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Consolidated Financial Results for the Year Ended March 31, 2021 [Japanese GAAP]

May 14, 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
 Contact: Motoyuki Miyo Director and Managing Executive Officer
 Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled date of Annual General Meeting of Shareholders: June 29, 2021
 Scheduled start date of dividend payments: June 30, 2021
 Scheduled filing date of annual securities report: June 29, 2021
 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, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	84,720	(15.4)	1,315	(68.4)	874	(76.1)	104	(96.2)
March 31, 2020	100,159	(7.0)	4,168	(42.6)	3,660	(44.8)	2,740	(33.7)

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥ 1,624 million [(21.3) %]
 Fiscal year ended March 31, 2020: ¥ 2,065 million [(30.1) %]

	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 March 31, 2021	Yen 2.25	Yen —	% 0.2	% 0.6	% 1.6
March 31, 2020	58.22	—	4.9	2.3	4.2

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2021: ¥ 26 million
 Fiscal year ended March 31, 2020: ¥ 146 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of March 31, 2021	Million yen 155,176	Million yen 64,538	% 36.3	Yen 1,213.08
March 31, 2020	159,539	64,168	35.1	1,212.66

(Reference) Net assets less non-controlling interests: As of March 31, 2021: ¥ 56,388 million
 As of March 31, 2020: ¥ 55,988 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 March 31, 2021	Million yen 10,098	Million yen (7,043)	Million yen (3,098)	Million yen 18,637
March 31, 2020	12,822	(7,297)	(3,553)	19,170

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, 2020	—	20.00	—	15.00	35.00	1,663	60.1	2.9
March 31, 2021	—	10.00	—	10.00	20.00	950	888.7	1.6
Fiscal year ending								
March 31, 2022 (Forecast)	—	10.00	—	15.00	25.00		68.4	

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

Regular dividend	15.00 yen
Commemorative dividend	5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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
Six months ended									
September 30, 2021	45,500	25.2	1,750	—	1,600	—	700	—	15.05
Full year	92,000	8.6	3,500	166.0	3,200	266.1	1,700	—	36.57

* 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: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(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, 2021: 47,520,253 shares

March 31, 2020: 47,520,253 shares

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

March 31, 2021: 1,036,793 shares

March 31, 2020: 1,350,633 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2021: 46,322,538 shares

Fiscal Year ended March 31, 2020: 47,067,351 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.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	54,197	(13.8)	723	(49.5)	2,159	(18.6)	1,690	(56.7)
March 31, 2020	62,860	(7.2)	1,432	(48.7)	2,653	(34.1)	3,905	16.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2021	36.49	—
March 31, 2020	82.97	—

(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, 2021	110,247	52,372	47.5	1,126.69
March 31, 2020	105,178	51,162	48.6	1,108.13

(Reference) Equity: As of March 31, 2021: ¥ 52,372 million
As of March 31, 2020: ¥ 51,162 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

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.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of March 31,2021
Assets		
Current assets		
Cash and deposits	22,475	22,007
Notes and accounts receivable - trade	23,625	23,069
Electronically recorded monetary claims - operating	2,304	2,393
Merchandise and finished goods	12,278	10,821
Work in process	9,039	8,380
Raw materials and supplies	6,889	6,326
Other	2,613	2,510
Allowance for doubtful accounts	(445)	(267)
Total current assets	78,781	75,242
Non-current assets		
Property, plant and equipment		
Buildings and structures	34,454	36,853
Accumulated depreciation	(18,632)	(19,654)
Buildings and structures, net	15,822	17,198
Machinery, equipment and vehicles	95,940	100,270
Accumulated depreciation	(71,312)	(75,772)
Machinery, equipment and vehicles, net	24,628	24,497
Land	10,405	9,726
Leased assets	6,695	4,963
Accumulated depreciation	(1,876)	(1,644)
Leased assets, net	4,819	3,318
Construction in progress	4,393	2,207
Other	7,022	7,384
Accumulated depreciation	(6,117)	(6,401)
Other, net	905	982
Total property, plant and equipment	60,974	57,931
Intangible assets		
Goodwill	6,193	5,724
Leased assets	46	34
Other	6,077	6,863
Total intangible assets	12,317	12,623
Investments and other assets		
Investment securities	4,064	5,031
Long-term loans receivable	230	188
Retirement benefit asset	365	2,110
Deferred tax assets	1,794	1,152
Other	1,067	949
Allowance for doubtful accounts	(56)	(52)
Total investments and other assets	7,465	9,379
Total non-current assets	80,758	79,934
Total assets	159,539	155,176

(Million yen)

	As of March 31,2020	As of March 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,481	6,192
Electronically recorded obligations - operating	8,065	8,069
Short-term loans payable	27,644	26,575
Current portion of long-term loans payable	5,762	7,604
Lease obligations	2,087	898
Income taxes payable	885	415
Provision for bonuses	1,685	1,269
Provision for bonuses for directors (and other officers)	105	—
Provision for product compensation	185	70
Provision for environmental measures	50	33
Electronically recorded obligations - non-operating	809	501
Other	7,053	5,820
Total current liabilities	61,816	57,452
Non-current liabilities		
Long-term loans payable	21,889	21,315
Lease obligations	2,303	2,074
Deferred tax liabilities	1,680	1,948
Provision for share-based remuneration	8	16
Provision for share-based remuneration for directors (and other officers)	16	30
Provision for loss on guarantees	186	145
Retirement benefit liability	6,967	7,207
Asset retirement obligations	17	17
Other	484	430
Total non-current liabilities	33,554	33,185
Total liabilities	95,370	90,637
Net assets		
Shareholders' equity		
Capital stock	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,693	36,609
Treasury shares	(1,016)	(780)
Total shareholders' equity	58,204	57,356
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	361	995
Foreign currency translation adjustment	(654)	(1,170)
Remeasurements of defined benefit plans	(1,922)	(793)
Total accumulated other comprehensive income	(2,216)	(968)
Non-controlling interests	8,180	8,150
Total net assets	64,168	64,538
Total liabilities and net assets	159,539	155,176

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Net sales	100,159	84,720
Cost of sales	74,702	65,200
Gross profit	25,456	19,520
Selling, general and administrative expenses		
Freightage expenses	2,091	2,022
Business consignment expenses	1,263	1,317
Provision of allowance for doubtful accounts	103	(268)
Remuneration for directors (and other officers)	561	591
Salaries and allowances	4,871	4,815
Provision for bonuses	454	268
Provision for bonuses for directors (and other officers)	105	—
Provision for product compensation	185	(495)
Retirement benefit expenses	503	495
Welfare expenses	1,249	1,005
Depreciation	860	945
Rent expenses	1,072	1,105
Research and development expenses	2,060	1,916
Other	5,903	4,484
Total selling, general and administrative expenses	21,287	18,205
Operating profit	4,168	1,315
Non-operating income		
Interest income	101	89
Dividend income	86	57
Foreign exchange gains	38	—
Share of profit of entities accounted for using equity method	146	26
Subsidy income	—	236
Other	447	236
Total non-operating income	821	646
Non-operating expenses		
Interest expenses	869	710
Foreign exchange losses	—	111
Other	460	266
Total non-operating expenses	1,330	1,088
Ordinary profit	3,660	874
Extraordinary income		
Gain on sale of non-current assets	3,909	571
Total extraordinary income	3,909	571
Extraordinary losses		
Impairment losses	2,051	—
Provision for loss on guarantees	186	—
Total extraordinary losses	2,237	—
Profit before income taxes	5,331	1,445
Income taxes - current	1,855	737
Income taxes - deferred	935	111
Total income taxes	2,790	848
Profit	2,540	597
Profit (loss) attributable to non-controlling interests	(199)	493
Profit attributable to owners of parent	2,740	104

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Profit	2,540	597
Other comprehensive income		
Valuation difference on available-for-sale securities	(552)	643
Foreign currency translation adjustment	(98)	(785)
Remeasurements of defined benefit plans, net of tax	185	1,135
Share of other comprehensive income of entities accounted for using equity method	(9)	33
Total other comprehensive income	(475)	1,027
Comprehensive income	2,065	1,624
Comprehensive income attributable to		
owners of parent	2,070	1,351
non-controlling interests	(5)	272

(3) Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended March 31,2021

(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	37,693	(1,016)	58,204
Changes of items during period					
Dividends of surplus			(1,187)		(1,187)
Profit attributable to owners of parent			104		104
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				236	236
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	(1,083)	235	(847)
Balance at end of current period	8,413	13,114	36,609	(780)	57,356

	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	361	(654)	(1,922)	(2,216)	8,180	64,168
Changes of items during period						
Dividends of surplus						(1,187)
Profit attributable to owners of parent						104
Purchase of treasury shares						(0)
Disposal of treasury shares						236
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes of items other than shareholders' equity	633	(515)	1,129	1,247	(30)	1,217
Total changes of items during period	633	(515)	1,129	1,247	(30)	369
Balance at end of current period	995	(1,170)	(793)	(968)	8,150	64,538

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Cash flows from operating activities		
Profit before income taxes	5,331	1,445
Depreciation	9,517	8,790
Impairment losses	2,051	—
Amortization of goodwill	757	709
Share of loss (profit) of entities accounted for using equity method	(146)	(26)
Increase (decrease) in allowance for doubtful accounts	(878)	(175)
Increase (decrease) in provision for bonuses	(288)	(417)
Increase (decrease) in provision for bonuses for directors (and other officers)	(75)	(105)
Increase or decrease in net defined benefit asset and liability	166	140
Increase (decrease) in provision for share based remuneration	8	8
Increase (decrease) in provision for share based remuneration for directors (and other officers)	16	13
Increase (decrease) in provision for environmental measures	(49)	(17)
Increase (decrease) in provision for loss on guarantees	186	(41)
Interest and dividend income	(188)	(147)
Interest expenses	869	710
Foreign exchange losses (gains)	(383)	846
Loss (gain) on sale of non-current assets	(3,909)	(571)
Decrease (increase) in notes and accounts receivable trade	3,870	351
Decrease (increase) in inventories	(689)	2,312
Increase (decrease) in notes and accounts payable trade	(1,587)	(1,135)
Increase (decrease) in accrued consumption taxes	139	(264)
Increase (decrease) in other liabilities	227	(812)
Other, net	398	250
Subtotal	15,343	11,865
Interest and dividend income received	186	138
Proceeds from dividend income from entities accounted for using equity method	96	53
Interest expenses paid	(873)	(693)
Income taxes paid	(1,930)	(1,265)
Net cash provided by (used in) operating activities	12,822	10,098

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Cash flows from investing activities		
Payments into time deposits	(3,335)	(3,334)
Proceeds from withdrawal of time deposits	2,711	3,102
Purchase of investment securities	(25)	(21)
Purchase of property, plant and equipment	(9,376)	(6,645)
Proceeds from sale of property, plant and equipment	4,434	1,197
Purchase of intangible assets	(1,778)	(1,609)
Payments of loans receivable	(150)	(255)
Collection of loans receivable	111	329
Other, net	112	192
Net cash provided by (used in) investing activities	(7,297)	(7,043)
Cash flows from financing activities		
Net increase (decrease) in short term loans payable	5,314	(1,468)
Proceeds from long term loans payable	2,009	9,693
Repayments of long term loans payable	(6,760)	(8,305)
Proceeds from sale and leaseback transactions	361	359
Repayments of finance lease obligations	(1,372)	(2,150)
Purchase of treasury shares	(1,122)	(0)
Proceeds from disposal of treasury shares	105	163
Cash dividends paid	(1,659)	(1,186)
Dividends paid to non-controlling interests	(430)	(202)
Net cash provided by (used in) financing activities	(3,553)	(3,098)
Effect of exchange rate change on cash and cash equivalents	72	(489)
Net increase (decrease) in cash and cash equivalents	2,042	(532)
Cash and cash equivalents at beginning of period	17,127	19,170
Cash and cash equivalents at end of period	19,170	18,637

(5) 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 FIN ANCIAL 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., Ltd., 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.

Right-of-use assets

Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

For overseas consolidated subsidiaries other than U.S. subsidiaries, financial statements are prepared in accordance with International Financial Reporting Standards, and International Financial Reporting Standard No. 16, "Leases" ("IFRS 16") is applied. Under IFRS 16, Regarding the accounting treatment for lessees, in principle, all leases are recorded as assets and liabilities on the balance sheet.

(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", 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.

(Accounting standards not yet applied, etc.)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(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.

(Changes in presentation)

(Consolidated statements of cash flows)

Foreign exchange gains (losses), which was included in "Other", under "Net cash provided by (used in) operating activities" in the previous consolidated fiscal year, is stated separately in the current consolidated fiscal year, since its quantitative materiality increased. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, JPY 15 million presented as "Other" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified as JPY (383) million of "Foreign exchange gains (losses)" and JPY 398 million of "Other".

(Additional Information)

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

In order to incentivize 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 Trust 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 the number of shares was 917,000 shares. As of the end of the fiscal year ended March 31, 2021, book value of the treasury stock is JPY 453 million and the number of shares is 604,000 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

As of the end of the fiscal year ended March 31, 2021: JPY 520 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 or 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 the number of shares was 432,000 shares. As of the end of the fiscal year ended March 31, 2021, book value of the treasury stock is JPY 326 million and the number of shares is 431,000 shares.

(Assumptions of Accounting Estimates for the Impact of COVID-19 spread)

Although it is difficult to reasonably predict when the pandemic will be over, as of the end of the current consolidated fiscal year, the auto parts industry see a strong recovery particularly in the U.S. and China markets, and we assume that this situation will continue.

As the situation and impact of COVID-19 are subject to uncertainty, the actual automobile production volume may differ from the assumption above due to the further spread of the infection and the resulting lockdown in various countries.

(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 aluminum 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.”

(Changes in Reporting Segments)

Effective from the beginning of the fiscal year ended March 31, 2021, in accordance with a review of the Group's business management classification, a part of the previous "Automotive engine bearings" segment has been reclassified into the "Automotive non-engine bearings" or "Non-automotive bearings" segment. The segment information for the previous period ended March 31, 2020 has been prepared in accordance with the changed classification method.

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, 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	56,685	17,394	10,905	13,444	98,429	1,729	100,159
Internal sales or transfer between segments	533	143	37	313	1,028	697	1,726
Total	57,218	17,538	10,943	13,758	99,458	2,427	101,886
Segment profit(loss)	7,046	2,746	1,692	(812)	10,672	511	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.

II The current fiscal year (from April 1, 2020 to March 31, 2021)

(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	46,718	15,940	10,262	10,358	83,280	1,440	84,720
Internal sales or transfer between segments	427	83	29	371	912	604	1,516
Total	47,146	16,024	10,291	10,730	84,192	2,044	86,237
Segment profit (loss)	6,052	1,829	1,458	(1,852)	7,487	318	7,806

(*) “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	99,458	84,192
Net sales from “Others” category	2,427	2,044
Elimination of intersegment transactions	(1,726)	(1,516)
Net sales as per Consolidated Financial Statements	100,159	84,720

Profit	The previous fiscal year	The current fiscal year
Reporting segments total	10,672	7,487
Profit from “Others” category	511	318
Elimination of intersegment transactions	16	13
Unattributable costs (*)	(7,032)	(6,504)
Operating profit as per Consolidated Financial Statements	4,168	1,315

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

(Per share information)

	The previous fiscal year (from April 1, 2019 to March 31, 2020)	The current fiscal year (from April 1, 2020 to March 31, 2021)
Net assets per share	1,212.66 Yen	1,213.08 Yen
Earnings per share	58.22 Yen	2.25 Yen

(Notes)

- Diluted earnings per share is not stated because no latent share exists.
- The shares of the company held by the trusts (i.e. ESPP Trust and the BBT) recorded as treasury stock under shareholders’ equity are included in the treasury stock to be deducted in calculating the number of common shares at the end of the consolidated fiscal year for the purpose of calculating “Net assets per share”.

(Net assets per share) The previous consolidated fiscal year : 1,350 thousand shares

The current consolidated fiscal year : 1,035 thousand shares

In addition, these shares are included in the treasury stock to be deducted in calculating the average number of shares during the period for the purpose of calculating "Earnings per share".

(Earnings per share) The previous consolidated fiscal year : 452 thousand shares

The current consolidated fiscal year : 1,196 thousand shares

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

	The previous fiscal year (March 31, 2020)	The current fiscal year (March 31, 2021)
Net assets (JPY million)	64,168	64,538
Deductions from net assets (JPY million)	8,180	8,150
(Non-controlling interests) (JPY million)	(8,180)	(8,150)
Net assets available to common stock (JPY million)	55,988	56,388
Number of common stock at the end of fiscal year for calculation of Net assets per share (thousand shares)	46,169	46,483

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

	The previous fiscal year (from April 1, 2019 to March 31, 2020)	The current fiscal year (from April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (JPY million)	2,740	104
Not attributable to common stockholders (JPY million)	—	—
Profit attributable to owners of parent available to common stock (JPY million)	2,740	104
Average number of common stock (thousand shares)	47,067	46,322

(Material subsequent events)

None

2. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of March 31,2021
Assets		
Current assets		
Cash and deposits	5,017	5,900
Notes receivable - trade	329	281
Accounts receivable - trade	16,757	15,556
Electronically recorded monetary claims - operating	2,216	2,463
Merchandise and finished goods	2,093	1,724
Work in process	3,333	3,185
Raw materials and supplies	1,902	1,839
Prepaid expenses	139	145
Short-term loans receivable from subsidiaries and associates	1,519	3,616
Accounts receivable - other	2,195	1,811
Other	85	97
Allowance for doubtful accounts	(0)	(0)
Total current assets	35,591	36,622
Non-current assets		
Property, plant and equipment		
Buildings	8,231	8,487
Structures	592	601
Machinery and equipment	4,929	4,726
Vehicles	8	8
Tools, furniture and fixtures	204	352
Land	4,595	5,080
Leased assets	2,436	2,268
Construction in progress	474	300
Total property, plant and equipment	21,473	21,826
Intangible assets		
Software	692	2,923
Leased assets	9	5
Right of using facilities	13	12
Other	1,766	463
Total intangible assets	2,482	3,405
Investments and other assets		
Investment securities	1,169	1,841
Shares of subsidiaries and associates	31,654	31,654
Investments in capital of subsidiaries and associates	8,937	9,854
Long-term loans receivable from employees	21	17
Long-term loans receivable from subsidiaries and associates	2,266	3,090
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	2
Long-term prepaid expenses	18	22
Prepaid pension cost	2,509	2,666
Other	727	540
Allowance for doubtful accounts	(1,676)	(1,297)
Total investments and other assets	45,630	48,393
Total non-current assets	69,587	73,625
Total assets	105,178	110,247

(Million yen)

	As of March 31,2020	As of March 31,2021
Liabilities		
Current liabilities		
Accounts payable - trade	5,325	5,556
Electronically recorded obligations - operating	9,388	9,380
Short term loans payable	6,046	9,440
Current portion of long term loans payable	3,531	5,757
Lease obligations	329	338
Accounts payable - other	1,828	1,685
Accrued expenses	890	883
Income taxes payable	430	138
Accrued consumption taxes	—	102
Advances received	0	5
Deposits received	77	66
Unearned revenue	39	49
Provision for bonuses	1,043	693
Provision for bonuses for directors (and other officers)	105	—
Provision for environmental measures	50	33
Electronically recorded obligations - non-operating	672	491
Other	1	2
Total current liabilities	29,762	34,624
Non-current liabilities		
Long term loans payable	17,090	15,610
Lease obligations	1,853	1,578
Deferred tax liabilities	285	661
Provision for retirement benefits	4,114	4,383
Provision for share based remuneration	8	16
Provision for share based remuneration for directors (and other officers)	16	30
Provision for loss on guarantees	529	631
Asset retirement obligations	1	1
Long-term accounts payable - other	352	313
Other	1	22
Total non-current liabilities	24,253	23,250
Total liabilities	54,016	57,874
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 surplus	12,238	12,238
Retained earnings		
Legal retained earnings	743	743
Other retained earnings		
Reserve for advanced depreciation of non current assets	4,451	4,359
General reserve	21,000	21,000
Retained earnings brought forward	5,003	5,597
Total retained earnings	31,198	31,700
Treasury shares	(1,016)	(780)
Total shareholders' equity	50,833	51,572

(Million yen)

	As of March 31,2020	As of March 31,2021
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	328	800
Total valuation and translation adjustments	328	800
Total net assets	51,162	52,372
Total liabilities and net assets	105,178	110,247

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Net sales	62,860	54,197
Cost of sales	50,478	43,294
Gross profit	12,381	10,902
Selling, general and administrative expenses	10,949	10,179
Operating profit	1,432	723
Non-operating income		
Interest and dividend income	1,264	1,215
Foreign exchange gains	—	36
Other	297	404
Total non-operating income	1,562	1,656
Non-operating expenses		
Interest expenses	141	155
Foreign exchange losses	71	—
Other	128	63
Total non-operating expenses	341	219
Ordinary profit	2,653	2,159
Extraordinary income		
Gain on sale of non-current assets	3,909	—
Total extraordinary income	3,909	—
Extraordinary losses		
Loss on valuation investments in capital of subsidiaries and affiliates	397	176
Provision for loss on guarantees	631	—
Total extraordinary losses	1,028	176
Profit before income taxes	5,534	1,983
Income taxes - current	577	113
Income taxes - deferred	1,050	179
Total income taxes	1,628	292
Profit	3,905	1,690

(3) Non-consolidated Statements of Changes in Net Assets
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

For the fiscal year ended March 31,2021

(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	4,451	21,000	5,003
Changes of items during period							
Reversal of reserve for advanced depreciation of non-current assets					(91)		91
Dividends of surplus							(1,187)
Profit							1,690
Purchase of treasury shares							
Disposal of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	(91)	—	594
Balance at end of current period	8,413	8,789	3,449	743	4,359	21,000	5,597

	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	(1,016)	50,833	328	328	51,162
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		—			—
Dividends of surplus		(1,187)			(1,187)
Profit		1,690			1,690
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	236	236			236
Net changes of items other than shareholders' equity			472	472	472
Total changes of items during period	235	738	472	472	1,210
Balance at end of current period	(780)	51,572	800	800	52,372