

# Growth Regions: The Americas and Asia

## The Americas

Creating early benefits with the companies that joined the Daifuku Group and increasing profitability of businesses in a growing North American market

### Market Analysis and Trends by Product Area

Daifuku established Daifuku U.S.A. Inc. (currently, Daifuku America Corporation) in 1983 as Japanese automakers, its major customers, were entering the U.S. market and has subsequently further developed its business activities through M&A. At present, wholly owned subsidiary Daifuku Webb Holding Company oversees operations in North America. To accommodate the needs of customers, the majority of which are locally based companies, Daifuku is enhancing its human resource training and personnel management systems to prepare for management led by local staff. Trends in principal markets and Daifuku's accomplishments are as follows.

**Manufacturers and distributors:** In the U.S. market, the time required to recover capital investments is relatively short, and investments with a short time horizon are predominant. Accordingly, it is necessary to show customers the specific advantages in terms of direct impacts in the short term on their businesses including automation, energy conservation, labor saving, and other areas.



Wynright's warehouse robotic technology

Talking points must focus around how investments will differentiate customers from their competitors, how operations can be accelerated, how precision will be increased, and other benefits. In the United States, which has a large landmass and a growing population, Daifuku expects expansion in the

logistics markets, and the outlook is for growth in demand for material handling systems, such as conveyor, sorter, and picking systems.

**Semiconductors:** Orders began to recover in the latter half of fiscal 2013. In this sector, where customers tend to remain loyal to specific vendors, Daifuku's proprietary nitrogen purge stockers benefited earnings.

**Automobiles:** In addition to the increased demand for facility upgrades, including those for major projects, orders are favorable among Detroit's Three automakers. In addition, demand for system upgrades from Japanese automakers in the region remains firm.

**Airports:** Demand in the North American airport market in fiscal 2013 shrank 40% from the previous year, and, because of the shortage of orders, strict business operations are necessary. However, demand related to tightening security measures is expected going forward, and profitability will increase with the implementation of cost-cutting measures.



Daifuku Webb boasts the largest-scale market share in North America in terms of operation and maintenance for airport facilities.

### Growth Strategies

Beginning with the current fiscal year, Daifuku senior management will exercise more-direct control of the North American market. Daifuku will make effective use of existing sales channels of Wynright Corporation, which joined the

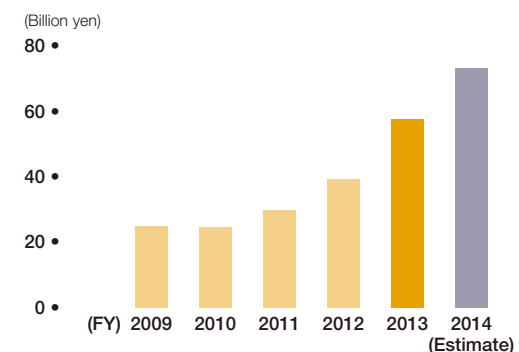


Wynright Tech Center

Group in October 2013. Also, Daifuku, with strengths in the automated warehouse field, will collaborate with Wynright, which has strengths in roller conveyors, to market their complementary product lineups. Marketing activities will focus on expanding sales, mainly to the distribution sector. Wynright, which forecasts more than 20.0 billion yen in sales in fiscal 2014, has two factories and 18 sales and service centers, where more than 200 engineers are engaged in projects, in the United States. Wynright operations encompass from design to manufacturing, installation, sales, and after-sales service, and it has delivered systems to many well-known companies. Wynright has developed robotic technology for truck loading/unloading, where automation has largely remained untouched, in distribution centers.

The president of Daifuku Webb serves as the general manager of Daifuku's airport business and oversees operations across the globe, and activities to strengthen management in Europe and Asia are in progress.

### Sales in North America



### Case Study | United States

#### Throughput doubled through consolidation of distribution centers: Casual footwear company SKECHERS

Wynright undertook the design as a systems integrator for the material handling systems of a distribution center for SKECHERS USA, Inc., headquartered in California, which included conveyors, sorters, and pallet racks. In addition, Daifuku Webb delivered mini load automated storage and retrieval systems (56 stacker cranes, 363,000 storage locations). SKECHERS USA consolidated five distribution centers into one in the United States, resulting in a double throughput with half the labor. The system was designed to be expandable to handle a higher volume of products.



SKECHERS distribution center

## Asia

Accommodating the needs for structuring safe and reliable logistics networks and for automated systems to accommodate rising wage costs, brought by a growing middle-income class in Asia

### Market Analysis and Trends by Product Area

#### China

Daifuku's sales in the Chinese market are expanding at a high and steady pace. China's 12th Five-Year Plan (covering the period from 2011 to 2015) contains measures for promoting the sophistication of the industrial structure, including investments in warehousing and delivery centers. The plan also calls for the development of supply chain

#### Case Study | China

### Dongfeng Honda Automobile's second plant: Honda's joint venture company in China adopting Daifuku technology

Dongfeng Honda Automobile Co., Ltd., Honda Motor Co., Ltd.'s automobile production and sales joint venture in China, built a second plant to increase its production capacity in China. The new factory adopts Daifuku's latest systems throughout its facility, substantially increasing productivity. The factory represents a successful realization of Honda's aim of creating a highly efficient facility that is people-friendly. The automobile assembly lines incorporate Daifuku's Flexible Assembly Leveling System (FALS) in all processes. FALS is a full pallet conveyor system that allows for adjustments of the car platform (chassis) to desired heights so workers can ergonomically perform their tasks, thus greatly reducing physical stress and fatigue.



Dongfeng Honda Automobile Co., Ltd.

management systems for the manufacturing sector and urban delivery systems, including systems for chilled food products. These investments are expected to continue into the future.

**Manufacturers and distributors:** Demand for systems for the food, pharmaceutical, beverage, and paper factories and supermarket logistics is expanding rapidly. Daifuku has received orders for high-throughput sorting systems from four retailers that rank within the top 10 Chinese retailing companies.

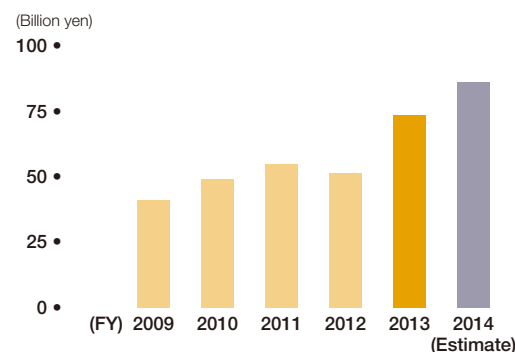
**Semiconductors and FPDs:** Daifuku forecasts major gains in both orders and sales of systems for flat-panel display (FPD) factories in fiscal 2014. In 2013, Daifuku (Suzhou) Cleanroom Automation Co., Ltd. went into operation, strengthening local production and procurement systems.

**Automobiles:** In fiscal 2013, Daifuku (China) Co., Ltd. received orders from Chinese as well as Western automakers, with signs of buoyed investment by Japanese automakers. In addition, the SmartCart, an automatic guided cart developed by Daifuku Webb, is now being manufactured in China and was delivered to non-Chinese automakers in the nation.

#### South Korea

In systems for semiconductor and FPD factories, Daifuku's subsidiary Clean Factomation, Inc. is experiencing strong growth and, with its originally developed products, sales to South Korean companies are robust.

#### Sales in Asia



Daifuku Logan's baggage handling systems are used at Kunming Airport.



Cleanroom transport systems for FPD factories



Automobile factory in Thailand

With respect to systems for automobile factories, Daifuku Korea Co., Ltd. is undertaking projects for South Korean automakers both in their home country and their plants in China and other countries. Sales in this business in fiscal 2013 rose to a new record level.

In systems for manufacturers and distributors in South Korea, Daifuku recorded orders received mainly from the e-commerce related sector.

#### Taiwan

In Taiwan's semiconductor and FPD market, Daifuku has secured a solid customer base among leading companies and continues to further build customer relationships.

In systems for manufacturers and distributors in Taiwan, Daifuku has received orders from the paper and distribution sectors as well as touch-panel manufacturers.

#### ASEAN

ASEAN is the region where the most growth is expected in systems for manufacturers and distributors, especially in the food and retailing sectors. Daifuku strives to strengthen its

position in the ASEAN region through implementing a number of strategies, such as assigning specialists to these markets, developing additional sales channels, and increasing productivity in Thailand.

Daifuku Mechatronics (Singapore) Pte. Ltd. has trained top-quality software engineers, and their accomplishments include the development of original RFID systems. Daifuku Singapore has also been successful in developing business outside the material handling field, including the hotels and restaurants sector. In Malaysia, amid growing concerns about health, demand in systems for handling mushrooms, drinking water, and other products is expanding.

In systems for automobile factories, investments by Japanese automakers mainly in Thailand and Indonesia are robust. Especially in Thailand, Daifuku's quick response to the flooding in 2011 has been highly appraised by customers, and has led to the receipt of additional orders.

### Growth Strategies

Competition with other Japanese and European systems manufacturers is growing more intense. For this reason, Daifuku is strengthening its local presence in Asian markets by assigning specialists to these areas to expand its presence in the manufacturing and distribution sectors. In addition, to deal effectively with the growth of locally based competitors, Daifuku is moving forward with production and procurement in the local markets and introducing high-value-added products to differentiate from competitors' products.



Daifuku Singapore exhibits at a local trade fair

# Strategic Regions: Europe and Japan



## Case Study | Sweden

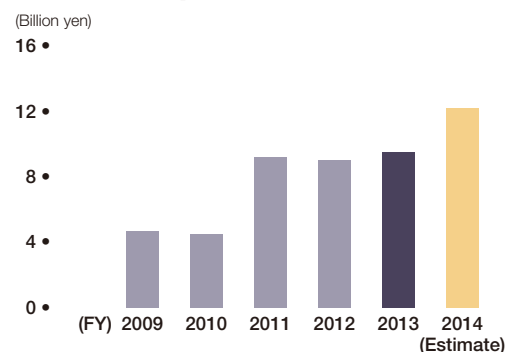
Attaining higher efficiency with Daifuku's automated systems: Distribution center for ICA, Scandinavia's largest supermarket chain

ICA Sverige AB, a supermarket headquartered in Stockholm, Sweden, which provides quality goods at reasonable prices, has more than 2,100 stores in northern Europe. ICA consolidated nine warehouses into a single distribution center. The new facility, which has an area of 70,000 square meters, now operates as a comprehensive distribution center, handling more than 5,000 different items. Daifuku's material handling systems in the center include automated storage and retrieval systems, conveyors, heavy-duty racks, and sorting systems. With these systems, the distribution center was significantly automated, allowing it to handle a wide variety of goods quickly and at low cost.



ICA distribution center

### Sales in Europe



## Europe

Pursuing a localization strategy in the midst of severe competition and strengthening systems to respond to regional characteristics

### Market Analysis and Trends by Product Area

Competition in this region is challenging, as many leading material handling equipment manufacturers are active in Europe. Amid this operating environment, Daifuku is collaborating with leading dealers in the region and striving to raise its profile in the European market. In comparison with the United States, customers in Europe place greater emphasis on worker-friendly and environmental issues. In Japan, the trend is to have systems that include both people and machines, whereas the trend in Europe emphasizes creating worker-free automation systems. Daifuku works to meet the diversified needs of various regions to grow into a global leading company.

### Growth Strategies

In northern Europe, Daifuku has been highly appraised for its installations and after-sales service to leading supermarkets in Sweden and Denmark. As a result, Daifuku has increasingly been selected as the systems integrator for expansions of distribution centers. In Russia, the Company installed systems at a major distribution center for footwear. Daifuku will continue to address the challenge of generating a stable flow of similarly large projects.

Meanwhile, in southern Europe, the relationship of more than 25 years with ULMA Handling Systems in Spain has resulted in a stable record of success. ULMA provides sales and services for Daifuku's stacker cranes, principally in Spain, Portugal, France, and Brazil.

In central Europe, Daifuku entered a business partnership with Austria-based Knapp AG in 2010 for logistics systems. Knapp has strengths in the handling of small objects, including pharmaceuticals and cosmetics. In 2012, Knapp became an equity-method affiliate of Daifuku.

Daifuku is also working to improve its performance in the airport sector, where challenging business conditions have persisted. Currently, Daifuku Logan Ltd. aims to win orders in the United Kingdom by taking advantage of the products developed in Japan.

Daifuku is placing emphasis on the training and development of affiliate staff to push for the localization of management in Europe as a whole.

## Japan

Further bolstering R&D, the foundation for future growth, and demonstrating Daifuku's strengths even in the mature market of Japan

### Positioning of the Japanese Market

Daifuku's R&D is mainly centered in Japan, the location of Daifuku's headquarters and a key location for its global business operations. Over the nearly 80 years since its establishment, the reason Daifuku remains a growing company and a source of pride is its unrelenting drive to accommodate the needs of diversified industries and business models with products that fit with the times. Daifuku is imparting the material handling expertise developed in Japan to its subsidiaries outside Japan, and, after identifying the needs of local markets, is working jointly with the subsidiaries to create products that meet these needs.

In addition, factories in Japan provide core components of Daifuku products around the world. With a sales volume that ranks in the top two in the world, Japan is also significantly contributing to the performance of the Group through its major cost-cutting efforts by reviewing and making



Using RFID technology, a cosmetics company increased throughput and shipping accuracy for online mail orders.

improvements in its procurement activities and expanding in-house production.

### Growth Strategies

The Japanese market is expected to show continued stability, with ongoing trends including industrial realignments in customer industries; reforms in distribution and logistics, including the further development of e-commerce; and a rising need for automation due to a lack in workforce from low birthrates and demographic aging of the population. Aftermarket services for the large number of past installations are a primary source of earnings for Daifuku, and demand for the retrofit and replacement of existing equipment is increasing.

In addition, Daifuku is taking initiatives to develop new value-added and highly profitable products that will incorporate innovative, new technologies. Meanwhile, since demand for e-commerce related systems is increasing, Daifuku will press forward with the development of new products suited to this sector.

### Sales in Japan

