Logisnext

Mitsubishi Logisnext Co., Ltd.

Financial Results Briefing for the 2nd Quarter of FY2023

November 30, 2023

Event Summary

[Company Name]	Mitsubishi Logisnext Co., Ltd.	
[Company ID]	7105-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the 2nd Quarter of FY2023	
[Fiscal Period]	FY2023 Q2	
[Date]	November 30, 2023	
[Time]	15:30 – 16:42 (Total: 72 minutes, Presentation: 50 minutes, Q&A: 22 minutes)	
[Venue]	Webcast	
[Number of Speakers]	4	
	Takashi Mikogami	Representative Director and Chairman
	Yuichi Mano	Representative Director and President
	Takatoshi Uno	Director, Executive Officer, CFO, Division Head, General Manager, Corporate Strategy and Planning Office
	Junichi Oi	Member of the Executive Team, Head of Corporate Finance and Accounting Headquarters

Presentation

Moderator: Thank you for your patience. It is now time to commence the quarterly financial results briefing session for the second quarter of the fiscal year ending March 31, 2024 of Mitsubishi Logisnext Co., Ltd.

Thank you very much for taking time out of your busy schedules to attend our financial results briefing. Today, I would like to present an overview of the financial results for the second quarter of the fiscal year ending March 31, 2024 and the progress of the medium-term management plan.

I would now like to introduce today's attendees. Representative Director and Chairman, Takashi Mikogami.

Mikogami: I am Mikogami. Thank you for your cooperation.

Moderator: Yuichi Mano, Representative Director and President.

Mano: My name is Mano. Thank you.

Moderator: Takatoshi Uno, Director, Executive Officer, CFO, Division Head, General Manager, Corporate Strategy and Planning Office.

Uno: My name is Uno. Thank you for your cooperation.

Moderator: Junichi Oi, Member of the Executive Team, Head of Corporate Finance and Accounting Headquarters.

Oi: My name is Oi. Thank you.

Moderator: That is all. As for today's proceedings, Mr. Uno, Director, Executive Officer, CFO, Division Head, General Manager, Corporate Strategy and Planning Office will provide an overview of the financial results for the second quarter of the fiscal year ending March 31, 2024, and Mr. Mano, Representative Director and President, will explain the progress of the medium-term management plan.

I will now move on to an overview of the financial results for the second quarter of the fiscal year ending March 31, 2024. CFO Uno, please begin.

1. FY2023 Q2 Summary

Logisnext

Economic Market Trends

- The global economy has seen central banks in various countries maintain their monetary tightening measures in response to a persistently high level of inflation, although the increase in prices has been slowing, and with Russia's prolonged aggression in Ukraine showing no end in sight, economic growth is slowing down at a faster pace. Although the increase in transport costs caused by the rapid recovery phase out of the COVID-19 pandemic has subsided, inflation is driving not only higher labor costs but also higher costs in a wide range of areas including fuel and components. In Japan and overseas, this is having a growing impact.
- The domestic market for material handling equipment remained firm at pre-COVID-19 levels. Overseas demand in the Americas has continued to exceed pre-COVID-19 levels, as it did in the previous fiscal year, due to stable logistics needs despite economic slowdowns. Europe has been affected by inflation, which has shrunk from a temporary rebound in demand, and economic stagnation has become prolonged. Asia has weakened slightly because of inflation and increasing interest rates. On the other hand, China was showing signs of recovery due to the lifting of the zero COVID policy, but its economy then slowed due to deterioration in the real estate market and the market for material handling equipment has not yet recovered to expected levels.
- The longer lead times due to delays in the supply of various components is gradually abating but high costs persist. The Group as a whole secured sufficient orders and worked on achieving production improvements by eliminating the components shortages in Japan and overseas, accelerating shipments. As a result, the effects of price optimization have effectively expanded.

Summary of FY2023 Q2 Results

- Net sales increased by 23.0% YoY due to an increase in units sold mainly in Japan and the Americas, the effects of price optimization, and the impact of yen depreciation.
- Operating profit before amortization of goodwill increased 347.3% YoY despite cost increases because the contribution of the acceleration of shipments mostly in the Americas was at a pace exceeding the plan and due to the expanded effect of price optimization.

3

Uno: Mitsubishi Logisnext, my name is Uno. Thank you for joining us today for our company's financial results briefing for the second quarter of the fiscal year ending March 31, 2024. I would like to begin by providing an overview of the financial results in H1 of today's presentation.

Please see page three of the document first. The market environment surrounding our company. The global economy continues to experience slowing and decelerating growth due to monetary tightening in the US and Europe, and Russia's invasion of Ukraine. Although marine transportation costs subsided sharply in H1 of the period under review, we are aware of a broad range of inflationary conditions, including labor costs.

Under these circumstances, it can be said that the domestic market for material handling equipment has been firm, but overseas demand is on a downward trend. Although the level has remained above the pre-coronavirus disaster level, it has been sluggish since Q2 of the previous fiscal year, and a recovery phase is not yet in sight.

In Japan and the Americas, where we have a solid backlog of orders, we have worked to secure sales by promoting shipments through production streamlining. As a result, we have also expanded the effects of price optimization in Japan and overseas.

This is a summary of our consolidated financial results under these circumstances. Net sales increased by a positive 23% YoY due to increased production and sales in Japan and the Americas, as well as the effect of price optimization and the impact of the yen's depreciation on foreign exchange rates. Operating income before amortization of goodwill and other items increased 347.3% YoY, due to the contribution of increased sales from the promotion of shipments, especially in the Americas, and the effect of price optimization.

2. Financial Highlights

Logisnext

Unit: Hundred million JPY

Profit and Loss Statement	FY2022 Q2*	FY2023 Q2	YoY Change	
Net Sales	2,795.9	3,437.7	+641.7	+23.0%
Operating Profit (Before amortization of goodwill) (Operating profit margin)	62.1 (2.2%)	278.1 (8.1%)	+215.9	+347.3%
Amortization of Goodwill	52.5	50.7	—	—
Operating Profit (Operating profit margin)	9.6 (0.3%)	227.3 (6.6%)	+217.7	+2,259.3%
Ordinary Profit (Ordinary profit margin)	9.0 (0.3%)	210.6 (6.1%)	+201.5	+2,214.7%
Profit Attributable to Owners of Parent (Net income margin)	-14.2 —	165.6 (4.8%)	+179.8	—

* At the end of the fiscal year ended March 31, 2023, we finalized the provisional accounting treatment related with past M&A in United States, and the figures (goodwill, etc.) for the six months ended September 30, 2023 reflect the details of the finalization of the provisional accounting treatment

FY2022 Q2 actual FX rates: USD=JPY133.97 EUR=JPY138.73 CNY=JPY19.88
FY2022 Q4 actual FX rates: USD=JPY135.47 EUR=JPY140.97 CNY=JPY19.75
FY2023 Q2 actual FX rates: USD=JPY141.00 EUR=JPY153.39 CNY=JPY19.75

Balance Sheet	FY2022 Q4	FY2023 Q2	YoY Change	
Total Assets	4,754.3	5,198.9	+444.6	+9.4%
Total Liabilities	3,994.0	4,164.9	+170.8	+4.3%
Net Assets	760.2	1,034.0	+273.7	+36.0%

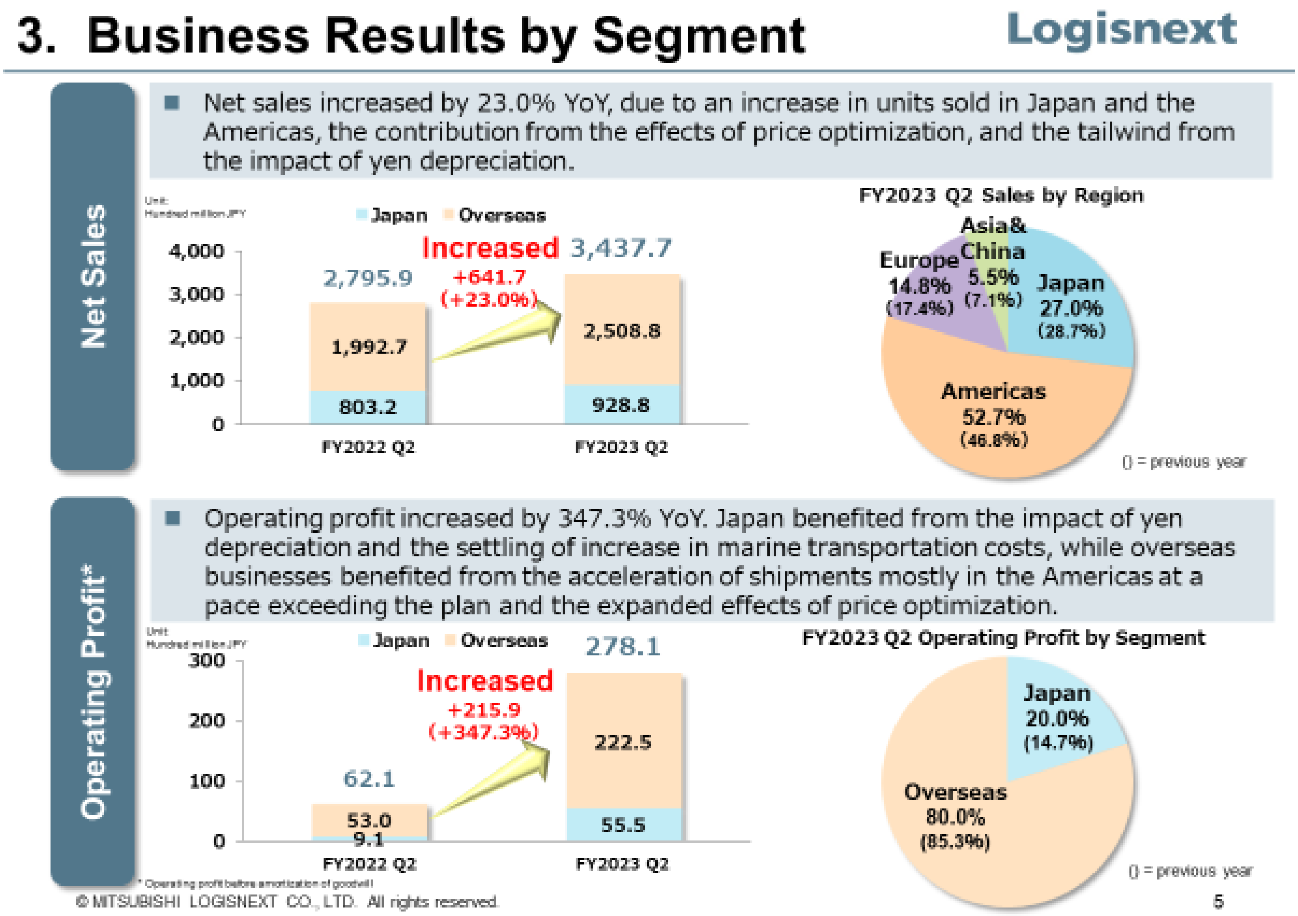
 4

Please continue with the financial highlights on page four.

I would like to reiterate our key financial values. Net sales totaled JPY343.77 billion, operating income before amortization of goodwill was JPY27.81 billion, operating income under the system accounting after amortization of goodwill was JPY22.73 billion, ordinary income was JPY21.06 billion, and net income for the quarter was JPY16.56 billion. Net sales and all profit items were the highest ever for Q2. This is the result of steady progress in production and shipments, the enjoyment of price optimization effects, the contribution of the yen's depreciation, and improved profitability.

The operating income margin before amortization of goodwill and other items was 8.1%, exceeding the 6% operating income margin targeted in the current medium-term management plan, which concludes in the current fiscal year. One of the reasons for the large increase in net income for the quarter was the reversal of the valuation allowance for deferred tax assets, i.e., a decrease in tax expenses, due to the resolution for liquidation of the Chinese subsidiary, which was judiciously disclosed on July 20, 2023.

The table below shows the balance sheet, which will be explained later on page nine.

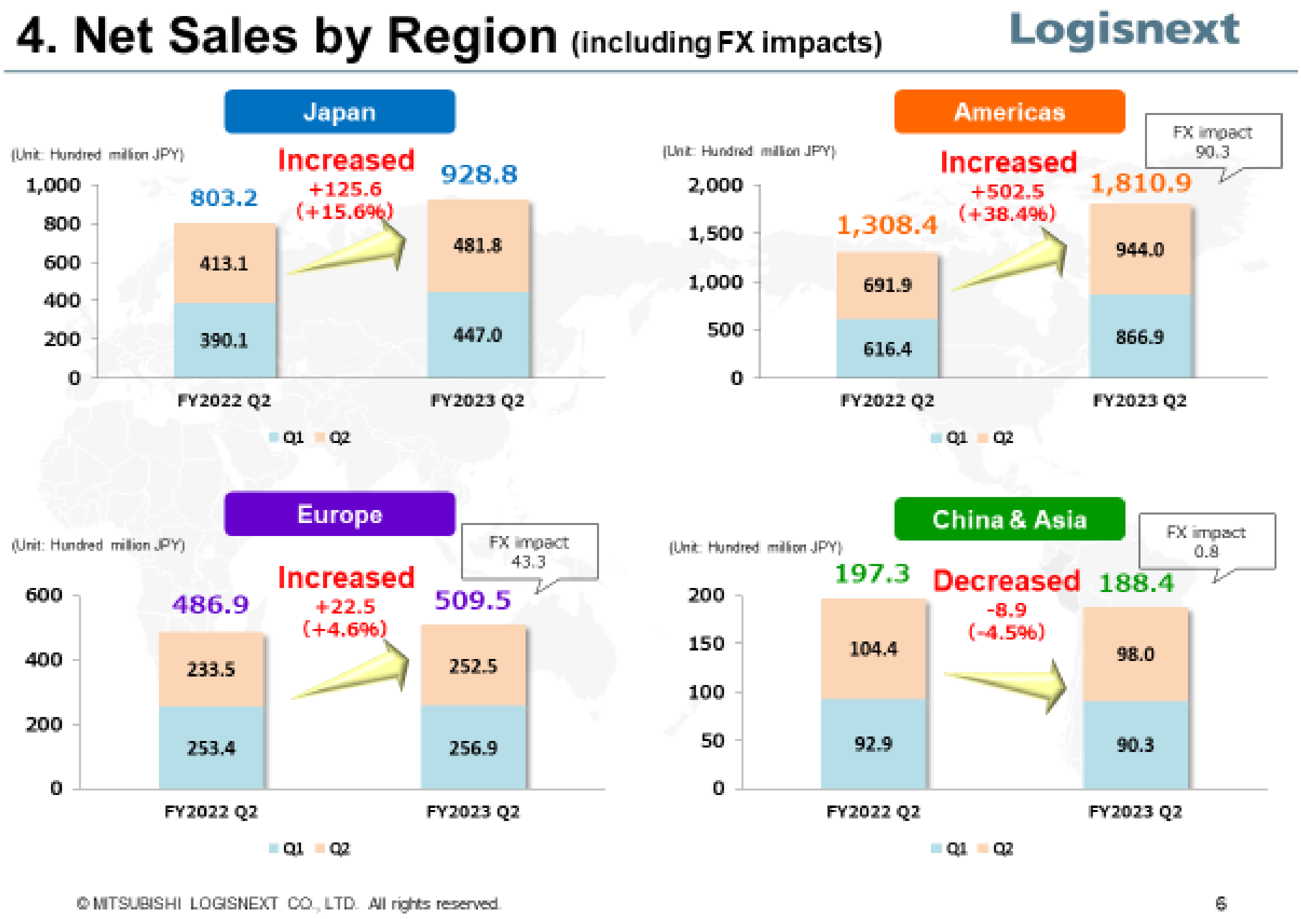


In the documents that follow, I will explain in detail about sales and operating income. Pages five and six explain the situation by segment and region. Please note that from this page onward, operating income before amortization of goodwill, etc. will be referred to as operating income and explained as such.

Now, please see page five. Page five shows net sales and operating income by segment. As shown in the upper chart, net sales increased by 23%. The domestic business, shown in blue, accounted for 15.6% of the increase, and the overseas business, shown in beige, accounted for 25.9% of the increase, both significant increases.

Both in Japan and overseas, the increase in revenue was particularly noticeable in the Americas, although it was the result of efforts to rectify production. This is because the supply of engine control units for gasoline engines was not smooth in H1 of the previous fiscal year due to a shortage of semiconductors, while the supply of such units has been rapidly increasing since H2 of the previous fiscal year, resulting in a significant increase in sales volume. The addition of the yen's depreciation to the above factors resulted in a 38.4% increase in sales in the Americas compared to the same period last year. As a result, as the pie chart on the right shows, the share of the Americas in total sales rose to 52.7% from 46.8% in the same period last year.

Operating income in the lower line was up by a positive 347.3%, or JPY21.59 billion. Both domestic and overseas businesses posted significant increases in profit, with domestic business increasing profit by approximately JPY4.6 billion and overseas business increasing profit by approximately JPY17 billion, respectively. The domestic business posted higher earnings, especially in the export sector from Japan, driven by a weaker yen and subdued overseas transportation costs. In the overseas business, the Company achieved significant sales growth in the Americas, and in addition, the penetration of sales price optimization in the Americas, Europe, and other regions resulted in a large increase in profit.



Page six. Page six shows YoY comparisons of sales by region and by quarter, with Q1 shown in blue and Q2 shown in beige.

In Japan, I explained earlier that the export business contributed to the increase in operating income, but with regard to sales, steady progress in shipments to the domestic market contributed to the increase in sales. Unfortunately, however, Japan still lags behind the rest of the world in raising the prices of parts and materials. Add to that the weak yen and inflation, and the contribution to profits from increased sales to the domestic market was not sufficient.

Americas. The increase in sales in the Americas, as explained earlier on page five, was due to the steady implementation of production and shipments against the backdrop of an abundant order backlog.

On the other hand, as you can see in the lower left-hand corner, sales in Europe increased by JPY2.25 billion YoY, but as indicated in the callout, there was a JPY4.3 billion impact from foreign currency translation, so in real terms, sales were down YoY. This is the result of the impact of Russia's invasion of Ukraine, the slight weakening of the German economy, and recessionary effects.

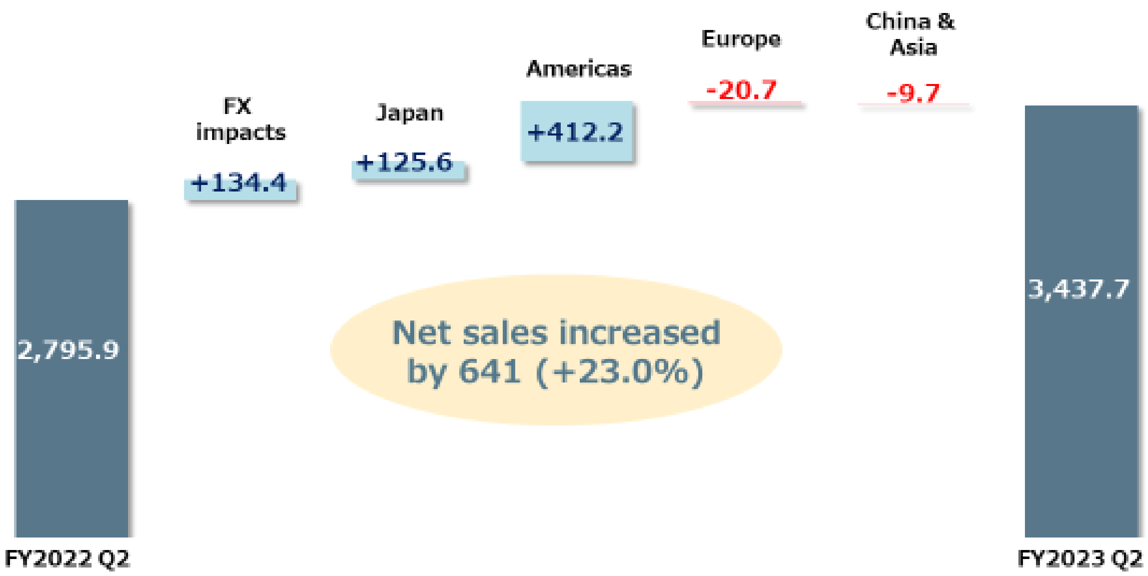
Sales in Asia and China also declined due to the economic slowdown in both regions, the impact of China's economic bias, and the growing presence of Chinese forklift truck manufacturers' products.

5. Net Sales – FY2022 Q2 vs FY2023 Q2

Logisnext

- Japan: Net sales increased as components shortages have been abating and the effects of price optimization are also starting to contribute.
- Overseas: Net sales increased due to the expanded effects of price optimization as units sold in the Americas increased at a pace exceeding the plan, and due to the impact of yen depreciation. Sales in Europe and China & Asia regions decreased.

(Unit: Hundred million JPY)



 7

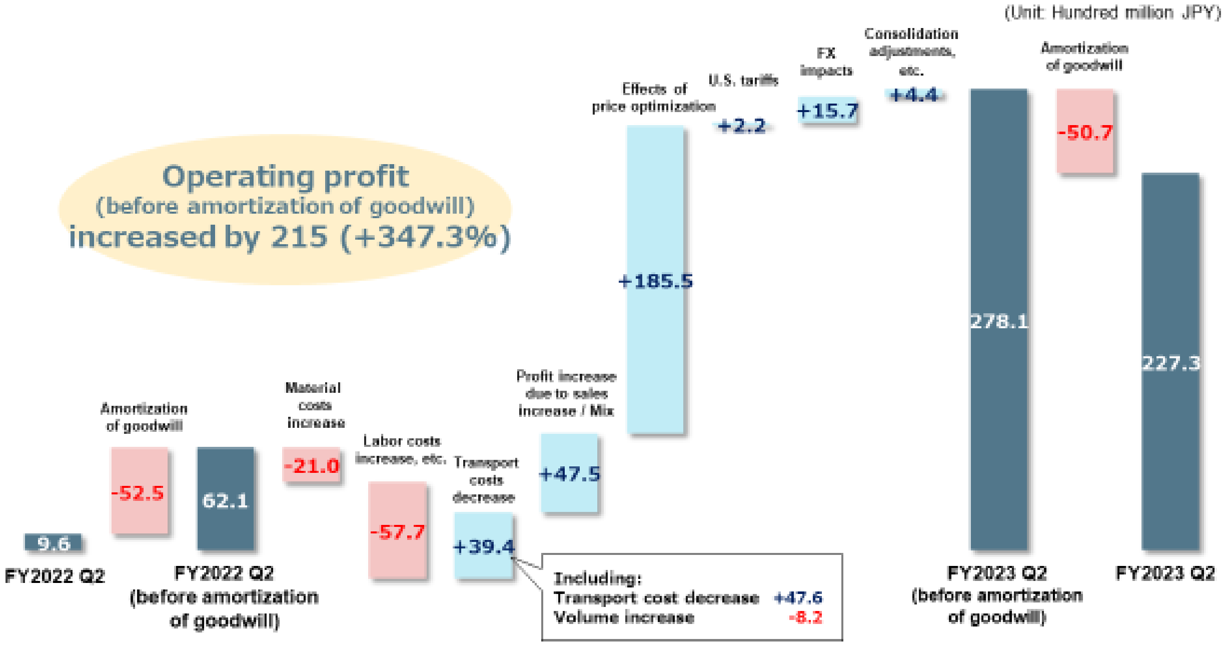
Please continue to page seven. Here, we show in a waterfall chart formula, after removing foreign exchange effects, in which regions the increase in sales occurred. A brief explanation is provided at the top of the chart.

We believe that the situation in both domestic and overseas markets is as we have explained so far. Of the 23% increase in sales over the same period last year, the Americas contributed 15%, the combination contributed 5%, and the domestic business contributed 4%.

6. Operating Profit – FY2022 Q2 vs FY2023 Q2

Logisnext

- Material costs increased mainly in Japan due to the yen depreciation. Labor costs also remain high due to inflation.
- Operating profit before amortization of goodwill increased 347.3% YoY due to higher sales, the effects of price optimization, and the settling of increase in marine transportation costs.



8

Page eight please. This section shows YoY changes in operating income by factor. The factors contributing to the decrease in profit are shown from left to right, and how they were covered by the initiatives on the right side to increase profit.

From left to right, the impact of inflation on material costs, labor costs, and other factors contributed to a decrease in profits of just under JPY8 billion. In the explanation given in Q2 of the previous fiscal year, we indicated that the soaring transportation costs were a factor in the JPY23 billion decrease in profit. In comparison, this shows that although inflationary conditions still persist, the easing has been significant.

From this, we can see that the contribution of price optimization, which is the biggest factor in the increase in profit in H1 of the year, amounted to JPY18.5 billion, following a favorable turnaround in transportation costs, especially marine transportation costs, and an increase in gross profit due to higher sales. The addition of the impact of the yen's depreciation and other factors resulted in an increase in operating income of JPY21.5 billion, from JPY6.2 billion to JPY27.8 billion.

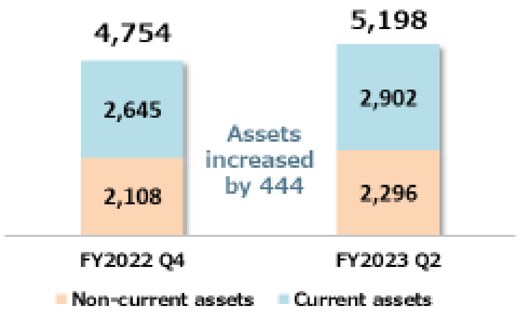
7. Consolidated Balance Sheet

Logisnext

- Net assets increased due to an increase in retained earnings from higher profit and the foreign currency translation adjustment. The capital adequacy ratio improved from 15.9% to 19.8%.

(Unit: Hundred million JPY)

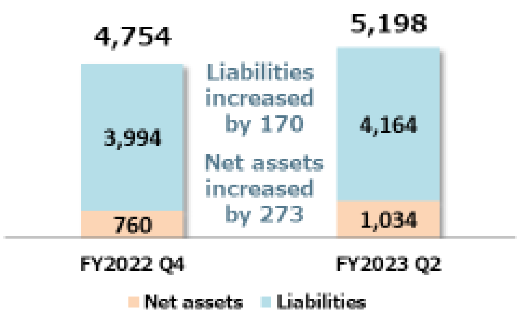
Assets



Item	FY2022 Q4	FY2023 Q2	Change
Current assets	2,645	2,902	+256
Property, plant and equipment	1,489	1,660	+171
Intangible assets	411	388	-22
Investments and other assets	208	247	+39
Total non-current assets	2,108	2,296	+187
Total assets	4,754	5,198	+444

Current assets: Increased
Increased due to exchange rate conversion effects, cash and deposits, and inventories, etc.
Non-current assets: Increased
Increased due to exchange rate conversion effects, and property, plant and equipment, etc.

Liabilities/ Net Assets



Item	FY2022 Q4	FY2023 Q2	Change
Current liabilities	2,087	2,135	+48
Non-current liabilities	1,906	2,029	+122
Total liabilities	3,994	4,164	+170
Total net assets	760	1,034	+273
Total liabilities and net assets	4,754	5,198	+444

Liabilities: Increased
Increased due to exchange rate conversion effects, etc.
Net assets: Increased
Increased due to an increase in retained earnings and the foreign currency translation adjustment

9

Page nine. The following is an explanation of the major changes in the balance sheet.

In FY2021 and FY2022, inventories increased significantly from supply chain disruptions, particularly at manufacturing sites worldwide. In Q2 of the current fiscal year, inventories increased from the end of the previous fiscal year, but not by a large amount, and the increase in inventories has shifted from an increase in production inventories at manufacturing sites to an increase in inventories at sales sites.

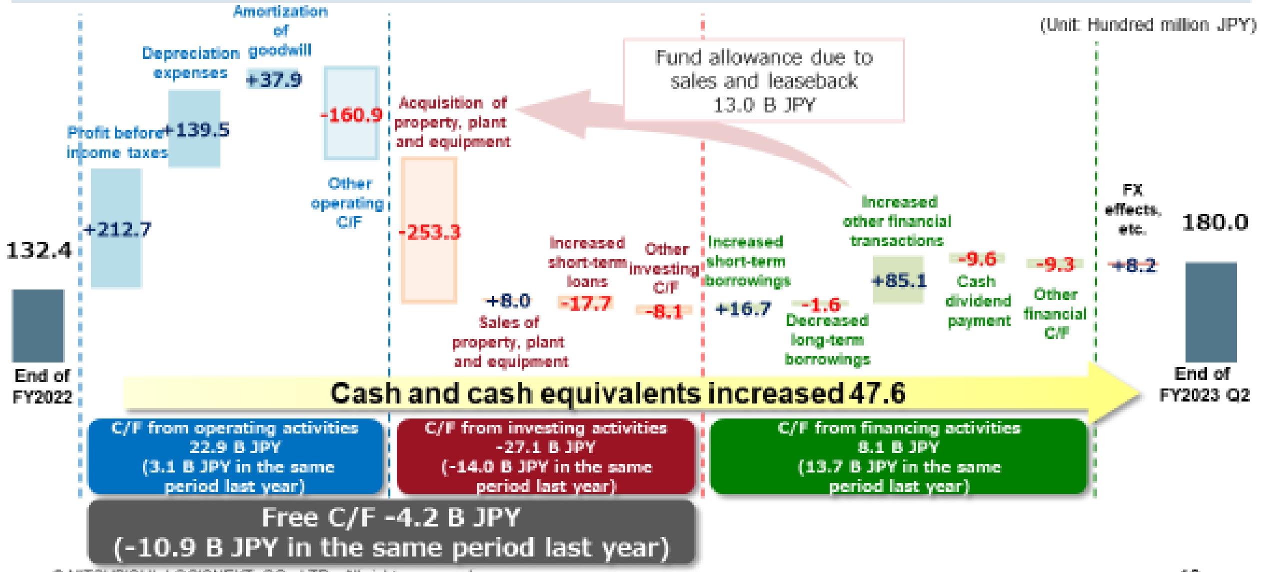
The increase in assets and liabilities on the balance sheet is not particularly noteworthy, except for the increase in translation due to the weaker yen. As shown in the upper part of the document, retained earnings increased by JPY15.6 billion in Q2. There was an increase of JPY11.7 billion in foreign currency translation adjustments. As a result, net assets increased by JPY27.3 billion and the equity ratio improved to 19.8%.

As mentioned earlier, in the current medium-term management plan, which ends in the current fiscal year, we have set a goal of achieving an equity ratio of more than 20% as one aspect of improving our financial position. Although it depends on the exchange rate, we are just beginning to see the achievement of this goal by accumulating net income in H2 of the year as well.

8. Cash Flow

Logisnext

- C/F from operating activities increased 19.8 B JPY YoY due to an increase in profit before income taxes despite rise in working capital.
- C/F from investing activities decreased 13.0 B JPY YoY due to a shift from collection of short-term loans to deposits in FY2023 (impact: 12.5 B JPY) and an increase in acquisition of property, plant and equipment.
- Free C/F increased 6.7 B JPY YoY due to improved C/F from operating activities (+19.2 B JPY YoY if the above short-term loan impact is factored in).



 10

See page 10. Page 10 shows the status of cash flows.

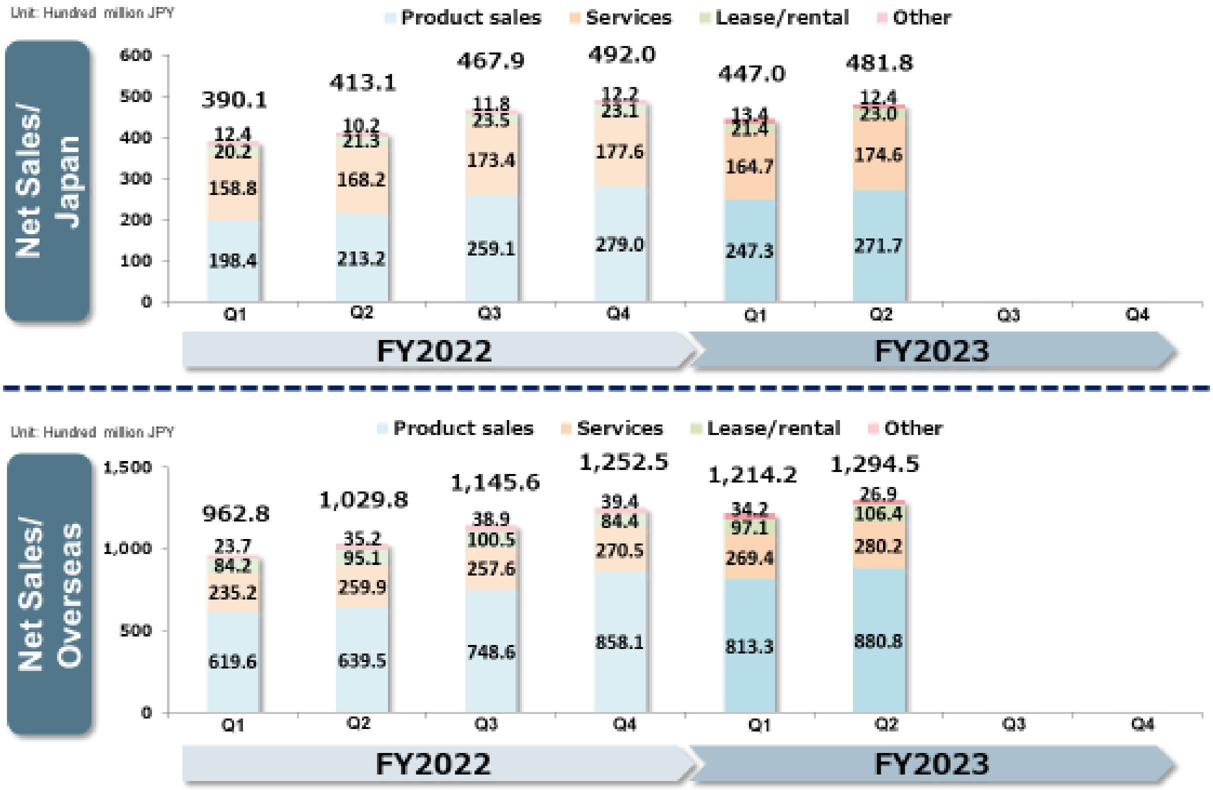
Net cash provided by operating activities was JPY22.9 billion, an increase of JPY19.8 billion from the previous year. Net cash used in investing activities increased by JPY13.1 billion from the same period last year to JPY27.1 billion, due to an increase in investment in forklifts for rent and a change from a draw-down of short-term loans receivable in the same period last year to a deposit, i.e., from an inflow to an outflow, in Q2 of the current fiscal year.

As a result, free cash flow improved by JPY6.8 billion, from an outflow of JPY11 billion in the previous year to an outflow of JPY4.2 billion. Excluding the impact of short-term loan withdrawals and deposits, free cash flow improved by more than JPY19 billion YoY, indicating that the increase in accounting profit was also captured in cash flow.

See the pink arrows in the figure. This explains that investment expenditures for forklift trucks for rental, which are included in capital investment expenditures, were financed by sales leaseback in the amount of JPY13.1 billion. In the same way that sales and expenses in the rental business correspond over a period of time, the Group aims to sustainably expand its rental business by using sales leasebacks to financially correspond over a period of time between expenditures for the acquisition of rental assets and income generated by the rental business.

Reference: Quarterly Financial Results by Category

Logisnext



 13

This is an explanation of the overview of the financial results for the second quarter of the fiscal year ending March 31, 2024.

This section shows sales by category for each quarter from the previous year. Our sales consist of sales of new vehicles to customers, lease rentals to customers instead of sales, after-sales service income from providing inspection services and repair parts replacement during the customer's period of use, and also income from the sale of used vehicles.

In the upper row, domestic sales increased 15.6% from H1 of the previous year to H1 of the current year, with a particularly large increase in sales of the products shown in blue, i.e., new car sales revenue. The same is true for overseas sales in the lower part of the graph, showing that while after-sales service income is steadily increasing both in Japan and overseas, the increase in sales for the period under review was driven by an increase in new vehicle sales as a result of progress in rectifying production, with supply chain disruptions being resolved around the world.

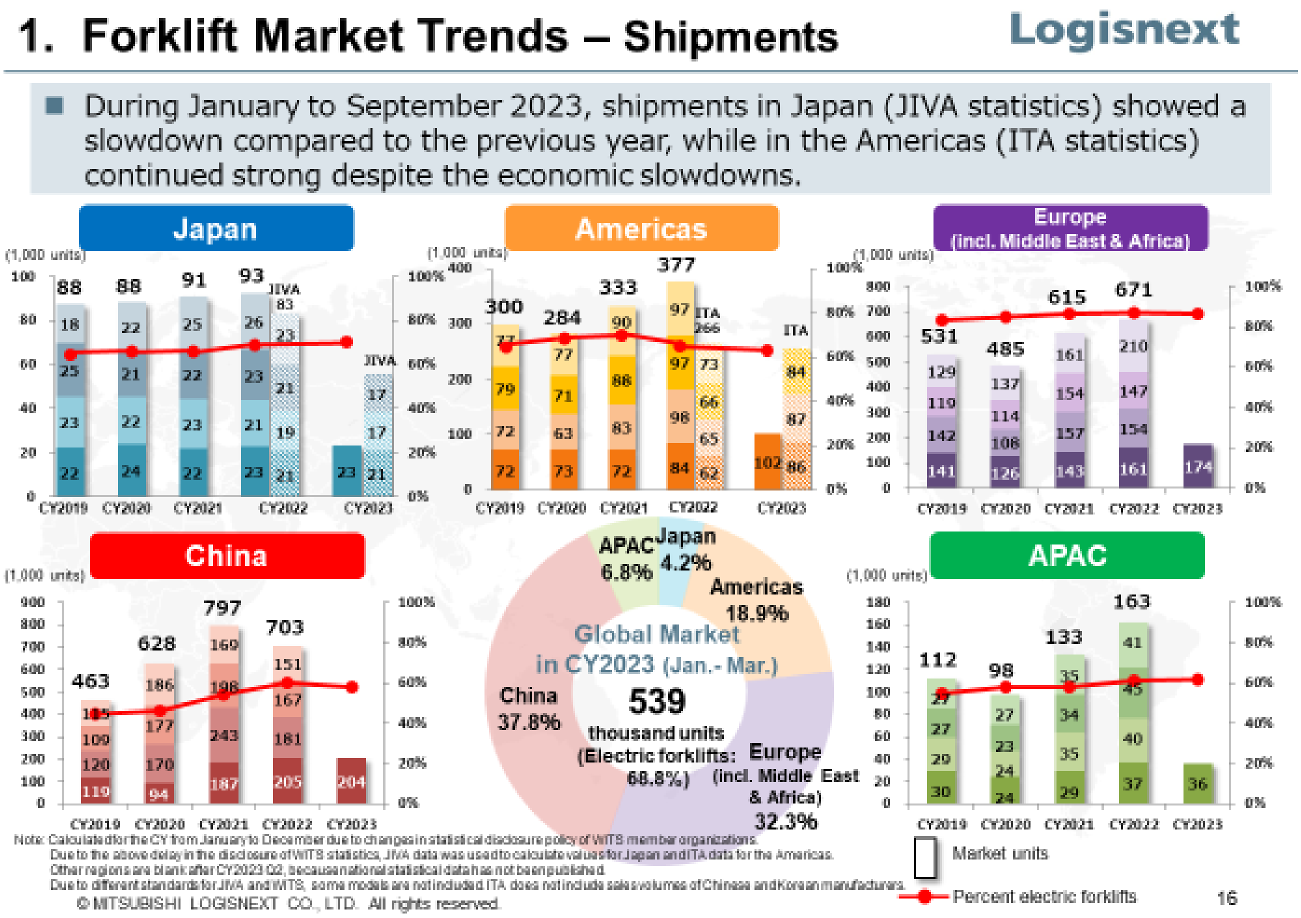
This concludes my presentation of the financial summary.

Moderator: With that, we will move on to the explanation of the progress of the medium-term management plan. Thank you. President Mano.

Mano: My name is Mano, the president. As Uno mentioned earlier, in H1 of FY2023, both sales and profits were much higher than the previous year, reaching record highs.

While the global economy remains uncertain with continued inflation and the worsening situation in the Middle East, the Company has been able to secure a sufficient backlog of orders and promote the rectification of production and shipments as parts shortages have been resolved both in Japan and overseas. In line with this, the effect of price optimization has been expanding.

This fiscal year is the final year of our medium-term management plan, which we call LS23, and we expect to achieve all of the LS23 targets. Today, I would like to explain the financial outlook for the current fiscal year, which was revised upward in the recent earnings announcement, and the progress made in the final year of LS23.

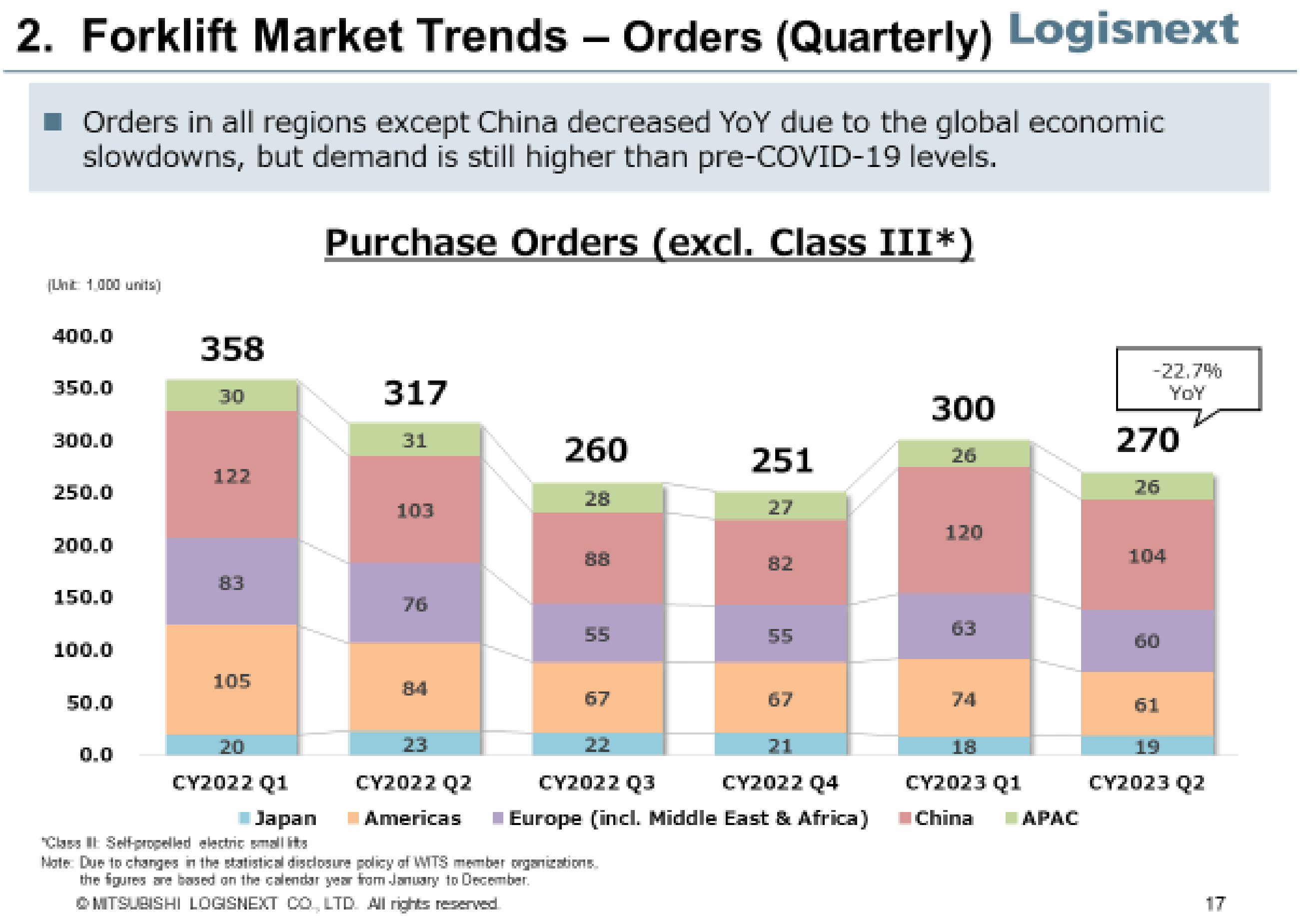


First, please see page 16, forklift truck market shipment results.

Data from the World Industrial Truck Statistics (WITS) are available through Q1 of 2023, a calendar year in which shipments were delayed by six months due to a change in the statistical disclosure policy of the member organizations.

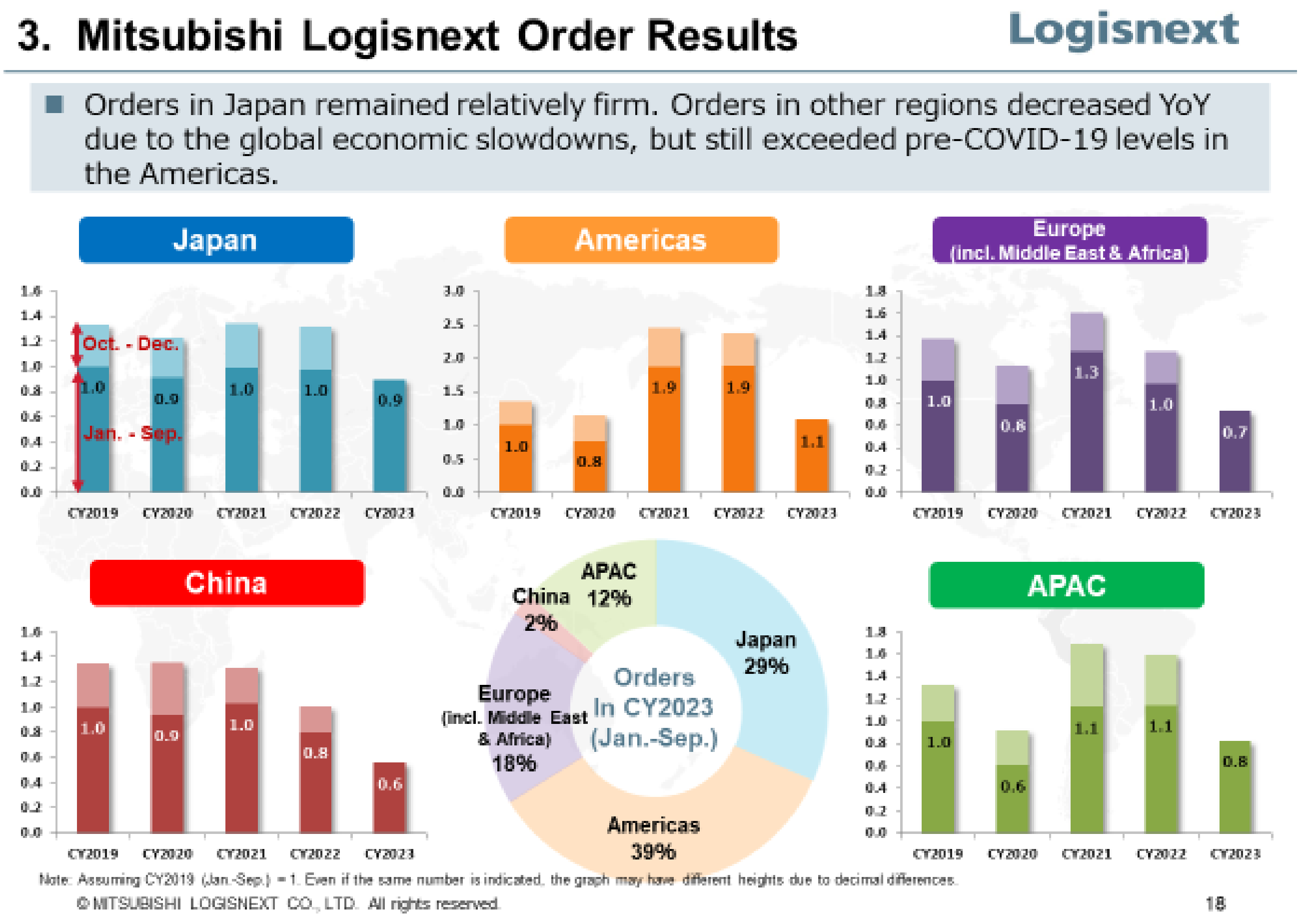
The bar graph shows the number of units shipped in each region over the past five years, and the pie graph in the center shows the number of units shipped from January to March 2023 as a percentage of the total number of units shipped in each region. For Japan and the Americas, since statistical data for each region are disclosed, data for Japan and the Americas are shown as light-colored bar graphs for JIVA and ITA, respectively, for January to September 2022 and 2023, respectively.

As the note at the lower left indicates, the JIVA and ITA are based on different standards than WITS, so these figures are for reference only. However, the market volume from January to September shows a slight slowdown from the previous year in Japan, while shipments in the Americas are increasing at a faster pace than in the previous year.



On page 17, a bar chart shows quarterly trends in the actual number of orders received in the global forklift market, excluding the small, self-propelled electric lifts, known as Class III. Also, as on the previous page, the number of orders received is also calculated on a calendar year basis.

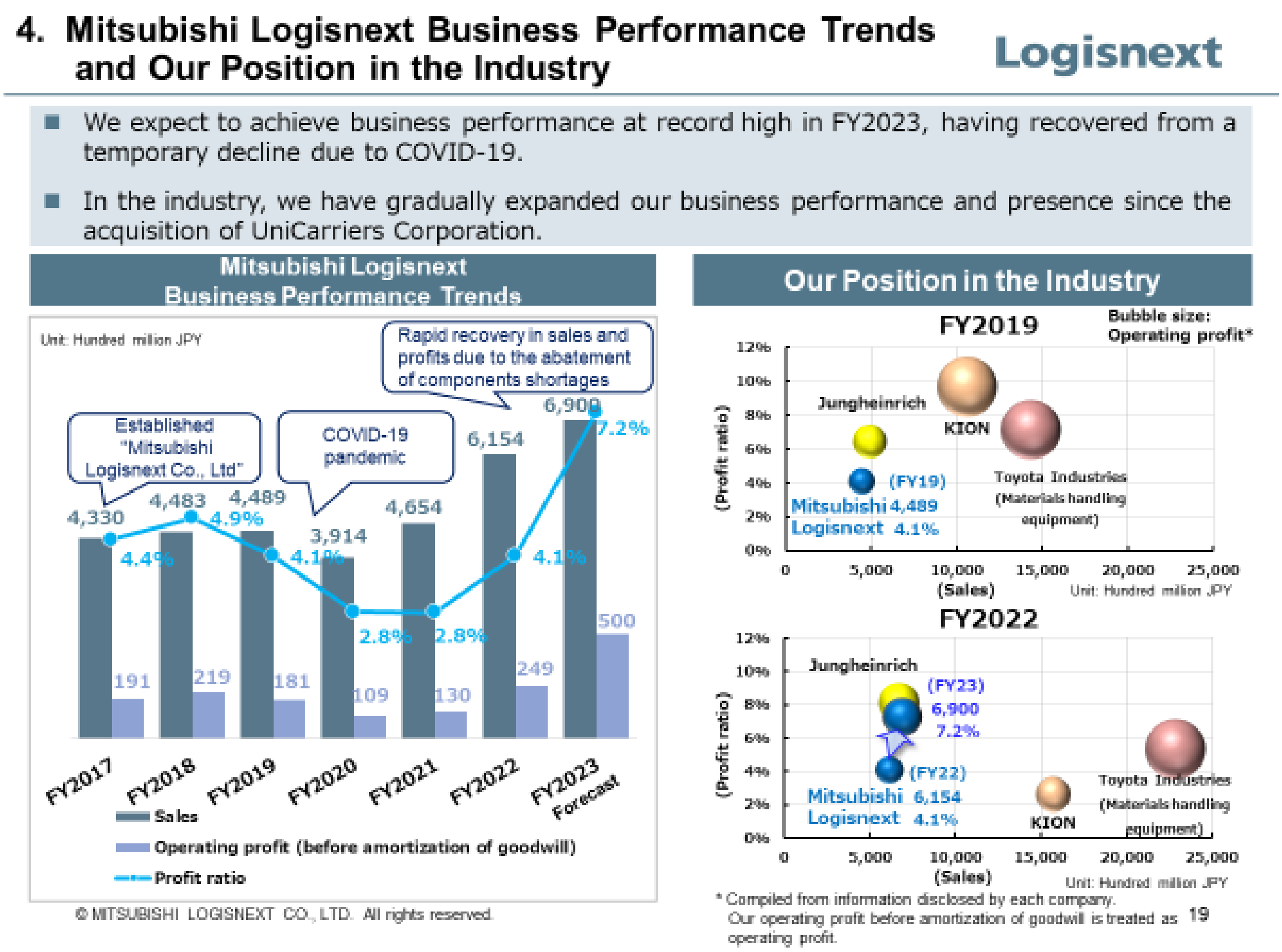
Orders in Q2 of 2023 were down in all regions except China, where they were about 15% lower than in the same period last year. Orders for forklift trucks were severely affected by deteriorating market conditions due to monetary tightening in the United States and European countries, as well as growing concerns about a slowdown in the global economy amid the prolonged invasion of Ukraine by Russia, with no end in sight. However, it still remains at a higher level than in 2019 before the coronavirus pandemic.



Continuing, on page 18, the bar graph on page 18 shows our order volume for the five-year period including the current period, with an index of 1 for January through September 2019. Please note that from this time onward, the figures are based on a calendar year, in addition to the market figures shown on the previous pages.

The pie chart in the center shows the number of orders received by the Company from January to September 2023 as a percentage of total orders by region. In Japan and the Americas, where the majority of our orders are received, you can see that while orders in Japan have remained relatively firm, those in the Americas have declined significantly from the previous year, but are still above the levels seen before the coronavirus pandemic.

With respect to Europe, the continuing geopolitical risks in Ukraine, the rapid deterioration of the real estate market with respect to China, and the ripple effects of the economic downturn in China in Asia, the numbers have dropped significantly from the previous year and are now below the levels even prior to the coronavirus pandemic. In Europe, China, and Asia, we do not foresee a bottoming out of the market, and we expect the difficult situation to continue for the time being.

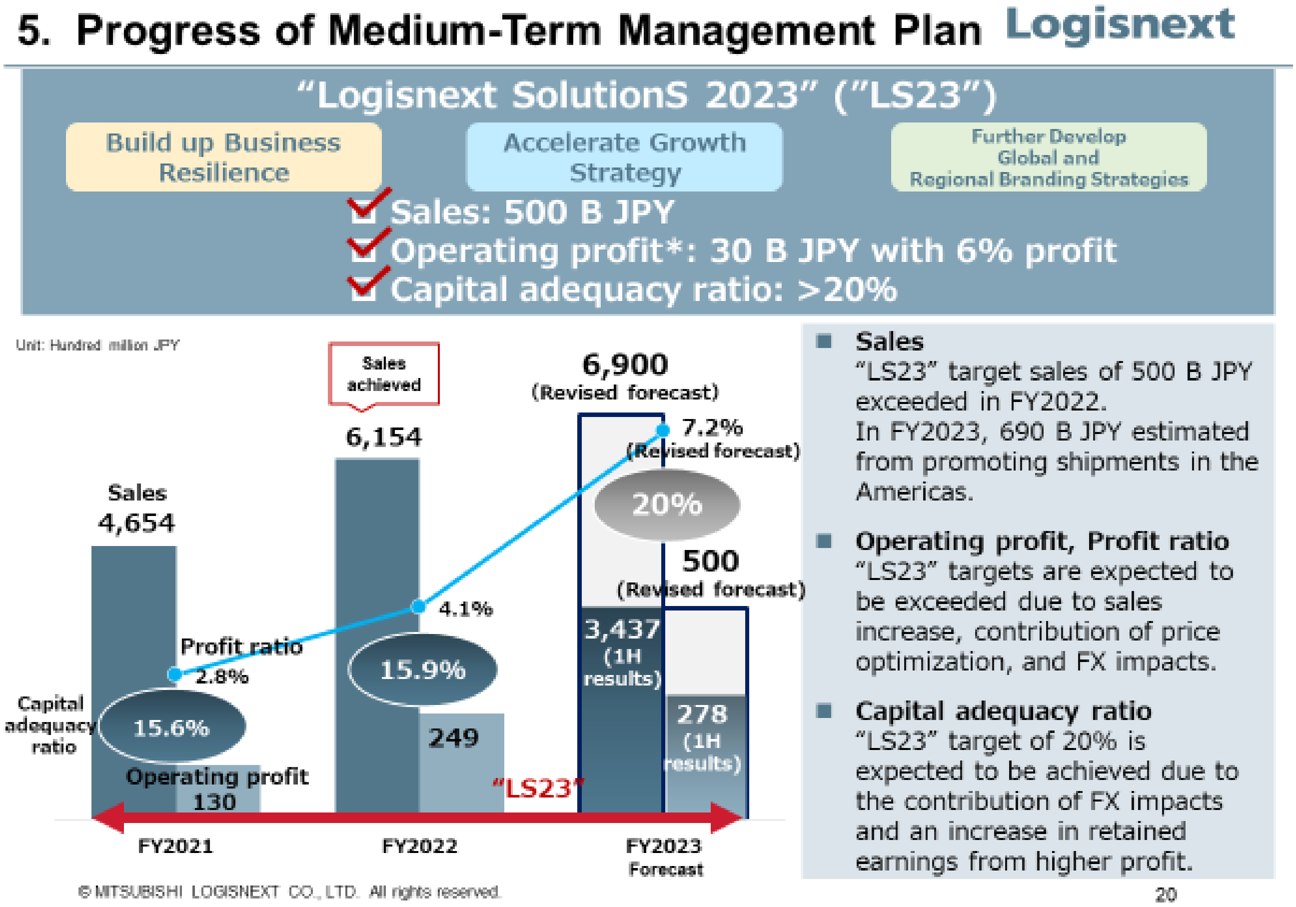


On page 19, we will explain how our performance has changed since the acquisition of the former UniCarriers, and how our positioning in the industry has changed. The left side of the slide shows our performance since FY2017, with a bar graph showing net sales and operating income, and a line graph showing operating margin. The right-hand side shows the industry positioning of each competitor for FY2019 and FY2022, with the vertical axis representing operating margin, the horizontal axis representing net sales, and the size of the bubble representing operating income amount.

Regarding our business performance, after the inauguration of Mitsubishi Logisnext in FY2017, we had been steadily increasing our performance, but after a slowdown in 2019 due to the US-China trade friction, the global spread of the novel coronavirus infection from early 2020 caused a sharp decline in orders and a drop in our business performance.

Subsequently, orders improved with the resumption of economic activity, but the Company was hit by supply chain disruptions, shortages of semiconductors and other components, and soaring material costs, which prevented it from achieving a recovery in business performance. However, from the latter half of FY2022 onward, the Company's performance has improved dramatically due to progress in production rectification and price optimization, and we expect record-high full-year results for the current fiscal year.

In terms of our position in the industry, although our sales are not as high as the top two companies, our operating profit margin has improved significantly over the past several years, and our presence in the industry is steadily increasing.



On page 20, we will discuss the progress of our medium-term management plan LS23.

Under LS23, the three basic strategies of enhancing corporate strength, promoting growth strategies, and enhancing brand power were set as follows: net sales of JPY500 billion, operating income before amortization of goodwill of JPY30 billion, operating margin of 6%, and equity ratio of at least 20%.

As you know, we have already exceeded our sales target for FY2022, and our forecast for FY2023 is JPY690 billion, far exceeding our target. Operating income before amortization of goodwill and other items is expected to be JPY50 billion, well above the LS23 target, due to the contribution of increased sales, price optimization, and foreign exchange effects, and the operating income margin is expected to be 7.2%. The capital adequacy ratio is also expected to achieve the LS23 target of 20%.

6. FY2023 Forecast

Logisnext

- Although the market environment is expected to deteriorate due to concern about the global economic slowdowns, we will significantly exceed the initial forecast due to the effects of price optimization at pace to exceed the plan, as well as the contribution of the yen depreciation.
- Sales and all profit categories are expected to reach record highs.

(Unit: Hundred million JPY)	FY2023 Initial Forecast (Published in May. 2023)	FY2023 Revised Forecast (Published in Nov. 2023)	Change Compared to Initial Forecasts	
Units Sold	115,000 units	115,000 units	–	–
Net Sales	6,300.0	6,900.0	+600.0	+9.5%
Operating Profit (Before amortization of goodwill, etc.) (Operating profit margin)	350.0 (5.6%)	500.0 (7.2%)	+150.0	+42.9%
Amortization of Goodwill, etc.	100.0	100.0	–	–
Operating Profit (Operating profit margin)	250.0 (4.0%)	400.0 (5.8%)	+150.0	+60.0%
Ordinary Profit (Ordinary profit margin)	230.0 (3.7%)	360.0 (5.2%)	+130.0	+56.5%
Profit Attributable to Owners of Parent (Net income margin)	130.0 (2.1%)	230.0 (3.3%)	+100.0	+76.9%
Dividend per Share	16 JPY	19 JPY	+3 JPY	–

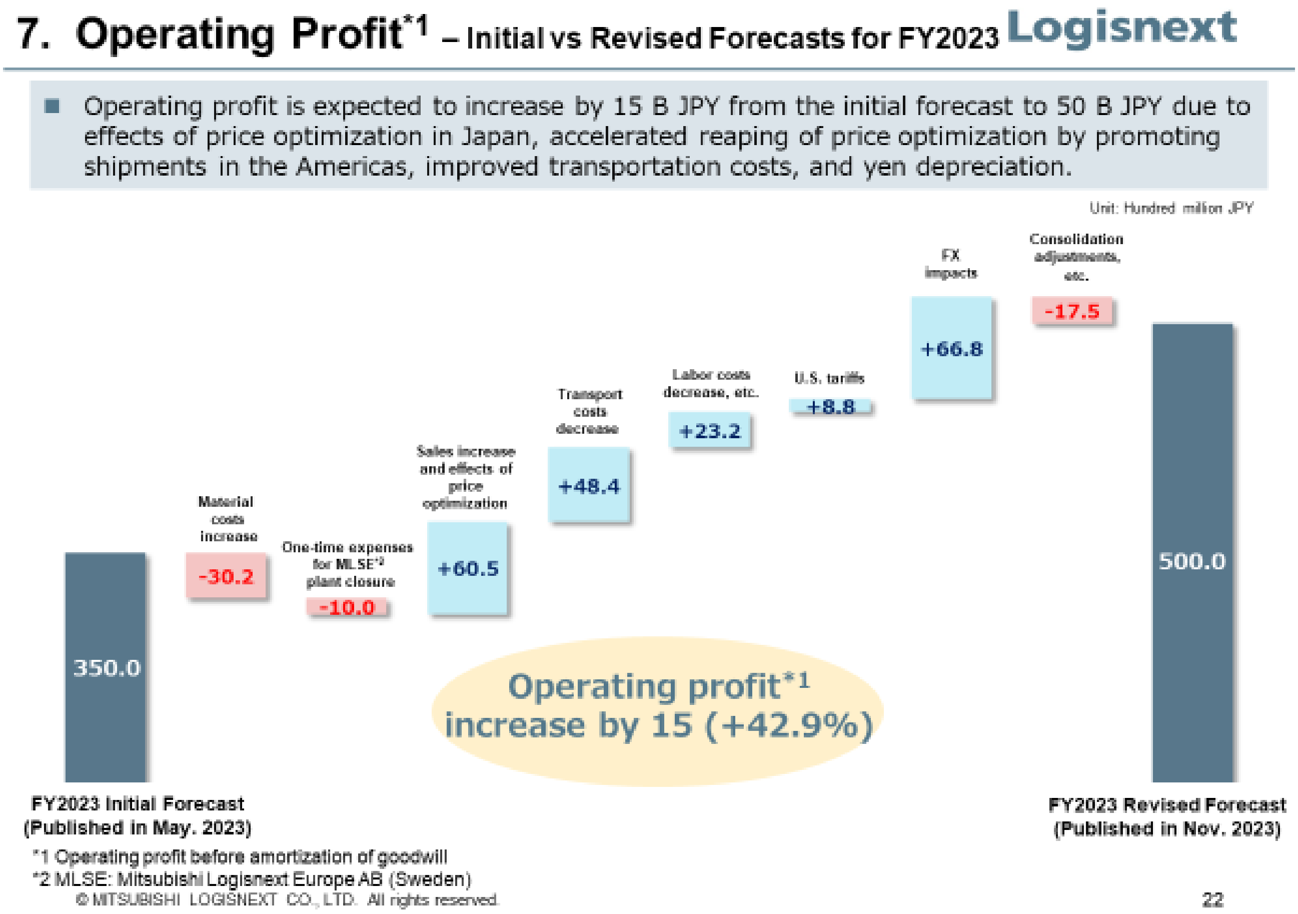
FY2023 initial plan FX rates: USD=JPY130 EUR=JPY140 CNY=JPY20.0
FY2023 2nd-half plan FX rates: USD=JPY140 EUR=JPY150 CNY=JPY19.7

21

On page 21, we will explain our forecast for FY2023, which we announced on November 6, 2023. See the FY2023 earnings revision column in the second row.

The sales volume remains unchanged from the initial forecast of 115,000 units. We have revised our net sales forecast to JPY690 billion, up JPY60 billion from the initial forecast, operating income before amortization of goodwill, etc., up by JPY15 billion to JPY50 billion, and net income up by JPY10 billion to JPY23 billion, all of which are expected to be record highs, far exceeding the initial forecast.

Regarding dividends, since net assets at the end of FY2023 are expected to increase from the initial forecast, we will increase the dividend by JPY3 to JPY19 per share, assuming a DOE or dividend on equity ratio of about 2%.

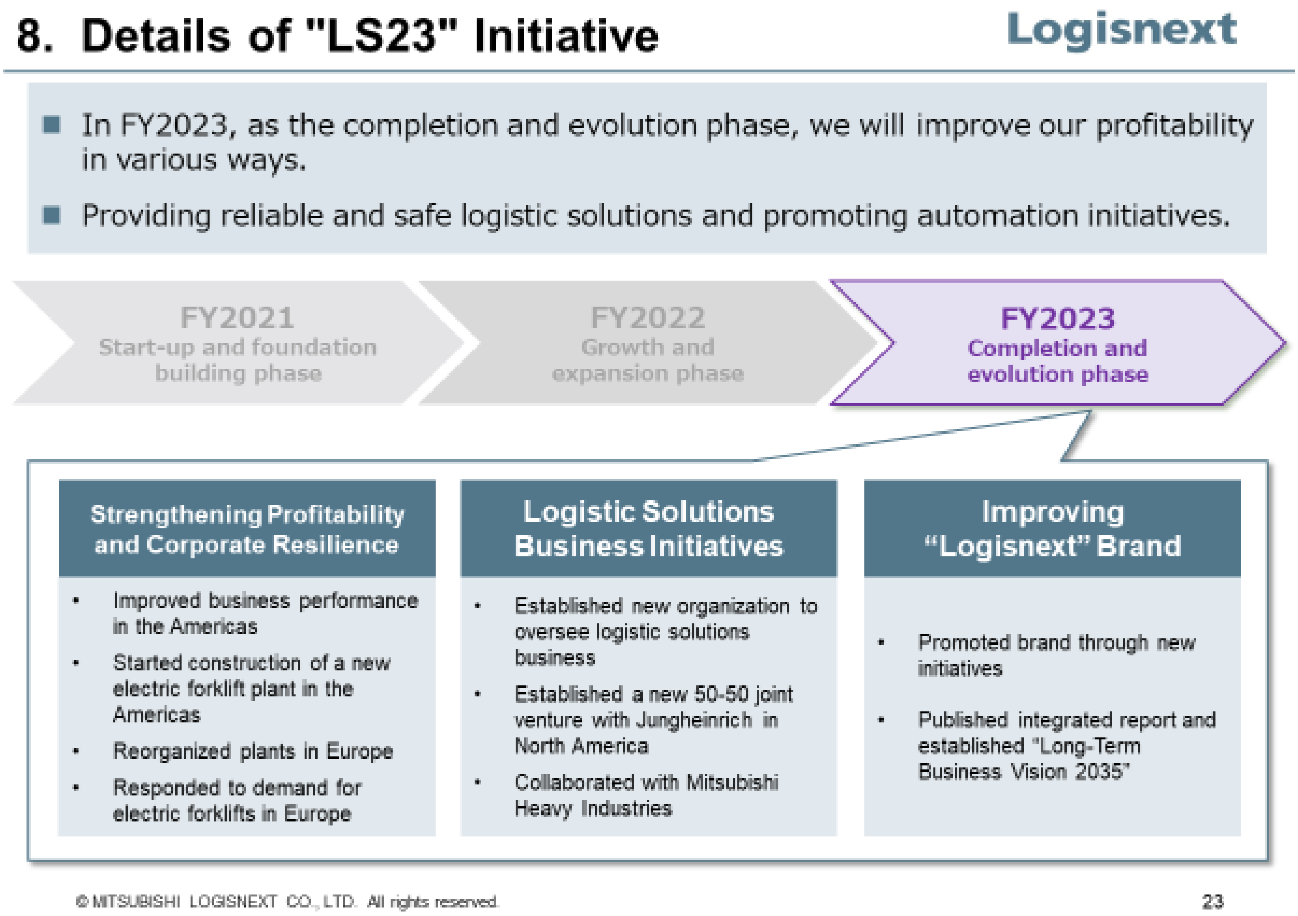


On page 22, a waterfall chart explains the factors behind the increase or decrease in operating income before amortization of goodwill and other items versus the initial forecast in the revised forecast for FY2023, which was presented earlier.

First, as a negative factor, we expect a rise in material costs in Japan due to the weak yen and other factors, amounting to JPY3 billion. In addition, we have factored in a one-time cost of about JPY1 billion associated with the closure of the Swedish plant, which will be explained in more detail later.

On the other hand, positive factors include: sales are increasing due to production streamlining in the Americas at a faster pace than planned, and the reaping of price optimization is accelerating; transportation costs have peaked out and have subsided; and the yen has weakened more than the initial exchange rate assumption.

The Company has factored in these factors. As a result, operating income before amortization of goodwill and other items for FY2023 is expected to be JPY50 billion, up JPY15 billion from the initial forecast.



From page 23, we will introduce the details of the LS23's initiatives.

In fiscal 2023, we are in the completion and evolution phase of our business and are working to improve profitability through all possible means, as well as providing safe and secure logistic solutions and promoting initiatives to automate logistics.

For specific policies, please see the bottom half of the slide.

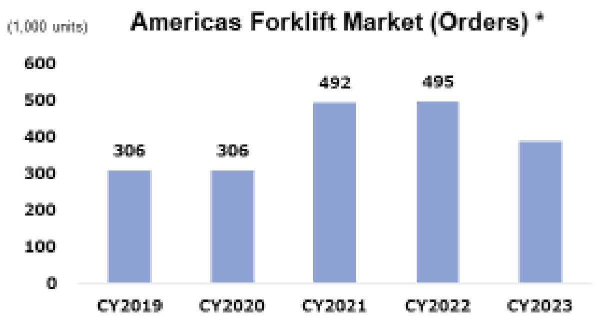
The first is about our efforts in the Americas and European operations to strengthen profitability and corporate strength. The second is the establishment of a new organization to oversee the logistic solutions business, the establishment of a new 50-50 joint venture with Jungheinrich in North America, and collaboration with its parent company, Mitsubishi Heavy Industries, as part of the logistic solutions business initiatives. Third, as for brand strength enhancement, we will discuss brand awareness through new initiatives, publication of the Integrated Report, and Long-Term Business Vision 2035.

From the next page, we will explain each of these three initiatives in turn.

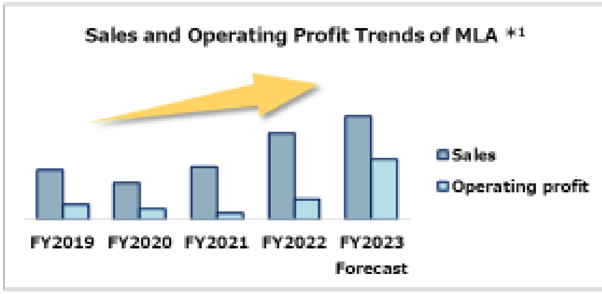
9. Strengthening Profitability
– Improved Business Performance in the Americas

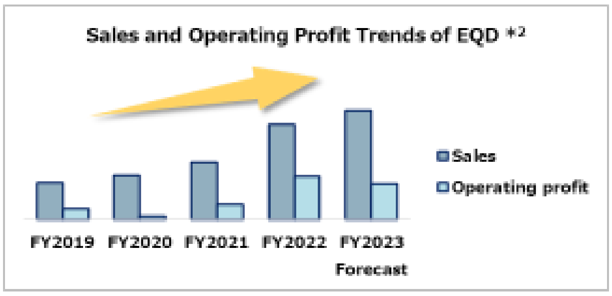
- Orders are weak due to the economic downturn, but remain at pre-COVID-19 levels.
- We expect to increase business performance in FY2023 by continuing to promote production since FY2022.

Fiscal Year Trends in the Americas (2019 - 2023)



* Research by Mitsubishi Logisnext





- Orders, which expanded during the recovery phase from COVID-19, are settling down.
- Business performance has been recovering since FY2022, due to the effects of price optimization and promoting production.

*1 MLA: Mitsubishi Logisnext Americas Inc.
*2 EQD: Equipment Depot, Inc.

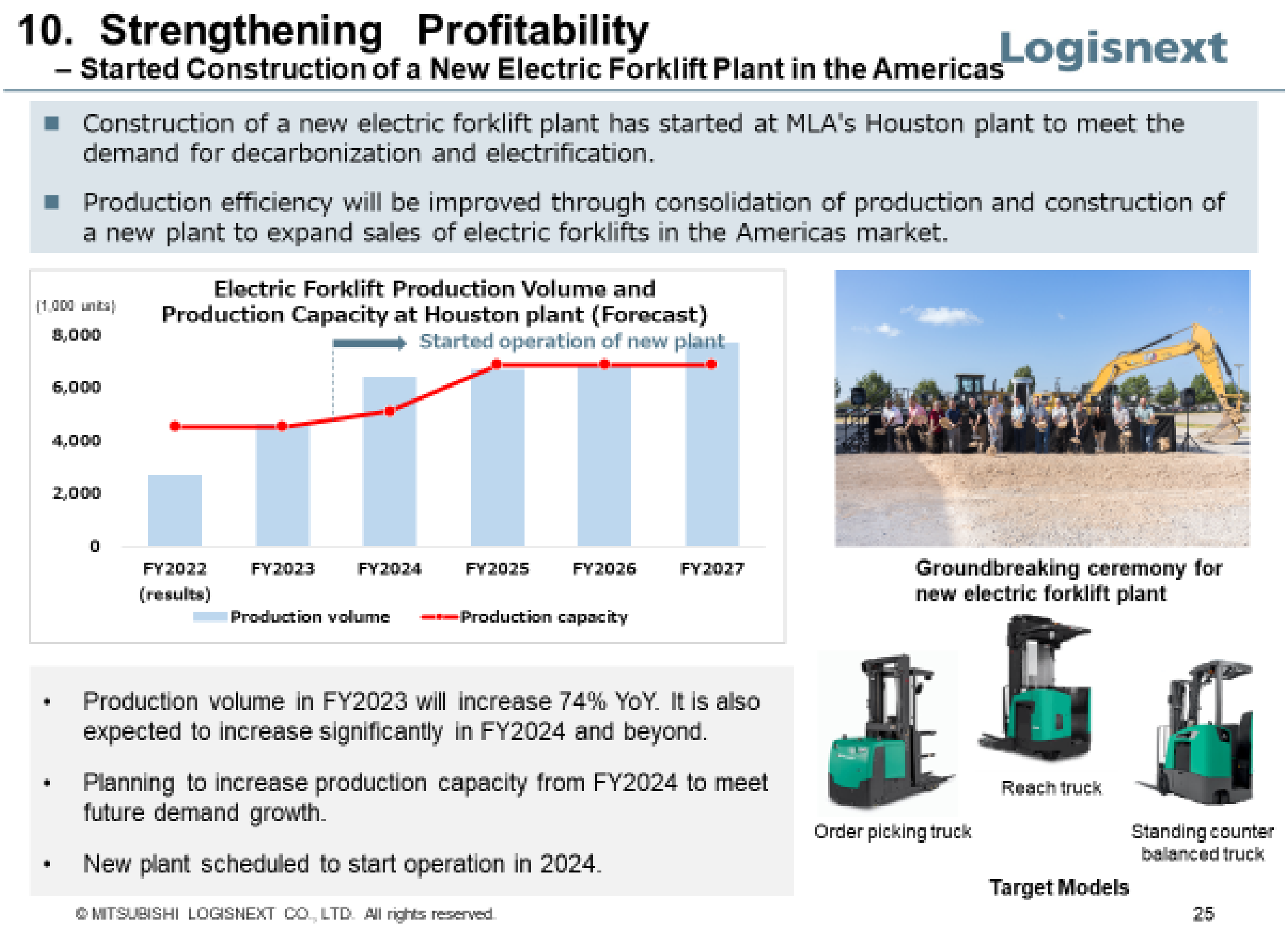
24

On page 24, we will explain the performance trends in the Americas, which is making a significant contribution to strengthening profitability. The graph on the left shows the trend of orders in the forklift market in the Americas, and the graph on the right shows the sales and operating income of MLA, which has a factory function, and EQD, which provides sales services.

Regarding trends in orders, the current order situation is challenging, but orders are expected to remain at the pre-coronavirus pandemic level, as demand, which expanded rapidly during the recovery phase from the coronavirus disaster, has settled down, and market conditions have deteriorated due to monetary tightening and other factors.

As for the performance of our subsidiaries in the Americas, MLA is making progress in rectifying production at a pace that exceeds the plan at the beginning of the fiscal year, and we expect the company to continue to expand its performance as in the previous fiscal year.

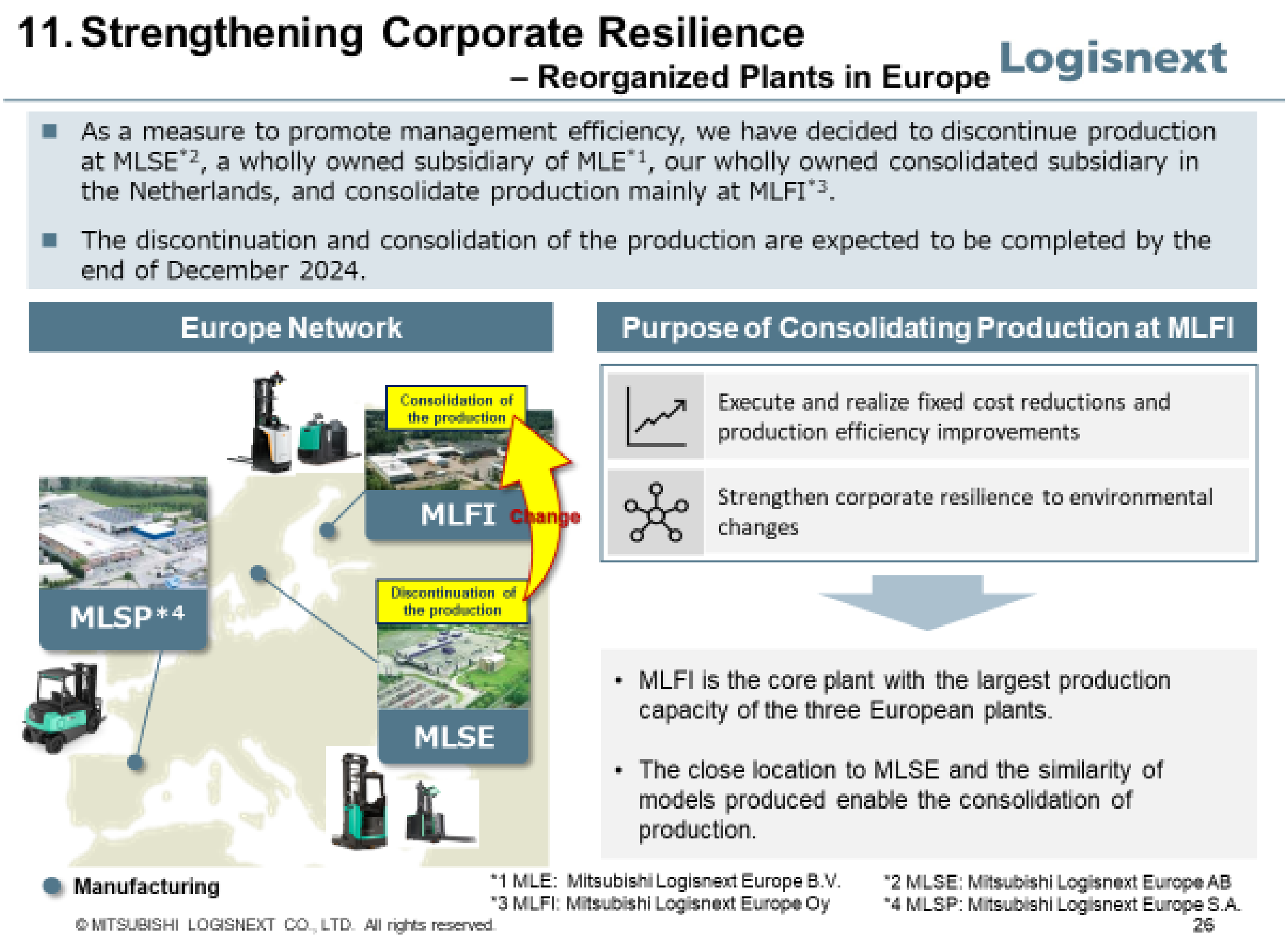
On the other hand, in EQD, although net sales will increase due to an increase in new vehicle sales, operating income for the current fiscal year is expected to decrease slightly due to a slower utilization rate in the rental business compared to the previous fiscal year.



On page 25, we will explain the start of construction of a new battery-powered vehicle plant in the Americas.

Construction of a new battery car plant at MLA's Houston facility has begun to meet the growing demand for decarbonized and battery-powered vehicles. The graph in the middle slide shows the projected production volume and production capacity of battery-powered vehicles from FY2022 to FY2027.

The new plant is scheduled to start operation in 2024 and is expected to have sufficient production capacity from 2025. With the construction of the new plant, we will reorganize the plant layout to improve production efficiency and expand sales of battery-powered vehicles in the US market.



On page 26, we will discuss measures to enhance corporate strength. In Europe, as a measure to promote management efficiency, we have decided to close the plant function of MLSE Sweden under MLE, our base, and transfer and consolidate production mainly at MLFI Finland.

The purpose of this production transfer is to reduce fixed costs by consolidating resources and improving production efficiency, thereby strengthening the Company's ability to withstand changes in the business environment.

MLFI is the largest plant in terms of production capacity among the three plants in Europe, and we decided to integrate the two plants because they are located close to MLSE and produce similar products. The closure of MLSE's plant functions and production consolidation is scheduled for December 2024, after which we intend to further rationalize and improve the production efficiency of the entire MLFI plant.

12. Strengthening Profitability
– Responded to Demand for Electric Forklifts in Europe

Logisnext

- Strong sales of "EDiA XL" medium-sized electric forklifts launched in Europe in Apr. 2021.
- Aiming to meet the accelerating demand for electric forklifts and contribute to a decarbonized society by further expanding sales of the EDiA XL model, which can also satisfy demand for replacing engine powered forklifts.

Keypoints

- **Contributing to a decarbonized society**
  The EDiA XL was launched in April 2021. Sales volume in FY2022 increased by about 3 times YoY and sales are favorable in Europe.
- **Satisfying demand for alternatives to engine forklifts**
  Equipped with "Auto Boost" software that temporarily boosts driving forces when climbing hills or accelerating. Also Suitable for power-demanding environments and as a replacement for engine forklifts.
- **Design Award Received**
  The EDiA XL won the 2023 Red Dot Design Award, an international design award from Germany, especially due to its modern design and excellent performance.

EDiA XL

"Red Dot Design Award" Received

The Archies FINALIST

reddot winner 2023

Applicable SDG items

Affordable and clean energy

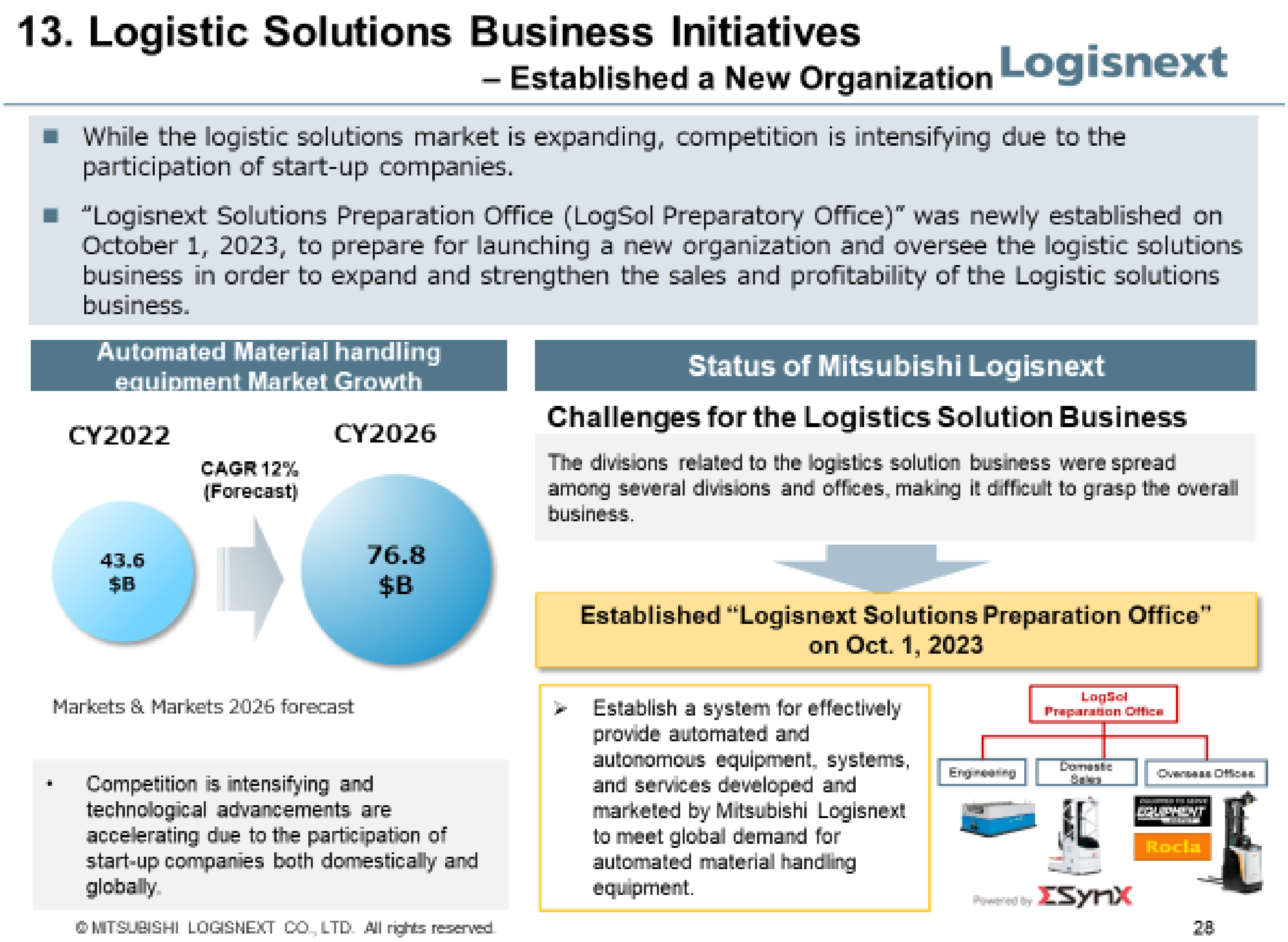
Climate action

27

On page 27, we will explain how we are responding to the demand for battery conversion in Europe.

In Europe, the EDiA XL, a high-performance medium-sized battery-powered forklift truck, was launched in the market in April 2021. Sales volume in FY2022 will increase significantly, approximately three times that of the previous year, and sales in Europe are growing steadily.

The features of this product are that it can contribute to the realization of a decarbonized society through its market launch, and that it is equipped with software that temporarily increases driving force during hill climbing and acceleration, and an auto-boost function, making it suitable for use in environments where power-hungry engine vehicles are used. The Company has also received the Red Dot Design Award, an international design award from Germany, and we believe that its design quality is highly regarded by the market as one of its distinguishing features. EDiA XL is planned to be rolled out outside of Europe, and we hope to further expand sales in response to the accelerating demand for battery technology in the future.

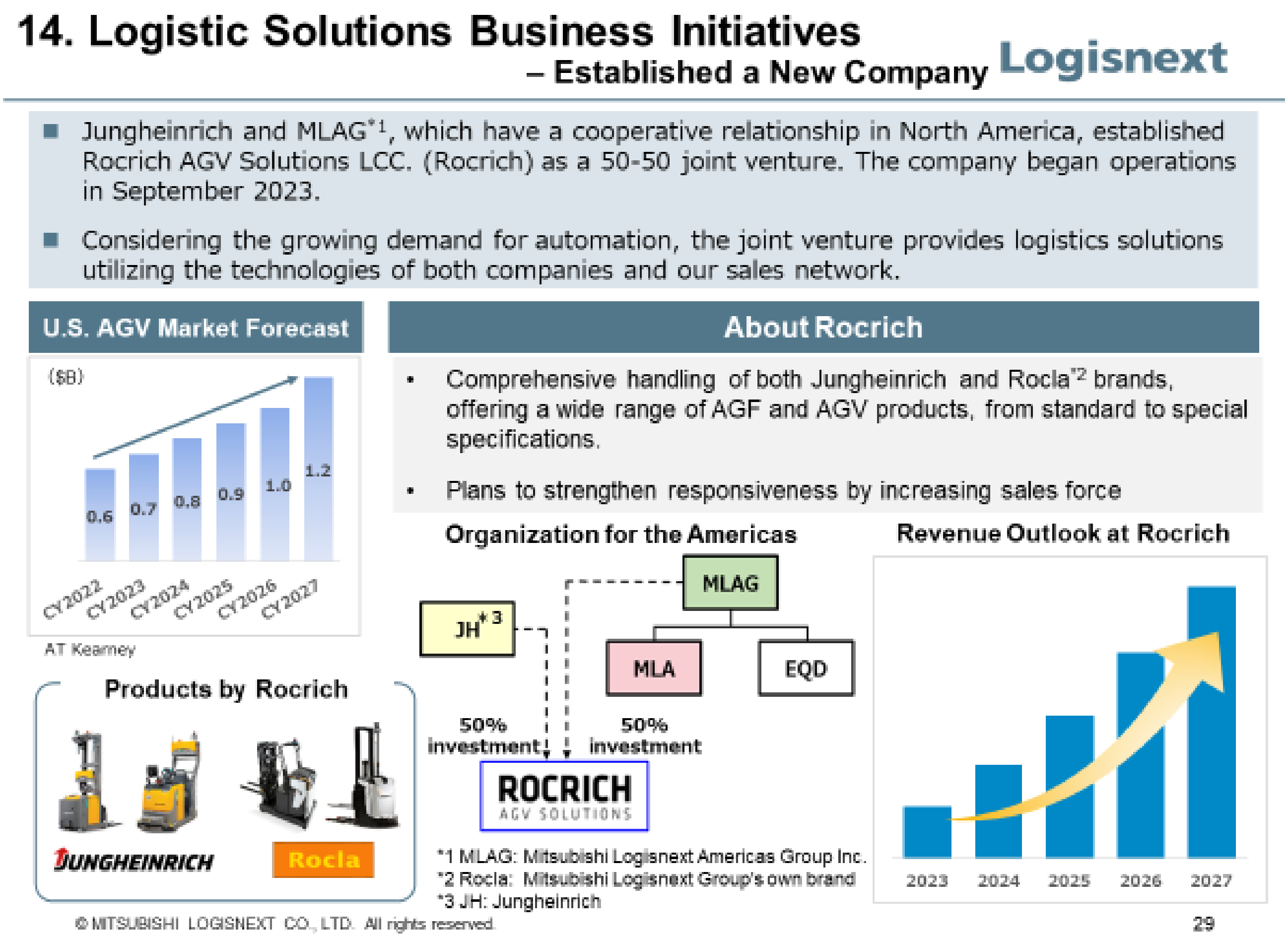


On page 28, we will explain the establishment of a new organization as part of our logistic solutions business initiatives.

The pie chart on the left illustrates the size of the automation equipment and logistic solutions market, which is expected to expand at a CAGR of 12% from 2022 to 2026. While this is a tailwind for our logistic solutions business, competition is expected to intensify and technological development to accelerate due to the entry of numerous venture companies in Japan and overseas.

In this business environment, we have established a preparatory office, which we call the LogSol Preparation Office, as of October 1, 2023, to review our logistic solutions business structure and establish a new organization to oversee it on a global basis.

The role of the new organization, as shown in the diagram at the bottom right, will be to oversee the currently separate engineering, sales, and logistic solutions businesses at overseas bases from a horizontal perspective, and to create a system to monitor earnings, allocate resources, and make strategic policy decisions from a global perspective. We believe that this is our role. Through this, we intend to build a system to effectively provide logistic solutions to meet the global demand for automation, thereby strengthening our business and expanding our earnings.



On page 29, we will discuss the establishment of a new company in North America as part of our logistic solutions business initiatives.

The MLA Group established Rocrich AGV Solutions LCC, which we call Rocrich for short, as a 50-50 joint venture with Jungheinrich, with whom we have a cooperative relationship in North America, and it started operations in September 2023.

The left side of the slide shows a graph of the AGV market size in the Americas. The AGV market is expected to expand rapidly, doubling in the next five years from USD600 million in 2022 to USD1.2 billion in 2027. In view of the recent growth in demand for automation, the Rocla and Jungheinrich brands will be comprehensively handled by Rocla to offer a wide range of AGFs and AGVs, from standard to special specifications, to meet customers' needs. We then intend to expand our business performance by providing logistic solutions utilizing the technologies of both companies and our sales network.

On page 30, we will introduce our collaboration with Mitsubishi Heavy Industries, Ltd. as part of our logistic solutions business initiatives.

We exhibited our new unmanned forklift truck AGF-X equipped with ΣSynX [Sigma Synx] solution and DECCO concept at the 3rd INNOVATION EXPO 2023, held from September 13 to 15, 2023, in collaboration with Mitsubishi Heavy Industries. We demonstrated, for the first time, logistics operations using two types of forklifts, AGF-X and DECCO, equipped with Sigma SynX.

To give you a better idea of what we are aiming for, we would like to show you a video of an actual demonstration of the AGF-X at the International Logistics Fair to deepen your understanding of our logistic solutions business. Now play the video.

[Video Begins]

Narration: Mitsubishi Heavy Industries, Ltd. and Mitsubishi Logisnext are developing a next-generation intelligent unmanned forklift truck, AGF-X, equipped with Sigma SynX, to be offered by Mitsubishi Logisnext. AGF-X accurately detects the position and posture of objects and automatically avoids them, even if there are obstacles on the travel route, achieving a maximum speed of 9 km/h. This is a speed comparable to that of a skilled operator.

And turns are also made lightly, with little or no deceleration in this way. And everyone, please take a look. AGF-X can thus also be used for nestainer rack. We developed the AGF-X to contribute to the future of logistics with its flexibility to be applied to various logistics environments, ease of installation and operation, and workability that is comparable to that of a skilled operator.

[Video Ends]

Mano: How was it? MHI will contribute to the development of the logistics industry by proposing new logistic solutions with high productivity and safety that can be flexibly harmonized with logistics sites, aiming for a future of logistics in harmony with people and machines, as envisioned by the MHI Group.

16. Improving “Logisnext” Brand
– Promoted brand through new initiatives

Logisnext

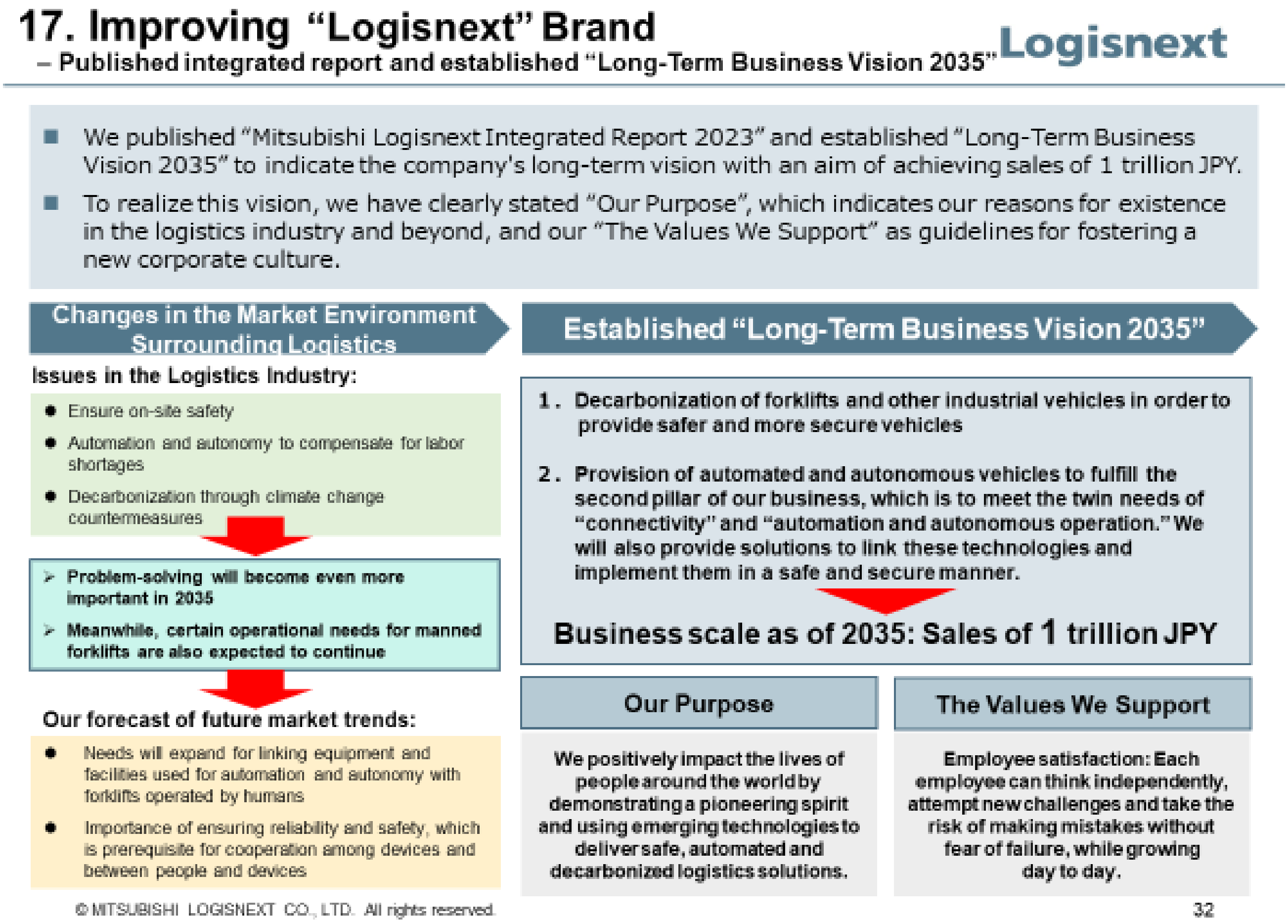
- We are improving the Logisnext brand through new initiatives such as "sports sponsorship" and "social contribution activities" implemented from FY2023. We are using social media to promote the brand to a wide range of demographics.

 31

On page 31, we will discuss new initiatives to improve our brand strength. As a member of society, we are working to improve employee engagement and awareness of our company through measures such as next-generation development in collaboration with multiple stakeholders, regional cooperation, and social contributions.

For example, this fiscal year we sponsored the Kyoto Hannaryz and Shiga Lakes professional basketball teams, and through activities in which employees participate, we have begun efforts to promote sports in local communities, contribute to the development of the next generation, and increase employee engagement.

We are also working on a variety of other measures and continuously disseminating information about the results of these measures, including through the use of social networking services, in order to improve our brand power.



Finally, on page 32, we present our current year's edition of the Integrated Report and our Group's long-term business vision.

Since last year, the Company has been publishing an integrated report, revamping its previous SDG report. The main topic of this year's edition incorporates the Long-Term Business Vision 2035, which clearly defines the long-term business direction of the Group.

As a key point, the Company has identified two growth strategies that it should focus on in anticipation of further changes in the logistics industry, which is currently facing many challenges, and has clarified that it aims to achieve sales of JPY1 trillion by 2035 by developing its business in line with these strategies.

We have also newly defined the meaning of our existence in society, our purpose, and the values we support. The integrated report is available on our website, so please take a look at it.

This concludes our briefing of the financial results for the second quarter of the fiscal year ending March 31, 2024, and the progress of the medium-term management plan. Thank you for your attention.

Moderator: Thank you very much. This concludes the explanation of the material.

Question & Answer

Moderator: We will now move on to the question-and-answer session.

[Questioner1]

Q1: Two questions, please. One thing I would like to ask is to confirm the order backlog. On a securities report basis, as of the end of March 2023, I believe there was an order backlog of just over JPY340 billion. I understand that during H1 of this fiscal year, while orders were falling, sales were up considerably as a result of posting sales from the backlog of orders as of the end of September.

Also, you mentioned earlier that orders are slowing down a bit, so I would like to know how much of the order backlog will be booked as sales in H2 of the year and what level the order backlog will be at the end of March. This is the first.

Uno: I would like to answer the first question. To answer your question in terms of the number of months of backlog, rather than the amount of money, we think it is ideal for any factory to have a backlog of 3.5 to 4 months in order to operate its business in stable production.

In the US, we received a large number of orders from customers in FY2021 and FY2022, but production was sluggish, and at the end of FY2023, we still had an order backlog of about 1.5 years. We are now actively promoting shipments and have been able to reduce the order backlog to about one year as of the end of this September.

Toward the end of the fiscal year, there is still some concern about the economy in the US, so we expect that the one-year balance of the order at the end of September will shrink to eight or seven months by the end of the fiscal year.

As for other regions, demand in Japan has been fairly steady, and as of the end of September, the balance of orders in other regions, including Japan, was generally within three to four months' worth of order backlog.

I am not sure if this will be maintained toward the end of the fiscal year, but I am most concerned about the economic stagnation in Europe, which I think is more serious than in other regions. That is all.

Q1: Thank you very much. In the US, you still have a higher order backlog than usual at the end of the fiscal year, so you do not know what will happen to orders in the future, but I think you can expect production to be on track to a certain extent until H1 of the next fiscal year.

Uno: Yes. We hope you understand it that way.

Q1: Thank you very much. Second, I understand that the current mid-term plan has made considerable progress in improving profitability, although I am talking about a slightly longer mid- and long-term. In the next medium-term management plan, I would like to confirm whether the focus will shift more toward a growth strategy.

What are your current plans for the next mid-term plan, in terms of whether you will aim for more top-line growth by allocating more resources to areas such as solutions, as you mentioned earlier? This is the second point.

Mano: This is Mano. As you mentioned, we must, of course, maintain our current profitability in the next mid-term plan, but we would like to focus on our growth strategy. One of the things I mentioned in my presentation is that in the area of logistic solutions, I have the impression that customers are quite interested, but there are some areas that have not yet led to actual orders, so we would like to double or even redouble our global sales and set numerical targets for growth in the next mid-term business plan.

Also, in our existing business, we will continue to invest resources in product development in this area as we move toward electrification for the future decarbonization of our industry.

Q1: Thank you very much. That is all.

[Questioner2]

Q2: Could you tell us some of the differences between the situation in the US and your company in terms of the market environment? Profit numbers are rising and looking at the rate of profit in the industry, it appears that your company is moving up in the industry rankings as well. First of all, the fact that you have a large backlog of orders is not surprising, since the data from the Fed and other sources in the US does not seem to show any significant movement in backlogs. Is it possible that this is due to the fact that your company is able to produce and respond to more and more customer orders in a short period of time?

For example, is it happening that prices are being reflected quickly, or that new products or new features are being added to meet customer needs? The first question is whether the volume of sales has increased, and profits have improved, or whether there has been no significant change in the volume of sales.

Second, I would like to ask if there is any difference in the situation in the US by class, and if there is some kind of background that your company has been able to improve its profit margin to [inaudible] about the current situation.

Thirdly, looking at the longer term, with the current rise in labor costs and labor shortages in the US, I believe that the need for automation will certainly increase in the medium to long term. On the other hand, in the short term, the short-term trend appears to be decreasing because of Amazon's declining capital expenditures and the actual decrease in new orders. Thinking in terms of the medium- to long-term trends and the level of current orders, is there a timing from here for another round of major growth in new orders, or are there any signs of such a trend?

When that happens, do you envision a situation where forklift trucks will once again exceed the record number of units with new orders? Or are you thinking of expanding into the solution business at once? What kind of growth do you see in the medium to long term, and when the US grows, in what way do you see this, forklift and solutions included? It has been a long question, but that is all. Thank you.

Mano: This is Mano. First of all, in terms of the situation in the US, the profit margin is up, and we don't really see this as a sign that we are the only ones making progress in shipments. In that sense, we see that the industry as a whole is still making progress with the shipments themselves.

However, what is characteristic is that, as we have heard from the local market, the profit margin is improving because all the companies have accumulated a large amount of order backlogs, and we have heard that there are quite a few cancellations in the industry due to the large amount of inventory accumulated at the dealers.

Looking at our statistics, we have the characteristic that the percentage of cancellations is very low, and if we make sure that we have a backlog of orders, we can make sales accordingly. It was reported at a meeting of an industry group that some companies have cancelled a large amount of order backlogs, and I think this is one of the reasons why we are doing reasonably well in the US.

Regarding the second point, the future of the US market, we have recently established a joint venture with Jungheinrich, and we see the need for automation growing considerably. We have received a considerable number of inquiries, and in this sense, there is no doubt that there will be a shift toward automation, but we do not think that forklift trucks will suddenly disappear. We believe that the demand for forklift trucks will continue to be driven by a mix of automated and manned forklift trucks, and that the cooperation between manned and unmanned forklift trucks will be the mainstream for some time to come. We will provide solutions for that purpose.

However, manned forklift trucks will definitely shift to electric forklift trucks, so we are focusing our efforts on electric vehicles in the US, especially in the area known as Class II warehouse equipment, and we are currently investing resources in this area to increase our presence and market share in this area.

Q2: Thank you very much. Regarding the first point, what kind of strategy has your company been able to manage this without having cancellations?

Mano: I am not sure if this is a strategy or not, but one of our greatest strengths in the US is that we have very strong relationships with our dealers, and we have very strong independent dealers.

We have a very strong dealer network, and we have a long history of close communication with our dealers, as well as a long-standing relationship of trust in this area. In that sense, I think our cancellations are lower than those of other companies. This is just our view, but we believe that our dealer network and relationships with our dealers are what differentiate us from our competitors.

Q2: So, you are saying that cancellations are occurring mainly in all classes, not that they are occurring largely in Class III, for example, but that they are being talked about in all classes?

Mano: Yes. We have not been told which class this is specifically. The ITA in the US seems to have been paying a lot of attention to cancellations recently, and they seem to be working on separate statistics and such, so we will continue to monitor the situation closely, but we have not heard anything about Class III in particular being cancelled.

Q2: I understand. Thank you very much.

[Questioner3]

Q3: Thank you. I would also like to ask about the logistic solutions part. I found it quite interesting when I looked at the Rocla brand's website, which is on page 29, where Jungheinrich and AGV have formed a joint venture company.

When we talk about logistic solutions, we tend to focus on easy warehouse management solutions, where there is a serious shortage of labor, but your company seems to understand that logistics, or the transportation of goods, is also a serious issue in the manufacturing industry.

In particular, AGVs that operate on automobile production lines have been introduced, and I have a feeling that you will probably take a different approach to logistic solutions in the future than other leading companies. If you would like to talk about this in detail in the next mid-term business plan, could you tell us a little about the direction in which you intend to differentiate yourself from other companies by making your edge more effective?

Mano: Thank you. This is Mano. As you pointed out, we believe that our strength lies more in the industrial area than in the logistics side. We have established a joint venture between Jungheinrich and Rocla. They have different segments of specialty, and Jungheinrich's strength is in the area you mentioned earlier, such as automobile production lines. Rocla's strength is in round and rolled products, paper manufacturing, tires, and other unusual areas. We started this project with the idea that there would be no conflicts and that we would be able to jointly use our resources.

Since we have only been in business for about two months, we are not sure what kind of customers we will be able to develop in the future, but we would like to focus on industrial areas, and we would like to attack heavy-duty areas.

Q3: Thank you. I had the impression that MHI would probably acquire Concentric, and that it would be attacking energy-intensive or heavy-duty areas, but I also had the impression that it would be mostly for industries that consume a lot of electricity. I was wondering if you could give us some additional information on the direction of your business, or how it differs from a simple logistics warehouse.

Mano: In the heavy-duty area, Concentric is now starting to examine how this might also synergize with automation in a slightly different way. As the forklift industry is also becoming increasingly electrified, we would like to create synergies in this area, as there are areas where we can make use of this technology.

We are still waiting to see what kind of synergies will emerge, but I think there are various possibilities in the areas of electrification and automation, and we need to think carefully about how we can build on these possibilities.

Q3: Thank you. We look forward to continuing to work with you as a truly one-of-a-kind forklift player. Thank you very much.

Mano: Thank you.

Moderator: There being no further questions, this concludes the briefing on the financial results of Mitsubishi Logisnext.

Thank you very much for taking time out of your busy schedules to join us today.

[END]