

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.

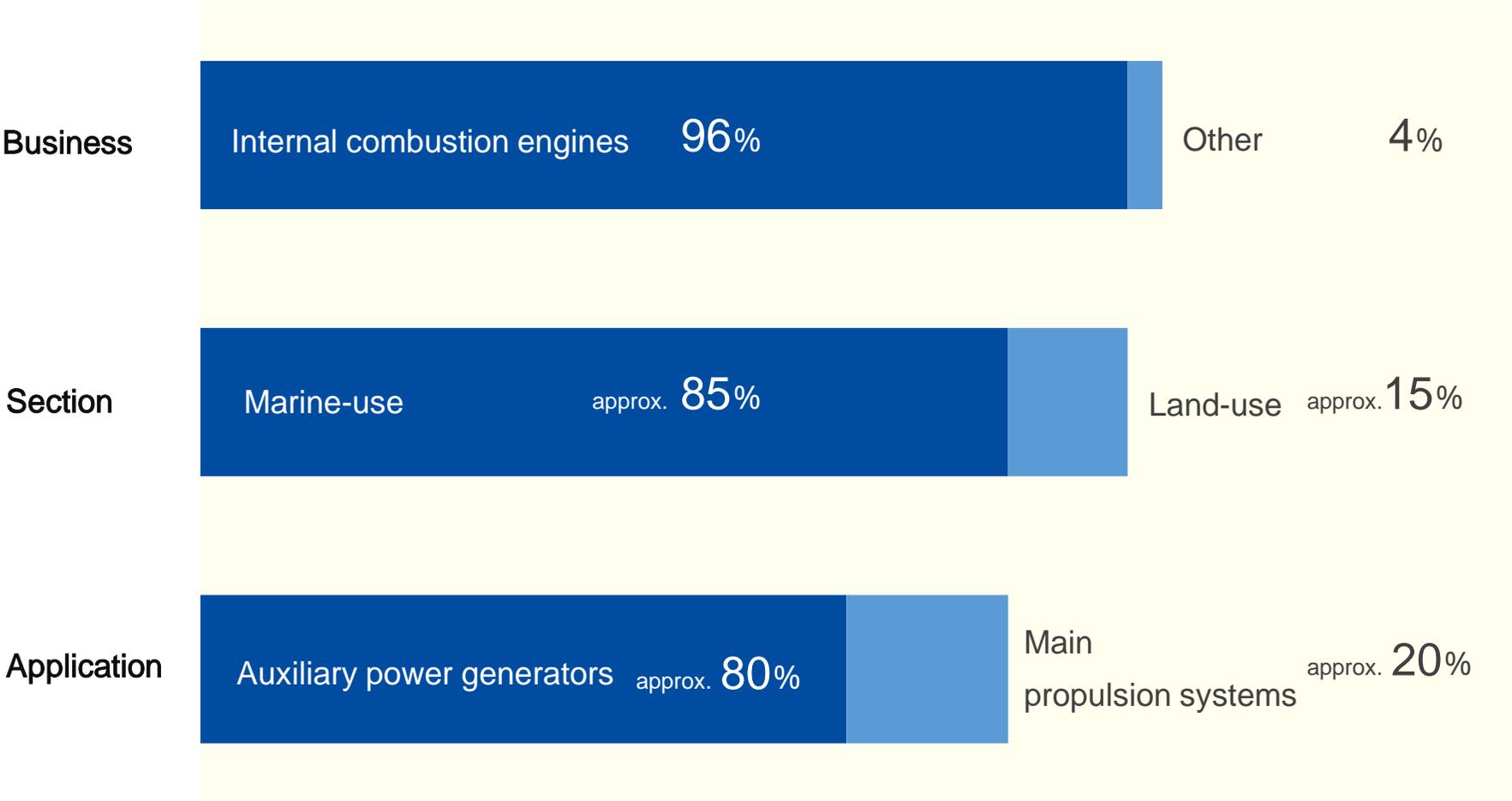
Fiscal Year Ended March 31, 2017

# Financial Results Briefing

May 2017

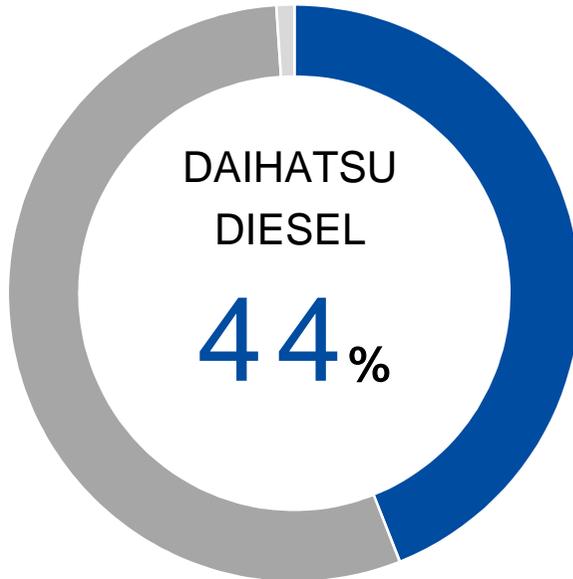


# Sales Breakdown

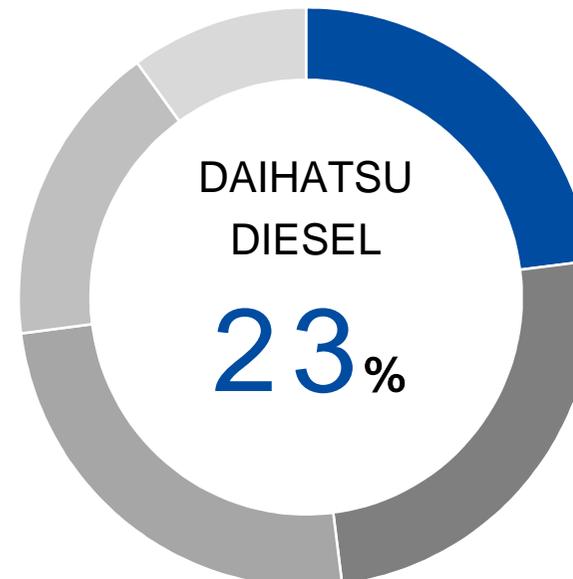


# Market Share (Auxiliary Engines for Large Ocean-going Vessels)

Share in Japan



Overseas market share

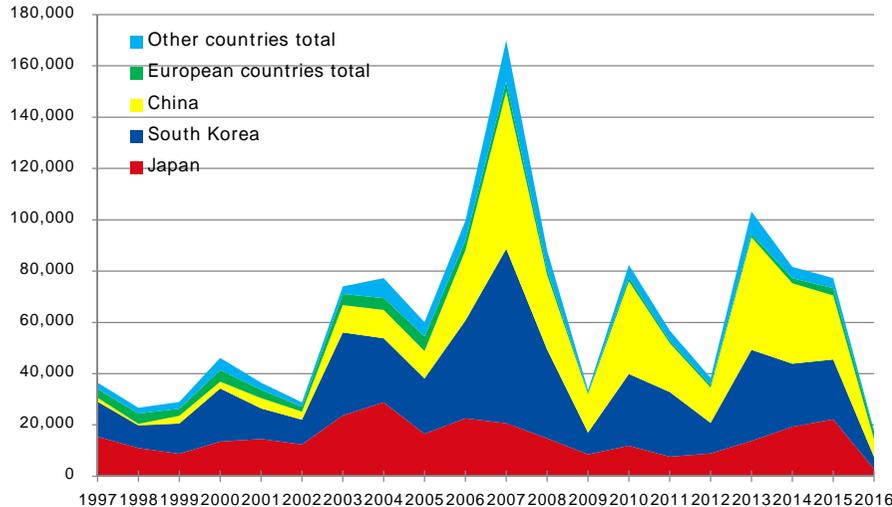


## Major competitors

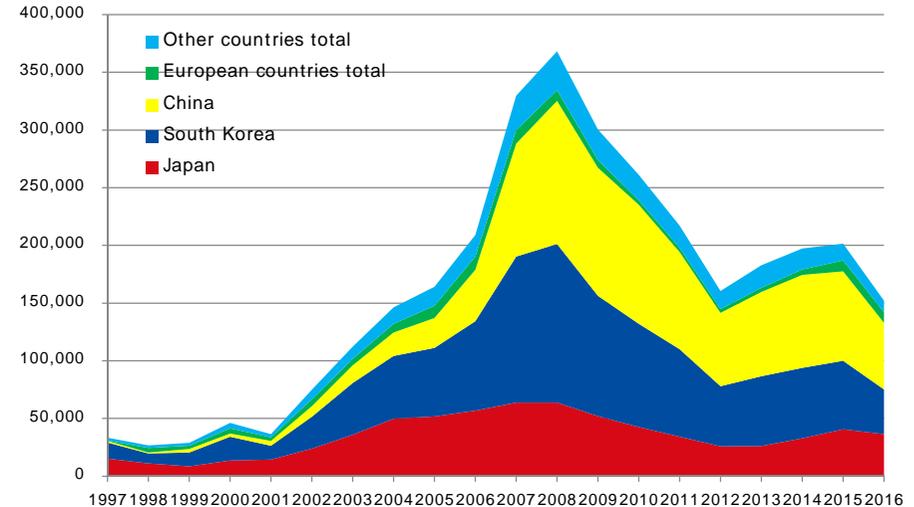
- Japan: companyY
- Overseas: company M (Denmark), companyY(Japan), companyH(South Korea), companyW (Finland)

# Market Trends for Newbuild Vessels

## Volume of orders received, by country

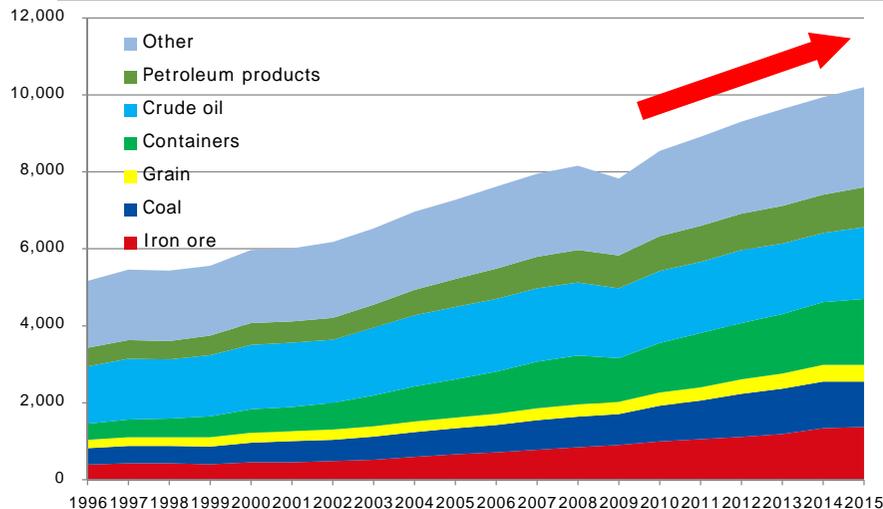


## Volume of work in hand, by country



Source: The Shipbuilders' Association of Japan

## Global ocean cargo volumes, by product



- Orders received showed an uneven increase over time, with a spike in 2006 to 2007, just before the 2008 financial crisis, but decreased significantly due to the downturn in the marine cargo market in 2016
- Volume of work in hand showed recovery following a major slump after the 2008 financial crisis, but is decreasing at present, showing the same trend as the volume of orders received
- Ocean cargo volumes show steady rise over time

## 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

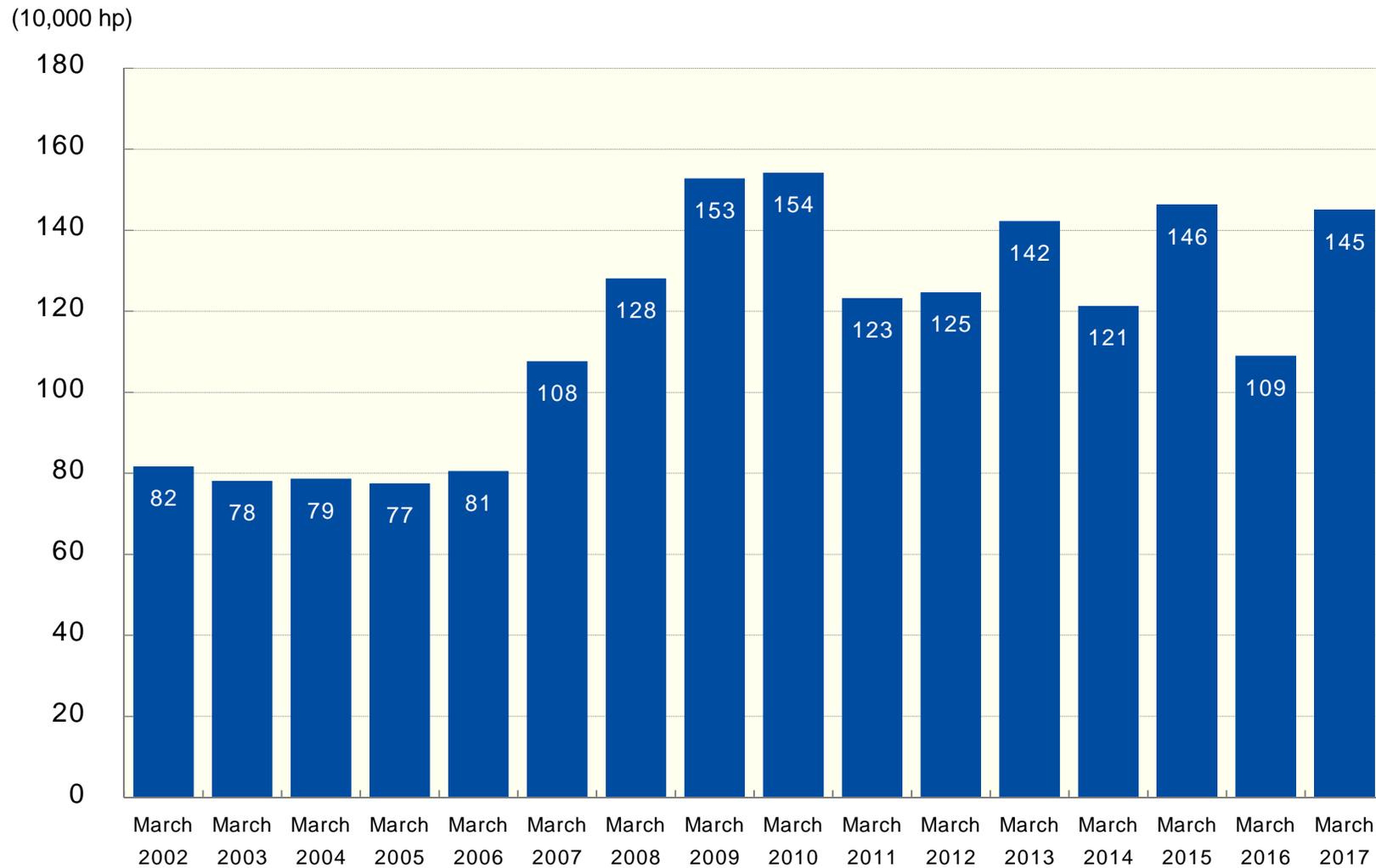
2

**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. ¥26.0 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, 2017

## Summary of Earnings

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**DAIHATSU**

DAIHATSU DIESEL MFG. CO., LTD.

## Summary

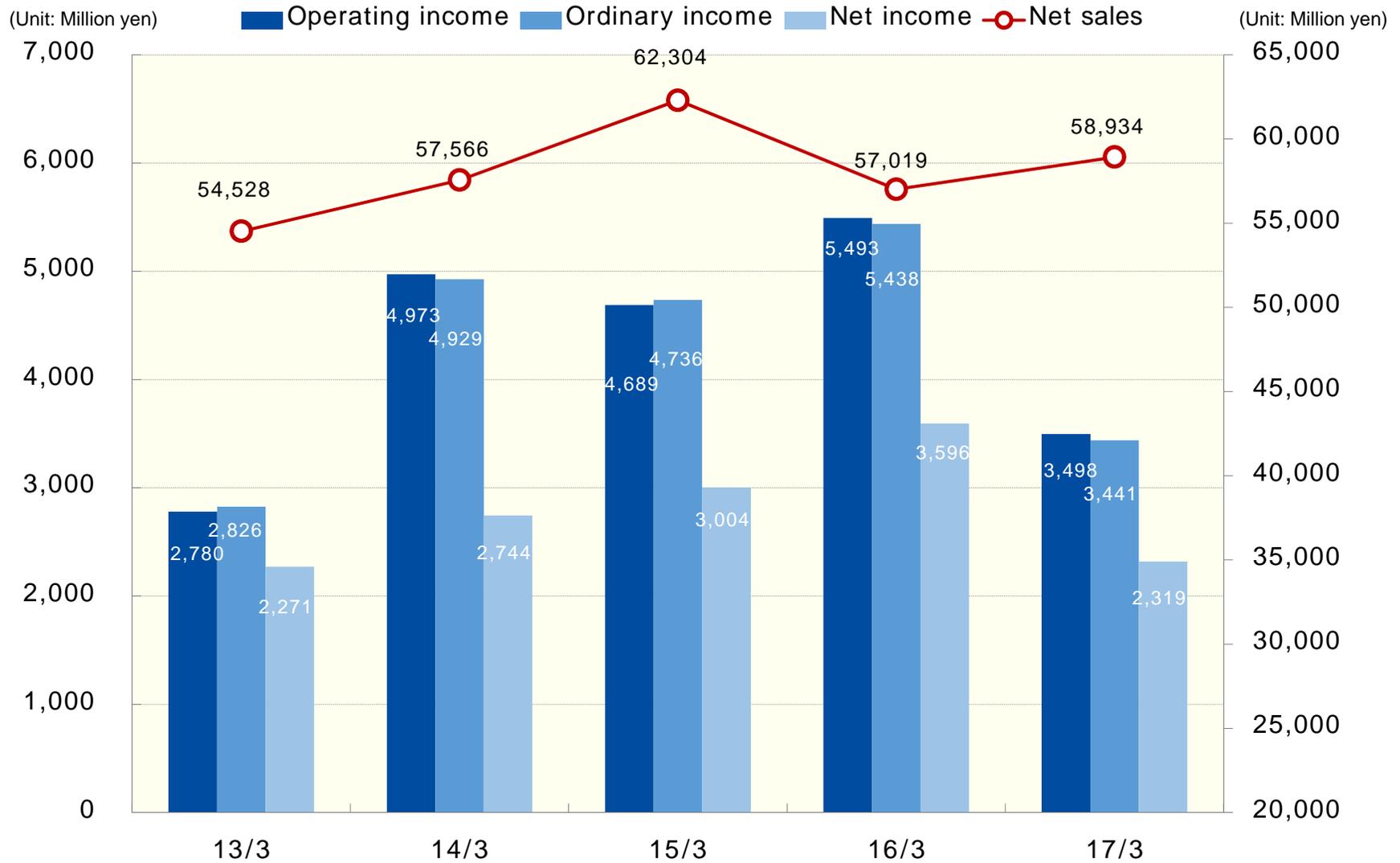
(Unit: Million yen)

	March 2015 Results	March 2016 Results	March 2017 Results	YoY difference	
				Increase/ decrease	(%)
Net sales	62,304	57,019	58,934	1,914	3.4%
Operating income	4,689	5,493	3,498	(1,995)	(36.3)%
Ordinary income	4,736	5,438	3,441	(1,997)	(36.7)%
Net income	3,004	3,596	2,319	(1,277)	(35.5)%
Basic earnings per share	94.37	112.98	72.87	(40.11)	(35.5)%
Total assets	72,071	75,060	78,981	3,921	5.2%
Equity ratio	43.8%	45.6%	46.1%	0.5%	-

### POINT

- Sales expanded due to increased ship size
- Worsening profitability on engine sales, sluggish performance by maintenance operations and yen appreciation had a major negative impact on earnings

# Trend of Sales and Earnings



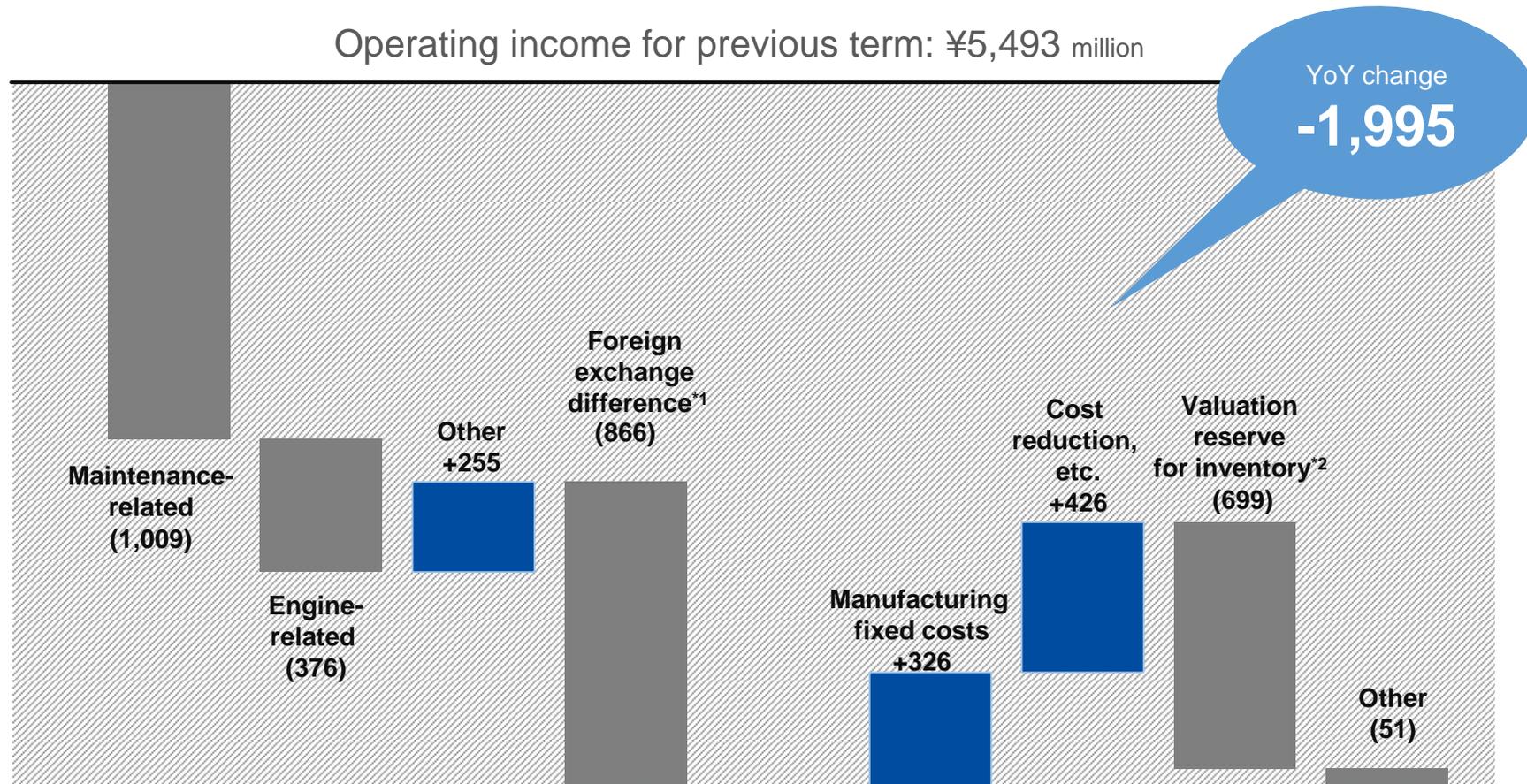
# Analysis of Increase/Decrease in Earnings

Sales

Expenses

(Unit: Million yen)

Operating income for previous term: ¥5,493 million



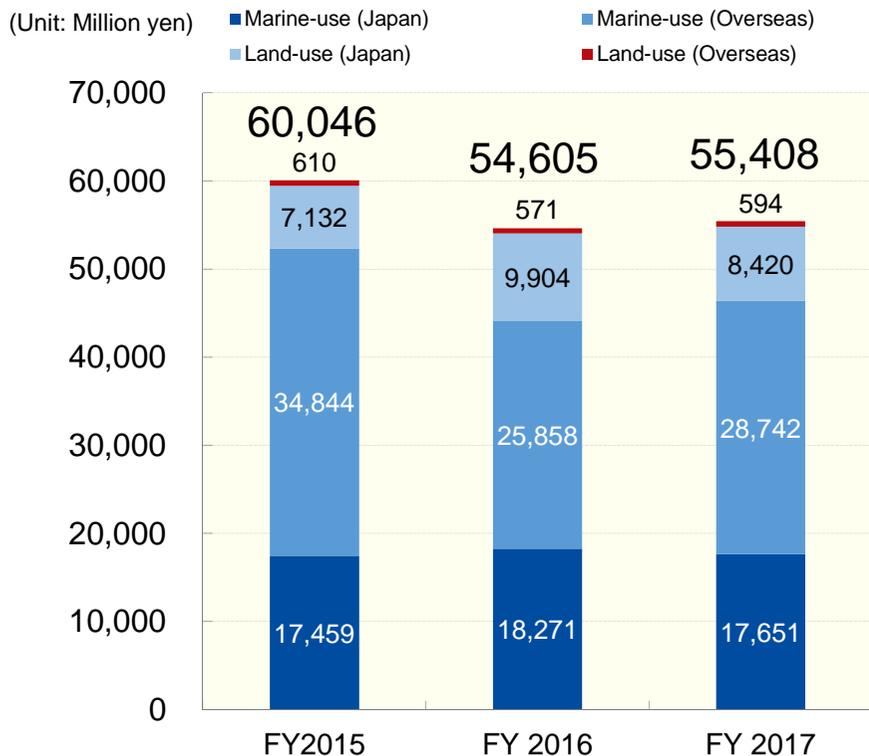
**Operating income for the current term: ¥3,498 million**

\*1 Exchange rate: ¥119.41 for the previous term; ¥108.35 for the current term

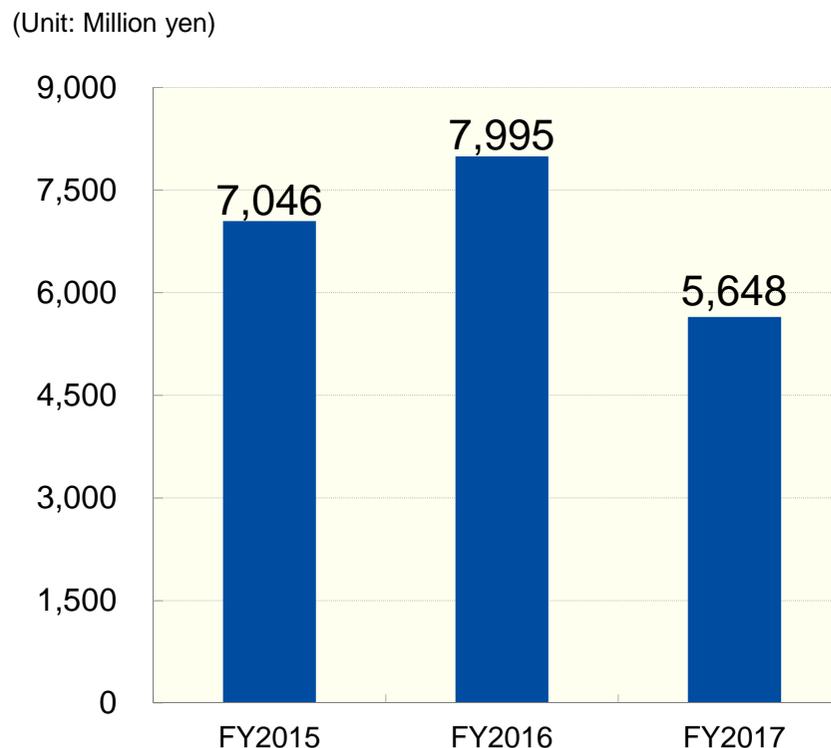
\*2 Valuation reserves, etc. for the inventory, associated with foreign exchange fluctuations

# Net Sales and Earnings for the Internal Combustion Engine Section

## Net sales



## Internal combustion engine section earnings

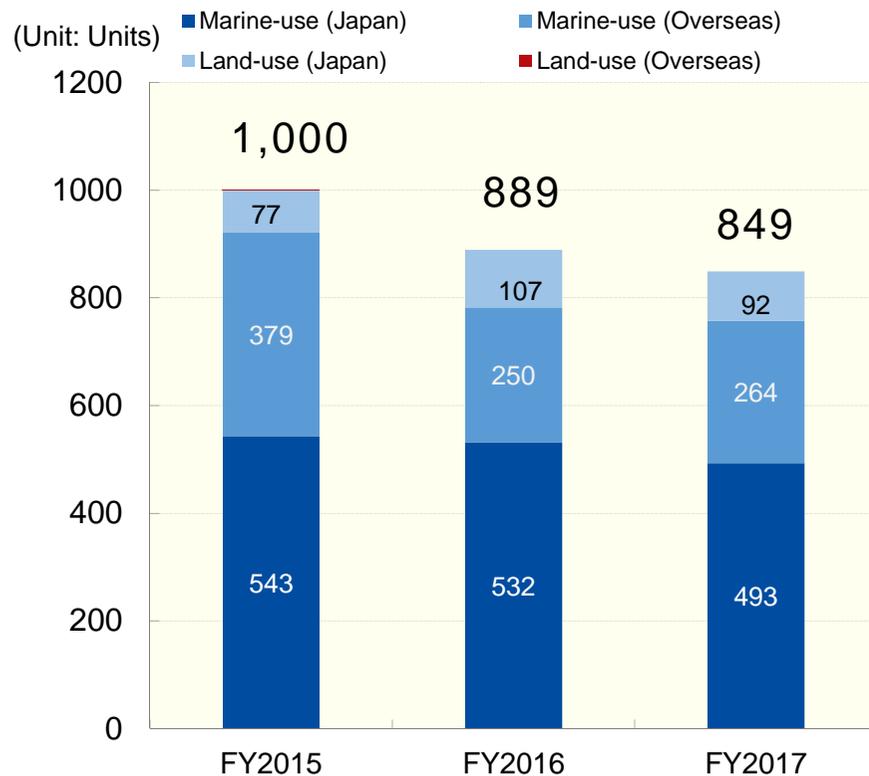


### POINT

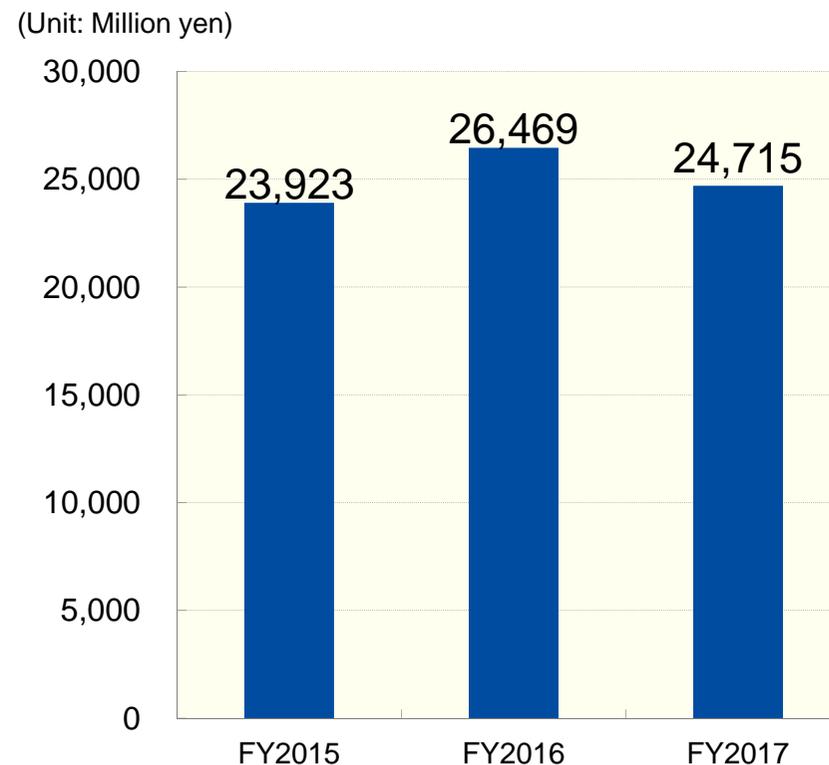
- Net sales increase due to rise in sales proportion of larger diesel engines for marine-use
- Reduced earnings due to the weaker profitability for sales of diesel engine units, stagnant maintenance-related sales and yen appreciation

# Unit Sales and Maintenance-related Net Sales

Units sold



Maintenance-related net sales



**POINT**

- Total units sold decreased
- Decreased maintenance-related sales due to sluggish market environment

## Earnings Forecasts

(Unit: Million yen)

	March 2017 Results	March 2018	
		Forecast	Increase/ decrease (%)
Net sales	58,934	63,000	+6.9
Operating income	3,498	2,500	(28.5)
Ordinary income	3,441	2,400	(30.3)
Net income	2,319	1,500	(35.3)
Basic earnings per share	72.87	47.09	(35.3)

\*Exchange rates: March 2017 (Results): ¥108.35, March 2018 (Estimate): ¥105.00

### Forecast

- Sales increase from higher sales composition of marine-use large-scale diesel engines
- Profitability deteriorating for main engine units
- Earnings decrease due to yen appreciation



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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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