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Consolidated Financial Results for the Three Months Ended June 30, 2018 [Japanese GAAP]

August 09, 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
Phone: +81-52-205-1400
Scheduled date of filing quarterly securities report: August 9, 2018
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: No

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2018 (April 01, 2018 to June 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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2018	26,686	7.6	1,654	71.7	1,589	44.8	1,013	135.9
June 30, 2017	24,811	23.2	963	(47.9)	1,097	(35.6)	429	(66.9)

(Note) Comprehensive income: Three months ended June 30, 2018: ¥ (75) million [-%]
Three months ended June 30, 2017: ¥ 692 million [69.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2018	25.44	-
June 30, 2017	10.78	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2018	158,945	57,075	30.7
March 31, 2018	161,030	57,940	30.6

(Reference) Net assets less non-controlling interests: As of June 30, 2018: ¥ 48,717 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	-				
Fiscal year ending March 31, 2019 (Forecast)		15.00	-	15.00	30.00

(Note) Revision to 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
Six months ending September 30, 2018	52,500	2.8	2,800	27.5	2,900	28.8	1,800	137.7	45.20
Full year	107,000	0.3	6,700	2.9	6,900	2.9	4,700	43.2	118.04

(Note) Revision to the latest forecast: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 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):

June 30, 2018: 44,956,853 shares

March 31, 2018: 44,956,853 shares

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

June 30, 2018: 5,141,640 shares

March 31, 2018: 5,141,640 shares

3) Average number of shares during the period:

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

Three months ended June 30, 2017: 39,815,926 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.

* 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.

* “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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	13,672	15,178
Notes and accounts receivable - trade	27,782	27,545
Electronically recorded monetary claims - operating	2,455	2,699
Merchandise and finished goods	10,913	10,930
Work in process	8,538	8,972
Raw materials and supplies	6,327	6,345
Other	2,184	2,202
Allowance for doubtful accounts	(51)	(47)
Total current assets	71,823	73,826
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,682	17,390
Machinery, equipment and vehicles, net	26,878	26,352
Other, net	20,386	19,515
Total property, plant and equipment	64,947	63,257
Intangible assets		
Goodwill	9,650	7,554
Other	5,434	5,192
Total intangible assets	15,085	12,746
Investments and other assets		
Investments and other assets, gross	9,223	9,162
Allowance for doubtful accounts	(48)	(47)
Total investments and other assets	9,174	9,114
Total non-current assets	89,207	85,118
Total assets	161,030	158,945

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,337	8,670
Electronically recorded obligations - operating	9,544	9,247
Short-term loans payable	27,755	27,071
Current portion of long-term loans payable	9,545	9,296
Income taxes payable	1,251	815
Provision for bonuses	1,835	767
Provision for directors' bonuses	128	45
Provision for product compensation	291	296
Electronically recorded obligations - non-operating	479	833
Other	6,994	8,773
Total current liabilities	66,163	65,818
Non-current liabilities		
Long-term loans payable	23,295	22,671
Provision for environmental measures	20	20
Net defined benefit liability	6,457	6,515
Asset retirement obligations	17	17
Negative goodwill	1	1
Other	7,133	6,825
Total non-current liabilities	36,926	36,051
Total liabilities	103,089	101,869
Net assets		
Shareholders' equity		
Capital stock	7,273	7,273
Capital surplus	8,821	8,821
Retained earnings	34,663	35,079
Treasury shares	(1,422)	(1,422)
Total shareholders' equity	49,336	49,752
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,316	1,099
Foreign currency translation adjustment	557	(327)
Remeasurements of defined benefit plans	(1,857)	(1,806)
Total accumulated other comprehensive income	16	(1,034)
Non-controlling interests	8,588	8,358
Total net assets	57,940	57,075
Total liabilities and net assets	161,030	158,945

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, 2017	For the three months ended June 30, 2018
Net sales	24,811	26,686
Cost of sales	18,719	19,883
Gross profit	6,092	6,803
Selling, general and administrative expenses	5,128	5,148
Operating profit	963	1,654
Non-operating income		
Interest income	12	16
Dividend income	30	35
Foreign exchange gains	4	-
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	53	43
Gain on sales of scraps	150	185
Other	74	91
Total non-operating income	326	371
Non-operating expenses		
Interest expenses	157	212
Foreign exchange losses	-	183
Other	35	41
Total non-operating expenses	192	436
Ordinary profit	1,097	1,589
Profit before income taxes	1,097	1,589
Income taxes - current	555	663
Income taxes - deferred	(68)	(254)
Total income taxes	487	409
Profit	610	1,180
Profit attributable to non-controlling interests	181	167
Profit attributable to owners of parent	429	1,013

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

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	610	1,180
Other comprehensive income		
Valuation difference on available-for-sale securities	(51)	(227)
Foreign currency translation adjustment	72	(1,031)
Remeasurements of defined benefit plans, net of tax	38	56
Share of other comprehensive income of entities accounted for using equity method	22	(52)
Total other comprehensive income	81	(1,256)
Comprehensive income	692	(75)
Comprehensive income attributable to		
owners of parent	447	(38)
non-controlling interests	244	(37)

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,097	1,589
Depreciation	2,040	2,087
Amortization of goodwill	238	70
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(53)	(43)
Increase (decrease) in allowance for doubtful accounts	22	(1)
Increase (decrease) in provision for bonuses	(965)	(1,066)
Increase (decrease) in provision for directors' bonuses	(100)	(83)
Increase or decrease in net defined benefit asset and liability	(20)	49
Interest and dividend income	(42)	(51)
Interest expenses	157	212
Decrease (increase) in notes and accounts receivable - trade	(559)	(423)
Decrease (increase) in inventories	(709)	(920)
Increase (decrease) in notes and accounts payable - trade	652	349
Increase (decrease) in accrued consumption taxes	64	11
Increase (decrease) in other liabilities	1,674	2,441
Other, net	(30)	(205)
Subtotal	3,466	4,017
Interest and dividend income received	43	51
Interest expenses paid	(155)	(200)
Income taxes paid	(873)	(1,021)
Net cash provided by (used in) operating activities	2,480	2,847

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Cash flows from investing activities		
Payments into time deposits	(348)	(1,049)
Proceeds from withdrawal of time deposits	329	694
Purchase of investment securities	(4)	(5)
Purchase of property, plant and equipment	(2,817)	(985)
Proceeds from sales of property, plant and equipment	37	40
Purchase of intangible assets	(59)	(49)
Payments of loans receivable	(31)	(16)
Collection of loans receivable	17	2
Fair Value Adjustment of Contingent Consideration	-	1,850
Other, net	(36)	1
Net cash provided by (used in) investing activities	(2,914)	483
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	407	(348)
Proceeds from long-term loans payable	3,740	-
Repayments of long-term loans payable	(3,281)	(594)
Proceeds from sales and leasebacks	8	-
Repayments of finance lease obligations	(216)	(261)
Purchase of treasury shares	(0)	-
Cash dividends paid	(570)	(574)
Dividends paid to non-controlling interests	(183)	(231)
Net cash provided by (used in) financing activities	(95)	(2,010)
Effect of exchange rate change on cash and cash equivalents	23	(129)
Net increase (decrease) in cash and cash equivalents	(506)	1,189
Cash and cash equivalents at beginning of period	12,827	11,866
Cash and cash equivalents at end of period	12,320	13,056

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Segment information)

I First quarter of previous period (from April 1, 2017 to June 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	15,338	3,337	2,113	3,520	24,310	501	24,811
Internal sales between segments, transfer	27	415	2	—	446	120	566
Total	15,366	3,753	2,116	3,520	24,756	621	25,378
Segment profit (loss)	2,137	545	137	(481)	2,339	141	2,480

(*) "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	2,339
Profit (loss) from "Others" category	141
Profit (loss) from transactions between segments	21
Unattributable costs (*)	(1,538)
Operating profit as per Quarterly Consolidated Statements of Income	963

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

II First quarter of current 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 between segments, transfer	47	496	0	31	575	120	696
Total	16,600	4,009	2,276	3,818	26,705	678	27,383
Segment profit (loss)	1,872	723	322	165	3,083	164	3,247

(*) “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	3,083
Profit (loss) from “Others” category	164
Profit (loss) from transactions between segments	20
Unattributable costs (*)	(1,613)
Operating profit as per Quarterly Consolidated Statements of Income	1,654

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

3. Information on impairment loss of non-current assets, goodwill and the like, for each reporting segment.

(Material changes on the amount of goodwill)

In “Other automotive parts” segment, contingent consideration for the amount of JPY 1,850 million is received as per Stock Purchase and Assignment Agreement for ATA Casting Technology Japan Co., Ltd. Adjustments were made to the amount of goodwill and its amortization.

(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”.