

Corporate Social Responsibility Report 2010



Material Handling and Beyond

Daifuku has been providing industry with its material handling systems and equipment for the more than 70 years since its founding in 1937.

Over the course of its history, the Company has delivered more than 20,000 automated warehouse stacker cranes to factories and distribution centers in every type of manufacturing and distribution industry and over 4,000 kilometers of production line systems to automotive factories.

Daifuku has also delivered cleanroom transport and storage systems for semiconductor and LCD production to a vast number of global companies.

Through the efforts of everyone involved,

Daifuku has risen to the top of the material handling field worldwide.

Daifuku will carry on its commitment to material handling and innovating in the field to address the challenges that lie ahead.

Daifuku never shies away from new challenges but rather embraces every opportunity for advancement.

Corporate Social Responsibility Report 2010

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■ Preface

In 2002, Daifuku began issuing the *Environmental Report*, changing the name of the publication to the *Social & Environmental Report* in 2007. With this issue, we are again updating it, releasing it in the form of a *Corporate Social Responsibility Report* with enhanced coverage of topics encompassing society, the environment and economic conditions. This report 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 our manufacturing and sales activities. Like its predecessor, Daifuku's *Corporate Social Responsibility 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 2009 – March 2010 <small>Note: Some of the content of this report may include information on activities that took place at times other than during the above-mentioned period.</small>
Environmental data target operations	Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Office), Fujisawa Office, Konosu Office

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Material Handling Systems and Equipment Represent Vital Social Infrastructure

Contributing to the Development of Industry and Comfortable Lifestyles with “Technologies That Move Things”



K. Takeuchi
Katsumi Takeuchi
Chairman and Co-CEO

M. Hojo
Masaki Hojo
President and Co-CEO

Providing Useful Products in Step with the Production and Distribution of Materials

Material handling systems and equipment support core elements in a range of industries and represent vital social infrastructure.

With a management philosophy that states that Daifuku will “contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market,” the Company has been constantly honing its technologies to meet customer needs and developing its business. Drawing on the wealth of experience it has gained as a manufacturer as well as a systems integrator, the Company develops material handling solutions that fully optimize material movement and, through its after-sales services and equipment retrofits, has maintained relationships with many customers over many years.

In the 70 years that have passed since the Company was founded, Daifuku has delivered a wide variety of material handling systems in logistics fields involving the manufacture of a host of products that are indispensable to our everyday lives, such as food and pharmaceuticals, electronics and automobiles. Responsible for bringing efficiency to the distribution and transport fields that deliver these products to consumers, Daifuku systems have received high acclaim from companies at home and abroad.

Having set up bases in 20 countries and regions, Daifuku is now developing its global business. To ensure consistently high levels of quality in its products throughout the world, the Company is committed to passing down its *manufacturing* expertise and proactively addressing the training of global staff. Daifuku will continue providing material handling systems and equipment that contribute to material movement in manufacturing and distribution that is closely associated with the lives of people around the world.

New Three-Year Business Plan Formulated

Daifuku has now formulated its new three-year business plan (to run from April 2010 to March 2013). *Material Handling and Beyond*, the new plan’s title and Daifuku’s corporate slogan, communicates Daifuku’s resolve in pursuing materials handling as its core operation. It also expresses Daifuku’s intention to explore new fields that relate to materials handling operations and to “continue developing new products, markets and businesses for the future, correctly anticipating changes in operating conditions.” Specifically, we believe that it is the most important challenge if we are to expand the scope of business, going beyond conventional boundaries by taking on the following five challenges:

1. Enter new markets

We will aim to take our business to a new level overseas across the globe.

2. Create new products and systems

We will provide customers with products and systems that meet local needs with satisfactory prices and functions for customers to seek growth in new and high-growth markets such as India and China.

3. Develop new production methods

We will continue to step up the ratios of local procurement and local production for products and systems that are delivered to global customers by revising Group production methods. To that end, in each country we will promote local national staff and train them to operate effectively in the global market.

4. Build a new global partnership

The products and systems of the Company are not finished goods when they are shipped from factories but become completed products when they are combined with goods locally procured or manufactured, installed and adjusted. We will build ties with partners that are able to manufacture and install high quality products and provide services in new markets such as China and India. We will also seek to improve the level of our existing partners.

5. Launch new businesses

We will set a course for further growth path not just by developing new business ourselves, but also by launching business through alliances and friendly M&A. As a manufacturer, we will also seek expansion into fields other than material handling in its limited sense (transport, storage, sorting and picking), fields in which we will be able to apply the technologies, human resources and networks specific to Daifuku.

In the fiscal year ending March 31, 2011, Daifuku will further enhance its corporate governance and improve earnings by focusing on securing volume and improving quality as well as on identifying new customers, new markets and new businesses.

Promoting Corporate Activities That Emphasize Environment and Safety

One clause of our basic management policy states that we at

Daifuku will “emphasize environment and safety in corporate activities to fulfill our social responsibility.” In April 2010, Daifuku created the Environmental Enhancement Management Committee, a body under the direct control of the chief executive officer (CEO), to design and promote environmental management strategies and respond to policy decisions related to Group wide energy and resource savings, hazardous substances and environment-responsive products as well as to laws related to environmental regulations worldwide. As a specific measure, the Company installed photovoltaic facilities at Hini Arata Kan, the full-scale exhibition center for material handling and logistics systems situated at its Shiga Works, in March 2010. The facilities will generate electric power of 270,000 kWh, or approximately 30% of the center’s annual electricity consumption, thereby reducing CO₂ emissions by approximately 110 tons a year.

In addition, the Daifuku Group constantly works to develop new systems and products that adhere to its transport, storage, sorting and picking concepts. Nowadays, these efforts have been extended to include concepts ranging from the economic aspects of corporate responsibility demanded of companies to environmental and social activities. As a Company, Daifuku endeavors to develop products and systems that show that consideration has been given to quality, environmental and safety aspects.

Meanwhile, based on the concept that safety is its ultimate priority, Daifuku has moved the Central Environment, Safety & Hygiene Committee under the direct control of the CEO and will strive to eradicate workplace accidents. As part of these efforts, in June 2010, Daifuku’s Anzen-Taikan Dojo facility (dedicated to providing first-hand experience safety training) was opened at an old works site on the premises of its Osaka headquarters. The dojo is set up to simulate such occupational hazards as a fall, an electric shock and being caught in operating equipment. The role of the new facility is to play a part in safety promotion by having Group employees and partner company employees responsible for installation work experience for themselves the importance of ensuring safety.

We would be grateful for guidance and encouragement toward further developing our activities.

Management philosophy

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

Basic management policy

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

Material handling technologies are contributing to lower costs and faster delivery by streamlining various production and distribution processes.

Basically, material handling processes comprise "conveying," "sorting" and "storage."

Daifuku offers an array of material handling systems and equipment to industries ranging from manufacturing and transportation to warehousing and distribution, involving the automotive, electric appliance, electronics, pharmaceutical, food, apparel and daily commodity industries.

Daifuku develops efficient, user-friendly logistics to support a diversity of everyday life and business circumstances.



Corporate Data

Company name: Daifuku Co., Ltd.
 Established: May 20, 1937
 Paid-in capital: 8,024 million yen (as of March 31, 2010)
 Representative: Masaki Hojo, President & Co-CEO
 Employees: 5,395
 (total for Daifuku Group, as of March 31, 2010)
 Business: Provides comprehensive consultation, planning, engineering, design, manufacturing, sales, installation and aftermarket services for material handling and logistics systems
 Products: Storage systems, transport systems, sorting and picking systems, control and information systems, material handling equipment, car wash machines, bowling alley equipment, and other facilities

Business Performance Highlights

(Fiscal year ended March 31, 2010, consolidated)

For the Year	
Orders Received	133,211 million yen
Net sales	154,208 million yen
Operating income	80 million yen
Net income	1,018 million yen
Net income per share	9.20 yen
Dividend per share	20.00 yen
Capital investment	2,280 million yen
R&D expenditures	6,075 million yen

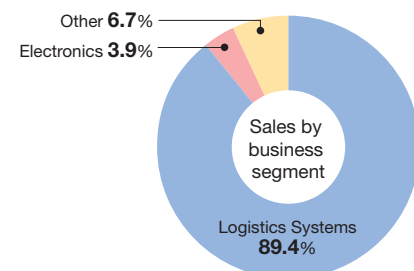
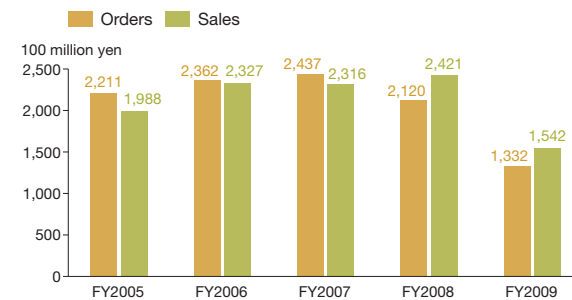
At Year-End	
Total assets	165,430 million yen
Working capital	66,265 million yen
Net assets	81,295 million yen

Ratios	
Operating income / Net sales	0.1%
Net income / Net sales	0.7%
Return on shareholders' equity (ROE)	1.3%
Shareholders' equity ratio / Total assets	47.9%

Ratings (announced on July 30, 2010 by Rating and Investment Information, Inc.)

R&I assigns	A- [Stable]
Long-term ratings	A-
Commercial paper	a-1

Consolidated orders and sales



Locations



Osaka Headquarters

3-2-11 Mitejima, Nishiyodogawa-ku, Osaka 555-0012 Japan
 Lot area: 14,514 m²
 Floor area: 19,236 m²
 Business: Conducts sales, engineering, design, installation and services for material handling systems and equipment; handles corporate affairs



Tokyo Head Office

2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
 Lot area: 783 m²
 Floor area: 3,572 m²
 Business: Conducts sales, engineering, design, installation and services for material handling systems and equipment; handles corporate affairs



Shiga Works

1225 Nakazaji, Hino-cho, Gamo-gun, Shiga 529-1692 Japan
 Lot area: 1,160,000 m²
 Floor area: 221,400 m²
 Business: Conducts engineering, design, manufacturing, installation and services for material handling systems and equipment; handles corporate affairs; maintains warehouses



Komaki Works

4-103 Komakihara, Komaki-shi, Aichi 485-8653 Japan
 Lot area: 56,183 m²
 Floor area: 20,986 m²
 Business: Conducts sales, engineering, installation and services for material handling systems and equipment; handles corporate affairs

Business Activities

Factory Automation & Distribution Automation



Daifuku provides the logistics systems most appropriate for each client company by configuring the best combination of storage systems (including automated warehouses), sorting and picking systems and distribution systems for use in the

factories and distribution centers of various industries, including the electric products, pharmaceuticals, food, transportation and warehousing industries.

e-Factory Automation



Daifuku offers a number of material handling systems for clean rooms for liquid crystal display (LCD) and semiconductor manufacturers. Daifuku's cleanroom transport and storage systems serve as total system solutions that enhance the overall productivity and operational efficiency of factories.

Automotive Factory Automation



Daifuku's automobile production line systems have been adopted by a number of automakers both in Japan and overseas. The Company's leading-edge material handling technologies support automotive production sites on a global scale.

Airport Baggage Handling



For baggage handling systems used in airports, Daifuku offers state-of-the-art systems securing the transportation of passenger bags via conveyors from check-in counters for outbound flights and to baggage claim areas for inbound flights as well as security systems.

Lifestyle Products



Daifuku contributes to welfare activities, medical care and environmental preservation through the offering of diverse products, including water-saving tunnel-type car wash machines for gas stations and car dealers; wheelchair lifts for care

provider vehicles; and surgical instrument supply and collection systems for hospitals. In addition, Daifuku provides equipment and goods for bowling, which has been popular as a healthy sport.

Electronics



The development, manufacture and sale of industrial computers, interface boards and LAN-related products are handled by a Daifuku subsidiary Contec. Leveraging its bases in China and Taiwan, Contec is also engaged in the efficient procurement of

components for and the production of controllers for material handling systems and power electronics products.

Japanese Affiliates

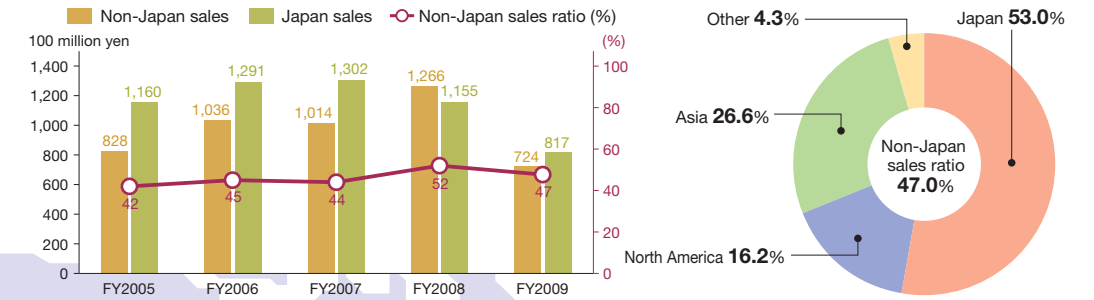
Contec Co., Ltd.
 Contec EMS Co., Ltd.
 Daifuku Plusmore Co., Ltd.
 Daifuku Logistic Technology Co., Ltd.
 Hiniaratakan Corporation
 Daifuku Design and Engineering Co., Ltd.

Daifuku Institute of Technology and Training Co., Ltd.
 Daifuku Business Service Corporation
 Daifuku Software Development Co., Ltd.
 Daifuku Manufacturing Expert Co., Ltd.
 Osaka Machinery Works Co., Ltd.
 Renace Laboratory, Inc.

Production and Sales Bases in 20 Countries and Regions

Daifuku has developed a structure able to offer and realize the “optimized material handling solutions” that meet the management strategy needs of companies around the world.

Consolidated non-Japan sales ratio



Europe

Gunther Roecher
Business Development Manager GERMANY
Daifuku Co., Ltd. Germany Branch



Whenever I visit a customer, I try to talk him into considering Daifuku's energy saving equipment, as saving energy is getting more and more important and Green Logistics is a slogan we have been using within our business for approximately one year in Europe. The Sorting Transfer Vehicle is a good example, as the overall power consumption is lower compared to conventional conveyor systems. In addition, Daifuku's automated warehouse stacker crane is designed to conserve energy which it does thanks to its light weight and using power regeneration systems.



Daifuku Europe Ltd.
Jervis B. Webb Company, Ltd.



Asia (China)

Zhigang Cai
Vice President & Plant Manager
Jiangsu Daifuku Rixin Automation Co., Ltd.



In line with the basic policies of "safety first" and "providing quality products at reasonable prices and as fast as possible," we engage in commissioned manufacturing for automotive and LCD manufacturers as well as general manufacturers in the FA industry. In the Chinese market where competition is ever-intensifying, we are striving to improve manufacturing technologies and skills to meet customer satisfaction. In addition, collaborating with the marketing, designing and installation departments, we are making efforts every day to reduce costs and boost market competitiveness.

Asia (South Korea)

S. K. Lee
Manufacturing Dept. Manager
Clean Factomation, Inc.



Clean Factomation is engaged in the manufacturing, sales and installation of as well as after-sale services for transport and storage systems used in the clean rooms of semiconductor and flat-panel display factories. Although our products are delivered to customers mainly inside South Korea, we sometimes produce components for customers in the United States and Japan. Striving to improve productivity and reduce costs, we are making every effort to develop new products that reflect customer needs as we pursue higher customer satisfaction.

Americas

Tim Hund
Director
AFA Manufacturing Operations
Daifuku America Corporation



The Ohio Plant manufactures automobile production line systems including conveyor systems. All associates communicate openly to continuously improve production systems through Lean/Kaizen events, and to implement 5S policies and principles for a clean and orderly workplace. Furthermore, we recycle metals, paper, plastic, glass, batteries and electronics, and re-use as many items as possible for the purpose of reducing waste. We also make efforts to eliminate accidents and manage product quality with zero defects.



Daifuku America Corporation Ohio Plant



Daifuku (Thailand) Ltd. Pinthong Plant



Daifuku (China) Co., Ltd.



Jiangsu Daifuku Rixin Automation Co., Ltd.



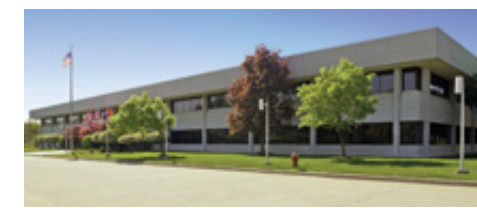
Taiwan Daifuku Co., Ltd.



Daifuku Korea Co., Ltd.



Clean Factomation, Inc.



Jervis B. Webb Company

Non-Japanese affiliates

Daifuku Europe Ltd. (U.K.)
Jervis B. Webb Company, Ltd. (U.K.)
Jervis B. Webb GmbH (Germany)

Daifuku India Private Limited
Webb India Private Limited
Daifuku (Thailand) Ltd.
Daifuku Mechatronics (Singapore) Pte. Ltd.
Daifuku (Malaysia) Sdn. Bhd.
P.T. Daifuku Indonesia

Daifuku (China) Co., Ltd.
Daifuku (China) Manufacturing Co., Ltd.
Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
Jervis Webb-China Company, Ltd.
Taiwan Daifuku Co., Ltd.
Daifuku Korea Co., Ltd.
Clean Factomation, Inc. (South Korea)

Beijing Contec Microelectronics Corporation (China)
Contec Solution China Corporation
Taiwan Contec Co., Ltd.
Contec Solution Co., Ltd. (Taiwan)

Daifuku America Corporation
American Conveyor and Equipment, Inc. (U.S.A.)
Jervis B. Webb Company (U.S.A.)
Daifuku Canada Inc.
Jervis B. Webb Company of Canada, Ltd.

Daifuku Co., Ltd. global branches and representative offices (Mexico, U.K., Germany, Sweden, Czech, St. Petersburg, Philippines, Shanghai)

Case Studies

Thermos K.K. — Niigata Plant

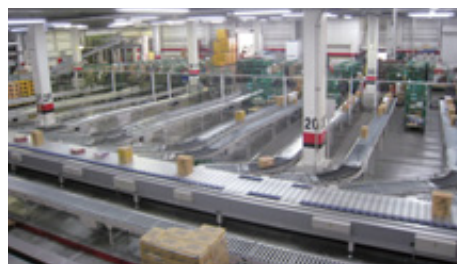
A manufacturer of the vacuum bottles popular in more than 120 countries, Thermos K.K. newly established a distribution center at its Niigata plant, expanding storage capacity with the two-phase introduction of a unit load Automated Storage & Retrieval System (AS/RS). Consolidating under one roof inventory that had previously been scattered among more than 10 commercial warehouse locations, this move established a framework capable of meeting the increased demand of recent years for portable vacuum insulated mugs and tumblers for sports and offices. The company improved operational efficiency—for example, reducing order processing time by half—by consolidating the management of inventory information on dedicated computers.



Installation of a 13-machine unit load AS/RS

YAMAYA Shoryu Corporation — Tohoku Distribution Center

Responsible for supplying products to its chain of YAMAYA stores, YAMAYA Shoryu Corporation expanded the automated material handling systems and improved shipping throughput at its Tohoku Distribution Center. These changes enabled YAMAYA to efficiently respond to the increasing number of direct-to-customer and small-lot orders as well as orders requiring less lead time. With an average monthly shipping throughput of 70,000 cases when the center opened, switching to the new system has enabled the center to process 650,000 cases monthly.



The number of sorting chutes was increased from 13 to 28.

GRANDBOWL Co., Ltd. — Inazawa Grand Bowl

GRANDBOWL Co., Ltd. operates bowling centers at 15 locations throughout Japan, primarily in the Tokai region but including the Tokyo metropolitan area, the Hokuriku region and Kobe. Daifuku put its Bowling Entertainment System (BES) auto scorer into operation at the Inazawa Grand Bowl in Aichi Prefecture, which with 116 lanes on one floor is the world's largest bowling center in terms of building length. An array of large 52-inch monitors extending for nearly 200 meters presents an impressive spectacle and has attracted so much attention that people have been heard commenting that leisure bowling with a BES auto scorer is "well worth seeing." At 198.39 meters long, Inazawa Grand Bowl boasts the world's largest floor span for a bowling center and is recognized as the largest facility of its kind by Guinness World Records.



Improving entertainment with BES

ZEN-NOH Fresh Produce Marketing Corporation — Aikawa Distribution Center

ZEN-NOH Fresh Produce Marketing Corporation put its Aikawa distribution center into operation to handle the fresh produce receiving and shipment operations for a home delivery service from the U co-op association, an organization of six separate co-ops serving Japan's Kanagawa, Shizuoka and Yamanashi prefectures. In addition to being able to maintain both quality and freshness through strict temperature control, the distribution center has been installed with Daifuku's pick-to-light Digital Pick System that provides, automated material handling, precedence picking and automatic replenishment functions, thereby improving throughput, saving labor and improving traceability.



Five product receiving lines can handle 70,000 orders in a day.

Chongqing Medicine Co., Ltd. — Heping Logistics Center

Major pharmaceutical wholesaler Chongqing Medicine Co., Ltd., which owns China's largest drugstore chain, Chongqing Medicine Heping Drugstore, remodeled and expanded its hub distribution center, installing a variety of automated material handling systems, such as a unit load AS/RS, high-speed sorting transfer vehicles and a warehouse management system. Significantly mechanizing operations, from receiving to picking, replenishment and shipping, has enabled the fast and precise processing of shipping volumes worth as much as 4 billion yuan (around 66.8 billion yen) a year.

These systems were able to return to normal operations a mere 30 minutes after the Sichuan earthquake struck (in May 2008).



Unit load AS/RSs form the core of the center's storage and replenishment functions.

Environmental Efforts Reflected in Daifuku Products

Automatic Guided Vehicle Designed and Developed to Have Low Environmental Impact: FAC (FA Cart)

Daifuku developed the FAC Series in response to demand for overhauls of conventional automatic guided vehicles (AGVs), approximately 1,000 units of which were delivered between 1986 and 1994. By ensuring that the FAC matched the existing AGV in size, Daifuku enabled the older unit's main body to easily be replaced with the new model as a single unit. In line with Daifuku's environmental impact reduction policy, the FAC's design involved the effective use of existing equipment (magnet guides, central control panels, batteries, rechargers, etc.). In addition, the FAC boasts electric power consumption that is approximately 10% lower than existing models due to its lighter weight and power-saving mode feature, by which power to unnecessary control equipment is automatically switched off when the vehicle is stationary.



FAC-10 roller conveyor type AGV

Diameter of Contactless Power Cable for Flat-Panel Display Production Line Systems Reduced

Power systems known as HID (high efficiency inductive power distribution technology), which supply contactless electric power to moving carriers, are utilized in storage and transport systems for flat-panel display (FPD) factories to raise interior cleanliness levels. Facilities are becoming larger as the size of FPDs increases, so that a single project using an HID system can involve a total of several kilometers of power cable. Consequently, with a view to reducing components, Daifuku developed power cable that boasts the same performance but has a smaller diameter than existing cable, resulting in a 34% reduction in cable weight. As the cable is lighter and easier to handle, ease of use during installation work and transportability have also improved. In addition, the volume of substances contained in the cable that can harm the environment (fluororesins) has been reduced 44%.



Clean Stocker D-7000 storage and transport system

Automobile Production Line Systems Using Electric Double-Layer Capacitors (EDLCs)

ECO POWER REUSE: A regenerative energy recycling system

The ECO POWER REUSE system utilizes EDLCs, which are highly efficient for storage and suitable for rapid charge/discharge, to store and reuse the regenerative energy that is released when decelerating. Employing a Daifuku-developed DC/DC converter to maximize EDLC capacity, the system is installed on Daifuku's E-LIFT vertical lifting equipment, resulting in energy saving of 28%.

ECO POWER ASSIST: An energy leveling system

When starting and accelerating, machinery temporarily requires larger amounts of energy than when operating at a constant speed or decelerating. Traditionally, this has necessitated a power source that can supply the maximum load on demand. The ECO POWER ASSIST system, which charges EDLCs at times of low load, compensates for the energy output disparity, leveling out demand. Utilizing this system, Daifuku helps customers save on resources and reduce costs and has, for example, reduced the number of power sources installed on its E-DIP automobile painting system from five sets to two.



E-LIFT vertical lifting equipment

Tunnel-Type Car Wash Machines Have Water-Saving Features Fitted as Standard

Daifuku has been promoting energy saving and environmental responsiveness across its entire lineup of car wash machines. The Convenios tunnel-type machine, which went on sale in the fall of 2009, is fitted with water-saving features and uses 40% less water than conventional models. Employing plant-derived, palm-oil based materials in its shampoo and wax, the Convenios is both people- and environment-friendly. Capable of handling a maximum of 60 car washes an hour (4,000 a month), a tunnel-type car wash machine reduces water consumption by 1,500 square meters a year, an energy use equivalent to the amount of CO₂ (540 kg) absorbed by 58 eucalyptus trees in a year.



Convenios tunnel-type car wash machine

Lightweight, Rigid, Medium-Duty Storage Shelf Goes on the Market

Using proprietary new beam connectors and high-strength steel, Daifuku has developed the Goodshelf-NT medium-duty storage shelf, which is 20% lighter than conventional shelving. The Company commenced sales of the shelf in October 2009. Reducing the weight realized the use of fewer resources due to the lower volume of materials used. In addition, thanks to its lightweight construction and the simplicity of its constituent parts, its product packaging is compact and improves the efficiency of transportation and delivery, all factors that contribute to CO₂ reduction. Goodshelf-NT also qualifies as a Green Purchasing Law-compliant product.



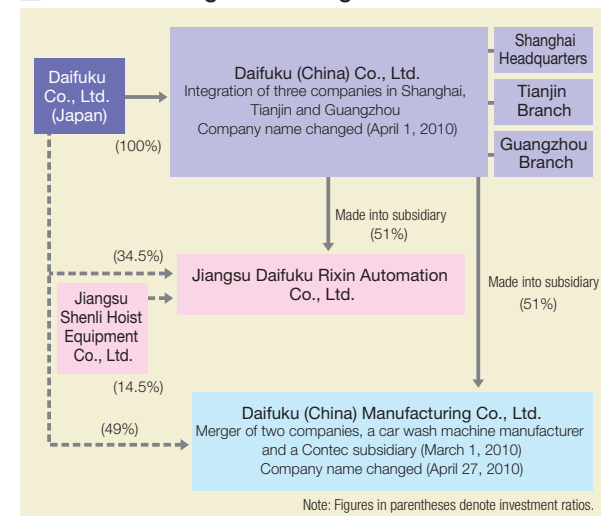
Standard model Goodshelf-NT

Daifuku's Six Chinese Affiliates Revamped

In order to capture more of the growing demand in China for material handling systems that include transport, storage and sorting, Daifuku revamped its six affiliates in China and launched a new operating structure centered on the new subsidiary Daifuku (China) Co., Ltd. ("Daifuku China") in April 2010. Under the reorganization, Daifuku Automation (Tianjin) Co., Ltd. and Daifuku Automation (Guangzhou) Co., Ltd., both of which market automobile production line conveyor systems, were first merged into Daifuku (Shanghai) Ltd., which sells storage, transport, sorting and picking systems to general manufacturers and the distribution industry. In another organizational reshuffle, Daifuku made both Jiangsu Daifuku Rixin Automation Co., Ltd., a manufacturer of automobile production line systems, and Daifuku (China) Manufacturing Co., Ltd. subsidiaries of Daifuku China. In March 2010, Shanghai Contec Microelectronics Corporation—itsself an affiliate of Japan-based Daifuku Group subsidiary, Contec Co., Ltd.—merged with car wash machine manufacturer Daifuku Carwash-Machine (Shanghai) Ltd., the new entity's name changing to Daifuku (China) Manufacturing Co., Ltd. from April.

Under its new three-year business plan (April 1, 2010 to March 31, 2013), the Daifuku Group has positioned China as its largest market outside Japan and is targeting consolidated net sales there of 15 billion yen by the end of March 2013 and 20 billion yen in five years.

Schematic diagram of reorganization



New Plant in Pinthong, Thailand Completed

In August 2009, Daifuku (Thailand) Ltd., a Daifuku affiliate, completed its new plant in the Pinthong Industrial Park in



The Pinthong Plant site covers 33,600 square meters, the plant itself spanning 7,500 square meters including office space.

Chonburi province, a 15-minute drive from the Chonburi Plant that commenced operations in 1995. Space at the Chonburi Plant had become cramped, leading to the construction. The new plant comprises factory and office buildings. With the new plant, Daifuku Thailand now possesses a two-plant structure and will strengthen Daifuku's global production network as a key production facilities in Asia outside of China, South Korea and Taiwan. Pinthong's operations are centered on assembly, while Chonburi is primarily engaged in machining and processing and the molding of rack components.

A Photovoltaic System Installed at Hini Arata Kan Demo Center

Daifuku completed the installation of a photovoltaic system at Hini Arata Kan, its general material handling and logistics systems exhibition center. Having commenced operations in March 2010, the system is expected to produce approximately 270,000 kWh of electricity a year and reduce the center's CO₂ emissions by 110 tons.

In conjunction with this move, a 65-inch LCD monitor has been installed in the ground-floor lobby. A variety of presentations on environmental themes can be viewed utilizing a digital signage system produced by Daifuku Software Development Co., Ltd. Presentation content includes the Daifuku Group's wide-ranging environmental activities as well as the potential to monitor roof-mounted solar modules by means of a webcam. Also on display is a Contec-produced photovoltaic system data measurement and display system, which features displays showing the amount of power being generated in real time and easily understood graphic representations of performance by day, month and year.



The roof-mounted solar modules are 70 meters long and 60 meters wide.



Data measurement and display system produced by Contec Co., Ltd.

Chinese Subsidiary Obtains OHSAS 18001 Certification

One of the Daifuku Group's production subsidiaries in China, Jiangsu Daifuku Rixin Automation Co., Ltd., obtained OHSAS 18001 certification for occupational health and safety management in March 2010. While acknowledging Daifuku Rixin Automation's compliance with as well as support of Chinese laws and regulations, the award of this certification was linked to the company having deepened its understanding of risk assessment and the gradual establishment of related activities. This was the first time for a Daifuku Group subsidiary outside Japan to obtain this certification.

Motivated by the maxim, "There can be no production without safety," Jiangsu Daifuku Rixin Automation will continue to promote activities in which employees work together in teams. In addition, with a view to engaging in further overseas expansion from its bases in Japan, the Daifuku Group as a whole will implement ongoing improvements.



OHSAS 18001 certificate

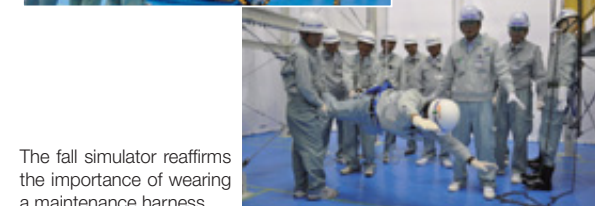
Anzen-Taikan Dojo Opened at Osaka Headquarters

With the aim of ridding the Daifuku Group of industrial accidents, Anzen-Taikan Dojo facility was opened on the premises of its Osaka headquarters in June 2010. The facilities are fully equipped to enable them to simulate the occupational hazards associated with employees performing installation work of all types of conveyor system and automated warehouses.

Inside the facility, which is equipped with conveyors and electric shock equipment, "stations" have been set up to cover six scenarios: a fall, an electric shock, being caught in operating equipment, equipment toppling over, fire caused by flying sparks and the experiencing of such actual work conditions as cleanroom operations under restricted vision conditions while wearing a dustproof suit. In addition to deepening trainees' knowledge, the facility enables the acquisition of actual first-hand safety experience by having them see, hear and feel for themselves. Besides employees directly involved in installation work and aftermarket servicing and those new to the Company, trainees will be accepted from partners engaged in installation work or other outside companies. In addition to heightening recognition of the importance of ensuring safety, the facility will serve to promote the eradication of industrial accidents.



Experiencing tilt on the rolling tower used to simulate machinery toppling over.



The fall simulator reaffirms the importance of wearing a maintenance harness.

Fourth World Skills Competition Held

Daifuku held a World Skills Competition at its Shiga Works in October 2009. A total of 93 Daifuku manufacturing personnel took part, pitting their skills against each other in assembly, measurement and welding categories.

Ensuring uniform product quality at its bases within and outside of Japan, Daifuku focuses on aspects that will assist in providing that quality to its customers. The competition, which was started in 1999, is seen as the place to verify global uniform product quality within the Group. For this fourth competition, participation from affiliates outside Japan involved people from production sites in 12 companies located in five countries and regions, namely the United States, Thailand, South Korea, China and Taiwan.

A Japanese staff member taking part in the welding section became the first competitor to achieve back-to-back victories. Participants from affiliates based outside Japan also achieved solid results in all categories.



Practical test of integrated mechanical/electrical gear assembly skills

Minister of Education, Culture, Sports, Science and Technology Creative Merit Award

Two employees selected internally based on their daily operational improvement activities won the Minister of Education, Culture, Sports, Science and Technology's Creative Merit Award for fiscal 2010. The award is presented to employees who have worked for and contributed to proposals and improvements in operations, quality and costs. Over seven consecutive years, Daifuku Group employees have won a total of 21 awards.

[Award Citations]

■ Improvement in automated warehouse carriage assembly

Going from five personnel engaged in work ranging from assembly to wiring and inspection to just one person has eliminated the time needed to move in-process cranes, production line stoppages as well as waste and reduced assembly procedures. This achieved annual cost savings of 173 million yen.

■ Stacker crane traveling equipment and wheel change jig concept

In addition to increasing safety by producing jigs, the time needed to complete these tasks was reduced by half to four hours. Producing a manual also eliminates uneven work caused by differing levels of experience.

Our Thinking about Corporate Social Responsibility (CSR)

Aware of Its Role and Mission as a Leading Company, Daifuku Works to Fulfill Its CSR Obligations and Ensure Credibility



Masayoshi Inoue

Managing Director and CRO
COO of CSR and Internal Control
Chief Officer of Komaki Works

Among the demands placed on corporations by society, Daifuku recognizes the extreme importance of fulfilling its social responsibilities to its various stakeholders and conducting risk management commensurate with the global development of its business operations. As one of a raft of countermeasures, Daifuku focuses on Business Continuity Management (BCM) and has established a Business Continuity Plan (BCP) Promotion Division to ensure no disruption in the maintenance and operation of its products, which have come to form part of society's infrastructure supporting production and distribution.

Furthermore, in ensuring a robust internal control system, raising the effectiveness of corporate governance and by so doing gaining an understanding of the factors involved in improving corporate credibility and operational efficiency and efficacy, Daifuku works to ensure the trustworthiness of its legal compliance, risk management, asset conservation and financial reporting.

To ensure enhanced corporate value that will, in turn, benefit

the common interest of shareholders, it will be imperative for Daifuku to perform management that focuses on, for example:

- Fulfilling its social responsibilities based on management strategies that have a medium- to long-term perspective
- Undertaking flexibly and actively capital expenditures and investment in R&D, underpinned by a healthy financial standing, for medium- to long-term business growth
- Maintaining relationships of trust between production and installation sites and such interested parties as governmental agencies and local residents
- Maximizing overall strengths by collaboration between Daifuku Group core businesses

In April 2010, with the aim of strengthening collaboration with the CSR Division and from the perspective of further promoting effective BCM establishment, the existing Corporate Affairs Operations group took over the internal control supervisory responsibilities and has changed its head's title to Chief Risk Officer (CRO) to supervise Company-wide risk management functions as well as CSR activities. In addition, to further strengthen internal control systems for reliable financial reporting in light of changes in the environment, including unification with international accounting standards, the Company separated its Finance and Accounting Division from the existing Corporate Affairs Operations group and placed it under the supervision of the newly created post of Chief Financial Officer (CFO).

Daifuku will continue to undertake extensive CSR activities in the course of all its business operations, and will remain a company trusted by all its stakeholders and one that contributes to economic and social development.

Relationship with Society

Corporate Governance

The first pillar of Daifuku's management philosophy is to "contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market." The second pillar of our management philosophy encourages "healthy, growth-driven management that 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. Our management approach is to comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company. Board members are encouraged to state opinions freely to enable efficient decision making.

Compliance Committee

Chaired by the president, Daifuku established the Compliance Committee in December 2003 to ensure that legal compliance, fairness and ethics guide its 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.

In addition, Daifuku's internal reporting system provides a direct channel for contacting a lawyer. In May 2008, the Company introduced a system allowing global affiliate staff to consult directly with the Legal Department.

Strictly Observing the Corporate Code of Conduct

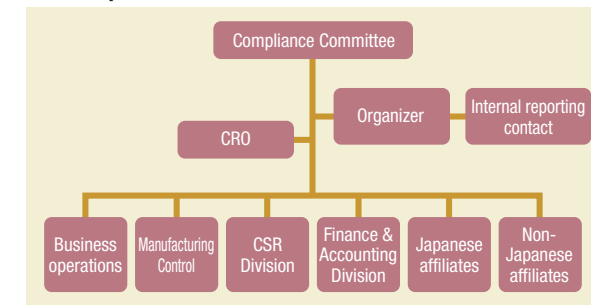
Regarding compliance as an important pillar of management, Daifuku has distributed a booklet entitled "Corporate Code of Conduct" to all its employees. In April 2010, in light of recent laws, regulations and court decisions, the Company revised its code of conduct, renewing its commitment to fulfilling its obligations as a leading material handling company to contribute to the development of industry and to further earn a reputation for reliability in society. Every employee is required to execute their duties fairly and impartially without infringing on the imperatives of society.

Daifuku requires all employees to carry the booklet with them at all times. In addition, the booklets have been created in English, Chinese (both simplified and traditional characters), Korean and Thai. Plans to improve compliance awareness at all Group levels are under way.



Corporate code of conduct revised and six-language booklet version published

Compliance Committee Structure



Corporate code of conduct basic policy

Contributing to society through corporate activity

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

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

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

Retaining the confidence of stakeholders

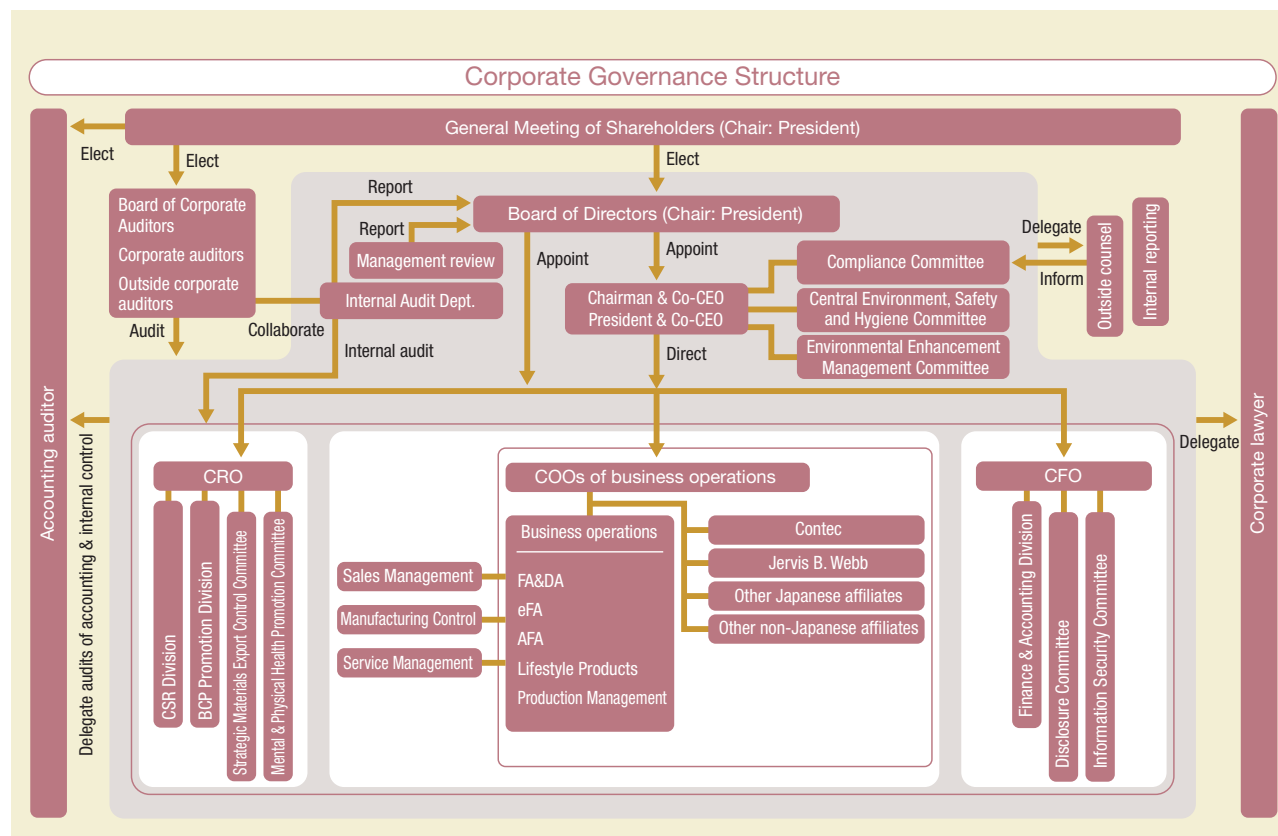
Daifuku highly values its stakeholders, including shareholders, customers, companies with which it has a cooperative relationship and its employees, and seeks to build a healthy and positive relationship with them.

Contribution to the community

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

Respect for the personality and individuality of each employee

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



Investor Relations

Endeavoring to Improve Corporate Value

While setting a course for further sustainable growth during its three-year business plan, Daifuku is endeavoring to improve its corporate value and return an appropriate level of profits to its shareholders. From the aspect of corporate governance as well, being required from this year to ensure that there is more than one independent director/auditor, the Company will appoint two independent auditors from outside the Company in fair and equitable consideration of more general protection of shareholders' interests in management decision making.

In addition to requiring the active involvement of top management in investor relations (IR), by which the corporate information necessary for making investment decisions is provided in a timely, fair and continuous manner, the Company has set up a dedicated department and goes to great lengths to enhance IR-related events and tools.

Hini Arata Kan Tour for Shareholders

Since the general public seldom gets an opportunity to see Daifuku products, the Company conducts tours of its Hini Arata Kan full-scale exhibition center with a view to having visitors experience them at close quarters.

Held once since fiscal 2008, a total of 306 guests took part in a shareholder-only tour. Gathered within the exhibition area for the tour, in addition to the chairman giving an explanatory outline of the Company, the guests were taken around Shiga Works in buses, from they viewed each facility.



Tour held in October 2009

Comment from IR Representative

Experience Logistics Up-Close with a Daifuku Tour

Yuko Okagawa
Assistant Manager
Investor Relations Dept., Finance and Accounting Division

Many people from all over Japan have taken a Hini Arata Kan tour. In fiscal 2009, because the number of participants was totaling 200 people, the tours were divided into five groups and staggered into three time slots. Always well received due to the information provided by dedicated staff, the tours elicit survey responses such as, "I understood the business content very well," and "If I get the chance, I'd like to come and do the tour again."

Active behind the scenes in the logistics field and on production lines, it is somehow hard to imagine Daifuku products in motion. Watching operational demonstrations on full-size machines, however, deepens understanding. Even when tours are held on a once a year basis, we look forward to being able to meet our shareholders.



General Meeting of Shareholders

A General Meeting of Shareholders is held in June every year. At the 2009 event, the Company introduced online exercising of voting rights and installed an Internet electronic voting system for institutional investors. This increased the ratio of those exercising their voting rights to 82% (76% in the previous fiscal year).

Furthermore, by providing ample time for a Q&A sessions that cover an overview by agenda item and business, the Company enhances communications with shareholders.



The 2009 General Meeting of Shareholders

Results Presentation and Small Meetings

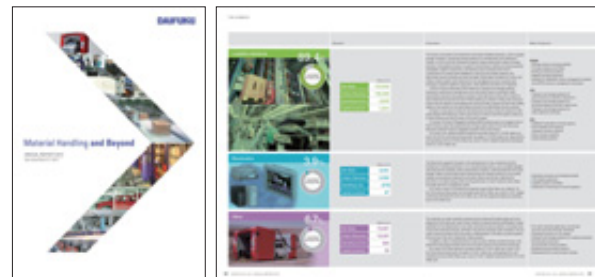
The Company holds results briefings every quarter specifically for analysts and institutional investors. Attended by all of top management as well as the chief financial officer (CFO) and directors of all operations, questions are fielded in a proactive manner.

Top management and the CFO also address securities company-sponsored small meetings targeted at analysts and institutional investors. Meetings with individual investors are conducted on an as-needed basis.

Enhancing IR Tools

As part of its information disclosure to shareholders and investors, at appropriate times the Company puts out financial and management information as well as news releases via its website (www.daifuku.com).

Published in separate English and Japanese editions, the annual report highlights key growth strategies and features on the characteristics of Daifuku's business.



Annual Report

Contributing to the Community / Communication Activities

Contributing to Standardization of Next-Generation Technologies in the Semiconductor Industry

One of Daifuku's employees received a special Japan Regional Standards Committee (JRSC) award from Semiconductor Equipment and Material International (SEMI), the global industry association for matters related to semiconductors, LCDs and photovoltaic cells. The JRSC works with the aim of improving business efficiency by bringing together different industries—including makers of manufacturing equipment and materials as well as manufacturers of material handling supplies—and standardizing related technologies. Given in recognition of efforts to standardize technologies related to next-generation (450-mm wafer) semiconductors technologies in the semiconductor industry, this award offers high praise for the contributions made by manufacturers of material handling and manufacturing equipment, robots and others toward standardization through the sharing of information.

Material Handling Attracts TV Attention. Social Role Covered in Broadcast

In December 2009, the Television Osaka economics and lifestyle information program, News BIZ, showcased Daifuku in its Monday *Kigyo Gunzo* (Corporate Image) special feature. The program consisted of an explanation of the role of and demand for material handling in society, the surprising connection between viewers and Daifuku's bowling business, a report from the Hini Arata Kan exhibition center and an interview with the president. *Kigyo Gunzo*, a well-known feature in Japan that has spotlighted over 250 companies, covers unique companies in the Kansai region that boast leading positions in terms of their market share or a particular technology.

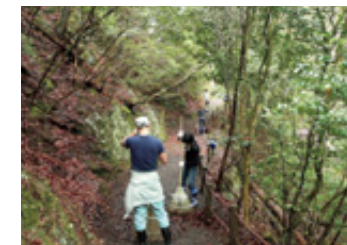


A Hini Arata Kan staff member (center) offers guidance to a TV reporter.

Participation in Local Beautification and Cleanup Activities

Since December 2001, personnel at the Shiga Works have been participating in once-a-month post-lunch and after-work cleanup activities called "Ohmi Eco-Foster" along a national route and areas surrounding the Works. In addition, we participated in maintenance and cleanup activities in Shakunage-kei (Rhododendron Gorge), a noted tourist spot near Hino Town, Shiga Prefecture.

Employees from the Osaka Headquarters, Tokyo Head Office, Komaki Works, Tokai Office and Fujisawa Office also participated in cleanup activities and transportation safety initiatives as a part of efforts to contribute to local communities.



Maintenance and cleanup work under way at Shakunage-kei (Rhododendron Gorge)

Environmental Protection Workshop Jointly Held with Shiga Prefecture

In February 2010, 81 corporate and government representatives participated in the Higashiomi regional environmental protection workshop, which was jointly held with the Shiga Prefecture Regional Development and Promotion Bureau at Daifuku's Shiga Works. The workshop aimed to help strengthen environmental protection measures by citing both region-specific and new environmental themes as well as case studies of innovative approaches. At the workshop, there were briefings on the revisions to the Soil Contamination Countermeasures Law and Daifuku's environmental activities and the environment-related facilities inside the Shiga Works.



A workshop held in the Hini Arata Kan event hall

Interaction with Local Citizens

The Shiga Works hosts gateball* competitions twice a year. 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 18 years. In fiscal 2009, about 200 people took part in the tournament.

*A game invented in Japan, similar to croquet



Gateball tournament awards ceremony

Events Held for Employees and Their Families

Daifuku provides its employees and their family members with the opportunity to tour its full-scale exhibition center, Hini Arata Kan, every year. The latest tour, the 14th such event, was held on two occasions in July and August 2009. A total of 74 families, or 283 people, participated in the event.

In the Osaka, Tokyo, Shiga and Komaki regions, Daifuku holds a variety of events for the well-being of its employees and managers. In fiscal 2009, besides a summer festival and parties aboard houseboats, the Company held bus tours—on which participants picked fruit or tried their hands at making Shigaraki pottery—and a Christmas festival that were enjoyed by all. Daifuku's affiliate in China also organized trips and table tennis tournaments for employees.



A family tour



A Daifuku China employee trip

BCM (Business Continuity Management) — Business Continuity Efforts

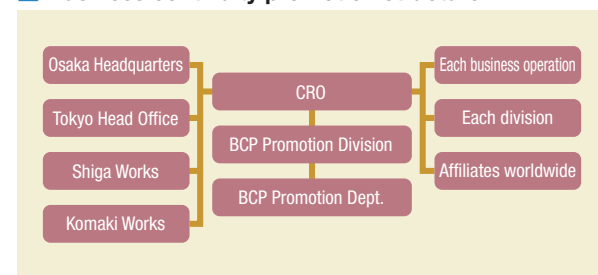
Companywide BCM Promotion Structure

Daifuku's core material handling business represents one aspect of infrastructure that provides support for society. The Company is therefore very much aware that its contribution to its customers includes the need to maintain a business system capable of remaining in operation even when a natural disaster, such as a major earthquake, has occurred.

For this reason, Daifuku promotes efforts aimed at ensuring business continuation. Having placed the Business Continuity Plan (BCP) Promotion Division under the Chief Risk Officer (CRO) and collaborated with all business operations and affiliates worldwide, the Company is working to upgrade its internal BCM structure.

In aiming to eradicate unforeseen risk, the Company is undertaking risk elimination and assessments and, primarily based on those findings, tackling issues related to risks that would have the greatest impact, such as earthquakes or new strains of influenza.

Business continuity promotion structure



Natural Disaster Countermeasures

Building and facility mitigation measures

With regard to its principal bases in Japan, including its core Shiga Works production base, Daifuku commissioned specialists who estimated the damage that would be caused to its buildings and facilities should an earthquake occur with an intensity of 6 lower on the Japanese scale. Based on the resulting findings, the Company carried out reinforcement work on buildings with doubtful earthquake resistance. Also, the specialists singled out certain machine tools and racks within factories and lockers within offices that could fall should such an earthquake occur. Accordingly, we have secured these objects with anchor bolts as a preemptive safety measure.

BCP formulation

Daifuku is formulating its BCP by business operation, again on the assumption that an earthquake with an intensity of 6 lower has occurred. The BCP sets standards for establishing a disaster response headquarters and recovery time objectives, making preparations so that recovery can be achieved quickly in the event of being involved in a disaster.



Office lockers anchored to prevent them from toppling over



Additional reinforcement braces (Factory C, Shiga Works)

Countermeasures Against New Strains of Influenza

Manual and BCP formulation

In addition to compiling a manual that sets forth specific measures and codes of conduct for each stage of an influenza outbreak, BCPs were formulated for each business site.

Internal education activities

Targeting those in management positions and those in charge at partner companies, the Company holds internal seminars to which it invites experts. In addition, the Company produced and distributed to all employees a pocket-size handbook that covers such subjects as basic awareness, ways to prevent infection and countermeasures should infection spread.

Stockpiling

All the Company's Works as well as sales and service offices nationwide have stockpiled supplies (such as face masks and alcohol-based antiseptic fluid) to counter infectious diseases and survive natural disasters (three days' supply of food and water per person).



Manual (top) and handbook on countermeasures against new strains of influenza

Internal Education Activities

In addition to verifying risk management status at its Works as well as sales and service offices, the Company conducts basic BCP surveys with a view to undertaking BCP training. In the three years from fiscal 2007 to fiscal 2009, ongoing training sessions were carried out on a total of 407 occasions, 297 times in and 110 times outside Japan.

The Company publishes *BCP News*, which summarizes risk-related information. In addition, Daifuku sends unified messages via Company officers who address monthly morning meetings while utilizing e-learning programs, rank-specific training sessions and internal information channels for internal BCP training purposes.

Occupational Health and Safety Efforts

Safety and Hygiene Management Structure

Daifuku adheres to the basic policy of "promoting occupational safety and hygiene activities by emphasizing the importance of safety and health control." Accordingly, the Company established a Central Environment, Safety and Hygiene Committee, under which are positioned environment, safety and hygiene committees at regional and installation management levels. These organizations collectively form a Companywide safety and hygiene management structure.

Furthermore, the Company develops activities in collaboration with partner company-organized installation management environment, safety and hygiene associations and with the Shiga Works Safety and Hygiene Association.

Utilizing such facilities as the Anzen-Taikan Dojo, which was opened in June 2010, Daifuku promotes the "creation of a safe, comfortable workplace" with the aim of realizing "a zero-accident workplace."

Environment, safety and hygiene management structure

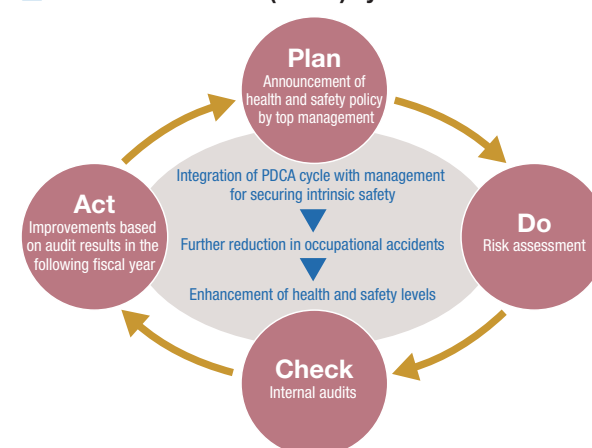


Occupational Safety and Health Management Systems

With the aim of passing on a corporate culture that for years has focused on safety, identifying undiscovered risks, securing intrinsic safety and thereby obtaining several occupational safety and health management system certifications, such as OHSAS 18001* and JISHA** method, Daifuku has promoted the administration of its voluntary management system and relevant activities. We will continue to strive to keep enhancing the trust that we earn from our stakeholders. In addition, to further improve health and safety conditions in our operations, we will spread such initiatives to Group companies worldwide.

*OHSAS: Occupational Health and Safety Assessment Series
**JISHA: Japan Industrial Safety and Health Association

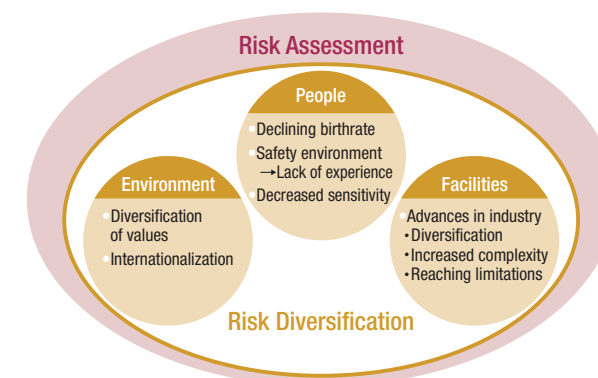
Plan-Do-Check-Act (PDCA) cycle



Enhancement of Risk Assessments

Ensuring that workplace safety and hygiene measures are thoroughly implemented requires that the Company make efforts to adapt to changes in the social environment. Activities centered on risk assessments are carried out at all workplaces—including manufacturing, installation, after-sales service and administration—to accurately pinpoint these changes.

We believe that these activities, which help to eliminate potential hazards and unsafe behavior, are inextricably linked to disaster prevention.



Education and Training Programs

Following the installation of an earthquake early warning system at its core Shiga Works production base, Daifuku conducts disaster training that utilizes the same system. Having installed automated external defibrillators (AEDs) at main sites, the Company also holds training sessions so that they would be used correctly in its efforts to enable a prompt response to save lives anywhere on its premises.

In addition to holding regular traffic safety training sessions, the Company conducts training for managers and other special safety and hygiene-related training that demonstrates the Company's unique characteristics.



Fire drill



Training session on traffic safety



AED training session

Information Security Efforts

Information Security Policy

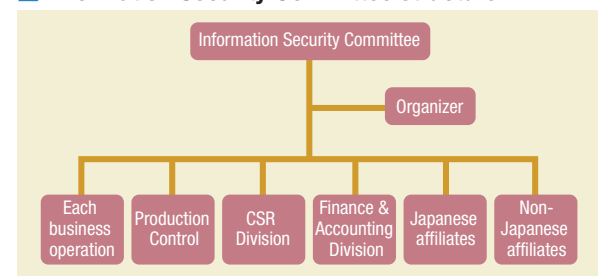
Based on revisions to laws related to information security, including the Personal Information Protection Law, Daifuku formulated and put into effect within the Company its own Information Security Policy in March 2005. Since then this policy has been carried out to properly manage and protect information assets, such as personal information and trade secrets handled by the Company.

The environment surrounding corporations continues to change rapidly, including the requirement to establish an internal control system in line with the implementation of the Corporation Law and the Financial Instruments and Exchange Law in Japan. Accordingly, business risks are increasing and diversifying. Today, not merely an IT-related problem, information security is recognized as extending to corporate governance and compliance issues, and thus additional information security measures are being put into effect.

Information Security Management System

As the body responsible for information security management, the Information Security Committee fulfills the role of reviewing and formulating Companywide rules and of reviewing, implementing and evaluating related measures. 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 regularly held Companywide meetings. Initiatives concerning business continuation and the maintenance of the internal control environment are conducted in collaboration with the Internal Audit Department and BCP Promotion Department. Furthermore, through information security audits, which are conducted as part of operational audits, Daifuku is working to disseminate and instill the importance of information security throughout the Company.

Information Security Committee structure



Information Security Committee meeting

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) Information leak prevention

The Company is implementing more rigorous password measures with the goal of ensuring the stringent and secure management of its new enterprise resource planning (ERP) system, which went into operation in April 2010. Having established and thoroughly implemented password-related policies covering such areas as the number of characters, appropriateness and period of validity as well as handling policies, the Company is upgrading its computer network environment to preempt and prevent information leaks and identity theft. Furthermore, to facilitate the close monitoring computers being taken away from or brought into Daifuku premises, the Company has developed such measures as encryption and limitations on the unauthorized use of network connections.

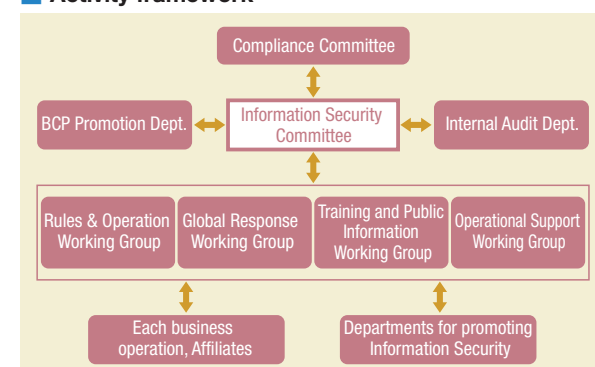
(2) Information security training

For everyone from new recruits to executives, rank-specific information security training is carried out in a planned manner. In addition, the Company is working to provide initial training of this kind using e-learning programs for employees of business partners, including suppliers and subcontractors, and to enhance the training designed for global affiliates. Training content is reviewed every year to take into account changes in society, the business environment and technology, with all personnel handling information assets required, without exception, to attend the latest training session.

(3) Global response

Guidelines for preventing information leaks have been translated into several languages and implemented at all Group companies, including affiliates outside Japan, since December 2007. While keeping abreast of the activities of the Information Security Committees formed at affiliates based in China, the Company has made progress with the centralization of ID management at affiliates both in and outside Japan and upgrades to antivirus/security infrastructure at overseas affiliates, taking prompt action to correct any disparities and bring the level of information security up to that of Group companies in Japan.

Activity framework



Relationship with Employees

Human Resource and Personnel Policies

Based on the clause in its management philosophy in which it vows to "create a corporate culture that respects the personality and individuality of each employee," Daifuku regards its personnel as constituting the foundation of management. Raising each and every employee's ability and demonstrating it in an organized way will elicit the trust of society and customers, and indeed, all stakeholders. To that end, nurturing their entrepreneurial qualities will support employees in reaching the stage where they actively engage in new self-guided tasks. More specifically, those qualities include:

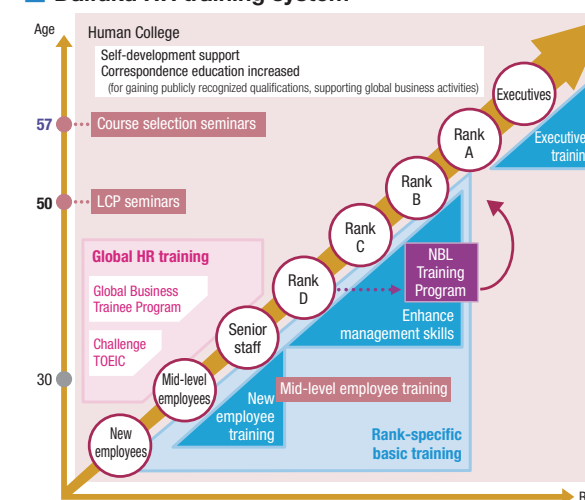
- The ability to take action: Demanding change, taking risks and trying new things
- Tolerance: Acceptance of those who are different
- Swift decision making
- Perseverance: Going the distance without giving up
- Acumen: Able to discern the reality of a given situation

HR Training System

With the aim of facilitating efficient and effective HR training, Daifuku has formulated its 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. In addition to implementing TOEIC* studies in-house, the Company has established the Global Business Trainee Program to secure overseas expatriate candidates with international business skills.

*TOEIC: Test of English for International Communication

Daifuku HR training system



Comment from Training Session Representative

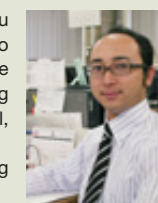
The Joy of Bringing People Together and Uniting People and Knowledge

Kenji Sado
HR Development, Corporate Social Responsibility Division

Our team instills the Daifuku management philosophy and management policy through training sessions, thereby playing

a role in conveying the essential elements of the Daifuku Group's direction and growth. Besides incorporating into the sessions the dissemination of and instruction on the basic ideas that are indispensable to a company's ongoing development, such as compliance, CSR and internal control, we focus on providing training that moves with the times.

I derive pleasure from bringing people together and uniting people with knowledge. It's a really worthwhile job.



Work-Life Balance

In accordance with revisions to Japan's Labor Standards Act and the Child Care and Family Care Leave Act, Daifuku revised its personnel system in April 2010 from the perspective of giving further support to harmonizing and balancing work and private life.

(1) Increasing maximum number of days of half-paid leave

Conventionally: 10 times/5 days
→ After revision: 40 times/20 days

(2) Extending child-care leave period

Conventionally: From the end of childbirth leave (eight weeks) to the end of the month in which the child's first birthday falls
→ After revision: Until the final day of the month in which the child reaches the age of 1 year and 2 months, limited to cases where both parents have taken child-care leave.

(3) Based on applicant request, a reduced-hour (six hours a day) working system is available (newly established)

Application renewal may be made for extension in one-year increments from the end of child-care leave. The applicant can cancel at any time. Longest period permissible is until the child enters elementary school.

(4) Nursing leave (newly established)

Granted five days specifically for family care in any given fiscal year

In another area, life balance checks are conducted and rough outlines of life events made at courses designed for employees aged 50 to determine how they can balance work and life in the period up to retirement. The Company also runs Life Cycle Plan (LCP) courses, at which thought is given to ways to spend lively and fulfilling retirement.

Mental Health Initiatives

Health nurses serve as lecturers, conducting rank-specific mental health courses for personnel ranging from new recruits and junior staff to those in management supervisory levels. Having compiled and distributed to all employees its *Self-Care Handbook* featuring relevant topics in 2007, Daifuku's dedicated Mental & Physical Health Committee issued the *Line Care Handbook* for managers and supervisors, which was distributed among relevant personnel in March 2010 and is also used during courses.

Furthermore, the Company sets up two interviews—one with the Personnel Department, the other with a health nurse—for new recruits (in their first year after joining the Company). By also continuing to hold interviews from the third year of company service onward, which it has implemented since 2007, the Company is working to support the mental and physical health of its employees.

Quality Management System

Cross-Divisional Quality Control System

Having acquired ISO 9001 certification at its main bases and working to continuously improve its quality management system, Daifuku goes to great lengths to provide products and services that fully satisfy its customers. To form close horizontal links between the business divisions into which it is organized, the Company has established and operates Quality Task Forces along individual business process lines, namely those handling marketing, engineering, design, purchasing, manufacturing, installation and service provision as well as quality control. The Quality Task Forces formulate Companywide, cross-divisional rules regarding quality while working to address other quality-related issues.

In addition, to make the quality management system work effectively, it is rigorously checked through external audits conducted by certifying organizations as well as internal auditors. Internal auditors, who attend basic knowledge training sessions undertaken in the form of e-learning programs as well as internal auditor training, obtain qualifications by passing final exams. In March 2010, 763 quality auditors were registered.

Quality Management Education and Training

In order to fortify and promote its D-MAND* manufacturing concept and basic production method, Daifuku established within the Shiga Works the D-MAND Promotion Center, where it holds seminars, training and practice sessions and competitions for personnel in manufacturing divisions worldwide. It has also created in-house skill evaluation systems and periodically administers skill evaluation tests that help to continuously improve the technologies and skills necessary to produce Daifuku products. Outside Japan, Daifuku has been promoting unified quality assurance for its products by having manufacturing experts periodically visit local plants to conduct skill assessments and training.

*D-MAND: Daifuku Manufacturing and Design System



Assembly skills test



Training at a plant in Thailand

Product Risk Assessment

At its Engineering Division and Design Division, Daifuku conducts risk assessments of newly developed products and existing equipment based on internal rules in order to ensure the highest level of product safety.

At the D-MAND Promotion Center, internal and external experts instruct Daifuku employees on product safety, strategically fostering the next generation of young engineers.

Improvement Proposals, Employee Teamwork Initiatives

Daifuku encourages the creation of improvement proposals and employee teamwork initiatives to help improve the workplace and come up with creative ideas. In fiscal 2009, 4,642 quality proposals for improvement were offered, under the slogan promoting "volume increase to quality enhancement."

Small group initiatives are announced once a year at the employee teamwork initiative presentation event, with teams from various divisions presenting the results of their daily activities. Major improvements announced at the event are spread to other divisions, leading to the next round of improvements. At the events, the Company's management provides advice to each team, resulting in improvements in overall operations. These seemingly trivial but actually productive efforts have resulted in some Daifuku employees winning the Minister of Education, Culture, Sports, Science and Technology's Creative Merit Award, demonstrating the high external recognition these activities receive.



Employee teamwork initiative presentations

24-Hour Support and Services

Daifuku set up its System Support Center (SSC) within the Shiga Works as a 24-hour call center, staffed by 20 engineers, to support the stable operation of its customers' facilities. The SSC has a call center system that shares and provides visual information with 50 service offices throughout Japan and coordinates with relevant divisions. With warning systems and services that monitor equipment conditions at customer sites, Daifuku is focused on ensuring the stable operation of its products and systems.



System Support Center

Supplier Partnership

Basic Procurement Policy

Daifuku has formulated a basic procurement policy that fulfills its social responsibilities with suppliers.

Basic procurement policy

- 1. Win-win partnerships**
Daifuku is proud of its win-win partnerships.
- 2. S.Q.C.D.E. (safety, quality, cost, delivery, and ecology)**
Daifuku selects suppliers with the aim of improving S.Q.C.D.E. The Company collaborates with its suppliers to preserve the global environment by issuing green procurement guidelines that take a global perspective.
- 3. Compliance**
Daifuku's compliance initiatives emphasize information security and compliance with subcontracting- and procurement-related laws and regulations.
- 4. Information technology**
Daifuku has been promoting information technology as a way to enhance precision and efficiency in business transactions.
- 5. Procurement in optimal locations worldwide**
Customers and markets are expanding on a global basis. Suppliers and customers in Japan and around the world want to optimize their operations.

Procurement Qualification Tests

Procurement is an important business function that directly impacts a company's financial statements. Alongside its compliance efforts, Daifuku has introduced an Employee Procurement Qualification System that trains employees involved in procurement to follow certain practices.

The Company currently has 403 personnel who have passed Level 1 (basic knowledge) of the qualification system and 53 personnel who have passed Level 2 (intermediate). It plans to introduce Level 3 certification for expert qualifications.



Qualification certificate

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 on the human body or the environment.

As a final assembly manufacturer Daifuku finds it essential to collaborate with business partners on green procurement. The Company is active in the environmentally friendly aspects of its products by conducting purchasing based on its Green Procurement Guidelines.



Management and Production Trends Briefing Held

Having invited a total of 171 of its top business partner companies, ranging from manufacturers and trading companies to those involved in processing, installation, service, design and software, Daifuku held the Fiscal 2010 Management and Production Trends Briefing at its Hini Arata Kan exhibition center in April 2010.

The 50 Daifuku attendees included the entire Board of Directors and executives involved in production and installation. In addition to the usual expressions of gratitude, the business partners were humbly asked to lend their further strong support to the achievement of the new targets set in Daifuku's three-year business plan. Subsequently, there were briefings given that provided an overview of Company performance in the previous fiscal year as well as management policies, trends at each business division and operational policies for the current fiscal year.



Daifuku president Masaki Hojo gives a briefing on management policies.

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

Mindful of the reciprocal relationships that exist between Daifuku and its business partners and with a view to creating value for both, the Company asks for their cooperation in making ongoing quality improvements. In fiscal 2003, we formulated a supplier evaluation system and, in order to recognize suppliers with excellent performance records, created the S.Q.D. Award. In fiscal 2010, the commendation's seventh year, Daifuku granted the award to 5 of 310 goods-related (including processing and controlled production) and construction contract-related companies.



S.Q.D. Award recipients

Establishment of the Environmental Enhancement Management Committee and Further Reinforcement of Companywide Efforts

What initiatives is Daifuku undertaking to realize a low-carbon society?

Taniguchi: At the 2009 United Nations Climate Change Conference convened towards the end of the year, the Japanese government declared its policy of cutting greenhouse gas emissions to 25% below 1990 levels by 2020. On a national level, the government is moving quickly to put in place new laws and CO₂ trading schemes as well as to design other systems. While there are certain major Japanese companies waiting for firm legislation that reflects these policies, others are already moving ahead to hammer out strategies for environmental management, with particular focus on initiatives associated with capital expenditure.

Today, with "realizing a low-carbon society" established as an issue of worldwide concern, how a corporation addresses environmental issues is being evaluated not only from a CSR perspective but as an indication of management quality.

As one element of our basic management policy, we at Daifuku undertake corporate activities that emphasize the environment and safety, and that fulfill our responsibilities as a member of society. At present, in order to facilitate management efficiency and ongoing improvements in production at all of the Group's principal locations across the globe, we have introduced ISO 9001 and 14001 management systems. In March 2009, we acquired OHSAS 18001 certification at our Osaka Headquarters, Tokyo Head Office, Shiga Works and Komaki Works, and put in place a structure supported by the three pillars of quality, the environment and safety.

Then, in April 2010, we established the Environmental Enhancement Management Committee as a body subject to the direct authority of the CEO. This committee develops and maintains environmental management strategies while setting policies across the Group worldwide, with regard to energy and resource conservation, eliminating hazardous substances and providing environmentally friendly products. This committee also works to address environmental regulations and other relevant laws.



The first meeting of the Environmental Enhancement Management Committee held in April 2010

What is the role of the Environment Enhancement Management Committee?

Taniguchi: ISO activities are for the most part defensive in nature so as to address legal risks. Moving forward, however, we believe it will also become increasingly important to take the offense, focusing on business that promotes the appealing environmentally friendly characteristics of our products. Rather than just achieving CO₂ emission reductions with regard to our own production lines, the development of efficient logistics systems at locations where materials handling equipment is delivered makes material handling systems a business with the potential to bring about major cuts in CO₂ emissions.

To better promote environmental management activities, it will be necessary to first take steps to advance ISO 14001 with the goals of making improvements within the Company and reducing the environmental impact and second to develop the environmentally friendly products that will contribute to society through the systems we deliver to customers. Skillfully balancing these two elements will lead to increased income and customer satisfaction, and, ultimately, greater corporate value.

As the results of the 2009 *Nikkei Environmental Management Survey* show, it is becoming clear that the following three points are issues that Daifuku will need to address:

- Global spread of environmental management;
- Development of environmentally friendly products (development of lifecycle assessment processes); and



Chair of Environmental Enhancement Management Committee

Takahiro Taniguchi

Senior Managing Director
COO of Production & Services
Chief Officer of Shiga Works

- Consideration in biodiversity issues.

Together with maintaining and improving the ISO activities that traditionally have had objectives similar to these points, the Environmental Enhancement Management Committee will focus on improving four key areas to ensure that the Company is united in working to successfully realize these objectives.

1. Reduce the environmental impact

Build the infrastructure to realize a low-carbon society and taking measures to reduce waste, eliminate hazardous materials and cut CO₂ emissions

2. Provide environmentally friendly products and services

Develop products that work to conserve energy and resources, and that are ever-more highly functional

3. Nurture an environment-oriented mentality

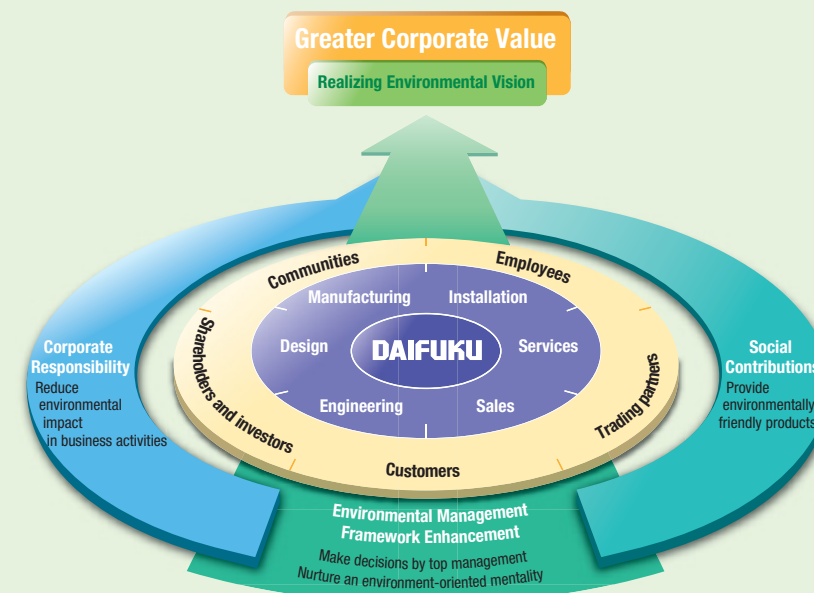
Raise knowledge and awareness of the environment among all employees through environmental education programs

4. Understand the status of compliance with laws

Address the quality and environmental laws to which Daifuku is subject and monitor compliance with such laws

We at Daifuku are currently formulating a medium- to long-term environmental vision for the Daifuku Group that includes Daifuku employees, business partners and customers working toward the common goal realizing a low-carbon society. Moving forward, this vision represents our target image of ourselves as an environmentally aware company.

Stance on promotion of environmental management



What kinds of ISO activities have you undertaken and what results have you achieved?

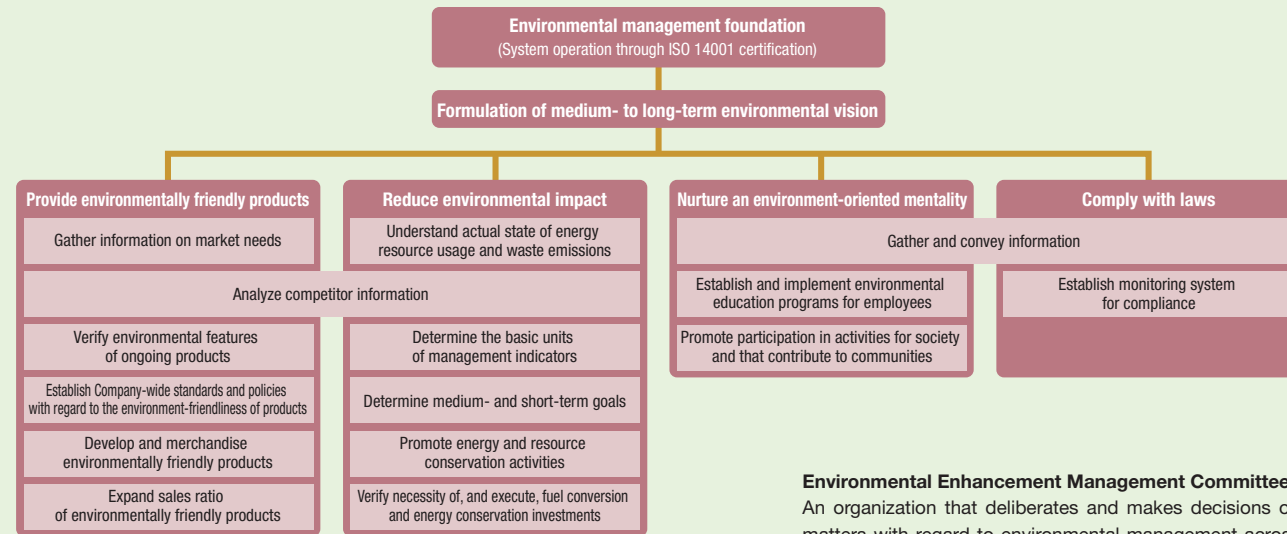
Taniguchi: The Daifuku Group is today developing production bases in locations around the globe aiming to establish optimal global production structure. In the global markets in which we now operate, our highest priority is customer satisfaction with the Daifuku brand, in whatever country our products are being used, as we sustain the highest level of S.Q.C.D.E. (safety, quality, cost, delivery and ecology) standards with regard to all products shipped from our production sites around the world. With the Shiga Works as a core factory, we strive to unify methods and activities at each of our production bases.

Since acquiring ISO 14001 certification in 1999, Daifuku has every year endeavored to conserve energy and resources and has conducted ongoing activities to reduce wastepaper and garbage generation. We believe that such initiatives taken to reduce CO₂ emissions and waste can find a receptive audience among our employees. Nevertheless, as we press forward to achieve sustained reductions, we must not be satisfied with merely attaining numerical targets—it is necessary that we manage in a more detailed way the energy reductions achieved by structural design and hard work at each location, both in Japan

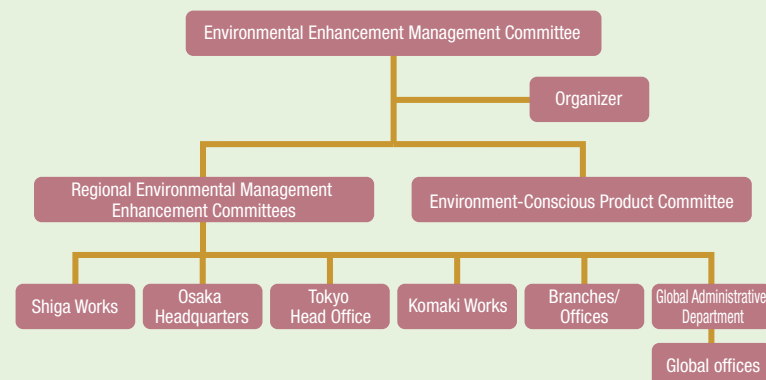
and overseas. To this end, both companies and households are the same in that environmental visualization is a key to understanding what is used and whereas well as how.

In the current fiscal year, we have established the Production Engineering Department within Production Control Operations with the objective of boosting processing-type production technology capabilities and addressing environmental issues. Also, aware that we must spare no effort in fulfilling our responsibilities to the revised law concerning rational use of energy, we are working to clarify our scope of responsibility as well as properly determine and accumulate data. Just how this data is handled and used will be critical. Looking to the future, it will be necessary to clarify in what way we move forward on environmental topics and how we deploy equipment and maintain infrastructure to reduce our environmental impact. Specifically, we need to take a look at the Shiga Works, now approaching its 40th year since establishment, which accounts for approximately 90% of the energy consumed by the Daifuku Group in Japan. From the perspectives of our business continuity plan (BCP) and durability, we are looking into issues of utmost importance, in particular, the review and renewal of infrastructure and equipment, such as painting lines and cogeneration at each of our factories.

Environmental management promotion topics



Environmental Enhancement Management Committee structure



Environmental Enhancement Management Committee
An organization that deliberates and makes decisions on matters with regard to environmental management across the Daifuku Group. It determines policies concerning energy and resource conservation, the elimination of hazardous substances and the offering of environmentally friendly products and also monitors compliance with laws. This committee is positioned as the lynchpin of Daifuku's environmental management.

Regional Environmental Management Enhancement Committees
Subordinate to the Environmental Enhancement Management Committee. These organizations gather environmental information on energy conservation and other issues in each region and work to solve any problems. They also monitor risks, such as to do with types of environmental pollution specific to their region and address laws and regulations.

Environment-Conscious Product Committee
This committee works to provide environmentally friendly products and services as well as to develop strategies and solutions to problems at each work site. It also endeavors to realize systemization within the Company of environmentally friendly design.

Environmental Management System

Environmental Management Structure

Daifuku aims to improve Groupwide environmental performance by consolidating its environmental management systems in Japan. Under the environmental management structure Daifuku has developed, environmental managers from across Japan share information at regional promotion meetings.

At the management reviews held twice a year, senior management assesses the progress of fiscal year plans for each region that are linked to ongoing improvements. In addition, for issues that require a cross-organizational approach, task forces are assembled to formulate solutions.

In fiscal 2010, Daifuku launched the Environmental Management Enhancement Committee with the intention of strengthening the environmental management system by determining measures and implementing them throughout the Group.

Status of Compliance with Environmental Laws

While actively conducting environmental activities, Daifuku is taking steps to address and improve its compliance with all related environmental laws. As part of its plan-do-check-act (PDCA) cycle, the Daifuku Group is moving forward on obtaining and conveying information on revisions to laws, assessing the actual state of compliance and whether or not laws are complied with, and making improvements to management methods. Fiscal 2009 saw no issues with respect to our compliance with any relevant laws or regulations.

Relevant divisions will work in unison to address issues related to environmental laws, the new introduction and revision of which is expected to accelerate.

ISO Certification Acquisition

In 1999, the Shiga and Komaki Works both acquired ISO 14001 certification, in 2004 the Osaka Headquarters, Tokyo Head Office and Tokai Office, and in 2008 the Fujisawa Office, Yokohama Office, Konosu Office and our subsidiary Osaka Machinery Works Co., Ltd. obtained certification. Through these achievements, Daifuku has established a Companywide, ISO-based environmental conservation network.

In addition, to date, a total of seven affiliates operating in the United States, South Korea, China, Taiwan and Thailand have acquired ISO 14001 certification.

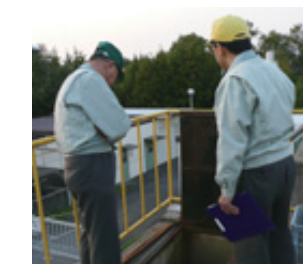


ISO certification sign on display at the Shiga Works

Environmental Auditing System

The Daifuku Group periodically undergoes external audits wherein a certified agency confirms 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 2010, Daifuku had a total of 608 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 thanks to these initiatives, we are working to continuously improve our environmental management system. Internal audit results are analyzed and then reported in management reviews, and necessary improvement measures are implemented.



External audit



Training for internal auditors

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 all employees.

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



ISO News, published for employees' environmental education



Question of the Day e-learning system

Emergency Preparedness

All divisions have identified potential emergency situations that may affect Group companies' local operating environments, including natural disasters and accidents. For each of these identified emergencies, the Company strategically conducts drills following specified procedures.

During these drills, equipment is checked and machinery functions and principles are explained. Mini-tests are administered on the spot to gauge understanding along with other measures aimed at raising the understanding and awareness of situational urgency among all participants.

Environmental Objectives and Targets

The following tables show environmental information related to the Group's seven principal operating bases: the Osaka Headquarters, the Tokyo Head Office, the Shiga Works, the Komaki Works, the Tokai Office, the Fujisawa Office, and the Konosu Office.

Fiscal 2009 environmental objectives and targets

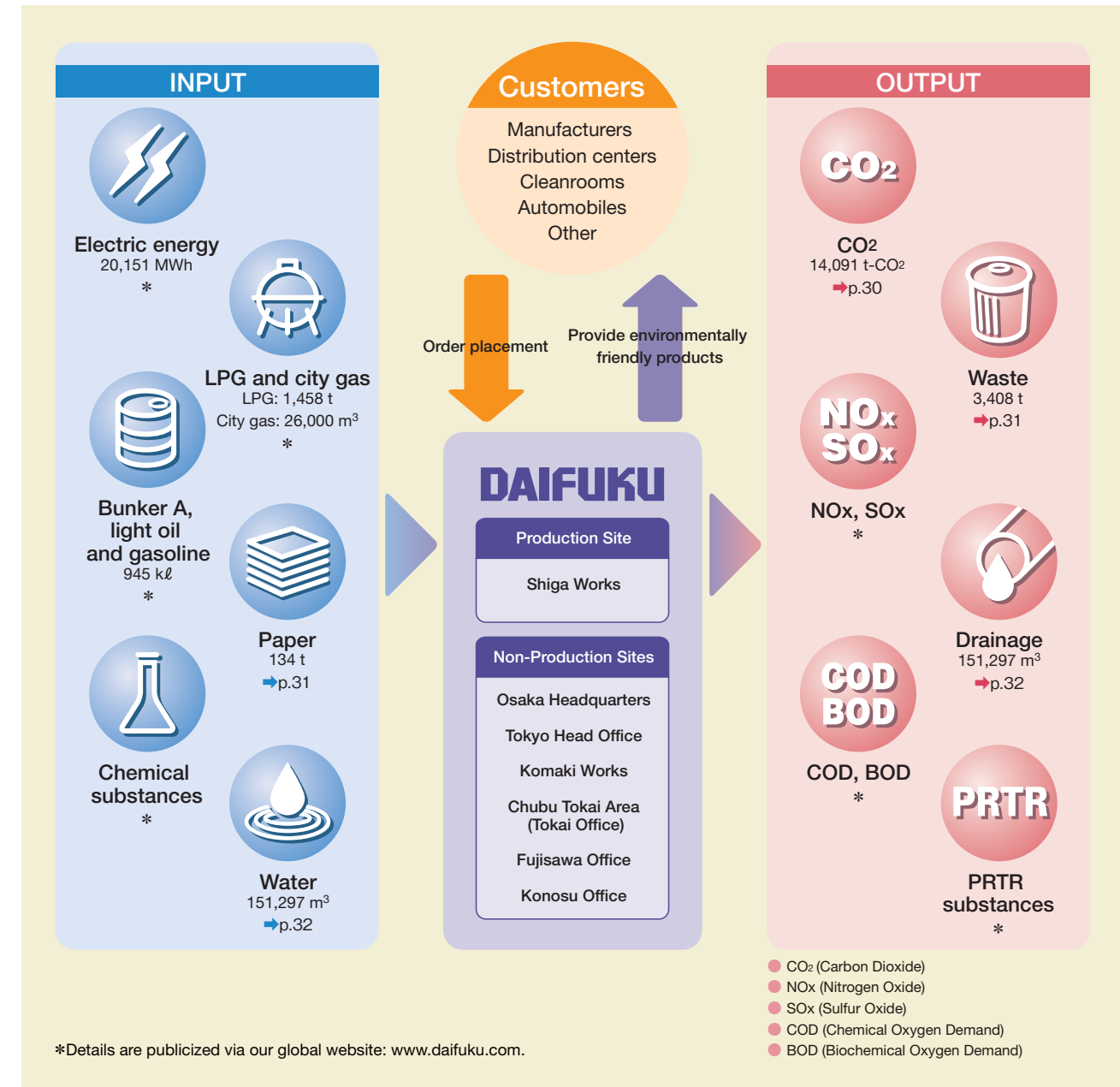
Item	Three-Year Objectives & Targets (FY2007 to FY2009)	FY2009 Objectives & Targets	Results in FY2009	Details
Environmental conservation	- Emphasize emissions control - Observe environmental laws and regulations	- Selective control of emission sources, stringent monitoring of processing facilities - Enhancement of legal observance monitoring and measuring systems	Achieved	p.32, 27
Prevention of global warming	[Shiga Works] In fiscal 2009, reduce CO ₂ emissions to 10% below the fiscal 2006 level [Other sites in Japan] In fiscal 2009, reduce CO ₂ emissions to 10% below the fiscal 2006 level	[Shiga Works] Reduce CO ₂ emissions to 10% below the fiscal 2006 level [Other sites in Japan] Reduce CO ₂ emissions to 6% below the fiscal 2006 level	Achieved	p.30
Waste reduction	- In fiscal 2009, reduce total waste to 20% below the fiscal 2006 level	- Reduce total waste to 20% below the fiscal 2006 level	Achieved	p.31
	- In fiscal 2009, recycle 98% of total waste	- Recycle 98% of total waste	Not Achieved	
	- Reduce scrap volume (at production bases only)	- Reduce scrap volume (at production bases only)	Achieved	
	- In fiscal 2009, reduce paper consumption to 10% below the fiscal 2006 level	- Reduce paper consumption to 10% below the fiscal 2006 level	Achieved	
Promote green procurement	- Prohibit use of hazardous substances - Assist and guide suppliers and subcontractors	- Promote the procurement of materials and parts that contain no hazardous substances - Promote guidelines for green procurement - Continue to assist and guide suppliers and subcontractors	Almost Achieved	p.23, 32
Provide environmentally conscious products	- Conduct product assessments - Expand number of products labeled as eco-products	- Assess from product development stage - Improve products' energy- and resource-saving properties, recyclability and manufacturing conditions	Not Achieved	p.11
Expand and strengthen environmental management	Improve employees' environmental awareness	- Conduct rank-specific environmental management system education for employees through training programs - Continue to reinforce environmental projects	Achieved	p.27
	Promote environmental contribution and external communication	- Continue to publish social and environmental reports - Enhance communication with local communities	Achieved	p.17
	Expand environmental certification acquisition (in terms of both number and scope)	- Support the acquisition and administration of ISO certification at global affiliates and Japanese offices	Achieved	p.27

Fiscal 2010 environmental objectives and targets

Theme	Item	Details	Three-Year Objectives & Targets (FY2010 to FY2012)	FY2010 Objectives & Targets
Factory/Office	Global warming countermeasures	Reduce energy-derived CO ₂ emissions	Reduce CO ₂ emissions generated by product logistics Fiscal 2005 emissions per unit of production	Reduce 17% (approx. 4,300 t) Reduce 7%
		Fiscal 2005 CO ₂ emissions level	Reduce general/ industrial waste, including valuable materials	Reduce 12%
		Fiscal 2005 emissions in terms of net sales per unit	Fiscal 2005 emissions in terms of net sales per unit	Reduce 7%
	Recycle resources and reduce waste	Recycling waste	- Widely adopt waste recycling governance - Achieve 98% recycling rate - Achieve 94% recycling rate, excluding scrap	- Establish waste recycling governance - Achieve 97% recycling rate - Achieve 92% recycling rate, excluding scrap
	Reduce environmentally harmful substances	Promote green procurement	Widely adopt green procurement system	Establish in-house standards covering green procurement
Products	Reduce emissions of PRTR-targeted substances	Reduce emissions of PRTR-targeted substances Fiscal 2005 emissions per unit of production	Set targets in fiscal 2010	Build up actual picture of Companywide emissions status and set targets
	Provide environmentally conscious products	Expand sales of environmentally conscious products	Set environmentally friendly products to net sales target ratio in fiscal 2010	- Set life cycle assessment (LCA) criteria and establish implementation framework - Establish in-house standards covering environmentally friendly products
Management	Strengthen environmental management framework	Develop environmental management at production sites worldwide	Environmental performance management at Daifuku sites across the world	Establish global management system
		Enhance environmental education and awareness	- Conduct environmental education - Conduct business-specific environmental education that will lead to business improvements	- Introduce Companywide environmental education - Implement environmental education, including regional contribution activities
	Show consideration toward biodiversity issues	- Improve employee awareness - Conduct environmental contribution activities - Behave environmentally in business activities	Draw up action guidelines using those covering biodiversity (issued by the Ministry of the Environment)	

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. Based on the monitoring and analysis of current conditions, we use objective numerical measures to identify various environmental impacts generated by such company activities and plants at all levels of the product life cycle in order to minimize any impacts.



Comment from Environmental Activity Representative

Realize wider adoption of environmental activities through creative education and awareness programs

Hiroshi Kitagawa
General Manager
Manufacturing Dept., S-Factory, Semiconductor Division, eFA

For a number of years, our Manufacturing Dept. has been working on waste separation and recycling initiatives as well as on reducing power consumption by switching off lights during break time. As the spread of rules and reductions progressed, however, there was some concern that such

activities could evolve into meaningless ritual. We therefore continually strive to add new dimensions to education and awareness activities to invigorate our approach.

Among the measures to combat waste we held a "waste sorting event," which incorporated a separation technique test. As an example of our efforts to reduce CO₂ emissions, we are working to get people to change from using cars to get around the works to walking and are using visual displays to show distances walked and corresponding CO₂ emission reduction amounts. We will continue with activities that enable employees to think and act voluntarily and that contribute to environmental awareness.

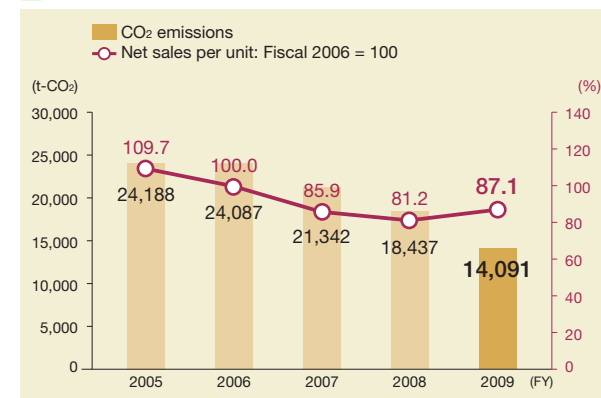


Energy and Resource Conservation

Carbon Dioxide (CO₂) Emissions and Reduction Measures

Daifuku 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 2009, the Company was able to reduce total CO₂ emissions 41.5% against a fiscal 2006 target of 10% and achieved a 12.9% reduction compared with net sales per unit.

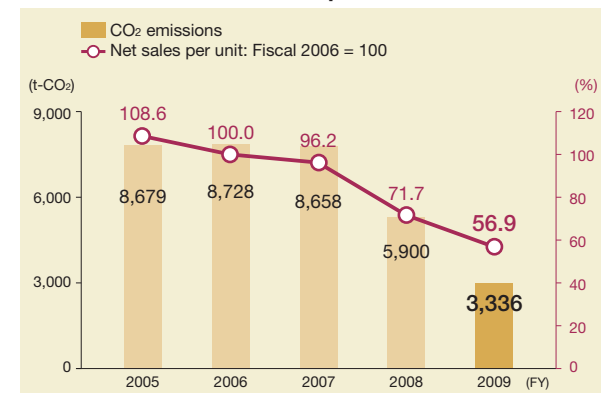
CO₂ emissions



Environmental Impact of Transportation

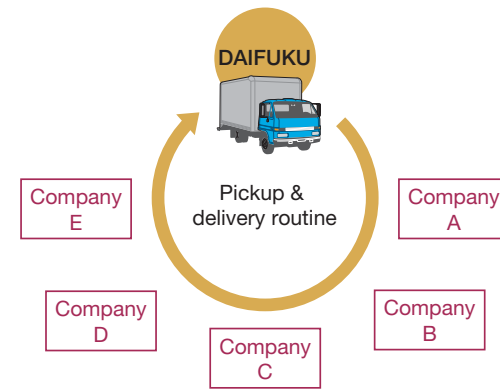
Daifuku has tackled the reduction in CO₂ emissions by grouping its logistics operations at the Shiga Works; centralizing the management of shipment information; improving transportation methods; and enhancing efficiency by, for example, reducing the space needed to store freight by reviewing and redesigning products to make them smaller. In fiscal 2009, the Company reduced total CO₂ emissions 61.8% against fiscal 2006 and achieved a 43.1% reduction compared with net sales per unit.

CO₂ emissions from transportation



Sharing transportation resources

In partnership with suppliers, Daifuku uses precise delivery management to collect and deliver parts and materials in a way that reduces costs. The Company consolidates and streamlines pickup and delivery for multiple suppliers by having one truck make rounds rather than having each supplier send their own truck, thus centrally managing shipping information. This system reduces logistics costs and lowers CO₂ emissions throughout the supply chain, helping to prevent global warming.



One truck picks up and delivers to each supplier in a given region. (Milk run method)

Modal shift

Daifuku has been making efforts to reduce CO₂ emissions by proactively using ship and rail transportation to deliver products to customers. In fiscal 2009, by choosing modes of transportation with lower environmental impact, such as railroads and ships, the company reduced CO₂ emissions 5.5% compared with the previous fiscal year. Daifuku will use such transportation modes with lower impact on the environment while balancing delivery schedules, cargo volume and costs, aiming to further reduce CO₂ emissions.

Energy Conservation Efforts

Through the installation of skylights, we have enabled the natural illumination of factory facilities, thereby raising light levels without needing to introduce new lighting equipment. In addition, we have replaced the artificial lighting being used with units that consume less power, both improving the working environment and saving energy.



Natural light coming through a skylight

Waste Reduction

Waste Reduction Target Toward Zero Emissions

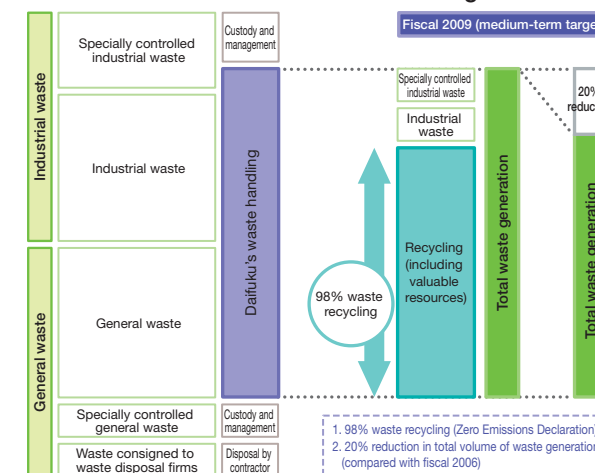
In order to create a society in harmony with the environment, it is important to avoid waste when possible, minimize waste when it is unavoidable and recycle all waste that is generated. Having set a medium-term target of reducing waste emission to 20% below fiscal 2006 levels by fiscal 2009, Daifuku promotes zero emission initiatives with the aim of recycling 98% of the waste that is produced.

In fiscal 2009, Daifuku achieved its targets, reducing the total waste volume generated 47.7%, or 22.0% as a unit of sales. However, as the Company's recycling rate of 94.6% fell short of achieving the 98% target, Daifuku is strengthening garbage separation and recycling activities.

Total waste generation



Definitions of waste and reduction targets



Daifuku's Responsibility for Ensuring Waste Disposers' Appropriate Operations

Daifuku generates industrial waste at each stage of manufacturing and takes responsibility for making sure this waste is properly disposed of. Main offices and divisions that emit waste periodically visit the companies they hire to collect and dispose of the waste to make sure that these tasks are carried out in a proper manner.

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.

At the Shiga Works in particular, Daifuku shreds all paper on-site, used copy paper collected from offices as high-grade wastepaper and other types of paper generated as mid- and low-grade wastepaper being transformed into new paper products.

Under employee teamwork initiatives for workplace improvement, one team was successful in reducing paper use 22% through the reform of business operations, use of e-mail and other measures, receiving the 2009 award for excellence at the Company's annual group presentation contest. This kind of environmentally friendly activity is very much in evidence at the work-site level.

The Company had worked to achieve the fiscal 2009 target of reducing paper consumption to 10% below the fiscal 2006 level. In the end, our paper consumption actually decreased 30.6%. With the aim of reducing paper consumption, we will further promote the digitization of various forms and ledgers as well as the holding of "paperless meetings" in which no paper handouts are distributed.



High-grade wastepaper shredder

In-House Handling of Kitchen Waste

All organic kitchen waste from the cafeteria at the Shiga Works is processed in a composter, with the resulting compost being used for enriching plantings inside the works and vegetables grown by employees. In fiscal 2009, 15 tons of kitchen waste generated seven tons of compost.



Kitchen waste composter

Comment from Environmental Activity Representative

Promoting efficient resource utilization, emphasizing paper recycling

Noboru Sakurai

Team Leader
Kanto Customer Station, DTS Division, FA&DA

In fiscal 2009, the Fujisawa Office, to which my department belongs, placed emphasis on paper recycling. Having collected and separated cardboard, shredded paper, newspapers, magazines and the like, we regenerated them as resources. Expanding activities related to recyclable categories other than paper, we will work to reduce waste. In addition to such global warming prevention activities as conserving energy inside the office and encouraging drivers to turn off rather than idle their engines when stopped, all staff help to clean up the area in the vicinity of the office. We also contribute to society by acting as traffic safety guards.



Pollutant Emission Reduction and Control

Chemical Substance Management

Paints and organic solvents are the chemical substances primarily used by Daifuku in the course of its production activities. The Company conducts the on-site management and controls the usage amounts of special chemical substances designated under the PRTR Law*.

With regard to on-site management, the Company has commenced operations using a Material Safety Data Sheet (MSDS)** database that was upgraded in fiscal 2008. This also covers MSDS revision controls that accompany amendments to the law. As the amounts used in fiscal 2009 showed a year-on-year increase of 12%, from fiscal 2010 the Company will set targets and promote reduction activities for its works.

Compliance with European Harmful Substance Regulations

The Daifuku Group goes to great lengths to identify and remove any harmful chemicals in its products. Measures taken include the starting up of in-house project teams focused on the European REACH regulations***.

While collaborating along the entire length of its supply chain, the Group continues to endeavor to offer products that are uniformly environmentally friendly.

Water Quality Management

Water contamination is recognized as a serious problem that can affect soil, agricultural products, living environments and various other areas. Accordingly, meticulous efforts are made to control and reduce drainage from works and, of course, relevant laws and regulations are rigorously observed.

Drainage from production activities at the Shiga Works is processed by three comprehensive on-site effluent treatment facilities before being discharged into the Class A-designated Sakura River. Water from rainwater drains is channeled into a pond that stores water for firefighting. Accordingly, the equipment at the Works is thoroughly maintained and inspected on a regular basis. In addition, the quality of the water discharged from effluent treatment facilities is monitored regularly, checks being carried out for the presence of living organisms once a month and for hazardous substances twice a year.

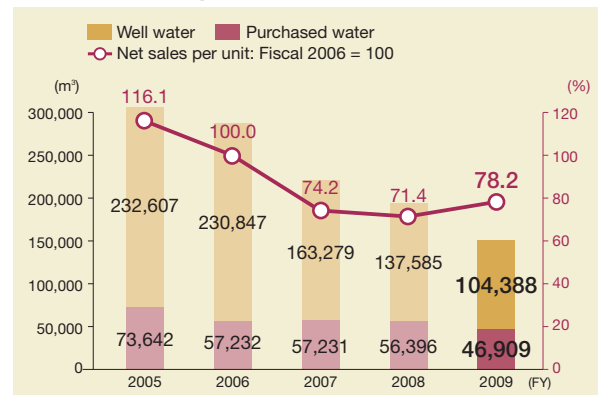
Once a month at the Komaki Works, an external organization also inspects and measures drainage quality in accordance with water quality standards set forth under the Sewerage Law of Japan.

In fiscal 2009, the Company was able to reduce total Companywide water usage by 47.5% compared with fiscal 2006, resulting in a 21.8% reduction compared with net sales per unit.

***PRTR (Pollutant Release and Transfer Register) Law:**
Law concerning understanding the amount of special chemical substances discharged into the environment and promoting improvement of their management. This law aims for the voluntary management of chemical substances and the prevention of environmental pollution by having enterprises report to their national governing authority the number and volume of chemical substances they are releasing into the environment.

****Material Safety Data Sheet (MSDS):**
Information about the characteristics and handling of a chemical

Water consumption



A water survey being conducted at the Shiga Works



Effluent treatment facilities at the Shiga Works



Effluent before (left) and after treatment



Oil barrier

Turning sludge into raw material for cement

At the Shiga Works wastewater treatment facility, it is necessary to treat the sludge generated to maintain stable water treatment. The treatment, which involves the machine drying of dewatered sludge drawn from the facility, results in dried sludge with a moisture content of only 20%. This has led to a significant reduction in sludge volume, enabling a reduction in waste material treatment costs and the effective utilization of the dried sludge as raw material for cement.



Sludge recycling facility



Dried sludge

substance. It states information necessary for the safe handling of raw materials, etc., including chemical substances and agents. Provision between enterprises is obliged under such laws as the PRTR Law.

*****REACH Regulations:**
REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. Companies must register and evaluate the safety of chemical substances contained in the products they manufacture and sell in Europe.

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

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Facility facts
(located within Shiga Works)
Building area: 6,049 m²
Building height: 25.1 m
Floor space: 19,482 m²

Hini Arata Kan Search

At the exhibition center, Daifuku material handling systems and equipment are on display along with products 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 and semiconductor production lines, as well as storage, transport, sorting and picking systems. At the Hini Arata Kan, our experienced staff guide visitors through an array of material handling innovations operating under one roof. (Reservation needed)

Since its opening in 1994, the Hini Arata Kan has attracted more than 300,000 visitors (as of July 2010), with an average of 20,000 people visiting the center annually.



Unit load AS/RS



Automobile production line systems



Semiconductor production line systems

Environmental Initiatives

We use bright, long-lasting ceramic lighting that uses less electricity than traditional lighting for the Hini Arata Kan exhibits. Reflective lampshades increase room brightness and create a pleasant space for visitors while reducing CO₂ emissions.



Emergency signs and lighting were replaced with LEDs

Mercury lamps were replaced with more efficient ceramic lighting

Comment from Environmental Activity Representative

Showcasing the Daifuku Group's environmental activities

Ai Tanaka
Hiniaratakan Corporation

The Hini Arata Kan attracts visitors not only from Japan but also from all over the world. We inform them about the environmentally friendly aspects of Daifuku products and their energy-saving performance to explain Daifuku initiatives that are

aimed at helping the environment.

In March 2010, a photovoltaic system was installed at Hini Arata Kan. Its structure and the amount of electric power generated can be viewed via a large monitor. Just by seeing how eagerly visitors listen tells us the high level of interest in the environment.

We will continue to provide services that satisfy our customers while always keeping the environment in mind.



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