

Consolidated Financial Results
for the Nine Months Ended December 31, 2019
[Japanese GAAP]



January 31, 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: February 13, 2020

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, 2019 (April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	41,268	5.6	567	(44.8)	800	(30.8)	373	(49.5)
December 31, 2018	39,076	(8.9)	1,028	(47.0)	1,157	(44.5)	738	(47.4)

(Note) Comprehensive income: Nine months ended December 31, 2019: 275 million yen [(56.1)%]
 Nine months ended December 31, 2018: 626 million yen [(59.6)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	11.74		-	
December 31, 2018	23.20		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2019	83,946		39,041		46.5	
As of March 31, 2019	82,512		39,263		47.5	

(Reference) Equity: As of December 31, 2019: 39,000 million yen
 As of March 31, 2019: 39,219 million yen

2. Dividends

	Annual dividends				
	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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	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):
 - December 31, 2019: 31,850,000 shares
 - March 31, 2019: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2019: 43,535 shares
 - March 31, 2019: 16,235 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2019: 31,784,618 shares
 - Nine months ended December 31, 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.

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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, 2019 to December 31, 2019), 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 situation remained uncertain due to the stagnation of China's economy impacted by trade friction between the United States and China, as well as many other concerns affecting the global economy.

Under such a corporate environment, consolidated net sales increased by 5.6% year-on-year to 41,268 million yen. In terms of profit, operating profit decreased by 44.8% year-on-year to 567 million yen, ordinary profit decreased by 30.8% year-on-year to 800 million yen, and profit attributable to owners of parent decreased by 49.5% year-on-year to 373 million yen.

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

<Internal combustion engines>

1. Marine-use

In addition to increased unit sales of engines, particularly those for domestic use, maintenance-related sales increased. However, profitability for engines deteriorated. Due to these and other factors, net sales increased by 7.7% year-on-year to 34,967 million yen, while segment income decreased by 5.3% year-on-year to 2,572 million yen.

2. Land-use

Net sales decreased by 3.8% year-on-year to 4,047 million yen and segment loss amounted to 487 million yen (segment loss of 148 million yen in the previous corresponding period) due to deteriorating profitability for engines, in addition to a drop in sales of engines, and other factors.

Consequently, net sales for the segment increased by 6.4% year-on-year to 39,015 million yen, while segment income decreased by 18.8% year-on-year to 2,085 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, despite a decline in net sales, segment income increased due to improved profit margins.

2. Real estate leasing-related

In real estate leasing-related, net sales edged down while segment income increased slightly.

3. Electricity sales-related

In electricity sales-related, net sales declined while 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 6.1% year-on-year to 2,253 million yen, and segment income decreased by 12.9% year-on-year to 211 million yen.

(2) Explanation of Financial Position

In assets as of the end of the third quarter under review, cash and deposits increased by 1,226 million yen from the end of the previous fiscal year. In addition, inventories increased by 3,596 million yen. Meanwhile, notes and accounts receivable - trade decreased by 3,472 million yen compared with the end of the previous fiscal year due to progress in collection of trade receivables of the end of the previous fiscal year. As a result, total assets as of December 31, 2019 amounted to 83,946 million yen, an increase of 1,433 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 increased by 939 million yen from the end of the previous fiscal year. In addition, due to the newly procured working capital, etc., short-term borrowings and long-term borrowings in total increased by 1,397 million yen. Meanwhile, income taxes payable declined by 236 million yen due to payment of income taxes. As a result, total liabilities increased by 1,654 million yen from the end of the previous fiscal year to 44,904 million yen.

In net assets, retained earnings decreased by 105 million yen mainly due to payment of cash dividends, despite having posted profit attributable to owners of parent of 373 million yen. As a result, total net assets decreased by 221 million yen from the end of the previous fiscal year to 39,041 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, 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	20,905	22,131
Notes and accounts receivable - trade	17,098	13,625
Inventories	10,269	13,866
Other	1,931	3,403
Allowance for doubtful accounts	(12)	(9)
Total current assets	50,193	53,017
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,883	10,398
Machinery, equipment and vehicles, net	6,899	6,393
Land	5,088	5,088
Construction in progress	113	274
Other, net	836	734
Total property, plant and equipment	23,821	22,889
Intangible assets	1,442	1,223
Investments and other assets		
Investment securities	2,836	2,671
Long-term loans receivable	1	0
Deferred tax assets	3,589	3,582
Other	681	616
Allowance for doubtful accounts	(53)	(55)
Total investments and other assets	7,055	6,815
Total non-current assets	32,319	30,928
Total assets	82,512	83,946

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,297	8,011
Electronically recorded obligations - operating	5,328	5,553
Short-term borrowings	6,193	4,467
Lease obligations	562	531
Income taxes payable	414	177
Provision for bonuses	703	234
Provision for bonuses for directors (and other officers)	45	38
Accrued expenses	2,851	2,854
Other	1,900	2,140
Total current liabilities	25,296	24,009
Non-current liabilities		
Long-term borrowings	7,217	10,340
Lease obligations	1,077	852
Provision for retirement benefits for directors (and other officers)	521	76
Retirement benefit liability	6,618	6,801
Asset retirement obligations	206	191
Other	2,310	2,631
Total non-current liabilities	17,953	20,895
Total liabilities	43,249	44,904
Net assets		
Shareholders' equity		
Share capital	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	35,060	34,955
Treasury shares	(10)	(28)
Total shareholders' equity	39,675	39,552
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	180	231
Foreign currency translation adjustment	7	(195)
Remeasurements of defined benefit plans	(643)	(588)
Total accumulated other comprehensive income	(455)	(551)
Non-controlling interests	43	41
Total net assets	39,263	39,041
Total liabilities and net assets	82,512	83,946

(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, 2018	For the nine months ended December 31, 2019
Net sales	39,076	41,268
Cost of sales	30,113	33,274
Gross profit	8,963	7,994
Selling, general and administrative expenses		
Selling expenses	6,151	5,697
General and administrative expenses	1,782	1,728
Total selling, general and administrative expenses	7,934	7,426
Operating profit	1,028	567
Non-operating income		
Interest income	9	10
Dividend income	44	44
Share of profit of entities accounted for using equity method	—	0
Foreign exchange gains	40	7
Outsourcing service income	119	32
Reversal of allowance for doubtful accounts	2	1
Miscellaneous income	64	263
Total non-operating income	281	361
Non-operating expenses		
Interest expenses	77	76
Miscellaneous loss	75	52
Total non-operating expenses	152	128
Ordinary profit	1,157	800
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	10	9
Loss on valuation of golf club membership	4	—
Total extraordinary losses	14	11
Profit before income taxes	1,142	804
Income taxes - current	530	460
Income taxes - deferred	(125)	(27)
Total income taxes	405	433
Profit	737	371
Loss attributable to non-controlling interests	(0)	(2)
Profit attributable to owners of parent	738	373

Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	737	371
Other comprehensive income		
Valuation difference on available-for-sale securities	(90)	51
Foreign currency translation adjustment	(3)	(19)
Remeasurements of defined benefit plans, net of tax	(16)	55
Share of other comprehensive income of entities accounted for using equity method	—	(183)
Total other comprehensive income	(110)	(95)
Comprehensive income	626	275
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	627	277
Comprehensive income attributable to non-controlling interests	(0)	(2)

(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, 2019 (from April 1, 2019 to December 31, 2019)

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, 2018 (from April 1, 2018 to December 31, 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	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.

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	34,967	4,047	39,015	2,253	41,268	-	41,268
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	34,967	4,047	39,015	2,253	41,268	-	41,268
Segment income (loss)	2,572	(487)	2,085	211	2,296	(1,728)	567

(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, 2019 (from April 1, 2019 to December 31, 2019)

1) Production

Production by segment for the nine months ended December 31, 2019 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change	
				%
	Horsepower			%
Internal combustion engines				
Marine-use engines	830,830	34,967		7.7
Land-use engines	31,262	4,047		(3.8)
Other	-	1,773		(7.4)
Total		40,788		5.7

(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 nine months ended December 31, 2019 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	871,860	34,950 [18,353]	(10.6)	1,212,798	28,400 [8,158]	(13.4)
Land-use engines	47,652	6,293 [865]	3.9	132,830	7,499 [588]	4.5
Other	-	2,043 [-]	9.8	-	750 [-]	50.1
Total		43,286 [19,219]	(7.9)		36,650 [8,747]	(9.4)

(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 nine months ended December 31, 2019 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	830,830	34,967 [19,168]	54.8	7.7
Land-use engines	31,262	4,047 [565]	14.0	(3.8)
Other	-	2,253 [-]	-	(6.1)
Total		41,268 [19,734]	47.8	5.6

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

*2 Major export destinations and compositions are as follows:

Asia (67.9%), Europe (19.5%), Latin America (6.3%), North America (3.3%), Others (3.0%)

*3 The "Other" segment includes precision parts-related (1,041 million yen), industrial machinery-related (732 million yen) and real estate leasing-related (479 million yen).

*4 The figures above do not include consumption taxes.