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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 11, 2023

Company name: Daido Metal Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 7245
 URL: <https://www.daidometal.com/>
 Representative: Seigo Hanji Chairman and President
 Chief Executive Officer and Chief Operating Officer
 Contact: Hiroki Iwakura Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled date of Annual General Meeting of Shareholders: June 29, 2023
 Scheduled start date of dividend payments: June 30, 2023
 Scheduled filing date of annual securities report: June 29, 2023
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual 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 Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	%
Fiscal year ended March 31, 2023	115,480	11.0	2,824	(44.0)	2,909	(39.8)	(2,208)	—
March 31, 2022	104,024	22.8	5,042	283.2	4,836	453.2	1,897	—

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 3,098 million [(43.4) %]
 Fiscal year ended March 31, 2022: ¥ 5,475 million [237.0 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended March 31, 2023	Yen (47.05)	Yen —	% (3.6)	% 1.7	% 2.4
March 31, 2022	40.70	—	3.3	3.0	4.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ 174 million
 Fiscal year ended March 31, 2022: ¥ 108 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of March 31, 2023	Million yen 173,317	Million yen 70,454	% 35.3	Yen 1,297.76
March 31, 2022	166,155	68,695	36.3	1,289.96

(Reference) Net assets less non-controlling interests: As of March 31, 2023: ¥ 61,136 million
 As of March 31, 2022: ¥ 60,340 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended March 31, 2023	Million yen 5,003	Million yen (6,345)	Million yen 790	Million yen 18,955
March 31, 2022	13,207	(8,072)	(5,076)	18,868

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	—	10.00	—	15.00	25.00	1,187	61.4	2.0
March 31, 2023	—	10.00	—	2.00	12.00	570	—	0.9
Fiscal year ending								
March 31, 2024 (Forecast)	—	2.00	—	6.00	8.00		188.7	

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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 ending September 30, 2023	60,000	5.4	1,200	80.5	700	(25.6)	(210)	—	(4.45)
Full year	121,000	4.8	3,100	9.7	2,200	(24.4)	200	—	4.24

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) 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 16, “(5) Notes to Consolidated Financial Statements, Changes in Accounting Policy”

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

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

March 31, 2023: 47,520,253 shares

March 31, 2022: 47,520,253 shares

2) Number of treasury shares at the end of the period:

March 31, 2023: 411,152 shares

March 31, 2022: 743,664 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2023: 46,936,018 shares

Fiscal Year ended March 31, 2022: 46,628,139 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.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	68,087	3.4	712	(52.5)	1,944	(24.1)	(2,271)	—
March 31, 2022	65,868	21.5	1,499	107.4	2,564	18.7	(197)	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	(48.40)	—
March 31, 2022	(4.24)	—

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	111,102	48,239	43.4	1,023.99
March 31, 2022	109,208	51,482	47.1	1,100.59

(Reference) Net assets :
As of March 31, 2023: ¥ 48,239 million
As of March 31, 2022: ¥ 51,482 million

(Reasons for the Difference between Non-consolidated Actual Results for the Fiscal Year Ended March 31, 2022 and 2023)

In addition to the impact of surging raw materials and energy prices, recorded extraordinary losses such as a loss on valuation of shares of subsidiaries and affiliates, a provision for loss on loan guarantees, and a provision of allowance for doubtful accounts resulted in a lower profit than in the fiscal year ended March 2022.

* 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	23,018	24,108
Notes receivable - trade	1,107	1,090
Accounts receivable - trade	23,444	26,175
Electronically recorded monetary claims - operating	2,732	3,050
Merchandise and finished goods	14,606	16,972
Work in process	10,864	12,925
Raw materials and supplies	8,073	7,110
Other	2,206	2,702
Allowance for doubtful accounts	(126)	(81)
Total current assets	85,928	94,054
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,884	39,188
Accumulated depreciation	(21,191)	(23,069)
Buildings and structures, net	16,693	16,119
Machinery, equipment and vehicles	105,755	112,543
Accumulated depreciation	(81,635)	(89,064)
Machinery, equipment and vehicles, net	24,119	23,479
Land	9,875	10,181
Leased assets	5,013	5,163
Accumulated depreciation	(1,915)	(2,295)
Leased assets, net	3,097	2,868
Construction in progress	2,577	1,970
Other	7,836	8,377
Accumulated depreciation	(6,909)	(7,475)
Other, net	926	901
Total property, plant and equipment	57,291	55,520
Intangible assets		
Goodwill	5,152	4,629
Leased assets	19	8
Other	6,325	5,872
Total intangible assets	11,497	10,509
Investments and other assets		
Investment securities	5,450	6,102
Long-term loans receivable	212	280
Retirement benefit asset	3,203	4,098
Deferred tax assets	1,541	1,563
Other	1,084	1,234
Allowance for doubtful accounts	(52)	(47)
Total investments and other assets	11,439	13,232
Total non-current assets	80,227	79,262
Total assets	166,155	173,317

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,555	8,373
Electronically recorded obligations - operating	11,130	10,916
Short-term loans payable	27,055	31,976
Current portion of long-term loans payable	7,733	6,368
Lease liabilities	668	611
Provision for loss on guarantees	—	161
Income taxes payable	1,522	592
Contract liabilities	88	82
Provision for bonuses	1,555	1,314
Provision for bonuses for directors (and other officers)	39	—
Provision for product compensation	74	58
Electronically recorded obligations - non-operating	521	834
Other	6,467	7,432
Total current liabilities	65,414	68,723
Non-current liabilities		
Long-term loans payable	19,678	21,266
Lease liabilities	1,992	1,711
Deferred tax liabilities	2,201	3,085
Provision for share-based remuneration	49	59
Provision for share-based remuneration for directors (and other officers)	41	49
Provision for loss on guarantees	143	—
Retirement benefit liability	7,514	7,573
Asset retirement obligations	17	17
Other	406	377
Total non-current liabilities	32,045	34,140
Total liabilities	97,460	102,863
Net assets		
Shareholders' equity		
Capital stock	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	37,567	34,170
Treasury shares	(560)	(310)
Total shareholders' equity	58,534	55,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	981	974
Foreign currency translation adjustment	906	4,359
Remeasurements of defined benefit plans	(82)	414
Total accumulated other comprehensive income	1,805	5,748
Non-controlling interests	8,355	9,317
Total net assets	68,695	70,454
Total liabilities and net assets	166,155	173,317

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	104,024	115,480
Cost of sales	77,266	89,312
Gross profit	26,758	26,167
Selling, general and administrative expenses		
Freight costs	3,477	3,571
Outsourcing expenses	1,442	1,471
Provision of allowance for doubtful accounts	(32)	(47)
Remuneration for directors (and other officers)	552	620
Salaries and allowances	5,115	5,633
Provision for bonuses	367	266
Provision for bonuses for directors (and other officers)	39	—
Provision for product compensation	74	76
Retirement benefit expenses	460	338
Welfare expenses	1,121	1,249
Depreciation	1,427	1,542
Rent expenses	1,137	1,092
Research and development expenses	1,879	2,139
Other	4,652	5,387
Total selling, general and administrative expenses	21,715	23,342
Operating profit	5,042	2,824
Non-operating income		
Interest income	80	107
Dividend income	74	97
Foreign exchange gains	227	388
Share of profit of entities accounted for using equity method	108	174
Grant income	67	183
Other	331	286
Total non-operating income	890	1,238
Non-operating expenses		
Interest expenses	620	980
Loss on retirement of non-current assets	222	54
Other	253	118
Total non-operating expenses	1,096	1,153
Ordinary profit	4,836	2,909
Extraordinary losses		
Impairment losses	456	2,014
Total extraordinary losses	456	2,014
Profit before income taxes	4,379	895
Income taxes - current	2,364	1,750
Income taxes - deferred	(480)	684
Total income taxes	1,884	2,434
Profit (loss)	2,494	(1,539)
Profit attributable to non-controlling interests	597	668
Profit (loss) attributable to owners of parent	1,897	(2,208)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit (loss)	2,494	(1,539)
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(3)
Foreign currency translation adjustment	2,190	3,917
Remeasurements of defined benefit plans, net of tax	740	547
Share of other comprehensive income of entities accounted for using equity method	62	175
Total other comprehensive income	2,980	4,637
Comprehensive income	5,475	3,098
Comprehensive income attributable to		
owners of parent	4,671	1,734
non-controlling interests	803	1,363

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,413	13,114	36,609	(780)	57,356
Cumulative effects of changes in accounting policies			10		10
Restated balance	8,413	13,114	36,619	(780)	57,367
Changes during period					
Dividends of surplus			(950)		(950)
Profit attributable to owners of parent			1,897		1,897
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				220	220
Net changes in items other than shareholders' equity					
Total changes during period	—	—	947	220	1,167
Balance at end of period	8,413	13,114	37,567	(560)	58,534

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	995	(1,170)	(793)	(968)	8,150	64,538
Cumulative effects of changes in accounting policies						10
Restated balance	995	(1,170)	(793)	(968)	8,150	64,548
Changes during period						
Dividends of surplus						(950)
Profit attributable to owners of parent						1,897
Purchase of treasury shares						(0)
Disposal of treasury shares						220
Net changes in items other than shareholders' equity	(13)	2,076	710	2,774	205	2,979
Total changes during period	(13)	2,076	710	2,774	205	4,146
Balance at end of period	981	906	(82)	1,805	8,355	68,695

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,413	13,114	37,567	(560)	58,534
Changes during period					
Dividends of surplus			(1,187)		(1,187)
Profit attributable to owners of parent			(2,208)		(2,208)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				250	250
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	(3,396)	250	(3,146)
Balance at end of period	8,413	13,114	34,170	(310)	55,388

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	981	906	(82)	1,805	8,355	68,695
Changes during period						
Dividends of surplus						(1,187)
Profit attributable to owners of parent						(2,208)
Purchase of treasury shares						(0)
Disposal of treasury shares						250
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes in items other than shareholders' equity	(6)	3,452	497	3,942	961	4,904
Total changes during period	(6)	3,452	497	3,942	961	1,758
Balance at end of period	974	4,359	414	5,748	9,317	70,454

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,379	895
Depreciation	9,240	9,190
Impairment losses	456	2,014
Amortization of goodwill	724	749
Share of loss (profit) of entities accounted for using equity method	(108)	(174)
Increase (decrease) in allowance for doubtful accounts	(157)	(58)
Increase (decrease) in provision for bonuses	275	(241)
Increase (decrease) in provision for bonuses for directors (and other officers)	39	(39)
Increase or decrease in net defined benefit asset and liability	207	(229)
Increase (decrease) in provision for share-based remuneration	32	10
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	11	7
Increase (decrease) in provision for environmental measures	(33)	—
Increase (decrease) in provision for loss on guarantees	(1)	18
Interest and dividend income	(155)	(205)
Interest expenses	620	980
Foreign exchange losses (gains)	485	273
Loss on retirement of non-current assets	222	54
Decrease (increase) in trade receivables	(911)	(1,877)
Decrease (increase) in inventories	(7,045)	(1,779)
Increase (decrease) in trade payables	4,812	(1,579)
Increase (decrease) in accrued consumption taxes	109	(121)
Increase (decrease) in other liabilities	1,075	512
Other, net	623	(239)
Subtotal	14,904	8,159
Interest and dividends received	159	207
Dividends received from entities accounted for using equity method	65	161
Interest paid	(631)	(956)
Income taxes paid	(1,290)	(2,568)
Net cash provided by (used in) operating activities	13,207	5,003

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(4,858)	(5,856)
Proceeds from withdrawal of time deposits	4,001	5,190
Purchase of investment securities	(328)	(452)
Proceeds from sale of investment securities	—	0
Purchase of property, plant and equipment	(6,453)	(4,764)
Proceeds from sale of property, plant and equipment	5	80
Purchase of intangible assets	(486)	(401)
Loan advances	(60)	(712)
Proceeds from collection of loans receivable	46	532
Other, net	61	39
Net cash provided by (used in) investing activities	(8,072)	(6,345)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(799)	3,222
Proceeds from long-term loans payable	6,640	7,769
Repayments of long-term loans payable	(8,681)	(8,003)
Proceeds from sale and leaseback transactions	244	—
Repayments of finance lease liabilities	(1,051)	(715)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	162	168
Dividends paid	(948)	(1,185)
Dividends paid to non-controlling interests	(642)	(463)
Net cash provided by (used in) financing activities	(5,076)	790
Effect of exchange rate change on cash and cash equivalents	171	637
Net increase (decrease) in cash and cash equivalents	230	86
Cash and cash equivalents at beginning of period	18,637	18,868
Cash and cash equivalents at end of period	18,868	18,955

(5) Notes to Consolidated Financial Statements

(Notes on going concern)

Not applicable

(Significant matters that form the basis of presenting the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 33 companies

Company name

DAIDO LOGITECH CO., LTD.	DAIDO METAL SALES CO., LTD.
Daido Plain Bearings Co., Ltd.	NDC Co., Ltd.
NDC Sales Co., Ltd.	Daido Industrial Bearings Japan Co., Ltd.
Asia Kelmet Co., Ltd.	DAIDO METAL SAGA CO., LTD.
Iino Holding Ltd.	Iino Manufacturing Co., Ltd.
ATA Casting Technology Japan Co., Ltd.	Daido Precision Metal (Suzhou) Co., Ltd.
IINO (Foshan) Technology Co., Ltd.	Chung Yuan Daido Co., Ltd.
Dong Sung Metal Co., Ltd.	Dyna Metal Co., Ltd.
ATA Casting Technology Co., Ltd.	DM Casting Technology (Thailand) Co., Ltd.
PT. IINO INDONESIA	PT. Daido Metal Indonesia
SUPER CUB FIN ANCIAL CORPORATION	PHILIPPINE IINO CORPORATION
ISS America, Inc.	Daido Metal U.S.A. Inc.
Daido Metal Mexico Sales, S.A. de C.V.	Daido Metal Mexico, S.A. de C.V.
ISS MEXICO MANUFACTURING S.A. de C.V.	DAIDO METAL KOTOR AD
Daido Industrial Bearings Europe Limited	DAIDO METAL EUROPE LIMITED
Daido Metal Russia LLC	Daido Metal Europe GmbH
DAIDO METAL CZECH s.r.o.	

(2) Names of unconsolidated subsidiaries 3 companies

Company name

Korea Dry Bearing Co., Ltd.
Chung Yuan Daido (Guangzhou) Co., Ltd.
DMS Korea Co., Ltd.

Reason for exclusion from scope of consolidation

Korea Dry Bearing Co., Ltd., Chung Yuan Daido (Guangzhou) Co., Ltd., and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of total assets, net sales, profit attributable to owners of parent, and retained earnings for the year and do not have a significant impact on the net assets, financial position and results of operations of the Group.

2. Application of equity method

(1) Number of unconsolidated subsidiaries to which the equity method was applied 1 company

Company name

Korea Dry Bearing Co., Ltd.

(2) Number of associates to which the equity method was applied 3 companies

Company name

BBL Daido Private Limited
Shippo Asahi Moulds (Thailand) Co., Ltd.
NPR of Europe GmbH

(3) Names of unconsolidated subsidiaries and associates to which the equity method was not applied

Chung Yuan Daido (Guangzhou) Co., Ltd.

DMS Korea Co., Ltd.

Reason for non application of equity method

Chung Yuan Daido (Guangzhou) Co., Ltd. and DMS Korea Co., Ltd. have been excluded from the scope of consolidation because these companies are immaterial from the Group's point of view in terms of profit attributable to owners of parent and retained earnings for the year-and do not have a significant impact on the net assets, financial position and results of operations of the Group.

(4) For companies consolidated under equity method with closing dates different from the consolidated closing date, financial statements as of their year-end are used.

3. Matters relating to the accounting period of consolidated subsidiaries

The closing date for Daido Metal U.S.A. Inc., DAIDO METAL KOTOR AD, Daido Industrial Bearings Europe Limited, DAIDO METAL CZECH s.r.o., Dyna Metal Co., Ltd., Chung Yuan Daido Co., PT. Daido Metal Indonesia, Dong Sung Metal Co., Ltd., Daido Precision Metal (Suzhou) Co., Ltd., Daido Metal Europe GmbH., DAIDO METAL EUROPE LIMITED, Daido Metal Russia LLC, Daido Metal Mexico, S.A. de C.V., Daido Metal Mexico Sales, S.A. de C.V., PHILIPPINE IINO CORPORATION, IINO (Foshan) Technology Co., Ltd., ISS America, Inc., ISS MEXICO MANUFACTURING S.A. de C.V., PT. IINO INDONESIA, and SUPER CUB FINANCIAL CORPORATION is December 31.

Financial statements as of the same date are used in compiling the consolidated financial statements as of March 31, with necessary adjustment for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

4. Matters relating to accounting policies

(1) Basis and method of valuation of important assets

1) Securities

Other securities

Securities etc. other than shares without market value

Stated at market value (Valuation differences are recorded directly in net assets, and the net sales cost is calculated by the moving average method.)

Shares without market value

Stated at cost using moving average method

2) Inventories

Basis of valuation is in accordance with the cost basis (with writing down of the carrying value based on any decreased profitability).

Merchandise and finished goods Principally by weighted average method

Work in process..... Principally by weighted average method

Raw materials Principally by weighted average method

Supplies Principally by moving average method

3) Derivatives

Stated at market value

(2) Method of depreciation of important depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and six domestic consolidated subsidiaries use the declining balance method (with the exception of buildings (excluding facilities annexed to buildings) acquired on or after April 1, 1998 and facilities annexed to buildings and structures acquired on or after April 1, 2016, for which the straight-line method is used), while other subsidiaries use the straight-line method.

Estimated useful lives of major assets are as follows:

Buildings and structures 3-60 years

Machinery, equipment and vehicles 4-10 years

2) Intangible assets (excluding leased assets)

Straight line method is used.

3) Leased assets

Leased assets relating to finance lease transactions which transfer the ownership of leased assets

The same depreciation method as applied to our own assets is used.

Leased assets relating to finance lease transactions which do not transfer the ownership of leased assets

Straight-line method based on the depreciation period equal to the lease period and residual value of zero is used.

Right-of-use assets

Straight-line method based on the assumption that the depreciation period equals the lease period and that residual value equals zero is used.

For overseas consolidated subsidiaries, in accordance with the adoption of "IFRS 16" or "ASC 842", for lessees of leases, in principle, all leases are recorded as assets and liabilities on the balance sheet.

(3) Reserves and Provisions

1) Allowance for doubtful accounts

In order to prepare for any losses arising from bad debt receivables, an amount estimated to be unrecoverable is provided. General reserve is calculated based on the past loss experience, and specific reserve is calculated by reviewing the probability of recovery in each individual case where there is concern over claims.

2) Provision for bonuses

An amount corresponding to the period out of the estimated amount of bonuses payable to employees is provided.

3) Provision for bonuses for directors (and other officers)

An estimated amount of bonuses payable is provided.

4) Provision for product compensation

In order to prepare for any expenditure for quality claims, an estimated amount required to be paid in future is provided.

5) Provision for loss on guarantees

In order to prepare for the loss on guarantee balance remains at the end of an Employee Shareholding Incentive Plan (E-Ship®) period, an estimated amount of loss is provided.

6) Provision for share based remuneration, Provision for share based remuneration for directors (and other officers)

In order to prepare for the payment of share-based remuneration for directors (and other officers), an estimated share-based remuneration amounts based on the estimated points to be granted to eligible directors (and other officers) under the Share Grant Rule of the Company is provided.

(4) Accounting for retirement benefits

In order to prepare for the payment of retirement benefits to employees (excluding operating officers etc.), an amount estimated to have occurred at the balance sheet date is provided based on the projected benefit obligation and plan assets at the balance sheet date. When calculating retirement benefit obligations the benefit formula basis is used to allocate to the current period.

Past service cost is recorded as an expense by a pro-rated amount by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof.

For actuarial differences, an amount prorated by the straight-line method over a period within the average remaining service years of employees (mainly 14 years) at the time of occurrence thereof in each consolidated fiscal year is expensed starting from the consolidated fiscal year that follows the consolidated fiscal year of occurrence.

In order to prepare for the payment of retirement benefits to operating officers etc., the amount that would need to be paid if all eligible officers retired at the balance sheet date is provided.

(5) Basis for recognition of significant revenues and expenses

1) Details of principal performance obligations in the principal business of the company

the Company is primarily engaged in the manufacture of bearing products and identifies the delivery of products to customers as a performance obligation for the sale of these products.

2) The ordinary point in time at which the company satisfies such performance obligation (the ordinary point in time at which revenue is recognized)

In principle, the Company recognizes revenue at the point in time when it determines that control over the product is transferred to the customer upon delivery of the product to the customer and the performance obligation is satisfied. Revenue is measured as the consideration promised in the contract with the customer less discounts, rebates and returns. Because the payment is received within one year after delivery to the customer, the amount of the promised consideration does not include any significant financial factors.

(6) Conversion of foreign currency denominated assets and liabilities into Japanese Yen

Foreign currency denominated monetary assets and liabilities are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded as gains or losses. Assets and liabilities, income and expenses of overseas subsidiaries are converted into Japanese Yen at the spot exchange rates prevailing at the balance sheet date, and the resulting exchange differences are recorded in net assets as foreign currency translation adjustments and non-controlling interests.

(7) Amortization of goodwill and the amortization period

Goodwill is amortized by the straight-line method within a period of 14 years based on the estimated period during which the benefits are expected to arise.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

The cash and cash equivalents in consolidated statement of cash flows comprise cash on hand, demand deposits, and short term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and that are subject to an insignificant risk of changes in values.

(Changes in Accounting Policy)

(Application of ASC 842, "Leases")

Effective from the beginning of fiscal year ended March 31, 2023, the Company has applied ASC842, "Leases" (Hereafter, ASC 842) to its overseas consolidated subsidiaries applying U.S. GAAP. As a result, in principle, all leases of lessees are recorded as assets and liabilities on the balance sheet. In applying ASC No. 842, the cumulative effect of applying this standard, which is recognized as a transitional measure, is recognized on the effective date.

There is no material impact on the consolidated financial statements for the current period.

(Changes in presentation)

(Consolidated statement of income)

Grant income, which was included in "Other", under "Non-operating income" in the previous consolidated fiscal year, is stated separately in the current consolidated fiscal year, since its quantitative materiality increased. In addition, "Subsidy income," which was separately presented in the previous consolidated fiscal year, is included in "Other" in the current consolidated fiscal year because it became insignificant in terms of amount.

In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, 337 million yen of "Other" and 61 million yen of "Subsidy income", which were presented as under "Non-operating income" in the Consolidated statement of income for the previous fiscal year has been reclassified as 331 million yen of "Other" and 67 million yen of "Grant income".

(Additional Information)

(Granting Company Stock to Employees, etc. through a Trust)

In order to incentivize employees to achieve the Mid-Term Plan goals and raise corporate value in medium to long term, and to enrich the employee welfare program, the Company introduced an E Ship® Trust Type Employee Stock Purchase Incentive Plan (hereinafter "the Incentive Plan").

(i) The Incentive Plan Overview

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

(ii) Residual Company shares held in the ESPP Trust

Any residual shares of the Company held in the ESPP Trust will be recorded at the ESPP Trust's book value (excluding incidental expenses) as treasury stock under net assets. As of the end of the previous consolidated fiscal year, book value of the treasury stock was 248 million yen and the number of shares was 330,000 shares. As of the end of the current consolidated fiscal year, book value of the treasury stock is 1 million yen and the number of shares is 1,000 shares.

(iii) Book value of debt posted through the application of the total amount method

As of the end of the previous consolidated fiscal year: 349 million yen

As of the end of the current consolidated fiscal year: 176 million yen

(Introduction of 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.

(i) The Scheme Overview

A Board Benefit Trust (“the BBT”) is created with the contribution from the Company. The BBT purchases Company 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 shares are granted to each Director or and Executive Officer when they retire from their position.

(ii) Residual Company shares held in the BBT

Any residual shares of the Company held in the BBT will be recorded at the BBT’s book value (excluding incidental expenses) as treasury stock under net assets. As of the end of the previous consolidated fiscal year, book value of the treasury stock was 311 million yen and the number of shares was 411,000 shares. As of the end of the current consolidated fiscal year, book value of the treasury stock is 308. million yen and the number of shares is 407,000 shares.

(Segment information)

1. Description of reportable segments

The reportable segments of the Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors to evaluate their results and decide the allocation of management resources. The Group produces and sells bearings for automotive, shipbuilding, construction machine industry, dry bearings, special types of bearings for general industries, high-precision and high-quality parts for automotive engines and transmissions, and aluminum die cast automotive parts as its core business and other products (metal dry bearings, rotary pump, centralized lubrication, electrode sheet business for electric double layer capacitors, etc.).

The Group is, therefore, composed of segments based on products, and has four reportable segments, “Automotive engine bearings,” “Automotive non-engine bearings,” “Non-automotive bearings,” and “Other automotive parts.”

2. Methods of measurement for sales and profit (loss) by each reportable segment

The accounting treatment for each reportable segment is nearly the same as that set forth in the “Significant matters that form the basis of presenting the consolidated financial statements.” Profit by each reportable segment is based on operating profit. Internal sales or transfer between segments is based on actual market value.

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

① The previous fiscal year (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	57,595	20,255	11,033	13,688	102,572	1,451	104,024
Internal sales or transfer between segments	792	143	43	748	1,728	671	2,399
Total	58,388	20,399	11,076	14,436	104,301	2,122	106,423
Segment profit(loss)	8,380	3,338	1,750	(1,649)	11,818	343	12,162

(*) "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 The current fiscal year (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting Segment					Others (*)	Total
	Automotive engine bearings	Automotive non-engine bearings	Non- automotive bearings	Other automotive parts	Sub total		
Net sales							
External sales	62,646	19,242	14,768	17,358	114,016	1,463	115,480
Internal sales or transfer between segments	823	246	39	392	1,501	661	2,163
Total	63,469	19,489	14,807	17,751	115,517	2,125	117,643
Segment profit (loss)	6,961	2,670	2,085	(2,096)	9,620	378	9,999

(*) "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.

4. Reconciliation between Reporting segments total and numbers reported in Consolidated Financial Statements

(Million yen)

Net Sales	The previous fiscal year	The current fiscal year
Reporting segments total	104,301	115,517
Net sales from "Others" category	2,122	2,125
Elimination of intersegment transactions	(2,399)	(2,163)
Net sales as per Consolidated Financial Statements	104,024	115,480

Profit	The previous fiscal year	The current fiscal year
Reporting segments total	11,818	9,620
Profit from "Others" category	343	378
Elimination of intersegment transactions	(4)	9
Unattributable costs (*)	(7,115)	(7,184)
Operating profit as per Consolidated Financial Statements	5,042	2,824

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

③ 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 2,014 million yen was recorded as an impairment loss (extraordinary loss).

(Per share information)

	The previous fiscal year	The current fiscal year
Net assets per share	1,289.96 yen	1,297.76 yen
Earnings (loss) per share	40.70 yen	(47.05) yen

(Notes)

1. Diluted net income per share for the previous fiscal year is not stated because no latent shares existed.

2. Diluted net income per share for the current fiscal year is not stated because the Company posted a net loss per share, and no latent shares existed.

3. The shares of the company held by the trusts recorded as treasury stock under shareholders' equity are included in the treasury stock to be deducted in calculating the number of common shares at the end of the consolidated fiscal year for the purpose of calculating "Net assets per share".

(Net assets per share) The previous consolidated fiscal year : 742 thousand shares

The current consolidated fiscal year : 409 thousand shares

In addition, these shares are included in the treasury stock to be deducted in calculating the average number of shares during the period for the purpose of calculating "Earnings (loss) per share".

(Earnings per share) The previous consolidated fiscal year : 890 thousand shares

The current consolidated fiscal year : 582 thousand shares

4. Basis of calculation for Net assets per share is shown below.

	The previous fiscal year	The current fiscal year
Net assets (JPY million)	68,695	70,454
Deductions from net assets (JPY million)	8,355	9,317
(Non-controlling interests) (JPY million)	(8,355)	(9,317)
Net assets available to common stock (JPY million)	60,340	61,136
Number of common stock at the end of fiscal year for calculation of Net assets per share (thousand shares)	46,776	47,109

5. Basis of calculation of Earnings per share is shown below.

	The previous fiscal year	The current fiscal year
Profit attributable to owners of parent (JPY million)	1,897	(2,208)
Not attributable to common stockholders (JPY million)	—	—
Profit attributable to owners of parent available to common stock (JPY million)	1,897	(2,208)
Average number of common stock (thousand shares)	46,628	46,936

(Material subsequent events)

None

2. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	2,922	3,605
Notes receivable - trade	163	129
Accounts receivable - trade	17,695	18,822
Electronically recorded monetary claims - operating	2,518	2,798
Merchandise and finished goods	2,837	3,257
Work in process	4,106	4,485
Raw materials and supplies	2,652	2,679
Prepaid expenses	158	167
Short-term loans receivable from subsidiaries and associates	2,393	1,774
Accounts receivable - other	2,051	1,991
Other	90	149
Allowance for doubtful accounts	(0)	(0)
Total current assets	37,590	39,860
Non-current assets		
Property, plant and equipment		
Buildings	7,933	7,605
Structures	574	607
Machinery and equipment	4,018	3,641
Vehicles	3	11
Tools, furniture and fixtures	337	315
Land	5,079	5,078
Leased assets	2,257	1,994
Construction in progress	148	290
Total property, plant and equipment	20,353	19,544
Intangible assets		
Software	2,588	1,966
Leased assets	2	0
Right to use facilities	12	11
Other	303	477
Total intangible assets	2,907	2,456
Investments and other assets		
Investment securities	2,129	2,509
Shares of subsidiaries and associates	29,933	29,933
Investments in capital of subsidiaries and associates	10,257	10,257
Long-term loans receivable from employees	20	20
Long-term loans receivable from subsidiaries and associates	4,018	5,328
Distressed receivables	2	2
Long-term prepaid expenses	58	28
Prepaid pension costs	2,994	3,532
Other	477	471
Allowance for doubtful accounts	(1,535)	(2,843)
Total investments and other assets	48,357	49,241
Total non-current assets	71,617	71,242
Total assets	109,208	111,102

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	6,506	6,857
Electronically recorded obligations - operating	12,222	11,666
Short-term borrowings	5,825	8,066
Current portion of long-term borrowings	5,232	4,421
Lease liabilities	388	382
Accounts payable - other	1,160	1,443
Accrued expenses	932	922
Income taxes payable	472	155
Contract liabilities	458	755
Deposits received	61	62
Unearned revenue	49	42
Provision for bonuses	956	749
Provision for bonuses for directors (and other officers)	39	—
Electronically recorded obligations - non-operating	491	771
Provision for loss on guarantees	—	161
Other	2	2
Total current liabilities	34,800	36,461
Non-current liabilities		
Long-term borrowings	15,057	16,962
Lease liabilities	1,402	1,043
Deferred tax liabilities	479	550
Provision for retirement benefits	4,659	4,884
Provision for share awards	49	59
Provision for share awards for directors (and other officers)	41	49
Provision for loss on guarantees	480	2,021
Provision for loss on business of subsidiaries and associates	438	548
Asset retirement obligations	1	1
Long-term accounts payable - other	297	266
Other	17	14
Total non-current liabilities	22,925	26,401
Total liabilities	57,726	62,863

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus		
Legal capital surplus	8,789	8,789
Other capital surplus	3,449	3,449
Total capital surplus	12,238	12,238
Retained earnings		
Legal retained earnings	743	743
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	4,259	4,163
General reserve	21,000	21,000
Retained earnings brought forward	4,598	1,234
Total retained earnings	30,601	27,141
Treasury shares	(560)	(310)
Total shareholders' equity	50,693	47,483
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	789	755
Total valuation and translation adjustments	789	755
Total net assets	51,482	48,239
Total liabilities and net assets	109,208	111,102

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	65,868	68,087
Cost of sales	52,207	55,643
Gross profit	13,660	12,444
Selling, general and administrative expenses	12,160	11,732
Operating profit	1,499	712
Non-operating income		
Interest and dividend income	1,419	1,941
Foreign exchange gains	40	31
Other	129	185
Total non-operating income	1,589	2,158
Non-operating expenses		
Interest expenses	133	283
Loss on retirement of non-current assets	179	31
Other	212	611
Total non-operating expenses	525	926
Ordinary profit	2,564	1,944
Extraordinary losses		
Loss on valuation of investments in capital of subsidiaries and associates	244	—
Loss on valuation of shares of subsidiaries and associates	1,720	1,023
Provision of allowance for doubtful accounts	—	821
Provision for loss on guarantees	336	2,021
Total extraordinary losses	2,302	3,866
Profit (loss) before income taxes	261	(1,921)
Income taxes - current	657	265
Income taxes - deferred	(198)	85
Total income taxes	459	350
Loss	(197)	(2,271)

(3) Non-consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward
Balance at beginning of period	8,413	8,789	3,449	12,238	743	4,359	21,000	5,597
Cumulative effects of changes in accounting policies								48
Restated balance	8,413	8,789	3,449	12,238	743	4,359	21,000	5,646
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets						(100)		100
Dividends of surplus								(950)
Loss								(197)
Purchase of treasury shares								
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	(100)	—	(1,048)
Balance at end of period	8,413	8,789	3,449	12,238	743	4,259	21,000	4,598

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	31,700	(780)	51,572	800	800	52,372
Cumulative effects of changes in accounting policies	48		48			48
Restated balance	31,749	(780)	51,621	800	800	52,421
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets			—			—
Dividends of surplus	(950)		(950)			(950)
Loss	(197)		(197)			(197)
Purchase of treasury shares		(0)	(0)			(0)
Disposal of treasury shares		220	220			220
Net changes in items other than shareholders' equity				(11)	(11)	(11)
Total changes during period	(1,148)	220	(928)	(11)	(11)	(939)
Balance at end of period	30,601	(560)	50,693	789	789	51,482

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total retained earnings	Legal retained earnings	Other retained earnings		
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	8,413	8,789	3,449	12,238	743	4,259	21,000	4,598
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets						(96)		96
Dividends of surplus								(1,187)
Loss								(2,271)
Purchase of treasury shares								
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	(96)	—	(3,363)
Balance at end of period	8,413	8,789	3,449	12,238	743	4,163	21,000	1,234

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	30,601	(560)	50,693	789	789	51,482
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets			—			—
Dividends of surplus	(1,187)		(1,187)			(1,187)
Loss	(2,271)		(2,271)			(2,271)
Purchase of treasury shares		(0)	(0)			(0)
Disposal of treasury shares		250	250			250
Net changes in items other than shareholders' equity				(33)	(33)	(33)
Total changes during period	(3,459)	250	(3,209)	(33)	(33)	(3,242)
Balance at end of period	27,141	(310)	47,483	755	755	48,239