

Consolidated Financial Results
for the Six Months Ended September 30, 2020
[Japanese GAAP]



October 29, 2020

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, 2020

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, 2020 (April 1, 2020 to September 30, 2020)

(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, 2020	25,131	(8.0)	(51)	-	(19)	-	(210)	-
Six months ended September 30, 2019	27,321	2.2	646	3.3	852	13.2	511	5.8

(Note) Comprehensive income: Six months ended September 30, 2020: (191) million yen [-%]

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	(6.64)		-	
Six months ended September 30, 2019	16.10		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	80,980	40,030	49.4
As of March 31, 2020	85,558	40,645	47.5

(Reference) Equity: As of September 30, 2020: 39,987 million yen

As of March 31, 2020: 40,598 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2021	-	0.00			
Fiscal year ending March 31, 2021 (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, 2021 (April 1, 2020 to March 31, 2021)

(% 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
	56,000	(6.8)	0	(100.0)	0	(100.0)	0	(100.0)	0.00

(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, 2020: 31,850,000 shares

March 31, 2020: 31,850,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2020: 90,935 shares

March 31, 2020: 43,535 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 31,722,377 shares

Six months ended September 30, 2019: 31,773,634 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)

A briefing session for institutional investors and analysts is scheduled to be held on Friday, November 6, 2020. 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, 2020 to September 30, 2020), the Japanese economy remained in a severe condition, as manifested by a significant decline in corporate earnings due to the impact of the spread of the novel coronavirus (COVID-19), despite the gradual resumption of economic activities and the associated pickup in consumer spending. The outlook for the global economy also remained uncertain, with regional differences seen in the recovery of demand through the easing of restrictions on economic activities as well as economic stimulus measures.

In the shipbuilding and maritime industry, the primary industry in which the Company makes its sales, amid the stagnation of global cargo movement, maintenance demand remained sluggish due to the impact of restrictions on entry into ports, in addition to reduced vessel operation.

Under such a corporate environment, while corporate activities were restricted, the Group has promoted sales activities utilizing web-based business meetings and other measures. Furthermore, the Group has focused on improving production operations and made efforts to improve profitability. However, consolidated net sales decreased by 8.0% year-on-year to 25,131 million yen. In terms of profit, the Company recorded operating loss of 51 million yen (operating profit of 646 million yen in the previous corresponding period), ordinary loss of 19 million yen (ordinary profit of 852 million yen in the previous corresponding period) and loss attributable to owners of parent of 210 million yen (profit attributable to owners of parent of 511 million yen in the previous corresponding period).

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

<Internal combustion engines>

1. Marine-use

Maintenance-related sales declined, however, backed by the contribution of engine sales to the Ministry of Defense, net sales decreased by 4.2% year-on-year to 22,235 million yen, and segment income decreased by 7.7% year-on-year to 1,733 million yen.

2. Land-use

Net sales decreased by 48.5% year-on-year to 1,341 million yen and segment loss amounted to 786 million yen (segment loss of 187 million yen in the previous corresponding period) due to a decline in maintenance-related sales, in addition to a drop in sales of engines.

Consequently, net sales for the segment decreased by 8.7% year-on-year to 23,576 million yen, and segment income decreased by 43.9% year-on-year to 947 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, both net sales and segment income increased due to an increase in sales volume.

2. Real estate leasing-related

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

3. Electricity sales-related

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

4. Precision parts-related

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

Consequently, net sales for the segment increased by 3.1% year-on-year to 1,554 million yen, and segment income increased by 11.7% year-on-year to 119 million yen.

(2) Explanation of Financial Position

In assets as of the end of the second quarter under review, cash and deposits decreased by 687 million yen from the end of the previous fiscal year to 20,483 million yen. Progress was made in collection of trade receivables at the end of the previous fiscal year, and notes and accounts receivable - trade decreased by 5,617 million yen. On the other hand, inventories rose by 2,104 million yen. As a result, total assets as of September 30, 2020 decreased by 4,578 million yen to 80,980 million yen.

In liabilities, notes and accounts payable - trade and electronically recorded obligations - operating in total decreased by 2,324 million yen from the end of the previous fiscal year. In addition, owing to scheduled payment, short-term borrowings and long-term borrowings in total declined 622 million yen. Meanwhile, income taxes payable declined by 316 million yen due to payment of income taxes. As a result, total liabilities decreased by 3,963 million yen to 40,949 million yen.

In net assets, retained earnings fell by 599 million yen compared with the end of the previous fiscal year due mainly to payment of cash dividends. As a result, total net assets decreased by 614 million yen to 40,030 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, 2021, no revisions have been made to the forecast announced on October 22, 2020.

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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	21,170	20,483
Notes and accounts receivable - trade	18,820	13,203
Inventories	12,974	15,079
Other	2,125	2,017
Allowance for doubtful accounts	(13)	(10)
Total current assets	55,078	50,773
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,254	9,927
Machinery, equipment and vehicles, net	6,366	6,060
Land	5,088	5,084
Construction in progress	132	485
Other, net	714	783
Total property, plant and equipment	22,554	22,341
Intangible assets	1,139	1,098
Investments and other assets		
Investment securities	2,583	2,497
Long-term loans receivable	0	0
Deferred tax assets	3,586	3,657
Other	671	666
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	6,786	6,766
Total non-current assets	30,480	30,206
Total assets	85,558	80,980

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,661	6,235
Electronically recorded obligations - operating	5,789	4,891
Short-term borrowings	4,455	4,556
Lease obligations	511	490
Income taxes payable	645	328
Provision for bonuses	670	697
Provision for bonuses for directors (and other officers)	51	25
Accrued expenses	2,724	2,520
Other	1,838	1,624
Total current liabilities	24,347	21,370
Non-current liabilities		
Long-term borrowings	10,036	9,313
Lease obligations	737	627
Provision for retirement benefits for directors (and other officers)	76	60
Retirement benefit liability	6,913	7,000
Asset retirement obligations	193	194
Other	2,608	2,383
Total non-current liabilities	20,565	19,579
Total liabilities	44,912	40,949
Net assets		
Shareholders' equity		
Share capital	2,434	2,434
Capital surplus	2,191	2,171
Retained earnings	36,578	35,978
Treasury shares	(28)	(42)
Total shareholders' equity	41,175	40,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	143
Foreign currency translation adjustment	(141)	(162)
Remeasurements of defined benefit plans	(591)	(536)
Total accumulated other comprehensive income	(576)	(554)
Non-controlling interests	46	43
Total net assets	40,645	40,030
Total liabilities and net assets	85,558	80,980

(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, 2019	For the six months ended September 30, 2020
Net sales	27,321	25,131
Cost of sales	21,830	20,458
Gross profit	5,490	4,673
Selling, general and administrative expenses		
Selling expenses	3,693	3,606
General and administrative expenses	1,150	1,118
Total selling, general and administrative expenses	4,844	4,724
Operating profit (loss)	646	(51)
Non-operating income		
Interest income	5	3
Dividend income	38	21
Share of profit of entities accounted for using equity method	7	–
Outsourcing service income	23	17
Reversal of allowance for doubtful accounts	1	3
Miscellaneous income	246	96
Total non-operating income	322	141
Non-operating expenses		
Interest expenses	51	46
Share of loss of entities accounted for using equity method	–	21
Foreign exchange losses	14	29
Miscellaneous loss	50	11
Total non-operating expenses	116	110
Ordinary profit (loss)	852	(19)
Extraordinary income		
Gain on sales of non-current assets	0	0
Other	15	–
Total extraordinary income	15	0
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on abandonment of non-current assets	9	11
Total extraordinary losses	11	11
Profit (loss) before income taxes	856	(31)
Income taxes - current	364	285
Income taxes - deferred	(17)	(102)
Total income taxes	347	183
Profit (loss)	508	(214)
Loss attributable to non-controlling interests	(2)	(3)
Profit (loss) attributable to owners of parent	511	(210)

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit (loss)	508	(214)
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(12)
Foreign currency translation adjustment	(34)	(0)
Remeasurements of defined benefit plans, net of tax	27	55
Share of other comprehensive income of entities accounted for using equity method	(118)	(20)
Total other comprehensive income	(113)	22
Comprehensive income	395	(191)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	398	(188)
Comprehensive income attributable to non-controlling interests	(2)	(3)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	856	(31)
Depreciation	1,385	1,360
Increase (decrease) in allowance for doubtful accounts	(0)	(4)
Increase (decrease) in provision for bonuses	(4)	24
Increase (decrease) in provision for bonuses for directors (and other officers)	(19)	(25)
Increase (decrease) in retirement benefit liability	98	85
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(448)	(15)
Interest and dividend income	(43)	(25)
Interest expenses	51	46
Loss (gain) on sales of property, plant and equipment	2	0
Loss on abandonment of non-current assets	9	11
Decrease (increase) in trade receivables	2,787	5,634
Decrease (increase) in inventories	(2,460)	(2,104)
Increase (decrease) in trade payables	(16)	(2,336)
Other, net	346	(268)
Subtotal	2,543	2,352
Interest and dividends received	43	25
Interest paid	(51)	(46)
Income taxes paid	(458)	(777)
Net cash provided by (used in) operating activities	2,077	1,553
Cash flows from investing activities		
Purchase of property, plant and equipment	(665)	(822)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible assets	(6)	(69)
Collection of loans receivable	0	0
Proceeds from withdrawal of time deposits	397	333
Payments into time deposits	(352)	(314)
Net cash provided by (used in) investing activities	(624)	(869)

(Million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	4,150	—
Repayments of long-term borrowings	(2,420)	(622)
Purchase of treasury shares	(77)	(62)
Dividends paid	(477)	(476)
Net increase (decrease) in short-term borrowings	(155)	—
Repayments of finance lease obligations	(307)	(272)
Net cash provided by (used in) financing activities	712	(1,434)
Effect of exchange rate change on cash and cash equivalents	(49)	3
Net increase (decrease) in cash and cash equivalents	2,115	(746)
Cash and cash equivalents at beginning of period	20,143	20,495
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	68
Cash and cash equivalents at end of period	22,259	19,818

(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, 2020 (from April 1, 2020 to September 30, 2020)

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

	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	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.

For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(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	22,235	1,341	23,576	1,554	25,131	-	25,131
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	22,235	1,341	23,576	1,554	25,131	-	25,131
Segment income (loss)	1,733	(786)	947	119	1,067	(1,118)	(51)

(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 loss 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, 2020 (from April 1, 2020 to September 30, 2020)

1) Production

Production by segment for the six months ended September 30, 2020 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	493,186	22,235	(4.2)
Land-use engines	10,016	1,341	(48.5)
Other	-	1,238	4.3
Total		24,815	(8.1)

(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, 2020 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	496,475	21,754 [10,584]	(1.5)	1,186,367	26,715 [7,592]	(2.1)
Land-use engines	30,354	4,014 [163]	(16.4)	138,584	7,836 [588]	5.2
Other	-	1,305 [-]	1.3	-	756 [-]	29.7
Total		27,074 [10,748]	(3.9)		35,308 [8,181]	(0.1)

(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, 2020 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	493,186	22,235 [11,407]	51.3	(4.2)
Land-use engines	10,016	1,341 [163]	12.2	(48.5)
Other	-	1,554 [-]	-	3.1
Total		25,131 [11,571]	46.0	(8.0)

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

*2 Major export destinations and compositions are as follows:

Asia (70.0%), Europe (19.4%), Latin America (6.6%), North America (2.9%), Others (1.1%)

*3 The "Other" segment includes precision parts-related (672 million yen), industrial machinery-related (565 million yen) and real estate leasing-related (316 million yen).

*4 The figures above do not include consumption taxes.