

Summary of Q&A

FY 2025 2Q Financial Results IR Conference

- Q1. How did the results of the second quarter compare to the plan? It seems that domestic engine certification-related costs and various expenses have increased. Were there any one-off increase or decrease factors?
- A1. We do not make performance forecasts on a quarterly basis. Regarding the second-quarter results, the main factors for the decrease in profits were the decrease in the number of industrial vehicles and compressors and the one-off increase in domestic engine certification-related costs, as well as increase of labor costs. However, the yen depreciation effect on the exchange rate offset these factors, resulting in an increase in profits of approximately 4 billion yen.
- Q2. The second-quarter results include domestic engine certification-related costs. Can you provide details on this?
- A2. These costs mainly arise from the forklift sales network and dealerships. We have made additional provisions due to increased rental response costs and service costs.
- Q3. Is an increase in engine certification-related costs expected in the future?
- A3. We have provided for all known costs at this time, but considering the rising labor costs, there is a possibility of further increase.
- Q4. There has been an increase in requests for price increases from suppliers. What are the details of these requests?
- A4. We are addressing increased costs from suppliers by reflecting them in the purchase costs.
- Q5. Compared to the operating profit results for the first half, the second half appears to be significantly weaker. What factors are you anticipating for the second half?
- A5. We are assuming exchange rates of 145 yen/\$ and 155 yen/€ for the second half, which will be a negative factor compared to the first half. Additionally, we anticipate higher-than-initially-expected costs in various expenses (sales-related costs and costs for strengthening the foundation to prevent recurrence), which are also a contributing factor.
- Q6. You have revised the full-year operating profit forecast downward by 30 billion yen. Can you provide a breakdown by segment?
- A6. The main decrease in profits is in the industrial vehicle segment, primarily due to the decrease in sales units of forklift and the increase in domestic engine certification-related costs and various expenses. In the Automobile segment, costs for preventive measures and increased expenses are also contributing factors to the downward revision to a certain extent.

- Q7. You have set a target of 300 billion yen in operating profit for the fiscal year 2026-27. Given the downward revision of the full-year performance forecast, will this target be more difficult to achieve? What is your outlook for achieving an ROE of 8%? Will business growth alone be sufficient, or will you need to make further steps of selling policy-holding shares?
- A7. We believe the downward revision this time is due to market conditions and one-off expenses, and we do not see the need to change the target of 300 billion yen in operating profit for the fiscal year 2026-27 at this point. For achieving an ROE of 6%, we plan to achieve this through the compression of policy-held shares and growth investments including M&A projects. The indication of an ROE of 8% means that we aim for an increase beyond 6% and it does not indicate a clear timeframe. However, we will continue growth investments and infrastructure investments and ensure shareholder returns to achieve it .
- Q8. What is the outlook for forklift orders?
- A8. The order situation for forklifts shows that the environment in the North American market is deteriorating more than expected. Recently, there are expectations from the sales side that orders may slightly improve early next year, but we remain cautious.
- Q9. What is the backlog of forklift orders in North America? Was the downward revision of the number of units due to the weak order situation in North America?
- A9. The backlog varies by category. For small vehicles (non-counterbalance types) in the North American market, it remains at a high level for six months to a year. On the other hand, other categories have already normalized, so we have incorporated the order situation into the full-year performance forecast.
- Q10. You have revised the unit sales forecast for forklifts downward. Do you think this will have any impact on market share? Has there been any change in the competitive environment?
- A10. At this time, there have been no significant changes in the competitive environment.
- Q11. You announced the sale of Denso shares and the sale of four other stocks. Has there been any change in the internal discussions about the reduction of policy-held shares? Does the sale of four stocks include Denso shares? Will you release the names of the four stocks?
- A11. There has been no particular change in our thoughts about reducing policy-held shares. The decision to sell Denso shares is part of our ongoing efforts to reduce policy-held shares. The four stocks are not of significant size, so we will inform you after the sales.
- Q12. Denso has significant business ties with Toyota Industries. Can you explain the reasoning behind the decision to sell all Denso shares?
- A12. The decision to hold policy-held shares has been based on historical relationships rather than business ties and transaction volume. We determined that our current relationship with Denso can be maintained without holding shares, leading to the decision to sell all Denso shares.