

# Logisnext

**Mitsubishi Logisnext Co., Ltd.**

Q2 Financial Results Briefing for FY2022

November 24, 2022

## Event Summary

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<b>[Company Name]</b>	Mitsubishi Logisnext Co., Ltd.	
<b>[Company ID]</b>	7105-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for FY2022	
<b>[Fiscal Period]</b>	FY2022 Q2	
<b>[Date]</b>	November 24, 2022	
<b>[Number of Pages]</b>	32	
<b>[Time]</b>	15:30 – 16:21 (Total: 51 minutes, Presentation: 47 minutes, Q&A: 4 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	3	
	Takashi Mikogami	Representative Director and Chairman
	Yuichi Mano	Representative Director and President
	Takatoshi Uno	Director, Executive Officer, CFO, Head of Corporate Finance and Accounting Headquarters

## Presentation

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**Moderator:** Thank you for your patience. The time has arrived, so we will begin Mitsubishi Logisnext Co., Ltd.'s financial results briefing for Q2 of FY2022.

Thank you very much for taking time out of your busy schedule to attend our financial results briefing.

We apologize for the sudden decision to hold the event remotely via Zoom only, in light of the recent spread of COVID-19, although we had originally planned to hold the event as a hybrid of on-site participation at the venue in Marunouchi, Tokyo and Zoom streaming. We are sorry for the sudden change.

Today, we would like to present an overview of the financial results for Q2 of FY2022 and the progress of the medium-term management plan.

Now, I will introduce today's attendees. Mr. Takashi Mikogami, Representative Director and Chairman.

**Mikogami:** I'm Mikogami. Thank you.

**Moderator:** Mr. Yuichi Mano, Representative Director and President.

**Mano:** I'm Mano. Thank you.

**Moderator:** Mr. Takatoshi Uno, Director, Executive Officer, CFO, Head of Corporate Finance and Accounting Headquarters.

**Uno:** I'm Uno. Thank you.

**Moderator:** As we proceed today, the overview of the financial results for Q2 of FY2022 will be presented by Mr. Uno, CFO, Head of Corporate Finance and Accounting Headquarters, and an update on the progress of the mid-term management plan will be presented by Mr. Mano, Representative Director and President.

The presentation will last about 45 minutes, until about 4:15 PM. A Q&A session will follow for about 15 minutes. I will explain the method of questioning when we get to the Q&A session later. The scheduled end time of today's briefing is 4:30 PM.

Today's materials are disclosed at the URL that we have provided to you by e-mail in advance. This financial results briefing will proceed based on the slide presentation material.

Now, we will move on to an overview of the financial results for Q2 of FY2022. Mr. Uno, please go ahead.

Economic Market Trends
<ul style="list-style-type: none"><li>➤ In the global economy, there are growing fears of a recession due to tightening monetary conditions caused by rising prices in Europe and the Americas, the zero-COVID policy in China, and Russian aggression of Ukraine. Recessions have already begun in some regions. In addition, higher material and transportation costs and supply chain disruptions continue.</li><li>➤ The material handling equipment market has recovered to above pre-COVID-19 levels in Japan. Overseas, demand continues to exceed pre-COVID-19 levels in the Americas, remained firm in Asia, remained weak in Europe, and slowed down in China.</li><li>➤ At Mitsubishi Logisnext, orders are generally strong, but we have been affected by longer lead times due to delays in the supply of various assembly components and high costs, such as for materials and transportation, since the previous fiscal year. Under these circumstances, shipments have been delayed due to parts shortages in Japan, while the effects of shipping facilitations and sales price improvements have begun to show in the Americas and Europe.</li></ul>
Summary of FY2022 Q2 Results
<ul style="list-style-type: none"><li>➤ Net sales increased by 29.4% YoY due to an increase in units sold mainly in the Americas and Europe, as well as due to the impact of JPY depreciation.</li><li>➤ Operating profit (before amortization of goodwill, etc.) decreased 1.4% YoY due to increasing material and transportation costs and lower shipments caused by parts shortages in Japan, despite the contribution of an increase in units sold mainly in the Americas and Europe and the impact of JPY depreciation.</li></ul>

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**Uno:** I'm Uno of Mitsubishi Logisnext. Thank you very much for joining us today at our financial results briefing for Q2 of FY2022.

In the first half of today's presentation, I will provide a summary of the financial results.

First, please see page three. The economic market trends.

Concerns of recession are growing in the global economy due to monetary tightening in the US and Europe, China's zero-COVID-19 policy, and Russia's invasion of Ukraine. In addition, the rising cost of materials and transportation as well as supply chain disruptions continue to plague the industry.

Under these circumstances, in Japan, the forklift market has been firm, but overseas, while the Americas and Asia continue to do well, Europe and China are showing signs of a slowdown or even a clear slowdown.

In the Company, orders received were generally favorable, although the uptake of demand due to the rebound from the pandemic, seen in the previous fiscal year, has slowed down. In Japan, however, H1 was marked by delays in production and shipments due to the impact of parts shortages.

Overseas, despite the impact of the lockdown in Shanghai at the beginning of the fiscal year, production and shipments have increased more steadily than in Japan, and we are seeing the effects of our aggressive sales price revisions since last fiscal year.

Here is a summary of consolidated results under such circumstances. Due to increased production and sales in the Americas and Europe, and strong performance by our US sales subsidiary, Equipment Depot or EQD, in addition to the contribution of the yen's depreciation, net sales increased 29.4% YoY. This is the highest sales in our company's history for H1.

Operating profit before amortization of goodwill, etc. decreased by negative 1.4%, due to the sharp rise in material and transportation costs, as well as a decrease in shipments due to parts shortages in Japan.

## 2. Financial Highlights

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Unit: Hundred million JPY

Profit and Loss Statement	FY2021 Q2	FY2022 Q2	YOY Change	
Net Sales	2,160.9	2,795.9	+635.0	+29.4%
Operating Profit (Before amortization of goodwill, etc.) (Operating profit margin)	63.0 (2.9%)	62.1 (2.2%)	-0.8	-1.4%
Amortization of Goodwill	47.4	51.3	—	—
Operating Profit (Operating profit margin)	15.6 (0.7%)	10.8 (0.4%)	-4.8	-30.8%
Ordinary Profit (Ordinary profit margin)	14.3 (0.7%)	10.2 (0.4%)	-4.0	-28.3%
Profit Attributable to Owners of Parent (Net income margin)	0.2 (0.0%)	-13.5 (-0.5%)	-13.7	—

FY2021 Q2 actual FX rates: USD = JPY109.80 EUR = JPY130.88 CNY = JPY16.99  
 FY2021 Q4 actual FX rates: USD = JPY112.38 EUR = JPY130.56 CNY = JPY17.51  
 FY2022 Q2 actual FX rates: USD = JPY133.97 EUR = JPY138.73 CNY = JPY19.88

Balance Sheet	FY2021 Q4	FY2022 Q2	YOY Change	
Total Assets	4,056.0	4,638.9	+582.9	+14.4%
Total Liabilities	3,418.6	3,899.7	+481.1	+14.1%
Net Assets	637.3	739.1	+101.8	+16.0%

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Next, see the financial highlights on page four. Again, I would like to explain our key financial indicators.

The blue area shows the figures for H1 or Q2. Net sales were JPY279.6 billion, operating profit before amortization of goodwill, etc. was JPY6.2 billion, and amortization of goodwill was JPY5.1 billion, resulting in an operating profit of JPY1.1 billion under the system accounting.

As I mentioned earlier, net sales were the highest ever for H1, but operating profit fell slightly short of the previous year's level.

Amortization of goodwill has increased, but this is due to the amortization of goodwill assets recorded as excess earning power overseas and the amortization of goodwill assets denominated in foreign currencies, which have ballooned in translation due to the weak yen.

After operating profit, ordinary profit, and also after extraordinary items and tax expenses, profit attributable to owners of parent was negative JPY1.35 billion, unfortunately a net loss.

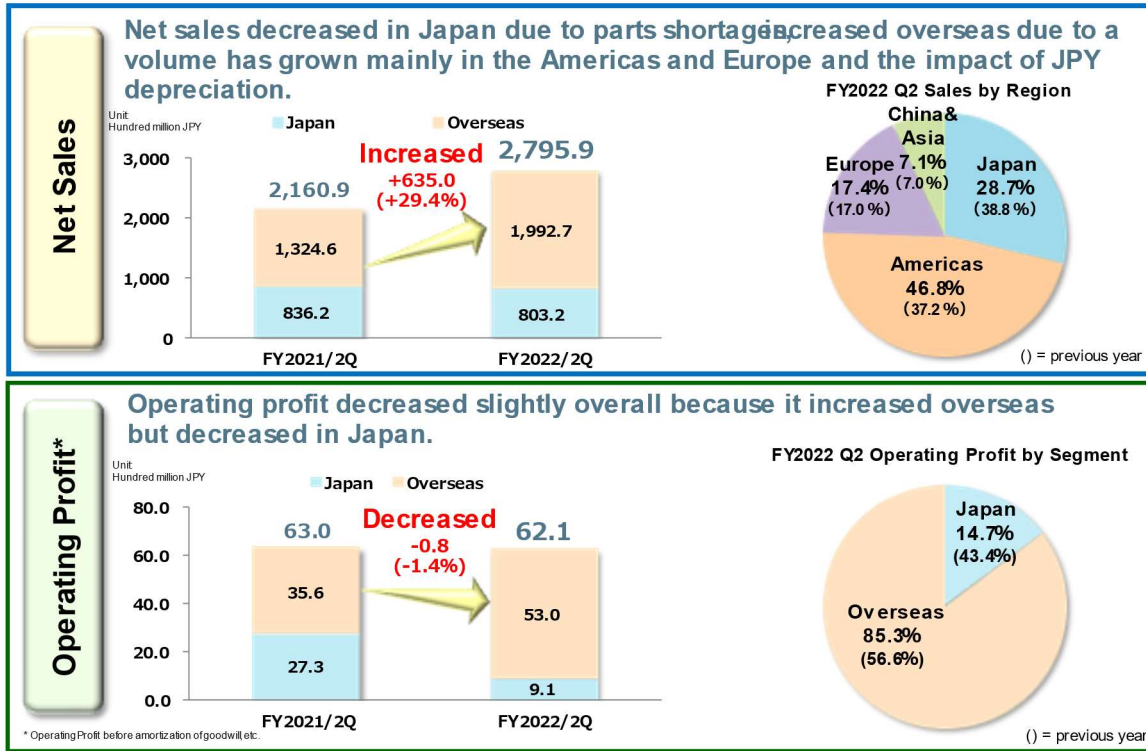
In H1, compared to the previous year, non-operating items included an increase in interest expenses, which was offset by foreign exchange gains.

As for extraordinary losses, there was a loss on the sale of a sales subsidiary in Russia, and a manufacturing subsidiary in Shanghai posted an extraordinary loss due to a lockdown for two months in April and May.

As for tax expenses, while the effective tax rate was relatively low in the previous fiscal year, it was slightly higher in the current fiscal year, resulting in a net loss for H1.

The table below is the balance sheet, which we will explain again later on page nine.

### 3. Business Results by Segment



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I will now explain in detail in the following documents up to the sales and operating profit.

Pages five and six explain the situation by segment and region. Please note that from this page onward, operating profit before amortization of goodwill, etc. will be referred to as operating profit.

After recording the goodwill asset associated with the acquisition of former UniCarriers Corporation, we have designated a unique operating profit item, operating profit before amortization of goodwill, etc., as a key KPI from the standpoint of comparability with past results and the results of other companies.

Page five shows net sales and operating profit by segment.

As shown in the upper chart, net sales increased by 29.4%, while the domestic business, shown in blue, decreased by 3.9%.

The increase in revenue from overseas operations, shown in beige, was a very significant 50.4%, or JPY66.8 billion in monetary terms.

While there are still some effects of parts shortages both in Japan and overseas, production and shipments in Japan in particular were not smooth in H1.

The very large increase in revenue from overseas operations was due not only to increased sales of new vehicles, but also to the strong rental business of EQD in the US, as well as the translation effect of yen depreciation.

The bottom row is operating profit. Operating profit decreased by 1.4%. As in the case of net sales, profit decreased in the domestic business and increased in the overseas business. In the previous fiscal year, the

overseas business was more severely impacted by the rising material and transportation costs than the domestic business, but in the current fiscal year, the cost increase has already peaked out in the Americas and other regions.

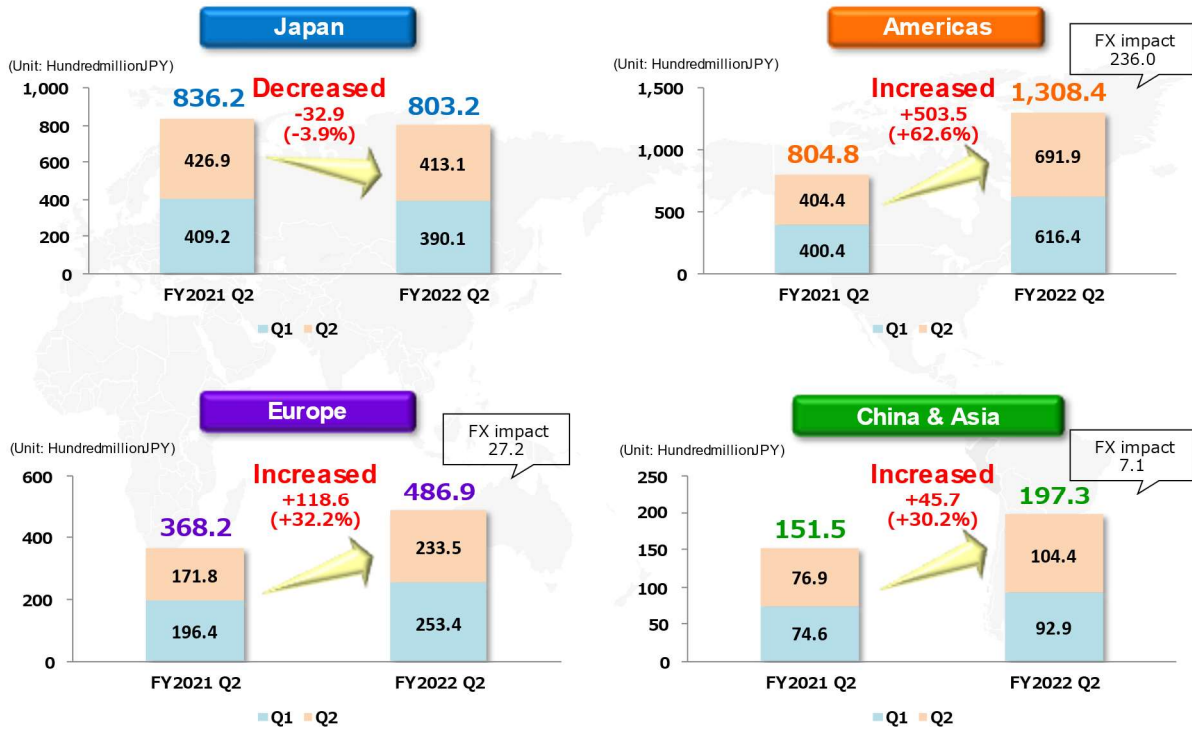
As a result, the effects of the sales price revisions since last fiscal year are gradually being realized in H1.

On the other hand, in Japan, material and transportation costs have skyrocketed since H2 of the previous fiscal year, and have continued to rise throughout H1. In addition, production and shipments were not smooth due to the effects of parts shortages, which combined to cause a large decrease in profit.



## 4. Sales by Region (including FX impact)

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Please see page six. Page six shows YoY sales by region, and the bar graphs are divided into three-month periods, with blue for Q1 and beige for Q2.

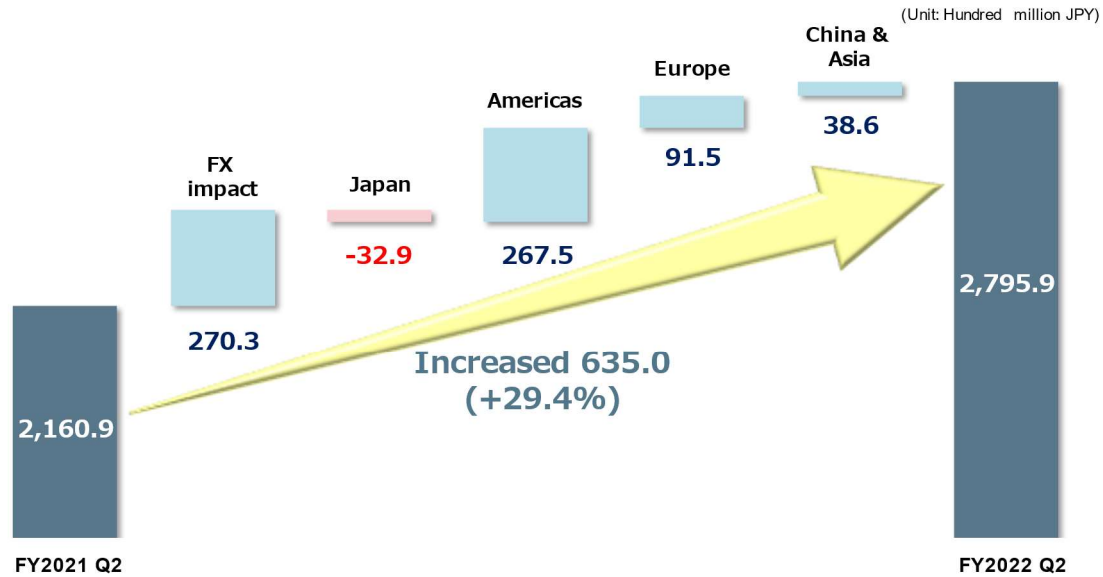
Significant revenue growth was achieved in each overseas region of the Americas, Europe, China, and Other Asia. The exchange rate impact is described in the callouts. You can see that there was a remarkable increase in sales, in Americas in particular, including the impact of the depreciation of the yen against the US dollar.

Comparing Q1 and Q2, blue and beige, the Q1 figures are larger only for Europe. As you all know, this is due to the summer vacation season in Europe, which significantly reduces socioeconomic activities, and this was the case in the previous and current fiscal years.

## 5. Net Sales – FY2021 Q2 vs FY2022 Q2 **Logisnext**

Japan: Net sales declined due to the impact of parts shortages.

Overseas: In addition to the impact of JPY depreciation, sales volume growth in the Americas and growth in after services and rental businesses at EQD\* contributed to sales. Net sales also increased in Europe and Asia.



\* Equipment Depot, Inc.

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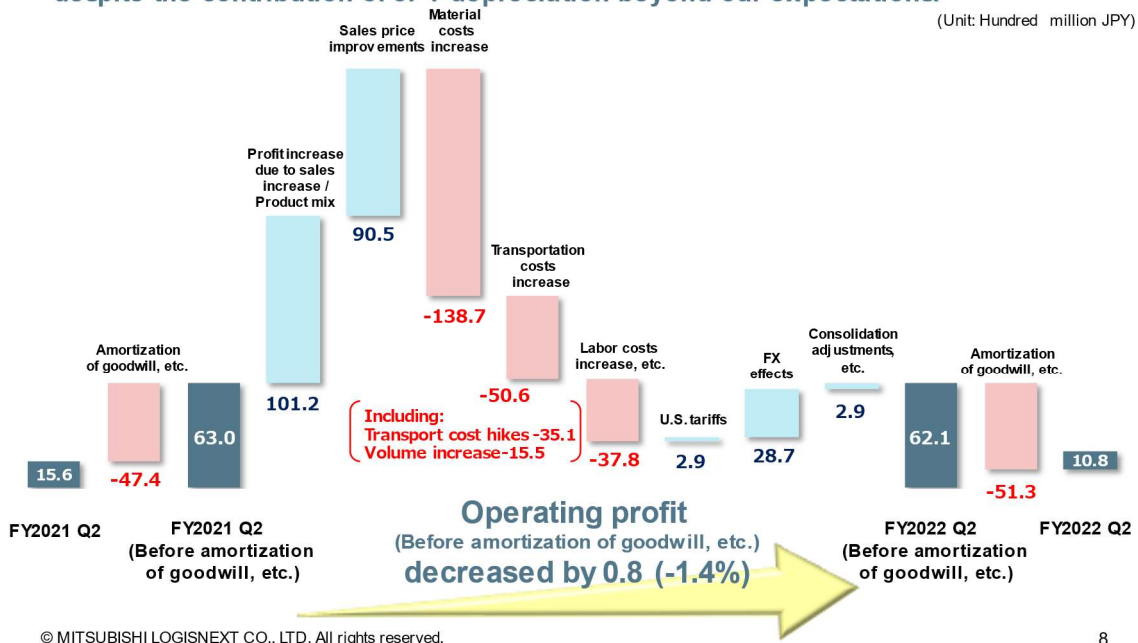
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Please see page seven. The waterfall chart shows which regions experienced an increase in sales from last H1 to this H1, excluding the impact of foreign exchange rates.

What I have explained on the previous pages is briefly described on this page seven. Please review it again along with the figures.

## 6. Operating Profit – FY2021 Q2 vs FY2022 Q2 **Logisnext**

- The impact of higher material, transport and other costs exceeded the effect of selling price improvements.
- Operating profit (before amortization of goodwill, etc.) declined by 80 M JPY despite the contribution of JPY depreciation beyond our expectations.



Now, turn to page eight. This section shows YoY changes in operating profit by factor.

If you look from left to right, the third item from the left is the actual operating profit before amortization of goodwill, etc., for the previous fiscal year, which is JPY6.3 billion. Starting from this point, the increase in gross profit due to the sales increase was JPY10.1 billion and the increase due to sales price improvement was JPY9.1 billion, which are the factors behind the JPY19.2 billion increase in profit.

Then, the three factors, YoY increases in material costs and transportation costs, as well as labor and other expenses, contributed to the JPY22.7 billion decrease in profit.

So far, the total profit has decreased by JPY3.5 billion. Operating profit decreased only slightly YoY because we were able to take advantage of a favorable exchange rate environment of about JPY3 billion, including the strong US dollar and weak yen.

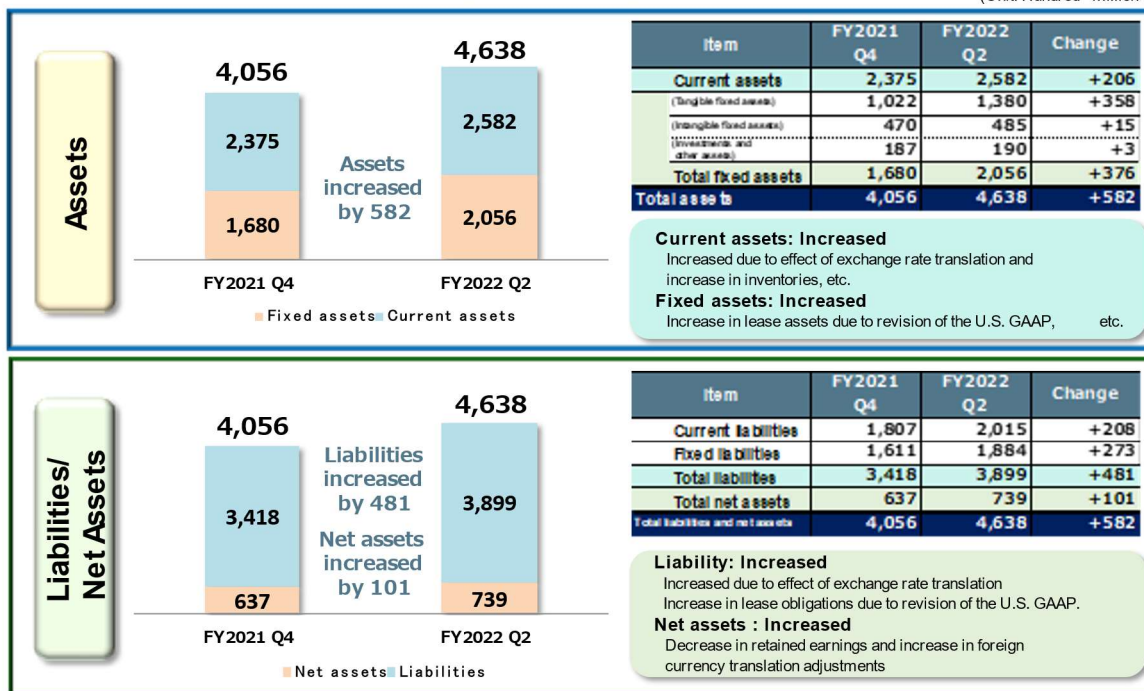
The cost of the sales price revision is JPY9 billion, and the increase in material and transportation costs is nearly JPY20 billion, so the revision of the sales price has not been a sufficient contribution. I would like to touch on this later on page 12 while looking at other data.

## 7. Consolidated Balance Sheet

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Total assets increased due to an increase in lease assets in Americas subsidiaries resulting from the revision of the U.S. GAAP and the impact of JPY depreciation.

(Unit: Hundred million JPY)



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Page nine is the balance sheet. We will explain the major variations here. The upper row shows assets and the lower row shows liabilities and net assets.

Last fiscal year, while sales were large and increasing since the pandemic, we were severely affected by the supply chain disruption, resulting in a large increase in inventories, especially at our manufacturing sites worldwide.

In this H1, inventories increased by JPY18.4 billion from the end of the previous fiscal year. But excluding the increase due to foreign currency translation, inventories increased only slightly in Japan, where the impact of parts shortages was particularly noticeable this fiscal year, and in the US, where a slight semiconductor shortage occurred in H1.

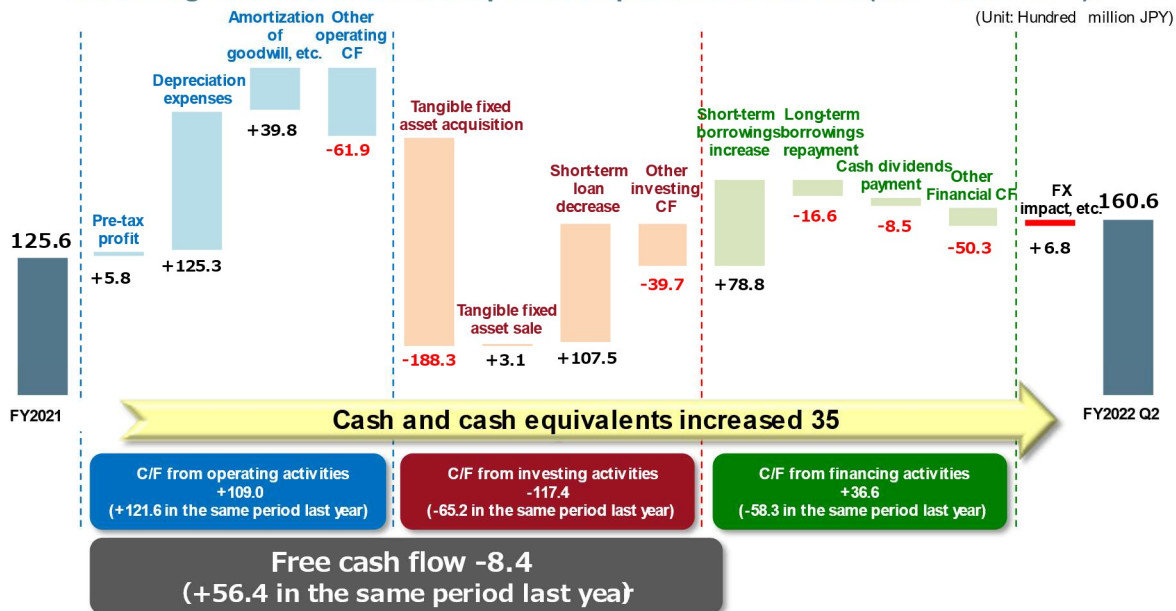
The main reason for the increase in total assets is the revision of US GAAP. As with Japanese GAAP, operating lease assets and liabilities were off-balance sheet under US GAAP, but they have been on-balance sheet from this period. This has resulted in an expansion of the balance sheet by about JPY30 billion on both assets and liabilities/net assets sides.

In addition, the balance sheets of foreign subsidiaries have ballooned due to currency translation.

Net assets, or equity, increased by JPY10.1 billion, mainly due to foreign currency translation adjustments. Foreign currency translation adjustments increased by JPY12.5 billion due to the weaker yen. As a result, despite the increase in total assets, the equity ratio increased slightly from 15.6% at the end of the previous fiscal year to 15.8% at the end of the current fiscal year.

## 8. Cash Flow

- C/F from operating activities maintained into the black of 10.9 B JPY (-1.26 B JPY YoY due to increase in income taxes).
- Free cash flow got into the red of 0.84 B JPY due to active investments such as increasing rental forklifts and corporate acquisitions in the U.S.(YoY -6.48 B JPY).



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See page 10. The cash flow situation.

Operating cash flow was JPY10.9 billion, a decrease of JPY1.26 billion YoY. We believe this is mainly due to an increase in tax payments of about JPY2.9 billion.

Cash used in investing activities also significantly expanded YoY. Demand for rental forklifts has been growing significantly amidst increased economic and social activities, particularly in the US, leading to increased investment in forklifts for rental use.

In addition, there was an investment in the acquisition of a distributor in North America, which is included in other investing cash flow. These factors resulted in increased cash outflows.

As a result, free cash flow, which was positive JPY5.6 billion in the previous year, turned to negative JPY0.8 billion in the current period.

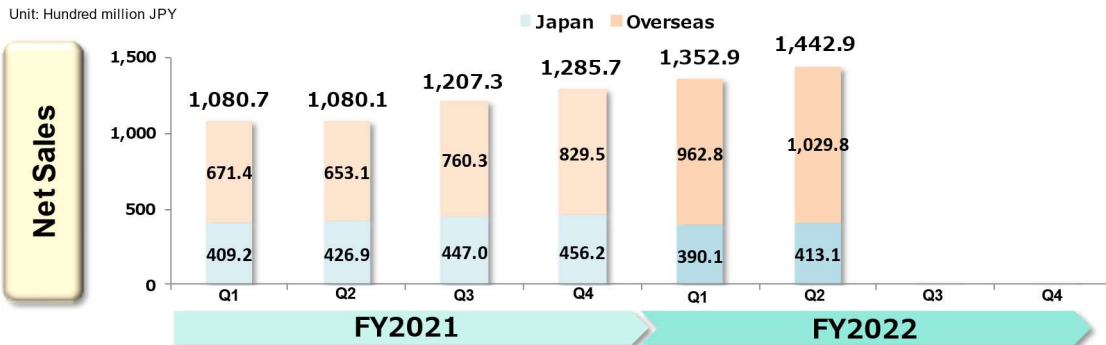
# Reference: Key Performance Indicators

	Indicator	Formula	FY2021 Q4		FY2022 Q2		Comments
				before amortization of goodwill, etc.		before amortization of goodwill, etc.	
Performance	Return-on-assets (ROA)	$\frac{\text{Net income}}{\text{Total assets}}$	0.2%	2.2%	-0.6%	1.4%	The indicator deteriorated due to the net loss. Even before amortization of goodwill, etc., the indicator deteriorated due to increasing materials and transportation costs, as well as declining domestic business revenues.
	Return-on-equity (ROE)	$\frac{\text{Net income}}{\text{Shareholders' equity}}$	1.2%	8.6%	-4.0%	5.5%	
Profitability	Operating profit margin	$\frac{\text{Operating profit}}{\text{Sales}}$	0.8%	2.8%	0.4%	2.2%	
	Net income margin	$\frac{\text{Net income}}{\text{Sales}}$	0.2%	2.1%	-0.5%	1.2%	
Asset Efficiency	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	1.2 times		1.3 times		
	Receivable turnover	$\frac{\text{Sales}}{\text{Accounts receivable}}$	6.0 times		6.8 times		
	Inventory turnover	$\frac{\text{Cost of sales}}{\text{Inventories}}$	4.6 times		4.1 times		
Financial Soundness	Capital adequacy ratio	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$	15.6%		15.8%		
	D/E ratio	$\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity}}$	3.0 times		3.2 times		
Share	Earnings per share	$\frac{\text{Net income}}{\text{Shares outstanding}}$	6.73 JPY	89.52 JPY	-25.34 JPY	65.18 JPY	
	Price earnings ratio (PER)	$\frac{\text{Share value}}{\text{Earnings per share}}$	138.5 times	10.4 times	-	11.3 times	Stock prices: End of FY2021 : 932 JPY End of FY2022 Q2: 738 JPY
	Price book value ratio (PBR)	$\frac{\text{Share value}}{\text{Book value per share}}$	1.6 times		1.1 times		

Note: P/L items are calculated on an annualized basis.

Page 11 lists various key management financial indicators, including ROA, for your reference.

# Reference: Quarterly Financial Results Logisnext



\* Operating profit before amortization of goodwill, etc.

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Lastly, I would like to explain page 12. This chart shows quarterly sales and operating profit trends. Again, the blue shows the domestic business and the beige shows overseas.

While net sales have steadily increased each quarter since the previous fiscal year, regarding operating profit, in Q4 of last fiscal year and Q1 of this fiscal year, there was a large gap between the deteriorating material and transportation costs and the delayed contribution of the sales price revisions to those costs.

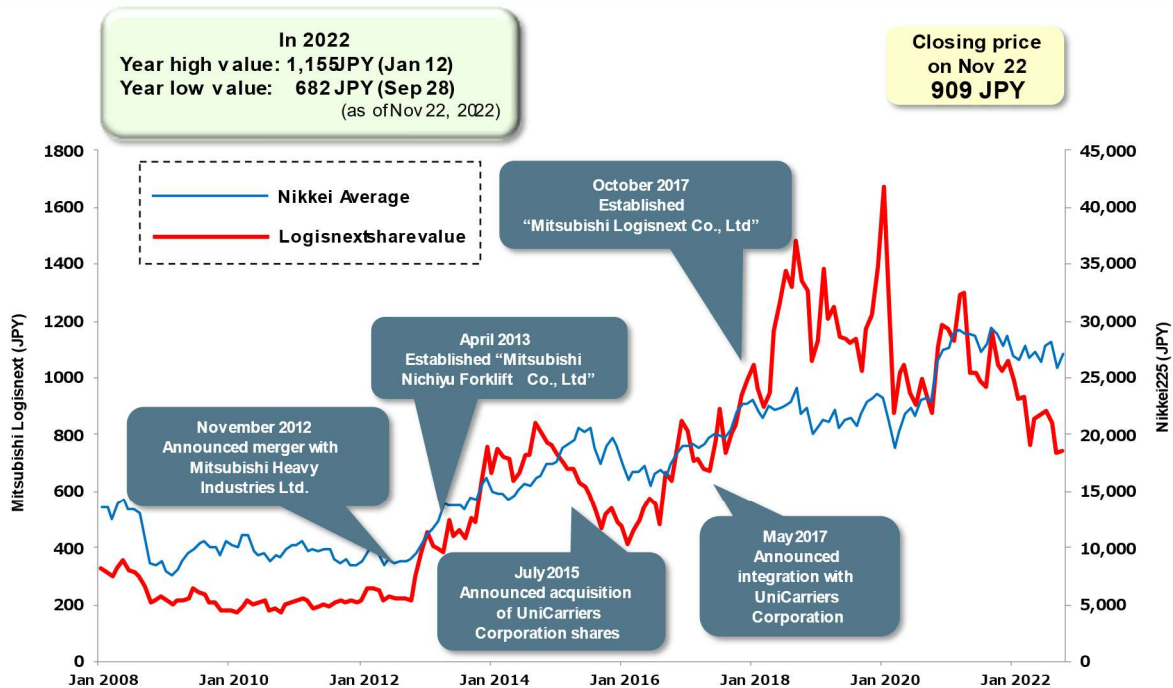
However, especially overseas, production and shipments were relatively steady in Q1 and Q2, and the gap between cost increases and the delayed contribution of the effects of sales price revisions narrowed sharply in Q2, resulting in a large increase in operating profit.

Overseas, in the US and Europe, cost increases had already been occurring last year, and we have already revised our selling prices several times during the last fiscal year, which contributed to the increase in the current fiscal year.

On the other hand, in Japan, material and transportation costs began to rise strongly in H2 of the last fiscal year. We have taken action to revise the sales price for this, after carefully monitoring the trend. As a result, there is currently a delay in the revision of selling prices in response to cost increases in Japan. This, combined with delays in production and shipments, resulted in weak operating profit in Q1 and Q2 in Japan.

## Reference: Stock Price Trends

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Lastly, on page 13, we have also included the stock price trend for your reference.

With this, I would like to conclude the overview of the financial results. Thank you very much.

**Moderator:** Thank you very much. We will move on to an explanation of the progress of the medium-term management plan. President Mano, please go ahead.

**Mano:** I'm Mano, the President. Thank you very much for taking time out of your busy schedule to join us today.

As Mr. Uno mentioned earlier, in H1, thanks to an increase in overseas sales volume and the impact of foreign exchange rates due to a weaker-than-expected yen, sales have been favorable.

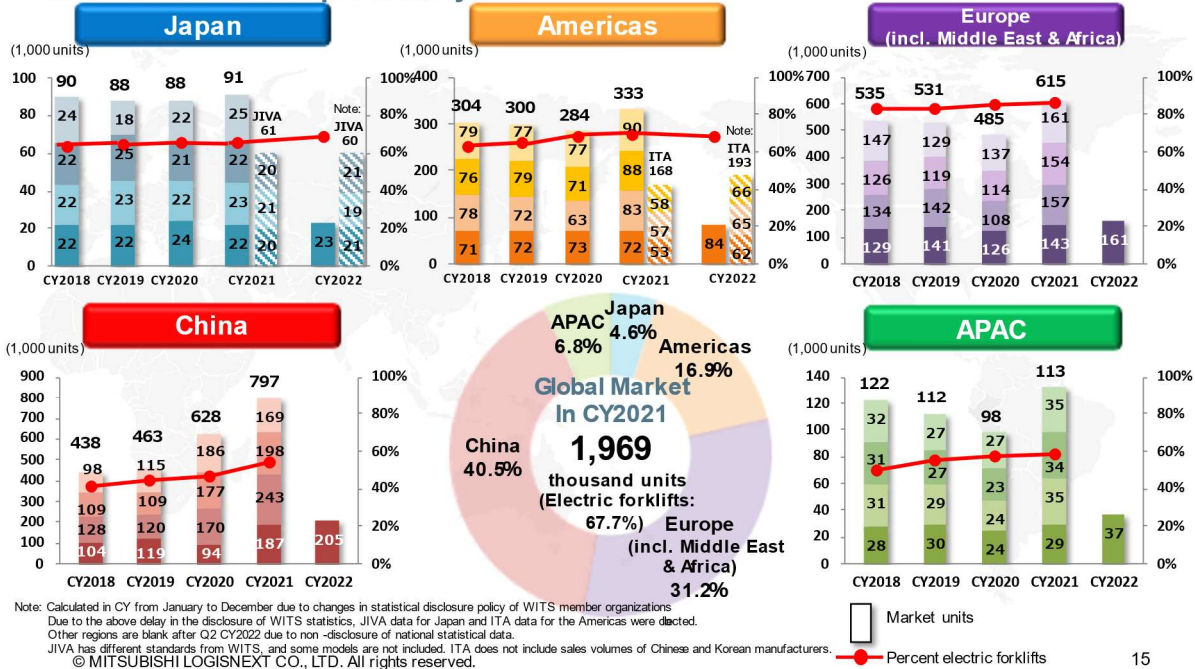
On the other hand, despite the contribution of price revision effects and foreign exchange effects, operating profit was significantly affected by the sharp rise in material and transportation costs that has continued since the previous fiscal year and remained at the previous fiscal year's level.

Although the business environment continues to be uncertain and unpredictable, with monetary tightening in Western countries and Russia's invasion of Ukraine, I would like to take this opportunity to explain the progress of the medium-term management plan, including the annual forecast.



# 1. Forklift Market Trends – Shipping (Jan. - Sep.) Logisnext

Despite growing uncertainty over the outlook for a global economy, Japan (JIVA) remained at about the same level as the previous year, while the Americas (ITA) increased from the previous year.



On page 15, I would like to begin by explaining the forklift shipping trends worldwide.

The World Industrial Truck Statistics, or WITS, is based on a calendar year from January to December, with shipments data delayed six months up to March 2022 due to a change in the statistical disclosure policy of the member organizations this year.

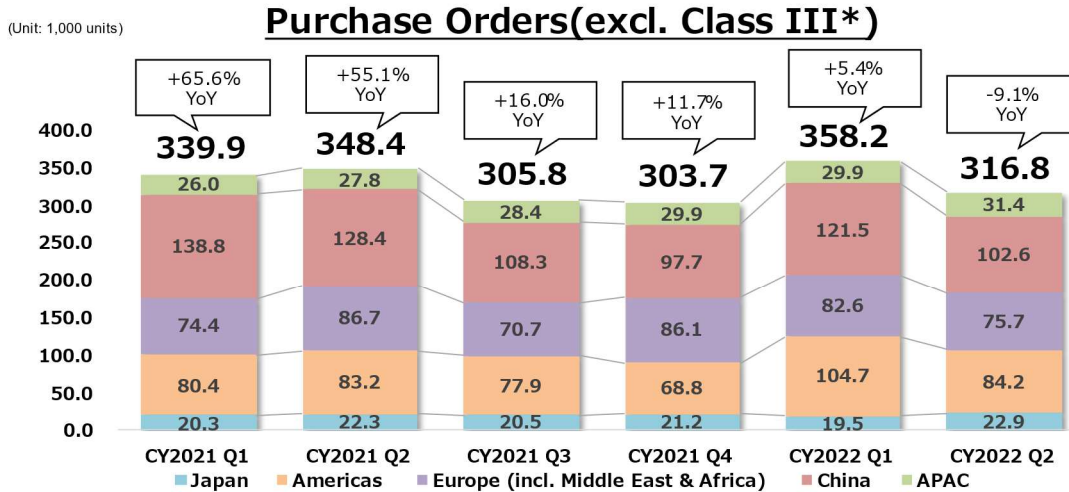
The bar graph shows the number of shipments for the past five years in each region, and the pie chart in the center shows the number of shipments in 2021 as a percentage of shipments in each region.

For Japan and the Americas, statistical data for each region is disclosed, and the data for Japan from an organization called JIVA and the data for the Americas from ITA are shown in light-colored bar graphs for the period from January to September 2022.

JIVA and ITA are based on different standards than WITS, so this information is only for reference purposes. However, you can see that the market volume from January to September was almost the same level in Japan as the previous year, while the volume in the Americas was higher than the previous year, despite the growing uncertainty in the global economy.

## 2. Forklift Market Trends – Orders (Quarterly)

- Demand increased in Japan, the Americas and APAC, while it decreased in Europe and China compared to the same period last year.
- Although demand is stronger than pre -COVID-19 levels, demand has gradually declined as fears of a global economic slowdown have been heightened due to tightening monetary conditions for inflation in Europe and the Americas, the zero-COVID-19 policy in China, and Russian aggression in Ukraine.



\*Class III: Self-propelled electric small lifts  
 Note: Due to changes in the statistical disclosure policy of WITS member organizations, the figures are based on the calendar year from January to December.  
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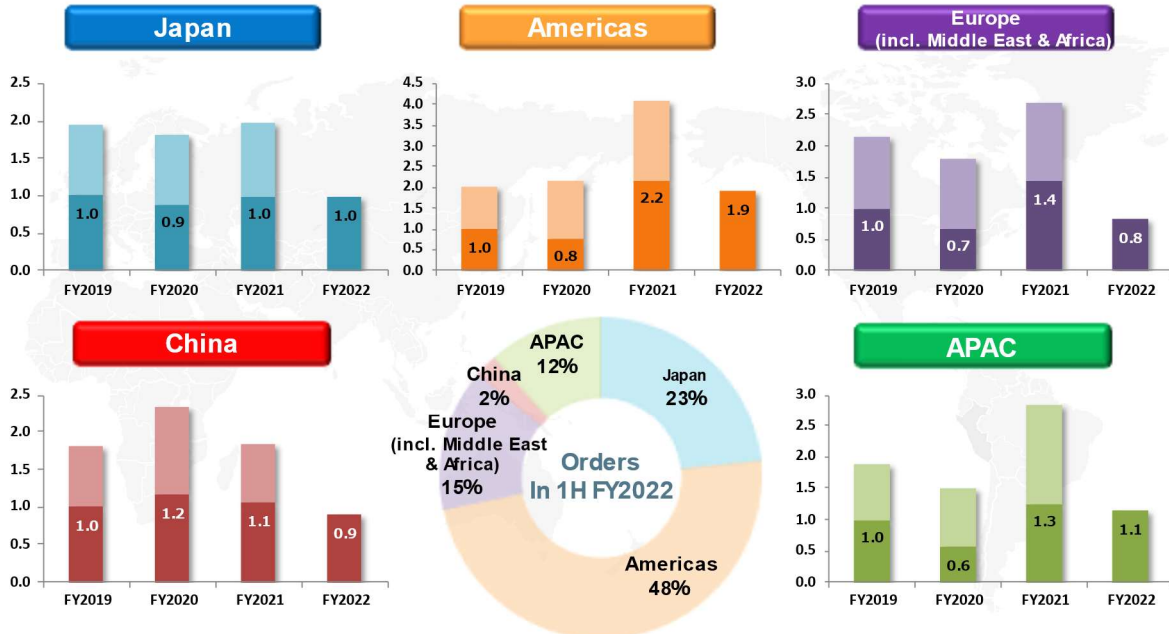
Page 16. This is a quarterly chart of orders received in the global forklift market, excluding Class III self-propelled electric small lifts. This number of orders received is also calculated on a calendar year basis.

As for the number of purchase orders in Q2 of 2022, while there was a YoY increase in Japan, the Americas and Asia, there was a decrease in Europe and China.

Demand is stronger worldwide than in FY2019 before the pandemic, but demand is in a gradual decline due to increasing concerns of a global economic slowdown caused by monetary tightening in Western countries, China's zero-COVID-19 policy, and increased geopolitical risks from Russia's invasion of Ukraine.

### 3. Mitsubishi Logisnext Order Results (Apr. - Sep.) **Logisnext**

Orders decreased 16% YoY, as the reactionary increase from the COVID -19 pandemic in the Americas and Europe settled down.



Note: Assuming 1H FY2019 = 1. Even if the same number is indicated, the graph may have different heights due to different scales.  
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On page 17, the bar graph shows the number of orders received by the Company over the past three years, with the index for H1 of FY2019 set at 1. The pie chart in the center shows the number of orders received in H1 of FY2022 as a percentage of total orders by region.

In H1 of FY2022, orders received in the Americas and Europe are expected to decrease by 16% YoY, as the increase in orders received during the economic recovery phase from the pandemic has settled down.

## 4. Financial Forecast for FY2022

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- Revised our financial forecast upward in light of higher sales, the effect of sales price improvements, and the impact of JPY depreciation.
- Operating profit (before amortization of goodwill, etc.) is expected to exceed initial forecasts by +22.9%.

(Unit: Hundred million JPY)	FY2022 Initial Forecast (Published in May, 2022)	FY2022 Revised Forecast (Published in Nov. 2022)	Change Compared to Initial Forecasts	
Units Sold	118,000 units	118,000 units	—	—
Net Sales	5,400.0	6,100.0	+700.0	+13.0%
Operating Profit (before amortization of goodwill, etc.) (Operating profit margin)	175.0 (3.2%)	215.0 (3.5%)	+40.0	+22.9%
Amortization of Goodwill, etc.	95.0	100.0	—	—
Operating Profit (Operating profit margin)	80.0 (1.5%)	115.0 (1.9%)	+35.0	+43.8%
Ordinary Profit (Ordinary profit margin)	70.0 (1.3%)	100.0 (1.6%)	+30.0	+42.9%
Profit Attributable to Owners of Parent (Net income margin)	25.0 (0.5%)	35.0 (0.6%)	+10.0	+40.0%
Dividend per Share	9 JPY	9 JPY	—	—

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FY2022 initial plan FX rates: USD=JPY120 EUR=JPY130 CNY=JPY18.5  
FY2022 2H plan FX rates: USD=JPY140 EUR=JPY140 CNY=JPY20

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Next, page 18. On page 18, I would like to explain the revision of the earnings forecast for this fiscal year.

On November 1, we revised upward our forecast announced on May 12 of this year. Due to higher sales volume in the Americas, increased sales from favorable service and rental businesses, the effect of sales price revisions, and the impact of yen depreciation on foreign exchange rates, we revised our earnings forecast upward, in light of our performance up to Q2, the current business environment and recent orders.

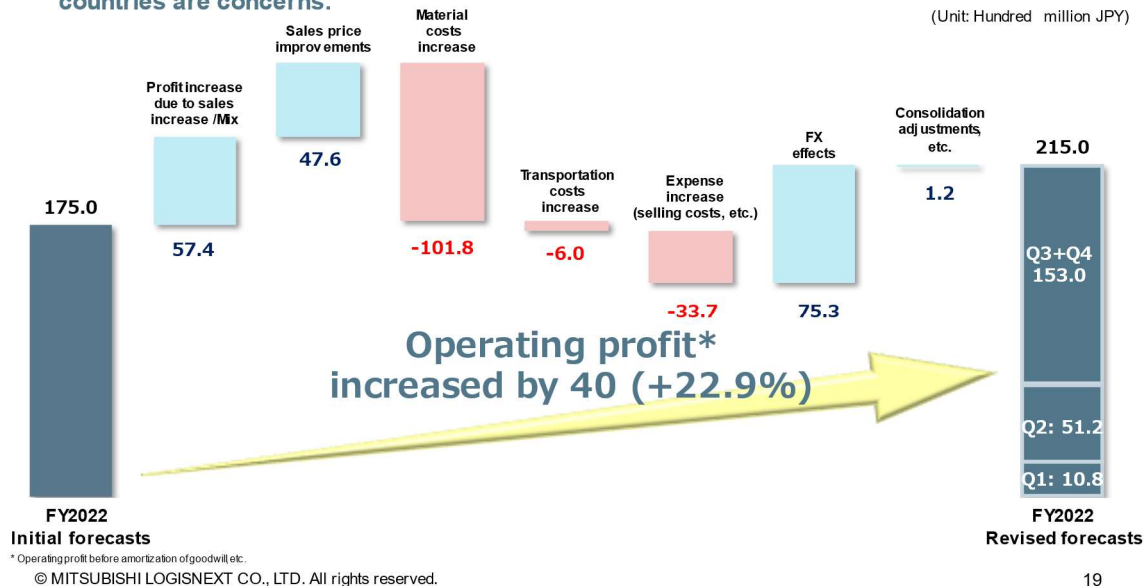
Net sales are expected to exceed the May forecast by about 13% to JPY610 billion. As for profits, while variable costs are expected to deteriorate due to soaring material costs and other factors, as I mentioned earlier, the increase in sales, the reaping of the effects of price revisions, and the depreciation of the yen will contribute to operating income of JPY11.5 billion, ordinary profit of JPY10 billion and profit attributable to owners of parent of JPY3.5 billion, all of which are expected to exceed the May forecast.

Operating profit before amortization of goodwill, etc., which we have positioned as a key indicator, is expected to be JPY21.5 billion, an increase of JPY4 billion from the previous forecast.

There is no change in the dividend, which is JPY9 per share.

## 5. Operating Profit\* – Initial vs Revised Forecasts for FY2022 **Logisnext**

- Supply shortages of semiconductors and other electronic components will pass the worst period, resulting in further recovery in production and shipments, sales price improvements, with favorable foreign exchange rate expected to contribute from Q3 onwards.
- Transport cost increases has passed the peak, but material costs are still expected to increase in Japan and Europe.
- Increased geopolitical risks and the negative economic impacts from rising inflation in various countries are concerns.



On page 19, a waterfall chart is presented by item, showing how operating profit increased from the initial forecast to the revised forecast announced in November.

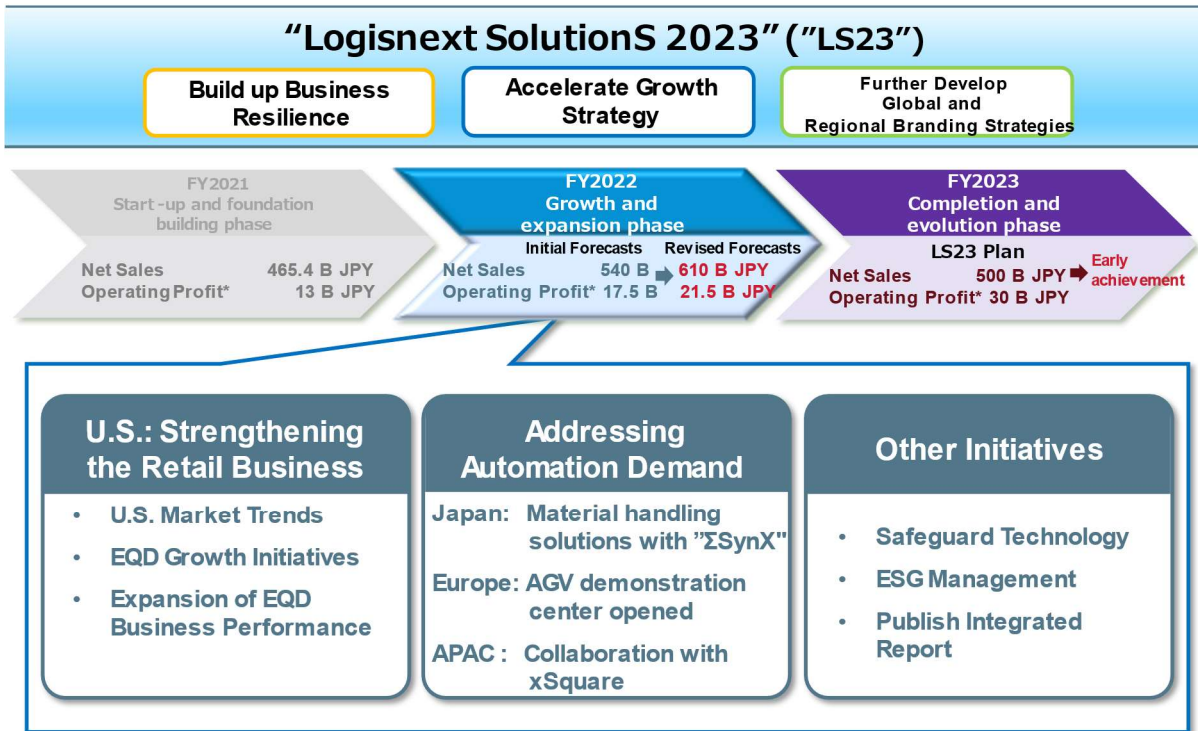
The reason for the upward revision is that the supply shortage of semiconductors and other electronic components is finally coming out of its worst phase, and we expect production shipments to recover in H2.

This will result in increased sales. In addition, we anticipate that the sales price revision will have an effect, and that the impact of exchange rates due to the weaker yen will also contribute.

While we expect material prices to continue to rise in Japan and Europe, we believe that transportation and other costs have peaked.

Although there are some concerns, such as increased geopolitical risks and the negative impact of inflation in many countries on the economy, we expect operating profit before amortization of goodwill, etc., to increase by JPY4 billion to JPY21.5 billion in FY2022, as the effects of price revisions and exchange rate fluctuations will offset the impact of higher material and transportation costs.

## 6. Progress of Mid-Term Management Plan **Logisnext**



\* Operating Profit before amortization of goodwill, etc.

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Page 20. I would like to explain the progress of our medium-term management plan, which we call LS23.

Under LS23, we have set forth three basic strategies. The first is to build up business resilience, the second is to accelerate growth strategy, and the third is to further develop our global and regional branding strategies. In FY2022, we have been implementing the initiatives shown in the lower half of this slide as the growth and expansion phase.

The first is the effort to strengthen our direct sales structure through Equipment Depot, which we call EQD, a logistics equipment sales company acquired in the US in FY2019.

Second, as an approach to the demand for automation, I will introduce examples of initiatives in Japan, Europe, and Asia.

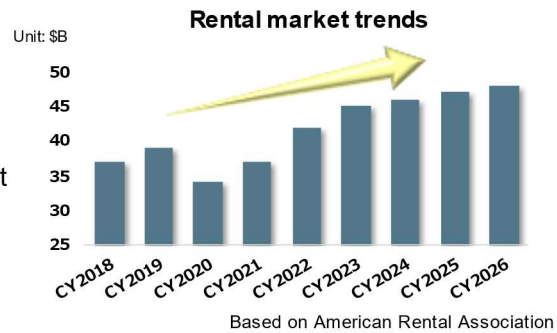
Third, I would like to explain our other initiatives such as safety technology, ESG management, and the recently released integrated report.

The numerical targets for FY2023, the final year of LS23, are net sales of JPY500 billion and operating profit before amortization of goodwill, etc. of JPY30 billion. Although we already expect to achieve sales ahead of schedule, we will continue to aim to achieve the LS23 plan figures for operating profit as well.

## ■ U.S. Market Trends

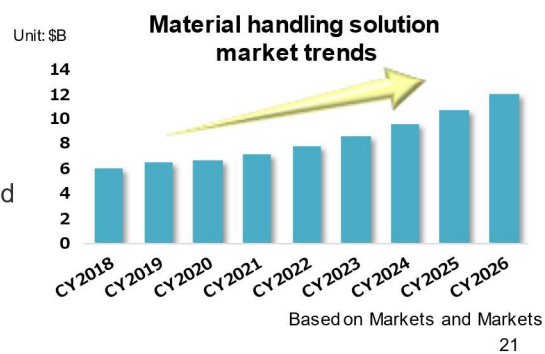
### ➤ Rental Market

- CY2022: Approx. \$42 B (estimate)  
Record high expected, exceeding pre - COVID-19 levels.
- Demand will increase as private investment increased due to the approximately \$1 T infrastructure investment bill passed in 2021 and other factors.  
Market is expected to expand beyond CY 2023.



### ➤ Material handling solution Market

- CY2022: Approx. \$ 80 B (estimate)  
CY2026: Approx. \$120 B (estimate)  
Demand for automated material handling solutions are expected to grow year by year due to the growth of e-Commerce and labor shortages.



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From the next page, let me explain in detail our efforts in H1.

Starting on page 21, I will explain how we are strengthening our direct sales system in the US. First, as a premise, I would like to explain the market trend in the US.

The graph on the top of the slide shows the market forecast for the rental market in the US. In the rental market in the US, the pandemic caused a significant drop in 2020, but since then the market is recovering strongly as economic activity resumes.

Despite concerns about a recession due to the FRB raising interest rates, the market size in 2022 is expected to be around USD42 billion, a record high, exceeding the pre-COVID-19 level of about USD39 billion in 2019.

With private investment on the rise, driven by such factors as the approximately USD1 trillion Bipartisan Infrastructure Bill passed in 2021, rental demand is also increasing rapidly, and we expect the market to continue to expand in 2023 and beyond, although the growth rate will be slightly slower than before.

The graph at the bottom of the slide shows the market forecast for the logistics solutions business in the US. In the US logistics solutions market, demand for automation of logistics is increasing rapidly due to the growth of e-commerce and labor shortages. We expect this market to grow every year from now on, with an estimated USD8 billion in 2022 and USD12 billion in 2026.

## 8. U.S.: Strengthening the Retail Business (2)

### ■ EQD Growth Initiatives

#### Corporate Acquisition

On June 1, 2022, Mitsubishi Logisnext acquired Norlift, a material handling equipment distributor in the U.S. We aim to strengthen the sales structure for the Northwest U.S. (Oregon and Washington)



#### Rental Business Investment

Increased the number of units and ordered replacements to avoid rental fleet shortages. Rental utilization remains high. Revenue has also been strong since 2021.



#### Sales Expansion of Material Handling Solutions Business

For the solutions business division, "EQ SOLUTIONS", focus on expanding its products by utilizing MLFI\* products and increasing its workforce. Orders are currently strong.



\* MitsubishiLogisnext Europe Oy (Finland)

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Page 22. In this very strong US market, EQD has focused on further growth, acquiring companies, investing in the rental business, and expanding its logistics solutions business sales.

First, in the area of corporate acquisitions, on June 1 of this year we acquired all shares of Norlift, an American logistics equipment sales company located in the state of Oregon. On October 1, we integrated the business into the EQD Group and started operation.

In addition to expanding its forklift lineup by strengthening its sales structure in the northwestern states of Oregon and Washington, the Company has also begun handling automated equipment such as unmanned conveyor systems. We expect to expand our total solution offering by combining forklifts sales with warehouse facilities and automated conveyor systems.

The second is investment in the rental business. The rental fleet is currently operating at a very high capacity due to the growing demand for rentals from public and private investment, driven by the Bipartisan Infrastructure Bill, which I explained earlier. We are currently working hard to order more vehicles and replacement vehicles to avoid vehicle shortages.

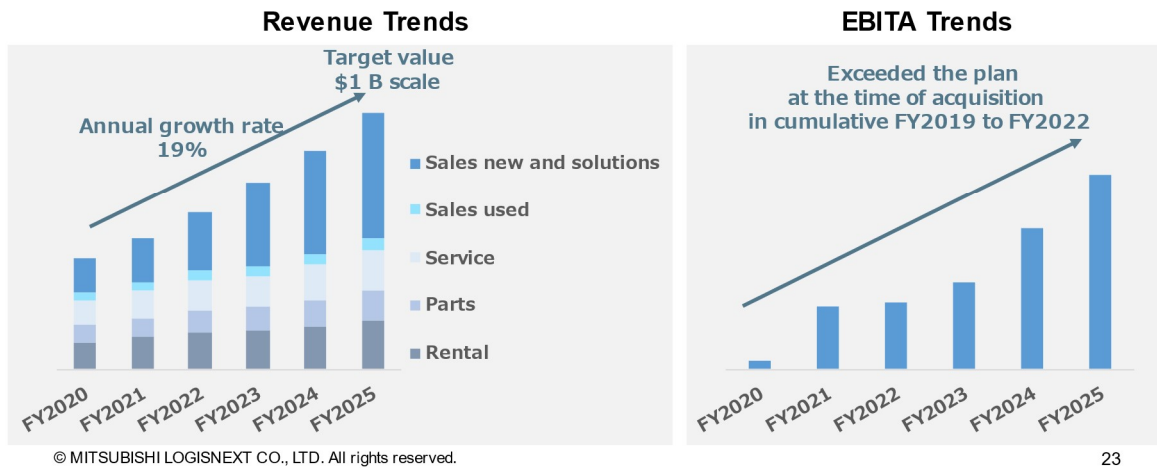
Revenues have also been very strong since 2021.

Thirdly, in order to expand sales in the logistics solutions business, last year we established an entity called EQ Solutions within EQD, and we are focusing on expanding our product lineup by increasing the number of staff and utilizing the products of our Finnish subsidiary, MLFI. We have received a steady stream of orders for these products as well, and we intend to continue our sales promotion efforts.



### ■ Expansion of EQD Business Performance

- Despite the impact of COVID -19, revenues and EBITA are expected to increase due to strong orders received and the strengthening of rental and solutions businesses. EQD's coverage in the U.S. increased by 10% from FY2019 to approximately 35% due to acquisitions.
- Going forward, EQD should focus on strengthening its existing core businesses, such as new forklifts, services and rentals, and expanding its market share, as well as on growth areas such as "EQ SOLUTIONS".



On page 23, we will look at EQD's performance.

Although the Company's performance declined significantly in FY2020 due to the reduced demand caused by COVID-19, the Company subsequently expects to continue to increase sales and profits in each segment, backed by strong orders received during the recovery phase from the pandemic and the expansion of the rental and solutions markets.

Moreover, we have been working diligently on corporate acquisitions and other projects. EQD's market coverage in the US has increased by 10% from 2019 to 35% of the current market.

In addition to strengthening our existing core businesses such as new car sales, after-sales service and lease rental, we will also focus on growth areas such as EQ Solutions, which we believe will continue to expand our earnings and make a significant contribution to our group.

## 10. Addressing Automation Demand (1)

### Japan: Launched a Line of Automatic Picking Solutions with $\Sigma$ SynX\*

- Mitsubishi Logisnext has jointly developed with Mitsubishi Heavy Industries an automated picking solution that efficiently links AGVs, AGFs and palletizers.
- The system was released for warehouse logistics customers from 1 September 2022.



"LogiQX Lab", a demonstration facility, started operating at Yokohama Hardtech Hub, operated by Mitsubishi Heavy Industries, and offering tours for customers.

### $\Sigma$ SynX technology achieves intelligence and automation in logistics and contributes to solving logistics operator shortage problems

\* " $\Sigma$ SynX" (SigmaSynx) is Mitsubishi Heavy Industries' concept for automation and intelligence in logistics equipment.  
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Next, the key points of our growth strategy include automation, safety technology and decarbonization. Among these, as our efforts to meet the demand for automation, I would like to introduce a Japanese case study here.

See page 24.

We have been working with Mitsubishi Heavy Industries, MHI, for some time on a logistics intelligence and automation project, which we call  $\Sigma$ SynX, and as the first phase of this project, we have started a joint demonstration of an automated picking solution for beverage warehouses.

This is a solution in which multiple AGF, Automated Guided Forklifts; AGV, Automated Guided Vehicles; palletizers; etc. are efficiently linked by a proprietary optimization engine and an integrated control system, and the picking know-how is made intelligent and automated by this  $\Sigma$ SynX.

Recently, there is a manpower shortage among logistics operators, the need to free workers from heavy workloads such as picking heavy items and to reduce human errors. We believe that we can contribute in these areas.

This demonstration testing is being conducted at the Logi Q X Lab, a demonstration facility located within Yokohama Hardtech Hub, a co-creation space operated by MHI in Honmoku, Yokohama. In October, we started offering tours of our facilities for our clients, and we would like to invite anyone who is interested to visit us.

Today, we have prepared a video of this picking solution for you to view.

[Video Begins]

**Company Representative:** In order to solve logistics issues, such as the shortage of human resources for logistics operators, heavy muscle work due to heavy picking, and the burden of large construction costs in automation, MHI has developed an automated picking solution that links AGF or Automated Guided Forklift, AGV or Automated Guided Vehicles, and palletizers.

The automated picking solution is automated and intelligent with ΣSynX, currently under development by MHI, and intelligently connects each piece of equipment through a proprietary optimization engine and an integrated control system. For example, for a 22-box shipment order, instead of picking 22 times from a full load of 27 boxes, it picks five times and the remaining 22 boxes on the pallet are considered finished goods, thus shipping the pallets with the least number of moves.

In addition, to avoid congestion of AGVs when goods are concentrated in one location, they can be dispersed to avoid traffic jams and transport more efficiently. If the palletizer is fully supplied with goods to be picked, AGF prioritizes cleaning up pallets that have already been processed, and if there is likely to be a shortage of goods to be picked, it prioritizes pallet supply. By automatically prioritizing work based on the situation, it can reduce idle time.

This automated picking solution is being tested at the Logi Q X Lab, a facility that began operations at the Yokohama Hardtech Hub, a manufacturing co-creation space established in the Honmoku Plant of the Yokohama Machinery Works.

MHI will provide not only automated picking solutions, but also optimal solutions to solve various issues at customers' logistics sites by leveraging the Group's comprehensive capabilities, such as truck receiving/shipping and warehouse receiving/shipping using the new AGF concept.

[Video Ends]

# 11. Addressing Automation Demand (2)

## Europe: AGV demonstration center opened

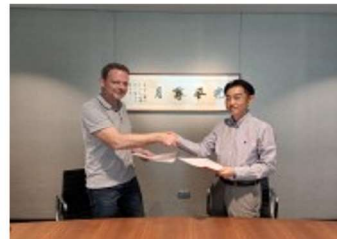
- To further contribute to the logistics solutions business, MLFI has opened an AGV demonstration center in Finland. Concrete demonstrations of actual warehouse environments have been well received by customers.



**MLFI AGV demonstration center**  
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## APAC: Collaboration with xSquare

- In September 2022, MLAP\* signed a collaboration agreement with xSquare (x2) for developing and marketing AGVs.
- To meet the growing demand for material handling solutions in the APAC market, a simple and low-cost AGV is being developed in collaboration with x2.



**Agreement between xSquare and MLAP**

\* Mitsubishi Logisnext Asia Pacific Pte. Ltd.



**Mano:** Next, page 25 introduces our efforts to meet the demand for automation in Europe and Asia.

In Europe, we opened an AGV demonstration center at MLFI in Finland to further contribute to solution businesses such as Mixed Fleet, where unmanned forklift AGVs and manned forklifts can coexist.

This facility is not just a showroom, but a reproduction of an actual warehouse environment, where customers can see both AGVs and forklifts are used to bring in goods, store them on shelves, and ship them.

The concrete demonstrations in this warehouse in particular have been very well received by the customers, and for distant customers, we are also equipped with a virtual space on the Internet, which can be live-streamed.

In Asia, in September 2022, MLAP, a subsidiary in Singapore, signed a collaboration agreement with a local company called xSquare for the development and sales of AGVs, and is jointly developing a simple, low-cost AGV that will meet the growing demand for logistics solutions in the Asian market.

In the future, xSquare's logistics solutions will be deployed through MLAP's sales network.

## 12. Other Initiatives – Safeguard Technology **Logisnext**

### ■ Sales of safety systems that allow people and forklifts to coexist

#### ➤ “OmniEye®”, AI human detection and Alarm system

- “OmniEye®” is a device manufactured by REGULUS that supports safety checks around vehicles. A hemispherical camera mounted on the mast and headguard uses AI camera system to detect “people” in various positions, and a stack light warns to prevent collisions.



#### ➤ “Good Running System” absorbs operating vibration and impact shocks

- Two accumulators built into the forklift absorb body vibration and impact shocks during operation to prevent load damage, noise and operator fatigue.



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Page 26. Here I would like to explain the second point of our growth strategy, our safety technology initiatives.

With approximately 2,000 forklift accidents occurring annually in Japan alone, we believe that reducing the risk of accidents and improving safety is our mission as a manufacturer.

To address this issue, we installed OmniEye, an AI human detection and alarm system from LEGLAS, which monitors and detects people in various postures in 360 degrees around the forklift with a hemispheric camera installed on the forklift. We offer this as a safety feature to our customers.

We have also developed and marketed the Good Running System, a system that absorbs vibrations and impacts of running forklifts, reducing load damage, noise, and operator fatigue. Through this, we are working to build a safety system that allows workers and forklifts to coexist in harmony.

## ■ Efforts toward the realization of Carbon Neutrality

### ➤ Participated in operational demonstration of Fuel cell forklift trucks

- Jointly participated in an operation experiment using a fuel cell forklift at Nihon Kensetsu Kogyo Co., Ltd.
- Fuel cell forklifts do not burn fuel and emit no CO2, making cargo handling operations compatible with carbon neutrality, which is friendly to the Earth.



**Fuel cell forklift (under demonstration)**



Fuel cells are filled with hydrogen at a hydrogen station. Hydrogen filling takes approximately 3 minutes. It doesn't need to be charged for long periods of time like a battery forklift.

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Third, we are working to achieve a decarbonized society.

On page 27, I will explain the development of fuel cell forklifts as part of our ESG management efforts to achieve carbon neutrality.

We have participated in an operational demonstration testing using fuel cell forklifts being conducted at the Kanto General Center of Nihon Kensetsu Kogyo Co., Ltd.

Unlike engine forklifts, fuel cell forklifts emit zero exhaust gas, making them earth-friendly and carbon-neutral for cargo handling operations.

We will continue to strive to improve our environmental performance in order to achieve carbon neutrality in the future.

## 14. Other Initiatives – Publish Integrated Report

### ■ Publish “Mitsubishi Logisnext Integrated Report 2022”

[https://www.logisnext.com/investor/library/integrated\\_report.pdf](https://www.logisnext.com/investor/library/integrated_report.pdf)

- The SDGs Report, which began publication in FY2020, has been expanded and published as an integrated report. This report describes addresses solutions to problems faced by the global logistics industry and societal challenges such as decarbonization, as well as covering the sustainable development goals and the current status and outlook for ESG -focused management.
- In addition to messages from the President, CFO, and CTO, messages from external directors are also newly included.



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Lastly, page 28. We will present here the Integrated Report issued in October of this year.

This Integrated Report is an expansion of the SDGs report that has been published since FY2020. In addition to the status and outlook of SDGs and ESG management, it also includes information on our contribution to solving issues faced by the global logistics industry as a comprehensive logistics equipment manufacturer with global operations, and our contribution to social issues such as decarbonization.

In addition, we present the status of our business from various perspectives, including our medium-term management plan, financial information, and non-financial information that will help us achieve these goals.

Moreover, I have posted a message from the President on the subject of our company's vision and the current state of management that I would like to share with you. Furthermore, messages from the CFO and CTO on the theme of strengthening our financial base and solving logistics issues through technological development are newly posted.

This Mitsubishi Logisnext Integrated Report is available on our website, and we hope you will take a look at it. Thank you.

So far, we have provided a summary of the financial results for Q2 of FY2022, and an explanation of the progress of the medium-term management plan.

In a business environment where the future is difficult to predict, we are determined to grow Mitsubishi Logisnext strongly, and we look forward to your continued guidance and encouragement in the future.

Thank you for your attention.

**Moderator:** Thank you very much. With that, we will conclude our explanation of the materials.

## Question & Answer

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**Moderator [M]:** We will move on to the Q&A session. Now, if you have any questions, please do not hesitate to contact me.

(No questions asked)

There being no further questions, we will now conclude the financial results briefing of Mitsubishi Logisnext.

[END]

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