

Consolidated Financial Results
for the Six Months Ended September 30, 2018
[Japanese GAAP]



October 25, 2018

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, 2018

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, 2018 (April 1, 2018 to September 30, 2018)

(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, 2018	26,729	(9.6)	625	(57.0)	752	(51.2)	483	(54.8)
September 30, 2017	29,557	5.0	1,454	32.4	1,540	54.4	1,069	51.2

(Note) Comprehensive income: Six months ended September 30, 2018: 452 million yen [(60.6)%]

Six months ended September 30, 2017: 1,149 million yen [94.3%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	15.18		-	
September 30, 2017	33.58		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	79,578	38,067	47.8
As of March 31, 2018	80,969	38,092	47.0

(Reference) Equity: As of September 30, 2018: 38,026 million yen

As of March 31, 2018: 38,049 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2019	-	0.00			
Fiscal year ending March 31, 2019 (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, 2019 (April 1, 2018 to March 31, 2019)

(% 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	57,000	(5.3)	3,000	(1.5)	3,000	(3.4)	2,000	(4.6)	62.79	

(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, 2018: 31,850,000 shares
 - March 31, 2018: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2018: 16,235 shares
 - March 31, 2018: 16,235 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2018: 31,833,765 shares
 - Six months ended September 30, 2017: 31,833,772 shares

* These quarterly financial results are outside the scope of quarterly review procedures conducted by a certified public accountant or audit corporation.

* 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 7, 2018.

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, 2018 to September 30, 2018), the Japanese economy saw steady capital investment, improvement in the employment environment, and the continuation of a moderate recovery trend, but the future outlook remained uncertain with natural disasters occurring across Japan and the effects of the trade policy trends of the U.S. Government on the global economy causing concern.

Under such a corporate environment, the Company advanced active business expansion, but consolidated net sales decreased by 9.6% year-on-year to 26,729 million yen. In terms of profit, operating profit decreased by 57.0% year-on-year to 625 million yen, ordinary profit decreased by 51.2% year-on-year to 752 million yen, and profit attributable to owners of parent decreased by 54.8% year-on-year to 483 million yen.

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

<Internal combustion engines>

1. Marine-use

Due mainly to the deterioration of engine profitability, in addition to decreased sales of engines mainly for mainstay auxiliary power generators, net sales decreased by 6.3% year-on-year to 22,386 million yen, and segment income decreased by 35.2% year-on-year to 1,825 million yen.

2. Land-use

Although unit sales decreased, net sales decreased by 28.7% year-on-year to 2,742 million yen and segment loss amounted to 99 million yen (segment loss of 182 million yen in the previous corresponding period) due mainly to an increase in maintenance-related sales.

Consequently, net sales for the segment decreased by 9.4% year-on-year to 25,129 million yen, and segment income decreased by 34.5% year-on-year to 1,725 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, due to a decrease in unit sales, both net sales and segment income decreased.

2. Real estate leasing-related

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

3. Electricity sales-related

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

4. Precision parts-related

In precision parts-related, although net sales increased slightly, segment loss was posted.

Consequently, net sales for the segment decreased by 11.7% year-on-year to 1,600 million yen, and segment income decreased by 42.0% year-on-year to 117 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 4,170 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 124 million yen compared with the end of the previous fiscal year. Meanwhile, cash and deposits increased by 2,745 million yen. As a result, total assets as of September 30, 2018 amounted to 79,578 million yen, a decrease of 1,390 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 1,671 million yen from the end of the previous fiscal year. Furthermore, other current liabilities

decreased by 1,447 million yen, mainly due to decreases affected by capital expenditure. Meanwhile, mainly due to newly procured long-term loans, short-term loans payable and long-term loans payable in total increased by 1,941 million yen. As a result, total liabilities decreased by 1,365 million yen from the end of the previous fiscal year to 41,511 million yen.

Although profit attributable to owners of parent amounted to 483 million yen, net assets decreased by 25 million yen from the end of the previous fiscal year to 38,067 million yen due mainly to payment of cash dividends.

(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, 2019, no revisions have been made to the forecast announced on October 18, 2018.

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, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	21,676	24,422
Notes and accounts receivable - trade	16,575	12,405
Inventories	10,557	10,432
Other	1,572	1,136
Allowance for doubtful accounts	(13)	(11)
Total current assets	50,368	48,384
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,682	11,177
Machinery, equipment and vehicles, net	3,715	6,498
Land	5,088	5,088
Construction in progress	6,551	625
Other, net	908	886
Total property, plant and equipment	23,946	24,276
Intangible assets	1,390	1,497
Investments and other assets		
Investment securities	1,058	1,069
Long-term loans receivable	1	1
Deferred tax assets	3,753	3,898
Other	513	513
Allowance for doubtful accounts	(63)	(63)
Total investments and other assets	5,263	5,419
Total non-current assets	30,600	31,194
Total assets	80,969	79,578

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,965	5,945
Electronically recorded obligations - operating	4,845	4,193
Short-term loans payable	4,642	6,560
Lease obligations	497	551
Income taxes payable	710	320
Provision for bonuses	698	708
Provision for directors' bonuses	51	28
Accrued expenses	2,671	2,877
Other	3,575	2,128
Total current liabilities	24,657	23,313
Non-current liabilities		
Long-term loans payable	7,598	7,622
Lease obligations	1,134	1,165
Provision for directors' retirement benefits	460	477
Net defined benefit liability	6,456	6,432
Asset retirement obligations	167	188
Other	2,400	2,310
Total non-current liabilities	18,219	18,197
Total liabilities	42,877	41,511
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	33,719	33,725
Treasury shares	(10)	(10)
Total shareholders' equity	38,334	38,340
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	255	263
Foreign currency translation adjustment	5	13
Remeasurements of defined benefit plans	(545)	(590)
Total accumulated other comprehensive income	(285)	(313)
Non-controlling interests	42	40
Total net assets	38,092	38,067
Total liabilities and net assets	80,969	79,578

(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, 2017	For the six months ended September 30, 2018
Net sales	29,557	26,729
Cost of sales	22,672	20,589
Gross profit	6,884	6,140
Selling, general and administrative expenses		
Selling expenses	4,045	4,297
General and administrative expenses	1,384	1,217
Total selling, general and administrative expenses	5,430	5,514
Operating profit	1,454	625
Non-operating income		
Interest income	5	4
Dividend income	33	38
Foreign exchange gains	—	74
Fiduciary obligation fee	33	53
Reversal of allowance for doubtful accounts	17	1
Miscellaneous income	63	25
Total non-operating income	153	198
Non-operating expenses		
Interest expenses	50	49
Foreign exchange losses	1	—
Miscellaneous loss	14	22
Total non-operating expenses	67	71
Ordinary profit	1,540	752
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on abandonment of non-current assets	7	6
Other	—	4
Total extraordinary losses	7	11
Profit before income taxes	1,533	741
Income taxes - current	346	388
Income taxes - deferred	117	(128)
Total income taxes	463	260
Profit	1,069	480
Profit (loss) attributable to non-controlling interests	0	(2)
Profit attributable to owners of parent	1,069	483

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	1,069	480
Other comprehensive income		
Valuation difference on available-for-sale securities	16	7
Deferred gains or losses on hedges	5	—
Foreign currency translation adjustment	11	8
Remeasurements of defined benefit plans, net of tax	47	(44)
Total other comprehensive income	80	(28)
Comprehensive income	1,149	452
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,149	455
Comprehensive income attributable to non-controlling interests	0	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,533	741
Depreciation	1,226	1,270
Increase (decrease) in allowance for doubtful accounts	(19)	(1)
Increase (decrease) in provision for bonuses	32	10
Increase (decrease) in provision for directors' bonuses	(33)	(23)
Increase (decrease) in net defined benefit liability	(29)	(168)
Increase (decrease) in provision for directors' retirement benefits	(65)	17
Interest and dividend income	(38)	(43)
Interest expenses	50	49
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Loss on abandonment of non-current assets	7	6
Decrease (increase) in notes and accounts receivable - trade	1,347	4,175
Decrease (increase) in inventories	612	124
Increase (decrease) in notes and accounts payable - trade	(498)	(1,654)
Other, net	620	985
Subtotal	4,747	5,489
Interest and dividend income received	38	43
Interest expenses paid	(50)	(48)
Income taxes paid	(723)	(767)
Net cash provided by (used in) operating activities	4,012	4,715
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,168)	(3,151)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	(20)	(3)
Purchase of investment securities	(0)	—
Proceeds from redemption of securities	30	—
Proceeds from redemption of investment securities	0	—
Collection of loans receivable	0	0
Proceeds from withdrawal of time deposits	465	913
Payments into time deposits	(441)	(452)
Other, net	15	—
Net cash provided by (used in) investing activities	(2,117)	(2,693)

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from financing activities		
Proceeds from long-term loans payable	200	2,500
Repayments of long-term loans payable	(538)	(558)
Repayments of finance lease obligations	(225)	(284)
Purchase of treasury shares	(0)	—
Cash dividends paid	(477)	(477)
Dividends paid to non-controlling interests	(0)	—
Net cash provided by (used in) financing activities	(1,041)	1,180
Effect of exchange rate change on cash and cash equivalents	38	27
Net increase (decrease) in cash and cash equivalents	893	3,231
Cash and cash equivalents at beginning of period	23,442	20,420
Cash and cash equivalents at end of period	24,335	23,651

(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, 2018 (from April 1, 2018 to September 30, 2018)

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, 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.

For the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(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	22,386	2,742	25,129	1,600	26,729	-	26,729
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	22,386	2,742	25,129	1,600	26,729	-	26,729
Segment income (loss)	1,825	(99)	1,725	117	1,843	(1,217)	625

(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, 2018 (from April 1, 2018 to September 30, 2018)

1) Production

Production by segment for the six months ended September 30, 2018 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	581,099	22,386	(6.3)
Land-use engines	15,351	2,742	(28.7)
Other	-	1,276	(14.4)
Total		26,405	(9.7)

(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, 2018 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	591,754	25,226 [13,119]	25.3	1,233,229	29,016 [10,447]	4.6
Land-use engines	79,395	5,211 [322]	(5.5)	171,896	7,799 [108]	13.7
Other	-	1,269 [-]	(18.0)	-	549 [-]	(17.2)
Total		31,707 [13,441]	16.6		37,365 [10,556]	6.0

(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, 2018 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	581,099	22,386 [12,131]	54.2	(6.3)
Land-use engines	15,351	2,742 [683]	24.9	(28.7)
Other	-	1,600 [-]	-	(11.7)
Total		26,729 [12,815]	47.9	(9.6)

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

*2 Major export destinations and compositions are as follows:

Asia (69.9%), Europe (15.9%), Latin America (9.7%), North America (3.9%), Others (0.6%)

*3 The "Other" segment includes precision parts-related (780 million yen), industrial machinery-related (495 million yen) and real estate leasing-related (324 million yen).

*4 The figures above do not include consumption taxes.