

Consolidated Financial Results
for the Nine Months Ended December 31, 2018
[Japanese GAAP]



January 29, 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: February 13, 2019
 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 Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	39,076	(8.9)	1,028	(47.0)	1,157	(44.5)	738	(47.4)
December 31, 2017	42,872	3.6	1,940	(2.3)	2,084	9.1	1,405	14.5

(Note) Comprehensive income: Nine months ended December 31, 2018: 626 million yen [(59.6)%]
 Nine months ended December 31, 2017: 1,552 million yen [20.6%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	23.20		-	
December 31, 2017	44.14		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	80,249	38,241	47.6
As of March 31, 2018	80,969	38,092	47.0

(Reference) Equity: As of December 31, 2018: 38,199 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):
 - December 31, 2018: 31,850,000 shares
 - March 31, 2018: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2018: 16,235 shares
 - March 31, 2018: 16,235 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2018: 31,833,765 shares
 - Nine months ended December 31, 2017: 31,833,770 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 nine months under review (from April 1, 2018 to December 31, 2018), the Japanese economy continued to be on a moderate recovery trend against a backdrop of steady performance in the corporate sector and improvement in the employment environment, but the future outlook remained uncertain with the trade frictions between the United States and China as well as many other concerns affecting the global economy.

Under such a corporate environment, the Company advanced active business expansion, but consolidated net sales decreased by 8.9% year-on-year to 39,076 million yen. In terms of profit, operating profit decreased by 47.0% year-on-year to 1,028 million yen, ordinary profit decreased by 44.5% year-on-year to 1,157 million yen, and profit attributable to owners of parent decreased by 47.4% year-on-year to 738 million yen.

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

<Internal combustion engines>

1. Marine-use

For mainstay auxiliary power generators, due to a drop in sales of engines, particularly those for overseas use, net sales decreased by 7.5% year-on-year to 32,469 million yen, and segment income decreased by 31.6% year-on-year to 2,717 million yen.

2. Land-use

Net sales decreased by 16.4% year-on-year to 4,209 million yen and segment loss amounted to 148 million yen (segment loss of 299 million yen in the previous corresponding period) due mainly to an increase in maintenance-related sales despite a decline in unit sales and sales of engines.

Consequently, net sales for the segment decreased by 8.6% year-on-year to 36,678 million yen, and segment income decreased by 30.1% year-on-year to 2,568 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, net sales increased slightly and segment income decreased slightly.

3. Electricity sales-related

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

4. Precision parts-related

In precision parts-related, net sales decreased but segment loss narrowed.

Consequently, net sales for the segment decreased by 12.0% year-on-year to 2,398 million yen, and segment income decreased by 13.8% year-on-year to 242 million yen.

(2) Explanation of Financial Position

In assets as of the end of the third quarter under review, notes and accounts receivable - trade decreased by 4,139 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 2,324 million yen compared with the end of the previous fiscal year. As a result, total assets as of December 31, 2018 amounted to 80,249 million yen, a decrease of 720 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 219 million yen from the end of the previous fiscal year. Other current liabilities decreased by 1,530 million yen, mainly due to decreases affected by capital expenditure. Income taxes payable decreased by

534 million yen due to payment of income taxes. Meanwhile, mainly due to the newly procured long-term loans of 2,500 million yen for the purpose of building the Himeji Factory, short-term loans payable and long-term loans payable in total increased by 1,631 million yen. As a result, total liabilities decreased by 869 million yen from the end of the previous fiscal year to 42,007 million yen.

In net assets, retained earnings increased by 261 million yen. As a result, total net assets increased by 149 million yen from the end of the previous fiscal year to 38,241 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 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 December 31, 2018
Assets		
Current assets		
Cash and deposits	21,676	20,599
Notes and accounts receivable - trade	16,575	12,436
Inventories	10,557	12,882
Other	1,572	1,731
Allowance for doubtful accounts	(13)	(10)
Total current assets	50,368	47,639
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,682	11,025
Machinery, equipment and vehicles, net	3,715	6,787
Land	5,088	5,088
Construction in progress	6,551	213
Other, net	908	855
Total property, plant and equipment	23,946	23,969
Intangible assets	1,390	1,456
Investments and other assets		
Investment securities	1,058	2,813
Long-term loans receivable	1	1
Deferred tax assets	3,753	3,925
Other	513	506
Allowance for doubtful accounts	(63)	(63)
Total investments and other assets	5,263	7,184
Total non-current assets	30,600	32,609
Total assets	80,969	80,249

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,965	6,896
Electronically recorded obligations - operating	4,845	4,694
Short-term loans payable	4,642	6,452
Lease obligations	497	560
Income taxes payable	710	175
Provision for bonuses	698	236
Provision for directors' bonuses	51	42
Accrued expenses	2,671	2,899
Other	3,575	2,045
Total current liabilities	24,657	24,003
Non-current liabilities		
Long-term loans payable	7,598	7,420
Lease obligations	1,134	1,112
Provision for directors' retirement benefits	460	503
Net defined benefit liability	6,456	6,468
Asset retirement obligations	167	188
Other	2,400	2,309
Total non-current liabilities	18,219	18,003
Total liabilities	42,877	42,007
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	33,719	33,980
Treasury shares	(10)	(10)
Total shareholders' equity	38,334	38,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	255	164
Foreign currency translation adjustment	5	1
Remeasurements of defined benefit plans	(545)	(562)
Total accumulated other comprehensive income	(285)	(396)
Non-controlling interests	42	42
Total net assets	38,092	38,241
Total liabilities and net assets	80,969	80,249

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	42,872	39,076
Cost of sales	32,996	30,113
Gross profit	9,875	8,963
Selling, general and administrative expenses		
Selling expenses	5,922	6,151
General and administrative expenses	2,013	1,782
Total selling, general and administrative expenses	7,935	7,934
Operating profit	1,940	1,028
Non-operating income		
Interest income	11	9
Dividend income	38	44
Foreign exchange gains	—	40
Fiduciary obligation fee	105	119
Reversal of allowance for doubtful accounts	16	2
Miscellaneous income	80	64
Total non-operating income	252	281
Non-operating expenses		
Interest expenses	75	77
Foreign exchange losses	11	—
Miscellaneous loss	20	75
Total non-operating expenses	108	152
Ordinary profit	2,084	1,157
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on abandonment of non-current assets	12	10
Other	—	4
Total extraordinary losses	12	14
Profit before income taxes	2,072	1,142
Income taxes - current	444	530
Income taxes - deferred	224	(125)
Total income taxes	668	405
Profit	1,404	737
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	1,405	738

Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit	1,404	737
Other comprehensive income		
Valuation difference on available-for-sale securities	54	(90)
Deferred gains or losses on hedges	5	—
Foreign currency translation adjustment	17	(3)
Remeasurements of defined benefit plans, net of tax	70	(16)
Total other comprehensive income	147	(110)
Comprehensive income	1,552	626
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,553	627
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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

There is no relevant information.

(Segment information, etc.)

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

For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	35,109	5,037	40,147	2,725	42,872	-	42,872
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	35,109	5,037	40,147	2,725	42,872	-	42,872
Segment income (loss)	3,972	(299)	3,672	281	3,953	(2,013)	1,940

(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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	32,469	4,209	36,678	2,398	39,076	-	39,076
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	32,469	4,209	36,678	2,398	39,076	-	39,076
Segment income (loss)	2,717	(148)	2,568	242	2,811	(1,782)	1,028

(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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

1) Production

Production by segment for the nine months ended December 31, 2018 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	780,393	32,469	(7.5)
Land-use engines	27,284	4,209	(16.4)
Other	-	1,915	(14.6)
Total		38,594	(9.0)

(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 nine months ended December 31, 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	919,281	39,076 [20,040]	21.3	1,361,462	32,784 [11,663]	14.6
Land-use engines	96,717	6,056 [949]	(27.1)	177,285	7,177 [381]	(15.2)
Other	-	1,860 [-]	(14.9)	-	500 [-]	(8.5)
Total		46,993 [20,990]	10.0		40,462 [12,045]	7.5

(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 nine months ended December 31, 2018 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	780,393	32,469 [17,836]	54.9	(7.5)
Land-use engines	27,284	4,209 [1,037]	24.6	(16.4)
Other	-	2,398 [-]	-	(12.0)
Total		39,076 [18,873]	48.3	(8.9)

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

*2 Major export destinations and compositions are as follows:

Asia (69.8%), Europe (17.1%), Latin America (9.1%), North America (3.4%), Others (0.6%)

*3 The "Other" segment includes precision parts-related (1,137 million yen), industrial machinery-related (778 million yen) and real estate leasing-related (482 million yen).

*4 The figures above do not include consumption taxes.