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Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

February 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
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 Phone: +81-52-205-1400
 Scheduled date of filing quarterly securities report: February 12, 2021
 Scheduled date of commencing 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)

I. Consolidated Financial Results for the Nine Months Ended December 31, 2020 (April 1, 2020 to December 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	%
Nine months ended December 31, 2020	59,160	(20.9)	(1,608)	—	(2,064)	—	(2,282)	—
December 31, 2019	74,770	(9.0)	3,730	(35.9)	3,482	(33.4)	1,552	(43.4)

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥ (3,491) million [— %]
 Nine months ended December 31, 2019: ¥ 1,906 million [(23.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	(49.31)	—
December 31, 2019	32.76	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2020	155,698	59,489	33.3
March 31, 2020	159,539	64,168	35.1

(Reference) Net assets less non controlling interests: As of December 31, 2020: ¥ 51,910 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)				10.00	20.00

(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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 1, 2020 to March 31, 2021)

(% 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	83,000	(17.1)	30	(99.3)	(500)	—	(1,150)	—	(24.84)

(Note) Revision of the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2020: 47,520,253 shares

March 31, 2020: 47,520,253 shares

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

December 31, 2020: 1,085,236 shares

March 31, 2020: 1,350,633 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 46,279,105 shares

Nine months ended December 31, 2019: 47,383,124 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 December 31,2020
Assets		
Current assets		
Cash and deposits	22,475	25,133
Notes and accounts receivable - trade	23,625	21,562
Electronically recorded monetary claims - operating	2,304	2,450
Merchandise and finished goods	12,278	11,241
Work in process	9,039	8,615
Raw materials and supplies	6,889	6,686
Other	2,613	2,684
Allowance for doubtful accounts	(445)	(295)
Total current assets	78,781	78,078
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,822	16,318
Machinery, equipment and vehicles, net	24,628	23,451
Other, net	20,523	17,337
Total property, plant and equipment	60,974	57,106
Intangible assets		
Goodwill	6,193	5,789
Other	6,124	6,563
Total intangible assets	12,317	12,352
Investments and other assets		
Investments and other assets	7,522	8,217
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	7,465	8,160
Total non-current assets	80,758	77,620
Total assets	159,539	155,698

(Million yen)

	As of March 31,2020	As of December 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,481	5,182
Electronically recorded obligations - operating	8,065	6,854
Short-term borrowings	27,644	32,716
Current portion of long-term borrowings	5,762	7,013
Income taxes payable	885	148
Provision for bonuses	1,685	694
Provision for bonuses for directors (and other officers)	105	—
Provision for product compensation	185	176
Provision for environmental measures	50	33
Electronically recorded obligations - non-operating	809	609
Other	9,140	7,297
Total current liabilities	61,816	60,726
Non-current liabilities		
Long-term borrowings	21,889	23,791
Provision for share-based remuneration	8	14
Provision for share-based remuneration for directors (and other officers)	16	26
Provision for loss on guarantees	186	192
Retirement benefit liability	6,967	7,288
Asset retirement obligations	17	17
Other	4,468	4,150
Total non-current liabilities	33,554	35,483
Total liabilities	95,370	96,209
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,693	34,222
Treasury shares	(1,016)	(817)
Total shareholders' equity	58,204	54,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	361	747
Foreign currency translation adjustment	(654)	(2,098)
Remeasurements of defined benefit plans	(1,922)	(1,672)
Total accumulated other comprehensive income	(2,216)	(3,023)
Non-controlling interests	8,180	7,578
Total net assets	64,168	59,489
Total liabilities and net assets	159,539	155,698

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

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Net sales	74,770	59,160
Cost of sales	55,277	47,232
Gross profit	19,493	11,928
Selling, general and administrative expenses	15,762	13,536
Operating profit (loss)	3,730	(1,608)
Non-operating income		
Interest income	60	51
Dividend income	78	49
Share of profit of entities accounted for using equity method	89	—
Subsidy income	—	216
Other	363	159
Total non-operating income	591	477
Non-operating expenses		
Interest expenses	637	553
Share of loss of entities accounted for using equity method	—	7
Foreign exchange losses	2	249
Other	199	122
Total non-operating expenses	839	932
Ordinary profit (loss)	3,482	(2,064)
Extraordinary income		
Gain on sales of non-current assets	—	188
Total extraordinary income	—	188
Profit (loss) before income taxes	3,482	(1,875)
Income taxes - current	1,136	425
Income taxes - deferred	400	(39)
Total income taxes	1,537	385
Profit (loss)	1,945	(2,261)
Profit attributable to non-controlling interests	392	21
Profit (loss) attributable to owners of parent	1,552	(2,282)

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

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Profit (loss)	1,945	(2,261)
Other comprehensive income		
Valuation difference on available-for-sale securities	50	390
Foreign currency translation adjustment	(291)	(1,819)
Remeasurements of defined benefit plans, net of tax	259	249
Share of other comprehensive income of entities accounted for using equity method	(56)	(51)
Total other comprehensive income	(38)	(1,230)
Comprehensive income	1,906	(3,491)
Comprehensive income attributable to		
owners of parent	1,517	(3,089)
non-controlling interests	389	(401)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Cash flows from operating activities		
Profit (loss) before income taxes	3,482	(1,875)
Depreciation	6,541	6,381
Amortization of goodwill	609	523
Share of loss (profit) of entities accounted for using equity method	(89)	7
Increase (decrease) in allowance for doubtful accounts	186	(134)
Increase (decrease) in provision for bonuses	(813)	(990)
Increase (decrease) in provision for bonuses for directors (and other officers)	(107)	(105)
Increase or decrease in net defined benefit asset and liability	135	303
Increase (decrease) in provision for share-based remuneration	6	6
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	12	10
Increase (decrease) in provision for environmental measures	(23)	(17)
Increase (decrease) in provision for loss on guarantees	—	6
Interest and dividend income	(138)	(101)
Interest expenses	637	553
Loss (gain) on sales of non-current assets	—	(188)
Decrease (increase) in trade receivables	1,883	1,462
Decrease (increase) in inventories	(1,184)	957
Increase (decrease) in trade payables	(2,158)	(3,112)
Increase (decrease) in accrued consumption taxes	(136)	(244)
Increase (decrease) in other liabilities	785	91
Other, net	(876)	1,062
Subtotal	8,752	4,597
Interest and dividends received	129	91
Dividends received from entities accounted for using equity method	26	—
Interest paid	(631)	(527)
Income taxes paid	(1,766)	(1,249)
Net cash provided by (used in) operating activities	6,511	2,910

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Cash flows from investing activities		
Payments into time deposits	(2,129)	(1,430)
Proceeds from withdrawal of time deposits	1,442	2,011
Purchase of investment securities	(18)	(15)
Proceeds from sales of investment securities	—	5
Purchase of property, plant and equipment	(5,542)	(5,865)
Proceeds from sales of property, plant and equipment	194	1,083
Purchase of intangible assets	(1,103)	(1,015)
Loan advances	(137)	(226)
Collection of loans receivable	2	185
Other, net	(2)	(13)
Net cash provided by (used in) investing activities	(7,296)	(5,280)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,989	5,370
Proceeds from long-term borrowings	1,759	6,766
Repayments of long-term borrowings	(5,563)	(3,493)
Proceeds from sale and leaseback transactions	349	—
Repayments of finance lease obligations	(746)	(1,083)
Purchase of treasury shares	(1,121)	(0)
Proceeds from disposal of treasury shares	—	136
Dividends paid	(1,608)	(1,159)
Dividends paid to non-controlling interests	(214)	(180)
Net cash provided by (used in) financing activities	(155)	6,357
Effect of exchange rate change on cash and cash equivalents	(257)	(461)
Net increase (decrease) in cash and cash equivalents	(1,198)	3,525
Cash and cash equivalents at beginning of period	17,127	19,170
Cash and cash equivalents at end of period	15,928	22,696

(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 Third quarter of previous period (from April 1, 2019 to December 31, 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	43,025	12,297	7,613	10,542	73,479	1,291	74,770
Internal sales or transfer between segments	452	109	29	224	816	512	1,328
Total	43,478	12,406	7,643	10,766	74,295	1,803	76,099
Segment profit(loss)	5,568	2,197	1,241	(360)	8,646	372	9,019

(*) "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	8,646
Profit from "Others" category	372
Elimination of intersegment transactions	11
Unattributable costs (*)	(5,300)
Operating profit as per Quarterly Consolidated Statements of Income	3,730

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

II Third quarter of current period (from April 1, 2020 to December 31, 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	32,737	10,798	7,517	6,994	58,048	1,111	59,160
Internal sales or transfer between segments	305	57	13	289	665	457	1,123
Total	33,043	10,856	7,530	7,284	58,714	1,569	60,284
Segment profit(loss)	2,220	1,058	1,246	(1,555)	2,969	263	3,233

(*) "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	2,969
Profit from "Others" category	263
Elimination of intersegment transactions	10
Unattributable costs (*)	(4,852)
Operating profit(loss) as per Quarterly Consolidated Statements of Income	(1,608)

(*) 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 third quarter of the previous period ended December 30, 2019 has been prepared in accordance with the changed classification.