

Logistics, Thermal & Drive Systems



New AGF concept "SynX-Vehicle"

Current Status Assessment

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| Strengths S | Expertise cultivated in a wide range of product fields and effective utilization of resources within the domain | |
| | Material Handling Systems | <ul style="list-style-type: none"> • A product lineup that can be consistently offered from ports to warehouses, as well as a strong sales network |
| | HVAC Systems, Automotive Air Conditioners | <ul style="list-style-type: none"> • Extensive product lineup and world-class environmental and energy-saving technologies |
| | Turbochargers | <ul style="list-style-type: none"> • Ability to develop high-performance and high-quality products leveraging high-speed rotation and heat & fluid dynamics technologies |
| | Engines | <ul style="list-style-type: none"> • Technological capability to use alternative fuels such as hydrogen |
| Weaknesses W | Tendency to be affected by short-term economic fluctuations | |
| | Turbochargers | <ul style="list-style-type: none"> • Specialization in the single product makes the business more heavily vulnerable to customer business conditions |
| Opportunities O | Material Handling Systems | <ul style="list-style-type: none"> • Growing market for logistics solutions with expansion of e-commerce business |
| | HVAC Systems, Automotive Air Conditioners | <ul style="list-style-type: none"> • Expansion of market for products meeting environmental and energy-saving regulations |
| | Turbochargers | <ul style="list-style-type: none"> • Increase in installation of turbochargers in hybrid vehicles during the shift to electric, and subsequent expansion of demand for new products applying turbocharger technologies |
| | Engines | <ul style="list-style-type: none"> • Growing data center market and expanding gas distributed power systems market in Southeast Asia |
| Threats T | Adverse effects of U.S.-China trade friction and COVID-19 | |
| | Turbochargers | <ul style="list-style-type: none"> • Shrinking market over the longer term due to accelerated growth of electric vehicles |
| | Engines | <ul style="list-style-type: none"> • Medium to long-term decline in demand for diesel and gas engines due to Energy Transition |

Overview of FY2021 and Priority Strategies in the 2021 Medium-Term Business Plan

Due to increases in material handling and HVAC systems, which recovered from the effects of COVID-19, consolidated orders received increased year on year to ¥992.3 billion. Revenue was up year on year to ¥986.5 billion due to increases in material handling systems, HVAC systems and engines. Profit from business activities was up year on year to ¥30.6 billion due to an increase in profit associated with the overall increase in revenue, despite the impacts of rising material expenses and logistics expenses, and production adjustments by auto manufacturers due to semiconductor shortages.

COVID-19 has wreaked havoc since the second half of FY2019, and the entire Logistics, Thermal & Drive Systems domain has been affected, but revenue bottomed out in the first quarter of FY2020 and is on a trend of recovery. Furthermore, the impact on profit from business activities was minimized by quickly implementing measures such as the optimization of fixed costs.

The 2021 Medium-Term Business Plan positions automation and unmanned areas in material handling systems, and energy saving and environment-response in HVAC systems to be growth businesses due to expanding markets. For engines, we are focusing on backup generator sets for data centers and gas-engine distributed power systems, as both markets are expected to grow further. Furthermore, we are expanding sales of turbochargers for gasoline engine vehicles and hybrid vehicles, and accelerating development of products supporting electrification, while in automotive air conditioners we are focusing on electric driven compressors for electric vehicles as the market for electric vehicles expands.

Business Initiatives in the 2021 Medium-Term Business Plan

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| General | Medium volume products have recovered to pre-COVID levels in FY2021, followed by a steady expansion of the market. The Company will continue to optimize resources and prepare for further growth. |
| Material Handling Systems | <ul style="list-style-type: none"> Promote growth strategies in the expanding of our engineering and solutions business Strengthen sales strategy (reorganization of sales network, introduction of new products) |
| HVAC Systems, Automotive Air Conditioners | <ul style="list-style-type: none"> Grow BtoB area through expansion of product lineup matching the needs of each region Strengthen sales (proceeding with direct sales, etc.) Expand lineup of environmentally friendly products |
| Turbochargers | <ul style="list-style-type: none"> Flexibly respond to changes in demand and generate stable profit by optimizing fixed costs Accelerate development of new products supporting electrification |
| Engines | <ul style="list-style-type: none"> Focus resources on medium and large core products Concentrate promotional activities on promising markets such as data centers and gas-engine distributed power systems in Southeast Asia. Develop 100% hydrogen and hydrogen blend fueled engines |