

**DAIFUKU CO., LTD.**  
www.daifuku.com



# Daifuku Contributes to Society by Accelerating the Evolution of Material Handling

The Daifuku Group is a leading global company in the area of material handling systems, its core business. “Moving things,” or “material handling,” is an integral part of corporate activities and a technology that makes our lives more convenient. The basics of “moving things” or “material handling” involve conveying, sorting and storing operations, undertaken in a smooth and efficient manner. As a comprehensive material handling systems manufacturer and systems integrator, Daifuku has provided solutions to production and distribution companies in a wide array of industries, fulfilling its mission of contributing to the development of industry and society. Looking ahead, we will drive the evolution of material handling and thereby create new, future-oriented value through continuous technology and service innovations.

## Material Handling and Beyond

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E-DIP dipping carrier conveys swaying vehicle bodies in an e-coat tank.

### Mitsubishi Motors Corporation

Mitsubishi Motors (headquartered in Tokyo) built a cutting-edge paint shop facility at its Nagoya Plant (Aichi, Japan), the main production site for its passenger vehicles, with the aim of improving quality, reducing costs and efficiently implementing simultaneous multi-model mixed production.

Mitsubishi Motors introduced many new technologies to the plant, including Daifuku's new E-DIP system for the undercoating process, which features adaptable functions that allow the selection of the optimal operating setup in accordance with the shape of different vehicle models. Mitsubishi Motors also introduced a new aqueous coating method for the middle and top coats and Daifuku's unit load automated storage/retrieval system (AS/RS), which aligns finished vehicle bodies in order for assembly.

Adopting Daifuku's new E-DIP, the company shortened the length of the undercoating process line by about 30% compared to a conventional line, to 270 meters (886 feet). In addition, the coating cost per vehicle was cut about 30%, and the process now requires around 30% fewer operators. From an environmental perspective, Mitsubishi Motors significantly reduced its emissions of CO<sub>2</sub> emissions by about 25% and volatile organic compounds by about 65%. The company also cut down on the odor from drying kiln exhaust, benefiting nearby residents. With a PR hall and plant tour walkway newly built indoors, the plant has now become an outstanding paint shop facility open to the community.



Unit load AS/RS with 108-vehicle storage capacity retrieving specified vehicle bodies to transport them to assembly lines in about one minute

## Automobile paint line systems that reduce environmental impact

E-DIP, the worlds' first and original automobile paint line system



With many years of engineering expertise, Daifuku successfully customized its E-DIP automobile electro-deposition system for this project. While pursuing joint efforts with Mitsubishi Motors Corporation, we began discussing ways of ensuring continued quality improvements at these facilities once operations had commenced. Looking ahead, we will pass along our engineering know-how to the next generation of engineers, continue developing core technologies and enhance product lineups to provide optimal solutions to meet customer needs.

**Kazuhiko Miyoshi**  
 Manager, Group 2  
 Development Department  
 Production Division  
 Automotive Factory Automation





Finger Domino Sorter lines configured to sort oranges according to class

### JA (Japan Agricultural Cooperative) Kumamoto City

Kumamoto City is one of Japan's foremost areas for growing Unshu oranges. The oranges benefit from the mild climate of the region bordering the Ariake Sea, giving them a good balance of sweetness and tartness. They are shipped throughout Japan under the *Yumemirai* (dreamy future) brand.

JA Kumamoto City upgraded its citrus fruit sorting facility, aiming to develop a next-generation fruit sorting system able to maintain fruit quality during transport, realize high-precision sorting and reduce the burdens on growers and fruit sorting operators. Specifically, the key facility employs Daifuku's Finger Domino Sorter, which is equipped with cutting-edge external and internal quality sensors and handles fruit softly and smoothly to avoid damage. In addition, the flow from receiving and sorting to shipping has been highly automated by introducing our various AS/RSs and high-speed sorters. Consequently, this fruit sorting facility has improved shipping quality, achieved labor saving in sorting and shortened lead time. The new facility boasts a maximum throughput of 260 tons daily (about 2.5 million oranges) or 22,000 tons yearly (about 220 million oranges), the largest volume handled in Japan.

Focusing on the needs of growers and consumers while gently handling fresh produce, JA Kumamoto City strives to further enhance its reputation and branding by promoting reliable, safe and high quality fruit production.



External quality sensors photograph and instantly analyze fruit to determine shape, color, damage and size.

## Strengthening the brand power by maintaining uniform fruit shipping quality

Japan's largest next-generation fruit sorting facility for Unshu oranges



Working together as a unified team, Daifuku made concerted efforts to develop an advanced fruit sorting facility able to improve the quality of outgoing shipments of fresh produce. The facility had to be installed in the period between harvests, which was a major hurdle to overcome. All the associates involved in the project discussed directly with customers to meet their needs. In the end, this facility began its operation as planned, resulting in an increase of customer satisfaction. I believe that this achievement has benefited the brand power of Japan's agricultural regions.

**Noriya Yuzawa**  
Senior Coordinator, Group 5  
Logistics System Department  
Sales Division  
Factory & Distribution Automation





Mini load AS/RS, which fully automates case shipping and significantly increases efficiency

**LOTTE Confectionery Co., Ltd.**

The South Korean general confectionery manufacturer LOTTE Confectionery began operating the Gwangmyeong Distribution Center located southwest of Seoul. As part of its integrated distribution plan, the company consolidated its dry and frozen goods distribution operations, merging several small and medium-scale centers into one location. In order to meet the demand of retailers for a significant rise in distribution volume, the company constructed a highly automated distribution system. These upgrades drastically improved labor efficiency.

LOTTE Confectionery faced its biggest challenge in designing a highly efficient facility with advanced distribution system capabilities in the limited land area available in this urban setting. To meet these challenges, the company introduced a series of Daifuku products, including AS/RSs, Sorting Transfer Vehicles and a Surfing Sorter. The new center also optimizes inventory by managing accurate information through a computer control system. This integrated and systemized center has a processing capability equal to that of three or four conventional centers and handles 60% of LOTTE Confectionery's product volume in the Seoul metropolitan area. The new center enhances distribution quality by eliminating errors caused by manual operations and by implementing strict management of best-before dates and inventories. The center also improves working conditions by reducing low-temperature operations.

The new center will contribute to the development of an optimal supply chain, as a major urban distribution hub that forms part of the LOTTE Group's distribution framework.



Surfing Sorter handling cases retrieved from the AS/RS by shipping destination

# Improving labor efficiency in Seoul's food distribution network

One of South Korea's major urban distribution hubs, boasting its scale and capacity



This project was completed as a result of the relationship of trust Daifuku has built with its customers. We utilized the capabilities of our engineering staff in cooperation with the affiliate Daifuku Korea Co., Ltd. to find solutions appropriate to local business customs and conditions. Applying our signature total solutions approach, we were able to propose an urban distribution center concept of a type unprecedented in South Korea. This offers a prime example of Daifuku's global expansion efforts going forward.



**Hyun Soon Choe**  
International Business Department  
Sales Division  
Factory & Distribution Automation

## Daifuku helps create better lifestyles by supporting...



...convenience store product distribution



...supermarket product distribution



...flat-panel display TV production



...library management



...automobile production



...smartphone and other mobile device production



...airport operation



...drug distribution



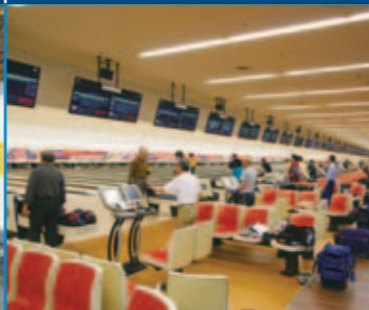
...waste recycling



...medical professionals



...car users



...bowling alley operation



...bicycle parking tower operations near train stations



...nursing care

## Moving Things, Moving You

Becoming a company that inspires and brings happiness to people by moving things

The Daifuku Group delivers new value to society through material handling. We offer optimal solutions to customer problems that integrate operations, products, systems and people. At the same time, we constantly pursue new innovations with the aim of improving the efficiency of our corporate activities and, in turn, making the lives of people more convenient and affluent. Looking ahead, we will continue to promote corporate social responsibility (CSR) activities that are fundamental to fulfilling our responsibility to be a company that inspires and brings happiness to people.

Honda Automobile (Thailand) Co., Ltd.

### Resuming production with astounding speed in the aftermath of flooding in Thailand

The Honda Group's largest production facility in Southeast Asia, Honda Automobile (Thailand) Co., Ltd.'s Ayutthaya Plant, boasts an annual production capacity of 240,000 automobiles. This facility was damaged during the unprecedented heavy flooding that occurred in October 2011. This disaster not only forced a stoppage of operations, it also completely cut off the facility's ability to supply completed vehicles and components for export from Thailand, impacting markets in Japan and North America. Having delivered production line systems to Honda Automobile (Thailand), Daifuku played a critical role in repairing the massive damage sustained by this facility and thus the rapid resumption of production.



We were forced to replace a significant portion of the equipment used in the plant due to water damage. We worked together with our business partners and suppliers to form a single team that enabled the restoration of operations with outstanding speed. As Daifuku's systems are a key element of our production lines, we were very concerned about the progress of restoration. However, we were greatly reassured by the 400 plus staff (which grew to several thousand) who were mobilized each day during the peak of our restoration efforts. Thanks to these efforts, we resumed production ahead of schedule on March 26, 2012, just six months after the disaster.

We are profoundly grateful for Daifuku's tremendous efforts and are convinced that the company is a truly reliable business partner that performs an essential role in our operations. We wish to continue building on our partnership with Daifuku as a single operational team for many years to come.



**Nobuyuki Shibaïke**  
Vice President  
Honda Automobile (Thailand) Co., Ltd.



## As a company that contributes to society through material handling— Daifuku helps develop society by accelerating the evolution of material handling

### Reaffirming our social responsibility

The Daifuku Group reaffirms its social responsibility every day to support the abundant lifestyles of people and the role its material handling systems play in the areas of manufacturing and distribution. Our efforts to support restoration activities following the Great East Japan Earthquake and flooding in Thailand in fiscal 2011 were opportunities for us to reaffirm our corporate social responsibility and mission as well as the need for rapid management decision making.

In April 2011, we formulated the *Daifuku Environmental Vision 2020*, which integrates our environmental initiatives and business operations. The vision is a declaration of our efforts to further an environmental approach in our business management while expanding our environmentally friendly product lineup and enhancing the foundations of our environmental management.

### Entering the final year of the three-year business plan

Through the three-year business plan, *Material Handling and Beyond*, which was launched in fiscal 2010, we have accepted the challenge of developing new, future-oriented products, markets and businesses in our core material handling business, accurately reflecting changes in the operating environment.

Fiscal 2011 was positioned as the year in which we would realize a recovery in performance and be well on our way to reaching the targets of our three-year business plan, with particular focus on acquiring orders. Our efforts resulted in the rebound in orders received and the increase in sales and earnings. Regarding our priority of penetrating important markets, we have made a solid start in developing new business opportunities that have growth potential, ranging from transport and storage systems for lithium-ion batteries to fruit sorting systems used in the agricultural sector. We also augmented the foundation of the service business—a pillar of Daifuku's operations that will be cultivated over the long term—through the acquisition of operations from competitors.

Fiscal 2012 is the final year of the three-year business plan. In light of major disruptions in the global economy, including the European debt crisis, economic slowdowns in emerging countries and fiscal uncertainty in the United States, achieving the performance targets set in the first year of the plan has become difficult. Nevertheless, we intend to realize stable business expansion as we move toward the next step in our

development by building a foundation for sustainable growth in global markets.

### Daifuku's solutions

The Group develops business models that offer optimal solutions for the issues and needs of every customer and project it is involved in. To that end, we take on the challenge of achieving consistent technological innovation, enhancing product variation and accumulating expertise in a wide array of industries. Effective communication with customers and business partners is fundamental to our ability to propose solutions. Future business is created from the close interpersonal connections and this serves as the first step toward achieving our social mission. Based on this belief, the Group promotes the development of global human resources.

### Promoting and encouraging CSR awareness within the Group

Daifuku has formulated the Corporate Code of Conduct with a strong awareness that it is a global company whose non-Japan net sales account for 50% of the total. The code is intended to serve as CSR-related action guidelines to secure an even greater level of social trust, positioning compliance as an important management pillar. Based on these guidelines, we make exacting efforts to ensure that employees do not engage in actions that violate social norms while contributing to society through business activities targeting all stakeholders.

We will undertake initiatives based on our Corporate Code of Conduct, to foster an awareness of corporate responsibility in every employee through comprehensive education of executives on a global scale.

### Our corporate vision

Our corporate vision remains being a company that realizes continuous technological innovation, based on management that emphasizes profitability, while consistently offering optimal solutions to address current social issues. We will promote the evolution of material handling while creating new markets and value to meet our responsibilities as a leading company in the global material handling industry. Through these initiatives, we will contribute to the development of industry and, by extension, society.

#### Management Philosophy

1. Contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market.
2. Focus on healthy, growth-driven management that values profitability.
3. Create a corporate culture that respects the personality and individuality of each employee.

#### Basic Management Policy

1. Contribute to the development of the material handling industry as a leader with consistent technological innovation.
2. Comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company.
3. Emphasize environment and safety in corporate activities to fulfill our social responsibility.
4. Further strengthen our financial integrity and ensure the credibility of financial reporting, as we prepare to build our International Financial Reporting Standards oriented systems.
5. Create a corporate entity which responds to changes efficiently and that is overseen by fair and objective policies worthy of a global corporation.

# Increasing Daifuku's brand power through CSR activities



**Yoshiyuki Nakashima**  
Managing Officer, Corporate Social Responsibility (CSR)

Backed by a wealth of experience accumulated over 75 years since its founding, Daifuku has built up its brand power as the leading company in material handling systems, unrivaled globally both in terms of product quality and sales volume. The Daifuku Group's ever rising status as an industry leader means that it has greater responsibility towards its stakeholders. Given this, we must work harder to meet stakeholders' expectations in the areas of environmental preservation, coexistence with communities, and corporate governance.

The Group contributes to society in numerous areas by finding solutions to issues at logistics sites, which support the foundations of industry in the areas of production and

distribution. Focusing on these business activities, we will further deepen communication and build relationships of trust with stakeholders. In addition, we will demonstrate Daifuku's global brand strength through each of these CSR activities.

We prepared the *CSR Report 2012* by paying close attention to theme selection and editing in order to enhance stakeholder understanding of the direction and policies promoted by the Group. Your interest in reading this report is greatly appreciated.

## Corporate Code of Conduct in accordance with Daifuku's CSR action guidelines

Since it regards compliance as an important pillar of management, Daifuku works to increase social trust and realize its corporate responsibilities as a leading company in the material handling industry. Daifuku has formulated its Corporate Code of Conduct as a set of corporate standards to guide all executives and employees in fulfilling their corporate and public roles.

Daifuku has distributed a booklet that contains its "Code of Conduct" to all employees in Japan and requires them to carry it with them at all times. In addition, the booklet has been translated into English, Chinese (both simplified and traditional characters), Korean and Thai. Plans to improve compliance awareness at all Group levels are under way.



### Corporate Code of Conduct: Basic Policy

#### Contributing to society through corporate activity

Daifuku focuses on environmental sensitivity and safety, and develops and offers products and systems that contribute to the creation of a comfortable and affluent society.

#### Awareness as a global company and compliance with rules and social principles

Daifuku carries out fair and transparent corporate activities in compliance with relevant rules and social principles, both foreign and domestic, while taking fully into consideration international standards and norms from a global perspective.

#### Retaining the confidence of stakeholders

Daifuku highly values its stakeholders, including shareholders, customers, companies with which it has a cooperative relationship and its employees, and seeks to build healthy and positive relationships with them.

#### Contribution to the community

Daifuku contributes to the community positively as a good corporate citizen.

#### Respect for the personality and individuality of each employee

Daifuku fully respects each employee's personality and individuality to create a dynamic corporate culture.

## Our basic approach to corporate governance

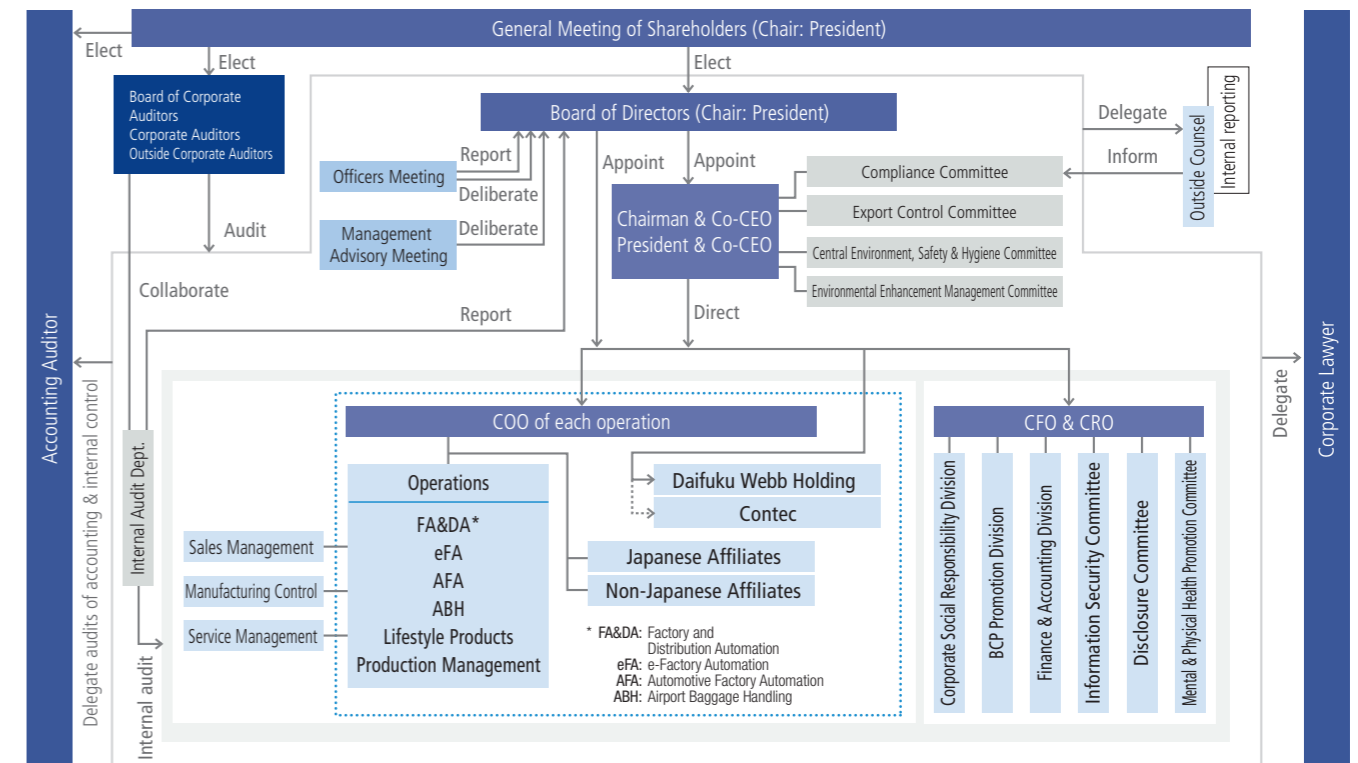
The first pillar of Daifuku's management philosophy is to "contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market." The second pillar encourages "healthy, growth-driven management that values profitability" to earn the trust of shareholders, business partners and employees. In line with its management philosophy, Daifuku aims to establish a strong corporate structure that will guide the Company through successes in an era of global mega-competition.

We have been working to enhance corporate governance since introducing the corporate officer system in June 2011 by restructuring our management systems. In fiscal 2012, we reduced the number of directors for the second consecutive year to accelerate management decision making. In addition, we appointed an outside director to further improve management objectivity and transparency.

Daifuku has set up and maintains a robust internal control system to maximize the effectiveness of its corporate governance. Recognizing that the system heightens its corporate trustworthiness and the efficiency of its operations, the Company focuses on ensuring the reliability of its compliance, risk management, asset conservation and financial reporting. These actions are carried out in recognition of the need to fulfill our corporate social responsibility.

Within this, Daifuku established a Compliance Committee chaired by the president as the Company's most fundamental compliance-related body in December 2003. The Compliance Committee promotes activities aimed at ensuring that legal compliance, fairness and ethics guide the Company's activities while making all executives into compliance officers. In addition, Daifuku's internal reporting system offers a direct channel for contacting a lawyer. In May 2008, the Company introduced a system allowing global affiliate staff to consult directly with its Legal Department.

Regarding risk management, Daifuku transferred control of the BCP Promotion Division, which was previously overseen by the Chief Risk Officer (CRO), to the Chief Financial and Risk Officer (combining functions of CFO and CRO). In addition, the Company upgraded its risk management regulations to enable wide-ranging and appropriate responses to risks in areas extending from management to disasters. The Group is constantly aware of its major role in assisting in customers' and suppliers' efforts to ensure business continuity. We will strive to enhance their risk management systems both in and outside of Japan, and work to further promote and establish the use of effective business continuity plans (BCPs). For more details on Daifuku's BCP activities, please refer to page 30.





# Cultivating People

## Developing human resources along with the skills necessary to lead the next generation

To facilitate efficient and effective human resource development, Daifuku has formulated human resource policies and implements systematic and focused training programs based on these policies across the Group. In addition to position-specific trainings for new hires, mid-career employees and managers, we conduct a special program to cultivate division leaders. Moreover, we provide an intensive global business training program for personnel who will be posted outside Japan. Meanwhile, we continually implement various initiatives, including proficiency tests under the skills evaluation program to enhance manufacturing skills, techniques and product quality. We also encourage proposals and employee teamwork initiatives to promote workplace improvements and ingenuity.

Through these efforts, we strive to foster diverse personnel capable of responding to changes in their circumstances.

### New hire training

A training program provides instruction on business rules and manners, the Company's history and products to newly hired employees in their first year of employment. In addition, we conduct trainings at production facilities and customer workplaces to give the trainees hands-on manufacturing experience. Over the five-month program, the new hires learn the basics to work as members of the Daifuku Group.

### Mid-career training

Daifuku provides position-specific basic trainings for division/section managers, assistant managers and other mid-career employees. Manager training focuses on systematically bolstering the individual's management capabilities. Assistant manager training nurtures the roles and knowledge necessary for being a workplace leader. Training for mid-career employees extends from a review of their duties to career planning.

### New business leader (NBL) training

NBL training cultivates the next generation of division leaders by instilling entrepreneurial attributes. Beginning with strategies on management and marketing, the NBL training program includes management courses conducted by Daifuku executives and offers courses to enhance strategic thinking and execution capabilities.

## improved techniques and

### Global business trainee program

Daifuku provides a training program to foster personnel, who are assigned to work outside Japan, with an international mindset and global business skills. Intending to instill necessary business knowledge, including in the areas of language, business customs and laws, the program lasts one year and involves studying at universities and language schools in the target country as well as on-the-job training at non-Japanese affiliates.

### Skills evaluation program

Daifuku implements the skills evaluation program with the aim of enhancing product quality by improving necessary techniques and skills for assembly, welding and other manufacturing elements. In addition, the Company encourages proposals from each employee and the development of teamwork initiatives by each division. We also seek to increase employee skills by conducting operational training at the division level.

### Mental health training

Medical supervisors and healthcare workers conduct position-specific mental health training. The Mental & Physical Health Promotion Committee supports employee efforts to maintain healthy minds and bodies to give lectures for employees. The committee also engages in health seminars and other relevant activities.

### Anzen-Taikan Dojo



To increase safety awareness even further, we established the Anzen-Taikan Dojo, a hands-on safety training facility, on the premises of the Headquarters to simulate dangerous operations involved in installation. The facility provides six scenarios for factory accidents: falls, electric shocks, being caught in operating equipment, equipment toppling over, fire and the experience of actual work conditions in a cleanroom with restricted vision due to wearing a dustproof suit. It also invites a wide array of participants, including employees engaged in installation and servicing, new hires, business partners and trainees from outside the Company. Since opening in June 2010, 792\* individuals have participated in the courses.

\*As of March 31, 2012

#### Participant feedback

- Being able to imagine what it is like to perform dangerous operations actually undertaken on-site was very useful.
- I will use this experience to take the first step in improving safety.



**Kensuke Homma**

Joined the Company in fiscal 2012  
Through the new hire training, I have set the major goal of being an employee who has a balanced perspective in order to perform globally.



**Maho Taniguchi**

Joined the Company in fiscal 2012  
I got a sense of Daifuku's corporate culture by learning the importance of communication when working in groups and deepening interpersonal connections throughout the training program.



**Dongmu Liang**

Joined the Company in fiscal 2012  
I gained an understanding of manufacturing procedures from my factory apprenticeship and discovered my potential in an open corporate culture that includes non-Japanese employees.



**Yuri Kashiwazaki**

Legal Department, CSR Division  
I have gained a greater awareness of my duty to decrease legal risks by participating in the training given by Daifuku Webb Holding Company.



**Kiyonori Shinohara**

Assistant Manager  
Manufacturing Department, Factory & Distribution Automation  
I was able to reaffirm the importance of operational procedures and basic operations through assembly skills testing. I will continue to challenge myself and improve my skills.



**Takashi Kambe**

Production Engineering Division, Production Control  
The skills testing course taught me the importance of changing my perspective. I will pass along to others the skills and techniques I have gained.



**Hironori Terada**

Assistant Manager  
Sales Department 2, Automotive Factory Automation  
By attending the training, I have reaffirmed my knowledge of management flows and the actual operational objectives. I will expand my horizons and deepen my management know-how.



**Takaaki Hirate**

Deputy General Manager  
Sales Engineering Division, Taiwan Daifuku Co., Ltd.  
The training is not only systematic, but it provides opportunities for self-enlightenment. I will make an even greater effort to create a more effective organization.



**Toshiya Yamaki**

Sales Manager  
Parts Logistics Solution Dept., Automotive Factory Automation  
While treasuring the strong ties I formed with other trainees through the NBL training, I will strive to make Daifuku an even more trustworthy company.



**Yoshitaka Asakawa**

Service Division, Factory & Distribution Automation  
I built more trusting relationships with other teamwork initiative members and broadened my outlook. I am extremely happy that my team won Japan's Creative Merit Award.



**Stephen Hawker**

Software Department, Factory & Distribution Automation  
I deepened my knowledge on the basics of material handling and software development processes through in-house training. I also gained an appreciation of continued learning.



**Akira Sasaki**

Medical Supervisor  
General Affairs Department, CSR Division  
I taught participants how to use laughter to maintain mental health and deepened communication among employees through a *rakugo* performance, a hobby of mine.

## Expanding Our Horizons

# Daifuku personnel around the world

The first line of Daifuku's management philosophy states, "Contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market." The ones who put this concept into practice are Daifuku personnel. Currently, the number of personnel within Daifuku Group is around 5,600, with over 2,600 personnel outside Japan.

To be able to provide products with quality that is consistent worldwide, Daifuku fosters its manufacturing skills, knowledge and spirit as well as its strong on-site efforts—which are all part of the Company's corporate culture—while nurturing solidarity based on mutual trust.

### Global expansion: the past and the future

It has been nearly 30 years since Daifuku's first overseas affiliate, Daifuku U.S.A. Inc. (now Daifuku America Corporation), was established in 1983. Daifuku has continued to globalize in line with the global expansion of other Japanese companies and a growing global market. At present, Daifuku has production sites and offices in 20 countries and regions, including North America, Europe, and Asia; 34 non-Japanese affiliates; and 50% of total sales coming from outside of Japan. Daifuku is able to provide solutions and total support to companies throughout the world, helping them to drive their strategies forward while promoting optimal procurement and production in each region.

In April 2010, Daifuku restructured and consolidated six affiliates in China, where it anticipates much growth, into Daifuku (China) Co., Ltd., creating one "Daifuku" brand in order to strengthen its marketing structure. In North America, we formed Daifuku Webb Holding Company (Daifuku Webb) in January 2011 to oversee two affiliates, Daifuku America Corporation and Jervis B. Webb Company (Webb). Daifuku Webb has already made such achievements as providing a system combining Daifuku's automated warehouses and Webb's automatic guided vehicles. Daifuku will seek future growth by harnessing new synergy effects and by promoting optimal combinations of multiple management resources as an important corporate strategy.

### Global Leadership Training

In December 2011, Daifuku held Global Leadership Training, aiming to develop the skills of executive candidates from Daifuku affiliates outside of Japan. It was the first session of this program and involved five persons—from Taiwan, Thailand, Singapore, Malaysia and Indonesia—who came to Japan and took part in the five-day course.

The aim of the training was to:

- Ensure that the trainees understand the Group's management philosophy and policies, and corporate strategies;
- Reaffirm corporate rules and ensure their understanding of their roles and responsibilities as global leaders;
- Generate synergies within the Group by fostering mutual understanding and development through interactions among the trainees.

The trainees received lectures on the Group's global business development, production systems and history as well as the basics of business transactions, safety, information security and human resources development. In addition they experienced the front-lines of production and Daifuku's products by touring the Shiga Works and customers' facilities. They also discussed lively "how to develop global personnel" and "developing new markets and raising productivity."

Daifuku will continue to develop personnel who can play an active role at global operations.

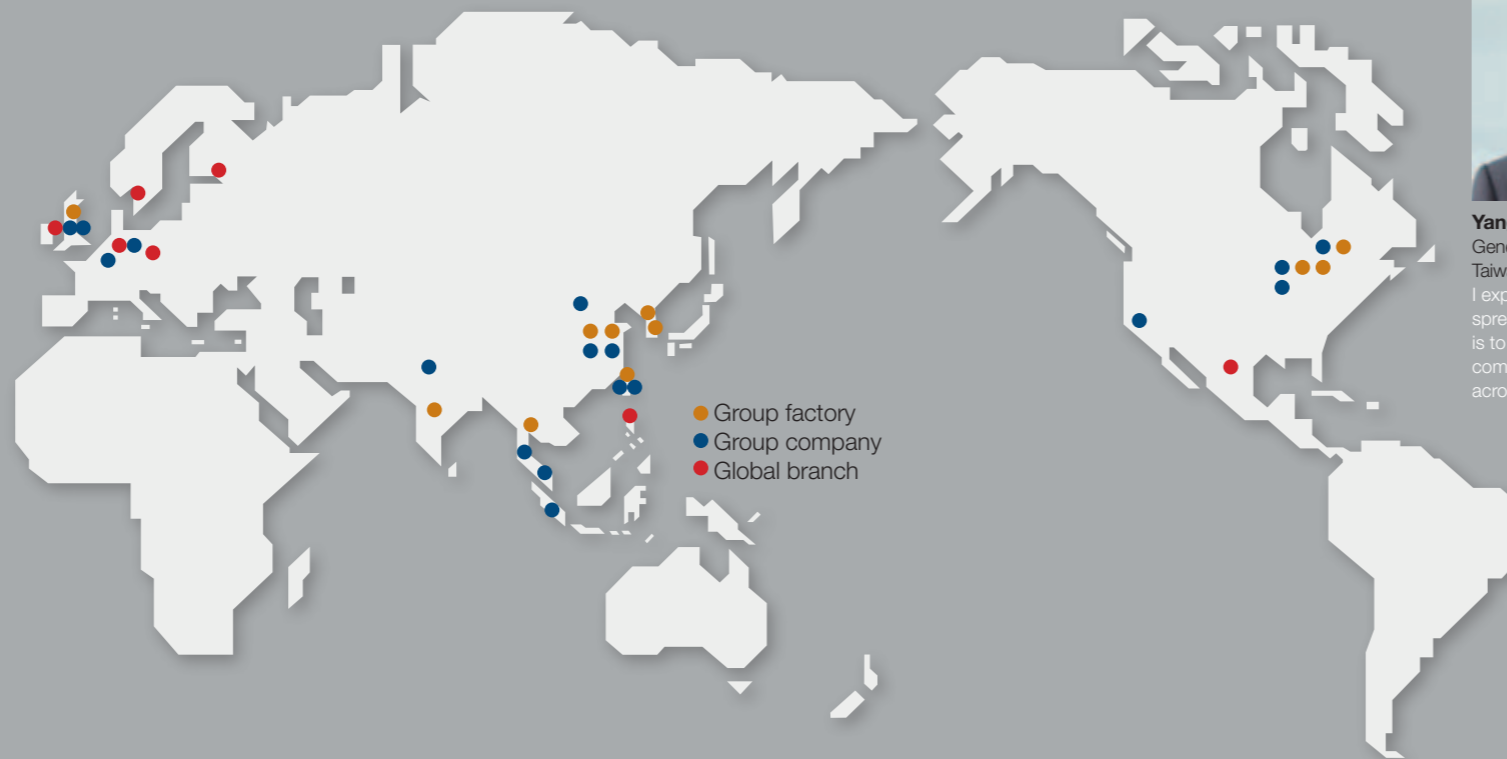
### Award for Training Excellence

Logan Teleflex (UK) Ltd., the Hull-based Daifuku affiliate that manufactures and sells airport baggage handling systems, received the Mail News & Media Business Awards' Training Excellence Award. Targeting companies with over £2 million in annual sales, the award is given for outstanding strategic policies and a superior system for personnel development.

Logan Teleflex was recognized for its efforts to nurture prospective engineers in collaboration with Hull University as well as for its on-site training program aimed at fostering necessary skills for system development.



Global Network: Production Sites and Offices in 20 Countries and Regions



Global sites  
**20 countries and regions**

Non-Japan sales ratio  
**50%**

Employees outside Japan  
**2,600**



**Werner Gubesch**  
Engineering Manager Europe  
Daifuku Co., Ltd. Germany Branch  
I am striving to facilitate the sharing of know-how, including technical knowledge and market trends, between Japan and Europe to bolster Daifuku's competitiveness and market share.



**Sarah Carlson**  
Marketing Director  
Jervis B. Webb Company  
We provide sales support behind the scenes for Daifuku Webb using various social media tools and other outlets as a part of our global marketing initiatives.



**Yang Meng-en** Director  
General Manager of Production Division  
Taiwan Daifuku Co., Ltd.  
I expect to work with other affiliates to spread our business globally. My goal is to become a leader who is able to communicate and nurture teamwork across different cultures.



**Rithipong Yoddee** Assistant Manager  
Daifuku (Thailand) Ltd.  
I will make the best use of what I learned through the training to raise the collective strength of my team and generate maximum performance towards our objectives.



**Lim Wei Lip Philip** General Manager  
Daifuku Mechatronics (Singapore) Pte. Ltd.  
Building relationships with other affiliates leads to a major strength as the Asian market is on the rise. My goal is to become a leader who has communication and effective management skills.



**Fung Yun Yuen** Administration & HR Manager  
Daifuku (Malaysia) Sdn. Bhd.  
I will pass along what I learned at the training to my staff. To attain my objectives, I will acquire the know-how to address a variety of issues and the skill to adapt to different cultures.



**Febiyanto Darmawan S** General Manager  
P.T. Daifuku Indonesia  
I felt that the Daifuku Group was one large family. I am willing to learn about other cultures and be able to read business trends accurately in order to achieve the best outcome.

## Customers

Corporate Code of Conduct: Daifuku will provide only the best products and services from the customer's viewpoint.

Daifuku strives to earn higher trust from customers through a comprehensive system that encompasses everything from the proposal of solutions to after-sales services and facility retrofits.

### Webb and Logan Teleflex awarded by airports

Daifuku's affiliates, Jervis B. Webb Company (Webb) and Logan Teleflex (UK) Ltd. (Logan Teleflex), were awarded by airports they served.

In November 2011, Webb won the "Building on Excellence" award in recognition of its outstanding performance on U.S. John Wayne Airport Improvement Program (AIP). This award was for Webb's significant contributions to the AIP success through design, manufacture and installation.

Logan Teleflex received awards from U.K. Gatwick Airport for its work on the North terminal baggage handling line upgrading project. The awards recognized zero accident records of 100,000 worker hours in August 2011 and 250,000 worker hours in April 2012.



The award being presented to Logan Teleflex staff by Gatwick Airport health & safety personnel (in the center)

### Daifuku China ranked in the top 10 user satisfying brands

In December 2011, Daifuku (China) Co., Ltd. was selected as one of the top 10 material handling technology and systems companies in China with regard to user satisfaction. China's largest logistics search website (www.soo56.com) hosted this event with over 100 media companies in 20 major cities from July to November. Daifuku was chosen as one of "the most user satisfying brands" by a vote in which 3,000 companies and experts across the nation selected 10 companies for six categories through online polls.



The commemorative trophy and plaque being presented to Daifuku China Chairman (first from the left) at the award ceremony

### Daifuku ranked top among global material handling suppliers

The Daifuku Group is ranked No.1 in sales on the list of "Top 20 Worldwide Materials Handling Systems Suppliers," according to the U.S. magazine *Modern Materials Handling*. The magazine's annual survey launched in 1997 targets material handling systems suppliers that have business bases in North America.

The 15th survey results showed that Daifuku became the top company for the first time. Thanks to the increased revenue from its sale of storage, transport, sorting and picking systems to a broad range of industries including food, pharmaceuticals and agriculture, Daifuku's rank rose from the previous year's No.2.

### Enhancing Group capabilities through friendly M&A

Daifuku has been involved in over 20 M&As since the 1990s. By partnering with outstanding companies in each sector, we can expand our business fields and supplement products and regional coverage. We will thereby strengthen our customer support frameworks.

Key M&As, which have led to an increase in customers and service volume, include the acquisitions of the logistics system businesses from Kito Corporation in 2004 and the Komatsu Group in 2009. We then acquired YASUI Corporation's car wash equipment business in 2010, enabling the Group to

capture the highest market share in this sector in Japan.

Outside Japan, Jervis B. Webb Company (Webb) joined the Group in 2007. With a solid foothold in the U.S. automobile industry, Webb formed an ideal complimentary alliance with Daifuku. Another advantage of this alliance was that it enabled Daifuku to enter the airport baggage handling system business, a new market for the Company. In addition, with the April 2011 acquisition of Logan Teleflex, which boasts a proven track record in the airport sector, particularly in Europe, we are now ready to provide our products worldwide.

## Employees

Corporate Code of Conduct: Daifuku fully respects each employee's personality and individuality to create a dynamic corporate culture.

Daifuku promotes efforts to help employees improve work-life balance as well as maintain mental and physical health.

### Global employee teamwork contest

On March 7, 2012, Daifuku held the annual employee teamwork initiative presentation event. Presenters included seven teams from among 99 teams at different divisions in Japan and a team representing Jervis B. Webb Company from the U.S. They presented their activities and achievements in areas such as cost savings and productivity improvement, with personnel from Taiwanese and South Korean affiliates observing the contest. Meanwhile, on March 21, 2012, Daifuku's Chinese affiliates held their first employee teamwork initiative

presentation event, which involved six teams. Daifuku will continue expanding these initiatives on a global scale.



The employee teamwork initiative presentation event

### Improving workplace environment

A health and safety team, comprising medical supervisors, healthcare workers and Environment, Safety and Hygiene Committee members, conducts monthly workplace patrols to check for 5Ss\* and hygiene conditions at Daifuku's factories

and offices. The team checks if the 5S rules are observed at each workplace and gives advice on improving the workplace conditions. It also manages smoking rooms to prevent passive smoking.

\*5S stands for Sort, Set in order, Shine, Standardize, and Sustain.

### In-house cyber security training

Cyber threats through e-mails are reported to be increasing, targeting individuals in the defense-related industry and governments. As a countermeasure against computer viruses, spyware and other threats, it is vital to raise employees' awareness of cyber security risks. The most effective way to

protect against cyber attacks is to not open attachments or click unknown links included in suspicious e-mails. Daifuku has created a system to eliminate such e-mails and implemented mock mail training. We will continue such training to mitigate risks, including information leakage.

### Hini Arata Kan tour for employee families

Daifuku's comprehensive demo center, Hini Arata Kan, invited employee families on its tours in July and August 2011. A total of 67 families, or 275 people, enjoyed the event. The latest tour, the 16th such event, was designed to strengthen family ties and facilitate communication among families. After a tour of the demo center and a bus tour around the Shiga Works, people enjoyed various attractions, including a magic show, card games and balloon art.



Children dancing to popular songs at the close of the event

### Walking events for health promotion

In September 2011, a walking event was held at the Shiga Works. 132 employees attended the event, not only walking but also enjoying walking on stilts and jumping rope along the site's 720m Yasuragi Road\* course. We are planning to hold such events three times a year.

Meanwhile in Tokyo, Daifuku's Mental and Physical Health Promotion Committee held the Rainbow Bridge Walking event in November 2011. Over 50 participants walked 6.2 km from Tokyo Head Office to Odaiba, crossing the bridge. Daifuku will

continue to raise health awareness and implement activities for lifestyle-related disease prevention.

\*Yasuragi Road: An employee-friendly walkway alongside the reservoir pond at the Shiga Works. Yasuragi is a Japanese word meaning comfort and relaxation.



Walking on stilts along Yasuragi Road

## Shareholders and Investors

Corporate Code of Conduct: Daifuku will disclose corporate information accurately, quickly, and positively with fairness and proper authority and in accordance with laws and regulations.

Daifuku aims to enhance the appeal of its stock and increase the number of medium- and long-term shareholders.

### Shareholder special benefit program: bowling coupons for improved fitness

In 2012, Daifuku established a shareholder special benefit program in order to express its gratitude to shareholders for their continued support.

Since 1963, we have been engaged in the bowling alley equipment business. From the perspective of corporate social responsibility, we also call attention to health promotion through the bowling business. We send our shareholders coupons usable throughout Japan at more than 300 bowling alleys where Daifuku products and equipment are used.

Coupons are sent once a year, after our annual shareholders meetings held in June, to shareholders with 500 or more shares as recorded in the registry at the end of March of that year.

Number of shares held	Value of coupons presented
500 to less than 5,000	Worth 1,000 yen
5,000 to less than 10,000	Worth 5,000 yen
10,000 or more	Worth 10,000 yen

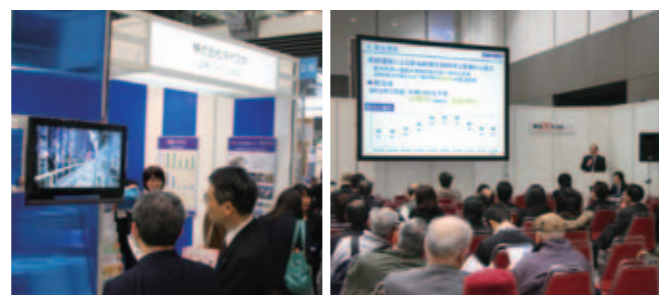


### First-ever presentation at Tokyo Stock Exchange's investor relations fair

Daifuku presented at the "TSE\* IR Festa 2012" trade fair for individual investors on March 9–10, 2012 in Tokyo.

At the booth, we introduced our businesses and products using panels, a corporate video and a model of our automated warehouses. In addition, we held briefing sessions and small presentations to introduce our operations on the theme "Material Handling That Enhances People's Lifestyles." About 950 visitors came to our booth. About 70 listed companies took part in the fair, with about 14,500 visitors over the two days.

\*TSE: Tokyo Stock Exchange



Daifuku's booth (left) and briefing sessions attracted many visitors

### Hini Arata Kan tour for shareholders

On October 7, 2011, Daifuku invited its shareholders to tour its unrivaled full-scale demo center, Hini Arata Kan to familiarize them with its business. Every year since fiscal 2008, we have invited shareholders to enjoy a special tour, and the 4th such event welcomed a total of 177 visitors from across the nation.

At the event, our management members presented an overview of the business and the recent conditions surrounding the Daifuku Group, after which we introduced our mainstay products at the showroom. We also gave a demonstration of our new product, the baggage tray system, which is an airport baggage handling system with the world's fastest conveyor speed at 600 meters per minute.



Shareholders observing a test line of the baggage tray system

## Suppliers

Corporate Code of Conduct: Daifuku will build stable business connections and aim at achieving harmonious coexistence and shared prosperity in its dealings with cooperating companies.

Daifuku undertakes manufacturing in cooperation with its suppliers, complying with its basic procurement policies and green procurement guidelines.

### Presentation held on management and production trends

In May 2012, Daifuku held the 2012 Management and Production Trends Presentation, inviting the leaders of 166 major business partners, ranging from manufacturers and trading companies to those involved in processing, machinery, installation, servicing, design, and software-development.

Daifuku attendees were all the executive members and 35 managers responsible for production and installation. President Masaki Hojo presented an analysis of Daifuku's performance in fiscal 2011 and its outlook for fiscal 2012, along with the Company's management policy. He also asked for continued assistance as Daifuku seeks to improve its performance still further. This was followed by chief operating officers presenting their divisions' production trends and operating policies.



President Hojo giving a briefing on management policies

### Five excellent suppliers presented with S.Q.D. Awards

In fiscal 2003, Daifuku launched the Supplier Quality Development (S.Q.D.) Award system to commend outstanding goods-related suppliers and installation contractors. In fiscal 2012, from among a total of 265 companies, we presented the S.Q.D. Award to three companies and the S.Q.D. Effort Award to two companies.

Suppliers are evaluated based on four criteria: performance, process flows, corporate management quality and level of customer satisfaction. Award-winning companies are determined according to their total scores in these categories.

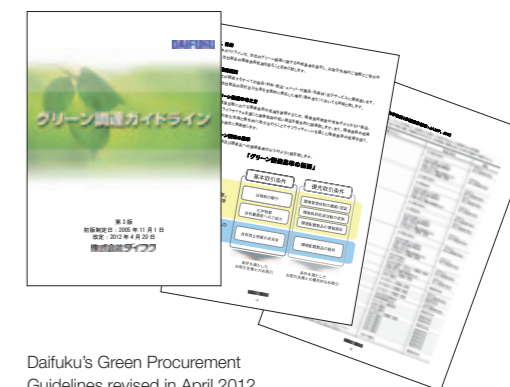


2012 Award recipients  
**S.Q.D. Award:**  
 Kyowakiden Industry Co., Ltd.  
 Terashima Corporation  
 Tokuno Mfg. Co., Ltd.  
**S.Q.D. Effort Award:**  
 Hikari Metal Industry Co., Ltd.  
 Fukada Industry Co., Ltd.

### Green procurement guidelines revised

Daifuku believes that the manufacturing of environmentally friendly products is a mission it must achieve as a global company. Under the motto, "We will not buy, use, or sell any hazardous materials," we formulated our "Green Procurement Guidelines" in November 2005. Following the guidelines, we prioritize the purchase of materials and products that are resource saving, energy saving and reusable.

In April 2012, we issued the 3rd edition of the Green Procurement Guidelines. The contents were updated in line with our *Environmental Vision 2020* and featured the list of banned chemical substances designated by the Company.



Daifuku's Green Procurement Guidelines revised in April 2012

## Communities

Corporate Code of Conduct: Daifuku will contribute to the creation of a sound, safe, and comfortable community as a responsible member of the local community.

Daifuku, as a good corporate citizen, aims to be a company that contributes to the development of both economy and society by proactively conducting community-based activities.

### Greening promotion training workshop held at the Shiga Works

An annual training workshop for greening promotion groups was held at the Shiga Works on October 4, 2011. This workshop is organized by an association for Shiga Prefecture greening promotion. About 30 people engaged in greening activities attended from neighboring companies around the Works.

The Shiga Works was selected as the venue of the workshop since it received a green factory award from the Japan Greenery Research and Development Center in 2010 for its outstanding greening performance. Daifuku's greening staff introduced their initiatives and took the attendees on a site tour, mainly for viewing green spaces.



An arborist giving advice on tree maintenance during the tour

### Participating in nature-conservation activities around Lake Biwa

On February 26, 2012, 10 Daifuku employees from the Shiga Works took part in an activity to clip phragmites surrounding Lake Biwa, together with local residents, companies and environmental conservation groups. To protect phragmites plains, which play an important role in preserving the ecosystem and in water purification, it is essential to trim the overgrown reeds every winter. The clipped phragmites are sorted for use as raw materials for paper products. One of the Daifuku participants commented, "Working together with many people inspired me. I learned a lot of things about protecting the lake's ecosystem."



Daifuku staff clipping phragmites

### Social contribution and environmentally friendly activities at Fujisawa Office

Every month, all staff from Daifuku's Fujisawa Office participate in cleanup activities and traffic safety initiatives as a part of its efforts to contribute to local communities, aiming to create a comfortable and safe society.

The office installed photovoltaic systems on its roof in 2011 as a measure to reduce its carbon footprint. In addition, it strives to minimize waste disposal through rigorous sorting and recycling activities, and reduce CO<sub>2</sub> emissions through such activities as the "idling stop" initiative, which encourages people to turn off vehicle engines whenever they stop on the road.



Contributing to local communities through traffic safety activities

### Chinese logistics educational institutions visit the Hini Arata Kan

On March 29, 2012, a Chinese delegation comprising six members from Southwest Jiaotong University, (Chengdu, Sichuan) School of Transportation and Logistics, visited our full-scale demo center, Hini Arata Kan. The delegation's objective was to view cutting-edge material handling systems and technologies for their studies, which cover a

wide spectrum of the logistics field. "Currently in the southwest part of China, we are improving infrastructures for logistics, aiming for further industrial development. We hope to interact with companies from an academic perspective, so we can foster students with specialized knowledge," said a representative of the group.

## Environment

Corporate Code of Conduct: Daifuku will act to protect resources and prevent the pollution of the global environment in all aspects related to its business activities.

Daifuku addresses challenges for energy/resource saving and biodiversity conservation and strives to raise employees' environmental awareness.

### Consolidated management of CO<sub>2</sub> emissions across the Group

Daifuku launched the consolidated CO<sub>2</sub> emissions management framework across the Group in 2011. By assessing the amount of electricity, gas and fuel used at each site worldwide, we strive to improve the Group's environmental performance. We

are also making efforts to raise employees' awareness of reducing CO<sub>2</sub> emissions through an open database in which all employees can see our emissions status.

### Management database of environmental and safety regulations

In 2011, Daifuku launched a database for keeping a track of regional environmental and safety laws and regulations. The database gives information on legal requirements and helps the operations comply with required regulations. It also helps

prevent delays or omissions of legally required responses and renewal procedures by preliminarily emailing an auto reminder to alert the person responsible. Fiscal 2011 saw no issues regarding our compliance with relevant laws and regulations.

### Komaki Works' initiatives toward electricity saving

The Komaki Works set up a total of seven LCD temperature and humidity meter clocks throughout its three-story building, aiming to raise awareness of energy saving by making the in-building temperature easily visible.

It also conducts energy-saving patrols in July, August and January in efforts to control indoor temperatures in a way that prevents overcooling and overheating, helping decrease electricity consumption.

### Environmental initiatives at Tokai Branch

Daifuku's Tokai Branch has held the Eco-Friendly *Senryu* (Japanese humorous poem) Contest since 2011. The contest, in which employees and their families are invited to express thoughts about the environment in *senryu*, stimulates awareness and interest in environmental issues closely connected with lifestyles.

In addition, the office has held various events, including environmental movie shows, eco-friendly driving courses and eco-friendly knowledge tests to raise its employees' environmental awareness and develop their leadership regarding environmental initiatives.



The winning entries from each category (water, fuels, electricity, and children) appearing on a poster

### First-ever exhibits at the Shiga Prefecture environmental fair

The Daifuku Group participated in Japan's major Biwa-ko Environmental Business Messe 2011 held in October. This fair, held every year since 1998, has provided opportunities for business and information exchanges in the field of environmentally friendly products, technologies and services. The 14th fair featured presentations from 309 companies and associations, and attracted 37,280 visitors.

The Group presented its photovoltaic systems, which provide total support from planning to actual operation, photovoltaic data measuring/monitoring systems and power remote monitoring systems.



Not only business persons but also local residents and students came to the fair.

# Shiga Works' social responsibility as the core factory



**Masayoshi Inoue** Environmental Enhancement Management Committee Chair  
Director and Managing Officer

The Daifuku Group, as the leading material handling company, incorporates multiple measures to reduce environmental burden, with the Shiga Works, the core factory, at the center of its efforts. The Shiga Works undertakes strict water quality management in compliance with the environmental regulations of Shiga Prefecture, which contains Japan's largest body of fresh water, Lake Biwa. The site is also mindful of promoting energy reduction and resource conservation. In order to maintain the Group's sustainability, we implement the commitments specified in our *Environmental Vision 2020* as the foundation for environmental management, including biodiversity

conservation on the Shiga Works' 1.2 million square meter (296.5 acre) premises.

Within this vision, based on the belief that Daifuku's products are widely contributing to society through its customers, one of the top priorities is to increase the availability of environmentally friendly products and services. We are striving to strengthen product development by establishing an internal recognition program.

Going forward, we will steadily spread environmental awareness throughout the Group to raise Daifuku's global brand value.

## Environmental Vision

In April 2011, Daifuku formulated *Environmental Vision 2020*, to fulfill its environmental responsibility for the next generation as a member of the global society. We will continue to be environmentally aware in every business activity and contribute to our customers, society and the conservation of the global environment by consistently developing and providing material handling systems with low environmental impact.

### Management Philosophy / Basic Management Policy



### Targets for Fiscal 2020

- Promote environmentally friendly activities in business operations**
  - Reducing CO<sub>2</sub> emissions from our business activities to 25% below fiscal 2005 levels
  - Taking steps to save energy and resources, introducing renewable energy and preserving biodiversity, reducing the environmental impact, and harmonizing with our community
- Increase the number of environmentally friendly products and services**
  - Developing and supplying environmentally friendly products and services that comply with our environmental standards
  - Helping reduce CO<sub>2</sub> emissions to an extent equivalent to six times CO<sub>2</sub> emissions from our business activities through environmentally friendly products and services
- Enhance the foundations for environmental management**
  - Expanding environmental education and training to increase awareness across the Daifuku Group
  - Building a global management framework for the Group's environmental contribution worldwide

## Shiga Works Map

Daifuku acquired land in 1970 with the idea of building an industrial park. It has since become the world's largest material handling production site, and at present has 11 factories operating within the 1.2 million square meter premises blessed with a rich natural environment, with more than 30% covered by vegetation. In addition, Daifuku's full-scale material handling demo center, Hini Arata Kan, opened in 1994 and has welcomed more than 300,000 visitors to date. In 2010, the Shiga Works received an award for its outstanding greening performance from the Japan Greenery Research and Development Center.

① ISO 9001 and 14001 signs

③ Solar-powered lamppost

② Safety management signs

Main gate

Employee-friendly Yasuragi Road

④ Hini Arata Kan

④ Photovoltaic system

Storage of used cooking oil for making biodiesel fuel

Food-waste disposal

⑤ Cogeneration system

⑧ Waste storage center

**New Road Completed and Third Gate Opened**

A new road coming from the Northwest was completed on March 17, 2012. The third gate for the Shiga Works was also completed, and employees are now able to avoid congestion on Route 307.

⑧ Effluent treatment facilities (3 locations)

⑥ Sludge recycling facility

⑦ Oil barrier

## Environmentally friendly products and services

### J-Series conveyors for light-duty transport

**40% lighter, 50% lower power consumption**

Daifuku developed the J-series light-duty conveyors, augmenting its conveyor model lineup. Before this addition, our lineup had centered on conveyors for the transport of medium- and heavyweight items. This meant that medium-duty conveyors were used to transport lightweight items. Looking to rectify the situation, we took on the challenge of developing low-cost, light-duty systems better suited to this use. In addition, the need for light-duty conveyors has increased due to demand from the logistics sector for transport systems that are able to handle and ship individual, small-sized items.

J-series conveyors use smaller-diameter rollers and smaller frames as well as a motor with reduced capacity and fewer components. This has led to reductions of 40% in weight and 50% in power consumption compared with medium-duty conveyors. In addition, the compactness of the main body makes transport lines more space efficient while the conveyors, which use rollers with plastic bearings, satisfy demand for quieter operation.

With less environmental impact, the light-duty conveyors help customers perform operations with greater environment friendliness.



J-series light-duty conveyors

### Baggage tray system, the next-generation airport baggage handling system

**More than 30% lower power consumption**

Daifuku developed a new airport baggage handling system, called the "baggage tray system." The system provides efficient and secure transportation and sorting of airline passenger baggage from the check-in counter to pick-up at the baggage claim.

Amid the ongoing construction of new airports worldwide, which is accompanying the progress of globalization, numerous new terminals are being built to bolster hub functions at important regional airports. Under these circumstances, we are facing the need to build a new system to minimize costs and streamline operations in order to accommodate the expected surge in volume of baggage handled at airports as well as to ensure the reliable traceability of passenger baggage.

To meet these requirements, Daifuku has developed a new system with high transport and sorting capabilities. By transporting bags on individual trays, the system is capable of precise handling and tracking. The tracking functions, which are based on RFID labels on the trays, help prevent baggage loss and reduce problems posed by oddly shaped baggage. Realizing a globally unmatched transport speed of 600 meters per minute, the system is optimal for widely separated terminals. In addition, in combination with its specialty

automated storage/retrieval systems, Daifuku offers an integrated baggage handling system that provides secure baggage staging for passengers who check in early or have extended layovers at airports.

In terms of environment friendliness, the system's simple construction, with significantly less steel and components, allows a 40% reduction in weight compared with conventional belt conveyors that directly transport baggage. It also consumes 30% less energy than a conventional system.



Baggage tray system

### Clean Stocker, energy-saving cleanroom stocker using regeneration chargers

**More than 50% lower power consumption**

Daifuku upgraded its D-6000 and D-8000 stocker series of flat-panel display storage and transport systems. Combining its unique technologies, Daifuku took on the challenge of improving environmental technologies, reducing costs and increasing safety to develop highly competitive, value-added cleanroom stockers.

In terms of environment friendliness, we took steps to enhance energy conservation by using the highly efficient HID-4 non-contact power supply system with the aim of significantly reducing overall power consumption while adding a regenerative charging capability. Conventional stacker cranes require a tiny but constant trickle of power from an HID to maintain control functions when in standby mode. The upgraded D-6000 and D-8000 stockers are able to power-off during standby mode because they can draw power from a charged battery (dual-layer capacitor). Consequently, the power consumption of these stockers has been decreased by more than 35%. In fact, depending on the stocker size, this decrease can be more than 50%.

The stacker crane's regenerative charging uses the energy produced by the unit as the crane slows down and moves up and down, storing this energy in capacitors. Also contributing to cost reductions are the smooth integration of motors and wheels and a reduction in the number of components. We are also working to increase safety, mainly by installing area sensors that will trigger emergency shutdowns and by improving detection functions to pinpoint equipment malfunctions.



Clean Stocker D-6000 and D-8000, cleanroom storage and conveyor systems

### "Granada" drive-through car wash machine with eco-friendly functions

**Saving 110,000 liters of water per month**

Daifuku launched the Granada, its latest environmentally friendly drive-through car wash machine. The Daifuku Group has been leading the industry in the market release of environmentally friendly car wash machines since 2007. The Granada improves water and power consumption more than ever before as well as such basic functions as washing and coating.

The Granada boasts a 30% improvement in its washing throughput compared with conventional models (this translates into an additional four vehicles per hour), a 60% increase in the number of sponge brushes used and higher cleaning capabilities while producing less noise. Also, it uses a new coating agent.

From an environmental standpoint, the Granada has the same detergency as conventional models and efficiently cuts unnecessary water use, achieving, at 34 liters per vehicle, the industry's lowest water usage at regular operating speeds. This translates into savings of approximately 110,000 liters of water for a car wash servicing 1,500 vehicles a month, a 70% or more reduction compared with the car wash equipment

produced five years ago. At the same time, the use of palm oil-based liquid detergents has reduced the volume of normal-hexane extract to one-third the amount of conventional detergents. We have made various efforts to reduce environmental impact, including the aforementioned use of palm oil for its superior biodegradability. In addition to using LED lighting in its front mask, the Granada is equipped with eco-friendly mode functions that reduce power use during set up by around 25%.



Granada, an environmentally friendly drive-through car wash machine

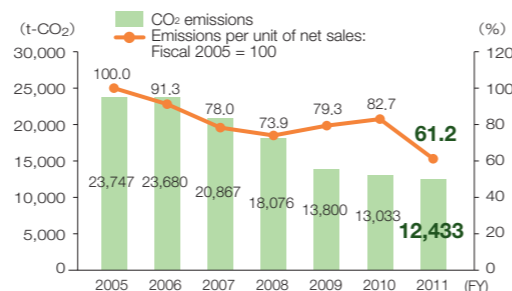
## Environmental conservation activities

### Fiscal 2011 environmental action plans and results

Theme	Item	Details	FY2011	
			Target	Result
Factory/Office	Global warming countermeasures	Reduce CO <sub>2</sub> emissions attributable to energy use	Total CO <sub>2</sub> emissions relative to the FY05 level Reduce 16% (approx. 4,050 t)	Reduced 47.6%
		Reduce CO <sub>2</sub> emissions from product logistics	CO <sub>2</sub> emissions per unit of net sales relative to the FY05 level Reduce 6%	Reduced 38.8%
	Recycle resources and reduce waste	Reduce CO <sub>2</sub> emissions from product logistics	CO <sub>2</sub> emissions per unit of net sales relative to the FY05 level Reduce 11%	Reduced 22.2%
		Reduce general/industrial waste, including valuable materials	Waste generated per unit of net sales relative to the FY05 level Reduce 6%	Reduced 6.4%
Products	Reduce environmentally harmful substances	Recycle waste	<ul style="list-style-type: none"> <li>Instill waste recycle recycling governance</li> <li>Achieve 98% recycling rate</li> <li>Achieve 93% recycling rate, excluding scrap</li> </ul>	<ul style="list-style-type: none"> <li>Recycling rate: 98.9%</li> <li>Recycling rate, excluding scrap: 96.9%</li> </ul>
		Promote green procurement	Instill green procurement systems	Reviewed list of designated harmful substances and revised guidelines
Management	Strengthen environmental management framework	Reduce emissions of PRTR substances	Emissions per unit of net sales relative to FY05 level As the targets set in fiscal 2010	Set in-house targets
		Promote environmental management at production sites worldwide	Manage Daifuku's global environmental performance	Monitored Groupwide environmental data
Management	Strengthen environmental management framework	Expand sales of environmentally friendly products	As the targets for environmentally friendly product sales ratio set in fiscal 2010	Commenced development of in-house recognition system in preparation for fiscal 2012 initiatives
		Enhance environmental education and awareness-raising activities	<ul style="list-style-type: none"> <li>Implement environmental education</li> <li>Implement business-specific environmental education that leads to operational improvements</li> </ul>	Formulated education plans in preparation for fiscal 2012 initiatives
Management	Strengthen environmental management framework	Contribute to biodiversity protection	<ul style="list-style-type: none"> <li>Improve employee awareness</li> <li>Implement environmental contribution activities</li> <li>Behave in an environmentally conscious way in business activities</li> </ul>	Formulated activity plans in preparation for fiscal 2012 initiatives

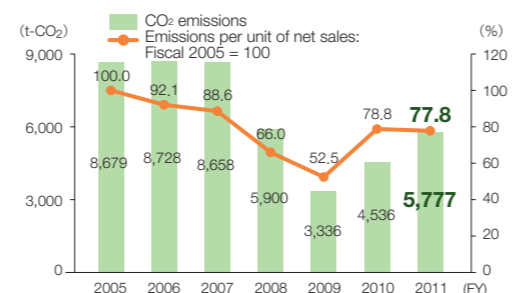
### Carbon dioxide (CO<sub>2</sub>) emissions

CO<sub>2</sub> emitted from Daifuku facilities decreased 5% from the previous year. In fiscal 2011, CO<sub>2</sub> emissions per unit of net sales improved 21.5 percentage points amid the suspension of nuclear power plant operations. This was thanks to proactive measures undertaken in the summer and winter to cut power usage despite an increase in production volume. Meanwhile, we have used our cogeneration facility located within the Shiga Works to address the power shortage. This could cause an increase in CO<sub>2</sub> emissions from this facility. As such, addressing both the need to maintain stable operations at our production facilities and implement global warming countermeasures will be our challenge.



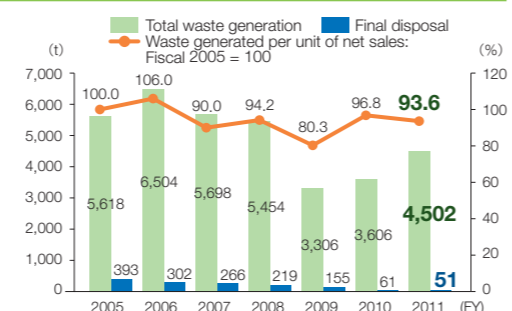
### CO<sub>2</sub> emissions from transportation

In fiscal 2011, transportation-related CO<sub>2</sub> emissions increased 27% from the previous year to 5,777 tons. However, CO<sub>2</sub> emissions per unit of net sales improved one percentage point. As a company that delivers large-sized equipment, finding the most efficient way to transport products is an important issue for Daifuku. Taking delivery and shipping conditions into consideration, we are continuing to reduce the environmental impact of regular transportation, mainly by improving packing and transportation methods and encouraging modal shifts.



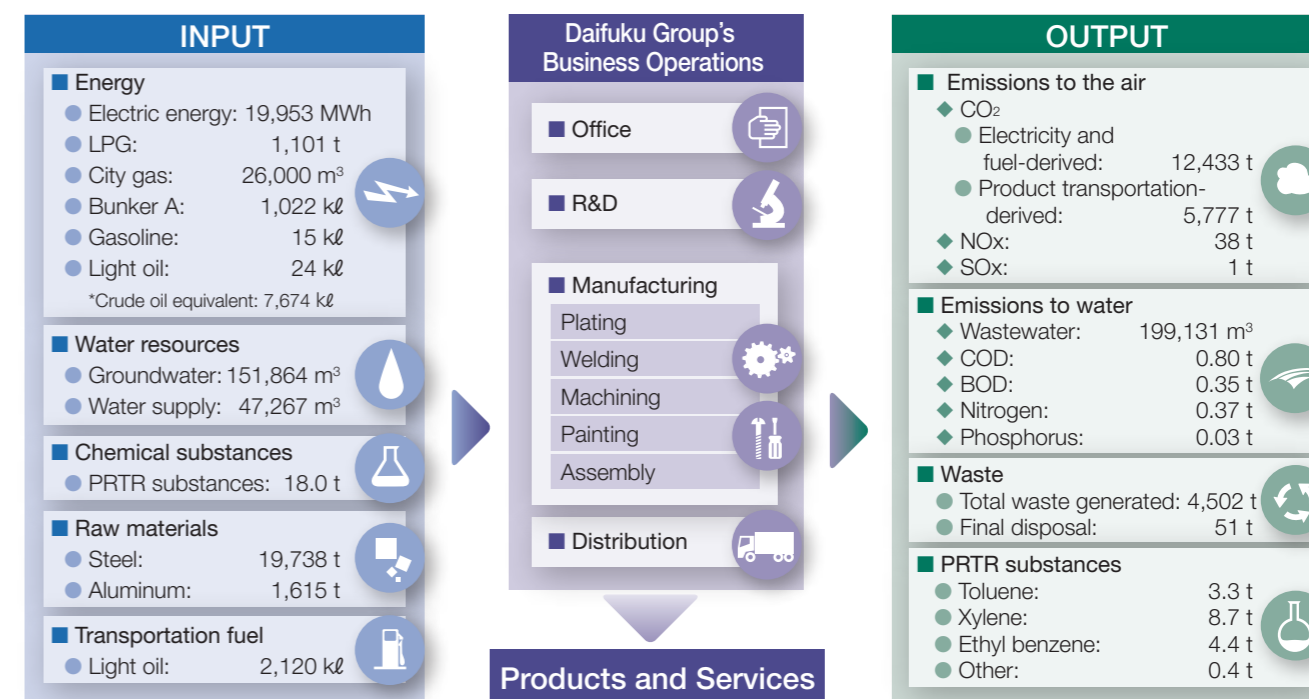
### Total waste generation

In fiscal 2011, total waste generation increased 25% from the previous year. However, waste generated per unit of net sales decreased 3.2 percentage points. Although waste generation increased in tandem with higher production volume, the amount of waste for final disposal in landfills decreased 10 tons, due to steady efforts to recycle individual items. As a result, Daifuku achieved a 98.9% recycling rate, surpassing its own zero-emission recycling ratio standard of 98%. We will strive to reduce waste and improve our recycling ratio by promoting resource conservation and reuse.



## Business operation material balance

Monitoring the environmental impact of its business operations, Daifuku strives to minimize its environmental burden.



\* Details are publicized via our global website: [www.daifuku.com](http://www.daifuku.com)

## Environmental accounting

Daifuku conducts environmental accounting by quantitatively monitoring costs and the effectiveness of its environmental conservation activities.

### Costs of environmental conservation activities (classified by business activity)

Category	Investment		Cost					
	FY2010	FY2011	FY2010	FY2011				
Incurred in business areas	Pollution prevention	(1) Preventing air pollution	—	—	46,920	46,899		
		(2) Preventing water pollution	—	—	76,509	77,101		
		(3) Preventing soil contamination	—	—	—	—		
		(4) Preventing vibration and noise	—	—	—	—		
	Environmental conservation	(5) Saving energy	1,139	3,734	29,293	28,454		
		(6) Controlling chemical substances	75,000	19,070	2,343	27,901		
		Resources recycling	(7) Effectively utilizing resources	2,380	—	17,648	11,583	
			(8) Processing industrial and general wastes	—	—	42,990	85,245	
Upstream/downstream	(9) Difference between costs of regular and green purchasing	—	—	1,600	1,920			
Management activities	(10) Environmental management system operation	—	—	31,211	34,968			
	(11) Environmental information disclosure and advertisement	—	—	5,900	6,391			
	(12) Environmental impact monitoring	5,097	—	4,882	5,815			
	(13) Environmental education to employees	—	—	4,695	5,642			
R&D	(14) Environmental conservation out of R&D	63,000	64,000	126,000	128,000			
Social activities	(15) Nature protection, greening and beautification	—	—	34,197	53,082			
	(16) Donation and support to nature conservation groups	—	—	1,544	1,544			
Environmental damage response	(17) Covering environmental damages	—	—	—	—			
<b>Total</b>					<b>146,616</b>	<b>86,804</b>	<b>425,732</b>	<b>514,544</b>

### Economic effects of the environmental conservation measures (actual effects)

Effects	FY2010	FY2011
Sales of valuable resources	73,212	84,031
Energy cost saving	-83,990	-8,636
Waste disposal cost saving	-2,628	-34,395
<b>Total</b>	<b>-13,405</b>	<b>41,000</b>

#### Environmental data:

Target operations: Headquarters (Osaka), Tokyo Head Office, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Office), Fujisawa Office, Konosu Office  
Period covered: April 2011 – March 2012



## Business Continuity

## Daifuku's business continuity management

To date, the Daifuku Group has taken steps to address significant risks, such as earthquakes, wind, floods, lightning, fire, and new strains of influenza. In addition, to enhance our business continuity management (BCM) system, we have adopted a risk management framework and developed effective risk management regulations within the Group. As a result, we improved the company structure to mitigate, minimize, and control risks related to corporate management. Fiscal 2011 was a year for reaffirming the initiatives of the Group's risk management systems. We reviewed the discrepancies between and issues related to risk management-related plans and actual initiatives. In addition, we introduced a safety confirmation system using mobile phones in parts of Japan, distributed safety helmets to all employees nationwide, and improved the earthquake resistance of existing computer servers at each business operation.

In fiscal 2012, we will work with stakeholders and third parties to establish business continuity management Groupwide (which has undergone further evaluation), enhance risk management systems in Japan and abroad, and strengthen corporate governance as well as further promote and entrench effective business continuity plans (BCPs). We will also move forward with the key measures of revising BCPs, formulating Groupwide and local emergency task force manuals and developing measures to counter natural disaster-related risks. In addition, we upgraded the safety confirmation system into a single unified Groupwide system in April 2012.

## Measures for responding to disasters

In March 2011, Daifuku immediately set in motion its prepared BCP in response to the Great East Japan Earthquake, establishing an emergency task force led by the president. We took actions such as confirming the safety of our employees and their families, determining the extent of damage within the Group and at our customers' facilities, delivering relief supplies to affected areas, disclosing the impact of the earthquake, and focusing on restoring customers' facilities. All Group employees were unharmed and key production sites were undamaged given their distance from the earthquake's epicenter. We were also quick to assist in the reconstruction efforts of disaster-stricken customers at over 1,000 locations. With approximately 90% of customers back to regular operations two months later, Daifuku received high marks for its quick response.

Looking ahead, Daifuku will focus on natural disaster countermeasures, such as conducting emergency drills to prepare for major earthquakes and distributing satellite-based mobile phones throughout the Group. Utilizing this experience, each division will continue to conduct risk assessments and implement measures to reduce risks.

## DBJ disaster preparedness rating

The Development Bank of Japan (DBJ) financing program employs a comprehensive method to evaluate corporate disaster preparedness and BCP measures and offers loans to companies rated as superior. The DBJ evaluated the Group highly on the following business continuity measures: (1) Establishing a BCP Promotion Division under the direction of a chief risk officer, maintaining a command structure to ensure business continuity and disclosing information on these systems in an easy-to-understand manner through its securities and CSR reports; (2) Striving to analyze and assess wide-ranging risks by conducting the BCP fundamental survey not only at Daifuku and its Group companies but also at customers and other parties in Japan and abroad; (3) Confirming the earthquake safety of key sites with an analysis given by external specialist organizations and selecting alternative facilities for emergencies. Based on this evaluation, Daifuku became the first material handling systems manufacturer to be rated under the disaster preparedness rating program of DBJ in March 2012, qualifying the Company for a loan from the DBJ.

## Large-scale disaster-preparedness drills in cooperation with local fire headquarters

Shiga Prefecture's fire headquarters conducts annual disaster-preparedness drills with the aim of ensuring their ability to augment existing firefighting systems in the event of a disaster, as well as to improve response capabilities at large operation sites. On February 22, 2012, Daifuku's Shiga Works was selected from among production facilities in the region for this year's drill, with 200 employees and 50 firefighters taking part.

The drill, simulating a magnitude 8.2 earthquake (based on the Japanese scale) occurring off the coast of Mie Prefecture, was conducted in anticipation of the fires,

injuries, and trapped people that could result from the collapse of the Hini Arata Kan facility.



Pumper trucks and ladder trucks conducting a firefighting and evacuation exercise

## Third-Party Opinion



**One Akiyama**  
President  
Integrex Inc.

Graduated Faculty of Economics, Keio University; Master of Business Administration. Established Integrex Inc. in 2001 to promote socially responsible investment (SRI) and CSR, assuming the post of the president.

## 1. Points to be appraised

The "Special Feature" of the *CSR Report 2012* provides comments from employees engaged in Daifuku's efforts to solve customer problems through its core businesses of conveying, sorting and storing. In the course of solving customer problems, Daifuku is decreasing environmental impact, developing reliable production facilities and contributing to the development of optimal supply chains. At the same time, the Report showcases examples of Daifuku's social contributions through a business model that provides solutions. It also conveys the Company's three basic values: technological tradition, teamwork and building relationships of trust.

The section entitled "Daifuku and People" reports on the Company's activities for each category of stakeholder over the past year. In particular, Daifuku's human resources development initiatives have been extended beyond Japan, as employees outside of Japan now account for nearly half of the Group's entire workforce. The Report describes these activities in detail, introducing the faces and opinions of some of these employees.

Looking at Daifuku's environmental conservation activities, I am impressed not only by the Group's achievement of relevant targets but also the progress made compared with the previous year. In addition, the Report showcases numerous examples of Daifuku's environmentally friendly products and I anticipate even greater contributions toward the reduction of environmental impact to be achieved in its material handling operations.

At the end of the Special Feature section, which details

Daifuku's support of recovery efforts following flooding in Thailand, I was impressed by the role Daifuku Group played in maintaining production lines, an important aspect of industrial infrastructure, and its efforts to build strong partnerships with customers.

## 2. Points for further improvement

First, "integrity" is essential for enabling a company to make a positive contribution to society. Being a sincere organization that unifies words and actions is key for Daifuku to live up to its management philosophy. Second, "innovation" undertaken based on trust earned through integrity is indispensable to its social contribution efforts. As such, innovation, along with ingenuity and improvement, are necessary for solving problems and creating new value. In turn, these attributes enable the Company to meet social expectations and maintain sustainable growth.

An important challenge for Daifuku now is to create a level of new value, as expressed in the phrase *Material Handling and Beyond*, through its operations. Specifically, it needs to integrate the ability of "Daifuku and people," which is supported by on-site efforts and solid cohesiveness transmitted through the Company's corporate culture.

Through the creation of new value, I expect Daifuku to encourage both integrity and innovation, as described in the phrase *ichien yugo*, which was coined by Sontoku Ninomiya, a prominent and leading agriculturist in 19th century Japan, meaning that "everything is interconnected, so (the best) results are obtained by working as one."

## Response to the third-party opinion

First of all, we would like to express our appreciation to Ms. Akiyama for tendering her opinions to Daifuku's CSR report.

Daifuku aims to contribute to the development of industries by using its abundant material handling experience and know-how, along with its technological capabilities, to offer solutions for production- and distribution-related issues in various fields.

Looking back on the past year, we assisted restoration efforts at production facilities and distribution centers, which produce and handle a wide array of products, following the Great East Japan Earthquake as well as flooding in Thailand. Through these actions, we have further strengthened our relationships of trust with customers. At the same

time, our efforts helped reconnect global supply chains.

We will promote specific, forward-looking initiatives that aim to preserve biodiversity while providing environmentally friendly products and services that comply with our environmental standards. These initiatives are promoted in the *Daifuku Environmental Vision 2020*, which was formulated in 2011.

Daifuku seeks to develop new brand power throughout the world by promoting the concept of *Material Handling and Beyond* and pursuing business and CSR activities that unite businesses, people and society.

CSR Promotion Project Team

■ Corporate data

Corporate name: Daifuku Co., Ltd.  
 Headquarters: 3-2-11 Mitejima, Nishiyodogawa-ku  
 Osaka 555-0012 JAPAN  
 Established: May 20, 1937  
 Paid-in capital: 8,024 million yen (as of March 31, 2012)  
 Representative: Masaki Hojo, President and Co-CEO  
 Employees: 5,617 (total for Daifuku Group, as of March 31, 2012)

■ Financial data (fiscal year ended March 31, 2012)

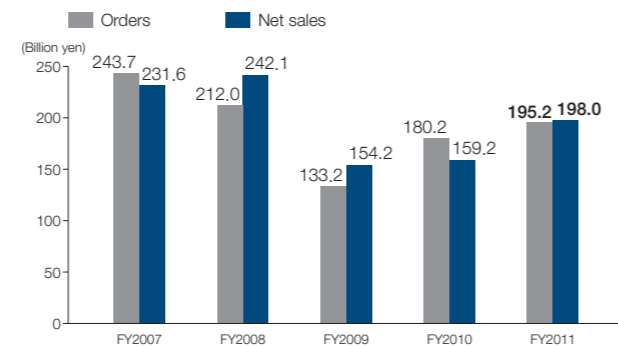
For the year	(Million yen)
Orders received	195,217
Net sales	198,052
Operating income	4,217
Net income	1,223
Net income per share (yen)	11.05
Cash dividends per share (yen)	15.00
Capital investment	2,393
R&D expenditures	6,484

At year-end	(Million yen)
Total assets	185,049
Working capital	61,943
Net assets	76,618

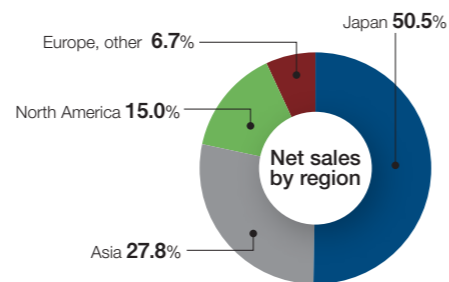
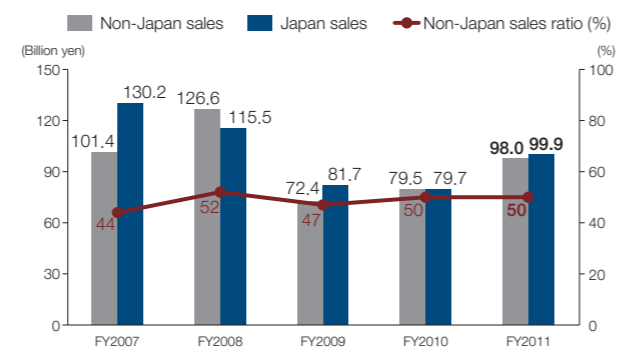
Ratios	(%)
Operating income / Net sales	2.1
Net income / Net sales	0.6
Return on shareholders' equity (ROE)	1.6
Shareholders' equity ratio / Total assets	40.3

Ratings	R&I rating	Short-term ratings
Rating company	A- [Stable]	a-1
Rating and Investment Information, Inc. (R&I)		

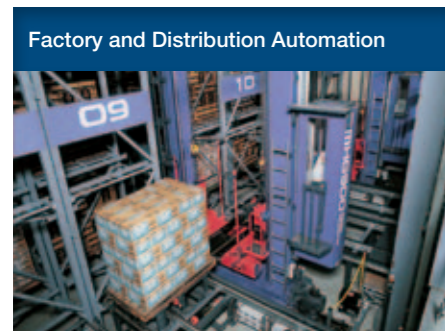
■ Consolidated orders and sales



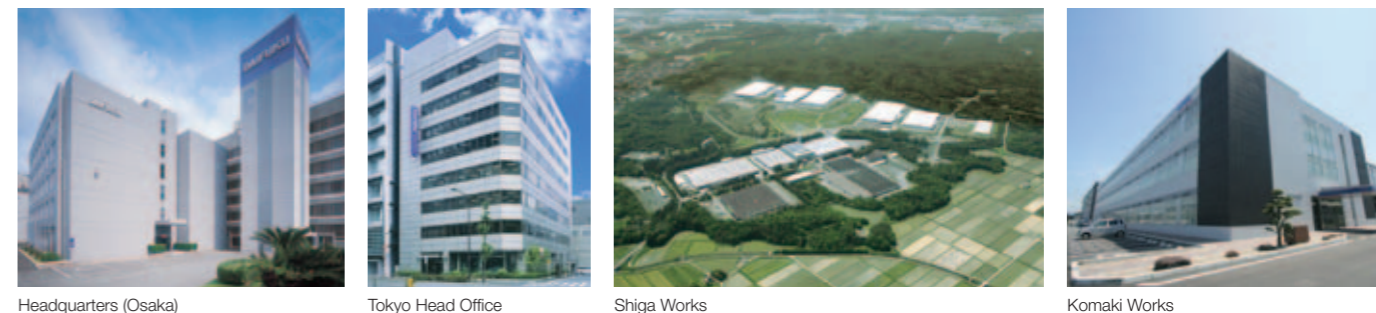
■ Consolidated non-Japan sales ratio



■ Business: Provides consultation, engineering, design, manufacturing, installation and aftermarket services for material handling systems



■ Main locations in Japan



■ Unrivaled, Full-Scale Exhibition Center for Material Handling & Logistics Systems



At the exhibition center, Daifuku material handling systems and equipment are on display along with 400 different products in 150 categories. Visitors can view state-of-the-art systems for storage, transport, sorting and picking.



■ Affiliated Companies

Japan

- Contec Co., Ltd.
- Contec EMS Co., Ltd.
- Contec Software Development Co., Ltd.
- Daifuku Plusmore Co., Ltd.
- Hiniaratakan Corporation
- Daifuku Business Service Corporation
- Daifuku Institute of Technology and Training Co., Ltd.
- Daifuku Manufacturing Technology Co., Ltd.
- Daifuku Renace Co., Ltd.

The Americas

- Daifuku Webb Holding Company
- Daifuku America Corporation
- Jervis B. Webb Company
- American Conveyor and Equipment, Inc.
- Daifuku Canada Inc.
- Jervis B. Webb Company of Canada, Ltd.
- Contec Microelectronics U.S.A. Inc.
- Logan Teleflex Inc.

Europe

- Daifuku Europe Ltd.
- Jervis B. Webb Company, Ltd.
- Jervis B. Webb GmbH
- Logan Teleflex (UK) Ltd.
- Logan Teleflex (France) S.A.S.

Asia

- Daifuku (China) Co., Ltd.
- Daifuku (China) Manufacturing Co., Ltd.
- Daifuku (China) Automation Co., Ltd.
- Beijing Contec Microelectronics Corporation
- Contec Solution China Corporation
- Daifuku India Private Limited
- Webb India Private Limited
- P.T. Daifuku Indonesia
- Daifuku Korea Co., Ltd.
- Clean Factomation, Inc.
- Daifuku (Malaysia) Sdn. Bhd.
- Daifuku Mechatronics (Singapore) Pte. Ltd.
- Taiwan Daifuku Co., Ltd.
- Taiwan Contec Co., Ltd.
- Contec Solution Co., Ltd.
- Daifuku (Thailand) Ltd.

■ Editorial policy

Daifuku's Corporate Social Responsibility (CSR) Report 2012 is designed to facilitate greater reader understanding of Daifuku's solutions-based business model, which solves customer problems. The Report showcases how solutions offered by the Daifuku Group contribute not only to the wellbeing of customers but society as a whole.

Featuring a broad array of feedback from employees and other stakeholders, the CSR Report 2012 highlights the Group's efforts to pursue business activities and contribute to society based on good communication.

Daifuku's CSR activities are also introduced in its website. To improve the content, we would very much like to receive feedback.

■ Contact  
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