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Consolidated Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]

February 13, 2019

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: 052-205-1400

Scheduled date of filing quarterly securities report: February 13, 2019

Scheduled date of commencing dividend payments: N/A

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

I. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 01, 2018 to December 31, 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	%
Nine months ended December 31, 2018	82,173	4.9	5,589	21.1	5,518	15.2	3,203	36.5
December 31, 2017	78,329	33.9	4,613	16.7	4,789	22.0	2,346	(5.4)

(Note) Comprehensive income: Nine months ended December 31, 2018: ¥ 2,946 million [(42.9) %]
 Nine months ended December 31, 2017: ¥ 5,156 million [8,302.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	74.47	-
December 31, 2017	58.93	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2018	165,675	66,068	34.6
March 31, 2018	161,030	57,940	30.6

(Reference) Net assets less non-controlling interests: As of December 31, 2018: ¥ 57,387 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 nine months ended December 31, 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):

December 31, 2018: 47,520,253 shares

March 31, 2018: 44,956,853 shares

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

December 31, 2018: 197 shares

March 31, 2018: 5,141,640 shares

3) Average number of shares during the period:

Nine months ended December 31, 2018: 43,020,169 shares

Nine months ended December 31, 2017: 39,815,742 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 3rd Quarter of the previous period ended December 31, 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 3rd Quarter of the previous period ended December 31, 2017 and related financial ratios.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	13,672	19,417
Notes and accounts receivable - trade	27,782	27,845
Electronically recorded monetary claims - operating	2,455	2,763
Merchandise and finished goods	10,913	11,756
Work in process	8,538	9,419
Raw materials and supplies	6,327	6,451
Other	2,184	2,411
Allowance for doubtful accounts	(51)	(65)
Total current assets	71,823	79,998
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,682	17,085
Machinery, equipment and vehicles, net	26,878	26,826
Other, net	20,386	19,392
Total property, plant and equipment	64,947	63,304
Intangible assets		
Goodwill	9,650	7,250
Other	5,434	5,478
Total intangible assets	15,085	12,729
Investments and other assets		
Investments and other assets	9,223	9,691
Allowance for doubtful accounts	(48)	(47)
Total investments and other assets	9,174	9,643
Total non-current assets	89,207	85,677
Total assets	161,030	165,675

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,337	7,329
Electronically recorded obligations - operating	9,544	9,136
Short-term loans payable	27,755	24,454
Current portion of long-term loans payable	9,545	9,264
Income taxes payable	1,251	304
Provision for bonuses	1,835	1,165
Provision for directors' bonuses	128	135
Provision for product compensation	291	405
Electronically recorded obligations - non-operating	479	1,188
Other	6,994	6,945
Total current liabilities	66,163	60,330
Non-current liabilities		
Long-term loans payable	23,295	26,124
Provision for environmental measures	20	1
Net defined benefit liability	6,457	6,797
Asset retirement obligations	17	17
Negative goodwill	1	1
Other	7,133	6,336
Total non-current liabilities	36,926	39,277
Total liabilities	103,089	99,607
Net assets		
Shareholders' equity		
Capital stock	7,273	8,413
Capital surplus	8,821	13,114
Retained earnings	34,663	36,557
Treasury shares	(1,422)	(0)
Total shareholders' equity	49,336	58,085
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,316	847
Foreign currency translation adjustment	557	117
Remeasurements of defined benefit plans	(1,857)	(1,662)
Total accumulated other comprehensive income	16	(697)
Non-controlling interests	8,588	8,680
Total net assets	57,940	66,068
Total liabilities and net assets	161,030	165,675

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

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	78,329	82,173
Cost of sales	57,984	61,041
Gross profit	20,345	21,132
Selling, general and administrative expenses	15,732	15,543
Operating profit	4,613	5,589
Non-operating income		
Interest income	42	52
Dividend income	64	74
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	137	128
Gain on sales of scraps	511	518
Other	294	249
Total non-operating income	1,052	1,023
Non-operating expenses		
Interest expenses	565	666
Foreign exchange losses	189	195
Other	120	232
Total non-operating expenses	876	1,094
Ordinary profit	4,789	5,518
Extraordinary losses		
Impairment loss	140	-
Total extraordinary losses	140	-
Profit before income taxes	4,648	5,518
Income taxes - current	1,224	1,648
Income taxes - deferred	513	115
Total income taxes	1,738	1,764
Profit	2,910	3,753
Profit attributable to non-controlling interests	563	549
Profit attributable to owners of parent	2,346	3,203

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

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit	2,910	3,753
Other comprehensive income		
Valuation difference on available-for-sale securities	381	(508)
Foreign currency translation adjustment	1,734	(475)
Remeasurements of defined benefit plans, net of tax	97	210
Share of other comprehensive income of entities accounted for using equity method	32	(33)
Total other comprehensive income	2,246	(807)
Comprehensive income	5,156	2,946
Comprehensive income attributable to		
owners of parent	4,385	2,489
non-controlling interests	771	456

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,648	5,518
Depreciation	6,431	6,396
Impairment loss	140	-
Amortization of goodwill	733	485
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(137)	(128)
Increase (decrease) in allowance for doubtful accounts	14	15
Increase (decrease) in provision for bonuses	(777)	(666)
Increase (decrease) in provision for directors' bonuses	(24)	7
Increase or decrease in net defined benefit asset and liability	17	257
Increase (decrease) in provision for environmental measures	(7)	(19)
Interest and dividend income	(107)	(127)
Subsidy income	(50)	-
Interest expenses	565	666
Decrease (increase) in notes and accounts receivable - trade	(1,551)	(608)
Decrease (increase) in inventories	(1,915)	(2,131)
Increase (decrease) in notes and accounts payable - trade	(13)	(1,274)
Increase (decrease) in accrued consumption taxes	170	89
Increase (decrease) in other liabilities	531	116
Other, net	(208)	(154)
Subtotal	8,460	8,441
Interest and dividend income received	109	126
Interest expenses paid	(563)	(656)
Income taxes paid	(1,740)	(2,540)
Net cash provided by (used in) operating activities	6,265	5,371

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Cash flows from investing activities		
Payments into time deposits	(2,141)	(1,518)
Proceeds from withdrawal of time deposits	2,081	767
Purchase of investment securities	(15)	(877)
Purchase of property, plant and equipment	(8,679)	(3,837)
Proceeds from sales of property, plant and equipment	165	192
Purchase of intangible assets	(168)	(601)
Payments of loans receivable	(47)	(71)
Collection of loans receivable	26	20
Fair value adjustment of contingent consideration	-	1,850
Other, net	(47)	7
Net cash provided by (used in) investing activities	(8,826)	(4,069)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,716	(3,155)
Proceeds from long-term loans payable	4,200	13,000
Repayments of long-term loans payable	(4,153)	(10,453)
Proceeds from sales and leasebacks	1,094	-
Repayments of finance lease obligations	(684)	(805)
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	(1,166)	(1,272)
Dividends paid to non-controlling interests	(346)	(355)
Net cash provided by (used in) financing activities	1,658	3,790
Effect of exchange rate change on cash and cash equivalents	250	(79)
Net increase (decrease) in cash and cash equivalents	(651)	5,012
Cash and cash equivalents at beginning of period	12,827	11,866
Cash and cash equivalents at end of period	12,175	16,879

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in the scope of consolidation or the scope of application of equity method)

Material Changes in the scope of application of equity method

The Company acquired shares of NPR of Europe GmbH in this quarter and NPR of Europe GmbH is now included in the scope of application of equity method.

(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 overallotment option of public offering dated September 26, 2018. As a result, as of the end of third quarter ended December 31, 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 Third quarter of previous period (from April 1, 2017 to December 31, 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	47,829	10,586	6,841	11,453	76,711	1,618	78,329
Internal sales or transfer between segments	177	1,323	10	10	1,521	375	1,897
Total	48,006	11,909	6,852	11,464	78,232	1,994	80,227
Segment profit (loss)	6,875	2,058	744	(790)	8,888	500	9,388

(*) "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	Amount
Reporting segments total	8,888
Profit from "Others" category	500
Elimination of intersegment transactions	54
Unattributable costs (*)	(4,830)
Operating profit as per Quarterly Consolidated Statements of Income	4,613

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

II Third quarter of current period (from April 1, 2018 to December 31, 2018)

1. Information on sales and profit 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	49,884	11,275	7,395	11,939	80,495	1,678	82,173
Internal sales or transfer between segments	270	1,471	21	62	1,825	410	2,236
Total	50,154	12,747	7,416	12,002	82,321	2,088	84,410
Segment profit	6,297	2,445	978	242	9,963	535	10,499

(*) "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	Amount
Reporting segments total	9,963
Profit from "Others" category	535
Elimination of intersegment transactions	81
Unattributable costs (*)	(4,990)
Operating profit as per Quarterly Consolidated Statements of Income	5,589

(*) 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".