To respond to the social issues of “human rights, labor, environment, and anti-corruption” that global companies are expected to address, in April 2014 Daifuku announced its commitment, Daifuku’s CSR, which outlines the responsibilities that must be met, the approach and plan for action. In this commitment, Daifuku specifies six initiative themes to be prioritized for social responsibilities.

In addition, Daifuku has linked these themes to the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), which were adopted by the United Nations in September 2015. We, as the Daifuku Group, have incorporated these into our medium-term CSR Action Plan.

“A company that supports society and the future”
To achieve this desire, we are engaging in the themes outlined below.

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

### CSR action plan

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* Materiality: Issues that should have the highest priority as they significantly impact the environment, society and governance or stakeholder evaluation and decision making.

### Determining CSR materiality and process

We identified material issues surrounding our business environment based on our corporate policies including the management philosophy, the Group Code of Conduct, and medium-term business plan, as well as based on general principles of international sustainability guidelines* and the demands of various stakeholders.

We evaluated the issues identified in Step 1 and mapped results based on their “importance to stakeholders” and “importance to Daifuku,” issues that scored over a certain level for both are set as priority issues (materialities).

We set up 37 KPIs (key performance indicators) for the 15 items of materiality, which was deliberated and approved by the Board of Directors. We conduct initiatives, disclosures, and reviews with targets that are able to gauge the achievement progress for each materiality.
Daifuku's CSR

Provide high quality products and services

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

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

Promotion framework
In accordance with the ISO 9001 Quality Management System regulated by ISO (International Organization for Standardization), the pursuit of customer satisfaction is our fundamental policy and we guarantee the quality at every stage of planning, sales, design, manufacturing, installation and after-sales service.
Daifuku conducts quality management system initiatives based on top management reviews of the quality assurance system, which is linked with feedback from business operation management reviews that evaluate the achievements of each business operation and implement nonconformity corrective measures. In addition, as a companywide management review, the president evaluates and makes judgments on the necessity for changes in the quality management system by reviewing the progress made in achieving our product quality goals with the aim to strive for continuous improvements.

Initiatives
Handing down techniques and skills
Daifuku provides various sessions and on-the-job training to develop global personnel and facilitate the sharing of techniques and skills of experienced personnel with junior employees. We also strive to sustain and improve the necessary techniques for manufacturing, such as welding and assembly, by regularly holding tests under the skill evaluation program. A total of 514 personnel are qualified as of June 2019.

Strengthen risk management

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

Promotion framework
Daifuku implements cross-organizational risk management measures through the Human Resources and General Affairs Division, which is under the control of the Chief Risk Officer (CRO). Under its risk management rules, the related divisions take measures to mitigate risks and minimize impact from the occurring risks according to the level of criticality.

For natural disaster risks, such as earthquakes, winds and floods, lightning, fires and new flu strains, we develop business continuity plans (BCPs). The Information Security Committee focuses on risks related to the Group’s information security. The Compliance Committee, which is chaired by the president, addresses law violation risks with the potential for high impact. In addition, we formulated our Group Code of Conduct to ensure legal compliance, fairness and ethics.

In recent years, as a countermeasure against the global risk of potential law violations, we have established basic rules detailing specific measures and procedures to comply with competition and bribery laws. We also distribute messages from the president conveying the importance of compliance to all employees.

Initiatives
Whistle-blowing system
To enhance the effectiveness of our internal reporting (whistle-blower) system, we revised the system with new internal rules in April 2018. The new framework provides two separate channels—internal contact and external independent contact—that accept reporting from whistle-blowers. Anonymous reporting is available, and staff members worldwide can use their own language for reporting. The president delivered a message about the updated system, where a whistle-blower is able to report at ease at every corner of the Group.

Comment from an engineer
The Engineering Department studies system layouts and operation approaches in view of customers’ requests and needs to give them high value-added proposals. Its quality-related efforts include 3D layout creation at the planning stage, the verification of workability with the use of virtual reality, and verification of capacity through simulation. These actions are aimed at testing systems in advance. We will continue our efforts to provide high quality systems that satisfy customers.

For details, see our website:
www.daifuku.com/sustainability/action/quality

Comment from a BCP manager
On the basis of activities that address natural disaster risks and CSR efforts, we engage in business continuity management activities compliant with the ISO 22301 standards to achieve the best possible business continuation in the event of a major earthquake or other disaster. In the wake of an earthquake at seismic intensity 5 or higher on the JMA scale, we check the safety of employees and gather information on damage at our sites and business partners and share such information among all personnel concerned. We quickly collaborate with different departments to ensure an initial response system with the aim of business continuity.

For details, see our website:
www.daifuku.com/sustainability/action/riskmanagement
Daifuku’s CSR

Nurture relationships of trust with our suppliers

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

Promotion framework
This initiative is promoted mainly by the administrative division under the CFO & CRO and procurement personnel of each business operation. We take measures to share our procurement policies with our suppliers by visiting them based on the results of their self-evaluation of CSR-related items. Through our cross-sectional organization called the Production Compliance Committee, we also provide lectures regarding statutory compliance in the fields of production and procurement for persons engaged in procurement. We also hold sessions to exchange information and share our policies with our suppliers.

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

Health and safety seminars for top management
Daifuku holds annual seminars with the aim to eradicate workplace accidents in the whole supply chain. At the seminar held in November 2018, we invited the heads of 156 major suppliers and shared policies and information on safety at Daifuku and suppliers. We confirmed the importance of safety and health management and enhancement.

Respect human rights, labor practices, safety, health

Basic stance
Human rights, labor practices
As stated in its management philosophy, “Focus on healthy, growth-driven global management under a diverse and positive corporate culture,” Daifuku regards its employees as forming the basis of management. Responding to changes in the social environment outside the Company, we will promote diversity.

Safety
Based on its slogan, “Safety is at the foundation of corporate sustainability and supersedes everything,” Daifuku conducts intensive safety training and risk assessment of machinery equipment and work procedures with the aim of eradicating workplace accidents.

Health
Placing the physical and mental health of employees as important issues, Daifuku adopted its Health Management Declaration covering the entire Group in April 2018. We strive to create a more stimulating and comfortable work environment through various health promotion measures and events.

Promotion framework
Human rights, labor practices
In April 2017, we set up the Work-Style Reform Committee with the aim of promoting diversity and achieving employees’ work-life balance. We will provide a work environment suitable for diverse human resources and improve productivity.

Promotion framework
Health
The Central Safety and Health Committee, directly led by the president, strives to ensure Group-wide safety management framework and eradicate workplace accidents through its regional safety and health committees and various task forces related to installation, production, and procurement. With the aim of passing on a corporate culture that for years has focused on safety, Daifuku has obtained occupational safety and health management system certification, OHSAS 18001, at its major sites.

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

Comment from a procurement manager
In April 2017, we revised our Basic Procurement Policy and drew up CSR Procurement Standards. The Group’s CSR Action Plan has set a goal of visiting a total of 80% of our suppliers in 2020. We are working to make CSR better understood by business partners and to share information through visits and interviews. In doing so, we seek to build relationships based on mutual trust.

Comment from an event organizer
The Mental and Physical Health Promotion Committee organizes events aimed at recovering from mental and physical fatigue, improving lifestyles, overcoming a lack of exercise, improving communication, and other related events. Participants’ comments such as remarking on their success in losing weight and the pleasure they take in the social gathering after the event help plan future events. By holding a wide range of events, the Committee will help not only existing employees but also those who retired to enjoy good health.

For details, see our website:
www.daifuku.com/sustainability/action/employee
Daifuku's CSR

Create good relations with communities

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

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

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

Communication with shareholders and investors
The Disclosure Committee chaired by the CFO discloses information based on laws and regulations, while the Investor Relations (IR) Department mainly conducts other information disclosure and dialogue in cooperation with relevant departments. For individual shareholders and investors, we provide site tours, participate in IR fairs, and conduct briefing sessions through securities companies. Another goal of these events is to raise awareness of Daifuku among the public and consumers.

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

Daifuku Report 2019

Contribute to the environment through corporate activities

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

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

Promotion framework
Toward achieving the targets of the Daifuku Environmental Vision 2020, we have set up the Environment Enhancement Management Committee, led by the CEO and the CFO and comprising heads of all operations, the Committee is the highest decision-making body on environmental management issues across the Group. The Committee shares information on progress achieved toward the annual environmental targets and issues and makes discussions, while the top management directs initiatives and planning. The Committee members report these initiatives to employees across the Group and our suppliers.

Initiatives
Daifuku Eco-Products certification program
Since 2012, Daifuku has been operating an in-house program to rate and certify the energy and environmental design of its own products. Under the program, we rate every product manufactured within the Group in terms of energy saving, recyclable, lightweight, long life, resource saving, water conservation, low noise, water pollution prevention, and harmful substance reduction. As of June 2019, we have 54 certified products that meet a certain standard as Daifuku Eco-Products.

Daifuku Eco-Action program
In 2012, Daifuku established its Eco-Action program, which rewards eco-points for environmental activities undertaken by employees in a bid to foster an environmental mindset. With a variety of ecological activities provided in each region, a total of 6,458 employees participated in volunteer activities and environmental learning events. Eco-points gained by employees can be exchanged for green goods and other rewards. In addition, we donate an amount equivalent to the total points gained by them to external organizations.

Comment from an event organizer
We provide CSR activities that are readily available to employees at the Shiga Works. For fiscal 2018, we launched a regional revitalization team project to organize events with local communities and for making local specialties known to employees. We hope that these initiatives will help employees learn about the region. We will continue to actively collaborate with schools and associations to help revitalize the region.

For details, see our website:
www.daifuku.com/sustainability/action/communing

Comment from an event organizer
My duty is planning and operation under the Daifuku Eco-Action program. For the purpose of building employees’ environmental awareness, we organize a nature observation event in a field belonging to the Company, Christmas tree making, an eco-quiz and an environmental focused photo competition. We are also involved in efforts to remove invasive species and in reed cutting organized by outside organizations at Lake Biwa. We are thus actively engaged in environmental conservation activities in neighboring areas as well. We will continue to enrich our environmental education through the program.

For details, see our website:
www.daifuku.com/sustainability/action/environment