Daido Metal Co., Ltd.
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021,
AND
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daido Metal Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Daido Metal Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Valuation of intangible assets including goodwill.	
As stated in the Note 3 to the consolidated financial statements, goodwill of ¥5,724 million and customer related assets of ¥3,180 million, resulting from the acquisition of ATA Casting Technology Japan Co., Ltd. and its subsidiaries (hereinafter the “ATA Group”) and Iino Holding Ltd. and its subsidiaries (hereinafter the “Iino Group”), were recorded in the consolidated balance sheet as of March 31, 2021.	Our audit procedures to test the valuation of intangible assets including goodwill included the following, among others: -We assessed the future cash flows by evaluating whether the underlying business plan was consistent with the business plan of the following year and the medium-term management plan approved by management.

Subject to the identification of impairment indicators, an impairment test is carried out for a group of assets where goodwill has been allocated, assuming that there is an indication of impairment. The amount of the purchase price allocated to intangible assets, including goodwill, is material. When recognizing and measuring the impairment loss, the recoverable amount is based on value in use. The Group evaluates whether there is any indication of impairment by utilizing estimated undiscounted future cash flows which are based on the business plan reflecting the current business environment. The significant assumptions used in estimating the value in use involve the projection of sales quantities and the estimation of progress in measures to reduce production cost, which are the basis of the business plan made by management. The projection of sales quantities of the ATA Group was calculated based on the production plan for product items where estimated orders were based on current forecasted receipts from customers. The projection of sales quantities also involves a high degree of uncertainty due to the impact of the coronavirus infection. The cost reduction measures were partially incorporated into the business plan. The projection of sales quantities of the Iino Group was calculated based on the assumption of an increase in the production quantities of the main customers and the containment of production cost increases by streamlining the production process. The assessment of recognition and measurement of impairment losses involves careful consideration as the assumptions above have a significant impact on estimated undiscounted future cash flows. Therefore, we determined that the valuation of intangible assets including goodwill resulting from the acquisition of the ATA Group and the Iino Group as a key audit matter.	In addition, we assessed the accuracy of the future business plan by comparing the medium-term management plan for prior years with the actual results. -Regarding the ATA Group, we tested whether the estimated orders of new parts, which resulted in the sales increase, were supported by current forecasted receipts from customers. We also tested whether the projection of sales quantities was based on the estimated production quantities by customer with which we compared to the estimated automotive production quantities obtained from independent sources. Further, we discussed with management the assumptions used for estimating profitability of the new orders and method of reducing production costs, and evaluated the reasonableness of the assumptions management used. -Regarding the Iino Group, we compared the projection of an increase in sales quantities with the projection of automobile production quantities obtained from independent sources. We discussed with management whether the measures specifically planned to contain production cost increases were feasible and evaluated the reasonableness of the assumptions management used. We also performed sensitivity analysis to assess the reasonableness of assumptions and projections used in estimating the value in use of the assets.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

June 29, 2021

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET
MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 18,638	¥ 19,170	$ 167,906
Time deposits (Note 15)	3,370	3,306	30,361
Receivables (Note 15):			
Trade notes	3,438	3,421	30,974
Trade accounts	20,502	22,258	184,704
Non-consolidated subsidiaries and associated companies	1,528	304	13,769
Other	762	841	6,872
Inventories (Note 5)	25,529	28,208	229,988
Other current assets	1,742	1,720	15,693
Allowance for doubtful accounts	(267)	(446)	(2,408)
Total current assets	75,242	78,782	677,859
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 7 and 8)	9,727	10,405	87,628
Buildings and structures (Notes 7 and 8)	36,853	34,455	332,010
Machinery and equipment (Note 8)	100,270	95,941	903,334
Furniture and fixtures (Note 8)	7,384	7,022	66,524
Lease assets	4,964	4,393	44,714
Construction in progress	2,207	6,696	19,884
Total	161,405	158,912	1,454,094
Accumulated depreciation	(103,473)	(97,938)	(932,187)
Net property, plant and equipment	57,932	60,974	521,907
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	2,812	1,870	25,331
Investments in non-consolidated subsidiaries and associated companies (Note 15)	2,220	2,194	19,996
Long-term loans	188	231	1,695
Goodwill	5,724	6,193	51,571
Other intangible assets	6,899	6,125	62,153
Asset for employees' retirement benefits (Note 9)	2,110	366	19,013
Deferred tax assets (Note 12)	1,153	1,794	10,385
Other investments and other assets	949	1,067	8,549
Allowance for doubtful accounts	(53)	(56)	(473)
Total investments and other assets	22,002	19,784	198,220
TOTAL ASSETS	¥ 155,176	¥ 159,540	$ 1,397,986

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET
MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 15)	¥ 26,576	¥ 27,645	$ 239,421
Current portion of long-term debt (Notes 8 and 15)	8,504	7,850	76,610
Payables (Note 15):			
Trade notes and accounts	14,212	15,547	128,039
Non-consolidated subsidiaries and associated companies	53	1	473
Acquisitions of property, plant and equipment	1,372	1,880	12,356
Other	2,019	2,595	18,191
Income taxes payable	416	885	3,747
Accrued expenses	3,494	4,205	31,483
Other current liabilities	806	1,209	7,269
Total current liabilities	57,452	61,817	517,589
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	23,391	24,193	210,725
Liability for employees’ retirement benefits (Note 9)	7,207	6,968	64,929
Provision for share-based remuneration	16	8	148
Provision for share-based remuneration for directors	30	17	271
Provision for loss on guarantees	145	186	1,309
Asset retirement obligations	18	18	160
Deferred tax liabilities (Note 12)	1,948	1,681	17,551
Other long-term liabilities	430	483	3,876
Total long-term liabilities	33,185	33,554	298,969
CONTINGENT LIABILITIES (Notes 17)			
EQUITY (Note 10):			
Common stock,			
Authorized: 80,000,000 shares in 2021 and 2020			
Issued: 47,520,253 shares in 2021 and 2020	8,413	8,413	75,798
Capital surplus	13,114	13,114	118,148
Retained earnings	36,610	37,693	329,817
Treasury stock, at cost			
1,036,793 shares in 2021 and 1,350,633 shares in 2020	(781)	(1,017)	(7,034)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	995	361	8,965
Foreign currency translation adjustments	(1,170)	(654)	(10,544)
Defined retirement benefit plans	(793)	(1,922)	(7,148)
Total	56,388	55,988	508,002
Non-controlling interests	8,151	8,181	73,426
Total equity	64,539	64,169	581,428
TOTAL LIABILITIES AND EQUITY	¥ 155,176	¥ 159,540	$ 1,397,986

See notes to consolidated financial statements.

(Concluded)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET SALES	¥ 84,721	¥ 100,160	$ 763,251
COST OF SALES (Note 13)	65,200	74,703	587,388
Gross profit	19,521	25,457	175,863
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13 and 14)	18,205	21,288	164,009
Operating income	1,316	4,169	11,854
OTHER INCOME (EXPENSES):			
Interest and dividend income	147	188	1,328
Interest expense	(710)	(870)	(6,398)
Foreign exchange (loss) gain	(111)	38	(1,001)
Equity in earnings of non-consolidated subsidiaries and associated companies	26	147	238
Gain on sale of property, plant and equipment (Note 7)	572	3,909	5,150
Subsidy income	236	-	2,126
Impairment loss on long-lived assets (Note 6)	-	(2,051)	-
Other—net	(30)	(198)	(272)
Other income—net	130	1,163	1,171
INCOME BEFORE INCOME TAXES	1,446	5,332	13,025
INCOME TAX EXPENSE (Note 12):			
Current	737	1,855	6,640
Deferred	111	936	1,001
Total income taxes	848	2,791	7,641
NET INCOME	598	2,541	5,384
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	494	(200)	4,445
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 104	¥ 2,741	$ 939

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2t. and 19):			
Basic net income	¥ 2.25	¥ 58.22	$ 0.02
Cash dividends applicable to the year	20.00	35.00	0.18

See notes to consolidated financial statements.

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	¥ 598	¥ 2,541	$ 5,384
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized income (loss) on available-for-sale securities	643	(552)	5,795
Foreign currency translation adjustments	(785)	(99)	(7,072)
Remeasurements of defined retirement benefit plans	1,135	185	10,225
Share of other comprehensive income in nonconsolidated subsidiaries and associated companies	34	(10)	304
Total other comprehensive loss	1,027	(476)	9,252
COMPREHENSIVE INCOME	¥ 1,625	¥ 2,065	$ 14,636
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 1,352	¥ 2,070	$ 12,178
Non-controlling interests	273	(5)	2,458

See notes to consolidated financial statements.

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2021

	Thousands	MIllions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-Controlling Interests	Total Equity
Balance at April 1, 2019	47,520	¥ 8,413	¥ 13,114	¥ 36,655	¥ (0)	¥ 907	¥ (351)	¥ (2,101)	¥ 56,637	¥ 8,617	¥ 65,254
Cumulative effect of accounting change		-	-	(39)	-	-	-	-	(39)	-	(39)
Balance at April 1, 2019 (as restated)	47,520	8,413	13,114	36,616	(0)	907	(351)	(2,101)	56,598	8,617	65,215
Net income attributable to owners of the parent		-	-	2,741	-	-	-	-	2,741	-	2,741
Cash dividends, interim and year-end, ¥35 per share		-	-	(1,664)	-	-	-	-	(1,664)	-	(1,664)
Increase in treasury stock	(1,350)	-	-	-	(1,017)	-	-	-	(1,017)	-	(1,017)
Net changes in the year		-	-	-	-	(546)	(303)	179	(670)	(436)	(1,106)
Balance at March 31, 2020	46,170	8,413	13,114	37,693	(1,017)	361	(654)	(1,922)	55,988	8,181	64,169
Net income attributable to owners of the parent		-	-	104	-	-	-	-	104	-	104
Cash dividends, interim and year-end, ¥25 per share		-	-	(1,187)	-	-	-	-	(1,187)	-	(1,187)
Decrease in treasury stock	314	-	-	-	236	-	-	-	236	-	236
Change in the parent's ownership interest due to transactions with non-controlling interests		-	0	-	-	-	-	-	0	-	0
Net changes in the year		-	-	-	-	634	(516)	1,129	1,247	(30)	1,217
Balance at March 31, 2021	46,484	¥ 8,413	¥ 13,114	¥ 36,610	¥ (781)	¥ 995	¥ (1,170)	¥ (793)	¥ 56,388	¥ 8,151	¥ 64,539

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-Controlling Interests	Total Equity
Balance at March 31, 2020	$ 75,798	$ 118,146	$ 339,580	$ (9,160)	$ 3,255	$ (5,900)	$ (17,320)	$ 504,399	$ 73,699	$ 578,098
Net income attributable to owners of the parent	-	-	939	-	-	-	-	939	-	939
Cash dividends, interim and year-end, $0.23 per share	-	-	(10,702)	-	-	-	-	(10,702)	-	(10,702)
Decrease in treasury stock	-	-	-	2,126	-	-	-	2,126	-	2,126
Change in the parent's ownership interest due to transactions with non-controlling interests	-	2	-	-	-	-	-	2	-	2
Net changes in the year	-	-	-	-	5,710	(4,644)	10,172	11,238	(273)	10,965
Balance at March 31, 2021	$ 75,798	$ 118,148	$ 329,817	$ (7,034)	$ 8,965	$ (10,544)	$ (7,148)	$ 508,002	$ 73,426	$ 581,428

See notes to consolidated financial statements.

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 1,446	¥ 5,332	$ 13,025
Adjustments for:			
Income taxes—paid	(1,265)	(1,931)	(11,398)
Depreciation and amortization	8,791	9,518	79,198
Impairment loss on long-lived assets	-	2,051	-
Amortization of goodwill	709	757	6,392
Foreign exchange losses (gains)	847	(383)	7,626
Gain on sales and disposals of property, plant and equipment, net	(572)	(3,909)	(5,150)
Equity in earnings of non-consolidated subsidiaries and associated companies	(26)	(147)	(238)
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	351	3,870	3,162
Decrease in allowance for doubtful accounts	(175)	(878)	(1,580)
Decrease (increase) in inventories	2,313	(689)	20,834
Decrease in notes and accounts payable	(1,135)	(1,587)	(10,226)
Increase in liability for employees' retirement benefits	140	166	1,263
Increase in provision for share-based remuneration	8	8	75
Increase in provision for share-based remuneration for directors	13	17	120
(Decrease) increase in provision for loss on guarantees	(41)	186	(370)
Other—net	(1,306)	441	(11,758)
Total adjustments	8,652	7,490	77,950
Net cash provided by operating activities	10,098	12,822	90,975
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,645)	(9,376)	(59,868)
Proceeds from sales of property, plant and equipment	1,197	4,434	10,784
Acquisition of investment securities	(22)	(26)	(197)
Purchases of intangible assets	(1,610)	(1,779)	(14,500)
Payments into time deposits	(3,334)	(3,335)	(30,038)
Proceeds from withdrawal of time deposits	3,103	2,712	27,955
Other—net	268	73	2,410
Net cash used in investing activities	(7,043)	(7,297)	(63,454)
FORWARD	¥ 3,055	¥ 5,525	$ 27,521

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
FORWARD	¥ 3,055	¥ 5,525	$ 27,521
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term bank loans	(1,469)	5,315	(13,232)
Proceeds from long-term bank loans	9,694	2,010	87,329
Repayment of long-term bank loans	(8,306)	(6,761)	(74,828)
Proceeds from (payment for) treasury stock, net	164	(1,017)	1,472
Dividends paid, including payment to non-controlling interests	(1,389)	(2,090)	(12,511)
Proceeds from sales and leasebacks	359	362	3,234
Repayment of finance lease obligations	(2,151)	(1,373)	(19,376)
Net cash used in financing activities	(3,098)	(3,554)	(27,912)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS TO CASH AND CASH EQUIVALENTS	(489)	72	(4,407)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(532)	2,043	(4,798)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,170	17,127	172,704
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 18,638	¥ 19,170	$ 167,906

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements
Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daido Metal Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 33 (33 in 2020) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in one (one in 2020) non-consolidated subsidiary and three (three in 2020) associated companies are accounted for by the equity method.

Investments in the remaining two (two in 2020) non-consolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to investments in these subsidiaries, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group have been eliminated.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are included in goodwill or other long-term liabilities and are amortized by the straight-line method within 14 years.

Twenty (twenty in 2020) consolidated subsidiaries, and one non-consolidated subsidiary accounted for by the equity method have fiscal year-ends differing from that of the Company as of March 31, 2021. The accounts of the subsidiaries that have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions at March 31, 2021 and 2020, and their results of operations for the years ended March 31, 2021 and 2020.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan (the "ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America ("U.S. GAAP") may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized research and development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting, and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and money management funds, all of which mature or become due within three months of the date of acquisition.

e. ***Inventories***—Inventories are stated at the lower of cost, determined mainly by the periodic average method for merchandise, finished products, work in process, and raw materials and mainly by the moving-average method for supplies, or net selling value.

f. ***Allowance for doubtful accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experiences and an evaluation of potential losses in the receivables outstanding.

g. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Non-marketable securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to their fair values by a charge to income.

h. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and 6 domestic consolidated subsidiaries are computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of property, plant and equipment of other subsidiaries is computed by the straight-line method.

Leased properties under finance leases that do not transfer ownership of the leased property to the lessee and right-of-use-assets are depreciated by the straight-line method over the lease period. Depreciation of leased properties that transfer ownership to the lessee are computed by the same method of the Group's owned properties.

The range of useful lives is principally from 3 to 60 years for buildings and structures, and from 4 to 10 years for machinery and equipment.

i. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Other Intangible Assets***—Other intangible assets are amortized by the straight-line method. Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period.

k. ***Accrued Expenses***—Accrued expenses include liabilities for indemnification of defective products, accrued bonuses to employees, bonuses to directors and Audit & Supervisory Board members, and environmental matters.
A liability for indemnification of defective products represents a provision for estimated compensation costs in the future related to quality of products.
Accrued bonuses to employees represent a provision for the estimated amount of payment corresponding to the fiscal year. Accrued bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.
Provision for environmental matters represents liabilities for environmental assessment and remediation activities in future periods in which responsibility is probable and costs can be reasonably estimated.

l. ***Retirement and Pension Plans***—The Company has unfunded and funded pension plans covering substantially all of their employees (excluding operating officers) and a retirement benefit plan for operating officers.
Two domestic consolidated subsidiaries have funded pension plans and 6 domestic consolidated subsidiaries have unfunded retirement benefit plans. Certain overseas consolidated subsidiaries have unfunded and funded retirement

benefit plans and a plan for medical benefits for retired employees.

The Company accounted for the liability for retirement benefits based on the projected benefit obligations and fair value of pension plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 14 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using different discount rates reflecting the estimated timing of the benefit payments.

m. ***Stock Ownership Plan*****—**In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the Company, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the Company for the stock held by the Trust, and (iii) any expenses relating to the Trust.

n. ***Research and Development Costs*****—**Research and development costs are charged to income as incurred.

o. ***Leases*****—**Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet. All other leases are accounted for as operating leases.

p. ***Income Taxes*****—**The provision for current income taxes is computed based on pretax income or loss included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured by applying the currently enacted income tax rates to the temporary differences.

q. ***Foreign Currency Transactions*****—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. ***Foreign Currency Financial Statements*****—**The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. ***Derivative Financial Instruments***—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and currency swaps are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

t. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance), with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Diluted net income per share is not presented as the Company does not have potential dilutive common shares.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the year, including dividends to be paid after the end of the year.

u. Assumptions of Accounting Estimates for the Spread of the 2019 Novel Coronavirus(Covid-19) Infection

—Although it is difficult to reasonably predict when the pandemic will be over, the auto parts industry saw a strong recovery particularly in the U.S. and China markets as of the end of the fiscal year ended March 31, 2021, and we assume that this situation will continue.

As the situation and impact of the COVID-19 spread 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 result in lockdown in various countries.

v. New Accounting Pronouncements

Revenue recognition — The ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition on March 31, 2020, and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," on March 26, 2021. The core principle of the standard and guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018. and the Company plans to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021.

The effect of applying the accounting standard and guidance on the consolidated financial statements will be an increase of ¥10 million ($ 93 thousand) in the beginning balance of retained earnings for the fiscal year ending March 31, 2022. The company is in the process of measuring the effect on the income statement.

w. Change in Presentation

(Statement of Cash flow)

Prior to April 1, 2020, "foreign exchange losses (gains)" was included in "other-net" of operating activities of the statement of cash flows. Since during this fiscal year ended March 31, 2021, the amount increased significantly, such amount is disclosed separately in "foreign exchange losses (gains)" of the statement of cash flows for the year ended March 31, 2021. As a result, "other-net" of 58 million for the year ended March 31, 2020 was reclassified to "foreign exchange (gains)" of ¥(383) million and "other-net" of ¥441 million under operating activities.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Valuation of intangible assets including goodwill

(1) Carrying amounts

Goodwill of ¥ 5,724 million ($51,571 thousand) (¥1,854 million ($ 16,703 thousand) for Iino Holding Ltd. and its subsidiaries (hereinafter referred to as the “Iino Group”) and ¥ 3,870 million ($ 34,868 thousand) for ATA Casting Technology Japan Co., Ltd. (hereinafter referred to as the “ATA Group”)), and customer-related assets of ¥ 3,180 million ($ 28,647 thousand) (¥ 2,504 million ($ 22,560 thousand) for Iino Group and ¥676 million ($ 6,087 thousand) for ATA Group.

(2) Information on the significant accounting estimate

To strengthen product offerings to existing customers of the Group, and diversify and expand products and businesses for the Group over the medium to long term, the Group acquired Iino Group and ATA Group in the fiscal year ended March 2017, categorizing both groups as “Parts for Automobiles Other than Bearings” segment, and recording intangible assets including goodwill in the consolidated balance sheets.
Subject to the identification of impairment indicators, an impairment test is carried out for a group of assets where goodwill has been allocated, assuming that there is an indication of impairment. The amounts allocated to intangible assets, including goodwill, are material.
The carrying amount of non-current assets including goodwill is ¥ 7,531 million ($ 67,844 thousand) for Iino Group and ¥ 8,368 million ($ 75,389 thousand) for ATA Group. The impairment tests show that the total amounts of future cash flow before discount exceed the amounts of carrying amount of non-current assets including goodwill, and therefore, there are no impairment losses to be recognized for both groups.
The cash flows before discount are calculated based on the figures presented in the medium-term business plans of both groups. Among these figures, net sales are obtained based on the production plan of product unit numbers with a higher order probability, taking into consideration the status or likelihood of acquisition of preliminary orders from customers. As for expenses, cost reduction effects through cutting labor expenses, promoting in-house manufacturing, and improving the efficiency of logistics are partially reflected in the plans.
When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts, including those amid the COVID-19 pandemic, or the cost reduction status, impairment losses may be recognized for the following fiscal years.

4. INVESTMENT SECURITIES

Investment securities at March 31, 2021 and 2020, consisted of only equity securities.
The costs and aggregate fair values of investment securities at March 31, 2021 and 2020, were as follows:

	Millions of Yen			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 898	¥ 1,846	¥ 0	¥ 2,744

	Millions of Yen			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value

Available-for-sale:				
Equity securities	¥ 877	¥ 936	¥ (19)	¥ 1,794

	Thousands of U.S. Dollars			
		Unrealized	Unrealized	Fair
March 31, 2020	Cost	Gains	Losses	Value
Available-for-sale:				
Equity securities	$ 8,094	$ 16,631	$ (4)	$ 24,721

Investment securities include financial instruments whose fair values cannot be reliably determined. The carrying amount of these financial instruments was ¥68 million ($610 thousand) and ¥76 million March 31, 2021 and 2020, respectively.
There were no impairment losses on available-for-sale equity securities and investments in nonconsolidated subsidiaries and an associated company for the year ended March 31, 2021 and 2020.

5. INVENTORIES

Inventories at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Merchandise	¥ 4,658	¥ 5,158	$ 41,961
Finished products	6,163	7,121	55,527
Work in process	8,381	9,040	75,503
Raw materials and supplies	6,327	6,889	56,998
Total	¥ 25,529	¥ 28,208	$ 229,989

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2021 and 2020. No impairment loss was recognized in 2021.
In 2020, the Group recognized impairment losses totaling ¥2,051 million as other expenses for Automotive Motor Bearings Plant in Narashino, Chiba and Kouzaki, Katori, Chiba Japan.
Due to continuing operating losses of that unit, the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2020.
The recoverable amount of the assets was measured at its value in use, and the discount rate used for computation of the present value of future cash flows was 5.59%.

7. INVESTMENT PROPERTY

The Group owns certain rental properties, such as office buildings and land in Nagoya and other areas. The net of rental income for those rental properties for the years ended March 31, 2021 and 2020, was ¥ 45 million ($409 thousand) and ¥188 million, respectively, and included in the “NET SALES” and “COST OF SALES” line items of the accompanying consolidated statement of income. The gain on sale of property for the year ended March 31, 2020 was ¥3,909 million and included in the “OTHER INCOME (EXPENSES)” line items of the accompanying consolidated statement of income. The gain on sale of property was not recognized in 2021.

In addition, the carrying amounts, changes in such balances, and market prices of such properties were as follows:

Millions of Yen							
Carrying Amount (1)						Fair Value (2)	
April 1, 2020		Increase/(Decrease)		March 31, 2021		March 31, 2021	
¥	748	¥	524	¥	1,272	¥	2,817

Millions of Yen							
Carrying Amount (1)						Fair Value (2)	
April 1, 2019		Increase/(Decrease)		March 31, 2020		March 31, 2020	
¥	760	¥	(12)	¥	748	¥	2,322

Thousands of U.S. Dollars							
Carrying Amount (1)						Fair Value (2)	
April 1, 2020		Increase/(Decrease)		March 31, 2021		March 31, 2021	
$	6,739	$	4,724	$	11,463	$	25,381

Notes:

1. The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. The fair value of properties as of March 31, 2021 and 2020, is measured by the Group in accordance with the Real Estate Appraisal Standard.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2021 and 2020, consisted of notes to banks and bank overdrafts. The average annual interest rates applicable to the short-term bank loans were 1.0% and 1.5% at March 31, 2021 and 2020, respectively.

The Group contracted bank overdraft agreements with 21 banks for efficient fund raising at March 31, 2021 and 2020. The Group was able to withdraw the maximum amount of 38,560 million ($347,388 thousand) and ¥28,366 million at March 31, 2021 and 2020, respectively. The outstanding balance of bank overdrafts at March 31, 2021 and 2020, was ¥3,550 million ($31,982 thousand) and ¥5,900 million, respectively.

Long-term debt at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans from banks and other financial institutions, with weighted-average interest rates of 0.7% in 2021 and 0.6% in 2020	¥ 28,921	¥ 27,652	$ 260,548
Lease obligations, with weighted-average interest rates of 2.4% in 2021 and 2.2% in 2020	2,974	4,391	26,787
Total	31,895	32,043	287,335
Less current portion	(8,504)	(7,850)	(76,610)
Long-term debt, less current portion	¥ 23,391	¥ 24,193	$ 210,725

Annual maturities of long-term debt at March 31, 2021, were as follows:

Years Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2022	¥	8,504	$	76,610
2023		8,015		72,204
2024		5,509		49,631
2025		6,006		54,108
2026		2,115		19,052
2027 and thereafter		1,746		15,730
Total	¥	31,895	$	287,335

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥2,121 million ($19,110 thousand) and long-term debt (including current portion) of ¥1,128 million ($10,166 thousand) at March 31, 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Land	¥	1,910	$	17,205
Buildings and structures—net of accumulated depreciation		511		4,604
Machinery and equipment—net of accumulated depreciation		1,164		10,485
Furniture and fixtures—net of accumulated depreciation		0		0
Total	¥	3,585	$	32,294

The carrying amounts of assets pledged as factory foundation mortgage collateral in the above assets for short-term bank loans of ¥1,550 million ($13,964 thousand) and long-term debt (including current portion) of ¥700 million ($6,306 thousand) at March 31, 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Land	¥	1,783	$	16,061
Buildings and structures—net of accumulated depreciation		12		110
Other property, plant and equipment—net of accumulated depreciation		0		0
Total	¥	1,795	$	16,171

9. RETIREMENT AND PENSION PLANS

The Company has a lump-sum retirement benefit plan and a non-contributory funded pension plan for employees. In conjunction with these benefit plans, the Company contributed securities to a trust. The Company implemented a defined contribution pension plan in October 2012, by which a portion of the lump-sum retirement benefit plan is terminated. Two domestic subsidiaries have funded defined benefit pension plans. Six domestic subsidiaries have lump-sum retirement benefit plans. Certain overseas subsidiaries have defined benefit pension plans or defined contribution pension plans, and one overseas consolidated subsidiary provides a postretirement medical care plan to its employees.

(a) Defined Benefit Pension Plans

(1) The changes in the defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021

Balance at beginning of year	¥ 19,256	¥ 19,124	$ 173,475
Service cost	1,102	1,191	9,928
Interest cost	78	48	704
Actuarial losses (gains)	96	(292)	863
Benefits paid	(710)	(832)	(6,397)
Others	(47)	17	(417)
Balance at end of year	¥ 19,775	¥ 19,256	$ 178,156

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 12,654	¥ 12,426	$ 113,999
Expected return on plan assets	239	234	2,154
Actuarial gains (losses)	1,260	(504)	11,352
Contributions from the employer	989	951	8,910
Benefits paid	(523)	(507)	(4,711)
Others	59	54	536
Balance at end of year	¥ 14,678	¥ 12,654	$ 132,240

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of the defined benefit obligation and plan assets at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 13,810	¥ 13,576	$ 124,417
Plan assets	(14,678)	(12,654)	(132,240)
	(868)	922	(7,823)
Unfunded defined benefit obligation	5,965	5,680	53,739
Net liability arising from defined benefit obligation	¥ 5,097	¥ 6,602	$ 45,916

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for employees' retirement benefits	¥ 7,207	¥ 6,968	$ 64,929
Asset for employees' retirement benefits	(2,110)	(366)	(19,013)
Net liability arising from defined benefit obligation	¥ 5,097	¥ 6,602	$ 45,916

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 1,102	¥ 1,191	$ 9,928
Interest cost	78	48	704
Expected return on plan assets	(239)	(234)	(2,154)
Recognized actuarial losses	472	464	4,249
Other	(6)	0	(53)
Net periodic benefit costs	¥ 1, 407	¥ 1, 469	$ 12,674

(5) Amounts recognized in other comprehensive income (before income taxes) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial losses	¥ (1,638)	¥ (252)	$ (14,759)
Total	¥ (1,638)	¥ (252)	$ (14,759)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial losses	¥ 1,136	¥ 2,775	$ 10,234
Total	¥ 1,136	¥ 2,775	$ 10,234

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2021	2020
Debt investments	21%	24%
Equity investments	36	32
Assets in an insurer's general account	16	17
Cash and cash equivalents	8	9
Others	19	18
Total	100%	100%

Retirement benefit trust for the Company’s defined retirement benefit plan accounted for 19% (19% in 2020) of total plan assets.

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	0.4%	0.4%
Expected rate of return on plan assets	1.9%	2.0%

(b) Defined Contribution Pension Plans

The Group's contributions to defined contribution pension plan funds for the years ended March 31, 2021 and 2020, were ¥364 million ($3,281 thousand) and ¥379 million, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that impact the financial and accounting matters of the Group are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OWNERSHIP PLAN

(a) Granting Company Stock to Employees 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 provide an employee welfare program, the Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan (hereinafter “the Incentive Plan”).

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 the Company’s shares up front for the amount ESPP will likely purchase over a certain period, financing the transaction with bank loans. Afterwards, the ESPP Trust will sell the Company’s shares to the ESPP for its periodical purchases. At the end of the trust period, if the ESPP Trust asset balance resulted in a positive position due to the accumulated gains on the Company’s shares, such residual assets will be distributed to members of the ESPP who meet beneficiary eligibility criteria. As the Company has guaranteed ESPP Trust for its bank borrowing in financing its purchase of the Company’s shares, any shortfalls in repayment at the end of Trust period, due to accumulated loss at ESPP Trust caused by a drop in the Company’s share price, will be repaid by the Company as a guarantor.

Residual shares in the ESPP Trust have been recorded as treasury stock under net assets at the book value in the trust (excluding ancillary expenses). ESPP trust held the treasury stock and long-term debt, which were included in the consolidated balance sheet of the Company as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Treasury stock	¥ 454	¥ 689	$ 4,089
(shares)	(604,000)	(917,100)	
Long-term debt	¥ 521	¥ 703	$ 4,693

(b) Performance-liked 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.

The Board Benefit Trust (“the BBT”) was created with the contribution from the Company. The BBT purchases the Company’s 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’s shares are granted to each of the Directors and Executive Officers when they retire from their position.

Residual shares in the BBT have been recorded as treasury stock under net assets at the book value in the trust (excluding ancillary expenses). BBT held the treasury stock which was included in the balance sheet of the Company as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Treasury stock	¥ 326	¥ 327	$ 2,941
(shares)	(431,900)	(432,900)	

12. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards	¥ 1,548	¥ 1,056	$ 13,945
Write-down of inventories	828	928	7,456
Depreciation	518	515	4,671
Impairment of long-lived assets	178	178	1,606
Write-down of investment securities	87	80	780
Write-down of golf membership	17	17	153
Allowance for doubtful accounts	30	78	272
Accrued bonuses	402	516	3,623
Liability for indemnification of defective products	17	46	149
Liability for employees' retirement benefits	2,458	2,342	22,147
Long-term accounts payable	58	67	524
Unrealized gains on intercompany transactions	1,068	1,223	9,618
Other	274	303	2,468
Total of tax loss carryforwards and temporary differences	7,483	7,349	67,412
Less valuation allowance for tax loss carryforwards	(1,289)	(1,036)	(11,616)
Less valuation allowance for temporary differences	(896)	(895)	(8,068)
Total valuation allowance	(2,185)	(1,931)	(19,684)
Deferred tax assets	5,298	5,418	47,728
Deferred tax liabilities:			
Deferred gain on property, plant and equipment	2,023	1,977	18,225
Unrealized gain on available-for-sale securities	567	282	5,110
Asset for employees' retirement benefits	646	112	5,823
Unrealized gain on net assets of consolidated subsidiaries	521	601	4,692
Undistributed earnings of foreign subsidiaries	784	785	7,062
Customer - related assets	818	884	7,367

Other	734	664	6,615
Deferred tax liabilities	6,093	5,305	54,894
Net deferred tax (liabilities) assets	¥ (795)	¥ 113	$ (7,166)

Notes: Valuation allowance increased by ¥254 million ($ 2,289 thousand) mainly due to increase in tax loss carryforwards and the related valuation allowances in consolidated subsidiaries.

The expiration of tax loss carryforwards and the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

	Millions of Yen						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 52	¥ 211	¥ 48	¥ 44	¥ 118	¥ 1,075	¥ 1,548
Less valuation allowances for tax loss carryforwards	(50)	(211)	(48)	(44)	(71)	(865)	(1,289)
Net deferred tax assets relating to tax loss carryforwards	2	-	-	-	47	210	259

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 47	¥ 125	¥ 89	¥ 47	¥ 45	¥ 703	¥ 1,056
Less valuation allowances for tax loss carryforwards	(44)	(125)	(89)	(47)	(45)	(686)	(1,036)
Net deferred tax assets relating to tax loss carryforwards	3	-	-	-	-	17	20

	Thousands of U.S. Dollars						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$ 467	$ 1,898	$ 432	$ 394	$ 1,062	$ 9,692	$ 13,945

Less valuation allowances for tax loss carryforwards	(449)	(1,898)	(432)	(394)	(642)	(7,801)	(11,616)
Net deferred tax assets relating to tax loss carryforwards	18	-	-	-	420	1,891	2,329

Note: Deferred tax assets of 259 million ($ 2,329 thousand) and ¥20 million are recognized related to tax loss carryforwards of ¥1,548 million ($ 13,945 thousand) and ¥1,056 million at March 31, 2021 and 2020, respectively. For the tax loss carryforwards recognized on the deferred tax assets, valuation allowance related to the portion of tax loss carryforwards is determined to be realizable based on the estimated future taxable income.

A reconciliation between the effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2020, is as follows:

	2021	2020
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	3.4	4.3
Income not recognized for tax purposes	(2.0)	(0.5)
Per capita tax	1.9	0.5
Effects of differences in income tax rates applicable to foreign subsidiaries	(2.7)	(1.6)
Amortization of goodwill not recognized for tax purposes	15.0	4.3
Equity in earnings of a non-consolidated subsidiary and an associated company	(0.6)	(0.8)
Net change in valuation allowance	17.3	17.4
Tax credit relating to R&D and other	(5.8)	(2.8)
Other—net	1.5	0.9
Actual effective tax rate	58.6%	52.3%

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 1,971 million ($ 17,759 thousand) and ¥2,105 million for the years ended March 31, 2021 and 2020, respectively.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Fare	¥ 2,022	¥ 2,091	$ 18,221
Outsourcing commission	1,318	1,264	11,873
Provision of allowance for doubtful accounts	(268)	104	(2,417)
Executive remuneration	592	562	5,333
Salary allowance	4,816	4,872	43,386
Provision for bonuses to employees	268	454	2,416

Provision for bonuses to directors and auditors	-	106	-
Provision for product warranties	(495)	186	(4,464)
Provision for retirement benefits	495	503	4,463
Welfare expense	1,005	1,249	9,057
Depreciation	945	860	8,516
Rent costs	1,105	1,073	9,959
Research and development costs	1,917	2,061	17,267
Other	4,485	5,903	40,399
Total	¥ 18,205	¥ 21,288	$ 164,009

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt, including bank loans and lease obligations, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group' ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities, mainly equity instruments of customers and suppliers of the Group or held for business alliances, are exposed to the risk of market price fluctuations.

Maturities of bank loans and lease obligations are over a period of up to 11 years after the balance sheet date. A portion of such bank loans and lease obligations is exposed to market risks from changes in variable interest rates.

Derivatives mainly include forward foreign currency contracts which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and foreign currency swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of long-term loans from banks. Please see Note 16 for more details about derivatives.

(3) *Risk Management for Financial Instruments*

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Market Risk Management (Foreign Exchange Risk and Interest Rate Risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

The basic principles for derivative transactions of the Company have been approved by management in accordance with the Company's policies which define transaction limits and trading rights. Consolidated subsidiaries also manage derivative transactions in accordance with the Group's policies or their own policies.

Liquidity Risk Management

The Group manages liquidity risk by maintaining the cash management plan according to reports from each department.

(4) *Fair Value of Financial Instruments*

The fair value of financial instruments is based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 16 for more details on fair values for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and cash equivalents	¥ 18,638	¥ 18,638	-
Time deposits	3,370	3,370	-
Receivables	26,230		
Allowance for doubtful accounts (*1)	(156)		
	26,074	26,074	-
Investment securities	2,744	2,744	-
Total	¥ 50,826	¥ 50,826	-
Short-term bank loans	¥ 26,576	¥ 26,576	-
Payables	17,656	17,656	-
Long-term debt, including current portion	31,895	32,046	¥ (151)
Total	¥ 76,127	¥ 76,278	¥ (151)

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and cash equivalents	¥ 19,170	¥ 19,170	-
Time deposits	3,306	3,306	-
Receivables	26,824		
Allowance for doubtful accounts (*1)	(342)		
	26,482	26,482	-
Investment securities	1,794	1,794	-
Total	¥ 50,752	¥ 50,752	-
Short-term bank loans	¥ 27,645	¥ 27,645	-
Payables	20,023	20,023	-
Long-term debt, including current portion	32,043	32,276	¥ (233)
Total	¥ 79,711	¥ 79,944	¥ (233)

	Thousands of U.S. Dollars		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and cash equivalents	$ 167,906	$ 167,906	-
Time deposits	30,361	30,361	-
Receivables	236,319		-
Allowance for doubtful accounts(*1)	(1,409)		
	234,910	234,910	-
Investment securities	24,721	24,721	-
Total	$ 457,898	$ 457,898	-
Short-term bank loans	$ 239,421	$ 239,421	-
Payables	159,059	159,059	-
Long-term debt, including current portion	287,335	288,702	$ (1,367)
Total	$ 685,815	$ 687,182	$ (1,367)

(*1)The allowance for doubtful accounts, which is presented separately from accounts receivable on the consolidated balance sheets, has been deducted.

Cash and Cash Equivalents, Time Deposits, Receivables, Payables, and Short-Term Bank Loans

The carrying values of cash and cash equivalents, time deposits, receivables, payables, and short-term bank loans approximate fair value because of their short maturities.

Investment Securities

The fair value of investment securities is measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Information related to the fair value of investment securities by classification is included in Note 4.

Long- Term Debt

Long-term debt is determined by discounting the cash flows related to the debt at the Group’s assumed corporate borrowing rate.
The fair value of such long-term debt was determined by discounting the cash flows estimated for payment of the long-term debt at the Group’s assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Carrying amounts of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investment securities	¥ 68	¥ 76	$ 610
Investments in non-consolidated subsidiaries and associated companies	2,220	2,193	19,996
Total	¥ 2,288	¥ 2,269	$ 20,606

(5) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Yen			
March 31, 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 18,638	-	-	-
Time deposits	3,370	-	-	-
Receivables	26,230	-	-	-
Total	¥ 48,238	-	-	-

	Thousands of U.S. Dollars			
March 31, 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 167,906	-	-	-
Time deposits	30,361	-	-	-
Receivables	236,319	-	-	-
Total	$ 434,586	-	-	-

Please see Note 8 for annual maturities of long-term debt.

16. DERIVATIVES

The Group enters into foreign currency forward contracts and currency swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

An accounting department of the Company is in charge of entering into such transactions based on an approved defined management policy on authority and limits on the maximum amount of derivative transactions. Consolidated subsidiaries also manage derivatives based on internal policies.

Derivative Transactions to Which Hedge Accounting is Not Applied

	Millions of Yen			
March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	¥ 472	-	¥ 1	¥ 1
Foreign currency swaps:				
Mexican peso payment, U.S. dollars receipt	299	-	8	8
Total	¥ 771	-	¥ 9	¥ 9

	Millions of Yen			
March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying yen				
Selling Thai baht	¥ 98	-	¥ 0	¥ 0
Foreign currency swaps:				
Mexican peso payment, U.S. dollars receipt	672	¥ 336	50	50
Total	¥ 770	¥ 336	¥ 50	¥ 50

	Thousands of U.S. Dollars			
March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	$ 4,249	-	$ 11	$ 11
Foreign currency swaps:				
Mexican peso payment, U.S. dollars receipt	2,698	-	72	72
Total	$ 6,947	-	$ 83	$ 83

17. CONTINGENT LIABILITIES

At March 31, 2021, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars	
Guarantees of employees' housing loans	¥	123	$	1,109
Export notes sold with recourse	¥	40	$	358

18. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2020		2021	
Unrealized gain (loss) on available-for-sale securities:						
Gains arising during the year	¥	928	¥	(795)	$	8,362
Reclassification adjustments to profit or loss		-		-		-
Amount before income tax effect		928		(795)		8,362
Income tax effect		(285)		243		(2,567)
Total	¥	643	¥	(552)	$	5,795
Foreign currency translation adjustments:						
Adjustments arising during the year	¥	(785)	¥	(99)	$	(7,072)
Total	¥	(785)	¥	(99)	$	(7,072)
Defined retirement benefit plans						
Adjustments arising during the year	¥	1,166	¥	(212)	$	10,510
Reclassification adjustments to profit or loss		472		464		4,249
Amount before income tax effect		1,638		252		14,759
Income tax effect		(503)		(67)		(4,534)
Total	¥	1,135	¥	185	$	10,225
Share of other comprehensive loss in a nonconsolidated subsidiary and an associated company						
Gains arising during the year	¥	34	¥	(10)	$	304
Total	¥	34	¥	(10)	$	304
Total other comprehensive loss	¥	1,027	¥	(476)	$	9,252

19. NET INCOME PER SHARE

Calculation of basic income per share for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	Net Income Per Share	
For the year ended March 31, 2021:				
Net income applicable to common shareholders	¥ 104	46,323	¥ 2.25	$ 0.02
For the year ended March 31, 2020:				
Net income applicable to common shareholders	¥ 2,741	47,067	¥ 58.22	$ 0.53

Diluted net income per share for the years ended March 31, 2021 and 2020, is not disclosed because the Group does not have shares which will dilute the per share information.

20. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 29,2021:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.09) per share	¥ 475	$ 4,279

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Disclosures about segments of an Enterprise and Related information,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Disclosures about segments of an Enterprise and Related information,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

   The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is performed in order to decide how resources are allocated among the Group.

   The Group mainly manufactures and sells bearings for the automotive, marine and construction machinery industries, dry bearings and special bearings for general industrial machinery, high-precision / high-quality parts for automotive engines and transmissions, and aluminum die cast automotive parts across the globe. Furthermore, the Group also manufactures and sells metallic dry bearings, rotary pumps, centralized lubrication equipment, electrode sheets for electric double layer capacitors and so on.

   The Group has four reportable segments which include manufacturing automotive motor bearings, automotive non-motor bearings, non-automotive bearings, and parts for automobiles other than bearings, to correspond to its customers’ business needs.

   (Changes in Reporting Segments)

   Effective April 1, 2020, in accordance with reconsidering the Group's business management classification, the Group made a reclassification of a portion of the “Automotive Motor Bearings” to “Automotive Non-Motor Bearings” and “Non-automotive Bearings”. The segment information for the year ended March 31, 2020, is also reclassified to conform to the new segments group.

2. Methods of Measurement for the Amounts of Sales, Profit(Loss), Assets, and Other Items for Each Reportable Segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

   Reportable segment profit represents operating income. Intersegment sales or transfer prices are based upon the current market price.

3. Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen								
	2021								
	Reportable Segment								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
Sales:									
Sales to external customers	¥ 46,719	¥ 15,941	¥ 10,263	¥ 10,358	¥ 83,281	¥ 1,440	¥ 84,721	-	¥ 84,721
Intersegment sales or transfers	428	83	29	372	912	605	1,517	¥ (1,517)	-
Total	¥ 47,147	¥ 16,024	¥ 10,292	¥ 10,730	¥ 84,193	¥ 2,045	¥ 86,238	¥ (1,517)	¥ 84,721
Segment profit (loss)	¥ 6,052	¥ 1,829	¥ 1,459	¥ (1,852)	¥ 7,488	¥ 319	¥ 7,807	¥ (6,491)	¥ 1,316
Segment assets	73,768	19,871	10,400	29,490	133,529	2,077	135,606	19,570	155,176
Other:									
Depreciation and amortization	4,256	1,163	510	1,973	7,902	45	7,947	844	8,791
Amortization of goodwill	-	-	-	709	709	-	709	-	709
Investments in associated companies that are accounted for by the equity method	840	991	-	361	2,192	-	2,192	-	2,192
Increase in property, plant and equipment and intangible assets	2,561	788	353	1,794	5,496	57	5,553	2,575	8,128

	Millions of Yen								
	2020								
	Reportable Segment								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
Sales:									
Sales to external customers	¥ 56,686	¥ 17,395	¥ 10,905	¥ 13,444	¥ 98,430	¥ 1,730	¥ 100,160	-	¥ 100,160
Intersegment sales or transfers	533	144	38	314	1,029	698	1,727	¥ (1,727)	-
Total	¥ 57,219	¥ 17,539	¥ 10,943	¥ 13,758	¥ 99,459	¥ 2,428	¥ 101,887	¥ (1,727)	¥ 100,160
Segment profit	¥ 7,046	¥ 2,746	¥ 1,694	¥ (813)	¥ 10,673	¥ 512	¥ 11,185	¥ (7,016)	¥ 4,169
Segment assets	80,453	20,832	12,272	30,422	143,979	1,684	145,663	13,877	159,540
Other:									
Depreciation and amortization	4,864	1,256	568	1,813	8,501	51	8,552	966	9,518
Amortization of goodwill	70	-	-	687	757	-	757	-	757
Investments in associated companies that are accounted for by the equity method	801	964	-	382	2,147	-	2,147	-	2,147
Increase in property, plant and equipment and intangible assets	4,229	971	352	3,625	9,177	40	9,217	1,640	10,857

Thousands of U.S. Dollars

2021

	Reportable Segment: Automotive Motor Bearings	Reportable Segment: Automotive Non-Motor Bearings	Reportable Segment: Non-automotive Bearings	Reportable Segment: Parts for Automobiles Other than Bearings	Reportable Segment: Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
Sales:									
Sales to external customers	$ 420,891	$ 143,611	$ 92,457	$ 93,318	$ 750,277	$ 12,974	$ 763,251	-	$ 763,251
Intersegment sales or transfers	3,853	751	263	3,350	8,217	5,446	13,663	$ (13,663)	-
Total	$ 424,744	$ 144,362	$ 92,720	$ 96,668	$ 758,494	$ 18,420	$ 776,914	$ (13,663)	$ 763,251
Segment profit (loss)	$ 54,527	$ 16,480	$ 13,141	$ (16,693)	$ 67,455	$ 2,873	$ 70,328	$ (58,474)	$ 11,854
Segment assets	664,581	179,016	93,689	265,678	1,202,964	18,712	1,221,676	176,310	1,397,986
Other:									
Depreciation and amortization	38,343	10,479	4,593	17,771	71,186	406	71,592	7,606	79,198
Amortization of goodwill	-	-	-	6,392	6,392	-	6,392	-	6,392
Investments in associated companies that are accounted for by the equity method	7,566	8,932	-	3,248	19,746	-	19,746	-	19,746
Increase in property, plant and equipment and intangible assets	23,069	7,101	3,176	16,166	49,512	513	50,025	23,204	73,229

Notes:

1. Other includes real estate leases, oil-less metal bearings, rotary pumps businesses, and electrode sheets for electric double layer capacitors.
2. Reconciliations are as follows:

(1) The reconciliation for segment profit of ¥6,491 million ($58,474 thousand) and ¥7,016 million as of March 31, 2021 and 2020, respectively, includes corporate-wide costs of ¥6,504 million ($58,598 thousand) and ¥7,032 million, respectively, and the elimination of intersegment transactions of ¥13 million ($124 thousand) and ¥16 million, respectively.

Corporate-wide costs, which are not allocated to reportable segments, principally consist of general and administrative expenses.

(2) The reconciliation for segment assets of ¥19,570 million ($176,310 thousand) and ¥13,877 million as of March 31, 2021 and 2020, respectively, includes corporate assets of ¥26,861 million ($241,991 thousand) and ¥17,806 million, respectively, and the elimination of intercompany transactions of ¥7,291 million ($65,681 thousand) and ¥3,929 million, respectively.

Corporate assets, which are not allocated to reportable segments, principally consist of the central office in Nagoya.

(3) The reconciliation for depreciation of ¥844 million ($7,606 thousand) and ¥966 million as of March 31, 2021 and 2020, respectively, relates to the depreciation of corporate assets.

(4) The reconciliation for the increase in property, plant and equipment and intangible assets of ¥ 2,575 million ($23,204 thousand) and ¥1,640 million as of March 31, 2021 and 2020, respectively, relates to the investment in corporate assets.

Associated Information

1. Information about geographical areas

(1) Sales

Millions of Yen						
2021						
Japan	North America	Asia (excl. China)	China	Europe	Other	Total
¥39,526	¥7,563	¥16,685	¥8,546	¥9,064	¥3,337	¥84,721

Millions of Yen						
2020						
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Other	Total
¥45,594	¥ 9,788	¥ 16,378	¥ 11,960	¥ 12,510	¥ 3,930	¥ 100,160

Thousands of U.S. Dollars						
2021						
Japan	North America	Asia (excl. China)	China	Europe	Other	Total
$356,089	$68,131	$150,317	$76,993	$81,654	$30,067	$763,251

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen					
2021					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
¥ 30,643	¥ 5,092	¥ 6,454	¥ 9,241	¥ 6,502	¥ 57,932

Millions of Yen					
2020					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
¥ 32,592	¥ 6,172	¥ 6,302	¥ 9,169	¥ 6,739	¥ 60,974

Thousands of U.S. Dollars					
2021					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
$ 276,065	$ 45,871	$ 58,145	$ 83,250	$ 58,576	$ 521,907

2. Information about Impairment of Long-Lived Assets

Not applicable for the current period.

	Millions of Yen								
	2020								
	Reportable Segments								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Loss on impairment of long-lived assets	¥ 2,051	-	-	-	¥ 2,051	-	¥ 2,051	-	¥ 2,051

3. Information about Goodwill

	Millions of Yen								
	2021								
	Reportable Segments								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	¥ 5,724	¥ 5,724	-	¥ 5,724	-	¥ 5,724

	Millions of Yen								
	2020								
	Reportable Segments								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	¥ 6,193	¥ 6,193	-	¥ 6,193	-	¥ 6,193

	Thousands of U.S. Dollars								
	2021								
	Reportable Segments								
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	$ 51,571	$ 51,571	-	$ 51,571	-	$ 51,571

Note: Please see segment information for details about the amortization of goodwill.

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