

Presentation Material for Financial Results Briefing Second Quarter (Interim) of Fiscal Year Ending March 31, 2025

November 20, 2024



DAIHATSU

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Summary

- Both engines and maintenance posted increases in sales and profit due to higher unit sales and the effect of the yen's depreciation.
- Sales for overseas locations contributed to earnings as the yen depreciated more than expected.

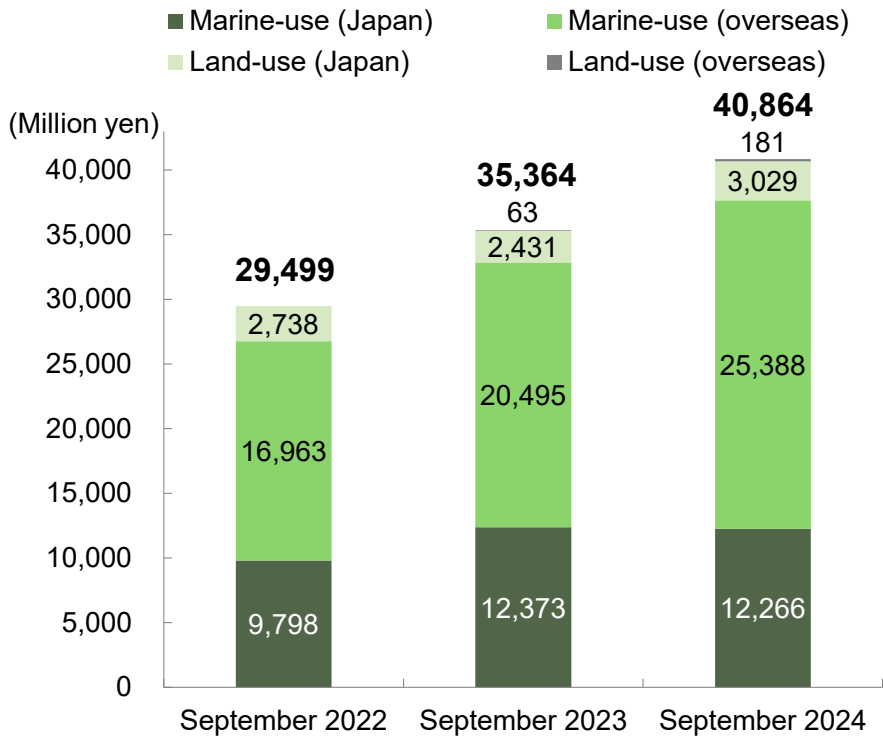
(Million yen)	FY2024 First Half results	FY2025 First Half results	YoY difference	
			Increase/Decrease	(%)
Net sales	37,220	42,896	5,675	15.2
Operating income	938	3,183	2,245	239.3
Ordinary income	1,171	3,089	1,918	163.8
Net income	1,888	2,127	238	12.6
Basic earnings per share (yen)	59.79	67.18	7.39	12.4
Total assets	96,049	98,237	2,188	2.3
Equity ratio (%)	48.8	52.5	-	-

Net Sales and Earnings for the Internal Combustion Engine Section



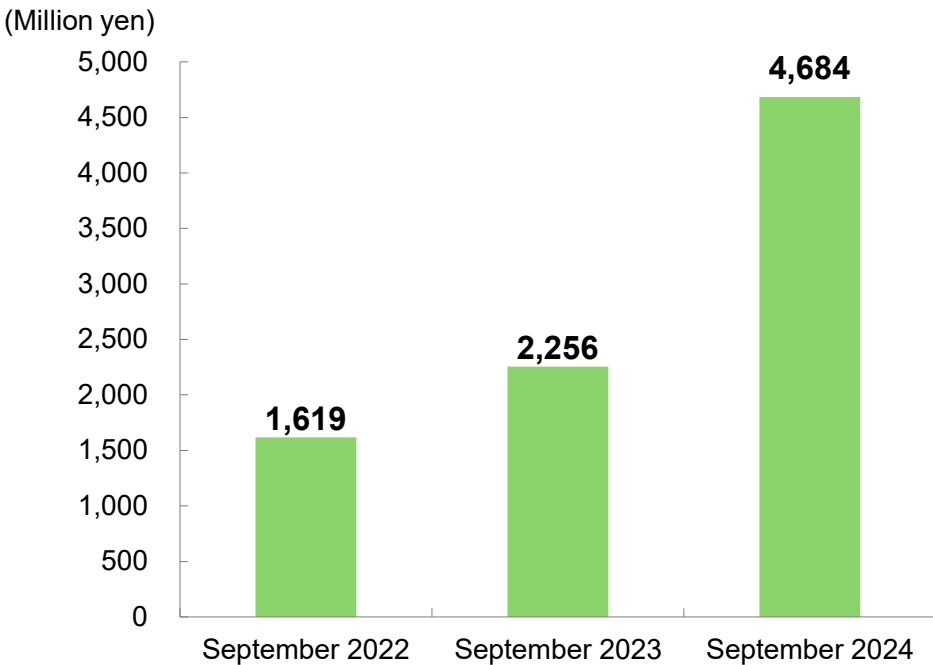
- Sales of small and medium-sized engines for bulk carriers and tankers remained firm in addition to sales of large engines (for container ships and car carriers).
- There was a rise in terms of unit in the composition ratio of dual-fuel engines for environmental burden reduction-type vessels.

Net sales



*Including maintenance related

Earnings for the internal combustion engine section



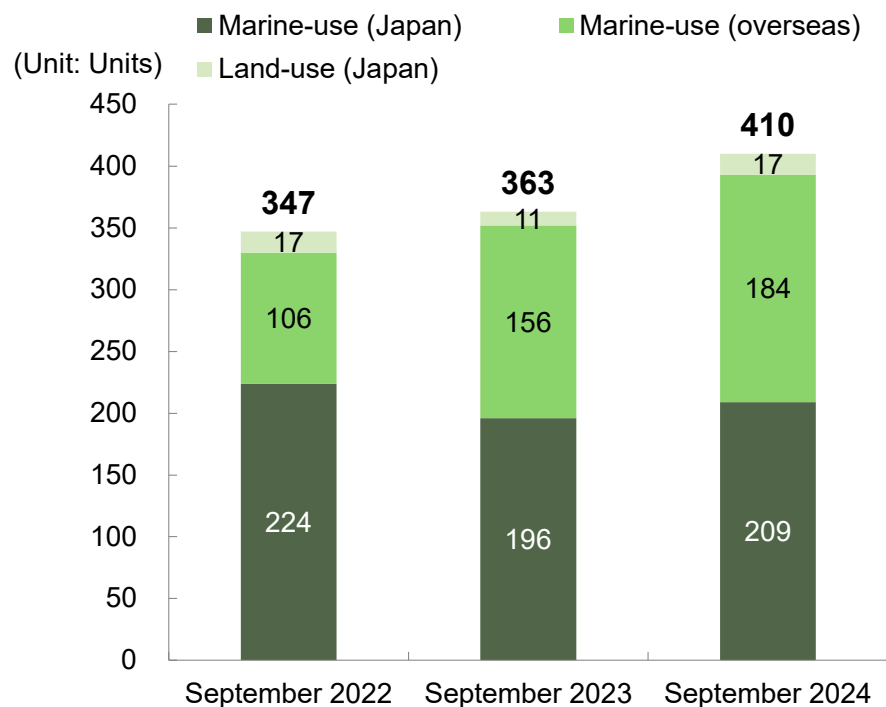
*Including maintenance related

Unit Sales and Maintenance-related Net Sales

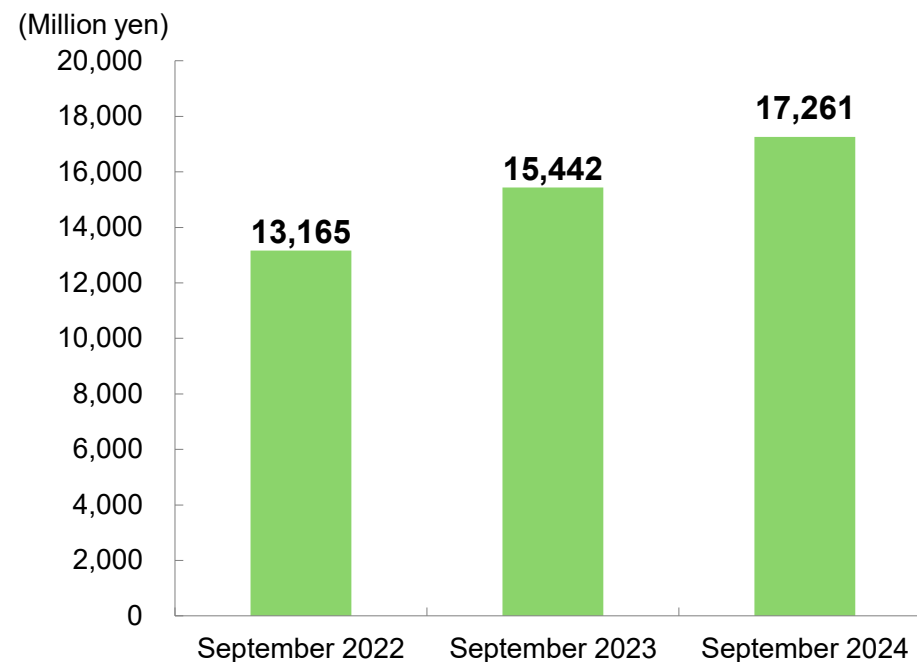
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- Unit sales of DF engines and small and medium-sized engines expanded.
- Maintenance-related net sales continued to increase from the previous year and posted year-on-year double-digit growth.

Units sold



Maintenance-related net sales



Earnings Forecasts

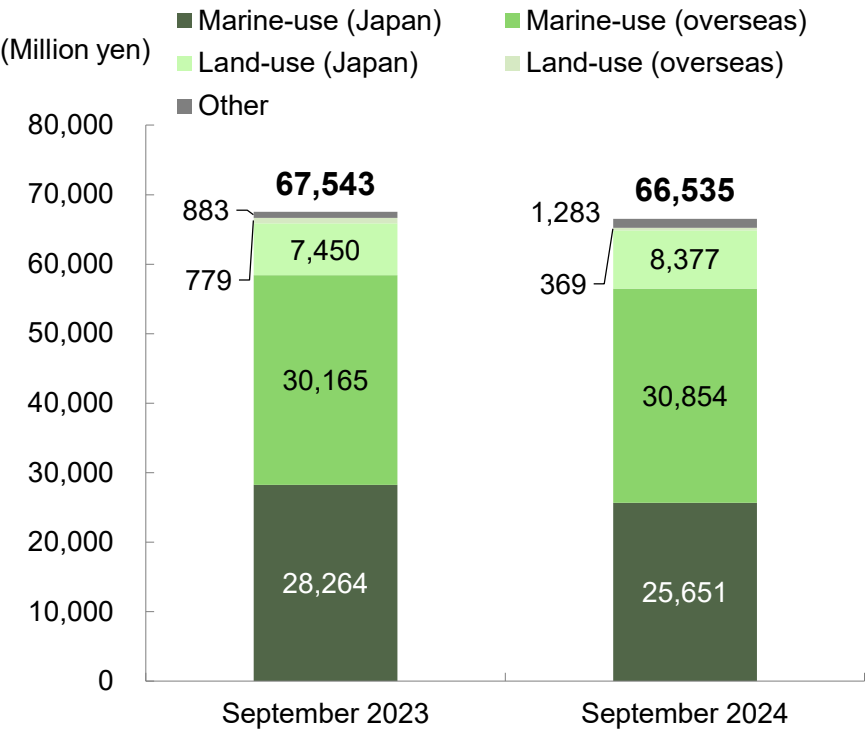
- We assume that maintenance will remain strong.
- Engine sales are forecast to decrease due to a demand shift to small and medium-sized engines.
- We will make the effort to improve the profitability of engine sales.

(Million yen)	FY2024 Full-year results	FY2025 Full-year forecast	YoY difference	
			Increase/Decrease	(%)
Net sales	81,775	82,000	224	0.3
Operating income	5,194	6,000	805	15.5
Ordinary income	5,546	6,200	653	11.8
Net income	5,149	4,200	-949	-18.4
Basic earnings per share (yen)	162.87	131.86	-31.01	-19.0
Annual dividend (yen)	49.00	39.00	-10.00	-20.4
Payout ratio (%)	30.1	29.6	-	-

Order Backlog

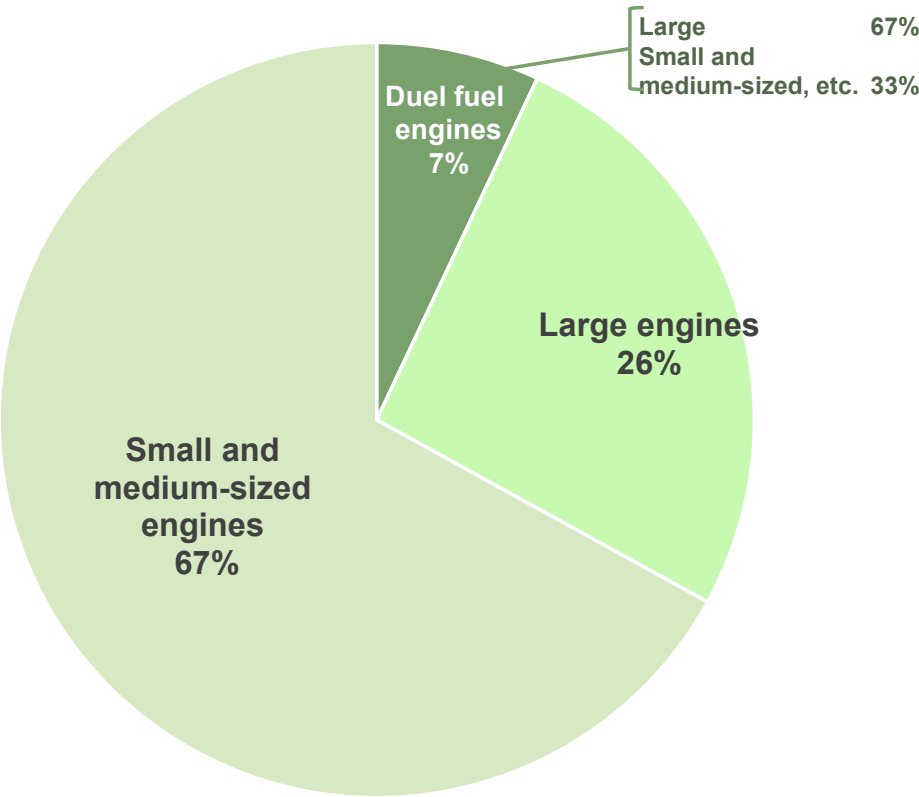
- We have maintained an amount of work on hand, enough for two years' worth of producing engines.
- In the order backlog of engine orders, the main portion of orders received shifted to small and medium-sized engines, mainly for bulk carriers and tankers, from engines for container ships.

Change in order backlog



*Including maintenance related

Proportion of order backlog by model (as of September 2024)





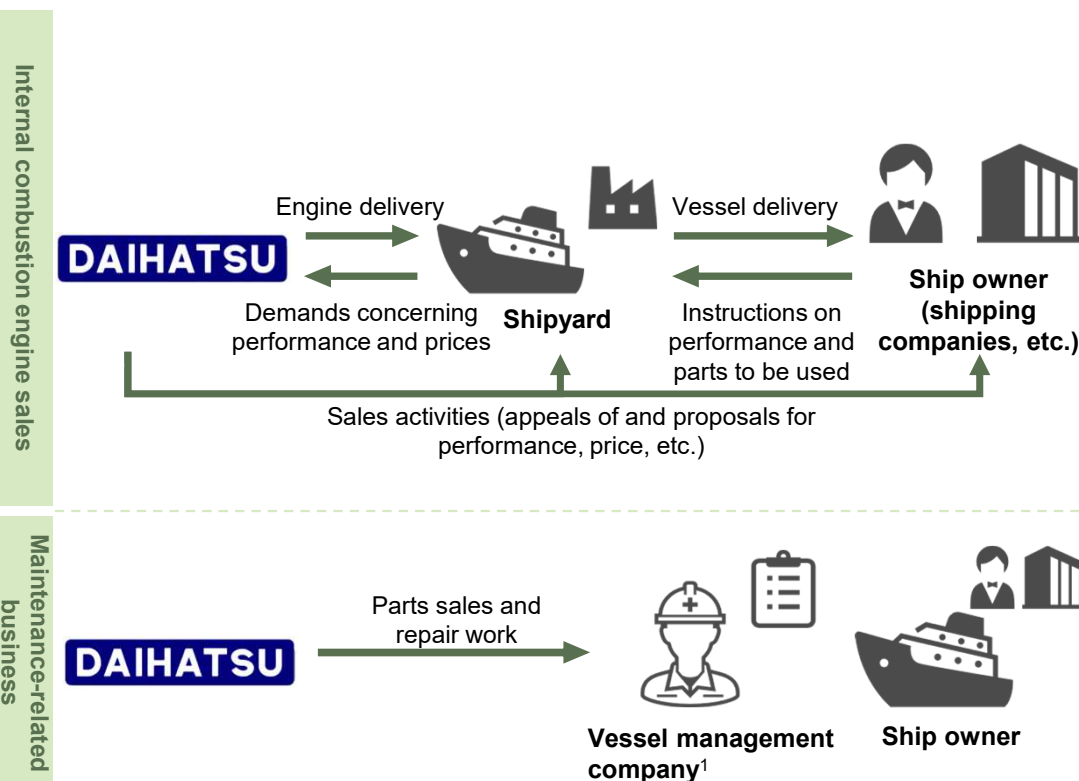
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Marine-use / Land-use Business Models

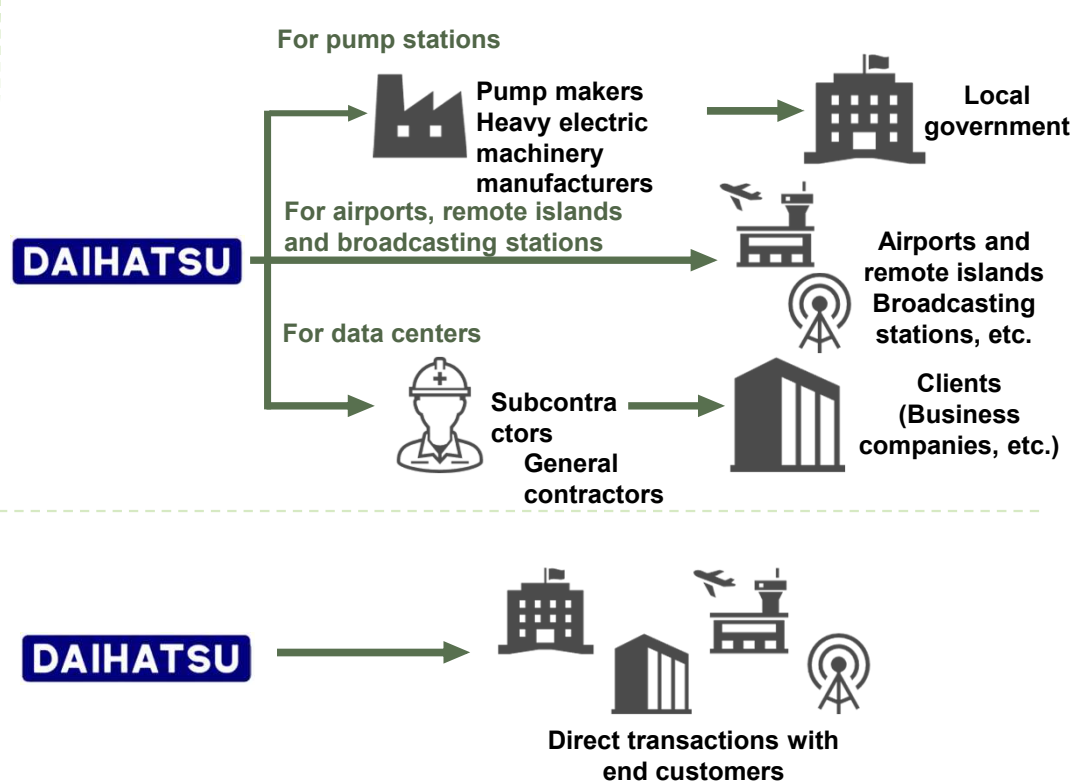
We provide auxiliary power generators and main propulsion engines for marine use, as well as engines for power generation and pumping for land use.

After delivery, we accumulate long-term earnings through parts sales, repair work, and other maintenance-related businesses.

Marine-use Business Model



Land-use Business Model

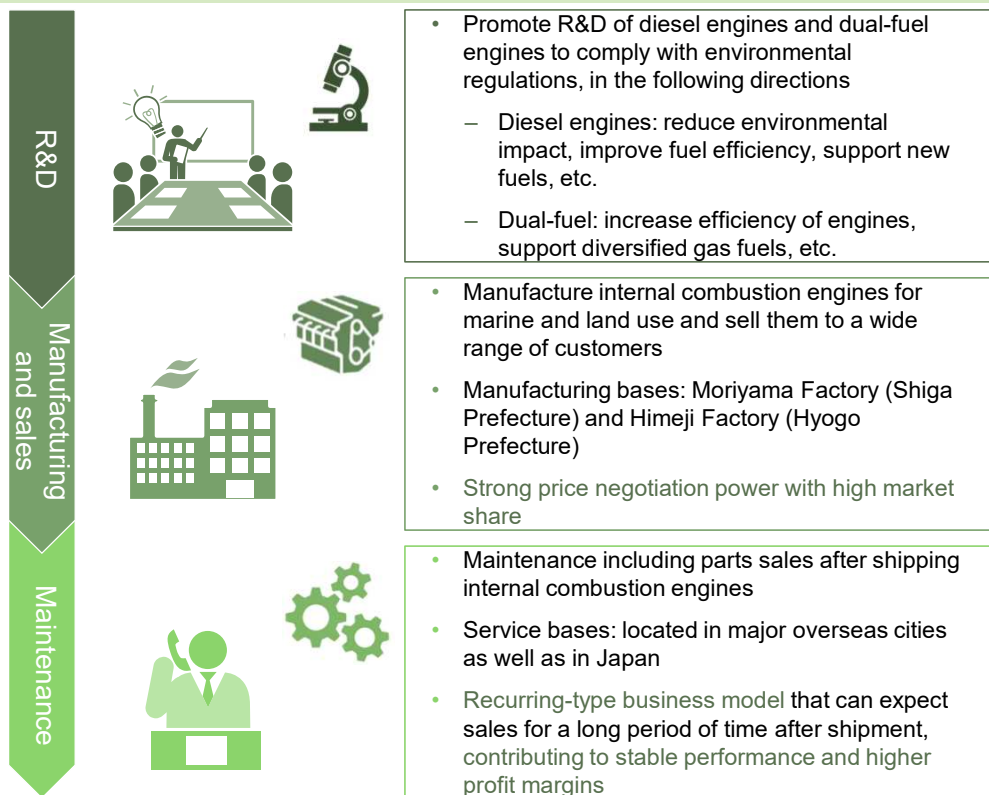


Note) 1. A business operator who is contracted by a ship owner to conduct maintenance and management of vessels, operation management and crew management including employment and assignments to vessels

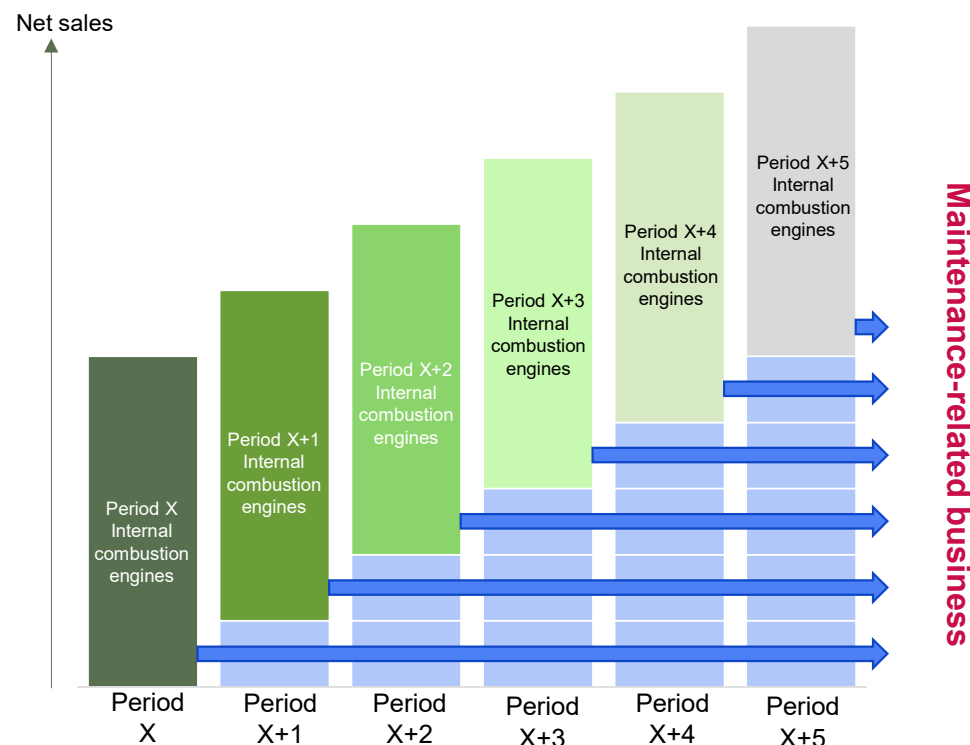
Features of the Business Models

We have established an integrated system from R&D to manufacturing, sales, and maintenance of internal combustion engines. While sales of mainstay marine internal combustion engines are affected by market conditions, the maintenance-related business is a recurring business and contributes to improved stability and profitability.

Business model



Recurring-type business model (rough idea)



Marine Equipment Market - Market Trends




Maritime logistics is significantly advantageous in terms of transportation volume and costs, and ocean cargo volumes have expanded as the global economy grows.

Accordingly, the global shipping capacity is in a stable upward trend.

Market structure of shipping, shipbuilding and marine equipment

Maritime transport




The need for maritime transportation is expected to **increase steadily** due to low transportation costs, transportation volumes, and low environmental impact although the need contracted temporarily due to the COVID-19 pandemic.

Demand for shipbuilding



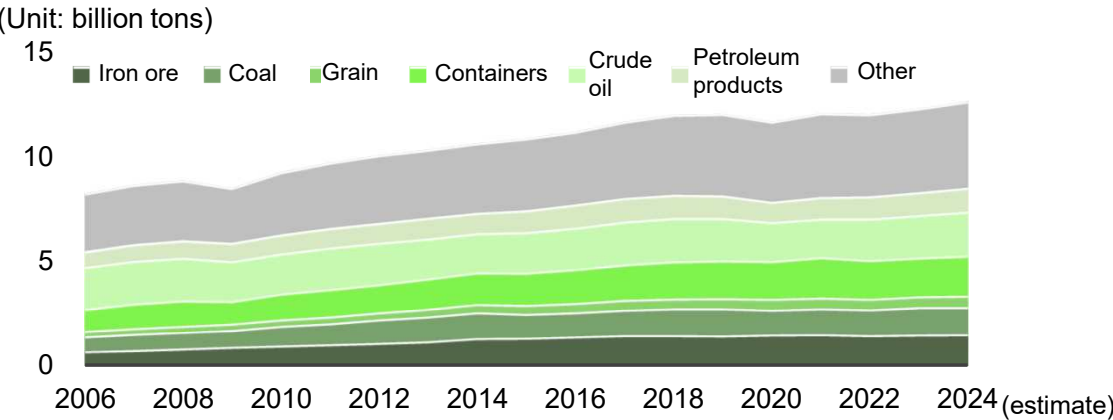
Vessels have increased steadily as demand for ocean transportation rose. (Average increase of 3.2% per year since 2015)
Stable demand for shipbuilding was generated.

Demand for marine equipment

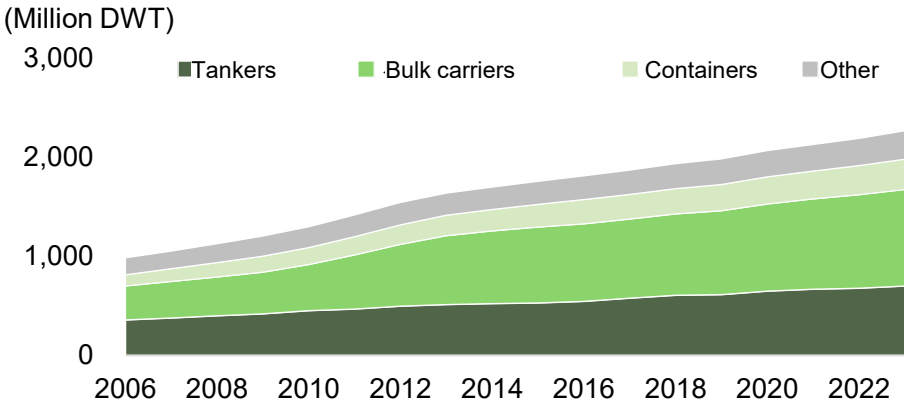


Demand for marine equipment is also generated in line with demand for shipbuilding.
An increase in the number of vessels already in service in addition to new ones is a reason for the expansion of the market.

Global ocean cargo volumes



Global shipping capacity



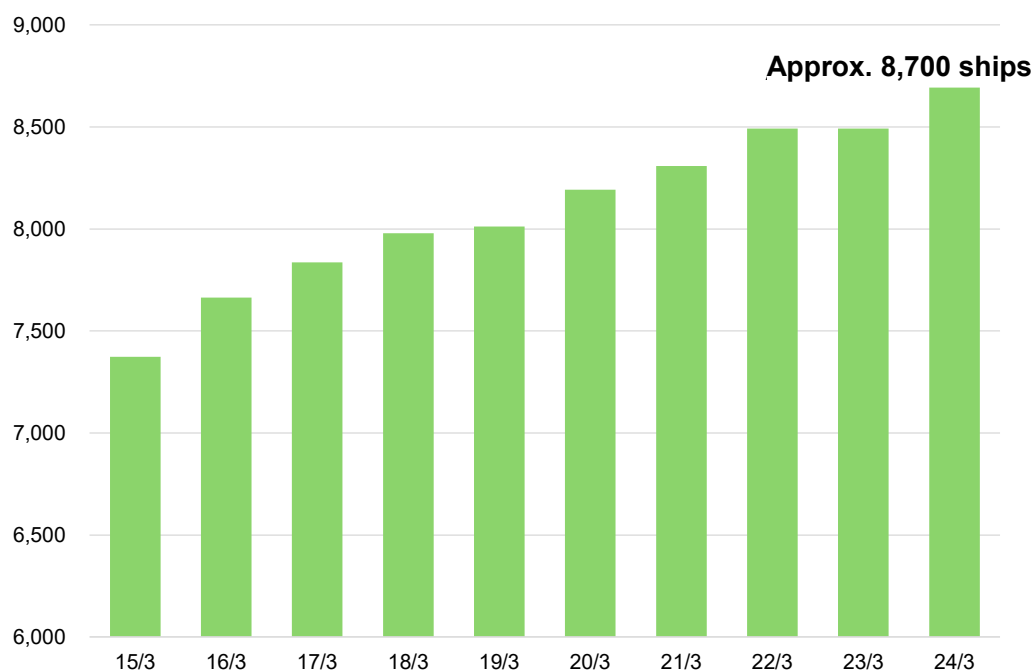
Reference) The Shipbuilders' Association of Japan

Stable Business Base Supported by Maintenance-related Business

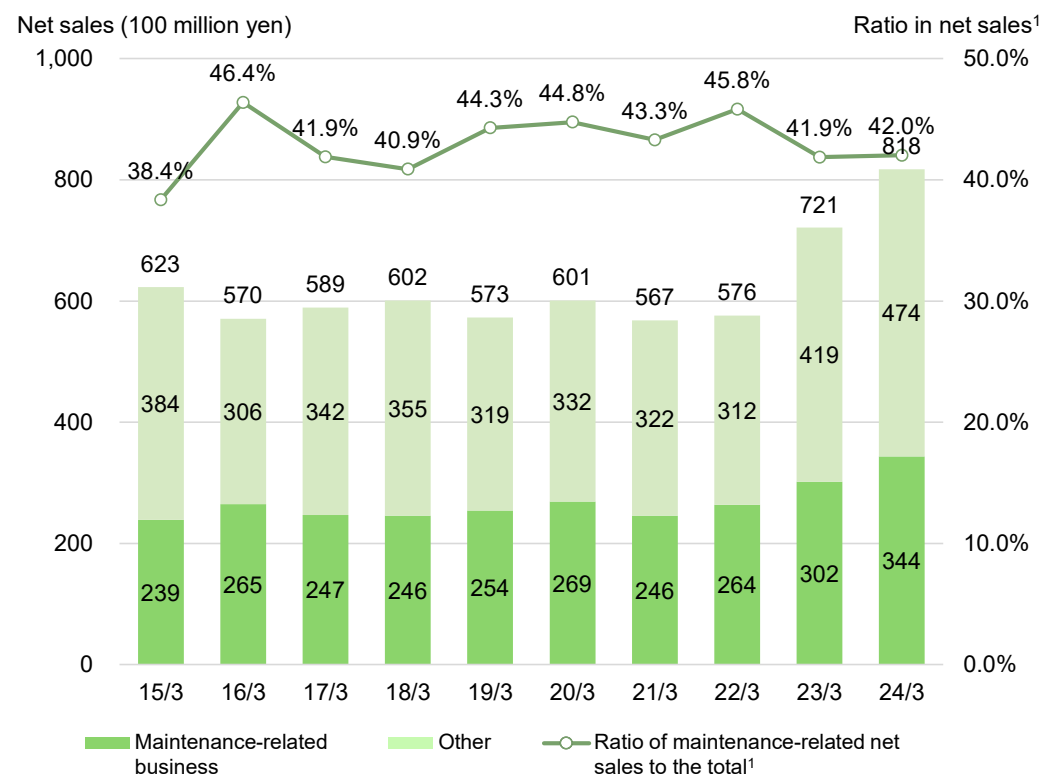


The number of vessels carrying our engines is steadily increasing, and we expect long-term, stable earnings from maintenance-related business.

Number of vessels with engines from DAIHATSU DIESEL



Performance trends of maintenance-related business



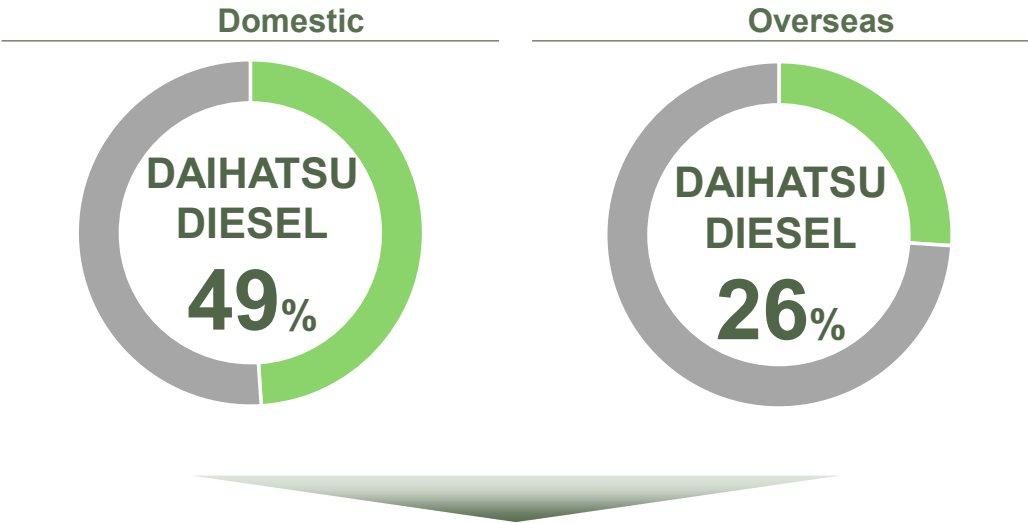
Note) 1. Percentage to consolidated net sales

Dominant Market Position and Strong Customer Base



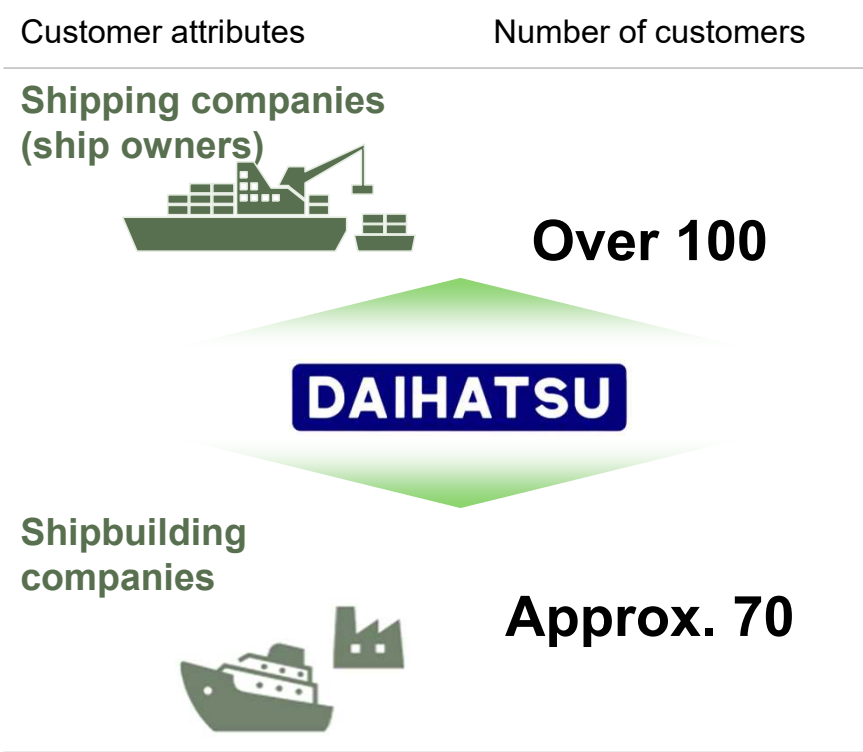
We have established a dominant position in the market of auxiliary engines for large ocean-going vessels, with a high share of approx. 49% in Japan and 26% overseas. In addition, we have a strong customer base with a track record of doing business with numerous customers.

Share in market of auxiliary engines for large ocean-going vessels ¹



- Strong price negotiation power with high market share
- Appropriate price revisions in line with rising raw material costs

Customer base ²



Notes) 1. Share of the number of vessels entered into service in January–December 2023: 2. Customers with manufacturing delivery dates from April 2023 to March 2024

Opening Up the Chinese Market



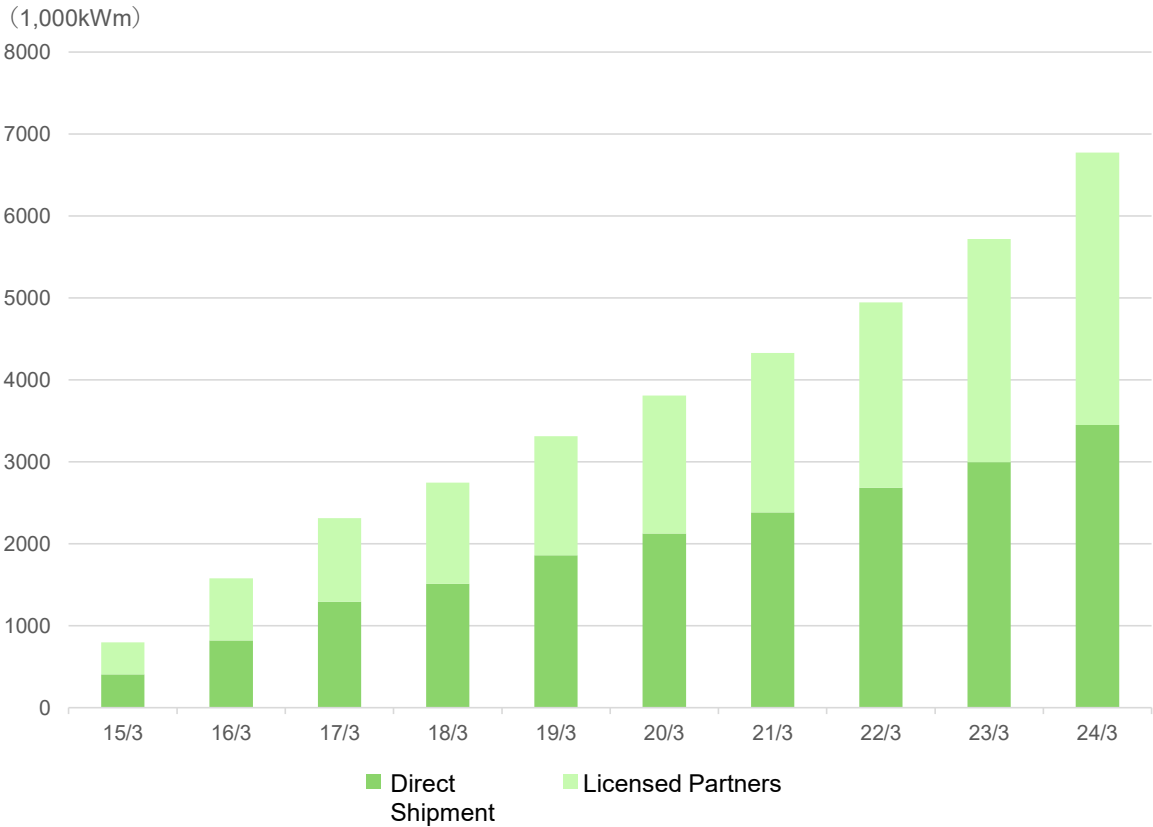
We will push forward with the licensing business in China, which is a growing market and the largest market in the world, in addition to direct shipments.
We will focus on expanding supported models by concluding contracts for new large engines.

Direct Shipment + Licensed Partners Shipment Output (cumulative) ¹

Licensed Partners

Anqing CSSC Diesel Engine Co., Ltd.
(ANQUING DIESEL)

SHAANXI DIESEL ENGINE HEAVY INDUSTRY CO., LTD.
(SHAANXI DIESEL)



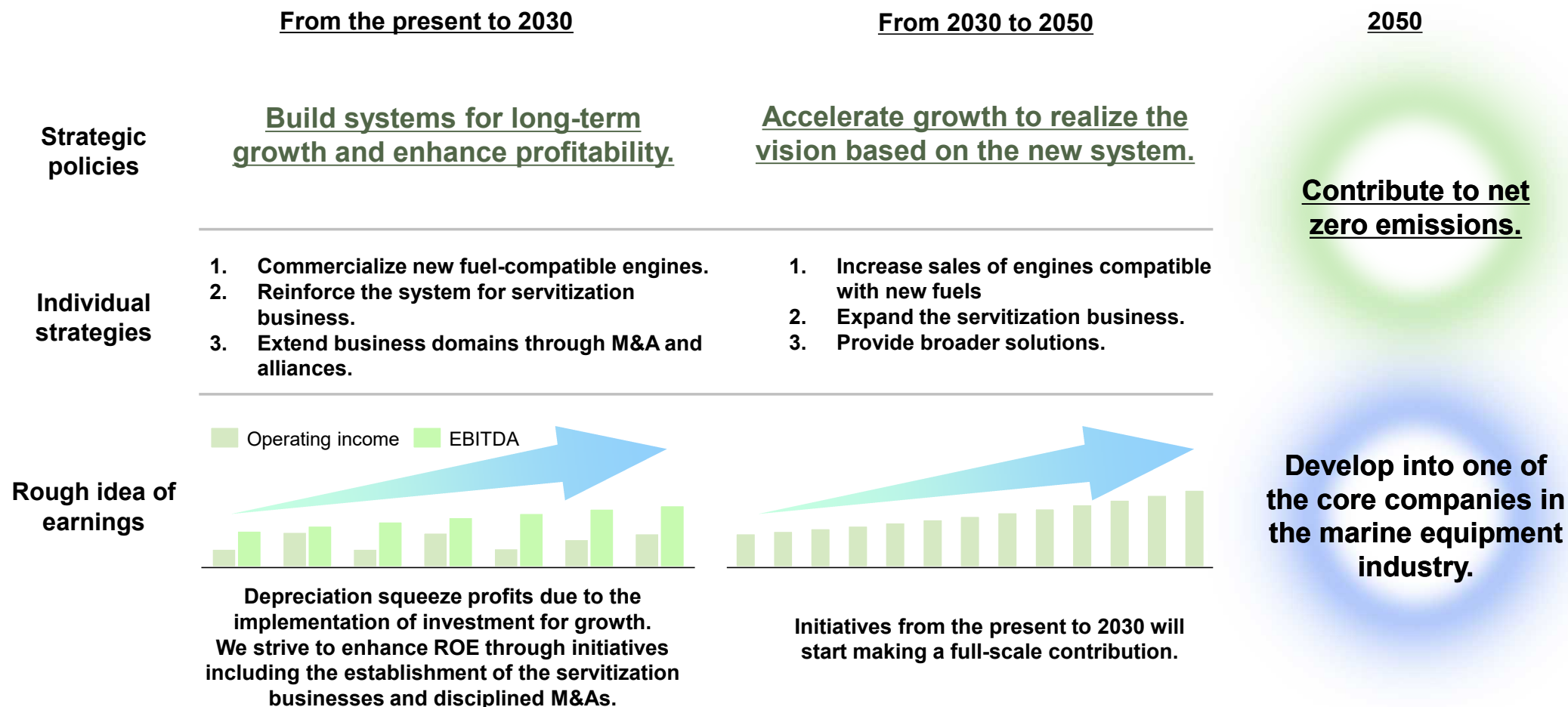
Note) 1. Cumulative output of engines shipped from 2015 through March 2024



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The Long-Term Vision

We aim to contribute to net-zero emissions in the shipping and marine equipment industries and to expand our business scale. We will do this by servitization and providing broader new solutions primarily in response to new fuels.



Progress in Medium-Term Management Plan and Review of Current Status

DAIHATSU

For FY2025, maintenance earnings are growing more than expected in addition to the yen's depreciation. The effort to take prices up to appropriate levels has made faster progress than anticipated.

Various measures, cited in the Medium-Term Management Plan, have progressed as expected.

Status of Medium-Term Management Plan

- 1. Commercialize new fuel-compatible engines.**
 - Construction investments in the Himeji Factory are proceeding as planned.
- 2. Reinforce the system for servitization business.**
 - Expand parts business by making steady progress in TBM and D app, which utilize DX technology.
 - Start considering investments for the establishment of a new logistics center that supports the above effort.
- 3. Extend business domains through M&A and alliances.**
 - Continue developing licensing in China.
 - Proceed with studies of ammonia with a university and of methanol combustion with technical design firms in China.

FY2025 financial results forecast

- 1. Earnings of maintenance exceeded the plan.**
 - As a result of an increase in shipments through the Cape of Good Hope, the operational rate of ships rose, boosting demand for parts.
 - Successfully captured expanded demand through reinforcing staff in the logistic center.
- 2. Negotiations are progressing faster than expected for taking prices up to appropriate levels, coinciding with a rise in vessel values and inflation.**
- 3. Earnings finished higher than expected as a result of the actual currency rate ending at 152 yen per dollar (the average between April and September), as opposed to the assumed rate of 140 yen per dollar.**

Explanation of Revision of Medium-Term Management Plan



The Medium-Term Management Plan targets have been revised upward in light of changes to the environment including progress in talks for taking prices up to appropriate levels and inflation.

We commit to achieving an operating income of 7.4 billion yen and an ROE of 8.5% or more by the fiscal year ending March 2028 and an operating income of 9.0 billion yen and an ROE of 9.5% or more by the fiscal year ending March 2031.

(Million yen)	FY2023 (results)	FY2024 (results)	FY2025 (forecasts)	New plan By FY2028	New plan FY2031 Targets	Before revision (reference)	
						By FY2028	FY2031 Targets
Net sales	72,113	81,775	82,000	92,000	120,000	80,000	100,000
Operating income	3,601	5,194	6,000	<u>7,400</u>	<u>9,000</u>	<u>5,000</u>	<u>7,000</u>
Operating margin	5.0%	6.4%	7.3%	8.0%	7.5%	6.3%	7.0%
EBITDA	6,355	8,032	8,974	11,600	14,500	8,700	—
EBITDA margin	8.8%	9.8%	10.9%	12.6%	12.1%	11%	—
Net income	2,948	5,149 (4,141*)	4,200	5,100	6,000	3,500	5,000
ROIC	4.3%	5.7%	6.4%	7.0% or more	7.5% or more	5.1% or more	6.5% or more
ROE	6.6%	10.1% (8.3%*)	8.0%	<u>8.5% or more</u>	<u>9.5% or more</u>	<u>6.5% or more</u>	<u>9.5% or more</u>

*Figures excluding gain on sale of stocks and others

Investments in Factories that Produce Engines Compatible with New Fuels

DAIHATSU

We started construction work in the Himeji Factory to accommodate the need for new fuels. Next-generation fuel (methanol) engine are scheduled to be shipped out during 2026.

Artist's rendering of the factory when the work is completed



Total investments: A level of 10 billion yen

- (1) Next-generation fuels (methanol, ammonia, and hydrogen)
Engine assembly and commissioning factory
- (2) Engines compatible with next-generation fuel (methanol)
Addition of facility
- (3) Plan for factories that ramp up production of existing engines
→ Production capacity forecast at 1.8 times (when converted to existing models)

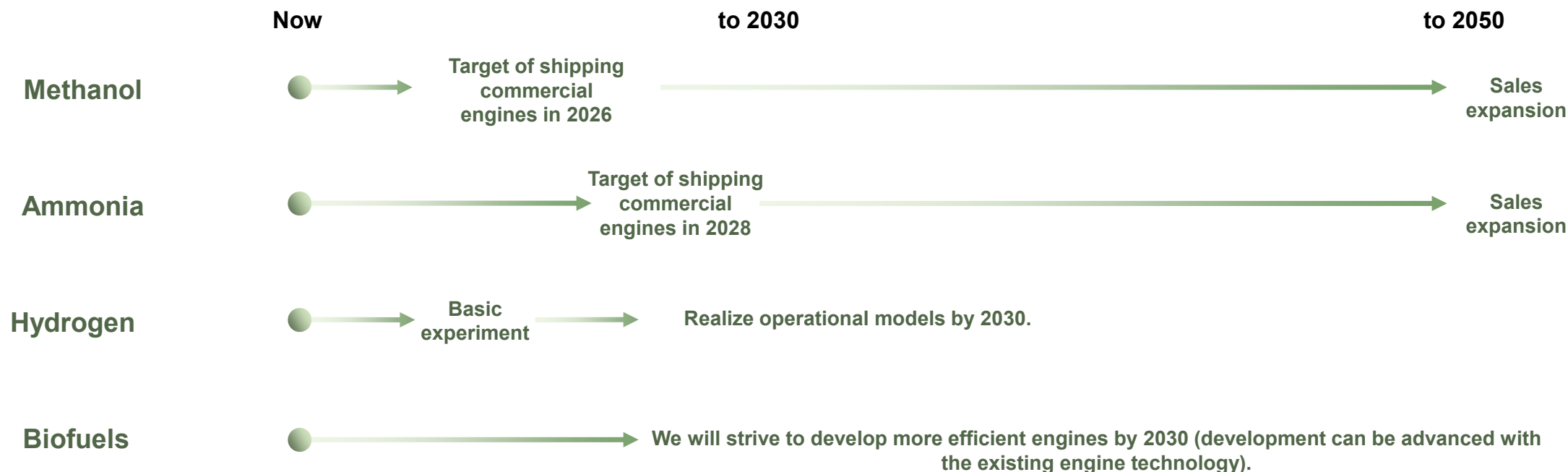
Next-generation fuel (methanol) engines to be shipped by the end of 2026

Approach to New Fuels

We will proceed with the development of engines compatible with new fuels, which are an essential factor in achieving GHG zero in 2050, with all candidates for such engines put under development simultaneously.

For methanol and ammonia, commercial-use engines are scheduled to be shipped out in 2026 and 2028, respectively.

Roadmap for new fuel development



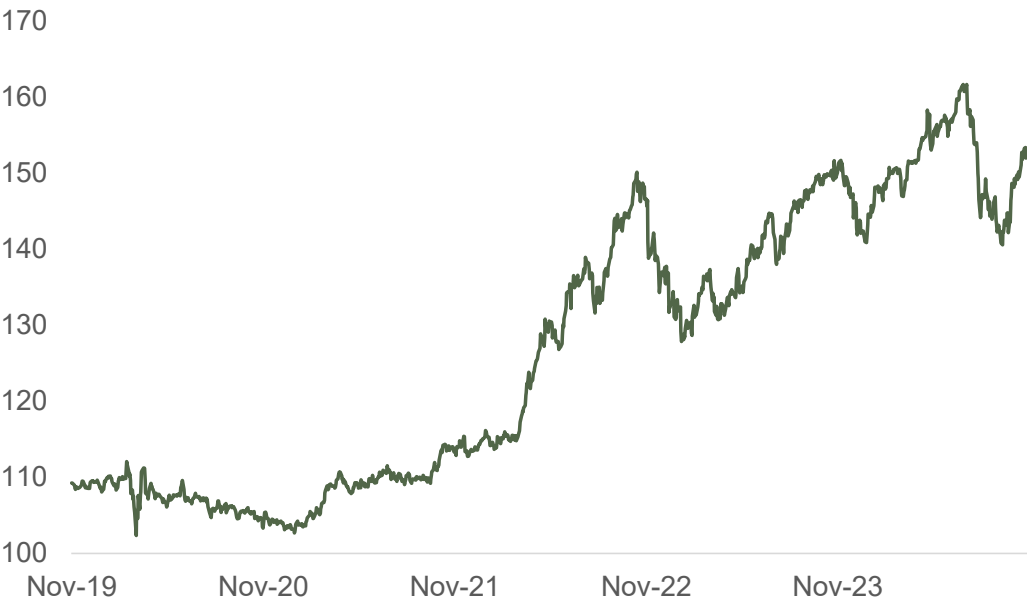
Simultaneously, we will continue building solutions such as fuel cells, carbon capture, and renewable energy in preparation for a future fuel source change.

Market Environment

For the current fiscal year, although the dollar exceeded our assumed rate of 140 yen and created a positive effect, the situation in the next fiscal year and after remains uncertain.

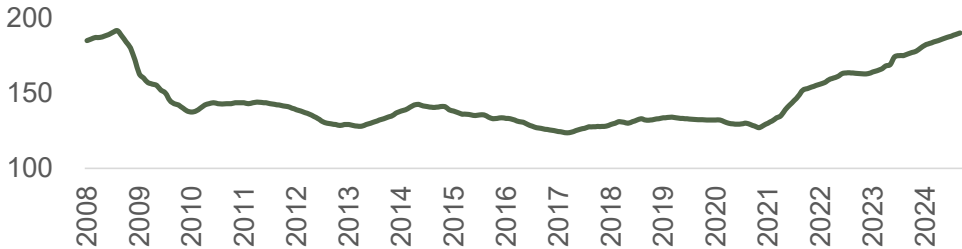
We are continuing talks for taking prices up to appropriate levels as rises in vessel values and steel product prices have reached a plateau. We expect a long-term profitability improvement.

Exchange rate trend



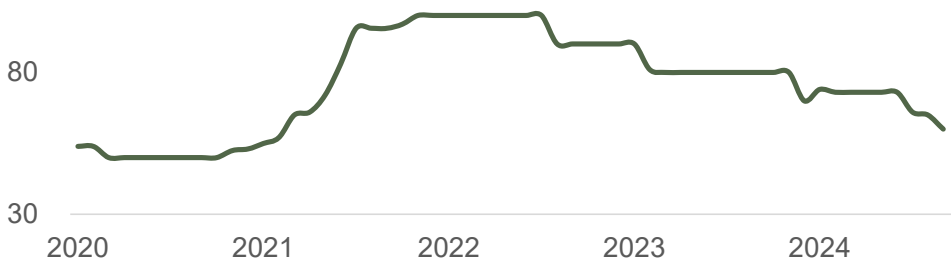
Vessel values and material prices

Trend in vessel newbuilding values*



*The above indexes were prepared with numbers in January 1988 set as 100.

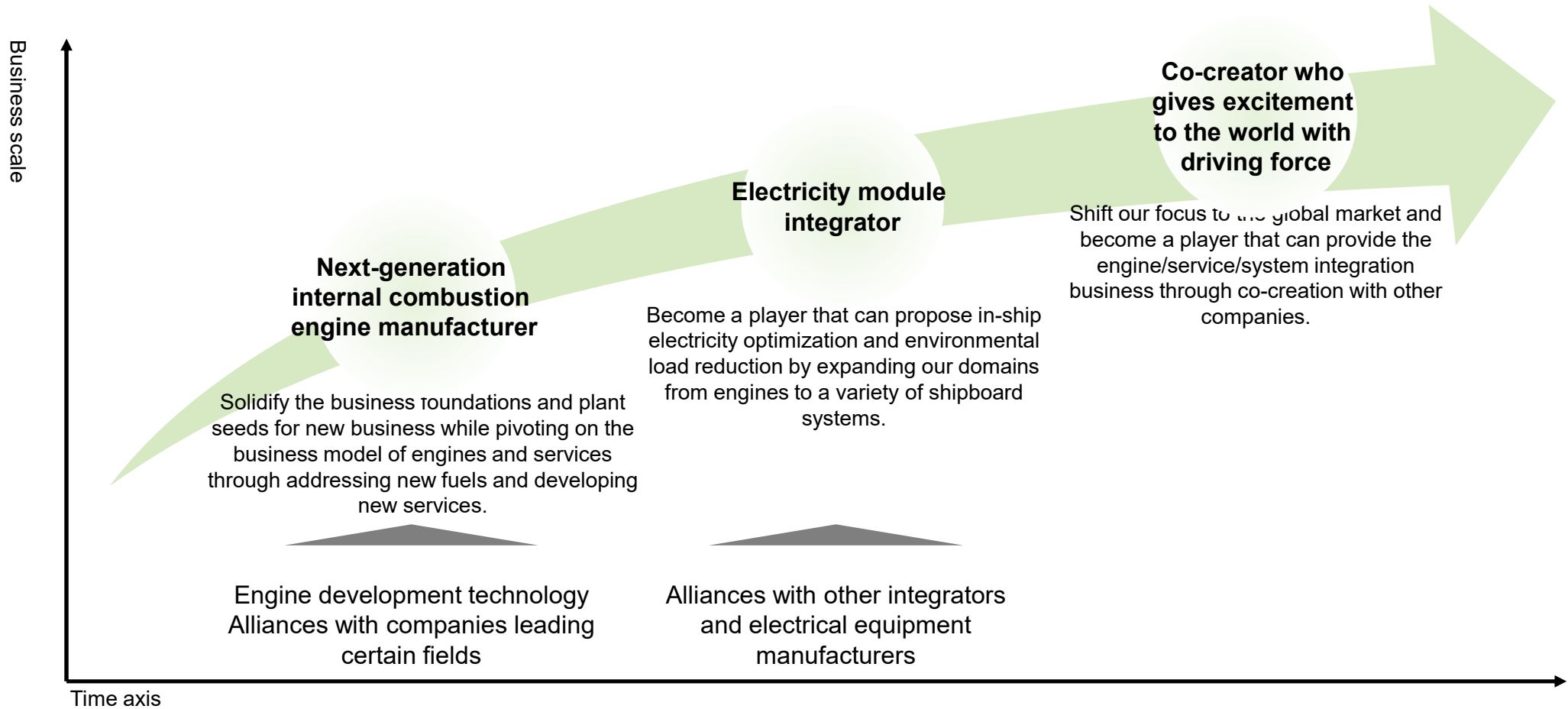
Trend in prices of steel for vessels**



**The above indexes were prepared with numbers in March 2022 set as 100.

Medium- to Long-Term Direction

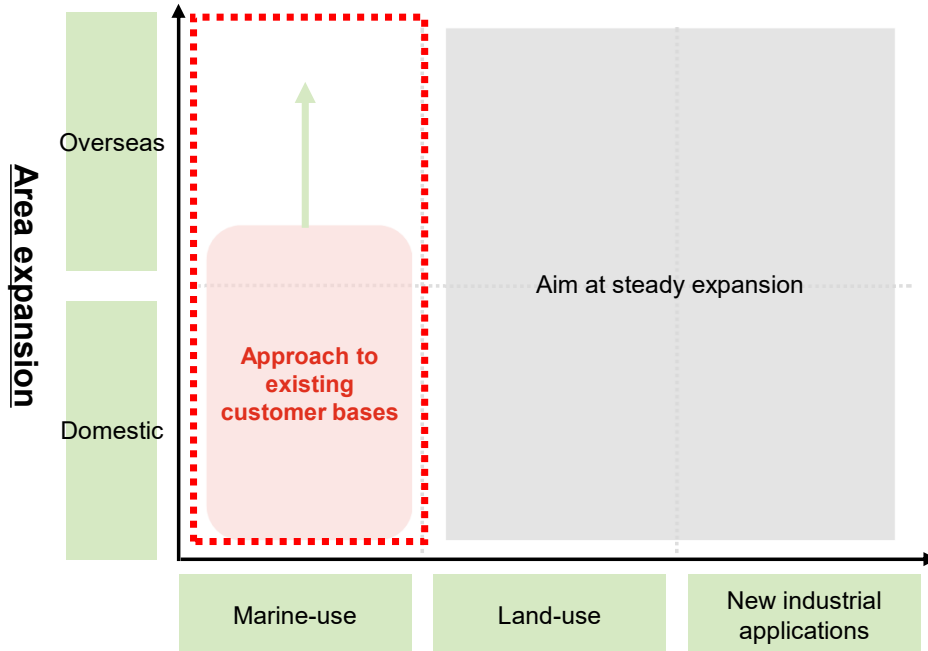
We aim at growing as an integrator by further expanding our business through alliances with diverse players down the road.



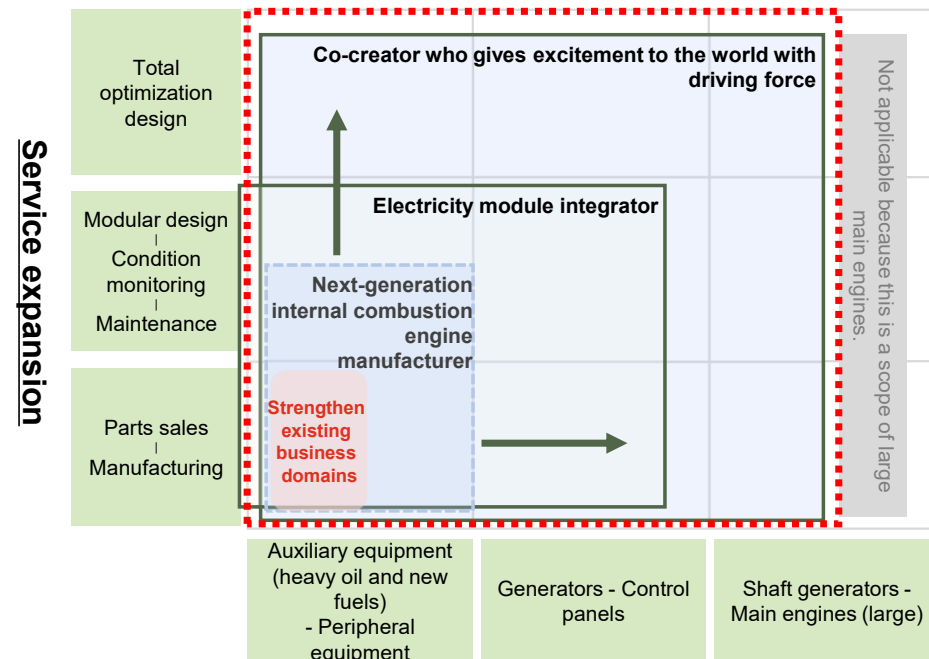
Management Policy from the Viewpoint of Each Customer and Service Area

In the marine-use business, target China and Europe, both of whose markets are projected to grow, broaden both product and service domains and engage in building a business model that departs from the business structure that relies on engines that are sold on a stand-alone basis.

Expansion policy from the viewpoint of the industrial domain and customer areas



Expansion policy from the viewpoint of product and service domains



In parallel, business foundations (production, corporate administrative systems, etc.) will be improved in order to make the above a reality.

Company Name Change

DAIHATSU

For the purpose of symbolizing the realization of a sustainable planet environment and new initiatives for the future, we have decided to change our company name to Daihatsu Infinearth Mfg. Co., Ltd., effective May 2, 2025 (the anniversary of the founding of our company) with the will to challenge ourselves to embark on new in addition to existing businesses.

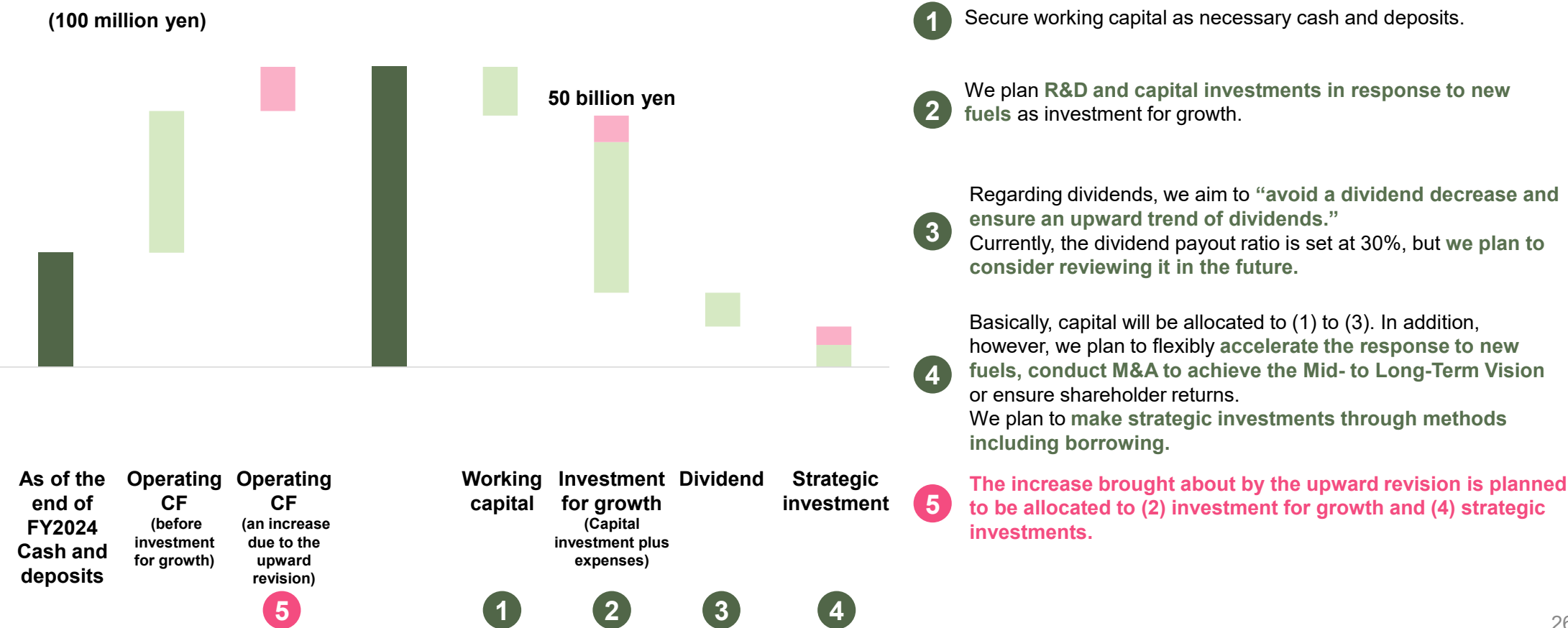


Capital Allocation

An increase in an operating cash flow by upwardly revising earnings for the fiscal year under review will be at first allocated to growth and strategic investments.

We plan to publicize a full-year capital allocation based on the new Medium-Term Management Plan.

Basic policy for capital allocation for the five years from FY2024 to FY2028



Daihatsu Diesel: The Mid- to Long-Term Vision

POWER! FOR **ALL** beyond 2030

We create customer value through engines and service as a power supply company.

Facing various social issues head-on, such as climate change, the depletion of energy resources, and volatile situations,

we support the safety and security of people's lives and protect the rich natural environment

We will strive to fulfill these two missions.





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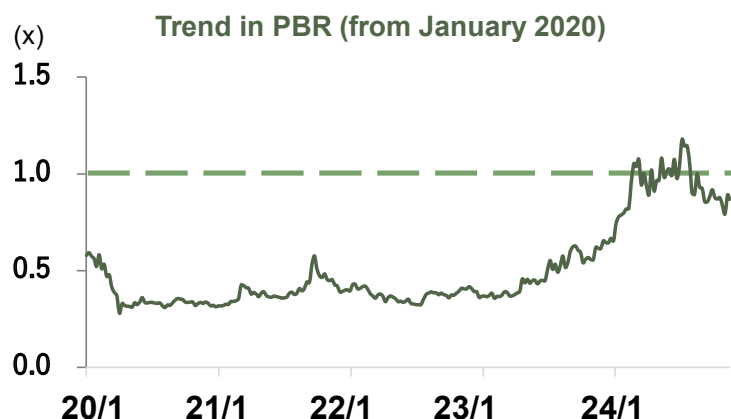
Long-Term Management Plan Summary (Revised)

DAIHATSU

We have formulated a new Mid- to Long-Term Vision that meets the business cycle in order to address the situation where the Company has been undervalued by the market for a long time.

We will conduct regular reporting and reviewing through the new system and engage in ROE improvement and investment for growth aimed at realizing the Mid- to Long-Term Vision.

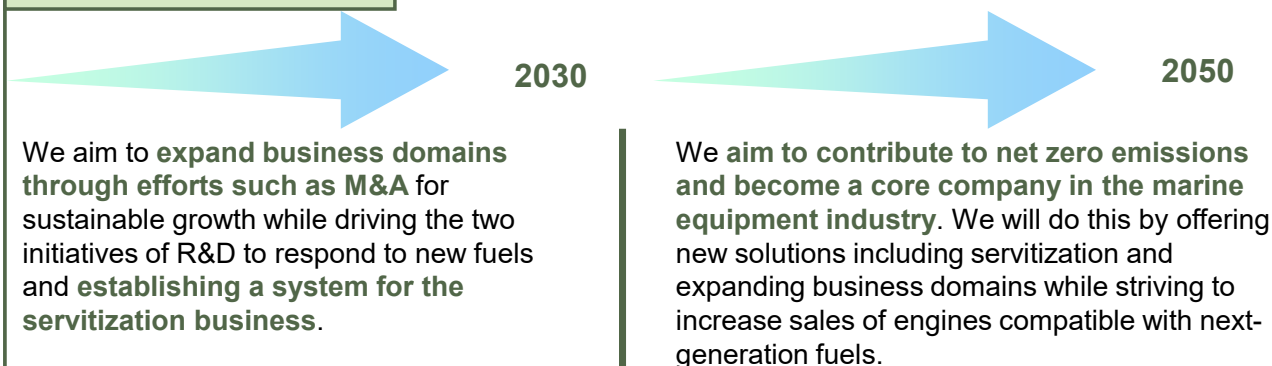
Recognition of Market Valuation



- Our stock price rose in response to the announcement of the Medium-Term Management Plan, pushing our PBR above 1 × . However, PBR is hovering around 0.9 × at present.
- Under the system built on the new organization CVIC*, we will strive to raise market valuation through (1) enhancing corporate value based on the mid- to long-term strategy, (2) regularly reporting and reviewing and (3) promoting constructive dialogue with investors.

* Corporate Value improvement Committee

Mid- to Long-Term Vision



*We plan to change the company name to Daihatsu Infinearth Mfg. Co., Ltd. on May 2, 2025, based on the Mid- to Long-Term Vision.

Financial Objectives and Capital Allocation (New)

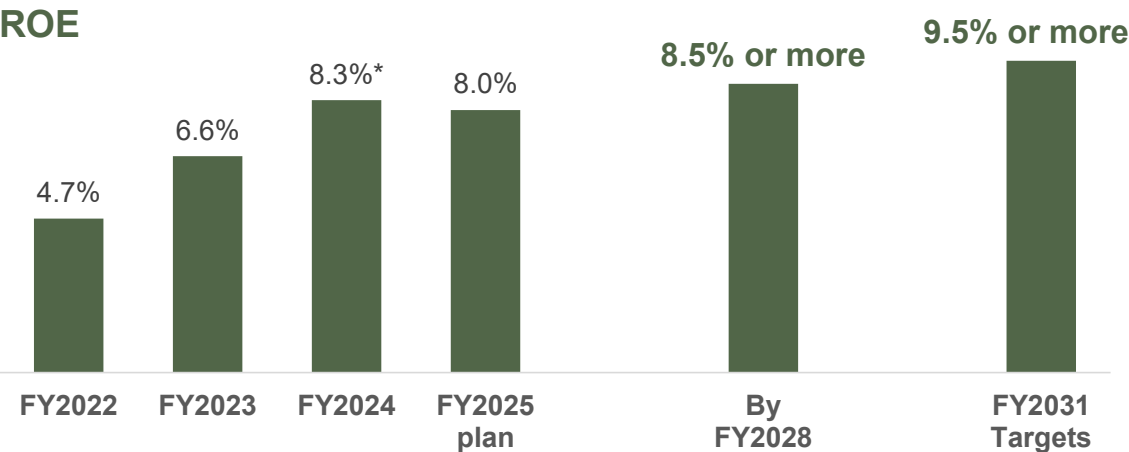
Million yen	FY2025 forecast	By FY2028	FY2031 Targets
Net sales	82,000	92,000	120,000
Operating income	6,000	<u>7,400</u>	<u>9,000</u>
ROE	8.0%	<u>8.5% or more</u>	<u>9.5% or more</u>

- We plan to make investments in R&D to respond to next-generation fuels and reinforce systems such as for servitization in the years to 2030.
- Although we have set a **payout ratio of 30% as the standard** currently, we will consider aiming to “**avoid a dividend decrease and ensure an upward trend of dividends.**”

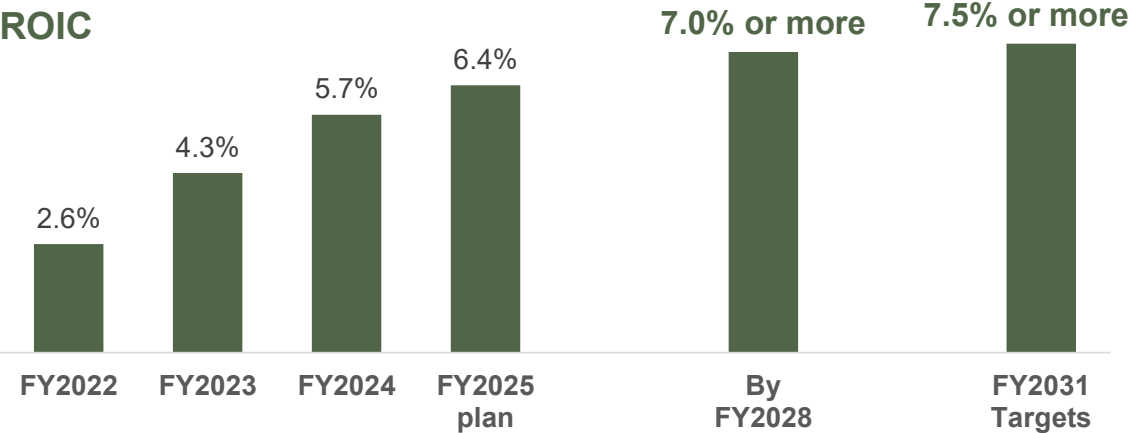
Recognition of Capital Costs and Target ROE and ROIC (Revised)



Coming to grips with the current market valuation, we aim to realize an ROE that exceeds the cost of shareholders' equity and an ROIC that surpasses WACC.



*Figures excluding gain on sale of stocks



Premises of each capital cost that we assume

Cost of shareholders' equity	About 9.5%	Risk-free rate	0.5%
		Beta	1.2~1.3
		Market risk premium	About 6.5%

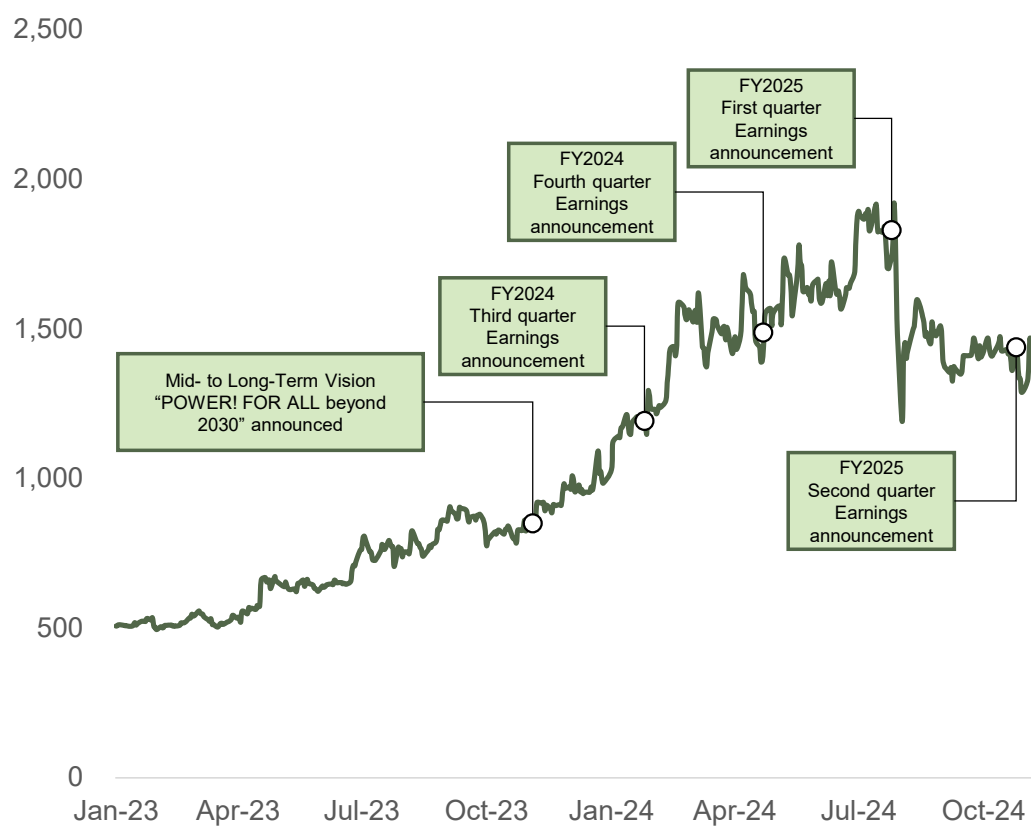
A formula based on CAPM is used as the calculation method.
Risk-free rates from information of government bond (JGB) yields by the Ministry of Finance Japan
Beta is calculated by Daihatsu Diesel, based on comparable companies.
Market risk premiums were calculated, based on information from the Japan Securities Research Institute.

WACC	About 6.5%	Cost of shareholders' equity	9.5%
		Cost of liabilities before taxes	0.8~1.5%

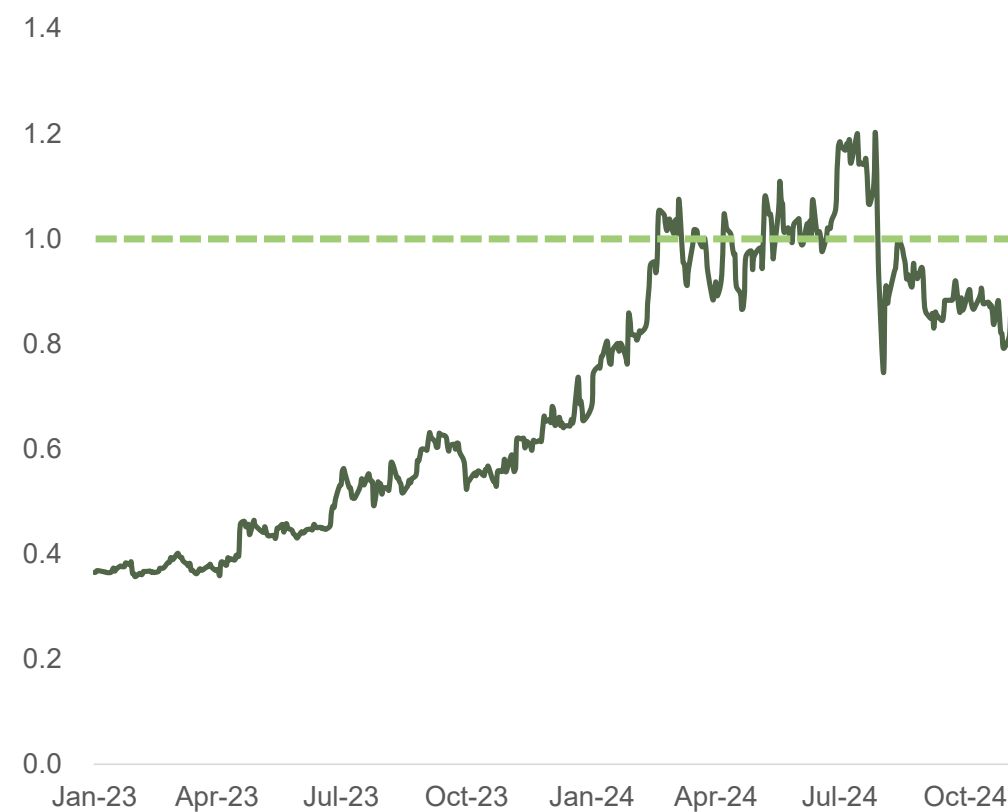
Weighted Average Cost of Capital (WACC) was calculated through applying the weighted average method to the cost of shareholders' equity and liabilities after taxes, based on total market value and interest-bearing debt.

Stock Price and PBR Trends

Stock price trend



Price book-value ratio



Company Profile

DAIHATSU

We provide engines and a maintenance service along with high fuel efficiency, environmental performance and safety as a “power supply company” that leads to the future.

For marine-use

Supply engines with high fuel efficiency, environmental performance and others that generate electricity and propulsion power for vessels.



For land-use



Provide highly reliable engines for driving lift and drain water pumps for cities and as a backup in times of emergency.

Move

**A power supply
company that leads
to the future**

Parts sales and maintenance

Provide a maintenance service and sell repair parts to maintain the performance and safety of already sold finished goods, globally and in a timely manner.



Protect

History

DAIHATSU

We have been supplying power and related services to various industries since our founding in 1907.

Released a variety of products and services to meet customer needs such as changes to environmental regulations since the division was carved out and became a new company in 1966.



Our business infrastructure enhancement plan based on the Act on Strengthening Maritime Industries was approved by the Ministry of Land, Infrastructure, Transport and Tourism.

2023

Completed a lineup of dual-fuel engines (two-source internal combustion engines that use LNG in addition to heavy oil).

2021

Started operating the Himeji Factory, the first new production base in about 50 years since the Moriyama Factory commenced operation in 1969.

2018

Won the first order for a maintenance support service that used C-MAXS LC-A, a next-generation system for monitoring the conditions of engines for marine auxiliary engines.

2017

Shipped the first commercial-use unit of the environmentally friendly new diesel engines DE-33.

2016



2013

Became the first in the world to obtain SOC certification for IMO NOx Tier III requirements.



2011

Shipped the first units of the environmentally friendly new diesel engines 6DE-18 and 6DE-23.

1969

Moriyama Plant started operation.

1966

Split the Osaka Division of Daihatsu Diesel Mfg. Co., Ltd., which had produced marine-use and general-purpose diesel engines.
Established DAIHATSU DIESEL MFG. CO., LTD. anew.

1907

Founded an engine manufacturing stock company against the background where engines were expected to be domestically produced with the aim of modernizing the industry.



Business Overview

DAIHATSU

We engage in the manufacture and sale of marine-use internal combustion engines, especially auxiliary engines for power generation, as the main business.

Internal combustion engines

Net sales: 78.2 billion yen Segment profit: 7.9 billion yen (FY2024)

Marine-use

Segment net sales:
68.2 billion yen

Manufacture and sales of marine-use engines with high reliability and environmental performance that have been broadly employed in all the seas of the world



Auxiliary power generators (91%)

Main propulsion systems (9%)



Engines that supply electric power to drive the engines of vessels



Engines that supply electric power to move vessels

*% in parentheses indicates the ratio of products to marine-use sales.

Land-use

Segment net sales:
9.9 billion yen

A group of products with a simple structure and high maintainability that are widely employed in fields that demand reliability, such as a backup power source in times of emergency.



Examples of customers and products

Power generation engines for remote islands



Electric power generator for backup power source



Other divisions

Net sales: 3.5 billion yen

Industrial machinery-related

Real estate leasing-related

Electricity sales-related

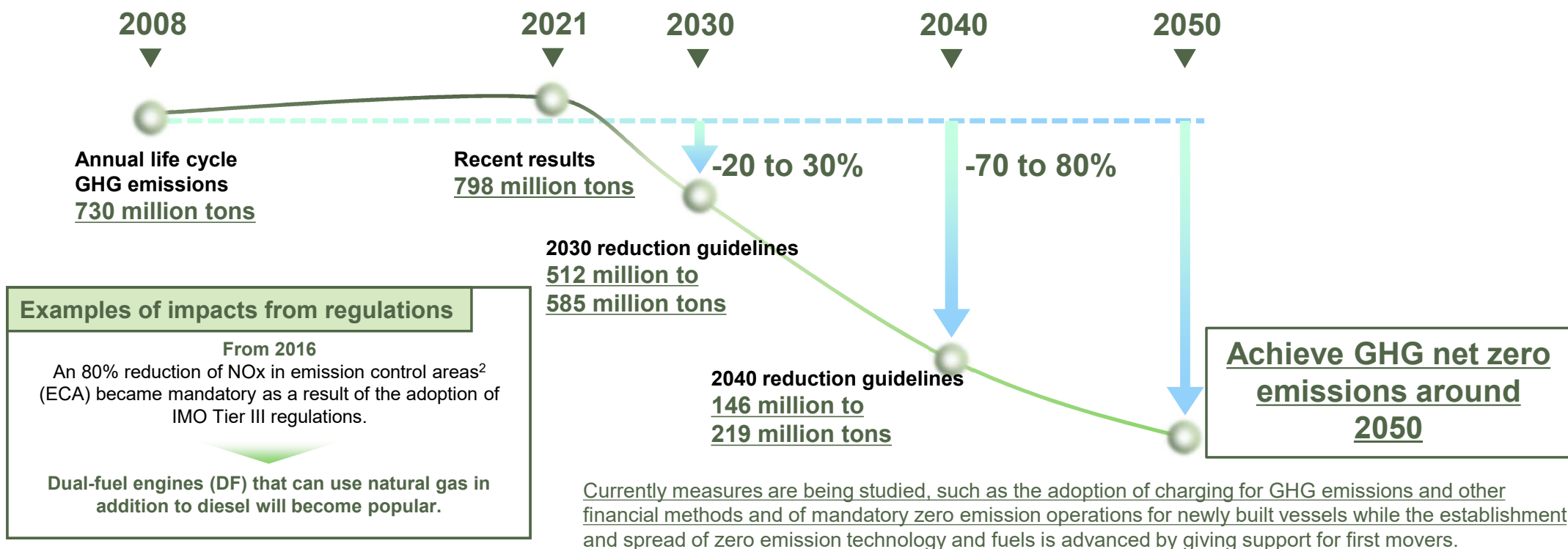
Precision parts-related

Marine Equipment Market - Environmental Regulations

The industry is one that is largely influenced by global environmental regulations

In the next 30 years, regulations and incentives are expected to be stepped up with the aim of reducing total GHG emissions by 2050.

Targets of Reducing Total GHG Emissions at IMO¹ Marine Environment Protection Committee (MEPC) 80



Notes) 1: International Maritime Organization 2: Areas where stricter regulations have been adopted, such as the North American and Canadian coasts, the Caribbean Sea, and the Baltic Sea, the North Sea, and the Mediterranean Sea in Europe

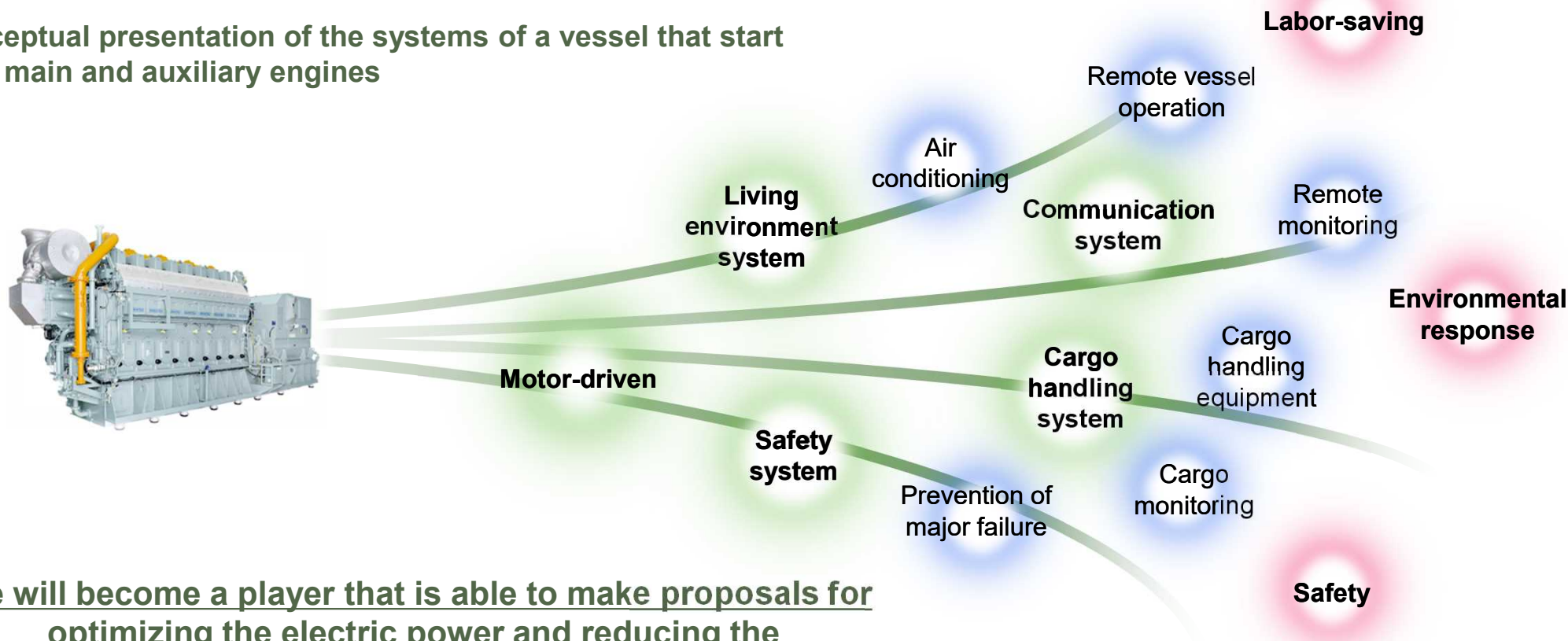
Reference) International Maritime Organization, the Ministry of Land, Infrastructure, Transport and Tourism, and Nippon Kaiji Kyokai (ClassNK, Japan Maritime Association)

Mid- to Long-Term Business Plan

DAIHATSU

We aim to be involved in the electric power planning of an entire vessel by expanding the domain through business tie-ups, etc.

Conceptual presentation of the systems of a vessel that start from main and auxiliary engines



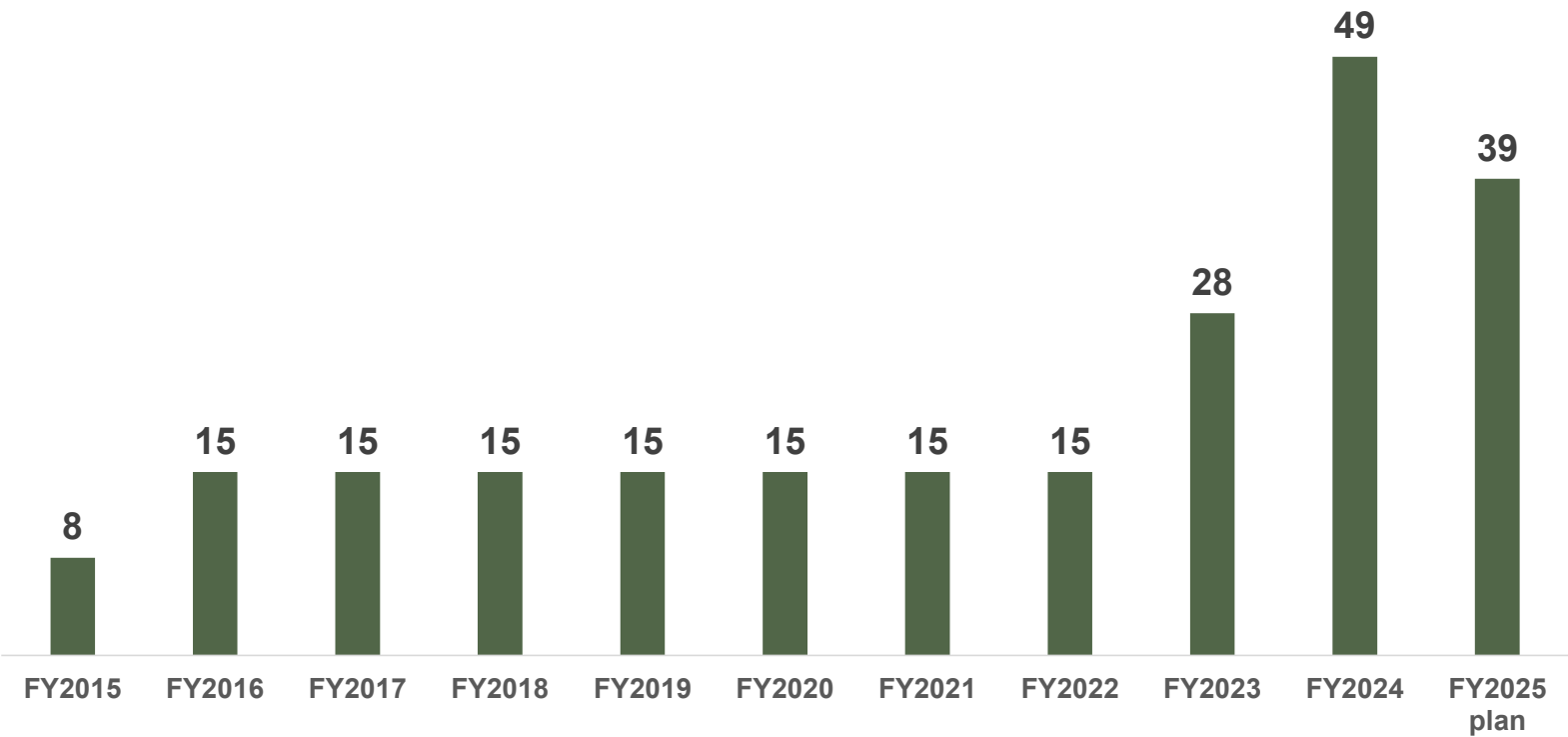
We will become a player that is able to make proposals for optimizing the electric power and reducing the environmental burden of vessels through expanding business domains via alliances, etc.

Dividend Policy

Currently, we set the dividend payout ratio at 30%.

Down the road, we will also look into aiming to “avoid a dividend decrease and ensure an upward trend of dividends.”

Annual dividends (total) and dividend policy



We will consider an appropriate dividend policy.

Plan for Investment for Growth

We plan to invest 45 billion yen for growth to achieve the Mid- to Long-Term Vision.

We will decide on making investment in each case while paying attention to the cost of capital.



Response to next-generation fuels 10 billion yen

Development and production facilities of engines compatible with next-generation fuels, such as methanol and ammonia, aimed at expanding our presence in the market
We assume that the fruits will be borne from 2030 onwards.



Technological development and productivity improvement 15 billion yen

We plan to reduce costs of existing products and reorganize production facilities.
Enhance competitiveness through cost and production efficiency improvements and strive to increase sales and improve profitability accordingly
We assume that fruits will be borne from FY2025.



Strengthening production infrastructure 8 billion yen

We will make capital investment and enhance added value for the group and affiliated companies for the purpose of controlling production costs.
We assume that the fruits will be borne from 2026 onwards.



Logistics reform 5 billion yen

We will optimize logistics that accompanies the shift to multiple production centers and carry out DX.
We will reduce logistics loss and achieve zero loss of sales opportunities.
We assume that the fruits will be borne from 2028 onwards.



Digital technology 3 billion yen

We endeavor to improve productivity and LTV through the digital transformation (DX) of business models.
We assume that the fruits will be borne from 2026 onwards.



Other 4 billion yen

We strive to realize net zero emissions at an early stage and step up the initiative of corporate management of human capital.
We assume that the fruits will be borne from 2030 onwards.

Disclaimer

These materials contain statements relating to future earnings and business strategy, etc.

Inherent in these statements are risk and uncertainty; the statements give 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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The information contained in these materials is intended only for the provision of information, and not for solicitation to purchase securities.

The logo for DAIHATSU, consisting of the word "DAIHATSU" in white, uppercase, sans-serif font, centered within a dark blue rectangular box. The background of the slide features abstract, flowing wavy lines in shades of light blue and green.