

Aug 28, 2017

## R&I Affirms BBB, Stable: Daido Metal Co., Ltd.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Daido Metal Co., Ltd.  
**Issuer Rating:** BBB, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Daido Metal Co., Ltd. is an independent parts manufacturer that mainly provides plain bearings. In addition to leading domestic automakers, including Honda Motor Co., Ltd. and Nissan Motor Co., Ltd., the company has forged solid business relationships with overseas carmakers such as U.S.-based Ford Motor Co. and South Korea-based Hyundai Motor Co. For its mainstay plain bearings for automobile engines, Daido Metal commands the largest share in the domestic market. As for half shell bearings, in particular, it is the world top maker with a 30% market share. Its earnings base is thus relatively solid.

In FY2016 ended March 2017, Daido Metal conducted two M&A transactions totaling more than 20 billion yen. With metal precision processing parts and aluminum die-cast parts added to its product lineup, the company acquired new customers. From now, it intends to create synergies by, for example, proposing newly acquired products with existing ones, as well as using each other's marketing channels.

Although the size of profits and cash flow is small, sufficient earning capacity for the rating will likely be maintained by capturing demand for turbocharger bearings, which are used for an increasing number of automobiles, and high value-added products, such as resin coated bearings. Because one of the subsidiaries acquired in FY2016 may see lower-than expected earnings growth, however, it would be important to gain synergies promptly.

Net debt has ballooned as a result of the acquisitions, and equity capital is small because of the modest size of profits. Given this, as well as the fact that goodwill of more than 10 billion yen was booked, the debt-equity structure needs to be improved substantially.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings" and "Automobile Components". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

### R&I RATINGS:

**ISSUER:** Daido Metal Co., Ltd. (Sec. Code: 7245)  
**Issuer Rating**  
**RATING:** BBB, Affirmed  
**RATING OUTLOOK:** Stable

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp  
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

**Rating and Investment Information, Inc.** TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <http://www.r-i.co.jp>

Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/policy/policy.html>. © Rating and Investment Information, Inc.