

**Consolidated Financial Results
for the Three Months Ended June 30, 2016
[Japanese GAAP]**



July 26, 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: August 9, 2016

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, 2016 (April 1, 2016 to June 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	%
Three months ended June 30, 2016	12,905	(0.1)	516	(60.9)	393	(69.5)	303	(66.8)
June 30, 2015	12,924	4.9	1,320	130.8	1,288	120.6	914	168.0

(Note) Comprehensive income: Three months ended June 30, 2016: 149 million yen [(83.9)%]

Three months ended June 30, 2015: 926 million yen [111.4%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	9.54		-	
June 30, 2015	28.71		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2016	74,551	33,923	45.4
As of March 31, 2016	75,060	34,224	45.6

(Reference) Equity: As of June 30, 2016: 33,859 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
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2016	-	0.00	-	15.00	15.00
March 31, 2017	-				
Fiscal year ending		0.00	-	15.00	15.00
March 31, 2017 (Forecast)					

(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
First half	28,000	5.9	1,700	(9.8)	1,700	(7.3)	1,200	(2.2)	37.67
Full year	63,000	10.5	5,000	(9.0)	5,000	(8.1)	3,500	(2.7)	109.89

(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):
 - June 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:
 - June 30, 2016: 16,170 shares
 - March 31, 2016: 16,170 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2016: 31,833,830 shares
 - Three months ended June 30, 2015: 31,834,132 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.

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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, 2016 to June 30, 2016), the Japanese economy was on a moderate recovery track against the backdrop of the government's economic policies, etc., but due to the impact of the UK's exit from the EU and concerns over a deceleration in overseas markets such as China, yen appreciation and low stock prices persisted from the beginning of 2016, 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 decreased by 0.1% year-on-year to 12,905 million yen. In terms of profit, operating income decreased by 60.9% year-on-year to 516 million yen, ordinary income decreased by 69.5% year-on-year to 393 million yen, and profit attributable to owners of parent decreased by 66.8% year-on-year to 303 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 decreased by 3.7% year-on-year to 11,006 million yen, and segment income decreased by 48.1% year-on-year to 1,012 million yen, owing to decreased maintenance-related sales and the impact of exchange rates.

2. Land-use

Although sales of engines increased, due to a decrease in maintenance-related sales, etc., net sales increased by 15.3% year-on-year to 1,077 million yen and segment income decreased by 42.0% year-on-year to 23 million yen.

Consequently, net sales for the segment decreased by 2.2% year-on-year to 12,084 million yen, and segment income decreased by 48.0% year-on-year to 1,036 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, a decrease in unit sales caused both net sales and segment income to decrease.

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 slightly.

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 46.2% year-on-year to 821 million yen, and segment income increased by 12.8% year-on-year to 109 million yen.

(2) Explanation of Financial Position

In assets as of the end of the first quarter under review, notes and accounts receivable - trade decreased by 3,333 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, inventories increased by 1,160 million yen from the end of the previous fiscal year. As a result, total assets as of June 30, 2016 amounted to 74,551 million yen, a decrease of 508 million yen compared with the end of the previous fiscal year.

In liabilities, notes and accounts payable - trade and electronically recorded obligations in total increased by 461 million yen from the end of the previous fiscal year. Meanwhile, due to payment of income taxes, etc., income taxes payable decreased by 1,112 million yen. As a result, total liabilities decreased by 208 million yen from the end of the previous fiscal year to 40,627 million yen.

In net assets, retained earnings decreased by 190 million yen due to payment of cash dividends, etc. As a result, total net assets decreased by 300 million yen from the end of the previous fiscal year to 33,923 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 April 27, 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 Three Months Ended June 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 for 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 three months under review is immaterial.

3. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	21,412	23,518
Notes and accounts receivable - trade	16,967	13,634
Inventories	12,148	13,308
Deferred tax assets	1,873	1,868
Other	1,548	889
Allowance for doubtful accounts	(9)	(11)
Total current assets	53,940	53,207
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,940
Machinery, equipment and vehicles, net	3,648	4,391
Land	4,403	4,725
Construction in progress	674	65
Other, net	729	1,031
Total property, plant and equipment	16,146	17,155
Intangible assets	728	731
Investments and other assets		
Investment securities	1,715	939
Long-term loans receivable	2	2
Deferred tax assets	2,048	2,027
Other	510	500
Allowance for doubtful accounts	(33)	(13)
Total investments and other assets	4,244	3,457
Total non-current assets	21,119	21,343
Total assets	75,060	74,551

(Million yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,941	7,797
Electronically recorded obligations - operating	4,284	4,890
Short-term loans payable	6,563	6,378
Lease obligations	287	295
Income taxes payable	1,249	137
Provision for bonuses	713	257
Provision for directors' bonuses	85	22
Accrued expenses	2,867	2,628
Other	3,118	4,244
Total current liabilities	27,110	26,652
Non-current liabilities		
Long-term loans payable	3,304	3,421
Lease obligations	621	603
Provision for directors' retirement benefits	463	391
Net defined benefit liability	6,718	6,921
Asset retirement obligations	137	158
Other	2,480	2,478
Total non-current liabilities	13,725	13,974
Total liabilities	40,836	40,627
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,170	2,170
Retained earnings	30,275	30,085
Treasury shares	(10)	(10)
Total shareholders' equity	34,870	34,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	205	157
Deferred gains or losses on hedges	-	2
Foreign currency translation adjustment	39	(23)
Remeasurements of defined benefit plans	(910)	(956)
Total accumulated other comprehensive income	(665)	(820)
Non-controlling interests	19	63
Total net assets	34,224	33,923
Total liabilities and net assets	75,060	74,551

(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, 2015	For the three months ended June 30, 2016
Net sales	12,924	12,905
Cost of sales	8,911	9,775
Gross profit	4,012	3,130
Selling, general and administrative expenses		
Selling expenses	1,922	1,984
General and administrative expenses	769	629
Total selling, general and administrative expenses	2,691	2,613
Operating income	1,320	516
Non-operating income		
Interest income	6	2
Dividend income	8	7
Fiduciary obligation fee	3	25
Reversal of allowance for doubtful accounts	3	1
Miscellaneous income	9	9
Total non-operating income	31	46
Non-operating expenses		
Interest expenses	31	28
Foreign exchange losses	24	137
Miscellaneous loss	8	3
Total non-operating expenses	64	168
Ordinary income	1,288	393
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	1	9
Other	0	-
Total extraordinary losses	2	9
Profit before income taxes	1,291	452
Income taxes - current	233	91
Income taxes - deferred	142	57
Total income taxes	376	148
Profit	914	304
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	914	303

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Profit	914	304
Other comprehensive income		
Valuation difference on available-for-sale securities	27	(47)
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	60	(62)
Remeasurements of defined benefit plans, net of tax	(81)	(46)
Total other comprehensive income	12	(154)
Comprehensive income	926	149
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	926	149
Comprehensive income attributable to non-controlling interests	0	0

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

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, 2015 (from April 1, 2015 to June 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	11,428	934	12,362	561	12,924	-	12,924
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	11,428	934	12,362	561	12,924	-	12,924
Segment income	1,952	40	1,992	97	2,090	(769)	1,320

(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 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.

For the three months ended June 30, 2016 (from April 1, 2016 to June 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	11,006	1,077	12,084	821	12,905	-	12,905
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	11,006	1,077	12,084	821	12,905	-	12,905
Segment income	1,012	23	1,036	109	1,146	(629)	516

(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 three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

1) Production

Production by segment for the three months ended June 30, 2016 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
			%
	Horsepower		
Internal combustion engines			
Marine-use engines	284,749	11,006	(3.7)
Land-use engines	2,362	1,077	15.3
Other	-	659	64.1
Total		12,744	(0.2)

(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, 2016 are as follows:

(Million yen)

Segment	Orders received			Order backlogs		
	Volume	Amount	Year-on-year quarterly change	Volume	Amount	Year-on-year change
	Horsepower		%	Horsepower		%
Internal combustion engine						
Marine-use engines	441,610	12,652 [6,875]	0.5	2,156,192	39,369 [24,126]	24.8
Land-use engines	37,821	3,958 [135]	51.1	125,902	6,620 [13]	17.7
Other	-	749 [-]	80.3	-	583 [-]	297.6
Total		17,360 [7,010]	11.1		46,573 [24,140]	24.8

(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, 2016 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	284,749	11,006 [5,949]	54.1	(3.7)
Land-use engines	2,362	1,077 [135]	12.5	15.3
Other	-	821 [-]	-	46.2
Total		12,905 [6,084]	47.1	(0.1)

(Notes)

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

*2 Major export destinations and compositions are as follows:

Asia (71.4%), Europe (16.5%), Latin America (8.4%), North America (3.4%), Others (0.3%)

*3 The "Other" segment includes precision parts-related (366 million yen), industrial machinery-related (293 million yen) and real estate leasing-related (161 million yen).

*4 The figures above do not include consumption taxes.