

Consolidated Financial Results
for the Six Months Ended September 30, 2016
[Japanese GAAP]



October 27, 2016

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, 2016

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 securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2016	28,139	6.4	1,097	(41.7)	997	(45.6)	706	(42.4)
September 30, 2015	26,447	(9.8)	1,884	3.8	1,833	(3.2)	1,227	(1.2)

(Note) Comprehensive income: Six months ended September 30, 2016: 591 million yen [(49.2)%]

Six months ended September 30, 2015: 1,164 million yen [(20.1)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2016	22.20	-
September 30, 2015	38.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	75,652	34,365	45.3
As of March 31, 2016	75,060	34,224	45.6

(Reference) Equity: As of September 30, 2016: 34,300 million yen

As of March 31, 2016: 34,204 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	0.00	-	15.00	15.00
Fiscal year ending March 31, 2017	-	0.00			
Fiscal year ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	60,000	5.2	2,800	(49.0)	2,700	(50.4)	1,900	(47.2)	59.65

(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, 2016: 31,850,000 shares
 - March 31, 2016: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2016: 16,170 shares
 - March 31, 2016: 16,170 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2016: 31,833,830 shares
 - Six months ended September 30, 2015: 31,834,057 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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)

Briefing session for institutional investors and analysts are scheduled to be held on Tuesday, November 8, 2016. 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, 2016 to September 30, 2016), the Japanese economy was on a moderate recovery track against the backdrop of the government's economic policies, etc., but due to a deceleration in economic activities in emerging countries including China and the impact of the UK's exit from the EU, the level of yen appreciation remained high, and the economy continued to have an uncertain outlook for the future.

Under such a corporate environment, although the Company advanced active business expansion, consolidated net sales increased by 6.4% year-on-year to 28,139 million yen. In terms of profit, operating income decreased by 41.7% year-on-year to 1,097 million yen, ordinary income decreased by 45.6% year-on-year to 997 million yen, and profit attributable to owners of parent decreased by 42.4% year-on-year to 706 million yen.

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

<Internal combustion engines>

1. Marine-use

While sales of engines centered on mainstay auxiliary power generators increased, net sales increased by 6.9% year-on-year to 24,005 million yen, and segment income decreased by 36.0% year-on-year to 2,103 million yen, owing to decreased maintenance-related sales and the impact of exchange rates.

2. Land-use

Although sales of engines decreased, due to an increase in maintenance-related sales, etc., net sales decreased by 15.3% year-on-year to 2,421 million yen and segment income amounted to 10 million yen (segment loss of 173 million yen in the previous corresponding period).

Consequently, net sales for the segment increased by 4.4% year-on-year to 26,427 million yen, and segment income decreased by 32.1% year-on-year to 2,113 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, although a decrease in unit sales caused net sales to decrease, an improved profit margin caused segment income to increase.

2. Real estate leasing-related

In real estate leasing-related, both net sales and segment income increased slightly.

3. Electricity sales-related

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

4. Precision parts-related

Following the making of Nippon Nozzle Seiki Co., Ltd. a consolidated subsidiary, precision parts-related was newly added.

Consequently, net sales for the segment increased by 50.9% year-on-year to 1,712 million yen, and segment income increased by 21.4% year-on-year to 250 million yen.

(2) Explanation of Financial Position

In assets as of the end of the second quarter under review, notes and accounts receivable - trade decreased by 3,901 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, cash and deposits increased by 3,890 million yen, and inventories increased by 622 million yen. As a result, total assets as of September 30, 2016 amounted to 75,652 million yen, an increase of 592 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 254 million yen from the end of the previous fiscal year. Additionally, short-term loans payable and long-term loans payable in total increased by 1,678 million yen, due mainly to financing of new long-term loans payable. Meanwhile, due to payment of income taxes, income taxes payable decreased by 918 million yen. As a result, total liabilities increased by 451 million yen from the end of the previous fiscal year to 41,287 million yen.

In net assets, retained earnings increased by 212 million yen. As a result, total net assets increased by 141 million yen from the end of the previous fiscal year to 34,365 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, 2017, no revisions have been made to the forecast announced on October 17, 2016.

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. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2016

There is no relevant information.

(2) Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements

There is no relevant information.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement (Changes in accounting policies)

At certain consolidated subsidiaries, in line with revisions to the Corporation Tax Act, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force (“PITF”) No. 32; June 17, 2016) has been adopted from the three months ended June 30, 2016. As a result of the adoption, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining balance method to the straight-line method.

The effect of this change to the quarterly consolidated financial statements for the six months under review is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	21,412	25,303
Notes and accounts receivable - trade	16,967	13,065
Inventories	12,148	12,771
Deferred tax assets	1,873	1,885
Other	1,548	1,074
Allowance for doubtful accounts	(9)	(18)
Total current assets	53,940	54,082
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,929
Machinery, equipment and vehicles, net	3,648	4,194
Land	4,403	5,006
Construction in progress	674	57
Other, net	729	1,033
Total property, plant and equipment	16,146	17,221
Intangible assets	728	813
Investments and other assets		
Investment securities	1,715	987
Long-term loans receivable	2	2
Deferred tax assets	2,048	2,009
Other	510	551
Allowance for doubtful accounts	(33)	(13)
Total investments and other assets	4,244	3,536
Total non-current assets	21,119	21,570
Total assets	75,060	75,652

(Million yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,941	7,589
Electronically recorded obligations - operating	4,284	4,891
Short-term loans payable	6,563	6,366
Lease obligations	287	326
Income taxes payable	1,249	330
Provision for bonuses	713	741
Provision for directors' bonuses	85	45
Accrued expenses	2,867	2,432
Other	3,118	2,850
Total current liabilities	27,110	25,573
Non-current liabilities		
Long-term loans payable	3,304	5,180
Lease obligations	621	673
Provision for directors' retirement benefits	463	420
Net defined benefit liability	6,718	6,817
Asset retirement obligations	137	164
Other	2,480	2,457
Total non-current liabilities	13,725	15,713
Total liabilities	40,836	41,287
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,170	2,170
Retained earnings	30,275	30,488
Treasury shares	(10)	(10)
Total shareholders' equity	34,870	35,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	205	177
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	39	(32)
Remeasurements of defined benefit plans	(910)	(927)
Total accumulated other comprehensive income	(665)	(782)
Non-controlling interests	19	65
Total net assets	34,224	34,365
Total liabilities and net assets	75,060	75,652

(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, 2015	For the six months ended September 30, 2016
Net sales	26,447	28,139
Cost of sales	19,147	21,697
Gross profit	7,300	6,442
Selling, general and administrative expenses		
Selling expenses	3,979	4,077
General and administrative expenses	1,436	1,266
Total selling, general and administrative expenses	5,415	5,344
Operating income	1,884	1,097
Non-operating income		
Interest income	13	7
Dividend income	21	11
Fiduciary obligation fee	23	57
Reversal of allowance for doubtful accounts	3	1
Miscellaneous income	39	21
Total non-operating income	101	98
Non-operating expenses		
Interest expenses	62	57
Foreign exchange losses	57	135
Miscellaneous loss	32	5
Total non-operating expenses	152	198
Ordinary income	1,833	997
Extraordinary income		
Gain on sales of non-current assets	5	0
State subsidy	-	69
Total extraordinary income	5	69
Extraordinary losses		
Loss on abandonment of non-current assets	9	29
Other	1	0
Total extraordinary losses	10	29
Profit before income taxes	1,828	1,037
Income taxes - current	706	260
Income taxes - deferred	(105)	67
Total income taxes	600	328
Profit	1,227	708
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	1,227	706

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Profit	1,227	708
Other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(28)
Deferred gains or losses on hedges	8	0
Foreign currency translation adjustment	19	(71)
Remeasurements of defined benefit plans, net of tax	(68)	(17)
Total other comprehensive income	(63)	(117)
Comprehensive income	1,164	591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,163	589
Comprehensive income attributable to non-controlling interests	0	1

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	1,828	1,037
Depreciation	1,061	1,265
Increase (decrease) in allowance for doubtful accounts	16	(13)
Increase (decrease) in provision for bonuses	26	(1)
Increase (decrease) in provision for directors' bonuses	(30)	(45)
Increase (decrease) in net defined benefit liability	(243)	(147)
Increase (decrease) in provision for directors' retirement benefits	14	(74)
Interest and dividend income	(35)	(18)
Interest expenses	62	57
Loss (gain) on sales of property, plant and equipment	(5)	(0)
Loss on abandonment of non-current assets	9	29
Decrease (increase) in notes and accounts receivable - trade	4,250	4,119
Decrease (increase) in inventories	(2,307)	(425)
Increase (decrease) in notes and accounts payable - trade	(89)	360
Other, net	517	(204)
Subtotal	5,075	5,936
Interest and dividend income received	38	27
Interest expenses paid	(62)	(55)
Proceeds from compensation	73	-
Income taxes paid	(858)	(1,161)
Net cash provided by (used in) operating activities	4,266	4,746
Cash flows from investing activities		
Purchase of property, plant and equipment	(555)	(1,265)
Proceeds from sales of property, plant and equipment	48	0
Purchase of intangible assets	(9)	(5)
Purchase of investment securities	-	(20)
Proceeds from redemption of investment securities	1	1
Purchase of shares of subsidiaries	(454)	-
Payments of loans receivable	(351)	-
Collection of loans receivable	38	0
Proceeds from withdrawal of time deposits	752	2,757
Payments into time deposits	(361)	(3,139)
Net cash provided by (used in) investing activities	(891)	(1,669)

(Million yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Cash flows from financing activities		
Proceeds from long-term loans payable	-	2,000
Repayments of long-term loans payable	(490)	(632)
Repayments of finance lease obligations	(130)	(164)
Purchase of treasury shares	(0)	-
Cash dividends paid	(254)	(476)
Dividends paid to non-controlling interests	-	(0)
Net cash provided by (used in) financing activities	(875)	725
Effect of exchange rate change on cash and cash equivalents	(24)	(187)
Net increase (decrease) in cash and cash equivalents	2,475	3,614
Cash and cash equivalents at beginning of period	22,040	20,606
Increase in cash and cash equivalents from newly consolidated subsidiary	-	4
Cash and cash equivalents at end of period	24,516	24,224

(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, 2016 (from April 1, 2016 to September 30, 2016)

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, 2015 (from April 1, 2015 to September 30, 2015)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes)*2	(Million yen)
	Marine-use engines	Land-use engines	Total				Amount recorded in Quarterly Consolidated Financial Statements (Notes)*3
Net sales							
Net sales to outside customers	22,452	2,860	25,312	1,134	26,447	-	26,447
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	22,452	2,860	25,312	1,134	26,447	-	26,447
Segment income (loss)	3,288	(173)	3,114	206	3,320	(1,436)	1,884

(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, and the electricity sales-related business.

*2 The adjustment for segment income (loss) represents corporate expenses, largely consisting of general and administrative expenses not attributable to the reportable segments.

*3 Segment income (loss) is adjusted with operating income on the Quarterly Consolidated Statements of Income.

For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(Million yen)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Note)*2	Amount recorded in Quarterly Consolidated Financial Statements (Notes)*3
	Marine-use engines	Land-use engines	Total				
Net sales							
Net sales to outside customers	24,005	2,421	26,427	1,712	28,139	-	28,139
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	24,005	2,421	26,427	1,712	28,139	-	28,139
Segment income	2,103	10	2,113	250	2,364	(1,266)	1,097

(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 represents corporate expenses, largely consisting of general and administrative expenses not attributable to the reportable segments.

*3 Segment income is adjusted with operating income on the Quarterly Consolidated Statements of Income.

4. Supplementary Information

(1) Status of Production, Orders Received, and Sales

For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

1) Production

Production by segment for the six months ended September 30, 2016 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	721,726	24,005	6.9
Land-use engines	10,716	2,421	(15.3)
Other	-	1,387	70.2
Total		27,814	6.5

(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, 2016 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	693,094	23,180 [12,927]	(3.9)	1,970,699	36,898 [22,001]	15.1
Land-use engines	63,017	6,388 [294]	32.3	142,744	7,706 [13]	30.4
Other	-	1,421 [-]	65.6	-	527 [-]	198.4
Total		30,990 [13,221]	3.9		45,132 [22,014]	18.3

(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, 2016 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	721,726	24,005 [14,127]	58.9	6.9
Land-use engines	10,716	2,421 [294]	12.2	(15.3)
Other	-	1,712 [-]	-	50.9
Total		28,139 [14,421]	51.3	6.4

(Notes)

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

*2 Major export destinations and compositions are as follows:

Asia (76.0%), Europe (12.9%), Latin America (6.0%), North America (4.7%), Others (0.4%)

*3 The "Other" segment includes precision parts-related (768 million yen), industrial machinery-related (618 million yen) and real estate leasing-related (325 million yen).

*4 The figures above do not include consumption taxes.