

The DAIHATSU logo is displayed in white, bold, uppercase letters within a white rectangular box. The background of the slide features a blue underwater scene with a bright light source at the top center, creating a lens flare effect and illuminating the water and some fish.

DAIHATSU DIESEL MFG. CO., LTD.

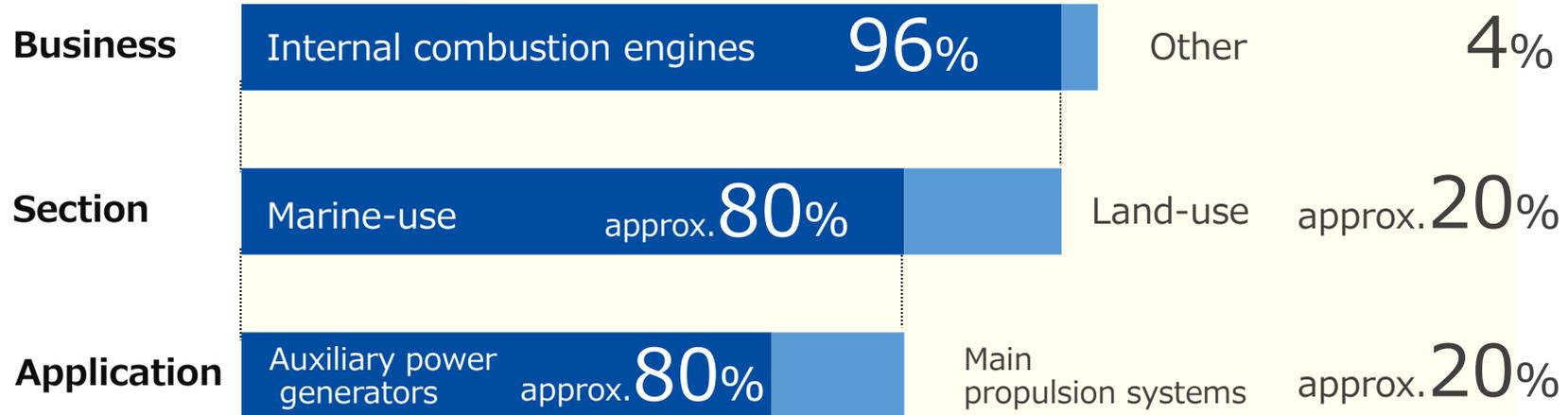
First Half of the Fiscal Year Ending March 31, 2018

Financial Results Briefing

November 2017

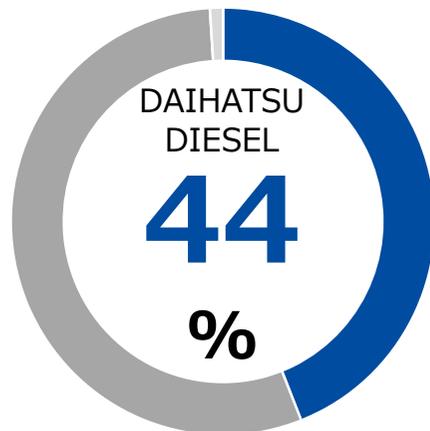
Sales Breakdown/Market Share

Sales Breakdown

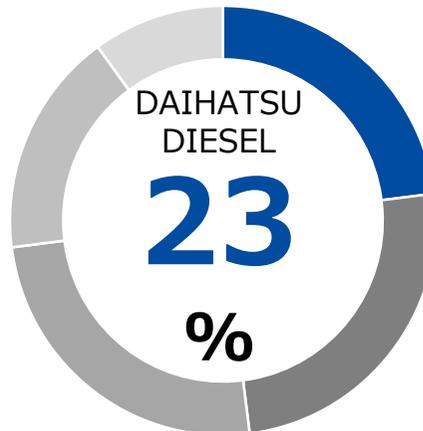


Market Share (Auxiliary Engines for Large Ocean-going Vessels)

〈Share in Japan〉



〈Overseas market share〉

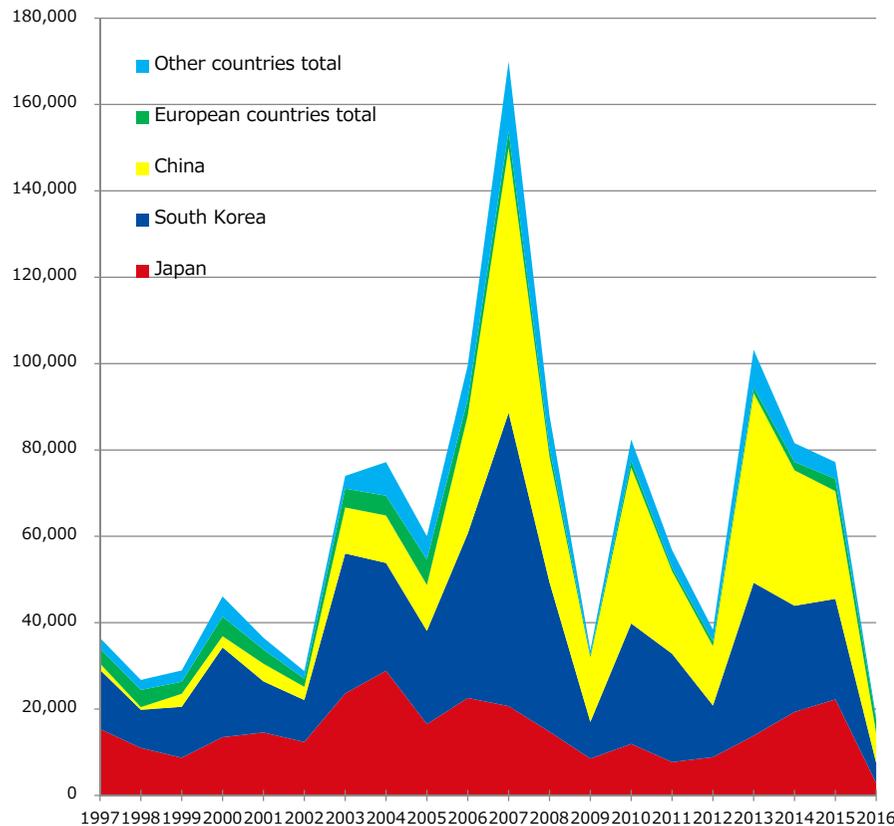


Major competitors

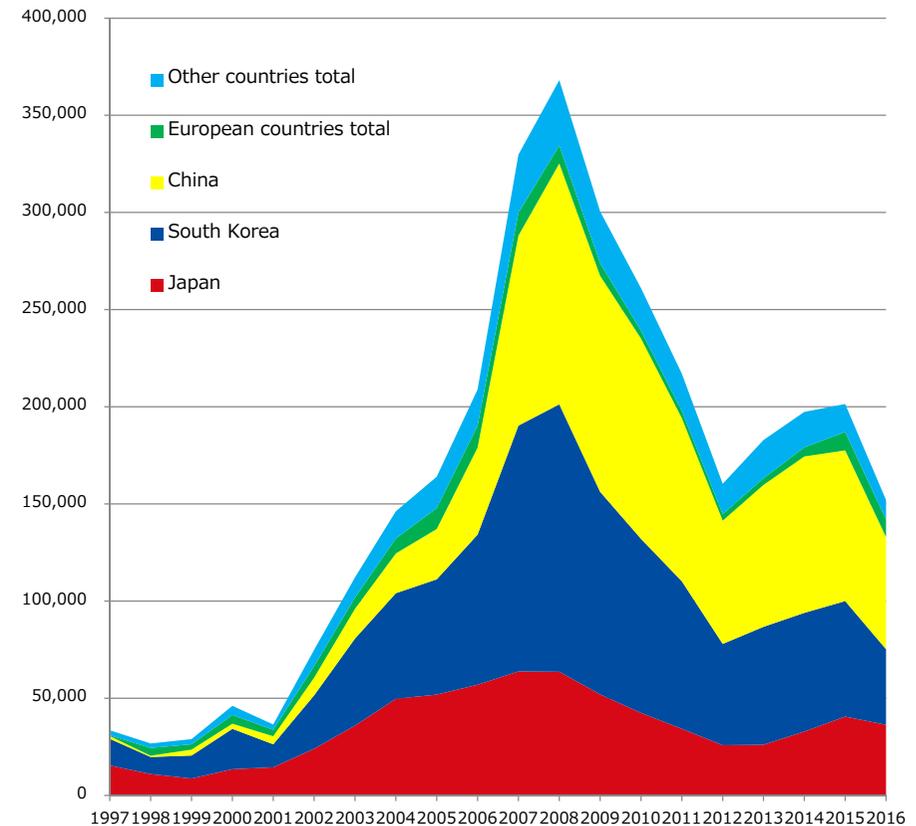
- Japan: company Y
- Overseas: company M(Denmark), company Y(Japan), company H(South Korea), company W (Finland)

Market Trends for Newbuild Vessels

Volume of orders received, by country



Volume of work in hand, by country

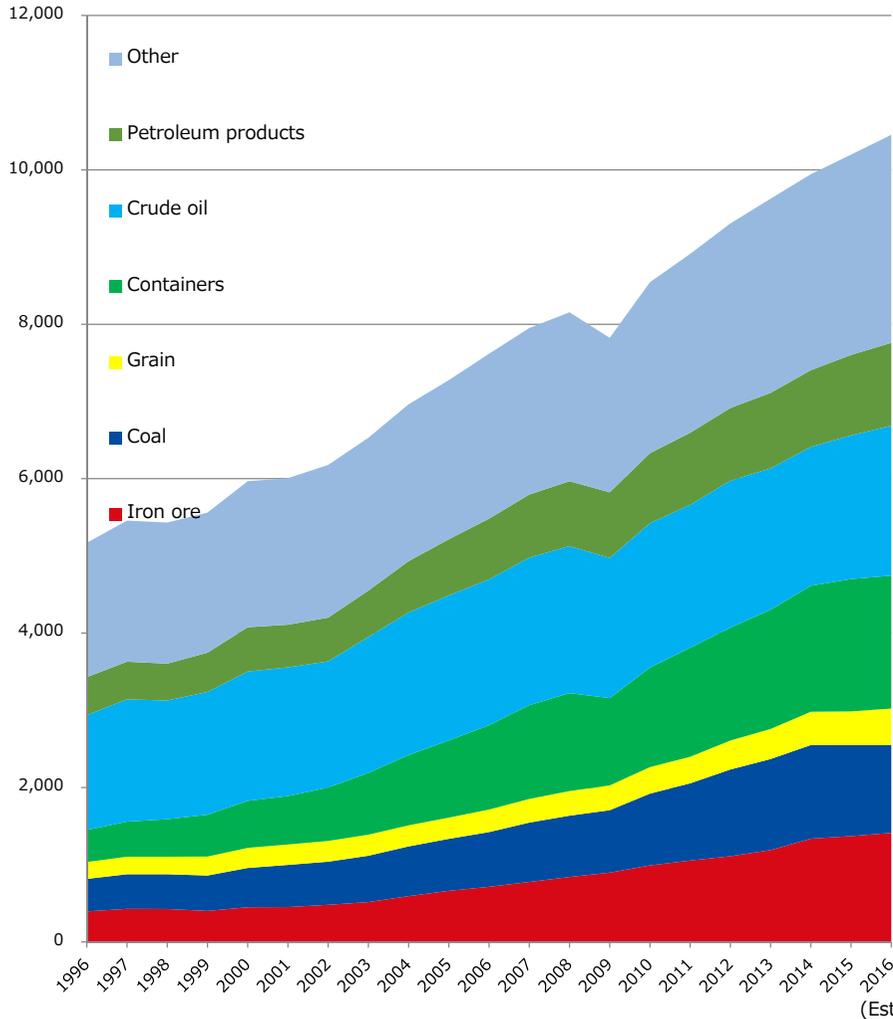


Source: The Shipbuilders' Association of Japan

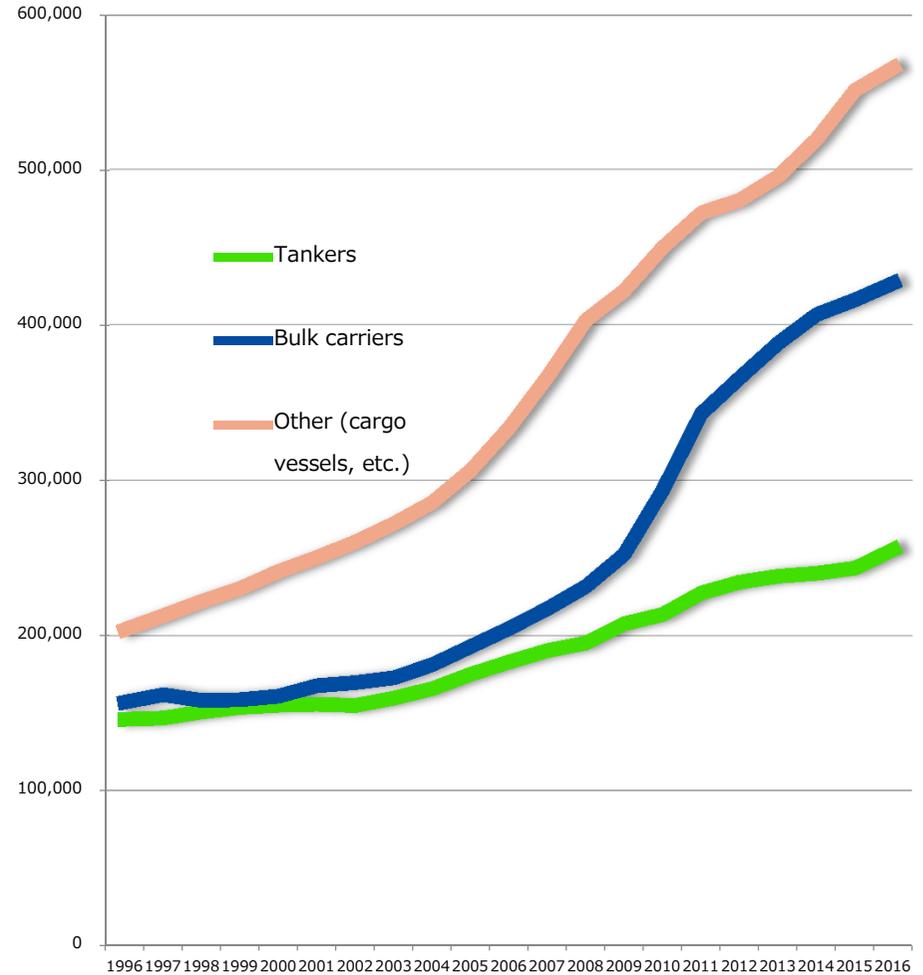
- Orders received showed an uneven increase overtime, with a spike in 2006 to 2007, just before the 2008 financial crisis, but decreased significantly due to the downturn in the marine cargo market in 2016
- Volume of work in hand showed recovery following a major slump after the 2008 financial crisis,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

Market Trend for Marine Cargo

Global ocean cargo volumes, by product



Global shipping capacity

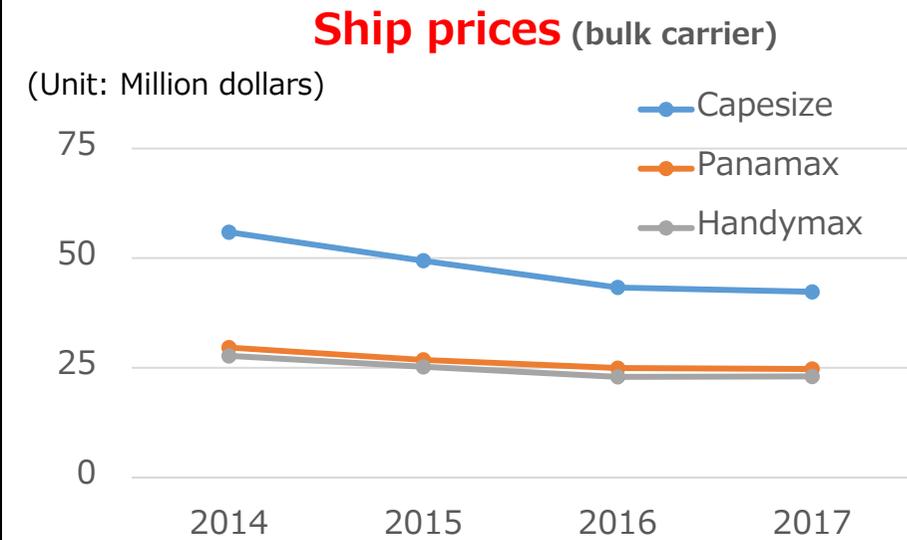
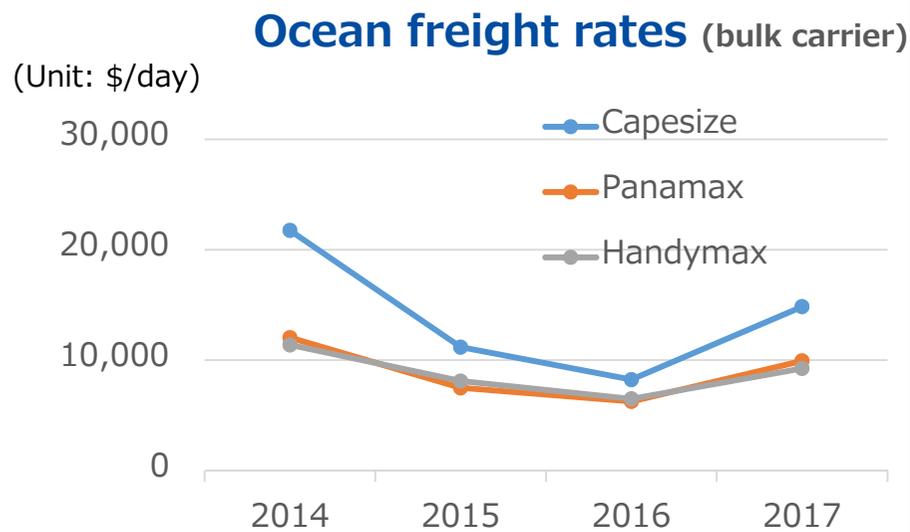
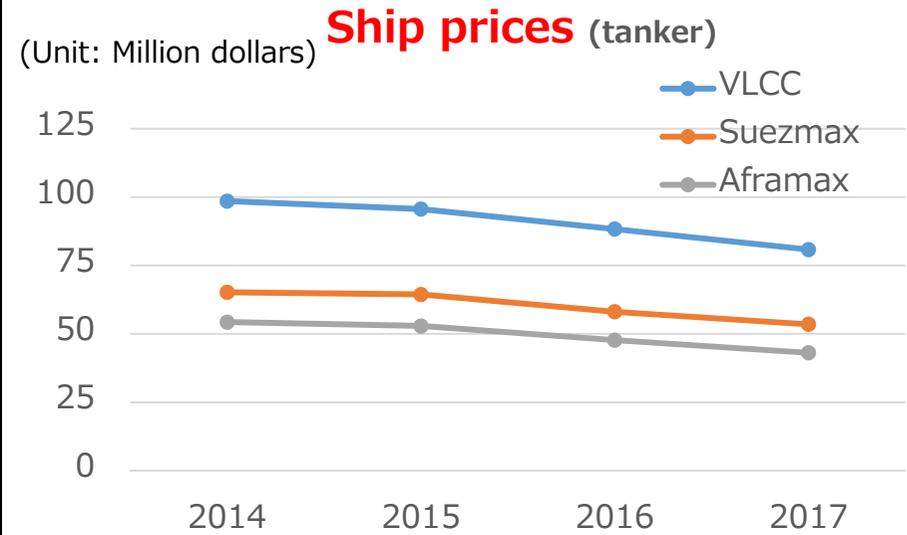
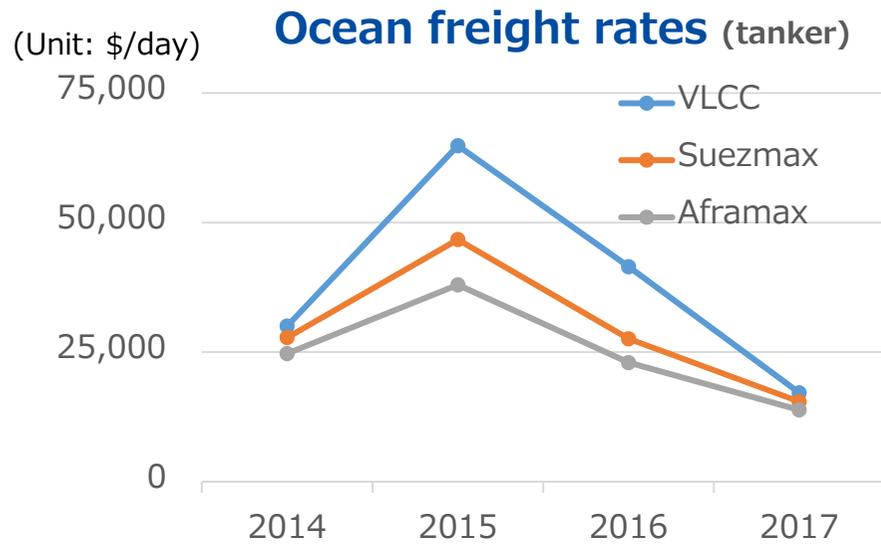


Source: The Shipbuilders' Association of Japan

Increasing trend in shipping capacity in line with increase in ocean cargo volume
 → stable increase in maintenance demand expected

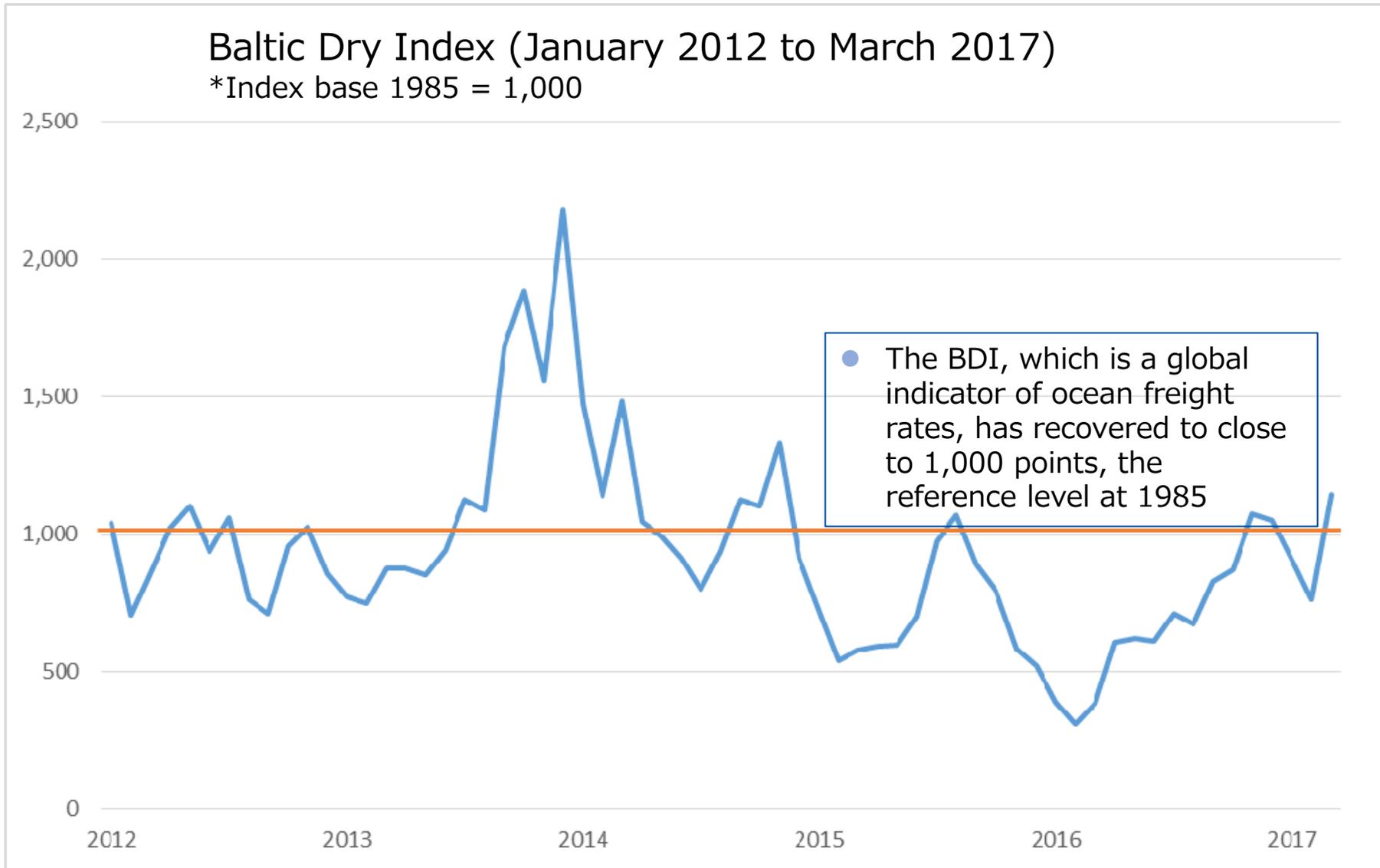
Trends for Ocean Freight Rates and Ship Prices

* Average prices from January to August 2017



Source: The Shipbuilders' Association of Japan

Trend for BDI (Baltic Dry Index)



Source: Japan Maritime Center

Remarks on Earnings

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

POINT

- ▶ Post-voyage maintenance services are key.
- ▶ Cumulative total of engine units (number of ships carrying our engines) is decisive.

Sales by Horsepower(10,000 hp)



*Does not include technological partners in China

Strengthening Business in the After-sales-service Market/Overseas Strategy (Licensing)

10 years ago Sales approx. ¥15.0 billion

Holding the line

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

Major increase

Now Sales approx. ¥26.0 billion

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

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.

Licensing (in China)

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

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)

Recent Major Initiatives in Line with Mid-term Management Plan

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DAIHATSU DIESEL MFG. CO., LTD.

Update on Recent Major Progress 1 (Peripheral Businesses)

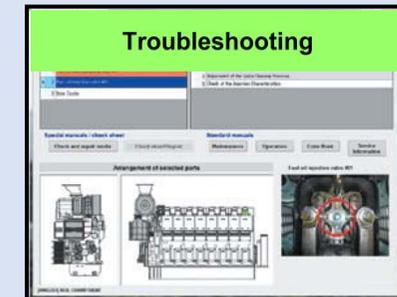
First order for our Next-Generation support solution for Auxiliary engines (July 2017)

Next-generation engine condition monitoring system for ship-to-land communication via communication satellite
(C-MAX-LC-A: Built through collaboration between multiple marine-use device manufacturers)



Acquire engine condition monitoring data from engine-mounted sensors

Diagnosis and troubleshooting
(Facilitates timely maintenance and contributes to the prevention of malfunctions)

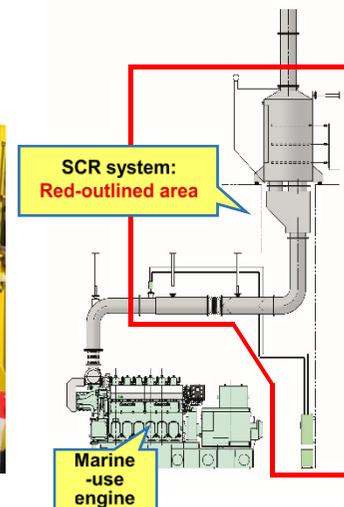


Complete onboard engine management solution
(Supports safer operation and helps to reduce life-cycle costs of vessels)

Update on Recent Major Progress 2 (Environment-related Products)

First shipment of SCR (selective catalytic reduction system) (October 2017)

- Detoxification of NOx (nitrogen oxides) in exhaust gas emissions and compliance with IMO (International Maritime Organization) Tier III standards
 - Tier III standards require an 80% reduction in the emission rate of NOx in exhaust gas emissions compared with Tier I standards
- Orders already received for over 40 units



Dual fuel engine delivery (June 2017)

- Delivered emergency power generator to a local government disaster response headquarters (The objective is to secure a BCP (business continuity plan) power source for responding to disasters)
 - Dual fuel gas turbine that uses both liquid fuel and city gas as fuel
- Working to expand sales for marine-use applications also as an environmentally friendly engine that allows users to select the optimal fuel depending on ship operation



Update on Recent Major Progress 3 (New Himeji Factory)

Preparing to commence operations at new Himeji Factory (within 2018)

- Factory construction is progressing according to schedule
(Building handover scheduled for end of January 2018)



- First batch of employees to serve at
DAIHATSU DIESEL HIMEJI CO., LTD.
(Joined on April 1, 2017)



(Image of completed factory)

First Half of the Fiscal Year Ending March 31, 2018 Summary of Earnings

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DAIHATSU DIESEL MFG. CO., LTD.

Summary

(Unit: Million yen)

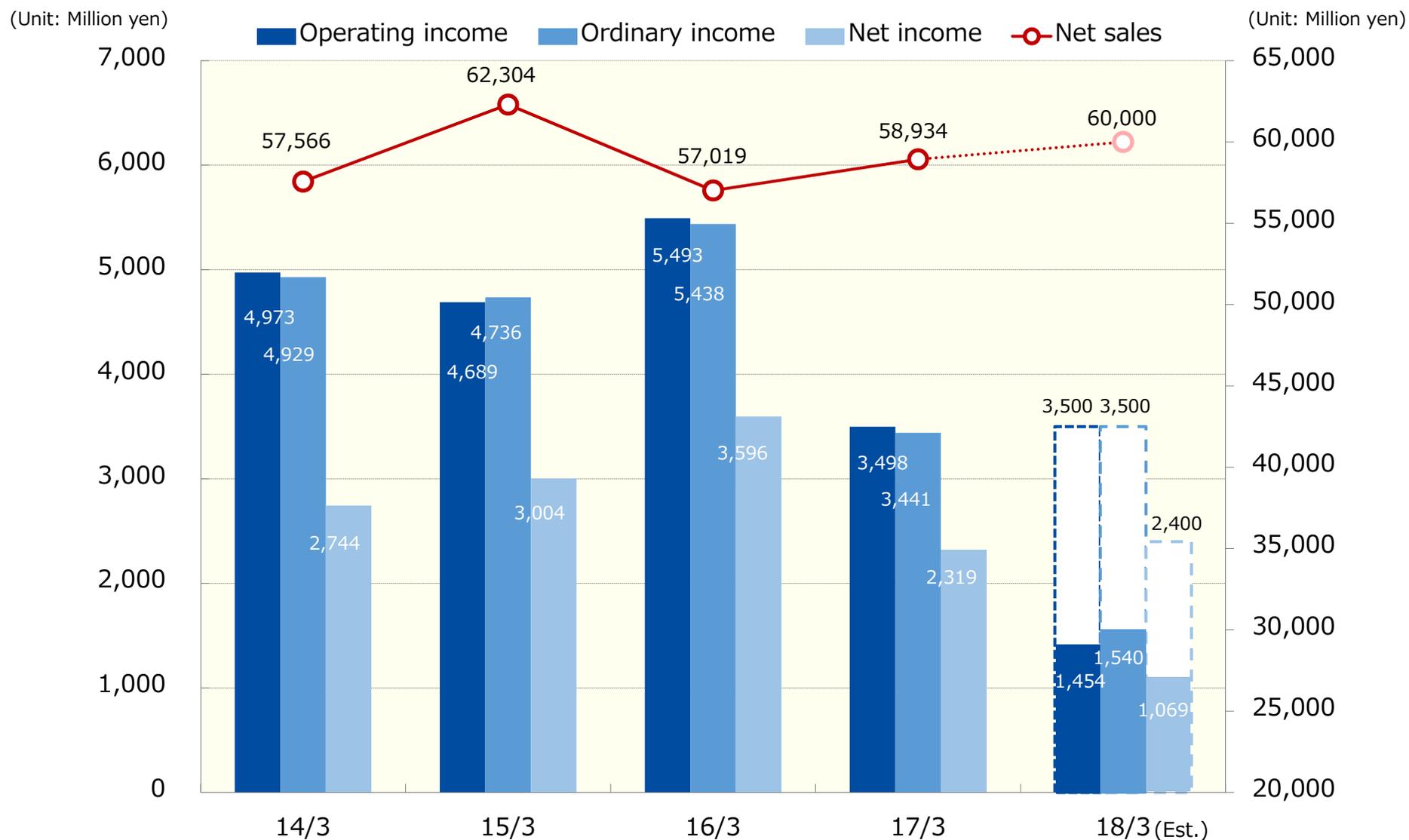
| | September 2015 Results | September 2016 Results | September 2017 Results | YoY difference | | March 2018 | |
|--------------------------|------------------------|------------------------|------------------------|-------------------|-------|------------|--------------|
| | | | | Increase/decrease | (%) | Forecast* | Progress (%) |
| Net sales | 26,447 | 28,139 | 29,557 | 1,417 | 5.0% | 60,000 | 49.3% |
| Operating income | 1,884 | 1,097 | 1,454 | 356 | 32.4% | 3,500 | 41.5% |
| Ordinary income | 1,833 | 997 | 1,540 | 542 | 54.4% | 3,500 | 44.0% |
| Net income | 1,227 | 706 | 1,069 | 362 | 51.2% | 2,400 | 44.5% |
| Basic earnings per share | 38.55 | 22.20 | 33.58 | 11.38 | 51.2% | 75.35 | 44.5% |
| Total assets | 71,934 | 75,652 | 78,339 | 2,686 | 3.6% | — | — |
| Equity ratio | 45.1% | 45.3% | 47.3% | 2.0% | — | — | — |

*revised on October 16, 2017

POINT

- Sales expanded due to increased ship size and increased sales of land-use engines
- Stagnant maintenance-related sales
- Yen depreciation had a significant effect on sales and earnings

Trend of Sales and Earnings



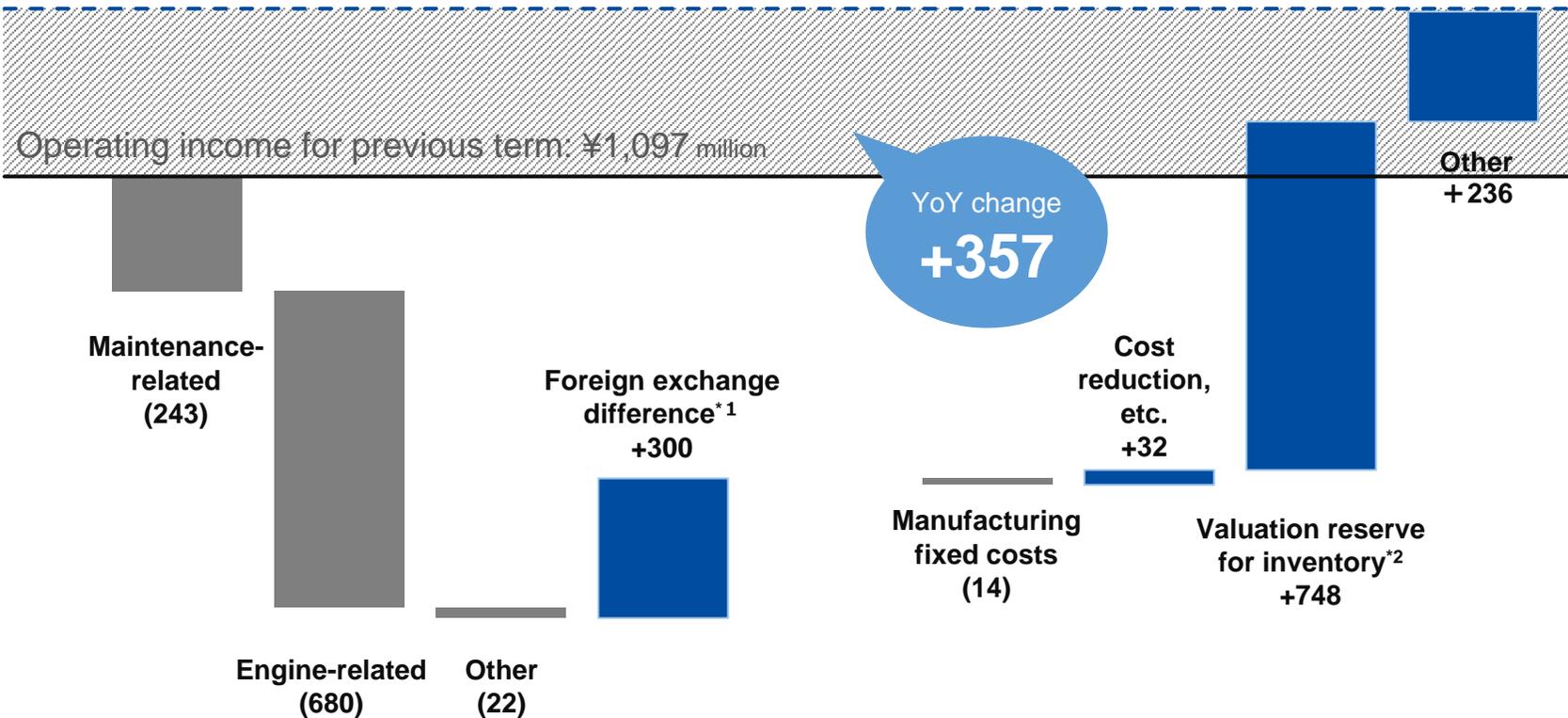
Analysis of Increase/Decrease in Earnings

Sales

Expenses

(Unit: Million yen)

Operating income for the current term: ¥1,454 million

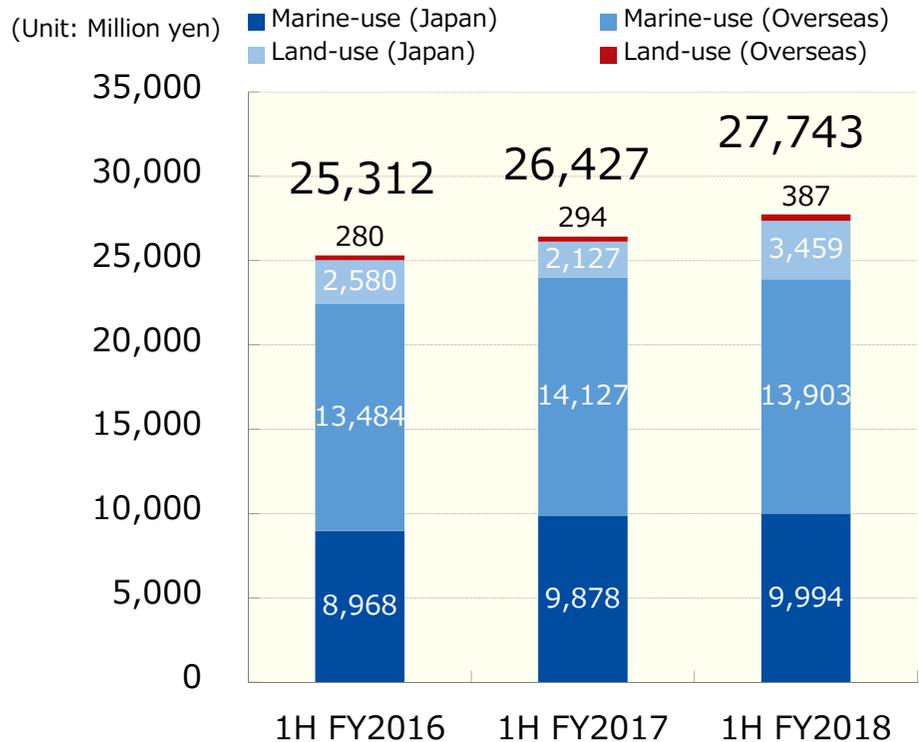


*1 Exchange rate: ¥104.35 for the previous term; ¥110.65 for the current term

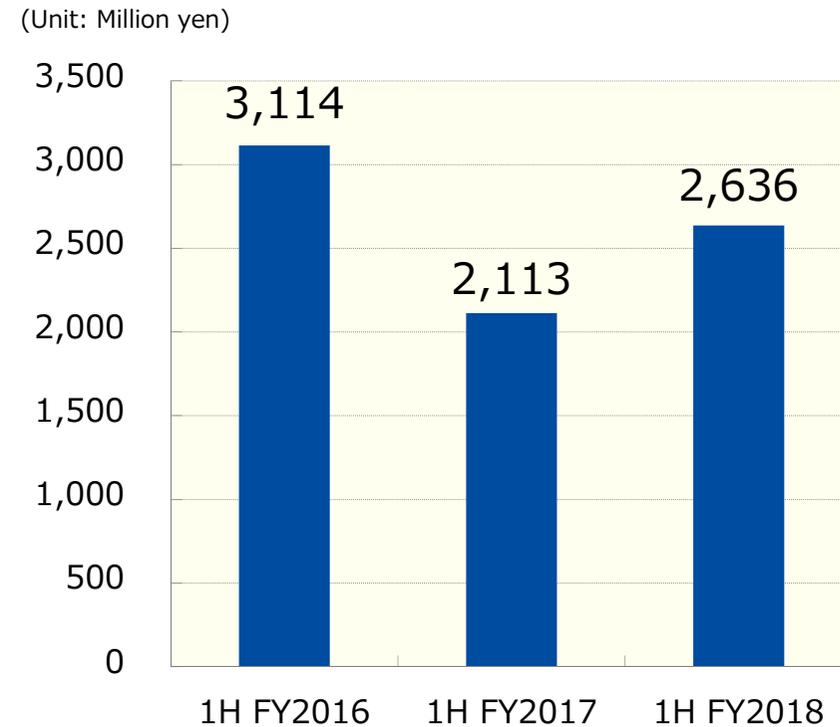
*2 Valuation reserves, etc. for the inventory, associated with foreign exchange fluctuations

Net Sales and Earnings for the Internal Combustion Engine Section

Net sales



Internal combustion engine section earnings

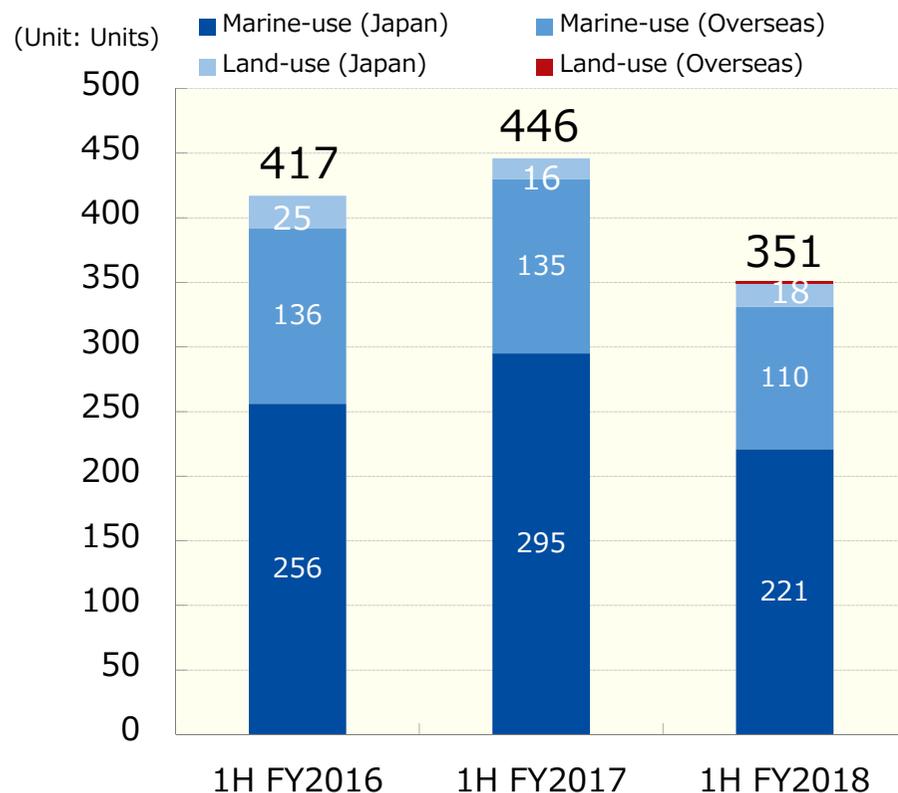


POINT

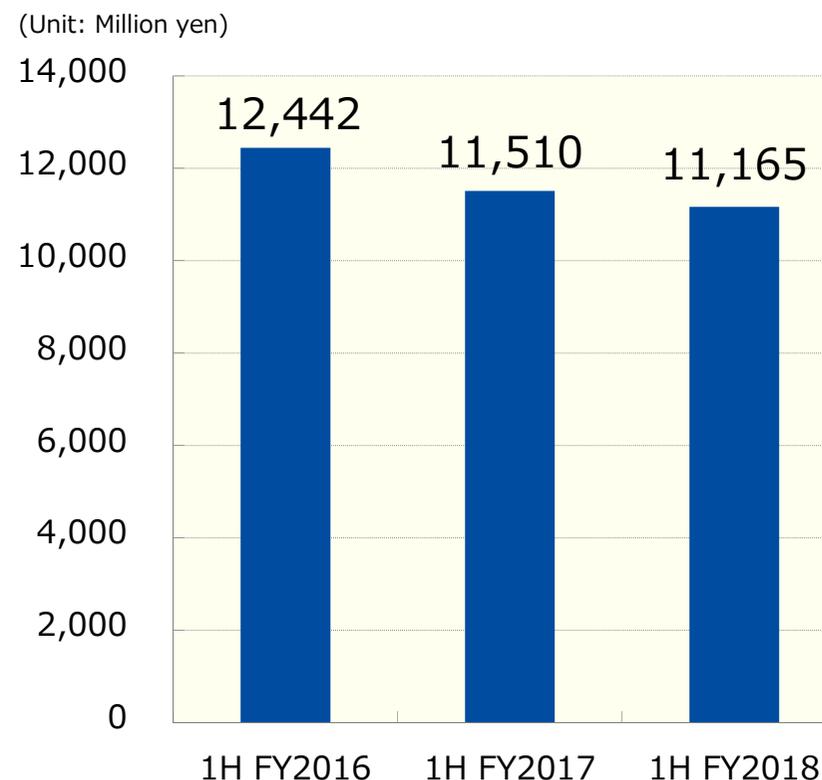
- Proportion of larger diesel engines for marine-use increased, but total units sold decreased
- Profitability picture remains bleak for sales of diesel engine units
- Maintenance-related sales are stagnant
- Yen depreciation had a significant effect on sales and earnings

Unit Sales and Maintenance-related Net Sales

Units sold



Maintenance-related net sales



POINT

- Total units sold decreased owing to deferral of delivery dates
- Decreased maintenance-related sales due to sluggish market environment

Earnings Forecasts

(Unit: Million yen)

| | March 2017 Results | March 2018 | |
|-----------------------------|-----------------------|-------------------------------------|--------------------------|
| | | Forecast (revised on October 16) | Increase/decrease (%) |
| Net sales | 58,934 | 60,000 | +1.8 |
| Operating income | 3,498 | 3,500 | +0.1 |
| Ordinary income | 3,441 | 3,500 | +1.7 |
| Net income | 2,319 | 2,400 | +3.5 |
| Basic earnings per share | 72.87 | 75.35 | +3.5 |

*Exchange rates: March 2017 (Results) ¥ 108.35, March 2018 (Estimate) ¥ 110.00

Forecast

- Proportion of larger diesel engines for marine-use to increase, but total unit sales to decrease
- Profitability deteriorating for main engine units
- Stagnant maintenance-related sales
- Yen depreciation to have a significant effect on sales and earnings



These materials contain statements relating to future earnings and business strategy, etc. Inherent in these statements are risk and uncertainty; they form no guarantee of future performance.

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

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