



**SOCIAL & ENVIRONMENTAL
REPORT
2008**



- 01 Message from the CEOs
- 04 Corporate Data
- 06 Business Overview
- 08 Highlights
- 10 Corporate Governance
- 11 Management System

Social Efforts

- 12 Observance of Regulations
- 13 Information Security Governance
- 14 Human Rights and Employment
- 15 Industrial Safety and Hygiene
- 16 Quality Management System
- 17 Communication Activities
- 18 Contributing to the Community

Environmental Policy, Targets and Achievements

- 20 Basic Environmental Policy
- 21 Environmental Objectives and Targets
- 22 Business Operation Material Balance
- 23 Environmental Accounting

Environmental Management

- 24 Environmental Management System

Environmental Impact Reduction Efforts

- 26 Energy and Resource Conservation
- 28 Waste Reduction
- 30 Pollutant Emissions Control
- 32 Green Procurement

- 33 Hini Arata Kan

Column

- 16 Daifuku Receives Intel's 2007 PQS Award
- 18 Bowling for Health—Booklet Published
- 20 Raising of Environmental Awareness
- 23 Environmental Management Level Survey

Comments from Environmental Activity Representatives

- 19 Tokai Office
- 25 Osaka Headquarters
- 27 Tokyo Head Office
- 29 Komaki Works
- 30 Shiga Works
- 33 Hini Arata Kan

Preface

Daifuku's annual Environmental Report highlights performance related to global environmental conservation for manufacturing and business operations. In 2007, the format has been expanded to include more content dealing with the social aspects of its activities and the report renamed Daifuku's *Social & Environmental Report*. The new format is intended to illustrate to customers, shareholders and all other stakeholders how we at Daifuku are paying heed to social contribution and environmental conservation concerns in the course of manufacturing and sales. Like its predecessor, Daifuku's *Social and Environmental Report* will be published annually.

Information on social contribution and environmental conservation activities is also accessible via Daifuku's website: www.daifuku.com. In order to improve the report's activity content and overall quality, we would very much like to receive feedback.

Scope of This Report

Period covered: April 2007 - March 2008

Note: Some content dealing with activities may include information on activities that took place at times other than the above-mentioned period.

Operations: Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Office), Kyushu Daifuku Corporation, Contec Co., Ltd., and Contec EMS Co., Ltd.

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Toward a Significant Leap Forward



K. Takeuchi
Katsumi Takeuchi
Chairman and Co-CEO

M. Hojo
Masaki Hojo
President and Co-CEO

Leading the Material Handling Industry

Over the more than 70 years that have passed since its founding in 1937, Daifuku has been supplying material handling systems and equipment to industry. Continuing a long tradition, Daifuku brings people excitement and joy by "moving things." As a result, Daifuku has sold more than 20,000 automated warehouse stacker cranes, which feature in factories and distribution centers. Over the course of its unbroken heritage the Company has delivered more than 4,000 kilometers of automotive production line systems. In business for semiconductor and flat-panel (FPD) production cleanrooms, Daifuku has been working to maintain its lead over other companies in the supply of cutting-edge transport and storage systems. Daifuku has today established itself in a top position in the material handling field. We would like to express gratitude to our stakeholders including shareholders and investors, for all their continued guidance and encouragement over the years.

A New Chapter under a New Management Team

On April 1, 2008, Daifuku introduced a new management team, under which Chairman Katsumi Takeuchi and President Masaki Hojo are serving as Co-CEOs. In recent years, the Company has taken steps to bolster its core businesses, build a solid financial position for strategic capital investment and increase non-Japan sales as part of its current three-year business plan, which it began implementing from April 2007. Fiscal 2008 marks the second year of this three-year plan. The plan, **Jump up for 2010**, sets the targets of attaining net sales of at least 250 billion yen, an operating income margin of at least 10% and a non-Japan sales ratio of at least 50%, representing sustained growth with a focus on profitability.

Jervis B. Webb Company, an American material handling powerhouse acquired by Daifuku in December 2007, is part of the consolidated accounts for fiscal 2008, ending March 31, 2009. Due in part to this acquisition, Daifuku expects to meet its *Jump up for 2010* sales and non-Japan sales ratio targets well ahead of schedule. The remaining challenge is to reach and surpass the operating income margin target of 10%. With an accurate understanding of the constantly changing global economy, we aim to accomplish all *Jump up for 2010* goals.

For our Japan-based operations, the most important event of the current fiscal year is the implementation of "internal control over financial reporting" in line with the Financial Instruments and Exchange Law. We are committed to building effective corporate governance systems, achieving statutory compliance as outlined in our Corporate Code of Conduct, establishing a reliable risk management framework and constructing a formidable internal control system. As we strive to remain a company trusted by all our stakeholders, we ask for your continued support and encouragement.

This *Social & Environmental Report 2008* introduces social contribution and environmental conservation activities conducted by Daifuku during fiscal 2007, ended March 31, 2008. We sincerely ask for your review of the contents and for your guidance in our endeavors to fulfill the objectives outlined herein.

August 2008

Medium-Term Business Environment

More than ever, major economies worldwide are experiencing difficult conditions. Underlying the poor conditions are financial market turmoil and a resultant real economy sluggishness triggered by the U.S. subprime loan crisis, stagnating stock markets and surging energy and raw material prices, which are together fueling concerns for a slowdown in capital expenditure. On the other hand, China and other emerging countries as well as resource-producing countries are expected to see continued rapid growth. This "mosaic" of economic circumstances at the global level is highlighting the importance of effective corporate strategies, market strategies in particular.

Daifuku began implementing its Three-Year Business Plan, **Jump up for 2010**, from fiscal 2007. Under the plan, the Company has set respective targets for consolidated net sales, its consolidated operating income margin and its non-Japan sales ratio of at least 250 billion yen, 10% and 50%. These numerical targets are serving as the cornerstones of our blueprints for achieving sustainable growth. Pursuing the accomplishment of these targets, we are aiming to become the undisputed leader in the material handling industry in terms of both product quality and sales volume.

Friendly takeover bids are also among the options outlined under this plan that aims at achieving the Company's further growth. Choosing this option, Daifuku acquired all the shares of U.S.-based Jervis B. Webb Company in December 2007. Jervis B. Webb boasts strengths in the

field of airport baggage handling systems, a previously unexplored field for Daifuku; extensive product lineups that effectively complement those of Daifuku; and an international business network as well as exceptional brand power in the North American market. The Company expects to see synergistic effects to emerge from this acquisition over the next two to three years, with significant contributions devolving to its consolidated business results.

The most challenging issue in the course of the plan's implementation is the improvement of profitability. Daifuku will accelerate penetration into the markets of the BRICs and other emerging countries, including the VISTA countries—namely, Vietnam, Indonesia, South Africa, Turkey and Argentina—and those of resource-producing countries. Meanwhile, Daifuku will focus on the reinforcement of personnel engaged in monozukuri (craftsmanship), particularly with regard to the staff of global affiliates. More specifically, Daifuku holds world congress for in-company skills competitions and provides its employees with educational and training programs based on the Daifuku Manufacturing and Design System (D-MAND), the Company's proprietary, systemized method of manufacturing. Through these initiatives, the entire Daifuku Group is working as one to offer uniformly high-standard, high-quality systems to its customers worldwide. Furthermore, in step with these efforts, the Company will continue to invest heavily in R&D, which it recognizes as the lifeblood of a manufacturing company.

Establishment of an Internal Control System

Another important issue is the establishment of an internal control system in accordance with the Corporation Law, which was enacted in 2006, and the Financial Instruments and Exchange Law, which was put in force from April 2008.

In April 2007, Daifuku established an internal control operations function executed by the Company's Chief Risk Officer (CRO). This initiative was aimed at internal control awareness throughout the Company and creating environments necessary for achieving effective internal control. Under the close direction of CRO, the Business Continuity Plan (BCP) Promotion Division gathers information relating to the risks that may materialize in the course of Daifuku's operations and formulates plans to ensure business continuity in preparation for and response to the Company's actual exposure to the risks.

Daifuku has also established the Internal Control Promotion Dept. under the direction of the Chief Financial Officer (CFO), who executes a corporate affairs management function. This dept. is working to ensure sound and accurate financial reporting to enable the Company to improve its status as a trusted corporate entity.

70th Anniversary as a Midpoint

On May 20, 2007, the 70th anniversary of its foundation, Daifuku introduced its new corporate slogan, "Material Handling and Beyond." Through this new slogan, we are expressing our unflagging commitment to material handling as our core business and our multifaceted world view from a material handling perspective. With the aim of commemorating our 70th anniversary, we have engaged in a variety of social contribution activities, including the donation of three care vehicles equipped with wheelchair lifts manufactured by the Company to local care providers in the region where the Shiga Works is located as well as the provision of financial support for the construction of elementary school buildings in the Inner Mongolia region of China.

In June 2007, Rating and Investment Information, Inc. (R&I) upgraded its rating for Daifuku from "BBB+" to "A-." The Company has returned to the "A" rating for the first time in 10 years. This favorable rating reflects our efforts to strengthen and expand our financial foundations and improving our financial stamina.

Corporate Activities Emphasizing Social Contributions and the Environment

Material handling systems and equipment form part of the essential social infrastructure supporting industry, logistics and trade. Daifuku adheres to a prioritized management philosophy of "contributing to the development of industry by supplying optimal material handling systems to a global market." The Company has been honing the technologies needed to respond to customer needs and developing its business since its founding in 1937. Today, Daifuku has two faces: as a manufacturer and as a systems integrator. The latter involves the delivery of our products to customers' sites, where we construct optimal material handling systems in existing structures and facilities through finely-tuned on-site adjustments. Following up on product delivery, we work to establish strong, long-standing relations with our customers by providing after-sales services tailored to their needs. Our corporate strategies in line with this business model focuses on thorough project management and service business expansion.

In the field of project management, we closely observe our

S. Q. C. D. E. (safety, quality, cost, delivery and ecology) principles at our customers' installation sites as well as our production bases. This approach allows us to launch customers' systems smoothly, which, in turn, helps win their trust. As Daifuku continues on the path of business globalization, it is increasingly concentrating on enhancing the precision of its project management by identifying and fostering local business partners worldwide, even in countries and regions with totally different business environments and cultures.

With the aim of expanding its service business, Daifuku established a Services Management function in April 2008. The establishment of this function has enabled the Company to formulate and promote its Companywide servicing strategies on a cross-divisional basis. By offering the highest quality services and improving the value we add to our services on an ongoing basis, we aim to grow our service business into a pillar of our stable, sustainable corporate activities.

Comments from Social & Environmental Activity Representatives



Making Significant Contributions to Society through Business

Masayoshi Inoue
Managing Director and CFO
COO of Business & Global Management
General Manager of CSR Division

Daifuku delivers products to various kinds of factories and distribution centers all over the world. Aware that these products form part of the essential social infrastructure that supports industry, logistics and trade, Daifuku supplies optimal systems and makes all-out efforts in its service activities.

In recent years, customers have become more aware of the need for disaster and risk prevention measures. Daifuku therefore offers products and services that take into account wide-ranging stability and safety aspects so that delivered systems can guarantee a stable operation on a daily basis.

April 1, 2008 saw the implementation of internal control over financial reporting in accordance with the Financial Instruments and Exchange Law. In response to this new regulation, the Group's headquarters functions have been reorganized into two divisions—the Corporate Social Responsibility (CSR) Division and the Finance & Accounting Division. Taking advantage of these clearly separated functions, the Company is endeavoring to proactively conduct CSR activities throughout its business operations and reinforce reliability in its financial reporting, thereby winning the trust of all stakeholders and contributing to economic and social development on a global scale.

As our Basic Management Policy states, we will continue to pursue business in line with a transparent management approach based on honesty and integrity.



Aiming to Become the Undisputed World Leader in Material Handling

Hifumi Katsuragi
Managing Director
COO of Production Control
Chief Officer of Shiga Works

Daifuku considers the environment to be an important factor in the Company's management and undertakes the full gamut of environmental conservation activities in every facet of its business.

To facilitate and further increase the smoothness and efficiency of operations at its global production bases, Daifuku has introduced ISO 9001/14001 management systems. To date, Daifuku's Tokyo Head Office, Osaka Headquarters, Shiga Works, Komaki Works, Tokai Office and Kyushu Daifuku Corporation have acquired ISO 14001 certifications and are conducting operations based on the Company's management systems. Outside Japan, in fiscal 2006 the Company began preparing for the acquisition of ISO 9001/14001 certifications, mainly for its production bases, most of which are expected to acquire certifications by the end of fiscal 2008 ending March 2009.

Through D-MAND training, Daifuku provides its employees with production and skills training programs in Japan while offering traveling seminars at global affiliates. These training programs are aimed at accelerating the improvement of S.Q.C.D.E. worldwide for the Company to enhance customer satisfaction and, consequently, to become the world leader in the material handling field. At the same time, we are committed to fulfilling our responsibilities as a corporate citizen through activities to contribute to global efforts to protect the environment.

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

Six business bases—namely Shiga Works, Komaki Works, Osaka Headquarters, Tokyo Head Office, Chubu Tokai Area (Tokai Office), and Kyushu Daifuku—have acquired ISO 14001 certification. With these bases as leaders, Daifuku is promoting environmental conservation activities. In addition, its affiliates Contec Co., Ltd. (Contec) and Contec EMS Co., Ltd. have acquired ISO 14001 certification.



Osaka Headquarters
3-2-11 Mitejima, Nishiyodogawa-ku
Osaka 555-0012 Japan
Lot area: 14,514 sq.m
Floor area: 19,236 sq.m
Business: Conducts sales, engineering, and design for material handling systems and equipment, and handles corporate affairs



Tokyo Head Office
2-14-5 Shiba, Minato-ku
Tokyo 105-0014 Japan
Lot area: 783 sq.m
Floor area: 3,572 sq.m
Business: Conducts sales, engineering, and design for material handling systems and equipment, and handles corporate affairs



Shiga Works
1225 Nakazaji, Hino-cho, Gamo-gun, Shiga 529-1692 Japan
Lot area: 1,160,000 sq.m
Floor area: 221,400 sq.m
Business: Conducts engineering, design, installation, and services for material handling systems and equipment; handles corporate affairs; and maintains warehouses



Komaki Works
1500 Komakihara-shinden, Komaki
Aichi 485-8653 Japan
Lot area: 56,000 sq.m
Floor area: 9,300 sq.m
Business: Conducts sales, engineering, installation, and services for material handling systems and equipment, and handles corporate affairs



Chubu Tokai Area (Tokai Office)
2-48 Fukada-cho, Toyota City, Aichi
471-0841 Japan
Lot area: 2,784 sq.m
Floor area: 2,982 sq.m
Business: Sells conveyor systems and other equipment



Kyushu Daifuku Corporation
2134-1 Yobaru Bunkyu, Kanda-machi, Miyako-gun
Fukuoka 800-0323 Japan
Lot area: 25,000 sq.m
Floor area: 6,800 sq.m
Business: Conducts engineering, installation, and services for material handling systems and equipment; handles corporate affairs; and maintains warehouses



Contec Co., Ltd.
3-9-31 Himezato, Nishiyodogawa-ku
Osaka 555-0025 Japan
Lot area: 4,443 sq.m
Floor area: 7,339 sq.m
Business: Develops, manufactures, and sells PCs for FA use, interface boards, LAN-related equipment, and remote monitoring/control systems



Contec EMS Co., Ltd. Komaki Factory
1481-1 Komakihara-shinden, Komaki
Aichi 485-0012 Japan
Lot area: 9,415 sq.m
Floor area: 10,474 sq.m
Business: Manufactures electronic devices for FA and IT systems

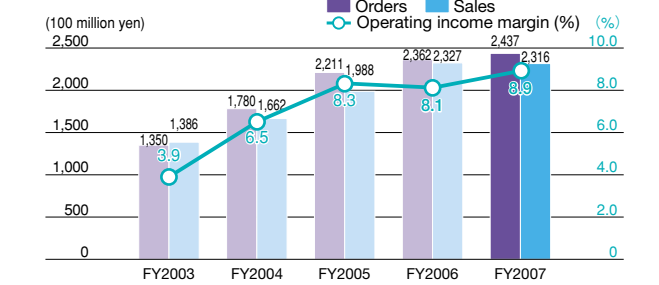
Corporate name: Daifuku Co., Ltd.
Osaka Headquarters: 3-2-11 Mitejima, Nishiyodogawa-ku
Osaka 555-0012 Japan
Tokyo Head Office: 2-14-5 Shiba, Mitato-ku
Tokyo 105-0014 Japan
Established: May 20, 1937
Paid-in capital: 8,024 million yen (As of April 2008)
Representative: Masaki Hojo, President & Co-CEO
Employees: Approx. 5,700 (Total of Daifuku Group, as of March 2008)

Consolidated sales 231,619 million yen (for the year ended March 2008)

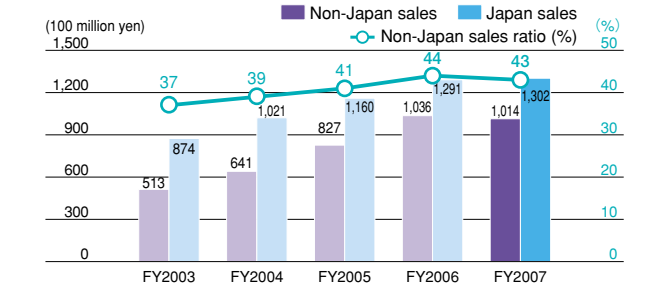
Business: Provides comprehensive consultation services for material handling systems and total engineering, including designing, manufacturing, installation, and after-sales services

Products: Conveying/Transport systems, storage systems, sorting and picking systems, control and information systems, material handling equipment, and others (car wash machines, bowling alley equipment, special-purpose equipment, etc.)

Consolidated Orders and Sales



Consolidated Non-Japan Sales Ratio



Affiliates

- Contec Co., Ltd.
- Contec EMS Co., Ltd.
- Kyushu Daifuku Corporation
- Daifuku Unix Corporation
- Daifuku QubicaAMF Co., Ltd.
- Daifuku Logistic Technology Co., Ltd.
- Hiniaratakan Corporation
- Daifuku Design and Engineering Co., Ltd.
- Daifuku Institute of Technology and Training Co., Ltd.
- Daifuku Business Service Corporation
- Daifuku Software Development Co., Ltd.
- Daifuku Business Create Co., Ltd.
- Daifuku Manufacturing Expert Co., Ltd.
- Daifuku Field Engineer Co., Ltd.
- Osaka Machinery Works Co., Ltd.
- Renace Laboratory, Inc.
- Daifuku America Corporation (U.S.A.)
- American Conveyor and Equipment, Inc. (U.S.A.)
- Jervis B. Webb Company (U.S.A.)
- Daifuku Canada Inc. (Canada)
- Jervis B. Webb Company of Canada, Ltd. (Canada)
- Daifuku Europe Limited (U.K.)
- Jervis B. Webb Company, Ltd. (U.K.)
- Jervis B. Webb GmbH (Germany)
- Daifuku India Private Limited (India)
- Webb India Private Limited (India)
- Daifuku (Thailand) Ltd. (Thailand)
- Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)
- Daifuku (Malaysia) Sdn. Bhd. (Malaysia)
- P.T. Daifuku Indonesia (Indonesia)
- Daifuku (Shanghai) Ltd. (China)
- Daifuku Automation (Tianjin) Co., Ltd. (China)
- Daifuku Automation (Guangzhou) Co., Ltd. (China)
- Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
- Taiwan Daifuku Co., Ltd. (Taiwan)
- Clean Factomation, Inc. (South Korea)
- ATS Co., Ltd. (South Korea)
- MIMATS Co., Ltd. (South Korea)
- Daifuku Carwash-Machine (Shanghai) Ltd. (China)
- Jervis Webb-China Company, Ltd. (China)
- Daifuku Carwash-Machine Korea Inc. (South Korea)
- Contec Microelectronics U.S.A. Inc. (U.S.A.)
- Beijing Contec Microelectronics Corporation (China)
- Shanghai Contec Microelectronics Corporation (China)
- Taiwan Contec Co., Ltd. (Taiwan)

● Affiliates with production facilities



Daifuku America Corporation Ohio Plant



Daifuku (Thailand) Ltd. Chonburi Plant



Jiangsu Daifuku Rixin Automation Co., Ltd.



Taiwan Daifuku Co., Ltd.



ATS Co., Ltd.

■ Overseas Offices
(Mexico, Czech, St. Petersburg, Philippines, Tianjin, Shanghai)

■ Affiliates outside Japan

● Affiliates with production facilities

Daifuku Group's Business Operations

AFA (Automotive Factory Automation)	Development, manufacture, sales, and services for automobile production line systems
FA&DA (Factory Automation & Distribution Automation)	Development, manufacture, sales, and services for material handling systems used in factories and distribution centers
eFA (e-Factory Automation)	Development, manufacture, sales, and services for material handling systems used in clean & semi-clean environments for in the IT and electronics industries
Electronics	Development, manufacture, and sales of electronic devices, including PCs for FA use, interface boards, LAN-related equipment, and remote monitoring/control systems, sharing field with Group company, Contec
Car Wash Machines	Development and manufacture of car-wash machines (Sales & services: Daifuku Unix Corporation)
Special-Purpose Equipment	Development, manufacture, and sales of care-provider and ecologically-focused products

Products

Storage	<ul style="list-style-type: none"> ● Pallet automated warehouse – Unit load AS/RS ● Case automated warehouse – Mini load AS/RS ● Aisle opening pallet rack for heavy load storage – Mobile Rack ● Vertical rotary storage rack – Vertical Carousel ● Pallet rack for heavy load storage – New-Goodrack ● Automated warehouse for cleanrooms – Clean Stocker
Conveying/Transport	<ul style="list-style-type: none"> ● Chainless conveyor system for automobile production lines – Flexible Drive System ● Electrified monorail system – RAMRUN ● Multidirectional automatic guided vehicle – FAV ● Overhead transport system – Space Carrier ● Cleanroom transport system – Cleanway ● Cleanroom automatic guided vehicle – Clean AGV ● Automatic guided cart – SmartCart ● Automatic trailer loading vehicle – SmartLoader ● Airport baggage handling systems
Sorting & Picking	<ul style="list-style-type: none"> ● High-speed sorter – Jet Surfing Sorter ● Ultrahigh-speed small-sized picking system – Pick & Stocker ● Cart-type picking system – Picking Cart System ● Assorting-type pick-to-light system – Digital Pick System ● Put-to-light system – Digital Assort System
Material Handling Equipment	<ul style="list-style-type: none"> ● Roll box pallet ● Mesh box pallet – Palletainer ● Collapsible container – Magic Container ● Ergonomic table cart – Level Cart
Information Systems	<ul style="list-style-type: none"> ● Warehouse management system – eWareNavi
Other	<ul style="list-style-type: none"> ● Bowling alley equipment ● Car wash machines ● Bicycle parking systems ● Wheelchair lift for care-provider vehicle ● Underfloor storage units



Flexible Drive System



Unit load AS/RS



Cleanway



Industrial computers



Tunnel-type Magic-Thru Convenios

Environmental Efforts Reflected in Daifuku Products

Power-Saving, Low-Noise L Series Conveyors Developed

Daifuku developed the L Series of power-saving, low-noise conveyors as roller conveyors.

The L Series conveyors, which have a speed of less than 40 meters per minute and are capable of transporting 3,000 cases an hour, reduce power consumption 30% in comparison with conventional conveyors while boasting reducing noise levels thanks to a new type of roller.



L series conveyor

[Product Features]

- Reduces energy usage thanks to line shaft technology
 - Enables straight and curved load positioning transport with a single drive
 - Enables conveyors up to 50 meters long to be run by a single motor
Note: Maximum conveyor length fluctuates depending on such factors as transport speed, mass and roller pitch.
- Features reduced noise levels thanks to a new roller technology
 - Roller bearing material changed to plastic

Power-Saving Clean Stocker Developed

Automated storage (AS) cranes made to cleanroom specifications have grown in size to keep pace with the increasing size of the LCD glass panels used in flat-screen TV displays.

Commercializing a stocker that employs electric power regeneration and high-efficiency inductive power distribution (HID) technology (noncontact power supply) when running in "eco-mode" brought about a significant 50% cut in power usage.



Clean Stocker for LCD manufactures

[Product Features]

- Uses an electric power regeneration system
A technology that, by means of regenerative resistance, recovers energy lost in the form of heat, using that energy to charge a capacitor (an energy bank) in order to store the energy for later use.
- HID eco-mode
A technology that monitors the amount of stored charge in the capacitor installed in the stocker and, when the amount permits, operates the stocker without starting the HID, thereby reducing power costs.

Car Wash Machines with Superior Water-Saving Developed

Daifuku has developed two water-saving car wash machines that offer great reductions in the quantities of water needed for operation. Sales of the top-of-the-line Abient and of its regular version the Sfida commenced in October 2007 and April 2008, respectively.

We drastically reduced the amount of water wasted by upgrading the piping and spray nozzles and optimizing water control by means of an inverter. The 75–80 liters of water per wash that such machines commonly use has been reduced around 50% to 36–38 liters (Daifuku comparative figures). This is the industry's lowest level in terms of water usage and was achieved while maintaining the "feel" that the same amount of water at the same pressure was being used as on conventional machines.

In addition, changing the washing solution from conventional minerals in solution to a plant-derived shampoo and wax has resulted in car wash machines that are more environment-friendly.



Sfida (Italian for "challenge") car wash machine

Highlights

Here, we report on major developments within the Daifuku Group during the year under review. Daifuku aims to constantly improve its productivity and technologies in the course of its corporate activities, while keeping in mind that contributing to society forms the basis of these activities.

Long-Established U.S. Material Handling Solutions Provider Jervis B. Webb Company Joins Daifuku Group

Jervis B. Webb Company (Webb)—a long-established, leading U.S. material handling company headquartered in the State of Michigan—was added to the Group following Daifuku’s purchase of all its shares in December 2007.

Webb, a pioneering presence in the world of material handling systems, was established in 1919. Webb’s chain conveyor system, first utilized by Ford Motor Company founder Henry Ford, played an important role in establishing the Ford system, which revolutionized industrial manufacturing (a mass production system for moving automobile bodies through the assembly process by means of chain conveyors). In addition to supplying material handling systems to the automobile and general manufacturing industries, Webb today is involved in the airport baggage handling systems business.

Daifuku entered into a technology partnership with Webb in 1957, and the Webb chain conveyor technology that it has manufactured and sold has made great contributions to the development of the automobile industry in Japan. The agreement was signed on the basis of the close business relationship of the two companies over the subsequent 40 years up until 1997.



Airport baggage handling systems consist of a variety of conveyors and security systems



SmartCart automatic guided vehicle (AGV) for assembly plant use

The two companies have long enjoyed a complementary relationship with very little overlap in terms of markets, customers and product types. With their shared history in the material handling system business and long technological collaborative relationship, they derive strength from knowledge of each other’s corporate culture. Enjoying high brand recognition in the United States, Webb brings many advantages including strong customer relationships through its global production and sales networks as well as a wealth of human resources in North America and through its local affiliates in India and elsewhere.

Enhanced Delivery System for the Automobile Production Line Business

In January 2008, Daifuku added another subsidiary after acquiring 68.7% of the shares of Osaka Machinery Works Co., Ltd.—headquartered in Ibaraki City, Osaka—which undertakes the production and installation of material handling systems.

Since delivering a conveyor system to Toyota Motor’s then Motomachi Factory in 1959, Osaka Machinery Works—with which Daifuku has maintained an alliance spanning 50 years—has acted as Daifuku’s installation and service division for automobile production lines. The purpose of adding Osaka Machinery Works to the Daifuku Group is to enhance the delivery system serving customers in the automobile industry.

Founded in Kobe, Japan, as *Naniwa Kikai Kensetsu, K.K.* (Naniwa Machinery Construction Co., Ltd.) in 1951, the company’s business mainly involved equipment installation. In 1955, the company moved to Osaka established a factory in order to engage in a variety of plant construction work from the design stage and changed its name to Osaka Machinery Works. The move to its Ibaraki City location was made in 1962 to upgrade the company’s manufacturing capabilities. Having expanded its buildings on three occasions, the factory now covers a 4,700 sq.m area and is organized under a system that ensures it is capable of responding to a variety of needs, including the introduction of five-face processing machines.



Osaka Machinery Works head office and its factory. The factory extends from the office building (left) to the building on the right.

Two Subsidiaries in Taiwan Merged

Two of Daifuku’s subsidiaries in Taiwan—Taiwan Daifuku Co., Ltd. and Daifuku Pioneer Co., Ltd.—merged on January 1, 2008 and are continuing to trade as Taiwan Daifuku Co., Ltd. Taking over the existing business operations, the merged company Taiwan Daifuku has inherited as its principal sites the headquarters and plant in Tainan, a main office in Taipei and a plant in Taichung.

Established in 1995, Daifuku Pioneer targeted logistics system businesses for automobile production lines, distribution centers, and factories. In contrast, Taiwan Daifuku focused on storage and transport systems used in clean rooms for flat-panel display and semiconductor production lines since its founding in 2005. Along with the strengthening of the IT industry in Taiwan in recent years, Daifuku Pioneer also began offering services for the flat-panel display and semiconductor production line systems, focusing on procurement, installation and after-sales services. Consequently, what was once a two-company system has been combined as one. The merger will improve customer satisfaction, enhance marketing efficiency and strengthen competitiveness by changing from organizational management by business line to that by function.



Taiwan Daifuku, located within the Tainan Science Park, where many of Taiwan’s high-tech companies are concentrated

World Congress for In-Company Skills Competition Held

A world congress for an in-Company skills competition was held within the Shiga Works in November 2007. The competition was divided into three events: welding, assembly and measurement. A total of 106 contestants, winners of regional qualifying events, competed against each other in techniques in each of the fields.

Held every year since 1999, the skills competition has as its aim human resources training for *monozukuri* (craftsmanship). This eighth such event was the second in succession to be attended by participants outside Japan. A total of 33 people in charge of manufacturing from ten bases in the United States, Thailand, South Korea, China, and Taiwan took part. As “One Company” Daifuku will continue such competition as a mechanism to enable the Company to provide the same quality and service from whichever plant in the world a product is shipped.



A newly established technical training workshop within a factory utilized as a venue for the assembly skills competition

Prize for Creativity Received from MEXT

Two pairs of researchers that received prizes at Daifuku’s small group initiative presentation won the fiscal 2007 merit awards for creativity at the Minister of Education, Culture, Sports, Science and Technology (MEXT) Awards.

One award was for “Improving Productivity through the Multi-Purpose Utilization of Welding Robots” initiative, which automates welding processes that would otherwise take three hours by hand and reduces costs one million yen per year by utilizing the Power & Free Conveyor long rail welding robots for the Drop Lift post welding. The other award was for the “Construction of a Tube Pipeline to Improve Yield Ratio,” which enabled a reduction in scrap of an annual equivalent of 46% per year, thus bringing down costs 6.2 million yen by improving roll adjustment methods and implementing measures to prevent electric spraying faults.

These awards were given to “workers who contribute inventions or improvements in each field of science and technology by showing superior originality and ingenuity, including “improving operating efficiency,” “enhancing product quality” and “reducing costs.” This achievement also marked the fourth time in four consecutive years that the Daifuku Group has won awards, bringing the total number of prize recipients to 13 people.

ISO Certification Obtained Across the Globe

Daifuku has been encouraging the acquisition of ISO certification at the Group’s principal bases around the world. In its efforts to establish a global “Daifuku Standard” with regard to product quality and the environment, Daifuku’s main bases either have obtained or are obtaining ISO certification.

[Global affiliates that have completed ISO 9001/14001 certification]

- Daifuku America Corporation (U.S.A.)
- MIMATS Co., Ltd. (South Korea)
- ATS Co., Ltd. (South Korea)
- Clean Factomation, Inc. (South Korea)
- Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
- Shanghai Contec Microelectronics Corporation (China)
- Taiwan Contec Co., Ltd. (Taiwan)
- Daifuku (Thailand) Ltd. (Thailand)

[Global affiliates that have completed ISO 9001 certification]

- Taiwan Daifuku Co., Ltd.* (Taiwan)
- Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)

(*) ISO 14001 certification planned for completion in fiscal 2008



Audit at Daifuku America

Corporate Governance

Corporate governance involves establishing management policies and monitoring and assessing management's execution of duties with the aim of maximizing corporate value. Daifuku is taking steps to construct a robust corporate structure in order to become a more vibrant company.

The first pillar of Daifuku's management philosophy is to "contribute to the development of industry by supplying optimal material handling systems to a global market." The second pillar encourages "healthy, growth-driven management which values profitability" to earn the trust of shareholders, business partners and employees. Our aim is a strong corporate structure that successfully guides that company in a competitive global market.

Daifuku also emphasizes compliance in a rapidly changing corporate environment. Ethics, fairness and transparency the hallmarks of our management approach. Board members are encouraged to state opinions freely to enable efficient decision-making.

The Compliance Committee chaired by our President and CEO also ensures that fairness and ethics guide our corporate activities. In one initiative, the Committee enacted a set of corporate standards to guide executives and employees in fulfilling their corporate and public roles as members of a leading company.

Initiatives for Internal Control

In developing its corporate governance system, Daifuku established the Internal Control Operations-Business Continuity Plan (BCP) Promotion Division in April 2007.

The Executive Vice President is responsible for Internal Control as Chief Risk Officer (CRO) and manages risk for the Company.

The BCP Promotion Division was established as part of Internal Control Operations to identify and evaluate risks and to manage countermeasures. The Division drafts plans to minimize damage to assets and enable core businesses to continue or recover quickly in emergency situations, such as natural disasters, accidents or acts of terrorism.

The Internal Control Promotion Department under the Chief Financial Officer (CFO) develops internal control systems to ensure the reliability of financial statements. The Disclosure Committee, Information Security Committee, and Mental & Physical Health Promotion Committee report to the CFO.

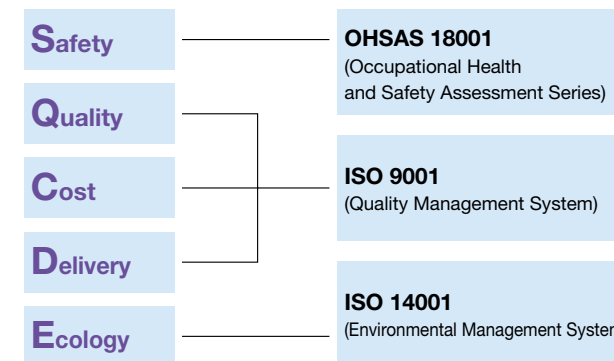
Daifuku has also put in place an internal reporting system (for whistleblowers) that affords direct access to outside counsel.

Management System

Daifuku's mission is to provide customers with products of outstanding quality. To achieve this, the Company has in place management systems covering occupational health and safety, quality and environmental aspects of its operations.

Successful manufacturers value quality, fair cost and on-time delivery. In the course of Daifuku's efforts to integrate environmental responsibility and safety into the production of products and systems worldwide, the Company has expanded upon the standard values set out in its Basic Management Policy.

Having improved quality and environmental measures using the ISO management system, Daifuku implemented an occupational health and safety management system (OHSAS 18001) at the Shiga Works. Daifuku ensures safety and sanitation in Shiga as well as at factories worldwide, installed sites and after-sales service facilities.



Quality Management System

The cornerstone of business lies in the trust between customer and supplier, a relationship established through the reputation and proven performance of the supplier's products. Daifuku has established a trusted brand by offering high-quality products at fair prices and providing reliable aftermarket support. Our basic policy regarding quality, cost and delivery is to create the best quality products, deliver them on time at costs appropriate to the technology involved, guaranteeing outstanding safety and incorporating the latest technology in order to provide our customers with 100% satisfaction. Employing a quality management system based on ISO 9001 and working constantly to ensure customer satisfaction (CS), Daifuku guarantees quality at every stage, from planning to sales, design, manufacturing, installation as well as aftermarket services.

Conducting Risk Assessment

To ensure product safety, Daifuku has established a unique set of regulations directed to the Design Task Force consisting of engineering, development, and design units. We also implemented the risk assessment of newly developing products and the existing products/models. Furthermore, Daifuku's production units engage in risk assessment of production facilities conducted by the Work's Environmental Safety and Hygiene Committee. The Company's construction and service units implement risk assessment of installation work sites. The implementation of administration-related risk assessment is being further expanded.

Occupational Health and Safety Management System

Acting on the principle that a manufacturer should make safety its overriding priority, Daifuku conducts safety and hygiene activities that are in keeping with actual workplace situations, with the aim of achieving a "zero accident" workplace.

Daifuku is establishing a management system that takes into account industrial health and safety and is working on this system's adoption on a Companywide basis.

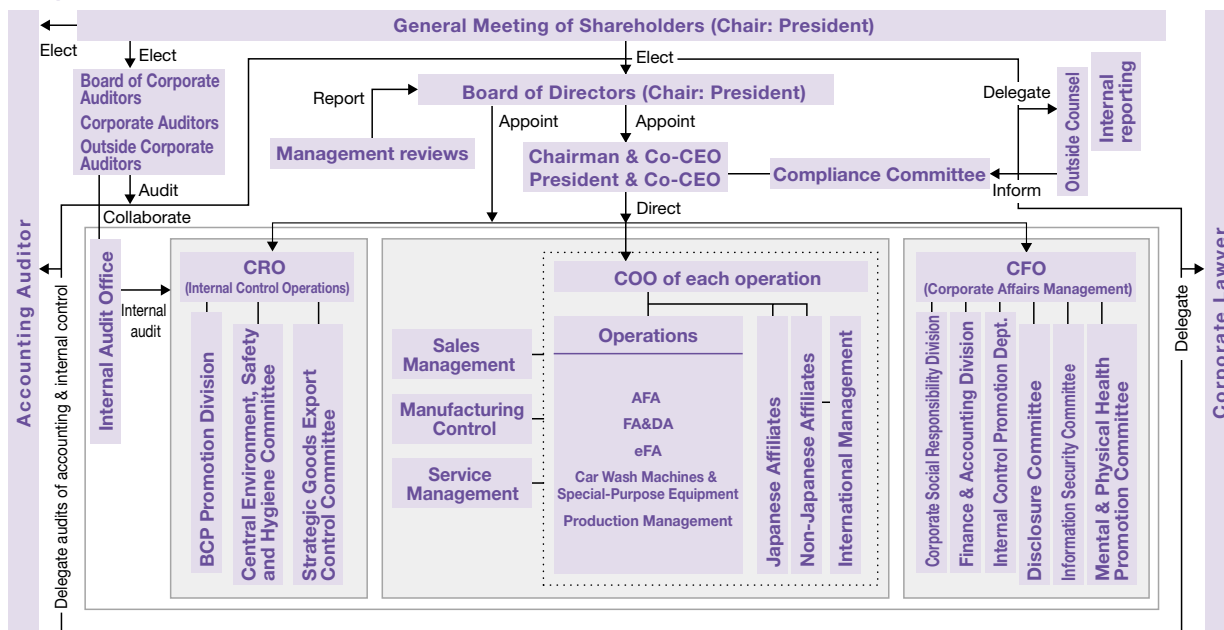
Priority Actions

- (1) Manufacture safe, environment-friendly products
- (2) Implement the 5Ss, the five key components of a healthy work environment (Sort, Set in Order, Shine, Standardize and Sustain)
 - Having constructed Companywide systems for health and safety as well as environmental management, Daifuku is working to form efficient information routes for rapid response when unforeseen events arise and to strengthen safety management systems in operations in Japan and overseas.
- (3) Promote mental and physical health

Environmental Management System

Daifuku engages in a wide range of business operations at home and abroad, as a manufacturer of a comprehensive range of material handling systems and equipment. Our Environmental Management System enables us to acknowledge and evaluate the environmental impact of our operations and the positive results of our countermeasures. We use objective numerical metrics to monitor and analyze current conditions and thereby identify various types of environmental impact generated by business activities and manufacturing works at all life-cycle stages with the aim of minimizing such impact.

Corporate Governance Structure



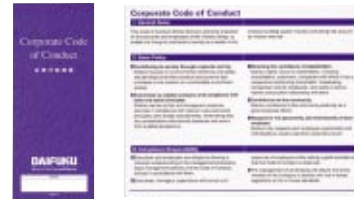
Environmental Regulation Observance

Observance of Regulations

Daifuku will continue to observe not only environmental laws and regulations but also general codes, including laws, internal regulations, and social norms.

Vision / Mission

Daifuku's Management Policy stipulates an ethical, fair and transparent approach to management; management that complies with the laws and social norms of each country; the delivery of environmentally friendly and safe products and systems; and the establishment of a global production system. In addition, Daifuku drew up a Corporate Code of Conduct so that employees do not contravene social norms and to ensure that they perform their duties fairly and impartially. Booklets containing the Corporate Code of Conduct have been distributed to employees in Japan and were recently created in PDF format in English, Chinese (both simplified and traditional characters), Korean and Thai. Plans to improve compliance awareness at all Group levels are under way.



Japanese-language (left) and English-language versions of Daifuku's Corporate Code of Conduct

Corporate Code of Conduct Basic Policy

Contributing to society through corporate activity Daifuku focuses on environmental sensitivity and safety while developing and offering products and systems that contribute to the creation of a comfortable and affluent society.

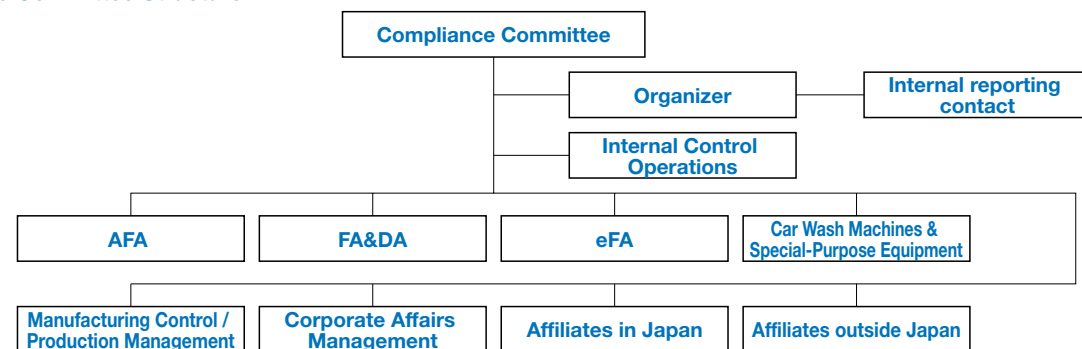
As a global company, awareness of and compliance with rules and social principles Daifuku carries out fair and transparent corporate activities in compliance with relevant rules and social principles, both foreign and domestic, while taking fully into consideration international standards and norms from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

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

Contribution to communities Daifuku, as a good corporate citizen, makes a positive contribution to local communities.

Respect for the personality and individuality of each employee Daifuku fully respects each employee's personality and individuality as essential components of a dynamic corporate culture.

Compliance Committee Structure



Compliance Committee

Compliance (observance of laws), including not only the observance of laws and internal regulations but also of social norms, common practices and ethics, has become a major issue. The Company established a Compliance Committee in December 2003 to encourage all staff to obtain a deeper understanding of these issues.

In April 2007, Daifuku also established a hotline through which people may consult with or report to lawyers from outside of the Group regarding questions or concerns about compliance at the Daifuku Group.

Strategic Goods Export Control Committee

The Daifuku Group's compliance program to tighten adherence to export-related regulations was revised, renamed Export Control Regulations and enforced on April 1, 2008.

Designed to prevent the proliferation of weapons of mass destruction, the implementation of these export control regulations comes in response to strengthened laws and governmental leadership against a backdrop of terrorism, civil war and an increasing number of cases of illegal exports.

Compliance with Environmental Laws and Regulations

[Observance status]
Fiscal 2007 saw no issues with respect to our conformity with relevant laws and regulations. We will continue to monitor the status of each of our units.

[Revision of laws and regulations, and other]
We monitor revisions to laws and other environmental information and communicate these revisions to other units every September. Laws and regulations are responded to on a Companywide basis.

Details Concerning the Protection of Information Assets

Information Security Governance

Recognizing that the establishment of information security is one aspect of corporate quality, Daifuku protects customer, shareholder and client security and trust with regard to information asset protection.

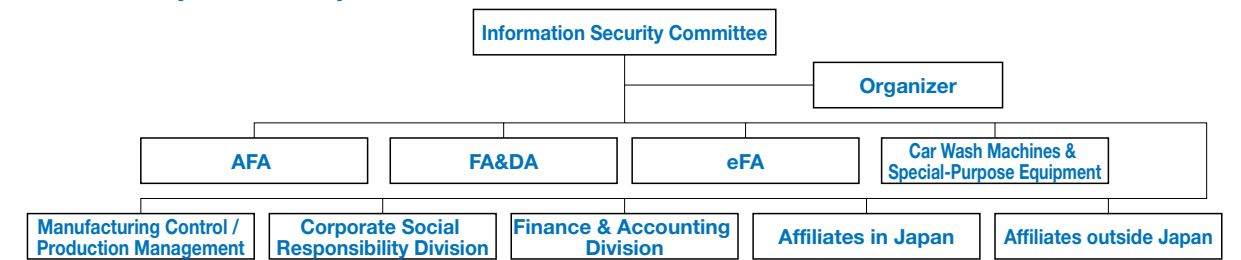
Information Security Policy

Based on revisions to laws related to information security, including the Personal Information Protection Law, Daifuku formulated and put into effect within the Company its own Information Security Policy in March 2005. This was carried out to properly manage and protect information assets, such as personal information and trade secrets handled by the Company. In recent years, the environment in which corporations operate has been rapidly changing. Changes have included the strengthening of internal control systems as typified by Corporation Law and the Financial Instruments and Exchange Law (J-SOX). Today, not merely an IT-related problem, information security is recognized as extending to corporate governance and compliance issues, and thus additional measures are being put into effect.

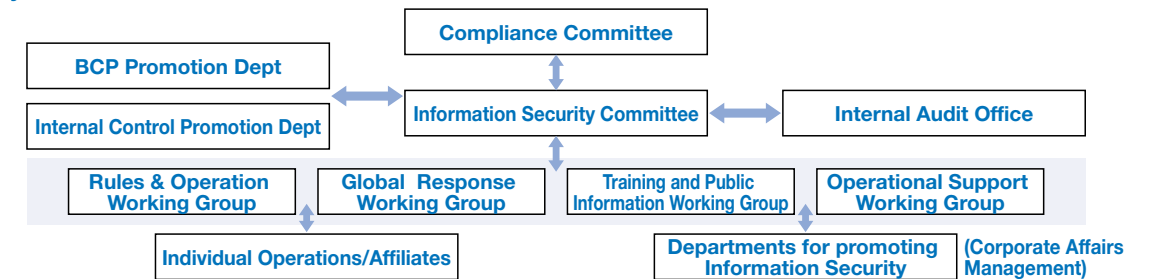
Information Security Committee

An implementing body, the Information Security Committee fulfills the role of transmitter of internal messages concerning reviews and approvals of Companywide, cross-divisional rules and measures as well as information security. In addition, four working groups—Rules & Operation, Global Response, Training and Public Information, and Operational Support—have been set up to implement information security initiatives in each of Daifuku's business operations, reporting on their activities at Companywide meetings held six times a year. Initiatives concerning business continuation and the maintenance of the internal control environment are conducted in collaboration with the BCP Promotion Department, the Internal Control Promotion Department, and the Internal Audit Office.

Information Security Committee System



Activity Framework



Specific Measures Taken in Establishing Information Security

Daifuku undertakes wide-ranging information security initiatives under the slogans "Creating a zero-leak information climate" and "Creating zero-leak information mechanisms."

(1) Implementation of measures to prevent information leaks

Classifying information assets on a scale of four by degree of importance, Daifuku makes regular location data lists and accurately monitors the location of important information as well as information management status. System measures are also in place, including the close monitoring of computers being taken away from or brought back to Daifuku premises, rigorous encryption and limitations on the unauthorized use of computer connections.

(2) Information Security Training

From new recruits to executives, internal information security training is carried out in accordance with an annual plan. Furthermore, all those handling the information assets must attend uniform training, utilizing e-learning programs to train temporary staff.

(3) Global Response

Guidelines for preventing information leaks have been translated into several languages and implemented on a Companywide basis, including at global affiliates since December 2007. Daifuku will focus on bringing information security at each affiliate up to the level of operations in Japan.

Human Rights and Employment

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

Human Resources Policy

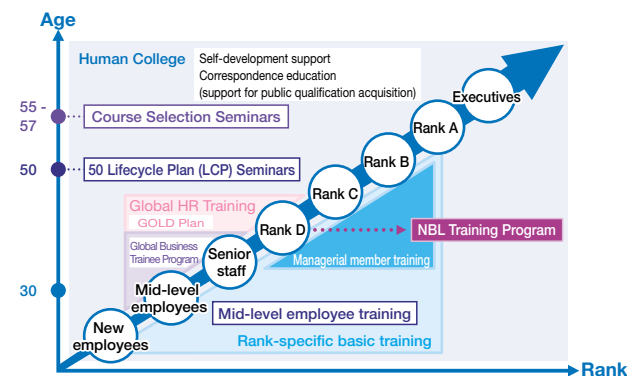
In April 2003, Daifuku introduced a new human resources policy aimed at ensuring fair, performance-based compensation for all its employees. By basing personnel evaluation and compensation on the responsibilities of individual employees, Daifuku is working to create a workplace where all employees feel satisfaction and a sense of achievement through work and, consequently, are eager for new challenges. The Company thus encourages its employees to enhance their individual capabilities, which, in turn, reinforces its organizational functions and improves operational productivity. We believe that such a system contributes to the stronger performance of the Daifuku Group.

Under this system, managers sit down with their subordinates one on one to set individual annual goals, review and assess the employee's performance and set goals for the following year. In principle, evaluations are made based on individual employees' achievements relative to their set goals, with consideration also given to the work processes and the difficulties their work entails.

HR Training System

With the aim of facilitating efficient and effective HR training, Daifuku has formulated the Daifuku Group Basic HR Training Policy and implemented systematic and selective measures based on this policy. These measures include the provision of training programs tailored to each group of new employees, mid-level employees and managerial members. In particular, New Business Leader (NBL) Training Programs are offered to employees selected to receive the special training required to become division leaders. Furthermore, to secure overseas expatriate candidates with international business skills, the Company has established a Global Business Trainee Program under which employees selected by each division receive one year of special training. In addition, we support employees in their efforts to learn English through "GOLD* Plan" English training programs. (*GOLD = Global Operation through Learning system for Daifuku)

Daifuku HR Training System as a Glance



Job Creation

The number of Daifuku Group employees, including those in Japan and around the world, has grown 52% over the last three years to approximately 5,700. The growth is primarily attributable to an increase in the number of Group companies, including global affiliates. In addition, Daifuku established three wholly owned subsidiaries in April 2005 for the rehiring of retired executives and employees. These subsidiaries are Daifuku Business Create Co., Ltd., which conducts marketing and engineering operations, Daifuku Manufacturing Expert Co., Ltd., which undertakes manufacturing operations, and Daifuku Field Engineer Co., Ltd., which provides construction and other services. Through these subsidiaries, the Company is leveraging the wealth of know-how and expertise experienced veteran staff can offer while ensuring this wealth is passed on to younger employees within the Group.

Daifuku is also promoting the rehiring system to extend the working lives of employees up to 65 years of age. Meanwhile, the Company is providing working opportunities to all types of employees after mandatory retirement at the age of 60 through Daifuku Business Service Corporation, the subsidiary in charge of Daifuku's administrative operations, and Daifuku Design and Engineering Co., Ltd., the subsidiary in charge of product design. Through these initiatives, we are flexibly tackling the employment issue related to the aging of Japan's baby boomers—a common issue all Japanese corporations are facing—by expanding options for applicable employees.

Mental & Physical Health Promotion Committee

The Mental & Physical Health Promotion Committee contributes to the creation of comfortable working environments by promoting and reviewing care-related initiatives in four areas of mental and physical health, specifically those taken by employees themselves, by managers and supervisors, by healthcare workers and by independent institutions and experts. As part of its efforts, the committee publishes a *Self-Care Handbook*, which is distributed to all employees to promote their mental and physical health.

Moreover, Daifuku has established health consultation offices at its Osaka Headquarters, Tokyo Head Office, Shiga Works and Komaki Works. Workplace physicians and nurses support employees in maintaining their health by providing healthcare guidance based on the results of physical checkups in addition to acting as counselors with whom employees can consult regarding mental and physical health.



Self-Care Handbook

Industrial Safety and Hygiene

Daifuku has implemented a voluntary workplace improvement campaign, featuring the important action statements—"promote safety activities," "eliminate the risk of being caught in a hazardous situation," "promote transport safety activities" and "for a pleasant workplace environment"—in an attempt to reduce accidents (resulting in time off from work) to zero for 365 consecutive days.

Companywide Environment, Safety and Hygiene Control System

Safety measures and safety control issues are given top priority at Daifuku. Since the Company's founding, "safety first, zero accidents" have been Daifuku's watchwords and the Company has pursued this objective with unwavering commitment. The two aims of the Companywide Environment, Safety and Hygiene Control System are to clarify prompt information communication routes in the event of an accident and to strengthen our safety and hygiene control systems in Japan and around the world. Members of the Environment, Safety and Hygiene Committee conduct 5S patrol campaign activities every month at every factory location. We are establishing continuous self-improvement 5S campaign activities and are promoting productivity improvements, workplace invigoration and the achievement of a "zero accident" workplaces. Daifuku established the Installation Control Environment, 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.

On-Site Safety Patrol Campaigns

As part of the activities of the Installation Control Environment, Safety and Hygiene Committee, each of Daifuku's divisional general managers conducts a round of safety inspections referred to as the Safety Patrol Campaign. The 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 will conduct these activities as necessary on an ongoing basis.



Safety patrol campaign

Internal Control Messages

Once every month, the Chief Risk Officer (CRO) delivers a video message pertaining to internal control to all Daifuku staff around the globe via the Company's Intranet. Daifuku started to deliver such messages in July 2004. We will continue this effort, aiming to further increase the awareness of all staff of safety, environmental issues, and the BCP (business continuity plan).



The Company's intranet

Safety Management and Speed Warning Signs Installed

In addition to upgrading its safety management sign, speed warning signs have been installed at two locations at the Shiga Works.

The safety management sign, which shows the running total of the number of accident-free days, is prominently displayed for all visitors to see in front of Building A to the right of the main gate. Featuring an environmentally friendly LED counter, the sign runs on solar power.

The speed warning signs have been introduced in answer to the increased volume of traffic due to an expansion in the number of employees. Speeding drivers receive a warning (the sign illuminates when it detects vehicles moving at over 30 km/h) so that they maintain a safe speed within the facility and avoid accidents.

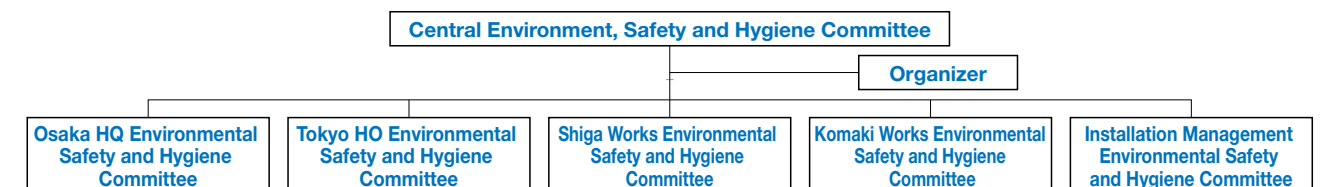


Safety management sign



Speed warning sign

Companywide Environment, Safety and Hygiene Control System



Quality Management System

Daifuku has put in place a quality management system in response to the trust placed in the Group by customers regarding the quality management and safety of products. Daifuku ensures that all employees receive training about and maintain awareness of the system.

Cross-Divisional Quality Control System

In 2006, Daifuku introduced an improved, comprehensive quality control system by transferring and integrating the production functions of the Komaki Works with those of the Shiga Works.

As Daifuku's business strength is underpinned by its divisions, cross-divisional relations hold the key for the Company's success. Therefore, the Company promotes cooperation among the individual operations handling marketing, engineering, design, manufacturing, and installation and service provision through Quality Task Forces established at all divisions.

Tasked with the promotion of the Daifuku Manufacturing and Design System (D-MAND)—the Company's systemized method of manufacturing—the Quality Task Forces formulate Companywide, cross-divisional rules regarding quality while working to address other quality-related issues.

Improvement Proposals, Small Group Initiatives

Daifuku strongly encourages activities that are proactively led by frontline employees, including improvement proposals and small group initiatives. The number of proposals made during fiscal 2007 totaled 4,843, approximately twice the number of the previous fiscal year, indicating Daifuku employees' positive attitude in this regard.

Results of improvement proposals and activities related to cost reductions, workplace safety and environments and other subjects are reported at biannual Small Group Initiative Presentation. At the contests, the Company's management provides advice to each small group, leading to the improvement of overall operations. These seemingly trivial, but actually productive efforts have resulted in some Daifuku employees receiving the Prize for Creativity from the Minister of Education, Culture, Sports, Science and Technology, demonstrating the high external recognition these activities receive.



Small Group Initiative Presentations

Column_Daifuku Receives Intel's 2007 PQS Award

In March 2008, Daifuku was named a recipient of Intel Corporation's 2007 Preferred Quality Supplier (PQS) award for outstanding performance in providing products and services deemed essential to Intel's success. This marks the third consecutive year that Daifuku has received the award and the fourth time it has won it overall.



PQS award trophy

Quality Management Education and Training

Daifuku has established the D-MAND Promotion Center within the Shiga Works site as a dedicated facility to promote and develop activities based on its proprietary systemized manufacturing method. At the center, the Company holds various seminars, technical skill testing events and skill competitions while providing e-learning and practical courses. The Company also provides training seminars and holds technical skill testing events at its production bases around the world.



e-learning



Training at a Thai production base

Stable Product Operations

In earthquake-prone Japan, increasing attention is being paid to the earthquake-response measures of automated warehouses. Daifuku is also focusing efforts on this area, in light of the loss of and damage to a vast number of stored items as a result of major temblors, such as the Great Hanshin Earthquake of 1995. Awareness of disaster prevention and risk response has been on the rise in Japan, and Daifuku is conscious of its responsibility as Japan's top manufacturer of materials handling systems to contribute to customers' risk management measures.

A greater number of companies now have logistics equipment operating round-the-clock as part of their production and distribution operations. Accordingly, it is more important than ever that the AS/RSs and sorting systems that carry out central functions run smoothly. The DAGUARD prediction and warning system developed based on proprietary Daifuku technology monitors the condition of operating equipment, enabling companies to forecast the remaining useful life of machinery and parts as well as maintenance intervals.

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

Comprehensive Renewal of Daifuku Japanese Website

Daifuku has comprehensively renewed its Japanese website for the first time in five and a half years. On the revised website, the Company has reinforced the disclosure of information on its investor relations and social contribution activities. To accommodate the needs of all stakeholders, Daifuku's corporate activities are detailed in a viewer-friendly manner.



www.daifuku.com

Communication with Shiga Prefecture's Environmental Conservation Association and its Member Corporations

In May 2007, Daifuku's Shiga Works was presented with an Excellent Business Award in the environmental management category by the Environmental Conservation Association of Shiga Prefecture in recognition of its achievements related to environmental preservation. After receiving the award, representatives of the Shiga Works gave a presentation on the Company's activities aimed at waste reduction to other member corporations of the association.



Presentation on Daifuku's waste reduction activities

Introducing Environmental Activities at an Exhibition in Komaki, Aichi Prefecture

As a company with a presence in Komaki City, Aichi Prefecture, Daifuku participated in Komaki Industrial Festa in May 2007, which was held at Park Arena close to the Komaki Works. Approximately 20,000 visitors enjoyed the videos and panel displays introducing Daifuku. The exhibition also explained the Company's environmental activities to visitors from local communities.



Komaki Industrial Festa 2007

Cooperation with Other Companies through the Komaki City ISO Network

Located in northern Aichi Prefecture, Komaki City has a long history of grappling with environmental issues due to the numerous automobile factories and other manufacturing plants sited there. Primarily through businesses in the city that have obtained ISO 14001 certification for environmental management systems, Komaki City's ISO Network engages in a variety of activities designed to improve environmental conditions, including educational and other activities related to water and air pollution as well as energy conservation. As a member of the network, Daifuku is taking active steps to improve the local environment.

Cooperation with Surveys

During fiscal 2007, Daifuku took part in a total of 50 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 Promotion Dept.

Communication with Employees

Daifuku regularly publishes the *ISO News* and *Eco News* in-house newsletters as part of its endeavors to communicate with employees regarding the Group's environmental activities. *ISO News* is designed to enhance understanding about the status of ISO activities, while the task force for reducing waste creates *Eco News*.

Also, Daifuku provides its employees and their family members with the opportunity to tour its full-scale showroom, Hini Arata Kan, every year. The tour, the 12th event overall, took place twice in July and August 2007. A total of 58 families, or 222 people, participated in the event.



Hini Arata Kan tour with family members



Social Contribution

Contributing to the Community

To keep local environments clean and to express our gratitude to the citizens of our host communities, we encourage our staff to engage in beautification and cleanup activities as part of a diverse range of initiatives to contribute to society.

Completion of School Building Construction in Inner Mongolia, China

The construction of elementary school buildings located in Zhuozhi County in Inner Mongolia, China was completed in October 2007. The construction was undertaken to commemorate the 70th and 5th anniversaries of the establishment of Daifuku and Daifuku (Shanghai) Ltd., respectively. Daifuku Shanghai conducts marketing and servicing related to logistics systems in China. Daifuku has constructed the school buildings jointly with the county government, contributing half the construction costs.

The amount contributed was approximately four million yen. The fund was used to extend and renovate the existing Baiyin Elementary School buildings, as well as to procure new desks, chairs and stationery. Once construction was completed, the school was renamed the Daifuku Hope Elementary School.



Of the five school buildings, two have been newly built.

Wheelchair Lift-Equipped Vehicles Donated to Care Facilities

Daifuku donated care vehicles equipped with Daifuku-manufactured wheelchair lifts to three welfare institutions operating in Hino Town, Shiga Prefecture, where Daifuku's largest facility, the Shiga Works, is located. This initiative originated with proposals made by the Company's employees as part of the project to commemorate the 70th anniversary of Daifuku's establishment.



Donated care vehicle

Column_Bowling for Health—Booklet Published

The Daifuku BM Association, which is made up of the members from bowling centers where the Company has delivered its bowling equipment, published a booklet that explains the benefits of bowling from a health-science perspective. Describing the effectiveness of bowling in bringing physical and mental health improvements, physical training methods and ways to improve one's diet, the booklet promotes readers to see bowling as a fitness activity.



The booklet entitled *KAREI* (A4-size, full-color, 28 pages)

Daifuku's Indian Operations Introduced at a Seminar

In October 2007, the president of Daifuku India Private Limited and an employee of Daifuku Manufacturing Expert Co., Ltd. attended a seminar hosted by the Osaka Chamber of Commerce and Industry as guest lecturers. The seminar was held on the themes of "opportunities in Indian markets" and "the struggles and successes of corporations operating in India."

The first half of the seminar, entitled "Survey on Companies Entering Indian Markets," focused on basic knowledge of India, the country's economic overview and the rationale behind these companies entering the markets. In the second half, entitled "Succeeding in the Market," lecturers presented actual examples of situations related to labor, legal and taxation affairs, an understanding of all of which is considered indispensable to success in India. Attendees actively questioned the lecturers about their business experiences.



Seminar with approximately 90 attendees

Students Listen to First-Hand Logistics System Business Experience

In July 2007, Kobe University's Faculty of Maritime Sciences hosted a "relay seminar" in which major corporations operating in the Kansai region participated. An engineer from Daifuku was invited to the seminar as a guest speaker and introduced to the students attending the latest information on the logistics industry.

In this regularly held seminar entitled "Career Path," representatives of participating corporations explain to the students their corporate activities in their individual industries, aiming to aid the students in determining their majors and the courses they will take.

The lecture given by the Daifuku engineer focused on the topic of food, a theme familiar to students, and the lecturer explained how the shifting focus in the food market—from dining out to home meal replacement—is affecting the logistics industry. Introducing actual recent examples of Daifuku products delivered to customers, the lecturer described Daifuku's contribution to society through its logistics system business and the excitement experienced in the construction of logistics systems.



The seminar lasted about 80 minutes

Participation in Local Beautification and Cleanup Activities

Since December 2001, personnel at the Shiga Works participate in once-a-month post-lunch and after-work cleanup activities called "Ohmi Eco-Foster" along a national route and other areas surrounding the Works.

In addition, we participated in the Hino Town, Shiga Prefecture, "Shakunage-kei (Rhododendron Gorge)" maintenance and cleanup activities. Consisting of Rhododendron hondoensis, the gorge's plants are a rare variety designated as one of Japan's natural treasures. The Company is participating on an ongoing basis as part of our contribution to the local area.

In addition to cleanup initiatives in the areas surrounding the Komaki Works and dormitory, we participate in Mount Komaki beautification activities, making every effort to cooperate with community environmental campaigns.

Daifuku's Tokyo Head Office and Tokai Office also conducted traffic safety campaigns, regional anticrime patrols and cleanup activities.



Ohmi Eco-Foster Activities



Maintenance and cleanup at Shakunage-kei (Rhododendron Gorge)



Cleanup activities in the areas surrounding the Komaki Works



Initiatives by the Tokai Office to promote pedestrian safety



Traffic safety campaign conducted by the Tokyo Head Office

Appreciation Plaque for Actively Participating in Blood Drive

Daifuku promotes blood donation by employees at its main work-sites every year. The Japan Red Cross Society presented the Osaka Headquarters, the Group company Contec Co., Ltd. (in Osaka) and the Shiga Works with "gold medals of merit" and plaques commemorating their enthusiastic cooperation in the society's blood drives. These longstanding efforts stand out as examples to be followed.

During fiscal 2007, the Shiga Works and the Komaki Works held Group blood drives in May with donors totaling 189 and 43 employees, respectively. In December, 43 Tokyo Head Office employees donated their blood.



Plaque of Appreciation

Interaction with Local Citizens

The Shiga Works hosts gateball* competitions twice per year, with approximately 200 players competing on 30 teams for the top prize. First held in 1992, the tournament has been an excellent way for Daifuku employees to mingle with local citizens and enjoy the outdoors together for the past 16 years.

*A game invented in Japan, similar to croquet



Opening ceremony at a gateball tournament

Comments from Environmental Activity Representatives

Activities at the Tokai Office through Automotive Manufacturing

Emi Ujiie Automotive Factory Automation (Tokai Office)

The Tokai Office conducts on-street traffic safety campaigns once a month as part of its social contribution activities. Recognizing it as a mission of those involved in automotive manufacturing, each campaign period the office tasks about five different employees drawn from all departments with securing traffic safety, posting these employees at crossroads and on streets near its office building to promote seatbelt usage, stopping at stop signs and other safety measures from early morning. Also, on the day of duty, these employees bring garbage bags with them and collect PET bottles and other garbage around their assigned locations, contributing to local beautification.

At our company cafeteria, we count the exact number of meals consumed each day in order to control and reduce the volume of food scraps. Due to regional characteristics of the Tokai Office, marketing departments' operations require the use of automobiles. In an effort to reduce CO2 emissions from our operations, we are promoting car pooling when our marketing staff visits the Shiga Works by car and increasing the number of hybrid cars used in marketing operations as well as working to expand sales of green products in cooperation with development departments.



Environment Conscious Policy in Business Operations

Basic Environmental Policy

Daifuku strives to instill and make widely known its environmental policy among all its employees. At the same time, we inform other stakeholders of our policy by such means as posters at the entrances to all sites. Daifuku is working to gain broader social recognition for its activities.

Environmental Policy

Basic Principle

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

Basic Policy

- (1) Daifuku will make further advances in ongoing environmental conservation activities by establishing an environmental management system and organization aiming at ensuring harmonious coexistence between people and the environment as well as at observing environment-related laws and treaties, with its own standards as a guide.
Daifuku will promote environmental pollution prevention measures and the continual improvement of its management systems and performance based on environmental impact assessments and the formulation of environmental objectives and targets.
- (2) 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.
- (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 responsible 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 it conducts business, as well as to the general public.

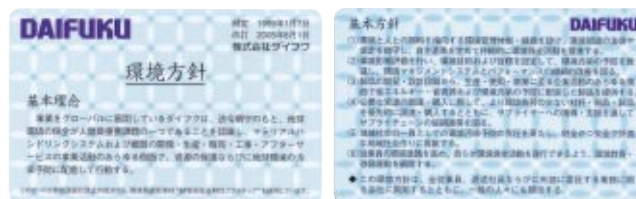
Issued on January 7, 1999
Revised on August 1, 2005

Column_Raising of Environmental Awareness

Distribution of Environmental Policy Card

To assist its CSR activities from the environmental point of view, Daifuku produced the "Environmental Policy Card" and distributes copies of it to the Group staff, publicizing the Company's ideas regarding environmental issues.

The cards are made from plant-derived biodegradable plastic.



Environmentally Conscious Efforts in Business Operations

Environmental Objectives and Targets

Reflecting the transfer of the Komaki Works' production functions to the Shiga Works during fiscal 2007, environmental objectives and targets will be set and self-evaluation will be disclosed primarily for the Shiga Works from the current fiscal year. Also included will be environmental information related to the Group's five other principal bases: Osaka Headquarters, Tokyo Head Office, Komaki Works, Tokai Office and Kyushu Daifuku.

Fiscal 2007 Environmental Objectives and Targets

	Objectives & Targets (FY2007 to FY2009)	Objectives & Targets (FY2007)	Result in FY2007	Details
Environmental conservation	- Emphasize emissions control - Observe environmental laws and regulations	- Selective control of emission sources, stringent monitoring of processing facilities - Enhancement of legal observance monitoring and measuring systems	Achieved	→P.30, 31,12
Prevention of global warming	[Shiga Works] Cut fiscal 2009 CO ₂ emissions 10% from the fiscal 2006 level [Other Sites in Japan] Cut fiscal 2009 CO ₂ emissions 6% from the fiscal 2006 level	[Shiga Works] Cut CO ₂ emissions 3% from the fiscal 2006 level [Other Sites in Japan] Cut CO ₂ emissions 2% from the fiscal 2006 level	Achieved	→P.26, 27
Waste reduction	- Reduce fiscal 2009 total wastes 20% from the fiscal 2006 level - Recycle 98% of total wastes by fiscal 2009 - Reduce scrap volume (at production bases only) - Cut fiscal 2009 paper consumption 10% from the fiscal 2006 level	- Cut total wastes 7% from the fiscal 2006 level - Recycle 96% of total wastes - Reduce scrap volume (at production bases only) - Reduce paper consumption 3% from fiscal 2006 level	Achieved Almost achieved Not achieved Not achieved	→P.28, 29 — →P.29
Indirect impact	- Promote green procurement (Prohibit the use of hazardous substances) - Assist and guide green suppliers and subcontractors	- Promote the procurement of materials and parts that contain no hazardous substances (Begin process certification) - Promote guidelines for green procurement - Continue support and guidance	Achieved	→P.32
Provide environmentally conscious products	- Conduct product assessment - Expand number of products labeled as eco-products - Promote green procurement (Prohibit the use of hazardous substances)	- Plan from the product development stage - Assess from the product development stage - Promote the procurement of materials and parts that contain no hazardous substances (Begin process certification)	Achieved	— →P.32

Fiscal 2008 Environmental Objectives and Targets

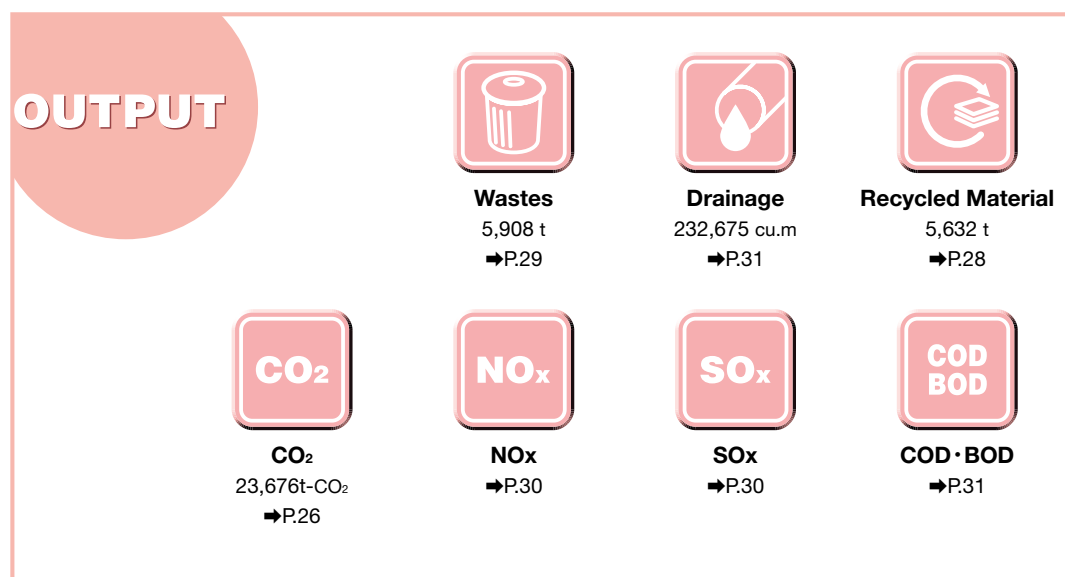
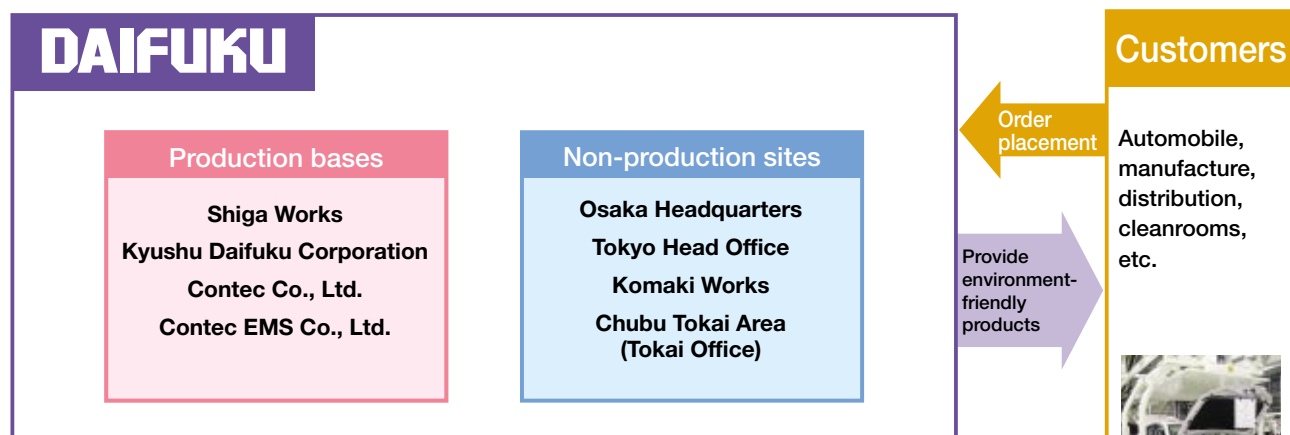
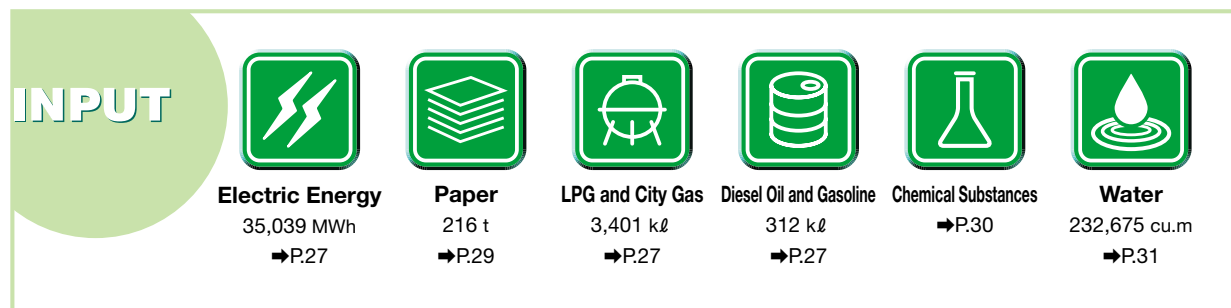
	Objectives & Targets (FY2007 to FY2009)	Objectives & Targets (FY2008)
Environmental conservation	- Emphasize emissions control - Observe environmental laws and regulations	- Selective control of emission sources, stringent monitoring of processing facilities - Enhancement of legal observance monitoring and measuring systems
Prevention of global warming	[Shiga Works] Cut fiscal 2009 CO ₂ emissions 10% from the fiscal 2006 level [Other Sites in Japan] Cut fiscal 2009 CO ₂ emissions 6% from the fiscal 2006 level	[Shiga Works] - Reduce CO ₂ emissions 6% from fiscal 2006 level [Other Sites in Japan] - Reduce CO ₂ emissions 4% from fiscal 2006 level
Waste reduction	- Reduce fiscal 2009 total wastes 20% from the fiscal 2006 level - Recycle 98% of total wastes by fiscal 2009 - Reduce scrap volume (at production bases only) - Cut fiscal 2009 paper consumption 10% from the fiscal 2006 level	- Cut total wastes 14% from the fiscal 2006 level - Recycle 97% of total wastes - Reduce scrap volume (at production bases only) - Reduce paper consumption 6% from fiscal 2006 level
- Promote green procurement	- Prohibit the use of hazardous substance - Assist and guide suppliers and subcontractors	- Promote the procurement of materials and parts which contain no hazardous substances (begin process certification) - Promote guidelines for green procurement - Continue to assist and guide suppliers and subcontractors
Provide environmentally conscious products	- Conduct product assessment - Expand number of products labeled as eco-products	- Assess from the product development stage - Improve products' energy- and resource-saving properties, recyclability and manufacturing conditions
Expand and strengthen environmental management	Improve employees' environmental awareness Promote environmental contribution and external communication Expand environmental certification acquisitions (in terms of both the number and scope)	- Accelerate rank-specific employee education on an environmental management system through training programs - Continue to reinforce environmental projects - Continue to publish social & environmental reports - Enhance communication with local communities - Support the acquisition and administration of ISO certifications at global affiliates and Japanese offices

* Items in "Provide environmentally conscious products" have been partially revised from the fiscal 2007 environmental objectives and targets disclosed in the previous social & environmental report and a new category, "Expand and strengthen environmental management," has been added to the table above.

Daifuku's Business Operations in Relation to Environmental Imperatives

Business Operation Material Balance

Daifuku engages in a wide range of business operations at home and abroad as a manufacturer of a comprehensive range of material handling systems and equipment. We use objective numerical measures to identify various types of environmental impact generated by company activities and plants at all life-cycle levels, in order to minimize any impact through monitoring and analyzing current conditions.



● CO₂ (Carbon Dioxide) ● NO_x (Nitrogen Oxide) ● SO_x (Sulfur Oxide)
 ● COD (Chemical Oxygen Demand) ● BOD (Biochemical Oxygen Demand)

Summary of Environmental Accounting

Environmental Accounting

Daifuku believes that it is important to monitor the Group's investments in and expenses associated with environmental conservation, as well as returns on such investment, in order to be able to implement environmental solutions while ensuring ongoing corporate development. To that end, Daifuku has been using environmental accounting as a guideline for corporate activities since fiscal 2001.

Concept of Environmental Accounting

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

The total cost for environmental conservation activities in the fiscal year under review amounted to approximately 652.8 million yen, as shown in the table below.

At the Osaka Headquarters, Tokyo Head Office, Komaki Works, and Tokai Office, which are non-production units, "environmental education for employees," "personnel expenses for

managing environmental activity structure," and related items account for most of the cost.

The cost of "virtual" economic effects amounted to approximately 160.6 million yen. The effects of product development are excluded from the reports and results because we currently have no clear-cut formula for 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.

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

Fiscal 2007 Environmental Accounting: Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Tokai Office, and Kyushu Daifuku from April 1, 2007 to March 31, 2008

Costs of Environmental Conservation Activities

Unit: 1000 yen

Classification	Activities / Major Factors	Amount
Reduction of environmental impact in production activities	- Drainage contamination protection activities, including drainage treatment facilities, renewal of painting facilities	295,475
Implementation of industrial waste reduction measures	- Waste treatment costs, waste recycling costs	74,966
Use of materials & equipment for environmental conservation	- Promotion of green procurement, fabrication and collection of transportation jigs	6,909
Development of products with less environmental impact	- Development costs related to energy- and weight-saving and the reduction of the quantity of parts used	198,707
Collection and reuse of proprietary products		0
Reduction of environmental impact from transportation	- Improvement of transportation efficiency by using jigs	1,219
Emergency preparedness	- Training for emergencies	555
Environmental conservation activities at management/administration offices	- Recycling non-industrial waste, renewal of lighting and air-conditioning	21,371
Environmental consideration for global operations	- Improvement of packaging methods for overseas shipping products	1,557
Implementation of environmental management	- ISO promotion group operation costs, internal and external audits, environmental education	50,591
Collaboration with communities	- Participation in the Ohmi Eco-Foster activities and the regional environmental improvement projects	1,407
Total		652,757

Economic Effects

Unit: 1000 yen

Effect from	Activities	Amount
Sale of valuable resources	- Gain on sale of ferrous and non-ferrous scrap materials, and high-grade wastepaper	146,798
Energy saving	- Use of cogeneration systems (CFA building air conditioning in terms of energy) and energy-efficient lighting	0
Reuse/Recycle/Resource conservation	- Reuse, recycling, and reduction of materials	11,326
Use of tote boxes	- Effective use of mesh box pallet, "Palletainer"	2,500
Total		160,624

Column Environmental Management Level Survey

Ranked 260th out of 1,752 manufacturers

In December 2007, Nikkei Inc. announced the results of its 11th "Corporate Environmental Management Level Survey." Daifuku was ranked the 260th out of 1,752 manufacturers. This marked an improvement from last year's 281st place.

In addition, the Nikkei Excellent Company Ranking for fiscal 2007 was announced in March 2007. Using the Private-Sector Multi Evaluation System (PRISM) jointly developed by Nikkei and Nikkei Research Inc., Daifuku was ranked 114th among 1,033 companies, up from 177th in the previous fiscal year.



* The survey encompassed 1,752 manufacturers and a total of 2,492 non-manufacturers, power/gas companies and general contractors (collectively, "non-manufacturers, etc.") selected from among all companies listed on traditional and new stock markets in Japan and non-listed major companies. Effective response rates were 29.7% and 15.4% for manufacturers and non-manufacturers, etc., respectively.

Monitoring and Assessment of Environmental Impact

Environmental Management System

Daifuku's environmental management system is the basis of its environmental conservation activities. Daifuku monitors and assesses environmental impact and the effectiveness of solutions to environmental problems, thereby achieving efficiency. Being engaged in a wide variety of businesses, Daifuku has developed an environmental management system that covers both production and non-production units.

ISO Certification Acquisition

In 1999, the Shiga and Komaki Works both acquired ISO 14001 certification, and, in 2002, our affiliate company Contec Co., Ltd. obtained certification. In 2004, four locations, namely, the Osaka Headquarters, the Tokyo Head Office, the Tokai Branch Office, and affiliate company Kyushu Daifuku Corporation acquired certification. Through these achievements, Daifuku has established a Companywide, ISO-based environmental conservation network.

Also, at Non-Japan affiliates serving as Daifuku production bases, the Company is promoting the acquisition of ISO certification to enable the provision of high-quality, environmentally friendly material handling systems and equipment. To date, a total of eight overseas subsidiaries operating in the United States, South Korea, China, Taiwan and Thailand have acquired ISO 14001 certifications.

Environmental Management System

Daifuku has developed a Companywide environmental management system with the president as the chief representative.

Since fiscal 2007, we have been holding regular meetings of an ISO Steering Committee, which consists of environmental management representatives and environmental task force representatives from each base. In addition, top management holds a management review biannually (in May and October) to assess the implementation status of the action plans of each unit and task force.

The environmental task forces include Waste, Energy, Hazardous Substances Management and Water Quality, thereby providing responses and solutions to various environmental challenges as cross-divisional issues for the divisions.

■ Daifuku Co., Ltd. and Kyushu Daifuku Corporation

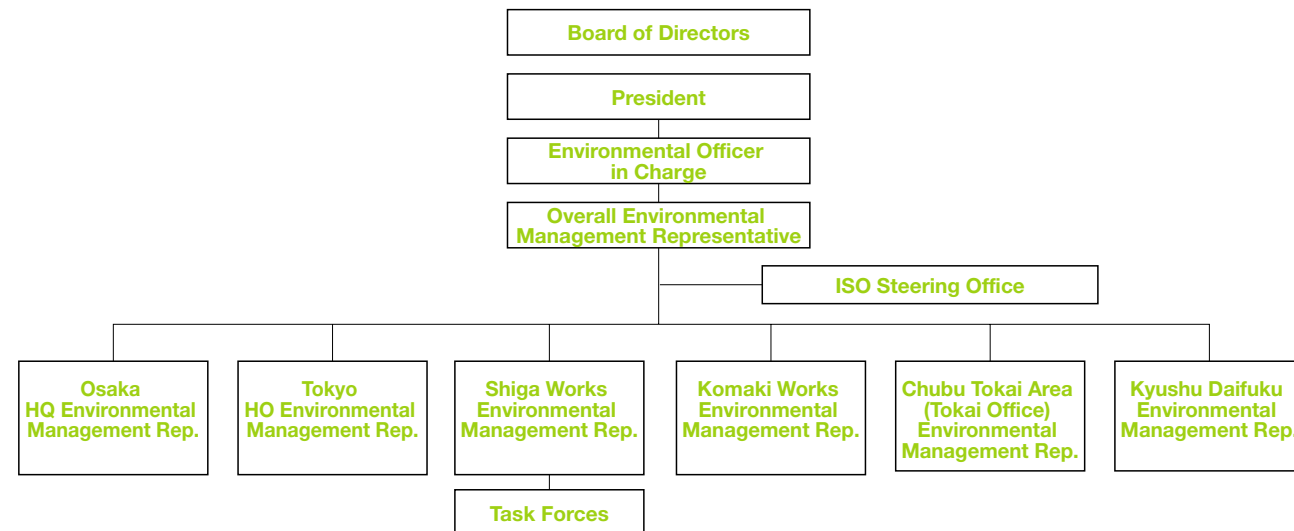


■ Contec Co., Ltd. Contec EMS Co., Ltd.



ISO certification sign on display at the Shiga Works

Fiscal 2007 ISO & Environmental Organization



Environmental Auditing System

The Daifuku Group periodically receives external audits wherein a certified agency ensures that the Company's environmental management system is being appropriately implemented and maintained. At the same time, the Company conducts internal environmental and ISO 9001 (quality management system) audits of the individual operating units of each division.

As of March 2008, Daifuku had a total of 478 registered internal environmental auditors in place. The Company provides these internal auditors with regular training programs presented by external and internal lecturers as well as opportunities to exchange information with each other. Through stringent audits achieved by these initiatives, we are working to continuously improve our environmental management system.

Internal audit results are analyzed and then reported on in biannual management reviews, and necessary improvement measures are implemented.



EMS training program



Management review in progress

Environmental Education and Training

With the aim of enhancing its employees' understanding of the environmental management system and promoting proactive environmental activities at individual workplaces, Daifuku provides environmental education and training for its regular and temporary staff as well as for external parties to which it outsources its operations. Such education and training are designed to accommodate the specific requirements of the operations in which these staff and outsources are engaged.

In addition to these efforts, Daifuku is striving to enhance its employees' awareness of environmental conservation through the periodic display of posters on environmental subjects and the utilization of its intranet.

Emergency Preparedness

All divisions have identified potential emergency situations that may affect Group companies' local operating environments, including earthquakes, fires, floods and spills of hazardous substances. For each of these identified emergencies, the Company strategically conducts drills following specified procedures.



Emergency drill for oil spills at Kyushu Daifuku

Environmental Audit Results

Internal audit: 120 operating units, a total of 169 audits	
Minor issues identified	31
Issues on watch	68
External audit: twice a year	
Significant issues identified	0
Minor issues identified	4
Issues on watch	21



External audit

Comments from Environmental Activity Representatives

Divisionwide Quality- and Environment-Conscious Activities

Yumiko Kubo Software Department, FA&DA (Osaka Headquarters)

Since last year, I have served as an internal auditor at the Osaka Headquarters, auditing the status of environmental plan implementation and compliance with relevant laws and regulations. Internal auditors are also charged with learning the environmental objectives, targets and activities specific to each department through audits and applying the knowledge acquired therein in their own business activities.

At the Software Department, we are promoting the establishment and effective administration of a software development control system. Based on this system, we

are implementing activities aimed at constantly developing high-quality software and improving development productivity. Our daily efforts focused on environmental conservation have enabled us to reduce not only paper consumption, but also working hours, which, in turn, has resulted in a reduction in power consumption.

Looking ahead, we will continue to maintain an optimal balance between product quality and environmental conservation in our operations, thereby offering our customers high-quality products and services through divisionwide efforts.



Total Energy Costs and Their Reduction

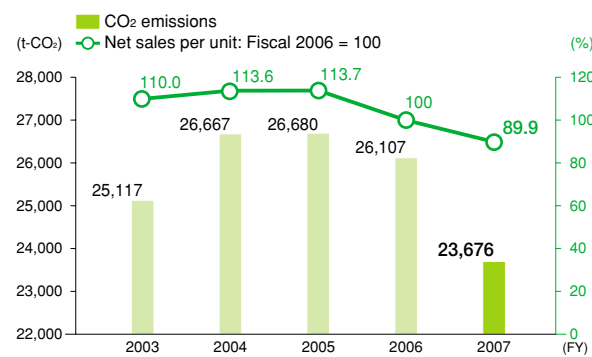
Energy and Resource Conservation

Daifuku is taking steps to reduce consumption of power and fuel by focusing on energy efficient use on a Companywide basis that includes non-production units. The Shiga Works is a Type 1 Designated (Electricity and Heat) Energy Management Factory. An appropriate control procedure is used for promoting activities in accordance with the Law Concerning the Rational Use of Energy.

Carbon Dioxide (CO₂) Emissions and Reduction Measures

The Daifuku Group uses finite fossil fuel resources and generates greenhouse gases such as CO₂ in the course of its operational activities, which include product development, manufacture and sales. Acutely aware of the real burden this places on the environment at each stage, we make conscious daily efforts toward achieving our own reduction targets and those set for Japan in the Kyoto Protocol. In fiscal 2007, the Company was able to reduce emissions 10.1% compared with fiscal 2006 in terms of net sales per unit.

CO₂ Emissions



	FY2006	FY2007
Companywide	26,107	23,676
Osaka Headquarters	630	657
Tokyo Head Office	209	214
Shiga Works	21,918	20,132
Komaki Works	2,338	1,656
Tokai Office	245	215
Kyushu Daifuku	211	210
Contec	556	592

Environmental Impact of Transportation Operations

Daifuku has tackled the reduction in CO₂ emissions by grouping its logistics operations at the Shiga Works; centralizing the management of shipment information; improving transportation methods; and enhancing efficiency through, for example, reducing the space needed to store freight by reviewing and redesigning products to make them smaller. The amount of CO₂ emitted in fiscal 2007 was down slightly from fiscal 2006, providing proof positive of the gradual but real effect our efforts are having.

Truck Numbers, Mileage, and CO₂ Emissions

	2003	2004	2005	2006	2007
CO ₂ emissions (t-CO ₂)	6,718	6,513	8,679	8,728	8,658
Mileage (km)	6,361,524	6,166,813	8,219,405	8,265,458	8,199,151
Truck numbers (in 10 tons)	17,735	17,375	21,536	21,789	22,945

Note: Up to and including fiscal 2006, figures are for the Shiga and Komaki works' performance. From fiscal 2007, figures reflect the grouping of logistics operations at the Shiga Works.

Energy Conservation Efforts

Our CO₂ reduction efforts range from operational improvements to efforts made in our daily lives, including commuting and traveling when on company business. Daily data on the use of electricity and heat energy, the major contributors of CO₂ emissions, are monitored and measures implemented.

"Idling Stop" Initiative

The term "idling stop" refers to turning off the engines of vehicles used for commuting and trucks used for shipping products when they are not moving.



Warning sign at Shiga Works

cogeneration system: An energy-reduction system that efficiently utilizes the exhaust heat produced from a fuel-driven generator for air conditioning, hot water, steam and other uses.

Team Minus 6%: To achieve "Minus 6%," Japan's promise in terms of greenhouse gas reductions made under the Kyoto Protocol, this national movement's concept involves everyone working together to prevent global warming.

Cogeneration Facility Introduced

The Shiga Works has the scale of power demand of a Type 1 Designated Energy Management Factory and has engaged in the effective utilization of energy by having installed a cogeneration system. Today, 20% of the total electricity demand at the Shiga Works is met by this in-house cogeneration system.



The Shiga Works cogeneration facility has been in operation since 1997

Participation in Team Minus 6%

Daifuku has been participating in the national Team Minus 6% project to reduce the amount of greenhouse gas emissions since June 2007.

All Daifuku business sites in Japan, including its Osaka Headquarters and Tokyo Head Office, thoroughly ensure that lights are switched off during the lunch break and after office hours. In addition, setting the office air-conditioning temperature at 28°C in summer and 20°C in winter shows consideration for the environment and creates a comfortable working environment.

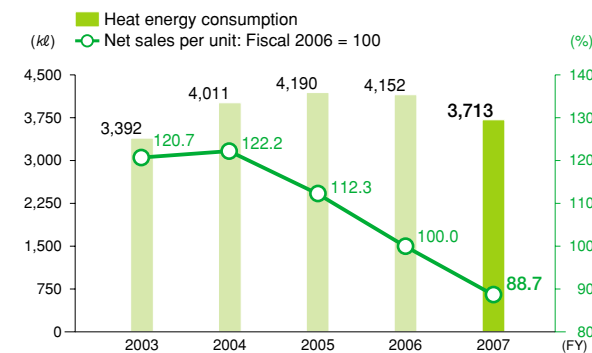
All internal divisions display the Team Minus 6% poster, have a no jacket and tie rule in summer and encourage the wearing of warmer clothes in the office in winter. Long-standing energy reduction activities form one part of Daifuku's environmental management system and awareness activities achieved a year-on-year energy reduction of 6%.

Daifuku's employees will work in unison to broaden the scope of activities aimed at achieving project targets.



Team Minus 6% poster

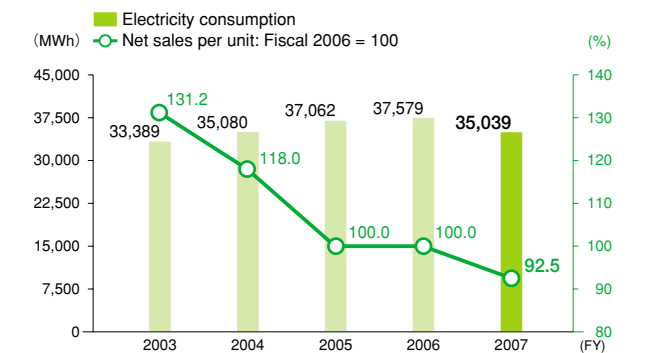
Heat Energy Consumption



Note: Includes LPG, city gas, diesel oil, and gasoline

	FY2006	FY2007
Companywide	4,152	3,713
Osaka Headquarters	20	12
Tokyo Head Office	—	—
Shiga Works	3,688	3,332
Komaki Works	322	248
Tokai Office	45	40
Kyushu Daifuku	33	36
Contec	44	45

Electricity Consumption



	FY2006	FY2007
Companywide	37,579	35,039
Osaka Headquarters	1,289	1,524
Tokyo Head Office	521	533
Shiga Works	29,232	27,901
Komaki Works	4,627	3,167
Tokai Office	307	240
Kyushu Daifuku	295	268
Contec	1,308	1,406

Glossary

net sales per unit: This value indicates CO₂ emissions in terms of net sales and is used to build a picture of operational efficiency. Ideally, with the sales amount remaining constant, there should be a reduction in the amount of CO₂.

Type 1 Designated Energy Management Factory: Works that use the crude oil equivalent of more than 3,000 kiloliters of energy (combined total of electricity and heat energy) per annum fall into this category and are obliged to report energy use every year to the Ministry of Economy, Trade and Industry.

Comments from Environmental Activity Representatives

Promoting Business-Oriented Activities, Working Toward Reducing Environmental Impact

Hiroyuki Takiguchi Investor Relations Department (Tokyo Head Office)

Despite the efforts made to reduce paper and electricity usage and the amount of garbage generated at Tokyo Head Office, targets were not attained because of the growing numbers of employees. According to data compiled by the Tokyo Metropolitan Government, progress in reducing CO₂ emissions from offices bears no comparison with such facilities as operational plants. There is a widespread belief that the heat waves seen in recent years are a result of global warming, and this conviction has served to renew the feeling that concerted efforts are a necessity.

In an external audit carried out in February for ISO 14001, we received an assessment that stated there was "no noncompliance" with regard to current activities or environmental targets in the division. While conducting activities that are geared to our business, we have to endeavor to reduce paper and electricity usage as well as to reduce the amount of garbage we generate in order to protect resources and prevent the further pollution of the global environment. I hope that these goals can be achieved through fruitful activities in the workplace.



Emissions and Reduction Measures

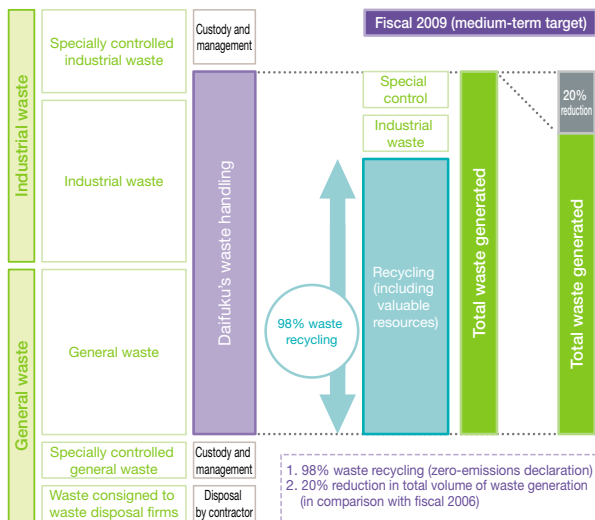
Waste Reduction

Daifuku contributes to environmental conservation by setting standards for the containers, methods and sites for the collection of various wastes discharged from specific works. Waste emissions are also centrally controlled to further enhance recyclability.

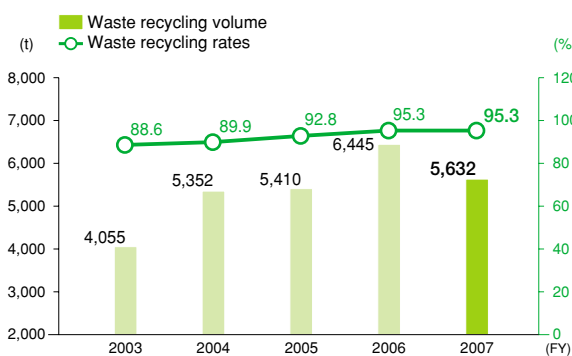
Medium-Term Waste Reduction Target Toward Zero-Emissions

Looking toward a sustainable society, Daifuku has moved to meet its corporate responsibility to practice waste recycling. It has set a fiscal 2009 target of reducing the total volume of waste generated and the volume of waste disposed of in landfills 20% compared with the fiscal 2006 level, and is advancing toward a final goal of zero-emissions (which Daifuku defines as 98% waste recycling). It has also set with medium-term targets for waste reductions.

Definition of Waste and Reduction Targets



Waste Recycling Rates



Waste Reduction and Appropriate Disposal

Based on the concept "properly sorted wastes are resources and vice versa," Daifuku is promoting the Daifuku Zero Emissions Activities, under which a fiscal 2007 target was set of recycling more than 96% of total waste generated by the Company.

The Shiga Works has established the Waste Task Force, which consists of representatives of each department, to solve issues relating to waste. The task force conducts regular monitoring of individual departments' waste sorting status within the site. Through this and other initiatives, the task force is promoting thorough observance of waste sorting rules toward contributing to the achievement of Companywide waste reduction targets.

During fiscal 2007, Daifuku worked toward achieving a 7% year-on-year reduction in total wastes and managed to surpass this by reducing waste 13%. With regard to its target toward zero emissions, the Company recycled 95.3% of total waste generated, which is slightly short of its 96% short-term recycling target. We are committed to achieving new targets in this regard in the future.

As part of fulfilling its responsibility as a generator of waste, Daifuku conducts annual on-site patrols to monitor the status of waste processing at external parties to which it outsources its operations. By managing and monitoring information obtained through such patrols using a Companywide database, we are working to prevent improper processing and disposal of wastes.

Furthermore, Kyushu Daifuku, Contec and the non-production bases—namely, the Osaka Headquarters, Tokyo Head Office, the Komaki Works, and the Tokai Office—are promoting the thorough separation and collection of wastes they generate.



Waste management panels

Waste Recycling at the Shiga Works

Recycling Sludge as Cement Materials

Wastewater containing oil and iron powder is generated by the painting lines at the Shiga Works. Such wastewater is processed by wastewater treatment facilities, and the sludge recovered there is sent to a drying kiln, where it is meticulously crushed into granular form and its water content removed, with the final product finally shipped out as cement materials. In fiscal 2007, Daifuku recycled 113 tons of sludge that had undergone drying treatment.

Food Scraps Recycled as Compost

Food scraps generated at the Shiga Works' cafeteria are entirely processed using dedicated machines to make compost. The compost is used for planting and vegetable farming within the site. During fiscal 2007, Daifuku produced seven tons of compost by recycling 21 tons of food scraps.

Dead Trees Cut Down to Make Papermaking Materials

Daifuku periodically cuts down dead trees in the vast site of the Shiga Works to maintain the attractiveness of the scenery and a clean appearance.

Of the trees cut down in fiscal 2007, trunks were sold to lumber recycling companies who made them into papermaking materials, while branches were processed into woodchips for use as compost.



Cutting down trees at the Shiga Works

Used Vegetable Oil Recycled as Bio Fuels

Daifuku has participated in activities promoted by gas stations operating in Shiga Prefecture to produce and sell biodiesel fuels derived from used vegetable oil. Such fuels are believed to emit less CO₂ than gasoline when combusted. In fiscal 2007, Daifuku sold six drums, or 1,250 liters, of used vegetable oil.

Reducing Paper Consumption and Recycling

Daifuku believes that wasteful paper use imposes a significant negative impact on the environment, causing forest destruction and, consequently, an increase in atmospheric CO₂ levels. Based on this belief, the Company is promoting paper recycling by setting targets for reducing paper consumption.

For example, the Shiga Works recycles used copy paper as high-grade wastepaper and old newspapers, pamphlets and paper folders as mid-grade wastepaper. Through these activities, all the wastepaper that Daifuku generates is recycled into new paper products.

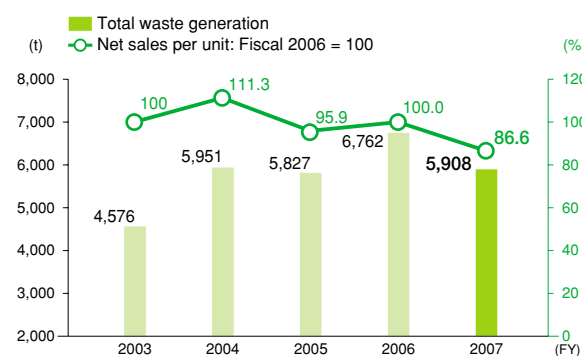
The Company had worked to achieve the fiscal 2007 target of reducing paper consumption 3% from the fiscal 2006 level. However, our paper consumption actually increased 5%. With the aim of accomplishing

future targets for reducing paper consumption, we will further promote the digitization of various forms and ledgers and "paperless meetings" in which no paper handouts are distributed.



Collection of high-grade wastepaper

Total Waste Generation



	FY2006	FY2007
Companywide	6,762	5,908
Osaka Headquarters	141	148
Tokyo Head Office	46	51
Shiga Works	5,619	5,299
Komaki Works	675	184
Tokai Office	23	16
Kyushu Daifuku	129	83
Contec	129	127

Paper Consumption

	FY2003	FY2004	FY2005	FY2006	FY2007
Companywide	149	157	178	205	216
Osaka Headquarters	16	15	17	18	25
Tokyo Head Office	12	13	12	14	16
Shiga Works	79	84	97	143	149
Komaki Works	42	39	43	14	13
Tokai Office	—	6	7	7	7
Kyushu Daifuku	—	—	2	2	2
Contec	—	—	—	7	4

Comments from Environmental Activity Representatives

Pursuing RoHS Compliance and Energy Saving in the Development of Environmentally Friendly Products

Kazuaki Tanaka Production Management Division (Komaki Works)

In the Control Development Department, we are engaged in the design and development of such control modules as printed circuit boards (PCBs), computers and power supply units that are incorporated into Daifuku products as well as common software, including operating systems (OSs) and input/output (I/O) drivers, used with these products.

In recent years, we have been accelerating the development of environmentally friendly products, including those that use PCBs complying with the restriction of the use of certain hazardous substances in electrical and electronic equipment (the "RoHS Directive"). Besides our

new products, we are upgrading our existing products for compliance with the RoHS Directive.

Also, from the previous fiscal year, we have been developing energy-saving power supply units jointly with the e-Factory Automation Operations. These units supply power only when needed, which results in a reduction in power loss that is inherent in electric-power systems and equipment and thereby achieves energy saving.

In line with the Company's initiatives, we are committed to continuing the development of environmentally friendly products.



Emissions and Reduction Measures

Pollutant Emissions Control

In its production activities, Daifuku uses a wide variety of chemical substances, including some that could have a significant environmental impact. As with other substances, environmental contaminants are periodically reviewed and strictly controlled to reduce their use wherever possible. Efforts are also under way to replace such contaminants with safer substances.

Pollutant Release and Transfer Register (PRTR) Control

Daifuku proactively improves its chemical substance control system and complies with the Law Concerning Reporting, etc. of Release of Specific Chemical Substances to the Environment and Promotion of the Improvement of Their Management (PRTR Law) by preventing interference with environmental conservation.

The Shiga Works, which handles specified chemical substances, assesses the annual emission of such substances and aggressively substitutes them with environmentally friendly chemical raw materials.

In fiscal 2007, Daifuku set the targets of avoiding the use of toxic chemicals and reducing the use of hazardous substances while facilitating the use of environmentally friendly raw materials. Nevertheless, the consumption of toxic chemical substances increased 4% from the previous fiscal year.

Daifuku will strive to use low environmental impact chemical materials and provide products that promote customer satisfaction.

Prevention of Air Pollution

Based on Ordinance No. 25, Clause 1, of the Ordinance Concerning the Reduction of Impacts on the Air Environment of Shiga Prefecture, the Shiga Works is designated as a "place of business subject to a plan to reduce its environmental impact on the air." Because the plant has a built-in cogeneration system, efforts are made to control and reduce smoke-type air pollutants. With regard to the maintenance and inspection of facilities, all facilities specified under applicable laws and ordinances are naturally periodically inspected, while other non-specified equipment is voluntarily inspected as appropriate.

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

Material	Facilities	Standard value	Measured value
NOx (ppm)	Dynamos	950	687
	Hot water boiler	120	110
	Water cooler/heater	180	68
SOx (cu.m N/h)	Dynamos	2.3	0.137
	Hot water boiler	0.57	0.025
	Water cooler/heater	2.5	0.025
Dust (g/cu.m N)	Dynamos	0.10	0.008
	Hot water boiler	0.20	0.001
	Water cooler/heater	0.3	0.007

PRTR Law and Related Chemical Substance Quantity Control

(kg)

Control No.	Chemicals	Transaction volume	Emission to:					Transfer to:		
			Air	Public water	Soil	Land	Emission to: Total	Product	Misc.	Transfer to: Total
1	Water soluble zinc compounds	577	0	0	0	0	0	456	121	577
29	Bisphenol A	3,197	0	0	0	0	0	2,078	1,119	3,197
30	Bisphenol A epoxy resin (liquefied)	105	0	0	0	0	0	95	9	105
40	Ethyl benzene	6,741	6,741	0	0	0	6,741	0	0	0
43	Ethylene glycol	167	137	0	0	0	137	0	29	29
63	Xylene	39,685	38,697	0	0	0	38,697	0	987	987
224	1,3,5 - trimethyl benzene	618	618	0	0	0	618	0	0	0
227	Toluene	25,687	25,557	0	0	0	25,557	0	130	130
230	Lead and its compounds	280	266	0	0	0	266	0	14	14
309	Poly (Oxyethylene) = Nonyl phenyl ether	2,171	0	0	0	0	0	0	2,171	2,171

Note: Chemicals used in quantities smaller than 100 kg per year are omitted because they are negligible.

Comments from Environmental Activity Representatives

Continuous Improvements through a PDCA Cycle

Hiroshi Taniguchi ISO Promotion Department (Shiga Works)

I joined Daifuku in April 2007 and have since served as a member of the ISO Promotion Dept., implementing activities in the areas of environmental conservation and quality management.

The ISO Promotion Dept. functions as a secretariat in charge of the top-down implementation of ISO-related initiatives and the coordination of bottom-up activities based on improvement proposals gathered from the entire Daifuku Group. As a member of the dept., I am working to thoroughly collect information and disseminate necessary information to the front lines of operations while establishing the frameworks required for

maintaining the Company's compliance with environmental laws and regulations.

Reflecting on a series of recent incidents related to accounting fraud by listed companies and unauthorized dumping, it seems that we are living in a world where what has been believed to be commonsense is not so commonsense anymore. A Plan-Do-Check-Act (PDCA) cycle—which is an underlying principle of ISO—must be valued in such era. Through effective PDCA application and dissemination, I would like to contribute to Daifuku making progress in the fields of environmental conservation and quality management.



Water Quality Management

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 the Shiga Works is processed at comprehensive wastewater treatment facilities on the premises before being discharged into the Sakura River, which is designated as a Class-A river. Drainage from rainwater drains is channeled into a pond that stores water for firefighting. For that reason, the equipment at the Works is thoroughly maintained and inspected, while water discharged from wastewater treatment facilities is measured. Living environmental organisms are measured once a month. Meanwhile, hazardous substance items are measured twice a year.

In addition, Daifuku has introduced high-performance dryers at the wastewater treatment facilities to reduce the moisture contained in sludge and thereby decrease the total volume of sludge that it generates.

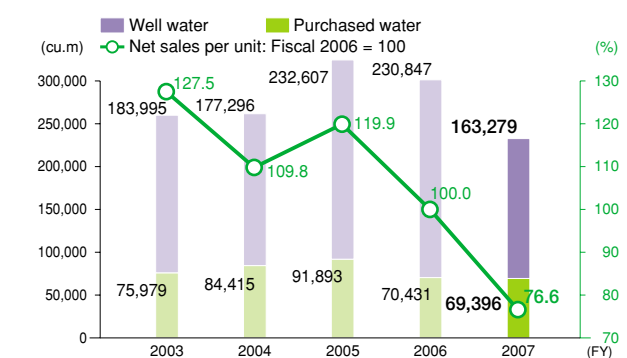
Also, once a month at the Komaki Works, an external organization inspects and measures drainage quality in accordance with water quality standards set forth under the Sewerage Law of Japan.

In fiscal 2007, Daifuku reduced Companywide water consumption per unit of net sales 23.4% compared with fiscal 2006.



A water survey being conducted at the Shiga Works

Water Consumption



	FY2006	FY2007
Companywide	301,278	232,675
Osaka Headquarters	9,881	9,925
Tokyo Head Office	5,340	5,929
Shiga Works	253,177	187,679
Komaki Works	24,693	20,879
Tokai Office	2,008	2,033
Kyushu Daifuku	937	842
Contec	5,242	5,388

Result of Final Effluent Quality Measurements

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

Measurement item	Regulation value	Measurement result		
		Max	Min	Avg
Amount of drainage (cu.m per day)	—	813.0	245.0	579.0
PH	6.0~8.5	7.7	7.2	7.4
SS (mg/ℓ)	20以下	6.2	1.4	2.9
COD (mg/ℓ)	20以下	6.5	2.5	4.1
BOD (mg/ℓ)	20以下	4.0	2.0	2.1
Total phosphorus (mg/ℓ)	1以下	0.7	0.1	0.3
Total nitrogen (mg/ℓ)	10以下	7.4	0.5	3.1

Note: An average value is the weighted average.

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

Measurement item	Regulation value	Measurement result		
		Max	Min	Avg
Amount of drainage (cu.m per day)	—	—	—	87.0
PH	5.7~8.7	8.6	6.8	7.3
BOD (mg/ℓ)	Less than 300	60.0	1.0	10.0
SS (mg/ℓ)	Less than 300	78.0	5.0	17.2
n-hexane/mineral oil (mg/ℓ)	5 or less	2.2	1.0	1.1
n-hexane/organic oil (mg/ℓ)	30 or less	6.2	1.0	1.6



Drainage treatment facilities at the Shiga Works



Before (left) and after (right) drainage treatment



Sludge recycling facilities

Green Procurement Status and Promotional Measures

Green Procurement

Daifuku believes that one of its most important environmentally conscious priorities is to reform procurement activities. We developed an integrated Environmental Management System that also involves customers and suppliers and are promoting green purchasing in-house in order to be able to offer environmentally conscious products.

Green Procurement Addressed in the Supply Chain

The globalization of the world economy and the close scrutiny to which environmental issues are subjected demands controls and bans on the use of hazardous substances, particularly those that have an effect the human body or the environment.

Daifuku encourages green procurement among its suppliers based on the Green Procurement Guidelines that the Company issued in November 2005. Visits are made to the production front lines of suppliers and on-the-spot audits of the materials present are conducted, with a focus on such issues as the switch to trivalent chromium in place of hexavalent chromium and lead-free materials.

Meanwhile, procedures are created and passed on to the front-line operations to prevent Daifuku products from containing hazardous substances, and hazardous substance awareness training sessions are held.

In addition, the entire supply chain is covered and "visualization" applied to planning based on, for example, a data-base for customer product-related queries. Also, we promote a system that rapidly and assuredly responds to those queries on a Companywide basis.



Excellent Supplier Companies Presented with Supplier Quality Development (S.Q.D.) Awards

We ask for the cooperation of our business partners in helping us 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 2008, the fifth year, Daifuku granted the award to 10 of 243 goods-related (including processing and controlled production) and construction contract-related companies.

Daifuku's products will undergo checks for the existence of hazardous substances and alternative substances will be considered for use as part of compliance assessment-based changes under the Company's environmental product regulations. In addition, we request suppliers to undergo testing for hazardous substances and to purchase components that are free of such hazardous materials.



S.Q.D. Award Ceremony

RoHS Directive Response and Management

CONTEC EMS Co., Ltd., which is engaged in the manufacture of PC peripheral devices, industrial computers and industrial network devices, constructs and controls its production lines with the aim of eliminating products containing hazardous substances from circuit board mountings. The company manufactures products that are free of 15 substances that Daifuku has specified as being hazardous (including six substances included in RoHS directives).

[Examples]

- (1) Obtaining evidence from parts
- (2) Prevention of hazardous substance contamination by compartmentalizing work areas
- (3) Identification and marking of tools, production equipment
- (4) Increasing production through the introduction of lead-free solder tank
- (5) Contamination prevention activities for components and production equipment using a fluorescent X-ray analyzer
- (6) Compatibility with partner companies and overseas production bases

By means of the abovementioned activities, Daifuku and Contec manufacture products that comply with RoHS directives.

Contec's newly developed Box Computer 950 Series, which is a high-performance PC that uses a chipset with built-in dual CPU and high-performance graphic accelerator, realizes the thinnest body of a computer in its class in a slimline package measuring 256 mm wide, 183 mm deep and 25 mm high. A capability to be installed in a gap of a mere 35 mm is compatible with RoHS directives.



Box Computer 950 Series



Mount line at the Komaki Factory



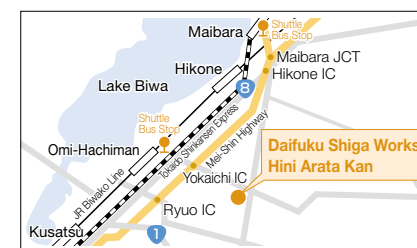
Unrivaled, Full-Scale Exhibition Center for
Material Handling & Logistics Systems

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Hini Arata Kan

At the exhibition center, Daifuku material handling systems and equipment are on display, along with products from 40 other logistics vendors encompassing 400 different items in 150 categories. Visitors can view the actual equipment and performance of the state-of-the-art systems in demonstrations of automobile, semiconductor and flat-panel display production lines, as well as storage, transport, sorting and picking systems. At the Hini Arata Kan, our experienced staff will guide you through an array of our latest material handling innovations operating under one roof.

Since its opening in June 1994, the Hini Arata Kan has welcomed more than 250,000 visitors as of January 2008, with an average of 20,000 people visiting the center annually, including Daifuku customers and an array of groups and organizations. Since 1997, and for the first time since its opening, we have been comprehensively renewing the items on display. The automobile production line systems, unit load AS/RSs, palletizing robots and other items on display have been replaced with the latest models, while cleanroom FA systems were newly added to the exhibition.



Facility Facts

Building area: 6,049 sq.m
 Building height: 25.1 m
 Floor space: 19,482 sq.m
 Parking space: 5 buses, 50 cars
 Hours open: 9:00 am-5:00 pm (Reservation needed)
 Closed: Sunday, National holidays
 Web site:
www.daifuku.co.jp/hiniaratakan/en
 Phone: (Toll Free) 0120-074-854
 Operated by: Hiniaratakan Corporation
 Shiga Works, Daifuku Co., Ltd.
 1225 Nakazajji, Hino-cho, Gamo-gun,
 Shiga 529-1692 Japan



Automobile Production Line Systems



Unit load AS/RS



Semiconductor/LCD production line systems



Guided tours can also be taken in English and Chinese.

Comments from Environmental Activity Representatives

Promoting Activities to Help Visitors Enjoy Their Visits

Yumiko Koketsu Hiniaratakan Corporation

The Hini Arata Kan welcomes visitors from all over the world. As part of efforts to enable a pleasant experience through these visits, we are promoting environmentally friendly activities on a daily basis.

Through such activities, we have upgraded systems and equipment on display that are used in demonstrations. Most of the systems and equipment have been designed so that they automatically shut off when there is no audience. What's more, we optimize lighting and air-conditioning in the building in accordance with admission status. In addition, we

have replaced all the downlighting halogen bulbs—a total of 460 bulbs—installed in the first floor lobby with energy-efficient LED lighting and compact fluorescent lamps.

This initiative has resulted in an annual reduction of 12.4 tons in the Hini Arata Kan's CO₂.

Committed to always considering the environment, we will continue to provide visitors with services of the highest quality to achieve maximum visitor satisfaction.

