

Consolidated Financial Results
for the Six Months Ended September 30, 2017
[Japanese GAAP]



October 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: November 13, 2017

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 to September 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	%
Six months ended September 30, 2017	29,557	5.0	1,454	32.4	1,540	54.4	1,069	51.2
September 30, 2016	28,139	6.4	1,097	(41.7)	997	(45.6)	706	(42.4)

(Note) Comprehensive income: Six months ended September 30, 2017: 1,149 million yen [94.3%]

Six months ended September 30, 2016: 591 million yen [(49.2)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	33.58		-	
September 30, 2016	22.20		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	78,339	37,132	47.3
As of March 31, 2017	78,981	36,460	46.1

(Reference) Equity: As of September 30, 2017: 37,086 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	-	0.00			
Fiscal year ending March 31, 2018 (Forecast)			-	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	
Full year	60,000	1.8	3,500	0.1	3,500	1.7	2,400	3.5	75.35	

(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):
 - September 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:
 - September 30, 2017: 16,235 shares
 - March 31, 2017: 16,170 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2017: 31,833,772 shares
 - Six months ended September 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.

(How to obtain supplementary briefing material on quarterly financial results and information on the briefing session)

Briefing session for institutional investors and analysts are scheduled to be held on Wednesday, November 1, 2017.

The briefing materials will be posted on the Company's website after the session.

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

(1) Explanation of Operating Results

During the six months under review (from April 1, 2017 to September 30, 2017), the Japanese economy was recovering moderately due mainly to the government's economic policies. However, factors such as concerns over sluggish economic growth in emerging markets, policy management in the United States and political situations in Europe, as well as heightened geopolitical risks in East Asia, 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 5.0% year-on-year to 29,557 million yen. In terms of profit, operating profit increased by 32.4% year-on-year to 1,454 million yen, ordinary profit increased by 54.4% year-on-year to 1,540 million yen, and profit attributable to owners of parent increased by 51.2% year-on-year to 1,069 million yen.

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

<Internal combustion engines>

1. Marine-use

Although the ratio of large engines mainly for mainstay auxiliary power generators increased, unit sales of engines and maintenance-related sales decreased. Meanwhile, owing mainly to the effects of a weaker yen, net sales decreased by 0.4% year-on-year to 23,897 million yen, and segment income increased by 34.0% year-on-year to 2,819 million yen.

2. Land-use

Although unit sales increased, net sales increased by 58.8% year-on-year to 3,846 million yen, and segment loss amounted to 182 million yen (segment income of 10 million yen in the previous corresponding period) due mainly to a decrease in maintenance-related sales.

Consequently, net sales for the segment increased by 5.0% year-on-year to 27,743 million yen, and segment income increased by 24.7% year-on-year to 2,636 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, although net sales increased due to an increase in unit sales, a deteriorated profit margin caused segment income to decrease.

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 increased slightly.

4. Precision parts-related

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

Consequently, net sales for the segment increased by 5.9% year-on-year to 1,813 million yen, and segment income decreased by 19.2% year-on-year to 202 million yen.

(2) Explanation of Financial Position

In assets as of the end of the second quarter under review, notes and accounts receivable - trade decreased by 1,309 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 611 million yen compared with the end of the previous fiscal year. Meanwhile, property, plant and equipment increased by 1,161 million yen. As a result, total assets as of September 30, 2017 amounted to 78,339 million yen, a decrease of 642 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 decreased by 443 million yen from the end of the previous fiscal year. Furthermore, due to scheduled repayment, short-term loans payable and long-term loans payable in total decreased by 338 million yen. As a result, total liabilities decreased by 1,313 million yen from the end of the previous fiscal year to 41,207 million yen.

In net assets, retained earnings increased by 591 million yen. As a result, total net assets increased by 671 million yen from the end of the previous fiscal year to 37,132 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 October 16, 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 September 30, 2017
Assets		
Current assets		
Cash and deposits	24,302	25,201
Notes and accounts receivable - trade	15,791	14,481
Inventories	12,426	11,814
Deferred tax assets	1,852	1,711
Other	1,645	962
Allowance for doubtful accounts	(75)	(17)
Total current assets	55,942	54,155
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,818	6,688
Machinery, equipment and vehicles, net	4,045	3,728
Land	5,054	5,054
Construction in progress	1,643	3,347
Other, net	1,001	905
Total property, plant and equipment	18,563	19,724
Intangible assets	1,026	1,089
Investments and other assets		
Investment securities	1,094	1,073
Long-term loans receivable	2	1
Deferred tax assets	1,846	1,839
Other	520	508
Allowance for doubtful accounts	(13)	(53)
Total investments and other assets	3,449	3,369
Total non-current assets	23,039	24,184
Total assets	78,981	78,339

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,398	6,902
Electronically recorded obligations - operating	5,063	5,117
Short-term loans payable	3,991	4,031
Lease obligations	381	414
Income taxes payable	773	330
Provision for bonuses	684	718
Provision for directors' bonuses	66	33
Accrued expenses	2,378	2,415
Other	2,745	2,691
Total current liabilities	23,483	22,653
Non-current liabilities		
Long-term loans payable	8,686	8,308
Lease obligations	824	909
Provision for directors' retirement benefits	473	407
Net defined benefit liability	6,379	6,347
Asset retirement obligations	165	166
Other	2,509	2,414
Total non-current liabilities	19,037	18,553
Total liabilities	42,521	41,207
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,190	2,190
Retained earnings	32,101	32,692
Treasury shares	(10)	(10)
Total shareholders' equity	36,716	37,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	248	264
Deferred gains or losses on hedges	(5)	-
Foreign currency translation adjustment	6	18
Remeasurements of defined benefit plans	(550)	(503)
Total accumulated other comprehensive income	(301)	(220)
Non-controlling interests	45	45
Total net assets	36,460	37,132
Total liabilities and net assets	78,981	78,339

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Net sales	28,139	29,557
Cost of sales	21,697	22,672
Gross profit	6,442	6,884
Selling, general and administrative expenses		
Selling expenses	4,077	4,045
General and administrative expenses	1,266	1,384
Total selling, general and administrative expenses	5,344	5,430
Operating profit	1,097	1,454
Non-operating income		
Interest income	7	5
Dividend income	11	33
Fiduciary obligation fee	57	33
Reversal of allowance for doubtful accounts	1	17
Miscellaneous income	21	63
Total non-operating income	98	153
Non-operating expenses		
Interest expenses	57	50
Foreign exchange losses	135	1
Miscellaneous loss	5	14
Total non-operating expenses	198	67
Ordinary profit	997	1,540
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	29	7
Other	0	-
Total extraordinary losses	29	7
Profit before income taxes	1,037	1,533
Income taxes - current	260	346
Income taxes - deferred	67	117
Total income taxes	328	463
Profit	708	1,069
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	706	1,069

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Profit	708	1,069
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	16
Deferred gains or losses on hedges	0	5
Foreign currency translation adjustment	(71)	11
Remeasurements of defined benefit plans, net of tax	(17)	47
Total other comprehensive income	(117)	80
Comprehensive income	591	1,149
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	589	1,149
Comprehensive income attributable to non-controlling interests	1	0

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,037	1,533
Depreciation	1,265	1,226
Increase (decrease) in allowance for doubtful accounts	(13)	(19)
Increase (decrease) in provision for bonuses	(1)	32
Increase (decrease) in provision for directors' bonuses	(45)	(33)
Increase (decrease) in net defined benefit liability	(147)	(29)
Increase (decrease) in provision for directors' retirement benefits	(74)	(65)
Interest and dividend income	(18)	(38)
Interest expenses	57	50
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Loss on abandonment of non-current assets	29	7
Decrease (increase) in notes and accounts receivable - trade	4,119	1,347
Decrease (increase) in inventories	(425)	612
Increase (decrease) in notes and accounts payable - trade	360	(498)
Other, net	(204)	620
Subtotal	5,936	4,747
Interest and dividend income received	27	38
Interest expenses paid	(55)	(50)
Income taxes paid	(1,161)	(723)
Net cash provided by (used in) operating activities	4,746	4,012
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,265)	(2,168)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(5)	(20)
Purchase of investment securities	(20)	(0)
Proceeds from redemption of securities	-	30
Proceeds from redemption of investment securities	1	0
Collection of loans receivable	0	0
Proceeds from withdrawal of time deposits	2,757	465
Payments into time deposits	(3,139)	(441)
Other, net	-	15
Net cash provided by (used in) investing activities	(1,669)	(2,117)

(Million yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from financing activities		
Proceeds from long-term loans payable	2,000	200
Repayments of long-term loans payable	(632)	(538)
Repayments of finance lease obligations	(164)	(225)
Purchase of treasury shares	-	(0)
Cash dividends paid	(476)	(477)
Dividends paid to non-controlling interests	(0)	(0)
Net cash provided by (used in) financing activities	725	(1,041)
Effect of exchange rate change on cash and cash equivalents	(187)	38
Net increase (decrease) in cash and cash equivalents	3,614	893
Cash and cash equivalents at beginning of period	20,606	23,442
Increase in cash and cash equivalents from newly consolidated subsidiary	4	-
Cash and cash equivalents at end of period	24,224	24,335

(4) 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 six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

There is no relevant information.

(Segment information, etc.)

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

For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes) *2	(Million yen) Amount recorded in Quarterly Consolidated Statements of Income (Notes)*3
	Marine-use engines	Land-use engines	Total				
Net sales							
Net sales to outside customers	24,005	2,421	26,427	1,712	28,139	-	28,139
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	24,005	2,421	26,427	1,712	28,139	-	28,139
Segment income	2,103	10	2,113	250	2,364	(1,266)	1,097

(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 six months ended September 30, 2017 (from April 1, 2017 to September 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	23,897	3,846	27,743	1,813	29,557	-	29,557
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	23,897	3,846	27,743	1,813	29,557	-	29,557
Segment income (loss)	2,819	(182)	2,636	202	2,838	(1,384)	1,454

(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 six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1) Production

Production by segment for the six months ended September 30, 2017 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change	
				%
	Horsepower			%
Internal combustion engines				
Marine-use engines	745,632	23,897		(0.4)
Land-use engines	57,566	3,846		58.8
Other	-	1,490		7.4
Total		29,233		5.1

(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 six months ended September 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	443,316	20,137 [9,474]	(13.1)	1,395,158	27,738 [12,075]	(24.8)
Land-use engines	63,289	5,512 [1,043]	(13.7)	98,780	6,860 [870]	(11.0)
Other	-	1,548 [-]	9.0	-	663 [-]	25.7
Total		27,198 [10,518]	(12.2)		35,261 [12,945]	(21.9)

(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 six months ended September 30, 2017 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	745,632	23,897 [13,903]	58.2	(0.4)
Land-use engines	57,566	3,846 [387]	10.1	58.8
Other	-	1,813 [-]	-	5.9
Total		29,557 [14,290]	48.3	5.0

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

*2 Major export destinations and compositions are as follows:

Asia (77.4%), Europe (14.1%), Latin America (6.5%), North America (1.5%), Others (0.5%)

*3 The "Other" segment includes precision parts-related (762 million yen), industrial machinery-related (727 million yen) and real estate leasing-related (323 million yen).

*4 The figures above do not include consumption taxes.