

The DAIHATSU logo is displayed in white, bold, uppercase letters within a white rectangular box. The background of the slide is a blue underwater scene with sunlight filtering through the water, creating a bright, starburst effect in the center.

DAIHATSU DIESEL MFG. CO., LTD.

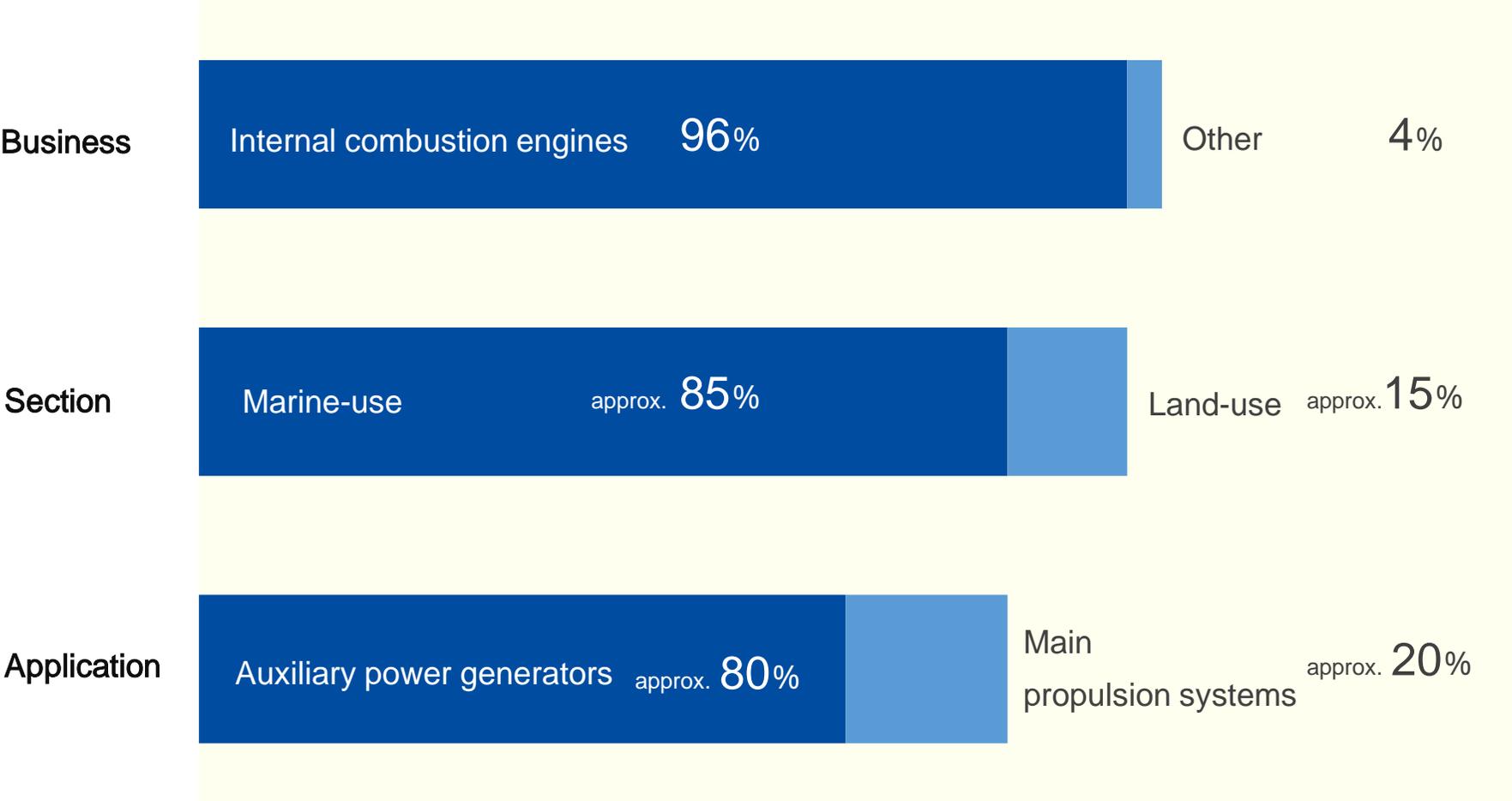
Fiscal Year Ended March 31, 2016

# Financial Results Briefing

May 2016

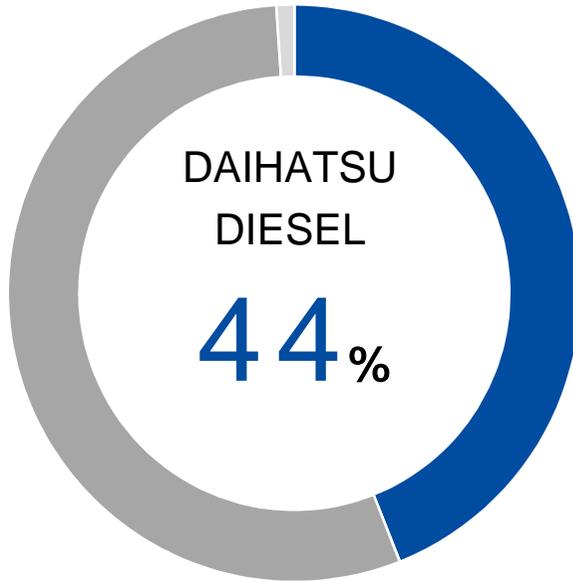


# Sales Breakdown

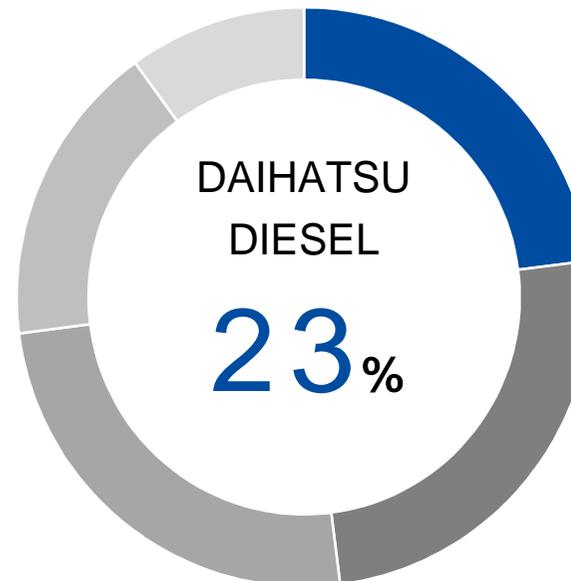


# Market Share (Auxiliary Engines for Large Ocean-going Vessels)

Share in Japan



Overseas market share

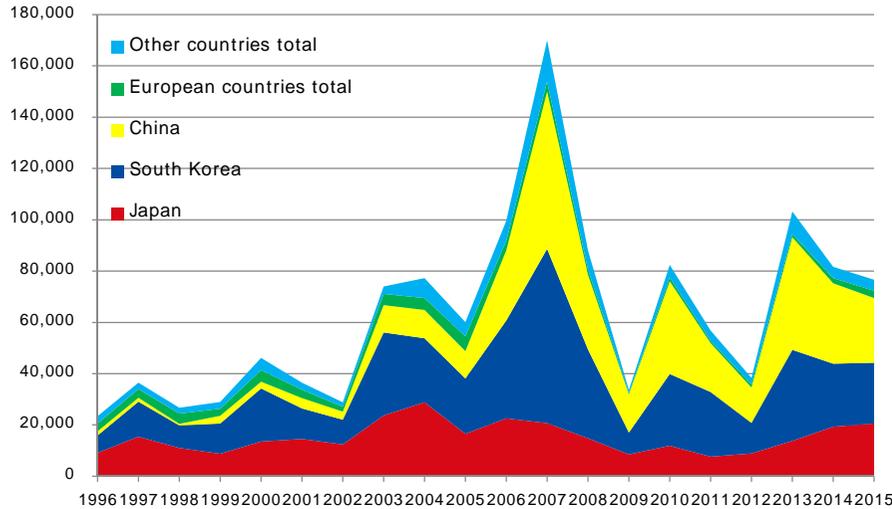


Major competitors

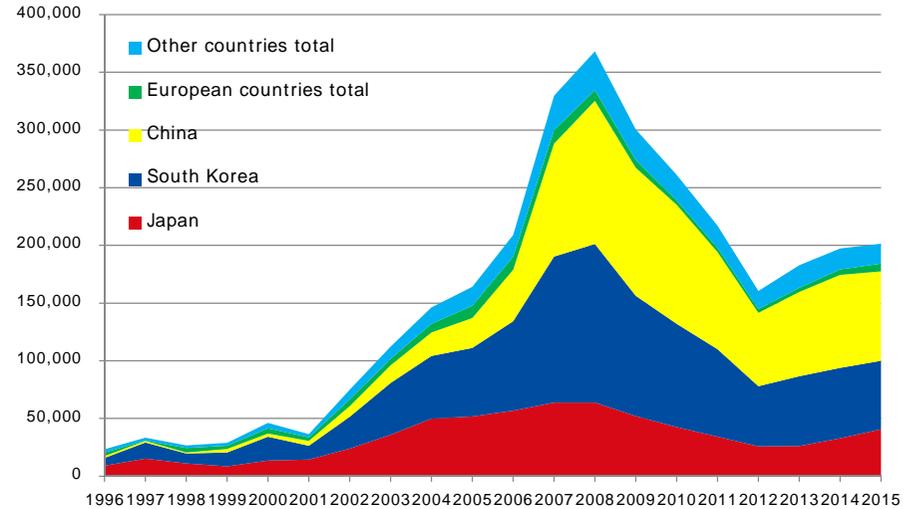
- Japan: YANMAR
- Overseas: MAN Diesel (Denmark), YANMAR (Japan), HIMSEN (South Korea), Wartsila (Finland)

# Market Trends for Newbuild Vessels

Volume of orders received, by country

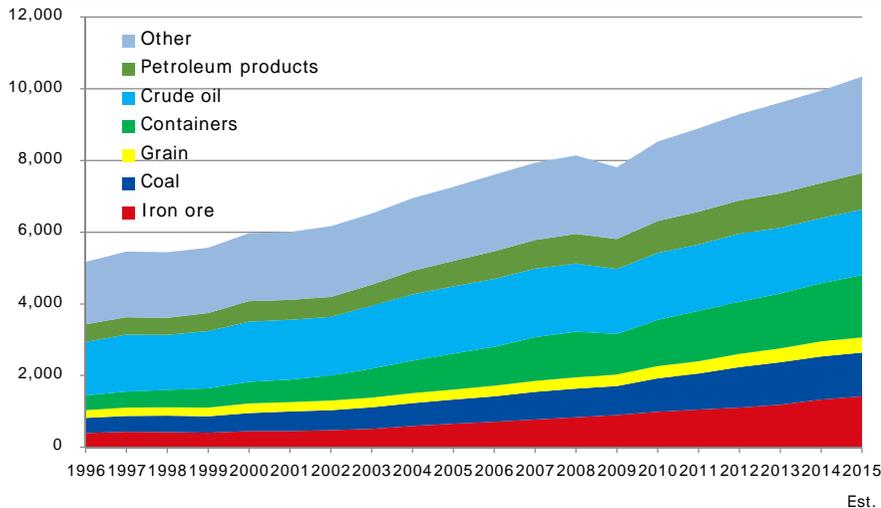


Volume of work in hand, by country



Source: The Shipbuilders' Association of Japan

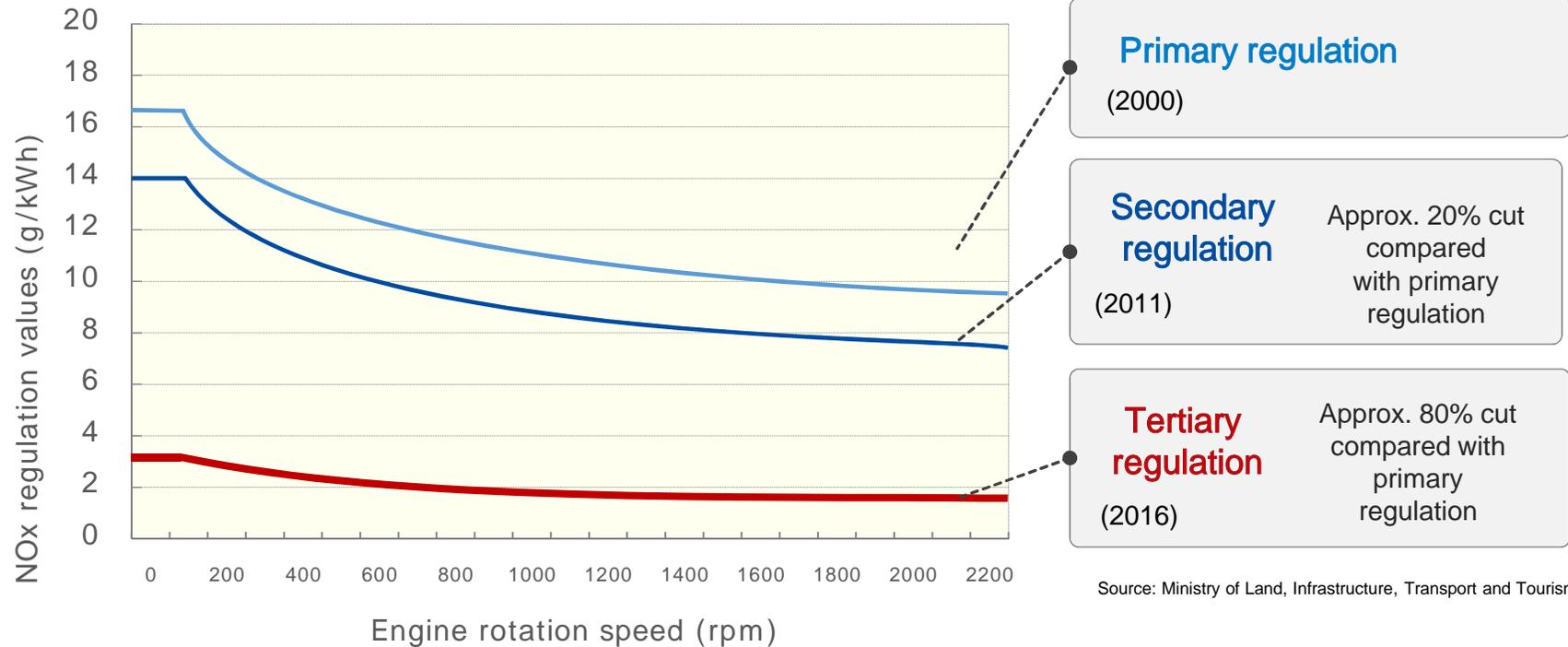
Global ocean cargo volumes, by product



- Orders received show an uneven increase over time, with a spike in 2006 to 2007, just before the 2008 financial crisis
- Volume of work in hand continues to show recovery, following a major slump after the 2008 financial crisis
- Ocean cargo volumes show steady rise over time

# Acting Promptly on Environmental Initiatives

## Impact of toughened environmental rules: Exhaust gas regulation



## Launch of tertiary regulation in 2016

NOx volumes will have to fall 80% versus primary regulation

**World first:** Our engine combined with the selective catalytic reduction (SCR\*) system has already won formal approval from 8 major ship classification societies around the world, ahead of rival companies

\*SCR: Emissions control technology system that neutralizes NOx in exhaust gas through a special catalyst

## Remarks on Earnings

POINT

1

**Ability to develop products rapidly enables tailored response to market needs.**

Stabilize business by mitigating impact of marine cargo restrictions and market state

POINT

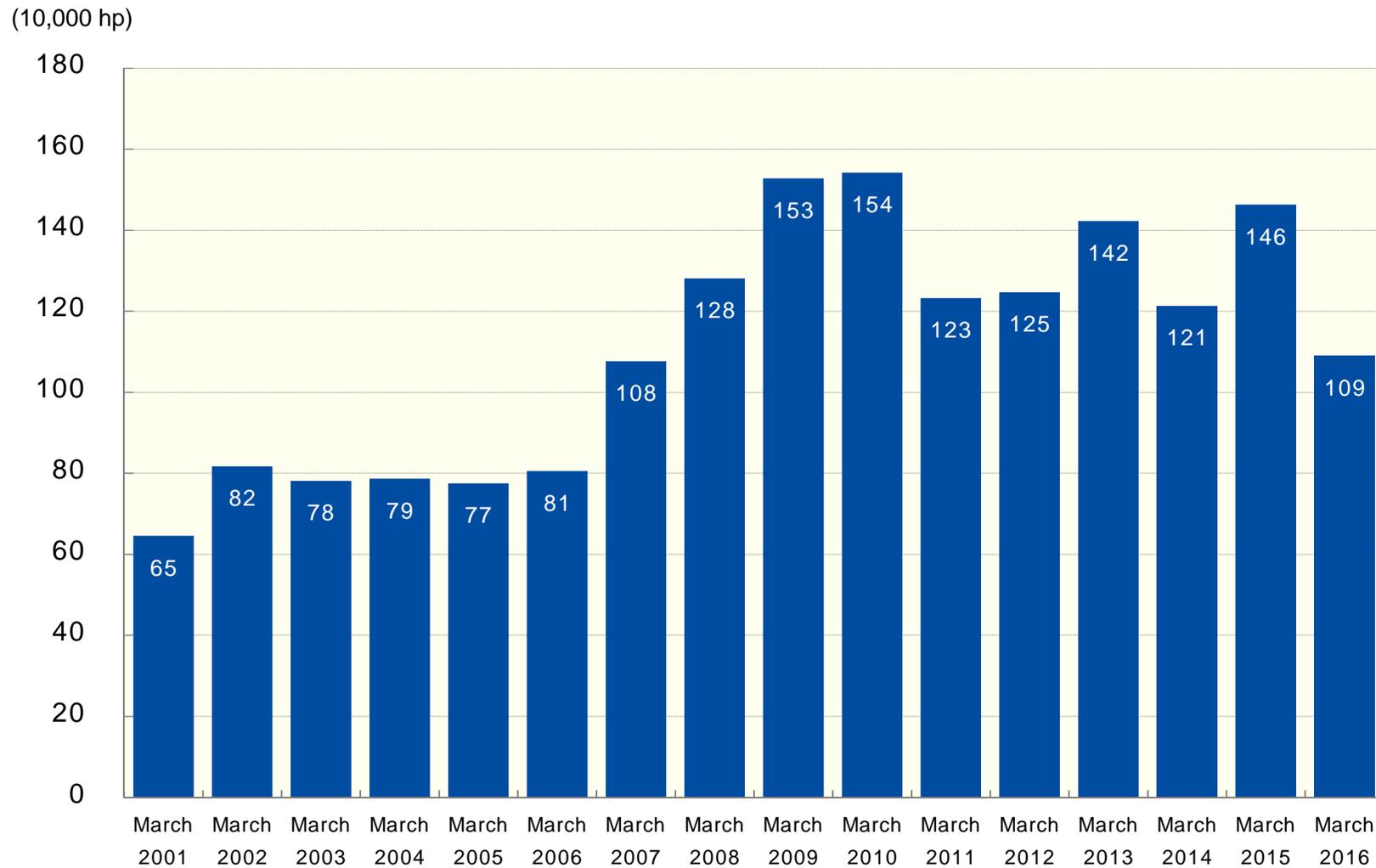
2

**Stable capture of earnings over life-cycle (30 years)**

Post-voyage maintenance services are key.

Cumulative total of engine units (number of ships carrying our engines) is decisive.

## Sales by Horsepower



\*Does not include technological partners in China

## Strengthening Business in the After-sales-service Market

10 years ago

### Holding the line

- Business focus was selling engines to builders of new vessels.
- Sales for the after-sales-service did not really exist.

Sales

approx. ¥15.0 billion

Major increase

Now

### Shifting to the offensive

- Creation of sales teams specializing in parts
- Launch of strategic sales targeting ship-owners and ship-managers in the after-sales-service market

Sales

approx. ¥23.0 billion

Issues for the future

Genuine parts usage ratio is approx. 50%. Scope exists for increasing this rate.

Gradually expand sales to mid-sized ship-owners as well.

## Overseas Strategy (Licensing)

### Anqing CSSC Diesel Engine Co., Ltd.

#### Anqing Diesel

Anhui Province, China  
(Yangtze River Basin, 600 km from Shanghai)

### SHAANXI DIESEL ENGINE HEAVY INDUSTRY CO., LTD.

#### Shaanxi Diesel

Shaanxi Province, China  
(50 km from Xi'an)

- Contract partner since 1982
- Granting of rights for Manufacture and marketing of certain classes of internal combustion engine
- Expand market share of DAIHATSU brand

# Fiscal Year Ended March 31, 2016 Summary of Earnings

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**DAIHATSU**

DAIHATSU DIESEL MFG. CO., LTD.

# Summary

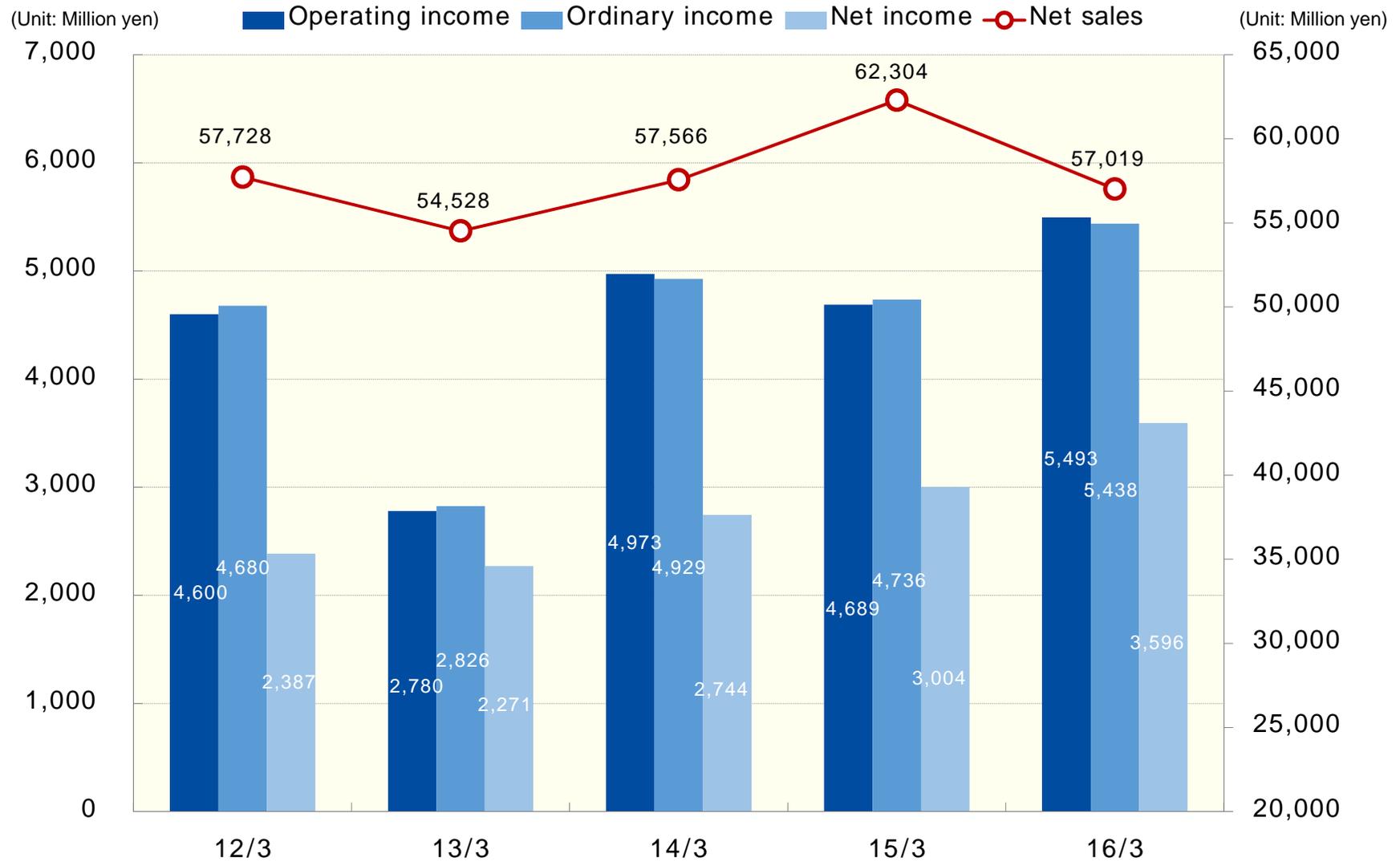
(Unit: Million yen)

	March 2014 Results	March 2015 Results	March 2016 Results	YoY difference	
				Increase/ decrease	(%)
Net sales	57,566	62,304	57,019	(5,285)	(8.5)%
Operating income	4,973	4,689	5,493	804	17.1%
Ordinary income	4,929	4,736	5,438	701	14.8%
Net income	2,744	3,004	3,596	578	19.7%
Basic earnings per share	86.22	94.37	112.98	18.61	16.5%
Total assets	73,657	72,071	75,060	2,988	4.0%
Equity ratio	39.1%	43.8%	45.6%	1.8%	-

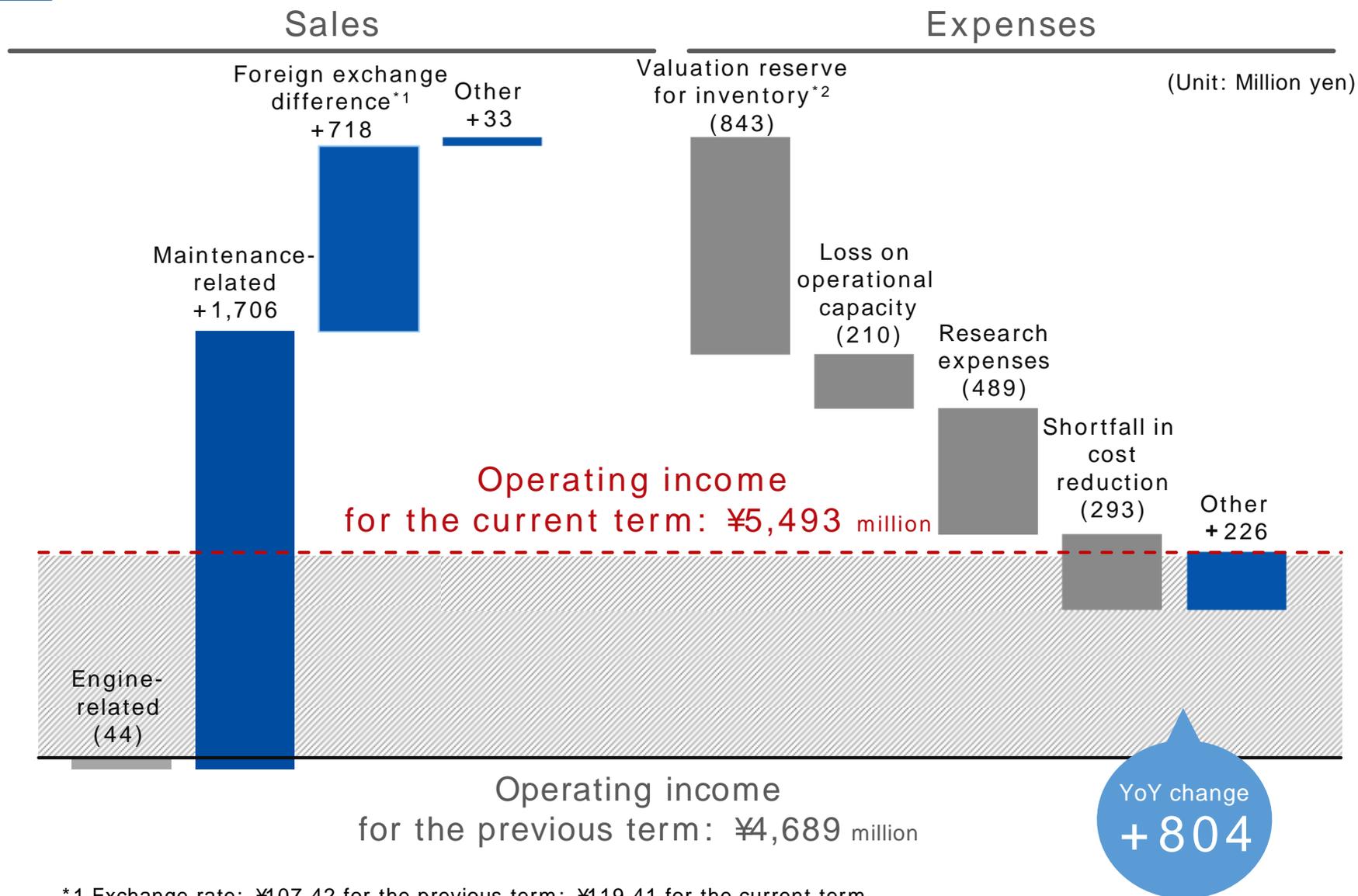
## POINT

- Sales reduction due to decreased ship size
- Solid earnings due to weaker yen, strong performance by maintenance operations
- Reserve to cover costs of delays to deliveries for overseas offshore projects

# Trend of Sales and Earnings



# Analysis of Increase/Decrease in Earnings

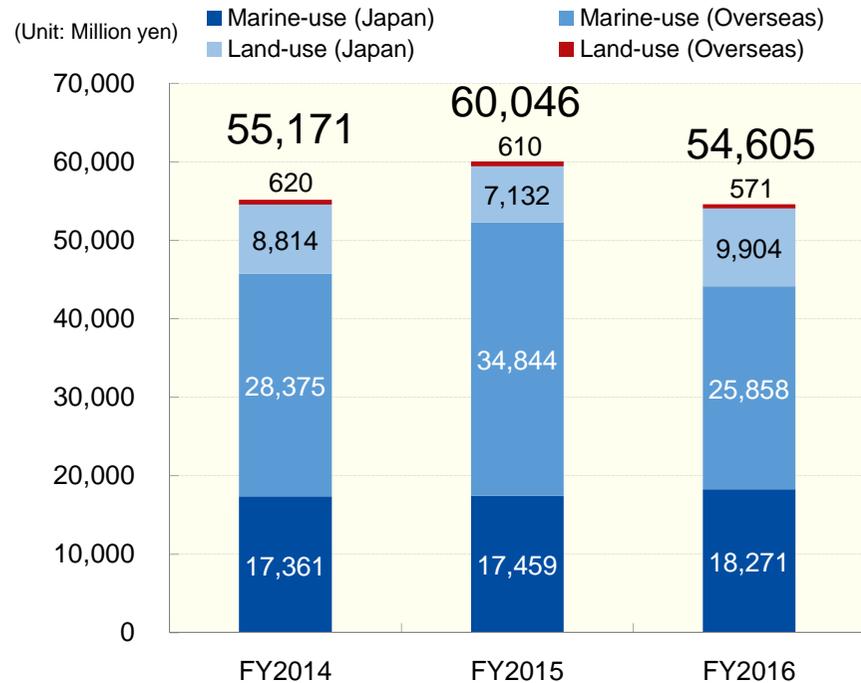


\*1 Exchange rate: ¥107.42 for the previous term; ¥119.41 for the current term

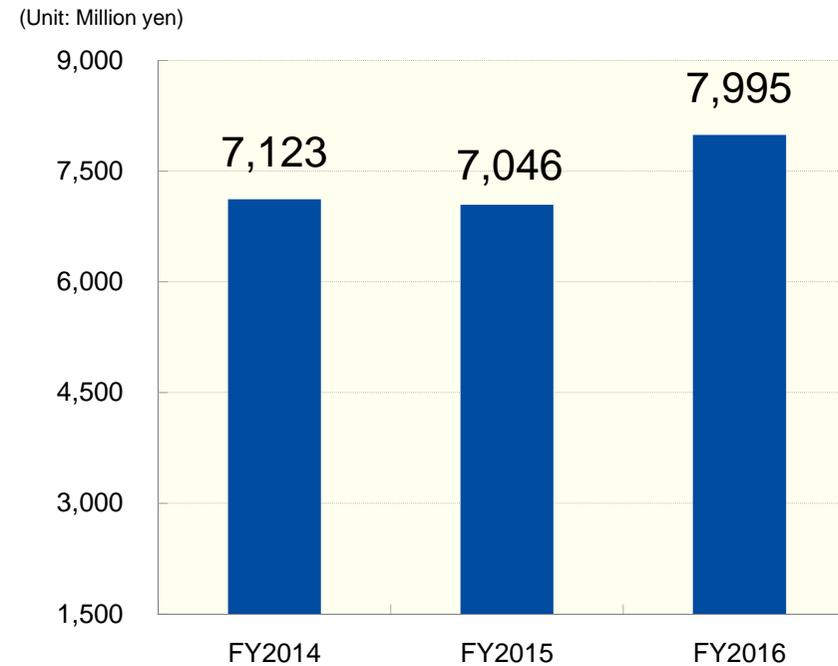
\*2 Valuation reserve for inventory in connection with costs of delays to deliveries for overseas offshore projects

# Net Sales and Earnings for the Internal Combustion Engine Section

Net sales



Internal combustion engine section earnings

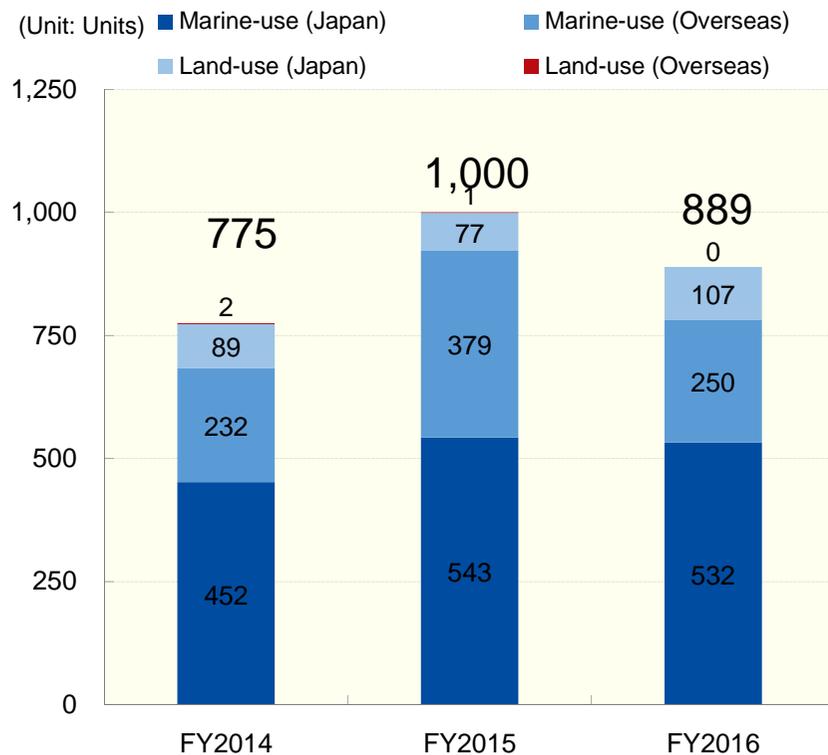


**POINT**

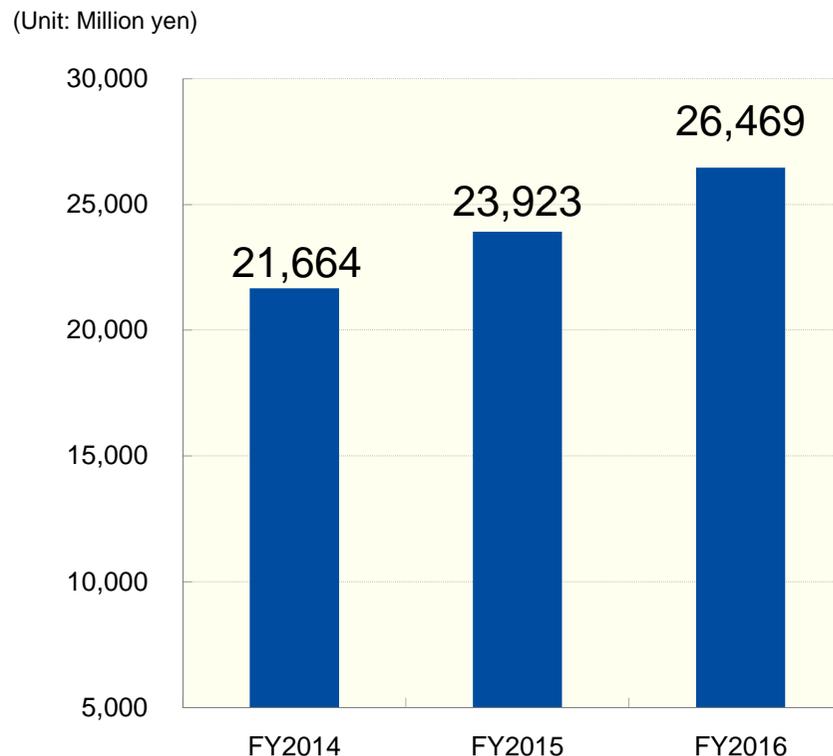
- Profitability picture remains bleak for sales of diesel engine units
- Net sales decline due to rise in sales proportion of smaller diesel engines for marine-use
- Maintenance-related sales are favorable
- Reduced earnings due to reserve for delayed deliveries for overseas offshore projects

## Unit Sales and Maintenance-related Net Sales

Units sold



Maintenance-related net sales



**POINT**

- Total units sold down year-on-year
- Increased earnings on back of weaker yen and solid maintenance-related sales

# Earnings Forecasts

(Unit: Million yen)

	March 2016 Results	March 2017	
		Forecast	Increase/ decrease (%)
Net sales	57,019	63,000	+10.5
Operating income	5,493	5,000	(9.0)
Ordinary income	5,438	5,000	(8.1)
Net income	3,596	3,500	(2.7)
Basic earnings per share	112.98	109.89	(2.7)

\*Exchange rates: March 2016 (Results) ¥19.41, March 2017 (Estimate) ¥10.00

## Forecast

- Sales increase from higher sales composition of marine-use large-scale diesel engines
- Profitability picture to remain bleak for main engine units
- Maintenance-related sales and earnings to be flat



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Please be aware that actual results may differ significantly from forecasts, due to changes in the business environment, etc.

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