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Consolidated Financial Results for the Year Ended March 31, 2020 [Japanese GAAP]

May 14, 2020

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 Annual General Meeting of Shareholders: June 26, 2020
 Scheduled start date of dividend payments: June 29, 2020
 Scheduled filing date of annual securities report: June 26, 2020
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual financial results briefing session: No

(Fractional amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 01, 2019 to March 31, 2020)

(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, 2020	100,159	(7.0)	4,168	(42.6)	3,660	(44.8)	2,740	(33.7)
March 31, 2019	107,718	1.0	7,262	9.6	6,630	(2.9)	4,135	15.2

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥ 2,065 million [(30.1)%]
 Fiscal year ended March 31, 2019: ¥ 2,955 million [(56.5)%]

	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, 2020	58.22	-	4.9	2.3	4.2
March 31, 2019	93.72	-	7.9	4.1	6.7

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2020: ¥ 146 million
 Fiscal year ended March 31, 2019: ¥ 174 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, 2020	159,539	64,168	35.1	1,212.66
March 31, 2019	161,881	65,253	35.0	1,191.85

(Reference) Net assets less non-controlling interests: As of March 31, 2020: ¥ 55,988 million
 As of March 31, 2019: ¥ 56,636 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, 2020	12,822	(7,297)	(3,553)	19,170
March 31, 2019	11,709	(5,462)	(746)	17,127

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, 2019	-	15.00	-	15.00	30.00	1,425	32.0	2.5
March 31, 2020	-	20.00	-	15.00	35.00	1,663	60.1	2.9
Fiscal year ending								
March 31, 2021 (Forecast)	-	—	-	—	—		—	

(Note) 1. Breakdown of the interim dividend for the fiscal year ending March 31, 2020:

Regular dividend	15 yen
Commemorative dividend	5 yen

2. The forecast of dividends for the fiscal year ending March 31, 2021 is not available at this moment.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 01, 2020 to March 31, 2021)

As for Consolidated Financial Results for full year, forecast is not available at this moment due to uncertain circumstances caused by the worldwide spread of the new coronavirus (COVID-19). Consolidated Financial Results Forecast for full year will be announced when more detailed information is available.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes 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:	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 16, “Notes to Consolidated Financial Statements, Changes in accounting policy”.

(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, 2020:	47,520,253 shares
March 31, 2019:	47,520,253 shares

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

March 31, 2020:	1,350,633 shares
March 31, 2019:	324 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2020:	47,067,351 shares
Fiscal Year ended March 31, 2019:	44,129,723 shares

Note: From the current period, 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.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 01, 2019 to March 31, 2020)

(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, 2020	62,860	(7.2)	1,432	(48.7)	2,653	(34.1)	3,905	16.1
March 31, 2019	67,732	2.0	2,789	50.0	4,026	15.6	3,365	55.4

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2020	82.97	—
March 31, 2019	76.25	—

(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, 2020	105,178	51,162	48.6	1,108.13
March 31, 2019	106,465	50,374	47.3	1,060.06

(Reference) Equity: As of March 31, 2020: ¥ 51,162 million

As of March 31, 2019: ¥ 50,374 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

As for Consolidated Financial Results for the fiscal year ending March 31, 2021, forecast is not available at this moment due to uncertain circumstances caused by the worldwide spread of the new coronavirus (COVID-19). Consolidated Financial Results Forecast for full year will be announced when more detailed information is available.

Consolidated Financial Statements
Consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of March 31,2020
Assets		
Current assets		
Cash and deposits	19,605	22,475
Notes and accounts receivable - trade	27,109	23,625
Electronically recorded monetary claims - operating	2,809	2,304
Merchandise and finished goods	11,452	12,278
Work in process	9,508	9,039
Raw materials and supplies	6,578	6,889
Other	2,382	2,613
Allowance for doubtful accounts	(1,303)	(445)
Total current assets	78,142	78,781
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,060	34,454
Accumulated depreciation	(19,369)	(18,632)
Buildings and structures, net	16,690	15,822
Machinery, equipment and vehicles	92,900	95,940
Accumulated depreciation	(66,783)	(71,312)
Machinery, equipment and vehicles, net	26,116	24,628
Land	10,791	10,405
Leased assets	6,284	6,695
Accumulated depreciation	(1,729)	(1,876)
Leased assets, net	4,555	4,819
Construction in progress	2,898	4,393
Other	6,801	7,022
Accumulated depreciation	(5,809)	(6,117)
Other, net	991	905
Total property, plant and equipment	62,043	60,974
Intangible assets		
Goodwill	7,147	6,193
Leased assets	60	46
Other	5,383	6,077
Total intangible assets	12,591	12,317
Investments and other assets		
Investment securities	4,832	4,064
Long-term loans receivable	273	230
Retirement benefit asset	96	365
Deferred tax assets	2,756	1,794
Other	1,195	1,067
Allowance for doubtful accounts	(50)	(56)
Total investments and other assets	9,103	7,465
Total non-current assets	83,739	80,758
Total assets	161,881	159,539

(Million yen)

	As of March 31,2019	As of March 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,437	7,481
Electronically recorded obligations - operating	8,759	8,065
Short-term loans payable	22,703	27,644
Current portion of long-term loans payable	6,428	5,762
Lease obligations	837	2,087
Income taxes payable	1,066	885
Provision for bonuses	1,976	1,685
Provision for bonuses for directors (and other officers)	181	105
Provision for product compensation	214	185
Provision for environmental measures	99	50
Electronically recorded obligations - non-operating	1,007	809
Other	6,173	7,053
Total current liabilities	57,885	61,816
Non-current liabilities		
Long-term loans payable	26,017	21,889
Lease obligations	3,429	2,303
Deferred tax liabilities	1,901	1,680
Provision for environmental measures	1	—
Provision for share-based remuneration	—	8
Provision for share-based remuneration for directors (and other officers)	—	16
Provision for loss on guarantees	—	186
Retirement benefit liability	6,795	6,967
Asset retirement obligations	17	17
Negative goodwill	1	0
Other	578	483
Total non-current liabilities	38,742	33,554
Total liabilities	96,628	95,370
Net assets		
Shareholders' equity		
Capital stock	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,655	37,693
Treasury shares	(0)	(1,016)
Total shareholder's equity	58,182	58,204
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	906	361
Foreign currency translation adjustment	(352)	(654)
Remeasurements of defined benefit plans	(2,100)	(1,922)
Total accumulated other comprehensive income	(1,545)	(2,216)
Non-controlling interests	8,617	8,180
Total net assets	65,253	64,168
Total liabilities and net assets	161,881	159,539

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Net sales	107,718	100,159
Cost of sales	79,596	74,702
Gross profit	28,121	25,456
Selling, general and administrative expenses		
Freightage expenses	2,419	2,091
Business consignment expenses	1,225	1,263
Provision of allowance for doubtful accounts	348	103
Remuneration for directors (and other officers)	506	561
Salaries and allowances	4,878	4,871
Provision for bonuses	602	454
Provision for bonuses for directors (and other officers)	181	105
Provision for product compensation	175	185
Retirement benefit expenses	463	503
Welfare expenses	1,095	1,249
Depreciation	791	860
Rent expenses	1,073	1,072
Research and development expenses	1,982	2,060
Other	5,115	5,903
Total selling, general and administrative expenses	20,858	21,287
Operating profit	7,262	4,168
Non-operating income		
Interest income	91	101
Dividend income	82	86
Foreign exchange gains	—	38
Amortization of negative goodwill	0	0
Share of profit of entities accounted for using equity method	174	146
Other	429	447
Total non-operating income	779	821
Non-operating expenses		
Interest expenses	867	869
Foreign exchange losses	225	—
Other	318	460
Total non-operating expenses	1,411	1,330
Ordinary profit	6,630	3,660
Extraordinary income		
Gain on sales of non-current assets	—	3,909
Subsidy income	1,000	—
Total extraordinary income	1,000	3,909
Extraordinary losses		
Impairment loss	—	2,051
Provision for loss on guarantees	—	186
Total extraordinary losses	—	2,237
Profit before income taxes	7,630	5,331
Income taxes - current	2,557	1,855
Income taxes - deferred	184	935
Total income taxes	2,742	2,790
Profit	4,888	2,540

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Profit (loss) attributable to non-controlling interests	752	(199)
Profit attributable to owners of parent	4,135	2,740

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Profit	4,888	2,540
Other comprehensive income		
Valuation difference on available-for-sale securities	(500)	(552)
Foreign currency translation adjustment	(1,032)	(98)
Remeasurements of defined benefit plans, net of tax	(228)	185
Share of other comprehensive income of entities accounted for using equity method	(170)	(9)
Total other comprehensive income	(1,932)	(475)
Comprehensive income	2,955	2,065
Comprehensive income attributable to		
owners of parent	2,532	2,070
non-controlling interests	423	(5)

Consolidated Statements of Changes in Net Assets
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	33,829	(1,422)	48,501
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			4,135		4,135
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	2,825	1,422	9,680
Balance at end of current period	8,413	13,114	36,655	(0)	58,182

	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	598	(1,857)	57	8,588	57,147
Changes of items during period						
Issuance of new shares						2,280
Dividends of surplus						(1,310)
Profit attributable to owners of parent						4,135
Purchase of treasury shares						(0)
Disposal of treasury shares						4,574
Net changes of items other than shareholders' equity	(409)	(950)	(243)	(1,603)	28	(1,574)
Total changes of items during period	(409)	(950)	(243)	(1,603)	28	8,106
Balance at end of current period	906	(352)	(2,100)	(1,545)	8,617	65,253

For the fiscal year ended March 31,2020

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,413	13,114	36,655	(0)	58,182
Cumulative effects of changes in accounting policies			(39)		(39)
Restated balance	8,413	13,114	36,616	(0)	58,143
Changes of items during period					
Dividends of surplus			(1,663)		(1,663)
Profit attributable to owners of parent			2,740		2,740
Purchase of treasury shares				(1,122)	(1,122)
Disposal of treasury shares				105	105
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,077	(1,016)	60
Balance at end of current period	8,413	13,114	37,693	(1,016)	58,204

	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	906	(352)	(2,100)	(1,545)	8,617	65,253
Cumulative effects of changes in accounting policies						(39)
Restated balance	906	(352)	(2,100)	(1,545)	8,617	65,214
Changes of items during period						
Dividends of surplus						(1,663)
Profit attributable to owners of parent						2,740
Purchase of treasury shares						(1,122)
Disposal of treasury shares						105
Net changes of items other than shareholders' equity	(545)	(302)	178	(670)	(436)	(1,106)
Total changes of items during period	(545)	(302)	178	(670)	(436)	(1,045)
Balance at end of current period	361	(654)	(1,922)	(2,216)	8,180	64,168

Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Cash flows from operating activities		
Profit before income taxes	7,630	5,331
Depreciation	8,528	9,517
Impairment loss	—	2,051
Amortization of goodwill	698	757
Amortization of negative goodwill	(0)	(0)
Share of loss (profit) of entities accounted for using equity method	(174)	(146)
Increase (decrease) in allowance for doubtful accounts	345	(878)
Increase (decrease) in provision for bonuses	163	(288)
Increase (decrease) in provision for bonuses for directors (and other officers)	34	(75)
Increase or decrease in net defined benefit asset and liability	142	166
Increase (decrease) in provision for share-based remuneration	—	8
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	—	16
Increase (decrease) in provision for environmental measures	79	(49)
Increase (decrease) in provision for loss on guarantees	—	186
Interest and dividend income	(174)	(188)
Subsidy income	(1,050)	—
Interest expenses	867	869
Loss (gain) on sales of non-current assets	—	(3,909)
Decrease (increase) in notes and accounts receivable - trade	(405)	3,870
Decrease (increase) in inventories	(2,410)	(689)
Increase (decrease) in notes and accounts payable - trade	(152)	(1,587)
Increase (decrease) in accrued consumption taxes	119	139
Increase (decrease) in other liabilities	(433)	227
Other, net	289	15
Subtotal	14,096	15,343
Interest and dividend income received	171	186
Proceeds from dividend income from entities accounted for using equity method	82	96
Proceeds from subsidy income	1,050	—
Interest expenses paid	(866)	(873)
Income taxes paid	(2,825)	(1,930)
Net cash provided by (used in) operating activities	11,709	12,822

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Cash flows from investing activities		
Payments into time deposits	(2,484)	(3,335)
Proceeds from withdrawal of time deposits	1,842	2,711
Purchase of investment securities	(885)	(25)
Proceeds from sales of investment securities	0	—
Purchase of property, plant and equipment	(5,540)	(9,376)
Proceeds from sales of property, plant and equipment	442	4,434
Purchase of intangible assets	(775)	(1,778)
Payments of loans receivable	(36)	(150)
Collection of loans receivable	124	111
Fair value adjustment of contingent consideration	1,850	—
Other, net	(1)	112
Net cash provided by (used in) investing activities	(5,462)	(7,297)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,441)	5,314
Proceeds from long-term loans payable	14,200	2,009
Repayments of long-term loans payable	(14,465)	(6,760)
Proceeds from sale and leaseback transactions	—	361
Repayments of finance lease obligations	(1,089)	(1,372)
Proceeds from issuance of common shares	2,259	—
Purchase of treasury shares	(0)	(1,122)
Proceeds from disposal of treasury shares	4,574	105
Cash dividends paid	(1,307)	(1,659)
Dividends paid to non-controlling interests	(476)	(430)
Net cash provided by (used in) financing activities	(746)	(3,553)
Effect of exchange rate change on cash and cash equivalents	(239)	72
Net increase (decrease) in cash and cash equivalents	5,260	2,042
Cash and cash equivalents at beginning of period	11,866	17,127
Cash and cash equivalents at end of period	17,127	19,170

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

Company name

DAIDO LOGITECH CO., LTD.	DAIDO METAL SALES CO., LTD.
Daido Plain Bearings Co., Ltd.	NDC Co., Ltd.
NDC Sales Co., Ltd.	Daido Industrial Bearings Japan Co., Ltd.
Asia Kelmet Co., Ltd.	DAIDO METAL SAGA CO., LTD.
Iino Holding Ltd.	Iino Manufacturing Co., Ltd.
ATA Casting Technology Japan Co., Ltd.	Daido Precision Metal (Suzhou) Co., Ltd.
IINO (Foshan) Technology Co., Ltd.	Chung Yuan Daido Co., Ltd.
Dong Sung Metal Co., Ltd.	Dyna Metal Co., Ltd.
ATA Casting Technology Co., Ltd.	DM Casting Technology (Thailand) Co., Ltd.
PT. IINO INDONESIA	PT. Daido Metal Indonesia
SUPER CUB FINANCIAL CORPORATION	PHILIPPINE IINO CORPORATION
ISS America, Inc.	Daido Metal U.S.A. Inc.
Daido Metal Mexico Sales, S.A. de C.V.	Daido Metal Mexico, S.A. de C.V.
ISS MEXICO MANUFACTURING S.A. de C.V.	DAIDO METAL KOTOR AD
Daido Industrial Bearings Europe Limited	DAIDO METAL EUROPE LIMITED
Daido Metal Russia LLC	Daido Metal Europe GmbH
DAIDO METAL CZECH s.r.o.	

(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.

6) Provision for loss on guarantees

In order to prepare for the loss on guarantee balance remains at the end of an Employee Shareholding Incentive Plan (E-Ship®) period, an estimated amount of loss is provided.

7) Provision for share-based remuneration, Provision for share-based remuneration for directors (and other officers)

In order to prepare for the payment of share-based remuneration for directors (and other officers), an estimated share-based remuneration amounts based on the estimated points to be granted to eligible directors (and other officers) under the Share Grant Rule of the Company 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 a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof.

For actuarial differences, an amount prorated by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) 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.

(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 ended 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 previous period.

As a result, Cost of sales for the previous period decreased by 663 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 ended 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). In accordance with the transitional measures under IFRS 16, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2020.

Accordingly, compared with the case where the previous accounting standards would be applied, retained earnings decreased by 39 million yen at the beginning of the fiscal year ended March 31, 2020.

There is no material impact on the consolidated financial statements for the current period.

(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)

(Granting Company Stock to Employees, etc. through a Trust)

In order to incentivise employees to achieve the Medium Term plan goals and raise corporate value in medium to long-term, and to enrich the employee welfare program, the Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan (hereinafter “the Incentive Plan”).

(i) The Incentive Plan Overview

The Incentive Plan is available to Daido Metal group employees who participate in the Daido Metal Employee Stock Purchase Plan (hereinafter, ESPP). Under the Incentive Plan, the Company will set up a trust - Daido Metal ESPP Trust (hereinafter, “ESPP Trust”) - with a trust bank. The ESPP Trust will purchase Company shares up front for the amount ESPP will likely to purchase over a certain period, financing its transaction with bank loans. Afterwards, the ESPP Trust will sell Company shares to the ESPP for its periodical purchases. At the end of the trust period, if the ESPP Trust asset balance resulted positive with the accumulated gains on Company shares, such residual assets will be distributed to members of the ESPP who meet beneficiary eligibility criteria. As the Company will guarantee ESPP Trust for its bank borrowing in financing its purchase of Company shares, any shortfalls in repayment at the end of Trust period, due to the accumulated loss at ESPP Trust caused by the drop in Company share price.

(ii) Residual Company shares held in the ESPP Trust

Any residual shares of the Company held in the ESPP Trust will be recorded at the ESPP Trust’s book value (excluding incidental expenses) as treasury stock under net assets. As of the end of the fiscal year ended March 31, 2020, book value of the treasury stock was JPY 689 million and number of shares was 917,000 shares.

(iii) Book value of debt posted through the application of the total amount method

As of the end of the fiscal year ended March 31, 2020: JPY 703 million

(Introduction of Performance-linked Stock-based Remuneration Scheme for Directors and Executive Officers)

The Company introduced new performance-linked stock-based remuneration (“the Scheme”) for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the

Company and to enhance the corporate value over medium to long term.

(i) The Scheme Overview

A Board Benefit Trust (“the BBT”) is created with the contribution from the Company. The BBT purchases Company shares, and the Company gives eligible Directors and Executive Officers the shares based on accumulated number of points conferred in accordance with their individual rank and their achievement in meeting goals etc., as set forth in Share Grant Rule. Beneficiaries of the BBT shall be those who serve as Directors and Executive Officers during the period. The Company shares are granted to each Director and Executive Officer when they retire from their position.

(ii) Residual Company shares held in the BBT

Any residual shares of the Company held in the BBT will be recorded at the BBT’s book value (excluding incidental expenses) as treasury stock under net assets. As of the end of the fiscal year ended March 31, 2020, book value of the treasury stock was JPY 327 million and number of shares was 432,000 shares.

(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, 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	8,437	3,324	1,361	217	13,341	701	14,043

(*) “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, 2019 to March 31, 2020)

(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	60,508	13,817	10,645	13,444	98,415	1,743	100,159
Internal sales or transfer between segments	474	1,697	37	313	2,523	697	3,221
Total	60,982	15,515	10,683	13,758	100,939	2,441	103,381
Segment profit (loss)	7,285	2,550	1,632	(812)	10,655	528	11,184

(*) “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	107,960	100,939
Net sales from "Others" category	2,753	2,441
Elimination of intersegment transactions	(2,995)	(3,221)
Net sales as per Consolidated Financial Statements	107,718	100,159

Profit	The previous fiscal year	The current fiscal year
Reporting segments total	13,341	10,655
Profit from "Others" category	701	528
Elimination of intersegment transactions	82	16
Unattributable costs (*)	(6,862)	(7,032)
Operating profit as per Consolidated Financial Statements	7,262	4,168

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

(Per share information)

	The previous fiscal year (from April 1, 2018 to March 31, 2019)	The current fiscal year (from April 1, 2019 to March 31, 2020)
Net assets per share	1,191.85	1,212.66
Earnings per share	93.72	58.22

(Notes)

1. Diluted earnings per share is not available because no latent shares existed.
2. The shares of the company held by the trust recorded as treasury shares under shareholders' equity are included in the treasury shares to be deducted in calculating the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. (452 thousand shares at the end of the fiscal year ended March 31, 2020.)

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

	The previous fiscal year (March 31, 2019)	The current fiscal year (March 31, 2020)
Net assets (JPY million)	65,253	64,168
Deductions from net assets (JPY million)	8,617	8,180
(Non-controlling interests) (JPY million)	(8,617)	(8,180)
Net assets available to common stock (JPY million)	56,636	55,988
Number of common stock at the end of fiscal year for calculation of Net assets per share (thousand shares)	47,519	46,169

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

	The previous fiscal year (from April 1, 2018 to March 31, 2019)	The current fiscal year (from April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (JPY million)	4,135	2,740
Not attributable to common stockholders (JPY million)	—	—
Profit attributable to owners of parent available to common stock (JPY million)	4,135	2,740
Average number of common stock (thousand shares)	44,129	47,067

(Material subsequent events)

None

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of March 31,2020
Assets		
Current assets		
Cash and deposits	6,125	5,017
Notes receivable - trade	408	329
Accounts receivable - trade	18,516	16,757
Electronically recorded monetary claims - operating	2,792	2,216
Merchandise and finished goods	1,884	2,093
Work in process	3,749	3,333
Raw materials and supplies	1,969	1,902
Prepaid expenses	249	139
Short-term loans receivable from subsidiaries and associates	1,400	1,519
Accounts receivable - other	1,741	2,195
Other	221	85
Allowance for doubtful accounts	(0)	(0)
Total current assets	39,058	35,591
Non-current assets		
Property, plant and equipment		
Buildings	6,079	8,231
Structures	521	592
Machinery and equipment	5,409	4,929
Vehicles	11	8
Tools, furniture and fixtures	226	204
Land	3,671	4,595
Leased assets	2,696	2,436
Construction in progress	412	474
Total property, plant and equipment	19,030	21,473
Intangible assets		
Software	758	692
Leased assets	14	9
Right of using facilities	14	13
Other	700	1,766
Total intangible assets	1,487	2,482
Investments and other assets		
Investment securities	1,816	1,169
Shares of subsidiaries and associates	31,654	31,654
Investments in capital of subsidiaries and associates	8,722	8,937
Long-term loans receivable from employees	18	21
Long-term loans receivable from subsidiaries and associates	1,284	2,266
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	2
Long-term prepaid expenses	34	18
Deferred tax assets	579	—
Prepaid pension cost	2,348	2,509
Other	873	727
Allowance for doubtful accounts	(448)	(1,676)
Total investments and other assets	46,887	45,630
Total non-current assets	67,406	69,587

(Million yen)

	As of March 31,2019	As of March 31,2020
Total assets	106,465	105,178

(Million yen)

	As of March 31,2019	As of March 31,2020
Liabilities		
Current liabilities		
Accounts payable - trade	5,731	5,325
Electronically recorded obligations - operating	10,024	9,388
Short-term loans payable	2,134	6,046
Current portion of long-term loans payable	4,454	3,531
Lease obligations	337	329
Accounts payable - other	1,268	1,828
Accrued expenses	917	890
Income taxes payable	552	430
Accrued consumption taxes	209	—
Advances received	422	0
Deposits received	63	77
Unearned revenue	25	39
Provision for bonuses	1,348	1,043
Provision for bonuses for directors (and other officers)	181	105
Provision for environmental measures	99	50
Electronically recorded obligations - non-operating	929	672
Other	2	1
Total current liabilities	28,703	29,762
Non-current liabilities		
Long-term loans payable	19,668	17,090
Lease obligations	2,179	1,853
Deferred tax liabilities	—	285
Provision for retirement benefits	4,010	4,114
Provision for environmental measures	1	—
Provision for share-based remuneration	—	8
Provision for share-based remuneration for directors (and other officers)	—	16
Provision for loss on guarantees	1,121	529
Asset retirement obligations	1	1
Long-term accounts payable - other	378	352
Other	26	1
Total non-current liabilities	27,387	24,253
Total liabilities	56,090	54,016
Net assets		
Shareholders' equity		
Capital stock	8,413	8,413
Capital surplus		
Legal capital surplus	8,789	8,789
Other capital surplus	3,449	3,449
Total capital surpluses	12,238	12,238
Retained earnings		
Legal retained earnings	743	743
Other retained earnings		
Reserve for advanced depreciation of non-current assets	2,320	4,451
General reserve	21,000	21,000
Retained earnings brought forward	4,892	5,003
Total retained earnings	28,955	31,198

(Million yen)

	As of March 31,2019	As of March 31,2020
Treasury shares	(0)	(1,016)
Total shareholders' equity	49,607	50,833
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	766	328
Total valuation and translation adjustments	766	328
Total net assets	50,374	51,162
Total liabilities and net assets	106,465	105,178

Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Net sales	67,732	62,860
Cost of sales	53,726	50,478
Gross profit	14,006	12,381
Selling, general and administrative expenses	11,216	10,949
Operating profit	2,789	1,432
Non-operating income		
Interest and dividend income	1,315	1,264
Other	232	297
Total non-operating income	1,548	1,562
Non-operating expenses		
Interest expenses	164	141
Foreign exchange losses	29	71
Other	117	128
Total non-operating expenses	311	341
Ordinary profit	4,026	2,653
Extraordinary income		
Gain on sales of non-current assets	—	3,909
Subsidy income	1,000	—
Total extraordinary income	1,000	3,909
Extraordinary losses		
Loss on valuation investments in capital of subsidiaries and affiliates	—	397
Provision for loss on guarantees	581	631
Total extraordinary losses	581	1,028
Profit before income taxes	4,445	5,534
Income taxes - current	910	577
Income taxes - deferred	169	1,050
Total income taxes	1,080	1,628
Profit	3,365	3,905

Non-consolidated Statements of Changes in Net Assets
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	3,432
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							3,365
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	—	1,459
Balance at end of current period	8,413	8,789	3,449	743	2,320	21,000	4,892

	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)	40,697	1,085	1,085	41,783
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		3,365			3,365
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	1,422	4,574			4,574
Net changes of items other than			(318)	(318)	(318)

	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	
shareholders' equity					
Total changes of items during period	1,422	8,910	(318)	(318)	8,591
Balance at end of current period	(0)	49,607	766	766	50,374

For the fiscal year ended March 31,2020

(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	8,413	8,789	3,449	743	2,320	21,000	4,892
Changes of items during period							
Provision of reserve for advanced depreciation of non-current assets					2,170		(2,170)
Reversal of reserve for advanced depreciation of non-current assets					(39)		39
Dividends of surplus							(1,663)
Profit							3,905
Purchase of treasury shares							
Disposal of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	2,131	—	111
Balance at end of current period	8,413	8,789	3,449	743	4,451	21,000	5,003

	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	(0)	49,607	766	766	50,374
Changes of items during period					
Provision of reserve for advanced depreciation of non-current assets		—			
Reversal of reserve for advanced depreciation of non-current assets		—			
Dividends of surplus		(1,663)			(1,663)
Profit		3,905			3,905
Purchase of treasury shares	(1,122)	(1,122)			(1,122)
Disposal of treasury shares	105	105			105
Net changes of items other than shareholders' equity			(438)	(438)	(438)
Total changes of items during period	(1,016)	1,225	(438)	(438)	787
Balance at end of current period	(1,016)	50,833	328	328	51,162