ANNUAL REPORT 2013
Year ended March 31, 2013

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

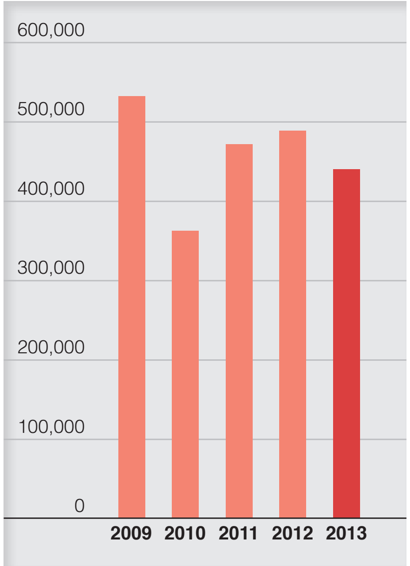
DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

	Millions of Yen					Thousands of U.S. Dollars
	2013	2012	2011	2010	2009	**2013**
For the Year:						
Net Sales	**440,428**	489,155	472,063	362,507	532,655	**4,685,404**
Operating Income (Loss)	**15,426**	31,534	32,730	(14,050)	9,115	**164,106**
Net Income (Loss)	**10,983**	22,718	23,004	(14,610)	(8,147)	**116,840**
R&D Expenses	**4,560**	4,360	4,254	3,909	4,244	**48,511**
Capital Expenditures	**25,400**	39,700	18,900	7,900	13,400	**270,213**
Depreciation	**19,229**	20,464	20,073	20,303	21,809	**204,564**
At Year-end:						
Total Assets	**511,159**	512,969	491,722	464,629	496,411	**5,437,862**
Total Equity	**211,921**	198,654	178,348	159,301	166,235	**2,254,480**
Interest-bearing Debt	**146,999**	156,336	157,445	173,790	207,123	**1,563,819**
Number of Employees	**10,447**	10,365	10,272	10,414	10,212	**—**
Number of Consolidated Subsidiaries	**32**	33	32	32	32	**—**
Per Share of Common Stock (Yen and U.S. Dollars):						
Basic Net Income	**25.32**	52.37	53.02	(33.68)	(18.78)	**0.27**
Cash Dividends Applicable to the Year	**4.50**	7.50	7.00	2.00	6.00	**0.05**
ROA (%)	**3.2**	6.3	6.6	(2.9)	1.6	**—**
ROE (%)	**5.4**	12.1	13.6	(9.0)	(4.6)	**—**

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013.

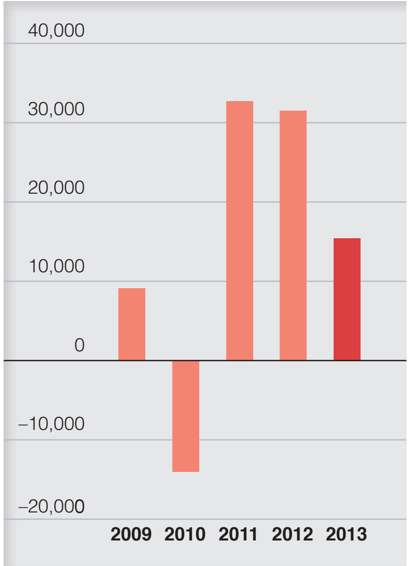
NET SALES
Years ended March 31

(millions of yen)



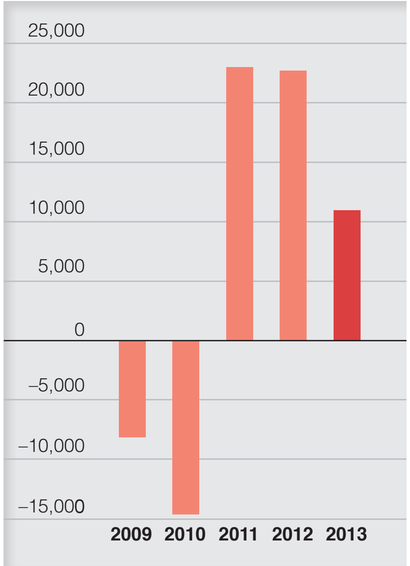
OPERATING INCOME (LOSS)
Years ended March 31

(millions of yen)



NET INCOME (LOSS)
Years ended March 31

(millions of yen)



Overview of Results for Fiscal 2012

In fiscal 2012, the Japanese economy initially experienced a mild recovery that was propelled by demand associated with earthquake reconstruction and government stimulus measures such as eco-car subsidies, but it was sluggish from the middle of the year primarily due to a decline in exports caused by slowing in overseas economies. In the automobile, industrial machinery and information technology sectors, key sources of demand for our specialty steel products, demand conditions on the whole continued to be challenging against a backdrop of deceleration in overseas economies, prolonged inventory adjustments and a downturn in the absence of previous government stimulus measures.

In this management environment, we worked to flexibly accommodate sharp swings in demand while taking on projects that included revamping the steelmaking processes at the Chita Plant.

As a result, the Group's net sales in fiscal 2012 declined by ¥48,727 million year on year to ¥440,428 million. In addition to lower demand, both domestically and abroad, and prolonged inventory adjustments, mainly in industrial machinery and information technology, our sales prices are linked to prices for steel scrap and other raw materials, which declined. Ordinary income fell ¥15,287 million to ¥16,475 million due to the decline in sales, construction-related costs incurred at the Chita Plant, and other factors. Net income was ¥10,983 million.

Outlook for Fiscal 2013

The Japanese economy going forward is expected to steadily recover as exports rebound on improvement in overseas economies and the weaker yen and as various economic and financial stimulus measures take effect. However, there is still the risk of downward pressure on business conditions from economies overseas experiencing a downturn due to the European fiscal crisis and surging prices for crude oil. Such changes in the management environment will need to be closely monitored.

Demand for Japanese automobiles, one of the main sources of demand for our specialty steel products, is projected to continue to expand against a backdrop of growth in emerging economies, but the factors that cause demand to change, 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 move to a recovery phase on better economic conditions domestically and abroad and improvement in the export environment.

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, but solid growth is generally anticipated on increased Japanese auto production. In other demand sectors, we are anticipating a gradual recovery from the inventory adjustment phase of last year. Meanwhile, prices for primary materials and fuels, such as steel scrap and crude oil, and electricity are projected to increase as a reflection of global supply-and-demand trends and the shift to a weaker yen. 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 revamping the Chita Plant as soon as possible.

HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS

Stainless steel and high alloy products will probably also recover gradually from an inventory adjustment phase, led by products for industrial machinery. Magnetic products are also expected to shift to a recovery phase as products used in power steering systems and factory automation motors regain momentum and products for home appliances are launched, although demand for magnets used in hard disk drive motors will remain soft. Demand for titanium products is likely to be firm as the weaker yen improves the export environment and demand sectors expand to include medical and other applications. Powder metal products are expected to see solid demand undergirded by the auto industry, particularly for functional powder metal products used in hybrid electric vehicles, and because of the expected launch of a new alloyed powder manufacturing line.

PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

We expect demand for die forgings to gradually recover as demand rebounds for Japanese automobiles in domestic and overseas markets and products for industrial machinery gain traction. In turbo-related products, a greater proportion of vehicles are expected to include turbo systems as environmental regulations are strengthened worldwide, so we anticipate gradual growth in demand. 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. However, the impact of trends in the European economy and exchange rate fluctuations require close monitoring.

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 the absence of large orders we booked in fiscal 2012 that included construction work for a new magnet manufacturing subsidiary.

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 2013 are net sales of ¥453.0 billion, operating income of ¥18.5 billion, ordinary income of ¥18.5 billion and net income of ¥11.0 billion. Primary fuel and 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.

Medium- to Long-Term Management Strategies

Over the medium and long terms, we believe that specialty steel-related demand will continue expanding, particularly in emerging countries, amid a further acceleration in market globalization. At the same time, we assume that international competition will further intensify. 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, in March 2012 the Group instituted a three-year management plan through fiscal 2014.

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 intend to continue promoting the priorities stated in our medium-term management plan, which include strategic investment, starting with major construction to revamp processes at the Chita Plant, sales promotion activities for global leading products, and enhancements to business continuity management.

The Group's main products include products that are significantly impacted by market prices as well as demand fluctuations for scrap metal, nickel alloy and other materials. Accordingly, in terms of our management indicators, we strive to achieve ROS of 8%, ROA of 8% and an interest-bearing debt balance of ¥120.0 billion, which are targets for earnings growth and reinforcement of our financial base.

September 2013

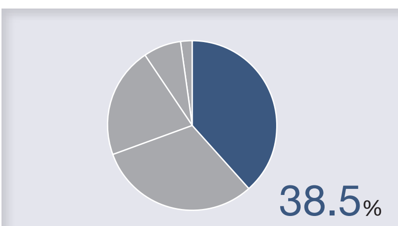
Tadashi Shimao
President

SPECIALTY STEEL

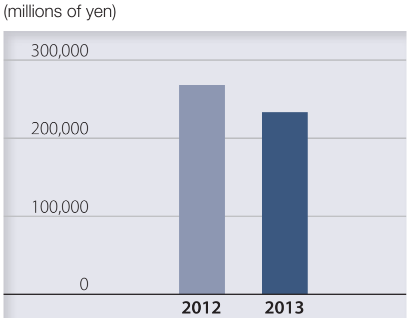
MAIN PRODUCTS

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

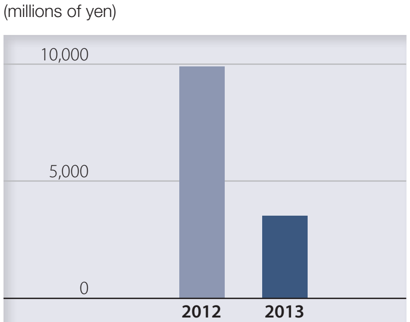
SHARE OF NET SALES
(%)



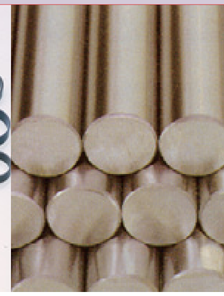
NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)



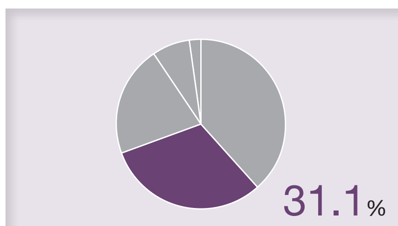
HIGH PERFORMANCE MATERIALS AND MAGNETIC MATERIALS



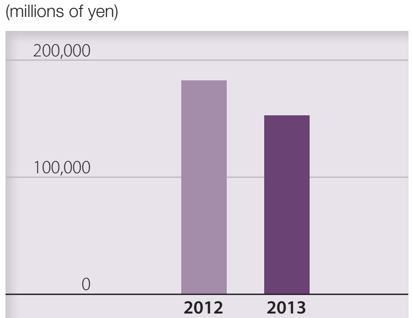
MAIN PRODUCTS

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

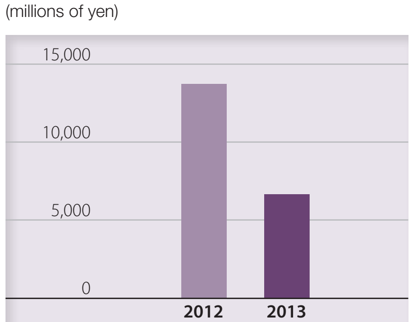
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



OPERATING INCOME Years ended March 31
(millions of yen)

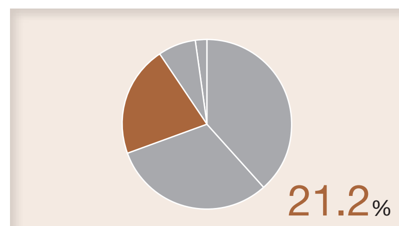


PARTS FOR AUTOMOBILE AND INDUSTRIAL EQUIPMENT

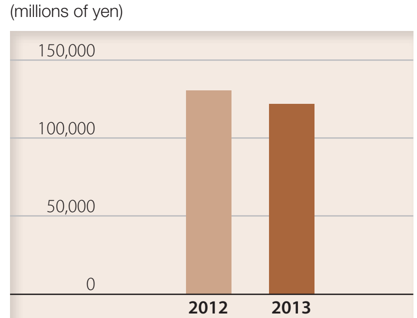
MAIN PRODUCTS

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 machine, electric machine and furnaces, advanced cast steel products, etc.) / Precision casting (automotive, industrial machine, electric machine, telecommunications equipment, etc.) / Lumber industry band saws, engine valves, compressors, hydraulic equipment, machine tool parts

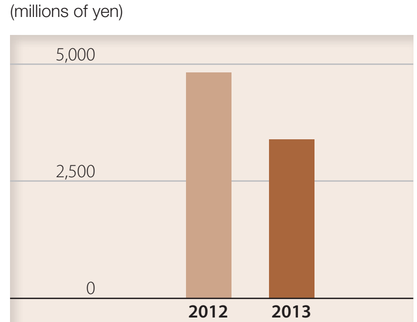
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



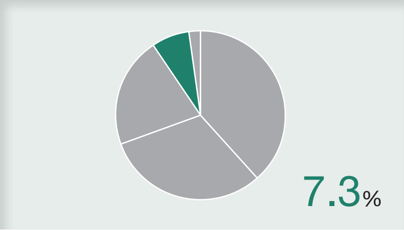
OPERATING INCOME Years ended March 31
(millions of yen)



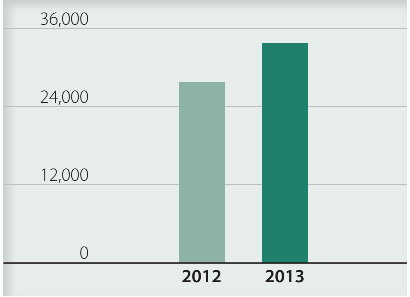
ENGINEERING

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

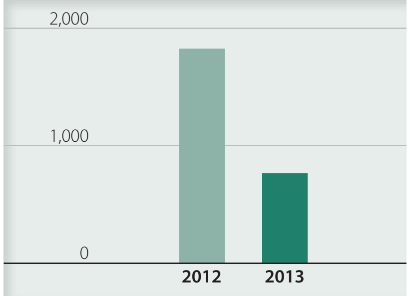
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



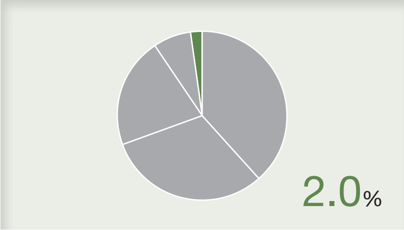
OPERATING INCOME Years ended March 31
(millions of yen)



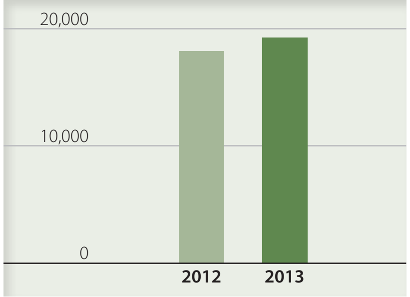
TRADING AND SERVICE

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

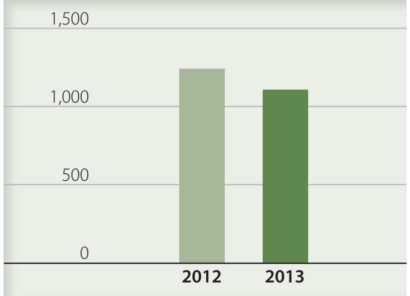
SHARE OF NET SALES
(%)



NET SALES Years ended March 31
(millions of yen)



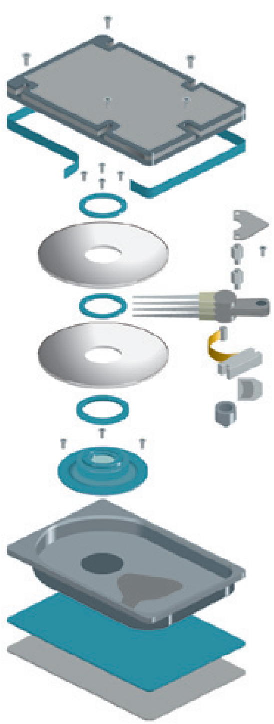
OPERATING INCOME Years ended March 31
(millions of yen)



SPECIALTY STEEL

Overview of Business

Specialty steel, the Company's core business, generates approximately 38% 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.



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

Results of Operations

Sales volume declined year on year in the specialty steel segment. Among the main impacts were prolonged inventory adjustments in industrial machinery as a consequence of economic slowdown in the emerging markets. In addition, sales related to Japanese automobiles were primarily impacted by the expiration of eco-car subsidies and lackluster Japanese auto sales in China.

Under these circumstances, the Company implemented stock management in response to major construction work at the Chita Plant, and strove to reduce costs on an ongoing basis, while closely monitoring trends in demand.

As a result, and due to the correlation between sales and steel scrap prices, the specialty steel segment's net sales declined 13.1% year on year to ¥169,379 million and operating income fell ¥6,383 million to ¥3,515 million in fiscal 2012.

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 declined year on year due to sluggish demand for their use in industrial machinery and inventory adjustments in HDD and IT-related products, although demand from the automobile industry was mostly buoyant. Production of magnetic products resumed after a production site in Thailand recovered from flooding in fiscal 2011, but sales in fiscal 2012 were lower owing to sluggish demand of magnets for HDD and inventory adjustments in magnets for servo motors used in factory automation. By contrast, sales of powder metal products rose in response to brisk sales of hybrid vehicles and other factors undergirding their sustained and high level of demand. The Company also managed to increase its sales of titanium products by expanding domestic marketing and revising prices in the face of stagnating exports to Europe.

As a result of this and demand for main product lines receding, and due to the price of stainless steel and magnetic products falling in conjunction with nickel and rare earth prices, net sales for the high performance materials and magnetic materials segment declined 16.9% year on year to ¥136,852 million in fiscal 2012. Operating income, consequently, fell ¥7,098 million to ¥6,648 million.

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 declined year on year, despite steady growth in demand for aviation-related products, as a result of slowing economic conditions in Europe and emerging markets, as well as sluggish exports mainly reflecting the strong yen. In precision cast products, sales decreased year on year due to weak demand for products for diesel turbo engines, reflecting the weak European economy and the impact of the strong yen. In die forging products, sales decreased year on year despite steady growth in production of truck parts for Southeast Asia and in production at a forging subsidiary in North America. The lower sales mainly reflected sluggish demand for industrial machinery and the impact of production cutbacks at automakers.

As a result, net sales in the parts for automobile and industrial equipment segment for the fiscal year under review decreased 0.9% to ¥93,293 million. Operating income fell ¥1,433 million to ¥3,394 million.

ENGINEERING

Overview of Business

This segment generates about 7% 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

The engineering segment recorded sales from environmental equipment and a large construction project for a magnetic material subsidiary. Consequently, net sales increased from the previous fiscal year.

Engineering segment sales for the fiscal year under review increased by 24.0% to ¥31,958 million. Operating income decreased ¥1,063 million to ¥763 million, mainly due to changes in the content of construction projects.

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 decreased 7.1% to ¥8,946 million, mainly due to the impact of lower sales at an overseas trading company. Operating income declined ¥133 million to ¥1,109 million.

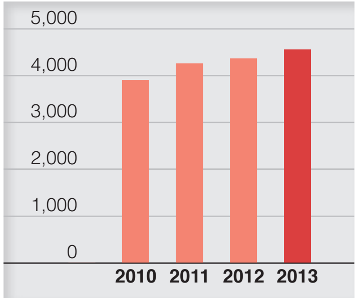
The Daido Steel Group's basic management policy is to leverage its advanced technology capabilities in specialty steel to "foster a corporate culture of creativity and originality that contributes to the 21st century society." Based on this policy, the Group conducts a proactive program of research and development 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 257 researchers throughout the Daido Steel Group.

R&D expenses for the Daido Steel Group during the fiscal year under review amounted to ¥4,560 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 ¥1,508 million.

Major Achievements

- **Commercializing DEG steel for vacuum carburizing**

Vacuum carburizing makes it possible to reduce CO_2 emission compared with conventional gas carburizing and allows high-strength components to be processed quickly. Consequently, it has drawn attention as the next generation carburizing technology. Daido Steel has developed DEG steel to prevent materials from surplus carburizing at places with sharp angles, such as in the teeth of gears. Surplus carburizing has been an issue that needed to be solved in vacuum carburizing. The composition of DEG steel has been designed based on fundamental principles of vacuum carburizing that we elucidated first. To make DEG steel practicable, we are promoting our carburizing simulation software, based on the fundamental principles of vacuum carburizing, together with ModulTherm®, which is a vacuum carburizing furnace developed by Daido Steel. We are expecting DEG steel to be used in various components.

(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 solar power generation systems. 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 ¥1,929 million.

Major Achievements

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

We have succeeded in developing the ND-40SHF hot-pressed magnet, which is a neodymium-iron-boron (Nd-Fe-B) magnet without any heavy rare-earth elements; specifically, dysprosium (Dy) and terbium (Te). Conventional neodymium series magnets have Dy and Te to improve the magnet's thermal resistance. As almost all heavy rare-earth elements are currently mined in China, high prices and supply instability have become major issues. Using a newly developed hot plastic forming process and magnetic compositions, we achieved the highest magnetism and thermal resistance in the world for magnets without heavy rare earth.

Daido Electronics commenced mass production of the magnets in spring 2013 for motors in automobiles, industrial machinery, office automation equipment and consumer electronics, in particular for the growing automobile electric power steering (EPS) market.

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

We have developed the pressless process (PLP) for mass production in which the PLP magnets provide both high magnetism and ultra-high thermal resistance with substantially reduced heavy rare-earth elements. With this technology, construction was completed on a factory for Intermetallics Japan Corporation, a joint venture established with Mitsubishi Corporation and Molycorp. Inc. of the United States. A completion ceremony was held for the head office and factory in November 2012. Mass production of the magnets has been underway since January 2013.

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

We are continuing to make capital investments and customer evaluations with a view to penetrating the market for GIG magnetic sensors, which offer higher output against the magnetic field compared to MR magnets.

The GIG magnetic sensor was invented by the Research Institute for Electromagnetic Materials and further developed in joint research using our thin film manufacturing technology and mass production technology. GIG magnetic sensors are expected to be put to use in industrial applications that require high sensitivity and low power consumption, such as magnetic identification sensors and current sensors.

These developmental accomplishments were recognized and in October 2012 we were awarded the Magnetics Society of Japan's New Technology and New Product Award together with the Research Institute for Electromagnetic Materials. In addition, an integrated manufacturing process was established by building an onsite clean room and incorporating some of the processes that had been outsourced. To prepare for full-fledged mass production, we have been reinforcing systems for production, quality management and sales promotion with a view to launching sales within fiscal 2013.

(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 ¥916 million.

Major Achievements

• Controlled forging process

Daido Steel has developed technology for obtaining higher strengths for specialty steel forging materials used in automobile engine components and chassis parts. Such automobile components had to be reduced in weight to improve fuel economy, while higher strengths were required to satisfy design specifications. However, when strengths of the entire forging material which mainly constitute the components were increased, there was a problem in that the machine processing costs to obtain the required shapes and precision went up.

The controlled forging technology we developed makes it possible to obtain higher strengths selectively in only the regions with functional requirements. When applied to connecting rods in engines, the technology is expected to make the components thinner, more compact and lighter by 15% or more without increasing the processing costs by making only the required regions have 30% higher strength. We are currently working to make the technology viable in practical applications.

(4) Engineering

Engineering R&D focused 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 ¥205 million.

Major Achievements

• Performance demonstration of the "E-adjust" supporting system for steelmaking AC arc furnace operations

Daido Steel performed demonstration testing of the "E-adjust" supporting system for steelmaking AC arc furnace operations that we had been developing at the steelmaking plant of Godo Steel. The timing in melting the steel scrap was tested quantitatively and it was found that the system can reduce power consumption per unit of production by between 3 and 6 kilowatt-hour per ton. The electric furnace steelmakers, who consume a great deal of electricity, are facing the urgent challenge of reducing the unit power consumption due to the recent rise in electricity costs. Equipping existing AC furnaces with the system can be expected to reduce unit power consumption because correct timing in melting the steel scrap, which had been determined by relying on the experience of skilled operators, are judged automatically by the system. Daido Steel released the system in April 2013 as a new product for domestic and overseas customers.

• New technology for the next-generation vacuum carburizing furnace "SyncroTherm"

Based on an alliance with ALD Vacuum Technologies of Germany, Daido Steel has added the slim-batch-type vacuum carburizing furnace "SyncroTherm" to its product line-up, following the modular type furnace "ModulTherm®."

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 runs from 2008 to 2012. Daido Steel's five-year management plan for 2006—2010 aimed to reduce the volume of CO_2 emissions by 10% compared to the 1990 level in accordance with the guidelines of the Japan Iron and Steel Federation. We had planned to invest a total of approximately ¥2.9 billion towards the achievement of 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, CO_2 emissions in 2012 decreased by 24.4% 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 75% at the end of fiscal 2012.

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

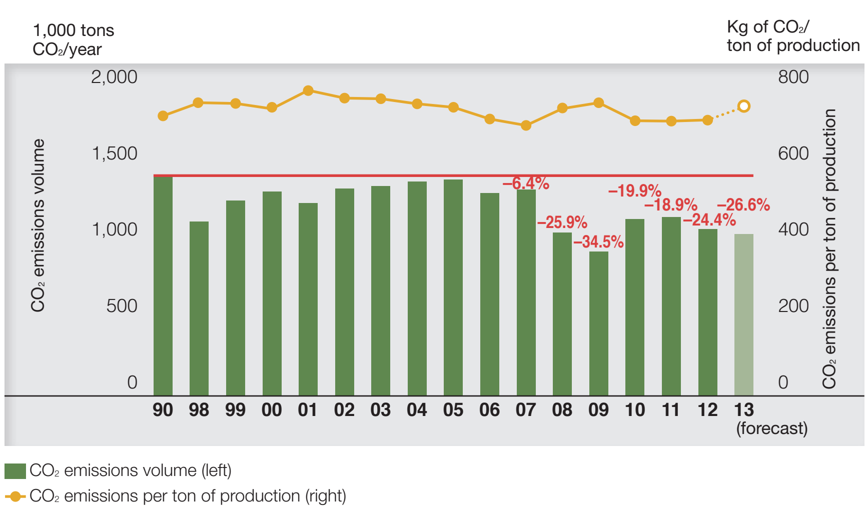
Strengthening the CSR promotion framework

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 and the Human Resources Labor 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/en/csr/index.html

ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS VOLUME



CO_2 emissions coefficient for electric power: 0.374 kg of CO_2/ kWh
Figures for 2013 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 20 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 two external corporate auditors, 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

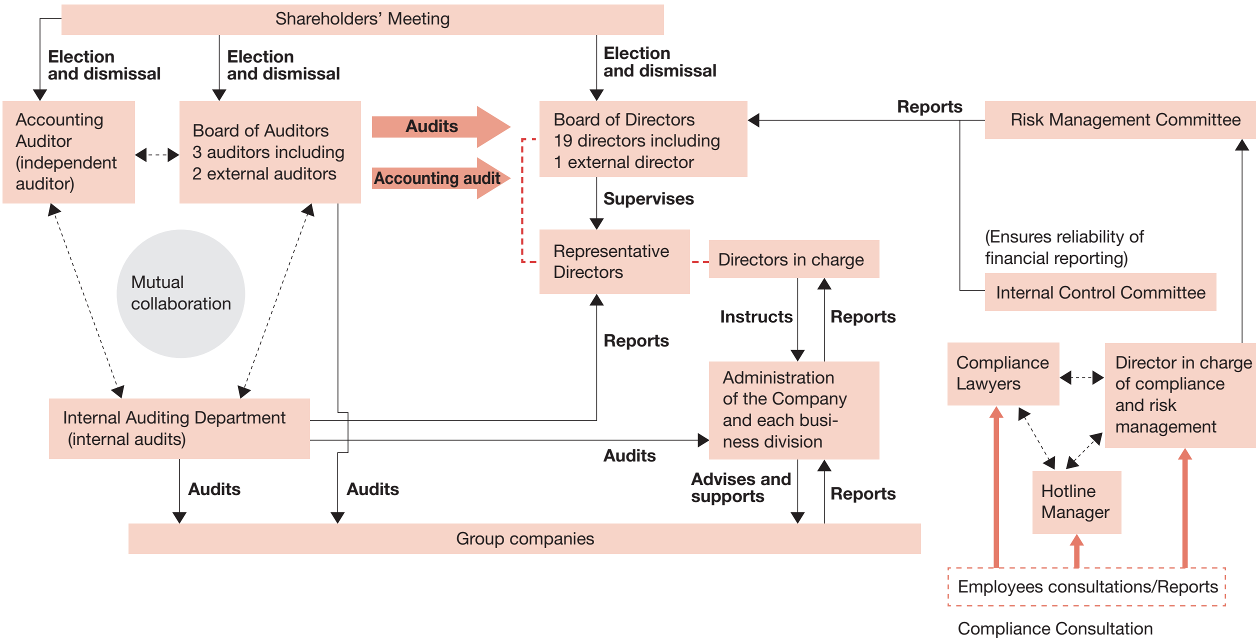
Daido Steel has established the Daido Steel Corporate Code of Ethics and the Daido Steel Code of Conduct, and works to disseminate them to all employees and Group companies. The Company also maintains a hotline for consultation and reporting by employees regarding compliance, as well as directors in 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 28, 2013)



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


Shuichi Nakatsubo


Michio Okabe


Hitoshi Horie

MANAGING DIRECTORS


Akira Miyajima


Yasuhiro Itazuri


Motoshi Shinkai


Takeshi Ishiguro


Hajime Takahashi


Kazuto Tachibana

DIRECTORS

Yoshitsugu Sakamoto
Tsukasa Nishimura
Satoshi Tsujimoto
Susumu Shimura
Shuji Matsubuchi
Shinji Naruse
Takeshi Muto
Kazuhiko Hirabayashi
Hajime Amano

STANDING CORPORATE AUDITORS

Toshinori Koike
Shigenobu Tokuoka

CORPORATE AUDITOR

Yukichi Ozawa

CONTENTS

OVERVIEW OF OPERATING ENVIRONMENT AND PERFORMANCE

In fiscal 2012, ended March 31, 2013, the Japanese economy initially experienced a mild recovery that was propelled by demand associated with earthquake reconstruction and government stimulus measures such as eco-car subsidies, but it was sluggish from the middle of the year primarily due to a decline in exports caused by slowing overseas economies. In the automobile, industrial machinery and information technology sectors, key sources of demand for our specialty steel products, demand conditions on the whole continued to be challenging against a backdrop of deceleration in overseas economies, prolonged inventory adjustments and a downturn in the absence of previous government stimulus measures.

In this management environment, we worked to flexibly accommodate sharp swings in demand while taking on projects that included streamlining steelmaking processes at the Chita Plant.

As a result, the Group's net sales in fiscal 2012 declined by ¥48,726 million year on year to ¥440,428 million. In addition to lower demand, both domestically and abroad, and prolonged inventory adjustments, mainly in industrial machinery and information technology, our sales prices are linked to prices for steel scrap and other raw materials, which declined. Ordinary income fell ¥15,287 million to ¥16,475 million due to the decline in sales, construction-related costs incurred at the Chita Plant, and other factors. Net income was ¥10,983 million.

BUSINESS SEGMENT PERFORMANCE

Specialty Steel

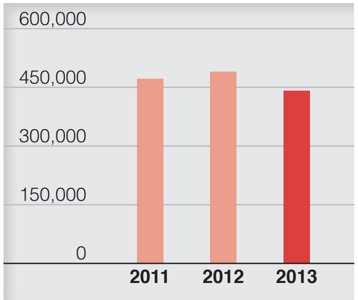
Sales volume declined year on year in the specialty steel segment. Among the main impacts were prolonged inventory adjustments in industrial machinery as a consequence of economic slowdown in the emerging markets. In addition, sales related to Japanese automobiles were primarily impacted by the expiration of eco-car subsidies, and lackluster Japanese auto sales in China.

Under these circumstances, the Company implemented stock management in response to major construction work at the Chita Plant, and strove to reduce costs on an ongoing basis, while closely monitoring trends in demand.

As a result, and due to the correlation between sales and steel scrap prices, the specialty steel segment's net sales declined 13.1% year on year to ¥169,379 million and operating income fell ¥6,383 million to ¥3,515 million in fiscal 2012.

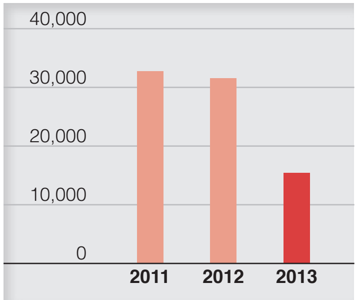
NET SALES
Years ended March 31

(millions of yen)



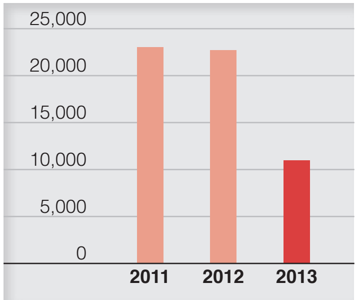
OPERATING INCOME
Years ended March 31

(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 declined year on year due to sluggish demand for their use in industrial machinery and inventory adjustments in HDD and IT-related products, although demand from the automobile industry was mostly buoyant. Production of magnetic products resumed after a production site in Thailand recovered from flooding in fiscal 2011, but sales in fiscal 2012 were lower owing to sluggish demand of magnets for HDD and inventory adjustments in magnets for servo motors used in factory automation. By contrast, sales of powder metal products rose in response to brisk sales of hybrid vehicles and other factors undergirding their sustained and high level of demand. The Company also managed to increase its sales of titanium products by expanding domestic marketing and revising prices in the face of stagnating exports to Europe.

As a result of this and demand for main product lines receding, and due to the price of stainless steel and magnetic products falling in conjunction with nickel and rare earth prices, net sales for the high performance materials and magnetic materials segment declined 16.9% year on year to ¥136,852 million in fiscal 2012. Operating income, consequently, fell ¥7,098 million to ¥6,648 million.

Parts for Automobile and Industrial Equipment

Sales of free forging products declined year on year, despite steady growth in demand for aviation-related products, as a result of slowing economic conditions in Europe and emerging markets, as well as sluggish exports mainly reflecting the strong yen. In precision cast products, sales decreased year on year due to weak demand for products for diesel turbo engines, reflecting the weak European economy and the impact of the strong yen. In die forging products, sales decreased year on year despite steady growth in production of truck parts for Southeast Asia and in production at a forging subsidiary in North America. The lower sales mainly reflected sluggish demand for industrial machinery and the impact of production cutbacks at automakers.

As a result, net sales in the parts for automobile and industrial equipment segment for the fiscal year under review decreased 0.9% to ¥93,293 million. Operating income fell ¥1,433 million to ¥3,394 million.

Engineering

The engineering segment recorded sales from environmental equipment and a large construction project for a manufacturer of magnetic material. Consequently, net sales increased from the previous fiscal year.

Engineering segment sales for the fiscal year under review increased by 24.0% to ¥31,958 million. Operating income decreased ¥1,063 million to ¥763 million, mainly due to changes in the content of construction projects.

Trading and Service

Net sales in the trading and service segment in the fiscal year under review decreased 7.1% to ¥8,946 million, mainly due to the impact of lower sales at an overseas trading company. Operating income declined ¥133 million to ¥1,109 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 ¥4,560 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 ¥1,508 million.

(2) High Performance Materials and Magnetic Materials

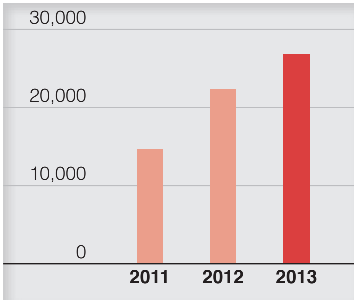
Development of high-performance steel strips, electromagnetic materials, and other basic materials, as well as R&D of photovoltaic power generation systems is conducted mainly by Daido Steel, while magnet R&D is conducted primarily by Daido Steel and consolidated subsidiary Daido Electronics Co., Ltd. R&D costs in this segment during the fiscal year under review amounted to ¥1,929 million.

CAPITAL EXPENDITURES BY SEGMENT
Years ended March 31

	Millions of Yen		
	2013	2012	Change (%)
Specialty Steel	**¥ 9,923**	¥ 6,670	48.8
High Performance Materials and Magnetic Materials	**9,439**	8,600	9.8
Parts for Automobile and Industrial Equipment	**6,302**	6,136	2.7
Engineering	**484**	233	107.7
Trading and Service	**643**	727	–11.6
Total	**¥26,791**	¥22,366	19.8

CAPITAL EXPENDITURES
Years ended March 31

(millions of yen)



(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 ¥916 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 ¥205 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, 2013 amounted to ¥51,643 million, representing a decrease of ¥ 10,313 million, or 16.6%, year on year.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities amounted to ¥33,607 million, down ¥8,189 million from the previous fiscal year. The main components of cash inflow were income before income taxes and minority interests of ¥18,486 million and a decrease in notes and accounts receivable of ¥17,821 million associated with a reduction in sales. The main component of cash outflow was a ¥8,948 million decrease in notes and accounts payable.

CASH FLOWS FROM INVESTING ACTIVITIES

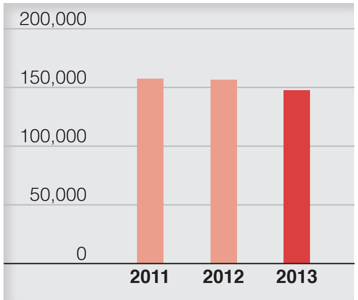
Net cash used in investing activities totaled ¥28,471 million, increasing by ¥7,059 million from the previous fiscal year. The major cash outflows included ¥24,201 million in purchases of property, plant, and equipment.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities was ¥17,357 million, increasing ¥11,197 million from the previous year. The increase was chiefly due to ¥24,759 million for the repayments of long-term debt.

INTEREST-BEARING DEBT
Years ended March 31

(millions of yen)



DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 51,643**	¥ 61,956	**$ 549,394**
Time deposits (Notes 7 and 14)	**418**	246	**4,447**
Notes and accounts receivable (Note 14)	**88,652**	104,127	**943,106**
Inventories (Note 4)	**94,036**	90,921	**1,000,383**
Deferred tax assets (Note 11)	**4,338**	5,295	**46,149**
Prepaid expenses and other current assets	**3,268**	2,672	**34,766**
Allowance for doubtful accounts	**(271)**	(251)	**(2,883)**
Total current assets	**242,084**	264,966	**2,575,362**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 7)	**37,008**	36,558	**393,702**
Buildings and structures (Notes 5 and 7)	**144,505**	140,037	**1,537,287**
Machinery and equipment (Note 7)	**414,721**	408,616	**4,411,926**
Construction in progress	**5,889**	3,305	**62,649**
Total	**602,123**	588,516	**6,405,564**
Accumulated depreciation	**(440,203)**	(432,104)	**(4,683,011)**
Net property, plant and equipment	**161,920**	156,412	**1,722,553**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7 and 14)	**55,655**	49,737	**592,074**
Investments in non-consolidated subsidiaries and associated companies (Notes 7 and 14)	**18,985**	14,992	**201,968**
Prepaid pension cost (Note 8)	**22,823**	19,962	**242,798**
Deferred tax assets (Note 11)	**907**	1,019	**9,649**
Other investments and assets (Note 7)	**8,785**	5,881	**93,457**
Total investments and other assets	**107,155**	91,591	**1,139,947**
TOTAL	**¥ 511,159**	**¥ 512,969**	**$ 5,437,862**

FINANCIAL SECTION

LIABILITIES AND EQUITY	Millions of Yen 2013	2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6, 7 and 14)	**¥ 16,530**	¥ 23,609	**$ 175,851**
Current portion of long-term debt (Notes 6, 7 and 14)	**35,858**	25,435	**381,468**
Payables:			
Trade notes and accounts (Notes 7 and 14)	**66,233**	72,163	**704,606**
Acquisitions of property, plant and equipment	**6,029**	5,649	**64,138**
Total payables	**72,262**	77,812	**768,745**
Income taxes payable (Note 14)	**1,761**	2,004	**18,734**
Accrued expenses	**10,157**	11,525	**108,053**
Other current liabilities (Note 7)	**7,434**	9,866	**79,085**
Total current liabilities	**144,002**	150,251	**1,531,936**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 7 and 14)	**93,850**	107,293	**998,404**
Liability for employees' retirement benefits (Note 8)	**6,865**	6,799	**73,032**
Retirement allowance for directors and Audit & Supervisory Board members	**942**	913	**10,021**
Asset retirement obligations (Note 9)	**426**	426	**4,532**
Deferred tax liabilities (Note 11)	**14,666**	11,616	**156,021**
Other long-term liabilities	**4,668**	4,158	**49,660**
Total long-term liabilities	**121,417**	131,205	**1,291,670**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)			
EQUITY (Note 10)**:**			
Common stock:			
Authorized: 1,160,000 thousand shares			
Issued: 434,488 thousand shares in 2013 and 2012	**37,172**	37,172	**395,447**
Capital surplus	**28,542**	28,543	**303,638**
Retained earnings	**134,790**	126,844	**1,433,936**
Treasury stock, at cost			
741 thousand shares in 2013 and 714 thousand shares in 2012	**(347)**	(335)	**(3,691)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**10,512**	6,456	**111,830**
Deferred gain (loss) on derivatives under hedge accounting	**1**	(7)	**11**
Land revaluation surplus	**1,654**	1,654	**17,596**
Foreign currency translation adjustments	**(403)**	(1,673)	**(4,287)**
Total	**211,921**	198,654	**2,254,479**
Minority interests	**33,819**	32,859	**359,777**
Total equity	**245,740**	231,513	**2,614,255**
TOTAL	**¥511,159**	¥512,969	**$5,437,862**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET SALES	**¥440,428**	¥489,155	**$4,685,404**
COST OF SALES (Note 12)	**377,793**	408,639	**4,019,074**
Gross profit	**62,635**	80,516	**666,330**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**47,209**	48,982	**502,223**
Operating income	**15,426**	31,534	**164,106**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,694**	1,639	**18,021**
Interest expense	**(2,056)**	(2,383)	**(21,872)**
Equity in earnings of associated companies	**547**	680	**5,819**
Gain (loss) on sales of investment securities and investments in a non-consolidated subsidiary—net	**249**	(56)	**2,649**
Foreign exchange gain	**967**	51	**10,287**
Gain (loss) on sales and disposals of property, plant and equipment—net	**581**	(470)	**6,181**
Investment rents received	**547**	547	**5,819**
Grants received	**55**	19	**585**
Write-down of investment securities (Note 3)	**(403)**	(601)	**(4,287)**
Other—net	**879**	(746)	**9,351**
Other expenses—net	**3,060**	(1,320)	**32,553**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**18,486**	30,214	**196,660**
INCOME TAXES (Note 11)**:**			
Current	**3,711**	4,231	**39,479**
Deferred	**2,140**	1,112	**22,766**
Total income taxes	**5,851**	5,343	**62,245**
NET INCOME BEFORE MINORITY INTERESTS	**12,635**	24,871	**134,415**
MINORITY INTERESTS IN NET INCOME	**1,652**	2,153	**17,574**
NET INCOME	**¥ 10,983**	¥ 22,718	**$ 116,840**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(t))**:**			
Net income	**¥ 25.32**	¥ 52.37	**$ 0.27**
Cash dividends applicable to the year	**4.50**	7.50	**0.05**

	Thousands	
WEIGHTED-AVERAGE NUMBER OF OUTSTANDING SHARES OF COMMON STOCK	**433,763**	433,799

See notes to consolidated financial statements.

FINANCIAL SECTION

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET INCOME BEFORE MINORITY INTERESTS	**¥12,635**	¥24,871	**$134,415**
OTHER COMPREHENSIVE INCOME (Note 17)**:**			
Unrealized gain on available-for-sale securities	**4,098**	546	**43,596**
Deferred gain (loss) on derivatives under hedge accounting	**10**	(1)	**106**
Revaluation surplus	**–**	297	**–**
Foreign currency translation adjustments	**1,394**	(446)	**14,830**
Share of other comprehensive income in associates	**29**	(1)	**309**
Total other comprehensive income	**5,531**	395	**58,840**
COMPREHENSIVE INCOME	**¥18,166**	¥25,266	**$193,255**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥16,317**	¥23,123	**$173,585**
Minority interests	**1,849**	2,143	**19,670**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2013

	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
BALANCE AT APRIL 1, 2011	433,823	¥37,172	¥28,543	¥106,919	¥(311)	¥ 5,962
Net income	–	–	–	22,718	–	–
Cash dividends, ¥7.50 per share	–	–	–	(3,254)	–	–
Purchase of treasury stock	(55)	–	–	–	(28)	–
Disposal of treasury stock	6	–	(0)	–	4	–
Net change in the year	–	–	–	461	–	494
BALANCE AT MARCH 31, 2012	433,774	37,172	28,543	126,844	(335)	6,456
Net income	**–**	**–**	**–**	**10,983**	**–**	**–**
Cash dividends, ¥7 per share	**–**	**–**	**–**	**(3,037)**	**–**	**–**
Purchase of treasury stock	**(31)**	**–**	**–**	**–**	**(14)**	**–**
Disposal of treasury stock	**4**	**–**	**(1)**	**–**	**2**	**–**
Net change in the year	**–**	**–**	**–**	**–**	**–**	**4,056**
BALANCE AT MARCH 31, 2013	**433,747**	**¥37,172**	**¥28,542**	**¥134,790**	**¥(347)**	**¥10,512**

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2011	¥(3)	¥1,357	¥(1,291)	¥178,348	¥31,521	¥209,869
Net income	–	–	–	22,718	–	22,718
Cash dividends, ¥7.50 per share	–	–	–	(3,254)	–	(3,254)
Purchase of treasury stock	–	–	–	(28)	–	(28)
Disposal of treasury stock	–	–	–	4	–	4
Net change in the year	(4)	297	(382)	866	1,338	2,204
BALANCE AT MARCH 31, 2012	(7)	1,654	(1,673)	198,654	32,859	231,513
Net income	**–**	**–**	**–**	**10,983**	**–**	**10,983**
Cash dividends, ¥7 per share	**–**	**–**	**–**	**(3,037)**	**–**	**(3,037)**
Purchase of treasury stock	**–**	**–**	**–**	**(14)**	**–**	**(14)**
Disposal of treasury stock	**–**	**–**	**–**	**1**	**–**	**1**
Net change in the year	**8**		**1,270**	**5,334**	**960**	**6,294**
BALANCE AT MARCH 31, 2013	**¥ 1**	**¥1,654**	**¥ (403)**	**¥211,921**	**¥33,819**	**¥245,740**

	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 (Loss) Gain on Derivatives under Hedge Accounting
BALANCE AT MARCH 31, 2012	$395,447	$303,638	$1,349,405	$(3,564)	$ 68,681	$(74)
Net income	**–**	**–**	**116,840**	**–**	**–**	**–**
Cash dividends, $0.07 per share	**–**	**–**	**(32,309)**	**–**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**(149)**	**–**	**–**
Disposal of treasury stock	**–**	**(0)**	**–**	**22**	**–**	**–**
Net change in the year	**–**	**–**	**–**	**–**	**43,149**	**85**
BALANCE AT MARCH 31, 2013	**$395,447**	**$303,638**	**$1,433,936**	**$(3,691)**	**$111,830**	**$ 11**

	Thousands of U.S. Dollars (Note 1)				
	Accumulated Other Comprehensive Income				
	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2012	$17,596	$(17,798)	$2,113,331	$349,564	$2,462,895
Net income	**–**	**–**	**116,840**	**–**	**116,840**
Cash dividends, $0.07 per share	**–**	**–**	**(32,309)**	**–**	**(32,309)**
Purchase of treasury stock	**–**	**–**	**(149)**	**–**	**(149)**
Disposal of treasury stock	**–**	**–**	**22**	**–**	**22**
Net change in the year	**–**	**13,511**	**56,745**	**10,213**	**66,958**
BALANCE AT MARCH 31, 2013	**$17,596**	**$ (4,287)**	**$2,254,480**	**$359,777**	**$2,614,257**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 18,486	¥ 30,214	$ 196,660
Adjustments for:			
Income taxes paid	(3,580)	(7,647)	(38,085)
Depreciation and amortization	19,230	20,464	204,574
(Gain) loss on sales and disposals of property, plant, equipment and other—net	(364)	800	(3,872)
(Gain) loss on sales of investment securities and investments in a non-consolidated subsidiary—net	(249)	56	(2,649)
Equity in earnings of associated companies	(547)	(680)	(5,819)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	17,821	(4,242)	189,585
Decrease in allowance for doubtful accounts	(266)	(104)	(2,830)
(Increase) decrease in inventories	(659)	1,456	(7,011)
(Decrease) increase in notes and accounts payable	(8,949)	1,068	(95,202)
Increase (decrease) in liability for employees' retirement benefits	15	(76)	160
Other—net	(7,331)	487	(77,989)
Total adjustments	15,121	11,582	160,862
Net cash provided by operating activities	33,607	41,796	357,521
INVESTING ACTIVITIES:			
Payment for time deposits	(541)	(107)	(5,755)
Repayment from time deposits	394	179	4,191
Purchases of property, plant and equipment	(24,201)	(19,964)	(257,457)
Proceeds from sales of property, plant and equipment	2,748	418	29,234
Purchases of investment securities and investments in a non-consolidated subsidiary and associated companies	(3,968)	(594)	(42,213)
Proceeds from sales and redemption of investment securities and investments in a non-consolidated subsidiary	369	240	3,926
Disbursements for originating loans	(1,507)	(472)	(16,032)
Proceeds from collection of loans	763	92	8,117
Other—net	(2,528)	(1,204)	(26,894)
Net cash used in investing activities	(28,471)	(21,412)	(302,883)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term bank loans	(10,598)	1,800	(112,745)
Proceeds from long-term borrowings	22,648	14,758	240,936
Proceeds from issuance of bonds	–	10,000	–
Repayments of long-term debt	(25,759)	(28,680)	(274,032)
Dividends paid, including payments to minority shareholders of subsidiaries	(3,941)	(3,793)	(41,926)
Other—net	293	(245)	3,117
Net cash used in financing activities	(17,357)	(6,160)	(184,649)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,142	(146)	12,149
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,079)	14,078	(117,862)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	–	537	–
CASH AND CASH EQUIVALENTS INCREASED BY MERGER OF SUBSIDIARIES	766	–	8,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	61,956	47,341	659,106
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 51,643	¥ 61,956	$ 549,394

See notes to consolidated financial statements.

DAIDO STEEL CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2013

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"), that 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 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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 2012) majority-owned subsidiaries and 23 (23 in 2012) associated companies at March 31, 2013. The consolidated financial statements as of March 31, 2013 include the accounts of the Company and 32 (33 in 2012) 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, 2013 and 2012. 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 that 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 United States of America 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 research and development; 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 available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, marketable and 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 market.

(f) 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 ¥1,638 million ($17,426 thousand) and ¥1,526 million at March 31, 2013 and 2012, 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.

Effective April 1, 2012, the Company and domestic consolidated subsidiaries changed their depreciation method for property and equipment acquired on and after April 1, 2012, in accordance with the change in the method prescribed by the Japanese income tax laws. The effect of this change in the depreciation method on the consolidated statement of income for the year ended March 31, 2013, was immaterial.

The range of useful lives is from 5 to 60 years for buildings and structures and from 3 to 17 years for machinery and equipment.

(g) 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, 2013, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥3,832 million ($40,766 thousand).

(h) 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.

(i) Other Assets

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

(j) Retirement and Pension Plans

The Company and its domestic consolidated subsidiaries have unfunded retirement benefit plans and non-contributory funded 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. Certain small domestic subsidiaries provide their employees' retirement benefits at the amount that would be required if all employees retired at the balance sheet date.

Retirement benefits to directors and Audit & Supervisory Board members of the Company and 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.

(k) 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.

(l) Research and Development Cost

Research and development costs are charged to income as incurred.

(m) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases that existed at the transition date and did not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases that existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

(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, the 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 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.

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, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Group had no dilutive shares at March 31, 2013 and 2012.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years without giving retroactive adjustment for subsequent stock splits.

(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.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be 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 shall be 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.

(c) 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 for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) 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, both 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 Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Non-current:			
Equity securities	**¥55,655**	¥49,737	**$592,074**
Total	**¥55,655**	¥49,737	**$592,074**

The costs and aggregate fair value of investment securities at March 31, 2013 and 2012, were as follows:

	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**

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥35,092	¥11,031	¥1,624	¥44,499

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$373,521**	**$180,309**	**$15,564**	**$538,266**

Information for available-for-sale securities that were sold during the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale:						
Equity securities	**¥369**	**¥249**	**¥0**	**$3,926**	**$2,649**	**$0**

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥215	¥4	¥65

Impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012 were ¥403 million ($4,287 thousand) and ¥601 million, respectively.

4. INVENTORIES

Inventories held by the Group at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Merchandise	**¥16,410**	¥17,107	**$ 174,574**
Finished products	**12,980**	12,237	**138,085**
Semifinished products	**21,631**	16,689	**230,117**
Work in process	**19,461**	19,755	**207,032**
Raw materials	**14,995**	16,549	**159,521**
Supplies	**8,559**	8,584	**91,053**
Total	**¥94,036**	¥90,921	**$1,000,383**

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 and other areas. The net amount of rental income and operating expenses for those rental properties was ¥938 million ($9,979 thousand) and ¥1,066 million for the years ended March 31, 2013 and 2012, respectively. In addition, the net gain on sales of those rental properties was ¥415 million ($4,415 thousand) and ¥8 million for the years ended March 31, 2013 and 2012, respectively.

The carrying amounts, changes in such balances and market prices of such properties at March 31, 2013 and 2012 were as follows:

Millions of Yen				Thousands of U.S. Dollars			
Carrying Amount			Fair Value	Carrying Amount			Fair Value
April 1, 2012	Increase	March 31, 2013	March 31, 2013	April 1, 2012	Increase	March 31, 2013	March 31, 2013
¥5,095	¥538	¥5,633	¥25,179	$54,202	$5,724	$59,926	$267,862

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Decrease	March 31, 2012	March 31, 2012
¥5,349	¥(254)	¥5,095	¥25,149

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, 2013, primarily represents the acquisition of certain properties of ¥865 million ($9,202 thousand) and the reclassification of certain lands to rental properties of ¥342 million ($3,638 thousand). The decrease during the fiscal year ended March 31, 2013, was primarily due to sales of idle assets of ¥452 million ($4,809 thousand) and depreciation of ¥152 million ($1,617 thousand).
3) The fair value of properties was 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, 2013 and 2012, were 0.92% and 0.62%, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Loans from banks and other financial institutions due serially to 2022 with weighted-average interest rates of 1.02% in 2013 and 1.32% in 2012	**¥ 88,907**	¥ 91,181	**$ 945,819**
1.90% unsecured bonds due June 20, 2013	**10,000**	10,000	**106,383**
1.08% unsecured bonds due December 18, 2015	**20,000**	20,000	**212,766**
0.68% unsecured bonds due December 1, 2016	**10,000**	10,000	**106,383**
Unsecured bonds issued by a consolidated subsidiary due serially from February 28, 2013 to March 31, 2014	**100**	900	**1,064**
Obligations under finance leases	**701**	647	**7,457**
Total	**129,708**	132,728	**1,379,872**
Less: Portion due within one year	**(35,858)**	(25,435)	**(381,468)**
Total long-term debt	**¥ 93,850**	¥107,293	**$ 998,404**

Annual maturities of long-term debt at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 35,858	$ 381,468
2015	18,308	194,766
2016	24,642	262,149
2017	22,587	240,287
2018	13,797	146,777
2019 and thereafter	14,516	154,425
Total	¥129,708	$1,379,872

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	$265,957
Balance used at March 31, 2013	–	–

7. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for notes and accounts payable of ¥6 million ($64 thousand), short-term bank loans of ¥210 million ($2,234 thousand), long-term debt (including current portion) of ¥7 million ($74 thousand) and other current liabilities of ¥6 million ($64 thousand) at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	**¥ 7**	**$ 74**
Land	**2,228**	**23,702**
Buildings and structures	**3,518**	**37,426**
Machinery and equipment	**134**	**1,426**
Investment securities	**29**	**309**
Total	**¥5,916**	**$62,936**

Land held for investment in the amount of ¥103 million ($1,096 thousand) included in “Other investments and assets” was pledged as collateral for borrowings of ¥2,547 million ($27,096 thousand) by Yugen Kaisha Takakura Funding Corporation (“Takakura”). In the event that acceleration of the maturity of the borrowings for Takakura occurs, the Company may repay the balance of the borrowings on behalf of Takakura. The Company entered into an agreement with the lender that the Company shall settle the borrowings by way of a transfer of ownership of the pledged land to the lender with the settlement amount (the difference between the balance of the borrowings and the fair market value of the land) if the Company does not repay the borrowings on behalf of Takakura.

In addition, investments in a limited partnership of ¥495 million ($5,266 thousand) and other assets of ¥839 million ($8,926 thousand) were pledged as collateral for borrowings of ¥4,800 million ($51,064 thousand) by Takakura, including the above borrowings of ¥2,547 million ($27,096 thousand).

8. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits, determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees’ retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 53,470**	¥ 54,310	**$ 568,830**
Fair value of plan assets	**(70,910)**	(64,434)	**(754,362)**
Unrecognized prior service benefit	**816**	981	**8,681**
Unrecognized actuarial gain (loss)	**666**	(4,020)	**7,085**
Prepaid pension cost	**22,823**	19,962	**242,798**
Liability for retirement benefit	**¥ 6,865**	¥ 6,799	**$ 73,032**

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 and 2012, 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
	2013	2012	**2013**
Fair value of plan assets	**¥203,240**	¥203,680	**$2,162,128**
Pension obligation recorded by pension fund	**239,951**	239,852	**2,552,670**
Difference	**¥ (36,711)**	¥ (36,172)	**$ (390,543)**
The Group's contribution percentage for contributory funded pension plans	**2.25%**	2.55%	

The components of net periodic employees' retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥ 2,153**	¥ 2,162	**$ 22,904**
Interest cost	**956**	1,007	**10,170**
Expected return on plan assets	**(1,090)**	(1,093)	**(11,596)**
Recognized actuarial loss	**(341)**	495	**(3,628)**
Amortization of prior service benefit	**(162)**	(162)	**(1,723)**
Contribution to defined contribution plans	**87**	74	**926**
Contribution to multi-employer contributory funded pension plans	**136**	137	**1,447**
Additional severance payments	**756**	1,596	**8,043**
Loss on revision of retirement benefit plan	**–**	290	**–**
Net periodic employees' retirement benefit cost	**¥ 2,495**	¥ 4,506	**$ 26,543**

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
Discount rate	**Primarily 1.9%**	Primarily 1.9%
Expected rate of return on plan assets	**Mainly 2.0%**	Mainly 2.0%
Recognition period of actuarial gain (loss)	**Mainly 10 years**	Mainly 10 years
Recognition period of prior service benefit	**Mainly 10 years**	Mainly 10 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Balance at beginning of year	**¥426**	¥426	**$4,532**
Reconciliation associated with passage of time	**–**	–	**–**
Balance at end of year	**¥426**	¥426	**$4,532**

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 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 normal effective statutory tax rates of approximately 38% and 41% for the years ended March 31, 2013, and 2012, respectively.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued bonuses	**¥ 2,195**	¥ 2,557	**$ 23,351**
Retirement benefits	**2,429**	2,406	**25,840**
Allowance for doubtful accounts	**212**	120	**2,255**
Write-down of securities and other assets	**799**	966	**8,500**
Elimination of unrealized gain on property, plant and equipment	**242**	340	**2,574**
Net loss carryforwards	**2,120**	1,910	**22,553**
Elimination of unrealized gain on inventories	**878**	1,108	**9,340**
Enterprise tax	**150**	192	**1,596**
Other	**2,867**	2,277	**30,500**
Less valuation allowance	**(4,202)**	(2,732)	**(44,702)**
Total deferred tax assets	**¥ 7,690**	¥ 9,144	**$ 81,809**
Deferred tax liabilities:			
Deferred gain on property, plant and equipment	**¥ 2,324**	¥ 2,524	**$ 24,723**
Land revaluation surplus	**1,397**	1,397	**14,862**
Unrealized gain on securities	**5,487**	3,504	**58,372**
Prepaid pension cost	**6,171**	5,260	**65,649**
Unrealized gain on lands resulting from consolidation of a subsidiary	**1,185**	1,185	**12,606**
Other	**568**	576	**6,043**
Total deferred tax liabilities	**¥17,132**	¥14,446	**$ 182,255**
Net deferred tax liabilities	**¥ (9,442)**	¥ (5,302)	**$(100,447)**

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, 2013, with the corresponding figures for 2012 is as follows:

	2013	2012
Normal effective statutory tax rates	**38.0%**	41.0%
Expenses not deductible for income tax purposes	**2.1**	1.3
Revenues not recognized for income tax purposes	**(5.3)**	(3.3)
Per-capita tax	**0.7**	0.4
Net change in valuation allowance	**(5.4)**	(19.8)
Effects of elimination of dividend for consolidation purposes	**4.1**	2.5
Effect of accounting by the equity method	**(1.1)**	(0.9)
Lower income tax rates applicable to income in certain foreign countries	**(1.1)**	(1.3)
Tax credit	**(0.6)**	(0.3)
Effect of change in statutory tax rate	**–**	(1.7)
Other—net	**0.2**	(0.2)
Actual effective tax rates	**31.6%**	17.7%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35% afterwards. The effect of this change was to decrease deferred tax liabilities in the consolidated balance sheet as of March 31, 2012, by ¥1,073 million and to decrease income taxes-deferred in the consolidated statement of income for the year then ended by ¥509 million.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,560 million ($48,511 thousand) and ¥4,360 million for the years ended March 31, 2013 and 2012, respectively.

13. LEASES

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. Such pro forma information of leased property as of March 31, 2013, was omitted due to immateriality.

(As lessee)

Obligations under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Due within one year	**¥32**	¥39	**$340**
Due after one year	**29**	46	**309**
Total	**¥61**	¥85	**$649**

(As lessor)

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

	Millions of Yen	Thousands of U.S. Dollars
	2013	**2013**
Due within one year	**¥ 568**	**$ 6,043**
Due after one year	**4,532**	**48,213**
Total	**¥5,100**	**$54,255**

14. 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, bonds and lease obligations, 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 and lease obligations, 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, currency options 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 15 for more detail 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 15 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2013.

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 are used to manage exposure to risks of changes in interest rates of loan payables and bond 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 15 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/(Loss)	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	**¥ 51,643**	**¥ 51,643**	**–**	**$ 549,394**	**$ 549,394**	**–**
Time deposits	**418**	**418**	**–**	**4,447**	**4,447**	**–**
Notes and accounts receivable	**88,652**	**88,652**	**–**	**943,106**	**943,106**	**–**
Investment securities	**50,597**	**50,597**	**–**	**538,266**	**538,266**	**–**
Investment in an associated company	**4,143**	**2,677**	**¥(1,466)**	**44,074**	**28,479**	**$(15,596)**
Total	**¥195,453**	**¥193,987**	**¥(1,466)**	**$2,079,287**	**$2,063,691**	**$(15,596)**
Short-term bank loans	**¥ 16,530**	**¥ 16,530**	**–**	**$ 175,851**	**$ 175,851**	**–**
Current portion of long-term debt	**35,858**	**35,858**	**–**	**381,468**	**381,468**	**–**
Payables: Trade notes and accounts	**66,233**	**66,233**	**–**	**704,606**	**704,606**	**–**
Income taxes payable	**1,761**	**1,761**	**–**	**18,734**	**18,734**	**–**
Long-term debt	**93,850**	**94,566**	**¥ (716)**	**998,404**	**1,006,021**	**$ (7,617)**
Total	**¥214,232**	**¥214,948**	**¥ (716)**	**$2,279,064**	**$2,286,681**	**$ (7,617)**

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 61,956	¥ 61,956	–
Time deposits	246	246	–
Notes and accounts receivable	104,127	104,127	–
Investment securities	44,499	44,499	–
Investment in an associated company	4,022	2,420	¥(1,602)
Total	¥214,850	¥213,248	¥(1,602)
Short-term bank loans	¥ 23,609	¥ 23,609	–
Current portion of long-term debt	25,435	25,435	–
Payables: Trade notes and accounts	72,163	72,163	–
Income taxes payable	2,004	2,004	–
Long-term debt	107,293	108,341	¥(1,048)
Total	¥230,504	¥231,552	¥(1,048)

Cash and Cash Equivalents, Time Deposits, Notes and Accounts Receivable, Payables—Trade Notes and Accounts, 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, receivables, payables, short-term bank loans and current portion of long-term debt with variable interest rates approximate fair values because of their short maturities. The fair values of receivables and payables 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

Information on the fair value of derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Securities that do not have a quoted market price in an active market			
Investment securities	**¥ 5,058**	¥ 5,238	**$ 53,809**
Investments in non-consolidated subsidiaries and associated companies	**14,842**	10,970	**157,894**

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

	Millions of Yen			
March 31, 2013	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	**¥ 51,643**	–	–	–
Time deposits	**418**	–	–	–
Notes and accounts receivable	**88,652**	–	–	–
Total	**¥140,713**	–	–	–

	Thousands of U.S. Dollars			
March 31, 2013	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	**$ 549,394**	–	–	–
Time deposits	**4,447**	–	–	–
Notes and accounts receivable	**943,106**	–	–	–
Total	**$1,496,947**	–	–	–

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

15. DERIVATIVES

The Group enters into foreign exchange forward contracts and interest rate 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 that evaluates and analyzes derivatives.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2013 and 2012

	Millions of Yen			
At March 31, 2013	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**

	Millions of Yen			
At March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain / (Loss)
Foreign currency forward contracts:				
Buying:				
U.S. dollar	¥ 460	–	¥ 1	¥ 1
Euro	62	–	(0)	(0)
Yen	430	–	3	3
Selling:				
U.S. dollar	2,831	–	(19)	(19)
Euro	18	–	0	0
Currency options:				
Selling—Call option				
U.S. dollar	11	–	0	0
Selling—Put option				
U.S. dollar	6	–	0	0
Buying—Call option				
U.S. dollar	6	–	(0)	(0)
Buying—Put option				
U.S. dollar	11	–	(0)	(0)

At March 31, 2013	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	**$ 3,277**	**–**	**$ (11)**	**$ (11)**
Euro	**2,500**	**–**	**74**	**74**
Yen	**4,479**	**–**	**(319)**	**(319)**
Selling:				
U.S. dollar	**34,149**	**–**	**43**	**43**
Euro	**1,138**	**–**	**11**	**11**

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2013 and 2012

At March 31, 2013	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
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:				
U.S. dollar	Payables—trade	**82**	**–**	See note to the following page
Pound Sterling	Payables—trade	**88**	**–**	
Yen	Payables—trade	**69**	**–**	
Selling				
U.S. dollar	Receivables—trade	**41**	**–**	
Interest rate swaps:				
Floating rate payment, fixed rate receipt	Short-term bank loans and long-term debt	**3,000**	**¥ 2,000**	
Fixed rate payment, floating rate receipt		**40,130**	**26,500**	

At March 31, 2012	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	¥ 244	–	¥ (1)
Pound Sterling	Payables—trade	35	–	(1)
Selling:				
U.S. dollar	Receivables—trade	280	–	(10)
Qualified for hedge accounting not remeasured at market value:				
Buying:				See note below
U.S. dollar	Payables—trade	81	–	
Pound Sterling	Payables—trade	89	–	
Yen	Payables—trade	99	–	
Selling				
U.S. dollar	Receivables—trade	41	–	
Currency swaps qualified for hedge accounting not remeasured at market value: (Paying yen, receiving U.S. dollar)	Short-term bank loans and long-term debt	700	–	
Interest rate swaps:				
Floating rate payment, fixed rate receipt		2,000	¥ 1,000	
Fixed rate payment, floating rate receipt		49,360	27,230	
Floating rate payment, floating rate receipt		1,000	–	

At March 31, 2013	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Hedge accounting:				
Buying:				
U.S. dollar	Payables—trade	**$ 1,457**	**–**	**$ 64**
Pound Sterling	Payables—trade	**362**	**–**	**32**
Selling:				
U.S. dollar	Receivables—trade	**830**	**–**	**(64)**
Euro	Receivables—trade	**106**	**–**	**0**
Qualified for hedge accounting not remeasured at market value:				
Buying:				See note below
U.S. dollar	Payables—trade	**872**	**–**	
Pound Sterling	Payables—trade	**936**	**–**	
Yen	Payables—trade	**734**	**–**	
Selling				
U.S. dollar	Receivables—trade	**436**	**–**	
Interest rate swaps:	Short-term bank loans and long-term debt			
Floating rate payment, fixed rate receipt		**31,915**	**$ 21,277**	
Fixed rate payment, floating rate receipt		**426,915**	**281,915**	

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 14.

16. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2013, the Group had contingent liabilities for notes with recourse in the course of asset liquidation in the amount of ¥651 million ($6,926 thousand).

At March 31, 2013, the Group was contingently liable for ¥1,350 million ($14,362 thousand) for guarantees of loans and payables of non-consolidated subsidiaries, associated and other companies and employees.

The Company had an obligation to invest additionally in Takakura via an anonymous association contract with an upper limit of ¥524 million ($5,574 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 Co., Ltd., the Company would owe a defect liability against NHK Spring Co., Ltd. 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 such as product liability and remedy cost for land pollution, which would be caused by events occurring prior to the date of transfer. As a result of the due diligence process between the Company and NHK Spring Co., Ltd., management of the Company believes that the possibility of exposure to losses would be remote.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 5,937**	¥(643)	**$ 63,160**
Reclassification adjustments to profit or loss	**154**	647	**1,638**
Amount before income tax effect	**6,091**	4	**64,798**
Income tax effect	**(1,993)**	542	**(21,202)**
Total	**¥ 4,098**	¥ 546	**$ 43,596**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	**¥ 8**	¥ (2)	**$ 85**
Reclassification adjustments to profit or loss	**8**	–	**85**
Amount before income tax effect	**16**	(2)	**170**
Income tax effect	**(6)**	1	**(64)**
Total	**¥ 10**	¥ (1)	**$ 106**
Land revaluation surplus:			
Income tax effect	**¥ –**	¥ 297	**$ –**
Total	**¥ –**	¥ 297	**$ –**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 1,394**	¥(446)	**$ 14,830**
Total	**¥ 1,394**	¥(446)	**$ 14,830**
Share of other comprehensive income in associates:			
Gain (loss) arising during the year	**¥ 29**	¥ (2)	**$ 309**
Reclassification adjustments to profit or loss	**–**	1	**–**
Total	**¥ 29**	¥ (1)	**$ 309**
Total other comprehensive income	**¥ 5,531**	¥ 395	**$ 58,840**

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders meeting held on June 27, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1.50 ($0.02) per share	**¥651**	**$6,926**

19. 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 products and services. Each division draws up strategies and operates its own business.

Prior to April 1, 2012, the Group consisted of six industries: "Specialty Steel," "Electronic and Magnetic Materials," "Parts for Automobile and Industrial Equipment," "Engineering," "New Materials" and "Trading and Service."

Effective April 1, 2012, the Group revised business divisions and 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.

The change in business divisions was applied retrospectively and the segment information for 2012 was revised accordingly.

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 to 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:

	Millions of Yen							
	Reportable Segment							
2013	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	3,771	4,498	330	79	–	8,678	261	8,939
Increase in plant, property and equipment and intangible assets	9,923	9,439	6,302	484	643	26,791	–	26,791

	Millions of Yen							
	Reportable Segment							
2012	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	¥194,984	¥164,599	¥ 94,171	¥25,769	¥ 9,632	¥489,155	–	¥489,155
Intersegment sales or transfers	73,327	18,104	36,234	2,042	8,465	138,172	¥(138,172)	–
Total	¥268,311	¥182,703	¥130,405	¥27,811	¥18,097	¥627,327	¥(138,172)	¥489,155
Segment profit	¥ 9,898	¥ 13,746	¥ 4,827	¥ 1,826	¥ 1,242	¥ 31,539	¥ (5)	¥ 31,534
Segment assets	182,912	167,362	105,654	15,989	19,487	491,404	21,565	512,969
Other:								
Depreciation and amortization	7,038	6,510	5,587	301	1,028	20,464	–	20,464
Investments in associated companies	3,487	4,343	304	72	–	8,206	221	8,427
Increase in plant, property and equipment and intangible assets	6,670	8,600	6,136	233	727	22,366	–	22,366

2013	Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total	Reconciliations	Consolidated
	Thousands of U.S. Dollars							
	Reportable Segment							
Sales								
Sales to external customers	**$1,801,904**	**$1,455,872**	**$ 992,479**	**$339,979**	**$ 95,170**	**$4,685,404**	**–**	**$4,685,404**
Intersegment sales or transfers	**673,649**	**169,234**	**303,989**	**19,085**	**109,309**	**1,275,266**	**$(1,275,266)**	**–**
Total	**$2,475,553**	**$1,625,106**	**$1,296,468**	**$359,064**	**$204,479**	**$5,960,670**	**$(1,275,266)**	**$4,685,404**
Segment profit	**$ 37,394**	**$ 70,723**	**$ 36,106**	**$ 8,117**	**$ 11,798**	**$ 164,138**	**$ (32)**	**$ 164,106**
Segment assets	**1,922,521**	**1,727,787**	**1,117,330**	**164,606**	**199,755**	**5,132,000**	**305,862**	**5,437,862**
Other:								
Depreciation and amortization	**65,330**	**66,670**	**59,309**	**3,085**	**10,181**	**204,574**	**–**	**204,574**
Investments in associated companies	**40,117**	**47,851**	**3,511**	**840**	**–**	**92,319**	**2,777**	**95,096**
Increase in plant, property and equipment and intangible assets	**105,564**	**100,415**	**67,043**	**5,149**	**6,840**	**285,011**	**–**	**285,011**

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.

Associated Information

1. Information about geographical areas

Sales

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

2012	Millions of Yen				
	Japan	North America	Asia	Other	Total
	¥411,451	¥14,267	¥57,396	¥6,041	¥489,155

2013	Thousands U.S. Dollars				
	Japan	North America	Asia	Other	Total
	$3,881,617	**$164,181**	**$580,383**	**$59,223**	**$4,685,404**

2. Information about goodwill

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**

2012	Millions of Yen Specialty Steel	High Performance Materials and Magnetic Materials	Parts for Automobile and Industrial Equipment	Engineering	Trading and Service	Total
Balance of goodwill (negative goodwill)	–	¥4	¥(2)	–	–	¥2

Negative goodwill, which arose from business combinations executed before April 1, 2010, was not allocated to any reportable segments. Amortization of negative goodwill amounted to ¥6 million for the year ended March 31, 2012.

2013	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 (negative goodwill)	**$ 479**	**$43**	**$(21)**	**–**	**–**	**$ 500**
Balance of goodwill	**$2,245**	**–**	**–**	**–**	**–**	**$2,245**

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, 2013, 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 misstatements, 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, 2013, 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, 2013

Member of
Deloitte Touche Tohmatsu Limited

Offices & Branches

	Address	Phone (Facsimile)
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.

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, 2013)

CORPORATE DATA

(As of March 31, 2013)

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
Number of Employees:	3,139
Common Stock:	¥37,172 million
Number of Authorized Shares:	1,160,000,000
Number of Issued Shares:	434,487,693
Number of Shareholders:	33,649
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 Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Master Trust Bank of Japan, Ltd. (Trust Account) HONDA MOTOR CO., LTD. NHK Spring Co., Ltd. TOYOTA MOTOR CORPORATION National Mutual Insurance Federation of Agricultural Cooperatives
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