Value Innovation 2020

Medium-Term Business Plan (April 2017 – March 2021)

February 10, 2017

DAIFUKU CO., LTD.
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Daifuku Businesses

**FA&DA**
Factory & Distribution Automation
Storage, transport, sorting, and picking systems

**eFA**
e-Factory Automation
Cleanroom transport and storage systems

**AFA**
Automotive Factory Automation
Automobile production line systems, parts logistics systems

**ATec**
Airport Technologies
Airport baggage handling systems, self-service baggage check-in systems

**Car Wash Machines**
Car wash machines and related equipment

**Electronics**
High-end industrial computers, network, and IoT solutions

IoT: Internet of Things
Current and Future Business Challenges

Current business environment

**Market Trend**
- Increase in movement of people and goods accompanying economic growth of emerging markets
- Diversification and complexity of supply chains

**Market Environment**
- Change in production and service through technological innovation
- Intense global competition

**Operating Environment**
- Shifts in role of parent company toward global affiliates
- Increase of global affiliates through M&A

**Company Valuation**
- Customer requirements for diversified and sophisticated logistics systems
- Corporate management that balances business activities and social soundness

Theme

- Business Domains
- Profitability
- Operational Efficiency
- Brand Power

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Themes for Medium-Term Business Plan

Business Domains
- Establishing new core business
- Strengthening existing businesses
- Identifying new business

Operational Efficiency
- Accelerating localization
- Promoting integrated management
- Effective use of human resources

Profitability
- Enhancing product value
- Increasing productivity
- Reinforcing production framework

Brand Power
- Innovating value provided
- Changing employee perception
- Enhancing corporate value
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Business Domains

Establishing new core business

Establish Airport Technologies business as the 4th core business
- Expand business areas with rising demand from airport facilities and IT needs due to passenger increases
- Build airport operation models that service passengers as well as baggage

Reinforcing existing businesses

Enhance proposals for Smart Logistics
- Actualize the “visualization and optimization” of logistics with technologies such as IoT, ICT and AI among others
- Innovate service method and quality

Identifying new business

Proactively invest in fields and technologies with expected high growth
- Strengthen development of devices and software using advanced technologies
- Increase open innovation through social and business collaborations
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Profitability

- **Enhancing product value**
  - Develop products to provide customers a competitive edge
    - Differentiate systems incorporating image processing, robots, AI and digital technologies from competition
    - Develop equipment and software for effective stable operation and preventive maintenance

- **Increasing productivity**
  - Promote efficiency through production innovation
    - Globally promote standardization and automation of small lot production
    - Raise labor productivity by “visualization” using IoT and ICT

- **Reinforcing production framework**
  - Strive for optimal production and procurement worldwide
    - Establish and/or reinforce production sites based on global expansion
    - Strengthen global supplier and field partner network
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Operational Efficiency

Accelerating localization

Optimize affiliate management
- Promote autonomy of affiliate management to accelerate area-based business development
- Actively develop and appoint global talent

Promoting integrated management

Pursue best combination of localization and globalization
- Optimize the Daifuku Group governance for global development
- Foster a sense of unity across the Group by sharing management philosophy and strategy

Effective use of human resources

Strengthening HR management to bolster global business
- Cultivate next-generation leaders who drive global business development
- Further promote diversity to maximize capabilities
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Brand Power

Provide Smart Logistics for customers
- Provide not only “function” but also “value”
- Supply value innovation with advanced logistics solutions

Develop Daifuku culture that values challenge
- Promote work-style reforms to achieve work-life balance
- Develop an environment to raise employees’ motivation and to be aware of their own growth

Advance Daifuku social value
- Ensure that all employees proactively fulfill corporate social responsibility with high sense of compliance and ethics
- Focus on developing eco-friendly products to reduce the environmental impact
## Management Targets

- **Consolidated sales**: JPY 420 billion
- **Operating margin**: 8.0%
- **Secure ROE of 10% or higher**

### Historical Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (JPY)</th>
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<tbody>
<tr>
<td>FY2013</td>
<td>241.8 billion</td>
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<tr>
<td>FY2014</td>
<td>267.2 billion</td>
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<tr>
<td>FY2015</td>
<td>336.1 billion</td>
</tr>
<tr>
<td>FY2016 (Forecast)</td>
<td>320.0 billion</td>
</tr>
<tr>
<td>FY2020 (Target)</td>
<td>420.0 billion</td>
</tr>
</tbody>
</table>

### Operating Margin

- FY2013: 5.2%
- FY2014: 5.6%
- FY2015: 6.2%
- FY2016 (Forecast): 7.0%
- FY2020 (Target): 8.0%
### Sales by Region (Reference)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>JPY 113.8 billion</td>
<td>JPY 126.0 billion</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>JPY 8.7 billion</td>
<td>JPY 12.7 billion</td>
</tr>
<tr>
<td>Europe</td>
<td>JPY 147.5 billion</td>
<td>JPY 114.6 billion</td>
</tr>
<tr>
<td>North America</td>
<td>JPY 74.9 billion</td>
<td>JPY 124.0 billion</td>
</tr>
</tbody>
</table>

**Non-Japan sales:**
- **FY2016 forecast:** JPY 206.2 billion (Non-Japan sales ratio of 64%)
- **FY2020 target:** JPY 294.0 billion (Non-Japan sales ratio of 70%)
In the medium-term business plan, Value Innovation 2020, Daifuku continues to aim for a consolidated dividend payout ratio of 30% and enhancement of corporate value through growth investment.
### Company Creed

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

### Management Philosophy

1. Provide the best solutions to benefit the global markets and the development of society.
2. Focus on healthy, growth-driven global management under a diverse and positive corporate culture.

### Brand Proposition

**Value Innovator**

### Brand Message

**Always an Edge Ahead**
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.