

Consolidated Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]



July 26, 2017

Company name: Daihatsu Diesel Mfg. Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6023

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Scheduled date of filing quarterly securities report: August 9, 2017

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	15,351	19.0	515	(0.1)	577	46.8	397	31.0
June 30, 2016	12,905	(0.1)	516	(60.9)	393	(69.5)	303	(66.8)

(Note) Comprehensive income: Three months ended June 30, 2017: 454 million yen [203.4%]

Three months ended June 30, 2016: 149 million yen [(83.9)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	12.50		-	
June 30, 2016	9.54		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2017	79,031		36,436		46.0	
As of March 31, 2017	78,981		36,460		46.1	

(Reference) Equity: As of June 30, 2017: 36,391 million yen

As of March 31, 2017: 36,414 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2017	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2018	-				
Fiscal year ending March 31, 2018 (Forecast)		0.00	-	15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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
First half	30,000	6.6	400	(63.6)	300	(69.9)	100	(85.9)	3.13
Full year	63,000	6.9	2,500	(28.5)	2,400	(30.3)	1,500	(35.3)	47.09

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (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):
 - June 30, 2017: 31,850,000 shares
 - March 31, 2017: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2017: 16,235 shares
 - March 31, 2017: 16,170 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2017: 31,833,778 shares
 - Three months ended June 30, 2016: 31,833,830 shares

* These quarterly financial results are outside the scope of quarterly review procedures.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements herein are based on information and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the attached material for the assumptions the financial results forecasts are based on, and notes on their use.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the three months under review (from April 1, 2017 to June 30, 2017), the Japanese economy was on a moderate recovery track against the backdrop of the government's economic policies, but factors such as concerns over an economic deceleration in emerging markets, policy trends in the United States and political situations in Europe, as well as heightened geopolitical risks, led to conditions for which the outlook remained uncertain.

Under such a corporate environment, as a result of active business expansion, consolidated net sales increased by 19.0% year-on-year to 15,351 million yen. In terms of profit, operating profit decreased by 0.1% year-on-year to 515 million yen, ordinary profit increased by 46.8% year-on-year to 577 million yen, and profit attributable to owners of parent increased by 31.0% year-on-year to 397 million yen.

Performance by business segment of the Company and the consolidated Group are as follows.

<Internal combustion engines>

1. Marine-use

Despite a decrease in maintenance-related sales, the ratio of large engines mainly for mainstay auxiliary power generators increased, and owing to the effects of a weaker yen, net sales increased by 17.4% year-on-year to 12,916 million yen, and segment income increased by 21.7% year-on-year to 1,231 million yen.

2. Land-use

Although unit sales increased, net sales increased by 45.0% year-on-year to 1,562 million yen, segment loss amounted to 172 million yen (segment income of 23 million yen in the previous corresponding period) due mainly to a decrease in maintenance-related sales.

Consequently, net sales for the segment increased by 19.8% year-on-year to 14,479 million yen, and segment income increased by 2.2% year-on-year to 1,059 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, due to an increase in unit sales, both net sales and segment income increased.

2. Real estate leasing-related

In real estate leasing-related, both net sales and segment income decreased.

3. Electricity sales-related

In electricity sales-related, both net sales and segment income decreased slightly.

4. Precision parts-related

In precision parts-related, both net sales and segment income increased.

Consequently, net sales for the segment increased by 6.1% year-on-year to 872 million yen, and segment income decreased by 0.0% year-on-year to 109 million yen.

(2) Explanation of Financial Position

In assets as of the end of the first quarter under review, notes and accounts receivable - trade decreased by 839 million yen from the end of the previous fiscal year due to a progress in collection of trade receivables at the end of the previous fiscal year. In addition, inventories decreased by 756 million yen compared with the end of the previous fiscal year. Meanwhile, cash and deposits increased by 2,639 million yen. As a result, total assets as of June 30, 2017 amounted to 79,031 million yen, an increase of 49 million yen compared with the end of the previous fiscal year.

In liabilities, notes and accounts payable - trade and electronically recorded obligations - operating in total

increased by 567 million yen from the end of the previous fiscal year. Meanwhile, due to scheduled repayment, short-term loans payable and long-term loans payable in total decreased by 259 million yen. As a result, total liabilities increased by 72 million yen from the end of the previous fiscal year to 42,594 million yen.

In net assets, retained earnings decreased by 79 million yen due mainly to payment of cash dividends. As a result, total net assets decreased by 23 million yen from the end of the previous fiscal year to 36,436 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As to the consolidated financial results forecast for the fiscal year ending March 31, 2018, no revisions have been made to the forecast announced on April 28, 2017.

The forecasts stated herein are based on information available to the Company as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors that may arise in the future.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	24,302	26,942
Notes and accounts receivable - trade	15,791	14,952
Inventories	12,426	11,669
Deferred tax assets	1,852	1,755
Other	1,645	786
Allowance for doubtful accounts	(75)	(76)
Total current assets	55,942	56,029
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,818	6,731
Machinery, equipment and vehicles, net	4,045	3,888
Land	5,054	5,054
Construction in progress	1,643	1,961
Other, net	1,001	930
Total property, plant and equipment	18,563	18,565
Intangible assets	1,026	1,056
Investments and other assets		
Investment securities	1,094	1,100
Long-term loans receivable	2	2
Deferred tax assets	1,846	1,807
Other	520	480
Allowance for doubtful accounts	(13)	(11)
Total investments and other assets	3,449	3,379
Total non-current assets	23,039	23,001
Total assets	78,981	79,031

(Million yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,398	7,425
Electronically recorded obligations - operating	5,063	5,604
Short-term loans payable	3,991	4,001
Lease obligations	381	397
Income taxes payable	773	144
Provision for bonuses	684	260
Provision for directors' bonuses	66	16
Accrued expenses	2,378	2,415
Other	2,745	3,734
Total current liabilities	23,483	24,000
Non-current liabilities		
Long-term loans payable	8,686	8,417
Lease obligations	824	863
Provision for directors' retirement benefits	473	381
Net defined benefit liability	6,379	6,353
Asset retirement obligations	165	166
Other	2,509	2,412
Total non-current liabilities	19,037	18,593
Total liabilities	42,521	42,594
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,190	2,190
Retained earnings	32,101	32,021
Treasury shares	(10)	(10)
Total shareholders' equity	36,716	36,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	248	272
Deferred gains or losses on hedges	(5)	(0)
Foreign currency translation adjustment	6	9
Remeasurements of defined benefit plans	(550)	(526)
Total accumulated other comprehensive income	(301)	(245)
Non-controlling interests	45	45
Total net assets	36,460	36,436
Total liabilities and net assets	78,981	79,031

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Net sales	12,905	15,351
Cost of sales	9,775	12,114
Gross profit	3,130	3,237
Selling, general and administrative expenses		
Selling expenses	1,984	2,067
General and administrative expenses	629	653
Total selling, general and administrative expenses	2,613	2,721
Operating profit	516	515
Non-operating income		
Interest income	2	1
Dividend income	7	28
Foreign exchange gains	-	2
Fiduciary obligation fee	25	28
Reversal of allowance for doubtful accounts	1	3
Miscellaneous income	9	28
Total non-operating income	46	91
Non-operating expenses		
Interest expenses	28	25
Foreign exchange losses	137	-
Miscellaneous loss	3	4
Total non-operating expenses	168	29
Ordinary profit	393	577
Extraordinary income		
Gain on sales of non-current assets	0	0
State subsidy	69	-
Total extraordinary income	69	0
Extraordinary losses		
Loss on abandonment of non-current assets	9	2
Total extraordinary losses	9	2
Profit before income taxes	452	575
Income taxes - current	91	65
Income taxes - deferred	57	112
Total income taxes	148	177
Profit	304	398
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	303	397

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Profit	304	398
Other comprehensive income		
Valuation difference on available-for-sale securities	(47)	24
Deferred gains or losses on hedges	2	4
Foreign currency translation adjustment	(62)	3
Remeasurements of defined benefit plans, net of tax	(46)	24
Total other comprehensive income	(154)	55
Comprehensive income	149	454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	149	453
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

For the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

There is no relevant information.

(Segment information, etc.)

1. Information on net sales and profit (loss) by reportable segment

For the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes) *2	(Million yen)
	Marine-use engines	Land-use engines	Total				Amount recorded in Quarterly Consolidated Statements of Income (Notes)*3
Net sales							
Net sales to outside customers	11,006	1,077	12,084	821	12,905	-	12,905
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	11,006	1,077	12,084	821	12,905	-	12,905
Segment income	1,012	23	1,036	109	1,146	(629)	516

(Notes) *1 The "Other" category is a business segment that is not included in reportable segments, and includes the industrial machinery-related business, the real estate leasing-related business, the electricity sales-related business and the precision parts-related business.

*2 The adjustment for segment income represents corporate expenses, largely consisting of selling, general and administrative expenses not attributable to the reportable segments.

*3 Segment income is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

For the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(Million yen)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes) *2	Amount recorded in Quarterly Consolidated Statements of Income (Notes)*3
	Marine-use engines	Land-use engines	Total				
Net sales							
Net sales to outside customers	12,916	1,562	14,479	872	15,351	-	15,351
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	12,916	1,562	14,479	872	15,351	-	15,351
Segment income (loss)	1,231	(172)	1,059	109	1,169	(653)	515

(Notes) *1 The "Other" category is a business segment that is not included in reportable segments, and includes the industrial machinery-related business, the real estate leasing-related business, the electricity sales-related business and the precision parts-related business.

*2 The adjustment for segment income (loss) represents corporate expenses, largely consisting of selling, general and administrative expenses not attributable to the reportable segments.

*3 Segment income (loss) is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

3. Supplementary Information

(1) Status of Production, Orders Received, and Sales

For the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

1) Production

Production by segment for the three months ended June 30, 2017 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	445,380	12,916	17.4
Land-use engines	20,436	1,562	45.0
Other	-	711	7.8
Total		15,190	19.2

(Notes) *1 Amounts are based on sales prices.

*2 The figures above do not include consumption taxes.

2) Orders received

Orders by segment for the three months ended June 30, 2017 are as follows:

(Million yen)

Segment	Orders received			Order backlogs		
	Volume	Amount	Year-on-year change	Volume	Amount	Year-on-year change
	Horsepower		%	Horsepower		%
Internal combustion engine						
Marine-use engines	256,059	10,308 [4,522]	(18.5)	1,508,153	28,889 [12,458]	(26.6)
Land-use engines	28,563	2,245 [397]	(43.3)	101,185	5,877 [516]	(11.2)
Other	-	826 [-]	10.3	-	719 [-]	23.4
Total		13,380 [4,920]	(22.9)		35,486 [12,975]	(23.8)

(Notes) *1 Amounts are based on sales prices.

*2 Figures in brackets [] indicate export orders received and the balance of export orders outstanding, and are included in totals.

*3 The figures above do not include consumption taxes.

3) Sales results

Sales by segment for the three months ended June 30, 2017 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	445,380	12,916 [8,567]	66.3	17.4
Land-use engines	20,436	1,562 [95]	6.1	45.0
Other	-	872 [-]	-	6.1
Total		15,351 [8,663]	56.4	19.0

(Notes) *1 Figures in brackets [] indicate export volume, and are included in totals.

*2 Major export destinations and compositions are as follows:

Asia (81.2%), Europe (11.8%), Latin America (5.6%), North America (1.0%), Others (0.4%)

*3 The "Other" segment includes precision parts-related (377 million yen), industrial machinery-related (333 million yen) and real estate leasing-related (160 million yen).

*4 The figures above do not include consumption taxes.