

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]



April 25, 2019

Company name: Daihatsu Diesel Mfg. Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6023

URL: <http://www.dhtd.co.jp>

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Scheduled date of Annual General Meeting of Shareholders: June 27, 2019

Scheduled date of commencing dividend payments: June 28, 2019

Scheduled date of filing annual securities report: June 27, 2019

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2019 | 57,270 | (4.8) | 2,626 | (13.7) | 2,576 | (17.0) | 1,818 | (13.2) |
| March 31, 2018 | 60,166 | 2.1 | 3,044 | (13.0) | 3,104 | (9.8) | 2,095 | (9.6) |

(Note) Comprehensive income: Fiscal year ended March 31, 2019: 1,648 million yen [(21.9)%]

Fiscal year ended March 31, 2018: 2,110 million yen [(21.5)%]

| | 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, 2019 | 57.11 | - | 4.7 | 3.2 | 4.6 |
| March 31, 2018 | 65.83 | - | 5.6 | 3.9 | 5.1 |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2019: - million yen
Fiscal year ended March 31, 2018: - 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, 2019 | 82,512 | 39,263 | 47.5 | 1,232.01 |
| As of March 31, 2018 | 80,969 | 38,092 | 47.0 | 1,195.24 |

(Reference) Equity: As of March 31, 2019: 39,219 million yen

As of March 31, 2018: 38,049 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, 2019 | 4,792 | (5,178) | 109 | 20,143 |
| March 31, 2018 | 4,480 | (6,110) | (1,377) | 20,420 |

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, 2018 | - | 0.00 | - | 15.00 | 15.00 | 477 | 22.8 | 1.3 |
| March 31, 2019 | - | 0.00 | - | 15.00 | 15.00 | 477 | 26.3 | 1.2 |
| Fiscal year ending March 31, 2020 (Forecast) | - | 0.00 | - | 15.00 | 15.00 | | 22.8 | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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 | 26,000 | (2.7) | 200 | (68.0) | 200 | (73.4) | 0 | (100.0) | 0.00 |
| Full year | 62,000 | 8.3 | 3,000 | 14.2 | 3,000 | 16.4 | 2,100 | 15.5 | 65.93 |

* 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: No
 - 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, 2019: 31,850,000 shares
 - March 31, 2018: 31,850,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2019: 16,235 shares
 - March 31, 2018: 16,235 shares
 - 3) Average number of shares during the period:
 - Fiscal Year ended March 31, 2019: 31,833,765 shares
 - Fiscal Year ended March 31, 2018: 31,833,769 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-------------|-------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended | | | | | | | | |
| March 31, 2019 | 49,755 | (5.9) | 711 | (47.6) | 1,698 | (28.6) | 1,270 | (34.8) |
| March 31, 2018 | 52,862 | 2.4 | 1,356 | (6.1) | 2,379 | (5.0) | 1,949 | (4.3) |

| | Basic earnings per share | | Diluted earnings per share | |
|-------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Fiscal year ended | | | | |
| March 31, 2019 | 39.89 | | - | |
| March 31, 2018 | 61.23 | | - | |

(2) Non-consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|----------------------|--------------|--|-------------|--|--------------|----------|----------------------|--|
| | Million yen | | Million yen | | % | Yen | | |
| As of March 31, 2019 | 74,690 | | 32,382 | | 43.4 | 1,017.23 | | |
| As of March 31, 2018 | 73,542 | | 31,663 | | 43.1 | 994.66 | | |

(Reference) Equity: As of March 31, 2019: 32,382 million yen

As of March 31, 2018: 31,663 million yen

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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 | 22,000 | (4.1) | 700 | (39.9) | 700 | (37.7) | 21.97 | |
| Full year | 54,000 | 8.5 | 2,300 | 35.4 | 2,000 | 57.5 | 62.79 | |

* These consolidated financial results are outside the scope of audit conducted by a certified public accountant or audit corporation.

* 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 2 of the attached material for the assumptions the financial results forecasts are based on, and notes on their use.

(How to obtain supplementary briefing material on annual financial results and information on the briefing session)

A briefing session for institutional investors and analysts is scheduled to be held on Wednesday, May 22, 2019. The briefing materials will be posted on the Company’s website after the session.

Table of Contents

| | |
|---|----|
| 1. Operating Results and Financial Position | 2 |
| (1) Analysis of Operating Results | 2 |
| (2) Analysis of Financial Position | 3 |
| (3) Dividend Policy | 4 |
| (4) Business and Other Risks | 4 |
| 2. Overview of the Corporate Group | 6 |
| 3. Basic Stance Concerning Choice of Accounting Standards | 8 |
| 4. Consolidated Financial Statements and Primary Notes | 9 |
| (1) Consolidated Balance Sheets | 9 |
| (2) Consolidated Statements of Income and Comprehensive Income | 11 |
| (3) Consolidated Statements of Changes in Equity | 13 |
| (4) Consolidated Statements of Cash Flows | 15 |
| (5) Notes to the Consolidated Financial Statements | 17 |
| (Notes on going concern assumption) | 17 |
| (Important matters that form the basis for preparing Consolidated Financial Statements) | 17 |
| (Changes in presentation methods) | 20 |
| (Segment information, etc.) | 21 |
| (Per share information) | 24 |
| (Significant subsequent events) | 24 |
| 5. Non-consolidated Financial Statements | 25 |
| (1) Non-consolidated Balance Sheets | 25 |
| (2) Non-consolidated Statements of Income | 27 |
| (3) Non-consolidated Statements of Changes in Equity | 28 |
| 6. Other | 30 |
| (1) Status of Production, Orders Received, and Sales (April 1, 2018 to March 31, 2019) | 30 |
| (2) Changes in Directors and Corporate Auditors | 31 |

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 remained on a moderate recovery trend against a backdrop of the government economic policies that led to continued improvements in the corporate earnings and the employment environment, while there was an increase in capital investments and a rebound in consumer spending. However, the future economic outlook remained uncertain due to factors such as concerns over the trade frictions between the United States and China, and slowdown in the Chinese economy.

In the shipbuilding and maritime industry, the primary industry in which the Company makes its sales, global completed construction volume for newly-built vessels during the previous year was 57,810 thousand gross tons, a 12.1% decrease year-on-year, while order volume for new vessels reached 51,430 thousand gross tons, a 19.1% increase year-on-year. However, the volume is 69.7% lower than the level of the fiscal year 2007, and it is believed that it will take some time for demand for new shipbuilding to achieve a full-fledged recovery.

Under such a corporate environment, the Company has been working to develop growing markets and expand sales in line with the three key 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, 2020).

Concerning “Solidification and expansion of existing businesses,” the Company began the construction of a new factory in Himeji City, Hyogo Prefecture for the first time in about 50 years in November 2017. The new factory started operation in August 2018 and shipped out its first unit in October 2018. Going forward, the Company will further strive to meet the needs of customers under a two-base system comprising the Himeji Factory with both cutting-edge manufacturing technology and equipment and the Moriyama Factory with outstanding expertise. In addition, while order receipt environment is under extremely tight conditions due to intensifying competition among companies, the Company will strive to achieve sustainable growth and enhancement of profitability with its worldwide sales network and after-sales service system and the entire group companies acting as one.

Concerning “Growth through expansion of peripheral business domains,” the receipt of orders remains steady for the maintenance support service using “CMAXS LC-A,” a next generation cloud-based engine condition monitoring system. In terms of the selective catalytic reduction (SCR) device that conforms to NOx Tier III regulations effective from January 2016, orders for more than 160 units mainly for foreign vessels have been received as a result of efforts to acquire new orders. Moreover, in February 2019 the first unit of the “Aqueous Urea Solution Generator” capable of easily generating urea solution that serves as a reducing agent for SCR was shipped out. The Company will provide its customers with the best solutions which are environmentally friendly and realize the improvement of customer’s convenience and safety as well as the reduction of total lifecycle cost, aiming to become the industry’s leading company as an engine manufacturer with excellent environmentally-conscious technologies.

Concerning “Initiatives for future business development in preparation for 100th anniversary,” an executive officer system was introduced in June 2018 to enhance management decision-making and speed up execution of business operations. Meanwhile, the Company is also working to strengthen corporate governance and enrich dialogue with stakeholders. In the future, the Company will conduct management with the goal of continuous growth, while aiming for still more improvement in corporate value.

As a result of the efforts stated above, consolidated net sales decreased by 4.8% year-on-year to 57,270 million yen, operating profit decreased by 13.7% year-on-year to 2,626 million yen, ordinary profit decreased by 17.0% year-on-year to 2,576 million yen, and profit attributable to owners of parent decreased by 13.2% year-on-year to 1,818 million yen.

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

<Internal combustion engines>

1. Marine-use

Due partly to worsening profitability in engines in addition to a drop in sales of engines mainly including

mainstay auxiliary engine for power generation, net sales decreased by 3.0% year-on-year to 44,448 million yen, and segment income decreased by 24.4% year-on-year to 3,840 million yen.

2. Land-use

Net sales decreased by 10.3% year-on-year to 9,564 million yen and segment income increased by 273.4% to 801 million yen due partly to improved profitability in engines despite a decline in items sold.

Consequently, including parts sales and maintenance construction, net sales for the segment decreased by 4.4% year-on-year to 54,013 million yen, and segment income decreased by 12.3% year-on-year to 4,641 million yen.

<Other>

1. Industrial machinery-related

In the aluminum wheel division, due to a decrease in sales volume, both net sales and segment income decreased.

2. Real estate leasing-related

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

3. Electricity sales-related

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

4. Precision parts-related

In precision parts-related, net sales decreased but segment income increased.

Consequently, net sales for the segment decreased by 11.3% year-on-year to 3,256 million yen, and segment income decreased by 9.5% year-on-year to 335 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, unit sales of small engines aimed at bulk carriers will be strong, reflecting the recovery in marine cargo market, and sales of large engines will increase from the second half of the fiscal year. In addition, with the environmental regulations for the maritime industry being tightened, sales of the selective catalytic reduction (SCR) device as regulatory-compliant ancillary equipment are expected to double compared with the prior fiscal year, and delivery of dual fuel engines to customers will begin. While the average sales price per unit will remain unchanged from the preceding fiscal year, an increase in income is anticipated due to an increase in unit sales.

Meanwhile, in the land-use market, net sales are forecast to increase year-on-year due to favorable performance in emergency power generation facilities in and outside Japan against the backdrop of society's growing awareness of disaster crisis management.

However, the trends in the marine cargo market remain unpredictable as the future outlook of the global economy is becoming increasingly uncertain due to the trade frictions and other factors although there are signs of improvement in some maritime indices.

In consideration of these circumstances, the Group will seek to accelerate the enhancement of its business structure, expand the scale of sales, and secure profits for continuous growth, through efforts including selection and concentration of management resources, product line reviews and more thorough cost reduction.

From the factors outlined above, the financial results forecast of the Group for the next fiscal year is 26,000 million yen in net sales, 200 million yen in operating profit, 200 million yen in ordinary profit, and 0 million yen in profit attributable to owners of parent for the first half period and 62,000 million yen in net sales, 3,000 million yen in operating profit, 3,000 million yen in ordinary profit, and 2,100 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 increased by 523 million yen from the end of the previous fiscal year while the turnover period of accounts receivable was 107.3 days (compared with 98.2 days at the end of the previous fiscal year). Meanwhile, investment securities increased by 1,778 million yen compared with the end of the previous fiscal year. Inventories decreased by 287 million yen while the turnover period was 66.4 days (compared with 69.7 days at the end of the previous fiscal

year). Total assets as of March 31, 2019 amounted to 82,512 million yen, an increase of 1,543 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 815 million yen from the end of the previous fiscal year while their turnover period was 77.9 days (compared with 73.6 days at the end of the previous fiscal year). Meanwhile, due partly to the newly procured long-term loans payable of 2,500 million yen for the purpose of building the Himeji Factory, short-term loans payable and long-term loans payable in total increased by 1,169 million yen. The ratio of interest-bearing liabilities (excluding lease obligations) to net sales at the end of the current fiscal year was 23.4%, up 3.1 points from the end of the previous fiscal year. On the other hand, other current liabilities decreased by 1,675 million yen, mainly due to decreases affected by capital expenditure. As a result, total liabilities increased by 372 million yen from the end of the previous fiscal year to 43,249 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, 2020).

(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, 2019 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 57,270 million yen while interest-bearing debt (excluding lease obligations) was 13,411 million yen. In addition, cash and cash equivalents at the end of the fiscal year under review decreased by 276 million yen. 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 influence 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 in two locations, at the Moriyama Factory in Moriyama City, Shiga Prefecture, and the Himeji Factory in Himeji City, Hyogo Prefecture. However, there is the possibility that production activities may be obstructed in the event a natural disaster such as a large-scale earthquake, storm, flood, etc. as well as other disaster such as fire, etc.

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 23 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.

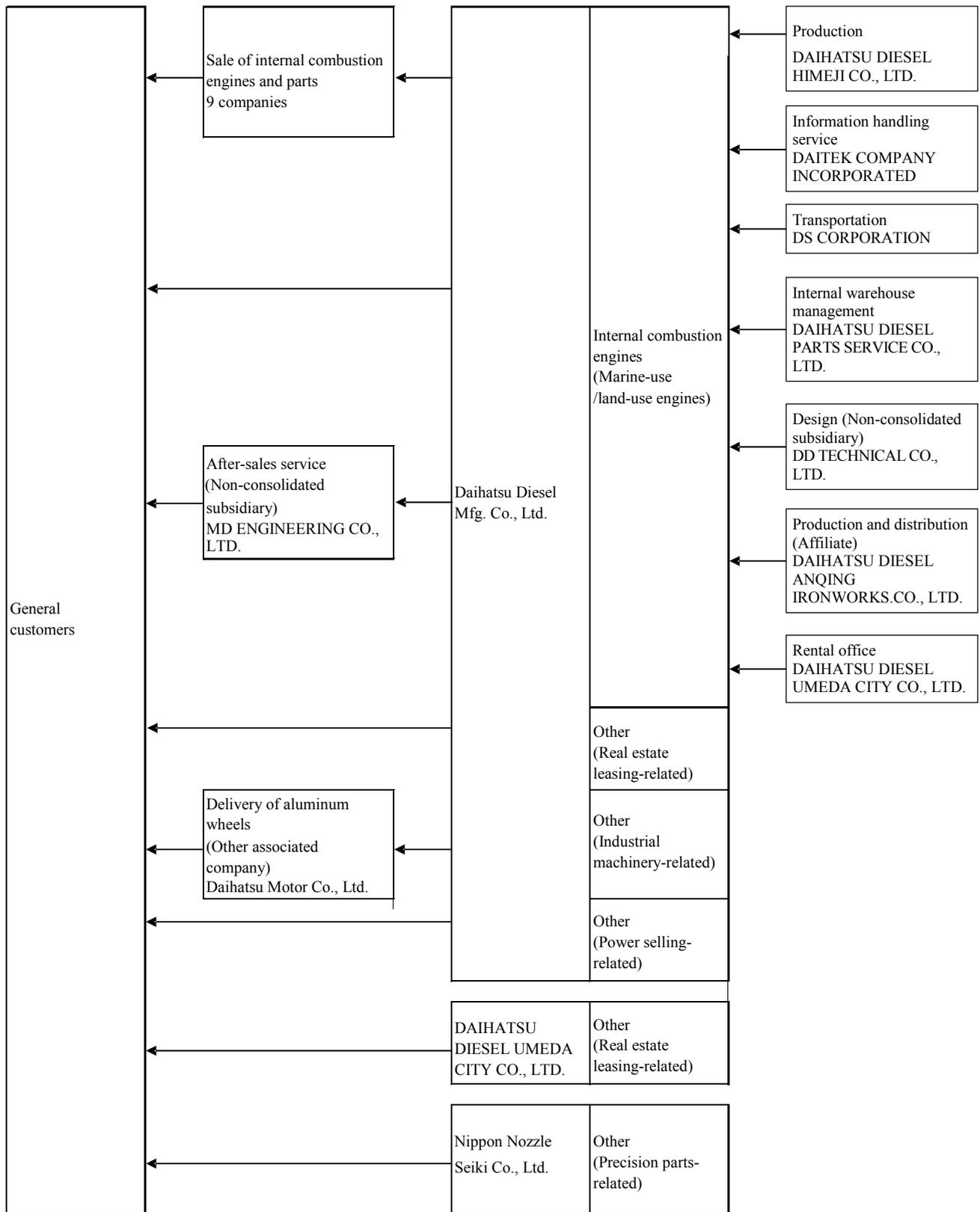
Businesses and the position of the Company and each subsidiary and associated companies within the relevant business are as follows.

| 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 HIMEJI CO., LTD. |
| | | 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



(Note)

DAIHATSU DIESEL UMEDA CITY CO., LTD. partially owns the “Umeda Sky Building,” and is in the rental office business.

3. 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.

4. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 21,676 | 20,905 |
| Notes and accounts receivable - trade | 16,575 | 17,098 |
| Inventories | 10,557 | 10,269 |
| Other | 1,572 | 1,931 |
| Allowance for doubtful accounts | (13) | (12) |
| Total current assets | 50,368 | 50,193 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,682 | 10,883 |
| Machinery, equipment and vehicles, net | 3,715 | 6,899 |
| Land | 5,088 | 5,088 |
| Construction in progress | 6,551 | 113 |
| Other, net | 908 | 836 |
| Total property, plant and equipment | 23,946 | 23,821 |
| Intangible assets | 1,390 | 1,442 |
| Investments and other assets | | |
| Investment securities | 1,058 | 2,836 |
| Long-term loans receivable | 1 | 1 |
| Deferred tax assets | 3,753 | 3,589 |
| Other | 513 | 681 |
| Allowance for doubtful accounts | (63) | (53) |
| Total investments and other assets | 5,263 | 7,055 |
| Total non-current assets | 30,600 | 32,319 |
| Total assets | 80,969 | 82,512 |

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,965 | 7,297 |
| Electronically recorded obligations - operating | 4,845 | 5,328 |
| Short-term loans payable | 4,642 | 6,193 |
| Lease obligations | 497 | 562 |
| Income taxes payable | 710 | 414 |
| Provision for bonuses | 698 | 703 |
| Provision for directors' bonuses | 51 | 45 |
| Accrued expenses | 2,671 | 2,851 |
| Other | 3,575 | 1,900 |
| Total current liabilities | 24,657 | 25,296 |
| Non-current liabilities | | |
| Long-term loans payable | 7,598 | 7,217 |
| Lease obligations | 1,134 | 1,077 |
| Provision for directors' retirement benefits | 460 | 521 |
| Net defined benefit liability | 6,456 | 6,618 |
| Asset retirement obligations | 167 | 206 |
| Other | 2,400 | 2,310 |
| Total non-current liabilities | 18,219 | 17,953 |
| Total liabilities | 42,877 | 43,249 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,434 | 2,434 |
| Capital surplus | 2,191 | 2,191 |
| Retained earnings | 33,719 | 35,060 |
| Treasury shares | (10) | (10) |
| Total shareholders' equity | 38,334 | 39,675 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 255 | 180 |
| Foreign currency translation adjustment | 5 | 7 |
| Remeasurements of defined benefit plans | (545) | (643) |
| Total accumulated other comprehensive income | (285) | (455) |
| Non-controlling interests | 42 | 43 |
| Total net assets | 38,092 | 39,263 |
| Total liabilities and net assets | 80,969 | 82,512 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|---|---|
| Net sales | 60,166 | 57,270 |
| Cost of sales | 46,439 | 44,160 |
| Gross profit | 13,726 | 13,109 |
| Selling, general and administrative expenses | | |
| Selling expenses | 8,060 | 8,132 |
| General and administrative expenses | 2,621 | 2,351 |
| Total selling, general and administrative expenses | 10,682 | 10,483 |
| Operating profit | 3,044 | 2,626 |
| Non-operating income | | |
| Interest income | 12 | 12 |
| Dividend income | 39 | 45 |
| Foreign exchange gains | – | 49 |
| Fiduciary obligation fee | 114 | 226 |
| Reversal of allowance for doubtful accounts | 16 | 3 |
| Miscellaneous income | 129 | 133 |
| Total non-operating income | 312 | 469 |
| Non-operating expenses | | |
| Interest expenses | 100 | 104 |
| Foreign exchange losses | 91 | – |
| Miscellaneous loss | 61 | 415 |
| Total non-operating expenses | 253 | 519 |
| Ordinary profit | 3,104 | 2,576 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| State subsidy | – | 239 |
| Other | – | 8 |
| Total extraordinary income | 0 | 247 |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 53 | 11 |
| Loss on sales of non-current assets | 0 | – |
| Loss on valuation of golf club membership | 0 | 4 |
| Total extraordinary losses | 54 | 15 |
| Profit before income taxes | 3,050 | 2,808 |
| Income taxes - current | 1,018 | 750 |
| Income taxes - deferred | (62) | 239 |
| Total income taxes | 956 | 990 |
| Profit | 2,094 | 1,818 |
| Profit (loss) attributable to non-controlling interests | (1) | 0 |
| Profit attributable to owners of parent | 2,095 | 1,818 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Profit | 2,094 | 1,818 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6 | (75) |
| Deferred gains or losses on hedges | 5 | – |
| Foreign currency translation adjustment | (1) | 2 |
| Remeasurements of defined benefit plans, net of tax | 5 | (97) |
| Total other comprehensive income | 15 | (170) |
| Comprehensive income | 2,110 | 1,648 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,111 | 1,648 |
| Comprehensive income attributable to non-controlling interests | (1) | 0 |

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2018

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,434 | 2,190 | 32,101 | (10) | 36,716 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (477) | | (477) |
| Profit attributable to owners of parent | | | 2,095 | | 2,095 |
| Purchase of treasury shares | | | | (0) | (0) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 0 | | | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | 0 | 1,618 | (0) | 1,618 |
| Balance at end of current period | 2,434 | 2,191 | 33,719 | (10) | 38,334 |

| | 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 | 248 | (5) | 6 | (550) | (301) | 45 | 36,460 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (477) |
| Profit attributable to owners of parent | | | | | | | 2,095 |
| Purchase of treasury shares | | | | | | | (0) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 6 | 5 | (1) | 5 | 15 | (2) | 13 |
| Total changes of items during period | 6 | 5 | (1) | 5 | 15 | (2) | 1,631 |
| Balance at end of current period | 255 | - | 5 | (545) | (285) | 42 | 38,092 |

For the fiscal year ended March 31, 2019

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,434 | 2,191 | 33,719 | (10) | 38,334 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (477) | | (477) |
| Profit attributable to owners of parent | | | 1,818 | | 1,818 |
| Purchase of treasury shares | | | | | |
| 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 | - | - | 1,340 | - | 1,340 |
| Balance at end of current period | 2,434 | 2,191 | 35,060 | (10) | 39,675 |

| | 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 | 255 | - | 5 | (545) | (285) | 42 | 38,092 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (477) |
| Profit attributable to owners of parent | | | | | | | 1,818 |
| Purchase of treasury shares | | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | - |
| Net changes of items other than shareholders' equity | (75) | - | 2 | (97) | (170) | 0 | (169) |
| Total changes of items during period | (75) | - | 2 | (97) | (170) | 0 | 1,170 |
| Balance at end of current period | 180 | - | 7 | (643) | (455) | 43 | 39,263 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,050 | 2,808 |
| Depreciation | 2,440 | 2,670 |
| Increase (decrease) in allowance for doubtful accounts | (13) | (10) |
| Increase (decrease) in provision for bonuses | 13 | 5 |
| Increase (decrease) in provision for directors' bonuses | (14) | (6) |
| Increase (decrease) in net defined benefit liability | (47) | (142) |
| Increase (decrease) in provision for directors' retirement benefits | (12) | 61 |
| Interest and dividend income | (51) | (57) |
| Interest expenses | 100 | 104 |
| Loss (gain) on sales of property, plant and equipment | (0) | (0) |
| Loss on abandonment of non-current assets | 53 | 11 |
| Decrease (increase) in notes and accounts receivable - trade | (746) | (525) |
| Decrease (increase) in inventories | 1,869 | 287 |
| Increase (decrease) in notes and accounts payable - trade | (698) | 840 |
| Decrease/increase in consumption taxes receivable/payable | 71 | 377 |
| Increase (decrease) in guarantee deposits received | (111) | (87) |
| Other, net | (351) | (398) |
| Subtotal | 5,552 | 5,939 |
| Interest and dividend income received | 51 | 57 |
| Interest expenses paid | (100) | (104) |
| Income taxes paid | (1,023) | (1,099) |
| Net cash provided by (used in) operating activities | 4,480 | 4,792 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,781) | (3,781) |
| Proceeds from sales of property, plant and equipment | 8 | 0 |
| Purchase of intangible assets | (20) | (2) |
| Proceeds from sales of investment securities | 0 | 0 |
| Proceeds from redemption of securities | 30 | - |
| Proceeds from redemption of investment securities | 0 | - |
| Purchase of shares of subsidiaries and associates | - | (1,859) |
| Collection of loans receivable | 0 | 0 |
| Proceeds from withdrawal of time deposits | 1,091 | 1,340 |
| Payments into time deposits | (1,455) | (876) |
| Other, net | 15 | - |
| Net cash provided by (used in) investing activities | (6,110) | (5,178) |

(Million yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|---|---|
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans payable | 460 | – |
| Repayments of finance lease obligations | (473) | (579) |
| Proceeds from long-term loans payable | 200 | 2,500 |
| Repayments of long-term loans payable | (1,086) | (1,333) |
| Purchase of treasury shares | (0) | – |
| Cash dividends paid | (477) | (477) |
| Dividends paid to non-controlling interests | (0) | – |
| Purchase of treasury shares of subsidiaries | (0) | – |
| Net cash provided by (used in) financing activities | (1,377) | 109 |
| Effect of exchange rate change on cash and cash equivalents | (14) | (1) |
| Net increase (decrease) in cash and cash equivalents | (3,022) | (276) |
| Cash and cash equivalents at beginning of period | 23,442 | 20,420 |
| Cash and cash equivalents at end of period | 20,420 | 20,143 |

(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

(1) Number of affiliates accounted for by the equity method: 1

OFFICINE MECCANICHE TORINO S.p.A

OFFICINE MECCANICHE TORINO S.p.A became an affiliate accounted for by the equity method as the Company acquired its shares in the fiscal year under review.

(2) 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 presentation methods)

(Changes in connection with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

With the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review, the Company changed its presentation methods by presenting deferred tax assets under the investments and other assets category and deferred tax liabilities under the non-current liabilities category.

As a result, the “deferred tax assets” of 1,853 million yen under “current assets” in the consolidated balance sheets for the previous fiscal year is now included and presented in the “deferred tax assets” of 3,753 million yen under “investments and other assets.”

(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. Method for calculating net sales, profit (loss), assets, liabilities, and other by reportable segment

For the fiscal year ended March 31, 2018

| | Reportable segment | | | Other (Notes)*1 | Total | Adjustment (Notes) *2 | (Million yen) |
|--|-----------------------|---------------------|--------|--------------------|--------|--------------------------|---|
| | Marine-use engines | Land-use engines | Total | | | | Amount recorded in Consolidated Financial Statements (Notes)*3 |
| Net sales | | | | | | | |
| (1) Net sales to outside customers | 45,828 | 10,666 | 56,495 | 3,671 | 60,166 | - | 60,166 |
| (2) Inter-segment net sales or transfers | - | - | - | - | - | - | - |
| Total | 45,828 | 10,666 | 56,495 | 3,671 | 60,166 | - | 60,166 |
| Segment income | 5,080 | 214 | 5,295 | 370 | 5,665 | (2,621) | 3,044 |
| Other | | | | | | | |
| Depreciation | 1,615 | 367 | 1,983 | 303 | 2,287 | 153 | 2,440 |

(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.

For the fiscal year ended March 31, 2019

(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 | 44,448 | 9,564 | 54,013 | 3,256 | 57,270 | - | 57,270 |
| (2) Inter-segment net sales or transfers | - | - | - | - | - | - | - |
| Total | 44,448 | 9,564 | 54,013 | 3,256 | 57,270 | - | 57,270 |
| Segment income | 3,840 | 801 | 4,641 | 335 | 4,977 | (2,351) | 2,626 |
| Other Depreciation | 1,799 | 379 | 2,178 | 331 | 2,510 | 159 | 2,670 |

(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, 2018

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 |
|--------|--------|---------------|-------|--------|
| 34,397 | 18,643 | 1,937 | 5,188 | 60,166 |

(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, 2019

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 |
|--------|--------|---------------|-------|--------|
| 30,752 | 18,640 | 2,210 | 5,667 | 57,270 |

(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, 2018 | For the fiscal year ended March 31, 2019 |
|--------------------------|--|--|
| Net assets per share | 1,195.24 yen | 1,232.01 yen |
| Basic earnings per share | 65.83 yen | 57.11 yen |

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

| Category | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|--|--|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Million yen) | 2,095 | 1,818 |
| Amount not attributable to shareholders of common shares (Million yen) | - | - |
| Profit attributable to owners of parent relating to common shares (Million yen) | 2,095 | 1,818 |
| Average number of shares of common shares outstanding during each fiscal year | 31,833,769 shares | 31,833,765 shares |

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

(Significant subsequent events)

Not applicable.

5. Non-consolidated Financial Statements
(1) Non-consolidated Balance Sheets

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 17,900 | 17,813 |
| Notes receivable - trade | 1,542 | 1,090 |
| Accounts receivable - trade | 15,167 | 15,412 |
| Raw materials | 68 | 96 |
| Work in process | 9,971 | 9,685 |
| Prepaid expenses | 144 | 630 |
| Short-term loans receivable | 873 | 870 |
| Other | 1,149 | 1,036 |
| Allowance for doubtful accounts | (4) | (4) |
| Total current assets | 46,814 | 46,631 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 2,832 | 4,895 |
| Structures | 673 | 1,632 |
| Machinery and equipment | 3,197 | 6,052 |
| Vehicles | 36 | 351 |
| Tools, furniture and fixtures | 821 | 757 |
| Land | 4,511 | 4,511 |
| Construction in progress | 6,418 | 110 |
| Total property, plant and equipment | 18,491 | 18,311 |
| Intangible assets | | |
| Software | 1,368 | 1,423 |
| Other | 8 | 7 |
| Total intangible assets | 1,377 | 1,431 |
| Investments and other assets | | |
| Investment securities | 852 | 745 |
| Shares of subsidiaries and associates | 2,371 | 3,956 |
| Long-term loans receivable | 1 | 1 |
| Deferred tax assets | 3,409 | 3,205 |
| Other | 232 | 414 |
| Allowance for doubtful accounts | (8) | (8) |
| Total investments and other assets | 6,858 | 8,315 |
| Total non-current assets | 26,727 | 28,058 |
| Total assets | 73,542 | 74,690 |

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable - trade | 849 | 968 |
| Accounts payable - trade | 5,889 | 6,164 |
| Electronically recorded obligations - operating | 4,859 | 5,361 |
| Short-term loans payable | 3,375 | 3,375 |
| Current portion of long-term loans payable | 1,213 | 2,764 |
| Lease obligations | 489 | 554 |
| Accounts payable | 1,182 | 322 |
| Accrued expenses | 2,450 | 2,611 |
| Income taxes payable | 347 | 55 |
| Advances received | 150 | 379 |
| Deposits received | 5,001 | 4,824 |
| Provision for bonuses | 536 | 531 |
| Provision for directors' bonuses | 50 | 45 |
| Other | 1,063 | 222 |
| Total current liabilities | 27,459 | 28,181 |
| Non-current liabilities | | |
| Long-term loans payable | 7,447 | 7,120 |
| Lease obligations | 1,113 | 1,061 |
| Long-term guarantee deposited | 10 | 10 |
| Provision for retirement benefits | 5,356 | 5,362 |
| Provision for directors' retirement benefits | 379 | 443 |
| Asset retirement obligations | 111 | 129 |
| Total non-current liabilities | 14,419 | 14,126 |
| Total liabilities | 41,878 | 42,307 |
| 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 | 91 | 234 |
| Reserve for special depreciation | 17 | 1 |
| General reserve | 24,200 | 25,600 |
| Retained earnings brought forward | 2,306 | 1,572 |
| Total other retained earnings | 26,615 | 27,408 |
| Total retained earnings | 26,837 | 27,630 |
| Treasury shares | (10) | (10) |
| Total shareholders' equity | 31,412 | 32,204 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 251 | 177 |
| Total valuation and translation adjustments | 251 | 177 |
| Total net assets | 31,663 | 32,382 |
| Total liabilities and net assets | 73,542 | 74,690 |

(2) Non-consolidated Statements of Income

(Million yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Net sales | 52,862 | 49,755 |
| Cost of sales | 43,966 | 41,741 |
| Gross profit | 8,895 | 8,013 |
| Selling, general and administrative expenses | 7,539 | 7,302 |
| Operating profit | 1,356 | 711 |
| Non-operating income | | |
| Interest and dividend income | 1,030 | 1,079 |
| Miscellaneous income | 187 | 392 |
| Total non-operating income | 1,217 | 1,472 |
| Non-operating expenses | | |
| Interest expenses | 97 | 102 |
| Miscellaneous loss | 96 | 382 |
| Total non-operating expenses | 194 | 484 |
| Ordinary profit | 2,379 | 1,698 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| State subsidy | – | 232 |
| Total extraordinary income | 0 | 233 |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 51 | 9 |
| Loss on valuation of shares of subsidiaries and associates | – | 299 |
| Other | 0 | 4 |
| Total extraordinary losses | 51 | 313 |
| Profit before income taxes | 2,328 | 1,618 |
| Income taxes - current | 431 | 111 |
| Income taxes - deferred | (52) | 236 |
| Total income taxes | 379 | 348 |
| Profit | 1,949 | 1,270 |

(3) Non-consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2018

(Million yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|---|----------------------------------|-----------------|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | | | | |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | | Total retained earnings |
| | | | | | Reserve for advanced depreciation of non-current assets | Reserve for special depreciation | General reserve | Retained earnings brought forward | |
| Balance at beginning of current period | 2,434 | 2,150 | 2,150 | 221 | 102 | 33 | 22,700 | 2,308 | 25,365 |
| Changes of items during period | | | | | | | | | |
| Dividends of surplus | | | | | | | | (477) | (477) |
| Provision of general reserve | | | | | | | 1,500 | (1,500) | - |
| Reversal of reserve for special depreciation | | | | | | (15) | | 15 | - |
| Provision of reserve for advanced depreciation of non-current assets | | | | | | | | | - |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | (10) | | | 10 | - |
| Profit | | | | | | | | 1,949 | 1,949 |
| Purchase of treasury shares | | | | | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | - | - | - | - | (10) | (15) | 1,500 | (2) | 1,471 |
| Balance at end of current period | 2,434 | 2,150 | 2,150 | 221 | 91 | 17 | 24,200 | 2,306 | 26,837 |

| | 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) | 29,940 | 245 | (5) | 240 | 30,180 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | (477) | | | | (477) |
| Provision of general reserve | | - | | | | - |
| Reversal of reserve for special depreciation | | - | | | | - |
| Provision of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Reversal of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Profit | | 1,949 | | | | 1,949 |
| Purchase of treasury shares | (0) | (0) | | | | (0) |
| Net changes of items other than shareholders' equity | | | 6 | 5 | 11 | 11 |
| Total changes of items during period | (0) | 1,471 | 6 | 5 | 11 | 1,483 |
| Balance at end of current period | (10) | 31,412 | 251 | - | 251 | 31,663 |

For the fiscal year ended March 31, 2019

(Million yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|---|----------------------------------|-----------------|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | Legal retained earnings | Retained earnings | | | | Total retained earnings |
| | | Legal capital surplus | Total capital surplus | | Other retained earnings | | | | |
| | | | | | Reserve for advanced depreciation of non-current assets | Reserve for special depreciation | General reserve | Retained earnings brought forward | |
| Balance at beginning of current period | 2,434 | 2,150 | 2,150 | 221 | 91 | 17 | 24,200 | 2,306 | 26,837 |
| Changes of items during period | | | | | | | | | |
| Dividends of surplus | | | | | | | | (477) | (477) |
| Provision of general reserve | | | | | | | 1,400 | (1,400) | - |
| Reversal of reserve for special depreciation | | | | | | (15) | | 15 | - |
| Provision of reserve for advanced depreciation of non-current assets | | | | | 161 | | | (161) | - |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | (19) | | | 19 | - |
| Profit | | | | | | | | 1,270 | 1,270 |
| Purchase of treasury shares | | | | | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | - | - | - | - | 142 | (15) | 1,400 | (733) | 792 |
| Balance at end of current period | 2,434 | 2,150 | 2,150 | 221 | 234 | 1 | 25,600 | 1,572 | 27,630 |

| | 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) | 31,412 | 251 | - | 251 | 31,663 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | (477) | | | | (477) |
| Provision of general reserve | | - | | | | - |
| Reversal of reserve for special depreciation | | - | | | | - |
| Provision of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Reversal of reserve for advanced depreciation of non-current assets | | - | | | | - |
| Profit | | 1,270 | | | | 1,270 |
| Purchase of treasury shares | | - | | | | - |
| Net changes of items other than shareholders' equity | | | (74) | - | (74) | (74) |
| Total changes of items during period | - | 792 | (74) | - | (74) | 718 |
| Balance at end of current period | (10) | 32,204 | 177 | - | 177 | 32,382 |

6. Other

(1) Status of Production, Orders Received, and Sales (April 1, 2018 to March 31, 2019)

1) Production

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

(Million yen)

| Segment | Volume | Amount | Year-on-year change | |
|-----------------------------|------------|--------|---------------------|--------|
| | | | | % |
| Internal combustion engines | Horsepower | | | |
| Marine-use engines | 1,099,309 | 44,448 | | (3.0) |
| Land-use engines | 90,665 | 9,564 | | (10.3) |
| Other | - | 2,616 | | (13.7) |
| Total | | 56,629 | | (4.9) |

(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 | Orders received | | | Order backlogs | | |
|----------------------------|-----------------|--------------------|---------------------|----------------|-------------------|---------------------|
| | Volume | Amount | Year-on-year change | Volume | Amount | Year-on-year change |
| Internal combustion engine | Horsepower | | % | Horsepower | | % |
| Marine-use engines | 1,048,503 | 46,689 [25,012] | 15.3 | 1,171,768 | 28,417 [8,973] | 8.6 |
| Land-use engines | 99,253 | 9,488 [839] | (12.2) | 116,440 | 5,253 [288] | (1.4) |
| Other | - | 2,541 [-] | (14.8) | - | 481 [-] | (13.4) |
| Total | | 58,719 [25,851] | 8.2 | | 34,153 [9,262] | 6.5 |

(Notes)

*1 Amounts are based on sales prices.

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

*3 The figures above do not include consumption taxes.

3) Sales results

Sales by segment for the current fiscal year are as follows:

(Million yen)

| Segment | Volume | Amount | Export ratio | Year-on-year change |
|----------------------------|------------|--------------------|--------------|---------------------|
| | Horsepower | | % | % |
| Internal combustion engine | | | | |
| Marine-use engines | 1,099,309 | 44,448 [25,497] | 57.4 | (3.0) |
| Land-use engines | 90,665 | 9,564 [1,020] | 10.7 | (10.3) |
| Other | - | 3,256 [-] | - | (11.3) |
| Total | | 57,270 [26,518] | 46.3 | (4.8) |

(Notes)

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

*2 Major export destinations and compositions are as follows:

Asia (70.4%), Europe (17.3%), Latin America (8.3%), North America (3.4%), Others (0.6%)

*3 The "Other" segment includes precision parts-related (1,441 million yen), industrial machinery-related (1,174 million yen) and real estate leasing-related (640 million yen).

*4 The figures above do not include consumption taxes.

(2) Changes in Directors and Corporate Auditors (Scheduled on June 27, 2019)

1. Changes in Representatives

Retiring Representative Director:

Chairman Takeshi Harada (currently Chairman and Representative Director)

Newly Promoted Director:

Vice President and Representative Director Yoshinobu Hotta (currently Director and Managing Executive Officer)

2. Candidates for Newly Appointed Directors:

Yoichi Hayata (currently Managing Executive Officer)

Hideki Asada (currently Managing Executive Officer)

Takashi Mizushina (currently Managing Executive Officer)

Shinichi Nanba (currently Executive Chief Engineer, Powertrain R&D Group, DNGA Business Unit, Daihatsu Motor Co.,Ltd.)

3. Retiring Directors:

Kazutoshi Sato (currently Director and Senior Managing Executive Officer)

Yuichi Uemura (currently Director and Managing Executive Officer)

Takashi Saito (currently Director and Managing Executive Officer)

Takashi Iida (currently Director and Managing Executive Officer)

Hitoshi Nakano (currently Director and Executive Officer)

(Reference)

New Management Team (Scheduled on June 27, 2019)

(Directors)

| | |
|---|--|
| Chairman | Takeshi Harada |
| President and Representative | Shigeki Kinoshita |
| Director | |
| Vice President and Representative | Osamu Goda |
| Director | |
| Vice President and Representative | Yoshinobu Hotta |
| Director | |
| Director and Managing Executive Officer | Isamu Teraoka |
| Director and Managing Executive Officer | Yoichi Hayata |
| Director and Managing Executive Officer | Hideki Asada |
| Director and Managing Executive Officer | Takashi Mizushina |
| Director and Managing Executive Officer | Shinichi Nanba |
| Outside Director | Tamon Tsuda (currently Certified Public Accountant) |
| Outside Director | Kazuo Komatsu (currently Attorney-at-law, Kitahama Partners, Foreign Law Joint Enterprise) |

(Statutory Auditors)

| | |
|----------------------------|---|
| Standing Statutory Auditor | Atsumi Masada |
| Outside Statutory Auditor | Noriyoshi Matsushita (currently Director, Daihatsu Motor Co.,Ltd.) |
| Outside Statutory Auditor | Norihide Bessyo (currently Standing Statutory Auditor, Daihatsu Motor Co.,Ltd.) |

(Executive Officers)

| | |
|----------------------------|------------------|
| Managing Executive Officer | Yuichi Uemura |
| Executive Officer | Tetsuya Bando |
| Executive Officer | Toshiki Sanaga |
| Executive Officer | Takashi Hanamure |
| Executive Officer | Shuji Kawano |
| Executive Officer | Tomohiro Miyoshi |
| Executive Officer | Isao Wakamiya |
| Executive Officer | Masaki Hama |