Leading the Material Handling Industry

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

A New Chapter under a New Management Team

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

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

For our Japan-based operations, the most important event of the current fiscal year is the implementation of “internal control over financial reporting” in line with the Financial Instrument and Exchange Law. As we strive to remain a company trusted by all our stakeholders, we ask for your continued support and encouragement.

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

August 2008
More than ever, major economies worldwide are experiencing difficult conditions. Underlying the poor conditions are financial market turmoil and a resultant real economy sluggishness triggered by the U.S. subprime loan crisis, stagnating stock markets and surging energy and raw material prices, which are together fueling concerns for a slowdown in capital expenditure. On the other hand, China and other emerging countries as well as resource-consuming countries are together fueling concerns for a slowdown in capital expenditure. Underlying the poor conditions are financial market turmoil and a resultant real economy sluggishness triggered by the U.S. subprime loan crisis, stagnating stock markets and surging energy and raw material prices, which are together fueling concerns for a slowdown in capital expenditure. On the other hand, China and other emerging countries as well as resource-consuming countries are together fueling concerns for a slowdown in capital expenditure.

70th Anniversary as a Midpoint

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

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

Corporate Activities Emphasizing Social Contributions and the Environment

Material handling systems and equipment form part of the essential social infrastructure supporting industry, logistics, and trade. Daifuku adheres to a prioritized management philosophy of “contributing to the development of industry by supplying optimal material handling systems to a global market.” The Company has been applying the technology and experience that it has accumulated in the five decades since its founding in 1957. Today, Daifuku has two major corporate strategies in its corporate philosophy:

- The most challenging issue is the "macro" improvement of operations at its global production bases, Daifuku has introduced ISO 9001/14001 management systems. To ensure business continuity in preparation for and response to the Company’s actual growth. Choosing this option, Daifuku acquired all the shares of U.S.-based Jervis B. Webb Company in December 2007. Jervis B. Webb boasts strengths in the field of airport baggage handling systems, a previously unexplored field for Daifuku; extensive product lines that effectively complement those of Daifuku; and an internal control system in accordance with the Corporation Law, which was enacted in 2006, and the Financial Instruments and Exchange Law, which was put in force from April 2008.

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

- Dafuku considers the environment to be an important factor in the Company’s future and undertakes the full gamut of environmental conservation activities in every facet of its business. To facilitate and further increase the smoothness and efficiency of operations at its global production bases, Daifuku has introduced ISO 9001/14001 management systems. To date, Daifuku’s Toyko Head Office, Osaka Headquarters, Shiga Works, Komaki Works, Tokai Office and Kiyosu Daifuku Corporation have acquired ISO 14001 certifications and are conducting operations based on the Company’s management systems. Outside Japan, in fiscal 2006 the Company began preparing for the acquisition of ISO 9001 certification for its production bases, mainly for its production bases, most of which are expected to acquire certifications by the end of fiscal 2008 ending March 2009.

- Through D-MAND training, Daifuku provides its employees with production and skills training programs in Japan while offering traveling seminars at global affiliates. These activities have strengthened our corporate strategies in line with this business model focuses on thorough project management and service business expansion. In the field of project management, we closely observe the need for disaster and risk prevention measures. Daifuku therefore offers products and services that take into account wide-ranging stability and safety aspects so that delivered systems can guarantee a stable operation on a daily basis.

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

- As our Basic Management Policy states, we will continue to invest heavily in R&D, which it recognizes as the lifeblood of a manufacturing company.

Material Handling and Beyond

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

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

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

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

Corporatedata

Corporate name: Daifuku Co., Ltd.
Osaka Headquarters: 3-2-11 Mitejima, Nishiyodogawa-ku Osaka 555-0012 Japan
Tokyo Head Office: 2-14-5 Shiba, Minato-ku Tokyo 105-0014 Japan
Established: May 20, 1937
Paid-in capital: 8,024 million yen (As of April 2008)
Representative: Masaki Hojo, President & Co-CEO
Employees: Approx. 5,700 (Total of Daifuku Group, as of March 2008)
Consolidated sales: 231,619 million yen (for the year ended March 2008)
Business: Provides comprehensive consultation services for material handling systems and total engineering, including designing, manufacturing, installation, and after-sales services
Products: Conveying/Transport systems, storage systems, processing and sorting systems, control and information systems, material handling systems and equipment, and others (car wash machines, bowling alley equipment, special-purpose equipment, etc.)

Affiliates
- Contec Co., Ltd.
- Contec EMS Co., Ltd.
- Kyushu Daifuku Corporation
- Daifuku Unix Corporation
- Daifuku Obara MAF Co., Ltd.
- Daifuku Logistic Technology Co., Ltd.
- Hinariyakai Corporation
- Daifuku Design and Engineering Co., Ltd.
- Daifuku Institute of Technology and Training Co., Ltd.
- Daifuku Business Service Corporation
- Daifuku Software Development Co., Ltd.
- Daifuku Business Create Co., Ltd.
- Daifuku America Corporation (U.S.A.)
- American Conveyor and Equipment, Inc. (U.S.A.)
- Jervis B. Webb Company (U.S.A.)
- Daifuku Canada Inc. (Canada)
- Jervis B. Webb Company of Canada, Ltd. (Canada)
- Daifuku Europe Limited (U.K.)
- Daifuku B. Webb Company, Ltd. (U.K.)
- Jervis B. Webb GmbH (Germany)
- Daifuku India Private Limited (India)
- Daifuku India Private Limited (India)
- Daifuku Thailand Ltd. (Thailand)
- Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)
- Daifuku (Japan) Ltd. (Philippines)
- P.T. Daifuku Indonesia (Indonesia)
- P.T. Daifuku Indonesia (Indonesia)
- Daifuku America Corporation Ohio Plant
- Daifuku (Thailand) Ltd. Chonburi Plant
- Jervis B. Webb-China Company, Ltd. (China)
- Jervis B. Webb-China Company, Ltd. (China)
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- Daifuku Asia (Thailand) Ltd.
Tunnel-type Magic-Thru Convenio

A technology that monitors the amount of stored charge in the capacitor installed in a stocker, and, when the amount permits, operates the stocker without starting the HID, thereby reducing power costs.

Environmental Efforts Reflected in Daifuku Products

Power-Saving, Low-Noise L Series Conveyors Developed

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

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

[Product Features]

- Reduces energy usage thanks to line shaft technology
- Enables conveyors up to 50 meters long to be run by a single motor
- Note: Maximum conveyer length fluctuates depending on such factors as transport speed, mass and roller pitch.

- Features reduced noise levels thanks to a new roller technology
- Roller bearing material changed to plastic

Power-Saving Clean Stocker Developed

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

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

[Product Features]

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

Car Wash Machines with Superior Water-Saving Developed

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

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

In addition, changing the washing solution from conventional minerals in solution to a plant-derived shampoo and wax has resulted in car wash machines that are more environment-friendly.
Long Established U.S. Material Handling Solutions Provider
Jervis B. Webb Company Joins Daifuku Group

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

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

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

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

Enhanced Delivery System for the Automobile Production Line Business

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

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

Founded in Kobe, Japan, as National Kikai Kenzetsu K.K. (Naniwa Machinery Construction Co., Ltd.) in 1961, the company’s business mainly involved equipment installation. In 1965, the company moved to Osaka, established a factory in order to engage in a variety of plant construction work from the design stage and changed its name to Osaka Machinery Works. The move to its Izaraki City location was made in 1962 to upgrade the company’s manufacturing capabilities. Having expanded its buildings on three occasions, the factory now covers a 4,700 sq.m area and is organized under a system that ensures it is capable of responding to a variety of needs, including the introduction of five-face processing machines.

Two Subsidiaries in Taiwan Merged

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

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

World Congress for In-Company Skills Competition Held

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

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

Prize for Creativity Received from MEXT

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

One award was for “Improving Productivity through the Multi-Purpose Utilization of Welding Robots” initiative, which automates welding processes that would otherwise take three hours by hand and reduces costs one million yen per year by utilizing the Power & Free Conveyor long rail welding robots for the Drop Lift post welding. The other award was for the “Construction of a Tube Pipeline to Improve Yield Ratio,” which enabled a reduction in scrap of an annual equivalent of 46% per year, thus bringing down costs 8.2 million yen by improving roll adjustment methods and implementing measures to prevent electric spraying faults.

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

ISO Certification Obtained Across the Globe

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

[Global affiliates that have completed ISO 9001 certification]
Daifuku America Corporation (U.S.A.)
MMATS Co., Ltd. (South Korea)
ATC Co., Ltd. (South Korea)
Clean Factomatlon, Inc. (South Korea)
Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
Shanghai Contec Microwelltronics Corporation (China)
Taiwan Contec Co., Ltd. (Taiwan)
Daifuku (Thailand) Ltd. (Thailand)
(Taiwan Daifuku Co., Ltd. (Taiwan)
Daifuku Mechtronics (Singapore) Pte. Ltd. (Singapore)
(1) ISO 14021 certification planned for completion in fiscal 2008
The first pillar of Daifuku’s management philosophy is to “contribute to the development of industry by supplying optimal material handling systems to a global market.” The second pillar encourages “healthy, growth-driven management which values profitability” to earn the trust of shareholders, business partners and employees. Our aim is a strong corporate structure that successfully guides that company in a competitive global market.

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

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

Initiatives for Internal Control

In developing its corporate governance system, Daifuku established the Internal Control Operations—Business Continuity Plan (BCP) Promotion Division in April 2007. The Executive Vice President is responsible for Internal Control as Chief Risk Officer (CRO) and manages risk for the Company.

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

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

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

Quality Management System

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

Conducting Risk Assessment

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

Environmental Management System

Daifuku engages in a wide range of business operations at home and abroad, as a manufacturer of a comprehensive range of products that are generated by business activities and manufacturing works at all life-cycle stages with the aim of minimizing such impact.

Having constructed Companywide systems for health and safety as well as environmental management, Daifuku is working to form efficient information routes for rapid response when unforeseen events arise and to strengthen safety management systems in operations in Japan and overseas.

(3) Promote mental and physical health
Environmental Regulation Observance

Obserrvance of Regulations

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

Vision / Mission

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

Corporate Code of Conduct Basic Policy

Contribution to society through corporate activity

Daifuku focuses on environmental sensitivity and safety while developing and offering products and systems that contribute to the creation of a comfortable and affluent society. As a global company, awareness of and compliance with rules and social principles

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

Retaining stakeholder confidence

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

Contribution to communities

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

Compilience with the personality and individuality of each employee

Daifuku fully respects each employee’s personality and individuality as essential components of a dynamic corporate culture.

Compliance Committee Structure

Compliance Committee

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

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

Strategic Goods Export Control Committee

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

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

Compliance with Environmental Laws and Regulations

[Observance status]

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

[Revision of laws and regulations, and other]

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

Details Concerning the Protection of Information Assets

Information Security Governance

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

Information Security Policy

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

Information Security Committee System

Information Security Policy

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

Activity Framework

Specific Measures Taken in Establishing Information Security

Daifuku undertakes wide-ranging information security initiatives under the slogan “Creating a zero-leak information climate” and “Creating zero-leak information mechanisms.”

(1) Implementation of measures to prevent information leaks

Classifying information assets on a scale of four by degree of importance, Daifuku makes regular location data lists and limits on the unauthorized use of computer connections.

(2) Information Security Training

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

(3) Global Response

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

**Human Rights and Employment**

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

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**Human Resources Policy**

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

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

**HR Training System**

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

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**Companywide Environment, Safety and Hygiene Control System**

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

**On-Site Safety Patrol Campaigns**

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

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**Information about Industrial Safety and Hygiene**

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**Human College**

**Creative Selection Seminar**

**Global HR Training System**

**Self-Care Handbook**

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**Job Creation**

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

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

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**Mental & Physical Health Promotion Committee**

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

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

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**Daifuku HR Training System as a Glance**

**Central Environment, Safety and Hygiene Committee**

**On-Site Safety Patrol Campaign**

**Daifuku Group HR Training System**

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**Internal Control Messages**

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

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**Safety Management and Speed Warning Signs Installed**

In addition to upgrading its safety management sign, speed warning signs have been installed at two locations at the Shiga Works. The safety management sign, which shows the running total of the number of accident-free days, is prominently displayed for all visitors to see in front of Building A to the right of the main gate. Featuring an environmentally friendly LED counter, the sign runs on solar power.

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

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**Companywide Environment, Safety and Hygiene Control System**

*Control Environment, Safety and Hygiene Committee*

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**Daifuku HQ Environmental Safety and Hygiene Committee**

**Tokyo HO Environmental Safety and Hygiene Committee**

**Shiga Works Environmental Safety and Hygiene Committee**

**Komaki Works Environmental Safety and Hygiene Committee**

**Installation Management Environmental Safety and Hygiene Committee**

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Cross-Divisional Quality Control System

In 2006, Daifuku introduced an improved, comprehensive quality control system by transferring and integrating the production functions of the Komaki Works with those of the Shiga Works. As Daifuku’s business strength is underpinned by its divisions, cross-divisional relations hold the key for the Company’s success. Therefore, the Company promotes cooperation among the individual operations handling marketing, engineering, design, manufacturing, and installation and service provision through Quality Task Forces established at all divisions.

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

Improvement Proposals, Small Group Initiatives

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

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

Quality Management System

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

Quality Management Education and Training

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

Stable Product Operations

In earthquake-prone Japan, increasing attention is being paid to the earthquake-response measures of automated warehouses. Daifuku is also focusing efforts on this area, in light of the loss and damage to a total of 66 facilities in 2007, and the rise in the number of major earthquakes, such as the Great Hanshin Earthquake of 1995. Awareness of disaster prevention and risk response has been on the rise in Japan, and Daifuku has comprehensively renewed its Japanese website for the first time in a half year. On the revised website, the Company has reinforced the disclosure of information on its investor relations and social contribution activities. To accommodate the needs of all stakeholders, Daifuku’s corporate activities are detailed in a viewer-friendly manner.

Comprehensive Renewal of Daifuku Japanese Website

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

Cooperation with Shiga Prefecture’s Environmental Conservation Association and its Member Corporations

Introducing Environmental Activities at an Exhibition

When the Kissui Works, located in northern Aichi Prefecture, held a meeting for all employees, Daifuku introduced Daifuku’s environmental policy. In this regard.

Communication Activities

Daifuku participates in various events and discloses information through various media in order to ensure that our environmental efforts are widely known and appreciated. We will continue to effectively communicate with society, as befits a good corporate citizen.
Social Contribution

Contributing to the Community

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

Completion of School Building Construction in Inner Mongolia, China

The construction of elementary school buildings located in Zhuozui County in Inner Mongolia, China was completed in October 2007. The construction was undertaken to commemorate the 70th and 55th anniversaries of the establishment of Daifuku and Daifuku (Shanghai) Ltd., respectively. Daifuku Shanghai conducts marketing and servicing related to logistics systems in China. Daifuku has constructed the school buildings jointly with the county government, contributing half the construction costs.

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

Wheelchair Lift-Equipped Vehicles Donated to Care Facilities

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

Daifuku’s Indian Operations Introduced at a Seminar

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

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

Students Listen to First-Hand Logistics System Business Experience

In July 2007, Kobe University’s Faculty of Maritime Sciences hosted a “Relay seminar” in the Kansai region participated. An engineer from Daifuku was invited to the seminar as a guest speaker and introduced to the students attending the latest information on the logistics industry.

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

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

Column: Bowling for Health—Booklet Published

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

Competition on Blood Drive

Donated care vehicle

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

The booklet entitled RAISE (44-44, full-color, 26 pages)

Comments from Environmental Activity Representatives

Activities at the Tokai Office through Automotive Manufacturing

Emi Ujije

At our company cafeteria, we count the exact number of meals consumed each day in order to control and reduce the volume of food scraps. Recognizing it as a mission of those involved in automotive manufacturing, each campaign period the office teams adopt five different employees drawn from all departments with securing traffic safety, posting these employees at crossings and on streets near the office building to promote walkabout usage, stopping at stop signs and other safety measures from early morning, also, on the day of duty, these employees bring garbage bags with them and collect PET bottles and other garbage around their assigned locations, contributing to local beautification.

Plaque of Appreciation

Donated care vehicle equipped with Daifuku-manufactured wheelchair lift

Traffic safety campaign conducted by the Tokai Office Head Office

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

Appreciation Plaque for Actively Participating in Blood Drive

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

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

Interaction with Local Citizens

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

* A game invented in Japan, similar to croquet

Ohmi Eco-Foster Activities

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

* A game invented in Japan, similar to croquet
Basic Environmental Policy

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

Environmental Policy

Basic Principle

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

Basic Policy

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

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

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

(4) 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.

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

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

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

Environmental Objectives and Targets

Fiscal 2007 Environmental Objectives and Targets

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<th>Objectives &amp; Targets (FY2006)</th>
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Raising of Environmental Awareness

Daifuku produced the Environmental Policy Card and distributes copies of it to the Group staff, publicizing the Company’s ideas regarding environmental issues. The cards are made from plant-derived biodegradable plastic.
Daihakku’s Business Operations in Relation to Environmental Imperatives

Business Operation Material Balance

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

Concept of Environmental Accounting

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

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

Fiscal 2007 Environmental Accounting

<table>
<thead>
<tr>
<th>Costs of Environmental Conservation Activities</th>
<th>Unit: 1000 yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>Activity / Major Factors</td>
</tr>
<tr>
<td>Reduction of environmental impact in production activities</td>
<td>- Design/production pilot plant/ability, scaling down fresh water facilities, reusing water facilities for cooling water</td>
</tr>
<tr>
<td></td>
<td>- Waste treatment costs, waste recycling costs</td>
</tr>
<tr>
<td></td>
<td>- Use of materials &amp; equipment for environmental conservation</td>
</tr>
<tr>
<td></td>
<td>- Promotion of green procurement, fabrication and collection of transportation jigs</td>
</tr>
<tr>
<td></td>
<td>- Development costs related to energy and weight saving and the reduction of the quality of parts used</td>
</tr>
<tr>
<td></td>
<td>- Reduction of environmental impact from transportation</td>
</tr>
<tr>
<td></td>
<td>- Improvement of transportation efficiency by using jigs</td>
</tr>
<tr>
<td></td>
<td>- Environmental conservation activities at management/administration offices</td>
</tr>
<tr>
<td></td>
<td>- Recycling of non-industrial waste, renewal of lighting and air-conditioning</td>
</tr>
<tr>
<td></td>
<td>- Environmental consideration for global operations</td>
</tr>
<tr>
<td></td>
<td>- Implementation of environmental management</td>
</tr>
<tr>
<td></td>
<td>- Sale of valuable resources</td>
</tr>
<tr>
<td></td>
<td>- Improvement of packaging methods for overseas shipping products</td>
</tr>
<tr>
<td></td>
<td>- Implementation of industrial waste reduction measures</td>
</tr>
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<td></td>
<td>- Improvement of transportation efficiency by using jigs</td>
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</tr>
<tr>
<td></td>
<td>- Implementation of industrial waste reduction measures</td>
</tr>
<tr>
<td></td>
<td>- Improvement of transportation efficiency by using jigs</td>
</tr>
</tbody>
</table>

Column: Environmental Management Level Survey

- Ranked 260th out of 1,752 manufacturers

In December 2007, Nikkei Inc. announced the results of its 11th “Corporate Environmental Management Level Survey.” Daihakku was ranked the 260th out of 1,752 manufacturers.

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

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

Summary of Environmental Accounting

The effects of product development are excluded from the reports and results because we currently have no clear-cut formula for calculation.

Daihakku 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 Management System

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

ISO Certification Acquisition

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

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

Environmental Management System

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

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

Environmental Auditing System

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

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

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

Environmental Education and Training

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

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

Emergency Preparedness

All divisions have identified potential emergency situations that may affect Group companies’ local operating environments, including earthquakes, fires, floods and spills of hazardous substances. For each of these identified emergencies, the Company strategically conducts drills following specified procedures.
DAIFUKU SOCIAL & ENVIRONMENTAL REPORT 2008

Environmental Conservation

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

Carbon Dioxide (CO2) Emissions and Reduction Measures

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

Environmental Impact of Transportation Operations

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

Energy Conservation Efforts

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

Idling Stop Initiative

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

CO2 Emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>Companywide</th>
<th>Osaka Headquarters</th>
<th>Tokyo Headquarters</th>
<th>Shiga Works</th>
<th>Komaki Works</th>
<th>Tokai Office</th>
<th>Kyushu Daifuku</th>
<th>Corflex</th>
<th>Truck Numbers</th>
<th>Mileage (km)</th>
<th>CO2 emissions (t-CO2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>23,178</td>
<td>26,107</td>
<td>220</td>
<td>21,918</td>
<td>21,339</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>115.0</td>
</tr>
<tr>
<td>2007</td>
<td>22,867</td>
<td>26,057</td>
<td>214</td>
<td>20,132</td>
<td>20,596</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>113.7</td>
</tr>
<tr>
<td>2008</td>
<td>26,861</td>
<td>28,617</td>
<td>245</td>
<td>20,132</td>
<td>20,596</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>113.7</td>
</tr>
<tr>
<td>2009</td>
<td>26,861</td>
<td>28,617</td>
<td>245</td>
<td>20,132</td>
<td>20,596</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>113.7</td>
</tr>
<tr>
<td>2010</td>
<td>26,861</td>
<td>28,617</td>
<td>245</td>
<td>20,132</td>
<td>20,596</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>113.7</td>
</tr>
<tr>
<td>2011</td>
<td>26,861</td>
<td>28,617</td>
<td>245</td>
<td>20,132</td>
<td>20,596</td>
<td>245</td>
<td>211</td>
<td>556</td>
<td></td>
<td></td>
<td>113.7</td>
</tr>
</tbody>
</table>

Net sales per unit: Fiscal 2006 = 100

Glossary

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

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

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

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

Promoting Business-Oriented Activities, Working Toward Reducing Environmental Impact

Hiroytuki Takiguchi
Investor Relations Department (Tokyo Head Office)

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

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

Comments from Environmental Activity Representatives

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

All internal divisions display the Team Minus 6% poster, have a no jacket and tie rule in summer and encourage the wearing of warmer clothes in the office in winter. Long-standing energy reduction activities form one part of Daifuku’s environmental management system and awareness activities achieved a year-on-year energy reduction of 6%. Daifuku’s employees will work in unison to broaden the scope of activities aimed at achieving project targets.
DAIFUKU SOCIAL & ENVIRONMENTAL REPORT 2008

Waste Reduction

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

Medium-Term Waste Reduction Target Toward Zero-Emissions

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

Definition of Waste and Reduction Targets

Waste Reduction and Appropriate Disposal

Based on the concept “properly sorted wastes are resources and vice versa,” Daifuku is promoting the Daifuku Zero Emissions Activities, under which a fiscal 2007 target was set of recycling more than 90% of total waste generated by the Company.

The Shiga Works has established the Waste Task Force, which consists of representatives of each department, to solve issues relating to waste. The task force conducts regular monitoring and new products, we are upgrading our existing products. In the Control Development Department, we are engaged in the design and development of such control modules as printed circuit boards (PCBs), computers and power supply units that are incorporated into Daifuku products as well as common software, including operating systems (OSs) and input/output (I/O) drivers, used with these products.

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

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Environmental Impact

Pollutant Emissions Control

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

Pollutant Release and Transfer Register (PRTR) Control

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

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

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

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

Prevention of Air Pollution

Based on Ordinance No. 25, Clause 1, of the Ordinance Concerning the Reduction of Impacts on the Air Environment of Shiga Prefecture, the Shiga Works is designated as a “place of business subject to a plan to reduce its environmental impact on the air.” Because the plant has been in a cogenration system, efforts are made to control and reduce smoke-type air pollutants.

With regard to the maintenance and inspection of facilities, all facilities specified under applicable laws and ordinances are naturally periodically inspected, while other non-specified equipment is voluntarily inspected as appropriate.

Shiga Works (according to Minato Town environmental pollution control agreement)

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>Source</th>
<th>Max.</th>
<th>Min.</th>
<th>Measured value</th>
<th>Standard value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOx (ppm)</td>
<td>Dynamo</td>
<td>950</td>
<td>687</td>
<td>3.3</td>
<td>0.137</td>
</tr>
<tr>
<td>SO2 (mg/L)</td>
<td>Hot water boiler</td>
<td>130</td>
<td>110</td>
<td>0.57</td>
<td>0.025</td>
</tr>
<tr>
<td>Dust (mg/m)</td>
<td>Dynamo</td>
<td>0.02</td>
<td>0.008</td>
<td>0.20</td>
<td>0.001</td>
</tr>
<tr>
<td>Dust (mg/N)</td>
<td>Hot water boiler</td>
<td>0.02</td>
<td>0.008</td>
<td>0.20</td>
<td>0.001</td>
</tr>
<tr>
<td>Dust (mg/N)</td>
<td>Water cooler/heater</td>
<td>0.02</td>
<td>0.008</td>
<td>0.20</td>
<td>0.001</td>
</tr>
</tbody>
</table>

PRTR Law and Related Chemical Substance Quantity Control

<table>
<thead>
<tr>
<th>Control No.</th>
<th>Chemicals</th>
<th>Transaction volume</th>
<th>Measurement item</th>
<th>Weight</th>
<th>Product</th>
<th>Transfer to</th>
<th>Transfer to</th>
<th>Max.</th>
<th>Min.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water soluble zinc compounds</td>
<td>577</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>486</td>
<td>121</td>
<td>577</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Biphenyl A</td>
<td>213</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>208</td>
<td>112</td>
<td>118</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Biphenyl A spiny resin (liquefied)</td>
<td>106</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>99</td>
<td>9</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Ethyl benzene</td>
<td>6,741</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,741</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Polyethylene glycol</td>
<td>1,727</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,727</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>Polyethylene glycol</td>
<td>36,855</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>36,855</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>66</td>
<td>Xylene</td>
<td>38,697</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>38,697</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>1,3,5-trimethylbenzene</td>
<td>618</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>618</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>77</td>
<td>Toluene</td>
<td>25,857</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25,857</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>78</td>
<td>Lead and its compounds</td>
<td>282</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>282</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>79</td>
<td>Polychlorinated biphenyls</td>
<td>2,177</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,177</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

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

Water Quality Management

The basic understanding is that water contamination is a serious problem that can affect soil, agricultural products, living environments and various other areas. Accordingly, efforts are made to control and reduce drainage from works with meticulous care, while, of course, observing relevant laws and regulations. Drainage from production activities at the Shiga Works is processed at comprehensive wastewater treatment facilities on the premises before being discharged into the Sakura River, which is designated as a Class-A River. Drainage from rainwater drains is channeled into a pond that stores water for firefighting.

For that reason, the equipment at the Works is thoroughly maintained and inspected, while water discharged from wastewater treatment facilities is measured. Living environmental organisms are measured once a month. Meanwhile, hazardous substance items are measured twice a year.

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

Also, once a month at the Komaki Works, an external organization inspects and measures drainage quality in accordance with water quality standards set forth under the Sewerage Law of Japan. In fiscal 2007, Daifuku reduced Companywide water consumption per unit of net sales 23.4% compared with fiscal 2006.

Environmental Activity Representatives

Comments from Environmental Activity Representatives

Continuous Improvements through a PDCA Cycle

Hiroshi Taniguchi

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

Reflecting on a series of recent incidents related to accounting fraud by listed companies and unauthorized dumping, it seems that we are living in a world where what has been believed to be commonplace is no more commonplace anymore. A Plan-Do-Check-Act (PDCA) cycle—which is an underlying principle of ISO—must be valued in such a world. Through effective PDCA implementation and dissemination, I would like to contribute to Daifuku making progress in the fields of environmental conservation and quality management.

Water Quality Management

A water survey being conducted at the Shiga Works

<table>
<thead>
<tr>
<th>Measurement item</th>
<th>Regulation value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PH</td>
<td>6.5 or less</td>
</tr>
<tr>
<td>SS (mg/l)</td>
<td>Less than 300</td>
</tr>
<tr>
<td>COD (mg/l)</td>
<td>8.6 or less</td>
</tr>
<tr>
<td>BOD (mg/l)</td>
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</tr>
<tr>
<td>Total phosphorus (mg/l)</td>
<td>0.3 or less</td>
</tr>
<tr>
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<td>0.3 or less</td>
</tr>
</tbody>
</table>

| Note: An average value is the weighted average. |

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

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Environmental Impact

Beginning with the fiscal year ending March 31, 2007, Daifuku increased its PRTR reporting system as a member of the ISO Promotion Dept., implementing activities in the areas of environmental conservation and quality management.

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

Water Quality Management

The basic understanding is that water contamination is a serious problem that can affect soil, agricultural products, living environments and various other areas. Accordingly, efforts are made to control and reduce drainage from works with meticulous care, while, of course, observing relevant laws and regulations. Drainage from production activities at the Shiga Works is processed at comprehensive wastewater treatment facilities on the premises before being discharged into the Sakura River, which is designated as a Class-A River. Drainage from rainwater drains is channeled into a pond that stores water for firefighting. For that reason, the equipment at the Works is thoroughly maintained and inspected, while water discharged from wastewater treatment facilities is measured. Living environmental organisms are measured once a month. Meanwhile, hazardous substance items are measured twice a year.

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Green Procurement

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

Green Procurement Addressed in the Supply Chain

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

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

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

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

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

We ask for the cooperation of our business partners in helping us maintain our green procurement activities. In fiscal 2003, we formulated a supplier evaluation system, and, in order to recognize suppliers with excellent performance records, we created the S.Q.D. Award. In fiscal 2008, the fifth year, Daifuku granted the award to 10 of 243 goods-related (including processing and controlled production) and construction contract-related companies.

Daifuku’s products will undergo checks for the existence of hazardous substances and alternative substances will be considered and used instead of those specified as hazardous (including six substances included in RoHS directives).

RoHS Directive Response and Management

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

[Examples]

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

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

CONTEC manufacture products that comply with RoHS directives.

Comments from Environmental Activity Representatives

Promoting Activities to Help Visitors Enjoy Their Visits

Yumiko Koketsu

Daifuku Shiga Works

Hini Arata Kan

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

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

CONTEC is making efforts to comply with RoHS guidelines and the company, which is engaged in the manufacture of PC peripheral devices, industrial computers and industrial network devices, has introduced lead-free solder paste to improve production.

RoHS Directive Response and Management

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