

Financial Results Briefing

FY2023

May 2023



FY2023

Summary of Earnings



DAIHATSU DIESEL MFG. CO., LTD.

Summary

POINT

- Sales and profit increased significantly compared with the previous year
- Engine sales, SCR (selective catalytic reduction equipment) and maintenance-related business were strong

(Million yen)

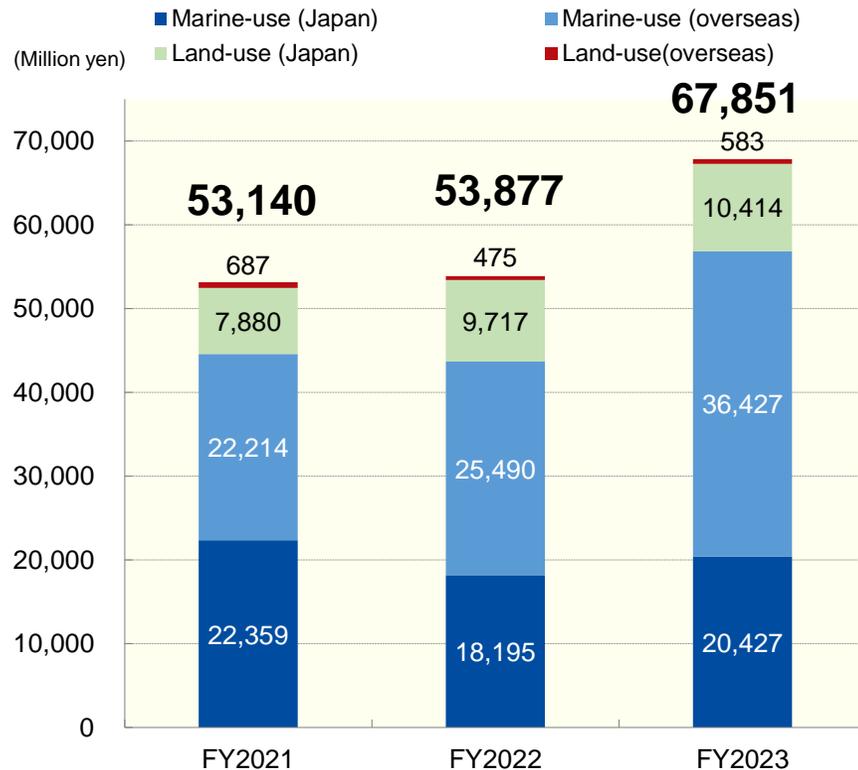
	FY2022 results	FY2023 results	YoY difference	
			Increase / Decrease	(%)
Net sales	57,599	72,113	14,513	25.2
Operating income	2,092	3,601	1,509	72.1
Ordinary income	2,506	3,660	1,153	46.0
Net income	1,968	2,948	979	49.8
Basic earnings per share	62.01	93.37	31.36	50.6
Total assets	89,268	95,377	6,108	6.8
Equity ratio	48.2%	47.9%	-	-

Net Sales and Earnings for the Internal Combustion Engine Section

POINT

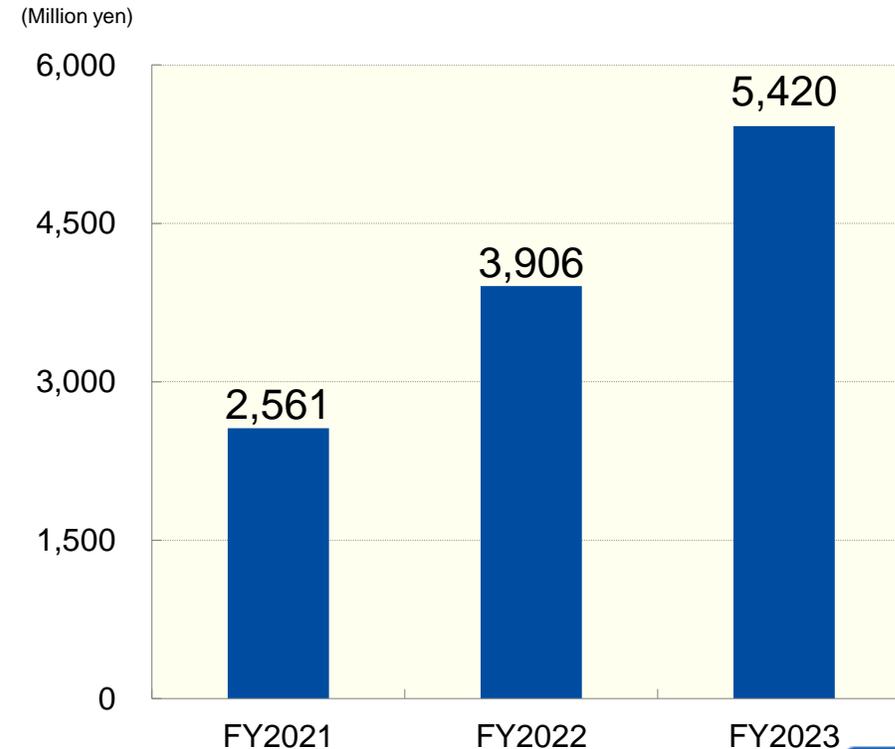
- Revenue increased due to an increase in the composition ratio of high-priced large and dual-fuel engines and strong sales
- The ratio of marine engines for overseas increased
- Section profit increased due to the recovery of maintenance demand with the easing of movement restrictions post-COVID-19

Net sales * Including maintenance related



Earnings for the internal Combustion engine section

* Including maintenance related

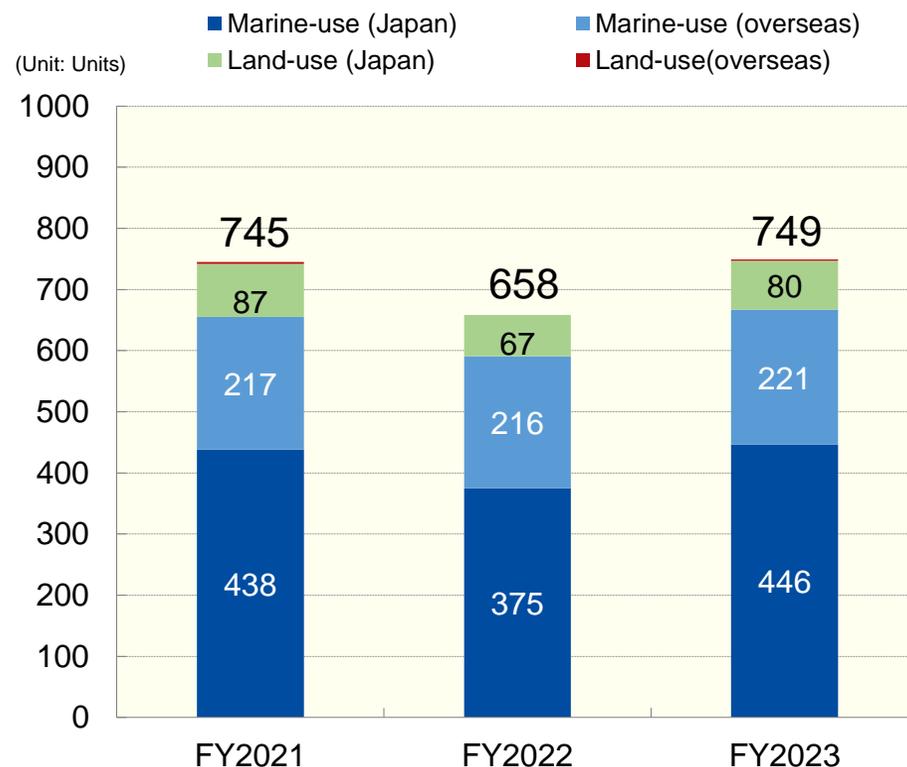


Unit Sales and Maintenance-related Net Sales

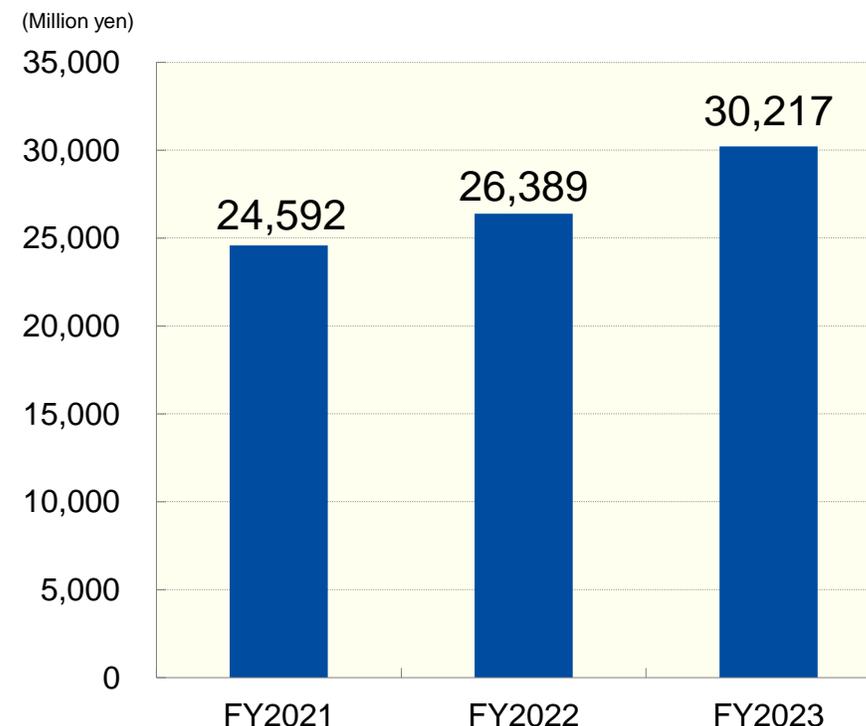
POINT

- Unit sales increased due to increased demand centered on container ships
- Maintenance-related revenue and profit increased, mainly in Europe, the United States and Southeast Asia.

Units sold



Maintenance-related net sales



Earnings Forecasts

Forecast

- Although sales of large and dual-fuel engines are expected to increase, profit will decrease due to the intensification of price competition.
- We are planning positive investment , including capital investment and research investment for the handling of new fuels

(Million yen)

	FY2023 results	FY2024	
		Forecast	Increase/decrease (%)
Net sales	72,113	76,000	5.4
Operating income	3,601	3,000	-16.7
Ordinary income	3,660	3,000	-18.0
Net income	2,948	2,000	-32.2
Basic earnings per share (yen)	93.37	62.79	-32.8
Annual dividend (yen)	28.00	19.00	-32.1
Payout ratio (%)	30.0	30.3	-

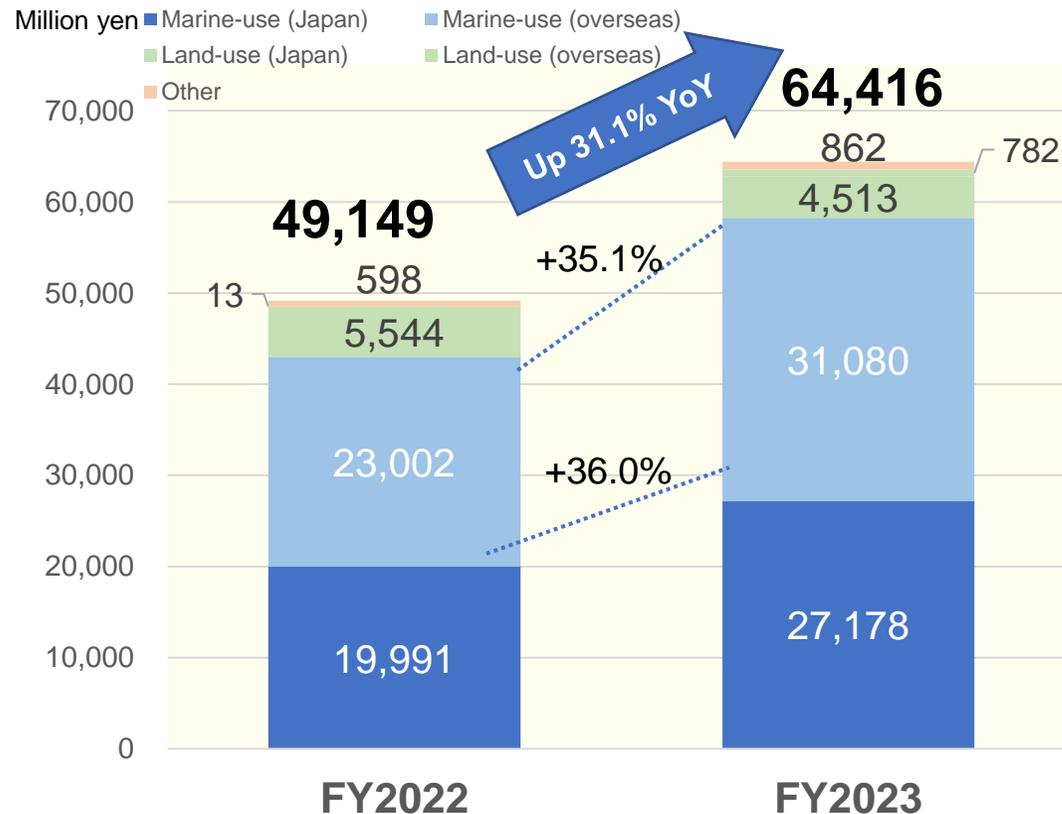
* Exchange rates: March 2023 (Results): ¥134.39, March 2024 (Estimate): ¥125.00

Order backlog

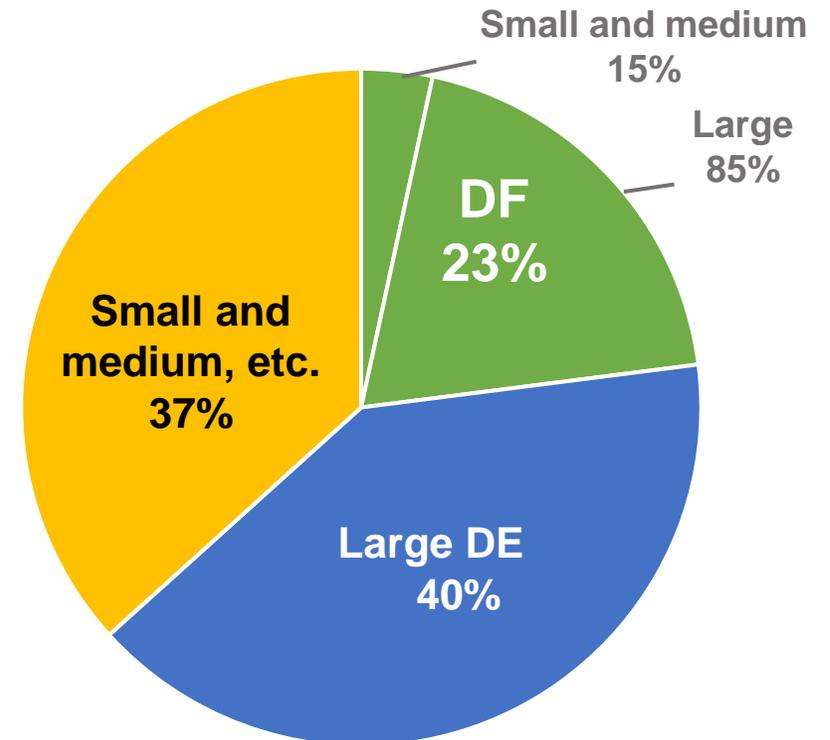
POINT

- Overseas: Orders for bulk carriers increased
- Japan: Orders for large and dual-fuel engines for car carriers and bulk carriers increased

Change in order backlog compared with previous year



Proportion of order backlog by model as of March 2023



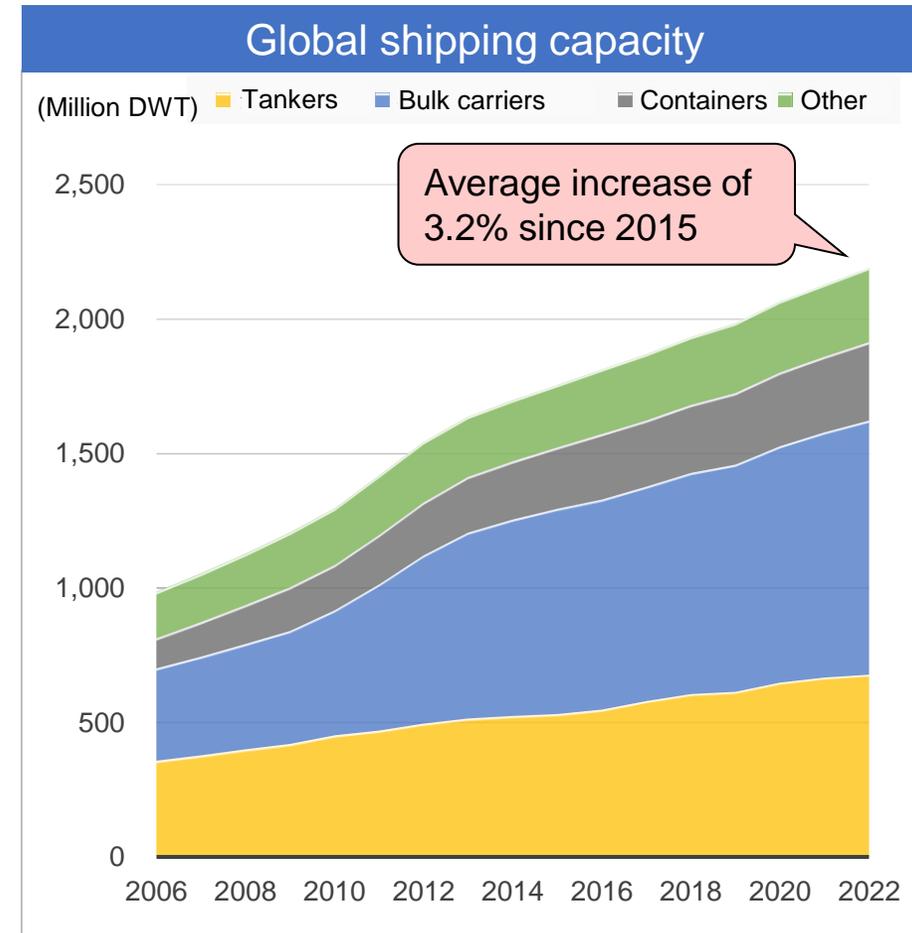
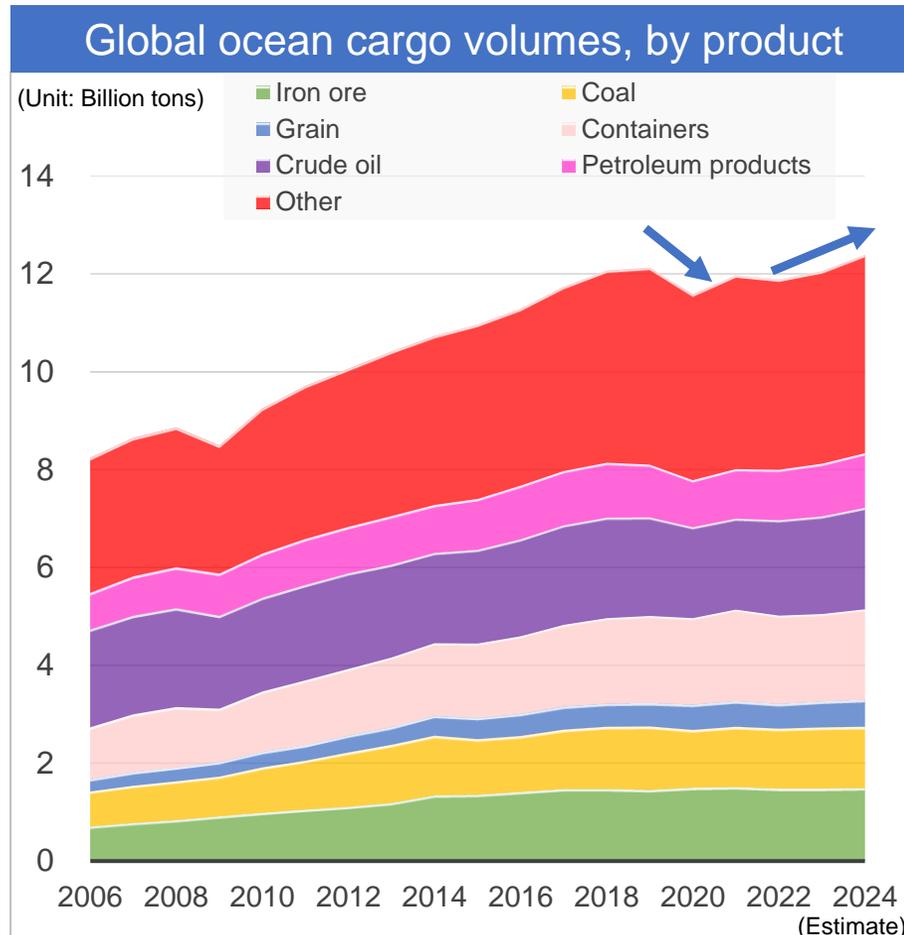
The Market Environment and the Company's Business Model



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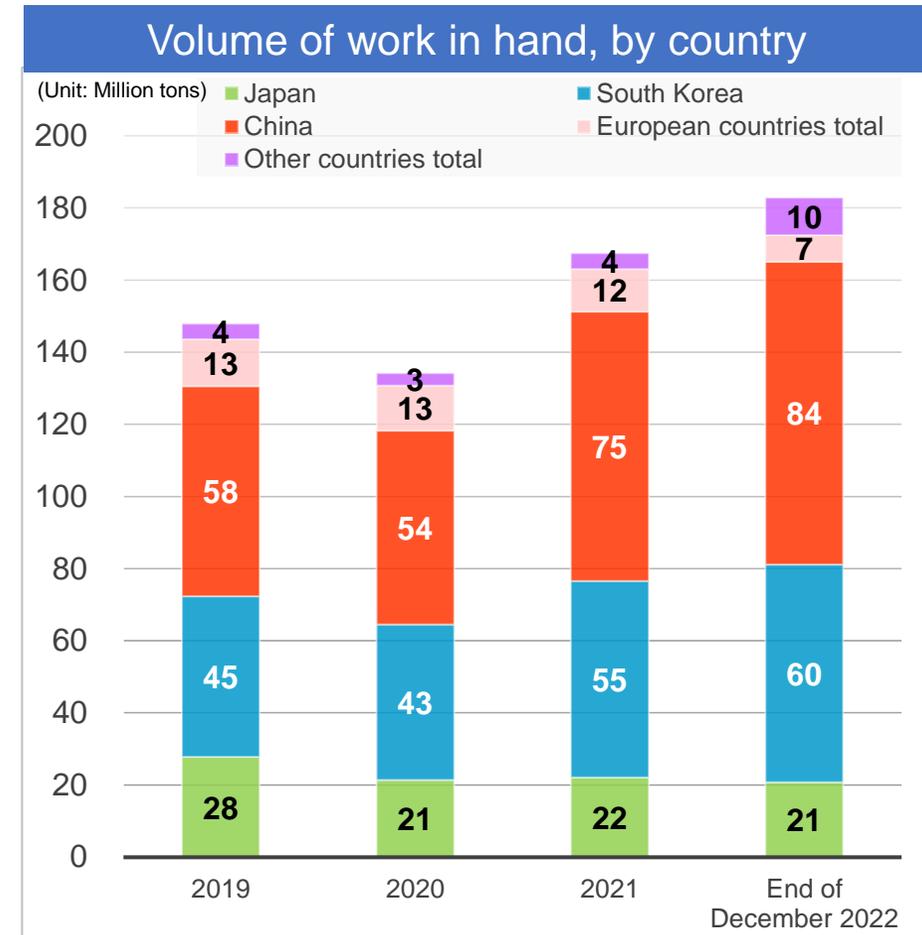
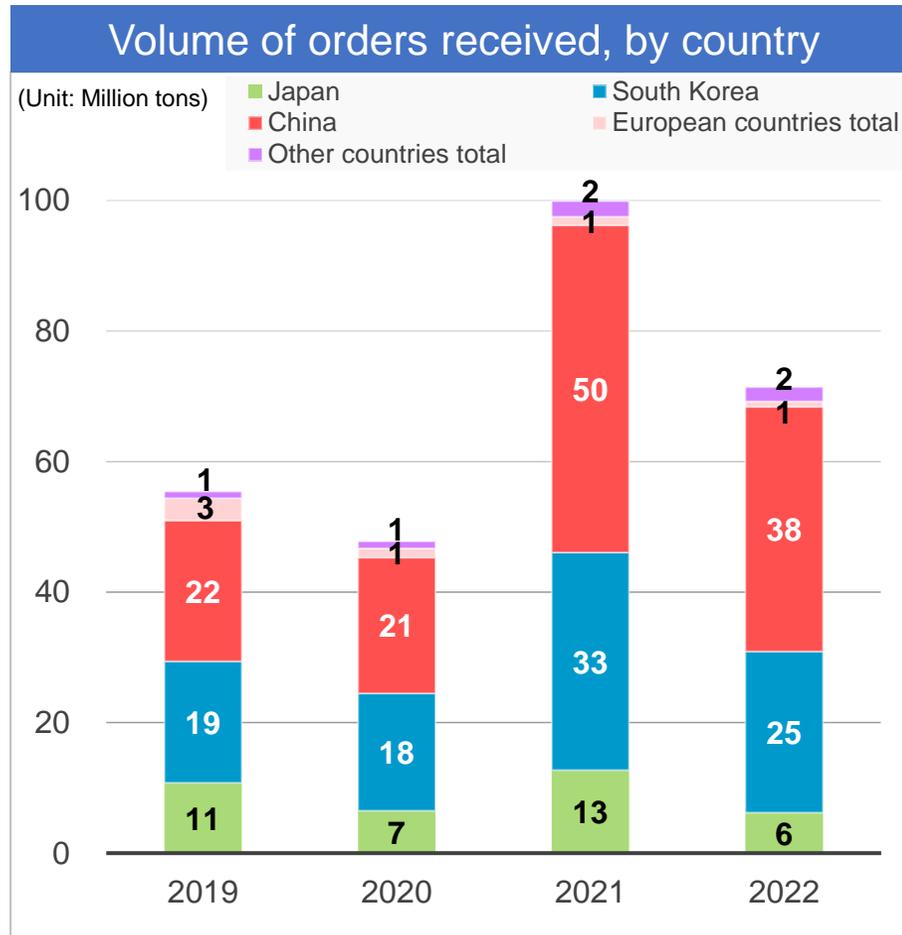
Market Trend for Marine Cargo

Source: The Shipbuilders' Association of Japan



- Although ocean cargo volumes fell due to COVID-19 in 2020, they have recovered to pre-pandemic levels.
- Container ship demand settled down for a while, but it is growing centered on bulk carriers.

Market Trends for Newbuild Vessels

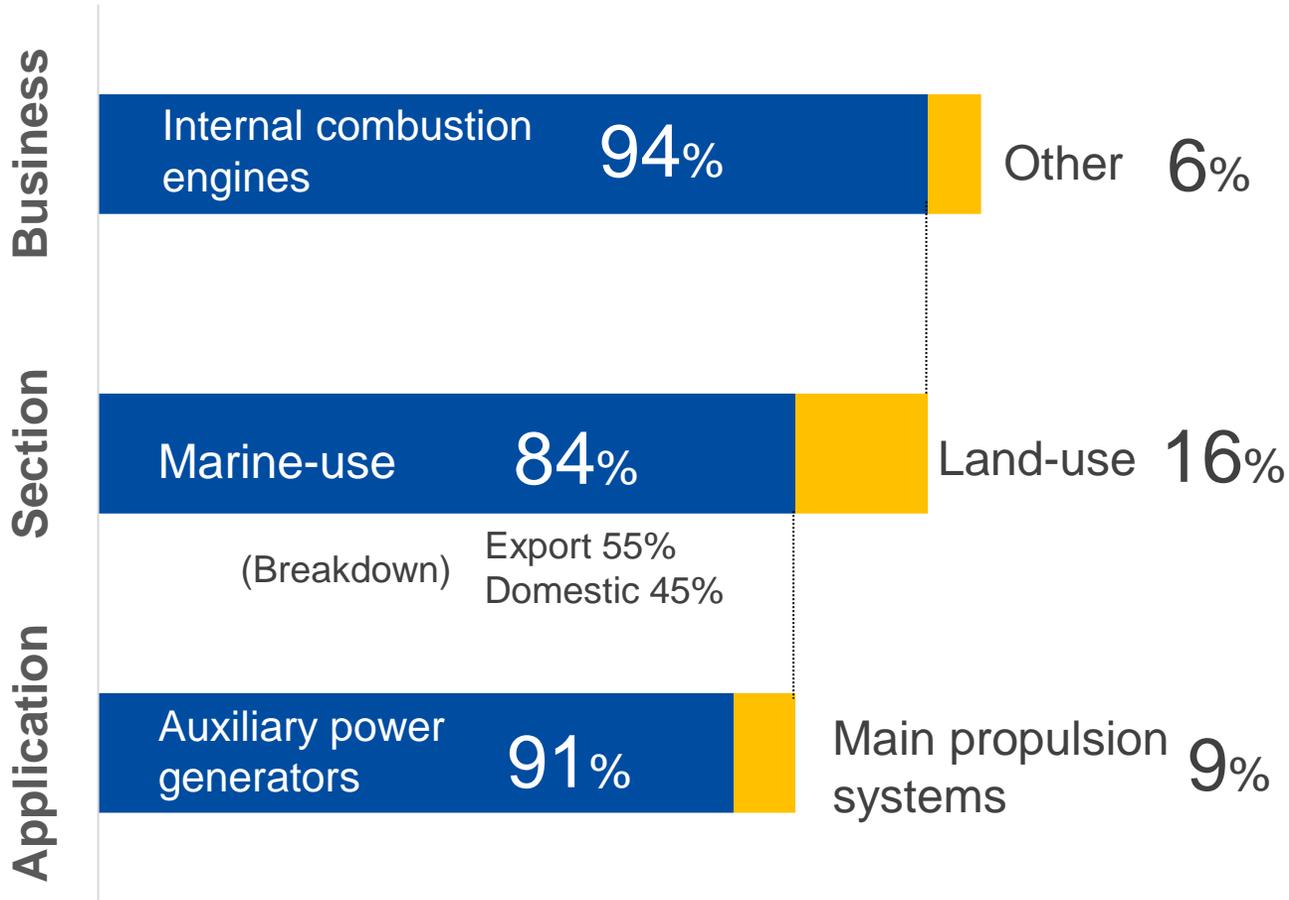


Source: The Shipbuilders' Association of Japan

- There was a rebound from the large orders of 2021 and orders have grown with certainty only in China.
- Looked at by country, the Chinese market exceeds 50%.

Sales Breakdown/Market Share (end of FY2023)

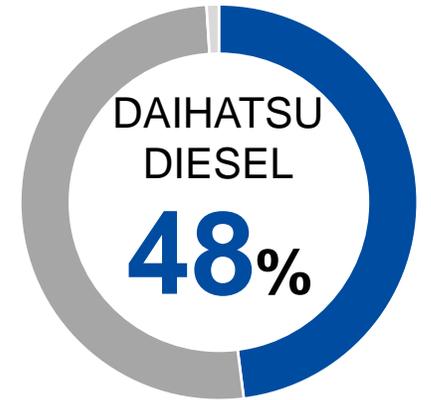
Sales Breakdown



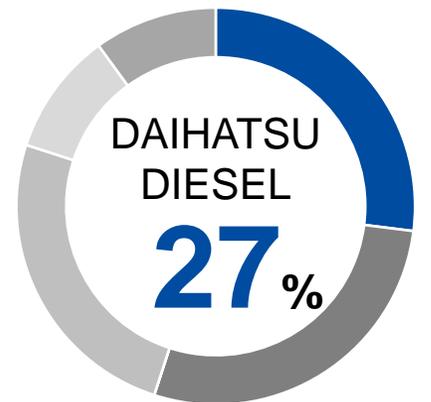
Market Share (Auxiliary Engines for Large Ocean-going Vessels)

Number of ships in service from January to December 2022

<Share in Japan>



<Share overseas>



The Company's Business Model

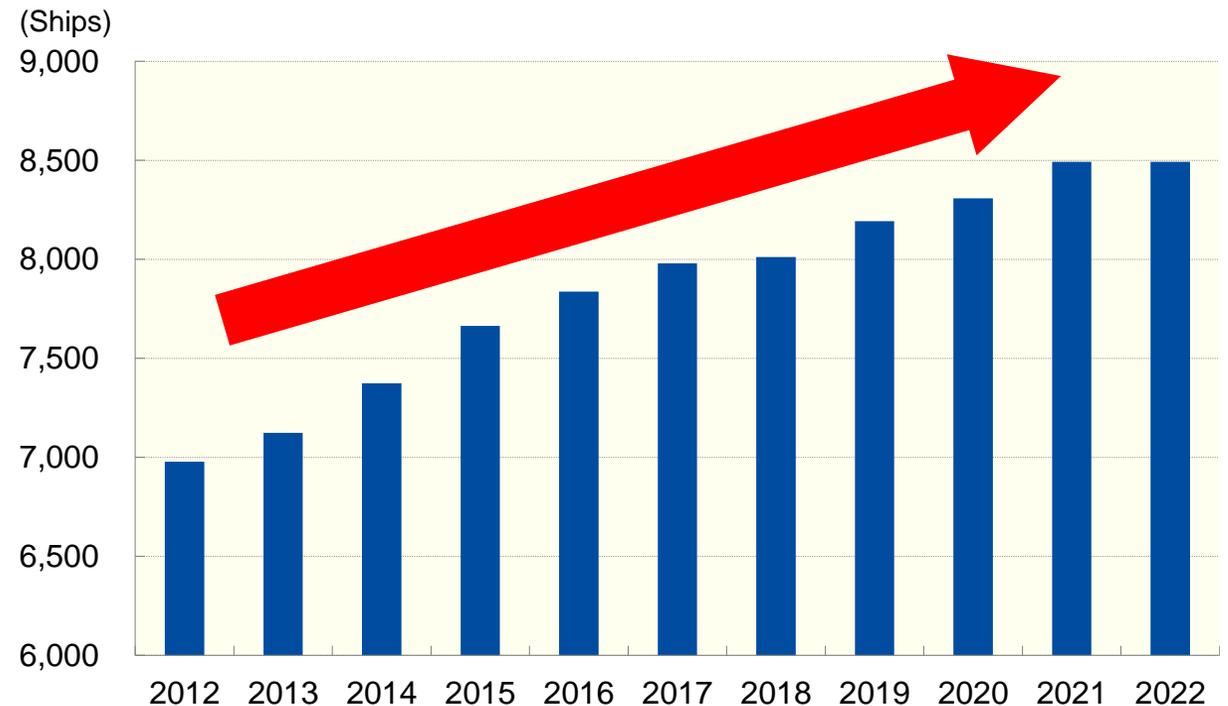
POINT

- We are building a business model that makes money not only from engine sales, but also from after-sales maintenance.
- Technical capabilities in after-sales service are key.

Stable capture of earnings over life-cycle

- ▶ Although the number of ships with the company's engines will be flat in 2022, they increase steadily by 1.8% each year on average.
- ▶ The provision of service value for stable operations is key.

Number of ships with the company's engines



* Not including technical partners in China

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The Company's Business Model (Maintenance)

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

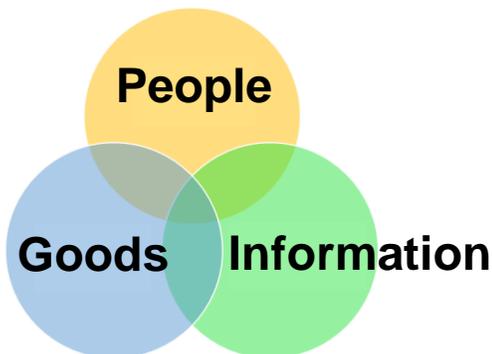
Sales approx. ¥30.0 billion

Shifting to the offensive

- Promoting strategic maintenance proposals for ship-owners and ship-management customers
- Narrowing down target customers and sales expansion activities aimed at post-COVID-19 demand recovery

Current initiatives

- Build services that provide people, goods and information accurately using DX
- Build an abnormality diagnosis and maintenance support system by accumulating engine data.
- Build a comprehensive maintenance contract system for digital equipment, including DF engines.



Business that delivers peace of mind to customers

- People: Be close to customers and provide them with generous support
- Goods: Supply the parts required when they are required
- Information: Provide the information required for the safe operation of engines

Growth Strategy

POWER! FOR ALL beyond 2030

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The Direction to Take Mission

POWER! FOR ALL beyond 2030

We will achieve our two missions in order to balance a rich society and natural environment.

Supporting the safety and security of people's lives

We play a role in the social infrastructure of the sea and land.

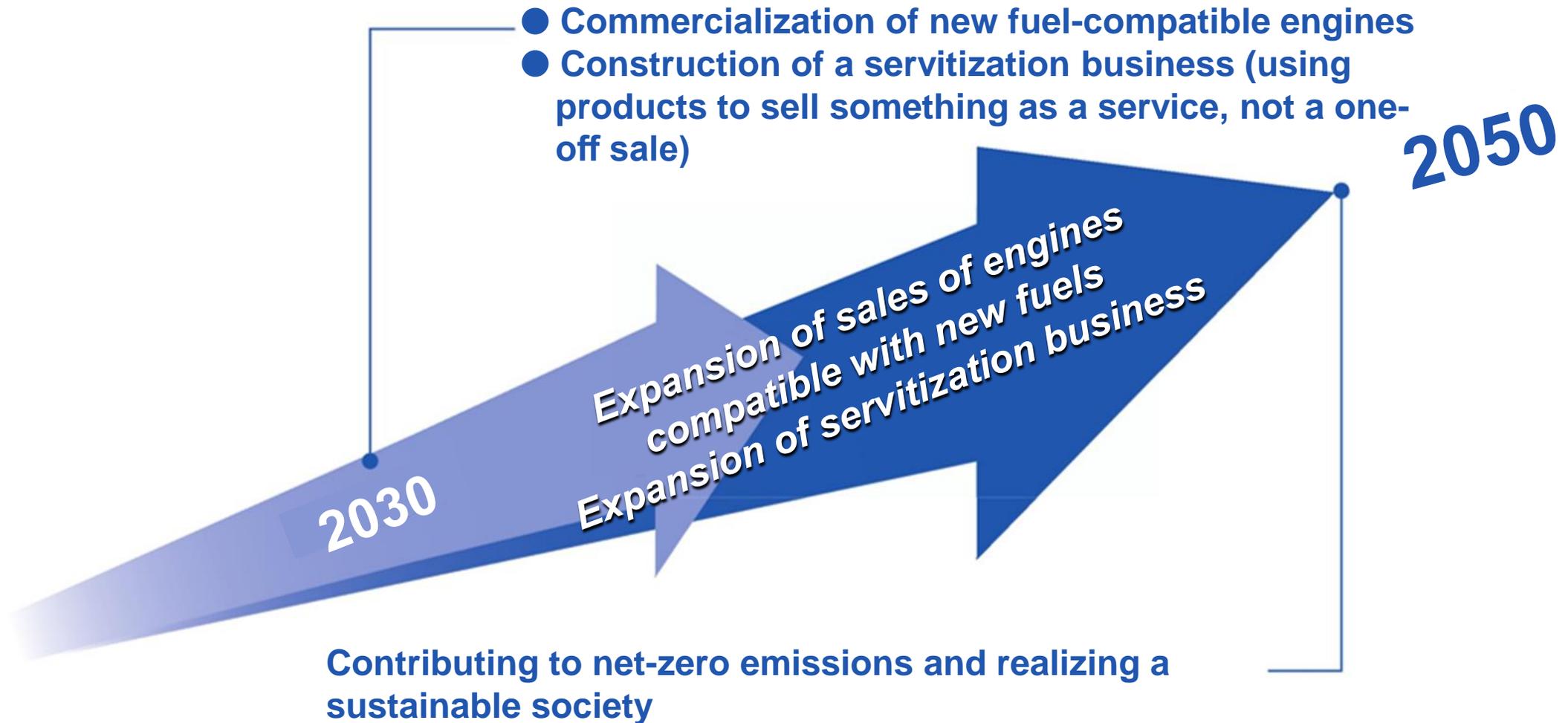


Protecting the rich natural environment

Facing up to global environmental problems, we will convert to clean energy.



The Direction to Take TARGET





Challenge to achieve net zero emissions



Developing engines that use new fuels

- Methanol combustion engines: Aim for commercial engine shipments by the end of 2025
- Ammonia combustion engines: Aim for commercial engine shipments in the second half of the 2020s
- Promote early establishment of the hydrogen combustion engine
- Enhancement of technology to remove nitrogen oxide, etc.
- Optimization of engine operating conditions (upgrading of sensing and control technologies)



Expanding sales of dual fuel (DF) engines

- Acquisition of technologies for next-generation engines that use new fuels



Strengthening and expanding the licensing business

- Strengthening and expanding after-sales maintenance systems

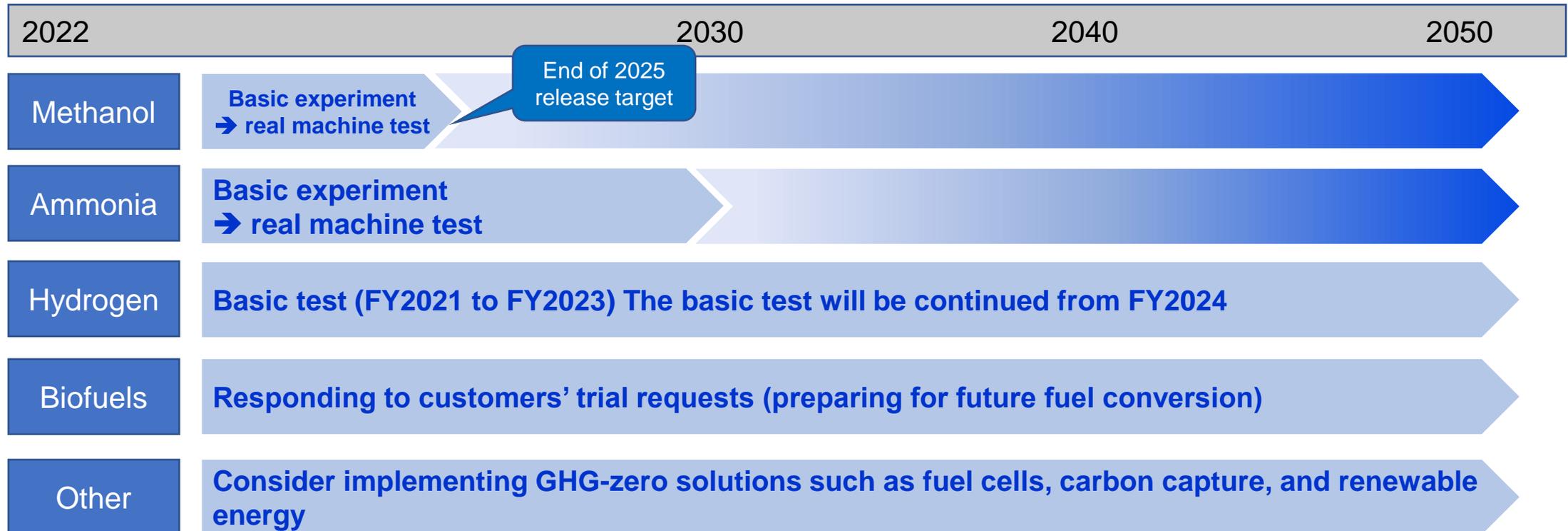
The Progress of the Mid to Long-Term Vision [1]

Development of engines that use new fuels



Roadmap for new fuel development

- Achievement of the world's highest level of combustion efficiency with methanol-fueled, ammonia-fueled and next-generation gas-fueled engines
- Enhancement of exhaust gas purification technology
- Provision of various synthetic fuel-compatible engines



The Progress of the Mid to Long-Term Vision [2]

New construction of new fuel engine factory



Construction of new fuel handling factory (Himeji Factory)



New Himeji Factory
Aim for operation in 2027

Total investment of ¥10 billion

- New fuels (methanol, ammonia, hydrogen)
Engine assembly and commissioning factory
- Additional construction of new fuel (methanol) engine facility
- Plan for expansion of existing engine factories

The Progress of the Mid to Long-Term Vision [3]

Joint research on new fuels with universities and companies



◆ Started joint research with Oita University

- Development aimed at the realization of an effective ammonia-hydrogen combustion engine
- Analysis of toxic components in exhaust gases to establish more efficient combustion technology

◆ Started joint research with the National Maritime Research Institute and Hitachi Zosen Corporation

- Reformulation of ammonia fuel to hydrogen. Development of a system using hydrogen with a co-fired or single-fired engine
- Construction of system from the fuel supply unit to post-combustion treatment unit

◆ Started joint research with Okayama University

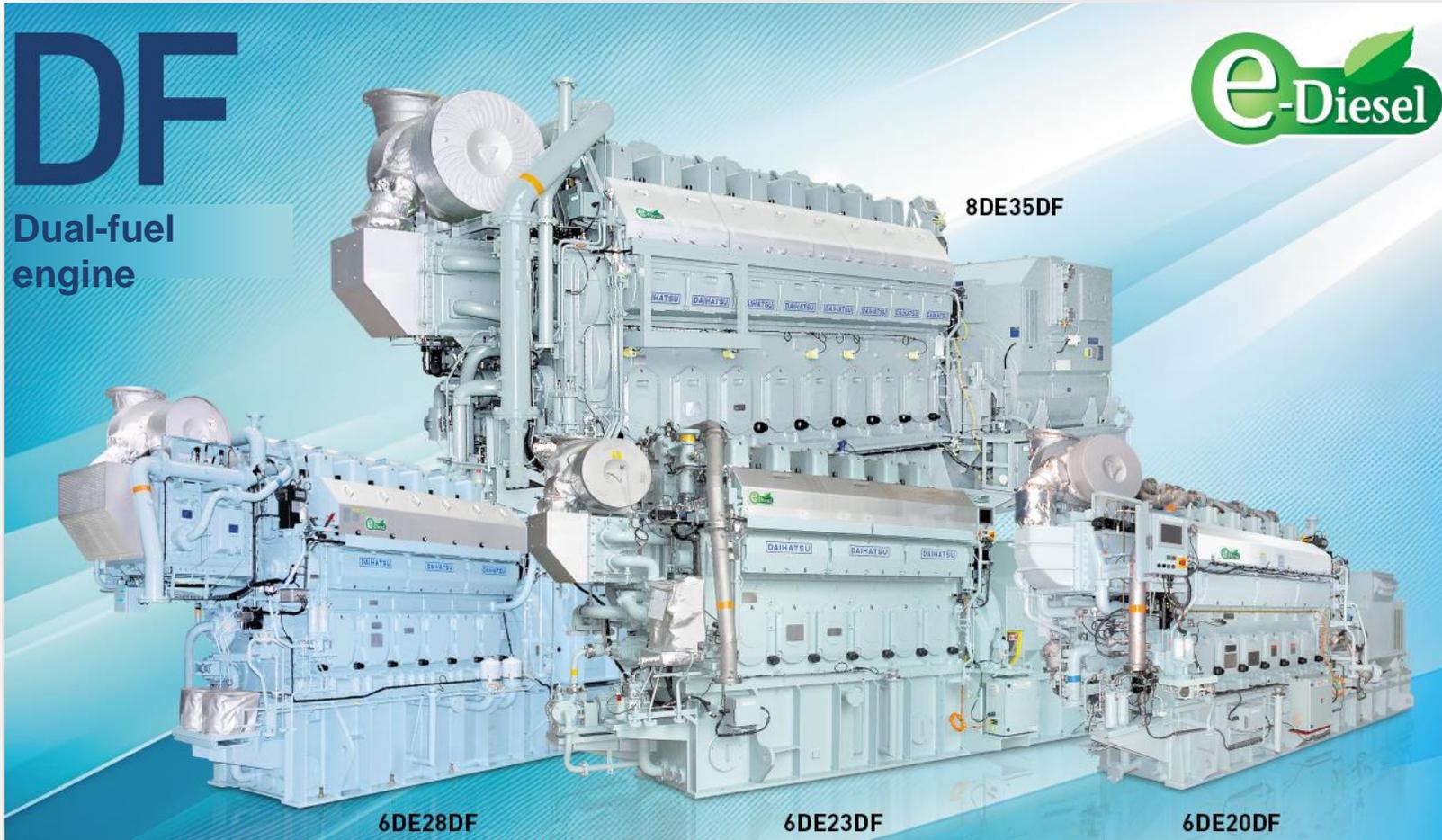
- Development of highly efficient methanol engines
- Establish more efficient combustion technology with higher thermal efficiency and improvement of ignitability with mixed fuel

◆ Started joint research with The University of Shiga Prefecture

- Research on a methanol combustion method suitable for diesel engines
- Establish more efficient methanol combustion technology

The Progress of the Mid to Long-Term Vision [4]

Completion of DF Engine Lineup



< Examples of ships equipped with DF engines >



Car carrier



Container ship

The Progress of the Mid to Long-Term Vision [5]

Expansion of Licensing Business



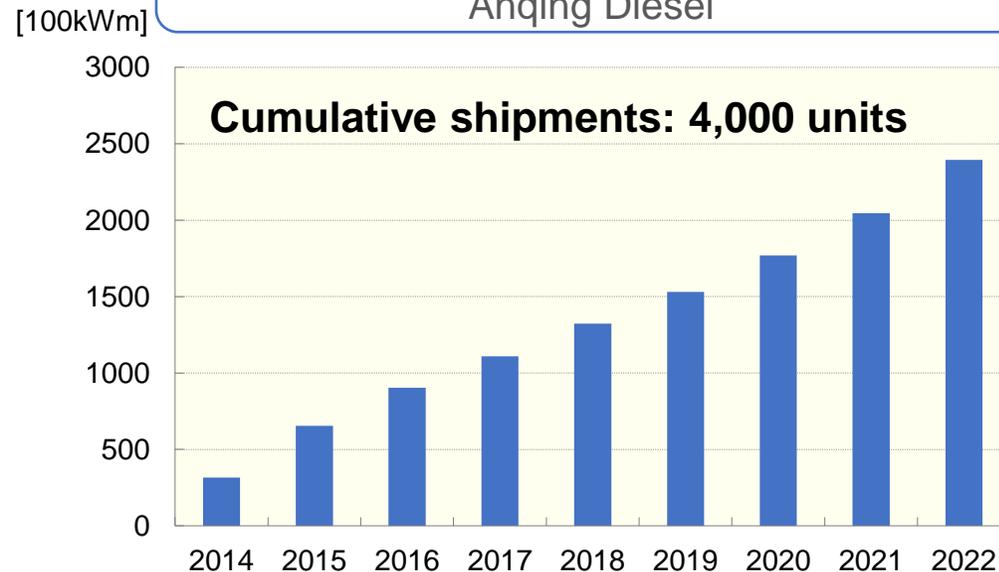
Licensing (in China)

- Contract since 1982 Contract renewal in 40th anniversary year in 2022
- Newly entered into a contract alliance for large engines and expanding the range of target models
Technology tie-up is being promoted with a view to creating engines that use new fuels
- Supporting ocean-going vessel order receipts to further expand market share

Licensed shipment output

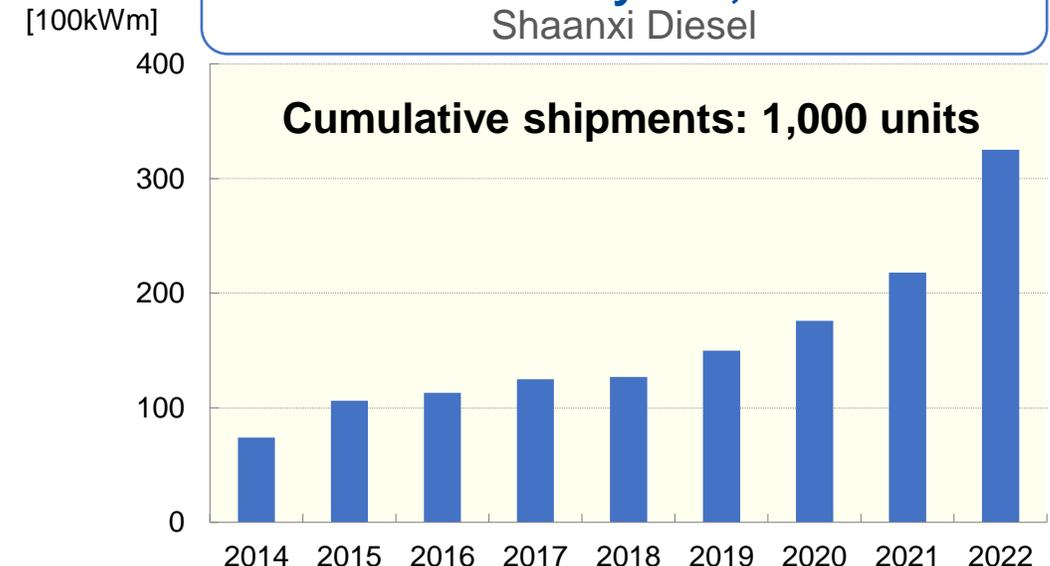
Anqing CSSC Diesel Engine Co., Ltd.

Anqing Diesel



Shaanxi Diesel Engine Heavy Industry Co., Ltd.

Shaanxi Diesel

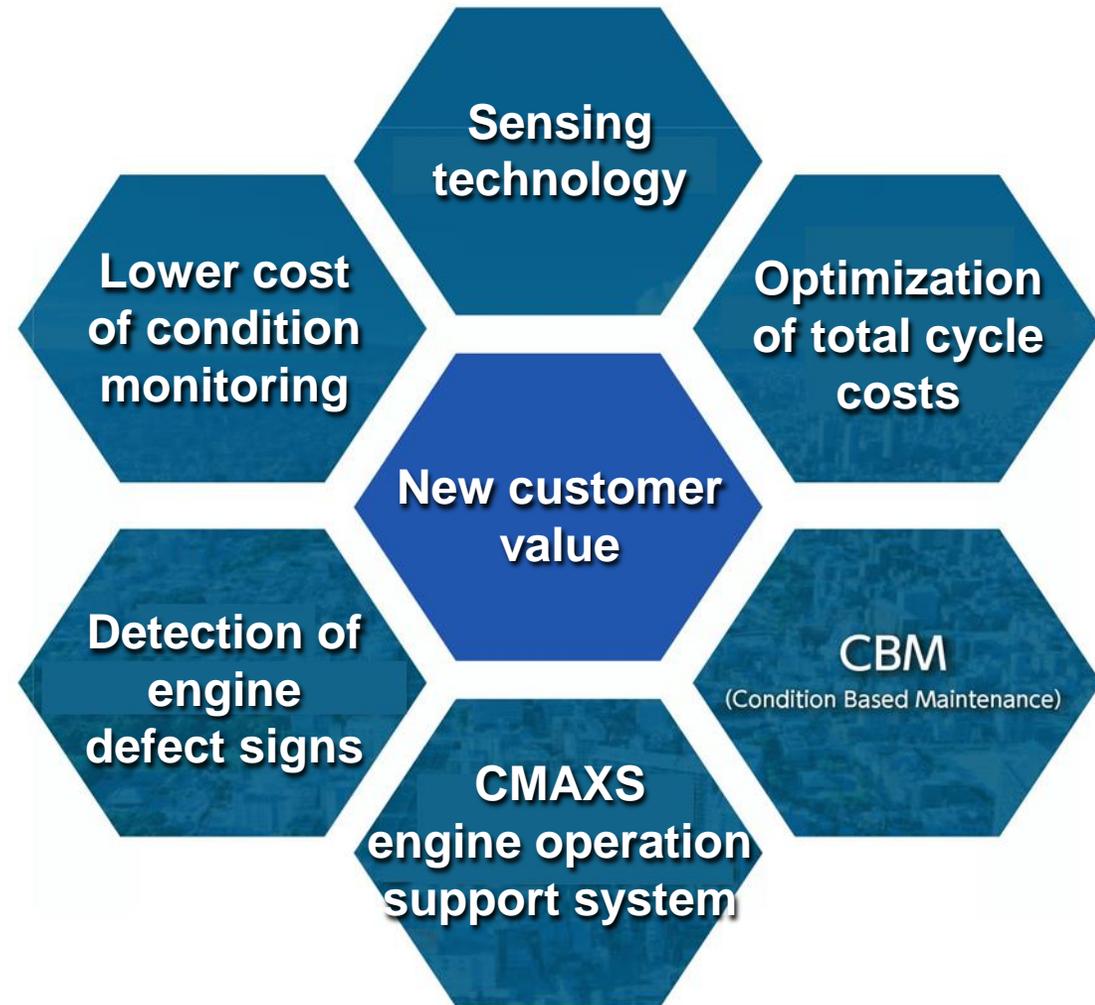


Business Strategy Digital Support Business

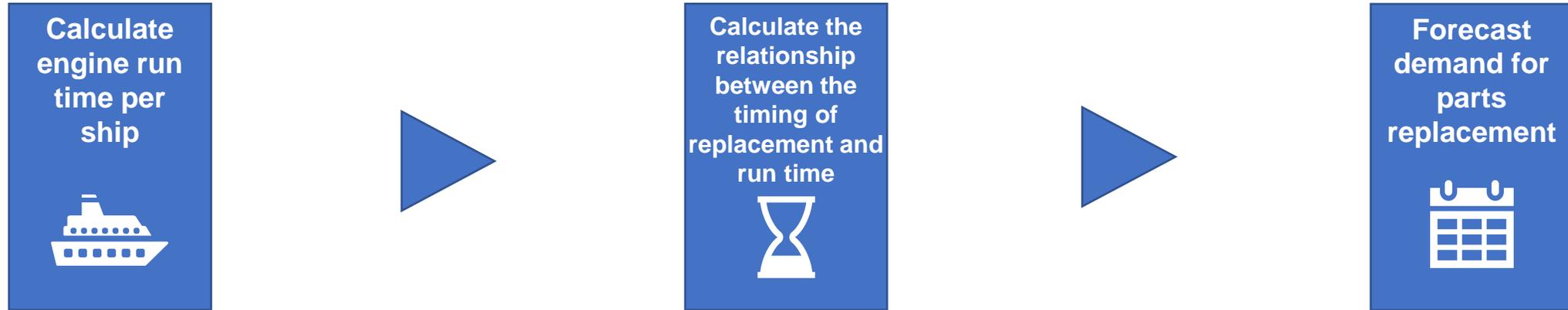


Development of digital support business

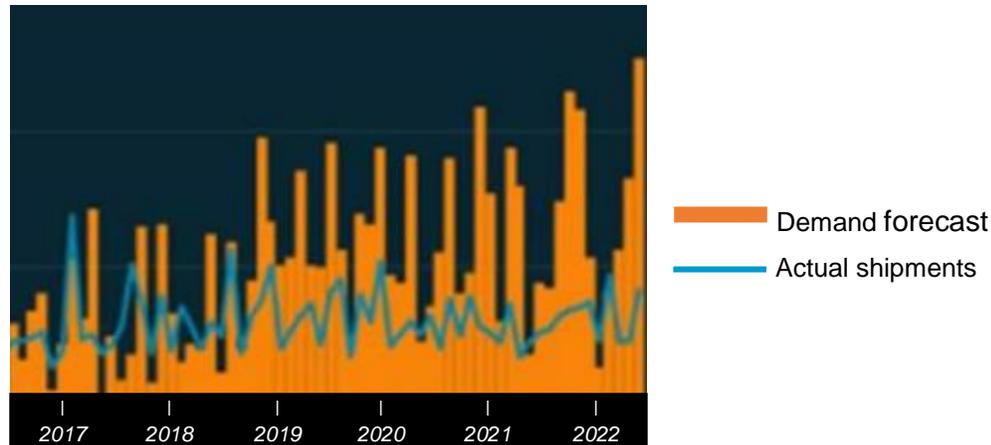
- Analyze navigating data with AI to propose accurate services
- Development of technology to monitor engine condition and enhancement of failure prediction and diagnosis technology using AI
- Acceleration of comprehensive maintenance contracts, including maintenance support and crew training



Proposal sales using AI



Each ship's shipment history and demand forecast screen (sample)



By using this system

- Promoting strategic maintenance proposals for ship-owners and ship-management customers
- It is possible to visit customers when parts need to be replaced.
- We show customers the parts that need to be replaced.

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ESG Strategy

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ESG Strategy (CO2 Reductions in Logistics)

Promotion of a modal shift

Rail container transportation of parts



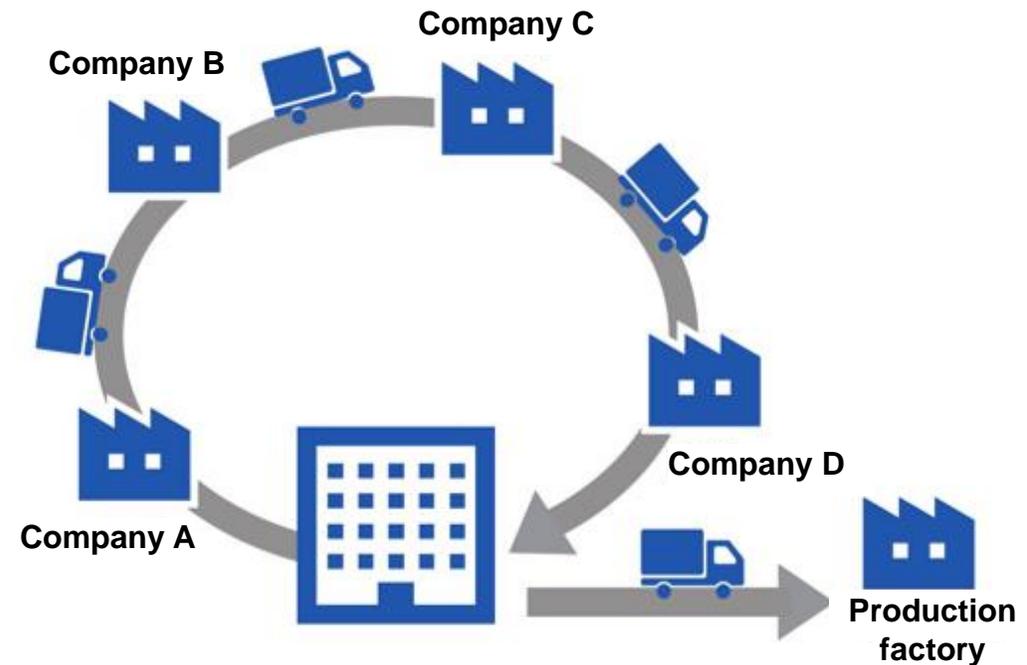
Engine shipments from dedicated berths at the Himeji Factory



- Conversion of truck and other freight transportation to rail and marine transportation
- New construction of parts warehouse at Himeji Factory
- Adoption of milk run (circular collection of supplied parts) system

Milk run

- Collection of parts for delivery from numerous suppliers



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ESG Strategy (Realization of a Sustainable Society and Enhancement of Corporate Value)

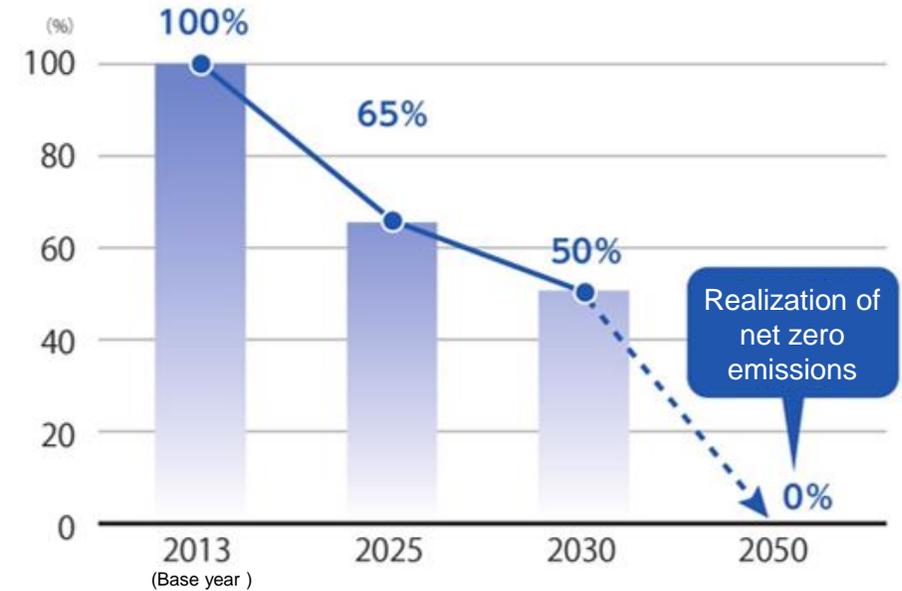
Reduction of CO₂ emissions in production

- Renewable energy (solar panels at Moriyama Factory and Himeji Factory)
500 million yen investment 2,000 kW
- Transportation of electricity from Himeji Factory to Moriyama Factory: 50 MWh/year
- Purchasing of forest credits from Shiga Prefecture



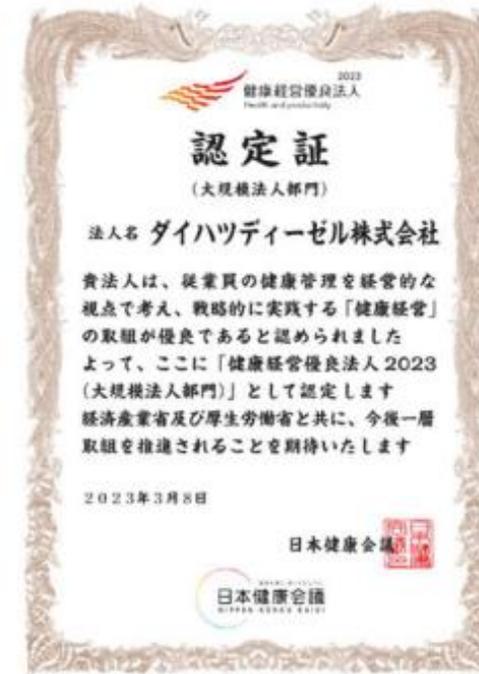
- Reduce CO₂ emissions in production by 35% from FY2013 level in FY2025
- Reduce CO₂ emissions in production by at least 50% from FY2013 level in FY2030
- Aim for net zero emissions in FY2050

Medium to long-term targets for the reduction of CO₂ emissions in production



ESG Strategy (Health and Productivity Management Outstanding Organization Certification)

- Positioning fiscal year 2022 as the “first year of ESG management (year of evolution),” the company acquired “Health & Productivity Management Outstanding Organization 2023” certification.
- We will promote health management and establish an environment and systems that allow employees to work comfortably.



ESG Strategy (Human Capital Investment)

Safety initiatives

The Company places the highest priority on ensuring safety and health in all its business activities and promotes creating a safe and comfortable working environment.

- Fostering a safety culture
- Promotion of health management

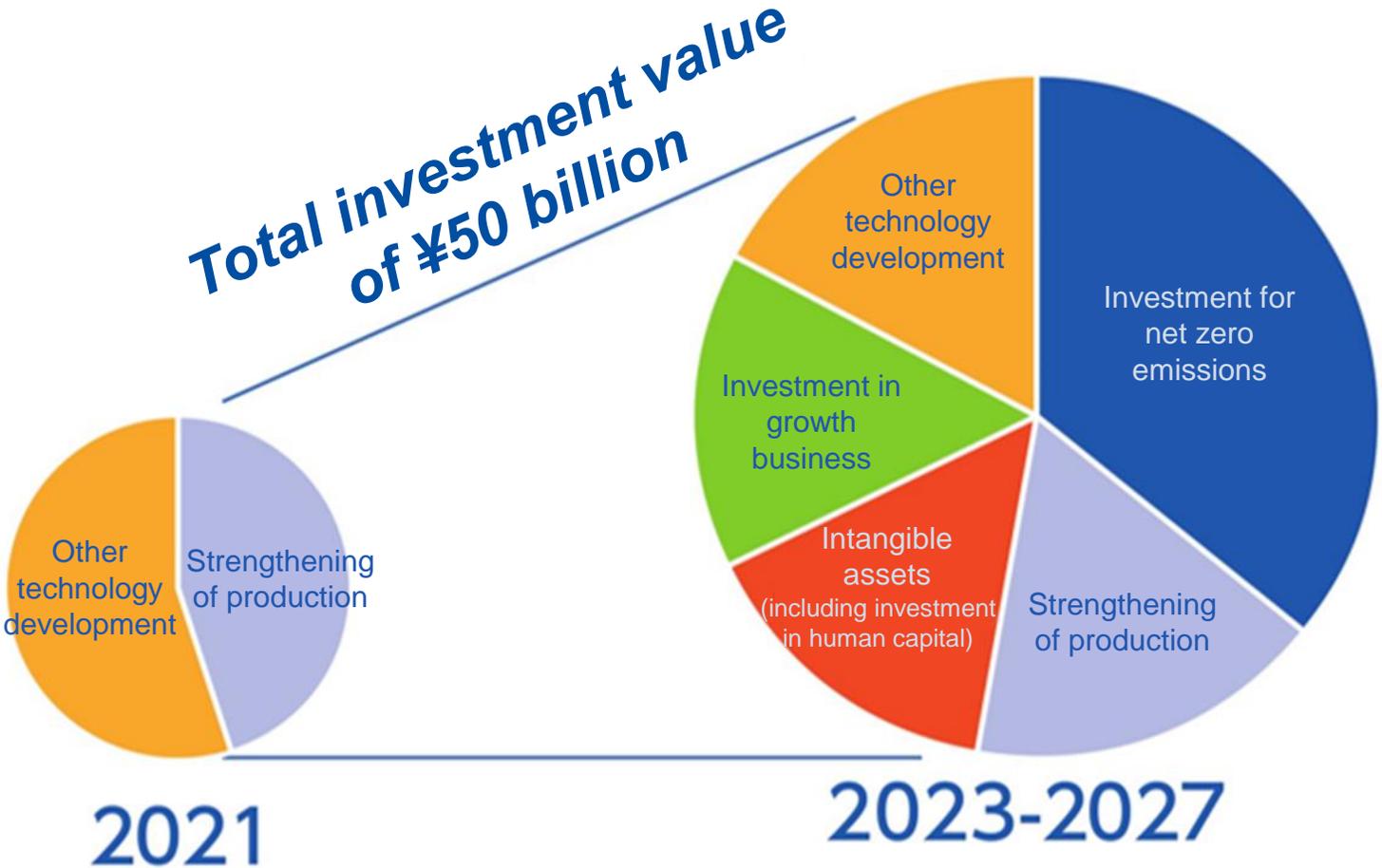


Strengthening, expanding and fostering human capital

The Company will accelerate investment in human resources, which is the most important asset for realizing the Company's purpose.

- Human capital management
 - Securing versatile human resources for new business areas
 - Fostering advanced professional human resources and next-generation leaders
- Promoting diversity
 - Providing opportunities to utilize diverse human resources and maximize their capabilities
- Respect for human rights
 - Fostering a culture and promoting activities that respect the human rights of all people involved in business activities
- Promotion of work-life balance
 - Fostering work-style reform
 - Promotion of creating a rewarding work environment
- Social contribution activities
 - Continue food bank activities, zero marine waste activities, and social contribution activities

The Mid to Long-Term Vision Investment Plan



Company Engine Delivery Destinations



TARGET 2050



Achieve net zero emissions while accelerating selling services as a power supply company that leads to the future

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