

Summary of Q&A

FY2025 Dialog Day for Sell-side Analysts

- Q1. I thought that after the acquisition of Vanderlande and other companies, revenue from logistics solutions would increase, leading to a shift from forklifts to logistics solutions. However, logistics solution sales do not appear to have grown significantly. Could you explain the background of this?
- A1. Our logistics solution business is primarily targeted at customers in sectors such as airports, parcel delivery, and warehouse automation. We anticipate annual market growth rates of approximately 5% for airports, 8-9% for parcel delivery, and 11% for warehouse automation. Given warehouse automation accounts for the majority, we project overall logistics solutions revenue to grow by around 10% annually. We expect revenue growth to surpass the figures presented in the materials.
- Q2. Within the Toyota Group, there is a trend toward unwinding cross-shareholdings to invest in future growth, and the scale of investments appears to be increasing. Are there any plans to pursue larger-scale M&A deals?
- A2. From the perspective of financial resources, large-scale M&A is possible. However, it is not a matter of executing deals simply because resources are available. In the logistics solutions sector, there are possibilities to consider M&A opportunities in areas such as integration functions and software/equipment players. For forklifts, we aim to further enhance the value chain and will explore opportunities accordingly. We will also targeting ancillary equipment closely related to forklifts when opportunities arise. Overall, we intend to focus on M&A that strengthens our current framework.
- Q3. Regarding the profit margins of logistics solutions, do they vary depending on the customer industry or by scale?
- A3. Margins differ based on whether the order is a repeat order or not. Initial transactions with any customer tend to have lower margins as significant time is required for planning and trial-and-error to build an optimal logistics solution. However, once a system is established and subsequently deployed to other locations, margins improve. By industry, margins are generally higher for airport-related projects due to the frequency of repeat orders. Similarly, parcel delivery (including e-commerce) enjoys higher margins because of standardized repeat orders. In contrast, for warehouse automation, which encompasses a wide variety of industries, initial transactions with new clients generally have lower margins. The profitability of logistics solutions remains a key issue for the group. The four companies under TALG are collaborating to improve profitability and create synergies.

- Q4. Regarding the forklift business in 2025, it was mentioned that the North American market would grow by approximately 15%. Despite uncertainties around U.S. tariff policies, how do you foresee the market and Toyota Industries' growth? Additionally, how do you expect the product mix to change?
- A4. We anticipate the market recovering from June-July this year, with an annual growth rate of around 15%. Regarding tariffs, our forklifts for North America are manufactured in the U.S., so finished products are not directly affected. However, the cost of components sourced from countries such as Mexico, Canada, and Asia could be impacted. As competitors face similar challenges, we do not expect this to put us at a significant disadvantage. As for the product mix, while electrification will continue, new logistics equipment alternatives to forklifts are also emerging. We do not foresee growth being limited solely to smaller vehicles.
- Q5. When Toyota Industries acquired companies like Bastian and Vanderlande, it was during an industry-wide trend where forklift manufacturers were acquiring logistics solution companies. What are the current industry trends? If there is no ongoing M&A activity within the industry, will Toyota Industries take the lead as a trigger?
- A5. The peak of M&A activity in the logistics solutions industry occurred around 2020-2021. For companies acquired at that time, it may be considered too early to divest; some may aim to enhance company value before contemplating such decisions. Toyota Industries does not intend to be a trigger for M&A-driven restructuring within the logistics industry. Instead, we aim to conduct necessary acquisitions at appropriate timings.
- Q6. What kind of M&A initiatives does Toyota Industries pursue? Is there a vision to become an industry leader by advancing standardization and automation in warehouse management systems?
- A6. Warehouse management systems are one of the prioritized areas of focus for us. We are moving forward through collaboration within the group and are contemplating the acquisition of software companies or manufacturers with expertise in warehouse management systems. We will continue to explore opportunities in this area.