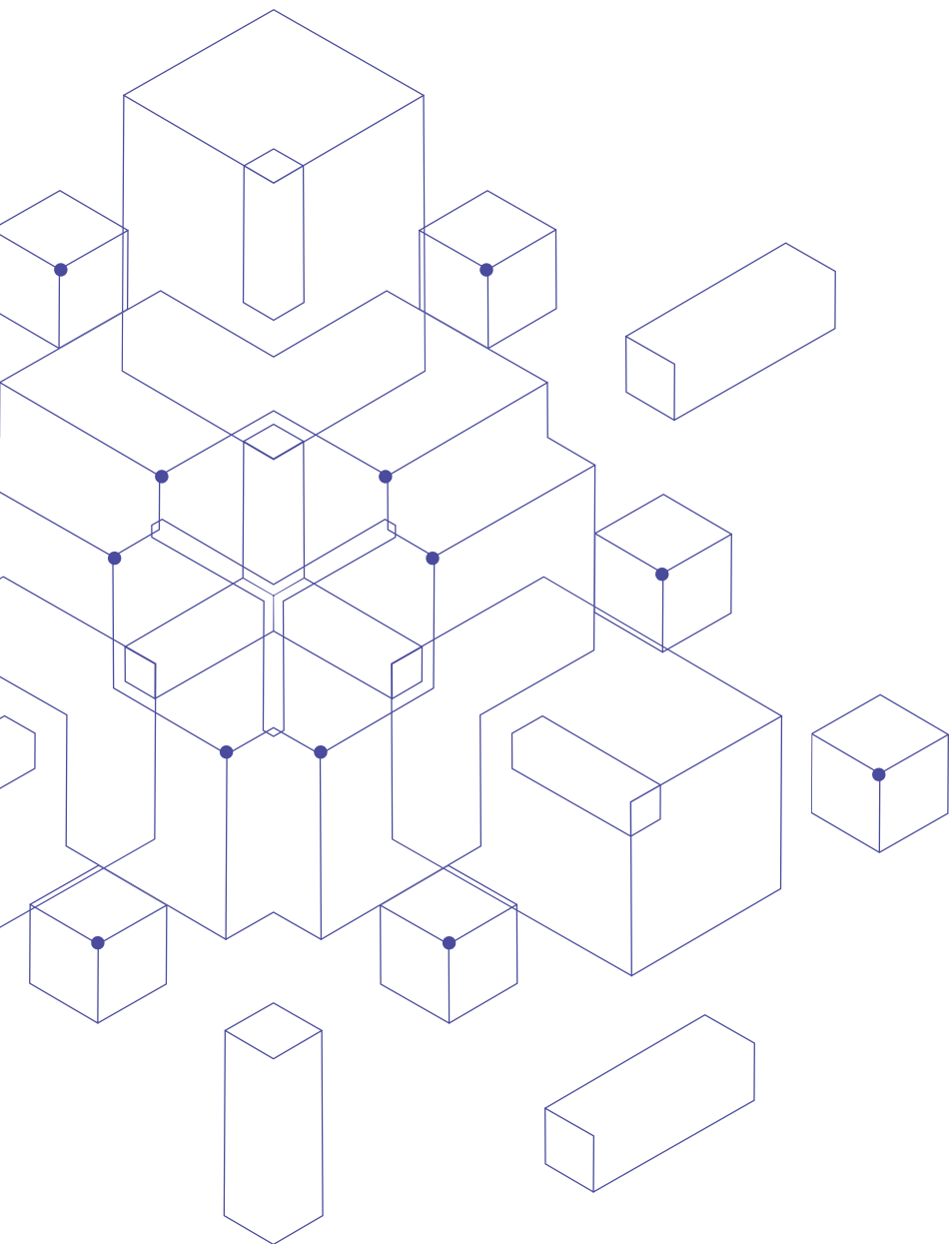


# Sustainability Report

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# Message from the CEO

**We are committed to helping to create a sustainable society through our business in line with our management philosophy Automation that Inspires.**



In October 2021, the Daifuku Group revised our management philosophy to “Automation that Inspires” to meet the demands of the times in terms of changes to social and business environment, digital transformation, and sustainability management. We hope to create a society in which people can live healthy and fulfilling lives through the material handling technology that we have cultivated over the years. We also want to play the role of a company that inspires people. This vision is reflected in our new management philosophy.

These days, there are growing societal expectations placed on the material handling systems we provide to be an important part of social infrastructure that contributes to the alleviation of labor shortages and the improvement of productivity. However, in order for the Group to achieve sustainable growth in the future, we must transform the value we provide to customers and other stakeholders and further strengthen the management foundation that sup-

ports our business. With this awareness, we have situated Value Transformation 2023, our three-year business plan launched in April 2021, and the Sustainability Action Plan, as the two cornerstones of our management strategy, and we aim to contribute to achieving a sustainable society through our business. As part of these efforts, we are enhancing our initiatives on various issues related to the SDGs (Sustainable Development Goals) and ESG (environmental, social, and governance), and we are progressing steadily toward achieving the goals we have set for ourselves. Led by the Sustainability Committee, of which I serve as chair, we are promoting concrete initiatives to further reduce our environmental impact in each process, including procurement, design, and manufacturing. We have also started to build a framework for human rights due diligence throughout the supply chain based on the Daifuku Group Human Rights Policy, which we formulated in October, 2021.

In order to carry on as a company indispensable to society 10 to 20 years into the future, we at the Group aim to achieve even more through flexible and creative ideas that defy convention, and the power of action to reform existing framework. Under the banner of our management philosophy—Automation that Inspires—we will continue to remain united in our efforts to meet the challenges of the future.

Hiroshi Geshiro  
President and CEO

August 2022

# Message from the Sustainability Officer

We are furthering initiatives across the Daifuku Group to match changes in social needs.



## Aspiring to be a company continuously needed by market and by society

Global environmental issues such as climate change, human rights concerns, and many other social issues are emerging as increasingly serious problems. Consequently, society has very high expectations of the actions companies are taking towards resolving these issues. Businesses are expected not only to seek profits but also to take environmental, social, and governance (ESG) actions and strive to achieve the Sustainable Development Goals (SDGs). I feel that companies failing to meet these demands will be unable to survive.

The Daifuku Group aspires to remain a company trusted and needed by society through increasing its customers' competitive advantage with its core competence of automated material handling technology while simultaneously making sure its solutions are based on consideration to people, the environment, and resolving social issues. For this purpose, it is vital to retain and improve intangible assets, such as technologies, expertise, personnel, and corporate culture. I understand that my duties are to learn about what impacts social issues have on the Group's business capital and what changes there are in social demands. I will then incorporate them into management policies and strategies in collaboration with Daifuku's business units and share the viewpoint of sustainability across the Group.

Our new management philosophy following the October 2021 revision points to a policy of being needed by the market, gaining the trust of society, and enriching business capi-

tal with the use of automated material handling technology. I believe that the Group can achieve continuous growth when all of its officers and employees share a vision and move in the same direction even as the surrounding environment changes.

## Activities of the Sustainability Committee

To create a sustainable society through business, the Group has identified 18 material issues (materiality). We have been executing the Sustainability Action Plan, which is a three-year action plan for addressing these problems. This plan and the three-year business plan kicked off in April 2021 are the cornerstones of our management strategy. Chaired by the CEO, the Sustainability Committee manages our progress. For the initial fiscal year, namely fiscal 2021, results were roughly in line with the targets. They are regarded as a product of efforts made by individual employees in the Group. We put particular emphasis on environmental and human rights issues, and formed separate subcommittees for addressing these issues under the Sustainable Committee in fiscal 2021. Our business units and Corporate Functions are working hand-in-hand in this respect.

With regard to the environment, we unveiled the Daifuku Environmental Vision 2050 in February 2021, concurrently with the ongoing three-year business plan, which aims for a world where our material handling systems have zero environmental impact in 2050. It also defines two crucial issue areas: Climate change and energy, and resource recycling. In each of these areas, we set a target for 2030. Our CO<sub>2</sub> emissions largely come from energy consumed at the time of product operation and from our suppliers. We therefore are focusing our efforts on energy conservation measures through the development of environmentally friendly products and the optimization of the operations of the overall system, as well as through requests to major suppliers to reduce their CO<sub>2</sub> emissions. We are thus working towards realizing our vision. Meanwhile, social demands for climate change and energy are now significantly different from what they were at the time we adopted the vision. I think we should consider changing it into a more challenging goal.

To address human rights issues throughout the entire sup-

ply chain, we are striving to develop a mechanism of human rights due diligence in accordance with the Daifuku Group Human Rights Policy established in October 2021. From fiscal 2022 to fiscal 2023, we will identify and evaluate latent and actual risks of negative impacts on human rights arising from our overall business activities worldwide. We will then introduce measures that tackle the problems.

## Continuously strengthening our business foundations

We are aware of the importance of bolstering the business foundations that support our business activities. Aiming to strengthen the management system and facilitate quick decision-making and sound risk-taking, we launched the Risk Management Committee chaired by the CEO in April 2022. The Committee will carry out Groupwide control of material risks that may impede the achievement of the Group's management goals. We will respond to changes in business circumstances, take actions to strengthen the governance of non-Japan subsidiaries, better prepare for reputational risks arising from the widespread use of social media, as well as for large-scale natural disasters.

In addition, we set up the Information Security Committee in 2004. The Committee is working to maintain and improve information security across the Group. Since fiscal 2022, it has been chaired by the CEO and comprises the heads of business units and presidents of subsidiaries, among others. Information security efforts are handled by leaders at the managerial level, and information security representatives will be appointed in each business unit and subsidiary. We will also step up efforts at project sites.

## Actions for enhancing human capital

Enhancing human capital across the Group is indispensable to its continued growth. Amid the ongoing globalization of business, we need to address the questions of how we should manage our human resources, including those of non-Japan subsidiaries, and how we should share and develop our long-established, open-minded corporate culture and the values we cherish.

Since fiscal 2021, we have been working to determine the competencies—namely, the behavioral traits and attitudes—expected from the Group's staff, to clearly specify key positions and to prepare for the systematic development of successors so as to construct foundations for personnel management throughout the Group. We will use these competencies as the basis of staff evaluation and development in the future. We will also conduct Groupwide personnel development measures such as staff transfers and exchanges between business units.

Also in fiscal 2021, we carried out an engagement survey of employees of Japan-based Group companies, focusing on the two aspects of job satisfaction and employee-friendliness. The survey revealed that our strengths lay in our customer orientation and confidence in management, while our weaknesses were in collaboration among organizations and support for the career development of individual employees. In response, we will combine companywide measures with activities for improvement in separate business units with a view to enhancing staff engagement. Going forward, we will expand the scope of engagement surveys to non-Japan subsidiaries to forge a sense of unity throughout the entire Group.

## To stakeholders

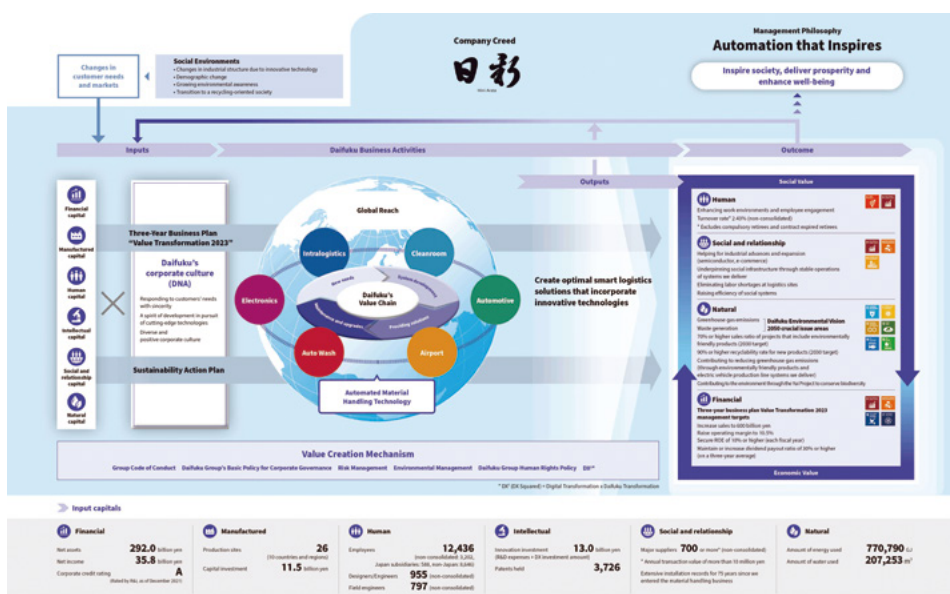
The Group will follow its management philosophy of "Automation that Inspires." We will seek to create economic value as well as social and environmental value with our automated material handling technology, and in doing so will contribute to the building of a sustainable society. To be a company needed by stakeholders in the future, we will strive to fulfill the targets set in the three-year business plan and in the Sustainability Action Plan without fail, and will continuously enhance our efforts.

Hideaki Takubo  
Managing Officer  
Corporate Functions Head

August 2022

# Daifuku's Value Creation

Since our establishment in 1937, the Daifuku Group has always moved to keep ahead of the times, responding to the needs of customers across a broad range of industries and business sectors. The Group seeks to streamline logistics and, as a comprehensive manufacturer and integrator of material handling systems, has been able to achieve significant growth. Under our company creed Hini Arata, and our management philosophy Automation that Inspires, we promote Value Transformation that helps enhance the competitiveness of our customers and, in tandem with contributing to the development of society, raise our corporate value. This page presents examples of the social value (outcomes) created by the Group.



## Contributing to the advancement and expansion of many industries

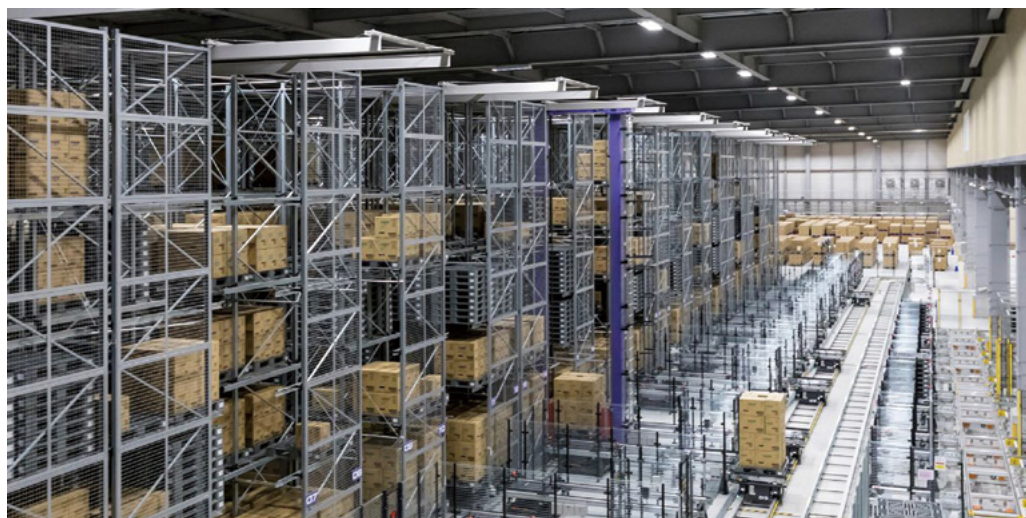


The Group's automated technology, with material handling at its core, contributes extensively to factory automation in general industry, semiconductors, lcd screens, and automobiles, as well as to labor saving in logistics centers and more efficient airport operations, thereby underpinning supply chains around the world. Recently, logistics and production sites are facing labor shortage

and productivity improvement issues due to shrinking workforces, and expectations are increasing for material handling systems to help solve these problems. The Group assists in the development of various industries by meeting the increasingly sophisticated needs of our customers and providing the best quality and safety focused solutions.

### Key points of value creation

- Reducing the impact of labor shortages in logistics and production sites
- Reducing time, cost, and workload through labor-saving technology
- Ensuring quality and safety in unique environments
- Contributing to the stable production of products essential to modern society
- Contributing to improved productivity, reliability, and service levels in airport operations



Distribution centers with increasingly sophisticated functions underpin our lives, offering conveniences like 24-hour convenience stores, product variety in supermarkets, and e-commerce. As the volume and variety of goods being handled increases, we can help save labor by streamlining logistics systems, and reduce the burdens of time, cost, and workload of our customers.



We also support unique environments, such as the frozen/refrigerated environments of the food and pharmaceutical industries, high-temperature environments required for the aging of ingredients and food fermentation processes, and blast-proof environments required in the chemical industry. Our systems not only maintain the quality of our customer's products, but also improve the working environment.



We offer highly reliable storage and transfer systems for semiconductor production processes in clean rooms that operate 24 hours a day, 365 days a year without interruption. These systems support the stable supply of semiconductors indispensable to life in our modern digital society.



We support the production sites of the automotive industry with our extensive experience in production line systems. We contribute to labor savings, productivity improvement, and quality improvement in all processes of automobile manufacturing, including pressing, welding, painting, assembly, parts storage and supply, engine testing, and more.



We provide automated baggage check-in machines, baggage handling systems, and security systems for airports. The Group's cutting-edge solutions contribute to improved efficiency, reliability, and service levels in airport operations, supporting the safety and security of air travel around the world.

## Supporting a society with unceasing logistics



Material handling has come to play an infrastructural role in supporting society, and the challenge today is how to keep material handling operations running, or, should it stop, how to rapidly restore it. The material handling systems of the Group are responsible for the transport of products indispensable to people's lives; therefore, we provide preventive maintenance, regular inspections, and a 24-hour/365-day system support center to assist in the stable operation of our customers' systems. Additionally, in order to shorten the time required to restore a system should a problem occur, we utilize remote monitoring with sensors, cam-

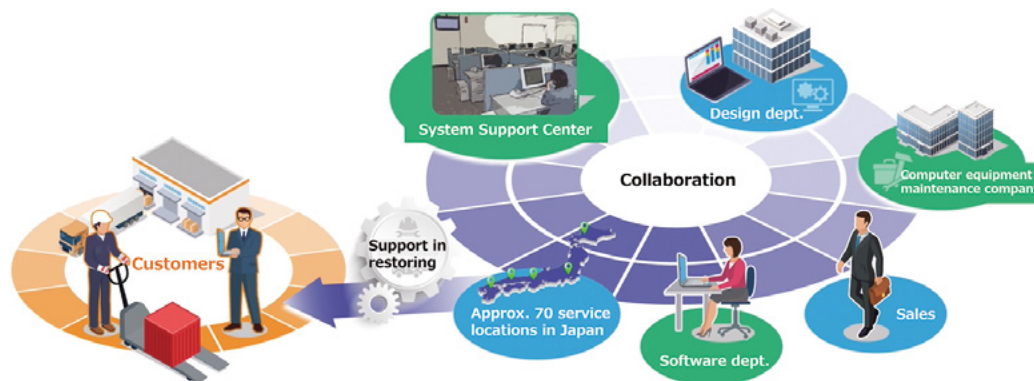
eras, and AI to pinpoint the cause. Moreover, supply chain disruptions and logistics delays triggered by natural disasters pose a major risk to companies, leading to the growing importance of business continuity plans (BCPs). We provide total solutions that include countermeasures for possible natural disasters or other emergencies. In the past, during a major flooding event that shut down a customer's factory, we mobilized more than 10,000 staff members to help the factory rapidly resume production.

### Key points of value creation

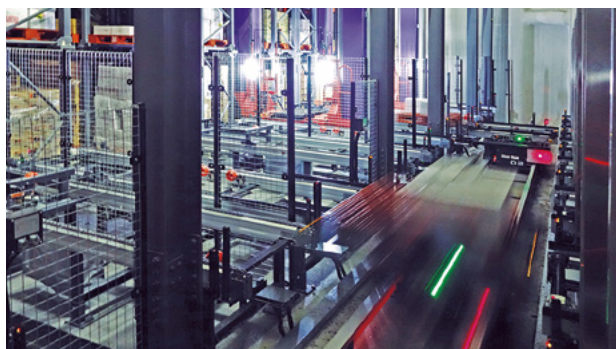
Contributing to the stable operations of essential work

Rapid recovery from system problems during emergencies, etc.

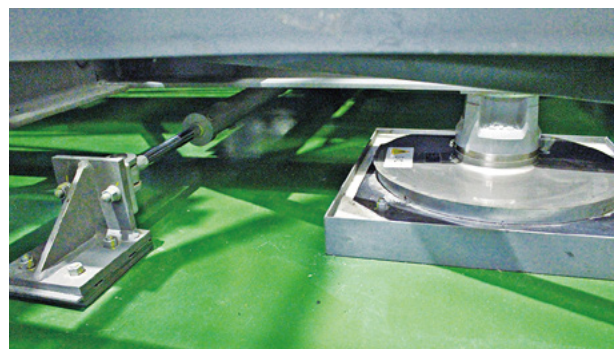




At the System Support Center, technicians with expertise in material handling equipment are always on standby to support the stable operation of customer systems through coordination with approximately 70 service locations and departments across Japan.



Automated warehouse with earthquake resistant measures



Vibration isolators under racks

## Minimizing impacts on people and the environment



We use our position as part of our customers' supply chain to take on the responsibility of addressing social issues, such as climate change, resource recycling, and human rights issues. We will help to create a sustainable society by meeting society's expectations with innovative technologies and optimal best-practice solutions, while minimizing the impact on people and the environment.

### Key points of value creation

Contributing to the improvement of the working environment and job satisfaction at customer facilities

Providing products and services that help address environmental issues such as climate change and resource recycling



Layer picking equipment picks cases stacked on pallets in layers and feeds them into a conveyor or stacks them on other pallets. It is mainly used for products with large and heavy boxes, such as beverages, and each unit has a processing capacity of up to 2,000 cases per hour (the work of about 5 people). It frees workers from monotonous and burdensome work.



The Group operates the Daifuku Eco-Products Certification Program, which is used to evaluate the environmental performance of our products based on our own internal standards. We evaluate the performance and LCA (Life Cycle Assessment) results of all Group products in terms of energy savings, recycling, weight reduction, etc., in accordance with Group-wide standards.



Since its development in 1993, the monorail system based on High Efficiency Inductive Power Distribution Technology (HID), one of our leading core technologies, has been drawing attention as a next-generation transport system that can also make contributions to the environment and safety. The system has been adopted in the automotive, semiconductor, and flat panel display industries, where it enjoys high acclaim.



We have applied our automated material handling technology to car washing machines as well. In addition to reducing water consumption and CO<sub>2</sub> emissions, we are also working to be environmentally friendly by using plant-derived raw materials (coconut oil) as the main ingredient in our highly biodegradable fluids, and lead-free paint on the car wash machine unit.

## Aiming to create more value



Efforts to expand existing areas and develop new business segments are indispensable for sustainable growth in a rapidly changing business environment. In addition to actively utilizing open innovation with external parties and promoting M&As, we are also working to incorporate AI, IoT, and

other cutting-edge technologies into our material handling systems. Through these efforts, we aim to further enhance the value we provide to our customers and other stakeholders and realize smart logistics.

### Related links

> Solutions

> Our Business

> Our Competitive Edge

# Sustainability Management

## Basic Approach

The Daifuku Group aims to achieve a sustainable society and enhance corporate value in accordance with the Group Code of Conduct, based on the company creed, “Hini Arata,” and our management philosophy, “Automation that Inspires.” In putting our sustainable business to practice, we assented to and signed the United Nations Global Compact (UNGC), which encompasses 10 principles across the four fields of human rights, labour, environment, and anti-corruption; and, we are also working to achieve the Sustainable Development Goals, which were ad-

opted by the UN. Moreover, the Group positions the three-year business plan and the Sustainability Action Plan as the two cornerstones of its management strategy, and all employees strive to achieve both social value and economic value through our business activities.

[› Three-Year Business Plan](#)

[› Sustainability Action Plan](#)

## Management Philosophy

### Automation that Inspires

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

We will

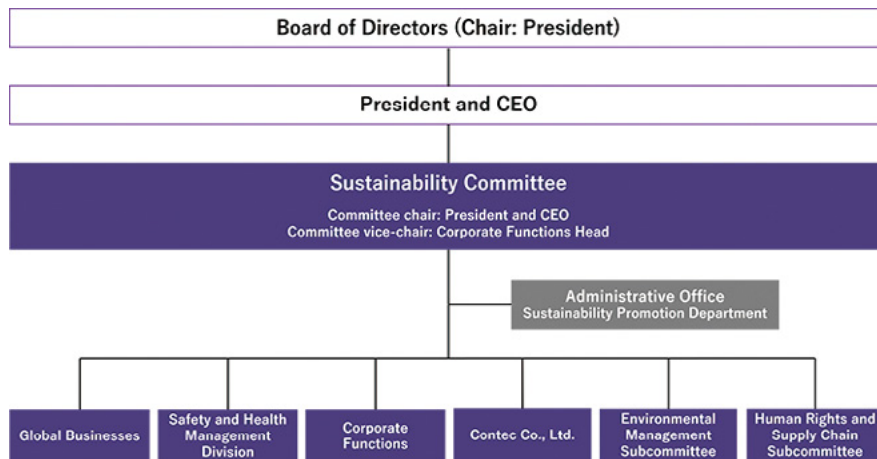
1. strive to realize a sustainable society that minimizes burdens on people and the environment, respects human rights, and encourages responsible manufacturing.
2. work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies.
3. ensure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

[› Corporate Policies](#)

## Sustainability Promotion System

The Sustainability Committee—a Groupwide advisory body to the Board of Directors—is chaired by the CEO and includes the Global Business Heads of each business unit. The Committee provides top management with instructions on the implementation of action policies and plans regarding climate change and various other issues, and reports the details of its initiatives to

the Board of Directors as needed. In addition, the Environmental Management Subcommittee and the Human Rights and Supply Chain Subcommittee have been established under its auspices, and are working on specific initiatives according to their respective goals.



FY2022 promotion system

Members	Committee Chair: President and CEO Committee Vice-Chair: Corporate Functions Head Members: Global Business Heads of each business unit, President and CEO of Contec Co., Ltd., Safety and Health Management Division Manager, Human Resources and General Affairs Division Manager, Legal and Compliance Division Manager, Business Strategy Division Manager, Corporate Communications Division Manager, Finance and Accounting Division Manager, General Manager of Investor Relations Department, General Manager of Governance Promotion Department
Voluntary participation	Outside directors, full-time Audit & Supervisory Board members

## Sustainability Committee Activities in FY2021

Sessions	Five sessions (May, August, October, December, March)
Main agenda items	<ul style="list-style-type: none"> <li>• Progress management of the Sustainability Action Plan</li> <li>• Priority measures in each subcommittee</li> <li>• Discussion and approval of human rights policy</li> <li>• Future measures based on risk assessment results</li> <li>• In-house sustainability awareness measures</li> <li>• Planning and promotion system for FY2022 etc.</li> </ul>

# Materiality

## Daifuku's Materiality

In 2021, the Daifuku Group reviewed the material issues (materiality<sup>\*1</sup>) that form the core of our CSR activities since 2014, with the aim of both achieving the sustained growth of our business and the sustainable society envisioned by the SDGs. We have set KPIs<sup>\*2</sup> for each of the issues in the 18 newly-identified materialities and we have launched a company-wide Sustainability Action

Plan with specific goals for the next three years. Materiality will be revised in line with the timing of the Group's three-year business plan and changes in the business environment and social trends.

[> Sustainability Action Plan \(290KB\) PDF](#)

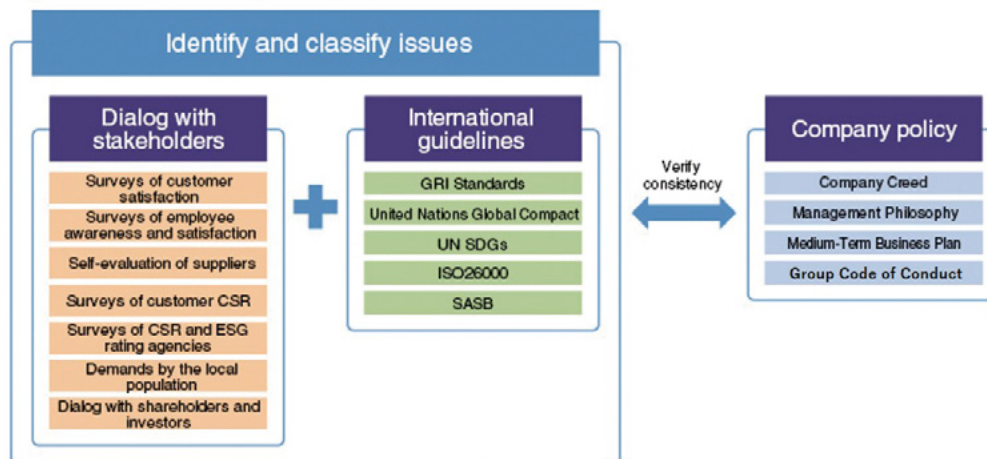
\*1 Issues that need to be addressed as top priorities, as they have a significant influence on the environment, society, and governance or the evaluation and decision making of stakeholders  
\*2 Key Performance Indicator, a quantitative performance evaluation index that measures target achievement

Initiatives	Materiality	Reason for importance
Contribute to a smart society	Promote innovative technological development and invention	In terms of deploying our corporate activities through manufacturing, intellectual property is the most crucial asset to both strengthening our competitive edge and supporting our business going into the future. We will promote constant invention, such as with investment into innovation, to create new value and solve salient problems.
	Develop new business domains	Making efforts to expand existing fields and carve out new ones is essential to operating as a sustainable materials handling manufacturer. To these ends we actively engage in open innovation with universities and other companies, and promote synergistic M&As.
	Cater to customer needs through smart logistics	The introduction of cutting-edge technology like AI, IoT, 5G, and robotics to material handling systems has allowed us to dramatically increase the value we provide to our customers. Benefits include the optimization of costs and time spent on distribution, a reduction in our environmental footprint, and improvements to information security. Moreover, by effectively integrating these technologies into not only our products and systems but the entirety of our value chain—from procurement to service and disposal—we are contributing to the early adoption of smart logistics.
Maintain and improve the quality of products and services	Optimize production through globalization	Considering that overseas sales account for 60% of our overall sales, pursuing the optimal production site for each stage of our processes, from procurement to construction and service, is indispensable to solving issues and maintaining quality, as well as reducing our environmental footprint and manufacturing costs. We bring in localized labor, goods, and systems to establish a genuine global production structure.
	Pursue product quality and safety	We believe that, as a leading materials handling company, it is crucial for us to continue to make efforts at all of our sites to sustain and improve product and service quality so that we may gain the trust of our customers and provide the most suitable and optimized solutions to every region in the world. We also consider it a critical mission of ours as a mechanical device manufacturer to take every possible precaution in our processes, to provide for the safe use of our products by our customers.
Enhance operational framework	Strengthen governance	For Daifuku to achieve the sustainable business we envision, we cannot do without corporate governance and internal controls. The former builds a fair management system, while the latter govern business through company internal rules. These two systems are crucial in running our business so that we may gain the confidence of the stakeholders involved with the company and improve our corporate value.
	Ensure compliance	Laws and regulations are being established and revised on a daily basis, according to the social context 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 harm to our credibility, as well as decreased corporate value. Activities to counter any tendencies towards corruption that threaten the continuity of business operations must be implemented for all employees without fail.

Initiatives	Materiality	Reason for importance
Enhance operational framework	Manage risk	We must assume and take all conceivable measures against the various risks that may threaten business continuity, such as natural disasters, lapses in compliance, hindrances to the acquisition of personnel, problems with safety and product quality, etc. It is important to build a resilient corporate structure that is capable of minimizing the impact of such emergencies.
	Ensure responsible procurement in the supply chain	In developing our business, it is essential to execute with certainty 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.
	Strengthen information security	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.
	Ensure transparent information disclosure and strategic communication	As the business environment expands to a global scale, the relationship of trust we have with the stakeholders involved with Daifuku, including our customers, shareholders and investors, employees, business partners, and municipal and regional societies, is the bedrock of our operations. Therefore, we must engage in a dialogue with them in constant good faith and from a multifaceted perspective, and we must disclose information in a transparent manner.
Respect human dignity	Protect employee safety and health	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. As a result of this belief, we provide a safe and healthy work environment to all of our employees.
	Achieve diversity and inclusion	To launch business in multiple regions around the world and continuously grow while producing new value, it is essential that we value diversity, not only by gender and race, but by creed, religion, nationality, educational background, disability, or values.
	Create a workplace environment that motivates employees	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. Moreover, the happiness of our employees provides the corporate value-boosting synergistic effects of improved competitive edge and gaining the best talent.
	Cultivate human resources	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.
	Respect human rights	Many people on the Earth currently suffer from human rights (rights that humans are born with to allow them to live the life they wish) abuses. Respect for human rights is a major responsibility that we must take on as a corporate organization active around the world.
Contribute to the environment through our business	Keep business operations environmentally friendly	Daifuku's 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 Daifuku offers 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.

## Materiality Identification Process

The Group identifies materiality in the sequence below. Further, we identify and organize issues by taking into account international guidelines and dialog with stakeholders, and confirm compatibility with corporate policies, such as our company creed and management philosophy.



### STEP 1 Identifying and classifying issues

#### ① ESG evaluative analysis:

We have compiled evaluation results by multiple global ESG evaluation bodies, and assessed both the expectations of our primary stakeholders and the issues and strengths.

#### ② Impact analysis:

We have examined the risks and opportunities in our value chain, and classified the impacts to the management of our actions toward the world in 2030 as envisioned by the SDGs.

### STEP 2 Identifying materiality

#### ① Extracting candidates:

Materiality candidates were extracted from the results of Step1 by 10 project appointees from each business unit and the Corporate Functions unit.

#### ② Impact evaluation by issue:

Regarding these materiality candidates, five outside experts (investors, university professors, NGO experts), three of our customers, and four of our outside directors evaluated the degree of impact on stakeholders and the degree of impact on Daifuku business.

#### ③ Identifying materiality:

Based on the impact evaluation results by multiple individuals, low-priority issues were excluded, new issues added, and a draft materiality list identified.

### STEP 3 Confirming adequacy

The identified materiality list was deliberated (verification and review of the adequacy of the selected issues) and approved by the Sustainability Committee, chaired by the CEO, and the Board of Directors.

### STEP 4 Target setting and review

We set up KPI for the 18 materialities and conduct initiatives, disclosures and reviews after setting goals that allow for the judgment of progress of each materiality.



## Evaluation result

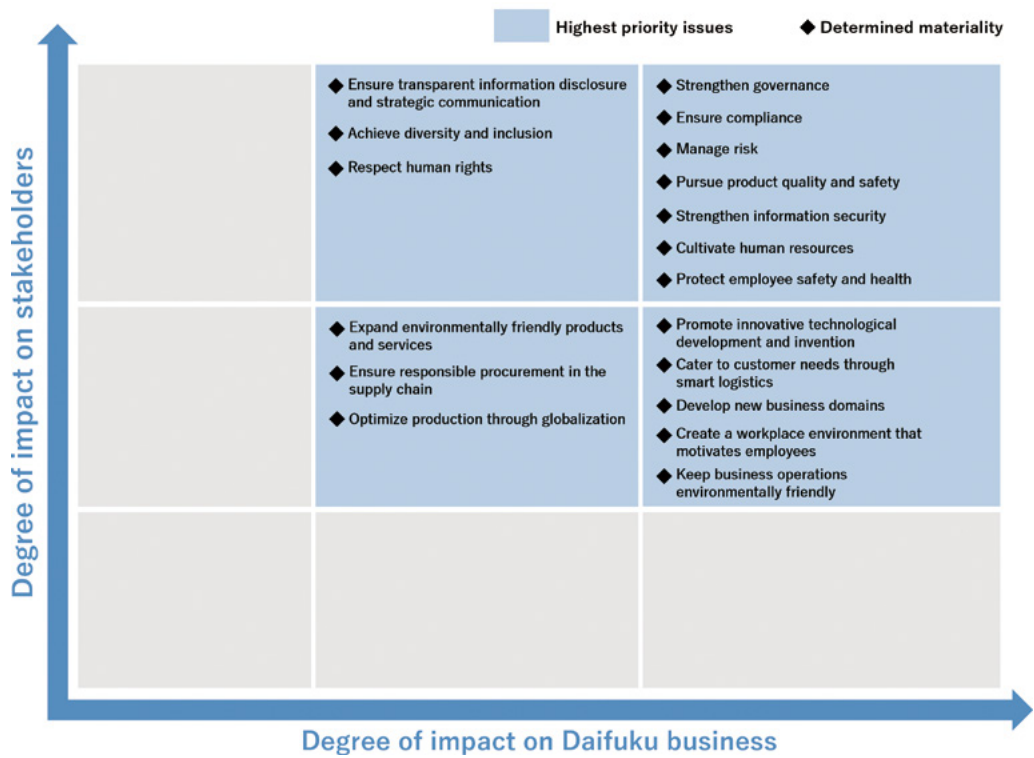
We conducted an evaluation of the materiality candidates extracted by the internal project team according to the following methods, and identified 18 materialities.

◆ **Degree of impact on stakeholders (vertical axis)**

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

◆ **Degree of impact on Daifuku business (horizontal axis)**

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



# Sustainability Action Plan

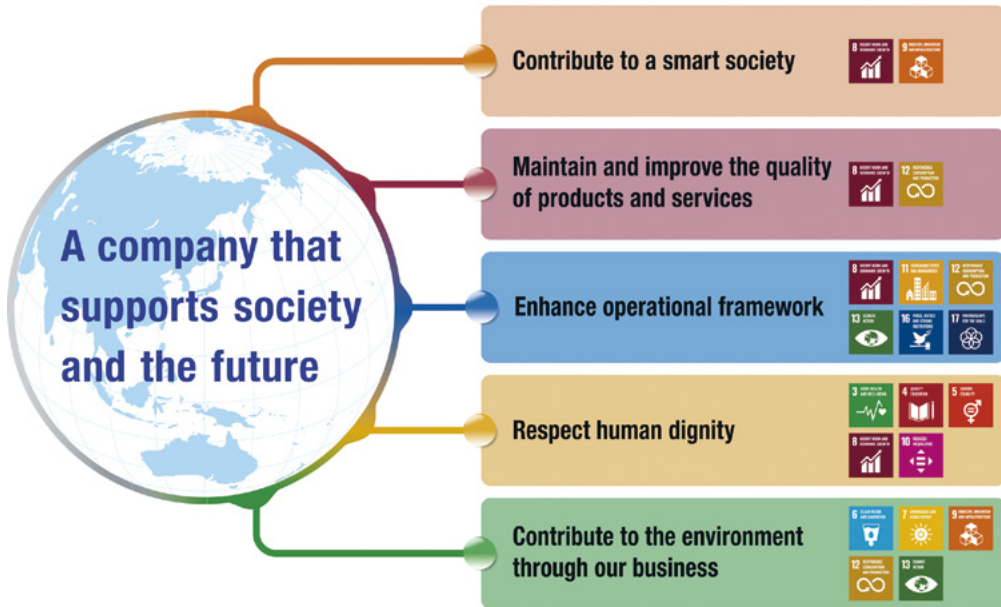
## Formulation of the Sustainability Action Plan

The Daifuku Group formulated the Sustainability Action Plan (2021-2023) after reviewing the material issues (materiality) we have worked on since 2014 in our CSR Action Plan and based on the five themes given precedence in our initiatives. The Sustainability Committee, chaired by the CEO has managed the progress

of this plan with the aim to accomplish its goals, and regularly reports our achievements through our website, etc.

To view our Sustainability Action Plan fiscal 2021 achievements, please refer to pages 18 to 34.

[Sustainability Action Plan \(290KB\)](#) [PDF](#)



Sustainability vision

## Contribute to a Smart Society



Amid an accelerating global trend toward automation and scaling up of logistics operations, investments in alleviating labor shortages and boosting productivity are expected to grow even more in the future. The Daifuku Group will work to expand its existing domains and open new ones as it seeks to respond to ever-advancing needs in society. We will develop new, and use existing, cutting-edge technologies to further increase the value we offer to stakeholders. In doing so, we aspire to help realize a smart society.

### Related Sustainable Development Goals and Targets

The following are the materialities and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Contribute to a Smart Society.

Materiality	Goal		Target
Promote innovative technological development and invention	8. Decent work and economic growth	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
Develop new business domains	9. Industry innovation and infrastructure	9.b	Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities
Cater to customer needs through smart logistics	9. Industry innovation and infrastructure	9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
		9.2	Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries

### FY2021 Achievements

The following are our fiscal 2021 achievements in each of the materialities for the above theme of the Sustainability Action Plan. (Contribute to a Smart Society)

[> Sustainability Action Plan \(290KB\)](#) PDF

[> FY2021 Achievements of the Sustainability Action Plan \(333KB\)](#) PDF

#### Materiality

### Promote innovative technological development and invention



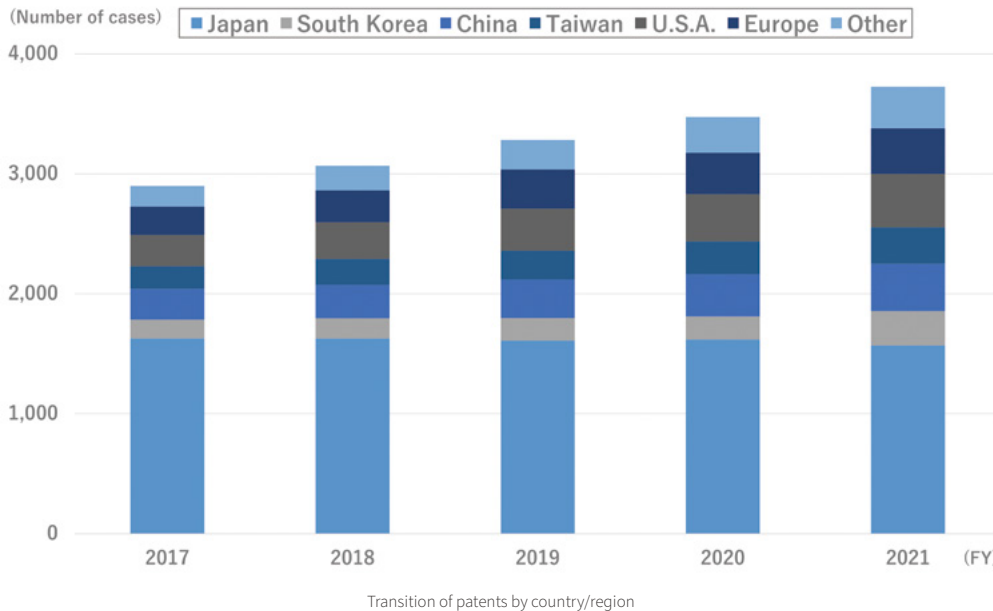
In terms of the breakdown of innovation investment, R&D expenditures amounted to 10.7 billion yen, and digital transformation-related investments amounted to 2.3 billion yen. In fiscal 2021, we fell short of our target due to some digital transformation-related investments yet to be finalized; however, from fiscal 2022 onward, the entire Group, including locations outside of Japan, will be working together to achieve our target.

KPIs	Scope	FY2021 targets	FY2021 results
Innovation investment amount*	Global	¥15.0 billion	¥13.0 billion
Patent registrations (cumulative total)		3,600 patents	3,726 patents

\* R&D expenses + DX investment amount

## Number of patents registered

Daifuku proactively applies for patents and acquisition rights primarily for newly developed products. We have been filing an increasing number of patent applications outside of Japan in recent years, and we currently hold patents in more than 30 countries around the world. There has been an increasing number of patent registrations in Asia, particularly China, South Korea, and Taiwan.



**Materiality**



### Develop new business domains

While some projects are still in the development, design, and prototype stages, efforts are generally progressing smoothly against the established targets.

KPIs	Scope	FY2021 targets	FY2021 results
Penetration into new markets and new business conditions; commercialization of new products	Global	<ul style="list-style-type: none"> <li>Collaborative research with universities and companies</li> <li>Provide new automated solutions</li> <li>Develop new customers, expand business area globally</li> <li>Expand service business</li> </ul>	<ul style="list-style-type: none"> <li>Promoted the development of new products through open innovation with multiple universities and external research institutions</li> <li>Began supplying an in-house developed piece-picking robot</li> <li>Expanded new customer base and global business area through strategic alliance with Germany-based AFT Industries AG</li> <li>Service sales: +16.6 billion yen (+14%) over the previous year</li> </ul>

### Strengthening of operational base through business alliance with AFT of Germany

In February 2021, we announced a business alliance with Germany-based AFT Industries AG (AFT). Tangible results have already been achieved during fiscal year 2021, the first year of the alliance. We have leveraged AFT's customer base of European automakers, knowledge and expertise in product standards, technology, and procurement in Europe, as well as our global network (sales, production, and service) to achieve collaboration on a

project-by-project basis. At a time when the automotive industry is said to be undergoing a once-in-a-century transformation, we aim to expand our business base and capture the capital investment demand of European automakers through a mutually complementary business alliance between our two companies, and thus achieve continued growth in our business.

**Materiality**



## Cater to customer needs through smart logistics

As technological development progresses on a global scale, we are actively developing products and solutions that incorporate cutting-edge technologies. We are making steady progress toward the targets we have set.

KPIs	Scope	FY2021 targets	FY2021 results
Introduction of cutting-edge technology to products/services	Global	<ul style="list-style-type: none"> <li>• Use wireless/5G tech and rechargeable batteries</li> <li>• Introduce high-efficiency systems and predictive maintenance systems using AI tech</li> <li>• Reduce energy consumption with more sophisticated power supply equipment</li> <li>• Make maintenance services more efficient with use of IoT</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted study on adoption of wireless/5G tech</li> <li>• Currently evaluating various types of rechargeable batteries</li> <li>• Highly-efficient transport system using AI has been developed and adopted</li> <li>• Predictive maintenance system is being trialed and data collection is underway</li> <li>• Currently developing an advanced non-contact power supply device that reduces power consumption</li> <li>• Launched maintenance services using various sensors and remote functions</li> </ul>

## Developing and introducing AI-based highly efficient transport systems



We employ AI to efficiently control a large number of vehicles that run on overhead transport lines in semiconductor factories. The software we developed in fiscal 2021 is designed to store past data, so as to always be able to predict what will happen many seconds ahead. It collects vehicle position data on a real-time basis and calculates prediction data from machine-learned travel records. This has improved accuracy in route control and increased transport volume by 10%. We introduced this software to our customers' systems and filed a patent application.

# Maintain and Improve the Quality of Products and Services



In order to maintain the trust of our customers as the world's top manufacturer of material handling systems and to provide the optimal and best solutions, it is essential that we continuously work to maintain and improve the quality of our products and services at all of our locations. In response to the diverse needs of our customers around the world, we will build an optimized global production system and conduct proper quality control and risk management in compliance with the standards applicable in each country and region.

## Related Sustainable Development Goals and Targets

The following are the materialities and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Maintain and Improve the Quality of Products and Services.

Materiality	Goal	Target
Optimize production through globalization	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Pursue product quality and safety	12. Responsible consumption and production	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

## FY2021 Achievements

The following are our fiscal 2021 achievements in each of the materialities for the above theme of the Sustainability Action Plan. (Maintain and Improve the Quality of Products and Services)

[> Sustainability Action Plan \(290KB\)](#) PDF

[> FY2021 Achievements of the Sustainability Action Plan \(333KB\)](#) PDF

### Materiality

## Optimize production through globalization



We are strengthening collaboration with subsidiaries outside of Japan and implementing specific measures to ensure production is in optimal locations. We are making steady progress toward the targets we have set.

KPIs	Scope	FY2021 targets	FY2021 results
New/expanded production sites to achieve production in optimal conditions; and other countermeasures	Global	<ul style="list-style-type: none"> <li>Build a procurement network globally and share production technology</li> <li>Strengthen ability to respond at non-Japan subsidiaries (in sales, production/service)</li> <li>Optimally distributed production through consolidation/in-sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Currently sourcing global suppliers and verifying the quality of procured goods</li> <li>Production technologies such as manufacturing procedures and inspections deployed to non-Japan subsidiaries</li> <li>Enhanced responsiveness (development, design, production, etc.) through personnel training at non-Japan subsidiaries</li> <li>Carried out consolidation, shift to in-house production, and construction of new plants to optimize local production for each product</li> </ul>

## Increased production capacity in China



Daifuku (China) Automation Co., Ltd. carried out renovation work at its Changshu Plant to increase production capacity and strengthen environmental protection and safety management, and completed the work in December 2021. In addition to the 40% increase in production space, solar panels have been installed on the roof of the plant to generate 800 kWh/day, which is on par with the amount of electricity used by the plant.

**Materiality**

### Pursue product quality and safety



All three of the following KPI targets were achieved. Iwasaki Seisakusho Co., Ltd., Jervis B. Webb Company, and Hallim Machinery Co., Ltd. were newly added to the ISO 9001 global multi-site and integrated certification list.

> Occupational Safety and Health  
> Quality Assurance

KPIs	Scope	FY2021 targets	FY2021 results
Number of serious accidents related to product/system safety <sup>1</sup>	Global	0 occurrences	0 occurrences
Rate of ISO 9001 global multi-site certification <sup>2</sup> in production sites		60%	62%
Number of employees who obtain safety assessor credentials <sup>3</sup>	Japan	160 people	178 people

<sup>1</sup> Accidents caused by the malfunction of our products or systems leading to death or serious illness/injury during operations (injury or illness requiring 30 days or more of treatment)

<sup>2</sup> Carrying out reviews based on unified standards under the same schedule and certification authority, and obtaining and maintaining certification

<sup>3</sup> Credentials meant chiefly for designers that certify knowledge and abilities in the field of safety based on international safety standards

## Enhance Operational Framework



As our business continues to globalize, in order to fulfill our social responsibility to our diverse stakeholders, it is important that the entire Group, including our subsidiaries outside of Japan, work to strengthen our management base. For our Group to balance business operations and social responsibility, we are working on the strengthening of Group governance and risk management.

### Related Sustainable Development Goals and Targets

The following are the materialities and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Enhance Operational Framework.

Materiality	Goal		Target
Strengthen governance	-	-	-
Ensure compliance	16. Peace, justice and strong institutions	16.5	Substantially reduce corruption and bribery in all their forms
Manage risk	11. Sustainable cities and communities	11.b	By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels
Ensure responsible procurement in the supply chain	8. Decent work and economic growth	8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
	12. Responsible consumption and production	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
	13. Climate action	13.2	Integrate climate change measures into national policies, strategies and planning
	17. Partnerships for the goals	17.16	Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
Strengthen information security	-	-	-
Ensure transparent information disclosure and strategic communication	17. Partnerships for the goals	17.16	Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries



## FY2021 Achievements

The following are our fiscal 2021 achievements in each of the materialities for the above theme of the Sustainability Action Plan. (Enhance Operational Framework)

[> Sustainability Action Plan \(290KB\)](#) [PDF](#)

[> FY2021 Achievements of the Sustainability Action Plan \(333KB\)](#) [PDF](#)

### Materiality

## Strengthen governance

To improve the effectiveness of the Board of Directors, we will continue to use PDCA to improve the issues identified in questionnaires and interviews. In fiscal 2021, we implemented e-learning on the Group Code of Conduct for the Daifuku Group in Japan, the Contec Group, and the Daifuku North America Holding Company Group.

KPIs	Scope	FY2021 targets	FY2021 results
Improving effectiveness of the Board of Directors	Global	Carry out efforts to improve effectiveness	<ul style="list-style-type: none"> <li>Held interviews with selected officers in addition to conventional questionnaires on the Board's effectiveness</li> </ul>
Enhancing internal perceptions		Implement measures to propagate the Group Code of Conduct globally	<ul style="list-style-type: none"> <li>Released the Compliance Guidebook to explain the Group Code of Conduct in six languages and propagated it globally</li> <li>Globally implemented e-learning on the Guidebook and the concept of compliance</li> </ul>
Carrying out sound internal audits		Carry out internal audits in Japanese business units and non-Japan subsidiaries (total 300 cases, 3 years) and maintain compliance with internal evaluations	<ul style="list-style-type: none"> <li>125 audits (103 in Japan, 9 international, 13 specified audits)</li> <li>Internal evaluations determined the Group as compliant</li> </ul>

## Efforts to improve the effectiveness of the Board of Directors

In order to further enhance our corporate governance, every year since fiscal 2015, we have been taking measures, such as improving problem areas and bolstering our strengths by examining the composition and operation of the Board of Directors as a whole, to determine whether it is functioning properly and to identify any issues that need to be addressed. When analyzing and evaluating these results, we outsource the work to an external evalua-

tion organization to ensure independence and objectivity.

For the evaluation of the effectiveness of the Board of Directors in fiscal 2021, a questionnaire was sent to all directors (9) and all auditors (4) (47 questions in total, including seven written answers), and interviews were conducted with the CEO and four outside directors.

[> Corporate Governance \(Investor Relations\)](#)

### Materiality

## Ensure compliance



In fiscal 2021, we conducted an e-learning course on general compliance, including bribery, for the individuals authorized to receive and place orders in the Daifuku Group in Japan, the Contec Group, and the Daifuku North America Holding Company Group.

[> Compliance](#)

KPIs	Scope	FY2021 targets	FY2021 results
Carrying out anti-corruption training	Global	Carry out training and follow-ups for Japanese and global parties with authority to accept/place orders	<ul style="list-style-type: none"> <li>Created compliance training materials for global use in Japanese and English and carried out e-learning</li> </ul>

**Materiality**

## Manage risk



In fiscal 2021, we conducted a risk assessment that took into account the results of a questionnaire sent to executives inside and outside Japan, and we identified important risks that could significantly impact the business activities of the Daifuku Group. Starting in fiscal 2022, we will establish a Risk Management Committee chaired by the CEO to promote Group-wide risk management for risks that could have a substantial impact on our operations.

[> Risk Management](#)

KPIs	Scope	FY2021 targets	FY2021 results
Implementing counter-measures against major risks	Global	Carry out regular risk assessments and risk response training	<ul style="list-style-type: none"> <li>Conducted a risk assessment through 49 officers of Group companies worldwide and identified five significant areas of risk</li> </ul>

**Materiality**

## Ensure responsible procurement in the supply chain



In fiscal 2021, we made preparations to formulate new guidelines, and in fiscal 2022, the Human Rights and Supply Chain Subcommittee under the auspices of the Sustainability Committee will launch a sustainable procurement project to promote substantive discussions.

[> Supply Chain Management](#)

KPIs	Scope	FY2021 targets	FY2021 results
Establishing a CSR procurement system and expand range of operations	Global	Review CSR Procurement Standards and formulate new guidelines to be applied in Japan and abroad	<ul style="list-style-type: none"> <li>Conducted different surveys to formulate new guidelines</li> </ul>

**Materiality**

## Strengthen information security

In fiscal 2021, we conducted information security education and e-mail training as follows. Educational tools were made available in multiple languages, and the entire Group, including subsidiaries outside of Japan, were engaged.

[> Strengthening information security](#)

KPIs	Scope	FY2021 targets	FY2021 results
Number of global information security education sessions	Global	2 sessions	2 sessions
Number of global e-mail training sessions		3 sessions	3 sessions

### Materiality



## Ensure transparent information disclosure and strategic communication

We achieved our target, including ESG-related targets, for the amount of dialogue with shareholders and investors. Beginning in fiscal 2022, we will focus on efficient operations through Group meetings and other means, and change the target to “the number of companies with which we are in dialogue.” Although participation in community contribution activities in each region was somewhat subdued due to COVID-19, a working team will be formed in fiscal 2022 to plan events for the entire Company that will make a broader contribution to society.

[> Stakeholder Engagement](#)

KPIs	Scope	FY2021 targets	FY2021 results
Number of dialog meetings held with shareholders and investors	Global	370 meetings (ESG-related: 10 meetings)	<ul style="list-style-type: none"> <li>• 376 meetings (ESG-related: 16 meetings) ➡ 1,241 companies (ESG-related: 52 companies)*</li> </ul>
Enhancing communication with stakeholders	Japan	Carry out events for science and engineering students; get employees to participate in social contribution activities	<ul style="list-style-type: none"> <li>• Held “DAIFUKU Presents Discovery Hackathon 2021,” a manufacturing event for science and engineering students to facilitate exchanges with students from Japan and abroad</li> <li>• Contributed to local communities through voluntary cleanups and tie-up events with social welfare organizations, mainly in the Shiga region</li> </ul>

\* In fiscal 2022, KPI changed to: “Number of companies with which dialog meetings were held.” There were 31 more companies with which dialog meetings were held over the previous year.

# Respect Human Dignity



To ensure sustainable growth, we are committed to creating a safe and rewarding work environment where each and every employee can develop their abilities and maximize their performance. As a precondition for this, the Daifuku Group adheres to international standards such as the Universal Declaration of Human Rights,\* supports the ten principles of the United Nations Global Compact, and respects the human rights of its employees and all other parties in the supply chain. In a fair and open corporate culture that respects diversity, each and every one of us will rise to meet the challenge of bettering ourselves.

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

## Related Sustainable Development Goals and Targets

The following are the materialities and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Respect Human Dignity.

Materiality	Goal	Target	
Protect employee safety and health	3. Good health and well-being	3.6	By 2020, halve the number of global deaths and injuries from road traffic accidents
		3.9	By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
Achieve diversity and inclusion	5. Gender equality	5.1	End all forms of discrimination against all women and girls everywhere
		5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
		5.b	Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women
	10. Reduced inequalities	10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Create a workplace environment that motivates employees	3. Good health and well-being	3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	8. Decent work and economic growth	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
		8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
Cultivate human resources	4. Quality education	4.3	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
		4.5	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations

Materiality	Goal	Target	
Cultivate human resources	4. Quality education	4.7	By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development
Respect human rights	8. Decent work and economic growth	8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
	10. Reduced inequalities	10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
		10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

## FY2021 Achievements

The following are our fiscal 2021 achievements in each of the materialities for the above theme of the Sustainability Action Plan. (Respect Human Dignity)

[> Sustainability Action Plan \(290KB\)](#) [PDF](#)

[> FY2021 Achievements of the Sustainability Action Plan \(333KB\)](#) [PDF](#)

### Materiality

## Protect employee safety and health



In an effort to prevent occupational accidents from occurring, preventive measures were discussed by each specialized committee under the Central Safety and Health Committee (Installation Safety Committee, Manufacturing Safety Committee, and Procurement Safety Committee). The resulting measures were rolled out to each business unit, and safety patrols were conducted with the mutual participation of business units to incorporate suggestions and outstanding approaches from different perspectives into each. Moreover, additional training was provided to workers with less than three years of experience—who account for a high percentage of those affected by occupational accidents—in order to further improve their safety awareness.

[> Occupational Safety and Health](#)

KPIs	Scope	FY2021 targets	FY2021 results
Frequency rate: Japan (non-Japan)	Global	0.4 (0.9)	0.21 (0.65) <sup>*1</sup>
Severity rate: Japan (non-Japan)		0.02 (0.03)	0.002 (0.009) <sup>*1</sup>
Number of occupational safety and health trainees		1,500 trainees	1,627 trainees
Number of serious accidents <sup>*2</sup>		0 accidents	0 accidents <sup>*1</sup>

\*1 Data from January to December 31, 2021

\*2 Accidental deaths occurring during work at Daifuku (labor accidents)

**Materiality**

## Achieve diversity and inclusion



In November 2021, the target for the number of female employees in managerial positions set in the action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace was revised upward, and the Group will further bolster our efforts to promote women to managerial positions. Specifically, Plan, the fiscal 2022 target has been changed from 21 to 25 employees, and the fiscal 2023 target has been changed from 22 to 30 employees.

[> Diversity and Inclusion](#)

KPIs	Scope	FY2021 targets	FY2021 results
Number of female managers	Japan	19 people	20 people
Employment rate of people with disabilities		2.3%	2.54%*
Paternity leave acquisition rate		5.0%	8.7%

\* As of June 1, 2021

**Materiality**

## Create a workplace environment that motivates employees



In fiscal 2021, the Workstyle Reform Committee and the Mental and Physical Health Promotion Committee continued to play a central role in reducing overtime hours, promoting the use of paid leave, and holding events to maintain and promote mental and physical health.

[> Workplace Environment](#)

KPIs	Scope	FY2021 targets	FY2021 results
Paid leave acquisition rate	Japan	73%	73%
Maintaining high rate of stress check testing		96%	97%
Holding events to encourage mental and physical health		Continued events centered on main facilities	<ul style="list-style-type: none"> <li>Enriched online events, such as physical exercise seminars and programs</li> <li>Held walking events at the Osaka Headquarters and Shiga Works</li> </ul>

**Materiality**



## Cultivate human resources

In fiscal 2021, we began an e-learning prerequisite program for business skills and other subjects as a requirement for nominating candidates for managerial positions. The purpose of this system is to systematically develop candidates for management positions by making sure that they have acquired a certain baseline level of business skills and knowledge.

[> Talent Development](#)

KPIs	Scope	FY2021 targets	FY2021 results
Strengthening education for managerial employees and candidates	Japan	Provide education according to the qualities of candidates up for promotion	<ul style="list-style-type: none"> <li>Implemented training and aptitude tests on business management and labor management for those promoted to managerial positions in FY2022</li> <li>Offered promotion recommendation requirement courses for candidates for managerial positions in FY2023 and beyond</li> </ul>
Developing training using online resources and promoting autonomous learning		Establish on-demand library for training and education	<ul style="list-style-type: none"> <li>Began using training videos with internal lecturers for rank-based training (16 programs in total)</li> </ul>

**Materiality**



## Respect human rights

In fiscal 2021, we formulated the Daifuku Group Human Rights Policy, which clarifies the Group's position on human rights in the course of our business activities. Beginning in fiscal 2022, we will identify, analyze, and evaluate the potential harm to human rights in all of our business activities, including our supply chain, and continue to build a system to correct, mitigate, and prevent this harm.

[> Human Rights](#)

KPIs	Scope	FY2021 targets	FY2021 results
Promotion of workplace understanding of human rights	Global	Carry out human rights training for Group employees	<ul style="list-style-type: none"> <li>Provided three anti-harassment seminars to managers at Group companies in Japan</li> </ul>
Carrying out due diligence for human rights		Formulate policies and carry out due diligence for human rights and ensure widespread human rights knowledge inside and outside the Company	<ul style="list-style-type: none"> <li>Formulated and disclosed our human rights policy; then disseminated it across the Group through videos and internal newsletters</li> </ul>

# Contribute to the Environment Through Our Business



The most profound risk to our business continuity comes from global environmental issues, such as climate change and threats to biodiversity, while, at the same time, we recognize that solving such issues also presents business opportunities for us. In 2021, the Daifuku Group established its Daifuku Environmental Vision 2050, which sets quantitative targets to reach by 2030 in the two crucial issue areas of climate change and energy, and resource recycling. We will strive to achieve our vision across the Group under the auspices of the top management.

## Related Sustainable Development Goals and Targets

The following are the materialities and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Contribute to the Environment Through Our Business.

Materiality	Goal	Target	
Keep business operations environmentally friendly	6. Clean water and sanitation	6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
	7. Affordable and clean energy	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix
		7.3	By 2030, double the global rate of improvement in energy efficiency
	12. Responsible consumption and production	12.2	By 2030, achieve the sustainable management and efficient use of natural resources
	13. Climate action	13.2	Integrate climate change measures into national policies, strategies and planning
13.3		Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	
Expand environmentally friendly products and services	7. Affordable and clean energy	7.3	By 2030, double the global rate of improvement in energy efficiency
	9. Industry innovation and infrastructure	9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	12. Responsible consumption and production	12.4	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment



## FY2021 Achievements

The following are our fiscal 2021 achievements in each of the materialities for the above theme of the Sustainability Action Plan. (Contribute to the Environment Through Our Business)

[> Sustainability Action Plan \(290KB\)](#) [PDF](#)

[> FY2021 Achievements of the Sustainability Action Plan \(333KB\)](#) [PDF](#)

### Materiality

## Keep business operations environmentally friendly



Daifuku's total CO<sub>2</sub> emission reduction rate attained our target due to energy-saving efforts and progress in the introduction of renewable energy sources. In regards to resource recycling, we have set a target of a 99% or higher waste recycling rate after conducting a survey of our overseas locations.

[> Environmental Management](#)

[> Climate Change](#)

[> Pollution Prevention and Resource Recycling](#)

KPIs	Scope	FY2021 targets	FY2021 results
Daifuku's total CO <sub>2</sub> emissions reduction rate (over FY2018)	Global	2.5% reduction	13.8% reduction
Participation rate in CO <sub>2</sub> emissions reduction programs* throughout the supply chain	Japan	32%	36%
Recycling rate of waste	Global	Survey global sites; establish goals	99%

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

### Materiality

## Expand environmentally friendly products and services



Having achieved our targets for both avoided CO<sub>2</sub> emissions and the sales ratio of projects that include environmentally friendly products, we plan to revise our targets and standards in the future to pursue even higher levels of CO<sub>2</sub> emissions reduction. Our recyclability rate for new products exceeded 90% with the exception of one product, but we fell short of our overall average target.

[> Environmentally Friendly Products and Services](#)

KPIs	Scope	FY2021 targets	FY2021 results
Avoided CO <sub>2</sub> emissions <sup>1</sup>	Global	30,000 t-CO <sub>2</sub>	69,694 t-CO <sub>2</sub>
Sales ratio of projects that include environmentally friendly products <sup>2</sup>		43%	63%
Recyclability rate for new products		90%	86%

<sup>1</sup> CO<sub>2</sub> emissions produced from our products/services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products/services in FY2011—the base year for environmental performance.

<sup>2</sup> Projects that have contributed to customers in terms of environmental consideration through certified Daifuku Eco-Products, etc.

# Education and Awareness-Raising Activities

The Daifuku Group positions our three-year business plan and the Sustainability Action Plan as the two cornerstones of our management strategy, and each and every one of our employees aims to contribute to the achievement of the Sustainable Development Goals (SDGs). In practicing sustainability management that contributes to society in a broad range of areas and balances social values and economic values, the Group works to facilitate understanding among our employees through the measures below.

## Raising Awareness about Sustainability

### Rank-based training



Lectures and workshops on sustainability are held by job level for new hires, mid-career employees, and mid-level employees.

### Organizing seminars with experts



We organized four seminars by experts from November 2020 to February 2021 to improve understanding of the SDGs. The events were recorded and the videos are made available on our internal network for employees to access at any time.

### Communication through videos and manga



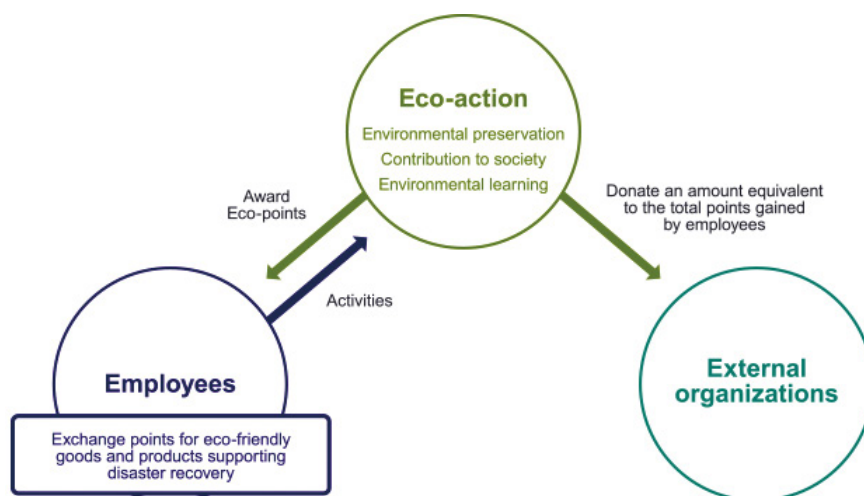
We distribute videos and manga to inform our employees about our company policies, the importance of sustainability, and the larger social context in an accessible manner so we can promote their understanding and action. In fiscal 2021, a total of six videos and five manga were distributed along five themes to promote the spread in the Group of the newly formulated Sustainability Action Plan. These videos are available in multiple languages and posted on the company network so that they can be accessed by Group employees at any time.

## Raising Awareness about Environmental Issues

### Daifuku Eco-Action Program

In 2012, Daifuku established its Daifuku 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 provided in each region, we recorded 11,608 instances of employees participating in volun-

teer activities and environmental learning events in fiscal 2021. 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.



### Daifuku Eco-Action events (examples)

Program	Content / Description	FY2021 Total number of participants (non-unique)
Eco Field Report	Learn about the environment through experiences at nature parks, zoos, museums, environmental facilities, etc.	233 people
Eco Quiz	Eco Quiz published in the in-house newsletter. Disseminate information about the environment and deepen the understanding of this topic	4,607 people
Environment oriented household account book	Allows entering data about usage of electricity and water etc., for visualization to raise awareness of energy conservation	130 people

### Number of participants

	FY2019	FY2020	FY2021
Total number of participants (non-unique)	13,403 people	7,122 people	11,608 people

### Donations

In fiscal 2021, Daifuku made the following donations as a part of the Daifuku Eco-Action Program, which is an employee participation-style environmental initiative.

Donation recipients	Amount	Content
(Continued) 10th year Shiga Prefectural Lake Biwa Museum	1,000,000 yen (previous year: 1,000,000 yen)	Museum Renewal Operating Cost
(Continued) 9th year Hini Arata Kan carbon offset	550,000 yen (previous year: 460,000 yen)	Offset through contributions to the regional reduction framework of amounts equal to CO <sub>2</sub> emissions generated from operating the Hini Arata Kan and associated with visitor movements there
(Continued) 3rd year The Nature Conservation Society of Japan	150,000 yen (previous year: 200,000 yen)	Various projects to facilitate education and awareness of, and investigative research on nature conservation
(New) National Land Afforestation Promotion Organization	1,500,000 yen	To promote the greening of the earth, the Organization has established a tropical rainforest development fund based on donations from companies and individuals, and carries out afforestation overseas.

# Stakeholder Engagement

The Daifuku Group operates our business in relation with not only our customers, but a wide range of people, organizations, and local communities around the world. Through dialogue with all stakeholders, our employees are committed to understanding the demands of society and changes in the market environment, and will help to achieve a sustainable society.

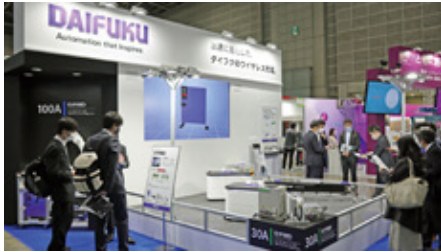
## Dialogue with Primary Stakeholders

Stakeholders	Main societal expectations/demands	Main methods/opportunities for dialogue
Our customers	<ul style="list-style-type: none"> <li>Achieving smart logistics through innovative technologies and optimal best-practice solutions</li> <li>The pursuit of product quality and safety</li> <li>Expansion of environmentally friendly products and services</li> </ul>	<ul style="list-style-type: none"> <li>Daily sales activities</li> <li>Featuring products at our demo center Hini Arata Kan</li> <li>Exhibiting at trade shows</li> <li>Enhanced after-sales service (customer stations, system support centers, etc.)</li> <li>Disclosure of information on our website</li> <li>Responding to customer surveys and audits</li> </ul>
Our shareholders and investors	<ul style="list-style-type: none"> <li>Sustainable business growth</li> <li>Enhancement of corporate value</li> <li>Appropriate shareholder returns</li> <li>Effective and transparent corporate governance</li> <li>Timely and appropriate information disclosure</li> <li>Enhanced disclosure of financial and non-financial information</li> </ul>	<ul style="list-style-type: none"> <li>General shareholders' meeting</li> <li>Financial results briefing for institutional investors and analysts</li> <li>IR meetings with shareholders and investors</li> <li>Shareholders' tour of demo center Hini Arata Kan</li> <li>Disclosure of information on the website</li> <li>Corresponding with ESG rating agencies and responding to questionnaires</li> <li>Issuing integrated report</li> </ul>
Our suppliers	<ul style="list-style-type: none"> <li>Building fair and equitable relationships</li> <li>Supply chain management friendly to the environment and human rights</li> </ul>	<ul style="list-style-type: none"> <li>Daily procurement activities</li> <li>Management/Safety Policy and Production Trends Presentation</li> <li>Supplier Quality Development (S.Q.D.) Award</li> <li>CSR surveys and visits to suppliers</li> <li>Supplier Operations Verification System</li> </ul>
Our local communities	<ul style="list-style-type: none"> <li>Environmentally friendly business practices</li> <li>Helping to revitalize local communities</li> <li>Making pro-social contributions to the community</li> </ul>	<ul style="list-style-type: none"> <li>Daifuku Eco-Action Program</li> <li>Biodiversity conservation activity: Yui Project</li> <li>Volunteer activities in the community</li> <li>Cooperating with municipalities during disasters</li> </ul>
Our employees	<ul style="list-style-type: none"> <li>Thoroughly implement occupational safety and health</li> <li>Respect for human rights and diversity</li> <li>Creating a rewarding work environment</li> <li>Training human resources</li> </ul>	<ul style="list-style-type: none"> <li>Safety and health training</li> <li>Various training programs</li> <li>Conducting engagement surveys</li> <li>Whistleblowing system</li> <li>Issuing in-house newsletters</li> <li>Labor-management dialogue</li> </ul>

## Communication with Our Customers

The Group provides products and services to customers across a wide range of industries worldwide. We strive to build strong relationships of trust by focusing on product safety and quality while sincerely addressing the increasingly sophisticated needs of our customers.

## Exhibiting at trade shows



In March 2022, we exhibited at the International Robot Exhibition 2022, one of the world's largest robot trade shows, and displayed our wireless charging system D-PAD among other products. Nearly 4,000 customers visited our booth giving us the opportunity to promote our products to a wide audience.

## Communication with Shareholders and Investors

Promoting constructive dialogue with our shareholders and investors through our investor relations (IR) initiatives has significant implications for our sustainable growth and medium- to long-term enhancement of corporate value. In accordance with Japan's Corporate Governance Code stipulated by the Tokyo Stock Exchange, we formulated the Daifuku Group Basic Policy for Corporate Governance and Disclosure Based on the Principles of Japan's Corporate Governance Code. Based on these, we are working to secure the rights and equal treatment of our shareholders and enhance dialogue with them.

### Hini Arata Kan Tours for shareholders



Every year we hold tours for 200 to 300 shareholders to the Hini Arata Kan exhibition center in the Shiga Works, but in fiscal 2020 and fiscal 2021 we had no choice but to cancel the tour in order to prevent the spread of COVID-19. We are planning to hold this event in October 2022.

## Communication with Suppliers

We aim to build fair and equitable relationships with our suppliers and to achieve healthy mutual growth. We are also working with our suppliers to achieve a sustainable society by partnering with them to reduce our environmental impact and respect human rights throughout the entire supply chain.

> [Supply Chain Management](#)

### CSR surveys and visits to suppliers



We promote our 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.

## Communication with Local Communities

The Group 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 us 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.

### Investment in local communities

Type	Content	FY2021 Investment amount (yen)
Environmental preservation	Donations from Daifuku Eco-Action Program to external environmental groups	3,200,000
	Costs of cleaning and greening activities around Daifuku sites	3,060,000
	Costs of biodiversity preservation activities	3,050,000
Community contribution	Regional Revitalization Team Project donations and activity costs	700,000
Nurturing the next generation	Visits to Hini Arata Kan from universities, vocational schools, and elementary and junior high schools	240,000
Total		10,250,000

### Local procurement and local hiring

We believe 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 re-

gard 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.

### Manufacturing event for science and engineering students



In September 2021, a manufacturing event was held for technical college, vocational school, undergraduate, and graduate students interested in hardware, software, and app development. 15 teams, including some from outside of Japan, took on the challenge of developing new services and prototypes under the theme of Recover.

## Regional Revitalization Team Project



Beginning in fiscal 2019, the Shiga Works launched the Regional Revitalization Team Project to promote interaction between employees and the local community. In fiscal 2021, they installed employee-made donation boxes in each cafeteria, made donations to a social welfare corporation in Hino, Shiga, and held a bag pre-order sales event as a tie-up with the Watamuki-no-Sato Social Welfare Corporation.

## Community cleanup activities



We regularly maintain and clean 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. In addition, we have been participating in Shiga Prefecture's Ohmi Eco-Foster System since 2001 to clean up national roads around the Shiga Works. This program was held six times in fiscal 2021 and 51 people participated.

## Nature conservation around Lake Biwa



Our 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. This program was cancelled in fiscal 2021 to prevent the spread of COVID-19, but participation is scheduled to resume in fiscal 2022 depending on the conditions.

## Temporary evacuation shelter



In March 2015, an agreement was concluded with Hino Town, Shiga Prefecture, concerning the temporary use of our 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 our social contribution efforts.

## Communication with Employees

Our corporate framework and measures reflect the views of our employees so that we can create an environment where each and every employee feels fulfilled in their work and can maximize their abilities. We aim to enhance our corporate value by improving the workplace environment and ensuring the health and happiness of our employees.

[> Workplace Environment](#)

### Issuing of in-house newsletter



The Group publishes a monthly in-house newsletter for all Group offices in order to communicate and instill management policies and messages from top management, as well as to cultivate a corporate culture and a spirit of unity. Beginning in fiscal 2022, we are shifting to an online version to facilitate rapid communication.

### 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.



## Participating in Initiatives

The Daifuku Group participates in and sponsors domestic and international initiatives to promote the creation of a sustainable society in line with the demands of the international community.

### 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, labour, environment, and anti-corruption.

### The ten principles of the UNGC

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
	Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### Participation in Global Compact Network Japan

In April 2014, Daifuku joined Global Compact Network Japan (GCNJ), which is a local network of the 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 2021, we took part in the Supply Chain

Subcommittee, Environmental Management Subcommittee, Kansai Subcommittee, Anti-Corruption Subcommittee, Disaster Prevention and Mitigation Subcommittee, SDGs Subcommittee, ESG Subcommittee, WEPs Subcommittee, Reporting Research Subcommittee, and Circular Economy Subcommittee. We are working to solve various issues using the knowledge and findings that we have acquired from these committees.

## Sustainable Development Goals



The United Nations adopted the Sustainable Development Goals (SDGs) in September 2015, consisting of 17 goals and 169 targets for the year 2030. The Group will contribute to the creation of a sustainable society through its business activities by linking its three-year business plan and Sustainability Action Plan to the SDGs goals.

## Task Force on Climate-related Financial Disclosures



In May 2019, we expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB).

> [Climate Change \(Disclosure based on TCFD Recommendations\)](#)

## CDP (Climate Change)



CDP is an international project that brings together institutional investors from around the world and requires companies to disclose information about their climate change strategies and greenhouse gas emissions. We have been responding to the CDP climate change questionnaire since 2017.

## Japan Climate Initiative



The Japan Climate Initiative (JCI) is a network to strengthen the communication and exchange of information and opinions among companies, municipalities, and NGOs that are actively working to combat climate change. Daifuku has endorsed the declaration of "Joining the front line of the global push for decarbonization from Japan," and has been a participant since July 2018.

> [Japan Climate Initiative](#)

## Japan Climate Leader's Partnership



Since April 2018, Daifuku has been a supporting member of the Japan Climate Leader's Partnership (JCLP), a group of companies working to create a sustainable, decarbonized society.

> [Japan Climate Leader's Partnership](#)

## Membership in Institutes and Associations

Name of Institute / Association	Position	Daifuku Officer	
Japan Institute of Logistics Systems	Director	President and CEO	Hiroshi Geshiro
The Japan Society of Industrial Machinery Manufacturers	Permanent Secretary	President and CEO	Hiroshi Geshiro
Japan Industrial Vehicles Association	Vice Chairman	President and CEO	Hiroshi Geshiro
Japan Management Association	Director	President and CEO	Hiroshi Geshiro
The Japan Institute of Material Handling	Chairman	President and CEO	Hiroshi Geshiro
Japan Material Flow Institute	Director	Corporate Officer	Norihito Toriya
Japan Material Handling Society	Vice Chairman	Managing Officer	Hiroshi Nobuta

# Environmental Management

## Basic Approach

The Daifuku Group recognizes the growing global environmental problems as a significant challenge in the business environment facing the Group. In 2011, we established the Daifuku Environmental Vision 2020 and have been focused on three themes: promoting environmentally friendly activities in business operations, expanding environmentally friendly products and services, and strengthening our environmental management platform. In 2021, to address these increasingly serious problems, the Group

created the new Daifuku Environmental Vision 2050, which outlines our ideal vision for 2050, aiming for a world where material handling systems have zero environmental impact. We have designated climate change and energy as well as resource recycling as critical issue areas, and have set targets for each of these areas. We will contribute to the creation of a sustainable society through Group-wide efforts under the leadership of the management team.

## Group Code of Conduct (extract)

### 6-1. Environment

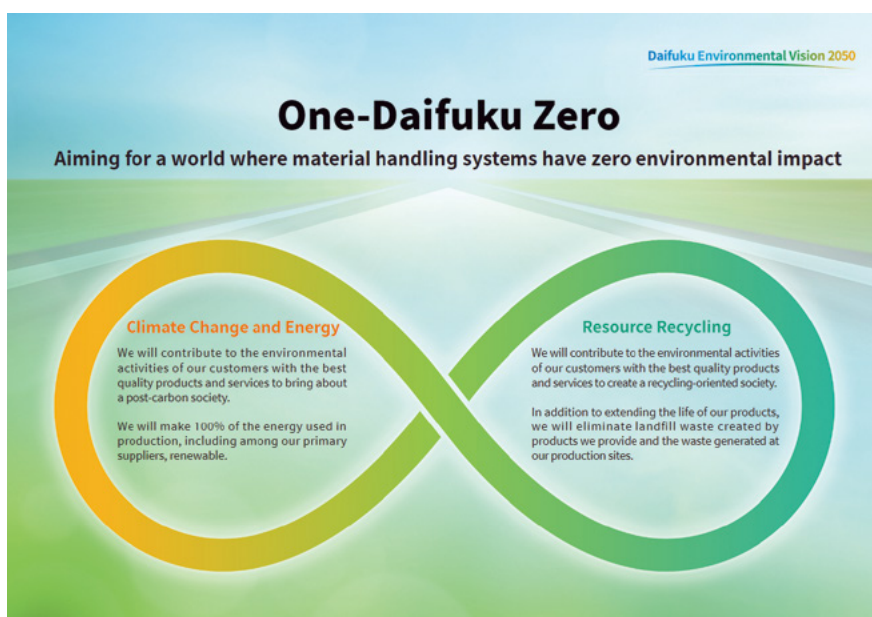
- We will contribute to the preservation of the global environment through our business operations.
- We will develop environmentally friendly products and services, and offer them widely to society.
- Each and every one of us will conduct business with a high environmental awareness.

## Daifuku Environmental Vision 2050

The Group has formulated the Daifuku Environmental Vision 2050, an environmental vision looking ahead to 2050 to help create a sustainable society. We have set our critical issue areas and targets through 2030, aiming for a world where material

handling systems have zero environmental impact by 2050. The Sustainability Committee, chaired by the CEO, is at the center of this Group-wide effort, which runs from fiscal 2021 to 2030.

> [Daifuku Environmental Vision 2050 \(335KB\)](#) PDF



## Crucial issue areas for 2030

### Accelerating climate change and energy responses

We will strive to reduce CO<sub>2</sub> emissions in our value chain by reducing the energy use of our products operated at customer sites and by working together with our suppliers.

We will work on CO<sub>2</sub> emissions reductions compliant with the Paris Agreement by promoting energy conservation and introducing renewable energy sources throughout the Daifuku Group.

### Building a foundation to promote the resource recycling

To promote resource recycling throughout the product lifecycle, we will enhance the recyclability rate of our products.

We will build a resource-recycling framework at all our production sites.

### 2030 targets

Crucial issue areas	Target
Climate change and energy	70% or higher sales ratio of projects that include environmentally friendly products <sup>1</sup>
	Overall avoided CO <sub>2</sub> emissions <sup>2</sup> of 300,000 t-CO <sub>2</sub> or more
	25% or more reduction in total CO <sub>2</sub> emissions by Daifuku (from FY2018 levels)
	50% or more corporate participation in supply chain CO <sub>2</sub> reduction program <sup>3</sup>
Resource recycling	90% or higher recyclability rate for new products
	99% or higher recycling rate of waste

<sup>1</sup> Projects that have contributed to customers in terms of environmental consideration through certified Daifuku Eco-Products, etc.

<sup>2</sup> CO<sub>2</sub> emissions produced from our products/services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products/services in FY2011—the base year for environmental performance.

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

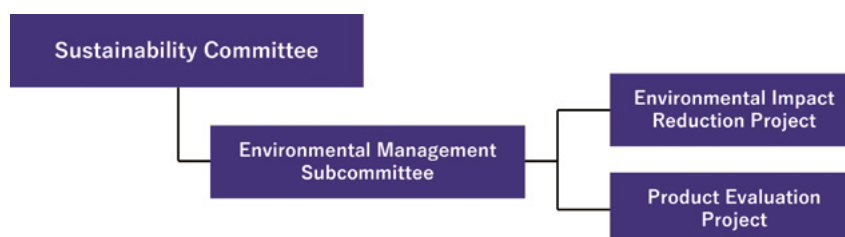
## Promotion System

The Group-wide Sustainability Committee, which is chaired by the CEO and comprises the Global Business Heads of each business unit as members, has been formed, and the Environmental Management Subcommittee<sup>\*</sup> has been established under the auspices of the Sustainability Committee. The Subcommittee's discussions are focused on one of the themes of the Sustainability Action Plan: contributing to the environment through our business. We have set targets for keeping business operations environmentally friendly and expanding environmentally friend-

ly products and services, which we have identified as materialities, and we continue to advance these activities and monitor their progress. Beginning in fiscal 2022, we will also launch the Environmental Impact Reduction Project to promote energy and resource conservation and the adoption of renewable energy in our business operations, as well as the Product Evaluation Project to discuss Daifuku Eco-Products certification, PR, and a review of the certification standards.

<sup>\*</sup> This Subcommittee is a merger of the Eco-Products Subcommittee and the Environmentally Friendly Operations Subcommittee, which had existed until fiscal 2021.

> [Contribute to the Environment Through Our Business](#)



FY2022 promotion system

## Environmental Management Subcommittee

Members	Business units (manufacturing, sales, design), Human Resources and General Affairs Department, Assets Administration Department, Sustainability Promotion Department
Main agenda	<ul style="list-style-type: none"> <li>• Adoption of renewable energy</li> <li>• Implementation of energy and resource saving</li> <li>• Product sustainability assessment, and more</li> </ul>

## Environmental management system certification

We promote certification at all production sites and primary locations in Japan, and all main production sites overseas of the ISO 14001 international standards for environmental management systems. Production is carried out at all four of the ISO-certified Japan locations, and at the 14 overseas locations that have been ISO certified. 67% of production facilities have obtained certification.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 14001	27	18	67%

[> ISO Certified Locations](#)

## Daifuku Japan Environmental Action Plan

Daifuku Co., Ltd. has developed an Environmental Action Plan in Japan for non-KPI issues for each materiality defined in our Sustainability Action Plan.

### Reducing total amount of waste

#### 【Main efforts】

- Reduce defects in manufacturing process
- Reduce packaging materials

Management indicator	Target			Results
	FY2021	FY2022	FY2023	FY2021
Percentage of total amount of waste per basic unit of net sales (%) (compared with FY2018)	94.0	92.0	90.0	80.6

### Improve recycling rate of waste

#### 【Main efforts】

- Thoroughly sort waste

Management indicator	Target			Results
	FY2021	FY2022	FY2023	FY2021
Waste recycling rate (%)	95.0	96.0	97.0	99.4

## Reduce water use at production sites

### 【Main efforts】

- Water conservation efforts at production sites and offices

Management indicator	Target			Results
	FY2021	FY2022	FY2023	FY2021
Percentage of water use per basic unit of net sales (%) (compared with FY2018)	90.0	85.0	80.0	59.1

## Revitalizing Daifuku Eco-Action

### 【Main efforts】

- Expanding scope of efforts from environmental actions to CSR actions
- Planning and holding new events and training sessions

Management indicator	Target			Results
	FY2021	FY2022	FY2023	FY2021
Number of employees that participated (non-unique)	7,100 people	7,400 people	7,700 people	11,608 people

## Advancing conservation of biodiversity

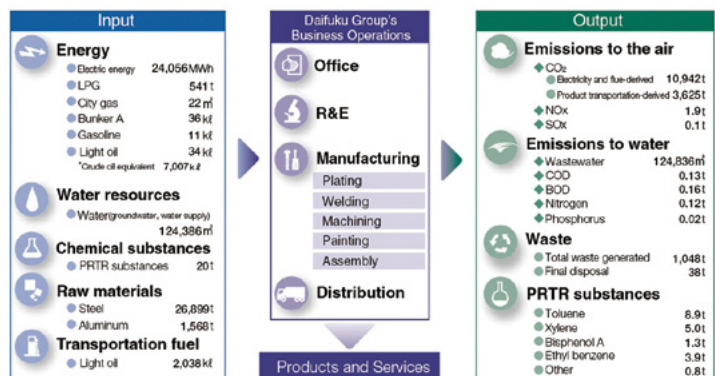
### 【Main efforts】

- Studying, monitoring and conserving local ecological conditions of Shiga Works
- Advancing conservation of biodiversity through outside partnerships

Management indicator	Target			Results
	FY2021	FY2022	FY2023	FY2021
Implementing biodiversity conservation efforts	Yui no Mori forest maintenance	Yui no Mori embarking on reforestation	Yui no Mori planting and caring for trees	Laying wood chips along roadside in Yui no Mori

## Material Balance (FY2021)

Monitoring the environmental impact of its business operations, Daifuku strives to minimize its environmental burden. Shown below are the energy and resource inputs and environmentally-impactful outputs generated through the operations of Daifuku Co., Ltd.



## Environmental Accounting

Daifuku Co., Ltd. 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	
			FY2020	FY2021	FY2020	FY2021
Incurred in business areas	Pollution prevention	1. Preventing air pollution	-	-	52,160	42,600
		2. Preventing water pollution	33,228	9,350	73,924	119,379
		3. Preventing soil contamination	-	-	0	0
		4. Preventing vibration and noise	-	-	0	0
	Environmental conservation	5. Saving energy	93,444	229,259	206,037	225,946
		6. Controlling chemical substances	-	-	1,226	1,224
	Resource recycling	7. Effectively utilizing resources	-	-	1,007	1,007
		8. Processing industrial and general waste	4,200	0	28,744	34,730
Upstream/downstream	9. Difference between costs of regular and green purchasing	-	-	1,920	1,920	
Management activities	10. Environmental management system operation	-	-	42,631	44,172	
	11. Environmental information disclosure and advertisement	-	-	4,195	4,214	
	12. Environmental impact monitoring	2,720	0	6,956	9,668	
	13. Environmental education for employees	0	0	9,298	16,962	
R&D	14. Environmental conservation out of R&D	-	-	183,300	214,700	
Social activities	15. Nature protection, greening and beautification	21,202	0	53,051	57,597	
	16. Donation to and support for nature conservation groups	-	-	5,080	4,520	
Environmental damage response	17. Covering environmental damage	-	-	0	0	
Total			154,794	238,609	669,530	778,638



## Economic effects of the environmental conservation measures (actual effects)

(Thousand yen)

Effects	FY2020	FY2021
Sales of valuable resources	56,200	141,130
Energy cost saving	69,592	▲ 70,347
Waste disposal cost saving	2,985	3,725
Total	128,777	74,507

## Effects of environmental conservation

Item	FY2021	Reduction relative to the previous year (▲ Increase)	Amount generated per basic unit of net sales relative to the previous year (%)
Energy cost (Thousand GJ)	297.7	▲ 28.7	99.3
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	11,826.8	▲ 1,320.8	101.0
Total waste generated (t)	5,751.0	▲ 1,196.0	113.3
Final disposal (t)	38.0	3.0	83.2
Total drainage (Thousand m <sup>3</sup> )	104.1	0.1	89.7

## Responding to Water Risks

The Daifuku Group has used Aqueduct, an assessment tool developed by the World Resources Institute (WRI), to assess water risks in the countries and regions where we have major operations in Japan, China, Taiwan, India, Thailand, Korea, the United States, and the United Kingdom. The results indicated that all areas surveyed were not at a risk level higher than High. We will continue to assess risk on a regular basis.

In addition, while painting processes use a particularly large

amount of water in production, we do not believe that there is currently a high risk concern at all of our production sites. We will continue to monitor water consumption at our production sites, reduce the total amount of water used, and take appropriate measures regarding water risk.

The results of the water risk assessment (Overall water risk<sup>\*</sup>) for our main sites is as follows.

Water risk level	No. of sites
Low (0-1)	0
Low-Medium (1-2)	7
Medium-High (2-3)	14
High (3-4)	0
Extremely-High (4-5)	0

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

# Climate Change

## Basic Approach

The Daifuku Group has formulated the Daifuku Environmental Vision 2050 and strives to make prosocial contributions through manufacturing while advancing environmental management towards the decarbonization of society and the achievement of the SDGs. One of the critical issue areas is accelerating climate change and energy responses, and we are working to contribute to a reduction in CO<sub>2</sub> emissions through our products and

services, a reduction of CO<sub>2</sub> emissions throughout our supply chain, and the adoption of renewable energy. We will continue to endeavor to improve our business activities, products and services through dialogue with our stakeholders, contribute to the development of society, and take on the challenge of increasing our corporate value.

[> Daifuku Environmental Vision 2050](#)

## Disclosure Based on TCFD Recommendations

In May 2019, Daifuku expressed its support for the TCFD<sup>\*</sup> (Task Force on Climate-related Financial Disclosures) recommendations. Information is disclosed in line with the core elements of the TCFD recommendations for climate-related financial disclosure: governance, strategy, risk management, as well as metrics and targets.

\* 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.

## Governance

We have set up a Sustainability Committee (chaired by the CEO), which is responsible for submitting, reporting, and providing information as appropriate about deliberation items related to sustainable management, including those related to climate change, with the Global Business Heads of each business unit and related executive officers serving as members. The Board of Directors receives reports from the Sustainability Committee and makes decisions on any necessary measures.

The Sustainability Committee, an advisory body to the Board of Directors, formulates and promotes sustainability management strategies that support the sustainable growth of the Group. Concerning climate change, we will determine policies related to energy conservation, the adoption of renewable energy, and environmentally friendly products across the entire Group in Japan and overseas, and we will respond to related laws, regulations, and information disclosure.

## Strategy

### Scenario analysis

To assess the resilience of business strategies to climate change risks, we analyzed climate change risks and opportunities based on two scenarios: 1) a temperature increase of 4°C during the 21st century (the world continues to emit greenhouse gases at the current level), and 2) a temperature increase of less than 1.5°C (regulations on greenhouse gas emissions are rapidly strength-

ened). As a result, although the impact of typhoons and floods in scenario 1 and increased business costs due to carbon taxation and other factors are envisioned in scenario 2, in both scenarios, demand for products and services is envisioned to grow faster than costs due to increased investment in automation and a growing need for environmentally friendly products.

### Process of scenario analysis

1. We set up the secretariat of the Sustainability Committee and a working group consisting of external experts and relevant units.
2. We assumed a physical risk scenario and a transition risk scenario in climate change.
3. In each scenario, we identified events that may occur in the future and their impact on the value chain (procurement, direct operations, demand for products and services) in terms of risks and opportunities.
4. For each impact that has been identified, we clarified the current initiatives as Daifuku's preparations and future prospects.

### Selected climate scenarios

#### Physical Scenario: IPCC AR5 RCP8.5 scenario (equivalent to a rise in temperature of 4 degrees Celsius in the 21st century)

- Serious impacts concerning flooding and temperature rise
- At the end of the 21st century, the total amount of rainfall in Japan will increase by approx. 25.5%, and the number of sweltering days (days when the highest temperature is 30 degrees Celsius or higher) in the country will increase by 52.8 days, respectively, compared to the annual averages for 1986 to 2005.

#### Transition scenario: IPCC SR1.5 (keeping the rise in temperature below 1.5 degrees Celsius until the end of the 21st century), IEA SDS (conforming to the 2-degree Celsius target)

- Reducing net CO<sub>2</sub> emissions to zero by around 2050
- In developed countries, a carbon tax of approx. 6,300 yen/t-CO<sub>2</sub> will be imposed in 2025 and approx. 14,000 yen/t-CO<sub>2</sub> in 2040.

### Climate change risks and opportunities

Scenario 2050	Event		Impact	Daifuku's preparations	
Physical scenario (rising by 4 degrees Celsius)	Risk	Acute	Increase in heavy rains (flooding)	Damages to incoming and outgoing goods and equipment, shutdown of our factories, etc.	<ul style="list-style-type: none"> <li>• Ensuring purchases from two companies</li> <li>• Continuous review of business continuity plan</li> </ul>
		Chronic	Rise of annual average temperature	Risk of employees experiencing heat stroke in factories and other facilities, associated with high temperatures in summer	<ul style="list-style-type: none"> <li>• Improvement in work environment, development of infrastructure</li> </ul>
	Opportunity	Physical	Growing demand for cold chain, e-commerce, and labor conservation from customers, reflecting rising temperatures	Growing demand for our products and services for cold chain, e-commerce, and labor conservation	<ul style="list-style-type: none"> <li>• Developing a production framework in Southeast Asia in response to rising demand</li> </ul>
Transition		Growing demand for efficiency improvement (energy conservation) from customers, reflecting tighter regulations on CO <sub>2</sub> emissions	We will be able to respond to changes in customer demand. (growing demand for products and services that help customers reduce CO <sub>2</sub> emissions)	<ul style="list-style-type: none"> <li>• Helping customers reduce their CO<sub>2</sub> emissions with Daifuku Eco-Products</li> </ul>	
Transition scenario (rising by 1.5 degrees Celsius)	Risk	Policies, legal restraints	Tightened regulations related CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>• Increase in procurement and operating costs due to carbon tax, etc.</li> <li>• <b>➡</b> Global CO<sub>2</sub> emissions (FY2018) were approx. 40,000 tons. If the carbon price is 14,000 yen/t-CO<sub>2</sub> (in 2040), the total amount will be 560 million yen per year.</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting reduction of our CO<sub>2</sub> emissions</li> <li>• Global energy management</li> <li>• Introduction of renewable energy equipment</li> <li>• Replacement of energy conservation equipment</li> </ul>

### Transition risk measures

While CO<sub>2</sub> emissions from in-house production activities are about 1% of the total, CO<sub>2</sub> emissions from customers' energy use is overwhelmingly high at about 76%, and customers need to reduce the environmental load in logistics and production. We will focus on the development and sales of environmentally friendly products (77 products as of May 2022), responding to further in-

creases in these customer needs for mitigating carbon dioxide. In addition, to promote decarbonization in business operations, we are conducting surveys on the potential for introducing renewable energy at major global production sites and formulating plans for introducing the renewable energy.

### Physical risk measures

In the risk assessment conducted by the entire Group, we have identified natural disasters including typhoons and floods as severe risks that have a significant impact. To improve the effectiveness of the business continuity plan including the supply chain, we have analyzed the degree of business impact and reviewed the system table of each business unit. We have also

made efforts to mitigate the risk of suspended supply by diversifying production sites, purchasing key components from two or more suppliers, and taking other measures. Moreover, at production, installation, and service sites, we are striving to continuously improve the work environment to protect against higher temperatures and ensure thorough safety and health management.

### Risk management

We have built a Groupwide risk management framework based on our risk management rules. We position major natural disasters, including climate change, as a significant risk, and the Sus-

tainability Committee manages that risk in a centralized manner. Concerning climate change risks, we apply the views of external experts and report them to the Board of Directors as necessary.

### Metrics and targets

KPI

The Group has identified the acceleration of climate change and energy responses as one of the crucial issue areas in the Daifuku Environmental Vision 2050 and has set the following goals.

	FY2030 target	FY2021 target	FY2021 results
Sales ratio of projects that include environmentally friendly products <sup>*1</sup>	70% or higher	43%	63%
Avoided CO <sub>2</sub> emissions through products/services <sup>*2</sup>	300,000 t-CO <sub>2</sub> or more	30,000 t-CO <sub>2</sub>	69,694 t-CO <sub>2</sub>
Daifuku's total CO <sub>2</sub> emission reduction rate (over FY2018)	25% or more	2.5%	13.8%
Participation rate in CO <sub>2</sub> emission reduction programs <sup>*3</sup> throughout the supply chain	50% or more	32%	36%

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

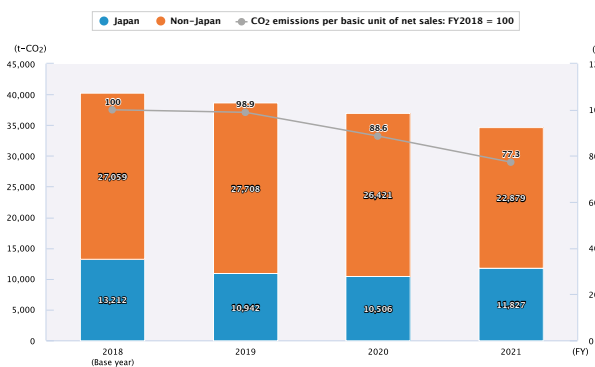
\*2 CO<sub>2</sub> emissions produced from our products/services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products/services in FY2011—the base year for environmental performance.

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

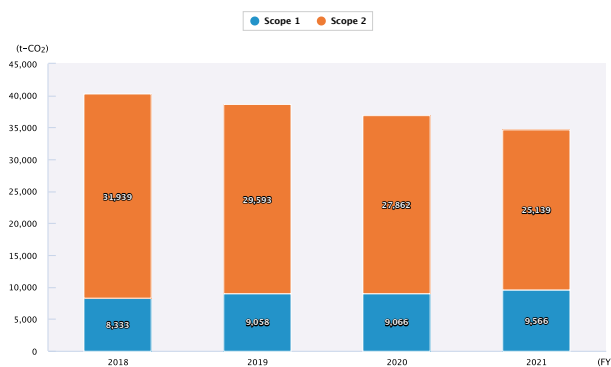
> Environmentally Friendly Products and Services

### Data on CO<sub>2</sub> emissions

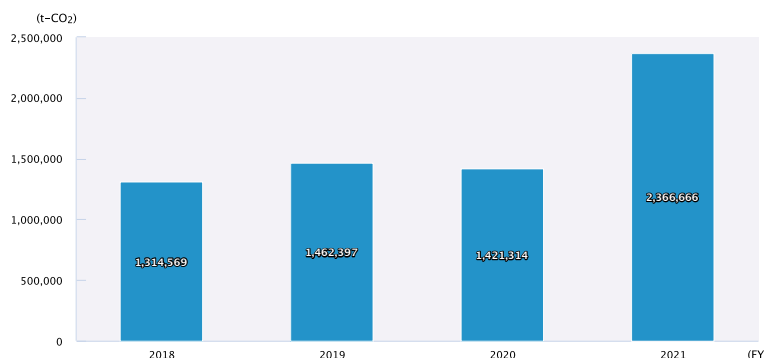
#### CO<sub>2</sub> emissions (Global)



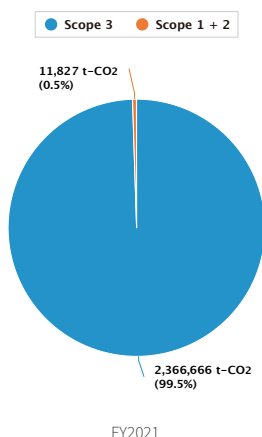
#### CO<sub>2</sub> emissions (Global: Scope 1 + 2)



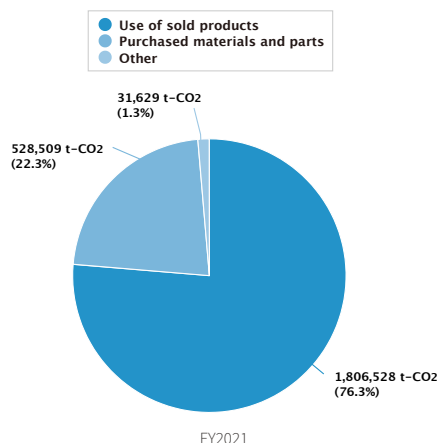
### CO<sub>2</sub> emissions (Japan<sup>\*</sup>: Scope 3)



### Breakdown in CO<sub>2</sub> emissions of the entire supply chain (Japan<sup>\*</sup>)



### Breakdown in Scope 3 (Japan<sup>\*</sup>)



\* Includes CO<sub>2</sub> emissions from the operations of products shipped from Japan to overseas

## Major Initiatives

### Accelerating climate change and energy responses

The material handling system we provide is constantly in operation at our customers' logistics facilities and factories around the world. As a result, the largest proportion of our CO<sub>2</sub> emissions is associated with energy use during product operation. Therefore, we will promote energy-saving measures through product design based on environmental considerations and overall system operation optimization.

In business operations, we will work to further promote energy conservation measures at our production bases in Japan and overseas and to adopt renewable energy. The Group has a high percentage of sales outside of Japan, and energy consumption at overseas production sites tends to be higher than that at Japanese sites. We collect monthly data on the Group's energy use, and in fiscal 2020 we conducted a study to procure renewable energy at the top locations with the highest electricity use.

Procurement of renewable energy has been started successively from the sites that are ready, and as of the end of fiscal 2021, the percentage of electricity derived from renewable energy to total electricity consumption was 9.9%.

In terms of product production, we mainly assemble parts procured from our suppliers, and our suppliers located upstream in the supply chain, such as parts manufacturers, tend to account for a relatively large amount of CO<sub>2</sub> emissions. Therefore, we have been advancing initiatives in cooperation with our suppliers, such as our CO<sub>2</sub> emission reduction program through the supply chain, in which we request our major suppliers with the top 80% of procurement value to set CO<sub>2</sub> emission reduction targets. The participation rate in this program in fiscal 2021 was 36%, achieving the single fiscal year target.

## Status and schedule of renewable energy procurement

### FY2021

- Introduction of roof-top solar panels at the Changshu Plant of Daifuku (China) Automation Co., Ltd.
- Daifuku Logan Ltd. completes green power switchover at Hull operations

### FY2022 (tentative)

- Daifuku (Thailand) Limited purchases renewable energy certificates for its Pinthong and Chonburi plants
- Purchase of renewable energy certificates at Contec Americas Inc.'s Melbourne office
- Daifuku Co., Ltd. to buy back the environmental value of electricity generated by the Daifuku Mega Solar at Shiga Works

## 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 2021, the system generated about 240,000 kWh of power, which reduced CO<sub>2</sub> emissions by 85 tons.

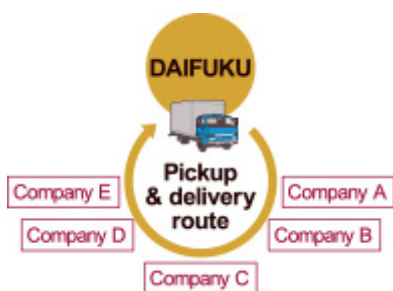
## Daifuku Mega Solar



52,000 square meters of solar panels

In November 2013, we installed the photovoltaic system, Daifuku 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).

## Sharing transportation resources



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

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 CO<sub>2</sub> emissions throughout the entire supply chain as well as reducing each supplier's logistics costs.

\* 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 CO<sub>2</sub> 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 coordi-

nating delivery schedules and managing costs, thereby reducing CO<sub>2</sub> emissions as much as possible. In fiscal 2021, we were able to cut CO<sub>2</sub> emissions by 344 tons through the modal shift of transportation methods.

\* 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 CO<sub>2</sub> emissions and less impact on the environment.

## 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 Hino 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 CO<sub>2</sub> emissions that comes from transport.



## Membership Status of Climate-Related Organizations

Daifuku Group is a member of organizations aiming to solve climate change issues in order to achieve the "Daifuku Environmental Vision 2050" formulated in February 2021, and is involved in information sharing and policy proposals.

### Membership in initiative

- Japan Climate Initiative
- Japan Climate Leader's Partnership (supporting member)
- TCFD Consortium

# Pollution Prevention and Resource Recycling

## Basic Approach

The management of hazardous chemicals, waste, and wastewater must be reliably handled in accordance with laws and regulations. The Daifuku Group has been working to reduce the burden on the global environment, including local communities, through the prevention of environmental pollution and resource

conservation. We have also set building a foundation to promote the resource recycling as a critical issue area in the Daifuku Environmental Vision 2050, and we are working on improving the recyclability rate of our products and establishing a system for resource recycling at our production sites.

## Green procurement

We believe that it is our mission to manufacture environmentally friendly products as we expand our business globally. Under the motto, "We will not buy, use, or sell any hazardous materials," we formulated our Green Procurement Guidelines in November 2005

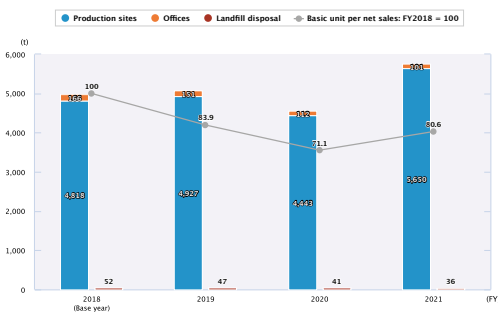
to eliminate certain hazardous chemical substances and prioritize the purchase of materials and products that are resource- and energy-saving and reusable.

## Major Initiatives

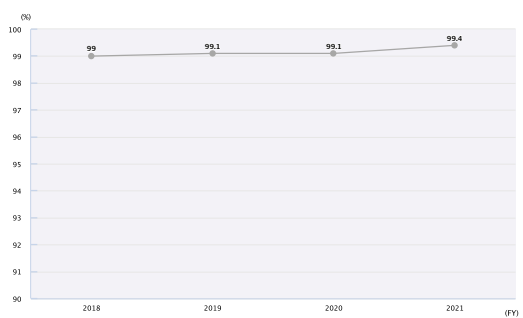
### Resource saving

We are committed to reducing defective products from our manufacturing processes, reducing packaging materials, and conserving water at our production sites and offices.

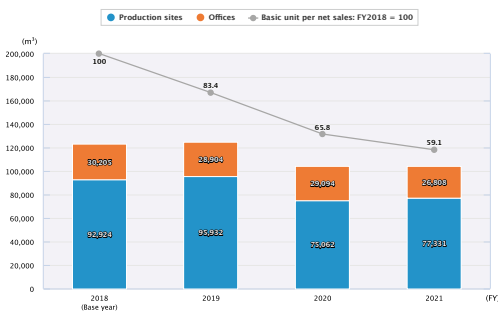
### Waste generated (Japan) \*Including valuable wastes



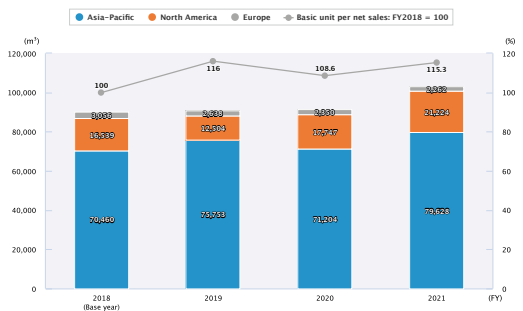
### Recycling rate of waste (Japan) \*Including valuable wastes



### Water consumption (Japan)



### Water consumption (Non-Japan)





## 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.

## Pollutant reduction

### Management of chemicals

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 (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

	FY2018	FY2019	FY2020	FY2021
Emission and transfer (kg)	23,765	18,531	16,880	20,542

### Amount of PRTR-related chemical substances handled in FY2021

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	1,247.40	0	0	0	0	0	0	24.95	24.95
53	Ethylbenzene	5,014.59	5,014.59	0	0	0	5,014.59	0	0	0
80	Xylene	6,219.47	6,219.47	0	0	0	6,219.47	0	0	0
296	1,2,4-Trimethylbenzene	589.10	589.10	0	0	0	589.10	0	0	0
297	1,3,5-Trimethylbenzene	222.09	222.09	0	0	0	222.09	0	0	0
300	Toluene	8,059.42	8,059.42	0	0	0	8,059.42	0	0	0

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

## Compliance with European harmful substance regulations

The entire Daifuku Group focuses on the European REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) 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.

\* Companies must register and evaluate the safety of chemical substances contained in the products they manufacture and sell in Europe.

## 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 FY2021

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

Material	Facility	Regulation value	Results		
			Max	Min	Avg
Dust (g/m <sup>3</sup> N)	Dynamos	0.1	0.006	0.004	0.006
Sulfur oxide (SOx) (m <sup>3</sup> N/h)	Dynamos	2.31	0.060	0.050	0.057
Nitrogen oxide (NOx) (ppm)	Dynamos	950	920	750	825

## Preventing water pollution



Water quality survey

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.

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 wastewater.



Effluent treatment facilities



Effluent before (left) and after (right) treatment

### Result of final effluent quality measurements in FY2021

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 <sup>3</sup> /day)	-	443.3	73	307.7
pH	6.0~8.5	7.4	6.7	7.1
SS (mg/ℓ)	20 or less	0.8	0.5	0.6
COD (mg/ℓ)	20 or less	2.4	0.3	0.7
BOD (mg/ℓ)	20 or less	3.0	1.0	1.4
Total phosphorus (mg/ℓ)	1 or less	0.1	0.1	0.1
Total nitrogen (mg/ℓ)	10 or less	1.2	0.5	0.6

Note: The average value is the weighted average.

### 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 con-

tent. 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

### Resource recycling

KPI

We offer a large-scale material handling system consisting of many parts and materials. Daifuku Environmental Vision 2050 aims to circulate resources not only when waste is generated from business activities but also when equipment delivered to customers is removed. From that point of view, we will review the product materials and improve the ease of disassembly from

the design stage.

In addition, we have positioned the stable operation of the system for a long period of time and delaying the timing of disposal as an important initiative, and will enhance after-sales services such as maintenance.

> [Daifuku Environmental Vision 2050](#)

	Scope	FY2021
Recycling rate of waste	Global	99%
Recyclability rate for new products	Global	86%

# Environmentally Friendly Products and Services

## Basic Approach

The products and services that the Daifuku Group provides to society through its customers have an impact on the global environment through the use of electricity and resources. We recognize that responding to the demands for more environmentally friendly products and services that transcend national

and organizational boundaries is an important issue to ensure the continuation of our business, and we aim to maximize the value we provide to our customers through an expansion of our environmentally friendly products and services.

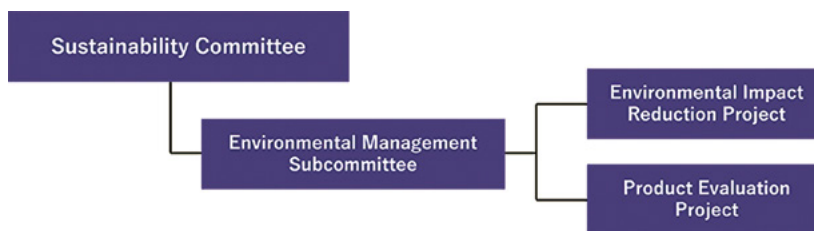
## Promotion System

The Environmental Management Subcommittee, established under the auspices of the Sustainability Committee, discusses and examines issues like contributing to a reduction in CO<sub>2</sub> emissions through our products and services, environmentally friendly projects, and Daifuku Eco-Products certification.

In fiscal 2022, the Product Evaluation Project was launched

under the auspices of the Environmental Management Subcommittee, and consideration has been initiated to visualize product value from a broad sustainability perspective that includes not only environmental friendliness, but also contributions to our customers and to society in general.

\* This Subcommittee is a merger of the Environmentally Friendly Products Subcommittee and the Environmentally Friendly Operations Subcommittee, which had existed until fiscal 2021.



FY2022 promotion system

## Major Initiatives

### Daifuku Eco-Products Certification Program

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 2022, 77 products have met the standards and been certified as Daifuku Eco-Products.

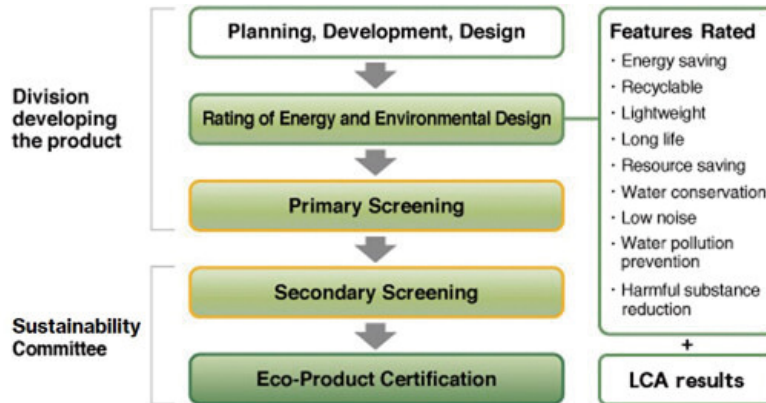
Moreover, starting in fiscal 2022, we have been reviewing this

system through the Product Evaluation Project of the Environmental Management Subcommittee. In addition to concern for the environment, we are examining the product evaluation axis from a broader perspective that includes contributions to our customers and society.



## Certification process

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



## Certified Daifuku Eco-Products (FY2021)

### Manufacturing & Distribution

- —

### Cleanroom

- Cleanroom transport system - Clean Space Carrier (CSC/D8050M II)

### Automotive

- Distributed HID power supply system - D-HID

### Car wash machines and related products

- One-way drive-through car wash machine - Treus (TE7000)

### Electronic products (Contec Co., Ltd)

- Box computer (BX-T3000)
- Raspberry Pi expansion board (CPI-DIO-0808L)
- Battery-driven BLE-LTE converter supporting IP67 (CPSB-BTM1-S011)

[> Daifuku Eco-Products](#)

## Sales of Daifuku Eco-Products

	FY2019	FY2020	FY2021
Sales of Daifuku Eco-Products (Million yen)	38,211	49,183	36,066
Sales excluding services sales* (Million yen)	334,794	354,502	376,268
Sales ratio (%)	11.4	13.9	9.6

\* Daifuku sales are generally divided into sales for new deliveries and sales for follow-up services, such as maintenance and inspections. The sales ratio for Daifuku eco-certified products uses the amount of total sales with service sales deducted.

## Avoided CO<sub>2</sub> emissions

KPI

We are reducing CO<sub>2</sub> emissions from energy use during product operations with our environmentally friendly products and services that conform to our Group's standards. Our CO<sub>2</sub> reduction amount is calculated by subtracting the CO<sub>2</sub> emissions produced

from our products/services provided to our customers from the CO<sub>2</sub> emissions produced from our products/services in fiscal 2011—the base year for environmental performance.

	Scope	FY2021
Avoided CO <sub>2</sub> emissions through products/services	Global	69,694 t-CO <sub>2</sub>

## Sales ratio of projects that include environmentally friendly products

KPI

The following shows the percentage of net sales of projects that contributed to customers in terms of environmental friendliness through certified Daifuku Eco-Products, etc.

	Scope	FY2021
Sales ratio of projects that include environmentally friendly products	Global	63%

## Life cycle assessment

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

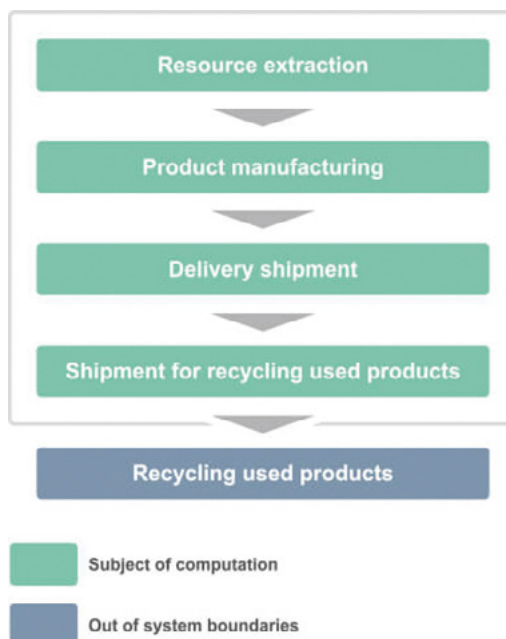
### Results of LCA conducted on the New Goodrack (heavy load storage rack)

#### 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



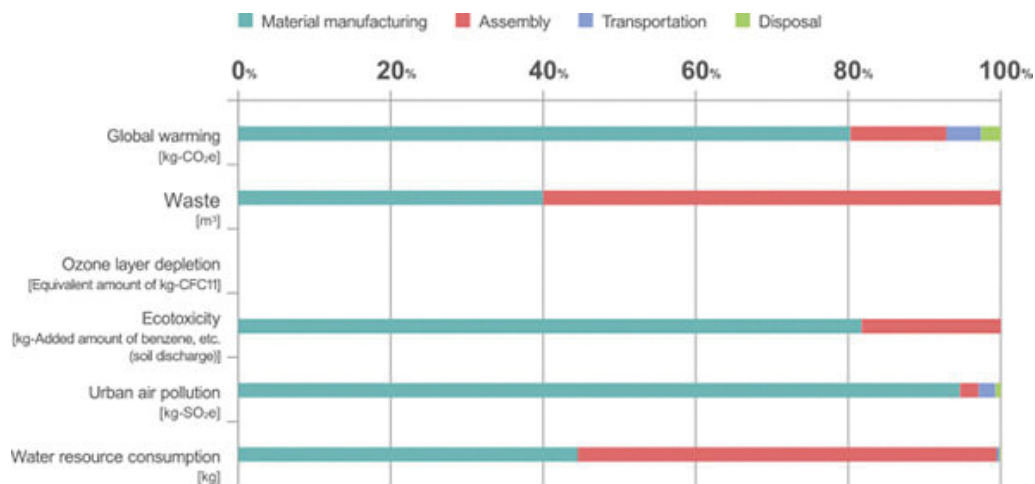
#### 1. LCA computation scope



## 2. Impact assessment

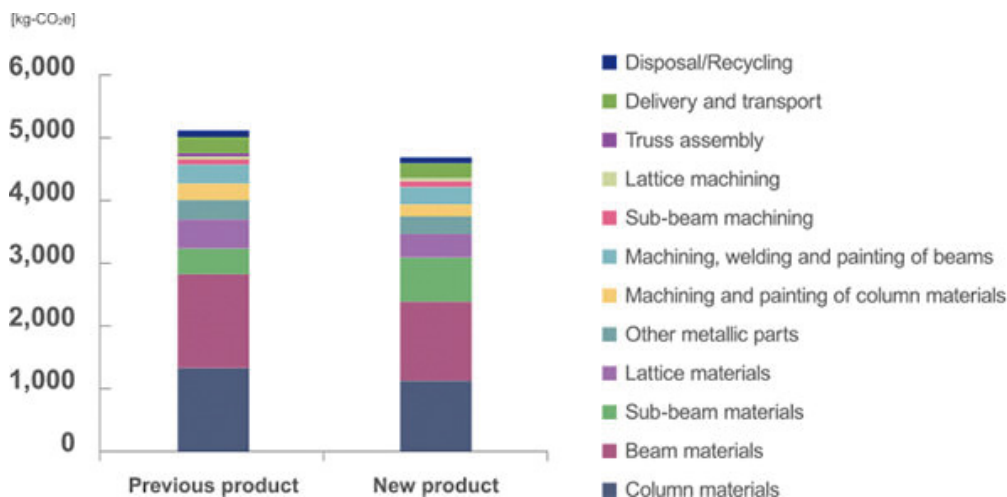
We assessed the impact of six environmental issues according to product life cycle stages. We also compared the environmental impact of new and previous products.

### 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.

# Biodiversity

## Basic Approach

At our Shiga Works, each and every employee has developed an awareness of coexistence with the natural environment through working in an environment surrounded by abundant greenery. The Yui Project, a biodiversity preservation program launched in 2014, aims to create three bonds (yui) that connect “water and greenery, nature and people, and people and people” so that the

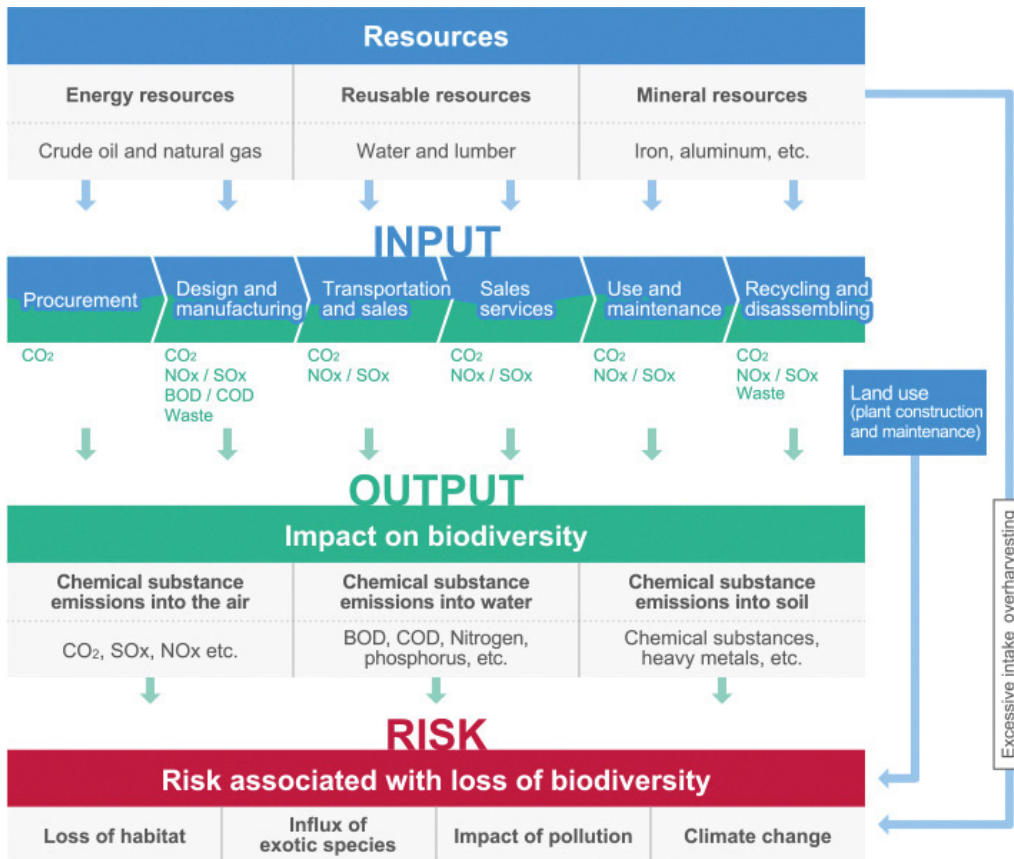
vast natural environment on the 1.2 million square meter site of the Shiga Works can be preserved; and, to this end, we are working to protect the rare species that have been identified on the site. Looking ahead, we will expand the scope of these activities throughout the Group and deepen our commitment to biodiversity and natural capital.

## Major Initiatives

### The 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 Shiga Works confirmed more than 700 native species, and over 50 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.

\* 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."

### Results of ecosystems survey (rare and endangered species)

We are currently conducting an ecological survey for the redevelopment of the Shiga Works, and we plan to disclose the latest survey results by the end of fiscal 2022.

(As of July 2020)

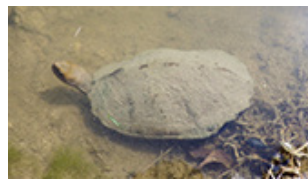
Classification	Species	Type
Birds	Falcated duck, little grebe, little ringed plover, Eurasian sparrowhawk, buzzard, red-rumped swallow, olive-backed pipit, Eurasian bullfinch, peregrine falcon, etc.	27
Amphibians	Clouded salamander, Japanese brown frog, leopard frog, schlegel's green tree frog	4
Reptiles 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



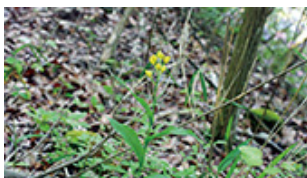
Clouded salamander



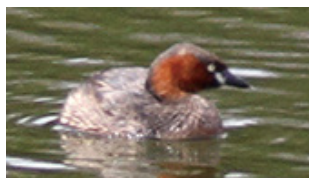
Japanese pond turtle



Trigomphus ogumai



Golden orchid



Little grebe



Spring cicada (shell)



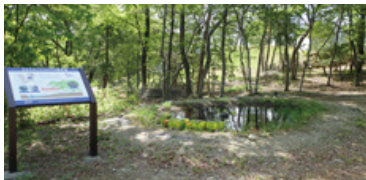
Eurasian bullfinch

### 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 Yamato salaman-

ders and other species. The project also serves as a learning environment inside and outside the company. In fiscal 2021, we removed withered pine trees and laid woodchips along the Yui no Mori forest roadside.

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



Conservation pond



Salamander eggs in the conservation pond



Adult Yamato salamander

We are working to preserve the endangered Yamato salamander. To ensure a secure habitat, a conservation pond was constructed in 2014, and we have continued to transfer larvae and eggs that

inhabit the premises. In 2021, we confirmed the first spawning and hatching to have occurred in the conservation pond.

## Creating opportunities for interacting with nature



At the Shiga Works, we hold nature observation events with experts, so that employees have opportunities to interact with the many plants and animals that inhabit the surrounding area, as well as Christmas wreath-making and moss ball making events using natural materials at the Works. These events were cancelled in fiscal 2021 to prevent the spread of COVID-19.

## 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, plans and holds seminars and other events for members intended to facilitate learning about biodiversity, create opportunities to learn about the latest CSR trends centered on the field of biodiversity, and encourage communication between association members.

### Participating in the Biodiversity Biwako Network's dragonfly conservation efforts through corporate collaboration



Planning exhibit (Lake Biwa Museum)

In 2016, the seven neighboring companies\* of the Shiga Works launched the Biodiversity Biwako Network, which is engaged in biodiversity conservation activities using the 100 dragonfly species confirmed in the prefecture as indicators. The project, entitled Operation Dragonfly 100: Save Shiga's Dragonflies, has three strategies: search for the 100 dragonfly species in Shiga Prefecture, protect them, and educate the public about them. We are also engaged in regular monitoring at the company site, maintenance of biotopes and extermination of invasive alien species, nature observation meetings, exhibitions and presentations of our activities, as well as understanding of the current state of nature in the surrounding area.

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

# Occupational Safety and Health

## Basic Approach

Safety is at the foundation of corporate sustainability and supersedes everything—this slogan underpins our belief that establishing a corporate culture that prioritizes worker safety and health in all workplaces is indispensable for sound business activities. The Daifuku Group 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.

## Group Code of Conduct (extract)

### 2. Safety and health

- We will place safety as a top priority in all of our business activities.
- We will develop and provide safe, high-quality products and services.
- We will strive to maintain and increase the health and well-being of our employees as well as provide comfortable and clean workplaces.

## Safety Policy

### (1) Safety slogan

Safety is at the foundation of corporate sustainability and supersedes everything.

### (2) Safety target

Implementing safety first and aiming to occupational accidents and traffic accidents "zero"

### (3) Safety policy

1. Establish a safety and health management system and promote participation in safety and health activities for all.
2. Comply with the Industrial Safety and Health Act and other related laws and regulations.
3. Operate the PDCA cycle of the Occupational Safety and Health Management System (ISO 45001) to manage risks and continuously improve safety.
4. Establish an education system for safety and health management and expand globally.
5. Utilize new DX and IoT technologies to develop safety activities.
6. Support the autonomous safety and health management activities of our partner companies.

## Supply chain management grounded in law

When embarking on product or system installation, we ensure compliance with the provision in the Construction Business Act that states “The parties to a contract for construction work shall conclude the contract fairly based on agreements made on terms of equality and shall fulfill the contract honestly and in good faith.” And we strive to ensure that both the safety and health of workers are not harmed as stipulated in the Industrial Safety and

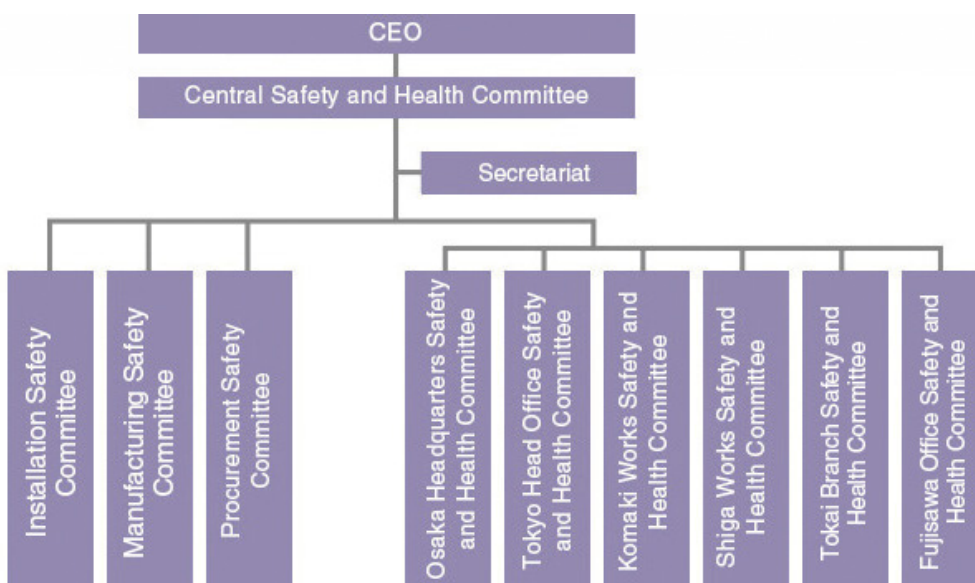
Health Act.

Further, we engage in transactions with suppliers applicable under the Subcontractor Act in the spirit of the law, while also making known and requesting cooperation with the Group's Code of Conduct and CSR Procurement Standards to build appropriate relations with our suppliers.

## Promotion System

The Group places the greatest priority on the safety of all employees and partners who work at its global workplaces. In order to eradicate industrial accidents, the Group has therefore established a Central Safety and Health Committee under the direct control of the CEO. Regional Safety and Health Committees and various expert committees (construction and installation/manufacturing/procurement) have been set up under this Committee to ensure safety in all Group companies, and establish health

management systems throughout the Group. Also, having experienced serious accidents in the past, we are now cooperating and sharing information with our suppliers through Safety Cooperation Associations and the safety and health 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

## Implementing audits of the safety management system

We carry out annual internal audits based on ISO 45001 standards at our main locations, and we verify the efficacy of our management system and the state of safety activities at our workplaces with inspections by the top management, including

the CEO. Further, we also undergo a yearly audit by an external certifying body, as we maintain and expand the scope of our certification.

## Occupational safety and health management system certification

We promote certification at all production sites and primary locations in Japan, and all main production sites overseas of the ISO 45001 occupational safety and health international stan-

dards. In Japan, manufacturing is carried out at the ISO-certified mother plant in Shiga, and at eight certified locations overseas. The ISO-certification rate for our production sites is 33%.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 45001 etc.	27	9	33%

> ISO Certified Locations

## Major Initiatives

### Safety indicators

KPI

The 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. Espe-

cially for serious accidents (fatal accidents), we will work toward zero. Fiscal 2021 saw both the frequency and severity rates fall below last year's figures, and the number of serious accidents was zero.

Frequency rate: The number of casualties per one million employee-hours worked at bases and companies. This rate indicates the frequency of accidents.  
Severity rate: The number of lost work days experienced per 1,000 work hours. This rate indicates the severity of accidents.

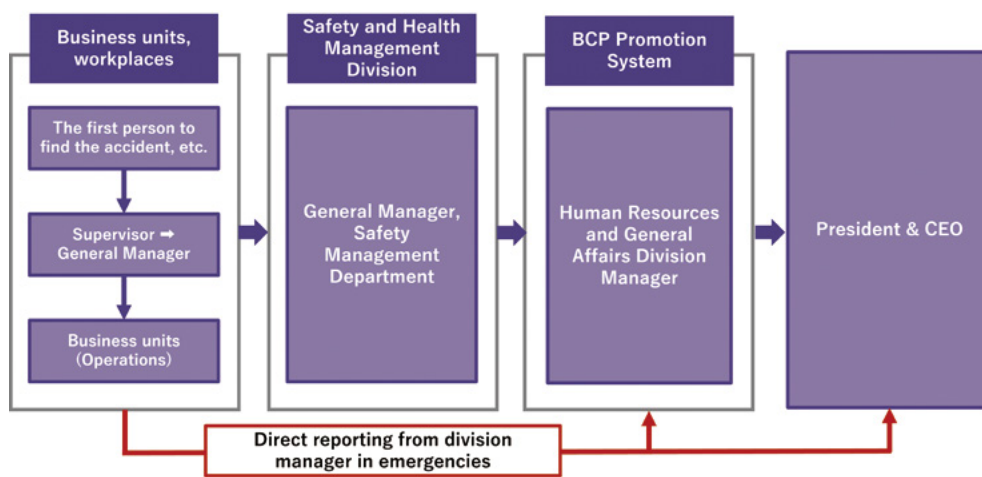
Indicator <sup>*1</sup>	Scope	FY2019	FY2020	FY2021
Frequency rate	Japan	0.83	0.37	0.21
	Non-Japan	1.50	0.98	0.65
	All industries in Japan <sup>*2</sup>	1.80	1.95	2.09
Severity rate	Japan	0.004	0.02	0.002
	Non-Japan	0.02	0.03	0.009
Number of serious accidents <sup>*3</sup>	Japan	0	0	0
	Non-Japan	0	0	0

\*1 Data for the period from January to December.  
\*2 Provided by the Ministry of Health, Labour and Welfare.  
\*3 Accidental deaths occurring during work at Daifuku (labor accidents)

### Response to work accidents

We have built a BCP promotion system, and when a work accident occurs, the disaster/accident reporting route common to all of our companies is followed to report the situation to the CEO from the workplace involved. Additionally, the department

involved and the Safety Promotion Department conduct a joint investigation and analysis of the accident, and report the results to the Safety and Health Committee of all companies.



Disaster/accident reporting route

## Safety and health training

### Safety training program

Skill, awareness, and knowledge are necessary to work safely. External organizations are also used to provide technical workshops, and special training is offered internally and externally to build awareness and knowledge. In particular, we focus on

in-house training that can be immediately put into practice in the workplace, and provide special training that includes crane operation, low-voltage work, full harness work, and particulate matter control.

### Safety training facility



The Safety Simulation Center at the Shiga Works offers a program to simulate hazards at work and construction sites for the purpose of cultivating a high level of safety awareness and the ability to take appropriate action among not only our employees, but also the employees of our partner companies. We have renovated the course facilities in consideration of the pandemic, and now have equipment that allows employees to maintain social distance.

### 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



We implement 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.

### Spreading understanding of Daily Safety and Health Standards



On the basis of the idea that understanding and practicing proper conduct everyday by each employee will help prevent work and traffic accidents, we implement e-learning programs to enhance employee familiarity with Daily Safety and Health Standards. In fiscal 2021, this program was held three times for all employees in Japan, with an average participation rate of 94%. For those who have not yet completed the course, training materials are provided individually, and to further the understanding of employees, supplementary explanations are provided regarding questions with low percentages of correct answers on the finished test. We will continue these efforts to make sure that all employees have acquired the necessary knowledge about safety and health to prevent work and traffic accidents.

## Health training (courses for emergency first aid and AEDs)

In order to properly administer first aid in the event of an emergency, it is essential to learn and acquire first aid knowledge and skills regularly. We believe it is imperative to train as many po-

tential bystanders as possible, and we have achieved this goal by providing on-demand training to 20% of the personnel in each building and area at our main Japan sites.

## Safety activities

### Safety management in conjunction with partner companies

The Group's safety activities, both in Japan and overseas, are not just applicable to our own employees, but also extend to our partner companies and subcontractors. We also conduct business with safety management as our top priority, such as running safety seminars for primary business partners, and safety

sensory workshops, which are education and training bodies for manufacturing and construction professionals, and we host safety conferences and construction reviews aimed to share safety consciousness for an accident-free project prior to starting any new large-scale construction jobs.

### Safety and health 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 our 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.

The Management and Production Trends Presentation and the Safety and Health Seminar for Suppliers, which welcomes the

top executives of business partners ranging from manufacturers and trading companies to companies in processing, construction, the service industry, design, and software development, will be held jointly beginning in fiscal 2021 and will be renamed to the Management/Safety Policy and Production Trends Presentation. To prevent the spread of COVID-19, the event is held via Internet livefeed, with 288 business partners invited for the fiscal 2022 session.

### 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 Group. At this meeting, we introduce safety-fo-

cused 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 Group.

### Preventing traffic accidents



We are 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 900 company cars. Moreover, when employees are approved to drive company cars, they are tested to a certain standard to determine their driving skills, thereby boosting their driving manners and safety awareness.

### Safety and health patrols and exemplary workplace awards



In order to improve the level of safety and health in the workplace, we conduct safety and health patrols to confirm the 5Ss\* at each workplace. In addition, we have been expanding good practices to other workplaces through the Safety and Health Committee, and in fiscal 2021, we recognized four workplaces as exemplary. These activities will foster a culture of safety and create safe and pleasant workplaces throughout the company.

\*Sort, set in order, shine, standardize, sustain

# Quality Assurance

## Basic Approach

In order to earn the trust of our customers as the world's top manufacturer of material handling systems and equipment and to provide the optimal and best solutions, it is important for all of our sites to continuously work on maintaining and improving

the quality of our products and services. The Daifuku Group's greatest strength is the value it provides with unceasing material handling, and we work daily to sustain and build a quality control system that underpins this value.

## Group Code of Conduct (extract)

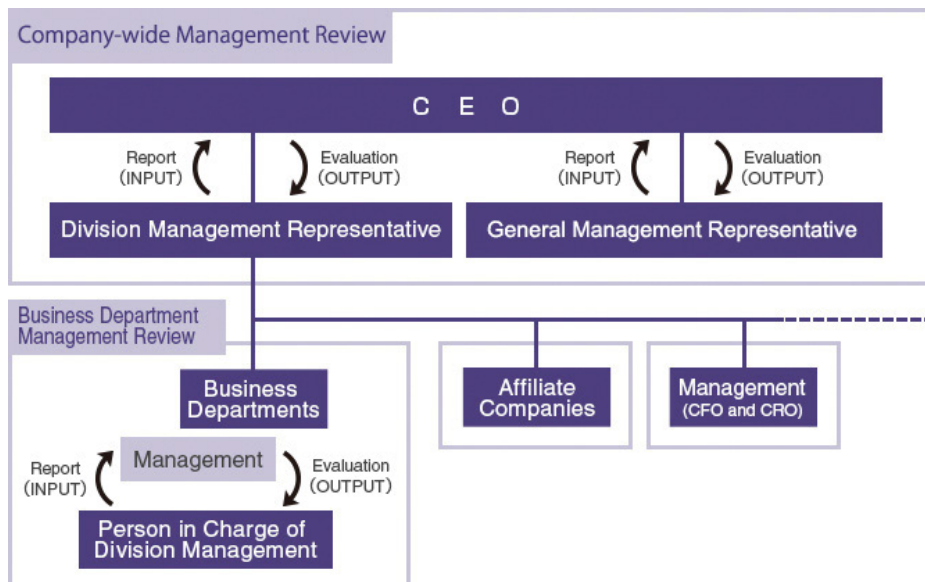
### 3-1. Customers

- We will provide the best products and services from the customer's perspective.
- We will maintain appropriate quality control and risk management strategies in accordance with applicable standards in each country and region when providing products and services.
- We will investigate the cause of any problem or accident that occurs, respond to the problem sincerely and promptly, and take action to prevent recurrence.

## Promotion System

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. We conduct quality management system initiatives based on top management reviews of the quality assurance system, which is linked with feedback from business operation management re-

views that evaluate the achievements of each business operation and implement nonconformity corrective measures. In addition, as a companywide management review, the CEO 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.





## Quality management system certification

We are promoting certification of ISO 9001 international standards for all production sites and primary locations in Japan, and all main production sites overseas. Production is carried out at all four of the ISO-certified Japan locations, and at the 19 overseas locations that have been ISO certified. 85% of production facilities have obtained certification.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 9001	27	23	85%

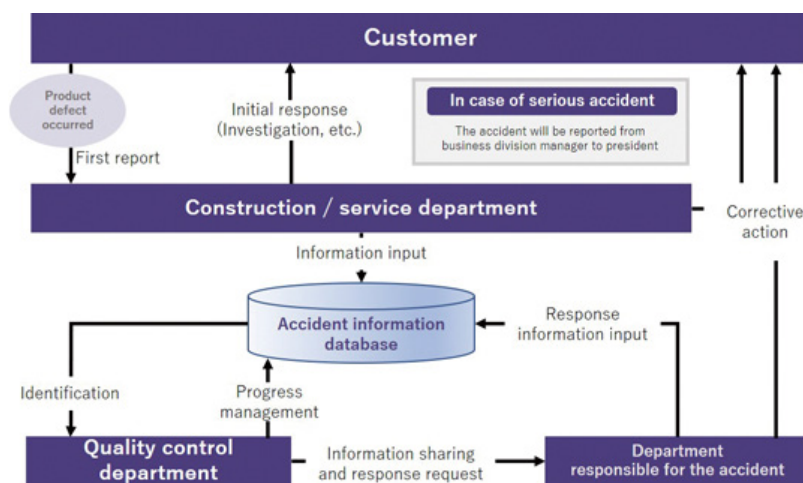
[> ISO Certified Locations](#)

## Major Initiatives

### Response to quality issues

Should a major accident occur with our product, we carry out cross-company measures that incorporate other departments according to the need for detailed accident information by other operational departments and to register the corrective measures taken in a database. Reporting procedures are set out in the ISO

Corrective Action/Preventive Measures Procedural Guide. We are thorough in preventing the recurrence of accidents and carrying out preventive measures, and regularly implement a management review through the CEO to verify the suitability of the quality management system.



### Number of serious accidents related to product/system safety

KPI

	FY2019	FY2020	FY2021
Number of serious accidents related to product/system safety	0	0	0

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

## Product safety

We conduct a risk assessment on all existing machine and newly-developed products to ensure the safe operation of our products. Specifically, we conduct reviews during the design and development process and do advance checks for safety in accordance with the ISO Product Safety Evaluation Procedural Guide and the Development and Standardization Design Implemen-

tation Guide, stipulated in the ISO 9001 Management System, among other internal regulations. In addition, we also promote the planned training of young designers and the acquisition of external safety assessor\* credentials, such as relevant training on product safety by internal and external experts.

\* 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.

### Number of employees who obtain safety assessor credentials

KPI

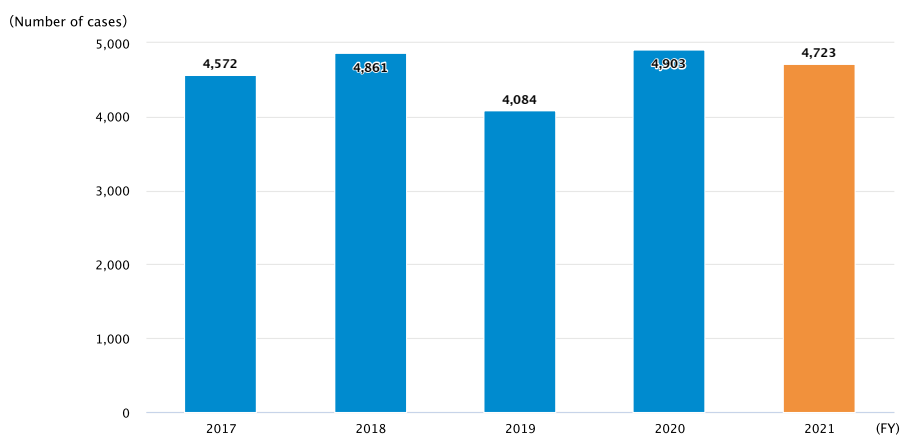
	FY2019	FY2020	FY2021
Number of employees who obtain safety assessor credentials	145 people	137 people	178 people

### Teamwork and improvement proposal activities

We place 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 4,723 proposals for improvement of operations, cost reduction, quality, safety, environment, and other matters made during fiscal 2021. Every year we hold a group presenta-

tion contest with teams that have passed a preliminary round. The event is attended by members of top management. In fiscal 2021, the group meetings were cancelled to prevent the spread of COVID-19, and examples of improvements made by selected teams were presented through the internal network.

### Number of improvement proposals



# Supply Chain Management

## Basic Approach

In the course of developing our business, we must not only comply with laws and regulations, but also ensure that our various business partners, who provide us with goods and services, are also committed to addressing the demands of society in areas including labor, human rights, and the environment, thereby

helping to build relations of long-term trust with our stakeholders. The Daifuku Group has established a Basic Procurement Policy and CSR Procurement Standards, and is advancing efforts to build a sound and sustainable supply chain.

## Basic Procurement Policy

Our principles for dealing with suppliers are as outlined below, in keeping with the [Management Policy](#) and [Group 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.

\* 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.

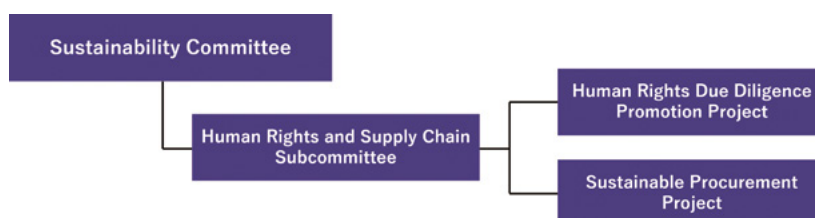
### 5. Environmental Preservation and Regional Contribution

- (1) We will promote environmentally friendly procurement.  
\*(The Green Procurement Guidelines (formulated in 2005, updated in 2021) 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 System

We promote supply chain management initiatives focused on employees involved in procurement in our Corporate Functions and Business Divisions. Regarding our due diligence in the supply chain, a Human Rights and Supply Chain Subcommittee has been established under the auspices of the Sustainability Committee, consisting of members appointed from multiple divisions, including Procurement, Personnel, Legal Affairs, and

Sustainability, to create internal policies and frameworks for CSR procurement and to ensure its reliable implementation. As initiatives to enhance our efforts in fiscal 2022, this Subcommittee will launch the Human Rights Due Diligence Promotion Project to promote human rights due diligence throughout the Group and the Sustainable Procurement Project to formulate guidelines and establish a framework for sustainable procurement.



FY2022 promotion system

## Major Initiatives

### Procurement Worker Qualification Course System

The Procurement Worker Qualification Course System, which primarily targets employees involved in procurement-related work, is an e-learning course held several times each year to allow employees to gain a compliance mindset and knowledge of the relevant laws and regulations necessary for order work, such

as production and procurement, with the aim of engaging in ordering work with integrity and high ethical and moral standards in line with our management philosophy and the Group's code of conduct. Students obtain qualification by passing a confirmation test after taking the course.

### Building a human rights due diligence mechanism

We aim to establish a framework for human rights due diligence through the Human Rights and Supply Chain Subcommittee established under the auspices of the Sustainability Committee. Beginning in fiscal 2022, we will work to establish a system that is continuously implemented and improved to identify, analyze, and assess negative human rights impacts related to all of our

business activities, including our supply chain, and to correct, mitigate, and prevent such impacts. Should it be shown through these efforts that we have caused or contributed to an adverse human rights impact, we will endeavor to provide appropriate and effective remedial measures.

### Human rights due diligence schedule (tentative)

#### FY2022

1. Global: Latent risk assessment
2. Japan: Manifest risk assessment
3. Japan: Addressing human rights issues

#### FY2023

1. Outside of Japan: Manifest risk assessment
2. Outside of Japan: Addressing human rights issues

## Engagement with suppliers

### Management/Safety Policy and Production Trends Presentation



A seminar has been held annually under the name of the Management and Production Trends Presentation, which invited major suppliers ranging from manufacturers and trading companies to processing, construction, the service industry, design, and software development companies. However, beginning in fiscal 2021, to help prevent the spread of COVID-19, the Presentation will be held jointly with the Safety and Health Seminar for Suppliers, and the name will be changed to the Management/Safety Policy and Production Trends Presentation. In fiscal 2022, 288 business partners were invited.

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

In fiscal 2003, we established a Supplier Evaluation System and launched the S.Q.D. Award to commend outstanding goods-related suppliers (manufacturing subcontractors and goods purchasing), designers, construction and installation contractors, and others. In fiscal 2022, the S.Q.D. Award was presented to five suppliers at the Management/Safety Policy and Production Trends Presentation from among a total of 190 companies.

### CSR surveys for suppliers



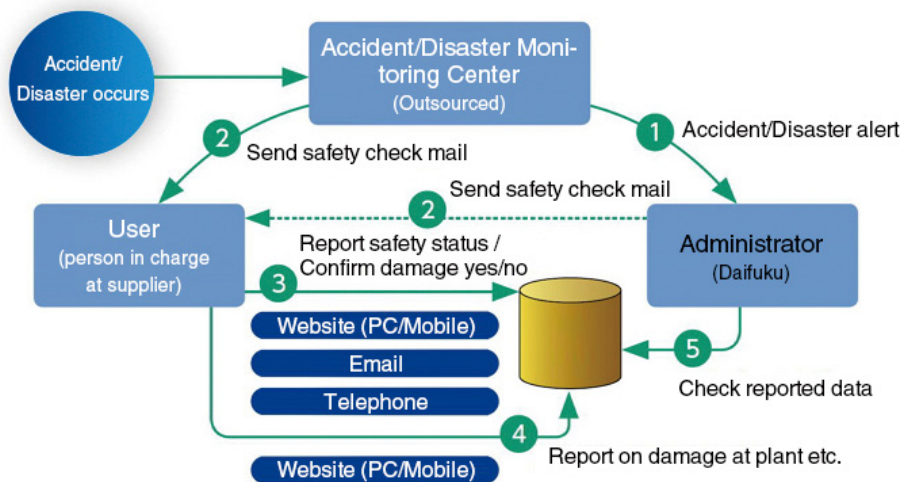
A visit in progress

We promote 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 in Japan and by on-site monitoring.

#### Main questions in the CSR surveys

- Safety
- Quality, cost and delivery
- Compliance
- Human rights, labor
- Protecting the environment and contributing to local communities

### 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



We believe 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.

## Action for fair and transparent transactions



In order to build fair and transparent relationships with business partners and conduct the transactions in accordance with healthy business practices, we have established internal rules that prohibit, excepting in certain circumstances, the reception of entertainment, gifts and other personal benefits or conveniences from business partners.

# Human Rights

## Basic Approach

Numerous people on the planet today are suffering from human rights violations (the inborn right of human beings to live as human beings). The Daifuku Group—a company active around the world—sees respecting human rights as a serious responsibility that must be met. The Group respects the Universal Declaration

of Human Rights\* and other international standards, supports the ten principles of the United Nations Global Compact, and respects the human rights of its employees and all stakeholders in its supply chain.

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

## Group Code of Conduct (extract)

### 5-1. Respect for human rights

- We will respect the human rights of employees and all other individuals involved in our business activities.
- We will prohibit discrimination or disadvantageous treatment based on race, creed, gender, religion, nationality, political opinion, disability or any other protected classification.
- We will not permit child labor or forced labor.
- We will not excuse any form of harassment.

## Daifuku Group Human Rights Policy

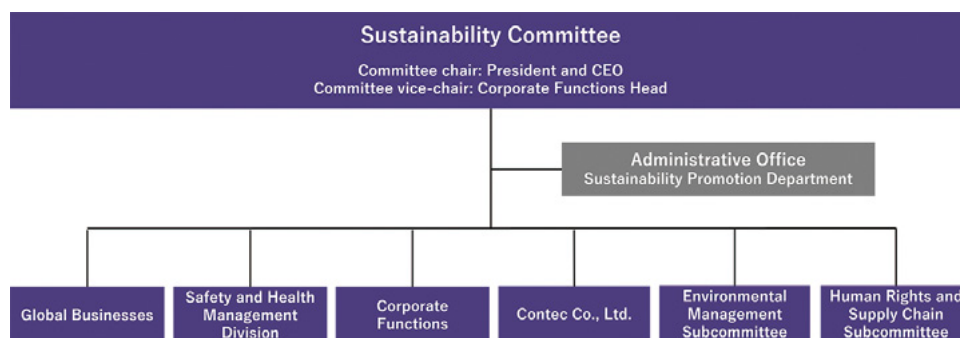
In October 2021, we formulated the Daifuku Group Human Rights Policy, which was created in accordance with the United Nations Guiding Principles on Business and Human Rights. The Group has always been committed to respecting human rights in its Group Code of Conduct under its company creed, "Hini Arata," and has worked to create an environment in which each and ev-

ery employee can maximize their potential. We recognize that respect for human rights is one of the most important responsibilities for the sustainable growth of its business and organization, and will continue to contribute to the realization of a sustainable society through the understanding and implementation of this policy by its employees and business partners.

[Daifuku Group Human Rights Policy PDF](#)

## Promotion System

The Human Rights and Supply Chain Subcommittee has been set up under the auspices of the Sustainability Committee and comprising appointees from across multiple departments, including Procurement, Human Resources and General Affairs, Legal Affairs, and Sustainability Promotion, and this Subcommittee manages the creation and administration of a human rights due diligence system.



FY2022 promotion system



## Major Initiatives

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### Respecting human rights in the supply chain

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We have established our own CSR Procurement Standards, which incorporate not only safety, quality, cost, and delivery time, but also compliance, human rights, and other factors, and we cooperate with our suppliers to promote sustainability initiatives throughout the entire supply chain. We will continue to identify

and assess adverse human rights impacts related to our overall business activities, including our supply chain, and promote human rights due diligence to correct, mitigate, and prevent such impacts, with a commitment to continuously implement and improve these efforts.

[> Supply Chain Management](#)

### Addressing workplace harassment

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We have 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.

### Education and awareness raising for human rights

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Lectures and workshops on human rights are held at job level-specific training programs for new hires, mid-career employees, and mid-level employees. Moreover, we hold seminars by experts and make their videos available on our internal network

to improve the understanding of our employees. In fiscal 2021, three harassment seminars were held for managers of Japan-based groups.

### Compliance with Modern Slavery Act

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In response to the Modern Slavery Act 2015 of the UK, the Group has published an Anti Slavery Statement 2022 on our UK website.

[> Anti Slavery Statement 2022 \(471KB\) PDF](#)

# Diversity and Inclusion

## Basic Approach

As we develop our business in various regions around the world, it is essential for us to respect, recognize, and make the most of diversity in terms of race, creed, gender, religion, nationality, political opinion, disabilities, and other factors so that we can

create new value and achieve sustainable growth. Enhancing the capabilities of each individual and demonstrating our strength as an organization will help us gain further trust from society, our customers, and other stakeholders.

## Group Code of Conduct (extract)

### 5-2. Realize the potential of each employee

- We will respect the diversity of individuals and create an environment in which each employee can demonstrate his or her full potential.
- We will strive to fairly provide opportunities for employee development as needed and as appropriate.
- We will strive to expand ourselves and each other's abilities and demonstrate our full potential.

## Promotion System

The Human Resources and General Affairs Division is playing a central role in developing diversity-related systems and frameworks so that every one of our employees, with their diverse abilities and values, can maximize their potential. In addition, to

facilitate employment of people with disabilities at Shiga Works, our production site, we have established a department dedicated to expanding job opportunities for people with disabilities.

## Major Initiatives

### Promotion of women's advancement

We recognize that the current challenges to women's advancement include: (1) the training of female managers is inadequate; (2) although there is no significant difference in the average length of service between men and women, the percentage of women hired 10 years ago who continue to work is lower than

that of men; and (3) the number of female employees hired is not sufficient. We are working to expand job opportunities and improve the employment environment so that women can play more active roles.

### Achieving the target number of female managers

In December 2021, we revised upward the target for the number of female managers set in the Plan of Action for General Employers pursuant to the Act on the Promotion of Women's Participation and Advancement in the Workplace, and are further strengthening our efforts to promote women to management positions. Every year, we conduct a Diversity and Work-Life Management Advancement Program and Female Employee Development Session as part of the training of newly appointed

managers, and we have created an environment to foster female managers by setting special recommendation slots for women in the New Business Leader Program for the purpose of cultivating executive candidates. These initiatives are intended to increase the base of female management candidates by making employees aware of career paths to management positions and providing them with opportunities to improve their skills.

## Developing an environment to promote work-life balance

We carry out surveys and analyze employee needs and reasons for leaving the Company, and consider and implement specific measures to address these needs with the aim of creating an environment in which employees can easily balance their personal and professional lives even through life stage transitions and ma-

job life events. In fiscal 2021, we introduced a remote work system to support flexible and diverse work styles. In addition, we hold seminars for supervisors of employees returning to work after childcare leave or working shorter hours at their workplaces.

## Number of female managers

KPI

	FY2019	FY2020	FY2021
Number of female managers <sup>*</sup>	17 people	18 people	20 people

\* 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

We are working to expand job opportunities for people with disabilities at our main locations: Osaka Head Office, Tokyo Head Office, Komaki Works, and Shiga Works. The employment rate of people with disabilities in fiscal 2021 was 2.54%, compared

to the legally mandated rate of 2.3%. (2.48% for June 2022) In the future, we will continue to focus on initiatives tailored to the circumstances of each business location to help achieve an inclusive society.

## Employment rate of people with disabilities

KPI

	FY2019	FY2020	FY2021
Employment rate of people with disabilities <sup>*</sup>	2.17%	2.49%	2.54%

\* As of June 1

## Activities of employees with disabilities



Roller assembly guidance

The Business Service Group, which belongs to the Shiga Works, regularly recruits people with disabilities in cooperation with the Public Employment Security Office, employment advisors, and school personnel, etc. We have established our own training programs to develop human resources so that each individual can demonstrate his or her capabilities and continue to work in a rewarding way. By assessing aptitude through practical training over a period of about five years after entering the Company, and by improving job skills in stages, we generate human resources who can play an active role in manufacturing and other fields in each of our business units.

Further, since 2019, we have been developing a rewarding work environment for employees with disabilities at the Work Happiness Farm in Kasugai City, Aichi Prefecture.

## Male employees taking childcare leave



For male employees taking childcare leave, a video explaining the system and a handbook on maternity and childcare leave (fathers' version) have been created and made available on our internal network. In addition, the Workstyle Reform Committee also promotes the taking of childcare leave for men from the members of each business unit.

## Paternity leave acquisition rate

KPI

	FY2019	FY2020	FY2021
Paternity leave acquisition rate	2.4%	3.7%	8.7%

## Promotion of activities of senior workers

We shifted from a mandatory reemployment system to a mandatory retirement age of 65 in fiscal 2021 with an aim to boost the motivation of senior workers and pass on techniques and skills to the next generation of employees. In line with this, the compensation level after age 60 has been revised, and the benefit plan

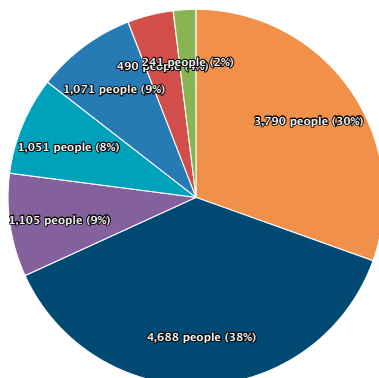
can continue to be applied up to age 65. In fiscal 2021, a seminar was held for employees who will reach the age of 60 during fiscal 2022, and in addition to an explanation of the senior employee system, a work session was held for employees to consider their own life cycle plans.

## Diversity training

We hold training sessions on the theme of diversity, and videos of these sessions are distributed on our internal network the Sustainability Site to encourage employee awareness and understanding.

## Related Data

### Total number of employees by region (as of March 31, 2022)



### Employee data (Daifuku Co., Ltd.)

		FY2019	FY2020	FY2021
Number of employees	Male	2,580	2,660	2,800
	Female	348	382	402
	Total	2,928	3,042	3,202
Average age	Male	41.4	42.7	40.9
	Female	41.3	42.8	41.6
	Total	41.4	42.7	41.0
Average years of service	Male	15.4	16.4	15.2
	Female	14.6	13.0	14.4
	Total	15.3	16.0	15.1

# Talent Development

## Basic Approach

The abilities required of each employee vary depending on the type of job, rank, and country/region. To achieve higher performance by departments and individuals, it is important not only to rely on the abilities and attitudes of individuals, but also

to have a framework and system for developing the human resources that the Company requires, as well as to implement such a system.

## Group Code of Conduct (extract)

### 5-2. Realize the potential of each employee

- We will respect the diversity of individuals and create an environment in which each employee can demonstrate his or her full potential.
- We will strive to fairly provide opportunities for employee development as needed and as appropriate.
- We will strive to expand ourselves and each other's abilities and demonstrate our full potential.

## Promotion System

The Human Resources and General Affairs Division plans and promotes cross-company personnel-related policies. They are moving forward to train, in particular, the talent that will support the expansion of global business as well as the strengthening of management. Every year, primarily the Human Resources and General Affairs Department drafts the annual plans for

stratified training modules where only eligible employees from new hires to executives can learn the requisite knowledge and skills. Each type of training module is given with teachers invited from both inside and outside of the company according to the module content.

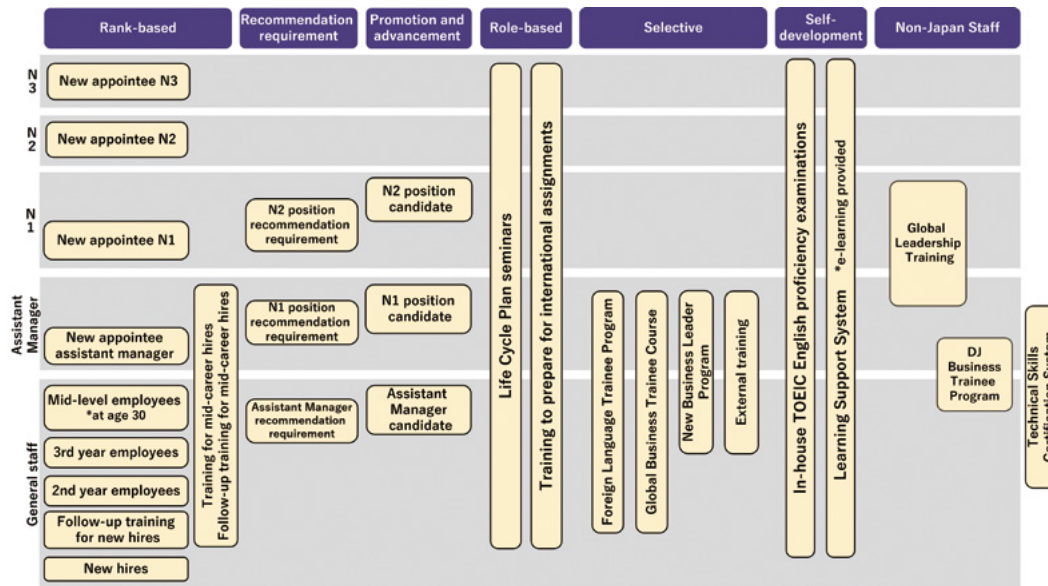
## Major Initiatives

To effectively facilitate human resource development, we are deploying systematic and focused measures. In addition to rank-based training, we conduct selective training to develop executive candidates and global human resources.

Beginning in fiscal 2021, we began an e-learning prerequisite program to acquire business skills and knowledge as a requirement for recommending candidates for managerial positions. In addition to methodically developing candidates for manage-

ment positions, the program is intended to encourage autonomous learning. Further, we have developed a new training style that takes consideration of the post-COVID era. This training is conducted in three steps: (1) prior learning using on-demand materials (input), (2) online sessions for exchanging opinions, etc. (output), and (3) self-development learning after online sessions (follow-up).

## Overview of training and main training programs



\*N1 to N3: Management equivalent

### Training for Mid-level Employees

This training is designed for employees turning 30 years old to organize their own careers (past and present) and think about their next career design (future). The purpose of the program is

to broaden thinking and work by interacting with members from various departments and job categories, while also deepening your understanding of leadership and followership.

### New Business Leader Program

This training program is designed to cultivate globally-minded executive candidates at an early stage. The curriculum is similar to that of a business school and is designed to foster a systematic understanding of business administration. In addition, through group work with members of other business units, participants

will develop a wide range of insight and strengthen their ability to strategically implement their ideas. Beginning in fiscal 2021, the Women's Leader Training Program was integrated with this program.

### Global Business Trainee Course

We develop participants who enroll in this course as candidates to become global human resources. The course is open to department nominees who have the potential for long-term business trips or assignments outside of Japan, and who are capable of handling business outside of Japan, as well as self-nominees

who wish to be stationed outside of Japan in their future career development. After enrolling in this course, participants will attend training in language and global business, and those who complete the course will receive assistance to improve their language proficiency.

### Global Leadership Training

As part of our efforts to strengthen the development of global human resources, which has become a challenge in line with the globalization of our business, we conduct global leadership training for local subsidiary executives and executive candidates who are expected to take on the future management positions in the Group. The purpose of the program is to understand the

Group's management philosophy and policies, to understand the roles and responsibilities of leaders, and to create group synergy through personnel exchange, mutual learning, and mutual understanding. This program was cancelled in fiscal 2021 due to the pandemic, but is scheduled to be held again in fiscal 2022.

## Management human resource development

The Company is developing systems and frameworks to build a Group-wide human resource management infrastructure. We plan to identify key executive positions in our Group and develop

a system to manage and systematically train candidates to take over these key executive positions.

## Handing down techniques and skills

To maintain and improve the skills and techniques required for production, we have established a technical skills certification system for welding and assembly techniques, and we administer testing twice annually. As of March 31, 2022, there were 493 qualified staff members.

### Number of qualified staff members (As of March 31, 2022)

	Basic level	Intermediate level	Advanced level
Welding	229 people	25 people	9 people
Assembly	203 people	5 people	22 people

## Support for qualifications

The Company regulations stipulate the qualifications to be acquired, and incentives are provided to those who acquire such qualifications. In addition, as a system to support the autonomous learning of employees, the Learning Support System using

e-learning was launched in fiscal 2021. Under this system, the Company subsidizes the cost of attending various programs on language and business.

# Workplace Environment

## Basic Approach

In order to ensure a fair and open corporate culture and contribute to the growth of our customers and society, it is important to create an environment in which every employee—the primary actors in our activities—can feel a sense of fulfillment in their work and can maximize their capabilities. As the mobility of human

resources increases, providing attractive workstyles and systems for employees will help to secure talented human resources. We aim to enhance corporate value by providing a comfortable work environment and ensuring the health and well-being of our employees.

## Daifuku Group Health and Productivity Management Declaration

In view of the importance of the physical and mental health of employees, we 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.

- 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.

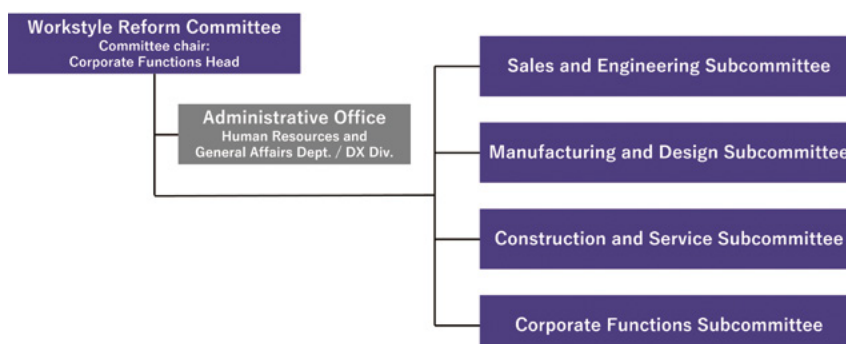
## Promotion System

To ensure that employees feel secure working in our facilities, we have established the following two cross-company committees.

### Workstyle Reform Committee

We established the Workstyle Reform Committee in fiscal 2017. Labor and management cooperate in activities to reduce overtime work and encourage employees to take paid leave with the aim of improving productivity and achieving work-life balance. In addition to three cross-business unit subcommittees for sales

and engineering, manufacturing and design, and construction and service job categories, the Corporate Functions subcommittee has been established directly under the Committee to improve issues and share information according to the characteristics of each job category.

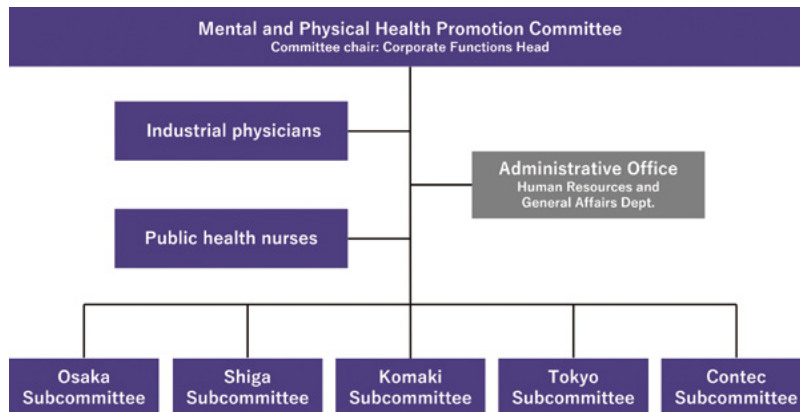




## Mental and Physical Health Promotion Committee

In 2006, we established the Mental and Physical Health Promotion Committee, a Company-wide cross-department organization that includes the Company, industrial physicians, public health nurses, the health insurance union, and the labor union,

and formulated a medium-term action plan to continue our efforts to advance our Health and Productivity Management. We mainly plan events and promote various measures to promote the physical and mental health of our employees.



## Major Initiatives

### Workplace environment that motivates employees

#### Employee engagement

We define employee engagement as being satisfied with one's job, feeling an ease of work, and the achievement of a career in which employees and the Company can grow together, and we aim to improve each of these elements. In fiscal 2021, the Japan Group conducted an engagement survey and found areas of strength, such as being customer oriented and trusting management, while inter-organizational collaboration and support for individual employee career development were identified as challenges. We will work to improve employee engagement through

a combination of Company-wide cross-sectional measures and improvement efforts in individual workplaces. In addition, in order for our Group to continue to grow globally, it is important for us to share and develop the corporate culture and values that we have built up and cherished over the years. In the future, we will expand the scope of the engagement survey to include offices outside of Japan and work to foster a corporate culture throughout the Group.

#### Workstyle reform

Our approach to workstyle reform is to achieve a work-life balance through the following action policies: (1) reduce the total annual working hours, (2) review and implement measures based on the results of the engagement survey, and (3) work toward achieving the KPIs of the Sustainability Action Plan. In

the five years since the Workstyle Reform Committee was established, the average monthly overtime hours have decreased by approximately 30%, and the paid leave use rate has also improved year by year, reaching 73.3% in fiscal 2021.

#### Paid leave acquisition rate

KPI

	FY2019	FY2020	FY2021
Paid leave acquisition rate	68.7%	71.2%	73.3%

## Major initiatives for FY2021

- Use of mobile work and remote work systems
- Encourage employees to take paid leave by visualizing paid leave plans and results
- Improving operational efficiency through the use of digital technologies such as 3D tools and Robotic Process Automation
- Improve workplace cleanliness and sanitation
- Reduce meeting time, and more

## Remote work system

In fiscal 2021, we officially introduced a remote work system at the Company. This system can be used to improve work efficiency, productivity, and work-life balance.

## Enhancement of systems for diverse workstyles

To improve the quality of work and life of all employees and enable the sustainable development of the Company, we are promoting initiatives towards a work-life balance. In accordance with revisions to the Labor Standards Act and the Act on Child-

care Leave/Caregiver Leave, as well as the enactment of the Act on the Promotion of Women's Participation and Advancement in the Workplace, we are revising our personnel system to accommodate diverse workstyles and promote their use.

## Main systems

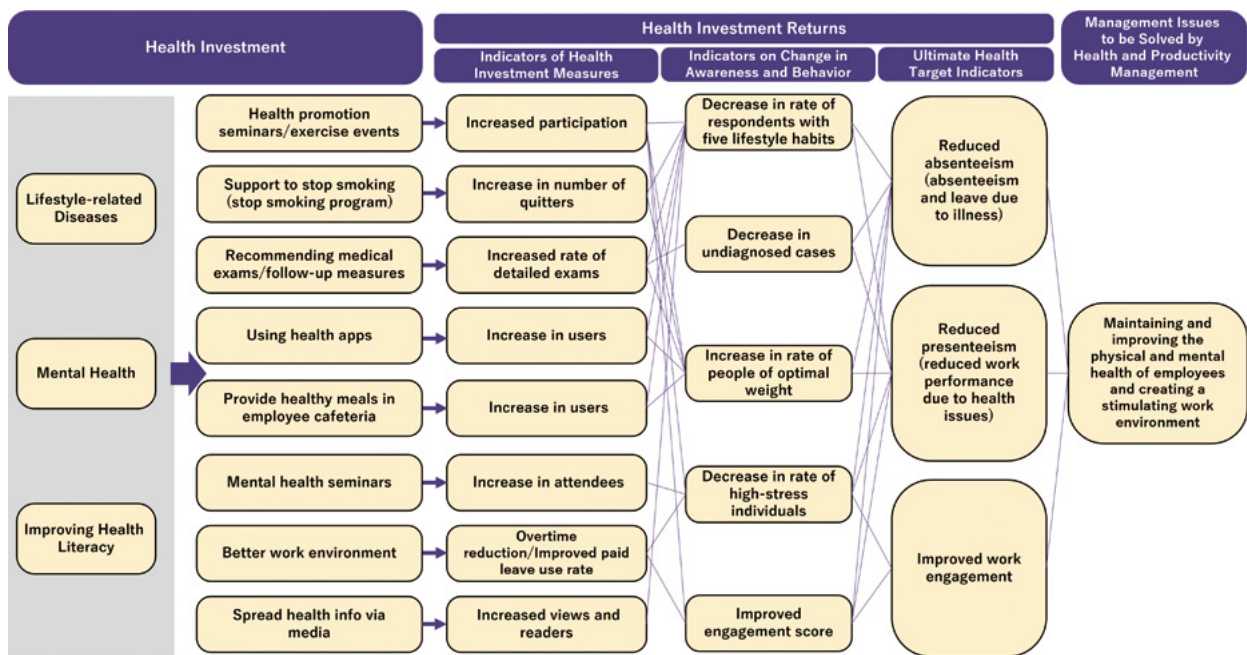
	System	Content
Employee refreshment	Flex-time system	We introduced a flex-time system to increase time consciousness through self-management, improve efficiency and productivity, and promote work-life balance.
	Leaving work on time	We designate every Wednesday as Health Day and encourages employees to leave work on time. We promote 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	We have 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	We grant 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.
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 on an hourly basis 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.

	System	Content
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 on an hourly basis 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.
	Remote work system (based on caregiver leave regulations)	Employees may work at home for up to one year for each family member requiring nursing care.

## Promotion of Health and Productivity Management

We are working on a variety of measures having identified health issues and visualized the means and specific initiatives to solve them. In terms of lifestyle improvement and disease prevention, we set KPIs and aim to achieve our targets.

## Strategy map of Health and Productivity Management



Main initiatives	Details
Prevention of lifestyle-related diseases and cancer	<ul style="list-style-type: none"> <li>Regular health checkups and follow-up on the results               <ul style="list-style-type: none"> <li>Additional colon and stomach cancer screening for employees aged 35 and older</li> <li>Prostate cancer screening for male employees over age 50</li> </ul> </li> <li>Health insurance union subsidized physical examinations, women's cancer screening (breast cancer and cervical cancer)</li> <li>Recommendations for medical examinations and lifestyle guidance by industrial physicians and public health nurses are provided for diagnosed persons</li> </ul>
Prevention, early detection, and return-to-work support for mental health problems	<ul style="list-style-type: none"> <li>Stress checks conducted once a year. Interviews with industrial physicians conducted for those who wish them.</li> <li>Self-care seminars and workplace improvement seminars for managers</li> <li>Mid-career hires and transferees interviewed by public health nurses</li> <li>Support for employees on leave from work until their return, and follow-up after their return</li> </ul>
Early detection and prevention of serious dental cavities and periodontal disease	<ul style="list-style-type: none"> <li>Dental checkups, including tooth brushing instruction, during regular health checkups</li> <li>Educational activities on dental and oral health</li> </ul>
Support to quit smoking	<ul style="list-style-type: none"> <li>Raise awareness of the effects of passive smoking and the health hazards of smoking through in-house newsletters, e-learning, etc.</li> <li>Assistance with the cost of a stop smoking program using anti-smoking medications (FY2021 results: 16 participants and 10 ex-smokers quit)</li> <li>Organize events to mark World No-Tobacco Day</li> </ul>
Measures against infectious diseases	<ul style="list-style-type: none"> <li>Flu vaccination at each office subsidized by the health insurance union</li> <li>COVID vaccination implemented by workplace</li> <li>Rubella antibody testing at regular health checkups</li> </ul>

### KPIs for lifestyle improvement and disease prevention

	FY2019	FY2020	FY2021	FY2022 (Target)
Rate of people staying optimal weight <sup>*</sup>	65.3%	64.0%	64.8%	70% or higher
Rate of habitual exercise	20.6%	21.4%	22.6%	35% or higher
Adequate rest through sleep	64.7%	69.9%	68.4%	70% or higher
Rate of regular health check-ups	100%	100%	100%	100%
Rate of full medical exam (secondary exam)	52.2%	70.2%	71.2%	100%
Completion rate for health care instructions	48.1%	36.1%	44.7%	50% or higher
Rate of persons with lifestyle diseases	55.3%	65.0%	62.7%	50% or less
Alcohol consumption habits	59.5%	56.7%	55.5%	53% or less
Rate of smokers	26.5%	26.1%	25.2%	23% or less

<sup>\*</sup>BMI between 18.5 and 24.9.

### Maintaining high rate of stress check testing

KPI

	FY2019	FY2020	FY2021
Maintaining high rate of stress check testing	93.6%	96.1%	96.7%

### Coordination with industrial physicians and public health nurses

Industrial physicians and public health nurses meet with employees at the Company with findings from the results of regular health checkups to provide health counseling and guidance. For employees at offices throughout Japan and stationed outside of Japan, public health nurses conduct individual interviews online to provide consultation on lifestyle and health issues. Moreover,

for the purpose of early detection of employees with mental health problems, all transferees, assignees, new employees, and mid-career hires are interviewed by public health nurses, giving them an opportunity to talk about any worries or anxieties they may be experiencing at their new workplaces.

## Raising awareness for better health

### Lunch Walk



The Shiga Works holds walking events twice a month during lunch breaks, using the walking trails on the premises of the Works. A total of 7,667 people participated in fiscal 2021.

### Exercise seminars



The Komaki Works has been conducting exercise seminars every Wednesday for six years in a continuous effort to eliminate physical inactivity. Special programs such as core training, Zumba, and boxercise are mixed in with the program to keep the participants engaged.

### Health Report issued



We publish a Health Report, which presents health-related information and our initiatives for health for employees of the Japan Group.

### Improvement in working environment



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

### Massage room



We have 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.

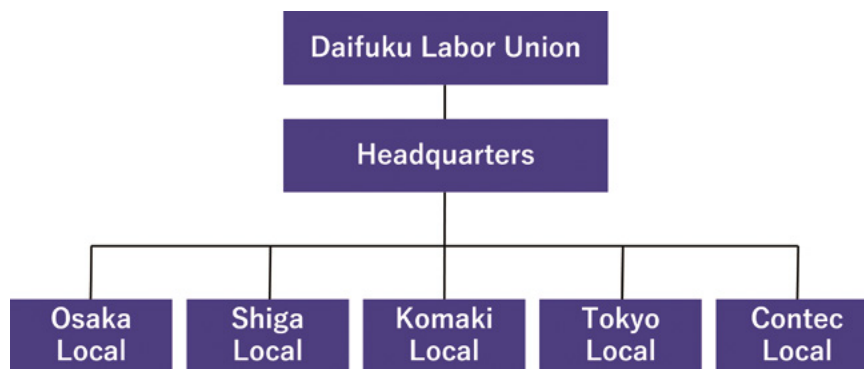
### Smart Meal Certification

Our company cafeteria has been enriching its nutritionally balanced menu in order to use food to contribute to employee health. As a result of these ongoing efforts, the cafeterias at the Osaka Head Office, Shiga Works, and Komaki Works have acquired Smart Meal ★★★ Certification, which can only be obtained by cafeterias that meet standards for providing healthy meals and dining environments.

### Freedom of association and collective bargaining

The Daifuku Group recognizes and supports the freedom of association and the exercise of collective bargaining rights by our employees. Daifuku Co., Ltd. has the Daifuku Labor Union (formed in February 1948), which covers all domestic employees except managers and those who are stipulated in the labor-man-

agement agreement. As of March 31, 2022, there are 2,668 union members, and the unionization rate of employees is 83.3%. Since the union was formed, labor-management relations have been very amicable, with labor and management cooperating in efforts to develop the Company's business.



Daifuku Labor Union organization chart

### Major labor-management talks at headquarters (FY2021)

	Times held	Main issues
Regular labor-management talks	12	<ul style="list-style-type: none"> <li>Confirmation of the Company's business status</li> <li>Sharing of information on discussions at board and executive committee meetings</li> </ul>
Extraordinary labor-management talks	2	<ul style="list-style-type: none"> <li>Negotiations over wages and bonus amount</li> </ul>
Labor-management special committees	10	<ul style="list-style-type: none"> <li>Discussion of various systems, including the personnel system</li> </ul>

# Corporate Governance

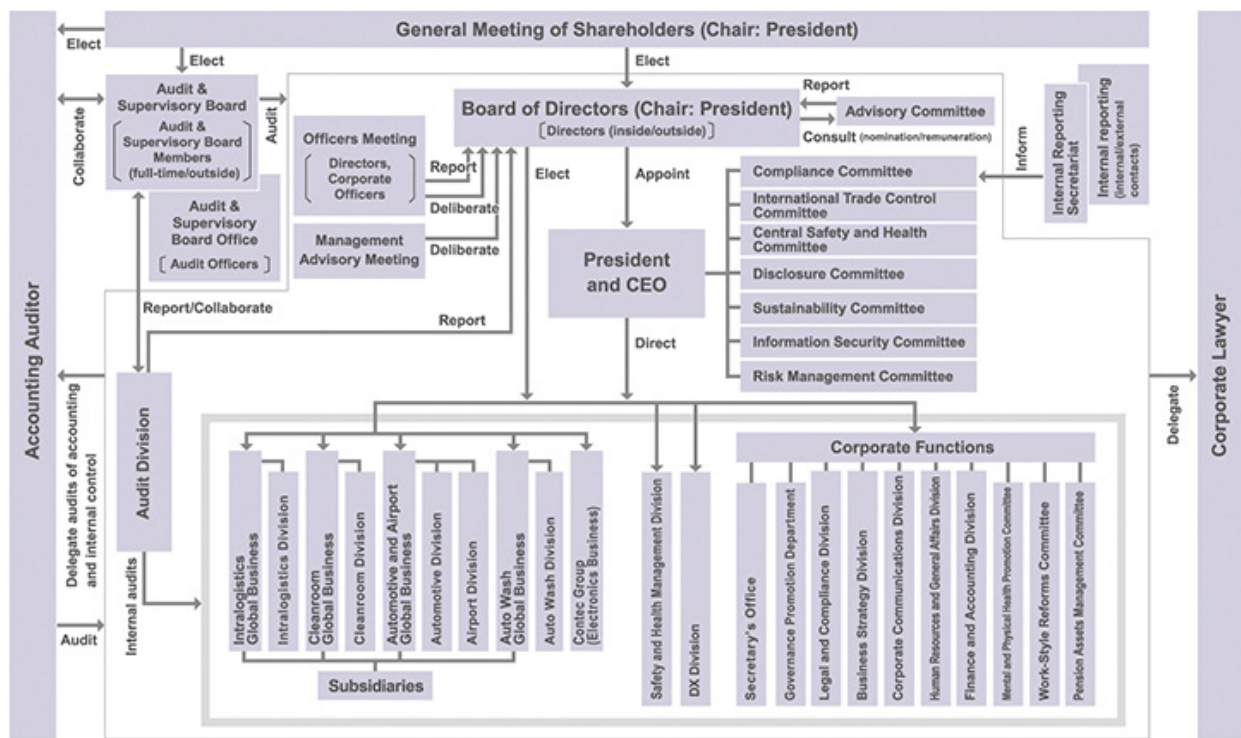
## Corporate Governance System

Daifuku is a company with an Audit & Supervisory Board. The Company enhances its corporate governance framework to oversee and supervise business execution by developing a Board of Directors consisting of nine members, including four independent outside directors, and an Audit & Supervisory Board consisting of four members, three of whom are elected from outside the Company. More than one-third of the Board of Directors are independent outside directors. The composition indicates that the Company considers diversity. To supplement the functions of the Board of Directors, the Company has an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of the management team members. Audit & Supervisory Board members, together with the Audit & Supervisory Board Office, further strengthen cooperation between the Audit Division and the accounting auditor to deepen and streamline audit work.

The Audit Division develops and operates the internal audit sys-

tem, verifies and evaluates the development and operation status of the internal control system from the perspectives of compliance with relevant legislation and internal regulations, risk management, ensuring of the appropriateness and efficiency of management operations, ensuring of the reliability of financial reporting, protection of company assets, etc., and encourages the improvement of the internal control system. At the same time, the Audit Division evaluates and reports on the internal control system (J-SOX).

To encourage rapid decision-making on business execution, the Company has introduced a corporate officer system. The Company has also introduced an audit officer system to strengthen auditing functions. The President and CEO (hereinafter the "CEO") directs each Global Business and the Corporate Functions and identifies and addresses issues common to the entire Group through the committees under the direct control of the CEO.



Updated in June 2022

### Related links

- > [Corporate Governance](#)
- > [Securities Report](#)
- > [Daifuku Report 2022 \(Page 84-105\)](#)

# Compliance

## Basic Approach

Compliance at the Daifuku Group means acting in good faith and complying with not only the internal and external rules, applicable laws, and regulations, but observing social norms and ethics in all aspects of the Group's business. The Group has established

a Group Code of Conduct that sets out the behavior that all officers and employees should practice, and we are working to ensure group-wide awareness of compliance through the distribution of booklets and training programs.

## Group Code of Conduct (extract)

### Basic Stance

- We will act in accordance with applicable laws, rules, regulations, social norms and ethics.
- We will place safety as a major premise in all aspects of our business activities.
- We will remain committed to the creed of "Hini Arata" as we take on new challenges and make changes for the better.

### 1. Compliance

We will act in good faith and comply with all applicable laws, rules, regulations and social norms of each country in all aspects of our business activities.

[> Group Code of Conduct](#)

## Promotion System

The Compliance Committee, chaired by the CEO, was established to ensure that all the Group officers and employees are aware of our mission and role as a leading company in our industry to comply with all applicable laws and regulations, our Articles of Incorporation, the Group Code of Conduct, and other rules and regulations, and ensure sound and high-growth global operations. The Committee members include all directors, officers,

and subsidiary managers.

Further, in addition to legal affairs-related work, the Legal and Compliance Division prepares and administers compliance-related regulations, including anti-bribery and competition law violations, to ensure that every employee not only complies with laws and regulations, but also conducts themselves with good faith and consistent with social norms.

## Major Initiatives

### Whistleblowing system

We have established a whistleblowing system for the early detection of illicit activities and misconduct, and to take appropriate action. In addition to the internal reporting desk, we have set up an external reporting desk (outsourced by a neutral company) that provides multi-lingual support.

This reporting desk allows anonymous reporting and is available not only to executives and employees of Daifuku and its Group companies, but also to business partners with ongoing deal-

ings. To make effective use of this system, operating rules are stipulated in the Whistleblowing System Rules and its operating standards, and these encompass its function as a whistleblowing system under the Whistleblower Protection Act.

The rules primarily set forth that the Internal Reporting Secretariat is responsible for the administration of the system, verifies the facts of report, determines the course of action to take, and handles investigations among other duties. Investigations differ



depending on the severity of the reported case, the degree of urgency, and whether or not there is involvement of upper management. Should a compliance problem be identified through the investigation, corrective action and measures to prevent a recurrence are taken. Critical problems are reported to the Compliance Committee and the Audit & Supervisory Board. In addition, we impose an obligation to confidentiality on those involved in whistleblowing operations and protect whistleblowers so that they will not receive any disadvantageous treatment for

filing a report.

To enhance the effectiveness of this system, top management communicates messages through the internal company networks and conduct compliance training for employees on an ongoing basis. In particular, we are working to raise the level of trust in this system by making it clear that whistleblowers are not only legally protected under the Whistleblower Protection Act, but also that whistleblowers use this system without fear of retaliation for reporting.

## Anti-corruption

In addition to declaring our respect for human rights in our management philosophy, the Group Code of Conduct also shows respect for human rights and stipulates that we act properly in accordance with applicable laws, regulations, social norms and ethics. Moreover, the entire Group works to prevent corruption and bribery. We have also signed the United Nations Global Compact in 2014 and have clarified our stance on anti-corruption in the 10 principles.

The issue of bribery is a serious risk that may directly lead to the tarnishing of our corporate value. Involvement in bribery in emerging and developing countries where the rule of law has not yet been established may distort the proper enforcement of regulations by the host government of the other country and may encourage corruption in the society of that country as a

whole. For this reason, we have established the Group rules on the provision of entertainment and gifts and the Group rules on the receipt of entertainment and gift-giving to set forth guidelines for the conduct of transparent business dealings by officers and employees of the Group. Moreover, based on our internal rules, we verify the presence or absence of any illicit provision or receipt of advantages. Further, an internal audit is carried out regularly to verify that this system is running accordingly.

Internal audits confirm the status of compliance within the Group, including the operation of anti-bribery controls and security trade controls, through regular audits and ongoing monitoring, and instruct the Group to take corrective measures when problems are discovered.

## Compliance education and training

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, in addition to complying with the various laws of each country, including anti-corruption laws and security export control laws, we are making efforts to establish and spread an awareness of compli-

ance by holding lectures on respecting human rights and outlining professional ethics.

In fiscal 2021, we conducted 18 different kinds of training and education, with particular emphasis on training and follow-up for employees in Japan and overseas with the authority to receive and place orders. In April 2021, the Daifuku Group Compliance Guidebook, which includes explanations of each item in the Group Code of Conduct, specific examples and FAQs, was created and made available in multiple languages to promote, on an ongoing basis, stronger compliance awareness.

### Training examples

- Rank-based training
- Global staff training
- Training by business division
- New employee training
- Training on bribery and the competition law

## Compliance Enhancement Month

We have set every October as Compliance Enhancement Month, during which we carry out initiatives to raise compliance awareness among our employees. The program for 2021 was a lecture by a legal specialist and a panel discussion seminar on governance held online (Teams) for executives, including outside

directors. The recording was later distributed globally via the company intranet in Japanese and English. It was also published in the company newsletter. These initiatives familiarize our employees with compliance.

## Preventing anti-competitive behavior

In the Group Code of Conduct, the Group clearly states our commitment to compliance with competition laws and other rules and to promoting fair trade. In addition, a message regarding compliance with competition laws is sent out from the CEO

through the Group's internal network explicitly stating the company's position of not accepting any act of profiting from non-compliance.

## Response to anti-social forces

The Group Code of Conduct stipulates the Group's policy of taking a firm stance against forces and organizations that pose a threat to the order and safety of civil society and of never having any relationship with these forces and organizations, and all officers and employees of the Group are fully aware of the Group's policy.

## UK tax strategy

Through material handling, the 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.

> [UK Tax Strategy \(54KB\)](#) PDF

# Risk Management

## Basic Approach

It is important to always to anticipate the various risks that threaten business continuity, such as natural disasters, compliance, the availability of human resource, health and safety, and product quality, and to take the appropriate measures to

address these risks. The Daifuku Group conducts regular risk assessments in accordance with the Risk Management Regulations to mitigate and minimize risks that may impact business operations and to strengthen the system for emergencies.

## Prerequisites for risk analysis

The main prerequisites that the Group should consider in risk analysis are as follows:

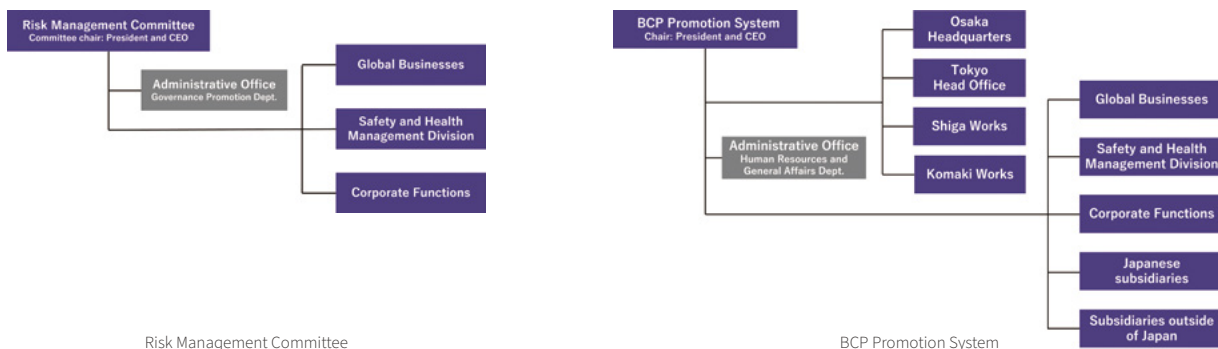
- Our business is greatly affected by the capital investment trends of customers in specific industries.
- Our business generally involves long-term plant installation.
- Nearly 70% of total sales are recorded outside Japan.
- Business performance and the Group's size are growing rapidly, and sustainable growth is expected in the future.
- Logistics systems are recognized as an important infrastructure, and are attracting growing attention from society.

## Promotion System

The Company established the Risk Management Committee in April 2022 for the purpose of managing significant risks that affect the achievement of the Group's management goals in a cross-organizational manner. The Sustainability Committee has been responsible for risk management. However, risks surrounding business and management environment are rapidly changing and uncertainty in business is growing. In response to the situation, the Group has established the independent committee that integrates group-wide risk management activities in order to build a stronger management system that supports swift decision-making and strong risk-taking. The Committee holds several general meetings annually, and reports significant risk management issues to the Board of Directors as appropriate.

The Group has established the Risk Management Committee to separately operate the system for normal time and that for emergencies. The Risk Management Committee promotes risk management actions in normal time, and controls risks before they become apparent. In the event of an emergency, the BCP promotion system is in place to respond to crises after risks have emerged. The BCP promotion system works with the Risk Management Committee to consider and prepare for crises starting from normal operations. When faced with a crisis such as a large-scale disaster, we will quickly establish a framework and take initial actions to prevent secondary disasters, placing the highest priority on human lives.

## FY2022 promotion system



## Major Initiatives

### Risk assessment

Crucial risk factors that significantly affect the business activities of the Group are extracted, and those factors are mapped with two assessment axes of frequency and consequence to grasp and manage risks. The assessment covers all business divisions and subsidiaries inside and outside of Japan. In accordance with the results of the assessment, an external agency adjusts the

measures through the survey in the Group and with their expert knowledge. The results in fiscal 2021 had a higher consequence in risks associated with changes in the business environment compared with the results of the fiscal 2019 assessment. This assessment reflected the COVID-19 pandemic, US-China trade friction, worldwide semiconductor shortage and other factors.

### Overview of significant risks

Below is a list of major anticipated risks in the normal course of business operations. While we are taking measures to mitigate each of these risks, it is difficult to completely predict or address all of them.

1. Risks related to changes in business environment	Impact	<ul style="list-style-type: none"> <li>Decrease in capital investment due to economic fluctuations in the electronics sector, mainly semiconductor and flat-panel displays</li> <li>Supply shortage of semiconductors and other parts, soaring energy and raw material prices, disrupted logistics networks and rising labor costs</li> <li>Economic impacts of rising energy and food prices and supply chain disruption on consumption due to impact of Russia's invasion of Ukraine</li> </ul>
	Measures	<ul style="list-style-type: none"> <li>Paying close attention to trends in the electronics sector to flexibly reflect them in our business plans</li> <li>Improving the accuracy of project management, including budgets and installation progress</li> <li>Focusing on and minimizing the impact on business activities related to Russia and Ukraine</li> </ul>
2. Risks related to compliance	Impact	<ul style="list-style-type: none"> <li>A significant increase in management targets due to rapid growth of the Group, emergence of risks due to stricter legal systems, etc.</li> </ul>
	Measures	<ul style="list-style-type: none"> <li>Outside directors' participation in the Compliance Committee</li> <li>Internal audits conducted by the Audit Division that is independent from the business lines</li> <li>Review of the whistleblowing system</li> <li>Having established the Legal and Compliance Division and developed regulations to prevent corruption, breaches of competition laws, etc.</li> <li>Having established the Audit &amp; Supervisory Board Office to assist the duties of Audit &amp; Supervisory Board members and the Audit &amp; Supervisory Board, to enhance the effectiveness of audits by Audit &amp; Supervisory Board members</li> <li>Having set the Risk Management and Governance Office (now Governance Promotion Department) to enhance governance of the entire Group</li> <li>Having set the International Trade Management Department to develop the compliance management system for import and export transactions</li> <li>Creating a Compliance Guidebook in multiple languages that explains the Group Code of Conduct, holding briefing sessions on the Code using the guidebook</li> </ul>
3. Risks related to human resources	Impact	<ul style="list-style-type: none"> <li>Difficulty in acquiring and securing excellent personnel</li> </ul>
	Measures	<ul style="list-style-type: none"> <li>Actively hiring and promoting women, foreign nationals, and mid-career professionals</li> <li>Conducting an engagement survey that asks about motivation and comfort in workplaces of the Group employees</li> <li>Building a training system intended to train successors (officers and executives) through clarifying key positions and identifying employee competencies (required behavior and attitude)</li> </ul>
4. Risks from large-scale natural disasters	Impact	<ul style="list-style-type: none"> <li>Suspension of business activities due to the occurrence of large-scale natural disasters such as earthquake and tsunami</li> <li>Supply chain disruption, including suspension of business partners' operations</li> </ul>

4. Risks from large-scale natural disasters	Measures	<ul style="list-style-type: none"> <li>Formulation and regular review of business continuity plan and initial response procedures</li> <li>Establishing a rapid recovery system and conducting regular drills for the purpose of initial response</li> <li>Natural disaster hazard surveys at each site, expansion of stockpiles</li> </ul>
5. Reputation risks	Impact	<ul style="list-style-type: none"> <li>Reputation risks (damage caused by rumors) by the spread of misinformation, wrong advertisement, or infelicities widely spread through social media</li> <li>The Group's brand image and social credibility decline, potential impact on operating results and financial condition</li> </ul>
	Measures	<ul style="list-style-type: none"> <li>Conducting media training for officers and preparing guidelines</li> </ul>
6. Risk of information leakage from cyberattacks	Impact	<ul style="list-style-type: none"> <li>Information leakage due to cyberattacks and accidents related to computer security</li> </ul>
	Measures	<ul style="list-style-type: none"> <li>Strengthening Groupwide information security measures through the Information Security Committee chaired by the CEO</li> <li>Identifying the possible scope of impact and damage from cyberattacks</li> <li>Initial response to prevent the spread of damage</li> <li>Conducting employee education and drills on a regular basis</li> </ul>

## Strengthening information security

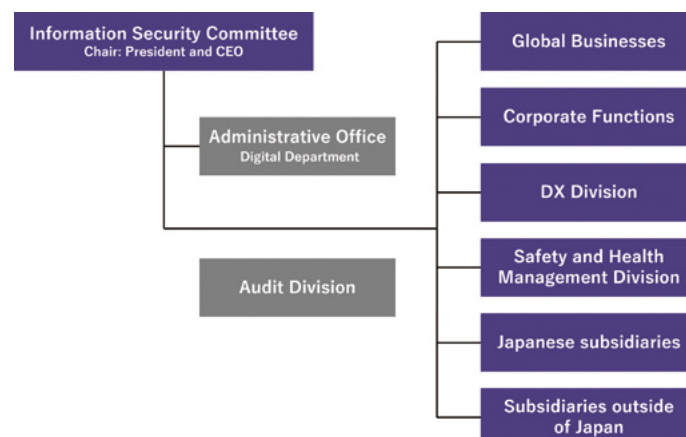
Threats to "information," an important management resource, have become increasingly sophisticated, ingenious, and malicious in recent years. Moreover, privacy protection and data regulations, particularly centered on personal information, are being tightened globally, and the prevention of information leaks has become an important compliance issue. In light of

these changes in the business environment, the Group conducted a major review of our information security-related regulations in April 2022. We will take measures against risks in accordance with the new regulations and guidelines to ensure the safe use of information assets in our business operations.

## Promotion system

We formed an Information Security Committee in 2004 to maintain and improve information security across the Group. This Committee came under the direct control of the CEO in fiscal 2022. The Committee is chaired by the CEO and includes the Global Business Heads of each business unit and the presidents of subsidiaries, and is strengthening efforts under the leader-

ship of the management team. Furthermore, in order to clarify roles and responsibilities in information management, we have appointed an information security promotion manager in each business unit, division, and subsidiary to deepen our efforts at the on-site level.

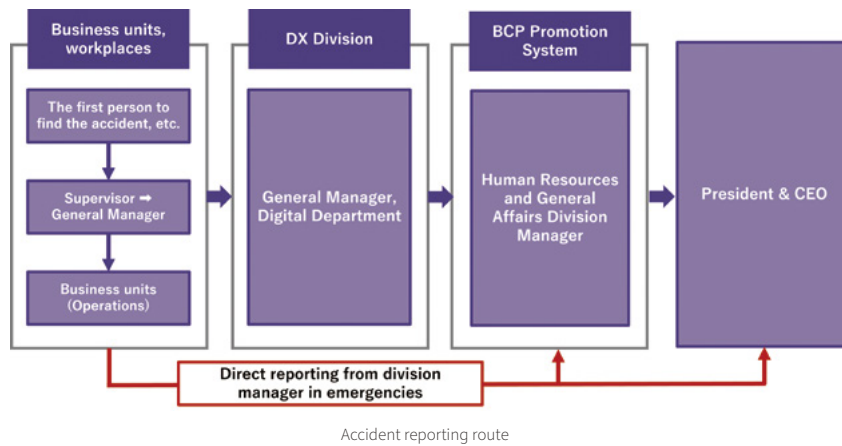


FY2022 promotion system

Committee chair	President and CEO
Committee vice-chair	DX Division Manager, Corporate Functions Deputy Head
Members	Global Business Heads, Corporate Functions Head, Safety and Health Management Division Manager, officers in charge of subsidiaries, Presidents of Japanese subsidiaries, Presidents of subsidiaries outside of Japan

**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 us 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.



**Threats to information and countermeasures**

The Group is promoting specific initiatives in each of the following areas against technical threats such as unauthorized access and cyberattacks, human threats such as internal misconduct and disregard for rules, and physical threats such as disasters and theft.

IT countermeasures	<ul style="list-style-type: none"> <li>IT security measures with multi-layered protection (entrance, exit, and internal)</li> <li>Confirmation of behavior through logs</li> </ul>
Human countermeasures	<ul style="list-style-type: none"> <li>Compliance with rules by each employee</li> <li>Education and training</li> <li>Understanding warning signs at each workplace</li> </ul>
Physical countermeasures	<ul style="list-style-type: none"> <li>Access control and locking of offices, etc.</li> <li>Management of information devices such as PCs, USB memory sticks, paper and other recording media</li> </ul>
Organizational countermeasures	<ul style="list-style-type: none"> <li>Rule formulating</li> <li>PDCA activities for rule compliance</li> </ul>

**Global information security training**

**KPI**

We have conducted training sessions twice compared to the target of two sessions in fiscal 2021. Since fiscal 2021, we have adopted video content available in more than 30 languages as a training tool to enhance the appeal of the program and boost the educational value of the program by allowing viewers to watch the videos in their native languages.

	<b>FY2021</b>
Number of training sessions	2 sessions

## Global e-mail training

KPI

We conducted the training three times, versus our target of three times in fiscal 2021. To promote further understanding, the key points to be identified and noted were displayed in the native language of those who clicked the link in the training e-mail and failed the training. Beginning in fiscal 2022, retraining will be offered to those who failed to pass the training in order to further improve their effectiveness.

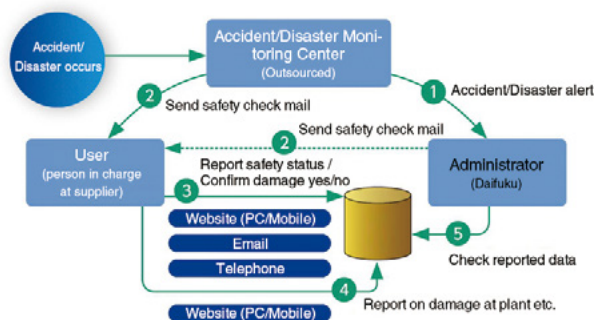
	FY2019	FY2020	FY2021
Number of training sessions	2 sessions	2 sessions	3 sessions

## Business continuity plan

We have formulated a business continuity plan (BCP) to minimize damage to business assets and to enable business continuity and a rapid recovery in the event of a crisis such as a large-scale disaster, with human life as the top priority. With the aim of enhancing the effectiveness of our BCP, we are conducting regular

risk assessments at our business locations, introducing a safety confirmation system, implementing periodic exercises based on the initial response manual, and upgrading our disaster prevention supplies.

## Supplier Operations Verification System



To ensure stable procurement of parts and other supplies in the event of a disaster, we have introduced a Supplier Operation Verification System that enables rapid collection of information on damage to suppliers. Regular operational training is conducted with suppliers to boost operational proficiency, and in the event of an emergency, the system is used to confirm the viability of operations and the delivery date of parts.

> [Supplier Operations Verification System](#)

## Coexistence with local communities



We have concluded an agreement with the town of Hino in Shiga Prefecture to accept local residents for evacuation in the event of a disaster. As part of our BCP, we regularly conduct disaster drills and mock drills with our own firefighting team to prepare for large-scale disasters, and we are engaged in ongoing social initiatives to build good relationships with local communities and our larger society.

## Countermeasures against COVID-19

Major risks caused by the COVID-19 pandemic include limited commute, transfer, or activities in the Group and customer companies, delay or suspension of business activities resulting from infected cases, delay or cancellation of capital investment by customers due to business recession, and decreased profitability due to production cutback.

In response to COVID-19, the Group has established the Novel Coronavirus Response Committee, with the CEO as its head. Each business division checks the situation of the infection and reports necessary information to the Board of Directors as appro-

priate. The Group has put the highest priority on the lives, health, and safety of its employees and their families, customers, and business partners; complied with guidelines issued by governments and administrative agencies inside and outside of Japan; and promoted working from home. These and other measures prevented significant troubles in the Group's business activities. However, the COVID-19 pandemic has not ended yet, and the Group recognizes that the scope of damage by those risks may expand.

## ESG Data

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

### E: Environmental

Type	Item	Scope	Unit	FY2019	FY2020	FY2021
CO <sub>2</sub>	CO <sub>2</sub> emissions <sup>*1</sup>	Global	t-CO <sub>2</sub>	38,650	36,927	34,706
	CO <sub>2</sub> emissions	Japan	t-CO <sub>2</sub>	10,942	10,506	11,827
	CO <sub>2</sub> emissions <sup>*1</sup>	Non-Japan	t-CO <sub>2</sub>	27,708	26,421	22,879
	CO <sub>2</sub> emissions per basic unit of net sales <sup>*1</sup>	Global	t-CO <sub>2</sub> /¥100 million	8.7	7.8	6.8
	Scope 1 + 2	Global	t-CO <sub>2</sub>	38,650	36,927	34,706
	Scope 1	Global	t-CO <sub>2</sub>	9,058	9,066	9,566
	Scope 1	Japan	t-CO <sub>2</sub>	1,900	1,812	1,793
	Scope 1	Non-Japan	t-CO <sub>2</sub>	7,158	7,253	7,774
	Scope 2	Global	t-CO <sub>2</sub>	29,593	27,862	25,139
	Scope 2	Japan	t-CO <sub>2</sub>	9,043	8,694	10,034
	Scope 2	Non-Japan	t-CO <sub>2</sub>	20,550	19,168	15,105
	Scope 3	Japan <sup>*2</sup>	t-CO <sub>2</sub>	1,462,397	1,421,314	2,366,666
	Avoided CO <sub>2</sub> emissions <sup>*3</sup>	Global	t-CO <sub>2</sub>	-	-	69,694
	Sales of Daifuku Eco-Products	Global	Million yen	38,211	49,183	36,066
Sales ratio of Daifuku Eco-Products <sup>*4</sup>	Global	%	11.4	13.9	9.6	
Energy	Energy consumption (production)	Global	GJ	658,133	642,121	675,913
	Energy consumption (non-production)	Global	GJ	76,355	80,543	94,876
	Electricity	Global	GWh	57.1	55.2	59.9
	Electricity derived from renewable energy sources	Global	GWh	-	-	5.9
	Percentage of electricity derived from renewable energy sources	Global	%	-	-	9.9
	Liquefied petroleum gas	Global	t	623	502	560
	City gas	Global	Thousand m <sup>3</sup>	2,552	2,718	2,927
	Fuel oil A	Global	kl	36	94	56
	Gasoline	Global	kl	468	436	457
Diesel fuel	Global	kl	79	58	66	
Water resources	Water consumption	Japan	m <sup>3</sup>	124,836	104,156	104,139
	Groundwater (well water)	Japan	m <sup>3</sup>	70,292	53,921	55,847
	Water supply, industrial water	Japan	m <sup>3</sup>	54,544	50,235	48,292
	Surface water (rivers, lakes, seas)	Japan	m <sup>3</sup>	0	0	0
	Water consumption	Non-Japan	m <sup>3</sup>	90,894	91,301	103,114
	Water discharge	Japan	m <sup>3</sup>	124,836	104,156	104,139



Type	Item	Scope	Unit	FY2019	FY2020	FY2021
Waste	Waste generated (including valuable wastes)	Japan	t	5,078	4,555	5,751
	Waste generated (including valuable wastes) <sup>5</sup>	Non-Japan	t	-	-	3,739
	Landfill disposal	Japan	t	47	41	36
	Landfill disposal <sup>5</sup>	Non-Japan	t	-	-	25
	Recycling rate of waste (including valuable wastes)	Japan	%	99.1	99.1	99.4
	Recycling rate of waste (including valuable wastes) <sup>5</sup>	Non-Japan	%	-	-	99.3
Other	Soil and groundwater pollution status reported within plant grounds	Japan	Cases	0	0	0
	Number of environment-related (including water-related) legal violations	Japan	Cases	0	0	0
	Amount paid in fines for environmental-related (including water-related) legal violations	Japan	Million yen	0	0	0

\*1 Due to an error in the tabulation method, the results for FY2019-2020 have been revised (August 2022).

\*2 Includes CO<sub>2</sub> emissions from the operations of products shipped from Japan to overseas.

\*3 CO<sub>2</sub> emissions produced from our products/services provided to our customers are subtracted from the CO<sub>2</sub> emissions produced from our products/services in FY2011—the base year for environmental performance. The base year has been changed beginning from the disclosure for FY2021.

\*4 Daifuku sales are generally divided into sales for new deliveries and sales for follow-up services, such as maintenance and inspections. The sales ratio for Daifuku Eco-Products uses the number of total sales with service sales deducted.

\*5 Data from outside Japan are disclosed from FY2021 but do not include data from North American locations.

## S: Social

Type	Item	Scope	Unit	FY2019	FY2020	FY2021
Quality	Number of serious accidents related to product/system safety	Global	Cases	0	0	0
Employment	Number of employees	Global	People	10,863	11,697	12,436
	Number of employees	Daifuku Co., Ltd.	People	2,928	3,042	3,202
	Average age	Daifuku Co., Ltd.	Age	41.4	42.7	41.0
	Average years of service	Daifuku Co., Ltd.	Years	15.3	16.0	15.1
	New graduates	Daifuku Co., Ltd.	People	122	106	109
	Mid-career recruitment	Daifuku Co., Ltd.	People	136	64	105
	Ratio of female recruitment	Daifuku Co., Ltd.	%	10	11	10
	Number of female employees	Daifuku Co., Ltd.	People	348	382	399
	Number of female managers	Daifuku Co., Ltd.	People	17	18	20
Training	Employment rate of people with disabilities <small>*As of June 1</small>	Daifuku Co., Ltd.	%	2.17	2.49	2.54
	Employee training costs	Japan	Million yen	172.9	101.5	98.9
	Training time per person	Japan	Hours	71.3	53.8	51.2
	Number of days for training per person <small>*The number of days is calculated by converting the training hours into 7 hours and 45 minutes, which is the standard working hours per day.</small>	Japan	Days	9.2	6.9	6.6
	Number of employees participating in compliance training <small>*Rank-based training</small>	Japan	People	292	291	235
Number of occupational safety and health trainees (safety training facility)	Japan	People	320	295	1,627	

Type	Item	Scope	Unit	FY2019	FY2020	FY2021
Labor	Paid leave acquisition rate	Daifuku Co., Ltd.	%	68.7	71.2	73.3
	Maternity leave utilization	Daifuku Co., Ltd.	People	11	10	8
	Childcare leave utilization rate (female)	Daifuku Co., Ltd.	%	100	100	100
	Childcare leave utilization rate (male)	Daifuku Co., Ltd.	%	2.4	3.7	8.7
	Childcare short-time workday system utilization (female)	Daifuku Co., Ltd.	People	37	36	34
	Childcare short-time workday system utilization (male)	Daifuku Co., Ltd.	People	1	0	1
	Return to work rates after 6 months of maternity/childcare leave	Daifuku Co., Ltd.	%	100	100	100
	Family care leave/personal leave utilization	Daifuku Co., Ltd.	People	0	0	1
	Turnover rate <sup>*1</sup>	Daifuku Co., Ltd.	%	1.45	1.73	2.43
Safety	Frequency rate	Japan	-	0.83	0.37	0.21
	Frequency rate	Non-Japan	-	1.50	0.98	0.65
	Severity rate	Japan	-	0.004	0.02	0.002
	Severity rate	Non-Japan	-	0.02	0.03	0.009
	Employee fatalities	Japan	People	0	0	0
	Employee fatalities	Non-Japan	People	0	0	0
Communities	Number of visitors to the Hini Arata Kan demo center <sup>*2</sup>	-	People	27,082	6,129	4,503
	Amount spent for promoting social contribution activities (including donations)	Daifuku Co., Ltd.	Million yen	45.86	27.34	28.98
	The donation amount to the non-profit organization	Daifuku Co., Ltd.	Million yen	3.32	3.15	3.23
Compliance	Whistleblowing system	Global	Yes/No	Yes	Yes	Yes
Other	R&D costs	Global	Million yen	8,936	9,165	10,735

\*1 Excludes retirees and employees leaving the Company at the end of their contract period.

\*2 We were temporarily closed to the general public during the COVID-19 pandemic in FY2020 and FY2021.

## G: Governance

Type	Item	Unit	FY2019	FY2020	FY2021
Makeup of Board of Directors	Number of directors	People	11	8	9
	Number of outside directors	People	4	4	4
	Number of female directors	People	1	1	1
	Number of Board of Directors meetings (ordinary, extraordinary)	Times	18	17	18
Makeup of Audit & Supervisory Board	Number of Audit & Supervisory Board members	People	5	4	4
	Number of outside Audit & Supervisory Board members	People	3	3	3
	Number of Audit & Supervisory Board meetings	Times	6	6	8
Remuneration	Remunerations for Directors	Million yen	698	469	515
	Remunerations for Audit & Supervisory Board members	Million yen	109	82	77
Voluntary committees	Advisory Committee for nomination and remuneration	Yes/No	Yes	Yes	Yes
Other	Investor relation meetings	Meetings	374	414	376

# Evaluation from Outside the Company

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

## MSCI Constituent

We were selected to be a constituent in representative ESG indices developed by MSCI.

### MSCI Japan ESG Select Leaders Index

#### 2022 CONSTITUENT 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](#).

### MSCI Japan Empowering Women Index

#### 2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Daifuku is selected as one of the constituents of MSCI Japan Empowering Women Index, managed by MSCI. Daifuku is certified as a company with an excellent gender diversity management evaluation from MSCI Japan IMI Top 700 Index.

> For more information on the MSCI Japan Empowering Women Index, please refer to [this website](#).

\* The Inclusion of Daifuku Co., Ltd. in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index name herein, do not constitute a sponsorship, endorsement or promotion of Daifuku Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## 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



The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indexes are used by a wide variety of market participants to create and assess responsible investment funds and other products.

> For more information on the FTSE4Good, please refer to [this website](#).

### FTSE Blossom Japan Index



The FTSE Blossom Japan Index is designed as an industry neutral benchmark that reflects the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices in Japan.

> For more information on the FTSE Blossom Japan Index Series, please refer to [this website](#).

## FTSE Blossom Japan Sector Relative Index



The FTSE Blossom Japan Sector Relative Index is designed to be sector-neutral, reflecting the relative performance of Japanese companies in each sector with superior ESG practices.

\* FTSE Russell confirms that Daifuku Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

## CDP Rating

### CDP Climate Change 2021



Daifuku Group received a rating of A- (Leadership Level) in the categories of "Climate Change" by CDP. It's based on responses to the questionnaire for the major companies implemented by CDP.

> [For more information on the CDP, please refer to this website.](#)

### CDP Supplier Engagement Rating 2021



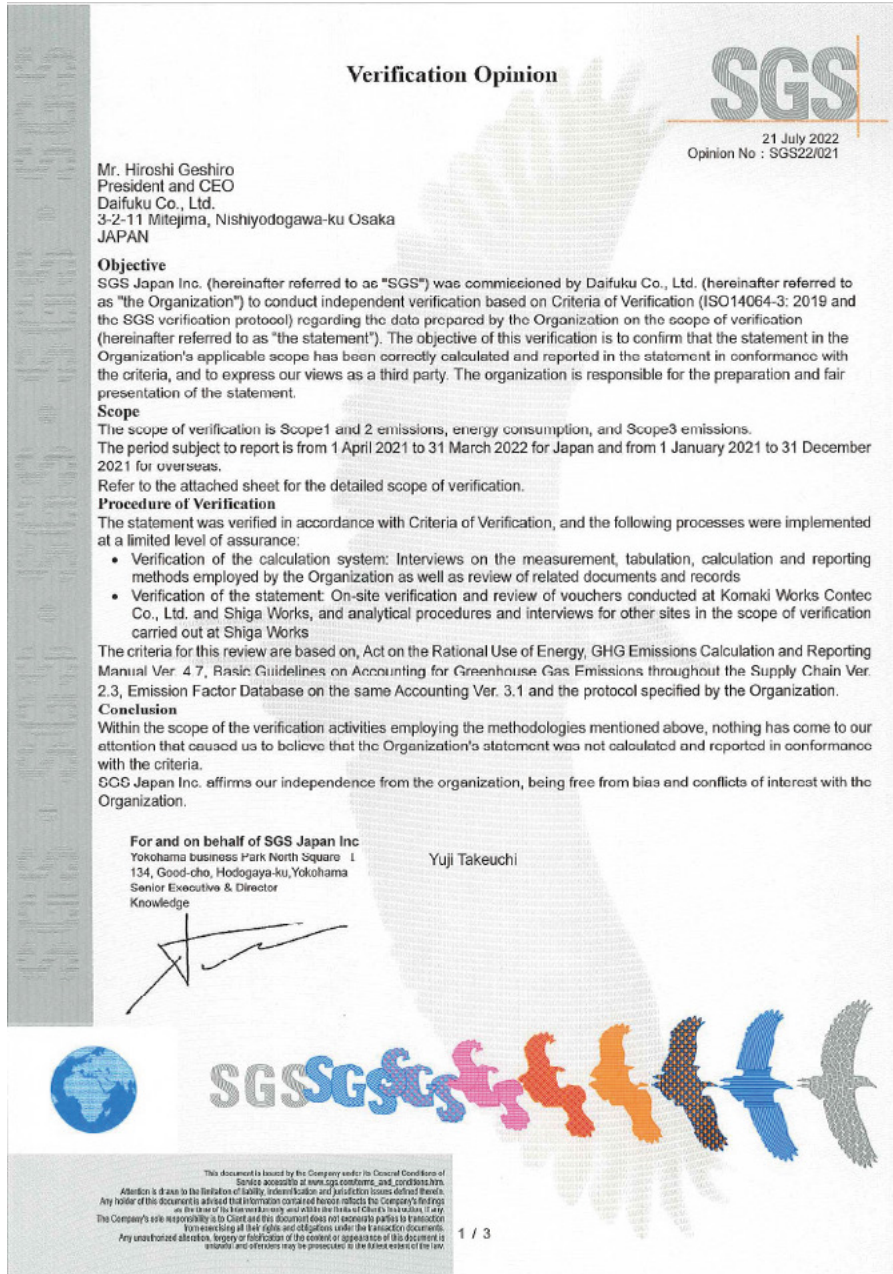
The Daifuku Group has been selected for the first time for the highest rating on the Supplier Engagement Leaderboard in the Supplier Engagement Rating, in which CDP surveys responding companies about their efforts with suppliers on climate change.

> [For the list of selected companies, please click here.](#)

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

## 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.



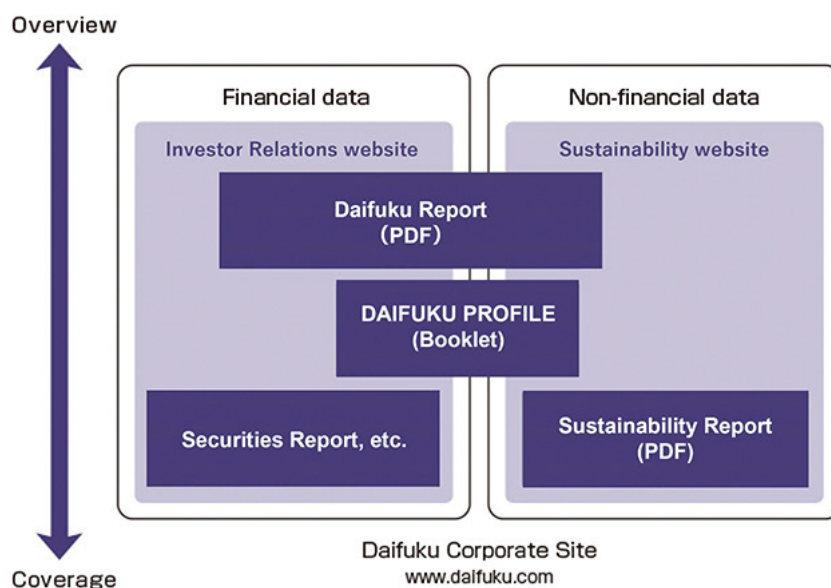
# Editorial Policy

## Information Disclosure Policy

This Sustainability website lists reports for fiscal 2021 about Daifuku Group's initiatives to ESG (Environmental, Social and Governance) and SDGs.

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 sustainability 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

FY2021 (April 2021 - March 2022)

\*Numerical data as of March 31, 2022, 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 (2018 Version)
- Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report)



**DAIFUKU CO., LTD.**

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