

Sustainability Report

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Message from the CEO

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



Based on our management philosophy, “Automation that Inspires,” the Daifuku Group aims 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, such as storage, transport, and sorting and picking.

Recently, the material handling systems that we provide have been recognized as essential social infrastructures that not only support logistics, but also contribute to labor shortages and productivity improvements, and there are growing expectations for further development of these systems. In this environment, 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 supports 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 are committed to addressing various issues related to SDGs (Sustainable Development Goals) and ESG (Environment, Society, and Governance).

The Sustainability Committee, which I chair, facilitates discussions on social issues related to the environment, human rights, and other topics with the aim of resolving these issues throughout the entire supply chain. As part of these efforts, we revised the Daifuku Environmental Vision 2050 in May 2023 to expand our focus areas and raise our environmental targets for 2030. To satisfy society’s demand for higher standards in addressing climate change and other global environmental crises, we will not only reduce our own environmental impact, but also strengthen ties with our customers and suppliers to an even greater extent than before.

In order to continue to be a company that is both trusted by and essential to society, we at the Group aim to achieve further growth through flexible and creative ideas that defy convention and the ability to reform existing frameworks. We will continue to remain united in our efforts to meet the challenges of the future.

Hiroshi Geshiro
President and CEO

August 2023

Message from the Sustainability Officer

We will continue to strive for the creation of a sustainable society with the aspiration of becoming the preferred company for all of our stakeholders.



The growing demands of society

A manifold of problems are emerging and growing in severity, including natural disasters of increasing magnitude in many parts of the world, soaring resource and energy prices resulting from Russia's invasion of Ukraine, and disruptions in the supply chain. Furthermore, various digital innovations driven by technologies such as AI, IoT, and 5G are advancing at an extremely high pace, bringing about unceasing changes in the world's industrial structure and even our personal lives. In these increasingly uncertain business conditions, it is all the more important to take a long-term perspective and continue to make efforts toward the creation of a sustainable society. Companies are under heavy pressure to not only pursue profits, but also work toward ESG (Environmental, Social, and Governance) and SDGs (Sustainable Development Goals), and I feel that we are in an era in which companies will be eliminated if they cannot meet these demands.

To contribute to the creation of a sustainable society through our business, the Daifuku Group has identified 18 material aspects and is implementing a three-year action plan, the Sustainability Action Plan (Action Plan), to address them. The Action Plan is positioned as the cornerstone of our management strategy together with Value Transformation 2023, our three-year business plan that was started in April 2021, and we are now

in the final year of that plan. Although we assess our progress toward the goals set forth in the Action Plan as generally on track, society's expectations for corporate initiatives have risen even higher in recent years, so we will continue to push forward without being content with the status quo.

Revision of the Daifuku Environmental Vision 2050

In May 2023, the Daifuku Group revised the Daifuku Environmental Vision 2050 that we announced in 2021. In recent years, efforts to achieve carbon neutrality have accelerated on a global scale, and the impact of economic activity on biodiversity and natural capital as well as the associated risk of erosion of corporate value have also been identified. Given these changes in societal demands, we have expanded our focus areas and raised our environmental targets for 2030 so that we can take concrete action at a higher level. In this Vision, we have set a goal to realize a world where material handling systems operate with zero environmental impact by 2050, and we have established three critical issue areas: addressing climate change, promoting resource recycling, and coexisting with nature. In these revisions, the CO₂ emission reduction target is set to help achieve the 1.5°C global warming limit required by the Paris Agreement, and new targets have also been set for water resources and biodiversity conservation.

Currently, the Group is focusing on introducing renewable energy and energy conservation efforts at all of our domestic and global sites, and we expect to be able to reduce our own CO₂ emissions (Scopes 1+2) to some extent in accordance with the plan. At the same time, a large percentage of the Group's CO₂ emissions are attributable to procurement and product operation (Scope 3). Therefore, it is essential for us to work more closely with our customers and suppliers to achieve our goals for the entire supply chain.

We acknowledge that a major challenge for the future is to identify the actual environmental impact of our supply chain beyond CO₂ emissions and to formulate a concrete roadmap to

reduce that environmental impact to near zero. Additionally, it is of utmost importance that each and every officer and employee of the Group heighten their awareness of the Earth's environment and practice reducing their environmental impact both in their work and their daily lives. In light of this, we will work to further enhance awareness-raising activities for the entire Group.

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

[> Daifuku Environmental Vision 2050](#)

Initiatives to strengthen human capital

The Group has sustained growth up until now by operating under a business division system with a structure and human resource management optimized for each division based on the characteristics of their respective businesses. However, in order to continue to achieve medium- to long-term growth, it is essential to formulate and implement a human resource strategy that is tightly coupled with a company-wide perspective and management strategy. I am currently in the process of formulating our next medium-term business plan, and I will discuss and consider ways to strengthen our human capital while closely collaborating with our CTO (Chief Technology Officer) and CPO (Chief Production Officer). With a view toward the future, I believe it is especially important to secure and develop human resources who excel in areas such as advanced technology and data science.

In fiscal 2022, we determined the competencies (behavioral traits and attitudes) expected from staff and identified key positions (chief management positions) within the Group in order to build a human resource management platform for the entire Group. In fiscal 2023, we established and began operations of the Human Resources Committee to manage the adequacy, training status, and appointment of prospective candidates for key positions.

In addition, the Group conducts employee engagement surveys focusing on job satisfaction and ease of work. The results of the survey carried out at domestic sites in fiscal 2021 revealed that our strengths lie in our customer orientation and confidence in management, while our weaknesses were in inter-organizational collaboration and support for the career development of individual employees. We are working to improve these issues by establishing a new system to increase the mobility of human

resources across divisional boundaries and by reviewing the personnel handling system. A similar survey was conducted in June 2023 for global offices; we will analyze the results during fiscal 2023 and take appropriate measures as needed.

Building a sustainability promotion framework

The Daifuku Group supports the 10 principles of the United Nations Global Compact across the four areas of human rights, labour, environment, and anti-corruption, and we have developed a sustainability promotion framework that reflects the trends of the international community. Since the Environmental Management Promotion Committee was renamed to the Sustainability Committee in fiscal 2020, the Committee has been actively discussing and accelerating efforts in not only environmental issues, but other social issues such as human rights as well. In fiscal 2022, we also launched the Risk Management Committee to strengthen our management system for important risks that could affect the achievement of our management objectives. We feel that we have established a system to address sustainability from a company-wide perspective to a certain degree through these efforts. Going forward, however, we need to further enhance the functions of both committees and establish a PDCA cycle to address critical issues. In order to solve a wide range of sustainability issues throughout the supply chain, we will also focus on strengthening Group governance to achieve long-term improvements in our corporate value.

To our stakeholders

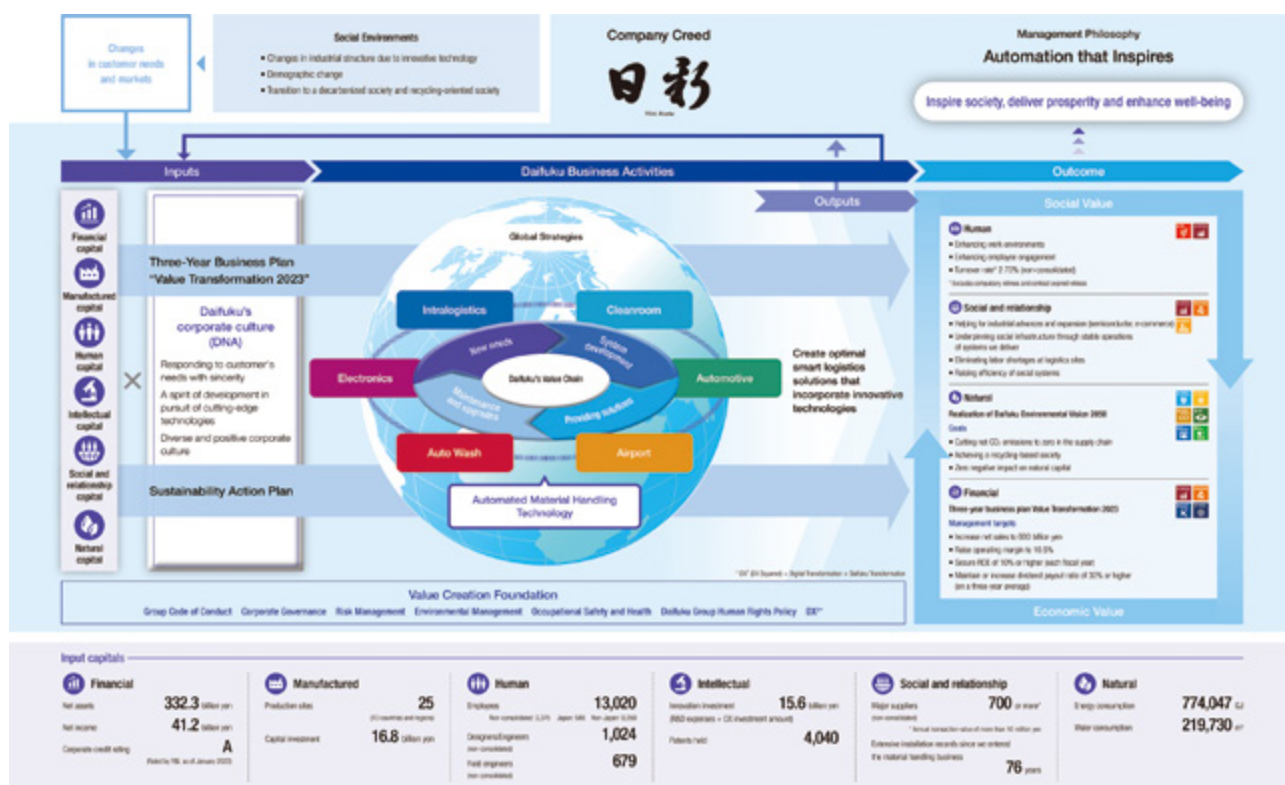
Our Group is a corporation that plays an indispensable role in the world's social infrastructure. We feel that we have a mission to create a better society in which people can live prosperous lives. To sustain our position as a company that is trusted and relied on by society, we will not only achieve the goals we have already set, but we will also continuously improve and strengthen our systems and initiatives with a medium- to long-term perspective. We will continue to engage in dialogue with our stakeholders and challenge ourselves to create a sustainable society.

Hideaki Takubo
 Director and Managing Officer
 Chief Human Resources Officer
 Corporate Functions Head

August 2023

Daifuku's Value Creation

Since its 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 or 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



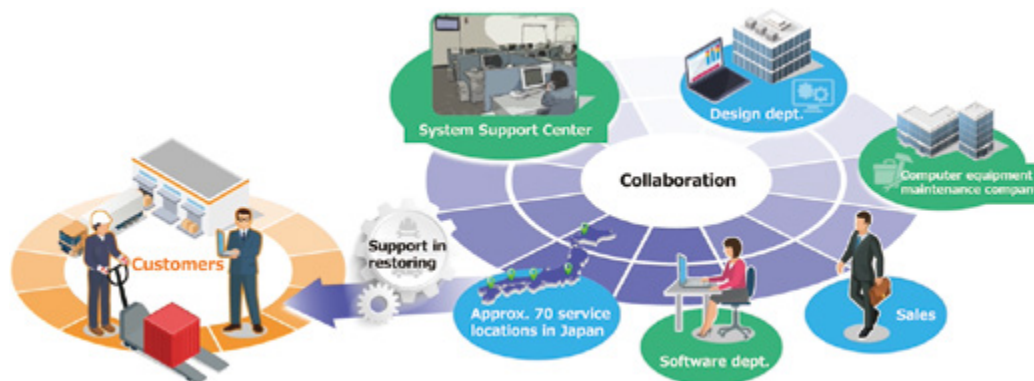
Material handling has come to play an infrastructural role in supporting society, and the challenge today is how to keep material handling operations running, or, should it stop, how to rapidly restore it. The material handling systems of the Group are responsible for the transport of products indispensable 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, cameras, 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

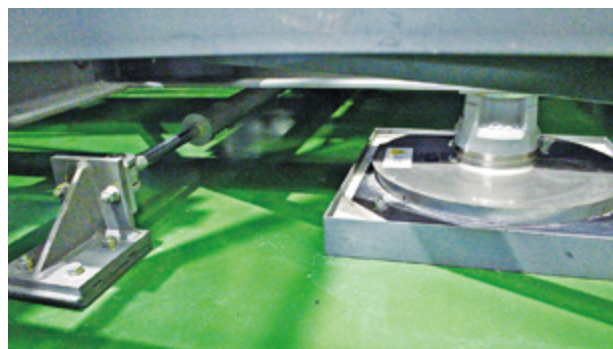
Rapid recovery from system problems during emergencies, etc.



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. Automating car washing reduces workloads and significantly shortens the time required to wash a car. In addition, car washing machines generally use less water than hand washing at home, and help to protect the environment by treating oil and waste from wastewater in an oil-water separator tank. In addition to working to conserve water and improve energy-saving capabilities, the Group is also striving to be environmentally friendly by utilizing liquid solutions that are biodegradable and made primarily from plant-derived materials and resin water tanks to extend the service life of the machines.



Aiming to Create More Value

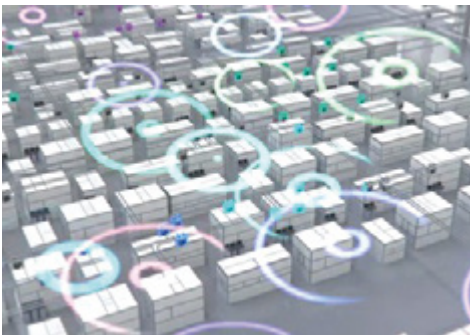
Efforts to expand existing areas and develop new business segments are indispensable for sustainable growth in a rapidly changing business environment. In addition to actively utilizing open innovation with external parties and promoting M&As, we are also working to incorporate AI,

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.

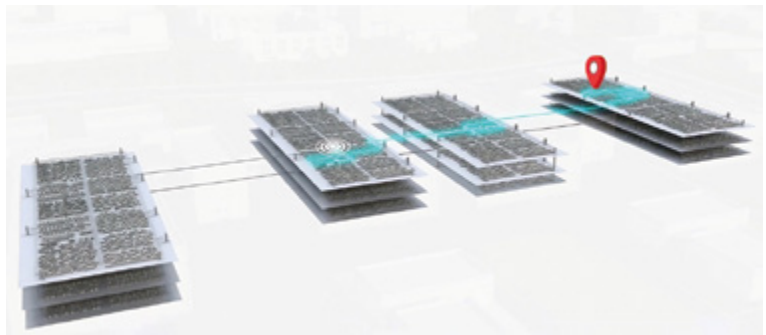
Key points of value creation

▮ Providing novel automation solutions through innovation

▮ Leveraging cutting-edge technology to further improve system efficiency



Within the same floor



Between buildings and levels

We employ AI to efficiently control a large number of vehicles that run on overhead transport lines in semiconductor factories. In fiscal 2021, we developed software to improve the efficiency of transport lines within the same floor. In fiscal 2022, we expanded the scope of application of AI to improve the efficiency of transport between floors, including between buildings and

levels. By collecting vehicle position information in real time and calculating predictive data based on machine-learned travel results, we have achieved highly accurate route control and a 10% increase in transport volume. We have introduced this software into our customers' systems and have applied for a patent for this software.

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, which is based on the company creed, “Hini Arata,” and our management philosophy, “Automation that Inspires.” In putting our sustainable business to practice, we assented to and signed the United Nations Global Compact (UNGC), which encompasses 10 principles across the four fields of human rights,

labour, environment, and anti-corruption; we are also working to achieve the Sustainable Development Goals adopted by the UN. Moreover, the Group positions the three-year business plan and the Sustainability Action Plan as the two cornerstones of its management strategy, and all employees strive to achieve both social 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.

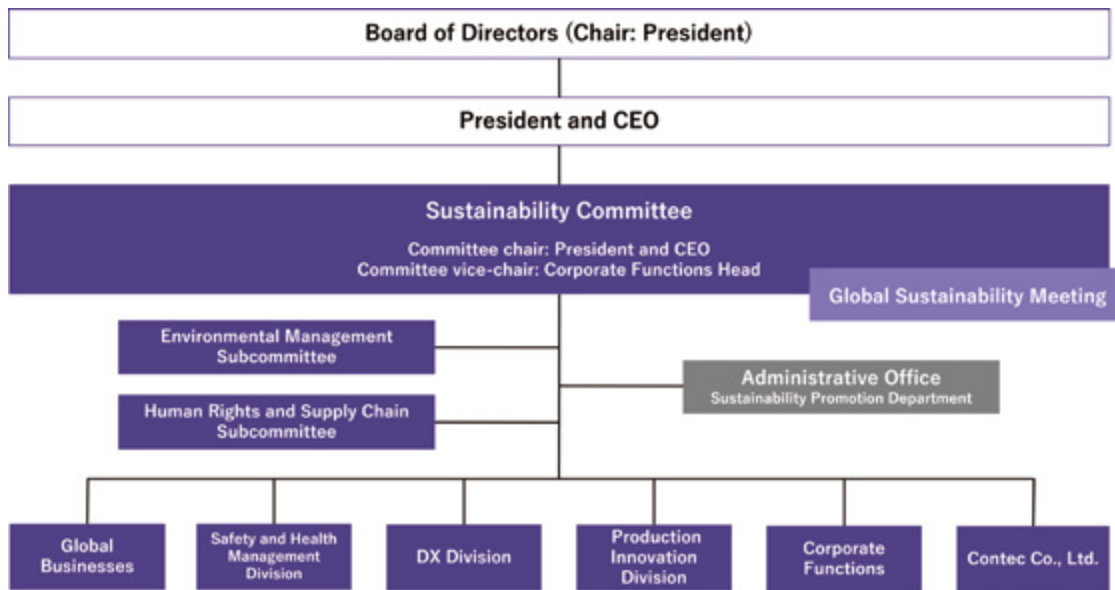
[> Corporate Policies](#)

Sustainability Promotion System

The Sustainability Committee is chaired by the CEO and includes the global business heads of each business unit. Committee meetings were held five times in fiscal 2022. The Committee provides top management with instructions on the implementation of action policies and plans regarding measures for various ESG issues such as the environment and human rights, and it reports the details of its initiatives to the Board of Directors as needed. In addition, the Environmental Management Subcommittee and the Human Rights and

Supply Chain Subcommittee have been established under the Committee's jurisdiction, and they are each working on specific initiatives according to their respective goals.

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



FY2023 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, Production Innovation Division Manager, DX Division Manager, Legal and Compliance Division Manager, Business Strategy Division Manager, Corporate Communications Division Manager, Human Resources and General Affairs Division Manager, Finance and Accounting Division Manager, General Manager of Governance Promotion Department
Voluntary participation	Outside directors, full-time Audit & Supervisory Board members

Sustainability Committee Activities in FY2022

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

Materiality

Daifuku's Materiality

In 2021, the Daifuku Group reviewed the material issues (materiality^{*1}) that have formed 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^{*2} for each of the issues in the 18 newly-

identified materiality aspects, 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 \(PDF: 763KB\)](#) **PDF**

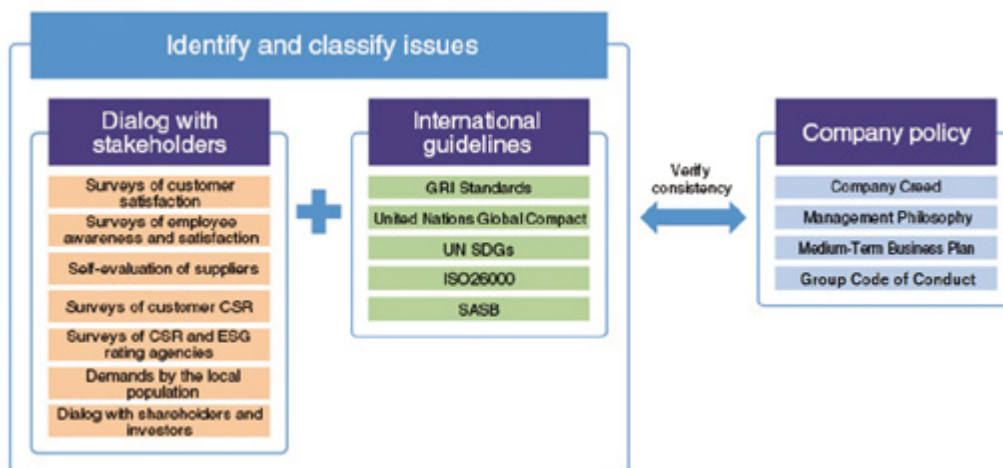
*1 Issues that need to be addressed as top priorities, as they have a significant influence on the environment, society, and governance or the evaluation and decision making of stakeholders
*2 Key Performance Indicator, a quantitative performance evaluation index that measures target achievement

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 we 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 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 governs 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 social and regional context. 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.
	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.

Initiatives	Materiality	Reason for importance
Enhance operational framework	Ensure responsible procurement in the supply chain	In developing our business, it is essential to work together with our business partners who provide goods and services to respond to social demands in areas such as labor, human rights, the environment etc., including beyond that of just legal compliance. This kind of long-term relationship with stakeholders leads to true trust building.
	Strengthen information security	Threats to information security are 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 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 expand our business 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, and 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, such a corporate culture enhances our corporate value, improves our competitive edge, and aids us in acquiring high-quality 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 training framework based on a clear understanding of what is required.
	Respect human rights	Many people across the globe currently suffer from human rights violations. 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 Daifuku Group identified materiality using the sequence below. Further, we identified and organized issues by taking into account international guidelines and dialog with stakeholders and confirmed 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 as well as our issues and strengths.

② Impact analysis:

We have examined the risks and opportunities in our value chain and classified the impacts to our management in line with the SDGs vision of the world in 2030.

STEP 2 Identifying materiality

① Extracting candidates:

Materiality candidates were extracted from the results of Step 1 by a 10-person internal project team representing each business unit and Corporate Functions.

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 they would have on stakeholders and 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 created.

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, which is chaired by the CEO, and the Board of Directors.

STEP 4 Target setting and review

We set up KPI for the 18 materiality aspects and conducted initiatives, disclosures, and reviews after setting goals for the progress of each materiality.

Evaluation results

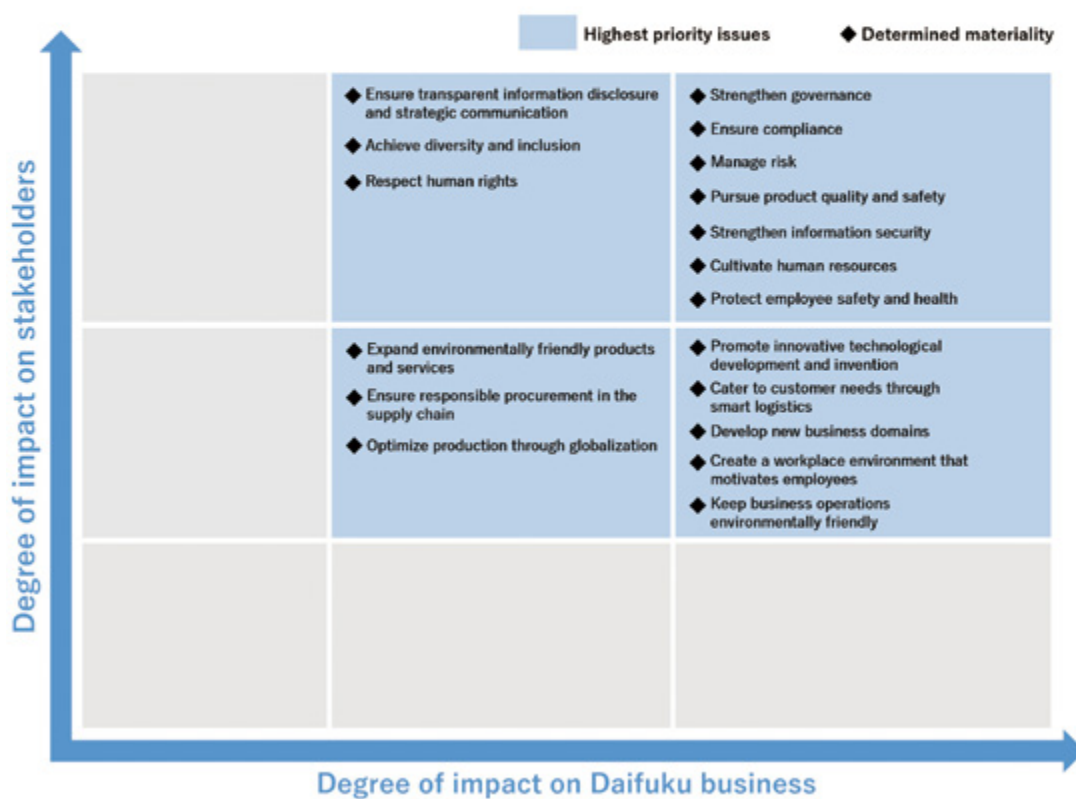
We conducted an evaluation of the materiality candidates extracted by the internal project team according to the following methods and identified 18 materiality aspects.

◆ Degree of impact on stakeholders (vertical axis)

We evaluated the expectations and demands of our stakeholders as well as the positive and negative impact of our business initiatives concerning each issue on them.

◆ 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.



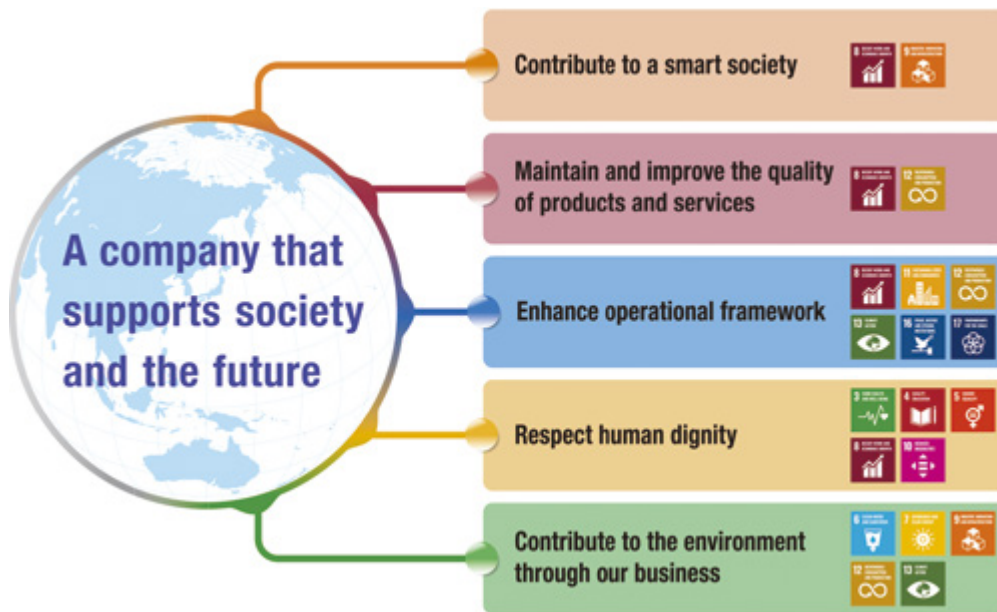
Sustainability Action Plan

Formulation of the Sustainability Action Plan

The Daifuku Group formulated the Sustainability Action Plan (2021-2023) after reviewing the material issues (materiality) of our 2014 CSR Action Plan. The new plan is based on the five themes below. The Sustainability Committee, chaired by the

CEO, has managed the progress of this plan and regularly reports on our achievements through this website.

[> Sustainability Action Plan \(PDF: 763KB\)](#) [PDF](#)



Sustainability vision

Contribute to a Smart Society



Amid an accelerating global trend toward automation and the 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

FY2022 Achievements

The following are our fiscal 2022 achievements in each of the materialities for the above theme of the Sustainability Action Plan, Contribute to a Smart Society.

[> Sustainability Action Plan \(PDF: 763KB\)](#) [PDF](#)

[> FY2021-FY2022 Achievements of the Sustainability Action Plan \(PDF: 333KB\)](#) [PDF](#)

Materiality

Promote innovative technological development and invention



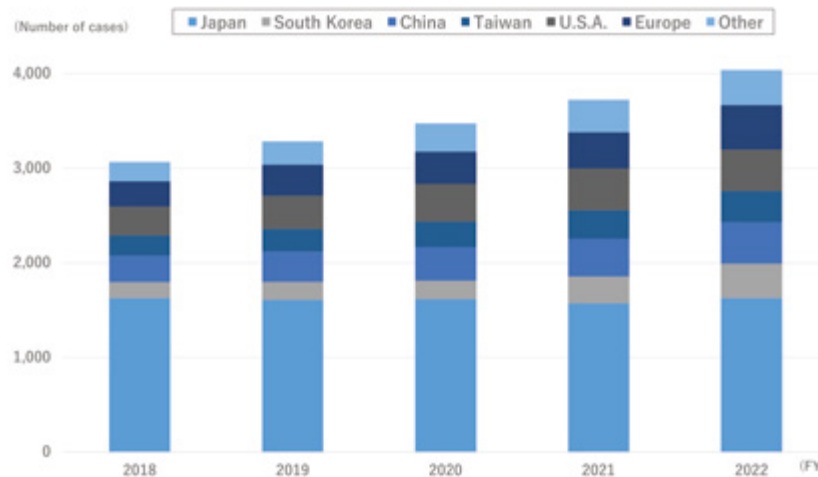
In terms of the breakdown of innovation investment, R&D expenditures amounted to 10.4 billion yen and digital transformation related investments amounted to 5.2 billion yen, thereby achieving our target. We achieved and exceeded our target by a wide margin for the number of patent registrations due to an increase in the number of applications filed overseas, particularly in Europe. Consequently, the target for fiscal 2023 was revised and raised from 4,000 to 4,100 patents.

KPIs	Scope	FY2022 targets	FY2022 results
Innovation investment amount*	Global	¥15 billion	¥15.6 billion
Patent registrations (cumulative total)		3,800 patents	4,040 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. In addition to the quantity of acquisition rights, we are also focusing on improving the quality and speed of obtaining these rights.



Transition of patents by country or region

Materiality



Develop new business domains

While some projects are still in the development, design, and prototype stages, there are a number of instances in which we have received specific orders, and our initiatives are progressing smoothly toward the goals we have set.

KPIs	Scope	FY2022 targets	FY2022 results
Penetration into new markets and new business conditions; commercialization of new products	Global	<ul style="list-style-type: none"> Development through collaborative research with universities and companies Provide new automated solutions Cultivate new customers, expand business area globally Expand service business 	<ul style="list-style-type: none"> Promoted the development of new products through open innovation with multiple universities and external research institutions Provided automation solutions for back-end processes in semiconductor manufacturing (wafer stacking, direct bonding, etc.) Developed and marketed resin case cleaning equipment for the distribution and logistics markets Received an EV-related project in India for a new customer Service sales: an increase of 22.8 billion yen (+16.8%) compared to the previous year

Advancing into the back-end processes of semiconductor manufacturing

The process of manufacturing semiconductors is divided into the front-end process of forming circuits on silicon wafers and the back-end process of cutting chips individually from wafers and working them into finished products. The cleanroom business of our Group has mainly provided transportation systems for the front-end process of semiconductor manufacturing lines. In recent years, however, we are gaining momentum in the development of next-generation technologies for back-end

processes such as 3D stacking, in which multiple chips are stacked to enhance performance. As the importance of the back-end processes in the semiconductor manufacturing process increases, so does the need for automated transfer. In order to provide automated solutions for back-end processes, we are working to develop products that can accommodate the increased weight and diversified shapes of materials to be transported.



Materiality

Cater to customer needs through smart logistics

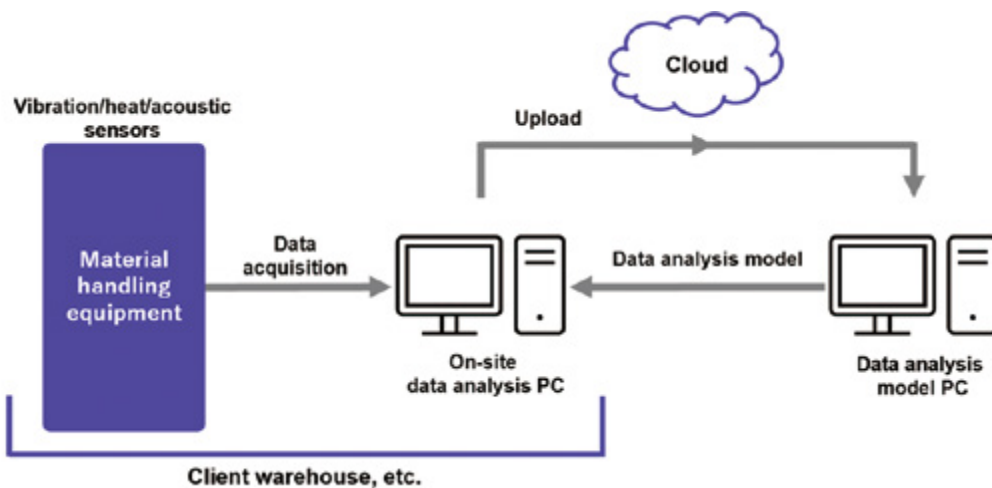
As technological development progresses on a global scale, we are actively developing products and solutions that incorporate cutting-edge technologies. We are making steady progress toward the targets we have set.

KPIs	Scope	FY2022 targets	FY2022 results
Introduction of cutting-edge technology to products and services	Global	<ul style="list-style-type: none"> • Use wireless and 5G technology and rechargeable batteries • Introduce high-efficiency systems and predictive maintenance systems using AI technology • Reduce energy consumption with more sophisticated power supply equipment • Make maintenance services more efficient with the use of IoT 	<ul style="list-style-type: none"> • Demonstration experiments for the introduction of wireless and 5G technology are underway • On track to complete a predictive maintenance system using AI technology • Developed a high-capacity, contactless power supply device that reduces power consumption by 12% • Launched the Carwash Smart Support service (remote program updates, etc.)

Predictive maintenance system using AI technology

In our intralogistics business, the Group has established a unique predictive maintenance system that automates visual, manual, and auditory inspections. The predictive maintenance system measures vibration, heat generation, and acoustics using our proprietary sensors, analyzes the data collected by edge devices onsite using a PC, and notifies the customer of equipment

abnormalities and predicted failure points. The system also automatically uploads data to the cloud, analyzes failure data, and builds an equipment diagnostic abnormality detection model using AI. This system eliminates conveyor system breakdowns and keeps equipment running smoothly.



Model of a predictive maintenance system

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

FY2022 Achievements

The following are our fiscal 2022 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 \(PDF: 763KB\)](#) PDF

[> FY2021-FY2022 Achievements of the Sustainability Action Plan \(PDF: 333KB\)](#) PDF

Materiality

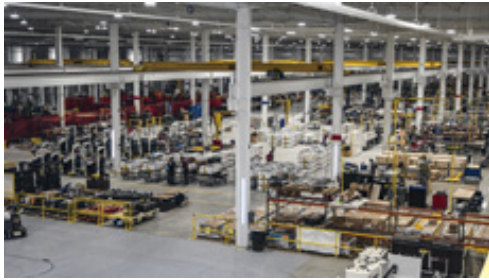
Optimize production through globalization



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	FY2022 targets	FY2022 results
New and expanded production sites to achieve production in optimal conditions; other countermeasures	Global	<ul style="list-style-type: none"> Build a procurement network globally and share production technology Strengthen ability to respond at global subsidiaries (in sales through production and service) Optimally distribute production through consolidation and in-sourcing 	<ul style="list-style-type: none"> Established a global supply chain for key components of pallet-based products to switch to overseas manufacturing Introduced a framework for sharing project information between the sales department and the production, installation, and service departments in order to centrally manage global subsidiary operations Enhanced responsiveness (development, design, production, etc.) through personnel training at global subsidiaries Consolidated and streamlined factories to ensure optimal local and in-house production for each product

Consolidation of Plant Functions in North America



In fiscal 2022, a new plant in Michigan, USA, which will be responsible for manufacturing airport baggage handling systems and AGVs (Automated Guided Vehicles), began operations. By consolidating the functions of three plants located in the northern part of the state into the new plant and promoting rationalization and efficiency of production, the production capacity is expected to increase by approximately 30%. The site area is 89,000m², and the manufacturing space is designed to allow for future expansion.

Materiality

Pursue product quality and safety



All three of the following KPI targets were achieved. Taiwan Daifuku Co., Ltd. (Taichung Plant) was newly added to the ISO 9001 global multi-site and integrated certification list.

> Occupational Safety and Health

> Quality Assurance

KPIs	Scope	FY2022 targets	FY2022 results
Number of serious accidents related to product or system safety ^{*1}	Global	0 occurrences	0 occurrences
Rate of ISO 9001 global multi-site certification ^{*2} in production sites		60%	64%
Number of employees who obtain safety assessor credentials ^{*3}	Japan	190 people	223 people

*1 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)

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

*3 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 the Group to balance business operations and social responsibility, we are working on strengthening 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

FY2022 Achievements

The following are our fiscal 2022 achievements in each of the materialities for the above theme of the Sustainability Action Plan, Enhance Operational Framework.

[> Sustainability Action Plan \(PDF: 763KB\)](#) [PDF](#)

[> FY2021-FY2022 Achievements of the Sustainability Action Plan \(PDF: 333KB\)](#) [PDF](#)

Materiality

Strengthen governance

To improve the effectiveness of the Board of Directors, we will continue to utilize PDCA to improve the issues identified in questionnaires and interviews. In fiscal 2022, we implemented audits locally at seven out of eight global subsidiaries. We will continue to conduct audits using a risk-based approach, and we will strive to improve the quality of our audits.

KPIs	Scope	FY2022 targets	FY2022 results
Improving the effectiveness of the Board of Directors	Global	Carry out efforts to improve effectiveness	<ul style="list-style-type: none"> Addressed issues identified in an effectiveness assessment of the Board of Directors ((1) training opportunities for board members, (2) sharing the discussion content of Advisory Committee meetings, (3) diversity in Board of Directors composition)
Enhancing internal perceptions		Implement measures to propagate the Group Code of Conduct globally	<ul style="list-style-type: none"> Utilized the Compliance Guidebook, which explains the Group's Code of Conduct, and disseminated the concept of compliance through e-learning and at meetings for overseas subsidiaries Reformed the e-learning system, bringing the total number of participants to more than 10,000 over a two-year period
Carrying out sound internal audits		Carry out internal audits in Japanese business units and global subsidiaries (total 300 cases, 3 years) and maintain compliance with internal evaluations	<ul style="list-style-type: none"> Total of 88 audits: 71 in Japan, 8 at overseas subsidiaries, and 9 specified audits (214 audits over 2 years) Internal evaluations determined the Group as compliant

Efforts to improve the effectiveness of the Board of Directors

We regularly review the composition and operations of the Board of Directors and assess its effectiveness. By addressing issues identified from the results of the assessment, we strive to continuously strengthen the functions and improve the effectiveness of the Board. For the fiscal 2022 Board of Directors effectiveness

assessment, we sent a questionnaire to all directors (9) and all auditors (4), and interviews were conducted with one director and all auditors. To ensure the objectivity and independence of the evaluation, we obtain the assistance of an external evaluation organization at key points in the assessment process.

[> Corporate Governance](#)

Materiality

Ensure compliance



The e-learning course on compliance, which includes content on the Group Code of Conduct, anti-corruption, and competition law, has reached a cumulative total of over 10,000 individuals since fiscal 2021. Course materials are available in 10 different languages to improve participants' understanding.

[> Compliance](#)

KPIs	Scope	FY2022 targets	FY2022 results
Carrying out anti-corruption training	Global	Carry out training and follow-ups for Japanese and global parties with authority to accept and place orders	<ul style="list-style-type: none"> Expanded the e-learning implemented in Japan and the US in fiscal 2021 to other countries and regions in multiple languages

Materiality

Manage risk



In fiscal 2022, the Risk Management Committee, which is chaired by the CEO, was established and meetings were held three times. Significant risks identified from risk assessment results that could affect the achievement of our management objectives are discussed and managed across the organization, led by the Risk Management Committee.

[> Risk Management](#)

KPIs	Scope	FY2022 targets	FY2022 results
Implementing countermeasures against major risks	Global	<ul style="list-style-type: none"> Carry out regular risk assessments Form a risk management policy and spread awareness of it Implement significant risk countermeasures Carry out risk response training 	<ul style="list-style-type: none"> Established the Risk Management Committee and built an effective risk management system Assigned departments to oversee five key risks and managed the progress of countermeasures Held a total of four working groups focusing on procurement risks Held lectures by risk management experts

Materiality

Ensure responsible procurement in the supply chain



We are in the process of reviewing our CSR procurement standards. In fiscal 2022, we initiated the creation of Sustainable Procurement Guidelines, which will serve as the new standard, and facilitated discussions on the content of the guidelines and the system for their operation. In fiscal 2023, we established a new Production Innovation Division to oversee and manage the supply chain, and we are working across the business and corporate divisions to establish a system.

[> Supply Chain Management](#)

KPIs	Scope	FY2022 targets	FY2022 results
Establishing a CSR procurement system and expanding the range of operations	Global	Review CSR Procurement Standards and formulate new guidelines to be applied in Japan and abroad	<ul style="list-style-type: none"> Began work on Sustainable Procurement Guidelines

Materiality

Strengthen information security

In fiscal 2022, we conducted information security education and e-mail training in accordance with our targets. Educational tools were made available in multiple languages, and the entire Group, including subsidiaries outside of Japan, were engaged.

> [Strengthening information security](#)

KPIs	Scope	FY2022 targets	FY2022 results
Number of global information security education sessions	Global	4 sessions	4 sessions
Number of global e-mail training sessions		4 sessions	4 sessions

Materiality

Ensure transparent information disclosure and strategic communication



We achieved our targets, including ESG-related targets, for the amount of dialogue with shareholders and investors. At the Logis-Tech Tokyo held in September 2022, we connected our newly renovated Hini Arata Kan to the venue via live broadcast to promote our cutting-edge material handling systems. In terms of community contribution activities, a working team was established in fiscal 2022, and more measures and events were implemented compared to fiscal 2021.

> [Stakeholder Engagement](#)

KPIs	Scope	FY2022 targets	FY2022 results
Number of companies with which dialogue meetings were held	Global	1,200 companies (ESG-related: 20 companies)	1,437 companies (ESG-related: 70 companies)
Enhancing communication with stakeholders	Japan	<ul style="list-style-type: none"> Implement measures to promote the brand based on the renewal of Hini Arata Kan Carry out events for science and engineering students Get employees to participate in social contribution activities 	<ul style="list-style-type: none"> Held a tour of Hini Arata Kan for the media, which was attended by 17 people from 16 publications and resulted in 14 published articles Exhibited at Logis-Tech Tokyo 2022 and had over 10,000 visitors to our booth Began consideration for the implementation of manufacturing events for engineering students in fiscal 2023 Regularly conducted community contribution activities based on annual activity plans for the company as a whole as well as for each region

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

FY2022 Achievements

The following are our fiscal 2022 achievements in each of the materialities for the above theme of the Sustainability Action Plan, Respect Human Dignity.

[> Sustainability Action Plan \(PDF: 763KB\)](#) [PDF](#)

[> FY2021-FY2022 Achievements of the Sustainability Action Plan \(PDF: 333KB\)](#) [PDF](#)

Materiality



Protect employee safety and health

In addition to one fatal accident involving a contracted worker at an overseas subsidiary, the number of injuries resulting in lost time increased from the previous year, and both the frequency rate and overseas severity rate of accidents fell short of our targets. We take accidents very seriously, and we are making every effort to thoroughly implement measures to prevent accident recurrence and improve the effectiveness of safety and health training.

[> Occupational Safety and Health](#)

KPIs	Scope	FY2022 targets	FY2022 results
Frequency rate: Japan (global)	Global	0.4 (0.8)	0.45 (0.90) ^{*1}
Severity rate: Japan (global)		0.01 (0.02)	0.006 (0.216) ^{*1}
Number of occupational safety and health trainees		1,600 trainees	2,161 trainees
Number of serious accidents ^{*2}		0 accidents	1 accident ^{*1}

*1 Data from January through December 2022

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

Materiality

Achieve diversity and inclusion



We achieved our targets for all three of the KPIs listed below. These KPIs were raised for our fiscal 2023 targets: the number of female managers was increased from 30 to 31, the employment rate of people with disabilities was increased from 2.3% to over 2.3%, and the paternity leave acquisition rate was increase from 10% to 20%.

[> Diversity and Inclusion](#)

KPIs	Scope	FY2022 targets	FY2022 results
Number of female managers	Japan	25 people	26 people
Employment rate of people with disabilities		2.3%	2.48% ^{*1}
Paternity leave acquisition rate		8%	16% (44%) ^{*2}

*1 As of June 1, 2022

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

Materiality

Create a workplace environment that motivates employees



In addition to reducing overtime hours and promoting the use of paid leave mainly through the Workstyle Reform Committee and the Mental and Physical Health Promotion Committee, we also expanded and enhanced events for all districts to maintain and promote good health, thereby achieving our goals.

[> Workplace Environment](#)

KPIs	Scope	FY2022 targets	FY2022 results
Paid leave acquisition rate	Japan	76%	79%
Maintaining high rate of stress check testing		96%	99%
Holding events to encourage mental and physical health		Continue events centered on main facilities	<ul style="list-style-type: none"> Enhanced online events for all regions Held events related to mental health Held seminars on cancer and women's health issues

Materiality



Cultivate human resources

In fiscal 2021, with the aim of systematically cultivating candidates for managerial positions, we made successful completion of e-learning courses a requirement for referring a candidate for a managerial position. We continued operation of this system in fiscal 2022 to strengthen the development of managers and candidates for managerial positions. Additionally, we have completed the introduction of a new e-learning system that can be operated throughout the entire Group. We will continue to enhance educational materials and training content to develop human resources more effectively.

[> Talent Development](#)

KPIs	Scope	FY2022 targets	FY2022 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"> Implemented training and aptitude testing on business and labor management for those promoted to managerial positions in fiscal 2023 Offered promotion and promotion recommendation requirement courses for candidates for managerial positions in fiscal 2023 and beyond
Developing training using online resources and promoting autonomous learning		Establish an on-demand library for training and education	<ul style="list-style-type: none"> Produced seven new types of video training materials for career hires Renewed the e-learning system, the education and training infrastructure for the entire Group, and began operations of the new system

Materiality



Respect human rights

In fiscal 2022, we proceeded with efforts to identify, analyze, and evaluate negative impacts on human rights. From the results of potential risk assessment, we identified domestic foreign workers in the supply chain, including contractors, and workers at raw material suppliers as high-priority human rights issues that must be addressed by the Group. With the cooperation of external experts (Caux Round Table Japan), we conducted interviews with foreign national workers employed by two domestic suppliers as well as their managers.

[> Human Rights](#)

KPIs	Scope	FY2022 targets	FY2022 results
Promotion of workplace understanding of human rights	Global	Carry out human rights training for Group employees	<ul style="list-style-type: none"> Implemented training on the Daifuku Group Human Rights Policy for new hires and career hires
Carrying out due diligence for human rights		Formulate policies and carry out due diligence for human rights and ensure wide-spread human rights knowledge inside and outside the company	<ul style="list-style-type: none"> Informed major suppliers about the Daifuku Group Human Rights Policy and the implementation of human rights due diligence at a briefing session Identified negative impacts on human rights related to our overall business activities and set crucial human rights themes Implemented a global supply chain information aggregation system and surveyed the employment status at 19 companies Selected two domestic suppliers and engaged in direct dialogue with foreign national workers

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, but at the same time, we recognize that solving such issues also presents business opportunities for us. We at the Daifuku Group will strive to realize our Daifuku Environmental Vision 2050, and we will strengthen our environmental initiatives across the Group under the leadership 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

FY2022 Achievements

The following are our fiscal 2022 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 \(PDF: 763KB\)](#) [PDF](#)

[> FY2021-FY2022 Achievements of the Sustainability Action Plan \(PDF: 333KB\)](#) [PDF](#)

Materiality

Keep business operations environmentally friendly



The target for Daifuku's total CO₂ emissions reduction rate was achieved mainly through energy conservation efforts and progress in the introduction of renewable energy. Going forward, under the Daifuku Environmental Vision 2050 revised in May 2023, we will further strengthen our collaboration with customers and suppliers and work to reduce CO₂ emissions throughout the supply chain. We achieved our targets for waste recycling rates at our domestic sites, but we fell short of our targets at sites outside of Japan.

[> Environmental Management](#)

[> Climate Change](#)

[> Pollution Prevention and Resource Recycling](#)

KPIs	Scope	FY2022 targets	FY2022 results
Daifuku's total CO ₂ emissions reduction rate (compared to FY2018)	Global	5% reduction	34% reduction
Participation rate in CO ₂ emissions reduction programs* throughout the supply chain	Japan	34%	Target was achieved in fiscal 2021 (36%); began considerations for a review of the system
Recycling rate of waste	Global	99%	95%

* Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO₂ emissions at suppliers

Materiality

Expand environmentally friendly products and services



We achieved our targets for avoided CO₂ emissions as well as for the sales ratio of environmentally friendly properties, and from fiscal 2023 onward we will set targets for reducing CO₂ emissions from the use of our products and manage our progress. The recyclability rate of new products fell short of 90% in some business units, and the targets were not achieved on average across the board.

[> Environmentally Friendly Products and Services](#)

KPIs	Scope	FY2022 targets	FY2022 results
Avoided CO ₂ emissions ¹	Global	60,000 t-CO ₂	121,356 t-CO ₂
Sales ratio of environmentally friendly properties ²		46%	72%
Recyclability rate for new products		90%	86%

¹ CO₂ emissions produced from our products and services are subtracted from the CO₂ emissions produced from our products and services in FY2011, the base year for environmental performance.

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

Changes in targets for fiscal 2023

In accordance with the revision of the Daifuku Environmental Vision 2050, the KPIs and targets for fiscal 2023 for “Contribute to the Environment Through Our Business,” a theme in the Sustainability Action Plan, have been changed.

[> Daifuku Environmental Vision 2050](#)

Crucial issue areas	KPIs	FY2023 targets
Addressing Climate Change	Daifuku CO ₂ emissions (Scopes 1 + 2)	21.0% reduction (compared to FY2018)
	CO ₂ emissions from purchased goods and services (Scope 3 Category 1)	Begin operations of CO ₂ emission reduction programs throughout the supply chain
	CO ₂ emissions from the use of sold products (Scope 3 Category 11)	12.5% reduction (compared to FY2018)
Promoting Resource Recycling	Landfill disposal rate	Japan: less than 1% Global: less than 5%
	Water use intensity ^{*1}	12.5% reduction (compared to FY2018)
Coexisting with Nature	Rate of implementation of biodiversity conservation activities at major sites ^{*2}	Create a list of conservation activities Conduct Group-wide awareness activities
	Sustainability Action ^{*3} total annual number of participants	12,000 people

*1 Water consumption (1,000m³) divided by net sales (100 million yen)

*2 Sites with 100 or more employees

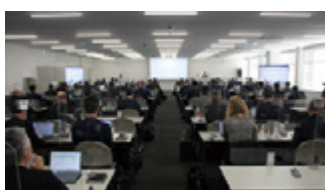
*3 Daifuku's unique program for sustainability awareness and training among employees

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

Global Sustainability Meetings



In order to promote sustainability management throughout the entire Group, we hold Global Sustainability Meetings to discuss and share information about ESG issues with our global subsidiaries. In fiscal 2022, meetings were held online twice. In April 2023, the meeting was held in-person, and a total of 138 people, including officers and executives from our global subsidiaries, visited Shiga Works.

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



In fiscal 2022, we held a seminar with an expert focusing on the integration of business and SDGs. The event was recorded, and the video is available on our internal network for employees to access at any time.

Communication through comics



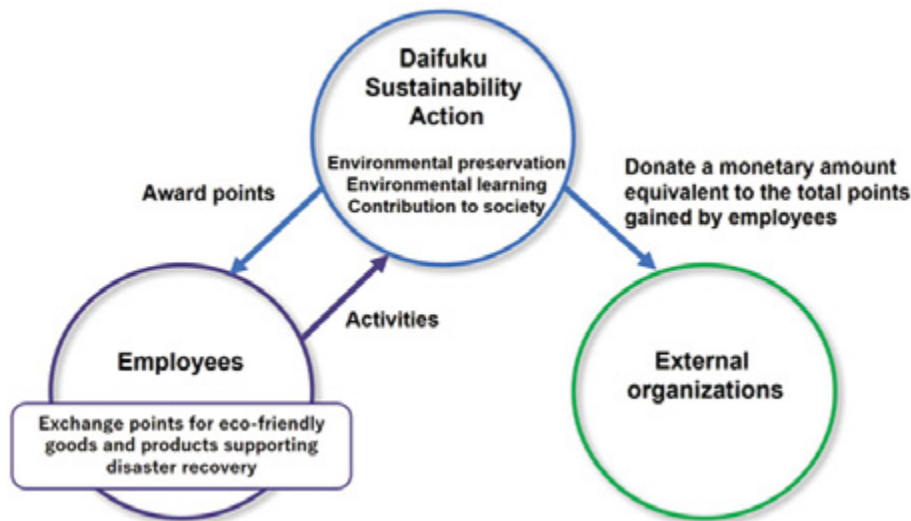
We distribute comics to inform our employees about our company policies, the importance of sustainability, and the state of society in an accessible and easy-to-understand manner. In fiscal 2022, a total of three comics about Daifuku's value creation were distributed. These comics are available in multiple 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 Sustainability Action Program

In order to make environmental contributions more accessible, Daifuku established its Daifuku Eco-Action Program in fiscal 2012, which awards points to employees for participating in environmental activities. A variety of activities and events are offered through the program, and in fiscal 2022, a total of 10,132 people participated in volunteer and environmental learning activities. Through this program, employees can exchange the

points they earned for eco-friendly products and other rewards. Daifuku also donates a monetary amount equivalent to the total number points gained by employees to external organizations. In fiscal 2023, the program was renamed as the Daifuku Sustainability Action Program, and we are working to expand the scope of our activities to include social contribution activities in addition to environmental activities.



Daifuku Eco-Action events (examples)

Program	Content / Description	FY2022 Total number of participants (non-unique)
Eco Field Report	Learn about the environment through experiences at nature parks, zoos, museums, environmental facilities, etc.	351 people
Eco Quiz	Eco Quiz published in the internal newsletter. Disseminate information about the environment and deepen the understanding of related topics	4,127 people
Environment oriented household account book	Allows entering data about usage of electricity and water etc., for better visualization and to raise awareness of energy conservation	135 people

Number of participants

	FY2020	FY2021	FY2022
Total number of participants (non-unique)	7,122 people	11,608 people	10,132 people

Donations

In fiscal 2022, Daifuku made the following donations as a part of the Daifuku Eco-Action Program.

Applications	Amount	Content
Shiga Prefectural Lake Biwa Museum (11th year)	1,000,000 yen (previous year: 1,000,000 yen)	Environmental training, environmental practices, support for museum operations
Hini Arata Kan carbon offset project (10th year)	580,000 yen (previous year: 550,000 yen)	Offsetting CO ₂ emissions by purchasing reduction allowances from other organizations for the annual CO ₂ emissions associated with the operation of Hini Arata Kan.
The Nature Conservation Society of Japan (4th year)	150,000 yen (previous year: 150,000 yen)	Conducting surveys and research on nature and conservation, as well as various programs designed to spread awareness of the importance of protecting nature.
National Land Afforestation Promotion Organization (2nd year)	1,000,000 yen (previous year: 1,500,000 yen)	Conducting overseas tree-planting activities by establishing a tropical rainforest creation fund through donations in order to promote afforestation.
Japan Conference for 2030 Global Biodiversity Framework (new)	440,000 yen	Implementing initiatives to achieve domestic biodiversity-related strategies, etc., through collaboration and cooperation among various stakeholders in industry, academia, government, and the private sector.

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

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 September 2022, we exhibited at Logis-Tech Tokyo, one of the largest comprehensive exhibitions dedicated to material handling and logistics. We connected our newly renovated, experience-based demo center, Hini Arata Kan, to Tokyo Big Sight via fiber optic cables and used a large LED screen to introduce the products displayed there. Four new products were also displayed at a booth on site. We had over 10,000 visitors to our booth, and we were able to promote our products to a large number of people.

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 our 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 this, we are working to enhance dialogue with our shareholders.

Tours of demo center Hini Arata Kan for shareholders



Each year, we invite our shareholders to tour our demo center located within Shiga Works, Hini Arata Kan. Tours were suspended for a period due to the COVID-19 pandemic, but in fiscal 2022, tours were held for the first time in three years and were attended by 84 people over the course of two days.

Communication with Suppliers

We aim to build fair and equitable relationships with our suppliers and 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](#)

Interviews with foreign employees at suppliers



In fiscal 2022, we advanced our efforts to identify, analyze, and evaluate negative impacts on human rights. The Group recognizes that the status of domestic foreign workers in the supply chain, including contractors, is a human rights issue that must be prioritized. As such, we selected two of our major suppliers that employ foreign nationals as technical intern trainees and specified skilled workers and visited them to conduct on-site interviews.

[> Human Rights](#)

Communication with Local Communities

The Group has a number of sites and offices around the world where it conducts business operations, including both sales and production. 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	FY2022 investment amount (yen)
Environmental preservation	Donations from our Daifuku Eco-Action Program to environmental groups	3,170,000
	Cleaning and greening activities around Daifuku sites	2,750,000
	Biodiversity preservation activities	3,160,000
Community contribution	Regional Revitalization Team Project donations and activity costs	1,630,000
Nurturing the next generation	Visits to Hini Arata Kan from universities, vocational schools, and elementary and junior high schools	1,340,000
Total		12,050,000

Local procurement and local hiring

We believe that one of the activities that contributes to local economies is to procure in the vicinity of our operating areas. This can include parts, food, or other necessities. We are dedicated to the growth of communities through our procurement for Shiga Works and other regions. Also, we actively seek out

talent in the vicinity of our sites and provide them 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.

Participation in Furugi de Vaccine

In fiscal 2022, Furugi de Vaccine events were held at all domestic locations. This initiative allows people to donate their used clothing ("furugi" in Japanese), and through these donations, proportionate amounts of polio vaccines are delivered to children in developing countries. Additionally, the used clothing collected is then sold in developing countries, creating local business and opportunities for employment.

Donation of emergency food reserves



In fiscal 2023, we renewed our emergency food reserves as part of our BCP (Business Continuity Plan), and with that donated a total of 754 cases of nutritionally balanced food to the Hino Town Council of Social Welfare, Second Harvest Japan, and two other organizations. The recipients of these donations provide food to facilities, organizations, and families (individuals) in need.

Regional Revitalization Team Project



Beginning in fiscal 2019, Shiga Works launched the Regional Revitalization Team Project to promote interaction between employees and the local community. In fiscal 2022, donation boxes made by employees were installed in each cafeteria, donations were made to a social welfare organization in Hino Town, Shiga Prefecture, and sales and tasting events by local vendors were held in conjunction with walking events during lunch breaks at Shiga Works.

Watamuki Automobile Project



Daifuku is a participating member of the Watamuki Automobile Project, which was launched in April 2021 by Hino Town, Shiga Prefecture, to help realize sustainable public transportation. In fiscal 2022, we participated in a demonstration experiment for commuter and school buses. We are continuing our efforts to ease traffic congestion around our business sites, reduce our impact on the environment, and ensure safe and secure commuting through promoting the use of public transportation.

Community cleanup activities



Shakunage-gunraku, also known as Rhododendron Gorge, is a nationally designated Natural Monument located near Shiga Works. Since 2005, Daifuku has participated cleanup events organized by the Hino Tourism Association in April before peak season. In addition, we have been participating in the Omi Eco-Foster System promoted by Shiga Prefecture since 2001, cleaning up national roads around Shiga Works. In fiscal 2022, events were held 12 times with a total of 105 participants.

Nature conservation around Lake Biwa



Each year, employees from Shiga Works take part in a community activity together with local residents, companies, and environmental conservation groups to clip reeds surrounding Lake Biwa. It is essential to trim the overgrown reeds every winter to protect the reed beds, which play an important role in preserving the ecosystem and water health of Lake Biwa. The reed clippings are then used as raw materials for paper products.

Provision of a temporary evacuation shelter



Daifuku has established an agreement with Hino Town, Shiga Prefecture, to accommodate local residents in the event of evacuation resulting from a disaster. This agreement was broached after local residents requested that we provide Shiga Works as an evacuation site in the event of an emergency. After conducting a simulation of receiving evacuees and confirming the contents of the agreement with other companies near Shiga Works, we decided to enter into the agreement in the interest of social contribution.

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](#)

Kuruma-za, dialogue sessions between the president and employees



In fiscal 2022, Kuruma-za, dialogue sessions between the president and employees, were held at Shiga Works, the Osaka Headquarters, Komaki Works, and the Tokyo Head Office. Focusing on the management philosophy that was revised in fiscal 2021, each participant shared their thoughts and opinions on related measures.

Issuing of an in-house newsletter



The Group publishes a weekly in-house newsletter available online for all Group members. The newsletter is published in multiple languages and aims to communicate management policies and other messages from top management, as well as to cultivate a shared corporate culture and spirit of unity.

Participation in Outside 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 10 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. The GCNJ focuses on various subcommittees based on the same 10 principles of the UNGC. In fiscal 2022, 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, Reporting Research Subcommittee, and Circular Economy Subcommittee. We are working to solve various issues using the knowledge and findings that we acquire 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 Daifuku 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.

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 or 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 Handling Society	Vice Chairman	Director and Managing Officer	Hiroshi Nobuta
Japan Material Flow Institute	Director	Managing Officer	Norihito Toriya

Environmental Management

Daifuku Group Environmental Policy

Basic Approach

The Daifuku Group will contribute to the creation of a sustainable society by engaging in sound business practices in accordance with our company creed, management philosophy, and Group Code of Conduct. Each and every employee shall be aware of the environmental impact of all aspects of our business activities,

including the development, design, production, sales, installation, and after-sales service of material handling systems and equipment, and shall strive to minimize the impact of such activities.

Basic Policy

We will ensure that all Group officers and employees are aware of this policy and work to resolve environmental issues throughout the supply chain.

1. Compliance with laws and regulations

We will comply with social rules, including laws, regulations, and agreements related to environmental conservation, in the countries and regions where we operate.

2. Building and operating an environmental management system

We will set environmental targets and establish an environmental management system. The operation of the system will be reviewed periodically for continuous improvement.

3. Addressing climate change

We provide products and services that contribute to improving energy efficiency. We also minimize greenhouse gas emissions in all aspects of our business activities, including throughout the supply chain.

4. Sustainable resource use

We will strive to use resources sustainably and efficiently at every stage from product development and design to production, use, and disposal, while also working toward the reduction of waste emissions, reusing, and recycling.

5. Consideration for nature and ecosystems

The reduction and correct treatment of hazardous substances prevents air, water, and soil pollution while also contributing to the preservation of ecosystems and biodiversity.

6. Collaborating with suppliers and business partners

We will prioritize the procurement and purchase of materials, parts, and products with lower environmental impact. Additionally, by providing guidance and support to suppliers and business partners as needed, we will strengthen our collaboration and work toward reducing our impact on the environment.

7. Environmental education and awareness

We will educational and awareness-raising activities to raise environmental awareness among all Group executives and employees and to enable each individual to act autonomously.

8. Information disclosure and communication

We will strive to regularly disclose information on the progress of our initiatives and emphasize communication with stakeholders to resolve environmental issues.

Established: August 31, 2023

Daifuku Environmental Vision 2050

The Group's automated technology, with material handling at its core, contributes extensively to factory automation in general industries, semiconductors, FPDs, and automobiles, as well as to labor saving in logistics centers and more efficient airport operations. As part of the supply chains in a variety of industries around the world, the Group recognizes that, in order to realize a sustainable society, it is essential to understand the positive and negative environmental impacts of our business activities, products, and services, as well as work toward improving the value we provide and minimizing our burden on the environment. In addition, in order to further enhance our corporate value, we must develop and implement mid- to long-term strategies while taking into consideration the opportunities and risks that global environmental changes which have already

manifested may present to the Group.

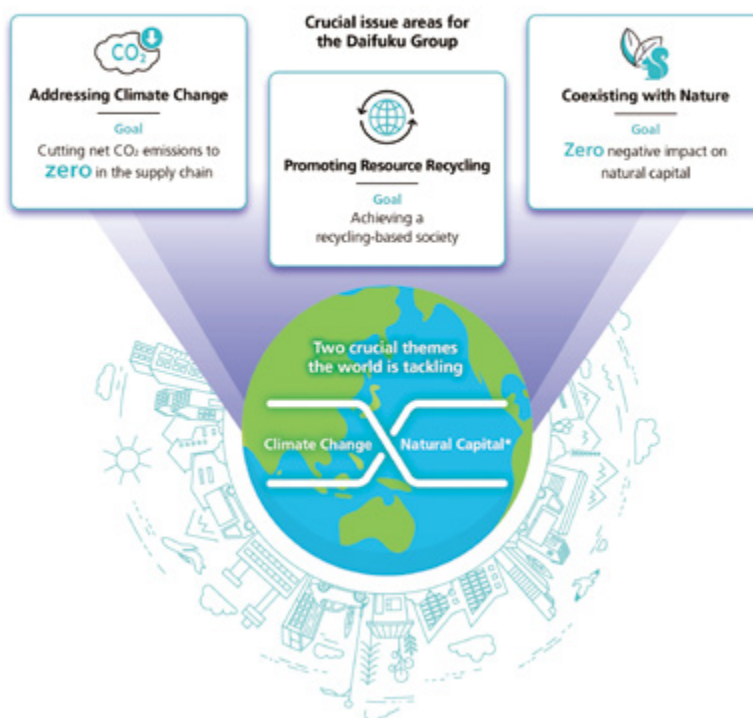
Given these circumstances, in addition to fulfilling our responsibilities as a corporation, the Daifuku Group believes that it is necessary to take more concrete actions at a higher standard to realize the future society we aim to create. As such, in May 2023, we revised the Daifuku Environmental Vision 2050 that was announced in 2021, expanding our crucial issue areas and raising our environmental targets for 2030. The Sustainability Committee, chaired by the CEO, manages the progress of our initiatives and reports important matters to the Board of Directors.

The Group aims to realize this Vision by addressing environmental issues throughout the entire supply chain while engaging in dialogue with customers, suppliers, investors, and other stakeholders.

> [Daifuku Environmental Vision 2050 \(revised; announced May 2023\) \(PDF: 740KB\)](#) [PDF](#)

> [Daifuku Environmental Vision 2050 \(pre-revision; announced February 2021\) \(PDF: 335KB\)](#) [PDF](#)

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



* Natural capital refers to the natural stock of resources (plants, animals, air, water, soil, minerals, etc.) that combine to yield benefits to people. Businesses and society are expected to use this capital in a sustainable manner. Although these resources are being eroded by climate change, improving their sustainability will lead to the absorption of greenhouse gases and the mitigation of natural disasters.

Three crucial issue areas

Ensuring a healthy global environment is an essential prerequisite to creating a world where all people can lead fulfilling lives. Thus, under our management philosophy “Automation that Inspires,” addressing climate change and other environmental challenges is a crucial management issue.

The Daifuku Group will fulfill its responsibilities as a corporate partner throughout the entire supply chain and will strive to realize this Vision with a view to the future society we wish to create.

Addressing Climate Change



Goal: Cutting net CO₂ emissions to zero in the supply chain

We will reduce net CO₂ emissions from our business operations throughout our supply chain to zero by developing and providing products and services that contribute to the creation of a decarbonized society, using energy efficiently and introducing renewable energy at our Group sites and suppliers.

Promoting Resource Recycling



Goal: Achieving a recycling-based society

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

Coexisting with Nature



Goal: Zero negative impact on natural capital

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

Environmental goals for 2030

In revising this Vision, we also reviewed our targets for 2030, setting a new CO₂ emission reduction target to help achieve the 1.5°C global warming limit required by the Paris Agreement,* and setting new targets for water resources, biodiversity conservation, and awareness-raising activities. In order to respond to

constantly changing social trends and the business environment, we will periodically review our targets and adjust them as necessary. The results for fiscal 2022 have been disclosed based on the KPIs from prior to revision. From fiscal 2023 onward, targets will be managed using the KPIs below.

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

Crucial issue areas	KPIs	Targets
Addressing Climate Change	Daifuku CO ₂ emissions (Scopes 1 + 2)	50.4% reduction (compared to FY2018)
	CO ₂ emissions from purchased goods and services (Scope 3 Category 1)	30% reduction ^{*1} (compared to FY2018)
	CO ₂ emissions from the use of sold products (Scope 3 Category 11)	
Promoting Resource Recycling	Landfill disposal rate	Less than 1%
	Water use intensity ^{*2}	30% reduction (compared to FY2018)
Coexisting with Nature	Rate of implementation of biodiversity conservation activities at major sites ^{*3}	100%
	Sustainability Action ^{*4} total annual number of participants	30,000 people

*1 Scope 3 Category 1 and Category 11 combined target

*2 Water consumption (1,000m³) divided by net sales (100 million yen)

*3 Sites with 100 or more employees

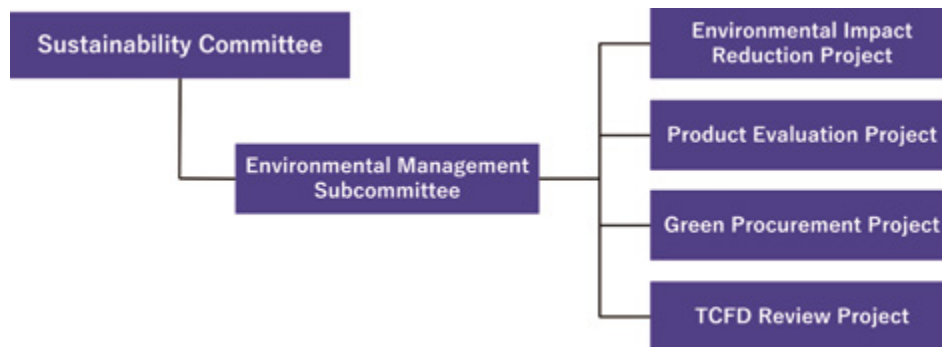
*4 Daifuku's unique program for sustainability awareness and training

Promotion System

The Sustainability Committee is a Group-wide body chaired by the CEO which includes the global business heads of each business unit, and the Environmental Management Subcommittee is established under its jurisdiction. Focusing on the crucial issue areas set in the Daifuku Environmental Vision 2050, this

subcommittee promotes activities and confirms progress toward targets. In fiscal 2023, we launched the following four projects to further discussions on each theme across our business units and Corporate Functions departments.

> Contribute to the Environment Through Our Business



FY2023 promotion system

Environmental Management Subcommittee

Members	Business units (Manufacturing, Sales, and Design departments), Contec Co., Ltd., Production Innovation Division, Human Resources and General Affairs Department, Legal Department, Governance Promotion Department, Assets Administration Department, Sustainability Promotion Department	
Main agenda	Environmental Impact Reduction Project	Energy and resource conservation in business activities and the introduction of renewable energy; consideration for the introduction of internal carbon pricing
	Product Evaluation Project	Review of the certification criteria for Daifuku Eco-Products and measures to reduce CO ₂ emissions (Scope 3 Category 11)
	Green Procurement Project	Establishment of an internal system and framework for green procurement operations and the revision of guidelines
	TCFD Review Project	Deepen scenario analyses and financial impact assessments based on TCFD recommendations and review disclosure content

Environmental management system certification

We promote ISO 14001 international standards for environmental management systems certification at all production sites and primary locations in Japan, as well as all main production sites outside Japan. All four of our Japan production locations as well as 16 of our production locations outside of Japan have been ISO certified. 80% of our production facilities have obtained certification.

Certification standards	Production sites (consolidated)	Number of certified locations	Proportion of certified locations
ISO 14001	25	20	80%

[> ISO Certified Locations](#)

Responding to Water Risks

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

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

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

The results of the water risk assessment (overall water risk*) for our main sites is as follows.

Water risk level	Number of sites
Low (0-1)	6
Low-Medium (1-2)	17
Medium-High (2-3)	2
High (3-4)	3 (China)
Extremely-High (4-5)	2 (India)

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

Climate Change

Basic Approach

The Daifuku Group supports the Paris Agreement, the Act on Promotion of Global Warming Countermeasures, the Act on Rationalizing Energy Use, and other laws and regulations related to climate change, and we are advancing environmental management to help create a decarbonized society and realize SDGs. We are actively working to reduce our energy consumption and contribute to the environment through manufacturing, and we file annual reports to the government on energy consumption, CO₂ emissions, and other data.

The Daifuku Environmental Vision 2050 (revised in May 2023) establishes addressing climate change as one of our critical issue areas, and we are focused on reducing CO₂ emissions through our products and services, reducing CO₂ emissions throughout our entire supply chain, and introducing renewable energy. We will continue to endeavor to improve our business activities as well as our products and services through dialogue with our stakeholders, contribute to the development of society, and increase our corporate value.

[> Daifuku Environmental Vision 2050](#)

Disclosure Based on TCFD Recommendations

In May 2019, Daifuku expressed its support for the TCFD (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. In fiscal 2023, we plan to conduct another scenario analysis and financial impact assessment, and we will continue to revise our disclosures as needed.

Governance

We have set up a Sustainability Committee which is responsible for submitting, reporting, and providing information about items related to sustainable management, including those related to climate change. The committee is chaired by the CEO and the heads of each global business unit, as well as other executive officers, serve as members.

The Sustainability Committee formulates and promotes

sustainability management strategies that support the sustainable growth of the Group. The committee will determine policies for the entire Daifuku Group related to sustainability and climate change, including energy conservation, adoption of renewable energy, and environmentally friendly products. The committee will respond to environment and sustainability related laws and regulations, and produce information disclosures.

Strategy

Scenario analysis

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

rapidly strengthened). The results were that although typhoons and floods in scenario 1 and carbon taxation and other factors in scenario 2 would have an impact on business costs, in both scenarios, 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.

Scenario analysis process

1. We set up a working group consisting of external experts and the Sustainability Committee administration office.
2. We assumed a physical risk scenario and a transition risk scenario related to climate change.

3. In each scenario, we analyzed the possibility of various events and their impact on our value chain, which includes procurement, direct operations, and demand for products and services.
4. For each possible impact that was identified, we clarified our current initiatives and future outlook.

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 approximately 25.5%, and the number of extremely hot 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 CO₂ emissions to zero by around 2050
- In developed countries, a carbon tax of approximately 6,300 yen/t-CO₂ will be imposed in 2025 and approximately 14,000 yen/t-CO₂ 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)	<ul style="list-style-type: none"> • Damages to incoming and outgoing goods and equipment, shutdown of our factories, etc. • Regular review of business continuity plan
		Chronic	Rise of annual average temperature	<ul style="list-style-type: none"> • Risk of employees experiencing heat stroke in factories and other facilities, associated with high temperatures in summer • Improvement in work environment, development of infrastructure
		Physical	Growing demand for cold chain, e-commerce, and labor conservation from customers, reflecting rising temperatures	<ul style="list-style-type: none"> • Growing demand for our products and services for cold chain, e-commerce, and labor conservation • Developing a production framework in Southeast Asia in response to rising demand
Transition scenario (rising by 1.5 degrees Celsius)	Opportunity	Transition	Growing demand for efficiency improvement (energy conservation) from customers, reflecting tighter regulations on CO ₂ emissions	<ul style="list-style-type: none"> • We will be able to respond to changes in customer demand. (growing demand for products and services that help customers reduce CO₂ emissions) • Helping customers reduce their CO₂ emissions with Daifuku Eco-Products
	Risk	Policies, legal restraints	Tightened regulations related to CO ₂ emissions	<ul style="list-style-type: none"> • Increase in procurement and operating costs due to carbon tax, etc. • ➡ Global CO₂ emissions (FY2018) were approx. 40,000 tons. If the carbon price is 14,000 yen/t-CO₂ (in 2040), the total amount will be 560 million yen per year. • Promoting reduction of our CO₂ emissions • Global energy management • Introduction of renewable energy equipment • Replacement of energy conservation equipment

Transition risk measures

While CO₂ emissions from in-house production activities are about 1.4% of the total, CO₂ emissions from customers' use of Daifuku's products are about 33%. In order to respond to further increases in customers' needs for carbon dioxide mitigation, we will focus on the development and sales of environmentally

friendly products (83 products as of May 2023). Additionally, to promote decarbonization in business operations, we are conducting surveys and formulating plans for the introduction of renewable energy at our major global production sites.

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 our business continuity plan including the supply chain, we have analyzed the degree of business impact and reviewed the organizational structure 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 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

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

Metrics and Targets

KPI

The Group has identified addressing climate change as one of the crucial issue areas in the Daifuku Environmental Vision 2050 and has set the following targets. From fiscal 2023 onward, the results will be disclosed based on these KPIs.*

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

KPIs	FY2030 targets	FY2023 targets
Daifuku CO ₂ emissions (Scopes 1 + 2)	50.4% reduction (compared to FY2018)	21.0% reduction (compared to FY2018)
CO ₂ emissions from purchased goods and services (Scope 3 Category 1)	30% reduction ^{*1} (compared to FY2018)	Begin operations of CO ₂ emission reduction programs ^{*2} throughout the supply chain
CO ₂ emissions from the use of sold products (Scope 3 Category 11)		12.5% reduction (compared to FY2018)

*1 Scope 3 Category 1 and Category 11 combined target

*2 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO₂ emissions at suppliers

Please see below for the climate-related indicators and targets in the Daifuku Environmental Vision 2050 prior to revision. The results for fiscal 2022 are also shown below.

KPIs	FY2030 targets	FY2022 targets	FY2022 results
Daifuku's total CO ₂ emissions reduction rate (compared to FY2018)	25% or more	5%	34%
Sales ratio of environmentally friendly properties ^{*1}	70% or higher	46%	72%
Avoided CO ₂ emissions ^{*2}	300,000 t-CO ₂ or more	60,000 t-CO ₂	121,356 t-CO ₂
Participation rate in CO ₂ emissions reduction programs ^{*3} throughout the supply chain	50% or more	34%	Target was achieved in fiscal 2021 (36%); began considerations for a review of the system

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

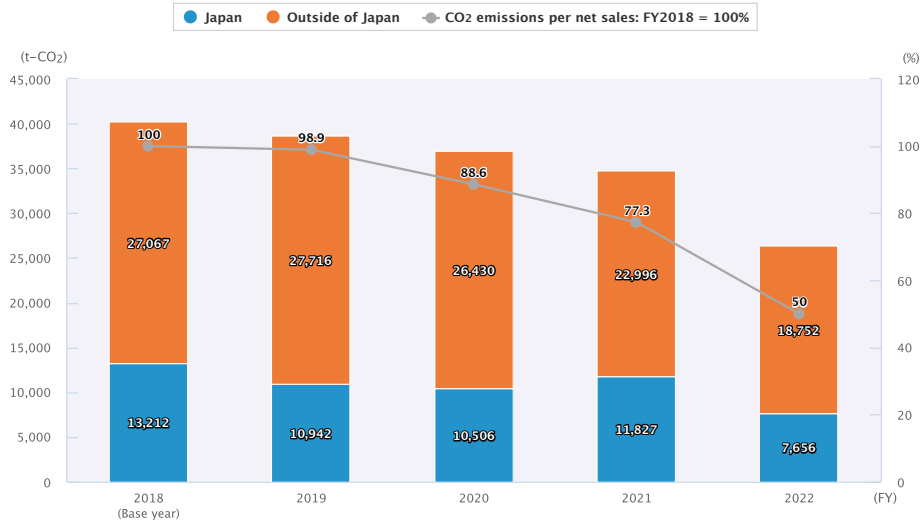
*2 CO₂ emissions produced from our products and services provided to our customers are subtracted from the CO₂ emissions produced from our products and services in FY2011, the base year for environmental performance

*3 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO₂ emissions at suppliers

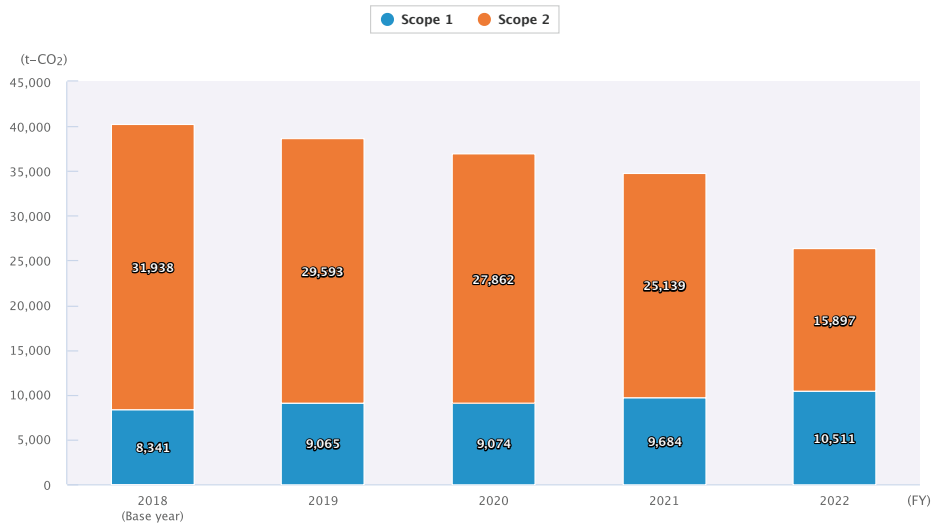
> Environmentally Friendly Products and Services

Data on CO₂ emissions

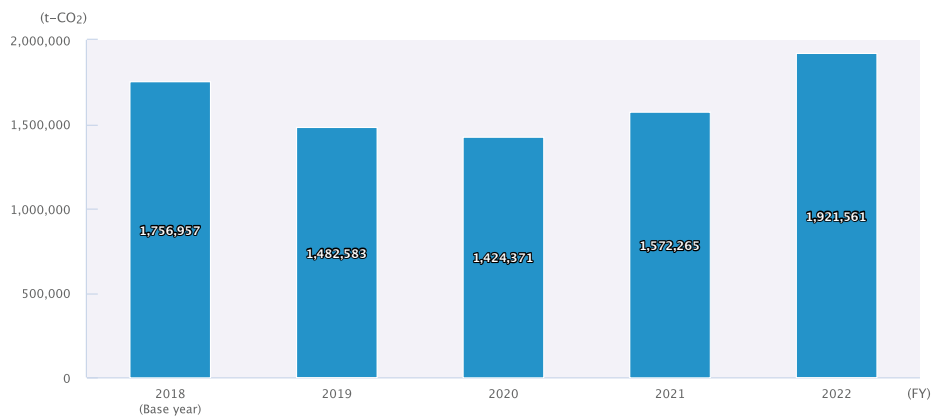
CO₂ emissions by region



CO₂ emissions (Scopes 1 + 2)



CO₂ emissions (Scope 3)



Breakdown of Scope 3 emissions

(t-CO₂)

Category	FY2018 (base year)	FY2019	FY2020	FY2021	FY2022
1. Purchased goods and services	839,593	892,100	871,370	1,021,516	1,235,138
2. Capital goods	10,653	36,502	10,013	15,923	17,316
3. Fuel- and energy-related activities	1,232	2,163	2,098	2,298	2,328
4. Upstream transportation and distribution	3,205	4,257	3,968	4,663	6,829
5. Waste generated in operations	532	517	526	565	604
6. Business travel	542	568	576	588	601
7. Employee commuting	1,484	1,546	1,585	1,615	1,638
8. Upstream leased assets	—	—	—	—	—
9. Downstream transportation and distribution	—	—	—	—	—
10. Processing of sold products	—	—	—	—	—
11. Use of sold products	898,915	539,173	528,598	519,120	650,602
12. End-of-life treatment of sold products	801	5,757	5,637	5,977	6,505
13. Downstream leased assets	—	—	—	—	—
14. Franchises	—	—	—	—	—
15. Investments	—	—	—	—	—
Total	1,756,957	1,482,583	1,424,371	1,572,265	1,921,561

*The scope and method of calculation for Scope 3 is as follows.

Category	Scope	Method of calculation
1. Purchased goods and services	Global	Domestic data is calculated by multiplying the amount of products and materials purchased by the CO ₂ emissions factor. Data from outside of Japan is calculated in proportion to domestic data based on actual production.
2. Capital goods	Daifuku Co., Ltd.	Calculated by multiplying Daifuku's increase in properties, plants, and equipment in the current period (excluding leased assets in the Annual Securities Report) by the CO ₂ emissions factor.
3. Fuel- and energy-related activities	Domestic Group	Calculated by multiplying the Group's domestic energy consumption (Scopes 1 + 2) by the CO ₂ emissions factor.
4. Upstream transportation and distribution	Daifuku Co., Ltd.	Calculated based on CO ₂ emissions from Daifuku's sales activities as well as transportation distance and weight of raw materials (steel and aluminum) from primary suppliers (new ton-kilometer method).
5. Waste generated in operations	Domestic Group	Calculated by multiplying the Group's domestic waste emissions by the CO ₂ emissions factor for each type.
6. Business travel	Domestic Group	Calculated by multiplying the number of domestic Group employees by the CO ₂ emissions factor.
7. Employee commuting	Domestic Group	Calculated by multiplying the number of domestic Group employees in each district (city classification) by the CO ₂ emissions factor.
8. Upstream leased assets	Not calculated due to lack of relevance to the Group's business operations.	
9. Downstream transportation and distribution	Although related to the Group's business operations, emissions from transportation are accounted for in Category 4 as the Group is a consignor. Data from outside of Japan is not calculated due to the unavailability of logistics data.	
10. Processing of sold products	Not calculated due to lack of relevance to the Group's business operations.	
11. Use of sold products	Domestic Group	Calculated by multiplying the amount of energy used in the operation of products ordered from the domestic Group by the annual sales and product life. Emissions factors for each country to which the products are shipped are also taken into account.
12. End-of-life treatment of sold products	Daifuku Co., Ltd.	Calculated by multiplying the weight by the CO ₂ emissions factor based on the presupposition that all products sold by Daifuku are recycled.
13. Downstream leased assets	Not calculated due to lack of relevance to the Group's business operations.	
14. Franchises	Not calculated due to lack of relevance to the Group's business operations.	
15. Investments	Not calculated due to lack of relevance to the Group's business operations.	

Major Initiatives

Addressing climate change

The material handling systems we provide are constantly in operation at our customers' logistics facilities and factories around the world. As a result, a large proportion of our CO₂ emissions is associated with energy use during product operation. We will therefore promote energy-saving product designs based on environmental considerations and the optimization of overall system operation. Additionally, most of our production activities are assembly operations, and the CO₂ emissions from suppliers located upstream in the supply chain, such as component manufacturers, tend to be relatively high. Therefore, as part of our Supply Chain CO₂ Reduction Program, we have asked our major suppliers to assess their current CO₂ emissions and set reduction targets. In order to realize the Daifuku Environmental Vision 2050, we recognize that it is essential to strengthen the ties with our customers and suppliers, and we will continue to deepen our efforts.

In our business operations, we are working to further promote energy conservation measures at our production sites both

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

Status and schedule of renewable energy procurement

FY2022

- All electricity used at Daifuku's Shiga Works was converted to renewable energy sources
- Daifuku (Thailand) Limited purchased renewable energy certificates for its Pinthong and Chonburi plants
- Contec Americas Inc.'s Melbourne office purchased a renewable energy certificate

FY2023 (planned)

- Install a photovoltaic system at the Tainan Headquarters of Taiwan Daifuku Co., Ltd.
- Install a photovoltaic system at Clean Factomation Inc.'s Asan Plant
- Install a photovoltaic system at the head office of Daifuku (Suzhou) Cleanroom Automation Co., Ltd.
- Switch to a renewable energy electricity plan at the headquarters of Jervis B. Webb Company

FY2024 (planned)

- Install a photovoltaic system at Hallim Machinery Co., Ltd.
- Install a photovoltaic system at Daifuku (Thailand) Limited

A photovoltaic system installed at Hini Arata Kan



Solar modules installed on the rooftop

In March 2010, Daifuku installed solar panels at the Hini Arata Kan material handling and logistics demo center located at Shiga Works. In fiscal 2022, the system generated about 180,000 kWh of power, which reduced CO₂ emissions by 53 tons.

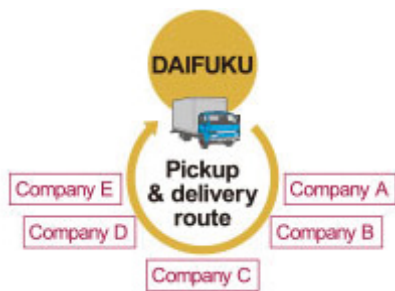
Daifuku Mega Solar



52,000 square meters of solar panels

In November 2013, Daifuku installed a photovoltaic system, Daifuku Mega Solar, at Shiga Works. Comprising 17,752 panels, the system has a maximum power generation capacity of 4,438 kW and an annual output of approximately 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. While suppliers had previously transported cargo with their own trucks, by centrally managing cargo collection and quantity information, we are now able to make rounds with a single truck in each region, and we are striving to further consolidate and streamline trips to logistics sites. We are contributing to the prevention of global warming by reducing CO₂ emissions throughout the entire supply chain as well as reducing each supplier's logistics costs.

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

Modal shift*

Daifuku typically uses trucks to transport products to customer sites, but we are in the process of shifting to more environmentally friendly methods such as railway and marine transportation. Our aim is to improve the quality of logistics

operations by coordinating delivery schedules and managing costs, thereby reducing CO₂ emissions as much as possible. In fiscal 2022, we were able to cut CO₂ emissions by 398 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 reduced CO₂ emissions and less impact on the environment.

Membership Status in Climate-Related Organizations

To fully realize the Daifuku Environmental Vision 2050, the Daifuku Group has joined multiple organizations aiming to solve climate change issues, and is involved in information sharing and policy proposals.

Organizations

- 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 is working to reduce the burden on the global environment, including local communities, through initiatives to prevent environmental pollution and reduce the use of water and other resources. The Daifuku

Environmental Vision 2050 (revised in May 2023) establishes the promotion of resource recycling as one of our critical issue areas, and we are working to extend the service life of our products, minimize the amount of waste generated at our production sites, and increase recycling of used products and parts.

Green procurement

At Daifuku, it is our mission to manufacture environmentally friendly products as we expand our business globally. Under the commitment that 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-saving, energy-saving, and reusable. In recent years, regulations regarding the management of hazardous

chemical substances have been tightened, and in fiscal 2022 we began revising our Green Procurement Guidelines to meet growing demand. In fiscal 2023, the Environmental Management Subcommittee, under the jurisdiction of the Sustainability Committee, launched the Green Procurement Project, which is an initiative toward building an internal system and framework to implement the new Green Procurement Guidelines.

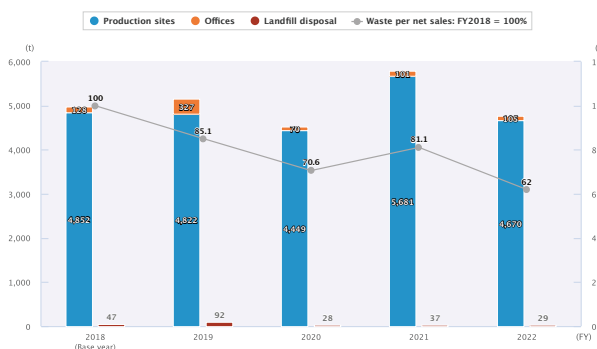
Major Initiatives

Resource saving

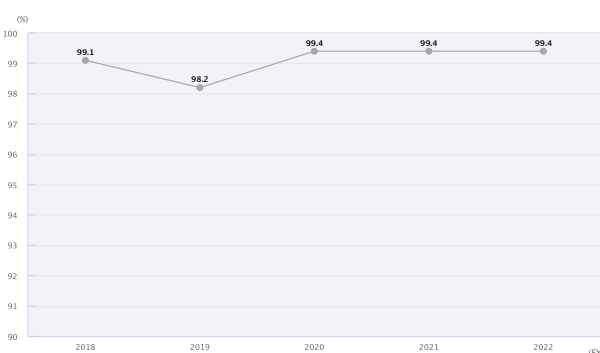
We are committed to reducing defective products from our manufacturing processes, reducing packaging materials, and conserving water at our production sites and offices. In fiscal 2022, we installed meters on hydraulic equipment in the plant building with the highest water consumption at Shiga Works to visualize water consumption. Hydraulic equipment uses water for cooling, but it was found that a large amount of water was being consumed even when the equipment was not in operation.

Therefore, a temperature sensor was installed in the piping of the hydraulic tank, and a cooling system was introduced to cool the oil only at a certain temperature. This initiative is expected to reduce the annual water consumption of the facility by approximately 75%. Meanwhile, water consumption in North America is increasing, and we will continue by assessing the circumstances behind this and taking appropriate action.

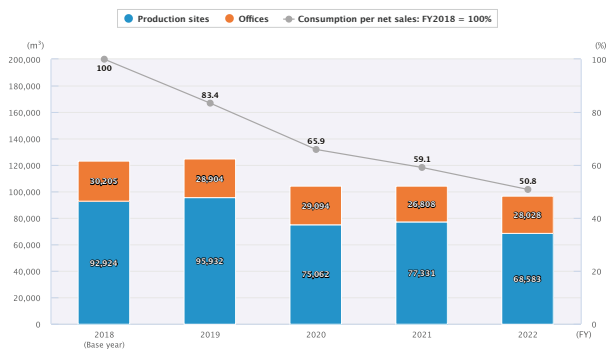
Waste generated (Japan) *Including valuable waste



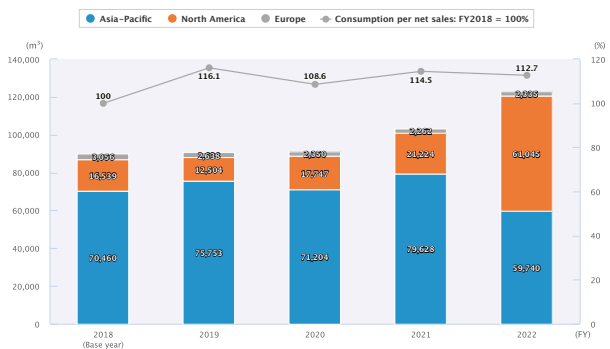
Waste recycling rate (Japan) *Including valuable waste



Water consumption (Japan)



Water consumption (outside of Japan)



Ensuring appropriate waste disposal



Site review conducted by Daifuku employees

Waste generated by business activities must be properly processed in accordance with laws and regulations. In the event that waste processing is outsourced to a licensed subcontractor, the business that generated the waste is still responsible for its disposal. At Daifuku, we choose our contractors after strict screening according to our internal waste management regulations. We also dispatch employees to each facility annually to check the status of waste processing in accordance with the ordinances of each municipality.

Pollutant reduction

Management of chemicals

Paints and organic solvents are the primary chemical substances used by Daifuku in its production facilities. The Group manages and controls the usage amounts of special chemical substances 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

	FY2019	FY2020	FY2021	FY2022
Emission and transfer (kg)	18,531	16,880	20,542	24,837

Amount of PRTR-related chemical substances handled in FY2022

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	1,263.00	-	-	-	-	-	-	25.26	25.26
53	Ethylbenzene	5,663.57	5,663.57	-	-	-	5,663.57	-	-	-
80	Xylene	7,033.62	7,033.62	-	-	-	7,033.62	-	-	-
296	1,2,4-Trimethylbenzene	1,082.02	1,072.58	-	-	-	1,072.58	-	-	-
297	1,3,5-Trimethylbenzene	374.45	374.45	-	-	-	374.45	-	-	-
300	Toluene	10,577.43	10,577.43	-	-	-	10,577.43	-	-	-

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 Group

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 Shiga Prefecture's Ordinance 25, Clause 1; Concerning the Reduction of Impact on the Air Environment of Shiga Prefecture, Shiga Works requested and was awarded the designation of a place of business working to reduce its environmental impact on the air. We are striving to control and reduce smoke-related air pollutants.

Result of air pollutant measurements in FY2022

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

Material	Facility	Regulation value	Results		
			Max.	Min.	Avg.
Dust (g/m ³ N)	Dynamos	0.1	0.006	0.005	0.006
Sulfur oxide (SOx) (m ³ N/h)	Dynamos	2.31	0.08	0.03	0.053
Nitrogen oxide (NOx) (ppm)	Dynamos	950	870	750	818

Preventing water pollution

Shiga Works, which accounts for approximately 70% of our domestic water consumption, had been managing and treating wastewater using three wastewater treatment facilities owned by the company. However, in fiscal 2022, we began sequential transitioning to public sewage, which was completed in March 2023. This decision was made based on the comprehensive

consideration of the risk of abnormal wastewater being discharged due to failure of proper treatment, the impact on the lives and health of employees from handling medical agents, and the cost of wastewater treatment. With this change in treatment method, we are in compliance with the water quality standards set forth in the Sewerage Act.

Result of final effluent quality measurements in FY2022

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

Measurement item	Regulation value	Results		
		Max.	Min.	Avg.
Amount of drainage (m ³ /day)	–	454.5	13.0	249.7
pH	6.0-8.5	7.3	6.7	7.0
SS (mg/ℓ)	20 or less	0.5	0.5	0.5
COD (mg/ℓ)	20 or less	3.2	0.1	1.2
BOD (mg/ℓ)	20 or less	4.0	1.0	1.7
Total phosphorus (mg/ℓ)	1 or less	0.1	0.1	0.1
Total nitrogen (mg/ℓ)	10 or less	1.4	0.5	0.6

Note: The average value is the weighted average.

Resource recycling

KPI

At Daifuku, we offer large-scale material handling systems consisting of many parts and materials. Under the Daifuku Environmental Vision 2050, we aim to recycle resources not only limited to when waste is generated from business activities, but also when equipment delivered to customers is removed. In this regard, we are continuing to review product materials

and improve the ease of disassembly. In addition, we have positioned stable, long-term operation and delaying disposal timing as important initiatives, and as such we are working to enhance after-sales services such as maintenance and upkeep.

> Daifuku Environmental Vision 2050

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

* Excluding North American locations

Furthermore, the KPIs related to resource recycling have been changed in accordance with the revision of the Daifuku Environmental Vision 2050. From fiscal 2023 onward, we will disclose results based on the following KPIs.

	Scope	FY2023 (target)	FY2030 (target)
Landfill disposal rate	Global	Japan: less than 1% Global: less than 5%	Less than 1%
Water use intensity*	Global	12.5% reduction (compared to FY2018)	30% reduction (compared to FY2018)

* Water consumption (1,000m³) divided by net sales (100 million yen)

Environmentally Friendly Products and Services

Basic Approach

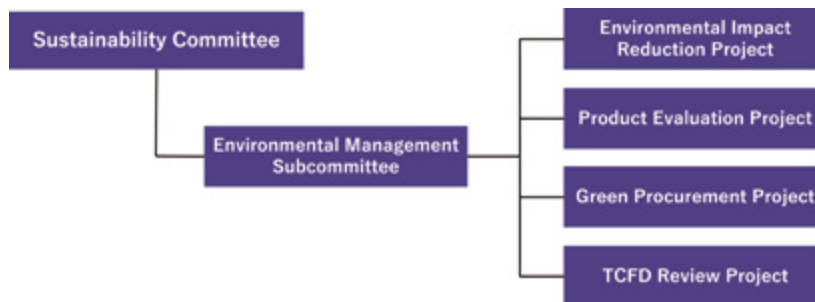
The products and services that the Daifuku Group provides to society through its customers have an impact on the global environment through the use of electricity and resources. We recognize that responding to the demands for more environmentally friendly products and services that transcend national 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 the expansion of these products and services. The Daifuku Environmental Vision 2050, revised in 2023, also sets new targets for reducing CO₂ emissions from procurement activities and the operation of our products, and we are working to reduce our environmental footprint throughout our supply chain.

Promotion System

The Environmental Management Subcommittee, established under the jurisdiction of the Sustainability Committee, discusses and examines issues such as contributions to reductions in CO₂ emissions through our products and services, environmentally friendly projects, and Daifuku Eco-Product certification. In

fiscal 2022, the Product Evaluation Project was launched under the Environmental Management Subcommittee, and we are investigating ways to redefine product value from a broad sustainability perspective that includes not only environmental friendliness, but also contributions to our customers and to society.



FY2023 promotion system

Major Initiatives

Daifuku Eco-Products Certification Program

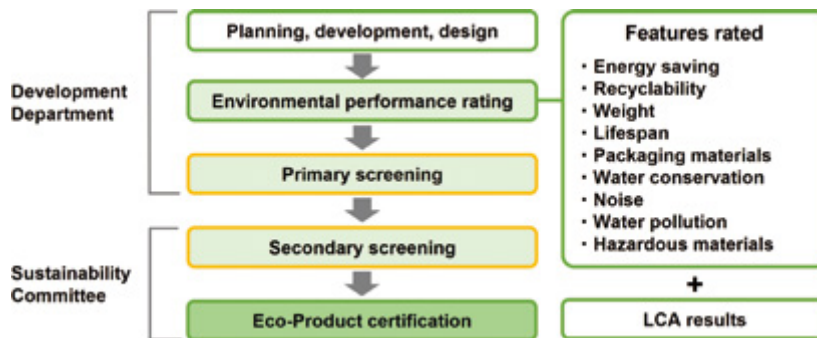
In 2012, Daifuku began its Daifuku Eco-Products Certification Program, which certifies products based on an environmental impact assessment rating and a certification system using the Group's own standards. Under the program, all products across the Group are measured under the same standards, with measurements coming from the results of a Life Cycle Assessment (LCA) and performance assessments on a number of areas, including energy saving, recyclability, weight, lifespan, packaging materials, water conservation, noise, water pollution, and hazardous materials. As of May 2023, 83 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 reviewing our product evaluation standards, and we are looking to broaden the perspective of these standards to include contributions to our customers and to society.



Certification process

To obtain a valid and trustworthy rating from multiple perspectives, the screenings are done at a certification meeting organized by officers from different business units.



Certified Daifuku Eco-Products (FY2022)

Manufacturing and distribution systems

- Sorting Transfer Robot-L

Cleanroom systems

- Power supply unit for the wireless power supply system HID “HID4-BA”

Automotive production line systems

- Heavy-duty, low-profile Slat Conveyor

Car wash machines and related products

- —

Electronic products (Contec Co., Ltd)

- Embedded computer (EPC-C5000)
- Box computer (BX-M210-J2311)
- Industrial edge AI computer (DX-U1220-3E0212)

[> Daifuku Eco-Products](#)

Sales of Daifuku Eco-Products

	FY2020	FY2021	FY2022
Sales of Daifuku Eco-Products (million yen)	49,183	36,066	42,863
Sales excluding services sales* (million yen)	354,502	376,268	443,043
Sales ratio (%)	13.9	9.6	9.7

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

Avoided CO₂ emissions

KPI

We are reducing CO₂ emissions from energy use during product operations through our environmentally friendly products and services that conform to the Group's standards. The amount of CO₂ that has been reduced is calculated by subtracting

the CO₂ emissions produced by our products and services provided to our customers from the CO₂ emissions produced by our products and services in fiscal 2011, the base year for environmental performance.

	Scope	FY2021	FY2022
Avoided CO ₂ emissions	Global	69,694 t-CO ₂	121,356 t-CO ₂

Sales ratio of environmentally friendly properties

KPI

The percentage of net sales of properties (projects) that contributed to customers in terms of environmental friendliness through certified Daifuku Eco-Products and other products is shown below.

	Scope	FY2021	FY2022
Sales ratio of environmentally friendly properties	Global	63%	72%

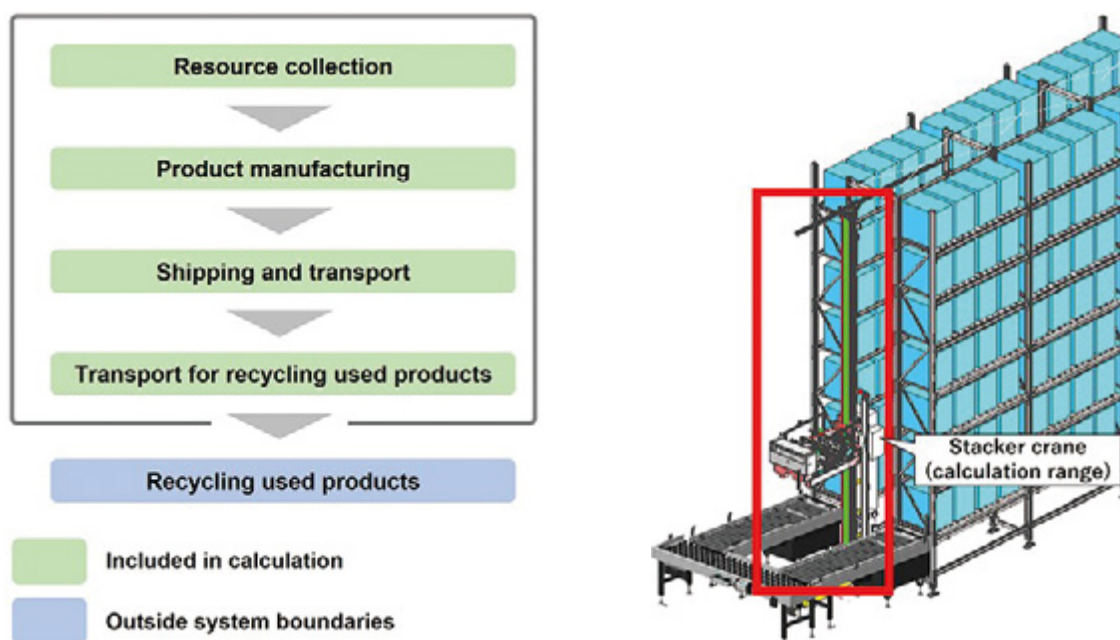
Life Cycle Assessment (LCA)

Daifuku conducts environmental impact assessments of all of the products we develop using an LCA method in order to determine the environmental footprint of our products throughout their life cycle and to continuously develop environmentally conscious products. Comparing our new products to older models helps us to enhance the environmentally friendly design of our products and services.

Case Study LCA results for the Fine Stocker (H-P10), an automated case storage system

The Fine Stocker, an automated case storage system, is a product that automatically receives, stores, and retrieves small quantities of various irregularly-shaped products and parts in containers, cardboard boxes, or trays. The H-P10 is a high-capacity model suitable for multi-tenant distribution warehouses, and the lightweight main unit and specialized transfer machine reduce the amount of time required for storage and retrieval.

1. LCA calculation range

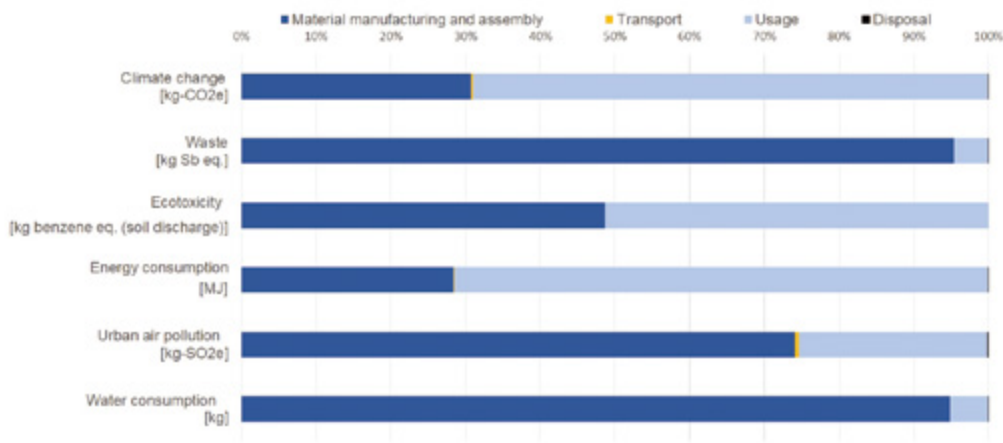


For the portion of the stacker crane that makes up the H-P10, we calculated the receiving and retrieving operations for 12 years within the range of resource collection to transport for recycling used products.

2. Impact assessment

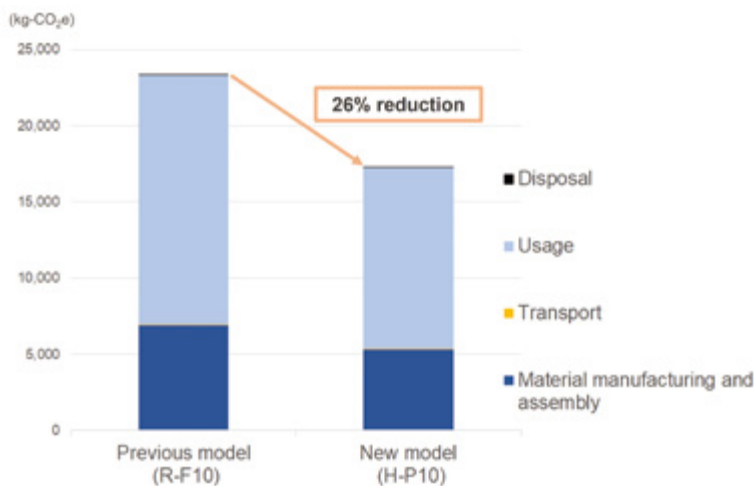
Impact assessments were conducted by life cycle stage for each of the six impact areas shown in the graph below. We also compared new and old products by impact area.

Results of impact assessments by life cycle stage



- For waste and water consumption, the material manufacturing and assembly stage accounted for more than 90% of the impact.
- For climate change and energy consumption, the usage phase accounted for about 70% of the impact.
- In all areas studied, the impact from the transport and disposal phases was found to be low.

Comparison of CO₂ emissions (impact area: climate change)



The H-P10 emits 26% less CO₂ than the previous model (R-F10) due to reductions in raw materials, the number of parts, and power consumption during use.

Biodiversity

Daifuku Group Action Guidelines for Biodiversity

Basic Approach

The Daifuku Group recognizes that addressing biodiversity conservation is an important theme to be addressed in order to create a sustainable society. Under the Daifuku Group Environmental Policy and the Daifuku Environmental Vision

2050, we aim to achieve zero negative impacts on natural capital by implementing specific annual plans based on a medium- to long-term perspective.

Action Guidelines

1. Understanding

- Through systematic training and awareness-raising, all Group executives and employees will gain a better understanding of the sustainable use of ecosystem services and the importance of biodiversity conservation.
- By referring to international guidelines, we will work to understand and evaluate the impact on biodiversity of all of our business activities, from the procurement of raw materials to the disposal of products.

2. Acting

- We will comply with laws, regulations, and international rules related to biodiversity conservation, and we will collaborate and cooperate with a diverse range of stakeholders, including governments, NPOs and NGOs, local residents, business partners, and employees.
- We will minimize negative impacts on biodiversity by reducing CO₂ emissions in manufacturing, promoting resource recycling, and reducing hazardous substances.
- We will consider the ecosystems of the surrounding area in our use of land, and we will implement initiatives at each of our sites that will lead to the conservation of biodiversity.

3. Disclosing

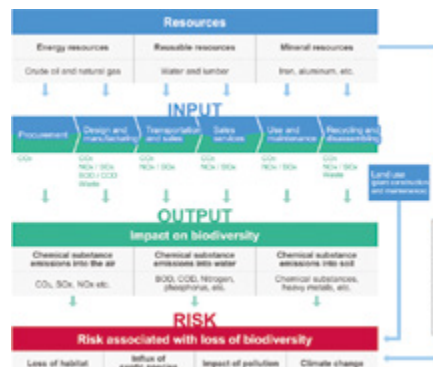
- We will make efforts to communicate with stakeholders by actively disclosing information on natural capital as well as information on our biodiversity conservation efforts.

Established: August 31, 2023

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 aspects with ecosystems. Based on this map, Daifuku notes the impact on ecosystems by the land use at Shiga Works, which is endowed with abundant nature, and is conducting business activities that take biodiversity into account.



Conservation activities at Shiga Works

In terms of site area, Shiga Works is one of the largest factories in Shiga Prefecture. A survey of ecosystems within Shiga Works confirmed more than 1,000 native species as well as over 70 species of wildlife listed in the Japanese Red List (compiled and maintained by the Ministry of the Environment)

and the Shiga Prefecture Red Data Book. In order to preserve this precious natural environment for future generations, we are pursuing various conservation initiatives through the Yui Project², which promotes communication both within and outside the company.

* Yui means "to bring together," and the project is a compilation of various activities that connect water with greenery, people with nature, and people to people.

Results of ecosystems survey (endangered species)

Listed below are the species of wildlife that inhabit or grow within the Shiga Works premises and are classified as endangered in the Japanese Red List 2020.

Japanese Red List 2020

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

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

(As of April 2023)

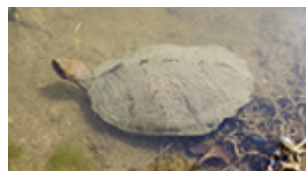
Category	Classification	Species	Number of species
Threatened - Vulnerable (VU)	Birds	Peregrine falcon	1
	Amphibians	Yamato salamander	1
	Insects	<i>Polyrhachis lamellidens</i> (spiny ant)	1
	Plants	Golden orchid, Chinese bellflower	2
Near Threatened (NT)	Birds	Greater white-fronted goose, crested honey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



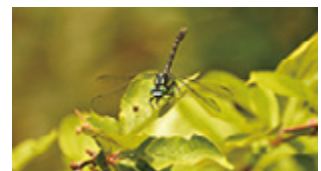
Peregrine falcon



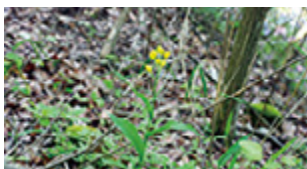
Chinese bellflower



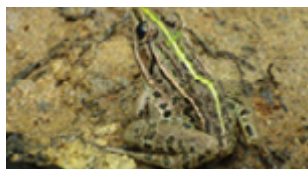
Japanese pond turtle



Trigomphus ogumai



Golden orchid



Black-spotted pond frog



Polyrhachis lamellidens



Yellow bladderwort

Yui no Mori

As part of the Yui Project, we constructed Yui no Mori (*yui* means “bring together” and *mori* means “forest”), which is located within Shiga Works and comprised of conservation ponds, a learning center, and more. It is used as a place for learning within and outside the company, as well as for the biodiversity conservation of plants and animals such as a Japanese red pine forest unique to the region and the rare species of Yamato salamander. In fiscal 2021, we removed dead pine trees and laid woodchips along the Yui no Mori 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 stable habitat, a conservation pond was constructed in 2014, and we have been relocating larvae and eggs that inhabit the Shiga Works premises since. In fiscal 2021, we confirmed the first spawning and hatching to have occurred in

the conservation pond, and we have verified that this happened again in fiscal 2022. Furthermore, since the redevelopment of Shiga Works could lead to a reduced habitat for the Yamato salamander, in fiscal 2023 we created a new habitat in addition to the conservation pond and released larvae into it.

Scarlet dwarf dragonfly habitat preservation



Scarlet dwarf dragonfly



New wetlands



Transfer of adult insects

As the wetlands in which scarlet dwarf dragonflies have been confirmed to inhabit will be lost during the redevelopment of Shiga Works, we are working to secure a new habitat for the dragonflies. In fiscal 2023, we created new wetlands using mountain spring water, silver grass, and sedges, and we

transferred eggs, larvae, and adult insects to the new area along with plants and topsoil from the existing habitat. We have set up a net about one meter tall so that the dragonflies can settle, and we will continue to observe them.

Creating opportunities for interacting with nature



At 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 area. We also hold events such as Christmas wreath making and moss ball making using natural materials procured on site. In fiscal 2023, we are planning to hold nature observation and Christmas wreath making events.

Collaborations with local communities

Participation in the Shiga Green-activity Network's Biodiversity, Environment, and CSR Research Association



Seminar

The Biodiversity, Environment, and CSR Research Association is a working group established within the Shiga Green-activity Network, and Daifuku has participated as a founding member since 2015. The association plans and holds seminars and other events for members intended to facilitate learning about the basics of biodiversity, create opportunities to learn about the latest CSR trends centered on the field of biodiversity, and encourage communication between association members.

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



Special exhibit (Lake Biwa Museum)

In 2016, neighboring companies* of 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.

* Currently, these 6 companies are actively involved: Asahi Kasei Corporation, Asahi Kasei Juko Co., Ltd., Sekisui Chemical Co., Ltd., Sekisui Jushi Corporation, Daihatsu Motor Co., Ltd., and Daifuku Co., Ltd.

Declaration of Support for Osaka Biodiversity



Daifuku Group company Contec Co., Ltd. endorses Osaka Prefecture's biodiversity preservation activities. In 2023, we submitted a Declaration of Support for Osaka Biodiversity to the Osaka Prefectural Government, and its registration has been approved. This registration system enables the Osaka Prefectural Government to support the efforts of companies and organizations within the prefecture that declare their commitment to actively work toward conserving biodiversity.

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 safety and health for all workers, including temporary workers, contractors, and suppliers, in each workplace 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 and striving for total safety at our workplaces 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 workers, including temporary workers, contractors, and suppliers.
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 it globally.
5. Utilize new DX and IoT technologies to develop safety activities.
6. Support the autonomous safety and health management activities of our contractors and suppliers.

Supply chain management grounded in law

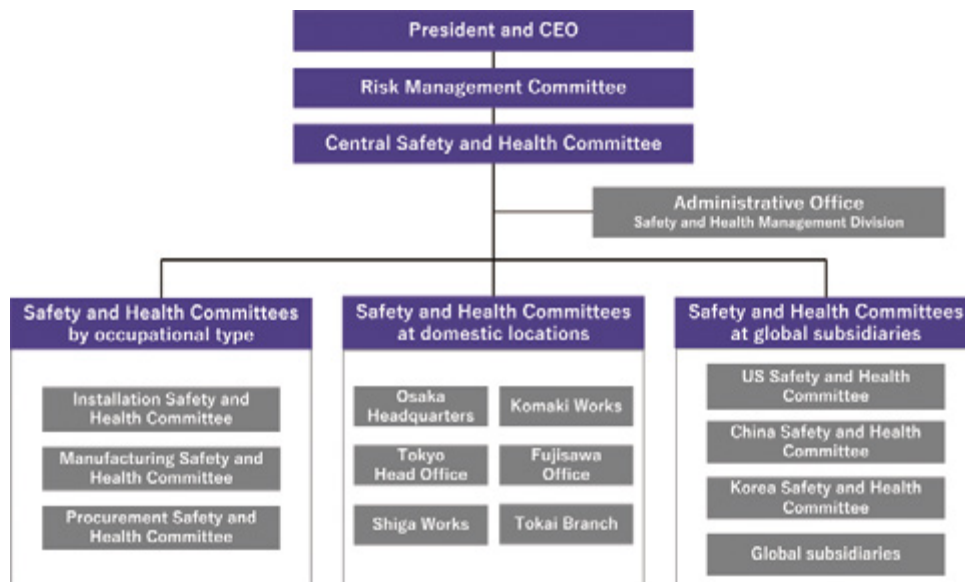
When embarking on product or system installation, we ensure compliance with the provision in the Construction Business Act that states, “the parties to a contract for construction work shall conclude the contract fairly based on agreements made on terms of equality and shall fulfill the contract honestly 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

We at the Daifuku Group place the greatest priority on the safety of all employees, contractors, and suppliers who work at our global locations. In order to eradicate industrial accidents, the Group has established the Central Safety and Health Committee under the direct control of the CEO. Subsidiaries outside of Japan also participate in the Central Safety and Health Committee and provide status reports and exchange information on a quarterly basis. Regional committees for safety and health as well as various specialized committees (installation, manufacturing, and procurement) have been set up under this Committee to ensure

safety at all Group companies and establish health management systems throughout the Group. Additionally, having experienced serious accidents in the past, we now hold the Safety Cooperation Association and the Management and Safety Policy and Production Trends Presentation for suppliers to participate in. Through these efforts to share information, we are aiming to strengthen ties with our suppliers and 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 health and safety management system certification

We promote ISO 45001 certification, the international standard for occupational health and safety management systems, at all major production sites in Japan and overseas. Three of our production sites in Japan and nine of our overseas production sites have obtained this certification. The ISO certification rate for our production sites is 48%.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 45001 etc.	25	12	48%

> ISO Certified Locations

Major Initiatives

Safety indicators

KPI

The Group uses accident frequency rate and severity rate as safety management indicators. We share this information and provide appropriate guidance and safety awareness training to departments that need to improve their safety measures. We are working toward zero fatal accidents.

Unfortunately, the targets for frequency rate and overseas severity rate of accidents were not met in fiscal 2022 due to one fatal accident involving a contractor at a global subsidiary and an increase from the previous year in the number of injuries

that resulted in lost time. We take accidents very seriously, and we will make every effort to thoroughly implement measures to prevent accident recurrence and further strengthen safety and health training. For each accident that occurs, we analyze the cause, create and disseminate new work plans, and eliminate unsafe actions and conditions.

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

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 ^{*1}	Scope	FY2020	FY2021	FY2022
Frequency rate	Japan	0.37	0.21	0.45
	Outside of Japan	0.98	0.65	0.90
	All industries in Japan ^{*2}	1.95	2.09	2.06
Severity rate	Japan	0.02	0.002	0.006
	Outside of Japan	0.03	0.009	0.216
Number of serious accidents ^{*3}	Japan	0	0	0
	Outside of Japan	0	0	1

*1 Data for the period from January to December. These indicators are calculated including construction contractors.

*2 Provided by the Ministry of Health, Labour and Welfare

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

Risk assessment of workplace safety and health

The Group conducts risk assessments in accordance with our own standards based on ISO 45001. We identify and manage risks that have a significant impact on safety and health, and consider and implement risk mitigation measures according to the level of risk. The scope of application covers regular and irregular activities in our business operations, as well as the

activities of all persons entering and leaving our premises. Risks are identified and assessed at the beginning of each fiscal year, during the construction planning stage of new projects, as well as any time circumstances change, such as when new process are introduced or new materials are used.

Disaster preparedness drills

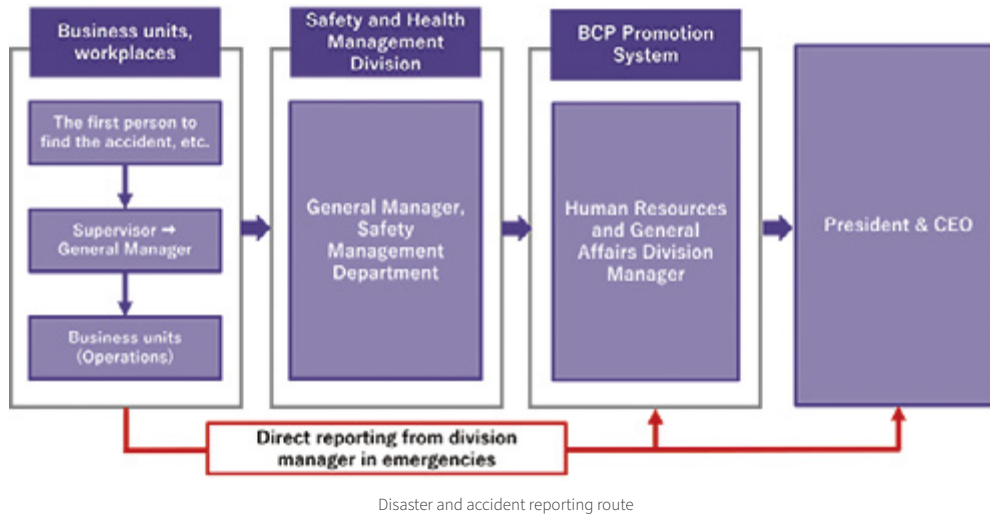


We conduct disaster preparedness drills at our major sites in Japan at least once a year to simulate a large-scale disaster. Based on the initial response manual, we conduct drills for evacuation assistance, reporting, initial firefighting, first aid, and shutting down equipment in the event of an emergency, thereby confirming procedures for a rapid response in the event of a disaster. Overseas Group sites also conduct similar disaster drills in accordance with the laws and regulations of their respective countries and regions.

Response to work accidents

We have established a BCP promotion system, and when a work-related accident occurs, the disaster and accident reporting route used at all Group 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.



Safety and health training

In addition to training at the time of employment, the Group periodically conducts the following training programs to maintain and improve the safety and health knowledge and skills of its employees.

Safety training program

Skill, awareness, and knowledge are necessary to work safely. External organizations are brought in to provide technical workshops, and special training is offered externally each year to build awareness and knowledge. 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



At the Safety Simulation Center at Shiga Works, we cultivate human resources with a high awareness of safety and the ability to take appropriate actions through yearly programs that simulate the real-life dangers of production, installation, and operations. The training is for not only our employees, but also for temporary workers and contractors.

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



The same as in Japan, we conduct annual training for supervisors in installation departments at Group companies. This training focuses on the importance of safety management, methods, risk assessment, and work safety standards and aims to raise the standards of safety management. Training facilities that simulate dangerous situations have also been installed at some of our global subsidiaries in China, South Korea, Indonesia, and North America.

Spreading understanding of our daily safety and health standards



Based on the idea that understanding and practicing proper conduct every day will help prevent work and traffic accidents, we implement yearly e-learning programs to enhance employee familiarity with our daily safety and health standards. In fiscal 2022, these programs were held three times for all employees in Japan with an average participation rate of 98%. The participation rate for the third session was 100%. For those who do not complete the programs, training materials are provided individually. To facilitate understanding, supplementary explanations are provided for questions with low percentages of correct answers on the program content comprehension confirmation tests. 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. At our major locations in Japan, we are working to make sure that at least 20% of the personnel in each building or area is adequately trained.

Safety activities

Working with contractors and suppliers

The safety initiatives of our Group are not limited to our own employees, but are also developed in cooperation with our contractors and suppliers. We apply our ISO 45001-based safety standards to all workers who enter and leave our premises, and we provide assistance in advancing contractors safety activities.

Safety audits



We monitor the safety and health conditions at the workplaces of our contractors and suppliers through visits and surveys. Depending on the results, we visit them again to reassess the situation and provide advice on how to resolve any issues.

Information sharing

We regularly conduct safety and health training for manufacturing and installation personnel, including those from contractors and suppliers. As part of this training, we share information on any changes in laws and regulations related to safety and health, and on occupational accidents that have occurred in the workplaces of our Group and other contractors and suppliers.

Safety seminars for suppliers

Each year, we hold a Management and Safety Policy and Production Trends Presentation for the top management at our suppliers. At this presentation, we strive to foster safety awareness by informing our suppliers of the safety policies of each of our business divisions as well as presenting awards from specialized committees (installation, manufacturing, and procurement) to suppliers who have actively implemented safety and health initiatives. In fiscal 2023, we invited 311 companies to attend.

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-focused initiatives conducted at Group companies worldwide in order to deepen the understanding of differences in working environments and to raise the standard of safety across the 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 positive examples to other workplaces through the Safety and Health Committee, and in fiscal 2022 we recognized two 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

Daifuku Group Quality Policy

Basic Approach

The Daifuku Group will contribute to the creation of a sustainable society by engaging in sound business practices in accordance with our company creed, management philosophy, and Group Code of Conduct. We will strive to attain greater customer satisfaction and earn the trust of society by pursuing quality and safety in the products and services we provide.

Basic Policy

We will ensure that all Group officers and employees are aware of this policy and work to assure the quality of our products and services.

1. Compliance with laws and regulations

We will comply with all applicable laws and regulations of each country and region governing our products and services, and we will respond appropriately to mandatory standards and norms.

2. Building and operating a quality management system

We will establish a quality management system by clearly defining procedures and setting targets for each process from product development and design to production, installation, and service. The effectiveness of the system will be continuously evaluated and improved.

3. Collaborating with suppliers and business partners

We will make every effort to ensure that our business partners, including contractors and suppliers, understand and implement this policy. By providing guidance and support to business partners as needed, we will strengthen our collaboration and work toward improving quality.

4. Quality education and awareness

We will provide educational and awareness-raising activities relating to the quality and safety of our products and services. We will also share information and expand our initiatives within the Group to further improve quality.

5. Information disclosure and communication

We will accurately and appropriately disclose information regarding the quality and safety of our products and services, and we will use stakeholder feedback for their improvement.

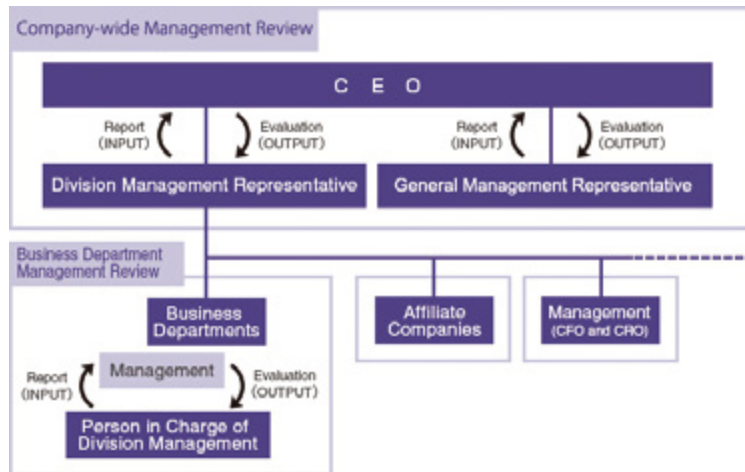
Established: August 31, 2023

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 reviews that evaluate the achievements of each business operation and implement nonconformity corrective measures. In addition, as a company-wide 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 promote ISO 9001 certification, the international standard for quality management systems, at all major production sites in Japan and overseas. All our production sites have obtained this certification.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 9001	25	25	100%

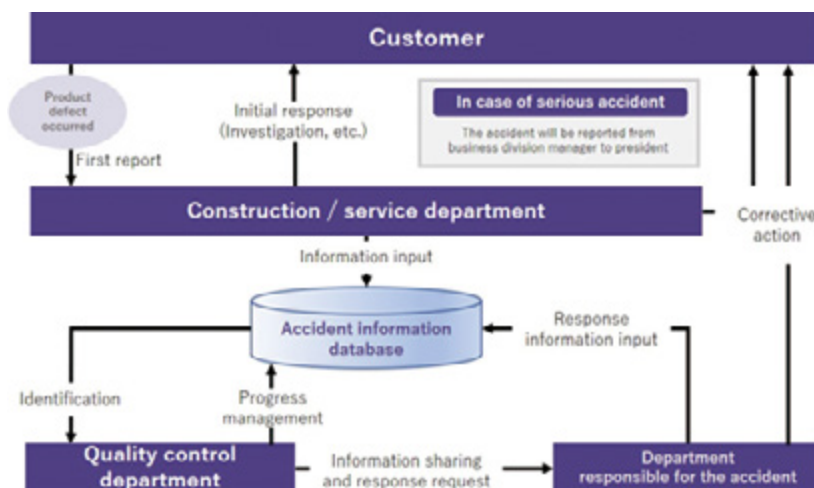
> ISO Certified Locations

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 and 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 and system safety

KPI

	FY2020	FY2021	FY2022
Number of serious accidents related to product and 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 and newly developed products to ensure their safe operation. 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 Implementation Guide, stipulated in the ISO 9001 Management System. In addition, we also promote the training of young designers and the acquisition of external safety assessor[†] credentials. We also provide assistance to contractors in obtaining these credentials.

[†] 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

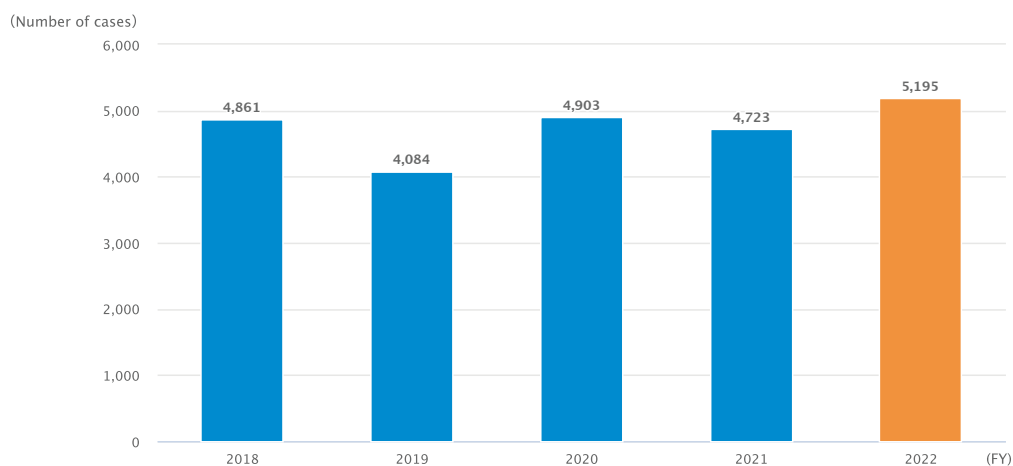
	FY2020	FY2021	FY2022
Number of employees who obtain safety assessor credentials	137 people	178 people	223 people

Teamwork and improvement proposal activities

Daifuku places an emphasis on small group teamwork and improvement proposal activities, and we have made significant achievements by continuously conducting improvements at our work sites. There were 5,195 proposals for the improvement of operations, cost reduction, quality, safety, environment, and other matters made during fiscal 2022. The highlight of our

small group activities is a presentation competition held once a year, attended by top management, for teams that passed the preliminary selection round. In fiscal 2022, the competition was held as a hybrid event, both in person and online using Microsoft Teams, and 11 teams selected from various divisions in Japan as well as global subsidiaries presented their activities and results.

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 address the demands of society in areas including labor, human rights, and the environment. This applies to not only us, but also all our various business partners, who provide us with goods and services. By making sure our business partners are also committed to addressing the demands of society, we are able to build trust and

long-term relations with our stakeholders. The Daifuku Group has established the Daifuku Group Human Rights Policy, Basic Procurement Policy, CSR Procurement Standards, and Green Procurement Guidelines. We expect those associated with our operations, including in the supply chain, to understand and put into practice these policies, and we are advancing efforts to build a sound and sustainable supply chain.

Basic Procurement Policy

Our principles for dealing with suppliers are as outlined below in accordance 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 and other accidents, we will endeavor to secure the safety of employees 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.

Declaration of Partnership Building

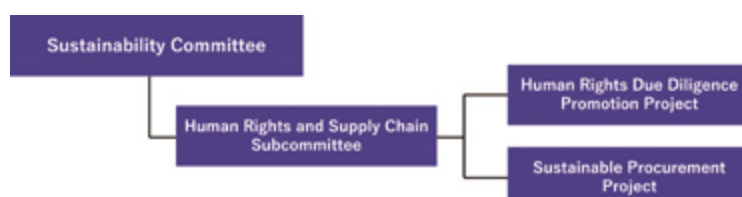
The Group will continue its efforts to comply with the contents of the Declaration of Partnership Building in order to create new partnerships by promoting cooperation and coexistence with business partners in the supply chain and other value-creating entities.

[> Declaration of Partnership Building \(Japanese only\) \(PDF: 440KB\)](#) [PDF](#)

Promotion System

We promote supply chain management initiatives focused on employees involved in procurement in our Corporate Functions and Business Divisions. Regarding due diligence in the supply chain, we have established the Human Rights and Supply Chain Subcommittee under the jurisdiction of the Sustainability Committee. This subcommittee consists 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. In fiscal 2022, the subcommittee launched 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. In fiscal 2023, we established a new Production Innovation Division to oversee and manage the supply chain, and we are working across the business and corporate divisions to establish a system.



FY2023 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.

Engagement with suppliers

Management and Safety Policy and Production Trends Presentation



Daifuku holds the Management and Safety Policy and Production Trends Presentation to which we invite our major business partners, from manufacturers and trading companies to processing, installation, service, design, and software development. In fiscal 2023, we hosted the presentation jointly with Contec Co., Ltd. to report on production trends and safety and health initiatives in the business divisions of both companies as well as to request cooperation in addressing environmental and social issues throughout the Group's supply chain. 311 business partners were invited in fiscal 2023.

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, designers, construction and installation contractors, and others. In fiscal 2023, three companies out of 189 eligible companies selected

from across all of our business partners received this award at the Management and Safety Policy and Production Trends Presentation. The candidates were evaluated based on quality and environmental criteria. We support our suppliers' development by sharing the best practices of the award-winning companies.

Informing suppliers of our policies

To ensure that our stakeholders around the world, including our suppliers, are fully aware of our sustainable procurement policies, we have published on our website the Group Code of Conduct, the Daifuku Group Human Rights Policy, the Basic Procurement Policy, the CSR Procurement Standards, and the

Green Procurement Guidelines. After the Daifuku Group Human Rights Policy was formulated in 2021, the CEO invited major suppliers to the Management and Safety Policy and Production Trends Presentation held in June 2022 to promote understanding and implementation of the policy.

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



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. In an emergency, this system confirms the damage status of suppliers and safety of personnel by

e-mail, which allows for timely restoration and return to normal business operations for the entire supply chain. Periodic training is conducted with suppliers to bolster 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.

Green procurement



At Daifuku, it is our mission to manufacture environmentally friendly products as we expand our business globally. Under the commitment that 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-saving, energy-saving, and reusable. In recent years, regulations regarding the management of hazardous chemical substances have been tightened, and in fiscal 2022 we began revising our Green Procurement Guidelines to meet growing demand. In fiscal 2023, the Environmental Management Subcommittee, under the jurisdiction of the Sustainability Committee, launched the Green Procurement Project, which is an initiative toward building an internal system and framework to implement the new Green Procurement Guidelines.

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

Daifuku Group Human Rights Policy

Basic Stance on Human Rights

Since our founding, the Daifuku Group has faced the changing needs and challenges of society in the spirit of our company creed: Hini Arata. Our management philosophy (“Automation that Inspires”) expresses our resolve to use materials handling -based technology that moves things to help foster a society in which people can live richer lives. Furthermore, we declare our commitment to respecting human rights in our management philosophy and Group Code of Conduct, and strive to create an environment where each and every employee can maximize their potential. We recognize that respect for human rights is one of our most important responsibilities in terms of the sustainable growth of our business and organization, and we will fulfill this responsibility by minimizing any possible negative impact on

human rights occurring through our business activities. This policy sets out the Group’s approach to human rights in the course of its business activities, and applies to all officers and employees of the Group. We expect our business partners, including those in our supply chain, to understand this policy and put it into practice, and we will work together with them to promote respect for human rights. To achieve this, we have established an internal system in which the president and CEO of Daifuku Co., Ltd. bears responsibility for human rights, and will carry out ongoing efforts.

Please refer to the following PDF for details about the Daifuku Group Human Rights Policy.

[> Daifuku Group Human Rights Policy \(PDF: 120 KB\) PDF](#)

Promotion System

The Sustainability Committee is an advisory body to the Board of Directors and is chaired by the CEO with the heads of each business unit as members. Under its jurisdiction, the Human Rights and Supply Chain Subcommittee has been set up and comprises 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. It reports on crucial matters to the Board of Directors.



FY2023 promotion system

Major Initiatives

Initiatives towards human rights due diligence

Since fiscal 2022, we have been working on building and operating a system to identify, analyze, and evaluate negative impacts on human rights related to our overall business activities, including our supply chain, and to correct, mitigate, and prevent such impacts, as well as risk assessment for the ongoing implementation of human rights due diligence.

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

The risk assessment was conducted with the advice of external experts (the NPO Caux Round Table [CRT] Japan) to evaluate potential risks as human rights due diligence in line with the UN Guiding Principles (UNGPs) on Business and Human Rights.

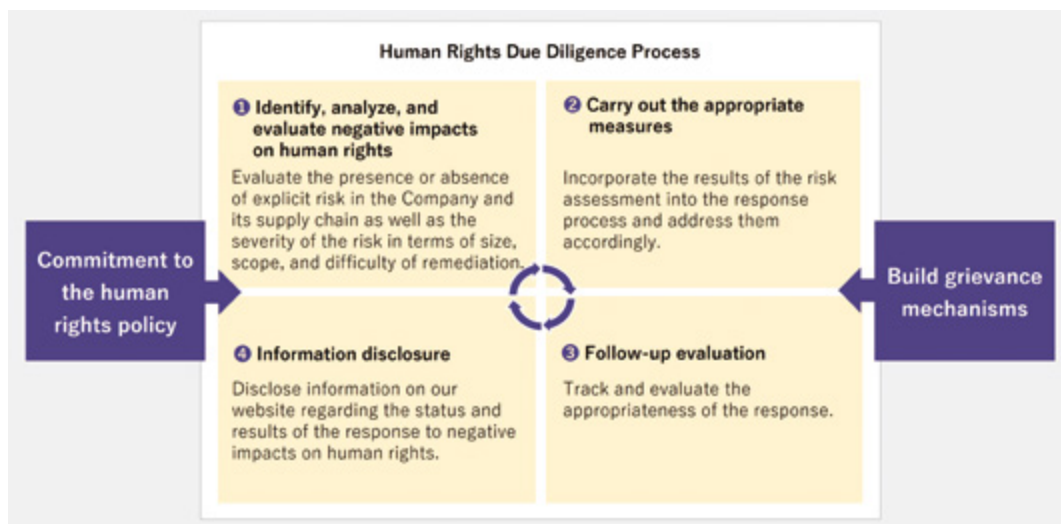
Specifically, we identified priority issues by uncovering the relevant value chains and impacted rights holders based on an internal questionnaire conducted in fiscal 2021, surveying high-risk countries within the Group's business activities using Verisk Maplecroft's human rights risk database, and conducting internal workshops and interviews with local subsidiaries in high-risk areas. In the future, we will conduct interviews within our supply chain and take appropriate and effective remedial measures when negative human rights impacts or facilitating factors come to light.

To enhance the effectiveness of these activities, we participate in various initiatives, such as the Human Rights Due Diligence (HRDD) subcommittee organized by the Global Compact Network Japan (GCNJ) and the Stakeholder Engagement Programme organized by the CRT, to deepen our understanding of industry-specific human rights issues and apply this understanding to our efforts to respect human rights.

> [2022 Human Rights Due Diligence Workshop \(Stakeholder Engagement Programme\)](#)

Human rights due diligence process

In accordance with the United Nations Guiding Principles on Business and Human Rights, we are conducting human rights due diligence by following the process outlined in the chart below.



1 Results of identifying, analyzing, and evaluating negative impacts on human rights

In fiscal 2022, we advanced our efforts to identify, analyze, and evaluate negative impacts on human rights. First, we selected two Group companies in Thailand and Taiwan that are considered to have high potential human rights risks pertaining

to immigrant workers, and we conducted interviews with top management in cooperation with CRT. After reviewing their efforts to respect human rights with regards to the local labor and employment environment, including appropriate wages and

working hours, freedom of association and collective bargaining, and occupational safety and health, we did not find any serious human rights issues to be present.

In addition, with regards to domestic foreign workers in the supply chain, including contractors, a human rights issue that the Group considers a priority, we selected 19 of our major suppliers that employ foreign nationals and conducted a survey



on their employment status in order to ascertain the situation of the domestic supply chain. Eight of the 17 companies that responded to the survey employ technical intern trainees, specified skilled workers, or both. From these, we narrowed down the list to two companies that employ both technical intern trainees and specified skilled workers, and we conducted on-site interviews with them.

Summary of the interviews with foreign workers

In cooperation with CRT to ensure objectivity and neutrality, we conducted the following on-site interviews with foreign workers and their managers employed at two suppliers. As a result of these interviews, CRT concluded that there were no significant non-conformities.

● Date of interviews:

February 10, 2023

● Subject companies:

Company A and Company B

● Resident status and number of employees interviewed (nationality):

Company A = 2 specified skilled workers (Vietnam),
2 technical intern trainees (China)

Company B = 2 specified skilled workers (Vietnam),
2 technical intern trainees (Vietnam)

● Items to confirm:

Appropriate working hours and forced labor, fair wages, safety and health, freedom of association and the right to collective bargaining.

● Issues identified through the interviews:

In both companies, the relationships between the foreign workers and Japanese staff were found to be good, and the companies regarded their foreign workers as important assets. CRT rated both companies as highly satisfactory in their efforts to provide good living and working environments. However, as it was confirmed that there were some concerns due to the recent rise in the cost of living, CRT suggested that it is necessary to communicate daily with the workers to determine if there has been any impact on their daily lives and keep track of the situation.

Third-party comments

In accordance with the UN Guiding Principles on Business and Human Rights (UNGPs), the Daifuku Group brought in a third-party organization (CRT) and carried out an early-stage human rights due diligence process in areas where it could have a direct impact on the Group. In the risk assessment, foreign workers (technical intern trainees and specified skilled workers) were selected as the human rights subjects in a workshop involving all pertinent departments, and direct dialogue with the rights holders was conducted in order to identify any human rights issues in the impact assessment. On-site at Companies A and B, foreign workers are warmly regarded as if they were family members, and no human rights issues of particular concern were identified. We hope that knowledge of these commendable efforts will be shared as an example of best practices within the Daifuku Group. We hope that lessons learned from this initiative built on the UNGPs-based management system will also be gradually expanded to other areas (overseas) as well.

Hiroshi Ishida, Executive Director, CRT Japan

Human rights due diligence schedule (planned)

FY2023

Outside of Japan: overt risk assessment

Outside of Japan: address human rights issues

Respecting human rights in the supply chain

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](#)

Personnel Consultation Office

We have established the confidentiality-guaranteed Personnel Consultation Office to handle consultation regarding personnel systems, evaluations and benefits, workplace environment, working hours, harassment, health management, etc. Our consultants receive regular training from externally trained

instructors to ensure that they can appropriately respond to a wide range of consultations, and they work to improve their listening skills through group work and role-playing based on specific cases.

Human rights education and awareness

In October 2021, the Daifuku Group Human Rights Policy was formulated at the same time as the revision of our Management Philosophy, and a briefing session was held for Group companies both inside and outside Japan. During the meeting, the CEO spoke regarding the human rights policy, and we publicized our Group's commitment to respecting the human rights of all of our stakeholders who may be impacted by the Group's business operations.

Lectures and workshops on human rights are given during training programs for new hires, mid-career hires, mid-level employees, and senior staff. Moreover, we hold seminars with experts and publish the video recordings on our internal network to facilitate employees' understanding. In fiscal 2022, we conducted a harassment prevention seminar based on the results of a stress check.

Preventing child labor and forced labor

We will not permit child labor or forced labor. To prevent child labor and forced labor, we will comply with the laws and regulations of each country and region at each of our business locations, and we will conduct regular monitoring through human rights due diligence. When hiring personnel, we verify their age through application documents (including residence

cards for foreign workers), and indicate working conditions and confirm their willingness to work before they join the company. Furthermore, we have established a whistleblowing system that allows employees to report any violation of laws and regulations, including human rights violations, or any potential violation of internal regulations.

Compliance with the Modern Slavery Act

Daifuku Logan Ltd., a UK affiliate, has issued an Anti-Slavery Statement in response to the British law Modern Slavery Act 2015. This statement is available on the Group's UK website.

[> Anti-Slavery Statement 2023 \(PDF: 3.4 MB\)](#) [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

Recruitment of diverse human resources

We are actively recruiting and promoting women, foreign nationals, and career hires. We hold a variety of follow-up events for female interns from the standpoint of women's activities, such as roundtable discussions with female employees, and

we are actively recruiting international students as well as directly from universities overseas. Additionally, as a measure for workplace retention of career hires, we conduct individual interviews with and provide training for career hires.

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

major 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

	FY2020	FY2021	FY2022
Number of female managers*	18 people	20 people	26 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 Headquarters, Tokyo Head Office, Komaki Works, and Shiga Works. The employment rate of people with disabilities in fiscal 2022 was 2.48% compared

to the legally mandated rate of 2.3% (the rate was 2.42% as of June 2023). 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

	FY2020	FY2021	FY2022
Employment rate of people with disabilities*	2.49%	2.54%	2.48%

* As of June 1

Activities of employees with disabilities



Roller assembly guidance

The Business Service Group, which belongs to 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

	FY2020	FY2021	FY2022
Paternity leave acquisition rate	3.7%	8.7%	16% (44%)*

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

Promotion of activities of senior workers

In fiscal 2021, with the aim of supporting highly motivated senior employees and passing on techniques and skills to the next generation, we shifted from a re-employment system to a system that allows regular employment until the age of 65. In accordance with this, the level of compensation after age 60 has also been revised, and regular benefit plans can continue to be applied until age 65. In fiscal 2022, we held a seminar for

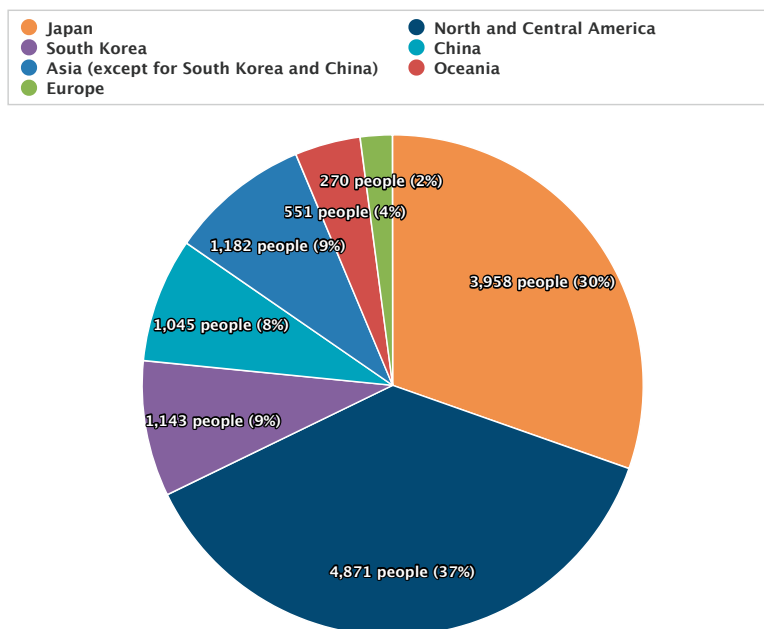
employees who would reach the age of 60 during fiscal 2023. In addition to an explanation of the senior employee system, a work session for employees to consider their own life cycle plans was also held. Beginning in fiscal 2023, we plan to add a seminar on rethinking career plans for employees who have reached the age of 50.

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, 2023)



Employee data (Daifuku Co., Ltd.)

		FY2020	FY2021	FY2022
Regular employees	Male	2,660	2,800	2,955
	Female	382	402	420
	Total	3,042	3,202	3,375
Non-regular employees	Male	304	295	240
	Female	140	136	133
	Total	444	431	373
Average age	Male	42.7	40.9	40.9
	Female	42.8	41.6	42.3
	Total	42.7	41.0	41.0
Average years of service	Male	16.4	15.2	15.1
	Female	13.0	14.4	14.5
	Total	16.0	15.1	15.0

Talent Development

Basic Approach

The abilities required of each employee vary depending on the type of job, rank, and country or region. To achieve higher performance by departments and individuals, it is important to not only 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. Under our three-year business plan, Value Transformation 2023, with the themes of adopting diverse human resource management systems and creating a global corporate culture, we are working to develop and promote human resources and improve employee engagement.

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.

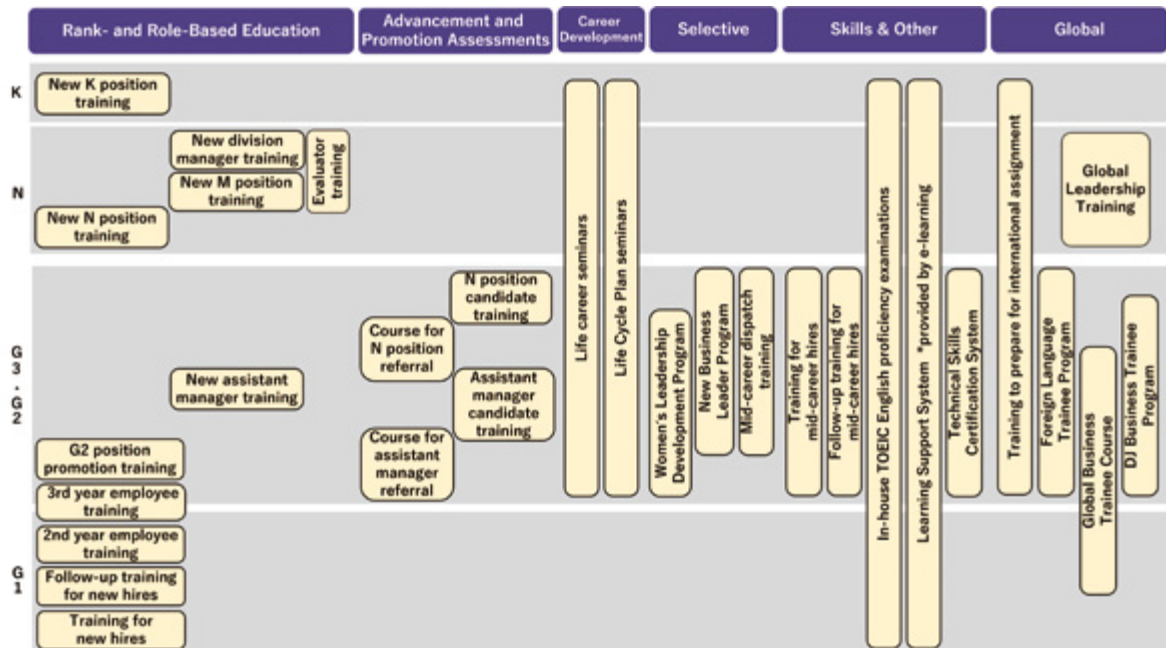
Major Initiatives

To effectively facilitate the development of human resources, 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 for acquiring business skills and knowledge as a requirement for recommending candidates for management

positions. In addition to methodically developing candidates for management positions, the program is intended to encourage autonomous learning. Additionally, we reformed our learning management system in fiscal 2022 to work toward enhancing online training throughout the entire Group, including global subsidiaries.

Overview of training and main training programs



* N and K: management-level positions

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 develop a wide range of insight and strengthen their ability to strategically implement their ideas.

Women's Leadership Development Program

This program is designed for the early-stage development of women who will become active as leaders. The training lasts approximately six months and focuses on improving conceptual skills, coaching, and interpersonal skills.

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.

Trainee Program

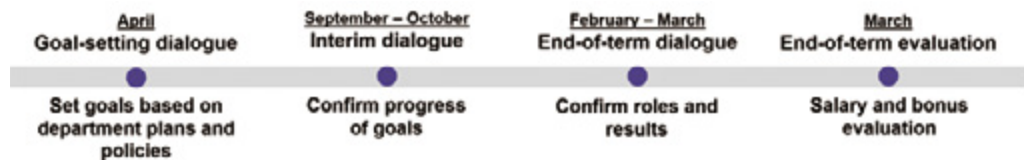
We have a Language Trainee Program that allows employees to study language at universities and other institutions in other countries after completing training in Japan. We also have a DJ^{*} Trainee Program in which employees from our global subsidiaries work in Japan for a period of a few months to a few years and receive a variety of training, mainly on-the-job training.

* Daifuku Japan

Goal management system and evaluation

Three times a year, at the beginning, middle, and end of the term, each employee engages in dialogue with their supervisor regarding the goals set at the beginning of the term, and the supervisor evaluates the employee based on that dialogue. In the interim dialogue, the progress of goals is checked and future

career development is discussed. Additionally, the personnel handling system was revised in fiscal 2023 to clarify the expected actions and roles for each qualification grade, and an evaluation system consisting of action evaluation, role evaluation, and performance evaluation was put into operation.



Global human resource management

We are working to establish systems and mechanisms to construct a human resource management platform for the entire Group. We have begun to specify key positions (chief management positions) within the Group, and we are working toward the management and systematic development of prospective successors for these positions while also utilizing

the desired behavioral traits and attitudes (competencies) established in fiscal 2022. In fiscal 2023, we established and began operations of a new Human Resources Committee to manage the adequacy, training status, and appointment of prospective successors for key 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, 2023, there were 239 qualified staff members.

Number of qualified staff members (as of March 31, 2023)

	Basic level	Intermediate level	Advanced level
Welding	44 people	6 people	10 people
Assembly	155 people	1 person	23 people

Support for qualifications

The Group 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 job satisfaction and ease of 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 company-wide 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.

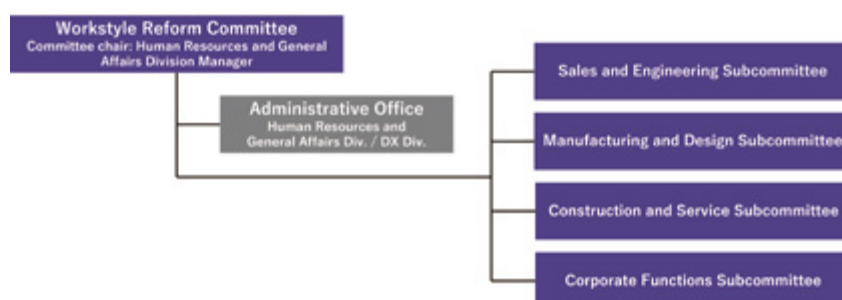
Promotion System

In order to create a comfortable and rewarding work environment, the following two cross-company committees have been established.

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

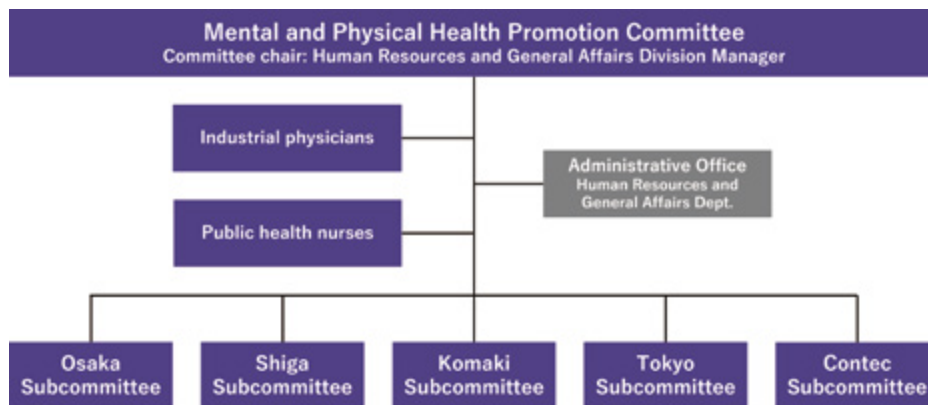
for sales and engineering, manufacturing and design, and construction and service job categories, the Corporate Functions subcommittee has been established directly under the Committee to improve issues and share information according to the characteristics of each job category.



Mental and Physical Health Promotion Committee

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

union, and we 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 encourage improvement in 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 achieving 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 Group-wide cross-sectional measures and improvement efforts in individual workplaces. In addition, in order for the 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. We plan to conduct engagement surveys at our global subsidiaries in fiscal 2023, and we are working to foster corporate culture throughout the Group.

	FY2021
Employee Engagement Survey*	Domestic Group Companies Job satisfaction: 56%, Ease of work: 51% (percentage of positive responses)

* Work engagement was measured by an engagement survey utilizing tools from an external consulting firm. An analysis was performed based on 12 indicators, comparing data from domestic and overseas companies on job satisfaction and ease of work.

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 usage rate has also improved year by year, reaching 78.9% in fiscal 2022.

Paid leave acquisition rate

KPI

	FY2020	FY2021	FY2022
Paid leave acquisition rate	71.2%	73.3%	78.9%

Major initiatives for FY2022

- 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
- Implement policies to improve employee engagement
- Improve workplace cleanliness and sanitation, 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 Group, we are promoting initiatives towards a work-life balance. In accordance with revisions to the Labor Standards Act and the Act on Childcare 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.

[> For an overview of benefits, please see here. \(Japanese only\)](#)

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.

	System	Content
Childcare support	Job Return Entry System	For employees who have retired for reasons of childcare, the company offers opportunities for re-employment under certain specific conditions.
	Other	We offer a system to support the cost of babysitting services, and a system offering information on entering a childcare facility or using outsourced welfare services.
Support for family care	Family care leave system	A maximum of 1 year is available to provide care for a family member.
	Shortened workday system	For employees who are caring for a family member, a shortened workday program can be applied for up to three years (otherwise, a flextime system with no set core time can be used).
	Family care leave	5 days per family member requiring care. 10 days if the employee has 2 or more family members requiring care (earnings in full day or 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.

Support for balancing work with childcare and nursing care



Handbook for Balancing Work and Nursing Care

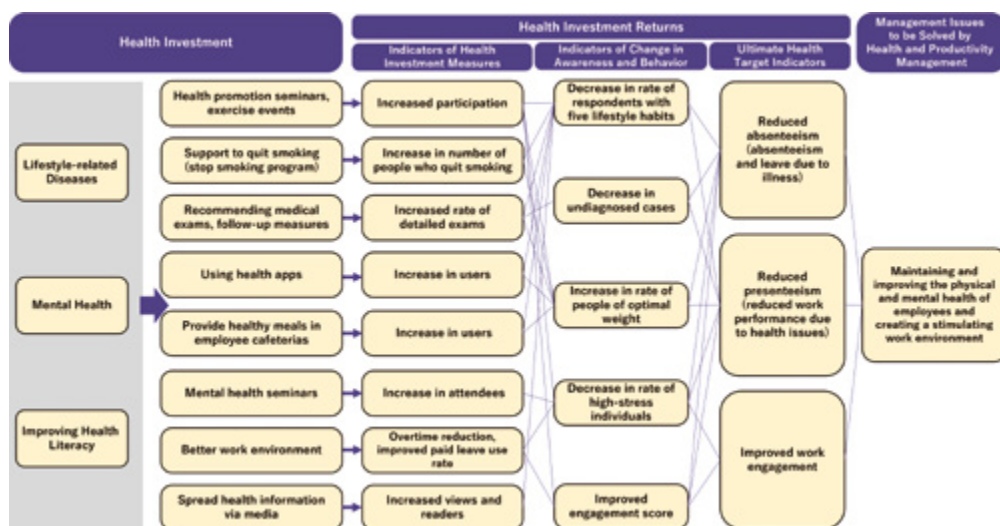
To support employees who are raising children or caring for family members while working as well as those who may do

so in the future, we publish easy-to-understand content on our internal network about company systems that support a healthy work-life balance and how to use them. We have prepared a Maternity Leave Handbook, a Handbook for Balancing Work and Nursing Care, and a Guidebook of Support Systems for Nursing Care, all of which can be accessed at any time. Additionally, in fiscal 2022, we invited an external expert to hold a seminar on learning key points to balancing work and nursing care as well as some basic knowledge of the nursing care insurance system. This seminar was attended by 86 people.

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"> Regular health checkups and follow-up on the results <ul style="list-style-type: none"> Additional colon and stomach cancer screening for employees aged 35 and older Prostate cancer screening for male employees over age 50 Health insurance union subsidized physical examinations, women's cancer screening (breast cancer and cervical cancer) Recommendations for medical examinations and lifestyle guidance by industrial physicians and public health nurses are provided for diagnosed persons
Prevention, early detection, and return-to-work support for mental health problems	<ul style="list-style-type: none"> Stress checks conducted once a year; interviews with industrial physicians conducted for those who wish them Self-care seminars and workplace improvement seminars for managers Mid-career hires and transferees interviewed by public health nurses Support for employees on leave from work until their return, and follow-up after their return
Early detection and prevention of serious dental cavities and periodontal disease	<ul style="list-style-type: none"> Dental checkups, including tooth brushing instruction, during regular health checkups Educational activities on dental and oral health
Support to quit smoking	<ul style="list-style-type: none"> Raise awareness of the effects of passive smoking and the health hazards of smoking through in-house newsletters, e-learning, etc. Assistance with the cost of a stop smoking program using anti-smoking medications (FY2022 results: 13 participants and 10 ex-smokers quit) Organize events to mark World No-Tobacco Day
Measures against infectious diseases	<ul style="list-style-type: none"> Flu vaccination at each office subsidized by the health insurance union Rubella antibody testing at regular health checkups

KPIs for lifestyle improvement and disease prevention

	FY2020	FY2021	FY2022	FY2023 (target)
Rate of people staying optimal weight*	64.0%	64.8%	64.3%	70% or higher
Rate of habitual exercise	21.4%	22.6%	25.3%	35% or higher
Adequate rest through sleep	69.9%	68.4%	69.7%	70% or higher
Rate of regular health check-ups	100%	100%	100%	100%
Rate of full medical exam (secondary exam)	70.2%	71.2%	69.3%	100%
Completion rate for health care instructions	36.1%	44.7%	47.2%	50% or higher
Rate of persons with lifestyle diseases	65.0%	62.7%	59.8%	50% or less
Alcohol consumption habits	56.7%	55.5%	54.9%	53% or less
Rate of smokers	26.1%	25.2%	24.8%	23% or less

* BMI between 18.5 and 24.9.

Maintaining high rate of stress check testing

KPI

	FY2020	FY2021	FY2022
Maintaining high rate of stress check testing	96.1%	96.7%	99.3%

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



Walking events that use trails within the facility premises are held at Shiga Works twice a month during lunch breaks. A total of 9,264 people participated in fiscal 2022. Various walking events are also held at other locations.

Seminars and events



Every year, we hold company-wide development seminars related to lifestyle improvement and disease prevention. In addition, each of our locations organizes and holds a variety of events with the intention of establishing exercise habits among employees.

Release of the Mental and Physical Health Promotion Committee website



We have released a website for our Mental and Physical Health Promotion Committee on our internal network. This website aims to disseminate health-related information as well as company initiatives to Group employees in Japan.

Addressing health issues specific to women

We have begun a health support initiative for female employees as a way to further enhance the quality of health management and improve the long-term utilization and engagement of human resources. In fiscal 2022, a seminar by an external expert was held in order to deepen understanding of women's life stages and health issues. As for systems, the coverage of purposes

for which unused paid leave may be used has been expanded to include fertility treatment and treatment for menopausal symptoms. Additionally, the term "menstrual leave" was changed to "care leave" in order to improve presenteeism by lowering the psychological hurdle for taking this leave.

Improvement in working environment



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

Massage room



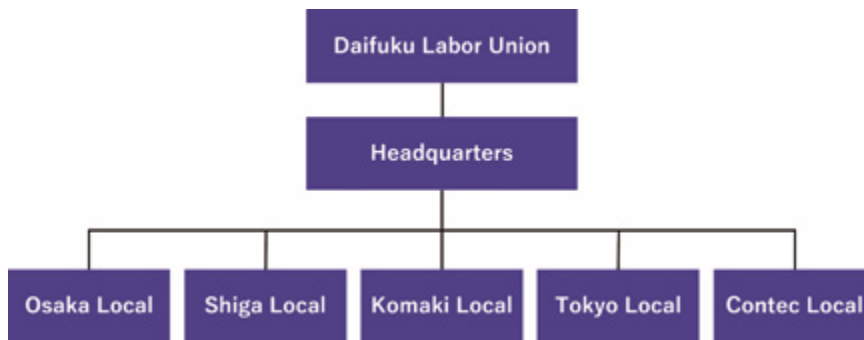
We have set up a massage room for employees, with the aim of promoting health by focusing on recovering from fatigue and alleviating stress. We also have in-house physiotherapists available for employees to use, in an effort to expand the employment of people with disabilities.

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. The Daifuku Labor Union (formed in February 1948) covers all domestic employees apart from managers and those who are stipulated in the labor-management agreement. As of March 31, 2023, there were 2,789 union members, and the

unionization rate of employees is 75.2%.* Since the union was formed, labor-management relations have been very amicable, with management and labor union representatives holding regular consultations as well as cooperating together in efforts to develop Daifuku's business.

* Calculations include Contec Co., Ltd.



Daifuku Labor Union organization chart

Major labor-management talks (FY2022)

	Times held	Main issues
Regular labor-management talks	12	<ul style="list-style-type: none"> Confirmation of the Group's business status Sharing of information on discussions at board and executive committee meetings
Extraordinary labor-management talks	2	<ul style="list-style-type: none"> Negotiations over wages and bonus amount
Labor-management special committees	9	<ul style="list-style-type: none"> Discussion of various systems, including the personnel system

Corporate Governance

Basic stance

Under the basic structure of a company with an Audit & Supervisory Board, the Daifuku Group (collectively referring to the company and its subsidiaries; hereinafter the “Group”) has flexibly introduced and expanded systems to enhance management transparency and the management monitoring and supervision functions.

The Group’s corporate governance system is established based on the following basic stance.

Corporate governance system

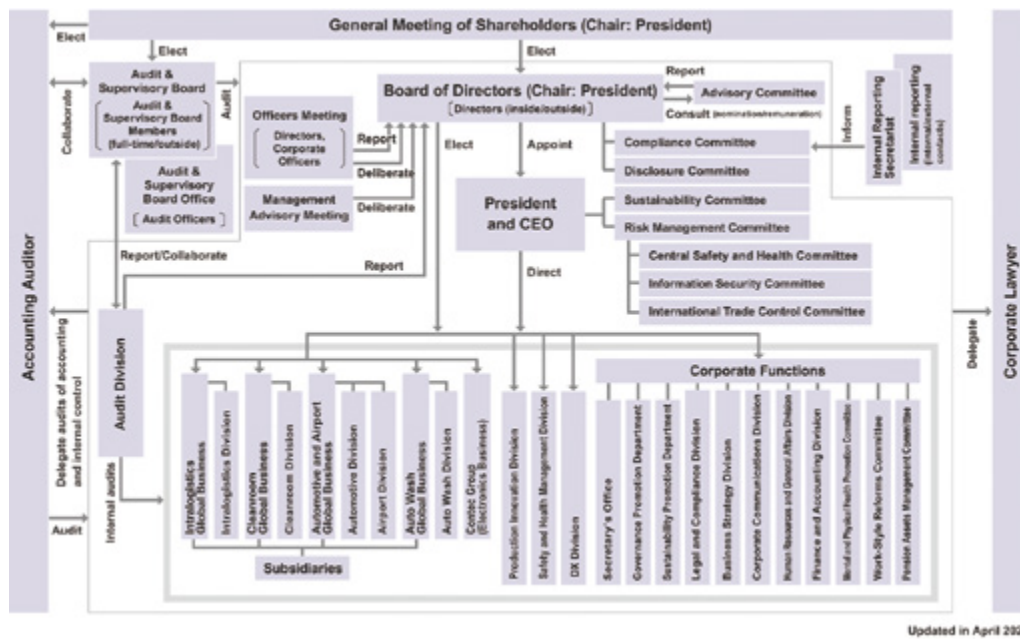
Daifuku is a company with an Audit & Supervisory Board. The company enhances its corporate governance framework to oversee and supervise business execution by developing a Board of Directors consisting of ten members, including five independent outside directors, and an Audit & Supervisory Board consisting 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 conducts internal control system (J-SOX) assessment tests effectively by having regular and as-needed

meetings with the accounting auditor to share views and information. Audit & Supervisory Board members are also present at the assessment tests and audit the effectiveness of the tests. Also, the Audit Division has established a system for reporting to the Board of Directors and the Audit & Supervisory Board, and reports on internal control as necessary. In addition, to ensure the effectiveness of internal audits, with basic matters pertaining to internal audits stipulated in the Rules on Internal Audits, the Audit Division ensures independence from other business execution units and conducts internal audits appropriately based on an annual audit plan.

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.

[> Securities Report](#)

[> Daifuku Report](#)



Basic policy for corporate governance and disclosure based on the Principles of Japan's Corporate Governance Code

The Group has clarified “Daifuku Group’s Basic Policy for Corporate Governance” (hereinafter the “Policy”) and summarized the status of the initiatives the Group is taking on all 83 items of the Japan’s Corporate Governance Code. The Policy shows our basic

> [Daifuku Group’s Basic Policy for Corporate Governance and the Disclosure Based on the Principles of Japan’s Corporate Governance Code \(955 KB\)](#) PDF

approach to corporate governance at the beginning, organizes the specific response status in code order, and introduces reference points for securities reports and the Daifuku Report as integrated reporting.

Corporate Governance Report

> [Corporate Governance Report \(1.2 MB\)](#) PDF

Corporate Governance Framework

1. Directors and the Board of Directors

Daifuku’s Board of Directors consists of ten directors. The Board of Directors makes decisions on important matters stipulated in the Rules of the Board of Directors, such as the determination of management policies, management plans, and the corporate governance system. The Board delegates matters other than these important matters to directors and corporate officers. The Board of Directors meetings are attended by all directors with a one-year term of office and all Audit & Supervisory Board members, with managing officers and the audit officer joining as observers. The CEO serves as the chair of the Board of Directors. The company

holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary. In the fiscal year ended March 31, 2023, the company held extraordinary meetings of the Board of Directors on five occasions. The five independent outside directors provide insightful advice and recommendations to the Board of Directors based on their abundant experience in, and extensive knowledge of, corporate operations, corporate legal affairs, accounting, ESG, etc. from a global perspective. They also ensure the transparency of management and supervise business execution by the inside directors.

> [Shareholders Meeting](#)
> [Daifuku Report](#)
> [Securities Report](#)

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

The company maintains an Audit & Supervisory Board comprising four Audit & Supervisory Board members, three of whom are elected from outside the company, with the remaining member a full-time member from inside the company. The company held meetings of the Audit & Supervisory Board on nine occasions during the fiscal year ended March 31, 2023.

With an awareness of their fiduciary responsibilities to shareholders and with a view to continuous corporate growth and medium-and long-term improvement in corporate

value, Audit & Supervisory Board members and the Audit & Supervisory Board carry out auditing activities for fulfilling their duties, including auditing of directors execution of duties, auditing of the internal control system and assessment of the appropriateness of auditing conducted by the accounting auditor, in accordance with the Rules of the Audit & Supervisory Board, the Standards for Company Auditor Audit, and the Standards on Audit Concerning the Internal Control System.

3. Advisory Committee

The company has established a voluntary Advisory Committee to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination, dismissal, and the remuneration of directors and corporate officers. The Committee consists of three or more members, including one or more representative directors and one or more

outside directors, and meets three times or more a year. In the fiscal year ended March 31, 2023, all four outside directors and one representative director served on the Committee and met seven times. An outside director serves as the chair of the Committee to secure the independence and objectivity of the Committee.

4. Other bodies, etc.

The Management Advisory Meeting is held to confer on important management matters. With all directors and Audit & Supervisory Board members in attendance, this meeting also seeks the opinions of related corporate officers, audit officers, executives, and external specialists on an as-needed basis. The Management Advisory Meeting is convened by the CEO as appropriate. In the fiscal year ended March 31, 2023, the Management Advisory Meeting met two times.

In addition, the company has introduced a corporate officer system for the purposes of the following:

- Accelerate decision-making on business execution through a reduction in the number of directors and further revitalize the Board of Directors by promoting more rigorous deliberations.

- Engage in functional and efficient business operations by broadly promoting employees with knowledge of business operations to serve as corporate officers and execute business based on the authority bestowed upon them by the Board.

The company holds officers meetings at which the matters to be discussed by the Board of Directors as stipulated in the Rules of the Board of Directors are reviewed and formulated, and the matters stipulated in the Rules of the Officers Meeting are reported. The officers meeting is composed of all directors and all corporate officers, and meetings are held with the attendance of Audit & Supervisory Board members and an audit officer. The meetings are held every month in conjunction with scheduled Board of Directors meetings.

Compliance

Basic Approach

The Daifuku Group has established the Group Code of Conduct, which outlines the actions to be taken by all officers and employees of the Group in order to realize the company creed and management philosophy. In order to enhance the effectiveness of the Group Code of Conduct, the Daifuku Group has established various internal regulations under this management philosophy system, as well as clarified the definition of compliance to share

values within the Group. The Group defines compliance as acting in good faith and complying with not only the internal and external rules, applicable laws, and regulations, but also observing social norms and ethics in all aspects of the Group's business. The Group aims to continue to meet the expectations and trust of society by ensuring that each and every officer and employee acts responsibly and with integrity.

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.

[> Group Code of Conduct](#)

Promotion System

The Compliance Committee, chaired by the CEO, aims to strengthen compliance throughout the Group. This committee acts as an advisory body to the Board of Directors with the Legal Department serving as its administrative office. The Compliance Committee is comprised of all directors, officers, and subsidiary managers, and it serves as a headquarters for investigating and responding to serious compliance violations regarding various rules and regulations. Specifically, the committee discusses measures and systems to resolve and eliminate compliance-related problems in the Group and incorporates the results of its deliberations into the organizations under the jurisdiction of each committee member.

The Legal and Compliance Division plays a central role in the day-to-day compliance promotion activities of various departments, including the establishment and operation of compliance-related rules and regulations, as well as training in coordination with the Human Resources and General Affairs Division, divisions in charge of education in each business unit, and administrative divisions. The Audit Division evaluates the effectiveness of these efforts to prevent illicit activities, including corruption, and confirms the existence of illicit activities through internal audits. Important matters are reported to the Board of Directors as appropriate.

Major Initiatives

Compliance promotion activities

1. Compliance Guidebook



We established our Code of Business Conduct in 2004 and revised it to the Group Code of Conduct in 2019. The Group Code of Conduct has been distributed to Group executives and employees as a booklet. However, in light of the rapid increase in the number of overseas Group companies and the significant changes in the corporate environment, we believe it important to disseminate our approach to compliance throughout the

Group in an easier-to-understand format, and thus created the Compliance Guidebook in 2021. This Guidebook includes the definition of compliance for the Group, an explanation of each item of the Group Code of Conduct, and the relationship between each item and the SDGs, and is available in multiple languages for the entire Group. Q&A pages are also provided for more important information to ensure a deeper understanding of the contents. This Guidebook is intended for use by all officers and employees in their day-to-day activities while maintaining a common set of values regarding compliance throughout the Group.

The Group Code of Conduct is reviewed and approved by the Board of Directors after careful examination of its contents in line with contemporary developments, and this Guidebook is also revised in detail to reflect the latest societal circumstances.

2. Compliance education and training

To ensure that all officers and employees of the Group are fully aware of the company's approach to compliance, the CEO sends out compliance-related messages to the Group via the company's internal network, and the company also conducts internal training programs for each job category. In addition, since we are conducting an increasing amount of business with many different countries and regions, we offer various training programs on topics such as anti-corruption laws and regulations including anti-bribery regulations, security export control laws, and competition laws in various countries to

establish and spread an awareness of compliance.

In fiscal 2022, we conducted 21 different kinds of training and education on compliance that included anti-corruption. Global compliance training on the Compliance Guidebook, which explains the Group's Code of Conduct and specific examples, is conducted at local subsidiaries as well, with video content available in ten languages. More than 10,000 employees in total participated in this training program from fiscal 2021 to fiscal 2022.

Examples of training topics offered

Group Code of Conduct, anti-corruption laws and regulations (anti-bribery regulations), trade procedure controls including security, competition laws including subcontracting laws, information security, occupational safety and health, harassment, construction industry laws, whistleblowing systems, etc.

3. Compliance Enhancement Month

We have set October as our yearly Compliance Enhancement Month, during which we carry out initiatives to raise compliance awareness among our employees. In fiscal 2022, we invited a legal expert to give a lecture on power harassment and held a discussion event with our employees. A recording of the event

was later distributed via video on the company internal network, and it was also published in the company newsletter. Through these measures, we are working to make compliance more familiar to our employees.

4. Anti-corruption

In addition to declaring our respect for human rights in our management philosophy, the Group Code of Conduct also includes 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 also signed the United Nations Global Compact in 2014, clarifying our stance on anti-corruption included in the 10 principles.

The issue of bribery is a serious risk that could 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 Group rules on the provision of entertainment and gift-giving as well as those 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.

With regard to the provision of entertainment and gift-giving, for

countries that pose a high risk to the Group due to the nature of the business, trends in the authorities in each country, and other factors, we have established detailed regulations that correspond to the laws and regulations of the country concerned, defining prohibited acts for entertainment and gift-giving, travel expenses, contracts with agents and consultants, facilitation payments, etc., as well as clarifying the specific procedures to be followed. With respect to accepting entertainment and gift-giving, we have created a set of guidelines in a Q&A format that each employee can use in their daily work to make the purpose of the system easier to understand and more widely disseminated. In addition, bribery and entertainment and gift-giving is one of the topics covered in our global compliance training to further spread the system throughout the entire Group.

The Internal Audit Department conducts regular and ongoing audits of all Group operations based on an annual plan, including ensuring proper compliance with laws and regulations, the Group Code of Conduct, internal rules on corruption, and anti-corruption measures, and instructs the Group to take corrective measures when problems are discovered.

5. 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, the Group has established the Competition Law Compliance Regulations as rules applicable to the entire Group, and the CEO sends out messages through our

internal network explicitly stating the company's stance of not accepting any act of profiteering through non-compliance. Furthermore, compliance with competition laws is also included as one of the topics in our global compliance training, and we regularly provide training on the Subcontract Act in Japan.

6. 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. All officers and employees of the Group are fully aware of this policy.

Whistleblowing system

We have established a whistleblowing system for the early detection of illicit activities and misconduct that may lead to violations of the law or our internal regulations, as well as 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 dealings. 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 upper management is involved. 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 network, hangs posters to make the system widely known, and conducts compliance training for employees on an ongoing basis. In particular, we are working to improve the credibility of this system by publicizing the fact that whistleblowers will not only

receive legal protection under the Whistleblower Protection Act, but also that whistleblowers may use this system without fear of retaliation for reporting.

In fiscal 2022, the external reporting desk was used in 17 cases, and the reports were related to labor (9 cases), misconduct (7 cases), and accidents (1 case).

In addition to the whistleblowing system, we have also established a Personnel Consultation Office to receive and respond to questions and consultations from employees regarding personnel systems, evaluations and benefits, workplace environment, working hours, harassment, health management, and more.

[> Personnel Consultation Office](#)

Political and administrative relationships

Regarding political activities, we do not provide donations, favors, or other forms of assistance to any specific political party or politician. For political contributions, donations, or other support to any organizations, etc., we comply with the relevant laws and regulations and follow the proper procedures and methods. In fiscal 2022, we made no political contributions.

UK tax strategy

The Group will comply with the various tax laws, accounting standards, and internal rules of each country in which we operate in order to perform accounting procedures, pay appropriate and fair taxes, and contribute to the development of the country or region. Our tax strategy in the UK is shown in the PDF below.

[> UK Tax Strategy \(PDF: 54KB\)](#) [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 resources, safety and health, and product quality, and to take 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.

Promotion System

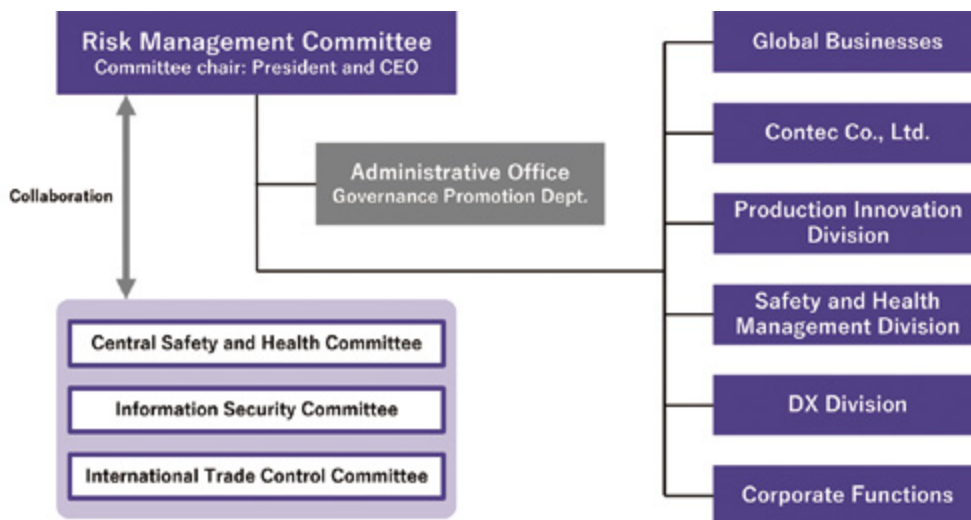
The Group has established a risk management system based on a three-line model with the CEO as the chief executive. Corporate Functions and other administrative divisions (second line) provide support, guidance, and supervision for risk management by the business divisions (first line), which are the entities responsible for responding to risks. In addition, the audit departments (third line) audit the risk management efforts of the first and second lines.

We have established the Risk Management Committee, which is chaired by the President and CEO and includes the heads of divisions and business units, general managers, and related executive officers, to monitor these initiatives from a company-wide perspective, issue instructions for action, and manage progress. The Committee meets several times a year and reports important risk-related issues to the Board of Directors as appropriate.

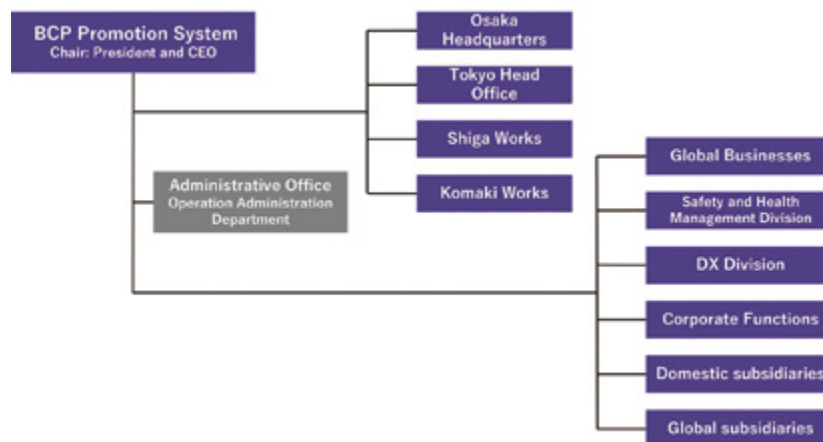
This Committee promotes activities during normal times to

control risks before they materialize; however, 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. In addition, the Audit Division, which is tasked with establishing and operating an internal audit system, has been established under the direct control of the Board of Directors, and the Board of Directors receives regular reports from the Audit Division. One of its functions is to verify and evaluate the effectiveness of risk management and the maintenance and operation of internal control systems, and to facilitate their improvement. In the development and operation of the internal control system, the Group refers to a standard framework (COSO).

FY2023 promotion system



Risk Management Committee



BCP Promotion System

The main roles of each committee

In order to further strengthen the risk management system, three committees that had been operating individually up until now (the Central Safety and Health Committee, the Information Security Committee, and the International Trade Control Committee) have been changed to a structure that works in cooperation with the Risk Management Committee, effective starting fiscal 2023. The main roles of each committee are as follows.

Risk Management Committee

- Planning and development of risk management systems and related regulations
- Selection of critical risks based on risk assessment results, and decision making, direction, and progress management of response policies
- Determining and directing the action policy for training and awareness activities related to risk management

Central Safety and Health Committee

- Promotion and dissemination of efforts to ensure compliance with relevant laws and regulations, elimination of occupational accidents, and elimination of traffic accidents

Information Security Committee

- Planning and scheduling of information security management and implementation of in-house training
- Establish and revise information security rules and assess compliance with them
- Study of countermeasures for cyber-attacks and information security risks

International Trade Control Committee

- Compliance management system and internal awareness-raising activities to ensure thorough compliance with laws and regulations (including those related to security) regarding all overseas transactions

Major Initiatives

Risk assessment

Crucial risk factors that significantly affect the business activities of the Group are identified, and those factors are mapped on two assessment axes of frequency and consequence to ascertain and manage risks. The assessment covers all business divisions and subsidiaries inside and outside of Japan. Based on the results of

this assessment, an external organization conducts interviews within the Group and adds its expertise to map risk items, and the Risk Management Committee ultimately determines the key risks that should be prioritized and addressed.

Overview of significant risks

The following is a list of risks that we recognize as having the potential to materially affect our operating results as of June 2023. However, this is not an exhaustive list of all risks to the

Group, and there are unforeseen risks other than those listed. 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"> • Delays in the production, construction, and provision of services for our products due to the success, failure, or delay of the procurement of parts and materials • Supply shortage of semiconductors and other parts, rising energy and raw material prices, and disrupted logistics networks • Degraded business performance due to significant changes in economic conditions and customer capital investment trends or geopolitical problems
	Measures	<ul style="list-style-type: none"> • Control costs and deadlines, review contract terms and conditions for various business transactions, etc. • Pay close attention to the needs and trends of client industries and reflect them dynamically in the management plan • Identify and address procurement risks in the supply chain <p style="text-align: right;">> Supply Chain Management</p>
2. Risks related to Group governance	Impact	<ul style="list-style-type: none"> • Mismanagement due to rapid growth of the Group and rapid increase in subsidiaries and employees • Loss of public trust and degraded business performance due to the occurrence of improprieties and scandals and failure of organizational management
	Measures	<ul style="list-style-type: none"> • Establishment of the Group Code of Conduct to clearly define guidelines for actions to be taken by officers and employees of the Group • Distribute the Compliance Guidebook in multiple languages, provide compliance training, and re-emphasize the whistleblower system • Review Group credit management regulations and implement measures to disseminate them throughout the Group <p style="text-align: right;">> Compliance</p>
3. Risks related to human resources	Impact	<ul style="list-style-type: none"> • Deterioration of competitiveness due to shortage of personnel with specialized knowledge and skills
	Measures	<ul style="list-style-type: none"> • Establish a systematic succession planning system by specifying key positions and formulating Group-wide competencies (desired behavioral traits and attitudes) • Make revisions to the personnel system based on roles (job responsibilities) and results • Conduct an engagement survey regarding job satisfaction and ease of work among Group employees • Actively hire and promote women, foreign nationals, and mid-career professionals <p style="text-align: right;">> Talent Development</p>
4. Reputation risks	Impact	<ul style="list-style-type: none"> • Damage to the Group's reputation caused by the spread of misinformation or inaccurate rhetoric through social media • Damage to the Group's brand image and social credibility decline
	Measures	<ul style="list-style-type: none"> • Conduct media training for officers • Develop media relations manuals, guidelines for use of social media, etc.
5. Risks from large-scale natural disasters	Impact	<ul style="list-style-type: none"> • Interruption of corporate activities by earthquakes, typhoons, tsunamis, and other large-scale natural disasters
	Measures	<ul style="list-style-type: none"> • Natural disaster and hazard surveys at each site, expansion of emergency reserves • Various drills for developing a timeline of response plans and safety confirmation in the event of a disaster • Improve the effectiveness of the Business Continuity Plan (BCP) by analyzing business impacts and reviewing the structure of each department
6. Risk of information leakage from cyberattacks	Impact	<ul style="list-style-type: none"> • Information leakage due to cyberattacks or internal improprieties
	Measures	<ul style="list-style-type: none"> • Strengthen information security across the Group, centered on the Information Security Committee chaired by the Chief Information Officer (CIO) • Identify the possible scope of impact and damage from cyberattacks • Implement initial responses to prevent the spread of damage and study measures to prevent recurrence • Conduct periodic employee education and training

Identifying and addressing procurement risks

With the aim of ensuring stable procurement of critical parts and materials, the Group is working to ascertain procurement risks latent in our supply chain and strengthen our response measures to these risks. In addition to geopolitical risks and risks related to fluctuations in raw material costs and exchange rates, we are cognizant of risks related to business succession of suppliers, fire, accidents, and labor.

In fiscal 2022, we formed a Group-wide Procurement Risk Working Group across business divisions led by the Production

Officer (current CPO). This group shared information on the status of procurement of parts and materials and challenges faced by each division, and we took company-wide measures to address procurement-related risks that have grown more difficult due to the lockdown in Shanghai and other factors.

In fiscal 2023, the Production Innovation Division was established, and the Supply Chain Innovation Promotion Department within this division works to understand the realities of the Group's increasingly complex supply chain risks.

Main efforts in fiscal 2022

- Identify key suppliers and parts and materials
- Identify risks in the supply chain assumed by each business unit

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. In formulating our BCP, we followed the ISO 22301 international standard for its development and operation.

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. Daifuku will, if necessary, establish on-site disaster headquarters in the event of an earthquake with an intensity of 5 or higher (per the Japan Meteorological Agency Seismic Intensity Scale), a disaster requiring prolonged recovery efforts, or other events that have or are expected to have a significant impact on business operations.

Strengthening information security

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

Regarding employee training, we conduct regular global training using video content available in more than 30 languages and e-mail drills that simulate targeted attacks.

KPI

	FY2020	FY2021	FY2022
Global information security training	—	2 sessions	4 sessions
Global e-mail training	2 sessions	3 sessions	4 sessions

ESG Data

This page summarizes the main ESG (Environmental, Social, and Governance) data for the Daifuku Group's business activities.

E: Environmental

Type	Item	Scope	Unit	FY2020	FY2021	FY2022
CO ₂	CO ₂ emissions (Scopes 1+2) ¹	Global	t-CO ₂	36,936	34,823	26,408
	CO ₂ emissions	Japan	t-CO ₂	10,506	11,827	7,656
	CO ₂ emissions	Outside of Japan	t-CO ₂	26,430	22,996	18,752
	CO ₂ emissions per net sales	Global	t-CO ₂ /¥100 million	7.8	6.8	4.4
	Scope 1 ¹	Global	t-CO ₂	9,074	9,684	10,511
	Scope 1	Japan	t-CO ₂	1,812	1,793	1,928
	Scope 1	Outside of Japan	t-CO ₂	7,262	7,891	8,583
	Scope 2	Global	t-CO ₂	27,862	25,139	15,897
	Scope 2	Japan	t-CO ₂	8,694	10,034	5,728
	Scope 2	Outside of Japan	t-CO ₂	19,168	15,105	10,169
	Scope 3 ²	Global	t-CO ₂	1,424,371	1,572,265	1,921,561
	Avoided CO ₂ emissions ³	Global	t-CO ₂	—	69,694	121,356
	Sales of Daifuku Eco-Products	Global	Million yen	49,183	36,066	42,863
	Sales ratio of Daifuku Eco-Products ⁴	Global	%	13.9	9.6	9.7
Energy	Energy consumption (production) ¹	Global	GJ	642,271	688,243	691,821
	Energy consumption (non-production) ¹	Global	GJ	80,543	84,828	82,226
	Electricity ¹	Global	GWh	56	60	58
	Electricity derived from renewable energy sources	Global	GWh	—	5.9	16.9
	Percentage of electricity derived from renewable energy sources	Global	%	—	9.8	29.1
	Liquefied petroleum gas	Global	t	502	560	606
	City gas ¹	Global	Thousand m ³	2,720	2,930	3,333
	Type-A heavy oil	Global	kl	94	56	80
	Kerosene	Global	kl	19	22	17
	Gasoline	Global	kl	436	457	370
Water resources	Light oil	Global	kl	58	66	46
	Diesel oil	Global	kl	24	23	21
	Water consumption	Japan	m ³	104,156	104,139	96,611
	Groundwater (well water)	Japan	m ³	53,921	55,847	48,920
	Water supply, industrial water	Japan	m ³	50,235	48,292	47,691
	Surface water (rivers, lakes, seas)	Japan	m ³	0	0	0
	Water consumption	Outside of Japan	m ³	91,301	103,114	123,119
Water discharge	Japan	m ³	104,156	104,139	96,611	
Water use intensity	Global	Thousand m ³ / ¥100 million	0.0412	0.0405	0.0365	

Type	Item	Scope	Unit	FY2020	FY2021	FY2022
Waste	Waste generated (including valuable wastes) ^{*5}	Japan	t	4,519	5,782	4,775
	Waste generated (including valuable wastes) ^{*6}	Outside of Japan	t	—	4,035	2,749
	Landfill disposal ^{*5}	Japan	t	28	37	29
	Landfill disposal ^{*6}	Outside of Japan	t	—	77	105
	Recycling rate of waste (including valuable wastes) ^{*6}	Global	%	—	97.1	95.3
	Landfill disposal rate	Japan	%	0.6	0.6	0.6
	Landfill disposal rate ^{*6}	Outside of Japan	%	—	1.9	3.8
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 We have adopted a more accurate aggregation method and revised the results for FY2020-2021 (August 2023).

*2 The aggregation scope is listed on the Climate Change page.

*3 CO₂ emissions produced from our products and services provided to our customers are subtracted from the CO₂ emissions produced from our products and services in FY2011, the base year for environmental performance. The base year was changed beginning with the disclosure for FY2021.

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

*5 Due to an error in the aggregation method, the results for FY2020-2021 have been revised (August 2023).

*6 Data from outside Japan has been disclosed since FY2021, but data from North American locations is not included.

S: Social

Type	Item	Scope	Unit	FY2020	FY2021	FY2022
Quality	Number of serious accidents related to product or system safety	Global	Cases	0	0	0
Employment	Number of employees	Global	People	11,697	12,436	13,020
	Number of employees	Daifuku Co., Ltd.	People	3,042	3,202	3,375
	Average age	Daifuku Co., Ltd.	Age	42.7	41.0	41.0
	Average years of service	Daifuku Co., Ltd.	Years	16.0	15.1	15.0
	New graduate recruits	Daifuku Co., Ltd.	People	106	109	104
	Mid-career recruits	Daifuku Co., Ltd.	People	64	105	144
	Ratio of female recruits	Daifuku Co., Ltd.	%	11	10	8
	Number of female employees	Daifuku Co., Ltd.	People	382	402	420
	Number of female managers	Daifuku Co., Ltd.	People	18	20	26
Employment rate of people with disabilities <small>*As of June 1</small>	Daifuku Co., Ltd.	%	2.49	2.54	2.48	
Training	Employee training costs	Japan	Million yen	101.5	98.9	158.7
	Training time per person	Japan	Hours	53.8	51.2	55.6
	Number of days of training per person <small>*Calculated by converting the training hours into 7 hours and 45 minutes, which is the standard working hours per day.</small>	Japan	Days	6.9	6.6	7.2
	Number of employees participating in compliance training <small>*Rank-based training</small>	Japan	People	291	235	243
	Number of occupational safety and health trainees	Japan	People	295	1,627	2,161
Labor	Paid leave acquisition rate	Daifuku Co., Ltd.	%	71.2	73.3	78.9
	Maternity leave utilization	Daifuku Co., Ltd.	People	10	8	7
	Childcare leave utilization rate (female)	Daifuku Co., Ltd.	%	100	100	100

Type	Item	Scope	Unit	FY2020	FY2021	FY2022
Labor	Childcare leave utilization rate (male)	Daifuku Co., Ltd.	%	3.7	8.7	16 (44) ^{*1}
	Childcare short-time workday system utilization (female)	Daifuku Co., Ltd.	People	36	34	33
	Childcare short-time workday system utilization (male)	Daifuku Co., Ltd.	People	0	1	0
	Return to work rates after 6 months of maternity/childcare leave	Daifuku Co., Ltd.	%	100	100	100
	Nursing care leave utilization	Daifuku Co., Ltd.	People	0	1	1
	Turnover rate ^{*2}	Daifuku Co., Ltd.	%	1.73	2.43	2.70
Safety ^{*3}	Frequency rate	Japan	—	0.37	0.21	0.45
	Frequency rate	Outside of Japan	—	0.98	0.65	0.90
	Severity rate	Japan	—	0.02	0.002	0.006
	Severity rate	Outside of Japan	—	0.03	0.009	0.216
	Employee fatalities	Japan	People	0	0	0
	Employee fatalities	Outside of Japan	People	0	0	1
Communities	Number of visitors to the Hini Arata Kan demo center ^{*4}	—	People	6,129	4,503	14,980
	Amount spent for promoting social contribution activities (including donations)	Daifuku Co., Ltd.	Million yen	27.34	28.98	39.56
	Donation amount to non-profit organizations	Daifuku Co., Ltd.	Million yen	3.15	3.23	3.25
Other	R&D costs	Global	Million yen	9,165	10,735	10,496

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

*2 Excludes retirees and employees who leave the company upon the conclusion of their contract period.

*3 Data from January through December. These indicators are calculated including installation contractors.

*4 We were temporarily closed to the general public in FY2020 and FY2021 due to the COVID-19 pandemic.

G: Governance

Type	Item	Unit	FY2020	FY2021	FY2022
Composition of the Board of Directors	Number of directors	People	8	9	9
	Number of outside directors	People	4	4	4
	Number of female directors	People	1	1	1
Composition of the Audit & Supervisory Board	Number of Audit & Supervisory Board members	People	4	4	4
	Number of outside Audit & Supervisory Board members	People	3	3	3
Number of meetings	Number of Board of Directors meetings (regular, irregular)	Times	17	18	17
	Number of Audit & Supervisory Board meetings	Times	6	8	9
	Advisory Committee for Nomination and Remuneration	Times	6	5	7
Remuneration	Directors(outside directors)	Million yen	469 (60)	515 (60)	576 (60)
	Audit & Supervisory Board members(outside members)	Million yen	82 (30)	77 (30)	76 (30)
Other	Whistleblowing cases	Cases	6	6	17
	Investor Relations (IR) coverage	Events	414	376	436

Evaluation from Outside the Company

Daifuku has received the following external evaluations regarding our sustainability initiatives.

MSCI Constituent

We have been selected as a constituent of the following indices created by MSCI.

MSCI Japan ESG Select Leaders Index

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Daifuku has been selected as a constituent of the MSCI Japan ESG Select Leaders Index. This index is constructed by selecting companies that have high Environmental, Social, and Governance (ESG) ratings from among the constituents of the Parent Index (MSCI Japan Investable Market Index). Daifuku has been assigned a rating of 'AA' in the MSCI ESG Rating.

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

MSCI Japan Empowering Women Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Daifuku has been selected as a constituent of the MSCI Japan Empowering Women Index. This index is constructed by selecting companies that excel in gender diversity within their respective industries based on a gender diversity score developed by MSCI.

> 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 have been selected as a constituent in the following indices created by FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company).

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 indices 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 Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daifuku Co., Ltd. has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

FTSE Blossom Japan Index



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

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

* 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 Index.

FTSE Blossom Japan Sector Relative Index



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

* 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.

CDP Rating

CDP Climate Change 2022



The Daifuku Group discloses its initiatives through responses to the CDP's survey on climate change for companies with the highest market capitalization, and has received a rating of A- (Leadership Level).

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

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

Sustainalytics ESG Risk Rating



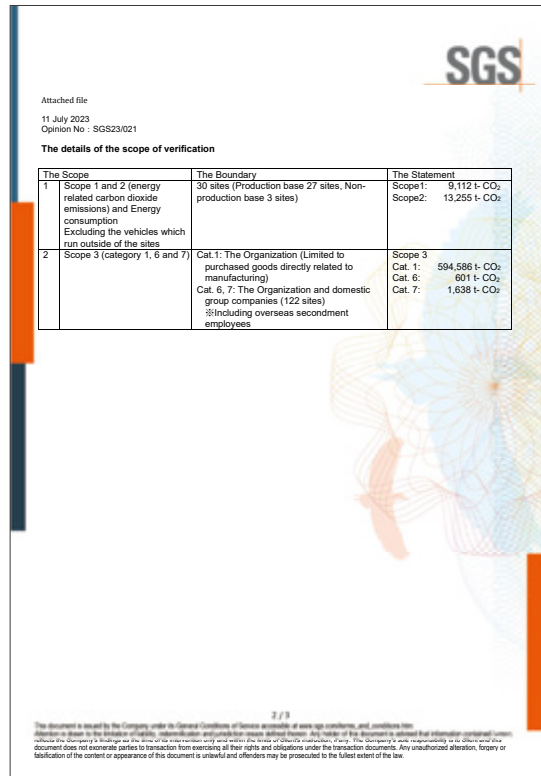
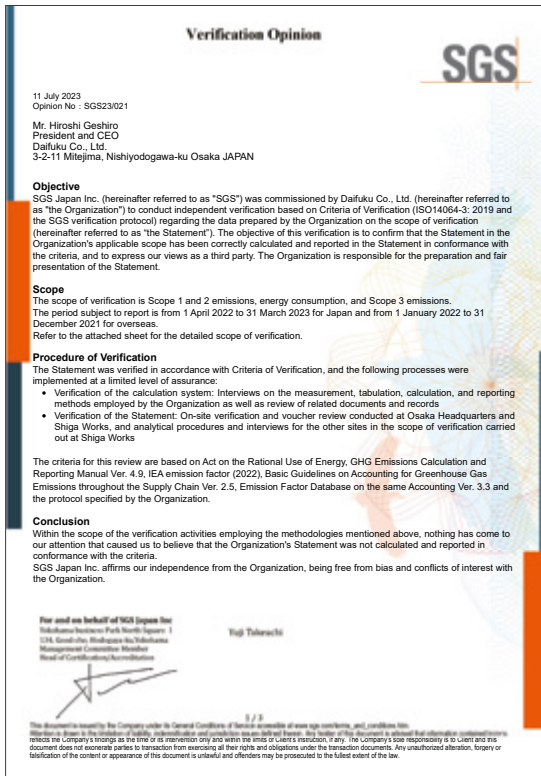
As of October 2023, Daifuku Co., Ltd. received an ESG Risk Rating of 22.3 from Morningstar Sustainalytics and was assessed to be at medium risk of experiencing material financial impacts from ESG factors.

> For more information on the Sustainalytics ESG Risk Ratings, please refer to [this website](#).

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Verification of Greenhouse Gas (GHG) Emissions

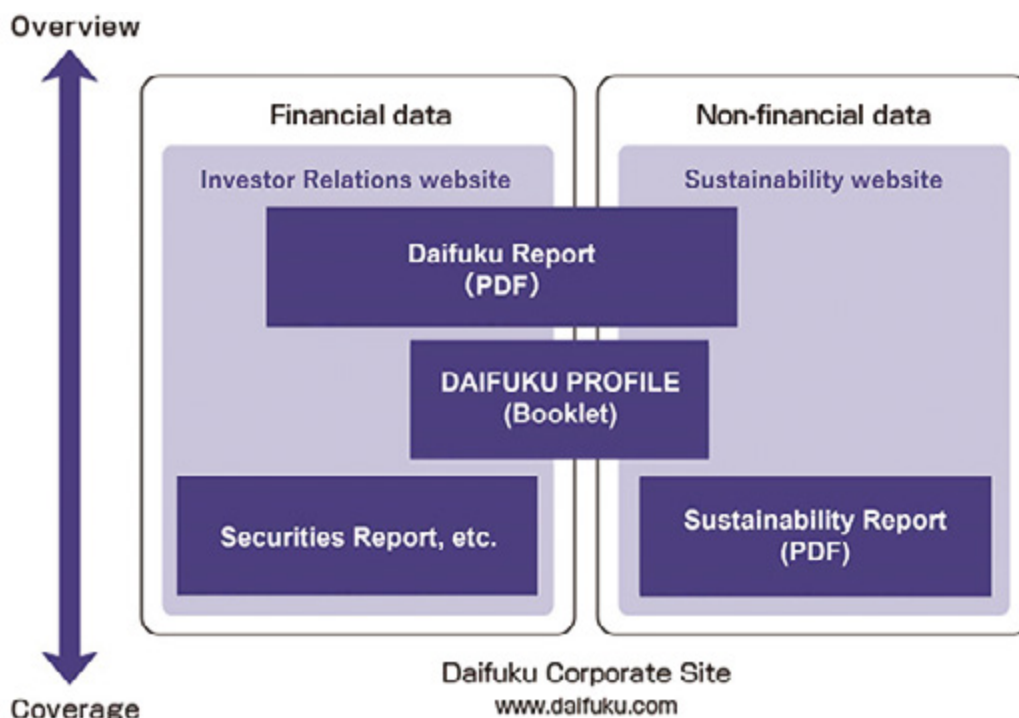
To improve the reliability of our greenhouse gas emissions calculation data (including energy consumption), the data was verified by a third-party organization.



Editorial Policy

Basic Approach for Information Disclosure

This sustainability website lists Daifuku's ESG (Environmental, Social, and Governance) and SDGs initiatives for fiscal 2022. Additionally, as a tool for disclosing financial and non-financial information, we disseminate information as shown below. We will continue to promote our sustainability initiatives while engaging in communication with our stakeholders.



Reporting Scope

Although the Daifuku Group is covered in the scope of this report, some items address the contents of individual Group companies, including Daifuku Co., Ltd.

Reporting Period

FY2022 (April 2022 - March 2023)

* Numerical data as of March 31, 2023, has been disclosed.
 * Some items also list information from outside the period listed above.

Referenced Guidelines

- GRI Standards
- ISO26000
- Ministry of the Environment, Environmental Reporting Guidelines (2018 Version)
- Task Force on Climate Related Financial Disclosures (TCFD) Final Report
- International Integrated Reporting Framework
- SASB Standards

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