

Logisnext

Q2 FY2018 Financial Results Briefing

Dec. 6, 2018

MITSUBISHI LOGISNEXT

Logisnext

Q2 FY2018 Financial Results

MITSUBISHI LOGISNEXT

President and CEO, Takashi Mikogami

Economic Market Trends

- **The world economy continued to maintain steady growth in developed countries, due to the large tax cut in the US and a recovery in exports in Europe due to depreciation of the euro.**
- **Meanwhile, with no resolution to trade frictions between the US and China in sight, there is concern it will impact the economies of China and other Asian countries in the future. Given the unpredictable situation in Europe due to Brexit and political risks in Southern Europe, we need to pay attention to future trends.**
- **Although the market is growing for material handling equipment and especially forklifts, due to a shortage of manpower, the competitive environment is still very severe. Therefore, we intend to achieve additional growth by responding to market trends and satisfying customer needs.**

Summary of Q2 FY2018 Results

- **Sales increased 4.8% year-on-year, due to increased sales around the world and revised pricing.**
- **Operating profit increased 56.2% year-on-year, due to elimination of one-time expenses, cost reductions, expanded sales, and decreased amortization of goodwill costs, despite the impact of higher material costs and other expenses.**

2. Financial Highlights

Unit: Hundred million JPY

Profit and Loss Statement	FY2017 1H	FY2018 1H	YOY Change	
			Change	%
Sales	2,056	2,155	+99	+4.8%
Operating Profit (Before amortization of goodwill) (Operating profit margin)	80.1 (3.9%)	88.0 (4.1%)	+7.9	+9.9%
Amortization of Goodwill	▲52.1	▲44.1	—	—
Operating Profit (Operating profit margin)	28.1 (1.4%)	43.9 (2.0%)	+15.8	+56.2%
Ordinary Profit (Ordinary profit margin)	26.9 (1.3%)	51.4 (2.4%)	+24.5	+91.1%
Net Income (Net income margin)	4.4 (0.2%)	25.4 (1.2%)	+21.0	+477.3%

Balance Sheet	FY2017	FY2018 1H	Change from Previous Term	
			Change	%
Total Assets	3,749	3,664	▲85	▲2.3%
Total Liabilities	3,126	2,988	▲138	▲4.4%
Net Assets	624	677	+53	+8.4%

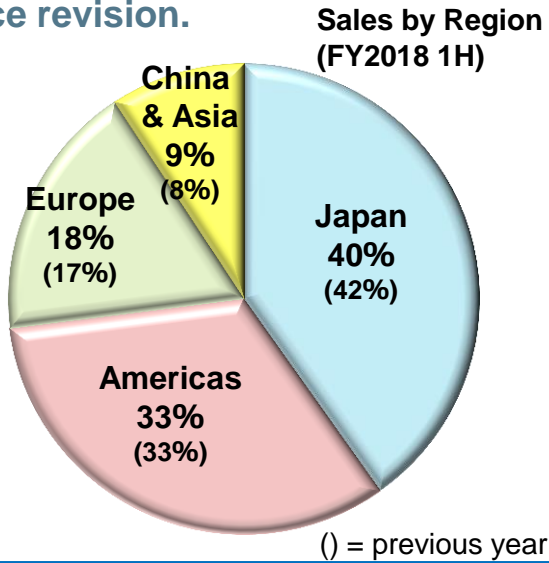
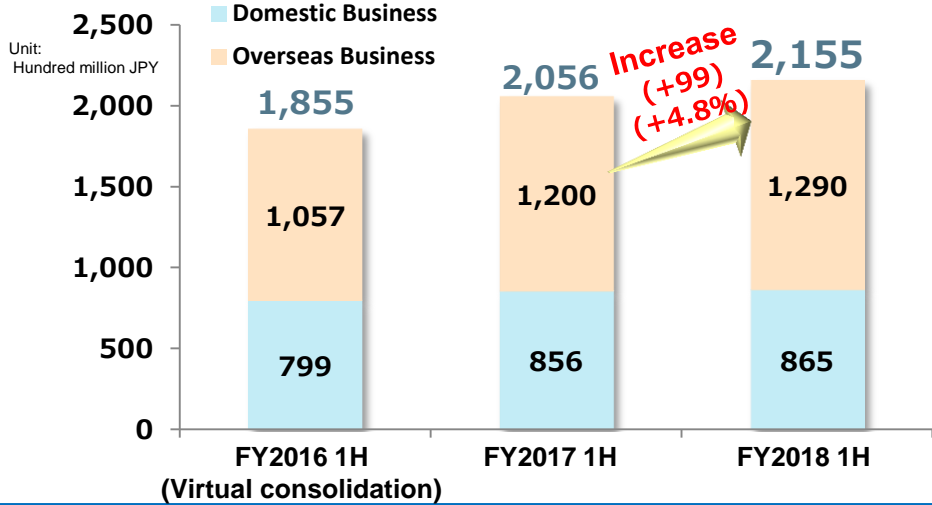
FY2017 1H actual FX rates: USD = JPY111.06, EUR = JPY126.29, CNY = JPY16.42

FY2018 1H actual FX rates: USD = JPY110.26, EUR = JPY129.85, CNY = JPY16.75

3. Business Results by Segment

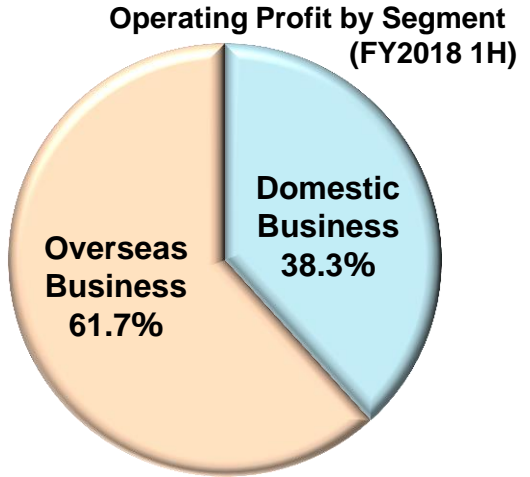
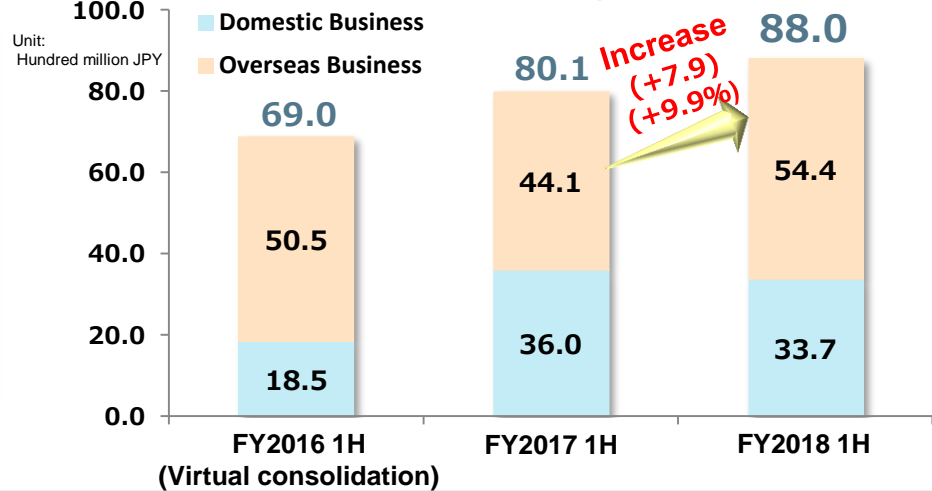
Sales: Sales increased due to global demand expansion and sales price revision.

Sales



Operating Profit: Profit increased due to increased sales and cost reductions, despite the impact of higher material costs.

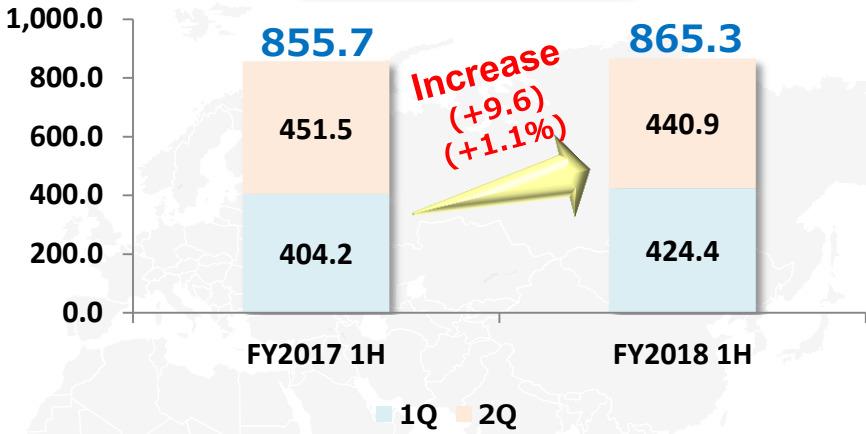
Operating Profit



4. Sales by Region (incl. impact of exchange rates)

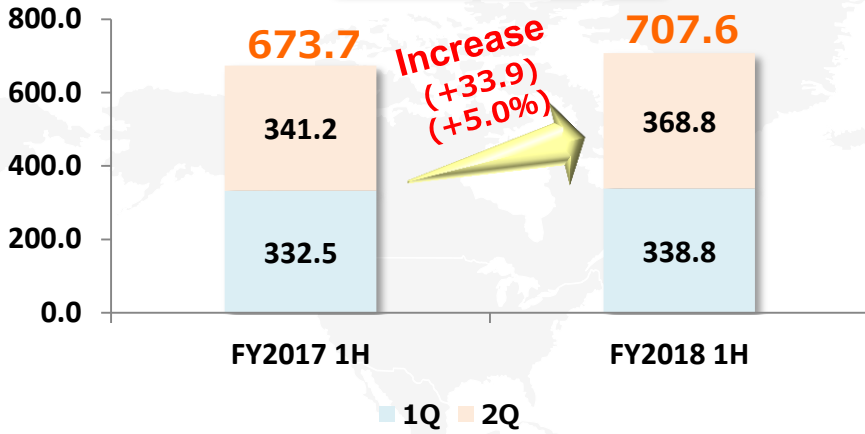
Japan

Unit: Hundred million JPY



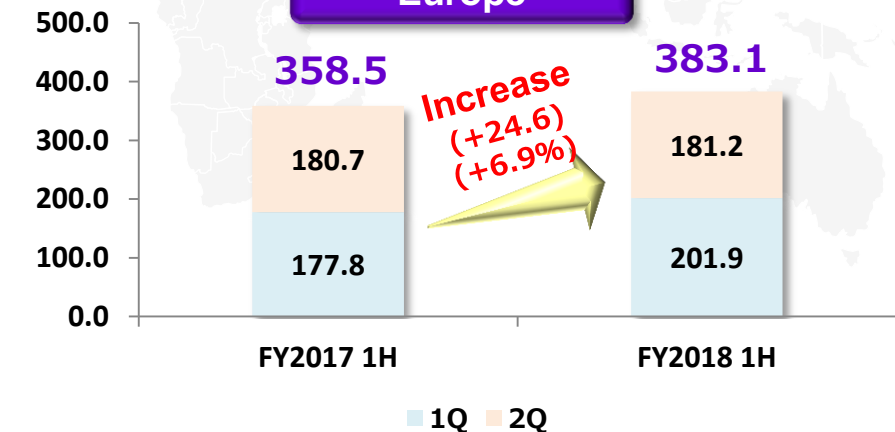
Americas

Unit: Hundred million JPY



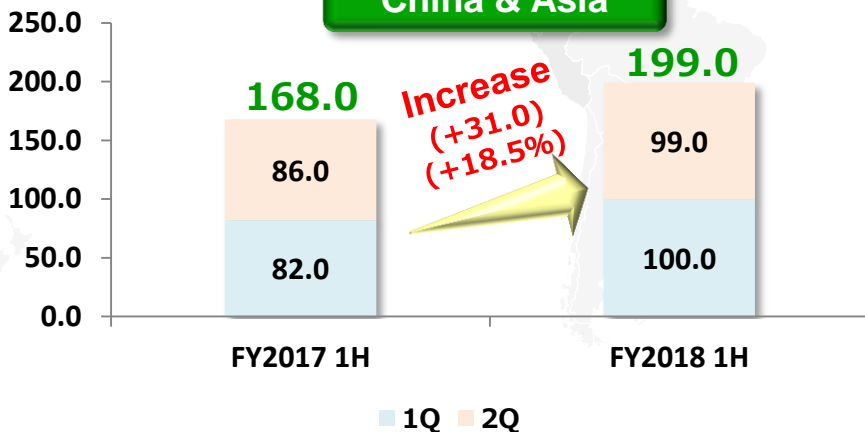
Europe

Unit: Hundred million JPY



China & Asia

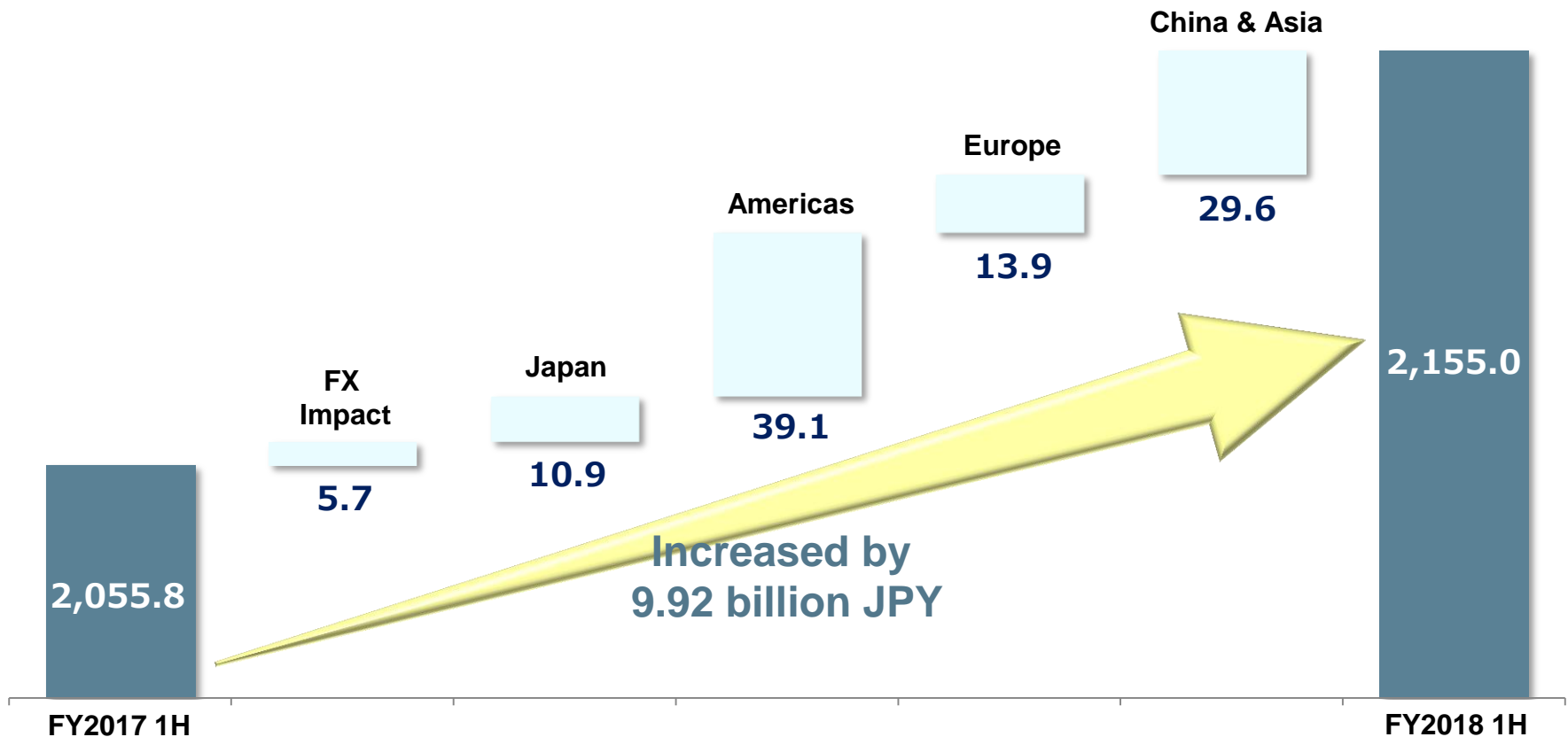
Unit: Hundred million JPY



5. Factors that Increased/Decreased Consolidated Sales (FY2017 1H vs FY2018 1H)

Revenue increased due to higher sales from strong market conditions, mainly in the Americas, China and Asia.

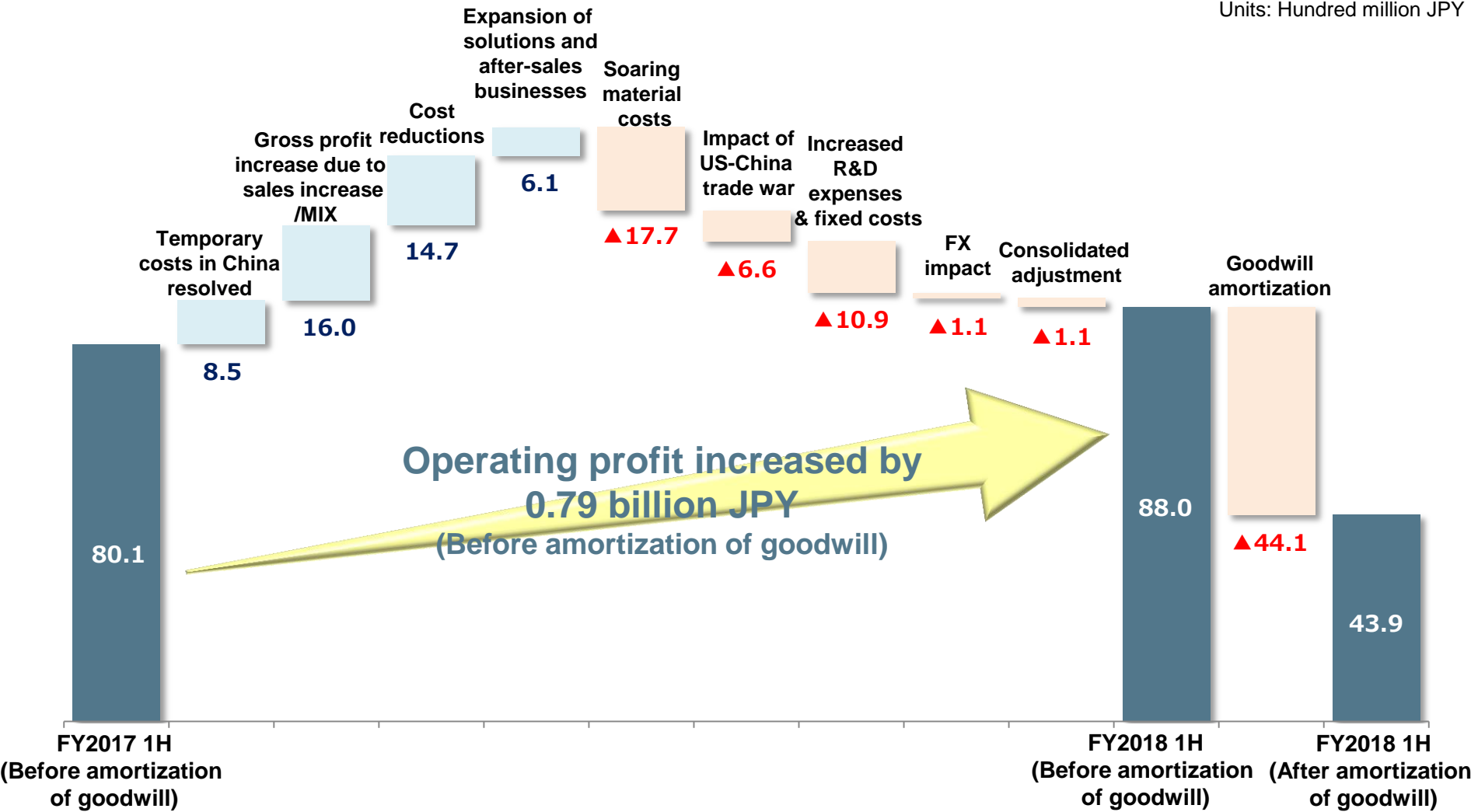
Unit: Hundred million JPY



6. Factors that Increased/Decreased Consolidated Operating Profit (FY2017 1H vs FY2018 1H)

Operating profit increased due to sales expansion and cost reductions despite the impact of higher material costs and US-China trade war.

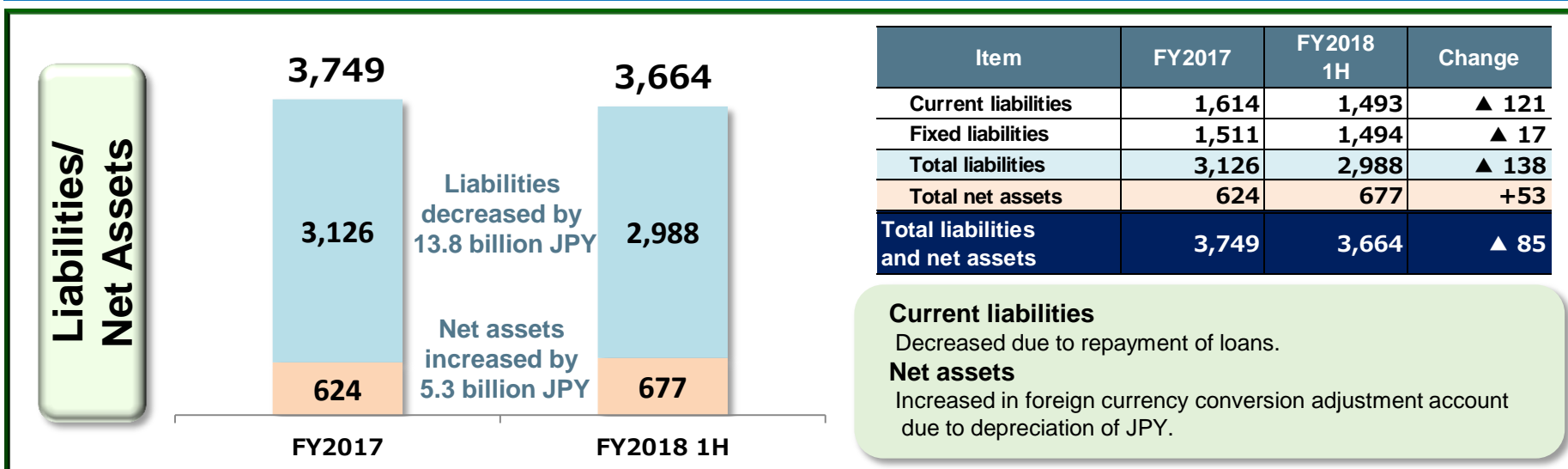
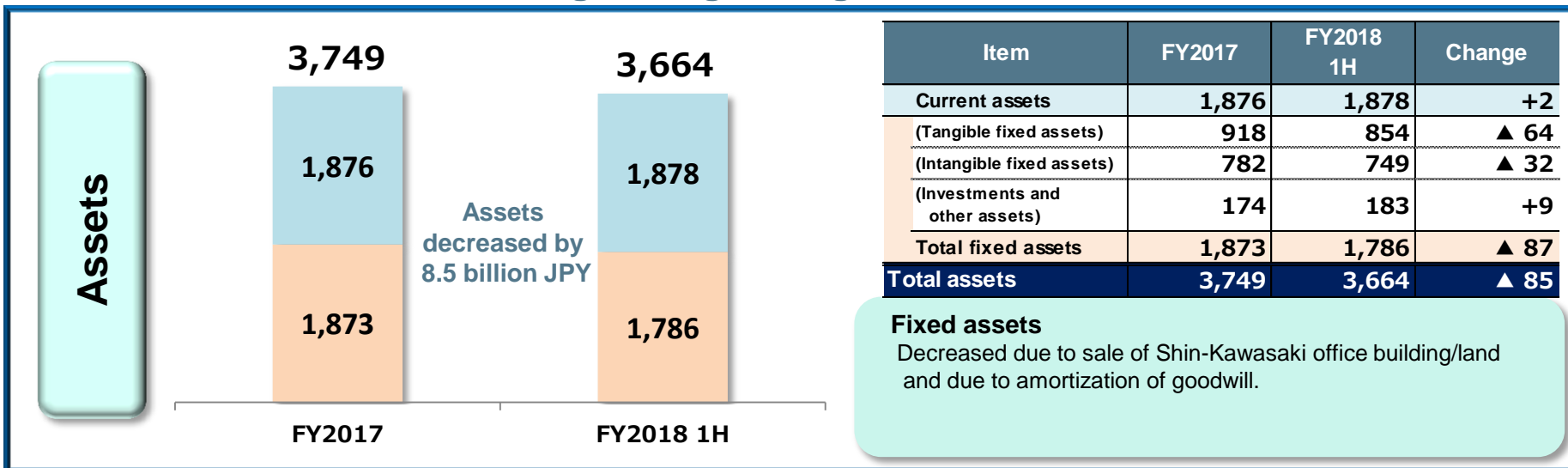
Units: Hundred million JPY



7. Consolidated Balance Sheet

Reduced total assets through asset management aimed at strengthening management base.

Units: Hundred million JPY

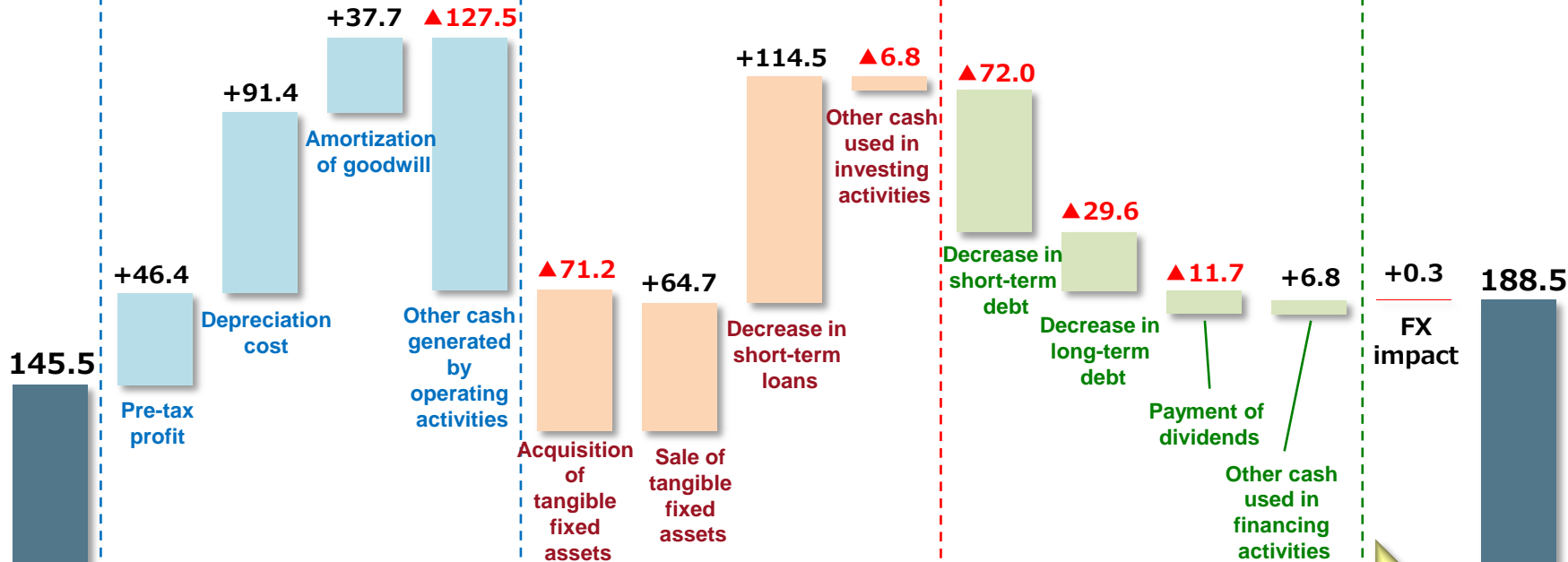


8. Consolidated Cash Flow Statement

Unit: Hundred million JPY

Cash generated by operating activities +48.0 **Cash used in investing activities +101.2** **Cash used in financing activities ▲106.4**

Free cash flow +14.92 billion JPY



Cash and cash equivalents increase by 4.3 billion JPY

FY2017
Balance of cash and cash equivalents

FY2018 1H
Balance of cash and cash equivalents

9. Financial Forecast for FY2018

Unit: Hundred million JPY

Item	FY2018 1H (Results)	FY2018 (Forecast)
Unit Sales	58,000 units	118,000 units
Sales	2,155	4,350
Operating Profit (Before amortization of goodwill) (Operating profit margin)	88.0 (4.1%)	208.5 (4.8%)
Amortization of Goodwill	▲44.1	▲83.5
Operating Profit (After amortization of goodwill) (Operating profit margin)	43.9 (2.0%)	125.0 (2.9%)
Ordinary Profit (Ordinary profit margin)	51.4 (2.4%)	110.0 (2.5%)
Profit Attributable to Owners of Parent (Net income margin)	25.4 (1.2%)	60.0 (1.4%)
Dividend per Share	—	JPY11

FY2018 Plan rate: USD=JPY110 EUR=JPY130 CNY=JPY16

(Reference) Key Performance Indicators **Logisnext**

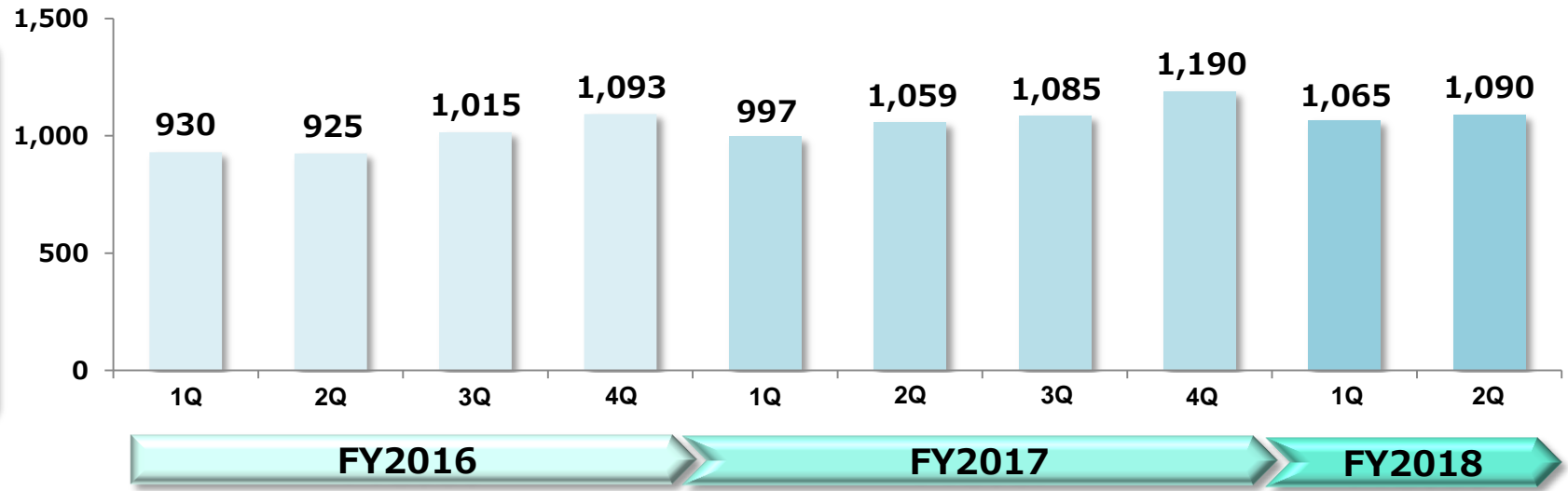
Return-on-assets (ROA)	$\frac{\text{Net income}}{\text{Total assets}}$	0.8%	(3.3%)	1.4%	(3.8%)	Improved as net income increased due to decrease in amortization of goodwill and US tax reform.
Return-on equity (ROE)	$\frac{\text{Net income}}{\text{Shareholders' equity}}$	5.0%	(18.6%)	8.1%	(22.1%)	
Operating profit margin	$\frac{\text{Operating profit}}{\text{Sales}}$	2.1%	(4.4%)	2.0%	(4.1%)	
Net income margin	$\frac{\text{Net income}}{\text{Sales}}$	0.7%	(2.8%)	1.2%	(3.2%)	
Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	1.2 times		1.2 times		
Receivables turnover	$\frac{\text{Sales}}{\text{Account receivables}}$	6.1 times		5.9 times		Worsened due to increased inventories, but inventories are expected to level toward the end of the fiscal year.
Inventory turnover	$\frac{\text{Cost of sales}}{\text{Inventories}}$	5.8 times		5.3 times		
Capital adequacy ratio	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$	16.0%		17.9%		
D/E ratio	$\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity}}$	3.0 times		2.6 times		Improved due to increased net income and foreign currency conversion adjustment account from depreciation of JPY
Earning per share (EPS)	$\frac{\text{Net income}}{\text{Shares outstanding}}$	JPY 27.6		JPY 46.71		
Price earnings ratio (PER)	$\frac{\text{Share value}}{\text{Earnings per share}}$	32.4 times		31.7 times		EPS and net assets increased, but the index worsened as the share value rose sharply.
Price book value ratio (PBR)	$\frac{\text{Share value}}{\text{Book value per share}}$	1.6 times		2.4 times		End of FY2017: JPY895 End of FY2018 1H: JPY1,482

(Reference) Quarterly Financial Results

Note: FY2016 1Q-3Q values based on virtual consolidation

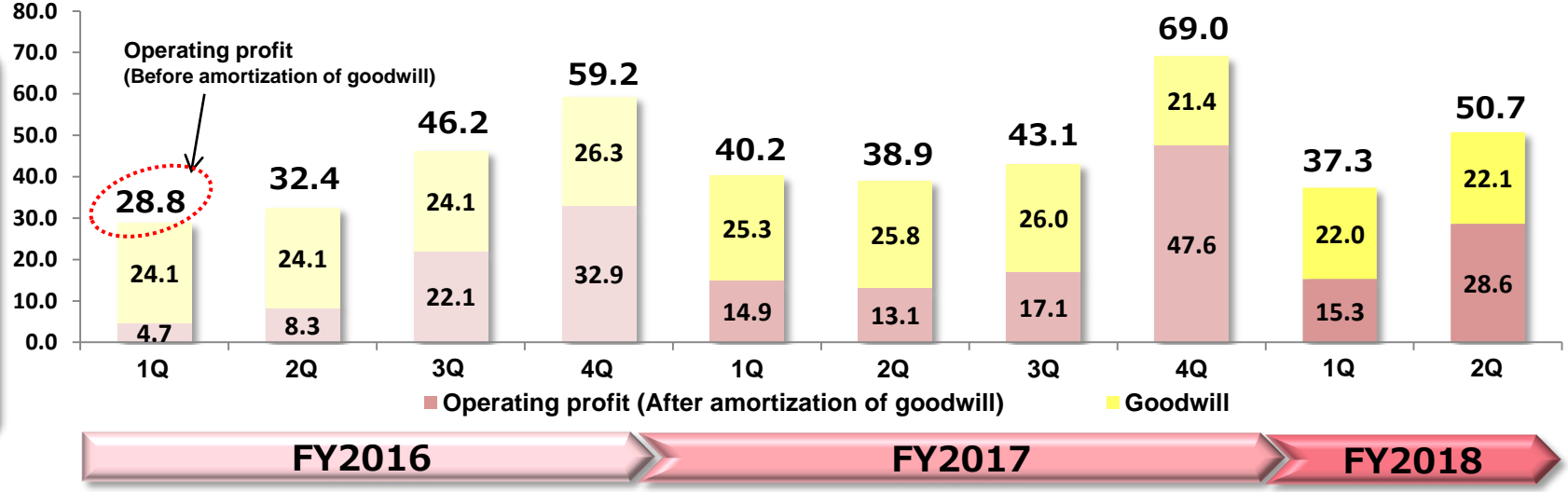
Unit: Hundred million JPY

Sales

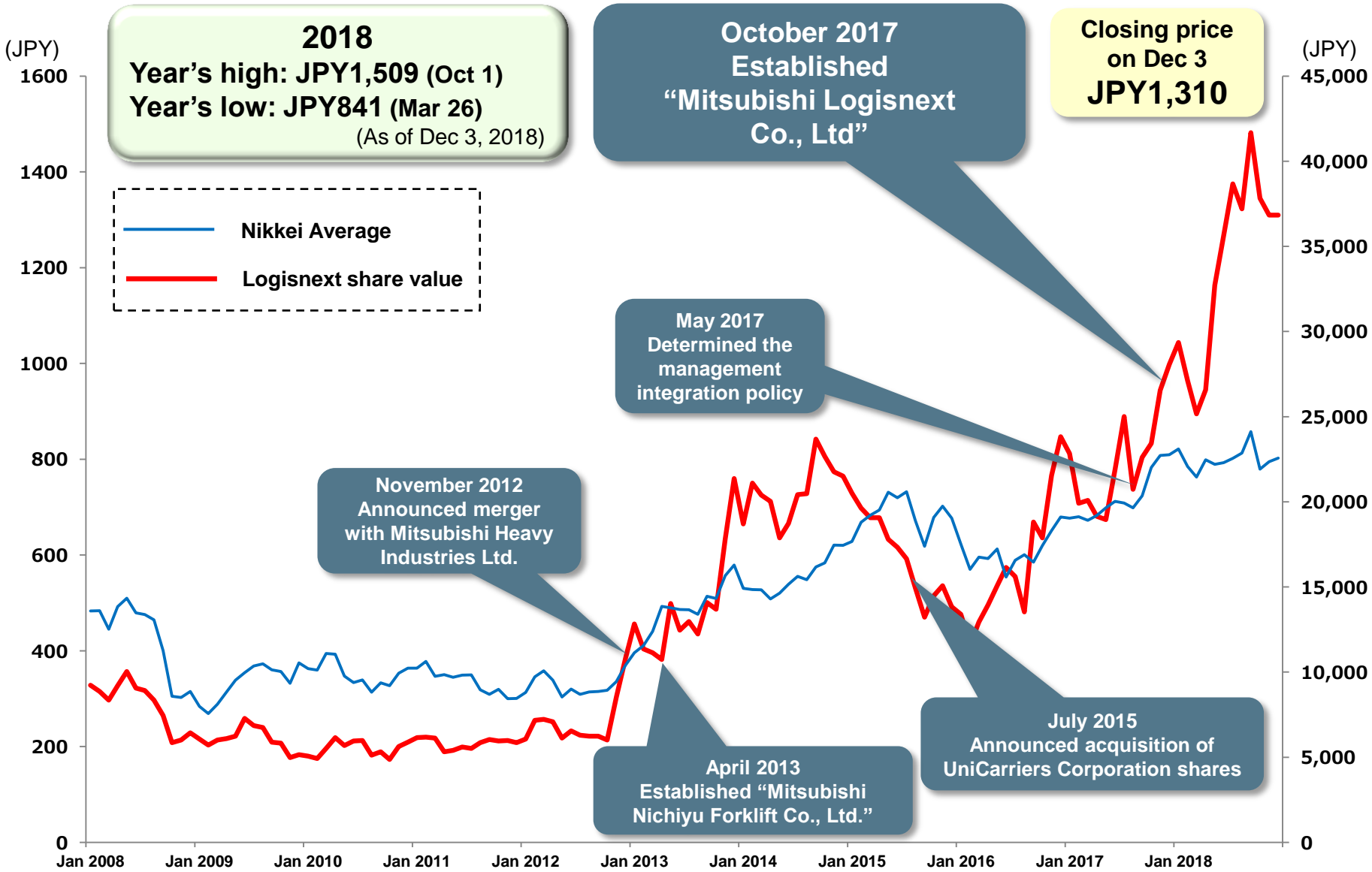


Unit: Hundred million JPY

Operating Profit



(Reference) Stock Price Trend



(Reference) Company Profile

Company Name	Mitsubishi Logisnext Co., Ltd.
Head Office	1-1, 2-Chome, Higashikotari, Nagaokakyo-shi, Kyoto
Established	August 1937
President and CEO	Takashi Mikogami
Paid-in Capital	4,890 million JPY (as of April 1, 2018)
Business Lines	Design, development, production, and sales of battery forklifts, conveyor robots, automated warehouse equipment, warehouse management systems, construction machinery, industrial engines, transmissions, etc.
Operation Centers	Japan: Kyoto, Shiga, Kanagawa, and others Overseas: United States, Europe, China, Asia, and others
Number of Employees	Approx. 11,000 employees
Production Capacity per year	Approx. 121,000 units

(Reference) Japan Domestic Network

5 Production Bases and 11 Direct Sales Subsidiaries



(Reference) Overseas Network



● Production Base
● Mainly Sales Base

Logisnext

Progress of Business Plan

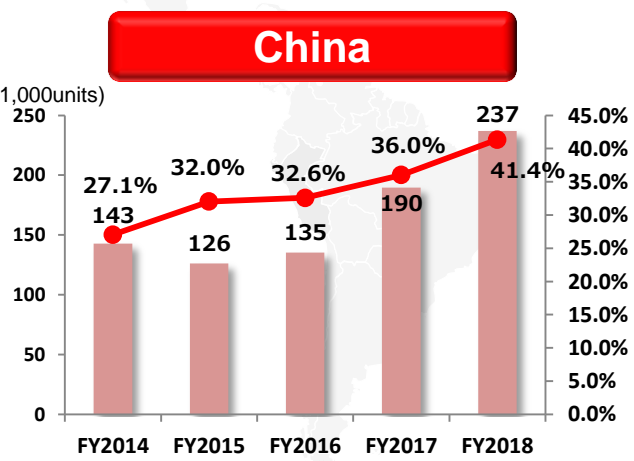
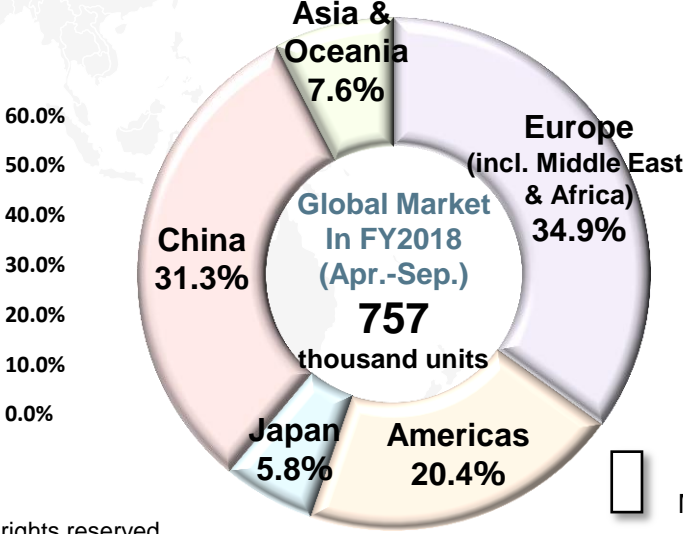
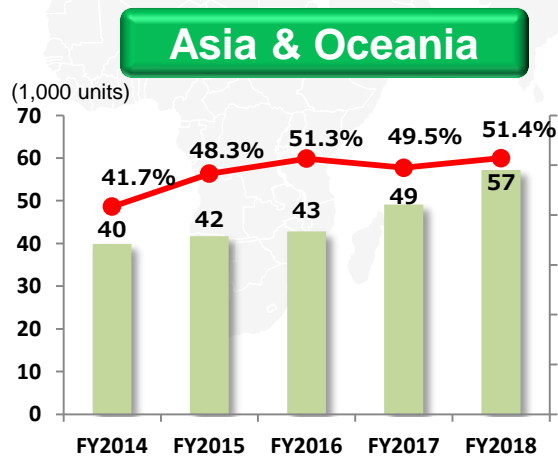
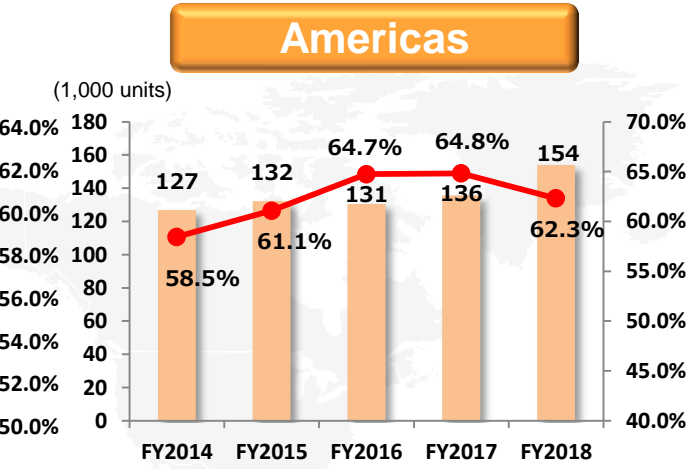
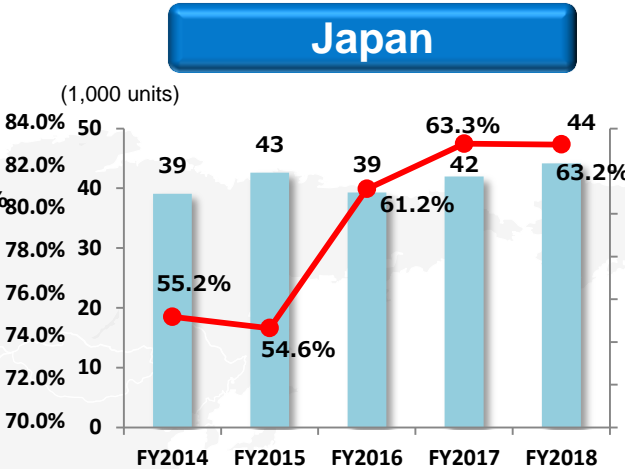
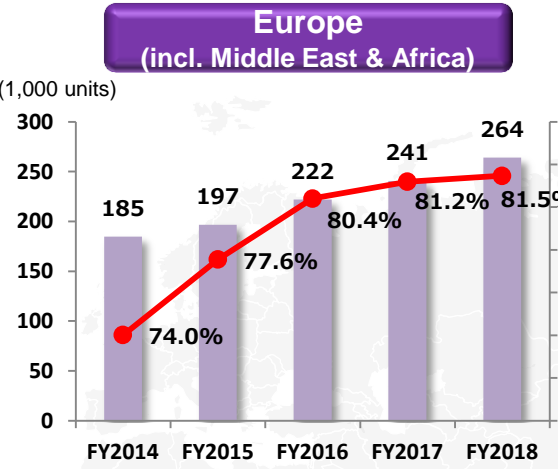
mitsubishi **LOGISNEXT**

President and CEO, Takashi Mikogami

1. Forklift Truck Market Trends

(Apr – Sep)

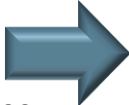
Global market demand for forklifts in the first half of FY2018 increased by 15.2% to 757 thousands units due to global demand expansion. Despite concerns of recession due to the US-China trade war, the global market will continue to increase.



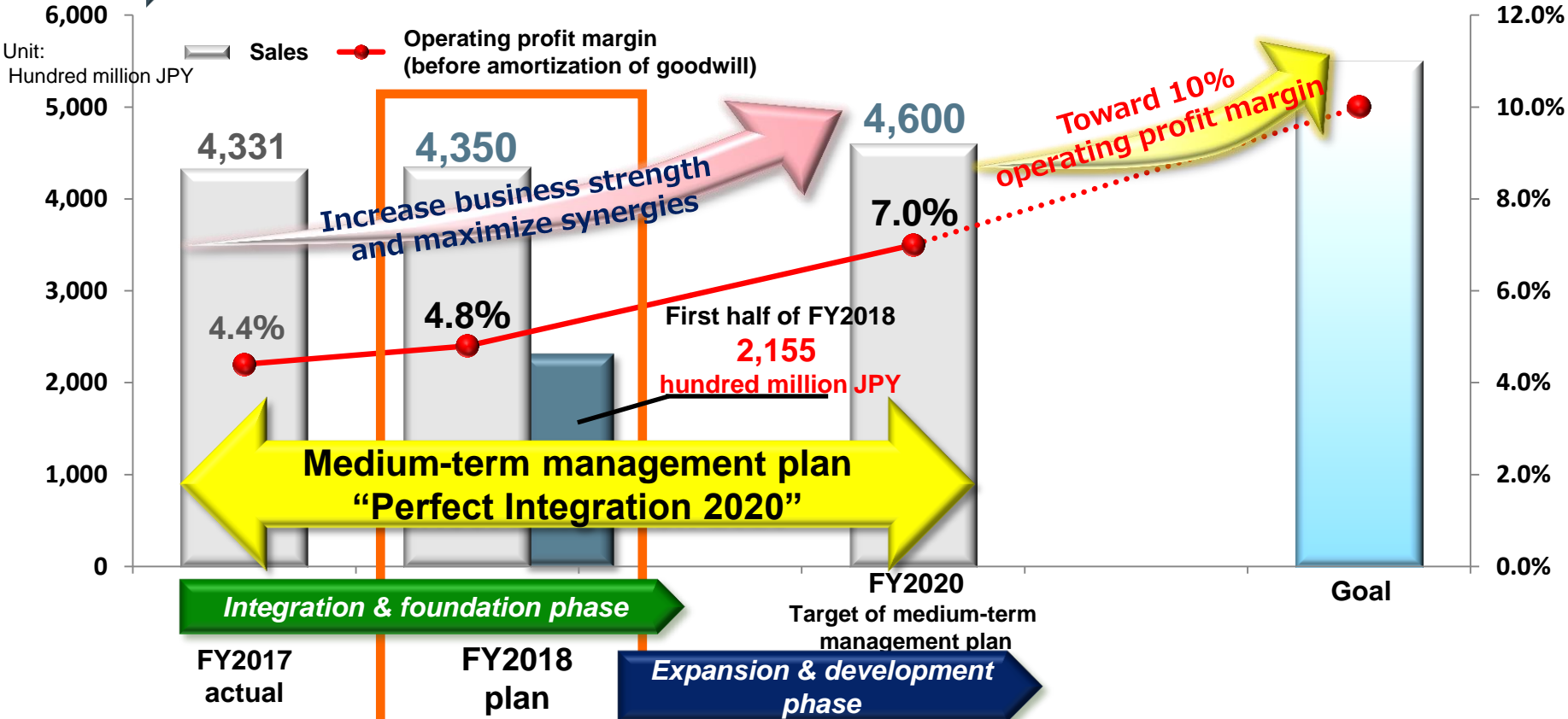
2. Business Plan for FY2018

Position in FY2018

- Second year of medium-term management plan “Perfect Integration 2020”.
- Fully finish “integration and foundation phase” and smoothly transition to “expansion and development phase”.
- Improve profitability based on existing businesses, synergies, and new businesses.



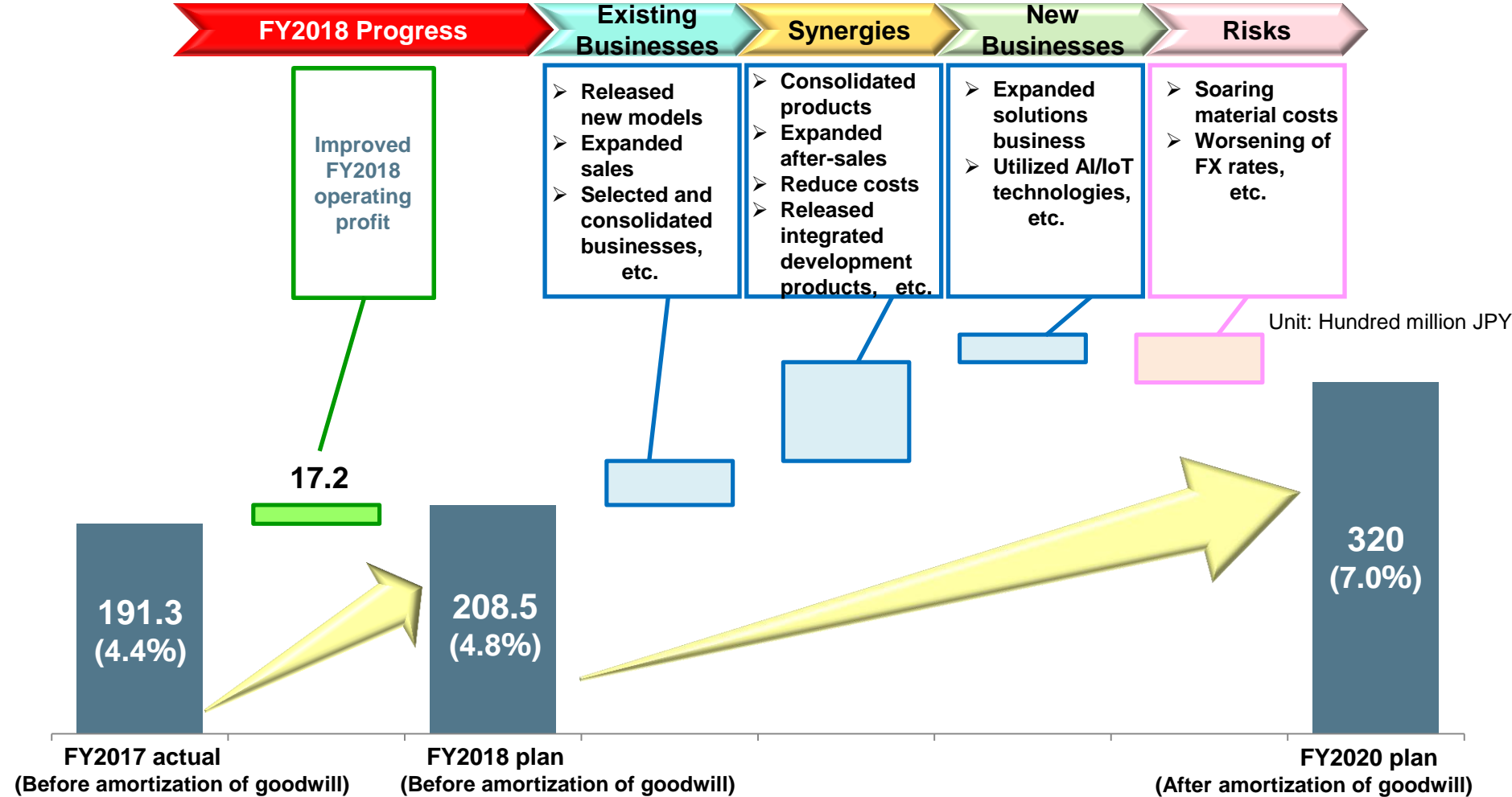
Based on the above business plan, aim to achieve consolidated sales of 435 billion JPY and operating profit margin of 4.8% in the second half of FY2018.



3. Progress of Medium-Term Management Plan

In the first half of FY2018, profit margin improved due to increased sales and synergies, despite higher material costs and US-China trade war.

Implement growth strategies and be sure to capitalize on synergies to expand business and achieve our medium-term management plan.



4. Achieving Improvements in FY2018 2nd Half Logisnext

Issues surrounding our company

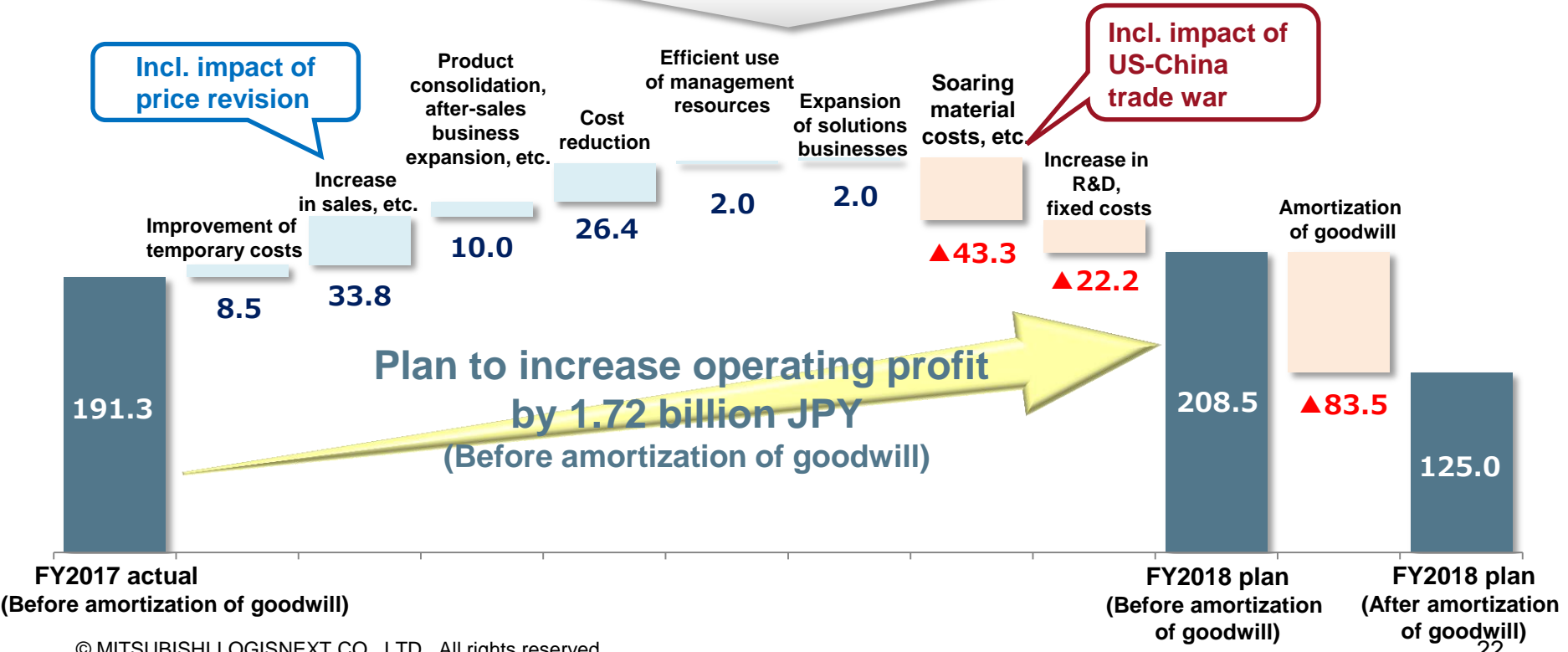
- Soaring material costs
- US-China trade war
- Intensifying competition
- Advancement of technology, etc.



Priority items for FY2018 2H

- Reduce costs
- Revise pricing
- Strengthen solutions business
- Create synergies and ensure they bear fruit as soon as possible, etc.

Unit: Hundred million JPY



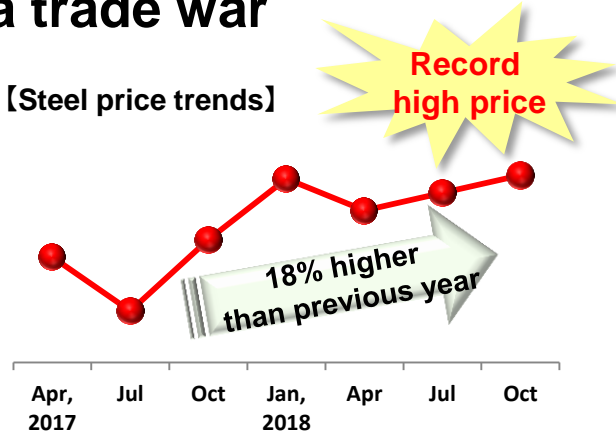
5. Existing Businesses

■ Respond to soaring material costs and US-China trade war

➤ Revise forklift truck pricing in key markets

- Revise pricing for the Japanese market
- Revise pricing for the US & European markets
- Revise pricing for the Asian markets

[Steel price trends]



Mitigate negative impact by shifting the tariff increase on Chinese parts to pricing and reviewing procurement.

■ Develop products for specific regional and customer needs

➤ New electric forklift

- Release new updated EDiA series electric forklift for the major market shift to electric models in Europe.



EDiA electric forklift for European market



AGRES BX Li-ion forklift equipped with Li-ion battery

➤ Deploy products

equipped with Li-ion batteries

- Forklifts equipped with Li-ion batteries
Target heavy users that operate forklifts continuously.
- Turret truck equipped with Li-ion batteries
Offer Eletruck turret trucks equipped with Li-ion batteries for Toyosu and other fish markets throughout Japan, where turret trucks are mainly used.



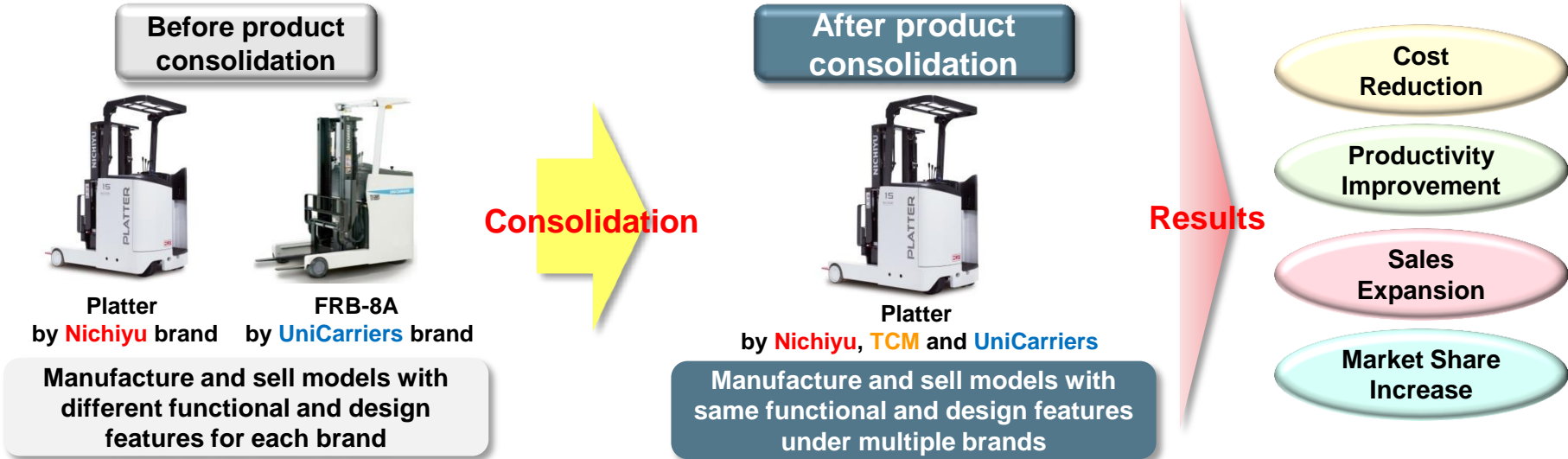
Eletruck turret truck equipped with Li-ion battery

6. Synergies

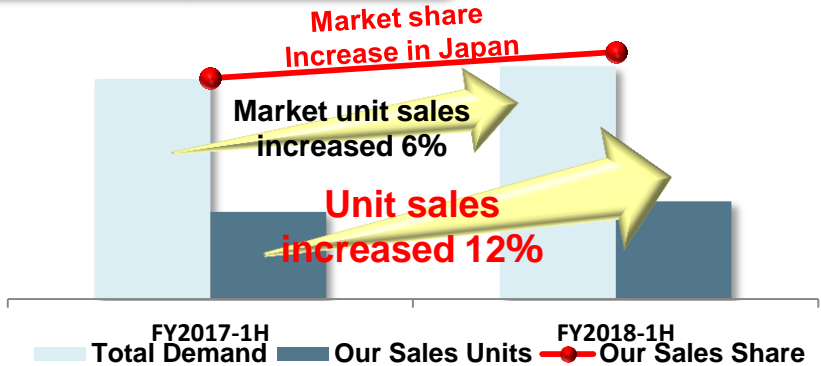
■ Further product consolidation

➤ Expand sales through product consolidation

- Significantly increase unit sales and market share by deploying multiple brands of products with specific strengths (reach forklifts for Japanese market).



- Aim to increase production efficiency and expand market presence by also consolidating products for other models.



Comparison of Japanese Reach Forklift Market vs Logisnext Unit Sales

6. Synergies

■ Reorganization of sales bases

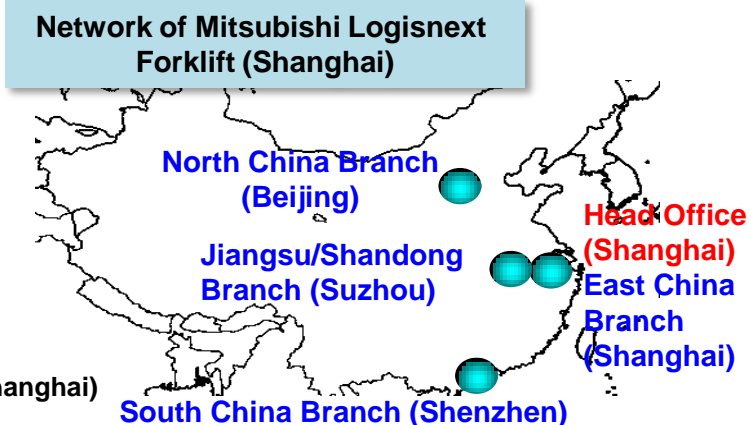
- **China:** Established Mitsubishi Logisnext Forklift (Shanghai) Co., Ltd.
Aim to maximize earnings in the product cycle through direct sales in high demand areas.



INOMA forklift with diesel engine made in UniCarriers China Corporation



Platter reach forklift made in Nichiyu Forklift Manufacturing (Shanghai)



- **Malaysia:** Transfer a portion of group company TCMM shares to local dealership.
Utilize strong sales capabilities to expand sales.

Outline of TCMM	
Company Name	TCM Forklift (Malaysia) Sdn. Bhd,
Paid-in Capital	3.9 million MYR (Approx. 98 million JPY)
Sales (FY2017)	24 million MYR (Approx. 600 million JPY)



Forklift with large diesel engine (10-16 t) for Asian market

- **Japan:** Aim to finish integrating sales companies by around 2020.

7. New Businesses

■ Offer solutions at logistics warehouses

Growing needs for automation and mechanization

- ✓ Maximize utilization of storage space
- ✓ Offer high lifting height capacities
- ✓ Achieve safe working environment

New RACK FORK Auto

laser-guided automated forklift

Released to expand the line of automated guided forklifts. Improve ability to satisfy customer needs and strengthen measures in growth fields, such as automation technology.



Key features

Effective utilization of storage space

Only 1480 mm^{※2}

2670 mm^{※1}

Reach forklift

MAX 6.5m^{※2}

※1: FBR15-80
Practical right angle storage passage width

※2: RFTL10-MG80LA
If packaging is 1100 mm x 1200 mm

Laser-guided

Laser Scanner

LMS LASER NAVIGATION SYSTEM

Equipped with unique Route Optimizer operation management system

AGVs* choose the optimal route for improving work efficiency.

8. Topics

■ Exhibited at Logi-Tech Tokyo 2018, Japan’s largest exhibition for material handling and logistics

- Exhibited as Mitsubishi Logisnext for the first time since the company integration, at Logi-Tech Tokyo 2018, held September 11 to 14, 2018 at Tokyo Big Sight.
- Logistics solutions and products exhibited separately based on four themes: “automation technology”, “advanced technology”, “new solutions”, and “safety technology”.
- Number of visitors (four days): Over 8,400 persons (35% more than previous time)



Overview of Logisnext booth



Platter Auto laser-guided AGV* model



RACK FORK Auto laser-guided AGV model

※AGV: Automated Guided Vehicle

Revised the Corporate Vision and Management Policy to foster a new corporate culture and maximize synergies from company integration.

Corporate Vision //

Logisnext

Logistical Equipment & System Solutions Next

“Moving the world forward as the leading provider of innovative logistics and material handling solutions”

Management Policy //



- 1 We promise the safety of people and our products is the foundation of our success.
- 2 We respect the individuality, creativity, and initiative of all employees, and empower them to deliver on our promises to our customers and partners.
- 3 We form long-lasting partnerships with our customers by helping them solve their material handling challenges with our innovative products and services.
- 4 We apply leading edge technology to solve the next generation of logistics challenges.
- 5 We provide world-class quality - it is a mindset and expectation that guides all of our business processes and customer interactions.
- 6 We preserve the global environment and contribute to ongoing development in local communities.
- 7 We always behave ethically as a good corporate citizen.

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- Forward-looking statements in this material are based on goals and forecasts, with no commitment or guarantee as to their accuracy.
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