

Consolidated Financial Results
for the Six Months Ended September 30, 2022
[Japanese GAAP]



October 27, 2022

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 11, 2022

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, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022	31,584	35.2	667	106.0	832	35.0	756	26.2
September 30, 2021	23,361	(7.0)	323	-	616	-	599	-

(Note) Comprehensive income: Six months ended September 30, 2022: 1,059 million yen [56.2%]

Six months ended September 30, 2021: 678 million yen [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	23.94		-	
September 30, 2021	18.88		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	91,184	43,567	47.7
As of March 31, 2022	89,268	43,069	48.2

(Reference) Equity: As of September 30, 2022: 43,525 million yen

As of March 31, 2022: 43,030 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2023	-	0.00			
Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(% 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
	71,000	23.3	3,000	43.4	3,200	27.6	2,500	27.0	78.49

(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: Yes

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, 2022: 31,850,000 shares

March 31, 2022: 31,850,000 shares

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

September 30, 2022: 280,235 shares

March 31, 2022: 93,335 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 31,576,354 shares

Six months ended September 30, 2021: 31,720,893 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 annual financial results and information on the briefing session)

A briefing session for institutional investors and analysts is scheduled to be held on Thursday, November 10, 2022.

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, 2022 to September 30, 2022), the Japanese economy showed signs of recovery mainly in consumer spending due to the mitigation of effects of the novel coronavirus (COVID-19) despite having an impact of price increases. However, the situation has been harsh due to a significant trend of strong dollars caused by the rise in the policy interest rate in the United States, price increases and difficulty in procurement of materials, semiconductors, etc.

Looking at the world economy, the prolonged situation in Ukraine caused the surge in crude oil and raw material prices, while the lockdown of main cities under China's zero-COVID policy has had an impact and inflation is accelerating mainly in Europe and the United States, resulting in slower economic growth. IMF's World Economic Outlook says that the world's inflation is expected to increase from 4.7% in 2021 to 8.8% in 2022, and that the world economic growth is expected to slow down from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023, concluding that this will be the weakest growth profile since 2001 except for during the global financial crisis and COVID-19 pandemic.

In the shipbuilding and maritime industry, the primary industry in which the Company makes its sales, although the orders received have not reached the level of 2021 with significantly increasing number of new shipbuilding orders received mainly for container ships, the orders received in fiscal 2022 have remained steady mainly for container ships and bulk carriers, and market conditions are expected to continue in the second half of the fiscal year. In addition, disruptions in the marine transport network are being reduced, and maintenance demand is also showing recovery mainly in Southeast Asia after a recession caused by restrictions on social mobility.

Under such a corporate environment, the Group had sales growth of large-scale engines for container ships, and has seen the recovery of maintenance demand mainly overseas to the pre-pandemic level. As a result, consolidated net sales increased by 35.2% year-on-year to 31,584 million yen. In terms of profit, operating profit increased by 106.0% year-on-year to 667 million yen, ordinary profit increased by 35.0% year-on-year to 832 million yen, and profit attributable to owners of parent increased by 26.2% year-on-year to 756 million yen.

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

<Internal combustion engines>

1. Marine-use

Net sales increased by 38.8% year-on-year to 26,761 million yen and segment income increased by 46.3% year-on-year to 2,147 million yen, due to increases in sales of engines and maintenance-related sales, effect of fluctuation of foreign exchange rates and other factors.

2. Land-use

Net sales increased by 17.2% year-on-year to 2,738 million yen while a segment loss of 527 million yen was recorded (a segment loss of 250 million yen in the previous corresponding period) due to some products with low profitability and other factors despite an increase in sales of engines.

Consequently, net sales for the segment increased by 36.5% year-on-year to 29,500 million yen, and segment income increased by 33.0% year-on-year to 1,619 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, net sales increased while segment income declined due to the surge in raw material prices and other factors despite an increase in sales volume.

2. Real estate leasing-related

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

3. Electricity sales-related

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

4. Precision parts-related

In precision parts-related, both net sales and segment income increased.

Consequently, net sales for the segment increased by 19.6% year-on-year to 2,084 million yen, and segment income increased by 9.9% year-on-year to 249 million yen.

(2) Explanation of Financial Position

In assets as of the end of the second quarter under review, cash and deposits increased by 2,179 million yen from the end of the previous fiscal year to 29,325 million yen. Further, inventories rose by 2,901 million yen from the end of the previous fiscal year. Meanwhile, due to progress made in collection of trade receivables at the end of the previous fiscal year, notes and accounts receivable - trade, and contract assets decreased by 3,354 million yen from the end of the previous fiscal year. In addition, property, plant and equipment decreased by 52 million yen due to a decrease of 1,196 million yen by depreciation which offset new purchases of 1,182 million yen. As a result, total assets increased by 1,916 million yen from the end of the previous fiscal year to 91,184 million yen.

In liabilities, notes and accounts payable - trade and electronically recorded obligations - operating in total increased by 1,302 million yen from the end of the previous fiscal year. Meanwhile, owing to scheduled payment, short-term borrowings and long-term borrowings in total decreased by 469 million yen. As a result, total liabilities increased by 1,417 million yen from the end of the previous fiscal year to 47,616 million yen.

In net assets, retained earnings increased by 279 million yen from the end of the previous fiscal year due to the recording of 756 million yen in profit attributable to owners of parent, despite the payment of cash dividends of 476 million yen. As a result, total net assets increased by 498 million yen to 43,567 million yen. Equity ratio at the end of the six months ended September 30, 2022 decreased by 0.5 points from the end of the previous fiscal year to 47.7%.

(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, 2023, no revisions have been made to the forecast announced on October 21, 2022.

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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	27,146	29,325
Notes and accounts receivable - trade, and contract assets	18,336	14,982
Inventories	12,685	15,587
Other	1,896	1,927
Allowance for doubtful accounts	(6)	(7)
Total current assets	60,058	61,815
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,133	8,881
Machinery, equipment and vehicles, net	5,792	5,380
Land	5,084	5,084
Construction in progress	525	1,127
Other, net	777	786
Total property, plant and equipment	21,314	21,261
Intangible assets	628	513
Investments and other assets		
Investment securities	2,707	2,897
Deferred tax assets	4,096	4,277
Other	474	429
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	7,267	7,594
Total non-current assets	29,209	29,369
Total assets	89,268	91,184

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,777	7,328
Electronically recorded obligations - operating	5,502	6,253
Short-term borrowings	4,440	4,461
Lease liabilities	309	223
Income taxes payable	869	310
Provision for bonuses	671	683
Provision for bonuses for directors (and other officers)	35	23
Accrued expenses	5,050	5,757
Other	2,474	2,996
Total current liabilities	26,132	28,038
Non-current liabilities		
Long-term borrowings	9,871	9,380
Lease liabilities	271	218
Provision for retirement benefits for directors (and other officers)	34	40
Retirement benefit liability	7,216	7,260
Asset retirement obligations	194	195
Other	2,478	2,482
Total non-current liabilities	20,066	19,578
Total liabilities	46,199	47,616
Net assets		
Shareholders' equity		
Share capital	2,434	2,434
Capital surplus	2,173	2,175
Retained earnings	38,393	38,673
Treasury shares	(43)	(130)
Total shareholders' equity	42,957	43,152
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	295	293
Deferred gains or losses on hedges	(7)	(3)
Foreign currency translation adjustment	97	348
Remeasurements of defined benefit plans	(313)	(265)
Total accumulated other comprehensive income	72	372
Non-controlling interests	39	42
Total net assets	43,069	43,567
Total liabilities and net assets	89,268	91,184

(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, 2021	For the six months ended September 30, 2022
Net sales	23,361	31,584
Cost of sales	18,539	25,194
Gross profit	4,821	6,390
Selling, general and administrative expenses		
Selling expenses	3,376	4,520
General and administrative expenses	1,120	1,201
Total selling, general and administrative expenses	4,497	5,722
Operating profit	323	667
Non-operating income		
Interest income	3	2
Dividend income	31	20
Share of profit of entities accounted for using equity method	42	33
Foreign exchange gains	—	115
Outsourcing service income	180	28
Reversal of allowance for doubtful accounts	3	0
Miscellaneous income	83	29
Total non-operating income	344	229
Non-operating expenses		
Interest expenses	41	44
Foreign exchange losses	2	—
Miscellaneous losses	6	20
Total non-operating expenses	51	64
Ordinary profit	616	832
Extraordinary income		
Gain on sale of non-current assets	0	0
Subsidy income	125	264
Total extraordinary income	126	264
Extraordinary losses		
Loss on abandonment of non-current assets	3	38
Total extraordinary losses	3	38
Profit before income taxes	739	1,058
Income taxes - current	362	501
Income taxes - deferred	(221)	(202)
Total income taxes	140	299
Profit	598	759
Profit (loss) attributable to non-controlling interests	(0)	3
Profit attributable to owners of parent	599	756

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	598	759
Other comprehensive income		
Valuation difference on available-for-sale securities	17	(2)
Deferred gains or losses on hedges	—	4
Foreign currency translation adjustment	14	90
Remeasurements of defined benefit plans, net of tax	(14)	47
Share of other comprehensive income of entities accounted for using equity method	62	159
Total other comprehensive income	79	300
Comprehensive income	678	1,059
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	678	1,056
Comprehensive income attributable to non-controlling interests	(0)	3

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	739	1,058
Depreciation	1,420	1,373
Increase (decrease) in allowance for doubtful accounts	(3)	0
Increase (decrease) in provision for bonuses	(40)	11
Increase (decrease) in provision for bonuses for directors (and other officers)	19	(12)
Increase (decrease) in retirement benefit liability	99	50
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(37)	5
Interest and dividend income	(34)	(23)
Interest expenses	41	44
Loss (gain) on sale of property, plant and equipment	(0)	(0)
Loss on abandonment of non-current assets	3	38
Decrease (increase) in trade receivables	7,526	3,472
Decrease (increase) in inventories	(3,337)	(2,900)
Increase (decrease) in trade payables	1,062	1,180
Other, net	505	984
Subtotal	7,962	5,283
Interest and dividends received	34	23
Interest paid	(41)	(44)
Income taxes paid	(466)	(1,020)
Net cash provided by (used in) operating activities	7,488	4,242
Cash flows from investing activities		
Purchase of property, plant and equipment	(401)	(1,040)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(22)	(24)
Proceeds from collection of loans receivable	0	—
Proceeds from withdrawal of time deposits	369	152
Payments into time deposits	(149)	(191)
Net cash provided by (used in) investing activities	(201)	(1,104)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	100
Repayments of long-term borrowings	(723)	(569)
Purchase of treasury shares	(37)	(135)
Dividends paid	(476)	(476)
Repayments of finance lease liabilities	(244)	(179)
Net cash provided by (used in) financing activities	(1,482)	(1,259)
Effect of exchange rate change on cash and cash equivalents	25	217
Net increase (decrease) in cash and cash equivalents	5,830	2,095
Cash and cash equivalents at beginning of period	19,509	26,354
Cash and cash equivalents at end of period	25,340	28,449

(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, 2022 (from April 1, 2022 to September 30, 2022)

There is no relevant information.

(Changes in accounting policy)

From the beginning of the first quarter of this fiscal year, the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Implementation Guidance") has been applied, and in accordance with the transitional treatments stipulated in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, a new accounting policy as stipulated by the Fair Value Measurement Implementation Guidance shall be applied prospectively. This shall have no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

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

For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

	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	19,283	2,335	21,618	1,742	23,361	-	23,361
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	19,283	2,335	21,618	1,742	23,361	-	23,361
Segment income (loss)	1,467	(250)	1,217	227	1,444	(1,120)	323

(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, 2022 (from April 1, 2022 to September 30, 2022)

(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	26,761	2,738	29,500	2,084	31,584	-	31,584
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	26,761	2,738	29,500	2,084	31,584	-	31,584
Segment income (loss)	2,147	(527)	1,619	249	1,869	(1,201)	667

(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, 2022 (from April 1, 2022 to September 30, 2022)

1) Production

Production by segment for the six months ended September 30, 2022 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	616,002	26,761	38.8
Land-use engines	17,617	2,738	17.2
Other	-	1,766	23.8
Total		31,266	35.7

(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 six months ended September 30, 2022 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	845,669	41,830 [26,778]	40.7	2,052,512	58,062 [32,818]	64.9
Land-use engines	47,736	6,188 [732]	28.1	122,298	9,007 [745]	24.6
Other	-	2,053 [-]	74.4	-	885 [-]	98.9
Total		50,072 [27,510]	40.1		67,954 [33,563]	58.5

(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 six months ended September 30, 2022 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	616,002	26,761 [16,963]	63.4	38.8
Land-use engines	17,617	2,738 [-]	-	17.2
Other	-	2,084 [-]	-	19.6
Total		31,584 [16,963]	53.7	35.2

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

*2 Major export destinations and compositions are as follows:

Asia (74.4%), Europe (16.3%), Latin America (5.4%), North America (3.0%), Others (0.9%)

*3 The "Other" segment includes precision parts-related (818 million yen), industrial machinery-related (947 million yen) and real estate leasing-related (318 million yen).

*4 The figures above do not include consumption taxes.