

# **Financial Results Briefing**

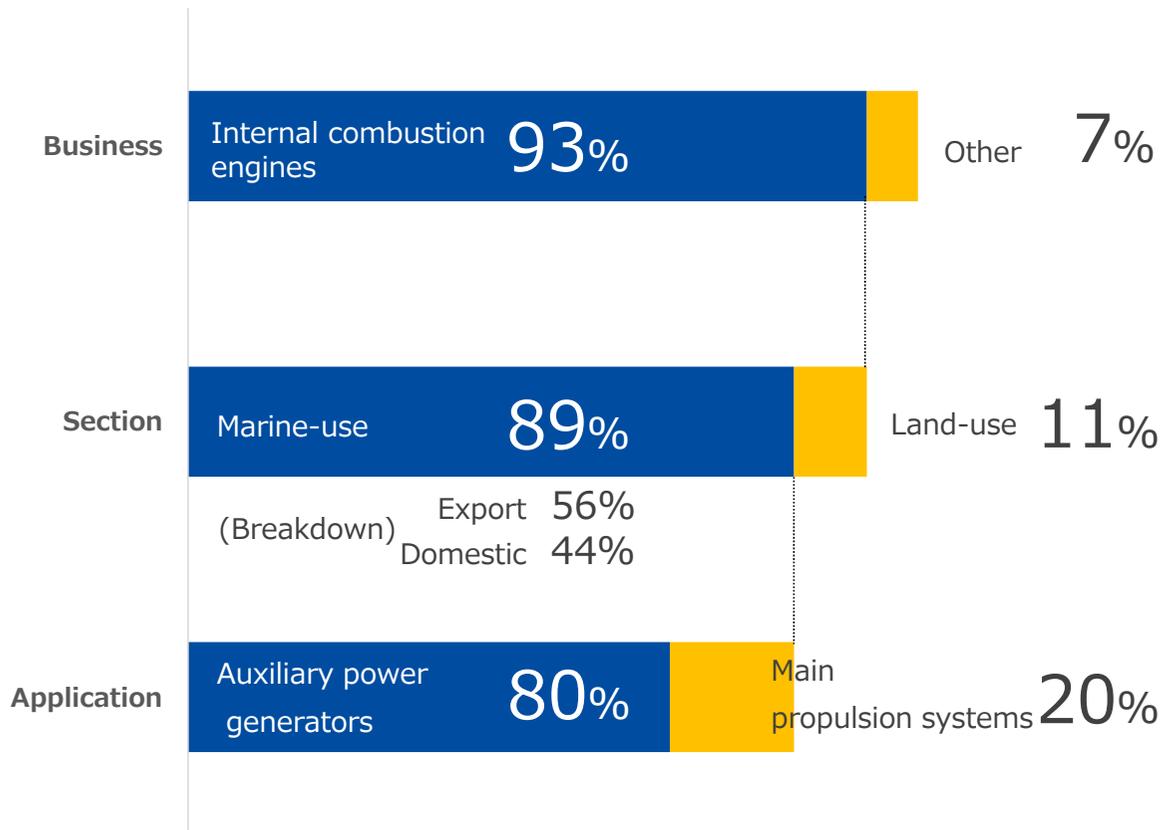
First Half of the Fiscal Year  
Ending March 31, 2022

November 2021



# Sales Breakdown/Market Share (End of September 2021)

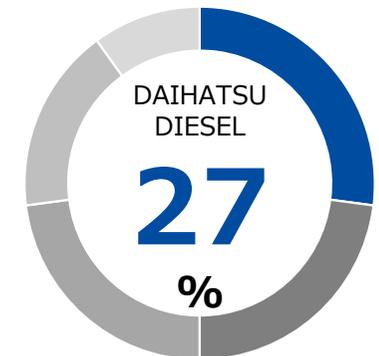
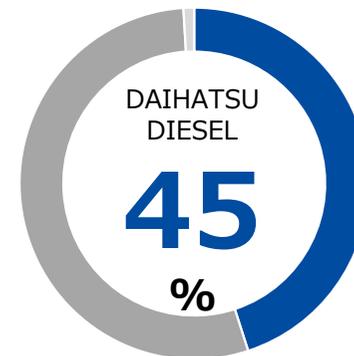
## Sales Breakdown



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

### 〈Share in Japan〉

### 〈Overseas market share〉

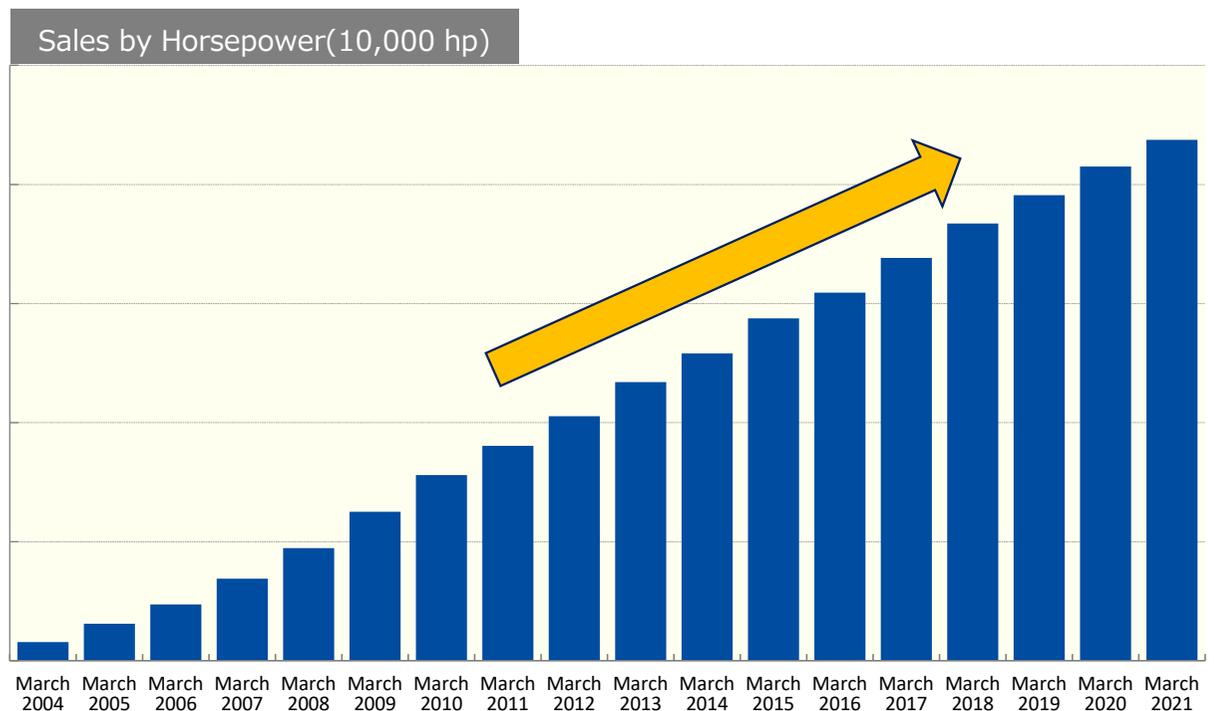


# Remarks on Earnings

## 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)

15 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.

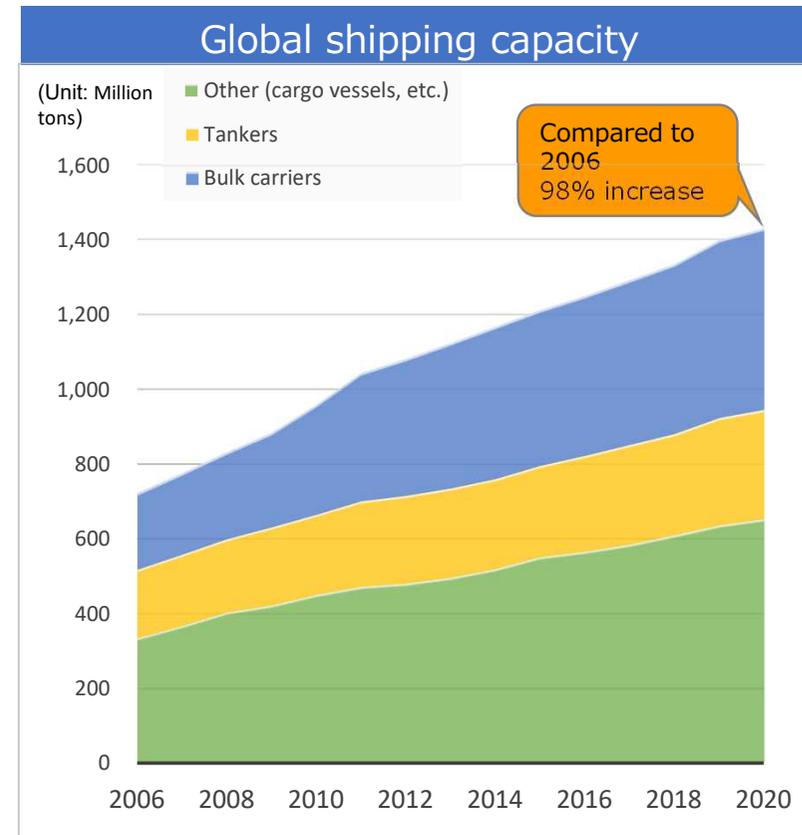
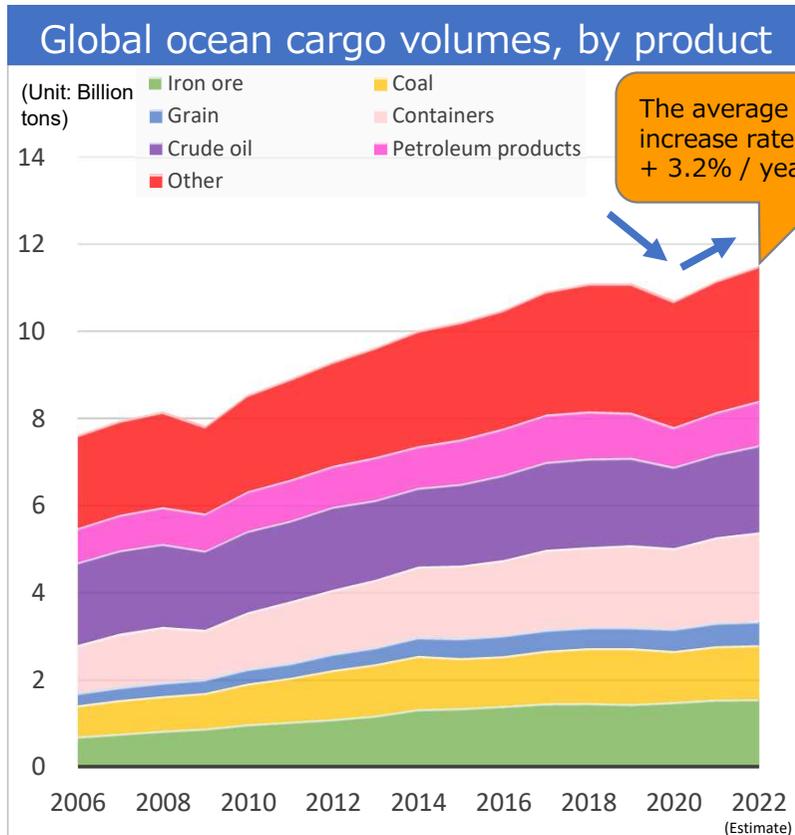
Shaanxi Diesel

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

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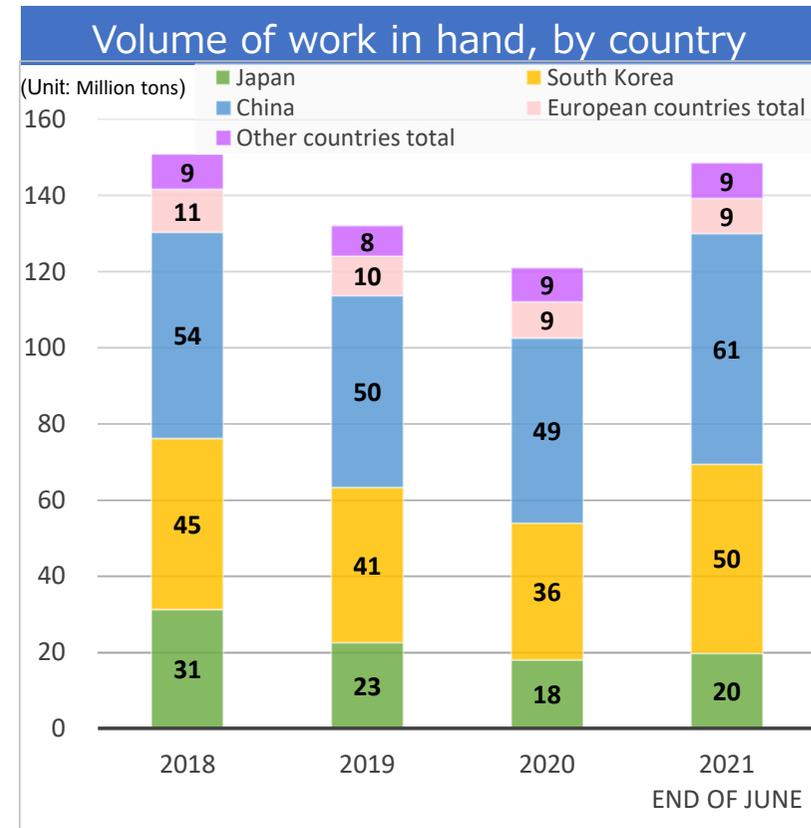
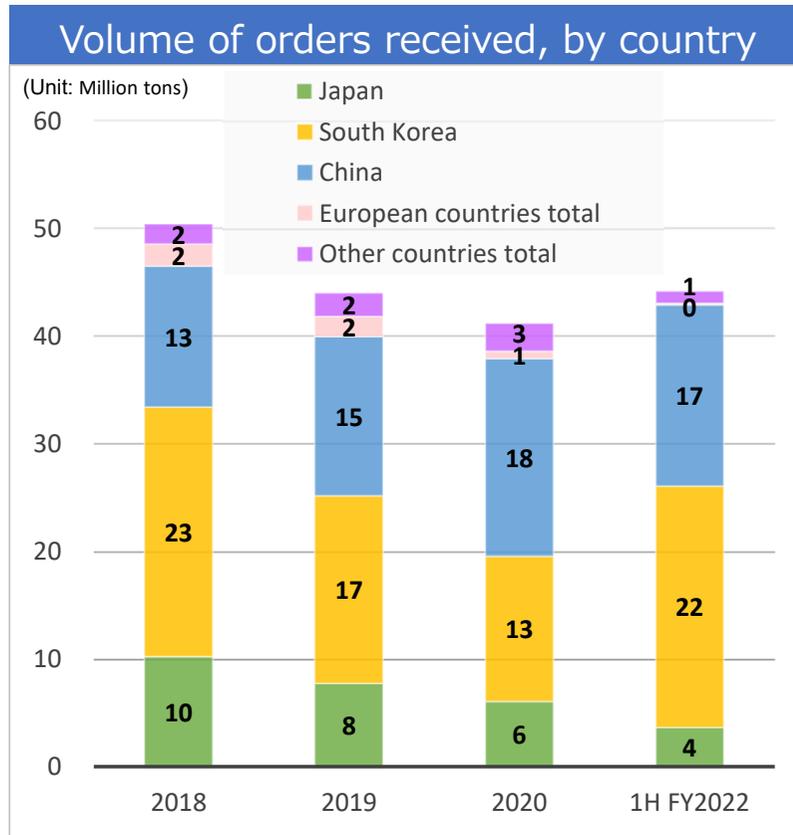
# Market Trend for Marine Cargo



Source: The Shipbuilders' Association of Japan

- Increasing trend in shipping capacity in line with increase in ocean cargo volumes, and a recovery in maintenance demand is expected.

# Market Trends for Newbuild Vessels



Source: The Shipbuilders' Association of Japan

- Volume of orders received and volume of work in hand both trended downwards from fiscal 2019, except in China, due to the COVID-19 crisis, but the trend is for a rapid recovery beginning in 2021.

# First Half of the Fiscal Year Ending March 31,2022 Summary of Earnings

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# Summary

(Unit: Million yen)

	September 2019 Results	September 2020 Results	September 2021 Results	YoY difference		March 2021	
				Increase/Decrease	(%)	Forecast*	Progress (%)
Net sales	27,321	25,131	<b>23,361</b>	(1,770)	(7.0)%	56,000	41.7%
Operating income	646	(51)	<b>323</b>	374	—	1,500	—
Ordinary income	852	(19)	<b>616</b>	636	—	1,800	—
Net income	511	(210)	<b>599</b>	809	—	1,500	—
Basic earnings per share	16.10	(6.64)	<b>18.88</b>	25.52	—	47.09	—
Total assets	83,422	80,980	<b>81,294</b>	314	0.4%	—	—
Equity ratio	46.9%	49.4%	<b>50.9%</b>	1.5%	—	—	—

**POINT**

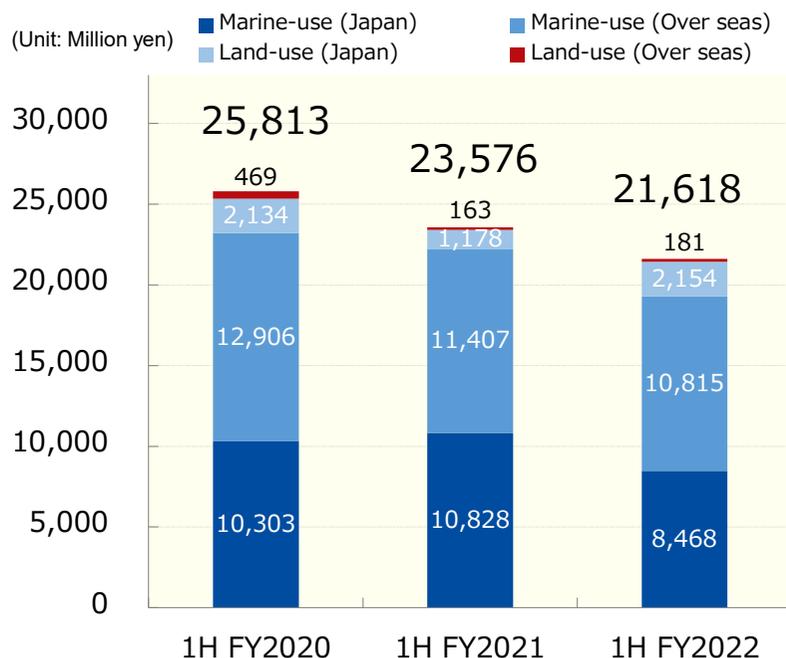
- Net sales decreased due to a reduction in sales of engines primarily to the Ministry of Defense
- Earnings increased due to cost reduction activities, improved production efficiency and an increase in maintenance-related sales

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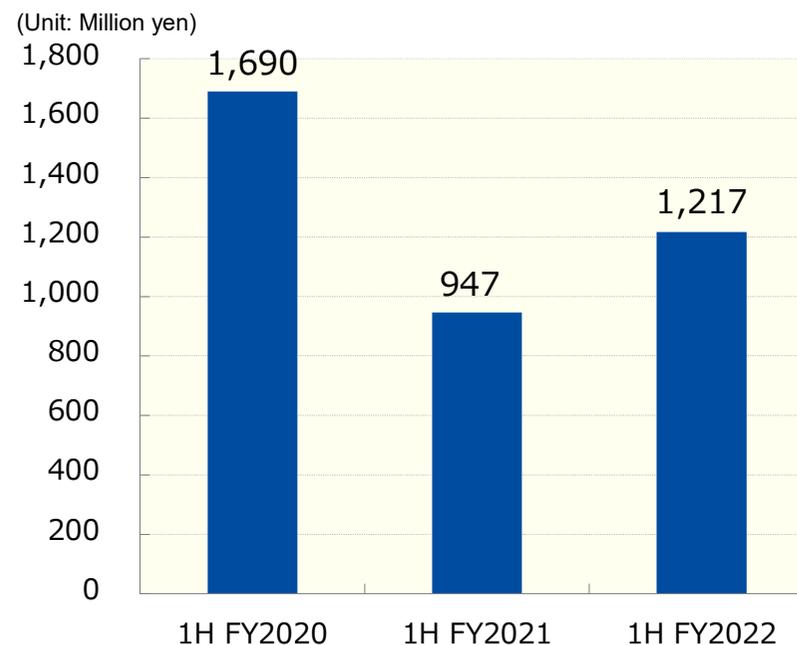
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# Net Sales and Earnings for the Internal Combustion Engine Section

**Net sales** \* including maintenance-related



**Internal combustion engine section earnings** \* including maintenance-related

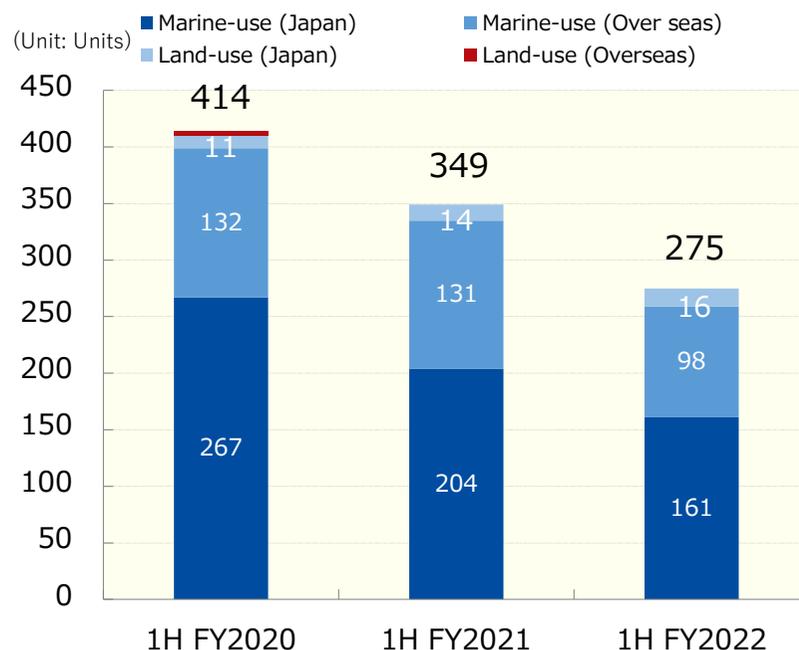


**POINT**

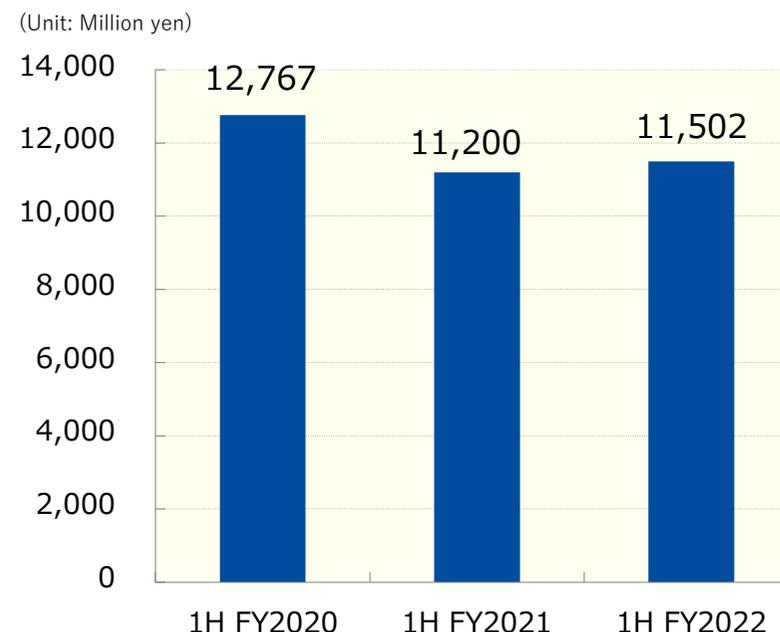
- Net sales decreased, due to a decline in sales of marine-use engines to the Ministry of Defense and commercial marine-use engines, despite an increase in sales of land-use engines
- Maintenance-related sales and earnings both increased slightly despite the impact of movement restrictions

# 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 increased slightly due to the move to ease restrictions although there were lockdowns, etc. in some regions

# Earnings Forecasts

(Unit: Million yen)

	March 2021 Results	March 2022	
		Forecast	Increase/decrease (%)
Net sales	56,745	56,000	(1.3)
Operating income	994	1,500	50.9
Ordinary income	1,149	1,800	56.6
Net income	712	1,500	110.7
Basic earnings per share	22.43	47.09	—

\*Exchange rates: March 2021 (Results): ¥105.35, 1H 2022 (Results): ¥108.78, 2H 2022 (Estimate): ¥105.00

Forecast

- Plan to increase production, primarily of large-scale auxiliary engines for container ships, despite a decrease in sales of engines to the Ministry of Defense
- Slight increase in maintenance-related sales planned, with a progressive recovery in ocean cargo volumes

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# Progress of the Mid-term Management Plan

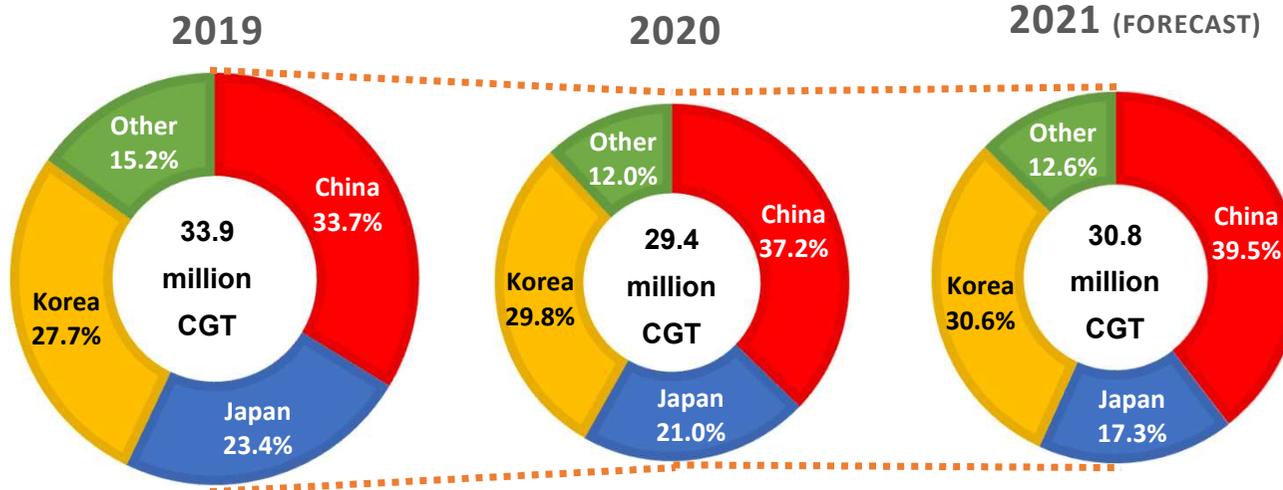
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# Sales Expansion in Growth Markets

## Trend in Tonnage of New Shipbuilding Completions



Source: Clarkson September 2021 data

Focusing on the expansion of the DAIHATSU brand in China, centering on business alliances

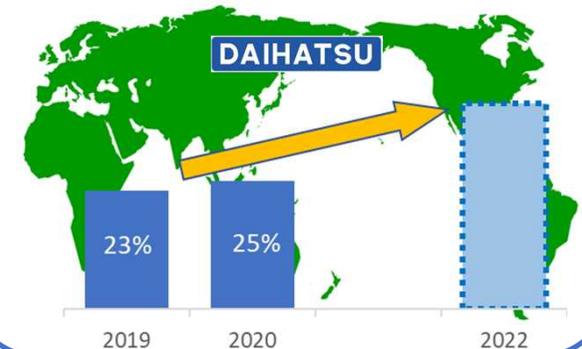
### China Licensing Business



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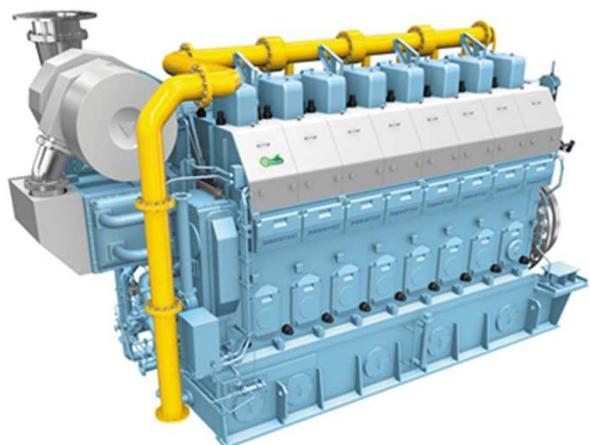
### Brand Global Share



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# Expanding Sales of Dual-fuel Engines



**2018**  
JAXA Tsukuba Space Center  
(6DE28DF)



**2019**  
LNG-fueled automobile carrier SAKURA LEADER  
(6DE28DF)



**2020**  
LNG-fueled automobile carrier  
CENTURY HIGHWAY GREEN (6DE28DF)



**2021**  
Large container ship  
(8DE35DF/6DE35DF)



**2022**  
Bulk carrier  
(6DE20DF/6DE23DF)

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# Improving Production Efficiency

## Through Synergic Effects Among Group Production Bases



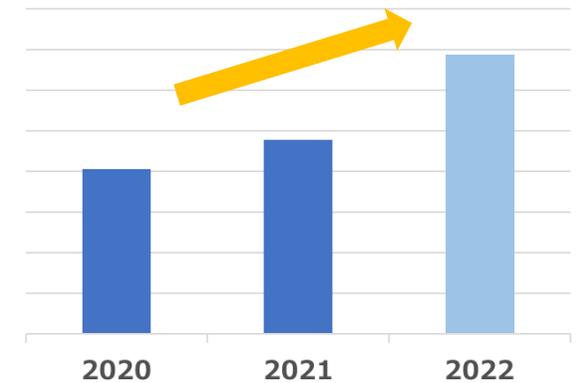
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# Himeji Factory: a Dedicated Large-scale Engine Factory

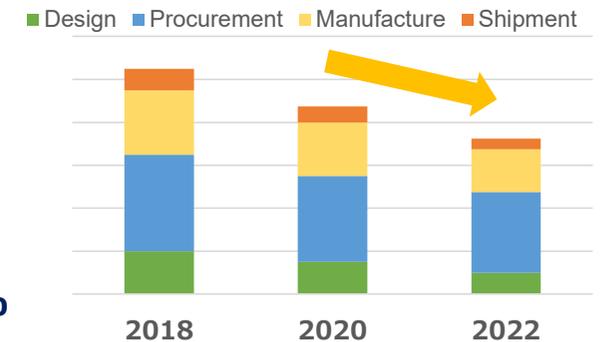


Orders are strong for large container ship engines  
Expanded testing facilities, enhanced production capacity by 30%

Trend in the Proportion of Large-scale Engines



Lead time for Large-scale Engine Orders



# Relentless challenge to new technology development



**“Zero Emission Ships”**  
Adopted technology development for hydrogen fuel promotion plants for ocean-going vessels



**Awarded “Marine Engineering of the Year (Doko Memorial Prize) 2020”**  
(Source: Japan Ship Technology Research Association)



**Container ships in 2050**  
(Source: Japan Ship Technology Research Association)

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# Relentless challenge to new technology development

The world's first pure carrier "Suiso Frontier" that transports liquefied hydrogen connecting Japan and Australia



Source: HySTRA

Electrical propulsion ship with a total length of 116 m, cargo tank capacity of 1,250 m<sup>3</sup>

6DE-23 x 3 units, reduction gear for 2 engines with 1 shaft RCD-25J x 1 unit,  
Selective catalytic reduction system (NoX reduction equipment) SCR 64VB x 3 units

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# Focusing on 'With' and 'After' COVID-19

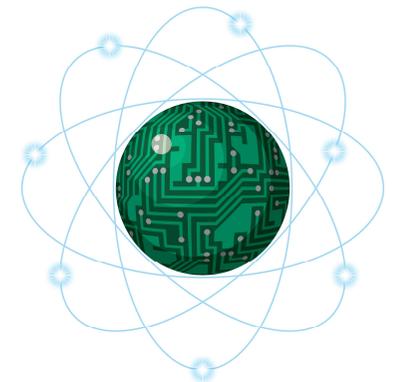


**Rise in environmental consciousness**

**Accelerate decarbonization**  
**Protect human life from the threat of nature**  
**Environmental management**

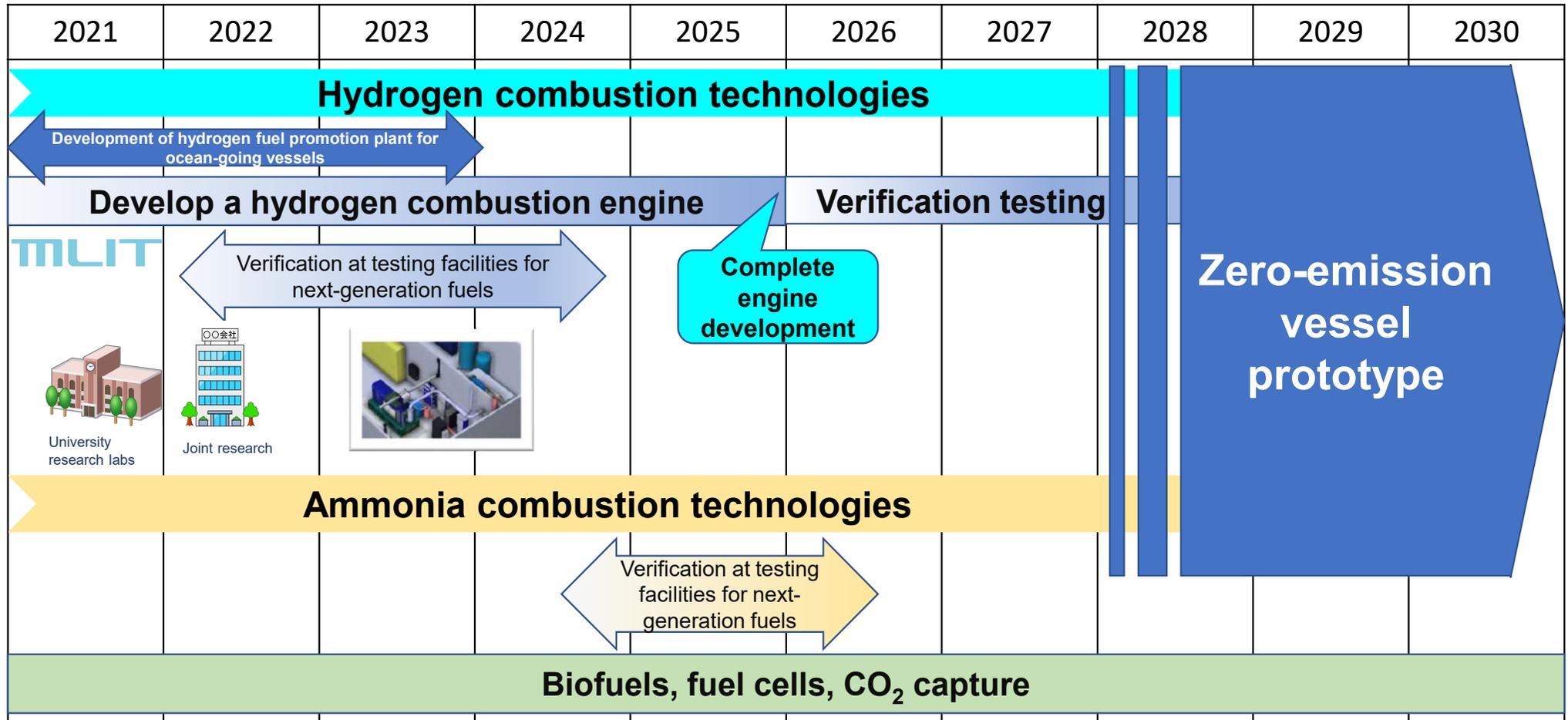
**Digital technology to enable remote operation**

**Response to digitalization**





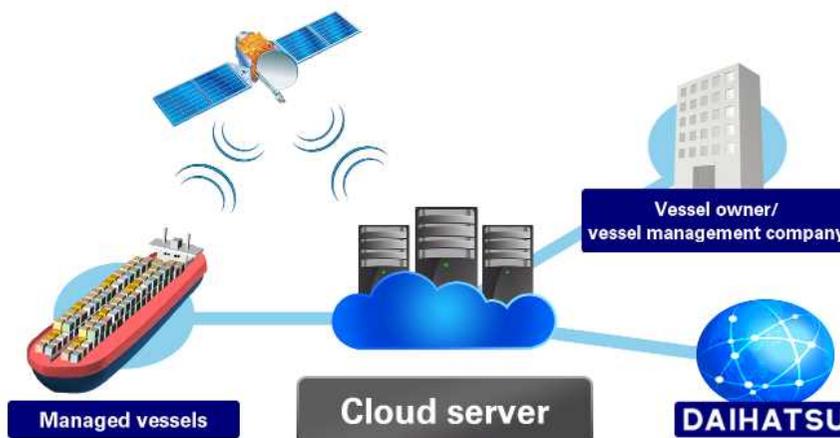
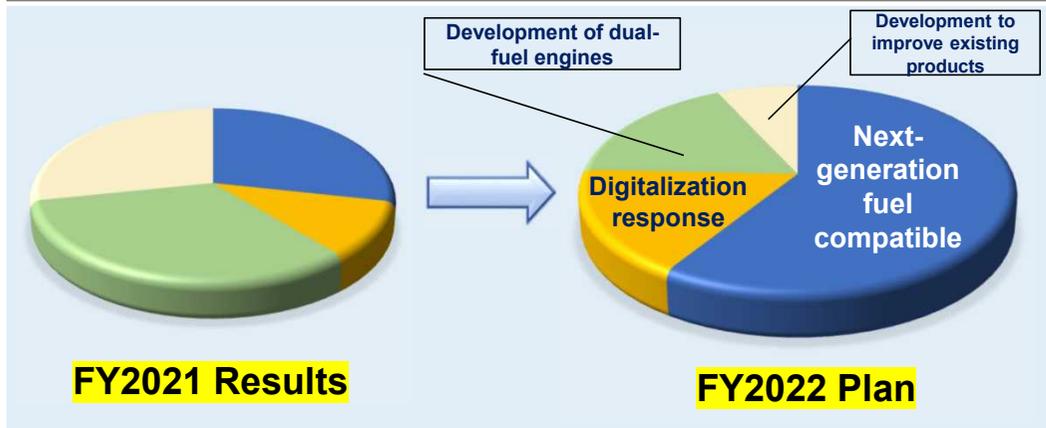
# DAIHATSU Roadmap to Developing Next-generation Fuels





# Direction of Environmentally-conscious Investment in Development

## Composition of Investment in Development by Theme



Engine operation support system

Cloud computing Maintenance eXpert System (CMAXS)

## Key points of investment in development

### 1) Next-generation fuel-compatible engines

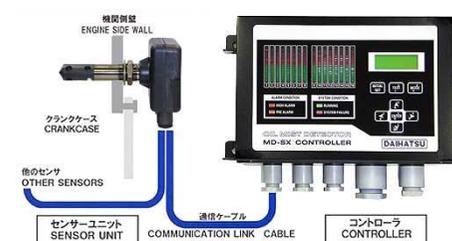
Central theme of the Mid-term Management Plan (~FY2022)

### 2) Response to “digitalization”

- ① Engine operation support systems through land-ship communications
- ② Remote maintenance of onboard engines
- ③ Prompt detection of abnormalities through sensing technology



Remote maintenance



Sensing (oil mist and gas sensors)

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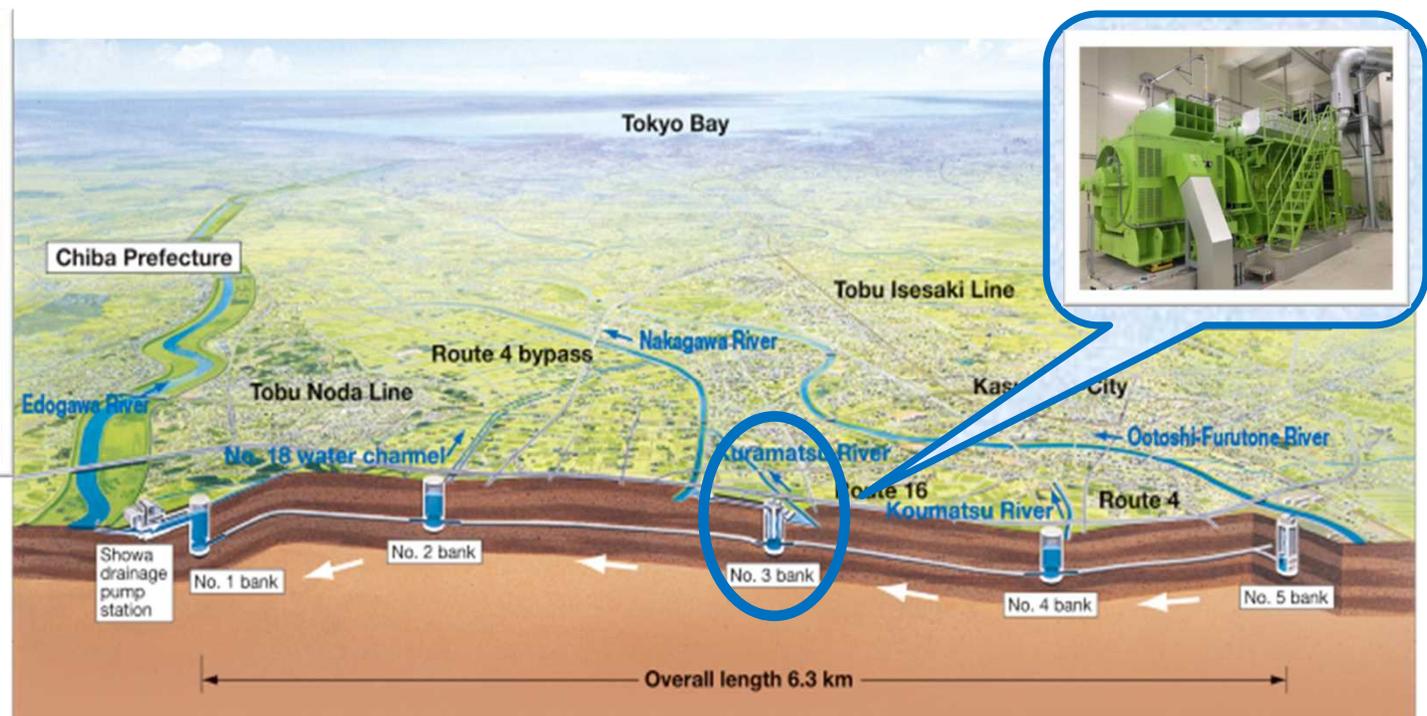
# To Ensure Stable Electricity Supply in an Emergency

## Metropolitan Area Outer Floodway



Source: Ministry of Land, Infrastructure, Transport and Tourism Edogawa River Office

Installed a diesel generator (8DC-32 engine) in the flood control facility, aimed at mitigating flood damage from the middle basin of the Naka River and Ayase River in the Tokyo metropolitan area



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# Environmental Conservation Initiatives

## DAIHATSU Environmental vision for 2030: plan to reduce CO<sub>2</sub> from manufacturing



- Plan to invest progressively in solar power generating equipment for renewable energy
- Plan to replace on-site power generators with more efficient models
- Considering the introduction of energy recapture equipment

## ALL DAIHATSU Green Wave Project



# Mid-term Management Plan Targets

(April 1, 2020 to March 31, 2023)

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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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