

Consolidated Financial Results
for the Six Months Ended September 30, 2019
[Japanese GAAP]



October 31, 2019

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, 2019

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 institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(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, 2019	27,321	2.2	646	3.3	852	13.2	511	5.8
September 30, 2018	26,729	(9.6)	625	(57.0)	752	(51.2)	483	(54.8)

(Note) Comprehensive income: Six months ended September 30, 2019: 395 million yen [(12.5)%]

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	16.10		-	
September 30, 2018	15.18		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	83,422	39,162	46.9
As of March 31, 2019	82,512	39,263	47.5

(Reference) Equity: As of September 30, 2019: 39,122 million yen

As of March 31, 2019: 39,219 million yen

2. Dividends

	Annual				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2020	-	0.00			
Fiscal year ending March 31, 2020 (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, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	62,000	8.3	3,000	14.2	3,000	16.4	2,100	15.5	65.93

(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, 2019: 31,850,000 shares
 - March 31, 2019: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2019: 43,535 shares
 - March 31, 2019: 16,235 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2019: 31,773,634 shares
 - Six months ended September 30, 2018: 31,833,765 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 Tuesday, November 5, 2019.

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, 2019 to September 30, 2019), the Japanese economy remained on a moderate recovery trend against a backdrop of an increase in capital investments and other factors, reflecting continued improvements in the corporate earnings and the employment environment. Meanwhile, the economic outlook remained uncertain due to slowdown in the Chinese economy affected by the prolonged trade frictions between the United States and China, a sharp rise in the crude oil price as a result of the aggravation of the situation in the Middle East, as well as many other concerns over the economic downturn.

Under such a corporate environment, consolidated net sales increased by 2.2% year-on-year to 27,321 million yen. In terms of profit, operating profit increased by 3.3% year-on-year to 646 million yen, ordinary profit increased by 13.2% year-on-year to 852 million yen, and profit attributable to owners of parent increased by 5.8% year-on-year to 511 million yen.

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

<Internal combustion engines>

1. Marine-use

Due partly to an increase in maintenance-related sales in addition to increased unit sales of engines, particularly those for domestic use, net sales increased by 3.7% year-on-year to 23,209 million yen, and segment income increased by 2.9% year-on-year to 1,877 million yen.

2. Land-use

Net sales decreased by 5.1% year-on-year to 2,603 million yen and segment loss amounted to 187 million yen (segment loss of 99 million yen in the previous corresponding period) due mainly to worsening profitability in addition to a drop in sales of engines.

Consequently, net sales for the segment increased by 2.7% year-on-year to 25,813 million yen, and segment income decreased by 2.1% year-on-year to 1,690 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, both net sales and segment income increased because the light motor vehicle industry saw production and sales of new cars remain robust.

2. Real estate leasing-related

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

3. Electricity sales-related

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

4. Precision parts-related

In precision parts-related, net sales decreased and segment loss expanded.

Consequently, net sales for the segment decreased by 5.8% year-on-year to 1,508 million yen, and segment income decreased by 9.0% year-on-year to 106 million yen.

(2) Explanation of Financial Position

In assets as of the end of the second quarter under review, cash and deposits increased by 2,016 million yen from the end of the previous fiscal year. Also, inventories increased by 2,458 million yen. Meanwhile, notes and accounts receivable - trade decreased by 2,867 million yen compared with the end of the previous fiscal year due to a progress in collection of trade receivables at the end of the previous fiscal year. As a result, total assets as of September 30, 2019 amounted to 83,422 million yen, an increase of 909 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 114 million yen from the end of the previous fiscal year. Meanwhile, due to the newly procured working capital, etc., short-term borrowings and long-term borrowings in total increased by 1,581 million yen. As a result, total liabilities increased by 1,010 million yen from the end of the previous fiscal year to 44,260 million yen.

Although profit attributable to owners of parent amounted to 511 million yen, total net assets decreased by 100 million yen from the end of the previous fiscal year to 39,162 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, 2020, no revisions have been made to the forecast announced on October 24, 2019.

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, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	20,905	22,921
Notes and accounts receivable - trade	17,098	14,231
Inventories	10,269	12,728
Other	1,931	2,204
Allowance for doubtful accounts	(12)	(11)
Total current assets	50,193	52,074
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,883	10,562
Machinery, equipment and vehicles, net	6,899	6,549
Land	5,088	5,088
Construction in progress	113	221
Other, net	836	746
Total property, plant and equipment	23,821	23,167
Intangible assets	1,442	1,333
Investments and other assets		
Investment securities	2,836	2,700
Long-term loans receivable	1	1
Deferred tax assets	3,589	3,588
Other	681	610
Allowance for doubtful accounts	(53)	(53)
Total investments and other assets	7,055	6,846
Total non-current assets	32,319	31,348
Total assets	82,512	83,422

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,297	7,318
Electronically recorded obligations - operating	5,328	5,192
Short-term borrowings	6,193	4,427
Lease obligations	562	552
Income taxes payable	414	331
Provision for bonuses	703	698
Provision for bonuses for directors (and other officers)	45	25
Accrued expenses	2,851	2,599
Other	1,900	1,932
Total current liabilities	25,296	23,079
Non-current liabilities		
Long-term borrowings	7,217	10,564
Lease obligations	1,077	963
Provision for retirement benefits for directors (and other officers)	521	73
Retirement benefit liability	6,618	6,758
Asset retirement obligations	206	191
Other	2,310	2,628
Total non-current liabilities	17,953	21,180
Total liabilities	43,249	44,260
Net assets		
Shareholders' equity		
Share capital	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	35,060	35,093
Treasury shares	(10)	(28)
Total shareholders' equity	39,675	39,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	180	192
Foreign currency translation adjustment	7	(145)
Remeasurements of defined benefit plans	(643)	(615)
Total accumulated other comprehensive income	(455)	(568)
Non-controlling interests	43	40
Total net assets	39,263	39,162
Total liabilities and net assets	82,512	83,422

(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, 2018	For the six months ended September 30, 2019
Net sales	26,729	27,321
Cost of sales	20,589	21,830
Gross profit	6,140	5,490
Selling, general and administrative expenses		
Selling expenses	4,297	3,693
General and administrative expenses	1,217	1,150
Total selling, general and administrative expenses	5,514	4,844
Operating profit	625	646
Non-operating income		
Interest income	4	5
Dividend income	38	38
Share of profit of entities accounted for using equity method	–	7
Foreign exchange gains	74	–
Outsourcing service income	53	23
Reversal of allowance for doubtful accounts	1	1
Miscellaneous income	25	246
Total non-operating income	198	322
Non-operating expenses		
Interest expenses	49	51
Foreign exchange losses	–	14
Miscellaneous loss	22	50
Total non-operating expenses	71	116
Ordinary profit	752	852
Extraordinary income		
Gain on sales of non-current assets	0	0
Other	–	15
Total extraordinary income	0	15
Extraordinary losses		
Loss on sales of non-current assets	–	2
Loss on abandonment of non-current assets	6	9
Loss on valuation of golf club membership	4	–
Total extraordinary losses	11	11
Profit before income taxes	741	856
Income taxes - current	388	364
Income taxes - deferred	(128)	(17)
Total income taxes	260	347
Profit	480	508
Loss attributable to non-controlling interests	(2)	(2)
Profit attributable to owners of parent	483	511

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit	480	508
Other comprehensive income		
Valuation difference on available-for-sale securities	7	12
Foreign currency translation adjustment	8	(34)
Remeasurements of defined benefit plans, net of tax	(44)	27
Share of other comprehensive income of entities accounted for using equity method	—	(118)
Total other comprehensive income	(28)	(113)
Comprehensive income	452	395
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	455	398
Comprehensive income attributable to non-controlling interests	(2)	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	741	856
Depreciation	1,270	1,385
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	10	(4)
Increase (decrease) in provision for bonuses for directors (and other officers)	(23)	(19)
Increase (decrease) in retirement benefit liability	(168)	98
Increase (decrease) in provision for retirement benefits for directors (and other officers)	17	(448)
Interest and dividend income	(43)	(43)
Interest expenses	49	51
Loss (gain) on sales of property, plant and equipment	(0)	2
Loss on abandonment of non-current assets	6	9
Decrease (increase) in trade receivables	4,175	2,787
Decrease (increase) in inventories	124	(2,460)
Increase (decrease) in trade payables	(1,654)	(16)
Other, net	985	346
Subtotal	5,489	2,543
Interest and dividends received	43	43
Interest paid	(48)	(51)
Income taxes paid	(767)	(458)
Net cash provided by (used in) operating activities	4,715	2,077
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,151)	(665)
Proceeds from sales of property, plant and equipment	0	2
Purchase of intangible assets	(3)	(6)
Collection of loans receivable	0	0
Proceeds from withdrawal of time deposits	913	397
Payments into time deposits	(452)	(352)
Net cash provided by (used in) investing activities	(2,693)	(624)

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from financing activities		
Proceeds from long-term borrowings	2,500	4,150
Repayments of long-term borrowings	(558)	(2,420)
Purchase of treasury shares	—	(77)
Dividends paid	(477)	(477)
Net increase (decrease) in short-term borrowings	—	(155)
Repayments of finance lease obligations	(284)	(307)
Net cash provided by (used in) financing activities	1,180	712
Effect of exchange rate change on cash and cash equivalents	27	(49)
Net increase (decrease) in cash and cash equivalents	3,231	2,115
Cash and cash equivalents at beginning of period	20,420	20,143
Cash and cash equivalents at end of period	23,651	22,259

(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, 2019 (from April 1, 2019 to September 30, 2019)

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

	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	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.

For the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(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	23,209	2,603	25,813	1,508	27,321	-	27,321
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	23,209	2,603	25,813	1,508	27,321	-	27,321
Segment income (loss)	1,877	(187)	1,690	106	1,797	(1,150)	646

(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, 2019 (from April 1, 2019 to September 30, 2019)

1) Production

Production by segment for the six months ended September 30, 2019 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
Internal combustion engines	Horsepower		
Marine-use engines	559,299	23,209	3.7
Land-use engines	16,902	2,603	(5.1)
Other	-	1,186	(7.0)
Total		27,000	2.3

(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, 2019 are as follows:

(Million yen)

Segment	Orders received			Order backlogs		
	Volume	Amount	Year-on-year change	Volume	Amount	Year-on-year change
Internal combustion engine	Horsepower		%	Horsepower		%
Marine-use engines	579,636	22,089 [12,166]	(12.4)	1,192,105	27,297 [8,233]	(5.9)
Land-use engines	62,169	4,802 [762]	(7.9)	161,707	7,452 [581]	(4.5)
Other	-	1,288 [-]	1.5	-	583 [-]	6.2
Total		28,179 [12,928]	(11.1)		35,333 [8,815]	(5.4)

(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, 2019 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	559,299	23,209 [12,906]	55.6	3.7
Land-use engines	16,902	2,603 [469]	18.0	(5.1)
Other	-	1,508 [-]	-	(5.8)
Total		27,321 [13,375]	49.0	2.2

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

*2 Major export destinations and compositions are as follows:

Asia (67.0%), Europe (19.0%), Latin America (6.5%), North America (3.5%), Others (4.0%)

*3 The "Other" segment includes precision parts-related (667 million yen), industrial machinery-related (519 million yen) and real estate leasing-related (321 million yen).

*4 The figures above do not include consumption taxes.