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Consolidated Financial Results for the Year Ended March 31, 2019 [Japanese GAAP]

May 10, 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

Managing Executive Officer, Head of Corporate and Financial Planning Division

Phone: 052-205-1400

Scheduled date of Annual General Meeting of Shareholders: June 27, 2019

Scheduled start date of dividend payments: June 28, 2019

Scheduled filing date of annual securities report: June 27, 2019

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual 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 Fiscal Year Ended March 31, 2019 (April 01, 2018 to March 31, 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	%
Fiscal year ended March 31, 2019	107,718	1.0	6,944	6.7	6,976	4.0	4,565	39.1
March 31, 2018	106,648	25.4	6,511	27.6	6,708	23.6	3,281	24.5

(Note) Comprehensive income: Fiscal year ended March 31, 2019: ¥ 3,398 million [(48.0)%]
Fiscal year ended March 31, 2018: ¥ 6,541 million [204.9%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	103.44	-	8.5	4.3	6.4
March 31, 2018	82.42	-	6.9	4.2	6.1

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2019: ¥ 174 million
Fiscal year ended March 31, 2018: ¥ 164 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2019	163,118	66,490	35.4	1,216.02
March 31, 2018	161,030	57,940	30.6	1,239.54

(Reference) Net assets less non-controlling interests: As of March 31, 2019: ¥ 57,785 million
As of March 31, 2018: ¥ 49,352 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2019	11,709	(5,462)	(746)	17,127
March 31, 2018	11,186	(12,331)	(53)	11,866

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	-	15.00	-	15.00	30.00	1,194	36.4	2.5
March 31, 2019	-	15.00	-	15.00	30.00	1,425	29.0	2.4
Fiscal year ending March 31, 2020 (Forecast)	-	20.00	-	15.00	35.00		-	

(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	(17.8)	2,800	(20.9)	1,600	(23.7)	33.67
Full year	-	-	-	-	-	-	-	-	-

(*) As for Consolidated Financial Results for full year, forecast is not available at this moment due to unconfirmed elements that may have impact on financial results. Consolidated Financial Results Forecast for full year will be announced when more information is available.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) 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

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

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

March 31, 2019: 47,520,253 shares

March 31, 2018: 44,956,853 shares

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

March 31, 2019: 324 shares

March 31, 2018: 5,141,640 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2019: 44,129,723 shares

Fiscal Year ended March 31, 2018: 39,815,647 shares

(Reference) Summary of Non-consolidated Financial Results

I. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 01, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	67,732	2.0	2,390	29.1	4,024	15.8	3,783	57.7
March 31, 2018	66,413	4.8	1,851	(31.3)	3,475	(22.8)	2,398	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2019	85.73	-
March 31, 2018	60.24	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2019	106,462	51,012	47.9	1,073.49
March 31, 2018	104,596	42,002	40.2	1,054.94

(Reference) Equity: As of March 31, 2019: ¥ 51,012 million

As of March 31, 2018: ¥ 42,002 million

* 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.

* "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 first quarter. The change in the accounting standard has been retrospectively applied to Consolidated financial statements of the previous period ended March 31, 2018 and related financial ratios.

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	13,672	19,605
Notes and accounts receivable - trade	27,782	27,109
Electronically recorded monetary claims - operating	2,455	2,809
Merchandise and finished goods	10,913	11,441
Work in process	8,538	9,496
Raw materials and supplies	6,327	6,578
Other	2,184	2,382
Allowance for doubtful accounts	(51)	(43)
Total current assets	71,823	79,379
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,997	36,060
Accumulated depreciation	(18,314)	(19,369)
Buildings and structures, net	17,682	16,690
Machinery, equipment and vehicles	90,296	92,900
Accumulated depreciation	(63,418)	(66,783)
Machinery, equipment and vehicles, net	26,878	26,116
Land	10,801	10,791
Leased assets	7,085	6,284
Accumulated depreciation	(1,504)	(1,729)
Leased assets, net	5,580	4,555
Construction in progress	2,921	2,898
Other	6,733	6,801
Accumulated depreciation	(5,649)	(5,809)
Other, net	1,083	991
Total property, plant and equipment	64,947	62,043
Intangible assets		
Goodwill	9,650	7,147
Leased assets	79	60
Other	5,354	5,383
Total intangible assets	15,085	12,591
Investments and other assets		
Investment securities	4,777	4,832
Long-term loans receivable	290	273
Retirement benefit asset	194	96
Deferred tax assets	2,701	2,756
Other	1,259	1,195
Allowance for doubtful accounts	(48)	(50)
Total investments and other assets	9,174	9,103
Total non-current assets	89,207	83,739
Total assets	161,030	163,118

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,337	8,437
Electronically recorded obligations - operating	9,544	8,759
Short-term loans payable	27,755	22,703
Current portion of long-term loans payable	9,545	6,428
Lease obligations	929	837
Income taxes payable	1,251	1,066
Provision for bonuses	1,835	1,976
Provision for bonuses for directors (and other officers)	128	181
Provision for product compensation	291	214
Provision for environmental measures	-	99
Electronically recorded obligations - non-operating	479	1,007
Other	6,065	6,173
Total current liabilities	66,163	57,885
Non-current liabilities		
Long-term loans payable	23,295	26,017
Lease obligations	4,275	3,429
Deferred tax liabilities	2,184	1,901
Provision for environmental measures	20	1
Retirement benefit liability	6,457	6,795
Asset retirement obligations	17	17
Negative goodwill	1	1
Other	673	578
Total non-current liabilities	36,926	38,742
Total liabilities	103,089	96,628
Net assets		
Shareholders' equity		
Capital stock	7,273	8,413
Capital surplus	8,821	13,114
Retained earnings	34,663	37,918
Treasury shares	(1,422)	(0)
Total shareholders' equity	49,336	59,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,316	906
Foreign currency translation adjustment	557	(467)
Remeasurements of defined benefit plans	(1,857)	(2,100)
Total accumulated other comprehensive income	16	(1,660)
Non-controlling interests	8,588	8,705
Total net assets	57,940	66,490
Total liabilities and net assets	161,030	163,118

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net sales	106,648	107,718
Cost of sales	78,848	80,262
Gross profit	27,799	27,455
Selling, general and administrative expenses		
Freightage expenses	2,548	2,419
Business consignment expenses	1,434	1,225
Remuneration for directors (and other officers)	481	506
Salaries and allowances	5,017	4,878
Provision for bonuses	552	602
Provision for bonuses for directors (and other officers)	128	181
Provision for product compensation	277	175
Retirement benefit expenses	373	463
Welfare expenses	1,101	1,095
Depreciation	872	791
Rent expenses	840	1,073
Research and development expenses	1,855	1,982
Other	5,805	5,115
Total selling, general and administrative expenses	21,288	20,510
Operating profit	6,511	6,944
Non-operating income		
Interest income	85	91
Dividend income	73	82
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	164	174
Gain on sales of scraps	705	663
Other	387	429
Total non-operating income	1,416	1,442
Non-operating expenses		
Interest expenses	768	867
Foreign exchange losses	157	225
Other	293	318
Total non-operating expenses	1,219	1,411
Ordinary profit	6,708	6,976
Extraordinary income		
Subsidy income	-	1,000
Total extraordinary income	-	1,000
Extraordinary losses		
Impairment loss	141	-
Total extraordinary losses	141	-
Profit before income taxes	6,567	7,976
Income taxes - current	2,221	2,557
Income taxes - deferred	217	13
Total income taxes	2,438	2,570
Profit	4,128	5,405
Profit attributable to non-controlling interests	846	840
Profit attributable to owners of parent	3,281	4,565

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Profit	4,128	5,405
Other comprehensive income		
Valuation difference on available-for-sale securities	182	(500)
Foreign currency translation adjustment	1,969	(1,107)
Remeasurements of defined benefit plans, net of tax	208	(228)
Share of other comprehensive income of entities accounted for using equity method	53	(170)
Total other comprehensive income	2,413	(2,006)
Comprehensive income	6,541	3,398
Comprehensive income attributable to		
owners of parent	5,317	2,887
non-controlling interests	1,224	511

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2018

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,273	8,821	32,576	(1,421)	47,249
Changes of items during period					
Dividends of surplus			(1,194)		(1,194)
Profit attributable to owners of parent			3,281		3,281
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,087	(0)	2,086
Balance at end of current period	7,273	8,821	34,663	(1,422)	49,336

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,145	(1,114)	(2,049)	(2,018)	7,733	52,964
Changes of items during period						
Dividends of surplus						(1,194)
Profit attributable to owners of parent						3,281
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	170	1,672	192	2,035	854	2,889
Total changes of items during period	170	1,672	192	2,035	854	4,976
Balance at end of current period	1,316	557	(1,857)	16	8,588	57,940

For the fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,273	8,821	34,663	(1,422)	49,336
Changes of items during period					
Issuance of new shares	1,140	1,140			2,280
Dividends of surplus			(1,310)		(1,310)
Profit attributable to owners of parent			4,565		4,565
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3,152		1,422	4,574
Net changes of items other than shareholders' equity					
Total changes of items during period	1,140	4,292	3,255	1,422	10,110
Balance at end of current period	8,413	13,114	37,918	(0)	59,446

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,316	557	(1,857)	16	8,588	57,940
Changes of items during period						
Issuance of new shares						2,280
Dividends of surplus						(1,310)
Profit attributable to owners of parent						4,565
Purchase of treasury shares						(0)
Disposal of treasury shares						4,574
Net changes of items other than shareholders' equity	(409)	(1,025)	(243)	(1,677)	117	(1,560)
Total changes of items during period	(409)	(1,025)	(243)	(1,677)	117	8,549
Balance at end of current period	906	(467)	(2,100)	(1,660)	8,705	66,490

Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	6,567	7,976
Depreciation	8,795	8,528
Impairment loss	141	-
Amortization of goodwill	969	698
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(164)	(174)
Increase (decrease) in allowance for doubtful accounts	10	(2)
Increase (decrease) in provision for bonuses	159	163
Increase (decrease) in provision for bonuses for directors (and other officers)	7	34
Increase or decrease in net defined benefit asset and liability	(5)	142
Increase (decrease) in provision for environmental measures	(7)	79
Interest and dividend income	(159)	(174)
Subsidy income	(50)	(1,050)
Interest expenses	768	867
Decrease (increase) in notes and accounts receivable - trade	(2,620)	(405)
Decrease (increase) in inventories	(2,559)	(2,408)
Increase (decrease) in notes and accounts payable - trade	643	(152)
Increase (decrease) in accrued consumption taxes	151	119
Increase (decrease) in other liabilities	157	(433)
Other, net	804	289
Subtotal	13,609	14,096
Interest and dividend income received	158	171
Proceeds from dividend income from entities accounted for using equity method	74	82
Proceeds from subsidy income	50	1,050
Interest expenses paid	(773)	(866)
Income taxes paid	(1,933)	(2,825)
Net cash provided by (used in) operating activities	11,186	11,709

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(3,182)	(2,484)
Proceeds from withdrawal of time deposits	2,815	1,842
Purchase of investment securities	(36)	(885)
Proceeds from sales of investment securities	-	0
Purchase of property, plant and equipment	(11,516)	(5,540)
Proceeds from sales of property, plant and equipment	39	442
Purchase of intangible assets	(386)	(775)
Payments of loans receivable	(63)	(36)
Collection of loans receivable	31	124
Fair value adjustment of contingent consideration	-	1,850
Other, net	(31)	(1)
Net cash provided by (used in) investing activities	(12,331)	(5,462)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(10,722)	(4,441)
Proceeds from long-term loans payable	17,347	14,200
Repayments of long-term loans payable	(5,205)	(14,465)
Proceeds from sale and leaseback transactions	1,094	-
Repayments of finance lease obligations	(1,026)	(1,089)
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	(1,192)	(1,307)
Dividends paid to non-controlling interests	(347)	(476)
Proceeds from share issuance to non-controlling shareholders	0	-
Net cash provided by (used in) financing activities	(53)	(746)
Effect of exchange rate change on cash and cash equivalents	238	(239)
Net increase (decrease) in cash and cash equivalents	(960)	5,260
Cash and cash equivalents at beginning of period	12,827	11,866
Cash and cash equivalents at end of period	11,866	17,127

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Significant matters that form the basis of presenting the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 33 companies

For names of consolidated subsidiaries, please refer to (2) Organization of the Group. (only available in Japanese)

(2) Names of unconsolidated subsidiaries 3 companies

Company name

Korea Dry Bearing Co., Ltd.

Chung Yuan Daido (Guangzhou) Co., Ltd.

DMS Korea Co., Ltd.

Reason for exclusion from scope of consolidation

Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of total assets, net sales, profit attributable to owners of parent, and retained earnings for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

2. Application of equity method

(1) Number of unconsolidated subsidiaries to which the equity method was applied 1 company

Company name

Korea Dry Bearing Co., Ltd.

(2) Number of associates to which the equity method was applied 3 companies

Company name

BBL Daido Private Limited

Shippo Asahi Moulds (Thailand) Co., Ltd.

NPR of Europe GmbH

(3) Names of unconsolidated subsidiaries and associates to which the equity method was not applied

Chung Yuan Daido (Guangzhou) Co., Ltd.

DMS Korea Co., Ltd.

Reason for non-application of equity method

Chung Yuan Daido (Guangzhou) Co., Ltd. and DMS Korea Co., Ltd. are immaterial from the Group's point of view in terms of profit attributable to owners of parent and retained earnings for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

(4) For companies consolidated under equity method with closing dates different from the consolidated closing date, financial statements as of their year-end are used.

3. Matters relating to the accounting period of consolidated subsidiaries

The closing date for Daido Metal U.S.A. Inc., DAIDO METAL KOTOR AD, Daido Industrial Bearings Europe Limited, DAIDO METAL CZECH s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., PT. Daido Metal

Indonesia, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Europe GmbH., DAIDO METAL EUROPE LIMITED, Daido Metal Russia LLC, Daido Metal Mexico, S.A. de C.V., Daido Metal Mexico Sales, S.A. de C.V., PHILIPPINE IINO CORPORATION, IINO (Foshan) Technology Co., Ltd., ISS America, Inc., ISS MEXICO MANUFACTURING S.A. de C.V., PT. IINO INDONESIA, and SUPER CUB FINANCIAL CORPORATION is December 31.

Financial statements as of the same date are used in compiling the consolidated financial statements as of March 31, with necessary adjustment for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Securities

Other securities

Securities with market value

Stated at market value based on the market price at the balance sheet date (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)

Securities without market value

Stated at cost using moving average method

2) Inventories

Basis of valuation is in accordance with the cost basis (with writing down of the carrying value based on any decreased profitability).

Merchandise and finished goods Principally by weighted average method

Work in process Principally by weighted average method

Raw materials Principally by weighted average method

Supplies Principally by moving average method

3) Derivatives

Stated at market value

(2) Method of depreciation of important depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and six domestic consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998 and facilities annexed to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Estimated useful lives of major assets are as follows:

Buildings and structures 3-60 years

Machinery, equipment and vehicles 4-10 years

2) Intangible assets (excluding leased assets)

Straight-line method is used.

3) Leased assets

Leased assets relating to finance lease transactions which transfer the ownership of leased assets

The same depreciation method as applied to our own assets is used.

Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets
Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

(3) Reserves and Provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

2) Provision for bonuses

An amount corresponding to the period out of the estimated amount of bonuses payable to employees is provided.

3) Provision for bonuses for directors (and other officers)

An estimated amount of bonuses payable is provided.

4) Provision for product compensation

In order to prepare for any expenditure for quality claims, an estimated amount required to be paid in future is provided.

5) Provision for environmental measures

In order to prepare for the payment of disposal cost of PCB wastes required as stipulated by the “Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes” and for the payment of cost of soil contamination countermeasures to be incurred, the estimated disposal cost is provided.

(4) Accounting for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding operating officers etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date.

When calculating retirement benefit obligations the benefit formula basis is used to allocate to the current period. Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over the average remaining service years of employees at the time of occurrence thereof.

For actuarial differences, an amount prorated by the straight-line method over the average remaining service years of employees at the time of occurrence thereof in each consolidated fiscal year is expensed starting from the consolidated fiscal year that follows the consolidated fiscal year of occurrence.

In order to prepare for the payment of retirement benefits to operating officers etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.

(5) Conversion of foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustments and non-controlling interests

(6) Amortization of goodwill and the amortization period

Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during

which the benefits are expected to arise.

(7) Scope of cash and cash equivalents in consolidated statement of cash flows

The cash and cash equivalents in consolidated statement of cash flows comprise cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and that are subject to an insignificant risk of changes in values.

(8) Other significant matters for presentation of consolidated financial statements

Accounting method of consumption taxes

Consumption taxes are accounted for by the tax-excluded method.

(Accounting standards not yet applied, etc.)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

These are comprehensive accounting standards for revenue recognition. The following five steps are applied to recognize revenue.

Step 1: Identify contracts with customers

Step 2: Identify performance obligation of the contracts

Step 3: Calculate value of transactions

Step 4: Allocate value of transactions to performance obligation of the contracts

Step 5: Recognize revenue when (or as) meeting performance obligation

(2) Planned date of application

These standards will be applied from FY2021 onward.

(3) Effect of application of the accounting standards, etc.

The monetary effect on consolidated financial statements is currently under review.

(Additional Information)

Transfer of non-current assets

The company resolved to divest its non-current assets at a board of directors' meeting held on 28th March, 2019 and signed a real estate sales contract on 29th March, 2019.

1. Reason for the divestiture

The assets to be transferred had been the company's headquarter and Nagoya plant till October, 2002 and the company has been leasing the land to a third party since then.

The company resolved to transfer the assets in order to promote effective use of management resources and improve asset efficiency, under its new medium-term plan started in 2018.

2. Description of the assets to be transferred

Description and location of the assets	2 Sanage-cho, Kita-ku, Nagoya 1-2 Kizune-cho, Kita-ku Nagoya Land: 17,897.51 m ²
Transfer price	*1
Book value	*1

Gain on transfer (*2)	About JPY 3,906 million
Current status	Leased

*1 Transfer price and book value are not disclosed due to agreement with the purchaser, though the transfer price reflects fair market value.

*2 Gain on transfer is an approximate amount based on transfer price less book value and estimated amount of expenses relating to the transfer, etc.

3. Overview of the purchaser

The purchaser is an ordinary industrial corporation, but the name will not be disclosed due to agreement with the purchaser. The company has no material relationship with the purchaser on capital, personal and business relations.

4. Schedule of the transfer

Property handover date 31th March, 2020 (Plan)

5. Impact on financial results

Approximately JPY 3,906 million yen will be accounted for as Extraordinary gains in FY2019 (consolidated and non-consolidated).

(Segment information)

1. Description of reportable segments

The reportable segments of the Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors to evaluate their results and decide the allocation of management resources.

The Group produces and sells bearings for automotive, shipbuilding, construction machine industry, dry bearings, special types of bearings for general industries, high-precision and high-quality parts for automotive engines and transmissions, and aluminium die cast automotive parts as its core business and other products (metal dry bearings, rotary pump, centralized lubrication, electrode sheet business for electric double layer capacitors, etc.).

The Group is, therefore, composed of segments based on products, and has four reportable segments, “Automotive engine bearings,” “Automotive non-engine bearings,” “Non-automotive bearings,” and “Other automotive parts.”

2. Methods of measurement for sales and profit (loss) by each reportable segment

The accounting treatment for each reportable segment is nearly the same as that set forth in the “Significant matters that form the basis of presenting the consolidated financial statements.”

Profit by each reportable segment is based on operating profit. Internal sales or transfer between segments is based on actual market value.

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

I The previous fiscal year (from April 1, 2017 to March 31, 2018)

(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	65,265	14,266	9,324	15,573	104,429	2,219	106,648
Internal sales or transfer	190	1,853	22	23	2,089	501	2,590

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
between segments							
Total	65,455	16,120	9,346	15,596	106,519	2,720	109,239
Segment profit (loss)	9,281	2,962	1,037	(890)	12,392	680	13,072

(*) "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.

II The current fiscal year (from April 1, 2018 to March 31, 2019)

(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	64,427	15,046	9,889	16,133	105,496	2,222	107,718
Internal sales or transfer between segments	407	1,939	30	86	2,464	531	2,995
Total	64,835	16,985	9,919	16,219	107,960	2,753	110,713
Segment profit (loss)	8,292	3,228	1,295	213	13,030	694	13,725

(*) "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.

4. Reconciliation between Reporting segments total and numbers reported in Consolidated Financial Statements

(Unit JPY million)

Net Sales	The previous fiscal year	The current fiscal year
Reporting segments total	106,519	107,960
Net sales from "Others" category	2,720	2,753
Elimination of intersegment transactions	(2,590)	(2,995)
Net sales as per Consolidated Financial Statements	106,648	107,718

(Unit JPY million)

Profit	The previous fiscal year	The current fiscal year
Reporting segments total	12,392	13,030
Profit from "Others" category	680	694
Elimination of intersegment transactions	82	82

Profit	The previous fiscal year	The current fiscal year
Unattributable costs (*)	(6,644)	(6,862)
Operating profit as per Consolidated Financial Statements	6,511	6,944

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

(Per share information)

	The previous fiscal year (from April 1, 2017 to March 31, 2018)	The current fiscal year (from April 1, 2018 to March 31, 2019)
Net assets per share	1,239.54	1,216.02
Earnings per share	82.42	103.44

(Notes)

1. Diluted earnings per share is not available because no latent shares existed.

2. Basis of calculation for Earnings per share is shown below.

	The previous fiscal year (March 31, 2018)	The current fiscal year (March 31, 2019)
Net assets (JPY million)	57,940	66,490
Deductions from net assets (JPY million)	8,588	8,705
(Non-controlling interests) (JPY million)	(8,588)	(8,705)
Net assets available to common stock (JPY million)	49,352	57,785
Number of common stock at the end of fiscal year for calculation of Net assets per share (thousand shares)	39,815	47,519

3. Basis of calculation of Earnings per share is shown below.

	The previous fiscal year (from April 1, 2017 to March 31, 2018)	The current fiscal year (from April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (JPY million)	3,281	4,565
Not attributable to common stockholders (JPY million)	-	-
Profit attributable to owners of parent available to common stock (JPY million)	3,281	4,565
Average number of common stock (thousand shares)	39,815	44,129

(Material subsequent events)

None

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	2,311	6,125
Notes receivable - trade	539	408
Accounts receivable - trade	19,066	18,516
Electronically recorded monetary claims - operating	2,501	2,792
Merchandise and finished goods	1,935	1,873
Work in process	3,556	3,737
Raw materials and supplies	2,018	1,969
Prepaid expenses	138	249
Short-term loans receivable from subsidiaries and associates	1,600	1,400
Accounts receivable - other	2,153	1,741
Other	89	221
Allowance for doubtful accounts	(0)	(0)
Total current assets	35,909	39,035
Non-current assets		
Property, plant and equipment		
Buildings	6,286	6,079
Structures	569	521
Machinery and equipment	5,825	5,409
Vehicles	13	11
Tools, furniture and fixtures	225	226
Land	3,671	3,671
Leased assets	2,939	2,696
Construction in progress	865	412
Total property, plant and equipment	20,398	19,030
Intangible assets		
Software	909	758
Leased assets	22	14
Right of using facilities	15	14
Other	181	700
Total intangible assets	1,129	1,487
Investments and other assets		
Investment securities	1,999	1,816
Shares of subsidiaries and associates	32,498	31,675
Investments in capital of subsidiaries and associates	7,862	8,722
Long-term loans receivable from employees	16	18
Long-term loans receivable from subsidiaries and associates	1,100	1,284
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	2
Long-term prepaid expenses	12	34
Deferred tax assets	608	579
Prepaid pension cost	2,136	2,348
Other	935	873
Allowance for doubtful accounts	(13)	(448)
Total investments and other assets	47,157	46,908

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Total non-current assets	68,686	67,427
Total assets	104,596	106,462

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	5,981	5,731
Electronically recorded obligations - operating	11,260	10,024
Short-term loans payable	10,700	2,134
Current portion of long-term loans payable	6,116	4,454
Lease obligations	374	337
Accounts payable - other	1,281	1,268
Accrued expenses	895	917
Income taxes payable	526	552
Accrued consumption taxes	-	209
Advances received	4	422
Deposits received	60	63
Unearned revenue	25	25
Provision for bonuses	1,178	1,348
Provision for bonuses for directors (and other officers)	128	181
Provision for environmental measures	-	99
Electronically recorded obligations - non-operating	458	929
Other	2	2
Total current liabilities	38,995	28,703
Non-current liabilities		
Long-term loans payable	16,185	19,668
Lease obligations	2,471	2,179
Provision for retirement benefits	3,751	4,010
Provision for environmental measures	1	1
Provision for loss on guarantees	754	480
Asset retirement obligations	1	1
Long-term accounts payable - other	405	378
Other	26	26
Total non-current liabilities	23,598	26,746
Total liabilities	62,593	55,450
Net assets		
Shareholders' equity		
Capital stock	7,273	8,413
Capital surplus		
Legal capital surplus	7,649	8,789
Other capital surplus	297	3,449
Total capital surpluses	7,946	12,238
Retained earnings		
Legal retained earnings	743	743
Other retained earnings		
Reserve for advanced depreciation of non-current assets	1,724	2,320
General reserve	21,000	21,000
Retained earnings brought forward	3,652	5,530
Total retained earnings	27,120	29,594
Treasury shares	(1,422)	(0)
Total shareholders' equity	40,917	50,246
Valuation and translation adjustments		

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Valuation difference on available-for-sale securities	1,085	766
Total valuation and translation adjustments	1,085	766
Total net assets	42,002	51,012
Total liabilities and net assets	104,596	106,462

Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net sales	66,413	67,732
Cost of sales	53,748	54,125
Gross profit	12,665	13,606
Selling, general and administrative expenses	10,813	11,216
Operating profit	1,851	2,390
Non-operating income		
Interest and dividend income	1,124	1,315
Foreign exchange gains	10	-
Gain on sales of scraps	441	397
Other	280	232
Total non-operating income	1,856	1,945
Non-operating expenses		
Interest expenses	151	164
Foreign exchange losses	-	29
Other	80	117
Total non-operating expenses	232	311
Ordinary profit	3,475	4,024
Extraordinary income		
Subsidy income	-	1,000
Total extraordinary income	-	1,000
Extraordinary losses		
Provision for loss on guarantees	412	161
Total extraordinary losses	412	161
Profit before income taxes	3,063	4,863
Income taxes - current	700	910
Income taxes - deferred	(35)	169
Total income taxes	665	1,080
Profit	2,398	3,783

Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2018

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus		Other retained earnings		
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward
Balance at beginning of current period	7,273	7,649	297	743	1,738	21,000	2,434
Changes of items during period							
Reversal of reserve for advanced depreciation of non-current assets					(13)		13
Dividends of surplus							(1,194)
Profit							2,398
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	(13)	-	1,218
Balance at end of current period	7,273	7,649	297	743	1,724	21,000	3,652

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(1,421)	39,714	993	993	40,707
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends of surplus		(1,194)			(1,194)
Profit		2,398			2,398
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			91	91	91
Total changes of items during period	(0)	1,203	91	91	1,295
Balance at end of current period	(1,422)	40,917	1,085	1,085	42,002

For the fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus		Other retained earnings		
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward
Balance at beginning of current period	7,273	7,649	297	743	1,724	21,000	3,652
Changes of items during period							
Issuance of new shares	1,140	1,140					
Provision of reserve for advanced depreciation of non-current assets					630		(630)
Reversal of reserve for advanced depreciation of non-current assets					(34)		34
Dividends of surplus							(1,310)
Profit							3,783
Purchase of treasury shares							
Disposal of treasury shares			3,152				
Net changes of items other than shareholders' equity							
Total changes of items during period	1,140	1,140	3,152	-	595	-	1,877
Balance at end of current period	8,413	8,789	3,449	743	2,320	21,000	5,530

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(1,422)	40,917	1,085	1,085	42,002
Changes of items during period					
Issuance of new shares		2,280			2,280
Provision of reserve for advanced depreciation of non-current assets		-			-
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends of surplus		(1,310)			(1,310)
Profit		3,783			3,783
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	1,422	4,574			4,574

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Net changes of items other than shareholders' equity			(318)	(318)	(318)
Total changes of items during period	1,422	9,328	(318)	(318)	9,009
Balance at end of current period	(0)	50,246	766	766	51,012