

Consolidated Financial Results
for the Three Months Ended June 30, 2018
[Japanese GAAP]



July 27, 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: August 9, 2018

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, 2018 (April 1, 2018 to June 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	%
Three months ended June 30, 2018	12,616	(17.8)	215	(58.2)	273	(52.7)	171	(56.8)
June 30, 2017	15,351	19.0	515	(0.1)	577	46.8	397	31.0

(Note) Comprehensive income: Three months ended June 30, 2018: 80 million yen [(82.3)%]

Three months ended June 30, 2017: 454 million yen [203.4%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	5.40		-	
June 30, 2017	12.50		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	78,949	37,694	47.7
As of March 31, 2018	80,969	38,092	47.0

(Reference) Equity: As of June 30, 2018: 37,653 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	-				
Fiscal year ending March 31, 2019 (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, 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	
First half	26,000	(12.0)	200	(86.2)	200	(87.0)	0	(100.0)	0.00	
Full year	57,000	(5.3)	2,500	(17.9)	2,400	(22.7)	1,500	(28.4)	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, 2018: 31,850,000 shares
 - March 31, 2018: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2018: 16,235 shares
 - March 31, 2018: 16,235 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2018: 31,833,765 shares
 - Three months ended June 30, 2017: 31,833,778 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.

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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, 2018 to June 30, 2018), the Japanese economy, due to economic policies brought in by the government, saw an increase in capital investment, improvement in the employment environment and the continuation of a moderate recovery trend, but the future outlook remained uncertain, with the effects of the trade policies of the U.S. Government and East Asian geopolitical risk causing concern.

Under such a corporate environment, the Company advanced active business expansion, but consolidated net sales decreased by 17.8% year-on-year to 12,616 million yen. In terms of profit, operating profit decreased by 58.2% year-on-year to 215 million yen, ordinary profit decreased by 52.7% year-on-year to 273 million yen, and profit attributable to owners of parent decreased by 56.8% year-on-year to 171 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 16.8% year-on-year to 10,742 million yen, and segment income decreased by 32.2% year-on-year to 834 million yen.

2. Land-use

Although unit sales of engines decreased, net sales decreased by 31.8% year-on-year to 1,065 million yen and segment loss amounted to 69 million yen (segment loss of 172 million yen in the previous corresponding period) due mainly to an increase in maintenance-related sales.

Consequently, net sales for the segment decreased by 18.4% year-on-year to 11,808 million yen, and segment income decreased by 27.8% year-on-year to 764 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, although net sales increased slightly, segment income decreased slightly.

3. Electricity sales-related

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

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 7.4% year-on-year to 807 million yen, and segment income decreased by 47.8% year-on-year to 57 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 1,737 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. Meanwhile, inventories increased by 450 million yen compared with the end of the previous fiscal year. As a result, total assets as of June 30, 2018 amounted to 78,949 million yen, a decrease of 2,019 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 174 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 279 million yen. In addition, income taxes payable decreased by 591 million yen due to payment of income taxes. As a result, total liabilities decreased by 1,622 million yen from the end of the previous fiscal year to 41,254 million yen.

In net assets, retained earnings decreased by 305 million yen due mainly to payment of cash dividends. As a result, total net assets decreased by 397 million yen from the end of the previous fiscal year to 37,694 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, 2019, no revisions have been made to the forecast announced on April 26, 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	21,676	21,289
Notes and accounts receivable - trade	16,575	14,837
Inventories	10,557	11,008
Other	1,572	830
Allowance for doubtful accounts	(13)	(11)
Total current assets	50,368	47,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,682	10,468
Machinery, equipment and vehicles, net	3,715	3,663
Land	5,088	5,088
Construction in progress	6,551	4,144
Other, net	908	873
Total property, plant and equipment	23,946	24,237
Intangible assets	1,390	1,500
Investments and other assets		
Investment securities	1,058	1,028
Long-term loans receivable	1	1
Deferred tax assets	3,753	3,781
Other	513	509
Allowance for doubtful accounts	(63)	(63)
Total investments and other assets	5,263	5,257
Total non-current assets	30,600	30,995
Total assets	80,969	78,949

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,965	6,762
Electronically recorded obligations - operating	4,845	4,873
Short-term loans payable	4,642	6,543
Lease obligations	497	536
Income taxes payable	710	119
Provision for bonuses	698	248
Provision for directors' bonuses	51	14
Accrued expenses	2,671	2,737
Other	3,575	3,332
Total current liabilities	24,657	25,169
Non-current liabilities		
Long-term loans payable	7,598	5,418
Lease obligations	1,134	1,202
Provision for directors' retirement benefits	460	457
Net defined benefit liability	6,456	6,448
Asset retirement obligations	167	168
Other	2,400	2,390
Total non-current liabilities	18,219	16,085
Total liabilities	42,877	41,254
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	33,719	33,414
Treasury shares	(10)	(10)
Total shareholders' equity	38,334	38,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	255	234
Deferred gains or losses on hedges	—	(1)
Foreign currency translation adjustment	5	9
Remeasurements of defined benefit plans	(545)	(618)
Total accumulated other comprehensive income	(285)	(375)
Non-controlling interests	42	41
Total net assets	38,092	37,694
Total liabilities and net assets	80,969	78,949

(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, 2017	For the three months ended June 30, 2018
Net sales	15,351	12,616
Cost of sales	12,114	9,690
Gross profit	3,237	2,925
Selling, general and administrative expenses		
Selling expenses	2,067	2,103
General and administrative expenses	653	606
Total selling, general and administrative expenses	2,721	2,710
Operating profit	515	215
Non-operating income		
Interest income	1	0
Dividend income	28	21
Foreign exchange gains	2	36
Fiduciary obligation fee	28	24
Reversal of allowance for doubtful accounts	3	1
Miscellaneous income	28	10
Total non-operating income	91	95
Non-operating expenses		
Interest expenses	25	24
Miscellaneous loss	4	13
Total non-operating expenses	29	37
Ordinary profit	577	273
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	2	4
Other	—	4
Total extraordinary losses	2	9
Profit before income taxes	575	264
Income taxes - current	65	77
Income taxes - deferred	112	15
Total income taxes	177	93
Profit	398	170
Profit (loss) attributable to non-controlling interests	0	(1)
Profit attributable to owners of parent	397	171

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	398	170
Other comprehensive income		
Valuation difference on available-for-sale securities	24	(21)
Deferred gains or losses on hedges	4	(1)
Foreign currency translation adjustment	3	4
Remeasurements of defined benefit plans, net of tax	24	(72)
Total other comprehensive income	55	(89)
Comprehensive income	454	80
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	453	81
Comprehensive income attributable to non-controlling interests	0	(1)

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

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, 2017 (from April 1, 2017 to June 30, 2017)

	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	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.

For the three months ended June 30, 2018 (from April 1, 2018 to June 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	10,742	1,065	11,808	807	12,616	-	12,616
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	10,742	1,065	11,808	807	12,616	-	12,616
Segment income (loss)	834	(69)	764	57	822	(606)	215

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

1) Production

Production by segment for the three months ended June 30, 2018 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	270,608	10,742	(16.8)
Land-use engines	1,686	1,065	(31.8)
Other	-	644	(9.4)
Total		12,452	(18.0)

(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, 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	267,105	11,319 [5,992]	9.8	1,219,071	26,753 [9,869]	(7.4)
Land-use engines	60,532	2,765 [125]	23.2	166,698	7,030 [490]	19.6
Other	-	623 [-]	(24.5)	-	535 [-]	(25.7)
Total		14,708 [6,117]	9.9		34,319 [10,360]	(3.3)

(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, 2018 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	270,608	10,742 [5,582]	52.0	(16.8)
Land-use engines	1,686	1,065 [104]	9.8	(31.8)
Other	-	807 [-]	-	(7.4)
Total		12,616 [5,686]	45.1	(17.8)

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

*2 Major export destinations and compositions are as follows:

Asia (69.2%), Europe (17.4%), Latin America (10.5%), North America (2.2%), Others (0.7%)

*3 The "Other" segment includes precision parts-related (385 million yen), industrial machinery-related (259 million yen) and real estate leasing-related (163 million yen).

*4 The figures above do not include consumption taxes.