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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 9, 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 Senior Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled date of filing quarterly securities report: November 9, 2023
 Scheduled date of commencing dividend payments: December 7, 2023
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes (For analysts and financial institutions)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	63,383	11.3	2,210	232.4	2,212	135.1	615	—
September 30, 2022	56,944	13.2	664	(75.2)	941	(63.8)	(2,475)	—

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 4,918 million [24.9 %]
 Six months ended September 30, 2022: ¥ 3,938 million [49.9 %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	13.05	—
September 30, 2022	(52.83)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	185,397	75,032	35.1
March 31, 2023	173,317	70,454	35.3

(Reference) Equity: As of September 30, 2023: ¥ 65,052 million
 As of March 31, 2023: ¥ 61,136 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, 2023	—	10.00	—	2.00	12.00
Fiscal year ending March 31, 2024	—	2.00			
Fiscal year ending March 31, 2024 (Forecast)			—	8.00	10.00

(Note) Revision to 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	128,000	10.8	4,700	66.4	4,200	44.3	1,200	—	25.46

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(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, 2023: 47,520,253 shares

March 31, 2023: 47,520,253 shares

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

September 30, 2023: 384,813 shares

March 31, 2023: 411,152 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 47,129,895 shares

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

(Note) The Company has introduced 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

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	24,108	28,368
Notes and accounts receivable - trade	27,266	29,668
Electronically recorded monetary claims - operating	3,050	3,410
Merchandise and finished goods	16,972	17,089
Work in process	12,925	11,808
Raw materials and supplies	7,110	8,841
Other	2,702	2,942
Allowance for doubtful accounts	(81)	(74)
Total current assets	94,054	102,055
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,119	16,633
Machinery, equipment and vehicles, net	23,479	24,385
Other, net	15,922	17,550
Total property, plant and equipment	55,520	58,569
Intangible assets		
Goodwill	4,629	4,401
Other	5,880	5,537
Total intangible assets	10,509	9,939
Investments and other assets		
Investments and other assets	13,279	14,880
Allowance for doubtful accounts	(47)	(47)
Total investments and other assets	13,232	14,833
Total non-current assets	79,262	83,342
Total assets	173,317	185,397

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,373	9,889
Electronically recorded obligations - operating	10,916	11,515
Short-term borrowings	31,976	32,758
Provision for loss on guarantees	161	—
Current portion of long-term borrowings	6,368	6,255
Income taxes payable	592	887
Provision for bonuses	1,314	1,483
Provision for product compensation	58	112
Electronically recorded obligations - non-operating	834	834
Other	8,126	8,697
Total current liabilities	68,723	72,434
Non-current liabilities		
Long-term borrowings	21,266	24,450
Provision for share awards	59	73
Provision for share awards for directors (and other officers)	49	51
Retirement benefit liability	7,573	7,848
Asset retirement obligations	17	17
Other	5,173	5,488
Total non-current liabilities	34,140	37,930
Total liabilities	102,863	110,365
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	34,170	34,691
Treasury shares	(310)	(291)
Total shareholders' equity	55,388	55,928
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	974	1,589
Foreign currency translation adjustment	4,359	7,098
Remeasurements of defined benefit plans	414	436
Total accumulated other comprehensive income	5,748	9,124
Non-controlling interests	9,317	9,979
Total net assets	70,454	75,032
Total liabilities and net assets	173,317	185,397

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

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	56,944	63,383
Cost of sales	44,544	48,913
Gross profit	12,400	14,469
Selling, general and administrative expenses	11,735	12,259
Operating profit	664	2,210
Non-operating income		
Interest income	43	100
Dividend income	54	131
Foreign exchange gains	370	297
Share of profit of entities accounted for using equity method	134	127
Other	144	252
Total non-operating income	748	908
Non-operating expenses		
Interest expenses	379	815
Other	91	89
Total non-operating expenses	471	905
Ordinary profit	941	2,212
Extraordinary losses		
Impairment losses	1,963	—
Total extraordinary losses	1,963	—
Profit (loss) before income taxes	(1,021)	2,212
Income taxes - current	767	1,094
Income taxes - deferred	460	117
Total income taxes	1,228	1,212
Profit (loss)	(2,249)	1,000
Profit attributable to non-controlling interests	225	385
Profit (loss) attributable to owners of parent	(2,475)	615

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

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit (loss)	(2,249)	1,000
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	626
Foreign currency translation adjustment	6,105	3,043
Remeasurements of defined benefit plans, net of tax	61	34
Share of other comprehensive income of entities accounted for using equity method	220	213
Total other comprehensive income	6,188	3,918
Comprehensive income	3,938	4,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,918	3,991
Comprehensive income attributable to non-controlling interests	1,020	926

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(1,021)	2,212
Depreciation	4,659	4,812
Impairment losses	1,963	—
Amortization of goodwill	369	384
Share of loss (profit) of entities accounted for using equity method	(134)	(127)
Increase (decrease) in allowance for doubtful accounts	(46)	(11)
Increase (decrease) in provision for bonuses	10	167
Increase (decrease) in provision for bonuses for directors (and other officers)	(39)	—
Increase or decrease in net defined benefit asset and liability	(25)	(144)
Increase (decrease) in provision for share awards	5	14
Increase (decrease) in provision for share awards for directors (and other officers)	8	2
Increase (decrease) in provision for loss on guarantees	19	(161)
Interest and dividend income	(98)	(231)
Interest expenses	379	815
Decrease (increase) in trade receivables	(495)	(1,455)
Decrease (increase) in inventories	(2,535)	718
Increase (decrease) in trade payables	(1,737)	991
Increase (decrease) in accrued consumption taxes	(91)	76
Increase (decrease) in other liabilities	(261)	(165)
Other, net	(364)	892
Subtotal	564	8,792
Interest and dividends received	61	211
Dividends received from entities accounted for using equity method	74	27
Interest paid	(366)	(774)
Income taxes paid	(1,604)	(899)
Net cash provided by (used in) operating activities	(1,269)	7,357

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from investing activities		
Payments into time deposits	(1,825)	(677)
Proceeds from withdrawal of time deposits	1,583	237
Purchase of investment securities	(17)	(17)
Purchase of property, plant and equipment	(2,214)	(4,245)
Proceeds from sale of property, plant and equipment	10	1
Purchase of intangible assets	(166)	(43)
Loan advances	(63)	(196)
Proceeds from collection of loans receivable	22	71
Other, net	12	165
Net cash provided by (used in) investing activities	(2,658)	(4,705)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,114	(1,512)
Proceeds from long-term borrowings	3,972	7,500
Repayments of long-term borrowings	(3,289)	(4,705)
Repayments of finance lease liabilities	(295)	(329)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	86	0
Dividends paid	(710)	(95)
Dividends paid to non-controlling interests	(245)	(233)
Net cash provided by (used in) financing activities	632	623
Effect of exchange rate change on cash and cash equivalents	1,186	250
Net increase (decrease) in cash and cash equivalents	(2,108)	3,526
Cash and cash equivalents at beginning of period	18,868	18,955
Cash and cash equivalents at end of period	16,760	22,481

(4)Notes to Quarterly Consolidates 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, 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).

[Second quarter of current period (from April 1, 2023 to September 30, 2023)]

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	34,465	10,123	8,111	9,907	62,607	775	63,383
Internal sales or transfer between segments	304	108	9	183	606	378	985
Total	34,769	10,232	8,121	10,090	63,214	1,154	64,368
Segment profit(loss)	4,088	1,372	1,393	(1,195)	5,659	212	5,872

(*) “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	5,659
Profit from “Others” category	212
Elimination of intersegment transactions	1
Unattributable costs (*)	(3,663)
Operating profit (loss) as per Quarterly Consolidated Statements of Income	2,210

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