

The DAIHATSU logo is displayed in a white rectangular box with a thin blue border. The text 'DAIHATSU' is in a bold, blue, sans-serif font. The background of the slide is 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.

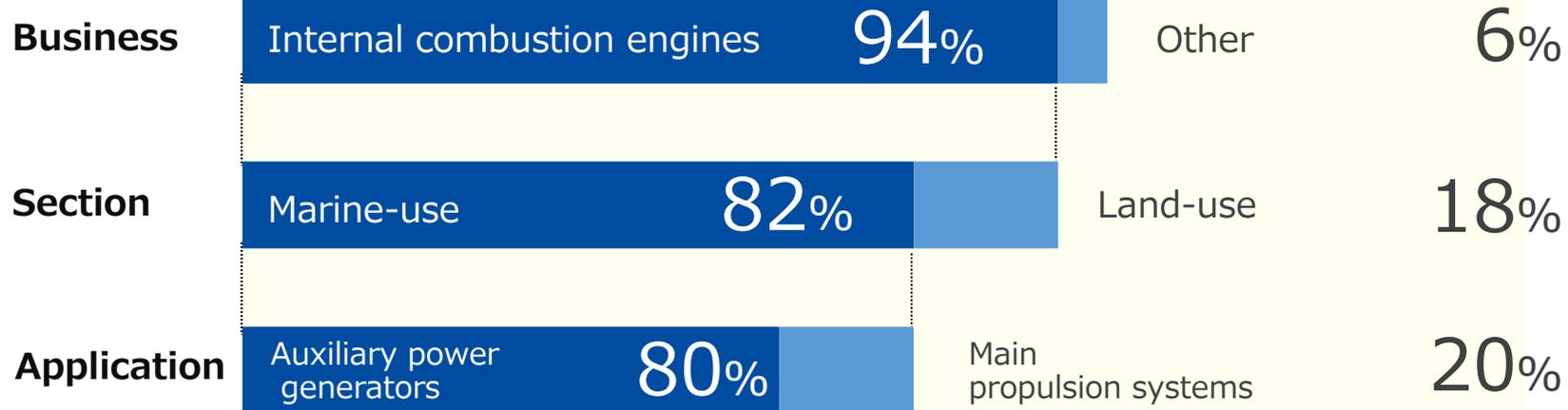
First Half of the Fiscal Year Ending March 31, 2020

Financial Results Briefing

November 2019

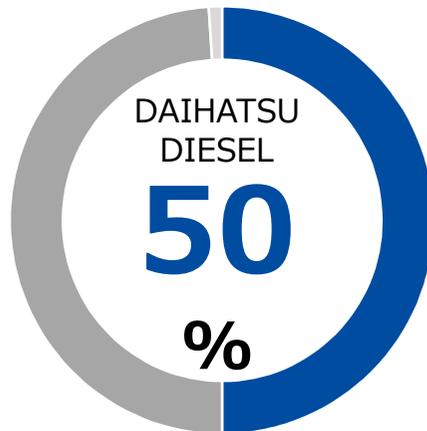
Sales Breakdown/Market Share

Sales Breakdown

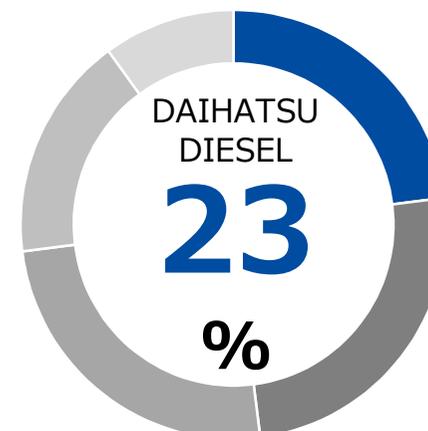


Market Share (Auxiliary Engines for Large Ocean-going Vessels)

〈Share in Japan〉



〈Overseas market share〉



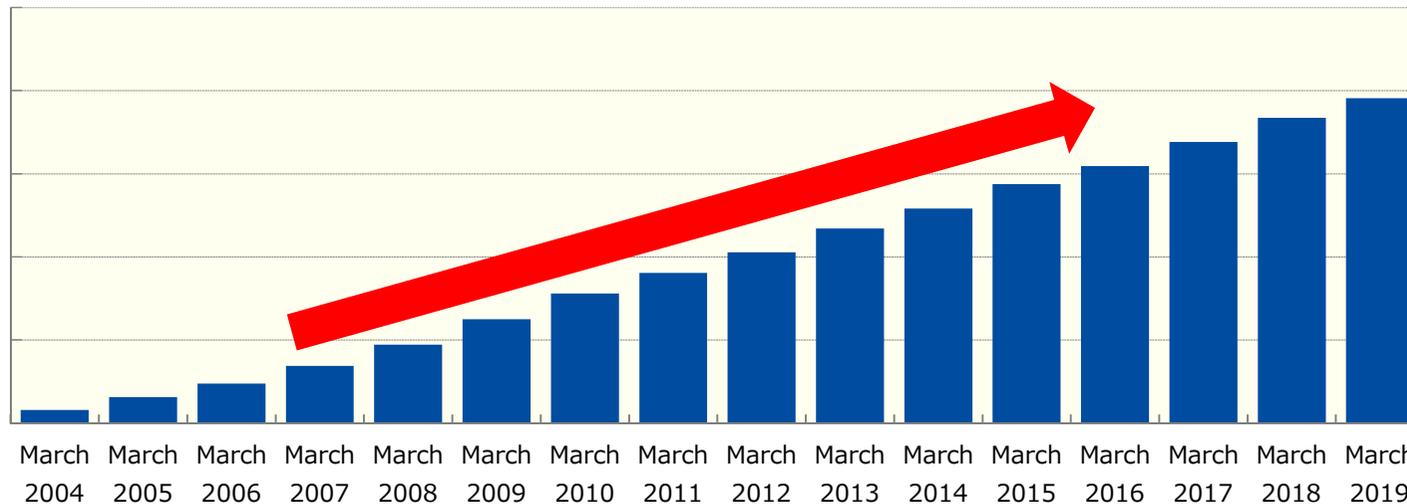
Remarks on Earnings

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.
 ▶ Strategic deployment of CMAXS system.

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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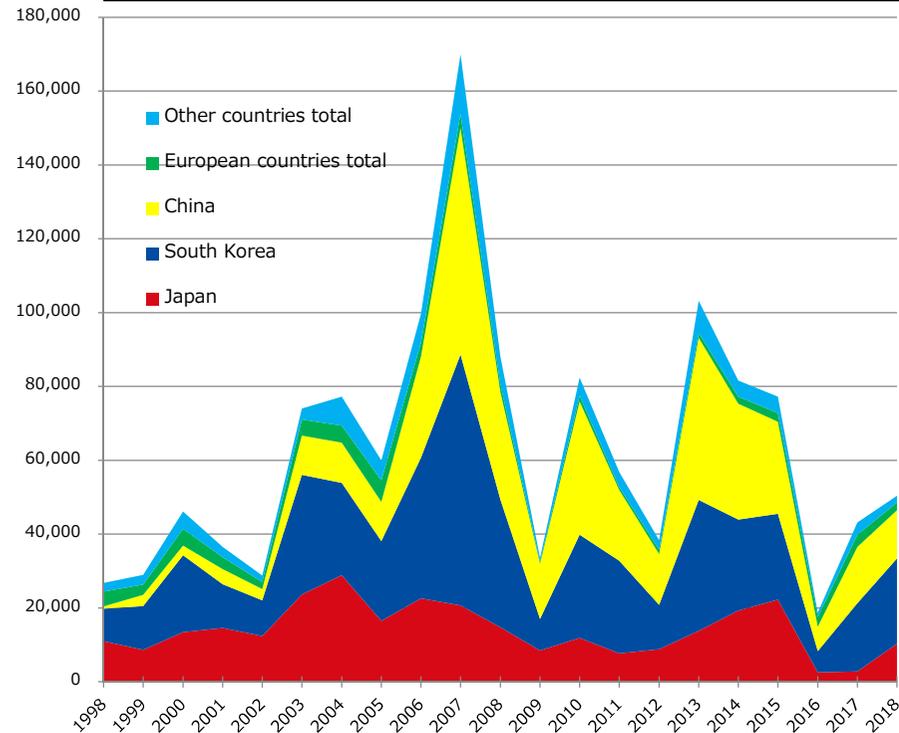
DAIHATSU DIESEL MFG. CO., LTD.

Market Trends for Newbuild Vessels

Source: The Shipbuilders' Association of Japan

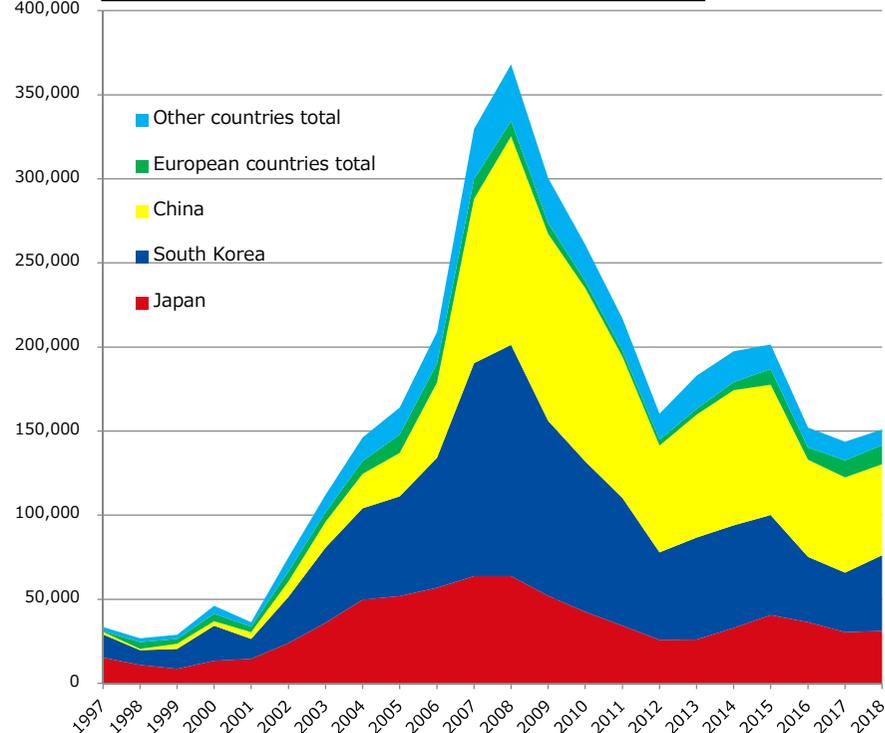
Volume of orders received, by country

	2016	2017	2018
Japan	2,520 (13%)	2,830 (7%)	10,310 (20%)
Korea	5,780 (31%)	18,500 (43%)	23,110 (46%)
China	6,650 (35%)	15,200 (35%)	13,080 (26%)
World total	18,800	43,200	50,400



Volume of work in hand, by country

	2017	2018
Japan	30,410 (21%)	31,270 (21%)
Korea	35,450 (25%)	44,930 (30%)
China	56,530 (39%)	54,140 (36%)
World total	143,690	150,970

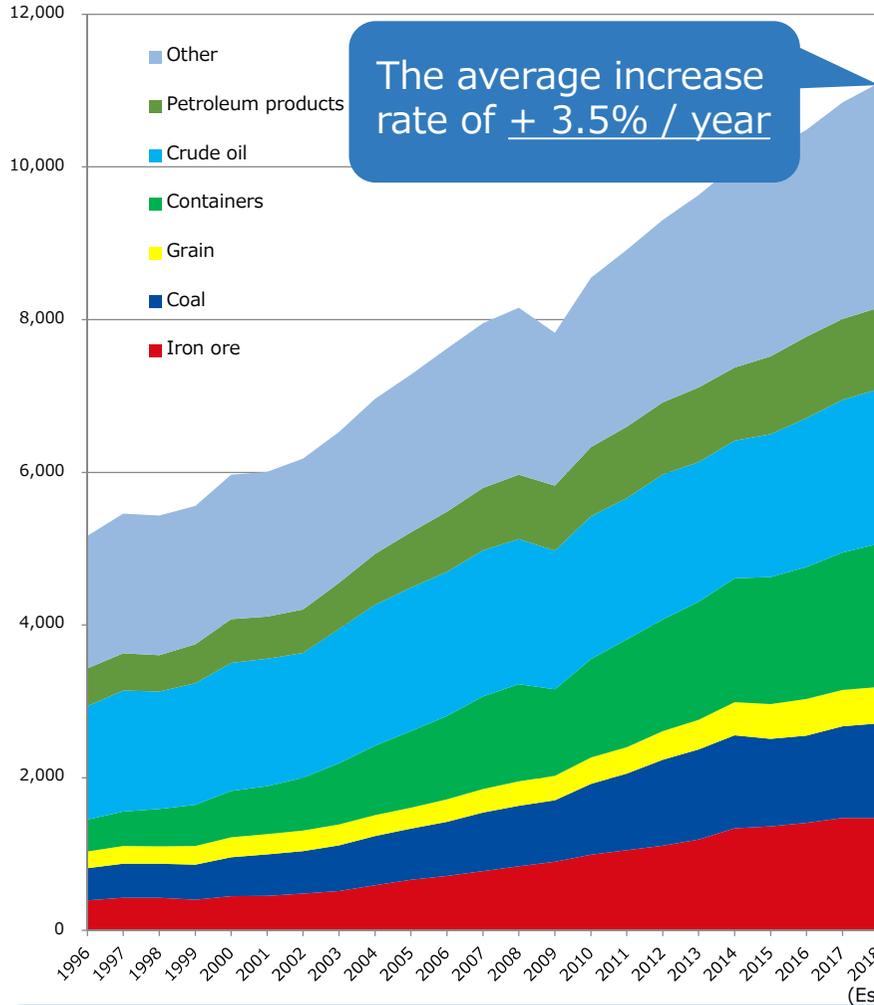


- Orders received showed an uneven increase overall, with a spike in 2006 to 2007 just before the 2008 financial crisis. The marine cargo market is now on a recovery trend despite the downturn in the marine cargo market in 2016

Market Trend for Marine Cargo

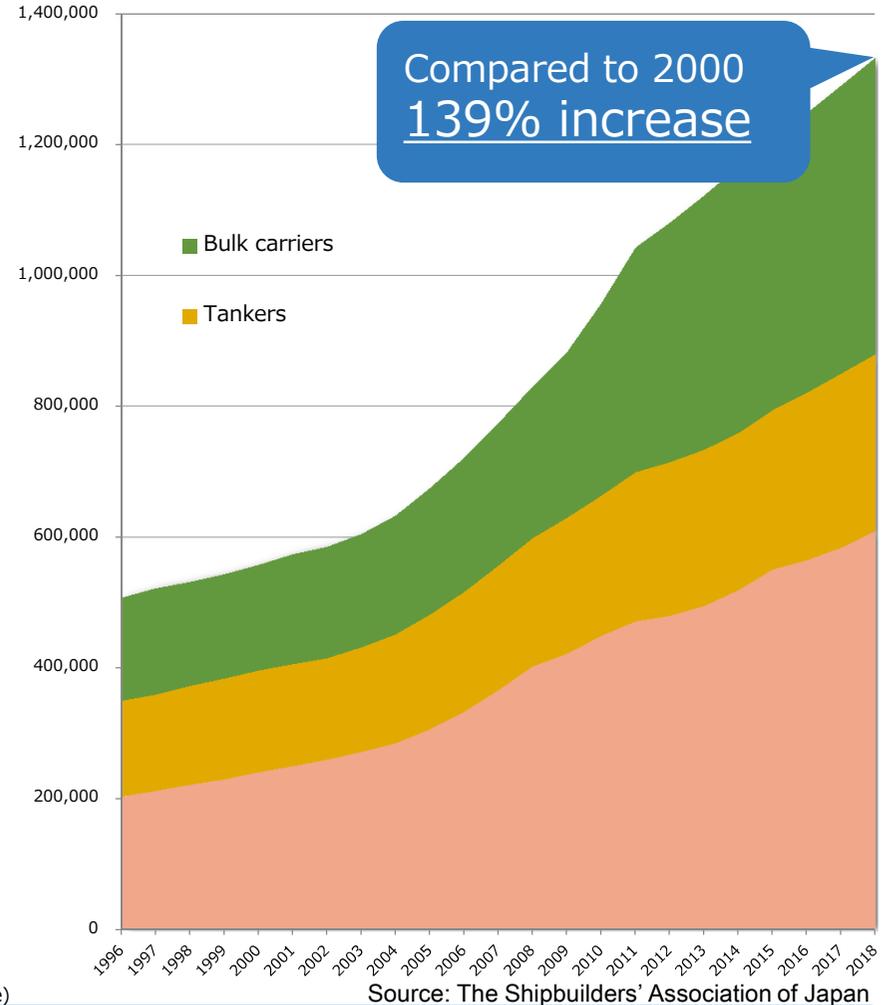
Global ocean cargo volumes, by product

(Unit: Million tons)



Global shipping capacity

(Unit: Thousand tons)



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

Initiatives in Line with Mid-term Management Plan

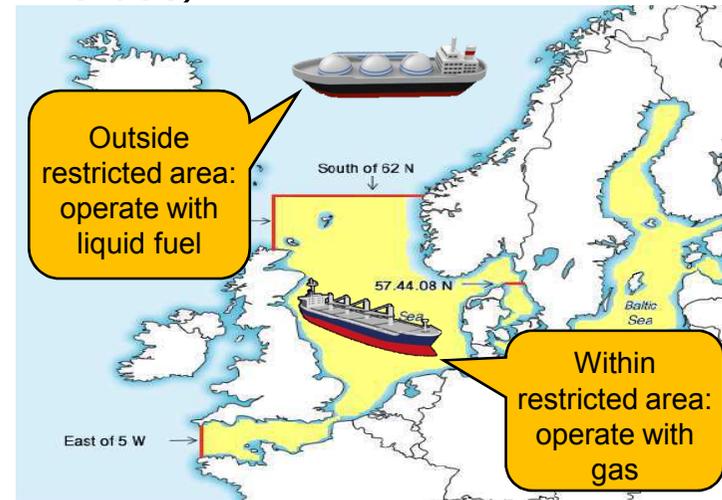
Tighter environmental regulations: Exhaust gas regulations (NOx, SOx, CO2, etc.), and diversification of fuels

2016	2017	2018	2019	2020	2021	2022	2023
NOx Tier III regulations: North America /Caribbean Sea				Emissions standard: (80)%			
NOx Tier III regulations: North Sea /Baltic Sea				Emissions standard: (80)%			
CO2: Europe				Operating data reporting system			
CO2: IMO				Operating data reporting system			
CO2: EEDI regulations				Fuel economy standard: (20)%			
SOx: Baltic Sea /North Sea /offshore USA and Canada /Caribbean Sea				Sulfur in fuel oil 0.1%			
SOx: Other marine areas currently 3.5% ->				Sulfur in fuel oil 0.5%			

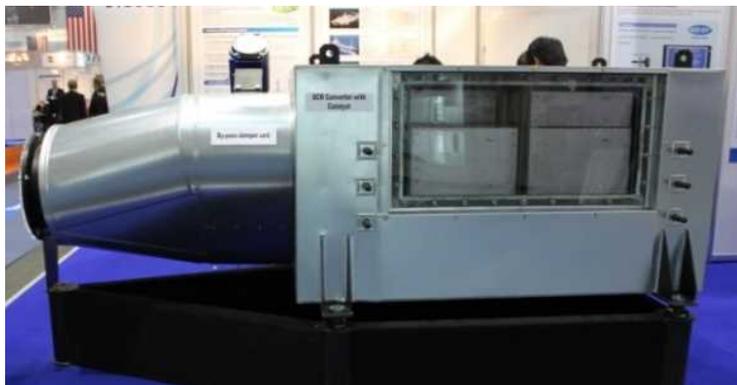
Examples of exhaust gas regulations for vessels

- NOx: Nitrogen oxide
- SOx: Sulfur oxide

(Use examples : Dual fuel engines for marine-use)



Strategy ▶ SCR and dual fuel engines



SCR

(a selective catalytic reduction device)



dual fuel engines

Initiatives in Line with Mid-term Management Plan

Larger engines: Aggressive capital investment by domestic shipyards, energy conservation

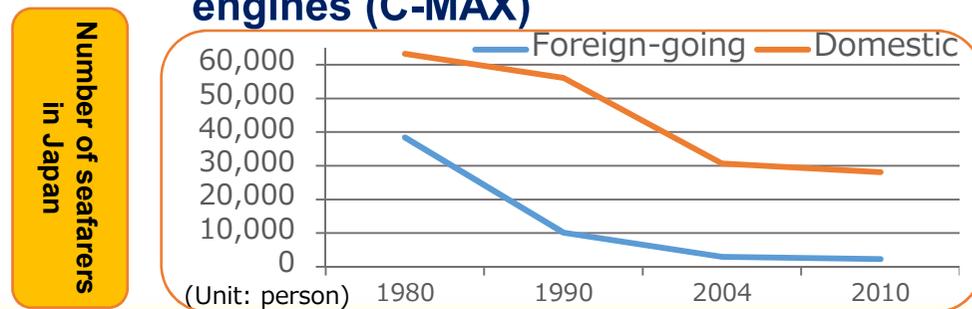
Strategy ▶ **New Himeji Factory**

Strategy ▶ **Expand our product lineup** DE-33, DEL-23, dual fuel engines



Utilization of IoT: Supporting autonomous ship operation and seafarer shortage

Strategy ▶ **Maintenance support service for marine-use auxiliary engines (C-MAX)**



Update on Recent Major Progress

Naval vessels business

New initiatives

▶ **Concluded a license agreement with Germany-based MTU**

To market launch in response to demand for small, lightweight and high-output engines for naval vessels

▶ **Delivery expected to the Ministry of Defense for an ocean surveillance ship (scheduled for completion in March 2021)**

MTU engine : For propulsion power generator

Our engine : For emergency power generator

▶ **To install a training facility for MTU engines at Moriyama Factory**

Accommodate needs of logistic support such as maintenance of engines after a new naval vessel is commissioned

First Half of the Fiscal Year Ending March 31, 2020 Summary of Earnings

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DAIHATSU DIESEL MFG. CO., LTD.

Summary

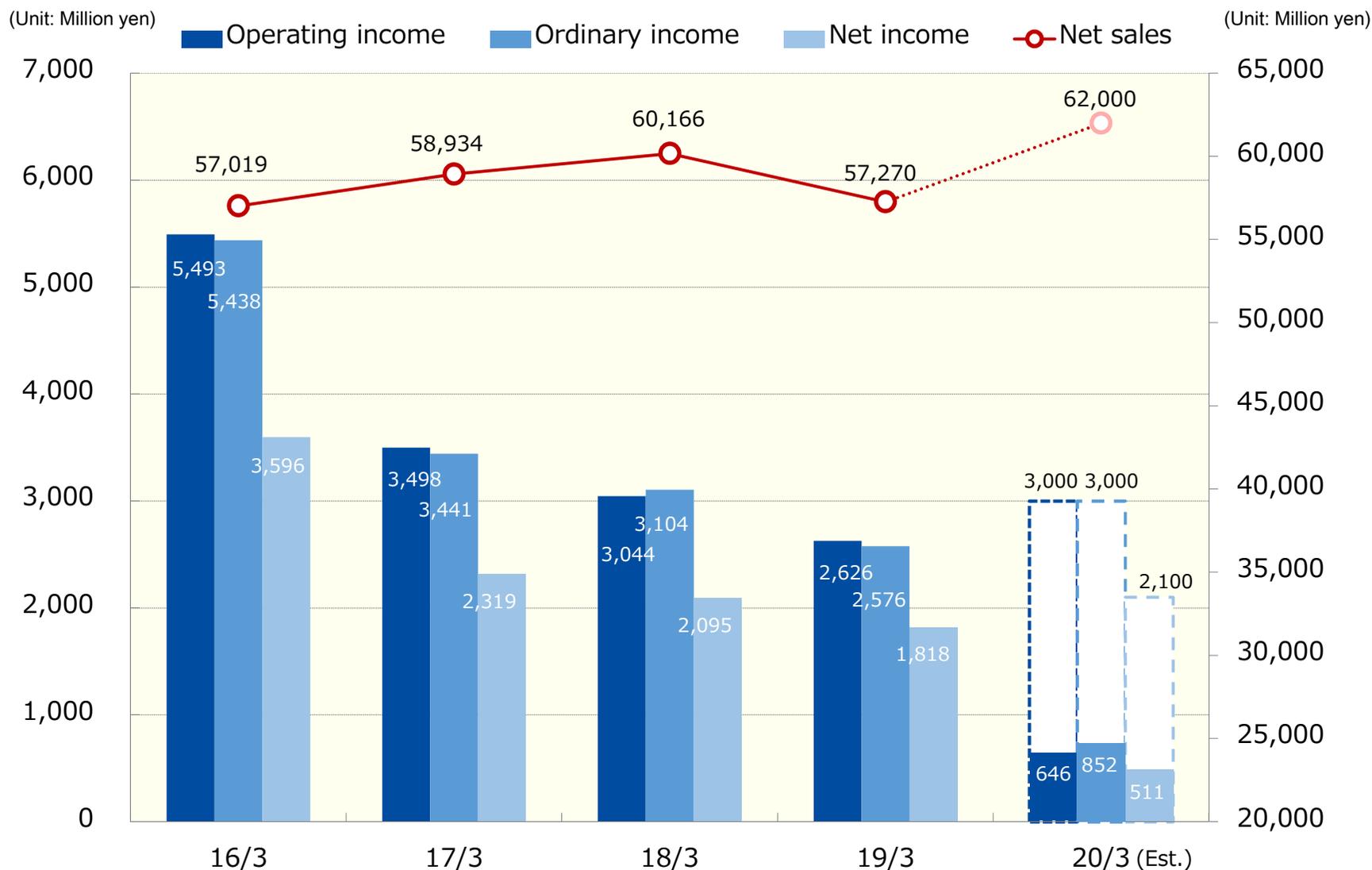
(Unit: Million yen)

	September 2017 Results	September 2018 Results	September 2019 Results	YoY difference		March 2019	
				Increase/decrease	(%)	Forecast*	Progress (%)
Net sales	29,557	26,729	27,321	591	2.2%	62,000	44.1%
Operating income	1,454	625	646	20	3.3%	3,000	21.5%
Ordinary income	1,540	752	852	99	13.2%	3,000	28.4%
Net income	1,069	483	511	28	5.8%	2,100	24.4%
Basic earnings per share	33.58	15.18	16.10	0.92	6.1%	65.93	24.4%
Total assets	78,339	79,578	83,422	3,844	4.8%	—	—
Equity ratio	47.3%	47.8%	46.9%	(0.9)%	—	—	—

POINT

- Despite increased unit sales of engines, profitability in engines remains bleak
- Maintenance-related sales improved
- Financial results forecast for the first half has been revised upward; however, the forecast for the full year remains unchanged

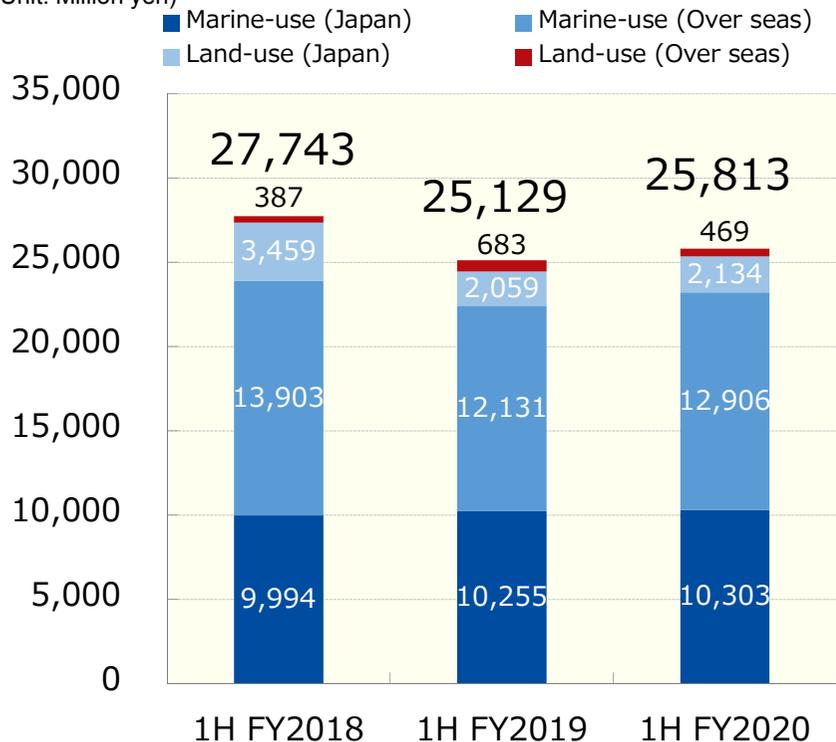
Trend of Sales and Earnings



Net Sales and Earnings for the Internal Combustion Engine Section

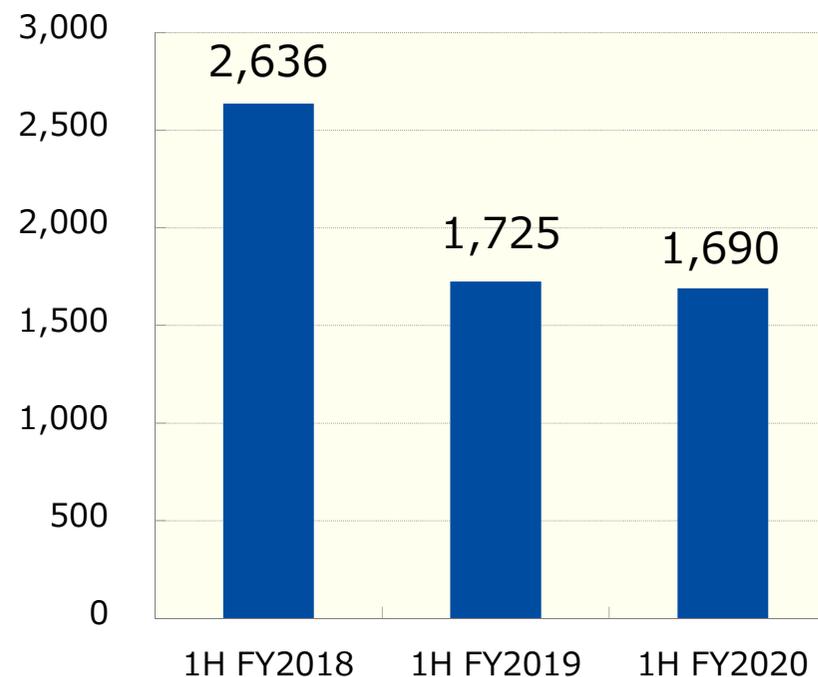
Net sales

(Unit: Million yen)



Internal combustion engine section earnings

(Unit: Million yen)

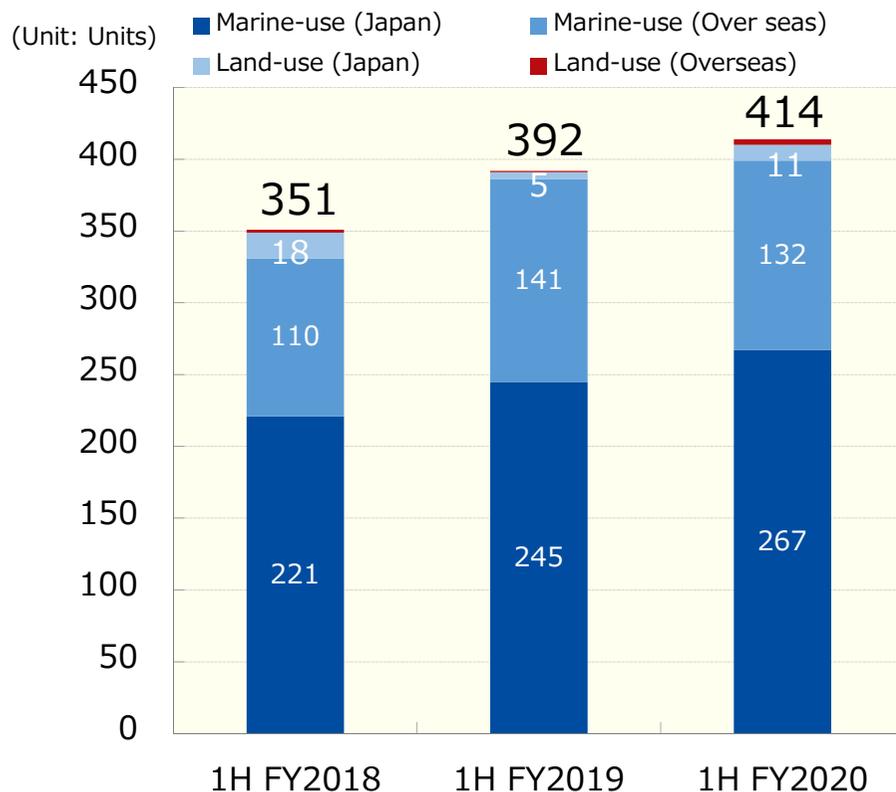


POINT

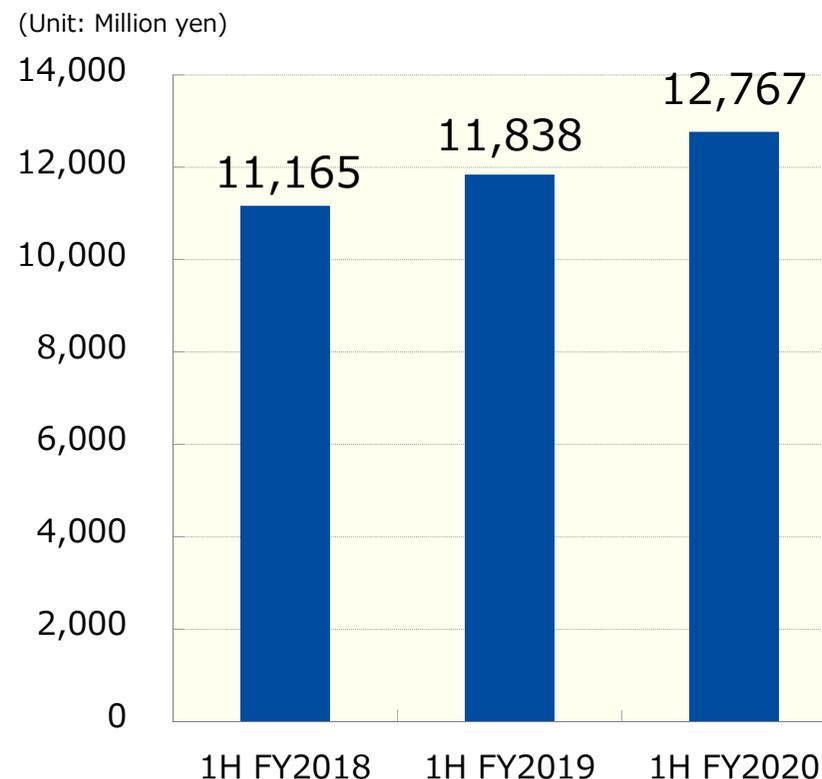
- Proportion of larger engines for marine-use increased
- Profitability deterioration for sales of diesel engine units continued

Unit Sales and Maintenance-related Net Sales

Units sold



Maintenance-related net sales



POINT

- Total units sold increased
- Maintenance-related sales recovered

Earnings Forecasts

(Unit: Million yen)

	March 2019 Results	March 2020	
		Forecast	Increase/decrease (%)
Net sales	57,270	62,000	8.3
Operating income	2,626	3,000	14.2
Ordinary income	2,576	3,000	16.4
Net income	1,818	2,100	15.5
Basic earnings per share	57.11	65.93	15.5

*Exchange rates: March 2019 (Results): ¥109.95, 1H 2020 (Results): ¥107.90, 2H 2020 (Estimate): ¥100.00

Forecast

- Unit sales of diesel engines for marine-use to increase
- Sales of diesel engine units to remain bleak in profitability
- Maintenance-related sales to be robust



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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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