

Daifuku CSR Report 2020

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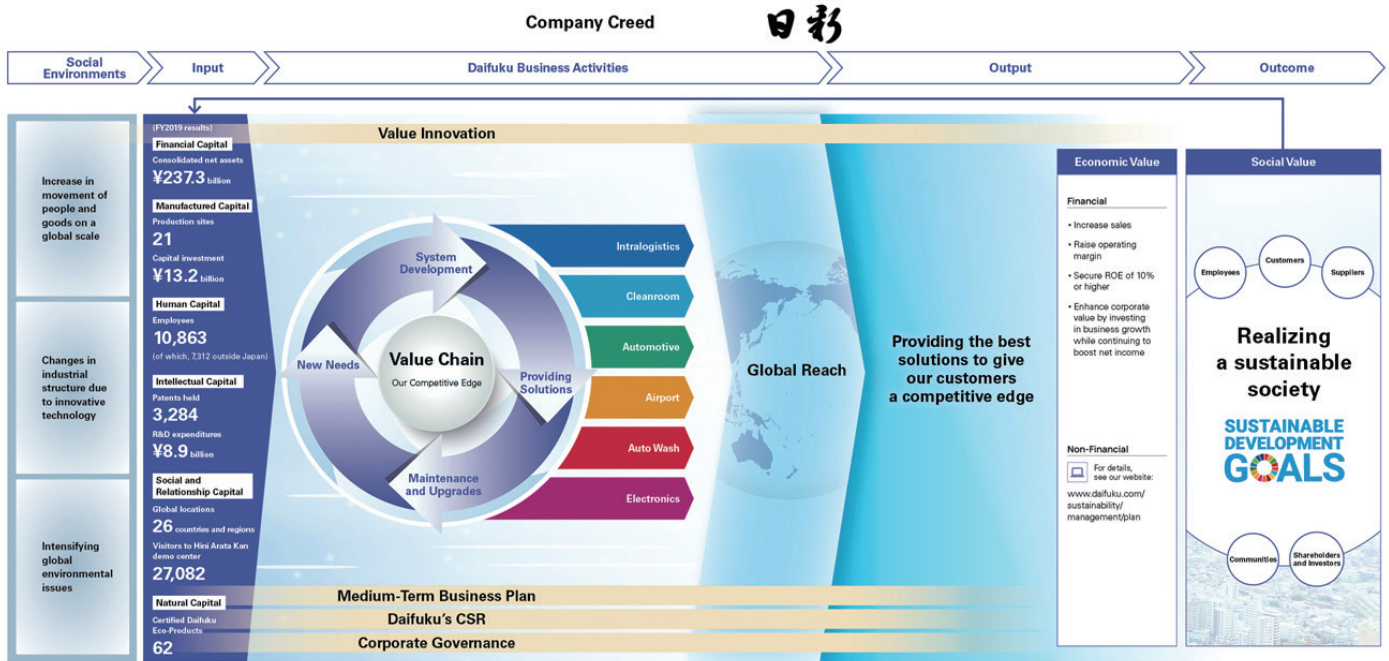
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Daifuku's Value Creation

Under our company creed, Hini Arata, which states that “Today we are doing better than we were yesterday. Tomorrow we will be growing ahead of where we are today,” we aim to become a Value Innovator that enhances the competitive advantage of customers. We will continue to contribute to the advancement of society and strive to improve corporate value.



Our Competitive Edge

Daifuku has built a comprehensive support structure for customers that includes consulting, design, production, installation and maintenance. We will establish these strengths at a global level toward achieving further success amid fierce market competition.

> Our Competitive Edge [PDF](#) (1.73 MB)

Mega Trends in Sustainability

In addition to the past and future initiatives of Daifuku's sustainable management, which emphasizes ESG, we will introduce three key themes as megatrends surrounding our company.

> Mega Trends in Sustainability [PDF](#) (1.76 MB)

The Environment and Society

We will continue to introduce Daifuku's initiatives that contribute to the environment, strengthen our supplier platform, and realize a sustainable society in terms of diversity and job satisfaction.

> The Environment and Society [PDF](#) (605 KB)

> Important information regarding value creation activities of the Daifuku Group - Daifuku Report 2020

Introduction

Message from the CEO



Daifuku formulated a CSR Action plan that clearly defines the initiatives we pursue in order to fulfill our responsibility to society. We place the following six initiatives along with their accompanying targets, as goals to be achieved by 2020. Provide high quality products and services; Strengthen risk management; Nurture relationships of trust with our suppliers; Respect human dignity (human rights, labor practices, safety, health); Create good relationships with communities; Contribute to the environment through corporate activities. We will continue to regularly publish updates and status information on the progress of our activities that aim to achieve the targets.

To further enhance the effectiveness of our CSR efforts, we will continue to main through compliance and place further value on information based communication in order to build trustworthy relationship with our stakeholders.

As a “Value Innovation Company” offering optimal solutions to customers, we hope to contribute to the realization of a sustainable society through our corporate activities.

Hiroshi Geshiro, President and CEO





United Nations Global Compact



In April 2014, Daifuku signed a commitment to join the United Nations Global Compact (UNGC), which is made up of ten principles on human rights, labor, the environment and anti-corruption. The commitment is a declaration of our support of the UNGC initiatives and is part of our CSR efforts, having been brought about by the demand for global information disclosure of ESG (environment, social, governance) activities.

> United Nations Global Compact
(Global Compact Network Japan)

The Ten Principles of the UN Global Compact

Human Rights		Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
		Principle 2: make sure that they are not complicit in human rights abuses.
Labour		Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
		Principle 4: the elimination of all forms of forced and compulsory labour;
		Principle 5: the effective abolition of child labour; and
Environment		Principle 6: the elimination of discrimination in respect of employment and occupation.
		Principle 7: Businesses should support a precautionary approach to environmental challenges;
		Principle 8: undertake initiatives to promote greater environmental responsibility; and
Anti-Corruption		Principle 9: encourage the development and diffusion of environmentally friendly technologies.
		Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Relationship to SDGs

Current global society is faced with social problems such as income disparity and poverty as well as climate change and other serious issues. In September 2015, the United Nations therefore adopted a resolution on Sustainable Development Goals (SDGs) that identifies 17 targets and 169 goals to be achieved by 2030 for solving these problems. The CSR Action Plan of the Daifuku Group is linked to the SDGs, and we aim to contribute to their achievement through our corporate activities.



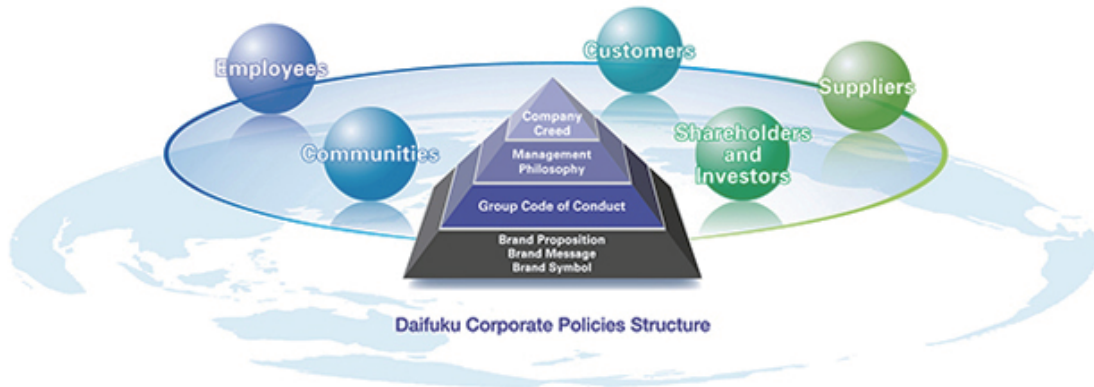
Daifuku's CSR

The Daifuku Group believes that the basic principles of CSR are to build a symbiotic relationship with its stakeholders and to practice the Group's Corporate Policies Structure through its corporate activities.

“A company that supports society and the future”

To achieve this desire, we are engaging in the themes outlined below.

- Provide high quality products and services
 - Nurture relationships of trust with our suppliers
 - Create good relations with communities
- Six initiatives**
- Strengthen risk management
 - Respect human dignity (human rights, labor practices, safety, health)
 - Contribute to the environment through corporate activities



Determining Materiality

In June 2014, Daifuku established and implemented six initiatives which make up the core of Daifuku's CSR initiatives. Within these given topics, issues that need to be addressed as top priorities were determined (Materiality*1), and the CSR Action Plan was established accordingly which comprises KPIs*2 for the achievement of the respective targets. Materiality will be revised according to the following process, based on changes in the business environment and social trends at the time of formulation of the Group's medium-term management plan.

*1 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.

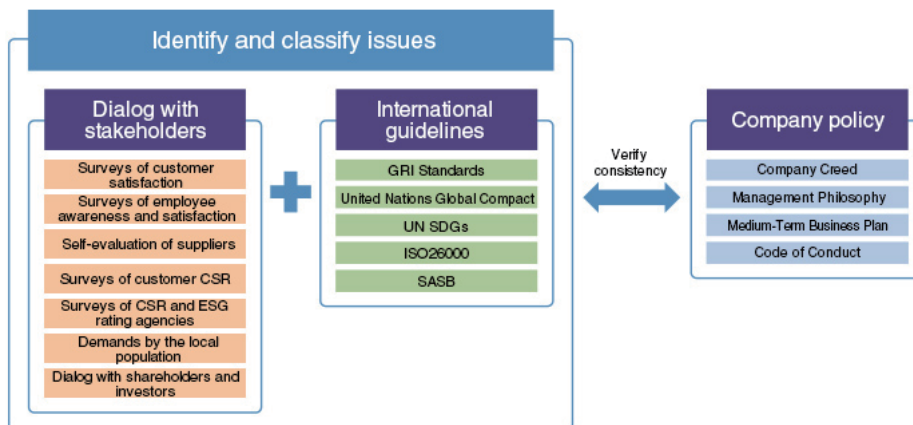
*2 Key Performance Indicator, a quantitative performance evaluation index that measures target achievement.

Determination process



Input information

After taking international guidelines and the opinions of stakeholders into consideration, we took time to gain an understanding of and organize issues, after which we confirmed their consistency with our company's policies, including our company's creed and management philosophy.



Evaluation result

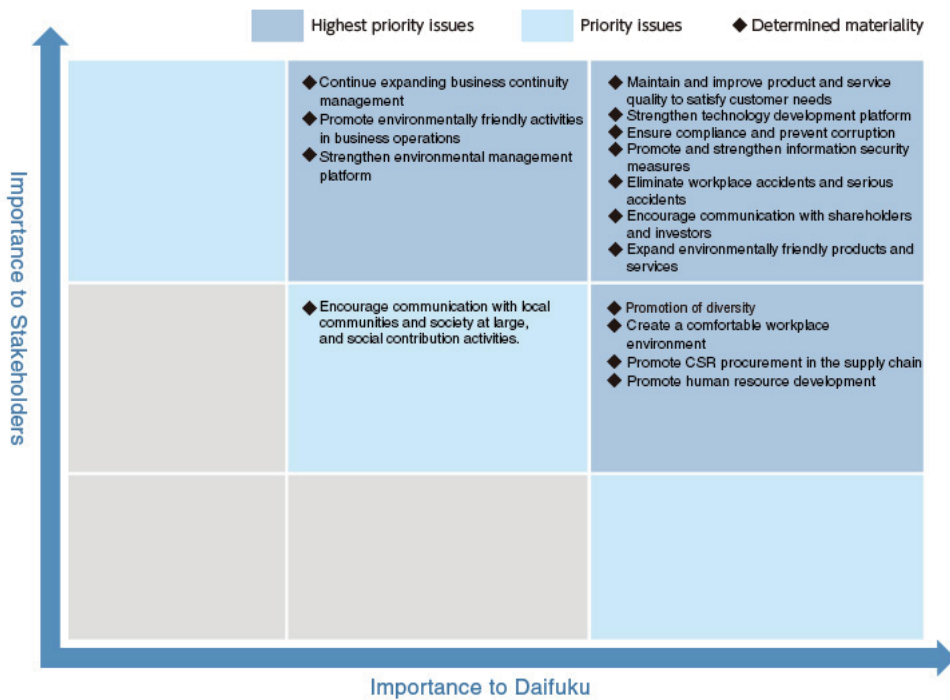
From among the 69 issues, we were able to identify 15 material aspects, which have been organized below in order of priority using the following evaluation methods.

◆ **Evaluation of importance to stakeholders (vertical axis)**

For each issue, the expectations and demands of the stakeholders (customers, shareholders / investors, employees, business partners, local communities and society) and the positive and negative impact on the global environment and society were evaluated.

◆ **Evaluation of importance to Daifuku (horizontal axis)**

For each issue, the consistency with management policy and strategy and the risks and opportunities in terms of reputation were evaluated.



Reason for determining

Initiatives	Materiality	Reason for importance
Provide high quality products and services	Maintain and improve product and service quality to satisfy customer needs around the world	In order to merit the trust of customers all over the world and provide optimum solutions for them, we believe in the importance of continued maintenance and improvement activities for products and services at all sites where we do business.
	Strengthen technology development platform	Sustainable corporate management is indispensable for our efforts in expanding existing areas and developing new business sectors as a material handling machinery manufacturer. We therefore promote the development of advanced technologies and active use of open innovation.

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Initiatives	Materiality	Reason for importance
Strengthen risk management	Ensure compliance and prevent corruption	Laws and regulations are being established and revised on a daily basis, according to the social background and regional characteristics. Even if there is no conflict with laws and regulations, a deviation from corporate ethics and an inability to meet the expectations of society could result in a significant loss of trust, as well as decreased corporate value. Activities to counter any corruption tendencies that may threaten the soundness of business operations must be implemented for all employees without fail.
	Promote and strengthen information security measures	The threat to information security is becoming increasingly sophisticated and malicious, meaning it is important for us to establish and properly utilize a system that enables sufficient protection and management of information about our company and various stakeholders.
	Continue expanding business continuity management	We must assume and anticipate various risks that may threaten business continuity, such as natural disasters, compliance, information security, safety, product quality, etc. It is important to build a resilient corporate structure that is capable of minimizing the impact of such emergencies.
Nurture a relationships of trust with our suppliers	Promote CSR procurement in the supply chain	In developing our business, it is essential to implement initiatives together with business partners who provide goods and services. In doing so, we go beyond legal compliance and respond to social demands in areas such as labor, human rights, the environment etc. This kind of long-term relationship with stakeholders leads to true trust building.
Respect human dignity (human rights, labor practices, safety, health)	Eliminate workplace accidents and serious accidents	Based on the concept that safety is the ultimate priority, Daifuku strongly believes that sound business operations are only possible by establishing a corporate culture that gives top priority to workers' safety and health at all workplaces.
	Promote diversity	The Daifuku management philosophy demands that we "focus on healthy, growth-driven global management under a diverse and positive corporate culture." Any kind of discrimination, not only in terms of gender or race but also creed, religion, nationality, educational background, disability, or values is to be strictly avoided.
	Create a comfortable workplace environment	To foster the open and transparent corporate culture that is part of our management philosophy and to contribute to the advancement of customers and society, each employee must be able to experience job satisfaction and feel that their work is rewarding.
	Promote human resource development	The capabilities required of each employee differ considerably by job category, position, country or region, etc. In order to enable departments and individuals to fully develop their performance potential, the company must support and enhance these capabilities through a suitable framework for human resources training, based on a clear understanding of what is required.
Create good relations with communities	Encourage communication with shareholders and investors	Increasing corporate value and establishing a solid relationship with shareholders and investors will lead to the creation of a stable financial base.
	Encourage communication with local communities and society at large, and social contribution activities	As our company's presence in society continues to grow, we feel it is important to deepen society's understanding of our company through dialog with private shareholders and investors who serve as an important connection with everyday consumers.
Contribute to the environment through corporate activities	Promote environmentally friendly activities in business operations	Our various business activities have a considerable impact on issues of global concern, such as climate change and biodiversity conservation. There are also legal risks directly linked to business opportunities related to energy, resources, hazardous chemical substances, etc, which require appropriate countermeasures.
	Expand environmentally friendly products and services	Products and services that we offer to society through our customers are affecting the global environment through the use of electricity and resources. As we move into the future, responding to the demand for environmentally sound products and services across national and organizational barriers is a very important task for business continuity.
	Strengthen environmental management platform	In order to effectively carry out environmental management, we believe that it is important to provide firm guidance by management and to ensure that the entire organization including each individual employee is fully involved (environmental management base).

CSR Action Plan

Formulation of the Medium-Term Action Plan

The Daifuku Group formulated the CSR Action Plan in 2014, as a medium-term plan that sets up targets according to the six initiatives and clarifies the actual content of the initiatives. Coinciding with the start of the 4-year "Value Innovation 2020" management plan in 2017, we have performed revisions aimed at enhancing the impact of our CSR initiatives.

> CSR Action Plan [PDF](#) (184 KB)

Achievements in FY2019

Provide high quality products and services

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
1. Maintain and improve product and service quality to satisfy customer needs around the world	(1) Maintain ISO9001 certification acquisition for all production sites	(1) Global	(1) Maintain certification	(1) Maintain certification
	(2) Defects in products and services (compared to FY2014 basic unit)	(2) Japan	(2) 58% or less	(2) 52%
	(3) Number of people who have acquired the Safety Assessor qualification (*Note 1)	(3) Japan	(3) 700	(3) 791
2. Strengthen technology development platform	Number of inventors (*Note 2)	Global	200	118

> Provide high quality products and services

Strengthen risk management

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
3. Ensure compliance and prevent corruption	(1) Operation and maintenance of the compliance system	(1) Global	(1) Continuous operation of compliance system	(1) Set up a Legal and Compliance Division (October 2020)
	(2) Types of training and educational programs regarding compliance	(2) Global	(2) 14 types or more	(2) 14 types
	(3) Setup and implementation of awareness month	(3) Japan	(3) Implementation in October	(3) Implementation in October (Hold seminar on cases of fraudulent activity)
	(4) Revision of internal reporting system	(4) Global	(4) Operation of system and confirmation of effectiveness	(4) Continued operation of the internal reporting system
4. Promote and strengthen information security measures	(1) Percentage receiving information security training	(1) Global	(1) 90%	(1) 86.9%
	(2) The number of training sessions conducted against targeted email attacks	(2) Global	(2) 2	(2) 2
5. Continue expanding business continuity management	(1) Risk assessment implementation rate	(1) Global	(1) 100%	(1) 100%
	(2) The number of training sessions held for confirming the operational situation of suppliers in an emergency	(2) Japan	(2) 2 times	(2) 4 times

> Strengthen risk management

Nurture relationships of trust with our suppliers

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
6. Promote CSR procurement in the supply chain	Percentage of suppliers visited (cumulative)	Japan	60%	56.7%

> Nurture relationships of trust with our suppliers

Respect human dignity (human rights, labor practices, safety, health)

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
7. Eliminate workplace accidents and serious accidents	(1) Frequency Rate	(1) Japan	(1) 0.19	(1) 0.63
	(2) Severity Rate	(2) Japan	(2) 0.003	(2) 0.003
8. Promote diversity	(1) Ratio of female employee recruitment	(1) Japan	(1) 19.0%	(1) 10.0%
	(2) Number of female employees in managerial positions	(2) Japan	(2) 17	(2) 17
	(3) Employment rate of people with disabilities	(3) Japan	(3) 2.00%	(3) 2.17%
9. Create a comfortable workplace environment	(1) Average paid leave utilization rate	(1) Japan	(1) 65.0%	(1) 68.7%
	(2) Diagnosis rate of lifestyle diseases in health examinations	(2) Japan	(2) 46.0%	(2) 55.2%
	(3) Surveys of employee awareness (overall satisfaction level is out of five points)	(3) Japan	-	Non-target year
10. Promote human resource development	(1) Number of people who have TOEIC scores of over 600	(1) Japan	(1) 170	(1) 166
	(2) Number of people certified by the Global Business Trainee Program (*Note 3)	(2) Japan	(2) 250	(2) 189
	(3) Number of people enrolled in self-development e-learning programs	(3) Japan	(3) 230	(3) 70

> Respect human dignity (Human rights, Labor practices, safety, health)

Create good relations with communities

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
11. Encourage communication with shareholders and investors	(1) Publication of reports that contain non-financial data, and listing this on the website	(1) Global	(1) Continued publication of combined reports in Japanese and English, including surveys and evaluations such as questionnaires.	(1) Combined reports in Japanese and English; Japanese edition released in September 2019, English edition released in October 2019. First e-book edition also released.
	(2) Number of participants in briefings for private investors	(2) Global	(2) 650 or more	(2) 293
12. Encourage communication with local communities and society at large, and social contribution activities	Number participating in social contribution activities	Global	1,700	3,597

> Create good relations with communities

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Contribute to the environment through corporate activities

Description of Initiatives (Materiality)	KPI	2019		
		Scope	Target	Results
13. Promote environmentally friendly activities in business operations	(1) Total CO ₂ emissions from production and office locations (compared with levels in FY2005)	(1) Japan	(4) Reduction of 40% or more	(4) 57.4%
	(2) CO ₂ emissions from production and office locations (per basic unit of net sales compared with levels in FY2005)	(2) Japan	(2) 73% or less	(2) 31.9%
	(3) Global CO ₂ emissions (per basic unit of net sales compared with levels in FY2011)	(3) Global	(3) 54% or less	(3) 47.5%
	(4) Waste generated (per basic unit of net sales compared with levels in FY2005)	(4) Japan	(4) 72% or less	(4) 47.6%
	(5) Amount of water used (per basic unit of net sales compared with levels in FY2005)	(5) Japan	(5) 58% or less	(5) 30.1%
	(6) Amount of water used globally (per basic unit of net sales compared with levels in FY2011)	(6) Global	(6) 41% or less	(6) 26.9%
14. Expand environmentally friendly products and services	(1) Number of Certified Eco-Products (*Note 4)	(1) Global	(1) 56	(1) 62
	(2) Contribution to reducing CO ₂ emission from products and services (*Note 5)	(2) Global	(2) 83,000 t-CO ₂	(2) 73,928 t-CO ₂
15. Strengthen environmental management platform	(1) Number of participants in the Eco-Action program (*Note 6)	(1) Global	(1) 7,800	(1) 13,403
	(2) Implementation rate of D-EMS (Daifuku Eco-Management System) (*Note 7)	(2) Global	(2) 100%	(2) 95.8%

> Contribute to the environment through corporate activities

Note 1: A qualification related to safety for designers of machinery and manufacturing site technicians, certified by Japan Certification Corporation.

Note 2: The person who made an invention is listed as the inventor on the patent application document.

Note 3: A course for those capable of working overseas.

Note 4: Products that have been certified according to the environmental performance rating and certification system based on Daifuku's own standards.

Note 5: The amount of CO₂ after subtracting all CO₂ emissions from Daifuku products and services in society from CO₂ emissions in fiscal 2005, which is the base year.

Note 6: Participants in the Eco-Action program, which rewards Eco-points for environmental activities undertaken independently by employees.

Note 7: A system that collectively manages and surveys the environmental data of Daifuku Group business locations, and utilizes this for environmentally considerate activities.

Provide high quality products and services

Principal Initiatives

Since its founding in 1937, Daifuku has been involved with material handling. We have developed material handling systems and equipment for storage, transport, sorting, and picking, tailored to a variety of fields and industries to provide the best solutions.

Our business environment is expected to keep growing in line with globally expanding logistics-related investments from the e-commerce sector; increasing demand for automation and longer facilities; and use of capital investment to resolve labor shortages and increase productivity. We believe it is vital to consistently improve the quality of products and systems we provide to society to ensure safety by thorough compliance with related laws, regulations and guidelines, and to have appropriate countermeasures in place to provide a sincere response to any unexpected issues arising. We therefore uphold the following as our management philosophy, "Provide the best solutions to benefit the global markets and the development of society."

Initiative materiality and relationship to SDGs

Materiality

- Maintain and improve product and service quality to satisfy customer needs around the world
- Strengthen technology development platform

CSR Action Plan KPIs and targets for 2020

- Obtain and maintain ISO 9001 certification for all production sites
- Defects in products and services: 55% or less compared to baseline year of 2014
- Number of people acquiring Safety Assessor qualifications: 800
- Number of inventors: 240

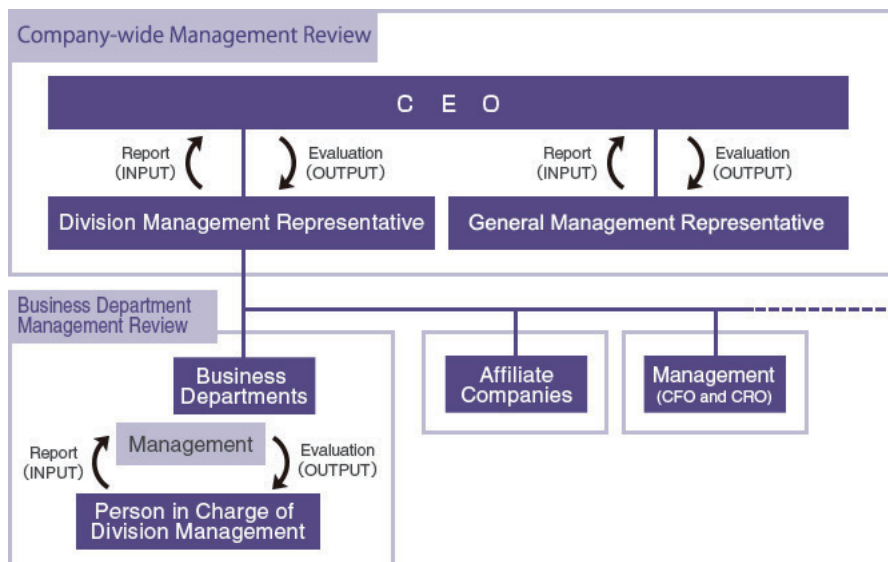


SDGs pursued by Daifuku

Promotion Framework

In accordance with the ISO 9001 Quality Management System regulated by ISO (International Organization for Standardization), the pursuit of customer satisfaction is our fundamental policy and we guarantee the quality at every stage of planning, sales, design, manufacturing, installation and after-sales service.

Daifuku conducts quality management system initiatives based on top management reviews of the quality assurance system, which is linked with feedback from business operation management reviews that evaluate the achievements of each business operation and implement nonconformity corrective measures. In addition, as a companywide management review, the president evaluates and makes judgments on the necessity for changes in the quality management system by reviewing the progress made in achieving our product quality goals with the aim to strive for continuous improvements.



Initiatives for High Quality Products and Services

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Quality management system certification

KPI

All production sites and primary locations in Japan, and all main production sites overseas, have obtained and maintained the ISO 9001 certification for quality management systems. In Japan 100% of manufacturing is carried out in ISO-certified locations, and 90.7% abroad (based on fiscal 2019 sales).

> ISO 9001 Certified Locations [PDF](#) (134 KB)

Defects in products and services (compared to baseline year of 2014)

KPI

In fiscal 2019, Daifuku was able to achieve a 52% reduction in defects in products and services compared to our baseline year of 2014. This was slightly below our goal of 58%, so we will continue to make further efforts to realize our goal in this area.

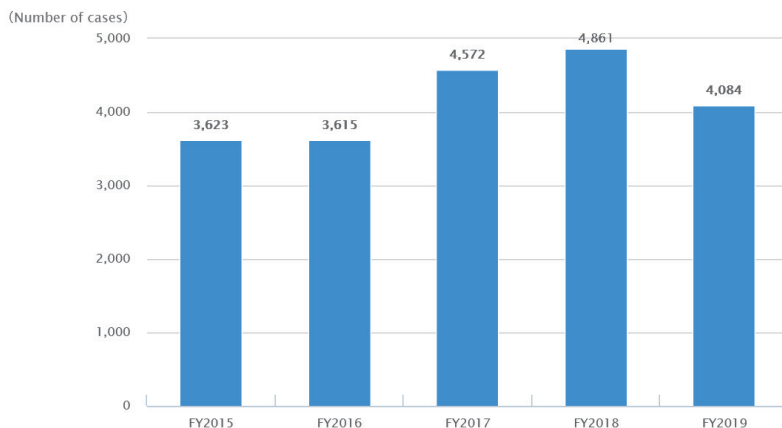
Teamwork and improvement proposal activities

Daifuku places emphasis on teamwork in small groups and improvement proposal activities. We have recorded significant achievements by diligently conducting improvements at our work sites. There were 4,084 proposals for improvement of operations, cost reduction, quality, safety, environment, and other matters made during fiscal 2019.

Group-wide presentation contest

Every year Daifuku holds a group presentation contest with teams that have passed a preliminary round. The event is attended by members of top management. The fiscal 2019 event, which was scheduled for February 2020, was cancelled in order to prevent the spread of COVID-19.

Number of improvement proposals



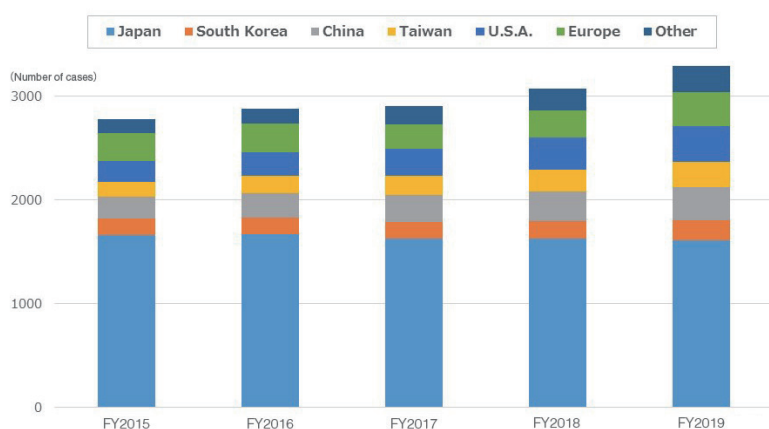
The Prize for Creativity

A Daifuku Group employee was awarded “The Prize for Creativity” for fiscal 2020 by Japan’s Minister of Education, Culture, Sports, Science and Technology. This award is presented to people working in the field of science and technology who have made outstanding achievements in creativity and originality that have contributed to improvements in technology, such as better workability, enhanced product quality, and cost improvements. A total of 43 employees from the Daifuku Group have been presented with this award, which the Group has received for sixteen consecutive years.

Number of patents registered

Daifuku proactively applies for patents and acquisition rights primarily for newly developed products. The progress of globalization has resulted in an increased number of patent applications made outside Japan in recent years.

Transition of patents by country (region)



Number of inventors

KPI

The target for fiscal 2019 was 200 inventors, and the number actually achieved was 118. The selection process for inventions has become more stringent compared to last year, and subsequently there are less applications being submitted. We are holding more in-house workshops and making efforts to increase the number of applications and new inventors.

Product Safety (Qualified Internal Safety Assessors)

KPI

To thoroughly ensure the safety of Daifuku’s products, the engineering and design divisions conduct risk assessments on existing models and newly developed products in accordance with internal regulations. Furthermore, Daifuku is systematically striving to cultivate young designers through product safety-related education conducted by both in-house and outside experts. In fiscal 2019, there are 791 employees who have qualified as Safety Assessors; this an increase of 157 people from fiscal 2018. So as to facilitate risk assessment from the standpoint of labor safety, we are also encouraging persons in charge at manufacturing sites to acquire this qualification.

* Safety Assessor (SA): A person with the basic knowledge and capability required to confirm the adequacy of safety, as well as the ability to judge overall safety adequacy.

Safety Sub-assessor (SSA): A person with the basic knowledge and capability required to confirm the adequacy of safety.

Safety Basic Assessor (SBA): A qualification for machinery users. Able to perform a safety patrol and spot safety issues, as well as prevent hazardous modifications to equipment.

	FY2017	FY2018	FY2019	
			Target	Results
SA	24	24	35 (+11)	28 (+4)
SSA	103	106	140 (+34)	117 (+11)
SBA	401	504	607 (+103)	646 (+142)
Total	528	634	782 (+148)	791 (+157)

Handing down techniques and skills

Daifuku holds various training events to cultivate personnel who can work globally, and to pass along the skills and techniques of experienced personnel to the younger generation. In addition, we have established a skills certification system for maintaining and improving the techniques and skills required for production, including welding and assembly activities. As of March 2020, 541 employees have been certified under this program.

Number of qualified staff members (As of March 31, 2020)

	Basic Level	Intermediate Level	Advanced Level
Welding	216	61	9
Assembly	223	9	23

Strengthen risk management

Principal Initiatives

It is vital to manage the risks associated with the globalization of business with the aim to fulfill social responsibilities towards stakeholders. In accordance with its management policies and Group Code of Conduct, Daifuku strives to build a global corporate culture that is resilient in emergencies, by sharing information about corporate risks across its Group to address all business risk responses and minimize the impact on corporate management.

Initiative materiality and relationship to SDGs

Materiality

- Ensure compliance and prevent corruption
- Promote and strengthen information security measures
- Continuous expansion of business continuity management

CSR Action Plan KPIs and targets for 2020

- Operation and maintenance of the compliance system:
 - Ascertainment of the compliance situation and examination of operations
- Types of training and educational programs regarding compliance: Over 15 types
- Setup and implementation of awareness month: Every year in October
- Revision of internal reporting system: Operation of the system
- Participation rate in the information security training: Participation rate 100%
- Number of training sessions conducted against targeted cyber emails attack:
 - Two times per year
- Risk assessment implementation rate: 100%
- Number of training sessions held for confirming the operational situation of suppliers in an emergency: Two times per year



SDGs pursued by Daifuku

Promotion Framework

Under the direction of the CEO, we develop and promote risk management measures across the Daifuku Group. We organize the Risk Management Promotion Framework, which is comprised of the heads of each division based on the Risk Management Rules. Every year we conduct risk assessments across the Group, including at our non-Japan subsidiaries. The relevant divisions take measures to minimize and mitigate the impact of each identified risk as it occurs.

We have developed a Business Continuity Plan (BCP) for natural disaster risks (earthquakes, wind and floods, lightning, fire, new influenza strains). We also have a Compliance Committee to address legal risks from potential non-compliance, and an Information Security Committee that focuses on the Daifuku Group's information security-related risks.

Compliance Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Compliance system

KPI

We have set up a Compliance Committee that is chaired by our CEO, and also established a Group Code of Conduct (revised in April 2019 to enhance the group compliance system). Meanwhile, we are also carrying out activities to ensure compliance, equity, and morality within the Group. As a part of these activities, we are conducting company-wide compliance training to raise the compliance awareness of each of our employees.

To deal with the risk of serious legal violations particularly on a global level in recent years, we have enhanced our efforts to prevent bribery and observe competition laws in accordance with the Group Code of Conduct.

Specifically, as part of our efforts to prevent bribery and comply with the anti-corruption laws of each country, we have set up mechanisms such as a system to check in advance if there are any suspected acts of illegal payoffs, for example providing entertainment or exchanging gifts. In order to strengthen efforts to prevent commercial bribery in China, we have established new guidelines at our local subsidiaries, and conducted appropriate training. In terms of compliance with competition laws, similar to our efforts for preventing bribery, we have put into place internal rules that comply with the laws of each country, and we practice impartial and fair dealings.

Furthermore, in October 2019 we strengthened our compliance system with the newly set up Legal and Compliance Division. The CEO also sends out messages to all employees in order to raise their awareness regarding the importance of compliance.

Compliance education and training

KPI

The CEO sends out messages to all employees via the company intranet to communicate the CEO's stance on compliance. We are also providing continual education and awareness on compliance to all employees through various training programs, so as to thoroughly familiarize everyone with corporate ethics.

As business transactions with various countries and regions continue to increase with the globalization of business, we have been strengthening compliance education on anti-corruption laws and competition laws in each country. Also, for level-specific employee training programs, such as those for new employees and newly appointed managers, we are making efforts to establish and spread an awareness of compliance by ensuring the observance of various laws including the subcontractors act and security export control policies, as well as holding lectures on respecting human rights and outlining professional ethics. In fiscal 2019, we held 14 types of training and education events (target was 14 or more).

Training examples

- Position-specific training
- Global staff training
- Training for executives
- Seminars on compliance with competition laws and the prevention of bribery
- Presentations on internal reporting system and past compliance cases

Compliance Enhancement Month

KPI

We have set every October as Compliance Enhancement Month, during which we conduct activities to raise the compliance awareness of our employees. This year's program was a seminar introducing cases of fraudulent activities, which we held at our major business sites in Japan. Some of the initiatives so far to familiarize employees with compliance include featuring an interview between a compliance expert and our CEO in our in-house journal, and holding compliance-related round-table talks among staff of various levels and positions.

Providing legal information using the in-house network

We have established a "Daifuku Legal Center" database as a portal site that accumulates various legal information, and is easily accessible by employees. Staff at the legal department post daily on the legal affairs related blog on the in-house SNS, to provide employees with timely access to information and ability to easily exchange that within the Company.

Whistle-blowing system

KPI

We are continuing to operate this system whereby reporting is possible on a global level. This time, with the establishment of a new corporate entity based in Vietnam, we have added Vietnamese as a reporting language. Additionally, in China we have brought the existing internal reporting system used within China into accordance with the global system, and established regulations to clarify the operation under both mechanisms.

UK tax strategy

Through material handling, the Daifuku Group aims for further growth by balancing business activities and social soundness. In addition to contributing to the development of the country and the region by implementing a fair tax payment, we disclose our tax strategy in the UK on the “Tax Strategy” page of our UK site.

> Please refer to our UK site.

Compliance with Modern Slavery Act

In response to the Modern Slavery Act 2015 of the UK, the Daifuku Group has published an “Anti Slavery Statement 2020” on our UK website.

> Anti Slavery Statement 2020 [PDF](#) (358 KB)

Information Security Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Information Security Committee

As threats to information security are becoming increasingly advanced, ingenious and pernicious, it is vital to tackle them through continuous efforts and actions.

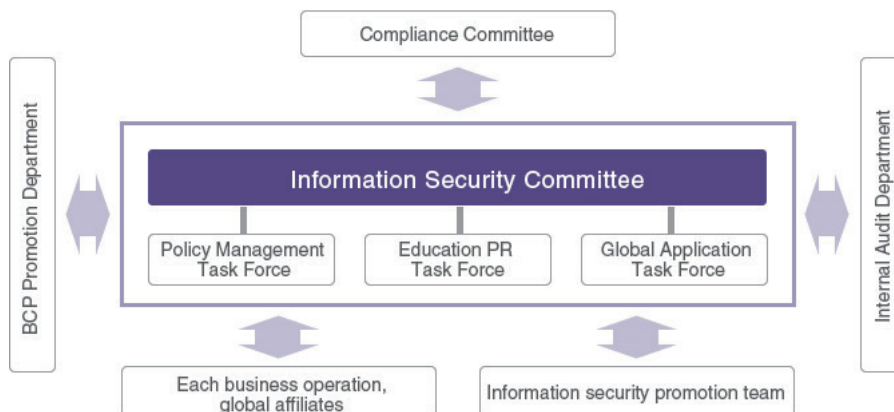
We established the Information Security Committee more than 10 years ago to maintain and improve information security across the Daifuku Group.

Considering the globalization of our business and the increasing role that the IoT (Internet of Things) plays for our products and services, it is more important than ever to promote the information security of our products and services. Through evaluating and countering IT risk factors embedded both inside and outside the company, we are promoting information security initiatives that are appropriate for a global enterprise together with our business operations.

Initiative guidelines

1. Reinforce regulations and develop policies with the aim of raising the standard of the Daifuku Group’s information security as a whole
2. Coordinate with business and investigate information security policies for products and services
3. Quantify in a way that is aligned with the KPI settings and establish the objective evaluation of results

Framework for initiatives



Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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Contents > CSR Action > Strengthen risk management

Launch of CSIRT

The mission of the CSIRT (Computer Security Incident Response Team) is to deal with information leaks stemming for example from cyber attacks and respond to any other computer security incidents. The CSIRT is centered on the Information Security Committee, enabling Daifuku to swiftly identify the possible scope of an accident and damage, put first-response measures in place, and investigate causes and means to prevent reoccurrence.

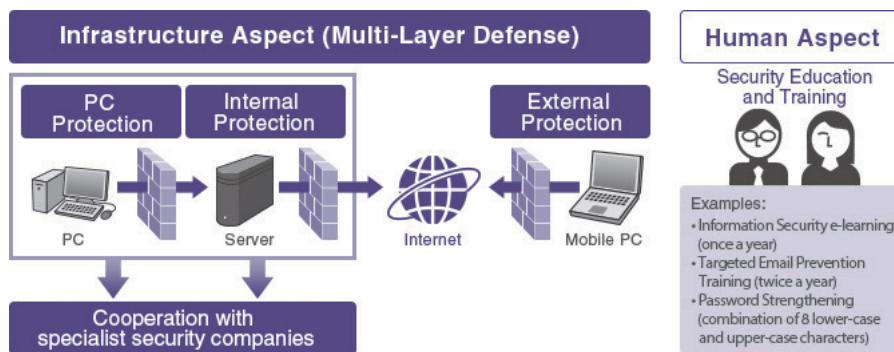
Policies for information security countermeasures

Infrastructure aspect:

Threats to information security are on the rise and have become increasingly malicious. We therefore prepare for possible attacks through up-to-date and multilevel defense systems in cooperation with specialist security companies.

Human aspect:

In cases of information theft which use human psychological techniques or deceitful approaches, prevention is difficult if only relying on infrastructure countermeasures. We will enhance our employees' information security knowledge and understanding through initiatives by the Information Security Committee, internal training programs and simulated cyber terrorism training sessions.



Participation rate in information security education and training

KPI

In fiscal 2019 we were able to achieve a participation rate of 86.9%, which was slightly below our target of 90%. This was mainly attributable to the training implementation period (January to March) coinciding with the suspension of in-office work at local subsidiaries in China and Southeast Asia due to the spread of COVID-19. In addition to the conventional languages of Japanese, English, Chinese (Simplified & Traditional), Korean, and Spanish, this time we added education in Thai, thereby increasing the effectiveness of our global education.

We will continue to work on raising the participation rate in English-, Chinese-, and Thai-speaking countries that have not achieved the target rate, and provide information security education to employees to prepare them to handle the threat of the latest cyber attacks.

Number of training sessions conducted for targeted cyber attack emails

KPI

The target for fiscal 2019 was to hold two sessions, and the actual number of sessions held was two. In addition to the conventional languages of Japanese, English, Chinese (Simplified & Traditional), Korean, and Spanish, this time we added training in Thai, and applied the training results and feedback on noteworthy points to increase the effectiveness of our training. We will continue to provide employees with training to prevent information leaks due to cyber attacks in the future.

Business Continuity Plan (BCP) Initiatives

We have established a BCP (Business Continuity Plan) for emergency situations. It places highest priority on human life, while also aiming to minimize damages to business assets and make the continuation and early recovery of business possible. Furthermore, we are expanding education, training and disaster prevention equipment related to disaster risk management, with the aim of heightening the effectiveness of the BCP. For our overseas group companies, in addition to our existing questionnaire surveys, we have implemented hearing surveys at each location to promote the ascertainment and sharing of the risks that can occur locally. Moving forward, we will further strengthen the BCP activities of the whole group and construct a corporate culture that is resilient in the face of emergencies.

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

BCP site basic survey (Daifuku affiliates and offices)

By periodically visiting all Daifuku Group sites worldwide, we ascertain the preparations needed for natural disaster risks, as well as exchanging and sharing information about risk related to compliance, information security and labor and health management.

BCP training and education

In order to heighten the risk awareness and understanding of BCP for each employee, we invite an external instructor every year to hold a BCP Seminar targeted at every staff member. In addition, for our position-specific training that includes new staff training, we continuously provide education to heighten risk awareness by implementing BCP training with content that matches the requirements of each person's role. Due to the increased risk that comes from globalized business development, we work towards securing the safety of international travelers through the appropriate transmission of local danger information, not just to our overseas subsidiaries but also to our expatriate personnel.

Risk assessment implementation rate

KPI

Risk assessment is a procedure to identify, analyze, and evaluate risks that can affect a business. We achieved a risk assessment implementation rate (return rate) of 100% in fiscal 2019. We are implementing business risk assessments for all Group companies including non-Japan subsidiaries, and we are working to quickly identify risks in business activities.

	FY2017	FY2018	FY2019	
			Target	Results
Implementation rate	100%	100%	100%	100%

Number of training sessions conducted for supplier disaster situation reporting

KPI

The target for fiscal 2019 was to hold two sessions, and the actual number of sessions held was four. We have been working with the procurement division of each business operation, and sharing information through training with targeted suppliers. We are repeatedly conducting training to enable the early sharing of initial reports during a disaster.

Obtained highest DBJ BCM Rating by the Development Bank of Japan



In February 2017, the Development Bank of Japan (Main office: Chiyoda-ku, Tokyo; subsequently referred to as "DBJ") awarded us their highest rating as "a company with excellent initiatives for disaster risk reduction and business continuity management."

Countermeasures for disaster emergencies



We distribute a Survival Handbook to every employee, which summarizes information about initial responses when an earthquake occurs, safety securement and evacuation procedures and safety verification contact methods towards family and the company. We are also strengthening our disaster emergency countermeasures by installing fixed antennas for satellite mobile phones at each regional branch, arranging safety helmets for expatriate staff and visitors, and replenishing our emergency stockpile.

COVID-19 measures

In accordance with the Basic Policies for Novel Coronavirus Disease Control by the Government of Japan, the Daifuku Group set up the COVID-19 Task Force headed by the CEO. Its priority is to limit the spread of and damage caused by infection both within and outside the company, and ensure the safety of all Daifuku Group and business partner employees. We will continue to follow government policies and action plans, and promptly determine and implement appropriate measures. The Task Force is currently assessing the situation at all Group companies and subsidiaries in Japan and overseas via online teleconferences and other methods.

Nurture relationships of trust with our suppliers

Principal Initiatives

As globalization progresses and economic activities are intricately linked to each other, we need to take social responsibility for not only our products and services, but also our supply chains. Daifuku's Group Code of Conduct stipulates our trading policy and regulates the compliance of all our executives and employees. Under the Code, we share the Basic Procurement Policy revised during fiscal 2017 with our suppliers to manage supply chains in a responsible manner along with our CSR procurement standards.

Initiative materiality and relationship to SDGs

Materiality

- Promotion of CSR procurement in the supply chains

CSR Action Plan KPIs and targets for 2020

- Supplier visitation rate: 80% (total)



SDGs pursued by Daifuku

Basic Procurement Policy

Our principles for dealing with suppliers are as outlined below, in keeping with the Management Policy and Corporate Code of Conduct.

1. Fairness, Impartiality

- (1) We will open the door wide, both in Japan and overseas, and provide opportunities for free competition.
- (2) We will select our business partners through the comprehensive evaluation of quality, technology development capabilities, economy and stable supply, as well as business conditions, etc.
- (3) We will establish a relationship of mutual trust with all our business partners and endeavor to conduct fair, impartial and transparent transactions.

2. Safety, Quality, Cost, Delivery

- (1) We will pursue the creation of a safe and healthy working environment.
- (2) We will pursue the optimization of procurement through the maintenance, improvement and enhancement of Q (quality), C (cost) and D (delivery).

3. CSR Procurement

- (1) We will conduct CSR activities to fulfill our social responsibility in terms of compliance, human rights, labor, environmental preservation, regional contribution and so on.

We have formulated the CSR procurement standards and will promote CSR activities with all business partners.

* CSR Procurement - the activities carried out by an enterprise in the entire supply chain in the procurement of products and materials in cooperation with suppliers through the addition of CSR elements such as compliance, human rights, labor, environmental preservation and regional contribution to existing elements such as safety, quality, performance, price and delivery period.

CSR procurement standards

1. Safety

- (1) To prevent labor accidents, etc., we will endeavor to secure the safety of employees, etc. by taking appropriate safety measures.
- (2) We will assess the state of labor accidents and work-related illness and take appropriate measures for the prevention of recurrence.
- (3) We will work on the creation of a safe and healthy working environment by placing top priority on ensuring safety and health at work.

2. Quality, Cost, Delivery

- (1) We will endeavor to maintain, improve and enhance quality, costs and delivery.
- (2) We will secure appropriate quality and delivery and pursue optimal costs.
- (3) We will endeavor to establish a production system that can provide stable supply and a crisis management system for incidents such as accidents.

3. Compliance

- (1) We will faithfully perform work according to laws and regulations, social norms and corporate ethics relating to all countries and regions in Japan and overseas.
- (2) We will properly manage confidential information and personal information and thoroughly ensure information security.
- (3) We will not provide benefits or facilities, including the grant and receipt of improper benefits and the demand for returns related to work.
- (4) We will not have any relationships with antisocial forces, including transactions, by taking a resolute attitude against them, and will conduct fair business.

4. Human Rights, Labor

- (1) We will understand the cultures and customs of countries and regions and work on the creation of a company where the human rights of all people are respected.
- (2) We will eliminate child labor, a poor environment, forced labor and working for long hours, and will work on the creation of a positive environment that is suitable for work.
- (3) We will endeavor to develop human resources with the knowledge, technologies and skills necessary to support business activities in Japan and overseas.

5. Environmental Preservation and Regional Contribution

- (1) We will promote environmentally friendly procurement. *The Green Procurement Guidelines (formulated in November 2005) shall apply to procurement in Japan.
- (2) We will conduct energy saving activities such as resource conservation and waste reduction.
- (3) We will live in harmony with the communities and society where we conduct business activities.
- (4) We will endeavor to participate actively in social support activities.

Promotion Framework

This initiative is promoted mainly by the administrative division under the CFO & CRO and procurement personnel of each business operation. We take measures to share our procurement policies with our suppliers by visiting them based on the results of their self-evaluation of CSR related items.

Through our cross-sectional organization called the Production Compliance Committee, we also provide lectures regarding statutory compliance in the fields of production and procurement for persons engaged in procurement. We also hold sessions to exchange information and share our policies with our suppliers.

Supply Chain Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Management and Production Trends Presentation

Each year we hold a Management and Production Trends Presentation, and invite top management from our suppliers such as manufacturers and trading companies, as well as business partners involved in processing, construction and installation, services, design, and software development. However, the fiscal 2020 presentation was cancelled due to the coronavirus.

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Contents > CSR Action > Nurture relationships of trust with our suppliers

Supplier Quality Development (S.Q.D.) Award

In fiscal 2003, Daifuku established a Supplier Evaluation System and launched the Supplier Quality Development (S.Q.D.) Award to commend outstanding goods-related suppliers (manufacturing subcontractors and goods purchasing), designers, construction and installation contractors, and others. In fiscal 2020, the S.Q.D. Award was presented to six suppliers from among a total of 208 companies.

Health and Safety Seminar for suppliers



Each year we hold a Health and Safety Seminar for suppliers, as part of our ongoing efforts to eradicate occupational accidents throughout the Daifuku Group, including our business partners. At the seminar held in November 2019, Daifuku invited the top management from 158 key suppliers with the purpose of sharing the safety-related policies and information of Daifuku and its partner companies. The seminar reaffirmed the importance of safety and health management, and ensuring it is comprehensively carried out.



Safety Award System

This is the fourth year of the Safety Award System, which Daifuku established in fiscal 2016 as a way of commending suppliers who have implemented model initiatives to prevent daily occupational accidents and create comfortable workplaces. We presented the Safety Award to one company each among our business partners in the construction, production, and procurement sectors. Following, the production sector partner introduced some of its health and safety management initiatives.

Supplier visitations

KPI

In fiscal 2019 we were able to achieve a participation rate of 56.7%, which was slightly below our target of 60%. This fiscal year it was difficult to draw up a plan for visitations to supplier located far away. In the next fiscal year, we will work with auditing and other departments to enable visits to the supplier of each business division.



A visit in progress

Daifuku promotes its CSR initiatives throughout the entire supply chain by encouraging an understanding of the need for CSR, such as through CSR surveys (self-assessment check sheets) for suppliers and by on-site monitoring.

Supplier Operations Verification System



We are using a system to confirm the operational status of our suppliers in an emergency as part of a scheme to strengthen our business continuity plan. In the event of an emergency, this system confirms damage status of suppliers and safety of personnel by e-mail. We use this system with the aim of ensuring quick recovery and return to normal operations of the whole supply chain by sharing information quickly and accurately.

Green Procurement



Daifuku believes that the manufacturing of environmentally friendly products is a mission it must achieve as a global company. Under the motto, “We will not buy, use, or sell any hazardous materials,” we formulated our Green Procurement Guidelines in November 2005.

In April 2012, our Green Procurement Guidelines were updated in line with our Environmental Vision 2020 and featured a list of banned chemical substances designated by the Company. The 6th edition of the Guidelines, which has updates of banned chemical substances, was issued in December 2018.

Human Rights, Labor Practices

Principal Initiatives

In line with the second part of our management philosophy, which states, "Focus on healthy, growth-driven global management under a diverse and positive corporate culture," we place our employees at the core of management. By enhancing the skills of each employee and performing to our utmost abilities as an organization, we believe we will be trusted by our stakeholders, which includes our customers and society as a whole. Since the environment surrounding our management is changing rapidly, we also believe that it is important to build a working environment that responds to globalization and diversity.

Based on this premise, the Daifuku Group respects international standards such as the Global Human Rights Declaration*, and as signature company of the UN Global Compact, we support the Ten principles of the UN Global Compact.

*Declaration adopted in 1948 by the UN General Assembly (in Paris) recognizing that all humans are born with basic human rights

Initiative materiality and relationship to SDGs

Materiality

- Promote diversity
- Create a comfortable workplace environment
- Promote human resource development

CSR Action Plan KPIs and targets for 2020

- Ratio of female recruitment: 20%
- Number of female employees in managerial positions: 20
- Employment rate of persons with disabilities: 2.2%
- Average paid leave utilization rate: 70%
- Surveys of employee awareness (overall satisfaction points): 3.80 points (5 points max.)
- Number of people who have TOEIC scores over 600: 200
- Number of people certified by the Global Business Trainee Program: 300
- Number of people enrolled in self-development e-learning programs: 300



SDGs pursued by Daifuku

Human rights initiative

In April 2014, Daifuku joined Global Compact Network Japan (GCNJ), which is a local network of the UN Global Compact (UNGC). The GCNJ partners with other participating companies and organizations and conducts activities aimed at realizing a sustainable society, by focusing on various subcommittees based on 10 principles in the four fields of human rights, labor, the environment, and anti-corruption. In fiscal 2019, we took part in the Environmental Management Subcommittee, Anti-Corruption Subcommittee, ESG Subcommittee, Disaster Prevention and Mitigation Subcommittee, SDGs Subcommittee, and the Reporting Research Subcommittee. We are working to solve various issues using the knowledge and findings that we acquire from these committees.

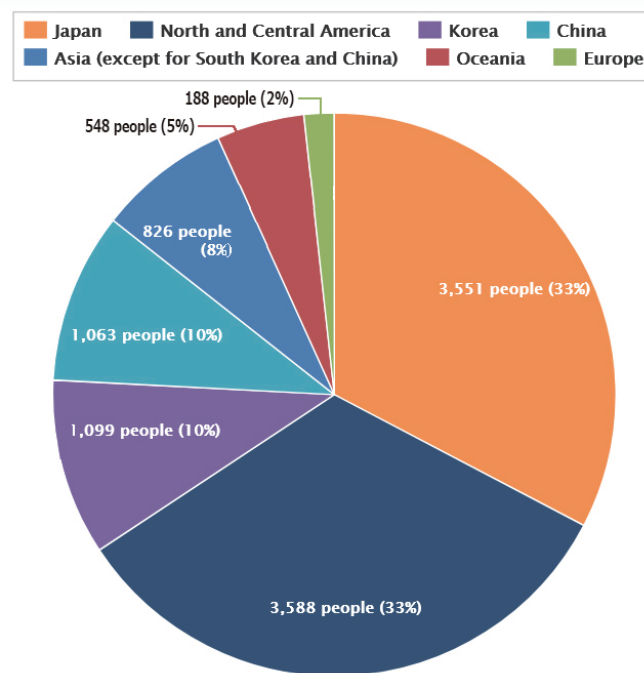
Promotion Framework

The Human Resources and General Affairs Division is in charge of the establishment and promotion of cross-organizational initiatives related to human resources. In particular, it promotes the cultivation of human resources to support the global development of our business and the enhancement of our management. We have also set up the Mental & Physical Health Promotion Committee to establish a working environment that allows employees to work safely, as well as to promote various initiatives. In April 2017, we set up the Work-Style Reform Committee, with the aim of achieving work-life balance by providing a working environment suitable for diverse human resources and for improving productivity. We will continue to promote effective initiatives through the sharing of information with each department.

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Diversity

Total number of employees by region (as of end of March 2020)



Employee data (Daifuku Co., Ltd.)

		FY2017	FY2018	FY2019
Number of employees	Male	2,335	2,444	2,580
	Female	297	328	348
	Total	2,632	2,772	2,928
Average age	Male	42.2	42.0	41.4
	Female	40.7	40.9	41.3
	Total	42.0	41.8	41.4
Average years of service	Male	16.5	16.1	15.4
	Female	15.0	14.6	14.6
	Total	16.3	15.9	15.3

Recruitment

	FY2017			FY2018			FY2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
New graduate recruitment	71	9	80	70	14	84	113	9	122
Mid-career recruitment	87	5	92	95	7	102	120	16	136

Empowering women

KPI

We aim to be a company that enables all employees to participate actively, but a lack of balance in terms of the number of male and female employees and managerial staff is regarded as an issue that needs addressing. Therefore, in order to promote diversity, we have implemented a variety of measures to create an environment in which women can play an active role. Since 2016, we have held Female Leadership Training Sessions three times each year as an initiative to support the career development and active participation of female employees. Moreover, we hold Childcare Leave Management Seminars for managerial staff at workplaces with staff who are returning to work after childcare leave or who have shortened work hours.

We achieved our fiscal 2019 target of 17 female employees in managerial positions, and are making steady progress in the empowerment of women at Daifuku. As the overall number of both new graduates and mid-career employees is rising, we fell short of our target for the ratio of female employees among all recruits. Therefore, we will continue to strengthen our recruitment system, including adopting an approach that centers on new graduates.

	FY2017	FY2018	FY2019	
			Target	Results
Number of female employees in managerial positions	11	15	17	17
Ratio of female recruitment	8%	11%	19%	10%

* The number of female employees in managerial positions is calculated based on the people who are the equivalent to section manager or higher.

Employment of persons with disabilities (as of June 1)

KPI

As of June 1, 2019, the rate of employment of persons with disabilities at Daifuku was 2.17%, which was short of the legally-stipulated employment rate. In August 2019, we set up a new work environment for employees with disabilities at the Work Happiness Farm in Kasugai City, Aichi Prefecture. We will continue with regular recruitment activities while collaborating with the Public Employment Security Office, Employment Security Association, schools, and other organizations. We will also focus our efforts on the employment of persons with disabilities, while taking into account the situation at each business site.

	FY2017	FY2018	FY2019	
			Target	Results
Employment rate	1.86%	1.80%	2.20%	2.17%



Harvesting work at the farm



Harvested vegetables are served at the cafeteria

Post retirement re-employment rate of retirees

In April 2003, we instituted a re-employment system for which the age of 62 was defined as the upper limit. This system is intended to enable employees to exhibit their abundant knowledge and experience to the full after they have reached the age of 60. In 2005, the age limit was raised to 65. In April 2013, this system was reviewed for compliance with amendments to the Act on Stabilization of Employment of Elderly Persons. As a result, under our re-employment system, we succeeded in continuing the employment of at least 80% of the target individuals.

	FY2017	FY2018	FY2019
Re-employment rate of retirees	83.9%	93.8%	83.9%

Work Environment

We promote initiatives to encourage a positive work-life balance, in order to improve the quality of both the work and personal lives of our employees while contributing to the sustainable growth of Daifuku as a whole.

Work-style reform

Daifuku's Work-Style Reform Committee commenced in April, 2017. Aiming for employees' work-life balance, the Committee's approach targets reforms to (1) work processes and relevant systems, (2) time management to reduce overwork, and (3) workplace culture and employee awareness.

Collective agreement

We support our employees' rights of collective bargaining. Daifuku has a labor union that works on behalf of the rights of all non-management employees who work at our Japan locations.

Addressing workplace harassment

Daifuku has established the Personnel Consultation Office to handle in-house rules and personnel evaluations as well as consultations regarding sexual harassment and power harassment. With a focus on privacy, we strive to create an environment that encourages employees to discuss any problems they may face.

Work-life balance

We promote initiatives to encourage employee awareness of the need to maintain a positive work-life balance. This is intended to improve the quality of the work lives and personal lives of individual employees while contributing to the sustainable growth of Daifuku as a whole.

Under amendments to the Labor Standards Law and the Child Care and Family Care Leave Law as well as the enacting of the Women's Active Participation Promotion Law, etc., we are taking steps to revise our personnel system and implement a system to accommodate more diverse work styles.

Improving systems according to various ways of working

	System	Content
Employee Refreshment	Flex-time system	We introduced a flex-time system to increase time consciousness through self-management, improve efficiency and productivity, and promote work-life balance.
	Leaving work on time	Daifuku designates every Wednesday as Health Day and encourages employees to leave work on time. Daifuku promotes this through an internal communications and regularly checking offices.
	Planned paid leave system	We encourage employees to take three days of paid leave (five or more continuous days including the weekend) between June and September every year. We monitor paid leave at the company with the union and aim for 100% acquisition rate.
	Long leave system	Daifuku has introduced a long leave system so that each employee can take a maximum of 60 accumulated days of leave for volunteer activities, treatment of non-occupational injuries, childcare, family care, and nursing care.
	Refreshment leave	Daifuku grants employees 20 continuous days of leave, including Saturdays and Sundays, to employees that turn 50 years old so that they can temporarily leave their work, design their future life plan, and return refreshed to their work.

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Contents > CSR Action > Respect human dignity (human rights, labor practices, safety, health) > Human Rights, Labor Practices

	System	Content
Childcare support	Maternity leave (employee's childbirth)	6 weeks before childbirth (14 weeks for multiple pregnancy), 8 weeks after childbirth
	Paternity leave (spouse gives birth)	2 days when the employee's spouse gives birth
	Childcare leave system	Up to the end of the month in which the child turns 1 year old. (It is possible to extend the term up to 1 year and 6 months of age if daycare service is unavailable. The term can be extended up to 2 years of age if daycare service is still unavailable at the 1 year 6 months point.)
	System supporting early return to work after childcare leave	For employees who have returned to work early after taking childcare leave (not to exceed 11 months following childbirth) and are making use of a childcare service for a child under 1 year, we assist them with the associated costs.
	Shortened workday system	In cases where an employee is raising a child who has not yet reached the end of the third grade of elementary school, a shortened workday schedule can be applied for up to six years. (Otherwise, a flextime system with no set core time can be applied)
	Sick childcare leave	For a child in the third grade of elementary school or younger who is being treated for an illness, childcare leave can be taken for five days a year (for two or more children, 10 days a year). (earnings in full day or half day units are possible)
	Job Return Entry System	For employees who have retired for reasons of childcare, the company offers opportunities for re-employment under certain specific conditions.
	Other	We offer a system to support the cost of babysitting services, and a system offering information on entering a childcare facility or using outsourced welfare services.
Support for family care	Family care leave system	A maximum of 1 year is available to provide care for a family member
	Shortened workday system	For employees who are caring for a family member, a shortened workday program can be applied for up to three years. (Otherwise, a flextime system with no set core time can be used)
	Family care leave	5 days per family member requiring care. 10 days if the employee has 2 or more family members requiring care. (earnings in full day or half day units are possible)
	Job Return Entry System	For employees who have retired for reasons related to family health care, the company offers opportunities for re-employment under certain specific conditions.

Average paid leave utilization rate

KPI

The expansion of "Work-Style Reform" activities throughout the company has improved the rate of taking paid holidays. We will continue to promote work-style reform in the future.

	FY2017	FY2018	FY2019	
			Target	Results
Average paid leave utilization rate	55.9%	62.3%	65.0%	68.7%

Surveys of employee awareness

KPI

We conduct surveys of employee awareness to find the current state of employees and the Company, as well as clarify issues that need to be addressed. These surveys are anonymous questionnaires that deal with the experiences of employees (satisfaction, workload, and the potential of the Company) and their perspectives on the Company's current state (work, working environment, their superiors, and the overall company). Based on these results, we give feedback to executives and employees, which then leads to initiatives for creating a workplace where they are able to work actively, and where the organization is invigorated.

	FY2017	FY2018	FY2019	
			Target	Results
Surveys of employee awareness (overall satisfaction)	Non-target year	3.7	—	Non-target year

* This survey is conducted through an Employee Satisfaction Survey provided by Recruit Management Solutions Co., Ltd.

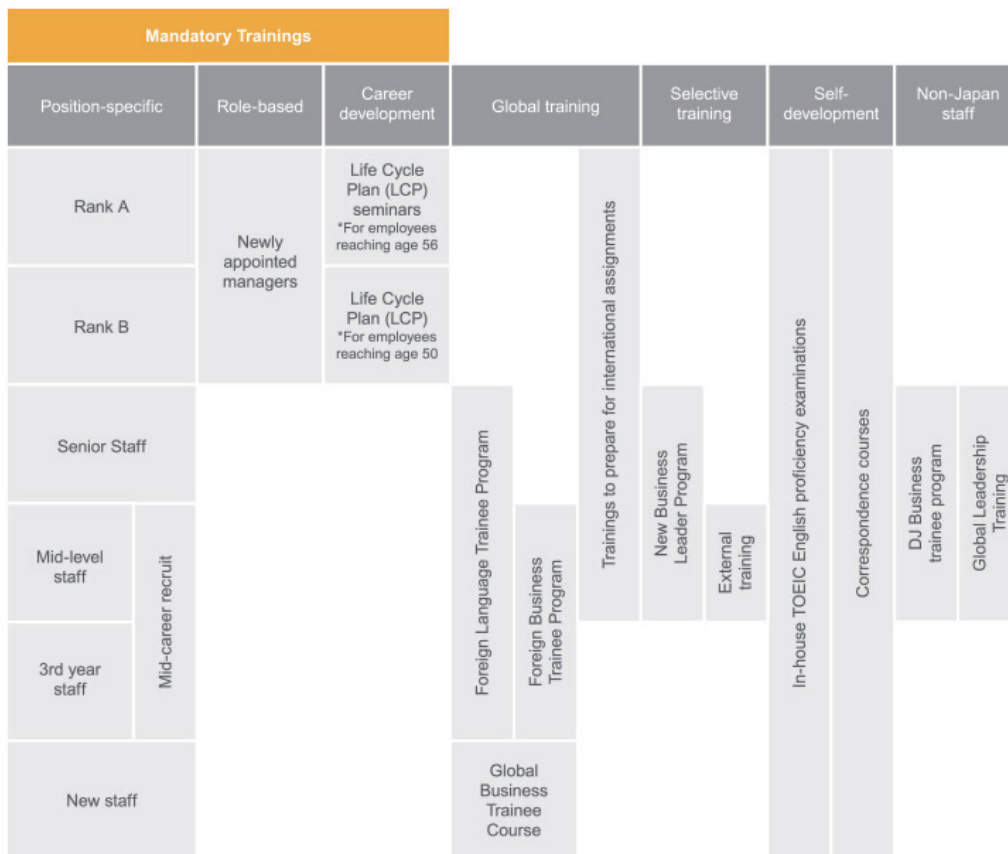
* Number approximately indicates as follows, Low: Below 3.00, Average: More than 3.00 and below 3.50, High: More than 3.50 and below 4.00, Very high: More than 4.00

* Implemented every other year from 2017.

Personnel

To facilitate effective human resource development, Daifuku formulated human resource policies and implemented systematic, focused training programs based on these policies across the Group. In addition to position-specific training for new hires, mid-career employees, and managers, we also conduct training for a selected number of highly experienced employees. Moreover, we not only encourage employees in Japan to take the TOEIC English proficiency exam, but we also provide systems, such as a Global Business Trainee Program, to foster global talent and a workforce capable of engaging in global business.

Daifuku HR Training System



Number of employees who have TOEIC scores of over 600

KPI

Although we did not meet our target, we achieved a 64% increase over the previous year due to various English learning initiatives at each business division, and more employees who have become certified in the Global Business Trainee Program. Considering the increasing globalization of the world, we will work on further improving the English proficiency of our employees.

	FY2017	FY2018	FY2019	
			Target	Results
Number of employees who have TOEIC scores over 600	121	126	170	166

Number of employees certified by the Global Business Trainee Program

KPI

We have set up overseas business courses for employees who can be expected to do business abroad; these courses are primarily for supporting the ongoing study of foreign languages. Although we were unable to meet our target number of certified employees due to stricter passing requirements implemented in the Global Business Trainee Program, we will continue to work on cultivating global personnel.

	FY2017	FY2018	FY2019	
			Target	Results
Number of people certified	142	161	250	189

Number of people enrolled in self-development e-learning programs

KPI

Influences from changes in learning mediums brought about by internet environment, particularly in terms of language study courses, as well as the proliferation of smartphones, resulted in targets not being met. To halt the decline in the number of enrollees, we plan to conduct a review of courses and course support to achieve our enrollee number target.

	FY2017	FY2018	FY2019	
			Target	Results
Number of people enrolled in self-development e-learning programs	139	101	230	70

Global Leadership Training



In November 2019, we held the Global Leadership Training program which aims to improve the skills of executive-track staff from the Daifuku Group's non-Japan subsidiaries. In this ninth cycle of the training program, we welcomed 15 participants from subsidiaries in America, Mexico, Canada, India, China, South Korea, Taiwan, Singapore, Indonesia, and Thailand. Feedback from the participants included, "I was able to reaffirm my identity and direction as a member of the Daifuku Group, and I'm eager to share what I've learnt with my colleagues back home," and "Local subsidiaries play a key role in localization, and this training really reinforced that to me."

Safety

Principal Initiatives

Based on the concept that safety is the ultimate priority, Daifuku promotes safety management initiatives throughout the whole group and amongst its suppliers. In order to eradicate workplace accidents, it is essential to eliminate danger in our offices, with on machinery and equipment and within on work by risk assessment, as well as by entrenching a “corporate culture that ranks the safety and health of its employees as the highest priority” through safety training education at each stage of occupational life.

Initiative materiality and relationship to SDGs

Materiality

- Eliminate workplace accidents and serious accidents

CSR Action Plan KPIs and targets for 2020

- Frequency Rate: 0.19
- Severity Rate: 0.003



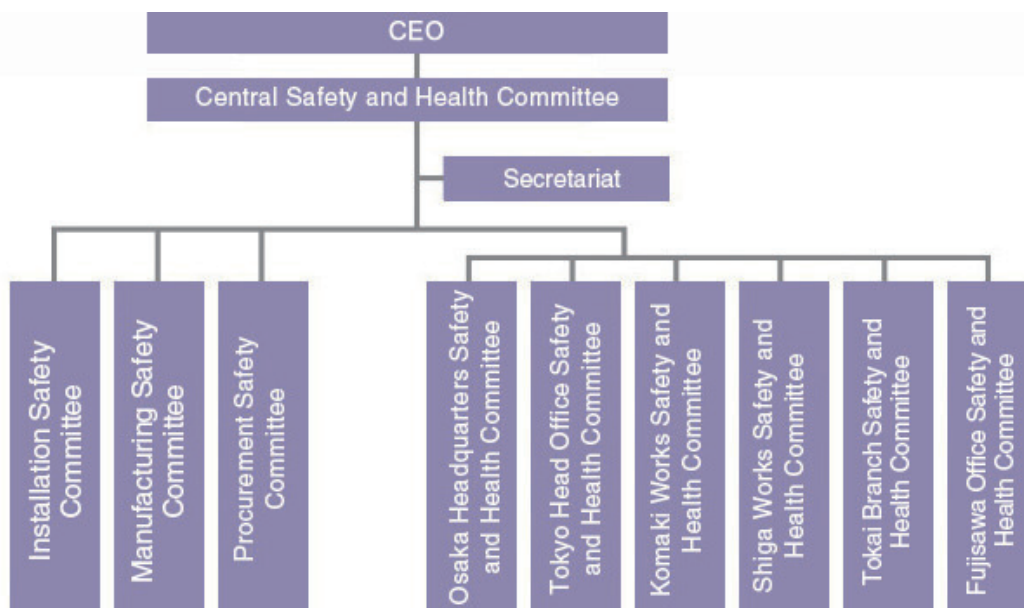
SDGs pursued by Daifuku

Promotion Framework

Daifuku has established a Central Health and Safety Committee, which is under the direct control of the CEO. Based on the prioritization of safety above everything else, the Committee is working towards the eradication of industrial accidents. Regional Health and Safety Committees and various expert committees (construction and installation/production/procurement) have been set up under this Committee to ensure safety in all Group companies, and establish health management systems throughout the Daifuku group. Daifuku has obtained the occupational safety and health management system certification (ISO 45001) at all its major sites. We are committed to continuing our safety culture cultivated over many years, and striving to make our workplaces essentially safe by identifying all potential risks.

Also, having experienced serious accidents in the past, we are now cooperating and sharing information with our suppliers through Safety Cooperation Associations and the Health and Safety Seminar for Suppliers. Through this cooperation and information sharing with suppliers, we are aiming to achieve safety based on mutual awareness and education.

Occupational Safety and Health Management Promotion System



Safety Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Frequency rate and severity rate

KPI

The Daifuku Group uses an accident frequency rate and severity rate as safety management indicators. We share this and other information, and provide appropriate guidance and safety awareness to departments that need to improve their safety measures.

Although we achieved the target severity rate in fiscal 2019, regrettably we were unable to reach the target frequency rate. We will continue to educate employees on safety using mainly simulation-based hazard training, while also raising their general awareness of workplace safety. We will review work methods to eliminate dangerous tasks and implement other work practices that don't need to be done by people, so that we can continue to reduce the number of accidents that occur.

Frequency Rate: The number of casualties per one million employee-hours worked at bases and companies. This rate indicates the frequency of accidents.

FY 2019 target: 0.19, FY 2019 result: 0.63, FY 2020 target: 0.19

Severity Rate: The number of lost work days experienced per 1,000 work hours. This rate indicates the severity of accidents.

FY 2019 target: 0.003, FY 2019 result: 0.003, FY 2020 target: 0.003

* About change of target value

We expanded the scope of safety management in our business activities to also include subsidiaries and partner companies and revised the target figures for frequency rates and severity rates from 2018.

Safety training

Safety training program

Skills, awareness, and knowledge are required to work safely. Our employees take skills training courses taught by external organizations to improve their skills. They also participate in special training courses inside and outside the company to develop awareness and acquire knowledge. We provide special training in-house for operating cranes, as well as low voltage training and special training for grinding wheel handling etc.

Safety training facility



We train employees to understand risks, maintain awareness of safety, and act safe by providing them with simulated experiences of dangers at installation and manufacturing sites. We also extend training to our partners' employees in the same manner.

Simulation-based hazard training



Simulation-based hazard training aims to raise the safety awareness of each employee, and make up for any lack of workplace experience, by simulating dangerous situations so that employees can viscerally experience them as a direct and real threat to their workplace safety. We have started using virtual reality (VR) to also visually recreate the dangerous processes leading to industrial accidents that were difficult to simulate using existing equipment. We are using auxiliary devices that enable employees to experience the simulated shock and sensations felt during an accident.

Safety training worldwide



Daifuku implements training on safety management, methods, risk assessment, work safety standards, and so forth, for supervisors in installation departments at Group companies in the same manner as the training implemented in Japan, to improve the level of safety management.

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Safety activities

Health and safety seminar for top management

To prevent workplace accidents, a high level of safety awareness in top management is important, and seminars are held every year to establish a safety oriented culture within supplier and Daifuku management. At these seminars, we are also aiming to raise awareness of safety through an award program that commends suppliers who actively carry out safety and health initiatives.

Global Safety Meeting

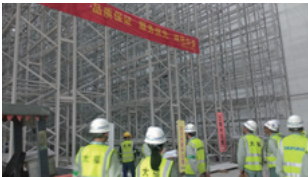
In line with the globalization of our business we hold a Global Safety Meeting every year to exchange safety related information throughout the Daifuku Group. At this meeting, we introduce safety-focused initiatives conducted at Group companies worldwide in order to deepen the understanding of differences in working environments and to raise the standard of safety across the Daifuku Group.

Improving health and safety



Daifuku has been operating in concordance with the Occupational Health and Safety Assessment Series (OHSAS) 18001, and continually striving to reduce and manage health and safety risks using risk assessments and by implementing health and safety initiatives. Furthermore, in transitioning to the new standards, we focused on building on our existing efforts and improving occupational health and safety performance, and subsequently acquired ISO 45001 Certification. We will continue to work on clarifying and improving occupational health and safety issues throughout the organization, from management to all employee levels, and strive to establish and enhance Daifuku's safety culture.

Joint safety patrol by three affiliates



In May 2019, twelve executives from Daifuku (China) Co., Ltd., Daifuku (China) Manufacturing Co., Ltd., and Daifuku (China) Automation Co., Ltd. conducted a joint safety patrol of an automated warehouse installation at a customer site. The purpose of the patrol was to raise and highlight employee safety awareness.

Preventing traffic accidents



Daifuku is taking physical measures to eliminate traffic accidents in company cars. Specifically, the mandatory installation of autonomous emergency brakes (AEB), back monitors, rear corner sensors, and telematics drive recorders in our entire fleet of around 800 company cars. Additionally, managers are notified via mail sent by the drive recorder when dangerous driving occurs. This enables managers to be immediately updated on the driving situation, and prevents traffic accidents from becoming a common occurrence.

Formulating Daily Health and Safety Standards



Daifuku has drawn up its own health and safety standards for factories and construction and installation sites; in February 2020, we issued a new set of standards aimed at preventing accidents in daily activities. These standards list examples of safe conditions and actions to take in daily activities. We will use e-learning and other methods to ensure all Daifuku employees are aware of the Daily Health and Safety Standards.

Occupational Health and Safety Management System Certification

All production sites and primary locations in Japan, and all main production sites overseas, have obtained and maintained certification for occupational health and safety management systems such as ISO 45001. In Japan 100% of manufacturing is carried out in ISO-certified locations, and 82.6% abroad (based on fiscal 2019 sales).

> Certified Locations (ISO 45001, Etc.) [PDF](#) (175 KB)

Health

Principal Initiatives

In view of the importance of the physical and mental health of employees, Daifuku adopted the Declaration of Group Health Management in April 2018. We are implementing various health promotion policies and organize events based on health issues toward creating a more stimulating and healthy workplace environment.

Initiative materiality and relationship to SDGs

Materiality

- Development of an Employee-Friendly Working Environment

CSR Action Plan KPIs and targets for 2020

- Diagnosis rate of lifestyle related diseases in health examinations: 45%



SDGs pursued by Daifuku

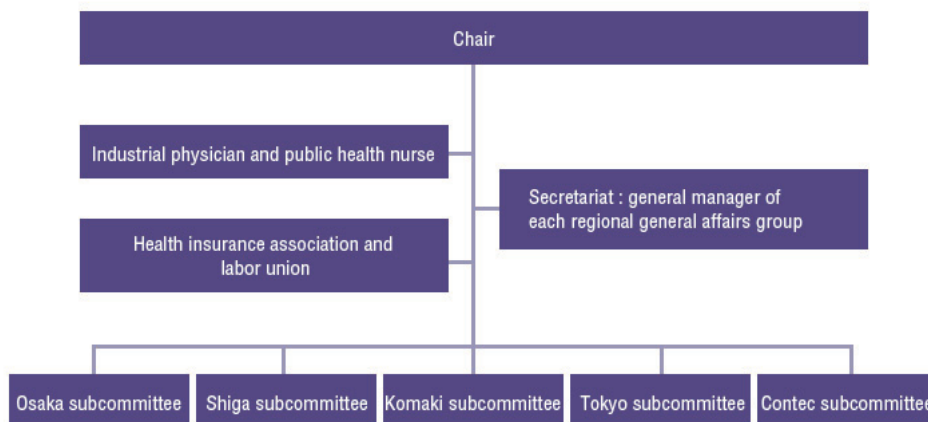
Daifuku Group Health Management Declaration

- Daifuku continuously promote activities to maintain and increase the physical and mental health of its employees. Considering the health of all associates as fundamentals to the sustainable growth of its business.
- Daifuku strives to provide a comfortable and hygienic workplace environments with the aim of raising the quality of the work and the lives of each employee.
- Daifuku, led by the Mental and Physical Health Promotion Committee, a companywide organization encompassing corporate and industry medical practitioners and public health nurse and labor unions, promotes to raise health awareness and the work-life balance of its employees by implementing health promotion measures.

Promotion Framework

Since 2006, the company-wide cross-organizational Mental & Physical Health Promotion Committee, chaired by the Human Resources and General Affairs division manager, has been working with industrial doctors, public health nurses and health insurance associations to organize health promotion initiatives and events at each business site.

Mental & Physical Health Promotion Committee



Health Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Diagnosis rate of lifestyle diseases in health examinations

KPI

Regrettably, we did not achieve our target rate. Some reasons for this are thought to be a chronic lack of exercise, and the prevalence of habitual drinking of alcohol. However, the ratio of employees with a body mass index (BMI) of 25 or higher, which is the baseline indicator for an increased risk of lifestyle-related diseases, fell from 33.5% in the previous fiscal year to 30.3%; so the effects of various initiatives are gradually being seen. We will continue to provide guidance and hold seminars on maintaining a healthy lifestyle, and implement other measures to support the health of Daifuku employees.

	FY2017	FY2018	FY2019	
			Target	Results
Diagnosis rate of lifestyle related diseases	52.6%	52.6%	46.0%	55.2%

Mental & physical health promotion

Mental health measures



Daifuku held a "Rakugo in English" event at the Tokyo Head Office, which was a performance of traditional Japanese comic storytelling, known as rakugo, rakugo in Japanese and English. The benefits of laughter on mental health are well known, and this event was aimed at providing employees with a chance to experience Japanese culture while enjoy the healing effects of having a laugh.

Physical health measures



Daifuku held a Seminar on "How to Read Health Check Results" at the Shiga Works site. The seminar taught employees how to read and understand the results of their individual health check, instead of just glancing at the results and then forgetting about them. It was a chance for employees to learn how to use the results to manage their health.

Exercise measures



The Komaki Works has been holding exercise seminars every Wednesday for the past five years, in an effort to eliminate a lack of exercise among employees. The seminars are designed to keep employees interested so that they continue to exercise; this includes incorporating special programs such as core training, Zumba, and Group Fight classes.

Dietary measures

Daifuku's employee cafeteria has developed a more nutritionally balanced menu capable of contributing to the improved health of employees through food. These continued efforts have earned the Osaka Headquarters, Shiga Works and Komaki Works cafeterias a Smart Meal Certification, an accolade available only to cafeterias that meet a defined standard for providing healthy meals and a healthy eating environment (recognized through a three-step evaluation).

Contents > CSR Action > Respect human dignity (human rights, labor practices, safety, health) > Health

Massage room



Daifuku has set up a massage room for employees, with the aim of promoting health by focusing on recovering from fatigue and alleviating stress. We also have in-house physiotherapists available for employees to use, in an effort to expand the employment of people with disabilities. We have been offering health consultations by public health nurses and chair massages by physiotherapists, who travel to service sites in the jurisdiction of the Osaka Headquarters.

Improvement in working environment



To guard against heatstroke and improve working conditions, we have introduced air conditioned clothing for machine operators.

Create good relations with communities

Principal Initiatives

Communication with communities

Daifuku has a number of sites and offices around the world where it conducts business operations, including production and sales. Building good relations with communities at each site is a key goal for Daifuku and is essential to maximize our business activities. Accordingly, we strive to proactively communicate with communities through volunteer activities and collaboration with various organizations, while taking into account the cultures and legal requirements unique to each country and region.

Communication with shareholders and investors

Promoting constructive dialogue with our shareholders and investors through our investor relations (IR) activities has significant implications for Daifuku's sustainable growth and the medium- to long-term improvement of the corporate value. In accordance with Japan's Corporate Governance Code stipulated by the Tokyo Stock Exchange, we formulated the Daifuku Corporate Governance Guidelines in May 2016. Based on these guidelines, we strive to secure the rights and equal treatment of shareholders and enhance dialogue with them.

Initiative materiality and relationship to SDGs

Materiality

- Encourage communication with local communities and society at large, and social contribution activities
- Encourage communication with shareholders and investors

CSR Action Plan KPIs and targets for 2020

- Number of participants in social contribution activities: 2,000
- Publication of reports that contain non-financial data, and listing this on the website:
Continued publication of combined reports in Japanese and English, including surveys and evaluations such as questionnaires
- Number of participants in briefings for private investors:
We are placing restrictions on the attendance and organizing of events throughout fiscal 2020 to prevent the spread of COVID-19



SDGs pursued by Daifuku

Promotion Framework

Communication with communities

In the CSR Action Plan (FY2017-FY2020) announced in April 2017, we included the number of Daifuku Group participants in social contribution activities as a new KPI (key performance indicator). In Japan, we will continue our social contribution by collaborating with communities through initiatives led by the General Affairs Department and the Environmental Enhancement Management Committee.

Communication with shareholders and investors

The Disclosure Committee chaired by the CEO discloses information based on laws and regulations, while the Investor Relations (IR) Department mainly conducts other information disclosure and dialogue in cooperation with relevant departments. For individual shareholders and investors, we provide site tours, participate in IR fairs, and conduct briefing sessions through securities companies. Another goal of these events is to raise awareness of Daifuku among the public and consumers. We are placing restrictions on the attendance and organizing of events throughout fiscal 2020 to prevent the spread of COVID-19.

Communication Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

[Relations with local communities]

Number of participants in social contribution activities

KPI

The target for fiscal 2019 was 1,700 people, and the actual number of participants was 3,597 people. We will continue to share information so as to facilitate awareness of our social contribution activities.

Investment in Local Communities

Type	Content	FY2019 investment amount (yen)
Environmental preservation	Donations from Daifuku's Eco-Action Program to external environmental groups	3,230,000
	Costs of cleaning and greening activities around Daifuku sites	4,092,000
	Costs of biodiversity preservation activities	3,460,000
Community contribution	Regional Revitalization Team Project donations and activity costs	722,159
Nurturing the next generation	Visits to Hini Arata Kan from universities, vocational schools, and elementary and junior high schools	1,365,000
Total		12,869,159

Local procurement and local hiring

Daifuku believes that one of the activities that contributes to the local economy is to procure in the vicinity of its operating area. We are dedicated to the growth of communities through our procurement in the area of the Shiga Works and other regions. With regard to hiring as well, we actively seek out talent in the vicinity of our sites and provide employment opportunities. We will continue to contribute to the vitalization and advancement of regional economies through local procurement and employment.

Temporary evacuation shelter



In March 2015, an agreement was concluded with Hino Town, Shiga Prefecture, concerning the temporary use of Daifuku facilities as an evacuation shelter for neighboring residents in the event of a natural disaster, as requested by local residents for the Shiga Works to act as an emergency evacuation shelter. The agreement was concluded after conducting a simulation of receiving evacuees and confirmation of the contents of the agreement with other companies operating in the vicinity of the Shiga Works. It forms part of Daifuku's social contribution efforts.

Community cleanup activities



Daifuku regularly maintains and cleans a popular tourist spot, Shakunage-kei (Rhododendron Gorge) near the Shiga Works. Since 2005, we are participating in a pre-season general cleanup drive organized by the Hino Tourism Association every April. Our employees also participate in Shiga Prefecture's "Ohmi Eco-Foster System," which includes activities that help protect the local environment. Finally, our employees remove trash from roads near our facilities every month.

Nature conservation around Lake Biwa



Daifuku employees from the Shiga Works take part in a yearly activity to clip phragmites surrounding Lake Biwa together with local residents, companies and environmental conservation groups. To protect phragmites plains, which play an important role in preserving the ecosystem and water health of Lake Biwa, it is essential to trim the overgrown reeds every winter. The clipped phragmites are used as raw materials for paper products.

Ground Golf Competition



As part of our efforts to contribute to the local community, since fiscal 2018 Daifuku has been sponsoring the Daifuku Cup Ground Golf Competition, which is held by the Shiga Prefecture Hino-cho Ground Golf Association. During the second Competition held in 2019, a total of 398 people participated from 12 neighboring towns and Mie Prefecture.

Regional Revitalization Team Project



Daifuku launched the Regional Revitalization Team Project in fiscal 2019 at the Shiga Works site, and since then we have been promoting exchanges with neighboring regions and holding events to showcase local specialty products to employees. We are collecting donations through these events, and donating the collected money to the Hino-cho Goodwill Bank. We will continue to actively work with schools and organizations, and contribute to revitalizing the community.

Workplace tour



The Daifuku Kids Day was held at the Tokyo Head Office in August 2019. This event was designed to strengthen family ties by allowing children the opportunity to visit the workplace of their parents or guardians. In addition to a workplace tour, visiting children also participated in competitions, workshops, and other fun events.

Donation of relief goods to hurricane victims



Hurricane Michael wreaked havoc in the southern United States in October 2018, causing significant damage in its wake. Employees at Elite Line Services, Inc. collected various supplies in support of the victims. The supplies were donated to the Dove Church in Southport, Florida, in December 2018. The church delivered the collected relief supplies—blankets, cleaning products, pillows, toiletries, clothes, and shoes—to more than 600 households.

Promote connections with shareholders and investors

Publication of reports with non-financial data, website postings

KPI

We published the integrated report Daifuku Report 2019 in English and Japanese, and also released the first e-book edition. This report briefly summarizes highly important information on the value creation activities of the Daifuku Group.

Number of participants in briefings for private investors

KPI

The target for fiscal 2019 was at least 650 people, and the number actually achieved was 293 people. We fell short of the target number as we were unable to hold the briefings as planned due to taking measures to prevent the spread of the coronavirus.

Hini Arata Kan Tours for shareholders



Every year we hold tours for our shareholders to the exhibition center, Hini Arata Kan, which is located in the Shiga Works. This tour provides our shareholders with a rare opportunity to view up close the systems we provide, and enables them to get a real feel for what we do. Due to popularity among our shareholders, in fiscal 2019 we increased the frequency of the tours to three times a year, with around 100 shareholders participating each time. Tours for fiscal 2020 have been cancelled in order to prevent the spread of COVID-19.

Environmental Management

Principal Initiatives

The most profound risk to our business continuity comes from global environmental issues, including climate change and biodiversity. At the same time, we recognize that solving such issues also presents business opportunities for us. In the Daifuku Environmental Vision 2020 formulated in 2011, we are stating, “We strive to be environmentally aware in every business activity, including consistently developing and providing material handling systems with low environmental impact.”

As the three priority measures to achieve this vision, we promise to: “Promote environmentally friendly activities in business operations,” “Increase the number of environmentally friendly products and services,” and “Enhance the foundations for environmental management.” We have set up targets for each measure to be achieved by 2020.

Initiative materiality and relationship to SDGs

Materiality

- Promote environmentally friendly activities in business operations
- Expand environmentally friendly products and services
- Strengthen environmental management platform

CSR Action Plan KPIs and targets for 2020

- Total CO₂ emissions from production and office locations (compared with levels in FY2005): Reduction of 41% or more
- CO₂ emissions from production and office locations (per basic unit of net sales compared with levels in FY2005): 72% or less
- Global CO₂ emissions (per basic unit of net sales compared with levels in FY2011): 50% or less
- Waste generated (per basic unit of net sales compared with levels in FY2005): 72% or less
- Amount of water used (per basic unit of net sales compared with levels in FY2005): 57% or less
- Amount of water used globally (per basic unit of net sales compared with levels in FY2011): 40% or less
- Number of certified Eco-Products: 63
- Contribution to reducing CO₂ emissions from products and services: 100,000 ton-CO₂
- Number of participants in the Eco-Action program: 8,000
- Company-wide implementation rate of D-EMS (Daifuku Eco-Management System): 100%



SDGs pursued by Daifuku

Environmental Vision 2020

Basic message

Contribute to our customers, society, and the conservation of the global environment

We strive to be environmentally aware in every business activity, including consistently developing and providing material handling systems with low environmental impact.

Contribute to our customers, society, and the conservation of the global environment



Priority measures for achieving the vision

1. Promote environmentally friendly activities in business operations

- Reducing CO₂ emissions from our business activities
- Taking steps to save energy and resources, introduce renewable energy, preserve biodiversity, reduce environmental impact, and harmonize with communities

2. Expand environmentally friendly products and services

- Developing and supplying environmentally friendly products and services that comply with our environmental standards
- Helping our customers reduce CO₂ emissions through our environmentally friendly products and services

3. Strengthen environmental management platform

- Expanding environmental education and training to increase awareness across the Daifuku Group
- Building a global environmental management framework for the Group to further our environmental contribution

Targets for 2020

Theme		Scope	2020 Targets
Promote environmentally friendly activities in business operations	Preventing global warming (lowering CO ₂ emission)	Japan	Total CO ₂ emissions from production and office locations (compared with levels in FY2005) Reduction of 41% or more CO ₂ emissions from production and office locations (per basic unit of net sales compared with levels in FY2005): 72% or less CO ₂ emissions from product shipments (per basic unit of net sales compared with levels in FY2005): 78% or less
		Global	CO ₂ emission volume (per basic unit of net sales compared with levels in FY2011): 50% or less
	Resource saving	Japan	Waste generated (per basic unit of net sales compared with levels in FY2005): 72% or less Recycling rate: 99% or more Amount of water used (per basic unit of net sales compared with levels in FY2005): 57% or less
		Global	Amount of water used (per basic unit of net sales compared with levels in FY2011): 40% or less
	Preserving biodiversity	Japan	Continue biodiversity preservation with Daifuku-made initiatives such as the Yui Project
	Green procurement		Continue reducing substances of concern throughout the supply chain
Expand environmentally friendly products and services		Global	Number of certified Eco-Products: 63 products or more certified Contribution to reducing CO ₂ emissions from products and services: 100,000 tons-CO ₂
Strengthen environmental management platform	Environmental education		Foster environmental awareness by increasing the number of participants in the Eco-Action program: 8,000
	Environmental management framework	Group-wide deployment of a global environmental management framework and continued implementation of D-EMS: 100%	

* For more information, please refer to the PDF file.

> Daifuku Environmental Vision 2020 [PDF](#) (112 KB)

Promotion Framework

Toward achieving the Daifuku Environmental Vision 2020, the Company set up the “Sustainability Committee” as the highest decision-making body on environmental management issues across the Group. It is comprised of the heads of various business departments and is chaired by the CEO. The Committee issues instructions on implementing plans and activity policies for upper management that address climate change and a wide variety of other issues.

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Environmental Action Plan

KPI

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (184 KB)

Objectives and Results

Initiative	Objective and Main Approach	Scope	Key Indicator	FY2019 Target	FY2019 Result	Evaluation	FY2020 Target	
Promote environmentally friendly activities in business operations	Preventing global warming	Japan (Production and office locations)	Total CO ₂ emission volume compared with levels in FY2005	Reduction of 40% or more	57.4% reduction	✓	41% or more	
			CO ₂ emissions per basic unit of net sales compared with levels in FY2005	73% or less	31.9%	✓	72% or less	
		Japan (Product transportation)	CO ₂ emissions per basic unit of net sales compared with levels in FY2005	79% or less	56.2%	✓	78% or less	
			Global	CO ₂ emissions per basic unit of net sales compared with levels in FY2011	54% or less	47.5%	✓	50% or less
	Resource saving	<ul style="list-style-type: none"> Energy-saving efforts at production and office locations Decreasing waste by recycling valuable resources Save resources by decreasing final disposals 	Japan (Production and office locations)	Waste generated per basic unit of net sales compared with levels in FY2005	72% or less	47.6%	✓	72% or less
				Waste recycling rate (including cost items)	99% or more	99.2%	✓	99% or more
			Global	Amount of water used per basic unit of net sales compared with levels in FY2005	58% or less	30.1%	✓	57% or less
				Amount of water used per basic unit of net sales compared with levels in FY2011	41% or less	26.9%	✓	40% or less
	Preserving biodiversity	<ul style="list-style-type: none"> Ascertain the connection with biodiversity and business activities Evaluate and monitor the ecosystem in the Shiga Works Eco-education centered around the Shiga Works Biodiversity Preservation Initiatives, Yui no Mori (preservation of Yamato salamanders, birds and insects) 	Japan (Production and office locations)	-	<ul style="list-style-type: none"> Building a regional cooperation platform 	<ul style="list-style-type: none"> Company-wide preservation activities Release of clouded salamander for protection 	✓	<ul style="list-style-type: none"> Continue with our unique biodiversity preservation centering on the Yui Project
	Green Procurement	<ul style="list-style-type: none"> Dissemination and commitment to the Green Procurement Guideline Exchange information with suppliers 		-	<ul style="list-style-type: none"> Ascertain the situation regarding the environmental impact caused by emissions from our suppliers 	<ul style="list-style-type: none"> Ascertain the situation regarding the environmental impact caused by emissions from our suppliers 	✓	<ul style="list-style-type: none"> Continue to decrease the environmental impact throughout the supply chain caused by substances of concern

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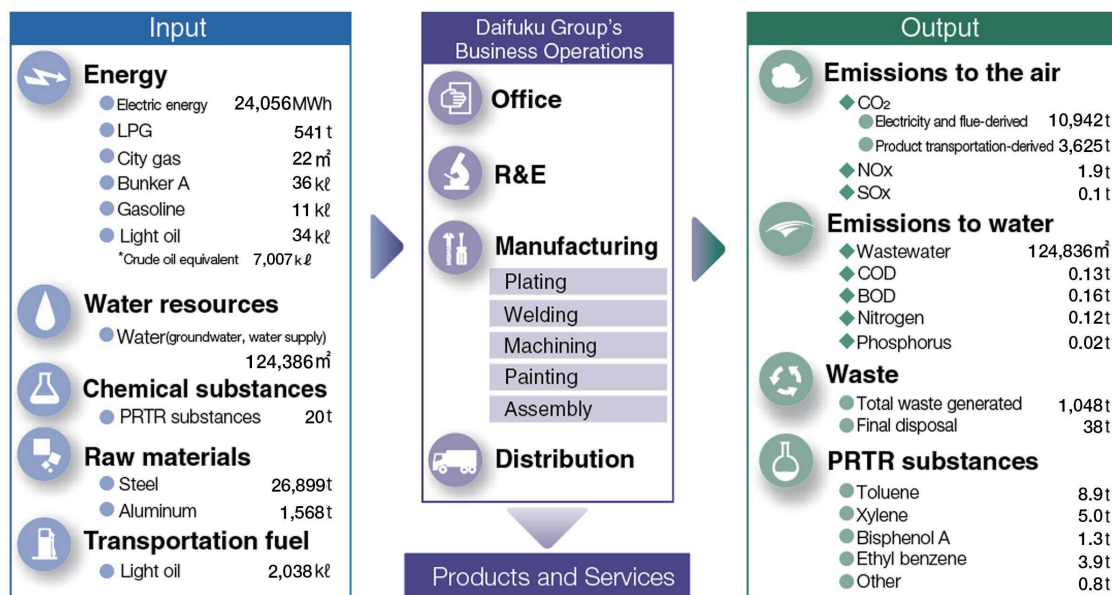
Initiative		Objective and Main Approach	Scope	Key Indicator	FY2019 Target	FY2019 Result	Evaluation	FY2020 Target
Expand environmentally friendly products and services		<ul style="list-style-type: none"> Expand the number of Daifuku Eco-Products Develop and provide products that contribute to energy savings Undertake and disclose life-cycle assessments 	Global	Daifuku Eco-Product certification	• 56 or more certified products	• 62 certified products	✓	• 63 or more certified products
				CO ₂ Reduction Contribution	83,000 ton-CO ₂	73,928 ton-CO ₂	×	100,000 ton-CO ₂
Strengthen environmental management platform	Environmental education	<ul style="list-style-type: none"> Regularly hold environmental education activities Promote the Eco-Action program 	Global	-	<ul style="list-style-type: none"> Total of 7,800 or more employees participating in the Eco-Action program (events, lectures, development of autonomous activities domestically and internationally) 	<ul style="list-style-type: none"> Total of 13,403 employees participating in Eco-Action program 	✓	<ul style="list-style-type: none"> Total of 8,000 or more employees participating in Eco-Action program (events, lectures, development of autonomous activities domestically and internationally)
	Environmental management framework	<ul style="list-style-type: none"> Gather information to set targets at global affiliates Implement a framework to gather environmental information from across the Group 			<ul style="list-style-type: none"> D-EMS company-wide implementation rate of 100% Implementation of environmental impact reduction measures at non-Japan sites 	<ul style="list-style-type: none"> D-EMS company-wide implementation rate of 95.8% Environmental-themed events (photo contest, SDGs awards) Self-assessment of energy conservation actions 	×	<ul style="list-style-type: none"> D-EMS company-wide implementation rate of 100% Setting up a Global Committee

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Material balance

Monitoring the environmental impact of its business operations, Daifuku strives to minimize its environmental burden.



Environmental accounting

Daifuku conducts environmental accounting by quantitatively monitoring costs and the effectiveness of its environmental conservation activities.

Costs of environmental conservation activities (classified by business activity)

(Thousand yen)

Category		Investment		Cost		
		FY2018	FY2019	FY2018	FY2019	
Incurred in business areas	Pollution prevention	1. Preventing air pollution	-	-	14,620	22,850
		2. Preventing water pollution	1,930	31,877	39,287	80,662
		3. Preventing soil contamination	-	-	-	0
		4. Preventing vibration and noise	-	-	-	0
	Environmental conservation	5. Saving energy	147,913	260,255	195,943	196,313
		6. Controlling chemical substances	-	-	418	704
	Resource recycling	7. Effectively utilizing resources	-	-	1,007	1,007
		8. Processing industrial and general waste	1,400	5,081	31,937	49,394
Upstream/Downstream	9. Difference between costs of regular and green purchasing	-	-	1,920	1,920	
Management activities	10. Environmental management system operation	-	-	45,937	42,253	
	11. Environmental information disclosure and advertisement	-	-	18,653	3,655	
	12. Environmental impact monitoring	-	20,986	4,380	6,966	
	13. Environmental education for employees	3,000	0	5,615	17,732	
R&D	14. Environmental conservation out of R&D	-	-	172,300	178,720	
Social activities	15. Nature protection, greening and beautification	9,700	2,669	50,148	49,338	
	16. Donation to and support for nature conservation groups	-	-	2,202	2,180	
Environmental damage response	17. Covering environmental damage	-	-	-	0	
Total		163,943	320,869	584,366	653,694	

Contents > CSR Action > Contribute to the environment through corporate activities > Environmental Management

Economic effects of the environmental conservation measures (actual effects)

(Thousand yen)

Effects	FY2018	FY2019
Sales of valuable resources	79,529	55,792
Energy cost saving	3,829	33,136
Waste disposal cost saving	459	▲10,597
Total	83,817	78,331

Effects of environmental conservation

Item	FY2019	Reduction relative to the previous year (▲ Increase)	Amount generated per basic unit of net sales relative to the previous year
Energy cost (Thousand GJ)	271.6	11.7	100.9
CO ₂ emissions (Ton-CO ₂)	10,942.0	2,270.1	90.5
Total waste generated (Ton)	4,948.0	▲61.0	98.4
Final disposal (Ton)	38.0	5.0	69.7
Total drainage (Thousand m ³)	125.0	▲1.8	103.5

Environmental management system certification

All production sites and primary locations in Japan, and all main production sites overseas, have obtained and maintained the ISO 14001 certification for environmental management systems. In Japan 100% of manufacturing is carried out in ISO-certified locations, and 88.2% abroad (based on fiscal 2019 sales).

> ISO 14001 Certified Locations [PDF](#) (134 KB)

Assents to the TCFD recommendations

On May 10, 2019, Daifuku assented to the recommendations from the Task Force on Climate-Related Financial Disclosure (TCFD) and is disclosing related information in accordance with the recommendations. Through dialogue with stakeholders, Daifuku continues to promote initiatives to address climate change as it aims for sustainable growth.

> Daifuku Group's Disclosure of Climate Change Information [PDF](#) (719 KB)

> List of assenting companies (Website of the Ministry of Economy, Trade and Industry)

* TCFD: Established by the Financial Stability Board (FSB), the TCFD is an international organization comprising representatives from central banks, financial supervisory authorities and finance ministries of major countries and regions, and helps companies understand what financial markets want from disclosure and encourages them to align their disclosures.

Environmentally friendly Products and services

Daifuku Eco-Products Certification Program

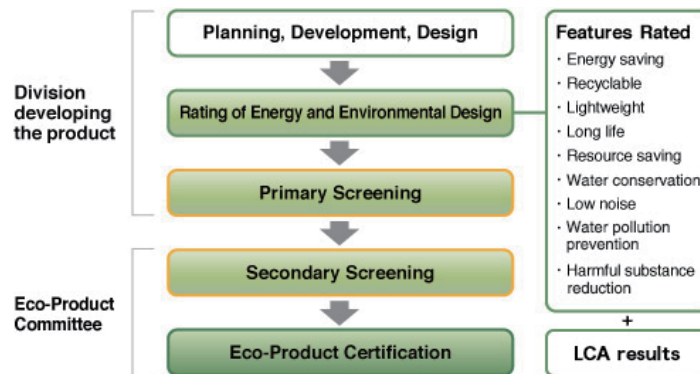
KPI

In 2012, Daifuku began its Daifuku Eco-Products Certification Program to certify products based on environmental impact assessment ratings and a certification system using Daifuku's own standards. Under the program, all products across the Group are measured under the same standards, with measurements coming from results of a Life Cycle Assessment (LCA) and environmental performance assessments on a number of areas, including power saving, recyclability, lightweight, long Life, packing material reduction, water conservation, noise reduction, water pollution prevention, and harmful substance reduction. As of May 2020, 62 products have met the standards and been certified as Daifuku Eco-Products.



Certification process

To obtain a valid and trustworthy rating from multiple perspectives, the screenings are done by the Eco-Product Committee, comprised of directors or chief operating officers from different operations.



Certified Eco-Products (Year)

Manufacturing & Distribution

- Mini load AS/RS post and beam type wide truss rack (2019)
- Mini load AS/RS - H-P10 (2019)
- Mini load AS/RS - Smart Stocker Quattro (2018)
- Mini load AS/RS - Shuttle Rack (SRS-M Double Deep) (2018)
- High-speed transport vehicle - Sorting Transfer Vehicle (2017)
- High-throughput picking station - Quick Pick Station (2017)
- Stacker crane - R-series S/R machine (2015, 2016)
- AS/RS - Seismic damper unit for rack (2016)
- Bolt-up Rack (2015)
- Mini load AS/RS - Shuttle Rack (2013, 2014)
- AS/RS for long objects (2014)
- Transport system - Motor Roller Conveyor (2013)
- Mini load AS/RS, R-F/N (2012)

Cleanroom

- Cleanroom storage system - CLS-50IIIECO (2019)
- 10.5G FPD cassette transporting system (2018)
- Green HID Inductive Wire 500 m (2017)
- Cleanroom Equipment - Mechanical Centering System (2016)
- Overhead monorail system - Clean Space Carrier (2013, 2015)
- Transport system - Cleanway (2014)
- Cleanroom transport/storage system - MMHS (MMHS: Matrix Material Handling System) (2013)
- AS/RS - Clean Stocker (2012)

Automotive

- Standard controller for the Flexible Drive System - FDC (2019)
- Tablet control panel for automotive production lines (2018)
- Skillet conveyor with lifting device - Scissor lift (2017)
- Chainless conveyor System - Flexible Drive System (2016)
- Temporary storage and sortation system - SPDR (2015)
- Pallet-type conveyor system - Flexible Drive System (2014)
- Power assisting system - ECO POWER ASSIST (2013)
- Environmentally friendly paint system - E-DIP (2012)

Car wash machines and related products

- Gate-type car washing machine - Fabrica NEO (2019)
- Gate-type car washing machine - Avante NEO (2019)
- Space-saving gate-type car wash machine - Zechs (2018)
- Tunnel-type car wash machine - Magic Thru (2017)
- Large-vehicle car wash machine - Camion Custom (2017)
- One-way drive-through car wash machine - Twinfect Feat (2016)
- One-way drive-through car wash machine - Twinthru Luke (2016)
- One-way drive-through car wash machine - Fabrica (2015)
- One-way drive-through car wash machine - Avante (2015)
- Gate-type car wash machine - Flare (2014)
- Gate-type car wash machine - Grossa (2014)
- One-way drive-through car wash machine - Twinfect Force (2013)
- One-way drive-through car wash machine - Twinthru Artero (2013)
- Gate-type car wash machine - Euros (2013)
- One-way drive-through car wash machine - Granada (2012)
- Gate-type car wash machine - GSPECT (2012)

Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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Contents > CSR Action > Contribute to the environment through corporate activities > Environmentally friendly Products and services

Electronic products (Contec Co., Ltd)
<ul style="list-style-type: none"> • Insulated analog input unit (Model: AI-1608VIN-USB) (2019) • Panel computer (Model: PT-970W10WA) (2019) • Box computer (Model: BX-T1000) (2018) • High-speed GPIB communication micro converter (Model: GPIB-FL2-USB) (2018) • Factory automation computer (Model: VPC-700) (2018) • M2M Controller CONPROSYS nano (2017) • RS-232C communication unit (2017) • FLEXLAN Series 8 port 10/100M Unmanaged Industrial Switching HUB (2016) • SolarView Battery (Solar power generation data measurement and display device, SolarView Battery) (2016) • CONPROSYS Series Ether CAT Slave Module (2016) • BOX-PC (2015) • M2M Controller (2015) • Solar power measurement display system - SolarView Compact (2014)

Certified Eco-Products (2019)

Mini load AS/RS post and beam type wide truss rack

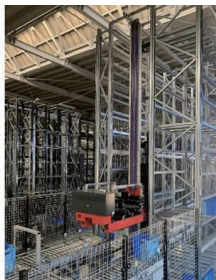
Lightweight CO₂ Reduction



The mini load AS/RS post and beam type wide truss rack is suitable for holding containers. Compared to arm-type racks, the number of trusses has been reduced to about one fifth, greatly improving workability. Also, reducing the number of parts by about 70% and making them more lightweight has contributed to a reduction in environmental impact during production.

Mini load AS/RS - H-P10

Energy Saving CO₂ Reduction



The H-P10 model is a high-performance mini load AS/RS for multi-tenant storage. Using special transfer devices enables loads to be stored and retrieved simultaneously, thereby decreasing overall transfer time. Further, changing the frame structure from two masts to one has greatly reduced weight. Additionally, power consumption has been reduced by 27% compared to conventional models.

Cleanroom storage system - CLS-50IIECO

Energy Saving



CLS-50IIECO is an AS/RS that stores hoops containing semiconductor wafers. By adding a charging function to the conventional S/R machine, the regenerative power generated during deceleration and descent can be stored and used during acceleration and ascent, decreasing power consumption by 10%.

Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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Contents > CSR Action > Contribute to the environment through corporate activities > Environmentally friendly Products and services

Standard controller for the Flexible Drive System - FDC

Energy Saving Lightweight Long Life



Daifuku updated the controllers used on the Flexible Drive System. In addition to its original functions, a review of the model's structure resulted in the optimizing of the drive system, reduced wiring, and reduced size and weight. Power consumption was also reduced by 11%, parts count by 47% and product weight by 43%. In addition, use of non-contact parts to extend its service life is increasing.

Gate-type car washing machine - Fabrica NEO

Long Life Water Saving



A minor change, the Prost Coat—a new type of coating—is now available with the Fabrica NEO. The application of the industry's only inclined and split side-brushes makes it possible to clean under the rear spoiler. In addition, the Fabrica NEO also boasts other systems for washing the lower and under sections of vehicles, including the industry's first wheel cleaning that uses high-pressure water and a brush, and optimal cleaning of the undercarriage according to the vehicle length. In terms of environmental friendliness, the Fabrica NEO has significantly better corrosion and weather resistance by using highly corrosion-resistant galvanized steel sheets for the frame. The system consumes less water, and environmentally safe liquids are used as standard.

Gate-type car washing machine - Avante NEO

Long Life Water Saving



A minor change, the Prost Coat—a new type of coating—is now available with the Avante NEO. This uses newly developed brushes for more intensive cleaning, and drying performance has also been improved. The range of functions and options available has also been expanded. In terms of environmental friendliness, the Avante NEO ensures significantly better corrosion and weather resistance by using highly corrosion-resistant galvanized steel sheets for the frame. The system consumes less water, and environmentally safe liquids are used as standard.

Insulated analog input unit (Model: AI-1608VIN-USB)

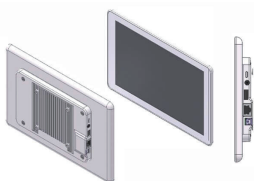
Energy Saving Resource saving



This is a USB 2.0 compatible unit with expanded capabilities for analog signal input from PC USB ports. Along with increasing the number of I/O points compared to conventional units, adjustments made to the parts and circuit configuration reduced power consumption by 21%. In addition, a 14% reduction of packing material weight contributes to resource conservation.

Panel computer (Model: PT-970W10WA)

Energy Saving Lightweight



An LCD integrated panel computer equipped with a 10.1-inch (WXGA 1280×800) touch panel display. By carefully selecting the installed interface and limiting it to the minimum required features such as 1000 BASE-T, USB 2.0 and audio, power consumption was reduced by 46%, weight by 81%, and the number of parts by 59%.

Life Cycle Assessment

From 2015, we have incorporated the life cycle assessment (LCA) as a analysis tool for designing eco-friendly products. By comparing old and new products, we are able to further enhance our eco-friendly product designs.

Results of LCA conducted on the New Goodrack (heavy load storage rack)

Specifications of a standard representational model:

Width (W):	2,500 mm
Depth (L):	1,100 mm
Height (H):	5,000 mm
Number of levels:	3 beam levels (maximum load: 2,000 kg/level)
Connection:	10 spans



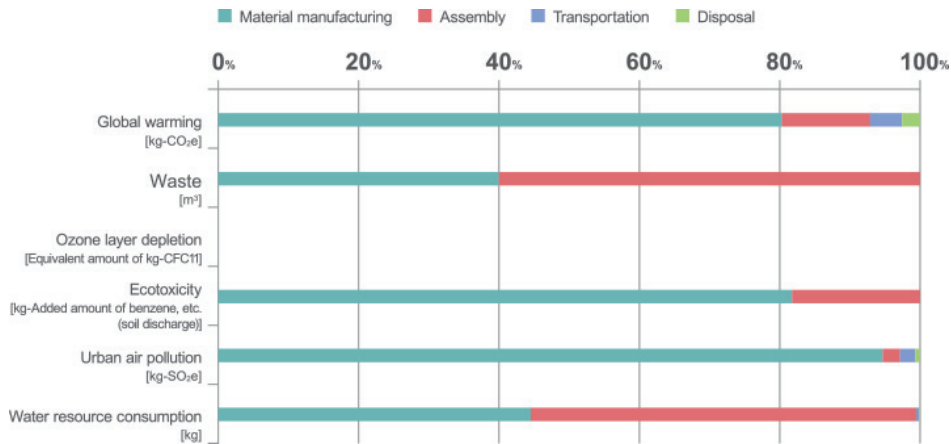
1. LCA computation scope



2. Impact assessment

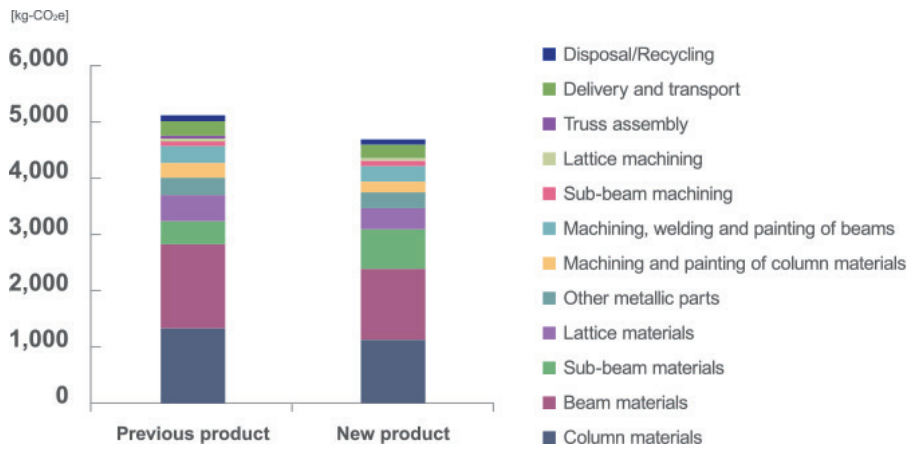
We assessed the impact of six environmental issues according to product life cycle stages. We also compared the environmental impact of new and previous products.

Summary of impact assessment by product life-cycle stage



- Material manufacturing stage contribution exceeded 80% for global warming, ecotoxicity (terrestrial) and urban air pollution.
- Assembly stage largely contributed (around 60%) to waste disposal site exhaustion and water resource consumption.
- Within the computation conditions no clear impact was noticed towards ozone depletion.
- Transportation stage and disposal stage impact were minimal across all listed environmental issues.

Comparison with previous product (Global warming)



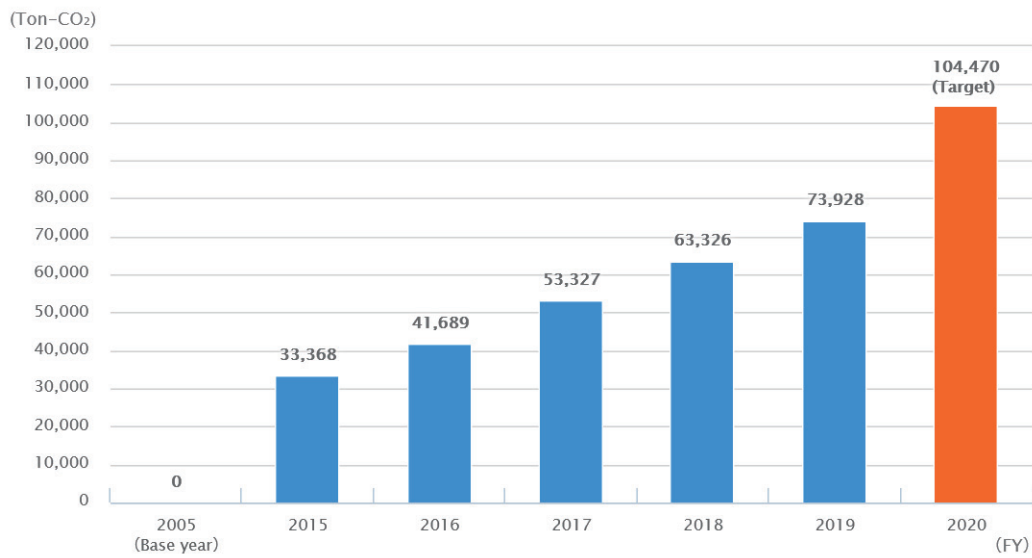
- Environmental impact reduction rate for new products was 7.4%.
- Decreasing the weight of trusses and beams was the main contribution to the reduction of environmental impact.

CO₂ Reduction Contribution

KPI

Daifuku strives to decrease its carbon footprint by providing eco-friendly products and services. The contribution towards reduced CO₂ from our products and services is calculated by taking the amount of CO₂ released and subtracting it from the amount released during fiscal 2005, which acts as the base year. eFA Global Operations, which accounts for about 70% of the overall group CO₂ reduction target, saw a reduction in the ratio of energy-saving products compared to 2005. As a result, we have only achieved 63,326 tons of the 69,000-ton CO₂ FY2018 target. While sharing countermeasures with the Eco-Product Committee, Daifuku will focus on developing and introducing energy-saving technology for all of its provided product systems with the goal of minimizing CO₂ emissions in production and logistics processes at customer sites.

CO₂ reduction contribution from environmentally friendly products



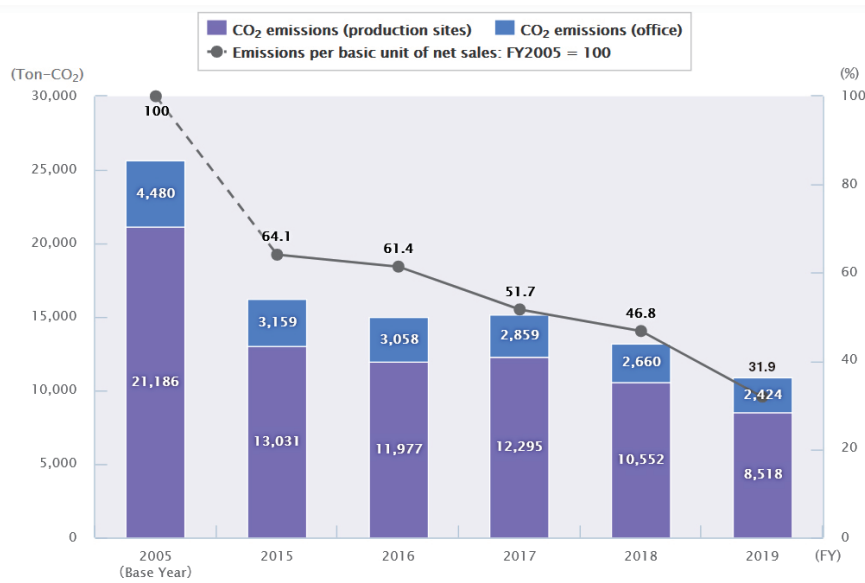
Energy Conservation

CO₂ Emissions and Reduction Measures

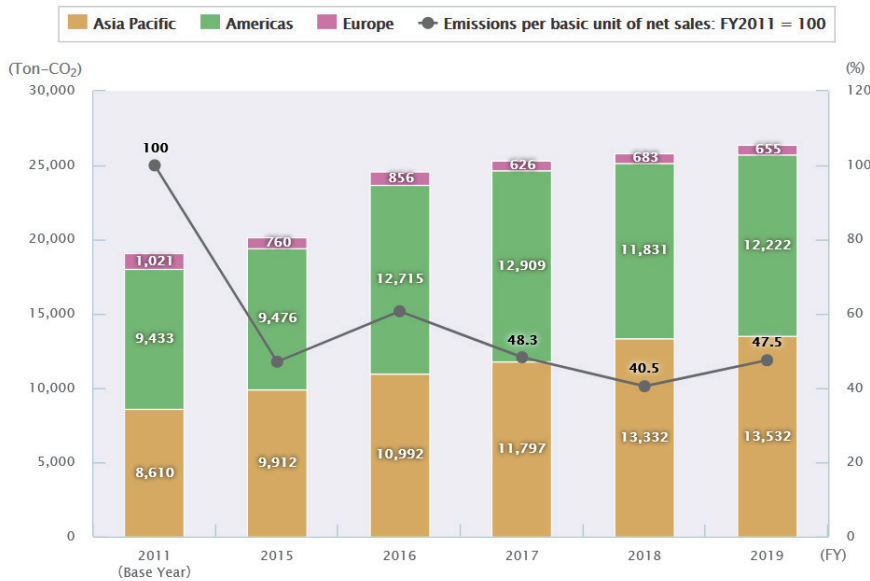
KPI

We achieved a 57.4% reduction in emissions against the Group target (40% or more reduction compared to fiscal 2005). Also, emissions per unit of sales was 31.9%, which largely exceeded the target (73% or less compared to fiscal 2005). We will continue to make improvements to our business operations and related equipment and facilities.

CO₂ emissions (Japan)



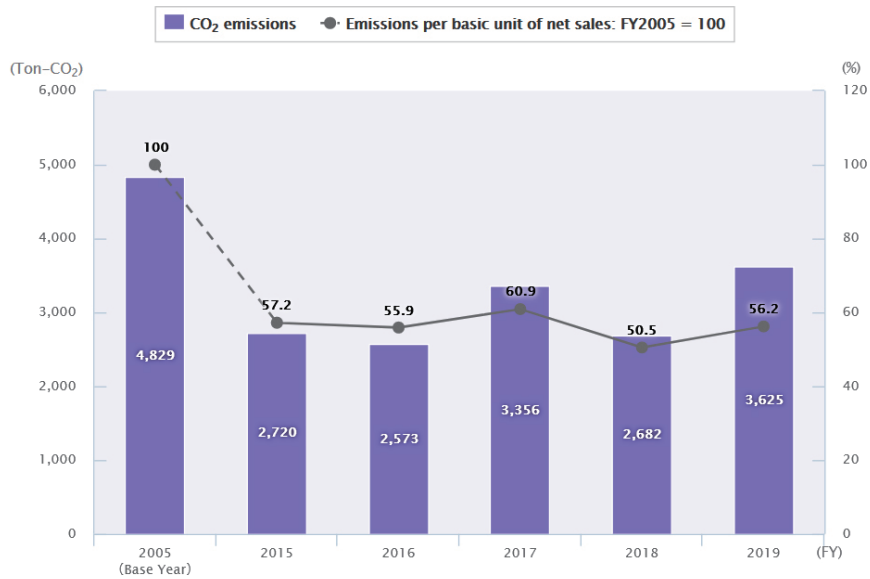
CO₂ emissions (Non-Japan)



Status of Environmental Impact Related to Transportation

The CO₂ emissions per unit sales from product logistics in fiscal 2019 was 56.2%, which greatly exceeded the Group target (79% or less compared to fiscal 2005). We are continuing to lessen the environmental impact through effective transportation, such as improving load dimensions and transportation methods, switching from individual transportation to routine pickups and deliveries, and using modal shifts.

CO₂ emissions associated with transportation



Scope 3

In order to reduce the greenhouse gases (CO₂) emitted from all of our corporate activities, we are calculating the total CO₂ emissions throughout our supply chain (Scope 3).

Scope 3 emissions in fiscal 2019 totaled 2,912,030 (tons-CO₂), which accounted for 99% of our total CO₂ emissions.

CO₂ emissions attributable to the “use of products for sale” accounted for 82% of Scope 3 emissions.

We will continue to work on achieving more accurate calculation methods for the target categories, while focusing on developing and selling environment-friendly Daifuku Eco-Products with the aim of reducing CO₂ emissions from the “use of products for sale.”

Scope 1

Greenhouse gases emitted directly from business activities (fossil fuels, etc.)

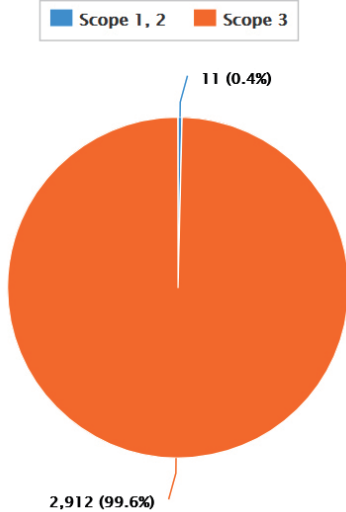
Scope 2

Greenhouse gases emitted indirectly from business activities (use of electric power and heat, etc.)

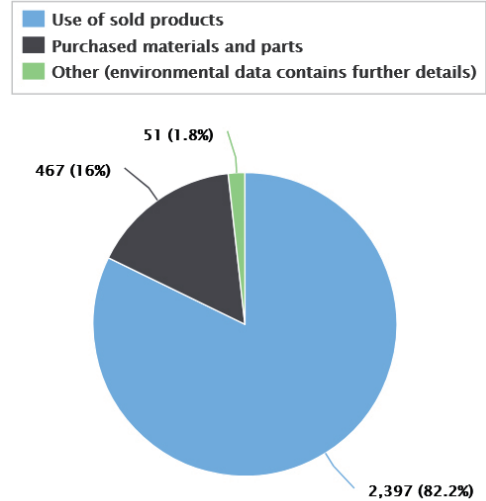
Scope 3

Greenhouse gases emitted indirectly from the supply chain of business activities (purchased products and service, use of products, etc.)

CO₂ emissions throughout the entire supply chain (1,000 tons-CO₂)



Scope 3 CO₂ emissions (1,000 tons-CO₂)



Note: Due to rounding, the sum of individual items and the total may not always match completely.

Energy Conservation Efforts

Our CO₂ reduction efforts range from large-scale operational improvements to individual employees reducing their commute and travel when on company business. Daily data on the use of electricity and heat energy, the major contributors of CO₂ emissions, are constantly monitored for improvement.

A photovoltaic system installed at Hini Arata Kan demo center



Solar modules installed on the rooftop

In March 2010, Daifuku installed solar panels at the Hini Arata Kan material handling and logistics exhibition center located in the Shiga Works site. In fiscal 2019, the system generated about 240,000 kWh of power, which reduced CO₂ emissions by 84 tons.

Daifuku Shiga Mega Solar



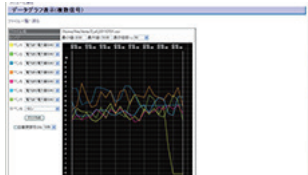
52,000 square meters of solar panels

In November 2013, we installed the photovoltaic system, Daifuku Shiga Mega Solar, at the Shiga Works. Comprising 17,752 panels, the system has a maximum power generation capacity of 4,438 kW (largest in Shiga Prefecture) and an annual output (power sold to electric power providers) of approx. 4,300,000 kWh (equivalent to the annual power consumption of 1,000 general households).

Implementing Cool Biz and Warm Biz Campaigns

All Daifuku facilities in Japan turn off their lights during the lunch break, as well as after hours. In addition, office air conditioning is set at 28 degree Celsius in the summer and 20 degree Celsius in the winter to reduce environmental impact while still creating a comfortable environment for employees. All divisions have a no jacket and tie rule in summer and encourage employees to wear warm clothes to the office during the winter.

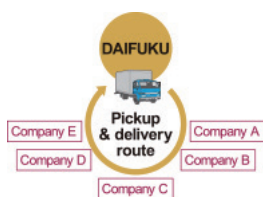
Introducing a system to visualize energy consumption at production facilities



We have installed a system that can constantly monitor the energy consumed, such as electric power and gas, in our facilities at the Shiga Works. As numerical values are displayed in a graph on personal computers, it is possible to instantly assess the energy consumption status on production lines at a glance. Constant monitoring lets us easily see where we need to improve operation and facilities to save energy.

Display of numerical values in a graph view

Sharing transportation resources



We are now building a partnership with suppliers for parts and materials and set up a pickup and delivery service in order to reduce costs and properly control delivery dates. Although suppliers had transported cargo with their own trucks, we are currently making rounds with one truck per region through concentrated management and throughput control, and are striving to consolidate and streamline trips to logistics sites. We are contributing to the prevention of global warming by reducing CO₂ emissions throughout the entire supply chain as well as reducing each supplier's logistics costs.

One truck picks up and delivers to suppliers in a given region (milk run method*).

* Milk run method:

One truck makes the rounds to each supplier and picks up cargo that had previously been delivered by separate trucks. This method improves load efficiency and reduces fuel consumption and CO₂ emissions.

Modal shift*

Daifuku typically uses trucks to transport products to customer sites, but we are in the process of shifting to more environmentally-friendly methods of railway and marine transportation. Our aim is to improve the quality of logistics operations by coordinating delivery schedules and managing costs, thereby reducing CO₂ emissions as much as possible. In fiscal 2019, we were able to cut CO₂ emissions by 766 tons through the modal shift of transportation methods.

* Modal shift:

Choosing modes of transportation with lower environmental impact, such as railroads and ships, to transport cargo. By switching from trucks to ships and trains, it is possible to transport cargo with fewer CO₂ emissions and less impact on the environment.

Carbon offsetting*

For our material handling and logistics exhibition center, Hini Arata Kan, we implemented a 100% carbon offset of total annual CO₂ emissions (328 tons-CO₂: fiscal 2019) calculated from the electric power and liquefied petroleum gas (LPG) used in running the center, and the lightweight oil (biodiesel fuel) used for shuttle buses, as well as 1.5kg CO₂ per visitor.

* What is carbon offsetting?

Carbon offsetting refers to the act of recognizing one's own greenhouse gas emissions, making efforts to reduce the emissions, and of counterbalancing, in whole or in part, the greenhouse gas emissions that cannot be reduced by purchasing credits or through other means.

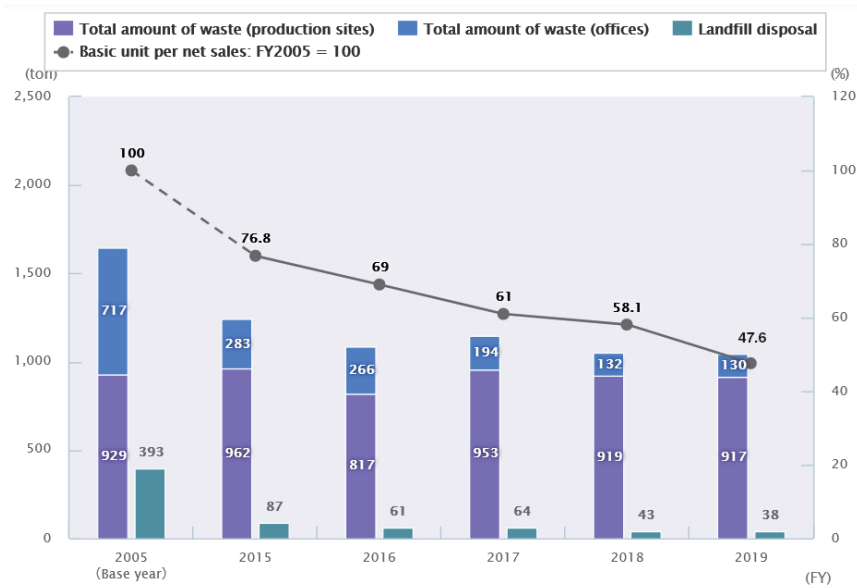
Resource Saving

Waste Reduction and Recycling Rate

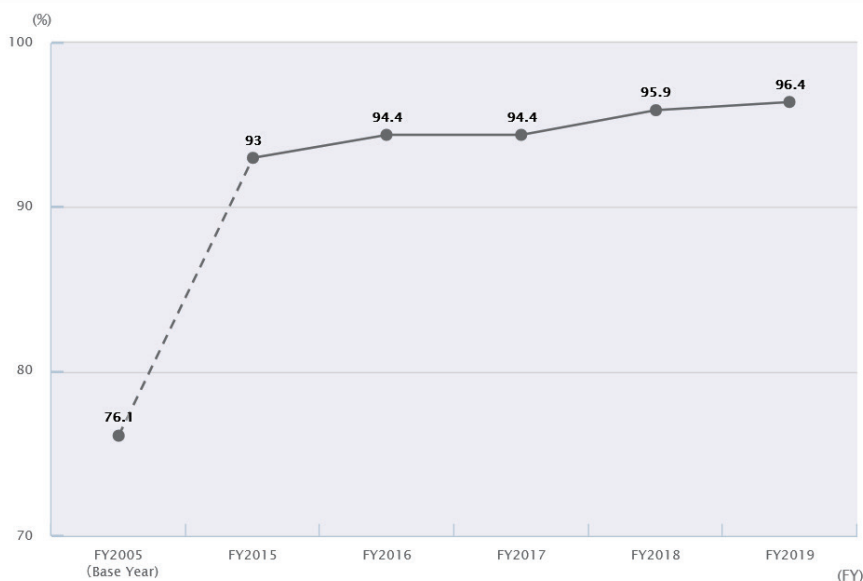
KPI

The amount of waste generated per unit of sales in fiscal 2019 was 47.6%, thereby achieving the Group-wide target (72% or less compared to fiscal 2005). In our efforts to meet our waste recycling target (99% minimum), we reduced landfill disposal by thoroughly sorting the waste and thereby achieved a recycling ratio of 96.4%; however, we weren't able to reach the target. Since fiscal 2018, we have been excluding valuable resources in the calculation of waste volume.

Total amount of waste (Japan)



Recycling rate (Japan)

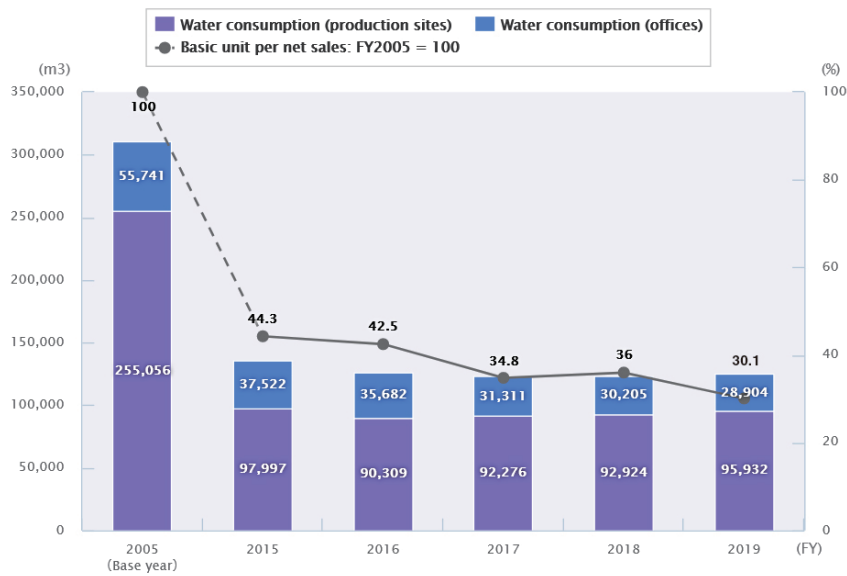


Reduction of Water Consumption

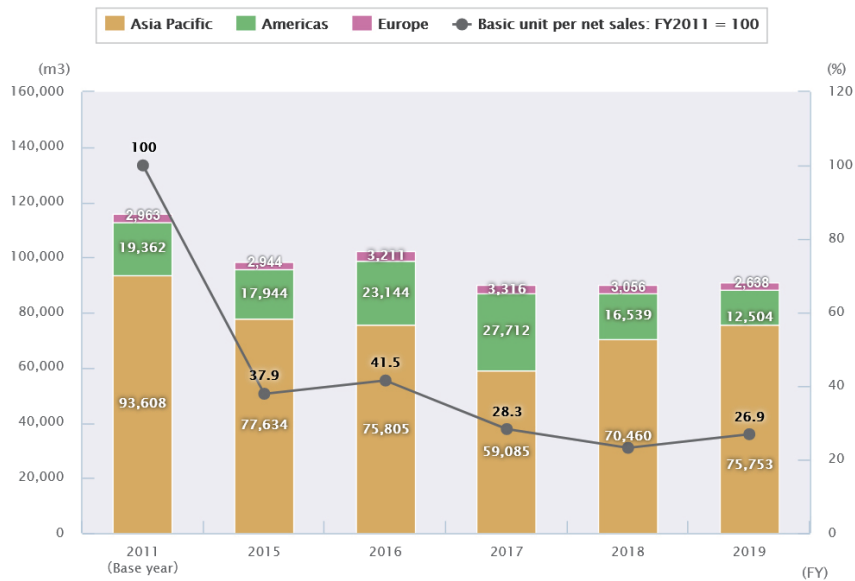
KPI

At production bases that account for approximately 80% of the entire Group's water consumption, in particular we reviewed the painting process in production lines (from powder coating to plating) and developed water-saving car wash machines, among other measures. As a result, we were able to reduce water consumption for fiscal 2019 by 30.1%, which greatly exceeded the Group-wide target (58% or less compared to the fiscal 2005 amount of basic unit per sales).

Water consumption (Japan)



Water consumption (outside of Japan)



Resource Saving

Ensuring appropriate waste disposal



Site reviews conducted by Daifuku's employees

Waste generated by business activities is processed appropriately in accordance with laws and regulations. Even when waste processing is outsourced to a subcontractor, meaning that the outsourcing operator takes responsibility for proper processing, Daifuku carefully chooses the best outsourcing companies and visits their facilities annually to ensure that waste is handled properly.

Minimizing waste and recycling



Collection of cooking oil waste from employee cafeterias

At the Shiga Works site, we are collecting cooking oil from the three on-site cafeterias and employees' homes, and converting it into biodiesel. We then use this biodiesel as fuel for the Hini Arata Kan shuttle bus (Biodiesel used in FY 2019: Approx. 7,200 liters).

Efforts to reduce plastic waste



Water dispenser and stainless-steel water flask

In July 2019, Webb Canada set a goal of reducing plastic waste by discontinuing beverages in plastic bottles. To achieve this, the company's factory in Hamilton introduced a sensor-controlled water dispenser and distributed stainless-steel water flasks to all employees.

Pollutant Reduction

Chemical Substances Management

Complying with PRTR Law

Paints and organic solvents are the primary chemical substances used by Daifuku in its production facilities. The Company manages and controls the usage amounts of special chemical substances on-site as designated under the PRTR Law.*

Glossary

* PRTR (Pollutant Release and Transfer Register) Law: A law that requires enterprises to submit a report to their national governing authority specifying the number and volume of chemical substances they are releasing into the environment. This is aimed at voluntary management of chemical substances and the prevention of environmental pollution.

Emission and transfer volume of chemical substances related to PRTR Law

Shiga Works

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Emission and transfer (kg)	18,691	30,010	18,969	27,223	23,765	18,531

Amount of PRTR-related chemical substances handled in FY2019

Shiga Works

(kg)

Control No.	Chemicals	Transaction Volume	Emission to					Transfer to		
			Air	Public water	Soil	Land	Total emissions	Sewage	Misc	Total transfer
37	Bisphenol A	1,295.18	0	0	0	0	0	0	25.9	25.9
53	Ethylbenzene	3,822.64	3,822.64	0	0	0	3,822.64	0	0	0
80	Xylene	4,980.20	4,980.20	0	0	0	4,980.20	0	0	0
296	1,2,4-Trimethylbenzene	615.35	615.35	0	0	0	615.35	0	0	0
297	1,3,5-Trimethylbenzene	163.27	163.27	0	0	0	163.27	0	0	0
300	Toluene	8,864.37	8,864.37	0	0	0	8,864.37	0	0	0

(Note) Chemical substances of which less than 100 kg is handled are omitted as the amounts are negligible.

Preventing Water Pollution

The Shiga Works, which accounts for approximately 80% of Daifuku's water consumption in Japan, maintains a 24-hour continuous monitoring system with three wastewater treatment facilities that ensure water quality on par with agricultural water by thoroughly complying with drainage standards established by the Shiga Prefecture Ordinance and Pollution Control Agreement with Hino Town. In addition, we invite neighboring residents and provide opportunities to visit our wastewater treatment facilities and see our thorough water quality management systems, which facilitates good relationships with stakeholders.



Water quality survey

We recognize that water pollution is an important issue that broadly affects soil, agricultural produce, living environments, and more. We not only comply with laws and regulations, but also make meticulous efforts to manage and reduce waste water.

Result of final effluent quality measurements in FY2019

Shiga Works (in accordance with the Water Pollution Prevention Act, prefectural ordinances, and the Hino Town pollution control agreement)

Measurement item	Regulation value	Results		
		Max	Min	Avg
Amount of drainage (m ³ /day)	-	441.2	145.5	352.8
pH	6.0 to 8.5	7.4	6.9	7.2
SS (mg/ℓ)	20 or less	2.0	0.5	0.6
COD (mg/ℓ)	20 or less	1.7	0.2	1.0
BOD (mg/ℓ)	20 or less	2.0	1.0	1.2
Total phosphorus (mg/ℓ)	1 or less	0.1	0.1	0.1
Total nitrogen (mg/ℓ)	10 or less	3.0	0.5	0.9

(Note) The average value is the weighted average.



Effluent treatment facilities



Effluent before (left) and after (right) treatment

Recycling sludge into cement materials

At the Shiga Works' wastewater treatment facility, it is necessary to treat the sludge produced to maintain stable water treatment. The dewatered sludge withdrawn from the facility is treated using a dryer and is turned into dried sludge with 20% water content. This has led to a large reduction in excess sludge as well as a reduction in waste treatment cost. Furthermore, dried sludge is put to good use as a raw material for cement.



Sludge recycling facility



Dried sludge

Air Pollution Prevention

Based on Ordinance 25, Clause 1 of the Ordinance Concerning the Reduction of Impact on the Air Environment of Shiga Prefecture, the Shiga Works is designated as a “place of business subject to a plan to reduce its environmental impact on the air.” We are striving to control and reduce smoke-related air pollutants.

Result of final air pollutant measurements in FY2019

Shiga Works (according to the Hino Town environmental pollution control agreement)

Material	Facility	Regulation value	Results		
			Max	Min	Avg
Dust (g/m ³ N)	Dynamos	0.1	0.010	0.006	0.007
Sulfur oxide (SOx) (m ³ N/h)	Dynamos	2.3	0.080	0.070	0.073
Nitrogen oxide (NOx) (ppm)	Dynamos	950	850	750	798

Green Procurement

Implementation of Green Procurement Guidelines

As a global enterprise, we believe that our mission is to make environmentally friendly products. Under the motto, “We will not buy, use, or sell any hazardous materials,” we formulated our Green Procurement Guidelines in 2005. Following the guidelines, we prioritize the purchase of materials and products that are resource saving, energy saving and reusable.

Compliance with European harmful substance regulations

The entire Daifuku Group focuses on the European REACH regulations*, and goes to great lengths to visualize and remove any harmful chemicals in its products. The Company continues to offer environmentally friendly products through implementation of Green Procurement Guidelines by looking at its entire supply chain.

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

Local production for local consumption at cafeterias

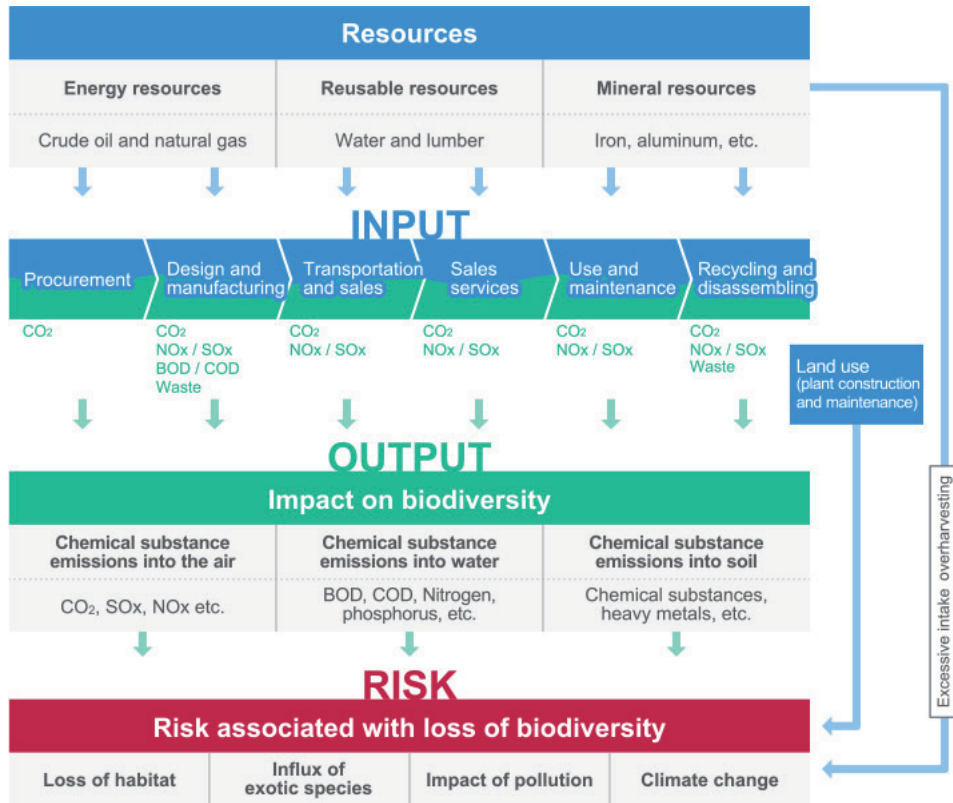
Since August 2014, a menu using local ingredients is provided every week at the three cafeterias in the Shiga Works. Plenty of variety is provided, such as the renowned locally produced Hinona turnips and highly nutritious and richly flavored eggs from Eigen-ji. This initiative will continue on as an activity in reducing food mileage, to reduce the amount of CO₂ emissions that comes from transport.



Biodiversity Preservation

Relationship between Daifuku and Biodiversity

In order to clarify the relationship between business activities and ecosystems, Daifuku has mapped the interaction of product processes, land use, and other ecosystem aspects. Based on this map, Daifuku notes the impact on ecosystems by the land use at the Shiga Works, which is endowed with nature, and is conducting business activities that take biodiversity into account.



Conservation Activities at Shiga Works

In terms of site area, the Shiga Works is one of the largest land users in Shiga Prefecture. A survey of ecosystems within the Shiga Works confirmed 699 native species, and 53 rare and endangered species. In order to preserve this precious natural environment for subsequent generations, we have established a biodiversity preservation activity called the “Yui Project” to promote communication both within and outside the company, and we are pursuing various conservation initiatives.

Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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Contents > CSR Action > Contribute to the environment through corporate activities > Biodiversity Preservation

Results of Ecosystems Survey (rare and endangered species)

Classification	Species	Type
Birds	Falcatid duck, little grebe, little ringed plover, Eurasian sparrowhawk, buzzard, red-rumped swallow, olive-backed pipit, Eurasian bullfinch, peregrine falcon, etc.	27
Amphibians	Clouded salamander, Japanese brown frog, leopard frog, schlegel's green tree frog	4
Reptiles and mammals	Japanese pond turtle, harvest mouse	2
Insects	Asiagomphus pryeri (dragonfly), trigomphus interruptus (dragonfly), trigomphus ogumai (dragonfly), epitheca marginata (dragonfly), spring cicada, polyrhachis lamellidens, gynacantha japonica, libellula quadrimaculata asahinai, sympetrum baccha matutinum, hydrochara affinis, Yellow Dater dragonfly	11
Fish	Gin-buna, dark sleeper	2
Plants	Stalked adder's tongue fern, early amythesy (beautyberry), yellow bladderwort, platycodon, atractylodes japonica, agrostis valvata, golden orchid	7
Total		53



Peregrine falcon



Clouded salamander



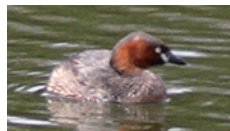
Japanese pond turtle



Trigomphus ogumai



Golden orchid



Little grebe



Spring cicada (shell)



Eurasian bullfinch

Yui no Mori

As part of a biodiversity preservation activity called the Yui Project*, which started at Shiga Works in 2014, we set up the Yui no Mori (Mori = forest; comprised of a conservation pond, learning square, etc.). We engaged in biodiversity conservation activities for a region-specific red pine forest, the rare clouded salamanders and other species. The project also serves as a learning environment inside and outside the company.

* Yui Project: Yui means to "bring together," and the project refers to various activities to bring together "water with greenery, people with nature, and people to people."

Creating opportunities for interacting with nature



At the Shiga Works, we hold nature observation events and workshops featuring experts, so that employees have opportunities to interact with plants and animals that habitat in the surrounding area. In fiscal 2019, these events included making Christmas wreaths using natural materials found at the site, and nature observation events that the employees' families could also participate in.

Initiatives Outside the Company

Participating in the Shiga Green-activity Network's biodiversity and CSR research association



Seminar

Daifuku is a founding member of a research association established in 2015 that looks into biodiversity, the environment and CSR. The association, which was formed as part of the Shiga Green-activity Network, of which Daifuku is also a member, facilitates learning about biodiversity and the latest CSR trends, and encourages communication between association members.

Participating in the Lake Biwa Biodiversity Network's dragonfly conservation efforts through corporate collaboration



Planning exhibit (Lake Biwa Museum)

The eight neighboring companies* of the Shiga Works launched the "Lake Biwa Biodiversity Network" in 2016, with the dragonfly as its symbolic species. The Network is committed to conserving the biodiversity of Shiga Prefecture. As part of the "100 Dragonflies Event," the Network aims to search for, protect, and educate the public about the 100 species of dragonflies in Shiga Prefecture. In recognition of its efforts, in fiscal 2017 the Network received a top award for biodiversity from Shiga Prefecture, and in 2019 won an award from the Japan Committee of the United Nations Decade on Biodiversity.

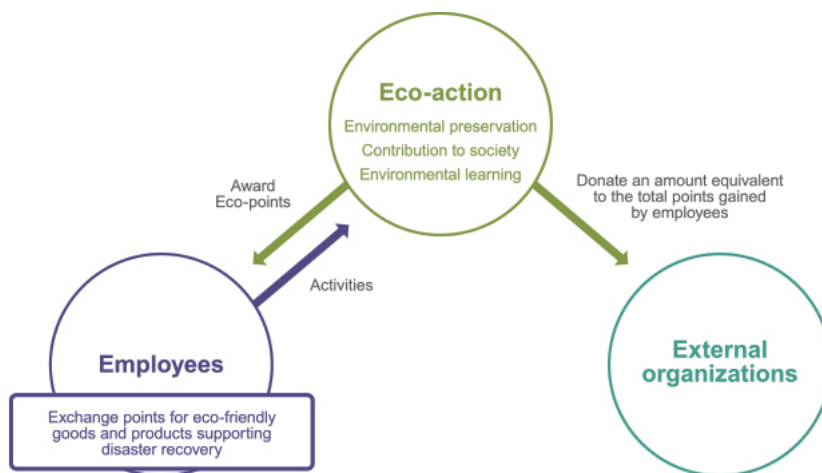
* Asahi Kasei Corporation, Asahi Kasei Juko Co., Ltd., OMRON Corporation, Sekisui Jushi Corporation, Sekisui Chemical Co., Ltd., Daihatsu Motor Co., Ltd., Yanmar Co., Ltd., and Daifuku Co., Ltd.

Eco-Management Structure

Daifuku Eco-Action Program

In 2012, Daifuku established its Eco-Action program, which rewards eco-points for environmental activities undertaken by employees in a bid to foster an environmental mindset. With a variety of ecological activities available in each region, we reached a cumulative total of 13,403 participants across multiple volunteer activities and environmental learning events.

Eco-points gained by employees can be exchanged for green goods and other rewards. In addition, we donate an amount equivalent to the total points gained by them to external organizations.



Eco-Action events (examples)

Program	Content / Description	FY2019 Total number of participants
Eco Field Report	Learn about the environment through experiences at nature parks, zoos, museums, environmental facilities, etc.	408 people
Eco Quiz	Eco Quiz published in the in-house newsletter. Disseminate information about the environment and deepen the understanding of this topic	2,847 people
Environment oriented household account book	Allows entering data about usage of electricity and water etc. for visualization to raise awareness of energy conservation	119 people
Lake Biwa reed cutting activity	Participate in a conservation cycle event to protect the reeds and encourage water purification of Lake Biwa	32 people
Non-native species fishing tournament	Participate in efforts to reduce breeding of non-native fish, in order to protect the ecosystem of Lake Biwa	25 people
Water spraying event	Participate in a water-spraying event together with other organizations and businesses to counter the heat island effect in urban areas	17 people

Change in number of participants

KPI

Daifuku has been implementing projects to further increase employees' environmental awareness, and expand the number of participants. Our cumulative result of 13,403 participants greatly exceeded our target of 7,800.

Fiscal year	2017	2018	2019	
			Target	Result
Total number of participants (cumulative)	7,474 people	6,458 people	7,800 people	13,403 people

Donations

In fiscal 2020, Daifuku is planning to make the following donations as a part of the Daifuku Eco-Action Program, which is an employee participation-style environmental initiative.

Donation target	Amount	Content
(Continued) 8th year Shiga Prefectural Lake Biwa Museum	1,000,000 yen (previous year: 1,000,000 yen)	Museum Renewal Operating Cost
(Continued) 7th year Hini Arata Kan carbon offset	530,000 yen (previous year: 540,000 yen)	Offset through contributions to the regional reduction framework of amounts equal to CO ₂ emissions generated from operating the Hini Arata Kan and associated with visitor movements there
(Continued) 6th year United Nations Decade on Biodiversity Japan Committee	1,200,000 yen (previous year: 1,000,000 yen)	Various initiatives to raise mainstream public awareness of biodiversity preservation
(Continued) 2nd year Shiga Green-activity Network	200,000 yen (previous year: 200,000 yen)	Holding education and awareness seminars and events to promote reducing the environmental impact
(New) The Nature Conservation Society of Japan	200,000 yen	Various projects to facilitate education and awareness of, and investigative research on nature conservation
(New) Japan National Trust	100,000 yen	Various projects to use and conserve Japan's cultural properties, natural scenic sites and other assets, while also ensuring their preservation for future generations

Environmental Award System

We established an Environmental Award System in 2014 to recognize the environmental initiatives of individual employees and Group affiliate companies, which serves as a driving force of our environmental management efforts. In fiscal 2019, the Company expanded the scope of the award program to factor in initiatives that relate to the SDGs (Sustainable Development Goals). As a result, Group affiliate ForgePro (India) won the award for an initiative that saw it establish toilet facilities in a local elementary school toward reducing instances of open defecation.

D-EMS (Daifuku Eco-Management System)

KPI

In January 2017, we launched the Daifuku Eco-Management system (D-EMS), which enables the timely assessment of global environmental data and effective environmental impact reduction. We receive monthly reports of environmental information from our various sites (including non-Japan subsidiaries), and we collect, aggregate and analyze this environmental data to help us achieve our environmental targets. The company-wide deployment rate for fiscal 2019 was 95.8%; we were unable to meet the target of 100% due to not achieving full awareness at our non-Japan subsidiaries. By sharing the measures being taken in the Environmental Enhancement Management Committee, we will continue to focus on assessing and understanding global environmental data.

Governance

Daifuku, in accordance with its Management Philosophy of providing the best solutions to benefit the global markets and the development of society; and, focusing on healthy, growth-driven global management under a diverse and positive corporate culture, is committed to improving its corporate governance to strengthen its governance structure.

As one of these initiatives, Daifuku has elected four outside directors and established the Advisory Committee to advise the Board of Directors concerning important matters on nominations and remunerations of members of management team. One of the outside directors serves as the chair of the Committee.

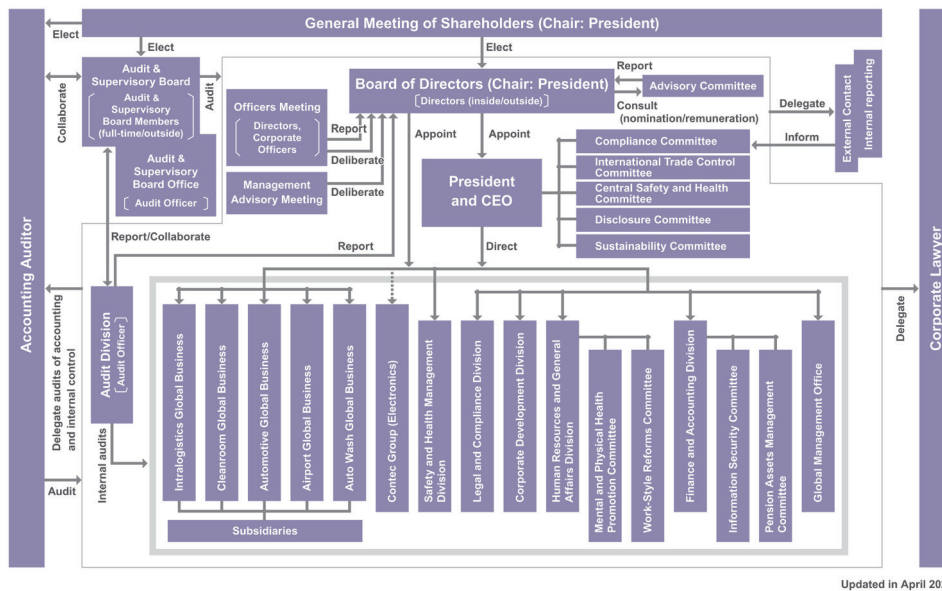
Our basic approach to corporate governance

The Daifuku Group emphasizes the fulfillment of its corporate social responsibility (CSR) based on the following management philosophy:

1. Provide the best solutions to benefit the global markets and the development of society.
2. Focus on healthy, growth-driven global management under a diverse and positive corporate culture.

Daifuku has enhanced its corporate governance framework by developing the Board of Directors consisting of eight members, including four outside directors, and the Audit & Supervisory Board consisting of four members, three of whom are elected from outside the Company. The Company believes that the management oversight/supervision system functions sufficiently through the close collaboration of the two Boards. In addition, the Company has introduced the corporate officer system to encourage rapid decision-making on business execution.

In April 2019, the Company established its Audit Division with the aim to enhance internal audits and the functions of internal control evaluation. The Audit Division shall facilitate improvements to the internal control system and its operation by examining and evaluating them from multiple points of view, including compliance with relevant legislation and internal regulations, risk management, ensuring the appropriateness and efficiency of management operations, and ensuring the reliability of financial reporting, independently from the business operation line.



Updated in April 2020

Corporate Governance Report

> Corporate Governance Report [PDF](#) (637 KB)

Corporate Governance Guidelines

> Daifuku Corporate Governance Guidelines [PDF](#) (232 KB)

Corporate Governance Framework

1. Directors and the Board of Directors

Daifuku's Board of Directors consists of eight directors. The directors' term of office is one year. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened as necessary.

The Board of Directors shall delegate matters other than the important matters stipulated in the Rules of the Board of Directors, such as the determination of management policies, management plans, and corporate governance system, to directors and corporate officers.

The four outside directors provide insightful advice and recommendations to the Board of Directors based on their abundant experience and extensive knowledge of corporate operations, corporate legal affairs, and accounting, etc. They also ensure the transparency of management and supervise business execution by the inside directors.

2. Audit & Supervisory Board members and the Audit & Supervisory Board

The Company maintains an Audit & Supervisory Board made up of four Audit & Supervisory Board members, three of whom are elected from outside the Company.

Audit & Supervisory Board members and the Audit & Supervisory Board shall fulfill their duties by stipulating and promoting the effective applications of the Rules of the Audit & Supervisory Board, Audit Standards, and Standards on Audit Concerning the Internal Control System, with regard to audit of directors' fulfillment of duties, decisions over resolutions to be submitted to the Ordinary General Meeting of Shareholders regarding election/dismissal and non-reappointment of the accounting auditor, and others, with due attention to their fiduciary responsibilities to shareholders and with an aim for sustainable growth and medium- and long-term improvement of the corporate value.

3. Advisory Committee

A voluntary Advisory Committee has been established to strengthen the independence, objectivity and accountability of the Board of Directors' functions on the matters of the nomination, election/dismissal, and the remuneration of directors and corporate officers. The Committee is comprised of representative directors and outside directors and meets at least three times a year. The Committee is chaired by one of the outside directors to ensure its transparency in the course of resolutions.

4. Other bodies, etc.

The Management Advisory Meeting is held to confer important management matters. With directors and Audit & Supervisory Board members in attendance, this meeting also seeks the opinions of external specialists on an as-needed basis. Convened by the president as he sees fit, the Management Advisory Meeting meets on a timely basis as appropriate.

In addition, the Company introduced the corporate officer system for the purpose of the following:

- 1) Accelerate management decision making through a reduction in the number of directors and the establishment of this consultative body, as well as further revitalizing the Board of Directors by promoting more rigorous deliberation;
- 2) Engage in functional and efficient management operations, recruiting younger employees knowledgeable in management to serve as corporate officers and execute operations based on authority bestowed upon them by the Board.

With the introduction of the corporate officer system, the Company holds officers' meetings with all directors, corporate officers, and Audit & Supervisory Board members, etc. and participating in deliberations. The meetings are held every month, fitting in with scheduled Board of Directors meetings. Corporate officers participate in meetings of the Board of Directors and the Management Advisory Meeting, depending on the matters to be discussed.

The Company also holds its Japan subsidiary meetings, and representatives of the companies report on business conditions and other information to the Company's representative directors and full-time members of the Audit & Supervisory Board. In addition, the Company holds a non-Japan subsidiary management meeting (called as Daifuku Global Management Meeting) to share information and exchange opinions on business plans, with presidents from all over the world in attendance.

Risk Management System Policy

Daifuku implements cross-organizational risk management measures through the Human Resources and General Affairs Division. Based on our Risk Management Rules, the Company formulates a risk management promotion framework that comprises heads of each Global Business and conducts risk assessments across the Group every year. According to the level of criticality, related divisions take measures to mitigate and minimize risks.

The Company has taken steps to address significant risks, such as earthquakes, wind, floods, lightning, fire, and new strains of influenza. In addition, to enhance companywide business continuity management, the Company documented the risk management system it has built. By also establishing an organization composed of managers of respective business operations, to facilitate risk management, the Company seeks to reduce and minimize management risk and build a more practicable system for emergencies.



Task force for the role-play training

Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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ESG Data

This section gives major ESG (environment, society, governance) data for corporate activities of the Daifuku Group.

E: Environment

Type	Item	Scope	Unit	FY2017	FY2018	FY2019
CO ₂	CO ₂ Reduction Contribution	Global	t-CO ₂	53,327	63,326	73,928
	CO ₂ emissions	Japan	t-CO ₂	15,154	13,212	10,942
	CO ₂ emissions	Non-Japan	t-CO ₂	25,332	25,846	26,409
	CO ₂ emissions from transportation	Japan	t-CO ₂	3,356	2,682	3,625
	Scope 1	Global	t-CO ₂	2,353	2,143	1,900
	Scope 2	Global	t-CO ₂	12,801	11,069	9,042
	Scope 3	Global	t-CO ₂	2,171,626	2,306,839	2,912,030
Energy	Amount of energy used (production)	Japan	GJ	234,677	226,450	214,201
	Amount of energy used (non-production)	Japan	GJ	56,710	56,768	57,394
	Electricity	Japan	1,000 kWh	25,290	24,851	24,056
	LPG	Japan	t (ton)	660	562	541
	City gas	Japan	1,000 m ³	25	24	22
	Bunker fuel oil	Japan	kl	66	100	36
	Gasoline	Japan	kl	15	14	11
	Diesel fuel	Japan	kl	35	32	34
Water resources	Water Consumption	Japan	m ³	123,588	123,129	124,836
	Ground water (well water)	Japan	m ³	68,286	67,195	70,292
	Water supply, industrial water	Japan	m ³	55,301	55,934	54,544
	Surface water (rivers, lakes, seas)	Japan	m ³	0	0	0
	Water Consumption	Non-Japan	m ³	90,113	90,056	90,894
	Amount of drainage	Japan	m ³	123,588	123,129	124,981
Water quality	Measurement results for water pollutants COD (average)	Japan	mg/L	1.0	0.7	1.0
	Measurement results for water pollutants BOD (average)	Japan	mg/L	1.4	1.0	1.2
	Total phosphorus (average)	Japan	mg/L	0.1	0.1	0.1
	Total nitrogen (average)	Japan	mg/L	1.9	1.3	0.9
Waste	Waste generated	Japan	t (ton)	1,147	1,051	1,047
	Recycling Rate	Japan	%	94.4	95.9	96.4
	Amount disposed of in landfills	Japan	t (ton)	64	43	38
Atmosphere	Dust emissions (average)	Japan	g/m ³ N	0.008	0.008	0.007
	SOx emissions (average)	Japan	m ³ N/h	0.097	0.078	0.073
	NOx emissions (average)	Japan	PPM	855	772	798
Substances applicable to PRTR	Emission and transfer	Japan	kg	27,223	23,765	18,531
Other	Soil and groundwater pollution status reported within plant grounds	Japan	No.	0	0	0
	No. of environment related legal violations	Japan	No.	0	0	0
	Amount paid in fines for environmental law violations	Japan	Million yen	0	0	0

Contents	Daifuku's Value Creation	CSR Management	CSR Action	Governance	ESG Data	Evaluation from Outside the Company	CSR Information Disclosure
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S: Society

Type	Item	Scope	Unit	FY2017	FY2018	FY2019
Employment	Number of employees	Daifuku Japan	People	2,632	2,772	2,928
	Number of employees	Daifuku Group	People	9,193	9,857	10,863
	Average age	Daifuku Japan	Age	42.0	41.8	41.4
	Average years of service	Daifuku Japan	Years	16.3	15.9	15.3
	New graduates	Japan	People	80	84	122
	Mid-Career Recruitment	Japan	People	92	102	136
	Ratio of female recruitment	Japan	%	8	11	10
	Number of female employees	Japan	People	291	333	348
	Number of female employees in managerial positions	Japan	People	11	15	17
	Employment percentage of persons with disabilities *As of June 1	Japan	%	1.86	1.80	2.17
	Re-employment rate of retirees	Japan	%	83.9	93.85	83.9
Training	Employee training costs *Includes all business operations as of FY2018	Japan	Million yen	70	146.4	172.9
	Training time per person *Includes all business operations as of FY2018	Japan	Hours	35.7	64.8	71.3
	No. of employees participating in compliance training *Position-specific training	Japan	People	302	246	292
	No. of employees who received safety training (safety training facility)	Japan	People	768	621	320
Labour	Paid leave utilization rate	Japan	%	55.9	62.3	68.7
	Surveys of Employee Awareness (implemented every other year from 2017)	Japan	Points	—	3.7	—
	Maternity leave utilization	Japan	People	14	31	11
	Child-care leave utilization rate (females)	Japan	%	100	100	100
	Child-care leave utilization rate (males)	Japan	%	1.0	1.0	2.4
	Child-care short-time workday system utilization (females)	Japan	People	33	33	37
	Child-care short-time workday system utilization (males)	Japan	People	1	1	1
	Return to work rates after 6 months of maternity/childcare leave	Japan	%	100	100	100
Family care leave/personal leave utilization	Japan	People	1	4	0	
Safety	Frequency rate	Japan	—	0.61	1.4	0.63
	Severity rate	Japan	—	0.03	0.04	0.003
	No. of occupational deaths	Japan	People	0	0	0
Communities	No. of visitors to the Hini Arata Kan demo center	Japan	People	22,741	27,977	27,082
	Amount spent for promoting social contribution activities (including donations)	Japan	Million yen	5,134	5,303	4,586
	The donation amount to the non profit organization	Japan	Million yen	730	746	332
Compliance	Internal reporting system	Global	Yes/No	Yes	Yes	Yes
Other	R&D costs	Global	Million yen	8,123	8,615	8,936

G: Governance

Item	Item	Unit	FY2017	FY2018	FY2019
Makeup of Board of Directors	No. of directors	People	10	10	11
	No. of external directors	People	2	3	4
	No. of female directors	People	0	0	1
	No. of Board of Director meetings (ordinary, extraordinary)	Times	18	18	18
Makeup of Board of Auditors	No. of auditors	People	5	5	5
	No. of external auditors	People	3	3	3
	No. of Audit and Supervisory Board meetings	Times	6	6	6
Remuneration	Director remuneration	Million yen	641	655	698
	Auditor remuneration	Million yen	109	109	109
Voluntary committees	Advisory committee for nominations and remuneration	Yes/No	Yes	Yes	Yes
Other	Investor relation meetings	No.	273	395	374

Evaluation from Outside the Company

External Evaluation

Daifuku's CSR initiatives have received the following external evaluations.

MSCI Japan ESG Select Leaders Index



Daifuku is selected as one of the constituents of MSCI Japan ESG Select Leaders Index, managed by MSCI. Daifuku is certified as having an AA rating, as a company with an excellent ESG evaluation from MSCI Japan IMI Top 700 Index.

> For more information on the MSCI Japan ESG Select Leaders Index, please refer to this website.

FTSE Russell Constituent

We were selected to be a constituent in representative ESG indices developed by FTSE Russell of the London Stock Exchange Group.

FTSE4Good Index Series



FTSE4Good Index Series was designed to measure the performance of companies implementing ESG.

> For more information on the FTSE4Good, please refer to this website.

FTSE Blossom Japan Index



FTSE Blossom Japan Index consists of shares of Japanese companies that have been judged as excellent in terms of ESG.

> For more information on the FTSE Blossom Japan, please refer to this website.

CDP 2019 Climate Change



Based on responses to the Climate Change Questionnaire implemented by CDP*, the climate change efforts of the Daifuku Group received a rating of A-minus (Leadership Level).

* CDP: Carbon Disclosure Project, an international not-for-profit organization working on environmental issues such as climate change, water and forest resources.

SNAM Sustainability Index



Somo Sustainability Index

For 8 years in a row, Daifuku has been selected as a constituent brand of the SNAM Sustainability Index operated by Sampo Japan Nipponkoa Asset Management (SNAM). This highlights that our ESG (environment, society and governance) initiatives are highly rated.

> For more information on the SNAM Sustainability Index, please refer to this website.

Development Bank of Japan (DBJ) Ratings

Daifuku has obtained the following three ratings, based on evaluation certification-based loans developed by the Development Bank of Japan (DBJ).

DBJ BCM Rating



In February 2017, we obtained the highest rank as “a company with excellent initiatives for disaster risk reduction and business continuity management.”

> For more information on our DBJ BCM Rating acquisition, please refer to this website.

DBJ Employees' Health Management Rating



In July 2016, we obtained the highest rating as “a company with excellent health care initiatives for employees.”

> For more information on our DBJ Health Management Rating acquisition, please refer to this website.

DBJ Environmental Rating



In November 2017, we obtained the highest rating as “a company with excellent advanced environmental initiatives.” (Obtained for the first time in October 2012)

> For more information on our DBJ Environmental Rating acquisition, please refer to this website. (External Link)

Certified Health and Productivity Management Outstanding Organizations Recognition Program 2020



The Ministry of Economy, Trade and Industry, along with the *Nippon Kenko Kaigi*, jointly run this recognition program to acknowledge corporations of all sizes that operate outstanding programs promoting employee health and productivity. Daifuku was recognized as one of 1481 large enterprises (White 500) in the 2020 program, marking the Company's fourth consecutive year to be selected.

> For an overview of White 500, please refer to this website.

Evaluation of Environmental and Social Initiatives

Green Factory Award (METI Minister's award)



In 2017, the Shiga Works received an award for our outstanding greening performance from the Ministry of Economy, Trade and Industry. This award is given to facilities that proactively promote greening and greatly contribute to improvement of living environments in the surrounding area. We were highly rated for our efforts to maintain biodiversity, conserve the environment, and enhance the environmental awareness of our employees.

Minister of the Environment's 2018 Commendation for Global Warming Prevention Activity



We received a 2018 Environment Minister's Award for Global Warming Prevention Activity run by Japan's Ministry of the Environment in the category of implementation and dissemination of countermeasures. The Minister of the Environment annually commends individuals and groups who have made outstanding achievement in preventing global warming since 1998 as part of measures to promote anti-global warming activities. We received this award for our ongoing efforts to prevent global warming and our activities contributing to the environment as part of our "Daifuku Environmental Vision 2020."

Daifuku awarded the fiscal 2019 Shiga Prefecture Low-Carbon Society Development Award

Daifuku was awarded Shiga Prefecture's fiscal 2019 Shiga Prefecture Low-Carbon Society Development Award. This award is aimed at commending companies and organizations that are taking exemplary and notably exceptional initiatives to reduce greenhouse gas emissions. The recipients are selected based on their submitted business action plans, which are in accordance with ordinances for promoting the development of a low-carbon society in Shiga Prefecture. We received this award partly in recognition of our initiatives aimed at achieving the Daifuku Environment Vision 2020.

Daifuku receives top award in the Decarbonization Challenge Cup 2020

Daifuku's exhibition center Hini Arata Kan received a top award in the Decarbonization Challenge Cup 2020. This nationwide event is aimed at sharing information and facilitating further activity relating to decarbonization, by encouraging a diversity of organizations to collect and set up a place to present their daily activities connected to preventing global warming.

Three stars under the Shiga Biodiversity Initiative Certification System

We received the highest ranking of three stars under the Shiga Biodiversity Initiative Certification System started by Shiga Prefecture in 2018. Under this system, the governor certifies initiatives related to biodiversity conservation activities implemented by businesses and groups with headquarters or offices in Shiga Prefecture.

Shiga Biodiversity Grand Prize

In 2017, Daifuku was awarded the Shiga Biodiversity Grand Prize in the corporate category by the Eastern Lake Biwa District Biodiversity Network*, an organization in which Shiga Works participates. This award recognizes the most outstanding activity among the initiatives by enterprises and organizations within Shiga prefecture that protect and engage with biodiversity.

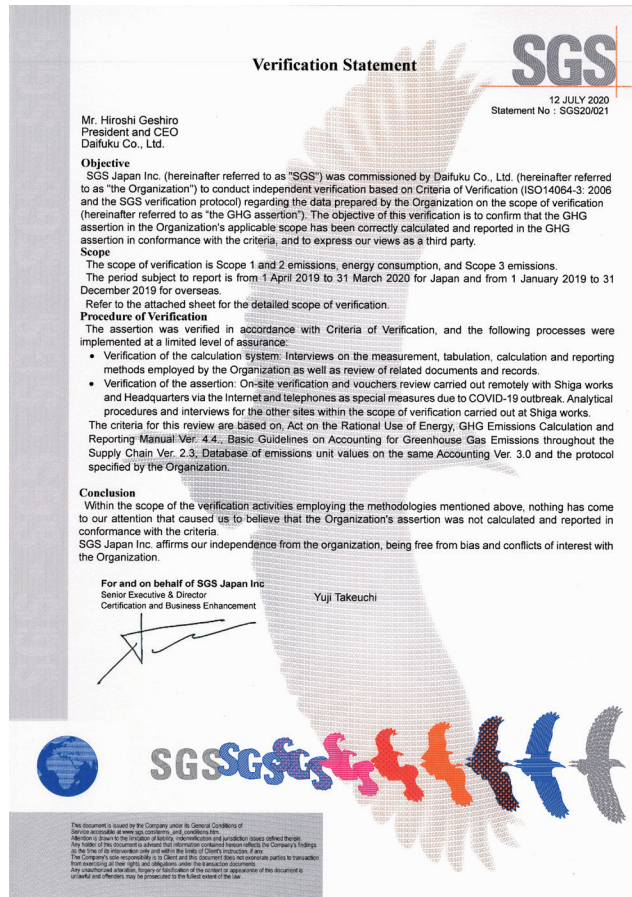
* A collaborative organization for regional biodiversity conservation. In addition to our company, three companies (Asahi Kasei Corp., Asahi Kasei Homes Corp., Sekisui Jushi Corporation) which have business offices in the Eastern Lake Biwa area of Shiga prefecture also are members.

National Council Fitness Promotion Award

The Daifuku Health Insurance Association, which is part of our organization, was awarded the National Council Fitness Promotion Award sponsored by the Sports Agency (Ministry of Education, Culture, Sports, Science and Technology) in 2017. This award recognizes organizations that have made remarkable achievements in improving health care insurance and nutrition in the community and workplace, and in promoting sports and recreation activities. The efforts of the Mental & Physical Health Promotion Committee of Daifuku towards improving the health of employees were highly lauded.

Inspection of Green House Gas (GHG) Emission Volume

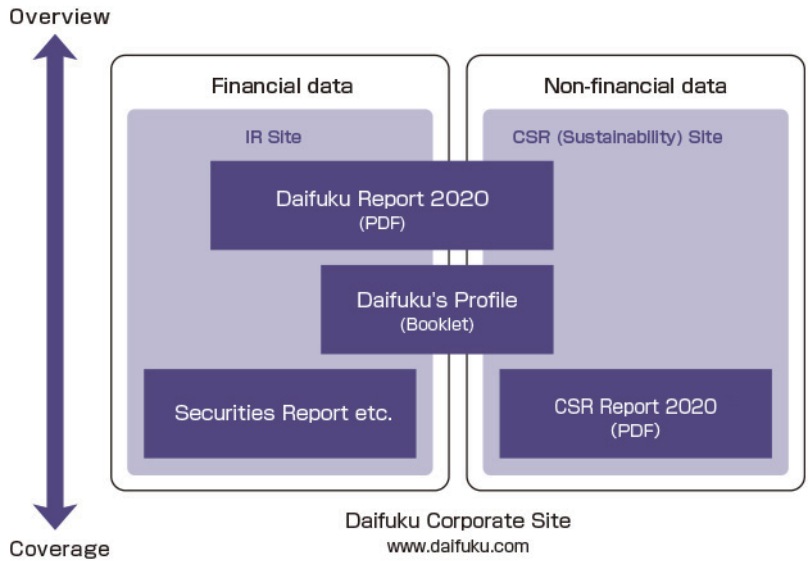
To improve the trustworthiness of our green house gas emission volume calculations (including energy consumption), we receive inspections from third parties.



CSR Information Disclosure

Information Disclosure Policy

This website lists reports for FY2019 about Daifuku Group's CSR activities, with a focus on the content of CSR Action Plan initiatives. Various financial and non-financial data disclosure tools are positioned as shown below. We will continue to place strong emphasis on communication with stakeholders as we pursue our CSR initiatives.



Targeted Scope of Report

Although the targeted scope of this report is the Daifuku Group, some items refer to the content of specific group companies including Daifuku Co., Ltd.

Reporting Period

FY2019 (April 2019 - March 2020)

*Numerical data as of March 31, 2020, is shown.

*Information from other timeframes are listed for some items.

Referenced Guidelines

- GRI (Global Reporting Initiative) Sustainability Reporting Standards
- ISO26000
- Ministry of the Environment, Environmental Reporting Guidelines (2012 Version)

DAIFUKU CO., LTD.

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