



# Financial Results Briefing for the 2<sup>nd</sup> quarter of FY2020

(FY2020: From April 1, 2020 to March 31, 2021)

Dec. 3, 2020

**MITSUBISHI LOGISNEXT**



# Financial Results for the 2<sup>nd</sup> quarter of FY2020

(FY2020: From April 1, 2020 to March 31, 2021)

**mitsubishi** **LOGISNEXT**

**President and CEO, Takashi Kubo**

## Economic Market Trends

- The global economy was on a gradual recovery trend, with people, goods, and money finally starting to move, due to China's quick return to normal economic activity, the lifting of lockdowns in Europe and the United States, and deregulation in the Asian region.
- However, there are concerns about the second wave of the spread of COVID-19 infection, such as the re-implementation of the lockdown in Europe, and the situation is unpredictable. At the same time, economic uncertainties such as the trade friction between the U.S. and China remain, and countries around the world continue to take a cautious approach to investment activities.
- In the material handling equipment market, although there was a slight upward trend in the market due to the resumption of economic activities in various countries since June, it is much harder to forecast those market trends for the future will continue to be unpredictable for a while.

## Summary of FY2020 2Q Results

- Despite the consolidation of Equipment Depot, Inc. (hereinafter “EQD”) in the Americas, net sales decreased by  $\triangle 10.4\%$  YoY, due to the stagnation in economic activities caused by the expansion of COVID-19 pandemic.
- Operating profit decreased  $\triangle 53.7\%$  YoY (before amortization of goodwill, etc.). Despite efforts to reduce labor costs and other fixed costs, this was not enough to offset the decrease in gross profit due to the decline in sales.

# 2. Financial Highlights

Unit: Hundred million JPY

Profit and Loss Statement	FY2019 1H	FY2020 1H	YOY Change	
	Net Sales	2,070.9	1,854.6	△216.3
Operating Profit (Before amortization of goodwill) (Operating profit margin)	93.7 (4.5%)	43.4 (2.3%)	△50.3	△53.7%
Amortization of Goodwill	42.7	48.0*	—	—
Operating Profit (Operating profit margin)	50.9 (2.5%)	△4.6 (△0.2%)	—	—
Ordinary Profit (Ordinary profit margin)	47.9 (2.3%)	△7.0 (△0.4%)	—	—
Profit Attributable to Owners of Parent (Net income margin)	20.9 (1.0%)	△19.6 (△1.1%)	—	—
Balance Sheet	FY2019	FY2020 1H	YOY Change	
Total Assets	3,736	3,493	△243	△6.5%
Total Liabilities	3,163	2,961	△202	△6.4%
Net Assets	573	533	△40	△7.0%

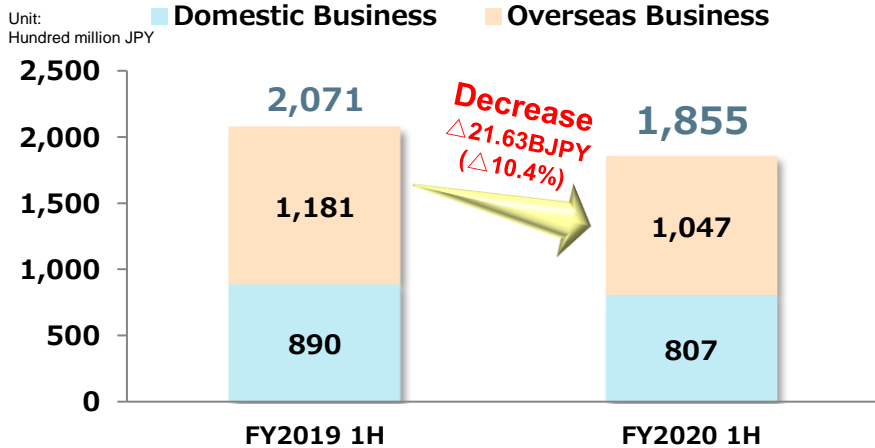
\*Amortization of goodwill increased due to amortization of goodwill related to the acquisition of EQD.  
(EQD's P/L was not consolidated in the same period of the previous fiscal year.)

FY2019 2Q actual FX rates: USD = JPY108.63, EUR = JPY128.41, CNY = JPY16.54  
 FY2019 actual FX rates: USD = JPY108.74, EUR = JPY120.82, CNY = JPY15.60  
 FY2020 1H actual FX rates: USD = JPY106.92, EUR = JPY121.30, CNY = JPY15.26

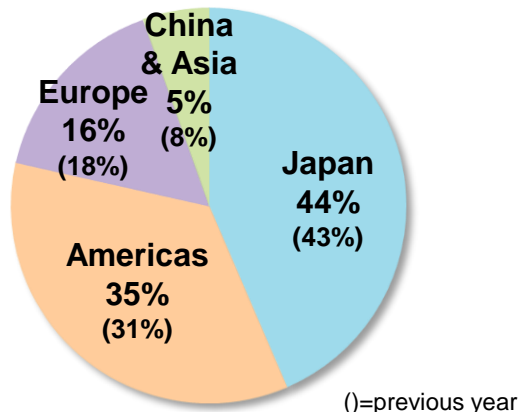
# 3. Business Results by Segment

**Net Sale:** Domestic sales declined by approximately 9%, while overseas sales declined by double digits, mainly in the Americas, Europe, and Asia, due to stagnant economic activity in the COVID-19.

Net Sales

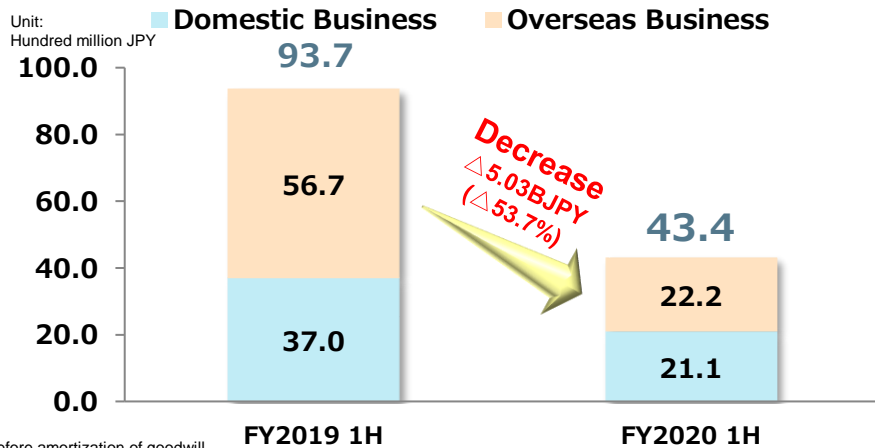


FY2020 1H Sales by Region

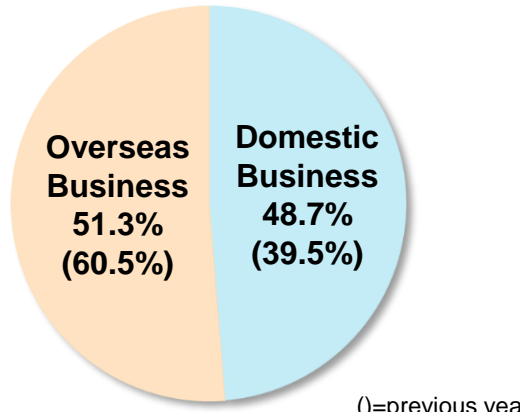


**Operating profit (\*) :** Despite efforts to reduce fixed costs in all regions, it was not sufficient to recover the decrease in gross profit caused by the significant downturn in sales in Japan, the Americas, and Europe.

Operating Profit\*



FY2020 1H Operating Profit by Segment

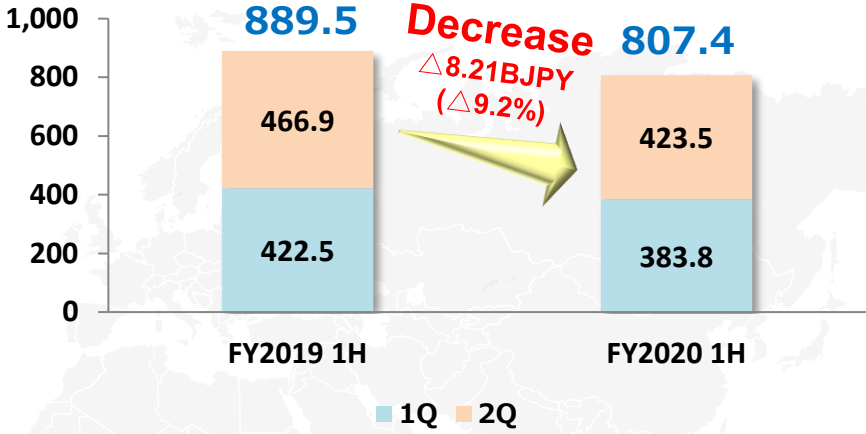


\* Operating Profit before amortization of goodwill

# 4. Sales by Region

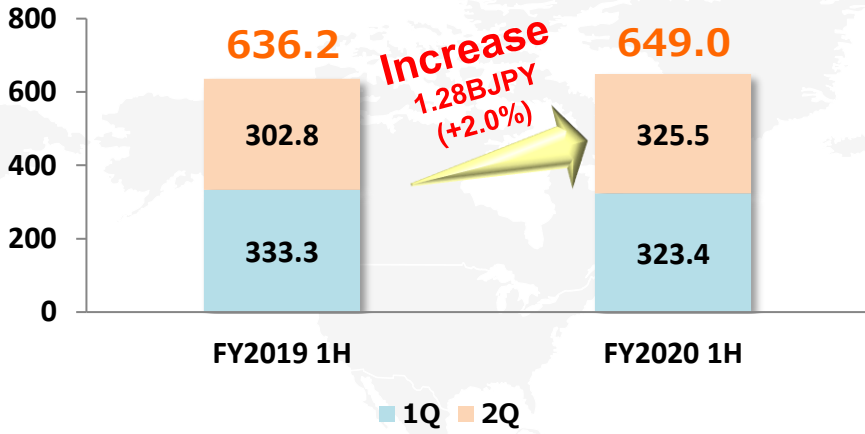
## Japan

(Unit: Hundred million JPY)



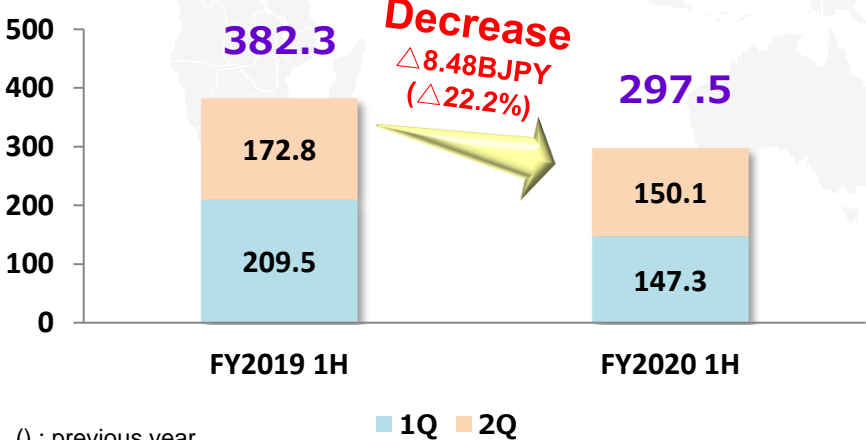
## Americas

(Unit: Hundred million JPY) \*Newly consolidated EQD: +20.6 billion yen



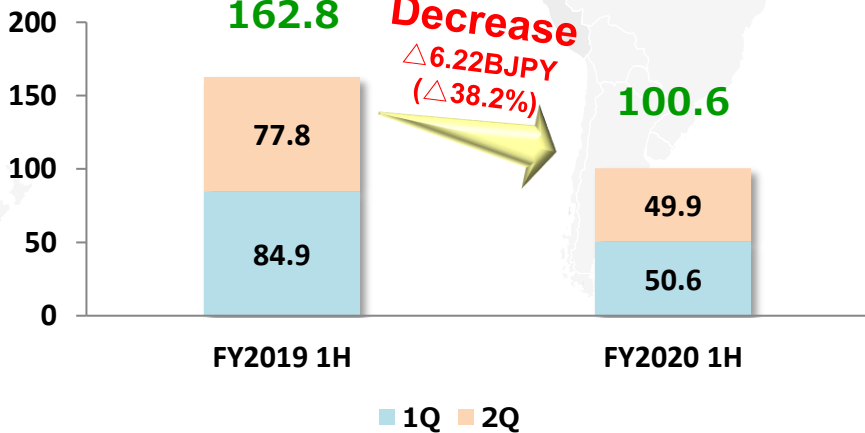
## Europe

(Unit: Hundred million JPY)



## China and Asia

(Unit: Hundred million JPY)



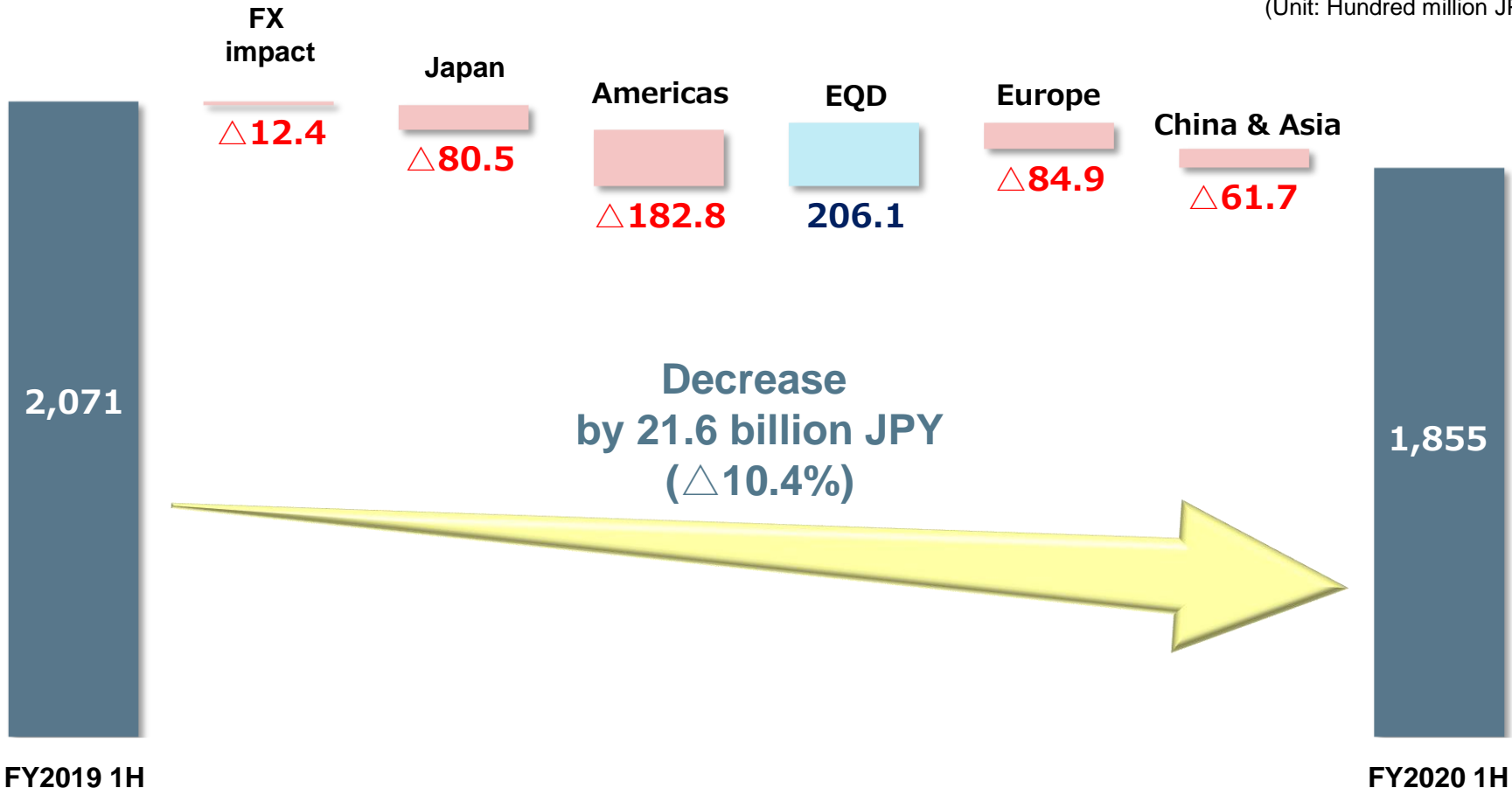
( ) : previous year

# 5. Net Sales FY2019 1H vs FY2020 1H

Net sales decreased by  $\Delta 10.4\%$  YoY due to a decrease in sales volume in all regions, reflecting the stagnation of economic activities caused by the expansion of COVID-19 pandemic.

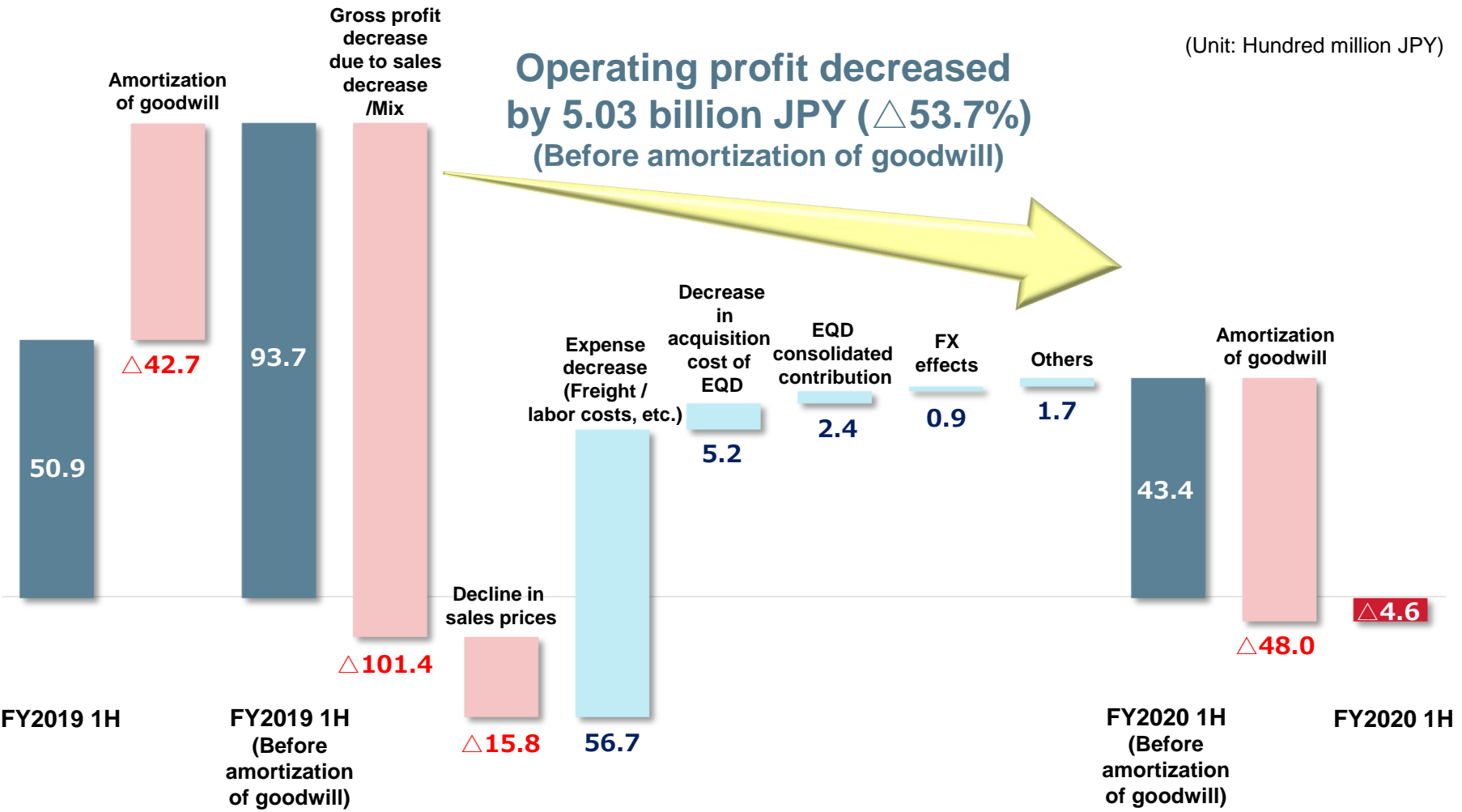
※Excluding the impact of EQD consolidation, net sales decreased by  $\Delta 20.4\%$  YoY.

(Unit: Hundred million JPY)



# 6. Operating Profit FY2019 1H vs FY2020 1H Logisnext

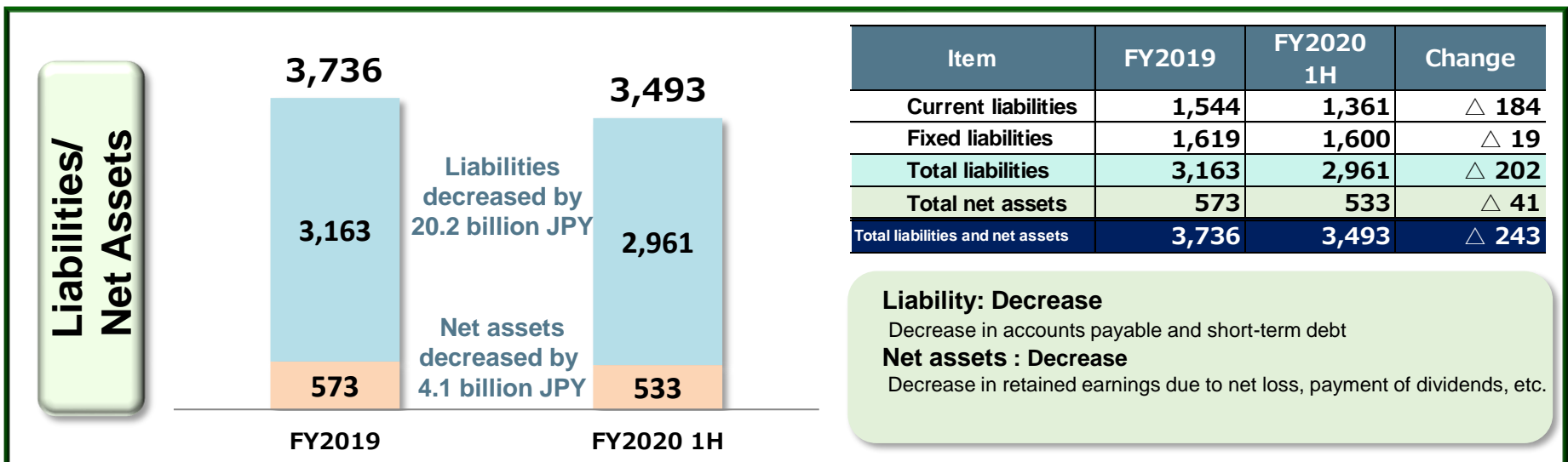
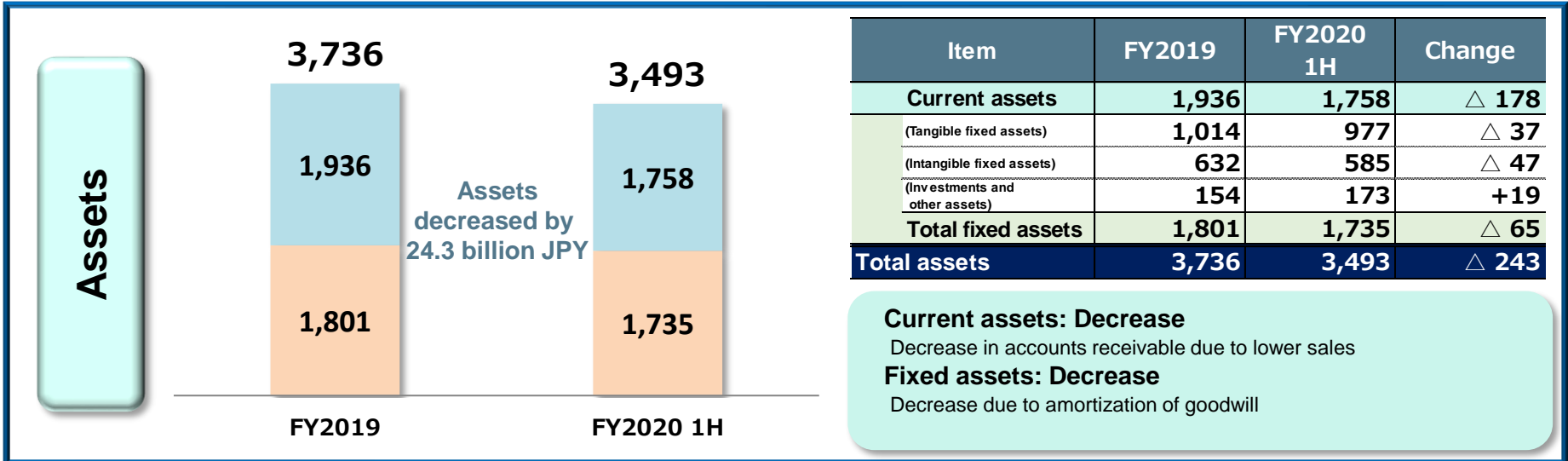
Operating profit declined by  $\Delta 53.7\%$  YoY as the decrease in gross profit due to lower sales was not fully offset by countermeasures such as reducing headcount and other fixed costs.





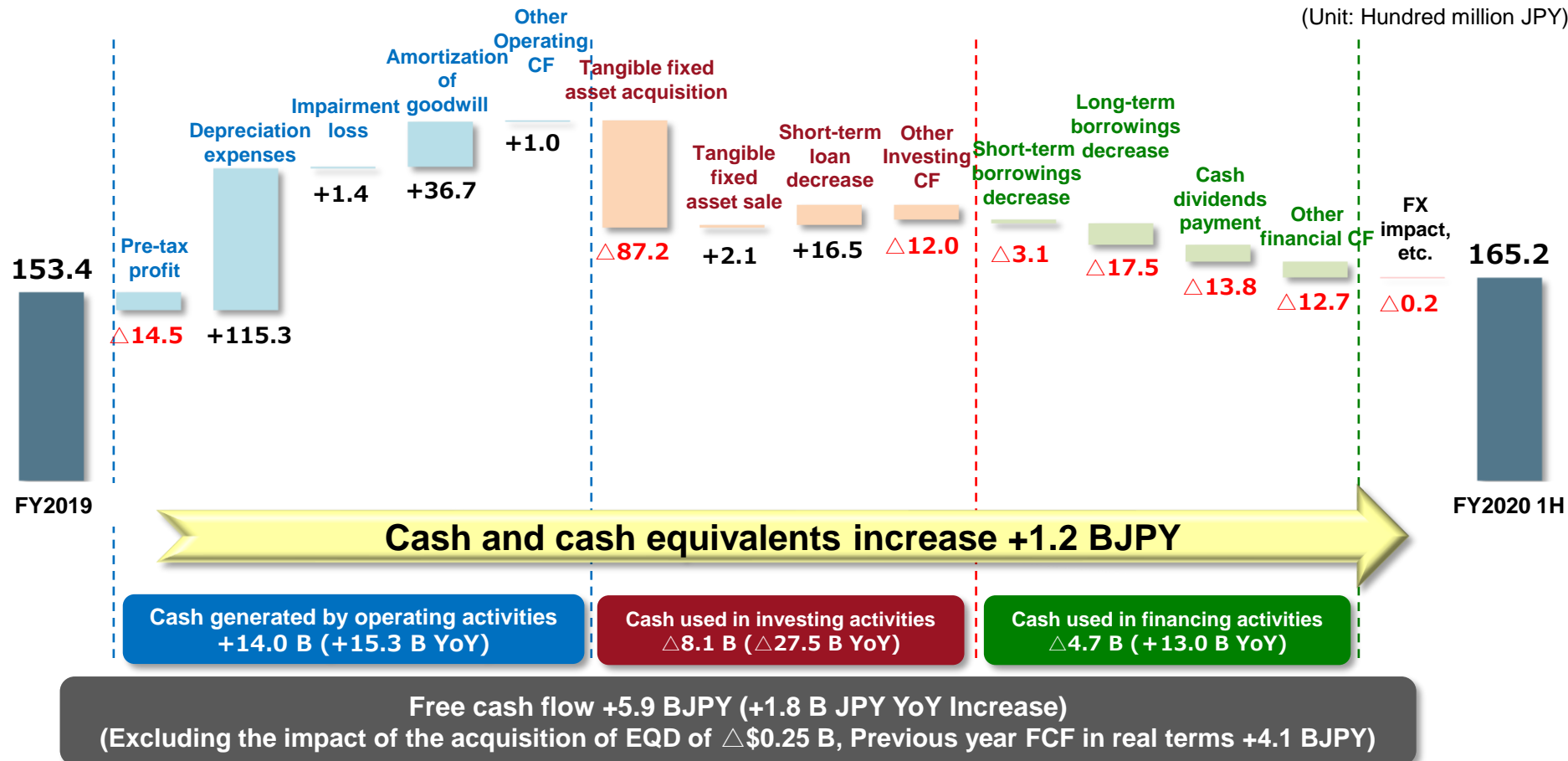
# 7. Consolidated Balance Sheet

Total assets and liabilities decreased due to a lowering in working capital such as accounts receivable and accounts payable as a result of lower sales. (Unit: Hundred million JPY)



# 8. Cash Flow

Operating C/F decreased by 1.3 billion yen (15.3 billion yen in the same period last year). Decline in earnings due to the COVID-19 pandemic impacted the results. Free cash flow increased by 1.82 billion yen in real terms (4.1 billion yen after deducting the impact of the acquisition of EQD in the same period of the previous fiscal year) due to reduced and deferred capital expenditures.



# 9. Financial Forecast for FY2020

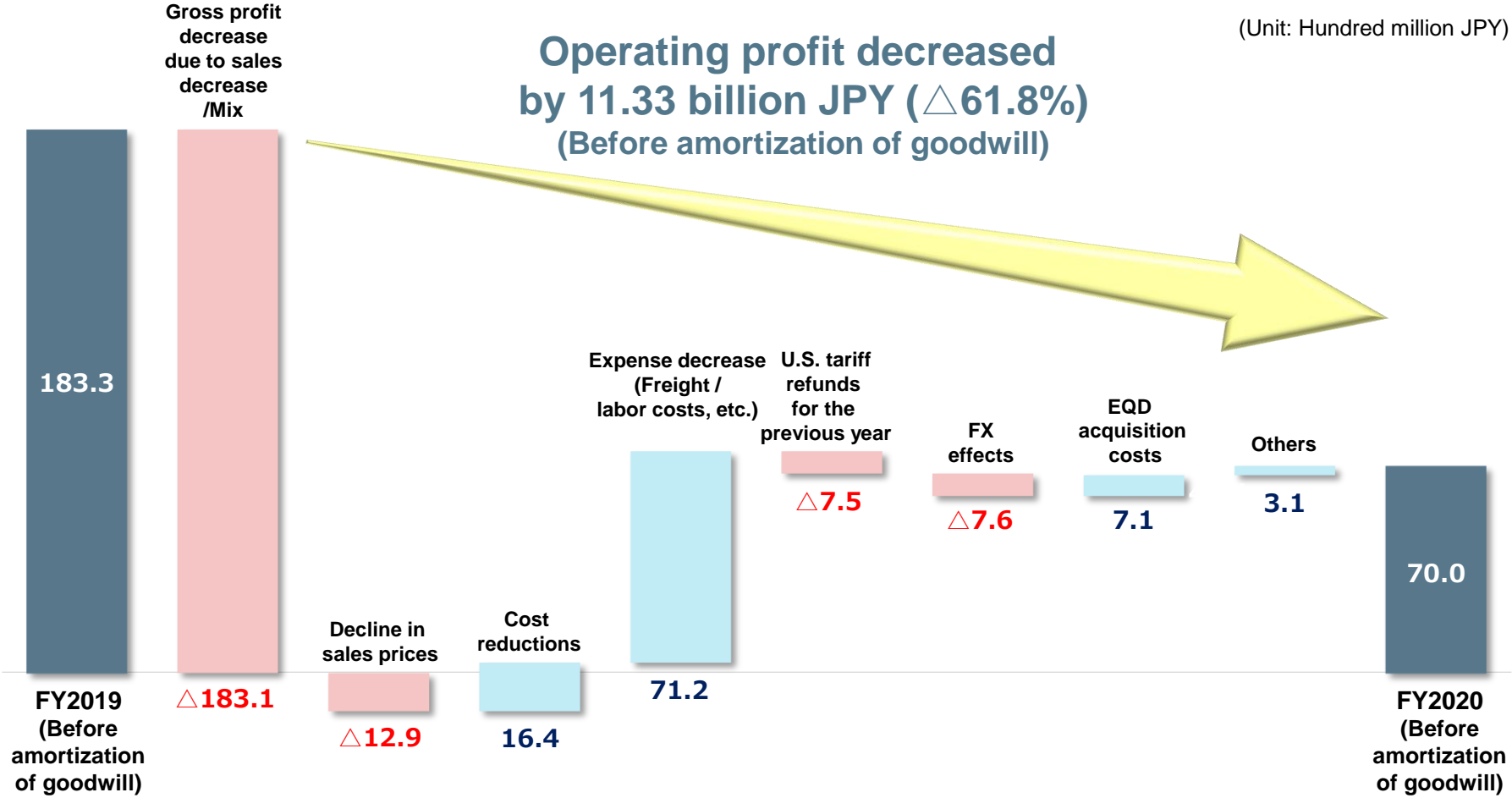
(Unit: Hundred million JPY)

	FY2019 (Results)	FY2020 (Forecast)	YOY Change	
Units Sold	103,000 units	<b>83,000 units</b>	△20,000 units	△19.4%
Net Sales	4,489.2	<b>3,900.0</b>	△589.2	△13.1%
Operating Profit (Before amortization of goodwill) (Operating profit margin)	183.3 (4.1%)	<b>70.0</b> <b>(1.8%)</b>	△113.3	△61.8%
Amortization of Goodwill	98.9	<b>90.0</b>	—	—
Operating Profit (Operating profit margin)	84.4 (1.9%)	△20.0 (△0.5%)	—	—
Ordinary Profit (Ordinary profit margin)	70.5 (1.6%)	△25.0 (△0.6%)	—	—
Profit Attributable to Owners of Parent (Net income margin)	△52.4 (△1.2%)	△40.0 (△1.0%)	—	—
Dividend per Share	13 yen	<b>8 yen</b>	—	—

FY2020 Plan FX rate: USD=JPY105, EUR=JPY120, CNY=JPY16

# 10. Operating Profit FY2020 (Forecast) vs FY2019

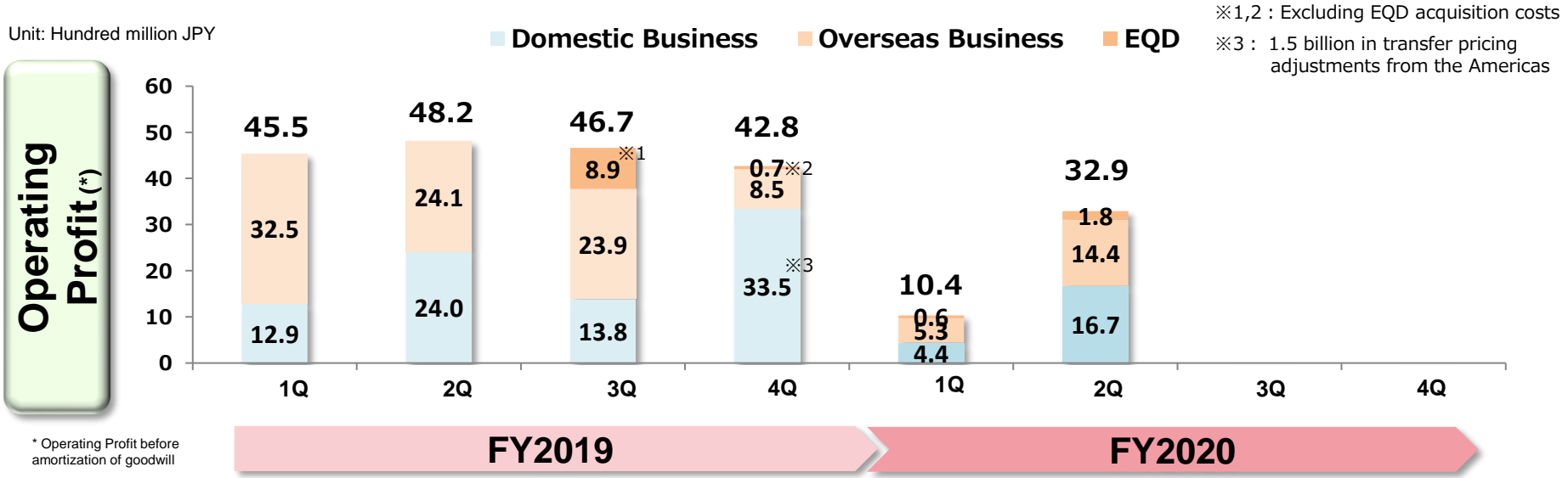
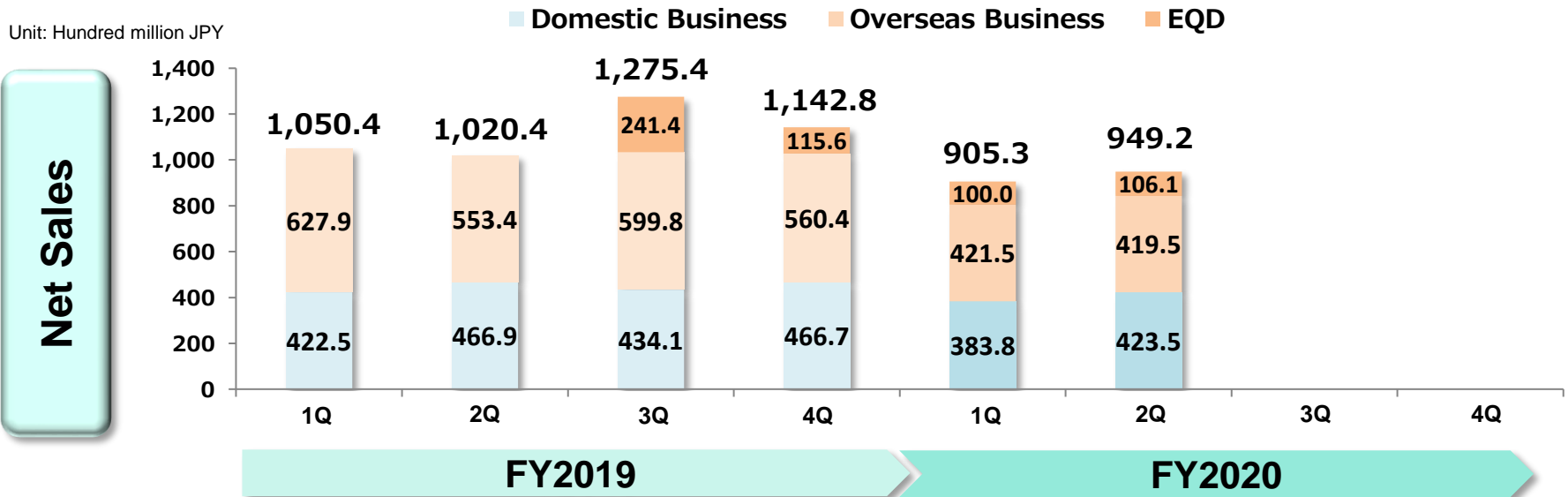
Operating profit is expected to decline by 61.8% YoY, as the decline in gross profit due to lower sales is not expected to be offset by lower freight and reductions in headcount and other fixed costs.



# 【Reference】 Key Performance Indicators **Logisnext**

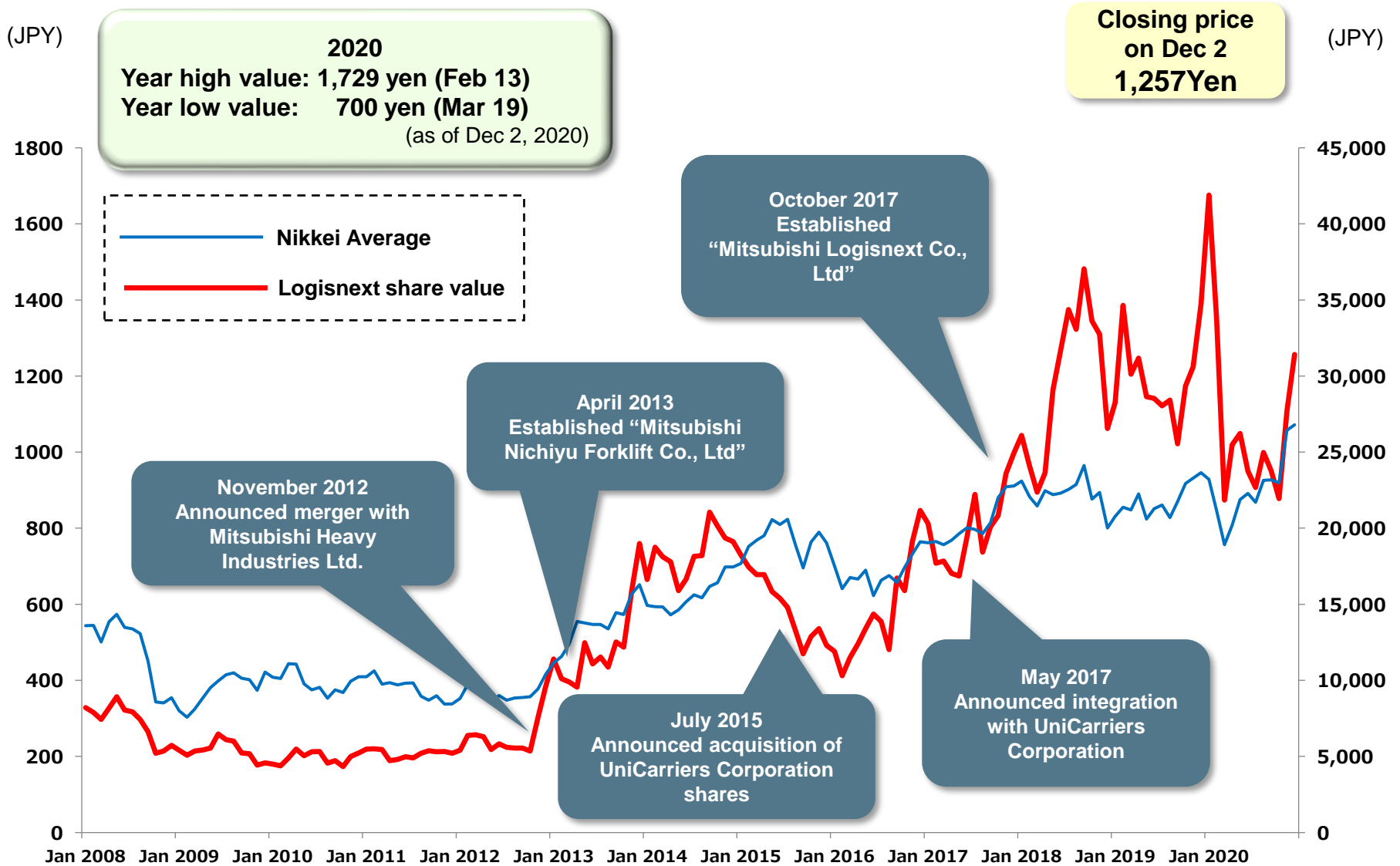
	Indicator	Formula	FY2019		FY2020 1H		Comments
				(Before amortization of goodwill)		(Before amortization of goodwill)	
Performance	Return-on-assets (ROA)	$\frac{\text{Net income}}{\text{Total assets}}$	△ 1.4%	(2.8%)	△ 1.1%	<b>(1.3%)</b>	This index worsened due to a net loss as a result of deteriorating business performance caused the expansion of the COVID-19 pandemic.
	Return-on-equity (ROE)	$\frac{\text{Net income}}{\text{Shareholders' equity}}$	△ 8.7%	(12.2%)	△ 7.4%	<b>(5.8%)</b>	
Profitability	Operating profit margin	$\frac{\text{Operating profit}}{\text{Sales}}$	1.9%	(4.1%)	△ 0.2%	<b>(2.3%)</b>	This index worsened due to a net loss as a result of deteriorating business performance caused the expansion of the COVID-19 pandemic.
	Net income margin	$\frac{\text{Net income}}{\text{Sales}}$	△ 1.2%	(2.5%)	△ 1.1%	<b>(1.5%)</b>	
Asset Efficiency	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	1.2 times		<b>1.0 times</b>		
	Receivable turnover	$\frac{\text{Sales}}{\text{Accounts receivable}}$	5.8 times		<b>5.4 times</b>		
	Inventory turnover	$\frac{\text{Cost of sales}}{\text{Inventories}}$	5.5 times		<b>4.6 times</b>		
Financial Soundness	Capital adequacy ratio	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$	14.7%		<b>14.6%</b>		Although the equity ratio deteriorated due to the decrease in retained earnings resulting from the net loss and dividend payment, the deterioration was limited to a small amount due to the decrease in total assets.
	D/E ratio	$\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity}}$	3.3 times		<b>3.6 times</b>		
Share	Earnings per share	$\frac{\text{Net income}}{\text{Shares outstanding}}$	JPY △49.24		<b>JPY △36.86</b>		
	Price earnings ratio (PER)	$\frac{\text{Share value}}{\text{Earnings per share}}$	△17.7 times		<b>△25.8 times</b>		Stock prices : End of FY2019 : JPY 874 End of FY2020 1H : JPY 951
	Price book value ratio (PBR)	$\frac{\text{Share value}}{\text{Book value per share}}$	1.7 times		<b>2.0 times</b>		

# 【Reference】 Quarterly Financial Results **Logisnext**



\* Operating Profit before amortization of goodwill

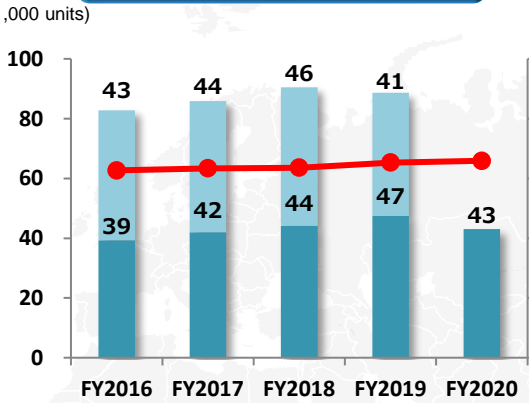
# 【Reference】 Stock Price Trend



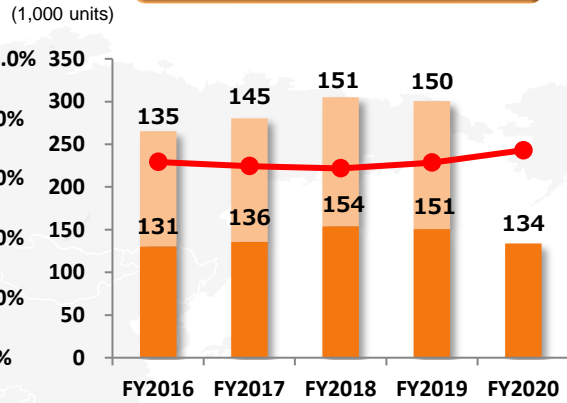
# 【Reference】 Forklift Market Trends [Shipping](Apr.-Sep.) **Logisnext**

The forklift market in the 1st half-year of FY2020 was affected by sluggish economic activity because of the spread of COVID-19 pandemic; but shipments were 6.4% YoY to 792,000 units, by a rapid recovery of the Chinese market despite this economic downturn. Excluding China, shipments were down  $\Delta$ 13.7% YoY to 445,000 units.

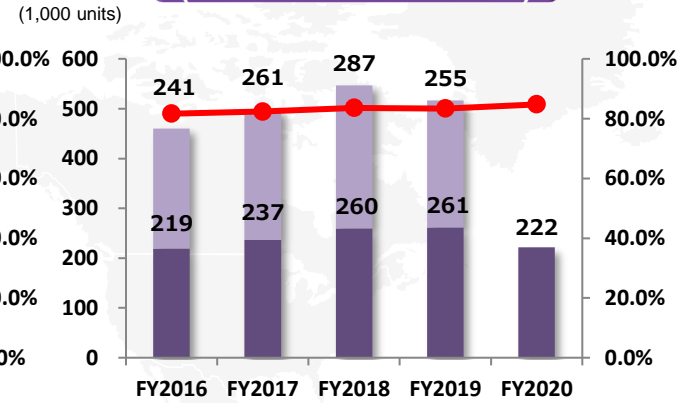
## Japan



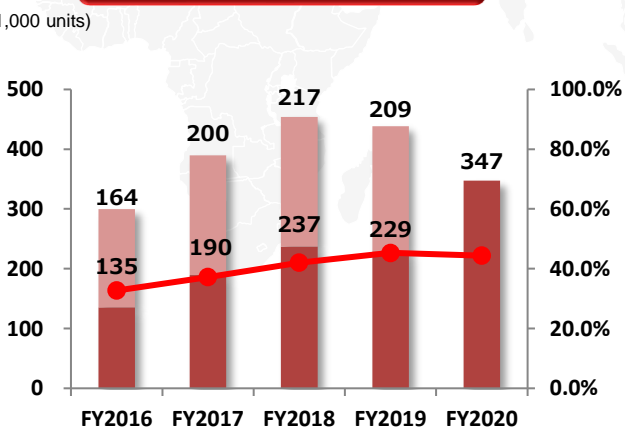
## Americas



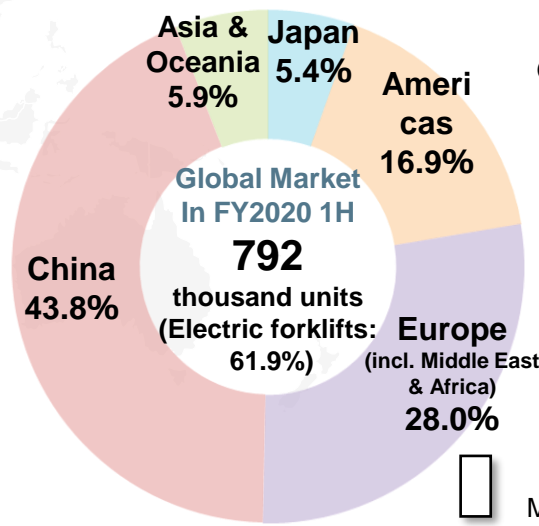
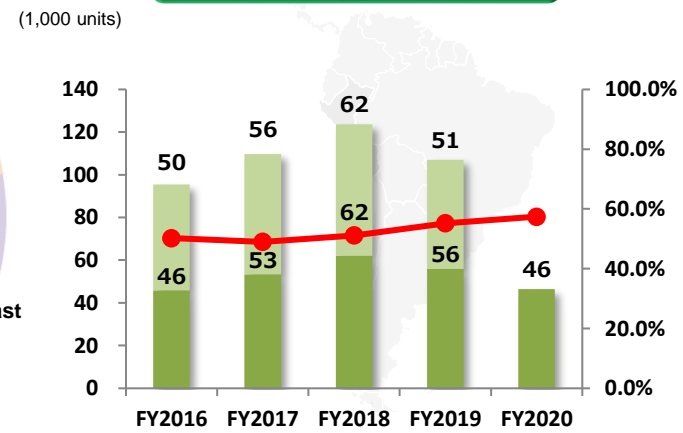
## Europe (incl. Middle East & Africa)



## China



## Asia & Oceania



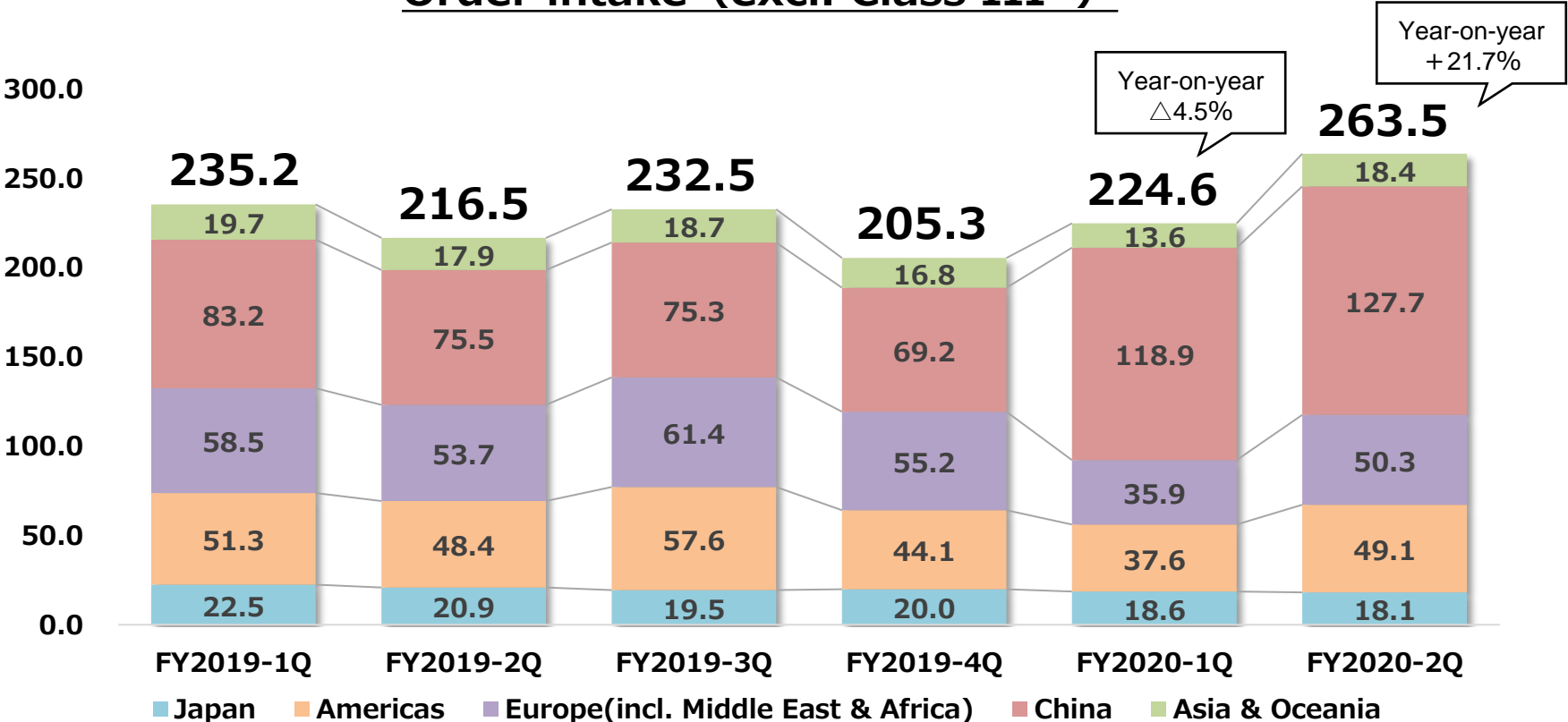


# 【Reference】 Forklift Market Trends [Orders](Apr.-Sep.)

- Orders have been showing signs of recovery since June as economic activity resumed (+21.7% YoY to 263,000 units, Excluding the Chinese market :  $\triangle$ 3.6% YoY to 136 thousand).
- In particular, the Chinese market has continued to increase significantly since April (+69.0% YoY to 128,000 units).

(Unit: Thousand units)

## Order intake (excl. Class III\*)



\*Class III : Self-propelled electric small lift

**Logisnext**

**FY2021 – FY2023 Mid-term Plan**  
**「Logisnext SolutionS 2023」**

- I . Recap of the current Mid-term Plan  
“Perfect Integration 2020”  
(Term : FY17-FY20)**
  
- II . Outline of the new Mid-term Plan  
“Logisnext SolutionS 2023”  
(Term : FY21-FY23)**
  
- III . Financial Target**

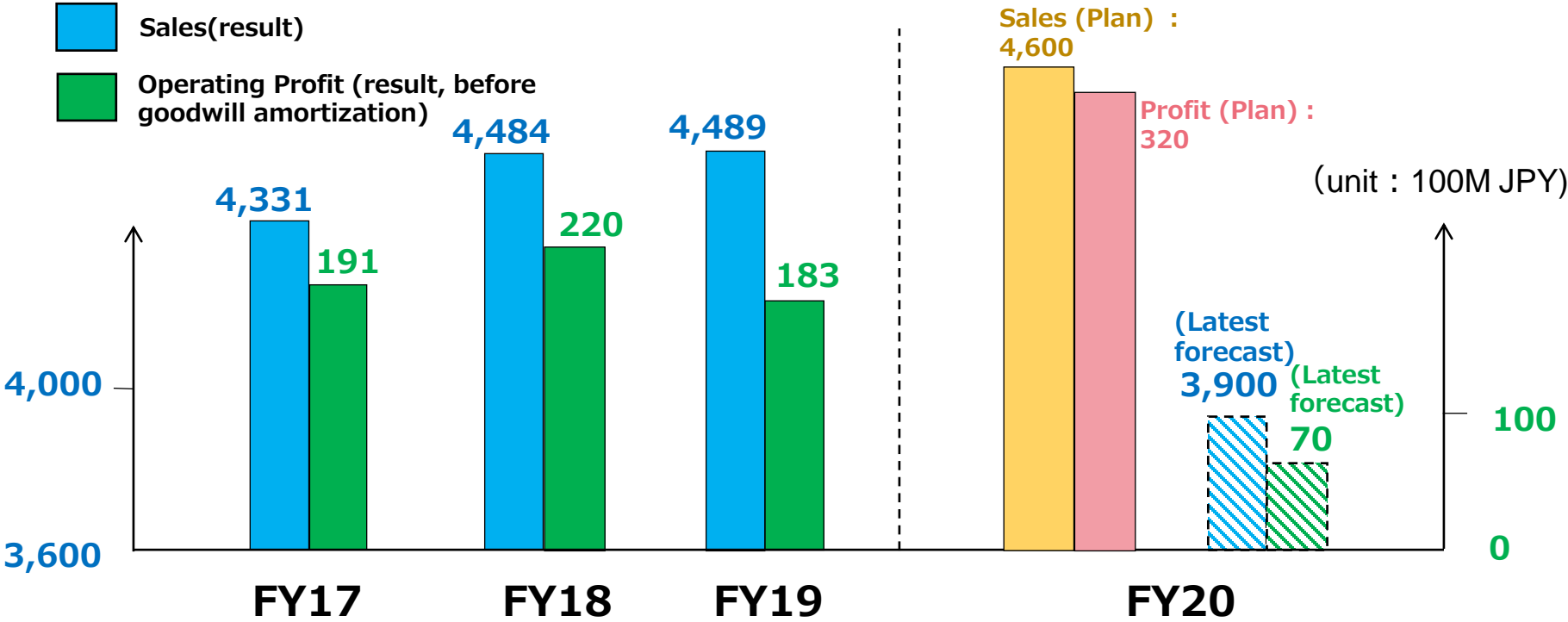
# **I . Recap of the current Mid-term Plan “Perfect Integration 2020”**

# I -1 Recap of “Perfect Integration 2020”

**Basic Policy**

Growing by implementing the multi-brand / “glocal” strategies

Reinforcing the management infrastructure that can support growth



Looking ahead to the integration of Mitsubishi Nichiyu Forklift and UniCarriers Corporation, “Perfect Integration 2020” was established. Among unforeseeable political and economic situations such as U.S.–China trade friction and raw material inflation, we have achieved partial results. However, due to world economic downturn caused by Covid-19, FY20 latest forecast is far lower than the plan.

## Growing by implementing multi-brand, “glocal” strategies

### Implementing Local Strategy

- ❑ Restructuring of Japanese direct sales network (Oct 20)
- ❑ Establishment of regional head offices in US (Apr 18), Europe (Apr 18) and APAC (Oct 17)



### New Electric Forklift Development

- ❑ Model consolidation of electric forklift truck to “ALEXIS” (Nov 19)



### Solution Business & Advanced Technologies

- ❑ Laser navigation AGF\* (Apr 17)
- ❑ Autonomous mobile robot (May 20)



\*AGF: Auto Guided Forklift

## Reinforcing a management structure that can support growth

### Supply Chain Optimization

- ❑ <China> Sell-off of Hecha (Apr 19) and Closure of UCCA\* (Dec 20)
- ❑ Product cost reduction as a result of larger scale

### Improvement of Corporate Function

- ❑ Consolidation of corporate office function to Kyoto (Oct 17)
- ❑ Organization restructuring and headcount reduction

### Reinforce of Sales Network

- ❑ <U.S.> Acquisition of Equipment Depot, Inc (EQD)(Jul 19)
- ❑ <Europe> Sales network enhancement

## **II. Outline of the new Mid-term Plan “Logisnext SolutionS 2023”**

## 《Continued strategies from the current Mid-term Plan》

<b>Sales and Marketing Enhancement</b>	<ul style="list-style-type: none"><li>➤ Review of sales and branding strategies</li><li>➤ Solution business expansion</li></ul>
<b>Adoption to changing environment</b>	<ul style="list-style-type: none"><li>➤ Accelerate reacting towards electrification</li><li>➤ New technologies (Li-ion battery, safety technologies, digitalization etc.)</li></ul>
<b>Generating synergy furthermore</b>	<ul style="list-style-type: none"><li>➤ Further integration of businesses</li><li>➤ Enhance employees' engagement</li></ul>



## 《Business Environment》

<b>Market</b>
<ul style="list-style-type: none"><li>➤ Economic downturn and unforeseeable future</li><li>➤ Supply chain shift from China due to US-China trade conflict</li><li>➤ Severe competition with Chinese and Korean brands</li></ul>
<b>Technology</b>
<ul style="list-style-type: none"><li>➤ Environment-friendly, new energy</li><li>➤ Utilization of AI, big data, and 5G</li><li>➤ Practical use of DX (*1), self-driving</li></ul>
<b>Customer</b>
<ul style="list-style-type: none"><li>➤ E-commerce expansion</li><li>➤ Efficiency, and Automation</li><li>➤ Safety requirements</li></ul>
<b>Society</b>
<ul style="list-style-type: none"><li>➤ Request to ESG·SDGs (*2)</li><li>➤ Low carbon society</li></ul>

(\*1) DX = Digital Transformation  
(\*2) ESG = Environment, Society, and Governance  
SDGs = Sustainable Development Goals



# II -2 “Logisnext SolutionS 2023” Concept **Logisnext**

We have developed a new Mid-term Plan “Logisnext SolutionS 2023”, considering the recent changes in our business environment and strategies from the current Mid-term Plan

## Logisnext SolutionS 2023

“SolutionS” The last letter “S” represents ;  
not only the “Solution” we offer to customers in the logistics field  
but also the “Solution” for our sustainable growth to the future.

**Basic  
Policy**

**Build up  
Business  
Resilience**

**Accelerate  
growth  
strategy**

**Further develop  
our global and  
regional  
branding  
strategies**

**Corporate  
Vision**

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

# 「Logisnext SolutionS 2023」

## Build up Business Resilience

Strengthen the existing business

Improve variable and fixed cost

## Accelerate growth strategy

Expand our solutions portfolio to meet the growing market requirements

Improve our profitability via enhancements to the distribution network

Grow market share with an expanded product and service portfolio

## Further develop our global and regional branding strategies

Utilize “Logisnext” brand and improve brand awareness for all of our brands

Create a new corporate culture under “Logisnext”

**Strengthen the existing business**

Strengthen the organizational resilience to significant environmental change by improving sales and profitability, reducing cost and pursuing organizational efficiency in each region, etc.

Priorities	Japan	US	Europe	APAC	China
Lease, rental, used trucks	○	◎	○	○	
Service business	◎	◎	○	◎	○
Product consolidation		◎	◎	◎	
Factory rationalization			○		○
Enterprise system			○		○

◎ High priority ○ Priority

# II-5 Basic Policy

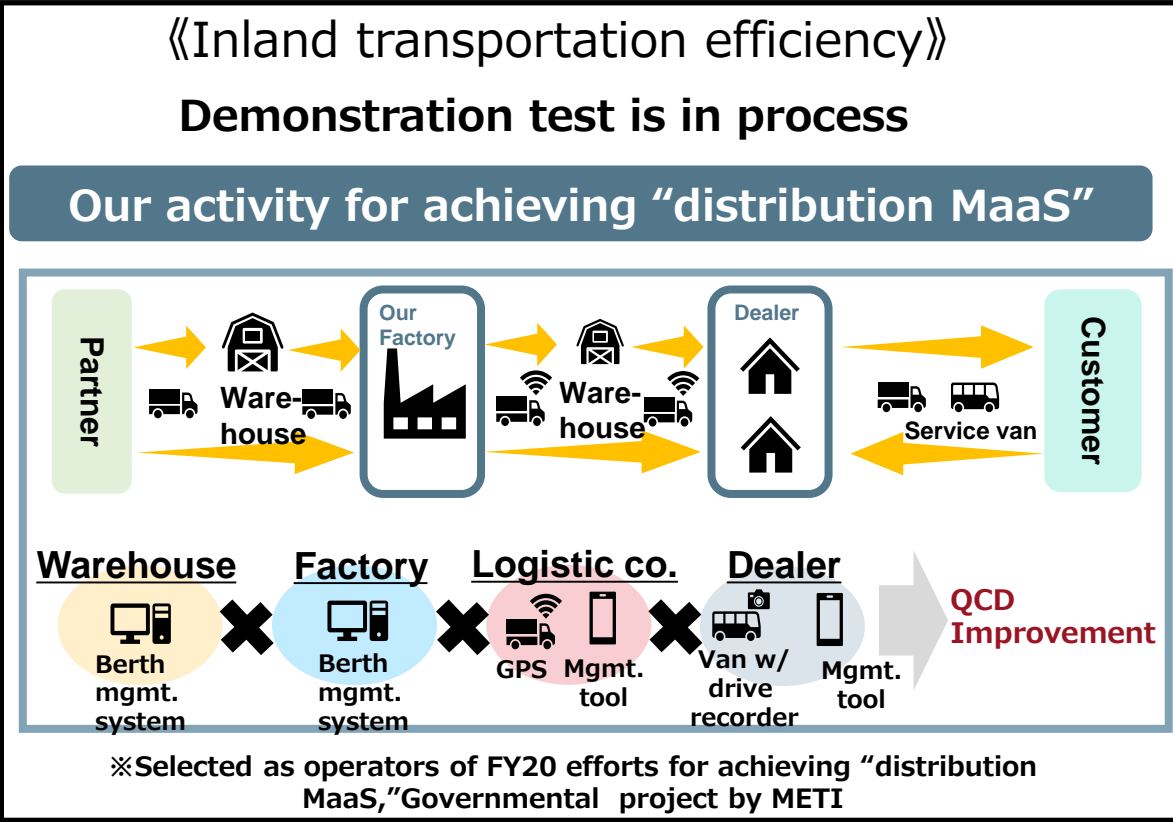
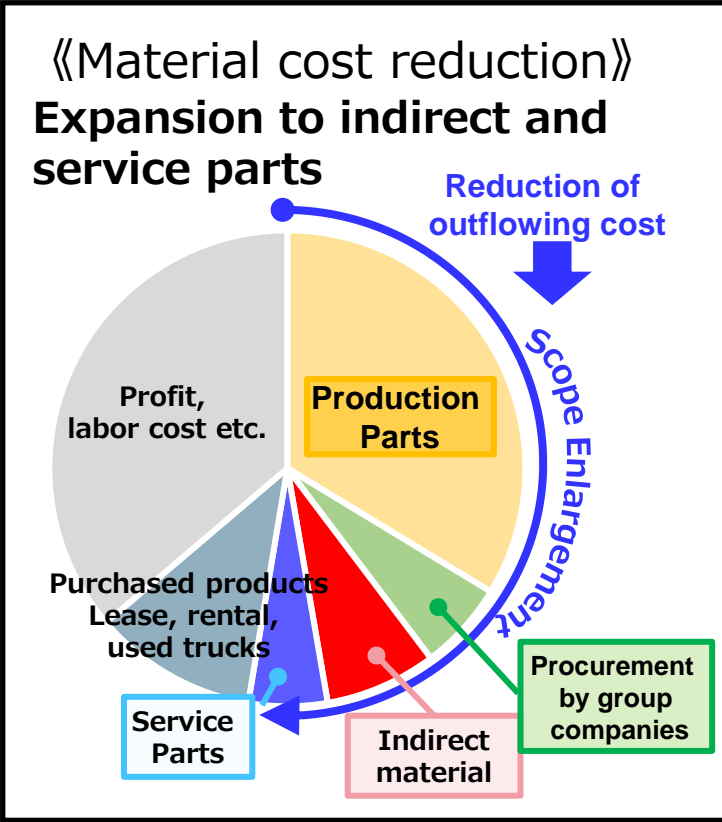
- Build up Business Resilience

## Improve variable and fixed cost

- Material cost reduction \*Example 1
- Transportation efficiency \*Example 2
- Parts insourcing
- Labor cost saving, etc.

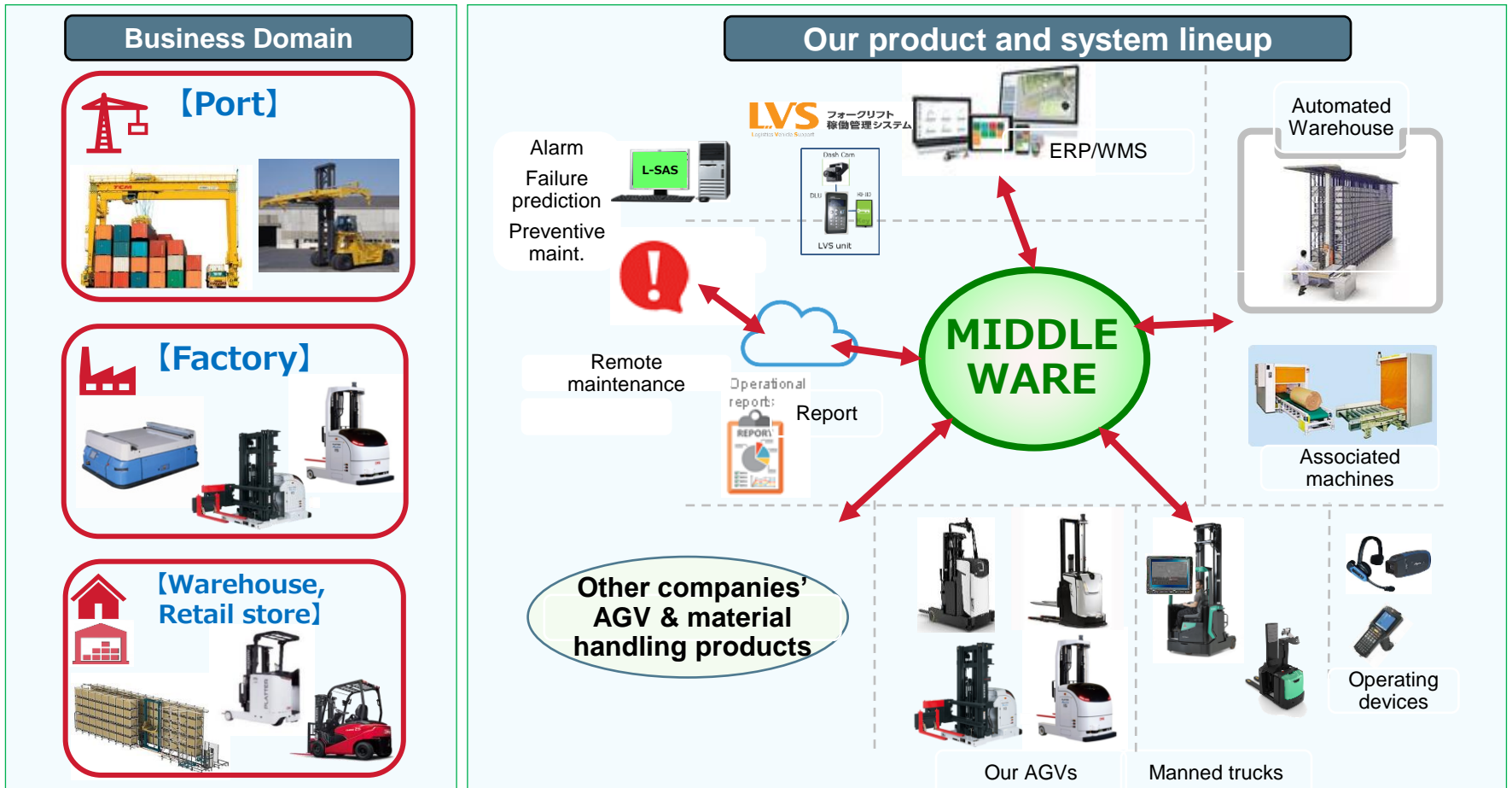
【Example 1】

【Example 2】



### Expand our solutions portfolio to meet the growing market requirements

- Offer a complete suite of hardware and software solutions to customers.
- Collaborate with Mitsubishi Heavy Industries and/or other third parties to provide the best optimized solution.

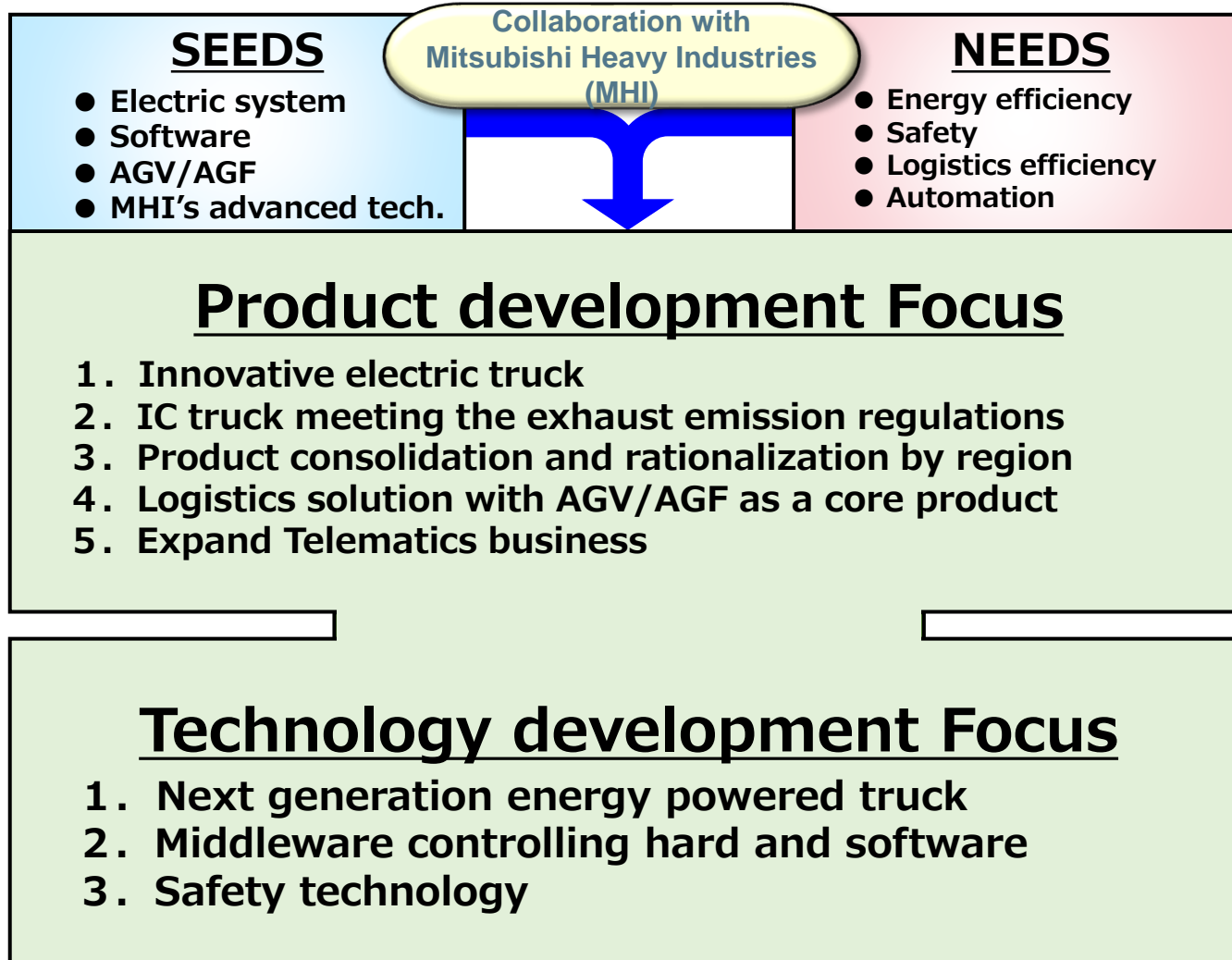


### Improve our profitability via enhancements to the distribution network

#### Our Market Positioning

Japan	Stable and ensuring	<ul style="list-style-type: none"><li>• Optimize operation by restructuring direct sales</li><li>• Expand special vehicles/material handling equipment business</li></ul>
Americas	Most important	<ul style="list-style-type: none"><li>• Transfer the existing factory stores to EQD (*) and expand/improve the business</li><li>• Further expansion of direct sales</li></ul>
Europe	Maintain our position	<ul style="list-style-type: none"><li>• Enhance the existing direct sales territory</li><li>• Implement new branding strategy based on the regional brand awareness</li></ul>
APAC	Expect future expansion	<ul style="list-style-type: none"><li>• Prepare for supply chain shift from China to APAC</li><li>• Enhance sales network and implement new branding strategy</li></ul>
China	Develop a new strategy	<ul style="list-style-type: none"><li>• Restructure sales network incl. direct sales</li><li>• Introduce products that satisfy with market needs, enhance product support business</li></ul>

**Grow market share with an expanded product and service portfolio**

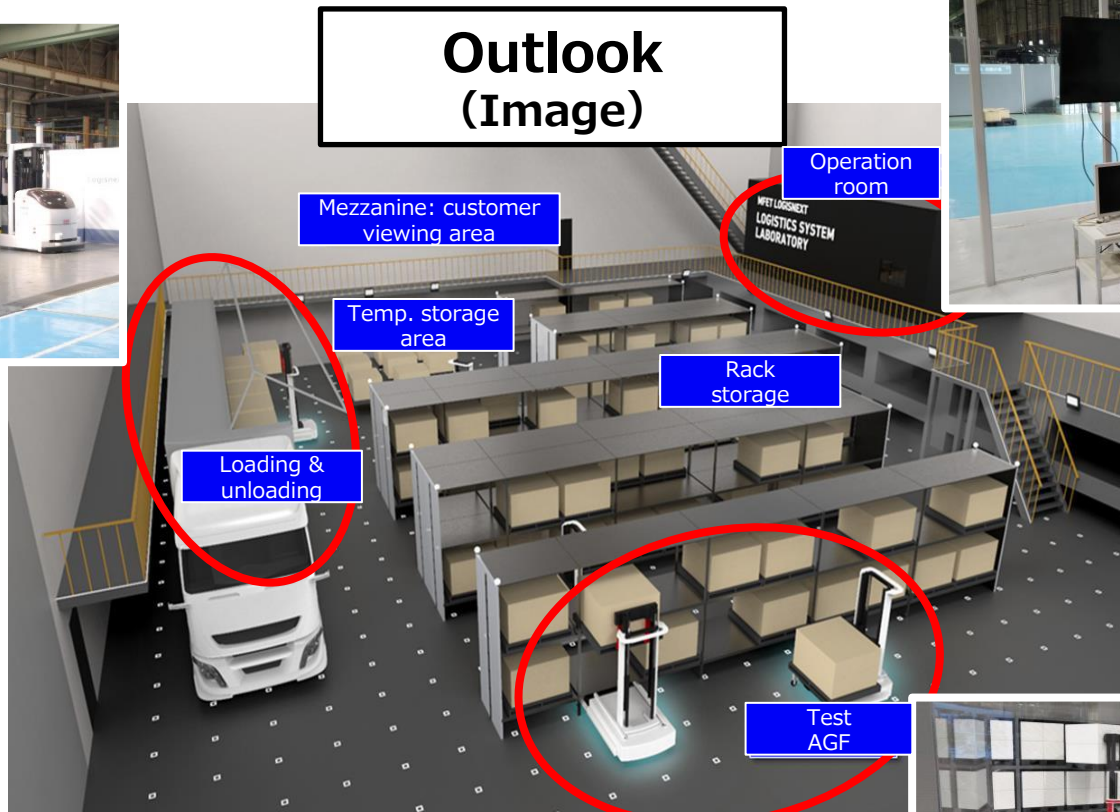


# (Reference) Logistics Technology Center (R&D with MHI)

Established a logistics technology center in Japan with MHI to demonstrate and validate various logistics technologies. The facility can provide simulations meeting customer specific requirements and operations.



Truck loading and unloading



## Outlook (Image)

Operation room



Operation Room

Rack loading and unloading





# II-9 Basic Policy

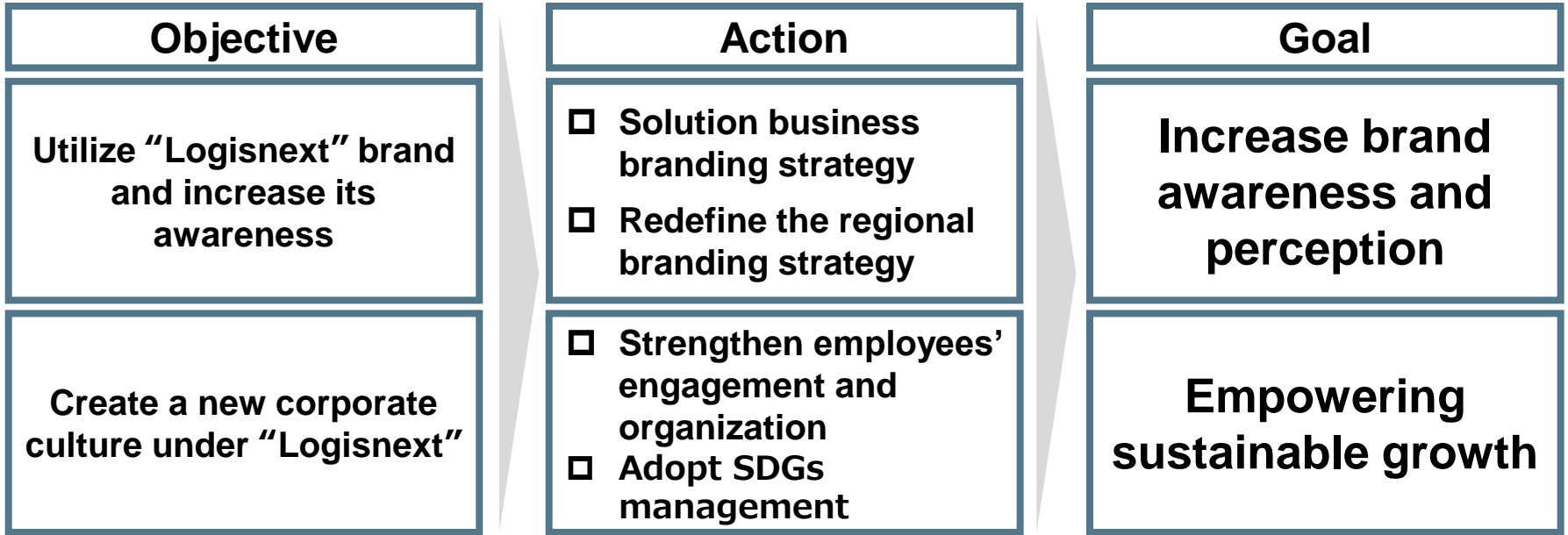
– Further develop our global and regional branding strategies – **Logisnext**

Utilize “Logisnext” brand and improve brand awareness for all of our brands

Create a new corporate culture under “Logisnext”

**Current issue**

- ◆ Necessity of redefining regional branding strategy
- ◆ “Logisnext” corporate culture has not fully developed and shared among the group companies

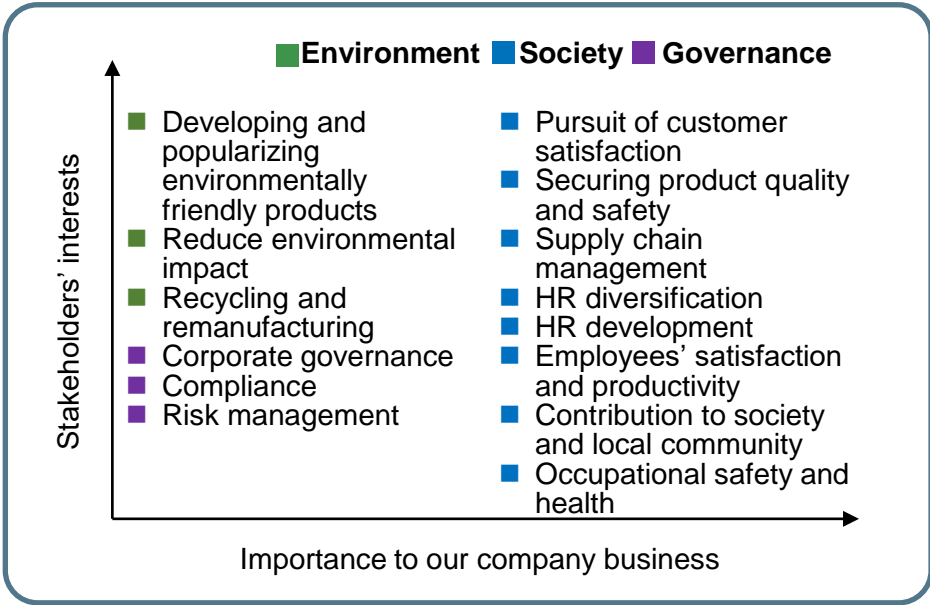


# II-10 Basic Policy

– Further develop our global and regional branding strategies – **Logisnext**

**《Contribution to SGDs》**  
**Through the corporate activities, we contribute to sustainable development of society, world and future.**

We picked up 14 essential areas to grow sustainably together with the society. We support for SDGs by continuously focusing on promoting them and aim to enhance our corporate value .



**Focus through the business**



**Contribute to SDGs**

**Realization of sustainable society and enhancement of our corporate value**

## Ⅲ. Financial Target

**Build Up Business Resilience**

**Accelerate Growth Strategy**

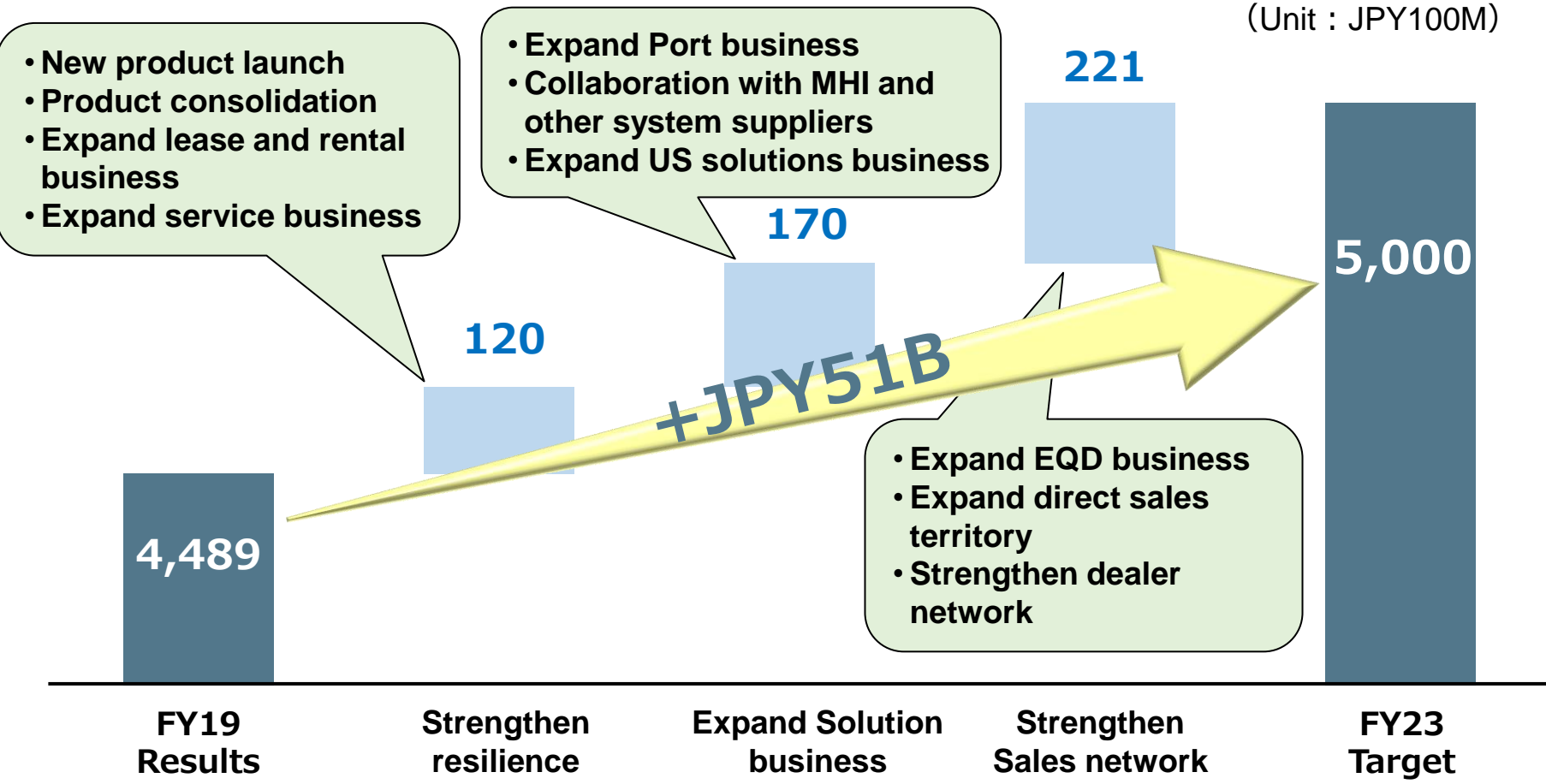
**Branding Strategy**

- 1) Sales 500B JPY**
- 2) Operating Profit 30B JPY(Before goodwill amortization)  
Profit ratio 6%**
- 3) Capital adequacy ratio >20%**

(Unit : B JPY)

	<b>FY23</b>	<b>FY19 results</b>	<b>Variance &lt;%&gt;</b>
<b>Sales</b>	<b>500</b>	449	+51 <+11.4%>
<b>Operating Profit(※) (%)</b>	<b>30 (6%)</b>	18 (4.1%)	+12 <+63.9%> (+1.9 point)
<b>Capital adequacy ratio</b>	<b>&gt;20%</b>	14.7%	>+5.3 point

**Achieve JPY500B** by ensuring each growth plan and creating an organization resilience to environment change



## “Achieve Operating Profit JPY30B\* (Profit ratio 6%)” through the 3 Basic Policy

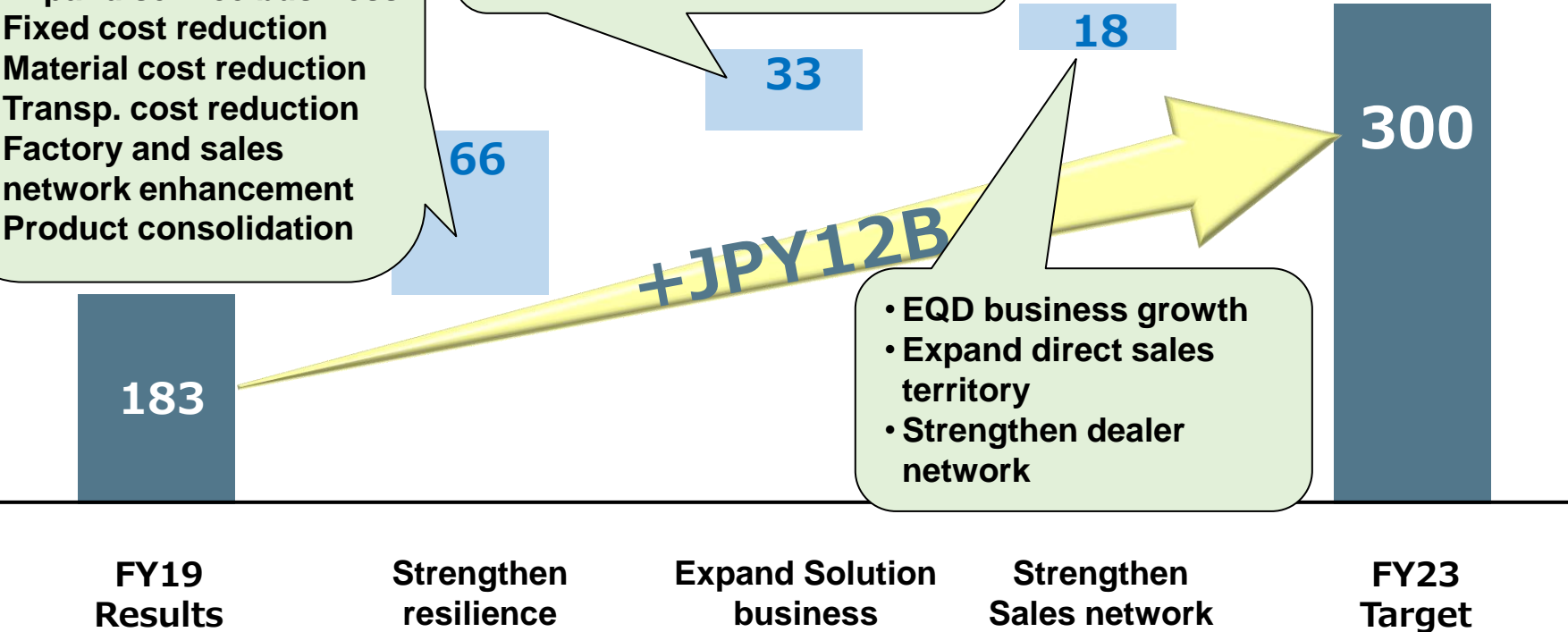
\* Before goodwill amortization (JPY21B After good will amortization)

(Unit : JPY100M)

- New product launch
- Expand lease and rental business
- Expand service business
- Fixed cost reduction
- Material cost reduction
- Transp. cost reduction
- Factory and sales network enhancement
- Product consolidation

- Port business
- Collaboration with MHI and other system suppliers
- Expand US solutions business

- EQD business growth
- Expand direct sales territory
- Strengthen dealer network



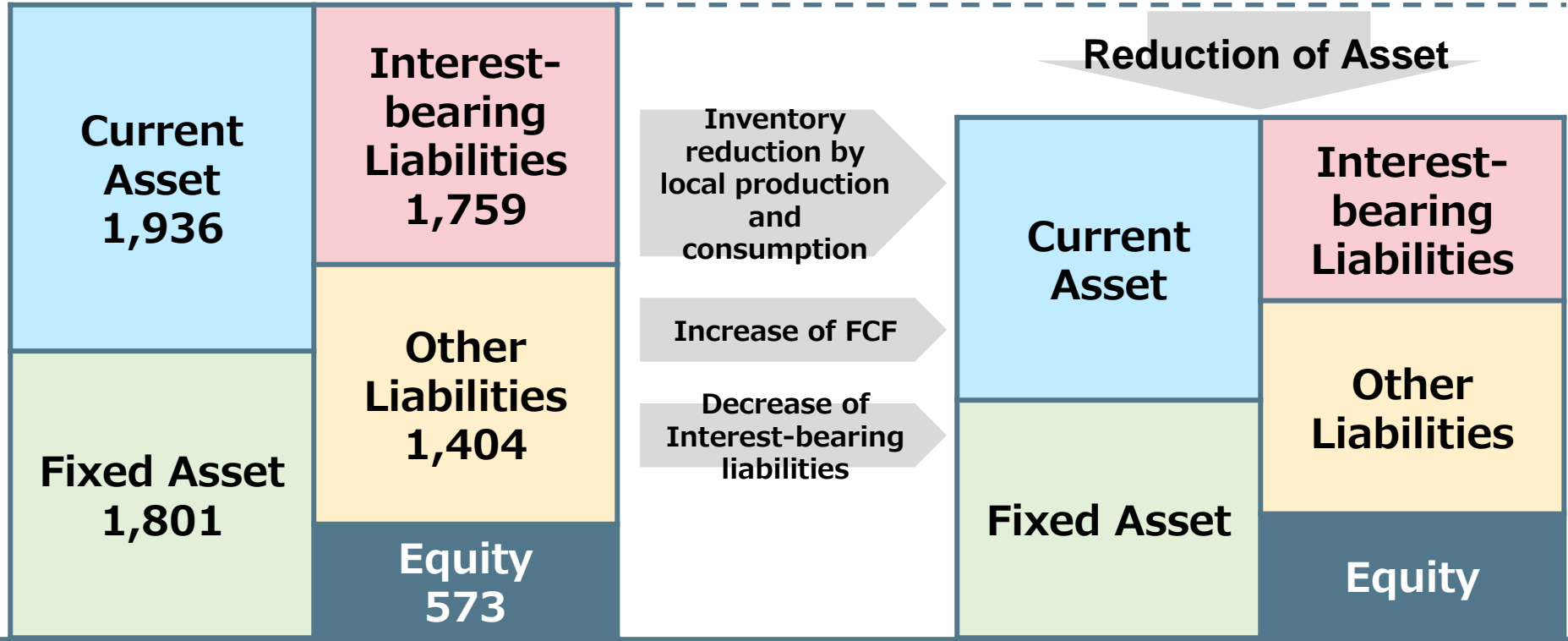
# III-4 Financial target

**“Achieve 20% of Capital Ratio”** by lead time (=inventory) reduction and improvement of asset efficiency

(Unit: JPY100M)

**【FY19】**

**【FY23】**



Capital Ratio : 15%

Capital Ratio : **>20%**



**BS improvement**

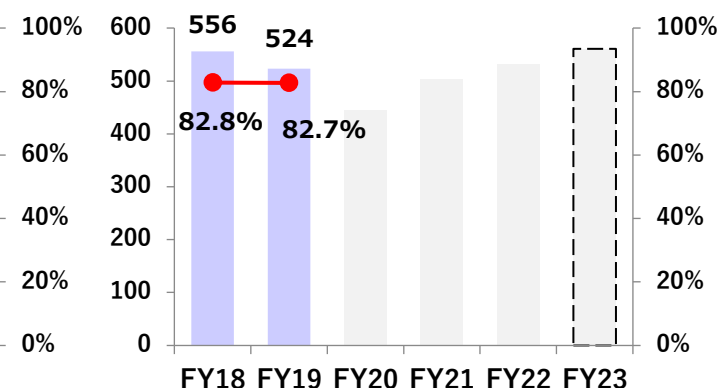
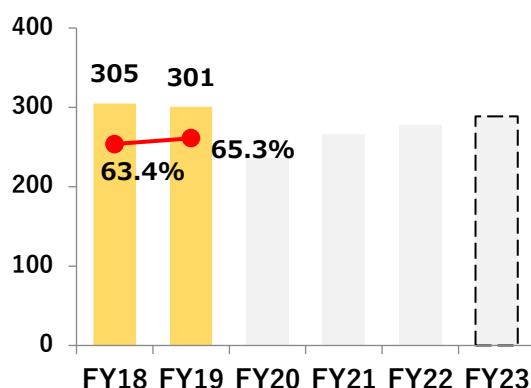
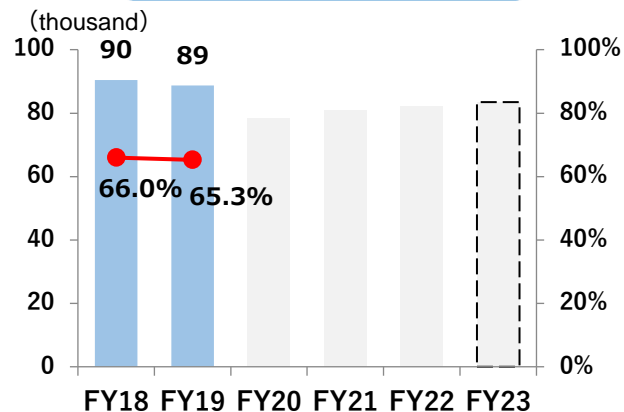
# (Reference) Forklift market forecast

Due to expansion of E-Commerce business all over the world as well as automated/autonomous logistic market, FY23 world market volume is expected to exceed that of FY19

## Japan

## Americas

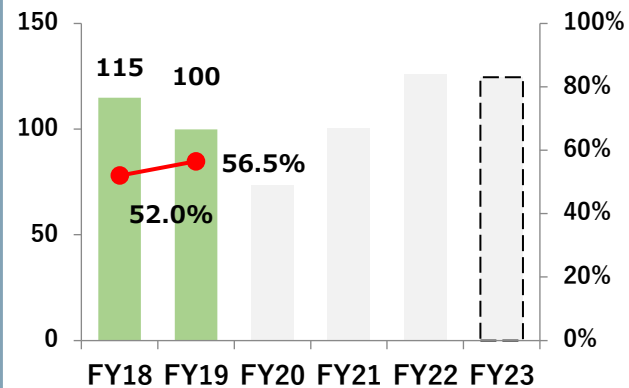
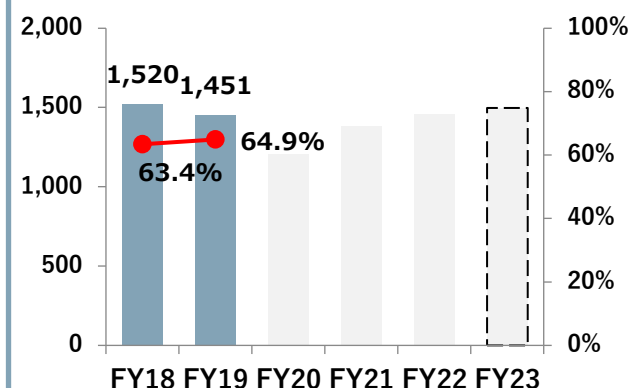
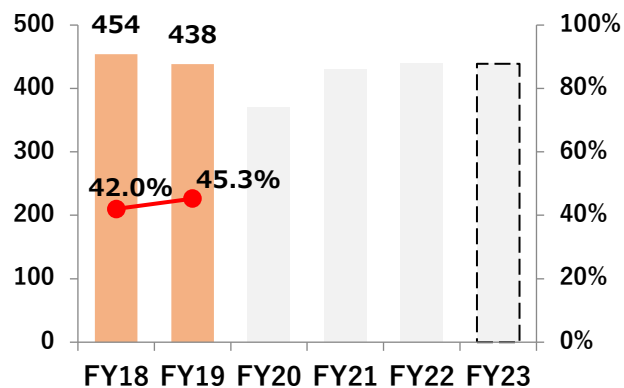
## Europe



## China

## Global Total

## APAC





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