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Consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]

September 17, 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

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Scheduled filing date of quarterly securities report: September 17, 2019

Scheduled start date of dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 01, 2019 to June 30, 2019)

(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	%
Three months ended June 30, 2019	25,482	(4.5)	1,144	(34.6)	1,075	(28.3)	498	(33.7)
June 30, 2018	26,686	7.6	1,749	89.8	1,499	42.1	751	55.6

(Note) Comprehensive income: Three months ended June 30, 2019: ¥ 931 million [-%]
Three months ended June 30, 2018: ¥ (316) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2019	10.48	-
June 30, 2018	18.88	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2019	161,823	65,257	35.0
March 31, 2019	161,881	65,253	35.0

(Reference) Net assets less non-controlling interests: As of June 30, 2019: ¥ 56,631 million
As of March 31, 2019: ¥ 56,636 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, 2019	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2020	-				
Fiscal year ending March 31, 2020 (Forecast)		20.00	-	15.00	35.00

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

(Note) Breakdown of the interim dividend for the fiscal year ending March 31, 2020 :

Regular dividend	15 yen
Commemorative dividend	5 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 01, 2019 to March 31, 2020)

(% 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
Six months ending September 30, 2019	53,000	(1.5)	2,900	(22.0)	2,800	(17.0)	1,600	(9.0)	33.67
Full year	100,100	(7.1)	4,500	(38.0)	4,400	(33.6)	4,800	16.1	101.01

(Note) Revision of the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2019

(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: Yes

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Retrospective restatement: No

For details, please refer to page 7, “(4) Notes to Quarterly Consolidated Financial Statements , Changes in accounting policy”.

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

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

June 30, 2019: 47,520,253 shares

March 31, 2019: 47,520,253 shares

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

June 30, 2019: 324 shares

March 31, 2019: 324 shares

3) Average number of shares during the period:

Three months ended June 30, 2019: 47,519,929 shares

Three months ended June 30, 2018: 39,815,213 shares

* Numbers in parentheses denote negative numbers.

* This financial result is not required to be reviewed 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.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	19,605	18,779
Notes and accounts receivable - trade	27,109	26,244
Electronically recorded monetary claims - operating	2,809	2,667
Merchandise and finished goods	11,452	11,787
Work in process	9,508	9,925
Raw materials and supplies	6,578	6,605
Other	2,382	2,992
Allowance for doubtful accounts	(1,303)	(1,437)
Total current assets	78,142	77,564
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,690	16,480
Machinery, equipment and vehicles, net	26,116	25,648
Other, net	19,235	20,195
Total property, plant and equipment	62,043	62,323
Intangible assets		
Goodwill	7,147	6,949
Other	5,444	5,621
Total intangible assets	12,591	12,571
Investments and other assets		
Investments and other assets, gross	9,154	9,414
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	9,103	9,363
Total non-current assets	83,739	84,258
Total assets	161,881	161,823

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,437	7,538
Electronically recorded obligations - operating	8,759	8,810
Short-term borrowings	22,703	23,138
Current portion of long-term borrowings	6,428	6,325
Income taxes payable	1,066	582
Provision for bonuses	1,976	900
Provision for bonuses for directors (and other officers)	181	70
Provision for product compensation	214	282
Provision for environmental measures	99	99
Electronically recorded obligations - non-operating	1,007	794
Other	7,011	9,676
Total current liabilities	57,885	58,220
Non-current liabilities		
Long-term borrowings	26,017	25,446
Provision for environmental measures	1	1
Retirement benefit liability	6,795	6,739
Asset retirement obligations	17	17
Negative goodwill	1	0
Other	5,908	6,139
Total non-current liabilities	38,742	38,345
Total liabilities	96,628	96,565
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,655	36,440
Treasury shares	(0)	(0)
Total shareholders' equity	58,182	57,968
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	906	831
Foreign currency translation adjustment	(352)	(150)
Remeasurements of defined benefit plans	(2,100)	(2,017)
Total accumulated other comprehensive income	(1,545)	(1,336)
Non-controlling interests	8,617	8,626
Total net assets	65,253	65,257
Total liabilities and net assets	161,881	161,823

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

(Million yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Net sales	26,686	25,482
Cost of sales	19,698	19,007
Gross profit	6,988	6,474
Selling, general and administrative expenses	5,238	5,330
Operating profit	1,749	1,144
Non-operating income		
Interest income	16	17
Dividend income	35	37
Foreign exchange gains	-	43
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	43	20
Other	91	98
Total non-operating income	186	217
Non-operating expenses		
Interest expenses	212	241
Foreign exchange losses	183	-
Other	41	44
Total non-operating expenses	436	286
Ordinary profit	1,499	1,075
Profit before income taxes	1,499	1,075
Income taxes - current	663	553
Income taxes - deferred	(83)	(81)
Total income taxes	580	471
Profit	919	604
Profit attributable to non-controlling interests	167	105
Profit attributable to owners of parent	751	498

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

(Million yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Profit	919	604
Other comprehensive income		
Valuation difference on available-for-sale securities	(227)	(75)
Foreign currency translation adjustment	(1,011)	267
Remeasurements of defined benefit plans, net of tax	56	86
Share of other comprehensive income of entities accounted for using equity method	(52)	49
Total other comprehensive income	(1,235)	327
Comprehensive income	(316)	931
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(279)	707
Comprehensive income attributable to non-controlling interests	(37)	224

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,499	1,075
Depreciation	2,087	2,207
Amortization of goodwill	70	211
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(43)	(20)
Increase (decrease) in allowance for doubtful accounts	88	94
Increase (decrease) in provision for bonuses	(1,066)	(1,076)
Increase (decrease) in provision for bonuses for directors (and other officers)	(83)	(110)
Increase or decrease in net defined benefit asset and liability	49	(73)
Interest and dividend income	(51)	(55)
Interest expenses	212	241
Decrease (increase) in trade receivables	(423)	1,109
Decrease (increase) in inventories	(920)	(640)
Increase (decrease) in trade payables	349	(911)
Increase (decrease) in accrued consumption taxes	11	(144)
Increase (decrease) in other liabilities	2,441	2,489
Other, net	(205)	(929)
Subtotal	4,017	3,464
Interest and dividends received	51	55
Interest paid	(200)	(236)
Income taxes paid	(1,021)	(945)
Net cash provided by (used in) operating activities	2,847	2,337

(Million yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Cash flows from investing activities		
Payments into time deposits	(1,049)	(726)
Proceeds from withdrawal of time deposits	694	711
Purchase of investment securities	(5)	(5)
Purchase of property, plant and equipment	(985)	(1,954)
Proceeds from sales of property, plant and equipment	40	47
Purchase of intangible assets	(49)	(370)
Loan advances	(16)	(6)
Collection of loans receivable	2	4
Fair value adjustment of contingent consideration	1,850	-
Other, net	1	3
Net cash provided by (used in) investing activities	483	(2,296)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(348)	402
Proceeds from long-term borrowings	-	196
Repayments of long-term borrowings	(594)	(870)
Proceeds from sale and leaseback transactions	-	380
Repayments of finance lease obligations	(261)	(276)
Dividends paid	(574)	(675)
Dividends paid to non-controlling interests	(231)	(173)
Net cash provided by (used in) financing activities	(2,010)	(1,018)
Effect of exchange rate change on cash and cash equivalents	(129)	89
Net increase (decrease) in cash and cash equivalents	1,189	(887)
Cash and cash equivalents at beginning of period	11,866	17,127
Cash and cash equivalents at end of period	13,056	16,239

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Changes in accounting policy)

(Changes in accounts regarding proceeds from disposal of scraps)

The Group previously recorded proceeds from disposal of scraps (scrap metal and waste liquid) as Gain on sales of scraps (Non-Operating Income). Effective from the beginning of the fiscal year ending March 31, 2020, the Group records such proceeds as deduction of manufacturing costs. This is in line with the Group's revision of cost management method following the increase in scrap disposal proceeds through the improvement in recycling process. The Group applied the changes in the accounting policy retrospectively, and reclassified the consolidated financial statement for the first quarter of the previous period.

As a result, Cost of sales for the first quarter of the previous period decreased by 185 million yen, and Gross profit and Operating profit increased by the same amount. There is no impact on Ordinary profit and Profit before income taxes.

Cost of manufacturing is not recalculated for the past periods, as impact is not material. Gain on sales of scraps for each period is deducted from the Cost of sales. There is no cumulative effect on the opening balance of Net assets of the previous period.

(Adoption of IFRS 16, "Leases")

Effective from the beginning of the fiscal year ending March 31, 2020, the Group companies reporting under IFRS for consolidation purpose adopted IFRS 16, "Leases". Those who don't adopt this standard include the Company itself and its domestic subsidiaries (Japanese GAAP), and its US subsidiary (US GAAP). IFRS 16, "Leases" requires lessees, in principle, to record all leases as assets and liabilities.

There is no material impact on the consolidated financial statements for the current period.

(Segment information)

I First quarter of previous period (from April 1, 2018 to June 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	16,552	3,512	2,276	3,787	26,129	557	26,686
Internal sales or transfer between segments	47	496	0	31	575	120	696
Total	16,600	4,009	2,276	3,818	26,705	678	27,383
Segment profit	1,921	749	339	166	3,176	166	3,342

(*) "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	3,176
Profit from “Others” category	166
Elimination of intersegment transactions	20
Unattributable costs (*)	(1,613)
Operating profit as per Quarterly Consolidated Statements of Income	1,749

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

II First quarter of current period (from April 1, 2019 to June 30, 2019)

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	15,426	3,468	2,397	3,735	25,027	454	25,482
Internal sales or transfer between segments	149	401	1	54	606	157	763
Total	15,575	3,869	2,398	3,790	25,634	612	26,246
Segment profit (loss)	1,733	657	366	(12)	2,746	139	2,885

(*) "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	2,746
Profit from "Others" category	139
Elimination of intersegment transactions	1
Unattributable costs (*)	(1,743)
Operating profit as per Quarterly Consolidated Statements of Income	1,144

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