

Sustainability Management

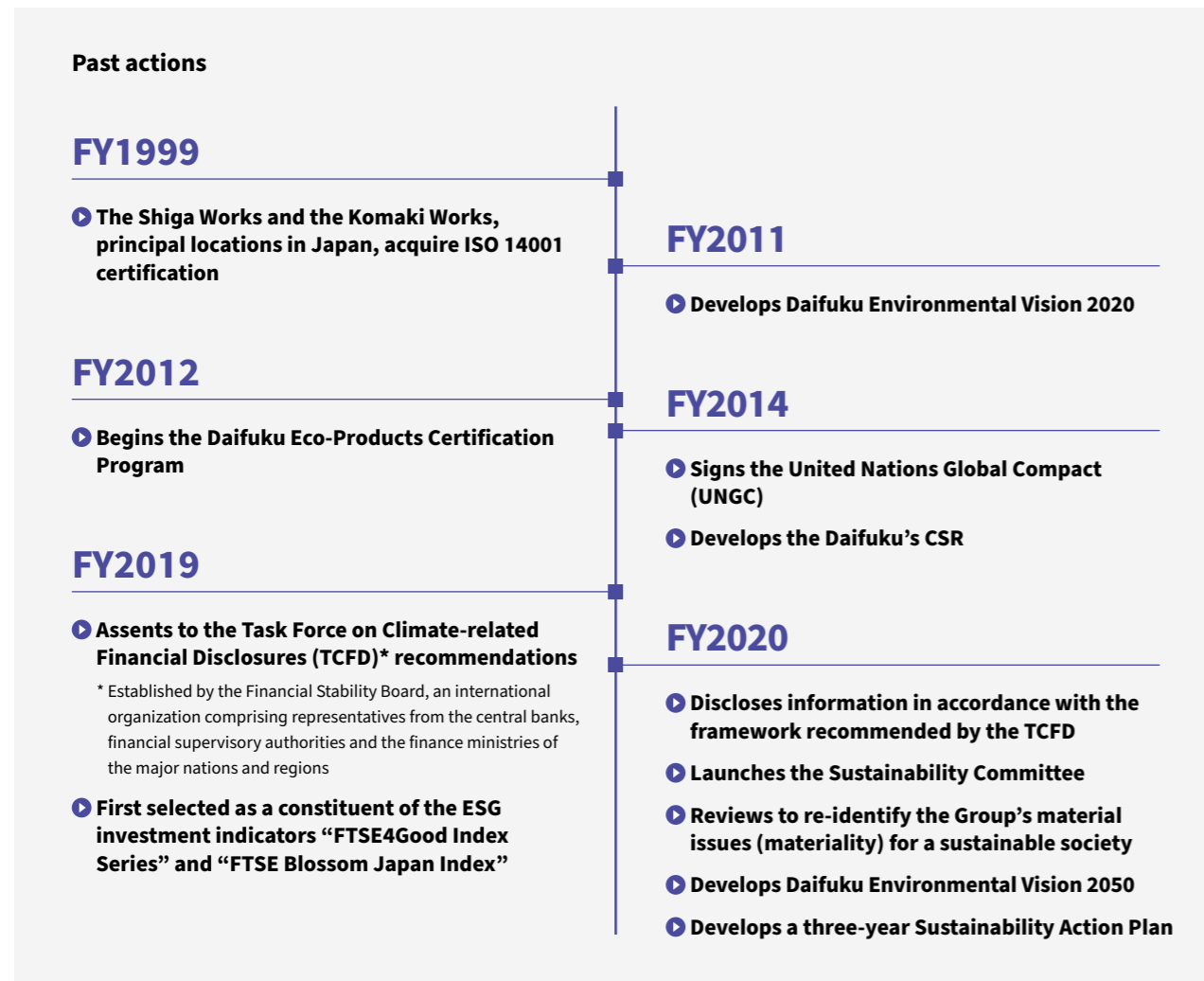
I Message from corporate officer responsible for sustainability

The Daifuku Group developed Daifuku Environmental Vision 2020 in 2011 and has since been addressing climate change, resource circulation, preservation of biodiversity, and other global issues. To present the Group's vision for 2050 from a long-term perspective for tackling these serious issues, we have now developed Daifuku Environmental Vision 2050.

We have also launched an internal cross-sectional project to identify and discuss medium- and long-term material issues to be addressed by the Group. The project identified material issues reflecting views of internal and external stakeholders and adopted the Sustainability Action Plan as a plan for specific actions toward resolving these issues. Drawing up a vision for 2030, the plan defines KPIs for individual issues and their targets for the next three years. The Sustainability Action Plan is positioned, alongside the three-year business plan that started in fiscal 2021, as an essential part of the Group's management strategy. It will contribute to fulfillment of the Sustainable Development Goals (SDGs) through its execution and strategy. Paying attention to human rights, the environment, and other environmental, social and governance (ESG) factors as a company that works to resolve social issues, the Group will work as one to carry out sustainability management with a view to realizing a sustainable society and to increasing corporate value.



Hideaki Takubo
 Managing Officer
 Corporate Functions
 Human Resources and General Affairs



I Sustainability management framework

The Sustainability Committee is the highest decision-making body for sustainability management issues. It is chaired by the CEO, and its members comprise each department head across the Group. The Committee, made of the top management, directs company policy and plan implementation on measures against a variety of sustainability issues, including climate change.

I Structure and operation of the Sustainability Committee

The Sustainability Committee is an organization that plays a central role in sustainability management. It was set up in fiscal 2020 as an upgraded successor to the abolished Environmental Enhancement Management Committee chaired by the CFO.

The new committee is chaired by the CEO and appoints heads of individual business units as members to build a stronger structure. Under its control, there are technical subcommittees to hold in-depth discussions on their respective subjects.

For fiscal 2020, we revised the material issues and developed the Sustainability Action Plan. As part of this process, individual departments and sections launched projects to hold interviews and dialogues with management as needed to create and produce plans to submit to the Committee. Then, the Committee held two discussions on the grounds for setting every goal and its expressions. It referred them twice to the Board of Directors for final approval.

We have already discussed, in fiscal 2021, the method of managing and operating the Sustainability Action Plan and a policy of procuring renewable energy under Daifuku Environmental Vision 2050. Going forward, they will be steadily implemented by the Subcommittee on Eco-Products and the Subcommittee on Environmentally Friendly Operations in an effort to realize the Environmental Vision. Human rights issues are regarded as important across the globe. To tackle these issues, we have set up the Subcommittee on Human Rights and Supply Chains to draw up a human rights policy and to implement due diligence.

Past actions*	Other during FY2020
<ul style="list-style-type: none"> ▶ Review of materiality ▶ Development of the Sustainability Action Plan ▶ Development of Daifuku Environmental Vision 2050 ▶ Information disclosure based on TCFD recommendations 	<ul style="list-style-type: none"> ▶ Encouraging employees to understand the SDGs (video distribution) ▶ Expansion and strengthening of ESG information disclosure ▶ CSR action plan monitoring

* Includes the efforts of its predecessor, the Environmental Enhancement Management Committee.

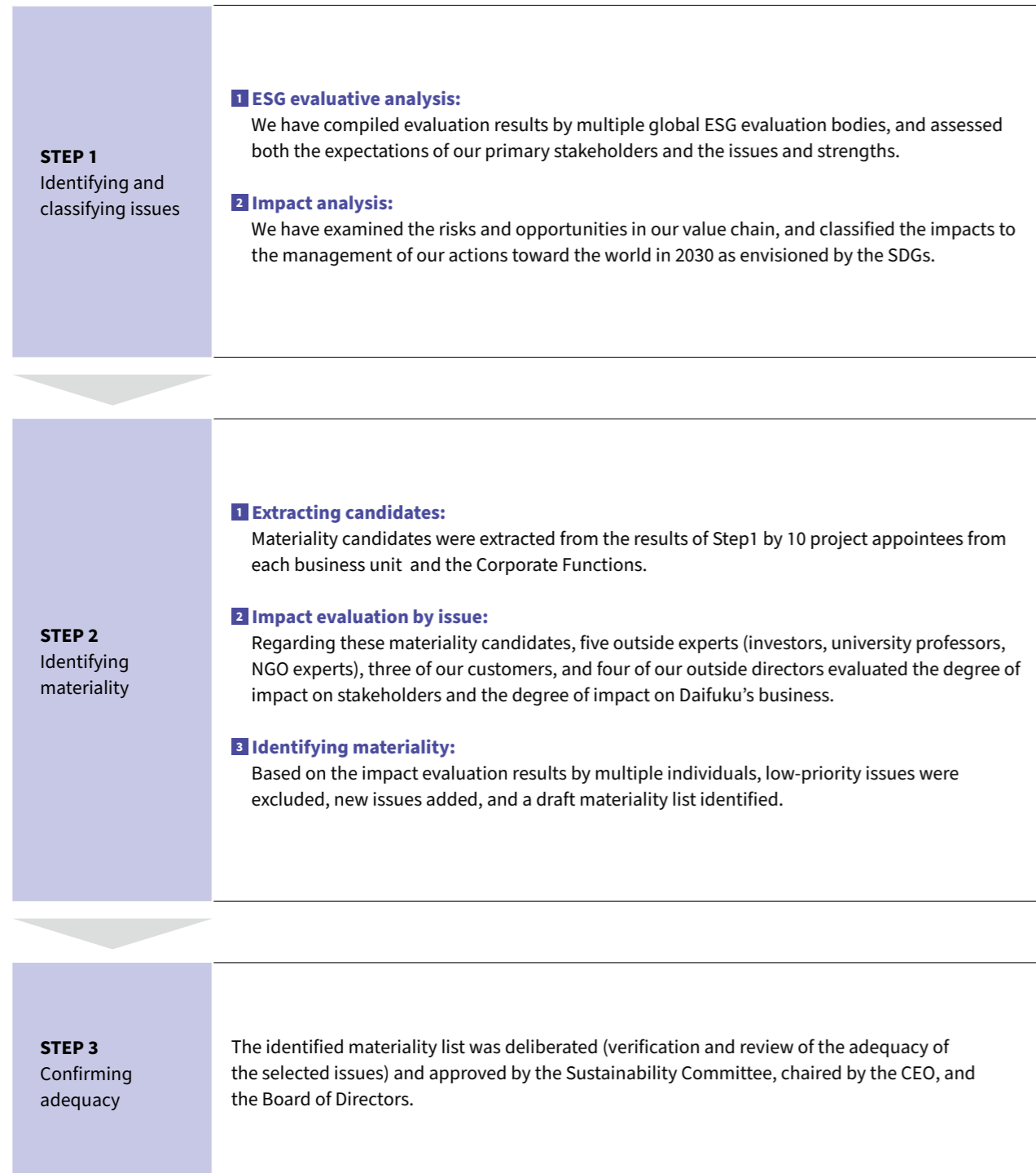
Materiality

I Basic stance

In February 2021, with the aim of achieving both the sustained growth of our business and the sustainable society envisioned by the SDGs, Daifuku reviewed and re-identified the material issues (materiality*) that make up the core for all of our CSR activities that we identified in June 2014.

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

I Determination process



I Evaluation results

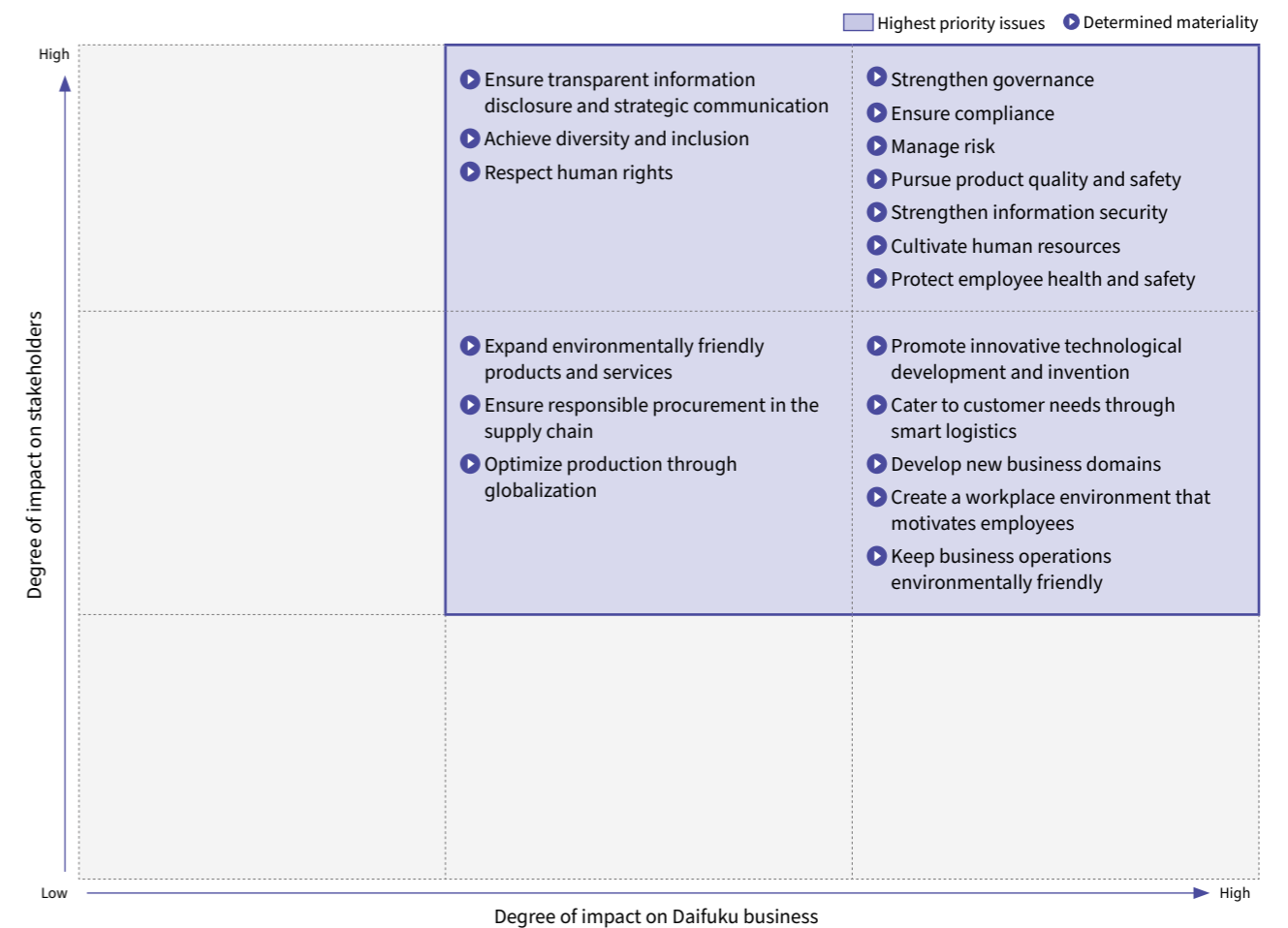
We conducted an evaluation of the materiality candidates extracted by the internal project team according to the following methods, and identified 18 materiality aspects.

Degree of impact on stakeholders (vertical axis)

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

Degree of impact on Daifuku business (horizontal axis)

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



For details, see our website:
www.daifuku.com/sustainability/management/materiality

Sustainability Action Plan

I A company that supports society and the future

The Daifuku Group formulated the Sustainability Action Plan (FY2021-2023) after reviewing the critical issues we have worked on until fiscal 2020 in our CSR Action Plan and based on the five themes given precedence in our initiatives. Unlike the CSR Action Plan, we place great importance on contributing through our business with the aim of achieving both sustainable management growth and the realization of a sustainable society that the SDGs aim for.

The Sustainability Committee, chaired by the CEO, has managed the progress of this Plan with the aim of accomplishing its goals, and regularly reports our achievements through our website.

I Sustainability vision




For details, see our website: www.daifuku.com/sustainability/management/plan

Themes	Aspirations for 2030	Materiality	2030 Goals	SDGs
Contribute to a smart society	Provide products and services, and develop new technology to solve social challenges	Promote innovative technological development and invention	Innovate to create new value for the distribution system	
		Develop new business domains	Expand realm of business using business strategy (including M&A and alliances)	
		Cater to customer needs through smart logistics	Use cutting-edge technology to improve efficiency and automation to create value for customers	
Maintain and improve the quality of products and services	Build and maintain systems that provide reliable, safe, and high-quality products	Optimize production through globalization	Achieve global optimized production	
		Pursue product quality and safety	Earn customer trust in product quality and safety	
Enhance operational framework	Carry out both business operations and social responsibility	Strengthen governance	Further strengthening of Group governance system	—
		Ensure compliance	Eliminate serious cases of corruption	
		Manage risk	Implement Group risk management, including overseas subsidiaries	
		Ensure responsible procurement in the supply chain	Implement global CSR procurement	
		Strengthen information security	Thoroughly implement internal global standards and continued operations	—
		Ensure transparent information disclosure and strategic communication	Improve stakeholder engagement	
Respect human dignity	Seek to provide peace of mind and comfort to people	Protect employee health and safety	Eliminate labor accidents and major accidents in operations	
		Achieve diversity and inclusion	Create an environment where a diversity of human resources can remain active	
		Create a workplace environment that motivates employees	Achieve a workplace environment where employees experience comfort, health, and prosperity	
		Cultivate human resources	Provide opportunities for growth according to the individual's career ambitions	
		Respect human rights	Respect human rights of all people involved in our business	
Contribute to the environment through our business	Make efforts in the workplaces and in all regions that reduce our burden on the global environment	Keep business operations environmentally friendly	Enhance measures to reduce environmental footprint, such as in climate change and resource depletion	
		Expand environmentally friendly products and services	Maximize value for customers through being eco-friendly	

Respect Human Dignity

The Daifuku Group is striving to create a work environment that is safe, diverse, respecting of human rights and motivating, to allow each employee to perform to their fullest potential.

 For details, see our website:
www.daifuku.com/sustainability/action/human-dignity

Human resource initiatives

Promotion framework


The Human Resources and General Affairs Division is in charge of establishing and advancing cross-organizational initiatives related to human resources. In particular, we are responsible for fostering the human resources we need to support the global development of our business and the enhancement of our management. We have also set up the Mental and Physical Health Promotion Committee to ensure a work environment that allows employees to work without undue worry, as well as to promote various initiatives. We set up the Work-Style Reforms Committee with the aim of increasing productivity and achieving work-life balance for employees. Our aim is to provide a work environment suitable for diverse human resources. We will continue to pursue effective initiatives based on the sharing of information with each business unit.



Human resource development

To facilitate effective human resource (HR) development, we developed HR policies and conduct systematic and focused training programs based on these policies across the Group. We provide systems, such as a Global Business Trainee Program, to foster global talent and a workforce capable of engaging in global business.

With the increasing number of non-Japanese staff, we provide training for global leaders and staff rising to share the Group's value, as well as build a positive work environment where employees are able to maximize their abilities through the training and other programs.

 For details, see our website:
www.daifuku.com/sustainability/action/human-dignity/human-resources

China: All participants pass the certification test administered by the government

While originally administered almost exclusively by the government, following reforms to the country's professional qualification system in recent years, there is a growing trend of companies in the private sector administering certification tests instead. Daifuku (China) Automation Co., Ltd. was selected to take part in the first certification test in Changshu under the new system.



Practical test

In August 2020, the company commenced related training initiatives. Ninety-three manufacturing personnel attended lectures from a third-party institution. Afterward, participants attended an entry-level written and practical test conducted in the presence of government officials. Following a review of the results by the Changshu Municipal Government, all participants were certified as entry-level machinery assemblers on January 5, 2021.

Safety initiatives


Promotion framework

Daifuku has established a Central Safety and Health Committee, which is under the direct control of the CEO, to work toward the eradication of industrial accidents. Regional Safety and Health Committees and various expert committees (installation/production/procurement) have been set up under this Committee to ensure safety in all Group companies and establish health management systems throughout the Group. We have obtained occupational safety and health management system certification (ISO 45001). We are committed to continuing our safety culture cultivated over many years and striving to make our workplaces safe by identifying all potential risks. Also, having experienced serious accidents in the past, we are now cooperating and sharing information with our suppliers through Safety Cooperation Associations and the Safety and Health Seminar for management. Through this cooperation and information sharing with suppliers, we aim to achieve safety based on mutual awareness and education.



Safety training

Daifuku has a hands-on safety training facility globally that provides extensive safety training toward eradicating work accidents. It gives trainees simulated experiences of potential dangers at manufacturing and installation sites, such as electric shocks, getting caught in operating equipment, fire, and falls. Available to both Daifuku and partner personnel, the training fundamentally seeks to raise safety awareness and promote safe actions.

 For details, see our website:
www.daifuku.com/sustainability/action/human-dignity/safety

Thailand: Obtaining top safety and health rank

Daifuku (Thailand) Ltd. was awarded the top safety and health rank (platinum) from the Thailand Institute of Occupational Safety and Health (T-OSH) following its participation in a project sponsored by the organization, which operates under Thailand's Ministry of Labor.

The institute's project, which targets improvements in occupational health and safety management, advocates for companies to implement related frameworks and initiatives that engage with all facets of its business, and acts as a steppingstone for companies seeking to acquire ISO 45001 certification.

Since its participation in the project in 2020, the company has carried out a number of initiatives toward improving health and safety in the workplace, including establishing robust safety policies and a Safety Management Department, setting safety management targets, and identifying and improving risk areas in the factory. As a result of these efforts, it was evaluated that all of the 81 evaluation criteria set by T-OSH were cleared.



Daifuku (Thailand)'s president Hattori (left) receiving the award

Disclosure of Climate Change Information

At Daifuku, we regard *intensifying global environmental issues* as one of the important factors in the social environment surrounding the Daifuku Group. Since fiscal 2019, we have been carrying out an *environmental management* aimed at decarbonizing society and achieving the SDGs. As part of these efforts, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD recommendations). In accordance with the framework of the TCFD recommendations, we have identified risks and opportunities that climate change creates for our businesses globally.

I Governance

We have set up the Sustainability Committee (chaired by the CEO), which submits, reports, and provides information about deliberation items related to sustainable management, including those related to climate change. The Committee consists of the heads of each global business unit and related officers. The Board of Directors receives reports from the Sustainability Committee and passes resolutions on the necessary measures.

I Processes of risk identification and assessment

We set up the secretariat of the Sustainability Committee and a working group consisting of external experts and relevant units. In each scenario, we identified events that may occur in the future and their impact on the value chain. For each impact that has been identified, we clarified the current initiatives as Daifuku's preparations and future prospects.

As a result of a scenario analysis, while business cost will increase due to climate change and the measures taken to mitigate it, we expect growth in demand for our products and services that exceeds the above negative impact.

Specifically, we analyzed different scenarios for rising temperature during the 21st century:

- 1) When the temperature rise reaches 4 degrees Celsius (the world continues to emit greenhouse gases without change), and
- 2) When the temperature rise is kept to less than 1.5 degrees Celsius (greenhouse gas emission regulations are rapidly tightened).

As a result of an analysis based on the two scenarios, scenario 1) is expected to produce severe typhoons and floods, and scenario 2) is expected to result in increased business costs due to carbon taxation, etc. In both scenarios, it has become clear that the increase in demand for our products and services is likely to exceed costs, given the promotion of automation investment and the growing need for environmentally friendly products.

Membership status in climate-related organizations

Daifuku is a member of the following organizations aiming to solve climate change issues and is involved in information sharing and policy proposals:

- ▶ Japan Climate Initiative
- ▶ Japan Climate Leaders' Partnership (Supporting Member)
- ▶ TCFD Consortium

Initiatives for disclosure of climate change information

Daifuku has participated in the CDP* climate change questionnaire since fiscal 2017 to disclose its measures for climate change issues. We also respond to all customer requests through the CDP supply chain program.

* Headquartered in London, CDP is an international non-profit organization working in environmental areas such as climate change, water, and forest resources. On behalf of more than 525 institutional investors with total assets under management of US\$96 trillion, it conducts surveys requesting the disclosure of information related to environmental strategies and greenhouse gas emissions, and publishes the results of its evaluation based on the responses from companies.

	FY2020
CDP Climate Change Questionnaire	B
CDP Supply Chain Program	A-

I Process for managing climate-related risks

For risks and opportunities analyzed based on a transition risk scenario and a physical risk scenario in climate change, in the aspects of both business operation and products, we will specify the process of mitigating, transferring, accepting, and managing climate-related risks through the Sustainability Committee.

Overview of scenario analysis on climate change risks

Rise in temperature in the 21st century	Envisioned risk	Envisioned opportunity
Greenhouse gases are emitted around the world without significant change 4 degrees Celsius	<ul style="list-style-type: none"> ▶ Delays in incoming and outgoing products, damage to production equipment, and shutdowns of our factories due to increased incidence of typhoons, heavy rains, flooding, etc. ▶ Risk of employees experiencing heatstroke in factories and other facilities associated with high temperatures 	Increase in demand for products and services <ul style="list-style-type: none"> ▶ Expansion of cold chain and e-commerce markets ▶ Growing demand for labor savings ▶ Increase in demand from customers for contributions to reducing CO₂ emissions
Rapidly tightened regulations related to greenhouse gas emissions Less than 1.5 degrees Celsius	<ul style="list-style-type: none"> ▶ Increase in procurement and operating costs due to carbon tax, etc. 	

Transition risk measures	While CO ₂ emissions from in-house production activities are about 1% of the total, CO ₂ emissions from customers' energy use is overwhelmingly high at about 64%, and customers need to reduce the environmental load in logistics and production. We will focus on the development and sales of environmentally friendly products (70 products as of May 2021), responding to further increases in these customer needs for mitigating carbon dioxide. In addition, to promote decarbonization in business operations, we are conducting surveys on the potential for introducing renewable energy at major global production sites and formulating plans for introducing the renewable energy.
Physical risk measures	In the risk assessment conducted by the entire Group, we have identified natural disasters including typhoons and floods as severe risks that have a significant impact. To improve the effectiveness of the business continuity plan including the supply chain, we have analyzed the degree of business impact and reviewed the system table of each business unit. We have also made efforts to mitigate the risk of suspended supply by diversifying production sites, purchasing key components from two or more suppliers, and taking other measures. Moreover, at production, installation, and service sites, we are striving to continuously improve the work environment to protect against higher temperatures and ensure thorough safety and health management.

I Risk management

We have built a Groupwide risk management framework based on our risk management rules. We position major natural disasters, including climate change, as a significant risk, and the Sustainability Committee manages that risk in a centralized manner. Concerning climate change risks, we apply the views of external experts and report them to the Board of Directors as necessary.

I Metrics and targets

We have promoted Daifuku Environmental Vision 2020, which set fiscal 2020 as the final year, focusing on three themes: 1) promote environmentally friendly activities in business operations, 2) expand environmentally friendly products and services, and 3) enhance the foundations for environmental management. Based on a scenario analysis and stakeholder requests, we have developed Daifuku Environmental Vision 2050, a new environmental vision looking toward 2050. (▶ □ Pages 62–63)

For details, see our website:
www.daifuku.com/sustainability/environmental-management/#eco-2

Daifuku Environmental Vision 2050

Daifuku has formulated its new environmental vision, Daifuku Environmental Vision 2050—One-Daifuku Zero, looking toward 2050 for the achievement of a sustainable society. We have set a goal to create material handling systems with zero environmental impact by 2050, and toward that goal we have established targets for issue areas until 2030: Climate Change and Energy, and Resource Recycling.

I Daifuku Group's vision for 2050



I Crucial issue areas and targets for 2030

During its implementation period from fiscal 2021 to 2030, the Vision is driven by the Sustainability Committee with the CEO as chair. In addition, this initiative is positioned as the themes: “Keep business operations environmentally friendly” and “Expand environmentally friendly products and services” in the Sustainability Action Plan.

Accelerating climate change and energy responses

- We will strive to reduce CO₂ emissions in our value chain by reducing the energy use of our products operated at customer sites and by working together with our suppliers.
- We will work on CO₂ emissions reductions compliant with the Paris Agreement by promoting energy conservation and introducing renewable energy sources throughout the Daifuku Group.
- ▶ **70% or higher** sales ratio of projects that include eco-friendly products*¹
- ▶ **30% or more** in overall avoided CO₂ emissions*²
- ▶ **25% or more** reduction in total CO₂ emissions by Daifuku (from FY2018 levels)
- ▶ **50% or more** corporate participation in supply chain CO₂ reduction program

Building a foundation to promote resource recycling

- To promote resource recycling throughout the product life cycle, we will enhance the recyclability rate of our products.
- We will build a resource-recycling framework at all our production sites.
- ▶ **90% or higher** recyclability rate for new products
- ▶ Resource recycling*³ for our global production sites

*1 Projects that contributed to our customers' environmental activities through Daifuku Eco-Products

*2 CO₂ volume after subtracting all CO₂ emissions from Daifuku products and services provided to our customers from CO₂ emissions in fiscal 2011, used as a base standard for environmental performance at the time

*3 In April 2022, we will announce a target following an assessment of resource recycling at our production sites.

I Vision formulation process

We have set up a subordinate project of the Sustainability Committee and discussed the areas, levels, and indicators of initiatives with the heads of each business unit and outside experts. Daifuku concludes that measures against climate change and resource recycling are paramount.

I Crucial issue: Climate change and energy initiatives

The material handling system we provide is constantly in operation at our customers' logistics facilities and factories around the world. As a result, CO₂ emissions from energy use during product operation are the highest. Using the technology and experience we have cultivated so far, we will promote energy-saving measures through product energy-saving measures and overall system operation optimization.

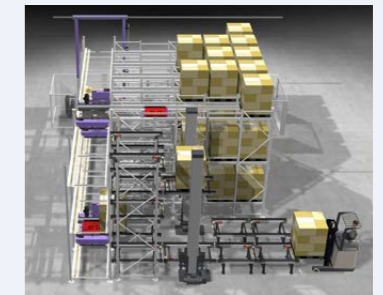
In business operations, we will work to further promote energy conservation measures at our globally expanding production bases and introduce renewable energy. Regarding renewable energy, we have already introduced a photovoltaic system and procured electricity derived from renewable energy at our production sites, and we will continue to introduce it under a medium- to long-term plan.

In production activities, most of our products are in the assembly process, and the CO₂ emissions of upstream suppliers such as parts manufacturing tend to be relatively high. To realize this vision, we will work with our suppliers to reduce CO₂ emissions in the supply chain that supports our production.

Daifuku Eco-Products

Shuttle Rack D³ extra high-density unit load AS/RS

Shuttle Rack D³ is a unit load automated warehouse suitable for storing small types of products in large quantities. Loads are transported to each layer by the input/output lifter and stored in the rack by the parent shuttle and child shuttle placed in each layer. Compared to the operation of a conventional stacker crane, multiple loads can be stored deeper into the rack, greatly improving storage efficiency. In addition, by separating the running and lifting functions, the weight of the running part has been reduced, along with power consumption.



I Crucial issue: Resource recycling initiatives

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

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

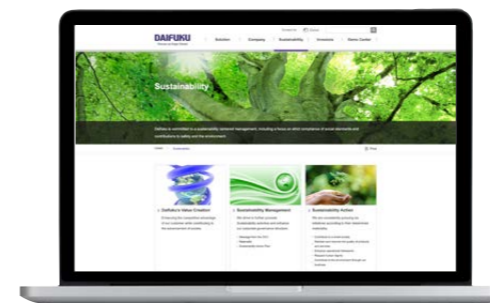
SASB Disclosure Information Index

Sustainability disclosure topics & accounting metrics

Topic	Code	Category	Accounting metrics	Daifuku website
Energy management	RT-IG-130a.1	Quantitative	1 Total energy consumed	Although we do not use a measurement method that matches the metrics recommended by SASB, we only disclose each energy consumed in Japan. ESG Data > E: Environment
			2 Percentage grid electricity	Although we do not use a measurement method that matches the metrics recommended by SASB, we only disclose each power consumed in Japan. ESG Data > E: Environment
			3 Percentage renewable	Although we do not use a measurement method that matches the metrics recommended by SASB, we are actively introducing renewable energy under Daifuku Environmental Vision 2050. Environmental Management
Employee health & safety	RT-IG-320a.1	Quantitative	1 Total recordable incident rate (TRIR)	Although we do not use a measurement method that matches the metrics recommended by SASB, we disclose frequency rate as alternative data. ESG Data > S: Society
			2 Fatality rate	ESG Data > S: Society
			3 Near miss frequency rate (NMFR)	Although we do not use a measurement method that matches the metrics recommended by SASB, we disclose the following information as alternative data. Protect Employee Health and Safety
Fuel economy & emissions in use-phase	RT-IG-410a.1	Quantitative	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	We have no target product, but we disclose the overall avoided CO ₂ emissions through our products and services. Expand Environmentally Friendly Products and Services
	RT-IG-410a.2	Quantitative	Sales-weighted fuel efficiency for non-road equipment	
	RT-IG-410a.3	Quantitative	Sales-weighted fuel efficiency for stationary generators	
	RT-IG-410a.4	Quantitative	Sales-weighted emissions of nitrogen oxides (NOx) and particulate matter (PM)	
Materials sourcing	RT-IG-440a.1	Discussion and analysis	Description of the management of risks associated with the use of critical materials	Currently, we are grasping and organizing the existence of risks in the use of scarce resources.
Remanufacturing design & services	RT-IG-440b.1	Quantitative	Revenue from remanufactured products and remanufacturing services	Although we do not use a measurement method that matches the metrics recommended by SASB, we identify environmentally friendly products and manage their sales based on the Daifuku Eco-Products certification system. ESG Data > E: Environment

Activity metrics

Activity metrics	Code	Category	Topic	Daifuku website
Metrics that quantify the scale of a company's business	RT-IG-000.A	Quantitative	Number of units produced by product category	We do not disclose due to the wide range of products and their characteristics.
	RT-IG-000.B	Quantitative	Number of employees	ESG Data > S: Society



Our sustainability website provides detailed information on Daifuku's sustainability promotion policies, systems, achievements, and data. The site also provides our sustainability reports and the GRI (Global Reporting Initiative) Standards Index.

- [Sustainability Report](http://www.daifuku.com/sustainability/report)
- [GRI Standards Index](http://www.daifuku.com/sustainability/gri)