

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, 2019 [Japanese GAAP]

November 8, 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: Motoyuki Miyo Director and Managing Executive Officer, Head of Corporate and Financial Planning Division

Phone: +81-52-205-1400

Scheduled date of filing quarterly securities report: November 8, 2019

Scheduled date of commencing dividend payments: December 6, 2019

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 of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 to September 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	%
Six months ended September 30, 2019	50,701	(5.8)	2,335	(37.2)	2,180	(35.3)	926	(47.3)
September 30, 2018	53,822	5.4	3,716	69.3	3,372	49.8	1,758	132.2

(Note) Comprehensive income: Six months ended September 30, 2019: ¥ 1,235 million [13.5%]
Six months ended September 30, 2018: ¥ 1,088 million [(50.4)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	19.49	-
September 30, 2018	43.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2019	158,283	65,562	35.9
March 31, 2019	161,881	65,253	35.0

(Reference) Net assets less non-controlling interests: As of September 30, 2019: ¥ 56,871 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	-	20.00			
Fiscal year ending March 31, 2020 (Forecast)			-	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 1, 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
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: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2019
(changes in specified subsidiaries resulting in changes 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 10, “(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):

September 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:

September 30, 2019: 529 shares

March 31, 2019: 324 shares

3) Average number of shares during the period:

Six months ended September 30, 2019: 47,519,874 shares

Six months ended September 30, 2018: 40,757,928 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 September 30, 2019
Assets		
Current assets		
Cash and deposits	19,605	18,209
Notes and accounts receivable - trade	27,109	25,124
Electronically recorded monetary claims - operating	2,809	2,349
Merchandise and finished goods	11,452	11,582
Work in process	9,508	9,335
Raw materials and supplies	6,578	6,846
Other	2,382	2,632
Allowance for doubtful accounts	(1,303)	(1,493)
Total current assets	78,142	74,588
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,690	16,159
Machinery, equipment and vehicles, net	26,116	25,168
Other, net	19,235	20,815
Total property, plant and equipment	62,043	62,142
Intangible assets		
Goodwill	7,147	6,776
Other	5,444	5,729
Total intangible assets	12,591	12,505
Investments and other assets		
Investments and other assets, gross	9,154	9,096
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	9,103	9,046
Total non-current assets	83,739	83,694
Total assets	161,881	158,283

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,437	7,160
Electronically recorded obligations - operating	8,759	8,496
Short-term borrowings	22,703	24,696
Current portion of long-term borrowings	6,428	3,636
Income taxes payable	1,066	644
Provision for bonuses	1,976	1,792
Provision for bonuses for directors (and other officers)	181	25
Provision for product compensation	214	333
Provision for environmental measures	99	102
Electronically recorded obligations - non-operating	1,007	900
Other	7,011	7,575
Total current liabilities	57,885	55,365
Non-current liabilities		
Long-term borrowings	26,017	24,555
Provision for environmental measures	1	1
Retirement benefit liability	6,795	6,847
Asset retirement obligations	17	17
Negative goodwill	1	0
Other	5,908	5,933
Total non-current liabilities	38,742	37,355
Total liabilities	96,628	92,720
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,655	36,868
Treasury shares	(0)	(0)
Total shareholders' equity	58,182	58,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	906	783
Foreign currency translation adjustment	(352)	(372)
Remeasurements of defined benefit plans	(2,100)	(1,935)
Total accumulated other comprehensive income	(1,545)	(1,524)
Non-controlling interests	8,617	8,690
Total net assets	65,253	65,562
Total liabilities and net assets	161,881	158,283

(2) 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, 2018	For the six months ended September 30, 2019
Net sales	53,822	50,701
Cost of sales	39,752	37,675
Gross profit	14,069	13,026
Selling, general and administrative expenses	10,353	10,691
Operating profit	3,716	2,335
Non-operating income		
Interest income	33	39
Dividend income	42	46
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	86	50
Other	192	260
Total non-operating income	356	397
Non-operating expenses		
Interest expenses	421	430
Foreign exchange losses	135	10
Other	143	111
Total non-operating expenses	700	552
Ordinary profit	3,372	2,180
Profit before income taxes	3,372	2,180
Income taxes - current	1,089	773
Income taxes - deferred	171	218
Total income taxes	1,260	991
Profit	2,112	1,188
Profit attributable to non-controlling interests	353	262
Profit attributable to owners of parent	1,758	926

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

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit	2,112	1,188
Other comprehensive income		
Valuation difference on available-for-sale securities	(63)	(124)
Foreign currency translation adjustment	(1,015)	4
Remeasurements of defined benefit plans, net of tax	133	172
Share of other comprehensive income of entities accounted for using equity method	(78)	(5)
Total other comprehensive income	(1,023)	46
Comprehensive income	1,088	1,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,025	947
Comprehensive income attributable to non-controlling interests	62	288

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	3,372	2,180
Depreciation	4,191	4,631
Amortization of goodwill	278	423
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(86)	(50)
Increase (decrease) in allowance for doubtful accounts	184	225
Increase (decrease) in provision for bonuses	(81)	(181)
Increase (decrease) in provision for bonuses for directors (and other officers)	(51)	(155)
Increase or decrease in net defined benefit asset and liability	140	38
Increase (decrease) in provision for environmental measures	(18)	3
Interest and dividend income	(76)	(86)
Interest expenses	421	430
Decrease (increase) in trade receivables	(286)	2,136
Decrease (increase) in inventories	(1,841)	(458)
Increase (decrease) in trade payables	344	(1,292)
Increase (decrease) in accrued consumption taxes	(28)	(221)
Increase (decrease) in other liabilities	(13)	718
Other, net	130	(456)
Subtotal	6,579	7,886
Interest and dividends received	75	84
Dividends received from entities accounted for using equity method	-	26
Interest paid	(417)	(432)
Income taxes paid	(1,446)	(1,208)
Net cash provided by (used in) operating activities	4,791	6,355

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from investing activities		
Payments into time deposits	(1,087)	(1,063)
Proceeds from withdrawal of time deposits	722	755
Purchase of investment securities	(12)	(13)
Purchase of property, plant and equipment	(2,121)	(4,088)
Proceeds from sales of property, plant and equipment	169	47
Purchase of intangible assets	(399)	(977)
Loan advances	(27)	(18)
Collection of loans receivable	2	3
Fair value adjustment of contingent consideration	1,850	-
Other, net	7	4
Net cash provided by (used in) investing activities	(896)	(5,349)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,922)	2,533
Proceeds from long-term borrowings	12,000	686
Repayments of long-term borrowings	(4,503)	(4,835)
Proceeds from sale and leaseback transactions	-	362
Repayments of finance lease obligations	(561)	(549)
Proceeds from issuance of shares	2,259	-
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	4,574	-
Dividends paid	(596)	(711)
Dividends paid to non-controlling interests	(155)	(195)
Net cash provided by (used in) financing activities	4,094	(2,709)
Effect of exchange rate change on cash and cash equivalents	(208)	(41)
Net increase (decrease) in cash and cash equivalents	7,780	(1,745)
Cash and cash equivalents at beginning of period	11,866	17,127
Cash and cash equivalents at end of period	19,646	15,382

(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 second quarter of the previous period.

As a result, Cost of sales for the second quarter of the previous period decreased by 355 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 Second quarter of previous 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	1,393	55,260
Segment profit	4,235	1,593	577	176	6,582	363	6,945

(*) "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	6,582
Profit from “Others” category	363
Elimination of intersegment transactions	47
Unattributable costs (*)	(3,276)
Operating profit as per Quarterly Consolidated Statements of Income	3,716

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

II Second quarter of current period (from April 1, 2019 to September 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	30,420	7,130	5,050	7,171	49,772	928	50,701
Internal sales or transfer between segments	269	788	7	110	1,176	330	1,507
Total	30,690	7,919	5,058	7,281	50,949	1,259	52,209
Segment profit (loss)	3,636	1,366	789	(275)	5,516	288	5,804

(*) "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	5,516
Profit from "Others" category	288
Elimination of intersegment transactions	7
Unattributable costs (*)	(3,476)
Operating profit as per Quarterly Consolidated Statements of Income	2,335

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