

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

August 07, 2020

Company name: Daido Metal Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 7245
 URL: <https://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 filing date of quarterly securities report: August 07, 2020
 Scheduled start date of dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 01, 2020 to June 30, 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	%
Three months ended June 30, 2020	18,870	(25.9)	(1,054)	—	(1,403)	—	(1,151)	—
June 30, 2019	25,482	(4.5)	1,144	(34.6)	1,075	(28.3)	498	(33.7)

(Note) Comprehensive income: Three months ended June 30, 2020: ¥ (2,664) million [— %]
 Three months ended June 30, 2019: ¥ 931 million [— %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	(24.93)	—
June 30, 2019	10.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2020	160,302	60,627	33.1
March 31, 2020	159,539	64,168	35.1

(Reference) Net assets less non controlling interests: As of June 30, 2020: ¥ 53,074 million
 As of March 31, 2020: ¥ 55,988 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen 20.00	Yen —	Yen 15.00	Yen 35.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	—	—

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

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

Regular dividend	15 yen
Commemorative dividend	5 yen

(Note) 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 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.

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2020

(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: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

June 30, 2020: 47,520,253 shares

March 31, 2020: 47,520,253 shares

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

June 30, 2020: 1,303,233 shares

March 31, 2020: 1,350,633 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 46,188,532 shares

Three months ended June 30, 2019: 47,519,929 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

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.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of June 30,2020
Assets		
Current assets		
Cash and deposits	22,475	30,618
Notes and accounts receivable - trade	23,625	19,228
Electronically recorded monetary claims - operating	2,304	1,940
Merchandise and finished goods	12,278	12,321
Work in process	9,039	9,321
Raw materials and supplies	6,889	6,460
Other	2,613	2,816
Allowance for doubtful accounts	(445)	(464)
Total current assets	78,781	82,241
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,822	15,231
Machinery, equipment and vehicles, net	24,628	23,104
Other, net	20,523	19,606
Total property, plant and equipment	60,974	57,942
Intangible assets		
Goodwill	6,193	6,197
Other	6,124	6,027
Total intangible assets	12,317	12,225
Investments and other assets		
Investments and other assets, gross	7,522	7,949
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	7,465	7,893
Total non-current assets	80,758	78,060
Total assets	159,539	160,302

(Million yen)

	As of March 31,2020	As of June 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,481	6,257
Electronically recorded obligations - operating	8,065	6,994
Short-term borrowings	27,644	36,663
Current portion of long-term borrowings	5,762	5,701
Income taxes payable	885	259
Provision for bonuses	1,685	683
Provision for bonuses for directors (and other officers)	105	—
Provision for product compensation	185	186
Provision for environmental measures	50	35
Electronically recorded obligations - non-operating	809	796
Other	9,140	9,341
Total current liabilities	61,816	66,918
Non-current liabilities		
Long-term borrowings	21,889	21,362
Provision for share-based remuneration	8	10
Provision for share-based remuneration for directors (and other officers)	16	20
Provision for loss on guarantees	186	167
Retirement benefit liability	6,967	7,018
Asset retirement obligations	17	17
Other	4,468	4,159
Total non-current liabilities	33,554	32,756
Total liabilities	95,370	99,674
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,693	35,828
Treasury shares	(1,016)	(981)
Total shareholders' equity	58,204	56,375
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	361	571
Foreign currency translation adjustment	(654)	(2,038)
Remeasurements of defined benefit plans	(1,922)	(1,834)
Total accumulated other comprehensive income	(2,216)	(3,300)
Non-controlling interests	8,180	7,553
Total net assets	64,168	60,627
Total liabilities and net assets	159,539	160,302

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

(Million yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Net sales	25,482	18,870
Cost of sales	19,007	15,290
Gross profit	6,474	3,580
Selling, general and administrative expenses	5,330	4,634
Operating profit (loss)	1,144	(1,054)
Non-operating income		
Interest income	17	16
Dividend income	37	28
Foreign exchange gains	43	—
Share of profit of entities accounted for using equity method	20	—
Other	98	65
Total non-operating income	217	110
Non-operating expenses		
Interest expenses	241	197
Share of loss of entities accounted for using equity method	-	6
Foreign exchange losses	-	222
Other	44	32
Total non-operating expenses	286	459
Ordinary profit (loss)	1,075	(1,403)
Gain on sales of non-current assets	-	186
Total extraordinary income	-	186
Profit (loss) before income taxes	1,075	(1,216)
Income taxes - current	553	239
Income taxes - deferred	(81)	(345)
Total income taxes	471	(105)
Profit (loss)	604	(1,110)
Profit attributable to non-controlling interests	105	41
Profit (loss) attributable to owners of parent	498	(1,151)

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

(Million yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Profit (loss)	604	(1,110)
Other comprehensive income		
Valuation difference on available-for-sale securities	(75)	211
Foreign currency translation adjustment	267	(1,765)
Remeasurements of defined benefit plans, net of tax	86	93
Share of other comprehensive income of entities accounted for using equity method	49	(92)
Total other comprehensive income	327	(1,553)
Comprehensive income	931	(2,664)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	707	(2,236)
Comprehensive income attributable to non-controlling interests	224	(427)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	1,075	(1,216)
Depreciation	2,207	2,088
Amortization of goodwill	211	176
Share of loss (profit) of entities accounted for using equity method	(20)	6
Increase (decrease) in allowance for doubtful accounts	94	42
Increase (decrease) in provision for bonuses	(1,076)	(1,000)
Increase (decrease) in provision for bonuses for directors (and other officers)	(110)	(105)
Increase or decrease in net defined benefit asset and liability	(73)	102
Increase (decrease) in provision for share-based remuneration	-	2
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	-	3
Increase (decrease) in provision for environmental measures	-	(14)
Increase (decrease) in provision for loss on guarantees	-	(19)
Interest and dividend income	(55)	(45)
Interest expenses	241	197
Loss (gain) on sales of non-current assets	-	(186)
Decrease (increase) in trade receivables	1,109	4,123
Decrease (increase) in inventories	(640)	(694)
Increase (decrease) in trade payables	(911)	(1,738)
Increase (decrease) in accrued consumption taxes	(144)	(297)
Increase (decrease) in other liabilities	2,489	1,313
Other, net	(929)	494
Subtotal	3,464	3,231
Interest and dividends received	55	44
Interest paid	(236)	(189)
Income taxes paid	(945)	(941)
Net cash provided by (used in) operating activities	2,337	2,144

(Million yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Cash flows from investing activities		
Payments into time deposits	(726)	(410)
Proceeds from withdrawal of time deposits	711	409
Purchase of investment securities	(5)	(5)
Purchase of property, plant and equipment	(1,954)	(2,186)
Proceeds from sales of property, plant and equipment	47	904
Purchase of intangible assets	(370)	(69)
Loan advances	(6)	(129)
Collection of loans receivable	4	9
Other, net	3	(72)
Net cash provided by (used in) investing activities	(2,296)	(1,551)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	402	9,722
Proceeds from long-term borrowings	196	303
Repayments of long-term borrowings	(870)	(843)
Proceeds from sale and leaseback transactions	380	—
Repayments of finance lease obligations	(276)	(215)
Proceeds from disposal of treasury shares	-	35
Dividends paid	(675)	(668)
Dividends paid to non-controlling interests	(173)	(167)
Net cash provided by (used in) financing activities	(1,018)	8,166
Effect of exchange rate change on cash and cash equivalents	89	(354)
Net increase (decrease) in cash and cash equivalents	(887)	8,405
Cash and cash equivalents at beginning of period	17,127	19,170
Cash and cash equivalents at end of period	16,239	27,575

(4)Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Additional information)

(Assumptions of Accounting Estimates for the Spread of Novel Coronavirus Infection)

To deal with a decline in the number of units produced by automotive manufacturers, etc. due to the spread of the infections, the Group has adjusted production volumes by tentatively suspending factory operations across the world.

Based on the information of the production forecast and the timing of the resumption of production by automotive manufacturers in each country and various economic forecasts, the production volume declined significantly in the first quarter of the current fiscal year, but will start to recover in the second quarter, and that production will recover gradually over the next fiscal year.

According to the assumptions set forth above, the Group has applied impairment accounting to noncurrent assets and estimated the recoverability of its deferred tax assets.

(Segment information)

I First quarter of previous period (from April 1, 2019 to June 30, 2019)

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	14,264	4,525	2,487	3,735	25,013	468	25,482
Internal sales or transfer between segments	149	30	1	54	235	157	392
Total	14,414	4,555	2,488	3,790	25,249	626	25,875
Segment profit(loss)	1,647	726	388	(12)	2,750	135	2,885

(*) "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	2,750
Profit from "Others" category	135
Elimination of intersegment transactions	1
Unattributable costs (*)	(1,743)
Operating profit as per Quarterly Consolidated Statements of Income	1,144

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

II First quarter of current period (from April 1, 2020 to June 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	10,360	3,412	2,579	2,156	18,509	361	18,870
Internal sales or transfer between segments	136	21	8	108	275	168	443
Total	10,497	3,434	2,587	2,265	18,785	529	19,314
Segment profit(loss)	373	265	388	(659)	368	103	471

(*) "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	368
Profit from "Others" category	103
Elimination of intersegment transactions	4
Unattributable costs (*)	(1,530)
Operating profit(loss) as per Quarterly Consolidated Statements of Income	(1,054)

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

3. Changes in Reporting Segments

Effective from the beginning of the fiscal year ending March 31, 2021, in accordance with a review of the Group's business management classification, the Group has reclassified a portion of its "Automotive engine bearings" to the "Automotive non-engine bearings" or "Non-automotive bearings".

The segment information for the first quarter of the previous period ended June 30, 2019 has been prepared in accordance with the changed classification.