

**DAIFUKU**

Automation that Inspires

# Driving Innovative Impact 2030

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## Four-year business plan for 2027

(April 2024—December 2027)

May 10, 2024

**DAIFUKU CO., LTD.**



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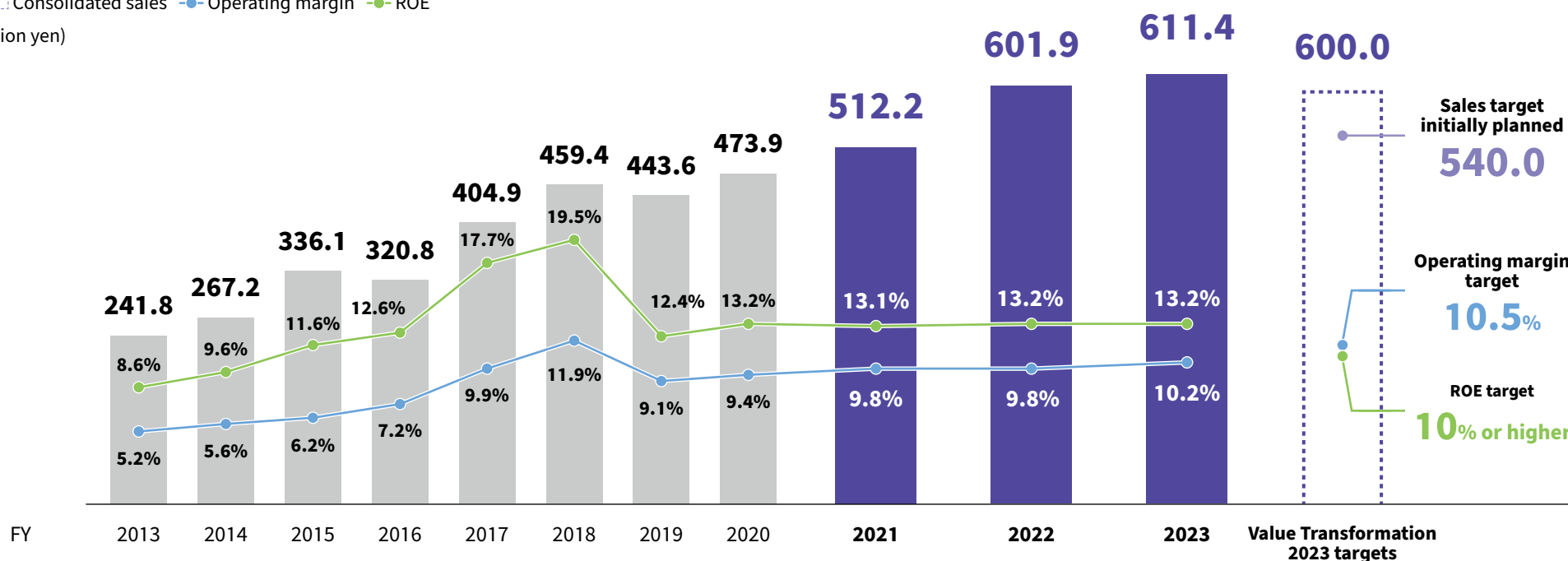
**Reference: Trends in stock and price-book value ratio**

1 Review of Value Transformation 2023 (April 2021–March 2024)

# Objective status

**Consolidated sales surpassed our target, backed by expanding e-commerce, increases in semiconductor demand, the shift to electric vehicles (EVs), and recovery in the number of air passengers. Operating margin fell just short of our target mainly due to rising material and labor costs, but operating income reached a new record high for the second consecutive year. ROE was consistently above our 10% target.**

■ Consolidated sales ● Operating margin ● ROE  
(Billion yen)



Operating income	12.5	14.8	20.8	23.0	39.9	54.6	40.4	44.5	50.2	58.8	62.0
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# Outcome and next challenges

## Outcome

- Increased production capacity mainly in North America, China, and South Korea to increase orders and sales, and increased profitability by improving productivity and in-house production ratio.
- Reduced the impact of rising material and labor costs by standardizing products, reducing the number of components, shortening installation periods, and reducing other costs.
- Established new C-suite roles to strengthen the management system across the Daifuku Group.
- Promoted the introduction of renewable energy sources, in addition the Scope 1+2 CO<sub>2</sub> emissions rate in fiscal 2023 is expected to be reduced by 46% that of fiscal 2018.

Note: 2030 target reduction rate (compared to fiscal 2018): 50.4% as of fiscal 2023 (In May 2024 the target rate has been revised to 60%. [▶ Page 21](#) )

## Next challenges

- Improving profitability through more sophisticated project management outside of Japan.
- Strengthening competitiveness by accelerating the introduction of cutting-edge technologies and creating new businesses.
- Expanding investment in human capital to secure and develop human resources and enhancing human resource management capabilities.
- Improving capital efficiency and cash flows by refining business management.

## 2 Corporate policies

### Company Creed



Hini Arata

Today we are doing better than we were yesterday. Tomorrow we will be growing ahead of where we are today.

### Management Philosophy

Inspire society, deliver prosperity and enhance well-being through our core competence—automated material handling technology.

We will

- 1 strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.
- 2 work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
- 3 ensure a fair and open corporate culture that respects diversity and allows each individual to excel. Further, we will strengthen our fundamental management practices globally to have a high level of transparency.

### Group Code of Conduct

#### Basic Stance

We will act in accordance with applicable laws rules, regulations, social norms and ethics.

We will place safety as a major premise in all aspects of our business activities.

We will remain committed to the creed of “Hini Arata” as we take on new challenges and make changes for the better.

## Driving Innovative Impact 2030

**Our long-term vision encompasses our strong desire to achieve even greater economic and social value by strengthening our initiatives with new future-oriented ideas and trailblazing groundbreaking change for our stakeholders.**

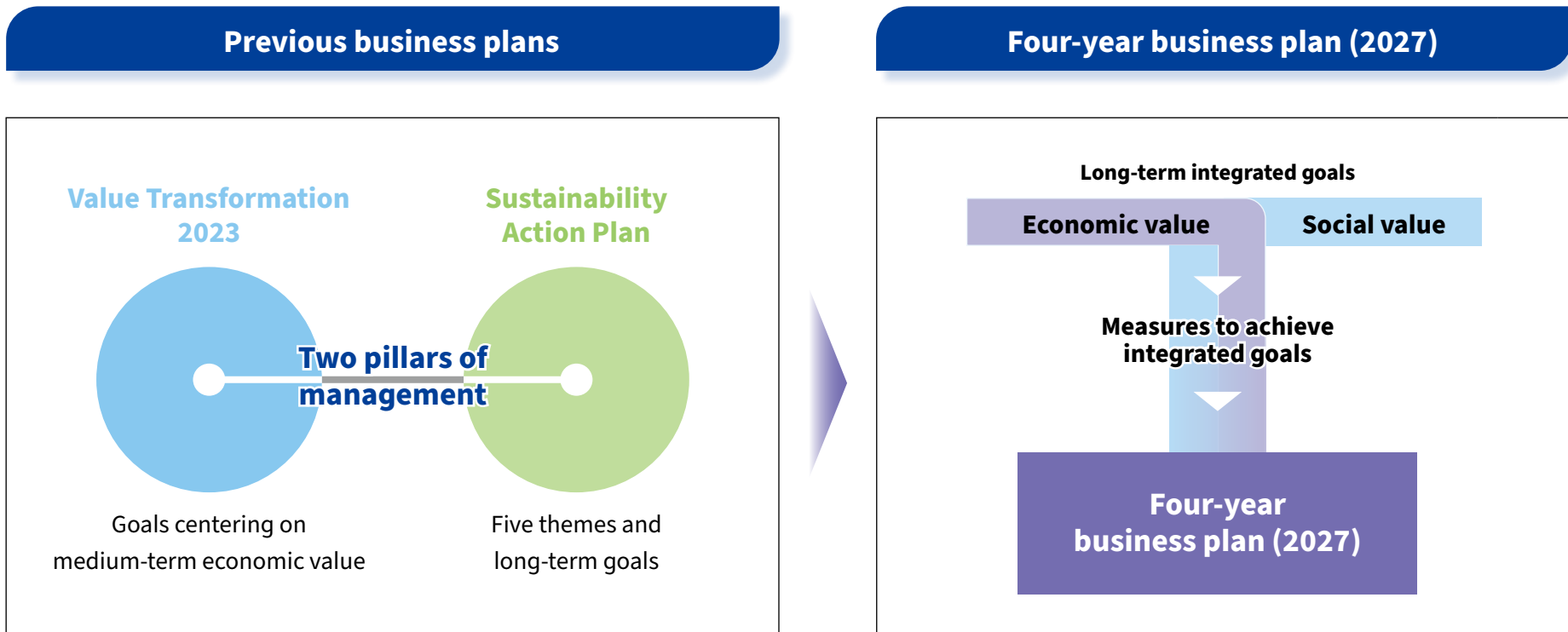
## Four-year business plan for 2027



# Concept

## Balancing economic value and social value

While previously we operated with the three-year business plan, Value Transformation 2023, and the sustainability action plan as the two pillars of our management policy. In the four-year business plan for 2027, we have integrated the two, laying out goals that take both business and sustainability perspectives into account, and we have formulated measures and roadmaps for achieving them.





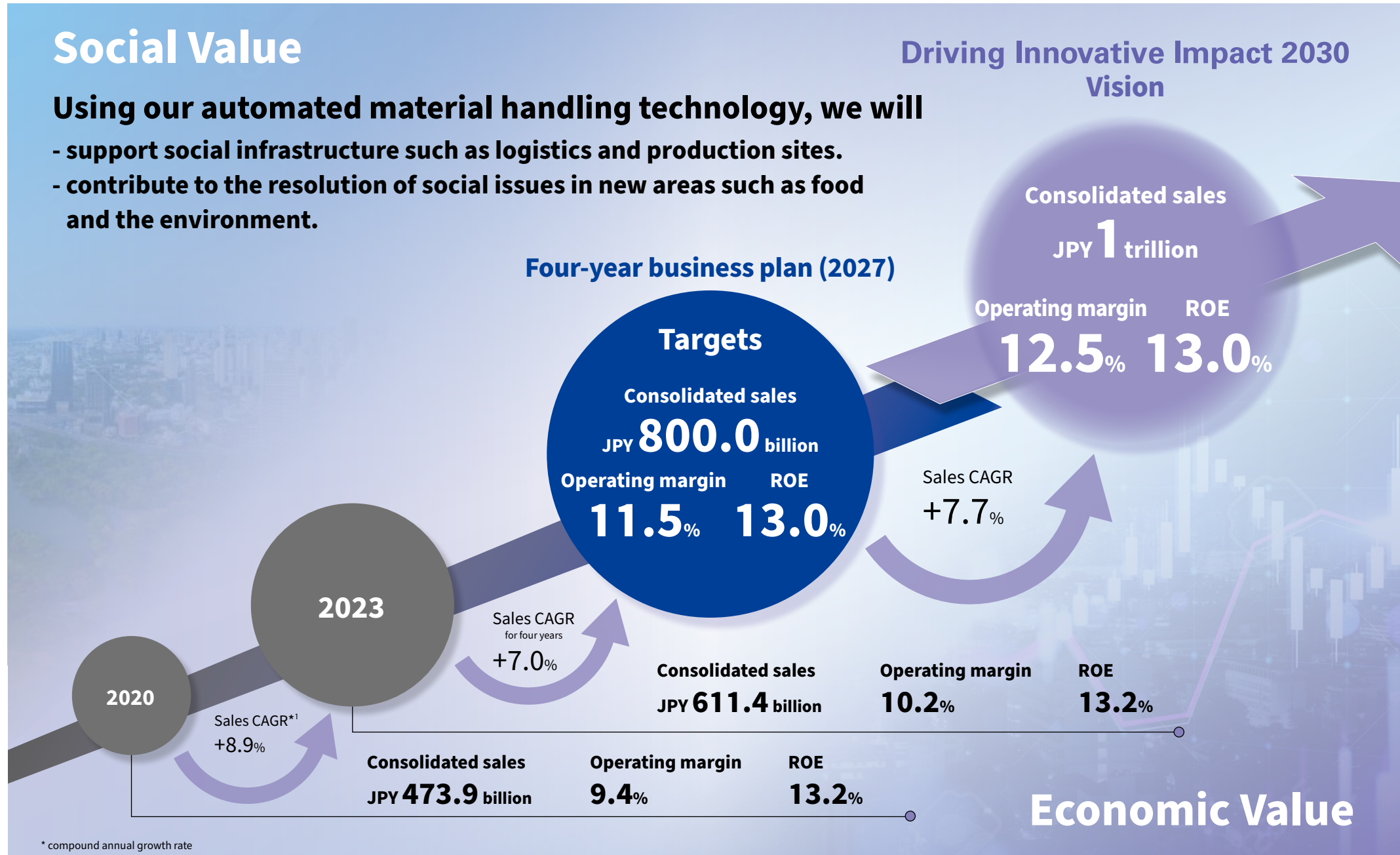
# Vision and goals

## Social Value

Using our automated material handling technology, we will

- support social infrastructure such as logistics and production sites.
- contribute to the resolution of social issues in new areas such as food and the environment.

## Driving Innovative Impact 2030 Vision



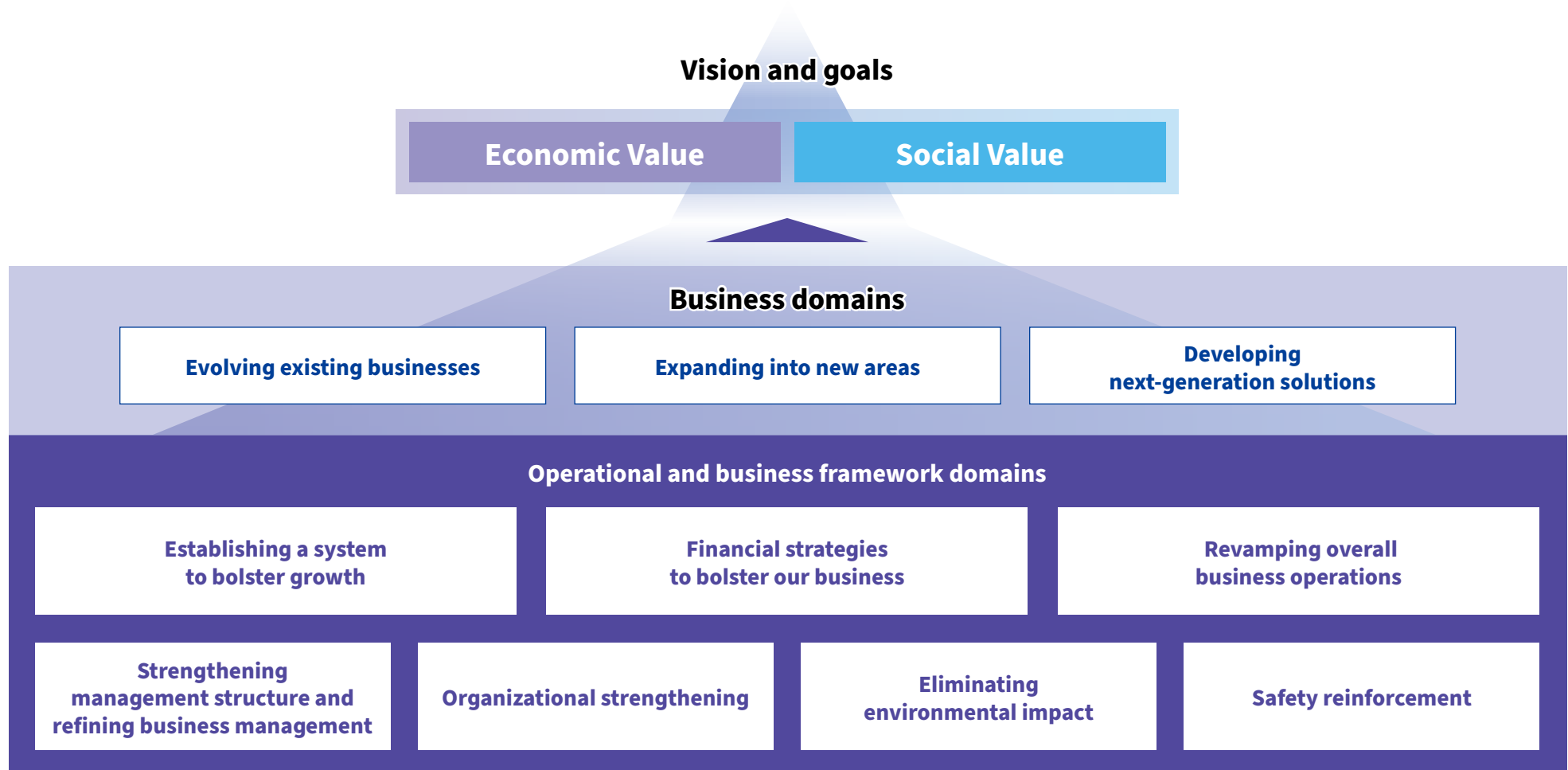
## Economic Value

\* compound annual growth rate



# Priority framework






To realize economic and social value, we have established priority framework with the following domains, taking into consideration the challenges from the Value Transformation 2023 plan, the business environment, and social sustainability.



## 3 Driving Innovative Impact 2030 and four-year business plan for 2027

## Market environment and growth expectation for 2027

To achieve the targets in 2027, we set the direction of our businesses by considering the various changes in markets as opportunities for business growth.

Industry	Value Transformation 2023 sales CAGR* <sup>1</sup>	Market environment outlook	Growth expectation* <sup>3</sup>
 Automobile, auto parts	0.6%	<ul style="list-style-type: none"> <li>Gradual increase in automobile production volume over the medium to long term</li> <li>Continuous capital investment in line with the global xEV*<sup>2</sup> shift</li> </ul>	☆☆
 Electronics	14.1%	<ul style="list-style-type: none"> <li>Robust demand in the long term, even under the highly volatile semiconductor market</li> <li>Increased demand for the construction of semiconductor factories in various countries</li> </ul>	☆☆☆
 Commerce, retail, transportation, warehousing	7.4%	<ul style="list-style-type: none"> <li>Further streamlining of logistics in line with the growth of the B2C market</li> <li>Accelerated investment in automation due to labor shortages, rising labor expenses, and the 2024 logistics problem in Japan</li> <li>Changes in the supply chain caused by environmental impact consideration</li> </ul>	☆☆☆
 Airport	16.8%	<ul style="list-style-type: none"> <li>Expansion in both the number and size of airports due to a continually increasing number of air passengers</li> <li>Continuous automation and labor-saving needs due to labor shortages, as well as security upgrades</li> </ul>	☆☆
 Manufacturing and other	4.9%	<ul style="list-style-type: none"> <li>Repatriation of manufacturing</li> <li>Accelerated investment in automation due to labor shortages and rising labor expenses</li> </ul>	☆☆☆

\*<sup>1</sup> Average annual growth rate of sales over the period of the previous three-year business plan, based on sales in fiscal 2020 \*<sup>2</sup> General term for EVs including BEVs, HEVs, PHEVs, and FCEVs

\*<sup>3</sup> Estimated sales CAGR through fiscal 2027 based on sales in fiscal 2023

3% or below



Over 3%, 7% or below



Over 7%



# Our business



## Intralogistics

Manufacturing and Distribution Systems



## Airport

Airport Technologies



## Cleanroom

Cleanroom Production Line Systems



## Auto Wash

Car Wash Machines



## Automotive

Automobile Production Line Systems



## Electronics

## 4 Business strategy

## Intralogistics

**To expand the business, we will develop new areas of factory automation (FA) and work toward developing next-generation solutions with complete automation. In addition, we will increase profitability through innovating productivity with cutting-edge technology and promoting optimal production and procurement outside of Japan.**

## Expanding business areas

- Provide complete automation solutions
- Identify new areas of FA
- Develop next-generation solutions using material handling technologies



Autonomous mobile robot

## Improving profitability of the business globally

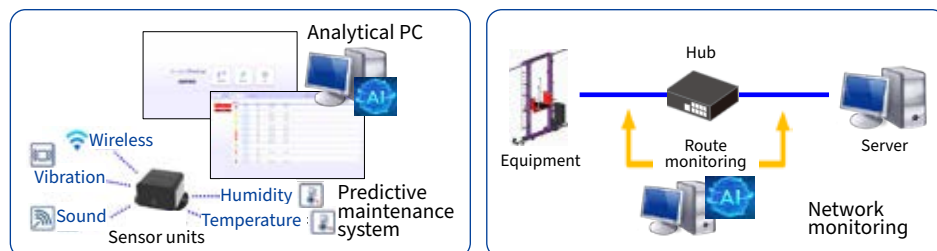
- Increase production capacity through factory expansion (North America, India)
- Expand variety of systems produced through capital investment (North America, Thailand, India)
- Improve profitability through project progress visualization



New factory exterior (India)

## Pursuing quality from the customers' point of view

- Provide systems that do not stop and/or can be easily restored
- Use cutting-edge technologies for equipment monitoring
- Realize stable operations by enhancing after-sales services including predictive and preventive measures



Equipment monitoring

## Innovating productivity using cutting-edge technologies

- Streamline business operations using AI
- Automate production processes by creating drawings from 3D layouts
- Increase product quality through virtual testing



Virtual testing layout

## 4 Business strategy

## Cleanroom

**We aim to continually evolve by developing systems that incorporate cutting-edge technologies, expanding markets, and identifying new business areas; to further increase production efficiency in semiconductor factories.**

### Creating value for customers

- Optimize maintenance through dynamic and static analyses
- Reduce power consumption by energy-saving and operational control

### Improving profitability

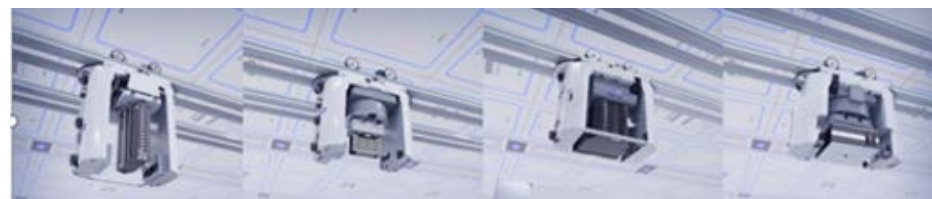
- Improve profitability through production sophistication and visualization of productivity
- Make effective use of our four global production sites (Japan, China, South Korea, Taiwan)
- Strengthen production capacity by building a new facility within Shiga Works



New facility within Shiga Works (rendering)

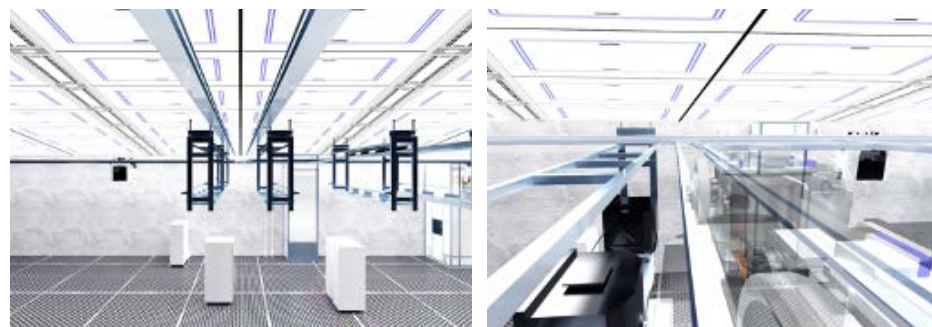
### Deepening existing business; expanding into new areas and developing next-generation solutions

- Enter an emerging market
- Contribute to solving social issues using non-contact power supply technology
- Provide transport systems optimized for the increasingly complex back-end process of semiconductor packaging technology



Cleanroom transport system

- Develop highly efficient and high-capability software that incorporates AI and other cutting-edge technologies to maximize the capabilities of overhead transport vehicles



Transport vehicles running at high efficiency

4 Business strategy

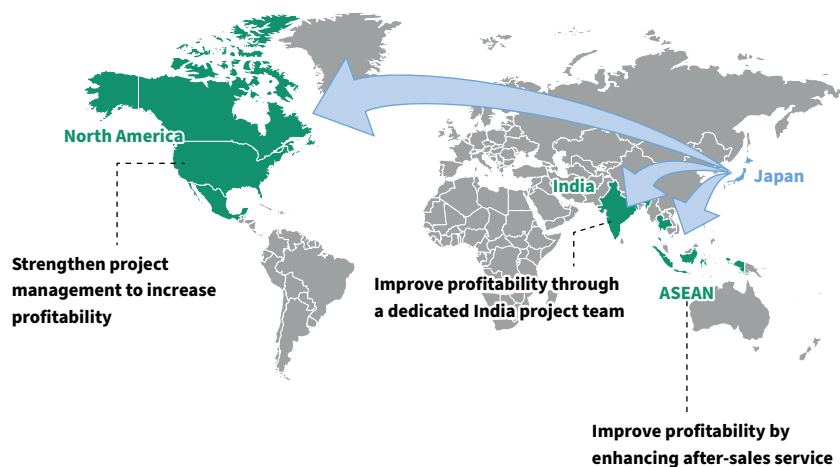
# Automotive

To realize sustainable mobility in society, we will provide next-generation automation systems. We will create new value by providing automation systems that are tailored to various needs in the rapidly changing global mobility market.

## Expanding orders globally

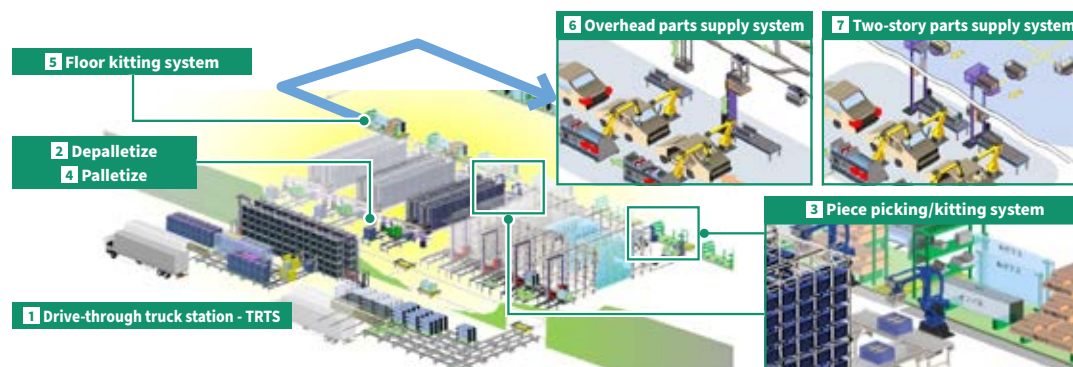
- North America: Increase orders for xEV factories
- ASEAN: Expand service business
- China, South Korea: Stabilize order amount and profitability
- India: Increase orders for new factories

## Proactively allocating business resources to growth areas

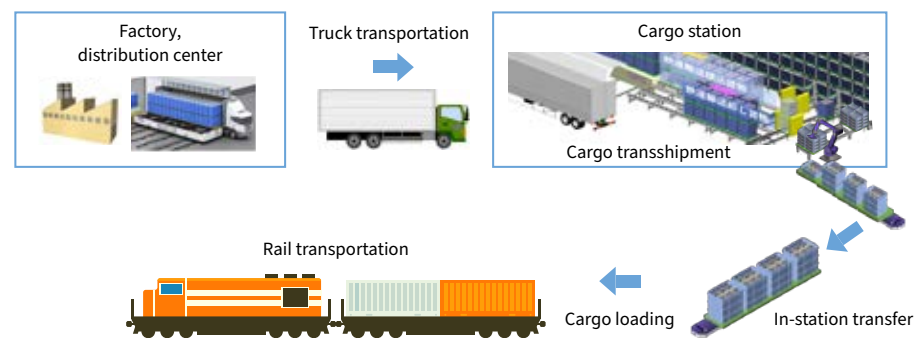


## Evolving existing businesses and expanding into new areas

- Develop conveyor systems and automation equipment tailored to next-generation automobile manufacturing
- Increase orders of in-house logistics and parts supply line systems



- Implement a modal shift in transportation and identify new business areas including environmental projects





4 Business strategy

# Airport

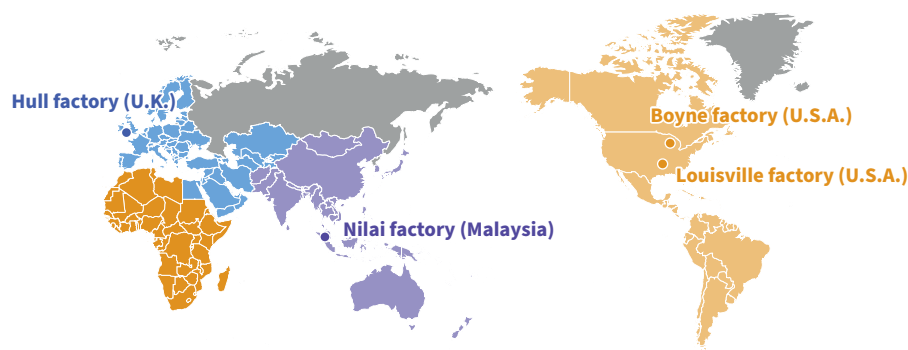
**We will continue to expand our business in North America and build a business foundation in Asia and Europe, where demand is expected to grow. In addition, we will incorporate new technologies in transport systems and meet demand in the digital field at airports.**

## Providing added value to customers

- Expand capabilities and take measures against aging in airports
- Offer systems that do not stop and/or can be rapidly restored
- Provide maintenance services to ensure stable operation of systems
- Develop and supply labor-saving systems to address labor shortages

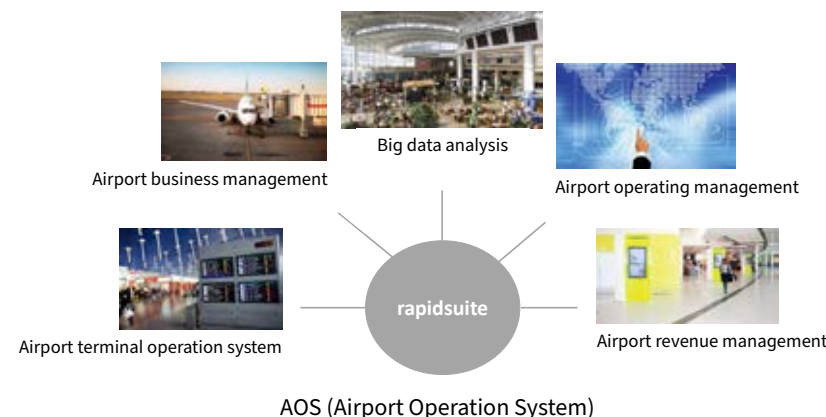
## Improving global profitability

- Enhance production sites in North America (two sites), U.K., and Malaysia
- Consolidate production lineups at each factory and further promote cutting of costs
- Standardize product designs and centralize global procurement

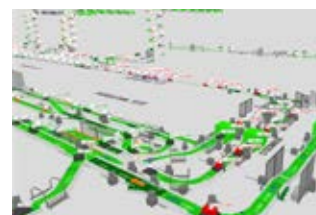


## Strengthening development and sales of digital systems

- Further develop and expand sales of airport operating management systems (AOS)



- Expand sales of high-level 3D-visualization control software (Sym3)
- Expand sales of security lanes in Asia by extending product model lineup
- Expand sales of self-service bag drops through enhancing biometric authentication functions and increasing number of models



Sym3



Security lane



Self-service bag drop



4 Business strategy

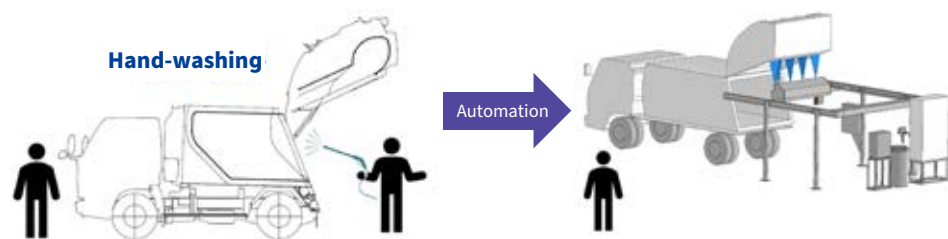
# Auto Wash, Electronics

## Auto Wash

We aim to expand by strengthening our existing business and entering new areas.

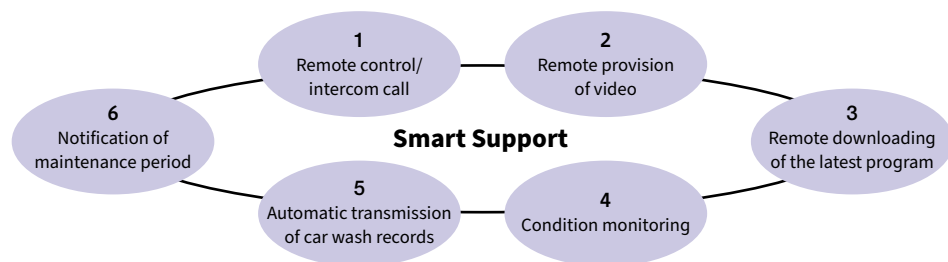
### Evolving existing business and expanding into new areas

- Develop AI car wash machines that anyone can use safely and securely
- Expand into new areas using washing technologies



### Improving profitability

- Strengthen sales capability by providing package deals with optional products and offering system upgrade proposals
- Standardize components
- Expand service business using a condition monitoring system

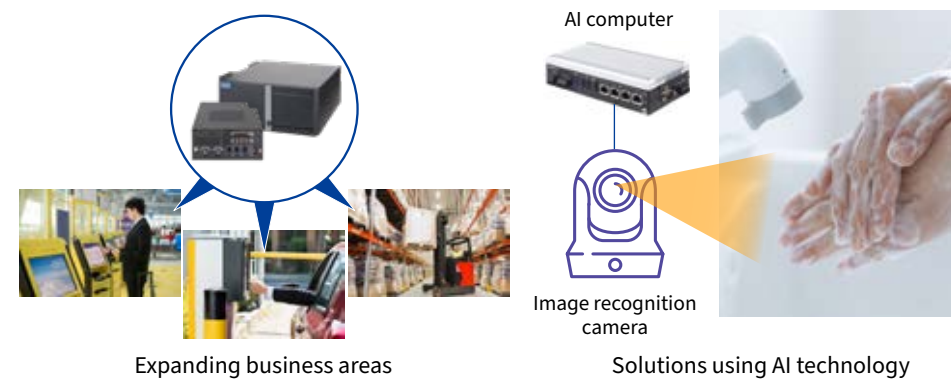


## Electronics

To grow the scale of the business, we aim to expand globally, focusing on entering new fields in Japan, North America, and Asia.

### Expanding sales in the global market

- Enhance development and sales of products to expand business areas
- Identify new businesses including AI technology and service businesses
- Enter the growing market of India



### Improving profitability

- Optimize functions of production and development sites in Japan and Taiwan
- Strengthen management through the visualization of cost structure; and promote in-house production
- Enhance value-added products and pricing strategy

## 4 Business strategy

# Next-generation solutions and cutting-edge technologies

**Beginning with our four-year business plan for 2027, we have set a cross-functional division directly under the CEO to promote the development of new businesses and cutting-edge technologies. The division will plan and develop businesses and technologies that will be at the core of creating new value. In addition, it will proactively work to develop personnel with expertise in DX\* and AI.**

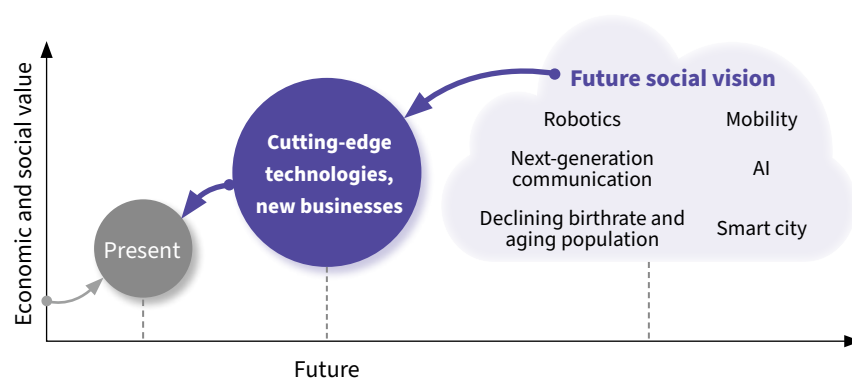
\* digital transformation

## Promoting development of growth-driving cutting-edge technologies

- Strengthen capacity to develop products with an emphasis on next-generation technologies
- Promote open innovation

## Contributing to business expansion by supporting the future-orientation of our businesses

- Promote inorganic strategies including M&As
- Provide solutions to address business issues



## Creating new businesses to increase corporate value

- Create SDGs-related businesses
- Enter growth markets based on future projections and trends

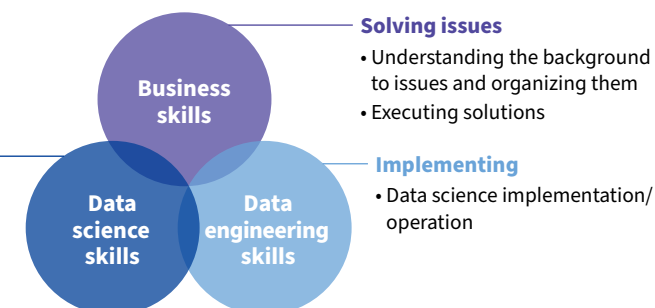
## Developing personnel with expertise in DX/AI

- Improve DX/AI literacy of Group employees
- Develop data scientists and data engineers

### Data Scientist

#### Utilizing data

- Use of analytical theories and tools (information processing, statistics, AI)
- Effective use of data

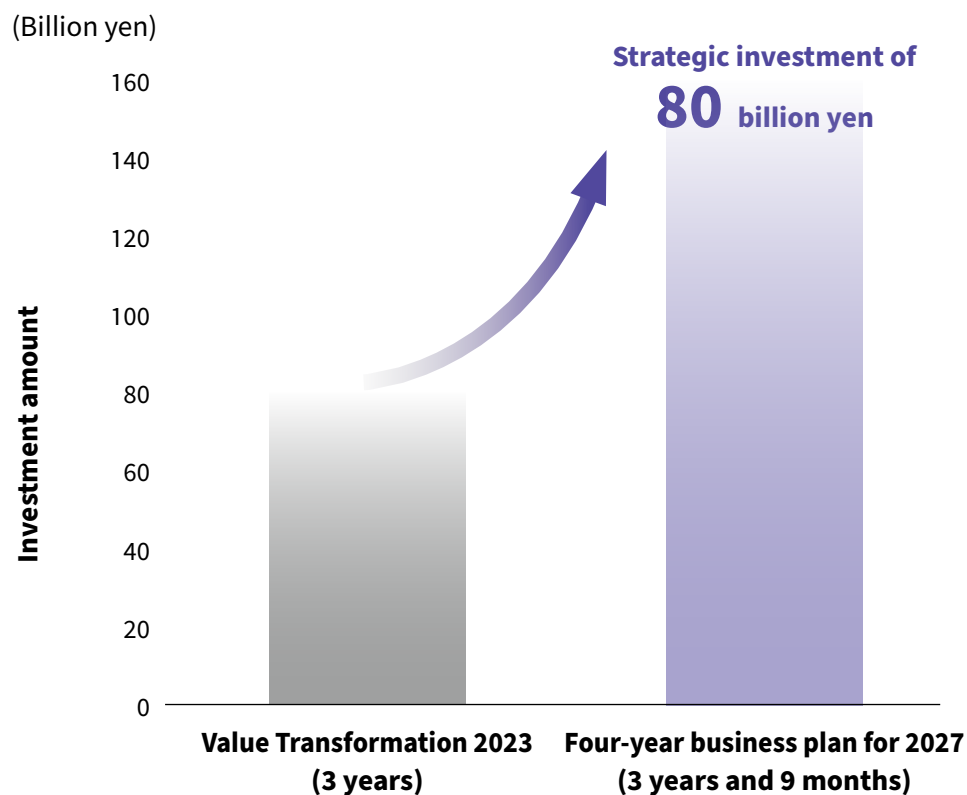


Source: The Japan DataScientist Society

## 4 Business strategy

# Setting strategic investment plan

During the Value Transformation 2023 period, we invested 82.2 billion yen, a total of capital investment and R&D expenses, in growth. In our four-year business plan for 2027, we will accelerate growth by adding 80 billion yen of strategic investment to the investment amount of the previous business plan. In addition, we will proactively examine inorganic strategies and flexibly make management decisions to achieve growth even when the amount of strategic investment exceeds 80 billion yen.



## Expanding production facilities

- Renovate Shiga Works (33 billion yen)
- Construct new factories in North America and India (7 billion yen)

## Cultivating new businesses

- Establish the Business Innovation Division
- Invest in new technologies including AI

## Building up human capital

- Secure and develop expert personnel
- Increase opportunities for personnel development

## Promoting inorganic strategies

- Obtain new technologies for strengthening competitiveness
- Create new businesses
- Expand existing businesses

5 Strengthening of business and operational framework

# Financial strategy to bolster our business

## Capital-efficiency-conscious management

We will work to improve our business portfolio by upgrading business management using ROIC (return on invested capital).

Business evaluation and analysis using ROIC			
<b>FY</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
ROIC	11.0%	12.6%	11.4%
WACC*	5.6%	7.3%	9.3%

Increase profitability

- Refine project management
- Cut costs through improved designs and reduced number of components
- Increase in-house production ratio
- Develop and launch new value-added products

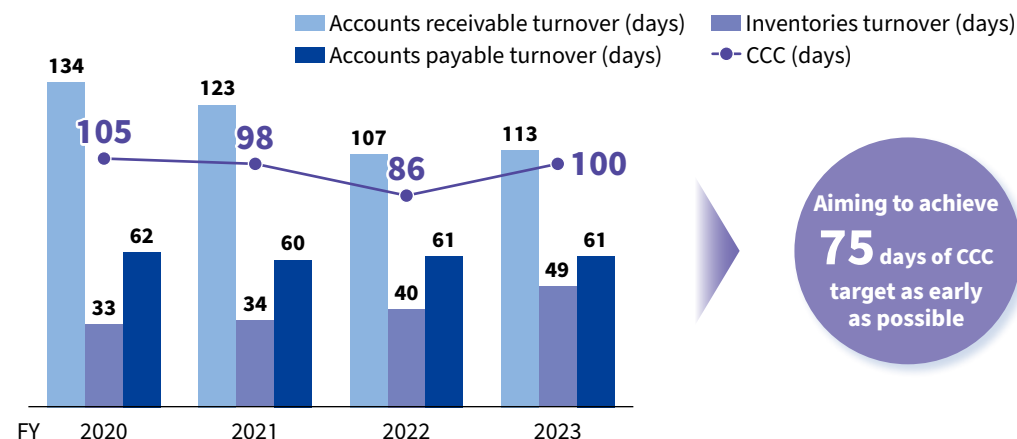
Improve capital efficiency

- Improve cash conversion cycle (CCC)
- Select investments carefully and monitor them
- Reduce cross-shareholdings

\* weighted average cost of capital

### Initiatives to improve cash flows

- Optimize the increased inventories that addressed supply chain risks
- Improve the ratio of accounts received and interim payments received in accordance with the project progress



Aiming to achieve **75** days of CCC target as early as possible

## 5 Strengthening of business and operational framework

# Strengthening management structure and refining business management

**We will increase the effectiveness of management structure strengthening and sophistication through enhanced information disclosure and communication with external parties.**



### **Strengthening governance**

- Improve effectiveness of the Board of Directors
- Further strengthen Group governance system



### **Ensuring compliance**

- Rebuild the complaint and consultation service for stakeholders
- Ensure Group compliance measures



### **Strengthening risk management**

- Strengthen Groupwide risk management framework
- Visualize Group risk information and achieve agile responsiveness
- Strengthen information security

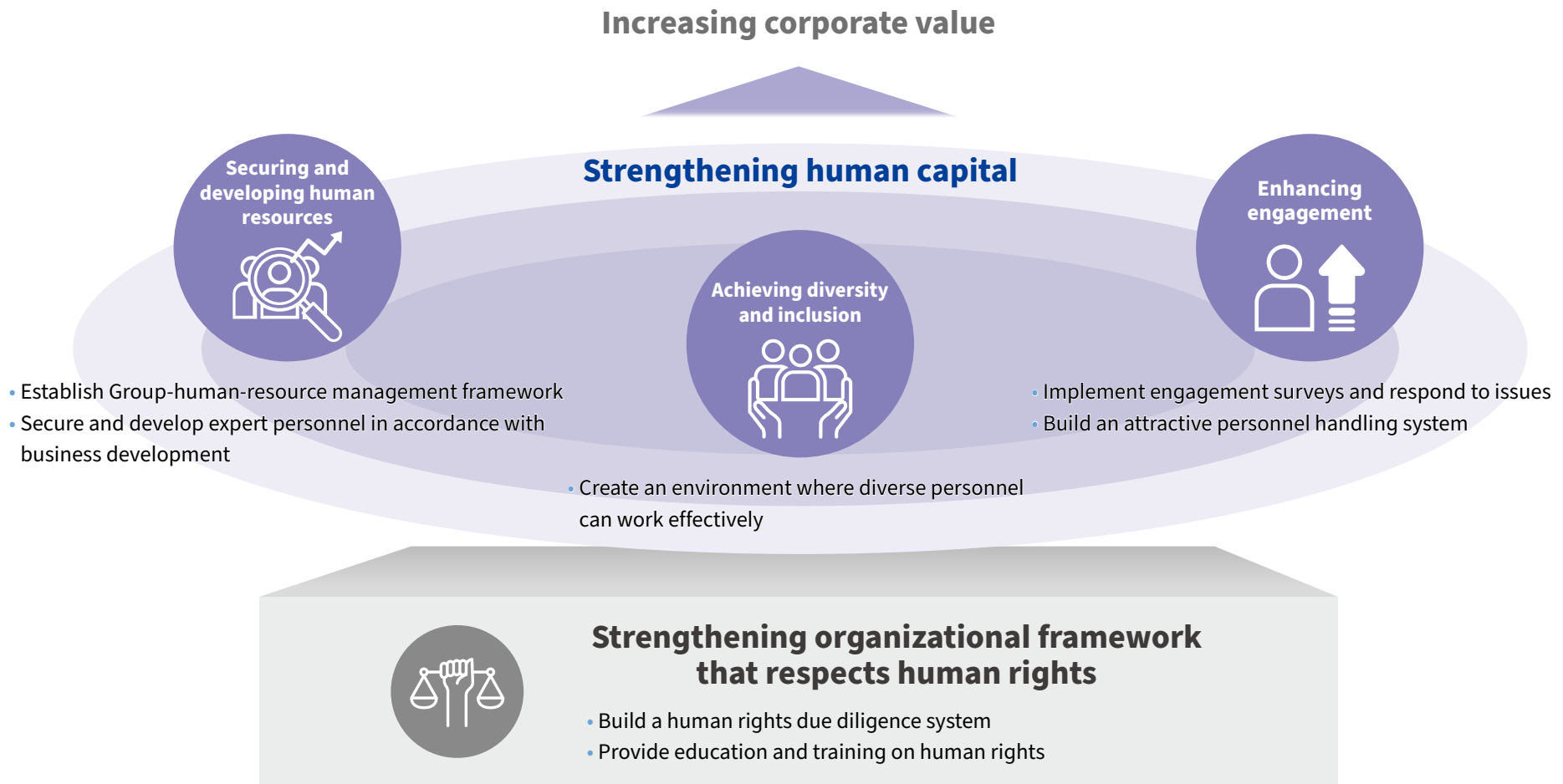


### **Enhancing communication with stakeholders**

- Enhance dialogues and disclosure with shareholders and investors
- Identify management issues through dialogues

# Strengthening the organization

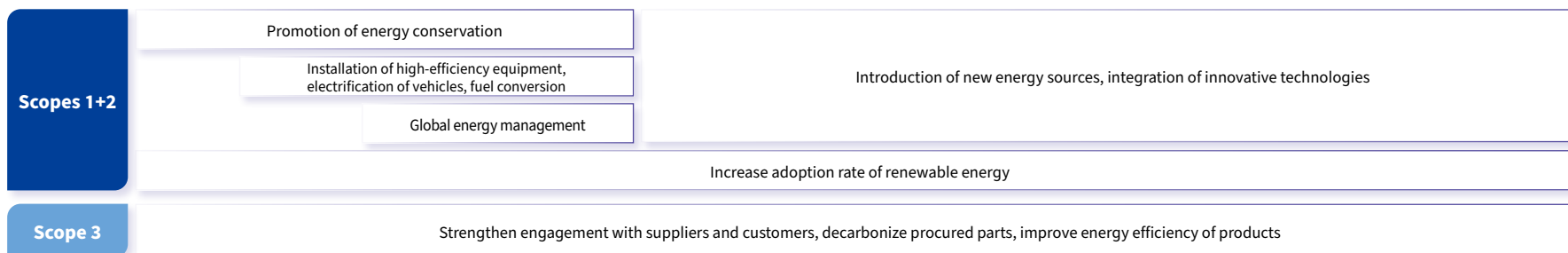
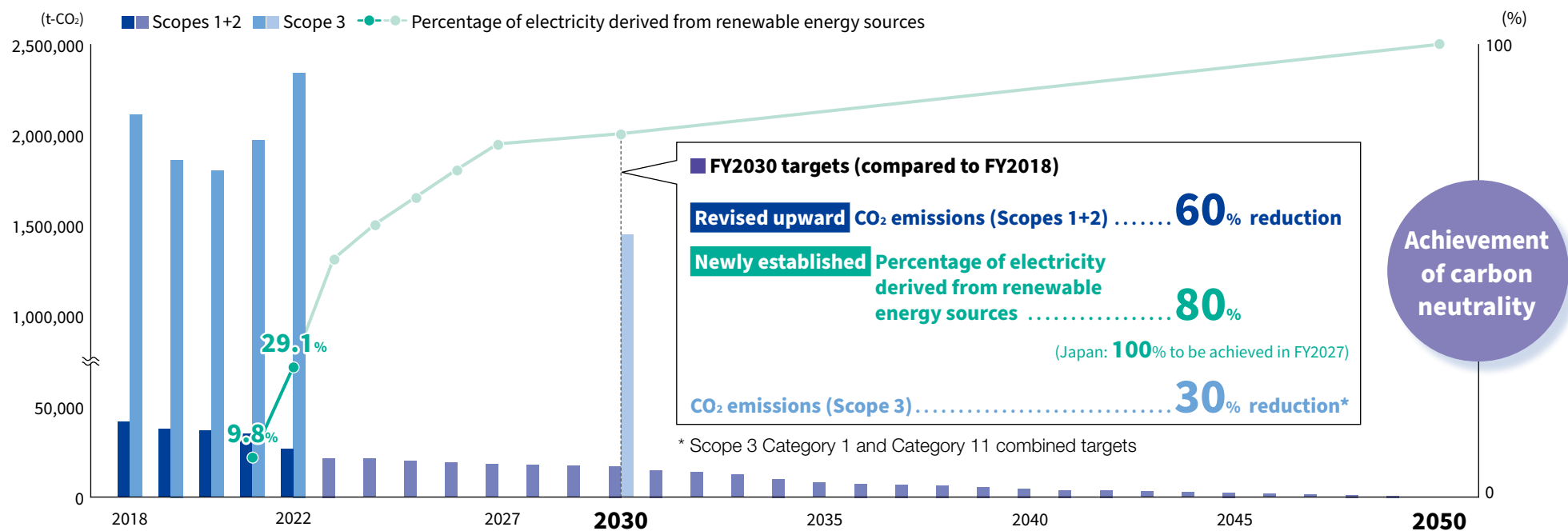
**We will increase corporate value by expanding and strengthening our human capital under a three-axes approach; securing and developing human resources, achieving diversity and inclusion, and enhancing engagement.**



5 Strengthening of business and operational framework

# Addressing climate change

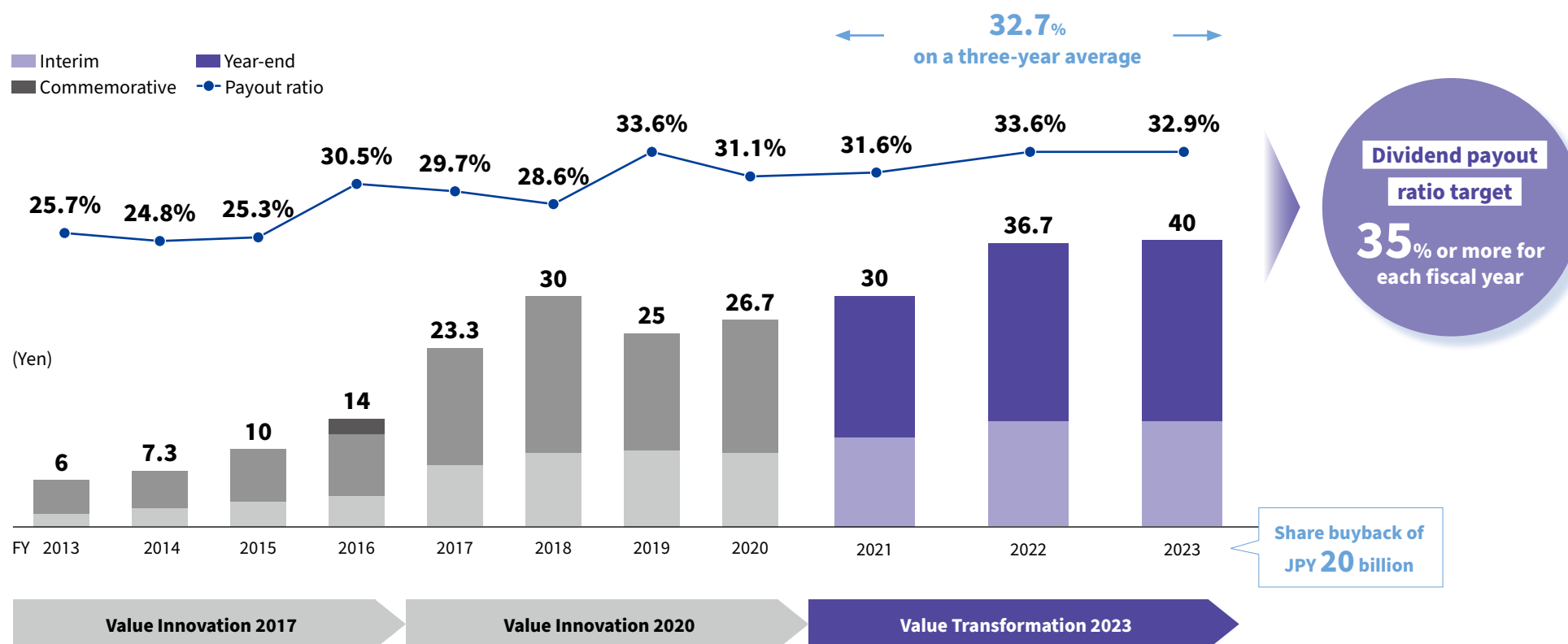
In line with the formulation of our four-year business plan for 2027, we have raised our 2030 reduction targets for Scope 1 and Scope 2 emissions (from a 50.4% reduction to a 60% reduction compared to fiscal 2018). We have also set a new target for the ratio of electricity derived from renewable energy sources, accelerating our efforts toward carbon neutrality.





## 6 Shareholder return policy

We adopt a performance-based policy for dividends from surplus based on consolidated net income. Based on the policy, we will appropriate the remaining surplus to invest in future growth. In the Value Transformation 2023 plan, we returned profits to shareholders based on a consolidated dividend payout ratio target of 30% or more on average over the three-year period. The consolidated dividend payout ratio target in our four-year business plan for 2027 is 35% or more for each fiscal year.



Note: Dividends for fiscal 2022 and before are calculated retroactively from the stock split (from one to three shares effective April 1, 2023) for convenience.

# Trends in stock and price-book value ratio

Over the past 11 years, the stock price has increased about 15-fold, and the price-book value ratio (PBR) at the end of March 2024 was 3.7. Under the four-year business plan for 2027, we will aim to further increase our corporate value by realizing our growth strategy and increasing profitability.



Three- or four-year business plans	Value Innovation 2017				Value Innovation 2020				Value Transformation 2023		
FY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year-end market capitalization (billion yen)	145.0	180.5	234.4	343.0	806.5	729.2	867.2	1,372.4	1,112.9	927.9	1,361.3
PBR (times)	1.5	1.6	1.8	2.4	4.3	3.3	3.7	5.3	3.8	2.8	3.7

Notes: 1. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The figures above are calculated, assuming that the stock split was conducted at the beginning of fiscal 2013.  
2. Year-end market capitalization = share price at end of year x total number of shares issued

# DAIFUKU

**Automation that Inspires**

## 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.