

Daido Metal Co., Ltd.  
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022,  
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, 2022, 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, 2022, 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
<b>Valuation of intangible assets including goodwill.</b>	
<p>As stated in the Note 3 to the consolidated financial statements, goodwill of ¥5,153 million and customer related assets of ¥3,143 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, 2022.</p> <p>In determining whether impairment indicators are identified, an impairment test is carried out for a larger unit, which consists of goodwill, customer-related asset and group of assets in which goodwill has been allocated, assuming that there is an indication of impairment and the amount of the purchase price allocated to intangible assets, including goodwill, is material.</p> <p>When recognizing and measuring the impairment loss, the recoverable amount is based on the 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.</p> <p>The significant assumptions used in estimating the value in use involve the projection of sales quantities, reflection of price changes in major raw materials to selling prices in response to market fluctuations and the estimation of progress in measures to reduce production cost, which are the basis of the business plan made by management.</p> <p>The projection of sales quantities of the ATA Group was calculated based on the production plan for product items with high order accuracy, considering estimated orders supported by the current forecasted receipts from customers, and also involves a high degree of uncertainty due to the impact of COVID-19. In addition, reflection of price changes in aluminum bullion of a major raw material to selling prices in response to market fluctuations were partially incorporated into the business plan.</p>	<p>Our audit procedures to test the valuation of intangible assets, including goodwill, included the following, among others:</p> <p>-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.</p> <p>In addition, we assessed the accuracy of the future business plan by comparing the medium-term management plan in prior years with the actual results.</p> <p>-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, and 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. In addition, we inspected the estimates to determine whether market fluctuations in aluminum bullion of a major raw material were regularly reflected on selling prices, inquired of management on the assumptions used for estimating profitability of the new orders and method of reducing production costs and evaluated the reasonableness of the assumptions used by management.</p> <p>-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, and inquired of management whether the measures specifically planned to contain production cost increases were feasible and evaluated the reasonableness of the assumptions used by management.</p> <p>We also performed a sensitivity analysis to assess the reasonableness of highly uncertain assumptions and projections used in estimating the value in use of the assets.</p>

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 requires careful consideration as the assumptions above have a significant impact on estimated undiscounted future cash flows.

Therefore, we determined the valuation of intangible assets, including goodwill, resulting from the acquisition of the ATA Group and the Iino Group as a key audit matter.

## Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

## 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



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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.

*Deloitte Touche Tohmatsu LLC*

July 14, 2022

**CONSOLIDATED BALANCE SHEET**  
**MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 17)	¥ 18,868	¥ 18,638	\$ 154,657
Time deposits (Note 17)	4,150	3,370	34,018
Receivables (Notes 14 and 17):			
Trade notes	3,840	3,438	31,475
Trade accounts	22,424	20,502	183,804
Non-consolidated subsidiaries and associated companies	1,026	1,528	8,408
Other	773	762	6,332
Inventories (Notes 6 and 9)	33,546	25,529	274,963
Other current assets	1,429	1,742	11,713
Allowance for doubtful accounts	(127)	(267)	(1,038)
Total current assets	<u>85,929</u>	<u>75,242</u>	<u>704,332</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Notes 8 and 9)	9,876	9,727	80,949
Buildings and structures (Notes 8 and 9)	37,885	36,853	310,531
Machinery and equipment (Note 9)	105,755	100,270	866,848
Furniture and fixtures (Note 9)	7,837	7,384	64,235
Lease assets	5,013	4,964	41,094
Construction in progress	2,578	2,207	21,130
Total	<u>168,944</u>	<u>161,405</u>	<u>1,384,787</u>
Accumulated depreciation	(111,653)	(103,473)	(915,187)
Net property, plant and equipment	<u>57,291</u>	<u>57,932</u>	<u>469,600</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 5 and 17)	3,120	2,812	25,575
Investments in non-consolidated subsidiaries and associated companies (Note 17)	2,330	2,220	19,100
Long-term loans	213	188	1,741
Goodwill	5,153	5,724	42,235
Other intangible assets	6,344	6,899	52,003
Asset for employees' retirement benefits (Note 10)	3,203	2,110	26,255
Deferred tax assets (Note 13)	1,541	1,153	12,633
Other investments and other assets	1,084	949	8,888
Allowance for doubtful accounts	(52)	(53)	(430)
Total investments and other assets	<u>22,936</u>	<u>22,002</u>	<u>188,000</u>
<b>TOTAL ASSETS</b>	<u>¥ 166,156</u>	<u>¥ 155,176</u>	<u>\$ 1,361,932</u>

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

**CONSOLIDATED BALANCE SHEET**  
**MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 9)	¥ 27,056	¥ 26,576	\$ 221,770
Current portion of long-term debt (Notes 9 and 17)	8,402	8,504	68,869
Payables:			
Trade notes and accounts	19,644	14,212	161,014
Non-consolidated subsidiaries and associated companies	42	53	349
Acquisitions of property, plant and equipment	784	1,372	6,423
Other	2,689	2,019	22,039
Income taxes payable	1,522	416	12,479
Contract liabilities (Notes 4 and 14)	88	-	723
Accrued expenses	3,907	3,494	32,021
Other current liabilities	1,281	806	10,496
Total current liabilities	<u>65,415</u>	<u>57,452</u>	<u>536,183</u>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9 , 12 and 17)	21,671	23,391	177,631
Liability for employees' retirement benefits (Note 10)	7,515	7,207	61,596
Provision for share-based remuneration	49	16	402
Provision for share-based remuneration for directors	41	30	340
Provision for loss on guarantees	144	145	1,179
Asset retirement obligations	18	18	145
Deferred tax liabilities (Note 13)	2,201	1,948	18,043
Other long-term liabilities	407	430	3,334
Total long-term liabilities	<u>32,046</u>	<u>33,185</u>	<u>262,670</u>
<b>CONTINGENT LIABILITIES (Note 19)</b>			
<b>EQUITY (Note 11):</b>			
Common stock,			
Authorized: 80,000,000 shares in 2022 and 2021			
Issued: 47,520,253 shares in 2022 and 2021	8,413	8,413	68,963
Capital surplus	13,114	13,114	107,495
Retained earnings	37,567	36,610	307,929
Treasury stock, at cost			
743,664 shares in 2022 and 1,036,793 shares in 2021 (Note12)	(560)	(781)	(4,596)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	981	995	8,045
Foreign currency translation adjustments	907	(1,170)	7,431
Defined retirement benefit plans	(83)	(793)	(677)
Total	<u>60,339</u>	<u>56,388</u>	<u>494,590</u>
Non-controlling interests	8,356	8,151	68,489
Total equity	<u>68,695</u>	<u>64,539</u>	<u>563,079</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>¥ 166,156</u>	<u>¥ 155,176</u>	<u>\$ 1,361,932</u>

See notes to consolidated financial statements.

(Concluded)



**Daido Metal Co., Ltd. and Consolidated Subsidiaries**

**CONSOLIDATED STATEMENT OF INCOME  
YEAR ENDED MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET SALES (Notes 4 and 14)	¥ 104,024	¥ 84,721	\$ 852,658
COST OF SALES (Notes 4 and 15)	77,266	65,200	633,330
Gross profit	26,758	19,521	219,328
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 15 and 16)	21,716	18,205	177,997
Operating income	5,042	1,316	41,331
OTHER INCOME (EXPENSES):			
Interest and dividend income	155	147	1,272
Interest expense	(621)	(710)	(5,088)
Foreign exchange gain (loss)	227	(111)	1,861
Equity in earnings of non-consolidated subsidiaries and associated companies	109	26	892
(Loss) gain on sales and disposals of property, plant and equipment (Note 8)	(218)	532	(1,790)
Subsidy income	62	236	507
Impairment loss on long-lived assets (Note 7)	(457)	-	(3,743)
Other—net	81	10	656
Other (expenses) income—net	(662)	130	(5,433)
INCOME BEFORE INCOME TAXES	4,380	1,446	35,898
INCOME TAX EXPENSE (Note 13):			
Current	2,365	737	19,383
Deferred	(480)	111	(3,935)
Total income taxes	1,885	848	15,448
NET INCOME	2,495	598	20,450
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	597	494	4,894
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 1,898	¥ 104	\$ 15,556
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2v. and 21):			
Basic net income	¥ 40.70	¥ 2.25	\$ 0.33
Cash dividends applicable to the year	25.00	20.00	0.20

See notes to consolidated financial statements.

Daido Metal Co., Ltd. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥ 2,495	¥ 598	\$ 20,450
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized (loss) gain on available-for-sale securities	(13)	643	(105)
Foreign currency translation adjustments	2,191	(785)	17,956
Remeasurements of defined retirement benefit plans	740	1,135	6,068
Share of other comprehensive income in nonconsolidated subsidiaries and associated companies	62	34	511
Total other comprehensive income	<u>2,980</u>	<u>1,027</u>	<u>24,430</u>
COMPREHENSIVE INCOME	<u>¥ 5,475</u>	<u>¥ 1,625</u>	<u>\$ 44,880</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,672	¥ 1,352	\$ 38,293
Non-controlling interests	803	273	6,587

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEAR ENDED MARCH 31, 2022**

	Thousands	Millions of Yen									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-Controlling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance at April 1, 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		-	0	-	-	-	-	-	0	-	0
Net changes in the year		-	-	-	-	634	(516)	1,129	1,247	(30)	1,217
Balance at March 31, 2021 (April 1, 2021, as previously reported)	46,484	8,413	13,114	36,610	(781)	995	(1,170)	(793)	56,388	8,151	64,539
Cumulative effect of accounting change (Note.4)		-	-	10	-	-	-	-	10	-	10
Balance at April 1, 2021 (as restated)	46,484	8,413	13,114	36,620	(781)	995	(1,170)	(793)	56,398	8,151	64,549
Net income attributable to owners of the parent		-	-	1,898	-	-	-	-	1,898	-	1,898
Cash dividends, interim and year-end, ¥20 per share		-	-	(951)	-	-	-	-	(951)	-	(951)
Decrease in treasury stock	293	-	-	-	221	-	-	-	221	-	221
Net changes in the year		-	-	-	-	(14)	2,077	710	2,773	205	2,978
Balance at March 31, 2022	46,777	¥ 8,413	¥ 13,114	¥ 37,567	¥ (560)	¥ 981	¥ 907	¥ (83)	¥ 60,339	¥ 8,356	¥ 68,695

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-Controlling Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance at March 31, 2021 (April 1, 2021, as previously reported)	\$ 68,963	\$ 107,495	\$ 300,079	\$ (6,400)	\$ 8,157	\$ (9,592)	\$ (6,503)	\$ 462,199	\$ 66,806	\$ 529,005
Cumulative effect of accounting change (Note.4)	-	-	85	-	-	-	-	85	-	85
Balance at April 1, 2021 (as restated)	68,963	107,495	300,164	(6,400)	8,157	(9,592)	(6,503)	462,284	66,806	529,090
Net income attributable to owners of the parent	-	-	15,556	-	-	-	-	15,556	-	15,556
Cash dividends, interim and year-end, \$0.16 per share	-	-	(7,791)	-	-	-	-	(7,791)	-	(7,791)
Decrease in treasury stock	-	-	-	1,804	-	-	-	1,804	-	1,804
Net changes in the year	-	-	-	-	(112)	17,023	5,826	22,737	1,683	24,420
Balance at March 31, 2022	\$ 68,963	\$ 107,495	\$ 307,929	\$ (4,596)	\$ 8,045	\$ 7,431	\$ (677)	\$ 494,590	\$ 68,489	\$ 563,079

See notes to consolidated financial statements.

**Daido Metal Co., Ltd. and Consolidated Subsidiaries**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 4,380	¥ 1,446	\$ 35,898
Adjustments for:			
Income taxes—paid	(1,291)	(1,265)	(10,580)
Depreciation and amortization	9,240	8,791	75,739
Impairment loss on long-lived assets	457	-	3,743
Amortization of goodwill	725	709	5,941
Foreign exchange losses	486	847	3,980
Loss (gain) on sales and disposals of property, plant and equipment, net	218	(532)	1,790
Equity in earnings of non-consolidated subsidiaries and associated companies	(109)	(26)	(892)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(912)	351	(7,471)
Decrease in allowance for doubtful accounts	(157)	(175)	(1,289)
(Increase) decrease in inventories	(7,046)	2,313	(57,752)
Increase (decrease) in notes and accounts payable	4,812	(1,135)	39,446
Increase in liability for employees' retirement benefits	207	140	1,699
Increase in provision for share-based remuneration	33	8	268
Increase in provision for share-based remuneration for directors	11	13	93
Decrease in provision for loss on guarantees	(2)	(41)	(13)
Other—net	2,155	(1,346)	17,658
Total adjustments	8,827	8,652	72,360
Net cash provided by operating activities	13,207	10,098	108,258
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(6,453)	(6,645)	(52,897)
Proceeds from sales of property, plant and equipment	6	1,197	46
Acquisition of investment securities	(328)	(22)	(2,690)
Purchases of intangible assets	(487)	(1,610)	(3,989)
Payments into time deposits	(4,859)	(3,334)	(39,827)
Proceeds from withdrawal of time deposits	4,002	3,103	32,803
Other—net	47	268	389
Net cash used in investing activities	(8,072)	(7,043)	(66,165)
<b>FORWARD</b>	¥ 5,135	¥ 3,055	\$ 42,093

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
FORWARD	¥ 5,135	¥ 3,055	\$ 42,093
<b>FINANCING ACTIVITIES:</b>			
Net decrease in short-term bank loans	(800)	(1,469)	(6,556)
Proceeds from long-term bank loans	6,641	9,694	54,433
Repayment of long-term bank loans	(8,681)	(8,306)	(71,156)
Proceeds from treasury stock, net	162	164	1,331
Dividends paid, including payment to non-controlling interests	(1,591)	(1,389)	(13,045)
Proceeds from sales and leasebacks	245	359	2,008
Repayment of finance lease obligations	(1,052)	(2,151)	(8,622)
Net cash used in financing activities	(5,076)	(3,098)	(41,607)
<b>FOREIGN CURRENCY TRANSLATION</b>			
<b>ADJUSTMENTS TO CASH AND CASH EQUIVALENTS</b>	171	(489)	1,404
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	230	(532)	1,890
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	18,638	19,170	152,767
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	¥ 18,868	¥ 18,638	\$ 154,657

See notes to consolidated financial statements.

(Concluded)

## Daido Metal Co., Ltd., and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements Year Ended March 31, 2022

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#### 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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥122 to \$1, the approximate rate of exchange at March 31, 2022. 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, 2022, include the accounts of the Company and its 33 (33 in 2021) 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 2021) non-consolidated subsidiary and three (three in 2021) associated companies are accounted for by the equity method.

Investments in the remaining two (two in 2021) 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 and are amortized by the straight-line method within 14 years.

Twenty (twenty in 2021) 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, 2022. 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, 2022 and 2021, and their results of operations for the years ended March 31, 2022 and 2021.

- 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, 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, accrued bonuses to directors and Audit & Supervisory Board members. 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.

- l. *Retirement and Pension Plans***—The Company has unfunded and funded pension plans covering substantially all of their employees (excluding executive officers) and a retirement benefit plan for executive 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. In order to prepare for the retirement benefits to executive officers, the amount required to be paid at the end of the year in accordance with the internal rules.

- 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. In order to prepare for the loss on guarantee at the termination of the Trust, an estimated amount of loss is provided.
- n. Provision for Share-based Remuneration* In order to prepare for the share-based remuneration for directors and executive officers, the estimated benefit amount of stock based on the points allocated to is provided.
- o. Revenue Recognition* - The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods, or services promised in contracts with customers. The nature of performance obligation for each of the Group's major industry and when such obligations are satisfied are as follows:  
Manufacturing of bearing products is the principal business line of the Group. Revenue is recognized from sale of such products is recognized at the time the products are delivered to customers and the control of the goods is transferred to the customers. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in a contract with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial components.
- p. Research and Development Costs*—Research and development costs are charged to income as incurred.
- q. 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.
- r. 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.
- s. 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.

- t. **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.
- u. **Derivative Financial Instruments**—The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value; and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. The foreign currency forward contracts employed to hedge foreign exchange exposures for sales and purchases are measured at the fair value and the unrealized gains/losses are recognized in income.

- v. **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.

### 3. SIGNIFICANT ACCOUNTING ESTIMATE

Valuation of intangible assets including goodwill

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Goodwill	¥ 5,153	¥ 5,724	\$ 42,235
Customer -related assets	3,143	3,180	25,765

Goodwill of ¥5,153 million (\$42,235 thousand) (¥1,532 million (\$ 12,554 thousand) for Iino Holding Ltd. and its subsidiaries (hereinafter referred to as the “Iino Group”) and ¥ 3,621(\$ 29,681 thousand) for ATA Casting Technology Japan Co., Ltd. (hereinafter referred to as the “ATA Group”)), and customer-related assets of ¥ 3,143 million (\$25,765 thousand) (¥ 2,462 million (\$ 20,182 thousand) for Iino Group and ¥681 million (\$5,583 thousand) for ATA Group at March 31, 2022.

(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 ¥ 7,152 million (\$ 58,626 thousand) for Iino Group and ¥ 8,625 million (\$ 70,695 thousand) for ATA Group at March 31, 2022. 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, reflection of price changes in major raw materials to selling prices in response to market fluctuations, 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. ACCOUNTING CHANGES

(Revenue recognition)

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition,” issued on March 31, 2020 (“ASBJ Statement No. 29”) 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.

- 1) Certain material costs previously presented under cost of sales are recorded as a reduction of sales for the year ended March 31, 2022 as they are treated as considerations payable to a customer.
- 2) The Group previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to trading company. Effective April 1, 2021, the Group recognizes the revenue upon arrival of the semi-finished products at the customers.

As a result, sales and cost of sales decreased by ¥ 223 million (¥1,832 thousand) and by ¥224 million (\$1,839 thousand), respectively, and net income before income taxes increased by ¥1 million (\$ 7 thousand) for the year ended March 31, 2022.

The Group retrospectively applied ASBJ Statement No. 29 and the cumulative effect of retroactively applying the new accounting standard was added to retained earnings in the amount of ¥10 million (\$84 thousand) at April 1, 2021.

In accordance with the transitional treatment as provided in the Accounting Standard for Revenue Recognition, the contract liabilities at March 31, 2021 was not reclassified to contract liabilities.

(Fair value measurement)

Effective April 1, 2021, the Group applied ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement” and ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement,” and revised related ASBJ Statements and ASBJ Guidance. The Group applied the Accounting Standards for Fair Value Measurement prospectively. There is no effect on the consolidated financial statements for the

year ended March 31, 2022.

## 5. INVESTMENT SECURITIES

Investment securities at March 31, 2022 and 2021, consisted of only equity securities.

The costs and aggregate fair values of investment securities at March 31, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 1,227	¥ 1,826	¥ 1	¥ 3,052

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

March 31, 2022	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	\$ 10,055	\$ 14,967	\$ 2	\$ 25,020

## 6. INVENTORIES

Inventories at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise	¥ 5,651	¥ 4,658	\$ 46,321
Finished products	8,956	6,163	73,408
Work in process	10,865	8,381	89,055
Raw materials and supplies	8,074	6,327	66,179
Total	¥ 33,546	¥ 25,529	\$ 274,963

Write-down (reversal of write down) of inventories was recognized ¥346 million (\$2,833 thousand) and ¥(97) million, respectively, for the year ended March 31, 2022 and 2021.

## 7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2022 and 2021.

In 2022, the Group recognized impairment losses totaling ¥457million (\$3,743 thousand) as other expenses for parts for automobiles other than bearings plant in Thailand.

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, 2022.

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 11.63%.

No impairment loss was recognized in 2021.

## 8. 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, 2022 and 2021, was ¥ 69 million (\$563 thousand) and ¥45 million, respectively, and included in the “NET SALES” and “COST OF SALES” line items of the accompanying consolidated statement of income.

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, 2021	Increase/(Decrease)	March 31, 2022	March 31, 2022	
¥ 1,272	¥ 15	¥ 1,287	¥	2,867

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

Thousands of U.S. Dollars				
Carrying Amount (1)			Fair Value (2)	
April 1, 2021	Increase/(Decrease)	March 31, 2022	March 31, 2022	
\$ 10,430	\$ 122	\$ 10,552	\$	23,498

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, 2022 and 2021 is measured by the Group in accordance with the Real Estate Appraisal Standard.

## 9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2022 and 2021, consisted of notes to banks and bank overdrafts. The average annual interest rates applicable to the short-term bank loans were 1.4% and 1.0% at March 31, 2022 and 2021, respectively.

The Group contracted bank overdraft agreements with 22 banks for efficient fund raising at March 31, 2022 (21 banks in 2021). The Group was able to withdraw the maximum amount of ¥30,190 million (\$247,460 thousand) and ¥38,560

million at March 31, 2022 and 2021, respectively. The outstanding balance of bank overdrafts at March 31, 2022 and 2021, was ¥3,278 million (\$26,867 thousand) and ¥3,550 million, respectively.

Long-term debt at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans from banks and other financial institutions, with weighted-average interest rates of 0.7% in 2022 and 0.7% in 2021	¥ 27,412	¥ 28,921	\$ 224,685
Lease obligations, with weighted-average interest rates of 1.5% in 2022 and 2.4% in 2021	2,661	2,974	21,815
Total	30,073	31,895	246,500
Less current portion	(8,402)	(8,504)	(68,869)
Long-term debt, less current portion	¥ 21,671	¥ 23,391	\$ 177,631

Annual maturities of long-term debt at March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 8,402	\$ 68,869
2024	6,182	50,676
2025	7,939	65,077
2026	4,046	33,160
2027	2,939	24,087
2028 and thereafter	565	4,631
Total	¥ 30,073	\$ 246,500

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥2,328 million (\$19,085 thousand) and long-term debt (including current portion) of ¥1,079 million (\$8,848 thousand) at March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Inventories	¥ 253	\$ 2,074
Land	1,913	15,677
Buildings and structures—net of accumulated depreciation	499	4,091
Machinery and equipment—net of accumulated depreciation	1,217	9,981
Furniture and fixtures—net of accumulated depreciation	0	0
Total	¥ 3,882	\$ 31,823

The carrying amounts of assets pledged as factory foundation mortgage collateral in the above assets for short-term bank loans of ¥1,550 million (\$12,705 thousand) and long-term debt (including current portion) of ¥700 million (\$5,738 thousand) at March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,783	\$ 14,613
Buildings and structures—net of accumulated depreciation	10	87
Machinery and equipment net of accumulated depreciation	0	0
Other property, plant and equipment—net of accumulated depreciation	0	0
Total	¥ 1,793	\$ 14,700

## 10. 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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 19,775	¥ 19,256	\$ 162,093
Service cost	1,148	1,102	9,408
Interest cost	76	78	622
Actuarial (gains) losses	(297)	96	(2,437)
Benefits paid	(791)	(710)	(6,481)
Others	83	(47)	678
Balance at end of year	¥ 19,994	¥ 19,775	\$ 163,883

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 14,678	¥ 12,654	\$120,318
Expected return on plan assets	273	239	2,235
Actuarial gains	357	1,260	2,924
Contributions from the employer	993	989	8,141
Benefits paid	(644)	(523)	(5,275)
Others	25	59	199

Balance at end of year	¥ 15,682	¥ 14,678	\$128,542
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- (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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 13,947	¥ 13,810	\$ 114,317
Plan assets	(15,682)	(14,678)	(128,542)
	(1,735)	(868)	(14,225)
Unfunded defined benefit obligation	6,047	5,965	49,566
Net liability arising from defined benefit obligation	¥ 4,312	¥ 5,097	\$ 35,341

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for employees' retirement benefits	¥ 7,515	¥ 7,207	\$ 61,596
Asset for employees' retirement benefits	(3,203)	(2,110)	(26,255)
Net liability arising from defined benefit obligation	¥ 4,312	¥ 5,097	\$ 35,341

- (4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,148	¥ 1,102	\$ 9,408
Interest cost	76	78	622
Expected return on plan assets	(273)	(239)	(2,235)
Recognized actuarial losses	379	472	3,108
Other	0	(6)	0
Net periodic benefit costs	¥ 1,330	¥ 1,407	\$ 10,903

- (5) Amounts recognized in other comprehensive income (before income taxes) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Actuarial gains/losses	¥ 1,032	¥ 1,638	\$ 8,457
Total	¥ 1,032	¥ 1,638	\$ 8,457



- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized actuarial gains/losses	¥ 104	¥ 1,136	\$ 852
Total	¥ 104	¥ 1,136	\$ 852

- (7) Plan assets

*a. Components of plan assets*

Plan assets consisted of the following:

	2022	2021
Debt investments	21%	21%
Equity investments	38	36
Assets in an insurer's general account	15	16
Cash and cash equivalents	8	8
Others	18	19
Total	100%	100%

Retirement benefit trust for the Company's defined retirement benefit plan accounted for 21% (19% in 2021) 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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	0.5%	0.4%
Expected rate of return on plan assets	1.9%	1.9%

- (b) Defined Contribution Pension Plans

The Group's contributions to defined contribution pension plan funds for the years ended March 31, 2022 and 2021, were ¥372 million (\$3,046 thousand) and ¥364 million, respectively.

## 11. 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.

## 12. 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
	2022	2021	2022
Treasury stock (shares)	¥ 248 (330,400)	¥ 454 (604,000)	\$ 2,035
Long-term debt	¥ 350	¥ 521	\$ 2,865

(b) Performance-linked Stock-based Remuneration Scheme for Directors and Executive Officers

The Company introduced new performance-linked stock-based remuneration (“the Scheme”) for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value over medium to long term.

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
	2022	2021	2022
Treasury stock (shares)	¥ 312 (411,920)	¥ 326 (431,900)	\$ 2,554

### 13. 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, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards	¥ 1,690	¥ 1,548	\$ 13,850
Write-down of inventories	887	828	7,273
Depreciation	594	518	4,867
Impairment of long-lived assets	271	178	2,223
Write-down of investment securities	88	87	719
Write-down of golf membership	17	17	139
Allowance for doubtful accounts	28	30	229
Accrued bonuses	492	402	4,031
Liability for indemnification of defective products	17	17	141
Liability for employees' retirement benefits	2,555	2,458	20,942
Long-term accounts payable	72	58	589
Unrealized gains on intercompany transactions	1,109	1,068	9,089
Other	436	274	3,584
Total of tax loss carryforwards and temporary differences	8,256	7,483	67,676
Less valuation allowance for tax loss carryforwards	(1,278)	(1,289)	(10,479)
Less valuation allowance for temporary differences	(988)	(896)	(8,096)
Total valuation allowance	(2,266)	(2,185)	(18,575)
Deferred tax assets	5,990	5,298	49,101
Deferred tax liabilities:			
Deferred gain on property, plant and equipment	1,969	2,023	16,138
Unrealized gain on available-for-sale securities	560	567	4,590
Asset for employees' retirement benefits	980	646	8,036
Unrealized gain on net assets of consolidated subsidiaries	521	521	4,268
Undistributed earnings of foreign subsidiaries	853	784	6,991
Customer - related assets	800	818	6,554
Other	967	734	7,934
Deferred tax liabilities	6,650	6,093	54,511
Net deferred tax (liabilities) assets	¥ (660)	¥ (795)	\$ (5,410)

Notes: Valuation allowance increased by ¥81 million (\$664 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, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	¥ 92	¥ 137	¥ 46	¥ 217	¥ 176	¥ 1,022	¥ 1,690
Less valuation allowances for tax loss carryforwards	(90)	(47)	(46)	(95)	(47)	(953)	(1,278)
Net deferred tax assets relating to tax loss carryforwards	2	90	-	122	129	69	412

March 31, 2021	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
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

March 31, 2022	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	\$ 754	\$ 1,119	\$ 378	\$ 1,774	\$ 1,442	\$ 8,383	\$ 13,850
Less valuation allowances for tax loss carryforwards	(737)	(387)	(378)	(778)	(385)	(7,814)	(10,479)
Net deferred tax assets relating to tax loss carryforwards	17	732	-	996	1,057	569	3,371

Note: Deferred tax assets of ¥412 million (\$3,371 thousand) and ¥259 million are recognized related to tax loss carryforwards of ¥1,690 million (\$ 13,850 thousand) and ¥1,548 million at March 31, 2022 and 2021, 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, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	5.7	3.4
Income not recognized for tax purposes	(0.5)	(2.0)
Per capita tax	0.8	1.9
Effects of differences in income tax rates applicable to foreign subsidiaries	(0.6)	(2.7)
Amortization of goodwill not recognized for tax purposes	5.1	15.0
Equity in earnings of a non-consolidated subsidiary and an associated company	(0.8)	(0.6)
Net change in valuation allowance	5.2	17.3
Tax credit relating to R&D and other	(3.8)	(5.8)
Other—net	1.3	1.5
Actual effective tax rate	<u>43.0%</u>	<u>58.6%</u>

## 14. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

		Millions of Yen					
		2022					
		Reportable Segment					
		Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (*)
							Total
Geographical areas:							
Japan	¥ 24,758	¥ 10,246	¥ 6,778	¥3,313	¥45,095	¥1,147	¥46,242
North America	4,914	1,926	729	2,114	9,683	66	9,749
Asia	18,705	5,224	1,324	7,684	32,937	166	33,103
Europe	6,825	2,077	2,091	3	10,996	67	11,063
Other	2,394	782	111	575	3,862	5	3,867
Revenues from contracts with customers	¥ 57,596	¥ 20,255	¥11,033	¥13,689	¥102,573	¥1,451	¥104,024
Other revenue	-	-	-	-	-	-	-
Total	¥ 57,596	¥ 20,255	¥11,033	¥13,689	¥102,573	¥1,451	¥104,024

		Thousands of U.S. Dollars					
		2022					
		Reportable Segment					
		Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (*)
							Total
Geographical areas:							
Japan	\$202,933	\$83,983	\$55,558	\$27,158	\$369,632	\$9,402	\$379,034
North America	40,278	15,789	5,978	17,324	79,369	544	79,913
Asia	153,319	42,821	10,855	62,985	269,980	1,358	271,338
Europe	55,940	17,025	17,140	22	90,127	551	90,678
Other	19,626	6,408	907	4,712	31,653	42	31,695
Revenues from contracts with customers	\$472,096	\$166,026	\$90,438	\$112,201	\$840,761	\$11,897	\$852,658
Other revenue	-	-	-	-	-	-	-
Total	\$472,096	\$166,026	\$90,438	\$112,201	\$840,761	\$11,897	\$852,658

\* Other includes electrode sheets for electric double layer capacitors, metallic dry bearings, rotary pumps, and property rental.

In accordance with the transitional treatment as provided in the Accounting Standard for Revenue Recognition, information for the year ended March 31, 2021 is not presented.

(2) Basic Information to Understand Revenues from Contracts with Customer

Basic information to understand revenues from contracts with customer is described in Note 2.o. to the consolidated financial statements.

(3) Contract Balance

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2022</u>	<u>2022</u>
Receivables from contracts with customers:		
Balance at beginning of year	¥ 23,070	\$ 189,098
Balance at end of year	24,553	201,252
Contract liabilities:		
Balance at beginning of year	¥ 53	\$ 432
Balance at end of year	88	723

Contract liabilities primarily relate to prepaid payments received to satisfaction of performance obligations for which the Group sells bearing products to customers. The Group generally records revenue upon completion of the delivery of the products. The contractual liability for these prepaid payments received is monetized in a short period of time. The amount of revenue recognized in the years ended March 31, 2022 that was included in the contract liabilities at the beginning of year is immaterial.

(4) Transaction Prices Allocated to Remaining Performance Obligations

The transaction prices allocated to remaining performance obligations within one year are not presented since the amount is immaterial.

Consideration arising from the contract with the customer that are not included in the transaction price is immaterial.

## 15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 1,935 million (\$ 15,857 thousand) and ¥1,971 million for the years ended March 31, 2022 and 2021, respectively.



## 16. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Fare	¥ 3,477	¥ 2,022	\$ 28,504
Outsourcing commission	1,442	1,318	11,821
Provision of allowance for doubtful accounts	(32)	(268)	(265)
Executive remuneration	552	592	4,527
Salary allowance	5,116	4,816	41,932
Provision for bonuses to employees	368	268	3,012
Provision for bonuses to directors and Audit & Supervisory Board members	40	-	327
Provision for product warranties	74	(495)	608
Net periodic retirement benefit cost	461	495	3,777
Welfare expense	1,121	1,005	9,189
Depreciation	1,428	945	11,704
Rent costs	1,137	1,105	9,323
Research and development costs	1,882	1,917	15,425
Other	4,650	4,485	38,113
Total	¥ 21,716	¥ 18,205	\$ 177,997

## 17. 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's 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 9 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 18 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. Fair value information for cash and cash equivalents, notes and accounts receivable, notes and accounts payable, short-term bank loans, and income tax payable is omitted since carrying amounts of them are approximate fair value because of their short maturities. Please see Note 18 for more details on fair values for derivatives.

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Investment securities	¥ 3,052	¥ 3,052	-
Total	¥ 3,052	¥ 3,052	-
Long-term debt, including current portion	¥ 30,073	¥ 30,077	¥ (4)
Total	¥ 30,073	¥ 30,077	¥ (4)

		Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gains/(Losses)	
Investment securities	¥ 2,744	¥ 2,744	-	
Total	¥ 2,744	¥ 2,744	-	
Long-term debt, including current portion	¥ 31,895	¥ 32,046	¥ (151)	
Total	¥ 31,895	¥ 32,046	¥ (151)	
		Thousands of U.S. Dollars		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gains/(Losses)	
Investment securities	\$ 25,020	\$ 25,020	-	
Total	\$ 25,020	\$ 25,020	-	
Long-term debt, including current portion	\$ 246,500	\$ 246,532	\$ (32)	
Total	\$ 246,500	\$ 246,532	\$ (32)	

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

		Millions of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2022					
Cash and cash equivalents	¥ 18,868	-	-	-	-
Time deposits	4,150	-	-	-	-
Receivables	28,063	-	-	-	-
Total	¥ 51,081	-	-	-	-
		Thousands of U.S. Dollars			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2022					
Cash and cash equivalents	\$ 154,657	-	-	-	-
Time deposits	34,018	-	-	-	-
Receivables	230,019	-	-	-	-
Total	\$ 418,694	-	-	-	-

Please see Note 9 for annual maturities of long-term debt.

(6) *Financial Instruments Categorized by Fair Value Hierarchy*

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

Millions of Yen				
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities				
Available for sale				
Equity securities	¥3,052	-	-	¥3,052
Total	¥3,052	-	-	¥3,052
Derivatives				
Foreign currency forward contracts	-	¥6	-	¥6
Total	-	¥6	-	¥6

Thousands of U.S. Dollars				
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities				
Available for sale				
Equity securities	\$25,020	-	-	\$25,020
Total	\$25,020	-	-	\$25,020
Derivatives				
Foreign currency forward contract	-	\$48	-	\$48
Total	-	\$48	-	\$48

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

Millions of Yen				
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥30,077	-	¥30,077
Total	-	¥30,077	-	¥30,077

		Thousands of U.S. Dollars			
March 31, 2022		Level 1	Level 2	Level 3	Total
Long-term debt, including current portion		-	\$246,532	-	\$246,532
	Total	-	\$246,532	-	\$246,532

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

#### Investment Securities

The fair value of investment securities is measured at the quoted market price of the stock exchange for the equity instruments. Since the equity instruments are traded in active markets, the fair values of them are categorized as Level 1.

#### Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates considering maturity and credit risk and are categorized as Level 2.

#### Derivatives

The fair values of foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as foreign currency exchange rate and are categorized as Level 2.

### 18. 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, 2022		Contract Amount	Contract Amount	Fair Value	Unrealized Gain/Loss
		Due after One Year			
Foreign currency forward contracts:					
Buying yen					
	Selling Chinese yuan	¥ 516	-	¥ (6)	¥ (6)
	Selling Thai Baht	218	-	1	1
	Selling Indian Rupee	59	-	(1)	(1)
	Total	¥ 793	-	¥ (6)	¥ (6)

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

Thousands of U.S. Dollars				
March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	\$ 4,232	-	\$ (47)	\$ (47)
Selling Thai Baht	1,788	-	9	9
Selling Indian Rupee	487	-	(10)	(10)
Total	\$ 6,507	-	\$ (48)	\$ (48)

## 19. CONTINGENT LIABILITIES

At March 31, 2022, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of employees' housing loans	¥ 106	\$ 872

## 20. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (20)	¥ 928	\$ (163)
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	(20)	928	(163)
Income tax effect	7	(285)	58
Total	¥ (13)	¥ 643	\$ (105)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 2,191	¥ (785)	\$ 17,956
Total	¥ 2,191	¥ (785)	\$ 17,956
Defined retirement benefit plans			
Adjustments arising during the year	¥ 653	¥ 1,166	\$ 5,349
Reclassification adjustments to profit or loss	379	472	3,108
Amount before income tax effect	1,032	1,638	8,457
Income tax effect	(292)	(503)	(2,389)
Total	¥ 740	¥ 1,135	\$ 6,068
Share of other comprehensive income in a nonconsolidated subsidiary and an associated company			
Gains arising during the year	¥ 62	¥ 34	\$ 511
Total	¥ 62	¥ 34	\$ 511
Total other comprehensive income	¥ 2,980	¥ 1,027	\$ 24,430

## 21. NET INCOME PER SHARE

Calculation of basic income per share for the years ended March 31, 2022 and 2021, 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	
<b><u>For the year ended March 31, 2022:</u></b>				
Net income applicable to common shareholders	¥ 1,898	46,628	¥ 40.70	\$ 0.33
<b><u>For the year ended March 31, 2021:</u></b>				
Net income applicable to common shareholders	¥ 104	46,323	¥ 2.25	\$ 0.02

Diluted net income per share for the years ended March 31, 2022 and 2021, is not disclosed because the Group does not have shares which will dilute the per share information.

## 22. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2022, was approved at the Company's shareholders' meeting held on June 29, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 (\$0.12) per share	¥ 713	\$ 5,842



## 23. 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.

### 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.

As stated in Note 4 to the consolidated financial statements, effective April 1, 2021, the Group adopted ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition.”

As a result, sales in automotive motor bearings, automotive non-motor bearings, and parts for automobiles other than bearings decreased by ¥1 million (\$7 thousand), ¥ 111 million (¥913 thousand) and ¥111 million (\$912 thousand) , respectively, segment profit in automotive motor bearings decreased by ¥1 million (\$7 thousand) and segment profit in automotive non-motor bearings increased by ¥2 million (\$14 thousand) for the year ended March 31, 2022.

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

Millions of Yen

	2022									
	Reportable Segment					Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated	
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total					
Sales:										
Sales to external customers	¥ 57,596	¥ 20,255	¥ 11,034	¥ 13,688	¥ 102,573	¥ 1,451	¥ 104,024	-	¥ 104,024	
Intersegment sales or transfers	792	144	43	749	1,728	672	2,400	¥ (2,400)	-	
Total	¥ 58,388	¥ 20,399	¥ 11,077	¥ 14,437	¥ 104,301	¥ 2,123	¥ 106,424	¥ (2,400)	¥ 104,024	
Segment profit (loss)	¥ 8,380	¥ 3,338	¥ 1,750	¥ (1,650)	¥ 11,818	¥ 344	¥ 12,162	¥ (7,120)	¥ 5,042	
Segment assets	82,442	22,262	11,868	31,689	148,261	2,194	150,455	15,701	166,156	
Other:										
Depreciation and amortization	4,339	1,136	521	1,981	7,977	45	8,022	1,218	9,240	
Amortization of goodwill	-	-	-	725	725	-	725	-	725	
Investments in associated companies that are accounted for by the equity method	851	1,093	-	359	2,303	-	2,303	-	2,303	
Increase in property, plant and equipment and intangible assets	1,958	465	311	2,993	5,727	35	5,762	991	6,753	

Millions of Yen

2021

	Reportable Segment				Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings					
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

## Thousands of U.S. Dollars

	2022								
	Reportable Segment				Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings					
Sales:									
Sales to external customers	\$ 472,096	\$ 166,027	\$ 90,437	\$ 112,201	\$ 840,761	\$ 11,897	\$ 852,658	-	\$ 852,658
Intersegment sales or transfers	6,498	1,179	354	6,134	14,165	5,503	19,668	\$ (19,668)	-
Total	\$ 478,594	\$ 167,206	\$ 90,791	\$ 118,335	\$ 854,926	\$ 17,400	\$ 872,326	\$ (19,668)	\$ 852,658
Segment profit (loss)	\$ 68,691	\$ 27,363	\$ 14,344	\$ (13,523)	\$ 96,875	\$ 2,818	\$ 99,693	\$ (58,362)	\$ 41,331
Segment assets	675,752	182,475	97,277	259,752	1,215,256	17,981	1,233,237	128,695	1,361,932
Other:									
Depreciation and amortization	35,568	9,312	4,271	16,232	65,383	372	65,755	9,984	75,739
Amortization of goodwill	-	-	-	5,941	5,941	-	5,941	-	5,941
Investments in associated companies that are accounted for by the equity method	6,972	8,962	-	2,940	18,874	-	18,874	-	18,874
Increase in property, plant and equipment and intangible assets	16,049	3,814	2,549	24,528	46,940	291	47,231	8,119	55,350

## Notes:

- Other includes real estate leases, oil-less metal bearings, rotary pumps businesses, and electrode sheets for electric double layer capacitors.
- Reconciliations are as follows:
  - The reconciliation for segment profit of ¥ 7,120 million (\$58,362 thousand) and ¥6,491 million as of March 31, 2022 and 2021, respectively, includes corporate-wide costs of ¥7,115 million (\$58,324 thousand) and ¥6,504 million, respectively, and the elimination of intersegment transactions of ¥5 million (\$38 thousand) and ¥13 million, respectively.  
Corporate-wide costs, which are not allocated to reportable segments, principally consist of general and administrative expenses.
  - The reconciliation for segment assets of ¥15,701 million (\$128,695 thousand) and ¥19,570 million as of March 31, 2022 and 2021, respectively, includes corporate assets of ¥22,698 million (\$186,049 thousand) and ¥26,861 million, respectively, and the elimination of intercompany transactions of ¥6,997 million (\$57,354 thousand) and ¥7,291 million, respectively.  
Corporate assets, which are not allocated to reportable segments, principally consist of the central office in Nagoya.
  - The reconciliation for depreciation of ¥1,218 million (\$9,984 thousand) and ¥844 million as of March 31, 2022 and 2021, respectively, relates to the depreciation of corporate assets.
  - The reconciliation for the increase in property, plant and equipment and intangible assets of ¥ 991 million (\$8,119 thousand) and ¥2,575 million as of March 31, 2022 and 2021, respectively, relates to the investment in corporate assets.

Associated Information

1. Information about geographical areas

(1) Sales

Millions of Yen							
2022							
Japan	North America	Asia (excl. China and Thailand)	China	Thailand	Europe	Other	Total
¥46,242	¥9,749	¥10,432	¥11,355	¥11,316	¥11,063	¥3,867	¥104,024

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

Thousands of U.S. Dollars							
2022							
Japan	North America	Asia (excl. China and Thailand)	China	Thailand	Europe	Other	Total
\$379,034	\$79,913	\$85,504	\$93,077	\$92,758	\$90,678	\$31,694	\$852,658

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

(2) Property, plant and equipment

Millions of Yen					
2022					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
¥ 28,478	¥ 4,936	¥ 7,169	¥ 9,813	¥ 6,895	¥ 57,291

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

Thousands of U.S. Dollars					
2022					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
\$ 233,429	\$ 40,461	\$ 58,765	\$ 80,434	\$ 56,511	\$ 469,600

2. Information about Impairment of Long-Lived Assets

Millions of Yen									
2022									
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	-	-	-	¥ 457	¥ 457	-	¥ 457	-	¥ 457

  

Thousands of U.S. Dollars									
2022									
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	-	-	-	\$ 3,743	\$ 3,743	-	\$ 3,743	-	\$ 3,743

Not applicable for the previous period.

3. Information about Goodwill

Millions of Yen									
2022									
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	-	-	-	¥ 5,153	¥ 5,153	-	¥ 5,153	-	¥ 5,153

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

Thousands of U.S. Dollars									
2022									
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	-	-	-	\$ 42,235	\$ 42,235	-	\$ 42,235	-	\$ 42,235

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

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