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

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

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

Through the efforts of everyone involved, Daifuku has risen to the top of the material handling field worldwide.

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

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

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Message from the CEO

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

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

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

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

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

New Three-Year Business Plan Formulated

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

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

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

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

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

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

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

Promoting Corporate Activities That Emphasize Environment and Safety

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

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

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

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

Management philosophy

1. Contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market.

2. Focus on healthy, growth-driven management that values profitability.

3. Create a corporate culture that respects the personality and individuality of each employee.

Basic management policy

1. Contribute to the development of the material handling industry as a leader with consistent technological innovation.

2. Comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company.

3. Emphasize the environment and safety in corporate activities to fulfill our social responsibility.

4. Further strengthen our financial integrity and ensure the credibility of financial reporting, as we prepare to build our International Financial Reporting Standards oriented systems.

5. Create a corporate entity which responds to changes efficiently and that is overseen by fair and objective policies worthy of a global corporation.
Material handling technologies are contributing to lower costs and faster delivery by streamlining various production and distribution processes. Basically, material handling processes comprise “conveying,” “sorting” and “storage.” Daifuku offers an array of material handling systems and equipment to industries ranging from manufacturing and transportation to warehousing and distribution, involving the automotive, electric appliance, electronics, pharmaceutical, food, apparel and daily commodity industries. Daifuku develops efficient, user-friendly logistics to support a diversity of everyday life and business circumstances.
Daifuku offers a number of material handling systems for clean rooms for liquid semiconductor manufacturers. Daifuku’s cleanroom transport and storage systems serve as total system solutions that enhance the overall productivity and operational efficiency of factories.

Daifuku contributes to welfare activities, medical care and environmental preservation through the offering of diverse products, including water-saving tunnel-type car wash machines for gas stations and car dealers; wheelchair lifts for care provider vehicles; and surgical instrument supply and collection systems for hospitals. In addition, Daifuku provides equipment and goods for bowling, which has been popular as a healthy sport.

Japanese Affiliates

Contec Co., Ltd.
Contec EMS Co., Ltd.
Daifuku Plusmore Co., Ltd.
Daifuku Logistics Technology Co., Ltd.
Hiraratakkan Corporation
Daifuku Design and Engineering Co., Ltd.
Daifuku Institute of Technology and Training Co., Ltd.
Daifuku Business Service Corporation
Daifuku Software Development Co., Ltd.
Daifuku Manufacturing Expert Co., Ltd.
Osaka Machinery Works Co., Ltd.
Renace Laboratory, Inc.

The development, manufacture and sale of industrial computers, interface boards and LAN-related products are handled by a Daifuku subsidiary Contec. Leveraging its bases in China and Taiwan, Contec is also engaged in the efficient procurement of components for and the production of controllers for material handling systems and power electronics products.

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

<table>
<thead>
<tr>
<th>Locations</th>
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</thead>
</table>
| **Osaka Headquarters**
3-25-1 Midahama, Moriguchi-shi, Osaka 560-0012 Japan
Lot area: 14,514 m²
Floor area: 19,236 m²
Business: Conducts sales, engineering, design, installation and services for material handling systems and equipment; handles corporate affairs |

<table>
<thead>
<tr>
<th>Business Activities</th>
</tr>
</thead>
</table>
| **Factory Automation & Distribution Automation**
Daifuku provides the logistics systems most appropriate for each client company by configuring the best combination of storage systems (including automated warehouses), sorting and picking systems and distribution systems for use in the factories and distribution centers of various industries, including the electric products, pharmaceuticals, food, transportation and warehousing industries. |

<table>
<thead>
<tr>
<th>Electronics</th>
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<tbody>
<tr>
<td>Daifuku contributes to welfare activities, medical care and environmental preservation through the offering of diverse products, including water-saving tunnel-type car wash machines for gas stations and car dealers; wheelchair lifts for care provider vehicles; and surgical instrument supply and collection systems for hospitals. In addition, Daifuku provides equipment and goods for bowling, which has been popular as a healthy sport.</td>
</tr>
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</table>

Consolidated orders and sales (Total for Daifuku Group, as of March 31, 2010)

<table>
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<tr>
<th>FY2006</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders (million yen)</td>
<td>2,261,166</td>
<td>2,744,665</td>
<td>2,709,500</td>
</tr>
<tr>
<td>Sales (million yen)</td>
<td>2,078,720</td>
<td>2,322,083</td>
<td>2,135,715</td>
</tr>
</tbody>
</table>

Ratios

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

For the Year

- **Orders Received**: 133,211 million yen
- **Net sales**: 154,208 million yen
- **Operating income**: 80 million yen
- **Net income**: 1,018 million yen
- **Consolidated orders and sales**: 2,709,500 million yen
- **Net assets**: 81,295 million yen

**Ratings**<sup>1</sup>(announced on July 30, 2010 by Rating and Investment Information, Inc.)

- **R&I assigns A–** for Daifuku, Ltd.
- **A–1** for Daifuku Institute of Technology and Training Co., Ltd.

**Business Performance Highlights**

(For the year ended March 31, 2010, unless noted otherwise)

- **Established**: May 20, 1937
- **Paid-in-capital**: 8.024 million yen (as of March 31, 2010)
- **Representative**: Masaki Hojo, President & Co-CEO
- **Employees**: 5,395
- **Business**: Provides comprehensive consultation, planning, engineering, design, manufacturing, sales, installation and aftermarket services for material handling and logistics systems
- **Products**: Storage systems, transport systems, sorting and picking systems, control and information systems, material handling equipment, car wash machines, bowling alley equipment, and other facilities

- **Locations**
  - **Osaka Headquarters**
    3-25-1 Midahama, Moriguchi-shi, Osaka 560-0012 Japan
    Lot area: 14,514 m²
    Floor area: 19,236 m²
    Business: Conducts sales, engineering, design, installation and services for material handling systems and equipment; handles corporate affairs
  - **Tokyo Head Office**
    2-14-5 Shibuya, Minato-ku, Tokyo 105-0014 Japan
    Lot area: 783 m²
    Floor area: 3,572 m²
    Business: Conducts sales, engineering, design, installation and services for material handling systems and equipment; handles corporate affairs

- **Business:  Provides comprehensive consultation, planning, engineering, design, manufacturing, sales, installation and aftermarket services for material handling and logistics systems**
- **Products:  Storage systems, transport systems, sorting and picking systems, control and information systems, material handling equipment, car wash machines, bowling alley equipment, and other facilities**

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

- **Japanese Affiliates**
  - Contec Co., Ltd.
  - Contec EMS Co., Ltd.
  - Daifuku Plusmore Co., Ltd.
  - Daifuku Logistics Technology Co., Ltd.
  - Hiranatatkan Corporation
  - Daifuku Design and Engineering Co., Ltd.
  - Daifuku Institute of Technology and Training Co., Ltd.
  - Daifuku Business Service Corporation
  - Daifuku Software Development Co., Ltd.
  - Daifuku Manufacturing Expert Co., Ltd.
  - Osaka Machinery Works Co., Ltd.
  - Renace Laboratory, Inc.
**Production and Sales Bases in 20 Countries and Regions**

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

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

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

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

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

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

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

**Global Network**

**Corporate Social Responsibility Report 2010**

**Non-Japanese affiliates**

- Daifuku Europe Ltd. (U.K.)
- Daifuku India Private Limited
- Daifuku Java Private Limited
- Daifuku (Thailand) Ltd.
- Daifuku Mechatronics (Singapore) Pte. Ltd.
- Daifuku (Malaysia) Sdn. Bhd.
- P.T. Daifuku Indonesia
- Daifuku (China) Ltd.
- Daifuku (China) Manufacturing Co., Ltd.
- Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
- Daifuku Webb-China Company, Ltd.
- Taiwan Daifuku Co., Ltd.
- Daifuku Mechatronics (Singapore) Pte. Ltd.
- Daifuku Korea Co., Ltd.
- Clean Factomation, Inc. (South Korea)
- Clean Factomation, Inc.
- P.T. Daifuku Indonesia
- Daifuku Co., Ltd.
- Daifuku America Corp.
- Daifuku Canada Inc.
- Daifuku Korea Co., Ltd.
- Clean Factomation, Inc. (South Korea)
- Daifuku Europe Ltd. (U.K.)
- Daifuku India Private Limited
- Daifuku Java Private Limited
- Daifuku (Thailand) Ltd.
- Daifuku Mechatronics (Singapore) Pte. Ltd.
- Daifuku (Malaysia) Sdn. Bhd.
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- Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
- Daifuku Webb-China Company, Ltd.
- Taiwan Daifuku Co., Ltd.
- Daifuku Mechatronics (Singapore) Pte. Ltd.
- Daifuku Korea Co., Ltd.
- Clean Factomation, Inc. (South Korea)
- Clean Factomation, Inc.
- P.T. Daifuku Indonesia
- Daifuku Co., Ltd.
- Daifuku America Corp.
- Daifuku Canada Inc.
- Daifuku Korea Co., Ltd.
- Clean Factomation, Inc. (South Korea)
**Thermo K.K. — Niigata Plant**

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

**YAMAYA Shonryu Corporation — Tohoku Distribution Center**

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

**GRANDBOWL Co., Ltd. — Inazawa Grand Bowl**

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

**ZEN-NOH Fresh Produce Marketing Corporation — Aikawa Distribution Center**

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

**Chongqing Medicine Co., Ltd. — Hoping Logistics Center**

Major pharmaceutical wholesaler Chongqing Medicine Co., Ltd., which owns China’s largest drugstore chain, Chongqing Medicine Hoping Drugstores, remodeled and expanded its hub distribution center, installing a variety of automated material handling systems, such as a unit load AS/RS, high-speed sorting transfer vehicles and a warehouse management system. Significantly mechanizing operations, from receiving to picking, replenishment and shipping, has enabled the fast and precise processing of shipping volumes worth as much as 4 billion yuan (around 66.8 billion yen) a year. These systems were able to return to normal operations a mere 30 minutes after the Sichuan earthquake struck (in May 2008).

**Daihatsu**

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

**Construction Production Line Systems Reduced**

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

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

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

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

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

Daihatsu has been promoting energy saving and environmental responsiveness across its entire lineup of car wash machines. The Convenios tunnel-type machine, which went on sale in the fall of 2009, is fitted with a water-saving feature and uses 40% less water than conventional models. Employing plant-derived, palm-oil based materials in its shampoo and wax, the Convenios is both people- and environment-friendly. Capable of handling a maximum of 60 car washes an hour (4,000 a month), a tunnel-type car wash machine reduces water consumption by 1,500 square meters a year, an energy use equivalent to the amount of CO₂ (540 kg) absorbed by 58 eucalyptus trees in a year.
In order to capture more of the growing demand in China for material handling systems that include transport, storage and sorting, Daifuku revamped its six affiliates in China and launched a new operating structure centered on the new subsidiary Daifuku (China) Co., Ltd. (“Daifuku China”) in April 2010. Under the reorganization, Daifuku Automation (Tianjin) Co., Ltd., a manufacturer of automobile production line systems, and Daifuku (China) Manufacturing Co., Ltd. subsidiaries of Daifuku China in March 2010, Shanghai Contec Microelectronics Corporation—a self-affiliate of Japan-based Daifuku Group subsidiary, Contec Co., Ltd.—merged with car wash machine manufacturer Daifuku Carwash-Machine (Shanghai) Ltd., the new entity’s name changing to Daifuku (China) Manufacturing Co., Ltd. from April.

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

New Plant in Pinthong, Thailand Completed

In August 2009, Daifuku (Thailand) Ltd., a Daifuku affiliate, completed its new plant in the Pinthong Industrial Park in Chonburi province, a 15-minute drive from the Chonburi Plant that commenced operations in 1995. Space at the Chonburi Plant had become cramped, leading to the construction. The new plant comprises factory and office buildings. With the new plant, Daifuku Thailand now possesses a two-plant structure and will strengthen Daifuku’s global production network as a key production facilities in Asia outside of China, South Korea and Taiwan. Pinthong’s operations are centered on assembly, while Chonburi is primarily engaged in machining and processing and the molding of rack components.

A Photovoltaic System Installed at Hini Arata Kan Demo Center

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

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

Chinese Subsidiary Obtains OHSAS 18001 Certification

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

This was the first time for a Daifuku Group subsidiary outside Japan to obtain this certification.

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

Anzen-Taikan Dojo Opened at Osaka Headquarters

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

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

Fourth World Skills Competition Held

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

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

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

Our Thinking about Corporate Social Responsibility (CSR)
Aware of Its Role and Mission as a Leading Company, Daifuku Works to Fulfill Its CSR Obligations and Ensure Credibility

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

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

To ensure enhanced corporate value that will, in turn, benefit the common interest of shareholders, it will be imperative for Daifuku to perform management that focuses on, for example:

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

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

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

Corporate Governance

The first pillar of Daifuku’s management philosophy is to “contribute to the development of industry by supplying quality material handling systems, equipment and electronic devices to the global market.” The second pillar of our management philosophy encourages “healthy, growth-driven management that values profitability” to earn the trust of shareholders, business partners and employees. Our aim is a strong corporate structure that successfully guides that Company in a competitive global market.

Daifuku also emphasizes compliance in a rapidly changing corporate environment. Our management approach is to comply with the laws and social standards of each country and enhance internal controls and risk management systems across the Company. Board members are encouraged to state opinions freely to enable efficient decision making.

Compliance Committee

Chairled by the president, Daifuku established the Compliance Committee in December 2003 to ensure that legal compliance, fairness and ethics guide its corporate activities. In one initiative, the Committee enacted a set of corporate standards to guide executives and employees in fulfilling their corporate and public roles as members of a leading company.

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

Compliance Committee Structure

Corporate code of conduct basic policy

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

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

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

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

Respect for the personality and individuality of each employee
Daifuku fully respects each employee’s personality and individuality to create a dynamic corporate culture.
Endeavoring to Improve Corporate Value

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

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

Material Handling Attracts TV Attention. Social Role Covered in Broadcast

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

Results Presentation and Small Meetings

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

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

Enhancing IR Tools

As part of its information disclosure to shareholders and investors, at appropriate times the Company puts out financial and management information as well as news releases via its website (www.daifuku.com). Published in separate English and Japanese editions, the annual report highlights key growth strategies and features on the characteristics of Daifuku’s business.

Tour held in October 2009

Hini Arata Kan Tour for Shareholders

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

 Held once since fiscal 2008, a total of 306 guests took part in a shareholder-only tour. Gathered within the exhibition area for the tour, in addition to the chairman giving an 200-explanatory outline of the Company, the guests were taken around Shiga Works in buses, from they viewed each facility.

Comment from IR Representative

Experience Logistics Up-Close with a Daifuku Tour

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

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

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

Annual Report

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

Participation in Local Beautification and Clean-up Activities

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

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

A family tour

Events Held for Employees and Their Families

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

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

A workshop held in the Hini Arata Kan event hall

Interaction with Local Citizens

The Shiga Works hosts gateball competitions twice a year. First held in 1992, the tournament has been an excellent way for Daifuku employees to mingle with local citizens and enjoy the outdoors together for the past 18 years. In fiscal 2009, about 200 people took part in the tournament.

A gateball tournament awards ceremony

Contribution to the Community / Communication Activities

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

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

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Companywide BCM Promotion Structure

Daifuku adheres to the basic policy of “promoting occupational safety and hygiene activities by emphasizing the importance of safety and health control.” Accordingly, the Company established a Central Environment, Safety and Hygiene Committee, under which are positioned environment, safety and hygiene committees at regional and installation management levels. These organizations collectively form a Companywide safety and hygiene management structure. Furthermore, the Company develops activities in collaboration with partner company-organized installation management environment, safety and hygiene associations and with the Shiga Works Safety and Hygiene Association. Utilizing such facilities as the Anzen-Takan Dijo, which was opened in June 2010, Daifuku promotes the “creation of a safe, comfortable workplace” with the aim of realizing “a zero-accident workplace.”

Countermeasures Against New Strains of Influenza

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

Internal education activities

Targeting those in management positions and those in charge at partner companies, the Company holds internal seminars to ensure that workplace safety and hygiene measures are being adhered to. In addition, the Company produced and distributed to all employees a pocket-size handbook that covers such subjects as basic awareness, ways to prevent infection and countermeasures should infection spread.

Stockpiling

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

Natural Disaster Countermeasures

Building and facility mitigation measures

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

BCP formulation

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

Office lockers anchored to prevent them from toppling over

Additional reinforcement braces (Factory C, Shiga Works)

Internal Education Activities

In addition to verifying risk management status at its Works as well as sales and service offices, the Company conducts basic BCP surveys with a view to undertaking BCP training. In the three years from fiscal 2007 to fiscal 2009, ongoing training sessions were carried out on a total of 407 occasions, 297 times in and 110 times outside Japan. The Company publishes BCP News, which summarizes risk-related information. In addition, Daifuku sends unified messages via Company officers who address monthly morning meetings while utilizing e-learning programs, rank-specific training sessions and internal information channels for internal BCP training purposes.

Occupational Safety and Health Management Systems

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

Enhancement of Risk Assessments

Ensuring that workplace safety and hygiene measures are thoroughly implemented requires that the Company make efforts to adapt to changes in the social environment. Activities centered on risk assessments are carried out at all workplaces—including manufacturing, installation, after-sales service and administration—to accurately pinpoint these changes. We believe that these practices, which help to eliminate potential hazards and unsafe behavior, are inextricably linked to disaster prevention.

Education and Training Programs

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

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

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

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

Information Security Management System
As the body responsible for information security management, the Information Security Committee fulfills the role of reviewing and formulating Companywide rules and of reviewing, implementing and evaluating related measures. In addition, four working groups—Rules & Operation; Global Response; Training and Public Information; and Operational Support—have been set up to implement information security initiatives in each of Daifuku’s business operations, reporting on their activities at regularly held Companywide meetings. Initiatives concerning business continuation and the maintenance of the internal control environment are conducted in collaboration with the Internal Audit Department and BCP Promotion Department.

Furthermore, through information security audits, which are conducted as part of operational audits, Daifuku is working to disseminate and instill the importance of information security throughout the Company.

Information Security Committee structure

![Information Security Committee structure](image)

Specific Measures Taken in Establishing Information Security
Daifuku undertakes wide-ranging information security initiatives under the slogans “Creating a zero-leak information climate” and “Creating zero-leak information mechanisms.”

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

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

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

Activity framework

![Information Security Committee meeting](image)

Relationship with Employees

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

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

HR Training System
With the aim of facilitating efficient and effective HR training, Daifuku has formulated its basic HR training policy and implemented systematic and selective measures based on this policy. These measures include the provision of training programs tailored to each group of new employees, mid-level employees and managerial members. In particular, New Business Leader (NBL) Training Programs are offered to employees selected to receive the special training required to become division leaders. In addition to implementing TOEIC® studies in-house, the Company has established the Global Business Training Program to secure overseas expatriate candidates with international business skills.

TOEIC: Test of English for International Communication

Daifuku HR training system

![Daifuku HR training system](image)

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

(1) Increasing maximum number of days of half-paid leave
Conventionally: 10 times/5 days
→ After revision: 40 times/20 days

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

(3) Based on applicant request, a reduced-hour (six hours a day) working system is available (newly established)
Application renewal may be made for extension in one-year increments from the end of child-care leave. The applicant can cancel at any time. Longest period permissible is until the child enters elementary school.

(4) Nursing leave (newly established)
Granted five days specifically for family care in any given fiscal year
In another area, life balance checks are conducted and rough outlines of life events made at courses designed for employees aged 50 to determine how they can balance work and life in the period up to retirement. The Company also runs Life Cycle Plan (LCP) courses, at which thought is given to ways to spend lively and fulfilling retirement.

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

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

Comment from Training Session Representative
The Joy of Bringing People Together and Uniting People and Knowledge
Kenji Sado
HR Development, Corporate Social Responsibility Division

Our team instills the Daifuku management philosophy and management policy through training sessions, thereby playing a role in conveying the essential elements of the Daifuku Group’s direction and growth. Besides incorporating into the sessions the dissemination of and instruction on the basic ideas that are indispensable to a Daifuku Group employee’s work environment development, such as compliance, CSR and internal control, we focus on providing training that moves with the times. I derive pleasure from bringing people together and unite people with knowledge. It’s a really worthwhile job.
Quality Management System

Cross-Divisional Quality Control System

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

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

Quality Management Education and Training

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

Product Risk Assessment

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

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

Improvement Proposals, Employee Teamwork Initiatives

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

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

24-Hour Support and Services

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

Basic Procurement Policy

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

Basic procurement policy

1. Win-win partnerships

Daifuku is proud of its win-win partnerships.

2. S.Q.C.D.E. (safety, quality, cost, delivery, and ecology)

Daifuku selects suppliers with the aim of improving S.Q.C.D.E. The company collaborates with its suppliers to preserve the global environment by issuing green procurement guidelines that take a global perspective.

3. Compliance

Daifuku’s compliance initiatives emphasize information security and compliance with subcontracting- and procurement-related laws and regulations.

4. Information technology

Daifuku has been promoting information technology as a way to enhance precision and efficiency in business transactions.

Procurement Qualification Tests

Procurement is an important business function that directly impacts a company’s financial statements. Alongside its compliance efforts, Daifuku has introduced an Employee Procurement Qualification System that trains employees involved in procurement to follow certain practices. The company currently has 403 personnel who have passed Level 1 (basic knowledge) of the qualification system and 53 personnel who have passed Level 2 (intermediate). It plans to introduce Level 1 certification for expert qualifications.

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 bars on the use of hazardous substances, particularly those that have an effect on the human body or the environment.

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

Supplier Partnership

Management and Production Trends Briefing Held

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

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

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

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

Procurement Qualification System

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

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

Quality Management Education and Training

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

Product Risk Assessment

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

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

Improvement Proposals, Employee Teamwork Initiatives

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

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

24-Hour Support and Services

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

Basic Procurement Policy

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

Basic procurement policy

1. Win-win partnerships

Daifuku is proud of its win-win partnerships.

2. S.Q.C.D.E. (safety, quality, cost, delivery, and ecology)

Daifuku selects suppliers with the aim of improving S.Q.C.D.E. The company collaborates with its suppliers to preserve the global environment by issuing green procurement guidelines that take a global perspective.

3. Compliance

Daifuku’s compliance initiatives emphasize information security and compliance with subcontracting- and procurement-related laws and regulations.

4. Information technology

Daifuku has been promoting information technology as a way to enhance precision and efficiency in business transactions.

Procurement Qualification Tests

Procurement is an important business function that directly impacts a company’s financial statements. Alongside its compliance efforts, Daifuku has introduced an Employee Procurement Qualification System that trains employees involved in procurement to follow certain practices. The company currently has 403 personnel who have passed Level 1 (basic knowledge) of the qualification system and 53 personnel who have passed Level 2 (intermediate). It plans to introduce Level 1 certification for expert qualifications.

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 bars on the use of hazardous substances, particularly those that have an effect on the human body or the environment.

As a final assembly manufacturer, Daifuku finds it essential to collaborate with business partners on green procurement. The company is active in the environmentally friendly aspects of its products by conducting purchasing based on its Green Procurement Guidelines.
Establishment of the Environmental Enhancement Management Committee and Further Reinforcement of Companywide Efforts

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

Today, with “realizing a low-carbon society” established as an issue of worldwide concern, how a corporation addresses environmental issues is being evaluated not only from a CSR perspective but as an indication of management quality. As one element of our basic management policy, we at Daifuku undertake corporate activities that emphasize the environment and safety, and that fulfill our responsibilities as a member of society. At present, in order to facilitate management efficiency and ongoing improvements in production at all of the Group’s principal locations across the globe, we have introduced ISO 9001 and 14001 management systems. In March 2009, we acquired OHSAS 18001 certification at our Osaka Headquarters, Tokyo Head Office, Shiga Works and Komaki Works, and put in place a structure supported by the three pillars of quality, the environment and safety.

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

What is the role of the Environmental Enhancement Management Committee?
Taniguchi: ISO activities are for the most part defensive in nature so as to address legal risks. Moving forward, however, we believe it will also become increasingly important to take the offense, focusing on business that promotes the appealing environmentally friendly characteristics of our products. Rather than just achieving CO2 emission reductions with regard to our own production lines, the development of efficient logistics systems at locations where materials handling equipment is delivered makes material handling systems a business with the potential to bring about major cuts in CO2 emissions. To better promote environmental management activities, it will be necessary to first take steps to advance ISO 14001 with the goals of making improvements within the Company and reducing the environmental impact and second to develop the environmentally friendly products that will contribute to society through the systems we deliver to customers. Skillfully balancing these two elements will lead to increased income and customer satisfaction, and, ultimately, greater corporate value.

As the results of the 2009 Nikkei Environmental Management Survey show, it is becoming clear that the following three points are issues that Daifuku will need to address:
- Global spread of environmental management;
- Development of environmentally friendly products (development of lifecycle assessment processes); and
- Consideration in biodiversity issues.

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

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

2. Provide environmentally friendly products and services
Develop products that work to conserve energy and resources, and that are ever-more highly functional

3. Nurture an environment-oriented mentality
Raise knowledge and awareness of the environment among all employees through environmental education programs

4. Understand the status of compliance with laws
Address the quality and environmental laws to which Daifuku is subject and monitor compliance with such laws

We at Daifuku are currently formulating a medium- to long-term environmental vision for the Daifuku Group that includes Daifuku employees, business partners and customers working toward the common goal realizing a low-carbon society. Moving forward, this vision represents our target image of ourselves as an environmentally aware company.
Taniguchi: Daifuku aims to improve Groupwide environmental performance bases in locations around the globe aiming to establish optimal by consolidating its environmental management systems in global production structure. In the global markets in which we now operate, our highest priority is customer satisfaction with the Daifuku brand, in whatever country our products are being used, as we sustain the highest level of S.Q.C.D.E. (safety, quality, cost, delivery and ecology) standards with regard to all products we operate, our highest priority is customer satisfaction with the Daifuku brand, in whatever country our products are being used, as we sustain the highest level of S.Q.C.D.E. (safety, quality, cost, delivery and ecology) standards with regard to all products we operate, our highest priority is customer satisfaction with the Daifuku brand, in whatever country our products are being used, as we sustain the highest level of S.Q.C.D.E. 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The following table shows environmental information related to the Group’s seven principal operating bases: the Osaka Headquarters, the Tokyo Head Office, the Shiga Works, the Komaki Works, the Tokai Office, the Fujisawa Office, and the Konosu Office.

### Fiscal 2009 environmental objectives and targets

<table>
<thead>
<tr>
<th>Item</th>
<th>Three-Year Objectives &amp; Targets (FY2007 to FY2009)</th>
<th>FY2009 Objectives &amp; Targets</th>
<th>Results in FY2009</th>
<th>Details</th>
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<tbody>
<tr>
<td>Environmental conservation</td>
<td>- Emphasize emissions control - Observe environmental laws and regulations</td>
<td>- Selective control of emission sources, stringent monitoring of processing facilities - Achievement of legal observance monitoring and measuring systems</td>
<td>Achieved</td>
<td>p.30, 27</td>
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<td>Prevention of global warming</td>
<td>[Shiga Works] Reduce CO2 emissions to 15% below the fiscal 2006 level [Other sites in Japan] Reduce CO2 emissions to 15% below the fiscal 2006 level</td>
<td>[Shiga Works] Reduce CO2 emissions to 10% below the fiscal 2006 level [Other sites in Japan] Reduce CO2 emissions to 6% below the fiscal 2006 level</td>
<td>Achieved</td>
<td>p.30</td>
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<td>Waste reduction</td>
<td>- In fiscal 2009, recycle 98% of total waste - Reduce scrap volume (at production bases only)</td>
<td>- Recycle 98% of total waste - Reduce scrap volume (at production bases only)</td>
<td>Not Achieved</td>
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Environmental Activity Report

Energy and Resource Conservation

**Carbon Dioxide (CO₂) Emissions and Reduction Measures**

Daifuku uses finite fossil fuel resources and generates greenhouse gases such as CO₂ in the course of its operational activities, which include product development, manufacturing, and sales. Acutely aware of the real burden this places on the environment at each stage, we make conscious daily efforts toward achieving our own reduction targets and those set for Japan in the Kyoto Protocol. In fiscal 2009, the Company was able to reduce total CO₂ emissions 41.5% against a fiscal 2006 target of 10% and achieved a 12.9% reduction compared with net sales per unit.

**Environmental Impact of Transportation**

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

**CO₂ emissions from transportation**

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ emissions (t-CO₂)</th>
<th>CO₂ emissions per unit (t-CO₂/unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>108.6</td>
<td>100.1</td>
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<tr>
<td>2007</td>
<td>104.4</td>
<td>100.1</td>
</tr>
<tr>
<td>2008</td>
<td>98.6</td>
<td>100.1</td>
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<tr>
<td>2009</td>
<td>96.9</td>
<td>100.1</td>
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<tr>
<td>2010</td>
<td>94.4</td>
<td>100.1</td>
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</table>

**CO₂ emission reductions**

- **1.98% waste recycling (Zero Emissions Declaration)**
- **20% reduction in total volume of waste generation**

**Sharing transportation resources**

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

**Energy Conservation Efforts**

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

**Waste Reduction Toward Zero Emissions**

In order to create a society in harmony with the environment, it is important to avoid waste when possible, minimize waste when it is unavoidable and recycle all waste that is generated.

**Reducing Paper Consumption and Recycling**

Daifuku believes that wasteful paper use imposes a significant negative impact on the environment, causing forest destruction and, consequently, an increase in atmospheric CO₂ levels. Based on this belief, the Company is promoting paper recycling by setting targets for reducing paper consumption.

At the Shiga Works in particular, Daifuku sheds all paper on-site, using copy paper collected from offices as high-grade wastepaper. Under employee teamwork initiatives for workplace improvement, one team was successful in reducing paper use by 30.6%. With the aim of reducing paper consumption to 10% below the fiscal 2006 level, in the end, our paper consumption actually decreased 30.6%. With the aim of reducing paper consumption, we will further promote the digitization of various forms and ledgers as well as the holding of “paperless meetings” in which no paper handouts are distributed.

**In-House Handling of Kitchen Waste**

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

**Daifuku’s Responsibility for Ensuring Waste Disposers’ Appropriate Operations**

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

**Waste Reduction Target Toward Zero Emissions**

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

**Definitions of waste and reduction targets**

**In-House Handling of Kitchen Waste**

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

**Comment from Environmental Activity Representatives**

Promoting efficient resource utilization, emphasizing paper recycling

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

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

Chemical Substance Management

Paints and organic solvents are the chemical substances primarily used by Daifuku in the course of its production activities. The Company conducts on-site management and controls the usage amounts of special chemical substances designated under the PRTR Law. With regard to on-site management, the Company has commenced operations using a Material Safety Data Sheet (MSDS)** database that was upgraded in fiscal 2008. This also covers MSDS revision controls that accompany amendments to the law. As the amounts used in fiscal 2009 showed a year-on-year increase of 12%, from fiscal 2010 the Company will set targets and promote reduction activities for its works.

Compliance with European Harmful Substance Regulations

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

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

Water Quality Management

Water contamination is recognized as a serious problem that can affect soil, agricultural products, living environments and various other areas. Accordingly, meticulous efforts are made to control and reduce drainage from works and, of course, relevant laws and regulations are rigorously observed. Drainage from production activities at the Shiga Works is processed by three comprehensive on-site effluent treatment facilities before being discharged into the Class A-designated Sakura River. Water from rainwater drains is channeled into a pond that stores water for firefighting. Accordingly, the equipment at the Works is thoroughly maintained and inspected on a regular basis. In addition, the quality of the water discharged from effluent treatment facilities is monitored regularly, checks being carried out for the presence of living organisms once a month and for hazardous substances twice a year.

Once a month at the Komaki Works, an external organization also inspects and measures drainage quality in accordance with water quality standards set forth under the Sewerage Law of Japan. In fiscal 2009, the Company was able to reduce total Companywide water usage by 47.5% compared with fiscal 2006, resulting in a 21.8% reduction compared with net sales per unit.

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

**Material Safety Data Sheet (MSDS): Information about the characteristics and handling of a chemical substance. It states information necessary for the safe handling of raw materials, etc., including chemical substances and agents. Provision between enterprises is obliged under such laws as the PRTR Law.

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

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

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

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