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Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

November 12, 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
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 Phone: +81-52-205-1400
 Scheduled filing date of quarterly securities report: November 12, 2020
 Scheduled start date of dividend payments: December 7, 2020
 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)

I. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 01, 2020 to September 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	%
Six months ended September 30, 2020	36,349	(28.3)	(2,555)	-	(2,875)	-	(2,549)	-
September 30, 2019	50,701	(5.8)	2,335	(37.2)	2,180	(35.3)	926	(47.3)

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ (3,894) million [- %]
 Six months ended September 30, 2019: ¥ 1,235 million [13.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	(55.12)	-
September 30, 2019	19.49	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2020	159,156	59,479	32.6
March 31, 2020	159,539	64,168	35.1

(Reference) Net assets less non controlling interests: As of September 30, 2020: ¥ 51,819 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	-	20.00	-	15.00	35.00
Fiscal year ending March 31, 2021	-	10.00			
Fiscal year ending March 31, 2021 (Forecast)			-	-	-

(Note) Revision of the forecast for dividends announced most recently: Yes

(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 the year-end 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).

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 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):

September 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:

September 30, 2020: 1,194,536 shares

March 31, 2020: 1,350,633 shares

3) Average number of shares during the period:

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

Six months ended September 30, 2019: 47,519,874 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.

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	22,475	30,293
Notes and accounts receivable - trade	23,625	18,779
Electronically recorded monetary claims - operating	2,304	1,705
Merchandise and finished goods	12,278	11,763
Work in process	9,039	9,455
Raw materials and supplies	6,889	6,942
Other	2,613	2,636
Allowance for doubtful accounts	(445)	(438)
Total current assets	78,781	81,137
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,822	15,928
Machinery, equipment and vehicles, net	24,628	23,356
Other, net	20,523	18,385
Total property, plant and equipment	60,974	57,670
Intangible assets		
Goodwill	6,193	5,849
Other	6,124	6,418
Total intangible assets	12,317	12,267
Investments and other assets		
Investments and other assets, gross	7,522	8,137
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	7,465	8,081
Total non-current assets	80,758	78,019
Total assets	159,539	159,156

(Million yen)

	As of March 31,2020	As of September 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,481	5,711
Electronically recorded obligations - operating	8,065	5,331
Short-term borrowings	27,644	36,579
Current portion of long-term borrowings	5,762	6,858
Income taxes payable	885	246
Provision for bonuses	1,685	1,395
Provision for bonuses for directors (and other officers)	105	-
Provision for product compensation	185	174
Provision for environmental measures	50	33
Electronically recorded obligations - non-operating	809	759
Other	9,140	7,446
Total current liabilities	61,816	64,538
Non-current liabilities		
Long-term borrowings	21,889	23,516
Provision for share-based remuneration	8	12
Provision for share-based remuneration for directors (and other officers)	16	23
Provision for loss on guarantees	186	197
Retirement benefit liability	6,967	7,175
Asset retirement obligations	17	17
Other	4,468	4,195
Total non-current liabilities	33,554	35,139
Total liabilities	95,370	99,677
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,693	34,431
Treasury shares	(1,016)	(899)
Total shareholders' equity	58,204	55,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	361	526
Foreign currency translation adjustment	(654)	(2,007)
Remeasurements of defined benefit plans	(1,922)	(1,759)
Total accumulated other comprehensive income	(2,216)	(3,240)
Non-controlling interests	8,180	7,659
Total net assets	64,168	59,479
Total liabilities and net assets	159,539	159,156

(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 30,2019	For the six months ended September 30,2020
Net sales	50,701	36,349
Cost of sales	37,675	30,028
Gross profit	13,026	6,321
Selling, general and administrative expenses	10,691	8,876
Operating profit (loss)	2,335	(2,555)
Non-operating income		
Interest income	39	36
Dividend income	46	34
Share of profit of entities accounted for using equity method	50	-
Subsidy income	-	150
Other	260	93
Total non-operating income	397	314
Non-operating expenses		
Interest expenses	430	359
Share of loss of entities accounted for using equity method	-	20
Foreign exchange losses	10	162
Other	111	90
Total non-operating expenses	552	634
Ordinary profit (loss)	2,180	(2,875)
Extraordinary income		
Gain on sales of non-current assets	-	188
Total extraordinary income	-	188
Profit (loss) before income taxes	2,180	(2,686)
Income taxes - current	773	266
Income taxes - deferred	218	(349)
Total income taxes	991	(82)
Profit (loss)	1,188	(2,603)
Profit (loss) attributable to non-controlling interests	262	(54)
Profit (loss) attributable to owners of parent	926	(2,549)

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

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Profit (loss)	1,188	(2,603)
Other comprehensive income		
Valuation difference on available-for-sale securities	(124)	166
Foreign currency translation adjustment	4	(1,562)
Remeasurements of defined benefit plans, net of tax	172	163
Share of other comprehensive income of entities accounted for using equity method	(5)	(58)
Total other comprehensive income	46	(1,290)
Comprehensive income	1,235	(3,894)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	947	(3,573)
Comprehensive income attributable to non-controlling interests	288	(320)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from operating activities		
Profit (loss) before income taxes	2,180	(2,686)
Depreciation	4,631	4,215
Amortization of goodwill	423	343
Share of loss (profit) of entities accounted for using equity method	(50)	20
Increase (decrease) in allowance for doubtful accounts	225	16
Increase (decrease) in provision for bonuses	(181)	(288)
Increase (decrease) in provision for bonuses for directors (and other officers)	(155)	(105)
Increase or decrease in net defined benefit asset and liability	38	203
Increase (decrease) in provision for share-based remuneration	-	4
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	-	6
Increase (decrease) in provision for environmental measures	3	(16)
Increase (decrease) in provision for loss on guarantees	-	11
Interest and dividend income	(86)	(71)
Interest expenses	430	359
Loss (gain) on sales of non-current assets	-	(188)
Decrease (increase) in trade receivables	2,136	4,871
Decrease (increase) in inventories	(458)	(569)
Increase (decrease) in trade payables	(1,292)	(4,032)
Increase (decrease) in accrued consumption taxes	(221)	(343)
Increase (decrease) in other liabilities	718	(892)
Other, net	(457)	684
Subtotal	7,886	1,544
Interest and dividends received	84	61
Dividends received from entities accounted for using equity method	26	-
Interest paid	(432)	(356)
Income taxes paid	(1,208)	(924)
Net cash provided by (used in) operating activities	6,355	325

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from investing activities		
Payments into time deposits	(1,063)	(795)
Proceeds from withdrawal of time deposits	755	1,064
Purchase of investment securities	(13)	(11)
Purchase of property, plant and equipment	(4,088)	(3,293)
Proceeds from sales of property, plant and equipment	47	1,075
Purchase of intangible assets	(977)	(683)
Loan advances	(18)	(221)
Collection of loans receivable	3	27
Other, net	4	(58)
Net cash provided by (used in) investing activities	(5,349)	(2,896)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,533	9,538
Proceeds from long-term borrowings	686	5,522
Repayments of long-term borrowings	(4,835)	(2,704)
Proceeds from sale and leaseback transactions	362	-
Repayments of finance lease obligations	(549)	(424)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	-	82
Dividends paid	(711)	(711)
Dividends paid to non-controlling interests	(195)	(180)
Net cash provided by (used in) financing activities	(2,709)	11,122
Effect of exchange rate change on cash and cash equivalents	(41)	(322)
Net increase (decrease) in cash and cash equivalents	(1,745)	8,228
Cash and cash equivalents at beginning of period	17,127	19,170
Cash and cash equivalents at end of period	15,382	27,398

(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.

On the other hand, the production volumes of the Group has started to recover in the second quarter. To recover to the level before the spread of the infection, it is expected to take about two years based on the information of the production forecast and the timing of the resumption of production provided by automotive manufacturers and various economic forecasts in each country.

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 Second quarter of previous period (from April 1, 2019 to September 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 bearing	Other automotive parts	Sub total		
Net sales							
External sales	28,774	8,571	5,270	7,171	49,789	912	50,701
Internal sales or transfer between segments	299	68	7	110	486	330	817
Total	29,074	8,640	5,278	7,281	50,275	1,243	51,518
Segment profit(loss)	3,569	1,412	821	(275)	5,527	277	5,804

(*) "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	5,527
Profit from "Others" category	277
Elimination of intersegment transactions	7
Unattributable costs (*)	(3,476)
Operating profit as per Quarterly Consolidated Statements of Income	2,335

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

II Second quarter of current 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 bearing	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.

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 second quarter of the previous period ended September 30, 2019 has been prepared in accordance with the changed classification.