



# Three-Year Business Plan (April 2021 – March 2024)

## Value Transformation 2023

February 5, 2021

**Daifuku Co., Ltd.**



# 1. Our Business



## Intralogsitics

Manufacturing and distribution systems



## Cleanroom

Cleanroom production line systems



## Automotive

Automobile production line systems



## Airport

Airport technologies



## Auto Wash

Car wash machines

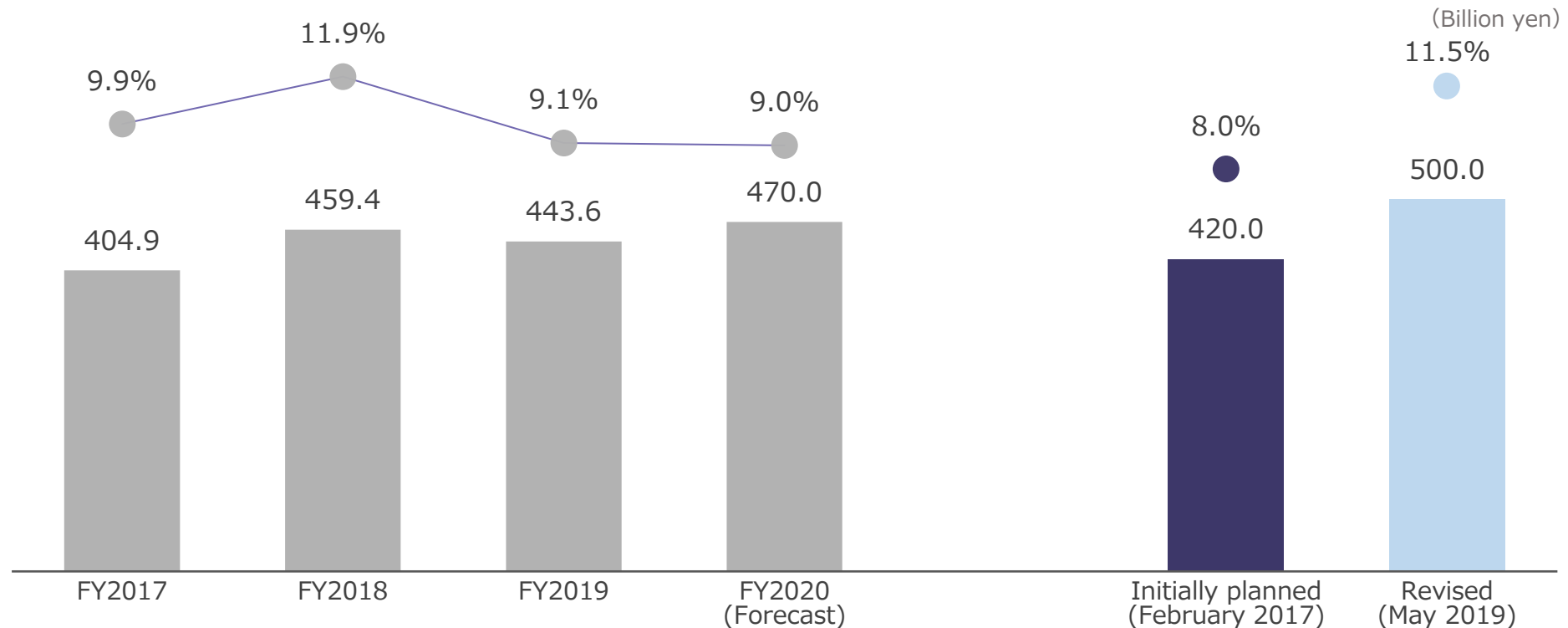


## Electronics

## 2. Review of Value Innovation 2020

Despite the upward revised management targets set in May 2019, which sought sales of 500 billion yen and an operating margin of 11.5%, unlikely to be achieved due to a temporary decline in capital investment in the cleanroom sector and the impact of the COVID-19 pandemic, the management targets set at the time the plan was first made, namely sales of 420 billion yen and an operating margin of 8.0%, are expected to be met.

ROE is consistently at 10% or higher, and the consolidated dividend payout ratio has continued at around 30%.



ROE	17.7%	19.5%	12.4%	10% or higher	Payout ratio four-year average 30.6%	10% or higher	10% or higher
Payout ratio	29.7%	28.6%	33.6%	30.5%		30%	30%

# 2. Review of Value Innovation 2020

## Themes of Value Innovation 2020

- Business Domains**
  - Establishing new core business
  - Strengthening existing businesses
  - Identifying new business
- Profitability**
  - Enhancing product value
  - Increasing productivity
  - Reinforcing production framework
- Operational Efficiency**
  - Accelerating localization
  - Promoting integrated management
  - Effective use of human resources
- Brand Power**
  - Innovating value provided
  - Changing employee perception
  - Enhancing corporate value

## Core Policies

- Provide smart logistics for customers
- Establish Airport Technologies business as the fourth core business
- Pursue best combination of localization and globalization

## Outcome

- Enabled the visualization of system maintenance data by employing IoT technologies. By expanding efforts toward the creation of systems that will not stop working—or will quickly recover if they do—the Group is providing systems that can be considered an element of social infrastructure.
- Orders received in FY2020 doubled compared to FY2016 and have grown to a level comparable to the Automotive business, thereby cementing the Airport business as the Group's fourth core business.
- Localized production by building new factories in the U.S., China and Thailand. Further, implemented organizational realignment in the U.S. and established an integrated management system across the Group.

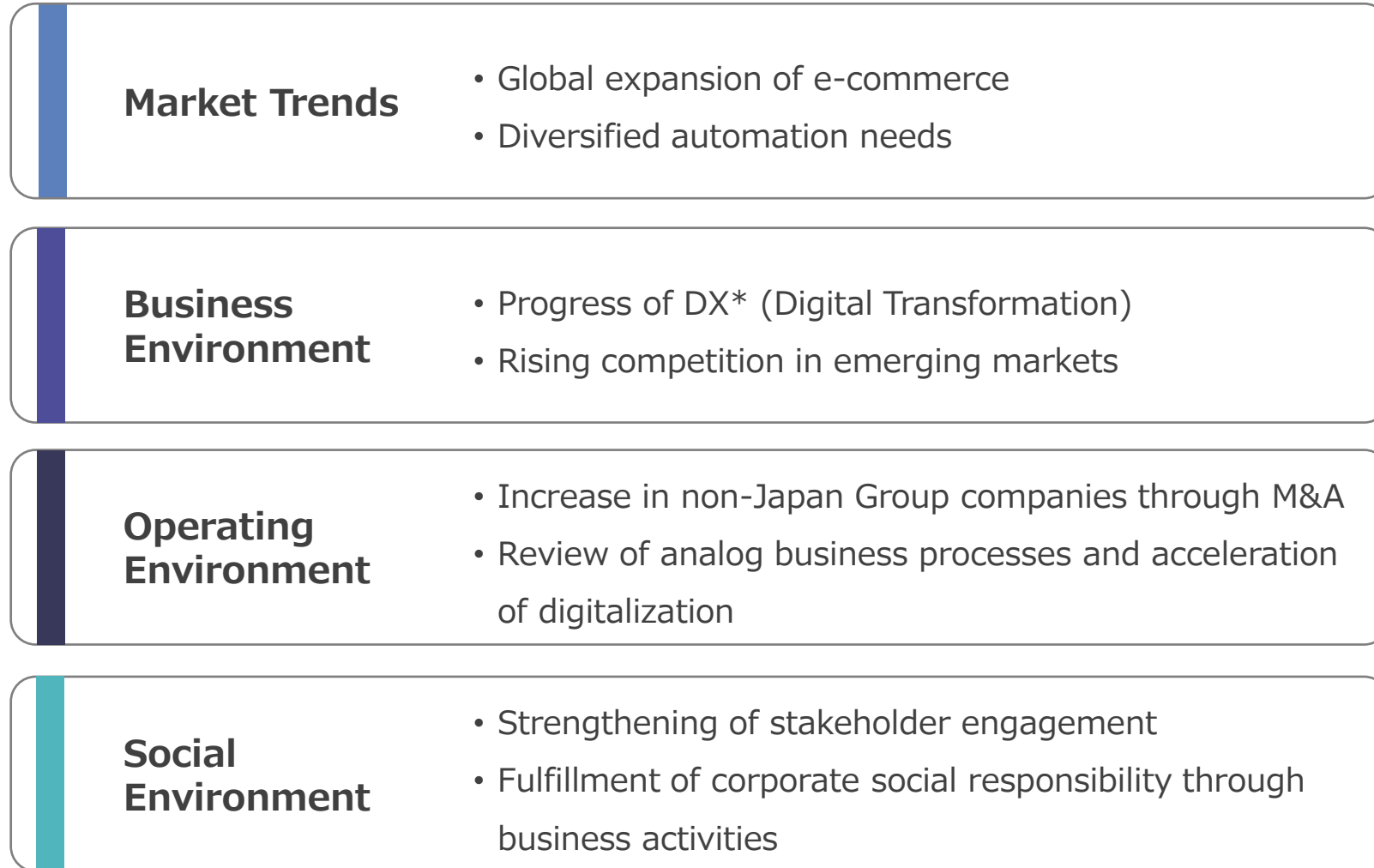
## Next Challenge

- Use evolving ICT and AI and digital technologies to develop and provide price-competitive products that will drive next-generation logistics globally.
- Improve profitability and expand the Airport business from hardware-focused solutions to include software that supports smart airport operations.
- Enhance employee engagement worldwide and create a global corporate culture.

# 3. Current and Future Business Challenges

## Current Business Environment

## Themes



\*DX (Digital Transformation): Harnessing data and digital technology to transform all areas of a business including products, services and business models, and through this attain a competitive advantage

## ● Period of the new business plan (April 2021 – March 2024)

While the previous business plan was formulated to address a four-year period, the period of this business plan is three years to enable a quicker response to drastic change in the social, environmental and business climates surrounding the Company.

## ● Concept

### 1. Transformation of the value provided through DX<sup>2</sup>

***DX<sup>2</sup> (DX Squared) = Digital Transformation x Daifuku Transformation***

The Group will transform the value provided to its customers and other stakeholders through the promotion of Digital Transformation (DX) and of the transformation of the Daifuku Group itself (Daifuku Transformation).

### 2. Creation of new value in the new normal

The goal of the Group is to continue to stride forward in a society that demands the creation of new value, leveraging its flexible, creative ability to create ideas free from precedent and its power to execute its plans to transform existing frameworks.

### 3. Towards realizing a sustainable society

From the perspective of promoting efforts for ESG (environment, society and governance), sustainability, and related endeavors, the Group positions its three-year business plan and Sustainability Action Plan\* as the two wheels of its business strategy. The Group will implement these plans to contribute to the achievement of the Sustainable Development Goals (SDGs) of the United Nations.

\*The Company plans to publish a three-year Sustainability Action Plan to address the identified material issues in April 2021.

# 5. Three-Year Business Plan, Sustainability Action Plan and Related SDGs **DAIFUKU**

## Themes of the Three-Year Business Plan

### Business Domains

1. Accelerating globalization
2. Strengthening existing businesses
3. Developing new business

### Profitability

1. Enhancing product value
2. Increasing productivity
3. Reinforcing production framework

### Operational Framework

1. Rebuilding Group management
2. Transforming business operations
3. Reforming personnel systems

### Brand

1. Innovating value provided
2. Creating social value
3. Transforming internal perceptions



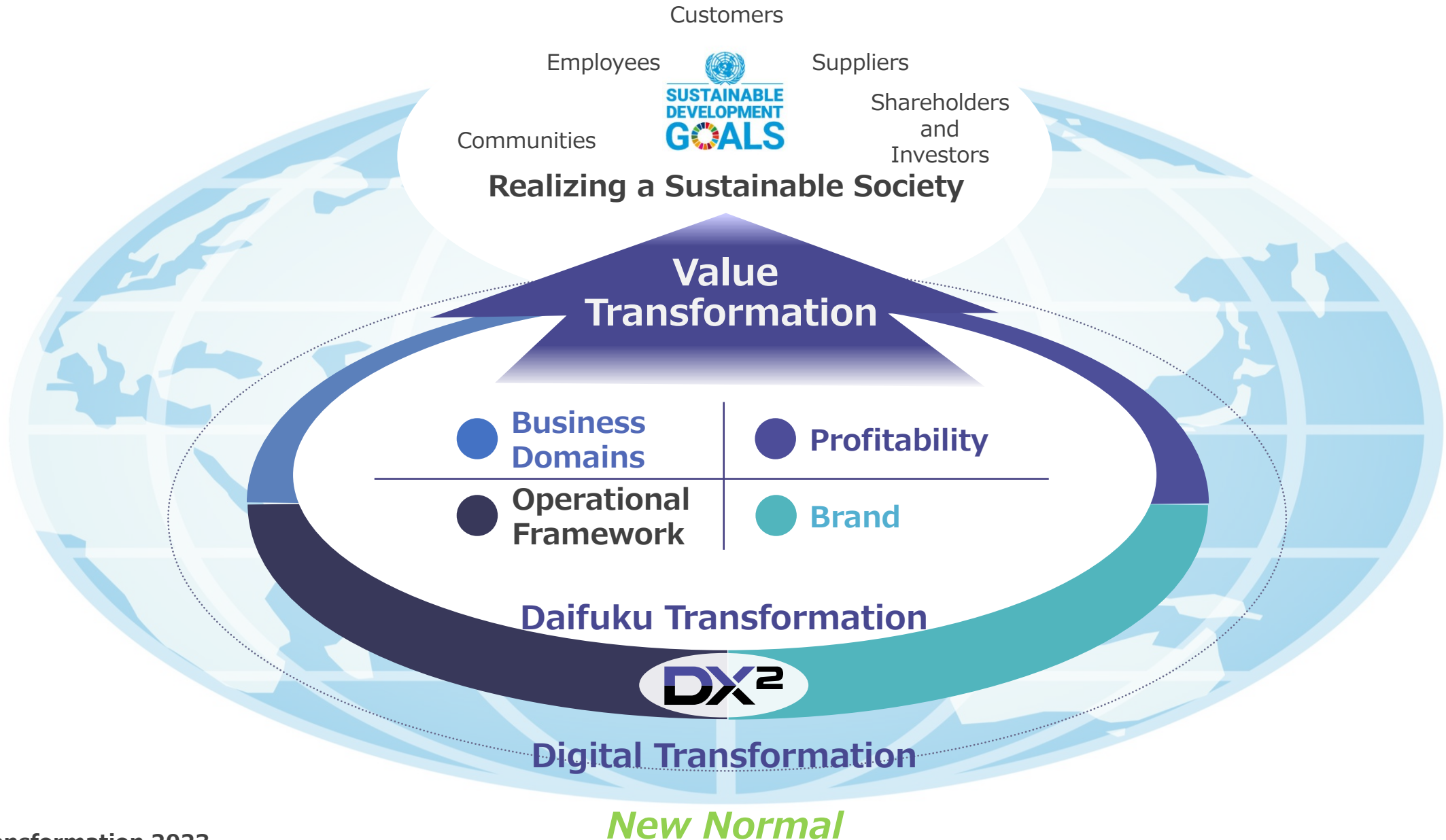
## Themes of the Sustainability Action Plan

- Contribute to a smart society
- Maintain and improve the quality of products and services
- Enhance operational framework
- Respect human dignity
- Contribute to the environment through our business

## Realizing a Sustainable Society



# 6. Value Transformation 2023 Concept Map





## Business Domains

Accelerating globalization

### Strategically invest in the global market

- Achieve global business expansion through M&A and alliances
- Actively expand sales reach in markets with growth potential



Strengthening existing businesses

### Create next-generation business models

- Conduct active marketing of ready-designed solutions
- Propose new business models such as recurring revenue business



Developing new business

### Invest in promising new domains

- Further promote open innovation including collaboration with the private sector, universities, and emerging companies
- Develop new businesses, including considering businesses outside the framework of existing business domains



## Profitability

Enhancing product value

### Transform value provided through cutting-edge technologies

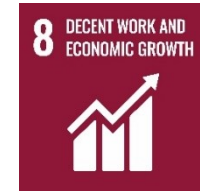
- Provide smart logistics using advanced ICT and AI technologies
- Develop products that meet increasingly diverse customer needs and drive next-generation logistics



Increasing productivity

### Strengthen international price competitiveness

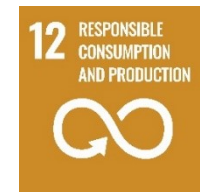
- Rebuild production and procurement framework to become an industry leader in cost reduction and quality
- Establish a highly accurate digitalized project management system



Reinforcing production framework

### Promote innovation in *monozukuri* (manufacturing) through digitalization

- Standardize all processes including design, production, installation and after-sales service
- Optimize engineering efficiency through digital technology



## Operational Framework

Rebuilding  
Group  
management

### Strengthen Group governance

- Conduct business operations from a portfolio management perspective
- Optimize Group resources, including consolidation and integration



Transforming  
business  
operations

### Increase efficiency and add value from a customer-oriented perspective

- Implement a fundamental review of business processes to increase customer satisfaction
- Reconfigure existing work processes through DX



Reforming  
personnel  
systems

### Adopt diverse human capital management systems

- Develop and appoint human resources through global talent management
- Introduce a competitive employment system for hiring specialists



## Brand

Innovating value provided

### Provide smart logistics through TOP\* innovation

- Provide logistics systems that support the DX sought by customers
- Provide new value transcending the barriers of TOP through digital space technology

\* TOP: Time, Occasion, Place



Creating social value

### Strengthen framework consistent with our role as a company responsible for social infrastructure

- Cement the safety, stability and reliability of logistics in its role as an element of social infrastructure
- Carry out initiatives that help realize a sustainable society



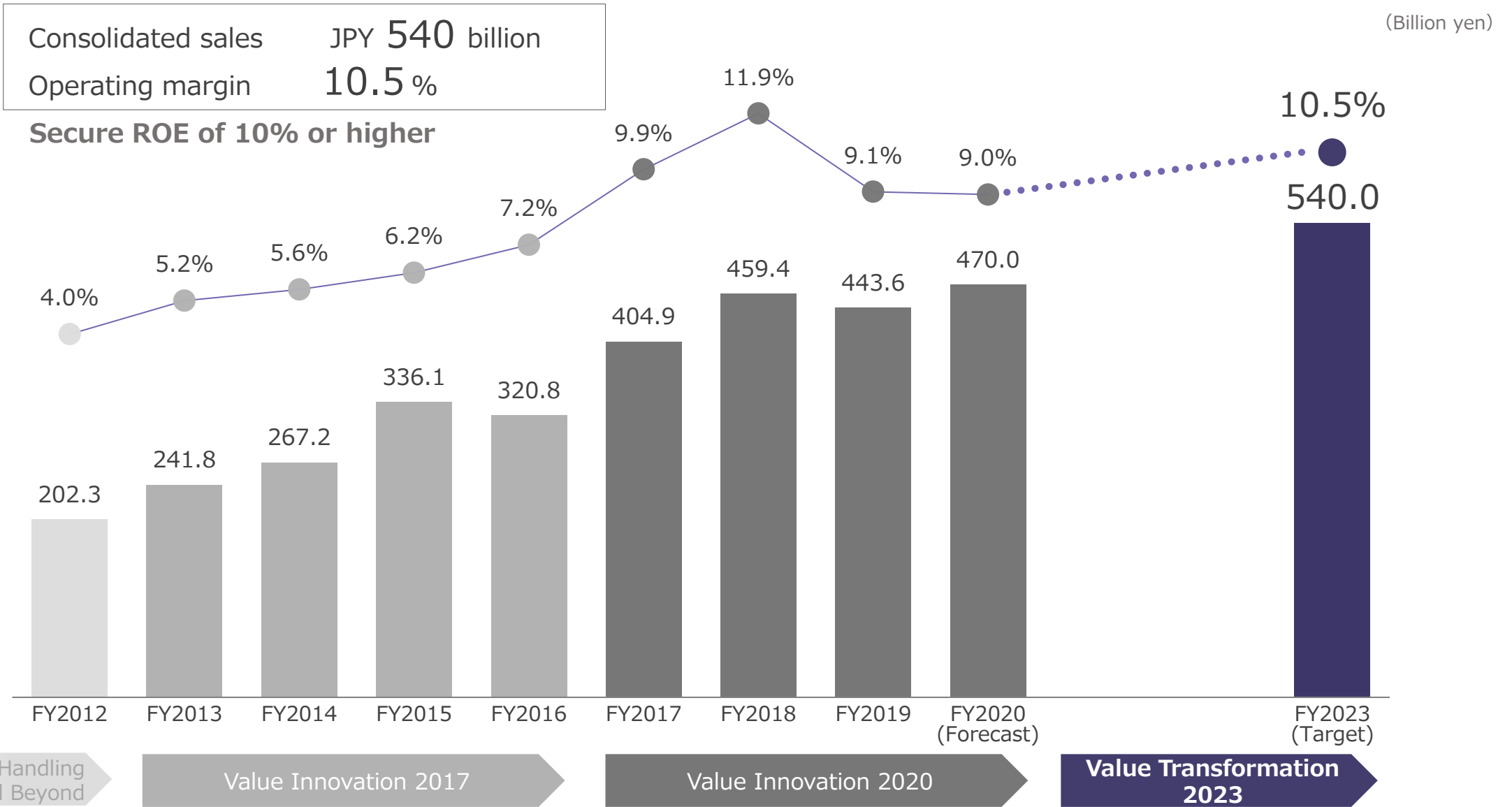
Transforming internal perceptions

### Create a global corporate culture

- Encourage workstyle awareness toward embracing telework
- Improve employee engagement across the Group



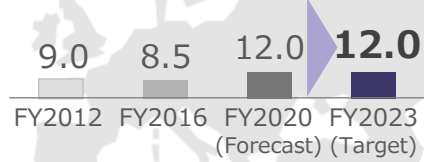
# 8. Value Transformation 2023 Management Targets



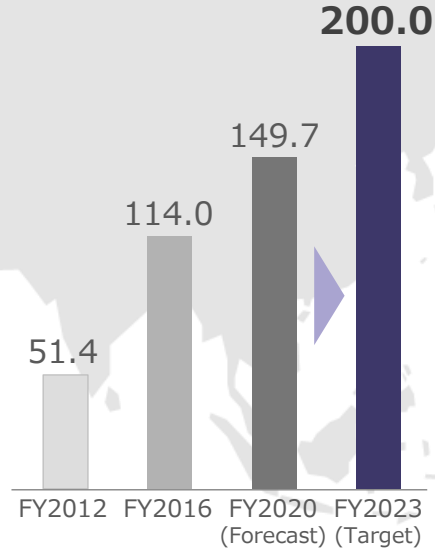
# 9. Sales by Region (Reference)

	FY2012	FY2016	FY2020 (Forecast)	FY2023 (Target)
Non-Japan sales	105.2	210.1	308.3	378.0
Non-Japan sales ratio	52%	66%	66%	70%

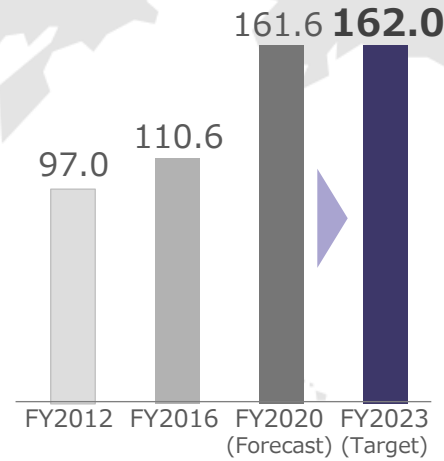
(Billion yen)



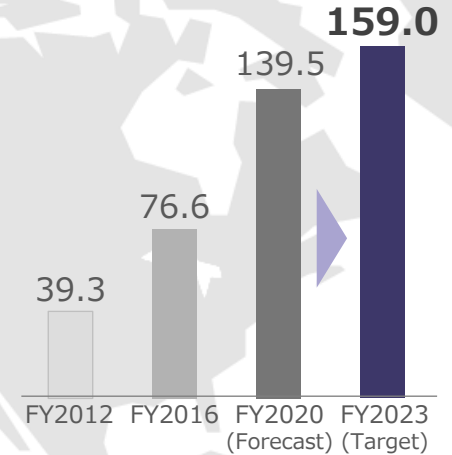
Europe



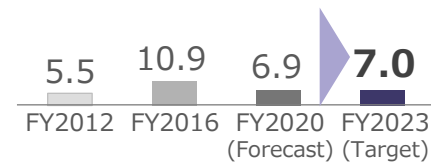
Asia Pacific



Japan



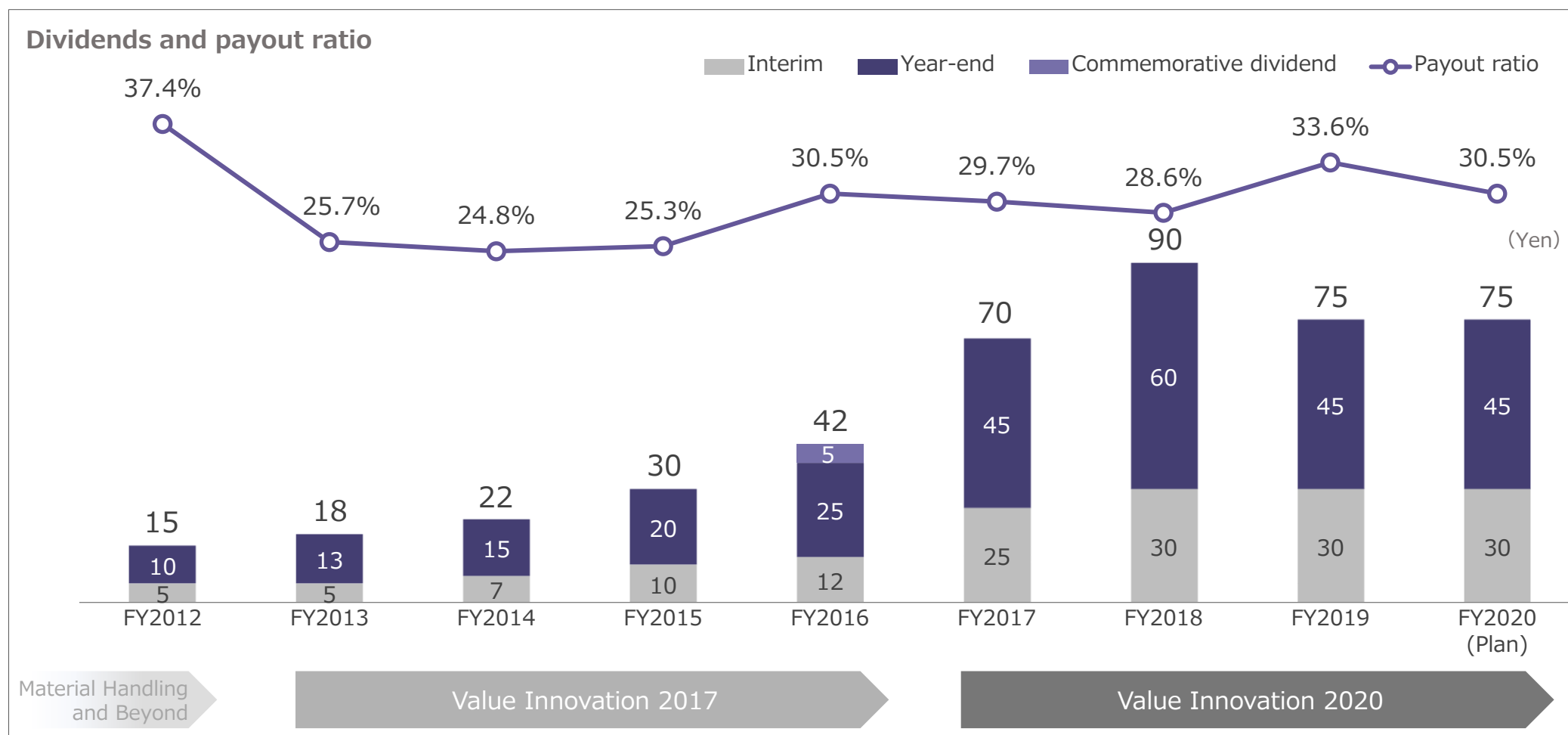
North America



Other

# 10. Shareholder Return Policy (Reference)

Aim to achieve a consolidated dividend payout ratio of 30% or more on a three-year average (FY2021 – FY2023).





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### **Cautionary Statement with Respect to Forward-Looking Statements**

The strategies, beliefs and plans related to future business performance as described in this document are not established facts. They are business prospects based on the assumptions and beliefs of the management team judging from the most current information, and therefore, these prospects are subject to potential risks and uncertainties. Due to various crucial factors, actual results may differ materially from these forward-looking statements. These crucial factors that may adversely affect performance include 1) consumer trends and economic conditions in the Daifuku Group's operating environment; 2) the effect of yen exchange rates on sales, assets and liabilities denominated in U.S. dollars and other currencies; 3) the tightening of laws and regulations regarding safety and other matters that may lead to higher costs or sales restrictions; and 4) the impact of natural disasters and intentional threats, war, acts of terrorism, strikes, and plagues. Moreover, there are other factors that may adversely affect the Group's performance.