This report is published once a year in order for Daifuku’s stakeholders to understand its approach to and activities toward corporate social responsibility (CSR). We use this report to inform you of the social issues we addressed, as well as our solutions successes. We would like to hear your opinions and thoughts with the aim to further raise the quality of our future CSR activities.

**Message from the President**

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**Being a forward-looking company and solving customer and social issues with advanced technology**

Aiming to evolve into a Value Innovator

In fiscal 2014, the year ended March 31, 2015, the second year of our four-year business plan, we strove to evolve into a Value Innovator and to provide the best solutions to customer and social issues.

In our business we have both made-to-order solutions that respond to specific customer needs and general solutions that are more widely applicable. With both, it is important that we regard customer’s issues as our own and quickly provide the systems and products that solve the issues, in addition to developing material handling systems that handle the diversification of consumption behavior.

Looking at societal trends in Japan, the work force is decreasing, and the spread of e-commerce has led to a serious labor shortage at distribution centers.

To address such trends, we integrate leading edge technologies to develop and provide material handling systems and equipment to respond to needs for automation and sophistication. Specifically, we have developed a robotic system for pharmaceutical distribution centers to solve the problem of handling an extremely large number of items and the temporary storage and sorting system SPDR (pronounced as spider) for automobile production that reduces the need for human labor in parts...
Message from the President

Four-year business plan: revision to final year management targets

<table>
<thead>
<tr>
<th></th>
<th>Initially planned targets</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>280 billion yen</td>
<td>340 billion yen</td>
</tr>
<tr>
<td>Operating income ratio (amount)</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>ROE</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Non-Japan sales ratio to total sales</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>

*Source: The U.S. magazine Modern Materials Handling, April 2015

core businesses of systems for manufacturers and distributors, and those for automobile, semiconductor and flat-panel display factories are steadily advancing. Overseas company acquisition and exchange rate changes caused by the weaker yen have also had an influence, and achieving the originally formulated target a year ahead of schedule is almost a certainty.

In terms of operating income, we will aim to achieve 21 billion yen as a new target, which exceeds the record-high, as a result of assigning priority to increase sales outside of Japan looking forward, despite the operating margin being slightly below the initial planned target. In Japan, we have implemented structural innovation to cut costs significantly with great success. By taking this method into subsidiaries outside Japan, the Group will aim to achieve the final targets of the plan.

Also, we added the new management target of return on equity (ROE) as an indicator to increase in corporate value in response to the recent trend to enhance corporate governance.

Every employee takes part in Daifuku’s CSR

Daifuku started an environmental, social and governance (ESG) project for sustainability in 2013. In 2014, we formulated a medium- to long-term policy Daifuku’s CSR, which clarifies the direction of our Group, along with concrete measures in the CSR Action Plan. These are not just a top-down policies; they were formulated by younger staff members, and the entire company plays an active role. We wanted each employee to understand the purpose of CSR and be aware of our responsibilities and role in society, so that they could consider what we should do during their daily work. Moreover, we set key performance indicators (KPI) and made the targets more visible this year to enhance our efforts.

In addition, in 2014, we joined the United Nations Global Compact, which is based on 10 principles in the four areas of human rights, labor, environment and anti-corruption, to show our approach to CSR efforts more clearly in and outside the Company.

Establishing a safety culture and development of eco-friendly products

Since our founding, we have been active in reducing worker burden, increasing customer satisfaction and pursing consumer convenience through our business operations while always considering people as central to our work. Accordingly, we believe a company’s primary social responsibility is towards people, with highest priority placed on ensuring safety to protect lives. We strive to ensure safety during system installations through creating a work environment that makes safety the top priority and nurturing safety awareness. In particular, the site conditions, delivered systems and products are always different, so optimal safety measures must be considered at each site.

The Daifuku Group also strives to reduce environmental impact. As a part of our efforts, we established the Daifuku Eco-Products program, an in-house certification of eco-friendly products, and by enlarging this program, we also contribute to our customers’ environmental contribution. In addition, we set up the Daifuku Eco-Action program to encourage our employees’ voluntary environmental activities.

Furthermore, we employ and give opportunities regardless of gender and to those with disabilities.

Companies have various characteristics and I believe that a company’s CSR should be based on its characteristics. By starting with initiatives for safety or environmental improvement that are easy for employees to understand, we will have CSR activities become part of our company’s culture and bring about a Daifuku-specific CSR.

Creating a new type of logistics to meet changes in social structure

Modern times require the abilities to determine the needs in logistics, select the appropriate from the numerous technology found throughout the world, and integrate them to address the needs. If we hone these traits, I believe that we will be able to become a true Value Innovator. This will require always being alert to changes in the social environment, collecting information on leading edge technology and being ready for what is coming next.

As part of such preparations, to better contribute to customers and society through the internet of things (IoT), we set up the IoT Promotion Department in April 2015.

We are also focusing on creating new business models. By developing a device with the knowledge gained in constructing systems, and then using the device in constructing new systems, we would like to build a continuous cycle that creates higher value.

Furthermore, we will work with top industry players to create new logistics forms in accordance with future society after structural changes. If we collaborate with companies that have high expertise outside our industry, we will be able to create a Logistics Industry 4.0 that is similar in concept to the Industry 4.0, initiated by the German government, to promote advancement in the manufacturing industry.

This is still a work in progress, but we will actively disclose information and receive opinions from people in various positions to use in new initiatives.

logistics. Moreover, we are meeting the global expansion of e-commerce, such as installing in distribution centers for online supermarket shopping in South Korea, contributing to customers and the development of society.

As a result of these efforts, orders received for fiscal 2014 for the Daifuku Group were 305.5 billion yen, a 10.4% increase compared to the previous fiscal year, and net sales were 267.2 billion yen, a 10.5% increase, both of which are new records. Our net sales are now the largest globally as a material handling systems and equipment supplier*.

Based on our business performance, we have revised the final year management target of our four-year business plan. Our

4
Daifuku CSR Report 2015

5
Daifuku CSR Report 2015
Daifuku’s Businesses
We have led material handling systems and equipment for almost 80 years and have provided innovative products throughout the world, originating in our desire to fulfill our customer’s needs and support the development of society.

1937 to 1956
Contributes to manufacturing efficiency by installing leading-edge automated factories

1959 Raibow System
Supports post war port logistics with the Stacker and the Piler

1961 Waamer 303
Contributes to the realization of a smart society along side the development of semiconductors and large flat-panel displays

1964 Cleaneway, Clean Stacker
Contributes to manufacturing efficiency by installing leading-edge automated factories

1972 Uniformed AG/RS
Deliveries to the world’s biggest bowling center

1974 Trolley conveyor
The first chain conveyor system

1975 Raibow-HID
For the distribution industry
From supermarkets to convenience stores and then online shopping; our highly developed logistics systems respond to consumer spending diversification.

1966 Rackbuill, rack-supported building AS/RS
Automated storage and retrieval system (AS/RS) for consumer electronics

1967 The first chain conveyor system
For the automated factories

1972 Uniformed AG/RS
Contributes to manufacturing efficiency by installing leading-edge automated factories

1993 Digital Pick System
Contributes to the systemization of current semiconductor factories

1981 Waamer 303
Contributes to the systemization of automobile production lines from the start of Japan’s motorization period

1982 FA (factory automation) system
Delivered to the world’s most advanced motor factory

1994 Magic Vehicle
Provides a comfortable and convenient lifestyle, using its expertise and technology

1995 Kibunku, rack-supported building AS/RS
Automated storage and retrieval system (AS/RS) for consumer electronics, an innovative warehouse at the start of the mass consumption era

1998 Picking Cart System
Meeting needs for Abundant living

1999 Quake-absorbing AS/RS
For the supply chain management

2001 300mm wafer transport system
Liquid glass substrate wafer transport system

2002 Baggage Tray System

2003 E-DP
Realizes the world’s fastest conveyor speed at 600 m/min

2004 Mini load AS/RS running at the world-leading speed of 500 m/min
2006 Mini load AS/RS Synchronized System

2011 Sonic-eye system
Supports production of semiconductors from its early stage

2012 $500m investment in a semiconductor miniaturization

2014 SFDR
Parts temporary storage and sorting system

2015, we have 61 affiliates in 22 countries and regions

History of non-Japan affiliates
1983 Daifuku U.S.A. Inc. (now Daifuku America Corporation)
1985 Daifuku Mechatronics (Singapore) Pte. Ltd.
1985 Daifuku Europe Ltd.
1991 Daifuku (Thailand) Ltd.
1993 Daifuku Europe Ltd.
1995 Taiwan Daifuku Co., Ltd.
1995 Daifuku (Thailand) Ltd.
1995 Daifuku India Private Limited
2002 Daifuku (Shanghai) Ltd.
2003 Daifuku Automation (Fanjin) Co., Ltd.
2005 Daifuku Automation (Guangzhou) Co., Ltd.
2005 Daifuku Carwash-Machine (Shanghai) Ltd.
2005 Taiwan Daifuku Co., Ltd.
2005 Jiangsu Daifuku Ren Automation Co., Ltd.
2005 Daifuku India Private Limited
2007 U.S.-based Juris B. Webco, Inc holds a 51% interest in Daifuku (China) Ltd.
2008 Taiwan Daifuku Co., Ltd. absorbs another Taiwanese affiliate
2009 Three affiliates in South Korea integrated into a new affiliate Daifuku Korea Co., Ltd.
2010 Six affiliates in China revamped into Daifuku (China) Co., Ltd. and two affiliates (new Daifuku (China) Manufacturing Co., Ltd. and Daifuku (China) Automation Co., Ltd.)
2011 Daifuku Webb Holding Company (DHNC) to oversee two affiliates in the U.S.
2011 Three of Logan Teleflex group companies joins the Group
2012 Capital participation in Austria-based Knapp AG
2012 Daifuku de México, S.A. de C.V.
2013 Logan Teleflex (UK) Ltd. changes its name to Daifuku Logistics Ltd.
2013 New Zealand’s BCS Group Limited joins the Group
2013 U.S.-based Wynright Corporation joins the Group
2014 Daifuku Korea Co., Ltd. absorbs Daifuku Korea Manufacturing Co., Ltd.
2015 Daifuku (China) Manufacturing Co., Ltd.
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Along with daily life
Provides a comfortable and convenient lifestyle, using its expertise and technology

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For the distribution industry
From supermarkets to convenience stores and then online shopping; our highly developed logistics systems respond to consumer spending diversification.

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2015, we have 61 affiliates in 22 countries and regions
Corporate Governance Structure

Aiming to raise corporate value to a new level

We at Daifuku contribute to society by supporting our customer’s business activities with material handling systems.

From this June, the Corporate Governance Code is applicable to listed companies and we continue to take the necessary measures to comply with the code. In addition, with the aim to fulfill our social responsibilities and achieve sustained growth, we place high importance on adequate disclosure and transparency that complies with the United Nations Global Compact and GRI.

Daifuku’s CSR, our medium- to long-term policy, and the concrete measures CSR Action Plan were formulated in 2014 to further our CSR activities. Moreover, this year in accordance with this action plan, we set KPIs that address material aspects and will work as a unified Group to closely verify the various items and improve their content and accuracy.

Corporate Governance

Basic policy

We are fulfilling the sustained growth of our corporate value and the CSR based on the key tenets of its management philosophy: “provide the best solutions to benefit the global markets and the development of society” and “focus on healthy, growth-driven global management under a diverse and positive corporate culture.” Corporate governance is the platform supporting the realization of this mission.

Corporate governance structure

Regular meetings of the Board of Directors are held every month, and extraordinary meetings of the Board of Directors are held as necessary. For important management matters, a body comprising all directors, the Management Advisory Meeting, is in place to confer and make recommendations to the Board of Directors. With Audit and Supervisory Board members in attendance, the Meeting also seeks the opinions of external specialists on an as-needed basis.

In addition, with the introduction of the corporate officer system, all directors, corporate officers and full-time Audit and Supervisory Board members attend and take part in deliberations at an Officers Meeting held monthly.

Two outside directors provide insightful advice and recommendations to the Board of Directors based on their abundant experience and extensive knowledge in international trade, corporate value and the CSR based on the key tenets of its management philosophy: “provide the best solutions to benefit the global markets and the development of society” and “focus on healthy, growth-driven global management under a diverse and positive corporate culture.”

Promoting Environmental Management

The Environment Enhancement Management Committee has been established to promote an environmental management strategy.

To fulfill our environmental responsibilities to the next generation as a member of global society, we have formulated our Environmental Vision 2020 stating the Group’s vision and are striving to achieve these targets. Moreover, with the basic policies in the Corporate Code of Conduct as our guideline, we stipulate that we will actively contribute to communities as a good corporate citizen. We disseminate these policies to all associates who are involved in our business activities.
The Daifuku Group believes that the basic principles of CSR are to build a symbiotic relationship with its stakeholders and to practice its Corporate Policies Structure through its corporate activities.

**Daifuku’s CSR**

“A company that supports society and the future”
To achieve this desire, we are engaging in the themes outlined below.

- Provide high quality products and services
- Nurture relationships of trust with our suppliers
- Create good relations with communities
- Strengthen risk management
- Respect human dignity (human rights, labor practices, safety, health)
- Contribute to the environment through corporate activities

**CSR Action Plan**
A plan that sets medium-term targets in line with the six initiatives and defines concrete initiatives
- Discloses details and results of initiatives for each fiscal year in the CSR report and website

**Corporate Policies Structure**

**Company Creed**

*日新* (Hinari Arata)

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

**Management Philosophy**

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

**Brand Proposition**

Value Innovator

We aim to evolve into a top-class Value Innovator that provides the best solutions for customers by capitalizing on our experience and technologies we have accumulated as a comprehensive manufacturer and integrator of material handling systems.

**Brand Message**

Always an Edge Ahead

The brand message conveys our desire to create and provide best solutions to give customers a competitive edge. It also symbolizes our flexible and outstanding workforce, possessing both expertise and a commitment to taking on new challenges and making changes for the better.

**Daifuku’s CSR**

- A comprehensive and long-term policy that concisely captures our views on CSR
- Specifies the six initiatives and declares the implementation of our Corporate Policies Structure in corporate activities as we coexist with our stakeholders

**CSR Action Plan**

(Refer to page 12)

We distribute a booklet, our brand, which expresses our convictions towards the Daifuku brand, our Company Creed, Management Philosophy, and Corporate Code of Conduct, to all employees. The booklet has nine language versions, Japanese, English, Chinese (simplified and traditional), Korean, Thai, German, French, and Spanish.

We have also created a Company Creed panel, and a panel that summarize our Management Philosophy, Brand Proposition and Brand Message. They have been posted at all Group locations to raise overall Group awareness.
**Determining materiality**

In accordance with international guidelines, laws and regulations such as the United Nations Global Compact (UNGC) and GRI, and specified material aspects.\(^1\)

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### Materiality

After mapping the results from both Daifuku’s and the stakeholders’ points of view, aspects that were considered important by both were designated as material and top priority.

- **Enhance compliance and anti-corruption measures**
- **Maintain and improve product quality to satisfy customer needs**
- **Promote and strengthen information security measures**
- **Minimize (Eliminate) workplace accidents and other serious accidents**
- **Expand health and safety training**
- **Expand Business Continuity Management (BCM)**
- **Expand employment of persons with disabilities**
- **Conduct activities to conserve biodiversity**
- **Reduce CO2 from products and services**

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### The material aspects of the Action Plan and KPI results and targets

The color coded items show material aspects and Daifuku’s actions and efforts.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>FY2015 plans and targets</th>
<th>KPI FY2015 targets</th>
<th>FY2014 results referring</th>
<th>Disclosure FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide high quality products and services</td>
<td>Improve product quality and services (slightly)</td>
<td>Maintain and improve product quality to satisfy customer needs</td>
<td>Number of employees achieving ISO 9001 certification 4,000</td>
<td>45165t-CO2 25694t-CO2</td>
</tr>
<tr>
<td></td>
<td>Reduce product defects</td>
<td></td>
<td>3,940 52 in the Group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improve customer satisfaction by ensuring a full support structure</td>
<td></td>
<td>30 30</td>
<td></td>
</tr>
<tr>
<td>Strengthen the risk management structure</td>
<td>Promote and strengthen information security measures</td>
<td>Number of times risk identification is revised, tested and practiced</td>
<td>Once</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote and strengthen Business Continuity Management (BCM)</td>
<td>Number of times Business Continuity Management (BCM) training is given through a training</td>
<td>Twice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expand Business Continuity Management (BCM)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure compliance and anti-corruption measures</td>
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<tr>
<td></td>
<td>Promote CSR procurement in the supply chain</td>
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<td></td>
<td>Protect human rights</td>
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<tr>
<td></td>
<td>Develop workplace environments that are easy to work</td>
<td>Conduct surveys of employee awareness</td>
<td></td>
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<tr>
<td></td>
<td>Promote environmental friendliness</td>
<td>Ensure management and safety of employees and those of our company and suppliers</td>
<td></td>
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<tr>
<td></td>
<td>Promote diversity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Respect for human dignity (human rights, labor practices, safety, health)</td>
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<td></td>
<td>Contribute to the environment through corporate activities</td>
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<tr>
<td></td>
<td>Create good relationships with communities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contribute to the environment through corporate activities</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Increase the number of certified Daifuku Eco-Products</td>
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<tr>
<td></td>
<td>Reduce CO2 from products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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\(^1\) Materiality: Issues that should have highest priority as they considerably affect environment, society and governance or stakeholder’s evaluation and decision making

\(^2\) KPI: Key Performance Indicator, a quantitative performance evaluation index that measures target achievement
Daifuku takes action as a unified Group.

Every Daifuku Group employee undertakes CSR activities for specified material aspects. We will introduce the activity results from five aspects: providing high quality products, strengthening risk management, pursuing safety and security, nurture a lively corporate culture and contributing to environmental conservation.
Automobile production is composed of many processes before the vehicle is completed, starting with press and molding. To ensure higher quality and improved productivity, production technology and automation are continuing to progress. Meanwhile, human labor was often needed to receive parts from suppliers, temporarily store, and deliver according to the production schedules. Factors blocking automation were the wide variety of case shapes and sizes for storing parts as cases could not be standardized. Also, newly required space and late deliveries if operations had to be stopped were drawbacks for rack type automated systems. In December 2014, Daifuku launched the SPDR with the concept of automating while keeping storage space and load dimensions as they are. Its strong points are the elimination of racks, minimization of fixed parts, and the use of existing floor space to stack cases. In addition, in emergencies, operators can retrieve parts manually. Moreover, the arm that grasps the cases uses our unique technology, which makes it possible to handle different sizes and store and retrieve stacked cases as well. SPDR makes parts logistics efficient and helps reduce heavy labor.

Employee teamwork initiatives evolve into total optimization
An employee team comprising three to seven people work to improve quality and reduce costs, and at the same time learn how to work together as a team. For example, in the FA&DA Operations, targets for failure cost reduction through quality and work efficiency improvement are set by each team, with their declaration toward accomplishing the targets posted in the workplace. Not only are the number of proposals important, there is also a seven-step rating of a proposal’s content. This consideration leads to better quality in the following activities. Furthermore, interdepartmental improvement projects are launched between production, design and procurement departments, expanding the scope of the activities toward total optimization.

The scale of employee teamwork initiatives expanded to include headquarter divisions, and 3,942 improvement proposals were submitted in Japan. Also, the initiatives expanded to include Group companies around the world. The Taiwan and South Korean teams received the special award at a presentation event where teams selected from around the Group announced their results.

Our attitude of pursuing products that will satisfy customers is apparent in every part of the workplace. In FA&DA Operations, on Monday, all staff clean together before starting work. In addition, in emergencies, operators can retrieve parts manually. Moreover, the arm that grasps the cases uses our unique technology, which makes it possible to handle different sizes and store and retrieve stacked cases as well. SPDR makes parts logistics efficient and helps reduce heavy labor.

Daifuku’s manufacturing aims to be the industry’s No.1
A work process training video created from an improvement proposal reduced production and instruction time.

Quality products come from a clean workplace
Our attitude of pursuing products that will satisfy customers is apparent in every part of the workplace. In FA&DA Operations, on Monday, all staff clean together before starting work. In addition, now that factory tours and joint inspections are increasing, workplaces are cleaned and organized to be presentable at all times, and our staff warmly greet visitors. We are promoting visibility in the workplace, from setting up posters that clarify manufacturing flow and content to posting notices that clearly list certificated employees.

The origin for these activities is our manufacturing staff’s powerful resolve to create quality products that benefit customers and society.

The inspiration to automate in available space with operations as they are
Automobile production is composed of many processes before the vehicle is completed, starting with press and molding. To ensure higher quality and improved productivity, production technology and automation are continuing to progress. Meanwhile, human labor was often needed to receive parts from suppliers, temporarily store, and deliver according to the production schedules. Factors blocking automation were the wide variety of case shapes and sizes for storing parts as cases could not be standardized. Also, newly required space and late deliveries if operations had to be stopped were drawbacks for rack type automated systems. In December 2014, Daifuku launched the SPDR with the concept of automating while keeping storage space and load dimensions as they are. Its strong points are the elimination of racks, minimization of fixed parts, and the use of existing floor space to stack cases. In

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Our attitude of pursuing products that will satisfy customers is apparent in every part of the workplace. In FA&DA Operations, on Monday, all staff clean together before starting work. In addition, now that factory tours and joint inspections are increasing, workplaces are cleaned and organized to be presentable at all times, and our staff warmly greet visitors. We are promoting visibility in the workplace, from setting up posters that clarify manufacturing flow and content to posting notices that clearly list certificated employees.

The origin for these activities is our manufacturing staff’s powerful resolve to create quality products that benefit customers and society.

The inspiration to automate in available space with operations as they are
Automobile production is composed of many processes before the vehicle is completed, starting with press and molding. To ensure higher quality and improved productivity, production technology and automation are continuing to progress. Meanwhile, human labor was often needed to receive parts from suppliers, temporarily store, and deliver according to the production schedules. Factors blocking automation were the wide variety of case shapes and sizes for storing parts as cases could not be standardized. Also, newly required space and late deliveries if operations had to be stopped were drawbacks for rack type automated systems. In December 2014, Daifuku launched the SPDR with the concept of automating while keeping storage space and load dimensions as they are. Its strong points are the elimination of racks, minimization of fixed parts, and the use of existing floor space to stack cases. In

Employee teamwork initiatives evolve into total optimization
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The origin for these activities is our manufacturing staff’s powerful resolve to create quality products that benefit customers and society.
Strengthen Risk Management

Business risks are becoming increasingly diverse and complex. We endeavor to understand, analyze, and develop countermeasures and abatement for Groupwide risks.

To increase the effectiveness of the BCP, in fiscal 2014, we upgraded disaster equipment and held training sessions and drills on crises management and disaster prevention. At the Shiga Works, we simulated a large scale earthquake and role-play training with 1,700 employees for the first time. Moreover, we held several BCP seminars with about 400 employees at different sites to raise awareness of BCP and distributed our Survival Handbook to all employees at different sites to raise awareness of BCP and distributed our Survival Handbook to employees at different sites to raise awareness of BCP.

We held 1,700 employees participates in our first large-scale training

The Daifuku Group has formulated a business continuity plan (BCP), placing human life as top priority, to minimize business asset damage during emergencies and to make operational continuity and early recovery possible.

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We also visited Group companies in 10 countries and regions and exchanged information with on-site managers. From here on, we will create a compilation of concrete examples related to compliance and build an awareness improvement program linked to other departments.

Threats to information security are becoming ever more sophisticated. At Daifuku, we continually strengthen and improve the guidelines and regulations for information asset management and use, including our information security policy. Also, we use e-learning to educate all employees on information security.

We will strengthen BCP activities of the entire Group and construct a global corporate culture that is resilient in emergencies.

Construct a resilient global corporate culture

For Group companies around the world, in addition to surveys, we hold onsite sessions to better understand the likely risks. Also, based on information from on-site managers, we distribute safety news to management and related departments to encourage communication.

We will strengthen BCP activities of the entire Group and construct a global corporate culture that is resilient in emergencies.
Pursue Safety and Security

Ensuring employee health and safety is the foundation of corporate activities. Safety management activities are promoted by all Group companies and suppliers.

Building a global safety structure, aiming for zero workplace accidents

Raising everyone’s safety awareness

With the global increase in staff as the proximate cause, the number of workplace accidents has increased in recent years, and in fiscal 2013 there was a serious accident. As Daifuku’s longstanding safety culture would be impaired if this were to continue, with “Safety is the foundation of corporate sustainability and supersedes everything” as our slogan, we vowed to renovate our safety management structure.

In April 2014, the Safety and Hygiene Management Division was newly organized and directly overseen by the President. Moreover, a safety committee was setup in the procurement management structure that was newly organized and directly overseen by the President. Moreover, a safety committee was setup in the procurement departments, in addition to those already in production and installation departments, to strengthen our preparedness.

As workplace accidents are mostly caused by human error, increasing worker safety awareness is critical. To upgrade safety education focused on the individual, a new Anzen-Taikan Dojo, Daifuku’s hands-on safety education facility, was established in Shiga Works.

The curriculum simulates actual dangers to intrain safety skills. We plan to have partner companies take this training as well.

Moreover, executives, including the President, did safety patrols, and joint patrols between operations were conducted, leading to a decrease in workplace accidents.

We will also place importance on increasing safety awareness, promoting safety activities and conducting safety education and training.

Workplace accidents within the Group

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Japan</th>
<th>Outside Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>FY2011</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>FY2012</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td>FY2013</td>
<td>27</td>
<td>80</td>
</tr>
<tr>
<td>FY2014</td>
<td>14</td>
<td>80</td>
</tr>
</tbody>
</table>

*The Osaka headquarters Anzen-Taikan Dojo is scheduled to close in December 2015.*

Building a global safety structure, aiming for zero workplace accidents

Expanding Daifuku’s safety culture globally

The safety management index, measured by the frequency rate of accidents and the severity rate, has been introduced at Group companies worldwide to make the current situation of accidents easy to see. In fiscal 2014, we focused on safety education and ensuring that the safety policy is widely known. At P.T. Daifuku Indonesia, safety training were held in July and November, starting with the basics of safety and the role of the supervisor, and then continuing on with practical content. At Daifuku (Suzhou) Cleanroom Automation, a safety training session was held in July, including employees from business partners. They discussed workplace and traffic accidents and measures to heighten their safety awareness.

In February 2015, we held a global safety conference with Group company executives to explain the Group’s safety initiatives and stress the importance of safety management.

<table>
<thead>
<tr>
<th>FY2014</th>
<th>705</th>
<th>Target 940</th>
</tr>
</thead>
</table>

- **Action Plan KPI:**
  - **Anzen-Taikan Dojo is a facility where accidents can be simulated.**
  - The Osaka headquarters Anzen-Taikan Dojo is scheduled to close in December 2015.

- **Accident frequency rate:**
  - FY2014: 4.05
  - Target: 0.6

- **Accident severity rate:**
  - FY2014: 0.08
  - Target: 0.01

The frequency rate is the number of deaths and injuries in a workplace or in a company per one million hours. The severity rate is the aggregate worker days lost per 1,000 work hours.
Creating a workplace where every employee can fully realize their strengths

Widening the scope of work activities

We employ persons with disabilities as part of our efforts to realize a society without boundaries. While raising awareness within the Company, we hold site tours for students and their guardians from high schools for the disabled and employ interns with disabilities. In addition to grounds work and cleaning, the 20 persons with disabilities presently employed in the Business Service Group have widened the scope of their work to doing assembly in the production division. They also participate in employee teamwork initiatives for workplace improvement. Their work scope is steadily widening, and their excellent contributions have received commendations.

Looking ahead, we will consider restructuring the salary table and instituting an evaluation system and a full-time work system as measures to expand employment of such persons and create a rewarding work environment.

Toward a gender equal workplace

Supporting both work and childcare

Many female employees have an active role at Daifuku, such as at the full-scale demonstration center Hini Arata Kan, one of the largest in the world, where 11 of our female employees guide visitors from around the world. They introduce Daifuku’s businesses and wide variety of products in Japanese, English and Chinese to deepen visitors understanding of the newest logistics technology. They strive to hone their knowledge and spirit of hospitality as they appeal the DAIFUKU brand globally using their language skills.

In addition, use of the childcare leave system is encouraged. This system was started in 1992, and almost all staff who have used it have returned to work. Also, the proportion of female managers companywide is increasing year by year. Based on yearly employee awareness surveys, we are extracting and endeavoring to solve issues hindering female employees’ motivation and careers.

Accelerating the training of global human resources

Systemizing training for young staff, executive candidates and business leaders

The Daifuku Group, aiming for the global education of human resources, is accelerating efforts for both globalization of human resources within Japan and training of staff hired locally at our companies worldwide.

Since 2005, we have provided young staff with opportunities for language training and established a program for on-the-job training at Group companies worldwide for them. Since 2011, we have also implemented a program to improve the business skills of executive candidates at Group companies outside of Japan. In addition, we started the Daifuku Japan Business Trainee Program for training the business leaders of Group companies around the world from fiscal 2015.

Employment rate of persons with disabilities

<table>
<thead>
<tr>
<th>Action Plan</th>
<th>KPI</th>
<th>FY2014 results</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

At Daifuku, employment is based on skill, suitability and ambition.
We strive to reduce our environmental impact and conserve biodiversity through our products as one of our themes towards developing a sustainable society.

AS/RS for long objects added as a Daifuku Eco-Product

Reduction in overall system weight saves energy and resources

Automated storage and retrieval system (AS/RS) for long objects, which was certified as one of Daifuku’s Eco-Products, uses dedicated pallets that store steel beams and timber as long as six meters with the push-pull type transfer, reducing energy consumption by 42% compared to conventional systems. This AS/RS also greatly improves storage efficiency.

Comment from a customer

Yuichi Taguchi
Nishio Branch Manager
Sakuma Special Steel Co., Ltd.

We are very satisfied with the new AS/RS, as it stores what took five in the past and reduces overall system cost, space and required energy. Another advantage of the system is its safety, as the increased level of automation created a safer workplace environment for staff.

To develop and widely provide eco-friendly products and services

We operate an Eco-Products certification program for evaluating and certificating the environmental performance of products according to in-house standards. We only certify products that meet standards for saving energy and resources, and preventing pollution. In fiscal 2014, seven products were added and the aggregate amount is 21 products.

Eco-Product certification process

Division developing the product

Eco-Product Committee

Rated Features

• Energy saving
• Recyclable
• Lightweight
• Long life
• Resource saving
• Water saving
• Low noise
• Clean water preservation
• Harmful substance reduced

Comparison with conventional models (when 220 pallets are stored)

<table>
<thead>
<tr>
<th>Description</th>
<th>Conventional</th>
<th>Long-object AS/RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy saving (electricity consumption)</td>
<td>150.8Wh</td>
<td>86.8Wh</td>
</tr>
<tr>
<td>High storage rate (installation area)</td>
<td>330㎡</td>
<td>155㎡</td>
</tr>
</tbody>
</table>

Kicking off the Yui Project to conserve biodiversity

In 2014, we gave the name Yui (Japanese word meaning “bring together”) Project to our efforts to conserve biodiversity. The Yui Project aims to bring together “water with greenery, nature with people and person to person” to protect nature within the Shiga Works. In the first year, we created the Yui no Mori forest, a place to bring nature and people together. We are also having success with the conservation of the rare Japanese clouded salamander found on the site, while creating an opportunity for employees and visitors to get together.

Globalization of environmental activities

In fiscal 2014 Daifuku began the annual Environmental Activities Award to motivate workplace self-initiatives. This award is given for group activities in the workplace, in addition to individuals who participate in local and other environmental activities.

Daifuku (Suzhou) Cleanroom Automation received the award for activities started on their own initiative. This activity raised environmental awareness by using a part of its grounds as a vegetable garden and improving separation of waste. Moreover, this awareness has spread to suppliers and is now a widespread activity.
Contribute to Environmental Conservation

Daifuku Eco-Action program
The Daifuku Eco-Action program gives points for environmental activities that employees can exchange for primarily environmentally related rewards.
This system is not just standard environmental activities education, but also promotes self-initiative. In fiscal 2014, a total of 2,566 employees participated in Eco-Action activities, greatly exceeding the target. The Global Photo Contest that included staff at Group companies worldwide had 452 entries.
From here on, we will plan events and projects that can be undertaken throughout the entire Group to help improve unity.

Eco-Actions events
Non-native fish species fishing festival
Environmental household budgeting
Passing the Environmental Specialists Certification test
Environmental volunteer and discussion meetings (individual participation)
Competitive Community Cleanup
Declaration to use personal chopsticks
Reed cutting, and other activities

Helping improve the water quality of Lake Biwa by cutting reeds
Non-native Fish species fishing to protect Lake Biwa’s ecosystem

We support our employees’ self-initiated environmental contributions

Promoting environmental-conscious business operations

Fiscal 2014 environmental action plans and results

<table>
<thead>
<tr>
<th>Evaluation standards</th>
<th>O: Achieved</th>
<th>X: Not achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Global warming countermeasures]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope: Japan (factories and offices) / control index: units of CO2 emissions compared to FY2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total CO2 emissions</td>
<td>Emissions per unit of net sales: FY2005 = 100</td>
</tr>
<tr>
<td></td>
<td>Result Target</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Per unit of net sales</td>
<td>21.7% or less</td>
<td>78% or less</td>
</tr>
<tr>
<td>1000</td>
<td>64.2</td>
<td>60.4</td>
</tr>
<tr>
<td>Grade: O</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Resource saving |
| Scope: Japan (factories and offices) / control index: units of waste generated compared to FY2005 |
| | Waste generated per unit of net sales: FY2005 = 100 |
| | Result Target |
| 2005 | 2013 | 2014 |
| Emissions per unit of net sales | 4.4% or less | 3.2% or less | 3.2% |
| 1000 | 84% or less | 82% or less | 84% or less |
| Grade: O |

| [Green procurement] |
| Scope: Japan (factories and offices) |
| | Result Target |
| 2005 | 2013 | 2014 |
| Emissions per unit of net sales: FY2005 = 100 |
| 1000 | 84% or less | 82% or less |
| Grade: O |

| [Waste recycling rate] |
| Scope: Japan (factories and offices) / control index: recycling rate of waste |
| | Result Target |
| 2005 | 2013 | 2014 |
| Emissions per unit of net sales: FY2005 = 100 |
| 99.2% or more | 97% or more | 99.2% |
| Grade: O |

| Expanding eco-friendly products and services |
| Certification of Daifuku Eco-Products |
| Scope: Global |
| | Certification of a total of 21 or more models |
| | Result Target |
| 2005 | 2013 | 2014 |
| 35,909 | 35,909 | 35,909 |
| Grade: O |

| [Contribution to CO2 reduction] |
| Scope: Global |
| | Emissions per unit of net sales: FY2005 = 100 |
| | Result Target |
| 2005 | 2014 |
| 1000 | 64.2 | 60.4 |
| Grade: O |

*Detailed data is given on the website: www.daifuku.com/csr/environment/index.html
Along with All Stakeholders
We continuously communicate with stakeholders in various scenes.

Customers

1 No. 1 sales in the world

The yearly survey titled Top 20 System Suppliers conducted by the U.S.-based magazine Modern Materials Handling, ranked Daifuku as world No. 1 in sales in the material handling industry for 2014. At the 16th AUTO-ID System Awards, our product “eye-navi” was a joint winner with Co-op Tohoku of the Outstanding Performance Award, hosted by Japan Automatic Identification Systems Association. At the 6th Robot Awards, hosted by the Ministry of Economy, Trade and Industry and The Japan Machinery Federation, Daifuku received the Outstanding Performance Award along with Toho Pharmaceutical Co., Ltd. and two partner companies for a pharmaceuticals distribution center advancement robot system. Daifuku China, Daifuku China Manufacturing, and Daifuku China Automation received an Outstanding Supplier Award from Chery Jaguar Land Rover Automotive Company Ltd.


Communities

Our products “eye-navi” and Jungle Cart won the Grand Prize at the 24th Japan MH Prize hosted by the Japan Material Handling Society. Daifuku was awarded the Environmental Management Award by the Environmental Conservation Association of Shiga Prefecture. We participated in an activity to sprinkle water for cooling held by the Minato Eco-Conscious Consortium in the HAMASITE open space in Minato City, where our Tokyo Head Office is located. The continuance of the Tokyo Head Office lifesaving lectures was highly evaluated, receiving a letter of appreciation from the Tokyo Fire Department. We held a Gate Ball Meet as part of our contribution to local activities. Our Group company Wynnright Corporation won the 2014 Green Supply Chain Award for energy saving and cost reduction in products. For greening and biodiversity conservation, Shiga Works received the 2014 Commendation as a Greening Excellence Plant from the Director of Kanai Bureau of Economy, Trade and Industry, Ministry of Economy, Trade and Industry. We concluded an agreement with Hino Town in Shiga Prefecture to use our Shiga Works as a temporary evacuation site for neighborhood residents in case of disaster. Daifuku China received an Innovative Product Award from Soo56, China’s largest logistics search engine website.

We participated in a Competitive Community Cleanup Rally, sponsored by the Minato Eco-Conscious Consortium in the Shimbashi Station St. Square, Minato City. We donated 21,500 bottled storage water to an temporary evacuation site for neighborhood residents. We participated in maintenance and cleanup activities at Shukagawa-kei (Rhododendron Gorge), a nationally recognized natural monument.

Employees

Our U.S. subsidiary Daifuku Webb Holding Company’s contributions to promoting labor in Michigan State were highly evaluated and the company received the 2014 Prosperity Award from the Michigan Workforce! Association, the state’s labor development organization. We invited employee families on our 19th tour at the comprehensive demo center Hiri Arata Kan. Daifuku Webb Holding Company held a Town Hall Meeting for the 3rd time at Farmington Hills, Michigan, U.S.A. It was broadcasted live over the Internet to employees in all offices nationwide to strengthen the Group’s organizational cohesion.

Our Mental and Physical Health Promotion Committee brought the foremost soma trainer, Katsumi Koba, to the Tokyo Head Office to give a talk on healthy living.

Business Partners

Our Group company Elite Line Services, Inc. received the Gold Excellence Award from ICIMS Company. We held the 2015 Management and Production Trends Presentation, inviting 162 major business partners, ranging from manufacturers, trading companies to those involved in processing, installation, servicing, design, and software development. Under a supplier recognition program, we have the Supplier Quality Development (S.Q.D.) Award system to commend outstanding goods-related suppliers every year. This year, we selected six companies for individual awards and category awards.

Shareholders and Investors

We invited our shareholders to tour the Hiri Arata Kan. It was the 7th such event, with a total of 153 people participating. The visitors enjoyed seeing our latest logistics systems and equipment in the showroom. We exhibited at an Individual Investors Fair 2014, hosted by a Nomura Group company, at the Tokyo International Forum. We communicated with 600 individual investors, appealing our growth potential in the industry. We also presented at the 2015 Tokyo Stock Exchange’s trade fair for individual investors at the Tokyo International Forum, appealing our growth potential of businesses and the progress of our four-year business plan. We hold events briefing every quarter specifically for analysts and institutional investors.
Response to the third-party opinion

Mr. Takegahara, I am most grateful for your opinion.

When we formulated the CSR Action Plan as a concrete measure for our CSR activities, we specified materialities and set KPIs for each one. In the CSR Report 2015, we set forth five themes to match the materialities. In particular, “Pursue Safety and Security” and “Nurture a Lively Corporate Culture” introduce our efforts from a new aspect.

The improved visibility of our activities through the setting of numerical KPI targets and providing various information were highly evaluated. We will continue to undertake Plan-Do-Check-Act cycles to improve and intensify these efforts. We will continue our CSR endeavors while responding to changes in the social environment outside the company and taking into account the viewpoints of our stakeholders as suggested.

The CSR Report 2015, by looking back at the non-financial aspects of your development as a Value Innovator, spectacularly realized in fiscal 2014 by being No. 1 in net sales of material handling systems and equipment globally, is very successful in describing the diverse elements that comprise your strengths.

As for how the information is presented, the layout is the opposite from the previous year, with an overview of the CSR management structure first shown, with individual themes following. This change may be due to the systematization of CSR management being largely completed in fiscal 2014 as well as Daifuku’s CSR and the concrete measures in the CSR Action Plan being formulated as the result of the ESG project started in fiscal 2013.

By using a solid framework of introducing the general overview before entering detailed discussions, the CSR management you are aiming for and your activities are easy to understand.

Moreover, the report clearly showed your ability to quickly meet the demands of the times by joining the United Nations Global Compact and making ROE a management target to strengthen corporate governance. The new orientation shown by instituting the concept of materiality and setting Key Performance Indicators (KPI) to comply with the GRI guidelines was striking. Ten aspects from the CSR Action Plan that were considered especially important were extracted, and KPIs were set to confirm them. Setting these numerical targets is a big step toward making your efforts visible.

A variety of activities based on the CSR Action Plan are reported as individual themes, and the entire report clearly conveys your approach of contributing to society through your business operations with high levels of technology. What I was especially impressed by was how you reconfirmed that the core of Daifuku’s CSR is always people by nurturing a corporate culture where all employees can work energetically and safely, and by providing information on employee training. A good example of this is the AS/RS for long objects that was added as an Eco-Products. This system not only increased productivity, it also created a safer workplace, as confirmed by the customer’s comment.

The report is very appropriate for Daifuku and embodies how CSR should be based on the characteristics of a company, as stated in the Message from the President. I expect that the reporting structure established in this issue will enhance content even more in the future. The newly added list of KPI results and targets should function as a chart to show the step by step progress of your efforts. I am looking forward to further progress such as adding KPI that include stakeholders’ viewpoints and are more focused on outcomes.

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