Preface

This Environmental Report is to introduce Daifuku’s performance related to global environmental conservation through Daifuku’s line of manufacturing and business operations, for better communication with the customers, shareholders, and all other stakeholders. This report is the fifth version as the whole organization of Daifuku and will be updated once every year. Daifuku is also providing other various environment-related data and information on the website (http://www.daifuku.com). Readers’ comments on Daifuku’s activities, products, and reports on Web site would be highly appreciated and will be reflected in our improvement efforts.

Scope of This Report

Period covered: April 2005 - March 2006

Representatives

Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Branch Office), Kyushu Daifuku, and Contec

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Fax: +81 3 3460 3382
E-mail: webmaster@daifuku.co.jp

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Social Contributions as an Industry-Leading Company

With prioritized management philosophy of contributing to the development of industries by supplying optimal material handling systems to the global market, Daifuku Co., Ltd. has been developing its business and improving technologies to meet customer demands since its founding in 1937. Daifuku will continue to internally efforts to gain credibility from all industries and its customers around the world. By providing solution services in response to the rapidly changing global market, Daifuku will continue to be involved in the development of society as a leading company in comprehensive logistics systems and material handling equipment.

Promoting Environment-Oriented Corporate Activities

Efforts are made on a global scale to tackle environmental issues. At Daifuku as well, it has become indispensable to recognize environmental protection as an important management issue, which involves dealing with environmental issues at production sites and the environmental impact of its products. Daifuku has implemented its “S.O.C.D.E. (Safety, Quality, Cost, Delivery and Ecology)” slogan to give a sincere response to safety and environment in all corporate activities. Together with this, Daifuku is proactively fulfilling its responsibilities and reinforcing its company-wide approach to become the world’s best material handling company.

With these endeavors, Daifuku will instill confidence in all its stakeholders including shareholders, and maintain its position as a major contributor to the development of industry and society.

The Environmental Report 2006, which describes Daifuku’s environmental conservation activities in fiscal 2005, is an introduction to one part of the Company’s efforts toward social consciousness. We sincerely ask you to consider the contents and ask for your guidance in our ongoing efforts to fulfill the objectives outlined.

August 2006
Medium-Term Business Environment

The Automotive Factory Automation (AFA) business, which handles conveyor systems for automobile production lines, is anticipated to maintain its constant growth. Japanese automakers are enjoying significant growth, and facility reinforcement will surely continue both in Japan and overseas. Daifuku has been developing for over 40 years in step with automakers. We must not just increase our profit but keep making efforts to respond to customer needs, including cost reduction and environmental responsiveness.

The Factory Automation & Distribution Automation (FA/DAA) business handles Automated Storage/Retrieval Systems (AS/RS) and sorting and picking systems for the general manufacturers and distribution industries. In this business, shippers aim to provide low-cost and efficient distribution, while the government announced the Comprehensive Physical Distribution Policy Outline (2005-2009), stipulating the promotion of distribution systems that will be environmentally friendly as well as support safety and security of people’s lives. We will play an increasingly major role as a logistics system equipment maker and system integrator. To this end, we are going to provide not only hardware but also software including warehouse management systems (WMS). We believe this total power is our strength.

In the e-Factory Automation (eFA) business, which handles transport and storage systems for cleanrooms, there has been vigorous capital investment in flat panel display (FPDs) such as liquid crystal and plasma displays, digital information home appliances, as well as next-generation semiconductors. As our customers’ factories are attempting to increase productivity while reducing time in hand as much as possible amid severe competition, we will strive to increase orders by giving comprehensive proposals that include software.

Expanding and Strengthening Production Bases Worldwide

As part of the Company’s new overseas strategy in the eFA business, Daifuku established a wholly owned subsidiary in Science Park, located in southern Taiwan in August 2005 and commenced operations in March 2006, in order to establish a system for larger-scale displays in response to an increasing demand for flat-screen televisions. We will meet customers’ demands for reduced costs and shorter delivery time. As part of efforts relating to its eFA Operations, Daifuku has already established an affiliated company in South Korea, and with the commencement of local production in Taiwan, Daifuku’s global business structure has been further reinforced.

In AFA Operations, amid the rising demand attributable to robust capital investment in the Chinese automobile industry, Daifuku established a joint venture in Changshu, Jiangsu, China. In September 2005, in response to customer demands for lower costs and shorter delivery schedules. In January 2006, the joint venture commenced the production of conveyor systems used in automobile production lines. In collaboration with Daifuku’s existing sales subsidiaries in Tianjin and Guangzhou, we will proactively strengthen systems that empower us to deliver our products to customers across China in a timely manner. We will consider the establishment of marketing and service bases in several cities in Brazil, as well as production bases in India where we have established a local sales subsidiary.

In Japan, we transferred a part of production from the Komaki Works (in Komaki, Aichi Prefecture) to the Shiga Works (in Hino, Shiga Prefecture) and commenced operations in April 2006. Owing to the transfer of production functions, the Shiga Works has become one of the world’s largest production bases for material handling systems and equipment, with 11 factories on its premises.

Human Resource Training

In 2007, a large number of baby-boomers will reach the mandatory retirement age. Daifuku has addressed this common issue earlier than other Japanese companies. With an eye on the future, Daifuku rapidly addressed this issue by establishing three wholly owned subsidiaries in April 2005: Daifuku Business Create Co., Ltd., Daifuku Manufacturing Expert Co., Ltd., and Daifuku Field Engineer Co., Ltd. These subsidiaries were formed with the aim of retiring retired workers. In June 2005, Daifuku opened the Daifuku Manufacturing and Design System (D-MAND) promotion center, which serves as a training organization for design and manufacturing units, on the site of Shiga Works for the purpose of passing on manufacturing technology and techniques as well as providing young personnel with a chance to be trained by experienced employees. Daifuku is implementing measures to contribute to the Company’s sustainable development from the aspect of human resource training promotion.

R&D Activities

Daifuku has been making steady efforts in R&D and personnel training regardless of the business environment. Daifuku considers that a manufacturing company needs to allocate between 4% and 5% of its net sales for R&D expenses and has been promoting each business based on this viewpoint. Particularly in the past 4 - 5 years, we have focused on the development of cutting-edge technologies that respond to customer needs for larger glass substrate for LCD panels and larger-diameter semiconductor wafers. Daifuku continues to strengthen its product competitiveness by strengthening the Company’s R&D structure.

While placing importance on compliance, Daifuku will leverage individual ability to bring about a free and vigorous corporate culture. In the face of these, we will continue to strengthen our corporate governance and fulfill our obligations as a leading material handling company to contribute to the development of industry.

Comments from Environmental Officers

Daifuku has been considering all aspects of the global environment while aiming for sustainable growth as an enterprise. Since acquisition of the ISO 14001 certification at the Komaki Works with the Shiga Works in 1999, we have been steadily improving our business operations, particularly in waste and energy reduction, as part of our environmental conservation activities. With regard to our green procurement promotion activity, we have established a Pollutant Control Task Force, a special committee to authorize customers’ production processes.

Relocating some of the production facilities from the Komaki Works to the Shiga Works has reduced the former’s environmental impact. In 2005, Daifuku established a wholly owned subsidiary in Science Park, located in southern Taiwan in August 2005 and commenced operations in March 2006, in order to establish a system for larger-scale displays in response to an increasing demand for flat-screen televisions. We will meet customers’ demands for reduced costs and shorter delivery time. As part of efforts relating to its eFA Operations, Daifuku has already established an affiliated company in South Korea, and with the commencement of local production in Taiwan, Daifuku’s global business structure has been further reinforced.

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

Six business bases, namely the Shiga and Komaki Works, Osaka and Tokyo Headquarters, Chubu Tokai Area (Tokai Branch Office) and Kyushu Daifuku, have acquired ISO 14001 certification. With these bases as leaders, Daifuku is promoting environmental conservation activities. Daifuku is 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 Miehima, Nishiyodogawa-ku, Osaka 555-0012 Japan
Tokyo: 2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
Established: May 20, 1937
Paid-in capital: 8,023 million yen (As of August 2006)
Representative: Katsumi Takeuchi, President and CEO
Number of employees: Approx. 4,100

Net sales: (Total of Daifuku Group, As of August 2006) 198,810 million yen (Consolidated, Fiscal 2005)

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

Products: Conveying/Transport systems, storage systems, sorting and picking systems, control and information systems, material handling equipment, and others (car-washing machines, machines for bowling alleys, and special equipment)

Performance by Business

Fiscal 2005 Consolidated Sales

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Consolidated Sales (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics System</td>
<td>121,926</td>
</tr>
<tr>
<td>Electronics/Industrial Systems</td>
<td>12,925</td>
</tr>
<tr>
<td>Other</td>
<td>40,159</td>
</tr>
<tr>
<td>Total</td>
<td>175,000</td>
</tr>
</tbody>
</table>

Performance by Region

Fiscal 2005 Consolidated Sales Performance by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Consolidated Sales (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>153,188</td>
</tr>
<tr>
<td>North America, Europe, Asia</td>
<td>1,515</td>
</tr>
<tr>
<td>Other</td>
<td>1,307</td>
</tr>
<tr>
<td>Total</td>
<td>155,000</td>
</tr>
</tbody>
</table>

Osaka Headquarters
Location: 3-2-11 Miehima, Nishiyodogawa-ku, Osaka 555-0012 Japan
Lot area: 14,496 sq.m
Floor area: 17,446 sq.m
Business: Sales, engineering, design, and maintenance services of logistics systems and material handling equipment, and administration

Kyushu Daifuku Corporation
Location: 2134-1 Yobaru Bunkyu, Kanda-machi, Miyako-gun, Fukuoka 824-0333 Japan
Lot area: 25,000 sq.m
Floor area: 8,800 sq.m
Business: Engineering and maintenance services of logistics systems and material handling equipment, administration and warehouses

Chubu Tokai Area (Tokai Branch Office)
Location: 2-48 Fukukado-cho, Toyoda-ku, Aichi 471-0841 Japan
Lot area: 2,784 sq.m
Floor area: 2,982 sq.m
Business: Sales, engineering, design, and maintenance services of logistics systems, material handling equipment, and administration

Shiga Works
Location: 1225 Nakak bày, Hino-cho, Gamo-gun, Shiga 529-1692 Japan
Lot area: 1,160,000 sq.m
Floor area: 221,400 sq.m
Business: Engineering, design, and maintenance services of logistics systems and material handling equipment, administration and warehouses
Production: Approx. 75,000 million yen

Komaki Works
Location: 1500 Komakihara-shinden, Komaki-shi, Aichi 485-8653 Japan
Lot area: 65,000 sq.m
Floor area: 41,000 sq.m
Business: Sales, engineering, and design of logistics systems and material handling equipment, and administration
Production: Approx. 36,000 million yen

Daifuku Field Engineer Co., Ltd.
Location: 2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
Lot area: 3,572 sq.m
Floor area: 3,980 sq.m
Business: Development, manufacture, and sales of electronics equipment, monitoring/control systems and remote equipment and machinery

Corporate name: Daifuku Co., Ltd.
Headquarters: Osaka: 3-2-11 Miehima, Nishiyodogawa-ku, Osaka 555-0012 Japan
Tokyo: 2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
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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 types of environmental impact generated by such company activities and plants at all life-cycle levels, in order to minimize any impact 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.

**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.
Basic Environmental Policy

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

Environmental Policy

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-sales service of material handling systems and equipment, Daifuku strives to conserve global resources and prevent worldwide environmental pollution.

Basic Principle

To achieve this goal, Daifuku is working to gain broader social recognition for its activities. On August 1, 2005, Daifuku revised a portion of its environmental policy pursuant to ISO 14001:2004 guidelines issued in December 2004.

Basic Policy

(1) Daifuku will further expand ongoing environmental conservation activities by establishing an environmental management system and organization aiming at ensuring harmonious coexistence between people and the environment, and observing environmental-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 take into consideration technology and energy and resource conservation and the prevention of environmental pollution.

(4) As a priority, Daifuku will procure and purchase materials, components, and products with the least environmental impact, and, in cooperation with its corporate social responsibility and preventing environmental pollution.

(5) As a member of society, Daifuku will contribute to 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 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

Fiscal 2005 Environmental Objectives, Targets and Achievements

<table>
<thead>
<tr>
<th>Environmental Objectives (FY2004 - FY2006)</th>
<th>FY2006 Environmental Target</th>
<th>Result in FY2006</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emphasize emissions control</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce the energy requirement for lighting</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce 6% from fiscal 2003 level</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce 4% from fiscal 2003 level</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce 10% from fiscal 2003 level</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Promote recycling</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Recycle 95% of total wastes by fiscal 2006</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce 10% of paper consumption</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Reduce paper consumption by fiscal 2006</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Promote green procurement</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Prohibit the use of hazardous substances</td>
<td></td>
<td>Achieved</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal 2006 Environmental Objectives and Targets

<table>
<thead>
<tr>
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</tr>
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<td>Achieved</td>
<td></td>
</tr>
</tbody>
</table>

Environmental Objectives, Targets and Achievements

Daifuku’s objectives, targets, and plans in relation to environmental conservation activities, and achievements for fiscal 2005 are presented here.
Environmental Accounting

Fiscal 2005 saw economic achievements in “energy-saving effects”

The total cost for environmental conservation activities amounted to approximately 394 million yen, as shown in the table below. Since fiscal 2004, environmental cost analysis also covers Kyushu Daifuku and Contec.

At Osaka Headquarters, Tokyo Headquarters, and the Tokai Branch Office, which are non-production units, “environmental education for employees,” “personnel expenses for managing environmental activity structures,” and related items account for most of the cost.

The cost of “virtual” economic effects amounted to approxi- mately 179 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.

<table>
<thead>
<tr>
<th>Costs for Environmental Conservation Activities</th>
<th>Unit: 1,000 yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>Activities</td>
</tr>
<tr>
<td>Reduction of environmental impact in production activities</td>
<td>- Orange container protection activities (excluding storage (十月) facilities, removal of rejecting facilities)</td>
</tr>
<tr>
<td>- Waste treatment costs, recycling costs for wastes</td>
<td>78,947</td>
</tr>
<tr>
<td>Use of materials and expected time environmental destruction</td>
<td>- Promotion of green procurement, fabrication and collection of transportation</td>
</tr>
<tr>
<td>Development of products with less environmental impact</td>
<td>- Development costs for considering energy and weight-saving and for reduction of number of parts</td>
</tr>
<tr>
<td>Requiring of company products</td>
<td>- Improvement of transportation efficiency by y/e</td>
</tr>
<tr>
<td>Reduction of environmental impact from transportation</td>
<td>- Improvement of transportation efficiency by y/e</td>
</tr>
<tr>
<td>Emergency preparedness</td>
<td>- Training for emergencies</td>
</tr>
<tr>
<td>System of environmental conservation activities of management office</td>
<td>- Recycle/Industrial waste, removal of lighting and air conditioning</td>
</tr>
<tr>
<td>Environmental conservation for overseas operation</td>
<td>- Improvement of packaging methods for overseas shipping products</td>
</tr>
<tr>
<td>Implementation of environmental management</td>
<td>- ISO promotion group management costs, internal and external audits, environmental education</td>
</tr>
<tr>
<td>Collaboration with communities</td>
<td>- Participation in the Chint Eco-Foster activities and the regional environmental improvement projects</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Economic Effect

<table>
<thead>
<tr>
<th>Costs for Economic Effect</th>
<th>Unit: 1,000 yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>Activities</td>
</tr>
<tr>
<td>Sale of valuable resource</td>
<td>- Gain on sale of ferrous and non-ferrous scrap materials, and high grade waste paper</td>
</tr>
<tr>
<td>Energy saving</td>
<td>- Effect of energy-saving systems (CFA) Electric air-conditioning in terms of energy and lighting</td>
</tr>
<tr>
<td>Substitutable container</td>
<td>- Substitutable use of palette (break-in box)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Column: Environmental Management Level Survey

<table>
<thead>
<tr>
<th>Ranked 27th out of 1,774 manufacturers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In December 2005, Nihon Keizai Shimbun, Inc. announced the results of its ninth “Corporate Environmental Management Level Survey.” Daifuku was ranked the 272nd out of 1,774 manufacturers. This marked a jump up from last year’s 348th place. Since fiscal 2004, environmental cost analysis also covers Kyushu Daifuku and Contec.</td>
<td></td>
</tr>
</tbody>
</table>

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 corporate activities since fiscal 2001. Environmental accounting has also been used for non-production units since fiscal 2003, and Kyushu Daifuku and Contec since fiscal 2004. In an attempt to enhance our efforts and further improve the results of it.

Concept of Environmental Accounting

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

Fiscal 2005 Environmental Accounting

Daifuku’s Environmental Conscious Products

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

Daifuku’s Environmental Conscious Products

Daifuku developed Palletainer CFree, a completely chrome-free mesh box pallet that is free of hexavalent and irrevolent chemicals. It was released to the market in October 2005 as a storage and carrying container that com- plies with ELV and RoHS Directives.

Daifuku Releases Completely Chrome-Free Palletainer

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Environmental Friendly Engine Test Bench

A motoring test bench tests auto engines, using an external motor drive that turns the engine without fuel.

Compared with conventional firing test benches that test engines by means of fuel ignition, this has improved the working environment, given consideration to the natural environment, reduced auxiliary equipment including for fuel and cooling water, as well as reduced run- ning costs.

Installation of AS/RS in Food Recycling Factory

I’ll Clean-Tech Corporation, a general and industrial waste han- dling company in Saitama Prefecture, established a pallete type organic resource recycle center in Yorii-machi, Osato, Saitama Prefecture, to compost organic waste such as food leftovers. I’ll Clean-Tech installed a unit load AS/RS, pallet-type automated warehouse and a Barling Transfer Vehicle (BTY), high-speed con- veyor vehicle in the facilities to automate the compost manufac- turing process. This center enables to process up to 138 tons of organic waste per day.

Automation of Surgical Instruments Transport and Storage System

As a part of the National University Facility Improvement Plan, a new central ward was built on the premises of Nagoya University Hospital. Daifuku delivered an automated transport and storage system for supplying and collecting surgical instruments, integrating a mini load AS/RS, Vertical Carousel (VCR), and Automatic Guided Vehicles (AGV). These systems promote laboratory work operations for item collection and hygienic material control that previously labor-intensive, improve efficiency by making systems that allow nurses on the ward to concen- trate on patient care, and con- tribute to efficiency by reducing the time between surgical opera- tions. In addition, the AGV col- lects unsual items including waste, blood and fluids gener- ated in the operating theater, preventing in-hospital infections.

The VCRS combines the function of storing irregularly shaped items of instruments with the ability to transport them between floors.
Environmental Management System

In 2004, Daifuku obtained ISO 14001 certification for Osaka Headquarters, the Tokyo Headquarters, 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.

Environmental Management System

Daifuku has developed a company-wide environmental management system with the president as the top-ranking representative. Since fiscal 2005, we have been holding regular meetings of an ISO Steering Committee, which consists of environmental management representatives from each base and environmental task force representatives. In addition, the management review by top management is held biannually (in May and October) to assess the implementation status of the action plans of each unit and task force.

Environmental Auditing System

We periodically commission external audits, wherein a third party (certified agency) ensures that the environmental management system standard, was published. Accordingly, Daifuku acquired the certification for ISO 14001: 2004 in August 2005.

ISO Certification Acquisition

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

Environmental Auditing System

The environmental management system is the basis for environmental conservation. Daifuku monitors and assesses environmental impact 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, which further expanded our environmental management system operations.

Risk Management System

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

Environmental Education and Training

An intra-unit environmental activity plan is implemented as part of general education for all employees, cooperating 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 specific needs of operations. In an effort to ensure observance of relevant laws and regulations.


In the area of internal auditor education, the number of internal auditors has been increased to 264 (as of April 2006) in order to allow time for training in sound judgment ability, and improving their skill levels. With regard to activities proposed by smaller groups, the number of proposals covering operational improvements, cost cutting, quality, safety, the environment, and other matters have amounted to 4,396, approximately 1.5 times the target figure. This shows that active operations are under way. At biannual small group activity show-and-tell events, their achievements are reported to top management.

Environmental Auditing System

We further strive to operate the system integrating all Group members, and to foster development of an even better system.

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

And, we also conduct internal audits, with in-house monitors examining such factors as how the system is operated, how plans for committee objectives and targets are being implemented and progressed, and how well laws, regulations, and voluntary standards are being observed. Units found to be noncompliant must file correction plans and implement them. Audit results are reported in the management reviews where solutions are presented and follow-ups are conducted.

ISO Certification sign on display at Shiga Works

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Energy and Resource Conservation

Energy use is related to the emission of carbon dioxide (CO₂). Such emissions are reported to affect the environment in the form of global warming and other problems.

Environmental Impacts from Transportation

Since 2000, the 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 CO₂ emissions.

However, CO₂ emissions from this source rose 29% compared with the figure in fiscal 2003, due to increased production in fiscal 2005. Moreover, mileage increased by 29% too.

Reducing Fuel Consumption

The Shiga Works is a Type 1 Designated Energy Management Factory, and as such is inspected by the Ministry of Economy, Trade and Industry. The Works cleared electricity and heat energy standards. In fiscal 2005, each unit of the Energy Task Force promoted various activities intended to boost energy conservation by measuring and reducing heat energy usage, and reviewing the energy management standards.

At the Komaki Works, air-conditioning is set to energy-saving mode (28°C in summer, 20°C in winter) in an effort to reduce city gas consumption. In addition, the Works began adding hybrid vehicles to its fleet in fiscal 2005 with the aim of reducing greenhouse gas emissions.

Although fuel consumption in fiscal 2005 increased 21% at both Shiga and Komaki Works compared with the fiscal 2003 level, fuel consumption per unit of production dropped 23%, considerably clearing the reduction target of 6% of the fiscal 2003 level.

Electricity Conservation

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

The Shiga Works is a Type 1 Designated Energy Management Factory for electricity as well as heat energy. In addition to reducing the energy consumption of its manufacturing facilities, Daifuku has installed energy-saving lighting fixtures and sensor-controlled illumination in the Shiga Works’ office spaces. The conversion of lighting at the 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 in fiscal 2005 increased 13% at both Shiga and Komaki Works compared with the fiscal 2003 level, electricity consumption per unit of production dropped 29%, substantially clearing the reduction target of 6% from the fiscal 2003 level.

Daifuku has been working to reduce power and fuel costs and to improve energy efficiency on a company-wide basis, including non-production units. The Shiga Works is a Type 1 Designated (Electricity and Heat) 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 Law concerning the Rational Use of Energy.
Environmental Impact Reduction Efforts  Emissions and Reduction Measures

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

Osaka Headquarters, Tokyo Headquarters, and Tokai Branch Office are practicing thorough separation and collection and to enhance recyclability.

Total Waste Generation

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Company-Wide</th>
<th>Osaka Headquarters</th>
<th>Tokyo Headquarters</th>
<th>Shiga Works</th>
<th>Komaki Works</th>
<th>Tokai Branch Office</th>
<th>Kyushu Daifuku</th>
<th>Contec</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2004</td>
<td>5,951</td>
<td>158</td>
<td>55</td>
<td>2,347</td>
<td>22</td>
<td>16</td>
<td>153</td>
<td>92</td>
</tr>
<tr>
<td>FY2005</td>
<td>6,244</td>
<td>157</td>
<td>55</td>
<td>2,346</td>
<td>22</td>
<td>16</td>
<td>154</td>
<td>57</td>
</tr>
</tbody>
</table>

Recycling Status
The Company’s target is 95% recycling. Komaki achieved 96%; Shiga 95%.

<table>
<thead>
<tr>
<th>Material Type</th>
<th>FY2004</th>
<th>FY2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shiga Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial waste (landfill waste)</td>
<td>4,648</td>
<td>686</td>
</tr>
<tr>
<td>Office equipment waste</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total volume</td>
<td>4,648</td>
<td>686</td>
</tr>
<tr>
<td>Recycling</td>
<td></td>
<td></td>
</tr>
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<td>686</td>
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<td>0</td>
</tr>
<tr>
<td>Total volume</td>
<td>686</td>
<td>686</td>
</tr>
</tbody>
</table>

Recycling of Waste High-Grade Paper

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Purchase volume</th>
<th>Recycle volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>2004</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>2005</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Traffic of waste high-grade paper

Column: Sludge Recycling
Sludge Recycling as Cement Materials
In April 2004, the Shiga Works began recycling the sludge from its industrial wastewater treatment plant, which had formerly been disposed of in landfills, as a raw material for cement.

The Works uses 700 tons of industrial water per day. In the past, the wastewater treatment plant, and the sludge recovered therefrom is sent to a drying kiln, where it is crushed into granular form, water content evaporated, and reduced to one-tenth its original volume for shipment. Through the accumulation of this sort of hardworking effort, the Company seeks to reduce waste emissions to zero.

Daifuku Receives Osaka City Award for Waste Reduction for Second Consecutive Year
The Osaka Headquarters engages in the reduction of power and paper consumption as well as the reduction of waste and is striving to improve its recycle ratio.

Daifuku accomplished its target of reducing paper consumption by upgrading old air-conditioning equipment in the new annex and strictly turning lights off in each unit when they are not in use. In terms of waste reduction, we received an award for our excellent waste reduction performance from Osaka City for the second consecutive year in terms of general office waste reduction. We implemented thermal recycling by generating electricity with flammable waste at the Yodogawa Factory in Osaka. The electric power was sold to a power company, and the steam generated from incineration was distributed to neighboring buildings.

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

At the Shiga and Komaki Works, high-quality recycled paper is used, and to reduce consumption both sides of each sheet are used and various forms of digitization promoted. These efforts not only contribute to a reduction in paper procurement by each unit switching to the use of digital data. Not only do we use both sides of our paper, we recycle it at high-grade waste paper. In fiscal 2005, Daifuku’s paper recycling rate was up 11% over the fiscal 2003 level, and 64% of all paper procured was recycled.

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

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

1. Reducing waste consignment to landfills
Daifuku is recycling the sludge from industrial waste water, after treating and grading in a drying kiln, and the clinkers from the incineration of wood scrap and other materials, as raw materials for cement and concrete blocks. In addition, the Company’s treatment facility produces compost, which it recycles as fertilizer for its shrubbery on plant premises. The Company plans to begin recycling the drutgas 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

<table>
<thead>
<tr>
<th>Waste Type</th>
<th>Volume (t)</th>
<th>Weight (%)</th>
<th>Reuse (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial waste (landfill waste)</td>
<td>4,648</td>
<td>686</td>
<td>686</td>
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<td>686</td>
<td>686</td>
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</tr>
</tbody>
</table>

Collection of waste high-grade paper
Pollutant Emission Reduction and 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 importants.

Prevention of Air Pollution

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

Result of Air Pollutant Measurements

<table>
<thead>
<tr>
<th>Material</th>
<th>Facility</th>
<th>Standard value</th>
<th>Measured value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOx (ppm)</td>
<td>Electric generator</td>
<td>950</td>
<td>877</td>
</tr>
<tr>
<td>SOx (cu.mm N/N)</td>
<td>Electric generator</td>
<td>2.3</td>
<td>1.14</td>
</tr>
<tr>
<td>Dust (g/cum M)</td>
<td>Electric generator</td>
<td>0.10</td>
<td>0.038</td>
</tr>
</tbody>
</table>

Daihatsu proactively improves its chemical substance control system and complies with the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of the Improvement of Their Management (PRTR Law) by preventing interference with environmental conservation. The Komaki and Shiga Works, which handle specified chemical substances, assess their annual emissions and are aggressively substituting them by environmentally friendly chemical raw materials.

In fiscal 2005, Daihatsu set a target of avoiding the use of toxic chemicals and reduced the use of hazardous substances, while facilitating the use of environmentally friendly raw materials. However, the consumption of toxic chemical substances increased 39% from the previous fiscal year due to increased production and stagnant promotion of chemical substance impact reduction due to customer demands from overseas. Daihatsu will strive to use low environmental impact chemical materials and provide products that can maintain customer satisfaction.

Pollutant Release and Transfer Register (PRTR) Control

Daihatsu completes all countermeasure construction work in accordance with sewerage law and Komaki City wastewater department environmental pollution control agreement.

In its production activities, Daihatsu uses a wide variety of chemical substances, including some that could have a significant environmental impact. As with other substances, environmental contaminants are periodically reviewed and strictly controlled to reduce their use whenever possible. Efforts are also under way to replace such contaminants with safer substances.
Environmental Impact Reduction Efforts ➤ Green Procurement Status and Promotional Measures

Green Procurement

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

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

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

Green Procurement Guidelines Formulated

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

The European RoHS Directives that regulate the use of hazardous substances such as lead, mercury, cadmium, hexavalent chromium, PBB, and PBE, which are contained in electrical and electronic equipment, are 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 hazardous substances.

Daifuku also launched a new environmental compliance project team in July 2004, aiming to provide logistics systems and material handling equipment that are free of hazardous substances. Furthermore, the Company issued its Green Procurement Guidelines in November 2005.

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.

We set up a supplier assessment system in fiscal 2003 and, based on the assessment results, introduced an “S.Q.D. Award” (Supplier Quality Development Award) to recognize excellent suppliers. In fiscal 2005, the third year since the system’s inception, two companies were presented with the S.Q.D. award and three more companies were commended for their efforts, out of 202 cooperating companies including fabrication, installation and service suppliers.

In the future, we plan to progressively include design, engineering and service companies in the scope of assessment. Daifuku’s products will undergo checks for the existence of hazardous substances and alternative substances considered for use as part of compliance assessments under the Company’s environmental product regulations. In addition, we request the suppliers to undergo testing for hazardous substances and purchase components that are free of such hazardous materials.

Promoting Green Purchasing

Daifuku is actively committed to promoting green purchasing, and conducts internal and external educational activities throughout the year. Criteria for green purchasing supplier selection include the database of the Green Purchase Network and the presence of an environmental label.

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

Environmental Seminars at Shiga Works

As a part of the Company’s environmental activity, Osaka Prefectural Manufacturing & Industrial Association visited Daifuku in May 2005, and the School of Environmental Science of the University of Shiga Prefecture in August of the same year. On each occasion, a seminar was held at Hiri Arata Kan, a comprehensive logistics showroom on the theme of “Daifuku’s Initiatives for the Environment.” In addition, we provided an opportunity for the participants to find out more about our environmental initiatives by conducting tours of our wastewater treatment facility and cogeneration system.

Member Seminars by the Environmental Conservation Association of Shiga Prefecture

The Environmental Conservation Association of Shiga Prefecture, of which a Shiga Works employee is a director, offers member seminars to encourage learning about environmental conservation and to upgrade members’ expertise. In January 2006, Daifuku held a seminar, meeting and factory tour at Hiyoshi Corporation, addressing environmental issues as a member of the local community network.

Daifuku’s Initiatives to Reduce Noise and Vibration

Pollution Control Agreement Adherence and Monitoring

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

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

Daifuku Introduces Environmental Activities at Exhibition in Komaki

As one of the local enterprises in Komaki, Daifuku participated in Komaki Industrial Festa 2005 in May 2005 and Komaki Environment Fair in November, both of which were held at Park Arena close to the Komaki Works. In cooperation with a video and panel to introduce Daifuku, we displayed our environmental activities to local residents.

Environmental Communications

Daifuku, as a good corporate citizen, is actively promoting information disclosure, environmental improvement activities and other initiatives.

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 to exchange information and report on environmental activities. In 2005, the Company held seminars to give impetus to environmental activities through collaboration with local corporations on asbestos countermeasures. 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 2005, Daifuku took part in a total of 49 surveys regarding the Company’s environmental and quality assurance activities. The Company places an emphasis on responses 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 Fiscal 2005 Surveys (April 1, 2005 - March 31, 2006)

<table>
<thead>
<tr>
<th>Source Area</th>
<th>Environment</th>
<th>Environment &amp; Quality</th>
<th>Social Issues</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper/Magazine</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Public Opinion</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Education-related</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>NGO/sister</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>15</td>
<td>9</td>
<td>64</td>
</tr>
</tbody>
</table>

Daifuku Continues Company-Wide Activities with a Contributing to Local Communities Theme

There has been a growing interest in environmental issues on a global scale in recent years, Daifuku has also raised its own awareness toward the environment, facilitating related activities at each unit and site.

At the Tokai Office Branch, we set an immediate goal on the theme of “Anyone can reduce environmental impact and contribute to the local community—anytime, anywhere,” continuing our activities in principle with the participation of all employees. Specifically, we engage in the reduction of energy consumption and waste, traffic control duties, and the cleaning of parking spaces. The fruits of these efforts have steadily increased and we keep working on them.

At the Park Office Branch, we set an immediate goal on the theme of “Anyone can reduce environmental impact and contribute to the local community—anytime, anywhere,” continuing our activities in principle with the participation of all employees. Specifically, we engage in the reduction of energy consumption and waste, traffic control duties, and the cleaning of parking spaces. The fruits of these efforts have steadily increased and we keep working on them.

Environmental Impact Reduction Efforts ➤ Green Procurement Status and Promotional Measures

Social Efforts ➤ Environmental Information Disclosure and Environmental Communications

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Daifuku, as a good corporate citizen, is actively promoting information disclosure, environmental improvement activities and other initiatives.

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 to exchange information and report on environmental activities. In 2005, the Company held seminars to give impetus to environmental activities through collaboration with local corporations on asbestos countermeasures. 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 2005, Daifuku took part in a total of 49 surveys regarding the Company’s environmental and quality assurance activities. The Company places an emphasis on responses 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 Fiscal 2005 Surveys (April 1, 2005 - March 31, 2006)

<table>
<thead>
<tr>
<th>Survey source</th>
<th>Environment</th>
<th>Environment &amp; Quality</th>
<th>Social Issues</th>
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<td>Newspaper/Magazine</td>
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<td>13</td>
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<td>Public Opinion</td>
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<td>1</td>
<td>3</td>
<td>6</td>
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<tr>
<td>NGO/sister</td>
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<td>1</td>
<td>1</td>
<td>3</td>
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<tr>
<td>Total</td>
<td>40</td>
<td>15</td>
<td>9</td>
<td>64</td>
</tr>
</tbody>
</table>

Daifuku Continues Company-Wide Activities with a Contributing to Local Communities Theme

There has been a growing interest in environmental issues on a global scale in recent years, Daifuku has also raised its own awareness toward the environment, facilitating related activities at each unit and site.

At the Tokai Office Branch, we set an immediate goal on the theme of “Anyone can reduce environmental impact and contribute to the local community—anytime, anywhere,” continuing our activities in principle with the participation of all employees. Specifically, we engage in the reduction of energy consumption and waste, traffic control duties, and the cleaning of parking spaces. The fruits of these efforts have steadily increased and we keep working on them.

At the Park Office Branch, we set an immediate goal on the theme of “Anyone can reduce environmental impact and contribute to the local community—anytime, anywhere,” continuing our activities in principle with the participation of all employees. Specifically, we engage in the reduction of energy consumption and waste, traffic control duties, and the cleaning of parking spaces. The fruits of these efforts have steadily increased and we keep working on them.
**Observance of Regulations**

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

**Compliance with Environmental Laws and Regulations**

[Observance status]
- Fiscal 2005 saw no issues in respect of our conformity to relevant laws and regulations. We will continue to monitor the status of each of our units.

**Establishment of Compliance Committee**

Compliance (observance of laws), including not only the observance of laws and internal regulations but also of socially accepted thinking, common practice, and ethics, has become a major issue. The Company prepared its “Corporate Code of Conduct” and established a Compliance Committee to encourage all employees to obtain a deeper understanding of these issues.

**Social Efforts ➤ Contribution to Society**

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

**Contributions to Society**

Daifuku is making contributions to society on several fronts, including beautification and cleanup efforts as volunteer work. Participation in Local Beautification and Cleanup Activities

Since December 2001, personnel at the Shiga Works have held a post-lunchtime and after-work cleanup called “Ohmi Eco-Foster” once a month along National Route 307 and other areas surrounding the Works. In addition, we participated in the Hino-cho, Shiga Prefecture “Shakunage-kei (Rhododendron Gorge)” maintenance and cleanup activities around the Company’s dormitories.

Rhododendron hondoense variety that is designated as a natural treasure. The Company will continue to participate after next year as part of our contribution to the local area.

As part of efforts to help accelerate local environmental activities, personnel from the Komaki Works participated in the “Komaki City Litter Prevention Drive” and cleanup activities around the Company’s dormitories. Daifuku is committed to both continuing its current activities and engaging in new initiatives, with the aim of being perceived as a valuable corporate contributor to society.

**Industrial Safety and Hygiene**

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

**Daifuku Establishes Occupational Safety and Health Management System (OSHMS)**

Daifuku has established an Occupational Safety and Health Management System (OSHMS) that gives consideration to the environment, quality and safety, and applied it to the Shiga Works in April 2006. We plan to promote the system’s company-wide cross-sectional development.

An Environmental Safety and Health Message

Once every month, the president delivers a video message relating to environmental protection and safety to all employees in Japan and overseas via the Company’s Intranet. Daifuku started to deliver such messages in July 2004. We will continue this effort to increase environment, safety and health awareness.

On-Site Safety Patrol Campaigns

As part of the activities of the Installation Control Environmental Safety and Hygiene Committee, each of Daifuku’s divisional general managers conducted a round of safety inspections referred to as the Safety Patrol Campaign. The Safety Patrol Campaign is a trial effort in safety control whereby general managers visit each factory location, participate in safety activities there, and learn from the each factory’s strong points. In the future, we will conduct these activities as necessary on an ongoing basis.

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

Drivers from the Company's each factory location, participate in safety activities there, and learn from the each factory’s strong points. In the future, we will conduct these activities as necessary on an ongoing basis.

**Social Efforts ➤ Information About Industrial Safety and Hygiene**

Daifuku receives certificate for achieving “Six months industrial Accident-Free” "Aiming to cut 20% of work-related accidents in five years from 2007” — The Labor Department of Shiga Prefecture held the “Six Months Industrial Accident-Free Campaign” from July through December 2003. The Shiga Works participated in the campaign and received a certificate as a company that achieved this goal. Of the 367 participants in the prefecture, 215 offices (36% of the total) attained the goal. Daifuku’s Shiga Works achieved the goal and has maintained an accident-free record since December 2004.
Human Rights and Employment
Daifuku respects the rights of the employees and stakeholders and works actively to create a worker-friendly environment.

Opening a Personnel Counseling Office
Daifuku introduced a “New Personal Treatment Program” in fiscal 2003. As part of a company-revitalizing measure within that program, we opened a “Personnel Counseling Office,” which serves as an easily accessible contact point for employees who have queries or problems. The office receives inquiries about the New Personal 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, the Product Safety Task Force, which is composed of the engineering, development and design units, has formulated a set of regulations and completed risk assessment for newly developed products and existing models. The Task Force has completed the risk assessment of existing and new products based on the regulations. From fiscal 2006, the Design Task Force, which integrates the environment, safety and quality assurance units, will take over the responsibility of the Product Safety Task Force. Furthermore, Daifuku’s production units engage in risk assessment of installation work sites through ISO task forces.

Corporate Code of Conduct
Daifuku observes all applicable laws, regulations, and social norms, both domestic and foreign.

Strictly Observing the Corporate Code of Conduct
Daifuku has prepared 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. In addition, Daifuku has summarized the Corporate Code of Conduct-related explanatory notes that were in in-house newsletters and published a booklet in September 2005 as a supplementary volume to the 50th company newsletter to publicize the main points.

Social Efforts ▶ Information About Corporate Ethics
Corporate Code of Conduct
Daifuku observes all applicable laws, regulations, and social norms, both domestic and foreign.

Social Efforts ▶ Information About Extensive Consumer Protection and Product Safety
Product Safety
In fiscal 2005, Daifuku implemented risk assessment in each unit as part of corporate responsibility, pursuing “product safety,” “factory equipment safety” and “field safety.”

Product Safety
Daifuku has implemented the “Machinery Risk Assessment” as required by the ISO’s “Safety of Machinery” and “The Guidelines for Comprehensive Safety Standards of Machinery” by the Ministry of Health, Labour and Welfare. Furthermore, we are striving to carry out a risk assessment of production equipment and fields.

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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.

Information Security Committee
In August 2004, Daifuku established an Information Security Committee in order to standardize company-wide rules and to increase awareness of the Company information management, such as employee, 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 resources (information security). Daifuku formulated the relevant regulations based on this basic policy, implementing internal audits by the Committee while enlightening employees through in-house newsletters and Intranet to thoroughly comply with these regulations.

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

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

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

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

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

Hini Arata Kan, the World’s Largest Full-Scale Comprehensive Logistics Showroom

Opened on June 1, 1994, within the Shiga Works site, Hini Arata Kan exhibits 300 items of equipment from 100 different types of logistics systems, along with more than 150 items of logistics-related equipment from 40 logistics vendors, including Daifuku. Visitors can view the actual equipment and see state-of-the-art systems in operation in demonstrations of an automobile assembly line, as well as of storage, conveying, sorting and picking systems.

Hini Arata Kan has welcomed an average of just under 20,000 visitors a year, including Daifuku’s customers, elementary and junior high school students, and various groups. On August 3, 2005, we welcomed the 200,000th visitor.

Number of visitors exceeds 200,000 in 12th year of operation

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Closed: Sunday, national holidays
Parking space: 5 buses, 50 cars
Building height: 25.1 m
Floor area: 6,049 sq.m
Floor area: 19,482 sq.m
Facility Fact
Floor area: 19,482 sq.m
Building height: 25.1 m
Parking space: 5 buses, 50 cars
Hours open: 9:00 a.m. - 5:00 p.m.

Web site: http://www.daifuku.com/daifuku/

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