

**Consolidated Financial Results
for the Nine Months Ended December 31, 2016
[Japanese GAAP]**



January 24, 2017

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: February 13, 2017

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 Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	41,375	3.9	1,986	(36.5)	1,910	(38.2)	1,227	(40.2)
December 31, 2015	39,806	(7.9)	3,129	5.2	3,093	1.8	2,053	(4.7)

(Note) Comprehensive income: Nine months ended December 31, 2016: 1,287 million yen [(36.3)%]

Nine months ended December 31, 2015: 2,021 million yen [(20.3)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2016	38.56	-
December 31, 2015	64.51	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	77,679	35,061	45.1
As of March 31, 2016	75,060	34,224	45.6

(Reference) Equity: As of December 31, 2016: 34,995 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 March 31, 2016	Yen -	Yen 0.00	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2017	-	0.00	-		
Fiscal year ending March 31, 2017 (Forecast)				15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

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

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - December 31, 2016: 31,850,000 shares
 - March 31, 2016: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2016: 16,170 shares
 - March 31, 2016: 16,170 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2016: 31,833,830 shares
 - Nine months ended December 31, 2015: 31,833,981 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 nine months under review (from April 1, 2016 to December 31, 2016), the Japanese economy was on a moderate recovery track against the backdrop of the government's economic policies, etc. However, due to the impact of a deceleration in economic activities in emerging countries including China, the UK's exit from the EU, and the US transition to a new administration, exchange rates were volatile and the economic outlook remained uncertain.

Under such a corporate environment, as a result of active business expansion, consolidated net sales increased by 3.9% year-on-year to 41,375 million yen. In terms of profit, however, operating income decreased by 36.5% year-on-year to 1,986 million yen, ordinary income decreased by 38.2% year-on-year to 1,910 million yen, and profit attributable to owners of parent decreased by 40.2% year-on-year to 1,227 million yen.

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

<Internal combustion engines>

1. Marine-use

While sales of engines centered on mainstay auxiliary power generators increased, net sales increased by 5.9% year-on-year to 34,880 million yen, and segment income decreased by 35.0% year-on-year to 3,423 million yen, owing to decreased maintenance-related sales and the impact of exchange rates.

2. Land-use

Although sales of engines decreased due mainly to an increase in maintenance-related sales, net sales decreased by 23.4% year-on-year to 3,910 million yen, and segment income amounted to 145 million yen (segment loss of 282 million yen in the previous corresponding period).

Consequently, net sales for the segment increased by 2.0% year-on-year to 38,790 million yen, and segment income decreased by 28.4% year-on-year to 3,568 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.

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 45.8% year-on-year to 2,584 million yen, and segment income increased by 3.5% year-on-year to 336 million yen.

(2) Explanation of Financial Position

In assets as of the end of the third quarter under review, notes and accounts receivable - trade decreased by 4,831 million yen from the end of the previous fiscal year due to a progress in collection of trade receivables at the end of the previous fiscal year. Meanwhile, cash and deposits increased by 4,925 million yen, and inventories increased by 2,270 million yen. As a result, total assets as of December 31, 2016 amounted to 77,679 million yen, an increase of 2,618 million yen compared with the end of the previous fiscal year.

In liabilities, notes and accounts payable - trade and electronically recorded obligations - operating in total

increased by 253 million yen from the end of the previous fiscal year. Additionally, short-term loans payable and long-term loans payable in total increased by 3,075 million yen, due mainly to financing of new long-term loans payable. Meanwhile, due to payment of income taxes, income taxes payable decreased by 1,073 million yen. As a result, total liabilities increased by 1,782 million yen from the end of the previous fiscal year to 42,618 million yen.

In net assets, retained earnings increased by 733 million yen. As a result, total net assets increased by 836 million yen from the end of the previous fiscal year to 35,061 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As to the consolidated financial results forecast for the fiscal year ending March 31, 2017, no revisions have been made to the forecast announced on October 17, 2016.

The forecasts stated herein are based on information available to the Company as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors that may arise in the future.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 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)

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 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 nine months under review is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	21,412	26,337
Notes and accounts receivable - trade	16,967	12,136
Inventories	12,148	14,418
Deferred tax assets	1,873	1,560
Other	1,548	1,432
Allowance for doubtful accounts	(9)	(12)
Total current assets	53,940	55,874
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,843
Machinery, equipment and vehicles, net	3,648	4,165
Land	4,403	5,054
Construction in progress	674	223
Other, net	729	1,004
Total property, plant and equipment	16,146	17,291
Intangible assets	728	886
Investments and other assets		
Investment securities	1,715	1,121
Long-term loans receivable	2	2
Deferred tax assets	2,048	1,990
Other	510	526
Allowance for doubtful accounts	(33)	(13)
Total investments and other assets	4,244	3,627
Total non-current assets	21,119	21,805
Total assets	75,060	77,679

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,941	7,579
Electronically recorded obligations - operating	4,284	4,899
Short-term loans payable	6,563	4,698
Lease obligations	287	355
Income taxes payable	1,249	175
Provision for bonuses	713	247
Provision for directors' bonuses	85	68
Accrued expenses	2,867	2,721
Other	3,118	2,950
Total current liabilities	27,110	23,697
Non-current liabilities		
Long-term loans payable	3,304	8,244
Lease obligations	621	745
Provision for directors' retirement benefits	463	449
Net defined benefit liability	6,718	6,857
Asset retirement obligations	137	163
Other	2,480	2,459
Total non-current liabilities	13,725	18,921
Total liabilities	40,836	42,618
Net assets		
Shareholders' equity		
Capital stock	2,434	2,434
Capital surplus	2,170	2,170
Retained earnings	30,275	31,009
Treasury shares	(10)	(10)
Total shareholders' equity	34,870	35,603
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	205	270
Deferred gains or losses on hedges	-	(1)
Foreign currency translation adjustment	39	21
Remeasurements of defined benefit plans	(910)	(899)
Total accumulated other comprehensive income	(665)	(607)
Non-controlling interests	19	65
Total net assets	34,224	35,061
Total liabilities and net assets	75,060	77,679

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Net sales	39,806	41,375
Cost of sales	28,503	31,431
Gross profit	11,302	9,943
Selling, general and administrative expenses		
Selling expenses	5,995	6,038
General and administrative expenses	2,178	1,918
Total selling, general and administrative expenses	8,173	7,957
Operating income	3,129	1,986
Non-operating income		
Interest income	23	9
Dividend income	21	16
Reversal of allowance for doubtful accounts	3	1
Fiduciary obligation fee	26	59
Miscellaneous income	61	32
Total non-operating income	136	118
Non-operating expenses		
Interest expenses	92	84
Foreign exchange losses	45	99
Miscellaneous loss	34	10
Total non-operating expenses	172	194
Ordinary income	3,093	1,910
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 sales of non-current assets	0	0
Loss on abandonment of non-current assets	17	39
Other	1	0
Total extraordinary losses	19	39
Profit before income taxes	3,085	1,939
Income taxes - current	1,001	380
Income taxes - deferred	29	330
Total income taxes	1,031	710
Profit	2,054	1,229
Profit attributable to non-controlling interests	1	1
Profit attributable to owners of parent	2,053	1,227

Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Profit	2,054	1,229
Other comprehensive income		
Valuation difference on available-for-sale securities	16	64
Deferred gains or losses on hedges	4	(1)
Foreign currency translation adjustment	2	(17)
Remeasurements of defined benefit plans, net of tax	(55)	11
Total other comprehensive income	(33)	57
Comprehensive income	2,021	1,287
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,020	1,285
Comprehensive income attributable to non-controlling interests	1	1

(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 nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

There is no relevant information.

(Segment information, etc.)

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

For the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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	32,931	5,102	38,033	1,772	39,806	-	39,806
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	32,931	5,102	38,033	1,772	39,806	-	39,806
Segment income (loss)	5,265	(282)	4,982	324	5,307	(2,178)	3,129

(Notes) *1 The "Other" category is a business segment that is not included in reportable segments, and includes the industrial machinery-related business, the real estate leasing-related business, and the electricity sales-related business.

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

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

For the nine months ended December 31, 2016 (from April 1, 2016 to December 31, 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	34,880	3,910	38,790	2,584	41,375	-	41,375
Inter-segment net sales or transfers	-	-	-	-	-	-	-
Total	34,880	3,910	38,790	2,584	41,375	-	41,375
Segment income	3,423	145	3,568	336	3,905	(1,918)	1,986

(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 to operating income in the Quarterly Consolidated Statements of Income.

4. Supplementary Information

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

For the nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

1) Production

Production by segment for the nine months ended December 31, 2016 is as follows:

(Million yen)

Segment	Volume	Amount	Year-on-year change	
				%
	Horsepower			%
Internal combustion engines				
Marine-use engines	1,042,958	34,880		5.9
Land-use engines	23,767	3,910		(23.4)
Other	-	2,100		62.4
Total		40,891		4.0

(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 nine months ended December 31, 2016 are as follows:

(Million yen)

Segment	Orders received			Order backlogs		
	Volume	Amount	Year-on-year change	Volume	Amount	Year-on-year change
	Horsepower		%	Horsepower		%
Internal combustion engine						
Marine-use engines	906,386	32,026 [17,341]	(21.5)	1,862,759	34,869 [19,546]	(8.8)
Land-use engines	76,739	8,113 [510]	16.2	143,415	7,942 [213]	36.5
Other	-	2,134 [-]	63.6	-	527 [-]	266.6
Total		42,274 [17,852]	(13.8)		43,339 [19,760]	(1.9)

(Notes)

*1 Amounts are based on sales prices.

*2 Figures in brackets [] indicate export orders received and the balance of export orders outstanding, and are included in totals.

*3 The figures above do not include consumption taxes.

3) Sales results

Sales by segment for the nine months ended December 31, 2016 are as follows:

(Million yen)

Segment	Volume	Amount	Export ratio	Year-on-year change
	Horsepower		%	%
Internal combustion engine				
Marine-use engines	1,042,958	34,880 [20,996]	60.2	5.9
Land-use engines	23,767	3,910 [310]	7.9	(23.4)
Other	-	2,584 [-]	-	45.8
Total		41,375 [21,307]	51.5	3.9

(Notes)

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

*2 Major export destinations and compositions are as follows:

Asia (75.7%), Europe (13.4%), Latin America (6.8%), North America (3.5%), Others (0.6%)

*3 The "Other" segment includes precision parts-related (1,165 million yen), industrial machinery-related (934 million yen) and real estate leasing-related (484 million yen).

*4 The figures above do not include consumption taxes.