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Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]

May 14, 2024

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: Yukihiro Kagohara Executive Officer and Head of Corporate Planning Division
 Phone: +81-52-205-1400
 Scheduled date of Annual General Meeting of Shareholders: June 27, 2024
 Scheduled date of commencing dividend payments: June 28, 2024
 Scheduled date of filing annual securities report: June 27, 2024
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual 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 Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	%
Fiscal year ended March 31, 2024	128,738	11.5	6,084	115.4	5,825	100.2	2,569	—
March 31, 2023	115,480	11.0	2,824	(44.0)	2,909	(39.8)	(2,208)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥ 9,359 million [202.1 %]
 Fiscal year ended March 31, 2023: ¥ 3,098 million [(43.4) %]

	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, 2024	Yen 54.50	Yen —	% 4.0	% 3.2	% 4.7
March 31, 2023	(47.05)	—	(3.6)	1.7	2.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2024: ¥ 235 million
 Fiscal year ended March 31, 2023: ¥ 174 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of March 31, 2024	Millions of yen 188,369	Millions of yen 78,721	% 36.5	Yen 1,460.05
March 31, 2023	173,317	70,454	35.3	1,297.76

(Reference) Equity: As of March 31, 2024: ¥ 68,820 million
 As of March 31, 2023: ¥ 61,136 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, 2024	Millions of yen 16,655	Millions of yen (8,303)	Millions of yen (2,499)	Millions of yen 24,586
March 31, 2023	5,003	(6,345)	790	18,955

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	Millions of yen	%	%
March 31, 2023	—	10.00	—	2.00	12.00	570	—	0.9
March 31, 2024	—	2.00	—	13.00	15.00	712	27.5	1.1
Fiscal year ending March 31, 2025 (Forecast)	—	7.00	—	8.00	15.00		28.3	

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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
Six months ending September 30, 2024	65,000	2.6	2,400	8.6	2,300	3.9	1,000	62.5	21.21
Full year	131,000	1.8	6,000	(1.4)	5,700	(2.2)	2,500	(2.7)	53.03

* 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: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(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, 2024: 47,520,253 shares

March 31, 2023: 47,520,253 shares

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

March 31, 2024: 385,061 shares

March 31, 2023: 411,152 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2024: 47,132,613 shares

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

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	71,635	5.2	2,631	269.4	3,740	92.3	1,343	—
March 31, 2023	68,087	3.4	712	(52.5)	1,944	(24.1)	(2,271)	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	28.50	—
March 31, 2023	(48.40)	—

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	118,701	49,969	42.1	1,060.12
March 31, 2023	111,102	48,239	43.4	1,023.99

(Reference) Equity: As of March 31, 2024: ¥ 49,969 million
As of March 31, 2023: ¥ 48,239 million

(Reasons for the Difference between Non-consolidated Actual Results for the Fiscal Year Ended March 31, 2023 and 2024)

Net sales, operating income, ordinary income and net income were all higher than the actual figures for the fiscal year ended March 31, 2023, mainly due to a recovery in demand resulting from the elimination of a semiconductor supply shortage in the automotive industry and strong demand in the marine industry.

* 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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	24,108	30,956
Notes receivable - trade	1,090	1,553
Accounts receivable - trade	26,175	27,921
Electronically recorded monetary claims - operating	3,050	3,199
Merchandise and finished goods	16,972	16,816
Work in process	12,925	11,720
Raw materials and supplies	7,110	8,815
Other	2,702	2,650
Allowance for doubtful accounts	(81)	(85)
Total current assets	94,054	103,549
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,188	41,328
Accumulated depreciation	(23,069)	(24,997)
Buildings and structures, net	16,119	16,330
Machinery, equipment and vehicles	112,543	120,200
Accumulated depreciation	(89,064)	(97,203)
Machinery, equipment and vehicles, net	23,479	22,997
Land	10,181	10,522
Leased assets	5,163	5,455
Accumulated depreciation	(2,295)	(2,800)
Leased assets, net	2,868	2,654
Construction in progress	1,970	3,370
Other	8,377	9,038
Accumulated depreciation	(7,475)	(8,048)
Other, net	901	989
Total property, plant and equipment	55,520	56,865
Intangible assets		
Goodwill	4,629	4,070
Leased assets	8	1
Other	5,872	5,312
Total intangible assets	10,509	9,384
Investments and other assets		
Investment securities	6,102	7,323
Long-term loans receivable	280	311
Retirement benefit asset	4,098	8,212
Deferred tax assets	1,563	1,685
Other	1,234	1,080
Allowance for doubtful accounts	(47)	(43)
Total investments and other assets	13,232	18,570
Total non-current assets	79,262	84,820
Total assets	173,317	188,369

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,373	9,083
Electronically recorded obligations - operating	10,916	11,960
Short-term borrowings	31,976	32,487
Current portion of long-term borrowings	6,368	7,739
Lease liabilities	611	668
Income taxes payable	592	1,488
Contract liabilities	82	90
Provision for bonuses	1,314	1,778
Provision for bonuses for directors (and other officers)	—	103
Provision for product compensation	58	68
Provision for loss on guarantees	161	—
Electronically recorded obligations - non-operating	834	672
Other	7,432	8,328
Total current liabilities	68,723	74,468
Non-current liabilities		
Long-term borrowings	21,266	21,088
Lease liabilities	1,711	1,398
Deferred tax liabilities	3,085	4,355
Provision for share awards	59	83
Provision for share awards for directors (and other officers)	49	58
Retirement benefit liability	7,573	7,796
Asset retirement obligations	17	17
Other	377	380
Total non-current liabilities	34,140	35,179
Total liabilities	102,863	109,647
Net assets		
Shareholders' equity		
Share capital	8,413	8,413
Capital surplus	13,114	13,114
Retained earnings	34,170	36,549
Treasury shares	(310)	(291)
Total shareholders' equity	55,388	57,786
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	974	1,615
Foreign currency translation adjustment	4,359	6,418
Remeasurements of defined benefit plans	414	2,999
Total accumulated other comprehensive income	5,748	11,033
Non-controlling interests	9,317	9,901
Total net assets	70,454	78,721
Total liabilities and net assets	173,317	188,369

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	115,480	128,738
Cost of sales	89,312	97,433
Gross profit	26,167	31,304
Selling, general and administrative expenses		
Freight costs	3,571	3,537
Outsourcing expenses	1,471	1,619
Provision of allowance for doubtful accounts	(47)	10
Remuneration for directors (and other officers)	620	591
Salaries and allowances	5,633	6,073
Provision for bonuses	266	489
Provision for bonuses for directors (and other officers)	—	103
Provision for product compensation	76	113
Retirement benefit expenses	338	420
Welfare expenses	1,249	1,273
Depreciation	1,542	1,570
Rent expenses	1,092	1,116
Research and development expenses	2,139	2,262
Other	5,387	6,036
Total selling, general and administrative expenses	23,342	25,219
Operating profit	2,824	6,084
Non-operating income		
Interest income	107	279
Dividend income	97	196
Foreign exchange gains	388	322
Share of profit of entities accounted for using equity method	174	235
Subsidy income	183	258
Other	286	344
Total non-operating income	1,238	1,636
Non-operating expenses		
Interest expenses	980	1,632
Loss on retirement of non-current assets	54	75
Other	118	187
Total non-operating expenses	1,153	1,895
Ordinary profit	2,909	5,825
Extraordinary income		
Gain on sale of investment securities	—	210
Total extraordinary income	—	210
Extraordinary losses		
Impairment losses	2,014	—
Total extraordinary losses	2,014	—
Profit before income taxes	895	6,036
Income taxes - current	1,750	2,688
Income taxes - deferred	684	(99)
Total income taxes	2,434	2,589
Profit (loss)	(1,539)	3,447
Profit attributable to non-controlling interests	668	878
Profit (loss) attributable to owners of parent	(2,208)	2,569

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit (loss)	(1,539)	3,447
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	667
Foreign currency translation adjustment	3,917	2,414
Remeasurements of defined benefit plans, net of tax	547	2,604
Share of other comprehensive income of entities accounted for using equity method	175	226
Total other comprehensive income	4,637	5,912
Comprehensive income	3,098	9,359
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,734	7,854
Comprehensive income attributable to non-controlling interests	1,363	1,505

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023

(Millions of 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 (loss) 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 (loss) 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

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,413	13,114	34,170	(310)	55,388
Changes during period					
Dividends of surplus			(190)		(190)
Profit (loss) attributable to owners of parent			2,569		2,569
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				19	19
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,378	19	2,398
Balance at end of period	8,413	13,114	36,549	(291)	57,786

	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	974	4,359	414	5,748	9,317	70,454
Changes during period						
Dividends of surplus						(190)
Profit (loss) attributable to owners of parent						2,569
Purchase of treasury shares						(0)
Disposal of treasury shares						19
Net changes in items other than shareholders' equity	640	2,059	2,584	5,285	584	5,869
Total changes during period	640	2,059	2,584	5,285	584	8,267
Balance at end of period	1,615	6,418	2,999	11,033	9,901	78,721

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	895	6,036
Depreciation	9,190	9,595
Impairment losses	2,014	—
Amortization of goodwill	749	777
Share of loss (profit) of entities accounted for using equity method	(174)	(235)
Increase (decrease) in allowance for doubtful accounts	(58)	(3)
Increase (decrease) in provision for bonuses	(241)	462
Increase (decrease) in provision for bonuses for directors (and other officers)	(39)	103
Increase or decrease in net defined benefit asset and liability	(229)	(271)
Increase (decrease) in provision for share awards	10	24
Increase (decrease) in provision for share awards for directors (and other officers)	7	9
Increase (decrease) in provision for loss on guarantees	18	(161)
Interest and dividend income	(205)	(476)
Interest expenses	980	1,632
Loss (gain) on sale of investment securities	—	(210)
Foreign exchange losses (gains)	273	1,020
Loss on retirement of non-current assets	54	75
Decrease (increase) in trade receivables	(1,877)	(1,134)
Decrease (increase) in inventories	(1,779)	919
Increase (decrease) in trade payables	(1,579)	745
Increase (decrease) in accrued consumption taxes	(121)	127
Increase (decrease) in other liabilities	512	(91)
Other, net	(239)	641
Subtotal	8,159	19,586
Interest and dividends received	207	455
Dividends received from entities accounted for using equity method	161	116
Interest paid	(956)	(1,624)
Income taxes paid	(2,568)	(1,878)
Net cash provided by (used in) operating activities	5,003	16,655

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from investing activities		
Payments into time deposits	(5,856)	(6,307)
Proceeds from withdrawal of time deposits	5,190	5,574
Purchase of investment securities	(452)	(35)
Proceeds from sale of investment securities	0	320
Purchase of property, plant and equipment	(4,764)	(7,606)
Proceeds from sale of property, plant and equipment	80	13
Purchase of intangible assets	(401)	(377)
Loan advances	(712)	(535)
Proceeds from collection of loans receivable	532	510
Other, net	39	139
Net cash provided by (used in) investing activities	(6,345)	(8,303)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,222	(1,997)
Proceeds from long-term borrowings	7,769	7,650
Repayments of long-term borrowings	(8,003)	(6,732)
Repayments of finance lease liabilities	(715)	(653)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	168	0
Dividends paid	(1,185)	(190)
Dividends paid to non-controlling interests	(463)	(576)
Net cash provided by (used in) financing activities	790	(2,499)
Effect of exchange rate change on cash and cash equivalents	637	(220)
Net increase (decrease) in cash and cash equivalents	86	5,631
Cash and cash equivalents at beginning of period	18,868	18,955
Cash and cash equivalents at end of period	18,955	24,586

(5) Note 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 32 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.
DAIDO METAL SAGA CO., LTD.	Iino Holding Ltd.
Iino Manufacturing Co., Ltd.	ATA Casting Technology Japan Co., Ltd.
IINO (Foshan) Technology Co., Ltd.	Daido Precision Metal (Suzhou) Co., Ltd.
Dong Sung Metal Co., Ltd.	Chung Yuan Daido Co., Ltd.
ATA Casting Technology Co., Ltd.	Dyna Metal Co., Ltd.
PT. IINO INDONESIA	DM Casting Technology (Thailand) Co., Ltd.
SUPER CUB FIN ANCIAL CORPORATION	PT. Daido Metal Indonesia
ISS America, Inc.	PHILIPPINE IINO CORPORATION
Daido Metal Mexico Sales, S.A. de C.V.	Daido Metal U.S.A. Inc.
ISS MEXICO MANUFACTURING S.A. de C.V.	Daido Metal Mexico, S.A. de C.V.
Daido Industrial Bearings Europe Limited	DAIDO METAL KOTOR AD
Daido Metal Russia LLC	DAIDO METAL EUROPE LIMITED
DAIDO METAL CZECH s.r.o.	Daido Metal Europe GmbH

Asia Kelmet Co., Ltd. (“AKS”), which was a consolidated subsidiary of Daido Metal Co., Ltd. (“the Company”), is excluded from the scope of consolidation as a result of an absorption-type merger, effective from October 1st, 2023, whereby the Company became the surviving company and AKS dissolved.

(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

Company name

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 five 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 3-20 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.

(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”). The above plan ended in April 2023.

(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 was recorded at the ESPP Trust’s book value (excluding incidental expenses) as treasury stock under net assets, but there is no such treasury stock as the Incentive has ended. As of the end of the previous consolidated fiscal year, book value of the treasury stock was 1 million yen and the number of shares was 1,000 shares.

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

As the Plan is closed, no borrowings are recorded. As of the end of the previous fiscal year, the amount was 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 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 308 million yen and the number of shares was 407 thousand shares. As of the end of the current consolidated fiscal year, book value of the treasury stock is 289 million yen and the number of shares is 382 thousand 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, 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.

② The current fiscal year (from April 1, 2023 to March 31, 2024)

(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	69,506	19,839	16,610	21,300	127,257	1,481	128,738
Internal sales or transfer between segments	569	234	35	235	1,074	772	1,847
Total	70,076	20,074	16,646	21,535	128,331	2,253	130,585
Segment profit (loss)	9,083	2,797	3,253	(1,722)	13,411	396	13,808

(*) “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	115,517	128,331
Net sales from "Others" category	2,125	2,253
Elimination of intersegment transactions	(2,163)	(1,847)
Net sales as per Consolidated Financial Statements	115,480	128,738

Profit	The previous fiscal year	The current fiscal year
Reporting segments total	9,620	13,411
Profit from "Others" category	378	396
Elimination of intersegment transactions	9	(2)
Unattributable costs (*)	(7,184)	(7,721)
Operating profit as per Consolidated Financial Statements	2,824	6,084

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

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

(Significant impairment loss on non-current assets)

① The previous fiscal year (from April 1, 2022 to March 31, 2023)

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).

② The current fiscal year (from April 1, 2023 to March 31, 2024)

None

(Per share information)

	The previous fiscal year	The current fiscal year
Net assets per share	1,297.76 yen	1,460.05 yen
Earnings (loss) per share	(47.05)yen	54.50 yen

(Notes)

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

2. Diluted net income per share for the current fiscal year is not stated because 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 : 409 thousand shares

The current consolidated fiscal year : 382 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 : 582 thousand shares

The current consolidated fiscal year : 385 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)	70,454	78,721
Deductions from net assets (JPY million)	9,317	9,901
(Non-controlling interests) (JPY million)	(9,317)	(9,901)
Net assets available to common stock (JPY million)	61,136	68,820
Number of common stock at the end of fiscal year for calculation of Net assets per share (thousand shares)	47,109	47,135

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)	(2,208)	2,569
Not attributable to common stockholders (JPY million)	—	—
Profit attributable to owners of parent available to common stock (JPY million)	(2,208)	2,569
Average number of common stock (thousand shares)	46,936	47,132

(Material subsequent events)

None

2.Non-consolidated Financial Statements

(1)Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	3,605	5,894
Notes receivable - trade	129	140
Accounts receivable - trade	18,822	19,462
Electronically recorded monetary claims - operating	2,798	3,020
Merchandise and finished goods	3,257	3,226
Work in process	4,485	4,816
Raw materials and supplies	2,679	2,777
Prepaid expenses	167	202
Short-term loans receivable from subsidiaries and associates	1,774	1,558
Accounts receivable - other	1,991	1,624
Other	149	195
Allowance for doubtful accounts	(0)	(0)
Total current assets	39,860	42,919
Non-current assets		
Property, plant and equipment		
Buildings	7,605	7,405
Structures	607	589
Machinery and equipment	3,641	3,709
Vehicles	11	17
Tools, furniture and fixtures	315	375
Land	5,078	5,065
Leased assets	1,994	1,766
Construction in progress	290	552
Total property, plant and equipment	19,544	19,482
Intangible assets		
Software	1,966	1,269
Leased assets	0	0
Right to use facilities	11	20
Other	477	769
Total intangible assets	2,456	2,059
Investments and other assets		
Investment securities	2,509	3,342
Shares of subsidiaries and associates	29,933	29,779
Investments in capital of subsidiaries and associates	10,257	13,867
Long-term loans receivable from employees	20	12
Long-term loans receivable from subsidiaries and associates	5,328	9,135
Distressed receivables	2	—
Long-term prepaid expenses	28	10
Prepaid pension costs	3,532	4,249
Other	471	281
Allowance for doubtful accounts	(2,843)	(6,436)
Total investments and other assets	49,241	54,240
Total non-current assets	71,242	75,782
Total assets	111,102	118,701

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,857	6,575
Electronically recorded obligations - operating	11,666	12,540
Short-term borrowings	8,066	9,593
Current portion of long-term borrowings	4,421	6,150
Lease liabilities	382	395
Accounts payable - other	1,443	1,631
Accrued expenses	922	1,014
Income taxes payable	155	654
Accrued consumption taxes	—	65
Contract liabilities	755	839
Deposits received	62	61
Unearned revenue	42	37
Provision for bonuses	749	1,193
Provision for bonuses for directors (and other officers)	—	103
Provision for loss on guarantees	161	—
Electronically recorded obligations - non-operating	771	657
Other	2	3
Total current liabilities	36,461	41,518
Non-current liabilities		
Long-term borrowings	16,962	18,312
Lease liabilities	1,043	692
Deferred tax liabilities	550	816
Provision for retirement benefits	4,884	5,101
Provision for share awards	59	83
Provision for share awards for directors (and other officers)	49	58
Provision for loss on guarantees	2,021	1,310
Provision for loss on business of subsidiaries and associates	548	521
Asset retirement obligations	1	17
Long-term accounts payable - other	266	237
Other	14	62
Total non-current liabilities	26,401	27,213
Total liabilities	62,863	68,732

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
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	4,163	4,120
General reserve	21,000	21,000
Retained earnings brought forward	1,234	2,431
Total retained earnings	27,141	28,295
Treasury shares	(310)	(291)
Total shareholders' equity	47,483	48,656
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	755	1,313
Total valuation and translation adjustments	755	1,313
Total net assets	48,239	49,969
Total liabilities and net assets	111,102	118,701

(2)Non-consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	68,087	71,635
Cost of sales	55,643	56,962
Gross profit	12,444	14,672
Selling, general and administrative expenses	11,732	12,041
Operating profit	712	2,631
Non-operating income		
Interest and dividend income	1,941	2,267
Foreign exchange gains	31	83
Other	185	330
Total non-operating income	2,158	2,681
Non-operating expenses		
Interest expenses	283	598
Loss on retirement of non-current assets	31	47
Other	611	926
Total non-operating expenses	926	1,572
Ordinary profit	1,944	3,740
Extraordinary income		
Gain on extinguishment of tie-in shares	—	413
Total extraordinary income	—	413
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	1,023	—
Provision of allowance for doubtful accounts	821	1,962
Provision for loss on guarantees	2,021	—
Total extraordinary losses	3,866	1,962
Profit (loss) before income taxes	(1,921)	2,191
Income taxes - current	265	961
Income taxes - deferred	85	(112)
Total income taxes	350	848
Profit (loss)	(2,271)	1,343

3) Non-consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023

(Millions of yen)

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

	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	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	4,598	30,601	(560)	50,693	789	789	51,482
Changes during period							
Provision of reserve for tax purpose reduction entry of non-current assets							
Reversal of reserve for tax purpose reduction entry of non-current assets	96	-		-			-
Dividends of surplus	(1,187)	(1,187)		(1,187)			(1,187)
Profit (loss)	(2,271)	(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	(3,363)	(3,459)	250	(3,209)	(33)	(33)	(3,242)
Balance at end of period	1,234	27,141	(310)	47,483	755	755	48,239

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
					Reserve for tax purpose reduction entry of non-current assets	General reserve	
Balance at beginning of period	8,413	8,789	3,449	12,238	743	4,163	21,000
Changes during period							
Provision of reserve for tax purpose reduction entry of non-current assets						49	
Reversal of reserve for tax purpose reduction entry of non-current assets						(92)	
Dividends of surplus							
Profit (loss)							
Purchase of treasury shares							
Disposal of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	(42)	—
Balance at end of period	8,413	8,789	3,449	12,238	743	4,120	21,000

	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	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	1,234	27,141	(310)	47,483	755	755	48,239
Changes during period							
Provision of reserve for tax purpose reduction entry of non-current assets	(49)	—		—			—
Reversal of reserve for tax purpose reduction entry of non-current assets	92	—		—			—
Dividends of surplus	(190)	(190)		(190)			(190)
Profit (loss)	1,343	1,343		1,343			1,343
Purchase of treasury shares			(0)	(0)			(0)
Disposal of treasury shares			19	19			19
Net changes in items other than shareholders' equity					557	557	557
Total changes during period	1,196	1,153	19	1,172	557	557	1,730
Balance at end of period	2,431	28,295	(291)	48,656	1,313	1,313	49,969