

Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	79,379	Current liabilities	57,885
Cash and deposits	19,605	Notes and accounts payable - trade	8,437
Notes and accounts receivable - trade	27,109	Electronically recorded obligations - operating	8,759
Electronically recorded monetary claims - operating	2,809	Short-term loans payable	22,703
Merchandise and finished goods	11,441	Current portion of long-term loans payable	6,428
Work in process	9,496	Lease obligations	837
Raw materials and supplies	6,578	Income taxes payable	1,066
Other	2,382	Provision for bonuses	1,976
Allowance for doubtful accounts	(43)	Provision for bonuses for directors (and other officers)	181
		Provision for product compensation	214
		Provision for environmental measures	99
		Electronically recorded obligations - non-operating	1,007
		Other	6,173
Non-current assets	83,739		
Property, plant and equipment	62,043	Non-current liabilities	38,742
Buildings and structures	16,690	Long-term loans payable	26,017
Machinery, equipment and vehicles	26,116	Lease obligations	3,429
Land	10,791	Deferred tax liabilities	1,901
Leased assets	4,555	Provision for environmental measures	1
Construction in progress	2,898	Retirement benefit liability	6,795
Other	991	Asset retirement obligations	17
		Negative goodwill	1
		Other	578
Intangible assets	12,591	Total Liabilities	96,628
Goodwill	7,147	Net Assets	
Leased assets	60	Shareholders' equity	59,446
Other	5,383	Capital stock	8,413
		Capital surplus	13,114
		Retained earnings	37,918
		Treasury shares	(0)
Investments and other assets	9,103	Accumulated other comprehensive income	(1,660)
Investment securities	4,832	Valuation difference on available-for-sale securities	906
Long-term loans receivable	273	Foreign currency translation adjustment	(467)
Retirement benefit asset	96	Remeasurements of defined benefit plans	(2,100)
Deferred tax assets	2,756	Non-controlling interests	8,705
Other	1,195	Total Net Assets	66,490
Allowance for doubtful accounts	(50)	Total Liabilities and Net Assets	163,118
Total Assets	163,118		

(Note) Amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(From: April 1, 2018
To: March 31, 2019)

(Unit: Million Yen)

Account	Amount	
Net sales		107,718
Cost of sales		80,262
Gross profit		27,455
Selling, general and administrative expenses		20,510
Operating profit		6,944
Non-operating income		
Interest and dividend income	174	
Amortization of negative goodwill	0	
Share of profit of entities accounted for using equity method	174	
Gain on sales of scraps	663	
Other	429	1,442
Non-operating expenses		
Interest expenses	867	
Foreign exchange losses	225	
Other	318	1,411
Ordinary profit		6,976
Extraordinary losses		
Subsidy income	1,000	1,000
Profit before income taxes		7,976
Income taxes - current	2,557	
Income taxes - deferred	13	2,570
Profit		5,405
Profit attributable to non-controlling interests		840
Profit attributable to owners of parent		4,565

(Note) Amounts are rounded down to the nearest million yen.

Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2018
To: March 31, 2019)

(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,273	8,821	34,663	(1,422)	49,336
Changes of items during period					
Issuance of new shares	1,140	1,140			2,280
Dividends of surplus			(1,310)		(1,310)
Profit attributable to owners of parent			4,565		4,565
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3,152		1,422	4,574
Net changes of items other than shareholders' equity					—
Total changes of items during period	1,140	4,292	3,255	1,422	10,110
Balance at end of current period	8,413	13,114	37,918	(0)	59,446

(Unit: Million Yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,316	557	(1,857)	16	8,588	57,940
Changes of items during period						
Issuance of new shares						2,280
Dividends of surplus						(1,310)
Profit attributable to owners of parent						4,565
Purchase of treasury shares						(0)
Disposal of treasury shares						4,574
Net changes of items other than shareholders' equity	(409)	(1,025)	(243)	(1,677)	117	(1,560)
Total changes of items during period	(409)	(1,025)	(243)	(1,677)	117	8,549
Balance at end of current period	906	(467)	(2,100)	(1,660)	8,705	66,490

(Note) Amounts are rounded down to the nearest million 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.

(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, net sales, profit attributable to owners of parent, and retained earnings 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

	4 companies
Names of companies	(Unconsolidated subsidiary) Korea Dry Bearing Co., Ltd.
	(Associates) BBL Daido Private Limited Shippo Asahi Moulds (Thailand) Co., Ltd. NPR of Europe GmbH

(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 in terms of their impact on consolidated profit and retained earnings, and are not significant overall.

(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) Property, plant and equipment (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 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 non-current 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) Provision for bonuses

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

3) Provision for bonuses for directors (and other officers)

An estimated amount of bonuses payable is provided.

4) Provision for product compensation

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” and for the payment of cost of soil contamination countermeasures to be incurred, 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 adjustment 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. Changes in presentation

“Partial Amendments to Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ministry of Justice Order No. 13, March 26, 2018) associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (The Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been adopted from the beginning of the current fiscal year. In line with this adoption, deferred tax assets are now reported under “Investments and other assets”, and deferred tax liabilities are now reported under “Non-current liabilities”.

III. Additional information

Transfer of non-current assets

The company resolved to divest its non-current assets at a board of directors’ meeting held on March 28, 2019 and signed a real estate sales contract on March 29, 2019.

1. Reason for the divestiture

The assets to be transferred had been the company's headquarter and Nagoya plant till October, 2002 and the company has been leasing the land to a third party since then.

The company resolved to transfer the assets in order to promote effective use of management resources and improve asset efficiency, under its new medium-term plan started in 2018.

2. Description of the assets to be transferred

Description and location of the assets	2 Sanage-cho, Kita-ku, Nagoya 1-2 Kizune-cho, Kita-ku Nagoya Land: 17,897.51 m ²
Transfer price	*1
Book value	*1
Gain on transfer (*2)	About JPY 3,906 million
Current status	Leased

*1 Transfer price and book value are not disclosed due to agreement with the purchaser, though the transfer price reflects fair market value.

*2 Gain on transfer is an approximate amount based on transfer price less book value and estimated amount of expenses relating to the transfer, etc.

3. Overview of the purchaser

The purchaser is an ordinary industrial corporation, but the name will not be disclosed due to agreement with the purchaser. The company has no material relationship with the purchaser on capital, personal and business relations.

4. Schedule of the transfer

Property handover date March 31, 2020 (Plan)

5. Impact on financial results

Approximately JPY 3,906 million yen will be accounted for as Extraordinary gains in FY2019 (consolidated and non-consolidated).

IV. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	93,691	million yen
2. Assets pledged as collateral, and liabilities secured by collateral		
Assets pledged as collateral		
Buildings and structures	562	million yen
Machinery, equipment and vehicles	1,361	
Land	3,197	
Other	0	
Total	5,121	
Liabilities secured by collateral		
Short-term loans payable	2,191	million yen
Long-term loans payable (including amounts scheduled to be repaid within one year)	900	
Total	3,091	
3. Liabilities for guarantee		
Employee housing loans, etc.	146	million yen
4. Notes receivable discounted or transferred by endorsement		
Discounted export bills	74	million 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 and electronically recorded monetary claims - operating	182	million yen
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V. Notes to Consolidated Statement of Changes in Shareholders' Equity

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

Common shares 47,520 thousand shares

2. Matters relating to dividend

(1) Total dividends paid

Resolution	Type of share	Dividends paid (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting held on June 28, 2018	Common share	597	15.00	March 31, 2018	June 29, 2018
Board of Directors' meeting held on November 14, 2018	Common share	712	15.00	September 30, 2018	December 7, 2018

(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 (million yen)	Dividend per share (yen)	Base date	Effective date
Annual shareholders' meeting to be held on June 27, 2019	Common share	712	15.00	March 31, 2019	June 28, 2019

Dividends will be paid out of retained earnings.

VI. 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 and 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, 2019 are as follows:

(Unit: million yen)

	Book value (*1)	Market value (*1)	Difference
(1) Cash and deposits	19,605	19,605	—
(2) Notes and accounts receivable - trade	27,109	27,109	—
(3) Electronically recorded monetary claims - operating	2,809	2,809	—
(4) Investment securities	2,563	2,563	—
(5) Notes and accounts payable - trade	(8,437)	(8,437)	—
(6) Electronically recorded obligations - operating	(8,759)	(8,759)	—
(7) Short-term loans payable	(22,703)	(22,703)	—
(8) Income taxes payable	(1,066)	(1,066)	—
(9) Long-term loans payable (including amounts scheduled to be repaid within one year)	(32,445)	(32,516)	(70)
(10) Electronically recorded obligations - non-operating	(1,007)	(1,007)	—
(11) Lease obligations	(4,267)	(4,447)	(180)
(12) Derivatives (*2) Those not qualifying for hedge accounting	26	26	—

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

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

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

(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 loans payable, (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 loans payable (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 loans payable, 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) Derivatives

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 2,269 million yen) because their market quotations are not available and their future cash flows cannot be estimated, they are not included in "(4) Investment securities."

VII. 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: million yen)

Book value	Market value
760	6,395

(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 appraised value principally based on the "real-estate appraisal standards" and agreed upon selling price.

VIII. Notes on Per Share Information

1. Net assets per share	1,216.02 yen
2. Basic earnings per share	103.44 yen

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: million Yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	39,035	Current liabilities	28,703
Cash and deposits	6,125	Accounts payable - trade	5,731
Notes receivable - trade	408	Electronically recorded obligations - operating	10,024
Accounts receivable - trade	18,516	Short-term loans payable	2,134
Electronically recorded monetary claims - operating	2,792	Current portion of long-term loans payable	4,454
Merchandise and finished goods	1,873	Lease obligations	337
Work in process	3,737	Accounts payable - other	1,268
Raw materials and supplies	1,969	Accrued expenses	917
Prepaid expenses	249	Income taxes payable	552
Short-term loans receivable from subsidiaries and associates	1,400	Accrued consumption taxes	209
Accounts receivable - other	1,741	Advances received	422
Other	221	Deposits received	63
Allowance for doubtful accounts	(0)	Unearned revenue	25
		Provision for bonuses	1,348
		Provision for bonuses for directors (and other officers)	181
		Provision for environmental measures	99
Non-current assets	67,427	Electronically recorded obligations - non-operating	929
Property, plant and equipment	19,030	Other	2
Buildings	6,079		
Structures	521	Non-current liabilities	26,746
Machinery and equipment	5,409	Long-term loans payable	19,668
Vehicles	11	Lease obligations	2,179
Tools, furniture and fixtures	226	Provision for retirement benefits	4,010
Land	3,671	Provision for environmental measures	1
Leased assets	2,696	Provision for loss on guarantees	480
Construction in progress	412	Asset retirement obligations	1
		Long-term accounts payable - other	378
Intangible assets	1,487	Other	26
Software	758		
Leased assets	14	Total Liabilities	55,450
Right of using facilities	14	Net Assets	
Other	700	Shareholders' equity	50,246
		Capital stock	8,413
Investments and other assets	46,908	Capital surplus	12,238
Investment securities	1,816	Legal capital surplus	8,789
Shares of subsidiaries and associates	31,675	Other capital surplus	3,449
Investments in capital of subsidiaries and associates	8,722	Retained earnings	29,594
Long-term loans receivable from subsidiaries and associates	1,284	Legal retained earnings	743
Long-term loans receivable from employees	18	Other retained earnings	
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	Reserve for advanced depreciation of non-current assets	2,320
Long-term prepaid expenses	34	General reserve	21,000
Prepaid pension cost	2,348	Retained earnings brought forward	5,530
Deferred tax assets	579	Treasury shares	(0)
Other	873	Valuation and translation adjustments	766
Allowance for doubtful accounts	(448)	Valuation difference on available-for-sale securities	766
		Total Net Assets	51,012
Total Assets	106,462	Total Liabilities and Net Assets	106,462

(Note) Amounts are rounded down to the nearest million yen.

Non-Consolidated Statement of Income

(From: April 1, 2018
To: March 31, 2019)

(Unit: million Yen)

Account	Amount	
Net sales		67,732
Cost of sales		54,125
Gross profit		13,606
Selling, general and administrative expenses		11,216
Operating profit		2,390
Non-operating income		
Interest and dividend income	1,315	
Gain on sales of scraps	397	
Other	232	1,945
Non-operating expenses		
Interest expenses	164	
Foreign exchange losses	29	
Other	117	311
Ordinary profit		4,024
Extraordinary income		
Subsidy income	1,000	1,000
Extraordinary losses		
Provision for loss on guarantees	161	161
Profit before income taxes		4,863
Income taxes - current	910	
Income taxes - deferred	169	1,080
Profit		3,783

(Note) Amounts are rounded down to the nearest million yen.

Non-Consolidated Statements of Changes in Shareholders' Equity

(From: April 1, 2018
To: March 31, 2019)

(Unit: million Yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Other capital surplus	Legal retained earnings
Balance at beginning of current period	7,273	7,649	297	743
Changes of items during period				
Issuance of new shares	1,140	1,140		
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			3,152	
Net changes of items other than shareholders' equity				
Total changes of items during period	1,140	1,140	3,152	—
Balance at end of current period	8,413	8,789	3,449	743

(Unit: million Yen)

	Shareholders' equity				
	Retained earnings			Treasury shares	Total shareholders' equity
	Other retained earnings				
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	1,724	21,000	3,652	(1,422)	40,917
Changes of items during period					
Issuance of new shares					2,280
Provision of reserve for advanced depreciation of non-current assets	630		(630)		—
Reversal of reserve for advanced depreciation of non-current assets	(34)		34		—
Dividends of surplus			(1,310)		(1,310)
Profit			3,783		3,783
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1,422	4,574
Net changes of items other than shareholders' equity					—
Total changes of items during period	595	—	1,877	1,422	9,328
Balance at end of current period	2,320	21,000	5,530	(0)	50,246

(Unit: million Yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	1,085	1,085	42,002
Changes of items during period			
Issuance of new shares		—	2,280
Provision of reserve for advanced depreciation of non-current assets		—	—
Reversal of reserve for advanced depreciation of non-current assets		—	—
Dividends of surplus		—	(1,310)
Profit		—	3,783
Purchase of treasury shares		—	(0)
Disposal of treasury shares		—	4,574
Net changes of items other than shareholders' equity	(318)	(318)	(318)
Total changes of items during period	(318)	(318)	9,009
Balance at end of current period	766	766	51,012

(Note) Amounts are rounded down to the nearest million 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 non-current assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, and declining balance method is used for other property, plant and equipment. 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

Vehicles 4-10 years

Tools, furniture and fixtures 2-20 years

(2) Intangible 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 right 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 non-current 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) Provision for bonuses

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

(3) Provision for bonuses for directors (and other officers)

An estimated amount of bonuses payable is provided.

(4) Provision 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" and for the payment of cost of soil contamination countermeasures to be incurred, 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. Changes in presentation

“Partial Amendments to Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ministry of Justice Order No. 13, March 26, 2018) associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (The Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been adopted from the beginning of the current fiscal year. In line with this adoption, deferred tax assets are now reported under “Investments and other assets”, and deferred tax liabilities are now reported under “Non-current liabilities”.

III. Additional information

Transfer of non-current assets

The company resolved to divest its non-current assets at a board of directors’ meeting held on March 28, 2019 and signed a real estate sales contract on March 29, 2019.

For more details, please refer to “Notes to Consolidated Financial Statements III. Additional information.”

IV. Notes to Balance Sheet

1. Accumulated depreciation of property, plant and equipment	43,377 million yen
2. Monetary claims and monetary debts to/from subsidiaries and associates	
Short-term monetary claims	8,221 million yen
Long-term monetary claims	250
Short-term monetary debts	5,274
3. Liabilities for guarantee	
(1) For employee housing loans, etc.	146 million yen
(2) For bank borrowings	
DAIDO METAL CZECH s.r.o.	1,437
DAIDO METAL KOTOR AD	498
Daido Industrial Bearings Europe Limited	1,541
DAIDO METAL EUROPE LIMITED	1,062
Daido Metal U.S.A. Inc.	5,133
Daido Metal Mexico, S.A. de C.V.	2,242
Daido Metal Europe GmbH	1,688
(3) For liabilities on purchases	
DAIDO METAL KOTOR AD	119
Daido Industrial Bearings Europe Limited	1
(4) For lease obligations	
Daido Metal Russia LLC	1,346
(5) For export duties	
DAIDO METAL EUROPE LIMITED	21
Daido Metal Europe GmbH	5
Total	<u>15,245</u>

V. Notes to Statement of Income

Amount of transactions with subsidiaries and associates

Operating transactions

Amount of sales	20,266 million yen
Amount of purchases	17,031
Other operating transactions	1,502
Transactions other than operating transactions	1,353

VI. Notes to Statements of Changes to Shareholders' Equity

Type and number of treasury shares at the balance sheet date

Common shares	324 shares
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VII. Notes on Leased Non-current Assets

Office equipment, manufacturing facilities, etc. are being used under financial lease contracts, which do not transfer the ownership of leased assets.

VIII. 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	430 million yen
Depreciation in excess of tax allowable limit	51
Impairment losses	165
Accrued business tax	67
Loss on valuation of shares of subsidiaries and associates	2,583
Loss on valuation of golf club membership	16
Excess allowance for doubtful accounts	133
Provision for bonuses	412
Provision for loss on guarantees	147
Provision for retirement benefits	874
Long-term accounts payable - other	58
Other	212
Sub-total of deferred tax assets	<u>5,153</u>
Valuation reserves for temporary difference, etc.	<u>(3,159)</u>
Total deferred tax assets	<u>1,993</u>
Deferred tax liabilities	
Reserve for advanced depreciation of non-current assets	(1,023)
Valuation difference on available-for-sale securities	(321)
Other	(70)
Total deferred tax liabilities	<u>(1,414)</u>
Net deferred tax assets	<u>579</u>

IX. 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 (million yen) Note 10	Account	Balance at the end of period (million 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	3,167	Account receivable - trade	1,386
	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	5,419	Account payable - trade	1,737
	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	8,288	Account payable - trade Electronically recorded obligations - operating	1,001 1,955
	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	—	—	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	800 850
	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, debt guarantees, etc. and key management personnel service	Sale of bearing products, etc. Note 1 Debt guarantees Note 3	4,462 5,133	Account receivable - trade —	1,339 —
	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 4	2,242	—	—
	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 5	1,437	—	—
	Daido Metal Europe GmbH	(Holding) Direct 100.0	Rental of facilities and debt guarantees	Debt guarantees Note 6	1,693	—	—
	Daido Industrial Bearings Europe Limited	(Holding) Direct 100.0	Sale of the Company's products, purchase of products, licensing of technology, rental of facilities, debt guarantees and loans, etc.	Debt guarantees Note 7	2,024	—	—
	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	2,101 1,084	Account receivable - trade —	1,071 —
	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	1,346	—	—

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) Debt guarantees are provided for the bank borrowings (5,133 million yen) of Daido Metal U.S.A. Inc. and guarantee fees of 0.2% per annum are received.

(Note 4) Debt guarantees are provided for the bank borrowings (2,242 million yen) of Daido Metal Mexico, S.A. de C.V. and guarantee fees of 0.2% per annum are received.

(Note 5) Debt guarantees are provided for the bank borrowings (1,437 million yen) of DAIDO METAL CZECH s.r.o. and guarantee fees of 0.2% per annum are received.

(Note 6) Debt guarantees are provided for the bank borrowings (1,688 million yen) and export duties (5 million yen) of Daido Metal Europe GmbH and guarantee fees of 0.2% per annum are received.

(Note 7) Debt guarantees are provided for the bank borrowings (2,022 million yen) and guarantee for supplier (1 million yen) of Daido Industrial Bearings Europe Limited and guarantee fees of 0.2% per annum are received. In addition, 161 million yen is provided for loss on guarantees, making the balance of provision for loss on guarantees at the end of period 480 million yen. Allowance for doubtful accounts is provided for long-term loans receivable (434 million yen).

(Note 8) Debt guarantees are provided for the bank borrowings (1,062 million yen) and export duties (21 million 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 (1,346 million 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	1,073.49 yen
2. Basic earnings per share	85.73 yen