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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

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: Hiroki Iwakura Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled filing date of quarterly securities report: November 12, 2021
 Scheduled start date of dividend payments: December 7, 2021
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes (For analysts and financial institutions)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 2021)

(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, 2021	50,315	38.4	2,677	—	2,602	—	1,188	—
September 30, 2020	36,349	(28.3)	(2,555)	—	(2,875)	—	(2,549)	—

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 2,627 million [— %]
 Six months ended September 30, 2020: ¥ (3,894) million [— %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	25.53	—
September 30, 2020	(55.12)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2021	160,281	66,444	36.3
March 31, 2021	155,176	64,538	36.3

(Reference) Net assets less non-controlling interests: As of September 30, 2021: ¥ 58,177 million
 As of March 31, 2021: ¥ 56,388 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, 2021	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2022	—	10.00			
Fiscal year ending March 31, 2022 (Forecast)			—	15.00	25.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% 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	92,000	8.6	3,500	166.0	3,200	266.1	1,700	—	36.52

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

(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: No
 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, 2021: 47,520,253 shares
 March 31, 2021: 47,520,253 shares

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

September 30, 2021: 880,063 shares
 March 31, 2021: 1,036,793 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 46,549,276 shares
 Six months ended September 30, 2020: 46,238,699 shares

(Note)The Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan and a performance-linked stock-based remuneration for Directors and Executive Officers. For the calculation of total number of treasury shares at the end of the period and average number of shares during the period, Company shares held in the trusts are included in treasury shares to be deducted.

* 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 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	22,007	23,866
Notes and accounts receivable - trade	23,069	23,509
Electronically recorded monetary claims - operating	2,393	2,703
Merchandise and finished goods	10,821	12,337
Work in process	8,380	9,332
Raw materials and supplies	6,326	7,478
Other	2,510	1,852
Allowance for doubtful accounts	(267)	(150)
Total current assets	75,242	80,930
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,198	16,959
Machinery, equipment and vehicles, net	24,497	23,937
Other, net	16,234	16,749
Total property, plant and equipment	57,931	57,647
Intangible assets		
Goodwill	5,724	5,120
Other	6,898	6,651
Total intangible assets	12,623	11,772
Investments and other assets		
Investments and other assets	9,431	9,985
Allowance for doubtful accounts	(52)	(52)
Total investments and other assets	9,379	9,932
Total non-current assets	79,934	79,351
Total assets	155,176	160,281

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,192	8,045
Electronically recorded obligations - operating	8,069	10,198
Short-term borrowings	26,575	23,775
Current portion of long-term borrowings	7,604	6,825
Income taxes payable	415	1,112
Provision for bonuses	1,269	1,468
Provision for bonuses for directors (and other officers)	—	42
Provision for product compensation	70	108
Provision for environmental measures	33	33
Electronically recorded obligations - non-operating	501	515
Other	6,719	7,231
Total current liabilities	57,452	59,358
Non-current liabilities		
Long-term borrowings	21,315	22,338
Provision for share-based remuneration	16	32
Provision for share-based remuneration for directors (and other officers)	30	27
Provision for loss on guarantees	145	127
Retirement benefit liability	7,207	7,496
Asset retirement obligations	17	17
Other	4,453	4,440
Total non-current liabilities	33,185	34,479
Total liabilities	90,637	93,837
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,609	37,333
Treasury shares	(780)	(663)
Total shareholders' equity	57,356	58,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	995	1,021
Foreign currency translation adjustment	(1,170)	(376)
Remeasurements of defined benefit plans	(793)	(665)
Total accumulated other comprehensive income	(968)	(20)
Non-controlling interests	8,150	8,266
Total net assets	64,538	66,444
Total liabilities and net assets	155,176	160,281

(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 30,2020	For the six months ended September 30,2021
Net sales	36,349	50,315
Cost of sales	30,028	36,868
Gross profit	6,321	13,447
Selling, general and administrative expenses	8,876	10,769
Operating profit (loss)	(2,555)	2,677
Non-operating income		
Interest income	36	25
Dividend income	34	35
Foreign exchange gains	—	52
Share of profit of entities accounted for using equity method	—	59
Other	243	136
Total non-operating income	314	310
Non-operating expenses		
Interest expenses	359	309
Share of loss of entities accounted for using equity method	20	—
Foreign exchange losses	162	—
Other	90	76
Total non-operating expenses	634	386
Ordinary profit (loss)	(2,875)	2,602
Extraordinary income		
Gain on sale of non-current assets	188	—
Total extraordinary income	188	—
Profit (loss) before income taxes	(2,686)	2,602
Income taxes - current	266	1,256
Income taxes - deferred	(349)	(187)
Total income taxes	(82)	1,068
Profit (loss)	(2,603)	1,533
Profit (loss) attributable to non-controlling interests	(54)	344
Profit (loss) attributable to owners of parent	(2,549)	1,188

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

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit (loss)	(2,603)	1,533
Other comprehensive income		
Valuation difference on available-for-sale securities	166	30
Foreign currency translation adjustment	(1,562)	888
Remeasurements of defined benefit plans, net of tax	163	124
Share of other comprehensive income of entities accounted for using equity method	(58)	50
Total other comprehensive income	(1,290)	1,094
Comprehensive income	(3,894)	2,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,573)	2,136
Comprehensive income attributable to non-controlling interests	(320)	490

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from operating activities		
Profit (loss) before income taxes	(2,686)	2,602
Depreciation	4,215	4,532
Amortization of goodwill	343	341
Share of loss (profit) of entities accounted for using equity method	20	(59)
Increase (decrease) in allowance for doubtful accounts	16	(131)
Increase (decrease) in provision for bonuses	(288)	193
Increase (decrease) in provision for bonuses for directors (and other officers)	(105)	42
Increase or decrease in net defined benefit asset and liability	203	152
Increase (decrease) in provision for share-based remuneration	4	15
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	6	(2)
Increase (decrease) in provision for environmental measures	(16)	—
Increase (decrease) in provision for loss on guarantees	11	(17)
Interest and dividend income	(71)	(61)
Interest expenses	359	309
Loss (gain) on sale of non-current assets	(188)	—
Decrease (increase) in trade receivables	4,871	(198)
Decrease (increase) in inventories	(569)	(3,057)
Increase (decrease) in trade payables	(4,032)	3,607
Increase (decrease) in accrued consumption taxes	(343)	145
Increase (decrease) in other liabilities	(892)	880
Other, net	684	790
Subtotal	1,544	10,083
Interest and dividends received	61	71
Dividends received from entities accounted for using equity method	—	9
Interest paid	(356)	(320)
Income taxes paid	(924)	(587)
Net cash provided by (used in) operating activities	325	9,256

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from investing activities		
Payments into time deposits	(795)	(1,547)
Proceeds from withdrawal of time deposits	1,064	730
Purchase of investment securities	(11)	(13)
Purchase of property, plant and equipment	(3,293)	(3,175)
Proceeds from sale of property, plant and equipment	1,075	23
Purchase of intangible assets	(683)	(248)
Loan advances	(221)	(21)
Proceeds from collection of loans receivable	27	36
Other, net	(58)	65
Net cash provided by (used in) investing activities	(2,896)	(4,150)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,538	(3,314)
Proceeds from long-term borrowings	5,522	4,160
Repayments of long-term borrowings	(2,704)	(4,081)
Repayments of finance lease obligations	(424)	(333)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	82	81
Dividends paid	(711)	(473)
Dividends paid to non-controlling interests	(180)	(453)
Net cash provided by (used in) financing activities	11,122	(4,415)
Effect of exchange rate change on cash and cash equivalents	(322)	381
Net increase (decrease) in cash and cash equivalents	8,228	1,070
Cash and cash equivalents at beginning of period	19,170	18,637
Cash and cash equivalents at end of period	27,398	19,708

(4) Notes to Quarterly Consolidated Financial Statement

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policy)

(Adoption of Accounting standard for revenue recognition, etc.)

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the fiscal year ending March 31, 2022, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers. The main changes resulting from the application are as follows.

(1) Consideration paid to customers

The Group previously recorded revenue from fee-based payment transactions, etc., in which raw materials, etc. are purchased from customers and processed, and then such processed products are sold to those customers, at the gross amount of consideration including the purchase price of the raw materials, etc. Effective from the beginning of the fiscal year ending March 31, 2022, the Group records revenue at the net amount of consideration excluding the purchase price of raw materials, etc.

(2) Export transactions of semi-finished goods

The Group previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to the trading company. Effective from the beginning of the fiscal year ending March 31, 2022, the Group records revenue upon arrival of the semi-finished products at customers.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, was added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy has been applied from the beginning balance of the period under review.

As a result of this change, for the second quarter of the current period ended September 30, 2021, net sales and cost of sales decreased by 119 million JPY, respectively, compared with the previous method. The balance of retained earnings at the beginning of the fiscal year increased by 10 million JPY.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification using the new presentation has been made to the consolidated financial statements of the fiscal year ended March 31, 2021.

(Adoption of Accounting Standard for Fair Value Measurement)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the fiscal year ending March 31, 2022, and will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Assumptions of Accounting Estimates for the Impact of COVID-19 spread)

There were no significant changes from the content described in " (Additional Information) (Assumptions of Accounting Estimates for the Impact of COVID-19 spread) " in the Consolidated Financial Results for the previous consolidated fiscal year.

(Segment information)

I Second quarter of previous period (from April 1, 2020 to September 30, 2020)

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	19,861	6,611	5,017	4,090	35,581	767	36,349
Internal sales or transfer between segments	181	35	10	194	421	314	736
Total	20,042	6,647	5,028	4,285	36,003	1,082	37,086
Segment profit(loss)	367	435	849	(1,165)	486	182	669

(*) "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	486
Profit from "Others" category	182
Elimination of intersegment transactions	8
Unattributable costs (*)	(3,233)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	(2,555)

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

II Second quarter of current period (from April 1, 2021 to September 30, 2021)

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	28,259	9,955	5,187	6,188	49,590	725	50,315
Internal sales or transfer between segments	353	50	25	281	710	311	1,022
Total	28,613	10,005	5,213	6,469	50,301	1,036	51,337
Segment profit(loss)	4,281	1,712	700	(642)	6,051	169	6,221

(*) "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	6,051
Profit from "Others" category	169
Elimination of intersegment transactions	0
Unattributable costs (*)	(3,544)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	2,677

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

3. Changes in Reporting Segments

As stated under the "Change in Accounting Policy", Accounting Standards for Revenue Recognition, etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each business segment has also been changed.

As a result of this change, for the second quarter of the current period ended September 30, 2021, net sales of "Automotive engine bearings" decreased by 56 million JPY, and net sales of "Other automotive parts" decreased by 63 million JPY, compared with the previous method.