NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2012)

Account	Amount	Account	Amount
	¥million		¥million
ASSETS	**89,740**	**LIABILITIES**	**74,992**
[CURRENT ASSETS]	[80,214]	[CURRENT LIABILITIES]	[65,680]
Cash on hand and at banks	1,858	Notes payable - trade	3,577
Notes receivable - trade	13,045	Accounts payable - trade	47,807
Accounts receivable - trade	49,911	Short-term loans payable	8,700
Merchandises	14,603	Short-term borrowing payable to an associated company	3,100
Advances paid	230	Current portion of long-term loans payable	1,130
Prepaid expenses	26	Lease obligation	1
Deferred tax assets	214	Accounts payable - other	134
Consumption taxes refundable	195	Accrued expenses	120
Deposit paid	244	Income taxes payable	236
Other current assets	54	Advances received	350
Allowance for doubtful accounts	(171)	Deposits payable	20
[FIXED ASSETS]	[9,526]	Deferred income	46
[Tangible fixed assets]	[4,132]	Accrued bonuses to employees	412
Buildings	1,971	Accrued bonuses to directors and corporate auditors	24
Structures	24	Other current liabilities	19
Machinery and equipment	68	[NON-CURRENT LIABILITIES]	[9,311]
Vehicles	0	Long-term loans payable	6,830
Tools and fixtures	42	Lease obligation	5
Land	2,019	Deferred tax liabilities	585
Leased assets	6	Liability for retirement benefits for employees	938
		Liability for retirement benefits for directors and corporate auditors	77
[Intangible fixed assets]	[66]	Deposit received	875
Software	53	**EQUITY**	**14,747**
Telephone subscription rights	11	[SHAREHOLDERS' EQUITY]	[13,595]
Rights of facilities use	0	[Common stock]	[1,511]
[Investments and others]	[5,327]	[Capital surplus]	[366]
Investment securities	4,130	Additional paid-in capital	363
Securities of associated companies	71	Other capital surplus	3
Investments in equity	1	[Retained earnings]	[11,972]
Investments in equity of subsidiaries and associated companies	365	Legal reserve	339
Long-term loans receivable from employees	16	Other retained earnings	11,632
Claim in bankruptcy	28	Reserve for deferred gain on land	552
Long-term prepaid expenses	15	General reserve	4,910
Other investments	761	Retained earnings brought forward	6,170
Allowance for doubtful accounts	(63)	[Treasury stock]	[(255)]
		[VALUATION AND TRANSLATION ADJUSTMENTS]	[1,152]
		Unrealized gain on available-for-sale securities	1,152
TOTAL ASSETS	89,740	TOTAL LIABILITIES AND EQUITY	89,740

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2011 to March 31, 2012)

Account	Amount	
	¥million	¥million
NET SALES		**233,027**
COST OF SALES		**224,028**
GROSS PROFIT		**8,999**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		**6,914**
OPERATING INCOME		**2,084**
NON-OPERATING INCOME		
Interest income	111	
Dividend income	108	
Foreign exchange gain	60	
Rental income on fixed assets	35	
Other non-operating income	24	340
NON-OPERATING EXPENSES		
Interest expenses	328	
Loss on sales of accounts receivable	22	
Other non-operating expenses	19	370
ORDINARY INCOME		**2,054**
EXTRAORDINARY PROFIT		
Gain on sales of an investment security	3	
Gain on sales of a security of an associated company	5	8
EXTRAORDINARY LOSS		
Loss on sales of investment securities	5	
Write-down of an investment security	1	
Write-down of a golf club membership	8	15
INCOME BEFORE TAXES		**2,047**
CORPORATE, INHABITANTS AND ENTERPRISE TAXES	754	
INCOME TAXES - DEFERRED	193	**947**
NET INCOME		**1,100**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2011 to March 31, 2012)

	SHAREHOLDERS' EQUITY							VALUATION AND TRANSLATION ADJUSTMENTS	TOTAL EQUITY
	Common stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity	Unrealized gain on available-for -sale securities	
		Additional paid-in capital	Other capital surplus	Legal reserve	Other retained earnings				
	¥million	¥million	¥million	¥million	¥million				
BALANCE, APRIL 1, 2011	1,511	363	1	339	11,032	(247)	13,000	936	13,936
Changes in the year									
Dividend from retained earnings					(499)		(499)		(499)
Net income					1,100		1,100		1,100
Increase in reserve for deferred gain on land due to change in effective tax rate					-		-		-
Acquisition of treasury stock						(25)	(25)		(25)
Disposal of treasury stock			2			17	20		20
Net change in items other than shareholders' equity in the year								215	215
Net change in the year	-	-	2	-	600	(7)	595	215	810
BALANCE, MARCH 31, 2012	1,511	363	3	339	11,632	(255)	13,595	1,152	14,747

Break down list of other retained earnings

	Reserve for deferred gain on land	General reserve	Retained earnings brought forward	Total
	¥million	¥million	¥million	¥million
BALANCE, APRIL 1, 2011	509	4,910	5,612	11,032
Changes in the year				
Dividend from retained earnings			(499)	(499)
Net income			1,100	1,100
Increase in reserve for deferred gain on land due to change in effective tax rate	42		(42)	-
Net change in the year	42	-	558	600
BALANCE, MARCH 31, 2012	552	4,910	6,170	11,632

SIGNIFICANT ACCOUNTING POLICIES

1. Basis and method of valuation for assets

(1) Securities

Investments in subsidiaries and associated companies	Stated at cost determined by the moving-average method
Available-for-sale securities	
Securities with market quotations	Stated at the fair value as of the fiscal year-end (all the unrealized gains and losses are directly recorded in equity section, cost of sales of securities is determined by the moving-average method.)
Securities without market quotations	Stated at cost determined by the moving-average method
(2) Derivatives	Stated at fair value
(3) Merchandises	Stated at cost determined by the annual-average method (balance sheet amount is measured at the lower of cost or net selling value)

2. Depreciation method of fixed assets

(1) Tangible assets (excluding leased assets)

Computed by the declining-balance method, however, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated by the straight-line method. The useful life of most buildings is from 15 to 50 years.

(2) Intangible assets

Computed by the straight-line method. The useful life of computer software for internal use is five years.

(3) Leased assets under finance lease which do not transfer ownership to the lessee

Depreciation expense was computed by the straight-line method over the lease period with no residual value; however, the Company accounted for leases which existed at March 31, 2008 and do not transfer ownership of the leased assets to the lessee as operating lease transactions.

3. Basis for setting up significant allowances

(1) Allowance for doubtful accounts

In order to deal with the loss from doubtful accounts, an allowance for doubtful accounts is accrued using the historical rate of actual losses for normal receivables and the estimated irrecoverable amount for specific doubtful receivables after considering the recoverability of each account.

(2) Accrued bonuses to employees

To provide for the payment of bonuses to employees including the employees' portion of directors, accrued bonuses are provided for based upon an estimate of expected bonus payments at the fiscal year end.

(3) Accrued bonuses to directors and corporate auditors

To provide for the payment of bonuses to directors and corporate auditors, accrued bonuses are provided for based upon an estimate of expected bonus payments at the fiscal year end.

(4) Liability for retirement benefits for employees

Liability for retirement benefits for employees is made based on the projected benefit obligations and plan assets at the fiscal year end. Actuarial differences are amortized and changed to expenses by the straight-line method over the certain period (10 years) which is shorter than the employees' average remaining working lives expected when they arose from the fiscal year following the year in which they arose.

(5) Liability for retirement benefits for directors and corporate auditors

In order to pay rewards to the directors and corporate auditors at their retirement, the Company provides for the amount payable as at the year-end date in accordance with the Company's internal regulation.

4. Translation of foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The resulting foreign exchange gains and losses from translation are recognized in the statement of income.

5. Hedge accounting

(1) Method of accounting

The interest rate swaps that meet the specific criteria of hedge accounting are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting is applied for the current fiscal year are as follows:
Hedging instruments – Interest rate swap
Hedged items – Interest expense of loans payable

(3) Hedging policies

The Company enters into interest rate swap agreements to manage interest rate exposures of loans payable.

(4) Effectiveness of hedging

The Company does not evaluate effectiveness of hedging for the interest rate swaps that meet the specific criteria of hedge accounting.

6. Accounting method of consumption taxes

The tax-exclusion computation has been applied.

ADDITIONAL INFORMATION

(Application of accounting standard for accounting changes and error corrections)

The Company adopted The Accounting Standards Board of Japan (ASBJ) Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" issued on December 4, 2009 and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections" issued on December 4, 2009 for accounting changes and corrections of prior-period errors which are made from the beginning of this fiscal year.

NOTES TO NON-CONSOLIDATED BALANCE SHEET

1. Short-term receivables from subsidiaries and associated companies ¥ 18,685 million
   Short-term payables to subsidiaries and associated companies ¥ 29,083 million
   Long-term receivables from subsidiaries and associated companies ¥ 52 million
   Long-term payables to subsidiaries and associated companies ¥ 640 million

2. Accumulated depreciation on tangible fixed assets ¥ 1,812 million

3. Assets pledged as collateral and collateralized liabilities

Assets pledged as collateral			
Buildings	¥	1,818	million
Structures	¥	6	million
Land	¥	49	million
Investment securities	¥	27	million
Total	¥	1,901	million

Liabilities corresponding to above collateral			
Accounts payable - trade	¥	28	million
Current portion of long-term loans payable	¥	130	million
Long-term loans payable	¥	130	million
Total	¥	288	million

4. Export trade notes sold with recourse ¥ 808 million

5. Contingent liabilities

The Company sold all shares in Hamano Co., Ltd. to Sakuma Special Steel Co., Ltd. on January 30, 2012. The sales contract includes a clause that the Company assumes the responsibility for the payment in case accounts receivable which Hamano Co., Ltd. held at the time when the Company sold shares become uncollectible within one year after sales of shares. The carrying amount as of March 31, 2012 of accounts receivable which Hamano Co., Ltd. held at the time when the Company sold shares is ¥62 million.

6. Notes and accounts maturing on the fiscal year-end

   Notes and accounts maturing on the fiscal year-end are settled on the day of clearance of bills. Since this fiscal year-end is a bank holiday, notes and accounts maturing on the fiscal year-end are included in the followings:

Notes receivable - trade	¥	367	million
Accounts receivable - trade	¥	3,351	million
Notes payable - trade	¥	631	million
Accounts payable - trade	¥	8,734	million

Accounts receivable and payable will be received or paid by cash.

NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME

Transactions with subsidiaries and associated companies			
Net sales	¥	61,263	million
Purchase	¥	91,087	million
Selling, general and administrative expenses	¥	402	million
Non-operating transactions	¥	83	million

NOTES TO NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of treasury stocks at year end

Common stock 528,452 shares

Major change in treasury stock resulted from acquisition of treasury stock (47 thousand shares) based on the approval at the shareholders meeting and allocation of treasury stock (37 thousand shares) to third parties.

NOTES TO TAX EFFECT ACCOUNTING

1. Detail of deferred tax assets and deferred tax liabilities by temporary differences
   The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 are as follows;

(1) Current deferred tax assets

Deferred tax assets			
Merchandises	¥	13	million
Allowance for doubtful accounts		48	
Accrued bonuses to employees		156	
Accrued social securities expense		22	
Enterprise taxes payable		18	
Other		3	
Subtotal	¥	262	
Less valuation allowance		(48)	
Current deferred tax assets		214	

(2) Non-current deferred tax assets or liabilities

Deferred tax assets			
Liability for retirement benefits for employees	¥	341	million
Liability for retirement benefits for directors and corporate auditors		29	
Allowance for doubtful accounts		20	
Write-down of golf membership		38	
Write-down of investment securities		26	
Write-down of investments in equity of a subsidiary		23	
Other		13	
Subtotal	¥	492	
Less valuation allowance		(118)	
Total	¥	373	
Deferred tax liabilities			
Reserve for deferred gain on land		310	
Unrealized gain on available-for-sale securities		648	
Total	¥	958	
Non-current deferred tax liabilities – net	¥	585	

2. Changes in the amounts of deferred tax assets and deferred tax liabilities due to change in tax rate of income taxes

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 36% afterwards. The effect of this change was to decrease deferred tax assets and liabilities by ¥62 million and ¥132 million, respectively, and to increase income taxes—deferred, reserve for deferred gain on land and unrealized gain on available-for-sale securities by ¥20 million, ¥42 million and ¥90 million, respectively.

NOTES TO FIXED ASSETS USED BY LEASE

The Company accounted for leases which existed at March 31, 2008 and do not transfer ownership of the leased assets to the lessee as operating lease transactions.

1. Pro forma information of leased assets such as acquisition cost, accumulated depreciation and net leased assets

	Acquisition cost	Accumulated depreciation	Net leased assets
Vehicles	¥ 4 million	¥ 3 million	¥ 0 million
Tools and fixtures	9	7	1
Total	¥ 13	¥ 11	¥ 2

The amounts of acquisition cost under finance leases include the imputed interest expense portion.

2. Obligations under finance lease as of March 31, 2012

Due within one year	¥ 2	million
Due after one year	-	
Total	¥ 2	

The amounts of obligations under financial leases include the imputed interest expense portion.

3. Interest expense and depreciation expense

Interest expense	¥ 5	million
Depreciation expense	¥ 5	million

4. Computing method of depreciation expense

Depreciation expense was computed by the straight-line method over the lease period with no residual value.

TRANSACTIONS WITH RELATED PARTIES

1. The parent company and corporate shareholders (limited to entities)

Attribution	Name	Address	Capital (¥million)	Business	Voting rights (Owned) (%)	Relation	Details of transactions	Amount of transactions (¥ million)	Account	Balance at year end (¥ million)
Parent Company	Daido Steel Co., Ltd.	Higashi-ku, Nagoya	37,172	Manufacture and sales of special steel	(Owned) Direct 63.8 Indirect 3.1	Sales of raw materials and purchase of special steel and directors' concurrent	Sales of raw materials	¥56,665	Accounts receivable-trade	¥16,851
							Purchase of products	89,911	Accounts payable-trade	25,961
									Advances paid	180
							Interest income due to alternation of contract terms	79		
							Borrowing	3,100	Short-term borrowing payable to an associated company	3,100
							Interest expenses paid	2	Accrued expenses	0

The amounts of transactions do not include consumption taxes, whereas balances at year end include consumption taxes.

Conditions of transactions and policies

1. Sales prices of raw materials to Daido Steel Co., Ltd. are made reflecting current market prices, and purchase prices of products are made considering market price in an arm's-length transaction.
2. Interest rate changes due to alternation of payment period are made monthly based on the short-term prime rate.
3. Interest rate of borrowing was determined by the agreement based on market interest rate.

2. Fellow subsidiaries and others

Attribution	Name	Address	Capital (¥million)	Business	Voting rights (Own) (Owned) (%)	Relation	Details of transactions	Amount of transactions (¥ million)	Account	Balance at year end (¥ million)
Subsidiary of the parent company	Fuji Oozx Inc.	Kikugawa, Shizuoka	¥ 3,018	Manufacture and sales of motor bulb	(Own) Direct 5.3 (Owned) Direct 0.4	Sales of special steel	Sales of special steel	¥2,760	Accounts receivable-trade	¥1,295
Subsidiary of the parent company	Nippon Seisen Co., Ltd.	Chuo-ku, Osaka	5,000	Manufacture and sales of stainless wire rod	(Own) Direct 0.2 (Owned) Direct 0.2	Sales of special steel	Sales of special steel	8,978	Accounts receivable-trade	1,536
Subsidiary of the parent company	Shimomura Tokushu Seiko Co., Ltd.	Ichikawa, Chiba	298	Manufacture and sales of special precise rod	(Own) Direct 3.9	Sales of special steel	Sales of special steel	6,514	Accounts receivable-trade	1,945
Subsidiary of the parent company	Daido Castings Co., Ltd.	Minato-ku, Nagoya	2,215	Manufacture and sales of casting such as special steel and nickel alloy	-	Purchase of casting such as special steel and nickel alloy	Purchase of casting such as special steel and nickel alloy	6,972	Accounts payable-trade	2,234
Subsidiary of the parent company	Daido-Special Metals Co., Ltd.	Minato-ku, Tokyo	400	Manufacture and sales of nickel products and nickel alloy	-	Purchase of nickel alloy	Purchase of nickel alloy	2,810	Accounts payable-trade	1,146
Subsidiary of the parent company	Daido Electronics Co., Ltd.	Nakatsugawa, Gifu	1,490	Sales of rare earths bond magnet and applied products	-	Purchase of magnets	Purchase of magnets	3,584	Accounts payable-trade	1,551

The amounts of transactions do not include consumption taxes, whereas balances at year end include consumption taxes.

Conditions of transactions and policies

1. Sales prices are annually decided by negotiation in arm's-length transaction by presenting our offer considering market price and total cost.
2. Purchase prices are annually decided through negotiation based on the offer price from Daido Castings Co., Ltd., Daido-Special Metals Ltd. and Daido electronics Co., Ltd.

NOTES TO PER SHARE INFORMATION

1. Net assets per share ¥ 590.59
2. Net income per share ¥44.04

INDEPENDENT AUDITOR'S REPORT

May 21, 2012

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

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Natsuki Matsui
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Katsuhiko Kato

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2012 of Daido Kogyo Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 96th fiscal year from April 1, 2011 to March 31, 2012, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules 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 financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, 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 financial statements and the accompanying supplemental schedules 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 financial statements and the accompanying supplemental schedules.

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in

Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.