

Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]



July 30, 2020

Company name: Daihatsu Diesel Mfg. Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6023

URL: <http://www.dhtd.co.jp>

Representative: Yoshinobu Hotta, President

Contact: Takashi Mizushina, Director and Managing Executive Officer

Phone: +81-6-6454-2331

Scheduled date of filing quarterly securities report: August 11, 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 Three Months Ended June 30, 2020 (April 1, 2020 to June 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	%
Three months ended June 30, 2020	12,689	7.5	(111)	-	(115)	-	(160)	-
June 30, 2019	11,802	(6.4)	(56)	-	(26)	-	(36)	-

(Note) Comprehensive income: Three months ended June 30, 2020: (170) million yen [-%]

Three months ended June 30, 2019: (162) million yen [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	(5.06)		-	
June 30, 2019	(1.15)		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	83,130	40,028	48.1
As of March 31, 2020	85,558	40,645	47.5

(Reference) Equity: As of June 30, 2020: 39,984 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	-				
Fiscal year ending March 31, 2021 (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, 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,000	(4.8)	0	(100.0)	0	(100.0)	0	(100.0)	0.00
Full year	58,000	(3.5)	1,300	(51.4)	1,300	(55.4)	900	(54.9)	28.25

(Note) Revision to the financial results forecast announced most recently: Yes

For details, please refer to “Notice on Revision of Financial Results Forecast” released today.

* 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, 2020: 31,850,000 shares
 - March 31, 2020: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2020: 193,535 shares
 - March 31, 2020: 43,535 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2020: 31,740,531 shares
 - Three months ended June 30, 2019: 31,785,264 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review.....	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
(3) Notes to the Quarterly Consolidated Financial Statements.....	8
(Notes on going concern assumption)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Segment information, etc.)	8
3. Supplementary Information	10
(1) Status of Production, Orders Received, and Sales	10

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, 2020 to June 30, 2020), the Japanese economy rapidly deteriorated and fell into an extremely serious state due to the impact of voluntarily refraining from economic activities so as to prevent the spread of the novel coronavirus (COVID-19). While the state of emergency was lifted nationwide on May 25 and economic activities have been resuming, recovery has been slow to gain traction, and concerns exist that novel coronavirus infections will mount in a second wave. Moreover, the global economy was in a similar situation, buffeted severely by spread of COVID-19, and amidst this, there was the prolonged trade friction between the United States and China. Given such conditions, the future outlook continued to be clouded with uncertainty.

Under such a corporate environment, the Group's stance has been to prioritize the safety and well-being of employees and customers, as well as all members of the local community. Great efforts have been made to put in place measures that protect against infections, while at the same time maintain normal plant operations, as well as a stable supply of products. As a result, consolidated net sales increased by 7.5% year-on-year to 12,689 million yen. In terms of profit, the Company recorded operating loss of 111 million yen (operating loss of 56 million yen in the previous corresponding period), ordinary loss of 115 million yen (ordinary loss of 26 million yen in the previous corresponding period) and loss attributable to owners of parent of 160 million yen (loss attributable to owners of parent of 36 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 increased by 12.3% year-on-year to 11,585 million yen, and segment income rose by 0.9% year-on-year to 764 million yen.

2. Land-use

Net sales decreased by 38.6% year-on-year to 444 million yen and segment loss amounted to 339 million yen (segment loss of 301 million yen in the previous corresponding period) due to a decline in maintenance-related sales, and despite an increase in items sold.

Consequently, net sales for the segment increased by 9.0% year-on-year to 12,030 million yen, and segment income decreased by 6.8% year-on-year to 425 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, net sales decreased due to lower unit sales of new vehicles in the automobile industry on account of the impact of COVID-19. However, improvement of profit margins increased segment income.

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 fell slightly and segment loss expanded.

Consequently, net sales for the segment decreased by 13.8% year-on-year to 659 million yen, and segment income decreased by 25.3% year-on-year to 31 million yen.

(2) Explanation of Financial Position

In assets as of the end of the first quarter under review, progress was made in collection of trade receivables at the end of the previous fiscal year, and notes and accounts receivable - trade decreased by 2,881 million yen compared with the end of the previous fiscal year. On the other hand, inventories rose by 883 million yen compared with the end of the previous fiscal year. As a result, total assets as of June 30, 2020 amounted to 83,130 million yen, a decrease of 2,427 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 847 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 311 million yen. Meanwhile, income taxes payable declined by 494 million yen due to payment of income taxes. As a result, total liabilities decreased by 1,810 million yen from the end of the previous fiscal year to 43,102 million yen.

In net assets, retained earnings fell by 544 million yen due mainly to payment of cash dividends. As a result, total net assets decreased by 616 million yen from the end of the previous fiscal year to 40,028 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, as it has been difficult to reasonably determine the impact of the spread of COVID-19 on the Company's business results, results forecasts for the fiscal year ending March 31, 2021 have been left pending. However, based on information and forecasts currently available, the Company has made a determination and this is now disclosed.

For details, please see "Notice on Revision of Financial Results Forecast," published today.

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 June 30, 2020
Assets		
Current assets		
Cash and deposits	21,170	21,584
Notes and accounts receivable - trade	18,820	15,939
Inventories	12,974	13,857
Other	2,125	1,659
Allowance for doubtful accounts	(13)	(12)
Total current assets	55,078	53,029
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,254	10,076
Machinery, equipment and vehicles, net	6,366	6,272
Land	5,088	5,084
Construction in progress	132	202
Other, net	714	676
Total property, plant and equipment	22,554	22,313
Intangible assets	1,139	1,065
Investments and other assets		
Investment securities	2,583	2,517
Long-term loans receivable	0	0
Deferred tax assets	3,586	3,628
Other	671	632
Allowance for doubtful accounts	(55)	(57)
Total investments and other assets	6,786	6,722
Total non-current assets	30,480	30,101
Total assets	85,558	83,130

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,661	7,357
Electronically recorded obligations - operating	5,789	5,245
Short-term borrowings	4,455	4,568
Lease obligations	511	493
Income taxes payable	645	150
Provision for bonuses	670	245
Provision for bonuses for directors (and other officers)	51	12
Accrued expenses	2,724	2,588
Other	1,838	2,617
Total current liabilities	24,347	23,280
Non-current liabilities		
Long-term borrowings	10,036	9,612
Lease obligations	737	644
Provision for retirement benefits for directors (and other officers)	76	58
Retirement benefit liability	6,913	6,930
Asset retirement obligations	193	193
Other	2,608	2,381
Total non-current liabilities	20,565	19,821
Total liabilities	44,912	43,102
Net assets		
Shareholders' equity		
Share capital	2,434	2,434
Capital surplus	2,191	2,191
Retained earnings	36,578	36,033
Treasury shares	(28)	(90)
Total shareholders' equity	41,175	40,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	167
Foreign currency translation adjustment	(141)	(186)
Remeasurements of defined benefit plans	(591)	(564)
Total accumulated other comprehensive income	(576)	(584)
Non-controlling interests	46	44
Total net assets	40,645	40,028
Total liabilities and net assets	85,558	83,130

(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, 2019	For the three months ended June 30, 2020
Net sales	11,802	12,689
Cost of sales	9,437	10,525
Gross profit	2,364	2,163
Selling, general and administrative expenses		
Selling expenses	1,865	1,706
General and administrative expenses	556	568
Total selling, general and administrative expenses	2,421	2,275
Operating loss	(56)	(111)
Non-operating income		
Interest income	1	0
Dividend income	33	16
Share of profit of entities accounted for using equity method	4	—
Outsourcing service income	19	1
Reversal of allowance for doubtful accounts	1	1
Miscellaneous income	51	35
Total non-operating income	111	55
Non-operating expenses		
Interest expenses	26	23
Share of loss of entities accounted for using equity method	—	21
Foreign exchange losses	13	5
Miscellaneous loss	40	8
Total non-operating expenses	81	58
Ordinary loss	(26)	(115)
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	3	4
Total extraordinary losses	5	4
Loss before income taxes	(16)	(120)
Income taxes - current	65	102
Income taxes - deferred	(43)	(59)
Total income taxes	22	43
Loss	(38)	(163)
Loss attributable to non-controlling interests	(1)	(2)
Loss attributable to owners of parent	(36)	(160)

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Loss	(38)	(163)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	11
Foreign currency translation adjustment	(23)	(3)
Remeasurements of defined benefit plans, net of tax	(0)	27
Share of other comprehensive income of entities accounted for using equity method	(87)	(41)
Total other comprehensive income	(124)	(7)
Comprehensive income	(162)	(170)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(160)	(168)
Comprehensive income attributable to non-controlling interests	(1)	(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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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, 2019 (from April 1, 2019 to June 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	10,313	724	11,037	764	11,802	-	11,802
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	10,313	724	11,037	764	11,802	-	11,802
Segment income (loss)	758	(301)	456	42	499	(556)	(56)

(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.

For the three months ended June 30, 2020 (from April 1, 2020 to June 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	11,585	444	12,030	659	12,689	-	12,689
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	11,585	444	12,030	659	12,689	-	12,689
Segment income (loss)	764	(339)	425	31	457	(568)	(111)

(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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1) Production

Production by segment for the three months ended June 30, 2020 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change	
				%
	Horsepower			%
Internal combustion engines				
Marine-use engines	240,071	11,585		12.3
Land-use engines	1,292	444		(38.6)
Other	-	499		(17.1)
Total		12,529		7.6

(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, 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	290,490	10,849 [4,701]	(0.4)	1,233,497	26,460 [7,321]	(8.7)
Land-use engines	5,461	1,332 [83]	(64.2)	122,415	6,051 [588]	(26.7)
Other	-	634 [-]	(9.1)	-	824 [-]	43.0
Total		12,816 [4,785]	(16.3)		33,336 [7,910]	(11.9)

(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, 2020 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	240,071	11,585 [5,794]	50.0	12.3
Land-use engines	1,292	444 [83]	18.8	(38.6)
Other	-	659 [-]	-	(13.8)
Total		12,689 [5,878]	46.3	7.5

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

*2 Major export destinations and compositions are as follows:

Asia (66.1%), Europe (21.0%), Latin America (6.6%), North America (2.4%), Others (3.9%)

*3 The "Other" segment includes precision parts-related (325 million yen), industrial machinery-related (173 million yen) and real estate leasing-related (159 million yen).

*4 The figures above do not include consumption taxes.