A Message from the President

Gaining Your Trust in Our Business

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

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

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

Daifuku’s environmental protection activities are designed to promote healthy business development in harmony with the environment and to fulfill the Company’s corporate social responsibility. To this end, Daifuku has formulated its fundamental environmental policy and identified targets such as the development and manufacture of environmentally conscious products, comprehensive environmental communication, energy and resource conservation, waste and environmental pollutant emission reduction, and green procurement.

Statutory Compliance and Safety Concerns
In connection with the Company’s compliance with laws and social norms, Daifuku established the cross-sectional Compliance Committee in 2003, covering all business divisions and subsidiaries, to ensure that its business activities are compliant, fair, and ethical. In order to fulfill its corporate social responsibility, Daifuku is aggressively working toward product safety guarantees, creating a pleasant and productive work environment for employees and other related parties, business activities that give priority to safety, and other such pursuits in this regard. In addition to participating in clean up and beautification activities in the areas surrounding its plants and offices, Daifuku also contributes to society through new endeavors. In April 2005, Daifuku’s Public Relations Department evolved into the Corporate Social Responsibility (CSR) Department through reorganization. At the same time, the Company strengthened its structure for the promotion of Company-wide activities in collaboration with the ISO and Safety Promotion Department.

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

August 2005
Katsumi Takeuchi, President and CEO
The Daifuku Group has established a unified structure for addressing environmental measures.

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

**Corporate Data**

Corporate name: Daifuku Co., Ltd.
Headquarters: Osaka: 3-2-11 Minami, Nishinomiya-ku, Osaka 555-0012 Japan
Tokyo: 2-14-5 Shibuya, Minato-ku, Tokyo 106-0014 Japan
Established: May 20, 1937
Paid-in capital: JPY 8,023 million (As of August 2005)
Representative: Katsumi Takeuchi, President and CEO
Number of employees: Approx. 3,700 (Total of Daifuku Group)

**Net sales:** JPY 166,231 million (Consolidated, Fiscal 2004)
**Business description:** Comprehensive consultation services on logistics systems (material handling systems) and total engineering including design, manufacture, installation, and after-sales service.

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

Daifuku Group

- Contec Co., Ltd.
- Contec EWS Co., Ltd.
- Kyushu Daifuku Corporation
- Kyushu Daifuku Institute
- Daifuku (China) Co., Ltd.
- Daifuku Logistics Technology Co., Ltd.
- Daifuku Business Create Co., Ltd.
- Daifuku Manufacturing Expert Co., Ltd.
- Daifuku Mechatronics Co., Ltd.
- Daifuku Unix Corporation
- Daifuku Business Create Co., Ltd.
- Daifuku Alvec Software Co., Ltd.
- Daifuku Software Development Co., Ltd.
- Daifuku Business Create Co., Ltd.
- Daifuku Manufacturing Expert Co., Ltd.
- Daifuku Field Engineer Co., Ltd.
- Renace Corporation
- United companies having production facilities

- Overseas offices (Mexico, Tianjin, Shanghai)
- Daifuku America Corporation (USA)
- Daifuku America Corporation (Canada)
- Daifuku Canada Inc. (Canada)
- Daifuku Europe Ltd. (UK)
- Daifuku Thailand Ltd. (Thailand)
- Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)
- Daifuku (Malaysia) Sdn. Bhd. (Malaysia)
- P.T. Daifuku Indonesia (Indonesia)
- Daifuku Automation (Taiwan) Co., Ltd. (China)
- Daifuku Automation (Guangzhou) Co., Ltd. (China)
- Daifuku (Shanghai) Ltd. (China)
- Daifuku Pioneer Co., Ltd. (Taiwan)
- Taiwan Daifuku Co., Ltd. (Taiwan)
- Overseas subsidiaries
- Overseas affiliate companies with production facilities

- Clean Facotmation, Inc. (South Korea)
- ATCo., Ltd. (South Korea)
- MIMATS Co., Ltd. (South Korea)
- Daifuku Carwash-Machine Korea Inc. (South Korea)
- Contec Mechatronics Europe B.V. (The Netherlands)
- Beijing Contec Mechatronics Corporation (China)
- Shanghai Contec Mechatronics Corporation (China)
- Shanghai Contec Digital Equipment Co., Ltd. (China)
- Shenyang Contec Mechatronics Co., Ltd. (China)
- Macromate Corp. (Taiwan)
- DAIFUKU America Corporation Ohio Plant
- Daifuku (Thailand) Ltd. Chonburi Plant
- ATCo., Ltd. No. 2 Plant
- Clean Facotmation, Inc. Rishiri Island
Environmental Policy, Goals, and Achievements >> Daifuku’s business operations in relation to environmental imperatives

**Business Operation Material Balance**

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

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

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

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

Environmental management policy

**Principle**

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

**Management Policy**

(1) Daifuku will make further advances in ongoing environmental conservation activities by establishing an environmental management system and organization aimed at ensuring harmonious coexistence between people and the environment, and observing environment-related laws and treaties, with its own standards as a guide.

(2) Daifuku will promote environmental pollution prevention measures and the continual improvement of its management systems and performance, based on environmental impact assessment and the formulation of environmental objectives and targets.

(3) In every aspect of its business activities, from product development and planning through manufacture, usage, and disposal, Daifuku will deliver products that give due consideration to energy and resource conservation and the prevention of environmental pollution.

(4) Daifuku will procure and purchase materials, components, and products with the least environmental impact, and will provide guidance and support to suppliers, with the aim of establishing a cooperative supply chain.

(5) As a member of society, Daifuku will contribute to creating healthy, safe, and comfortable communities, by fulfilling its corporate social responsibility and preventing environmental pollution.

(6) Daifuku will implement environmental education and training programs that enhance employee awareness and promote individual responsibility.

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

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

Comment from Environmental Officer

**Shiga Works**

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

Motomi Katsuragi, Chief Officer of Shiga Works

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

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

Daifuku’s Shiga Works, a type 1 designated energy management factory, passed an on-site inspection conducted by the Ministry of Economy, Trade and Industry, and is promoting efforts to identify and reduce excess energy consumption. In regards to waste, Shiga Works has achieved a waste recyclability rate of 95%, and is diligently working toward zero emissions by fiscal 2006. Taking the industry lead, Daifuku has also established environmental task forces to ensure its products remain free of prohibited toxic substances and comply with relevant environmental regulatory requirements including Europe’s Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directives.

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

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

**Komaki Works**

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

Takahiro Taniguchi, Chief Officer of Komaki Works

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

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

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

Furthermore, cognizant of its corporate social responsibility, Daifuku aims to enhance environmental management capabilities through a variety of measures that benefit both society and the environment, and to nurture the support and understanding of stakeholders.
Environmental Objectives, Goals, and Achievements (Fiscal 2004)

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Daifuku believes that it is important to monitor the Group’s investments in and expenses for environmental conservation, and their returns, in order to be able to implement environmental solutions while ensuring ongoing corporate developments. To that end, Daifuku has been using environmental accounting as a guideline for the corporate activities since fiscal 2001. Environmental accounting has also been used for non-production units since fiscal 2003, and Kyusyu Daifuku and Contec since fiscal 2004, in an attempt to enhance our efforts and further improve the results of it.

Environmental Accounting

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

- **Costs for Environmental Conservation Activities**
  - **Green Procurement**
  - **Implementation of waste reduction measures**
  - **Environmental accounting**
  - **Emergency responses**
  - **Environmental Management**

**Economic Effect**

- **Total**

**Environmental Objectives, Goals, and Achievements (Fiscal 2005)**

In fiscal 2004, the first year of our Three-Year Business Plan in fiscal 2006, our environmental activities included the expansion of ISO 14001 certification to non-production bases. The table on the right of this page identifies those principal fiscal 2004 environmental themes implemented mainly by Daifuku’s Shiga and Komaki Works, and a self-evaluation against fiscal 2005 goals. Daifuku’s core operating network comprises, in addition to Shiga Works, Komaki Works, Main (Osaka) Headquarters, Tokyo Headquarters, Tokai Branch Office, and Kyusyu Daifuku. Of this network, Shiga Works and Komaki Works are recognized as generating the most environmental impact.

- **Environmental Objectives, Goals, and Achievements (Fiscal 2005)**

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Daifuku conducts accounting according to “Environmental Accounting Guidelines in the Machinery Industry”, established by the Ministry of the Environment, in order to quantitatively monitor the cost and results of environmental conservation within overall corporate activities. The total cost for environmental conservation activities amounted to approximately 314 million yen, as shown in the table below. Since fiscal 2004, environmental cost analysis also covers Kyusyu Daifuku and Contec. At Main (Osaka) Headquarters, Tokyo Headquarters, and Tokai Branch Office, which are non-production units, “environmental education for employees,” “personal expenses for managing environmental activity,” and related items account for most of the cost. The cost of “virtual” economic effects amounted to approximately 182 million yen. Effects of product development are excluded from the reports and results because we currently have no clear-cut formula for the calculation. Daifuku intends to use environmental accounting as a tool for “environmental management” by setting indices against which to assess performance, thereby promoting environmental accounting efficiency.

- **Environmental Accounting for the fiscal 2004**

- **Concept of environmental accounting**

- **Economic Effect**

  - **Total**

**Environmental Accounting Report for the fiscal 2004**

Daifuku revitalizes management accounting by using Environmental Accounting, which focuses on the three environmental elements of environmental operations, environmental accounting, and environmental management, as a guideline for the corporate activities since fiscal 2001.
Environmental Management System

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

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

Being engaged in the logistics system business, Daifuku has developed an environmental management system that covers both production and non-production units. In fiscal 2004, Kyushu Daifuku also obtained ISO 14001 certification, that further expanded our environmental management system operations.

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

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

Environmental management system

Environmental auditing system

The environmental management system includes development of a Risk Management System, which is integrated into the company-wide Environmental Management System. Daifuku took steps to provide education in connection with the new requirements and continues to do so.

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

Environmental education and training

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

In 2004, the ISO 14001 environmental management system issued its 2004 requirements. In the ensuing period, Daifuku took steps to provide education in connection with the new requirements and continues to do so.

Risk management system

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

Environmental Benefit and Burden to Humankind and Nature

Comment from Environmental Activity Representative

Masayuki Kabata
Contec Co., Ltd.

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

Initially, paper, garbage, and electricity were the focus of environmental impact assessments. This year, however, products are the principal focus and through the establishment of the RoHS task force, Daifuku is conducting activities in this regard. Due to high volume demands and the rapid pace of change within industries and society, the key to survival lies in how to meet the demands of customers.

Based on the management principle of providing customer satisfaction, peace of mind and safety,” our technology division leads us in advancing efforts to provide environmentally conscious products.

Environmental Management >>> Monitoring and assessment of environmental impacts

Promoting Structure

Environmental Management System established in August 2004
Daifuku works to develop environmentally friendly products, and to improve the manufacturing process, thereby producing stable results.

**Development of E-DIP, a new automobile paint system, in cooperation with Takishita Ltd.**

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

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

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

Comparing previous pretreatment and electro-deposition paint systems with E-DIP, its merits have made it possible to offer a 25% reduction in pretreatment and painting time, and a 50% reduction in the length of the production line. In addition, it also simplifies manufacturing plant layout and improves space efficiency.

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

**Publication of an environmentally conscious distribution system products pamphlet**

Daifuku incorporates concerns for quality, the environment, and safety in every facet of its business activities including product engineering, research and development, procurement, manufacture, operation, and disposal. Our environmentally conscious distribution system products pamphlet summarizes these efforts and our achievements. For example, through the modification of wheel material quality for our Mobile Rack for moving heavy items, and improved control functionality, we reduced resistance during operation and cut electricity consumption by 30% compared to the previous model.

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

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

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

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

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

Under this joint distribution system, packages to be delivered to retail outlets are first consolidated at the nearby Motomachi Joint Distribution Center. After the packages are sorted according to retail outlet, three natural gas trucks deliver the goods to the shopping district’s unloading zone from where they are then delivered to the individual retail outlets. The same process is repeated in reverse for outgoing distribution. Participating in this joint distribution system are approximately 20 transport companies. Most shipments, except for food and beverage items and manufacturers providing direct delivery, are handled through the system. Each delivery truck completes three deliveries daily. The number of delivery trucks prior to the implementation of this system was 40 per day. Since then that number has been reduced by about one-third.

A distinguishing feature of the Daifuku’s roll box pallet is the use of a double layer pipe construction as a primary member. This construction allows for quieter delivery, even on the brick streets of the shopping district, while also improving loading efficiency with sizes that are easily packed into trucks without wasting space.

**Comment from Environmental Activity Representative Kazuhiko Miyake**

We aim for environment-impact and life cycle assessment Eco-oriented product development and design.

The development of the new paint system E-DIP has brought together Daifuku and Takishita’s response to customer needs for shorter production lead times and better paint quality, and has delivered a system that conserves the use of solution and reduces drainage amounts, while decreasing operation costs.

In addition, the development of Daifuku’s automobile production line system Power Roller Bed with 3R-product features has realized reductions in system weight by 20% and system parts by 40%. We are also continuing efforts to reduce the amount of energy that the Power Roller Bed consumes.

Now and in the future, we will promote the wheeled car system E-DIP, which provides better control when immersing and removing the body of the automobile from the tank. In addition, we will continue development and planning efforts, while incorporating LCA perspectives.

**Continuing Efforts to Reduce Environmental Impact and Life Cycle Assessment Eco-oriented Product Development and Design**

We aim for environment-impact and life cycle assessment Eco-oriented product development and design.

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

Environmental seminars at Shiga Works

As one of the environmental activities of Daifuku, it is making contributions to society.

Comment from Environmental Activity Representative

Takashi Kato

Takaaki Matsuzaki

Chairman

Contribution to community activities through presentations and roundtable discussions.

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

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

Cooperation with other companies through the Komaki City ISO Network

Komaki City conducts ISO Network activities in which it regularly calls together corporations that hold operating facilities with ISO 14001 certification within the city for information exchange and reporting on environmental activities. In 2004, the Company linked with local corporations and held seminars regarding the vitalization of environmental activities. We actively take part in these activities as a member of the community. By cooperating with other participating companies in sharing case studies on waste management and energy reduction, we are working together to raise the quality of the overall community environment.

Cooperation with surveys

During fiscal 2004, Daifuku took part in a total of 41 surveys regarding the Company's environmental and quality assurance activities. The Company emphasizes responding to surveys as one form of communication regarding the environment, and is committed to responding sincerely, primarily through the ISO and Safety Promotion Department.

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

<table>
<thead>
<tr>
<th>Survey source</th>
<th>Environmental-related</th>
<th>External</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government organizations</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Public offices/Associations</td>
<td>20</td>
<td>20</td>
<td>6</td>
<td>46</td>
</tr>
<tr>
<td>Corporations/Regional associations</td>
<td>30</td>
<td>30</td>
<td>10</td>
<td>70</td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>50</td>
<td>30</td>
<td>130</td>
</tr>
<tr>
<td>New activities</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>60</td>
<td>260</td>
</tr>
</tbody>
</table>

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

As Daifuku has always been doing, we will continue to observe not only environmental laws and regulations but also general codes, including laws, internal regulations, and socially accepted thinking.

Participation in local beautification and cleanup activities

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

In addition, we participated in the Hiromachi, Shiga Prefecture “Shakunage-kei (Rhododendron Gorge)” maintenance and cleanup activities. The Rhododendrons there are called Rhododendron hondoense, a rare variety designated as a natural treasure. The Company will continue to participate from next year as part of our contribution to the local area.

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

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

We will continue to effectively communi- cate with society, as befits a good corpo-rate citizen.

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

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

Currently Komaki Works has two intern students from Utah’s Brigham Young University (BYU). Mr. Stephen Moody is involved in the manufacture of application analysis support tools, while Mr. Kimball Coleman Kirkpatrick had the experience of developing an analysis tool in the design unit. We have been receiving intern students from BYU since 1992, and every year one or two students visit for three months. This year we received our 17th student. In 1997, we also received one student from Weber State University (Utah).

We also began receiving high school students once again in 2004, with four or five students from industrial high schools surrounding our works taking part in four-day activities.
Energy use is related to the emission of carbon dioxide. Such emissions are reported to affect the environment in the form of global warming and other problems. Daifuku is working aggressively to reduce energy consumption.

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

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

Although electricity consumption at the Shiga and Komaki Works increased 10% over the previous fiscal year, in terms of unit rate for production the Company was able to reduce emissions by 19% compared with fiscal 2003, due to increased production and energy-saving activities in each division.

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

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

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

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

At Komaki Works, heating and air conditioning is set at energy conserving levels (28°C in summer, 20°C in winter), to reduce city gas usage. In addition, the Works began adding hybrid vehicles to its fleet in fiscal 2005 with the aim of reducing emissions of greenhouse gases. An increase in the volume of production at both Shiga and Komaki Works in fiscal 2004 resulted in an 18% rise in fuel consumption, but fuel consumption per unit of specific productivity declined 7%, significantly surpassing the goal set in fiscal 2003 of 3%.

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

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

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

![Graph showing CO₂ emissions and reduction measures](image)

**Shiga and Komaki Works performances**

- Company-wide: 27,658
- Main Office: 810
- Tokyo Headquarters: 295
- Shiga Works: 21,961
- Komaki Works: 3,619
- Tokyo Branch Office: 267
- Kyushu Daifuku: 154
- Contec: 512

![Graph showing Fuel Consumption](image)

**Fuel Consumption**

- Shiga and Komaki Works performances

| Company-wide | 4,057 |
| Main Office | 42 |
| Tokyo Headquarters | — |
| Shiga Works | 3,460 |
| Komaki Works | 417 |
| Tokyo Branch Office | 36 |
| Kyushu Daifuku | 26 |
| Contec | — |

![Graph showing Power Consumption](image)

**Power Consumption**

- Shiga and Komaki Works performances

| Company-wide | 35,000 |
| Main Office | 1,394 |
| Tokyo Headquarters | 568 |
| Shiga Works | 24,224 |
| Komaki Works | 7,018 |
| Tokyo Branch Office | 375 |
| Kyushu Daifuku | 234 |
| Contec | 1,287 |

Comment from Environmental Activity Representative

The Second Year of “Visible Environmental Activities”

In the second year of environmental activities, we have accumulated data relating to energy consumption and waste reduction and are better placed to clarify its performance. Spurred by the slogan “The Second Year of Visible Environmental Activities,” we have formulated a visible environmental activity representative in all aspects of its operations. Daifuku has been working to reduce power and fuel costs, and to improve energy efficiency on a company-wide basis, including non-production units. Shiga Works is a type 1 designated (electricity and thermal) energy management factory, while the Komaki Works is a type 2 designated (electricity) energy management factory. In each case, an appropriate control procedure is used for promoting the activities in accordance with the energy saving laws.

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

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

Daifuku contributes to environmental conservation by setting such standards as containers, methods, and places for collecting various wastes discharged from specific works. Waste emissions are also centrally controlled to further enhance recyclability.

Wastes discharged from the Shiga and Komaki Works are separated and collected so as to satisfy the following requirements: (1) Collect wastes in specialized separate containers. (2) Apply labels indicating the type of waste material stored in each container, and only collect predetermined wastes. (3) Use empty, sealable cans or similar to collect waste solvents and other dangerous substances that have low flashpoints (such as thinners and alcohol). After collection, securely seal the cans and store them in an oil warehouse. (4) If any other special waste is generated, designate a separate container, method of collection, storage procedure, and other details, in advance, and seek the consent of the Waste Task Force before collecting it.

In fiscal 2004 an EnvironmentalPatrol Campaign was instituted by the Waste Task Force with the cooperation of various divisions. The increase in the volume of production and the scrapping of obsolete equipment reduced waste generation per unit of specific productivity by 3% in comparison with the previous fiscal year, short of the target figure of 7%. Some 80% of the Company’s total volume of waste generated is scrap steel, and we will address that in the future through integrated management. The Company’s target for waste recycling is 95%. Despite vigorous sorting and recycling efforts, Shiga Works achieved only 92%, Komaki Works, however, achieved its goal of 96%.

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

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

1. Reducing waste consignment to landfills: Daifuku is recycling the sludge from industrial wastewater, after treatment and drying in a drying kiln, and the cinders from the incineration of wood scrap and other materials, as raw materials for cement and concrete blocks. In addition, the Company machine-treats wet garbage to produce compost, which it recycles as fertilizer for the shrubbery on plant premises. The Company plans to begin recycling the debris from painting and coating in the future.

2. Reducing total volume of waste generation In addition to waste recycling, the Company is working to reduce the volume of the waste it generates by discarding less scrap steel and other materials that have intrinsic value. The Company is not limiting its efforts to reducing the volume of waste generated in the course of its corporate activities, but is also incorporating considerations of eventual recycling into its product development activities to make our products more recyclable.

Definitions of Waste and Reduction Targets

Reduction of Paper Consumption

- Reduction of Total Waste Generation
  - 95% waste recycling (Zero emissions declaration)
  - 20% reduction in total volume of waste generation in comparison with fiscal 2003

Reduction of Paper Consumption and Recycling

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

Not only do we use both sides of our paper, we recycle it as high-grade waste paper. In fiscal 2004, Daifuku’s paper recycling rate was up 20% over the fiscal 2003 level, four times the target level of 5%, and 63% of all paper procured was recycled. At Komaki Works, we are strongly encouraging the use of projectors instead of paper handouts for meetings in an effort to drastically reduce copying of paper documents and slash paper consumption.
Pollutant Emission Control

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

Pollutant Release and Transfer Register (PRTR) control

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

Investigation has identified that in a year, Daifuku handles over 100 kg of 12 Specified Class 1 and 354 Type 1 Designated Chemical Substances through emissions and other means. The results of which are detailed in the table below. At Komaki Works, targets are set for reducing the handling of such chemical substances and the enterprising use of aqueous paints has been implemented. Even with an increase in production volume in fiscal 2004, Komaki Works was successful in curtailing the level of designated chemical substances handed to that of the previous fiscal year.

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

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

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

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

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

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

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

Prevention of air pollution

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

Total drainage levels and reduction measures

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New environment-compliant project launch

As environmental issues take a more prominent position on the world stage, requests for prohibiting and eliminating the use of harmful substances that have damaging effects on people and the environment are becoming more ardent. The European RoHS Directives that regulate the use of harmful substances such as lead, mercury, cadmium, hexavalent chromium, PBB, and PBE that are contained in electric and electronic equipment is one example of how overseas laws and regulations relating to the environment have become stricter. Following these regulations, Japan’s domestic electric and electronic manufacturers are at the center of the movement toward establishing green procurement guidelines and abolishing the use of products with harmful substances. At Daifuku as well, we are striving to provide logistics systems and equipment products that are free of harmful substances, and by newly launching our environment-compliant project team in July 2004, we are committed to meeting our goals.

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

At Daifuku, we ask for the cooperation of our business partners to help maintain our green procurement activities. In fiscal 2003, we formulated a supplier evaluation system, and in order to recognize suppliers with excellent performance records, we created the S.Q.D. Award. In fiscal 2004, the second year of the system, two companies were recognized with the award, out of the 105 suppliers of machinery and control systems. In the future, we plan to progressively include design, engineering and service companies in the realm of assessment. In the future, we plan to progressively include design, engineering and service companies in the realm of assessment. Daifuku’s products will undergo checks for the existence of harmful substances and consideration for alternative substance use as part of compliance assessments under its environmental product regulations. In addition, we request that our business partners undergo testing for harmful substances, and purchase components that are free of such hazardous materials.

Promoting green purchasing

Daifuku is actively committed to promoting green purchasing, and internal and external dissemination of information through that activity. Criteria for green purchasing selection include the database of the Green Purchase Network and the presence of an environmental label. Daifuku also establishes green purchase guidelines for office equipment, checks each item before purchase, and selects products that have the least environmental impacts.
Human Rights and Employment

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

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

Opening a Personnel Counseling Office

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

Conducting risk assessment

To ensure product safety, Daifuku has established a unique set of regulations directed to the engineering, development, and design units. We also implemented the risk assessment of newly developing products and the existing products/models. In addition, we are working for the risk assessment of production equipment at manufacturing, installation and maintenance service units, and for installation sites.

Corporate Code of Conduct

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

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

Strictly observing the Corporate Code of Conduct

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

Social Efforts >>> Information about extensive consumer protection and product safety

Product Safety

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

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

Opening of Hini Arata Kan

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

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

Many guests and groups including elementary and junior high schools’ trips have come there. And, in Hini Arata Kan, “Environment-related Equipment Section” introduces how Daifuku is working on the environmental activities.

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Social Efforts >>> Information about protecting personal information

Personal Information Protection

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

The Corporate Code of Conduct contains provisions regarding protection of personal information.

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

Information Security Task Force established

Daifuku has established the Information Security Committee in order to standardize company-wide rules and enhance awareness of the management of Company information, such as employees, client, technological, and financial information.

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

Code concerning personal information

- Daifuku will never abuse the confidential information, which it has obtained in ordinary course of business service, about employees, customers, cooperation companies, dealers, competitors, and other interested parties.

- Daifuku will respect every employee’s privacy and pay careful attention to personal information and exercise prudence in the management and handling of such information.

- Daifuku employees will recognize the value of the company’s confidential information (technology, know-how, etc.), and strictly manage such information in order to safeguard it.

- Daifuku employees will never obtain any confidential information about employees, customers, cooperation companies, dealers, competitors, and other interested parties using illegal methods.

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

- Daifuku employees will never abuse or reveal the company’s confidential information (technology, know-how, etc.) whether during active service or after retirement.

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