



Hiroshi Geshiro
President and CEO

Creating new value in response to our customers' needs in logistics

Daifuku's presence

Providing a variety of solutions

Daifuku has been responding to its customers' logistics needs as a comprehensive manufacturer of material handling systems for more than half a century.

We develop and produce material handling products in-house; in this way, we incorporate an extensive product lineup into the provision of solutions to customers in a broad range of industries in a seamless framework ranging from consulting to after-sales service. Fortunately, we have maintained our position as the world's top material handling company, on a sales basis, since fiscal 2014 (according to the ranking survey conducted by U.S. magazine *Modern Materials Handling*).

Daifuku will continue to lead the material handling industry in the future and believes its raison d'être is to respond to customers' needs and expectations.

Medium-term business plan Value Innovation 2020

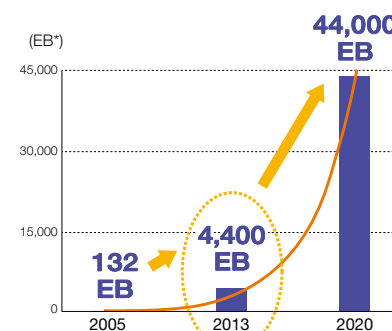
Review of Fiscal 2017

In the medium-term business plan Value Innovation 2020, which started in April 2017, we are targeting fiscal 2020 as a checkpoint on the road to positioning the Company in the future.

Profile

Graduated from Doshisha University in 1983 and joined Daifuku Machinery Works Co., Ltd. (today's Daifuku Co., Ltd.). He served in the FA&DA operations in sales for more than 30 years and rose from General Manager to Managing Officer in the operations and was appointed Director and Managing Officer of the Company in 2015. He became President and CEO in April 2018.

Total world data volume



*EB stands for exabytes, or 10¹⁸ bytes

Source: Information prepared by Japan's Ministry of Economy, Trade and Industry from data issued by International Data Corporation (IDC), *The Digital Universe of Opportunities*

In fiscal 2017 (the year ended March 31, 2018), the first year of the plan, we achieved new record highs in terms of orders received, net sales, and earnings.

Main factors contributing to these results were proactive capital investment in the semiconductor and flat-panel display industries in East Asia, large-scale investment in distribution centers related to e-commerce, and cost reductions through production reforms.

Medium-term business plan targets and business results

	Final year target	FY2017 results
Net sales	¥420,000 million	¥404,925 million
Operating margin	8.0%	9.9%
ROE	Secure 10% or higher	17.7%
Non-Japan sales ratio	70%	67%

Operating environment

With the rapid growth of e-commerce, there is corresponding growth in small-batch and individualized deliveries along with a rapid increase in the general movement of goods, which requires logistics systems to become more diverse and sophisticated.

In addition, economic development in countries with emerging economies has brought about a dynamic movement in not only goods but also people. According to the International Air Transport Association, the number of passenger movements in the world surpassed four billion people in 2017 and is expected to reach 7.8 billion by 2036.

Automobiles, a primary mode of transport, are evolving with the development of electric vehicles and autonomous-driving technologies, ushering in a major turning point on the road to a "smart mobility society." Also, data volume is projected to increase sharply due to IoT (Internet of Things), AI (Artificial Intelligence), and Big Data (according to IDC; see left).

With the expansion of the 5G mobile communication system, the Big Data market and next-generation semiconductors capable of massive data processing, we expect the popularity to rise for large, high-definition 4K and 8K panels with high-quality image and sound.

Priority measures

Due to changes in the industrial structure, even sales channels will change and give rise to new logistics needs. At Daifuku, we will support the introduction of the "smart logistics" that are sought after by customers by providing new logistics value incorporating new technologies such as IoT, ICT (information & communications technology), and AI.

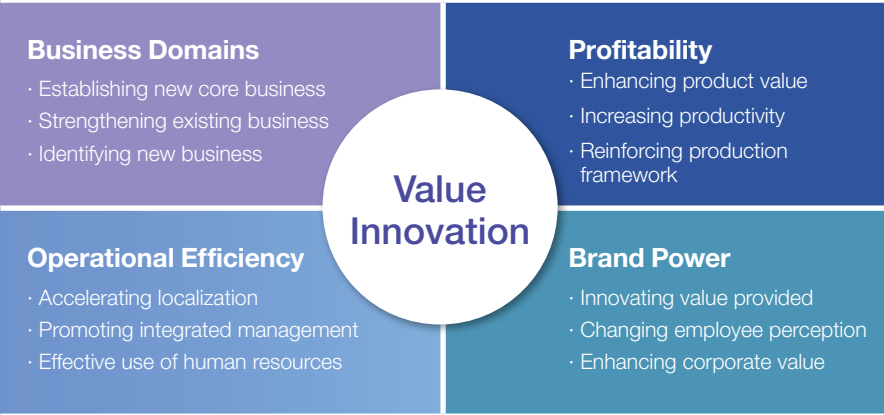
As outlined in the medium-term business plan, we aim to establish Airport Technologies (ATec) as one of our four core businesses, bringing it alongside Manufacturing and Distributions Systems (FA&DA), Cleanroom Production Line Systems (eFA), and Automobile Production Line Systems (AFA). Based on the expectation that airport facilities will be updated and expanded due to a rapid increase of passengers, we anticipate there to be demand for smarter airports with improved convenience and greater use of communications technologies.

In fiscal 2017, the non-Japan sales ratio to net sales reached 67%. As we continue to expand our business into global markets, the importance of non-Japanese Group companies will increase. In our medium-term business plan, we outlined our objective for a Group governance that pursues a balance between localization and globalization, and we are looking to take the next step in this direction. We will strive to build the DAIFUKU brand and foster a sense of unity throughout the Group, bringing together the non-Japanese companies that became members of the Daifuku family. Meanwhile, as Group companies take root in their respective regions, we will promote self-reliance in sales, production, installation, and service.

To respond to the increase in non-Japan sales, we will improve productivity and profitability by pursuing optimal procurement and production from the production system that was formerly centered on Japan. In terms of production capacity outside of Japan, we have increased the production capacity by 2.5 times in China in 2016. Looking ahead, we will increase the capacity by 1.5 times in South Korea in 2018 along with doubling the capacity in the United States in 2019. In addition, we have plans to expand production frameworks in Thailand and India.

To reinforce the global service framework accompanying the increase in the number of customers, we are building a training center in the United States to initiate training of human resources with advanced maintenance skills.

Themes for medium-term business plan



Priority measures in Value Innovation 2020

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



Enhancing corporate value to respond to the expectations of our stakeholders

Balancing business activities and social soundness

Daifuku places environment, society, governance, and safety as important issues alongside growth and profitability.

We develop products with enhanced environmental performance, in tandem with improving the function and lowering the cost of the products as well as initiating such measures as energy conservation and resource saving.

To provide management with the heightened capabilities to respond to diversifying social demands and risks, we are promoting a single Daifuku Group comprising diverse human capital, regardless of age, gender, and nationality that can build our organization.

In addition, aiming for even greater transparency in management to enhance our corporate governance structure, from fiscal 2018, we will institute a system with three independent outside directors.

I believe that safety is a unique issue without parallel. It is my strong conviction that “safety first” is the premise by which we conduct safe business operations.

Our goal is to be a Value Innovator that provides customers with best solutions. We will continue to contribute to the development of society through enhancing and growing the corporate value of our customers by providing logistics solutions that respond to changing business environments across a wide range of industries and business sectors.