Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
[Japanese GAAP]

April 28, 2017

Company name: Daihatsu Diesel Mfg. Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 6023
URL: http://www.dhtd.co.jp/
Representative: Shigeki Kinoshita, President
Contact: Yuichi Uemura, Managing director
Phone: +81-6-6454-2331
Scheduled date of Annual General Meeting of Shareholders: June 29, 2017
Scheduled date of commencing dividend payments: June 30, 2017
Scheduled date of filing annual securities report: June 29, 2017
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual 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 Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	58,934	3.4	3,498	(36.3)	3,441	(36.7)	2,319	(35.5)
March 31, 2016	57,019	(8.5)	5,493	17.1	5,438	14.8	3,596	19.7

(Note) Comprehensive income: Fiscal year ended March 31, 2017: 2,687 million yen [(7.9)%]
Fiscal year ended March 31, 2016: 2,916 million yen [(15.5)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	72.87	-	6.6	4.5	5.9
March 31, 2016	112.98	-	10.9	7.4	9.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2017: - million yen
Fiscal year ended March 31, 2016: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	78,981	36,460	46.1	1,143.90
As of March 31, 2016	75,060	34,224	45.6	1,074.47

(Reference) Equity: As of March 31, 2017: 36,414 million yen
As of March 31, 2016: 34,204 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2017	4,974	(3,725)	1,661	23,442
March 31, 2016	3,437	(3,256)	(1,510)	20,606

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2016	-	0.00	-	15.00	15.00	477	13.3	1.4
March 31, 2017	-	0.00	-	15.00	15.00	477	20.6	1.4
Fiscal year ending March 31, 2018 (Forecast)	-	0.00	-	15.00	15.00		31.9	

(Note) Dividends for the fiscal year ended March 31, 2016 consist of an ordinary dividend of 10.00 yen and a commemorative dividend of 5.00 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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	30,000	6.6	400	(63.6)	300	(69.9)	100	(85.9)	3.13
Full year	63,000	6.9	2,500	(28.5)	2,400	(30.3)	1,500	(35.3)	47.09

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2017: 31,850,000 shares
March 31, 2016: 31,850,000 shares

2) Total number of treasury shares at the end of the period:
March 31, 2017: 16,170 shares
March 31, 2016: 16,170 shares

3) Average number of shares during the period:
Fiscal Year ended March 31, 2017: 31,833,830 shares
Fiscal Year ended March 31, 2016: 31,833,944 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	51,612	1.8	1,445	(57.2)	2,504	(41.4)	2,037	(34.9)
March 31, 2016	50,689	(9.7)	3,374	14.6	4,272	17.7	3,131	18.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2017	63.99	-
March 31, 2016	98.36	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	70,431	30,180	42.9	948.05
As of March 31, 2016	67,207	28,583	42.5	897.88

(Reference) Equity: As of March 31, 2017: 30,180 million yen
As of March 31, 2016: 28,583 million yen

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,000	5.4	900	(30.5)	900	(28.1)	28.25
Full year	55,000	6.6	1,700	(32.1)	1,400	(31.3)	43.95

* These consolidated financial results are outside the scope of audit.

* Explanation of the proper use of financial results forecast and other notes

(Note on forward-looking statements)

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 “Analysis of Operating Results” 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)

Briefing session for institutional investors and analysts are scheduled to be held on Monday, May 29, 2017. The briefing materials will be posted on the Company’s website after the session.

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

1) Summary of operating results for the fiscal year under review

During the consolidated fiscal year under review, the Japanese economy saw a moderate recovery trend against the backdrop of the government's economic policies, but factors such as concerns over an economic deceleration in emerging markets such as China, the Brexit, and the policies of a new administration in the United States led to conditions for which the economic outlook remained uncertain.

In the shipbuilding and maritime industry, the primary industry to which the Company makes its sales, global completed construction volume for newly-built vessels during the previous year was 66,202 thousand gross tons, or a 2.1% decrease year-on-year, but order volume for new vessels was 17,966 thousand gross tons, or a significant decrease of 76.7% year-on-year. Despite signs of a recovery in some maritime indices, an oversupply of shipping tonnage persists, and it is believed that it will take some time for demand for new shipbuilding to recover.

Under such a corporate environment, the Company advanced active business expansion in line with the objectives of "Solidification and expansion of existing businesses," "Growth through expansion of peripheral business domains," and "Initiatives for future business development in preparation for 100th anniversary" within its Mid-term Management Plan (April 1, 2015 to March 31, 2019), for which the fiscal year under review was the second year.

Concerning "Solidification and expansion of existing businesses," to solidify engine sales, the Company has developed the new "DE-33" large engine and introduced it to the market in May 2016. Additionally, preparations are progressing steadily for the new factory in Himeji for large engines, with operations scheduled to begin in 2018. Furthermore, to establish a cost structure that can endure an appreciation of yen and harsh business environment, various projects have been launched and promoted. Among these, the "Production Reform Project" promotes activities that aim to standardize processes, reduce lead times, and reduce costs, and it is steadily beginning to take effect.

Concerning "Growth through expansion of peripheral business domains," the Company is strengthening its lineup of environmentally-conscious machinery and proposal abilities to advance active entry and expansion into related business domains. As a result, orders have been strong for a selective catalytic reduction (SCR) device that conforms to NOx regulations that went into effect from January 2016. Additionally, the Company advanced sales of products such as its internally developed urea aqueous solution generator, as well as its ship scrubber, developed via an alliance with US-based Belco Technologies Corporation (BELCO), that conforms to SOx emission controls which will take effect from 2020, increasing its presence as an engine manufacturer with environmentally-conscious technologies.

Concerning "Initiatives for future business development in preparation for 100th anniversary," the Company is advancing initiatives to (1) establish a growth foundation by improving shareholder value, and (2) restructure the business portfolio. As a part of these measures, the Company is working to strengthen corporate governance and enrich dialogue with stakeholders. Additionally, while continuing to bear in mind shareholder returns, including improving the dividend payout ratio, the Company will engage in management that aims for long-term growth.

As a result, consolidated net sales increased by 3.4% year-on-year to 58,934 million yen, operating profit decreased by 36.3% year-on-year to 3,498 million yen, ordinary profit decreased by 36.7% year-on-year to 3,441 million yen, and profit attributable to owners of parent decreased by 35.5% year-on-year to 2,319 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 large engines increased despite a decrease in unit sales centered on mainstay auxiliary power generators, a deterioration in engine profitability, sluggish maintenance-related sales, and the effects of a stronger yen resulted in an increase in net sales by 5.1% year-on-year to 46,393 million yen, and a decrease in segment income by 33.6% year-on-year to 4,933 million yen.

2. Land-use

Although engine sales decreased, factors such as an increase in maintenance-related sales caused net sales to decrease by 13.9% year-on-year to 9,014 million yen and segment income to increase by 26.7% year-on-year to 714 million yen.

Consequently, including parts sales and maintenance construction, net sales for the segment increased by 1.5% year-on-year to 55,408 million yen, and segment income decreased by 29.4% year-on-year to 5,648 million yen.

<Other>

1. Industrial machinery-related

   In the aluminum wheel division, a decrease in new vehicle production and sales owing to a revised light vehicle tax 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 subsidiarization of Nippon Nozzle Seiki Co., Ltd., precision parts-related was newly added.

Consequently, net sales for the segment increased by 46.0% year-on-year to 3,525 million yen, and segment income increased by 6.4% year-on-year to 462 million yen.

2) Outlook for the next fiscal year

Concerning the outlook of the Group for the next fiscal year, in the Company’s mainstay marine-use market, net sales are forecast to increase year-on-year due to higher unit sale prices, owing to factors such as higher sales of large engines for mega container vessels as continued construction in applications including automobile carriers and supply boats continues as it did in the previous year, despite an widening gap in demand for bulk carriers causing a significant decrease in orders, due to a decline in the marine cargo market. Although there are signs of a recovery in marine indices, export ship contracts executed during 2016 were at a 24-year low, due primarily to a pullback from a rush in demand that occurred prior to the strengthening of environmental restrictions and hesitation in orders due to a deterioration in the marine cargo market. As a result, the balance of orders at shipbuilders is decreasing significantly, and combined with other factors such as instability in exchange rates, newly-built vessel prices are declining and engine sale prices remain low. Additionally, reorganizations are accelerating in the marine cargo industry and shipbuilding industry, demonstrated by the respective container business combination of three major marine cargo companies and a basic business partnership agreement between three major shipbuilding corporations, and amid such extremely uncertain conditions in the sales environment, a harsh business environment is forecast to continue in the future.

Meanwhile, in the land-use market, net sales are forecast to increase year-on-year with the expectation of sales of large gas turbines and overseas properties due to factors such as a continued movement to install emergency power generation facilities as a facet of business continuity planning (BCP) after the Great East Japan Earthquake, further affected by the occurrence of the Kumamoto Earthquake in April 2016.

Under such circumstances, the Group will work to provide products that fit customer needs, strengthen price competitiveness via thorough raw material cost reductions and expense cuts, and while responding swiftly and appropriately to changes in the market, work to expand the scale of sales and secure profits.

From the factors outlined above, the financial results forecast of the Group for the next fiscal year is 30,000 million yen in net sales, 400 million yen in operating profit, 300 million yen in ordinary profit, and 100 million yen in profit attributable to owners of parent for the first half period and 63,000 million yen in net sales, 2,500 million yen in operating profit, 2,400 million yen in ordinary profit, and 1,500 million yen in profit attributable to owners of parent for the full year.

(2) Analysis of Financial Position

In assets as of the end of the fiscal year under review, notes and accounts receivable - trade decreased by 1,175 million yen from the end of the previous fiscal year while the turnover period of accounts receivable was 101.4 days (compared with 106.6 days at the end of the previous fiscal year). Inventories increased by 278 million yen while the turnover period was 76.1 days (compared with 68.9 days at the end of the previous fiscal year). Property, plant and equipment increased by 2,416 million yen from the end of the previous fiscal year to 18,563 million yen due to the building of the new Himeji factory and other factors. Total assets as of March 31, 2017 amounted to 78,981 million yen, an increase of 3,921 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 236 million yen from the end of the previous fiscal year while their turnover period was 76.5 days (compared with 78.6 days at the end of the previous fiscal year). In addition, due to newly procured long-term loans, etc., short-term loans payable and long-term loans payable in total increased by 2,809 million yen from the end of the previous fiscal year to 12,677 million yen, following scheduled repayments. The ratio of interest-bearing liabilities (excluding lease obligations) to net sales at the end of the current fiscal year was 21.5%, up 4.2 points from the end of the previous fiscal year. As a result, total liabilities increased by 1,685 million yen from the previous fiscal year to 42,521 million yen.

(3) Dividend Policy

The Company views the return of profits to shareholders as an important management objective, and while maintaining internal reserves to improve profitability and strengthen its financial standing, the Company has a basic policy of implementing distribution of profits in accordance with business results, and has placed “enhancing dividend payout ratio” as a target under the Mid-term Management Plan period (April 1, 2015 to March 31, 2019).

(4) Business and Other Risks

Forward-looking statements, such as forecasts, anticipation, expectations, and prospects, indicated in this section reflect the judgment of the Group as of March 31, 2017 and actual results in the future may differ significantly from them.

1) Foreign exchange risk

For certain products and related parts and services, the Group conducts sales and procurement in regions other than Japan, and may conduct these transactions in the US dollar, euro, or other local currency, aside from the yen. Some overseas consolidated subsidiaries also conduct sales in yen, and concerning these accounts receivable at the fiscal year-end, foreign exchange losses or gains may occur due to foreign exchange fluctuation of the standard accounting currency, and it is possible that there may be an effect on business results or financial conditions.

2) Cash flows

Consolidated net sales of the Group amounted to 58,934 million yen while interest-bearing debt (excluding lease obligations) was 12,677 million yen. In addition, cash and cash equivalents at the end of the fiscal year under review increased by 2,836 million yen. This is mainly because of the procurement of long-term loans. Moving forward, the Group will strengthen cash flow improvement activities, and work toward measures to strengthen the financial standing through inventory reduction and improvement in transaction conditions, etc., but as fund procurement is dependent on indirect financing, variations in financial trends may have an effect on cash flows.

3) Dependence on technologies of certain suppliers

The Group sources many of the parts that comprise an engine from outside sourcing, and certain key parts are dependent upon suppliers that possess specific advanced technologies. Concerning these, it is possible that procurement may become unstable due to conditions at the suppliers. Additionally, the Group is working toward continued reduction of procurement costs via measures such as domestic procurement at lower costs and seeking new suppliers in countries such as China, but if factors such as a rise in prices for specific materials arise, it is possible that cost reductions will not proceed steadily.

4) Legal restraints

Regulations regarding environmental burden reduction are becoming increasingly strict toward diesel engines, a mainstay product of the Company. In addition to the Air Pollution Control Act for land-use, restrictions for exhaust gases based on the International Convention for the Prevention of Pollution from Ships are forecast to add another level of strictness for marine-use. While the Group is working toward product development to satisfy these restrictions, if delays arise during development, there may be an effect on policies to secure and expand market share for the Company's products.

5) Credit risk associated with accounts receivable

The Group possesses accounts receivable toward transaction partners. As a result, amid changes in financial trends and uncertainty in the economy, the Sales and Transaction Partner Management Committee was established, and countermeasures are in place to prevent occurrence of bad debts and doubtful account losses by continuously paying close attention to business conditions of credit counterparties. However, there may be manifestations of collection risk if unforeseen or unavoidable conditions arise due to sudden changes in the market environment, etc.

6) Risk of natural disasters

The production of the Group's mainstay diesel engines is concentrated at the Moriyama Factory in Moriyama City, Shiga Prefecture, and if a large-scale earthquake occurs, production activities may be impacted.

7) Risk of oversea expansion

The economic environment surrounding the marine cargo and vessel markets, which most greatly affect the Group, is heavily impacted by expansion of emerging markets, particularly the Chinese economy, and if unforeseen circumstances cause the vessel market in China to shrink and engine production volume at licensees in China to sharply decrease, there may be discord in the medium-term plan to aim for share expansion for Daihatsu-branded engines in tandem with Chinese licensee engines.

2. Overview of the Corporate Group

The Group is comprised of the Company and its 22 subsidiaries and other companies, and engages in the businesses such as production and distribution of internal combustion engines and industrial equipment as well as real estate leasing.

Concerning the industrial equipment business, all deliveries are made to one other associated company.

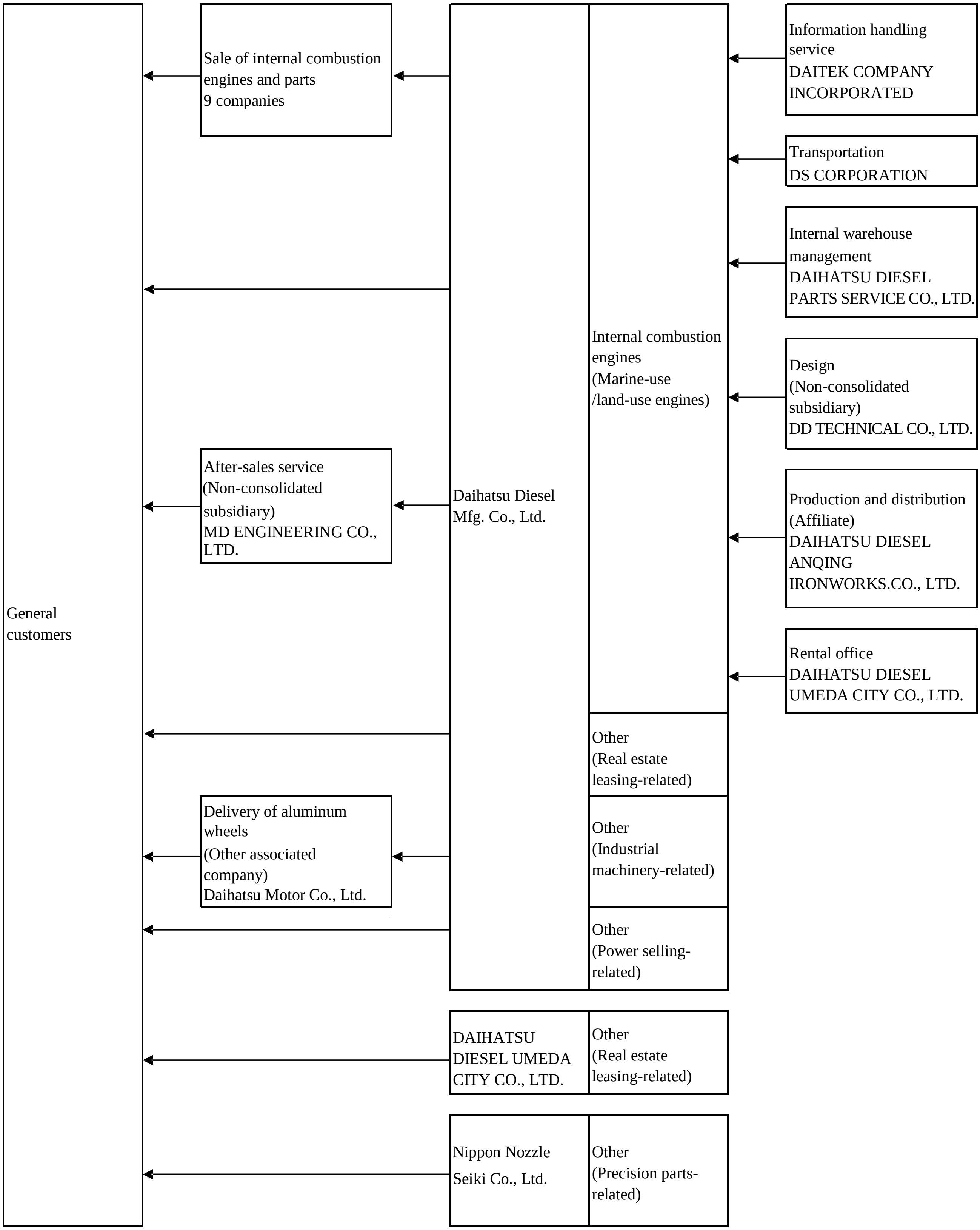
Businesses and the position of the Company and each subsidiary and associated companies within the relevant business are as follows.

Category		Main Products (Business)	Major Companies
Internal combustion engines	Marine-use/ land-use engines	Diesel engines for marine-use Diesel engines for land-use Gas turbine Sales of parts for the above	Daihatsu Diesel Mfg. Co., Ltd., DAIHATSU DIESEL EAST JAPAN CO., LTD., DAIHATSU DIESEL NAKANIHON CO., LTD., DAIHATSU DIESEL SHIKOKU CO., LTD., DAIHATSU DIESEL NISHINIHON CO., LTD. DAIHATSU DIESEL (ASIA PACIFIC) PTE. LTD. DAIHATSU DIESEL (EUROPE) LTD. DAIHATSU DIESEL (AMERICA), INC. DAIHATSU DIESEL (SHANGHAI) CO., LTD.
		Information handling service Transportation Internal warehouse management Design Production and distribution After-sales service	DAITEK COMPANY INCORPORATED DS CORPORATION DAIHATSU DIESEL PARTS SERVICE CO., LTD., DD TECHNICAL CO., LTD.[*1] DAIHATSU DIESEL ANQING IRONWORKS.CO., LTD.[*2] MD ENGINEERING CO., LTD.[*1]
Other	Industrial equipment	Sale of aluminum wheels	Daihatsu Diesel Mfg. Co., Ltd.
	Real estate leasing	Rental office	Daihatsu Diesel Mfg. Co., Ltd., DAIHATSU DIESEL UMEDA CITY CO., LTD.
	Electricity sales	Solar power generation business	Daihatsu Diesel Mfg. Co., Ltd.
	Precision parts	Precision parts	Nippon Nozzle Seiki Co., Ltd.

(Notes)

1. Marked with *1: Non-consolidated subsidiaries
2. Marked with *2: Associated companies
3. Aside from the above, there is a consolidated subsidiary “DAIHATSU DIESEL HIMEJI CO., LTD.” It is not included as the company is in business preparation phase.

The chart shows the relationship stated above.



(Notes)
1. DAIHATSU DIESEL UMEDA CITY CO., LTD. partially owns the “Umeda Sky Building,” and is in the rental office business.
2. Aside from the above, there is a consolidated subsidiary “DAIHATSU DIESEL HIMEJI CO., LTD.” It is not included as the company is in business preparation phase.

3. Management Policies

(1) Basic Management Policies of the Company

The Company holds as its corporate philosophy, "to strive unstintingly for the betterment of society and symbiosis with our neighbors, drawing on the bold spirit of creativity and yearning for technological achievement we nurture within ourselves."

Under this corporate philosophy, the Company holds the management policy of "(1) providing new products and services to satisfy customers, (2) business expansion that is in harmony with the trend of protecting the earth environment, and (3) building an energetic and positive-minded corporate environment, on a strong but flexible management structure which enable the Company to swiftly respond to changes in the business world and secure necessary profits." By implementing these management policies, each Group company will expand its business activities in a unified way, and the Group aims for further growth and prosperity as a corporate group that is recognized as a significant presence for all persons that come into contact with the Company, including customers, shareholders, transaction partners, and employees.

(2) Target Management Indices

To enhance its corporate value, the Group considers that the improvement of the net sales to ordinary profit ratio and the equity ratio are important.

(3) Medium- and Long-Term Business Strategies and Issues to be Addressed

In the maritime and shipbuilding industry, which is the mainstay market for the Group, demand for ships undergoes peaks and valleys at around 20 year intervals, and currently, the current supply-demand gap is at an unprecedented level as resolution for overinvestment from prior to the 2008 global financial crisis fails to progress, and it is forecast that an extremely harsh business environment will persist. Amid a market where such fluctuations in the market are fierce, the Group recognizes that establishing a structure that can continuously grow and expand moving forward through securing continuous sales and profits at a certain level is its largest management issue. The Company prioritizes the following three strategies in the medium- to long-term management strategies to resolve such issue.

1. Solidification and expansion of existing businesses

To solidify sales of the Company's mainstay engines, it will advance product development that meets the market needs and pursue high-quality, low-cost production with short lead-time. It will clarify priority markets and strategic goals and promote initiatives for continuous expansion of engine sales while advancing structural reform including restructuring of the global sales network and after-sales service structure and human resource development.

2. Growth through expansion of peripheral business domains

By leveraging the management resources in existing businesses, with respect to businesses such as the environment-friendly products business and the accessories business, the Group will advance measures toward expanding business into new business domains while considering the use of outside resources.

3. Initiatives for future business development in preparation for 100th anniversary

The Company celebrated its 50th anniversary since its founding in May 2016. Toward continuous growth in view of the 100th anniversary, the Company will restructure businesses across the entire group in order to improve its market value, and advance measures toward transforming into a highly profitable corporation.

4. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements among companies, the Group prepares its consolidated financial statements using Japanese GAAP.

With regard to International Financial Reporting Standards, the Group's policy is to respond appropriately based on consideration of the situation in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	21,412	24,302
Notes and accounts receivable - trade	16,967	15,791
Inventories	12,148	12,426
Deferred tax assets	1,873	1,852
Other	1,548	1,645
Allowance for doubtful accounts	(9)	(75)
Total current assets	53,940	55,942
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,818
Machinery, equipment and vehicles, net	3,648	4,045
Land	4,403	5,054
Construction in progress	674	1,643
Other, net	729	1,001
Total property, plant and equipment	16,146	18,563
Intangible assets	728	1,026
Investments and other assets		
Investment securities	1,715	1,094
Long-term loans receivable	2	2
Deferred tax assets	2,048	1,846
Other	510	520
Allowance for doubtful accounts	(33)	(13)
Total investments and other assets	4,244	3,449
Total non-current assets	21,119	23,039
Total assets	75,060	78,981

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,941	7,398
Electronically recorded obligations - operating	4,284	5,063
Short-term loans payable	6,563	3,991
Lease obligations	287	381
Income taxes payable	1,249	773
Provision for bonuses	713	684
Provision for directors' bonuses	85	66
Accrued expenses	2,867	2,378
Other	3,118	2,745
Total current liabilities	27,110	23,483
Non-current liabilities		
Long-term loans payable	3,304	8,686
Lease obligations	621	824
Provision for directors' retirement benefits	463	473
Net defined benefit liability	6,718	6,379
Asset retirement obligations	137	165
Other	2,480	2,509
Total non-current liabilities	13,725	19,037
Total liabilities	40,836	42,521
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,170	2,190
Retained earnings	30,275	32,101
Treasury shares	(10)	(10)
Total shareholders' equity	34,870	36,716
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	205	248
Deferred gains or losses on hedges	-	(5)
Foreign currency translation adjustment	39	6
Remeasurements of defined benefit plans	(910)	(550)
Total accumulated other comprehensive income	(665)	(301)
Non-controlling interests	19	45
Total net assets	34,224	36,460
Total liabilities and net assets	75,060	78,981

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	57,019	58,934
Cost of sales	40,584	44,616
Gross profit	16,435	14,317
Selling, general and administrative expenses		
Selling expenses	8,005	8,205
General and administrative expenses	2,937	2,613
Total selling, general and administrative expenses	10,942	10,819
Operating profit	5,493	3,498
Non-operating income		
Interest income	27	16
Dividend income	30	16
Fiduciary obligation fee	82	103
Reversal of allowance for doubtful accounts	2	0
Miscellaneous income	77	53
Total non-operating income	220	190
Non-operating expenses		
Interest expenses	121	110
Foreign exchange losses	113	117
Miscellaneous loss	40	19
Total non-operating expenses	275	247
Ordinary profit	5,438	3,441
Extraordinary income		
Gain on sales of non-current assets	5	0
Gain on sales of investment securities	7	-
State subsidy	-	69
Total extraordinary income	12	69
Extraordinary losses		
Loss on abandonment of non-current assets	18	66
Loss on sales of non-current assets	0	0
Loss on valuation of golf club membership	0	-
Impairment loss	5	-
Other	1	3
Total extraordinary losses	25	69
Profit before income taxes	5,425	3,440
Income taxes - current	1,828	1,079
Income taxes - deferred	(1)	38
Total income taxes	1,827	1,118
Profit	3,598	2,322
Profit attributable to non-controlling interests	1	2
Profit attributable to owners of parent	3,596	2,319

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Profit	3,598	2,322
Other comprehensive income		
Valuation difference on available-for-sale securities	(69)	42
Deferred gains or losses on hedges	4	(5)
Foreign currency translation adjustment	(30)	(32)
Remeasurements of defined benefit plans, net of tax	(586)	359
Total other comprehensive income	(681)	364
Comprehensive income	2,916	2,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,915	2,684
Comprehensive income attributable to non-controlling interests	1	2

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,434	2,170	26,933	(10)	31,528
Effect of changes in accounting standards applied to foreign subsidiaries					
Restated balance reflecting changes in accounting policies, etc.	2,434	2,170	26,933	(10)	31,528
Changes of items during period					
Dividends of surplus			(254)		(254)
Profit attributable to owners of parent			3,596		3,596
Change of scope of consolidation					
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,342	(0)	3,341
Balance at end of current period	2,434	2,170	30,275	(10)	34,870

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	275	(4)	69	(324)	15	17	31,562
Effect of changes in accounting standards applied to foreign subsidiaries			(9)		(9)		(9)
Restated balance reflecting changes in accounting policies, etc.	275	(4)	60	(324)	6	17	31,552
Changes of items during period							
Dividends of surplus							(254)
Profit attributable to owners of parent							3,596
Change of scope of consolidation							
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							
Net changes of items other than shareholders' equity	(69)	4	(20)	(586)	(672)	1	(670)
Total changes of items during period	(69)	4	(20)	(586)	(672)	1	2,671
Balance at end of current period	205	-	39	(910)	(665)	19	34,224

For the fiscal year ended March 31, 2017

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,434	2,170	30,275	(10)	34,870
Effect of changes in accounting standards applied to foreign subsidiaries					
Restated balance reflecting changes in accounting policies, etc.	2,434	2,170	30,275	(10)	34,870
Changes of items during period					
Dividends of surplus			(477)		(477)
Profit attributable to owners of parent			2,319		2,319
Change of scope of consolidation			(16)		(16)
Purchase of treasury shares					
Change in ownership interest of parent due to transactions with non-controlling interests		20			20
Net changes of items other than shareholders' equity					
Total changes of items during period	-	20	1,825	-	1,845
Balance at end of current period	2,434	2,190	32,101	(10)	36,716

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	205	-	39	(910)	(665)	19	34,224
Effect of changes in accounting standards applied to foreign subsidiaries							
Restated balance reflecting changes in accounting policies, etc.	205	-	39	(910)	(665)	19	34,224
Changes of items during period							
Dividends of surplus							(477)
Profit attributable to owners of parent							2,319
Change of scope of consolidation							(16)
Purchase of treasury shares							-
Change in ownership interest of parent due to transactions with non-controlling interests							20
Net changes of items other than shareholders' equity	42	(5)	(32)	359	364	25	390
Total changes of items during period	42	(5)	(32)	359	364	25	2,236
Balance at end of current period	248	(5)	6	(550)	(301)	45	36,460

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	5,425	3,440
Depreciation	2,152	2,489
Increase (decrease) in allowance for doubtful accounts	12	43
Increase (decrease) in provision for bonuses	66	(58)
Increase (decrease) in provision for directors' bonuses	25	(25)
Increase (decrease) in net defined benefit liability	(328)	(123)
Increase (decrease) in provision for directors' retirement benefits	63	(21)
Interest and dividend income	(58)	(32)
Interest expenses	121	110
Loss (gain) on sales of property, plant and equipment	(5)	(0)
Loss on abandonment of non-current assets	18	66
Impairment loss	5	-
Decrease (increase) in notes and accounts receivable - trade	(776)	1,504
Decrease (increase) in inventories	(2,767)	(78)
Increase (decrease) in notes and accounts payable - trade	65	191
Decrease/increase in consumption taxes receivable/payable	576	(266)
Increase (decrease) in guarantee deposits received	(1)	28
Other, net	263	(615)
Subtotal	4,858	6,651
Interest and dividend income received	58	41
Interest expenses paid	(122)	(111)
Proceeds from compensation	73	-
Income taxes paid	(1,430)	(1,607)
Net cash provided by (used in) operating activities	3,437	4,974
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,819)	(3,575)
Proceeds from sales of property, plant and equipment	49	0
Purchase of intangible assets	(19)	(31)
Purchase of investment securities	-	(20)
Proceeds from sales of investment securities	23	-
Proceeds from redemption of investment securities	1	1
Purchase of shares of subsidiaries	(726)	(5)
Payments of loans receivable	(351)	-
Collection of loans receivable	216	0
Proceeds from withdrawal of time deposits	1,183	5,157
Payments into time deposits	(812)	(5,254)
Net cash provided by (used in) investing activities	(3,256)	(3,725)

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	-	(460)
Repayments of finance lease obligations	(274)	(357)
Proceeds from long-term loans payable	-	6,250
Repayments of long-term loans payable	(980)	(3,291)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(0)
Purchase of treasury shares	(0)	-
Cash dividends paid	(254)	(477)
Dividends paid to non-controlling interests	-	(0)
Net cash provided by (used in) financing activities	(1,510)	1,661
Effect of exchange rate change on cash and cash equivalents	(105)	(78)
Net increase (decrease) in cash and cash equivalents	(1,434)	2,832
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	20,606	23,442

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Important matters that form the basis for preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Numbers of consolidated subsidiaries: 14

Principal companies:

DAIHATSU DIESEL EAST JAPAN CO., LTD., DAIHATSU DIESEL NISHINIHON CO., LTD.

DAIHATSU DIESEL SHIKOKU CO., LTD., DAIHATSU DIESEL NAKANIHON CO., LTD.,

DAIHATSU DIESEL (ASIA PACIFIC) PTE. LTD., DAIHATSU DIESEL (EUROPE) LTD.,

DAIHATSU DIESEL (AMERICA), INC., DAIHATSU DIESEL (SHANGHAI) CO., LTD.

(2) Major non-consolidated subsidiaries:

DD TECHNICAL CO., LTD.

MD ENGINEERING CO., LTD.

Reasons for exclusion from scope of consolidation

These companies are excluded from the scope of consolidation as they are small in size and do not have material impact on the Consolidated Financial Statements with respect to total assets, net sales, profit or loss and retained earnings (corresponding to the percentage of shares).

2. Application of the equity method

Major non-consolidated subsidiaries and affiliates not accounted for by the equity method:

DD TECHNICAL CO., LTD.

MD ENGINEERING CO., LTD.

DAIHATSU DIESEL ANQING IRONWORKS.CO., LTD.

Reason for not applying equity method:

As those companies have only minor impact on the consolidated profit (loss) and retained earnings, and their overall impact is not material, the investments in these companies are accounted for at cost rather than by the equity method.

3. Accounting Standards

(1) Valuation standards and methods for important assets

A. Securities

(a)Held-to-maturity securities

Stated at amortized cost

(b)Available-for-sale securities

Fair market values available …………	Stated at fair market value based on the market value, etc. of the closing date (All valuation gains or losses are treated as a component of net assets, and cost of sales is computed by the moving-average method.)
Fair market values not available ……	Stated at cost using the moving-average method

B. Inventories

Finished goods/work in process/raw materials

Stated at cost using the periodic average method (The book value will be written down for decreased profitability)

(2) Depreciation methods for significant depreciable assets

A. Property, plant and equipment (excluding lease assets)

They are depreciated using the straight-line method.

However, certain consolidated subsidiaries use the declining-balance method.

Those acquired on or before March 31, 2007 will be depreciated in equal amounts over the five-year period beginning with the year following the completion of depreciation to the permissible limit.

B. Intangible assets (excluding lease assets)

They are depreciated using the straight-line method.

Software for internal use is depreciated using the straight-line method based on their estimated useful lives (5 years).

C. Lease assets

Lease assets under finance leases wherein ownership of the leased asset does not transfer to the lessee

These assets are depreciated using the straight-line method over respective lease periods without residual value.

(3) Accounting standards for significant reserves

A. Allowance for doubtful accounts

In order to prepare for probable losses on collection, estimated amount uncollectible is provided for in accordance with the historical write-off ratio in the case of ordinary receivables and provided against estimated future losses on collection based on the detailed credit analysis in the case of doubtful accounts and other specific receivables.

B. Provision for bonuses

To provide for payment of bonuses to employees, provision for bonuses is provided for based on the estimated amount of payments attributable to the current fiscal year.

C. Provision for directors' bonuses

To provide for payment of bonuses to directors, provision for directors' bonuses is provided for based on the estimated amount of payments attributable to the current fiscal year.

D. Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors, the Company and certain consolidated subsidiaries provide for the amount of year-end payments pursuant to internal rules of retirement benefits for directors.

(4) Accounting method for retirement benefits

A. Periodic allocation of projected retirement benefits

In calculating projected benefits obligations, periodic allocation of projected retirement benefits up to the end of current period is based on the benefit formula basis.

B. Method of amortizing actuarial differences and prior service costs

Prior service costs are recorded as expense over a certain number of years within the average remaining years of service of the corresponding employees at the time of occurrence (10 years) using the straight-line method.

Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the corresponding employees (10 years) using the straight-line method, commencing with the consolidated fiscal year following the one in which they were incurred.

(5) Significant hedge accounting

A. Hedge accounting

Deferred hedging is applied. The appropriation procedure is applied to foreign currency receivables and payables for which forward exchange contracts have been entered.

The special accounting procedure is applied to interest rate swap contracts that qualify for hedge accounting.

B. Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was applied for the current fiscal year are as follows:

(a)

Hedging instruments: Forward foreign exchange contracts

Hedged items: Foreign currency trade receivables resulting from product export and future anticipated transactions denominated in foreign currency

(b)

Hedging instruments: Interest rate swap contracts

Hedged items: Loans payable

C. Hedging policy

The Group conducts derivative transactions to hedge against foreign exchange and interest-rate risks in accordance with the "Derivative Transaction Handling and Risk Management Regulations."

D. Evaluation of hedge effectiveness

For forward exchange contract and interest rate swap, the evaluation of hedge effectiveness is omitted because important conditions for hedge instruments and hedged items are identical, and it can be assumed that market fluctuations will be completely eliminated at the time hedging begins and at any time thereafter.

(6) Capital covered by Consolidated Statements of Cash Flows

Capital comprises cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(7) Other significant matters on presenting Consolidated Financial Statements

Accounting for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

(Changes in accounting policies)

In line with revisions to the Corporation Tax Act, certain consolidated subsidiaries have adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force (“PITF”) No. 32; June 17, 2016) from the consolidated fiscal year ended March 31, 2017. 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 consolidated financial statements for the fiscal year under review is immaterial.

(Additional information)

The Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year under review.

(Notes to Consolidated Balance Sheets)

1. Accumulated depreciation of property, plant and equipment

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Accumulated depreciation of property, plant and equipment	36,323	39,221

2. Investments in non-consolidated subsidiaries

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Investment securities (shares)	885	205

3. Pledged assets and secured payables

Assets pledged for foundation mortgage and secured liabilities are as follows.

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Pledged assets	2,605	2,480
Secured liabilities	- (Note)	- (Note)

(Note) Revolving mortgage with regards to bank transactions is set for the assets of the above factory foundation. There are no secured liabilities.

(Notes to Consolidated Statements of Income)

1. Major breakdown of selling, general and administrative expenses

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Salaries/wages/bonuses	3,564	3,361
Provision for bonuses	329	294
Retirement benefit expenses	234	249
Provision for directors’ retirement benefits	186	111

(Notes to Consolidated Statements of Comprehensive Income)

1. Reclassification adjustment and tax effect relating to other comprehensive income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Valuation difference on available-for-sale securities		
Amount incurred during the period	(95)	59
Reclassification adjustment	(7)	-
Before tax effect adjustment	(102)	59
Tax effect	33	(16)
Valuation difference on available-for-sale securities	(69)	42
Deferred gains or losses on hedges		
Amount incurred during the period	6	(7)
Tax effect	(2)	2
Deferred gains or losses on hedges	4	(5)
Foreign currency translation adjustment		
Amount incurred during the period	(30)	(32)
Tax effect	-	-
Foreign currency translation adjustment	(30)	(32)
Remeasurements of defined benefit plans		
Amount incurred during the period	(896)	362
Reclassification adjustment	63	156
Before tax effect adjustment	(833)	518
Tax effect	247	(159)
Remeasurements of defined benefit plans, net of tax	(586)	359
Total other comprehensive income	(681)	364

(Notes to Consolidated Statements of Changes in Equity)

For the fiscal year ended March 31, 2016

1. Number of issued shares

(Shares)

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	31,850,000	-	-	31,850,000

2. Number of treasury shares

(Shares)

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	15,845	325	-	16,170

Increase by purchase of shares in less than a share-trading unit. 325 shares

3. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividend per share	Record date	Effective date
June 26, 2015 Annual General Meeting of Shareholders	Common shares	254 million yen	Ordinary dividend 8 yen	March 31, 2015	June 29, 2015

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

Resolution	Class of shares	Funds for dividends	Total cash dividends	Dividend per share	Record date	Effective date
June 29, 2016 Annual General Meeting of Shareholders	Common shares	Retained earnings	477 million yen	Ordinary dividend 10 yen commemorative dividend 5 yen	March 31, 2016	June 30, 2016

For the fiscal year ended March 31, 2017

1. Number of issued shares

(Shares)

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	31,850,000	-	-	31,850,000

2. Number of treasury shares

(Shares)

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares	16,170	-	-	16,170

Increase by purchase of shares in less than a share-trading unit 0 shares

3. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividend per share	Record date	Effective date
June 29, 2016 Annual General Meeting of Shareholders	Common shares	477 million yen	Ordinary dividend 10 yen Commemorative dividend 5 yen	March 31, 2016	June 30, 2016

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

Resolution	Class of shares	Funds for dividends	Total cash dividends	Dividend per share	Record date	Effective date
June 29, 2017 Annual General Meeting of Shareholders	Common shares	Retained earnings	477 million yen	Ordinary dividend 15 yen	March 31, 2017	June 30, 2017

(Notes to Consolidated Statements of Cash Flows)

1. Relationship between cash and cash equivalents at the fiscal year end and account items listed in the Consolidated Balance Sheets

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash and deposits	21,412	24,302
Time deposits with deposit terms of more than three months	(806)	(859)
Cash and cash equivalents	20,606	23,442

(Business combinations)

There is no relevant information.

(Segment information, etc.)

(Segment information)

1. Description of reportable segments

The reportable segments of the Company categorize the business composition of the Company with respect to financial information and are based on the financial reporting for performance evaluation with regard to annual business plan for each business at periodical meetings of the Board of Directors.

The Company's main business is the manufacture and sale of internal combustion engines; it also provides products that are not related to internal combustion engines to certain affiliates, and conducts business to utilize the real estate held by the Company.

The operative conditions of internal combustion engines, which comprise the majority of the Company's business, are significantly different between marine-use and land-use, and the Company conducts management and evaluation by categorizing production, sales, and after-sales service business activities for engines into marine-use and land-use.

As a result, the Company's reportable segments are Marine-use engines and Land-use engines.

2. Information on net sales, profit (loss), assets, liabilities, and other by reportable segment

For the fiscal year ended March 31, 2016

(Million yen)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes) *2	Amount recorded in Consolidated Financial Statements (Notes)*3
	Marine-use engines	Land-use engines	Total				
Net sales							
(1) Net sales to outside customers	44,129	10,475	54,605	2,414	57,019	-	57,019
(2) Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	44,129	10,475	54,605	2,414	57,019	-	57,019
Segment income	7,431	564	7,995	434	8,430	(2,937)	5,493
Other							
Depreciation	1,471	338	1,810	203	2,013	139	2,152

(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 selling, general and administrative expenses not attributable to the reportable segments.

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

*4 Assets are not allocated to the business segments.

For the fiscal year ended March 31, 2017

(Million yen)

	Reportable segment			Other (Notes)*1	Total	Adjustment (Notes) *2	Amount recorded in Consolidated Financial Statements (Notes)*3
	Marine-use engines	Land-use engines	Total				
Net sales							
(1) Net sales to outside customers	46,393	9,014	55,408	3,525	58,934	-	58,934
(2) Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	46,393	9,014	55,408	3,525	58,934	-	58,934
Segment income	4,933	714	5,648	462	6,111	(2,613)	3,498
Other							
Depreciation	1,710	329	2,039	312	2,352	136	2,489

(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 selling, general and administrative expenses not attributable to the reportable segments.

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

*4 Assets are not allocated to the business segments.

(Related information)

For the fiscal year ended March 31, 2016

1. Information by product and service

This is omitted as similar information is disclosed in Segment information.

2. Information by geographical area

1) Net sales (Million yen)

Japan	Asia	Latin America	Other	Total
30,588	19,134	2,160	5,136	57,019

(Note) Country and region categories are based on geographic proximity.

2) Property, plant and equipment

This is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of that stated in the consolidated balance sheet.

3. Information by major customer

This is omitted as there were no external customers whose net sales account for more than 10% of net sales in the consolidated statements of income.

For the fiscal year ended March 31, 2017

1. Information by product and service

This is omitted, as similar information is disclosed in Segment information.

2. Information by geographical area

1) Net sales (Million yen)

Japan	Asia	Latin America	Other	Total
29,597	22,058	2,182	5,095	58,934

(Note) Country and region categories are based on geographic proximity.

2) Property, plant and equipment

This is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of that stated in the consolidated balance sheet.

3. Information by major customer

This is omitted because there were no external customers whose net sales account for more than 10% of net sales in the consolidated statements of income.

(Per share information)

Category	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net assets per share	1,074.47 yen	1,143.90 yen
Basic earnings per share	112.98 yen	72.87 yen

(Note) The basis for the calculation of basic earnings per share is as follows.

Category	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	3,596	2,319
Amount not attributable to shareholders of common shares (Million yen)	-	-
Profit attributable to owners of parent relating to common shares (Million yen)	3,596	2,319
Average number of shares of common shares outstanding during each fiscal year	31,883,944 shares	31,833,830 shares

(Note) Diluted earnings per share are not presented as there is no share outstanding with dilutive effect.

(Significant subsequent events)

Not applicable.

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	16,963	20,734
Notes receivable - trade	1,027	890
Accounts receivable - trade	15,894	13,932
Raw materials	80	68
Work in process	12,019	11,854
Prepaid expenses	133	136
Deferred tax assets	1,761	1,799
Short-term loans receivable	1,073	817
Other	994	1,233
Allowance for doubtful accounts	(4)	(4)
Total current assets	49,945	51,463
Non-current assets		
Property, plant and equipment		
Buildings	2,086	2,030
Structures	474	463
Machinery and equipment	3,597	3,572
Vehicles	27	34
Tools, furniture and fixtures	709	911
Land	4,140	4,470
Construction in progress	674	1,641
Total property, plant and equipment	11,710	13,124
Intangible assets		
Software	706	980
Other	7	10
Total intangible assets	714	990
Investments and other assets		
Investment securities	813	872
Shares of subsidiaries and associates	2,173	2,179
Long-term loans receivable	2	2
Deferred tax assets	1,614	1,563
Other	261	244
Allowance for doubtful accounts	(28)	(8)
Total investments and other assets	4,838	4,853
Total non-current assets	17,262	18,968
Total assets	67,207	70,431

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	1,217	984
Accounts payable - trade	6,564	5,944
Electronically recorded obligations - operating	4,284	5,067
Short-term loans payable	3,375	2,915
Current portion of long-term loans payable	3,188	1,022
Lease obligations	283	373
Accounts payable	423	207
Accrued expenses	2,735	2,274
Income taxes payable	849	427
Advances received	829	419
Deposits received	4,267	4,496
Provision for bonuses	596	533
Provision for directors' bonuses	85	60
Other	218	458
Total current liabilities	28,917	25,184
Non-current liabilities		
Long-term loans payable	3,304	8,481
Lease obligations	614	807
Long-term guarantee deposited	10	10
Provision for retirement benefits	5,264	5,280
Provision for directors' retirement benefits	412	376
Asset retirement obligations	101	110
Total non-current liabilities	9,707	15,066
Total liabilities	38,624	40,250
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus		
Legal capital surplus	2,150	2,150
Total capital surpluses	2,150	2,150
Retained earnings		
Legal retained earnings	221	221
Other retained earnings		
Reserve for advanced depreciation of non-current assets	114	102
Reserve for special depreciation	48	33
General reserve	19,600	22,700
Retained earnings brought forward	3,820	2,308
Total other retained earnings	23,583	25,143
Total retained earnings	23,805	25,365
Treasury shares	(10)	(10)
Total shareholders' equity	28,380	29,940
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	202	245
Deferred gains or losses on hedges	-	(5)
Total valuation and translation adjustments	202	240
Total net assets	28,583	30,180
Total liabilities and net assets	67,207	70,431

(2) Non-consolidated Statements of Income

Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	50,689	51,612
Cost of sales	39,432	42,412
Gross profit	11,257	9,200
Selling, general and administrative expenses	7,882	7,754
Operating profit	3,374	1,445
Non-operating income		
Interest and dividend income	1,006	1,136
Miscellaneous income	134	154
Total non-operating income	1,141	1,290
Non-operating expenses		
Interest expenses	123	107
Miscellaneous loss	119	123
Total non-operating expenses	242	231
Ordinary profit	4,272	2,504
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	7	-
State subsidy	-	69
Total extraordinary income	7	69
Extraordinary losses		
Loss on abandonment of non-current assets	18	55
Other	1	3
Total extraordinary losses	20	58
Profit before income taxes	4,260	2,514
Income taxes - current	1,163	478
Income taxes - deferred	(34)	(0)
Total income taxes	1,129	477
Profit	3,131	2,037

(3) Non-consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	2,434	2,150	2,150	221	120	62	17,000	3,523	20,929
Changes of items during period									
Dividends of surplus								(254)	(254)
Provision of general reserve							2,600	(2,600)	-
Reversal of reserve for special depreciation						(15)		15	-
Reversal of reserve for advanced depreciation of non-current assets					(8)			8	-
Adjustment to reserve due to change in tax rate					2	1		(3)	-
Profit								3,131	3,131
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(6)	(14)	2,600	296	2,876
Balance at end of current period	2,434	2,150	2,150	221	114	48	19,600	3,820	23,805

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(10)	25,504	270	(4)	266	25,770
Changes of items during period						
Dividends of surplus		(254)				(254)
Provision of general reserve		-				-
Reversal of reserve for special depreciation		-				-
Reversal of reserve for advanced depreciation of non-current assets		-				-
Adjustment to reserve due to change in tax rate		-				-
Profit		3,131				3,131
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(68)	4	(63)	(63)
Total changes of items during period	(0)	2,876	(68)	4	(63)	2,812
Balance at end of current period	(10)	28,380	202	-	202	28,583

For the fiscal year ended March 31, 2017

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	2,434	2,150	2,150	221	114	48	19,600	3,820	23,805
Changes of items during period									
Dividends of surplus								(477)	(477)
Provision of general reserve							3,100	(3,100)	-
Reversal of reserve for special depreciation						(15)		15	-
Reversal of reserve for advanced depreciation of non-current assets					(12)			12	-
Adjustment to reserve due to change in tax rate									-
Profit								2,037	2,037
Purchase of treasury shares									-
Net changes of items other than shareholders' equity									-
Total changes of items during period	-	-	-	-	(12)	(15)	3,100	(1,512)	1,559
Balance at end of current period	2,434	2,150	2,150	221	102	33	22,700	2,308	25,365

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(10)	28,380	202	-	202	28,583
Changes of items during period						
Dividends of surplus		(477)				(477)
Provision of general reserve		-				-
Reversal of reserve for special depreciation		-				-
Reversal of reserve for advanced depreciation of non-current assets		-				-
Adjustment to reserve due to change in tax rate		-				-
Profit		2,037				2,037
Purchase of treasury shares		-				-
Net changes of items other than shareholders' equity		-	42	(5)	37	37
Total changes of items during period	-	1,559	42	(5)	37	1,597
Balance at end of current period	(10)	29,940	245	(5)	240	30,180

(4) Notes to the Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Investments in subsidiaries and affiliates

………Stated at cost using the moving-average method

(2) Held-to-maturity securities

………Stated at amortized cost

(3) Available-for-sale securities

Fair market values available …………	Stated at fair market value based on the market value, etc. of the closing date (All valuation gains or losses are treated as a component of net assets, and cost of sales is computed by the moving-average method.)
Fair market values not available ……	Stated at cost using the moving-average method

2. Valuation standards and methods for inventories

Work in process/raw materials

………Stated at cost using the periodic average method (The book value will be written down for decreased profitability)

3. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

They are depreciated using the straight-line method.

Those acquired on or before March 31, 2007 will be depreciated in equal amounts over the five-year period beginning with the year following the completion of depreciation to the permissible limit.

(2) Intangible assets (excluding leased assets)

They are amortized using the straight-line method.

Software for internal use is depreciated under the straight-line method based on their estimated useful lives (5 years).

(3) Leased assets

Lease assets under finance leases wherein ownership of the leased asset does not transfer to the lessee

These assets are depreciated using the straight-line method over respective lease periods without residual value.

4. Accounting standards for reserves

(1) Allowance for doubtful accounts

In order to prepare for probable losses on collection, estimated amount uncollectible is provided for in accordance with the historical write-off ratio in the case of ordinary receivables and provided against estimated future losses on collection based on the detailed credit analysis in the case of doubtful accounts and other specific receivables.

(2) Provision for bonuses

To provide for payment of bonuses to employees, provision for bonuses is provided for based on the estimated amount of payments attributable to the current fiscal year.

(3) Provision for directors' bonuses

To provide for payment of bonuses to directors, provision for directors' bonuses is provided for based on the estimated amount of payments attributable to the current fiscal year.

(4) Provision for retirement benefits

In order to prepare for payments of employees' retirement benefits, the amount deemed accrued at the end of the current fiscal year is provided for, based on the projected retirement benefit obligation at that time.

A. Periodic allocation of projected retirement benefits

In calculating projected benefits obligations, periodic allocation of projected retirement benefits up to the end of the current fiscal year is based on the benefit formula basis.

B. Method of amortizing actuarial differences and prior service costs

Prior service costs are recorded as expense over a certain number of years within the average remaining years of service of the corresponding employees at the time of occurrence (10 years) using the straight-line method.

Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the corresponding employees (10 years) using the straight-line method, commencing with the consolidated fiscal year following the one in which they were incurred.

(5) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors, the amount of year-end payments pursuant to internal rules of retirement benefits for directors is provided for.

5. Hedge accounting

(1) Hedge accounting

Deferred hedging is applied.

The appropriation procedure is applied to foreign currency receivables and payables for which forward exchange contracts have been entered.

Special accounting procedures are applied to interest rate swap contracts that qualify for hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was applied for the year under review are as follows:

(a)

Hedging instruments: Forward foreign exchange contracts

Hedged items: Foreign currency trade receivables resulting from product export and future anticipated transactions denominated in foreign currency

(b)

Hedging instruments: Interest rate swap contracts

Hedged items: Loans payable

(3) Hedging policy

The Company conducts derivative transactions to hedge against foreign exchange and interest-rate risks in accordance with the "Derivative Transaction Handling and Risk Management Regulations."

(4) Evaluation of hedge effectiveness

For forward exchange contract and interest rate swap, the evaluation of hedge effectiveness is omitted because important conditions for hedge instruments and hedged items are identical, and it can be assumed that market fluctuations will be completely eliminated at the time hedging begins and at any time thereafter.

6. Other significant matters on presenting Non-consolidated Financial Statements

(1) Accounting method for retirement benefits

The accounting treatment for the balance of unrecognized actuarial differences and unrecognized past service costs for retirement benefits is different from the treatment for these items in the consolidated financial statements.

(2) Accounting for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

(Additional information)

The Company applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26; March 28, 2016) from the fiscal year under review.

(Notes to Non-consolidated Balance Sheets)

1. Pledged assets and secured payables

Assets pledged for foundation mortgage and secured liabilities are as follows:

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Pledged assets	2,605	2,480
Payables to said assets	- (Note)	- (Note)

(Note) Revolving mortgage with regards to bank transactions is set for the assets of the above factory foundation. There are no secured liabilities.

2. Balance with subsidiaries and associates

The amounts included in each item other than those listed separately are as follows:

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Short-term monetary assets	13,507	10,612
Short-term monetary liabilities	6,080	5,786

(Notes to Non-consolidated Statements of Income)

1. Transactions with subsidiaries and associates

(Million yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Sales to subsidiaries and associates	39,392	37,396
Purchases from subsidiaries and associates	5,376	5,586
Non-operational transactions with subsidiaries and associates	59	32

(Significant subsequent events)

Not applicable.

7. Other

(1) Status of production, orders received, and sales (April 1, 2016 to March 31, 2017)

1) Production

Production by segment for the current fiscal year is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change
	Horsepower		%
Internal combustion engines			
Marine-use engines	1,368,640	46,393	5.1
Land-use engines	85,624	9,014	(13.9)
Other	-	2,879	62.1
Total		58,287	3.4

(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 current fiscal year are as follows:

(Million yen)

Segment	Order received			Order backlogs		
	Volume	Amount	Year-on-year change	Volume	Amount	Year-on-year change
	Horsepower		%	Horsepower		%
Internal combustion engine						
Marine-use engines	1,066,783	40,168 [22,045]	(22.0)	1,697,474	31,497 [16,504]	(16.5)
Land-use engines	88,239	10,469 [794]	1.9	93,058	5,194 [213]	38.9
Other	-	2,989 [-]	71.1	-	604 [-]	482.6
Total		53,627 [22,839]	(15.5)		37,296 [16,717]	(10.3)

(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 current fiscal year are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	1,368,640	46,393 [28,742]	62.0	5.1
Land-use engines	85,624	9,014 [594]	6.6	(13.9)
Other	-	3,525 [-]	-	46.0
Total		58,934 [29,336]	49.8	3.4

(Notes)

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

*2 Major export destinations and compositions are as follows:
Asia (75.2%), Europe (13.6%), Latin America (7.4%), North America (3.2%), Others (0.6%)

*3 The “Other” segment includes precision parts-related (1,558 million yen), industrial machinery-related (1,320 million yen) and real estate leasing-related (646 million yen).

*4 The figures above do not include consumption taxes.

(2) Changes in Directors and Corporate Auditors (Scheduled for June 29, 2017)

1. Candidates for new Directors

Yoshinobu Hotta	(Current position: Plant Manager, Moriyama Factory, Production and Purchasing Management Division)

2. Candidates for new Statutory Auditors

Norihide Bessho	(Current position: Senior Managing Executive Officer, Daihatsu Motor Co., Ltd.)
Kenji Arakawa	(Current position: Managing Director, METALART CORPORATION)

3. Directors scheduled to retire

Hiroaki Iwabe	(Current position: Senior Managing Director)

4. Statutory Auditors scheduled to retire

Hisashi Mori	(Current position: Standing Statutory Auditor)
Kunihiko Morita	(Current position: Outside Statutory Auditor Current position: Standing Statutory Auditor, Daihatsu Motor Co., Ltd.)
Yasuhiko Sugino	(Current position: Outside Statutory Auditor Current position: Director, METALART CORPORATION)

5. Appointment scheduled at the Board of Directors meeting to be held after the conclusion of the Annual General Meeting of Shareholders

Managing Director	Takashi Iida	(Current position: Director)