

**DAIFUKU**

Automation that Inspires



# Daifuku Report 2023





Hiroshi Geshiro  
President and CEO

## Keep Evolving—More Today than Yesterday, More Tomorrow than Today. Inspire Society, Deliver Prosperity, and Enhance Well-Being through Our Automated Material Handling Technology

### Daifuku's mission

Material handling, which is the efficient storage, transport, sorting, and picking of goods, lies at the very heart of the Daifuku Group's business. Since our founding, we have developed a variety of systems and technologies, some of which represented Japan and world firsts, delivering new convenience to our customers and their consumers. For example, consider the many things we see and use in our everyday lives, such as products bought online and shipped to our homes, smartphones that use semiconductors, or automobiles that run along public roads. All of these things are routed through the material handling systems provided by the Daifuku Group.

Our goal is to use our automated material handling technology to inspire society, deliver prosperity, and enhance well-being. In doing so, we aim to be a company that inspires people. This notion is contained within our

# CEO Message

## CEO Message

“Automation that Inspires” management philosophy, revised in October 2021. Since last year, I have been creating opportunities to speak directly with young employees and mid-career hires about our management philosophy at each of our locations in Japan. In talking with employees, some said that “Automation that Inspires” was easy to remember. Also, in discussing the content of the management philosophy, I ensured that Daifuku’s fair and open corporate culture, its so-called corporate DNA, has been alive and well in the workplace, driving people to respond sincerely to customer needs and continue the pursuit of cutting-edge technology. We need to continue to exchange opinions like this, while using other activities to raise awareness and spread our management philosophy, extending to employees of our subsidiaries outside Japan.

We provide logistics systems, which is an important social infrastructure, but if labor shortages and other issues create social demand for more automation, we will evolve so as to push automation to the next level. In that spirit, we will make it our mission to create never-before-seen innovations while supporting society. We will inspire society, deliver prosperity, and enhance well-being through our competence.

### The cornerstones of management

Today, a vital part of corporate management is responding to issues highlighted by the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) initiatives. These include environmental issues such as climate change and respect for human rights in the supply chain. In 2021, the Group formulated Value Transformation 2023, its three-year business plan, as well as a corresponding three-year Sustainability Action Plan, which is based on material issues, after the Group determined its materiality. We have positioned these plans as the “cornerstones” that will propel our management strategy. The Sustainability Committee, which I chair, manages the progress of the Sustainability Action Plan, and by matching and synchronizing this progress with each measure of Value Transformation 2023, we will continue to improve both economic value and social value.

Energy-saving measures to reduce CO<sub>2</sub> emissions have also become increasingly important in recent years. In 2012 we introduced the proprietary Daifuku Eco-Products Certification Program to provide environmentally friendly products. For example, we have developed products such as stacker cranes in automated warehouses that use regenerative power, generated by converting kinetic energy from vehicle deceleration. As another example, in 2013 we

installed a mega solar farm capable of generating up to 4,438 kW at Shiga Works. Our work to address issues faced by our customers using environmentally friendly products will ultimately serve to preserve the environment.

One issue we face going forward is rebuilding our supply chain management system. With the cooperation of many suppliers, we provide a comprehensive system that ranges from consulting for systems, design and installation, and after-sales services. Going forward, we will work to provide customers with quality products and systems as a matter of course. In addition, collaborating with our suppliers, we will consider and contribute toward sustainability.

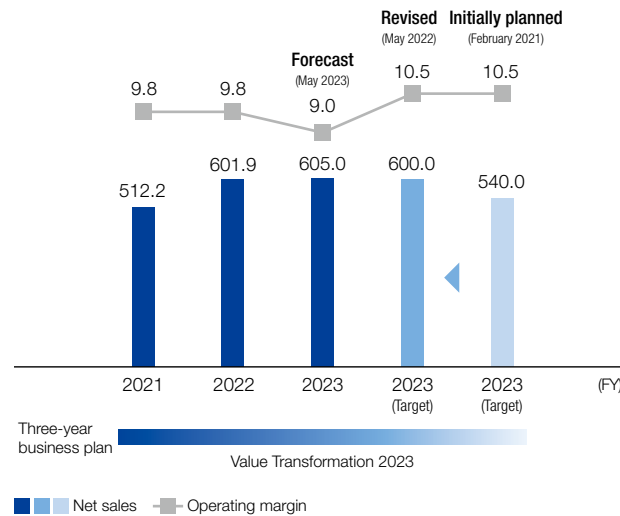
### Orders received, net sales, and income reach record highs

In fiscal 2022, the second year of Value Transformation 2023, we achieved orders received of 737.4 billion yen, net sales of 601.9 billion yen, and operating income of 58.8 billion yen, setting new records not only for orders received and net sales but also for operating income, ordinary income, and net income attributable to shareholders of the parent company. In terms of profits, the impact of soaring raw material and labor costs caused us to fall short of our initial plans. However, the operating margin increased to 9.8%, thanks to higher net sales and effective cost cutting.

## CEO Message

### Net sales and operating margin

(Billion yen / %)



While each business performed well, the Cleanroom business and the Airport business centering on North America were particularly strong and have driven the overall businesses. For the Automotive business, fiscal 2022 was a year in which the impact of our capital investment started to become apparent in line with the accelerating shift to electric vehicles.

In addition, investment in e-commerce has continued to be brisk. Japan was originally slow to adopt digitalization, but has since recognized the convenience of e-commerce in light of the COVID-19 pandemic. When people tried using

online supermarkets to buy food including fresh products that they assumed could only be bought in physical stores, they realized just how convenient these services are.

As a result, we expect that changes in sales and consumption patterns will continue to ramp up, and that levels of investment will remain high, including investment outside Japan.

In fiscal 2023, the final year of Value Transformation 2023, we expect to feel the continued impact of inflation and other factors. However, we intend to improve profitability by taking advantage of the steady shift toward automation brought on by the growing labor shortage to secure more orders, and by promoting digital transformation.

### The progress of Value Transformation 2023

Value Transformation 2023 is rooted in four themes: business domains, profitability, operational framework, and brand.

Under the business domains theme, we are accelerating globalization. The Group has business locations in 25 countries and regions around the world, and the ratio of non-Japan sales in fiscal 2022 was about 67%. Going forward, it will be difficult to increase sales to any significant degree in Japan, where the population is expected to decrease due to the declining birthrate and aging population. This means that the key to sustainable growth lies in how we expand sales outside of Japan. Accordingly, with a view toward increasing orders and

improving productivity, in fiscal 2022 we made capital investments centered on the installation of new factories in regions of North America and China.

In addition, demand for AI systems is expected to grow in the new normal of a post-COVID-19 world. Positioning “catering to customer needs through smart logistics” as a material issue, we have developed highly efficient AI-powered transport systems for semiconductor factories, and have proposed these systems to customers. Looking to the generation ahead, we will ramp up our efforts to integrate cutting-edge technology into our products and services and thereby continue providing new value to society.

A theme of profitability, or more specifically improving profitability, is essential for corporate growth. In the Intralogistics business, we have put in over a decade of work toward standardizing our products and reviewing designs, making considerable strides in increasing our profitability in Japan. We intend to take this success story and apply it to our other businesses so that they may achieve high profitability as well. In the Cleanroom business, for example, we have set a target of significantly reducing costs over the course of Value Transformation 2023, and have achieved reasonable results. As a result, profitability in this business has improved despite the marked increase in raw material and labor costs. We will continue working to our fullest to cut costs and increase profitability in all businesses.



## CEO Message

As for our subsidiaries outside Japan, we are currently seeking measures specific to each company, aiming to raise their operating margins to around 10% as soon as possible.

We are also working to increase productivity by building up our production sites. In the Airport business, we commenced operations at a new North American factory in October 2022. This factory consolidates the operations of three factories in separate areas, which increases efficiency and is expected to raise production capacity by 30%. This is important, as the number of air travelers is recovering in the wake of the pandemic. This recovery has been particularly rapid in North America, coupled with strong demand to expand and renovate airport terminals.

In the Cleanroom business, operations of our new factory in China are scheduled to begin in September 2023. We will continue to capture demand from the Chinese semiconductor industry, which is expected to carry into the future.

In the Intralogistics business, we are now building a new factory in India, which became the world's most populated country in 2023. After completion in 2024, the factory will produce automated warehouses, high-speed transfer vehicles, conveyors, sorters, and other products, and is expected to quadruple the current production capacity.

In Japan, we will reorganize Shiga Works, the Group's flagship factory, over five years. The Works currently has 12 factory buildings on the vast site of 1.2 million square

meters, but we will renovate and consolidate the production facilities for each business, a process that includes constructing new buildings, to bring the production capacity to a level that can handle our medium- to long-term growth scenarios.

Concerning the operational framework theme, in May 2022 we made Contec Co., Ltd., which handles the manufacturing of electronics, a wholly owned subsidiary. In fiscal 2022, Contec was also affected by soaring raw material costs and supply constraints. In fiscal 2023, it will increase profitability toward taking consolidation of Japan's production sites into consideration. We will also promote the development of new products while improving management efficiency and speeding up decision-making, and making mutual use of management resources such as technologies and customer foundations.

### Understanding the business environment and addressing risks

When looking at the business environment, we are keeping a particularly close eye on market trends pertaining to semiconductors. Until now, the Group has mainly delivered systems to semiconductor factories in Taiwan and South Korea, but due to rising geopolitical risks, investment in the United States, China, and Japan to increase semiconductor production capacity has grown. In the future, the installation of new factories will also accelerate in countries and regions other than those mentioned, leading to new business opportunities.



Over the past few years, there has been a striking rise in raw material and labor costs. Under this environment, we expect the operating margin to decrease in fiscal 2023. The Group's business involves a long lead time from receipt of an order to delivery, and the prices of parts and materials may rise over this time. In addition, longer delivery times and increasing project sizes, particularly in recent years, have compounded this risk. On the other hand, we are taking gradual steps to reflect inflation in our contracts and expect to see the results of these efforts from roughly the second half of fiscal 2023 to the first half of fiscal 2024. At present, we will continue to execute the cost reduction measures I mentioned earlier, such as the standardization of products and review of designs.

## CEO Message

To date, the Group has increased performance by addressing customer needs while enhancing the specialized expertise of each business. However, for the Group to continue to grow globally in the future, we must break down the walls that separate each business, remain at the forefront of what customers will need, and provide the best solutions as a Group. To this end, in April 2023 we added C-suite titles who have been delegated authority from me as CEO. These chief officers will help promote more effective efforts to strengthen collaborative ties between our business divisions and prepare us for the future.

To improve profitability, the Chief Production Officer, concurrently serving as the Chief Information Officer, implements cross-divisional measures to replicate the success of the Intralogistics business in other businesses in a prompt manner. The Chief Technology Officer shares development-related information from each business and encourages the use of AI, cutting-edge technology, as well as the development of new businesses Groupwide. Finally, the Chief Human Resources Officer facilitates exchanges between human resources that transcend divisional boundaries and places the right people in the right positions throughout the Group.

### Sustainability initiatives

In recognition of the pressing need to address climate change and other environmental issues, we reviewed Daifuku Environmental Vision 2050 and set a new goal to

realize a world where material handling systems have zero environmental impact by 2050. Our initial 2030 target for reducing CO<sub>2</sub> emissions was to lower emissions by 25% or more relative to fiscal 2018. However, based on the 1.5°C global warming limit set by the Paris Agreement, we updated this reduction target to 50.4%.

We also set new reduction targets for CO<sub>2</sub> emissions from purchased goods and services and CO<sub>2</sub> emissions from the use of delivered products, aiming to reduce both by 30% by 2030 relative to fiscal 2018. To reduce CO<sub>2</sub> emissions from purchased goods and services, we will collaborate with suppliers and take the necessary measures.

At the same time, we added new targets to conserve water resources and biodiversity.

In November 2022, we switched to using 100% renewable energy at Shiga Works to achieve our CO<sub>2</sub> emissions reduction target. We are making similar preparations at other locations in Japan, while installing photovoltaic systems when constructing new factories outside Japan.

Despite the considerable costs involved, the switch to renewable energy will bring us closer to our target. However, what is truly important is that each and every employee of the Group should be mindful of environmental issues and act in kind. I make sure to impart this message whenever the opportunity arises.

### To our stakeholders

Since its founding, the Group has tackled a variety of issues, such as overburdened labor and labor shortages. As AI and other digital technologies bring about major changes in society, there are still many things that we at Daifuku can and should do. Innovation never ends.

I always tell employees, “Put 80% of your effort into what is right in front of you, not 100%,” meaning that I want them to work on the short term properly while allocating the remaining 20% to activities focused on the future. My hope is that employees find growth by discussing and creating fairly and openly with their colleagues without getting too weighed down by the immediate future, and that they will always keep one eye looking further down the line and reach out to the innovation waiting for them there. The Group will bring together the strengths of these employees to provide systems that make full use of cutting-edge technologies. As we move forward, we will continue to contribute toward achieving a sustainable society.

I ask for your continued support as we go forward.

President and CEO

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## Editorial Policy

This report presents a brief summary of material information particularly relevant to the Daifuku Group's value creation in line with international frameworks, including IFRS Foundation and Global Reporting Initiative (GRI) standards. See the Company website for more detailed information: [www.daifuku.com](http://www.daifuku.com)

The report covers 70 companies, including the parent company, 68 consolidated subsidiaries, and one equity-method affiliate (as of March 31, 2023).

### Period covered: Fiscal 2022 (April 2022–March 2023)

Whenever it is appropriate to include historical background information and data or recent examples, reporting may include matters outside this time period.

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### Cautionary statement with respect to forward-looking statements

The strategies, belief, and plans related to future business performance as described in this report are not established facts. They are business prospects based on the assumptions and beliefs of the management team judging from the most current information at the time this report was prepared, and, therefore, these prospects are subject to potential risks and uncertainties. Due to various crucial factors, actual results may differ substantially from these forward-looking statements. These crucial factors that may adversely affect performance include 1) consumer trends and economic conditions in the Daifuku Group's operating environment; 2) the effect of yen exchange rates on sales, assets, and liabilities denominated in U.S. dollars and other currencies; 3) the tightening of laws and regulations regarding safety and other matters that may lead to higher costs or sales restrictions; and 4) the impact of natural disasters and intentional threats, war, acts of terrorism, strikes, and/or plagues. Moreover, there are other factors that may adversely affect the Group's performance.

Issued by the Investor Relations Department, Daifuku Co., Ltd.

# Corporate Policies

## Company Creed



Hini Arata

Today we are doing better than we were yesterday.

Tomorrow we will be growing ahead of where we are today.

## Management Philosophy

### Automation that Inspires

**Inspire society, deliver prosperity and enhance well-being through our core competence—automated material handling technology.**

We will

- 1 strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.
- 2 work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
- 3 ensure a fair and open corporate culture that respects diversity and allows each individual to excel. Further, we will strengthen our fundamental management practices globally to have a high level of transparency.

## Group Code of Conduct

### Basic Stance

We will act in accordance with applicable laws rules, regulations, social norms and ethics.

We will place safety as a major premise in all aspects of our business activities.

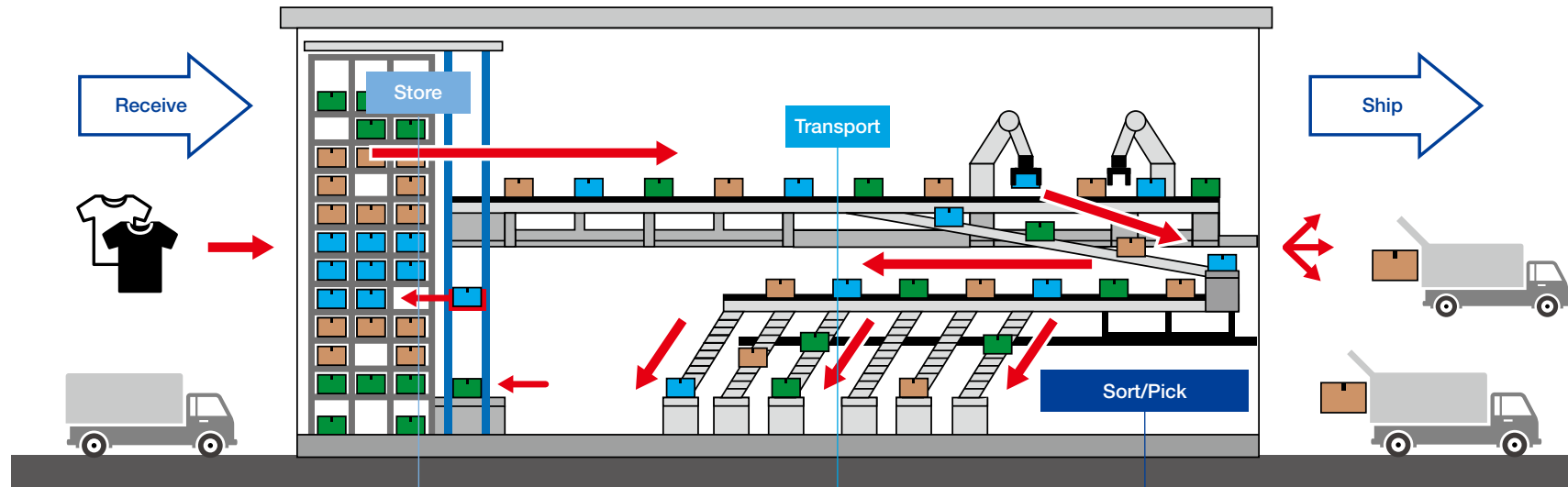
We will remain committed to the creed of “Hini Arata” as we take on new challenges and make changes for the better.



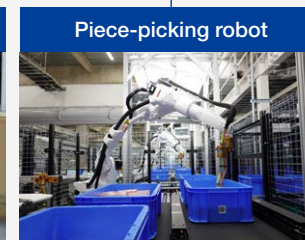
# What Is Material Handling?

At the core of Daifuku's business is automated material handling technology. Material handling refers to the efficient storage, transport, sorting, and picking of goods. A material handling system provides a smooth flow of goods by integrating equipment that has such functions and software that control and manage system operations. By providing a material handling system, it is our mission to reduce heavy labor and repetitive work and enable people to focus on more creative work. We will seek to create new value through our core competence—automated material handling technology. As the world's leading supplier and system integrator of in-house manufactured products, we will address diversified customer needs worldwide to inspire society, deliver prosperity, and enhance well-being.

## Typical distribution center flow



### Our products



\* Automated storage and retrieval system

# At a Glance (FY2022)

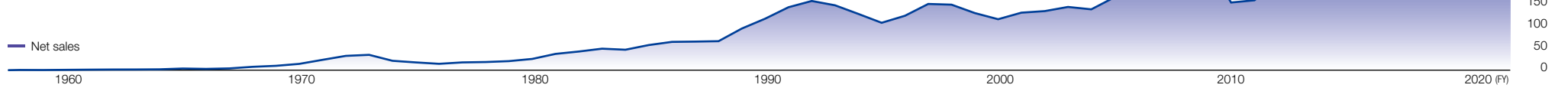
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Financial/Non-Financial Highlights



# Path of Value Creation

As a comprehensive manufacturer and integrator of material handling systems, the Daifuku Group has been contributing to the modernization of material handling by constantly striving to move ahead of the times and catering to customer needs. Material handling technologies are now essential for society. Daifuku's technologies are applied to a wide range of sectors and contribute to such areas as factory automation (FA) for semiconductors, flat-panel displays (FPDs), automobiles, distributors, and other manufacturers; labor-saving at distribution centers; and streamlining of airport operations.



### Founding era

**1 From human power to machines—modernization of material handling**

In its early years, the Company mainly manufactured forging machines and cranes. Until the 1940s, heavy materials were mostly carried on one's shoulders. In 1947, the then president was seeking a future direction for the Company and decided to focus on modernizing material handling. This marked Daifuku's "Year One of Material Handling." The Company introduced a variety of material handling machinery centered on conveyor systems designed to reduce physical burdens and enhance productivity.

(Photo credit: Museum of Logistics)

Category	Year	Event	
Business Evolution	1937	Founded as a forge rolling machinery and crane manufacturer. Engages in port logistics	
	1953	Delivers Japan's first Bulkveyor	
	1959	Delivers chain conveyor systems to Japan's first passenger automobile factory	
	1965	Manufactures and sells Japan's first automatic guided vehicle by introducing the technology from U.S.A.	
	1966	Delivers Japan's first automated warehouse systems to a manufacturer	
	1969	Delivers Japan's first computer-controlled automated warehouse systems	
	1973	Delivers Japan's first refrigerated automated warehouse system, which operates at -40°C	
		Launches Japan's first 3D automated transport system by introducing the technology from Europe	
	1975	Establishes subsidiary Contec Co., Ltd.	
		1976	Delivers Japan's first steel belt-type automated sorter to a distributor
	1977	Enters the car wash machine business and begins production	
	1978	Delivers Japan's first book conveying system to a library	
	1981	Develops and launches Japan's first microcomputer-installed car wash machine	
	1984	Develops cleanroom automated material handling systems for semiconductor factories	
	1991	Develops and delivers the world's first automated replenishment system	
	1993	Develops world's first electrified monorail system with non-contact power supply	
	1999	Delivers quake-absorbing automated warehouse systems	
	2004	Acquires the material handling business from an industry peer	
	2007	Enters the airport business as a result of M&A	
	2011	Acquires competitor's car wash machine business and boasts the top market share in Japan	
	2012	Develops a new mini load automated warehouse system with shuttle vehicles for e-commerce	
		Develops an automated system for freezer lockers that operates at -35°C, applying it to develop the world's first automated warehouse system for fast freezing fish products	
		Delivers a nitrogen purge system that uses nitrogen gas to prevent deterioration of semiconductor wafers	
	2016	Commences sales of the world's first wireless battery charging system for forklifts	
	2018	Runs a collaborative seminar with Graduate School of Engineering Science, Osaka University	
Global Operations	1957	Forms a technical alliance with U.S.-based material handling system manufacturer (dissolved in 1997)	
	1983	Establishes the first non-Japan subsidiary in U.S.A.	
	1985-1989	Establishes subsidiaries in Canada, Singapore, and the U.K. (closed in 2023)	
	1991-1994	Establishes subsidiaries in Thailand, Taiwan, and Malaysia	
	1995	Taiwan-based material handling system manufacturer joins the Group (first M&A outside Japan)	
		Establishes Clean Factomation, Inc. in South Korea	
	1995-1997	Establishes subsidiaries in Indonesia and South Korea	
		2002	Establishes a subsidiary in China
		2005	Establishes or expands production facilities in different regions across Asia
			Establishes a subsidiary in India
	2007	U.S.-based material handling system manufacturer joins the Group	
	2009	Non-Japan sales ratio to total sales reaches 50%	
	2010	Revamps affiliates in China	
	2011	Establishes a U.S. holding company (now Daifuku North America Holding Company)	
		U.K.-based airport system manufacturer joins the Group	
	2012	South Korea's top car wash machine manufacturer joins the Group	
		U.S.-based provider of airport operations and maintenance support joins the Group	
	2013	Establishes a subsidiary in Mexico	
		U.S.-based material handling system manufacturer joins the Group	
	2014	New Zealand-based airport system manufacturer joins the Group	
	2017	Establishes a subsidiary in Germany	
	2019	India-based material handling system manufacturer joins the Group	
		Two airport software companies joins the Group	
		Establishes a subsidiary in Vietnam	
		Revamps affiliates in U.S.A.	
Corporate Development	1937	Founded with 300,000 yen in capital and 150 employees	
	1939	Establishes Mitejima Factory (now Osaka Headquarters location)	
	1963	Establishes Komaki Plant (now Komaki Works)	
	1964	Enacts the company creed "Hini Arata"	
	1969	Listed on the First Section of the Tokyo, Osaka, and Nagoya stock exchanges	
	1975	Inaugurates Hino Plant (now Shiga Works)	
	1984	Changes company name from Daifuku Machinery Works to Daifuku	
	1994	Inaugurates Hini Arata Kan, one of the world's largest logistics demo centers	
		2004	Formulates the Corporate Code of Conduct
			Establishes the Compliance Committee
	2006	Shiga Works becomes the world's largest material handling production site	
	2008	Group employees: 5,662	
	2010	Launches the Environmental Enhancement Management Committee	
	2011	Formulates the Daifuku Environmental Vision	
	2012	Elects an outside director	
		Introduces the Daifuku Eco-Products certification program	
	2013	Completes the Daifuku Shiga Mega Solar power system	
	2014	Joins the United Nations Global Compact	
		Becomes worldwide leader in sales in the material handling industry (for nine consecutive years until 2023)	
	2015	Paid-in capital increases from 8 billion yen to 15 billion yen	
	2016	Launches the Advisory Committee	
	2017	Paid-in capital increases to 31.8 billion yen	
		Launches the Work-Style Reform Committee	
	2018	Launches the Pension Asset Management Committee	
		Abolishes takeover defense measures	
		Market capitalization exceeds 1 trillion yen	
	2019	Assents to the TCFD recommendations	
		Formulates the Group Code of Conduct	
	2022	Listed on the Prime Market of the Tokyo Stock Exchange, shifting from the First Section	
		Shiga Works switches to 100% use of renewable energy	
	2023	Group employees: 13,020	
		Implements stock split	

### Foundation era

- World War II
- Rebirth of Japan

### 1950s

- Motorization

### 1960s-1970s

- Japan's postwar economic boom
- Cold chain formed
- Factory automation

### 1980s-1990s

- Significant increase in demand for semiconductors
- Full-scale distribution automation (DA)
- Advanced FA

- Asian economic crisis
- Growth of the internet

### Since 2000

- LCD growth
- Air passenger growth
- Global financial crisis

- Great East Japan Earthquake
- China's GDP becomes second in the world

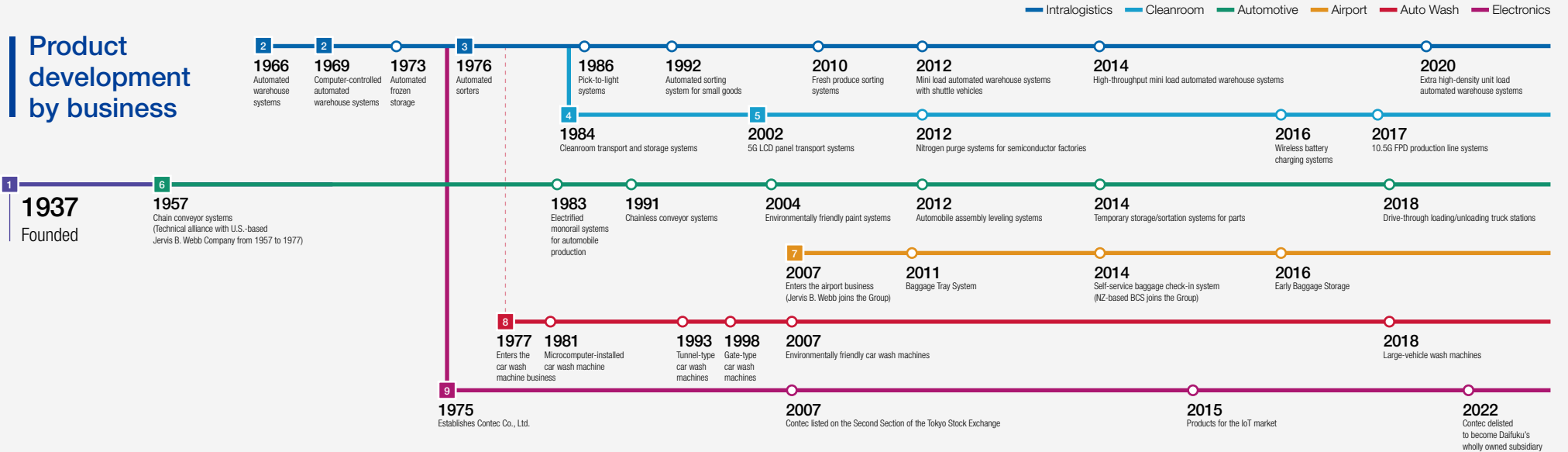
### Since 2013

- E-commerce momentum
- Living standards improved in emerging countries
- Labor shortage at logistics sites

### Since 2020

- COVID-19 pandemic
- Russia's invasion of Ukraine
- Semiconductor shortage
- Soaring raw material and labor costs

## Path of Value Creation



### Intralogistics

#### 2 Breaking into FA field with automated warehouse systems

Daifuku developed and delivered Japan's first multi-story automated warehouse system in 1966 and Japan's first computer-controlled automated warehouse system in 1969. In Japan, during the period of rapid economic growth, mass production and mass consumption led to a demand in the manufacturing sector for more efficient product storage, mechanized warehousing, and accurate inventory location management. Automated warehouses, which revolutionized the concept of conventional warehouses, have since been adopted by manufacturers in a variety of fields as core equipment for in-factory logistics, from product storage to storage of parts and work-in-progress.



#### 3 Expanding business to DA fields, contributing to the advancement of distribution centers

In 1976, Daifuku developed Japan's first steel belt-type automated sorter and delivered to distribution centers of supermarket and other distributors. Thereafter, sales of systems for distributors, specifically the commerce, retail, transportation, and warehousing sectors, have been increasing year by year. We have been developing systems that meet needs of various distributors, such as general merchandise stores, convenience stores, food subscription, drug wholesalers, and online stores (e-commerce).



### Cleanroom

#### 4 Developed from the system for hospitals, libraries, and offices

Daifuku launched the TELELIFT, Japan's first 3D transport system in 1973, by introducing the technology from Europe. TELELIFT was used for transporting medical records within hospitals, books at libraries, and documents at airports and offices, and our market share was about 90% until the 1980s. Also, the 1980s saw a rapid increase in demand for semiconductors, along with the rapid spread of personal computers. In 1984, we developed transport systems used in clean rooms essential for manufacturing semiconductors. The core product Cleanway was developed with an upgrade from TELELIFT and presently plays an active role in state-of-the-art semiconductor factories as a flagship product.



#### 5 Entering LCD panel manufacturing field

In 2002, Daifuku delivered an LCD panel transport system that pioneered the glass substrate transfer system for big-screen TVs. Between 2015 and 2018, the construction of FPD factories is largely concentrated in China, and 8G to 10.5G FPD production line systems contribute a lot to our business performance.



## Path of Value Creation

### Automotive

#### 6 Material handling systems began with Jervis B. Webb's chain conveyor

The term "material handling" emerged in early 1955. With the slogan "Daifuku for Material Handling," we decided to do business exclusively as a material handling system manufacturer. "In the future, conveyors will not simply move or carry goods. They will develop into systems with advanced functions. Although they do not sell now, the day will surely come when they will be needed." With this belief, the then president sought advanced conveyor system technologies for automobile factories from Jervis B. Webb Company, a U.S. material handling system company that is now part of the Group, and we delivered chain conveyor systems to Japan's first passenger automobile factory in 1959. In Japan's large project for major repair of the Great Buddha Hall of Todaiji Temple, a World Heritage Site, which took place over six and a half years from 1973, our chain conveyor system played an active role to transport large tiles (15 kilograms per tile). Jervis B. Webb's chain conveyor is positioned as the origin of Daifuku and is still being produced and adopted to automobile factories around the world.



### Airport

#### 7 U.S.-based Jervis B. Webb joins the Group

In 2007, Jervis B. Webb joined the Group, enabling us to enter the airports sector. Since then, companies in the same sector based in Europe, and Oceania, an operation and maintenance company based in the United States, and airport software companies joined the Group, and the Airport business operates globally. In 2011, Daifuku developed an airport baggage handling system, called the Baggage Tray System, which boasts the world's fastest conveyor speed of 600 meters per minute. In recent years, airport security checks have become increasingly stringent, and boarding procedures are taking longer and longer. Accordingly, we are meeting strong needs for smart airports, e.g. automation of passengers' procedures, such as self-service baggage check-in, facial recognition for passport control, and curtailment of time for security checks.



### Auto Wash

#### 8 Entering a new market with material handling technology

In 1977, Daifuku entered the car wash machine sector, and in 1981, using FA technology, developed Japan's first microcomputer-installed car wash machine, taking the lead in the industry by introducing computers. Furthermore, we developed and serialized the industry's only tunnel-type car wash machines using roller conveyor technology. Since M&As in 2011 and 2012, the Auto Wash business boasts the top market share in Japan and South Korea.



### Electronics

#### 9 Spun off from Daifuku's control and software units

In 1975, Daifuku established its subsidiary Contec Co., Ltd., spun off from its automated warehouse systems control and software units. Contec provides us with electronic devices to incorporate into our systems, and is involved in external sales of industrial computers and IoT devices. In 2022, Contec became our wholly owned subsidiary to maximize comprehensive collaboration effects across the Group.





## Our Business

Find movies:



For details, see our website: [Intralogistics](https://www.daifuku.com/solution/intralogistics)  
[www.daifuku.com/solution/intralogistics](https://www.daifuku.com/solution/intralogistics)



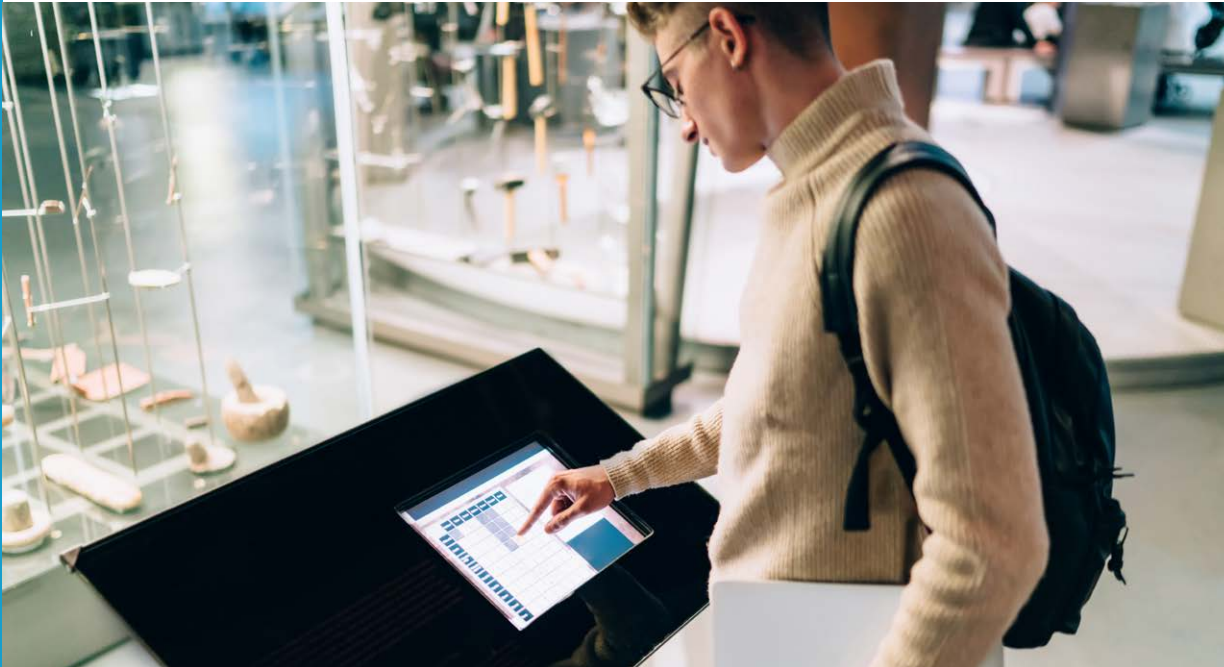
# Intralogistics

Manufacturing and distribution systems

Daifuku provides logistics solutions that meet customer needs in various manufacturing and distribution fields, such as food/beverage, pharmaceuticals, machinery/metal processing, electrical appliances, and daily necessities. In addition to the abundant experience and know-how that we have accumulated for years, we are working on new technologies to maximize automation and save workforce.



## Our Business



Find movies:



For details, see our website: **Cleanroom**  
[www.daifuku.com/solution/cleanroom](http://www.daifuku.com/solution/cleanroom)



For details, see our website: **Cleanroom Automation**  
[www.daifuku.com/pro/cr](http://www.daifuku.com/pro/cr)



# Cleanroom

## Cleanroom production line systems

Daifuku provides cleanroom automated material handling systems (AMHS) that automate semiconductor and flat-panel display (FPD) production to users across the globe. Thanks to the incredible technical prowess that puts Daifuku at the forefront of the industry, AMHSs produce minimal amounts of dirt, keep vibration levels low, and ensure top-notch reliability to facilitate operations at cutting-edge semiconductor and FPD factories.

In recent years, unique technologies like non-contact power supply and nitrogen purging have allowed manufacturers to miniaturize their semiconductors and give their FPDs even sharper image quality, enhancing the production of the world's most advanced digital products.



## Our Business



Find movies:



For details, see our website: Automotive

[www.daifuku.com/solution/automotive](http://www.daifuku.com/solution/automotive)



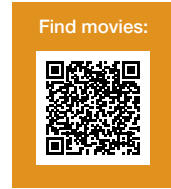
# Automotive

Automotive production line systems

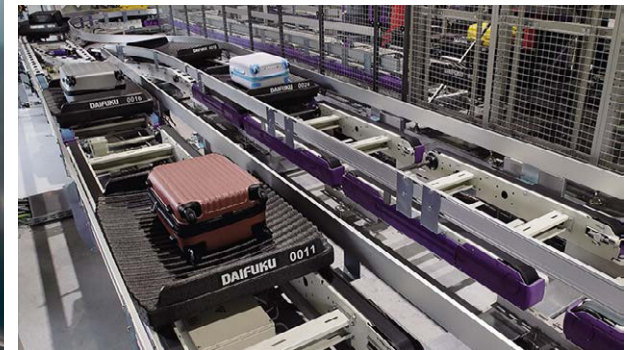
At the Daifuku Group, we have more than half-century proven track record in automobile production line systems. We provide automated systems for the entire manufacturing process—from pressing, welding, painting, assembly, parts storage and supply, through to engine testing. Motorization is expanding on a global scale, including a worldwide increase in eco-friendly cars and locally oriented models. We support this expansion with our cutting-edge logistics technologies and automobile production solutions.



## Our Business



For details, see our website: [Airport](https://www.daifuku.com/solution/airport)  
[www.daifuku.com/solution/airport](https://www.daifuku.com/solution/airport)



# Airport

Airport technologies

Daifuku operates worldwide in collaboration with its Group affiliates in North America, Europe, and Asia Pacific, providing end-to-end solutions, including self-service baggage check-in systems, baggage handling systems, airport terminal operating systems, and baggage screening systems. Our leading-edge solutions continue to revolutionize airport operations worldwide, enhancing the productivity, intelligence, accuracy, and passenger service levels of our partners.

## Our Business

# Auto Wash

Car wash machines and related products

Find movies:  
(In Japanese only)



For details, see our website: Car Wash Machines  
[www.daifuku.com/solution/carwash](https://www.daifuku.com/solution/carwash)



Daifuku's car wash machines make the most of the techniques and quality that it has accumulated over the years as a manufacturer of material handling systems. From tunnel-type car washes for passenger vehicles to drive-through car washes, gate-type car washes, and large-vehicle washes for trucks, buses, and semi-trailers, we offer a wide variety of car wash machines and products to service stations, car dealerships, maintenance shops, transportation companies, and coin-operated car washes.

# Electronics

Find movies:



For details, see our website: Case Studies  
<https://www.contec.com/case-studies>



Daifuku's subsidiary Contec Co., Ltd. manufactures and sells industrial computers, and IoT devices such as measuring/control and network-related products and provide solutions. Leveraging its core technologies cultivated in electronic devices for factory automation, which requires high reliability, Contec is expanding into various growth fields, such as environment and energy, medical care, and railway.

# Global Reach

The Daifuku Group has sites in 25 countries and regions and offers solutions tailored to customer needs in a wide range of sectors. After positively working on business expansion outside Japan, including M&As, non-Japan sales have increased about fourfold compared to a decade ago. We will continue to strive as a unified Group to expand sales and increase profitability.

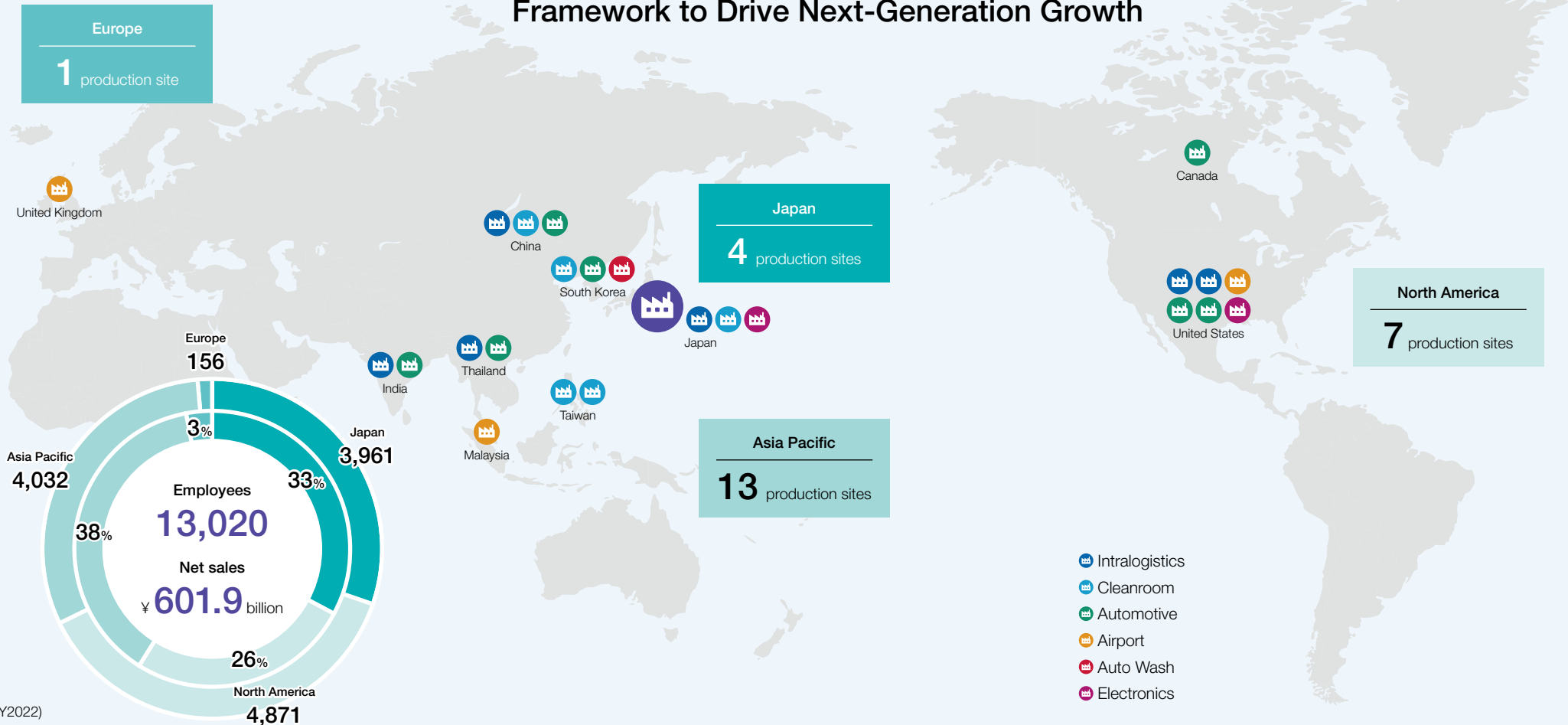


**Group companies/branches**  
**70** companies  
 (including the parent company)  
**6** branches  
**25** production sites



**Installation record**  
**54** countries  
**Non-Japan sales ratio**  
**67%**

## Optimal Production and Procurement Framework to Drive Next-Generation Growth



# Enhancing Production Framework

In response to growing global demand, the Daifuku Group has expanded production sites worldwide, including new construction of factories. We will continue to develop a production framework that flexibly responds to changes in the market environment and increasing demand in every region.

## Cleanroom

Our Chinese subsidiary Daifuku (Suzhou) Cleanroom Automation Co., Ltd. is constructing its new manufacturing plant for semiconductor and flat-panel display (FPD) production line systems and will start operation in September 2023. The company used to primarily produce systems for FPD factories. To respond to the expansion of semiconductor production in China and ensure stable its operations, we at the Daifuku Group decided to build our own factory. The new plant is planned with a layout suitable for semiconductor-related projects for which demand is growing. We aim to expand our share of the Chinese market by strengthening our production capacity.



New plant for semiconductor and FPD production line systems in China

A virtual experience theater (image below) installed in the plant will highlight our innovativeness and technological capabilities to stakeholders including our customers and employees and enhance our brand strength in China. Also, we will enhance promotional activities toward customers and a technical training system for staff using a showroom for semiconductor and FPD production demo lines.

### Overview

Investment amount	Cleanroom floor space	Site area
4 billion yen	15,000 m <sup>2</sup>	31,000 m <sup>2</sup>

### Environmental initiatives

- Photovoltaic system installed on the roof

Virtual experience theater (Daifuku's demo center Hini Arata Kan)

## Airport

In October 2022, our North American affiliate Jervis B. Webb Company's new manufacturing plant was completed in Boyne City, Michigan, to produce airport baggage handling products and automatic guided vehicles. For the construction, a land area of 89,000 square meters was acquired in advance. To increase production efficiency, Jervis B. Webb has integrated manufacturing functions of the existing three production sites in dispersed locations in the United States into a single plant, which eliminates the need to truck materials between plants. By integrating the manufacturing process, production capacity will increase roughly 30%. Additionally, increasing capacity in powder coating and laser cutting reduces the need to outsource, lowering operation costs. Having manufacturing at a single location will improve demand forecasting for parts, which alleviates potential supply chain issues.



New plant for airport systems in the U.S.

The production space is designed to allow for future expansion. Looking ahead, we will consider further expansion in the future.

### Overview

Investment amount	Building area	Site area
26 million U.S. dollars	20,900 m <sup>2</sup>	89,000 m <sup>2</sup>

### Environmental initiatives

- Reducing consumption for lighting in and outside the building by introducing energy management system
- Electric vehicle charging stations installed



Chapter

# 01

## Value Creation Story

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- 21 Daifuku Value Creation Process
- 24 Daifuku's Value Chain
- 26 CHRO Message
- 28 CTO Message
- 30 Materiality
- 32 Sustainability Action Plan

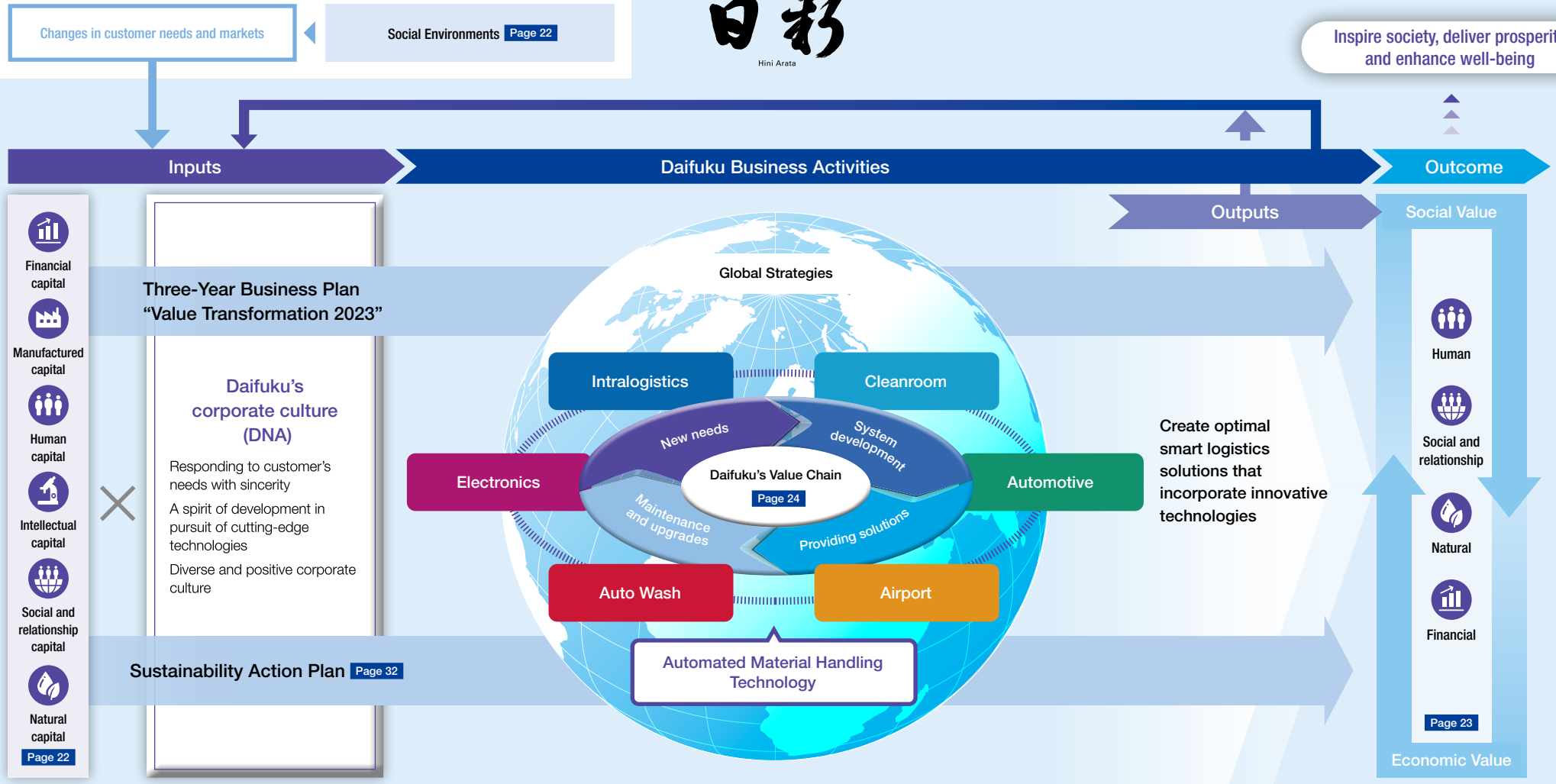
# Daifuku Value Creation Process

## Company Creed



## Management Philosophy Automation that Inspires

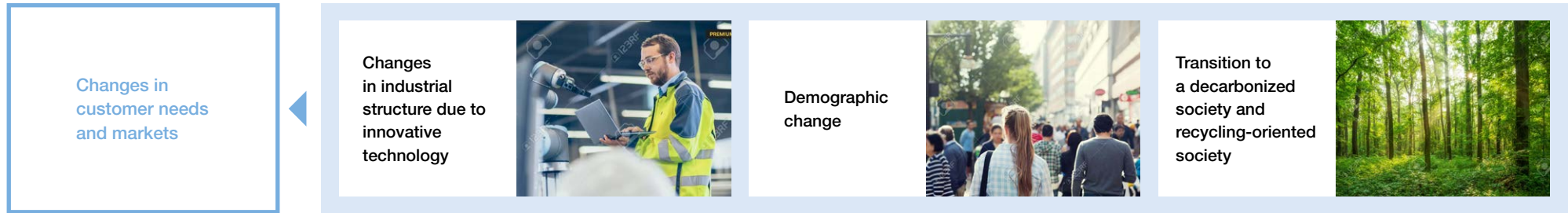
Inspire society, deliver prosperity and enhance well-being



\* DX<sup>2</sup> (DX Squared) = Digital Transformation × Daifuku Transformation

## Daifuku Value Creation Process

### Social Environments



### Input capitals

Financial	Manufactured	Human	Intellectual	Social and relationship	Natural
<p>Net assets</p> <p><b>332.3</b> billion yen</p>	<p>Production sites</p> <p><b>25</b></p> <p>(10 countries and regions)</p>	<p>Employees</p> <p><b>13,020</b></p> <p>Non-consolidated: 3,375 Japan: 586 Non-Japan: 9,059</p>	<p>Innovation investment</p> <p><b>15.6</b> billion yen</p> <p>(R&amp;D expenses + DX investment amount)</p>	<p>Major suppliers (non-consolidated)</p> <p><b>700</b> or more*</p> <p>* Annual transaction value of more than 10 million yen</p>	<p>Energy consumption</p> <p><b>774,047</b> GJ</p>
<p>Net income</p> <p><b>41.2</b> billion yen</p>	<p>Capital investment</p> <p><b>16.8</b> billion yen</p>	<p>Designers/Engineers (non-consolidated)</p> <p><b>1,024</b></p>	<p>Patents held</p> <p><b>4,040</b></p>	<p>Extensive installation records since we entered the material handling business</p> <p><b>76</b> years</p>	<p>Water consumption</p> <p><b>219,730</b> m<sup>3</sup></p>
<p>Corporate credit rating</p> <p><b>A</b></p> <p>(Rated by R&amp;I, as of January 2023)</p>		<p>Field engineers (non-consolidated)</p> <p><b>679</b></p>			



# Daifuku Value Creation Process

## Outcome

### Social Value



#### Human

- Enhancing work environments
- Enhancing employee engagement
- Turnover rate\* 2.70% (non-consolidated)

\* Excludes compulsory retirees and contract expired retirees



#### Social and relationship

- Helping for industrial advances and expansion (semiconductor, e-commerce)
- Underpinning social infrastructure through stable operations of systems we deliver
- Eliminating labor shortages at logistics sites
- Raising efficiency of social systems



#### Natural

#### Realization of Daifuku Environmental Vision 2050 [Page 54](#)

##### Goals

- Cutting net CO<sub>2</sub> emissions to zero in the supply chain
- Achieving a recycling-based society
- Zero negative impact on natural capital



#### Financial

#### Three-year business plan Value Transformation 2023

##### Management targets

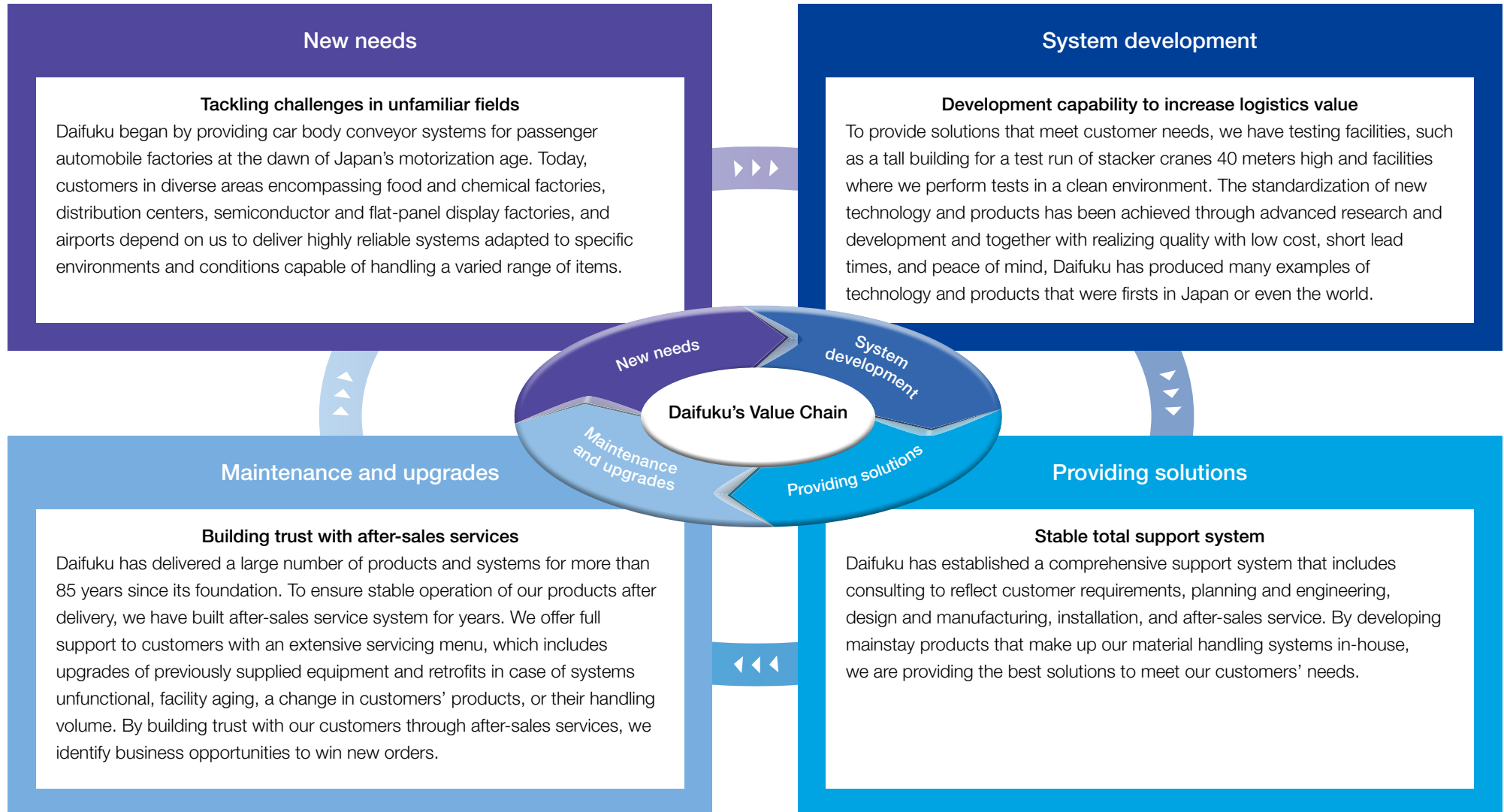
- Increase net sales to 600 billion yen
- Raise operating margin to 10.5%
- Secure ROE of 10% or higher (each fiscal year)
- Maintain or increase dividend payout ratio of 30% or higher (on a three-year average)



### Economic Value

# Daifuku's Value Chain

Daifuku always incorporates new market needs and leverages its wealth of technology and know-how to take on the challenge of new material handling fields. Through our after-sales services, including continuously providing stable system operation and facilities upgrades we deliver, we have been building solid relationships of trust with customers over the years.



## Daifuku's Value Chain

The Daifuku Group promotes the employment of diverse personnel based on its management philosophy and the development of an environment where each employee is able to work actively with a sense of job satisfaction and ease of work. Under the three-year business plan Value Transformation 2023, with the themes of adopting diverse human capital management systems and creating a global corporate culture, we are working to develop and promote personnel and enhance employee engagement.

### Round table with the CEO and employees

From October 2022 to January 2023, we held a round table as part of communication between the CEO and employees, who have little contact with each other in their daily work, at major locations. With a theme of our management philosophy, 36 attendees selected from various units shared their own thoughts and related measures in their respective units.



Round table held at Shiga Works

### Daifuku Leadership Academy

Daifuku Leadership Academy was developed by Daifuku North America Holding Company. The inaugural course was launched in November 2021 with 24 participants and concluded in November 2022, after a series of graduation presentations and other activities.

The academy was designed with two main objectives, to support the growth of high-potential team members, as well as to help turn out top-class personnel with leadership for the future. The second course started in February 2023 with 24 participants.



Daifuku Leadership Academy participants

### Sustainability stories movies unveiled

Movies express employees' conflicts, challenges, and how they think and act in their own daily lives. Our employees appear in the movies to help foster a sense of empathy and unity throughout the Group, as well as to enhance the corporate philosophy and brand strength.



#### Watching for Miracles

Quality Employee Education / Quality / Training Center

Can people really change? The managers who have been involved in training engineers for years recall the "miracle" they have seen many times and warmly support the trainee.



For details, see our website: Sustainability Stories

[www.daifuku.com/pro/cr/en/stories/?ln=0](http://www.daifuku.com/pro/cr/en/stories/?ln=0)



## CHRO Message



### Maximizing the value of human capital to increase corporate value

Hideaki Takubo

Director  
Managing Officer  
Chief Human Resources Officer  
Corporate Functions Head

#### From divisional optimization to overall optimization

Under the business unit system, the Daifuku Group has continued to grow by capturing the characteristics of each industry in which the Group operates. Although optimization efforts are ongoing within each unit, from a Groupwide perspective we need to develop an overall system to enable us to take full advantage of the know-how possessed by each unit. As such, I consider it my mission to formulate and implement human resource strategies in terms of the entire Group, instead of separate business units. I will contribute to the enhancement of our corporate value by placing the right people in the right places for management strategies, including allocating human resources to areas where growth is expected in the medium to long term, leading to greater efficiency and vitality in each unit.

We have established new secondment and internal job posting systems to support employees' career development and to promote the mobility of the Group's human resources.

#### Enhancing human capital through encouraging the growth of each and every employee

In fiscal 2022, we determined the competencies—the behavioral traits and attitudes—expected from the Group's employees. In fiscal 2023, we will incorporate the competencies into each job category and business, making them a part of employee evaluations and development. To date, personnel development has focused on rank-based training, but going forward we will expand our training system to provide other training opportunities in the form of elective training, self-directed learning, and other forms of training that will contribute to the growth of each and every employee.

We also intend to clarify key positions (officers and executives) in business units in Japan and subsidiaries outside Japan, and systematically secure and train successors for each. In the future, each business unit, as well as the Group's Human Resource Committee, will continue to hold discussions with the CEO and the top management from each unit, and will identify and train

employees for key positions, thereby securing successor candidates for the entire Group.

In recent years, we have seen the rapid development of AI and other digital technologies. We have already developed a material handling system that incorporates AI and provide it as a solution; however, with the rapid evolution of technology, we also need to ramp up digitalization in the Company for every aspect of its operations. Working together with the Chief Technology Officer, the Chief Production Officer concurrently serving as the Chief Information Officer, and other C-suite roles of chief officers, who serve as a cross-Group function, I will strive to acquire and develop human resources who excel in AI and data science as one of our medium- to long-term human resource strategies, rallying the technological capabilities we have cultivated in each business since our founding on a cross-divisional basis.

## CHRO Message

### Diversity and inclusion—essential factors for growth

In terms of personnel management, we have identified diversity and inclusion as a material issue, and are taking steps to create a work environment for diverse human resources. New technological innovations and ideas born from diverse values are vital if the Group is to continue to achieve sustainable growth.

Insofar as this applies to encouraging women's participation and advancement in the workplace, particularly with regard to increasing the number of female managers in Japan, we are training potential candidates through leader training for employees at the assistant manager level. In Japan, the ratio of women in the engineering field is low, making it difficult to increase the number of women in the field immediately. However, we will continue to ramp up our efforts to hire female engineers, from a medium- to long-term perspective.

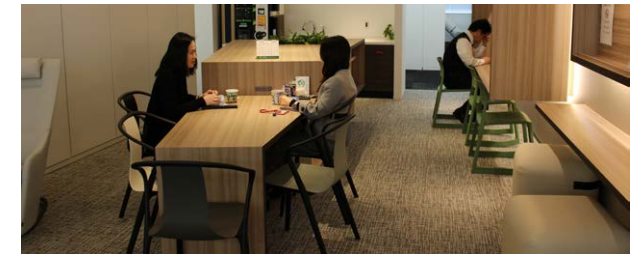
In addition, we are focusing on hiring people from around the world and have been hiring directly from non-Japanese technical universities over the last five years. In 2023, we have hired nine people from India, Thailand, Malaysia, Indonesia, and Vietnam to date. We will further develop the work environments to hire even more talented engineers, regardless of their gender or nationality.

### A comfortable work environment for higher engagement

In fiscal 2021, we carried out an employee engagement survey, aiming to establish a work environment that keeps employees motivated, through work-style reforms or other initiatives. We surveyed employees of Japan-based Group companies, focusing on the two aspects of job satisfaction and ease of work, receiving high scores for quality and customer orientation, management leadership, and management strategy and direction. Quality and customer orientation is particularly notable as it reflects Daifuku's close understanding of customer issues and offering solutions, a characteristic that has been imprinted on Daifuku's corporate DNA and established as a Group strength since its founding.

At the same time, the survey also unearthed issues with 1) cooperative systems, 2) operational processes and organizational structure, and 3) performance management. To improve upon the first two items, we will conduct a review of our organizational framework to raise the mobility of personnel and encourage collaboration across businesses. For the third item, we need to provide employee evaluations in a way that is easier for them to understand and accept. Based on the results of the survey, we started to implement new evaluation and promotion systems in April 2023.

In June 2023, we conducted a survey of employees outside Japan, and the results are currently being tabulated and analyzed. As with the domestic survey, we will take measures for higher engagement once we recognize the strengths and issues brought to light.



### To our stakeholders

Every year, I ask new graduate hires why they chose to join Daifuku, and the reply I often receive is, "I wanted to join a company that contributes to society." Thanks to you, we are today a company responsible for social infrastructure that is indispensable to the world. As the Chief Human Resources Officer, I will develop and implement personnel management that ties into the Group's management strategies to ensure that we remain a vital part of society. Human resources are not an area that progresses or improves easily, and results tend not to appear in the short term. I hope you will continue to watch us from a medium- to long-term perspective.

## CTO Message



### Introducing technology-based business innovation to boost corporate value

Takuya Gondoh  
Managing Officer  
Chief Technology Officer

#### Shifting our business from a catch-up model to a front-runner model

The Daifuku Group has achieved growth by leveraging the expertise it has developed over the years to offer solutions tailored to the features of its markets and customers. We call this a catch-up model, characterized by listening seriously to customers' needs and creating tangible solutions. However, amid the rapid emergence of AI, the IoT, and other digital technologies, environmental, human rights and other social issues need to be addressed. In this current situation, it is difficult to understand the value or service that customers truly seek. This in turn means that we cannot continue to grow with our traditional business style.

To identify what value customers really seek, it is essential that we use digital technologies. For instance, we should use sensing technologies to digitize system operation data, cloud technologies to collect and accumulate them, and AI technology to analyze them. That will make visible what customers perceive as problems and what value they

seek, thus paving the way for collaboration between customers and us in value creation, which may be paraphrased as customer experience.

To achieve continued growth in the future, it is imperative that we introduce cutting-edge technologies to shift our business style to a front-runner model, in which we will be able to create new value and innovation based on the customer experience.

As the Chief Technology Officer, I feel obliged to introduce a business style of independently developing and offering products and systems that were not found in markets across the Daifuku Group.

#### Training personnel to bring about innovation and forging a corporate culture for innovation

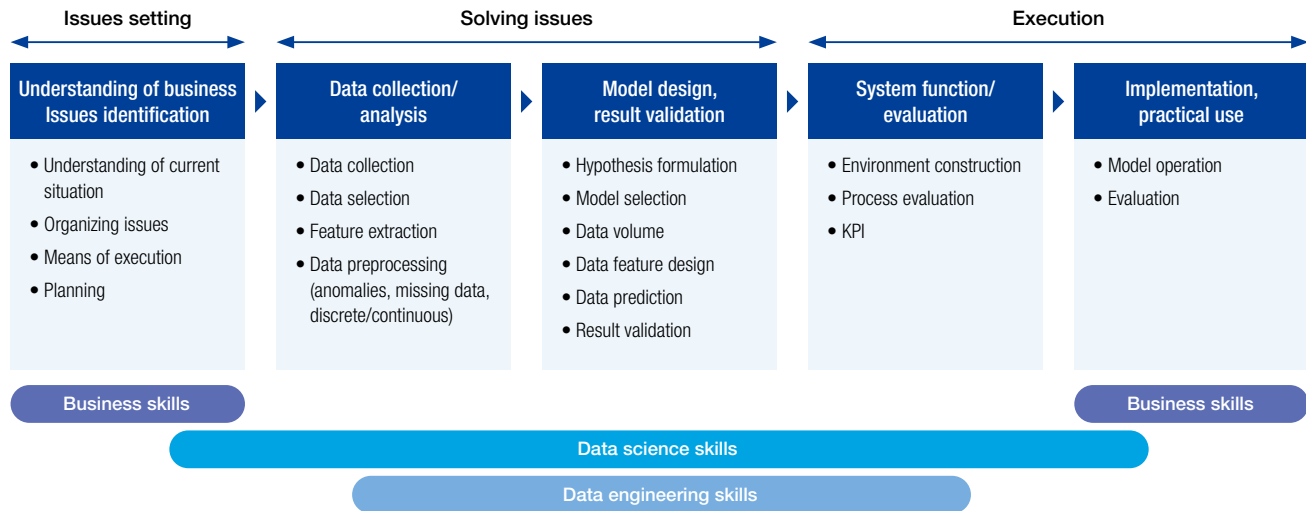
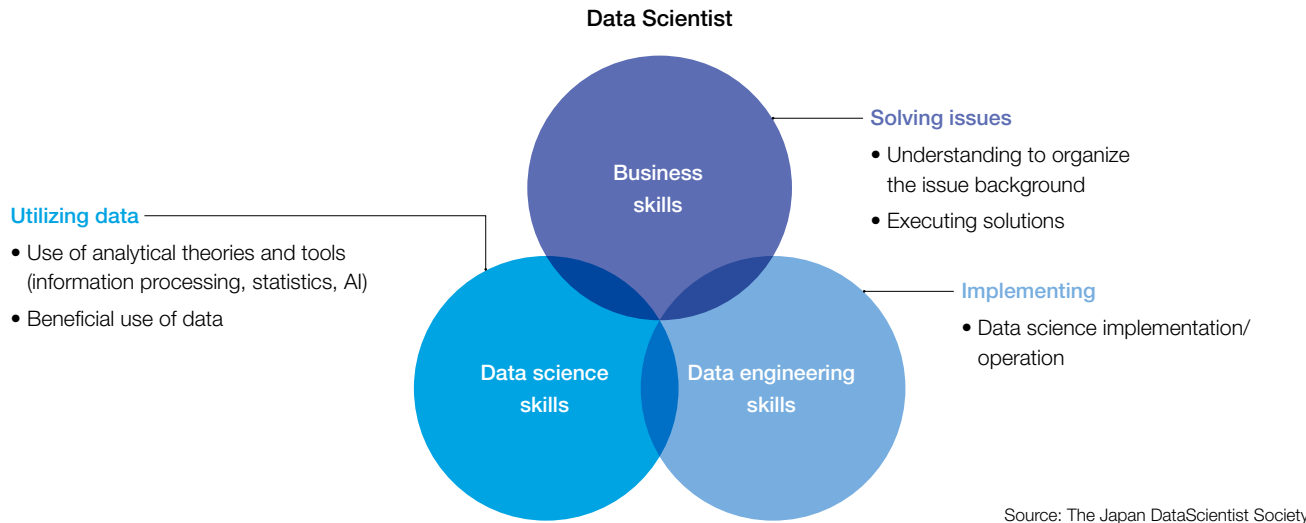
The Group cannot bring about innovation and change the value it offers without developing its people. We have a large number of personnel with specialist knowledge not

only in mechanical design but in control, electricity, simulation, software, and architecture. That gives us an advantage. However, I believe it will be important to develop data scientists in addition to people with design and programming skills. Data scientists are capable of finding problems by themselves, devising ways to sort them out, and making good use of data. Right now, we are looking at launching a Groupwide staff development program for fostering the skills to develop ideas and to put them into action; for example, using AI not only for products but for improving day-to-day work processes. With this program, we will stress the importance of thinking on the basis of technologies with a view to changing the mindset of the entire Group.

In addition, it is vital to transform the superior experience and expertise of long-serving employees, what we call tacit knowledge, into explicit knowledge, which is plain to everyone. To do this, we are preparing an easy-to-understand manual and otherwise constructing an



## CTO Message



environment that allows inexperienced employees and mid-career newcomers to display their potential at an early stage. Developing an atmosphere where they are able to use the knowledge they acquired at university and at their previous job is important for us to achieve continued growth.

### Giving intelligence to products with the aspiration of becoming a material handling robotics company

The Group should endeavor to become a material handling robotics company in the future. The material handling market is now seeing more and more players and the competition is consequently intensifying. To attain continuous growth, we should add intelligence to automated warehouses, sorting transfer vehicles, conveyors, and other products and make systems more value-added for differentiation. Today, customers seek more complicated and diverse systems, and we need to supply systems and solutions with a flexible response to changes in the operating environment. Take sorting transfer vehicles, for example. Traditionally, most models were designed for single operation, such as moving goods from right to left. In the future, we will offer robotized models, which have the intelligence to avoid busy routes and to search for the optimal routes autonomously. We are aware that this cannot be done without enhancing our software capabilities. With a view to departing from the framework of a machinery and equipment manufacturer and evolving into a material handling robotics company, we will continue our development efforts and strive to help build a fulfilling society.

# Materiality



For details, see our website: **Materiality**  
[www.daifuku.com/sustainability/management/materiality](http://www.daifuku.com/sustainability/management/materiality)

## Basic stance

In February 2021, the Daifuku Group reviewed the materiality\* (material issues) that have been at the core of our CSR activities since June 2014 with the aims of achieving sustained business growth and the sustainable society envisioned by the SDGs. We will continue to review the materiality in accordance with the development of the Group's three-year business plan as well as changes in business environment and social trends.

\* Issues that need to be addressed as top priorities, as they have a significant influence on the environment, society, and governance or the evaluation and decision-making of stakeholders.

## Determination process



## Materiality

### Evaluation results

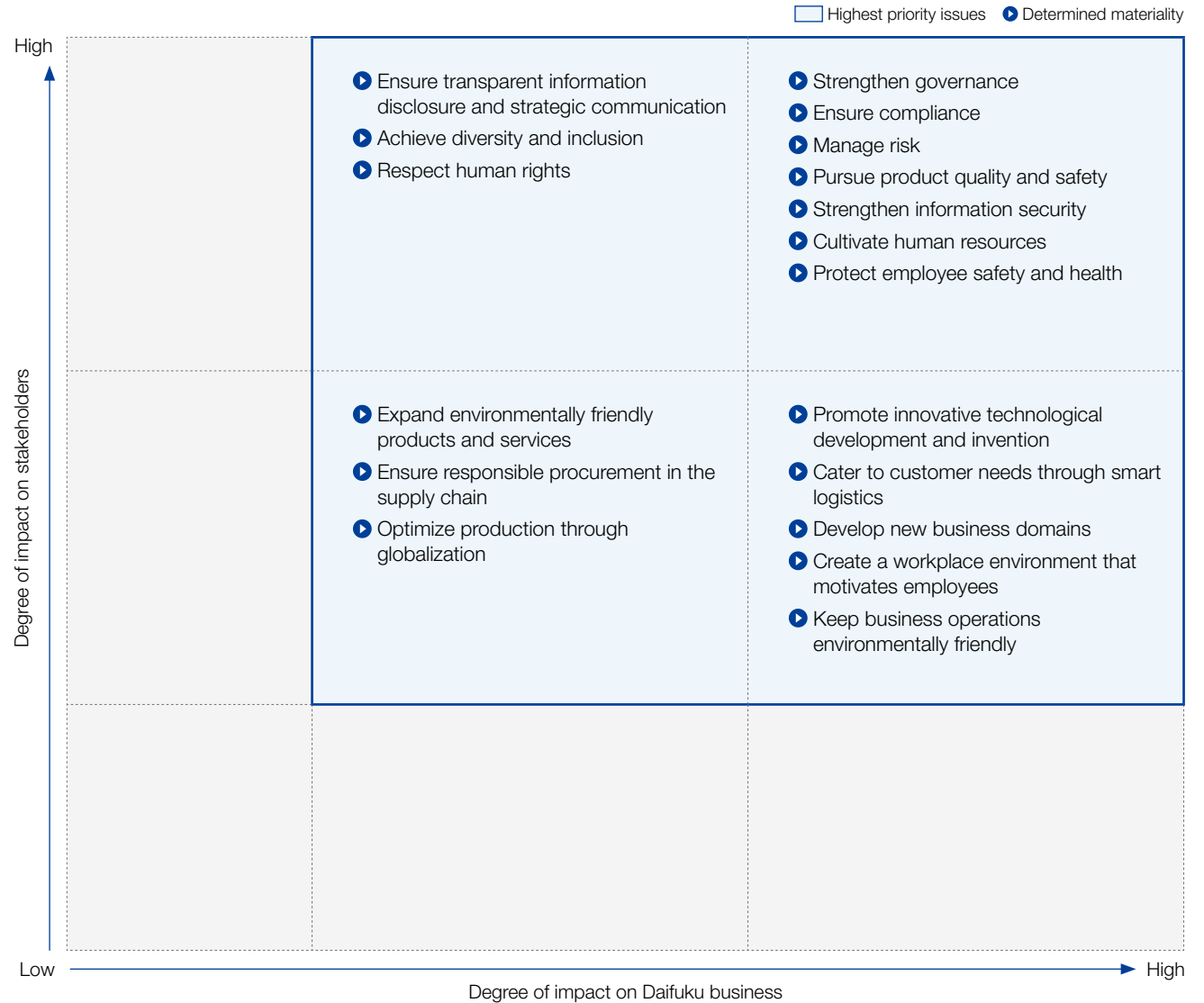
We conducted an evaluation of the materiality candidates extracted by the internal project team according to the following methods, and identified 18 materiality aspects.

#### Degree of impact on stakeholders (vertical axis)

We evaluated stakeholder expectations and demands as well as the degree of impact from a positive and negative perspective through our initiatives for each issue.

#### Degree of impact on Daifuku business (horizontal axis)

We evaluated compatibility with our business policy and strategy, impact on the business index, and from a perspective on risk and opportunity to our reputation for each issue.















# Sustainability Action Plan

For details, see our website: [Sustainability Action Plan](https://www.daifuku.com/sustainability/management/plan)  
www.daifuku.com/sustainability/management/plan

## A company that supports society and the future

The Sustainability Action Plan is a three-year (FY2021–2023) action plan developed around five crucial themes and the materiality associated with each. Through all of our business activities, we aim to achieve a sustainable society and increase our corporate value.

Please refer to [Pages 34–36](#) for the fiscal 2022 targets and results.

Themes	Aspirations for 2030	Materiality	2030 Goals	SDGs
 Contribute to a smart society	Provide products and services and develop new technology to solve social challenges	Promote innovative technological development and invention	Innovate to create new value for the distribution system	
		Develop new business domains	Expand the realm of business using business strategy (including M&A and alliances)	
		Cater to customer needs through smart logistics	Use cutting-edge technology to improve efficiency and automate to create value for customers	
 Maintain and improve the quality of products and services	Build and maintain systems that provide reliable, safe, and high-quality products	Optimize production through globalization	Achieve global optimized production	
		Pursue product quality and safety	Earn customer trust in product quality and safety	
 Enhance operational framework	Carry out both business operations and social responsibility	Strengthen governance	Further strengthen the Group governance system	—
		Ensure compliance	Eliminate serious cases of corruption	
		Manage risk	Implement Group risk management, including at global subsidiaries	
		Ensure responsible procurement in the supply chain	Implement global CSR procurement	   
		Strengthen information security	Thoroughly implement and continue operation of internal global standards	—
		Ensure transparent information disclosure and strategic communication	Strengthen stakeholder engagement	



## Sustainability Action Plan



Themes	Aspirations for 2030	Materiality	2030 Goals	SDGs
 Respect human dignity	Seek to provide peace of mind and comfort to people	Protect employee safety and health	Eliminate labor accidents and major accidents in operations	
		Achieve diversity and inclusion	Create an environment where diverse human resources can be active	 
		Create a workplace environment that motivates employees	Achieve a workplace environment where employees experience comfort, health, and prosperity	 
		Cultivate human resources	Provide opportunities for growth according to the individual's career ambitions	
		Respect human rights	Respect the human rights of all people involved in our business	 
 Contribute to the environment through our business	Make efforts in all workplaces and regions that reduce our burden on the global environment	Keep business operations environmentally friendly	Enhance measures to reduce environmental footprint, such as in climate change and resource depletion	   
		Expand environmentally friendly products and services	Maximize value for customers through being environmentally friendly	  

# Sustainability Action Plan (FY2022)

For details, see our website: [Sustainability Action Plan](http://www.daifuku.com/sustainability/management/plan)  
www.daifuku.com/sustainability/management/plan

Materiality	Key Performance Indicators (KPIs)	Scope	Targets and Results	
			FY2022 Targets	FY2022 Results
<b>Contribute to a smart society</b>				
Promote innovative technological development and invention	<ol style="list-style-type: none"> <li>Innovation investment amount*1</li> <li>Patent registrations (cumulative total)</li> </ol>	Global	<ol style="list-style-type: none"> <li>15 billion yen</li> <li>3,800 patents</li> </ol>	<ol style="list-style-type: none"> <li>15.6 billion yen</li> <li>4,040 patents</li> </ol>
Develop new business domains	Penetration into new markets and new business conditions; commercialization of new products	Global	<ul style="list-style-type: none"> <li>Development through collaborative research with universities and companies</li> <li>Provide new automated solutions</li> <li>Cultivate new customers, expand business area globally</li> <li>Expand service business</li> </ul>	<ul style="list-style-type: none"> <li>Promoted the development of new products through open innovation with multiple universities and external research institutions</li> <li>Provided automation solutions for back-end processes in semiconductor manufacturing (wafer stacking, direct bonding, etc.)</li> <li>Developed and marketed resin case cleaning equipment for the distribution and logistics markets</li> <li>Received an EV-related project in India for a new customer</li> <li>Service sales: an increase of 22.8 billion yen (+16.8%) compared to the previous fiscal year</li> </ul>
Cater to customer needs through smart logistics	Introduction of cutting-edge technology to products and services	Global	<ul style="list-style-type: none"> <li>Use wireless and 5G technology and rechargeable batteries</li> <li>Introduce high-efficiency systems and predictive maintenance systems using AI technology</li> <li>Reduce energy consumption with more sophisticated power supply equipment</li> <li>Make maintenance services more efficient with the use of IoT</li> </ul>	<ul style="list-style-type: none"> <li>Demonstration experiments for the introduction of wireless and 5G technology are underway</li> <li>On track to complete a predictive maintenance system using AI technology</li> <li>Developed a high-capacity, non-contact power supply device that reduces power consumption by 12%</li> <li>Launched the Carwash Smart Support service (remote program updates, etc.)</li> </ul>
<b>Maintain and improve the quality of products and services</b>				
Optimize production through globalization	New and expanded production sites to achieve production in optimal conditions; other countermeasures	Global	<ul style="list-style-type: none"> <li>Build a procurement network globally and share production technology</li> <li>Strengthen ability to respond at global subsidiaries (in sales through production and service)</li> <li>Optimally distribute production through consolidation and in-sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Established a global supply chain for key components of pallet-based products to switch to overseas manufacturing</li> <li>Introduced a framework for sharing project information between the sales department and the production, construction, and service departments in order to centrally manage global subsidiary operations</li> <li>Enhanced responsiveness (development, design, production, etc.) through personnel training at global subsidiaries</li> <li>Consolidated and streamlined factories to ensure optimal local and in-house production for each product</li> </ul>
Pursue product quality and safety	<ol style="list-style-type: none"> <li>Number of serious accidents related to product or system safety*2</li> <li>Rate of ISO 9001 global multi-site certification*3 in production sites</li> <li>Number of employees who obtain safety assessor credentials*4</li> </ol>	<ol style="list-style-type: none"> <li>Global</li> <li>Japan</li> </ol>	<ol style="list-style-type: none"> <li>0 occurrences</li> <li>60%</li> <li>190 people</li> </ol>	<ol style="list-style-type: none"> <li>0 occurrences</li> <li>64%</li> <li>223 people</li> </ol>

## Sustainability Action Plan (FY2022)

Materiality	Key Performance Indicators (KPIs)	Scope	Targets and Results	
			FY2022 Targets	FY2022 Results
 <b>Enhance operational framework</b>				
Strengthen governance	<ol style="list-style-type: none"> <li>Improving the effectiveness of the Board of Directors</li> <li>Enhancing internal perceptions</li> <li>Carrying out sound internal audits</li> </ol>	Global	<ol style="list-style-type: none"> <li>Carry out efforts to improve effectiveness</li> <li>Implement measures to propagate the Group Code of Conduct globally</li> <li>Carry out internal audits in Japanese business units and global subsidiaries (total 300 cases, 3 years) and maintain compliance with internal evaluations</li> </ol>	<ol style="list-style-type: none"> <li>Addressed issues identified in an effectiveness assessment of the Board of Directors ((1)training opportunities for board members, (2) sharing the discussion content of Advisory Committee meetings, (3) diversity in the Board of Directors' composition)</li> <li>Utilized the Compliance Guidebook, which explains the Group Code of Conduct, and disseminated the concept of compliance through e-learning and at meetings for overseas subsidiaries <ul style="list-style-type: none"> <li>Reformed the e-learning system, bringing the total number of participants to more than 10,000 over a two-year period</li> </ul> </li> <li>Total of 88 audits: 71 in Japan, 8 at overseas subsidiaries, and 9 specified audits (214 audits over 2 years) <ul style="list-style-type: none"> <li>Internal evaluations determined the Group as compliant</li> </ul> </li> </ol>
Ensure compliance	Carrying out anti-corruption training	Global	Carry out training and follow-ups for Japanese and global parties with authority to accept and place orders	Expanded the e-learning implemented in Japan and the US in fiscal 2021 to other countries and regions in multiple languages
Manage risk	Implementing countermeasures against major risks	Global	<ul style="list-style-type: none"> <li>Carry out regular risk assessments</li> <li>Form a risk management policy and spread awareness of it</li> <li>Implement significant risk countermeasures</li> <li>Carry out risk response training</li> </ul>	<ul style="list-style-type: none"> <li>Established the Risk Management Committee and built an effective risk management system</li> <li>Assigned departments to oversee five key risks and managed the progress of countermeasures</li> <li>Held a total of four working groups focusing on procurement risks</li> <li>Held lectures by risk management experts</li> </ul>
Ensure responsible procurement in the supply chain	Establishing a CSR procurement system and expanding the range of operations	Global	Review CSR Procurement Standards and formulate new guidelines to be applied in Japan and abroad	Began work on Sustainable Procurement Guidelines
Strengthen information security	<ol style="list-style-type: none"> <li>Number of global information security education sessions</li> <li>Number of global email training sessions</li> </ol>	Global	<ol style="list-style-type: none"> <li>4 sessions</li> <li>4 sessions</li> </ol>	<ol style="list-style-type: none"> <li>4 sessions</li> <li>4 sessions</li> </ol>
Ensure transparent information disclosure and strategic communication	<ol style="list-style-type: none"> <li>Number of companies with which dialogue meetings were held</li> <li>Enhancing communication with stakeholders</li> </ol>	<ol style="list-style-type: none"> <li>Global</li> <li>Japan</li> </ol>	<ol style="list-style-type: none"> <li>1,200 companies (ESG-related: 20 companies)</li> <li> <ul style="list-style-type: none"> <li>Implement measures to promote the brand based on the renewal of Hini Arata Kan</li> <li>Carry out events for science and engineering students</li> <li>Get employees to participate in social contribution activities</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1,437 companies (ESG-related: 70 companies)</li> <li> <ul style="list-style-type: none"> <li>Held a tour of Hini Arata Kan for the media, which was attended by 17 people from 16 publications and resulted in 14 published articles</li> <li>Exhibited at Logis-Tech Tokyo 2022 and had over 10,000 visitors to our booth</li> <li>Began consideration for the implementation of manufacturing events for engineering students in fiscal 2023</li> <li>Regularly conducted community contribution activities based on annual activity plans for the Company as a whole as well as for each region</li> </ul> </li> </ol>
 <b>Respect human dignity</b>				
Protect employee safety and health	<ol style="list-style-type: none"> <li>Frequency rate: Japan (global)</li> <li>Severity rate: Japan (global)</li> <li>Number of occupational safety and health trainees</li> <li>Number of serious accidents<sup>*5</sup></li> </ol>	Global	<ol style="list-style-type: none"> <li>0.4 (0.8)</li> <li>0.01 (0.02)</li> <li>1,600 trainees</li> <li>0 accidents</li> </ol>	<ol style="list-style-type: none"> <li>0.45 (0.90)</li> <li>0.006 (0.216)</li> <li>2,161 trainees</li> <li>1 accident</li> </ol>
Achieve diversity and inclusion	<ol style="list-style-type: none"> <li>Number of female managers</li> <li>Employment rate of people with disabilities</li> <li>Paternity leave acquisition rate</li> </ol>	Japan	<ol style="list-style-type: none"> <li>25 people</li> <li>2.3%</li> <li>8%</li> </ol>	<ol style="list-style-type: none"> <li>26 people</li> <li>2.48% (As of June 1, 2022)</li> <li>16% (44%)*<sup>6</sup></li> </ol>

## Sustainability Action Plan (FY2022)

Materiality	Key Performance Indicators (KPIs)	Scope	Targets and Results	
			FY2022 Targets	FY2022 Results
<b>Respect human dignity</b>				
Create a workplace environment that motivates employees	<ol style="list-style-type: none"> <li>1 Paid leave acquisition rate</li> <li>2 Maintaining high rate of stress check testing</li> <li>3 Holding events to encourage mental and physical health</li> </ol>	Japan	<ol style="list-style-type: none"> <li>1 76%</li> <li>2 96%</li> <li>3 Continue events centered on main facilities</li> </ol>	<ol style="list-style-type: none"> <li>1 79%</li> <li>2 99%</li> <li>3                             <ul style="list-style-type: none"> <li>• Enhanced online events for all regions</li> <li>• Held events related to mental health</li> <li>• Held seminars on cancer and women's health issues</li> </ul> </li> </ol>
Cultivate human resources	<ol style="list-style-type: none"> <li>1 Strengthening education for managerial employees and candidates</li> <li>2 Developing training using online resources and promoting autonomous learning</li> </ol>	Japan	<ol style="list-style-type: none"> <li>1 Provide education according to the qualities of candidates up for promotion</li> <li>2 Establish an on-demand library for training and education</li> </ol>	<ol style="list-style-type: none"> <li>1                             <ul style="list-style-type: none"> <li>• Implemented training and aptitude testing on business and labor management for those promoted to managerial positions in fiscal 2023</li> <li>• Offered promotion and promotion recommendation requirement courses for candidates for managerial positions in fiscal 2023 and beyond</li> </ul> </li> <li>2                             <ul style="list-style-type: none"> <li>• Produced seven new types of video training materials for career hires</li> <li>• Renewed the e-learning system, the education and training infrastructure for the entire Group, and began operations of the new system</li> </ul> </li> </ol>
Respect human rights	<ol style="list-style-type: none"> <li>1 Promotion of workplace understanding of human rights</li> <li>2 Carrying out due diligence for human rights</li> </ol>	Global	<ol style="list-style-type: none"> <li>1 Carry out human rights training for Group employees</li> <li>2 Formulate policies and carry out due diligence for human rights and ensure widespread human rights knowledge inside and outside the Company</li> </ol>	<ol style="list-style-type: none"> <li>1                             <ul style="list-style-type: none"> <li>• Implemented training on the Daifuku Group Human Rights Policy for new hires and career hires</li> </ul> </li> <li>2                             <ul style="list-style-type: none"> <li>• Informed major suppliers about the Daifuku Group Human Rights Policy and the implementation of human rights due diligence at a briefing session</li> <li>• Identified negative impacts on human rights related to our overall business activities and set crucial human rights themes</li> <li>• Implemented a global supply chain information aggregation system and surveyed the employment status at 19 companies</li> <li>• Selected two domestic suppliers and engaged in direct dialogue with foreign national workers</li> </ul> </li> </ol>
<b>Contribute to the environment through our business</b>				
Keep business operations environmentally friendly	<ol style="list-style-type: none"> <li>1 Daifuku's total CO<sub>2</sub> emissions reduction rate (compared to FY2018)</li> <li>2 Participation rate in CO<sub>2</sub> emissions reduction programs*7 throughout the supply chain</li> <li>3 Recycling rate of waste*8</li> </ol>	<ol style="list-style-type: none"> <li>1 Global</li> <li>2 Japan</li> <li>3 Global</li> </ol>	<ol style="list-style-type: none"> <li>1 5% reduction</li> <li>2 34%</li> <li>3 99%</li> </ol>	<ol style="list-style-type: none"> <li>1 34% reduction</li> <li>2 Target was achieved in fiscal 2021 (36%); began considerations for a review of the system</li> <li>3 95%</li> </ol>
Expand environmentally friendly products and services	<ol style="list-style-type: none"> <li>1 Avoided CO<sub>2</sub> emissions*9</li> <li>2 Sales ratio of environmentally friendly properties*10</li> <li>3 Recyclability rate for new products</li> </ol>	Global	<ol style="list-style-type: none"> <li>1 60,000 t-CO<sub>2</sub></li> <li>2 46%</li> <li>3 90%</li> </ol>	<ol style="list-style-type: none"> <li>1 121,356 t-CO<sub>2</sub></li> <li>2 72%</li> <li>3 86%</li> </ol>

\*1 R&D expenses + DX investment amount

\*2 Accidents caused by the malfunction of our products or systems leading to death or serious illness/injury during operations (injury or illness requiring 30 days or more of treatment)

\*3 Carrying out reviews based on unified standards under the same schedule and certification authority, and obtaining and maintaining certification

\*4 Credentials meant chiefly for designers that certify knowledge and abilities in the field of safety based on international safety standards

\*5 Accidental deaths occurring during work at Daifuku (labor accidents)

\*6 The number in parentheses ( ) is based on the amendment to the Child Care and Family Care Leave Act

\*7 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO<sub>2</sub> emissions at suppliers

\*8 Excluding locations in North America

\*9 CO<sub>2</sub> emissions produced from our products and services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products and services in FY2011, the base year for environmental performance.

\*10 Projects that have contributed to customers in terms of environmental consideration through certified Daifuku Eco-Products, etc.



Chapter

# 02

## Growth Strategies

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## CFO Message



### Redeveloping business management with a view toward the medium- to long-term growth of the Daifuku Group

**Tetsuya Hibi**  
Managing Officer  
Chief Financial Officer

#### Greater corporate value through more sophisticated business management

To maintain optimal operations in a drastically changing business environment, we need to take a multifaceted approach to accounting management, looking at indicators such as capital efficiency and cash flows, in addition to conventional indicators such as net sales and operating income. Since our business management indicators and our approach to business evaluations are set to change markedly, I will encourage understanding of our balance sheets and cash flow statements throughout the Group.

Meanwhile, the ratio of non-Japan sales for the Group increased in fiscal 2022, approaching 70% of total net sales. Bearing this in mind, it is becoming increasingly important that we develop financial and account strategies with a global perspective, and incorporate them into our management strategy. Accordingly, we are considering a shift to international financial reporting standards (IFRS) to bring all Group companies into alignment.

At the same time, if we are to proceed with thorough risk management and take measured steps forward with our business strategy, we need to draw from our well of knowledge pertaining to finance, accounting, and taxation, and invest in both human and physical capital to raise production capacity to provide other forms of support to each business. One of my missions as the Chief Financial Officer is to strengthen our business management. I intend to further enhance corporate value while striking the right balance between investment in growth and returns to shareholders.

#### Expediting the settlement of accounts and improving the financial indicators for non-Japan subsidiaries

I have been working to promote the use of global standards in business management for several years. Right now, most non-Japan subsidiaries settle their accounts in December, while Daifuku, the parent company, and Japanese subsidiaries settle their accounts in March. Subsidiaries with a fiscal year ending in December have a gap between when their accounts are settled and when they receive an accounting audit and report final figures to the parent company. To make effective management

decisions from a Groupwide perspective, the accounting periods of a parent company and its subsidiaries need to align. While we have the IT infrastructure in place to expedite the settling of accounts at non-Japan subsidiaries and improve the accuracy of the accounting process, we face a different challenge in securing expert human resources. Some subsidiaries have an insufficient number of these experts for finance and accounting work, depending on their scale. Therefore, we are working with the management at each subsidiary to provide continued support by recruiting and training human resources locally and dispatching human resources from Japan.

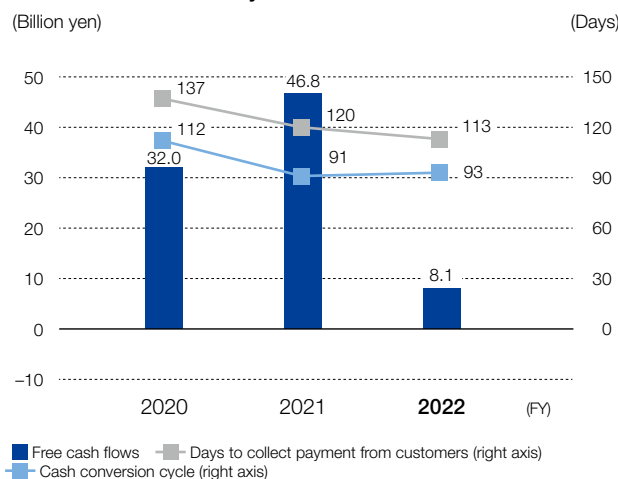
Our business model features long lead times from when an order is received to when our systems are delivered. What is more, projects have been increasing in size in recent years, leading to longer repayment periods. In fiscal 2022, cash flows from operating activities held at 20.0 billion yen, mainly due to an increase in notes and accounts receivables and contract assets of 41.1 billion yen compared with the previous fiscal year. Cash used in investing activities was 11.8 billion yen, mainly due to payments for purchase of property,

## CFO Message

plant and equipment. In addition, free cash flows were 8.1 billion yen. Meanwhile, the number of days to collect payment from customers shortened by seven days, from 120 days in fiscal 2021 to 113. However, we also held more inventories as a measure to respond to constraints in the global supply and procurement of materials. As a result, inventories increased 24.8 billion yen year on year, and our inventory turnover period lengthened by 13 days. Accordingly, our cash conversion cycle also grew by two days, to 93.

We expect the extended lead times for the procurement of materials will shrink gradually from the latter half of fiscal 2023 to the first half of 2024. Once the situation improves, we will reduce inventory in kind. To maximize long-term free cash flows, we will encourage our business units to negotiate better conditions when determining contracts, raising the ratio of payment received in advance.

### Free cash flows, days to collect payment from customers, and cash conversion cycle



To improve upon these indicators, we will raise awareness among employees, encouraging them to take a personal interest in how these indicators perform. As one example, we could include contributions toward reducing the days to collect payment from customers as a point of criteria in employee evaluations. We will investigate and discuss with the relevant corporate units, including Human Resources, to find the best system.

### Allocating capital, with balance

To increase the Group's sales and income, it is important that we raise both production capacity and the ratio of what we produce in-house on a Groupwide basis. To this end, we plan to make capital investments amounting to 21.7 billion yen in fiscal 2023. This includes capital investment in the growing market of India, and the reorganization of Shiga Works, our flagship factory, to improve its production capacity. Demand in India for material handling systems is on the rise due to the country's rapid economic growth. In response, Daifuku Intralogistics India Private Limited, a non-Japan subsidiary in the Intralogistics business, secured a site with a view toward building a new factory. The completion of the new factory is expected to increase current production capacity by a factor of about four. In addition, we will continue to invest in IT infrastructure at our North American subsidiaries and elsewhere, to optimize our core systems.

At fiscal 2022 year-end, total assets amounted to 551.5 billion yen, net assets totaled 332.3 billion yen, and the equity ratio was 60.2%, demonstrating sufficient financial soundness. Going forward, we will maintain an equity ratio of 50% or higher while looking to increase financial leverage within an appropriate range to expand growth investment and improve capital efficiency.

Our dividend policy emphasizes the stable return of profits to shareholders, and under our three-year business plan Value Transformation 2023, we aim for an average consolidated dividend payout ratio of 30% or more over the three-year period from fiscal 2021 to fiscal 2023. The year-end dividend for fiscal 2022 was 70 yen, an increase of 5 yen from the initial plan, resulting in an annual dividend of 110 yen. To create a more investment-friendly environment and expand our investor base, the Company conducted a three-for-one stock split effective April 1, 2023. In light of this, we plan to set the annual dividend to 37 yen per share, equivalent to 111 yen per share prior to the stock split.

### To our stakeholders

We have positioned the three years of Value Transformation 2023, starting in fiscal 2021, as a time to redevelop business management to ensure the growth of the Group in the coming age. As part of preparations to emphasize our balance sheets and cash flow statements as management indicators, we have disclosed return on invested capital (ROIC) as a management indicator from fiscal 2023. We will accelerate the Group's growth by improving capital efficiency and concentrating our management resources on highly profitable businesses.

Over the course of Value Transformation 2023, the COVID-19 pandemic shone a light on the labor shortages in the logistics industry, making us all take pause to reflect on the importance of logistics systems as a form of social infrastructure. Daifuku, a pioneer in material handling technology, is ready to take up the challenge to achieve growth in the coming age. I invite you to see what we achieve with the medium- and long-term enhancement of our corporate value while simultaneously expanding our business and contributing to society.

# Strategies by Business

## Intralogistics



### Building a global production structure to expand market share

Hiroshi Nobuta

Director  
Managing Officer  
Intralogistics Global Business Head



#### Progress of the Value Transformation 2023 business plan

Under Value Transformation 2023, we are working to accelerate globalization on the basis of our business policy of reforming the logistical value (logistical time, quality, and cost) we offer to customers. In fiscal 2022, we decided to build a new plant in India. In that country, per capita spending power has been increasing with the rapid economic growth of recent years. Particularly in the manufacturing sector, corporate capital expenditures are gathering momentum. After the completion of the new plant, production capacity will be nearly four times the current level. In India, we are working intensively to establish a structure for locally producing systems to deliver them to local customers.

In other regions, we will determine target industries for individual regions as we seek to increase our market share. The non-Japan sales ratio remained flat, partly because of sales growth in Japan. For fiscal 2022, sales grew nearly 1.4-fold that of fiscal 2020, which is the final year of the previous three-year plan. We will continue our efforts to improve competitiveness and to win more orders in separate regions.

#### Business environment

In Japan, a legislative amendment caps the maximum overtime working hours in a year applicable to drivers at 960 hours. Since this is expected to aggravate the workforce shortage, it has been dubbed the Year 2024 Problem in logistics. It means ever-growing needs for automation and labor reduction, such as shortening the time for loading and unloading trucks. Heavy investment is expected to continue. In addition, demand is rising for capital investment in the repatriation of manufacturing and reconstruction of business continuity structures.

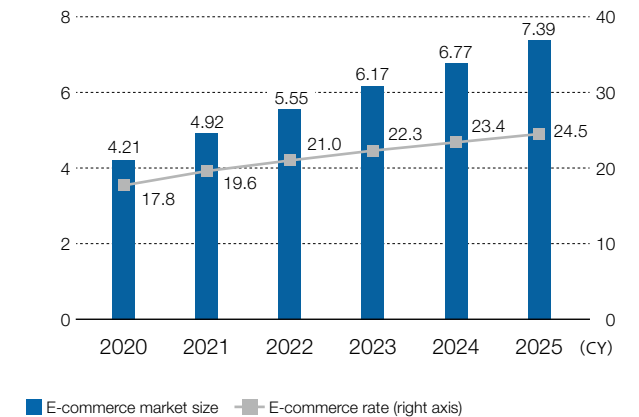
The North American market has expanded at a high speed in the past several years. It appears that growth slowed after investment in e-commerce began to be more restrained from 2022. However, we anticipate that investment will surge again from around 2025. The market has significant potential. Investment by general retailers and manufacturers remains solid.

The ASEAN market is expected to expand since global firms are shifting their investments from China to ASEAN following

the COVID-19 lockdowns in Shanghai in 2022. Robust investment is being made not only in factory automation but in refrigerated warehouses and e-commerce as well.

#### Worldwide B2C e-commerce market forecast

(Trillion U.S. dollars) (%)



Source: eMarketer July 2021  
excluding travel and event tickets



## Strategies by Business

### ▶ Business strategy

We will take the following measures:

#### ▶ Increase product appeal to provide solutions tailored to the local market

In our Intralogistics business, we have honed our overall strength, including an extensive lineup of products, reliable engineering, and a structure for offering meticulous after-sales services to lead the material handling market. In recent years, the competitive environment has been changing as more and more companies compete with the appeal of single products, such as companies specializing in autonomous mobile robot (AMR). We will improve the direction of development and the speed of our responses to overcome any competition.

Products sought in particular regions are also changing. Take China for example. There, high-quality foreign-made products were preferred. Today, middle-range products in terms of performance and prices are in high demand. We will develop not only high-performance multifunctional products but also products designed to meet needs in different regions and in different industrial sectors.

#### ▶ Train personnel to play active roles in the global arena

While expanding non-Japan sales, we still have more employees in Japan than outside. To develop personnel capable of working globally, we will actively provide training and other development programs. We will instill Daifuku's corporate culture in trainees with the aim of expanding sales outside Japan through the global exertion of knowledge acquired in Japan.

Non-Japan subsidiaries will carry out the process of developing systematic staff training programs. They will quickly develop personnel with skills and expertise in meeting customer needs to boost our competitive edge.

One key to growth lies in increasing sales outside Japan. At present, our overseas earnings power is weaker than it is in Japan. We will take steps to generate a certain steady level of orders in individual regions to increase our productivity. That will in turn bolster profitability.

In Japan, investments in automation will continue to grow given circumstances including the Year 2024 Problem mentioned earlier and the decline in the working population. To meet climbing demand, we started extension works and measures against deterioration of Shiga Works, our flagship factory, in fiscal 2023, and they are currently underway. Going forward, we will continue initiatives to increase production efficiency and profitability.

If we stop these initiatives now, we will face severe circumstances in the coming decade. Our action to deal with different challenges and to attempt new things in the past decade is what has resulted in this growth. We will continue these actions with a view to continued growth.

## Strategies by Business

## Cleanroom



## Executing a business strategy with an eye toward the next generation for achieving continued growth

Seiji Sato

Director  
Senior Managing Officer  
Cleanroom Global Business Head



### ▶ Progress of the Value Transformation 2023 business plan

We are instituting reforms with an awareness of the need for quality, low cost, and speed. For fiscal 2022, we placed an emphasis on speed. It is impossible to shorten the installation period and reduce labor-hours solely by the efforts of installation work. For example, we must study what to do in advance for increasing installation efficiency and for preventing on-site failure, as well as how we should deliver materials to the worksite to eliminate waste in the installation process. We must do it systematically, from as early as the design stage. Therefore, we formed a project with members from the design, manufacturing, installation, and after-sales service units. Members give voice from their respective points of view to find the best solutions. This practice is gradually producing positive effects.

Profitability is on the rise despite soaring personnel and other costs. This is a result of the cost-cutting efforts we have been making since fiscal 2021. Positive results are steadily starting to appear, although they vary depending on the product.

With the inflation and increasing lead times for material procurement, circumstances continue to be uncertain. In fiscal 2022, we received front-loaded orders from many semiconductor manufacturers. Orders were thus brisk and healthy sales were attained on the basis of an order backlog for the previous fiscal year.

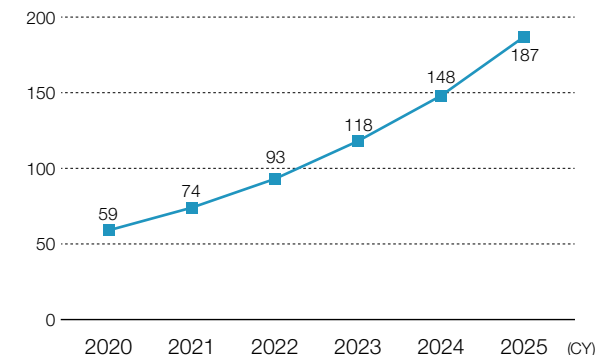
### ▶ Business environment

Sales of smartphones and computers began to slow in the second half of 2022, reflecting the commoditization of products and the end of special demand experienced during the COVID-19 pandemic. Investments in data centers also slowed. The semiconductor market cooled sharply. Meanwhile, power semiconductors produced in China and North America are in growing demand. This may be explained partly by progress in the mass production of electric vehicles (EVs). In the medium-term future, we expect the increased use of AI and the emergence of fully autonomous driving. As such, we foresee inevitable growth in semiconductor consumption.

In addition, a number of countries define semiconductors as strategic products. Moves toward domestic development and production are gathering momentum, with China, the United States, and Japan actively offering financial support for this purpose. We expect that construction of semiconductor fabs will continue going forward.

### World data volume

(Zettabytes)



Figures for 2021 through 2025 are calculated by Daifuku, based on 2020 figures and a five-year compound annual growth rate (CAGR) of 26% provided by IDC as of 2020.

## Strategies by Business

### Business strategy

For fiscal 2023, we will focus on quality among the three elements mentioned earlier strive to enhance product quality. Specifically, we will take the following measures:

#### ▶ Entrench the Daifuku brand in anticipation of the expansion of the Chinese market

A number of semiconductor fabs are being built in China. These are for semiconductors that are used in mature technology used for EVs and other devices. The Chinese government has a goal of 70% self-sufficiency in semiconductors by 2025, and its output is still on the way to achieving that goal. The construction of semiconductor fabs is thus expected to continue. Our Cleanroom business has extensive experience in delivering products to customers in the flat panel display industry in China. Harnessing that experience and the knowledge we have acquired from it, we will perform careful risk management and expand our business.

In 2022, we began constructing a new plant in the city of Suzhou, in the Jiangsu Province of China. We are planning to make good use of it to secure the production capacity we need to meet growing demand, to bolster productivity,



China's new plant rendering

and to entrench the Daifuku brand in China. As a way to showcase our progressiveness and technological strength, we will provide a virtual experience theater and product demo lines. We will demonstrate our brand strength to a wide range of stakeholders, including customers, to show our presence.

#### ▶ Develop and manufacture near customers, seeking to grow together

Our customers are limited to companies requiring material handling systems in clean rooms. Frequent visits to customers to build trust will lead to an increase in our market share. We need to adjust product development while listening to our customers closely to know about what they want, for example, to help manufacture cutting-edge semiconductors.

In South Korea, the new building of the Asan Plant will come into operation by the end of fiscal 2023. From that point, we will be able to complete a large part of design and production in close proximity to South Korean customers. In the future, we will increase the level of localization by making sure that most parts of products can be procured inside the country.



South Korea's new plant rendering



Groundbreaking ceremony

#### ▶ Review the basics of quality to develop a quality-oriented culture

Quality is highly dependent on people. We will develop a quality-oriented culture to make sure that everyone shares the same awareness of the need to produce high-quality products. We encourage our staff in the engineering, manufacturing, and installation units to take the quality control certification exam, aiming to reinforce their quality awareness. Removing inconsistencies in human work will enable us to lower the nonconformity cost.

At present, semiconductor fabs are being constructed in China, Taiwan, the United States, South Korea, and Japan. For the Daifuku Group to achieve further growth, we need to cultivate the European market. It is reported that the public and private sectors will invest 6 trillion yen by 2030 in boosting semiconductor production capacity. Following this trend, the Group will make concerted efforts to swiftly establish a structure for offering engineering, installation, and after-sales services in a bid to capture new demand.

## Strategies by Business

### Automotive



## Offering proposals and services geared to customer needs to increase our market share

**Akihiko Nishimura**

Managing Officer  
Deputy Automotive and Airport Global Business Head  
Automotive Division Manager



### Progress of the Value Transformation 2023 business plan

In fiscal 2022, orders and sales were both robust, reflecting expanded investments relating to electric vehicles (EVs) with a view toward achieving carbon neutrality.

To strengthen our business, we shifted from a structure based on functions such as sales, design, installation, and services to a structure consisting of business units responsible for different regions. Outside Japan, operations are divided by region or country. For North America, ASEAN, India, Europe, China, and South Korea, we launched separate business units to offer proposals and close services tailored to customer needs in their regions. This is helping us improve earnings strength and increase our market share. With the COVID-19 pandemic beginning to ease, we once again started dispatching staff from Japan to global subsidiaries to boost collaboration. This move is aimed at extending our business model in Japan to other markets and at enhancing global governance.

To reduce costs, we worked hard to devise designs with reduced staff hours for installation. Thanks to these efforts, we succeeded in slashing staff hours for installation by 30% in some projects. Moving away from case-by-case designs fulfilling customers' requirements and specifications, we are advancing the concept of module design. That is, for example, to design individual units in advance and to combine them according to the required specifications. That will reduce hours spent on new design. It will also minimize irregularities arising from differences in skill levels among designers. Repeated manufacturing of identical units will also increase manufacturing quality.

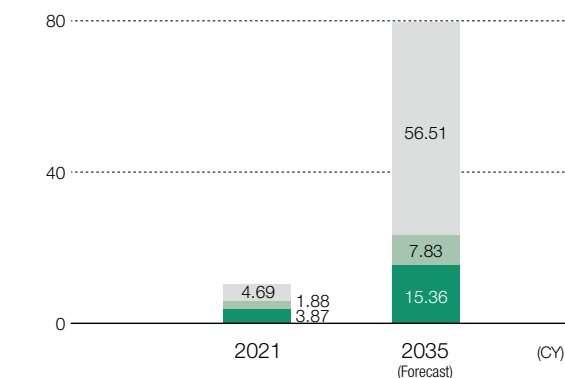
### Business environment

In fiscal 2023, the worldwide automobile market is seeing moderate rises in production and sales volumes, as the constraints on the supply of semiconductors ease and measures are adopted to deal with the shortage. However, we anticipate that more time will be needed until automobile production and sales fully recover, in light of the trends in the Chinese market, where the economic recovery is significantly

delayed. Moreover, negative factors persist, including an uncertain outlook for the Western economies, sharp fluctuations in foreign exchange rates, soaring interest rates, and inflation. We will watch these trends closely for their impact on business.

### World HV/PHV/EV production volume

(Million vehicles)



■ HV ■ PHV ■ EV

Source: Fuji Keizai Group



## Strategies by Business

Despite these conditions, automakers are increasingly willing to invest in EVs. Demand for replacing production lines is expected. Capital expenditures in Indonesia and Mexico, where the auto industry continues to grow, are another positive factor.

### Business strategy

To boost our corporate value, we will take the following measures:

#### Introduce the expertise nurtured in Japan to global subsidiaries for a stronger, globally consistent structure

To increase service sales, we will send personnel with expertise in services from Japan to global subsidiaries to train their on-site staff and strengthen their service proposal skills. We will operate a business that serves customers closely through regular facility inspection and maintenance services, to swiftly capture latent demand for the modification and replacement of existing facilities aimed at boosting production capacity and safety and at dealing with age deterioration. In doing so, we will seek to win new orders.

Aiming to make the most of our advantage of possessing production facilities around the world, we will review what models will be produced at individual facilities in an effort to centralize resource management. We will control the workload across the entire Daifuku Group to increase productivity.

To ensure that Daifuku's management philosophy and corporate DNA are well known and understood by global staff, we will make positive use of online connections to erect a training system that allows them to learn anytime and anywhere.

#### Go back to basics and boost our strengths

Life Cycle Value (LCV) is a key concept behind the Automotive business' priority strategy. Our activities are based on our belief that an overall evaluation based on an analysis of product life, total costs including introduction and maintenance costs, and stable operation during the lifetime will lead to value offered to customers and improvement in the value of the business. In Japan, we will identify which markets will grow and which users and items we should focus on by organizing and analyzing the data we have accumulated and strive to maximize LCV. Outside Japan, we will obtain information about the products that we have delivered and intensively introduce the resources needed to boost LCV to individual regions, aiming to bolster the earnings strength of the entire Group.

#### Review manufacturing and increase product appeal

We will learn from examples of success in other businesses and further accelerate the standardization of our mainstay products for the purpose of heightening earnings strength. We will take the concurrent engineering approach, under which multiple processes are run at the same time in product development, to curtail the development lead time and costs.

The auto industry is said to be in the midst of a once-in-a-century period of sweeping transformation. Automakers are focused on developing next-generation vehicles that are environmentally friendly and that excel in preventing traffic accidents. With advanced technologies applied and new technologies researched and developed, circumstances surrounding the industry are changing rapidly. In this situation, environmental regulations are being toughened, especially in Western regions, and EV-related investment plans are being

announced one after the other. There are obstacles to the spread of EVs to end users, such as concerns about driving distances and the underdevelopment of recharging facilities. Trends vary from region to region, and it is not a situation in which all companies will invest heavily in EVs all at once. We hope that EVs from Japanese automakers will spread gradually, first in North America, then in Japan, followed by ASEAN and India, and that there will be a consistently high level of demand in the medium- and long-term future.

The auto industry also faces a growing shortage of workforce and needs to further automate production lines. We will aim to accurately grasp potential needs to help resolve this problem. Taking advantage of our extensive product lineup, including flexible automatic guided vehicles, we will actively suggest new systems including next-generation assembly models incorporating collaborative robots. Since we have maintained long relationships of trust with customers, we can see their true needs and problems. We will continue offering best solutions to expand our business domains.



EV battery mounting unit

Strategies by Business

Airport



Maximizing Group collaboration effects and increasing added value

Takaya Uemoto

Managing Officer  
Automotive and Airport Global Business Head  
Airport Division Manager



Progress of the Value Transformation 2023 business plan

Airports are indispensable to the economy and to social life. Airport construction is a long-term strategic public project, and today is accompanied by growing needs for tighter security. For these reasons, orders and sales were both buoyant in fiscal 2022.

In October 2022, U.S.-based Jervis B. Webb Company inaugurated a new plant in Boyne City in Michigan and began manufacturing airport baggage handling systems and automatic guided vehicles (AGVs). The new facility integrates three former plants that had been in dispersed location, and has production capacity that is boosts the existing level by about 30%. It also manufactures products of other fabless subsidiaries. We will increase efficiency and in-house production throughout the Daifuku Group in an effort to slash costs.

In April 2023, Jervis B. Webb opened the Airport & AGV Innovation Center as a permanent show space on its premises in Novi, Michigan. The center showcases a wide variety of products and solutions, including systems for airports and AGVs for manufacturers and distributors, allowing visitors to

take a close look at the Group’s technologies. We have training facilities for both internal and external use and provide training in operation and maintenance using actual equipment.

In the past few years, we have conducted inter-functional activities between subsidiaries that joined the Group, aiming to develop a sense of unity. Our business features long lead times, and we need to make swift, optimal decisions on fund management on when and what we produce. We therefore share information among subsidiaries to ensure an objective point of view.



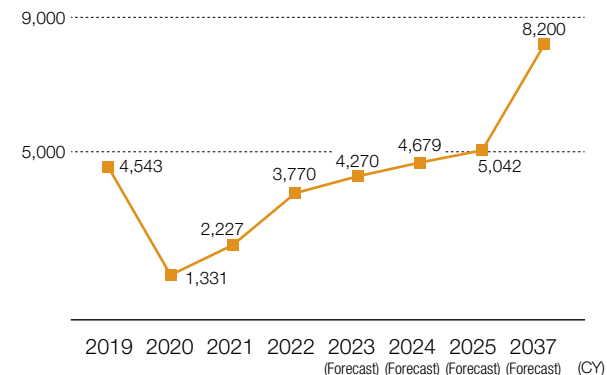
Airport & AGV Innovation Center

Business environment

North America, our largest market, remains strong. With active investment in airport construction as part of plans developed by municipal and state authorities, strong demand is anticipated in fiscal 2023 and beyond. Meanwhile, air

Global air travelers

(Million people)



Source: International Air Transport Association

## Strategies by Business

passenger traffic is expected to return to the 2019 pre-pandemic level in 2024, although I feel that the figure has already been surpassed. We expect individual airports to see needs for a shift to smart airports to reduce labor and ensure a smooth check-in and other procedures, as well as to address facility deterioration and enhance security.

### Business strategy

To maximize Group collaboration effects, we will take the following measures:

#### Clarify regions individual subsidiaries are responsible for and strengthen proposal capabilities

We run our business on the basis of the four companies acquired through M&A. Prior to the acquisition, each of them ran their businesses independently, resulting in overlaps in operations in the same regions by multiple subsidiaries. To adapt to abrupt changes in the operating environment and propose solutions tailored to regional characteristics, we have clarified Jervis B. Webb would be responsible for North America; Daifuku Oceania Limited for Asia Pacific; and Daifuku Logan Ltd. and Scarabee Aviation Group B.V. for Europe, starting in fiscal 2023 onward. In addition, we will change the standards and designs of their products respectively to meet local demands, to expand our extensive product lineup, which is one our competitive edge, on a global scale.

#### Build optimal production and procurement networks to boost profitability

Following the aforementioned expansion in North America, Daifuku Oceania will expand the production capacity of its factory in Malaysia, consolidating dispersed assembly factory and warehouses. Given that the existing factory had no room to increase production capacity, we will relocate it to a larger

site for expansion and greater production capacity. We will also standardize principal products. The business unit in Japan will take the lead in procurement to achieve cost savings and other advantages. We will make efficient use of our assets to enhance the profitability of the entire Group.

Amid a turnaround in aviation demand from the slump under the COVID-19 pandemic, a shortage of ground handling staff has occurred in every region to make airports increasingly crowded. That is hampering the resumption of flights at some airports. There is an urgent need for material handling systems for automation and streamlining.

Passengers often complain about security checks at departure, including baggage. Qualified inspectors remain in short supply and are difficult to secure. We foresee that needs for high-efficiency security lanes will be in growing demand in the future. Scarabee Aviation's Smart Security Lane security screening system has been certified as airport security inspection facilities by the U.S. Transportation Security Administration. In the North America market, we will continue to offer proposals more positively than ever before.



Smart Security Lanes

Furthermore, we see changes in airport themselves. Airports are no longer just places where aircrafts take off and land. They are becoming amusement spots, where people enjoy staying for many hours. Expectations are rising for our Early Baggage System, an automated warehouse system that collects baggage at early check-in and discharges it to the baggage transfer line in time for flight departure. Currently, Jervis B. Webb and Daifuku Oceania are developing the system, with the aim of swiftly introducing it to the market.

In North America, briskness is likely to remain brisk over the medium term due to capital investments in the transition to modernized, smart airports. In Asia Pacific, demand is expected to grow over the long term for expansion and new construction plans of airport facilities, due to the high growth rate of annual air passenger traffic. In Europe, we will continue to capture demand for renewal of existing small and midsize airports to win orders.

We will continue to expand our business by providing value-added solutions to customers in the airport and aviation sectors, leveraging our strengths including our extensive product lineup and comprehensive support.

## Strategies by Business

## Auto Wash



## Enhancing product appeal to meet market needs

Yoshiyuki Horiba

Managing Officer  
Auto Wash Global Business Head  
President of Daifuku Plusmore Co., Ltd.



### ▶ Progress of the Value Transformation 2023 business plan

In fiscal 2022, we enjoyed government subsidies for the introduction of car wash machines for service stations in Japan. That helped the Auto Wash business achieved its highest sales volume ever. Increasing profitability is a main theme of Value Transformation 2023, and awareness of this theme has been spreading across the business unit. Our subsidiary in South Korea is also working toward completely removing waste in the production process in a bid to reduce costs.

We have developed and released Car Wash Machine Smart Support. Designed to respond remotely to inquiries on how to use car wash machines, it is the industry's first case of introducing IoT technologies to car wash machines. We also aim to apply it to preventive maintenance of machines that we have already delivered. Fortunately, it is being very well received. We will continue to develop products that are useful for our customers and end users (drivers).

### ▶ Business environment

Service stations in Japan constitute our largest market. For this market, government subsidies will continue for fiscal 2023, while we also expect demand for car wash machines for replacement or new introduction. In the car dealer sector, demand for investment related to labor shortages and work style reform is anticipated.

Service stations have two service types, full-service and self-service. In Japan, following the shift to electric vehicles, the number of full-service stations that require extra staff is expected to decrease. In contrast, self-service stations that can reduce human labor are on the increase and operating rates at car wash machines are high. As such, we see replacement demand in a relatively short period, representing a good opportunity for our business. In addition, inquiries for car wash machines from coin-operated car wash and parking lot operators are increasing. Demand will consequently grow.

### ▶ Business strategy

We will expand our product appeal to meet diverse market needs. In fiscal 2022, we launched a sales planning team to

incorporate feedback from customers and markets into development. The production and sales teams will work together to develop car wash machines in colors that attract attention, as well as models with lower water and electricity consumption, aiming to release them in fiscal 2023.

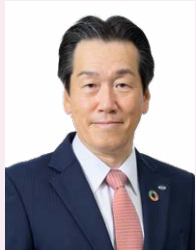
Among potential new markets, we are aware of demand in the markets for special-purpose vehicles, agricultural machinery, construction machinery, and heavy machinery, in addition to laundromats, commercial facilities, and other new domains. Sharing information with the Intralogistics business, which serves customers in many different business sectors, we will seek out markets that have needs for washing technologies.

We will use cutting-edge technology to increase the washability and convenience of our car wash machines to attract more drivers to service stations and make them want to wash their cars with Daifuku's car wash machines. Looking forward, we will identify new businesses specializing in our business name Auto Wash and seek to achieve continued growth.



## Strategies by Business

## Electronics



## Expanding the product lineup to identify new markets and boost global sales

Akira Ikari

President and CEO  
Contec Co., Ltd.



### ▶ Progress of the Value Transformation 2023 business plan

In fiscal 2022, sales of industrial computers and IoT devices grew, as capital spending in many industrial sectors and companies recovered.

Our principal moves include transferring industrial computer development to Taiwan to accelerate the speed of development and expand our product lineup through strategic product development suited to needs in different regions.

We are also working to increase collaboration effects within the Daifuku Group. For example, we propose solutions to issues using Contec products.

### ▶ Business environment

Advances in AI, IoT, and digital transformation have been accelerating performance improvement of electronic devices. For example, demand for industrial computers is expected to grow over the medium to long term as needs for increased data processing, sophistication, and speed increase.

On the other hand, worldwide challenges arose in procuring the semiconductors to be incorporated in large quantities into Contec products. The cost of semiconductors and other components increased tremendously, while the yen was weakening. These factors had significant impacts in fiscal 2022. We foresee that this situation will gradually return to normal and that the business environment will recover in fiscal 2023.

### ▶ Business strategy

Our medium-term strategy places an emphasis on strengthening the global structure, particularly on sales expansion in the North American market. We will work to strengthen development of products in Taiwan to meet

growing needs and expand product lineup, and focus on sales in the industrial computer market in North America, which has great potential.

For personnel development, we will step up training of staff who play active roles in North America and Southeast Asia, where there is huge scope for market cultivation.

Contec's products, including industrial computers and IoT devices, are indispensable to different systems and services and are incorporated in many products of Daifuku's customers and those in a wide range of industries. Contec will continue supplying these products to help realize a sustainable society and build closer ties as a member of the Group to maximize collaboration effects.

## CPO/CIO Message



### Building a risk-resilient manufacturing (*monozukuri*) structure across the Daifuku Group

Yasuhisa Mishina

Senior Managing Officer  
Chief Production Officer  
Chief Information Officer

#### Prompting a change in mindset with the aim of building a risk-resilient manufacturing structure

In the Intralogistics business in Japan, we have for more than a decade been using digital technologies to visualize manufacturing and to standardize and automate operations. That has led to cost savings and enhanced profitability. Under the three-year business plan Value Transformation 2023, similar initiatives are now taking place in other business segments. The positive effect of this is seen in the Cleanroom business.

Meanwhile, the COVID-19 pandemic prompted us to change our thinking about manufacturing. It became impossible to directly procure semiconductors and other items as well as products incorporating China-made components because of the disruptions to the supply chains in the country. The procurement difficulties produced bottlenecks in the storage and transport of goods in stock and led to invisible extra costs. The question we face is what manufacturing system should we create to deal with these risks.

Some argue that we need to gather a large number of people to keep machinery in constant operation and boost factory operation. At Daifuku, this approach actually created a rather inefficient situation, in which the operating rate was high in some processes whereas bottlenecks formed in other processes. The rate of factory operation is a mere indicator of production efficiency and it is not necessarily an objective to increase it. To change our mindset, I believe my duty as the Chief Production Officer and the Chief Information Officer is to create a mechanism that ensures manufacturing without bottlenecks with a small workforce.

In April 2023, we launched the Production Innovation Division for the purpose of increasing the productivity of the entire Shiga Works. At present, a team of personnel from different business units is working to reconstruct the production structure at Shiga Works.

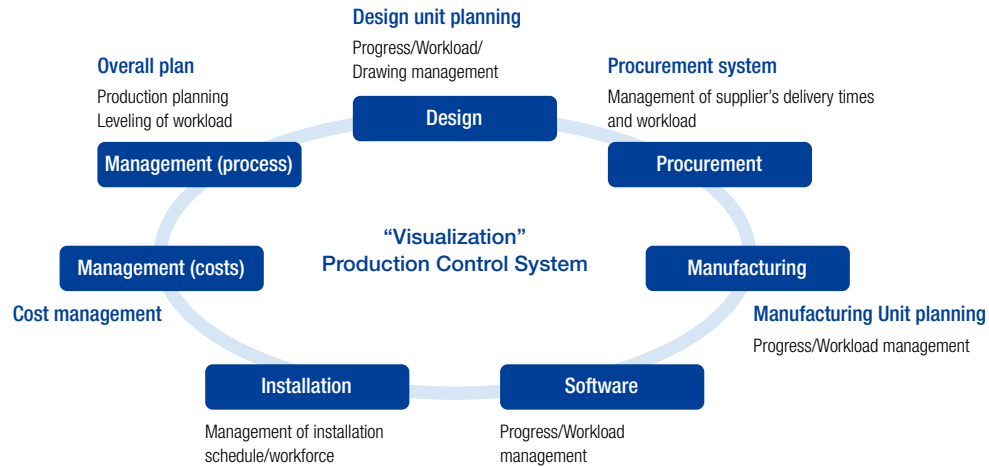
The first step is to visualize costs for removing different bottlenecks. Since manufacturing involves numerous

people, each process is costly. To reduce the number of processes and cut their costs, we will introduce collaborative robots and the latest machine tools in a bid to streamline production while examining cost effectiveness.

#### Using digital technologies for linking upstream and downstream processes seamlessly

Our processes start with design, followed by procurement, manufacturing, shipping, and installation. It is vital to have a viewpoint of connecting one process with the next one and to think about changing productivity through collaboration between workers engaged in these processes. Departing from the idea of sectionalism will help create new ideas and change a manufacturing method. The use of the latest digital technologies to automatically create process drawings and quotations will increase productivity in the next process as well as profitability.

## CPO/CIO Message



It is also necessary to provide an employee-friendly environment. In a severe or oppressive atmosphere, people on the spot are not able to come up with new ideas. With the use of digital technologies, as an option for places to work, working at home or from remote places is today a common practice. For other options, we seek to forge a lively atmosphere in workplaces such as factories and rest spaces. Providing open-minded spaces help facilitate communications.

### Constructing a structure for an optimal form of local self-sufficiency

Our production structure outside Japan still has room for improvement. At the time of my on-site visits, I learned that imitating Japan's manufacturing method was regarded as the primary purpose there. For example, some spend a lot to outsource press working to a distantly located company to make products like those for which press working is done in Japan. We will examine if they can make the same product with the use of existing local facilities, such as those for welding instead of pressing, and if they make a comparison in cost effectiveness between the outsourcing and introduction of facilities. We will therefore change their production to a style suited to local conditions as a means for achieving essential local self-sufficiency while maintaining the same level of quality as that found in products manufactured in Japan.

### Providing opportunities of discovery for re-establishing manufacturing

Our business features the independent production of all products and systems, which is our strength. To increase profitability with our own products, we must slash bottlenecks in manufacturing. We learn a lot from other companies' efforts in advanced forms of manufacturing, especially quick operation of multi-product small-volume production. What is common to these companies is that they have a spirit of eliminating all obstacles to production on their own.

At Daifuku, employees gain successful experiences by recognizing and solving problems on their own, which leads to a sense of fulfillment, and at the same time, leads to an enhanced manufacturing structure, I believe. To build up their capabilities to develop new frameworks of ideas and thinking without being swayed by convention, we will actively provide them with opportunities to learn as a way to increase their motivation and engagement and to enhance our earnings strength.



Wynright Corporation's plant when first completed

Chapter

# 03

## Foundation for Growth

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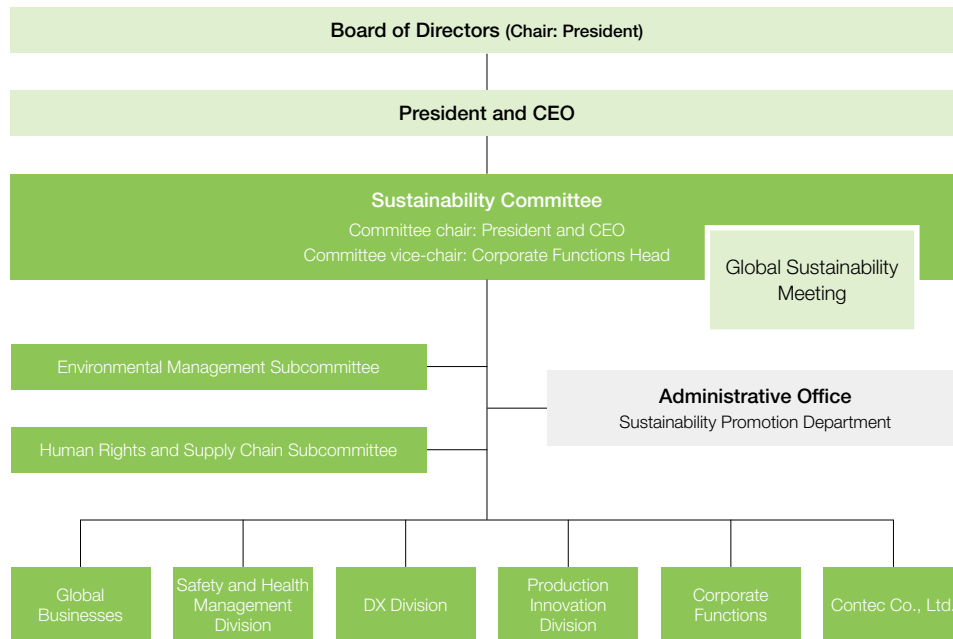


# Sustainability Management

## Basic approach

The Daifuku Group aims to achieve a sustainable society and enhance corporate value in accordance with the Group Code of Conduct, which is based on the company creed, “Hini Arata,” and our management philosophy, “Automation that Inspires.” In putting our sustainable business to practice, we assented to and signed the United Nations Global Compact (UNGC), which encompasses 10 principles across the four fields of human rights, labour, environment, and anti-corruption; we are also working to achieve the SDGs adopted by the UN. Moreover, the Group positions the three-year business plan and the Sustainability Action Plan as the two cornerstones of its management strategy, and all employees strive to achieve both social value and economic value through our business activities.

## Sustainability promotion system



## FY2022 Sustainability Committee activities

The Sustainability Committee is chaired by the CEO and includes the global business heads of each business unit. Committee meetings were held five times in fiscal 2022. The committee provides top management with instructions on the implementation of action policies and plans regarding measures for various ESG issues such as the environment and human rights, and it reports the details of its initiatives to the Board of Directors as needed. In addition, the Environmental Management Subcommittee and the Human Rights and Supply Chain Subcommittee have been established under the committee's jurisdiction, and they are each working on specific initiatives according to their respective goals.

To promote sustainability management throughout the entire Group, we hold Global Sustainability Meetings to share information and discuss ESG issues with our global affiliates. This meeting is intended to be a subsidiary meeting of the Sustainability Committee and was held online twice in fiscal 2022.

Conference unit	Main agenda items
Sustainability Committee	<ul style="list-style-type: none"> <li>▶ Progress management of the Sustainability Action Plan</li> <li>▶ Plans and targets for achieving carbon neutrality</li> <li>▶ Management and disclosure of human capital</li> <li>▶ Future measures based on proposals from shareholders and investors</li> <li>▶ External ESG evaluations, etc.</li> </ul>
Environmental Management Subcommittee	<ul style="list-style-type: none"> <li>▶ Energy and resource conservation in business operations</li> <li>▶ Introduction of renewable energy</li> <li>▶ Review the certification standards for Daifuku Eco-Products</li> <li>▶ Review the Daifuku Environmental Vision 2050</li> <li>▶ Establish guidelines relating to biodiversity, etc.</li> </ul>
Human Rights and Supply Chain Subcommittee	<ul style="list-style-type: none"> <li>▶ Identify, analyze, and evaluate negative impacts on human rights</li> <li>▶ Support and handling of domestic suppliers</li> <li>▶ Review the contents of new guidelines relating to procurement, etc.</li> </ul>



For details, see our website: [Sustainability Management](https://www.daifuku.com/sustainability/management/policy)

[www.daifuku.com/sustainability/management/policy](https://www.daifuku.com/sustainability/management/policy)

# Environmental Initiatives

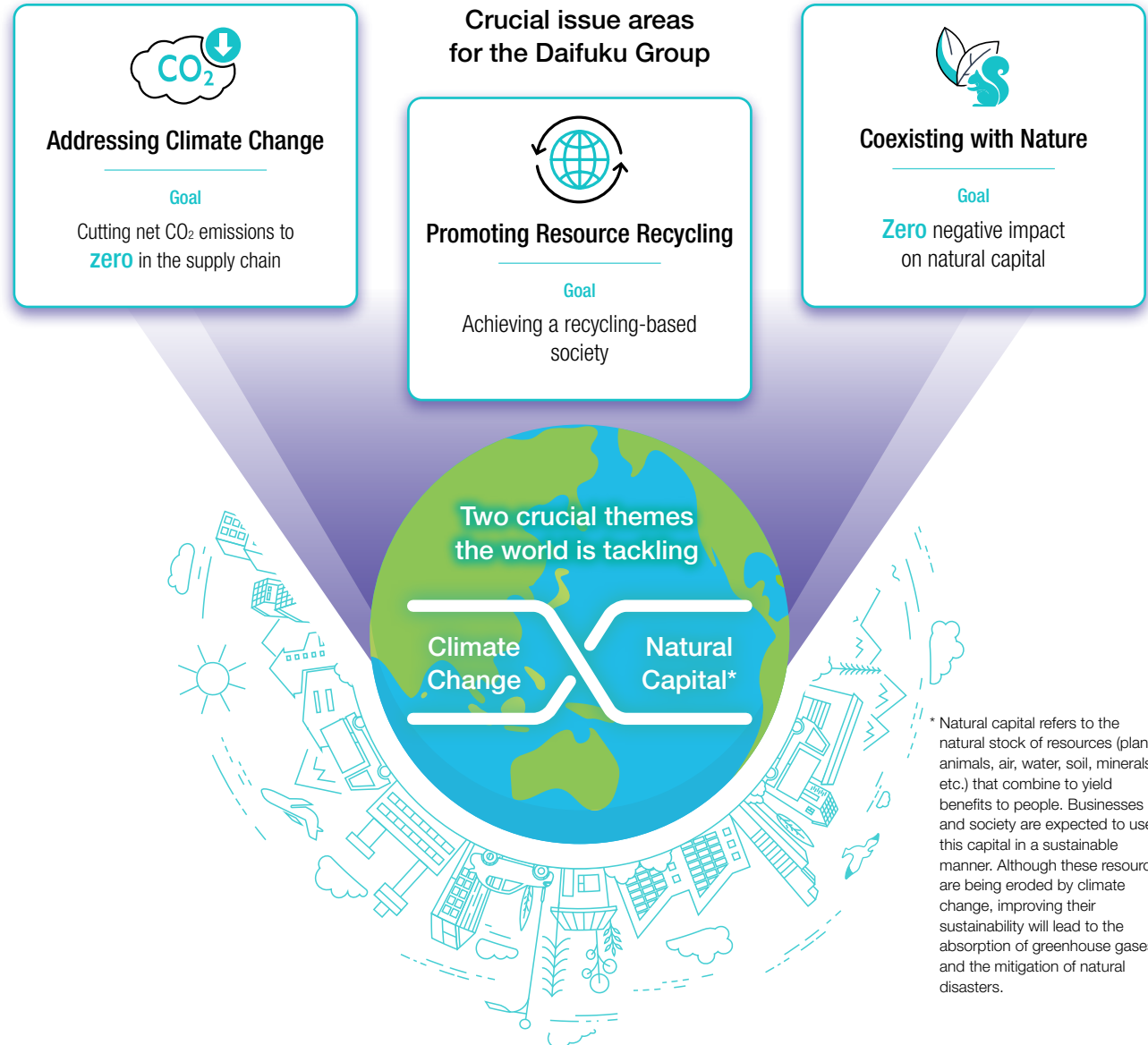
## Revision of the Daifuku Environmental Vision 2050

In May 2023, we revised the Daifuku Environmental Vision 2050, which was announced in 2021. This revision further clarifies the Daifuku Group's goal to meet the demands of society at a higher standard amid the growing severity of climate change and other global environmental issues. By 2050, we will realize a world where material handling systems operate with zero environmental impact. Regarding the crucial issue areas, we have incorporated a perspective on natural capital to the existing vision and established three themes: addressing climate change, promoting resource recycling, and coexisting with nature. Additionally, we also reviewed our targets for 2030, setting the CO<sub>2</sub> emissions reduction target to help achieve the 1.5°C global warming limit required by the Paris Agreement\*. We have also set new targets for water resources, biodiversity conservation, and awareness-raising activities.

\* In working toward reaching the goals of the Paris Agreement, we have submitted our targets to the Science Based Targets initiative (SBTi), which requires companies to set science-based greenhouse gas emissions reduction goals. We aim to receive approval from the SBTi by the end of fiscal 2023.

 For details, see our website: [Environmental Management](http://www.daifuku.com/sustainability/environment/management)  
www.daifuku.com/sustainability/environment/management

## Realizing a world where material handling systems have zero environmental impact.



## Environmental Initiatives

### Three crucial issue areas



#### Addressing Climate Change

Goal

Cutting net CO<sub>2</sub> emissions to **zero** in the supply chain

We will reduce net CO<sub>2</sub> emissions from our business operations throughout our supply chain to zero by developing and providing products and services that contribute to the creation of a decarbonized society, using energy efficiently and introducing renewable energy at our Group sites and suppliers.



#### Promoting Resource Recycling

Goal

Achieving a recycling-based society

We will endeavor to reduce the amount of water and other resources we use. We will also contribute to the formation of a recycling-based society by extending the service life of our products, minimizing the amount of waste generated at our production sites, and expanding the recycling of used products and parts.



#### Coexisting with Nature

Goal

**Zero** negative impact on natural capital

We will strive to sustainably use ecosystem services and conserve biodiversity based on an understanding of the impact of our business activities on the global environment. We will minimize negative impacts on natural capital such as air, water, and soil, and, together with our stakeholders, coexist in harmony with nature.

### Environmental goals for 2030

Crucial issue areas	KPIs	FY2030 (Targets)	FY2023 (Targets)
Addressing Climate Change	Daifuku CO <sub>2</sub> emissions (Scopes 1 + 2)	<b>50.4%</b> reduction (compared to FY2018)	21.0% reduction (compared to FY2018)
	CO <sub>2</sub> emissions from purchased goods and services (Scope 3 Category 1)	<b>30%</b> reduction* <sup>1</sup> (compared to FY2018)	Begin operations of CO <sub>2</sub> emissions reduction programs throughout the supply chain* <sup>2</sup>
	CO <sub>2</sub> emissions from the use of sold products (Scope 3 Category 11)		12.5% reduction (compared to FY2018)
Promoting Resource Recycling	Landfill disposal rate	Less than <b>1%</b>	Japan: less than 1% Global: less than 5%
	Water use intensity* <sup>3</sup>	<b>30%</b> reduction (compared to FY2018)	12.5% reduction (compared to FY2018)
Coexisting with Nature	Rate of implementation of biodiversity conservation activities at major sites* <sup>4</sup>	<b>100%</b>	· Create a list of conservation activities · Conduct Groupwide awareness activities
	Sustainability Action* <sup>5</sup> total annual number of participants	<b>30,000</b> people	12,000 people

\*1 Scope 3 Category 1 and Category 11 combined target

\*2 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO<sub>2</sub> emissions at suppliers

\*3 Water consumption (1,000 m<sup>3</sup>) divided by net sales (100 million yen)

\*4 Sites with 100 or more employees

\*5 Daifuku's unique program for sustainability awareness and training

## Environmental Initiatives

### Addressing climate change

The material handling systems we provide are constantly in operation at our customers' logistics facilities and factories around the world. As a result, a large proportion of our CO<sub>2</sub> emissions is associated with energy use during product operation. We will therefore promote energy-saving product designs based on environmental considerations and the optimization of overall system operation. Additionally, most of our production activities are assembly operations, and the CO<sub>2</sub> emissions from suppliers located upstream in the supply chain, such as component manufacturers, tend to be relatively high. Therefore, as part of our Supply Chain CO<sub>2</sub> Reduction Program, we have asked our major suppliers to assess their current CO<sub>2</sub> emissions and set reduction targets. In order to realize the Daifuku Environmental Vision 2050, we recognize that it is essential to strengthen the ties with our customers and suppliers, and we will continue to deepen our efforts.

In our business operations, we are working to further promote energy conservation measures at our production sites both within and outside of Japan as well as adopt renewable energy sources. In fiscal 2022, each business unit established energy conservation plans from design and development to production and implemented measures for these plans in their respective workplaces. At Shiga Works, each building is promoting specific initiatives to further energy conservation after receiving third-party assessments and consulting on energy usage. At our overseas sites, we are upgrading air conditioning equipment to higher efficiency models and switching to electric forklifts. Additionally, as of November 2022, all electricity used at Shiga Works has been converted to renewable energy sources. From fiscal 2023 to fiscal 2024, we plan to install photovoltaic systems in China, South Korea, Thailand, Taiwan, and the United States, and we will continue to accelerate the adoption of renewable energy. As of the end of fiscal 2022, 29.1% of total energy consumed was derived from renewable sources, a significant increase from 9.8% at the end of fiscal 2021.

KPIs	Scope	FY2021	FY2022
Daifuku's total CO <sub>2</sub> emissions reduction rate (compared to FY2018)	Global	14%	34%
Sales ratio of environmentally friendly properties*1		63%	72%
Avoided CO <sub>2</sub> emissions*2		69,694 t-CO <sub>2</sub>	121,356 t-CO <sub>2</sub>
Participation rate in CO <sub>2</sub> emissions reduction programs*3 throughout the supply chain	Japan	36%	Target was achieved in fiscal 2021; began considerations for a review of the system

\*1 Projects that have contributed to customers in terms of environmental consideration through certified Daifuku Eco-Products, etc.

\*2 CO<sub>2</sub> emissions produced from our products and services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products and services in fiscal 2011, the base year for environmental performance.

\*3 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO<sub>2</sub> emissions at suppliers

### Status and schedule of renewable energy procurement

FY2022	<ul style="list-style-type: none"> <li>All electricity used at Daifuku's Shiga Works was converted to renewable energy sources</li> <li>Daifuku (Thailand) Limited purchased renewable energy certificates for its Pinthong and Chonburi plants</li> <li>Contec Americas Inc.'s Melbourne office purchased a renewable energy certificate</li> </ul>
FY2023 (planned)	<ul style="list-style-type: none"> <li>Install a photovoltaic system at the Tainan Headquarters of Taiwan Daifuku Co., Ltd.</li> <li>Install a photovoltaic system at Clean Factomation Inc.'s Asan Plant</li> <li>Install a photovoltaic system at the head office of Daifuku (Suzhou) Cleanroom Automation Co., Ltd.</li> <li>Switch to a renewable energy electricity plan at the headquarters of Jervis B. Webb Company</li> </ul>

### VOICE

#### Meeting growing customer needs

I am in charge of product development for semiconductor production line systems. Recently, customers' needs for environmentally friendly products have increased dramatically, and many are requesting measures for energy saving through product and system improvements. We are currently developing products that utilize regenerative power in our overhead conveyor systems, and we are also making various efforts to reduce our environmental impact by introducing new tools and reducing the number of parts and materials used in trial stages. We will continue to proactively take on new challenges and contribute to solving our customers' issues.



**Tadashi Nishikawa**  
Assistant Manager  
Design Department  
Cleanroom Division



## Environmental Initiatives

### Disclosure based on TCFD recommendations

The Daifuku Group declared its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in fiscal 2019, and in fiscal 2020 we announced the results of our analysis of climate-related risks and opportunities based on these recommendations. We will continue to accelerate more concrete efforts to address climate change and further respond to TCFD recommendations. In fiscal 2023, we plan to conduct another scenario analysis and financial impact assessment, and we will continue to revise our disclosures as needed.

### Governance

We have set up a Sustainability Committee which is responsible for submitting, reporting, and providing information about items related to sustainability management, including those related to climate change. The committee is chaired by the CEO, and the heads of each global business unit as well as other executive officers serve as members. The Board of Directors receives reports from the Sustainability Committee and passes resolutions on necessary measures.

The Sustainability Committee formulates and promotes sustainability management strategies that support the sustainable growth of the Group. Regarding climate change, the committee determines policies related to energy conservation, the adoption of renewable energy, and environmentally friendly products throughout the Group in Japan and overseas and complies with related laws, regulations, and information disclosures.

### Strategy

To assess the resilience of our business strategies to climate change risks, we performed an analysis on the risks and opportunities related to climate change based on two scenarios: 1) a temperature increase of 4°C during the 21st century (a predicted result if the world continues to emit greenhouse gases at the current level), and 2) a temperature increase of less than 1.5°C (if regulations on greenhouse gas emissions are rapidly strengthened). The results were that although typhoons and floods in scenario 1 and carbon taxation\* and other factors in scenario 2 would have an impact on business costs, in both scenarios the demand for products and services is expected to grow faster than costs due to increased investment in automation and a growing need for environmentally friendly products.

\* In the case of CO<sub>2</sub> emissions of approximately 40,000t (fiscal 2018), assuming a carbon price of 14,000 yen/t (fiscal 2040), there would be a decrease of 560 million yen in the profit base.

### Climate change risks and opportunities

Rise in temperature in the 21st century	Envisioned risk	Envisioned opportunity
Greenhouse gases are emitted around the world without significant change <b>4 °C</b>	<ul style="list-style-type: none"> <li>Delays in incoming and outgoing products, damage to production equipment, and shutdowns of our factories due to increased incidence of typhoons, heavy rains, flooding, etc.</li> <li>Risk of employees experiencing heatstroke in factories and other facilities associated with high temperatures</li> </ul>	<b>Increase in demand for products and services</b> <ul style="list-style-type: none"> <li>Expansion of cold chain and e-commerce markets</li> <li>Growing demand for labor savings</li> <li>Increase in demand from customers for contributions to reducing CO<sub>2</sub> emissions</li> </ul>
Rapidly tightened regulations related to greenhouse gas emissions <b>Less than 1.5 °C</b>	<ul style="list-style-type: none"> <li>Increase in procurement and operating costs due to carbon tax, etc.</li> </ul>	

### Risk management

The Group considers climate change to be a significant risk, and the Sustainability Committee manages this risk comprehensively. We also apply the views of external experts and report to the Board of Directors as necessary.

### Metrics and targets

Climate-related indicators and targets were changed in accordance with the revision of the Daifuku Environmental Vision 2050 in May 2023. Addressing climate change has been identified as one of our crucial issue areas, and we are aiming to reduce CO<sub>2</sub> emissions to zero throughout our entire supply chain by 2050. Please refer to [Page 56](#) for the fiscal 2022 results and [Page 55](#) for the KPIs for fiscal 2023 onward.



For details, see our website: **Climate Change**

[www.daifuku.com/sustainability/environment/climate-change](http://www.daifuku.com/sustainability/environment/climate-change)

## Environmental Initiatives

### Promoting resource recycling

At Daifuku, we offer large-scale material handling systems consisting of many parts and materials. Under the Daifuku Environmental Vision 2050, we aim to recycle resources not only limited to waste generated from business activities but also when equipment delivered to customers is removed. In this regard, we are continuing to review product materials and improve the ease of disassembly. In addition, we have positioned stable, long-term operation and delaying disposal timing as important initiatives, and as such we are working to enhance after-sales services such as maintenance and upkeep.

The KPIs for resource recycling for fiscal 2023 onward have been changed to landfill disposal rate and water use intensity in accordance with the revised Daifuku Environmental Vision 2050. See [Page 55](#) for details.

KPIs	Scope	FY2021	FY2022
Recycling rate of waste*	Global	97%	95%
Recyclability rate for new products		86%	86%

\* Excluding locations in North America



For details, see our website: [Pollution Prevention and Resource Recycling](http://www.daifuku.com/sustainability/environment/pollution-prevention)  
www.daifuku.com/sustainability/environment/pollution-prevention

### Responding to water risks

The Daifuku Group uses Aqueduct, an assessment tool developed by the World Resources Institute (WRI), to regularly assess water risks in countries and regions where we hold major operations (Japan, China, Taiwan, India, Thailand, South Korea, the United States, and the United Kingdom). In the most recent analysis conducted in 2022, it was found that two sites in India and three sites in China were at a risk level of “high” or above. These sites were set as priority locations, and field surveys were conducted at each of them. As a result, it was found that the main use of water at all five sites was employees’ daily use and watering plants, and that the supply and quality of water from intake sources were stable. As such, no major risks have been identified at this time.

The Group’s main use of water in our production activities is the degreasing process prior to product coating, but this process does not require high quality or a large amount of water. However, we recognize that water is an important resource for Daifuku, and we will continue to implement appropriate measures related to water risks based on an understanding of the water usage at our production sites.

In fiscal 2022, there were no violations of water or any other environmental laws or regulations, nor were any fines paid.

#### Overall water risk\* for our main sites

Water risk level	No. of sites
Low (0–1)	6
Low-Medium (1–2)	17
Medium-High (2–3)	2
High (3–4)	3 (China)
Extremely-High (4–5)	2 (India)

\* A comprehensive water-related risk assessment, as defined by Aqueduct, based on all factors including physical water quantity, water quality, regulatory, and reputational risk.

## Environmental Initiatives

### Coexisting with nature

At Daifuku's Shiga Works, each and every employee has developed an awareness of coexistence with the natural environment through working in an environment surrounded by abundant greenery. The Yui Project, a biodiversity preservation program launched in 2014, aims to create three bonds (*yui*) that connect water with greenery, people with nature, and people to people so that the vast natural environment on the 1.2 million square meter Shiga Works site can be preserved. To this end, we are working to protect the rare species that have been identified on site.

In the Daifuku Environmental Vision 2050, revised in 2023, coexisting with nature is established as one of our critical issue areas, and we are working to minimize any negative impacts our business activities may have on natural capital. In order to promote sustainable use of ecosystem services and conserve biodiversity, we will continue to enhance our activities on a global scale.

### Conservation activities at Shiga Works

In fiscal 2022, we investigated the impact of the current redevelopment of Shiga Works on the ecosystem. This ecosystems survey confirmed more than 1,000 native species as well as over 70 species of wildlife listed in the Japanese Red List (compiled and maintained by the Ministry of the Environment) and the Shiga Prefecture Red Data Book. We will implement appropriate conservation measures for species whose habitats or populations are threatened by the redevelopment.

#### Breeding of Yamato salamanders in conservation ponds (artificial ponds)

We are working to preserve the endangered Yamato salamander. To ensure a stable habitat, a conservation pond was constructed in 2014, and we have been relocating larvae and eggs that inhabit the Shiga Works premises since. In fiscal 2021, we confirmed the first spawning and hatching to have occurred in the conservation pond, and we have verified that this happened again in fiscal 2022. Furthermore, since the redevelopment of the Shiga Works could lead to a reduced habitat for the Yamato salamander, in fiscal 2023 we created a new habitat in addition to the conservation pond and released larvae into it.



Top: Conservation pond  
Bottom: Adult Yamato salamander

### Species classified as threatened (Japanese Red List 2020) identified at Shiga Works

Category*	Classification	Species	Number of species
Threatened-Vulnerable (VU)	Birds	Peregrine falcon	1
	Amphibians	Yamato salamander	1
	Insects	<i>Polyrhachis lamellidens</i> (spiny ant)	1
	Plants	Golden orchid, Chinese bellflower	2
Near Threatened (NT)	Birds	Greater white-fronted goose, crested honey buzzard, Eurasian sparrowhawk, northern goshawk	4
	Reptiles	Japanese pond turtle	1
	Amphibians	Black-spotted pond frog	1
	Insects	<i>Aeschnophlebia anisoptera</i> (dragonfly), <i>asiagomphus pryeri</i> (dragonfly), <i>trigomphus interruptus</i> (dragonfly), <i>trigomphus ogumai</i> (dragonfly), <i>xenocorixa vittipennis</i> (water boatman), <i>catocala actaea</i> (moth), <i>helochares striatus</i> (water beetle), <i>laccobius inopinus</i> (water beetle), <i>bombus ignitus</i> (bumblebee)	9
	Plants	<i>Agrostis valvata</i> , yellow bladderwort	2
<b>Total</b>			<b>22</b>

\* Threatened - Vulnerable (VU): Species with a high risk of extinction in the wild.

Near Threatened (NT): Species that do not qualify as threatened at present but may be vulnerable to endangerment in the near future.

 For details, see our website: [Biodiversity](https://www.daifuku.com/sustainability/environment/biodiversity)  
www.daifuku.com/sustainability/environment/biodiversity

### VOICE

#### Globalizing the initiatives at Shiga Works

We promote biodiversity initiatives through the monitoring and protection of wildlife inhabiting the Shiga Works site, holding in-house events, and publicizing our activities outside the Company. In order to achieve our goal of zero negative impact on natural capital set in the Daifuku Environmental Vision 2050, it is imperative that we cooperate with internal and external stakeholders. In the future, we intend to further enhance the measures taken at Shiga Works and share examples and know-how to expand the reach of our activities globally.



**Yoriko Miyoshi**  
Sustainability Promotion  
Department  
Corporate Functions

## Social Initiatives

### Occupational safety and health

The Daifuku Group has adopted the slogan “safety is at the foundation of corporate sustainability and supersedes everything,” and we are working toward zero fatal accidents. Based on our belief that establishing a corporate culture that prioritizes safety and health for all workers is indispensable for sound business activities, we are enhancing safety and health training for employees and strengthening cooperation with contractors and suppliers.

Unfortunately, the targets for the frequency rate and overseas severity rate of accidents were not met in fiscal 2022 due to one fatal accident involving a contractor at a global subsidiary and an increase from the previous fiscal year in the number of injuries that resulted in lost time. We take accidents very seriously, and we will make every effort to thoroughly implement measures to prevent accident recurrence and improve the effectiveness of safety and health training. For each accident that occurs, we analyze the cause, create and disseminate new work plans, and eliminate unsafe actions and conditions.

For the following indicators, contractors in construction are included in calculations and target management.

KPIs	Scope	FY2021	FY2022
Frequency rate: Japan (non-Japan)	Global	0.21 (0.65)* <sup>1</sup>	0.45 (0.90)* <sup>1</sup>
Severity rate: Japan (non-Japan)		0.002 (0.009)* <sup>1</sup>	0.006 (0.216)* <sup>1</sup>
Number of occupational safety and health trainees		1,627	2,161
Number of serious accidents* <sup>2</sup>		0* <sup>1</sup>	1* <sup>1</sup>

\*<sup>1</sup> Data for the period from January to December.

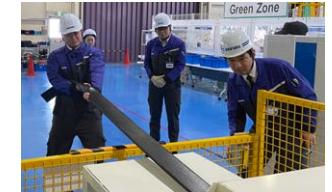
\*<sup>2</sup> Accidental deaths occurring during work at Daifuku (labor accidents)

### Risk assessment of workplace safety and health

The Group conducts risk assessments in accordance with our own standards based on ISO 45001. We identify and manage risks that have a significant impact on health and safety, and we consider and implement risk mitigation measures according to the level of risk. The scope of application covers regular and irregular activities in our business operations as well as the activities of all persons, including contractors and visitors, entering and leaving our premises. Risks are identified and assessed at the beginning of each fiscal year and during the construction planning stage of new projects as well as any time circumstances change, such as when new process are introduced or new materials are used.

### Safety and health training

At the Safety Simulation Center at Shiga Works, we cultivate human resources with a high awareness of safety and the ability to take appropriate actions through programs that simulate real-life dangers. The training is for not only employees but also for temporary workers and contractors, and it is designed to raise safety awareness throughout the entire Group. Training facilities that simulate dangerous situations have also been installed at some of our global affiliates in China, South Korea, Indonesia, and North America.



Simulated experience of an accident in which a worker is caught in the roller of a machine

### Coordination with contractors and suppliers

We monitor the health and safety conditions at the workplaces of our contractors and suppliers through visits and surveys. Depending on the results, we visit each company again to reassess the situation and provide advice on how to resolve any issues. In addition, we regularly conduct safety and health training for manufacturing and installation personnel, including those from contractors and suppliers. As part of this training, we share information on any changes in laws and regulations related to health and safety as well as on any occupational accidents that have occurred in the workplaces of our Group and other contractors and suppliers.



Safety audit at a supplier



For details, see our website: **Occupational Safety and Health**

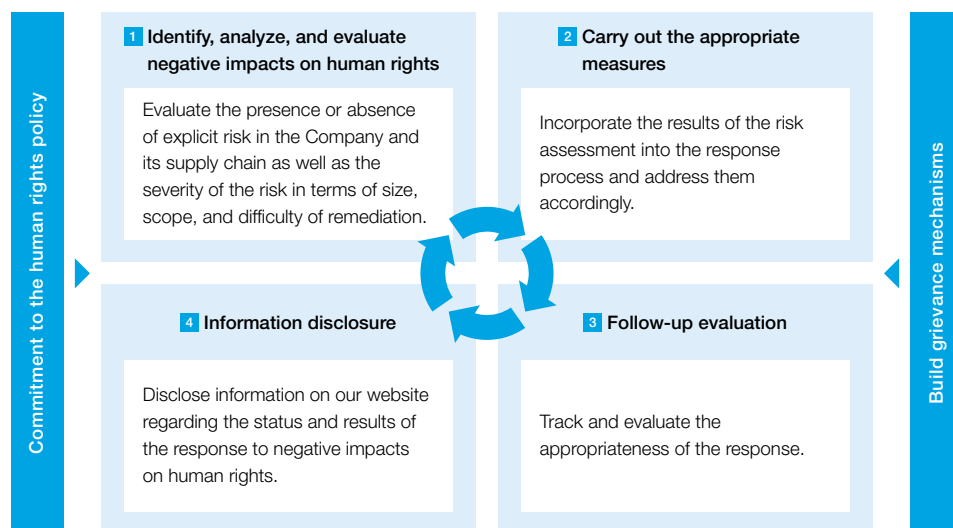
[www.daifuku.com/sustainability/society/safety](http://www.daifuku.com/sustainability/society/safety)



## Social Initiatives

### Human rights due diligence initiatives

#### Human rights due diligence process



The Daifuku Group declares our commitment to respecting human rights in our management philosophy and Group Code of Conduct, and we strive to create an environment where each and every employee can maximize their potential. We recognize that respect for human rights is one of our most important responsibilities in terms of the sustainable growth of our business and organization, and we will fulfill this responsibility by minimizing any possible negative impact on human rights occurring through our business activities.

In fiscal 2022, for our first initiative toward human rights due diligence, we conducted a human rights assessment (potential risk assessment) to evaluate any negative impacts on human rights and identify any human rights issues. From these results, we identified domestic foreign workers in the supply chain, including contractors, and workers at raw material suppliers as high-priority human rights issues that must be addressed by the Group.

We then selected two Group companies in Thailand and Taiwan that are considered to have high potential human rights risks pertaining to immigrant workers, and we conducted interviews with top management in cooperation with registered NPO Caux Round Table (CRT) Japan. After reviewing their efforts to respect human rights with regards to the local labor and employment environment, including appropriate wages and working hours, freedom of association and collective bargaining, and occupational health and safety, we did not find any serious human rights issues to be present. In addition, we selected 19 of our major suppliers that employ foreign nationals and conducted a survey on their employment status in order to ascertain the situation of the domestic supply chain. As a result, we found that 8 of the 17 companies that responded to the survey employ technical intern trainees, specified skilled workers, or both. From these, we narrowed down the list to two companies that employ both technical intern trainees and specified skilled workers, and with the cooperation of CRT, we conducted on-site interviews with the trainees and workers from Vietnam and China. CRT concluded that there were no significant non-conformities at these companies.

In fiscal 2023, we will conduct assessments of potential risks at our global sites and address any human rights issues as necessary. We will conduct interviews within our supply chain and take appropriate and effective remedial measures when negative human rights impacts or facilitating factors come to light.



For details, see our website: **Human Rights**

[www.daifuku.com/sustainability/society/human-rights](http://www.daifuku.com/sustainability/society/human-rights)

#### Third-party comments

In accordance with the UN Guiding Principles on Business and Human Rights, the Daifuku Group carried out an early-stage human rights due diligence process in areas where it could have a direct impact on the Group. In the risk assessment, foreign workers were selected as the human rights subjects in a workshop involving all pertinent departments, and direct dialogue with the rights holders was conducted. At the two companies where the dialogues were held, foreign workers are warmly regarded as if they were family members, and no human rights issues of particular concern were identified. We hope that knowledge of these commendable efforts will be shared as an example of best practices within the Daifuku Group. We hope that lessons learned from this initiative will also be gradually expanded overseas as well.

**Hiroshi Ishida**

Executive Director, CRT Japan

# Compliance

## Basic stance

The Daifuku Group has established the Group Code of Conduct that defines the fundamental principles all officers and employees of the Group should follow with the aim of realizing its company creed and management philosophy. To enhance the effectiveness of the Group Code of Conduct, in addition to establishing various internal regulations under the philosophy system, we clarify the definition of compliance and share values within the Group. Compliance at the Group is defined as “acting in good faith and complying with all applicable laws, rules, and regulations and social norms and ethics of each country in all aspects of our business activities.” The Group aims to continue to meet the expectations and trust of society by ensuring that each and every officer and employee acts responsibly and with integrity.

## Promotion system

The Compliance Committee, chaired by the CEO, was established to strengthen compliance in the entire Group. The committee, an advisory body to the Board of Directors, comprises all directors, corporate officers, and subsidiary managers and serves as a headquarters for investigating and responding to serious compliance violations, through the Legal Department serving as the committee administrative office. Specifically, the committee examines measures and systems to resolve and settle compliance-related issues, and reflects the results of the examination in their respective responsible organizations.

## Whistleblowing system

We have established a whistleblowing system for the early detection of illicit activities and misconduct that may lead to violations of the law or our internal regulations, and to take appropriate action. In addition to the internal reporting desk, we have set up an external reporting desk (outsourced by a neutral company) that provides multi-lingual support. This reporting desk allows anonymous reporting and is available not only to officers and employees of Daifuku and its Group companies but also to business partners with ongoing dealings.

The Internal Reporting Secretariat is responsible for the administration of the system, verifies the facts of report, determines the course of action to take, and handles investigations among other duties. Investigations differ depending on the severity of the reported case, the degree of urgency, and whether or not there is involvement of upper management. Should a compliance problem be identified through the investigation, corrective action and measures to prevent a recurrence are taken. Critical problems are reported to the Compliance Committee and the Audit & Supervisory Board.

In fiscal 2022, the whistleblowing system was used in 17 incidents, of which these reports were related to labor (nine incidents), illicit conduct (seven incidents), and an accident (one incident).

 For details, see our website: [Compliance](http://www.daifuku.com/sustainability/governance/compliance)  
www.daifuku.com/sustainability/governance/compliance

## Initiatives for strengthening compliance

The CEO sends out messages to all officers and employees via the Company intranet to thoroughly disseminate and promote our approach to compliance. We also provide In-house training for each level of employees. As business transactions with various countries and regions continue to increase, complying with the security export control, competition law, and anti-bribery regulation of each country, including anti-corruption laws, we are making efforts to establish and spread an awareness of compliance by holding lectures.

### Compliance Guidebook

This guidebook defines the Group's compliance, explains each item of the Group Code of Conduct, and describes how each item relates to the SDGs, and is distributed throughout the Group in multiple languages.



### Compliance education

We conducted 21 different kinds of training and education on compliance that included anti-corruption. Global compliance training on the Compliance Guidebook, which explains the Group Code of Conduct and case studies, is conducted for all Group companies, with video content available in ten languages\*. More than 10,000 employees have participated in this training program in fiscal 2021 and 2022.

\* Ten languages: English, Chinese (traditional and simplified), Korean, Thai, Vietnamese, Indonesian, Spanish, French, Japanese



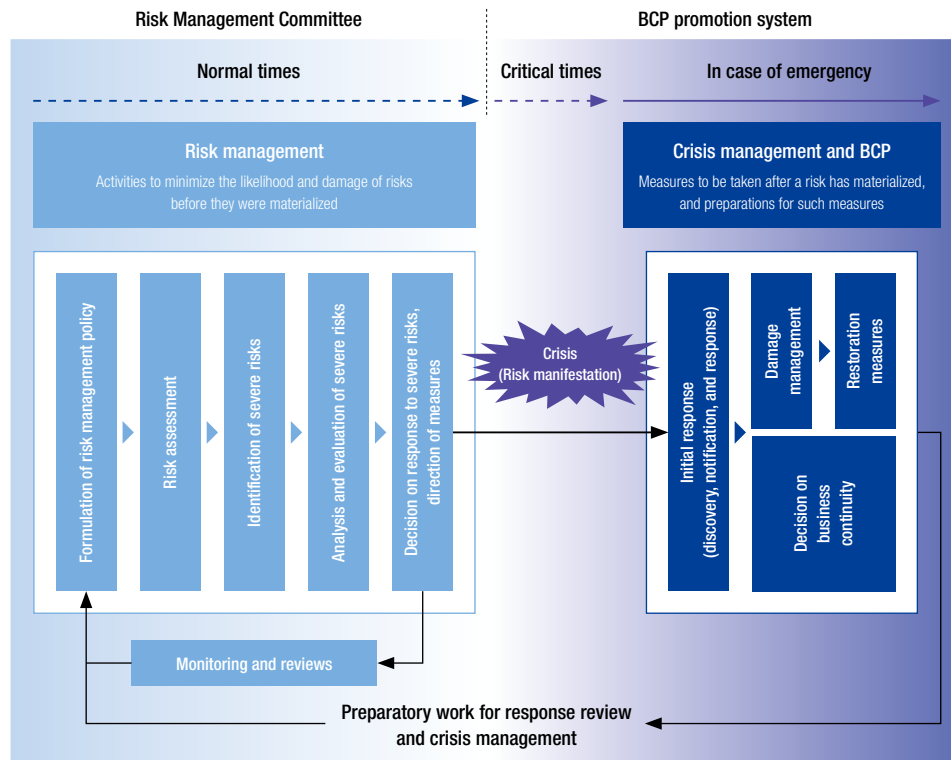
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Subtitles: Vietnamese  
Documents: English

# Risk Management

Daifuku conducts risk assessments for the entire Group on a regular basis. We specifically target risks that may affect the achievement of the Group's management targets. The Risk Management Committee reviews and implements necessary measures for any significant risks that are identified in an effort to minimize the possibility of such risks and any damage caused by them before they manifest. In the event of an emergency, the business continuity plan (BCP) promotion system is in place to respond to crises after risks have emerged. The BCP promotion system works with the Risk Management Committee to consider and prepare for crises starting from normal operations. When faced with a crisis such as a large-scale disaster, we will quickly establish a system and take initial actions to prevent secondary disasters, placing the highest priority on human lives.

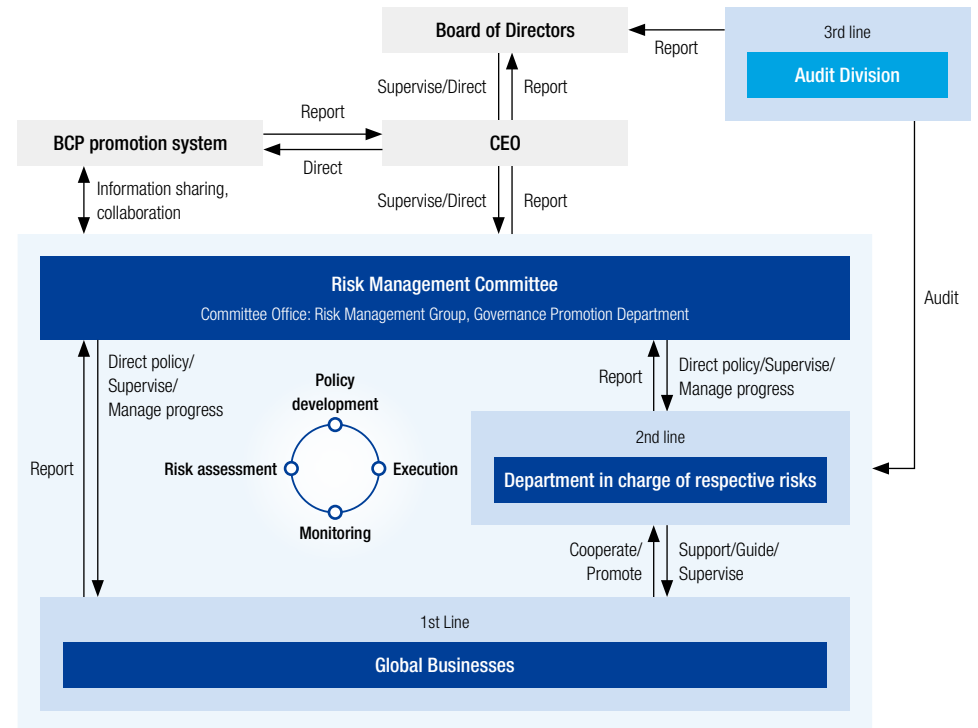
## Management systems for normal times and emergency



## Risk management system

With the CEO as the chief executive officer, the Daifuku Group has established a risk management system based on a three-line model, as shown in the chart below. The Corporate Functions and other units in charge of risk management (2nd line) support, provide, and supervise the risk management conducted by the Global Businesses (1st line), which are responsible for implementing the risk response. In addition, the Audit Division (3rd line) inspects the risk management initiatives of the 1st and 2nd lines. The Group has established the Risk Management Committee, chaired by the CEO, and comprised of global business heads, division managers, and responsible persons of the Safety and Health Management Division, the Corporate Functions, and other units. The committee is scheduled to meet several times a year and reports to the Board of Directors on the status of the committee's initiatives and other matters as necessary.

## Risk management system



## Risk Management

 For details, see our website: **Risk Management**  
[www.daifuku.com/sustainability/governance/risk-management](http://www.daifuku.com/sustainability/governance/risk-management)

### Risk assessment

Crucial risk factors that significantly affect the business activities of the Group are extracted, and those factors are mapped with two assessment axes of frequency and consequence to grasp and manage risks.

According to the results of a risk assessment, the following items are the current risks we recognize as having the potential to significantly affect the Group's management performance. However, this is not an exhaustive list of all risks facing the Group, and there are unforeseeable risks other than those listed.

### Key risks

Risks	Measures
<b>1</b> Risks associated with changes in business environment	<ul style="list-style-type: none"> <li>• Rising raw material and logistics costs</li> <li>• Delay in delivery of raw materials</li> <li>• Economic crisis and business fluctuation</li> <li>• Loss of important customers</li> <li>• Changes in the market environment</li> </ul>
<b>2</b> Risks related to governance of affiliates	<ul style="list-style-type: none"> <li>• Forming a cross-divisional working group for procurement risks to share information and facilitate the exchange of parts</li> <li>• Establishing a new unit responsible for the overall management of supply chain</li> <li>• Paying close attention to the needs and trends of our customers' industries and flexibly reflecting them in business plans</li> </ul>
<b>3</b> Risks associated with human resources	<ul style="list-style-type: none"> <li>• Scandals involving Group companies</li> <li>• Inadequate management of subsidiaries</li> <li>• Preparing a compliance guidebook in multiple languages that explains the Group Code of Conduct</li> <li>• Conducting training and e-learning programs</li> </ul>
<b>4</b> Reputation risks	<ul style="list-style-type: none"> <li>• Education for successors (officers and executives) and personnel development</li> <li>• Securing human resources and employee turnover</li> <li>• Shortage of employees (working staff)</li> <li>• Building a systematic training system intended to train successors (clarifying key positions, identifying Groupwide competencies)</li> <li>• Revising a personnel system to shift to the system based on roles (responsibilities) and results</li> <li>• Conducting an engagement survey (a survey on job satisfaction and ease of work)</li> </ul>
<b>5</b> Natural disaster risks	<ul style="list-style-type: none"> <li>• Media criticism and harmful rumors</li> <li>• Failure to respond to media</li> <li>• Failure in advertising and promotion</li> <li>• Conducting media training for officers in anticipation of press conferences</li> <li>• Preparing various manuals in the event of a situation requiring a media response</li> <li>• Developing guidelines that indicate points to note when using social media</li> </ul>
<b>6</b> Risks of cyberattacks and information leaks	<ul style="list-style-type: none"> <li>• Large-scale natural disasters</li> <li>• Conducting a natural disaster hazard survey at each site</li> <li>• Formulating of response plans in chronological order (timeline) at the occurrence and conducting drills such as safety confirmation and formulating response plans</li> <li>• Increasing emergency stockpile</li> <li>• Analyzing business consequence, reviewing the system table of each business unit</li> </ul>
<b>6</b> Risks of cyberattacks and information leaks	<ul style="list-style-type: none"> <li>• Cyberattacks</li> <li>• Information leaks due to internal fraud</li> <li>• Operating the Computer Security Incident Response Team (an organization that deals with computer security incidents such as information leaks by cyberattacks) centered on the Information Security Committee</li> <li>• Identifying the possible scope of cyberattacks and damage, taking first-response measures to prevent the spread of damage, investigating preventive measures of recurrence</li> <li>• Conducting employee education and drills on a regular basis</li> </ul>



# Corporate Governance

## Basic stance

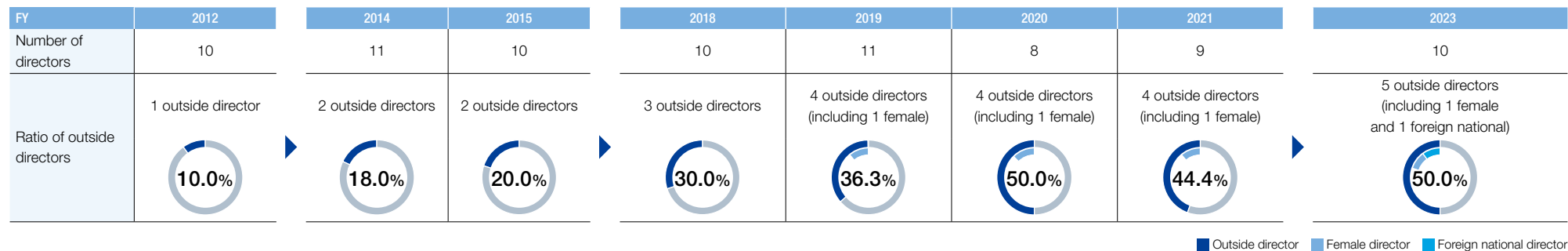
As a company with Audit & Supervisory Board, the Daifuku Group is flexibly introducing and expanding systems to enhance management transparency, monitoring, and supervision functions.

We strive to improve our effectiveness by continuously following the plan-do-check-act (PDCA) cycle, establishing the Daifuku Group's Basic Policy for Corporate Governance.

## Enhancement of corporate governance

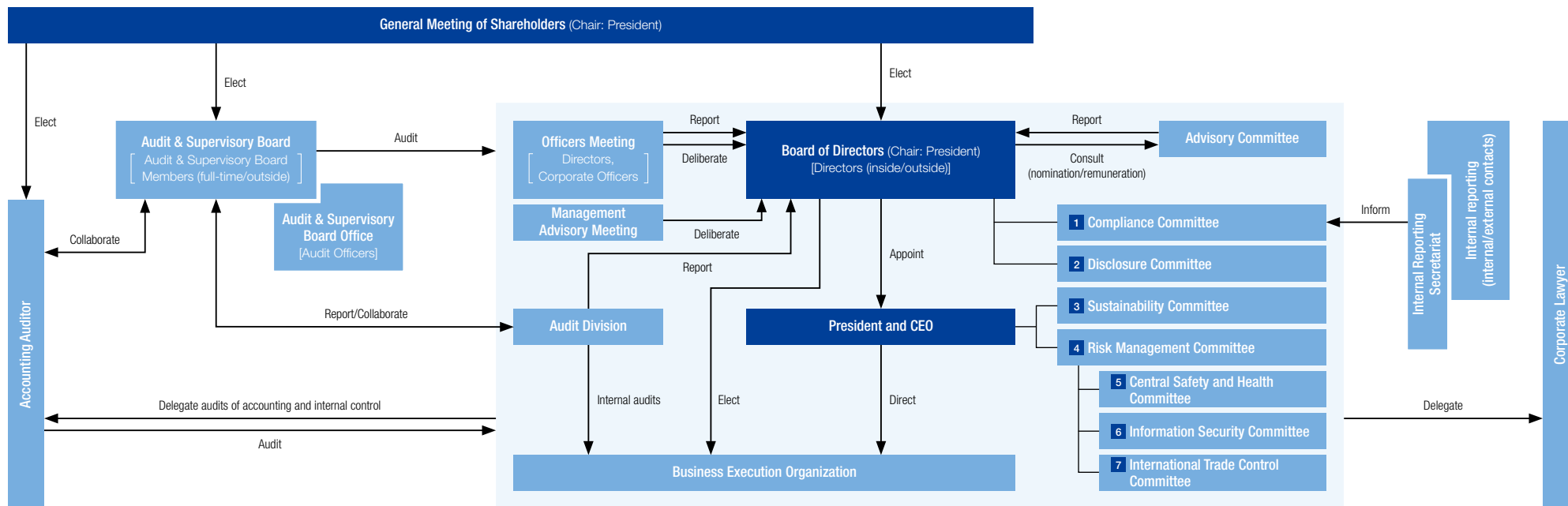
FY	Board of Directors, Audit & Supervisory Board	Other
2011	Introduces a corporate officer system	
2012	Elects an outside director (one in total)	
2014	Adds an outside director (to two in total)	
2015	Implements evaluation of the Board of Directors' effectiveness and disclosure of the result overview	
2016	Establishes the Advisory Committee for nomination and remuneration	Establishes the Daifuku Corporate Governance Guidelines Reviews the appropriateness of cross-shareholdings and clarifies voting rights exercise standards
2017	Implements evaluation of the Board of Directors' effectiveness through an external organization	Revises the Rules on the Board of Directors and other regulations to accelerate decision-making by the management and subsidiaries and clarify authority and responsibility
2018	Adds an outside director (to three in total), resulting in an outside director ratio of more than 30%	Reviews the whistleblowing system Establishes the Pension Assets Management Committee Abolishes takeover defense measures
2019	Adds one female director (to four outside directors in total) Establishes an audit officer position and the Audit Division	Reorganizes conventional corporate code of conduct to formulate the Group Code of Conduct
2020	Establishes the Audit & Supervisory Board Office	Establishes the Sustainability Committee
2021		Reorganizes conventional Corporate Governance Guidelines to formulate the Daifuku Group's Basic Policy for Corporate Governance Establishes the Risk Management and Governance Office (now Governance Promotion Department)
2022		Delists Contec Co., Ltd. due to making it a wholly owned subsidiary Establishes the Risk Management Committee
2023	Adds a foreign national director (to five outside directors), resulting in an outside director ratio of 50%	Establishes new C-suite roles for our chief officers

## Changes in the Board of Directors' composition



## Corporate Governance

### Corporate governance structure



As of June 2023

#### 1 Compliance Committee

The committee works to strengthen compliance in the entire Group by the committee members' sharing potential or newly emerging issues related to compliance, examining measures and systems to resolve and settle such issues, and reflecting the results of the examination in their respective responsible organizations.

#### 2 Disclosure Committee

The committee works to develop and enhance the timely disclosure system to timely disclose appropriate information in accordance with the Financial Instruments and Exchange Act and other related laws and regulations.

#### 3 Sustainability Committee

To meet increasing demands to address a wider range of ESG, SDGs, and other social issues, the committee encourages initiatives to widely contribute to society as a decision-making body for simple and smooth management for ESG-related issues that Group faces.

#### 4 Risk Management Committee

The committee promotes Groupwide risk management activities for significant risks that would significantly affect the Group's corporate activities, and works to design countermeasures for risks and develop and enhance policies, regulations, systems, etc., based on significant risks identified and assessed through risk assessments regularly conducted.

#### 5 Central Safety and Health Committee

The committee promotes and makes employees aware of efforts for compliance with relevant laws and regulations, elimination of industrial accidents and transport disasters as the Group's supreme deliberative body for safety and health control matters.

#### 6 Information Security Committee

The committee establishes and revises regulations and reviews and implements measures for information security to ensure and maintain information security risk management for the entire Group based on its understanding of potential information security risks inside and outside the Group. Upon occurrence of an incident, the committee will promptly respond in cooperation with relevant units.

#### 7 International Trade Control Committee

The committee develops and enhances systems for managing compliance in international transactions to ensure compliance with laws, standards, and regulations (including those for security) related to import, export, intermediate trade, and other general international transactions.

## Corporate Governance

### Activity status of the Board of Directors and the Advisory Committee

#### Board of Directors

The Board of Directors makes decisions on important matters stipulated in the Rules of the Board of Directors, such as the determination of management policies, management plans, and the corporate governance system. The Board delegates matters other than these important matters to directors and corporate officers. The Board of Directors meetings are attended by all directors with a one-year term of office and all Audit & Supervisory Board members, with a senior managing officer, managing officers and an audit officer joining as observers. The CEO serves as the chair of the Board of Directors. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary. In fiscal 2022, the Company held meetings of the Board of Directors on 17 occasions, including extraordinary meetings.

##### ▶ Main agenda of the Board of Directors

###### To be resolved

Annual business plans and budgets, stock splits, personnel changes of directors, appointment of corporate officers and division of their duties, new recruitment plans, approval of financial statements (earnings announcements) and annual securities reports, etc.

###### To be reported

Progress and results of the business plan, activities of advisory committees, status of cross-shareholdings, status of internal audits, status of sustainability initiatives, status of voting rights executed at the General Meeting of Shareholders and results of analysis, etc.

#### Audit & Supervisory Board

With an awareness of their fiduciary responsibilities to shareholders and with a view to continuous corporate growth and medium- and long-term improvement in corporate value, Audit & Supervisory Board members and the Audit & Supervisory Board carry out auditing activities for fulfilling their duties, including auditing of directors' execution of duties, auditing of the internal control system, and assessment of the appropriateness of auditing conducted by the accounting auditor, in accordance with the Rules of the Audit & Supervisory Board, the Standards for Company Auditor Audit, and the Standards on Audit Concerning the Internal Control System. In fiscal 2022, the Company held meetings of the Audit & Supervisory Board on nine occasions.

##### ▶ Main agenda of the Audit & Supervisory Board

###### To be resolved

Audit plans, reappointment of accounting auditors, consent to audit compensation for accounting auditors, audit reports by the Audit & Supervisory Board, consent to proposals for election of Audit & Supervisory Board members, etc.

###### To be reported

Reports on the activities of full-time Audit & Supervisory Board members and the Audit & Supervisory Board Office, reports on the implementation of audits, reports on the results of on-site audits of departments, audit plans of the Audit Division, etc.

###### To be deliberated/discussed

Draft audit reports of Audit & Supervisory Board members and the Audit & Supervisory Board, response to the revision of the Code of Ethics for accounting auditors, etc.

#### Advisory Committee

The Company has established a voluntary Advisory Committee to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination, dismissal, and the remuneration of directors and corporate officers. The committee consists of three or more directors, including one or more representative directors and one or more outside directors. The chair is an outside director and meets three times or more a year. During fiscal 2022, all four outside directors and one representative director served on the committee and met seven times.

##### ▶ Main agenda of the Advisory Committee

###### Nomination

Personnel matters for the General Meeting of Shareholders, personnel matters for officers, corporate governance structure, etc.

###### Remuneration

Evaluation of remuneration for officers, evaluation of performance bonuses for officers and Board Benefit Trust (BBT), verification of officers' remuneration system, officers' remuneration evaluation system and levels of remuneration for officers, etc.

#### Skills of directors

Name	Diversity					Tenure	Attendance rate at meetings of the Board of Directors	Advisory Committee	Expertise/Experience						
	Female	Foreign national	Independence	Age	Major career				Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	ESG
Hiroshi Geshiro				65	The Group	8 years	100%	✓	✓			✓	✓	✓	✓
Seiji Sato				63	The Group	8 years	100%		✓				✓	✓	
Toshiaki Hayashi				64	The Group	3 years	100%		✓	✓				✓	
Hiroshi Nobuta				63	The Group	2 years	100%		✓	✓				✓	
Hideaki Takubo				62	The Group	Newly appointed	—		✓		✓	✓		✓	✓
Yoshiaki Ozawa			✓	69	Accounting firm, university; outside member of the audit & supervisory board and substitute director (audit & supervisory committee member) of enterprises	9 years	100%	✓ Chair			✓			✓	✓
Mineo Sakai			✓	72	Trading company, IT company	5 years	100%	✓	✓		✓			✓	✓
Kaku Kato			✓	68	Trading company, energy-related company, university	4 years	100%	✓	✓			✓		✓	✓
Keiko Kaneko	✓		✓	55	Trading company, university, law firm; statutory auditor and external statutory auditor of enterprises	4 years	100%	✓				✓		✓	✓
Gideon Franklin		✓	✓	60	Finance, M&A, corporate management; outside director of enterprises	Newly appointed	—	✓	✓		✓			✓	✓

Notes: 1. In Expertise/Experience, up to five skills of individuals are marked with "✓". The above list does not represent all of the knowledge, experience, and abilities of individuals.

2. The age is at the nearest birthday as of June 23, 2023.

## Corporate Governance

### Reasons for election of Directors and Audit & Supervisory Board members

#### Directors

Name	Current positions in the Company	Reasons for election
Hiroshi Geshiro	Representative Director, President and CEO	He has abundant experience and a good track record in Japan and overseas. He is qualified to serve as a director of the Company because he will be able to play an important role in decision-making in the management of the entire Group, as well as in the realization of Group strategies to achieve business growth and improve corporate performance.
Seiji Sato	Director, Senior Managing Officer, Cleanroom Global Business Head, President and CEO of Daifuku North America Holding Company	He has abundant experience and a good track record in business management concerning the material handling systems for semiconductor and flat-panel display factories in Japan and overseas. The Company determined that he is qualified as a Director for the above reasons.
Toshiaki Hayashi	Director, Managing Officer, Chief Officer of Shiga Works, Safety and Health Management Division Manager	He has abundant experience and a good track record in business management concerning the material handling systems for automobile factories at the Company and its non-Japan subsidiary. The Company determined that he is qualified as a Director for the above reasons.
Hiroshi Nobuta	Director, Managing Officer, Intralogistics Global Business Head	He has abundant experience and a good track record in the field of material handling systems for general manufacturers and distributors centered on engineering at the Company and its non-Japan subsidiary. The Company determined that he is qualified as a Director for the above reasons.
Hideaki Takubo	Director, Managing Officer, Chief Human Resources Officer, Corporate Functions Head	He has extensive experience and a good track record in human resources and general affairs, both in Japan and overseas. As the Corporate Functions Head, he is responsible for promoting sustainability management, including ESG. The Company determined that he is qualified as a Director for the above reasons.
Yoshiaki Ozawa	Outside Director	He has considerable knowledge in financial and accounting matters and teaches accounting as a university professor by leveraging his experience working abroad. At meetings of the Board of Directors, he offers professional advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge, as well as to help us promote globalization of the Daifuku Group. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Mineo Sakai	Outside Director	He has abundant experience and extensive knowledge in corporation management that he has cultivated through the positions as the Chairman and CEO of an IT company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Kaku Kato	Outside Director	He has abundant experience and extensive knowledge in corporation management, particularly in the fields of safety and ESG as well as compliance and internal control, cultivated through his positions as executive officer at a trading company and an energy-related company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof from the viewpoint of corporate legal affairs. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Keiko Kaneko	Outside Director	She has experience working at a trading company and as an associate professor of a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that she is qualified as a Director for the above reasons.
Gideon Franklin	Outside Director	He has abundant experience and extensive knowledge in corporate management as an analyst, M&A advisor, and management executive in international financial institutions and other organizations. He will not only provide advice and recommendations based on his extensive knowledge on global business management but also enhance the diversity of the Board of Directors. The Company determined that he is qualified as a Director for the above reasons.

#### Audit & Supervisory Board members

Name	Current positions in the Company	Reasons for election
Tsukasa Saito	Audit & Supervisory Board member (full-time)	He has abundant practical experience in finance and accounting and a high level of knowledge in the accounting and financial fields. He has also supported the duties of the Audit & Supervisory Board Office. He is well versed in the Group's business operation. The Company determined that he is qualified as an Audit & Supervisory Board member for the above reasons.
Ryosuke Aihara	Audit & Supervisory Board member	He is a lawyer who has specialized for years in corporate governance and compliance, which is an important management issue for the Company. He offers advice and counsel on general business management to secure the legality of management and enhance the monitoring and auditing functions over management from a professional viewpoint as a lawyer. The Company elected him as an Audit & Supervisory Board member for the above reasons.
Tsukasa Miyajima	Audit & Supervisory Board member	He is a university professor specializing in law and has deep insight and extensive experience as an academic expert and a legal expert. He has given us professional advice and counsel to ensure the transparency of management and enhance the functions of management supervision and auditing thereof. The Company elected him as an Audit & Supervisory Board member for the above reasons.
Nobuo Wada	Audit & Supervisory Board member	He had long been a professor at Nagoya University as a scientist majoring in physics. He has deep insight and extensive experience as an academic expert. The Company would like him to assume this position in expectation of obtaining advice and counsel to secure the transparency of management and enhance the functions of management supervision and auditing from him.

## Corporate Governance

### Evaluation of the Board of Directors' effectiveness

The Company regularly examines the structure and operational status of the Board of Directors and evaluates its effectiveness. The Company works to continuously strengthen functions and improve effectiveness by addressing issues identified from the evaluation results.

In the effectiveness evaluation conducted in fiscal 2022 as well, the Company ensures objectivity and independence of the effectiveness evaluation by obtaining support from an external evaluation body at key points in the process, such as conducting questionnaires and interviews and analyzing survey results.

#### ▶ Method

- Anonymous questionnaire for all directors and Audit & Supervisory Board members, 13 in total
- Interviews with one (1) inside director and all Audit & Supervisory Board members, four (4) in total

#### ▶ Survey items

- 1 Composition of the Board of Directors
- 2 Operation of the Board of Directors
- 3 Discussions at the Board of Directors
- 4 The Board of Directors' monitoring function
- 5 Training
- 6 Dialogues with shareholders and investors
- 7 Subjects' own actions
- 8 Operation of the Advisory Committee

### Initiatives and evaluation for FY2022

Recognition of issues in the results of the FY2021 effectiveness evaluation	Detailed initiatives for FY2022	Evaluation results of the FY2022 questionnaire
<b>Training requisite to officers</b>	The Company worked to enhance training opportunities by utilizing lectures by outside experts and seminars by external agencies.	The improvement was highly appreciated.
<b>Sharing the details of discussions at the Advisory Committee</b>	The Company set aside time to report to the Board of Directors on the status of holding the Advisory Committee meetings, issues, and other matters. Since it is recognized that the Board of Directors should be proactively involved in succession planning and candidate training for the CEO and other executives, we will continue to consider the appropriate timing and scope of sharing the content of discussions.	The improvement was highly appreciated.
<b>Diversity in the structure of the Board of Directors</b>	We are continuing to examine the issue from a medium- to long-term perspective.	There was no problem with the current composition of the Board of Directors, but there was a request for continued consideration.
<b>Appropriate supervision of director nominations based on the skills matrix and other factors</b>	The Board of Directors discussed and revised the content.	The revision was highly appreciated. There was a request for continued discussions on the ideal form of the Board of Directors and the necessary structure based on its management strategy.

### To improve effectiveness in the future

Recognition of issues in the results of the FY2022 effectiveness evaluation	Future initiatives
<b>Ensuring diversity in the core human resources</b>	The Company will appropriately discuss and supervise the implementation of necessary initiatives, such as rebuilding the female leader training program and creating a comfortable work environment to secure diverse human resources.
<b>Diversity in the structure of the Board of Directors</b>	In light of several opinions requesting continued diversity in the structure of the Board of Directors, the Company will deepen concrete examination of the training and appointment of female candidates and non-Japanese candidates.
<b>Group's overall business portfolio</b>	One of the issues to be addressed is how the Board of Directors should be involved. The Company will aim to develop a more sophisticated management system necessary for more strategic discussions.



## Corporate Governance

### Remuneration for officers

The Company has established the policy on determination of remuneration, etc., for individual directors by a resolution of the Board of Directors through consideration and reporting by the Advisory Committee that is chaired by an outside director and consists of three or more members including one or more representative directors and one or more outside directors, and the majority of members are outside directors to enhance the transparency and fairness of judgement. Details of the policy are stipulated in related internal rules approved by an approval resolution at a Board of Directors meeting.

The remuneration for directors consists of basic remuneration (fixed remuneration), a bonus (short-term performance-linked remuneration that is fluctuated based on performance), and medium- to long-term performance-linked equity remuneration, Board Benefit Trust (BBT). The ratio of each remuneration is not fixed because the link between the Company's results and stock value is reflected in remuneration. The Company determines the ratio, taking into consideration the levels at other companies based on survey by an external professional body and reports from the Advisory Committee. Outside directors are not eligible for bonuses and BBT from the standpoint of their functions and independence.

To determine annual remuneration for directors, the total amount of basic remuneration and bonuses is resolved at a Board of Directors meeting following verification by the Advisory Committee whether it is reasonable based on levels at other comparable companies and through deliberations and reporting by the Advisory Committee.

#### Type of remuneration

Target recipients	Remuneration category		Outline
All officers	Basic remuneration		Determined based on fixed remuneration for executive remuneration by position. The remuneration level is determined based on a comprehensive consideration of qualifications, position, and company performance.
Inside directors, Audit & Supervisory Board member (full-time)	Performance-linked remuneration	Bonus	Funded by a certain proportion of consolidated net income for each fiscal year, allocated as a basic component that corresponds to an officer's qualifications (about 80%) and position and an evaluation component that reflect performance (about 20%). <ul style="list-style-type: none"> <li>Degree of achievement in each fiscal year: Degree of achievement of performance targets (consolidated net income amount and margin)</li> <li>Degree of achievement of a three-year business plan: Achievement of targets for net sales, operating income, ROE, etc., in Value Transformation 2023 (April 2021–March 2024)</li> </ul>
Inside directors		Non-monetary remuneration (BBT)	

#### Remuneration for officers and Audit & Supervisory Board members (FY2022)

Type of officer	Total remuneration (million yen)	Total remuneration, etc., by type (million yen)			Number of target officers
		Basic remuneration	Performance-linked remuneration		
			Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	516	213	241	61	5
Audit & Supervisory Board members (excluding outside members of the Audit & Supervisory Board)	46	21	24	—	2
Outside directors	60	60	—	—	4
Audit & Supervisory Board members (outside)	30	30	—	—	3

#### Those who received 100 million yen or more of consolidated remuneration in total (FY2022)

Name	Total consolidated remuneration (million yen)	Type of officer	Company classification	Total consolidated remuneration, etc., by type (million yen)		
				Basic remuneration	Performance-linked remuneration	
					Bonus	Non-monetary remuneration
Hiroshi Geshiro	170	Director	Reporting company	59	95	16
Shuichi Honda	123	Director	Reporting company	66	37	19

Note: Only lists those who received 100 million yen or more of consolidated remuneration in total.

Mr. Shuichi Honda's principal place of residence and execution is in the United States. For income tax, the Company adjusts the tax amount as necessary to ensure consistency of tax burden with residents of the relevant country, and the amount of tax, etc., incurred as a result of such measures is included in the amount of basic remuneration.

## Corporate Governance

### Cross-shareholding strategy

Our basic policy is to limit shareholdings, including shares held as cross-shareholdings, to the minimum necessary and to reduce them, and the Board of Directors confirms the status of individual holdings every year. In principle, we will no longer hold new shares for strategic purposes. The Company has established a firm relationship of trust with its customers through after-sales services as well as the delivery of products. Circumstances including these trade relations will also be taken into consideration when the economic rationale of cross-shareholdings, such as market capitalization, book value, transaction amounts, dividends, ROE, and risk of shareholdings, is examined. Shares, which the Board of Directors regards as having no significance, will be sold on a timely basis.

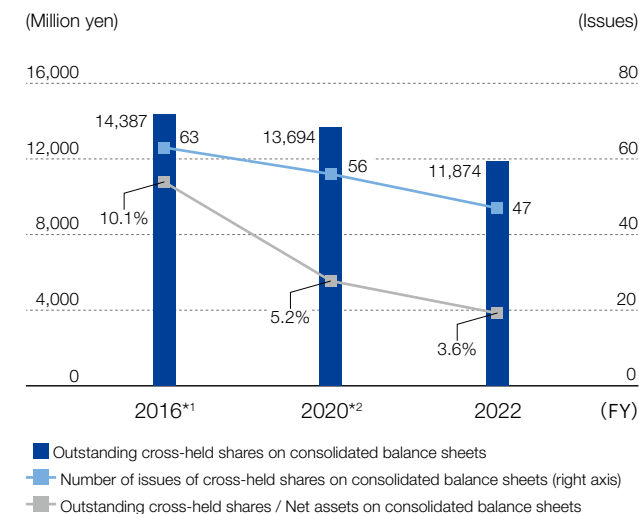
With respect to the voting rights attached to cross-shareholdings, we will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners over the medium to long term. At the time of the assessment, special attention will be paid to whether the cross-shareholding partner has been tarnished by scandals or has committed an antisocial act. If the cross-shareholding partner has been involved in such circumstances, its managerial approach to improvement shall be scrutinized. Audit reports concerning that partner shall also be scrutinized.

When a cross-shareholder indicates its intention to sell the Company's shares, the Company shall not hinder the sale of the cross-held shares.

With respect to the shares held as of March 31, 2023, the Board of Directors discussed “examination of whether to continue to hold shares as cross-shareholdings, and investigation based on the standard of exercising voting rights” and approved the holding of the shares at its meeting held on April 26, 2023.

In fiscal 2022, the Company reduced the holding of 11 issues of shares, including three issues of shares sold entirely. The Company will decide to sell some issues of shares flexibly, keeping a close watch on the prices of the shares. The shares held by the Company are steadily being reduced, as shown in the graph on the right.

### Status of cross-shareholdings on consolidated balance sheets



\*1 FY2016: The final year of the four-year business plan Value Innovation 2017

\*2 FY2020: The final year of the four-year business plan Value Innovation 2020

# Management

(As of June 23, 2023)

## Representative Director



**Hiroshi Geshiro**

President and CEO

## Directors



**Seiji Sato**

Senior Managing Officer  
Cleanroom Global Business Head  
President and CEO of Daifuku North  
America Holding Company



**Toshiaki Hayashi**

Managing Officer  
Chief Officer of Shiga Works  
Safety and Health Management Division  
Manager



**Hiroshi Nobuta**

Managing Officer  
Intralogistics Global Business Head

## Audit & Supervisory Board Members



**Tsukasa Saito**

Audit & Supervisory Board Member  
(full-time)



**Ryosuke Aihara**

Audit & Supervisory Board Member  
(outside)



**Hideaki Takubo**

Managing Officer  
Chief Human Resources Officer  
Corporate Functions Head



**Yoshiaki Ozawa**

Outside Director



**Mineo Sakai**

Outside Director



**Tsukasa Miyajima**

Audit & Supervisory Board Member  
(outside)



**Nobuo Wada**

Audit & Supervisory Board Member  
(outside)



**Kaku Kato**

Outside Director



**Keiko Kaneko**

Outside Director



**Gideon Franklin**

Outside Director

## Management

### Officers

1 Expertise, knowledge, experience 2 Global (\* including management experience) 3 Gender 4 Age

Officers (excluding those who are concurrently appointed as directors)

Audit Officer

#### Senior Managing Officer

### Yasuhisa Mishina

Chief Production Officer  
Chief Information Officer  
Production Innovation Division Manager  
DX Division Manager

1 Software, design, production  
2 — 3 Male 4 63

#### Managing Officers

### Akihiko Kishida

Chairman of Daifuku (China) Co., Ltd.

1 Production 2 China\* 3 Male 4 64

### Yoshiyuki Horiba

Auto Wash Global Business Head  
Auto Wash Division Manager  
President of Daifuku Plusmore Co., Ltd.

1 Design, product development 2 —  
3 Male 4 64

### Takaya Uemoto

Automotive and Airport Global Business Head  
Airport Division Manager

1 Installation, service 2 U.S.A.\*  
3 Male 4 62

### Takaya Gondoh

Chief Technology Officer  
General Manager of Engineering Operations,  
Intralogistics Division

1 Engineering, production 2 —  
3 Male 4 62

### Akihiko Nishimura

Deputy Automotive and Airport Global Business Head  
Automotive Division Manager  
General Manager of Sales and  
Service Business Strategy Operations,  
Automotive Division

1 Installation, service, sales 2 Canada, U.S.A.\*  
3 Male 4 60

### Norihito Toriya

Intralogistics Division Manager  
General Manager of Sales Operations,  
Intralogistics Division

1 Sales 2 — 3 Male 4 59

### Tetsuya Hibi

Chief Financial Officer  
Deputy Corporate Functions Head  
Finance and Accounting Division Manager

1 Finance, accounting 2 U.S.A.\*  
3 Male 4 59

#### Corporate Officers

### Hiroaki Kita

CEO of Daifuku Oceania Limited

1 Design, product development  
2 U.K., Germany, U.S.A., China\*, New Zealand\*  
3 Male 4 62

### Seiji Yamamoto

General Manager of Installation and Service Operations,  
Intralogistics Division

1 Installation, service 2 Thailand\* 3 Male 4 58

### Tsutomu Maeda

General Manager of Domestic Market Business Unit,  
Automotive Division

1 Installation, service 2 U.S.A., India\* 3 Male 4 57

### Tomoaki Terai

Cleanroom Division Manager  
General Manager of Production Operations,  
Cleanroom Division

1 Production 2 U.S.A., Taiwan\* 3 Male 4 54

### Atsushi Sonoda

Deputy Cleanroom Division Manager  
General Manager of Sales Operations,  
Cleanroom Division

1 Sales 2 South Korea 3 Male 4 54

### Hirobumi Akiba

Corporate Communications Division Manager

1 Sales, finance 2 U.K. 3 Male 4 57

### Toshikatsu Takahashi

General Manager of Audit &  
Supervisory Board Office

1 Human resources and general affairs  
2 China\* 3 Male 4 59



# Three-Way Talk — the President and Outside Directors

Fiscal 2023 is the final year of Daifuku's three-year business plan Value Transformation 2023. President Hiroshi Geshiro sat down with outside directors Yoshiaki Ozawa and Keiko Kaneko for a three-way talk on various management issues that the Company will need to address to achieve further growth in the coming generation, as well as the activities of the Board of Directors.

Yoshiaki Ozawa  
Outside Director



Hiroshi Geshiro  
President and CEO



Keiko Kaneko  
Outside Director



## Three-Way Talk—the President and Outside Directors

# Q1

### How would you evaluate the activities of the Board of Directors in fiscal 2022?

**Ozawa** Boards of directors for Japanese listed companies have been changing in light of revisions to Japan's Corporate Governance Code, trends in how institutional investors exercise their voting rights, and other factors. Some changes of note are the efforts to increase the number of outside directors on the board, improve deliberations on important matters such as management strategy and planning, and put in place an evaluation of the board's effectiveness. The Company has been working on these same issues. As part of its diversity-driven effort to increase personnel, the Company appointed a foreign national as an outside director in 2023. In addition, the number of agenda items for the Board to discuss has been reduced, which has made deliberations more substantial.

**Kaneko** When I joined the Company as an outside director in 2019, the Company had many very sincere employees. Employees had a clear grasp of the finer details of their respective businesses, and discussions at the Officers Meeting and meetings of the Board of Directors were based on that grasp, which made it clear that the Company's business was built atop a solid foundation. That being said that sincere attitude can lead to standard discussions, with standard reviews of the past and standard outlooks for the future. To keep this from happening, I stay mindful of the fact that, as an outside director, I can add perspectives that differ from those of the Company during discussions. To elaborate, over the past few years the president and inside directors, in addition to outside directors, have often suggested that we try and examine things from a different perspective. Compared with the past, discussions have become much more multilayered thanks to this shift. To strengthen governance further, we need to incorporate whole-company and future-focused perspectives when discussing strategy instead of focusing solely on the profits of each business.

**Geshiro** It has been five years since I became president, and as you just pointed out, the perspectives that inform these discussions have evolved during that time. We have gone from talks that focus on how to move forward with business to more companywide and multifaceted discussions. With the increase in the number of outside directors, we have also come to exchange opinions from a variety of viewpoints. In addition to efforts to narrow down agenda items and have more strategic discussions, inside directors have benefited from the observations of outside directors, who bring a wide range of skills and specialties to the table, which invigorates our discussions at Board meetings.



**Ozawa** In a typical Japanese company, the corporate planning unit or some similar entity outlines a strategic plan based on the policies of a management team headed by the president. Then, each business unit formulates a detailed proposal which is then summarized and discussed by the Management Advisory Meeting and other executive entities. From there, the proposal is reported to and approved by the Board of Directors. A majority of companies adopt this “bottom-up approach.” However, the economy is globalizing, the world is changing

## Three-Way Talk—the President and Outside Directors

with increasing speed, and technological innovation is forcing business models to change. In the world of today, the bottom-up strategy alone is not enough for companies to survive. In particular, for a global company like us that operates many businesses, the difficult decision to withdraw from or sell non-core businesses requires leadership to discuss and strongly promote a top-down strategy in addition to a bottom-up strategy, and to strike a balance between the two. For this top-down approach, diverse perspectives from the outside—the observations of outside directors—become essential. Therefore, I would like more opportunities for us outside directors to gain a deeper understanding of the Company, so that we make more suggestions that can contribute to its growth in the coming generation.

**Geshiro** Before the COVID-19 pandemic, we provided opportunities for all outside directors to visit our locations outside of Japan to give them a better understanding of the Company. This practice was suspended during the pandemic, but we intend to resume it going forward, and use this opportunity and others to give outside directors a greater understanding of how each business has developed as well as our history. These actions will help evolve discussions at Board meetings even further.

## Q2

### What is the importance of human capital and what are the related challenges for Daifuku?

**Geshiro** Human resources are one of the most important forms of capital for a company's survival. However, the emphasis has been on manufactured capital and financial capital, and many Japanese companies have not to date really delved into the idea of human resources as capital. We must reaffirm the importance of human resources, and systematically prepare, accumulate, and develop

human resources with skills that fit our target direction and strategy. I believe that doing so will enable us to realize sustainable growth. With regard to diversity, we want to remove any unconscious gender bias that may have existed in the past, and enable our top-notch human resources to improve their skills over the long term, regardless of their gender. To this end, we will develop initiatives to diversify our human resources and ensure that women can play an active role as corporate officers. We also mentioned the new appointment of a foreign national as an outside director in 2023. As for inside directors, about 70% of the Group's employees are foreign nationals working for non-Japan subsidiaries. We will ready a path for the best of them to become inside directors in the future.

**Ozawa** The Ministry of Economy, Trade and Industry defines human capital management as a management style that treats human resources as capital and maximizes their value to improve corporate value over the medium to long term. The belief is that human capital management needs to be approached from four perspectives that build upon one another: 1) social, 2) economic, 3) strategic, and 4) generational values. The Company will need to enhance its human capital management further based on this manner of thinking. The Company has held thorough discussions centered on the human resources unit and has worked to develop human resources that support global business expansion and strengthen management, framing human "resources" as a source of value. In addition, the Company is taking steps to develop diversity-related systems. At Shiga Works, its production site, it has established a specialized unit aimed at expanding the scope of work to promote employment of people with disabilities. Meanwhile, there are still things to work on, such as the promotion of women to managerial positions, especially the appointment of female employees as directors and corporate officers, and the similar appointment of foreign nationals.

## Three-Way Talk—the President and Outside Directors

**Kaneko** As Mr. Ozawa points out, the Company has always placed considerable importance on human resources and maintains a variety of support systems. In addition, the Company is truly free and open-minded, with lively interaction between employees. The problem, however, is that the Company's market capitalization and technological capabilities are not so well-known. Competition on the technology front is expected to intensify in the times ahead, making it extremely important to secure excellent personnel. Once the Company has organized the human resources and systemized the skills needed for its medium- to long-term growth, surely the next step should be to communicate its potential and improve its name recognition to the outside world.



**Geshiro** I realized how few young people knew about the Company when I held a grant-funded course at a university. We are well-known among technical students and within the material handling industry, but since Daifuku is a B2B company, I get the impression that there are still few people among the general public with a deep understanding of the Company. It is just as Ms. Kaneko says—human

## Q3

### How would you evaluate Daifuku Environmental Vision 2050 following its revision in May 2023?

resources are what will support the sustainable growth of the Company, so we need to state our case further by expanding advertising and other forms of promotional media.

**Geshiro** The Company intrinsically has a strong awareness of the environment, partly because our flagship factory is located in Shiga Prefecture, which is known for its natural beauty. In fiscal 2012, we introduced the Daifuku Eco-Products Certification Program to reduce the power consumption of newly developed products. In fiscal 2013, we installed a mega solar farm capable of generating up to 4,438 kW at Shiga Works, and in fiscal 2020, we disclosed Daifuku Environmental Vision 2050. We revised this vision in May 2023 to meet the demands of society at a higher level as climate change and other environmental problems become more serious. In this revision, we updated our 2030 targets and set our CO<sub>2</sub> emissions reduction targets to help achieve the 1.5°C target required by the Paris Agreement. We also set new targets for water resources, biodiversity conservation, and awareness-raising activities. Protecting a healthy global environment is a prerequisite for creating a society where people around the world can lead fulfilling lives, and I believe that responding to environmental issues is an extremely important management issue.

**Ozawa** Under the revised Daifuku Environmental Vision 2050, the Company aims to “realize a world where material handling systems operate with zero environmental impact” by 2050, and has incorporated a natural capital perspective to the original vision in regard to the vision's three crucial issue areas: addressing climate change, promoting resource recycling, and coexisting with nature. I

## Three-Way Talk—the President and Outside Directors

believe that the post-revision contents compare well with the policies of other companies and the Environment Agency. On the other hand, this vision is a picture of what the Company wants to look like in the future. If there is no method to achieve it, or no strategic rationale, it is all just castles in the sky. To steadily achieve the goals of this vision, it is important for us to promote similar initiatives not only inside Japan but also outside, which accounts for around 70% of its net sales and employees.

**Geshiro** In addition to the Shiga Works, we are also promoting environmental initiatives and the introduction of renewable energy at other Works and offices throughout Japan. Outside Japan, we will install photovoltaic systems in newly constructed factories to the greatest extent possible and increase the environmental awareness of each and every employee in the region.

**Kaneko** You can tell from its past efforts that the Company has always been highly mindful of the environment. The Board of Directors will watch closely to ensure that the revised targets for 2030 are achieved.

# Q4

## What is your assessment of Daifuku's review of its business portfolio, and what are issues?

**Kaneko** Under its business unit system, the Company conducts business activities while employees at each site work with a sense of pride and attachment. In cases like this, one can generally assume that each business will be able to continue operations, which makes it difficult to propose a business portfolio review or change from within the company. It is precisely at such times that we, in our roles as outside directors, need to ask what kind of businesses will contribute to the growth of the Company in the coming generation.

**Ozawa** The phrase “from form to substance” has garnered attention considering the recent revision of Japan's Corporate Governance Code. While this phrase applies to corporate governance, items that question the “substance,” or effective response level, of a company's business portfolio and risk management system are key to reaching targets that will increase medium- to long-term value, since this response level cannot be judged by “form” alone. As a result, “from form to substance” is gaining recognition as an important principle. Furthermore, when discussing the basic policy for a business portfolio, it is important to simultaneously consider the allocation of management resources toward investment in human capital and intellectual property. The Board of Directors needs to supervise these matters effectively. As I mentioned earlier, balancing a bottom-up approach with a strongly promoted top-down approach is important. For a company to review its portfolio, which involves selecting businesses, concentrating on businesses, and making the hard decision to withdraw from or sell non-core businesses, the Board of Directors needs to discuss strategies using this top-down approach. The participation of outside directors with rich and diverse knowledge is essential to this process.

## Three-Way Talk—the President and Outside Directors



**Geshiro** Attitudes among inside directors toward reviewing and changing our business portfolio are evolving thanks to the comments from outside directors. In response to the bowling boom of the 1960s in Japan, the Company worked on the production of bowling machines, and at one point the bowling business accounted for roughly 70% of net sales. However, once the boom ended, the Company withdrew from that business, and used the profits it had earned to secure a vast factory site in Shiga Prefecture, and to make upfront investments in the computer and electronics fields. This is to say that we have changed businesses in the past. In the future, we will continue to review our business portfolio in keeping with the times, taking in the opinions of outside directors regarding the future potential of each business. In particular, the Company introduced return on invested capital (ROIC) as one of its management indicators from fiscal 2023. Using ROIC will place importance on how much profit we are making with respect to investment in our business. In addition to that perspective, we will also consider business development in new fields such as agriculture and recycling, and work to grow the Company in the coming generation.

### To stakeholders

The Company's strengths are its technological and comprehensive capabilities. The Company's solid technological capabilities form the foundation for its comprehensive capabilities, which allow it to provide total systems, spanning from consulting and engineering to design, manufacturing, installation, and after-sales service. As a result, the Group has been the global leader in net sales of material handling systems for nine consecutive years. Another feature of the Company is its ability to work as a team to deliver better products while meeting customer deadlines.

In addition to these strengths, which the Company used to drive the material handling industry, we believe that the material handling business itself will help resolve labor shortages, improve logistics services, and create a better society. We invite you to look to see how the Company uses its abilities to help create this better society, knowing that we will be providing our full support as outside directors.





Chapter

# 04

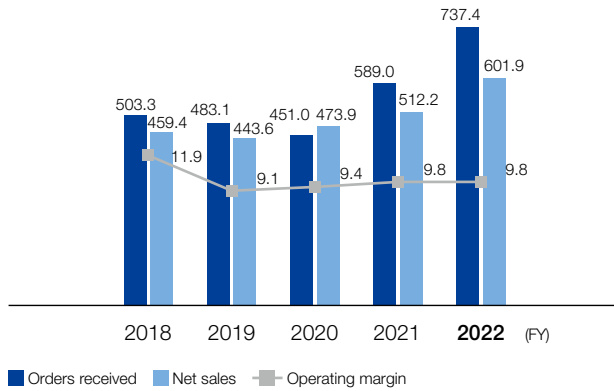
## Data Section

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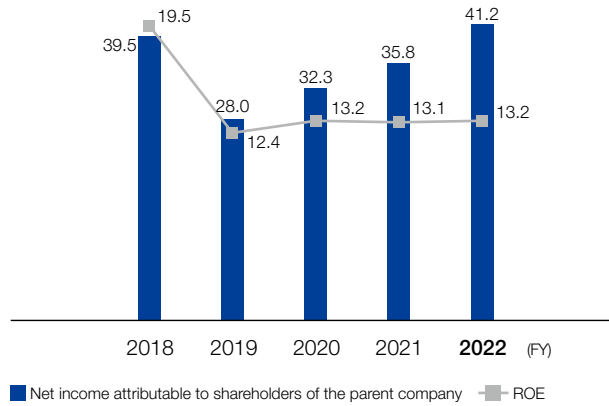
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# Financial/Non-Financial Highlights

**Orders received, net sales, operating margin**  
(Billion yen / %)

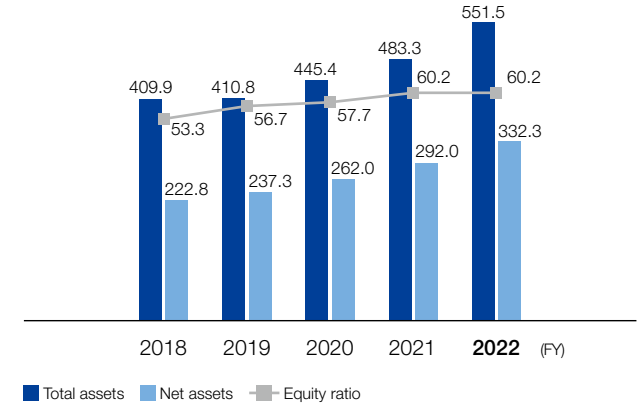


**Net income attributable to shareholders of the parent company, ROE\***  
(Billion yen / %)

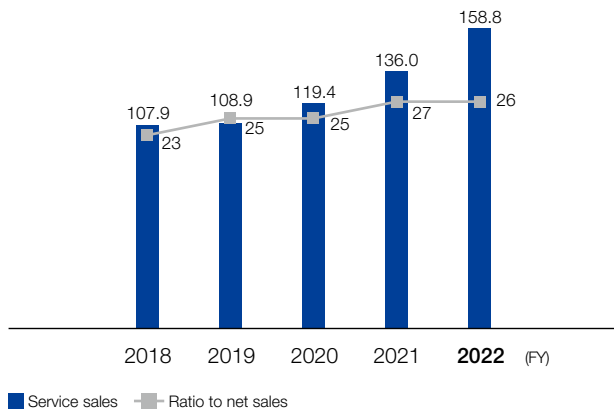


\* ROE = Net income attributable to shareholders of the parent company / Equity (average of beginning and end of the year) × 100

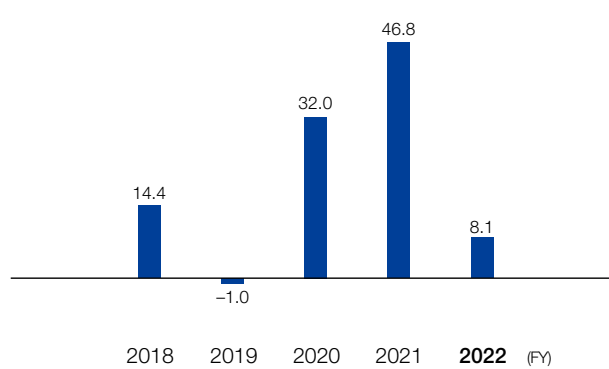
**Total assets, net assets, equity ratio**  
(Billion yen / %)



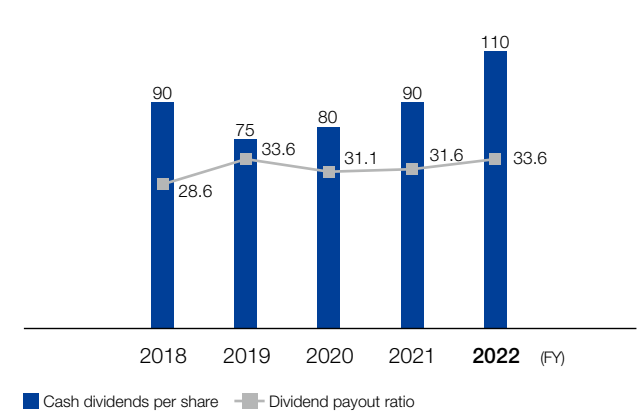
**Service sales, ratio to net sales**  
(Billion yen / %)



**Free cash flows**  
(Billion yen)

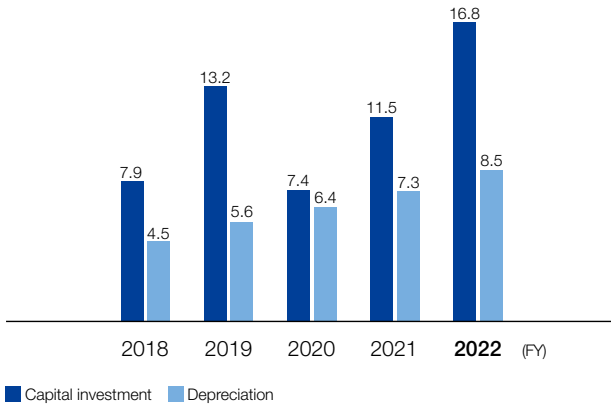


**Cash dividends per share, dividend payout ratio**  
(Yen / %)

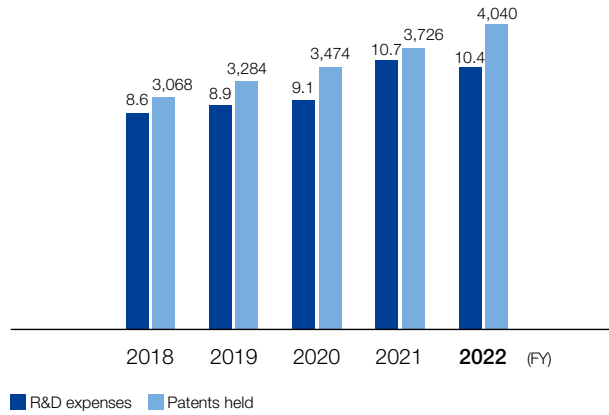


## Financial/Non-Financial Highlights

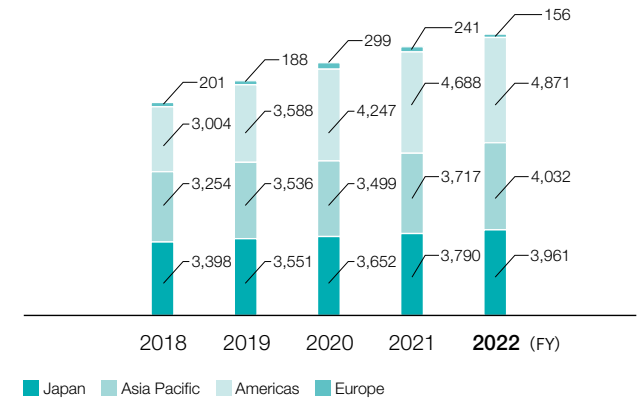
**Capital investment, depreciation**  
(Billion yen)



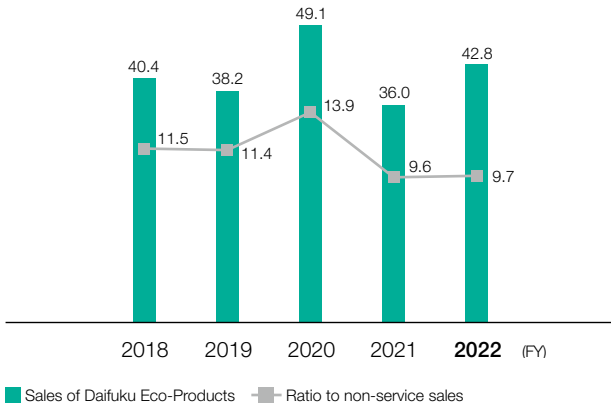
**R&D expenses, patents held**  
(Billion yen / Patents)



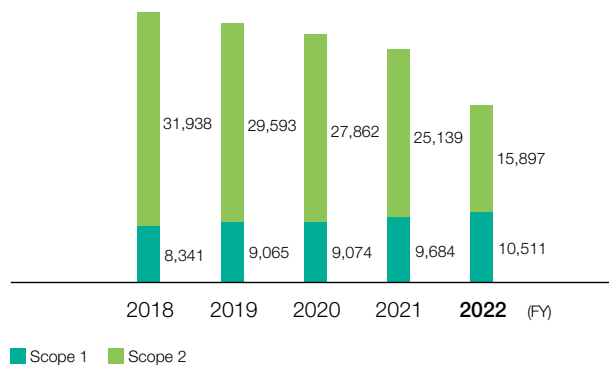
**Employees by region**  
(People)



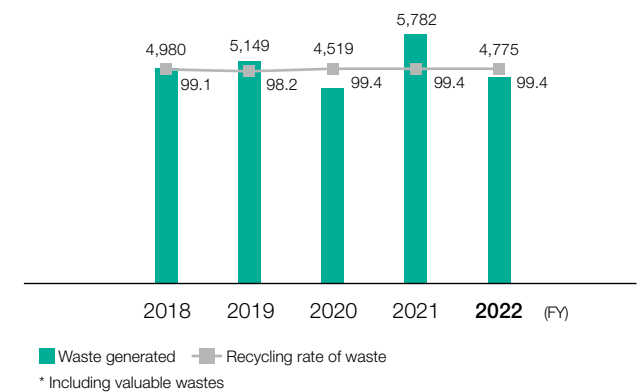
**Sales of Daifuku Eco-Products, ratio to non-service sales\***  
(Billion yen / %)



**CO<sub>2</sub> emissions (global)**  
(t-CO<sub>2</sub>)



**Waste generated\*, recycling rate of waste\* (Japan)**  
(t / %)



\* Daifuku sales are broadly divided into sales from new deliveries and sales from follow-up services such as maintenance and inspections. The sales ratio for products with Daifuku Eco-Product certification uses the amount of total sales with the service sales deducted.

\* Including valuable wastes

# Eleven-Year Financial Summary

Daifuku Co., Ltd. and consolidated subsidiaries, fiscal years starting April 1 and ending March 31 the next year

(Million yen)	Material Handling and Beyond	Value Innovation 2017				Value Innovation 2020				Value Transformation 2023	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>For the Year</b>											
Net sales	¥202,337	¥241,811	¥267,284	¥336,184	¥320,825	¥404,925	¥459,486	¥443,694	¥473,902	¥512,268	¥601,922
Cost of sales	165,340	194,974	215,641	272,832	256,417	321,836	358,230	357,870	385,744	417,968	492,123
Gross profit	36,996	46,836	51,642	63,351	64,407	83,089	101,255	85,824	88,157	94,299	109,799
Selling, general and administrative expenses	28,986	34,279	36,759	42,472	41,308	43,164	46,574	45,326	43,591	44,046	50,944
Operating income	8,010	12,556	14,883	20,878	23,099	39,924	54,681	40,497	44,566	50,252	58,854
Income before income taxes	7,316	12,137	15,211	20,650	23,942	41,059	55,329	39,808	45,109	50,978	55,052
Net income attributable to shareholders of the parent company	4,439	7,740	9,810	13,652	16,746	29,008	39,567	28,063	32,390	35,877	41,248
Capital investment	7,687	10,446	7,532	4,210	5,905	6,348	7,920	13,220	7,462	11,565	16,811
Depreciation	3,332	3,821	4,157	4,587	4,202	4,419	4,598	5,667	6,401	7,326	8,522
R&D expenses	6,855	7,490	6,945	7,009	7,489	8,123	8,615	8,936	9,165	10,735	10,496
<b>Cash Flows</b>											
Cash flows from operating activities	¥15,666	¥20,447	¥6,295	¥7,206	¥26,683	¥11,497	¥8,559	¥13,706	¥38,229	¥56,691	¥20,034
Cash flows from investing activities	(13,649)	(7,372)	(5,846)	(2,099)	(5,393)	(5,600)	5,937	(14,791)	(6,132)	(9,828)	(11,874)
Free cash flows	2,016	13,074	448	5,107	21,289	5,897	14,496	21,289	32,097	46,862	8,159
Cash flows from financing activities	88	1,045	(509)	(8,702)	(4,404)	13,444	(6,893)	(18,354)	(8,932)	(27,550)	(30,187)
<b>At Year-End</b>											
Total assets	¥206,875	¥249,531	¥271,011	¥296,055	¥303,540	¥373,013	¥409,982	¥410,887	¥445,456	¥483,322	¥551,552
Interest-bearing liabilities	53,385	58,144	60,547	40,904	39,770	37,967	40,001	33,418	35,143	26,356	11,459
Net assets	85,685	99,690	111,521	130,116	142,340	191,474	222,885	237,356	262,012	292,059	332,323
Shareholders' equity	84,486	90,652	98,469	123,669	136,694	181,454	214,656	231,714	255,282	279,264	308,240
Number of employees	6,678	7,349	7,746	7,835	8,689	9,193	9,857	10,863	11,697	12,436	13,020
<b>Amounts per Share of Common Stock</b>											
Net income per share (Yen)	¥13.37	¥23.32	¥29.53	¥39.57	¥45.86	¥78.54	¥104.85	¥74.32	¥85.71	¥94.90	¥109.11
Net assets per share (Yen)	251.66	291.71	324.25	348.13	380.71	497.90	579.40	616.76	680.02	769.13	878.24
Cash dividends per share (Yen)	15.00	18.00	22.00	30.00	42.00	70.00	90.00	75.00	80.00	90.00	110.00
<b>Ratios</b>											
Operating income / Net sales	4.0%	5.2%	5.6%	6.2%	7.2%	9.9%	11.9%	9.1%	9.4%	9.8%	9.8%
Net income / Net sales	2.2	3.2	3.7	4.1	5.2	7.2	8.6	6.3	6.8	7.0	6.9
Return on shareholders' equity (ROE)	5.6	8.6	9.6	11.6	12.6	17.7	19.5	12.4	13.2	13.1	13.2
Total assets turnover (Times)	1.0	1.1	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.2
Shareholders' equity / Total assets	40.4	38.8	39.8	42.9	45.8	50.4	53.3	56.7	57.7	60.2	60.2
D/E ratio (Times)	0.64	0.60	0.56	0.32	0.29	0.20	0.18	0.14	0.14	0.09	0.03

Notes: 1. The amount of capital investment in the fiscal years ended March 31, 2013, 2014, and 2015 includes goodwill generated from acquisition of shares in non-Japan companies.

2. Per share information is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2013.

3. In the calculation of net assets per share, the amount of non-controlling interests is subtracted from the amount of net assets.

4. In the calculation of Shareholders' equity / Total assets ratio and ROE, the shareholders' equity represents the amount of net assets less non-controlling interests.

5. D/E ratio = Interest-bearing liabilities / (Net assets - Non-controlling interests - Bonds with stock acquisition rights). Interest-bearing liabilities are short-term borrowings and long-term borrowings recorded in the consolidated balance sheets that pay interest.

6. For details, see the securities report on our website: [www.daifuku.com/ir/library/statements](http://www.daifuku.com/ir/library/statements)

# Financial Section

## Consolidated balance sheets

(Million yen)	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
<b>ASSETS</b>		
Current assets:		
Cash on hand and in banks	118,769	<b>102,746</b>
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	208,915	<b>250,076</b>
Merchandise and finished goods	7,045	<b>8,674</b>
Costs incurred on uncompleted construction contracts and other	11,430	<b>19,211</b>
Raw materials and supplies	22,778	<b>38,171</b>
Other	13,148	<b>15,320</b>
Allowance for doubtful accounts	(777)	<b>(1,058)</b>
Total current assets	381,310	<b>433,144</b>
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	22,734	<b>25,601</b>
Machinery and vehicles, net	7,799	<b>10,590</b>
Tools and fixtures, net	2,602	<b>2,654</b>
Land	12,496	<b>12,871</b>
Other, net	9,583	<b>13,319</b>
Total property, plant and equipment	55,215	<b>65,037</b>
Intangible assets		
Software	5,077	<b>5,565</b>
Goodwill	3,956	<b>3,804</b>
Other	1,687	<b>2,084</b>
Total intangible assets	10,720	<b>11,454</b>
Investments and other assets		
Investments in securities	13,322	<b>12,265</b>
Long-term loans	44	<b>45</b>
Assets for retirement benefits	9,002	<b>9,038</b>
Deferred tax assets	10,082	<b>15,873</b>
Other	3,627	<b>4,693</b>
Allowance for doubtful accounts	(3)	<b>(0)</b>
Total investments and other assets	36,076	<b>41,916</b>
Total non-current assets	102,012	<b>118,408</b>
Total assets	483,322	<b>551,552</b>

(Million yen)	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable and construction contracts payable	48,046	<b>63,581</b>
Electronically recorded obligations—operating	28,084	<b>30,503</b>
Short-term borrowings and current portion of long-term borrowings	22,449	<b>10,359</b>
Income taxes payable	7,252	<b>6,088</b>
Contact liabilities	40,682	<b>63,901</b>
Provision for losses on construction contracts	711	<b>451</b>
Other	26,419	<b>27,929</b>
Total current liabilities	173,645	<b>202,816</b>
Non-current liabilities:		
Long-term borrowings	3,907	<b>1,100</b>
Deferred tax liabilities	802	<b>698</b>
Liabilities for retirement benefits	7,494	<b>7,431</b>
Other reserves	327	<b>432</b>
Other	5,086	<b>6,749</b>
Total non-current liabilities	17,617	<b>16,412</b>
Total liabilities	191,263	<b>219,228</b>
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	31,865	<b>31,865</b>
Capital surplus	20,691	<b>20,397</b>
Retained earnings	227,609	<b>256,876</b>
Treasury stock	(901)	<b>(899)</b>
Total shareholders' equity	279,264	<b>308,240</b>
Accumulated other comprehensive income:		
Net unrealized gain (loss) on securities	4,107	<b>4,075</b>
Deferred gain (loss) on hedges	(637)	<b>3</b>
Foreign currency translation adjustments	8,380	<b>20,058</b>
Accumulated adjustments on retirement benefits	(344)	<b>(353)</b>
Total accumulated other comprehensive income	11,504	<b>23,783</b>
Non-controlling interests	1,289	<b>299</b>
Total net assets	292,059	<b>332,323</b>
Total liabilities and net assets	483,322	<b>551,552</b>



## Financial Section

## Consolidated statements of income and comprehensive income

(Million yen)	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Net sales	512,268	<b>601,922</b>
Cost of sales	417,968	<b>492,123</b>
Gross profit	94,299	<b>109,799</b>
Selling, general and administrative expenses:		
Selling expenses	15,162	<b>18,066</b>
General and administrative expenses	28,883	<b>32,878</b>
Total selling, general and administrative expenses	44,046	<b>50,944</b>
Operating income	50,252	<b>58,854</b>
Other income:		
Interest income	346	<b>646</b>
Dividend income	384	<b>436</b>
Land and house rental revenue	227	<b>276</b>
Other	1,065	<b>445</b>
Total other income	2,023	<b>1,806</b>
Other expenses:		
Interest expenses	352	<b>320</b>
Foreign exchange losses	279	<b>320</b>
Other	391	<b>259</b>
Total other expenses	1,022	<b>900</b>
Ordinary income	51,253	<b>59,759</b>
Extraordinary income:		
Gain on sales of property, plant and equipment	7	<b>99</b>
Gain on sales of investments in securities	234	<b>943</b>
Insurance claim income	215	<b>68</b>
Other	24	<b>107</b>
Total extraordinary income	481	<b>1,219</b>
Extraordinary loss:		
Loss on sales of property, plant and equipment	0	<b>6</b>
Loss on disposal of property, plant and equipment	300	<b>505</b>
Value-added tax and other for a prior period	—	<b>2,078</b>
Impairment loss	—	<b>819</b>
Settlement payments	—	<b>2,400</b>
Other	456	<b>117</b>
Total extraordinary loss	756	<b>5,926</b>

(Million yen)	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Income before income taxes	50,978	<b>55,052</b>
Income taxes—current	14,032	<b>19,404</b>
Income taxes—deferred	501	<b>(5,606)</b>
Total income taxes	14,534	<b>13,797</b>
Net income	36,444	<b>41,255</b>
Net income attributable to:		
Shareholders of the parent company	35,877	<b>41,248</b>
Non-controlling interests	566	<b>7</b>
Other comprehensive income		
Net unrealized gain (loss) on securities	(267)	<b>(31)</b>
Deferred gain (loss) on hedges	(375)	<b>640</b>
Foreign currency translation adjustments	9,974	<b>11,685</b>
Retirement benefits reserves adjustments	553	<b>(8)</b>
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	39	<b>13</b>
Total other comprehensive income (loss)	9,924	<b>12,300</b>
Comprehensive income:	46,368	<b>53,556</b>
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	45,604	<b>53,527</b>
Non-controlling interests	764	<b>29</b>

## Financial Section

## Consolidated statements of cash flows

(Million yen)	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Cash flows from operating activities:		
Income before income taxes	50,978	<b>55,052</b>
Depreciation	7,326	<b>8,522</b>
Amortization of goodwill	639	<b>711</b>
Interest and dividend income	(731)	<b>(1,083)</b>
Interest expenses	352	<b>320</b>
Impairment loss	—	<b>819</b>
Loss (gain) on sales of investments in securities	(234)	<b>(943)</b>
Loss (gain) on disposal or sales of property, plant and equipment	292	<b>406</b>
Decrease (increase) in notes and accounts receivables and contract assets	12,775	<b>(31,693)</b>
Decrease (increase) in inventories	(3,510)	<b>(22,812)</b>
Increase (decrease) in notes and accounts payable	7,464	<b>10,375</b>
Increase (decrease) in contract liabilities	3,796	<b>19,988</b>
Other	(6,463)	<b>325</b>
Subtotal	72,686	<b>39,988</b>
Interest and dividend received	729	<b>1,075</b>
Interest paid	(404)	<b>(309)</b>
Income taxes refund (paid)	(17,146)	<b>(21,075)</b>
Other	826	<b>355</b>
Net cash provided by (used in) operating activities	56,691	<b>20,034</b>

(Million yen)	FY2021 (April 1, 2021–March 31, 2022)	FY2022 (April 1, 2022–March 31, 2023)
Cash flows from investing activities:		
Investments in time deposits	(3)	<b>(272)</b>
Proceeds from refund of time deposits	1	<b>16</b>
Payments for purchase of property, plant and equipment	(10,461)	<b>(13,716)</b>
Proceeds from sales of property, plant and equipment	53	<b>232</b>
Payments for purchase of investments in securities	(29)	<b>(32)</b>
Proceeds from sales of investments in securities	625	<b>2,019</b>
Collection of loans receivable	15	<b>—</b>
Other	(29)	<b>(121)</b>
Net cash provided by (used in) investing activities	(9,828)	<b>(11,874)</b>
Cash flows from financing activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,683)	<b>(1,285)</b>
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	152	<b>—</b>
Increase (decrease) in short-term borrowings, net	(8,320)	<b>774</b>
Proceeds from long-term borrowings	131	<b>—</b>
Repayment of long-term borrowings	(1,647)	<b>(15,900)</b>
Proceeds from disposal of treasury stock	38	<b>0</b>
Payments for purchase of treasury stock	(14)	<b>(9)</b>
Payments of cash dividends	(10,720)	<b>(11,982)</b>
Other	(1,486)	<b>(1,785)</b>
Net cash provided by (used in) financing activities	(27,550)	<b>(30,187)</b>
Effect of exchange rate change on cash and cash equivalents	4,868	<b>5,744</b>
Net increase (decrease) in cash and cash equivalents	24,180	<b>(16,282)</b>
Cash and cash equivalents at beginning of year	94,079	<b>118,672</b>
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	412	<b>—</b>
Cash and cash equivalents at end of year	118,672	<b>102,389</b>

# Company Profile (As of March 31, 2023)

## Company profile

<b>Company name</b>	Daifuku Co., Ltd.
<b>Established</b>	May 20, 1937
<b>Paid-in capital</b>	31,865.3 million yen
<b>Employees</b>	13,020 (consolidated)
<b>Ratings</b>	Rating and Investment Information, Inc. (R&I) Long-term: A (single A) [Stable] Short-term: a-1 (a-one)
<b>Number of authorized shares*</b>	750,000,000 shares
<b>Total number of shares issued*</b>	379,830,231 shares
<b>Number of shareholders</b>	28,054
<b>General Meeting of Shareholders</b>	June
<b>Stock exchange listing</b>	Prime Market, Tokyo Stock Exchange
<b>Stock transfer agent</b>	Sumitomo Mitsui Trust Bank, Limited 4-5-33 Kitahama, Chuo-ku, Osaka

\* Figures are shown after the Company conducted a three-for-one split of its common stock effective April 1, 2023.

## Stock information

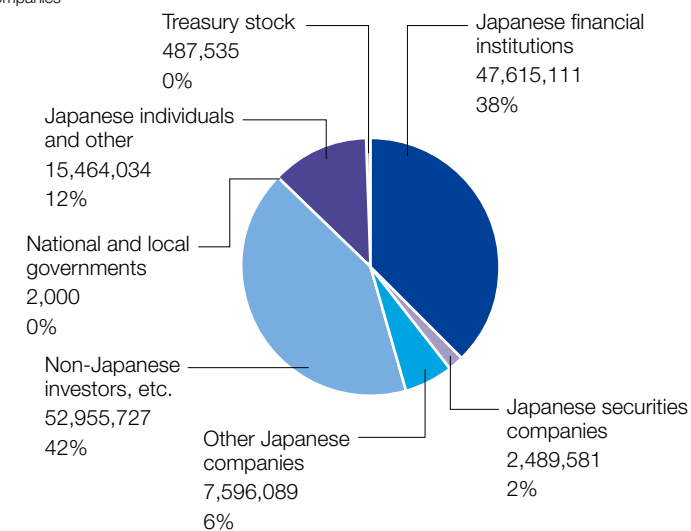
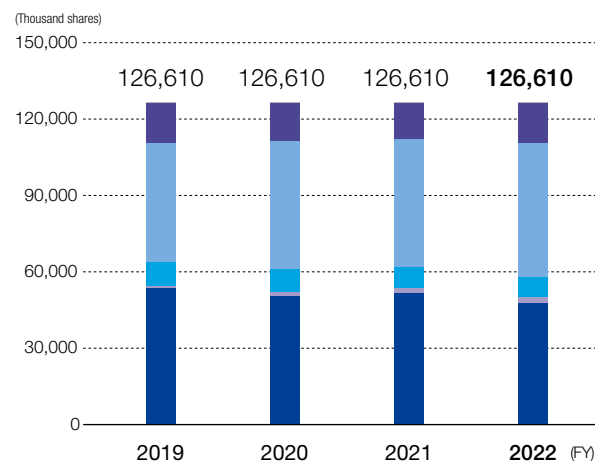
### Major shareholders

Name	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,152	14.4
Custody Bank of Japan, Ltd. (Trust Account)	8,706	6.9
Mizuho Bank, Ltd.	4,117	3.3
Sumitomo Mitsui Banking Corporation	3,060	2.4
Daifuku Supplier Shareholder Association	3,014	2.4
MUFG Bank, Ltd.	2,875	2.3
Nippon Life Insurance Company	2,745	2.2
Chuo-Nittochi Co., Ltd.	2,690	2.1
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	2,678	2.1
PICTET AND CIE (EUROPE) SA, LUXEMBOURG REF: UCITS	2,241	1.8

Note: Calculated after deducting treasury stock of 487,535 shares.

### Distribution of shareholders

■ Japanese financial institutions
 ■ Japanese securities companies
 ■ Other Japanese companies  
■ Non-Japanese investors, etc.
 ■ Japanese individuals and other
 ■ Treasury stock



## Company Profile

### Global network

#### Japan

Daifuku Co., Ltd.  
 Contec Co., Ltd.  
 Daifuku Plusmore Co., Ltd.  
 Daifuku Business Service Corporation  
 Daifuku Manufacturing Technology Co., Ltd.  
 Iwasaki Seisakusho Co., Ltd.  
 Daifuku Airport Technologies Japan Co., Ltd.  
 Scarabee Aviation Group - Japan Co., Ltd.

#### Americas

Daifuku North America Holding Company

- Daifuku America Corporation
- Daifuku Cleanroom Automation America Corporation
- Jervis B. Webb Company
- Elite Line Services, Inc.
- Wynright Corporation

Contec Americas Inc.  
 Daifuku Canada Inc.  
 Jervis B. Webb Company of Canada, Ltd.  
 Daifuku Airport Technologies Canada Inc.  
 Daifuku de México, S.A. de C.V.

#### Europe

Daifuku Europe Ltd.  
 Daifuku Europe GmbH  
 Jervis B. Webb Company, Ltd.  
 Daifuku Logan Ltd.  
 Daifuku Self Services Technologies AS  
 Scarabee Aviation Group B.V.

#### Asia

Daifuku (China) Co., Ltd.

- Daifuku (China) Manufacturing Co., Ltd.
- Daifuku (China) Automation Co., Ltd.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd.  
 Contec (Shanghai) Co., Ltd.  
 Daifuku India Private Limited  
 ForgePro India Private Limited  
 Daifuku Intralogistics India Private Limited  
 P.T. Daifuku Indonesia  
 Daifuku Korea Co., Ltd.  
 Clean Factomation, Inc.  
 Hallim Machinery Co., Ltd.  
 Daifuku (Malaysia) Sdn. Bhd.  
 BCS Integration Solutions Sdn. Bhd.  
 Daifuku Mechatronics (Singapore) Pte. Ltd.  
 Singapore Contec Pte. Ltd.  
 Taiwan Daifuku Co., Ltd.  
 Taiwan Contec Co., Ltd.  
 Daifuku (Thailand) Limited  
 Daifuku Intralogistics Vietnam Company Limited

#### Oceania

Daifuku Oceania Limited

- BCS Airport Systems Pty Limited
- BCS Logistics Solutions Pty Limited
- BCS Infrastructure Support Pty Limited
- Intersystems (Asia Pacific) Pty Limited

### Top 20 materials handling systems suppliers 2023

Daifuku has been ranked No. 1 in U.S. magazine, Modern Materials Handling's "Top 20 Materials Handling Systems Suppliers 2023" survey. This year's ranking marks the ninth consecutive year that Daifuku has been awarded this title.

(Million U.S. dollars)

Rank	Company	2021	2022	Percent change 2021–2022	Headquarters
1	Daifuku Co., Ltd.	4,390	4,549	3.6%	Japan
2	Dematic (KION)	4,299	4,063	(5.5%)	U.S.A.
3	Honeywell Intelligrated	2,940	2,336	(20.5%)	U.S.A.
4	Vanderlande (TALG*)	2,600	2,200	(15.4%)	The Netherlands
5	Knapp	1,840	2,139	16.3%	Austria
6	FORTNA	N/A	2,100	—	U.S.A.
7	Murata Machinery	1,780	1,970	10.7%	Japan
8	SSI Schaefer Group	2,036	1,932	(5.1%)	Germany
9	Interlake Mecalux (MECALUX)	1,177	1,576	33.9%	Spain
10	WITRON Integrated Logistics	1,242	1,200	(3.4%)	Germany
11	Beumer Group	1,120	1,070	(4.5%)	Germany
12	stow Group	N/A	1,043	—	Belgium
13	TGW Logistics Group	924	991	7.2%	Austria
14	Swisslog (KUKA)	737	827	12.2%	Switzerland
15	Bastian Solutions (TALG*)	426	775	81.9%	U.S.A.
16	Fives Intralogistics (Fives Group)	664	692	4.3%	France
17	Kardex	514	606	18.0%	Switzerland
18	Symbotic	N/A	593	—	U.S.A.
19	AutoStore	327	583	78.1%	Norway
20	Element Logic	N/A	527	—	Norway

\* Toyota Advanced Logistics Group



For details, see the following website:

[www.mmh.com/article/top\\_20\\_warehouse\\_automation\\_and\\_automated\\_materials\\_handling\\_systems\\_suppliers\\_2023](https://www.mmh.com/article/top_20_warehouse_automation_and_automated_materials_handling_systems_suppliers_2023)

## Company Profile

### Disclosed information


For details about Daifuku, see the following.


Financial information

Non-financial information

### Annual

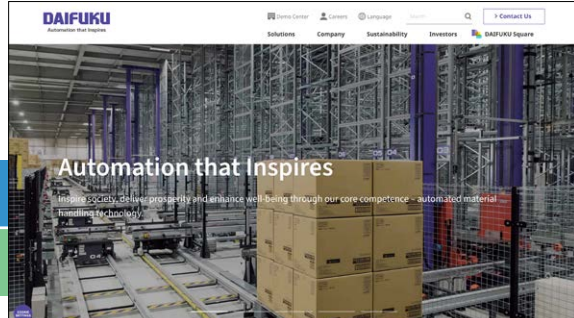
- ▶ **Securities Report**  
www.daifuku.com/ir/library/statements


- ▶ **Daifuku Report**
- ▶ **DAIFUKU PROFILE**  
www.daifuku.com/ir/library/profile



### Latest

- ▶ **Investor Relations**  
www.daifuku.com/ir
- ▶ **Corporate Site**  
www.daifuku.com


- ▶ **ESG Data**  
www.daifuku.com/sustainability/esg-data/
- ▶ **Daifuku's Sustainability**  
www.daifuku.com/sustainability/management
- ▶ **Sustainability Action Plan**  
www.daifuku.com/sustainability/management/plan
- ▶ **Corporate Governance**  
www.daifuku.com/ir/policy/governance

### Business

- ▶ **Intralogistics**  
www.daifuku.com/solution/intralogistics
- ▶ **Cleanroom**  
www.daifuku.com/pro/efa
- ▶ **Automotive**  
www.daifuku.com/pro/aps
- ▶ **Airport**  
www.daifuku.com/pro/atec
- ▶ **Electronics (Contec Co., Ltd.)**  
www.contec.com/about-contec



**DAIFUKU CO., LTD.**

[www.daifuku.com](http://www.daifuku.com)