

# Welcome!

**We** have a lot of great news to report in our third issue of °C. We were delighted to hit our target of 100,000 LXE10E scroll compressor units three months ahead of schedule and are forging ahead with the aim to have 200,000 units in operation by 2010.

To meet these tough targets we are working hard on five main areas:

- Expanding our sales and after sales service teams to meet the needs of our customers worldwide.
- Expanding Daikin's manufacturing capacity with the opening of a new factory in China.
- Increasing our market share in both the shipping and leasing sectors.
- Design & development – ensuring that Daikin leads the way with the latest design and technology.
- Keeping maintenance and parts costs to the minimum (the lowest in the market) for our customers.

I have been working as a refrigeration container unit design engineer for over 20 years. In the early eighties, we decided to develop the hot gas defrost system, setting out to develop a unit that would lead the way in terms of performance and reliability. I am delighted to say that the LXE10E unit truly has exceeded all our expectations.

I hope you find this issue of interest and we would be delighted to see you on our stand (B26) at Intermodal 2007 in Amsterdam in December.

With best regards,

**Shigeto Tanaka**

Manager Reefer Design Department



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## CONTENTS

Over 100,000 units now operating globally	2
Increased sales to leasing companies	3
New factory opening in China	4
Investment in South America	6
Sales team expansion	7
Maintenance and repair	8
Intermodal 2007	10
Daikin fact file	11
Contacts	12

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# Over 100,000 units now operating globally

A full three months ahead of target, September saw Daikin achieve the sale of 100,000 LXE10E scroll compressor units since its launch in 2001

The start of 2007 was our busiest to date, with orders placed globally for over 9,000 LXE10E units.

Our calculations indicate that this gave us a 33% share of the market for the first quarter of the year - a great achievement!

The second and third quarters of the year are traditionally a quieter period for shipping line orders but this year saw a dramatic increase in orders from the leasing industry.

## Increased market share

We increased our market share in this sector from 8 to 11% and now have seven significant leasing customers on board.

Daikin is now the second largest supplier of refrigeration machinery to the global container industry.

We will continue the pattern of growth in both volume and market share and aim to have 200,000 units in the field by the end of 2010.



# Increased sales to leasing companies

**D**aikin has continued to forge ahead following a strong entry into the leasing market this year. We have sold a total of 5,887 units to seven different leasing companies: CAI, Capital Intermodal (CLOU), EXIM, Florens, GVC, Seacastle (Carlisle & Interpool), Textainer.

The feedback from these customers has been overwhelmingly positive and can be summarised in five key points:

- Reasonable pricing
- Shipping lines completely satisfied
- No demand for repair
- Excellent customer support from Daikin's regional teams
- Consistent specification and technical reliability

The conclusions we draw are that the leasing market has been paying over the odds for their machines and welcomes a cost-effective, reliable alternative supplier. As the Daikin brand continues to establish itself we are confident that we will continue to increase our customer base in this market. Both leasing and shipping line customers will benefit from being able to purchase the latest equipment that will continue to meet the demands of the industry for many years to come.



# New factory opening in China

**D**aikin has established a new company, Daikin Refrigeration (Suzhou) Co., to manufacture refrigeration units used in seagoing reefer container transport.

Over the last five years, our market share has grown steadily from 5% to 26%. This growth in market share, along with increased global demand, has created a need for additional capacity.

To meet this extra capacity, Daikin Industries, Ltd. has established a new company, Daikin Refrigeration (Suzhou) Co., Ltd in Suzhou Industrial Park, Suzhou, China, which will manufacture the refrigeration

units. Established with ¥1.39 billion capital (US\$ 12.1 million), production is scheduled to begin in October 2008 with a capacity of approximately 40,000 units targeted for 2010.

With the world's container manufacturers concentrated in China, establishment of this new company moves production closer to manufacturers and allows a rapid response to rising demand.

**Production is scheduled to begin in October 2008 with a capacity of approximately 40,000 units per annum targeted for 2010**

*Suzhou is famed for its beautiful gardens and traditional waterside architecture and has been called the Venice of the East*



## *New factory opening in China cont...*

The current Japanese production base in Osaka has an annual manufacturing capacity of 30,000 units. Production will be transferred gradually to the new Chinese company with the combined annual production of both bases supplying worldwide markets, set to reach 70,000 units by 2010.

In addition, all main parts will be produced in-house, ensuring high quality and shortening lead-time from production to product completion, from 17 to 9 days. We also estimate distribution lead-time, to deliver units to container manufacturers, can be reduced from 10 to 4 days.

### **HIGH QUALITY PRODUCTS LOCALLY**

For the past ten years Daikin has operated five production plants in China for its air conditioning division and therefore has extensive experience in producing high quality products locally. We will build on this experience to ensure that the reefer products built in China meet the same exacting standards.

In this fast-moving world market, customers rightly expect the highest quality products coupled with fast, efficient delivery. These are two areas where Daikin will continually strive to lead the market.



**Daikin Refrigeration (Suzhou) Co., Ltd**

**Container Box manufacture**

● Qingdao

● Osaka

**Daikin Rinkai factory**

● Suzhou

● Shanghai

**Container Box manufacture**

South America is an especially important growth market for Daikin

# Investment in South America

In order to meet the growing needs of our local client base, we have invested in and strengthened our after sales and service network by:

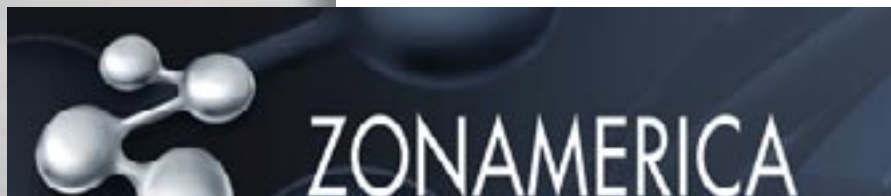
- The appointment of Robert Ferreyra to the sales team
- The appointment of Arnel Nuñez as an additional full time Service Engineer. Arnel has six years experience in this business, having started as a reefer technician and worked his way up to supervisor of reefer operations
- An increase in the value of the stock of spare parts held locally from \$200,000 to \$500,000
- The appointment of our new Satellite Parts Centre

On June 16th 2007, we commenced operations with Comislend SA as our new Satellite Parts Centre. Comislend will manage all parts distribution for Brazil, Argentina and Uruguay on our behalf, ensuring that customers in these areas have faster access to a larger quantity of spare parts.

Located in the Montevideo Free Zone, Comislend is part of the Lao-er group (electronic component repairs) and has a proven track record that's second to none.

Javier Casal, Comislend's director, has an engineering background and 10 years experience in the business of parts distribution.

Pablos Augoustis, general manager, is well known in the container market (his family owned Montemar SA, Uruguay's only container shipping line, now owned by CSAV) and he has over 20 years experience dedicated to the shipping business.



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# Sales Team Expansion

The continued growth of Daikin's customer base across Europe, Asia, US East coast and South America has led us to expand our sales organisation and take on four new team members to cater for continued development in these areas.

David Marjoram (pictured below in the centre) is therefore delighted to welcome on board Philip Eastell, Robert Ferreyra, Katsuhide Miura and Kenji Takata.



**Philip Eastell, Manager - Sales Refrigeration Business Unit**

Philip, pictured left above, joined in September and comes from a background in container shipping spanning over 25 years in which reefer containers have always played a major role. He spent his last 10 years at CP Ships as part of their global container management team.

**Robert Ferreyra, Sales and Marketing, South & Central America**

Robert, pictured right above, also joined us in September in the sales team for South & Central America. He has over

18 years experience of the container market, previously working for major shipping companies in Montevideo, including Cosco Lines where he worked as Operations & Equipment Control Department Manager. Robert has also studied Marketing and Logistics and is fluent in Spanish, English and Portuguese.



**Katsuhide Miura, Sales, China and Taiwan**

At the beginning of April we were delighted to welcome Katsuhide Miura from Daikin's Air Conditioning business to join our sales team for China and Taiwan. Katsuhide has worked for Daikin for almost 30 years and has unparalleled sales experience within the business.

**Kenji Takata, Sales Engineer**

In June, Kenji Takata joined the Reefer Sales Team from Daikin's Quality Control Division.

Kenji joined Daikin in 2005 from the Kobe International Container Terminal where his experience working as a reefer engineer for eight years is invaluable.



# Maintenance & Repair doesn't have to be expensive

Daikin's units are the most reliable but also have the lowest M&R costs in the market.

**O**ur research with customers shows us that our M & R costs are lower than our competitors, whilst our units continue to provide reliability that is second to none through the use of the highest quality materials and the latest in engineering technology.

This dedication to seeking out the best has led to Daikin spare parts costing half that of our competitors, giving customers the lowest operational and M&R costs, without compromising on quality or reliability.

Mr. Touma - manager of the Reefer Technical Department in Tokyo International Container Terminal - has worked in the industry for over 25 years and commented:

*"The thing that I like about Daikin units is that all parts are reliable, especially electric components such as magnetic contactors and evaporators, which often deteriorate with age. I seldom replace the parts.*

*"The only things that I replace are consumption parts. Also, if I do need parts, they are easy to obtain and*

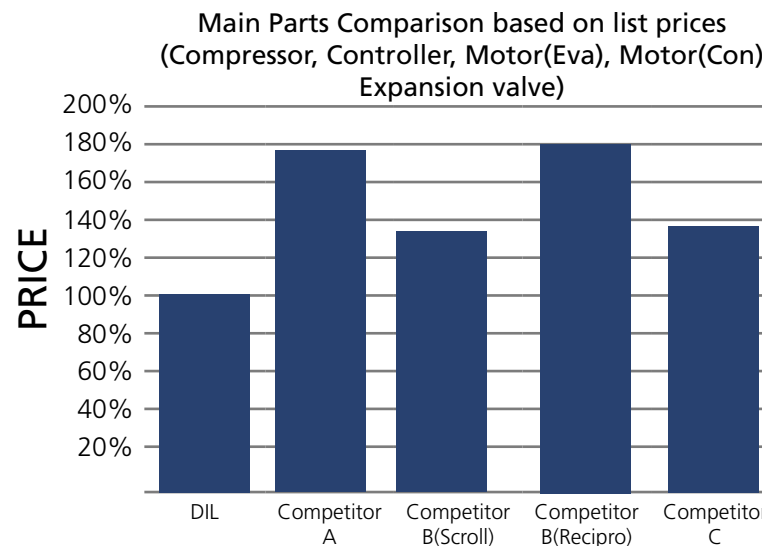
*the cost is the lowest among any other unit manufacturer."*



The real savings that can be achieved over the life of the machine are very substantial - even when we only consider the very low numbers of parts replaced, based on our warranty records.

Our own customer research shows that levels of spares for Daikin machinery is much lower than that of our competitors and the table below should be seen as the minimal M & R savings that a customer could achieve:

- Evaluation is based on machines during their 2nd year of operation.
- Main components considered: Compressor, evaporator & condenser fan motors, heaters, controller, sensors & vessel kits.
- Figures are based on a fleet of 1,000 machines and man-hour labour costs at \$36/hr.
- Inflation calculated at 1.5% per year.



	Daikin	Competitor A	Competitor B
Initial Annual cost	21,928	95,634	55,245
Cost after standard warranty period	202,286	903,780	487,462
Additional cost compared to Daikin over 3 years	0	701,494	285,176
Additional life-time cost compared to Daikin per unit	0	700 USD	285 USD

# Maintenance & Repair doesn't have to be expensive cont...



## Age no problem with Daikin units

The durability of a unit and its components is one of the main considerations with regards to asset value. According to our research, Daikin units manufactured since 1995 such as LXE5C, LXE10CA and LXE10D series, after more than 10 years in service, are all operating around the world without any reduction in reliability.

Consequently Daikin units can be sold to 3rd parties without the need for replacement of current components, even after being in service for many years, and, as Mr.Touma also states: *"We seldom find fault on the Daikin units, even though we now frequently operate the Automatic PTI on Daikin models which are over 10 years old. The components on Daikin units seldom have any fault including abnormal high pressure indication caused by aged*

*deterioration of the condenser coil."*

He goes on to say: *"The need for replacement of each component is therefore not an issue for concern on the Daikin units compared to your competitors units. I am pleased with older Daikin units and they can still be used without any worry. So in the future, I would absolutely choose the Daikin machine if I had an offer to purchase a second hand unit from a shipping company."*

Independent corroborations such as the above from Mr Touma together with feedback from customers and our own records reflecting the low level of warranty claims, all provide confirmation on the durability and confidence in the life-time condition of the Daikin LXE series.

## 11 years from manufacture, no deterioration was found on the unit below

*The electric components in the controller box  
No deterioration or fault effecting operation*



*No deterioration or fault found in circuit board*



*No deterioration or corrosion faults found on the contactors*



*No faults or corrosion found in the phase correction contactor*

# Daikin off to...



Daikin will have a stand at the Amsterdam Intermodal exhibition this year from the 4th – 6th December 2007.

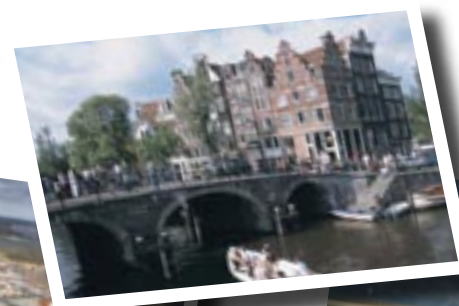
Come and talk to us on the stand where we will give you a warm welcome!

Senior management from Europe, Japan and South America will be on hand to discuss your requirements – we look forward to seeing you there...

## Stand: B26

Intermodal is the world's leading exhibition and conference for all companies associated with the container and Intermodal industries and is now in its 32nd year!

To register for free entry to Intermodal visit: <http://www.tiny.cc/P2wRX>



- Founded in 1934, Daikin has grown into a world-leading producer of air-conditioning and refrigeration systems and fluoro-chemical products. We employ over **17,000 people** worldwide in over **22 different countries**, with annual sales of over **\$ 6 billion**.

- Daikin was one of the **first** major manufacturers to enter the **container reefer market** back in 1968 and became the largest supplier of reefer machines in the 1980s. We are now re-establishing our position in the container market and are focused on becoming a long-term major global supplier to the industry by providing the best performing machine at realistic, economical prices.

- In 1997, Daikin introduced the **LXE10D**, our first machine running on R134a. This was followed in 2001 by the launch of the ground-breaking **LXE10E**, a scroll compressor refrigeration unit also running on R134a.

- Today, we are the **largest global supplier of container refrigeration machines** using scroll compressor technology, supplying equipment to both liner shipping and leasing companies.

- The **very latest manufacturing techniques** and equipment are used to ensure every machine attains the required highest quality standards.

- To provide an equally high quality of after-sales care, we have also continued to expand our **Service and After Sales Network**. A network of regional Daikin service managers and a comprehensive service dealership ensures full support for our customers, no matter where they are in the world.

# Sales Contacts for Daikin Equipment



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