

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

## Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]

November 14, 2018

Company name: Daido Metal Co., Ltd.  
Stock exchange listing: Tokyo, Nagoya  
Code number: 7245

URL: <http://www.daidometal.com>

Representative: Seigo Hanji

Chairman and Chief Executive Officer

Contact: Keiichi Kogure

Managing Executive Officer, Head of Corporate and Financial Planning Division

Phone: +81-52-205-1400

Scheduled filing date of quarterly securities report: November 14, 2018

Scheduled start date of dividend payments: December 7, 2018

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (For Analysts and Institutional Investors)

(Fractional amounts less than one million yen are rounded down)

### I. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 01, 2018 to September 30, 2018)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2018	53,822	5.4	3,529	60.8	3,541	57.2	2,098	177.1
September 30, 2017	51,085	29.9	2,195	(24.1)	2,252	(13.7)	757	(57.8)

(Note) Comprehensive income: Six months ended September 30, 2018: ¥ 1,380 million [ (37.1) %]  
Six months ended September 30, 2017: ¥ 2,196 million [ - %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2018	51.48	-
September 30, 2017	19.01	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2018	165,677	65,387	34.4
March 31, 2018	161,030	57,940	30.6

(Reference) Net assets less non-controlling interests: As of September 30, 2018: ¥ 56,928 million  
As of March 31, 2018: ¥ 49,352 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2019	-	15.00			
Fiscal year ending March 31, 2019 (Forecast)			-	15.00	30.00

(Note) Revision of the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 01, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	107,000	0.3	6,700	2.9	6,900	2.9	4,700	43.2	106.50

(Note) Revision of the financial results forecast announced most recently: No

### \* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2018

(changes in specified subsidiaries resulting in change in scope of consolidation): No

New - (Company name: )

Exclusion: - (Company name: )

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2018: 47,520,253 shares

March 31, 2018: 44,956,853 shares

2) Total number of treasury shares at the end of the period:

September 30, 2018: 189 shares

March 31, 2018: 5,141,640 shares

3) Average number of shares during the period:

Six months ended September 30, 2018: 40,757,928 shares

Six months ended September 30, 2017: 39,815,826 shares

\* Numbers in parentheses denote negative numbers.

\* This financial result is not required to be audited by certificated public accountants or audit firm.

\* Explanation of appropriate use of earnings projections, other explanatory notes

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.

Basic earnings per share of consolidated financial results forecast for the fiscal year ending March 31, 2019 are computed based on the estimated average number of shares during the period that reflects share increase by a public offering and a treasury offering dated September 6, 2018 and a private placement of new shares dated September 26, 2018.

\* 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 2nd Quarter of the previous period ended September 30, 2017 and related financial ratios are restated for the resulting revision of previously allocated cost of acquisition.

\* “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 2nd Quarter of the previous period ended September 30, 2017 and related financial ratios.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	13,672	21,730
Notes and accounts receivable - trade	27,782	27,375
Electronically recorded monetary claims - operating	2,455	2,589
Merchandise and finished goods	10,913	11,256
Work in process	8,538	9,538
Raw materials and supplies	6,327	6,287
Other	2,184	2,144
Allowance for doubtful accounts	(51)	(64)
<b>Total current assets</b>	<b>71,823</b>	<b>80,857</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,682	17,013
Machinery, equipment and vehicles, net	26,878	25,717
Other, net	20,386	19,885
<b>Total property, plant and equipment</b>	<b>64,947</b>	<b>62,617</b>
Intangible assets		
Goodwill	9,650	7,581
Other	5,434	5,431
<b>Total intangible assets</b>	<b>15,085</b>	<b>13,012</b>
Investments and other assets		
Investments and other assets, gross	9,223	9,238
Allowance for doubtful accounts	(48)	(47)
<b>Total investments and other assets</b>	<b>9,174</b>	<b>9,190</b>
<b>Total non-current assets</b>	<b>89,207</b>	<b>84,820</b>
<b>Total assets</b>	<b>161,030</b>	<b>165,677</b>

(Million yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,337	8,623
Electronically recorded obligations - operating	9,544	9,193
Short-term loans payable	27,755	18,356
Current portion of long-term loans payable	9,545	14,008
Income taxes payable	1,251	899
Provision for bonuses	1,835	1,751
Provision for directors' bonuses	128	77
Provision for product compensation	291	347
Electronically recorded obligations - non-operating	479	1,046
Other	6,994	6,652
<b>Total current liabilities</b>	<b>66,163</b>	<b>60,956</b>
Non-current liabilities		
Long-term loans payable	23,295	26,186
Provision for environmental measures	20	1
Net defined benefit liability	6,457	6,624
Asset retirement obligations	17	17
Negative goodwill	1	1
Other	7,133	6,501
<b>Total non-current liabilities</b>	<b>36,926</b>	<b>39,333</b>
<b>Total liabilities</b>	<b>103,089</b>	<b>100,290</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,273	8,413
Capital surplus	8,821	13,114
Retained earnings	34,663	36,164
Treasury shares	(1,422)	(0)
<b>Total shareholders' equity</b>	<b>49,336</b>	<b>57,692</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,316	1,254
Foreign currency translation adjustment	557	(283)
Remeasurements of defined benefit plans	(1,857)	(1,734)
<b>Total accumulated other comprehensive income</b>	<b>16</b>	<b>(763)</b>
<b>Non-controlling interests</b>	<b>8,588</b>	<b>8,458</b>
<b>Total net assets</b>	<b>57,940</b>	<b>65,387</b>
<b>Total liabilities and net assets</b>	<b>161,030</b>	<b>165,677</b>

Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	51,085	53,822
Cost of sales	38,211	40,108
Gross profit	12,874	13,714
Selling, general and administrative expenses	10,678	10,184
Operating profit	2,195	3,529
Non-operating income		
Interest income	29	33
Dividend income	37	42
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	93	86
Gain on sales of scraps	320	355
Other	158	192
Total non-operating income	639	711
Non-operating expenses		
Interest expenses	372	421
Foreign exchange losses	127	135
Other	82	143
Total non-operating expenses	582	700
Ordinary profit	2,252	3,541
Extraordinary losses		
Impairment loss	135	-
Total extraordinary losses	135	-
Profit before income taxes	2,116	3,541
Income taxes - current	805	1,089
Income taxes - deferred	198	0
Total income taxes	1,004	1,089
Profit	1,111	2,452
Profit attributable to non-controlling interests	354	353
Profit attributable to owners of parent	757	2,098

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	1,111	2,452
Other comprehensive income		
Valuation difference on available-for-sale securities	111	(63)
Foreign currency translation adjustment	900	(1,062)
Remeasurements of defined benefit plans, net of tax	63	133
Share of other comprehensive income of entities accounted for using equity method	8	(78)
Total other comprehensive income	1,084	(1,071)
Comprehensive income	2,196	1,380
Comprehensive income attributable to		
owners of parent	1,764	1,318
non-controlling interests	431	62

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,116	3,541
Depreciation	4,206	4,191
Impairment loss	135	-
Amortization of goodwill	483	278
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(93)	(86)
Increase (decrease) in allowance for doubtful accounts	30	15
Increase (decrease) in provision for bonuses	(5)	(81)
Increase (decrease) in provision for directors' bonuses	(77)	(51)
Increase or decrease in net defined benefit asset and liability	(7)	140
Increase (decrease) in provision for environmental measures	(7)	(18)
Interest and dividend income	(66)	(76)
Interest expenses	372	421
Decrease (increase) in notes and accounts receivable - trade	(1,252)	(286)
Decrease (increase) in inventories	(679)	(1,841)
Increase (decrease) in notes and accounts payable - trade	272	344
Increase (decrease) in accrued consumption taxes	67	(28)
Increase (decrease) in other liabilities	423	(13)
Other, net	(98)	130
<b>Subtotal</b>	<b>5,819</b>	<b>6,579</b>
Interest and dividend income received	69	75
Interest expenses paid	(375)	(417)
Income taxes paid	(1,051)	(1,446)
<b>Net cash provided by (used in) operating activities</b>	<b>4,461</b>	<b>4,791</b>



(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
<b>Cash flows from investing activities</b>		
Payments into time deposits	(703)	(1,087)
Proceeds from withdrawal of time deposits	661	722
Purchase of investment securities	(10)	(12)
Purchase of property, plant and equipment	(6,684)	(2,121)
Proceeds from sales of property, plant and equipment	40	169
Purchase of intangible assets	(141)	(399)
Payments of loans receivable	(41)	(27)
Collection of loans receivable	21	2
Fair value adjustment of contingent consideration	-	1,850
Other, net	(41)	7
Net cash provided by (used in) investing activities	(6,899)	(896)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,190	(8,922)
Proceeds from long-term loans payable	4,200	12,000
Repayments of long-term loans payable	(3,716)	(4,503)
Proceeds from sales and leasebacks	1,094	-
Repayments of finance lease obligations	(484)	(561)
Proceeds from issuance of common shares	-	2,259
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	-	4,574
Cash dividends paid	(597)	(596)
Dividends paid to non-controlling interests	(199)	(155)
Net cash provided by (used in) financing activities	1,486	4,094
Effect of exchange rate change on cash and cash equivalents	144	(208)
Net increase (decrease) in cash and cash equivalents	(807)	7,780
Cash and cash equivalents at beginning of period	12,827	11,866
Cash and cash equivalents at end of period	12,019	19,646

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

The Company raised funds through a public offering and a treasury offering dated September 6, 2019, and a private placement in relation to over-allotment option of public offering dated September 26, 2018. As a result, as of the end of second quarter ended September 30, 2018, capital stock was JPY 8,413 million, increased by JPY 1,140 million and capital surplus was JPY 13,114 million, increased by JPY 4,292 million. Treasury shares was JPY 0 million, decreased by JPY 1,422 million.

(Segment information)

I Second quarter of previous period (from April 1, 2017 to September 30, 2017)

1. Information on sales and profit (loss) by each reporting segment

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	31,086	7,025	4,434	7,459	50,005	1,079	51,085
Internal sales or transfer between segments	82	901	1	-	986	251	1,237
Total	31,169	7,926	4,435	7,459	50,991	1,331	52,323
Segment profit (loss)	4,101	1,358	388	(826)	5,022	326	5,349

(\*) "Others" includes business areas not included in above reporting segments. It includes electrode sheets for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.

2. Reconciliation between total reporting segment profit (loss) and profit (loss) reported in Quarterly Consolidated Statements of Income

(Unit JPY million)

Profit (loss)	Amount
Reporting segments total	5,022
Profit (loss) from "Others" category	326
Profit (loss) from transactions between segments	42
Unattributable costs (*)	(3,196)
Operating profit as per Quarterly Consolidated Statements of Income	2,195

(\*) Unattributable costs are principally general administrative expenses not attributable to reporting segments.

II Second quarter of current period (from April 1, 2018 to September 30, 2018)

1. Information on sales and profit (loss) by each reporting segment

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	32,649	7,448	4,677	7,897	52,672	1,149	53,822
Internal sales or transfer between segments	170	957	17	48	1,194	243	1,438
Total	32,820	8,406	4,694	7,946	53,867	1,399	55,260
Segment profit (loss)	4,143	1,539	542	174	6,399	359	6,758

(\*) “Others” includes business areas not included in above reporting segments. It includes real estate leasing, metal dry bearings, and pump-related products.

2. Reconciliation between total reporting segment profit (loss) and profit (loss) reported in Quarterly Consolidated Statements of Income

(Unit JPY million)

Profit (loss)	Amount
Reporting segments total	6,399
Profit (loss) from “Others” category	359
Profit (loss) from transactions between segments	47
Unattributable costs (*)	(3,276)
Operating profit as per Quarterly Consolidated Statements of Income	3,529

(\*) Unattributable costs are principally general administrative expenses not attributable to reporting segments.

(Additional Information)

“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. In line with this adoption, deferred tax assets are now reported under “Investment and other assets”, and deferred tax liabilities are now reported under “Non-current liabilities”.