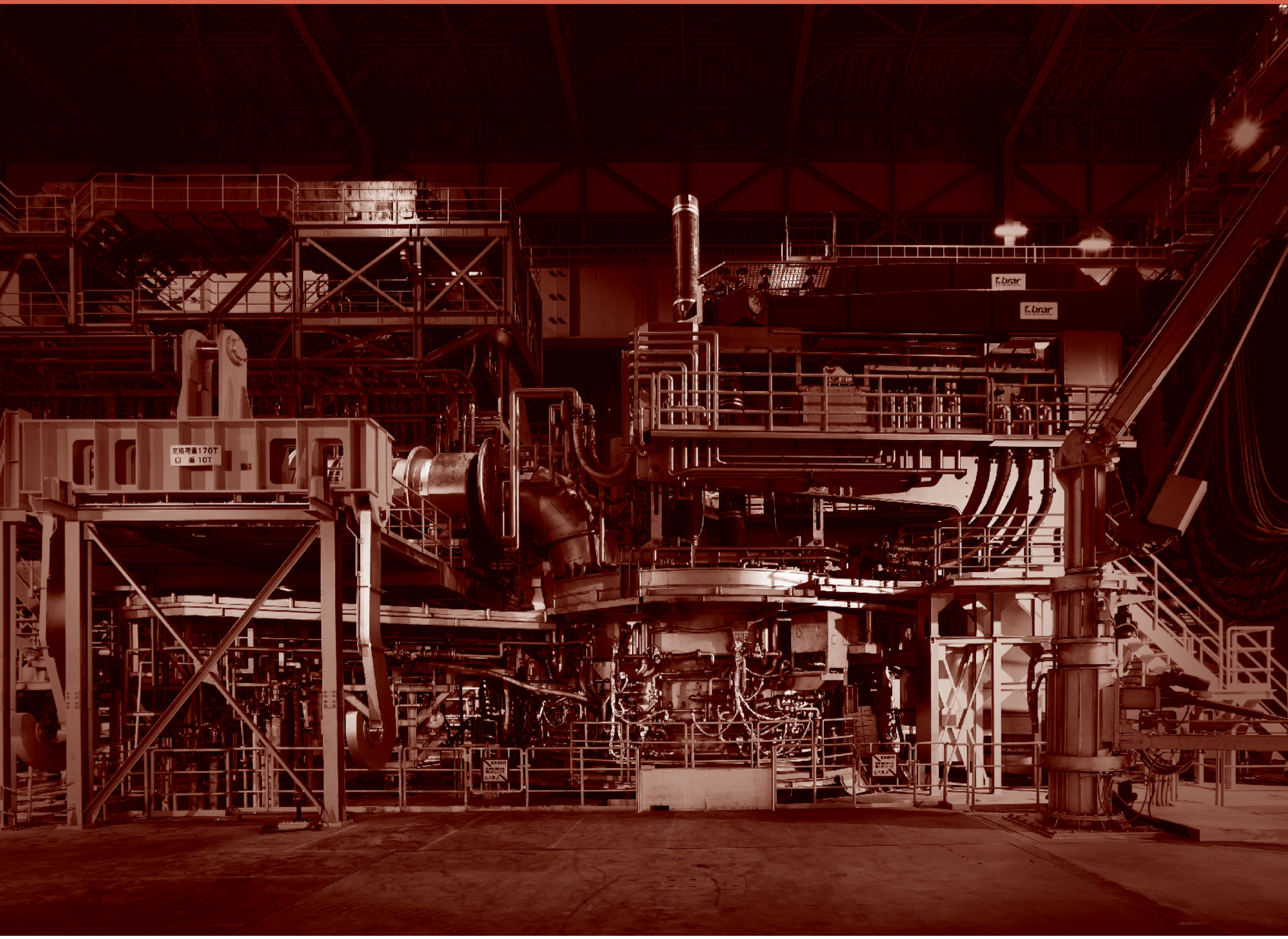
Yoshitsugu Sakamoto
Susumu Shimura
Shuji Matsubuchi
Shinji Naruse
Takeshi Muto
Kazuhiko Hirabayashi
Hajime Amano
Yoshiaki Mori
Hirotaka Yoshinaga
Atsumi Hatano

STANDING CORPORATE AUDITORS

Toshinori Koike
Shigenobu Tokuoka

CORPORATE AUDITOR

Yukichi Ozawa



CONTENTS

OVERVIEW OF OPERATING ENVIRONMENT AND PERFORMANCE

In fiscal 2013, ended March 31, 2014, the Japanese economy continued on a recovery track due to firm personal consumption and signs of a pick-up in production in the mining and manufacturing industries. Production by Japanese automakers, our key sources of demand for specialty steel, remained firm, driven by favorable sales in Japan and the U.S., although this was offset by slowdowns of demand in some emerging countries. At the same time, demand related to industrial machinery moved to a recovery phase following the completion of inventory adjustments in the second half of the previous fiscal year.

As a result, the Group's net sales in fiscal 2013 increased by ¥17,303 million year on year to ¥457,731 million. This reflects the improved export environment resulting from the recovery in domestic demand and the weaker yen. Ordinary income rose ¥3,812 million to ¥20,287 million due to the benefit of improved earnings such as the increased sales of strategic products, and currency exchange gains generated by the weak yen, despite increased import costs of energy. Net income was ¥12,616 million.

BUSINESS SEGMENT PERFORMANCE

Specialty Steel

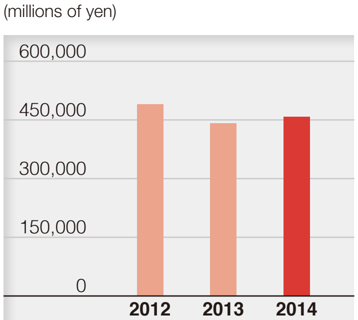
Sales volume increased year on year in the specialty steel segment for the following reasons. Demand for structural steel in the automobile industry and in the industrial equipment sector turned around from the previous year's inventory adjustment phase and was robust. Moreover, demand for tool steel also increased due to firmness in domestic and overseas markets and benefits from sales expansion at overseas bases.

Under these circumstances, the Company earnestly strove to reduce production costs while responding flexibly to the demand recovery. In addition, as regards the strategic investment in the Chita Plant, the main production base, we started operating the new electric furnace in November last year, and are now in the mass production phase.

As a result, the specialty steel segment's net sales increased 8.7% year on year to ¥184,100 million. Operating income fell ¥1,824 million to ¥1,691 million in fiscal 2013. The main factors were the launch costs accompanying the new electric furnace at the Chita Plant, and the impact of expanding energy costs due to the depreciation of the yen.

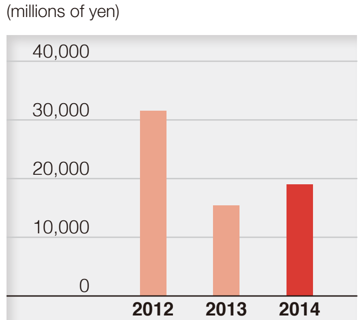
NET SALES
Years ended March 31

(millions of yen)



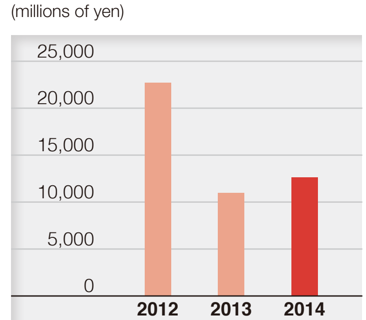
OPERATING INCOME
Years ended March 31

(millions of yen)



NET INCOME
Years ended March 31

(millions of yen)



High Performance Materials and Magnetic Materials

Net sales of stainless steel and high alloy products increased year on year due to firm demand for their use in industrial machinery and HDD-related products, which recovered from the inventory adjustments of the previous year. Sales of magnetic products increased year on year. In addition to the completion of inventory adjustments in magnets for servo motors used in factory automation and in magnets for HDD, demand expanded for magnets used in power steering systems installed in vehicles.

Sales of powder metal products rose due to robust demand for vehicles, especially soft magnetic powder for hybrid electric vehicles. At the same time, sales of high alloy products declined due to the Company's withdrawal from cold-rolled strip steel for lead-frames. Sales of titanium products also decreased year on year due to demand adjustments for export products and other factors.

As a result of this and driven by the recovery in demand for stainless steel and magnetic products, net sales for the high performance materials and magnetic materials segment in fiscal 2013 increased 4.8% year on year to ¥143,485 million. Operating income also increased by ¥4,456 million to ¥11,104 million, due to higher sales volumes and reduction of fixed cost.

Parts for Automobile and Industrial Equipment

Sales of free forging products increased year on year due to rising energy demand and an expansion in demand for heavy electric machines and plant-related equipment as a result of the stable Japanese yen. In castings and precision cast products, sales increased year on year due to robust demand for turbo-related products in Europe and North America, despite stagnating demand in castings for industrial machinery. At the same time, sales of die forging products decreased year on year due to the slump in demand for trucks as a result of deteriorating business conditions in the ASEAN market. Sales of engine valves also decreased, due to reduced year-on-year sales volumes.

As a result, net sales in the parts for automobile and industrial equipment segment for the fiscal year under review increased 4.0% to ¥97,002 million. Operating income rose ¥385 million to ¥3,779 million, due to the contribution of the increased sales of free forgings and turbo-related products.

Engineering

In the engineering segment, overseas projects, such as the construction of industrial furnaces in the ASEAN region, expanded steadily. However, sales from large construction projects, such as a facility for manufacturing magnetic materials for related companies, had been concentrated in the previous year and, consequently, net sales decreased year on year.

Engineering segment sales for the fiscal year under review decreased by 24.6% to ¥24,105 million. However, operating income increased ¥362 million to ¥1,126 million, mainly due to the margin on projects improving.

Trading and Service

Net sales in the trading and service segment in the fiscal year under review increased 1.0% to ¥9,039 million, mainly due to the impact of increased real estate-related contract-type construction projects. Operating income rose ¥171 million to ¥1,280 million.

CAPITAL EXPENDITURES

Capital expenditures by business segment during the fiscal year under review are shown in the table below.

Figures in the table include intangible fixed assets in addition to property, plant and equipment.

RESEARCH AND DEVELOPMENT

R&D costs for the entire Daido Steel Group during the fiscal year under review totaled ¥5,160 million. The research objectives, main achievements and R&D costs in each business segment were as follows:

(1) Specialty Steel

Daido Steel bears the principal responsibility for carrying out specialty steel R&D. Research areas include basic material development, such as automotive structural steel and tool steel. Other areas of emphasis are development of process innovations ranging from steelmaking, refining and solidification to quality assurance for finished products.

Specialty steel R&D costs during the fiscal year under review totaled ¥1,445 million.

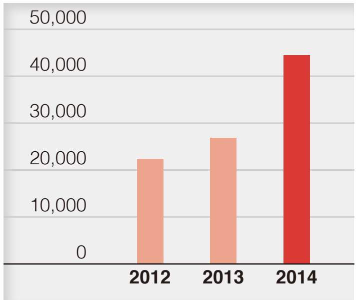
(2) High Performance Materials and Magnetic Materials

Development of materials that resist corrosion and heat, high-grade strip steel, welding materials, electromagnetic materials, and other basic materials, as well as R&D of electronic devices is conducted mainly by Daido Steel, while magnet R&D is conducted primarily by Daido Steel and consolidated subsidiary Daido Electronics Co., Ltd. R&D costs in this segment during the fiscal year under review amounted to ¥2,388 million.

CAPITAL EXPENDITURES BY SEGMENT
Years ended March 31

	Millions of Yen		
	2014	2013	Change (%)
Specialty Steel	**¥22,260**	¥ 9,923	124.3
High Performance Materials and Magnetic Materials	**11,490**	9,439	21.7
Parts for Automobile and Industrial Equipment	**9,439**	6,302	49.8
Engineering	**230**	484	–52.4
Trading and Service	**982**	643	52.7
Total	**¥44,404**	¥26,791	65.7

CAPITAL EXPENDITURES
Years ended March 31



(3) Parts for Automobile and Industrial Equipment

Mainly the responsibility of Daido Steel, R&D in this segment concentrates on development of engine valves and other automotive parts and parts for various types of industrial machinery. R&D costs for the fiscal year under review in this segment totaled ¥1,164 million.

(4) Engineering

Engineering R&D is carried out primarily by Daido Steel, focused on development of environmental conservation and recycling equipment and a variety of energy-saving industrial furnaces. Engineering R&D costs during the fiscal year under review were ¥162 million.

(5) Trading and Service

There are no R&D activities in this segment.

FINANCIAL POSITION

CASH FLOWS

Cash and cash equivalents as of March 31, 2014, amounted to ¥39,905 million, representing a decrease of ¥11,738 million, or 22.7%, year on year.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities amounted to ¥28,567 million, down ¥5,040 million from the previous fiscal year. The main components of cash inflow were income before income taxes and minority interests of ¥20,965 million and an increase in notes and accounts payable of ¥9,955 million. The main component of cash outflow was a ¥11,882 million increase in notes and accounts receivable.

CASH FLOWS FROM INVESTING ACTIVITIES

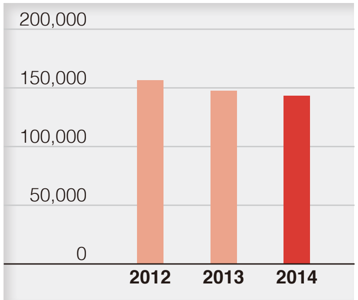
Net cash used in investing activities totaled ¥34,313 million, increasing by ¥5,842 million from the previous fiscal year. The major cash outflows included ¥31,748 million in purchases of property, plant, and equipment.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities was ¥7,634 million, down ¥9,723 million from the previous year. The increase was chiefly due to ¥25,513 million for the repayments of long-term debt.

INTEREST-BEARING DEBT
Years ended March 31

(millions of yen)



CONSOLIDATED BALANCE SHEET

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2014**	2013	**2014**
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 39,905**	¥ 51,643	**$ 387,427**
Time deposits (Notes 7 and 15)	**810**	418	**7,864**
Notes and accounts receivable (Note 15)	**101,734**	88,652	**987,709**
Inventories (Note 4)	**97,747**	94,036	**949,000**
Deferred tax assets (Note 11)	**4,525**	4,338	**43,932**
Prepaid expenses and other current assets	**3,538**	3,268	**34,350**
Allowance for doubtful accounts	**(197)**	(271)	**(1,913)**
Total current assets	**248,062**	242,084	**2,408,369**
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 5 and 7)	**36,926**	37,008	**358,505**
Buildings and structures (Notes 5 and 7)	**156,230**	144,505	**1,516,796**
Machinery and equipment (Note 7)	**439,201**	414,721	**4,264,087**
Construction in progress	**4,579**	5,889	**44,456**
Total	**636,936**	602,123	**6,183,844**
Accumulated depreciation	**(452,035)**	(440,203)	**(4,388,689)**
Net property, plant, and equipment	**184,901**	161,920	**1,795,155**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7, and 15)	**64,973**	55,655	**630,806**
Investments in non-consolidated subsidiaries and associated companies (Notes 7 and 15)	**19,587**	18,985	**190,165**
Asset for retirement benefits (Note 8)	**28,785**	22,823	**279,466**
Deferred tax assets (Note 11)	**866**	907	**8,408**
Other investments and assets	**10,348**	8,785	**100,466**
Total investments and other assets	**124,559**	107,155	**1,209,311**
TOTAL	**¥ 557,522**	¥ 511,159	**$ 5,412,835**

FINANCIAL SECTION

LIABILITIES AND EQUITY	Millions of Yen 2014	2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 15)	**¥ 23,104**	¥ 16,530	**$ 224,311**
Current portion of long-term debt (Notes 6, 7, and 15)	**18,991**	35,858	**184,379**
Payables:			
Trade notes and accounts (Notes 7 and 15)	**76,895**	66,233	**746,553**
Acquisitions of property, plant, and equipment	**15,990**	6,029	**155,243**
Total payables	**92,885**	72,262	**901,796**
Income taxes payable (Note 15)	**3,507**	1,761	**34,049**
Accrued expenses	**10,533**	10,157	**102,262**
Other current liabilities (Note 7)	**7,440**	7,434	**72,233**
Total current liabilities	**156,460**	144,002	**1,519,030**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 15)	**100,991**	93,850	**980,495**
Liability for employees' retirement benefits (Note 8)	**7,313**	6,865	**71,000**
Retirement allowance for directors and Audit & Supervisory Board members	**934**	942	**9,068**
Asset retirement obligations (Note 9)	**426**	426	**4,136**
Deferred tax liabilities (Note 11)	**20,065**	14,666	**194,806**
Other long-term liabilities	**3,709**	4,668	**36,010**
Total long-term liabilities	**133,438**	121,417	**1,295,515**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)			
EQUITY (Note 10)**:**			
Common stock:			
Authorized: 1,160,000 thousand shares			
Issued: 434,488 thousand shares in 2014 and 2013	**37,172**	37,172	**360,893**
Capital surplus	**28,542**	28,542	**277,107**
Retained earnings	**146,079**	134,790	**1,418,243**
Treasury stock, at cost			
784 thousand shares in 2014 and 741 thousand shares in 2013	**(370)**	(347)	**(3,592)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**16,642**	10,512	**161,573**
Deferred gain on derivatives under hedge accounting	**1**	1	**9**
Land revaluation surplus	**1,654**	1,654	**16,058**
Foreign currency translation adjustments	**1,229**	(403)	**11,932**
Defined retirement benefit plans	**1,203**	–	**11,679**
Total	**232,152**	211,921	**2,253,902**
Minority interests	**35,472**	33,819	**344,388**
Total equity	**267,624**	245,740	**2,598,290**
TOTAL	**¥557,522**	¥511,159	**$5,412,835**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	**¥457,731**	¥440,428	**$4,443,990**
COST OF SALES (Note 13)	**390,387**	377,793	**3,790,165**
Gross profit	**67,344**	62,635	**653,825**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 13)	**48,367**	47,209	**469,582**
Operating income	**18,977**	15,426	**184,243**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,867**	1,694	**18,126**
Interest expense	**(1,839)**	(2,056)	**(17,854)**
Equity in earnings of associated companies	**630**	547	**6,117**
Gain on sales of investment securities and investments in an associated company—net	**133**	249	**1,291**
Foreign exchange gain	**968**	967	**9,398**
(Loss) gain on sales and disposals of property, plant, and equipment—net	**(48)**	581	**(466)**
Investment rents received	**547**	547	**5,310**
Write-down of investment securities and investments in a non-consolidated subsidiary (Note 3)	**(81)**	(403)	**(786)**
Impairment loss on long-lived assets	**(108)**	(56)	**(1,049)**
Other—net	**(81)**	990	**(786)**
Other income—net	**1,988**	3,060	**19,301**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**20,965**	18,486	**203,544**
INCOME TAXES (Note 11)**:**			
Current	**5,123**	3,711	**49,738**
Deferred	**1,308**	2,140	**12,699**
Total income taxes	**6,431**	5,851	**62,437**
NET INCOME BEFORE MINORITY INTERESTS	**14,534**	12,635	**141,107**
MINORITY INTERESTS IN NET INCOME	**1,918**	1,652	**18,622**
NET INCOME	**¥ 12,616**	¥ 10,983	**$ 122,485**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(t))**:**			
Basic net income	**¥ 29.09**	¥ 25.32	**$ 0.28**
Cash dividends applicable to the year	**5.00**	4.50	**0.05**

	Thousands	
WEIGHTED-AVERAGE NUMBER OF OUTSTANDING SHARES OF COMMON STOCK	**433,726**	433,763

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥14,534**	¥12,635	**$141,107**
OTHER COMPREHENSIVE INCOME (Note 18)**:**			
Unrealized gain on available-for-sale securities	**6,146**	4,098	**59,670**
Deferred loss (gain) on derivatives under hedge accounting	**(1)**	10	**(10)**
Foreign currency translation adjustments	**1,845**	1,394	**17,913**
Share of other comprehensive income in associates	**85**	29	**825**
Total other comprehensive income	**8,075**	5,531	**78,398**
COMPREHENSIVE INCOME	**¥22,609**	¥18,166	**$219,505**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥20,431**	¥16,317	**$198,359**
Minority interests	**2,178**	1,849	**21,146**

See notes to consolidated financial statements.

FINANCIAL SECTION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2014

	Thousands	Millions of Yen					
						Accumulated Other Comprehensive Income	
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting
BALANCE AT APRIL 1, 2012	433,774	¥37,172	¥28,543	¥126,844	¥(335)	¥ 6,456	¥(7)
Net income	–	–	–	10,983	–	–	–
Cash dividends, ¥4.5 per share	–	–	–	(3,037)	–	–	–
Purchase of treasury stock	(31)	–	–	–	(14)	–	–
Disposal of treasury stock	4	–	(0)	–	2	–	–
Net change in the year	–	–	–	–	–	4,056	8
BALANCE AT MARCH 31, 2013	433,747	37,172	28,543	134,790	(347)	10,512	1
Adjustment of retained earnings for newly consolidated subsidiary	**–**	**–**	**–**	**408**	**–**	**–**	**–**
Net income	**–**	**–**	**–**	**12,616**	**–**	**–**	**–**
Cash dividends,¥5 per share	**–**	**–**	**–**	**(1,735)**	**–**	**–**	**–**
Purchase of treasury stock	**(46)**	**–**	**–**	**–**	**(25)**	**–**	**–**
Disposal of treasury stock	**3**	**–**	**0**	**–**	**2**	**–**	**–**
Net change in the year	**–**	**–**	**(1)**	**–**	**–**	**6,130**	**0**
BALANCE AT MARCH 31, 2014	**433,704**	**¥37,172**	**¥28,542**	**¥146,079**	**¥(370)**	**¥16,642**	**¥ 1**

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2012	¥1,654	¥(1,673)	¥ –	¥198,654	¥32,859	¥231,513
Net income	–	–	–	10,983	–	10,983
Cash dividends, ¥4.5 per share	–	–	–	(3,037)	–	(3,037)
Purchase of treasury stock	–	–	–	(14)	–	(14)
Disposal of treasury stock	–	–	–	2	–	2
Net change in the year		1,270	–	5,334	960	6,294
BALANCE AT MARCH 31, 2013	1,654	(403)	–	211,922	33,819	245,741
Adjustment of retained earnings for newly consolidated subsidiary	**–**	**–**	**–**	**408**	**–**	**408**
Net income	**–**	**–**	**–**	**12,616**	**–**	**12,616**
Cash dividends,¥5 per share	**–**	**–**	**–**	**(1,735)**	**–**	**(1,735)**
Purchase of treasury stock	**–**	**–**	**–**	**(25)**	**–**	**(25)**
Disposal of treasury stock	**–**	**–**	**–**	**2**	**–**	**2**
Net change in the year		**1,632**	**1,203**	**8,964**	**1,653**	**10,617**
BALANCE AT MARCH 31, 2014	**¥1,654**	**¥ 1,229**	**¥1,203**	**¥232,152**	**¥35,472**	**¥267,624**

	Thousands of U.S. Dollars (Note 1)					
					Accumulated Other Comprehensive Income	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting
BALANCE AT MARCH 31, 2013	$360,893	$277,108	$1,308,642	$(3,369)	$102,058	$9
Adjustment of retained earnings for newly consolidated subsidiary	**–**	**–**	**3,961**	**–**	**–**	**–**
Net income	**–**	**–**	**122,485**	**–**	**–**	**–**
Cash dividends, $0.05 per share	**–**	**–**	**(16,845)**	**–**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**(242)**	**–**	**–**
Disposal of treasury stock	**–**	**0**	**–**	**19**	**–**	**–**
Net change in the year	**–**	**(1)**	**–**	**–**	**59,515**	**0**
BALANCE AT MARCH 31, 2014	**$360,893**	**$277,107**	**$1,418,243**	**$(3,592)**	**$161,573**	**$9**

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2013	$16,058	$ (3,913)	$ –	$2,057,486	$328,339	$2,385,825
Adjustment of retained earnings for newly consolidated subsidiary	**–**	**–**	**–**	**3,961**	**–**	**3,961**
Net income	**–**	**–**	**–**	**122,485**	**–**	**122,485**
Cash dividends, $0.05 per share	**–**	**–**	**–**	**(16,845)**	**–**	**(16,845)**
Purchase of treasury stock	**–**	**–**	**–**	**(242)**	**–**	**(242)**
Disposal of treasury stock	**–**	**–**	**–**	**19**	**–**	**19**
Net change in the year	**–**	**15,845**	**11,679**	**87,038**	**16,049**	**103,087**
BALANCE AT MARCH 31, 2014	**$16,058**	**$11,932**	**$11,679**	**$2,253,902**	**$344,388**	**$2,598,290**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 20,965**	¥ 18,486	**$ 203,544**
Adjustments for:			
Income taxes paid	**(3,198)**	(3,580)	**(31,049)**
Depreciation and amortization	**20,052**	19,230	**194,680**
Loss (gain) on sales and disposals of property, plant, equipment, and other—net	**139**	(364)	**1,350**
Gain on sales of investment securities and investments in an associated company	**(133)**	(249)	**(1,291)**
Equity in earnings of associated companies	**(630)**	(547)	**(6,117)**
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	**(11,882)**	17,821	**(115,359)**
Decrease in allowance for doubtful accounts	**(69)**	(266)	**(670)**
Increase in inventories	**(2,338)**	(659)	**(22,699)**
Increase (decrease) in notes and accounts payable	**9,955**	(8,949)	**96,650**
Increase in asset for retirement benefits	**(3,973)**	–	**(38,573)**
Decrease in liability for employees' retirement benefits	**145**	15	**1,408**
Other—net	**(466)**	(7,331)	**(4,524)**
Total adjustments	**7,602**	15,121	**73,806**
Net cash provided by operating activities	**28,567**	33,607	**277,350**
INVESTING ACTIVITIES:			
Payment for time deposits	**(345)**	(541)	**(3,349)**
Repayment from time deposits	**24**	394	**233**
Purchases of property, plant, and equipment	**(31,748)**	(24,201)	**(308,233)**
Proceeds from sales of property, plant and equipment	**1,533**	2,748	**14,883**
Purchases of investment securities and investments in a non-consolidated subsidiary and associated companies	**(1,626)**	(3,968)	**(15,786)**
Proceeds from sales of investment securities and investments in an associated company	**220**	369	**2,136**
Disbursements for originating loans	**(178)**	(1,507)	**(1,728)**
Proceeds from collection of loans	**270**	763	**2,621**
Other—net	**(2,463)**	(2,528)	**(23,913)**
Net cash used in investing activities	**(34,313)**	(28,471)	**(333,136)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	**5,451**	(10,598)	**52,922**
Proceeds from long-term borrowings	**25,941**	22,648	**251,854**
Repayments of long-term debt	**(35,614)**	(25,759)	**(345,767)**
Dividends paid, including payments to minority shareholders of subsidiaries	**(2,265)**	(3,941)	**(21,990)**
Other—net	**(1,147)**	293	**(11,135)**
Net cash used in financing activities	**(7,634)**	(17,357)	**(74,116)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**610**	1,142	**5,922**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(12,770)**	(11,079)	**(123,980)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**1,032**	–	**–**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER OF SUBSIDIARIES	**–**	766	**10,020**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**51,643**	61,956	**501,388**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 39,905**	¥ 51,643	**$ 387,428**

See notes to consolidated financial statements.

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DAIDO STEEL CO., LTD. (the Company) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The Company had 57 (57 in 2013) majority-owned subsidiaries and 21 (23 in 2013) associated companies at March 31, 2014. The consolidated financial statements as of March 31, 2014, include the accounts of the Company and 33 (32 in 2013) significant subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has ability to exercise significant influence are accounted for by the equity method.

Investments in six associated companies are accounted for by the equity method for the years ended March 31, 2014 and 2013. Investments in other non-consolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

The fiscal years of the subsidiaries are not necessarily the same as those of the Company. Accounts of those subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations for the year then ended.

The difference between the cost of acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the U.S. tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: a) amortization of goodwill; b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; c) expensing capitalized development costs of R&D; d) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and e) exclusion of minority interests from net income, if contained in net income.

(c) Cash and Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments which mature or become due within three months of the date of acquisition.

(d) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

A limited partnership investment is accounted for by the equity method.

Non-marketable securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Inventories

Inventories are stated at the lower of cost, mainly determined by the average method, or net selling value. Write-down (reversal of write-down) of inventories in the amounts of ¥154 million ($1,495 thousand) and ¥(9) million for the years ended March 31, 2014 and 2013, respectively, were included in cost of sales.

(f) Allowance for Doubtful Accounts

To provide for the loss from doubtful accounts, allowance for doubtful accounts is made using the historical rate of actual losses for normal receivables and the estimated irrecoverable amount for specific doubtful receivables after considering the recoverability of each account.

(g) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less gains on grant receipts, etc. Under certain conditions, such as government grant receipt, exchanges of fixed assets of similar kinds, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The acquisition costs of property, plant and equipment were reduced in the amounts of ¥1,548 million ($15,029 thousand) and ¥1,638 million at March 31, 2014 and 2013, respectively.

Depreciation of certain plants of the Company and certain domestic and foreign subsidiaries is computed by the straight-line method. Depreciation of other plants of the Company and other subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, for domestic companies.

Depreciation of leased assets is computed by the straight-line method over the lease period.

The range of useful lives is from five to 75 years for buildings and structures and from four to 17 years for machinery and equipment.

(h) Land Revaluation

Under the "Law of Land Revaluation," Nippon Drop Forge Co., Ltd., a consolidated subsidiary, elected a one-time revaluation of its own-use land to a value based on real estate appraisal information at March 31, 1999. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2014, the carrying amount of the land after the above one-time revaluation and impairment exceeded the market value by ¥927 million ($9,000 thousand).

(i) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Other Assets

Intangible assets are amortized by the straight-line method. Software costs are amortized over five years.

(k) Retirement and Pension Plans

The Company and its domestic consolidated subsidiaries have defined retirement benefit plans and unfunded pension plans. Certain consolidated subsidiaries have defined contribution pension plans, multiemployer contributory funded pension plans and smaller enterprise retirement allowance mutual aid plans. The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years. Past service costs are amortized on a straight-line basis over 10 years. Certain small consolidated subsidiaries apply the simplified method to state the liability based on the amount which would be paid if employees retired at the consolidated balance sheet date.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance above are effective for the end of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits above, effective March 31, 2014. As a result, asset for retirement benefits of ¥28,785 million ($279,466 thousand) and liability for retirement benefits of ¥7,313 million ($71,000 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥1,203 million ($11,680 thousand).

Retirement benefits to directors and Audit & Supervisory Board members of certain subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date.

(l) Asset Retirement Obligations

In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(m) Research and Development Cost

R&D costs are charged to income as incurred.

(n) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

(o) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

(p) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(q) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(r) Foreign Currency Financial Statements

The consolidated balance sheet accounts, and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

(s) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and, except for those derivatives which qualify for hedge accounting, gains or losses are recognized in the consolidated statement of income, and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value, and the unrealized gains (losses) are recognized in the consolidated statement of income. Forward contracts used to hedge forecasted (or committed) transactions are also measured at fair value, but the unrealized gains (losses) are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

(t) Per Share Information

Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because the Group had no dilutive shares at March 31, 2014 and 2013.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of year.

(u) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and the guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

(v) New Accounting Pronouncement

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidances, being followed by partial amendments from time to time through 2009.

The major change is as follows:

Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard above from the beginning of the annual period beginning on April 1, 2014. The effect of applying the revised accounting standard will be to decrease retained earnings as of April 1, 2014, by approximately ¥2,448 million ($23,767 thousand). The effect on the consolidated statement of income will be immaterial for the year ending March 31, 2015.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Non-current:			
Equity securities	**¥64,973**	¥55,655	**$630,806**
Total	**¥64,973**	¥55,655	**$630,806**

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥35,068**	**¥25,199**	**¥271**	**¥59,996**

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥35,111	¥16,949	¥1,463	¥50,597

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$340,466**	**$244,650**	**$2,631**	**$582,485**

Information for available-for-sale securities that were sold during the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale:						
Equity securities	**¥215**	**¥138**	**¥6**	**$2,087**	**$1,340**	**$58**

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥369	¥249	¥0

Impairment losses on equity securities for the years ended March 31, 2014 and 2013, were ¥81 million ($786 thousand) and ¥403 million, respectively.

4. INVENTORIES

Inventories held by the Group at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise	**¥17,048**	¥16,410	**$165,515**
Finished products	**12,011**	12,980	**116,612**
Semifinished products	**20,212**	21,631	**196,233**
Work in process	**22,180**	19,461	**215,340**
Raw materials	**17,570**	14,995	**170,583**
Supplies	**8,726**	8,559	**84,717**
Total	**¥97,747**	¥94,036	**$949,000**

5. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures," and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Company holds some rental properties, such as office buildings and land in Aichi Prefecture and other areas. The net amount of rental income and operating expenses for those rental properties was ¥861 million ($8,359 thousand) and ¥938 million for the years ended March 31, 2014 and 2013, respectively.

In addition, the net gain on sales of those rental properties was ¥786 million ($7,631 thousand) and ¥415 million for the years ended March 31, 2014 and 2013, respectively.

The carrying amounts, changes in such balances and market prices of such properties at March 31, 2014 and 2013, were as follows:

Millions of Yen				Thousands of U.S. Dollars			
Carrying Amount			Fair Value	Carrying Amount			Fair Value
April 1, 2013	Increase	March 31, 2014	March 31, 2014	April 1, 2013	Increase	March 31, 2014	March 31, 2014
¥5,633	¥277	¥5,910	¥25,502	$54,690	$2,689	$57,379	$247,592

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2012	Decrease	March 31, 2013	March 31, 2013
¥5,095	¥538	¥5,633	¥25,179

Notes:
1) The carrying amount recognized in the consolidated balance sheet was net of accumulated depreciation and accumulated impairment losses, if any.
2) The increase during the fiscal year ended March 31, 2014, primarily represents the acquisition of certain properties of ¥365 million ($3,544 thousand) and the reclassification of certain lands to rental properties of ¥441 million ($4,282 thousand). The increase during the fiscal year ended March 31, 2013, primarily represents the acquisition of certain properties of ¥865 million and the reclassification of certain lands to rental properties of ¥342 million. The decrease during the fiscal year ended March 31, 2014, was primarily due to sales of assets of ¥339 million ($3,291 thousand) and depreciation of ¥168 million ($1,631 thousand). The decrease during the fiscal year ended March 31, 2013, was primarily due to sales of idle assets of ¥452 million and depreciation of ¥152 million.
3) The fair value of properties was primarily measured by the Group in accordance with its Real-Estate Appraisal Standard.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted of notes to banks and bank overdrafts. The weighted-average rates of annual interest applicable to short-term bank loans at March 31, 2014 and 2013, were 0.83% and 0.92%, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Loans from banks and other financial institutions due serially to 2020 with weighted-average interest rates of 0.83% in 2014 and 1.02% in 2013	**¥ 89,466**	¥ 88,907	**$ 868,602**
1.90% unsecured bonds due June 20, 2013	**–**	10,000	**–**
1.08% unsecured bonds due December 18, 2015	**20,000**	20,000	**194,175**
0.68% unsecured bonds due December 1, 2016	**10,000**	10,000	**97,087**
Unsecured bonds issued by a consolidated subsidiary due serially from February 28, 2013, to March 31, 2014	**–**	100	**–**
Obligations under finance leases	**516**	701	**5,010**
Total	**119,982**	129,708	**1,164,874**
Less: Portion due within one year	**(18,991)**	(35,858)	**(184,379)**
Total long-term debt	**¥100,991**	¥ 93,850	**$ 980,495**

Annual maturities of long-term debt at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 18,991	$ 184,379
2016	25,047	243,175
2017	24,676	239,573
2018	14,157	137,447
2019	24,963	242,359
2020 and thereafter	12,148	117,941
Total	¥119,982	$1,164,874

The Company and a consolidated subsidiary entered into line-of-credit agreements with 10 banks. The details of the agreements were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line-of-credit amount	¥25,000	$242,718
Balance used at March 31, 2014	–	–

7. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for notes and accounts payable of ¥4 million ($39 thousand), current portion of long-term debt of ¥7 million ($68 thousand), and other current liabilities of ¥9 million ($87 thousand) at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	**¥ 14**	**$ 136**
Land	**2,179**	**21,155**
Buildings and structures	**1,862**	**18,078**
Machinery and equipment	**1,836**	**17,825**
Investment securities	**51**	**495**
Total	**¥5,942**	**$57,689**

8. RETIREMENT AND PENSION PLANS

The Company and its consolidated subsidiaries have defined retirement benefit plans and unfunded pension plans. Certain consolidated subsidiaries have defined contribution pension plans, multiemployer contributory funded pension plans, and smaller enterprise retirement allowance mutual aid plans.

The Group has employee retirement benefit trusts.

Furthermore, additional severance payments which are not included in liability for retirement benefit are paid in certain cases.

Certain small consolidated subsidiaries apply the simplified method to state the liability based on the amount which would be paid if employees retired at the consolidated balance sheet date.

Some subsidiaries participate in multiemployer contributory funded plans, and the plans are accounted for as if the plans were defined contribution plans in the case that the plan assets attributable to the contributions by the subsidiaries cannot be rationally determined.

Year Ended March 31, 2014

1. The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Balance at beginning of year	**¥48,851**	**$474,282**
Current service cost	**1,488**	**14,447**
Interest cost	**923**	**8,961**
Actuarial gains and losses	**273**	**2,650**
Benefits paid	**(3,869)**	**(37,563)**
Past service cost	**50**	**485**
Others	**23**	**223**
Balance at end of year	**¥47,739**	**$463,485**

2. The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Balance at beginning of year	**¥68,534**	**$665,379**
Expected return on plan assets	**1,170**	**11,359**
Actuarial gains and losses	**2,170**	**21,068**
Contributions from the employer	**2,537**	**24,631**
Benefits paid	**(2,974)**	**(28,874)**
Others	**13**	**126**
Balance at end of year	**¥71,450**	**$693,689**

3. The changes in liability for retirement benefits which applied the simplified method to record the liability for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Balance at beginning of year	**¥2,243**	**$21,777**
Pension costs	**635**	**6,165**
Benefits paid	**(308)**	**(2,990)**
Contributions to pension funds	**(340)**	**(3,301)**
Others	**9**	**87**
Balance at end of year	**¥2,239**	**$21,738**

4. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefit obligation	¥ 48,219	$ 468,146
Plan assets	(73,946)	(717,922)
	(25,727)	(249,776)
Unfunded defined benefit obligation	4,255	41,340
Net asset arising from defined benefit obligation	¥(21,472)	$(208,466)

5. The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 1,488	$ 14,446
Interest cost	923	8,961
Expected return on plan assets	(1,170)	(11,359)
Amortization of prior service cost	(157)	(1,524)
Recognized actuarial gains and losses	(1,468)	(14,252)
Retirement benefits for which simplified method was applied	635	6,165
Additional severance payments	740	7,184
Net periodic benefit costs	¥ 991	$ 9,621

6. Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized prior service cost	¥ 610	$ 5,922
Unrecognized actuarial gains and losses	1,090	10,583
Total	¥1,700	$16,505

7. Plan assets:

(1) Components of plan assets

Plan assets consisted of the following:

	2014
Debt investments	15%
Equity investments	64
Assets in an insurer's general account	19
Others	2
Total	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	1.9%
Expected rate of return on plan assets	2.0

The amount of contributions paid by consolidated subsidiaries to multiemployer contributory funded pension plans, which was accounted for as if it were defined contribution plans for the year ended March 31, 2014, was ¥326 million ($3,165 thousand).

The funded status of the multiemployer plan at March 31, 2014, to which contributions paid by certain domestic subsidiaries were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Fair value of plan assets	**¥241,559**	**$2,345,233**
Pension obligation recorded by pension fund	**267,884**	**2,600,816**
Difference	**¥ (26,325)**	**$ (255,583)**
The Group's contribution percentage for contributory funded pension plans	**2.53%**	

Year Ended March 31, 2013

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥ 53,470
Fair value of plan assets	(70,910)
Unrecognized prior service benefit	816
Unrecognized actuarial loss	666
Prepaid pension cost	22,823
Liability for retirement benefit	¥ 6,865

Certain domestic subsidiaries contribute to a multiemployer plan for which pension assets or obligations are not recorded as the Group's pension assets or obligations.

The funded status of the multiemployer plan at March 31, 2013, to which contributions paid by certain domestic subsidiaries were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen
	2013
Fair value of plan assets	¥203,240
Pension obligation recorded by pension fund	239,951
Difference	¥ (36,711)
The Group's contribution percentage for contributory funded pension plans	2.25%

The components of net periodic employees' retirement benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
	2013
Service cost	¥ 2,153
Interest cost	956
Expected return on plan assets	(1,090)
Recognized actuarial loss	(341)
Amortization of prior service benefit	(162)
Contribution to defined contribution plans	87
Contribution to multiemployer contributory funded pension plans	136
Additional severance payments	756
Net periodic employees' retirement benefit cost	¥ 2,495

Assumptions used for the year ended March 31, 2013, were set forth as follows:

	2013
Discount rate	Primarily 1.9%
Expected rate of return on plan assets	Mainly 2.0%
Recognition period of actuarial gain (loss)	Mainly 10 years
Recognition period of prior service benefit	Mainly 10 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Balance at beginning of year	**¥426**	¥426	**$4,136**
Reconciliation associated with passage of time	**–**	–	**–**
Balance at end of year	**¥426**	¥426	**$4,136**

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the Companies Act). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014, and 2013.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Accrued bonuses	**¥ 2,120**	¥ 2,195	**$ 20,583**
Liability for retirement benefits	**2,539**	2,429	**24,650**
Allowance for doubtful accounts	**94**	212	**912**
Write-down of securities and other assets	**657**	799	**6,379**
Elimination of unrealized gain on property, plant, and equipment	**655**	242	**6,359**
Net loss carryforwards	**1,312**	2,120	**12,738**
Elimination of unrealized gain on inventories	**937**	878	**9,097**
Enterprise tax	**365**	150	**3,544**
Other	**2,940**	2,867	**28,544**
Less valuation allowance	**(3,781)**	(4,202)	**(36,709)**
Total deferred tax assets	**¥ 7,838**	¥ 7,690	**$ 76,097**
Deferred tax liabilities:			
Deferred gain on property, plant, and equipment	**¥ 2,193**	¥ 2,324	**$ 21,291**
Land revaluation surplus	**1,397**	1,397	**13,563**
Unrealized gain on securities	**8,709**	5,487	**84,553**
Asset for retirement benefits	**8,144**	6,171	**79,068**
Unrealized gain on lands resulting from consolidation of a subsidiary	**1,223**	1,185	**11,874**
Other	**846**	568	**8,214**
Total deferred tax liabilities	**¥ 22,512**	¥17,132	**$ 218,563**
Net deferred tax liabilities	**¥(14,674)**	¥ (9,442)	**$(142,466)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, with the corresponding figures for 2013 is as follows:

	2014	2013
Normal effective statutory tax rates	**38.0%**	38.0%
Expenses not deductible for income tax purposes	**1.9**	2.1
Revenues not recognized for income tax purposes	**(4.4)**	(5.3)
Per capita tax	**0.5**	0.7
Net change in valuation allowance	**(1.7)**	(5.4)
Effects of elimination of dividends for consolidation purposes	**3.0**	4.1
Effect of accounting by the equity method	**(1.1)**	(1.1)
Lower income tax rates applicable to income in certain foreign countries	**(0.9)**	(1.1)
Tax credit	**(3.5)**	(0.6)
Effect of change in statutory tax rate	**1.1**	–
Other—net	**(2.2)**	0.2
Actual effective tax rates	**30.7%**	31.6%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥234 million ($2,272 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥234 million ($2,272 thousand).

12. RESEARCH AND DEVELOPMENT COSTS

R&D costs charged to income were ¥5,160 million ($50,097 thousand) and ¥4,560 million for the years ended March 31, 2014 and 2013, respectively.

13. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Freight expenses	**¥12,922**	¥12,328	**$125,456**
Salaries and welfare expenses	**20,966**	20,633	**203,553**
Provision for bonuses to employees	**2,133**	2,015	**20,709**
Provision for bonuses to directors and Audit & Supervisory Board members	**257**	216	**2,495**
Net periodic retirement benefit costs	**813**	1,314	**7,893**
Depreciation	**1,216**	1,160	**11,806**
Other	**10,060**	9,543	**97,670**
Total	**¥48,367**	¥47,209	**$469,582**

14. LEASES

(As lessor)

Expected revenues from operating leases at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Due within one year	**¥ 519**	¥ 568	**$ 5,039**
Due after one year	**4,013**	4,532	**38,961**
Total	**¥4,532**	¥5,100	**$44,000**

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term and long-term debt including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of payables denominated in the same currency. In addition, foreign currency receivables of certain consolidated subsidiaries are hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above. In addition, foreign currency trade payables in certain consolidated subsidiaries are exposed to risk resulting from fluctuations in foreign currency exchange rates. The risk is hedged by using forward foreign currency contracts.

Short-term bank loans and commercial paper are mainly used for general operating purposes, and long-term bank loans and bonds are mainly used for investment and strategy. Although a part of such bank loans and commercial paper, excluding bonds, is exposed to risk of changes in variable interest rates, that risk is mitigated by using interest rate swaps.

Derivatives mainly include forward foreign currency contracts, currency swaps, and interest rate swaps, which are used to manage exposure to risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Note 16 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. Please see Note 16 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2014.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is netted against the balance of receivables and payables. In addition, certain consolidated subsidiaries hedge such risk principally by using forward foreign currency contracts.

Interest rate swaps and currency swaps are used to manage exposure to risks of changes in interest rates of loan payables.

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Derivative transactions are undertaken by the finance and accounting department and the procurement center based on internal regulations that prescribe the authority and maximum amount for each transaction.

Liquidity risk management

The Group manages its liquidity risk by establishing a cash management plan according to reports from each department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 16 for details of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/(Loss)	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	**¥ 39,905**	**¥ 39,905**	**–**	**$ 387,427**	**$ 387,427**	**–**
Time deposits	**810**	**810**	**–**	**7,864**	**7,864**	**–**
Notes and accounts receivable	**101,734**	**101,734**	**–**	**987,709**	**987,709**	**–**
Investment securities	**59,997**	**59,997**	**–**	**582,495**	**582,495**	**–**
Investment in an associated company	**4,341**	**2,890**	**¥(1,451)**	**42,146**	**28,058**	**$(14,088)**
Total	**¥206,787**	**¥205,336**	**¥(1,451)**	**$2,007,641**	**$1,993,553**	**$(14,088)**
Short-term bank loans	**¥ 23,104**	**¥ 23,104**	**–**	**$ 224,311**	**$ 224,311**	**–**
Current portion of long-term debt	**18,991**	**18,991**	**–**	**184,379**	**184,379**	**–**
Payables: Trade notes and accounts	**76,895**	**76,895**	**–**	**746,553**	**746,553**	**–**
Income taxes payable	**3,507**	**3,507**	**–**	**34,049**	**34,049**	**–**
Long-term debt	**100,991**	**101,320**	**¥ (329)**	**980,495**	**983,689**	**$ (3,194)**
Total	**¥223,488**	**¥223,817**	**¥ (329)**	**$2,169,787**	**$2,172,981**	**$ (3,194)**

March 31, 2013	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 51,643	¥ 51,643	–
Time deposits	418	418	–
Notes and accounts receivable	88,652	88,652	–
Investment securities	50,597	50,597	–
Investment in an associated company	4,143	2,677	¥(1,466)
Total	¥195,453	¥193,987	¥(1,466)
Short-term bank loans	¥ 16,530	¥ 16,530	–
Current portion of long-term debt	35,858	35,858	–
Payables: Trade notes and accounts	66,233	66,233	–
Income taxes payable	1,761	1,761	–
Long-term debt	93,850	94,566	¥ (716)
Total	¥214,232	¥214,948	¥ (716)

Cash and Cash Equivalents, Time Deposits, Notes and Accounts Receivable, Payables-Trade Notes and Accounts, Income Taxes Payable, Short-Term Bank Loans, and Current Portion of Long-Term Debt with Variable Interest Rates

The carrying values of cash and cash equivalents, time deposits, notes and accounts receivables, payables-trade notes and accounts, income taxes payable, short-term bank loans, and current portion of long-term debt with variable interest rates approximate fair value because of their short maturities. The fair values of notes and accounts receivables, and payables-trade notes and accounts include the fair values of foreign currency forward contracts and interest rate swaps.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 3.

Long-Term Debt with Fixed Interest Rates

The fair values of long-term debt with fixed interest rates are determined by discounting the cash flows related to the debt at the risk-free rate plus credit spread or at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Securities that do not have a quoted market price in an active market			
Investment securities	**¥ 4,976**	¥ 5,058	**$ 48,311**
Investments in non-consolidated subsidiaries and associated companies	**15,273**	14,842	**148,282**

FINANCIAL SECTION

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 39,905**	**–**	**–**	**–**
Time deposits	**810**	**–**	**–**	**–**
Notes and accounts receivable	**101,734**	**–**	**–**	**–**
Total	**¥142,449**	**–**	**–**	**–**

	Thousands of U.S. Dollars			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 387,427**	**–**	**–**	**–**
Time deposits	**7,864**	**–**	**–**	**–**
Notes and accounts receivable	**987,709**	**–**	**–**	**–**
Total	**$1,383,000**	**–**	**–**	**–**

Please see Note 6 for annual maturities of long-term debt and the current portion of long-term debt.

16. DERIVATIVES

The Group enters into foreign exchange forward contracts, interest rate swaps, and currency swaps. The Group does not hold or issue derivatives for trading or speculative purposes. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate hedging policy, authorization, credit limit, and reporting to management. Each derivative transaction is periodically reported to management, which evaluates and analyzes the derivatives.

Derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	**¥ 181**	**–**	**¥ 1**	**¥ 1**
Euro	**186**	**–**	**2**	**2**
Yen	**440**	**–**	**(4)**	**(4)**
Thai Baht	**6**	**–**	**0**	**0**
H.K. dollar	**0**	**–**	**0**	**0**
Selling:				
U.S. dollar	**5,206**	**–**	**(21)**	**(21)**
Euro	**214**	**–**	**(2)**	**(2)**
Thai Baht	**78**	**–**	**(1)**	**(1)**

At March 31, 2013	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	¥ 308	–	¥ (1)	¥ (1)
Euro	235	–	7	7
Yen	421	–	(30)	(30)
Selling:				
U.S. dollar	3,210	–	4	4
Euro	107	–	1	1

At March 31, 2014	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	**$ 1,757**	**–**	**$ 10**	**$ 10**
Euro	**1,806**	**–**	**19**	**19**
Yen	**4,272**	**–**	**(39)**	**(49)**
Thai Baht	**58**	**–**	**0**	**0**
H.K. dollar	**0**	**–**	**0**	**0**
Selling:				
U.S. dollar	**50,544**	**–**	**(204)**	**(204)**
Euro	**2,078**	**–**	**(19)**	**(19)**
Thai Baht	**757**	**–**	**(10)**	**(10)**

Derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013, were as follows:

At March 31, 2014	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount Due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	**¥ 522**	**–**	**¥ 9**
Euro	Payables—trade	**40**	**–**	**1**
Pound Sterling	Payables—trade	**13**	**–**	**1**
Selling				
U.S. dollar	Receivables—trade	**729**	**–**	**(9)**
Qualified for hedge accounting not remeasured at market value:				
Buying:				See Note on the following page
U.S. dollar	Payables—trade	**314**	**–**	
Pound Sterling	Payables—trade	**16**	**–**	
Singapore dollar	Payables—trade	**7**	**–**	
Yen	Payables—trade	**31**	**–**	
Selling				
U.S. dollar	Receivables—trade	**82**	**–**	
Currency swap:	Short-term bank loans and long-term debt			
Yen payment, U.S. dollar receipt				
Interest rate swaps:				
Floating rate payment, fixed rate receipt		**2,000**	**¥ 2,000**	
Fixed rate payment, floating rate receipt		**37,200**	**37,100**	

At March 31, 2013	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount Due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	¥ 137	–	¥ 6
Pound Sterling	Payables—trade	34	–	3
Selling:				
U.S. dollar	Receivables—trade	78	–	(6)
Euro	Receivables—trade	10	–	0
Qualified for hedge accounting not remeasured at market value:				
Buying:				See Note on the following page
U.S. dollar	Payables—trade	82	–	
Pound Sterling	Payables—trade	88	–	
Yen	Payables—trade	69	–	
Selling				
U.S. dollar	Receivables—trade	41	–	
Interest rate swaps:	Short-term bank loans and long-term debt			
Floating rate payment, fixed rate receipt		3,000	¥ 2,000	
Fixed rate payment, floating rate receipt		40,130	26,500	

At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	**$ 5,068**	**–**	**$ 87**
Euro	Payables—trade	**388**	**–**	**10**
Pound Sterling	Payables—trade	**126**	**–**	**10**
Selling				
U.S. dollar	Receivables—trade	**7,078**	**–**	**(87)**
Qualified for hedge accounting not remeasured at market value:				
Buying:				
U.S. dollar	Payables—trade	**3,049**	**–**	
Pound Sterling	Payables—trade	**155**	**–**	
Singapore dollar	Payables—trade	**68**	**–**	
Yen	Payables—trade	**301**	**–**	
Selling				See Note below
U.S. dollar	Receivables—trade	**796**	**–**	
Currency swap:				
Yen payment, U.S. dollar receipt	Short-term bank loans and long-term debt			
Interest rate swaps:				
Floating rate payment, fixed rate receipt		**19,417**	**$ 19,417**	
Fixed rate payment, floating rate receipt		**361,165**	**360,194**	

Note: Fair values of derivatives qualified for hedge accounting, which are not remeasured at market value, are included in the fair values of hedged items in Note 15.

17. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2014, the Group had contingent liabilities for notes with recourse in the course of asset liquidation in the amount of ¥841 million ($8,165 thousand).

At March 31, 2014, the Group was contingently liable for ¥4,965 million ($48,204 thousand) for guarantees of loans and payables of non-consolidated subsidiaries, associated and other companies and employees, including borrowings of ¥3,600 million ($34,951 thousand) by Yugen Kaisha Takakura Founding Corporation (Takakura).

The Company had an obligation to invest additionally in Takakura via an anonymous association contract with an upper limit of ¥524 million ($5,087 thousand) in the event that buildings owned by Takakura are destroyed or impaired by natural disaster.

The Company transferred all stocks of one of its consolidated subsidiaries, Tokuhatsu Co., Ltd., held by the Company, to NHK Spring Co., Ltd., in January 2006. Under the agreement with NHK Spring, the Company would owe a defect liability against NHK Spring at a maximum amount of ¥3,200 million for 10 years starting on the date of transfer. The Company agreed to owe the defect liability, which includes product liability and remedy cost for land pollution, subject to events occurring prior to the date of transfer. As a result of the due diligence process between the Company and NHK Spring, management of the Company believes that the possibility of exposure to losses is remote.

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 9,588**	¥ 5,937	**$ 93,087**
Reclassification adjustments to profit or loss	**(133)**	154	**(1,291)**
Amount before income tax effect	**9,455**	6,091	**91,796**
Income tax effect	**(3,309)**	(1,993)	**(32,126)**
Total	**¥ 6,146**	¥ 4,098	**$ 59,670**
Deferred loss (gain) on derivatives under hedge accounting:			
Losses (gains) arising during the year	**¥ (2)**	¥ 8	**$ (19)**
Reclassification adjustments to profit or loss	**–**	8	**–**
Amount before income tax effect	**(2)**	16	**(19)**
Income tax effect	**1**	(6)	**9**
Total	**¥ (1)**	¥ 10	**$ (10)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 1,845**	¥ 1,394	**$ 17,913**
Total	**¥ 1,845**	¥ 1,394	**$ 17,913**
Share of other comprehensive income in associates:			
Gains arising during the year	**¥ 85**	¥ 29	**$ 825**
Total	**¥ 85**	¥ 29	**$ 825**
Total other comprehensive income	**¥ 8,075**	¥ 5,531	**$ 78,398**

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	**¥1,085**	**$10,534**

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Group has business divisions based on the nature of its products and services. Each division draws up strategies and operates its own business.

The Group consists of five industries: Specialty Steel, High Performance Materials and Magnetic Materials, Parts for Automobile and Industrial Equipment, Engineering, and Trading and Service. Specialty Steel industry consists of manufacturing of specialty steel for automotive and industrial machinery parts.

High Performance Materials and Magnetic Materials industry consists of manufacturing of stainless steel, high alloy and magnetic materials, titanium products and powder metals for automotive and industrial machinery, and electrical and electronic parts.

Parts for Automobile and Industrial Equipment industry consists of manufacturing of die-forged parts, forging products, and other products for automotive and industrial machinery parts.

Engineering industry consists of manufacturing and maintenance of steelmaking and environmental equipment, industrial furnaces, and associated equipment.

Trading and Service industry consists of real estate-related services and welfare and other services.

2. Methods of Measurement for the Amounts of Sales, Profit, Assets, and Other Items for each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Reportable segment profit represents operating income.

3. Information about Sales, Profit, Assets, and Other Items is as Follows:

2014	Millions of Yen — Reportable Segment: Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total	Reconciliations	Consolidated
Sales								
Sales to external customers	**¥184,100**	**¥143,485**	**¥ 97,002**	**¥24,105**	**¥ 9,039**	**¥457,731**	**–**	**¥457,731**
Intersegment sales or transfers	**66,650**	**15,883**	**26,774**	**7,875**	**9,818**	**127,000**	**¥(127,000)**	**–**
Total	**¥250,750**	**¥159,368**	**¥123,776**	**¥31,980**	**¥18,857**	**¥584,731**	**¥(127,000)**	**¥457,731**
Segment profit	**¥ 1,691**	**¥ 11,104**	**¥ 3,779**	**¥ 1,126**	**¥ 1,280**	**¥ 18,980**	**¥ (3)**	**¥ 18,977**
Segment assets	**202,070**	**170,016**	**111,852**	**17,329**	**18,365**	**519,632**	**37,890**	**557,522**
Other:								
Depreciation and amortization	**6,728**	**6,727**	**5,428**	**233**	**936**	**20,052**	**–**	**20,052**
Investments in associated companies accounted for by the equity method	**4,087**	**4,724**	**372**	**89**	**–**	**9,272**	**297**	**9,569**
Increase in property, plant, and equipment and intangible assets	**22,261**	**11,491**	**9,439**	**230**	**983**	**44,404**	**–**	**44,404**

2013	Millions of Yen — Reportable Segment: Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total	Reconciliations	Consolidated
Sales								
Sales to external customers	¥169,379	¥136,852	¥ 93,293	¥31,958	¥ 8,946	¥440,428	–	¥440,428
Intersegment sales or transfers	63,323	15,908	28,575	1,794	10,275	119,875	¥(119,875)	–
Total	¥232,702	¥152,760	¥121,868	¥33,752	¥19,221	¥560,303	¥(119,875)	¥440,428
Segment profit	¥ 3,515	¥ 6,648	¥ 3,394	¥ 763	¥ 1,109	¥ 15,429	¥ (3)	¥ 15,426
Segment assets	180,717	162,412	105,029	15,473	18,777	482,408	28,751	511,159
Other:								
Depreciation and amortization	6,141	6,267	5,575	290	957	19,230	–	19,230
Investments in associated companies accounted for by the equity method	3,771	4,498	330	79	–	8,678	261	8,939
Increase in property, plant, and equipment and intangible assets	9,923	9,439	6,302	484	643	26,791	–	26,791

2014	Thousands of U.S. Dollars — Reportable Segment: Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total	Reconciliations	Consolidated
Sales								
Sales to external customers	**$1,787,379**	**$1,393,058**	**$ 941,767**	**$234,029**	**$ 87,757**	**$4,443,990**	**–**	**$4,443,990**
Intersegment sales or transfers	**647,087**	**154,204**	**259,942**	**76,456**	**95,321**	**1,233,010**	**$(1,233,010)**	**–**
Total	**$2,434,466**	**$1,547,262**	**$1,201,709**	**$310,485**	**$183,078**	**$5,677,000**	**$(1,233,010)**	**$4,443,990**
Segment profit	**$ 16,417**	**$ 107,806**	**$ 36,689**	**$ 10,932**	**$ 12,427**	**$ 184,272**	**$ (29)**	**$ 184,243**
Segment assets	**1,961,844**	**1,650,641**	**1,085,942**	**168,243**	**178,301**	**5,044,971**	**367,864**	**5,412,835**
Other:								
Depreciation and amortization	**65,320**	**65,311**	**52,699**	**2,262**	**9,088**	**194,680**	**–**	**194,680**
Investments in associated companies accounted for by the equity method	**39,680**	**45,864**	**3,612**	**864**	**–**	**90,020**	**2,883**	**92,903**
Increase in property, plant, and equipment and intangible assets	**216,126**	**111,563**	**91,641**	**2,233**	**9,544**	**431,107**	**–**	**431,107**

Notes: 1. Reconciliations of segment profit consisted of elimination of intersegment transactions.
2. Reconciliations of segment assets and investments in associated companies consisted of corporate assets that were not allocated to any reportable segments.
3. Segment profit was reconciled to operating income in the consolidated statement of income.

4. Associated Information

(1) Information about geographical areas

Sales

2014 (Millions of Yen)	Japan	North America	Asia	Other	Total
	¥368,604	**¥15,928**	**¥66,977**	**¥6,222**	**¥457,731**

2013 (Millions of Yen)	Japan	North America	Asia	Other	Total
	¥364,872	¥15,433	¥54,556	¥5,567	¥440,428

2014 (Thousands of U.S. Dollars)	Japan	North America	Asia	Other	Total
	$3,578,679	**$154,641**	**$650,262**	**$60,408**	**$4,443,990**

(2) Information about impairment loss

2014	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	**¥53**	**¥32**	**¥19**	**¥4**	**–**	**¥108**

2013	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	–	–	¥56	–	–	¥56

2014	Thousands of U.S. Dollars					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Impairment loss	**$515**	**$311**	**$184**	**$39**	**–**	**$1,049**

(3) Information about goodwill

2014	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill	**¥ 54**	**–**	**–**	**–**	**–**	**¥ 54**
Balance of goodwill	**¥163**	**–**	**–**	**–**	**–**	**¥163**

2013	Millions of Yen					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill (negative goodwill)	¥ 45	¥4	¥(2)	–	–	¥ 47
Balance of goodwill	¥211	–	–	–	–	¥211

2014	Thousands of U.S. Dollars					
	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Amortization of goodwill	**$ 523**	**–**	**–**	**–**	**–**	**$ 523**
Balance of goodwill	**$1,588**	**–**	**–**	**–**	**–**	**$1,588**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daido Steel Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daido Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daido Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

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Head Office	Urbannet Nagoya Building,1-10, Higashisakura 1-chome, Higashi-ku, Nagoya, Aichi 461-8581, Japan	81-52-963-7501 (81-52-963-4386)
Tokyo Head Office	Daido Shinagawa Building, 6-35, Konan 1-chome, Minato-ku, Tokyo 108-8478, Japan	81-3-5495-1253 (81-3-5495-6733)
Osaka Branch	Kogin Building, 1-1, Koraibashi 4-chome, Chuo-ku, Osaka 541-0043, Japan	81-6-6229-6530 (81-6-6202-8663)
Niigata Sales Office	1084, Kotaka, Tsubame, Niigata 959-1241, Japan	81-256-63-4405 (81-256-62-2484)
Fukuoka Sales Office	13-2, Tenjin 1-chome, Chuo-ku, Fukuoka 810-0001, Japan	81-92-771-4481 (81-92-771-9384)

Research Institute & Plants

Daido Corporate Research & Development Center	30, Daido-cho 2-chome, Minami-ku, Nagoya, Aichi 457-8545, Japan	81-52-611-2522 (81-52-611-9004)
Chita Plant	39, Motohama-machi, Tokai, Aichi 477-0035, Japan	81-562-33-3101 (81-562-33-1570)
Chita Forging Plant		81-562-33-7461 (81-562-33-1550)
Chita Steel Strip Plant		81-562-33-7465 (81-562-33-1019)
Hoshizaki Plant	30, Daido-cho 2-chome, Minami-ku, Nagoya, Aichi 457-8545, Japan	81-52-611-2512 (81-52-614-2492)
Shibukawa Plant	500, Ishihara, Shibukawa, Gunma 377-0007, Japan	81-279-25-2000 (81-279-25-2040)
Kawasaki Techno Center	4-1, Yako 2-chome, Kawasaki-ku, Kawasaki, Kanagawa 210-0863, Japan	81-44-266-3760 (81-44-266-3768)
Tsukiji Techno Center	10, Ryugu-cho, Minato-ku, Nagoya, Aichi 455-0022, Japan	81-52-691-5181 (81-52-691-5212)
Metal Powder Plant		81-52-691-5186 (81-52-691-5195)
Oji Plant	9-3, Kamiya 3-chome, Kita-ku, Tokyo 115-0043, Japan	81-3-3901-4161 (81-3-3901-8211)
Kimitsu Plant	1, Kimitsu, Kimitsu, Chiba 299-1141, Japan	81-439-52-1541 (81-439-54-1280)
Takiharu Techno Center	9, Takiharu-cho, Minami-ku, Nagoya, Aichi 457-8712, Japan	81-52-613-6801 (81-52-613-6840)
Nakatsugawa Techno Center	1642-144, Nasubigawa, Nakatsugawa, Gifu 509-9132, Japan	81-573-68-6171 (81-573-68-6188)

Specialty Steel

Daido Die & Mold Solutions Co., Ltd.
Daido Tienwen Steel Co., Ltd.
DAIDO AMISTAR (S) PTE LTD
DAIDO PDM (Thailand) CO., LTD.
DAIDO AMISTAR (M) SDN. BHD.
Daido Shizai Service Co., Ltd.
Daido EcoMet Co., Ltd.
Daido Technica Co., Ltd.
Maruta Transport Co., Ltd.
Sakurai Kosan Co., Ltd.
Izumi Denki Kogyo Co., Ltd.
Riken Seiko Co., Ltd.
Kawaichi Sangyo Co., Ltd.
Tohoku Steel Co., Ltd.

High Performance Materials and Magnetic Materials

Nippon Seisen Co., Ltd.
Shimomura Tokushu Seiko Co., Ltd.
Daido Electronics Co., Ltd.
Daido Electronics (Thailand) Co., Ltd.
Daido Electronics (Suzhou) Co., Ltd.
Daido-Special Metals Ltd.
Nissei Seiko Co., Ltd.
THAI SEISEN Co., Ltd.

Parts for Automobile and Industrial Equipment

Fuji OOZX Inc.
Daido Castings Co., Ltd.
Toyo Sangyo Co., Ltd.
Japan Drop Forge Co., Ltd.
Daido Star Techno Co., Ltd
Daido Precision Industries Ltd.
OHIO STAR FORGE CO.

Engineering

Daido Machinery Co., Ltd.
Daido Environment Engineering Co., Ltd.
Daido Plant Industries Co., Ltd.

Trading and Service

Daido Kogyo Co., Ltd.
Daido Life Service Co., Ltd.
Life Support Co., Ltd.
Kisokoma Heights Co., Ltd.
Daido Bunseki Research Inc.
Daido Steel (America) Inc.
Star Info Tech Co., Ltd.

(As of March 31, 2014)

CORPORATE DATA (As of March 31, 2014)

Corporate Name:	Daido Steel Co., Ltd.
Founded:	August 19, 1916
Incorporated:	February 1, 1950
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Internet Address:	http://www.daido.co.jp/en/index.html
Number of Employees:	3,159
Common Stock:	¥37,172 million
Number of Authorized Shares:	1,160,000,000
Number of Issued Shares:	434,487,693
Number of Shareholders:	31,414
Independent Auditors:	Deloitte Touche Tohmatsu LLC
Stock Exchange Listings:	Tokyo, Nagoya
Transfer Agent of Common Stock:	The Chuo Mitsui Trust and Banking Company, Limited
Principal Shareholders:	NIPPON STEEL CORPORATION Meiji Yasuda Life Insurance Company Japan Trustee Services Bank, Ltd. (Trust Account) Mizuho Bank, Ltd. The Master Trust Bank of Japan, Ltd. (Trust Account) NHK Spring Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. HONDA MOTOR CO., LTD. TOYOTA MOTOR CORPORATION National Mutual Insurance Federation of Agricultural Cooperatives
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