

Consolidated Balance Sheet

(As of March 31, 2018)

(Unit: 1,000 Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	73,727,725	Current Liabilities	66,163,931
Cash and deposits	13,672,237	Notes and accounts payable-trade	8,337,038
Notes and accounts receivable-trade	27,782,964	Electronically recorded obligations - operating	9,544,312
Electronically recorded monetary claims - operating	2,455,024	Short-term borrowings	27,755,900
Merchandise and finished goods	10,913,287	Current portion of long-term borrowings	9,545,278
Work in process	8,538,349	Lease obligations	929,411
Raw materials and supplies	6,327,888	Accrued income taxes	1,251,789
Deferred tax assets	1,904,692	Reserve for bonuses	1,835,027
Others	2,184,794	Reserve for Directors' bonuses	128,800
Allowance for doubtful accounts	(51,512)	Reserve for compensation for products	291,946
		Electronically recorded obligations - non-operating	479,201
		Others	6,065,225
Fixed assets	87,638,466		
Tangible fixed assets	64,947,211	Non-Current Liabilities	37,261,323
Buildings and structures	17,682,636	Long-term borrowings	23,295,342
Machinery, equipment and vehicles	26,878,089	Lease obligations	4,275,602
Land	10,801,359	Deferred tax liabilities	2,519,857
Leased assets	5,580,524	Provision for environmental measures	20,094
Construction in progress	2,921,126	Net defined benefit liability	6,457,872
Others	1,083,475	Asset retirement obligations	17,720
		Negative goodwill	1,626
		Others	673,207
Intangible fixed assets	15,085,677	Total Liabilities	103,425,254
Goodwill	9,650,993	Net Assets	
Leased assets	79,940	Shareholders' equity	49,336,094
Others	5,354,744	Capital stock	7,273,178
		Capital surplus	8,821,705
Investments and other assets	7,605,576	Retained earnings	34,663,572
Investment securities	4,777,944	Treasury stocks	(1,422,361)
Long-term loans	290,276	Accumulated other comprehensive income	16,742
Net defined benefit asset	194,176	Net unrealized gain (loss) on securities	1,316,307
Deferred tax assets	1,132,050	Foreign currency translation adjustments	557,965
Others	1,259,966	Remeasurements of defined benefit plans	(1,857,530)
Allowance for doubtful accounts	(48,838)	Non-controlling interests in consolidated subsidiaries	8,588,099
		Total Net Assets	57,940,936
Total Assets	161,366,191	Total Liabilities and Net Assets	161,366,191

(Note) Amounts are rounded down to the nearest 1,000 yen.

Consolidated Statement of Income

(From: April 1, 2017
To: March 31, 2018)

(Unit: 1,000 Yen)

Account	Amount	
Net sales		106,648,857
Cost of sales		78,848,892
Gross profit on sales		27,799,964
Selling, general and administrative expenses		21,288,763
Operating income		6,511,201
Non-operating income		
Interest and dividend income	159,021	
Amortization of negative goodwill	533	
Equity in earnings of unconsolidated subsidiaries and associates	164,883	
Proceeds from sale of scraps	705,029	
Others	387,300	1,416,768
Non-operating expenses		
Interest expense	768,391	
Foreign exchange losses	157,068	
Others	293,827	1,219,287
Ordinary income		6,708,682
Extraordinary losses		
Impairment loss	141,465	141,465
Profit before income taxes		6,567,217
Corporation tax, inhabitant tax and business tax	2,221,490	
Income taxes-deferred	217,393	2,438,883
Profit		4,128,333
Profit attributable to non-controlling interests		846,643
Profit attributable to owners of parent		3,281,690

(Note) Amounts are rounded down to the nearest 1,000 yen.

Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2017
To: March 31, 2018)

(Unit: 1,000 Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at the beginning of the period	7,273,178	8,821,705	32,576,356	(1,421,594)	47,249,645
Effects of finalization of provisional accounting treatment					
Balance at the beginning of the period reflecting finalization of provisional accounting treatment	7,273,178	8,821,705	32,576,356	(1,421,594)	47,249,645
Changes during the period					
Dividends paid			(1,194,473)		(1,194,473)
Profit attributable to parent company			3,281,690		3,281,690
Acquisition of treasury stocks				(766)	(766)
Net change in items other than shareholders' equity during the period					
Total changes during the period	—	—	2,087,216	(766)	2,086,449
Balance at the end of the period	7,273,178	8,821,705	34,663,572	(1,422,361)	49,336,094

(Unit: 1,000 Yen)

	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized gain (loss) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	1,145,635	(1,114,666)	(2,049,572)	(2,018,603)	7,733,759	52,964,800
Effects of finalization of provisional accounting treatment		(0)		(0)	1	1
Balance at the beginning of the period reflecting finalization of provisional accounting treatment	1,145,635	(1,114,666)	(2,049,572)	(2,018,603)	7,733,760	52,964,802
Changes during the period						
Dividends paid						(1,194,473)
Profit attributable to parent company						3,281,690
Acquisition of treasury stocks						(766)
Net change in items other than shareholders' equity during the period	170,671	1,672,632	192,041	2,035,346	854,338	2,889,684
Total changes during the period	170,671	1,672,632	192,041	2,035,346	854,338	4,976,134
Balance at the end of the period	1,316,307	557,965	(1,857,530)	16,742	8,588,099	57,940,936

(Note) Amounts are rounded down to the nearest 1,000 yen.

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries

33 companies

Names of consolidated subsidiaries

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

Change in the scope of consolidation

DM Casting Technology (Thailand) Co., Ltd. has been included in the scope of consolidation, as the company was newly established during the consolidated fiscal year under review.

(2) Names of unconsolidated subsidiaries

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

Reason for exclusion from scope of consolidation

Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of total assets, revenue and net income or loss for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

2. Application of equity method

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

Names of companies	3 companies (Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd. (Associates) BBL Daido Private Limited Shippo Asahi Moulds (Thailand) Co., Ltd.
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(2) Names of unconsolidated subsidiaries and associates to which the equity method was not applied

	(Unconsolidated subsidiaries) Chung Yuan Daido (Guangzhou) Co., Ltd. DMS Korea Co., Ltd.
Reason for non-application of equity method	Chung Yuan Daido (Guangzhou) Co., Ltd. and DMS Korea Co., Ltd. are immaterial from the Group's point of view in terms of total assets, revenue and net income or loss for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

(3) Special mention regarding the application of equity method

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

3. Matters relating to the accounting period of consolidated subsidiaries

The closing date for Daido Metal U.S.A. Inc., DAIDO METAL KOTOR AD, Daido Industrial Bearings Europe Limited, DAIDO METAL CZECH s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., PT. Daido Metal Indonesia, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Europe GmbH., DAIDO METAL EUROPE LIMITED, Daido Metal Russia LLC, Daido Metal Mexico, S.A. de C.V., Daido Metal Mexico Sales, S.A. de C.V., PHILIPPINE IINO CORPORATION, IINO (Foshan) Technology Co., Ltd., ISS America, Inc., ISS MEXICO MANUFACTURING S.A. de C.V., PT. IINO INDONESIA, and SUPER CUB FINANCIAL CORPORATION is December 31. Financial statements as of the same date are used in compiling the consolidated financial statements as of March 31, with necessary adjustment for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

Other securities

Securities with market value Stated at market value based on the market price at the balance sheet date (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)

Securities without market value Stated at cost using moving average method

2) Basis and method of valuation of derivatives

Stated at market value

3) Basis and method of valuation of inventories

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

(a) Merchandise and finished goods Principally by weighted average method

(b) Work in process Principally by weighted average method

(c) Raw materials Principally by weighted average method

(d) Supplies Principally by moving average method

(2) Method of depreciation of important depreciable assets

1) Tangible fixed assets (excluding leased assets)

The Company and six domestic consolidated subsidiaries use the declining balance method (with the exception of

buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998 and facilities annexed to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Estimated useful lives of major assets are as follows:

Buildings and structures	3-60 years
Machinery, equipment and vehicles	4-10 years

2) Intangible fixed assets (excluding leased assets)

Straight-line method is used.

3) Leased assets

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

(3) Reserves and Provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

2) Reserve for bonuses

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

3) Reserve for Directors' bonuses

An estimated amount of bonuses payable is provided.

4) Reserve for compensation for products

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

5) Provision for environmental measures

In order to prepare for the payment of disposal cost of PCB wastes required as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated disposal cost is provided.

(4) Other significant matters for presentation of consolidated financial statements

1) Accounting for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding operating officers etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date.

When calculating retirement benefit obligations the benefit formula basis is used to allocate to the current period.

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

For actuarial differences, an amount prorated by the straight-line method over the average remaining service years of employees at the time of occurrence thereof in each consolidated fiscal year is expensed starting from the consolidated fiscal year that follows the consolidated fiscal year of occurrence.

In order to prepare for the payment of retirement benefits to operating officers etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.

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

Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustments and non-controlling interests.

3) Amortization of goodwill and the amortization period

Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during which the benefits are expected to arise.

4) Accounting method of consumption taxes

Consumption taxes are accounted for by the tax-excluded method.

II. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets	88,887,212	thousand yen
2. Assets pledged as collateral, and liabilities secured by collateral		
Assets pledged as collateral		
Buildings and structures	634,557	thousand yen
Machinery, equipment and vehicles	1,481,114	
Land	3,206,948	
Other tangible fixed assets	0	
Total	<u>5,322,620</u>	

Liabilities secured by collateral		
Short-term borrowings	1,987,635	thousand yen
Long-term borrowings (including amounts scheduled to be repaid within one year)	1,100,000	
Total	<u>3,087,635</u>	

3. Liabilities for guarantee		
Employee housing loans, etc.	156,821	thousand yen

4. Notes receivable discounted or transferred by endorsement		
Discounted export bills	18,511	thousand yen

5. Notes matured as of the consolidated balance sheet date

The settlement of the notes receivable are accounted for when the notes are cleared. As the balance sheet date fell upon non-business day, and thus the notes that fell due on that date were not cleared until the following business day, following amount of notes with due date Mar. 31, 2018 is included in the balance sheet.

Notes receivable-trade	195,982	thousand yen
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III. Notes to Consolidated Statement of Changes in Shareholders' Equity

1. Total number of shares issued as of the end of the period

Ordinary shares 44,956 thousand shares

2. Matters relating to dividend

(1) Total dividends paid

Resolution	Type of share	Dividends paid (1,000 yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting held on June 29, 2017	Ordinary share	597,238	15.00	March 31, 2017	June 30, 2017
Board of Directors' meeting held on November 14, 2017	Ordinary share	597,234	15.00	September 30, 2017	December 7, 2017

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

It is scheduled to be resolved as follows:

Resolution	Type of share	Dividends paid (1,000 yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting to be held on June 28, 2018	Ordinary share	597,228	15.00	March 31, 2018	June 29, 2018

Dividends will be paid out of retained earnings.

IV. Notes on Financial Instruments

1. Matters relating to financial instruments

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

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

Borrowings are used for working capital (mainly short-term) and capital investment (long-term). Currency swap transactions are made for some foreign currency denominated borrowings against the risk of currency fluctuations.

Derivative transactions are made within the scope of actual demand in accordance with internal management regulations.

2. Matters relating to market values of financial instruments

Book value, market value and differences as of March 31, 2018 are as follows:

(Unit: 1,000 yen)

	Book value (*1)	Market value (*1)	Difference
(1) Cash and deposits	13,672,237	13,672,237	—
(2) Notes and accounts receivable-trade	27,782,964	27,782,964	—
(3) Electronically recorded monetary claims - operating	2,455,024	2,455,024	—
(4) Investment securities	3,267,559	3,267,559	—
(5) Notes and accounts payable-trade	(8,337,038)	(8,337,038)	—
(6) Electronically recorded obligations - operating	(9,544,312)	(9,544,312)	—
(7) Short-term borrowings	(27,755,900)	(27,755,900)	—
(8) Income taxes payable	(1,251,789)	(1,251,789)	—
(9) Long-term borrowings (including amounts scheduled to be repaid within one year)	(32,840,620)	(32,824,300)	16,319
(10) Electronically recorded obligations - non-operating	(479,201)	(479,201)	—
(11) Lease obligations	(5,205,014)	(5,408,079)	(203,065)
(12) Derivative transactions (*2) Those not qualifying for hedge accounting	14,247	14,247	—

(*1) Items recorded in liabilities are shown in ().

(*2) Claims and obligations arising from derivative transactions are stated in net amounts.

(Note 1) Calculation of market values of financial instruments, securities, and derivative transactions

(1) Cash and deposits and (2) Notes and accounts receivable-trade (3) Electronically recorded monetary claims – operating

These are stated at their carrying values because they are settled in a short period and their market values are considered to be close to their carrying values.

(4) Investment securities

Market values of equities are based on quotations in the stock exchange, and the market values of other securities are based on reasonable estimates.

(5) Notes and accounts payable-trade, (6) Electronically recorded obligations - operating, (7) Short-term borrowings, (8) Income taxes payable and (10) Electronically recorded obligations - non-operating

These are stated at their carrying values because they are settled in a short period and their market values are considered to be close to their carrying values.

(9) Long-term borrowings (including amounts scheduled to be repaid within one year) and (11) Lease obligations

Market values of these items are calculated by discounting the total amount of principal and interest by a rate that is assumed if the same transaction were newly made. Among long-term borrowings, those at variable interest rates are stated at their carrying values because they reflect market interest rates in the short term and the Company's credit status has not changed significantly since the execution, and thus their market values approximate their carrying values.

(12) Derivative transactions

Market values are based on the quoted price obtained from financial institutions, etc., which we have business relationship with

(Note 2) As it is considered extremely difficult to obtain the market values of unlisted stocks (consolidated balance sheet amount of 1,510,385 thousand yen) because their market quotations are not available and their future cash flows cannot be estimated, they are not included in "(4) Investment securities."

V. Notes on Rental Properties

1. Matters relating to rental properties

The Group owns rental properties in Nagoya city and in other areas.

2. Matters relating to market values of rental properties

(Unit: 1,000 yen)

Book value	Market value
764,397	5,074,313

- (Notes) 1. The amount recorded in the consolidated balance sheet represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
 2. The market value at the balance sheet date represents an amount principally based on the “real-estate appraisal standards.”

VI. Notes on Per Share Information

1. Net assets per share	1,239.54 yen
2. Net income per share	82.42 yen

VII. Notes on Business Combinations

Business combination through acquisition

1. Finalization of provisional accounting treatment related to business combination

Allocation of the acquisition cost of ATA Casting Technology Japan Co., Ltd., acquired during the previous period, to identifiable assets and liabilities were not completed as of previous period end, and as such provisional accounting treatment was adopted based upon the reasonable information available at the time of preparation of the consolidated financial statements.

The allocation of the acquisition cost has been completed as of the end of the consolidated fiscal year under review. The goodwill is adjusted as follows:

Adjusted item	Adjustment of goodwill
Goodwill (before adjustment)	8,069 million yen
Tangible fixed assets	(640)
Intangible fixed assets	(697)
Deferred tax liabilities	46
Non-controlling interests in consolidated subsidiaries	0
Total adjusted amount	(1,291)
Goodwill (after adjustment)	6,777

2. Amount and the source of goodwill and the applicable amortization method and period

(1) Amount of goodwill

6,777 million yen

(2) Source of goodwill

Goodwill arose from reasonable estimates of future excess earning power expected to be generated from business developments going forward.

(3) Amortization method and period

Straight-line method over 14 years

3. Amounts allocated to intangible fixed assets other than goodwill and breakdown by type and amortization period

Type	Amount	Amortization period
Customer-related assets	697 million yen	37 years

4. Details of conditional consideration amount stipulated in the business combination agreement and their future accounting policies

Under the transfer agreement of stocks and receivables, consideration may change according to the occurrence of certain events in the future. In cases where such change in consideration occurs, the acquisition cost is adjusted by assuming that the change occurred at the time of acquisition, and accordingly, adjustments are made to the amount of goodwill and the amortization amount of goodwill.

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Unit: 1,000 Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	36,876,457	Current liabilities	38,995,051
Cash and deposits	2,311,836	Accounts payable-trade	5,981,605
Notes receivable-trade	539,956	Electronically recorded obligations - operating	11,260,485
Accounts receivable-trade	19,066,365	Short-term borrowings	10,700,000
Electronically recorded monetary claims - operating	2,501,018	Current portion of long-term borrowings	6,116,600
Merchandise and finished goods	1,935,665	Lease obligations	374,090
Work in process	3,556,008	Other accounts payable	1,281,387
Raw materials and supplies	2,018,117	Accrued expenses	895,552
Prepaid expenses	138,208	Accrued income taxes	526,145
Deferred tax assets	966,733	Advances received	4,742
Short-term loans receivable from subsidiaries and associates	1,600,000	Deposits received	60,473
Accounts receivable-other	2,153,394	Unearned revenue	25,764
Others	89,550	Reserve for bonuses	1,178,152
Allowance for doubtful accounts	(400)	Reserve for Directors' bonuses	128,800
		Electronically recorded obligations - non-operating	458,877
		Others	2,374
Fixed assets	68,078,249	Non-current liabilities	23,956,693
Tangible fixed assets	20,398,668	Long-term borrowings	16,185,900
Buildings	6,286,730	Lease obligations	2,471,637
Structures	569,531	Deferred tax liabilities	358,630
Machinery and equipment	5,825,894	Reserve for retirement benefits	3,751,091
Cars and vehicles	13,838	Provision for environmental measures	1,435
Tools, furniture and fixtures	225,385	Provision for loss on guarantees	754,759
Land	3,671,939	Asset retirement obligations	1,800
Leased assets	2,939,606	Long-term accounts payable	405,440
Construction in progress	865,742	Others	26,000
Intangible fixed assets	1,129,982	Total Liabilities	62,951,744
Software	909,737		
Leased assets	22,591	Net Assets	
Right for using facilities	15,655	Shareholders' equity	40,917,712
Others	181,998	Capital stock	7,273,178
Investments and other assets	46,549,597	Capital surplus	7,946,245
Investment securities	1,999,598	Legal capital surplus	7,649,095
Shares of subsidiaries and associates	32,498,408	Other capital surplus	297,150
Investments in capital of subsidiaries and associates	7,862,329	Retained earnings	27,120,649
Long-term loans receivable from subsidiaries and associates	1,100,000	Legal retained earnings	743,443
Long-term loans to employees	16,637	Other retained earnings	
Bankruptcy and reorganization claims, etc.	2,083	Reserve for compressed entry of fixed assets	1,724,613
Long-term prepaid expenses	12,062	General reserve	21,000,000
Prepaid pension expenses	2,136,334	Retained earnings brought forward	3,652,592
Others	935,316	Treasury stocks	(1,422,361)
Allowance for doubtful accounts	(13,173)	Valuation, translation adjustments and other	1,085,249
		Net unrealized gain (loss) on securities	1,085,249
Total Assets	104,954,706	Total Net Assets	42,002,962
		Total Liabilities and Net Assets	104,954,706

(Note) Amounts are rounded down to the nearest 1,000 yen.

Non-Consolidated Statement of Income

(From: April 1, 2017
To: March 31, 2018)

(Unit: 1,000 Yen)

Account	Amount	
Net sales		66,413,180
Cost of sales		53,748,021
Gross profit on sales		12,665,158
Selling, general and administrative expenses		10,813,890
Operating income		1,851,268
Non-operating income		
Interest and dividend income	1,124,533	
Foreign exchange gains	10,889	
Proceeds from sale of scrap	441,056	
Others	280,352	1,856,832
Non-operating expenses		
Interest expense	151,764	
Others	80,352	232,116
Ordinary income		3,475,984
Extraordinary losses		
Provision for loss on guarantees	412,129	412,129
Profit before income taxes		3,063,855
Corporation tax, inhabitant tax and business tax	700,705	
Income taxes-deferred	(35,644)	665,060
Profit		2,398,794

(Note) Amounts are rounded down to the nearest 1,000 yen.

Non-Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2017
To: March 31, 2018)

(Unit: 1,000 Yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Other capital surplus	Legal retained earnings
Balance at the beginning of the period	7,273,178	7,649,095	297,150	743,443
Changes during the period				
Reversal of reserve for compressed entry of fixed assets				
Dividend of surplus				
Profit				
Acquisition of treasury stocks				
Changes (net) to items other than shareholders' equity during the period				
Total changes during the period	—	—	—	—
Balance at the end of the period	7,273,178	7,649,095	297,150	743,443

(Unit: 1,000 Yen)

	Shareholders' equity				
	Retained earnings			Treasury stocks	Total shareholders' equity
	Other retained earnings				
	Reserve for compressed entry of fixed assets	General reserve	Retained earnings brought forward		
Balance at the beginning of the period	1,738,371	21,000,000	2,434,513	(1,421,594)	39,714,157
Changes during the period					
Reversal of reserve for compressed entry of fixed assets	(13,757)		13,757		—
Dividend of surplus			(1,194,473)		(1,194,473)
Profit			2,398,794		2,398,794
Acquisition of treasury stocks				(766)	(766)
Changes (net) to items other than shareholders' equity during the period					
Total changes during the period	(13,757)	—	1,218,079	(766)	1,203,554
Balance at the end of the period	1,724,613	21,000,000	3,652,592	(1,422,361)	40,917,712

(Unit: 1,000 Yen)

	Valuation, conversion adjustments, etc.		Total net assets
	Net unrealized gain (loss) on securities	Total valuation, translation adjustments and other	
Balance at the beginning of the period	993,658	993,658	40,707,816
Changes during the period			
Reversal of reserve for compressed entry of fixed assets			—
Dividend of surplus			(1,194,473)
Profit			2,398,794
Acquisition of treasury stocks			(766)
Changes (net) to items other than shareholders' equity during the period	91,591	91,591	91,591
Total changes during the period	91,591	91,591	1,295,145
Balance at the end of the period	1,085,249	1,085,249	42,002,962

(Note) Amounts are rounded down to the nearest 1,000 yen.

Notes to Financial Statements

I. Notes on Matters Relating to Significant Accounting Policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

1) Shares of subsidiaries and

associates Stated at cost by the moving average method

2) Other securities

Securities with market value Stated at market value based on the market price, etc. at balance sheet date
(Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)

Securities without market value Stated at cost using moving average method

(2) Basis and method of valuation of inventories

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

1) Merchandise and finished goods Weighted average method

2) Work in process..... Weighted average method

3) Raw materials Principally by weighted average method

4) Supplies Principally by moving average method

2. Method of depreciation of fixed assets

(1) Tangible fixed assets (excluding leased assets)

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

Buildings 3-50 years

Structures 7-60 years

Machinery and equipment 5-9 years

Cars and vehicles 4-10 years

Tools, furniture and fixtures 2-20 years

(2) Intangible fixed assets (excluding leased assets)

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

(3) Leased assets

- Leased assets relating to finance lease transactions which transfer the ownership of leased assets

The same depreciation method as applied to self-owned fixed assets is used.

- Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets

Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

3. Reserves and Provisions

(1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

(2) Reserve for bonuses

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

(3) Reserve for Directors' bonuses

An estimated amount of bonuses payable is provided.

(4) Reserve for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding operating officers etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date.

When calculating retirement benefit obligation, the benefit formula basis is used to allocate to the current period.

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

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

In order to prepare for the payment of retirement benefits to operating officers etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.

(5) Provision for environmental measures

In order to prepare for the disposal costs of PCB wastes as stipulated by the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes" the estimated disposal cost is provided.

(6) Provision for loss on guarantees

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

4. Other significant matters for the presentation of financial statements
- (1) Conversion of foreign currency denominated assets and liabilities into Japanese Yen
Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses.
- (2) Accounting method for retirement benefits
The accounting method for unrecognized actuarial differences and unrecognized past service cost differs from the accounting method for the above items used in consolidated financial statements.
- (3) Accounting treatment of consumption taxes
Consumption taxes are accounted for by the tax-excluded method.

II. Notes to Balance Sheet

1. Accumulated depreciation of tangible fixed assets	41,910,745 thousand yen
2. Monetary claims and monetary debts to/from subsidiaries and associates	
Short-term monetary claims	8,964,175 thousand yen
Long-term monetary claims	307,649
Short-term monetary debts	5,493,873
3. Liabilities for guarantee	
(1) For employee housing loans, etc.	156,821 thousand yen
(2) For bank borrowings	
DAIDO METAL CZECH s.r.o.	1,545,000
DAIDO METAL KOTOR AD	522,080
Daido Industrial Bearings Europe Limited	1,329,000
DAIDO METAL EUROPE LIMITED	1,313,742
Daido Metal U.S.A. Inc.	4,977,344
Daido Metal Mexico, S.A. de C.V.	2,705,648
Daido Precision Metal (Suzhou) Co., Ltd.	299,596
Daido Plain Bearings Co., Ltd.	29,900
Daido Metal Europe GmbH.	78,312
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	97,683
(4) For lease obligations	
Daido Metal Russia LLC	1,476,855
(5) For export duties	
DAIDO METAL EUROPE LIMITED	22,556
Total	<u>14,554,540</u>

III. Notes to Statement of Income

Amount of transactions with subsidiaries and associates	
Operating transactions	
Amount of sales	21,561,654 thousand yen
Amount of purchases	17,978,125
Other operating transactions	1,311,550
Transactions other than operating transactions	1,205,512

IV. Notes to Statements of Changes to Shareholders' Equity

Type and number of treasury stocks at the balance sheet date	
Ordinary shares	5,141 thousand shares

V. Notes on Leased Fixed Assets

Other than fixed assets recorded in the Balance Sheet, office equipment, manufacturing facilities etc. are being used under financial lease contracts, which do not transfer the ownership of leased assets.

VI. Notes on Tax Effect Accounting

Breakdown of the main causes of deferred tax assets and liabilities

Deferred tax assets	
Devaluation of finished goods and work in process	509,632 thousand yen
Depreciation in excess of tax allowable limit	35,054
Impairment losses	165,967
Accrued business tax	53,994
Devaluation loss of investment in subsidiaries and associates	2,557,271
Devaluation loss of golf club memberships	16,986
Reserve for bonuses	360,514
Provision for loss on guarantees	230,956
Reserve for retirement benefits	840,762
Long-term accounts payable	58,196
Others	146,135
Sub-total of deferred tax assets	<u>4,975,471</u>
Valuation reserves	<u>(3,083,379)</u>
Total deferred tax assets	<u>1,892,092</u>
Deferred tax liabilities	
Reserve for compressed entry of fixed assets	(760,420)
Unrealized gain (loss) on securities	(461,898)
Others	(61,669)
Total deferred tax liabilities	<u>(1,283,988)</u>
Net deferred tax assets	<u>608,103</u>

VII. Notes on Transactions with Related Parties

Subsidiaries and associates

Type	Name of company	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held)	Relation with related party	Nature of transaction	Transaction amount (1,000 yen) Note 10	Account	Balance at the end of period (1,000 yen) Note 10
Subsidiaries	DAIDO METAL SALES CO., LTD.	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities and loans, etc.	Sale of bearing products Note 1	3,228,216	Account receivable-trade	1,443,810
	NDC Co., Ltd.	(Holding) Direct 58.8	Purchase of products, etc., manufacturing of the Company's products, sales of the Company's products, etc., licensing of technology and lease of facilities etc.	Purchase of bearing products, etc. Note 2	5,672,591	Account payable-trade	1,939,669
	Daido Plain Bearings Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, debt guarantees, etc. and key management personnel service	Purchase of bearing products, etc. Note 2	9,113,372	Account payable-trade Electronically recorded obligations - operating	761,481 2,271,869
	Daido Industrial Bearings Japan Co., Ltd.	(Holding) Direct 100.0	Manufacturing of the Company's products, lease of facilities, loans, etc. and key management personnel service	Loans Note 3	450,000	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	1,000,000 1,100,000
	Daido Metal U.S.A. Inc.	(Holding) Direct 100.0	Sale of the Company's products, etc., purchase of products, licensing of technology, rental of facilities and debt guarantees, etc.	Sale of bearing products, etc. Note 1 Debt guarantees Note 4	4,577,156 4,977,344	Account receivable-trade -	1,081,475 -
	Daido Metal Mexico, S.A. de C.V.	(Holding) Direct 99.9 (Holding) Indirect 0.0	Sale of the Company's products, rental of facilities and debt guarantees, etc.	Debt guarantees Note 5	2,705,648	-	-
	DAIDO METAL CZECH s.r.o.	(Holding) Direct 100.0	Sale of the Company's products, etc., purchase of products, licensing of technology, rental of facilities and debt guarantees, etc.	Debt guarantees Note 6	1,545,000	-	-
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, rental of facilities and debt guarantees, etc.	Debt guarantees Note 7	2,083,760	-	-
	DAIDO METAL EUROPE LIMITED	(Holding) Direct 100.0	Sale of the Company's products, rental of facilities and debt guarantees, etc.	Sale of bearing products etc. Note 1 Debt guarantees Note 8	4,401,564 1,336,298	Account receivable-trade	1,657,768
	Daido Metal Russia LLC	(Holding) Direct 99.8	Sale of the Company's products, etc., purchase of products, licensing of technology and debt guarantees etc.	Debt guarantees Note 9	1,476,855	-	-

Transaction terms, policies for determining transaction terms etc.

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

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

(Note 3) Loan interest rates are determined reasonably, taking into account the market interest rates.

(Note 4) Debt guarantees are provided for the bank borrowings (4,977,344 thousand yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (2,705,648 thousand yen) of Daido Metal Mexico, S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 6) Debt guarantees are provided for the bank borrowings (1,545,000 thousand yen) of DAIDO METAL CZECH s.r.o. and guarantee fees of 0.2% per annum are received.

(Note 7) Debt guarantees are provided for the bank borrowings (2,083,760 thousand yen) of Daido Industrial Bearings Europe Limited and guarantee fees of 0.2% per annum are received. In addition, 412,129 thousand yen is provided for loss on guarantees, making the balance of provision for loss on guarantees at the end of period 754,759 thousand yen.

(Note 8) Debt guarantees are provided for the bank borrowings (1,313,742 thousand yen) and export duties (22,556 thousand yen) of DAIDO METAL EUROPE LIMITED and guarantee fees of 0.2% per annum are received.

(Note 9) Debt guarantees are provided for the lease obligations (1,476,855 thousand yen) of Daido Metal Russia LLC and guarantee fees of 0.2% per annum are received.

(Note 10) Consumption taxes are not included in the transaction amounts. Consumption taxes are included in fiscal year end balances.

VIII. Notes on Per Share Information

1. Net assets per share	1,054.94 yen
2. Profit per share	60.24 yen