

Logisnext

Financial Results Briefing for the 2nd quarter of FY2019

(FY2019: From April 1, 2019 to March 31, 2020)

Nov. 28, 2019

MITSUBISHI LOGISNEXT CO., LTD.





Financial Results for the 2nd quarter of FY2019

MITSUBISHI LOGISNEXT CO., LTD.

President and CEO, Takashi Mikogami

Economic Market Trends

- The global economy has become increasingly sluggish against the backdrop of a slump in manufacturing due to the uncertain U.S.-China trade friction.
- Moreover, with the addition of the Brexit negotiation in Europe and the situation and political instability seen in the Middle East, uncertainty about the future has been further increased. Although Japan's slowdown in the market is not remarkable, there have been some cautious responses to investment activities around the world, such as moves to assess the effects of the consumption tax hike.
- The logistics equipment market is also slightly weakened by the decline in capital investment, especially in the manufacturing industry which does not allow optimism.

Summary of 2Q FY2019 Results

- Net sales decreased 3.9% year-on-year, due to the conversion of the yen and the decline in sales in the Americas and China.
- Operating profit increased 16.0% year-on-year, by sales price improvement effect implemented in the previous fiscal year and cost reductions.
- Regarding Equipment Depot, Inc. (hereinafter referred to as EQD), which was acquired on July 1, 2019, since the difference between ML and EQD's closing date does not exceed three months, EQD's financial results are not included in the second quarter consolidated income statement. The financial position of EQD is included in the consolidated balance sheet.

2. Financial Highlights

Unit: Hundred million JPY

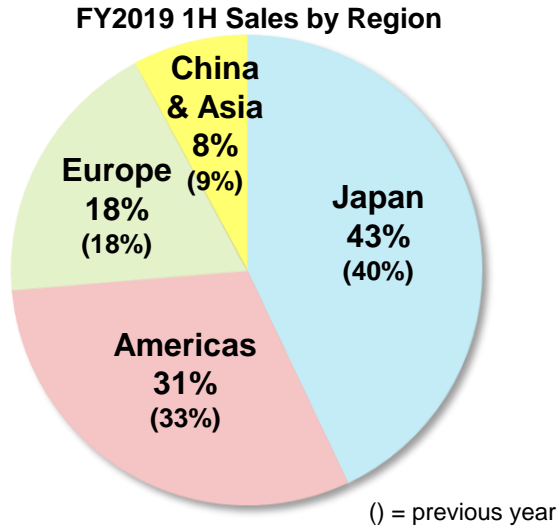
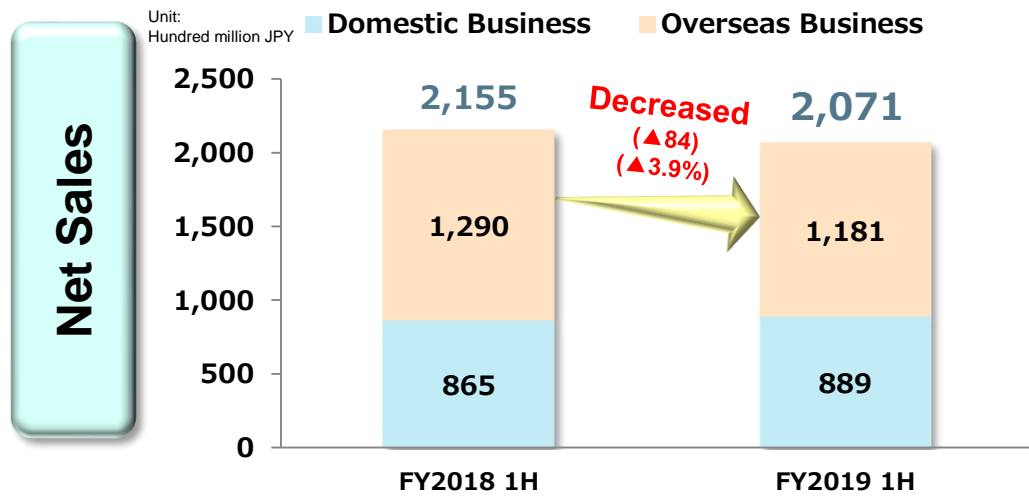
Profit and Loss Statement	FY2018 1H	FY2019 1H	YOY Change	
	Net Sales	2,155.0	2,070.9	▲84.2
Operating Profit <small>(Before amortization of goodwill) (Operating profit margin)</small>	87.9 (4.1%)	93.7 (4.5%)	+5.8	+6.6%
Amortization of Goodwill	▲44.0	▲42.7	—	—
Operating Profit <small>(Operating profit margin)</small>	43.9 (2.0%)	50.9 (2.5%)	+7.0	+16.0%
Ordinary Profit <small>(Ordinary profit margin)</small>	51.4 (2.4%)	47.9 (2.3%)	▲3.5	▲6.7%
Profit Attributable to Owners of Parent <small>(Net income margin)</small>	25.4 (1.2%)	20.9 (1.0%)	▲4.5	▲17.7%
Balance Sheet	FY2018	FY2019 1H	YOY Change	
Total Assets	3,677	3,771	+94	+2.6%
Total Liabilities	2,992	3,124	+132	+4.4%
Net Assets	685	647	▲38	▲5.5%

FY2018 actual FX rates: USD = JPY110.91, EUR = JPY128.41, CNY = JPY16.54

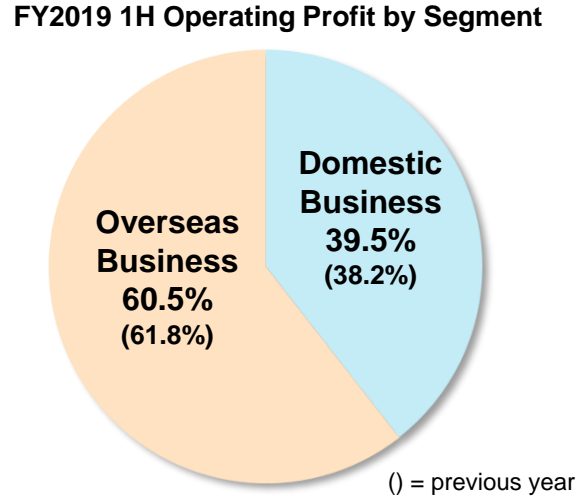
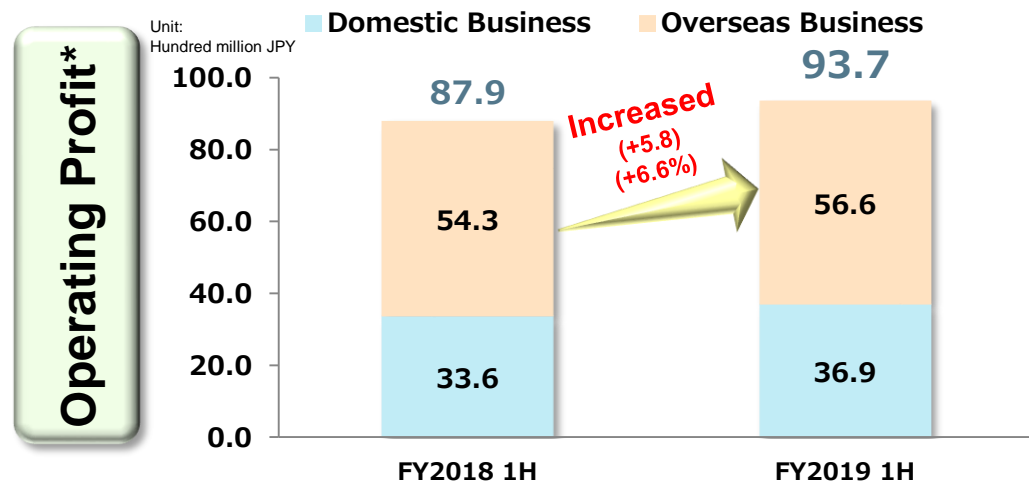
FY2019 1H actual FX rates: USD = JPY108.63, EUR = JPY121.42, CNY = JPY15.68

3. Business Results by Segment

Net Sales decreased due to the appreciation of the yen and the decline in sales in Americas and China.



Operating profit increased by sales price improvements and cost reductions.

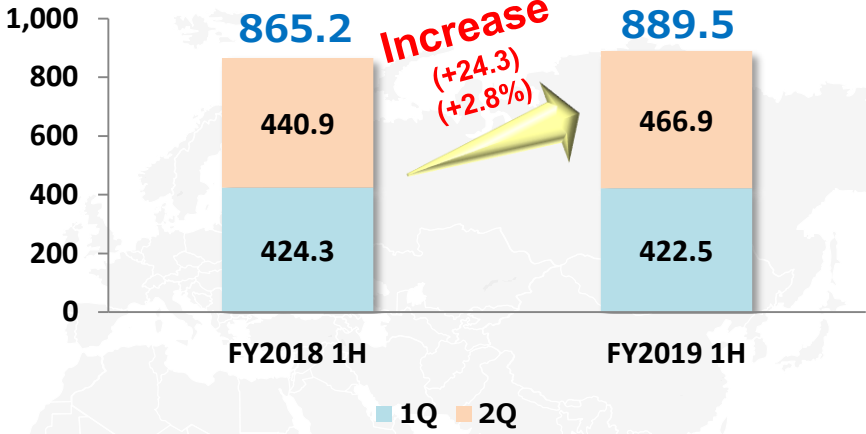


* Operating Profit before amortization of goodwill

4. Sales by Region

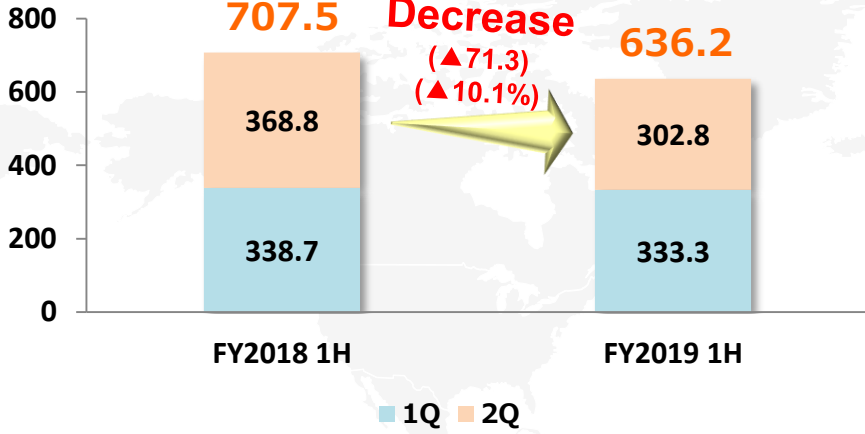
Japan

(Unit: Hundred million JPY)



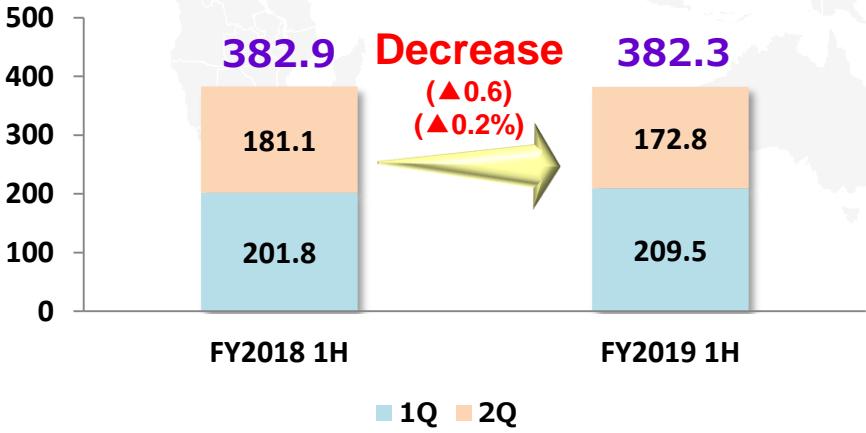
Americas

(Unit: Hundred million JPY)



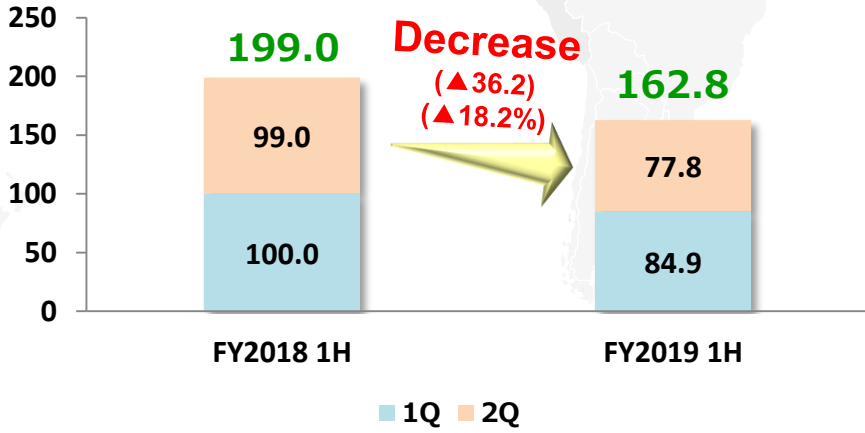
Europe

(Unit: Hundred million JPY)



China and Asia

(Unit: Hundred million JPY)

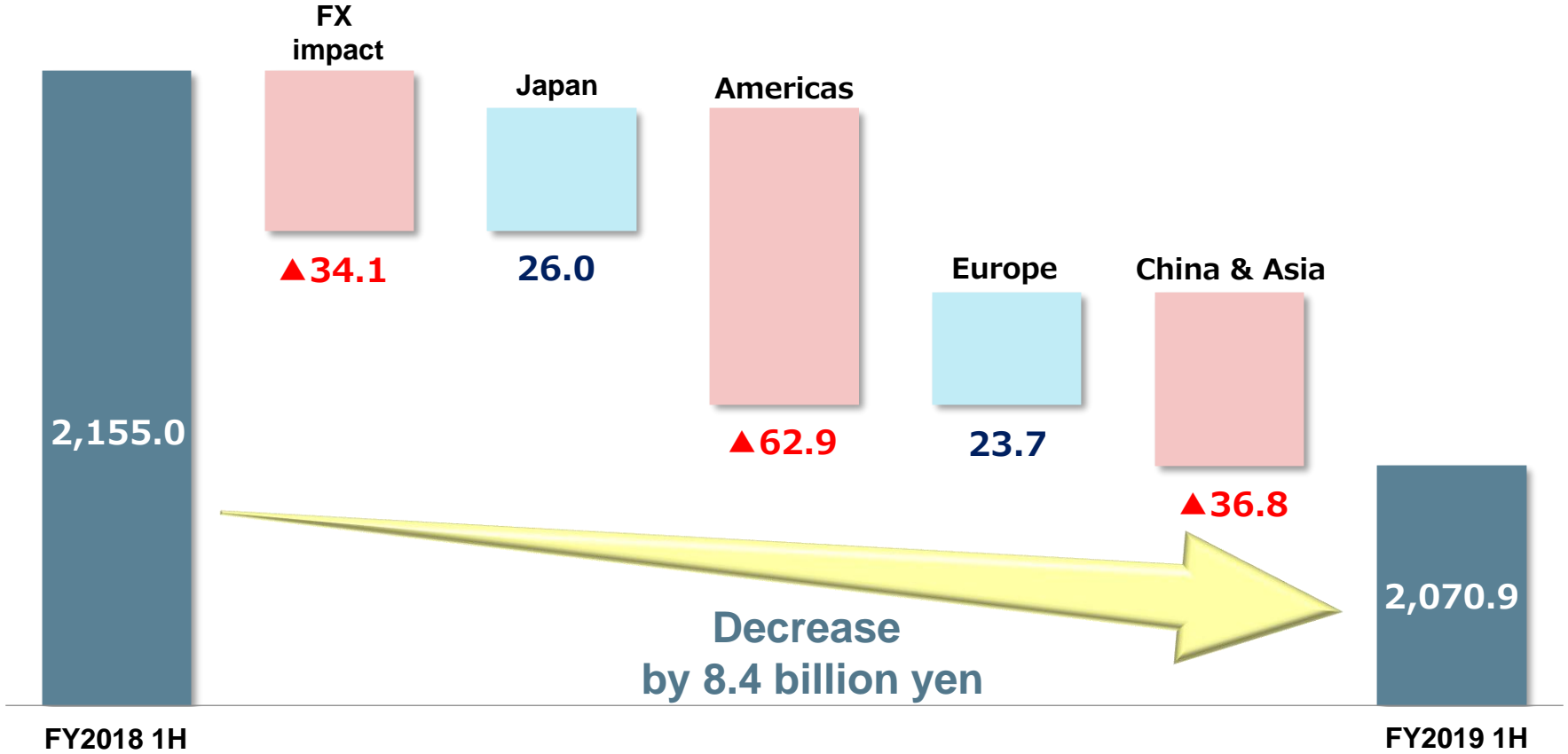


5. Net Sales FY2018 1H vs FY2019 1H

Although Japan and Europe increased steadily, net sales decreased mainly due to the decline in the Americas and China.

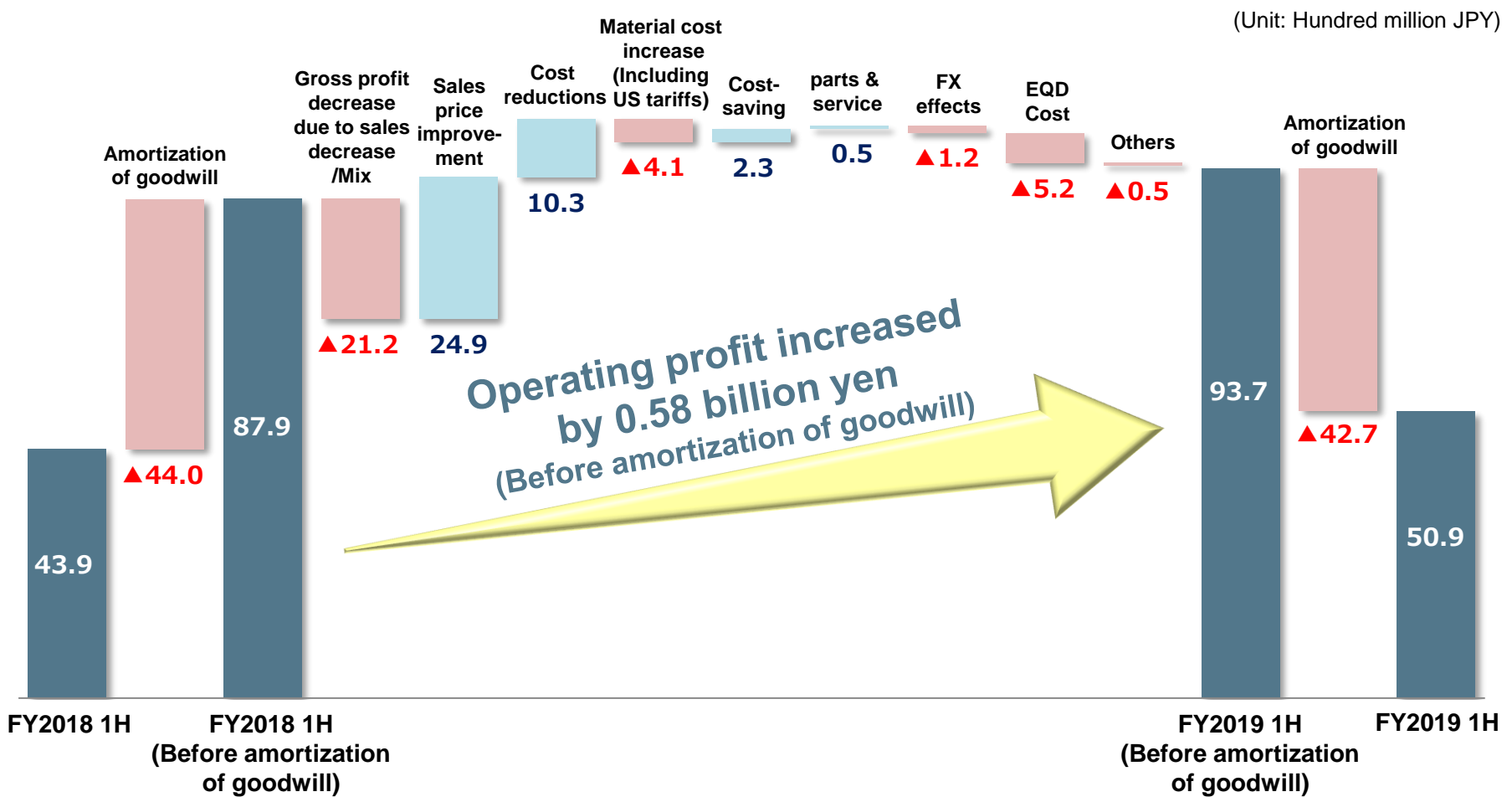
(EQD sales is not included in the 2Q consolidated income statement)

(Unit: Hundred million JPY)



6. Operating Profit FY2018 1H vs FY2019 1H Logisnext

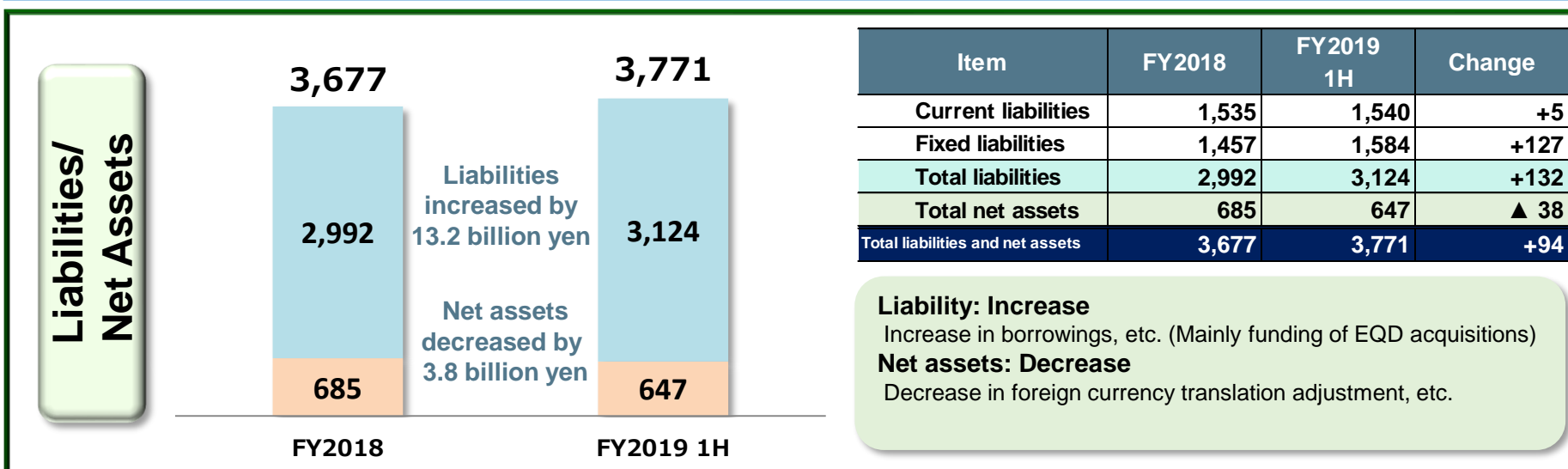
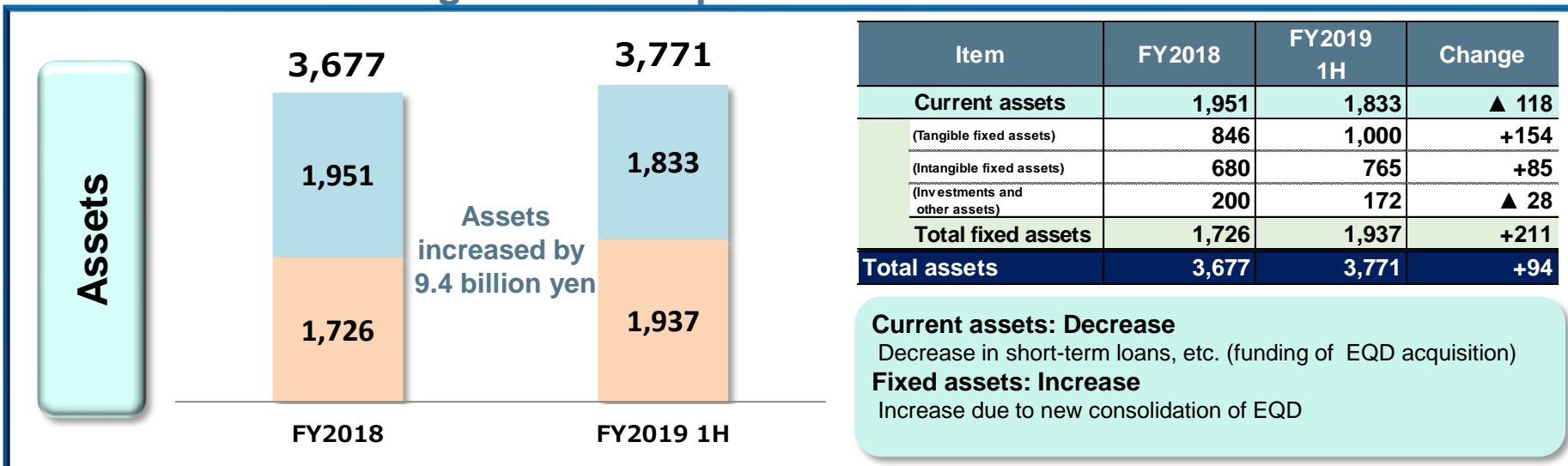
➤ Drop in gross profit by sales decline and EQD acquisition costs have been offset by sales price improvements and cost reductions, resulting in an increase in operating profit.



7. Consolidated Balance Sheet

Total assets and liabilities increased due to new consolidation of EQD and increase in borrowings for the acquisition of EQD.

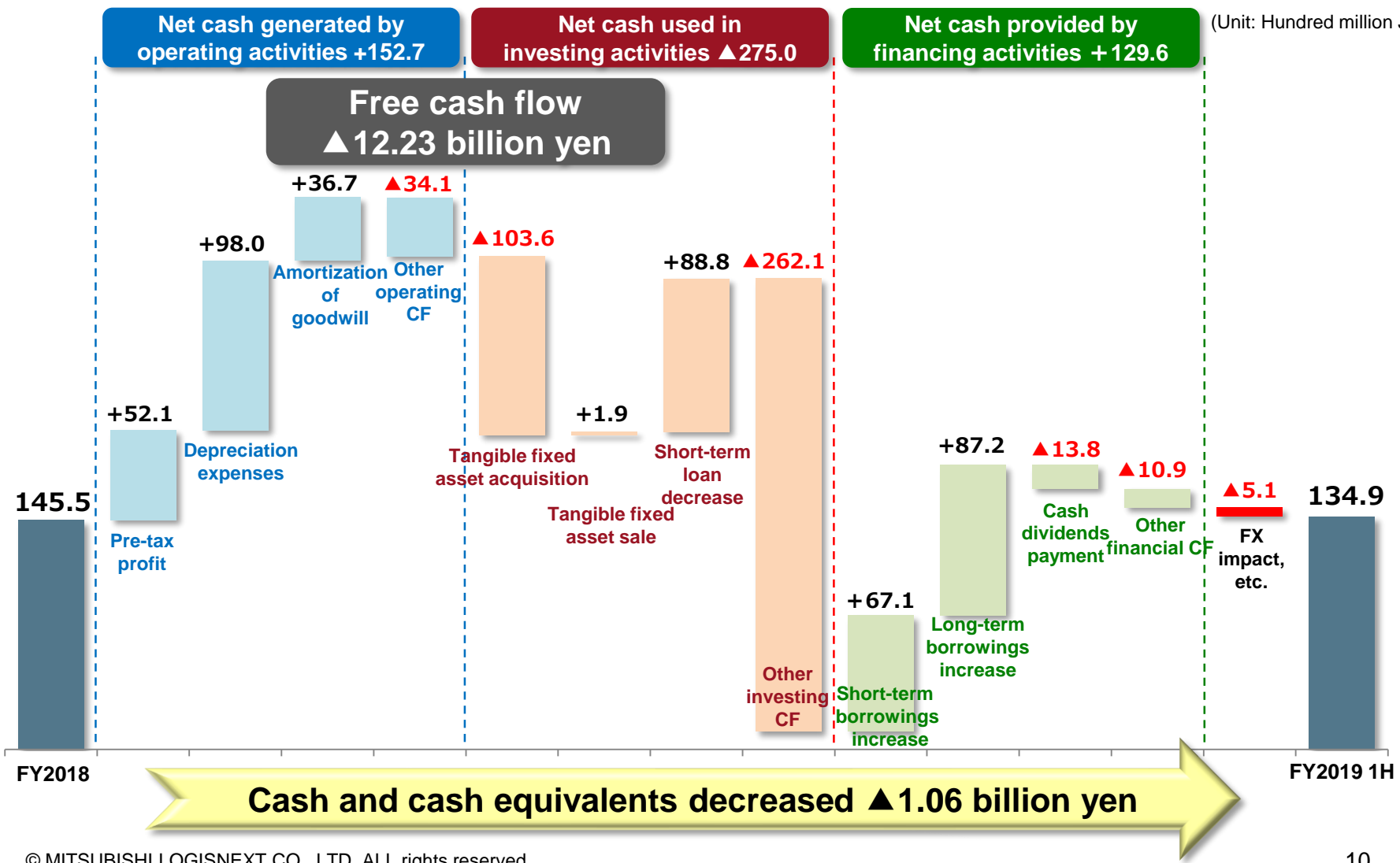
(Unit: Hundred million JPY)



8. Cash Flow

Free Cash Flow ▲12.23billion yen. However, +4.11 billion yen excluding the impact of EQD acquisition (*).

※ Payment for acquisition of EQD – redemption of MHI-CMS loans



9. Financial Forecast for FY2019

(Unit: Hundred million JPY)

Item	FY2019 1H (Results)	FY2019 (Forecast)
Units Sold	52,000 units	119,000 units
Net Sales	2,070.9	4,900
Operating Profit (Before amortization of goodwill) (Operating profit margin)	93.7 (4.5%)	250.0 (5.1%)
Amortization of Goodwill	42.7	110.0
Operating Profit (Operating profit margin)	50.9 (2.5%)	140.0 (2.9%)
Ordinary Profit (Ordinary profit margin)	47.9 (2.3%)	130.0 (2.7%)
Profit Attributable to Owners of Parent (Net income margin)	20.9 (1.0%)	70.0 (1.4%)
Dividend per Share	—	13 yen

FY2019 Plan FX rate: USD=JPY110, EUR=JPY125, CNY=JPY16

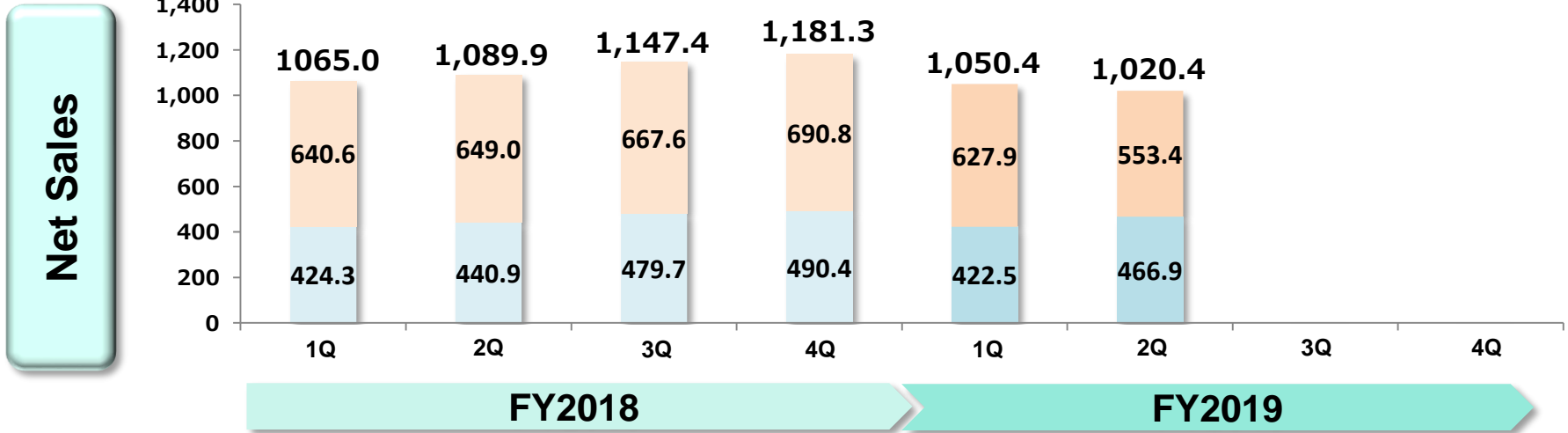
【Reference】 Key Performance Indicators **Logisnext**

	Indicator	Formula	FY2018		FY2019 1H		Comments
				(Before amortization of goodwill)		(Before amortization of goodwill)	
Performance	Return-on-assets (ROA)	$\frac{\text{Net income}}{\text{Total assets}}$	1.9%	(4.2%)	1.9%	(4.0%)	Deterioration due to tax effect of loss on transfer of Chinese subsidiary in the previous fiscal year(ROA / ROE is calculated by doubling net income in the first half.)
	Return-on-equity (ROE)	$\frac{\text{Net income}}{\text{Shareholders' equity}}$	11.2%	(20.4%)	10.5%	(17.3%)	
Profitability	Operating profit margin	$\frac{\text{Operating profit}}{\text{Sales}}$	2.9%	(4.9%)	2.5%	(4.7%)	
	Net income margin	$\frac{\text{Net income}}{\text{Sales}}$	1.6%	(3.5%)	1.0%	(3.2%)	
Asset Efficiency	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	1.2 times		1.3 times		
	Receivable turnover	$\frac{\text{Sales}}{\text{Accounts receivable}}$	5.8 times		6.5 times		
	Inventory turnover	$\frac{\text{Cost of sales}}{\text{Inventories}}$	5.6 times		5.8 times		
Financial Soundness	Capital adequacy ratio	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$	18.0%		16.5%		Deterioration due to a decrease in foreign currency translation adjustment from yen appreciation and an increase in borrowings resulting from the EQD acquisition.
	D/E ratio	$\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity}}$	2.5 times		3.0 times		
Share	Earnings per share	$\frac{\text{Net income}}{\text{Shares outstanding}}$	JPY 66.48		JPY 39.34		Stock prices: End of FY2018: JPY 1,205 End of FY2019 1H: JPY 1,022
	Price earnings ratio (PER)	$\frac{\text{Share value}}{\text{Earnings per share}}$	18.1 times		26.0 times		
	Price book value ratio (PBR)	$\frac{\text{Share value}}{\text{Book value per share}}$	1.9 times		1.8 times		

【Reference】 Quarterly Financial Results **Logisnext**

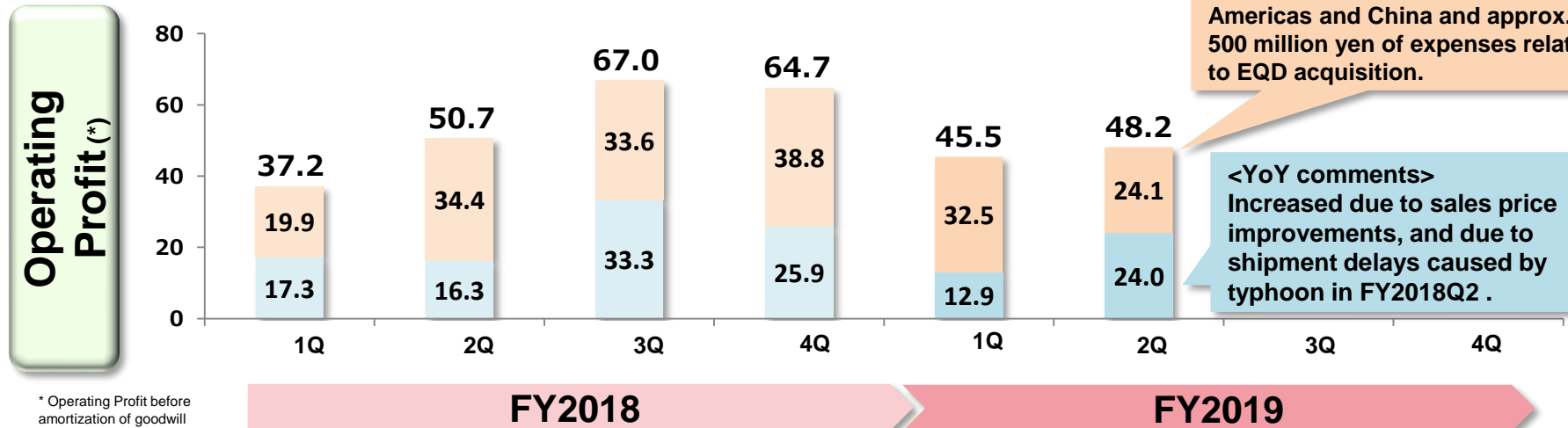
Unit: Hundred million JPY

Domestic Business Overseas Business



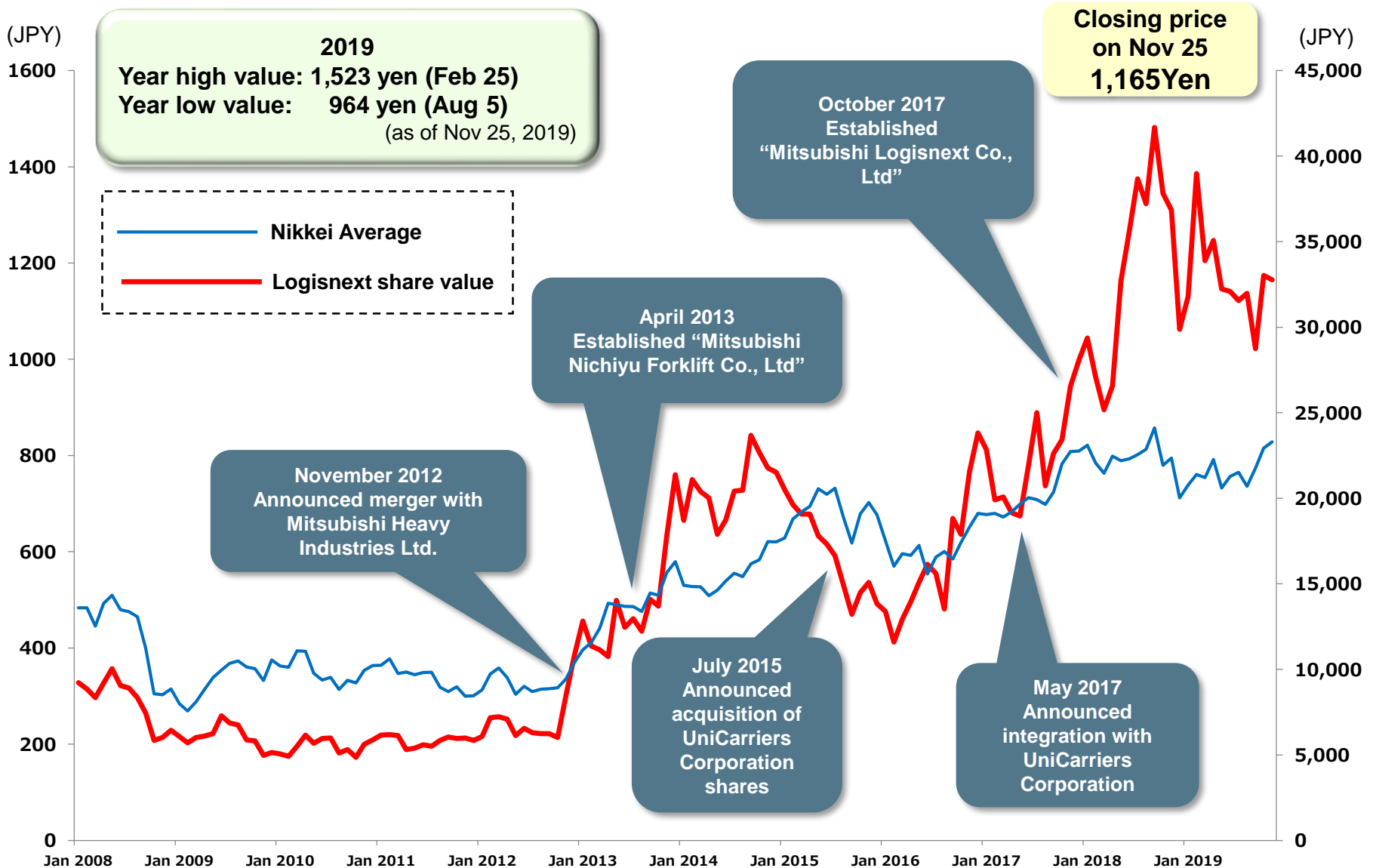
Unit: Hundred million JPY

Domestic Business Overseas Business



* Operating Profit before amortization of goodwill

【Reference】 Stock Price Trend

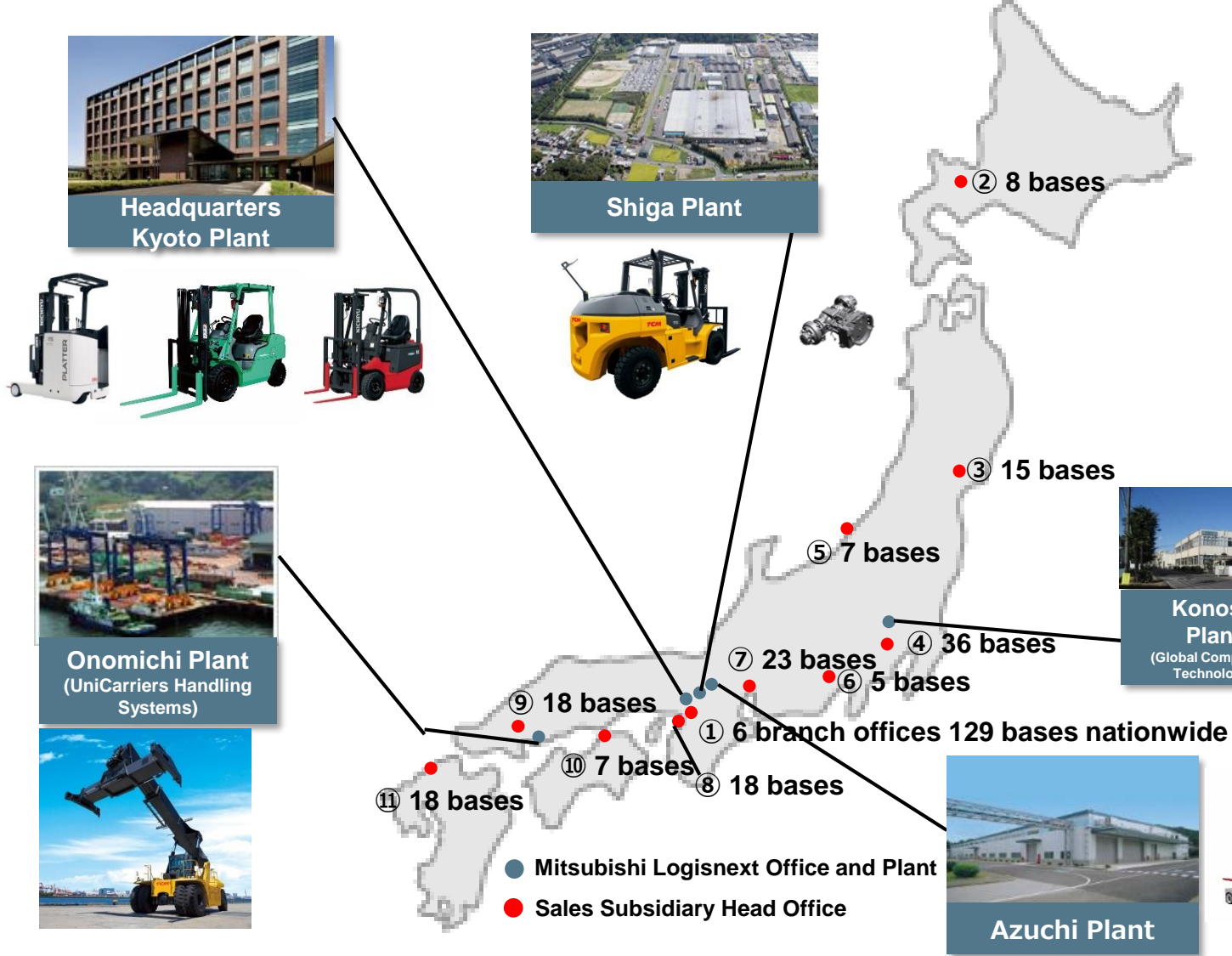


【Reference】 Company Profile

Company Name	Mitsubishi Logisnext Co., Ltd.
Head Office	1-1, 2-Chome, Higashikotari, Nagaokakyo-shi, Kyoto
Established	August 1937
President and CEO	Takashi Mikogami
Paid-in Capital	4,894 million yen
Business Lines	Design, development, production, and sales of electric and engine forklifts, conveyor robots, automated warehouse equipment, warehouse management systems, construction machinery, industrial engines, transmissions, etc.
Operation Centers	Japan: Kyoto, Shiga, etc. Overseas: United States, Europe, China, Asia, and others
Number of Employees	Approx. 13,000 employees
Production Capacity per Year	Approx. 121,000 units

【Reference】 Japan Domestic Network

5 Production Bases and 11 Direct Sales Subsidiaries



Mitsubishi Logisnext
Headquarters (Kyoto)
Office (Tokyo)

- 11 Direct Distributors
- ① Logisnext UniCarriers
 - ② Logisnext Hokkaido
 - ③ Logisnext Tohoku
 - ④ Logisnext Tokyo
 - ⑤ Logisnext Shinetsu
 - ⑥ Logisnext Shizuoka
 - ⑦ Logisnext Chubu
 - ⑧ Logisnext Kinki
 - ⑨ Logisnext Chugoku
 - ⑩ Logisnext Shikoku
 - ⑪ Logisnext Kyushu

【Reference】 Overseas Network



● Production Bases
● Main sales Bases

Logisnext

Progress of Business Plan

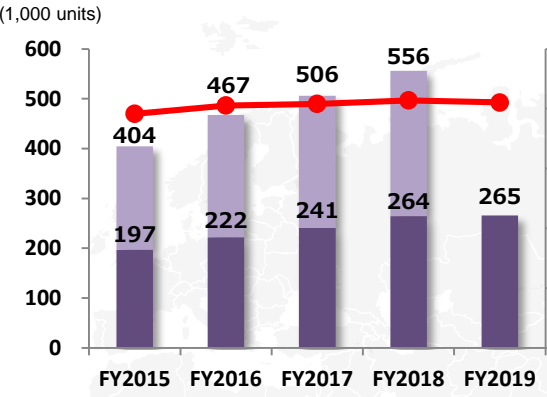
MITSUBISHI LOGISNEXT CO., LTD.

President and CEO, Takashi Mikogami

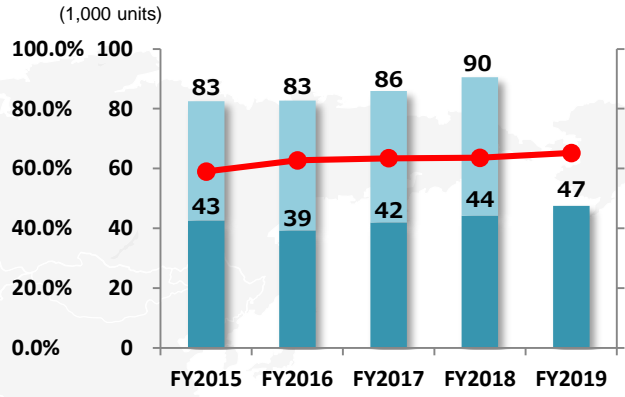
1. Forklift Market Trends [Shipping] (Apr-Sep) **Logisnext**

Due to decline in the manufacturing industry, the global market in FY2019 1H decreased 1.6% (YOY) to 744 thousand units.

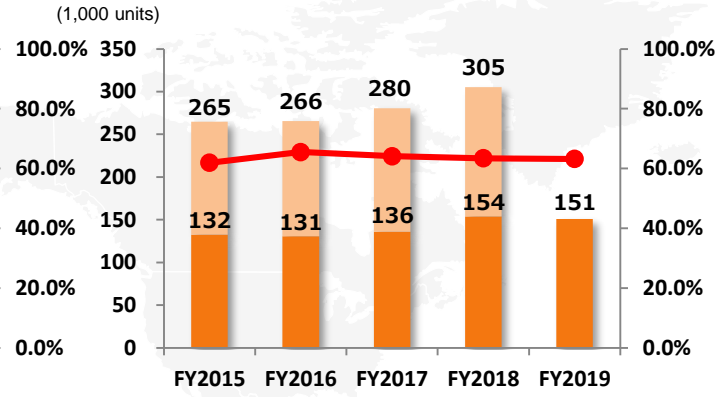
Europe
(incl. Middle East & Africa)



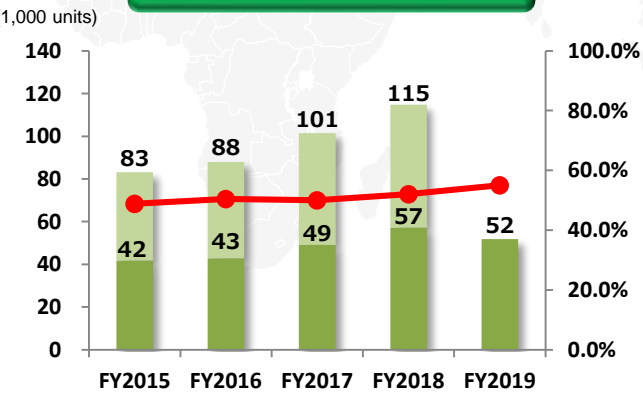
Japan



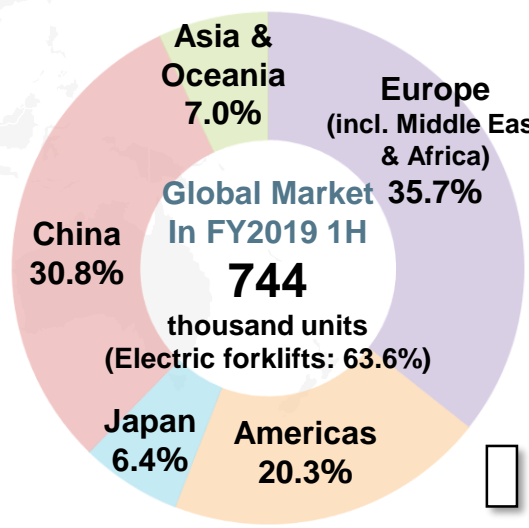
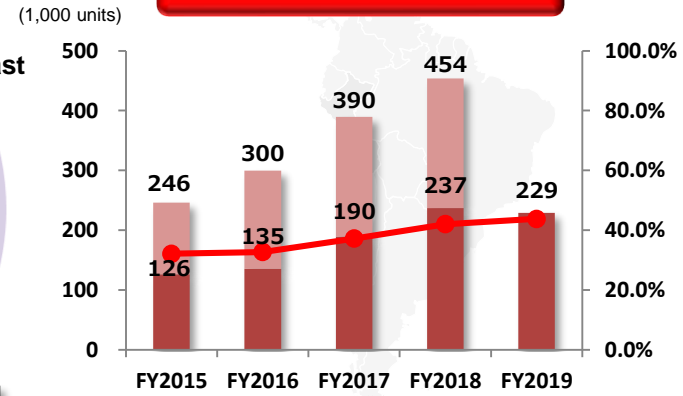
Americas



Asia & Oceania



China



█ Markets units

● Percent electric forklifts

1. Forklift Market Trends【Orders】

Forklift Market Trends Analysis

- Japan : Continued growth but prospects uncertain.
- Americas : Market conditions deteriorated due to US-China trade friction. Recently, it appears to have bottomed out.
- Europe : Although sales have been firm, orders are on a deteriorating trend.
- China: Class III^(※) has supported solid figures, but the actual business sentiment is extremely poor.
- Asia and Oceania: The market has taken a downturn rapidly due to the deterioration in business sentiment in China.

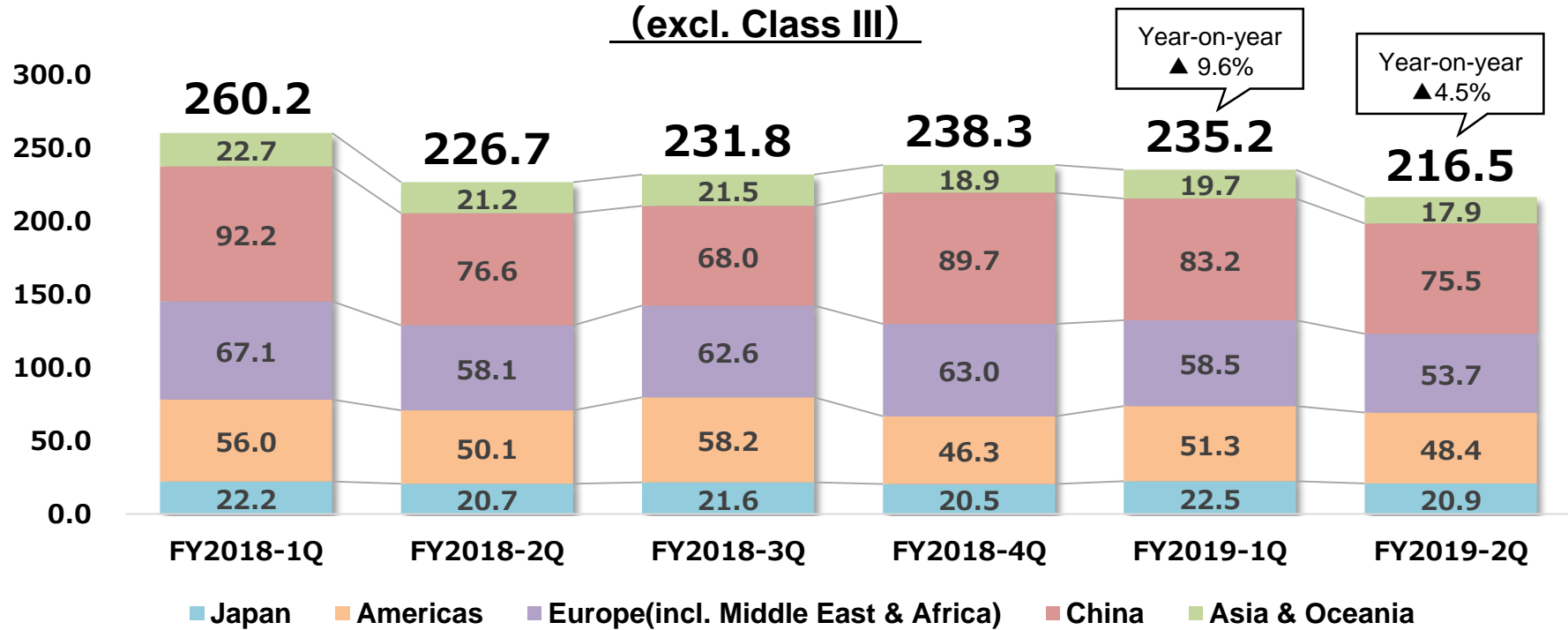


Class III Example (Low lift)

※Class III : Self-propelled electric small lift

Order intake (excl. Class III)

(Unit: Thousand units)



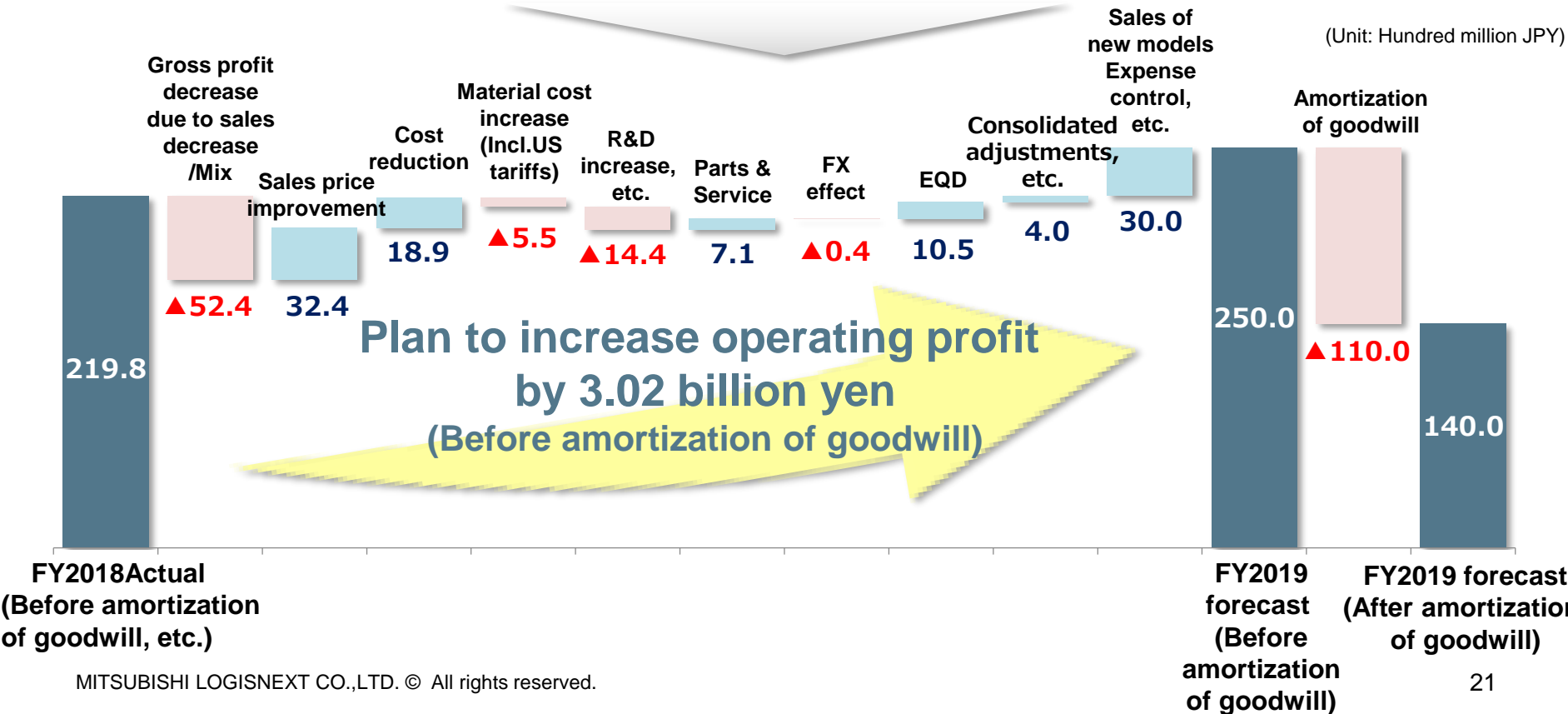
2. FY2019 operating profit forecast

Key Items for the FY2019 2H

- Certain execution of sales price improvement
- Continue to promote US PMI and create synergies
- Launch new integrated models
- Preparing for reorganization of domestic sales companies for 2020

Risk & Opportunity

- **Falling orders in the Americas and China** ↓
- **PMI costs** ↓
- **Increase in sales in the domestic market** ↑
- **Cost reduction, expense control** ↑



3. Progress of the Mid-Term Business Plan

The company has been implementing growth strategies and generating synergy benefits in order to achieve the mid-term business plan, but more risks have materialized than originally assumed. The deterioration in the U.S. and China market also affected the situation.

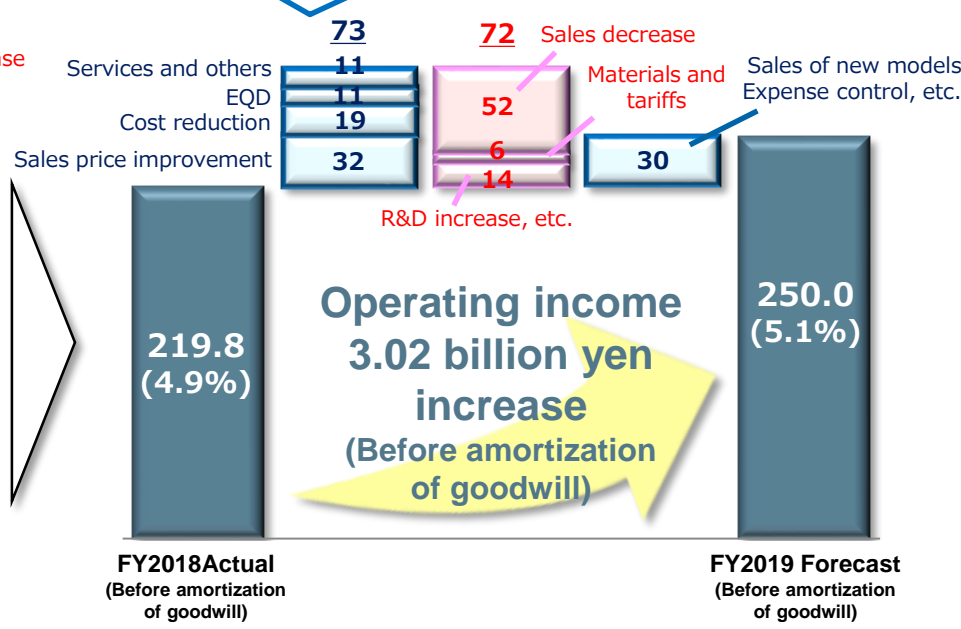
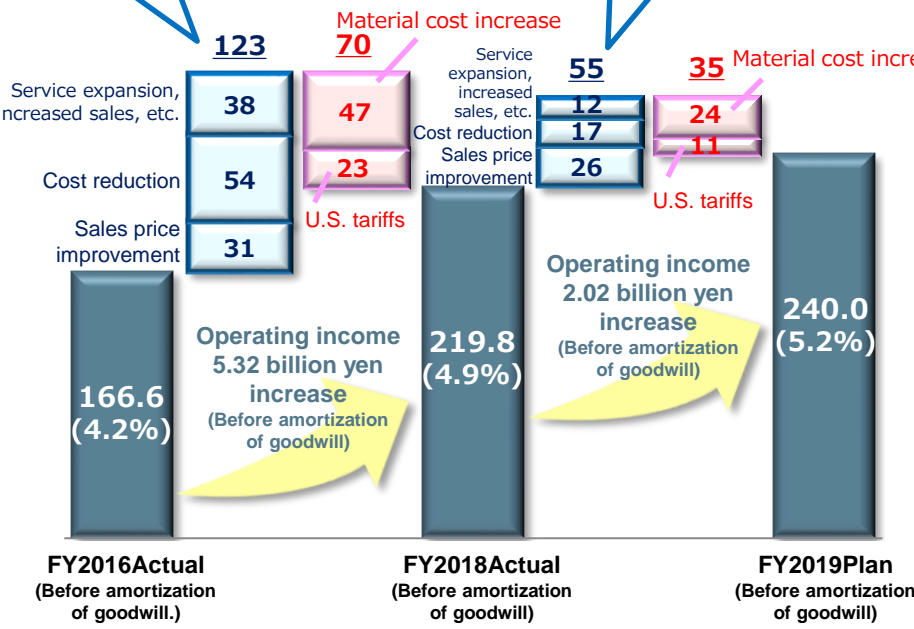
FY2016 Virtual Consolidations → FY2018 Results
 Synergy creation was achieved, mostly for cost reductions, but was affected by soaring material costs and U.S. tariffs

FY2018 Results → FY2019 Plan

- U.S. tariffs will affect entire year
- Raw material market conditions are expected to worsen
- Increased profit expected from further synergy creation and sales price improvements

FY2018 Results → FY2019 Forecast

- Sales decreased due to the deterioration of the market
- Increased revenue through the acquisition of EQD
- Material cost increase lower than forecast
- Sales price improvement as expected
- Create further synergies such as cost reduction



■ **Transfer of winding machine business (November 1)**

➤ **Specializing in the logistics equipment business**

- All shares of Nichiyu Machinery Co., Ltd. were transferred to Japan Steel Works, Ltd.
- With this business transfer, Japan Steel Works, Ltd. completed its full-line production, while we ML specialize in our logistics equipment business.



2 Axial rotary winder

Outline of Nichiyu Machinery Co., Ltd.	
Location	8-1 Nishioiso, Azuchi-cho, Omihachiman-shi, Shiga (in our Azuchi plant)
Business description	Development, design, manufacture, and sales of various winding machines and winders Parts sales, maintenance, inspection, service business, purchase and sales of related products
Capital	40 million yen (March 31, 2019)
Year of establishment	1999 (The winding machine business was spun off from the former Nippon Yusoki Co., Ltd.)

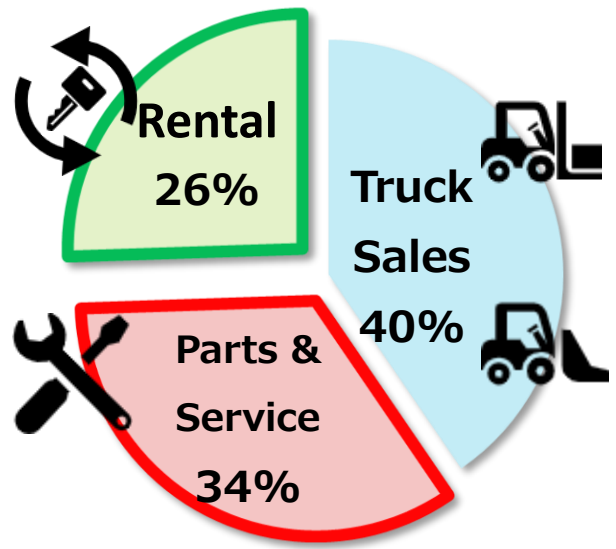
5. Strengthening sales business

■ Integration with EQD

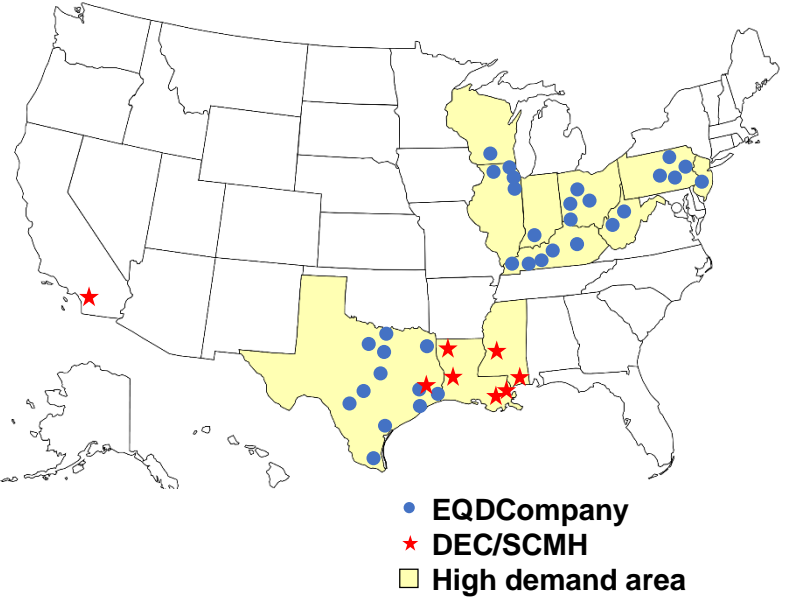
➤ Reorganization of direct sales companies

- Two North American direct sales companies (DEC / SCMH) will become an affiliate of EQD. We will expand the after-sales and rental business know-how of EQD, and pursue higher profitability.
- We will continue to strengthen our direct sales and service businesses in the North American market to develop new business models and establish a firm business foundation.

Breakdown of EQD's Sales Revenue (2018)



EQD Service Bases: 43 bases

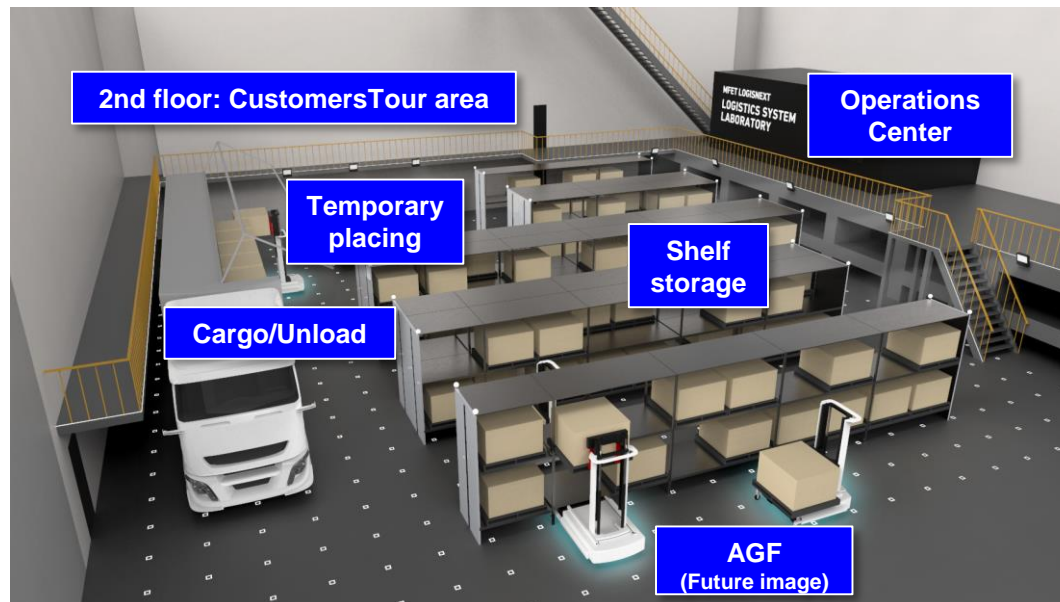


6. Expansion of solution business

■ Establishment of logistics experiment center

➤ Create new businesses through open innovation

- Established a logistics experiment center in Takasago district of Mitsubishi Heavy Industries, Ltd. for the purpose of expanding sales and improving technology of AGV・AGF^(※1) .
- Through this facility, we aim to create internal and external innovations and provide optimal solutions to our customers.



Logistics Experiment Center Concept

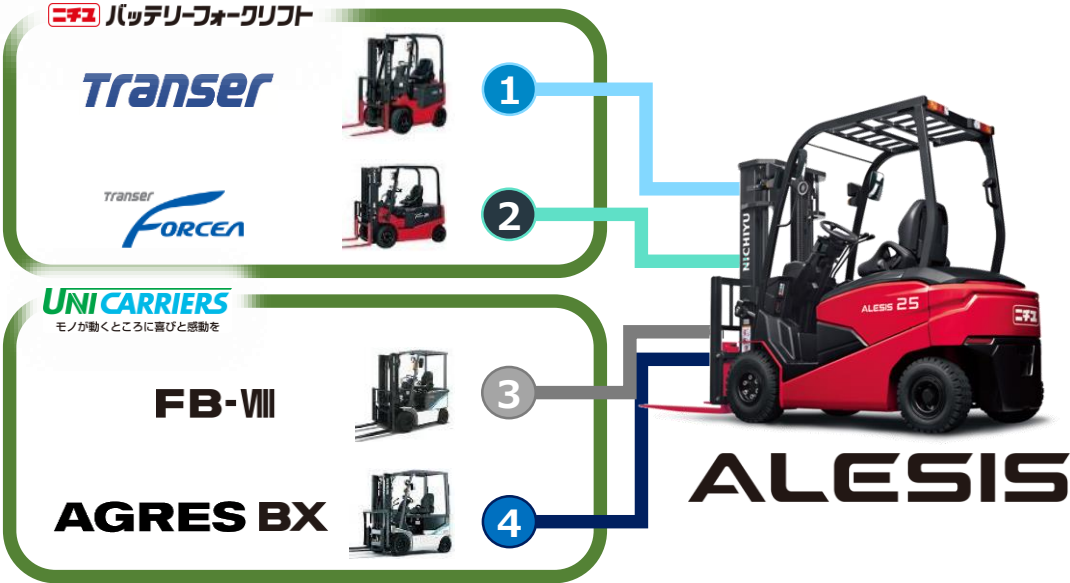
※1 AGV: Automated Guided Vehicle
AGF: Automated Guided Forklift

7. Launch of a new model

■ Model change of counterbalance electric car

➤ Model integration

- In November 2019, the first new model after integration, **「ALESIS」** was released. The strengths of 4 old models have been combined into 1.
- We will continue model integrations to improve production efficiency, and to enhance our market presence.



「ALESIS」 Outline	
Model	0.9-2.5Tons Battery-powered 4Wheel counter forklift
Key Markets	Japan Overseas (Asia・Oceania,Cis・AME)
Production plant	Japan (Shiga Plant) Overseas (Thai Plant <LMT>)
Launch date	November 13, 2019

8. Launch of a new model

■ Development concept

Design

- Cool design that everyone wants to ride

Safety

- Safe control assured in all operations
 - Improved stability when driving
 - Enhancement of work assistance function and safety function
 - Easy battery replacement
 - Excellent boarding and unboarding

Easy to use and comfortable

- Easy operation and security
 - Low steps, large floor
 - Ensure satisfactory comfort even when switched from other brands

Energy saving

- Long-running and long battery life



Disclaimer:

- This material is prepared for the sole purpose of providing investors with information and not intended for solicitation of any buying or selling.
- Forward-looking statements in this material are intended as targets or forecasts, with no commitment or guarantee as to their accuracy.
- Note that actual future business results of Mitsubishi Logisnext may differ from our current forecast.
- Statements concerning the business results are based on various data that we believe to be reliable, but we do not guarantee the correctness or completeness of such data.
- This material is provided based on the premise that each investor should use it relying on his or her own judgment and responsibility, whatever the purpose of its use may be. Mitsubishi Logisnext shall not be liable whatsoever, regardless of the results from using this material.

Please direct inquires regarding this material to the following:

Mr. Kariya or Ms. Kashiwagi
Planning Division
Mitsubishi Logisnext Co., Ltd.

1-1, 2-chome, Higashikotari, Nagaokakyo-shi, Kyoto 617-8585
TEL: 075-956-8610 FAX: 075-951-4038
URL: www.logisnext.com

Logisnext

MITSUBISHI LOGISNEXT CO., LTD.