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Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

August 05, 2021

Company name: Daido Metal Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 7245
 URL: <http://www.daidometal.com/>
 Representative: Seigo Hanji Chairman and Chief Executive Officer
 Contact: Hiroki Iwakura Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled filing date of quarterly securities report: August 05, 2021
 Scheduled start date of dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 01, 2021 to June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	24,995	32.5	1,399	—	1,403	—	726	—
June 30, 2020	18,870	(25.9)	(1,054)	—	(1,403)	—	(1,151)	—

(Note) Comprehensive income: Three months ended June 30, 2021: ¥ 1,997 million [— %]
 Three months ended June 30, 2020: ¥ (2,664) million [— %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	15.61	—
June 30, 2020	(24.93)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2021	158,192	65,729	36.4
March 31, 2021	155,176	64,538	36.3

(Reference) Net assets less non-controlling interests: As of June 30, 2021: ¥ 57,519 million
 As of March 31, 2021: ¥ 56,388 million

2. Dividends

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

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2021	50,000	37.6	2,200	—	2,100	—	850	—	18.27
Full year	92,000	8.6	3,500	166.0	3,200	266.1	1,700	—	36.55

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2021
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

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

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

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

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

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

June 30, 2021: 47,520,253 shares

March 31, 2021: 47,520,253 shares

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

June 30, 2021: 992,441 shares

March 31, 2021: 1,036,793 shares

3) Average number of shares during the period:

Three months ended June 30, 2021: 46,500,200 shares

Three months ended June 30, 2020: 46,188,532 shares

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

* Numbers in parentheses denote negative numbers.

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

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

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

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of June 30,2021
Assets		
Current assets		
Cash and deposits	22,007	22,347
Notes and accounts receivable - trade	23,069	23,933
Electronically recorded monetary claims - operating	2,393	2,581
Merchandise and finished goods	10,821	11,625
Work in process	8,380	8,628
Raw materials and supplies	6,326	7,121
Other	2,510	2,319
Allowance for doubtful accounts	(267)	(194)
Total current assets	75,242	78,363
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,198	17,133
Machinery, equipment and vehicles, net	24,497	24,188
Other, net	16,234	16,678
Total property, plant and equipment	57,931	58,001
Intangible assets		
Goodwill	5,724	5,440
Other	6,898	6,734
Total intangible assets	12,623	12,175
Investments and other assets		
Investments and other assets	9,431	9,705
Allowance for doubtful accounts	(52)	(52)
Total investments and other assets	9,379	9,652
Total non-current assets	79,934	79,828
Total assets	155,176	158,192

(Million yen)

	As of March 31,2021	As of June 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,192	7,171
Electronically recorded obligations - operating	8,069	9,557
Short-term borrowings	26,575	23,016
Current portion of long-term borrowings	7,604	8,223
Income taxes payable	415	785
Provision for bonuses	1,269	745
Provision for bonuses for directors (and other officers)	—	21
Provision for product compensation	70	87
Provision for environmental measures	33	33
Electronically recorded obligations - non-operating	501	538
Other	6,719	8,566
Total current liabilities	57,452	58,747
Non-current liabilities		
Long-term borrowings	21,315	22,000
Provision for share-based remuneration	16	24
Provision for share-based remuneration for directors (and other officers)	30	22
Provision for loss on guarantees	145	134
Retirement benefit liability	7,207	7,393
Asset retirement obligations	17	17
Other	4,453	4,122
Total non-current liabilities	33,185	33,715
Total liabilities	90,637	92,463
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	36,609	36,871
Treasury shares	(780)	(747)
Total shareholders' equity	57,356	57,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	995	997
Foreign currency translation adjustment	(1,170)	(398)
Remeasurements of defined benefit plans	(793)	(730)
Total accumulated other comprehensive income	(968)	(131)
Non-controlling interests	8,150	8,209
Total net assets	64,538	65,729
Total liabilities and net assets	155,176	158,192

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

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Net sales	18,870	24,995
Cost of sales	15,290	18,274
Gross profit	3,580	6,721
Selling, general and administrative expenses	4,634	5,321
Operating profit (loss)	(1,054)	1,399
Non-operating income		
Interest income	16	14
Dividend income	28	31
Foreign exchange gains	—	32
Share of profit of entities accounted for using equity method	—	35
Other	65	75
Total non-operating income	110	188
Non-operating expenses		
Interest expenses	197	146
Share of loss of entities accounted for using equity method	6	—
Foreign exchange losses	222	—
Other	32	38
Total non-operating expenses	459	184
Ordinary profit (loss)	(1,403)	1,403
Extraordinary income		
Gain on sale of non-current assets	186	—
Total extraordinary income	186	—
Profit (loss) before income taxes	(1,216)	1,403
Income taxes - current	239	771
Income taxes - deferred	(345)	(287)
Total income taxes	(105)	484
Profit (loss)	(1,110)	918
Profit attributable to non-controlling interests	41	192
Profit (loss) attributable to owners of parent	(1,151)	726

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

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Profit (loss)	(1,110)	918
Other comprehensive income		
Valuation difference on available-for-sale securities	211	4
Foreign currency translation adjustment	(1,765)	968
Remeasurements of defined benefit plans, net of tax	93	60
Share of other comprehensive income of entities accounted for using equity method	(92)	44
Total other comprehensive income	(1,553)	1,078
Comprehensive income	(2,664)	1,997
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,236)	1,562
Comprehensive income attributable to non-controlling interests	(427)	434

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Cash flows from operating activities		
Profit (loss) before income taxes	(1,216)	1,403
Depreciation	2,088	2,282
Amortization of goodwill	176	174
Share of loss (profit) of entities accounted for using equity method	6	(35)
Increase (decrease) in allowance for doubtful accounts	42	(86)
Increase (decrease) in provision for bonuses	(1,000)	(527)
Increase (decrease) in provision for bonuses for directors (and other officers)	(105)	21
Increase or decrease in net defined benefit asset and liability	102	95
Increase (decrease) in provision for share-based remuneration	2	13
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	3	(12)
Increase (decrease) in provision for environmental measures	(14)	0
Increase (decrease) in provision for loss on guarantees	(19)	(10)
Interest and dividend income	(45)	(45)
Interest expenses	197	146
Loss (gain) on sale of non-current assets	(186)	—
Decrease (increase) in trade receivables	4,123	(580)
Decrease (increase) in inventories	(694)	(1,328)
Increase (decrease) in trade payables	(1,738)	2,144
Increase (decrease) in accrued consumption taxes	(297)	152
Increase (decrease) in other liabilities	1,313	2,113
Other, net	494	311
Subtotal	3,231	6,230
Interest and dividends received	44	56
Interest paid	(189)	(151)
Income taxes paid	(941)	(356)
Net cash provided by (used in) operating activities	2,144	5,778

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Cash flows from investing activities		
Payments into time deposits	(410)	(730)
Proceeds from withdrawal of time deposits	409	358
Purchase of investment securities	(5)	(9)
Purchase of property, plant and equipment	(2,186)	(1,929)
Proceeds from sale of property, plant and equipment	904	10
Purchase of intangible assets	(69)	(33)
Loan advances	(129)	(11)
Proceeds from collection of loans receivable	9	18
Other, net	(72)	7
Net cash provided by (used in) investing activities	(1,551)	(2,319)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,722	(4,047)
Proceeds from long-term borrowings	303	1,700
Repayments of long-term borrowings	(843)	(586)
Repayments of finance lease obligations	(215)	(149)
Purchase of treasury shares	—	(0)
Proceeds from disposal of treasury shares	35	26
Dividends paid	(668)	(447)
Dividends paid to non-controlling interests	(167)	(336)
Net cash provided by (used in) financing activities	8,166	(3,841)
Effect of exchange rate change on cash and cash equivalents	(354)	269
Net increase (decrease) in cash and cash equivalents	8,405	(112)
Cash and cash equivalents at beginning of period	19,170	18,637
Cash and cash equivalents at end of period	27,575	18,525

(4) Notes to Quarterly Consolidated Financial Statement

(Notes on going concern assumption)

Not applicable

(Notes on material changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policy)

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

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

(1) Consideration paid to customers

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

(2) Export transactions of semi-finished goods

The Group previously recorded revenue from export transactions of semi-finished products at the time of delivery of the semi-finished products to the trading company. Effective from the beginning of the first quarter of the current consolidated fiscal year, the Group records revenue upon arrival of the semi-finished products at customers.

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

As a result of this change, for the first three months of the current consolidated fiscal year, net sales and cost of sales decreased by 55 million JPY, respectively, compared with the previous method. The balance of retained earnings at the beginning of the fiscal year increased by 10 million JPY.

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

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first quarter of the previous consolidated fiscal year is not shown.

(Adoption of Accounting Standard for Fair Value Measurement)

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

(Additional Information)

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

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

(Segment information)

I First quarter of previous period (from April 1, 2020 to June 30, 2020)

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

(Unit JPY million)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	10,360	3,412	2,579	2,156	18,509	361	18,870
Internal sales or transfer between segments	136	21	8	108	275	168	443
Total	10,497	3,434	2,587	2,265	18,785	529	19,314
Segment profit(loss)	373	265	388	(659)	368	103	471

(*) "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	368
Profit from "Others" category	103
Elimination of intersegment transactions	4
Unattributable costs (*)	(1,530)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	(1,054)

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

II First quarter of current period (from April 1, 2021 to June 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	13,957	5,028	2,526	3,096	24,609	386	24,995
Internal sales or transfer between segments	160	24	10	135	330	149	480
Total	14,117	5,053	2,537	3,232	24,940	535	25,476
Segment profit(loss)	2,268	823	330	(359)	3,063	94	3,158

(*) "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	3,063
Profit from "Others" category	94
Elimination of intersegment transactions	(3)
Unattributable costs (*)	(1,755)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	1,399

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

3. Changes in Reporting Segments

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

As a result of this change, for the first three months of the current consolidated fiscal year, net sales of "Automotive engine bearings" decreased by 28 million JPY, and net sales of "Other automotive parts" decreased by 27 million JPY, compared with the previous method.