

# Daifuku Report 2024

Driving Innovative Impact 2030



# Contents

- 1 Contents
- 2 Corporate Policies
- 3 Long-Term Vision for 2030
- 4 CEO Message
- 9 Roundtable Talk  
—the President and Outside Directors

## Chapter 01

### Value Creation Story

- 15 Daifuku Value Creation Process
- 17 Daifuku's Value Chain and Competitive Edge
- 18 Path of Value Creation
- 19 At a Glance
- 20 Review of Value Transformation 2023
- 21 Driving Innovative Impact 2030
- 23 Daifuku's Priority Topics
- 27 CFO Message
- 30 CHRO Message
- 33 CTO Message
- 35 CPO/CIO Message

## Chapter 02

### Growth Strategies

- 38 Market Environment and Growth Expectation for 2027
- 39 Our Business
- 40 Global Reach
- 41 Strategies by Business

## Chapter 03

### Strengthening of Operational Framework

- 58 Sustainability Management
- 59 Environmental Initiatives
- 66 Social Initiatives
- 70 Strengthening Human Capital
- 72 Compliance
- 73 Risk Management
- 76 Corporate Governance
- 86 Management

## Chapter 04

### Data Section

- 89 Financial/Non-Financial Highlights
- 91 Eleven-Year Financial Summary
- 92 Company Profile

# Editorial Policy

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

The report covers the parent company and 67 consolidated subsidiaries (as of March 31, 2024).

#### Period covered: Fiscal 2023 (April 2023–March 2024)

Whenever it is appropriate to include historical background information and data or recent case studies, reporting may include matters outside this time period. Due to the change in the fiscal year end of the Group from March 31 to December 31 effective fiscal 2024, the covered period may differ in part.

#### About this PDF

Icons on each page link to related pages and websites.

#### Upper menu

**Chapter title** Jump to each chapter

Contents Go to next page Back to previous page

**Page XX** Link to related pages Link to related websites

For details about Daifuku, see the following.

	Annual	Latest	
Financial	<ul style="list-style-type: none"> <li> Securities Report</li> <li> Daifuku Report  DAIFUKU PROFILE</li> </ul>	<ul style="list-style-type: none"> <li> Investor Relations</li> <li> Corporate Site</li> </ul>	
	Non-financial	<ul style="list-style-type: none"> <li> ESG Data  Daifuku's Sustainability</li> <li> Materiality  Corporate Governance</li> </ul>	
Business	<ul style="list-style-type: none"> <li> Intralogistics</li> <li> Cleanroom</li> </ul>	<ul style="list-style-type: none"> <li> Automotive</li> <li> Airport</li> </ul>	<ul style="list-style-type: none"> <li> Electronics (Contec Co., Ltd.)</li> </ul>

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

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

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

# Corporate Policies

## Company Creed



Hini Arata

Today we are doing better  
than we were yesterday.

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

## Management Philosophy

### Automation that Inspires

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

We will

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

## Group Code of Conduct

### Basic Stance

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

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

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



# Long-Term Vision for 2030

## Social Value

Using our automated material handling technology, we will

- support social infrastructure such as logistics and production sites.
- contribute to the resolution of social issues in new areas such as food and the environment.



**Driving  
Innovative  
Impact  
2030**

## Economic Value

2030		
Consolidated sales	Operating margin	ROE
<b>1 trillion yen</b>	<b>12.5%</b>	<b>13.0%</b>

817.92

710.10



229.56

55



## CEO Message

**Creating our future with automated material handling technology to inspire society, deliver prosperity, and enhance well-being**

**In May 2024, we unveiled our first long-term vision, Driving Innovative Impact 2030. In today's rapidly changing society, we will draw upon our commitment to achieving even greater economic and social value by strengthening our initiatives with new future-oriented ideas and trailblazing change for our stakeholders, to maximize our corporate value.**

**Hiroshi Geshiro**

President and CEO





## CEO Message

### Committed to meeting needs in earnest resolve

Fiscal 2023, ended March 31, 2024, was the final year of our three-year business plan, Value Transformation 2023 (hereinafter, “the Previous Plan”). Over the course of the plan, logistics systems drew attention as a crucial part of social infrastructure in light of the lifestyle changes brought about by COVID-19, and the changes in sales and consumption as a result of e-commerce. In addition, as the labor shortage becomes more serious, we are seeing greater investment in automation, with growing expectation being placed upon material handling, a specialty of the Daifuku Group. We had long anticipated this development and have been determined to address customer needs for automation and labor savings. As a consequence, sales and income increased three years in a row, with the most recent two results being record highs.

**Page 20** Review of Value Transformation 2023

### Applying success stories throughout the Group and enhancing our global production framework

In the Intralogistics business, we have devoted over a decade of work to standardizing our products and reviewing design, making considerable strides in improving our profitability in Japan. We used this method as the basis for optimizing costs in the Cleanroom business over the course of the Previous Plan, which helped shore up our profit structure. We are also seeing a similar effect in the Automotive business.

Our basic approach is local production for local consumption, but we have been working to build up our global production system as well. I believe that by increasing production capacity at our airport system factories in North America and our semiconductor production line system factories in China and South Korea, and by establishing a system for integrated operations from production through to delivery in each region, we have been able to raise the profitability of the entire Group while making it more global.

### Visualization to accelerate growth

One challenge that still remains is visualizing our global projects. In the final year of the Previous Plan, our operating margin was 10.2%, just shy of our 10.5% target. This shortfall was caused by losses incurred in some large projects outside Japan. Poor long-term project management and a failure to address problems early on led to costs that exceeded initial projections. To ensure we are not faced with a similar situation in the future, we will improve management with better visualization of projects so we can track progress, including profit, in real time.

### Daifuku’s vision for the future

Material handling was born from the desire to free people from hard labor and simple, repetitive tasks. In 1968, we adopted the company slogan of taking on the challenge of automated operations. In the spirit of these words, we have gone on to introduce a variety of material handling systems and technologies that are the first of their kind in Japan or

the world, contributing to the automation and efficiency of factories, logistics centers, and other facilities. In 2021, we revised our management philosophy to “Automation that Inspires.” We made this change out of a desire to help build a society where people can lead rich and prosperous lives through our core competence, automated material handling technology, and inspire people by doing so.

Armed with this updated management philosophy and the results and challenges of the Previous Plan, in May 2024 we announced our first long-term vision, Driving Innovative Impact 2030, with the aim of reaching a new stage of growth. As society continues to experience rapid change, we have put in place a clear vision of what we aspire to in terms of the kind of society we want to create, and the kind of unique value we want to create.

The basic idea is to break away from the traditional short-term approach of setting goals by starting from the present and setting out our numerical targets, and opting instead to challenge ourselves by presenting an ideal vision based on what society could look like in the future and the issues it may face and then backcasting to make our vision a reality.

Moreover, since our business intrinsically supports logistics and production sites as well as other forms of social infrastructure and has a direct and positive impact on resolving social issues such as labor shortages, we have incorporated goals that integrate economic and social value. I believe that by combining these two values, we can have a groundbreaking effect on society.

## CEO Message



First, in terms of economic value, we have set targets of 1 trillion yen in consolidated sales, an operating margin of 12.5%, and a return on shareholders' equity (ROE) of 13.0% as our ideal position for 2030. In conjunction with the long-term vision, we also announced a four-year business plan for 2027 (hereinafter, "the 2027 Plan"), with targets of 800.0 billion yen in consolidated sales, an operating margin of 11.5%, and an ROE of 13.0%. These are formidable goals, but I am confident that if we spend the next seven years creating new value and seeking out new possibilities, we will achieve our long-term vision.

	Driving Innovative Impact 2030	Four-year business plan for 2027
Economic value	<b>Consolidated sales</b>	
	1 trillion yen	800.0 billion yen
	<b>Operating margin</b>	
	12.5%	11.5%
Social value	<b>ROE</b>	
	13.0%	13.0%
	Using our automated material handling technology, we will - support social infrastructure such as logistics and production sites. - contribute to the resolution of social issues in new areas such as food and the environment.	

### Ever-rising expectations for material handling

In the Intralogistics business, there is a growing need for automation and unstaffed operations in logistics and at production sites. In Japan, this is due to the decline in the working population, and the country's so-called "2024 logistics problem." At the same time, the rapid rise in labor costs, particularly in North America, is driving these needs outside Japan.

The Cleanroom business looks to benefit from the marked increase in demand for semiconductors, spurred by the spread of AI. In addition, national governments around the world are ramping up investment in semiconductors as part of greater capital investment measures to ensure economic security. With all signs pointing to further

advances in semiconductor packaging technology, there is an increasing need for automation in factories that handle the back end of semiconductor production to ensure that these advances are as sustainable as possible.

Moving to the Automotive business, global automobile production is expected to rise gradually over the medium to long term, with continued investment related to xEVs, which run the gamut from BEVs, HEVs, PHEVs, FCEVs, and other electric vehicles.

That brings us to the Airport business. Investment in automation at airports has been limited to this point, but since the COVID-19 pandemic, chronic labor shortages and security issues have led to demand for "smart airports."

We aim to achieve our economic value targets by addressing the accelerating need for automation in each of these fields with a steady hand and providing high-added-value solutions that incorporate AI and other cutting-edge technologies.

**Page 41** Strategies by Business

### Addressing climate change through our business

We have highlighted key performance indicators (KPIs) for priority topics to focus on across the Group as well as to measure progress achievements with the aim of realizing our vision.

**Page 23** Daifuku's Priority Topics



## CEO Message

Addressing climate change is one such priority topic, and one of the ways we aim to provide social value. Given the strong progress we have made with our initiatives so far, we revised our fiscal 2030 reduction targets for CO<sub>2</sub> emissions, from 50.4% compared with fiscal 2018, to 60%. We are also stepping up our efforts toward carbon neutrality, which includes setting new targets for the percentage of electricity derived from renewable energy sources. We have therefore committed to a 30% reduction in Scope 3 Category 1 CO<sub>2</sub> emissions, which refer to emissions generated during the manufacture of goods purchased by Daifuku, and Scope 3 Category 11 emissions, which are produced during the systems we have sold to customers. We intend to achieve both of these reductions by fiscal 2030, relative to fiscal 2018. For these reasons, we are constantly working to develop new products that are more energy efficient than the previous versions. To return to the idea of visualization, we plan to develop a system that will allow us to confirm whether the raw materials and products we purchase from suppliers are produced using renewable energy.

### New fields where material handling can flourish

Our long-term vision has us venturing into new fields to provide value in the areas of food and the environment, two major social issues.

In the food sector, we are helping automate the sorting and selection of fruits and vegetables, as well as facilitating automation in food and beverage factories, where safety management is vital. Outdoor labor in Japan is becoming increasingly demanding due to the aging of farmers and

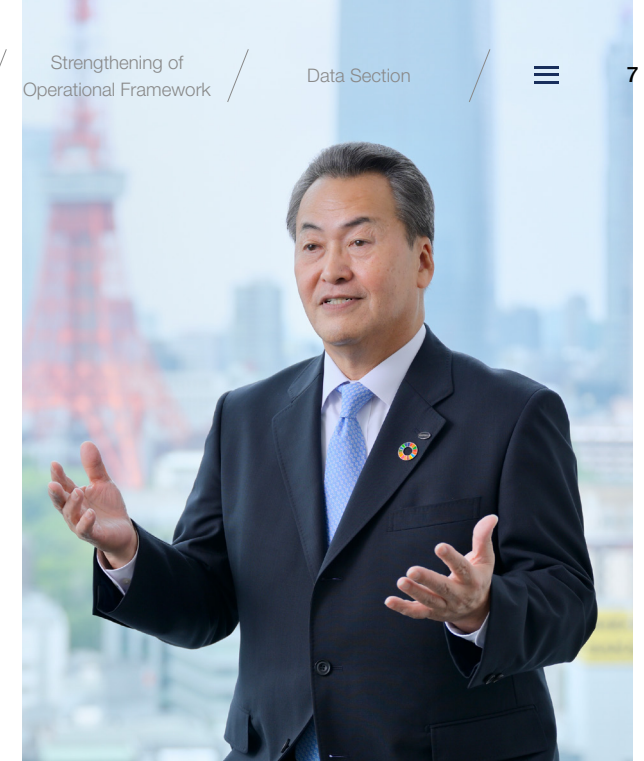
climate change. It is my hope that in the future we can use automation as a means to provide new food-related value, be it in the form of automation production at factories or otherwise.

For the environment, we have already tackled the field of industrial waste by providing systems for storage in addition to other services. In the future, I hope to apply our know-how to help resolve the issue of marine pollution caused by plastic waste and waste produced through solar power generation, both of which are expected to become increasingly serious problems going forward.

These new businesses are not the kind that will generate quick profits but that is not the point. Instead, we are looking at the long term. Therefore, the Business Innovation Division, which we established in April 2024, will take the lead in developing new businesses and advanced technologies, and will actively take up the challenge of providing new value.

### A diverse business portfolio for medium- to long-term growth

Today, we enjoy a strong position in the material handling market for semiconductors, despite the constant ebb and flow that occurs in the semiconductor industry. This is thanks to our diverse businesses that encompassed the Cleanroom business during difficult periods, which allowed it to continue operations and build up its technology and know-how. You could call this a case of us using one of our major strengths; in other words, our diverse business



portfolio in the material handling industry. The Automotive business went through a period during which growth stalled, but it is rebuilding momentum thanks to new customer needs as mobility undergoes a transformation that includes a shift to xEVs. For medium- to long-term growth, it is essential that we expand the scope of our actions to address the long-term future, as opposed to reacting to current conditions. Bearing this in mind, we will continue to optimize our business portfolio with our eyes on the future.

### Reinforcing our global management system and governance

In fiscal 2023, 67% of the Group's sales came from outside Japan, which means we need to enhance global management. We maintain non-Japan operations via about

## CEO Message

60 subsidiaries, including companies that joined the Group through M&A. Because of this variety and scale, we have faced a variety of obstacles in the past and our work to overcome these obstacles one by one has gradually improved our management system, but some potential issues remain. We therefore need to keep strengthening this system while conducting constant checks to ensure there is no more room for error across its entirety. In June 2023, an outside director with extensive management experience outside Japan joined our management team, which has given us more opportunities to hear advice and guidance from a global perspective. I intend to seek out the neutral and wide-ranging opinions of all outside directors and use their ideas to make management and governance more effective.

Page 9 Roundtable Talk—the President and Outside Directors

### Strategic investment for an attainable vision

To bring our vision to reality, we have established a strategic investment plan within the 2027 Plan to complement the investments we have made to date. In addition to investigating inorganic strategies, under this plan we will drive up growth through steady investment. We will be investing in facilities to increase production capacity, in research and development (R&D) to leverage the latest technology for solutions with high added value, and in human resources to lead the next generation of Daifuku.

Page 27 CFO Message

In particular, to create new value, we need to cultivate AI- and DX-literate personnel as well as data scientists. In addition to the duties I mentioned previously, the Business Innovation Division also heads up education and training related to digital technology. Reskilling allows employees to acquire new skills, which in turn generates revolutionary ideas, leading not only to increased sales but also to greater profitability in existing businesses. We will continue to devote our efforts to developing our human resources in this way, including our workforce outside Japan.

Page 33 CTO Message

### Creating our own future through backcasting

To be successful in the pursuit of our long-term vision, everyone in the Group—management and employees alike—needs a strong understanding of the backcasting mindset. As a company grows in size, it is all too likely to get lost in the immediate numbers and fall into a short-term way of thinking. Of course, it is important to commit to challenges and goals, but I believe that by taking the time to create something that does not yet exist, something that will please individual people as well as society more broadly, and investing in that something with a view toward the long term, that we can create new value that will transform society. “Put 80% of your effort into what is right in front of you, not 100%.” I mentioned this phrase in

last year’s report, and I stand by it. I want people to give the short term its proper attention, while allocating the remaining 20% to activities geared to the future. I want each and every one of us to think about the new value we can provide to society, envision the kind of society we want for the future, and move toward that vision.

Looking back, we have played a behind-the-scenes role, supporting industries over the course of many years, but with rapid social change and increasingly severe challenges in society, the time has come for us to step into the light and make our presence known. I want Daifuku to evolve into a company that goes beyond predicting what society will be like in the future and reacting accordingly. In addition, I want us to look at society and think of what we can do and how we can change it for the better, and actively guide society in a positive direction. Harnessing the automated material handling technology we have accumulated over time, Daifuku will take the lead in building the future and helping create a sustainable society.



President and CEO





**Kaku Kato**  
Outside Director

**Mineo Sakai**  
Outside Director

**Hiroshi Geshiro**  
President and CEO

**Gideon Franklin**  
Outside Director

## Roundtable Talk

— the President and Outside Directors

### Creating our own demand and bringing about social change

Our president and three of our outside directors sat down for a discussion about the Daifuku Group's long-term vision, Driving Innovative Impact 2030. They discussed a range of topics, including where the Group's strengths could play a part, the strategies involved, potential issues, and the vision for the Board of Directors in particular.



## Roundtable Talk—the President and Outside Directors

### Key points of Driving Innovative Impact 2030

**Sakai:** Companies today are expected to tackle global social issues and address environmental, social, and governance concerns. To do this, they have to integrate economic value with social value, which is something that needs to be guided by a long-term vision that accounts for megatrends extending well into the future, as well as any risks and opportunities that could arise. This idea goes hand in hand with the development of Daifuku's most recent long-term vision and its commitment to a three- or four-year business plan, which serves as a solid milestone toward realizing this vision. I believe that these plans will enable the Company to make substantial progress within its walls and to have a greater impact on the industries and society around it. Daifuku's vision also conveys a sincere determination to join the ranks of companies with net sales of one trillion yen, and we are seeing this have a positive effect on employee motivation.

**Kato:** One change that coincides with the start of the long-term vision is the addition of sustainability-related indicators to assess executive remuneration, which is quite significant with regard to management. That said, for this vision to become a reality, it needs everyone onboard—not just management, but each and every Group employee as well. In addition, the vision needs to translate into actions that are both concrete and convincing. Bearing this in mind, I plan to increase contact with employees working on the front lines in addition to receiving reports from Board meetings, and work in my capacity as an outside director to keep a close eye on whether the concepts of the vision are truly making their way throughout the Company, as opposed to being sequestered in management.

**Franklin:** I believe the title of the vision gets many of the key points across. The title itself, Driving Innovative Impact 2030,

strongly emphasizes impact as it relates to sustainability. To break it down even further, “Driving” captures the Company's intent to use automation as its driving force to generate the impact I mentioned, while “Innovative” refers to Daifuku's resolve to bring about change within society on the back of systems that utilize digital transformation and other increasingly important cutting-edge technologies. The vision expresses how Daifuku, with operations around the world, is a company that aims to increase both economic and social value in a wide variety of ways.

**Sakai:** Yes, as I alluded to, one new change is the shift from treating economic and social value as two separate driving forces to taking a more integrated approach. At the same time, Daifuku has declared its intention to utilize its technology to help resolve social issues related to food and the environment. This will be a new challenge and a great source of motivation and pride for its employees.

**Franklin:** Although the Company's material handling systems business may not be the easiest to understand upon first glance, I expect Daifuku will gain wider recognition as a company dedicated to resolving social issues as it works toward realizing its vision for the long term.

**Kato:** If a wide range of stakeholders, business partners or otherwise, understand and recognize Daifuku as a company committed to creating social value, it will open up the doors to co-create even more new value, beyond corporate borders.

**Geshiro:** Our target of one trillion yen in consolidated net sales is an important one, not only because it represents economic value from a long-term perspective but also because it provides an unmistakable benchmark toward the next stage in our evolution. It is the kind of number that both management and

employees are able to rally around and find inspiration in the challenge. When plans draw upon current numbers, they tend to be overly conservative, with efforts focused too heavily on the short term. Bearing this in mind, we adopted a backcasting approach when creating this vision, which prompts a substantial shift in employee thinking; it gives Group employees a clear target for the future and asks them to think about what they need to be doing to reach that target.

We have helped ease labor shortages, reduced heavy labor and repetitive work, and mechanized and automated menial day-to-day tasks through our business, at a time when the working population is shrinking because of a declining birthrate and aging population. In doing this, I am proud to say that we have created social value that has helped people live more creative lives. We at Daifuku are also aware that the Group's material handling systems support society and people, meaning that our growth benefits society as a matter of course. In that sense, I believe this idea of integrating economic and social value has been a natural process for us.



## Roundtable Talk—the President and Outside Directors

For my part, I intend to encourage internal communication so that everyone, management and employee alike, thinks carefully about how to make our long-term vision a reality, what they can do, what action they will take, how they will make these actions succeed, and above all, what this means for them. From there, we will get to work.

### Our competitive edge and next challenges

**Kato:** As long as the declining birthrate, aging population, and labor shortages remain social issues, there will always be a demand for Daifuku's systems, which means that there will be more opportunities for the Company to contribute to society, conduct business, and create added value. For this reason, I believe Daifuku has a duty to provide society with technologies and products unbound by conventional ideas, technologies, or work methods, which will amaze the world when they are unveiled. So, while it is important for the Company to keep pinpointing and addressing current market needs, it is just as important for Daifuku to ask itself “could we apply this solution here?” or “could we apply this solution there?” and venture into new areas with original answers to social issues, making society even better as a result.

**Franklin:** Although Daifuku is technically part of the machinery sector, the reality is that it is a rather unique company with a far-ranging reach. We offer a comprehensive and wide variety of solutions that include consulting, engineering, and after-sales services. Since it has a large share across a wide range of markets, I believe the Company will continue to find new ways of handling whatever challenges its customers can throw at it with updated technology and a lively spirit of innovation. Looking to the future, I believe the Company is well-positioned to meet the diverse needs of our society.

**Sakai:** One of the real strengths of Daifuku is that there are hardly any companies in the industry with such a complete line of proprietary products and a full spectrum of solutions, spanning storage, transport, sorting, and picking.

However, as customer needs become more diverse, there may be cases where Daifuku's products may not be able to meet these needs alone. I believe that to meet these needs, the Company must innovate further, and to do this, it needs to keep honing its technological and development capabilities.

**Geshiro:** To give some context, Daifuku started out in a more behind-the-scenes role in the industry, providing systems for production lines for products such as automobiles and then ensuring these systems worked properly post-delivery. Currently, we operate six businesses that utilize automated material handling technology, and we have been designing, developing, producing, and providing solutions that satisfy customers across a wide range of industries. We believe that our strength comes from the fact that we develop a proprietary lineup of products within the Company as opposed to simply piecing together items purchased from elsewhere. If we want to keep developing new solutions going forward, we need to detect changes in society swiftly and develop new and unique products. We also happen to be in a position where we can get a quick handle on the changes in people's lives. The reason we want to take the lead in helping society is not because we see where society is headed and want to react; instead, we have high hopes for what society can achieve, and want to help make these achievements possible. If we are to truly take



the lead, however, I believe that we need to move beyond our previous position in the background and aspire to be a driving force in society.

### Toward true global management

**Franklin:** When you look at Daifuku's ratio of non-Japan sales and international investors, as well as its number of employees and production sites beyond Japan's borders, the Company seems to be on a steady

growth trajectory on the global stage. However, it is noticeable that there is a small number of non-Japanese members among management and executive ranks. From my experience working for a global U.S. company I have learned that three things are important in global management: integration, cultural understanding, and the exchange of ideas. In particular, the innovation that arises from the exchange of diverse ideas also brings about positive changes in profitability. I am hoping I can use my own experiences to help bring about such changes within the Group as well. While many companies in Japan have made profit through exports, few among them can be classified as global in terms of their corporate culture. I believe the Company needs to foster an understanding among its stakeholders outside Japan of its corporate culture as a Japanese company and help its employees outside Japan feel a sense of pride as members of the Group.

**Sakai:** While the Group's ratio of non-Japan sales to total sales is around 70%, its operating margins overseas are inferior to those in Japan. There are reasons for this, such as differences between countries, regions, and cultures, but it is clear more in-depth structural reforms are needed. Over the

## Roundtable Talk—the President and Outside Directors

past few years, the Company has enhanced its management structure by integrating subsidiaries and other reforms, but in my opinion, there is still room for improvement.

**Kato:** One concern I have is the loose grip over companies that have joined the Group through M&A. Work needs to be done to improve the Group's management system. As a few examples, there need to be measures in place to make sure business strategies are developed and executed in keeping with the Group's overall direction; measures in place to prevent scandals; and protocols to ensure that such risks are detected early and dealt with swiftly. At the same time, it is important to strike a balance between maintaining the independence of these subsidiaries and managing them from corporate headquarters.

Whatever the measures taken, it is important that the Group shares a common set of values and corporate culture. Human rights initiatives are also becoming highly essential. Knowing this,

when Daifuku conducts M&A in the future, we will be all the more rigorous in our assessments in light of the vital importance of due diligence from a sustainability perspective, which includes human rights.

**Franklin:** M&A hinges on what a target company can potentially contribute to performance in the future. Japanese companies have a tendency to focus on the risks associated with M&A and look for reasons not to go ahead with it as a consequence, but I believe that they should instead focus on



the risks of not pursuing M&A. In business, there is no such thing as a 100% certainty of success. I see M&A as a weapon in a company's arsenal that can be used for growth, to be wielded strategically, especially during an economic downturn.

**Geshiro:** Of course, I believe that profits are extremely important for any company, but that does not mean short-term profits should be the be-all and end-all of a company's pursuits. To truly generate profits, we need to comb through a wide range of factors, including organizational structure, the solutions we offer customers, cost optimization, and pricing. In other words, thinking hard about profits leads to thinking hard about management.

Starting in 2021, we began instructing all of our subsidiaries outside Japan, including those that have joined the Group through M&A, to create and execute a scenario for achieving an operating margin of 10% or more, and we are now seeing the effects. I credit this to the efforts of senior management at each company to create this scenario, which gave them a lens through which they could take a serious look at how they operate. We at corporate headquarters need to go beyond giving a rough idea of what we want; I believe that we should deepen our involvement with our subsidiaries so that we can better share the vision and values we have as a Group, which will prompt more concrete action.

### Risk management

**Sakai:** In my view, the Risk Management Committee is engaged in appropriate discussion and monitoring, providing comprehensive coverage over all major risks. From my personal perspective,

however, I believe Daifuku should ramp up information security and measures against ransomware. This is particularly important when you consider the sheer number of relationships the Company has forged with customers and suppliers, because once information has leaked out it cannot be pulled back in, which is why there needs to be a system that ensures this will not happen in the first place.

**Kato:** When it comes to changes in the business environment, there may be some unavoidable risks. We live in a world where the future is hard to predict. In response, Daifuku is trying to shift away from a model where the Company chases down demand as dictated by customers and society, to a model where the Company uses its strengths to create demand that draws customers and society toward it. To do this, Daifuku must change as the business environment around it changes, transforming from a company that relies on outside forces to one that instead relies on itself. This will help reduce the risk of business wavering due to changes in the social landscape. I believe that Daifuku's plan-do-check-act cycle will play an increasingly critical role during this period of transformation. As part of this cycle, the Risk Management Committee submits regular reports to the Board of Directors, which I and the other outside directors use to offer comments and propose improvements. Because of the part we play within this greater

cycle, I hope that we as outside directors can receive information that will let us fulfill our role and put forth recommendations from an angle different from those within the Company.

**Franklin:** The longer the term the more sophisticated the project management requirement, but before that the Company





## Roundtable Talk—the President and Outside Directors

needs to take an ever more critical look in the process of contracting large-scale projects. The greatest risk can lie in not taking action, so any decisions should be made after careful discussion by the Risk Management Committee and the Board of Directors.

**Geshiro:** We face a variety of risks, but we are placing a priority on the risks associated with falling behind in terms of technological development. For us, it is vital that we develop technology that can meet the changing needs of society and our customers. This means we cannot get too caught up in the hunt for short-term sales and profits and remember instead to hunt for knowledge and technology to make sure we can keep creating new value. A good ‘weapon’ in this hunt is M&A.

### The vision for the Board of Directors

**Kato:** It could be beneficial if the Board of Directors shifts to a more monitoring-focused model and delegates as much authority as possible to the executive branches of the Company so that those branches can handle executing operations more proactively and take appropriate risks. From this perspective, it may be worth considering transitioning to a company with an Audit & Supervisory Committee. However, substance means more than shape. One factor that really matters in any case is whether Daifuku can provide a satisfactory explanation to stakeholders and capital markets about the Company’s structure and mechanisms.

The monitoring-focused model and the management-focused model are sometimes treated as opposing concepts, but neither are absolutely correct in their purest form. I believe that we need to find a structure that is best-suited to Daifuku, taking into account the advantages and disadvantages of each

organizational structure, and give each one serious thought. This includes assessing the effectiveness of each option with the help of third-party organizations and outside assessments. So, what value can we as outside directors add to this process? I have been thinking long and hard about how best to use our knowledge and experience, and as part of this team, I would like to keep updating my well of information and skills to make sure I can provide even greater value.

**Sakai:** I also think there is space to improve Board meeting agendas and time allocation. Topics of discussion are determined by the Rules of the Board of Directors and the Rules on the Delegation of Authority, but these regulations are somewhat rigid. I believe that these regulations need to be updated with an open mind to allow for deeper discussions toward, say, reviewing the Group’s business portfolio or other steps that would improve corporate value over the medium to long term. At the same time, I think we should consider delegating the authority to make management-related decisions and approvals to the executive side as much as possible.

**Franklin:** Daifuku is good at this already, but I want to emphasize the importance of maintaining an atmosphere where people feel like they can speak openly during Board meetings. In Japan the title “outside director” is used instead of “non-executive.” Japanese companies may keep their outside directors at a distance, although this is not the case at Daifuku. I hope to make the most of Daifuku’s welcoming environment to offer my own perspectives and experiences to help improve its corporate value.

**Sakai:** Yes, the atmosphere at Board meetings is extremely open, and I feel that our discussions are meaningful and lively. The president and chairman of the Board—Mr. Geshiro



here—often deepens the discussion with his own questions, and I think this sets the precedent for us outside directors to engage more actively.

**Kato:** I also find it effective to join sessions of the Management Advisory Meeting and meetings of the Risk Management Committee. I enjoy the opportunity to have contact with the people who will lead the next generation and hear from different people in the workplace, which cannot be truly understood through discussions at Board meetings alone.

**Sakai:** What is Daifuku’s goal? In my mind, it is to achieve excellence in material handling as a global company. How does it achieve this? It is an open-ended question, and sometimes the discussion does not yield a concrete answer, but questions like these take us in very invigorating directions.

**Geshiro:** We should always take the time to review how the Board of Directors operates. I want our discussions to dig deep, not just into the present but also toward the future, with our vision made reality at the end of the tunnel.

Chapter

# 01

# Value Creation Story

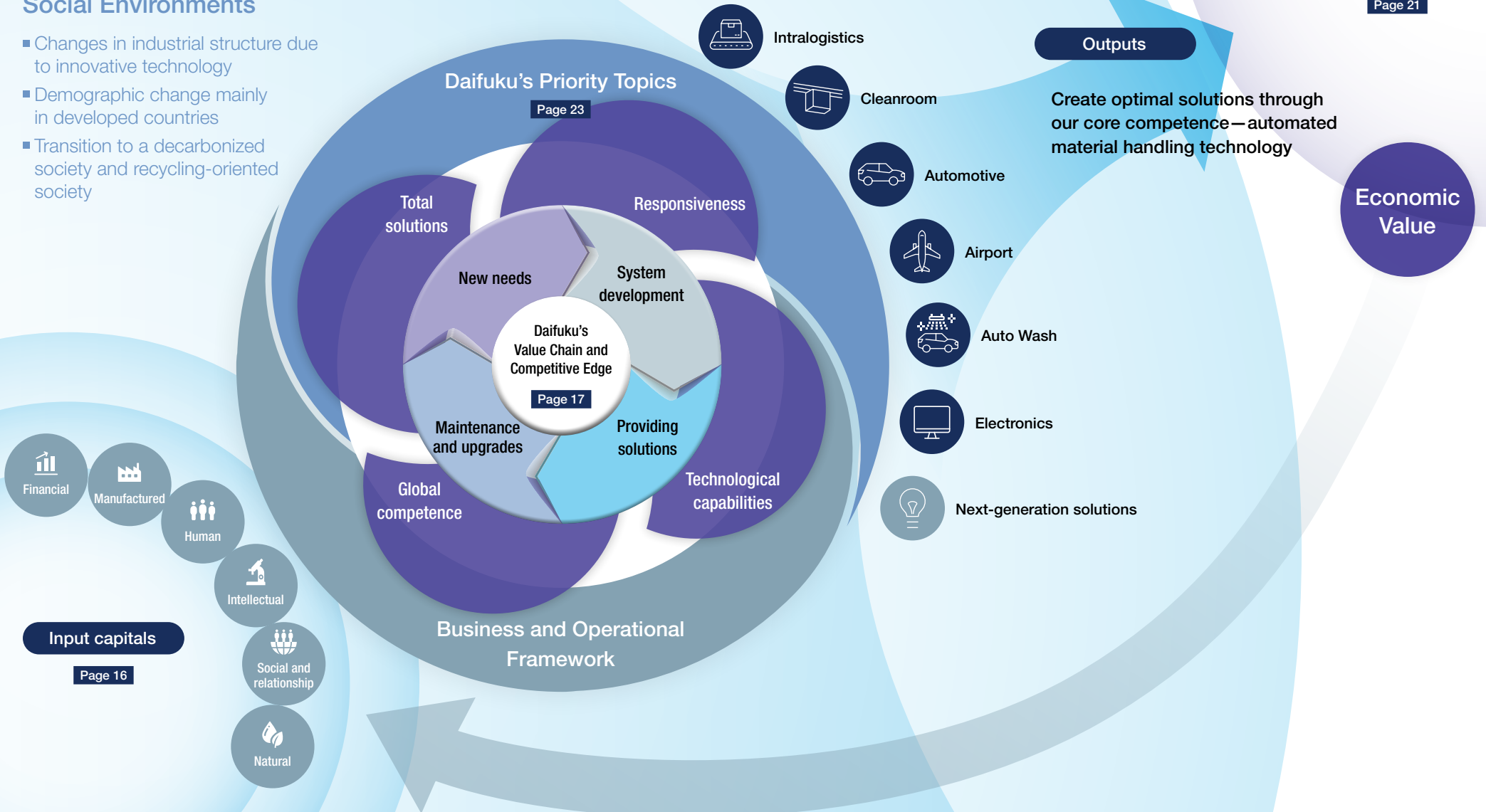
- 15 Daifuku Value Creation Process
- 17 Daifuku's Value Chain and Competitive Edge
- 18 Path of Value Creation
- 19 At a Glance
- 20 Review of Value Transformation 2023
- 21 Driving Innovative Impact 2030
- 23 Daifuku's Priority Topics
- 27 CFO Message
- 30 CHRO Message
- 33 CTO Message
- 35 CPO/CIO Message

# Daifuku Value Creation Process

## Company Creed and Management Philosophy

### Social Environments

- Changes in industrial structure due to innovative technology
- Demographic change mainly in developed countries
- Transition to a decarbonized society and recycling-oriented society





Daifuku Value Creation Process

Input capitals (FY2023 results)



Financial

Total assets

**646.1** billion yen

Cash and cash equivalents

**136.4** billion yen

Interest-bearing liabilities

**70.6** billion yen

Shareholders' equity

**319.7** billion yen



Human

Employees (consolidated)

**13,071**

Non-consolidated

**3,509**

Japan

**563**

Non-Japan

**8,999**



Social and relationship

Major suppliers (non-consolidated)

**700** or more\*

\* Annual transaction value of more than 10 million yen

Extensive installation records since we entered the material handling business

**77** years



Manufactured

Production sites

**24**

(10 countries and regions)

Capital investment

**21.4** billion yen



Intellectual

Innovation investment

**17.0** billion yen

(R&D expenses + DX investment amount)

Patents held

**4,378**



Natural

Energy consumption

**769,493** GJ

Water consumption

**183,017** m<sup>3</sup>

# Daifuku's Value Chain and Competitive Edge

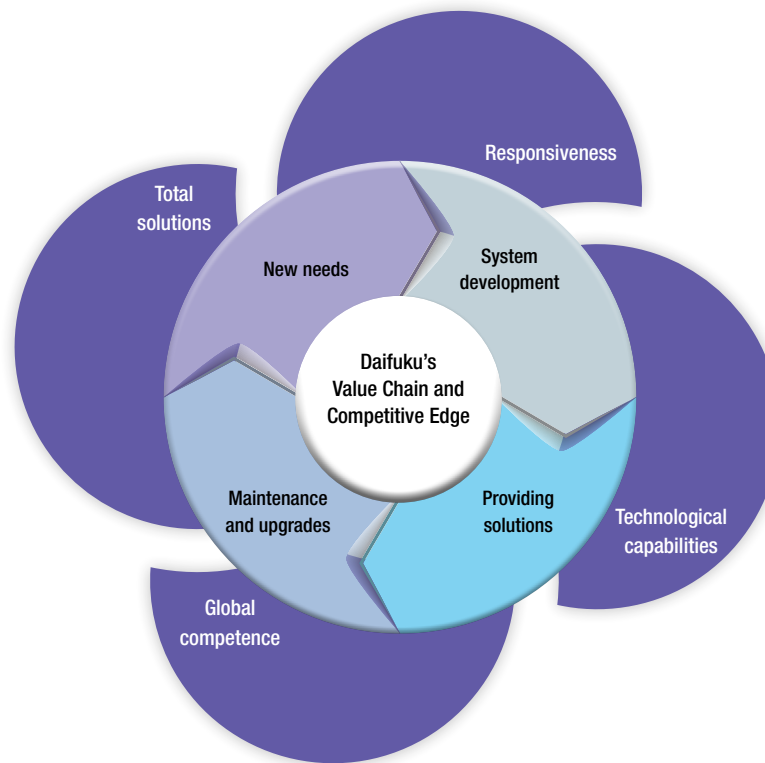
With a wealth of experience and expertise as a manufacturer and integrator of automated systems, Daifuku delivers optimized problem-solving solutions. We have always responded to customer needs over the ages and have been taking on challenges in new areas of material handling, leveraging our wealth of technology and know-how. Through our after-sales services, we have been building solid relationships of trust with customers over the years, by continuously providing stable system operation and facilities upgrades.

## Responsiveness

We provide material handling systems to a wide range of industries, including manufacturing, transportation, warehousing, automobiles, electronics, pharmaceuticals, food, clothing, and daily necessities, around the world. To provide higher-value material handling systems, we are deepening business activities with six operations.

## Total solutions

We provide total support encompassing consulting to reflect customer requirements, planning and engineering, design and manufacturing, installation, and after-sales services. With an abundant delivery record, we have an extensive servicing menu to ensure stable operation of our products after delivery for years. In cases of unfunctional systems, facility aging, and a change in customers' products or handling volume, we offer full support, which includes upgrades of previously supplied equipment and retrofits. By building trust with our customers through after-sales services, we identify business opportunities to win new orders.



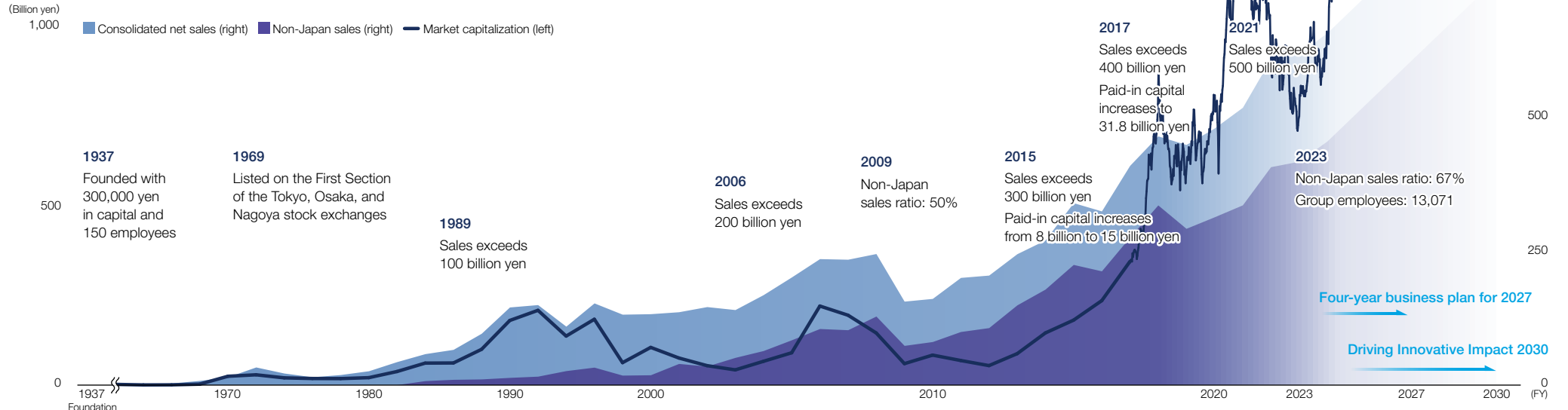
## Technological capabilities

Along with our own in-house development, we have actively been engaged in joint development with numerous organizations, including universities. We have achieved the standardization of new technology and products through advanced research and development, together with realizing stable quality with low cost, and shorter lead times. In these processes, we have produced many first cases of technologies and products in Japan or even in the world. Through its commitment to open innovation, we strive to discover new technologies that will strengthen our business and lead to the creation of new opportunities.

## Global competence

Daifuku is a global company, with operations outside Japan accounting for more than 67% of its Group's total sales, with global operations in 24 countries and regions. While localizing production framework outside Japan, to provide solutions that meet customer needs, we are developing facilities globally, such as constructing a high-rise testing facility of a 40-meter-class stacker crane and setting facilities for tests in a clean environment.

# Path of Value Creation



**Founding era**  
World War II  
Rebirth of Japan

**1950s – 1970s**  
Japan's postwar economic boom  
Factory automation (FA)

**1980s – 1990s**  
Significant increase in demand for semiconductors  
Full-scale distribution automation, advanced FA

**Since 2000**  
Air passenger growth  
Global financial crisis

**Since 2013**  
E-commerce momentum  
Labor shortage at logistics sites

**Since 2020**  
COVID-19 pandemic  
Rising raw material and labor expenses

## Operational and business framework

- 1937** Founded as a forge rolling machinery and crane manufacturer. Engages in port logistics
- 1939** Establishes Mitejima Factory (now Osaka Headquarters)
- 1953** Delivers Japan's first Bulkveyor
- 1959** Delivers chain conveyor systems to Japan's first passenger automobile factory
- 1963** Establishes Komaki Plant (now Komaki Works)
- 1964** Enacts the company creed, "Hini Arata"
- 1965** Manufactures and sells Japan's first automatic guided vehicle by introducing the technology from the United States
- 1966** Delivers Japan's first automated warehouse systems to a manufacturer
- 1969** Delivers Japan's first computer-controlled automated warehouse systems
- 1973** Delivers Japan's first refrigerated automated warehouse system, which operates at -40°C  
Launches Japan's first 3D automated transport system by introducing the technology from Europe

- 1975** Inaugurates Hino Plant (now Shiga Works)
- 1976** Delivers Japan's first steel belt-type automated sorter to a distributor
- 1978** Delivers Japan's first book conveying system to a library  
Develops and launches Japan's first microcomputer-installed car wash machine
- 1984** Develops cleanroom automated material handling systems for semiconductor factories
- 1984** Develops and delivers the world's first automated replenishment system
- 1993** Develops world's first electrified monorail system with non-contact power supply
- 1994** Inaugurates Hini Arata Kan, one of the world's largest logistics demo centers
- 2006** Shiga Works becomes the world's largest material handling production site
- 2011** Formulates the Daifuku Environmental Vision

- 2012** Develops an automated system for freezer lockers that operates at -35°C, applying it to develop the world's first automated warehouse system for fast freezing fish products
- 2014** Joins the United Nations Global Compact
- 2016** Commences sales of the world's first wireless battery charging system for forklifts
- 2019** Assents to the TCFD recommendations
- 2021** Revises the Group's management philosophy to "Automation that Inspires"
- 2022** Listed on the Prime Market of the Tokyo Stock Exchange, shifting from the First Section
- 2024** Changes the Company's fiscal year-end from March to December  
Formulates our long-term vision

## Global operations

- 1957** Forms a technical alliance with U.S.-based material handling system manufacturer (dissolved in 1997 and acquired in 2007)
- 1983** Establishes the first non-Japan subsidiary in the United States
- 1995** Taiwan-based material handling system manufacturer (now Taiwan Daifuku Co., Ltd.) joins the Group (first M&A outside Japan)  
Establishes Clean Factomation, Inc. in South Korea

- 2002** Establishes a subsidiary in China
- 2005** Establishes or expands production facilities in different regions across Asia  
Establishes a subsidiary in India
- 2007** U.S.-based material handling system manufacturer (now Daifuku Airport America Corporation) joins the Group to enter the airport sector
- 2011** Establishes a U.S. holding company (now Daifuku North America, Inc.)

- 2012** Establishes Daifuku (Suzhou) Cleanroom Automation Co., Ltd. in China
- 2013** U.S.-based material handling system manufacturer (now Daifuku Intralogistics America Corporation) joins the Group



# At a Glance (FY2023)

Orders received  
**620.3** billion yen

Net sales  
**611.4** billion yen

Operating income  
**62.0** billion yen

Net income attributable to shareholders of the parent company  
**45.4** billion yen

Service sales  
**184.6** billion yen

Net income per share  
**121** yen

ROE  
**13.2%**

Equity ratio  
**55.5%**

Price earnings ratio  
**29.5** times

(calculated using share price as of March 31, 2024)

Price book-value ratio  
**3.7** times

(calculated using share price as of March 31, 2024)

Dividend payout ratio  
**32.9%**

Employees  
**13,071**

Percentage of electricity derived from renewable energy sources  
**54.0%**

CO<sub>2</sub> emissions  
(Scopes 1 + 2)  
**48.0%**

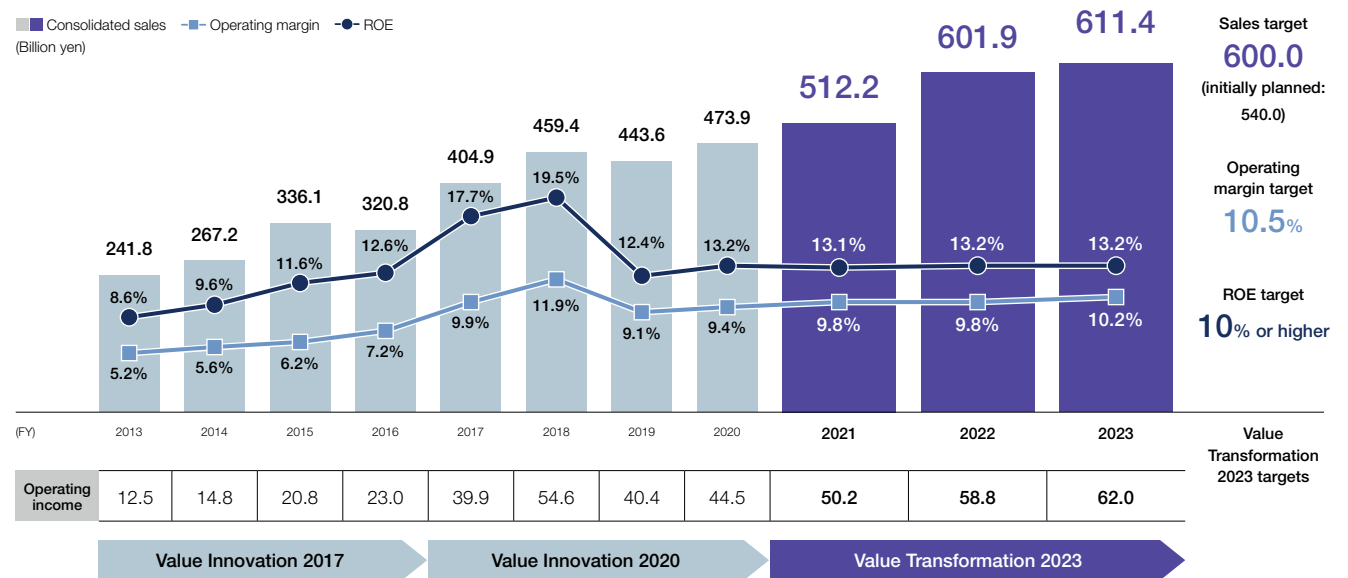
(compared to FY2018)

Recycling rate of waste  
(including valuable wastes)  
**95.6%**

# Review of Value Transformation 2023

## Objective status

Consolidated sales surpassed our target, backed by expanding e-commerce, increases in semiconductor demand, the shift to electric vehicles (EVs), and recovery in the number of air passengers. Operating margin fell just short of our target mainly due to rising material and labor costs, but operating income reached a new record high for the second consecutive year. ROE was consistently above our 10% target.



## Outcome and next challenges

### Outcome

- Increased production capacity mainly in North America, China, and South Korea to increase orders and sales, and increased profitability by improving productivity and in-house production ratio.
- Reduced the impact of rising material and labor costs by standardizing products, reducing the number of components, shortening installation periods, and reducing other costs.
- Established new C-suite roles to strengthen the management system across the Daifuku Group.
- Promoted the introduction of renewable energy sources, in addition the Scopes 1 + 2 CO<sub>2</sub> emissions rate in fiscal 2023 is expected to be reduced by 48.0% that of fiscal 2018.

### Next challenges

- Improving profitability through more sophisticated project management outside Japan.
- Strengthening competitiveness by accelerating the introduction of cutting-edge technologies and creating new businesses.
- Expanding investment in human capital to secure and develop human resources and enhancing human resource management capabilities.
- Improving capital efficiency and cash flows by refining business management.

# Driving Innovative Impact 2030

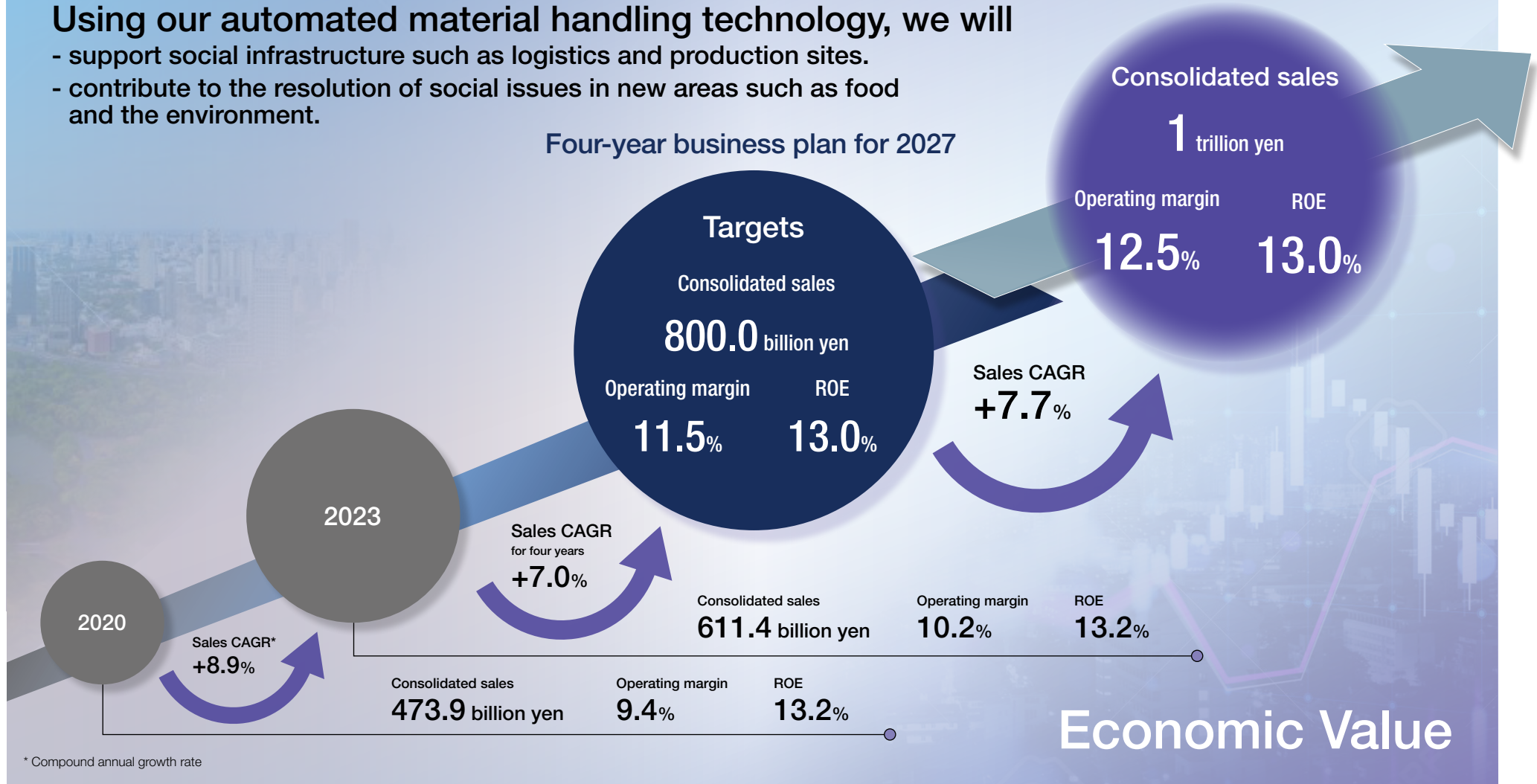
## Social Value

Using our automated material handling technology, we will

- support social infrastructure such as logistics and production sites.
- contribute to the resolution of social issues in new areas such as food and the environment.

## Driving Innovative Impact 2030 Vision

Four-year business plan for 2027



## Economic Value

\* Compound annual growth rate



## Driving Innovative Impact 2030

### Priority framework

To achieve our long-term vision, we have established a priority framework with the following domains. Under the framework, we have defined the priority topics to be addressed across the Daifuku Group, with specified strategies, measures, and action plans based on these topics.

For details, please see [Page 23](#) for Materiality assessment, [Page 24](#) for Priority topics, and [Pages 25–26](#) for Priority topics and KPIs in the four-year business plan for 2027.



# Daifuku's Priority Topics

## Materiality assessment

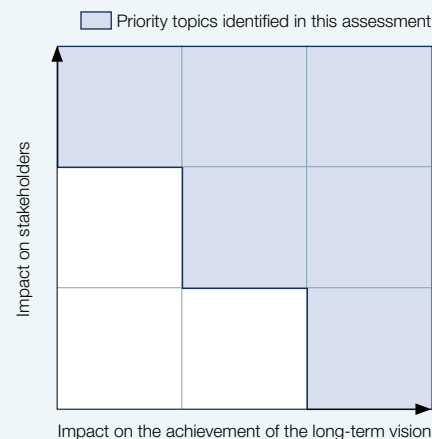


In response to recent changes in social demands and trends, we have reviewed and organized the information necessary to identify priority topics.

### Inputs used in the materiality assessment

- Consideration of the details of previous topics (FY2021–FY2023)
- The long-term vision, Driving Innovative Impact 2030
- Results of the examination of risks and opportunities
- Trends in other companies
- Items required by ESG rating agencies
- Results of business risk studies conducted in fiscal 2023
- Sustainability-related information disclosure standards and guidelines

Based on a variety of inputs, potential topics were selected by appointed persons from business units and the Corporate Functions unit (four corporate officers, nine members of the administrative office) and evaluated based on two criteria: impact on stakeholders and impact on the achievement of the long-term vision.



The topics identified, key performance indicators (KPIs), and targets were validated and approved by the Board of Directors.

Progress toward the target for each topic is reviewed by the Sustainability Management Committee and reported to the Board of Directors. We also regularly disclose our performance results externally through the Daifuku Report and our website.

## Daifuku's Priority Topics

## Priority topics

Framework	Priority topics	Desired outcome
<b>Evolving existing businesses, expanding into new areas, developing next-generation solutions</b>	Development utilizing advanced technologies including AI	Utilize cutting-edge technologies such as AI, IoT, and other digital technologies in pursuit of further automation and optimization through our products and services to engage in sustainability-oriented development.
	Expansion of service business	In order to maximize the value provided to customers throughout the entire life cycle of the system, from delivery to disposal, continuously create new services valuable to customers in addition to enhancing our service options and improving service standards.
	Development of new domains and creation of new businesses	Strengthen the marketing function to search for areas of growth, customer needs, and social issues, the function to search for application fields for proprietary technologies, and the planning function to formulate strategies; realize the development of new domains and the creation of new businesses originating from social issues and new technologies.
<b>Establishing a system to bolster growth</b>	Investment and platform fortification for innovation creation	Strategically invest management resources in areas of growth. Acquire and develop specialized personnel who will bring about innovation; establish and operate personnel and evaluation systems that encourage taking on challenges. In addition, create a mechanism to promote collaboration with external partners and open innovation to create higher value products, services, and technologies.
<b>Revamping overall business operations</b>	Social responsibility in the supply chain	Reform systems and mechanisms in order to strengthen cooperation with suppliers and substantially improve productivity. In addition to compliance with laws and regulations, also implement initiatives to address social demands such as labor, human rights, and the environment, and build long-term relationships of trust with stakeholders as well as a sound and sustainable supply chain.
	Pursuit of product quality and product safety	Maintain and improve the quality of products and services through operational innovation. Provide products that customers can handle safely and securely without accidents or problems.
<b>Safety reinforcement</b>	Ensure occupational safety and health	Safety is the foundation of our business activities and supersedes all else—based on this slogan, establish a corporate culture in all workplaces that prioritizes safety and health for all personnel.
<b>Eliminating environmental impact</b>	Addressing climate change	Achieve carbon neutrality by 2050 through the development and provision of products and services that contribute to the creation of a decarbonized society, the efficient use of energy at Group sites and suppliers, and the introduction of renewable energy.
	Promoting resource recycling	Contribute to the formation of a recycling-based society by reducing the amount of water and other resources used, extending the service life of products, minimizing the amount of waste generated at production sites, and expanding the recycling of used products and parts.
	Coexisting with nature	Based on an understanding of the impact of business activities on the global environment, minimize negative impacts on natural capital such as air, water, and soil through the sustainable use of ecosystem services and conservation of biodiversity.
<b>Strengthening management structure and refining business management</b>	Strengthening governance	Strengthen corporate governance and establish an effective Group governance and compliance system to ensure sound management of the Group and a foundation for medium- to long-term growth. Additionally, ensure the effectiveness of risk management by strengthening the system to properly manage and effectively monitor critical risks that may affect the achievement of management objectives throughout the Group.
	Fulfillment of stakeholder communication	Contribute to the realization of a sustainable society by understanding the demands of society and changes in the market environment through dialogue with internal and external stakeholders (customers, shareholders and investors, business partners, local communities, and employees).
<b>Organizational strengthening</b>	Staff recruitment, retention, and training	Attract and retain diverse talent with the expertise and skills necessary to realize our long-term vision. Establish and operate systems that enable each individual to achieve high performance and skill development.
	Respect for human rights	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 identify, assess, correct, mitigate, and prevent any possible negative impacts on human rights occurring through our business activities.
	Diversity and inclusion	Cultivate a corporate culture in which the diversity of employees with a variety of different perspectives, values, and abilities is respected, and in which individual abilities can be maximized.
	Improvement of employee engagement	Increase employee engagement with the Company by continuously reviewing the human resource system and work environment; achieve work-life balance for employees.



## Daifuku's Priority Topics

### Priority topics and KPIs in the four-year business plan for 2027

Framework	Priority topics	KPIs	Scope	Targets			
				FY2024	FY2025	FY2026	FY2027
Evolving existing businesses, expanding into new areas, developing next-generation solutions	Development utilizing advanced technologies including AI	Introduction of cutting-edge technology to products and services	Global	<ul style="list-style-type: none"> <li>Improve system efficiency and energy-saving performance using AI and battery technologies</li> <li>Establish predictive maintenance using AI and IoT technologies</li> </ul>			
	Expansion of service business	Service sales		150 billion yen	160 billion yen	175 billion yen	190 billion yen
	Development of new domains and creation of new businesses	Penetration into new markets and new business areas; commercialization of new products		<ul style="list-style-type: none"> <li>Develop systems for new areas</li> <li>Cultivate new customers and expand business areas globally</li> <li>Develop next-generation solutions</li> </ul>			
Establishing a system to bolster growth	Investment and platform fortification for innovation creation	Investment in areas of growth*1	Global	<ul style="list-style-type: none"> <li>Invest approximately 160 billion yen (cumulative total for FY2024–2027)</li> </ul>			
		Cultivation of human resources proficient in AI and other digital skills Promotion of industry-government-academia collaboration, M&A, alliances, etc.		<ul style="list-style-type: none"> <li>Implement Company-wide training, including e-learning (rolled out incrementally to all employees)</li> <li>Cultivate data scientists and other specialized human resources (cumulative total for FY2024–2027: 180 people)</li> <li>Continue consideration of M&amp;A and alliances</li> <li>Carry out development through joint research and collaboration with universities and companies</li> </ul>			
Revamping overall business operations	Social responsibility in the supply chain	Strengthening of supply chain management	Global	<ul style="list-style-type: none"> <li>Japan: identify supplier risks and implement audits</li> <li>Group companies outside Japan: conduct visits, assess conditions, and address risks</li> </ul>			
	Pursuit of product quality and product safety	Number of serious accidents*2 related to product and system safety		0 occurrences	0 occurrences	0 occurrences	0 occurrences
Safety reinforcement	Ensure occupational safety and health	Frequency rate: Japan (outside Japan)*3	Global	0.261 (0.6)	0.261 (0.5)	0.174 (0.4)	0.172 (0.3)
		Severity rate: Japan (outside Japan)*3		0.006 (0.020)	0.004 (0.016)	0.003 (0.013)	0.001 (0.011)
		Number of serious accidents*3 *4		0 occurrences	0 occurrences	0 occurrences	0 occurrences
Eliminating environmental impact	Addressing climate change	Daifuku CO <sub>2</sub> emissions reduction rate (compared to FY2018) (Scopes 1 + 2)	Global	51%	52%	53%	54%
		Percentage of electricity derived from renewable energy sources		60%	66%	72%	78%
		Reduction rate of CO <sub>2</sub> emissions from purchased goods and services*5 (Scope 3 Category 1)		<ul style="list-style-type: none"> <li>Expand and disseminate CO<sub>2</sub> emission reduction programs*6 throughout the supply chain</li> </ul>			
	Promoting resource recycling	Reduction rate of CO <sub>2</sub> emissions from the use of sold products*5 (Scope 3 Category 1)	<ul style="list-style-type: none"> <li>Improve energy-saving performance of products and systems</li> </ul>				
		Landfill disposal rate	Global	Domestic: less than 1% Outside Japan: less than 5%	Domestic: less than 1% Outside Japan: less than 5%	Domestic: less than 1% Outside Japan: less than 4%	Domestic: less than 1% Outside Japan: less than 3%
		Reduction rate of waste emissions per unit sales*7 (compared to FY2023)		4%	7%	11%	14%
	Reduction rate of water consumption per unit sales*8 (compared to FY2018)	40%		44%	47%	50%	
Coexisting with nature	Rate of implementation of biodiversity conservation activities at major sites*9	Global	10%	50%	70%	90%	
Global expansion of Sustainability Action*10	<ul style="list-style-type: none"> <li>Expand and raise awareness of the program</li> </ul>						

## Daifuku's Priority Topics

Framework	Priority topics	KPIs	Scope	Targets			
				FY2024	FY2025	FY2026	FY2027
Strengthening management structure and refining business management	Strengthening governance	Improvement of the effectiveness of the Board of Directors	Daifuku Co., Ltd.	■ Conduct evaluations of the effectiveness of the Board of Directors and address issues			
		Dissemination of management philosophy and strategies	Global	■ Continue to implement awareness activities for officers and employees			
		Ensuring compliance		■ Implement education and training on key compliance risks			
		Implementation of countermeasures against major risks		■ Implement risk assessments and monitoring ■ Collect information on risk indicators, including emerging risks, and analyze their impact ■ Review crisis management systems and strengthen emergency response capabilities			
	Fulfillment of stakeholder communication	Number of dialogue meetings held with shareholders and investors (non-unique)	Global	More than 900 companies	More than 1,200 companies	More than 1,200 companies	More than 1,200 companies
		Enhancement of communication with stakeholders		■ Enhance information disclosure (financial and non-financial) ■ Ascertain management issues through dialogue with stakeholders ■ Implement measures to increase brand awareness across a broad spectrum ■ Actively participate in social contribution activities			
Maintenance and improvement of evaluations from external rating agencies		■ CDP climate change: A- or higher ■ Continue as a constituent in FTSE4Good ■ MSCI ESG rating: AA or higher					
Organizational strengthening	Staff recruitment, retention, and training	Rate of sufficiency of number of prospective successors for key positions	Global	■ Develop a pool of human resources (visualize experience and skills) ■ Prospective successor sufficiency rate of 100% by FY2027 (FY2023: 68%)			
		Compounding of the human resources system in response to securement of specialized human resources	Daifuku Co., Ltd.	■ Consider and implement new systems and measures (compensation, work systems, work locations, and recruitment measures for highly specialized personnel) ■ Improve adopted systems			
	Respect for human rights	Establishment of a human rights due diligence system	Global	■ Implement the human rights due diligence PDCA cycle ■ Implement risk assessments within and outside Japan ■ Build grievance mechanisms			
		Implementation of human rights training		■ Establish education and training systems on human rights ■ Develop educational content for Group employees			
	Diversity and inclusion	Number of female managers (ratio)	Daifuku Co., Ltd.	■ 60 female managers (7.6%) by FY2027 (FY2023: 32 (4.3%))			
		Creation of an environment where diverse personnel can work effectively		■ Promote internal awareness of diversity ■ Create a work environment considerate of minorities			
Improvement of employee engagement	Engagement survey score	Global	Score above the national average in each respective country	—	Japan: exceed 60% positive responses Outside Japan: score above the national average in each respective country	—	
	Implementation of engagement survey and issue response		■ Identify issues from survey results and implement countermeasures				

\*1 Capital investment, R&D expenses, investment in human capital, etc.

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

\*3 Calculations include installation contractors

\*4 Accidents resulting in death or permanent injury during work at Daifuku

\*5 For Scope 3 Category 1 and Category 11, pursue qualitative targets with the aim of a 30% reduction (compared to FY2018) by FY2030

\*6 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO<sub>2</sub> emissions at suppliers

\*7 Waste generated (tons) divided by net sales (100 million yen)

\*8 Water consumption (1,000 m<sup>3</sup>) divided by net sales (100 million yen)

\*9 Sites with 100 or more employees

\*10 Daifuku's unique program for sustainability awareness and training

# CFO Message



**Practicing management  
with a focus on capital  
efficiency to support  
growth strategies  
aimed at realizing  
the long-term vision**

**Tetsuya Hibi**

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

The Daifuku Group's basic policy in its financial strategies is to properly procure and allocate funds for medium- and long-term improvement in corporate value while ensuring a solid financial position and high capital efficiency. We will practice management with a greater focus on capital efficiency in a bid to financially support the realization of the long-term vision of seeking growth to a new stage.

## Review of Value Transformation 2023

During the period of the previous three-year business plan Value Transformation 2023 (hereinafter, "the Previous Plan"), there were constraints under the COVID-19 pandemic and supply chain disruptions. However, we received more inquiries from customers as material handling systems assumed greater importance as social infrastructure amid the expansion of e-commerce backed by strong demand from consumers staying at home. As a result, consolidated net sales reached 611.4 billion yen for fiscal 2023, the final year of the plan, which achieved the target of 600 billion yen raised in the second year of the plan. Compound annual growth rate (CAGR) in net sales stood at 8.9% to reflect rapid growth.

Operating income was 62.0 billion yen, setting a new record high for the second consecutive year. On the other hand, the operating margin stood at 10.2%, which was higher than the fiscal 2020 level of 9.4% before the start of the Previous Plan but slightly below the final-year target of 10.5%. This reflects a delay in incorporating rapidly rising raw material and labor expenses into prices as well as the posting of a temporary loss arising from poor project management in some projects outside Japan, which offset steady progress in improving the internal production ratio and a number of different cost reductions. With regard to the pricing that reflects rising costs, we present quotations with appropriate prices based on market conditions and the addition of an inflation clause to contracts. Improvement has now been underway since the second half of fiscal 2023. As for non-Japan

project management, we will swiftly construct a system for the timely monitoring of the project status for the purpose of preventing a recurrence of problems.

Regarding shareholder return, our average dividend payout ratio during the period was 32.7%, exceeding the 30% target. For fiscal 2023, we acquired treasury shares worth 20.0 billion yen at the time of issuing zero coupon convertible bonds. While working to increase shareholder return, we achieved an ROE of 13% or more each fiscal year to consistently surpass the target of 10% or more.

We made Contec Co., Ltd. a wholly owned subsidiary to meet market requests for the abolition of the listing of both the parent company and its subsidiary and conducted a share split. We also changed the account closing time in adaptation to global practice and took other steps to build our financial foundations for future growth. We prepared for a shift from the Group's business management with an emphasis on income and loss to comprehensive management including balance sheets and cash flows. We succeeded in making certain positive achievements in creating a structure for next growth.

## Proactive investment for growth

Our long-term vision, Driving Innovative Impact 2030, set the financial targets we aspire to reach in 2030 from the three perspectives of growth, profitability, and capital efficiency. The 2030 targets are consolidated sales of 1 trillion yen, an



## CFO Message

operating margin of 12.5%, and an ROE of 13.0%. Serving as a halfway milestone, the management targets in the four-year business plan for 2027 (hereinafter, “the 2027 Plan”) are set at 800.0 billion yen in consolidated sales, 11.5% in operating margin, and 13.0% in ROE. We are shifting our approach from target setting based on a short-term outlook of orders until the Previous Plan to stretch targets by backcasting method.

For achieving the future vision and management targets, it is essential to make proactive investment for growth. The 2027 Plan newly set a strategic investment fund of 80.0 billion separately from the funds for ordinary investments for maintenance and R&D. In the Previous Plan, we invested a total of 82.2 billion yen in capital investment and in R&D. During the 2027 Plan, we will carry out an approximate total

investment of 160.0 billion yen, including the aforementioned strategic investment fund of 80.0 billion yen for making growth even faster.

Among the specific purposes of investments, we will first strengthen our global production structure. In Japan, we will invest 33.0 billion in the redevelopment of our core plant, Shiga Works. We will also take action in accordance with the business continuity plan for stable supply and disaster control measures. Operations outside Japan are now at the heart of our growth. We will invest 7.0 billion in new plant construction for boosting production capacity in North America and in India. In addition, we will make proactive investment for a leap. We will also spend on new business cultivation and on human capital. To execute inorganic strategies for increasing our

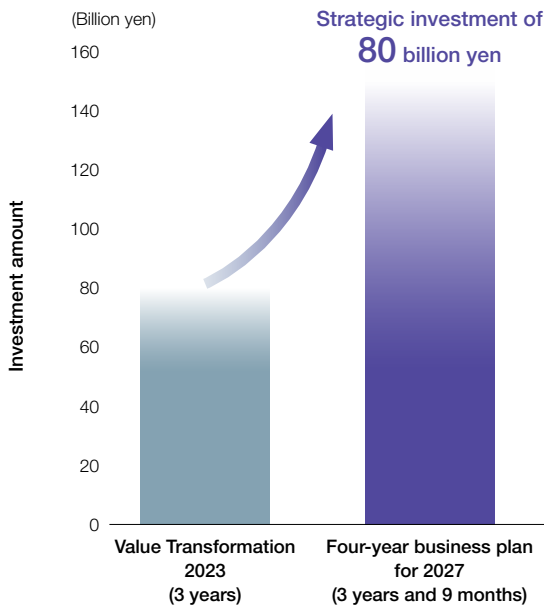
competitiveness and other purposes, we will make flexible decisions irrespective of the upper limit on strategic investment.

### Capital efficiency-conscious management

To increase profitability and capital efficiency in the process of proactive investment, we will disseminate the return on invested capital (ROIC) as a method of internal management and carry out business evaluation and analysis based on it.

To bolster profitability, we will endeavor to slash costs and to increase internal operation ratios at individual business units. We will also create an AI-assisted mechanism for real-time monitoring of the status of projects implemented concurrently in Japan and overseas including cost trends with a view to advance our project management.

### Setting strategic investment plan for more growth



#### Expanding production facilities

- Renovate Shiga Works (33 billion yen)
- Construct new factories in North America and India (7 billion yen)

#### Cultivating new businesses

- Establish the Business Innovation Division
- Invest in new technologies including AI

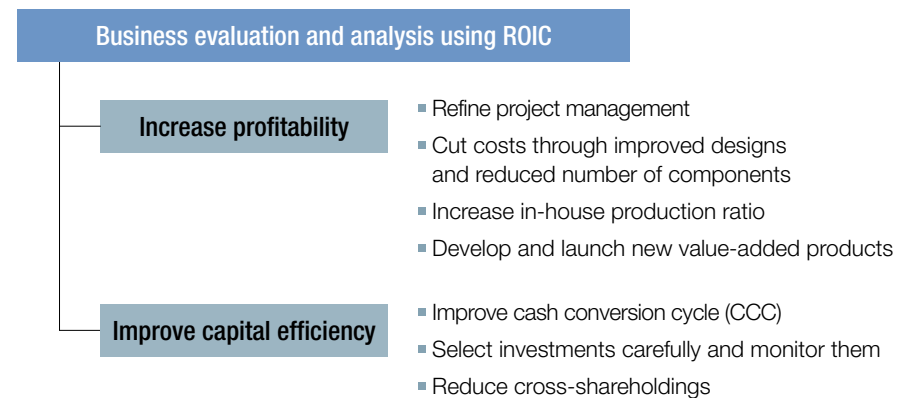
#### Building up human capital

- Secure and develop expert personnel
- Increase opportunities for personnel development

#### Promoting inorganic strategies

- Obtain new technologies for strengthening competitiveness
- Create new businesses
- Expand existing businesses

### Refining business management with the use of ROIC



	2021	2022	2023
ROIC	11.0%	12.6%	11.4%
WACC	5.6%	7.3%	9.3%

## CFO Message

To increase capital efficiency, we will carefully select investment destinations in each business and carry out strict monitoring of investment effects. We will also strive to improve cash flows. In our business, the lead time from receipt of an order to completion is long and our running cost tends to rise in line with business expansion. To deal with this issue, the 2027 Plan set a new specific target of shortening the cash conversion cycle (CCC) from 100 days as of the end of fiscal 2023 to 75 days. By monitoring ROIC, we will make clear the characteristics and issues of individual business units, including their inventory levels and optimization of payment sites to achieve improvements.

We have worked to decrease cross-shareholdings. In the period of seven years under two medium-term business plans until fiscal 2023, the number of stock brands concerned decreased from 63 to 40. That resulted in a slide in ratio of cross-shareholdings to net assets from 10.1% to 4.5%. We will continue to steadily reduce them in view of the results of

review on the effect of cross-shareholdings at the Board of Directors and in consideration of the share price levels.

**Page 85** Cross-shareholding strategy

### Shareholder return

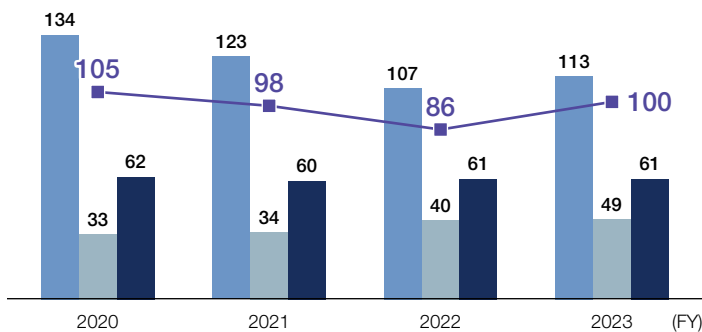
We define shareholder return as a top priority issue. Our basic policy is to pay dividends in line with performance on the basis of consolidated net income and to appropriate the surplus to investments aimed for growth. The 2027 Plan set a consolidated dividend payout ratio target at 35% or more in each fiscal year. To increase shareholder return, this target is changing more significantly than the target of 30% or more on average during the period of the Previous Plan. With a view to accomplishing the 2027 Plan and the long-term vision beyond 2027, we will give top priority to investing in growth. However, we are also thinking of acquiring treasury shares in overall consideration of opportunities for strategic investments, financial standing, share price levels, and other factors.

### Taking a proactive approach as a CFO that supports growth

Under the Previous Plan, the CFO's roles centered on building the foundations for future advancement of the Group's business management in the phase of a defensive stance for becoming a truly global company. The 2027 Plan aims at a new stage, and I see its period as the start of a phase of proactiveness. Accordingly, I will be taking a proactive approach based on positive investments for supporting growth. In this phase, the prioritization of growth tends to produce laxness in investment decisions. We will carefully select investment destinations from the viewpoint of capital efficiency. We will strive to improve cash flow to generate funds for effective investments that will lead to a medium- and long-term growth in corporate value.

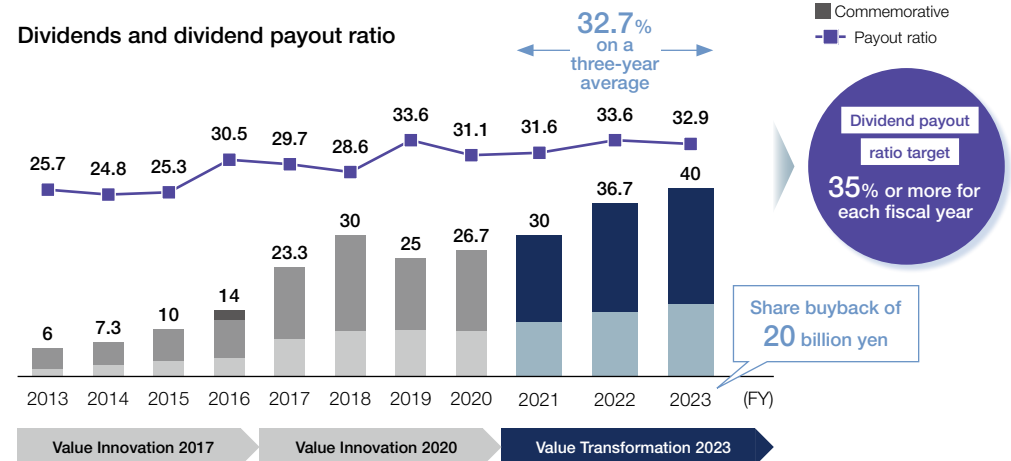
Trends in CCC

Accounts receivable turnover (days) Inventories turnover (days)  
Accounts payable turnover (days) CCC (days)



Aiming to achieve 75 days of CCC target as early as possible

Dividends and dividend payout ratio



Note: Dividends for fiscal 2022 and before are calculated retroactively from the stock split (a three-for-one split of the Company's common stock effective April 1, 2023) for convenience.

# CHRO Message



## Strengthening human capital as a means to boost corporate value

Hideaki Takubo

Director  
Managing Officer  
Chief Human Resources Officer  
Corporate Functions Head

Employees are a source of value creation for the Daifuku Group. With an open and active corporate culture, we have been sincerely responding to customers' needs on the basis of the extensive experience and expertise that we have cultivated over many years, while seeking cutting-edge technologies. This spirit, or Daifuku's corporate DNA, is a driving force for carrying out human capital management. I am aware that my mission as Chief Human Resources Officer is to create an environment that allows every single employee to display their potential to the fullest degree and to feel job satisfaction, while ensuring that our know-how will be passed down to future generations without interruption. To realize our long-term vision Driving Innovative Impact 2030, we will clarify the personal traits we seek and maximize our human capital.

### Review of the previous three-year business plan and Driving Innovative Impact 2030

Under the previous three-year business plan Value Transformation 2023, the Sustainability Action Plan specified diversity and inclusion, the cultivation of human resources, and the creation of a workplace environment that would motivate employees as priority topics related to human capital. Accordingly, we have been stepping up efforts to address these issues.

In terms of promoting the advancement of women, we set special recommendation slots to encourage the active appointment of female managers. As a result, the number (and ratio) of female managers increased from 20 (2.5%) in fiscal 2021 to 41 (5.3%) in fiscal 2024. These numbers clearly show the effect of the initiative.

From the two perspectives of job satisfaction and ease of work, we conducted engagement surveys. The survey in fiscal 2021 was done at Group companies in Japan, and the one in fiscal 2023 at some Group companies outside Japan. The survey at Group companies in Japan revealed that 56% of respondents gave positive replies for job satisfaction and 51% for ease of work. The poll at overseas Group companies showed that 70% had job satisfaction and that 76% found

ease of work. Among many employees, an orientation to customers and to quality was well entrenched. That nicely reflects the characteristics of our Company. On the other hand, poor results were seen in collaboration between divisions and career building support. We aim to solve these issues under the four-year business plan for 2027 (hereinafter, "the 2027 Plan"), aiming to increase the percentage of positive replies.

For fiscal 2023, we revised the personnel handling system with a view to securing more personnel. We also launched an internal secondment program and an internal job posting program to support employees' long-term career development.

To strengthen our organization, Driving Innovative Impact 2030 defines four priority topics: respect for human rights, staff recruitment, retention, and training, diversity and inclusion, and improvement of employee engagement. The 2027 Plan has determined a KPI for each of the topics to enhance and strengthen our human capital.



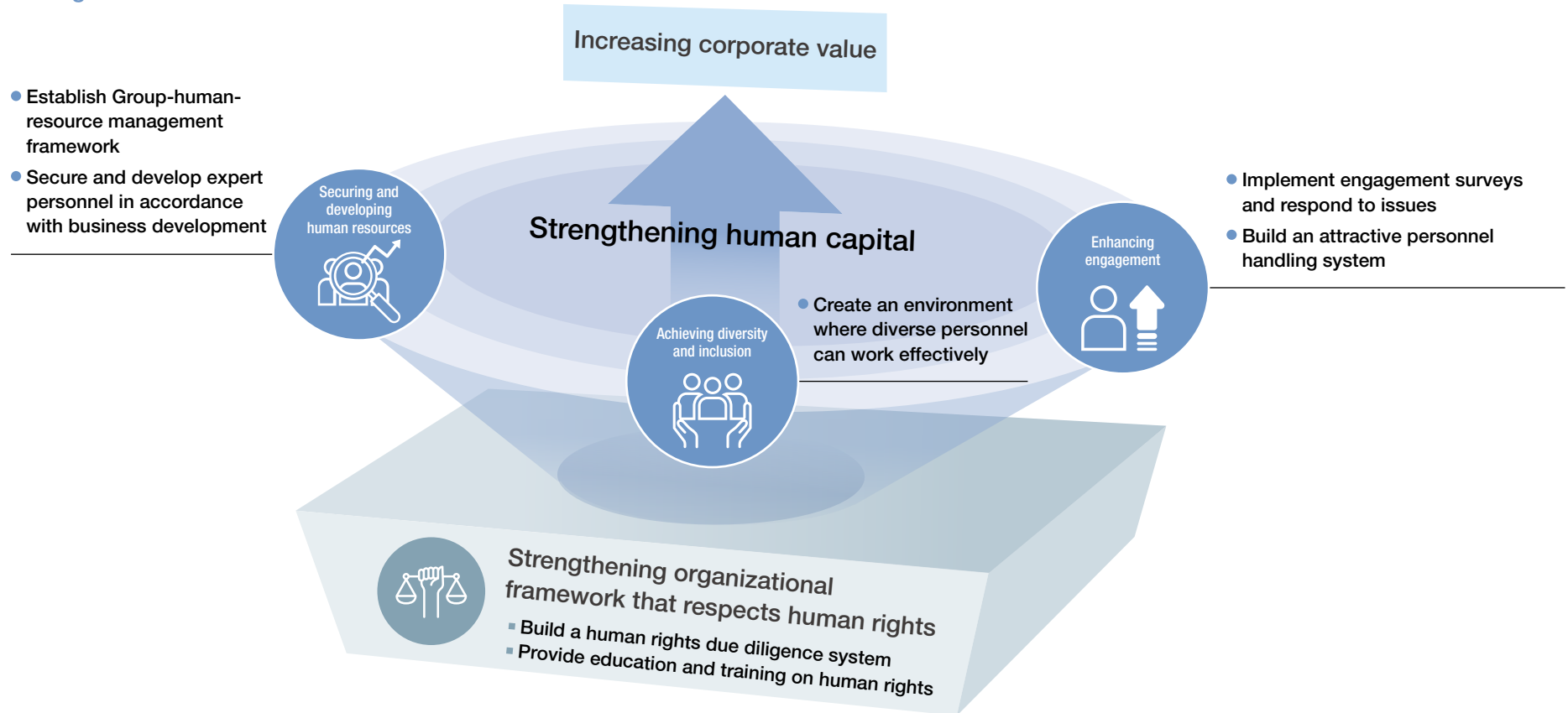
For details, see our website:

Priority Topics and KPIs in the Daifuku Group Four-Year Business Plan for 2027

[www.daifuku.com/sustainability/assets/pdf/management/materiality/materiality\\_2027.pdf](http://www.daifuku.com/sustainability/assets/pdf/management/materiality/materiality_2027.pdf)



## CHRO Message



### Securing and developing human resources: Establish Group-human-resource management framework

The Group has achieved sustained growth by adopting systems and personnel management tailored to individual business units, taking their operating characteristics into consideration, under its past structure that has been based on global business units. Going forward, we need a system for increasing the mobility of staff between business units and for efficiently sharing and expanding our in-house know-how for the purpose of creating innovation in response to rapidly changing business conditions. We seek to build foundations

for managing staff members in the whole Group from a more Group-wide perspective.

First, we specify key positions that will support the Company in the future. We determine the requirements of people holding these positions. Then, we will systematically promote successors who possess the appropriate competence. It is important to systematically train successors for CEO and other executive positions. However, we will not only train future officers but also specify key positions from among division managers and other executive positions at the Group level

and systematically train successors with an eye to the future. In fiscal 2024, we established the Human Resources Committee. Discussions are held with human resources committees at the Group level and in separate business units to understand and train staff members for key positions. We will secure candidates for successors across the Group.

The 2027 Plan determined the ratio of sufficiency of the number of prospective successors to key positions as a KPI regarding this priority topic. It set a target ratio of 100% by fiscal 2027. The ratio was 68% for fiscal 2023. We will execute the plan with

## CHRO Message

an eye to the future beyond this target year. We will visualize the experience and skills of staff members in the Group to assign the right people to the right positions across the Group.

### Securing and developing human resources:

#### Develop a pool of human resources

In view of the future, it is particularly important to secure and train personnel who excel in advanced technologies and data sciences. Under the 2027 Plan, we will improve training on AI, DX, and other areas for different job positions in the Group and will consider new programs and measures for human resources holding advanced specialist skills. In closer collaboration with the human resources unit and with the Chief Technology Officer, the Chief Production Officer, and the Chief Information Officer, we will clarify what kind of human resources will support medium- and long-term growth. We will then devise and adopt strategies for securing and training such human resources.

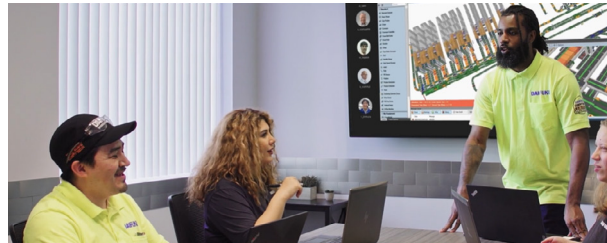
#### Achieving diversity and inclusion

Under the 2027 Plan, we will continue creating an environment where diverse personnel can work effectively. To increase the number and ratio of female managers, we will bolster our program aimed at fostering prospective female managers, including those for the position of assistant managers who will be candidates for managers. We will also support career building. In doing so, we aim to increase the number of female managers to the current figure of 41 to 60 in the final year of the 2027 Plan, and also to raise the ratio from 5.3% to 7.6%.

When we have staff with diverse values, experience, and ideas in the organization, we anticipate the creation of innovation, which leads to the sustained growth of the Group. When it comes to diversity, however, the situation varies from country

to country. In Japan, for example, companies are required to encourage all personnel to play active roles. Accordingly, we are improving our work environment to support their career and raise job satisfaction. Over the medium and long term, we will deploy personnel with diverse values and backgrounds.

In addition, we are actively hiring non-Japanese nationals. We recruit them directly from leading overseas institutes of technology. Over the three-year period, we hired 22 staff members, or 31 if those studying in Japan are included, from India, Thailand, Malaysia, Indonesia, Vietnam, and other countries. We will continue to improve workplace environments so we can secure competent engineering personnel irrespective of gender or nationality.



#### Enhancing employee engagement


Our long-term vision and the 2027 Plan have defined enhancing employee engagement as a new priority topic. We set a target of attaining a ratio of positive responses in Japan of more than 60%, which has been made a KPI, and attaining an overseas score equivalent to or higher than the average of national scores. We will expand the subjects of the survey in the period of the 2027 Plan to ensure that the survey is truly global in scale. The purposes of the engagement surveys are to clarify the current status in the organization, to identify issues, and to implement remedial measures. It is also

essential to understand differences between countries and regions and to discover issues that need to be addressed for attaining future continuous growth. We will continue to make efforts across the Group to improve employee engagement in collaboration with global business units.

#### Strengthening organizational framework that respects human rights

We are working on risk management to identify, analyze, and assess the adverse impacts on human rights of the Group's overall business activities, including those in its supply chain. We aim to build and operate a mechanism for redressing, mitigating, and preventing such impacts and for constantly implementing human rights due diligence. Benefiting from the advice of outside experts, we identify latent risks and visit global subsidiaries and suppliers to conduct interviews (for impact assessments). We will continue to hold interviews and take other initiatives with parties in the supply chain, adopting appropriate and effective measures. In parallel with this, we have launched a project for building a grievance mechanism, or a system for handling complaints. We will also continue to provide education and training on human rights.

Page 67 Human Rights Due Diligence Initiatives

 For details, see our website: **Human Rights**  
[www.daifuku.com/sustainability/society/human-rights](http://www.daifuku.com/sustainability/society/human-rights)

# CTO Message



## Creating new value through Group-wide efforts to become a constantly innovative company

Takuya Gondoh

Managing Officer  
Chief Technology Officer  
Business Innovation Division Manager

The Daifuku Group has achieved growth with a catch up-type business model. In this model, we have offered products and solutions in response to market needs and requests from customers. However, if we are to achieve the goals set out in the long-term vision, we must create new value based on advanced technologies and new businesses that are not an extension of our conventional businesses. To speed up this value creation, as Chief Technology Officer I will create marketing functions for exploring growth areas and social issues across the entire Group, functions for searching for fields where our own technologies can be applied, and planning functions for developing technology strategies. I will also make investments and build foundations with an eye to creating innovation.

### Innovating business activities beyond the boundaries of business units

Traditionally, business units have developed products and systems in anticipation of where the market will be several years from now. I suspect that this has prevented them from focusing on cultivating the market and developing products and technologies from a long-term perspective. In fiscal 2023, we launched a Company-wide trans-unit project consisting of members selected from different business units and from the corporate one. It worked to identify issues to address businesses from a long-term perspective, enabling illumination of various issues with a Company-wide viewpoint.

#### Major issues identified in the project for fiscal 2023

- The adoption of medium- and long-term strategies for introducing advanced technologies to business
- A mechanism of sharing technological information and knowledge owned by individual business units across the Group
- Clarification of the process and criteria for selecting subjects for advanced technology development
- Cultivation and recruitment of personnel specializing in advanced technologies; DX, AI, and other areas

We have set up four subcommittees to conduct activities for solving the issues we have identified. These activities are namely, 1) strategy formulation, 2) AI development and

promotion, 3) personnel and processes, and 4) common platforms.

- 1) The subcommittee for strategy formulation introduced the idea of backcasting to the new four-year business plan that would begin in fiscal 2024, imagining what society will be like 10—20 years from now to determine what technologies we should begin researching and developing. It will work on development with an eye to the future as it seeks to improve the technological level and competitiveness of the Group.
- 2) The subcommittee for AI development and promotion focuses its development on three subjects of search for similar failure information, a manual in the form of a chatbot, and the digitalization of inspection, all of which use AI. At the beginning of fiscal 2024, the introduction to other business units started. With a view to creating an AI platform for the Group, it is proceeding with development, taking into consideration its introduction to individual business units at an early stage.
- 3) The subcommittee for personnel and processes reorganizes the skill map of our technology personnel and identifies where Daifuku is lacking personnel. The map is used to achieve high efficiency and high-speed progress of development projects and other internal projects through appropriate staff

## CTO Message

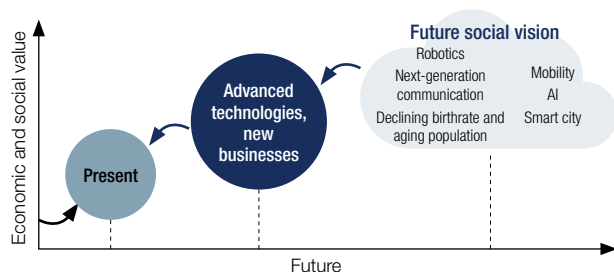
assignment, as well as for hiring personnel with expertise. It strives to establish processes not only for product development but for technology search and to build a system that will open up the possibility of new initiatives in the future.

- 4) The subcommittee for common platforms identified information that should be shared across the Company in two areas. The first is financial information that is considered requisite to management decision-making. The second is project information, which is considered to apply leverage to business operation. It continues studying ways to retrieve the necessary data from the existing database and establish links in the technological aspect.

### Seeking to expand business domains across the Group

In the short term, such as six months or a year, initiatives like these may produce no tangible achievements. To increase the Group's competitiveness and achieve sustained growth, we must accompany our conventional business activities with new initiatives. We launched a cross-unit organization, the Business Innovation Division, under the direct control of the president. It plays a central role in continuing efforts for developing advanced technologies and new businesses to achieve business transformation and create new value.

In speculating how society and life in 2030 and beyond will be different and what impact this will have on our business



activities, we identified four issues: promotion of advanced technology development, creation of new businesses, support for the future-orientation of our business, and the development of DX and AI personnel.

To promote advanced technology development, we will research and develop technologies that were difficult for individual business units to work on and that are expected to be commercialized in five to ten years. They include the use of quantum computers. We will thus aim to support future business activities. In addition, we will move ahead with open innovation in view of possible collaboration with start-ups and universities to build up the technological capabilities that will drive our medium- and long-term growth.

For the creation of new businesses, we will address it from a perspective of the Sustainable Development Goals (SDGs), which will lead to greater corporate value. We will also forecast future trends and seek to enter markets with growth potential. Some past projects were discontinued before commercialization due to inadequate consideration and discussions. We will establish a consideration process and evaluation criteria and take a multifaceted approach, including collaboration and technology partnerships with other companies.

To support the future-orientation of our business, we will adopt organic strategies for using internal resources such as personnel, products, and services. We will also pursue inorganic strategies that utilize outside resources through M&A and other deals. We will thus strive for business growth on a Group-wide scale.

To develop DX and AI personnel, we need to improve our staff's DX and AI literacy. This is essential for the transformation of our products, systems, and internal operations. From November

2023 onward, our e-learning on DX and AI, which used to be given to officers and managers, is now given to all employees. By making this change at an early stage, we will aim to improve their literacy. In addition, we launched a course for developing data scientists (D-Adapt\*) at Shiga Works. This was followed by the launch of the same course at Tokyo Head Office. Speed and flexibility are vital to our provision of new value and establishment of competitive superiority. We will develop employees familiar with our businesses and operators into specialists in the hope that it will lead to swift operational reforms. We will implement the development course at all our facilities in Japan and overseas, aiming to increase DX and AI personnel to 10% of our employees.

The Group's activities for developing advanced technologies and creating new businesses are important in the sense of branding. As Chief Technology Officer, I will endeavor to provide information to external stakeholders to gain recognition of our initiatives to help accomplish our long-term vision.

\* D-Adapt: Daifuku AI & Data science Advanced Pursuit Training  
The course was given this name to express that it aims to train AI personnel that adapt to the latest technologies.

### Changing our mindset and establishing competitive superiority

Social demand for a reduction in our environmental impacts and for consideration of human rights will continue to increase in the future. Individual business units are working to respond to this demand, in addition to making efforts to enhance quality and to add new functions. Mindset reform is important to the further growth of the Group over the medium and long terms. We will imagine what a future society will be like to visualize the social issues that we should tackle. We will discuss and address what we must change and what we should make stronger than today. We will thus enhance our competitive superiority with a view to realizing our vision.



# CPO/CIO Message



## Adding robust strength to Daifuku through visualization using digital technologies

Yasuhisa Mishina

Senior Managing Officer  
 Chief Production Officer  
 Chief Information Officer  
 General Manager of Shiga Works  
 Production Innovation Division Manager  
 DX Division Manager

The Daifuku Group has announced its 2030 vision of reaching consolidated sales of 1 trillion yen and an operating margin of 12.5%. This cannot be achieved without securing the human, financial, and other resources needed and increasing our earnings strength. As Chief Production Officer and Chief Information Officer, I will introduce AI and DX to carry out innovation of the Group's manufacturing innovation and operation process in a bid to enhance our productivity.

### Introducing cross-business production innovation to increase productivity

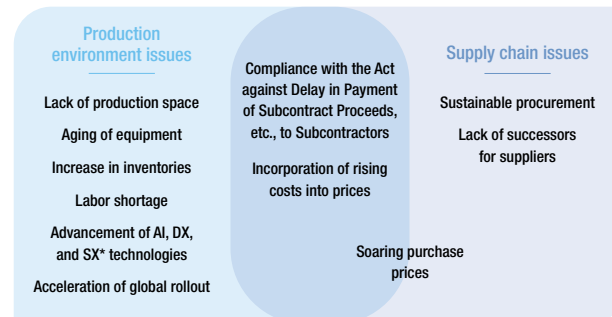
In fiscal 2023, we gathered staff from individual global business units to launch the Production Innovation Division. It was aimed at raising the productivity of the whole Shiga Works. Different risks related to manufacturing emerged in connection with sustainable procurement, inflation, and other factors. The division identifies problems with the production environment and with the supply chain and works to solve them.

For innovation in manufacturing, we have in the past 12 months created a system for automatically developing component processing programs from 3D data. In parallel with that, we carried out design innovation. Specifically, obstacles in design to downstream processes such as manufacturing and assembly were eliminated to increase productivity. Take component manufacturing, for example. In the process of changing the settings of processing machinery, jigs, and equipment, one

component used to require changes in seven processes. Now, it needs just one process. That leads to higher productivity. We also embarked on producing kits of components supplied to separate assembly processes. We now manage the components required on a process-by-process basis. That minimizes inventories and reduces the process of arranging necessary components. To further reduce costs, we will seek innovation in the design, tailoring it to equipment and processes.

Outside Japan, manufacturing comparable with that in Japan is perceived as an objective and the top priority is improving the processes to make them closer to those in Japan. We hold discussions with on-site staff for establishing an optimal production structure with a model of local production for local consumption while maintaining quality with the aim of increasing the ratio of in-house production. For example, we discuss whether or not there is any method of production using equipment installed locally and if consideration and comparison is made between outsourcing and the introduction of equipment.

We set up a dedicated unit acting as a point of contact in fiscal 2023. It serves to conduct risk management throughout the supply chain, to increase our corporate value and achieve sustained growth. We are working to build and develop a portal for digitally identifying and managing risks in the supply chain from extensive perspectives, including risks associated with human rights, the environment, and information security. We have already conducted a survey of our business partners on



\* Sustainability transformation

## CPO/CIO Message

this portal and will institute auditing and corrective measures based on the findings. This unit gathers procurement personnel from individual business units with the use of the internal personnel secondment program. It is working on visualizing the supply chain and the IT shift in addition to cross-business streamlining of the procuring operations.

In fiscal 2024, we established the Supply Chain Management Committee under the direct control of the Chief Production Officer with a view to ensuring strict compliance in production and procurement and carrying out sustainable procurement activities. Through collaboration between global business units and the corporate unit in a regular exchange of information and exchange of views with business partners, we will make our supply chain more appropriate and robust.

### Renovating our core plant, which remains in full operation, for the first time in 18 years to meet growing demand

Amid mounting needs for labor savings at plants and warehouses, Shiga Works has been increasing its production

significantly. Since the shift of production of automated warehouse systems from Komaki Works to Shiga Works in 2006, all it could do was to keep up with manufacturing needs. It used an external warehouse temporarily to catch up with the expansion in sales. For long-term business growth, Shiga Works has a plan to do five things: 1) expand the production space, 2) streamline storage and arrangement, 3) optimize the internal production ratio, 4) improve the workplace environment, and 5) increase the use of renewable energy. It is the largest renovation ever for this facility (see the table below).

### Innovating operational processes by increasing the use of digital tools

In Japan, partial optimization was repeatedly implemented during long-term operation. That results in legacy systems becoming complicated and incomprehensible, which in turn hampers global system linkage. We will optimize our systems using the latest digital technologies to achieve more efficient operations.

Many of the materials that are to be created on a monthly basis, such as financial statements, are created using Microsoft Excel. This application may also be used not only for its original purpose of spreadsheet calculation but for data storage and management, like database software. Given that we handle a large volume of data, such as big data in DX, we will introduce cloud and other digital tools appropriate to different operations.

Amid the intensified competition, it is essential that we further strengthen information security. The leakage of confidential information must be prevented. We will bolster the environment for protection from external attacks and for preventing internal leaks.

Apart from that, we consider introducing systems in collaboration with the financial unit to allow the management team in Japan to monitor profitability on a real-time basis. These systems are aimed at sophisticating project management on a global scale.

### Using advancing digital technologies to increase corporate value

Ongoing innovation in manufacturing makes it considerably different from the manufacturing we have done at Daifuku. I myself am really looking forward to it. We will first verify this new manufacturing and later introduce it to global subsidiaries.

We expect to see increasing public expectations of us in the future. To consistently meet these expectations, the entire Group, not limited to the individual business units but including the Corporate Functions, must further increase its productivity. We will accelerate the digitalization of production and administrative processes and aim to be a company that continually helps address social issues.

	2024	2025	2026	2027	2028	(CY)
1) Expand the production space	Increase the total floor area of factories by 40%					
	Construct a new additional factory for the Cleanroom business					
	Construct a new additional factory for the Intralogistics business					
	Renovate existing factories					
2) Streamline storage and arrangement	Introduce an automated warehouse for internal use to eliminate the use of external warehouses (to cut commissions), increase storage efficiency by a maximum of 40%, and increase arrangement efficiency by 30%					
3) Optimize the internal production ratio	Replace long-serving machine tools to eliminate the maintenance needed for aging equipment and open the way for converting skilled engineers' tacit knowledge into data given that mechanical performance is hugely improved					
4) Improve the workplace environment	Improve canteens and other welfare facilities and passageways on the premises of Shiga Works					
5) Increase the use of renewable energy	Add a photovoltaic system to increase output from 4.4 MW to 10.7 MW					

Chapter











# 02

# Growth Strategies

- 38 Market Environment  
and Growth Expectation for 2027
- 39 Our Business
- 40 Global Reach
- 41 Strategies by Business

# Market Environment and Growth Expectation for 2027

To achieve the targets in 2027, we set the direction of our businesses by considering the various changes in markets as opportunities for business growth.

Industry	Value Transformation 2023 sales CAGR*1	Market environment outlook	Growth expectation*3
 Automobile, auto parts	<b>0.6%</b>	<ul style="list-style-type: none"> <li>▪ Gradual increase in automobile production volume over the medium to long term</li> <li>▪ Continuous capital investment in line with the global xEV*2 shift</li> </ul>	
 Electronics	<b>14.1%</b>	<ul style="list-style-type: none"> <li>▪ Robust demand in the long term, even under the highly volatile semiconductor market</li> <li>▪ Increased demand for the construction of semiconductor factories in various countries</li> </ul>	
 Commerce, retail, transportation, warehousing	<b>7.4%</b>	<ul style="list-style-type: none"> <li>▪ Further streamlining of logistics in line with the growth of the B2C market</li> <li>▪ Accelerated investment in automation due to labor shortages, rising labor expenses, and the 2024 logistics problem in Japan</li> <li>▪ Changes in the supply chain caused by environmental impact consideration</li> </ul>	
 Airport	<b>16.8%</b>	<ul style="list-style-type: none"> <li>▪ Expansion in both the number and size of airports due to a continually increasing number of air passengers</li> <li>▪ Continuous automation and labor-saving needs due to labor shortages, as well as security upgrades</li> </ul>	
 Manufacturing and other	<b>4.9%</b>	<ul style="list-style-type: none"> <li>▪ Repatriation of manufacturing</li> <li>▪ Accelerated investment in automation due to labor shortages and rising labor expenses</li> </ul>	

\*1 Average annual growth rate of sales over the period of the previous three-year business plan, based on sales in fiscal 2020

\*2 General term for EVs including BEVs, HEVs, PHEVs, and FCEVs \*3 Estimated sales CAGR through fiscal 2027 based on sales in fiscal 2023

3% or below ☆  
 Over 3%, 7% or below ☆☆  
 Over 7% ☆☆☆



# Our Business

See our solutions: Daifuku Global Channel "D-Tube!"  
[www.youtube.com/user/DaifukuGlobalChannel](https://www.youtube.com/user/DaifukuGlobalChannel)

Intralogsitics	Cleanroom	Automotive	Airport	Auto Wash	Electronics
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Solution

<b>Intralogsitics</b> <a href="http://www.daifuku.com/solution/intralogsitics">www.daifuku.com/solution/intralogsitics</a>	<b>Cleanroom</b> <a href="http://www.daifuku.com/solution/cleanroom">www.daifuku.com/solution/cleanroom</a>  <b>Cleanroom Automation</b> <a href="http://www.daifuku.com/pro/cr">www.daifuku.com/pro/cr</a>	<b>Automotive</b> <a href="http://www.daifuku.com/solution/automotive">www.daifuku.com/solution/automotive</a>	<b>Airport</b> <a href="http://www.daifuku.com/solution/airport">www.daifuku.com/solution/airport</a>	<b>Car Wash Machines</b> <a href="http://www.daifuku.com/solution/carwash">www.daifuku.com/solution/carwash</a>	<b>Case Studies</b> <a href="http://www.contec.com/case-studies">www.contec.com/case-studies</a>

Outline of business

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

We provide cleanroom automated material handling systems that automate semiconductor production to users across the globe. We boast incredible technical prowess in the industry, and our unique technologies such as non-contact power supply and nitrogen purging have allowed manufacturers to miniaturize their semiconductors, enhancing the production of the world's most advanced digital products.

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

We provide end-to-end solutions, including self-service baggage check-in systems, baggage handling systems, airport terminal operating systems, and baggage screening systems across the globe. Our leading-edge solutions continue to revolutionize airport operations worldwide, enhancing the productivity, intelligence, accuracy, and passenger service levels of our partners.

Our car wash machines make the most of the techniques and quality that we have accumulated over the years as a manufacturer of material handling systems. From tunnel-type car washes for passenger vehicles to drive-through car washes, gate-type car washes, and large-vehicle washes for trucks, buses, and semi-trailers, we offer a wide variety of car wash machines and related products.

Mainly with our subsidiary Contec Co., Ltd., we manufacture and sell industrial computers, and IoT devices such as measuring/control and network-related products and provide solutions. Leveraging our core technologies cultivated in electronic devices for factory automation, which requires high reliability, we are expanding into various growth fields, such as environment and energy, medical care, and railway.

Industry

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Production (countries and regions)

Japan, U.S.A., Canada, China, India, South Korea, Taiwan, Thailand	Japan, China, South Korea, Taiwan	Japan, U.S.A., Canada, China, India, South Korea, Thailand	U.S.A., Canada, U.K., Malaysia	Japan, South Korea	Japan, U.S.A., Taiwan
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# Global Reach (As of April 1, 2024)

The Daifuku Group has sites in 24 countries and regions and offers solutions tailored to customer needs in a wide range of sectors. After positively working on business expansion outside Japan, including M&A, non-Japan sales have increased roughly threefold compared to a decade ago. We will continue to strive as a unified Group to expand sales and increase profitability.



### Group companies/branches

**67** companies  
(including the parent company)

**5** branches

**24** production sites  
(ISO-certified)



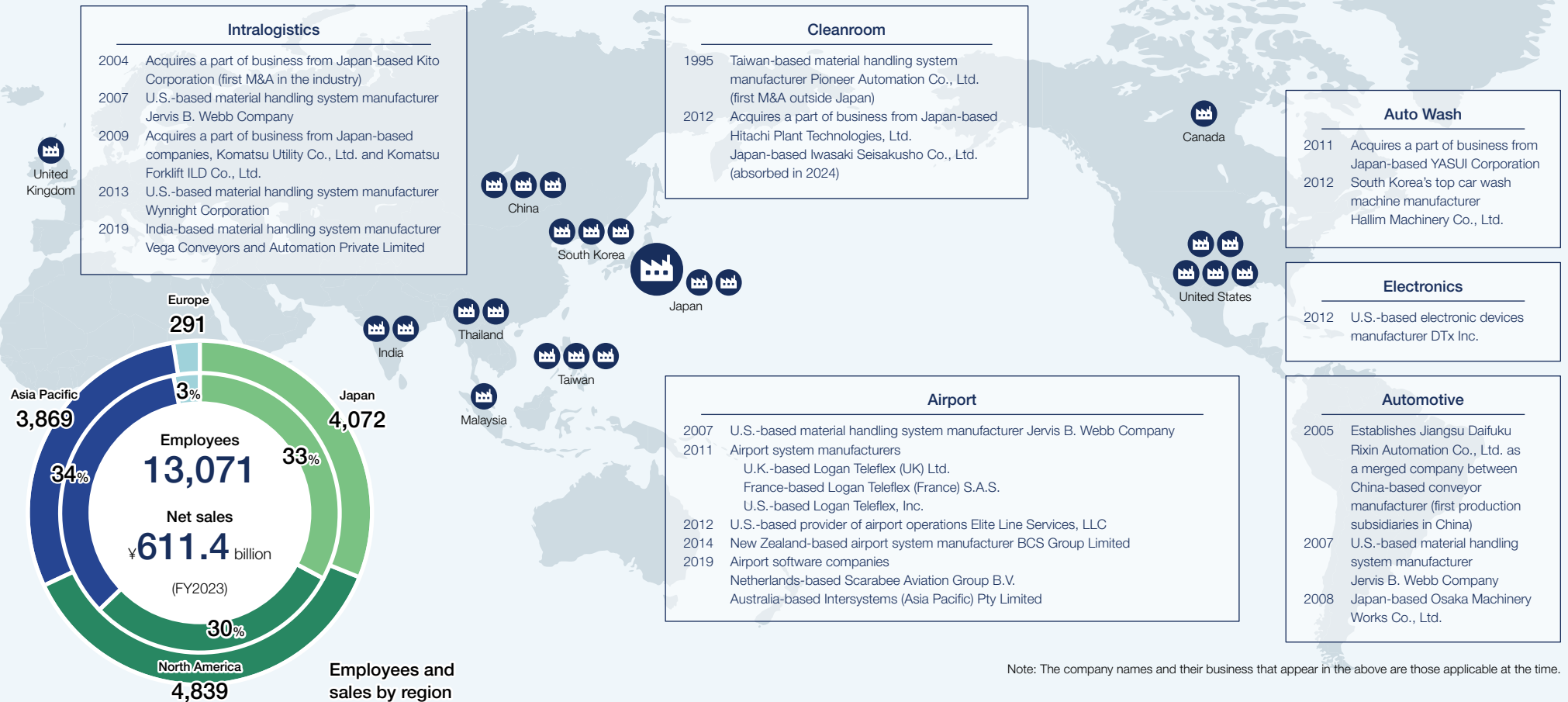
### Installation record

**54** countries

**67%** Non-Japan sales ratio

## Expanding business scope through M&A, with our optimal production and procurement framework to drive next-generation growth

Production sites



Note: The company names and their business that appear in the above are those applicable at the time.



## Strategies by Business Intralogistics

### Capturing changing trends to achieve further business expansion



**Hiroshi Nobuta**  
Director  
Managing Officer  
Intralogistics Global Business Head

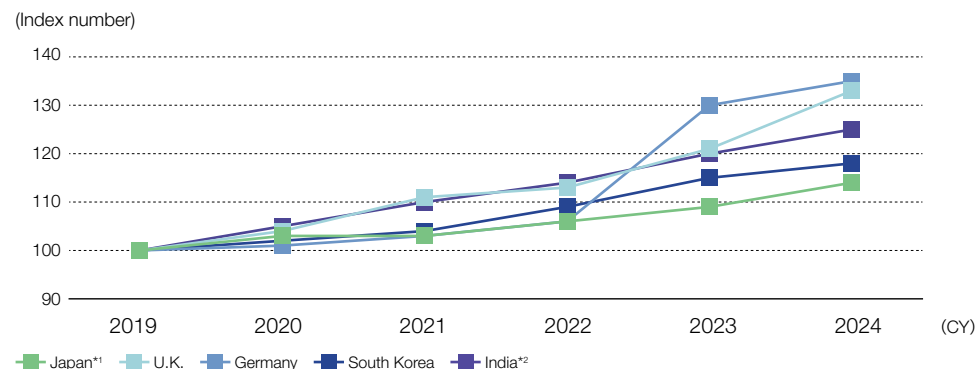
### Review of Value Transformation 2023

<b>Outcome</b>	<ul style="list-style-type: none"> <li>Expanded business by meeting fast-growing e-commerce demand</li> <li>Achieved sales growth and improved profitability in North America</li> <li>Set up sales offices and boosted sales capacity in markets with growth potential, including the launch of local production in India</li> <li>Strengthened the development structure by completing a new high-rise testing facility and developed products that meet diversifying customer needs</li> <li>Increased production efficiency by advancing project management in Japan and by introducing virtual verification of systems</li> </ul>
<b>Next challenges</b>	<ul style="list-style-type: none"> <li>Improving competitiveness in global markets</li> <li>Establishing a structure for local procurement and production</li> <li>Introducing state-of-the-art technologies to products and operations</li> </ul>

### Market environment envisioned by the four-year business plan for 2027

<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Increased needs for a shift to mechanization and automation amid labor shortage and rising wages</li> <li>Growth in demand for efficiency and flexibility based on effective use of DX and AI</li> <li>Expansion of material handling markets in India and ASEAN countries</li> </ul>
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### Changes in minimum wage



Source: Labor ministries and statistical bureaus of each country  
The graph was created by Daifuku.

Note: The ratio for each year is calculated based on the 2019 value.  
Values of each year are calculated based on the minimum wage amount as of January 1.

\*1 Weighted average of the minimum wage by region

\*2 Minimum wage for unskilled labors in the National Capital Territory of Delhi

<b>Risks</b>	<ul style="list-style-type: none"> <li>Intensified competition, more vigorous collaboration among existing and emerging manufacturers, increase in models that face competition, and globalization</li> <li>Rises in raw material prices and personnel expenses</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>An extensive lineup of products to offer comprehensive solutions</li> <li>A one-stop support structure covering consulting, design, production, installation, and maintenance</li> <li>The capacity to independently develop a wide range of products and internal production</li> </ul>



## Strategies by Business Intralogistics

### Business strategy in the four-year business plan for 2027

With a view to achieving the targets set in the four-year business plan for 2027 (hereinafter, “the 2027 Plan”), the Intralogistics business will continue to provide fully unstaffed solutions, cultivating new factory automation (FA) fields and seeking to establish next-generation businesses for the purpose of expanding the business. We will achieve innovation in productivity using state-of-the-art technologies to implement optimal production and procurement outside Japan while seeking to increase profitability.

#### Expanding business areas

- Provide complete automation solutions
- Identify new areas of FA
- Develop next-generation solutions using material handling technologies

Amid changes in social circumstances and markets, needs for material handling systems are constantly changing. In Japan, automation for reducing the workload of truck drivers is urgently required to deal with the 2024 logistics problem. In addition, there are growing needs for labor savings in many different countries amid the hike in personnel expenses. This means needs for automation of the picking process that has conventionally been performed by humans. In the logistics industry, cargo volume and characteristics may change in the future depending on prevailing trends. Consequently, needs are increasing for systems with limited fixed facilities. To meet these needs, we are working to develop automated picking systems and conveyorless transport systems. We will offer completely unstaffed solutions tailored to the changing times to achieve further expansion of the business.



XY picking robot

#### Improving profitability of the business globally

- Increase production capacity through factory expansion (North America, India)
- Expand variety of systems produced through capital investment (North America, Thailand, India)
- Improve profitability through project progress visualization



New factory exterior (India)

Amid recent hikes in personnel expenses and the expansion of material handling markets in India and ASEAN countries, there is mounting momentum for sales expansion in global markets. However, the percentage of non-Japan sales in this business is around 40% of total business sales. It is lower than in other businesses. Under the 2027 Plan, we will pursue initiatives for continuously increasing sales in Japan as well as overseas sales.

During the period of the 2027 Plan, we are planning to extend and enlarge plants in North America and India. We will not only increase the scale of production but also expand the lineup of products that will be locally and internally produced. We will construct a mechanism for extending the knowledge obtained in Japan globally. In addition, we will build a framework for sharing information about the whole business on a more real-time basis by visualizing projects and other aspects. We will offer rapid support from Japan to improve the worldwide profitability of the overall business.



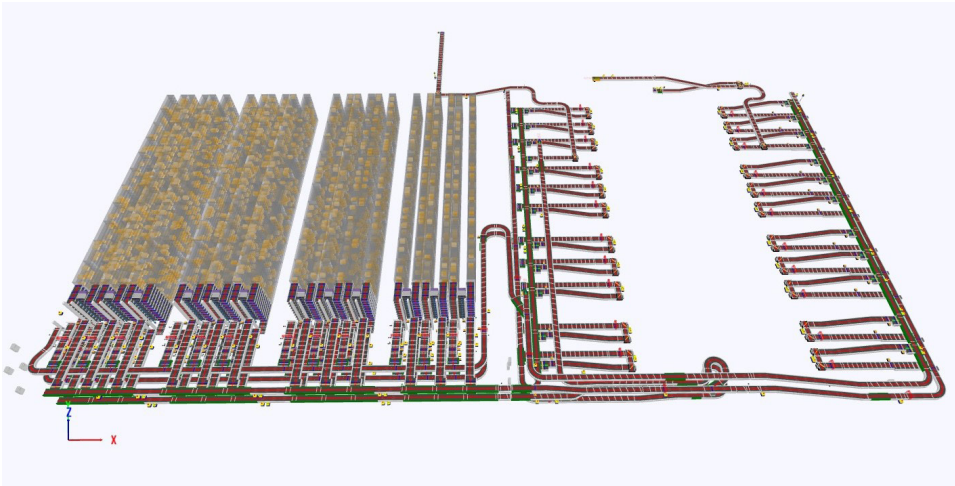


## Strategies by Business Intralogistics

### Innovating productivity using cutting-edge technologies

- Streamline business operations using AI
- Automate production processes by creating drawings from 3D layouts
- Increase product quality through virtual testing

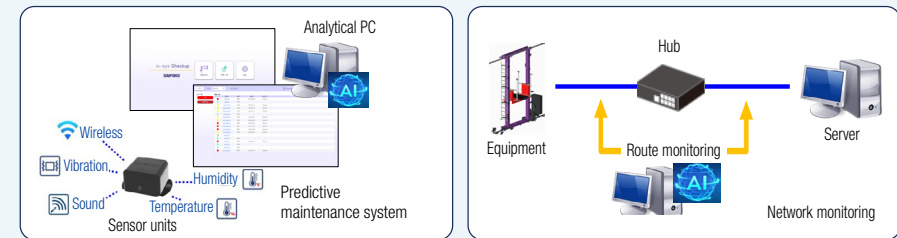
It is also necessary to continuously increase productivity on a global scale. In this business, we aim to raise the level of completion to the maximum possible at the stages of engineering, design, production, and shipment from the factory. Instead of bringing a system to completion by conducting tests on-site. In addition, we continue our efforts to build a system that never stops and that can be readily restored even if it does stop. We will introduce cutting-edge technologies to these efforts to further enhance production efficiency. For example, we convert the actual layout drawn up by a customer into a 3D format and introduce virtual verification. That will pave the way for various inspections prior to shipment from the factory. We will improve the level of completion before shipment and shorten the period for on-site coordination in an effort to improve production efficiency.



Virtual testing layout

### Pursuing quality from the customers' point of view

- Provide systems that do not stop and/or can be easily restored
- Use cutting-edge technologies for equipment monitoring
- Realize stable operations by enhancing after-sales services including predictive and preventive measures



We will seek to enhance not only quality at the time of delivery but also quality after the customer's operation. We will introduce state-of-the-art technologies to monitoring of the system operation status, preventive maintenance services, and other operation support services. We will increase service options and improve the level of prediction, prevention, and other services to support stable operation after delivery.

### Capturing changing trends to achieve further business expansion

This business has achieved massive growth mainly in Japan by meeting the needs of customers at different times. We did this in step with Japan's economic growth and amid market changes. However, we will be unable to continue growing in the future without entering into new fields, expanding overseas sales, and improving profitability. We will develop products and seek quality that will meet new needs. With an eye to further development in global markets, we will carry out different measures for the whole business.



## Strategies by Business Cleanroom

### Accepting changes positively and addressing them proactively



**Tomoaki Terai**  
 Director  
 Managing Officer  
 Cleanroom Global Business Head  
 Cleanroom Division Manager

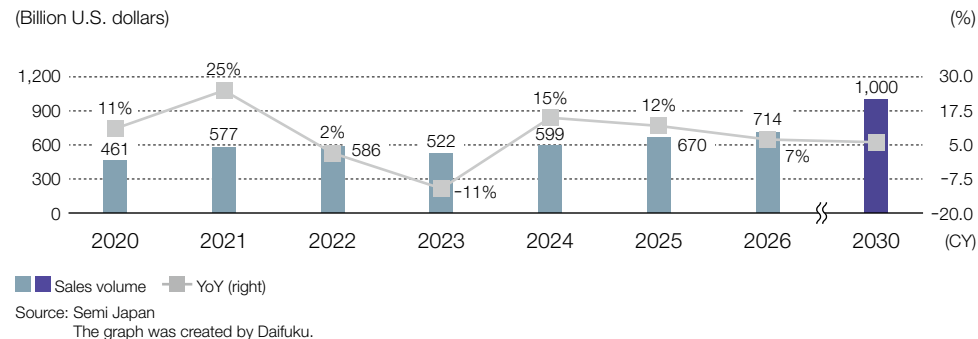
### Review of Value Transformation 2023

<b>Outcome</b>	<ul style="list-style-type: none"> <li>Won new customers seeking systems for legacy semiconductors and for back-end process of semiconductor manufacturing</li> <li>Improved productivity and cut costs by reducing the number of components, transferring technologies and production to subsidiaries outside Japan, and advancing project management systems</li> <li>Created test lines and showrooms at facilities in China and the United States to provide opportunities for customers to view actual machines</li> <li>Developed high efficiency AI-assisted transport systems</li> </ul>
<b>Next challenges</b>	<ul style="list-style-type: none"> <li>Accelerating development using cutting-edge technologies</li> <li>Expanding the service and maintenance business</li> <li>Recruiting personnel capable of working globally and adapting to business expansion</li> </ul>

### Market environment envisioned by the four-year business plan for 2027

<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Medium- and long-term rise in semiconductor demand amid progress of generative AI, autonomous driving, and other digitalization</li> <li>Trend toward the domestic production of semiconductors based on the economic security policies of the United States, South Korea, Japan, India, China, and other countries in Europe</li> <li>Government support through subsidies for achieving a stable supply of semiconductors</li> <li>Growing demand for automation in the back-end process of laminated semiconductor manufacturing</li> </ul>
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### Semiconductor industry market outlook



<b>Risks</b>	<ul style="list-style-type: none"> <li>Drastic policy changes of different national governments</li> <li>High polarity in equipment demand in the semiconductor demand cycle</li> <li>Rises in raw material and labor expenses</li> <li>Rise of emerging competitors in China and South Korea</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>High-efficiency overhead transport operation control with the use of AI</li> <li>High reliability with 24/7 operation</li> <li>Technological capabilities to construct a large-scale transport system linking several "GigaFab" facilities</li> <li>A global structure with production facilities in major countries and regions</li> </ul>



## Strategies by Business Cleanroom

### Business strategy in the four-year business plan for 2027

With a view to fulfilling the targets set in the four-year business plan for 2027 (hereinafter, “the 2027 Plan”), the Cleanroom business will develop systems that incorporate state-of-the-art technologies as it seeks to expand the market and move into new areas. It will aim to evolve continually, to constantly enhance the production efficiency of semiconductor plants.

#### Creating value for customers

- Optimize maintenance through dynamic and static analyses
- Reduce power consumption by energy-saving and operational control

Semiconductor factories are enormous consumers of electric power. Customers in this business regard reducing power consumption in semiconductor factory operations as an urgent issue. High-efficiency transporting software with the use of AI calculated prediction data from machine-learned operation data controls the vehicle running on the overhead transport line. It eliminates the sudden starts and stops that would result in high power consumption to achieve energy conservation. With the development of equipment using these cutting-edge technologies, we will make systems higher value-added and support sustainability.

This business has plenty of assets to deliver but fails to earn service sales. Given that systems delivered to customers are in 24/7 operation, we receive requests for maintenance at times when customers' load is low. We do not have enough personnel to provide the service at times convenient to customers and it is also difficult to secure such personnel. We are working to automate the processes of replacing wheels and batteries of vehicles with the use of robots as we look to win more orders. We will also strive to increase service options such as replacing parts and conducting overhauls and will offer proposals on conditioning based on the introduction of AI-based preventive maintenance systems to establish sources of revenues.

#### Improving profitability

- Improve profitability through production sophistication and visualization of productivity
- Make effective use of our four global production sites (Japan, China, South Korea, Taiwan)
- Strengthen production capacity by building a new facility within Shiga Works

To capture fast-growing demand for semiconductors for generative AI and autonomous driving, among other needs, we commenced construction of a new factory at Shiga Works, our core plant. We will integrate the functions dispersed across the premises into this new factory. We will extend the cleanroom to boost production capacity. In addition, we will work diligently on automating engineering and design. We have yet to begin this, and there are still some operations that have yet to be digitalized. During the period of the 2027 Plan, we aspire to make all processes from design to procurement of parts automated for standard products. We will increase productivity and operational efficiency and reduce the lead time for establishing a competitive advantage.



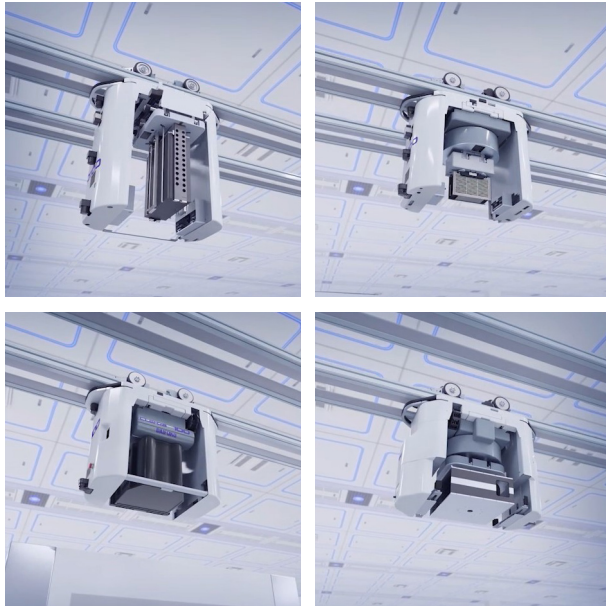
New facility within Shiga Works (rendering)



## Strategies by Business Cleanroom

### Deepening existing business; expanding into new areas and developing next-generation solutions

- Enter an emerging market
- Contribute to resolving social issues using non-contact power supply technology
- Provide transport systems optimized for the increasingly complex back-end process of semiconductor packaging technology
- Develop highly efficient and high-capability software that incorporates AI and other cutting-edge technologies to maximize the capabilities of overhead transport vehicles



Automated material handling system for semiconductor factory back-end processes

India is making nationwide efforts to cultivate its semiconductor industry. Europe is a region where we have yet to operate. In these areas, we will put our products on display at exhibitions to make the Daifuku brand known and cultivate these markets. We offer AGVs, which are indispensable to automation in factories and in logistics centers. We also offer the D-PAD system, which automatically and wirelessly charges batteries mounted on autonomous mobile robots. Wireless power feeding is essential for cleanroom systems. Given its expertise with this technology, the Cleanroom business has been developing D-PAD. Contact charging systems that use plugs, etc., have such a high risk of causing sparks that they cannot be used outdoors. D-PAD is completely hermetic, offering outstanding waterproof and dustproof properties. It helps solve issues associated with advances in existing domains and enables us to move into new areas and next-generation businesses. We will work to develop smaller, lighter models that will be mountable on drones so that we can move into new fields.



D-PAD mounted on an AGV

### Accepting changes positively and addressing them proactively

The semiconductor market is highly volatile and has been experiencing dramatic fluctuations in recent years. If we slow down sales and development activities when the market falls, we may be unable to fully respond to a sudden resurgence of the market. Accordingly, instead of being swayed by short-term fluctuations in the market, we focus on our long-term vision and make ourselves more flexible so that we can respond to rapid change. In so doing, we will aim to establish a business that will be proactive in taking on new initiatives.





**Strategies by Business**  
**Automotive**

**Expanding our business with proposals and services tailored to customer needs**



**Akihiko Nishimura**  
Managing Officer  
Deputy Automotive and Airport Global Business Head  
Automotive Division Manager

**Review of Value Transformation 2023**

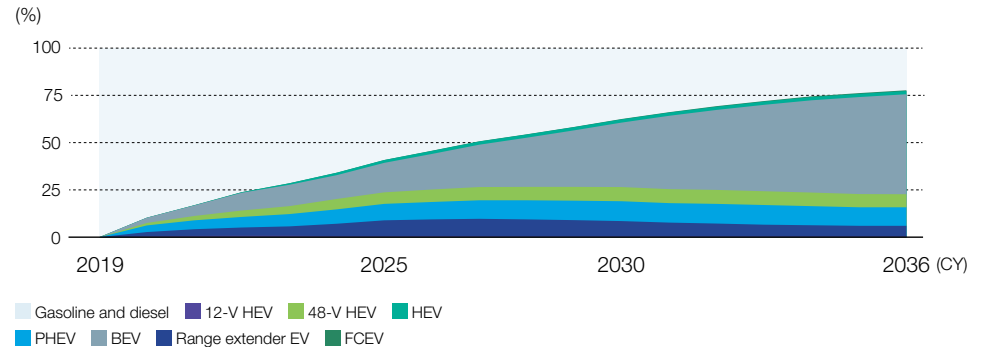
<b>Outcome</b>	<ul style="list-style-type: none"> <li>Launched a project promotion unit to strengthen the management system for large projects</li> <li>Shifted to common parts and standardize products</li> <li>Increased information exchange between production sites to level the load and to coordinate the level of operations to secure revenue</li> <li>Expanded business domains by offering engineering solutions</li> </ul>
<b>Next challenges</b>	<ul style="list-style-type: none"> <li>Developing personnel for project managers and securing global staff</li> <li>Expanding the service business outside Japan</li> <li>Standardizing all systems</li> <li>Responding to changing needs</li> </ul>

**Market environment envisioned by the four-year business plan for 2027**

<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Economic growth and population increase in India, ASEAN countries, and elsewhere</li> <li>Demand growth for xEVs (a generic term for BEVs, HEVs, PHEVs, FCEVs*, and other electric vehicles)</li> <li>Eased constraints on the supply of automotive semiconductors</li> </ul>
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\* BEV: Battery-powered electric vehicle    PHEV: Plug-in hybrid electric vehicle  
HEV: Hybrid electric vehicle                    FCEV: Fuel cell electric vehicle

**Projection on ratios to global passenger vehicle sales by power train type**



Source: Cited from projection data as of June 2024 (to be updated every half year) created by MarkLines on the basis of GlobalData's sales volume forecast data

<b>Risks</b>	<ul style="list-style-type: none"> <li>Downsizing of the overall system when the system configuration converges into the electric vehicle (EV)</li> <li>Lowering of entry barriers for emerging equipment manufacturers following the simplification of systems</li> <li>Geopolitical changes in market conditions</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Business structure with business offices and production sites in separate countries for closely serving customers</li> <li>High reliability built on the basis of a proven delivery track record</li> <li>A product lineup that covers not only automobile production line applications but also the domain of in-house logistics that requires automation</li> </ul>



## Strategies by Business Automotive

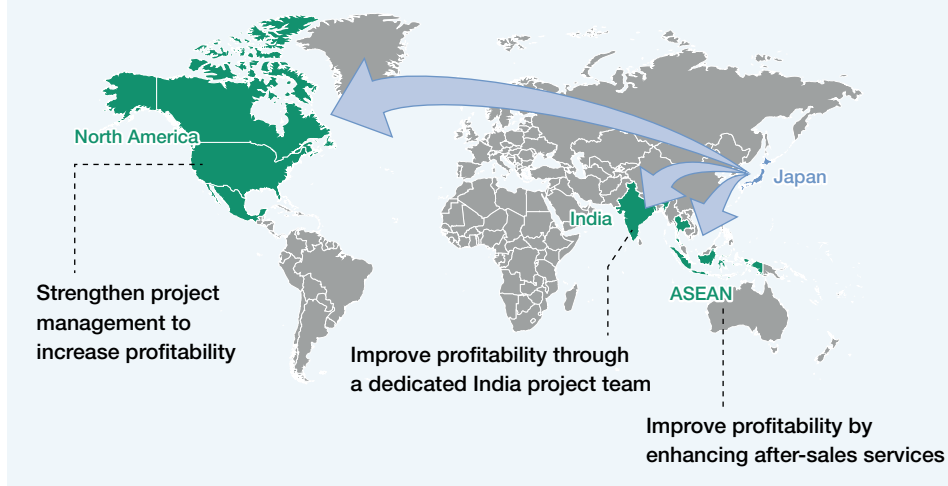
### Business strategy in the four-year business plan for 2027

The Automotive business provides next-generation automation systems with a view to creating a sustainable mobility society. We offer automation systems that meet wide-ranging needs in the fast-changing global mobility market, with the aim of creating new value and meeting the targets set in the four-year business plan for 2027.

#### Expanding orders globally

- North America: Increase orders for xEV factories
- ASEAN: Expand service business
- China, South Korea: Stabilize order amount and profitability
- India: Increase orders for new factories

#### Proactively allocating business resources to growth areas



Under the slogan of departing from gasoline- and diesel-powered vehicles, European and Chinese automakers among others are accelerating their shift to BEVs with each passing year with a view to building a decarbonized society. Meanwhile, BEVs' drawbacks in driving range, charging duration, and prices are highlighted and HEVs have become the trend in winter and in cold regions. Today's mobility market is changing rapidly. However, we assume that the shift to BEVs will be inevitable in the long run. While capturing current demand for the remodeling and renovation of production lines for manufacturing HEVs, we will respond to needs for the shift to next-generation vehicles.

For Japanese automakers, a project for remodeling existing lines with an eye toward the future introduction of EVs has begun in earnest. At present, it is centered on mixed production of gasoline-powered and hybrid vehicles. Given that it will be necessary to modify existing car production lines to support larger vehicle weights and to reorganize the production processes, we expect to receive a larger number of orders.

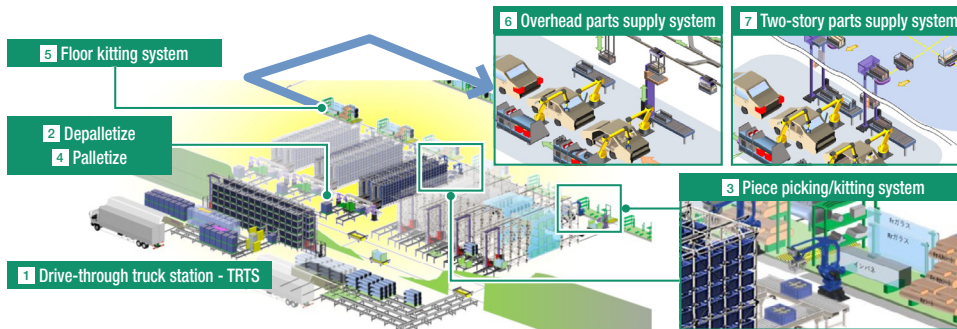
India is the world's most populous country and its economy, with the fifth largest GDP, continues to grow. In this country, domestic sales quantity of vehicles is rising in line with growth in personal income. To benefit from the market growth, automakers in different countries announced the construction of new factories. In this business, we launched a department dedicated to India to establish it as one of our growth drivers. We are considering business strategies aimed at cultivating local partners or possibly seeking M&A and at expanding demand for services in the future.



## Strategies by Business Automotive

### Evolving existing businesses and expanding into new areas

- Develop conveyor systems and automation equipment tailored to next-generation automobile manufacturing
- Increase orders of in-house logistics and parts supply line systems
- Implement a modal shift in transportation and identify new business areas including environmental projects



In-house logistics flow

Japan is more and more likely to face a working population shortfall in 2030 given its aging population and the declining birthrate. This means that automobile factories, like other manufacturing plants, will need to automate their production lines and to reduce labor. We will capitalize on our extensive lineup, including flexible AGVs, to unfailingly capture latent needs. We will proactively offer new systems such as those for next-generation assembly lines that include collaboration robots.

In the area of in-house logistics, where a large number of people are employed at assembly shops, we can offer new solutions to customers by drawing from our extensive lineup of material handling products. In addition, we will work with the Intralogistics business to create new value by, for example, expanding parts storage and transport systems.

This business has developed and deals in TRTS (pronounced “tortoise”). Designed exclusively for use with wing body trucks that are often used in Japan’s automotive parts industry, it is a system for automatically loading and unloading objects from the side panel of the truck. This makes forklift operations unnecessary and significantly shortens unloading time, thereby reducing truck standby time at unloading



TRTS

stations as well. This automation of unloading from trucks is a unique solution. We will continue research and development as we seek to evolve this into a solution that will address the labor shortage and other social issues, so that it will be introduced by a large number of customers.

### Expanding our business with proposals and services tailored to customer needs

With regard to automobile production line systems, we have long collected and analyzed data through regular inspections and modification work even after deliveries and have provided customers with high-value-added services on the basis of their needs. Since we have worked to improve customer satisfaction and to build trust with customers, we can understand their latent true needs and issues. To increase our market share in India going forward, we will start by building closer relationships with local customers in the ASEAN region, where there is room for an improvement in relationships. In so doing, we will build up our know-how. We will offer solutions that increase the value provided for customers as well as the value of this business with a view to enlarging its business domains.



**Strategies by Business**  
**Airport**

**Leveraging the strength of each Group company in a bid for global growth**



**Takaya Uemoto**  
Managing Officer  
Automotive and Airport Global Business Head  
Airport Division Manager

**Review of Value Transformation 2023**

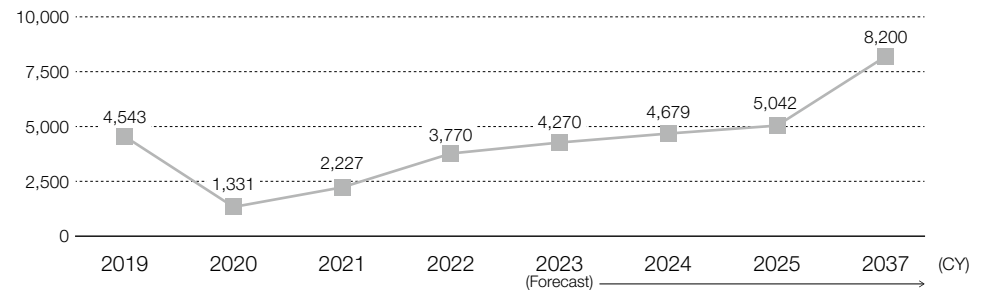
<b>Outcome</b>	<ul style="list-style-type: none"> <li>Accelerated the shift to internal production on a global scale by putting a new U.S. plant into operation, among other initiatives</li> <li>Increased production efficiency through product standardization</li> <li>Improved the level of completion of products by making pre-shipment inspection with a witness compulsory</li> <li>Reviewed the management system for global subsidiaries</li> </ul>
<b>Next challenges</b>	<ul style="list-style-type: none"> <li>Enhancing the project management system</li> <li>Reconstructing the business foundations on a global scale</li> <li>Expanding the service business</li> </ul>

**Market environment envisioned by the four-year business plan for 2027**

<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Increase and extension of airports after continuous growth in air passengers</li> <li>Demand for facility replacement and streamlining at airports for which the timing of replacement is approaching, mainly in North America and Asia</li> <li>Mounting needs for automation and labor savings amid the labor shortage</li> <li>Growing demand for tighter security</li> </ul>
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**Long-term forecast of the number of global air travelers**

(Million people)



Source: International Air Transport Association (as of 2022)

<b>Risks</b>	<ul style="list-style-type: none"> <li>Delays in installations in long-term projects and rises in raw material and labor expenses</li> <li>Restrictions on movement due to rapid changes in international circumstances</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Provision of comprehensive solutions that cover all aspects of the airport</li> <li>Extensive product lineup</li> <li>Independent development of digital products</li> <li>Sales and production bases in the North American market</li> </ul>





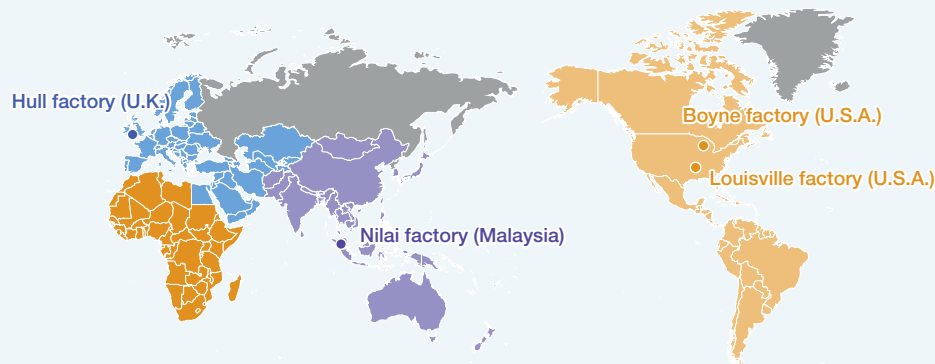
## Strategies by Business Airport

### Business strategy in the four-year business plan for 2027

With a view to fulfilling the targets set in the four-year business plan (hereinafter, “the 2027 Plan”), the Airport business will continue its efforts to expand its business in North America and to establish business foundations in the Asia and Europe regions where demand is expected to expand. We will also work to introduce new technologies in the area of transport and to cultivate demand in the area of digital technologies for airport facilities.

#### Improving global profitability

- Enhance production sites in North America (two locations), United Kingdom, and Malaysia
- Consolidate production lineups at each factory and further promote cutting of costs
- Standardize product designs and centralize global procurement



In 2024, the number of global air passengers returned to the 2019 pre-pandemic level, and it is expected to continue to rise in the future. At the same time, demand is rising for facility replacement and streamlining at airports for which the timing of replacement is coming, mainly in North America and Asia, as is demand for shifting to smart systems for airport operation to address labor shortages and for tighter security. We are sure to achieve continued business expansion by capturing this demand.

We will unflinchingly acquire replacement and extension projects in the North American region as a pillar of the business to build a footing for business expansion. In the period of the 2027 Plan, we will work to expand our sales regions in preparation for future growth. We will bolster ties among Group companies and boost sales in Europe and Asia. In Europe, Daifuku Logan Ltd. and Scarabee Aviation Group B.V., based in the United Kingdom and in the Netherlands, respectively, will play central roles. In Asia, the number of air passengers is expected to surge hugely. In Japan, with government support, airport extension and capacity enhancement projects are expected to increase. We will accurately understand the market trends and seek to win projects.

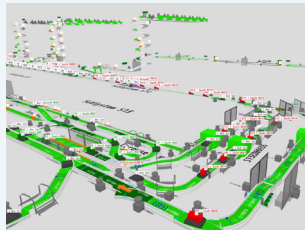
We will make steady efforts to boost productivity and to cut costs at plants for achieving higher production capacity and higher profitability. In the period of the previous three-year business plan Value Transformation 2023, we conducted activities for increasing productivity at the timing of the inauguration of the new plant in North America. They include the introduction of private AGVs for inter-process transport. For the period of the 2027 Plan, we will accelerate these actions. We will actively replace aged facilities and introduce equipment for increasing the internal production ratio. In addition, we will accelerate standardization of design and implement centralized purchasing to establish a globally optimal production and procurement system.



## Strategies by Business Airport

### Strengthening development and sales of digital systems

- Further develop and expand sales of airport operating management systems (AOS)
- Expand sales of high-level 3D-visualization control software (Sym3)
- Expand sales of security lanes in North America, Europe, and Asia by extending product model lineup
- Expand sales of self-service bag drops through enhancing biometric authentication functions and increasing number of models



Sym3



Security lane



Self-service bag drop

To offer more value-added proposals, we will work to bolster development and sales capacity in the digital area. This business deals with software products including AOS equipped with a wide variety of functions related to airport operation including airport business management, airport terminal operation management, and big data analysis; and the Sym3, a software product for 3D-visualization. We will promote these products and carry out further development activities to broaden our lineup of products with the aim of being a one-stop provider of products and solutions essential to the whole airport. We will also carry out product development that gives consideration to the balance between functions and prices in view of the levels of customers' requests that vary depending on the country, region, or market. For example, we will work to develop products that meet needs for smart operation and enhanced security, such as automatic baggage check-in systems with facial biometric authentication.

### Providing added value to customers

- Expand capabilities and take measures against aging in airports
- Offer systems that do not stop and can be rapidly restored
- Provide maintenance services to ensure stable operation of systems
- Develop and supply labor-saving systems to address labor shortages

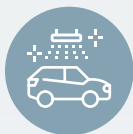
Airports are part of the infrastructure indispensable to the economy and social life. It is very important that systems there never stop and that they can be quickly restored should any trouble occur. Currently, the Daifuku Group provides maintenance services for at least 50 airports around the world. With a view to further expansion in the future, we will strengthen our structure for supporting stable operation after delivery through maintenance services, taking into account the possibility of launching service stations in regions where demand of a certain level or higher is anticipated.

### Leveraging the strength of each Group company in a bid for global growth

Amid a growing appetite in the market for investment, we must build a system that unflinchingly generates earnings in parallel with sales expansion, if we are to meet the targets in the 2027 Plan. This business is operated chiefly by companies that joined the Group through M&A. They differ in terms of the product models in which they excel as well as in their strengths.

Meanwhile, airport-related projects in which this business is involved have long installation periods, and they require rigid project management. For fiscal 2023, we posted a loss as we failed to predict the rapid rise in raw material and labor expenses and therefore to take proper actions in certain projects we had received in the past. We will strengthen our Group governance and project management in order to prevent recurrence and to unflinchingly generate profits from opportunities for growth.

We will leverage the advantages held by individual companies and increase collaboration effect among them to sell specific models precisely targeted at needs that vary from region to region. We will thus aim to boost sales and improve profitability.



## Strategies by Business Auto Wash

Harnessing the technological strength we have cultivated to serve changing markets



Takafumi Tanaka

Corporate Officer

Auto Wash Global Business Head

Auto Wash Division Manager

General Manager of Production Operations, Auto Wash Division

President of Daifuku Plusmore Co., Ltd.

### Review of Value Transformation 2023

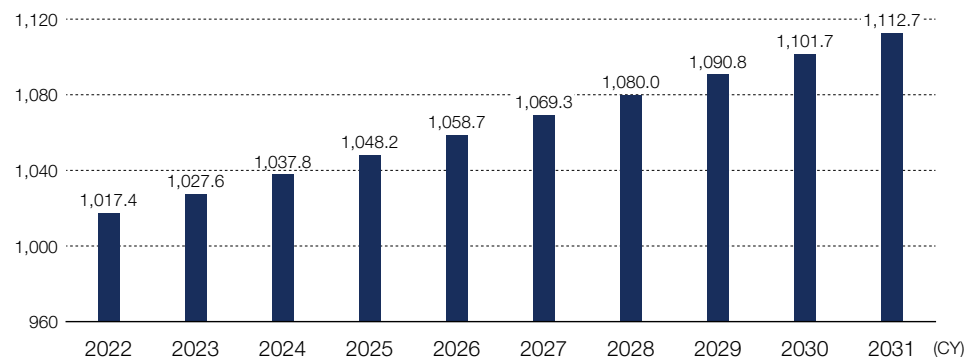
Outcome	<ul style="list-style-type: none"> <li>Expanded the global business by widening the product lineup for the South Korea market (releasing four self-service models)</li> <li>Released package models of car wash machines</li> <li>Developed and released smart support for car wash machines</li> <li>Strengthened the production structure by improving procurement systems</li> </ul>
Next challenges	<ul style="list-style-type: none"> <li>Creating new domains</li> <li>Developing technologies for unmatched differentiation</li> <li>Expanding the service business that uses digital technologies</li> </ul>

### Market environment envisioned by the four-year business plan for 2027

Opportunities	<ul style="list-style-type: none"> <li>Increase in self service-type service stations and coin-operated car washes</li> <li>Increase in demand for car wash machines for reducing the workloads of truck drivers and car dealers</li> <li>Increase in car sharing and car rental outlets</li> </ul>
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### Global car wash machines market outlook

(Million U.S. dollars)



Source: Business Research Insights

Risks	<ul style="list-style-type: none"> <li>Decrease in full service-type service stations</li> <li>Changes in the market environment</li> <li>Rises in raw material and labor expenses</li> </ul>
Advantages	<ul style="list-style-type: none"> <li>An extensive lineup of car wash machines to keep up with market changes</li> <li>Development of products with eco-friendly features, such as water conservation and low noise</li> <li>Manufacturing technologies cultivated with logistics systems</li> </ul>



## Strategies by Business Auto Wash

### Business strategy in the four-year business plan for 2027

For the purpose of meeting the targets set out in the four-year business plan for 2027 (hereinafter, the 2027 Plan), the Auto Wash business will bolster the existing business and move into new domains in a bid to expand the car wash business.

#### Evolving existing business and expanding into new areas

- Develop AI car wash machines that anyone can use safely and securely
- Expand into new areas using washing technologies

As part of bolstering the existing business, we will advance the current car wash business and provide products that differentiate us from the competition. In the future market, we will see more self service-type service stations and unattended car washes, while the prevalence of full service-type service stations will decline. We make active use of AI and other state-of-the-art technologies to develop universal design products that may be used safely and without concern by anyone. We will develop products that can be safely restored from unexpected trouble without human intervention.

Business expansion demands that new fields be cultivated. To begin with, we announced the Shower Hopper, a cleaning machine for the inside of garbage collection trucks, in May 2024.

Traditionally, the inside of garbage collection trucks is cleaned manually. This practice had safety issues as well as a hygiene problem for workers exposed to garbage and foul water during the cleaning process. Recent labor shortages and work style reforms have brought rising needs for automation. The new product automatically cleans the inlet and the back side of the hopper\* to reduce workloads, demonstrate higher cleaning capabilities, and cut water consumption. Water consumption is around 20% less than in the case of manual cleaning, and the cleaning time is around 30% less. With Japan's first mechanical cleaning system equipped with Daifuku's car wash technologies, we will achieve labor savings to help resolve social issues.



Shower Hopper

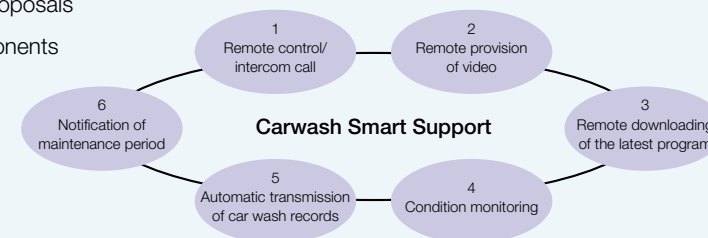


Shower Hopper cleaning the inlet

\* Hopper: The rear of the garbage collection truck where the garbage is loaded

#### Improving profitability

- Strengthen sales capability by providing package deals with optional products and offering system upgrade proposals
- Standardize components
- Expand service business using a condition monitoring system



To bolster the profitability of the service business, which primarily provided services for replacing consumables, we will proactively propose interiors, exteriors, and replacement with new parts in a bid to boost sales. In January 2024, we extended the functions of Carwash Smart Support, a system for monitoring the status of car wash machines. It now allows customers to remotely check the status of operation and failure details from the abnormality log. That paves the way for swift proposals on maintenance and repair services. We will continue to enhance our support system to ensure that customers can use our products without anxiety.

#### Harnessing the technological strength we have cultivated to serve changing markets

In 2027, the final year of the 2027 Plan, we will mark the 50th anniversary of our car washing machine production. Amid major changes in the market, we will continue offering products and services that meet different customer needs, such as eco-friendly products with lower water and power consumption. In doing so, we will seek to build a sustainable society, based on the car wash technologies that we have developed over 50 years.





**Strategies by Business**  
**Electronics**

**Building up a global structure to expand the business**



**Kazuyoshi Nishiyama**  
Corporate Officer  
Electronics Global Business Head  
President and CEO of Contec Co., Ltd.

**Review of Value Transformation 2023**

<b>Outcome</b>	<ul style="list-style-type: none"> <li>Consistently secured market share in the medical testing market</li> <li>Developed a new AI-assisted prescription audit system with patent technologies</li> <li>Raised the internal production ratio by introducing common parts globally</li> <li>Improved development efficiency by sharing development information in Japan, the United States, and Taiwan</li> </ul>
<b>Next challenges</b>	<ul style="list-style-type: none"> <li>Expanding into multiple fields to achieve continued growth</li> <li>Accelerating product development</li> <li>Enhancing production structure including the supply chain</li> </ul>

**Market environment envisioned by the four-year business plan for 2027**

<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Change in auto parts manufacturing and increase in demand for testing after the shift to electric mobility</li> <li>Increase in capital investment in chips for generative AI and next-generation communication ICs</li> <li>Acceleration of digital investment for overcoming the labor shortage issue</li> <li>Expansion of the medical testing market and medical equipment-related markets</li> </ul>
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**Solutions**



Semiconductor manufacturing equipment



Clinical inspection equipment

<b>Risks</b>	<ul style="list-style-type: none"> <li>Rising geopolitical risks</li> <li>Stagnation of the Chinese economy</li> <li>Prolongation of inventory and production adjustment in the manufacturing industry, and coming back of global semiconductor shortage</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Overall technological capabilities in the domains of computers, electronics, control, information, communication, and system integration</li> <li>Appeal of solution proposals and after-sales services</li> <li>A global structure that extends to Japan, the United States, China, Taiwan, Singapore, and elsewhere for sales, development, production, procurement, and services</li> </ul>



## Strategies by Business Electronics

### Business strategy in the four-year business plan for 2027

The Electronics business will seek to expand into new fields, mainly in Japan, North America, and Asia, with a view to achieving growth on a worldwide scale.

#### Expanding sales in the global market

- Enhance development and sales of products to expand business areas
- Identify new businesses including AI technology and service businesses
- Enter the growing market of India

In markets around industrial computers, which has been a focus for this business, there are several areas with growth potential. They include programmable logic controllers for controlling factory equipment, production facilities, everyday home electric appliances and other machines and devices, high-performance computing with respect to functions and systems for high-speed complicated calculations and data processing, and Edge AI for incorporating AI into devices so that the AI will be available within short reach from any place or situation where it is difficult to connect to the network. We will make use of the technological strength we have cultivated with industrial computers to carry out product development and sales activities with a view to expanding the business.

The United States is a market that we will emphasize going forward. We have already secured some market share in the domain related to medical equipment. However, we have been unable to roll out industrial computers and other mainstay products in Japan in this market. We will accelerate the development and sales of products for the U.S. market and make it a growth driver.



Baggage inspection system

#### Improving profitability

- Optimize functions of production and development sites in Japan and Taiwan
- Strengthen management through the visualization of cost structure; and promote in-house production
- Enhance value-added products and pricing strategy

This business has development and production facilities in Japan and Taiwan. As they overlap in terms of roles and functions, we will make clear the roles in which each facility excels to increase momentum for optimization. In tandem with that, we will work to heighten the internal production ratio to boost our earning power.

IoT and measurement control systems are among our mainstay products. In this area, we will refine the measurement-related technologies that we have cultivated. For customers with whom we have built favorable relationships by means of measurement control technologies, we will propose products to gain market share in the measurement system market.

#### Building up a global structure to expand the business

The electronic equipment market is constantly expanding amid mounting demand for computers associated with progress in AI technologies, the labor shortage, and DX. To acquire market share in growth markets, we will carry out product development in more areas and strengthen our sales network. In addition, we must build up our competitiveness. We will work more intensively to improve our production efficiency and actively cut costs to increase business value.

Chapter

# 03

## Strengthening of Operational Framework

- 58 Sustainability Management
- 59 Environmental Initiatives
- 66 Social Initiatives
- 70 Strengthening Human Capital
- 72 Compliance
- 73 Risk Management
- 76 Corporate Governance
- 86 Management

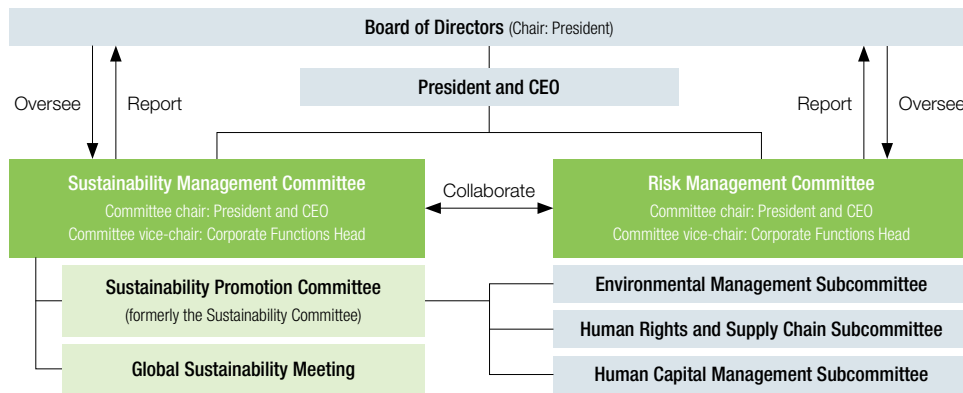


# Sustainability Management

## Basic approach

In accordance with the Daifuku Group Basic Sustainability Policy, the Group will contribute to the realization of a sustainable society and aim to create long-term corporate value through management practices that emphasize a balance between economic and social value.

### Sustainability Promotion System



We have established the Sustainability Management Committee\*, which reports on and submits critical matters regarding sustainability issues to the Board of Directors. This committee engages in important discussions regarding management strategies that emphasize the enhancement of corporate value over the medium to long term, as well as the confirmation of the progress and results of plans. Furthermore, the Sustainability Promotion Committee (formerly the Sustainability Committee) and the subcommittees under the jurisdiction of and in cooperation with the Sustainability Management Committee are responsible for investigating and implementing more concrete measures based in management strategies on a practical level. The Sustainability Management Committee and the Sustainability Promotion Committee will coordinate with the Risk Management Committee as necessary to monitor and appropriately respond to important sustainability-related risks.

\* The structure of sustainability-related committees was revised effective fiscal 2024, and the Sustainability Management Committee was newly established. The Sustainability Promotion Committee, under the jurisdiction of the Sustainability Management Committee, has assumed the roles for which the Sustainability Committee was previously responsible. Effective fiscal 2024, the Environmental Management Subcommittee, the Human Rights and Supply Chain Subcommittee, and the Human Capital Management Subcommittee have been placed under the jurisdiction of the Sustainability Promotion Committee, and they are each working on their specific initiatives.

## Role of each organization

Conference unit	Members	Role
Board of Directors	Chair: President and CEO Members: Directors (5 internal, 5 external)	<ul style="list-style-type: none"> <li>Undergo decision-making and supervision of important management matters such as the determination of management policies, management plans, and the corporate governance system.</li> </ul>
Sustainability Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	<ul style="list-style-type: none"> <li>Hold important discussions on management strategy that emphasize the creation of corporate value over the medium to long term, confirm the progress and results of plans, and work to improve the sophistication of management.</li> </ul>
Sustainability Promotion Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	<ul style="list-style-type: none"> <li>As a subordinate branch of the Sustainability Management Committee, promote Group-wide ESG initiatives on a working level based on management strategy.</li> </ul>
Global Sustainability Meeting	Leader: Corporate Functions Head Members: Global subsidiaries, Sustainability Management Committee members, etc.	<ul style="list-style-type: none"> <li>Discuss and share information about ESG issues with our global subsidiaries in order to promote sustainability management throughout the entire Group.</li> </ul>
Risk Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	<ul style="list-style-type: none"> <li>Conduct Group-wide risk management for critical risks that have a significant impact on business activities.</li> <li>Conduct regular risk assessments to identify and evaluate significant risks, develop countermeasures, and work to improve and enhance policies, regulations, and systems.</li> </ul>

### FY2023 Sustainability Committee activities (held 4 times)

- Sustainability Action Plan Progress Report
- Establishment of the Basic Sustainability Policy
- ESG external evaluations
- Revision of the Daifuku Environmental Vision 2050
- Initiatives for achieving carbon neutrality
- Human rights due diligence initiatives
- Establishment of the Sustainable Procurement Guidelines



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



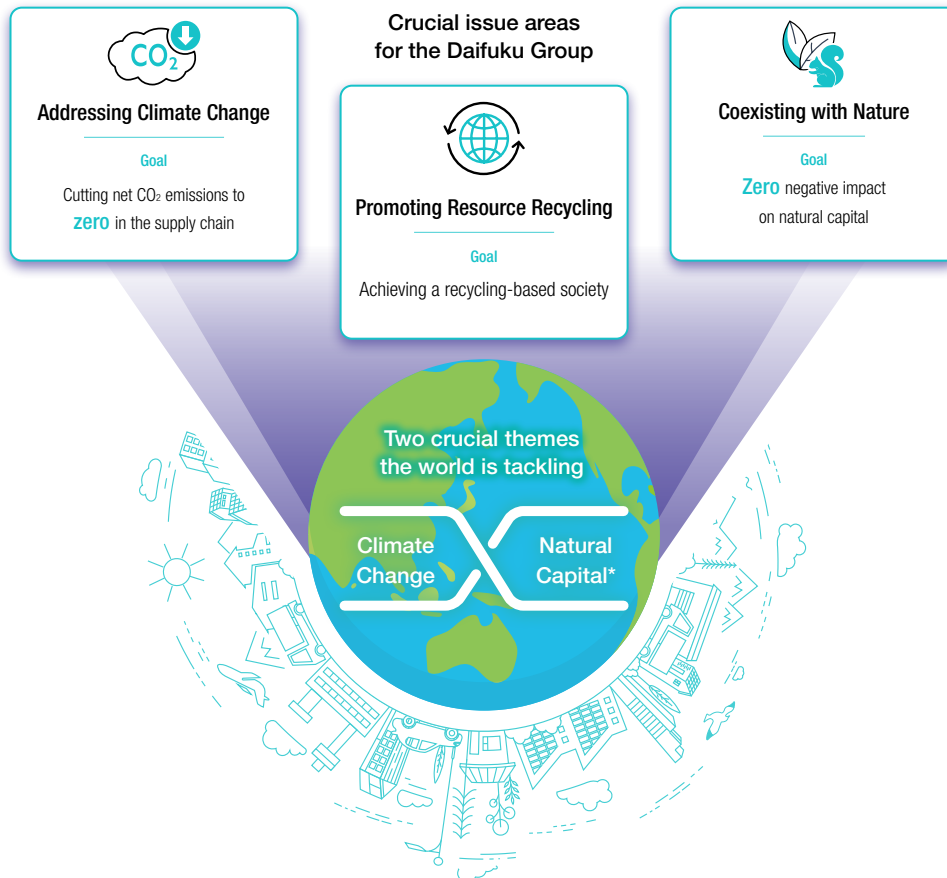


# Environmental Initiatives

## Daifuku Environmental Vision 2050

The Daifuku Group believes that, in addition to fulfilling our responsibilities as a corporation, it is necessary to take more concrete actions to realize the future society we aim to create, and as such, we formulated the Daifuku Environmental Vision 2050 in 2021. In May 2023, in order to meet the demands of society at an even higher level, we expanded our crucial issue areas and raised our environmental targets for 2030. In order to respond to constantly changing social trends and business environments, we will continue to periodically review our targets and adjust them as necessary.

### 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

#### Addressing Climate Change



Goal

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

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



#### Promoting Resource Recycling

Goal

**Achieving a recycling-based society**

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



#### Coexisting with Nature

Goal

**Zero** negative impact on natural capital

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

## Environmental Initiatives

### Revision of environmental goals for 2030

In May 2024, regarding one of our crucial issue areas in the Daifuku Environmental Vision 2050, addressing climate change, we have upwardly revised our 2030 Scope 1 and Scope 2 reduction targets (compared to fiscal 2018) from 50.4% to 60%. In addition, we have set a new target for the percentage of electricity derived from renewable energy sources. Also, with regard to coexisting with nature, to emphasize more effective awareness-building throughout the Group through the Sustainability Action Program\*, we have revised the target from number of participants to a qualitative goal. Furthermore, with regard to promoting resource recycling, we upwardly revised our water intensity reduction target (compared to fiscal 2018) from 30% to 60% in August of the same year.

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

Crucial issue areas	KPIs	2030 targets	2024 targets
Addressing Climate Change	Daifuku CO <sub>2</sub> emissions (Scopes 1 + 2)	<b>60% reduction (compared to FY2018)</b>	<b>51% reduction (compared to FY2018)</b>
	Percentage of electricity derived from renewable energy sources	<b>80% Daifuku Japan is expected to achieve 100% by 2027</b>	60%
	CO <sub>2</sub> emissions from purchased goods and services (Scope 3 Category 1)	<b>30% reduction*<sup>1</sup> (compared to FY2018)</b>	<b>Expand and disseminate CO<sub>2</sub> emission reduction programs*<sup>2</sup> throughout the supply chain</b>
	CO <sub>2</sub> emissions from the use of sold products (Scope 3 Category 11)		<b>Improve energy-saving performance of products and systems</b>
Promoting Resource Recycling	Landfill disposal rate	<b>Less than 1%</b>	<b>Domestic: less than 1% Outside Japan: less than 5%</b>
	Water use intensity* <sup>3</sup>	<b>60% reduction (compared to FY2018)</b>	<b>40% reduction (compared to FY2018)</b>
Coexisting with Nature	Rate of implementation of biodiversity conservation activities at major sites* <sup>4</sup>	<b>100%</b>	<b>10%</b>
	Global expansion of Sustainability Action	<b>Program expansion and awareness raising</b>	<b>Expand and raise awareness of the program</b>

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

\*2 Water consumption (1,000 m<sup>3</sup>) divided by net sales (100 million yen)

\*3 Upwardly revised as initial target was met ahead of schedule (August 2024)

\*4 Sites with 100 or more employees



For details, see our website: **Environmental Management**

[www.daifuku.com/sustainability/environment/management](http://www.daifuku.com/sustainability/environment/management)

## Environmental Initiatives

### Addressing Climate Change

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 the SDGs. We are actively working to reduce our energy consumption and contribute to the environment through manufacturing, and we file regular reports with the government on our energy consumption, CO<sub>2</sub> emissions, and other data.

The Daifuku Environmental Vision 2050 (revised in May 2023) establishes addressing climate change as one of our crucial issue areas, and we are focused on reducing CO<sub>2</sub> emissions through our products and services, reducing CO<sub>2</sub> emissions throughout our entire supply chain, and introducing renewable energy.

In fiscal 2023, due to progress in our initiatives for energy conservation and the introduction of renewable energy, all targets for CO<sub>2</sub> emissions reduction were achieved.

KPIs	Scope	FY2023 targets	FY2023 results
Daifuku CO <sub>2</sub> emissions (Scopes 1 + 2)	Global	21.0% reduction (compared to FY2018)	48.0% reduction (compared to FY2018)
CO <sub>2</sub> emissions from purchased goods and services (Scope 3 Category 1)		Began operation of CO <sub>2</sub> emission reduction programs	Distributed explanatory videos on our vision and decarbonization to suppliers and conducted surveys with them about their emissions and challenges they face regarding decarbonization
CO <sub>2</sub> emissions from the use of sold products (Scope 3 Category 11)		12.5% reduction (compared to FY2018)	29.6% reduction (compared to FY2018)

### Initiatives for the introduction of renewable energy

We are working to introduce renewable energy at our production sites both within and outside Japan. As of November 2022, all electricity used at Shiga Works has been converted to renewable energy sources. In fiscal 2023, we installed photovoltaic systems in China (Suzhou), South Korea, Thailand, and Taiwan. We have plans to install photovoltaic systems in the United States, India, and Indonesia from fiscal 2024 onward, and we will continue to expand the introduction of renewable energy. At the end of fiscal 2023, 54.0% of total energy consumed was derived from renewable sources, a significant increase from 29.1% at the end of fiscal 2022.

### Status and schedule of renewable energy procurement

FY2023	<ul style="list-style-type: none"> <li>■ Installed a photovoltaic system at the Tainan Headquarters of Taiwan Daifuku Co., Ltd.</li> <li>■ Installed a photovoltaic system at Clean Factomation, Inc.'s Asan Plant</li> <li>■ Installed a photovoltaic system at the head office of Daifuku (Suzhou) Cleanroom Automation Co., Ltd.</li> <li>■ Installed a photovoltaic system at Daifuku (Thailand) Limited</li> <li>■ Switched to a renewable energy electricity plan at the head office of Daifuku Airport America Corporation</li> </ul>
FY2024 (planned)	<ul style="list-style-type: none"> <li>■ Install a photovoltaic system at Hallim Machinery Co., Ltd</li> <li>■ Switch to a renewable energy electricity plan at Daifuku Europe GmbH</li> <li>■ Install a photovoltaic system at Daifuku Intralogistics India Private Limited</li> </ul>

## Environmental Initiatives

### Disclosures based on TCFD recommendations

In May 2019, Daifuku expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Information is disclosed in accordance with the core elements of the TCFD recommendations for climate-related financial disclosure: governance, strategy, risk management, and metrics and targets. In fiscal 2023, we conducted an additional financial impact assessment and scenario analyses, and we updated our disclosures in fiscal 2024.

#### Governance

We have established the Sustainability Management Committee, which reports on and submits critical matters regarding sustainability issues, including climate-related issues, to the Board of Directors. This committee engages in important discussions regarding management strategies that emphasize the enhancement of corporate value over the medium to long term, as well as the confirmation of the progress and results of plans. Furthermore, the Sustainability Promotion Committee (formerly the Sustainability Committee) and the Environmental Management Subcommittee, under the jurisdiction of and in cooperation with the Sustainability Management Committee, are responsible for investigating and implementing more concrete measures based in management strategies on a practical level.

#### Climate-related agenda items at Board of Directors and other meetings (FY2023)

##### Board of Directors meetings

- Revision of the Daifuku Environmental Vision 2050 (April)
- Report on the implementation of risk assessments, future actions (October)
- The long-term vision, Driving Innovative Impact 2030, and the four-year business plan for 2027 (October, March)

##### Sustainability Committee (held 4 times)

- Sustainability Action Plan Progress Report
- Revision of the Daifuku Environmental Vision 2050
- Plans for the incorporation of renewable energy and energy conservation
- CO<sub>2</sub> reduction throughout the supply chain
- Consideration of internal carbon pricing (ICP) programs
- Review of TCFD disclosures
- Energy visualization at production sites

### Strategy

#### Identifying climate-related risks and opportunities

Based on the nature of the Group's business operations, we have identified the climate-related transition risks, physical risks, and opportunities associated with each of these factors.

#### Primary factors impacting Daifuku's business operations

Decarbonization scenario 1.5–2°C	<b>[A world progressing toward decarbonization]</b> <ul style="list-style-type: none"> <li>■ Stricter regulations on greenhouse gas (GHG) emission reductions, introduction of carbon pricing</li> <li>■ Progress in technological development and social integration of carbon recycling</li> <li>■ Promotion of the development of low-carbon products</li> <li>■ Acceleration of the global EV shift</li> </ul>
	<b>[Shared changes]</b> <ul style="list-style-type: none"> <li>■ Shift to automated factories and logistics warehouses due to Japan's declining population</li> <li>■ Increase in demand for semiconductors and industrial IoT-related products in emerging countries</li> <li>■ Changes in consumer behavior due to the sharing economy</li> </ul>
	<b>[A world with advancing global warming]</b> <ul style="list-style-type: none"> <li>■ Increase in average temperature                         <ul style="list-style-type: none"> <li>• Increased importance of cold chains</li> <li>• Reduced productivity in outdoor work due to increased heat stress</li> <li>• Increased air conditioning costs</li> </ul> </li> <li>■ Frequency and severity of weather-related disasters resulting in damage to Daifuku facilities and those of our business partners</li> </ul>
3–4°C Business-as-usual scenario	

#### Assessment of climate-related risks and opportunities

We have assessed the level of impact, both qualitative and quantitative, on the Group's business for each identified transition risk, physical risk, and opportunity. These results have been categorized based on factors such as time period until risk manifestation or opportunity realization, likelihood of risk manifestation or opportunity realization, and financial impact, as shown below. In response to our assessment, we are implementing appropriate countermeasures for each risk and opportunity.

The definitions for time period, likelihood, and impact are as shown in the chart below.

<b>Time period</b>	Short term: less than 3 years; medium term: 3 to 10 years; long term: more than 10 years
<b>Likelihood</b>	Low: somewhat uncertain; medium: intermediate; high: somewhat certain
<b>Impact</b>	<b>Sales</b> Small: less than 6 billion yen; medium: 6 to 60 billion yen; large: more than 60 billion yen <b>Income and costs</b> Small: less than 600 million yen; medium: 600 million to 6 billion yen; large: more than 6 billion yen



## Environmental Initiatives

### Significant risks and opportunities for the Group

Category	Climate change drivers	Major risks and opportunities	Time period	Likelihood	Impact	Main responses to risks and opportunities
Transition risks (1.5°C scenario)	Tighter GHG emission regulations, introduction of carbon pricing	Increase in operating costs due to the introduction of a carbon tax on GHG emissions from factories and business sites	Long term	High	Medium	Group-wide Scope 1 and Scope 2 reductions
		Increase in procurement costs due to the introduction of a carbon tax or GHG reduction measures for material procurement and transport	Long term	Medium	Medium	Reduction of environmental impact in the supply chain
	Progress in decarbonization technology development	Medium to long term	Low	Medium		
	Increasing stringency in the evaluation of initiatives to address climate change issues, rising demand for information disclosure	Decline in stock price due to deterioration of the Company's image and increase in financing costs due to exclusion from investment opportunities	Long term	Low	Medium to large	Enhancement of climate-related information disclosure
Physical risks (4°C scenario)	Increase and intensification of weather-related disasters such as floods, typhoons, and storm surges	Site damage and operation stoppages, operation stoppages due to supply chain disruptions, and procurement of substitute parts	Short to long term	High	Medium to large	Risk assessments and implementation of risk mitigation measures
	Chronic rise in sea level	Relocation of offices due to rise in sea level	Long term	Low	Small	
	Heat waves and chronic temperature increases	Increased air conditioning costs and maintenance due to rising temperatures and reduced productivity due to heat stress	Short to long term	High	Medium	Maintenance and improvement of working environment
	Increasing water risk due to droughts	Decreased capacity utilization due to droughts	Short to long term	Medium	Small	Reduction of water use
Opportunities (1.5°C scenario)	Increasing demand for power savings in electronic equipment due to tighter environmental regulations	Increase in sales of products for semiconductor lines due to higher demand for semiconductors	Medium term	High	Medium	Strategic response to semiconductor demand
	Shift to EVs (spread of EVs and FCVs)	Increase in sales of the Company's products due to the expansion of automobile production lines accompanying the shift to EVs	Medium to long term	Medium	Small	Adaptation to the shift to EVs
	Progress in low-carbon technologies using IoT	Increase in sales due to higher demand for AI and IoT-related products and cost reductions through their utilization	Medium to long term	Medium	Medium	Utilization of IoT, ICT, AI, and other advanced technologies in our business
	Growing demand for waste reduction including food loss	Increase in sales of products for logistics and warehouse facilities related to cold chain	Medium to long term	High	Medium	Response to cold chain and e-commerce demand
	Increasing demand for more efficient, labor-saving, and energy-saving work to achieve low carbon emissions	Increase in sales of products and services that contribute to more efficient and automated production and logistics	Medium to long term	High	Medium	Balance between environmental and social value in material handling systems


### Risk management

The Daifuku Group conducts regular risk assessments of all its domestic and international subsidiaries in order to identify and evaluate critical risks that could have a significant impact on business activities. The Risk Management Committee carries out Group-wide management for critical risks, formulating countermeasures and developing and enhancing policies, regulations, and systems. Any risk information identified in risk assessments is reported to and shared with the Board of Directors and other conference units as necessary and is reflected in management strategies.

The Sustainability Management Committee and the Sustainability Promotion Committee will coordinate with the Risk Management Committee as necessary to monitor and appropriately respond to climate-related risks and opportunities that must be prioritized.

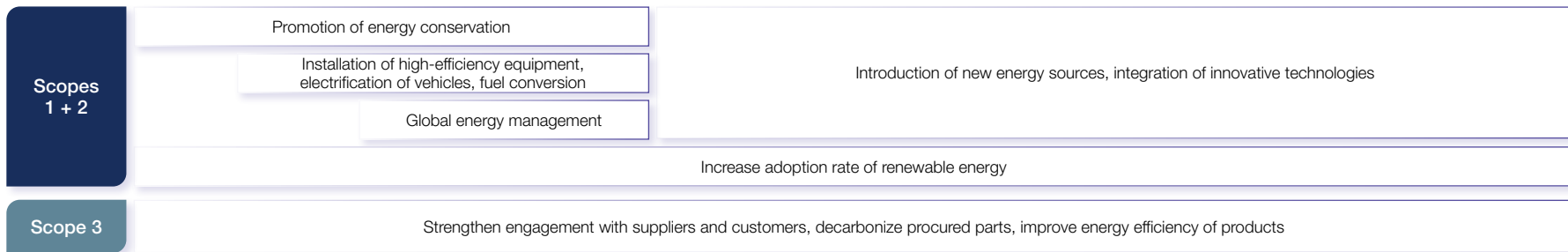
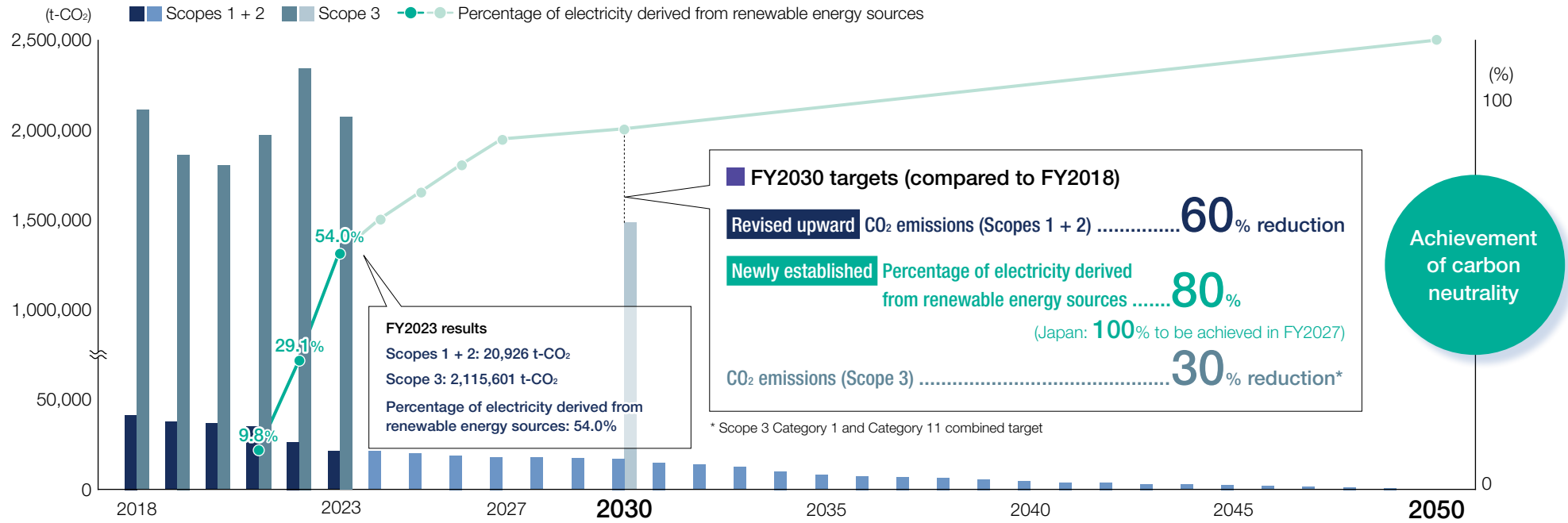
### Metrics and targets

The Group has identified addressing climate change as one of the crucial issue areas in the Daifuku Environmental Vision 2050, and we are aiming to reduce CO<sub>2</sub> emissions to zero throughout our entire supply chain by 2050. Please refer to [Page 61](#) for the fiscal 2023 results and [Page 60](#) for the targets for fiscal 2024.

 **For details, see our website: Climate Change**  
[www.daifuku.com/sustainability/environment/climate-change](http://www.daifuku.com/sustainability/environment/climate-change)

Environmental Initiatives

Roadmap toward carbon neutrality



## Environmental Initiatives

### Promoting resource recycling

At the Daifuku Group, 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 including maintenance and upkeep.

In fiscal 2023, the targets for both landfill disposal rate and water use intensity were achieved. With regard to water use intensity (per unit of sales), the effects of our water-saving measures at Shiga Works have become apparent, and we have set our sales targets based on our four-year business plan for 2027. Due to this, we carefully examined the underlying conditions for these targets, and we revised the targets established in the Daifuku Environmental Vision 2050 accordingly.

KPIs	Scope	FY2023 targets	FY2023 results
Landfill disposal rate	Global	Japan: less than 1%	0.67%
		Global: less than 5%	3.20%
Water use intensity		12.5% reduction (compared to FY2018)	35.5% reduction (compared to FY2018)

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

### Coexisting with Nature

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

We have met our target for the total annual number of Sustainability Action participants. In order to place emphasis on more effective awareness building throughout the Group with Sustainability Action, we have revised the target for the number of participants to a qualitative target from

2024 onward. In addition, in implementing biodiversity conservation activities at global Group companies in the future, we will first work on educational and awareness-raising activities.

KPIs	Scope	FY2023 targets	FY2023 results
Rate of implementation of biodiversity conservation activities at major sites*1	Global	<ul style="list-style-type: none"> <li>Create a list of conservation activities</li> <li>Conduct Group-wide awareness activities</li> </ul>	<ul style="list-style-type: none"> <li>Created a list of conservation activities and began to develop rules for awareness activities</li> <li>Conducted interviews with global affiliates to ascertain each of their situations</li> </ul>
Total annual number of Sustainability Action**2 participants		12,000 people	12,141 people

\*1 Sites with 100 or more employees

\*\*2 Daifuku's unique program for sustainability awareness and training among employees

### Scarlet dwarf dragonfly habitat preservation

As part of 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 while minimizing this loss. In fiscal 2023, we created new wetlands using mountain spring water, silver grass, and sedges, and we transferred eggs, larvae, and adult insects to this new area along with hydrophytes and aquatic plants from the existing habitat. We also set up a net about one meter tall to enclose the wetlands. The plants that were transferred here are flourishing, and it has become an environment in which the dragonflies can settle easily. In fiscal 2024, we conducted a habitat survey in the newly created wetlands, and we confirmed that adult scarlet dwarf dragonflies are inhabiting the area.



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



## Social Initiatives

### Occupational safety and health

Safety is the foundation of our business activities and supersedes all else—this slogan underpins our belief that establishing a corporate culture that prioritizes the safety and health of all personnel, including temporary staff, contractors, and suppliers, in each workplace is indispensable for sound business activities.

The Daifuku 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.

In fiscal 2023 in Japan, the number of injuries resulting in lost time increased by one compared to the previous fiscal year, and targets for frequency and severity rates were not met. Outside Japan, there was a significant reduction in the number of accidents, and our targets were achieved. For each accident that occurs, we analyze the cause, create and disseminate new work plans, and eliminate unsafe actions and conditions. Additionally, beginning in fiscal 2023, we implemented an occupational accident management system throughout the entire Group, including subsidiaries outside Japan. Information on occupational accidents that occur both within and outside Japan as well as materials for safety and health training are shared in real time in order to ensure that measures are taken to prevent recurrence and to further strengthen safety training.

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

Indicators*1	Scope	FY2023 targets	FY2023 results
Frequency rate	Japan/Outside Japan	0.3/0.6	0.551/0.580
Severity rate	Japan/Outside Japan	0.01/0.02	0.016/0.011
Number of occupational safety and health trainees	Global	1,700	1,885
Number of serious accidents*2	Japan/Outside Japan	0/0	0/0

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

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

### Risk assessment of workplace safety and health

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 installation planning stage of new projects, as well as any time circumstances change, such as when new process are introduced or new materials are used.

### Safety and health training

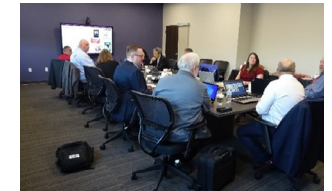
We conduct annual training for supervisors in installation units at global subsidiaries, as the same as Group companies in Japan. This training focuses on the importance of safety management, methods, risk assessment, and work safety standards and aims to raise the standards of safety management. Training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



Newly established safety training facility at Daifuku (Suzhou) Cleanroom Automation Co., Ltd.

### Strengthening global collaboration

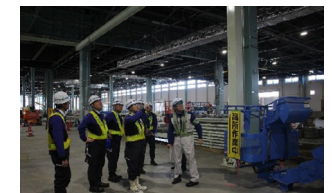
In order to strengthen safety and health management throughout the Group, we publish a global safety newsletter that introduces the initiatives of each company, including global subsidiaries, as well as share information at the Global Sustainability Meeting, which is attended by supervisors of each global company. In 2023, the Safety and Health Management Division visited our subsidiary in Michigan, the United State, and participated in a meeting along with managers responsible for safety at the five Group companies in the United States. During the meeting, the participants shared their initiatives for and challenges regarding reducing occupational accidents at each of their companies and deepened their mutual understanding of safety and health management.



Safety meeting in North America

### 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 2023 we again recognized the most exemplary workplaces. These activities will foster a culture of safety and create safe and pleasant workplaces throughout the Company.



A safety and health patrol by the president

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



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

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

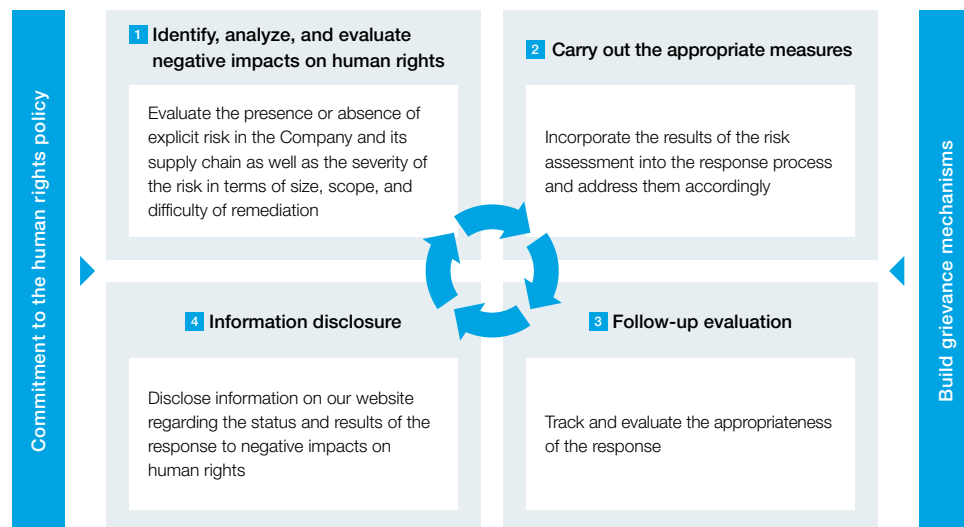


## Social Initiatives

### Human rights due diligence initiatives

In accordance with the Daifuku Group Human Rights Policy formulated and disclosed in October 2021, the Group has 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. As part of these efforts, 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 foreign personnel in the supply chain in Japan, including contractors, and personnel at raw material suppliers as high-priority human rights issues to be addressed by the Group.

#### Human rights due diligence process



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 internal questionnaires, surveyed high-risk countries within the Group's business activities using the results of the human rights risk assessment conducted by CRT Japan, and conducted internal workshops and interviews with subsidiaries in high-risk areas. Additionally, we are conducting interviews within our supply chain, and we will take appropriate and effective remedial measures if and when negative human rights impacts or facilitating factors come to light.

For details, see our website: **Daifuku Group Human Rights Policy**  
[www.daifuku.com/sustainability/society/human-rights/#sec01](http://www.daifuku.com/sustainability/society/human-rights/#sec01)

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

The Daifuku Group considers domestic foreign personnel in the supply chain, including contractors, a high-priority human rights issue. In order to identify any negative impacts on their human rights, we are working to fully understand the employment status of personnel in the supply chain and conduct on-site interviews with foreign personnel employed by business partners.

In fiscal 2023, the scope of these initiatives was expanded to include employees of global affiliates and foreign personnel employed by business partners, and on-site interviews were conducted at Group companies and their business partners in Thailand and Taiwan.

## Social Initiatives

### Summary of the human rights impact assessment

In cooperation with CRT Japan to ensure objectivity and neutrality, we conducted on-site interviews with foreign employees and their managers of our business partners. These interviews were conducted based on the Dhaka Principles for Migration with Dignity and focused on topics such as appropriate working hours, fair wages, employment contracts, workplace health and safety, freedom of association and the right to collective bargaining, and communication.

#### ▶ Interviewees (nationality)

**Japan:** 17 foreign employees of business partners (Vietnam, China, Indonesia, Thailand)

**Global:** 39 employees of Daifuku subsidiaries (Thailand, Myanmar, Taiwan) and 24 employees of business partners (Myanmar, Vietnam, Philippines)

#### ▶ Number of times

**Japan:** 4 times **Global:** 2 times

#### ▶ Format

In-person group interviews

#### ▶ Interview topics

- Appropriate working hours and fair wages
- Health and safety
- Freedom of association and the right to collective bargaining
- Forced labor, and other




### Assessment results

- Neither long working hours nor forced overtime were observed at the Daifuku subsidiaries or their business partners. At the subsidiaries, when shifts in addition to regular working hours are required in order to accommodate customers, it is advisable to ensure that employees are not overworked, the treatment for overtime and night work is appropriate, and that appropriate countermeasures against overwork are taken.
- It was confirmed that the companies provide safety training for employees upon entry into the company and require employees to undergo periodic safety training. No work under hazardous conditions was observed.
- It was confirmed that there are organizations that allow personnel to express their opinions to the company through representatives. It is advisable that the purpose of these organizations and specific methods of their utilization be thoroughly communicated throughout each company.

### Future actions

Based on the interview assessment results, we will implement measures for improvement beginning with the items of the highest priority in order to prevent and reduce negative impacts on human rights.

 For details, see the following website: **The Dhaka Principles for Migration with Dignity**  
dhakaprinciples.org

### 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 Japan) 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 personnel (technical intern trainees and specified skilled personnel) 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. At each company, foreign personnel 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



For details, see our website: **Human Rights**  
[www.daifuku.com/sustainability/society/human-rights](http://www.daifuku.com/sustainability/society/human-rights)

## Social Initiatives

### Supply chain management

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. In procurement, we shall select business partners based on appropriate criteria, comprehensively evaluating quality, technological development capabilities, economic rationality in terms of price and delivery time, as well as the status of environmental and social initiatives. We shall also require all our business partners engaged in the production, installation, and services for our Group's products to understand and practice the Sustainable Procurement Guidelines, and we shall work together with our stakeholders to build a sustainable supply chain.

#### Sustainable Procurement Guidelines

In fiscal 2023, the Daifuku Group formulated the Sustainable Procurement Guidelines as a new standard for sustainable procurement activities. We are striving to disseminate these guidelines throughout the entire supply chain and strengthen initiatives to identify and mitigate risks in the supply chain.

Our specific efforts include distributing videos that include an explanation of the Group's sustainable procurement goals and a message from the president as well as obtaining agreement from all business partners (80% agreement rate as of July 2024).

In addition, we request that our business partners respond to a self-assessment questionnaire (SAQ) to confirm their compliance with our guidelines (the SAQ confirms the status of compliance with laws and regulations, labor standards, health and safety, quality and safety, the environment, information security, business continuity plans, and appropriate information disclosure). We will continue to identify inherent risks based on the results of these responses and assist our business partners in making improvements to mitigate these risks.



### Engagement with suppliers

#### Management and Safety Policy and Production Trends Presentation

Daifuku hosts 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 2024, inviting 330 business partners 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 supply chain.

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

We present the S.Q.D. Award to commend outstanding materials (production outsourcing and goods purchasing), design, and installation contractors. In fiscal 2024, three out of 192 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, and we support our suppliers' development by sharing the best practices of the award-winning companies.

#### Supply Chain CO<sub>2</sub> Reduction Program

With regard to Scope 3, which refers to the CO<sub>2</sub> emissions associated with the procurement of products and services as well as the operation of our products, we are undertaking an initiative called the Supply Chain CO<sub>2</sub> Reduction Program. This initiative is being carried out in cooperation with our suppliers in order to achieve emissions reductions throughout the entire supply chain. In fiscal 2023, we distributed videos to promote understanding of decarbonization and our Environmental Vision, and we conducted a survey on CO<sub>2</sub> emissions, reduction targets, and issues regarding decarbonization. Going forward, we will continue to cooperate with our business partners to work toward the decarbonization of the entire supply chain.



For details, see our website: **Supply Chain Management**

[www.daifuku.com/sustainability/society/supply-chain](http://www.daifuku.com/sustainability/society/supply-chain)



# Strengthening Human Capital

The Daifuku Group works to increase corporate value by expanding and strengthening our human capital through employment of diverse human resources based on our management philosophy and development of an environment where each employee is able to work actively with a sense of job satisfaction and ease of work. Furthermore, recognizing that respect for human rights is one of our most important responsibilities in terms of the sustainable growth of our business and organization in our management philosophy and Group Code of Conduct, we will work to create an environment where each and every employee can maximize their potential by minimizing any possible negative impact on human rights occurring through our business activities.

## Enhancing employee engagement

In November 2021, we conducted an engagement survey for Group companies in Japan, and areas of strength were identified as being customer oriented and trusting management, while inter-organizational collaboration and support for individual employee career development were identified as challenges. Referring to the survey results, in April 2023 we introduced a new personnel handling system (qualification, remuneration, and evaluation systems) that emphasizes contribution based on role and performance. At the same time, with the aim of supporting employees' long-term career development, we launched an internal secondment program and an internal job posting program in 2023, as shown in the table below.

In June 2023, we conducted the engagement survey for Group companies outside Japan. Each company formulated an action plan based on the survey results. While providing support as necessary from Japan, we are working to improve employee engagement across the Group.

We will conduct engagement surveys in fiscal 2024 for domestic Group companies and some outside Japan. As this will be the second survey for domestic Group companies, in addition to comparison with the average scores for Japan for job satisfaction and ease of work, the results will be compared with those of the previous survey and the status of improvement of the challenges identified by the previous survey will be confirmed.

### Systems driven by the Company and the organization

### Systems that allow individuals to take on challenges

	Transfer within the business unit	<b>New</b> Internal secondment program	<b>New</b> Internal job posting program	Individual career planning program
Feature	<ul style="list-style-type: none"> <li>Transfer by instruction and order, considering career development within the business unit</li> </ul>	<ul style="list-style-type: none"> <li>Allowing trainees to be seconded to other units while remaining enrolled in their current unit</li> <li>Allowing trainees to experience business or projects in a different unit for a certain period of time</li> </ul>	<ul style="list-style-type: none"> <li>Allowing employees to voluntarily apply for positions that meet the Company's specific needs</li> </ul>	<ul style="list-style-type: none"> <li>Allowing employees to voluntarily apply for transfers</li> <li>Promoting to match individual preferences with departmental needs through the human resources unit</li> </ul>
Purpose	<ul style="list-style-type: none"> <li>To maximize results for organizational reasons, develop a long-term career, and encourage training of successors</li> </ul>	<ul style="list-style-type: none"> <li>To form and support a wide range of career experiences</li> <li>To encourage staff exchanges between different units and extensive use of knowledge</li> </ul>	<ul style="list-style-type: none"> <li>To foster a proactive mindset</li> <li>To strengthen the organization by assigning employees to suitable positions</li> <li>To encourage the mobility of internal personnel</li> </ul>	<ul style="list-style-type: none"> <li>To encourage individual employees to take on new challenges at work</li> <li>To support individual career autonomy</li> </ul>



## Strengthening Human Capital

### Establishing Group-human-resource management framework

Beginning in fiscal 2023, we began operation of a system under which human resources of a certain grade or higher are defined as Group human resources, and their evaluation and development are promoted across global business units and the Group. Specifically, the following steps are taken: 1) select key positions that have a significant impact on the management of the Daifuku Group; 2) document the “roles and responsibilities,” “behavioral traits and attitudes (competencies),” and “experience, abilities, and qualifications” required for each key position; 3) list successor candidates for key positions; and 4) develop and implement a training plan for each successor candidate. The Human Resources Committee manages the development and promotion of prospective successors for key positions in an integrated manner and monitors the prospective successor sufficiency and development measures, approves appointment of prospective successors for key positions, and coordinates and determines the transfer of prospective successors among global business units. Rate of sufficiency of number of prospective successors for key positions for fiscal 2023 was 68%, and we aim to achieve 100% in fiscal 2027.

#### Business leader training 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.

#### Global leadership training program

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 non-Japanese subsidiary executive candidates who are expected to take on 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.



For details, see our website: **Talent Development**  
[www.daifuku.com/sustainability/society/human-resources](http://www.daifuku.com/sustainability/society/human-resources)

### Promoting women’s advancement

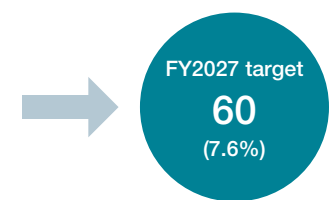
We recognize that the current challenges to women’s advancement include: 1) the training of female managers is inadequate and 2) the number of female employees hired is not sufficient. Our basic approach is to increase the ratio of female hires and continue to focus on the cultivation of female managers. We are working to expand job opportunities and improve the employment environment so that women play more active roles.

#### Achieving the target number of female managers

To promote the appointment of female managers, we have established special slots for promoting women to managerial positions. We have also established special slots for promoting women to assistant managerial positions, as assistant manager experience is a requirement for appointment to management positions. In addition, we have established the Women’s Leadership Development Program, which is designed to cultivate female candidates for managerial positions. The program helps participants acquire leadership skills and clarify their career visions, and we also provide training for the supervisors of participants on career development support for female employees. 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.

#### Number of female managers

	FY2022	FY2023	FY2024
Female managers (ratio to total number of managers)	26 (3.3%)	32 (4.3%)	41 (5.3%)





## Compliance

### Basic stance

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

### Promotion system

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

### Whistleblowing system

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

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

In fiscal 2023, the whistleblowing system was used in 14 incidents, of which these reports were related to labor (ten incidents) and illicit conduct (four incidents).



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

### Initiatives for strengthening compliance

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

#### Compliance Guidebook

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



#### Compliance education

In fiscal 2023, we conducted compliance education for all levels of employees, from new hires to management. This compliance education was implemented through position-based training and training opportunities held by business units, and it utilized the Compliance Guidebook as well as the manga depicting actual cases of misconduct that were created during the Compliance Enhancement Month.

In addition, we hold global compliance training each year. This year's training focused on respecting human rights, through a video message from the Chief Human Resources Officer on the importance of respect for human rights, an overview of the Daifuku Group Human Rights Policy, and the Group's initiatives. A comprehension test on past training content including bribery, entertainment and gift-giving (anti-corruption), and competition law was also administered to provide a comprehensive summary of the previous medium-term period.

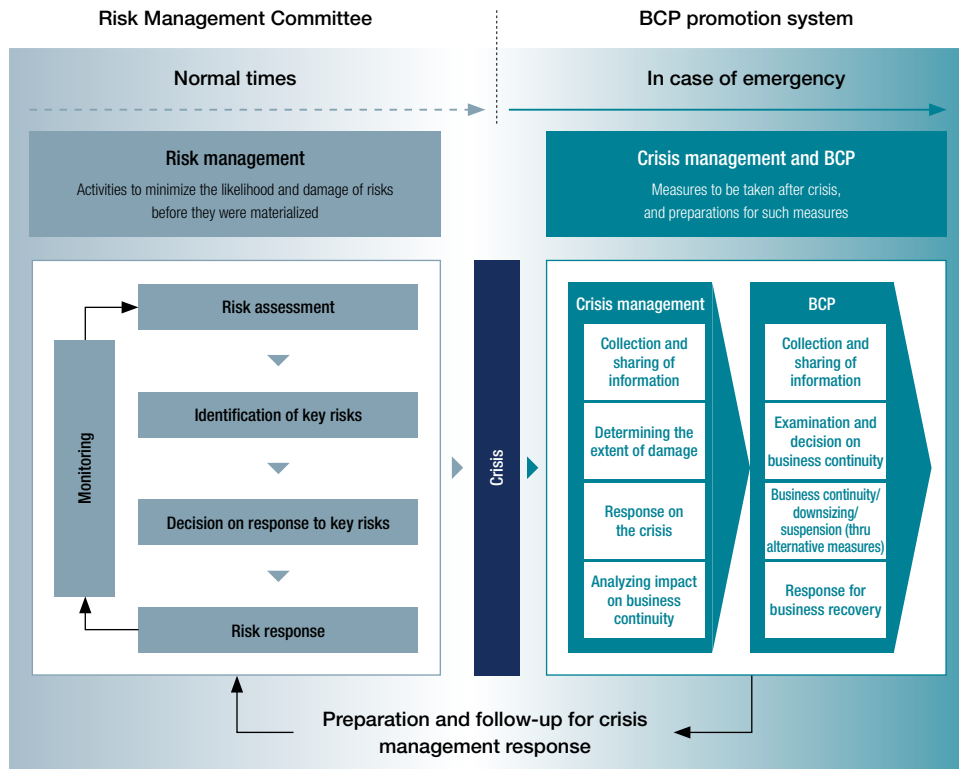
In fiscal 2023, a total of 8,636 participants both within Japan and internationally took this course, bringing the total number of participants from fiscal 2021 to fiscal 2023 to over 18,000.



# Risk Management

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

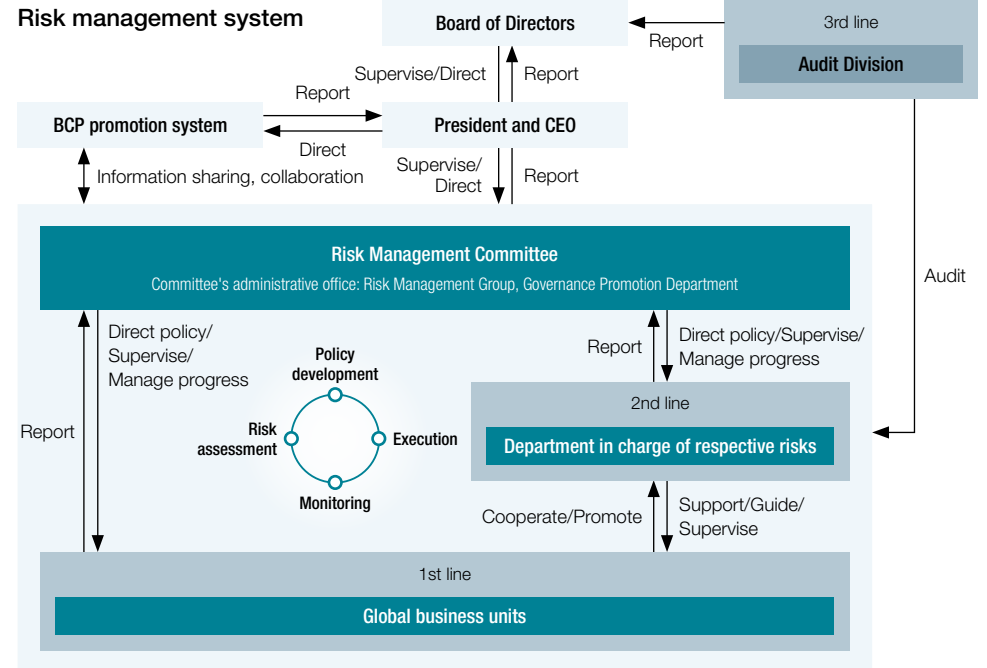
## Management systems for normal times and emergency



## Risk management system

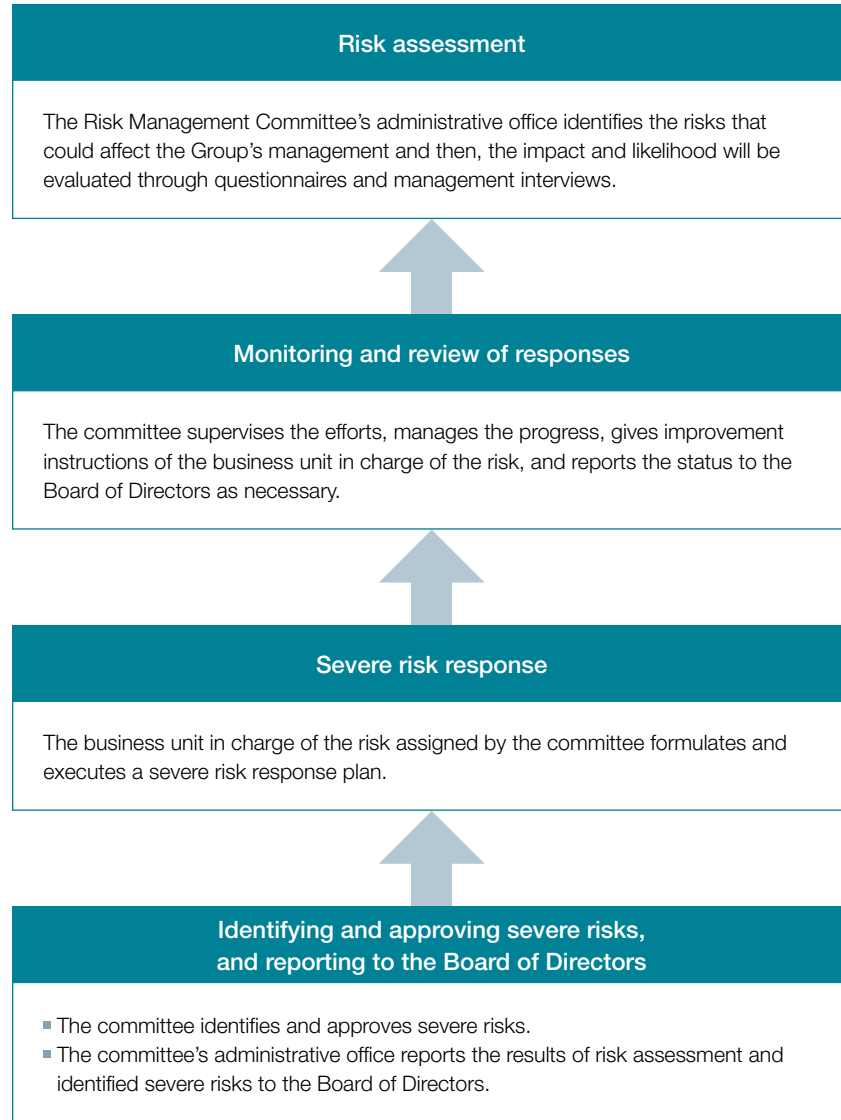
With the president and CEO as the chief officer, the Group has established a risk management system based on a three-line model as shown in the figure below. Corporate Functions and other units in charge of risk management (2nd line) support, provide guidance for, and supervise the risk management conducted by the global business units (1st line), which are responsible for implementing risk response. In addition, the Audit Division (3rd line) inspects the risk management initiatives of the 1st and 2nd lines.

The Group has established the Risk Management Committee, chaired by the president and CEO and comprised of global business heads, division managers, and responsible persons of the Safety and Health Management Division, Corporate Functions, and other units. The committee is intended to monitor, provide instructions for action, and manage the progress of these initiatives from a Company-wide perspective and is responsible for the matters listed below. The committee reports to the Board of Directors on the status of the committee's initiatives and other matters, as necessary.



# Risk Management

## Risk assessment process



**Creating a risk matrix**

**Risk matrix example**

The committee's administrative office creates a risk matrix based on the results of risk assessment and knowledge of external experts to submit the risks, which are plotted within a specific frame of the matrix within consideration of the impact and likelihood, to the committee as severe risk proposals.

**Key risks (severe risks)**

Risk themes	Risk items
1 Changes in the business environment	Changes in the market environment
	Economic crises and business fluctuation
	Loss of important customers
2 Procurement, supply chain	Political upheaval, revolution, war, civil war, conflict, riots, terrorism
	Delays, shortages, or inability to procure raw materials, parts, purchased goods, etc.
3 Growth strategy	New domain creation and technology development
4 Human resources-related	Lack of human resources development initiatives
	Shortage of employees (workforce)
	Education of successors (management positions)
5 Group governance	Securing human resources: employee turnover
	Inadequate management of subsidiaries
6 Natural disasters	Scandals involving Group companies
	Large-scale natural disasters (e.g., large-scale earthquakes, tsunamis, storms, floods, etc.)
7 Information security	Leakage of confidential information due to human factors
	Cyberattacks

## Risk Management

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

### Risk assessment

Key risk factors that significantly affect the business activities of the Daifuku Group are extracted, and those factors are mapped with two assessment axes of likelihood and impact to grasp and manage risks.

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

### Key risks (severe risks)

Risk themes	Risk items	Risk assessment			Countermeasures
		Impact	Likelihood	Likely timing of risk materialization	
1 Changes in the business environment	<ul style="list-style-type: none"> <li>Changes in the market environment</li> <li>Economic crises and business fluctuation</li> <li>Loss of important customers</li> <li>Political upheaval, revolution, war, civil war, conflict, riots, terrorism</li> </ul>	Large	High	Within one year	<ul style="list-style-type: none"> <li>Monitor economic conditions, the market environment, customer industry needs, and trends, and reflect them flexibly in our management and business plans</li> </ul>
		Large	Medium	Within one year	
		Large	Relatively high	No specific timing	
		Large	Low	Within one year	
2 Procurement/supply chain	<ul style="list-style-type: none"> <li>Delays, shortages, or inability to procure raw materials, parts, purchased goods, etc.</li> </ul>	Relatively large	High	Within one year	<ul style="list-style-type: none"> <li>Share information and facilitate the exchange of parts through the cross-divisional working group on procurement and logistics headed by the Chief Production Officer</li> <li>Began operation of the Supply Chain Management Committee in April 2024</li> <li>Formulated the Sustainable Procurement Guidelines by completely revising the existing CSR Procurement Standards and reviewing the Daifuku Group Procurement Policy</li> </ul>
3 Growth strategy	<ul style="list-style-type: none"> <li>New domain creation and technology development</li> </ul>	Large	High	Within five years	<ul style="list-style-type: none"> <li>Established the Business Innovation Division, headed by the Chief Technology Officer to expand the business domains of the Group as a whole</li> <li>Promote the introduction of advanced technologies such as AI and build development systems across the Group's businesses</li> <li>Introduce education programs to improve skills and literacy related to DX and AI</li> </ul>
4 Human resources-related	<ul style="list-style-type: none"> <li>Lack of human resources development initiatives</li> <li>Shortage of employees (workforce)</li> <li>Education of successors (management positions)</li> <li>Securing human resources: employee turnover</li> </ul>	Relatively large	High	Within three years	<ul style="list-style-type: none"> <li>Establish a systematic successor training program through the clarification of key positions and definition of Group-wide competencies</li> <li>Conduct individual interviews and provide training for mid-career hires as a measure for workplace retention of mid-career hires</li> <li>Conduct an engagement survey (research on job satisfaction and ease of work)</li> </ul>
		Relatively large	High	Within three years	
		Large	Medium	Within five years	
		Relatively large	High	Within one year	
5 Group governance	<ul style="list-style-type: none"> <li>Inadequate management of subsidiaries</li> <li>Scandals involving Group companies</li> </ul>	Large	Relatively high	No specific timing	<ul style="list-style-type: none"> <li>Distribute the Compliance Guidebook in multiple languages, which explains each item of the Group Code of Conduct</li> <li>Conduct compliance education such as e-learning courses and rank-based training</li> <li>Plan and implement measures to reduce the risk of losses, especially in large-scale projects outside Japan</li> </ul>
		Large	Medium	No specific timing	
6 Natural disasters	<ul style="list-style-type: none"> <li>Large-scale natural disasters (e.g., large-scale earthquakes, tsunamis, storms, floods, etc.)</li> </ul>	Large	Low	No specific timing	<ul style="list-style-type: none"> <li>Conduct natural disaster hazard surveys for each site</li> <li>Formulate response plans to be implemented in chronological order (timeline) in the event of a natural disaster and conduct drills and training such as safety confirmation</li> <li>Increase emergency stockpile reserves</li> <li>Conduct business impact analyses and reviews of the system table of each business unit</li> </ul>
7 Information security	<ul style="list-style-type: none"> <li>Leakage of confidential information due to human factors</li> <li>Cyberattacks</li> </ul>	Large	Medium	No specific timing	<ul style="list-style-type: none"> <li>Operate the Computer Security Incident Response Team, which deals with computer security incidents such as information leakage due to cyberattacks, centered on the Information Security Committee</li> <li>Identify the extent of impact and damage in the event of a cyberattack and provide initial responses to prevent the spread of damage and examine measures to prevent recurrence</li> <li>Conduct regular education and drills for employees</li> </ul>
		Large	Medium	No specific timing	





# Corporate Governance

## Basic stance

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

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

## Enhancement of corporate governance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Management policies, Group Code of Conduct, and other											2021: Revises the Group's management philosophy			
										2019: Reorganizes conventional corporate code of conduct to formulate the Group Code of Conduct				
Basic policy and other						2016: Establishes Daifuku Corporate Governance Guidelines				2021: Revises the Guidelines to a basic policy				
Separation of supervision and execution functions, delegation of authority and enhancement of monitoring	2011: Introduces a corporate officer system						2017: Revises the Rules to accelerate decision-making by the management and subsidiaries and clarify authority and responsibility						2023: Establishes new C-suite roles for our chief officers	
Outside directors		2012: An outside director elected (resulting in 11 directors in total)		2014: Two outside directors (resulting in 11 directors in total)			2018: Three outside directors (resulting in 10 directors in total)		2019: Four outside directors (resulting in 11 directors in total)				2023: Five outside directors (resulting in 10 directors in total)	
Gender/Nationality									2019: A female outside director elected				2023: A foreign national outside director elected	
Improvement of effectiveness of the Board of Directors					2015: Conducts evaluation of Board of Directors' effectiveness for the first time		2017: Implements evaluation of the Board of Directors' effectiveness through an external organization							
Strengthening of supervisory function										2019: Establishes an audit officer position and the Audit Division				
										2020: Establishes the Audit & Supervisory Board Office				
Advisory Committee						2016: Establishes the Advisory Committee for nomination and remuneration								
Other						2016: Reviews the appropriateness of cross-shareholdings and clarifies exercising voting rights standards								
								2018: Establishes the Pension Assets Management Committee						
								2018: Abolishes takeover defense measures						
													2022: Delists Contec Co., Ltd. due to making it a wholly owned subsidiary	



For details, see our website:

Daifuku Group Basic Policy for Corporate Governance

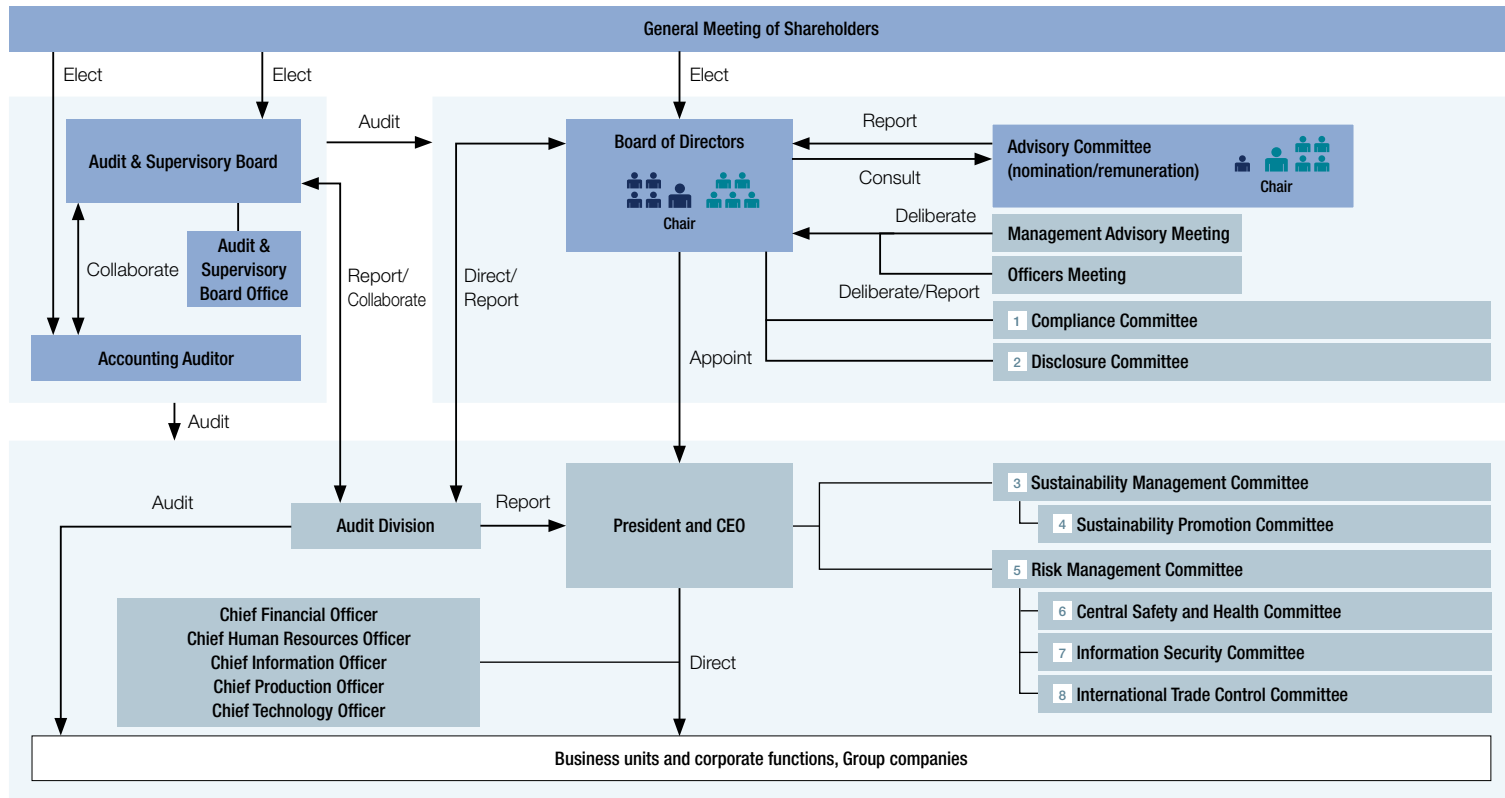
[www.daifuku.com/ir/assets/governance\\_policy\\_e.pdf](http://www.daifuku.com/ir/assets/governance_policy_e.pdf)

Disclosure Based on the Principles of Japan's Corporate Governance Code

[www.daifuku.com/ir/assets/governance\\_initiative\\_e.pdf](http://www.daifuku.com/ir/assets/governance_initiative_e.pdf)

Corporate Governance

Corporate governance system



Inside director   Outside director

1 Compliance Committee

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

2 Disclosure Committee

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

3 Sustainability Management Committee

The committee discusses important management strategies for the Group and confirms the progress and results of business plans to achieve more sophisticated management. The aim is to achieve management from the perspective of management that takes both business and sustainability perspectives into account, with an emphasis on creating corporate value over the medium to long term based on a future-oriented approach.

4 Sustainability Promotion Committee

To meet increasing demands to address a wider range of ESG, the SDGs, and other social issues, as a subordinate committee of the Sustainability Management Committee, the committee promotes Group-wide initiatives for the Group's ESG-related issues on a practical level based on management strategies.

5 Risk Management Committee

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

6 Central Safety and Health Committee

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

7 Information Security Committee

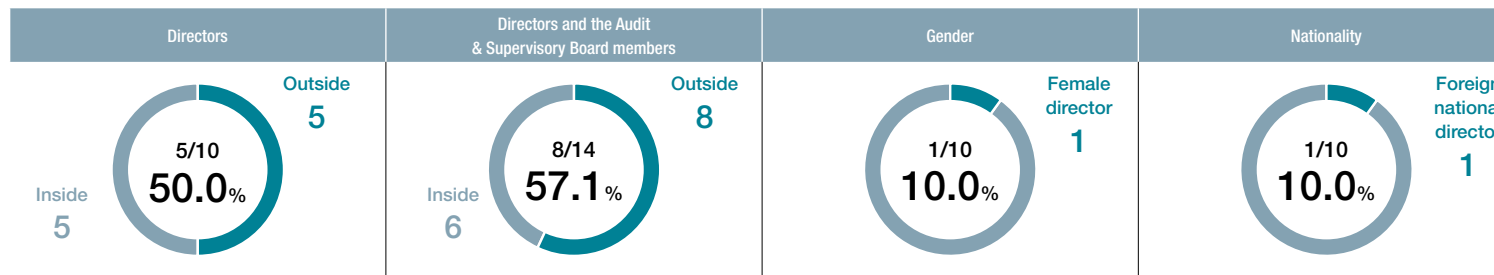
The committee establishes and revises regulations and reviews and implements measures for information security to ensure and maintain information security risk management for the entire Group based on its understanding of potential information security risks inside and outside the Group. Upon occurrence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

8 International Trade Control Committee

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

Diversity in the Board of Directors (ratio)

As of June 30, 2024



## Corporate Governance

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

#### Board of Directors

Daifuku's 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 corporate governance system. The Board delegates matters other than these important matters to directors and corporate officers. The Board of Directors meetings are attended by all directors with a one-year term of office and all Audit & Supervisory Board members, with a senior managing officer, managing officers, and an audit officer joining as observers. The president and CEO serves as Chair of the Board of Directors. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary.

##### ▶ Main agenda items during fiscal 2023

- Formulation of our long-term vision and the four-year business plan
- Revision of Daifuku Environmental Vision 2050
- Acquisition of treasury stock, offering of bonds, and status of cross-shareholdings
- Appointment of the Advisory Committee members and status of activities of the Advisory Committee, etc.
- Personnel changes concerning directors
- Progress and results of the three- or four-year business plan
- Promotion of sustainability initiatives, and other

##### ▶ Number of meetings held in fiscal 2023

16 times (12 regular meetings and 4 extraordinary meetings)

#### Attendance

Title	Name	Attendance rate (times attended / times held)
Representative Director President and CEO	Hiroshi Geshiro	100% (16/16)
Director	Seiji Sato	100% (11/11)
	Hiroshi Nobuta	
	Hideaki Takubo	
	Shuichi Honda	
	Toshiaki Hayashi	
Outside Director	Yoshiaki Ozawa	100% (16/16)
	Mineo Sakai	
	Kaku Kato	
	Keiko Kaneko	
	Gideon Franklin	
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	100% (16/16)
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	93% (15/16)
	Tsukasa Miyajima	100% (16/16)
	Nobuo Wada	

#### Audit & Supervisory Board

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

##### ▶ Main agenda items during fiscal 2023

**Resolution:** Audit plans, reappointment of accounting auditors, consent to audit compensation for accounting auditors, audit reports by the Audit & Supervisory Board, consent to proposals for election of Audit & Supervisory Board members, partial amendments to the Rules of the Audit & Supervisory Board, amendments to the standards for evaluation and appointment of accounting auditors, types of non-assurance services subject to pre-approval to be contracted to accounting auditors, and other

**Reporting:** Reports on the activities of the full-time Audit & Supervisory Board member and the Audit & Supervisory Board Office, reports on the implementation of audits, reports on the results of on-site audits of business units, audit plans of the Audit Division, and other

**Deliberation and discussion:** Drafting audit reports of Audit & Supervisory Board members and the Audit & Supervisory Board, partial revision of the remuneration system for Audit & Supervisory Board members, and other

##### ▶ Number of meetings held in fiscal 2023

8 times

#### Attendance

Title	Name	Attendance rate (times attended / times held)
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	100% (8/8)
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	
	Tsukasa Miyajima	
	Nobuo Wada	

Notes: 1. Mr. Shuichi Honda resigned from the office of director at the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2023.

2. Mr. Hideaki Takubo and Mr. Gideon Franklin assumed the office of director and the office of outside director, respectively, at the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2023.

3. Mr. Toshiaki Hayashi resigned from the office of director at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2024.

4. Mr. Ryosuke Aihara resigned from the office of Audit & Supervisory Board member at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2024.

#### 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 is chaired by an outside director and the majority of members are outside directors.

##### ▶ Main agenda items during fiscal 2023

**Nomination:** Personnel matters for the General Meeting of Shareholders, personnel matters for the management, corporate governance system, and other

**Remuneration:** Executive remuneration system, evaluation of performance bonuses for officers and Board Benefit Trust (BBT), verification of levels of executive remuneration, and other

In fiscal 2023, constructing a new executive remuneration system, including introduction of ESG indicators into the calculation of executive remuneration, were actively discussed at the committee.

##### ▶ Number of meetings held in fiscal 2023

9 times (3 times for nomination, 6 times for remuneration)

#### Attendance

Title	Name	Attendance rate (times attended / times held)
Outside Director	Yoshiaki Ozawa (Chair)	100% (9/9)
	Mineo Sakai	
	Kaku Kato	
	Keiko Kaneko	
	Gideon Franklin	
Representative Director	Hiroshi Geshiro	100% (9/9)

## Corporate Governance

## Skills of directors

The Company appoints directors by considering the optimal composition of the Board of Directors in terms of expertise, experience, diversity, etc., taking into account changes in the business environment and the management policies and business plans of the Daifuku Group. Skill matrix showing the expertise and experience of each director is as follows.

## Skills of directors

As of June 30, 2024

Name	Expertise, experience							Gender	Foreign national	Independence	Age	Tenure	Advisory Committee
	Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	ESG						
Hiroshi Geshiro	✓			✓	✓	✓	✓	Male			66	9 years	✓
Seiji Sato	✓				✓	✓		Male			64	9 years	
Hiroshi Nobuta	✓	✓				✓		Male			64	3 years	
Hideaki Takubo	✓		✓	✓		✓	✓	Male			63	1 year	
Tomoaki Terai	✓	✓			✓	✓		Male			55	Newly elected	
Yoshiaki Ozawa			✓			✓	✓	Male		✓	70	10 years	✓ Chair
Mineo Sakai	✓		✓			✓	✓	Male		✓	73	6 years	✓
Kaku Kato	✓			✓		✓	✓	Male		✓	69	5 years	✓
Keiko Kaneko				✓		✓	✓	Female		✓	56	5 years	✓
Gideon Franklin	✓		✓			✓	✓	Male	✓	✓	61	1 year	✓

## Notes:

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

2. The age is at the nearest birthday as of June 21, 2024.

## Corporate Governance

## Reasons for election of directors and Audit &amp; Supervisory Board members

## Directors

As of June 30, 2024

Name	Title	Reasons for election
Hiroshi Geshiro	Representative Director President and CEO	He has abundant experience and a good track record in Japan and overseas. He is qualified to serve as a Director of the Company because he will be able to play an important role in decision-making in the management of the entire Group, as well as in the realization of Group strategies to achieve business growth and improve corporate performance.
Seiji Sato	Director, Senior Managing Officer President and CEO of Daifuku North America Holding Company	He has abundant experience and a good track record in business management concerning material handling systems for semiconductor and flat-panel display factories in Japan and overseas. Since April 2023, he has been serving as president and CEO of a subsidiary in North America. The Company determined that he is qualified as a Director for the above reasons.
Hiroshi Nobuta	Director, Managing Officer Intralogistics Global Business Head	He has abundant experience and a good track record in the field of material handling systems for manufacturers and distributors centered on engineering at the Company and its non-Japan subsidiary. The Company determined that he is qualified as a Director for the above reasons.
Hideaki Takubo	Director, Managing Officer Chief Human Resources Officer, Corporate Functions Head	He has extensive experience and a good track record in the field of human resources and general affairs in Japan and overseas. As the Corporate Functions Head, he is responsible for promoting sustainability management, including ESG. The Company determined that he is qualified as a Director for the above reasons.
Tomoaki Terai	Director, Managing Officer Cleanroom Global Business Head Cleanroom Division Manager, General Manager of the Production Operations under the Cleanroom Division	He has abundant experience and a good track record in business management concerning material handling systems for semiconductor and flat-panel display factories at the Company and its non-Japan subsidiaries. The Company determined that he is qualified as a Director for the above reasons.
Yoshiaki Ozawa	Outside Director	He has considerable knowledge in financial and accounting matters and teaches accounting as a university professor by leveraging his experience working abroad. At meetings of the Board of Directors, he offers professional advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge, as well as to help us promote globalization of the Daifuku Group. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Mineo Sakai	Outside Director	He has abundant experience and extensive knowledge in corporation management that he has cultivated through the positions as the Chairman and CEO of an IT company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Kaku Kato	Outside Director	He has abundant experience and extensive knowledge in corporate management, particularly in the fields of safety and ESG as well as compliance and internal control, cultivated through the positions as executive officer at a trading company and an energy-related company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof largely from the viewpoint of corporate legal affairs. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.
Keiko Kaneko	Outside Director	She has experience working at a trading company and as an associate professor at a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that she is qualified as a Director for the above reasons.
Gideon Franklin	Outside Director	He has abundant experience and extensive knowledge in corporate management as an analyst, M&A advisor, and management executive in international financial institutions and other organizations. He provides advice and recommendations based on his extensive knowledge on global business management, to enhance the diversity of the Board of Directors and to secure the transparency of management and enhance the supervision from an unconventional perspective. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. The Company determined that he is qualified as a Director for the above reasons.

## Audit &amp; Supervisory Board members

Name	Title	Reasons for election
Tsukasa Saito	Audit & Supervisory Board Member (full-time)	He has abundant practical experience in finance and accounting and a high level of knowledge in the accounting and financial fields. He has also supported the duties of the Audit & Supervisory Board Office. He is well versed in the Group's business operation. The Company determined that he is qualified as an Audit & Supervisory Board member for the above reasons.
Tsukasa Miyajima	Audit & Supervisory Board Member (outside)	He is a university professor specializing in law and has deep insight and extensive experience as an academic expert and a legal expert. He has given us professional advice and counsel to ensure the transparency of management and enhance the functions of management supervision and auditing thereof. The Company elected him as an Audit & Supervisory Board member for the above reasons.
Nobuo Wada	Audit & Supervisory Board Member (outside)	He had long been a professor at Nagoya University as a scientist majoring in physics. He has deep insight and extensive experience as an academic expert. The Company would like him to assume this position in expectation of obtaining advice and counsel to secure the transparency of management and enhance the functions of management supervision and auditing from him. The Company elected him as an Audit & Supervisory Board member for the above reasons.
Eiko Hakoda	Audit & Supervisory Board Member (outside)	She has long been engaged in global business as a lawyer and has a proven track record and a high level of expertise in finance, international commerce, and corporate governance. The Company would like her to assume this position in expectation of obtaining advice and counsel from her abundant experience and extensive knowledge to secure the transparency of management and enhance the functions of management supervision and auditing. The Company elected her as an Audit & Supervisory Board member for the above reasons.



## Corporate Governance

### Evaluation of the Board of Directors' effectiveness

#### Results for fiscal 2023

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

In the effectiveness evaluation conducted in fiscal 2023 as well, the Company ensures objectivity and independence of the effectiveness evaluation by obtaining support from an external evaluation body at key points in the process, such as conducting questionnaires and interviews and analyzing survey results.

#### ▶ Method

- Anonymous questionnaire for all directors and all Audit & Supervisory Board members
- Interviews with one representative director and five outside directors

#### ▶ Survey items

- 1 How the Board of Directors should be
- 2 Composition of the Board of Directors
- 3 Operation of the Board of Directors
- 4 Discussions at the Board of Directors
- 5 The Board of Directors' monitoring function
- 6 Performance of outside directors
- 7 Support system for directors and Audit & Supervisory Board member
- 8 Training
- 9 Dialogues with shareholders and investors
- 10 Subjects' own actions
- 11 Operation of the Advisory Committee

#### Initiatives and evaluation for fiscal 2023

Recognition of issues as a result of the FY2022 effectiveness evaluation	Initiatives for FY2023	Evaluation results of the questionnaire for FY2023
Ensuring diversity of core human resources	We have conducted improvement measures, such as expanding early female leaders development program eligibles, from assistant managers to candidates of assistant manager positions, to increase the number of female candidates for managerial positions.	The improvement was appreciated.
Diversity in the composition of the Board of Directors	The Company appointed a foreign national director.	The improvement was appreciated.
Group's overall business portfolio	The Company set aside time to discuss at the Board of Directors meetings.	The majority of respondents evaluated the issue as being adequately overseen. On the other hand, some respondents indicated a request for continued consideration of this issue.

#### To improve effectiveness in the future

Recognition of issues as a result of the FY2023 effectiveness evaluation	Future initiatives
Reviewing the Group's overall business portfolio from the perspective of ensuring sustainable profitability and cost of capital	The Board of Directors will seek more sophisticated management system, in light of the issues that need to be discussed with greater awareness of cost of capital and return on capital.
Training of successor candidates	To achieve medium- to long-term growth and sustainable enhancement of corporate value, we will continue to consider the target employees and contents of training system for successor candidates, in addition to enhancing training for officers based on their skills in light of the management strategy.

## Corporate Governance

### Executive remuneration

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

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

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

In accordance with the revision of the executive remuneration system for fiscal 2024 onward, the Board of Directors will also determine the total amount of remuneration for each individual director.

### Results for fiscal 2023

#### Remuneration category

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

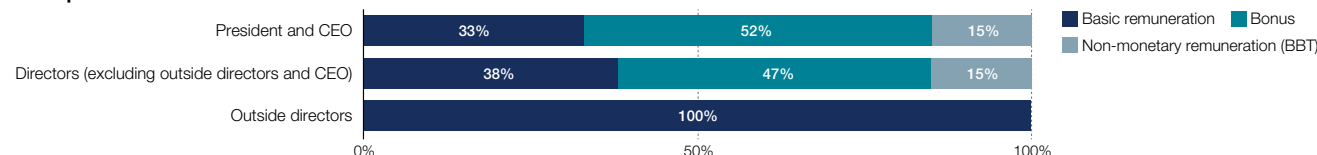
#### Remuneration for directors and Audit & Supervisory Board members

Type of officer	Total remuneration (million yen)	Total remuneration, etc., by type (million yen)			Number of target officers
		Basic remuneration	Performance-linked remuneration		
			Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	489	178	237	72	6
Audit & Supervisory Board members (excluding outside members of the Audit & Supervisory Board)	45	21	24	—	1
Outside directors	71	71	—	—	5
Audit & Supervisory Board members (outside)	34	34	—	—	3

#### Those who received 100 million yen or more of total consolidated remuneration

Name	Total consolidated remuneration (million yen)	Title	Total consolidated remuneration, etc., by type (million yen)		
			Basic remuneration	Performance-linked remuneration	
				Bonus	Non-monetary remuneration
Hiroshi Geshiro	182	Representative Director President and CEO	60	94	28

#### Composition of remuneration



Note: Based on results for fiscal 2023

## Corporate Governance

### Revision of executive remuneration system for fiscal 2024 onward

To determine executive remuneration based on a more transparent and fair process with the aim of achieving sustainable growth of the Company and enhancing corporate value over the medium to long term, the Company has revised the executive remuneration system for fiscal 2024 onward. A resolution to change the executive remuneration system was passed at a Board of Directors meeting held in February 2024, based on reporting from the Advisory Committee.

#### Points for the revision

#### 1 Determination of the amount of remuneration to be made by the Board of Directors, which was previously delegated to the president and CEO (transparency in determination of remuneration)

Regarding the amount of remuneration for individual directors, the president and CEO had been delegated to determine the details of remuneration, etc., for individual directors in accordance with related internal rules. However, following the revision, the Board of Directors will determine the amount of remuneration for individual directors based on reporting by the Advisory Committee.

#### 2 Introduction of ESG indicators (taking both business and sustainability perspectives into account)

We have introduced ESG indicators with the aim of supporting further evolution of sustainability management. Specifically, in the calculation of bonus resources, we introduced coefficients linked with evaluation indicators related to the progress concerning 1) safety: zero serious accidents, and 2) environment: CO<sub>2</sub> emissions reduction, in addition to consolidated net income. Moreover, as evaluation indicators for the BBT, we will introduce evaluation by external ESG rating agencies and the rate of CO<sub>2</sub> emissions reduction, in addition to financial indicators.

#### 3 Emphasis on evaluation based on performance and contribution

To reflect performance and the degree of contribution of individual in the remuneration system more than in the case of the current system, the proportion of the performance-linked evaluation component has been increased from 80% for the basic component and 20% for the performance-linked evaluation component to 50% for the basic component and 50% for the performance-linked evaluation component.

Type of remuneration		Until fiscal 2023			From fiscal 2024 onward		
Performance-linked remuneration (variable)	Basic remuneration (fixed)	Unchanged			Unchanged		
	Bonus	■ Positions and roles Bonus resources (1.5% of consolidated net income) Positions and roles   Financial indicators   Qualitative evaluation (individual assessment) <b>Financial indicators:</b> Rate of increase of consolidated net sales, consolidated operating margin, and rate of improvement of consolidated operating margin			Bonus resources (1.5% of consolidated net income + ESG indicator 1 Safety   ESG indicator 2 Environment) Positions and roles   <del>Decrease</del>   <del>Increase</del>   Financial indicators   <del>Increase</del>   Qualitative evaluation (individual assessment) <b>Financial indicators:</b> Rate of increase of consolidated net sales, consolidated operating margin, and rate of improvement of consolidated operating margin <b>ESG indicators:</b> 1) Safety: zero serious accidents 2) Environment: CO <sub>2</sub> emissions reduction rate (progress rate toward 2030 target)		
	BBT Points for three- or four- year business plans	■ Positions and roles ■ Financial indicators BBT (points for the business plan) Consolidated net sales   Consolidated operating margin   ROE <b>Financial targets:</b> Consolidated net sales, consolidated operating margin, and ROE (for the final fiscal year of the business plan)			BBT (points for the business plan) Consolidated net sales   Consolidated operating margin   ROE   ESG indicators <b>Financial targets:</b> Consolidated net sales, consolidated operating margin, and ROE (for the final fiscal year of the business plan) <b>ESG indicators:</b> Evaluation by external ESG rating agencies (MSCI, FTSE, and CDP), rate of CO <sub>2</sub> emissions reduction		

## Corporate Governance

## Criteria for executive remuneration from fiscal 2024 onward

The new executive remuneration system, which was reviewed in fiscal 2024, defines the following payment criteria for basic remuneration (fixed) and performance-linked compensation (variable), as follows.

Type of remuneration		Payment criteria				Payment method		
Basic remuneration (fixed)		Determined according to positions and roles				Monthly Monetary remuneration		
Performance-linked remuneration (variable)*	Short-term assessment	Method of calculation of bonus resources [Total bonus resources = Consolidated net income x (1.5±0.06)%]				Annually Monetary remuneration		
		Financial indicator: 1.5% of consolidated net income		Non-financial indicators: 1) Zero serious accidents: ±0.03% (positive evaluation only if the target is achieved for five consecutive years) 2) CO <sub>2</sub> emissions reduction rate (progress rate toward 2030 target and initiatives in a single year) ±0.03%				
		Description					By type	
		Basic component	Quantitative evaluation	Consolidated net income	Calculated according to positions and roles		50%	
		Performance-linked evaluation component	Quantitative evaluation	Growth potential (rate of increase of consolidated net sales)	Growth potential: Rate of increase of consolidated net sales compared to the previous fiscal year		30%	
	Profitability (margin)			Profitability: Margin (business evaluation coefficient) Rate of improvement of margin compared to the previous fiscal year				
		Qualitative evaluation	Roles and contributions	Calculated based on roles and contributions concerning medium- to long-term targets and strategic challenges	20%			
	Medium- to long-term assessment	Non-monetary remuneration (BBT)	Points to be granted are determined by calculating the points according to positions and roles and the scores based on the target achievement rates (margin target achievement rate + income amount target achievement rate).				Annually Stock compensation	
			Description					By type
			Target achievement rate for each fiscal year	Financial indicator	Consolidated net income	Rate of achievement of the initial plan: (margin target achievement rate + income amount target achievement rate) / 2		100%
Three- or four- year business plans achievement rate		Financial indicator	Consolidated net sales	800 billion yen	25%			
			Consolidated operating margin	11.5%	25%			
	ROE (each fiscal year)		13.0%	25%				
	Non-financial indicators	ESG indicators	1) MSCI ESG rating: AA or higher 2) FTSE: Continued inclusion in FTSE4Good Index 3) CDP: A- or higher 4) CO <sub>2</sub> emissions reduction rate: 54.0% (achievement rate against the target for the final year of the four-year business plan for 2027)	25%				
				Upon completion of the business plan Stock compensation				

\* Outside directors and outside members of Audit & Supervisory Board are not eligible for performance-linked remuneration (variable).

## Corporate Governance

### Cross-shareholding strategy

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

With respect to the voting rights attached to cross-shareholdings, we will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners over the medium to long term.

At the time of the assessment, special attention will be paid to whether the cross-shareholding partner has been tarnished by scandals or has committed an antisocial act. If the

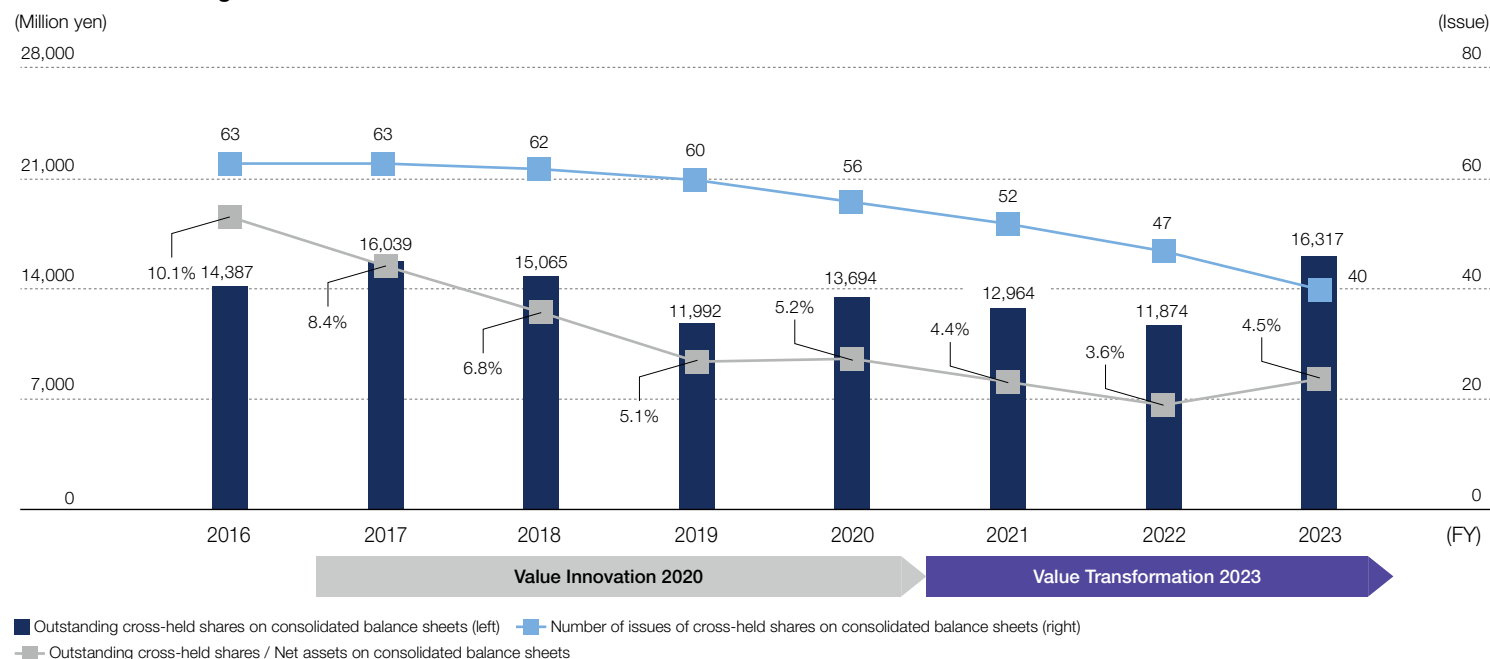
cross-shareholding partner has been involved in such circumstances, its managerial approach to improvement shall be scrutinized.

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

With respect to the shares held as of March 31, 2024, the Board of Directors discussed "examination of whether to continue to hold shares as cross-shareholdings, and investigation based on the standard of exercising voting rights" and approved the holding of the shares at its meeting held on April 26, 2024.

In fiscal 2023, the Company reduced the holding of 12 issues of shares, including seven issues of shares sold entirely. The Company will decide to sell some issues of shares flexibly, keeping a close watch on the prices of the shares.

#### Cross-shareholdings on consolidated balance sheets





# Management (As of June 30, 2024)

## Representative Director



**Hiroshi Geshiro**  
President and CEO

## Directors



**Seiji Sato**  
Senior Managing Officer  
President and CEO of  
Daifuku North America, Inc.



**Hiroshi Nobuta**  
Managing Officer  
Intralogistics Global Business Head



**Hideaki Takubo**  
Managing Officer  
Chief Human Resources Officer  
Corporate Functions Head

## Audit & Supervisory Board Members



**Tsukasa Saito**  
Audit & Supervisory Board Member  
(full-time)



**Tsukasa Miyajima**  
Audit & Supervisory Board Member  
(outside)



**Tomoaki Terai**  
Managing Officer  
Cleanroom Global Business Head  
Cleanroom Division Manager  
General Manager of the Production  
Operations, Cleanroom Division



**Yoshiaki Ozawa**  
Outside Director



**Mineo Sakai**  
Outside Director



**Nobuo Wada**  
Audit & Supervisory Board Member  
(outside)



**Eiko Hakoda**  
Audit & Supervisory Board Member  
(outside)



**Kaku Kato**  
Outside Director



**Keiko Kaneko**  
Outside Director



**Gideon Franklin**  
Outside Director

## Management

## Officers

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

## Officers (excluding those who are concurrently appointed as directors)

## Audit Officer

## Senior Managing Officer

## Yasuhisa Mishina

Chief Production Officer  
Chief Information Officer  
General Manager of Shiga Works  
Production Innovation Division Manager  
DX Division Manager

1 Software, design, production 2 —  
3 Male 4 64

## Managing Officers

## Takaya Uemoto

Automotive and Airport Global Business Head  
Airport Division Manager

1 Installation, service 2 U.S.A.\*  
3 Male 4 63

## Takuya Gondoh

Chief Technology Officer  
Business Innovation Division Manager

1 Engineering, production 2 —  
3 Male 4 63

## Akihiko Nishimura

Deputy Automotive and Airport Global Business Head  
Automotive Division Manager

1 Installation, service, sales 2 Canada, U.S.A.\*  
3 Male 4 61

## Norihito Toriya

Intralogistics Division Manager

1 Sales 2 — 3 Male 4 60

## Tetsuya Hibi

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

1 Finance, accounting 2 U.S.A.\*  
3 Male 4 60

## Corporate Officers

## Hiroaki Kita

Deputy General Manager of Airport Operations,  
Airport Division  
Chairman of Daifuku Oceania Limited

1 Design, product development  
2 U.K., Germany, U.S.A., China\*, New Zealand\*  
3 Male 4 63

## Seiji Yamamoto

General Manager of Installation and Service Operations,  
Intralogistics Division  
Safety and Health Management Division Manager

1 Installation, service 2 Thailand\*  
3 Male 4 59

## Tsutomu Maeda

General Manager of Sales and Service Operations,  
Automotive Division  
Deputy Safety and Health Management Division Manager

1 Installation, service 2 U.S.A., India\*  
3 Male 4 58

## Atsushi Sonoda

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

1 Sales 2 South Korea 3 Male 4 55

## Hirobumi Akiba

Corporate Communications Division Manager

1 Sales, finance 2 U.K. 3 Male 4 58

## Masayuki Izutsu

General Manager of Airport Operations, Airport Division

1 Installation, service  
2 U.S.A., South Korea\*, The Netherlands\*  
3 Male 4 57

## Takafumi Tanaka

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

1 Production 2 — 3 Male 4 55

## Junji Yano

General Manager of Production Operations,  
Intralogistics Division

1 Design, production 2 — 3 Male 4 55

## Kazuyoshi Nishiyama

Electronics Global Business Head  
President and CEO of Contec Co., Ltd.

1 Engineering, design, sales 2 —  
3 Male 4 60

Toshikatsu  
Takahashi

General Manager of Audit &  
Supervisory Board Office

1 Human resources and general affairs  
2 China\* 3 Male 4 60

Chapter

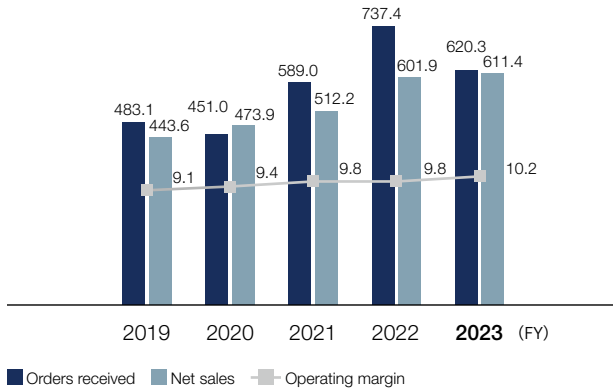
# 04

## Data Section

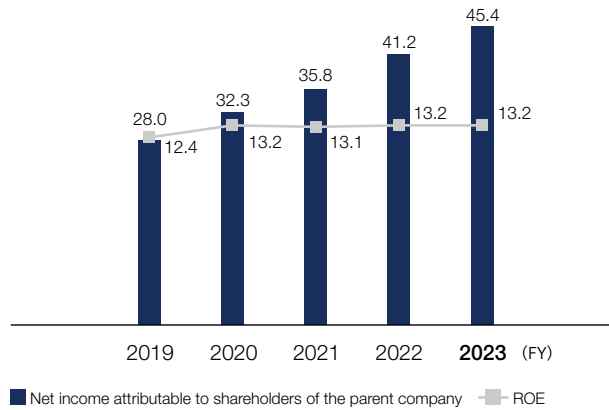
- 89 Financial/Non-Financial Highlights
- 91 Eleven-Year Financial Summary
- 92 Company Profile

# Financial/Non-Financial Highlights

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

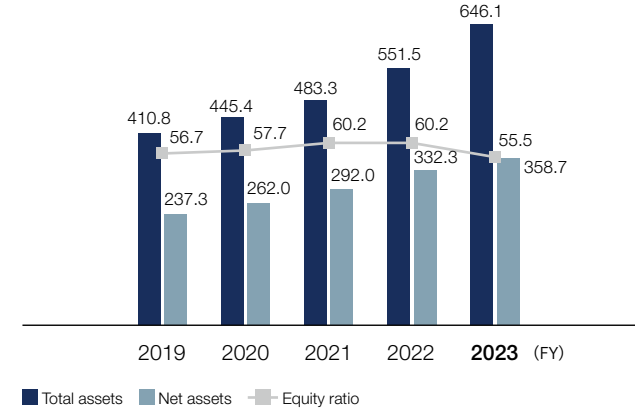


**Net income attributable to shareholders of the parent company, ROE\***  
(Billion yen / %)

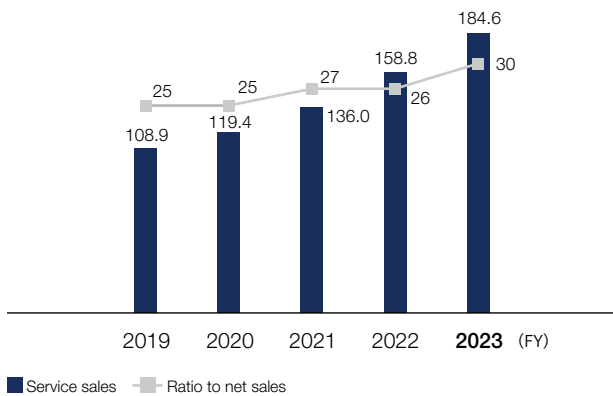


\* ROE = Net income attributable to shareholders of the parent company / Equity (average of beginning and end of the year) × 100

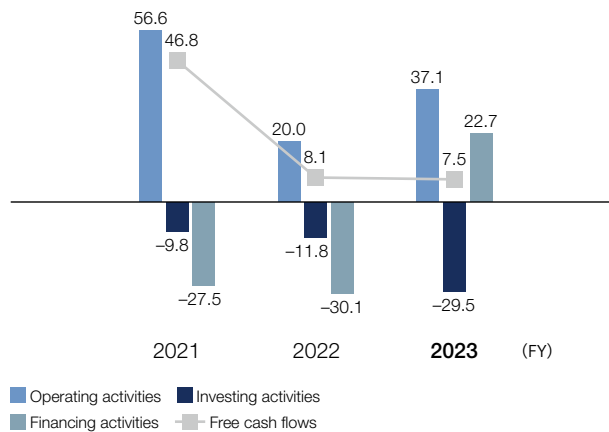
**Total assets, net assets, equity ratio**  
(Billion yen / %)



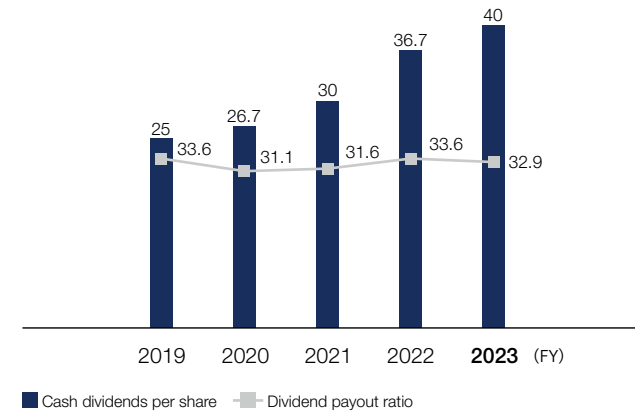
**Service sales, ratio to net sales**  
(Billion yen / %)



**Cash flows**  
(Billion yen)



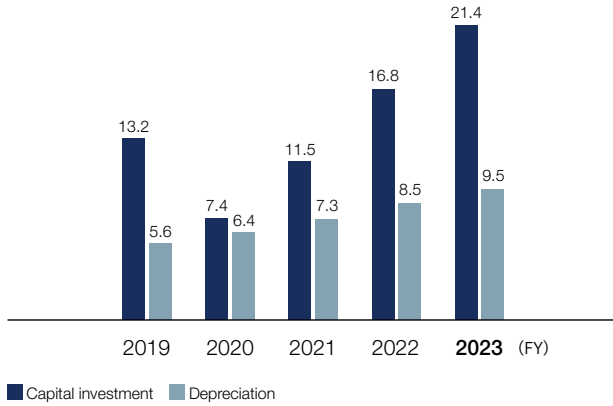
**Cash dividends per share, dividend payout ratio**  
(Yen / %)



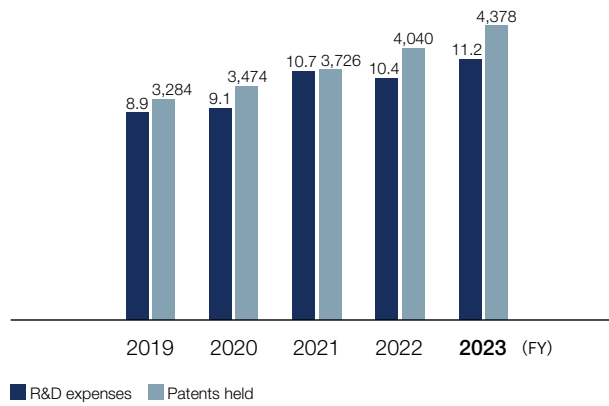
Note: Dividends for fiscal 2022 and before are calculated retroactively from the stock split (a three-for-one split of the Company's common stock effective April 1, 2023).

## Financial/Non-Financial Highlights

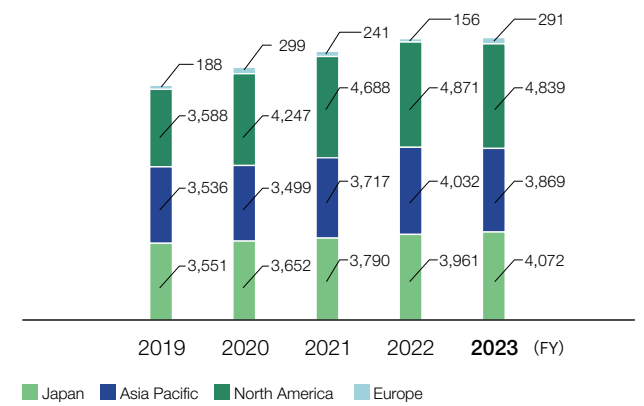
**Capital investment, depreciation**  
(Billion yen)



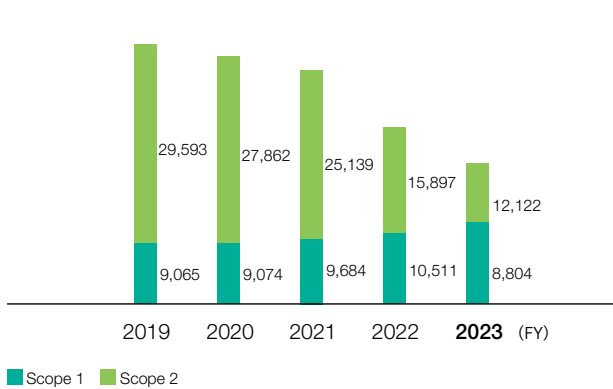
**R&D expenses, patents held**  
(Billion yen / Patents)



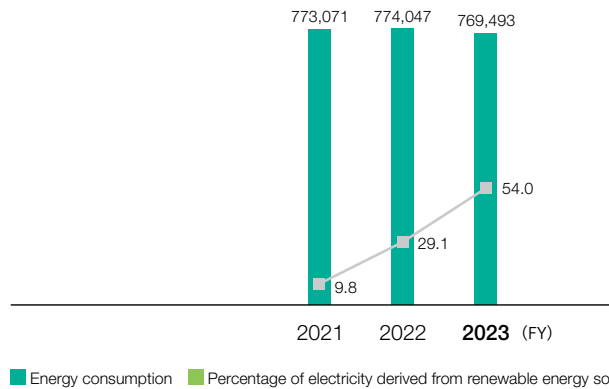
**Employees by region**  
(People)



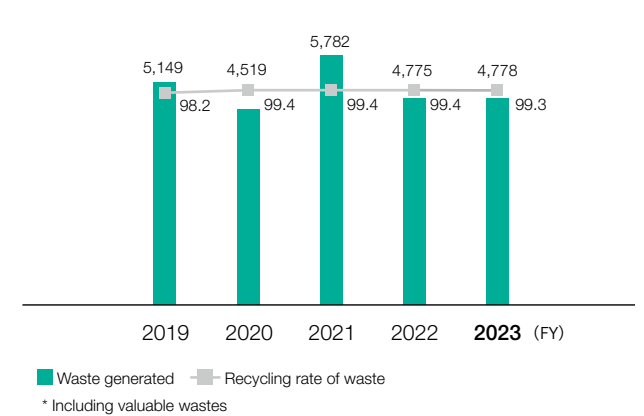
**CO<sub>2</sub> emissions (global)**  
(t-CO<sub>2</sub>)



**Energy consumption, percentage of electricity derived from renewable energy sources (global)**  
(GJ / %)



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





# Eleven-Year Financial Summary

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

(Million yen)	Value Innovation 2017				Value Innovation 2020				Value Transformation 2023		
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>For the Year</b>											
Net sales	¥241,811	¥267,284	¥336,184	¥320,825	¥404,925	¥459,486	¥443,694	¥473,902	¥512,268	¥601,922	¥611,477
Cost of sales	194,974	215,641	272,832	256,417	321,836	358,230	357,870	385,744	417,968	492,123	494,848
Gross profit	46,836	51,642	63,351	64,407	83,089	101,255	85,824	88,157	94,299	109,799	116,628
Selling, general and administrative expenses	34,279	36,759	42,472	41,308	43,164	46,574	45,326	43,591	44,046	50,944	54,549
Operating income	12,556	14,883	20,878	23,099	39,924	54,681	40,497	44,566	50,252	58,854	62,079
Income before income taxes	12,137	15,211	20,650	23,942	41,059	55,329	39,808	45,109	50,978	55,052	63,287
Net income attributable to shareholders of the parent company	7,740	9,810	13,652	16,746	29,008	39,567	28,063	32,390	35,877	41,248	45,461
Capital investment	10,446	7,532	4,210	5,905	6,348	7,920	13,220	7,462	11,565	16,811	21,410
Depreciation	3,821	4,157	4,587	4,202	4,419	4,598	5,667	6,401	7,326	8,522	9,569
R&D expenses	7,490	6,945	7,009	7,489	8,123	8,615	8,936	9,165	10,735	10,496	11,264
<b>Cash Flows</b>											
Cash flows from operating activities	¥20,447	¥6,295	¥7,206	¥26,683	¥11,497	¥8,559	¥13,706	¥38,229	¥56,691	¥20,034	¥37,117
Cash flows from investing activities	(7,372)	(5,846)	(2,099)	(5,393)	(5,600)	5,937	(14,791)	(6,132)	(9,828)	(11,874)	(29,582)
Free cash flows	13,074	448	5,107	21,289	5,897	14,496	(1,084)	32,097	46,862	8,159	7,535
Cash flows from financing activities	1,045	(509)	(8,702)	(4,404)	13,444	(6,893)	(18,354)	(8,932)	(27,550)	(30,187)	22,732
<b>At Year-End</b>											
Total assets	¥249,531	¥271,011	¥296,055	¥303,540	¥373,013	¥409,982	¥410,887	¥445,456	¥483,322	¥551,552	¥646,154
Interest-bearing liabilities	58,144	60,547	40,904	39,770	37,967	40,001	33,418	35,143	26,356	11,459	70,616
Net assets	99,690	111,521	130,116	142,340	191,474	222,885	237,356	262,012	292,059	332,323	358,755
Shareholders' equity	90,652	98,469	123,669	136,694	181,454	214,656	231,714	255,282	279,264	308,240	319,723
Number of employees	7,349	7,746	7,835	8,689	9,193	9,857	10,863	11,697	12,436	13,020	13,071
<b>Amounts per Share of Common Stock</b>											
Net income per share (Yen)	¥23.32	¥29.53	¥39.57	¥45.86	¥78.54	¥104.85	¥74.32	¥85.71	¥94.90	¥109.11	¥121.63
Net assets per share (Yen)	291.71	324.25	348.13	380.71	497.90	579.40	616.76	680.02	769.13	878.24	966.98
Cash dividends per share (Yen)	6	7.3	10	14	23.3	30	25	26.7	30	36.7	40
<b>Ratios</b>											
Operating income / Net sales	5.2%	5.6%	6.2%	7.2%	9.9%	11.9%	9.1%	9.4%	9.8%	9.8%	10.2%
Net income / Net sales	3.2	3.7	4.1	5.2	7.2	8.6	6.3	6.8	7.0	6.9	7.4
Return on shareholders' equity (ROE)	8.6	9.6	11.6	12.6	17.7	19.5	12.4	13.2	13.1	13.2	13.2
Total assets turnover (Times)	1.1	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.2	1.0
Shareholders' equity / Total assets	38.8	39.8	42.9	45.8	50.4	53.3	56.7	57.7	60.2	60.2	55.5
D/E ratio (Times)	0.60	0.56	0.32	0.29	0.20	0.18	0.14	0.14	0.09	0.03	0.20

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

2. Per share information is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2014.

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

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

5. D/E ratio = Interest-bearing liabilities / (Net assets – Non-controlling interests – Bonds with stock acquisition rights)

Interest-bearing liabilities are short-term borrowings, long-term borrowings, and convertible-bond-type bonds with stock acquisition rights recorded in the consolidated balance sheets that pay interest.

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

# Company Profile (As of March 31, 2024)

## Company profile

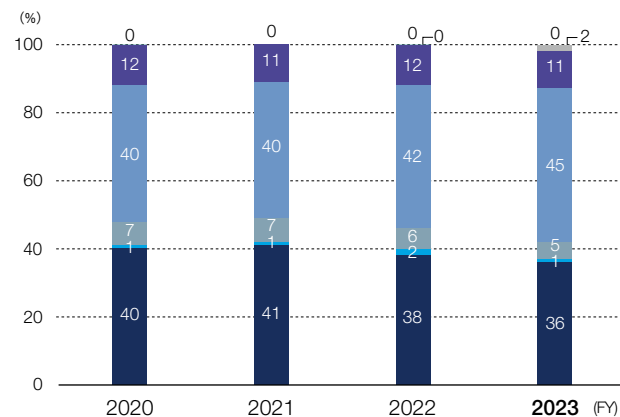
Company name	Daifuku Co., Ltd.
Established	May 20, 1937
Paid-in capital	31,865.3 million yen
Employees	13,071 (consolidated)
Stock exchange listing	Prime Market, Tokyo Stock Exchange

Number of authorized shares	750,000,000 shares
Total number of shares issued	379,830,231 shares
Number of shareholders	30,601
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited

## Shareholder distribution

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



## Stock information

### Major shareholders

Name	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,967	14.0
Custody Bank of Japan, Ltd. (Trust Account)	30,565	8.2
Mizuho Bank, Ltd.	9,265	2.5
Daifuku Supplier Shareholder Association	8,689	2.3
Nippon Life Insurance Company	8,237	2.2
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	7,825	2.1
Sumitomo Mitsui Banking Corporation	7,651	2.1
STATE STREET BANK AND TRUST COMPANY 505025	7,462	2.0
STATE STREET BANK WEST CLIENT – TREATY 505234	7,010	1.9
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	6,822	1.8

Note: Calculated after deducting treasury stock of 8,634 thousand shares.

### Trends in stock price



Note: The Company conducted a three-for-one split of its common stock effective April 1, 2023. The figures above are calculated, assuming that the stock split was conducted at the beginning of fiscal 2013.

## Company Profile

### Global network (as of April 1, 2024)

Company with production function

Japan				
Daifuku Co., Ltd.	Intralogistics Airport	Cleanroom Auto Wash	Automotive Electronics	
Contec Co., Ltd.			Electronics	
Daifuku Plusmore Co., Ltd.			Auto Wash	
Daifuku Business Service Corporation				
Daifuku Manufacturing Technology Co., Ltd.			Intralogistics	
Daifuku Airport Technologies Japan Co., Ltd.			Airport	
Scarabee Aviation Group - Japan Co., Ltd.			Airport	
North America				
<b>Daifuku North America, Inc.</b>			Holding Company	
Daifuku Automotive America Corporation			Automotive	
Daifuku Cleanroom America Corporation			Cleanroom	
Daifuku Airport America Corporation			Airport	
Daifuku Services America Corporation			Intralogistics Airport	
Daifuku Intralogistics America Corporation			Intralogistics	
Contec Americas Inc.			Electronics	
Daifuku Canada Inc.			Automotive	
Daifuku Manufacturing Canada Corporation			Intralogistics Automotive Airport	
Daifuku Airport Technologies Canada Inc.			Airport	
Daifuku de México, S.A. de C.V.			Automotive	
Europe				
Daifuku Co., Ltd. Czech Branch			Global Branch Automotive	Czech Republic
Daifuku Co., Ltd. Germany Branch			Global Branch Intralogistics	Germany
Daifuku Europe GmbH			Intralogistics	
Daifuku Automotive U.K. Ltd.			Automotive	
Daifuku Logan Ltd.			Airport	
Daifuku Co., Ltd. UK Branch			Global Branch Intralogistics	U.K.
Scarabee Aviation Group B.V.			Airport	The Netherlands
Daifuku Co., Ltd. Istanbul Branch			Global Branch Automotive	Turkey

Asia				
<b>Daifuku (China) Co., Ltd.</b>			Holding Company	
Daifuku (China) Automation Co., Ltd.			Automotive	
Daifuku (China) Manufacturing Co., Ltd.			Intralogistics	
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.			Cleanroom	
Contec (Shanghai) Co., Ltd.			Electronics	
Daifuku India Private Limited			Automotive	
Daifuku Manufacturing India Private Ltd.			Automotive	
Daifuku Intralogistics India Private Limited			Intralogistics	
P.T. Daifuku Indonesia			Intralogistics Automotive	Indonesia
Daifuku Korea Co., Ltd.			Intralogistics Automotive	
Clean Factomation, Inc.			Cleanroom	
Hallim Machinery Co., Ltd.			Auto Wash	
Daifuku (Malaysia) Sdn. Bhd.			Intralogistics Automotive	
BCS Integration Solutions Sdn. Bhd.			Airport	
Daifuku Co., Ltd. Philippines Branch			Global Branch Automotive	Philippines
Daifuku Mechatronics (Singapore) Pte. Ltd.			Intralogistics Cleanroom	
Singapore Contec Pte. Ltd.			Electronics	Singapore
Taiwan Daifuku Co., Ltd.			Intralogistics Cleanroom	
Taiwan Contec Co., Ltd.			Electronics	
Daifuku (Thailand) Limited			Intralogistics Automotive	
Daifuku Intralogistics Vietnam Company Limited			Intralogistics	Vietnam
Oceania				
<b>Daifuku Oceania Limited</b>			Intralogistics Airport	New Zealand
BCS Airport Systems Pty. Ltd.			Airport	
BCS Logistics Solutions Pty. Ltd.			Intralogistics	
BCS Infrastructure Support Pty. Ltd.			Intralogistics Airport	Australia
Intersystems (Asia Pacific) Pty. Ltd.			Airport	

**DAIFUKU CO., LTD.**

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