ShinMaywa Industry Co., Ltd. Q & A at Presentation of Financial Results for FY2021 & Long-term management plan

Date：May 19, 2022

Question	Answer
Q1： In the Industrial Machinery and Environmental Systems segment, why does your forecast for the fiscal year ending March 31, 2023 show an increase in net sales while operating profit remains flat?	A1： The Industrial Machinery and Environmental Systems segment is divided into three main product categories: water treatment equipment, mechatronics products, and environment-related business. Net sales increased in all these categories. In water treatment equipment and mechatronics products, we expect operating profit increase. However, in the environment-related business, we forecast operating profit decrease due to the fact that there were many projects with relatively high profit margins in the previous fiscal year and an increase in construction materials for facilities. Therefore, in the Industrial Machinery and Environmental Systems segment, we forecast operating profit is expected to remain at the same level as the previous fiscal year.
Q2： In the Special Purpose Truck segment, net sales of forestry machinery increased. Could you explain the outlook for the forestry machinery business environment, your company's share in the market among competitors, the size of sales profit?	A2: As for the forestry machinery business environment, it is expected to remain resilient for the support of Forestry Agency. As for competition, it is difficult to ascertain the market share of manufacturers of forestry machinery, and I cannot give you an exact figure but our market share is close to 50% of the forestry machinery market in Japan. As for the scale of sales profit, annual sales are approximately JPY9 billion, and the profit margin is very high.
Q3： As for Special Purpose Truck segment, could you comment on the forecast for profitability for the second half of the fiscal year ending March 31, 2023? Assuming normalization of chassis deliveries, do you foresee a considerable improvement due to product price increases, or in light of recent inflation, would additional efforts be required?	A3： We are having a very difficult time because we cannot foresee the delivery of chassis at all due to the shortage of semiconductors. We expect that it will not recover until the second half of the year or after that and a significant recovery may be difficult to achieve. In addition, material costs are also rising, so we believe that additional efforts are necessary.