

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

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

Company name: Daido Metal Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 7245
 URL: <https://www.daidometal.com/>
 Representative: Seigo Hanji Chairman and Chief Executive Officer
 Contact: Hiroki Iwakura Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled date of filing quarterly securities report: February 10, 2022
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 to December 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	%
Nine months ended December 31, 2021	76,073	28.6	4,079	—	3,950	—	1,941	—
December 31, 2020	59,160	(20.9)	(1,608)	—	(2,064)	—	(2,282)	—

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 3,184 million [— %]
 Nine months ended December 31, 2020: ¥ (3,491) million [— %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	41.68	—
December 31, 2020	(49.31)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2021	161,810	66,433	36.1
March 31, 2021	155,176	64,538	36.3

(Reference) Net assets less non-controlling interests: As of December 31, 2021: 58,448 million
 As of March 31, 2021: 56,388 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2022	—	10.00	—		
Fiscal year ending March 31, 2022 (Forecast)				15.00	25.00

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

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
Full year	100,000	18.0	4,900	272.4	4,850	454.8	2,200	—	47.22

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

For details, please refer to page 10, “(4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policy”

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

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

December 31, 2021: 47,520,253 shares

March 31, 2021: 47,520,253 shares

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

December 31, 2021: 785,014 shares

March 31, 2021: 1,036,793 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 46,588,227 shares

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

Note: The Company introduced an E-Ship® Trust-Type Employee Stock Purchase Incentive Plan and a performance-linked stock-based remuneration for Directors and Executive Officers. For the calculation of total number of treasury shares at the end of the period and average number of shares during the period, Company shares held in the trusts are included in treasury shares to be deducted.

* Numbers in parentheses denote negative numbers.

* This financial result is not required to be reviewed by certificated public accountants or audit firm.

* Explanation of appropriate use of earnings projections, other explanatory notes

Future prospects are prepared as information purpose only, based on the information available to us at this moment, and are under certain condition which we assumed reasonable. We will not guarantee the realization of such prospects and actual performance fluctuates due to various factors.

1. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Current assets		
Cash and deposits	22,007	22,270
Notes and accounts receivable - trade	23,069	24,356
Electronically recorded monetary claims - operating	2,393	3,256
Merchandise and finished goods	10,821	13,783
Work in process	8,380	9,810
Raw materials and supplies	6,326	7,403
Other	2,510	2,120
Allowance for doubtful accounts	(267)	(120)
Total current assets	75,242	82,879
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,198	16,641
Machinery, equipment and vehicles, net	24,497	23,961
Other, net	16,234	16,704
Total property, plant and equipment	57,931	57,307
Intangible assets		
Goodwill	5,724	5,081
Other	6,898	6,610
Total intangible assets	12,623	11,691
Investments and other assets		
Investments and other assets	9,431	9,983
Allowance for doubtful accounts	(52)	(51)
Total investments and other assets	9,379	9,932
Total non-current assets	79,934	78,930
Total assets	155,176	161,810

(Million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,192	7,520
Electronically recorded obligations - operating	8,069	10,743
Short-term borrowings	26,575	24,347
Current portion of long-term borrowings	7,604	7,666
Income taxes payable	415	995
Provision for bonuses	1,269	879
Provision for bonuses for directors (and other officers)	—	63
Provision for product compensation	70	129
Provision for environmental measures	33	4
Electronically recorded obligations - non-operating	501	625
Other	6,719	8,002
Total current liabilities	57,452	60,978
Non-current liabilities		
Long-term borrowings	21,315	22,031
Provision for share-based remuneration	16	39
Provision for share-based remuneration for directors (and other officers)	30	32
Provision for loss on guarantees	145	131
Retirement benefit liability	7,207	7,593
Asset retirement obligations	17	17
Other	4,453	4,551
Total non-current liabilities	33,185	34,398
Total liabilities	90,637	95,377
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,609	37,611
Treasury shares	(780)	(591)
Total shareholders' equity	57,356	58,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	995	931
Foreign currency translation adjustment	(1,170)	(429)
Remeasurements of defined benefit plans	(793)	(602)
Total accumulated other comprehensive income	(968)	(99)
Non-controlling interests	8,150	7,985
Total net assets	64,538	66,433
Total liabilities and net assets	155,176	161,810

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	59,160	76,073
Cost of sales	47,232	55,921
Gross profit	11,928	20,152
Selling, general and administrative expenses	13,536	16,072
Operating profit (loss)	(1,608)	4,079
Non-operating income		
Interest income	51	39
Dividend income	49	69
Foreign exchange gains	—	59
Share of profit of entities accounted for using equity method	—	76
Other	375	180
Total non-operating income	477	424
Non-operating expenses		
Interest expenses	553	455
Share of loss of entities accounted for using equity method	7	—
Foreign exchange losses	249	—
Other	122	98
Total non-operating expenses	932	554
Ordinary profit (loss)	(2,064)	3,950
Extraordinary income		
Gain on sale of non-current assets	188	—
Total extraordinary income	188	—
Profit before income taxes (loss)	(1,875)	3,950
Income taxes - current	425	1,587
Income taxes - deferred	(39)	(6)
Total income taxes	385	1,580
Profit (loss)	(2,261)	2,369
Profit attributable to non-controlling interests	21	427
Profit (loss) attributable to owners of parent	(2,282)	1,941

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit (loss)	(2,261)	2,369
Other comprehensive income		
Valuation difference on available-for-sale securities	390	(62)
Foreign currency translation adjustment	(1,819)	681
Remeasurements of defined benefit plans, net of tax	249	186
Share of other comprehensive income of entities accounted for using equity method	(51)	8
Total other comprehensive income	(1,230)	814
Comprehensive income	(3,491)	3,184
Comprehensive income attributable to		
owners of parent	(3,089)	2,810
non-controlling interests	(401)	373

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Cash flows from operating activities		
Profit (loss) before income taxes	(1,875)	3,950
Depreciation	6,381	6,812
Amortization of goodwill	523	523
Share of loss (profit) of entities accounted for using equity method	7	(76)
Increase (decrease) in allowance for doubtful accounts	(134)	(159)
Increase (decrease) in provision for bonuses	(990)	(396)
Increase (decrease) in provision for bonuses for directors (and other officers)	(105)	63
Increase or decrease in net defined benefit asset and liability	303	191
Increase (decrease) in provision for share-based remuneration	6	22
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	10	2
Increase (decrease) in provision for environmental measures	(17)	(28)
Increase (decrease) in provision for loss on guarantees	6	(14)
Interest and dividend income	(101)	(108)
Interest expenses	553	455
Loss (gain) on sale of non-current assets	(188)	—
Decrease (increase) in trade receivables	1,462	(1,627)
Decrease (increase) in inventories	957	(4,943)
Increase (decrease) in trade payables	(3,112)	3,631
Increase (decrease) in accrued consumption taxes	(244)	203
Increase (decrease) in other liabilities	91	1,842
Other, net	1,062	832
Subtotal	4,597	11,177
Interest and dividends received	91	110
Dividends received from entities accounted for using equity method	—	9
Interest paid	(527)	(458)
Income taxes paid	(1,249)	(1,076)
Net cash provided by (used in) operating activities	2,910	9,763

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Cash flows from investing activities		
Payments into time deposits	(1,430)	(2,180)
Proceeds from withdrawal of time deposits	2,011	1,374
Purchase of investment securities	(15)	(23)
Proceeds from sale of investment securities	5	—
Purchase of property, plant and equipment	(5,865)	(4,810)
Proceeds from sale of property, plant and equipment	1,083	7
Purchase of intangible assets	(1,015)	(430)
Loan advances	(226)	(26)
Proceeds from collection of loans receivable	185	40
Other, net	(13)	73
Net cash provided by (used in) investing activities	(5,280)	(5,976)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,370	(2,902)
Proceeds from long-term borrowings	6,766	5,213
Repayments of long-term borrowings	(3,493)	(4,656)
Proceeds from sale and leaseback transactions	—	231
Repayments of finance lease obligations	(1,083)	(862)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	136	137
Dividends paid	(1,159)	(922)
Dividends paid to non-controlling interests	(180)	(614)
Net cash provided by (used in) financing activities	6,357	(4,376)
Effect of exchange rate change on cash and cash equivalents	(461)	222
Net increase (decrease) in cash and cash equivalents	3,525	(366)
Cash and cash equivalents at beginning of period	19,170	18,637
Cash and cash equivalents at end of period	22,696	18,270

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Material Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policy)

(Adoption of Accounting standard for revenue recognition, etc.)

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the fiscal year ending March 31, 2022, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers. The main changes resulting from the application are as follows.

(1) Consideration paid to customers

The Group previously recorded revenue from fee-based payment transactions, etc., in which raw materials, etc. are purchased from customers and processed, and then such processed products are sold to those customers, at the gross amount of consideration including the purchase price of the raw materials, etc. Effective from the beginning of the fiscal year ending March 31, 2022, the Group records revenue at the net amount of consideration excluding the purchase price of raw materials, etc.

(2) Export transactions of semi-finished goods

The Group previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to the trading company. Effective from the beginning of the fiscal year ending March 31, 2022, the Group records revenue upon arrival of the semi-finished products at customers.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, was added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy has been applied from the beginning balance of the period under review.

As a result of this change, for the third quarter of the current period ended December 31, 2021, net sales and cost of sales decreased by 168 million JPY, respectively, compared with the previous method. The balance of retained earnings at the beginning of the fiscal year increased by 10 million JPY.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification using the new presentation has been made to the consolidated financial statements of the fiscal year ended March 31, 2021.

(Adoption of Accounting Standard for Fair Value Measurement)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the fiscal year ending March 31, 2022, and will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Additional Information)

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

There were no significant changes from the content described in " (Additional Information) (Assumptions of Accounting Estimates for the Impact of COVID-19 spread) " in the Consolidated Financial Results for the previous consolidated fiscal year.

(Segment Information)

I Third quarter of previous period (from April 1, 2020 to December 31, 2020)

1. Information on sales and profit (loss) by each reporting segment

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	32,737	10,798	7,517	6,994	58,048	1,111	59,160
Internal sales or transfer between segments	305	57	13	289	665	457	1,123
Total	33,043	10,856	7,530	7,284	58,714	1,569	60,284
Segment profit(loss)	2,220	1,058	1,246	(1,555)	2,969	263	3,233

(*) "Others" includes business areas not included in above reporting segments. It includes electrode sheets for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.

2. Reconciliation between total reporting segment profit (loss) and profit (loss) reported in Quarterly Consolidated Statements of Income

(Unit JPY million)

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

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

II Third quarter of current period (from April 1, 2021 to December 31, 2021)

1. Information on sales and profit (loss) by each reporting segment

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	42,170	15,032	8,128	9,667	74,999	1,074	76,073
Internal sales or transfer between segments	585	74	28	516	1,205	499	1,704
Total	42,755	15,107	8,157	10,184	76,204	1,573	77,778
Segment profit(loss)	6,492	2,549	1,182	(1,034)	9,190	251	9,442

(*) "Others" includes business areas not included in above reporting segments. It includes electrode sheets for electric double layer capacitors, the metallic dry bearings business, pump-related products businesses, and real estate leasing business.

2. Reconciliation between total reporting segment profit (loss) and profit (loss) reported in Quarterly Consolidated Statements of Income

(Unit JPY million)

Profit	Amount
Reporting segments total	9,190
Profit from "Others" category	251
Elimination of intersegment transactions	3
Unattributable costs (*)	(5,365)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	4,079

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

3. Changes in Reporting Segments

As stated under the "Change in Accounting Policy", Accounting Standards for Revenue Recognition, etc. has been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each business segment has also been changed.

As a result of this change, for the third quarter of the current period ended December 31, 2021, net sales of "Automotive non-engine bearings" decreased by 86 million JPY, and net sales of "Other automotive parts" decreased by 81 million JPY, compared with the previous method.