DAIDO METAL

November 14th, 2018

Daido Metal Co., Ltd.

FY2018 Second Quarter Consolidated Financial Results Highlights

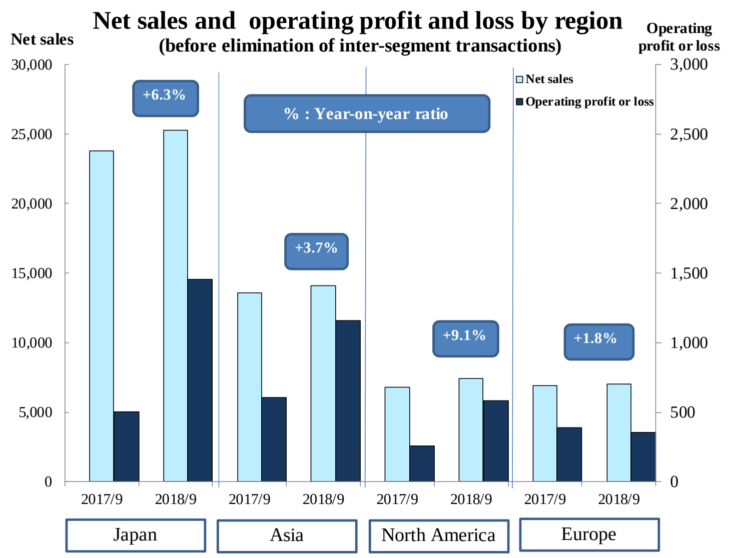
（Unit: JPY Million）

2nd Quarter (YTD) Financial Results	2017/9		2018/9		Year-on-year comparison	
	Amount	%	Amount	%	Amount	%
Net sales	51,085	100.0%	53,822	100.0%	2,736	5.4%
Operating income	2,195	4.3%	3,529	6.6%	1,334	60.8%
Non-operating income	639	1.3%	711	1.3%	72	11.3%
Non-operating expenses	582	1.1%	700	1.3%	117	20.1%
Interest expense	372	0.7%	421	0.8%	48	13.0%
Foreign exchange losses	127	0.2%	135	0.3%	8	6.6%
Ordinary Income	2,252	4.4%	3,541	6.6%	1,289	57.2%
Extraordinary losses	135	0.3%	-	-	-135	- 100.0%
Profit before income taxes	2,116	4.1%	3,541	6.6%	1,424	67.3%
Corporation tax, etc.	805	1.6%	1,089	2.0%	283	35.2%
Income taxes-deferred	198	0.4%	0	0.0%	- 198	- 99.9%
Profit attributable to non-controlling interests	354	0.7%	353	0.7%	-0	- 0.2%
Profit attributable to owners of parent	757	1.5%	2,098	3.9%	1,341	177.1%
Exchange rate (USD)	112.00		110.54		Exchange rate is TTM rate	
Exchange rate (EUR)	127.97		127.91		as of June 30.	

Results for the period	2016/3	2017/3	2018/3	2018/9 Previous forecast	2018/9 Results	2019/3 Forecast
Net sales	81,400	85,073	106,648	52,500	53,822	107,000
Operating income	7,114	5,103	6,511	2,800	3,529	6,700
(Operating margin)	(8.7%)	(6.0%)	(6.1%)	(5.3%)	(6.6%)	(6.3%)
Ordinary income	6,796	5,427	6,708	2,900	3,541	6,900
(Ordinary income margin)	(8.3%)	(6.4%)	(6.3%)	(5.5%)	(6.6%)	(6.4%)
Profit attributable to owners of parent	3,919	2,635	3,281	1,800	2,098	4,700
(Net profit margin)	(4.8%)	(3.1%)	(3.1%)	(3.4%)	(3.9%)	(4.4%)
Exchange rate (USD)	120.61	116.49	113.00	107.00	110.54	107.00
Exchange rate (EUR)	131.77	122.70	134.94	125.00	127.91	125.00

Segment	Consolidated Net Sales (including inter-segment sales and transfer)					
	2017/9		2018/9		Year-on-year comparison	
	Amount	%	Amount	%	Amount	%
Automotive engine bearings	31,169	59.6%	32,820	59.4%	1,650	5.3%
Automotive non-engine bearings	7,926	15.2%	8,406	15.2%	479	6.0%
Non-automotive bearings	4,435	8.5%	4,694	8.5%	258	5.8%
Other automotive parts	7,459	14.3%	7,946	14.4%	486	6.5%
Others (*1)	1,331	2.5%	1,393	2.5%	62	4.7%
Total	52,323	100.0%	55,260	100.0%	2,937	5.6%

(*1) "Others" includes electrode sheets for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.



Financial ratios	2016/3	2017/3	2018/3	2018/9	Comparison with 2018/3
Operating margin	8.7%	6.0%	6.1%	6.6%	＋0.5pt
Return on Equity (ROE) *	9.0%	5.9%	6.9%	7.9%	＋1.0pt
Net assets to total assets	35.8%	29.1%	30.6%	34.4%	＋3.8pt
Net interest bearing debt	23,237	49,108	52,129	41,539	-10,589

* Annualized

Capital Expenditure Depreciation	2015/3	2016/3	2017/3	2018/3	2017/9	2018/9	Year-on-year comparison
Capital Expenditure	10,597	14,802	12,329	8,694	4,728	3,190	- 1,537
Depreciation	5,744	6,259	6,751	8,795	4,206	4,191	- 14

<Overview (year-on-year comparison)>

[Net sales] Increased by 2,736 million yen (up 5.4%)

<Domestic> Increased by 1,490 million yen. (up 6.3%)
Car related sales increased for automotive engine bearings and bearings for turbochargers despite the decrease in domestic car production. Construction machinery sector sales increased due to increased demand in China and America. Ship sector sales also increased.

<Overseas> Increased by 1,246 million yen. (up 4.6%)
Sales increased in all regions due to stable demand in car sector and increased demand in construction machinery sector.

[Profit]
Operating income was 3,529 million yen, increased by 1,334 million yen, as previous period's one-off/temporary cost elements, such as one-off cost incurred by newly acquired two group of companies, or the temporary cost incurred by plant in Mexico to cope with sudden rise in order, no longer exist. Ordinary income was 3,541 million yen, increased by 1,289 million yen. Profit attributable to owners of parent was 2,098 million yen, increased by 1,341 million yen.

<Forecast of FY2018 financial results / Dividend >

Forecast of FY 2018 financial results announced on May 11, 2018 remains unchanged.
Planned annual dividend is unchanged with 30 yen per share (interim dividend of 15 yen per share and year-end dividend of 15 yen per share).

<By region (year-on-year comparison)>

[Domestic] 6.3% up in sales
<Car related> Sales increased for automotive engine bearings and bearings for turbochargers, despite the decrease in domestic car production.
<Construction Machinery related> Sales increased, including exports.
<Ship related> Order shows its moderate recovery trend. Sale increased for bearings for low-speed marine diesel engines and bearings for mid to high-speed marine diesel engines.
<General industry related> Demand for special types of bearings for fossil fuel power plant was weak affected by energy shift, while demand increased for bearings for renewable energy facilities.

Operating income increased as one-off cost element incurred by two group of companies acquired in the previous period no longer exists.

[Overseas]
<Asia> 3.7% up in sales
For car sector, sales increased in China and Thailand, while demand was weak in Korea and Indonesia. Profit increased as one-off cost element incurred by two group of companies acquired in the previous period no longer exists.
<North America> 9.1% up in sales
For car sector, sales increased due to continued firm demand in the US and new business development in North America. Increased demand for construction machinery sector also contributed to sales increase. Profit increased as previous period's temporary cost incurred by plant in Mexico to cope with sudden rise in order now disappeared.
<Europe> 1.8% up in sales
Sales increased due to firm demand for car sector. Profit decreased due to increase in expense in R&D center and sales office in Germany, and fluctuations in exchange rate.

(*2) Future prospects are prepared as information purpose only, based on the information available to us at this moment, and are under certain condition which we assumed reasonable. We will not guarantee the realization of such prospects, and actual performance fluctuates due to various factors.
(*3) The Company finalized the provisional accounting treatment for the business combination of ATA Casting Technology Japan Co., Ltd. in the previous period. Consolidated financial statements for 1st Quarter of the previous period ended June 30, 2017 and related financial ratios are restated for the resulting revision of previously allocated cost of acquisition.
(*4) "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 first quarter. The change in the accounting standard has been retrospectively applied to Consolidated financial statements for 1st Quarter of the previous period ended June 30, 2017 and related financial ratios.