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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 10, 2022

Company name: Daido Metal Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 7245
 URL: <https://www.daidometal.com/>
 Representative: Seigo Hanji Chairman and Chief Executive Officer
 Contact: Hiroki Iwakura Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled filing date of quarterly securities report: November 10, 2022
 Scheduled start date of dividend payments: December 7, 2022
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes (For analysts and financial institutions)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	56,944	13.2	664	(75.2)	941	(63.8)	(2,475)	—
September 30, 2021	50,315	38.4	2,677	—	2,602	—	1,188	—

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 3,938 million [49.9 %]
 Six months ended September 30, 2021: ¥ 2,627 million [— %]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2022	Yen (52.83)	Yen —
September 30, 2021	25.53	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2022	Million yen 173,778	Million yen 71,836	% 36.1
March 31, 2022	166,155	68,695	36.3

(Reference) Net assets less non-controlling interests: As of September 30, 2022: ¥ 62,671 million
 As of March 31, 2022: ¥ 60,340 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	10.00	—	15.00	25.00
Fiscal year ending March 31, 2023	—	10.00			
Fiscal year ending March 31, 2023 (Forecast)			—	—	—

(Note) Revision of the forecast for dividends announced most recently: Yes

(Note) The forecast of the year-end dividends for the fiscal year ending March 31, 2023 is not available at this moment.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	110,000	5.7	1,800	(64.3)	2,000	(58.6)	(2,100)	—	(44.82)

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

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

New - (Company name:)

Exclusion: - (Company name:)

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

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

September 30, 2022: 47,520,253 shares

March 31, 2022: 47,520,253 shares

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

September 30, 2022: 576,356 shares

March 31, 2022: 743,664 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 46,847,556 shares

Six months ended September 30, 2021: 46,549,276 shares

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

* Numbers in parentheses denote negative numbers.

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

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

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

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and deposits	23,018	21,592
Notes and accounts receivable - trade	24,552	26,856
Electronically recorded monetary claims - operating	2,732	2,513
Merchandise and finished goods	14,606	17,370
Work in process	10,864	12,922
Raw materials and supplies	8,073	8,528
Other	2,206	2,828
Allowance for doubtful accounts	(126)	(89)
Total current assets	85,928	92,522
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,693	16,456
Machinery, equipment and vehicles, net	24,119	25,240
Other, net	16,478	16,389
Total property, plant and equipment	57,291	58,086
Intangible assets		
Goodwill	5,152	4,911
Other	6,344	6,260
Total intangible assets	11,497	11,171
Investments and other assets		
Investments and other assets	11,491	12,050
Allowance for doubtful accounts	(52)	(52)
Total investments and other assets	11,439	11,998
Total non-current assets	80,227	81,256
Total assets	166,155	173,778

(Million yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,555	8,908
Electronically recorded obligations - operating	11,130	10,540
Short-term loans payable	27,055	29,913
Current portion of long-term loans payable	7,733	9,091
Income taxes payable	1,522	653
Provision for bonuses	1,555	1,566
Provision for bonuses for directors (and other officers)	39	—
Provision for product compensation	74	127
Electronically recorded obligations - non-operating	521	1,011
Other	7,224	7,373
Total current liabilities	65,414	69,184
Non-current liabilities		
Long-term loans payable	19,678	19,552
Provision for share-based remuneration	49	54
Provision for share-based remuneration for directors (and other officers)	41	50
Provision for loss on guarantees	143	162
Retirement benefit liability	7,514	7,865
Asset retirement obligations	17	17
Other	4,600	5,054
Total non-current liabilities	32,045	32,758
Total liabilities	97,460	101,942
Net assets		
Shareholders' equity		
Capital stock	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,567	34,379
Treasury shares	(560)	(434)
Total shareholders' equity	58,534	55,472
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	981	782
Foreign currency translation adjustment	906	6,435
Remeasurements of defined benefit plans	(82)	(20)
Total accumulated other comprehensive income	1,805	7,198
Non-controlling interests	8,355	9,164
Total net assets	68,695	71,836
Total liabilities and net assets	166,155	173,778

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

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales	50,315	56,944
Cost of sales	36,868	44,544
Gross profit	13,447	12,400
Selling, general and administrative expenses	10,769	11,735
Operating profit	2,677	664
Non-operating income		
Interest income	25	43
Dividend income	35	54
Foreign exchange gains	52	370
Share of profit of entities accounted for using equity method	59	134
Other	136	144
Total non-operating income	310	748
Non-operating expenses		
Interest expenses	309	379
Other	76	91
Total non-operating expenses	386	471
Ordinary profit	2,602	941
Extraordinary losses		
Impairment losses	—	1,963
Total extraordinary losses	—	1,963
Profit (loss) before income taxes	2,602	(1,021)
Income taxes - current	1,256	767
Income taxes - deferred	(187)	460
Total income taxes	1,068	1,228
Profit (loss)	1,533	(2,249)
Profit attributable to non-controlling interests	344	225
Profit (loss) attributable to owners of parent	1,188	(2,475)

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

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Profit (loss)	1,533	(2,249)
Other comprehensive income		
Valuation difference on available-for-sale securities	30	(200)
Foreign currency translation adjustment	888	6,105
Remeasurements of defined benefit plans, net of tax	124	61
Share of other comprehensive income of entities accounted for using equity method	50	220
Total other comprehensive income	1,094	6,188
Comprehensive income	2,627	3,938
Comprehensive income attributable to		
owners of parent	2,136	2,918
non-controlling interests	490	1,020

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from operating activities		
Profit (loss) before income taxes	2,602	(1,021)
Depreciation	4,532	4,659
Impairment losses	—	1,963
Amortization of goodwill	341	369
Share of loss (profit) of entities accounted for using equity method	(59)	(134)
Increase (decrease) in allowance for doubtful accounts	(131)	(46)
Increase (decrease) in provision for bonuses	193	10
Increase (decrease) in provision for bonuses for directors (and other officers)	42	(39)
Increase or decrease in net defined benefit asset and liability	152	(25)
Increase (decrease) in provision for share-based remuneration	15	5
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	(2)	8
Increase (decrease) in provision for loss on guarantees	(17)	19
Interest and dividend income	(61)	(98)
Interest expenses	309	379
Decrease (increase) in trade receivables	(198)	(495)
Decrease (increase) in inventories	(3,057)	(2,535)
Increase (decrease) in trade payables	3,607	(1,737)
Increase (decrease) in accrued consumption taxes	145	(91)
Increase (decrease) in other liabilities	880	(261)
Other, net	790	(364)
Subtotal	10,083	564
Interest and dividends received	71	61
Dividends received from entities accounted for using equity method	9	74
Interest paid	(320)	(366)
Income taxes paid	(587)	(1,604)
Net cash provided by (used in) operating activities	9,256	(1,269)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from investing activities		
Payments into time deposits	(1,547)	(1,825)
Proceeds from withdrawal of time deposits	730	1,583
Purchase of investment securities	(13)	(17)
Purchase of property, plant and equipment	(3,175)	(2,214)
Proceeds from sale of property, plant and equipment	23	10
Purchase of intangible assets	(248)	(166)
Loan advances	(21)	(63)
Proceeds from collection of loans receivable	36	22
Other, net	65	12
Net cash provided by (used in) investing activities	(4,150)	(2,658)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,314)	1,114
Proceeds from long-term loans payables	4,160	3,972
Repayments of long-term loans payable	(4,081)	(3,289)
Repayments of finance lease liabilities	(333)	(295)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	81	86
Dividends paid	(473)	(710)
Dividends paid to non-controlling interests	(453)	(245)
Net cash provided by (used in) financing activities	(4,415)	632
Effect of exchange rate change on cash and cash equivalents	381	1,186
Net increase (decrease) in cash and cash equivalents	1,070	(2,108)
Cash and cash equivalents at beginning of period	18,637	18,868
Cash and cash equivalents at end of period	19,708	16,760

(4) Notes to Quarterly Consolidated Financial Statement

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Segment information)

[Second quarter of previous period (from April 1, 2021 to September 30, 2021)]

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

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	28,259	9,955	5,187	6,188	49,590	725	50,315
Internal sales or transfer between segments	353	50	25	281	710	311	1,022
Total	28,613	10,005	5,213	6,469	50,301	1,036	51,337
Segment profit(loss)	4,281	1,712	700	(642)	6,051	169	6,221

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

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

(Unit JPY million)

Profit	Amount
Reporting segments total	6,051
Profit from "Others" category	169
Elimination of intersegment transactions	0
Unattributable costs (*)	(3,544)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	2,677

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

[Second quarter of current period (from April 1, 2022 to September 30, 2022)]

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

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	30,809	10,402	6,946	8,076	56,235	709	56,944
Internal sales or transfer between segments	414	45	13	250	724	317	1,042
Total	31,224	10,447	6,960	8,327	56,960	1,027	57,987
Segment profit(loss)	2,827	1,336	935	(1,033)	4,065	192	4,258

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

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

(Unit JPY million)

Profit	Amount
Reporting segments total	4,065
Profit from "Others" category	192
Elimination of intersegment transactions	4
Unattributable costs (*)	(3,597)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	664

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

Impairment loss of non-current assets or goodwill by reportable business segment

(Significant impairment loss on non-current assets)

In the "Other automotive parts" business, the book value of certain aluminum die-cast product manufacturing facilities was reduced to the recoverable amount, and the decrease of 1,963 million yen was recorded as an impairment loss (extraordinary loss).