

Financial Results Briefing

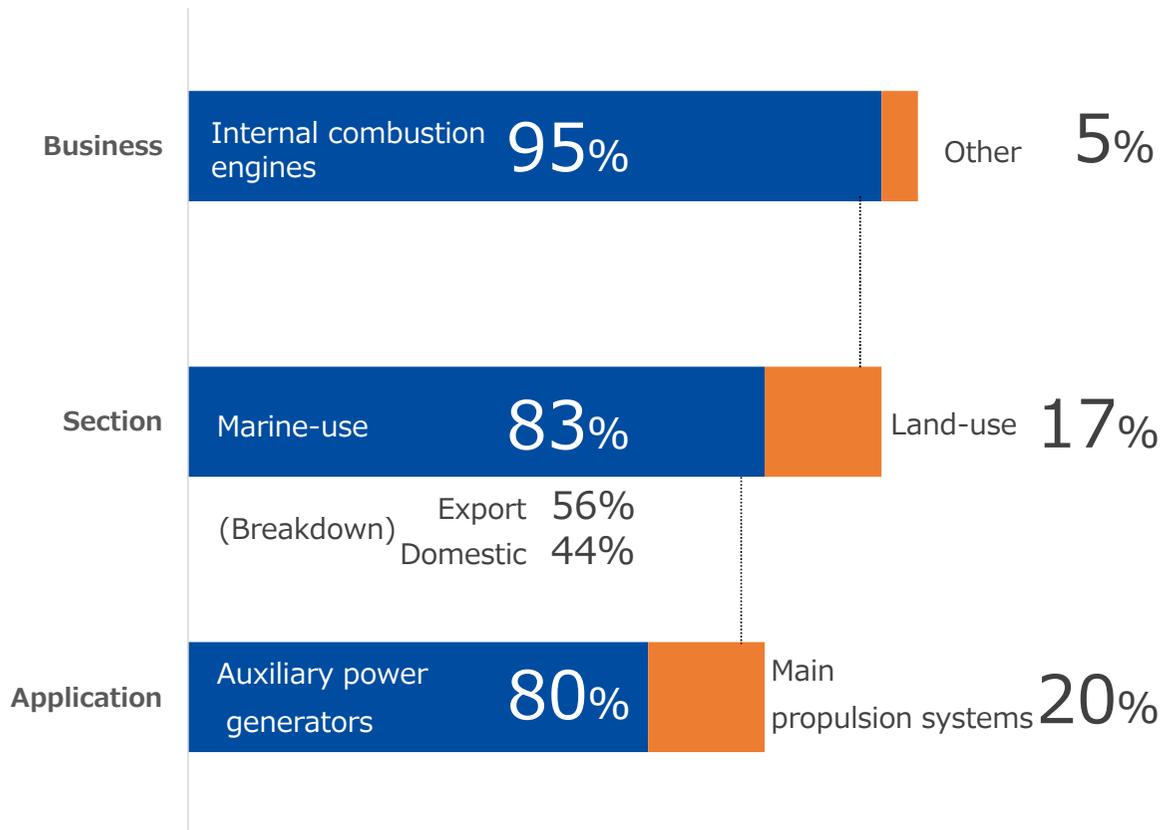
First Half of the Fiscal Year
Ending March 31, 2021

November 2020



Sales Breakdown/Market Share (End of March 2020)

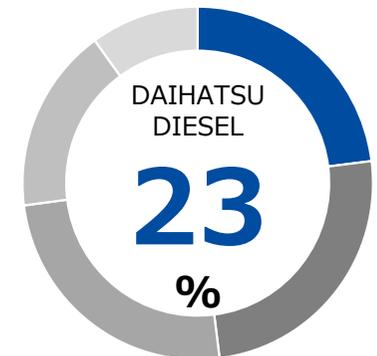
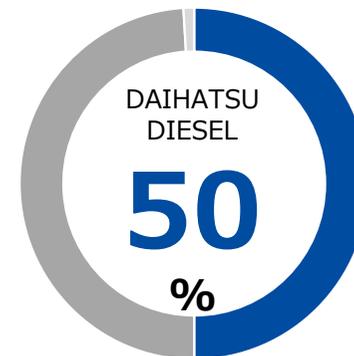
Sales Breakdown



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

〈Share in Japan〉

〈Overseas market share〉



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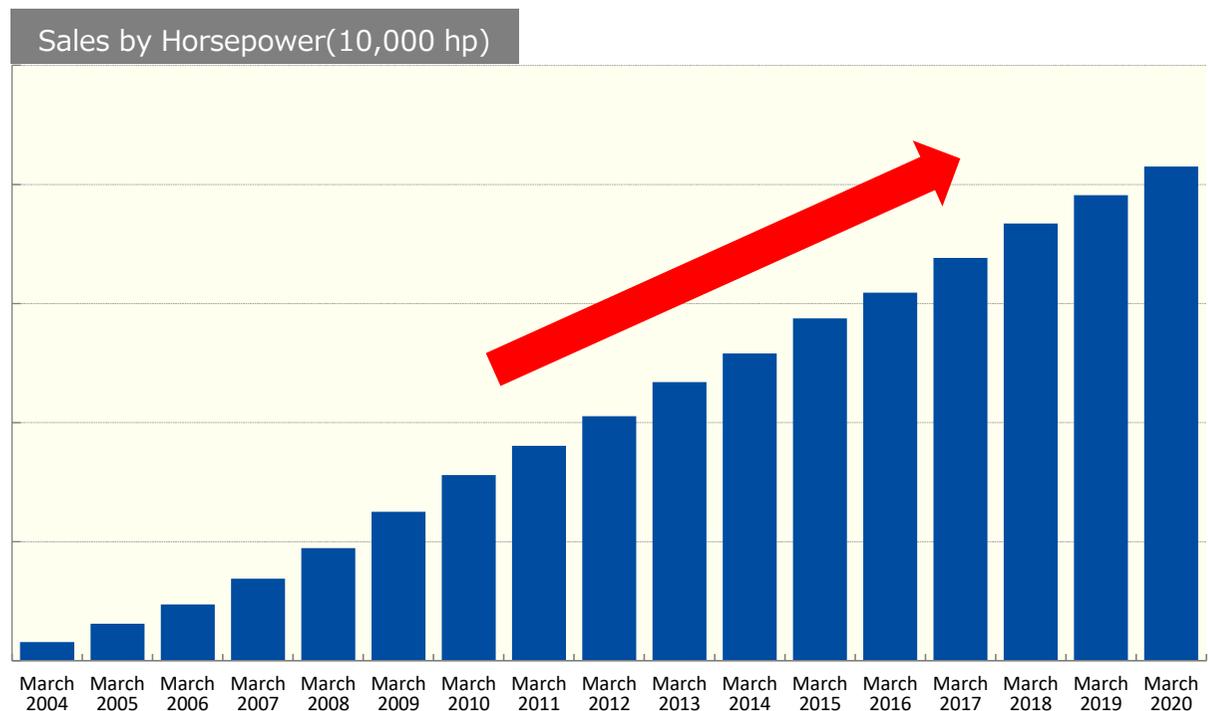
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Remarks on Earnings

POINT

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.



*Does not include technological partners in China

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

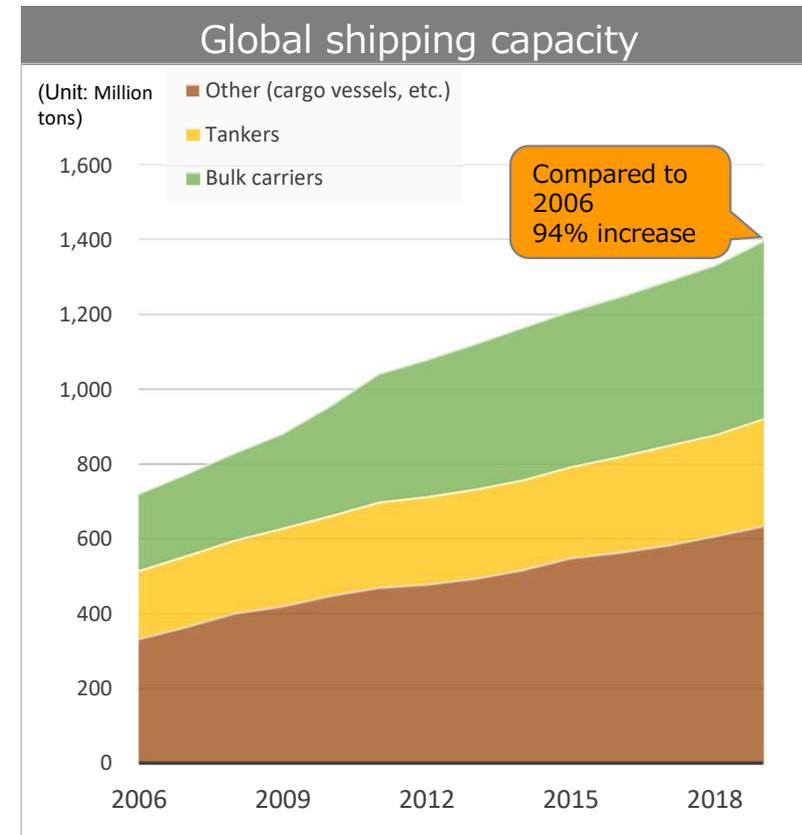
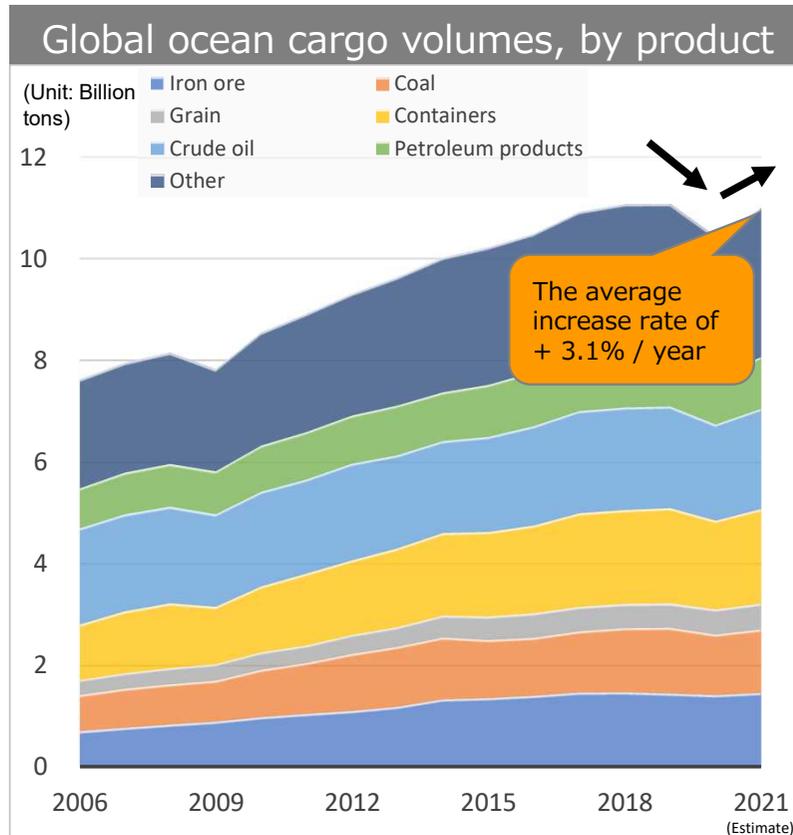


Issues for the future

Genuine parts usage ratio is approx. 50%.
 Scope exists for increasing this rate.
 ▶ Strategic deployment of CMAXS system.

<p>Licensing (in China)</p> <ul style="list-style-type: none"> ● Contract partner since 1982 ● Granting of rights for Manufacture and marketing of certain classes of internal combustion engine ● Expand market share of DAIHATSU brand 	<div style="border: 1px solid blue; border-radius: 10px; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center;">Anqing CSSC Diesel Engine Co., Ltd. Anqing Diesel</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: center; font-size: small;">Anhui Province, China (Yangtze River Basin, 600 km from Shanghai)</p> </div> <div style="border: 1px solid blue; border-radius: 10px; padding: 5px;"> <p style="text-align: center;">SHAANXI DIESEL ENGINE HEAVY INDUSTRY CO., LTD. Shaanxi Diesel</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: center; font-size: small;">Shaanxi Province, China(50 km from Xi'an)</p> </div>
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Market Trend for Marine Cargo



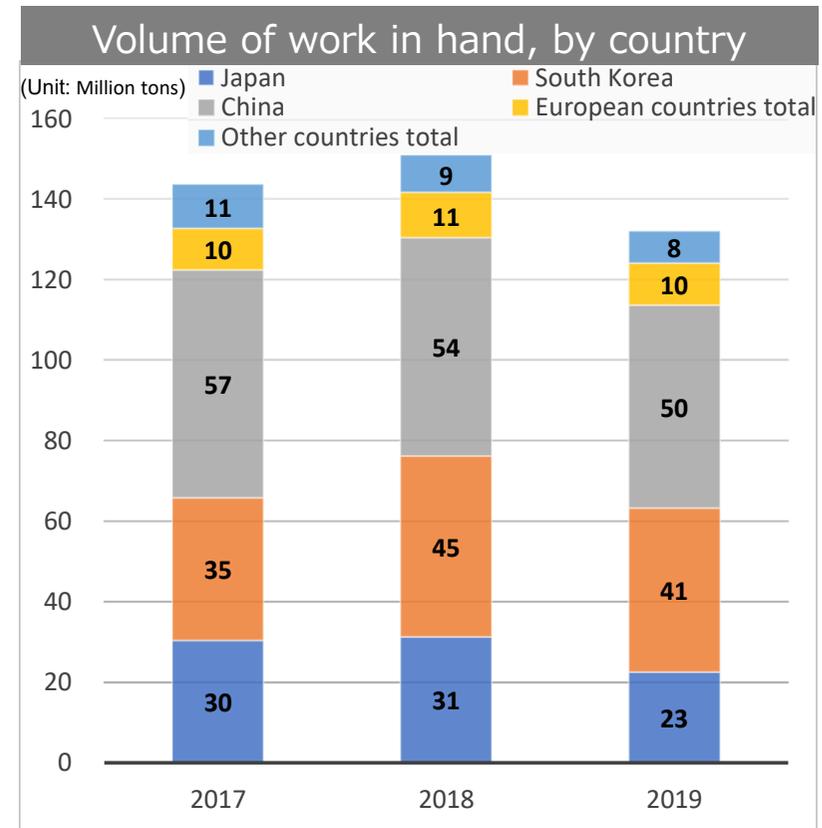
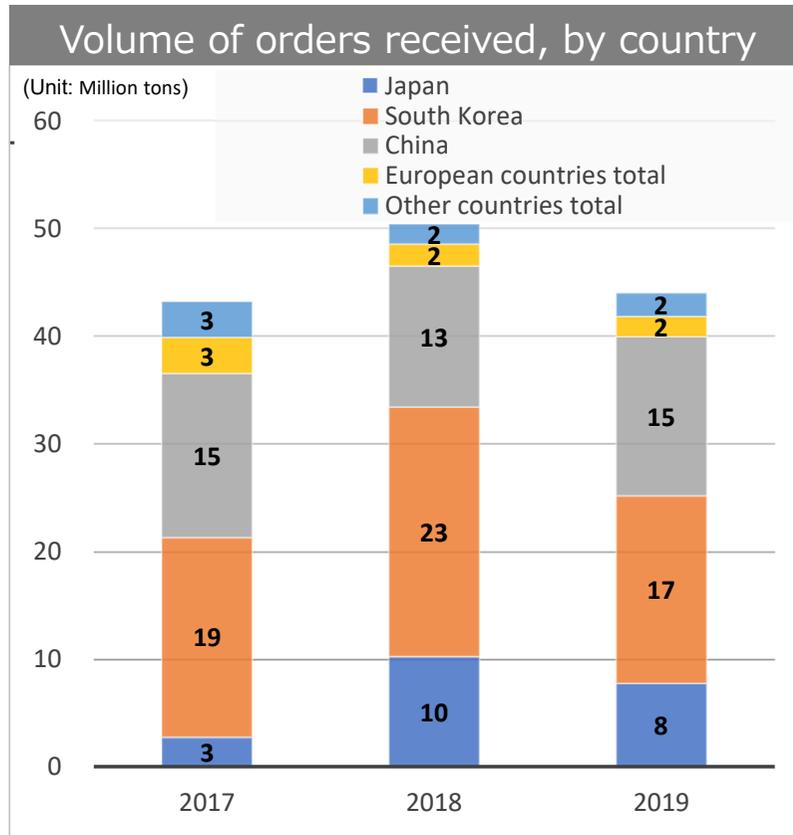
Source: The Shipbuilders' Association of Japan

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

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Market Trends for Newbuild Vessels



Source: The Shipbuilders' Association of Japan

- Volume of orders received and volume of work in hand both have been on a gradual recovery trend since around 2016 after the downturn in the marine cargo market, but the future outlook is uncertain due to the COVID-19 crisis.

First Half of the Fiscal Year Ending March 31,2021 Summary of Earnings

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Summary

(Unit: Million yen)

	September 2018 Results	September 2019 Results	September 2020 Results	YoY difference		March 2021	
				Increase/decrease	(%)	Forecast*	Progress (%)
Net sales	26,729	27,321	25,131	(2,189)	(8.0)%	56,000	44.9%
Operating income	625	646	(51)	(697)	—	0	—
Ordinary income	752	852	(19)	(871)	—	0	—
Net income	483	511	(210)	(722)	—	0	—
Basic earnings per share	15.18	16.10	(6.64)	(22.74)	—	0.00	—
Total assets	79,578	83,422	80,980	(2,442)	(2.9)%	—	—
Equity ratio	47.8%	46.9%	49.4%	2.5%	—	—	—

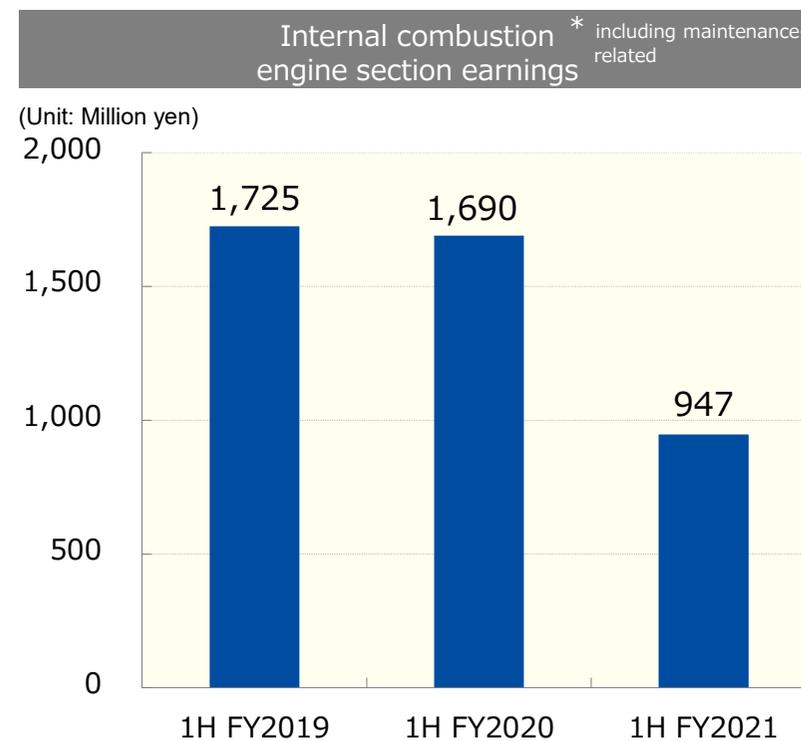
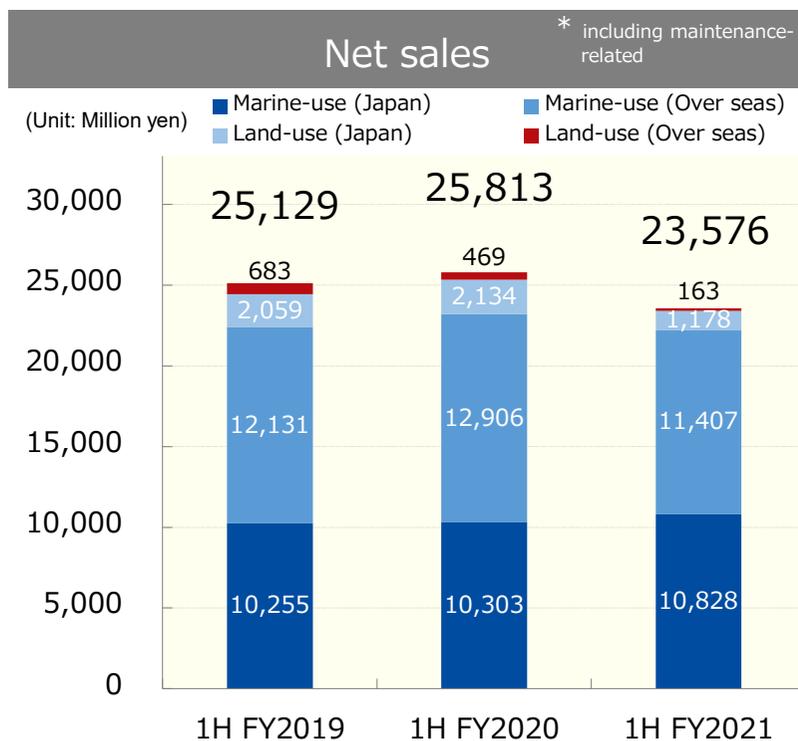
POINT

- Both sales and earnings deteriorated due to deferment of delivery dates of engine sales and maintenance-related movement restrictions (people and goods) in the COVID-19 crisis
- Profitability in engines remains bleak

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Net Sales and Earnings for the Internal Combustion Engine Section

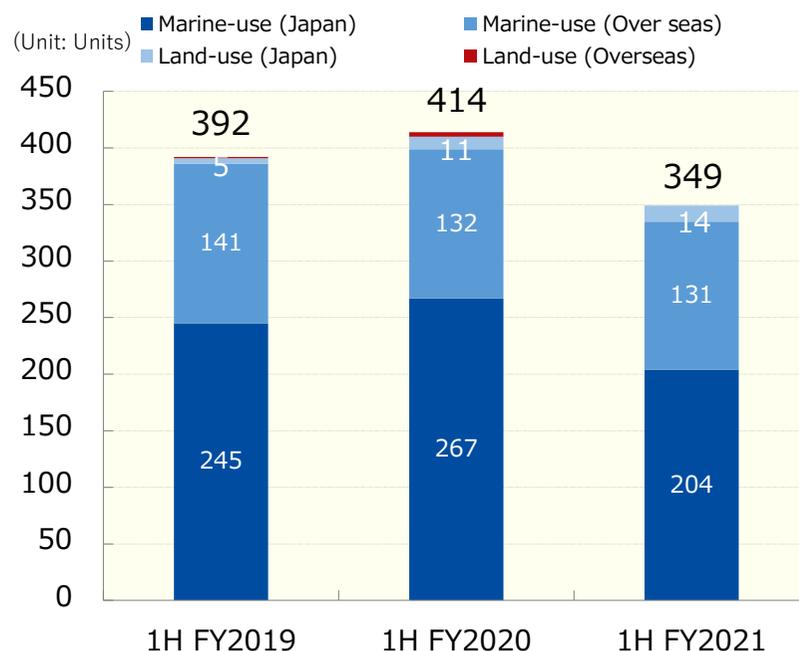


POINT

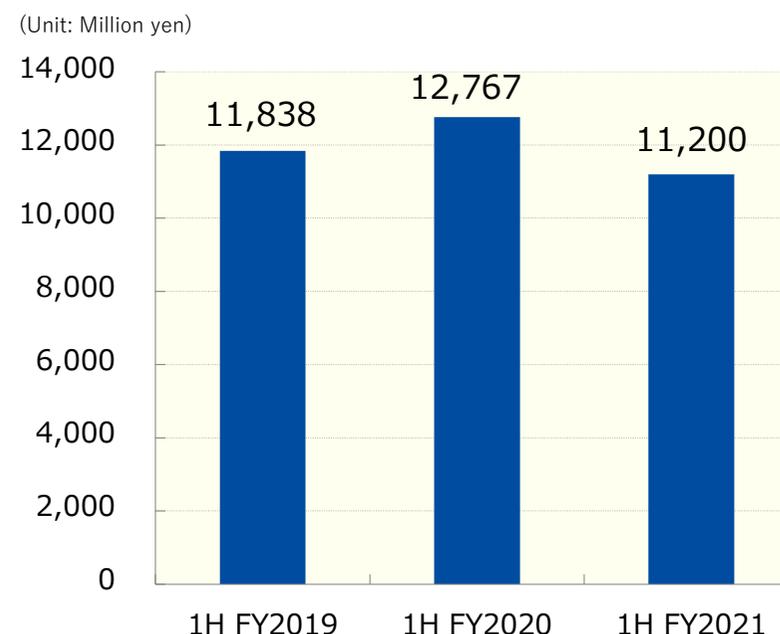
- Sales declined due to struggling sales of overseas marine-use engines and land-use engines despite the contribution of engine sales to the Ministry of Defense
- Profitability deterioration for sales of diesel engine units continued, and earnings decreased due to a decline in maintenance-related sales

Unit Sales and Maintenance-related Net Sales

Units sold



Maintenance-related net sales



POINT

- Total units sold decreased due to deferment of delivery dates, etc.
- Maintenance-related sales declined due to stagnation of business meetings and shipments

Earnings Forecasts

(Unit: Million yen)

	March 2020 Results	March 2021	
		Forecast	Increase/decrease(%)
Net sales	60,087	56,000	(6.8)
Operating income	2,674	0	(100.0)
Ordinary income	2,915	0	(100.0)
Net income	1,996	0	(100.0)
Basic earnings per share	62.80	0.00	—

*Exchange rates: March 2020 (Results): ¥107.96, 1H 2021 (Results): ¥106.02, 2H 2021 (Estimate): ¥100.00

Forecast

- Sales of diesel engine units and maintenance-related sales are projected to remain sluggish due to the COVID-19 crisis
- Engine sales profitability stays bleak

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Mid-term Management Plan

APRIL 1, 2020 – MARCH 31, 2023

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2020 MID-TERM MANAGEMENT PLAN

TARGETS (FROM APRIL 1, 2020 TO MARCH 31, 2023)

V i s i o n

Become the world's leading engine manufacturer in terms of quality, technology and service

1

Expand sales domains and increase our share strategically by introducing new products to the market

2

Develop world-class technology with a view to the next-generation energy

3

Improve production efficiency through synergic effects among Group production bases

4

Establish a solid earnings base with an awareness of ESG

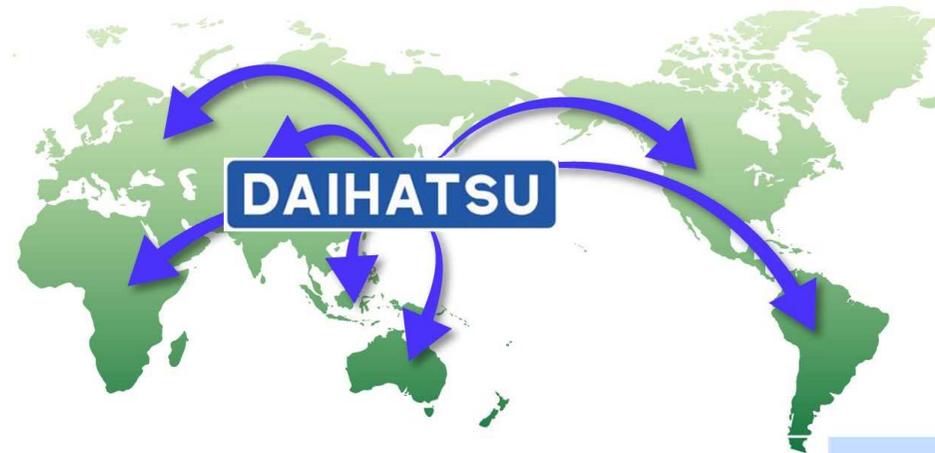
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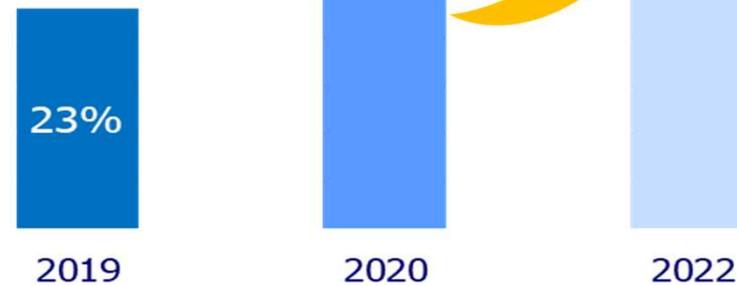
1. Expand Sales Domains and Increase our Share Strategically by Introducing New Products to the Market



Equip a ship with an engine at a shipyard



World share



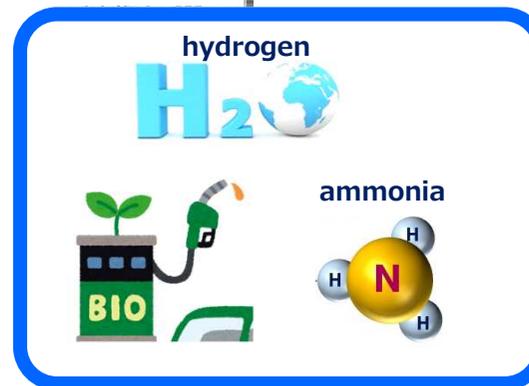
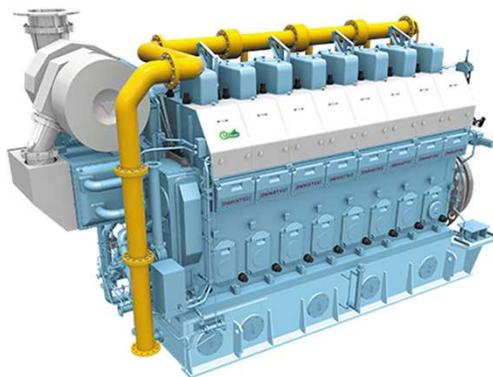
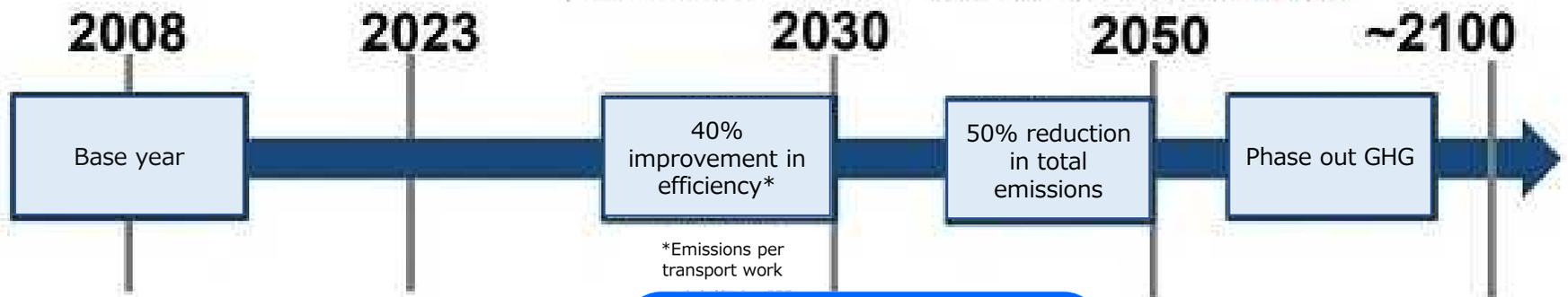
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2. World-class Technology Development with a View to the Next-generation Energy

Long-term goal

Phase out GHG emissions from international shipping as soon as possible in this century

※ The world's first global agreement in a specific sector

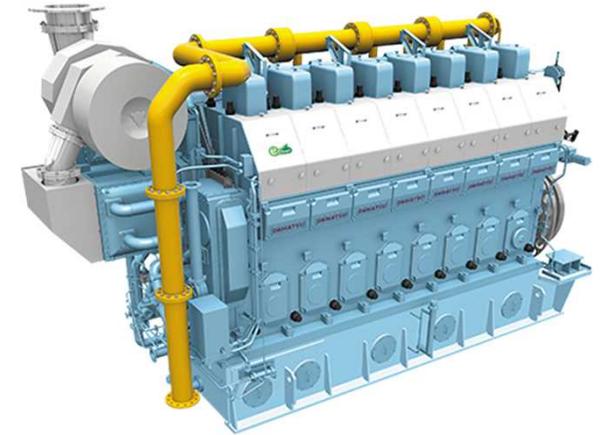
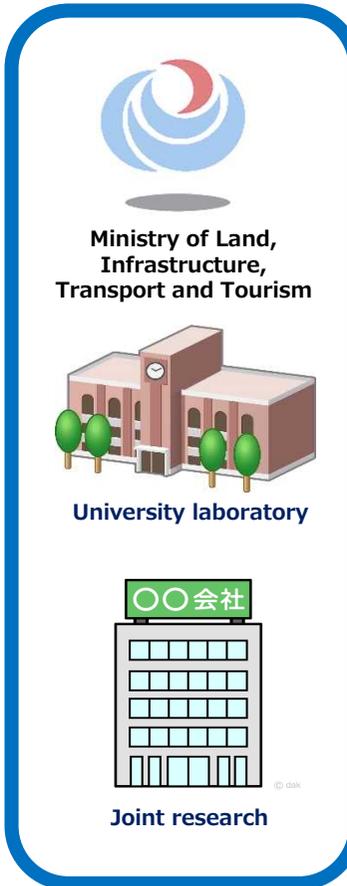
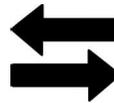


TOYOTA ENVIRONMENTAL CHALLENGE 2050

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2. World-class Technology Development with a View to the Next-generation Energy



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3. Improve Production Efficiency through Synergic Effects among Group Production Bases

Order lead time

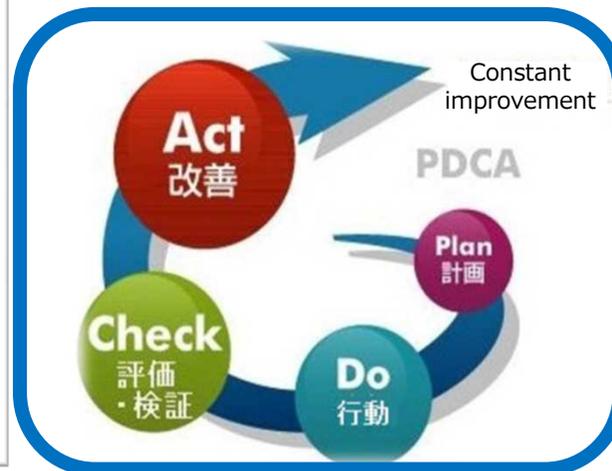
design

Procurement

Manufacturing

test

shipment



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4. Establish a Solid Earnings Base with an Awareness of ESG



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2020 MID-TERM MANAGEMENT PLAN TARGETS

(FROM APRIL 1, 2020 TO MARCH 31, 2023)

Net sales	¥75.0 billion
Operating margin	1 0 %
Equity ratio	5 0 %
R O E	1 0 %
Payout ratio	3 0 %

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Update on Recent Major Progress

Naval vessels business

Launching ceremony of an ocean surveillance ship "Aki" for the Ministry of Defense (at Mitsui E&S Shipbuilding Tamano Shipyard on January 15, 2020)

- ▶ **Equipped with the first small and high-output engine of Germany-based MTU and our unique engine**

Order and delivery of MTU engines for new escort vessels of the Ministry of Defense

- ▶ **Received orders from Mitsubishi Heavy Industries for 6 ships to date in the 8 ship series, and delivery and coordination procedures are in process sequentially**



Ocean surveillance ship "Aki"

Dual fuel engines

Completion of a large-scale pure car and truck carrier "SAKURA LEADER"

- ▶ **Equipped with our dual fuel engine 6DE28DF**
Allowing for the switching between two types of fuels, liquid fuel and LNG (liquefied natural gas), according to conditions
- ▶ **The first large-scale LNG fuel ship built at a shipyard in Japan**
- ▶ **Equipped with our CMAXS LC-A (next-generation engine condition monitoring system)**



Pure car and truck carrier "SAKURA LEADER"

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