

DAIFUKU DAIFUKU CO., LTD.
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Environmental Report
2005

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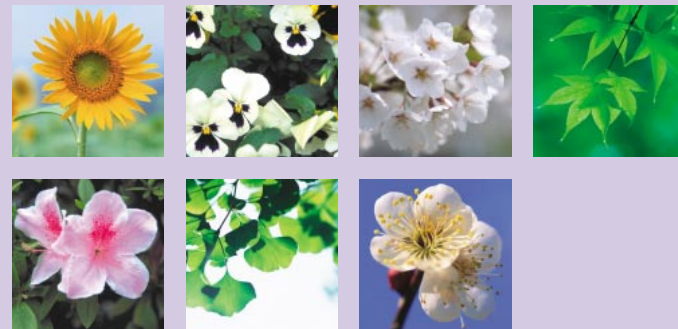
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Cover description:
The seven photos show flowers and trees representing the locations of our offices and factories.
From top left:
Sunflower, Toyota City; Pansy, Osaka City; Cherry Blossom, Osaka City; Maple tree, Shiga Prefecture;
From bottom left:
Azalea, Komaki City; Ginkgo tree, Tokyo; Ume (Japanese plum flower), Fukuoka Prefecture

Preface

This Environmental Report is to introduce Daifuku's performance related to global environmental conservation through Daifuku's line of manufacturing and business operations, for better communication with the customers, shareholders, and all other stakeholders. This report is the fourth version as the whole organization of Daifuku and will be updated once every year. This will be updated once every year.

Daifuku is also providing other various environment-related data and information on the Web site: <http://www.daifuku.com>. Your comments on Daifuku's activities, products, and reports or Web site is for our further improvement and would be highly appreciated.

Scope of This Report

Period covered: April 2004 - March 2005
Operations: Main (Osaka) Headquarters, Tokyo Headquarters, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Branch Office), Kyushu Daifuku Corporation, and Contec Co., Ltd.

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A Message from the President

Gaining Your Trust in Our Business

Social Contributions as an Industry-Leading Company

Leveraging its technology development capabilities and overall strengths as a leading material handling systems and equipment company since its establishment in 1937, Daifuku has contributed to broad domestic and global industrial development. Today, with the automobile, semiconductor, silicon, and LCD industries, as well as the general manufacturing, distribution, transport, and warehousing sectors as our principal customer base, we are working to secure a top share in global markets.

In recent years, amid wide ranging corporate social responsibility demands that have extended beyond economic concerns to encompass environmental and social activities, Daifuku has continued to nurture closer ties with its many stakeholders and to consistently earn the trust and confidence of society. In this regard, Daifuku launched its new Three-Year Business Plan, "Create & Challenge for the 70th Anniversary," in April 2004. Guided by this plan, Daifuku's Group-wide unified mission is to contribute to the "sustainable development of humankind, society, and the economy," underpinned by the following key objectives: 1) to contribute to the development of the industrial sector both at home and abroad, as well as making new inroads in the electronics, car-washing machines, and nursing care equipment businesses, as a leading material handling systems and equipment company; 2) to consistently manage its affairs and operations in strict compliance with domestic and international laws and social norms, while further strengthening the risk management structure, and; 3) to ensure the delivery of products and systems that have been created with the environment and safety in mind alongside the development of excellent production systems.

Strengthening Environmental Conservation Activities

In 1999 Daifuku's Komaki Works and Shiga Works both acquired ISO 14001 certification. Thereafter, and by fiscal 2004, Main (Osaka) and Tokyo Headquarters, the Chubu Tokai Area (Tokai Branch Office), and subsidiary companies Kyushu Daifuku Corporation and Contec Co., Ltd. had also obtained certification, expanding and integrating Daifuku's company-wide environmental control structure. Based on these accomplishments, the Company established the Daifuku Environmental Management System, incorporating all manufacturing bases and branch offices. From now, Daifuku is working toward obtaining ISO 14001 certification at all of its overseas offices, in line with efforts toward global business expansion, and further strengthening its environmental conservation activities. Additionally, following in the footsteps of the Company's production divisions, all Group-wide service and sales divisions have acquired ISO 9001 certification. Through further product quality improvements and efforts to garner the trust of customers, Daifuku has established a platform for providing its customers with satisfying products.

Daifuku's environmental protection activities are designed to promote healthy business development in harmony with the environment

and to fulfill the Company's corporate social responsibility. To this end, Daifuku has formulated its fundamental environmental policy and identified targets such as the development and manufacture of environmentally conscious products, comprehensive environmental communication, energy and resource conservation, waste and environmental pollutant emission reduction, and green procurement.

Statutory Compliance and Safety Concerns

In connection with the Company's compliance with laws and social norms, Daifuku established the cross-sectional Compliance Committee in 2003, covering all business divisions and subsidiaries, to ensure that its business activities are compliant, fair, and ethical.

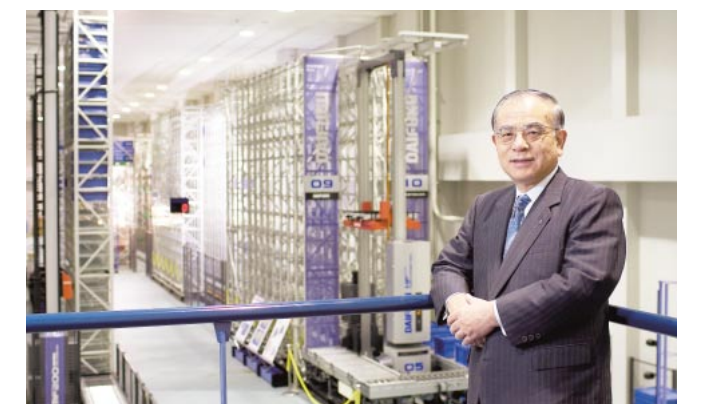
In order to fulfill its corporate social responsibility, Daifuku is aggressively working toward product safety guarantees, creating a pleasant and productive work environment for employees and other related parties, business activities that give priority to safety, and other such pursuits in this regard. In addition to participating in clean up and beautification activities in the areas surrounding its plants and offices, Daifuku also contributes to society through new endeavors. In April 2005, Daifuku's Public Relations Department evolved into the Corporate Social Responsibility (CSR) Department through reorganization. At the same time, the Company strengthened its structure for the promotion of Company-wide activities in collaboration with the ISO and Safety Promotion Department.

The Environmental Report 2005, which describes Daifuku's environmental conservation activities in fiscal 2004, is an introduction to one part of the Company's efforts toward social consciousness. We encourage you to consider its contents and ask for your guidance and encouragement in our ongoing efforts to fulfill the objectives outlined.

August 2005

K. Takeuchi

Katsumi Takeuchi, President and CEO



The Daifuku Group has established a unified structure for addressing environmental measures.

In fiscal 2004, Kyushu Daifuku Corporation (Kyushu Daifuku) acquired ISO 14001 certification, following in the footsteps of Daifuku's Shiga and Komaki Works, its Main (Osaka) Headquarters, Tokyo Headquarters, and Chubu Tokai Area (Tokai Branch Office). Accordingly, Daifuku has now acquired certification at six of its business locations. Daifuku is also pleased to announce its subsidiary Contec Co., Ltd. (Contec) has also acquired ISO 14001 certification.



Main (Osaka) Headquarters
 Location: 3-2-11 Mitejima Nishiyodogawa-ku Osaka City, Osaka 555-0012 Japan
 Lot area: 14,496 m²
 Floor area: 17,446 m²
 Business: Sales, engineering, design, and maintenance services of logistics systems and material handling equipment, and administration

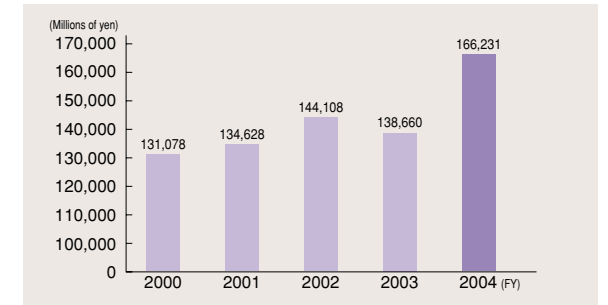
Corporate name: Daifuku Co., Ltd.
 Headquarters: Osaka: 3-2-11 Mitejima, Nishiyodogawa-ku, Osaka 555-0012 Japan
 Tokyo: 2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan

Established: May 20, 1937
 Paid-in capital: JPY 8,023 million (As of August 2005)
 Representative: Katsumi Takeuchi, President and CEO
 Number of employees: Approx. 3,700 (Total of Daifuku Group) (As of August 2005)
 Net sales: JPY 166,231 million (Consolidated, Fiscal 2004)

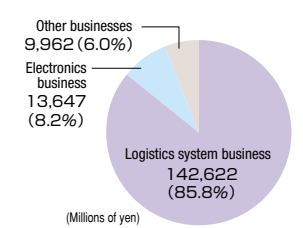
Business description: Comprehensive consultation services on logistics systems (material handling systems) and total engineering including design, manufacture, installation, and after-sale services

Products: Conveying system, storage system, sorter and picking system, control system, material handling equipment, and others (car-washers, machines for bowling systems, and specialized equipment)

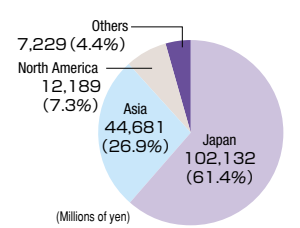
Sales performance (Consolidated)



Business performance by operation (Consolidated, Fiscal 2004)



Business performance by region (Consolidated, Fiscal 2004)



Tokyo Headquarters
 Location: 2-14-5 Shiba, Minato-ku Tokyo 105-0014 Japan
 Lot area: 783 m²
 Floor area: 3,572 m² (Ground - 8th floor)
 Business: Sales, engineering, design of conveyor, storage and logistics systems, and administration



Kyushu Daifuku Corporation
 Location: 2134-1 Yobaru Bunkyo, Kanda-machi, Miyako-gun, Fukuoka 800-0323 Japan
 Lot area: 25,000 m²
 Floor area: 6,800 m²
 Business: Engineering and maintenance services of logistics systems and material handling equipment, and administration and warehouses

Daifuku Group

- Contec Co., Ltd.
- Contec EMS Co., Ltd.
- Kyushu Daifuku Corporation
- Daifuku Unix Corporation
- Daifuku Qubica Ltd.
- Daifuku Logistic Technology Co., Ltd.
- Hiniaratakan Corporation
- APS Inc.
- Daifuku Institute of Technology Inc.
- Daifuku Business Service Corporation
- Daifuku Software Development Co., Ltd.
- Daifuku Alvec Software Co., Ltd.
- Daifuku Business Create Co., Ltd.
- Daifuku Manufacturing Expert Co., Ltd.
- Daifuku Field Engineer Co., Ltd.
- Renace Corporation
- Affiliate companies having production facility



● Daifuku America Corporation Ohio Plant



Chubu Tokai Area (Tokai Branch Office)
 Location: 2-48 Fukada-cho, Toyota City, Aichi 471-0841 Japan
 Lot area: 2,784 m²
 Floor area: 2,982 m²
 Business: Sales of conveyor systems and other equipment



Contec Co., Ltd.
 Location: 3-9-31 Himezato, Nishiyodogawa-ku, Osaka City, Osaka 555-0025 Japan
 Lot area: 4,443 m²
 Floor area: 7,339 m²
 Business: Development, manufacture, and sales of electronics equipment, such as interface boards, industrial-strength PCs, wireless LANs, and remote monitoring/control systems

- Overseas offices (Mexico, Tianjin, Shanghai)
- Daifuku America Corporation (USA)
- American Conveyor and Equipment, Inc. (USA)
- Daifuku Canada Inc. (Canada)
- Daifuku Europe Ltd. (UK)
- Daifuku (Thailand) Ltd. (Thailand)
- Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)
- Daifuku (Malaysia) Sdn. Bhd. (Malaysia)
- P.T. Daifuku Indonesia (Indonesia)
- Daifuku Automation (Tianjin) Co., Ltd. (China)
- Daifuku Automation (Guangzhou) Co., Ltd. (China)
- Daifuku (Shanghai) Ltd. (China)
- Daifuku Pioneer Co., Ltd. (Taiwan)
- Taiwan Daifuku Co., Ltd. (Taiwan)
- Clean Factomation, Inc. (South Korea)
- ATS Co., Ltd. (South Korea)
- MIMATS Co., Ltd. (South Korea)
- Daifuku Carwash-Machine Korea Inc. (South Korea)
- Contec Microelectronics U.S.A. Inc. (USA)
- Contec Microelectronics Europe B.V. (The Netherlands)
- Beijing Contec Microelectronics Corporation (China)
- Shanghai Contec Microelectronics Corporation (China)
- Shanghai Contec Digital Equipment Co., Ltd. (China)
- Shenyang Contec Microelectronics Co., Ltd. (China)
- Macromate Corp. (Taiwan)
- Overseas subsidiaries
- Overseas affiliate companies with production facility



● Daifuku (Thailand) Ltd. Chonburi Plant



Shiga Works
 Location: 1225 Nakazajji, Hino-cho, Gamo-gun, Shiga 529-1692 Japan
 Lot area: 1,160,000 m²
 Floor area: 176,000 m²
 Business: Engineering, design, and maintenance services of logistics systems and material handling equipment, and administration and warehouses
 Production: Approx. JPY 60,000 million



Komaki Works
 Location: 1500 Komakihara-shinden, Komaki-shi, Aichi 485-8653 Japan
 Lot area: 65,000 m²
 Floor area: 48,000 m²
 Business: Sales, engineering, and design of logistics systems and material handling equipment, and administration
 Production: Approx. JPY 30,000 million



● ATS Co., Ltd. No.2 Plant



● Clean Factomation, Inc. Asan Plant

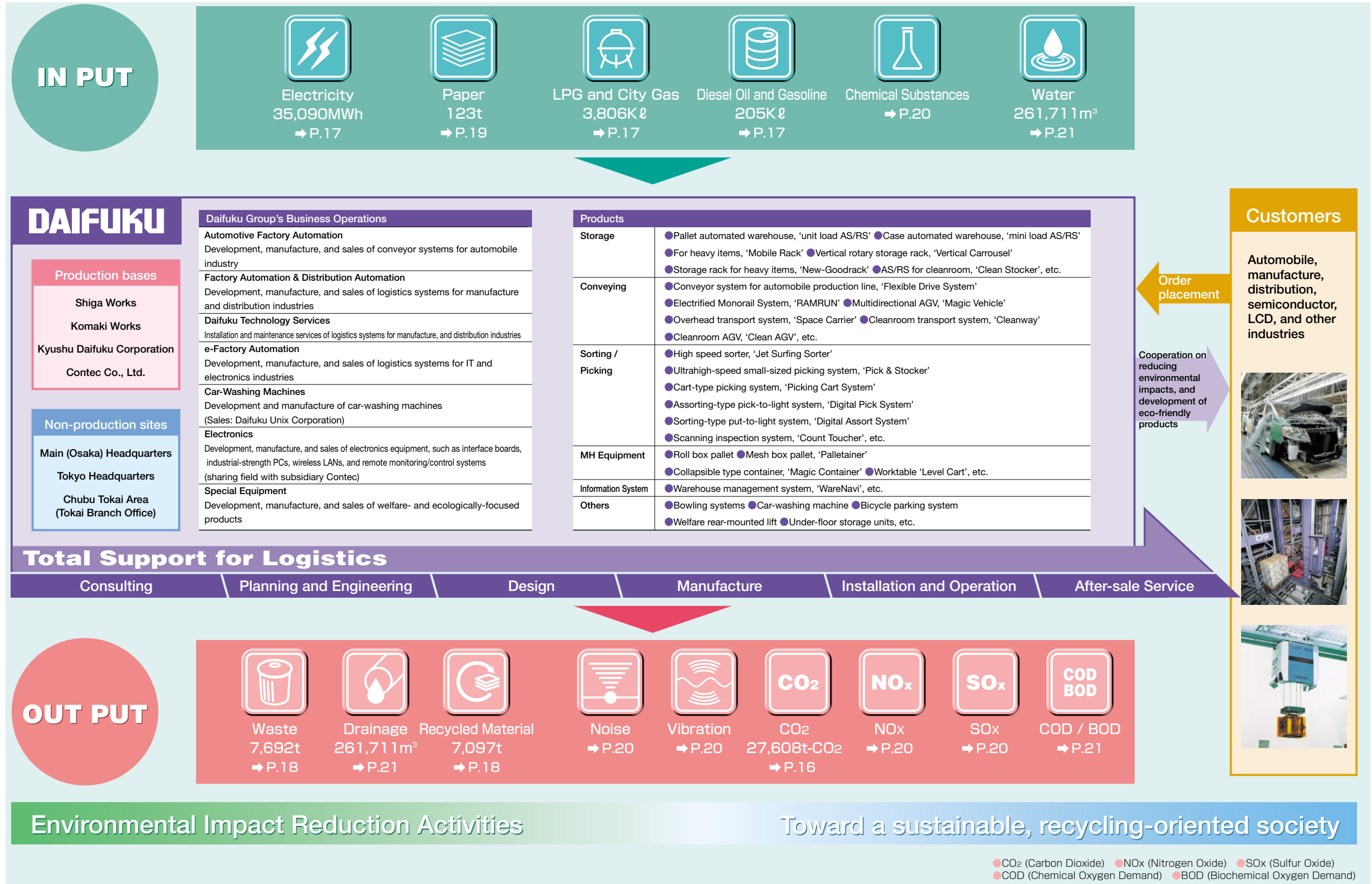
Business Operation Material Balance

Daifuku operates with the aim of combining sound development of the business with environmental solutions, in order to meet our social responsibilities.

Daifuku engages in a wide range of business operations at home and abroad, as a manufacturer of a comprehensive range of logistics systems and material handling equipment.

We use objective numerical measures to identify various environmental impacts generated by such company activities and plants at all levels of life cycle, in order to minimize any impacts through monitoring and analyzing current conditions.

As our Supply Chain Management (SCM) progresses on a global scale, Daifuku is putting comprehensive support into the logistics area, thus reducing the environmental impact on society in general, and contributing to the development of a recycling-oriented society.



Environmental Management Policy

Daifuku has formulated its fundamental environmental conservation “Principles” and “Management Policies” as a platform for its global efforts to conserve resources and prevent deterioration of the environment.

In 1999, an environmental management policy for the entire Company was formulated, based on the environmental management policy of Shiga Works and Komaki Works. Certain sections of this policy were revised in 2002. Contec was included in the scope of environmental conduct, as determined by the policy, in fiscal 2002. This was followed in fiscal 2003 by the Main (Osaka) Headquarters, Tokyo Headquarters, and Tokai Branch Office, and Kyushu Daifuku, in fiscal 2004. Daifuku strives to instill this policy and make it widely known among all its employees. At the same time, we also inform other stakeholders by means such as posters at the entrances to all sites. Daifuku is working to gain broader social recognition for its activities.

On August 1, 2005, Daifuku again revised a portion of its environmental management policy pursuant to ISO 14001 guidelines issued for 2004.

Environmental management policy

Principle

As Daifuku expands its business on a global scale, it recognizes environmental conservation as one of humankind’s most important issues, underpinned by compliance with environmental laws. In every facet of its business activities including the development, manufacture, sale, installation, and after-sale service of material handling systems and equipment, Daifuku strives to conserve global resources and prevent worldwide environmental pollution.

Management Policy

- (1) Daifuku will make further advances in ongoing environmental conservation activities by establishing an environmental management system and organization aimed at ensuring harmonious coexistence between people and the environment, and observing environment-related laws and treaties, with its own standards as a guide.
- (2) Daifuku will promote environmental pollution prevention measures and the continual improvement of its management systems and performance, based on environmental impact assessment and the formulation of environmental objectives and targets.
- (3) In every aspect of its business activities, from product development and planning through manufacture, usage, and disposal, Daifuku will deliver products that give due consideration to energy and resource conservation and the prevention of environmental pollution.
- (4) As a priority, Daifuku will procure and purchase materials, components, and products with the least environmental impact, and will provide guidance and support to suppliers, with the aim of establishing a cooperative supply chain.
- (5) As a member of society, Daifuku will contribute to creating healthy, safe, and comfortable communities, by fulfilling its corporate social responsibility and preventing environmental pollution.
- (6) Daifuku will implement environmental education and training programs that enhance employee awareness and promote individual responsibility.

Daifuku discloses this environmental management policy to all of its employees, temporary staff, and outside companies with which Daifuku conducts business, as well as to the general public.

Issued on January 7, 1999
Revised on August 1, 2005

Comment from Environmental Officer



Shiga Works

Daifuku is revising its environmental management policy and working to achieve its fiscal 2006 objectives and goals.

Hifumi Katsuragi, Chief Officer of Shiga Works

In order to fulfill its corporate social responsibility, Daifuku complies with laws and regulations, and strives to coexist harmoniously with those communities in which it operates.

After acquiring ISO 14001 certification at its Komaki Works in February 1999, Daifuku acquired certification in November of that same year at its Shiga Works, at Contec in June 2002, its Main (Osaka) Headquarters and Tokyo Headquarters, and Chubu Tokai Area in February 2004, and at Kyushu Daifuku in August 2004. Daifuku’s environmental management policy was revised three years after first obtaining ISO certification in 2002. In August 2005, we have again revised our environmental management policy, based on changes in environmental and economic conditions. The Group is working toward achieving its fiscal 2006 objectives and goals in this regard.

Daifuku’s Shiga Works, a type 1 designated energy management factory, passed an on-site inspection conducted by the Ministry of Economy, Trade and Industry, and is promoting efforts to identify and reduce excess energy consumption.

In regards to waste, Shiga Works has achieved a waste recyclability rate of 95%, and is diligently working toward zero emissions by fiscal 2006. Taking the industry lead, Daifuku has also established environmental task forces to ensure its products remain free of prohibited toxic substances and comply with relevant environmental regulatory requirements including Europe’s Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directives.

In the broad context of industrial safety and hygiene, focusing on effective work place organization and standardized work procedures, Daifuku has established the 5S philosophy: Sort, Set in order, Shine, Standardize, and Sustain. 5S simplifies the work environment, and reduces waste and non-value activity while improving quality efficiency and safety. Based on this mindset that permeates through the Company’s factories and offices, Daifuku is seeing significant results from the practice of its 5S campaign.

In connection with our activities as a member of the local community, Daifuku strives to fulfill its environmental responsibilities in partnership with government authorities, the general public, and all of its business partners.



Komaki Works

Demonstrating its ability to set priorities other than profitability, Daifuku is promoting a wide array of activities designed to reduce environmental impact.

Takahiro Taniguchi, Chief Officer of Komaki Works

With the increase of environmental consciousness, due to the deterioration of the global environment, Daifuku has positioned communication with society as an essential component of its environmental conservation activities. At its Komaki Works, Daifuku strives to reduce environmental impact of the many products it handles. While endeavoring to comply with environmental regulatory requirements including Japan’s Basic Environment Law, Daifuku actively participates in environmental activities in concert with the local community.

Our Environmental Report issued every August provides a summary and results analysis of our environmental performance to a wide audience inside and outside the Company, in addition to the publication of our environmental policy. As the backdrop to Daifuku’s environmental management history, Komaki Works was the first to acquire ISO 14001 certification in 1999, and in the ensuing period, Daifuku has worked diligently to reduce emissions of CO₂ and other greenhouse gases, energy consumption, use of natural resources, and waste, as well as limit emissions of other environmental pollutants. We are constantly assessing all of these, by a basic unit of measure using our production output.

In the context of increased globalization, Daifuku will leverage its achievements in Japan, such as the acquisition of ISO 14001 certification, to further develop and pursue environmental conservation activities overseas.

Furthermore, cognizant of its corporate social responsibility, Daifuku aims to enhance environmental management capabilities through a variety of measures that benefit both society and the environment, and to nurture the support and understanding of stakeholders.

Environmental Objectives, Goals, and Achievements

Daifuku's objectives, goals, and plans in relation to environmental conservation activities, and achievements for fiscal 2004 are presented.

In fiscal 2004, the first year of our Three-Year Business Plan ending in fiscal 2006, our environmental activities included the expansion of ISO 14001 certification to non-production bases.

The table on the right of this page identifies those principal fiscal 2004 environmental themes implemented mainly by Daifuku's Shiga and Komaki Works, and a self-evaluation against fiscal 2005 goals. Daifuku's core operating network comprises, Shiga Works, Komaki Works, Main (Osaka) Headquarters, Tokyo Headquarters, Tokai Branch Office, and Kyushu Daifuku. Of this network, Shiga Works and Komaki Works are recognized as generating the most environmental impact.

Environmental Objectives, Goals, and Achievements (Fiscal 2004)

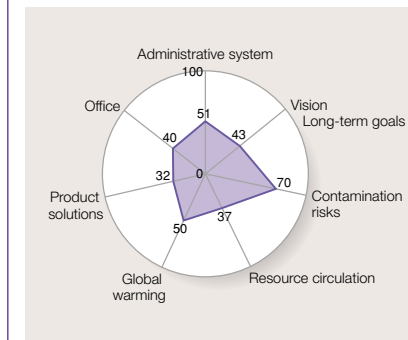
	Environmental Objectives (FY2004 - 2006)	Environmental Goals for FY 2004	Result in FY 2004	Details
Environmental conservation	- Emphasize emissions control	- Prevent water contamination	Achieved	→P21
		- Prevent air pollution	Achieved	→P20
	- Observe environmental laws and regulations	- Prevent soil contamination	Achieved	—
		- Observe the PRTR law	Achieved	→P20
Energy consumption reduction	- Reduce energy unit requirements (electricity and LPG) Reduce 10% from fiscal 2003 level by fiscal 2006	- Observe environmental laws and regulations	Achieved	→P15
		- Save electrical energy	Achieved	→P17
		- Reduce the energy requirement for lighting Reduce 3% from fiscal 2003 level	Achieved	→P17
Waste reduction	- Reduce unit wastes (General wastes and industrial wastes) Recycle 95% of total wastes by fiscal 2006 Reduce 20% of total wastes from 2003 level by fiscal 2006	- Reduce 7% of total wastes from fiscal 2003 level	Not Achieved	→P18
		- Promote to recycle 95%	Not Achieved	→P19
	- Reduce paper consumption Reduce 10% from fiscal 2003 level by fiscal 2006	- Reduce steel scrapping (at each production unit)	Not Achieved	—
		- Reduce 3% of paper consumption from fiscal 2003 level	Not Achieved	→P19
Indirect impacts	- Assist and guide green suppliers and cooperation companies	- Increase 5% of paper recycling from fiscal 2003 level	Achieved	→P19
		- Plan and implement assistance and guidance	Achieved	→P22
	- Promote green procurement (Prohibit the use of hazardous substances)	- Establish green procurement guidelines	Almost Achieved	→P22
		- Review purchases and materials	Almost Achieved	→P22
Providing environmentally conscious products	- Work on the 3Rs (Reduce, Re-use, Recycle) for products	- Plan and implement 3Rs for products	Almost Achieved	—
		- Reduce the electrical energy requirement of products	Almost Achieved	—
	- Efforts toward Life Cycle Assessment (LCA)	- Reduce number and capacity of drive motors to be used	Almost Achieved	—
		- Plan and implement LCA	Not Achieved	—
- Promote green procurement (Prohibit the use of hazardous substances)	- Establish green procurement guidelines	Almost Achieved	→P22	
	- Review purchases and materials	Almost Achieved	→P22	

Environmental Objectives and Goals (Fiscal 2005)

	Environmental Objectives (FY2004 - 2006)	Environmental Goals for FY 2005
Environmental conservation	- Emphasize emissions control	- Prevent water contamination
		- Prevent air pollution
	- Observe environmental laws and regulations	- Prevent soil contamination
		- Observe the PRTR law
Energy consumption reduction	- Reduce energy unit requirements (electricity and LPG) Reduce 10% from fiscal 2003 level by fiscal 2006	- Observe environmental laws and regulations
		- Save electrical energy
		- Reduce the energy requirement for lighting Reduce 6% from fiscal 2003 level
Waste reduction	- Reduce unit wastes (General wastes and industrial wastes) Recycle 95% of total wastes by fiscal 2006 Reduce 20% of total wastes from 2003 level by fiscal 2006	- Reduce LPG consumption Reduce 6% from fiscal 2003 level
		- Reduce 14% of total wastes from fiscal 2003 level
	- Reduce paper consumption Reduce 10% from fiscal 2003 level by fiscal 2006	- Promote to recycle 95%
		- Reduce steel scrapping (at each production unit)
Indirect impacts	- Assist and guide green suppliers and cooperation companies	- Reduce 6% of paper consumption from fiscal 2003 level
		- Plan and implement assistance and guidance
	- Promote green procurement (Prohibit the use of hazardous substances)	- Promote according to green procurement guidelines
		- Promote the procurement of materials and parts which contain no harmful substances
Providing environmentally conscious products	- Work on the 3Rs (Reduce, Re-use, Recycle) for products	- Encourage 3Rs activities for products
		- Reduce the electrical energy requirement of products
	- Efforts toward Life Cycle Assessment (LCA)	- Reduce number and capacity of drive motors to be used
		- Promote and implement LCA
- Promote green procurement (Prohibit the use of hazardous substances)	- Promote according to green procurement guidelines	
	- Promote the procurement of materials and parts which contain no harmful substances	

Column Environmental Management Level

Ranked 348th among 1,778 manufacturers
In December 2004, Nihon Keizai Shimbun, Inc. announced the results of its eighth "Corporate Environmental Management Level Survey."
Daifuku was ranked the 348th among 1,778 manufacturers. It was a ranking-up from the last year's 350th place. In 2004, the item of "Office" was added for the assessment method, and we received that position based on a comprehensive review of the entire Daifuku Group domestic companies, the environmentally conscious design, and the performance in terms of social responsibilities.



*This survey was conducted amongst the 1,778 leading companies in manufacture industry (including construction and energy) that is listed, over-the-counter, and unlisted. (Of these, 590 provided effective responses.)

Environmental Accounting

Fiscal 2004 saw economic achievements in "energy-saving effects."

Daifuku believes that it is important to monitor the Group's investments in and expenses for environmental conservation, and their returns, in order to be able to implement environmental solutions while ensuring ongoing corporate developments.

To that end, Daifuku has been using environmental accounting as a guideline for the corporate activities since fiscal 2001.

Environmental accounting has also been used for non-production units since fiscal 2003, and Kyushu Daifuku and Contec since fiscal 2004, in an attempt to enhance our efforts and further improve the results of it.

Concept of environmental accounting

Daifuku conducts accounting according to "Environmental Accounting Guidelines in the Machinery Industry"*, established by the Ministry of the Environment, in order to quantitatively monitor the cost and results of environmental conservation within overall corporate activities.

The total cost for environmental conservation activities amounted to approximately 314 million yen, as shown in the table below. Since fiscal 2004, environmental cost analysis also covers Kyushu Daifuku and Contec.

At Main (Osaka) Headquarters, Tokyo Headquarters, and Tokai Branch Office, which are non-production units, "environmental education for employees," "personnel expenses for managing environmental activ-

ity structure," and related items account for most of the cost.

The cost of "virtual" economic effects amounted to approximately 182 million yen. Effects of product development are excluded from the reports and results because we currently have no clear-cut formula for the calculation.

Daifuku intends to use environmental accounting as a tool for "environmental management" by setting indices against which to assess performance, thereby promoting environmental accounting efficiency.

*"Survey Report Concerning the Standardization of Environmental Accounting and Environmental Reports" Published by The Japan Machinery Federation

Environmental Accounting Report for the fiscal 2004

Main (Osaka) Headquarters, Tokyo Headquarters, Shiga Works, Komaki Works, Kyushu Daifuku, and Contec April 1, 2004 to March 31, 2005

Costs for Environmental Conservation Activities

Unit: JPY 1,000

Classification	Activities	Amount
Reduction of environmental impact in production activities	- Drainage contamination protection activities such as drainage treatment facilities, Prevention of air pollution from painting facilities	96,678
Implement of industrial waste measures	- Waste treatment costs, Recycling costs for wastes	84,398
Use of materials fit for environmental conservation	- Fabrication and collection of transportation jigs, Purchase of tote boxes	5,329
Development of products with less environmental impact	- Development costs for considering energy- and weight-saving and for reduction of parts quantity	65,825
Recycling of company products		0
Reduction of environmental impact from transportation		0
Emergency preparedness	- Training for emergency	485
Environmental conservation activities at management offices	- Segregation of general wastes, Education and support to cooperating companies, Green procurement	13,115
Environmental consideration for overseas operation	- Improve packaging methods for overseas shipping products	520
Implement of environmental management	- ISO promotion group management costs, Internal and external audit systems, Environmental education	44,934
Collaboration with communities	- Ohmi Eco-Foster activities, Participation in the Environmental Conservation Association	2,697
Total		313,981

Economic Effect

Unit: JPY 1,000

Effect from	Activities	Amount
Sale of valuable resource	- Gain on sale of ferrous and non-ferrous scrap materials, and high grade waste paper	62,412
Energy saving	- Effect of cogeneration system (CFA building air conditioning in terms of energy), Lighting	101,522
Reuse / Recycle / Resource conservation	- Reuse and recycle packaging materials	13,630
Tote boxes	- Effectively use of mesh box pallet, 'Palletainer'	4,500
Total		182,064

Environmental Management System

In 2004, Daifuku obtained ISO 14001 certification for Main (Osaka) Headquarters, Tokyo Headquarters, and Tokai Branch Office, and Kyushu Daifuku. We further strive to operate the system integrating all Group members, and to foster development of an even better system.

The environmental management system is the basis for environmental conservation. Daifuku monitors and assesses environmental impacts and the results of solutions, thereby achieving efficiency.

Being engaged in the logistics system business, Daifuku has developed an environmental management system that covers both production and non-production units.

In fiscal 2004, Kyushu Daifuku also obtained ISO 14001 certification, that further expanded our environmental management system operations.

Status of ISO certification acquisition

In 1999, Shiga Works and Komaki Works both acquired ISO 14001 certification, and in 2002, our subsidiary company Contec obtained certification. In 2004, four locations, namely, the Main (Osaka) Headquarters, Tokyo Headquarters, Tokai Branch Office, and subsidiary company Kyushu Daifuku acquired certification. Through these achievements, Daifuku has established an ISO-based company-wide environmental conservation network across Japan.



■Contec Co., Ltd.



Environmental management system

Daifuku has developed a company-wide environmental management system with the President as the top-ranking representative.

Since fiscal 2004, we have been holding regular meetings of an ISO Steering Committee, which consists of management representatives from each office and factory and heads of environmental task forces. In addition, the management review by executives is held biannually (in May and October) to assess the implementation status

of the action plans of each unit and sectional committees.

The environmental task forces include Development Design, Waste, Green Procurement, PRTR, Statistical Survey, and Water Control, thereby providing responses and solutions to various environmental challenges as cross-departmental issues for the divisions.

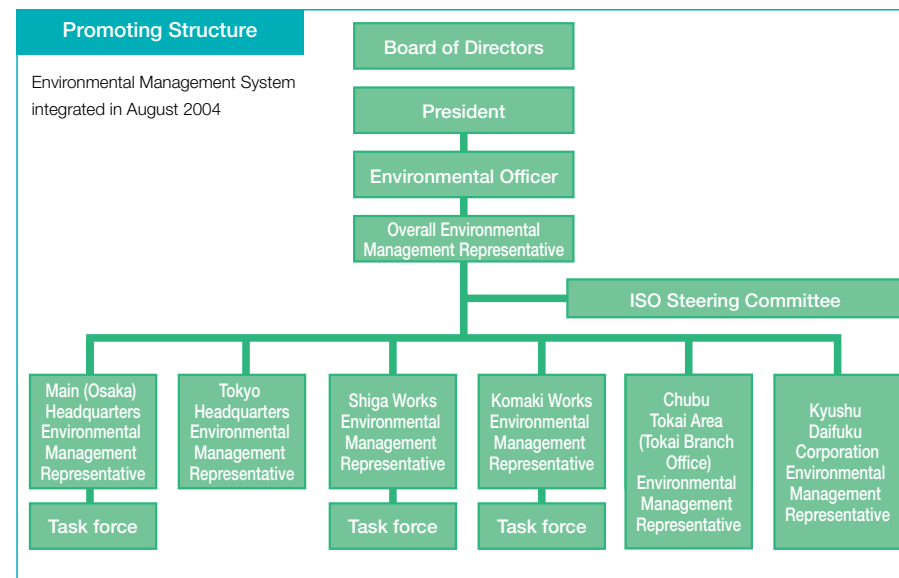
Comment from Environmental Activity Representative



Environmental Benefit and Burden to Humankind and Nature

Three full years have passed since obtaining ISO 14001 certification and in June 2005, Daifuku completed the renewal of its certification to meet ISO 14001:2004 requirements.

Initially, paper, garbage, and electricity were the focus of environmental impact assessments. This year, however, products are the principal focus and through the establishment of the RoHS task force, Daifuku is conducting activities in this regard. Due to high volume demands and the rapid pace of change within industries and society, the key to survival lies in how to meet the demands of customers. Based on the management principle of "providing customer satisfaction, peace of mind and safety," our technology division leads us in advancing efforts to provide environmentally conscious products.



Environmental auditing system

We periodically commission external audits, wherein a third party (certification agency) checks that the environmental management system is appropriate, laws and regulations are being observed, and the system is operating effectively.

And, we also conduct internal audits, with in-house monitors examining such factors as how the system is operated, how plans for committee objectives and goals are being carried out and progressed, and how well laws, regulations, and voluntary standards are being observed. Units found to be nonconforming must file correction plans and implement them.

Audit results are reported in management reviews where solutions are presented and follow-ups are conducted.

External Audit Results (Biannually)

Main (Osaka) Headquarters, Tokyo Headquarters, Shiga Works, Komaki Works, Tokai Branch Office, and Kyushu Daifuku	
First half of FY 2004	
Findings	0 items
Observations	11 items
Latter half of FY 2004	
Findings	0 items
Observations	5 items



Management review



External audit

Environmental education and training

An intra-unit environmental activity plan is implemented as part of general education for all employees, cooperation companies, and other stakeholders, in order to establish environmental activities and encourage each and every member to participate in the program. In addition, environmental education and designated employee education, along with other programs, are conducted to cater for the technicality of specific operations, in an effort to ensure observance of relevant laws and regulations.

In 2004, the ISO 14001 environmental management system issued its 2004 requirements. In the ensuing period,

Daifuku took steps to provide education in connection with the new requirements and continues to do so.

In the area of internal auditor education, the number of internal auditors has been increased to 227 (as of April 2005) in order to allow time for training in sound judgment ability, and improving their skill levels.

As for suggestion making by small groups, suggestions regarding operational improvements, cost cutting, quality, safety, environment, and other matters number as many as 5,449, to date, which is approximately double the target figure, showing that the active operations are

underway.

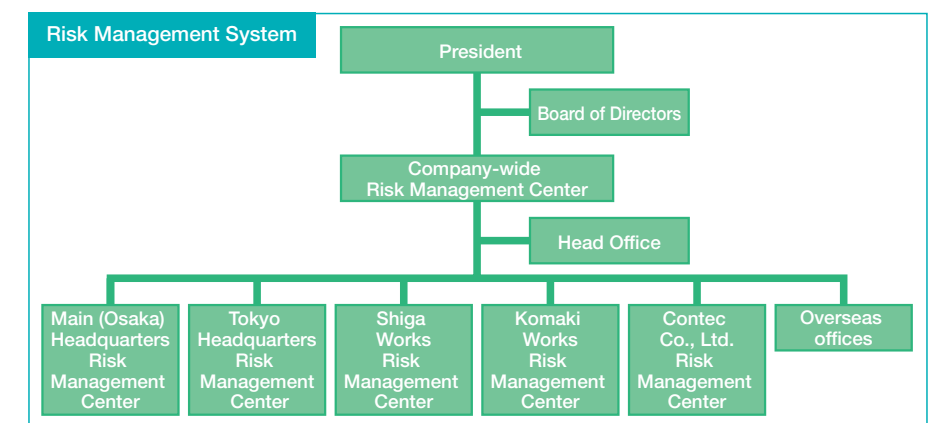
Twice every year at task force meetings, achievements are reported to management executives.



Environmental education

Risk management system

A risk management system has been established across the Group, including the subsidiary Contec, in order to prevent emergencies and minimize the environmental impacts if emergencies did occur. Each office provides education and simulation exercises on potential emergencies once a year.



Daifuku's Environmentally Conscious Products

Daifuku works to develop environmentally friendly products, and to improve the manufacturing process, thereby producing stable results.

Daifuku works to produce products that help conserve the environment. As a result, we have been developing environmentally conscious products such as new automobile paint system, and products that can help user companies and local community engage in environmental activities.

In the manufacturing process, too, we have produced results in energy saving by increasing the productivity. We have thus been working to protect the environment in many different areas.

We will continue to offer a comprehensive range of products and systems that demonstrate awareness of global environmental concerns.

Developing E-DIP, a new automobile paint system, in cooperation with Taikisha Ltd.

Combining our Conveyor Technology with Taikisha's Paint Finishing Technology, we jointly developed E-DIP, a pretreatment and electro-deposition system for automobile manufacturing plants.

E-DIP's key feature is to newly adopt a "dipping carrier" for pretreatment and electro-deposition coating through the automobile paint line, in lieu of the conventional chain conveyor system. Development of the E-DIP system responds to environmental concerns by reducing the amount of solution and water used, realizing high-quality paint, reducing operation costs, as well as shortening production lead times.

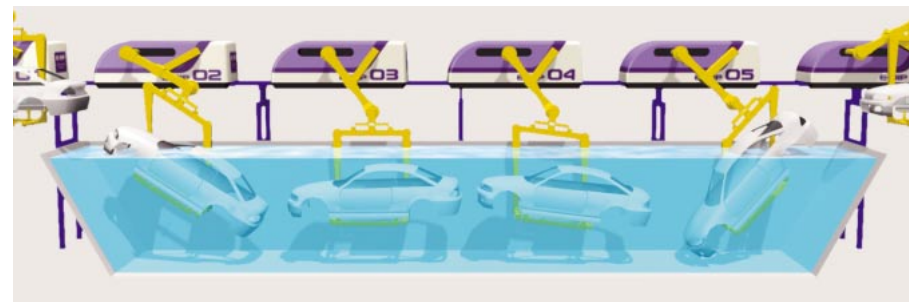
With the dipping carrier, flexible control of the painting process is maintained, allowing for control in maneuvering automobiles soaked in rinsing liquid or electro-deposition paint tanks in, out, and around tank corners, and within the tanks themselves. While the body of the automobile is submerged in a tank, the body is kept in motion, which eliminates minute debris and air bubbles from forming on the painted surface, thus serving to raise the quality of painting. E-DIP also features the availability of smaller tank sizes and improvement of drip time after being

removed from a tank, which means less liquid is carried on to the next stage in the process. Comparing previous pretreatment and electro-deposition paint systems with E-DIP, its merits have made it possible to offer a 25% reduction in pretreatment and painting time, and a 50% reduction in the length of the production line. In addition, it also simplifies manufacturing plant layout and improves space efficiency.

E-DIP significantly reduces the amount of solution used, amount of drainage, and electric power consumption. E-DIP excels at responding to environmental consumption issues while simultaneously realizing operation cost reductions.



E-DIP enables better control when immersing and removing the body of the automobile from the tank



The Contec Group's efforts toward lead-free production

The Contec Group is working toward products that do not contain lead, one of the substances that falls under the RoHS directive as an identified harmful substance. From April 2005 onward, all newly developed products will be lead-free. Contec is working to progressively phase out the use of lead in existing products. The company has identified a target date of June 2006, when all products will be lead free.



Contec's original Lead-Free Mark

Publication of an environmentally conscious distribution system products pamphlet

Daifuku incorporates concerns for quality, the environment, and safety in every facet of its business activities including product engineering, research and development, procurement, manufacture, operation, and disposal. Our environmentally conscious distribution system products pamphlet summarizes these efforts and our achievements. For example, through the modification of wheel material quality for our

Mobile Rack for moving heavy items, and improved control functioning, we reduced resistance during operation and cut electricity consumption by 30% compared to the previous model.



"Environmentally Conscious Distribution System Products" pamphlet

Automated warehouse for keeping recyclable waste. Plastic and paper recycling initiatives

In April 2004, at the Association for Wide-Area Garbage Processing located in Gaigocho, Ota City, Gunma Prefecture, the City of Ota commenced recycling operations at its Recycle Plaza. The facility includes a plant that breaks down and sorts 73 tons daily of natural resource waste, and non-combustible and bulk garbage produced by the approximately 280,000 people that make up the five towns located in Ota City. It also includes an administration building.

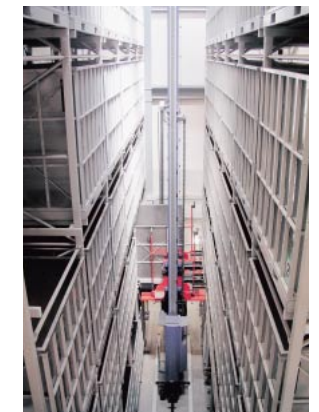
On a temporary basis, a part of the recyclable waste collected, including pet bottles, meat and produce packaging trays, and paper milk and beverage cartons, is stored in a container utilizing Daifuku's pallet-type automated warehouse, unit load AS/RS.

In concert with the disposal process, the recyclable waste is automatically delivered to processing plants, where after unsuitable items are removed by hand, the remaining items are compressed tightly in to a cube with pressure and then delivered to recycling manufacturers.

Through the cooperation of Ota City's five towns in unifying their previously varied methods for waste disposal, recyclable waste that was once incinerated is now transformed into reusable resources and the city is reducing the amount of waste disposal.



The recyclable waste retrieved from unit load AS/RS is introduced to a volumetric feeder unit utilizing a reverse function



The unit load AS/RS, with one crane and 73 storage containers

Japan's first shopping district joint delivery system. Roll box pallet contributes to safety and environmental awareness

In June 2004, Yokohama's Motomachi Shopping Street in Naka Ward began a joint distribution system among its stores and businesses. This undertaking has reduced the number of delivery vehicles entering its surrounding areas and eliminated traffic jams and exhaust gases, providing a safe and comfortable shopping environment. For sorting and transporting packages, they have implemented the use of Daifuku's roll box pallet making transport more efficient and reducing noise during collection, handling, and delivery time.

Under this joint distribution system, packages to be delivered to retail outlets are first consolidated at the nearby Motomachi Joint Distribution Center. After the packages are sorted according to retail outlet, three

natural gas trucks deliver the goods to the shopping district's unloading zone from where they are then delivered to the individual retail outlets. The same process is repeated in reverse for outgoing distribution.

Participating in this joint distribution system are approximately 20 transport companies. Most shipments, except for food and beverage items and manufacturers providing direct delivery, are handled through the system. Each delivery truck completes three deliveries daily. The number of delivery trucks prior to the implementation of this system was 40 per day. Since then that number has been reduced by about one-third.

A distinguishing feature of the Daifuku's roll box pallet is the use of a double layer

pipe construction as a primary member. This construction allows for quieter delivery, even on the brick streets of the shopping district, while also improving loading efficiency with sizes that are easily packed into trucks without wasting space.



At loading/unloading zones. Delivery trucks with Motomachi's brand logo and color blend harmoniously with the image of the town

Environmental Communications

Daifuku aims to work actively, as a good corporate citizen, on information disclosure, environmental cleanliness preservation, and other activities.

Daifuku participates in various events and discloses information through various media in order to ensure that our environmental efforts are widely known and appreciated.

We also encourage our employees to engage positively in cleanup activities as a contribution to keeping the environment clean, and to express our gratitude to citizens of our host communities.

We will continue to effectively communicate with society, as befits a good corporate citizen.

Environmental seminars at Shiga Works

As one of the environmental activities of the Environmental Conservation Association of Shiga Prefecture, a regional environmental committee of which Shiga Works is a part, an environmental seminar based on the theme "Environmental Activities at Daifuku" took place in January 2005 at the Hini Arata Kan, a comprehensive logistics showroom. 21 participants from 13 companies were introduced to Daifuku's environmental activities through presentations and round-table discussions.

Shiga Works was also visited by the Konan

Kogyo Danchi Kyokai (Konan Industrial Estate Association) in February 2005, and the Osaka Prefectural Manufacturing and Industrial Association in May 2005, for seminars introducing our environmental activities, including presentations and tours of wastewater management facilities and our cogeneration system.



Environmental seminars

Public relations for Daifuku's environmental efforts at the Komaki Environment Fair

A Komaki Environmental Fair held in the Park Arena, near the Komaki Works, in November 2004, attracted about 20,000 visitors, including families. We were one of the exhibitors, with a corporate booth. We displayed Daifuku introductory panels featuring a presentation on environmental issues, and distributed copies of our

Environmental Report, thereby introducing our environmental activities to community members.



Komaki Environment Fair

Cooperation with other companies through the Komaki City ISO Network

Komaki City conducts ISO Network activities in which it regularly calls together corporations that hold operating facilities with ISO 14001 certification within the city for information exchange and reporting on environmental activities. In 2004, the Company linked with local corporations and held seminars regarding the vitalization of

environmental activities. We actively take part in these activities as a member of the community. By cooperating with other participating companies in sharing case studies on waste management and energy reduction, we are working together to raise the quality of the overall community environment.

Cooperation with surveys

During fiscal 2004, Daifuku took part in a total of 41 surveys regarding the Company's environmental and quality assurance activities. The Company emphasizes responding to surveys as one form of

communication regarding the environment, and is committed to responding sincerely, primarily through the ISO and Safety Promotion Department.

■ Breakdown of surveys during fiscal 2004 (April 1, 2004 - March 31, 2005)

Survey source	Environment related	Chemical substances	Quality, Other	Total
Newspaper/Magazine	3	0	0	3 items
Public offices/Associations	12	2	0	12 items
Corporations/Incorporated associations	20	7	1	21 items
Education related	1	0	1	2 items
NPO and others	3	0	0	3 items
Total	39	9	2	41 items

Comment from Environmental Activity Representative



Takaaki Matsumoto
DBS Corp.
Tokyo Headquarters

Heightening Consciousness of ISO Activities by Supply of Environmental Data

The Tokyo Headquarters received ISO 14001 certification in February 2004, and works to make continual improvements in reducing environmental impact.

By providing the various environmental data of the

Tokyo Headquarters, Daifuku Business Services Tokyo Works is contributing toward raising awareness among all employees, including members of the organization. In order to make concrete progress in environmental activities, data supply and awareness of all staff is vital. In response to the initiatives of the passionate divisions at Tokyo Headquarters, we will continue to advance the implementation of environmental activities through the provision of data.

Observance of Regulations

Daifuku will continue, as always, to observe relevant laws, regulations, and social norms.

Compliance with environmental laws and regulations

[Observance status]

Fiscal 2004 saw no issues in respect of our conformity to relevant laws and regulations. We will continue to monitor the status of each of our units.

[Revision of laws and regulations, and others]

We monitor revisions to laws and other environmental information, and communicate these to other units every September. Laws and regulations are responded to on a Company-wide basis.

Establishment of Compliance Committee

Compliance (observance of laws), including not only the observance of laws and internal regulations but also of socially accepted thinking, common sense, and ethics, is becoming a very important challenge. The

Company prepared its "Corporate Code of Conduct" and established a Compliance Committee to encourage all employees to obtain a deeper understanding of these issues.

Contributions to Society

Daifuku is committed to both continuing our current activities and engaging in new initiatives, with the aim of being perceived as a valuable corporate contributor to society.

Participation in local beautification and cleanup activities

Daifuku is making contributions to society on several fronts, including volunteer work, beautification and cleanup efforts, and receiving interns.



Ohmi Eco-Foster activities

Since December 2001, personnel at Shiga Works have held a post-lunchtime and after-work cleanup called "Ohmi Eco-Foster" once a month along National Route 307 and other areas surrounding the Works.

In addition, we participated in the Hinomachi, Shiga Prefecture "Shakunage-kei (Rhododendron Gorge)" maintenance and cleanup activities. The rhododendrons there

are called rhododendron hondoense, a rare variety designated as a natural treasure. The Company will continue to participate from next year as part of our contribution to the local area.

Personnel from Komaki Works participated in the "Komaki City Litter Prevention Drive" in cooperation with local environmental activities.

Daifuku information and design units receive interns from the U.S.A.



Maintenance and cleanup at Shakunage-kei (Rhododendron Gorge)

Currently Komaki Works has two intern students from Utah's Brigham Young University (BYU). Mr. Stephen Moody is involved in the manufacture of application analysis support tools, while Mr. Kimball Coleman Kirkpatrick had the experience of developing an analysis tool in the design unit. We have been receiving intern students from BYU since 1992, and every year one or two

students visit for three months. This year we received our 17th student. In 1997, we also received one student from Weber State University (Utah).

We also began receiving high school students once again in 2004, with four or five students from industrial high schools surrounding our works taking part in four-day activities.

Energy and Resources Conservation

Energy use is related to the emission of carbon dioxide. Such emissions are reported to affect the environment in the form of global warming and other problems. Daifuku is working aggressively to reduce energy consumption.

Daifuku has been working to reduce power and fuel costs, and to improve energy efficiency on a company-wide basis, including non-production units. Shiga Works is a type 1 designated (electricity and thermal) energy management factory, while the Komaki Works is a type 2 designated (electricity) energy management factory. In each case, an appropriate control procedure is used for promoting the activities in accordance with the energy saving laws.

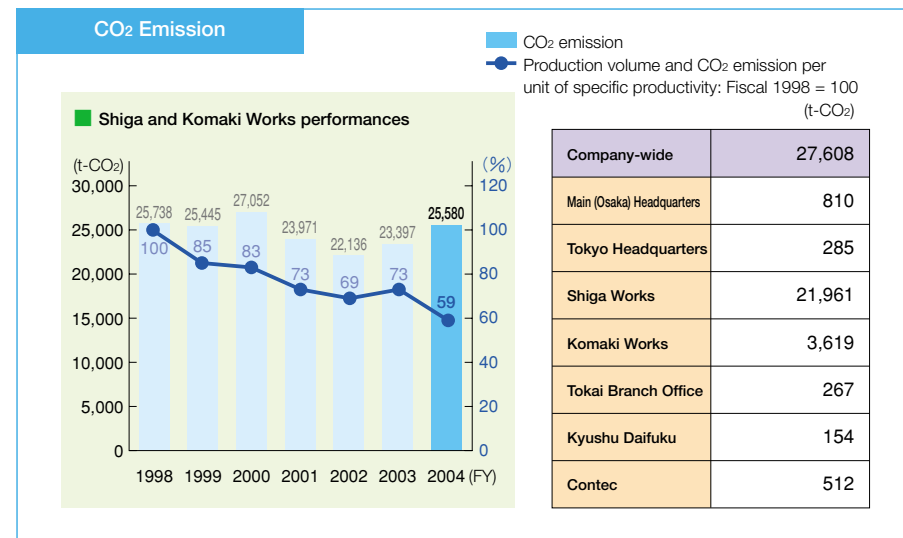
Carbon dioxide (CO₂) emissions and reduction measures

Daifuku is striving to reduce emissions of CO₂ and other greenhouse gases that contribute to global warming.

Though CO₂ emissions at Shiga and Komaki Works increased 10% over the previous fiscal year, in terms of unit rate for production the Company was able to reduce emissions by 19% compared with fiscal 2003, due to increased production and

energy-saving activities in each division.

In fiscal 2004, CO₂ emission volume included Kyushu Daifuku, Contec, and non-production bases. From this year forward, the Company will establish CO₂ reduction targets based upon goals set in the Kyoto Protocol, which went into effect in February 2005.



Status of environmental impacts in transportation, and reduction measures

Since 2000, Shiga and Komaki Works have been working to monitor the traffic in product-shipment trucks, while centrally controlling consignment information, improving methods of transportation, and restructuring products, thereby saving cargo space in the trucks, in an effort to improve transport efficiency and, in turn, to reduce carbon dioxide emissions.

Total CO₂ emissions in fiscal 2004 decreased 3% compared with the previous year. Total distance traveled also decreased 3% from a year earlier.

Number and Travel Distance of Trucks, and CO₂ Emission

(FY)	2000	2001	2002	2003	2004
CO ₂ emission (t-CO ₂)	9,050	7,574	7,083	6,718	6,513
Travel distance (km)	8,569,808	7,172,269	6,707,850	6,361,524	6,166,813
Number of trucks (in 10 tons)	21,859	17,578	19,586	17,735	17,375

(Shiga and Komaki Works performances)

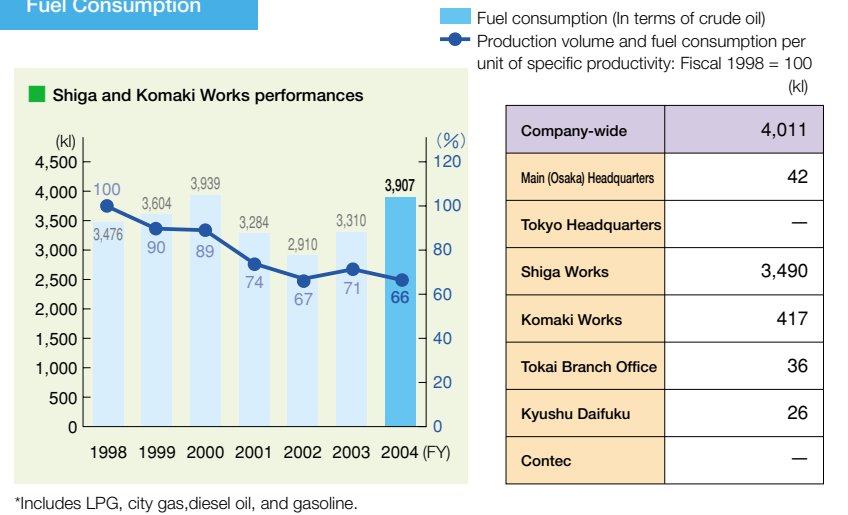
Reducing fuel consumption

Shiga Works is a type 1 designated energy management factory, and as such is inspected by the Ministry of Economy, Trade and Industry. The Works cleared electricity and thermal energy standards. In fiscal 2005, measuring and reducing thermal energy usage, and re-evaluating energy management standards, each division of the Energy Task Force is promoting various activities intended to boost energy conservation.

At Komaki Works, heating and air conditioning is set at energy conserving levels (28°C in summer, 20°C in winter), to reduce city gas usage. In addition, the Works began adding hybrid vehicles to its fleet in fiscal 2005 with the aim of reducing emissions of greenhouse gasses.

An increase in the volume of production at both Shiga and Komaki Works in fiscal 2004 resulted in an 18% rise in fuel consumption, but fuel consumption per unit of specific productivity declined 7%, significantly surpassing the goal set in fiscal 2003 of 3%.

Fuel Consumption



*Includes LPG, city gas, diesel oil, and gasoline.

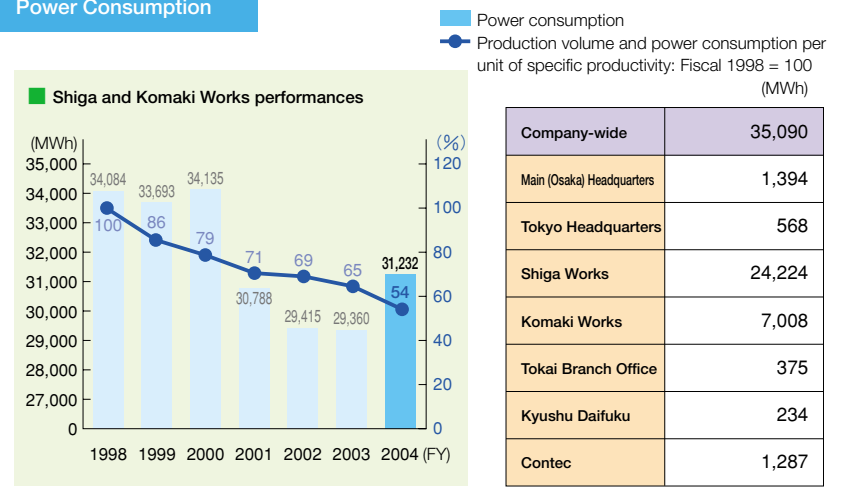
Electricity conservation

Daifuku is striving to use electricity efficiently in all aspects of its operations.

Shiga Works is a type 1 designated energy management factory for electricity as well as thermal energy. In addition to reducing the energy consumption of its manufacturing facilities, Daifuku has installed energy-saving lighting fixtures and sensor-controlled illumination in Shiga Works' office spaces. The conversion of lighting at Komaki Works to inverter-controlled fixtures has been underway since the previous fiscal year. In addition, non-production bases at Headquarters and other offices have optimized climate-control temperatures in non-manufacturing spaces, and are diligently working to ensure that lights not being used are switched off.

Although electricity consumption increased 6% at both Shiga and Komaki Works in fiscal 2004, electricity consumption per unit of specific productivity dropped 17%, over five times the goal of 3% set in fiscal 2003.

Power Consumption



Comment from Environmental Activity Representative



The Second Year of "Visible Environmental Activities"

In the second year of environmental activities, we have accumulated data relating to energy consumption and waste reduction and is better placed to clarify its performance. Spurred by the slogan "visible environmental activities," we formulated a plan to reduce electricity consumption by 3% compared with the previous fiscal year. In this context, we installed a thermometer on each floor at three locations, and carefully monitored ventilation, while implementing workplace energy conservation activities. As a result of our efforts, we successfully achieved our target. In the future, we will identify concrete benchmarks and continue to promote environmental activities.

Waste Reduction

A zero-emissions drive is underway with the aim of recycling wastes as a corporate responsibility, in an effort to help establish an environmentally friendly society.

Daifuku contributes to environmental conservation by setting such standards as containers, methods, and places for collecting various wastes discharged from specific works.

Waste emissions are also centrally controlled to further enhance recyclability.

Column Sludge Recycling

Recycling Sludge as Cement Materials

In April 2004, Shiga Works began recycling the sludge from its industrial wastewater, which had formerly been disposed of in landfills, as a raw material for cement.

The Works uses 700 tons of industrial water per day. The bulk of this is used on the painting line. Water containing oil and iron powder is sent to the wastewater treatment plant, and the sludge recovered there is sent to a drying kiln, where it is meticulously crushed into granular form, water content expelled, and reduced to one-tenth its original volume for shipment.

Through the accumulation of this sort of down-to-earth diligence, the Company seeks to reduce waste emissions to zero.

Comment from Environmental Activity Representative



Reduction of Paper Consumption through Reuse of Shipping Documents

This unit's consumption of paper is the third largest among the headquarters units, but it is working to cut back.

We have implemented a system for recycling the shipping documents of associated firms, and to eliminate unnecessary copies. In addition, it has digitized patent documents to reduce use of mail. These efforts produced a 5% year-on-year reduction in paper consumption. These programs are very simple, but the digitization of documents also contributes to the increased efficiency of administrative activities, so we think this is a very important initiative.

Responsibility for these programs is rotated among staff every year, which heightens the sense of participation. In the future we will devise programs to deepen understanding throughout the Company, thereby increasing environmental awareness.

Waste reduction

Wastes discharged from the Shiga and Komaki Works are separated and collected so as to satisfy the following requirements:

- (1) Collect wastes in specialized separate containers.
- (2) Apply labels indicating the type of waste material stored in each container, and only collect predetermined wastes.
- (3) Use empty, sealable cans or similar to collect waste solvents and other dangerous substances that have low flash-points (such as thinners and alcohol). After collection, securely seal the cans and store them in an oils warehouse.
- (4) If any other special waste is generated, designate a separate container, method of collection, storage procedure, and other details, in advance, and seek the consent of the Waste Task Force before collecting it.

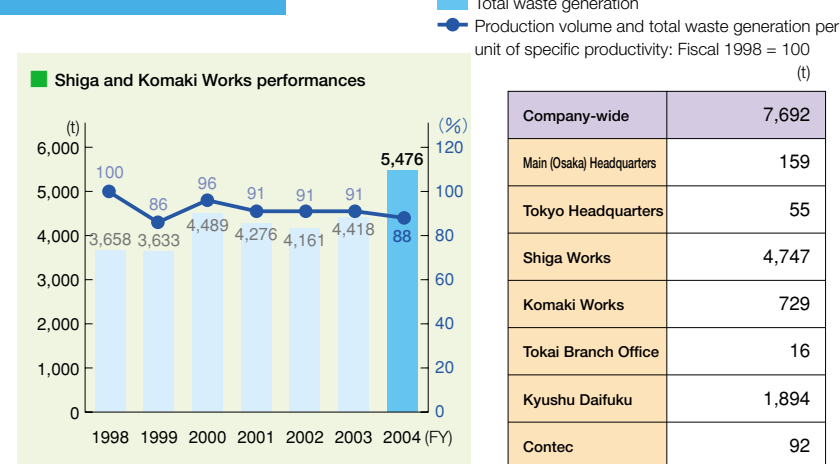
In fiscal 2004 an Environmental Patrol Campaign was instituted by the Waste Task

Force with the cooperation of various divisions. The increase in the volume of production and the scrapping of obsolete equipment reduced waste generation per unit of specific productivity by 3% in comparison with the previous fiscal year, short of the target figure of 7%. Some 80% of the Company's total volume of waste generated is scrap steel, and we will address that in the future through integrated management.

The Company's target for waste recycling is 95%. Despite vigorous sorting and recycling efforts, Shiga Works achieved only 92%. Komaki Works, however, achieved its goal of 96%.

Kyushu Daifuku, Contec and the non-production bases at the Main (Osaka) Headquarters, Tokyo Headquarters, and Tokai Branch Office are practicing thorough sorting and recovery, and to reduce paper consumption are promoting the use of both sides of every sheet.

Total Waste Generation



Status of Recycling

The Company's target is 95% recycling. Komaki achieved 96%; Shiga fell short at 92%.

	Shiga Works		Komaki Works		
	Weight (t)	(%)	Weight (t)	(%)	
Volume of valuable resource sold	3,807	81	386	53	Recycling
Volume of waste sold	52	1	—	—	
Volume of consignment recycling	477	10	311	43	
Volume of materials not recycled	411	8	32	4	Industrial waste (landfill waste)
Total waste generation	4,747	100	729	100	

Toward zero-emissions

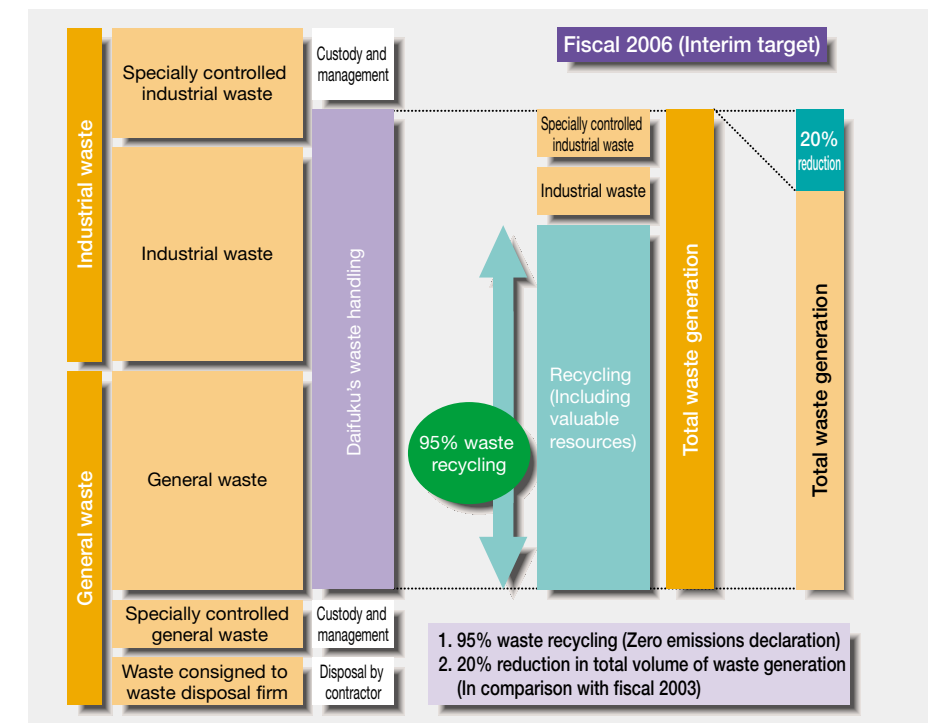
Looking toward a sustainable society, Daifuku has moved to meet its corporate responsibility to practice waste recycling. It has set a fiscal 2006 goal of reducing the total volume of waste generation and the volume of its waste disposed of in landfills by 20% from its fiscal 2003 level, and is advancing toward a final goal of zero emissions (which Daifuku defines as 95% waste recycling).

1. Reducing waste consignment to landfills
Daifuku is recycling the sludge from industrial waste water, after treating and grinding in a drying kiln, and the cinders from the incineration of wood scrap and other materials, as raw materials for cement and concrete blocks. In addition, the Company machine-treats wet garbage to produce compost, which it recycles as fertilizer for the shrubbery on plant premises. The Company plans to begin recycling the detritus from painting and coating in the future.
2. Reducing total volume of waste generation
In addition to waste recycling, the Company is working to reduce the volume of the waste it generates by discarding less scrap steel and other materials that have intrinsic value.

The Company is not limiting its efforts to reducing the volume of waste generated in the course of its corporate activities, but is

also incorporating considerations of eventual recycling into its product development activities to make our products more recyclable.

Definitions of Waste and Reduction Targets



Reducing paper consumption and recycling

Daifuku is moving forward with reduction of its paper consumption in an effort to conserve forests, which is an important element of environmental protection.

At Shiga and Komaki Works, high-quality recycled paper is used, and to reduce consumption both sides of each sheet are used. This notwithstanding, the volume of paper procurement in fiscal 2004 rose approximately 2% over its fiscal 2003 level as a result of the increased number of domestic and overseas business communications and the expanded volume of manufacturing, despite our goal of a 3% reduction. We are pushing for a reduction in paper procurement through a switch in each division to the use of digital data.

Not only do we use both sides of our paper, we recycle it as high-grade waste paper. In fiscal 2004, Daifuku's paper recycling rate was up 20% over the fiscal 2003

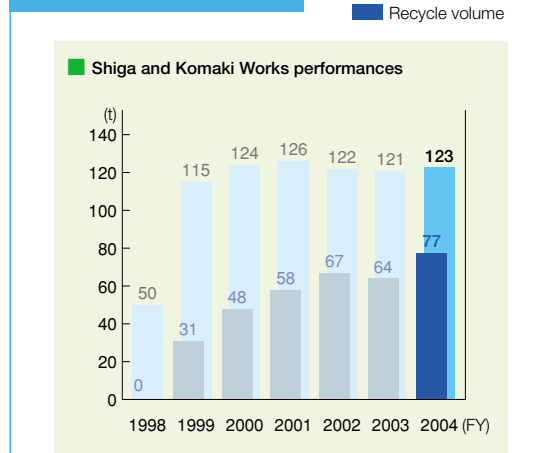
level, four times the target level of 5%, and 63% of all paper procured was recycled.

At Komaki Works, we are strongly encouraging the use of projectors instead of paper handouts for meetings in an effort to drastically reduce copying of paper documents and slash paper consumption.



Collection of waste high-grade paper

Recycling of Waste High-Grade Paper



Pollutant Emission Control

Efforts are made to thoroughly monitor and control the status of chemical substances used in production activities, air pollutants generated in the process, and other impurities.

In its production activities, Daifuku uses a wide variety of chemical substances, including some that produce significant environmental impacts.

As with other substances, environmental contaminants are periodically reviewed and strictly controlled to reduce their use wherever possible. Efforts are also underway to replace such contaminants with safer substances.

Pollutant Release and Transfer Register (PRTR) control

In order to thoroughly control and reduce the amount of harmful substances released into the environment, based on the "Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management" (PRTR Law), Daifuku has established special PRTR task force at its Shiga and Komaki Works.

Investigation has identified that in a year, Daifuku handles over 100 kg of 12 Specified Class 1 and 354 Type 1 Designated Chemical Substances through emissions and other means. The results of which are detailed in the table below. At Komaki Works, targets are set for reducing the handling of such

chemical substances and the enterprising use of aqueous paints has been implemented. Even with an increase in production volume in fiscal 2004, Komaki Works was successful in curtailing the level of designated chemical substances handled to that of the previous fiscal year.

In the future, Daifuku will maintain the established chemical substance control structure, set reduction targets at each of its bases and offices, and continue to promote the reduction of regulated chemicals use.

In fiscal 2004, Shiga and Komaki Works accomplished a 19% reduction in the handling of harmful substances compared to fiscal 2003.

PRTR Law and Related Chemical Substance Quantity Control (Fiscal 2004: Shiga and Komaki Works) Unit: kg

Control No.	Chemicals	Transaction volume	Emission to:					Transfer to:		
			Air	Public water	Soil	Land	Total	Product	Misc.	Total
1	Water soluble compounds of Zinc	373	0	0	0	0	0	294	79	373
29	Bisphenol A	2,026	0	0	0	0	0	1,317	709	2,026
40	Ethyl benzene	5,273	5,273	0	0	0	5,273	0	0	0
43	Ethylene glycol	202	202	0	0	0	202	0	0	0
63	Xylene	33,772	33,772	0	0	0	33,772	0	0	0
69	Hexavalent chromium compounds	1,027	0	0	0	0	0	962	65	1,027
224	1,3,5 - trimethyl benzene	343	343	0	0	0	343	0	0	0
227	Toluene	17,960	17,960	0	0	0	17,960	0	0	0
230	Lead and its compounds	1,047	0	0	0	0	0	792	255	1,047
309	Poly (Oxyethylene) = Nonyl phenyl ether	2,343	0	0	0	0	0	0	2,343	2,343

*The chemicals used in a smaller quantity than 100 kg per year were omitted because they are negligible.

Prevention of air pollution

Shiga Works is designated as a "place of business subject to a plan to reduce its environmental impacts on the air," based on Ordinance No.25, clause 1, of the Ordinance Concerning the Reduction of Impacts on the Air Environment of Shiga Prefecture. Because the plant has a built-in cogeneration system, efforts are made to control and reduce smoke-induced air pollutants. And, as for maintenance and inspection of equipment, all equipment specified in applicable laws and ordinances is, of course, periodically inspected, while other, non-specified

equipment is voluntarily inspected as appropriate.

Measurement Result of Air Pollutant

Shiga Works (according to Hino Town environmental pollution control agreement)

Material	Facility	Limit value	Measured value
NOx (ppm)	Electric generator	950	899
	Hot water boiler	120	110
Dust (g/m ³ N)	Electric generator	0.1	0.015
	Hot water boiler	0.2	0.004
SOx (g/m ³ N)	Electric generator	2.31	0.150
	Hot water boiler	0.567	0.086

Total drainage levels and reduction measures

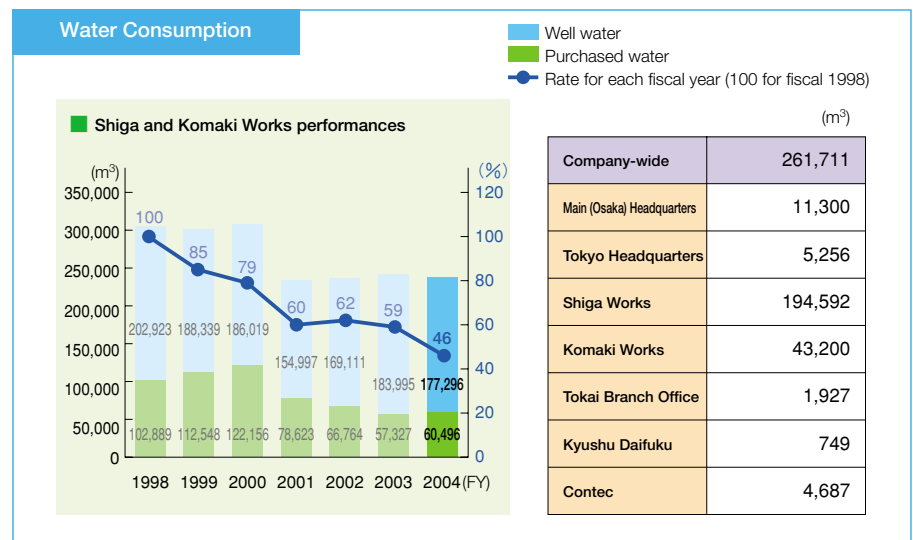
The basic understanding is that water contamination is a serious problem that can affect soil, agricultural products, living environments, and various other areas. Accordingly, efforts are made to control and reduce drainage from works with meticulous care, while, of course, observing relevant laws and regulations.

Drainage from production activities at Shiga Works is processed at a comprehensive drainage treatment plant on the premises, before being discharged into the Sakura River, which has the Class-A clearness.

Drainage from rainwater drains is channeled to a pond that stores water for firefighting. For that reason, the equipment at Works is thoroughly maintained and inspected, while water discharged from the drainage treatment plant is measured. Living environmental organisms are measured once a month. Meanwhile, hazardous substance items are measured twice a year.

On the other hand, Komaki Works has three facilities or equipment requiring water contamination control: car wash, kitchen (canteen), and painting equipment. Water control involves strict management according to both regional treatment standards and voluntary benchmarks, while monthly monitoring measurement is conducted by an external specialist agency.

In fiscal 2004, Shiga and Komaki Works significantly reduced water consumption by 22% compared with the previous fiscal year.



Measurement Result of Final Effluent Quality

Shiga Works (in accordance with Clean Water Law, Shiga Prefecture ordinance, and Hino Town environmental pollution control agreement)

Item	Limit value	Measurement result		
		Max	Min	Avg
Amount of drainage (m³)	—	723	343	421
PH	6.0 - 8.5	7.6	7.1	7.4
SS (mg/l)	20	7.1	1.6	3.7
COD (mg/l)	20	9.8	3.6	6.6
BOD (mg/l)	20	8.0	1.0	4.5
Total phosphorus (mg/l)	1	0.6	0.1	0.35
Total nitrogen (mg/l)	10	5.7	1.9	4.6

*An average value is the weighted average.

Komaki Works (in accordance with sewage water law and Komaki City waterworks department environmental pollution control agreement)

Item	Limit value	Measurement result		
		Max	Min	Avg
Amount of drainage (m³)	—	—	—	69
PH	5.7 - 8.7	7.0	6.7	6.9
SS (mg/l)	Less than 300	29	12	18.7
BOD (mg/l)	Less than 300	18	7	10.7
n-hexane mineral oil (mg/l)	5 or lower	1.0	1.0	1.0
n-hexane animal and vegetable oil (mg/l)	30 or lower	1.9	1.0	1.2

Column Measures to Reduce Noise and Vibrations

Pollution Control Agreement observation and status monitoring

Daifuku sees measures to reduce noise and vibrations as an important challenge that must be continuously addressed.

Noise is monitored and measured, and efforts are made to observe the Pollution Control Agreement. All of periodical measurements fell short of the treaty-specified levels. Vibrations did not affect surrounding areas.

Noise Levels Measured

Shiga Works Unit: dB

	Morning	Daytime	Evening	Nighttime
	6 am - 8 am	8 am - 6 pm	6 pm - 10 pm	10 pm - 6 am
Hino Town limit value	60	65	60	55
Measured value	42	45	53	50

Komaki Works Unit: dB

	Morning	Daytime	Evening	Nighttime
	6 am - 8 am	8 am - 6 pm	6 pm - 10 pm	10 pm - 6 am
Komaki City limit value	60	65	60	50
Measured value	53	55	54	47



Water quality patrol campaign at Shiga Works



Water survey at Komaki Works

Green Procurement

Daifuku has established green procurement guidelines and prioritized actions to be taken in order to ensure that we do not incorporate, use, or produce any hazardous substances, and can thereby offer environmentally conscious products.

Daifuku believes that one of its most important environmentally conscious priorities is to reform procurement and purchase activities that may indirectly affect the environment, as well as those that have direct environment impacts.

We developed an integrated Environmental Management System that also involves its customers and suppliers, and it works in-house to promote green purchasing, in order to be able to offer environmentally conscious products.

New environment-compliant project launch

As environmental issues take a more prominent position on the world stage, requests for prohibiting and eliminating the use of harmful substances that have damaging effects on people and the environment are becoming more ardent.

The European RoHS Directives that regulate the use of harmful substances such as lead, mercury, cadmium, hexavalent chromium, PBB, and PBE that are contained in electric and electronic equipment is one such example of how overseas laws and regulations relating to the environment have

become stricter.

Following these regulations, Japan's domestic electric and electronic manufacturers are at the center of the movement toward establishing green procurement guidelines and abolishing the use of products with harmful substances.

At Daifuku as well, we are striving to provide logistics systems and equipment products that are free of harmful substances, and by newly launching our environment-compliant project team in July 2004, we are committed to meeting our goals.

Two excellent supplier companies presented with Supplier Quality Development (S.Q.D.) Awards

At Daifuku, we ask for the cooperation of our business partners to help maintain our green procurement activities.

In fiscal 2003, we formulated a supplier evaluation system, and in order to recognize suppliers with excellent performance records, we created the S.Q.D. Award. In fiscal 2004, the second year of the system, two companies were recognized with the award, out of the 105 suppliers of machinery and control systems. In the future, we plan to progressively include design, engineering and service companies in the realm of assessment.

In the future, we plan to progressively include design, engineering and service companies in the realm of assessment. Daifuku's products will undergo checks for the existence of harmful substances and consideration for alternative substance use as part of

compliance assessments under its environmental product regulations. In addition, we request that our business partners undergo testing for harmful substances, and purchase components that are free of such hazardous materials.



S.Q.D. Awards Ceremony

Promoting green purchasing

Daifuku is actively committed to promoting green purchasing, and internal and external dissemination of information through that activity. Criteria for green purchasing supplier selection include the database of the Green Purchase Network and the presence of an

environmental label.

Daifuku also establishes green purchase guidelines for office equipment, checks each item before purchase, and selects products that have the least environmental impacts.

Industrial Safety and Hygiene

Daifuku's basic policy is to "put safety before everything else," and we have established a 5S campaign (Sort, Set in order, Shine, Standardize, and Sustain).

A Message for environmental health and safety

Beginning in May 2004, once every month, the president has delivered a message relating to safety to those responsible for all domestic and overseas factories and sub-

sidiaries. Furthermore, from July 2004, messages were switched to audiovisual messages delivered by the president via the network, calling attention to safety precautions.

On-site safety patrol campaigns conducted by managers at every business location

As part of the activities of the Installation Control Environmental Safety and Hygiene Committee, launched in June 2004, each of Daifuku's divisional general managers conducted a round of safety inspections referred to as the Safety Patrol Campaign.

Safety Patrol Campaign is a trial effort in

safety control whereby general managers visit each factory location, participate in safety activities there, and learn from the each factory's strong points. In the future, we plan for these activities to be conducted as necessary.

Promoting the continuance of "zero accidents" with the handy safety card

In order to promote the continuation of "zero accidents" we created the Safety Card, a compact reminder of our 10 Commandments of Safety and Five Rules of Fall Prevention

measures. The cards have been distributed to all Group employees and to our subcontractors on project sites, attempting to raise awareness of safety measures.

Company-wide environmental safety and hygiene control system

Safety measures and safety control issues are given top priority at Daifuku. Since the Company was founded, "safety first, zero accidents" was implemented and Daifuku has pursued this principle with unwavering commitment. Two aims for the establishment of the Company-wide Environmental Safety and Hygiene Control System were to clarify prompt information communication routes in the event of an accident and to strengthen our domestic and overseas safety and hygiene control systems. Members of the Environmental Safety and Hygiene Committee conduct 5S patrol campaign

activities every month at every factory location. We are establishing never-ending self-improvement 5S (Sort, Set in order, Shine, Standardize, and Sustain) campaign activities, and are promoting productivity improvement, workplace invigoration, and achievement of a "zero accident" workplace. Daifuku established the "Installation Control Environmental Safety and Hygiene Committee" for personnel working in its factories to establish and pass down a culture of safety across all operations in line with the "zero accidents" objective.

Daifuku implements a voluntary workplace improvement campaign, featuring important action statements; "promote the safety campaign," "eliminate risks of being entangled in a hazard," "promote a transport safety campaign," and "promote a comfortable workplace environment," in an attempt to "reduce accidents (resulting in leave) to zero for 365 consecutive days."



Shooting of the president's message on safety issues



Safety patrol campaign



Safety card

Column Efforts Toward Industrial Safety and Hygiene

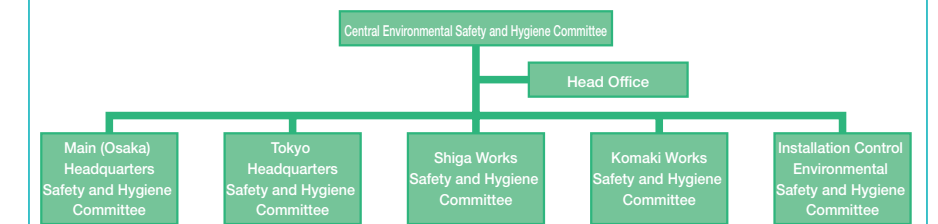
Certification of the Comfortable Workplace Promotion Plan

The Shiga Works workplace environment plan was recognized by the Minister of Health, Labour and Welfare for the appropriateness of its guidelines for creating a comfortable workplace environment. Shiga Works was also presented with a certificate and plaque by the Shiga Prefecture Department of Labor for these same efforts.

Separate smoking and non-smoking break rooms, the use of lifting equipment such as handlifts and cranes for reducing the amount of physical labor needed, and other measures implemented with the J Building cleanroom extension were noted as a step in the right direction for creating a comfortable workplace environment.



Company-wide Environmental Safety and Hygiene Control System



Human Rights and Employment

Daifuku respects the rights of the employees and stakeholders and works actively to create a worker-friendly environment.

One of Daifuku's management philosophy is to "create a lively company culture which respects personality and individuality of each employee," and we regard this as an important management challenge.

Opening a Personnel Counseling Office

Daifuku introduced a New Personnel Treatment Program in fiscal 2003. As part of a company-revitalizing measure within that program, we opened a Personnel Counseling Office, and established an easily accessible contact point for employees who have queries or problems. The office receives inquiries about the New Personnel Treatment Program, assessment and treatment issues, workplace environment, and health control, and can help employees resolve their problems.

The Company also accomplished the opening of communication channels with directors to enable bilateral feedback between management and the Company's employees.



Human rights poster

Product Safety

Daifuku has established a Product Safety Task Force since fiscal 2003. Using this facility, we have and will continue to implement mechanisms and regulations for "guaranteeing product safety," as a corporate responsibility.

Daifuku has implemented the "Machinery Risk Assessment" as required by the ISO's "Safety of Machinery" and "The Guidelines for Comprehensive Safety Standards of Machinery" by the Ministry of Health, Labour and Welfare. Furthermore, we are striving to implement the Risk Assessment for the production equipment and fields.

Conducting risk assessment

To ensure product safety, Daifuku has established a unique set of regulations directed to the engineering, development, and design units. We also implemented the risk assessment of newly developing products and the

existing products/models. In addition, we are working for the risk assessment of production equipment at manufacturing, installation and maintenance service units, and for installation sites.

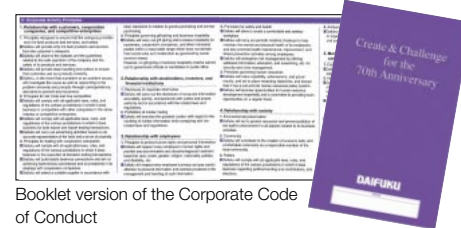
Corporate Code of Conduct

Daifuku observes all applicable laws, regulations, and social norms, both domestic and foreign.

Daifuku launched the new Three-Year Business Plan in April 2004. One of the basic management policies is to "Effectuate a management that complies with social rules and principles of each country, together with strengthening risk management."

Strictly observing the Corporate Code of Conduct

Daifuku has produced a booklet containing the complete text of the Corporate Code of Conduct, and requires all employees to carry it with them at all times. This is to ensure that they conduct their operations legally and fairly.



Booklet version of the Corporate Code of Conduct

Personal Information Protection

Daifuku takes meticulous care in handling any information that we might obtain about individuals and corporate customers.

Information Security Task Force established

In August 2004, Daifuku established the Information Security Committee in order to standardize company-wide rules and enhance awareness of the management of Company information, such as employee, client, technological, and financial informa-

tion. In March 2005, Daifuku instituted an information security policy with the aim of creating the most secure management system possible for our information assets (information security).

Code concerning personal information

- Daifuku will never abuse the confidential information, which it has obtained in ordinary course of business service, about employees, customers, cooperation companies, dealers, competitors, and other interested parties.
- Daifuku will respect every employee's privacy and pay careful attention to personal information and exercise prudence in the management and handling of such information.
- Daifuku employees will recognize the value of the company's confidential information (technology, know-how, etc.), and strictly manage such information in order to safeguard it.

- Daifuku employees will never abuse or reveal the company's confidential information (technology, know-how, etc.) whether during active service or after retirement.
- Daifuku will never obtain any confidential information about employees, customers, cooperation companies, dealers, competitors, and other interested parties using illegal methods.

All employees of Daifuku must observe the above code and pay meticulous attention in handling personal information.

Hini Arata Kan

Hini Arata Kan, the world's largest full-scale comprehensive logistics showroom, mobilizes Daifuku products with the advanced technology and know-how that Daifuku, a leader of material handling industry, has developed for more than half-century since its establishment.

The facilities exhibit some 300 products of 100 types, together with more than 150 product-related equipment from 40 logistics vendors, which can be integrated into new systems. Visitors can view the actual equipment and performance of the stage-of-the-art systems in the demonstration of an automobile assembly line, as well as of storage, conveying, sorting and picking systems.

Experienced staff will introduce our products with comprehensive explanation to all visitors. Besides, Hini Arata Kan conducts various seminars, user meetings, training and fact-finding tours for companies and organizations, thereby acting as an information conduit for leading-edge logistics.

Many guests and groups including elementary and junior high schools' filed

trips have come there. And, in Hini Arata Kan, "Environment-related Equipment Section" introduces how Daifuku is working on the environmental activities.

■ Facts

- Building area: 6,049 m²
- Building height: 25.1 m
- Floor space: 19,482 m²
- Parking space: 5 buses, 50 cars
- Hours open: 9:00 am - 5:00 pm (Reservation needed)
- Closed: Sunday, National holidays
- Web site: <http://www.daifuku.com/daifuku/global/hiniaratakan/index.asp>
- Phone: (Toll Free) 0120-074-854
- Operated by: Hiniaratakan Corporation c/o Shiga Works, Daifuku Co., Ltd. 1225 Nakazaiji, Hino-cho, Gamo-gun Shiga 529-1692 Japan



Hini Arata Kan



Storage systems section



Environment-related equipment section