

Summary of Q&A, Conference call for FY 2024 Q2 Financial Results

Q1. Please tell us about the future response regarding cross-shareholdings.

A1. Regarding cross-shareholdings, we have been aware of the market's expectations and are considering reducing them. We cannot make any comments on individual cases, however we will have careful discussion with the related companies in the future.

Q2. How do you evaluate the first-half sales and operating profit? How was it compared to the plan?

A2. We do not set performance plans on a quarterly basis. Backed by factors such as the weaker yen than expected and both the Automobile and Materials Handling Equipment businesses experiencing steady production and sales, we believe that both sales and operating profit reached a high level.

Q3. While the full-year performance plan was revised upward, the operating profit for the second half appears modest compared to the first half. What are the risks incorporated in the second half?

A3. The full-year performance plan was revised upward due to the steady performance in the first half and the revised assumption of a weaker yen for the second half. We have not changed our cautious stance for the Automobile segment in the second half. Regarding the Materials Handling Equipment segment, we are assuming a challenging second half, incorporating risks such as supply constraints from forklift suppliers and the impact of project delays in logistics solutions.

Q4. What are the factors that led to an increase in operating profit for the Materials Handling Equipment segment in the first half compared to the previous fiscal year?

A4. We believe that the increase in sales volume of the forklift business, the favorable performance of the value chain including after-sales services, and the positive effect of the weaker yen on the exchange rate have contributed to the improved performance.

Q5. It seems that the profit margin recovery in the materials handling equipment business is lagging behind competitors. Why is that?

A5. While we cannot comment on comparisons with other companies, one possible factor is that the lead time from receiving orders to production and sales of forklifts has been prolonged, causing a delay in the realization of the effects of price increases.

Q6. The full-year sales plan for forklifts has decreased compared to the plan at the end of the first quarter. Why is that? Are there any bottlenecks in the supply chain?

A6. There isn't a specific bottleneck, but parts supply delays, mainly in North America, is still occurring. We have incorporated such risks into our second-half projections.

Q7. The number of forklift orders seems to be on a downward trend. What is the future outlook.

A7. In 2021 and 2022, orders were high due to pent-up demand after the pandemic, but the backlash is showing to a certain extent this year. We expect this year to be a temporary plateau, but we hope for a recovery starting next year.

Q8. Regarding the medium-term performance targets for the logistics solution business, what level of profit margin are you aiming for? In addition, please tell us about the measures to improve profit margin as well.

A8. Currently, profit margins are sluggish due to rising raw material and purchased parts costs, higher labor costs, and project delays caused by labor shortages. However, once the situation stabilizes, we would like to aim for double-digit profits for the entire Materials Handling Equipment segment through measures such as the modularization of systems and the strengthening our activities to receive repeat orders, which we have been working on to date.

Q9. The operating profit margin for the Automobile segment in the first half was at a high level of 5.9%. Will this high level of profit margin continue in the future?

A9. The high profit margin was achieved due to high levels of production in vehicle, engine, and compressor businesses, as well as the weaker yen in the exchange rate. If the same level of production and weaker yen continue, it should be probable that the same level of profit margin will be maintained.

Q10. What is the profitability of the onboard battery business?

A10. The profitability has been improving until the first half, but with the start of operation of the second production line at the Ishihama Plant this fiscal year and the cost increases is expected, we do not see the current pace of improvement to continue.

Q11. Please tell us about the productivity of each production line in the onboard battery business.

A11. The productivity of both the first and second production lines has improved compared to when production started initially. We would like to launch the new line with higher productivity by utilizing our experience so far.

Q12. If there is any new information you can share about the development of bipolar-type lithium-ion batteries and all-solid-state batteries, please let us know.

A12. We are jointly developing with Toyota Motor Corporation, leveraging the experience and knowledge of such as material development that we have cultivated through the development and production of bipolar-type nickel-metal hydride batteries. However, there is nothing we can share about the specific technology or our involvement in production.
