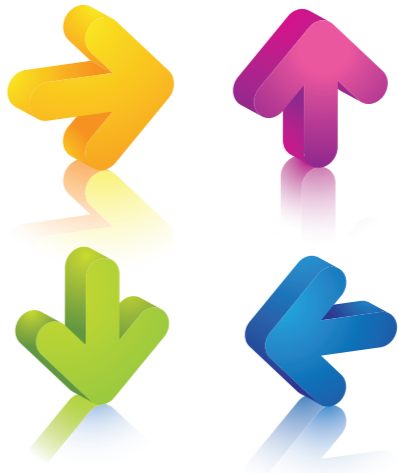


DAIFUKU CO., LTD.
www.daifuku.com



Conveying



Sorting



Storing

Moving Things, Moving You

“Moving things” is an integral part of corporate activities.

What’s more, it is what underlies much of the convenience of our lives.

This activity, commonly called “material handling,” is indispensable to society and basically comprises **conveying, sorting and storing.**

Over the 70 years since its founding, Daifuku has specialized in material handling and consistently created innovation in this industry.

Material Handling and Beyond

“A company that, by moving things, inspires and brings happiness to people”—to remain such a corporate group, Daifuku continues to take on new challenges.

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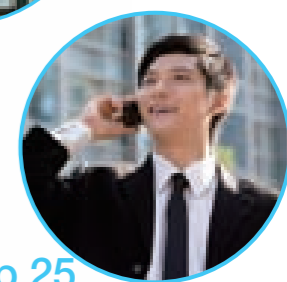


→p.4

We support airport operation.
www.daifuku.com/business/abh



We support nursing care.
www.daifuku.com/business/consumer



→p.3, p.25

We support mobile phone production.
www.daifuku.com/business/efa

→p.25



We support car enthusiasts.
www.daifuku.com/business/consumer

→p.5, p.6

We support supermarket product distribution.
www.daifuku.com/business/fada



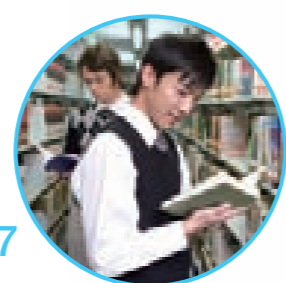
→p.5

We support drug distribution.
www.daifuku.com/business/fada



→p.7

We support library management.
www.daifuku.com/business/consumer



→p.7

We support medical professionals.
www.daifuku.com/business/consumer



→p.6

We support waste recycling.
www.daifuku.com/business/fada



→p.7

We support bicycle parking lot operation.
www.daifuku.com/business/consumer



We support bowling alley operation.
www.daifuku.com/business/consumer

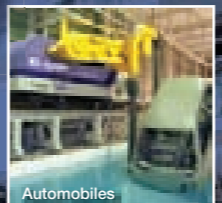




Conveying

Supporting Automakers with Advanced Material Handling Technologies

Daifuku's automobile production line systems have underpinned the development of the Japanese automobile industry for more than half a century. Daifuku's automated systems are used throughout the production process, including pressing, welding, painting and assembly; parts storage and supply; and engine testing. Leveraging its unique technologies to meet industry needs in such areas as simultaneous multi-model mixed production, quality improvement and environmental performance enhancement, Daifuku continues to support the realization of next-generation automobile production.



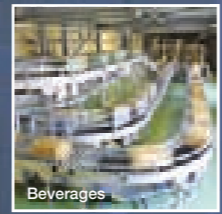
Automobiles
Paint system



Computer-related devices
High-speed rail-guided vehicle



Cosmetics
Automatic guided vehicle



Beverages
Conveyor system

Contributing to Dust-Free Semiconductor Production

Semiconductors and flat-panel displays (FPDs), which are indispensable in today's digital society, are manufactured in clean rooms completely free of dirt and dust. In 1993, Daifuku pioneered the development of a non-contact power supply system that helps create a clean and safe production environment by preventing electrical sparks and eliminating abrasion powder. Based on this innovative system, Daifuku's cleanroom transport and storage systems are used in the many world-class semiconductor and FPD factories, underpinning the creation of cutting-edge devices and equipment.



Automobile production line systems



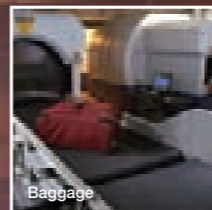
Cleanroom transport systems for semiconductor production lines



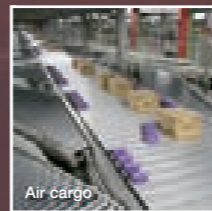
Sorting

Supporting Safe, Reliable Air Travel

Daifuku provides a comprehensive range of state-of-the-art baggage handling systems for the efficient and secure transportation of passenger bags via conveyors that travel from check-in counters for outbound flights as well as to baggage claim areas for inbound flights. These systems include cutting-edge security systems. Our scanning systems—combining X-rays and in-line baggage screening components—are used at many airports mainly in the United States, as well as in other countries. Looking ahead, by targeting new airport construction and development projects in emerging countries, Daifuku will continue to help maintain air travel safety and reliability worldwide.



Baggage
In-line baggage screening system



Air cargo
High-speed sorter

Airport baggage handling systems

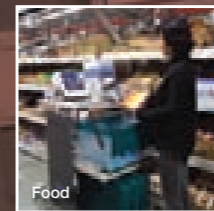


Helping Deliver Fresh Food Products for the Best Taste

In line with an increase in double-income households and a strengthening awareness of food safety issues, consumers are increasingly seeking fresh and safe food products in smaller portions. Reflecting these market trends, suppliers on the frontlines of fresh produce distribution are facing a common issue: how to sort fruit and vegetables efficiently to fulfill orders received and ensure quick delivery. Daifuku's pick-to-light system facilitates accurate, high-speed sorting operations. Through this and other systems, Daifuku is supporting the delivery of fresh products to consumers.



Pharmaceuticals
Pick-to-light system



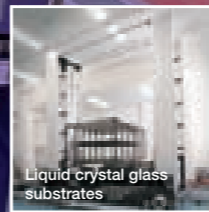
Food
Picking cart system

Pick-to-light systems

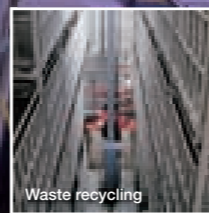
Storing

Meeting Diverse Needs for High-Mix, Low-Volume and Timely Distribution

Convenience stores and supermarkets handle a diversity of goods, offering us great freedom of choice. These operations are underpinned by sophisticated distribution centers. With the volume and variety of goods handled continuing to increase, the quick and accurate distribution of goods is becoming a common pressing issue in the distribution industry, and today's distribution centers must have operational capacities that are higher than ever before. Daifuku's material handling systems contribute to improved lead time and efficiency in distribution processes, supporting the convenience that we enjoy in modern society.



Liquid crystal glass substrates
Cleanroom stocker

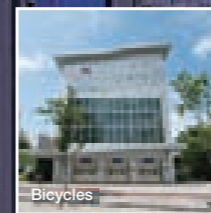


Waste recycling
Unit load AS/RS

Unit load AS/RS



Surgical instruments
Vertical carousel



Bicycles
Multilevel bicycle parking system

Automated "Librarian" for Human Wisdom

Libraries offer spaces where we can interface with the wisdom of people of all ages and cultures. As the repositories of all types of publications that contribute to the records of the cultural and other activities of the human race, libraries constantly work to secure space for an ever increasing volume of books while striving to improve convenience for visitors through information technologies. The automated library bookshelves based on Daifuku's mini load AS/RS are used to store up to 1.4 million books. These bookshelves are capable of automated book retrieval when linked with book search and order systems. Through its technologies, Daifuku is contributing to the efficient and effective storage of human wisdom.

Mini load AS/RS

Development

Competing mainly in Asia through quick response and high-value-added product development

Daifuku's strengths in product development lie in its ability to offer market-leading products and systems that provide added value to customer's operations as well as to create products that quickly realize such value. With manufacturing increasingly concentrated in China and other emerging countries, competition continues to intensify in the global market.

I am engaged in the development of automobile production line systems. In this field, the buzzwords include "smaller," "less," "lighter" and "shorter" as customers strive to improve their productivity and reduce costs. Keeping these buzzwords in mind, we must swiftly provide our customers with the added value that they require. Adhering to this principle, we will continue to strengthen our development capabilities and thereby support customers' manufacturing operations.

Hisashi Kyotani
Senior Engineer, Development Department
Automotive Factory Automation



Capabilities That Support

Technologies underpinning global optimal production and uniform quality

Daifuku boasts sophisticated R&D and design technologies backed by an extensive track record. In particular, the Company's design technologies, based on clear standards and mechanisms, enable reliable product development tailored to the exact needs of customers. Through the Groupwide sharing of know-how, we are working to maintain and enhance the global uniform quality of our products.

Material handling entails three things: systems, system control, and system operations. A failure in any of these three would result in malfunction. Therefore, our system designers conduct stringent prior-shipment inspections of our systems that involve checking the proper operation and function of individual elements. This process ensures the quality of our systems while contributing to shorter installation times and stable operations.

Kim Jaesook
Manager, Control Design Group, Design Department
e-Factory Automation



Technology

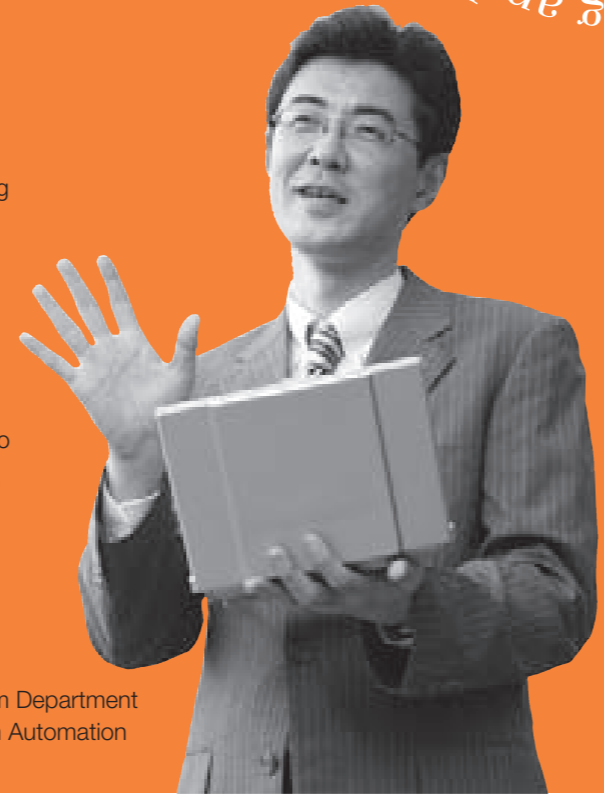
Marketing

Identify and meet customer needs through teamwork

The most notable feature of Daifuku's marketing operations is that we maintain our relationships with customers through the entire business process, from interviews with customers to identify needs and make proposals to the provision of after-sales services. Our customers evaluate Daifuku very highly, pointing out that we offer extensive product lineups and boast comprehensive strengths in everything from consulting to after-sales services. To maintain such high evaluation, we are promoting marketing activities by taking advantage of Daifuku's industry-leading installation and proposal-making capabilities.

At Daifuku, marketing activities involve all kinds of Daifuku staff from the engineering, design, installation and service departments, as well as marketing staff, to contact with customers. When it comes to teamwork, our marketing team strives to lead each project.

Chiharu Miyashita
Manager, Group III, Logistics System Department
Factory Automation and Distribution Automation



and Storing

Round-the-clock customer support through a powerful network

Daifuku's customer support team responds to customer enquiries all day, year round and works to gain their trust and foster long-standing relationships with them. Daifuku operates 50 service offices nationwide, and these offices share information. Also, they cooperate with the global affiliates, sharing technical skills and offering customers technical assistance. Such a meticulous service structure is unique to Daifuku, which boasts a strong business network around the globe.

Due to alterations in circumstances, customers sometimes require changes in the systems that Daifuku has already delivered. Satisfying customers' changing needs through timely system retrofitting is thus also one of our important responsibilities.

Hironori Kuwahara
Assistant Manager, Field Engineering Department
Factory Automation and Distribution Automation



Service

Message from the CEOs: To Our Stakeholders



As a company that contributes to society through material handling—
**Daifuku aims to enhance corporate value
 by promoting environmental management
 and global human resource training**

K. Takeuchi

Katsumi Takeuchi
Chairman and Co-CEO

M. Hojo

Masaki Hojo
President and Co-CEO

Promoting CSR through business operations

The fiscal year ending March 31, 2012 (fiscal 2011) started with clouded prospects for the future due to the impact of the Great East Japan Earthquake in March 11, 2011. This disaster has tested the entire country's ability to cope, while at the same time providing an opportunity for companies to review their management and *raison d'être*.

Once again the Daifuku Group questioned itself about what it means to fulfill its responsibility as a member of society. We concluded that the Group's most important mission is to **"Contribute to the development of the material handling industry as a leader with consistent technological innovation."**

Our corporate slogan, "Material Handling and Beyond," is a very straightforward representation of our attitude of contributing widely to society through material handling. Keeping this in mind, we will aim for **the further development of businesses underpinned by our mainstay material handling business.**

Strengthening efforts related to the environment, globalization, service, and human resources in line with the three-year business plan

The Group has now entered the second year of the three-year business plan begun in April 2010. To achieve the goals of this plan, our business management is **focused on increasing orders**. Specifically, we are promoting business mainly in robust markets outside Japan with emphasis on the four keywords "the environment," "globalization," "service" and "human resources."

1. Accelerating new market cultivation and new product development

In fiscal 2010, we acquired orders for lithium-ion battery factories, delivered the E-DIP automobile paint line system and enjoyed large-scale orders for the DUOSYS super-fast mini load AS/RS. Lithium-ion batteries are showing growth potential as an alternative energy source to address global warming. In new product development, we focused on enhancing the environment friendliness of our products by reducing product weight, using regenerated electricity and improving water-saving properties to **help our customers reduce environmental impact**. In addition, we set up the *Daifuku Environmental Vision 2020*, which places greater emphasis on taking an

environmental approach in our business management, and will take proactive measures to develop products and identify new markets that will increase our corporate value.

2. Strengthening cost-competitiveness through global production and procurement

Daifuku is focusing on manufacturing and installation operations worldwide. In **manufacturing**, we will **organically integrate global production resources**. In **installation**, the main issue is **finding highly skilled business partners in areas that serve our customers**. To increase our competitiveness, we will collaborate with local partners to improve delivery control and the accuracy of budget control.

3. Increasing profitability through service business expansion

The Group's **service business accounts for more than 25% of consolidated net sales**, and this is our competitive edge. We boast **favorable a reputation among customers for our comprehensive capabilities**, which encompass the presentation and delivery of products and systems as well as after-sale services. Spurred by this, we will make persistent efforts to improve customer satisfaction and establish long-term relationships with customers that could, in turn, lead to more business opportunities.

4. Bolstering global operations by fostering personnel

Daifuku is a manufacturer as well as a system integrator. To secure sustainable growth for a Group that conducts business in 20 countries and regions around the world, we need to **strengthen our engineering staff working outside Japan**. In North America, Daifuku America already engages in educational activities involving personnel exchanges with employees of Jervis B. Webb. In Taiwan and South Korea, we dispatch employees from Japan to subsidiaries to provide training in marketing style and technologies. In addition to these efforts, it is important to find well-experienced human resources to serve diverse customer industries around the world. Through these efforts, we expect Daifuku can **pursue universal quality and enhance reliability as a global brand**, while developing reliable human resources who can oversee local operations.

We sincerely ask for stakeholders' continuing understanding and support for the further enhancement of our business activities.

August 2011

■ Management Philosophy

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

■ Basic Management Policy

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

Remaining a Company That Inspires People by Moving Things

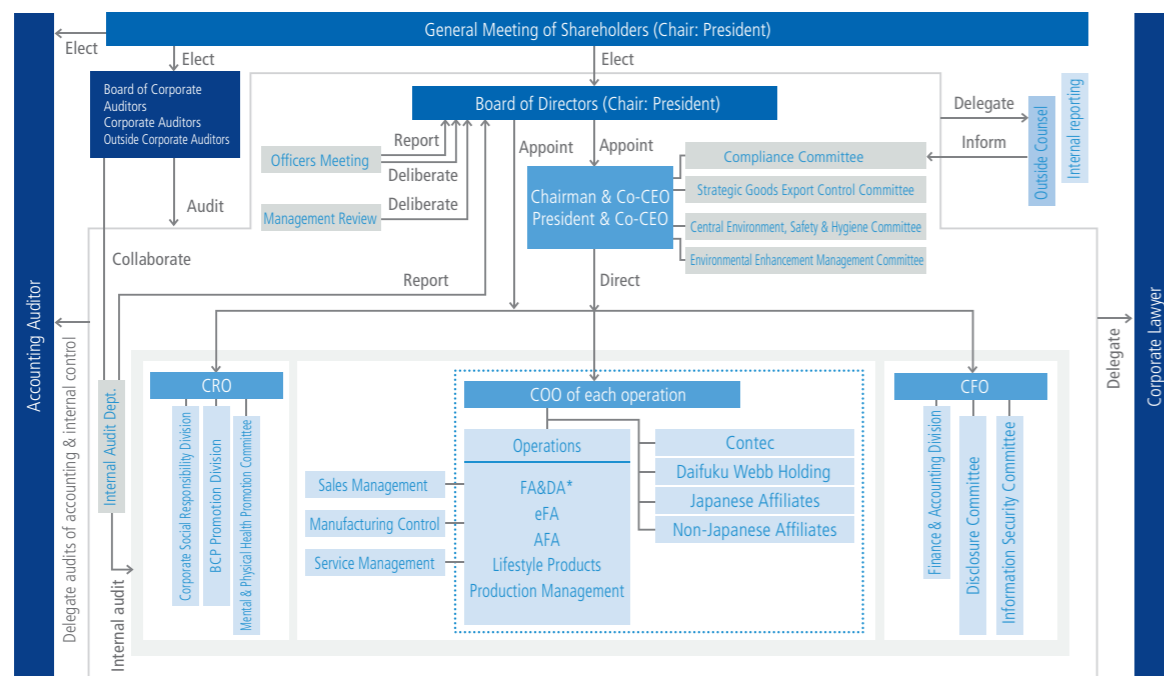
Daifuku is developing business on a global scale, operating business bases in 20 countries and regions throughout the world. To ensure its ability to supply consistently high levels of quality in its products anywhere in the global market, Daifuku is promoting the transfer of manufacturing skills and techniques while strengthening human resource development worldwide. The stability of the lifestyles of people in modern society depends on the smooth flow of production and distribution. Daifuku will continue to provide such material handling systems and equipment that underpin the flow of goods around the globe.

Our basic approach to corporate governance

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

competition.

Also, Daifuku emphasizes compliance in a rapidly changing management environment. As set out in one of the clauses of its Basic Management Policy, the Company strives to comply with laws and regulations in Japan and overseas while enhancing internal control and risk management. To facilitate efficient decision making for speedy management, Daifuku's board members are encouraged to state opinions freely at meetings of the Board of Directors.



* FA&DA: Factory Automation and Distribution Automation
eFA: e-Factory Automation
AFA: Automotive Factory Automation

Toward becoming a "strong" and "friendly" company



Yoshiyuki Nakashima Managing Officer
Corporate Social Responsibility (CSR)

One desire drove our decision to overhaul the report format and content to produce our CSR Report 2011. Having published nine reports over the years, we realized that we really wanted our staff to read them. After all, if they do not know what their own company is doing in the area of

corporate responsibility, they will miss the chance to communicate this information to outside parties.

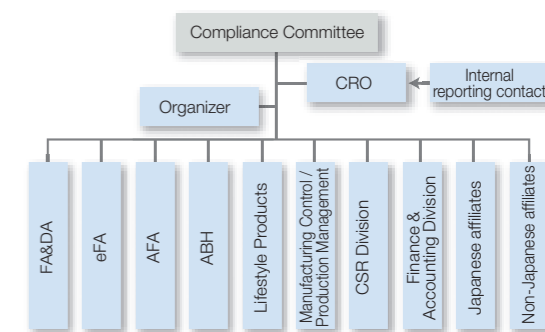
Daifuku aims to grow into a "strong" and "friendly" company. To us, a "strong" company is one that boasts business strengths that enable sustainable growth and organizational strengths, one where its employees are responsible members of society and pursue the creation of quality products. At the same time, Daifuku seeks to remain a company that makes effective use of limited resources, an approach that makes it "friendly" to the environment as well as to all the people whose lives it touches. These aspects collectively form the foundation of our CSR activities.

I believe that you can enhance your pride and confidence in your company by reading this report. This, in turn, creates a positive cycle, wherein by acting in line with your own values and ethical standards on behalf of the company, you are acting in compliance with general rules and systems of society, and thus reinforcing the quality of the company's CSR and your pride in it. This cycle will create the truly sound corporate culture that we aim for.

Through the CSR reports, we will disseminate accurate information on our CSR objectives and activities.

Compliance Committee

In December 2003, Daifuku established the Compliance Committee, chaired by the president. The Compliance Committee promotes activities aimed at ensuring that legal compliance, fairness and ethics guide the Company's activities. As one of these activities, Daifuku has formulated its Corporate Code of Conduct, which provides a set of corporate standards, to guide executives and employees in fulfilling their corporate and public roles as members of a leading company in the material handling industry.



Strictly observing the Corporate Code of Conduct

Regarding compliance as an important pillar of management, Daifuku has distributed a booklet entitled "Code of Conduct" to all its employees. 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: Basic Policy

Contributing to society through corporate activity

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

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

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

Retaining the confidence of stakeholders

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

Contribution to the community

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

Respect for the personality and individuality of each employee

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

Strengthening Manufacturing Capabilities and Human Resources in China

Interview with Skills Evaluation Program Participants

Maintaining uniform skill levels and product quality worldwide

Daifuku has consistently engaged in manufacturing activities throughout its history. To maintain the value of the Daifuku brand and continue offering quality products worldwide that bring great customer satisfaction, Daifuku must enhance its basic manufacturing technologies and skills. Also, Daifuku recognizes that it must realize uniform quality in products manufactured worldwide.

To maintain or increase our product quality, we need to instill Daifuku's manufacturing spirit, technologies and skills in our global production bases, particularly those in China, where we are expanding business rapidly. Accordingly, in May 2010, we launched a skills evaluation program for the Daifuku China group, aiming to enhance the quality and skills of our engineers in welding, assembly and electrical techniques.



Thoughts after participating in the skills evaluation program

"I would like to become a professional in all welding processes."

Through participation in the program, I realized that my skills have not been developed comprehensively and that there is still a lot to learn. As my daily operations mainly involve the welding of medium and thick steel plates, I have no experience in welding steel sheets. From now on, I will proactively undertake sheet welding and become a professional in all types of welding processes. Since the program, I have noticed that I am being extra careful in performing my daily tasks, for example, I am observing the welded parts as attentively as I did when I participated in the program. Also, I am now more aware of my posture when welding. Applying what I learned through the program and further refining my own welding skills, I would like to contribute to the high quality that Daifuku products deliver.

Chu Zhengmin

Machining Section, Production Division
Jiangsu Daifuku Rixin Automation Co., Ltd.



From a trainer's perspective

Manufacturing knows no borders

In training staff, I respect the principle of "manufacturing begins with personnel development." Through such training, we are working to realize the highest quality of products in the global market. Meanwhile, while encouraging our staff to adhere strictly to ISO, OHSAS and other standards and to focus on on-site conditions, the physical materials in front of them and the immediate situation, I make them repeatedly undergo on-the-job training until they understand what they are trying to do. Also, I allow them to maintain a proactive stance in raising their awareness of quality.

To consistently improve S.Q.C.D.E. (safety, quality, cost, delivery and ecology)—a part of Daifuku value—we are running a plan-do-check-act (PDCA) cycle in our operations. It is important to make improvements step by step.

Tokio Sakano
Director and Advisor
Jiangsu Daifuku Rixin Automation Co., Ltd.

China

Zhang Guoqiang
SRM Team Leader, Assembly Section
Daifuku (China) Manufacturing Co., Ltd.



I am engaged in producing stacker crane carriages and car wash machines. As there are many Japanese technical instructors stationed at our workplace, I am studying Japanese hard to learn from them without the help of interpreters.

South Korea

Jung Haemyong
Section Manager, Manufacturing Dept.
Daifuku Korea Co., Ltd.



Daifuku Korea boasts the greatest technological capabilities in Korea's automobile production line systems field. In addition to our extensive technology portfolio in this field, we are striving to acquire manufacturing technologies relating to material handling systems for other industries.

Michigan

Erika Hayden
Boyer City Manufacturing
Jervis B. Webb Company



I am responsible for formulating production plans and coordinating shop maintenance programs. Through effective daily communication, I provide plant associates with necessary assistance to solve problems before they affect operations at frontlines.

Ohio

Tom Coulter
Quality Assurance Specialist/Inspector
Daifuku America Corporation



As a specialist in quality assurance, I inspect finished parts and components to ensure that they have been manufactured in line with specified dimensions. I will continue to enhance my own capabilities to keep up with advances in manufacturing technologies.

Taiwan

Mike Tsai
Production Control Group Leader, Manufacturing Dept.
Taiwan Daifuku Co., Ltd.



I am in charge of process management for each project. Taking advantage of my English, Japanese and Chinese language skills, I am working to coordinate the operations between difference departments.

Thailand

Chatchwan Promcote
Pinthong Manufacturing
Daifuku (Thailand) Ltd.



I am on the factory floor, covering everything from product assembly and test runs to quality inspection. While strictly keeping delivery dates, I am making daily efforts to improve the quality of our products.

Developing Personnel with Global Business Capabilities Stories of Global Business Trainee Program Participants



Toru Konagaya
Manager
Control Group, FA&DA
Daifuku America Corporation

“Differences” are a given, how do you overcome them?

While I was working in Japan, I went on several overseas business trips. This experience prompted a gradually growing desire to work overseas. Since being assigned to an overseas post under this six-month trainee program, I have met many people from all over the world. Through this contact, I have gained direct knowledge of differences in cultures, sensitivities and levels of awareness. All of this has made me feel even more strongly that I should not work only in Japan.

Through the more than three-year operations at Daifuku America, I have realized that effective communication with people from different cultures is challenging. Cultures may be reflected on their ways of thinking and a single word can have a different meaning depending on the audience. For the effective communication, especially at work, it is important to choose proper expressions and deliver my words specifically.

The project I am currently undertaking is totally new from the foundations up and includes a joint business and engineering structure involving Daifuku Headquarters, Daifuku America and Jervis B. Webb Company. Because of the significant scale of the project, close collaboration between these companies is indispensable. I proactively engage in discussions with others, for instance, to identify the advantages and shortcomings of various methods that we could use, decide on the best method to apply, or to gauge the maintainability of a product being designed.

Differences are a given. Everything begins with accepting them. Once you’ve done that, you can start thinking about how you are going to deal with them. This is, of course, a constant process. By consistently working at this never-ending process, I am moving forward to bring my current project to a successful close.

Serving as a “bridge” between Japan and South Korea



Ryoji Morishita
Mechanical Design Group
Design Department, eFA

The eFA Operations have many customers in Korea and Taiwan. To ensure that operations proceed smoothly, I need to know Korean language. This is why I applied to the Global Business Trainee Program.

After I was sent to Korea through the program, I prioritized two tasks: acquiring the language skills required to understand daily conversation and gaining knowledge about the products manufactured at Daifuku Korea. Three months have passed since I came to Korea, however, there are still unfamiliar words at work. I must redouble my efforts. Meanwhile, I will work to familiarize myself with our products through the remaining on-the-job training period.

I would like to serve as a “bridge” between Daifuku (in Japan) and Daifuku Korea, facilitating effective collaboration.

Manufacturing Products in Cooperation with Suppliers Effectively Promoting the Supplier Evaluation System



2011 Award recipients
S.Q.D. Award:
R. H. Service Co., Ltd.
Onotosou Co., Ltd.
Kyoei Forging Works Co., Ltd.
Tokai Riken Co., Ltd.
Nissinsangyo Co., Ltd.
S.Q.D. Effort Award:
Tokuken Corporation
Tokuno Mfg. Co., Ltd.
Fujimidensetsu Co., Ltd.
Letter of Appreciation:
Ikeda Kogyo Co., Ltd.

Developing frameworks to share high manufacturing standards

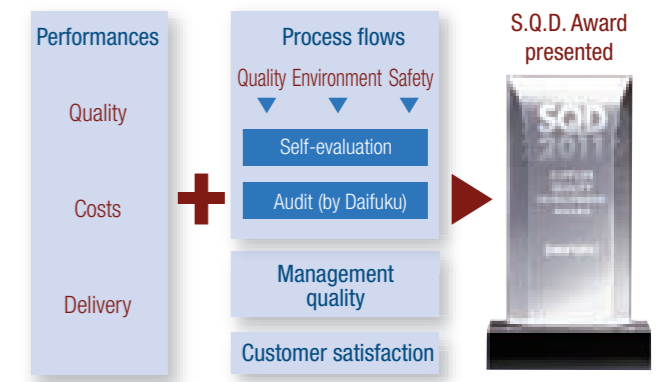
Daifuku undertakes manufacturing in cooperation with its suppliers and conducts transactions with them in accordance with its Basic Procurement Policy and green procurement guidelines. To promote such collaboration, we established a supplier evaluation system in fiscal 2003 and, in line with the establishment of this system, launched the Supplier Quality Development (S.Q.D.) Award system to commend outstanding suppliers of products and services as well as installation subcontractors. From among a total of 340 companies, in fiscal 2011 Daifuku presented the S.Q.D. Award to five companies and the S.Q.D. Effort Award to three companies.

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

In fiscal 2011, in addition to the award winners mentioned

above, Daifuku sent a letter of appreciation to a company who provided support in delivering relief supplies to a region affected by the Great East Japan Earthquake.

Supplier evaluation system



Promoting manufacturing activities from a supplier perspective



Akihiro Sato
President, Tokai Riken Co., Ltd.

I feel so honored to have received the S.Q.D. Award this year. Daifuku tells us exactly what it wants, and the challenge of meeting these requirements makes working with Daifuku really rewarding for us.

Looking ahead, Tokai Riken will work consistently to deepen its understanding of Daifuku products and what Daifuku aims to achieve through these products. Moreover, we will strive to get the big picture, to see beyond the immediate application of our products to comprehend end-user needs and proactively get involved with product design processes. By providing our manufacturing expertise in the sheet-metal processing field, we aim to grow into one of Daifuku most trusted business partners, one capable of making proposals regarding functions and costs.

2010–2011 Highlights

Shareholders and Investors

Hini Arata Kan tour for shareholders

The Company conducts tours of its Hini Arata Kan full-scale exhibition center with a view to familiarizing visitors with its business. Backed by management's strong passion for this event, the Company adheres to a policy of inviting everybody who wishes to visit these efficiently managed facilities. Every year since fiscal 2008, Daifuku has invited shareholders to enjoy a special tour, and the latest, in October 2010, welcomed a total of 150 visitors. With each year's tour focusing on a different subject, the fiscal 2010 tour introduced Daifuku's safety and environmental activities.



Visitors experienced systems used in our Anzen-Taikan Dojo facilities (dedicated to providing hands-on safety training).

Communities

Shiga Works tours for community residents

From July to September 2010, the Shiga Works invited residents in neighboring areas to join works tours. The events began with a tour of the Hini Arata Kan to show visitors Daifuku products, followed by the observation of wastewater treatment facilities, in which local residents have shown the greatest interest. At the treatment facilities, we explained in detail the thorough daily treatment operations

we perform to ensure compliance with regulatory controls defined under Japan's Water Quality Pollution Control Act, a Shiga Prefectural ordinance and a pollution prevention agreement with the Hino Town government. Looking ahead, we will continue to invite community residents to the Shiga Works. Through these initiatives we aim to cultivate sound communication with the communities.

Cleanup activities at a tourist destination

Near the Shiga Works is Shakunage-kei (Rhododendron Gorge), a nationally recognized natural monument. Every April, just prior to the tourist season, Daifuku participates in cleanup activities, which the Hino Town tourist association has organized since 2005. In addition, the Company is a participant in the "Ohmi Eco-Foster" program promoted by Shiga Prefecture since 2001. Through this program, we

conduct monthly cleanup activities along national routes around the Shiga Works premises.



Maintenance and cleanup activities along the nature trail at Shakunage-kei

Enhancing measures against earthquakes

Daifuku started introducing measures against earthquakes in fiscal 2007 after conducting risk identification and assessment and reaching the conclusion that an earthquake could significantly impact its operations. To date, the Company has developed emergency response frameworks, formulated business continuity plans, conducted earthquake-resistance inspections, undertaken anti-seismic reinforcement work at its facilities and instituted measures to prevent the collapse of its equipment and systems.

In response to the Great East Japan Earthquake, we are currently working to improve the effectiveness of our

measures against earthquake damage. Related plans are as follows:

- Introduce an Internet-based safety confirmation system
- Review, revise and disseminate action guidelines for disasters
- Distribute safety helmets
- Prepare rescue and other devices

In addition to earthquake countermeasures, Daifuku is stepping up efforts to strengthen its measures against other risks and thereby establish frameworks to ensure stable operations even in an emergency.

Formulation of information infrastructure operation standards for global affiliates

As Daifuku expands its overseas sales ratio, it is becoming increasingly important for each of its global affiliates to develop an information infrastructure. Based on this understanding, Daifuku has established information infrastructure operation standards to enable its affiliates to achieve information infrastructure and security levels equivalent to those that it has realized in Japan. Specifically, by promoting the standards, we encourage these affiliates

to stabilize their communication infrastructures, standardize the software applications used and share information. At the same time, with the aim of preventing information leaks, Daifuku works to reinforce its information system governance on a global scale through such measures using standardized personal IDs and encrypting information stored in disks.

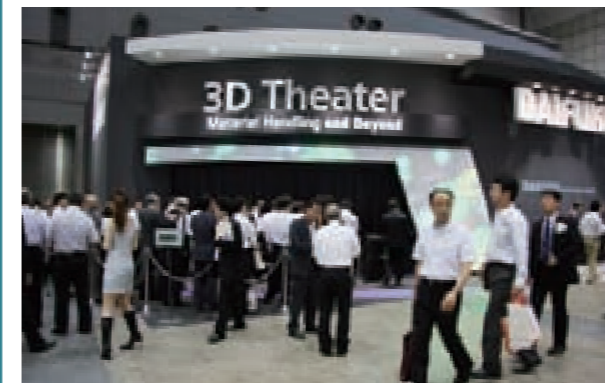
Exhibition at LOGIS-TECH TOKYO 2010

LOGIS-TECH TOKYO 2010, Asia's largest material handling and logistics exhibition, was held at the Tokyo Big Sight exhibition center from September 14 to 17, 2010. Daifuku operated a 21 meter by 15 meter booth at the exhibition under the theme of its corporate slogan, "Material Handling and Beyond."

This year, we did not exhibit actual systems. Instead, we designed the entire booth as a theater, installing a 300-inch screen on which we aired a 3D video enhanced by leading-edge visual and sound technologies, including

advanced computer graphics and a 5.1-ch surround system. This video showed examples of products that have been installed at our customers' premises. Dynamic visuals of our products and systems in operation—so realistic it is like being there—and a CG-based short animated movie explaining the importance and possibilities of material handling in society, attracted considerable attention from event-goers.

During the course of the event, approximately 16,000 people visited Daifuku's booth.



A long line was made for every showing at the theater.



The easy-to-understand movie introduced material handling.

APEC representatives visit FANCL Kanto Distribution Center

Japan hosted the APEC Japan 2010 round of the Asia-Pacific Economic Cooperation (APEC) forum. One particular event involved the members of the APEC's Transportation Working Group paying a visit to the FANCL Kanto Distribution Center operated by FANCL Corporation, a valued customer of Daifuku.

Twenty-three people, including representatives of Japan's Ministry of Land, Infrastructure, Transport and Tourism and representatives from China, Taiwan, Thailand, Vietnam, Papua New Guinea and other nations as well as a number of organizations visited the distribution center. After a presentation by FANCL, the representatives enjoyed a tour of the distribution center, in which they showed significant interest. During the Q&A session that followed the tour, many guests asked questions about

the radio-frequency identification (RFID) technology used at the facilities, a major feature of the facilities.



APEC representatives showed interest in the RFID technology used at FANCL facilities.

2010–2011 Highlights

Customers and Suppliers

Daifuku receives an Intel PQS award

Daifuku was named a recipient of Intel Corporation's 2010 Preferred Quality Supplier (PQS) award. Daifuku was recognized for its significant contributions to Intel's success through the provision of fab automated material handling systems.

Mr. David Bloss, Director of Technology Manufacturing Engineering Automation at Intel, commented, "Daifuku's sixth PQS award is a direct result of their continued commitment to safety, quality, operational excellence, and continuous improvement." He added, "Daifuku's products, support, and new technologies help enable our product roadmap and reduce cost. They are clearly deserving of this prestigious award."

The PQS award is part of Intel's Supplier Continuous Quality Improvement (SCQI) program, which encourages

suppliers to strive for excellence and continuous improvement. To qualify for PQS status, suppliers must score 80 percent on a report card that assesses performance and ability to meet cost, quality, availability, technology and environmental, social and governance goals. Suppliers must also score 80 percent or higher on a challenging improvement plan and demonstrate solid quality and business systems.



Sixth PQS award presented in recognition of the safety and quality of our products

Visitors to Hini Arata Kan reach 300,000

On July 16, 2010, the cumulative number of visitors to the Hini Arata Kan demo center reached 300,000. Since the center's opening in June 1994, the number of visitors has steadily increased to about 20,000 each year.

As a comprehensive exhibition center providing information on material handling, the Hini Arata Kan exhibits approximately 400 material handling and logistics systems in 150 categories. Our experienced staff guide visitors through an array of systems and equipment. While

many potential customers visit the center for business negotiations, the center is used also for corporate seminars on logistics as well as for study purposes by university students.



A bouquet of flowers was presented to the 300,000th visitor.

Management and Production Trends Briefing held

In May 2011, Daifuku invited the representatives of 170 business partners—ranging from manufacturers and trading companies to those involved in processing, installation, servicing, design and software—to the 2011 Management and Production Trends Briefing.

President Masaki Hojo presented an analysis of Daifuku's performance in fiscal 2010 and its outlook for fiscal 2011 along with an explanation of the Company's

management policy. In the course of the presentation, the business partners were thanked for their efforts and asked for their continued support. This was followed by chief operating officers discussing the operating policies of and production trends in their individual divisions. The briefing closed with the S.Q.D. Award ceremony.

▶ See page 17 for details of the S.Q.D. Award.

Ensuring information security in cooperation with business partners

Daifuku has exchanged a Memorandum Regarding Information Security with its business partners that handle such information assets in the course of business activities. According to the memorandum, our business partners are required to take appropriate measures, including the

provision of necessary education and training, the quarantining of computers handling such data and the encryption of data stored in disks. Through these and other initiatives, we will enhance information security and, ultimately, customers' confidence in us.

Employees

Promoting diversity

At the Shiga Works, Daifuku established the Environmental Service Group under the General Affairs Department in 2007, aiming to promote the employment of disabled persons. The group currently consists of three instructors and eleven employees. Their duties cover a wide range of fields, such as assembly on the shop floor and packing for shipment, library management, mail delivery, waste paper collection, dormitory cleanup, gardening and outdoor pest

control. Assigning tasks according to individual aptitude, we strive to improve these employees' operational capabilities.

Daifuku plans to expand disabled person employment. Helped by these employees as part of our enhanced workforce, we aim to conserve biodiversity at the Shiga Works, which boasts a site area of approximately 1.2 million square meters.

Encouraging proposals and employee teamwork initiatives

Daifuku encourages proposals and employee teamwork initiatives to help improve its workplaces and come up with creative ideas. In fiscal 2010, a total of 2,569 improvement projects were implemented.

Nationwide, teams established within individual divisions total 102. The annual employee teamwork initiative presentation event gathers selected teams, and these teams make presentations on their outstanding activities and related results. Major improvements announced at the event are then spread to other divisions, creating a positive cycle of improvement within Daifuku.



Employee teamwork initiative presentations

Risk assessments: preemptive safety measures

Previously, in implementing measures against industrial accidents Daifuku focused on preventing recurrence. From 2008, however, Daifuku has focused on "preemptive safety measures" when conducting risk assessments, aiming to identify risk factors in its operations and prevent accidents and disasters that could arise from such factors.

In addition, Daifuku has introduced an occupational health and safety management system. In line with this system, the Company prepares plans to minimize its exposure to significant risk factors, which are identified through risk assessments, and these plans govern the Company's risk management activities.

Employee-led ISO seminars

Daifuku has launched in-house ISO seminars, mainly for younger employees. Through these seminars, participating employees learn how the Company operates its ISO 9001 quality management system and ISO 14001 environmental management system. More specifically, participants work

together in groups to determine how to implement ISO systems in such hypothetical situations as hotel or hospital operations. One of the participants has commented "These seminars are really effective, now I understand ISO systems much better than before."

Employee benefit programs

As part of its employee benefit programs, Daifuku holds various events at individual business sites. In fiscal 2010, a Hini Arata Kan tour for employee families—the 15th such event—was conducted. Other activities during fiscal 2010 included the staging of an outdoor theme park to provide hands-on experience and a seasonal gourmet bus trip as well as the holding of a Tokyo Bay houseboat cruise party.

Meanwhile, Daifuku helps employees maintain their health and create employee-friendly workplace environments. Particularly noteworthy are the Company's efforts in the area of mental healthcare. The Company provides all employees with self-care seminars promoting

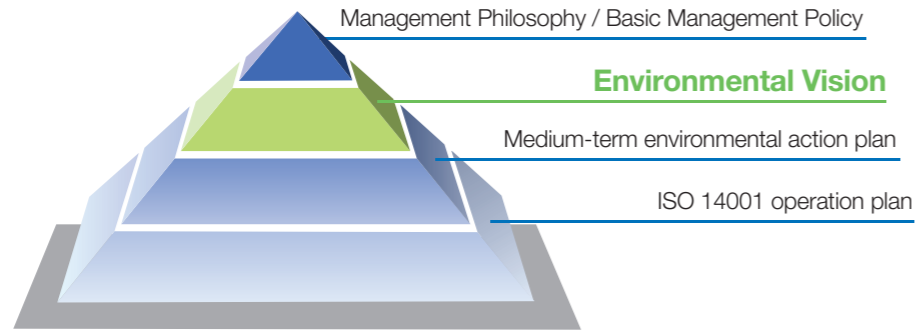
mental health while offering managerial staff with line-of-command care seminars. In addition Daifuku held exercise seminars as well as physical fitness tests, giving employees opportunities to think about their own health.



Staff exercise seminar

Contributing to Our Customers, Society and the Conservation of the Global Environment

Daifuku's material handling systems continue to improve every day. These improvements are in terms not only of performance, quality and safety, but also of the degree of consideration given to people and the environment. In April 2011, we formulated the *Daifuku Environmental Vision 2020*, which sets out a future vision for the entire Daifuku Group. In line with this new vision, Daifuku continually strengthens activities that help conserve the global environment by improving the functionality and reliability of its products and services while accelerating the development of environmentally friendly products and services. Our stance here is congruent with our Management Philosophy and Basic Management Policy, and these activities will enable Daifuku to integrate its corporate management with environmental considerations, maximize its corporate value and, ultimately, achieve sustainable growth.



Target for Fiscal 2020

1. Promote environmentally friendly activities in business operations

- Reducing CO₂ emissions from our business activities to 25% below the fiscal 2005 level
- Taking steps to save energy and resources, introducing renewable energy and preserving biodiversity, reducing environmental impact, and achieving harmony with communities

2. Increase the number of environmentally friendly products and services

- Developing and supplying environmentally friendly products and services that comply with our environmental standards
- Helping reduce CO₂ emissions to an extent equivalent to six times CO₂ emissions from our business activities through environmentally friendly products and services

3. Enhance the foundations for environmental management

- Expanding environmental education and training to increase awareness across the Daifuku Group
- Building a global management framework for the Group's environmental contribution worldwide

Fiscal 2010 environmental action plans and results

Theme	Item	Details		FY2010	
				Target	Result
Factory/Office	Global warming countermeasures	Reduce CO ₂ emissions attributable to energy use	Total CO ₂ emissions relative to the FY05 level	Reduce 15% (approx. 3,800 t)	Reduced 45.1% (see page 28)
			CO ₂ emissions per unit of net sales relative to the FY05 level	Reduce 5%	Reduced 17.3% (see page 28)
	Reduce CO ₂ emissions from product logistics	CO ₂ emissions per unit of net sales relative to the FY05 level	Reduce 10%	Reduced 21.2% (see page 28)	
	Reduce general/industrial waste, including valuable materials	Waste generated per unit of net sales relative to the FY05 level	Reduce 5%	Reduced 3.2% (see page 29)	
Products	Recycle resources and reduce waste	Recycle waste		<ul style="list-style-type: none"> • Establish waste recycling governance system • Achieve 97% recycling rate • Achieve 92% recycling rate, excluding scrap 	<ul style="list-style-type: none"> • Recycling rate: 98.3% • Recycling rate, excluding scrap: 94.5%
	Reduce environmentally harmful substances	Promote green procurement		Establish in-house green procurement standards	Conducted study on green procurement guidelines
Management	Strengthen environmental management framework	Reduce emissions of PRTR substances	Emissions per unit of production value relative to FY05 level	Accurately assess Companywide emissions and set reduction targets	Assessed current emissions status
		Provide environmentally friendly products	Expand sales of environmentally friendly products	<ul style="list-style-type: none"> • Set life cycle assessment (LCA) criteria and establish implementation framework • Establish in-house standards covering environmentally friendly products 	Environment-Conscious Product Committee promoted considerations for these activities
Management	Strengthen environmental management framework	Promote environmental management at production sites worldwide		Establish global environmental management system	Established a framework for monitoring Groupwide environmental data
		Enhance environmental education and awareness-raising activities		<ul style="list-style-type: none"> • Introduce Companywide environmental education • Implement environmental awareness-raising education, including regional contribution activities 	Delegated authority for environmental education to each business unit
		Contribute to biodiversity protection		Draw up action guidelines based on those covering biodiversity (issued by the Ministry of the Environment)	Started gathering information and examining possible guidelines

Defense and offence: the two sides of our environmental approach

Daifuku has consistently promoted environmental considerations in its business activities, including the acquisition of ISO 14001 certification, which it obtained in 1999. Aggressive environmental efforts, which will produce tangible outcomes outside the Company's operations, are what Daifuku must start implementing immediately. Naturally, these efforts will take tangible forms through our products and services, enabling us to help customers reduce energy consumption and CO₂ emissions. At the same time, through these efforts, we must seriously address pressing issues. These issues include determining how the entire Daifuku Group, which is expanding business on a global scale, can make better contributions to environmental protection as well as how the Group can promote environmental protection activities from a long-term perspective to preserve biodiversity at our Shiga Works, which boast abundant green spaces.

We must not think about environmental activities as something separate from daily business operations. Like our activities related to ISO 9001-based quality management and OHSAS 18001-based safety management, environmental activities should be incorporated into business processes so that employees can proactively participate in them. In line with this view, the Daifuku Environmental Vision 2020



Takahiro Taniguchi Senior Managing Director
Chair, Environmental Enhancement Management Committee

clearly defines our commitment of positioning environmental considerations and activities as a foundation of our corporate management.

In fiscal 2011, ending March 31, 2012, we are working to steadily release environmentally friendly products and improve customer satisfaction with both the cost and environmental performance of our products and services. In this way, we aim to enhance the Daifuku brand's power and maximize our corporate value.

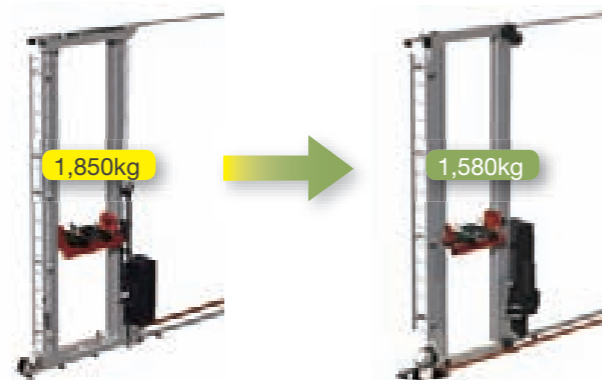
Environmentally Friendly Products and Services

Energy conservation in the mini load AS/RS

15% lighter and 10% lower power consumption

Daifuku's mini load automated storage and retrieval system (AS/RS) is appropriate for the storage and retrieval of items in containers and cardboard boxes. As a system designed to promptly and accurately supply "necessary items in the right quantities where and when required," the mini load AS/RS is widely used in the distribution centers and factories of a number of industries.

Recently, there has been increasing customer demand for more energy efficient, higher performance facilities. Meeting this demand, Daifuku upgraded its mini load AS/RS in 2010, with a particular focus on the structure of its stacker cranes. The new model AS/RS realizes a 10% smaller body and is 15% lighter (reduced from 1,850 kg to 1,580 kg). Moreover, with a decrease in motor size and the efficient use of regenerated power, the AS/RS enables a reduction in customers' running costs (cutting power consumption 10%).



HID-4, with the improved efficiency of a non-contact power supply system

A 2.2 times improvement of power supply efficiency along with reduced investment costs

The HID (high-efficiency inductive power distribution technology) non-contact power supply system distributes electricity to moving carriers without contact and is used in clean rooms for dust-sensitive semiconductor and flat-panel display (FPD) production.

The HID-4 controls both voltage amplitude and power distribution time by leveraging two control technologies called PAM* and PWM.** With these technologies, Daifuku has succeeded in raising power supply efficiency to 2.2 times higher than existing systems. In addition, the HID-4 cuts power loss during distribution by 20% for the entire system. This could meet customer requests for minimizing cleanroom and other investment costs by realizing smaller installation spaces and lower energy consumption.



Clearway and Clean Stocker for semiconductor and FPD production lines using HID

* PAM: Pulse Amplitude Modulation
** PWM: Pulse Width Modulation

E-DIP increases painting quality and lowers costs

30% reduction in liquid loss

To maintain the quality of new vehicles, the base coat is particularly crucial as it helps prevent rust and influences finish.

Unlike existing chain conveyor systems, the E-DIP dipping carrier flexibly adjusts the vehicle body angle when immersing and removing it from the dipping tank. The carrier also appropriately controls the vehicle body, keeping it from swaying in the tank. In doing so, the E-DIP increases the coating quality, reduces the liquid lost from the tank by 30%, and helps prevent liquid waste due to inadvertent mixing with other liquids. At the same time, the E-DIP reduces the environmental impact and running costs while shortening conveyor lines by enabling smaller tanks.



Making effective use of electricity with the function to assist power consumption at peak time

Waxmor Camion environmentally friendly car-wash machine for heavy vehicles

Using the industry's smallest volume of water—170 liters

Existing heavy vehicle wash machines on the market use approximately 400 liters of water for washing 10-ton trucks. However, the Waxmor Camion cuts the volume of water to 170 liters even in high-speed mode.

During development, Daifuku repeatedly tested water-saving functions by arranging plumbing to effectively spray water over vehicles as well as adjusting the movement of brushes and the timing of spraying water. This water control system sprays an appropriate volume of water in each washing area, thus realizing the industry's smallest volume of water use in washing a 10-ton vehicle.



The Waxmor Camion has safety devices for overturn prevention and emergency shutdown.

Development of mini load AS/RS

A new product developed through the excellent combination of unique "control technology" and "mechanical design"

Daifuku developed and commercialized its first mini load AS/RS in 1973, calling it the Bucketbui System. Today, we offer not only storage functions for warehousing but systems with sorting and picking functions for a wide range of industrial fields.

The late 1990s saw a particular rise in demand for increasingly advanced AS/RS, and among the requirements was faster operation, which the industry was keen to pursue. Through tireless efforts, Daifuku came up with the idea that higher performance would be realized not by simply accelerating the speed of its stacker cranes, but by streamlining their every single action, such as traveling and the lifting and transferring of items. Accordingly, Daifuku pursued technologies to reduce the weight of the stacker crane itself, while developing an advanced acceleration and deceleration technology to shorten the time required for such actions; a sway control technology to eliminate waiting time between each movement; and a preceding transfer technology to shorten the time for item transfer. Owing to these initiatives, Daifuku's AS/RS has significantly evolved.

In developing the latest model, in terms of marketing and installation, Daifuku identified a number of customer needs, including for low power consumption across-the-board and small installation space. A particular driver of such needs included customers' desire to lower investment costs. Specifically, a smaller installation space means less outlay when introducing a new system. Moreover, when retrofitting an aging AS/RS, a new stacker crane may not fit into an existing setup if it is larger than the preexisting model.

The evolution of the new mini load AS/RS reflects the excellent combination of Daifuku's long-established unique control technology and mechanical design.

History of Daifuku's mini load AS/RS



Bucketbui System



Super-fast mini load AS/RS boasting the world-leading speed at 500 m/min



A world first, DUOSYS super-fast mini load AS/RS enables two stacker cranes to move past each other in the same aisle

Environmental Conservation Efforts in Business Operations

Reducing VOC emissions

At the Shiga Works, Daifuku engages in the reduction of volatile organic compound (VOC) emissions from the painting process in factories.

When emitted into the air, VOCs give rise to substances that cause such air pollution as photochemical smog and in some cases pose a serious danger to human health. Although the painting facilities at the Shiga Works do not fall under the jurisdiction of VOC emissions control regulations specified in the Air Pollution Control Act, amended April 2010, Daifuku voluntarily installed a VOC remover as part of its initiatives to reduce harmful substance emissions.

This device boasts a high processing capacity and can eliminate between 90% and 95% of VOCs through the use of VOC absorbents and ozone treatment to oxidize and decompose the substances.

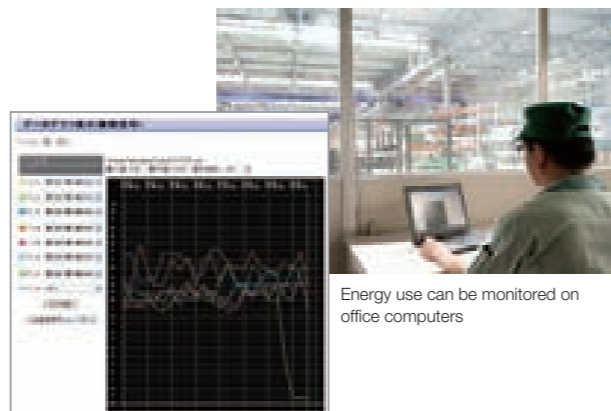


VOC remover installed at the Shiga Works

Introducing a system to “visualize energy” at factories

Daifuku introduced a system to monitor electricity and gas use at its machining and other factories at the Shiga Works. Energy use data is displayed as a graph on a computer, and total energy use in production lines can be quickly monitored. Checking data regularly, Daifuku can decide whether improvements in business operations or facilities will be necessary to save energy.

Currently, Daifuku is developing rules to improve operations by calculating the approximate cost of facility improvement based on the analysis of monitoring results. To thoroughly eliminate energy waste, Daifuku will make effective use of this system, which will be installed on all production lines of the Shiga Works.



Energy use can be monitored on office computers

On-site monitoring of industrial waste processing

Waste generated by business activities shall be appropriately processed in accordance with laws and regulations. Even when waste processing is outsourced to a subcontractor, the company outsourcing the work is held responsible for the processing. Therefore, Daifuku strictly screens subcontractors to choose the best outsourcers and annually dispatches employees to the subcontractors' sites to verify the waste processing situation.

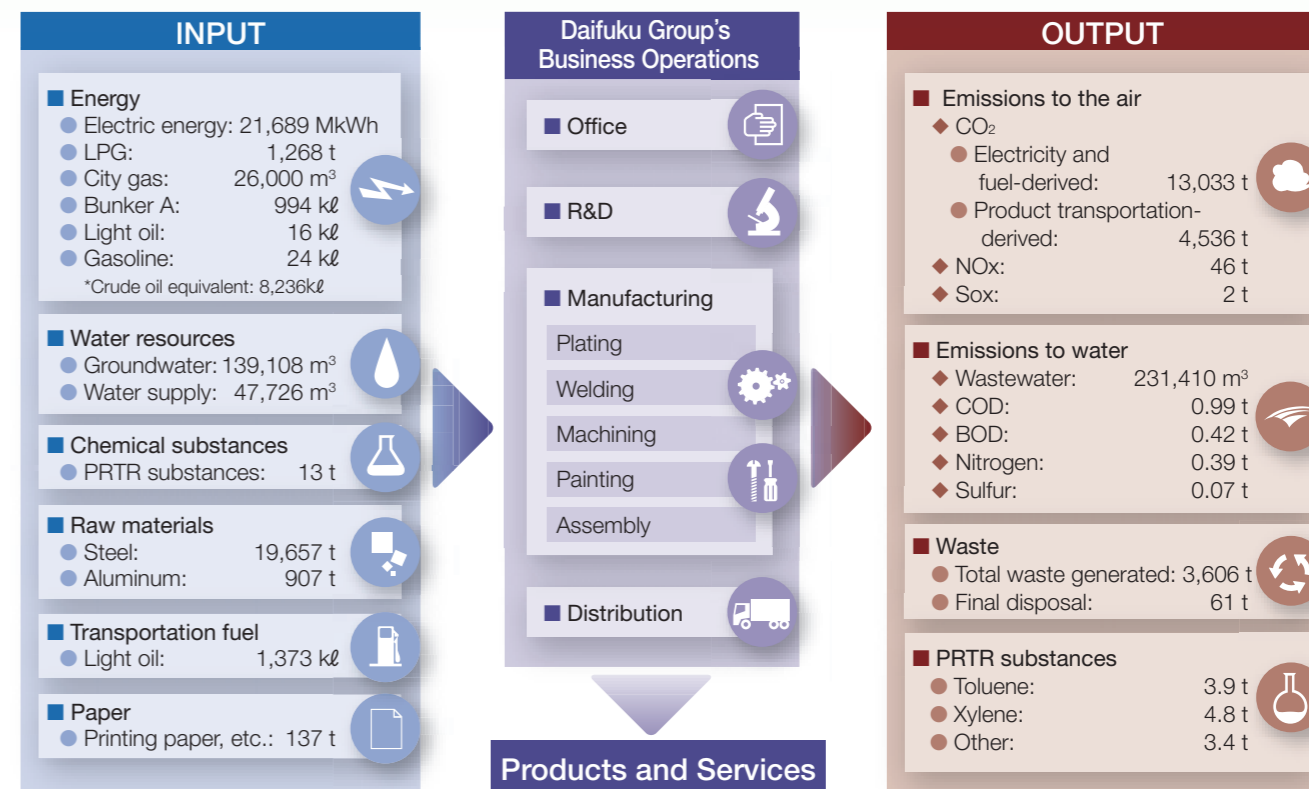
In fiscal 2010, Daifuku confirmed that its waste was being appropriately processed. Exchanging information with faithful subcontractors, Daifuku will continue to process waste in an appropriate manner.



Daifuku employees visit the site to verify the process

Business Operation Material Balance

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



* Details are publicized via our global website: www.daifuku.com

Environmental Accounting

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

Costs of environmental conservation activities (classified by business activity) (Thousand yen)

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

Economic effects of the environmental conservation measures (actual effects) (Thousand yen)

Effects	Amount
Sales of valuable resources	73,212
Energy cost saving (Fiscal 2009–2010)	-83,990
Waste processing cost saving (Fiscal 2009–2010)	-2,628
Total	-13,405

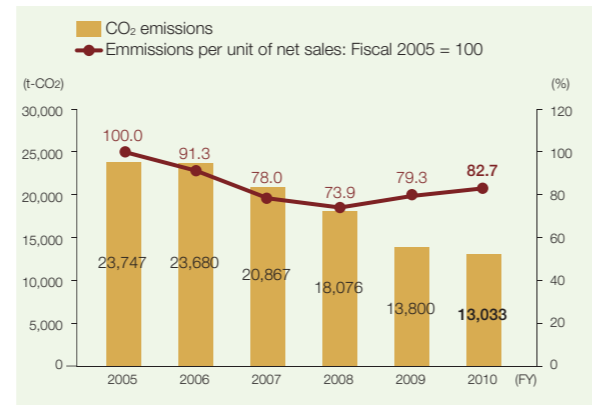
Energy and Resource Conservation, Waste Reduction

Carbon dioxide (CO₂) emissions reduction measures

The Daifuku Group is striving to reduce CO₂ emissions from business activities to help prevent global warming. The Group marked a 45.1% cut in its total CO₂ emissions in fiscal 2010 compared with fiscal 2005, far exceeding the 15% targeted in the medium-term environmental action plan.

With the aim of "Reducing CO₂ emissions from our business activities to 25% below fiscal 2005 levels by 2020" as set out in the Environmental Vision 2020, Daifuku is taking various measures, including shifting to a more efficient production framework by "visualizing energy" at production facilities, installing energy-efficient machinery and equipment when retrofitting facilities, and switching to alternative energy resources. Through these efforts, Daifuku aims to reduce CO₂ emissions from its production activities.

CO₂ emissions



Walking to save energy

The Shiga Works has 11 factory buildings on its vast premises of approximately 1.2 million square meters. Employees usually drive within the Works, however, Daifuku encourages them to cycle or walk instead to reduce CO₂ emissions and promote their health.

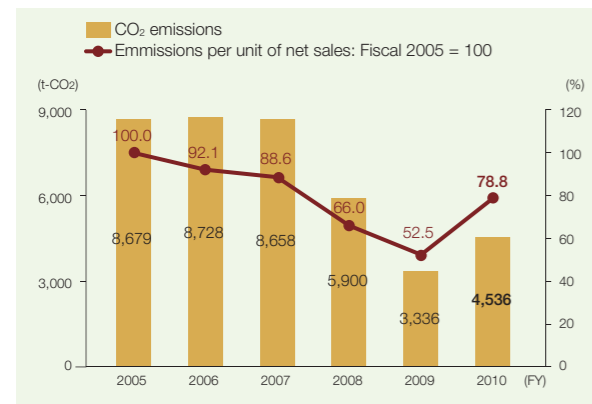
Participating in the lights-out campaign

To help prevent global warming, Daifuku has been participating in the Lights-Out Campaign promoted by the Ministry of the Environment of Japan, turning unnecessary light fixtures off. In 2010, Daifuku turned off outdoor lighting and lights on advertising displays and signs from June 20 to July 7 in its four major sites.

Environmental impact of transportation

Daifuku has taken measures to reduce CO₂ emitted from transportation with the intention of reducing the environmental impact of its product distribution activities. Specifically, the Company has integrated its logistics operations in the Shiga Works, centralizing the management of shipment information and improving transportation methods. In fiscal 2010, transportation-related CO₂ emissions per unit of net sales were down 21.2% compared with fiscal 2005, outstripping the target of 10%.

CO₂ emissions from transportation



Enhanced load efficiency in product shipping

Reviewing how products are packed for shipping, Daifuku is striving for compactness to improve load efficiency and reduce the environmental impact of transportation. Specifically, Daifuku arranges the most appropriate packing style and develops loading platforms for products with irregular shapes to protect quality and improve load efficiency.



Multiple stacking improves load efficiency

Modal shift

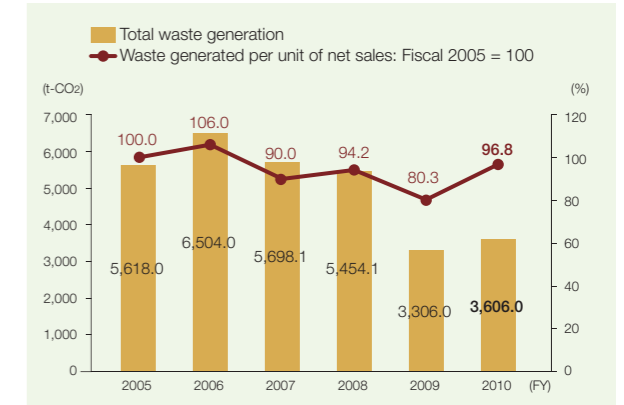
Product transportation involves mainly trucks. Given the environmental impact of such vehicles, however, Daifuku is making effective use of a modal shift to more environmentally friendly railway and marine transportation. In fiscal 2010, Daifuku cut CO₂ emissions by 226 tons by carefully selecting modes of transportation.

Waste reduction targeting zero emissions

Working to create a resource-recycling society, Daifuku is striving to minimize waste generated by its business activities and recycle as much waste as possible. In addition, the Company aims to achieve zero emissions by reducing waste for final disposal as landfill (self declaration: recycling 98% of waste generated).

In fiscal 2010, Daifuku marked a 3.2% cut in the total amount of waste generated per unit of net sales, a result that fell short of the medium-term environmental action plan target of a 5% reduction compared with fiscal 2005. Given this, Daifuku needs to further curb waste generation. At the same time, the recycling ratio reached 98.3%, exceeding the 97% target set and thus attaining the fiscal 2012 goal and effectively achieving zero emissions ahead of schedule.

Total waste generation



Separating waste to increase the recycling ratio

Based on the concept "properly sorted waste constitutes resources, but roughly mixed waste remains garbage," Daifuku has promoted recycling activities in accordance with its waste separation rules. However, as the previous fiscal year's target was not achieved, the Shiga Works reviewed the separation rules and once again announced its intention to strictly comply with the rules. In addition, Daifuku gained the cooperation of waste processing specialists and screened each kind of waste generated at the Shiga Works, so as to develop the optimal method for maximum recycling. At the same time, we revised and reposted our waste separation lists, providing with illustrations at each waste collection point to ensure that employees can clearly understand the rules. Furthermore, Daifuku created a Waste Separation Navi database on its intranet, introducing a search engine for waste separation information and an inquiry function in case any all-new type of

waste is generated. These efforts drastically improved the fiscal 2010 recycling ratio at the Shiga Works, bringing it to 99.7%, and contributed to the Works attaining zero emissions.



Waste separation area at the Shiga Works

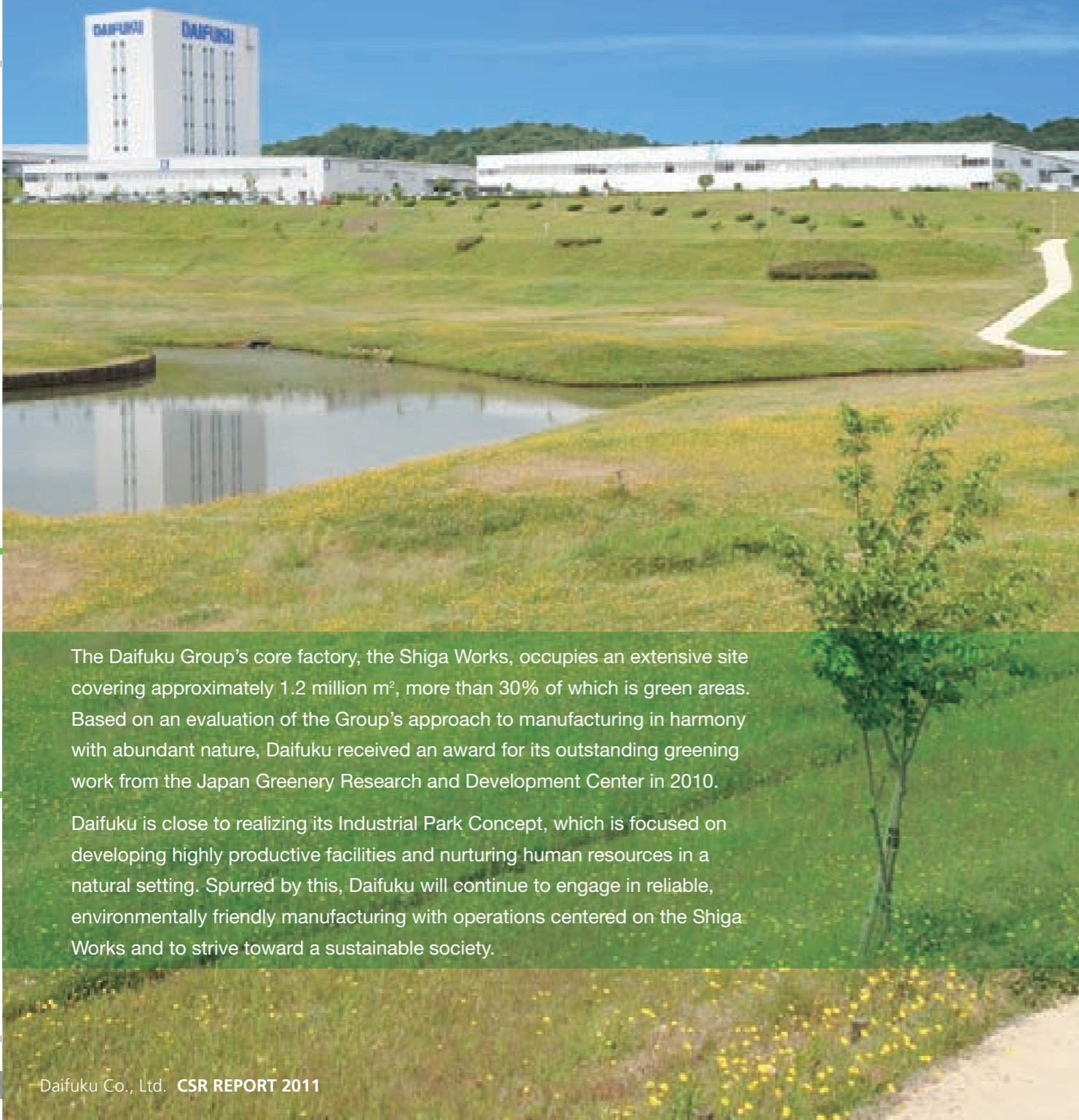
Waste separation event

Daifuku's e-Factory Automation Operations hosts a waste separation event to help deepen employees' understanding of waste generated from production as well as to disseminate separation rules. As part of their skills development training program, all Operations staff compete in tests of whether or not they can properly separate waste according to the practical rules. Daifuku encourages employees to gain a proper understanding of the rules and works to raise awareness of how to apply separation rules in their everyday work.



A competition to raise awareness of waste separation

Aiming for Reliable Manufacturing in Harmony with Abundant Nature



The Daifuku Group's core factory, the Shiga Works, occupies an extensive site covering approximately 1.2 million m², more than 30% of which is green areas. Based on an evaluation of the Group's approach to manufacturing in harmony with abundant nature, Daifuku received an award for its outstanding greening work from the Japan Greenery Research and Development Center in 2010.

Daifuku is close to realizing its Industrial Park Concept, which is focused on developing highly productive facilities and nurturing human resources in a natural setting. Spurred by this, Daifuku will continue to engage in reliable, environmentally friendly manufacturing with operations centered on the Shiga Works and to strive toward a sustainable society.

Third-Party Opinion



One Akiyama
President
Integrex Inc.

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

A CSR report is a tool for disseminating a company's commitment to realizing its corporate philosophy. From this viewpoint, I would like to share my observations as follows.

1. Points to be appraised

In the Message from the CEOs, Daifuku clearly defines its corporate responsibility and sets up objectives based on the four keywords of "the environment," "globalization," "service" and "human resources" to achieve better management structure. Top management is working to realize these objectives in tandem with employees, which is commendable.

Aiming to become a "strong and friendly company," Daifuku engages in a variety of activities, in all of which the Company is striving to further improve S.Q.C.D.E. (safety, quality, cost, delivery and ecology). In particular, as a global company that conducts businesses in 20 countries and regions, Daifuku is focusing on the human resources development to improve S.Q.C.D.E. worldwide. Such efforts are unique to Daifuku.

In terms of the environment, Daifuku established its Environmental Vision 2020 to carry out business operations based on the medium-term environmental action plan. On top of environmental concerns regarding its business operations, Daifuku is carefully expanding its lineup of environmentally friendly products and services. The Company made considerable achievements in pursuing such interesting initiatives. I expect to see further developments in the area of Daifuku's environmental activities.

On this occasion, Daifuku drastically revised the layout of its CSR report. This was for the purpose of encouraging more employees to read the report. The words of Mr. Yoshiyuki Nakashima, "I believe that you can enhance your pride and confidence in your company by reading this report. This, in turn, creates a positive cycle, wherein by acting in line with your own values and ethical standards on behalf of the company, you are

acting in compliance with general rules and systems of society, and thus reinforcing the quality of the company's CSR and your pride in it. This cycle will create the truly sound corporate culture that we aim for," are impressive and describe Daifuku's intentions well.

2. Points where we aim for further improvement

Daifuku conducts various activities based on the four keywords. However, the Company needs to set up specific targets in areas other than the environment and introduce actual activities and targets for the following year in the CSR report, so that readers will see the entire PDCA cycle, and the Company will be motivated in continuing to make efforts.

Also, Daifuku needs to conduct business activities tailored to local situations in the light of risk management outside Japan. I would expect the Company to enhance the report content regarding issues and efforts in each country and region along with global business development.

3. For the future

Triggered by the Great East Japan Earthquake, growing importance is being placed on the social significance of companies, and the importance of pursuing mutual cooperation among people, companies and society. To that end, awareness of *ichien yugo*—a phrase coined by Sontoku Ninomiya, a prominent 19th century Japanese agricultural leader, meaning that "everything works interconnectedly, so results are obtained by working as one"—is becoming increasingly important. *Ichien yugo* should be embraced by corporate employees. Through "moving things," I would like Daifuku to connect people and materials, impress people and bring them joy. In doing so, I expect Daifuku to continue to take on new challenges to "move" people's hearts.

Response to the third-party opinion

First of all, we would like to express our appreciation to Ms. Akiyama for tendering her opinions on Daifuku's CSR report. This is the first time we have solicited a third-party viewpoint.

This year was the 10th since Daifuku published its first Environmental Report, and the Company marked the event with the launch of the CSR promotion project, striving to issue a report with better readability and that attracts stakeholders and employees' greater attention. We greatly appreciate Ms. Akiyama's favorable evaluation for our introduction of the top management's commitment

to activities based on the four key words "the environment," "globalization," "service" and "human resources" as the main article of this report.

As she pointed out, we need to set out our CSR-related targets and report on our PDCA management as well as the issues we face and efforts made in business operations outside Japan, and we will work to reflect her valuable opinions in the Daifuku Group's sustainable CSR activities.

CSR Promotion Project Team

Daifuku Profile

Corporate data

Corporate name: Daifuku Co., Ltd.

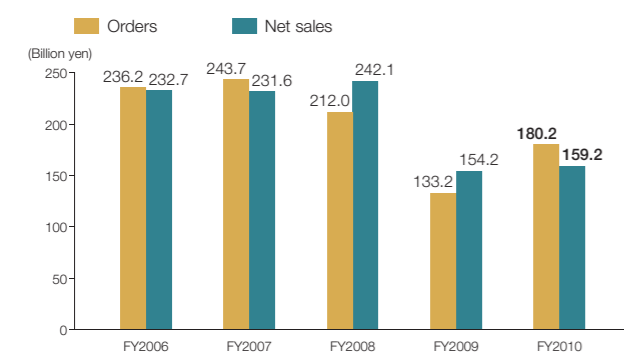
Established: May 20, 1937

Paid-in capital: 8,024 million yen (as of March 31, 2011)

Representative: Masaki Hojo, President and Co-CEO

Employees: 5,209 (total for Daifuku Group, as of April 1, 2011)

Consolidated orders and sales



Financial data (fiscal year ended March 31, 2011)

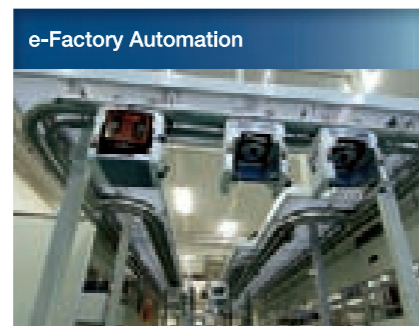
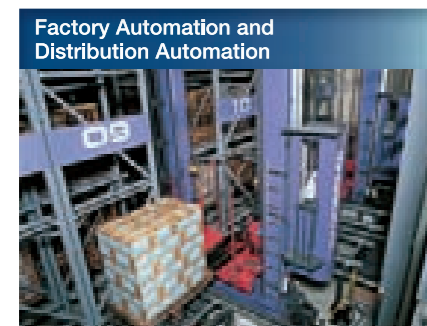
For the year	(millions of yen)
Order received	180,241
Net sales	159,263
Operating income	1,726
Net income	269
Net income per share (yen)	2.43
Cash dividends per share (yen)	15.00
Capital investment	3,221
R&D expenditures	6,370

At year-end	
Total assets	163,388
Working capital	65,908
Net assets	77,714

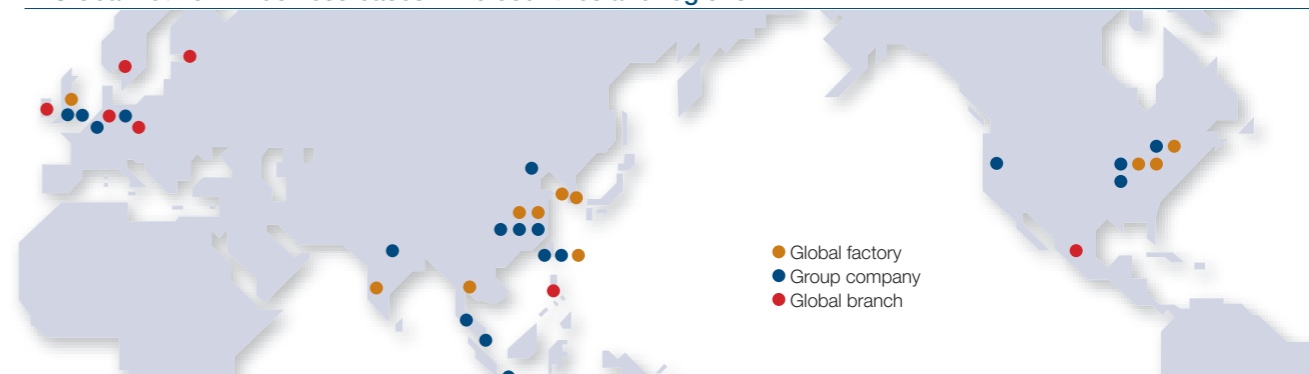
Ratios	(%)
Operating income / Net sales	1.1
Net income / Net sales	0.2
Return on shareholders' equity (ROE)	0.3
Shareholders' equity ratio / Total assets	46.3

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

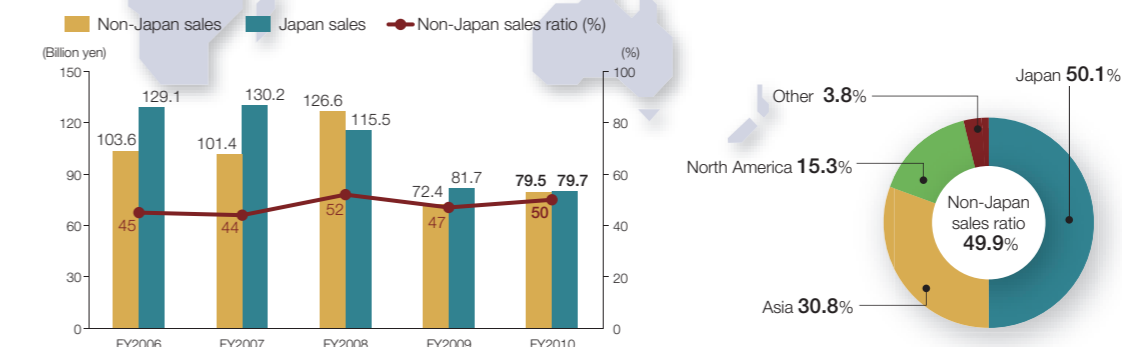
Business: Provides consultation, engineering, design, manufacturing, installation and aftermarket services for material handling and logistics systems



Global network: Business bases in 20 countries and regions



Consolidated non-Japan sales ratio



Main locations in Japan



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

日に新館 (Daily New Building)

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



Hini Arata Kan staff guiding visitors to the center

Editorial policy

On the 10th anniversary of the issuance of *Corporate Social Responsibility Report (CSR Report)*, Daifuku aimed to publish a report that people would really enjoy reading. Based on this concept, the content of this report falls largely into three categories or themes.

The report starts with an opening article about the sustainability of Daifuku's mainstay material handling business and how it supports people's daily lives as a "Special Feature." Then the report introduces Daifuku's partnership with stakeholders in "Daifuku and People," and, lastly, Daifuku's environmental preservation activities are explored in "Daifuku and the Environment." In creating this report, we were striving to make a publication that would allow readers to get to know Daifuku employees and feel closer to them.

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

Scope of this report

Published: October 2011

Environmental data:

Target operations: Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Office), Fujisawa Office, Konosu Office
Period covered: April 2010 – March 2011

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