DAIFUKU
Automation that Inspires

Sustainability Report

2024

Contents

Message from the CEO ····· 2

Message from the Sustainability Officer ····· 3

Daifuku's Value Creation ····· 5

Contributing to the Environment and Society with Our Products ····· 12

Daifuku's Sustainability ····· 20
- Sustainability Management ····· 20
- Materiality ····· 23
- Sustainability Action Plan ····· 27
  - Contribute to a Smart Society ····· 28
  - Maintain and Improve the Quality of Products and Services ····· 32
  - Enhance Operational Framework ····· 35
  - Respect Human Dignity ····· 40
  - Contribute to the Environment Through Our Business ····· 44
- Education and Awareness-Raising Activities ····· 47
- Stakeholder Engagement ····· 50
- Participation in Outside Initiatives ····· 55

Environment ····· 58
- Environmental Management ····· 58
- Climate Change ····· 65
- Pollution Prevention and Resource Recycling ····· 79
- Biodiversity ····· 83

Social ····· 87
- Occupational Safety and Health ····· 87
- Quality Assurance ····· 94
- Supply Chain Management ····· 98
- Human Rights ····· 103
- Diversity and Inclusion ····· 109
- Talent Development ····· 113
- Workplace Environment ····· 117

Governance ····· 125
- Corporate Governance ····· 125
- Compliance ····· 135
- Risk Management ····· 139

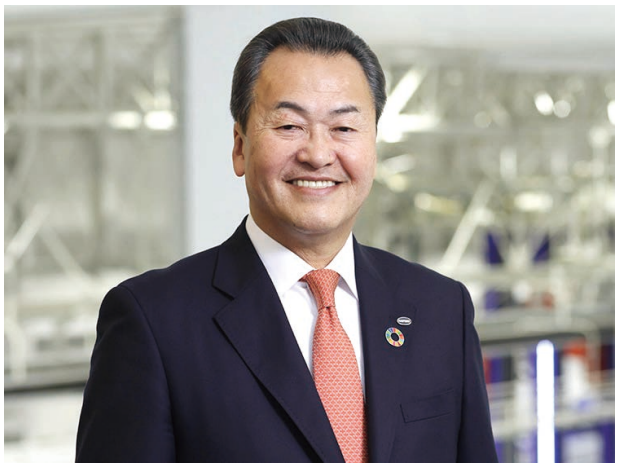
ESG Data ····· 147

Evaluation from Outside the Company ····· 151

Editorial Policy ····· 153

Message from the CEO

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



Based on our management philosophy, "Automation that Inspires," the Daifuku Group aims to create a society in which people can live healthy and fulfilling lives through the material handling technology that we have cultivated over the years, such as with storage, transport, and sorting and picking.

Our three-year business plan, entitled Value Transformation 2023, and our Sustainability Action Plan were both launched in fiscal 2021 and concluded in fiscal 2023, and in May 2024 we announced our long-term vision, entitled Driving Innovative Impact 2030, and our four-year business plan for 2027. By envisioning the future of society and its challenges, we have set out our aspirations for 2030 in terms of both economic value and social value, and we have formulated a plan for the period up to 2027 focusing on the framework and priority topics we need to address in order to achieve these goals. We believe that our business activities inherently contribute to the creation of social value, including sustainability. We will therefore intensify our efforts to tackle various issues related to the SDGs (Sustainable Development Goals) and ESG (environment, social, and governance). Furthermore, in order for the Group to achieve sustainable growth, strengthening partnerships with our customers and suppliers will become increasingly crucial in addition to our internal initiatives.

We at the Group, based on our management philosophy and long-term vision, aim to achieve further growth through flexible and creative ideas that defy convention and the ability to reform existing frameworks. We will continue to remain united in our efforts to meet the challenges of the future.

August 2024

Hiroshi Geshiro
President and CEO

Message from the Sustainability Officer

We will contribute to the realization of a sustainable society by creating the economic and social value we must aim for based on our long-term vision.

Formulating our long-term vision and a new four-year business plan

In May 2024, the Daifuku Group announced our long-term vision, Driving Innovative Impact 2030, and our four-year business plan for 2027 (hereinafter referred to as the business plan). We are committed to contributing to the realization of a sustainable society through our business activities by setting integrated goals that take into account both economic and social values in our long-term vision—what we would like our company to look like in 2030—and in our business plan, which is our midpoint on the road to achieving that vision.

From fiscal 2021 through fiscal 2023, we promoted our sustainability initiatives based on the five themes and 18 priority topics established in the Sustainability Action Plan. However, from fiscal 2024 onward, in line with 10 frameworks and the priority topics linked to them, we will promote our initiatives as a unified Group in order to realize the long-term vision set out in this business plan.

In accordance with the long-term vision we have formulated, we are committed to further accelerating our initiatives focused on the future and realizing the economic and social value we must aim for.

〉 Vision and Four-Year Business Plan
〉 Materiality

Meeting society's expectations at a higher standard

We have been actively promoting ESG (environmental, social, and governance) and SDGs (Sustainable Development Goals) initiatives, but I believe that we must strive to meet the demands of society at an even higher level in the future.

In May 2023, we revised the Daifuku Environmental Vision 2050, which included raising the environmental targets for 2030; however, as we expect to achieve the targets we initially set ahead of schedule, we made further revisions to one of our priority areas, addressing climate change, in May 2024. In addition to upwardly revising our company's CO_2 emissions (Scope 1 and Scope 2) reduction targets for 2030 (compared to fiscal 2018) from 50.4% to 60%, we have also established a new target for the ratio of electricity derived from renewable energy sources, aiming for 80% by 2030 (Japan is expected to achieve 100% by 2027). We also aim to achieve our 2030 targets for emissions related to procurement activities and the operation of our products (Scope 3), which account for the majority of our CO_2 emissions. To do this, we will continue to focus on encouraging our main suppliers to reduce their emissions as well as making our own products and systems more efficient and energy-saving.

The Group also regards building a sustainable supply chain as one of our priority topics, and in January 2024, we established new Sustainable Procurement Guidelines that outline the standards we expect our suppliers to meet. These Guidelines require not only compliance with laws and regulations, but also respect for internationally recognized norms and principles, and we hope to work together with our business partners to resolve a wide range of social issues, such as climate change and human rights concerns.

Building an organization to realize further growth

We continue to view human capital initiatives as a priority topic, and in this business plan we will further expand on the efforts from our previous three-year business plan.

Until now, our Group has continued to grow under a business division system, implementing division-specific mechanisms that optimize both the division and its personnel while taking into account the characteristics of each business. However, in order to generate innovation in response to the rapid changes in

the business environment, we need a system that can increase the fluidity of personnel between divisions, ensure that the right people are in the right place, and efficiently share and apply expertise within the company. Building on this recognition of these issues, we are aiming to build a foundation that will enable us to manage human resources across the entire Group from a more company-wide perspective. In fiscal 2023, we established a new Human Resources Committee to oversee the suitability and development of candidates for key positions (senior management), as well as their appointment and promotion. In order to achieve our targets for the adequacy of staffing in key positions, we will further promote the visualization of the experience and skill levels of human resources within the Group in addition to carrying out systematic training and placement. In Japan, we plan to expand the operation of the internal job posting system and internal secondment system, which were newly established in fiscal 2023.

Looking ahead, securing and developing talent in areas such as advanced technology and data science is a critical priority. While strengthening our collaboration with the CTO (Chief Technology Officer), CPO (Chief Production Officer), and CIO (Chief Information Officer), we are working to define a clear vision of the human resources that will support medium- to long-term growth and to create and implement strategies for attracting and developing this talent. Under our business plan, we will fortify training related to AI and digital transformation (DX) for various job types within the Group, and we will also consider new systems and policies for highly skilled personnel.

Strengthening sustainability and governance

We reviewed the structure of our sustainability-related committees in fiscal 2024 in order to further stimulate discussions that focus on improving corporate value over the medium to long term and to strengthen our ability to respond to the priority topics that have been identified. From fiscal 2020 to fiscal 2023, we addressed sustainability-related priority topics through the Sustainability Committee, chaired by the CEO, but we have reorganized this structure into the Sustainability Management Committee and its subordinate organization, the Sustainability Promotion Committee. The former will be used to verify the progress and results of strategies such as the business plan, as well as to hold important discussions on management strategy in order to enhance management. The latter will study and execute more specific measures at the operational level based on our management strategy. By clearly defining the roles of each committee and ensuring that they function as complements to each other, we will boost the effectiveness of our sustainability initiatives.

To our stakeholders

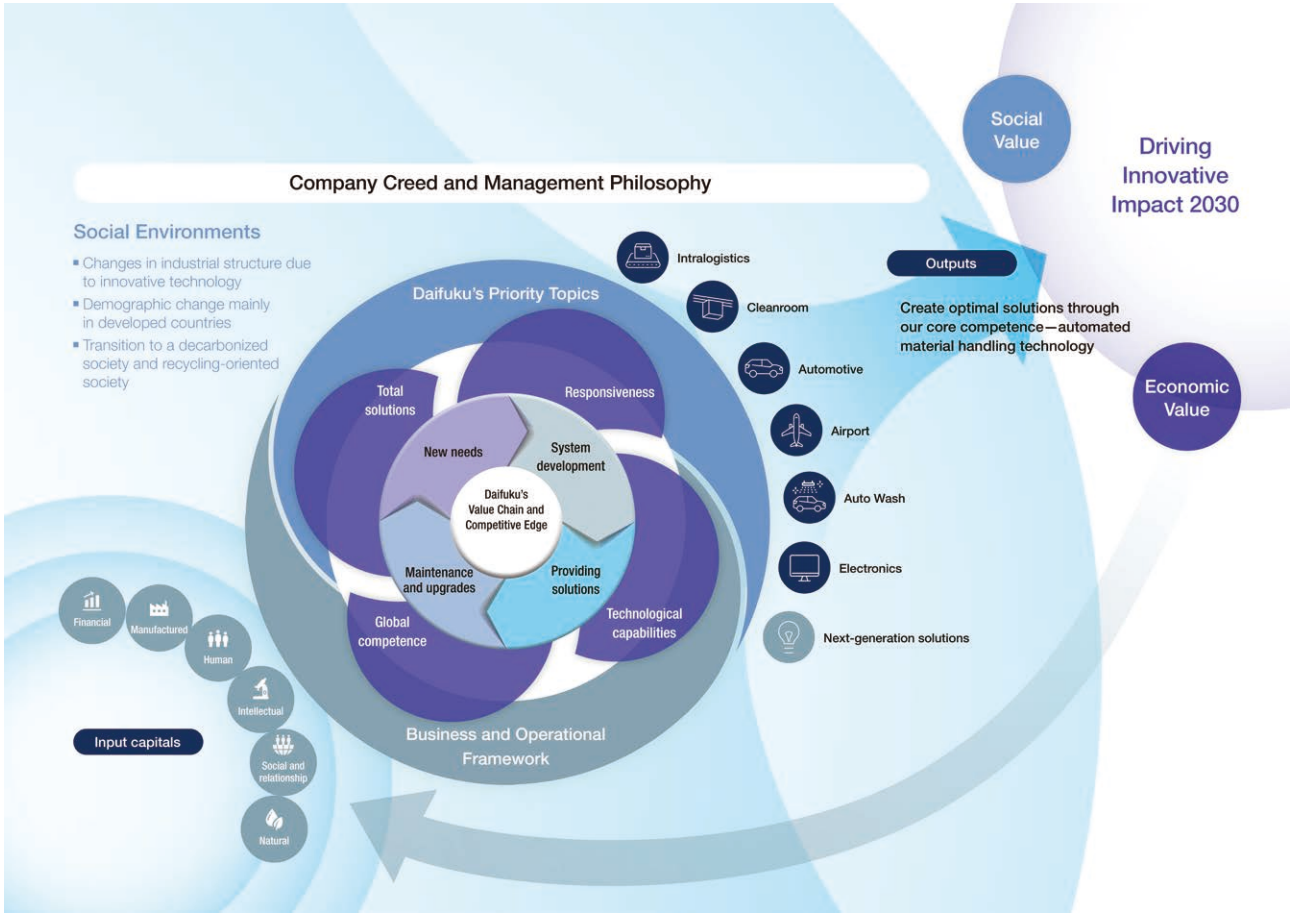
Our Group is a corporation that plays an indispensable role in the world's social infrastructure. We believe that we have a mission to create a better society in which people can live prosperous lives. To sustain our position as a company that is trusted and relied on by society, we will continue to engage in dialogue with our stakeholders and challenge ourselves to improve our corporate value and realize a sustainable society. We would like to ask for your continued guidance and support.

August 2024

Hideaki Takubo
Director and Managing Officer
CHRO (Chief Human Resource Officer)
Corporate Functions Head

Daifuku's Value Creation

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



Contributing to the Advancement and Expansion of Many Industries

The Group's automated technology, with material handling at its core, contributes extensively to factory automation in general industry, semiconductors, and automobiles, as well as to labor saving in logistics centers and more efficient airport operations, thereby underpinning supply chains around the world. Recently, logistics and production sites are facing labor shortage and productivity improvement issues due to shrinking workforces, and expectations are increasing for material handling systems to help solve these problems. The Group assists in the development of various industries by meeting the increasingly sophisticated needs of our customers and providing the best quality and safety focused solutions.

Key points of value creation

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

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

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

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

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

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

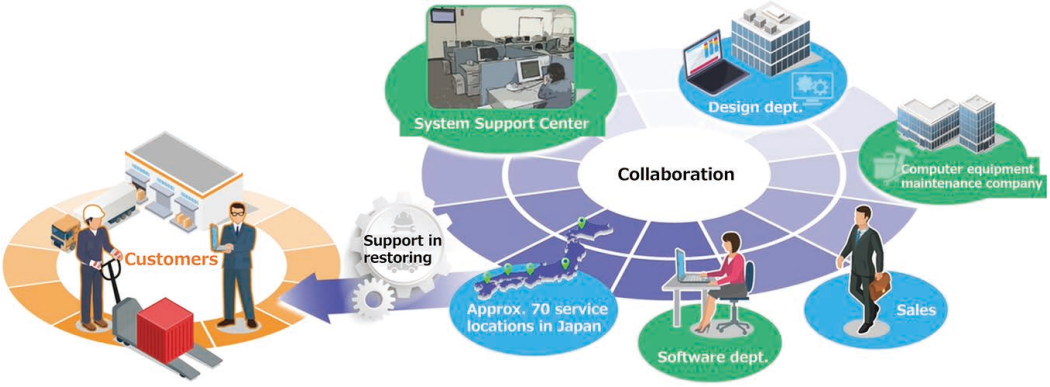
Supporting a Society with Unceasing Logistics

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

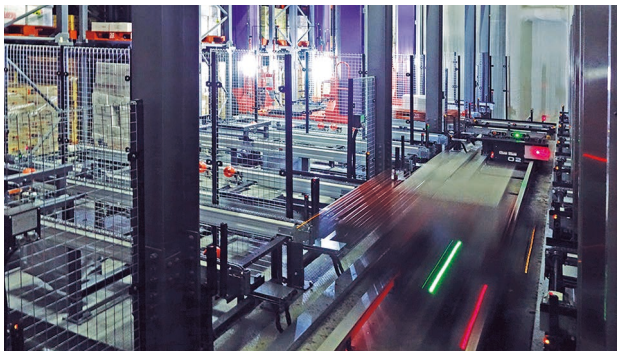
Moreover, supply chain disruptions and logistics delays triggered by natural disasters pose a major risk to companies, leading to the growing importance of business continuity plans (BCPs). We provide total solutions that include countermeasures for possible natural disasters or other emergencies. In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

Key points of value creation

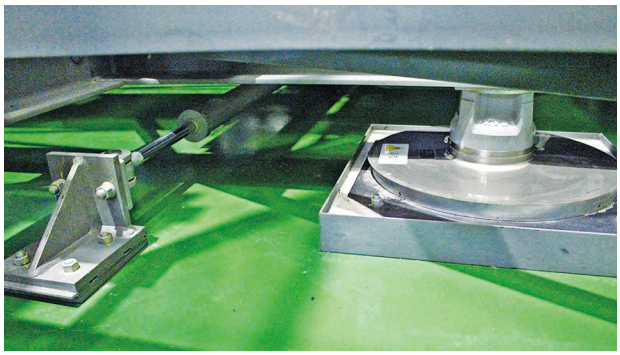
- Contributing to the stable operations of essential work
- Rapid recovery from system problems during emergencies, etc.



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



Automated warehouse with earthquake resistant measures



Vibration isolators under racks

Minimizing Impacts on People and the Environment

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

Key points of value creation

- Contributing to the improvement of the working environment and job satisfaction at customer facilities
- Providing products and services that help address environmental issues such as climate change and resource recycling

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

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

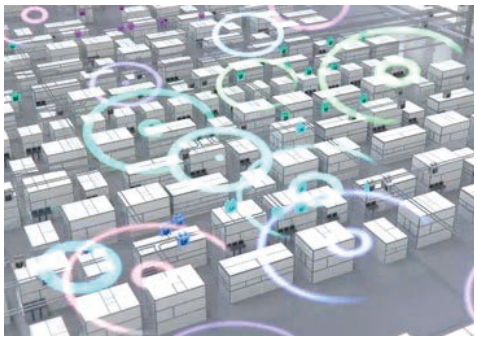
We have applied our automated material handling technology to car washing machines as well. Automating car washing reduces workloads and significantly shortens the time required to wash a car. In addition, car washing machines generally use less water than hand washing at home and help to protect the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

Aiming to Create More Value

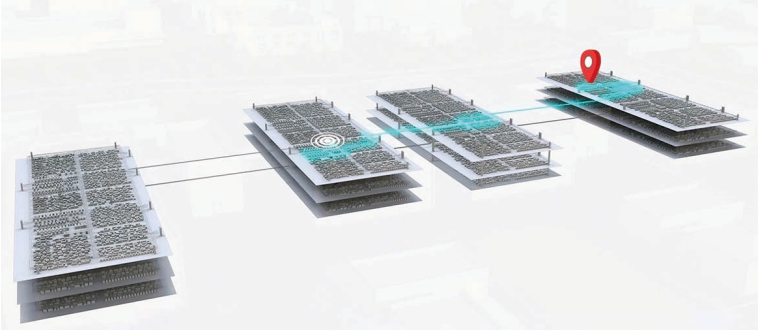
Efforts to expand existing areas and develop new business segments are indispensable for sustainable growth in a rapidly changing business environment. In addition to actively utilizing open innovation with external parties and promoting M&As, we are also working to incorporate AI, IoT, and other cutting-edge technologies into our material handling systems. Through these efforts, we aim to further enhance the value we provide to our customers and other stakeholders and realize smart logistics.

Key points of value creation

- Providing novel automation solutions through innovation
- Leveraging cutting-edge technology to further improve system efficiency
- Developing new systems by utilizing open innovation



Within the same floor



Between buildings and levels

We employ AI to efficiently control a large number of vehicles that run on overhead transport lines in semiconductor factories. The software that has been developed has expanded the scope to which we can apply AI, improving the efficiency of transport not only within the same floor, but also between floors and buildings. By collecting vehicle position information in real time and calculating predictive data based on machine-learned travel results, we have achieved highly accurate route control and a 10% increase in transport volume. Furthermore, we added an AI-based vehicle transit time prediction function in fiscal 2023, which we are working on introducing into our customers' systems.

Rails installed in overhead space

Product loading area

In cooperation with psb intralogistics of Germany, we have developed a system in which piecemeal products are deposited into pouches suspended from rails installed in overhead spaces and sequential sorting is performed during transport. The rails and other parts were provided by psb intralogistics, and Daifuku developed and commercialized the new product that includes motors, control equipment, and information systems. Pouches are transported on the rails, and during piece transport and buffering, they are aligned using a radix sorting rule. This allows the products to be freely arranged by destination, size, or other criteria, and in addition, workers can load and ship products without walking between stations. Due to its high processing power of approximately 8,000 items per hour and effective use of buildings' overhead space, this product is used in the e-commerce industry, which handles a wide variety of products in small quantities.

Related links

〉 Solutions
〉 Our Business
〉 Our Competitive Edge

Contributing to the Environment and Society with Our Products

Based on our long-term vision, Driving Innovative Impact 2030, the Daifuku Group will accelerate our initiatives focused on the future and contribute to solving environmental and social issues through our products.

Sustainability Performance Assessments of Products

In fiscal 2024, we began conducting sustainability performance assessments to evaluate the environmental and social value of our products and systems. From fiscal 2012 to fiscal 2022, we conducted environmental performance assessments of our products under the Daifuku Eco-Products Certification Program; however, going forward, we will evaluate our products from a broader perspective that includes consideration for the environment as well as contributions to customers and society. We will continue to conduct environmental impact assessments for all our products using an LCA (Life Cycle Assessment) method. By fully grasping the environmental impact of our products throughout their entire life cycle, we will strive to further enhance environmentally conscious product design.

Main points of evaluation

Environmental value	• **LCA (Life Cycle Assessment)** CO_2 emissions, resource consumption, toxicity, energy consumption, air pollution, water consumption
	• **Contributions at customers' sites** Scope 3 Category 11 (CO_2 emissions), recyclability rate
Social value	• **Efficiency** Transport capacity, sorting capacity, storage capacity, operational efficiency, loading efficiency, operation rate, space efficiency, etc.
	• **Safety** Safety performance, seismic resistance, seismic isolation performance, strength, crime prevention, etc.
	• **Workload reduction** Ease of operation, accuracy, manpower saving, labor saving, wait time reduction, etc.
	• **Maintainability** Rust resistance, friction resistance, durability, etc.
	• **Other** Cleaning ability, drying ability, water drainage, stain resistance, gloss, soundproofing, etc.

Efforts for Energy and Resource Conservation in Products

Our Group's products contribute extensively to factory automation in general industry, semiconductors, and automobiles, as well as to labor saving in logistics centers and more efficient airport operations. We consider the minimization of energy consumption during operations and of the resources used in our products to be an important initiative, and we are working on utilizing creative ideas and applying various technologies from the design stage.

Examples of initiatives for energy conservation

Utilization of regenerative power

- In automatic warehouses and transport systems, utilize regenerative converters to harness the regenerative energy produced during deceleration and descent and feed it into the power supply of other machines, equipment, and devices
- Regenerate the deceleration energy of the motors in Automated Guided Vehicles (AGVs) and recharge the batteries for effective use

Installation of energy-saving functions

- Equip AGVs, conveyors, and sorters with a function that turns off the power during standby
- Support the optimization of machine operation and the energy-saving activities of customers through the visualization of energy consumption using monitors
- Equip transport systems with a function to equalize power demand
- Reduce the amount of energy consumed during car washes by installing an ECO mode

Use of motors and inverters

- Install power generation motors on sorting vehicles to improve the efficiency of power supply
- Use high-efficiency motors in transport systems or install them as standard
- Reduce energy consumption by using inverters in car washes

AI-based optimization

- Optimize the routes and sequences of transport systems using AI technology (enables the same amount of transport to be carried out with fewer AGVs)

Weight reduction

- Implement lightweight designs through strength analyses
- Consolidate the ICs (integrated circuits) on circuit boards to make electronic products lighter and more compact

Other

- Reduce energy consumption by adopting new generation CPUs in electronic products
- Install thermostats in car washes to minimize the use of heaters in cold regions
- Utilize simulations to reduce the number of test runs on actual equipment, resulting in reduced energy consumption

Examples of initiatives for resource conservation

Reduction of materials

- Implement lightweight designs through strength analyses
- Reduce the number of parts by consolidating ICs (integrated circuits) and using innovative sheet metal structures
- Switch from product description CD-ROMs and paper media to web downloads

Extended service life

- Research materials to improve the durability of traveling wheels
- Utilize resin or corrosion-resistant materials to enhance rust resistance
- Create designs that eliminate rotating bodies such as fans and hard disk drives
- Avoid using condensers or use extended-life condensers

Virtual engineering

- Reduce the number of parts by utilizing 3D models
- Reduce the number of parts used in prototypes by utilizing virtual engineering such as capability simulations, virtual emulations, and welding analyses

Environmentally friendly materials

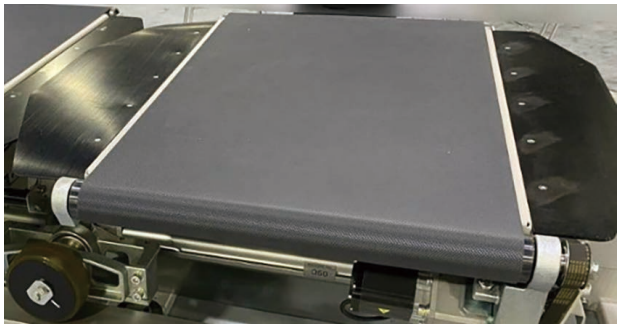
- Utilize recycled and biomass resins
- Utilize environmentally friendly liquid detergent in car washes
- Utilize RoHS2-compliant parts
- Utilize cardboard as a packing material

Product Overview

Manufacturing and distribution systems

Cross-Belt Sorter

The Cross-Belt Sorter is a system that sorts items at high speed by rotating the belts on each of the connected carts as they travel along the rails. It is mainly used in e-commerce logistics, where a large volume of items of various sizes and shapes must be sorted in a short period of time, and it contributes to improving work efficiency and alleviating labor shortages. Since each cart operates independently, a malfunction in one does not require shutting down the entire system, allowing operations at logistics sites to continue with minimal disruption. By supplying power from a power generation motor mounted on the carts, we have reduced their weight, lowered energy consumption, and lowered costs.



Environmental value

- Compared to the non-contact power supply HID* model, this model reduces energy consumption by 3.5% and CO_2 emissions by 8.1%

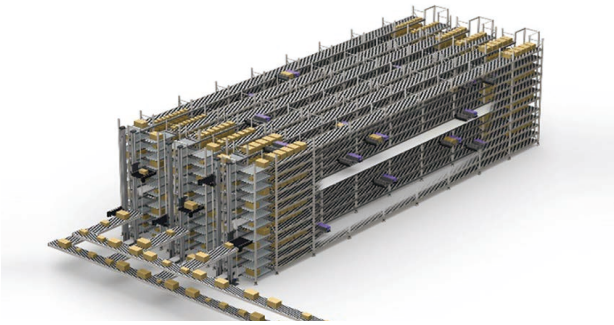
Social value

- Compared to the non-contact power supply HID* model, this model features lower costs
- A quiet design contributes to an improved working environment

* HID is an abbreviation for High Efficiency Inductive Power Distribution Technology

Shuttle Rack (SRS-M Double-Deep)

The Shuttle Rack M is a high-capacity automated warehouse system that uses carts on each level of the rack to provide both temporary storage and sorting functions. As it can store and sort large quantities of goods within limited spaces, it is mainly used in e-commerce logistics, which handles a wide variety of products in small lots. It is also used in retail, manufacturing, transportation, and agriculture, contributing to efficient sorting, storage, and picking operations. The carts are now capable of storing two items depth-wise on the shelf, allowing for more efficient and higher-density storage.



Environmental value

- Both energy consumption and CO_2 emissions have been reduced by over 50% in comparison to a similar product*

Social value

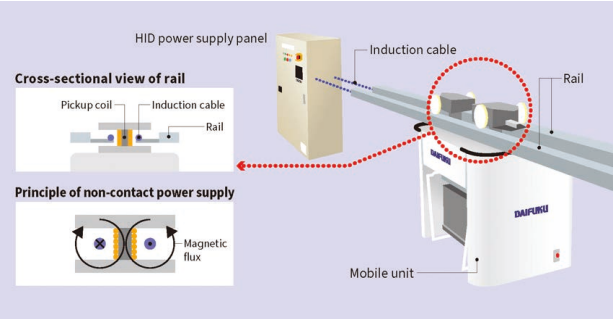
- This model has three times the transport capacity compared to a similar product*
- The space-saving design makes effective use of the space in logistics sites

* Mini Load AS/RS (R-F3)

Cleanroom production line systems

Wireless power supply system HID power supply unit HID4-BA

The wireless power supply system HID power supply unit HID4-BA is a power supply system that provides non-contact electric power. Unlike power supplied through cables, it does not generate dust from friction and is therefore used in many semiconductor manufacturing lines and liquid crystal manufacturing facilities where a high level of cleanliness is required. Automated transport enables the production of high-quality products at a low cost and in a shorter timeframe. Additionally, the non-contact design prevents wear and tear, allowing for stable, long-term power supply and a significant reduction of maintenance costs.



A high-frequency current is passed through induction cables on the rails, generating magnetic flux around them. This flux is captured by a pickup coil, creating induced electromotive force through electromagnetic induction.

Environmental value

- Reduces the number of parts and the amount of resources used
- Reduces power loss by changing the high-frequency transformer

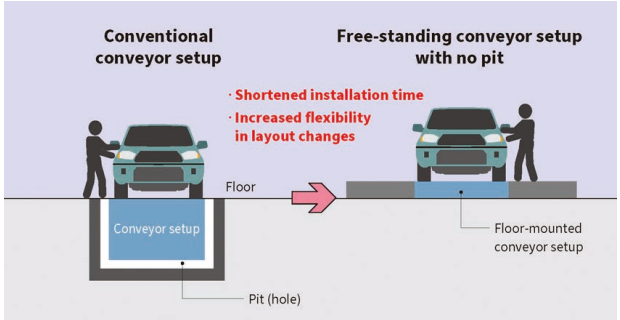
Social value

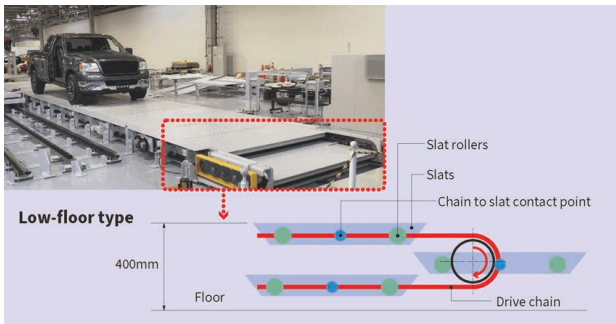
- Installation work is made easier by a 12% weight reduction
- Reduction of parts improves maintainability

Automobile production assembly line systems

Heavy-duty, low-floor SLAT conveyor

The heavy-duty, low-profile SLAT conveyor is designed for use in the assembly and inspection lines of automobile factories. Unlike conventional models that require a deep pit for installation due to their large drive units, this product features a compact, divided drive unit that allows for a low-floor design. This innovation eliminates the need for pit construction, thereby reducing waste and CO_2 emissions during installation. Additionally, by increasing the maximum load capacity and adjusting the combination of rail units, this conveyor system can adapt flexibly to changes in production lines. It is used as a production line to improve efficiency in factories that have significant production variability, such as those that handle both gasoline-powered cars and heavy electric vehicles (EVs).





Environmental value

- An enhanced life span has been achieved by improving the bearings and chains of conventional products
- Reduction of product weight has resulted in an 8% energy consumption reduction

Social value

- Efficiency of installation work has been improved by arranging standardized units
- Reducing the total number of parts by 3% has made assembly work more efficient
- There is no longer any need to enter a pit during maintenance, reducing the work burden and improving safety

Airport technologies

Baggage handling system

The baggage handling system efficiently transports and sorts passengers' checked baggage at high speeds. It is designed for environments requiring rapid sorting of large volumes of baggage, such as in major airports. Unlike conventional belt conveyor systems, this system prevents damage to items by transporting each item individually on its own tray. By replacing the traditional wide belt with a combination of a narrow belts and rollers, we have successfully reduced the size of the motor. Additionally, by implementing an energy-efficient control system that activates the conveyor only when baggage trays pass through, we have significantly reduced energy consumption. The system reads the RFID chips attached to each tray, allowing for precise tracking of baggage in transit. This not only helps prevent lost baggage, but also reduces the labor and manpower needed to resolve baggage congestion.

Environmental value

- Energy consumption is reduced by approximately 27% compared to conventional products that use belt conveyors
- The overall weight was reduced by 40% by reducing the amount of belts and conveyor frames used

Social value

- World-class transport speed of 600m/min
- A decrease in the frequency of baggage congestion saves labor
- 13% quieter than conventional products, helping to improve the work environment

Car wash machines

Drive-through car wash machine Treus (CMTE7000)

The Treus is a key model of drive-through car wash machines, primarily used at self-service gas stations. By combining brushing and rinsing in a single operation, it reduces the number of back-and-forth movements required for foam car washes from 2.5 to 1.5, leading to shortened car wash times as well as savings on both water and electricity. Additionally, it features the industry's first Car Wash Smart Support function, enabling real-time communication with the service center and remote monitoring and operation of the machine in case of issues. This innovation eliminates the need to wait for service staff, allowing for quicker problem resolution and reduced downtime, ultimately improving operational efficiency.

Environmental value

- Improved car wash operations and ECO mode settings reduce water usage by 10% and electricity usage by 20%
- By changing the material of the coating agent and piping, the number of clogged pipes is decreased and the frequency of cleaning is reduced to one third
- The Car Wash Smart Support function decreases the number of visits to customers, resulting in reduced CO_2 emissions

Social value

- Allows for rapid recovery and improved usability through remote operation

Electronics

BX-T3000

The BX-T3000 is an industrial box computer featuring a power-efficient, high-performance CPU. It delivers excellent calculation and rendering capabilities while maintaining energy efficiency. This unit is commonly used in factory inspection equipment, medical devices, and digital signage terminals on buses and trains. Its compact and lightweight design allows for installation in an area roughly the size of an A5 sheet of paper. With a broad operating temperature range, it can function reliably in harsh outdoor conditions, making it suitable for a variety of environments. Additionally, its design eliminates the need for a cooling fan and features a sealed structure without exhaust ports, which prevents dust and foreign objects from entering and minimizes maintenance and inspection workloads.

Environmental value

- Due to its smaller size, the main unit weighs 35% less than previous products
- 78% reduction of internal packaging materials compared to previous products
- The adoption of a new generation CPU has reduced power consumption by 26% compared to previous products

Social value

- Despite its thin design, the unit combines a broad temperature range (-20° C to 60° C) with high performance, contributing to stable operation in a wide range of fields

Please refer to the following web page for details about products certified under the Daifuku Eco-Products Certification Program, which was in operation from fiscal 2012 through fiscal 2022.

〉 Daifuku Eco-Products

Sustainability Management

Daifuku Group Basic Sustainability Policy

Basic Approach

The Daifuku 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.

Basic Policy

We will ensure that all Group officers and employees are aware of this policy, and we will promote sustainability.

1. Identification of priority topics and initiatives to resolve them

In order to achieve our long-term vision, we will identify the priority topics that must be addressed by the entire Group, and we will formulate management strategies, measures, and action plans based on this materiality assessment. Priority topics are identified based on factors such as trends in the international community and the expectations of stakeholders, taking into consideration any risks and opportunities that may have a significant impact on the Group's operations as well as the Group's impact on society and the environment. We will review these priority topics periodically and make revisions as necessary.

2. Value creation through business

We will strive to enhance the value we provide to stakeholders through the evolution of existing businesses and new domain expansion, as well as by developing new technologies, utilizing cutting-edge technologies, and creating businesses based on social issues. We will contribute to sustainable economic growth and solutions to social issues through innovative technologies and optimal solutions.

3. Dialogue with stakeholders

We will strive to disclose transparent information about our business status as well as our environmental, social, and governance initiatives. In order to continue to be a corporation that society trusts, we will actively engage in dialogue with our stakeholders, including customers, shareholders, investors, business partners, local communities, and employees, and we will utilize the opinions and evaluations we receive from them in the management of the Group. Additionally, we will strive to enhance the sustainability of society as a whole by strengthening our collaboration with customers and business partners in order to solve social issues related to human rights and the environment.

4. Sustainability education and awareness

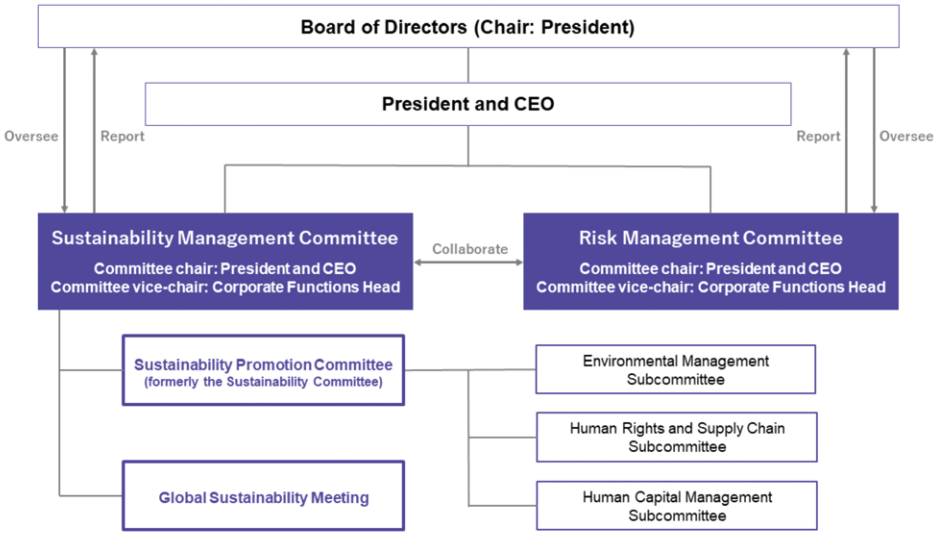
In order to implement concrete initiatives at each workplace based on the Group's policies and management strategies, we will conduct education and awareness-raising activities to ensure that all Group executives and employees deepen their understanding of sustainability and priority topics and enhance their ability to address them.

5. Sustainability governance

The Board of Directors will appropriately supervise initiatives to enhance corporate value over the medium to long term, including management strategies to address risks and opportunities related to sustainability. The Sustainability Management Committee, which is chaired by the CEO, emphasizes the creation of corporate value over the medium to long term, holds crucial discussions on management strategies for the Group, and confirms the progress and results of plans. Important matters related to sustainability will be discussed at the Sustainability Management Committee, after which they will be submitted to the Board of Directors, reported upon, and resolved.

Established: April 1, 2024

Sustainability Promotion System



FY2024 promotion system

Supervision and execution system for sustainability-related risks and opportunities

The Board of Directors oversees initiatives to enhance corporate value over the medium to long term, including management strategies to address sustainability-related risks and opportunities. On the Board of Directors, the CEO is the representative director charged with the supervision of sustainability-related risks and opportunities. Through training, opinion exchanges with experts, and dialogue with customers, the members of the Board of Directors are enhancing their insight into sustainability issues in order to improve their skills and competencies to oversee the Group's initiatives.

Additionally, 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

	Members	Role
Board of Directors	Chair: President and CEO Members: Directors (5 internal, 5 external)	• Undergo decision-making and supervision of important management matters such as such as the determination of management policies, management plans, and the corporate governance system.
Sustainability Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• 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.
Sustainability Promotion Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• As a subordinate branch of the Sustainability Management Committee, promote Group-wide environmental, social, and governance initiatives on a working level based on management strategy.
Global Sustainability Meeting	Leader: Corporate Functions Head Members: Global subsidiaries, Sustainability Management Committee members, etc.	• Discuss and share information about ESG issues with our global subsidiaries in order to promote sustainability management throughout the entire Group.
Risk Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• Conduct Group-wide risk management for critical risks that have a significant impact on business activities. • Conduct regular risk assessments to identify and evaluate significant risks, develop countermeasures, and work to improve and enhance policies, regulations, and systems.

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

Board of Directors meetings

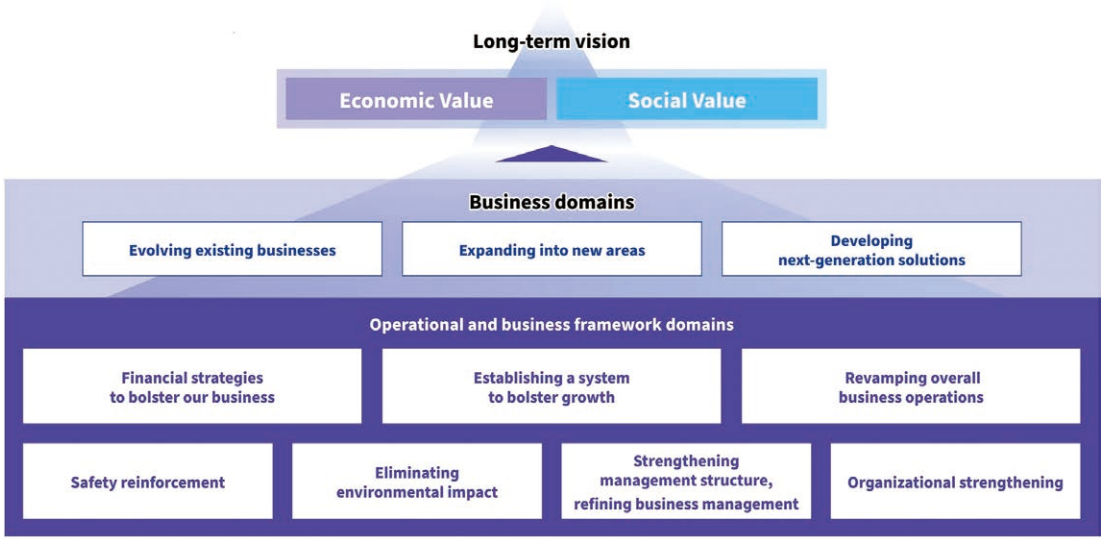
- Revision of the Daifuku Environmental Vision 2050 (April)
- Report on the implementation of risk assessments, future actions (October)
- Long-term vision Driving Innovative Impact 2030 and the four-year business plan for 2027 (October, March)

Sustainability Committee (held 4 times)

- Sustainability Action Plan Progress Report
- 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, etc.

Materiality

Daifuku's Priority Topics



Framework for realizing our long-term vision

In May 2024, Daifuku reviewed its priority topics along with the formulation of the four-year business plan for 2027. In formulating this business plan, we backcasted from our vision of future society and arranged the products and services (outputs) that the Group provides to its customers as well as the value (outcomes) that is provided to society through such outputs. We then considered what we would like our company to look like in 2030 in terms of both economic and social value and established our long-term vision, Driving Innovative Impact 2030.

In this business plan, we have defined the priority topics that must be addressed by the Group to achieve our long-term vision, and we have specified strategies, measures, and action plans based on these topics. The list of priority topics, the KPIs (key performance indicators) associated with each topic, and the identification processes are as shown below.

〉 Long-Term Vision and Four-Year Business Plan

List of Priority Topics

Framework	Priority Topic	Desired outcome
Evolving existing businesses, expanding into new areas, developing next-generation solutions	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.

Framework	Priority Topic	Desired outcome
Establishing a system to bolster growth	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.
Revamping overall business operations	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 societal 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.
Safety reinforcement	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 workers.
Eliminating environmental impact	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.
Strengthening management structure and refining business management	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 mid- 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).
Organizational strengthening	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 workers 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.

KPIs Related to Each Topic

In this business plan, we have set KPIs and four-year (FY2024–FY2027) targets for the topics listed above. Please refer to the PDF linked below for details.

〉Priority Topics and KPIs in the Four-Year Business Plan for 2027 (PDF: 101KB) PDF

Materiality Assessment

STEP 1 Update input information

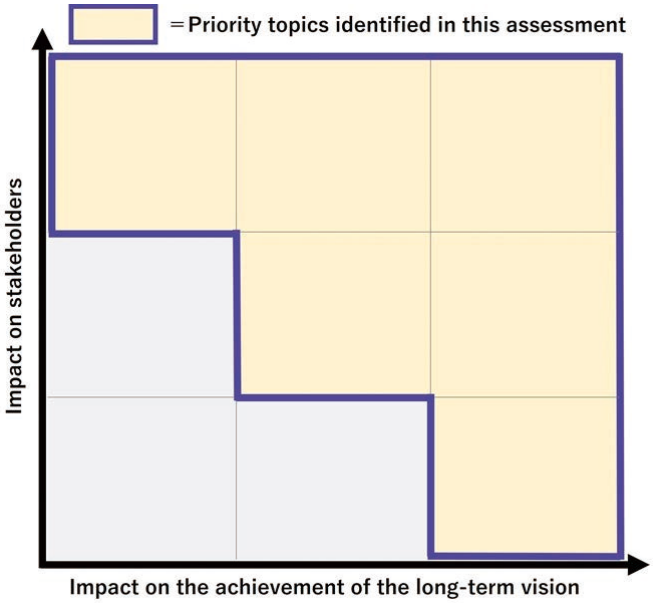
In response to recent changes in societal demands and trends, we have reviewed and organized the information necessary to identify priority topics.

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

STEP 2 Identify topics

Based on a variety of inputs, potential topics were selected by appointed persons from business units and the Corporate Functions divisions (four executive 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.



STEP 3 **Validation**

The topics identified, KPIs, and targets were validated and approved by the Board of Directors.

STEP 4 **Progress checks**

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.

Please refer to the following web page for the priority topics addressed in the Sustainability Action Plan for fiscal 2021 through fiscal 2023. Effective fiscal 2024, the Sustainability Action Plan will be integrated into our medium-term business plans, and the status of our efforts to address priority topics will be managed within the framework of our four-year business plan for 2027.

〉 Materiality (FY2021–FY2023)

Sustainability Action Plan

Formulation of the Sustainability Action Plan

The Daifuku Group formulated the Sustainability Action Plan (FY2021-2023) in 2021 after reviewing the priority topics in our CSR Action Plan. During the three years of the Sustainability Action Plan, we have promoted activities based on its five core themes.

From fiscal 2024, the Sustainability Action Plan will be integrated into our medium-term business plans, and the status of initiatives to address priority topics will be managed within the framework of the four-year business plan for 2027.

〉 Sustainability Action Plan (PDF: 763KB) PDF

Sustainability vision

Achievements for FY2023

To view our fiscal 2023 achievements for the Sustainability Action plan, see the PDF table below and descriptions on the following pages.

〉 FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Contribute to a Smart Society

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

Related Sustainable Development Goals and Targets

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

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

FY2023 Achievements

The following are our fiscal 2023 achievements in each of the priority topics for the above theme of the Sustainability Action Plan, Contribute to a Smart Society.

〉 Sustainability Action Plan (PDF: 763KB) PDF

〉 FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Materiality

Promote innovative technological development and invention

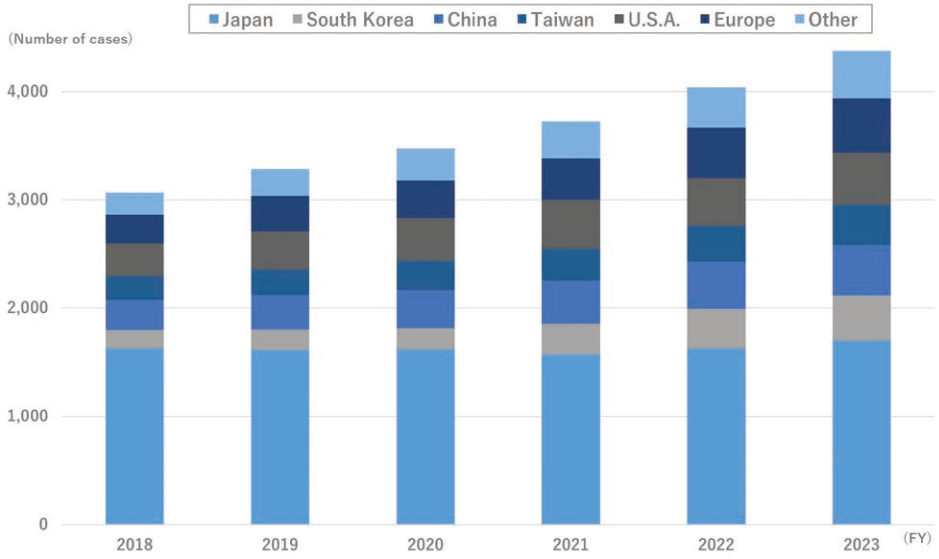
In terms of the breakdown of innovation investment, R&D expenditures amounted to 11.2 billion yen and digital transformation related investments amounted to 5.8 billion yen, thereby achieving our target. We achieved and exceeded our target by a wide margin for the number of patent registrations due to an increase in the number of applications filed outside of Japan.

KPIs	Scope	FY2023 targets	FY2023 results
Innovation investment amount*	Global	¥15 billion	¥17 billion
Patent registrations (cumulative total)		4,100 patents	4,378 patents

* R&D expenses + DX investment amount

Number of patents registered

Daifuku proactively applies for patents and acquisition rights primarily for newly developed products. We have been filing an increasing number of patent applications outside of Japan in recent years, and we currently hold patents in more than 30 countries around the world. In addition to the quantity of acquisition rights, we are also focusing on improving the quality and speed of obtaining these rights.



Transition of patents by country or region

Materiality

Develop new business domains

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

KPIs	Scope	FY2023 targets	FY2023 results
Penetration into new markets and new business conditions; commercialization of new products	Global	• Development through collaborative research with universities and companies • Provide new automated solutions • Cultivate new customers, expand business area globally • Expand service business	• Promoted the development of new products through open innovation with multiple universities and external research institutions • Provided automation solutions for back-end processes in semiconductor manufacturing (wafer stacking, direct bonding, etc.) • Began development of improved automated truck loading and unloading equipment • Developed a device for cleaning the interior of garbage trucks • Deployed smart security lanes at airports in North America • Service sales: an increase of 25.8 billion yen (+16.2%) compared to the previous year

Advancing into the back-end processes of semiconductor manufacturing

The process of manufacturing semiconductors is divided into the front-end process of forming circuits on silicon wafers and the back-end process of cutting chips individually from wafers and working them into finished products. The cleanroom business of our Group has mainly provided transportation systems for the front-end process of semiconductor manufacturing lines. In recent years, however, we are gaining momentum in the development of next-generation technologies for back-end processes such as 3D stacking, in which multiple chips are stacked to enhance performance. As the importance of the back-end processes in the semiconductor manufacturing process increases, so does the need for automated transfer. In order to provide automated solutions for back-end processes, we are working to develop products that can accommodate the increased weight and diversified shapes of materials to be transported.

In addition, beginning in fiscal 2024, we are participating as a founding member of the Semiconductor Assembly Test Automation and Standardization Research Association (SATAS). SATAS was founded by 15 companies and organizations, which include semiconductor manufacturers, semiconductor manufacturing equipment and automated transport equipment manufacturers, and standardization organizations. At SATAS, we are creating the technologies and industry standard specifications necessary for back-end process automation as well as developing and integrating equipment and verifying its operation. We are aiming for practical application by 2028.

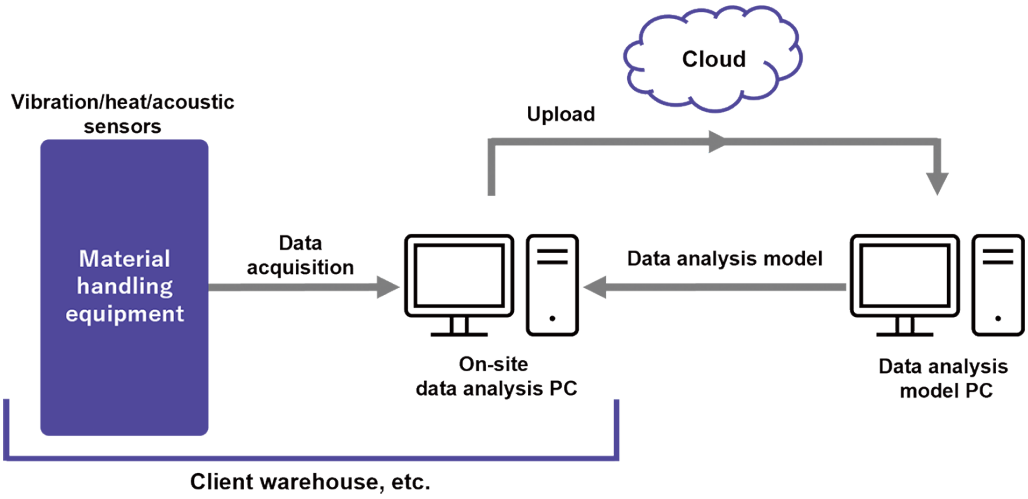
Materiality

Cater to customer needs through smart logistics

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

KPIs	Scope	FY2023 targets	FY2023 results
Introduction of cutting-edge technology to products and services	Global	• Use wireless and 5G technology and rechargeable batteries • Introduce high-efficiency systems and predictive maintenance systems using AI technology • Reduce energy consumption with more sophisticated power supply equipment • Make maintenance services more efficient with the use of IoT	• Continued technical evaluation for the introduction of wireless and 5G technologies • Began sales of a predictive maintenance system based on AI technology • Developed a high-capacity, contactless power supply device that reduces power consumption by 30% • Launched the Car Wash Smart Support service (remote anomaly recovery, remote program updates, etc.)

Predictive maintenance system using AI technology



Model of a predictive maintenance system

In our intralogistics business, the Group has established a unique predictive maintenance system that automates visual, manual, and auditory inspections. The predictive maintenance system measures vibration, heat generation, and acoustics using our proprietary sensors, analyzes the data collected by edge devices onsite using a PC, and notifies the customer of equipment abnormalities and predicted failure points. The system also automatically uploads data to the cloud, analyzes failure data, and builds an equipment diagnostic abnormality detection model using AI. This system eliminates conveyor system breakdowns and keeps equipment running smoothly.

Maintain and Improve the Quality of Products and Services

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

Related Sustainable Development Goals and Targets

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

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

FY2023 Achievements

The following are our fiscal 2023 achievements in each of the priority topics for the above theme of the Sustainability Action Plan, Maintain and Improve the Quality of Products and Services.

〉 Sustainability Action Plan (PDF: 763KB) PDF

〉 FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Materiality

Optimize production through globalization

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

KPIs	Scope	FY2023 targets	FY2023 results
New and expanded production sites to achieve production in optimal conditions; other countermeasures	Global	• Build a procurement network globally and share production technology • Strengthen ability to respond at global subsidiaries (in sales through production and service) • Optimally distribute production through consolidation and in-sourcing	• Established a global supply chain for key components of pallet-based products to switch to manufacturing outside of Japan • Introduced a framework for sharing project information between the sales department and the production, installation, and service departments in order to centrally manage global subsidiary operations • Enhanced responsiveness (development, design, production, etc.) through personnel training at global subsidiaries • Consolidated and streamlined factories to ensure optimal local and in-house production for each product

Construction of new plants

Completed new plant in China

In fiscal 2023, Daifuku (Suzhou) Cleanroom Automation Co., Ltd., which handles sales and manufacturing of transport systems for LCD and semiconductor plants in Suzhou, China, relocated and began operations at a newly built headquarters and plant. The site has an area of approximately 31,000m^2 and a total floor area of approximately 37,000m^2, and this new facility is expected to increase production capacity by about 1.4 times that of the previous. The facility was built based on the concepts of progressiveness, energy conservation, CO_2 emissions reduction, and social contribution, and it includes a display line for customers, a large-scale photovoltaic system on the roof, and a work environment that contributes to employee productivity.

Rendering of new plant in India

We have also begun construction in Telangana, India, on a new plant for Daifuku Intralogistics India Private Limited, which designs and manufactures overall logistics systems. The plant is scheduled for completion in December 2024. Once completed, it will produce automated warehouses, high-speed transport vehicles, conveyors, sorters, and other products. This new facility is expected to increase production capacity by about four times that of the current plant.

Materiality

Pursue product quality and safety

While we achieved our targets for the number of serious accidents related to product or system safety and number of employees who obtain safety assessor credentials, we fell slightly short of our target for the ratio of ISO 9001 integrated certification at production sites.

〉 Occupational Safety and Health

〉 Quality Assurance

KPIs	Scope	FY2023 targets	FY2023 results
Number of serious accidents related to product or system safety*1	Global	0 occurrences	0 occurrences
Rate of ISO 9001 global multi-site certification*2 in production sites		65%	64%
Number of employees who obtain safety assessor credentials*3	Japan	220 people	237 people

*1 Accidents caused by the malfunction of our products or systems during operations leading to death or serious illness/injury (injury or illness requiring 30 days or more of treatment)
*2 Carrying out reviews based on unified standards under the same schedule and certification authority, and obtaining and maintaining certification
*3 Credentials meant chiefly for designers that certify knowledge and abilities in the field of safety based on international safety standards

Enhance Operational Framework

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

Related Sustainable Development Goals and Targets

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

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

FY2023 Achievements

The following are our fiscal 2023 achievements in each of the priority topics for the above theme of the Sustainability Action Plan, Enhance Operational Framework.

〉 Sustainability Action Plan (PDF: 763KB) PDF

〉 FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Materiality

Strengthen governance

To improve the effectiveness of the Board of Directors, we will continue to utilize PDCA cycles to improve the issues identified in questionnaires and interviews. For fiscal years 2021 through 2023, we reached our goal of 300 total audits. We will continue to conduct audits using a risk-based approach, and we will strive to improve the quality of our audits.

KPIs	Scope	FY2023 targets	FY2023 results
Improving the effectiveness of the Board of Directors	Global	Carry out efforts to improve effectiveness	• Newly appointed a foreign national outside director and expanded the diversity of the composition of the Board of Directors • Promoted discussions on improving business management sophistication and profitability
Enhancing internal perceptions		Implement measures to propagate the Group Code of Conduct globally	• Explained the Group's Code of Conduct and Compliance Guidebook at a variety of training sessions in Japan • Introduced initiatives for the Compliance Awareness Month at the Global Sustainability Meeting • Distributed a message from the president regarding compliance during the Compliance Awareness Month
Carrying out sound internal audits		Carry out internal audits in Japanese business units and global subsidiaries (total 300 cases, 3 years) and maintain compliance with internal evaluations	• A total of 110 audits (324 over a 3-year period): 98 periodic audits (91 domestic, 7 at global subsidiaries), 8 follow-up audits (5 domestic, 3 global), 2 specified audits, 1 general international trade management, 1 security export control • Internal evaluations determined the Group as compliant

Efforts to improve the effectiveness of the Board of Directors

We regularly review the composition and operations of the Board of Directors and annually assess its effectiveness. By addressing issues identified from the results of the assessment, we strive to continuously strengthen the functions and improve the effectiveness of the Board. For the fiscal 2023 Board of Directors effectiveness assessment, we sent a questionnaire to all directors (10) and all auditors (4), and interviews were conducted with one representative director and five outside directors. To ensure the objectivity and independence of the evaluation, we obtain the assistance of an external evaluation organization at key points in the assessment process.

〉 Corporate Governance

Materiality

Ensure compliance

In fiscal 2023, we conducted an e-learning course on respect for human rights in corporate activities as well as a comprehension test to review past training courses on bribery, entertainment and gift-giving, and competition law. There was a total of 8,636 participants throughout the entire Group. Course materials were made available in 10 different languages to improve participants' understanding.

〉 Compliance

KPIs	Scope	FY2023 targets	FY2023 results
Carrying out anti-corruption training	Global	Carry out training and follow-ups for Japanese and global parties with authority to accept and place orders	• Conducted an e-learning course on respect for human rights in corporate activities. A comprehension test including items on bribery was also administered, and it was taken by 90% of all Group employees.

Materiality

Manage risk

Significant risks that could affect the achievement of our management objectives are discussed and managed across the organization, led by the Risk Management Committee which is chaired by the President and CEO. In fiscal 2023, we conducted a company-wide risk assessment and identified significant risks. The committee met a total of five times to discuss issues and responses to the identified risks as well as decide on response policies and other matters.

〉 Risk Management

KPIs	Scope	FY2023 targets	FY2023 results
Implementing countermeasures against major risks	Global	• Carry out regular risk assessments • Form a risk management policy and spread awareness of it • Implement significant risk countermeasures • Carry out risk response training	• Conducted a company-wide risk assessment through questionnaires and interviews with management, employees at or above a rank of general manager, and persons in charge at subsidiaries • Critical risks were selected by the Risk Management Committee based on the results of the risk assessment • Formulated the Daifuku Group Risk Management Policy • Established a cross-divisional task force to address the 2024 problem in logistics and implemented risk responses

Materiality

Ensure responsible procurement in the supply chain

In fiscal 2023, we completely revised the CSR Procurement Standards, which were established in 2017, and formulated the Sustainable Procurement Guidelines as a new standard for sustainable procurement activities. In order to disseminate these guidelines throughout the entire supply chain and identify and mitigate risks in the supply chain and with our business partners, we distributed explanatory videos to and requested agreement from our business partners. In fiscal 2024, we began requesting that our business partners respond to a self-assessment questionnaire (SAQ), and based on the results of the responses, we will identify risks and provide support for improvement.

〉 Supply Chain Management

KPIs	Scope	FY2023 targets	FY2023 results
Establishing a CSR procurement system and expanding the range of operations	Global	Review CSR Procurement Standards and formulate new guidelines to be applied in Japan and abroad	• Formulated the Sustainable Procurement Guidelines and distributed explanatory videos to suppliers • Distributed the Sustainable Procurement Guidelines to suppliers and requested their agreement

Materiality

Strengthen information security

In fiscal 2023, we conducted information security education and e-mail training in accordance with our targets. Educational tools were made available in multiple languages, and the entire Group, including subsidiaries outside of Japan, were engaged.

〉 Strengthening information security

KPIs	Scope	FY2023 targets	FY2023 results
Number of global information security education sessions	Global	4 sessions + follow-up training	4 sessions + follow-up training (e-learning)
Number of global e-mail training sessions		4 sessions	4 sessions

Materiality

Ensure transparent information disclosure and strategic communication

We achieved our targets, including ESG-related targets, for the amount of dialogue with shareholders and investors. In terms of community contribution activities, a working team has been promoting activities based on annual activity plans, and more measures and events were carried out than in fiscal 2022.

〉 Stakeholder Engagement

KPIs	Scope	FY2023 targets	FY2023 results
Number of companies with which dialogue meetings were held	Global	1,200 companies (ESG-related: 20 companies)	1,232 companies (ESG-related: 85 companies)
Enhancing communication with stakeholders	Japan	• Implement measures to promote the brand based on the renewal of Hini Arata Kan • Carry out events for science and engineering students • Get employees to participate in social contribution activities	• Conducted media coverage on the redevelopment of Shiga Works and secured article publication in 10 media outlets • Manufacturing events for science and engineering students were postponed; alternatively, YouTube was used to distribute videos for job-hunting students • Regularly conducted community contribution activities based on annual activity plans for the company as a whole as well as for each region

Respect Human Dignity

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

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

Related Sustainable Development Goals and Targets

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

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

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

FY2023 Achievements

The following are our fiscal 2023 achievements in each of the priority topics for the above theme of the Sustainability Action Plan, Respect Human Dignity.

〉 Sustainability Action Plan (PDF: 763KB) PDF
〉 FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Materiality

Protect employee safety and health

The number of injuries resulting is lost time in Japan increased by one from the previous year, and the frequency rate of accidents fell short of our targets. The severity rate of accidents outside of Japan also fell short of our target; however, there was a significant decrease in the number of injuries resulting in lost time outside of Japan.

〉 Occupational Safety and Health

KPIs	Scope	FY2023 targets	FY2023 results
Frequency rate: Japan (outside of Japan)	Global	0.3 (0.6)	0.55 (0.58)*1
Severity rate: Japan (outside of Japan)		0.01 (0.02)	0.016 (0.011)*1
Number of occupational safety and health trainees		1,700 trainees	1,885 trainees
Number of serious accidents*2		0 accidents	0 accidents*1

*1 Data from January through December 2023
*2 Accidental deaths occurring during work at Daifuku (occupational accidents)

Materiality

Achieve diversity and inclusion

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

〉 Diversity and Inclusion

KPIs	Scope	FY2023 targets	FY2023 results
Number of female managers	Japan	31 people (4.1%)	32 people (4.3%)*1
Employment rate of people with disabilities		Over 2.3%	2.42%*2
Paternity leave acquisition rate		20% (50%)	29% (65%)*3

*1 As of March 31, 2024
*2 As of June 1, 2023
*3 The number in parentheses () is based on the amendment to the Child Care and Family Care Leave Act

Materiality

Create a workplace environment that motivates employees

In addition to reducing overtime hours and promoting the use of paid leave, mainly through the Workstyle Reform Committee and the Mental and Physical Health Promotion Committee, we also expanded and enhanced events for all districts to maintain and promote good health. Since the utilization rate of paid leave was slightly below the target, we will promote the systematic use of paid leave throughout fiscal 2024.

〉 Workplace Environment

KPIs	Scope	FY2023 targets	FY2023 results
Paid leave acquisition rate	Japan	80%	78.5%
Maintaining high rate of stress check testing		Over 96%	99.4% (test conducted July 18–August 4, 2023)
Holding events to encourage mental and physical health		Continue events centered on main facilities	• Enhanced online events for all regions • Held events related to mental health • Held seminars on addictions and women-specific health issues

Materiality

Cultivate human resources

Since fiscal 2021, with the aim of systematically cultivating candidates for managerial positions, successful completion of e-learning courses has been made a requirement for referring a candidate for a managerial position. We continued operation of this system in fiscal 2023 to strengthen the development of managers and candidates for managerial positions. Additionally, through our Group-wide e-learning system, we will continue to enhance educational materials and training content to develop human resources more effectively.

〉 Talent Development

KPIs	Scope	FY2023 targets	FY2023 results
Strengthening education for managerial employees and candidates	Japan	Provide education according to the qualities of candidates up for promotion	• Provided training on business and labor management for those promoted to managerial positions in fiscal 2023 • Provided training on subordinate development for new managers in fiscal 2023 • Conducted aptitude testing for those up for promotion to managerial positions in fiscal 2024 • Provided education on courses required for promotion recommendation for candidates for managerial and supervisory positions in fiscal 2024 onward
Developing training using online resources and promoting autonomous learning		Establish an on-demand library for training and education	• Utilized an in-house training system • Created content related to technology and skills as well as compliance materials for each business unit and disseminated them globally

Materiality

Respect human rights

In fiscal 2023, we expanded the scope of our human rights due diligence initiatives, which we have been working on in Japan since fiscal 2022, to include employees at Group companies outside of Japan and foreign national workers employed by their business partners. As part of these efforts, we conducted on-site interviews at Group companies in Thailand and Taiwan as well as with their business partners.

〉 Human Rights

KPIs	Scope	FY2023 targets	FY2023 results
Promotion of workplace understanding of human rights	Global	Carry out human rights training for Group employees	• Implemented training on the Daifuku Group Human Rights Policy for new hires and career hires • Conducted harassment training for new managers • Implemented e-learning courses on human rights for the entire Group
Carrying out due diligence for human rights		Formulate policies and carry out due diligence for human rights and ensure wide-spread human rights knowledge inside and outside the company	• Held a lecture on human rights with an expert at the Global Sustainability Meeting • Conducted surveys at 27 Group companies outside of Japan regarding their initiatives for respecting human rights • Engaged in direct dialogue with foreign national workers at two suppliers within Japan • Engaged in direct dialogue with workers at two Group companies outside of Japan and two suppliers • Sent written informed consent forms on the Daifuku Group Human Rights Policy to 1,276 suppliers within Japan

Contribute to the Environment Through Our Business

The most profound risk to our business continuity comes from global environmental issues such as climate change and threats to biodiversity, but at the same time, we recognize that solving such issues also presents business opportunities for us. We at the Daifuku Group will strive to realize our Daifuku Environmental Vision 2050, and we will strengthen our environmental initiatives across the Group under the leadership of the top management.

Related Sustainable Development Goals and Targets

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

Priority topic	Goal	Target	
Addressing Climate Change	7. Affordable and clean energy	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix
		7.3	By 2030, double the global rate of improvement in energy efficiency
	12. Responsible consumption and production	12.2	By 2030, achieve the sustainable management and efficient use of natural resources
	13. Climate action	13.2	Integrate climate change measures into national policies, strategies and planning
		13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
Promoting Resource Recycling	6. Clean water and sanitation	6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
		6.4	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	12. Responsible consumption and production	12.2	By 2030, achieve the sustainable management and efficient use of natural resources
Coexisting with Nature	15. Life on land	15.4	By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development
		15.5	Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

FY2023 Achievements

The following are the priority topics and their related Sustainable Development Goals and Targets for one theme of the Sustainability Action Plan: Contribute to the Environment Through Our Business. The KPIs and targets for this theme were modified in fiscal 2023 to align with the revisions to the Daifuku Environmental Vision 2050.

〉Sustainability Action Plan (PDF: 763KB) PDF

〉FY2021-FY2023 Achievements of the Sustainability Action Plan (PDF: 539KB) PDF

Materiality

Addressing climate change

Due to progress in our initiatives for energy conservation and the introduction of renewable energy, all targets for CO_2 emissions reduction were achieved. In fiscal 2024, we upwardly revised our Scope 1 and Scope 2 reduction targets for 2030 (compared to fiscal 2018) and established a new target for the ratio of electricity derived from renewable energy sources. We will continue to make efforts throughout the entire supply chain to achieve even higher targets. For details on the new targets for 2030, please refer to the following page.

〉Environmental Management

KPIs	Scope	FY2023 targets	FY2023 results
Daifuku CO_2 emissions (Scopes 1 + 2)	Global	21.0% reduction (compared to FY2018)	48.0% reduction (compared to FY2018)
CO_2 emissions from purchased goods and services (Scope 3 Category 1)		Began operation of CO_2 emissions 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_2 emissions from the use of sold products (Scope 3 Category 11)		12.5% reduction (compared to FY2018)	29.6% reduction (compared to FY2018)

Materiality

Promoting resource recycling

The targets for both landfill disposal rate and water use intensity were achieved. As we expected to achieve the target for water use intensity we initially set in the Daifuku Environmental Vision 2050 ahead of schedule, we set a new target. For details about these targets, please refer to the page below.

〉Environmental Management

KPIs	Scope	FY2023 targets	FY2023 results
Landfill disposal rate	Global	Japan: less than 1%	0.67%
		Outside of Japan: less than 5%	3.2%
Water use intensity*		12.5% reduction (compared to FY2018)	35.5% reduction (compared to FY2018)

* Water consumption (1,000 m^3) divided by net sales (100 million yen)

Materiality

Coexisting with nature

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.

〉 Environmental Management

KPIs	Scope	FY2023 targets	FY2023 results
Rate of implementation of biodiversity conservation activities at major sites*1	Global	• Create a list of conservation activities • Conduct Group-wide awareness activities	• Created a list of conservation activities and began to develop rules for awareness activities • Conducted interviews with global affiliates to ascertain each of their situations
Sustainability Action*2 total annual number of 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

Education and Awareness-Raising Activities

The Daifuku Group is committed to fostering the awareness of each and every employee through educational activities and in-house events in order to contribute to the realization of a sustainable society.

Raising Awareness About Sustainability

Global Sustainability Meetings

In order to promote sustainability management throughout the entire Group, we hold the Global Sustainability Meeting to discuss and share information about ESG issues with our global subsidiaries. In fiscal 2023, meetings were held once in person and twice online. The meeting was also held in person in April 2024, and a total of 135 people, including officers and executives from our global subsidiaries, gathered to share information about each company's initiatives and deepen mutual understanding.

Rank-based training

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

Organizing seminars with experts

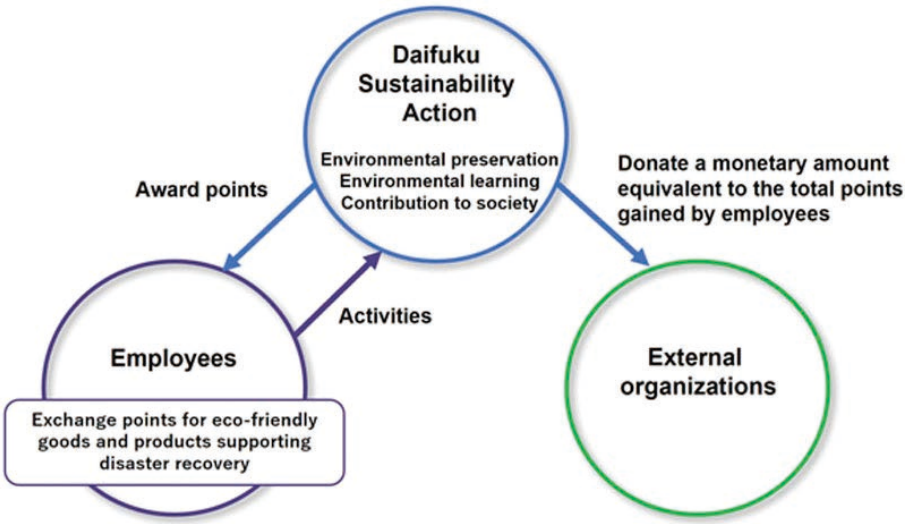
In fiscal 2022 and 2023, we held seminars with experts, focusing on themes such as SDGs courses and the integration of business and SDGs. The seminars were recorded, and the videos are available on our internal network for employees to access at any time.

Communication through comics

We distribute comics to inform our employees about our company policies, the importance of sustainability, and the state of society in an accessible and easy-to-understand manner. In fiscal 2023, we distributed a dice-game comic on the Daifuku Environmental Vision 2050, which was revised in May 2023. These comics, along with other archived content, are available in multiple languages and posted on the company network so that they can be accessed by Group employees at any time.

Daifuku Sustainability Action Program

In order to make environmental contributions more accessible, Daifuku established its Daifuku Eco-Action Program in fiscal 2012, which awards points to employees for participating in environmental activities. A variety of activities and events are offered through the program, and in fiscal 2023, a total of 12,141 people participated in volunteer and environmental learning activities. Through this program, employees can exchange the points they earned for environmentally friendly products and other rewards. Daifuku also donates a monetary amount proportionate to the total number points gained by employees to external organizations. In fiscal 2023, the program was renamed as the Daifuku Sustainability Action Program, and we are working to expand the scope of our activities to include social contribution activities in addition to environmental activities.



Daifuku Sustainability Action events (examples)

Program	Content / Description	FY2023 total number of participants (non-unique)
Eco Field Report	Learn about the environment through experiences at nature parks, zoos, museums, environmental facilities, etc.	353 people
Sustainability Quiz	Quizzes are published in the internal newsletter. Disseminate information about the environment and deepen the understanding of related topics	7,200 people
Environment-oriented household account book	Allows data entry on usage of electricity, water, etc. for better visualization and to raise awareness of energy conservation	77 people
Eco-Photo Contest	Group employees are encouraged to submit photos they have taken of the natural environment. Selected submissions receive gold, silver, or bronze awards	319 people
Eco Trip	An initiative to encourage people to travel by train, bus, or on foot instead of using a car for everyday activities such as shopping or trips	187 people

Number of participants

	FY2021	FY2022	FY2023
Total number of participants (non-unique)	11,608 people	10,132 people	12,141 people

Donations

In fiscal 2023, Daifuku made the following donations as part of the Daifuku Sustainability Action Program.

Recipient	Amount	Content
Shiga Prefectural Lake Biwa Museum (ongoing, 12th year)	1,000,000 yen (previous year: 1,000,000 yen)	Environmental training, environmental activities, support for museum operations, support for aquatic display restoration.
The Nature Conservation Society of Japan (ongoing, 5th year)	150,000 yen (previous year: 150,000 yen)	Conducting surveys and research on nature and conservation, as well as various programs designed to spread awareness of the importance of protecting nature.
Japan Environmental Education Forum* (ongoing, 3rd year)	1,000,000 yen (previous year: 1,000,000 yen)	Conducting tree-planting activities outside of Japan by establishing a tropical rainforest creation fund through donations in order to promote afforestation.
Japan Conference for 2030 Global Biodiversity Framework (ongoing, 2nd year)	640,000 yen (previous year: 440,000 yen)	Implementing initiatives to achieve domestic biodiversity-related strategies, etc., through collaboration and cooperation among various stakeholders in industry, academia, government, and the private sector.
Shiga Prefecture (Japan Games and National Sports Festival for People with a Disability) (new)	500,000 yen	One of the largest sporting events in Japan, held annually in rotation by each prefecture. The event will be held in Shiga Prefecture in 2025, and donations will be used to train the next generation of athletes and para-athletes as well as for projects to improve tournament venues.

* Previously, we had been making donations through the National Land Afforestation Promotion Organization, but as of fiscal 2023, with the authorization of the National Land Afforestation Promotion Organization, we have begun making direct donations.

Stakeholder Engagement

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

Dialogue with Primary Stakeholders

Stakeholders	Main societal expectations and demands	Main methods and opportunities for dialogue
Our customers	• Achieving smart logistics through innovative technologies and optimal best-practice solutions • The pursuit of product quality and safety • Expansion of environmentally friendly products and services	• Daily sales activities • Featuring products at our demo center Hini Arata Kan • Exhibiting at trade shows • Enhanced after-sales service (customer stations, system support centers, etc.) • Disclosure of information on our website • Responding to customer surveys and audits
Our shareholders and investors	• Sustainable business growth • Enhancement of corporate value • Appropriate shareholder returns • Effective and transparent corporate governance • Timely and appropriate information disclosure • Enhanced disclosure of financial and non-financial information	• General shareholders' meeting • Financial results briefing for institutional investors and analysts • IR meetings with shareholders and investors • Shareholders' tour of our demo center Hini Arata Kan • Disclosure of information on the website • Corresponding with ESG rating agencies and responding to questionnaires • Issuing integrated reports
Our suppliers	• Building fair and equitable relationships • Supply chain management friendly to the environment and human rights	• Daily procurement activities • Management and Safety Policy and Production Trends Presentation • Supplier Quality Development (S.Q.D.) Award • Surveys and visits to suppliers • Sustainable Procurement Guidelines • Supplier Operations Verification System
Our local communities	• Environmentally friendly business practices • Helping to revitalize local communities • Making pro-social contributions to the community	• Daifuku Sustainability Action Program • Biodiversity conservation activity: Yui Project • Volunteer activities in the community • Cooperating with municipalities during disasters
Our employees	• Thoroughly implement occupational safety and health • Respect for human rights and diversity • Creating a rewarding work environment • Employee training	• Safety and health training • Various other training programs • Conducting engagement surveys • Whistleblowing system • Issuing internal newsletters • Labor-management dialogue

Communication with Our Customers

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

Exhibiting at trade shows

In 2023, we exhibited at the International Robot Exhibition 2023, one of the world's largest robot trade shows, held at Tokyo Big Sight. We participated in the Logistics System & Robot area, where we introduced a wide variety of solutions using touch panels as well as static displays of machines and demonstration videos. There were approximately 150,000 visitors to the exhibition over the course of four days, and we were able to promote our products to a large number of people.

Communication with Shareholders and Investors

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

Tours of demo center Hini Arata Kan for shareholders

Each year, we invite our shareholders to tour our demo center located within Shiga Works, Hini Arata Kan. In fiscal 2023, tours were attended by 83 people over the course of two days, enabling them to further deepen their understanding of our company.

Communication with Suppliers

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

〉 Supply Chain Management

Interviews with foreign national employees at suppliers

The Daifuku Group recognizes that the status of domestic foreign workers in the supply chain, including contractors, is a human rights issue that must be prioritized. Since 2022, we have been working to identify, analyze, and evaluate any negative impacts on human rights through on-site interviews with foreign national workers employed by our business partners. In fiscal 2023, we expanded the scope of these efforts to include not only domestic sites, but also employees at our global subsidiaries and foreign nationals employed by their business partners. As part of these efforts, we conduced on-site interviews at Group companies in Thailand and Taiwan as well as with their business partners.

〉 Human Rights

Communication with Local Communities

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

Investment in local communities

Type	Content	FY2023 investment amount (yen)
Environmental preservation	Donations from our Daifuku Eco-Action Program to environmental groups	3,170,000
	Cleaning and greening activities around Daifuku sites	2,601,000
	Biodiversity preservation activities	3,336,737
Community contribution	Regional Revitalization Team Project donations and activity costs	556,007
Nurturing the next generation	Visits to Hini Arata Kan from universities, vocational schools, and elementary and junior high schools	817,440
Total		10,481,184

Local procurement and local hiring

We believe that one of the activities that contributes to local economies is to procure in the vicinity of our operating areas. This can include parts, food, or other necessities. We are dedicated to the growth of communities through our procurement for Shiga Works and other regions. Also, we actively seek out talent in the vicinity of our sites and provide them employment opportunities. We will continue to contribute to the vitalization and advancement of regional economies through local procurement and employment.

Participation in Furugi de Vaccine

Furugi de Vaccine events have been held at all domestic locations since fiscal 2022. This initiative allows people to donate their used clothing ("*furugi*" in Japanese), and through these donations, proportionate amounts of polio vaccines are delivered to children in developing countries. Additionally, the used clothing that is collected is then sold in developing countries, creating local business and opportunities for employment. In fiscal 2023, 368 employees participated in these events, donating a total of 2,494 items of used clothing.

Donation of emergency food reserves

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

Regional Revitalization Team Project

Beginning in fiscal 2019, Shiga Works launched the Regional Revitalization Team Project to promote interaction between employees and the local community. In fiscal 2023, donation boxes made by employees were installed in each cafeteria, donations were made to a social welfare organization in Hino Town, Shiga Prefecture, and sales and tasting events by local vendors were held in conjunction with walking events during lunch breaks at Shiga Works.

Community cleanup activities

Shakunage-gunraku, also known as Rhododendron Gorge, is a nationally designated Natural Monument located near Shiga Works. Since 2005, Daifuku has participated cleanup events organized by the Hino Tourism Association in April before peak season. In addition, we have been participating in the Omi Eco-Foster System promoted by Shiga Prefecture since 2001, cleaning up national roads around Shiga Works. In fiscal 2023, events were held 12 times with a total of 101 participants.

The Tokyo Head Office also participates in annual volunteer raking of fallen leaves at the Kyu Shiba Rikyu Gardens, which is located nearby the office building, together with other neighboring corporations as part of our annual community contribution activities.

Nature conservation around Lake Biwa

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

Visiting lectures to nearby elementary schools

In fiscal 2023, we gave a visiting lecture at an elementary school in Shiga Prefecture, where one of our facilities is located. This lecture was part of a project launched in 2023 by Shiga Prefecture and in cooperation with corporations and other organizations to create opportunities for diverse experiences for children. As a model project, we introduced local children to our biodiversity conservation activities, including the dragonflies that inhabit the Shiga Works premises.

Provision of a temporary evacuation shelter

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

Communication with Employees

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

〉 Workplace Environment

Kuruma-za, dialogue sessions between the president and employees

Since fiscal 2022, we have been holding an event called Kuruma-za, which consists of dialogue sessions between the president and employees. In fiscal 2023, Kuruma-za was held at four locations: Shiga Works, the Osaka Headquarters, Komaki Works, and the Tokyo Head Office. During these events, management and employees are able to freely express their opinions on a wide range of topics, including our management philosophy, and deepen their mutual understanding.

Issuing of an in-house newsletter

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

Participation in Outside Initiatives

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

United Nations Global Compact

In April 2014, Daifuku signed a commitment to join the United Nations Global Compact (UNGC), which is made up of ten principles on human rights, labour, environment, and anti-corruption.

The Ten Principles of the UNGC

Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: the elimination of all forms of forced and compulsory labour;
	Principle 5: the effective abolition of child labour; and
	Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Participation in Global Compact Network Japan

In April 2014, Daifuku joined Global Compact Network Japan (GCNJ), which is a local network of the UNGC. The GCNJ partners with other participating companies and organizations and conducts activities aimed at realizing a sustainable society. The GCNJ focuses on various subcommittees based on the same ten principles of the UNGC. In fiscal 2023, we took part in the Supply Chain Subcommittee, Environmental Management Subcommittee, Kansai Subcommittee, Anti-Corruption Subcommittee, Disaster Prevention and Mitigation Subcommittee, SDGs Subcommittee, ESG Subcommittee, Reporting Research Subcommittee, and Circular Economy Subcommittee. We are working to solve various issues using the knowledge and findings that we acquire from these committees.

Sustainable Development Goals

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

Task Force on Climate-related Financial Disclosures

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

〉 Climate Change (Disclosure based on TCFD Recommendations)

CDP (Climate Change and Water Security)

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

Science Based Targets initiative

As of November 2023, the CO_2 emissions reduction targets established in the Daifuku Environmental Vision 2050 have been recognized as near-term science-based targets in accordance with the Paris Agreement and have received official approval from the Science Based Targets initiative (SBTi).

Japan Climate Initiative

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

〉 Japan Climate Initiative

Japan Climate Leader's Partnership

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

〉 Japan Climate Leader's Partnership

Membership in Institutes and Associations

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

Environmental Management

Daifuku Group Environmental Policy

Basic Approach

The Daifuku Group will contribute to the creation of a sustainable society by engaging in sound business practices in accordance with our company creed, management philosophy, and Group Code of Conduct. Each and every employee shall be aware of the environmental impact of all aspects of our business activities, including the development, design, production, sales, installation, and after-sales service of material handling systems and equipment, and shall strive to minimize the impact of such activities.

Basic Policy

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

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

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

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

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

5. Consideration for nature and ecosystems
We will prevent air, water, and soil pollution through the reduction and correct treatment of hazardous substances while also contributing to the preservation of ecosystems and biodiversity.

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

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

8. Information disclosure and communication

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

Established: August 31, 2023

Daifuku Environmental Vision 2050

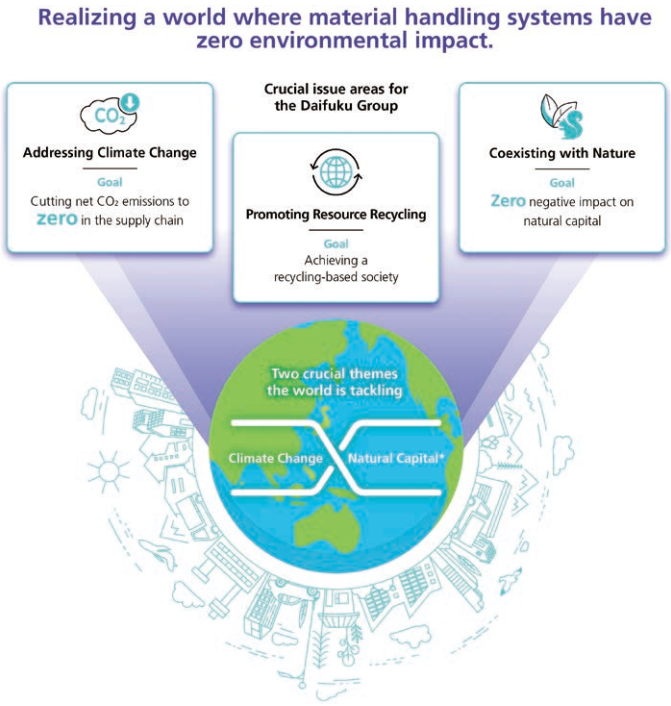
The Group's automated technology, with material handling at its core, contributes extensively to factory automation in general industries, semiconductors, and automobiles, as well as to labor saving in logistics centers and more efficient airport operations. As part of the supply chains in a variety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

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

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

〉 Daifuku Environmental Vision 2050 (revised; announced May 2023) (PDF: 740KB) PDF

〉 Daifuku Environmental Vision 2050 (pre-revision; announced February 2021) (PDF: 335KB) PDF

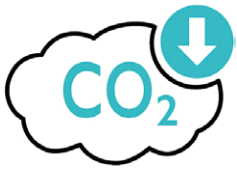


* Natural capital refers to the natural stock of resources (plants, animals, air, water, soil, minerals, etc.) that combine to yield benefits to people. Businesses and society are expected to use this capital in a sustainable manner. Although these resources are being eroded by climate change, improving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

Three crucial issue areas

Ensuring a healthy global environment is an essential prerequisite to creating a world where all people can lead fulfilling lives. Thus, under our management philosophy "Automation that Inspires," addressing climate change and other environmental challenges is a crucial management issue. The Daifuku Group will fulfill its responsibilities as a corporate partner throughout the entire supply chain and will strive to realize this Vision with a view to the future society we wish to create.

Addressing Climate Change



Goal: Cutting net CO_2 emissions to zero in the supply chain

We will reduce net CO_2 emissions from our business operations throughout our supply chain to zero by developing and providing products and services that contribute to the creation of a decarbonized society, using energy efficiently and introducing renewable energy at our Group sites and suppliers.

Promoting Resource Recycling

Goal: Achieving a recycling-based society

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

Coexisting with Nature

Goal: Zero negative impact on natural capital

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

Environmental goals for 2030

In revising this Vision, we also reviewed our targets for 2030, setting a new CO_2 emissions reduction target to help achieve the 1.5°C global warming limit required by the Paris Agreement,[*1] and setting new targets for water resources, biodiversity conservation, and awareness-raising activities. In order to respond to constantly changing social trends and the business environment, we will periodically review our targets and adjust them as necessary. The results for fiscal 2022 have been disclosed based on the KPIs from prior to revision. From fiscal 2023 onward, targets will be managed using the KPIs below.

In May 2024, regarding one of our critical issue areas, addressing climate change, we have upwardly revised our 2030 Scope 1 and Scope 2 reduction targets (compared to FY2018) 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,[*2] we have revised the target from number of participants to a qualitative goal.

*1 The targets for 2030 have received official approval from the Science Based Targets initiative (SBTi) and include a 1.5°C aligned target for Scopes 1 and 2 and a well-below 2°C aligned target for Scope 3 (Categories 1 and 11).

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

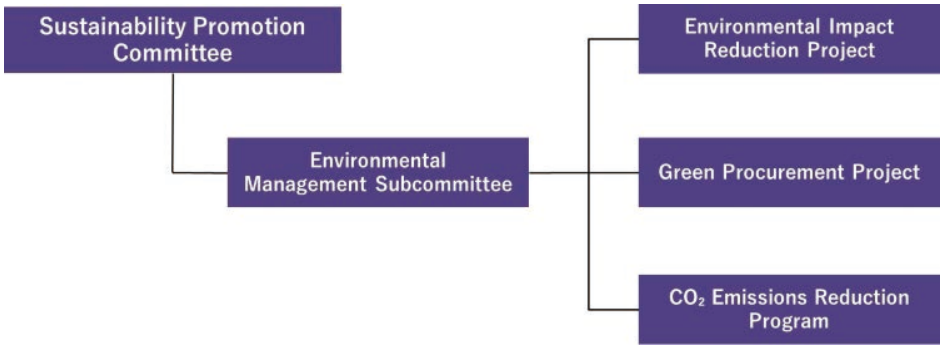
Crucial issue areas	KPIs	Targets
Addressing Climate Change	Daifuku CO_2 emissions (Scopes 1 + 2)	60% reduction (compared to FY2018)
	Percentage of electricity derived from renewable energy sources	80% Daifuku Japan is expected to achieve 100% by 2027
	CO_2 emissions from purchased goods and services (Scope 3 Category 1)	30% reduction*1 (compared to FY2018)
	CO_2 emissions from the use of sold products (Scope 3 Category 11)	
Promoting Resource Recycling	Landfill disposal rate	Less than 1%
	Water use intensity*2	60% reduction*3 (compared to FY2018)
Coexisting with Nature	Rate of implementation of biodiversity conservation activities at major sites*4	100%
	Global expansion of Sustainability Action	Program expansion and awareness raising

*1 Scope 3 Category 1 and Category 11 combined target
*2 Water consumption (1,000 m^3) 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

Promotion System

The Sustainability Promotion Committee is a Group-wide body chaired by the CEO which includes the global business heads of each business unit as its members, and the Environmental Management Subcommittee is established under its jurisdiction. Focusing on the crucial issue areas set in the Daifuku Environmental Vision 2050, this subcommittee promotes activities and confirms progress toward targets. In fiscal 2024, we launched the following three projects to further discussions on each theme across our business units and Corporate Functions departments.

〉 Contribute to the Environment Through Our Business



FY2024 promotion system

Environmental Management Subcommittee

Members	Business units (Manufacturing, Sales, and Design departments), Contec Co., Ltd., Production Innovation Division, Human Resources and General Affairs Division, Legal Department, Governance Promotion Department, DX Division, Sustainability Promotion Department	
Main agenda	Environmental Impact Reduction Project	Consider the introduction of energy conservation and renewable energy at Shiga Works and other sites in Japan; promote resource conservation activities
	Green Procurement Project	Establish internal systems and mechanisms for green procurement operations
	CO_2 Emissions Reduction Program	Work with suppliers to decarbonize the upstream supply chain

Environmental management system certification

We promote ISO 14001 international standards for environmental management systems certification at all primary production sites both within and outside of Japan. All three of our Japan production locations as well as 18 of our production locations outside of Japan have been ISO certified. 81% of our production facilities have obtained certification.

Certification standards	Production sites (consolidated)	Number of certified locations	Proportion of certified locations
ISO 14001	26	21	81%

〉ISO Certified Locations

Responding to Water Risks

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

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

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

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

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

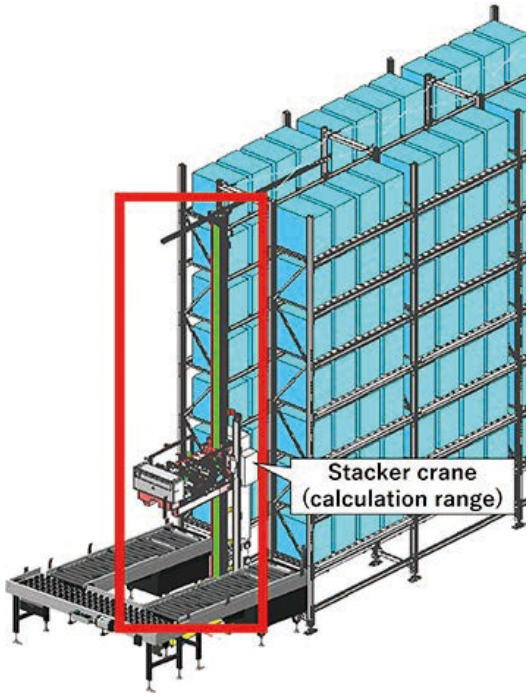
Life Cycle Assessment (LCA)

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

Case Study LCA results for the Mini Load Automated Storage and Retrieval System (Mini Load AS/RS, H-P10)

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

1. LCA calculation range

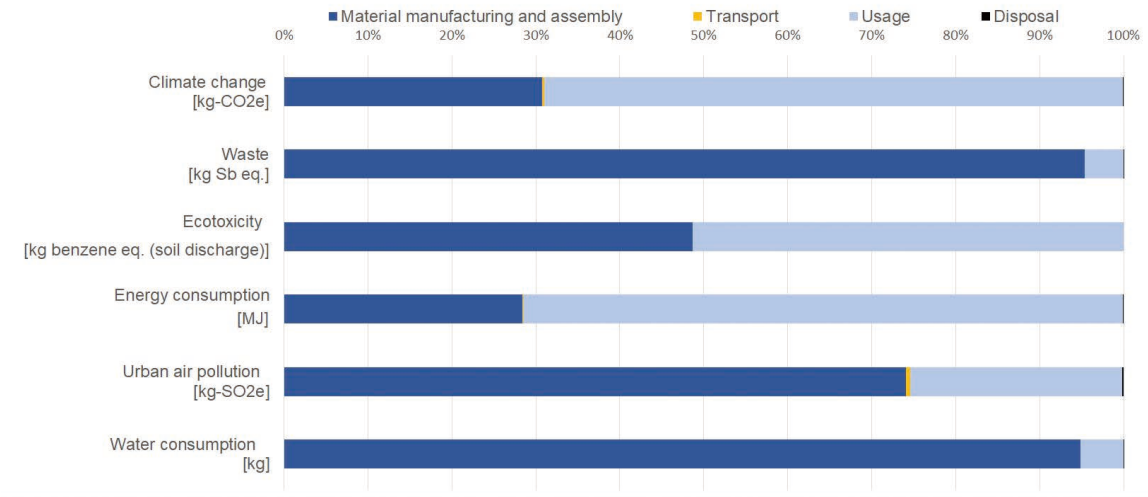


For the portion of the stacker crane that makes up the H-P10, we calculated the receiving and retrieving operations for 12 years within the range of resource collection to transport for recycling used products.

2. Impact assessment

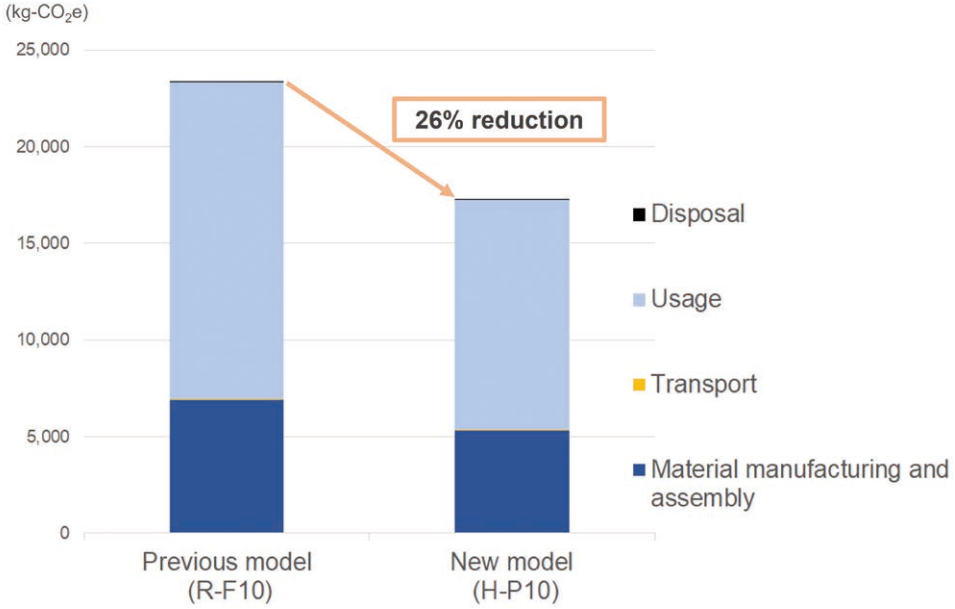
Impact assessments were conducted by life cycle stage for each of the six impact areas shown in the graph below. We also compared new and old products by impact area.

Results of impact assessments by life cycle stage



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

Comparison of CO_2 emissions (impact area: climate change)



The H-P10 emits 26% less CO_2 than the previous model (R-F10) due to reductions in raw materials, the number of parts, and power consumption during use.

Climate Change

Basic Approach

The Daifuku Group supports the Paris Agreement, the Act on Promotion of Global Warming Countermeasures, the Act on Rationalizing Energy Use, and other laws and regulations related to climate change, and we are advancing our environmental management to help create a decarbonized society and realize SDGs. We are actively working to reduce our energy consumption and contribute to the environment through manufacturing, and we file regular reports with the government on our energy consumption, CO_2 emissions, and other data.

The Daifuku Environmental Vision 2050 (revised in May 2023) establishes addressing climate change as one of our critical issue areas, and we are focused on reducing CO_2 emissions through our products and services, reducing CO_2 emissions throughout our entire supply chain, and introducing renewable energy.
We will continue to endeavor to improve our business activities as well as our products and services through dialogue with our stakeholders, contribute to the development of society, and increase our corporate value.

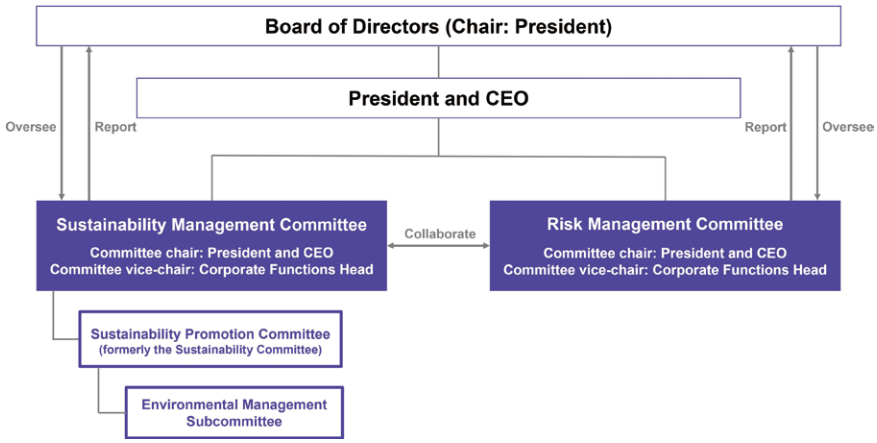
〉 Daifuku Environmental Vision 2050

Disclosures Based on TCFD Recommendations

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

* Task Force on Climate-related Financial Disclosures

Governance



Governance system for climate-related risks and opportunities (FY2024)

Supervision and execution system for climate-related risks and opportunities

The Board of Directors oversees initiatives to enhance corporate value over the medium to long term, including management strategies to address climate-related risks and opportunities. On the Board of Directors, the CEO is charged with the supervision of climate-related risks and opportunities. Through training, opinion exchanges with experts, and dialogue with customers, the members of the Board of Directors are enhancing their insight into sustainability issues, including climate-related issues, in order to improve their skills and competencies to oversee the Group's initiatives.

Additionally, 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.

* 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.

Role of each organization

	Members	Role
Board of Directors	Chair: President and CEO Members: Directors (5 inside, 5 outside)	• Undergo decision making and supervision of important management matters such as the determination of management policies, management plans, and the corporate governance system.
Sustainability Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• 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.
Sustainability Promotion Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• As a subordinate branch of the Sustainability Management Committee, promote Group-wide environmental, social, and governance initiatives on a working level based on management strategy.
Environmental Management Subcommittee	Leader: director or officer appointed according to theme Members: employees appointed by each global business and Corporate Functions	• Consider and implement more specific measures to address climate-related and other environmental issues based on the Sustainability Promotion Committee's policies.
Risk Management Committee	Chair: President and CEO Members: Corporate Functions Head, Global Business Heads, Group Chief Officers, etc.	• Conduct Group-wide risk management for critical risks that have a significant impact on business activities. • Conduct regular risk assessments to identify and evaluate significant risks, develop countermeasures, and work to improve and enhance policies, regulations, and systems.

Monitoring of and incentives for climate-related targets

Plans and targets for climate-related issues were set in the Sustainability Action Plan through fiscal 2023, and their progress was managed by the former Sustainability Committee. However, from fiscal 2024 onward, progress will be managed by the Sustainability Management Committee and monitored by the Board of Directors within the framework of the four-year business plan.

Additionally, the executive renumeration system for internal directors has been revised as of fiscal 2024, and for the payment criteria for performance-linked renumeration, the grade will be calculated by also considering climate-related evaluation indicators. Included in the criteria for grade calculation is, regarding bonuses, the progress of CO_2 emissions reduction targets, and regarding the Board Benefit Trust (BBT), evaluations by external ESG rating agencies (MSCI, FTSE, CDP) and the achievement of CO_2 emissions reduction targets.

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_2 reduction throughout the supply chain
- Consideration of Internal Carbon Pricing (ICP) programs
- Review of TCFD disclosures
- Energy visualization at production sites, etc.

Strategy

1. Identifying climate-related risks and opportunities

Primary factors related to climate change

Factors related to climate change that could impact our business operations encompass several key aspects, including increasingly stringent regulations aimed at fostering a decarbonized society, advancements in technology geared toward a low-carbon future, market shifts driven by responses to climate change, and the growing frequency of climate-induced disasters and events. 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℃	**【A world progressing toward decarbonization】** ● Stricter regulations on GHG emission reductions, introduction of carbon pricing ● Promotion of the development of low-carbon products ● Progress in technological development and social integration of carbon recycling ● Acceleration of the global EV shift
	【Shared changes】 ● Shift to automated factories and logistics warehouses due to Japan's declining population ● Increase in demand for semiconductors and industrial IoT-related products in emerging countries ● Changes in consumer behavior due to the sharing economy
3～4℃ Business-as-usual scenario	**【A world with advancing global warming】** ● Increase in average temperature ・Increased importance of cold chains ・Reduced productivity in outdoor work due to increased heat stress ・Increased air conditioning costs ● Frequency and severity of weather-related disasters resulting in damage to Daifuku facilities and those of our business partners

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.

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

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)	Policy regulations	Tighter GHG emissions 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	① 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	② Reduction of environmental impact in the supply chain
	Market	Progress in decarbonization technology development	Increase in parts procurement costs due to higher demand for metal materials and rare metals	Medium to long term	Low	Medium	
	Reputation	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	③ Enhancement of climate-related information disclosure
Physical risks (4°C scenario)	Acute	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	④ Risk assessments and implementation of risk mitigation measures
	Chronic	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	⑤ Maintenance and improvement of working environment
		Increasing water risk due to droughts	Decreased capacity utilization due to droughts	Short to long term	Medium	Small	⑥ Reduction of water use
Opportunities (1.5°C scenario)	Products and services	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	⑦ Strategic response to semiconductor demand
		Shift to EVs (spread of EVs and FCVs)	Increase in sales of our company's products due to the expansion of automobile production lines accompanying the shift to EVs	Medium to long term	Medium	Small	⑧ Adaptation to the shift to EVs

Category		Climate change drivers	Major risks and opportunities	Time period	Likelihood	Impact	Main responses to risks and opportunities
Opportunities (1.5°C scenario)	Products and services	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	⑨ 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	⑩ Response to cold chain and e-commerce demand
		Increasing demand for more efficient, labor-saving, and energy-saving work to achieve low operations 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	⑪ Balance between environmental and social value in material handling systems

Response to climate-related risks and opportunities

In response to the identified significant risks and opportunities, the Daifuku Group has established the Daifuku Environmental Vision 2050 and is pursuing the following initiatives based on our policy of realizing a world where material handling systems operate with zero environmental impact.

① Group-wide Scope 1 and Scope 2 reductions

In fiscal 2023, the Group's environmental targets for 2030 were revised to a higher standard, and the Group received validation from the Science Based Targets initiative (SBTi) for our CO_2 emissions reduction targets. Scope 1 and Scope 2 are projected to reduce the Group's overall CO_2 emissions by 60% by 2030, with fiscal 2018 as the base year.

In our business operations, alongside fostering awareness of greenhouse gas (GHG) reduction within the Group through the implementation of an Internal Carbon Pricing (ICP) system, we are actively advocating for energy visualization at our production sites and engaging in energy conservation initiatives to establish an energy monitoring and management system on a global scale. Specifically, we are systematically transitioning to LED lighting, enhancing the efficiency of air conditioners and compressors, and reassessing production facilities and methods. Additionally, we have set a target for the integration of renewable energy sources for 2030, and we are promoting the installation of new photovoltaic systems, the introduction of green power, and the purchasing of non-fossil fuel certificates at production sites both within and outside of Japan.

② Reduction of environmental impact in the supply chain

In accordance with our management philosophy and Group Code of Conduct, we have established a procurement policy for the Group. It includes the following statement on reducing environmental impact: "We will comply with laws, regulations, and agreements related to environmental conservation, and we will give priority to the procurement of products and services with a lower environmental impact. We will provide guidance and support to our business partners as needed, and we will address environmental issues such as climate change and biodiversity conservation throughout our supply chain." In addition, the Daifuku Group established the Sustainable Procurement Guidelines in fiscal 2023 as a new standard for sustainable procurement activities. These guidelines are a complete revision of the CSR Procurement Standards established in fiscal 2017 with the aim of promoting further initiatives throughout the supply chain to resolve a wide range of social issues. In order to identify and mitigate risks in our supply chain, we plan to disseminate these guidelines to our business partners, verify their compliance, and conduct audits.

In addition, we launched the Supply Chain CO_2 Reduction Program in fiscal 2023 as our own initiative to reduce CO_2 emissions at our suppliers. This initiative calls for suppliers, which account for approximately 80% of Scope 3 Category 1 emissions in Japan, to set CO_2 emissions reduction targets and take initiatives to reduce emissions. We will continue to promote engagement activities, including information sharing and reduction support, to achieve our 2030 target.

③ Enhancement of climate-related information disclosure

We publish climate-related information mainly through our website and integrated report (Daifuku Report), and we engage in direct dialogue with investors and actively provide disclosures for rating agencies such as MSCI, FTSE, Sustainalytics, and CDP. In

addition, we hold an IR Day once a year as a forum for dialogue with institutional investors regarding our growth strategy and other topics, and we provide opportunities for briefings that include sustainability-related information. Furthermore, the Group's CO_2 emissions results (in Scope 1, Scope 2, and some Scope 3 categories) are disclosed following third-party verification.

④ Risk assessments and implementation of risk mitigation measures

We conduct risk assessments on a regular basis. We have identified natural disasters, including typhoons and floods, as severe risks that could have a significant impact on our business performance, and in order to improve the effectiveness of our business continuity plan (BCP), including throughout our supply chain, we are working to minimize the scale of damage in the event of a natural disaster. Furthermore, based on hazard maps prepared by local governments, we have confirmed the risk level of heavy rainfall and flooding at our major sites and are implementing wastewater treatment measures at our production sites. In Asia, where storms and floods are predicted to occur frequently, we are strengthening our production systems, providing drainage pumps and sandbags, and purchasing insurance to cover damage caused by natural disasters, including floods.

⑤ Maintenance and improvement of working environment

Under the direction of the Central Safety and Health Committee, each department and worksite has taken risks into consideration and installed high-efficiency air conditioners and spot coolers and provided workers with air-conditioned clothing. Additionally, in anticipation of reduced productivity due to deterioration of the working environment from rising temperatures, we are taking a variety of measures to prevent heat stroke at major production sites and customer facilities during installation and service work. To prevent temperature rises both inside and outside the buildings, we apply heat-shielding paint to roofs and walls, insulate roofs and walls with double-folded plates, and use urethane resin for flooring materials.

⑥ Reduction of water use

In accordance with our 2030 target in the Daifuku Environmental Vision 2050 to reduce water consumption per sale unit by 30% compared to the fiscal 2018 level, we are striving to reduce water consumption at our production sites and offices. In fiscal 2022, we installed meters on the hydraulic equipment in the plant building with the highest water consumption at Shiga Works to visualize the amount of water used. Hydraulic equipment uses water for cooling, but it was found that a large amount of water was consumed even when the equipment was not in operation, so a temperature sensor was installed in the piping of the hydraulic tank, and a cooling system was introduced to cool the oil only when it is at a certain temperature. This initiative is expected to reduce the annual water consumption of the facility by approximately 75%. We will continue to monitor the current situation at our other production facilities as well, and we will promote initiatives toward achieving our target.

⑦ Strategic response to semiconductor demand

As demand for semiconductors increases, our customers, semiconductor manufacturers, are proactively making capital investments. Many of our material handling systems installed at semiconductor manufacturers operate 24 hours a day, 365 days a year, and their electricity consumption results in large CO_2 emissions, so systems with high energy-saving capabilities are in high demand. We have set quantitative targets for the CO_2 emissions associated with the operation of our products (Scope 3 Category 11) for 2030, and we are strengthening our development capabilities to ensure both product performance and energy-saving performance as well as collaborating with manufacturers to develop products. In China, where demand for semiconductors is expected to increase, we are enhancing our production system by building a new plant to produce products for semiconductors.

⑧ Adaptation to the shift to EVs

We are committed to taking the environment into consideration from the product development stage as well as improving upon our existing environmentally friendly products. Our customers are facing changes in the business environment with the shift to EVs. The weight of materials to be transported on automobile production lines is increasing due to this shift, and the material handling systems that have already been delivered must be modified to accommodate this increase in transport weight. We are responding to our customers' needs by developing material handling systems that are lighter, save space, and facilitate system modifications.

⑨ Utilization of IoT, ICT, AI, and other advanced technologies in our business

Market requirements for IoT-related products are expected to change considerably as the introduction of AI and digital technologies in industrial equipment and devices accelerates. In addition, demand for industrial IoT-related products is expected to increase as the transition to a low-carbon society progresses through the use of IoT along with increased capital investment in the global manufacturing industry. In order to respond to these factors, we are working to strengthen the development of basic technologies and applied technologies such as AI as well as to build a production framework to meet growing demand. In addition, we are promoting the overall introduction and utilization of these advanced technologies across all of our business activities.

⑩ Response to cold chain and e-commerce demand

Climate change is expected to increase demand for our products and services due to the growing demand for cold chain and e-commerce. At present, we are expanding our business in Asia and North America, and we are promoting the establishment and enhancement of production systems to meet future increases in demand.

⑪ Balance between environmental and social value in material handling systems

Amid growing customer needs for more efficient operations and energy conservation at logistics and production sites, we are striving to balance the environmental and social value of our products. We conduct Life Cycle Assessments (LCAs) during product development in order to reduce CO_2 emissions over the entire life cycle of our products in comparison to conventional products. In addition to this type of environmental value, we also conduct sustainability performance assessments that take into account social value resulting from the introduction of our products, such as increased operational efficiency and improved sorting and storage capacity, in order to visualize and enhance the value we provide.

2. Significant risk scenario analyses

We conducted scenario analyses for identified climate-related risks and opportunities, focusing on those likely to manifest in the future and have a substantial impact on our business. These scenarios were modeled based on projections from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).

Transition risks

We analyzed transition risks and opportunities by establishing the following scenarios to evaluate the effects of implementing a carbon tax (carbon pricing) on operating costs and associated energy expenses. The carbon tax was calculated using the projected future GHG (greenhouse gas) emissions (Scope 1 and Scope 2) both in the event that we progress with emissions reductions (decarbonization scenario) and in the event that we do not (business-as-usual scenario) based on the Group's 2030 sales forecast and emissions reduction targets. For each scenario, the impact on our business was assessed by multiplying the estimated future GHG emissions by the carbon price projected by the IEA. As for energy costs, we examined energy consumption both in the event that the Group pursues initiatives in line with our reduction targets (decarbonization scenario) and in the event that the scale of our business expands without pursuing reductions (business-as-usual scenario). We evaluated future energy costs by referencing the estimated energy consumption for each scenario and the energy price trends provided by the IEA and other organizations.

Climate change scenarios projected by the Group (transition risk)

Decarbonization scenario 1 (1.5°C scenario)	IEA WEO2023 NZE: Net Zero Emissions by 2050 Scenario
Decarbonization scenario 2 (1.7°C scenario)	IEA WEO2023 APS: Announced Pledges Scenario
Business-as-usual scenario (4°C scenario)	IEA WEO2023 STEPS: Stated Policies Scenario

Carbon tax

In the business-as-usual scenario (4°C scenario), the cost increase is expected to be approximately 600 million yen by 2030. By contrast, under the decarbonization scenario (1.5°C and 1.7°C scenarios), in which decarbonization initiatives are actively promoted, the cost is expected to increase by about 300 million yen by 2030.

Energy cost

In the business-as-usual scenario (4°C scenario), costs are expected to increase by about 37% by 2030 compared to the fiscal 2022 level. However, under the decarbonization scenario (1.5°C and 1.7°C scenarios), in which decarbonization efforts are actively promoted, costs are expected to increase by about 12-16% by 2030 compared to the fiscal 2022 level.

In terms of both the carbon tax burden and energy costs, the burden in the business-as-usual scenario (4°C scenario) is greater than that of the decarbonization scenarios (1.5°C and 1.7°C scenarios), reaffirming that there are reasons and merits for the Daifuku Group to actively pursue decarbonization and energy conservation initiatives. While a major investment is required to move forward with these initiatives, we anticipate an additional burden of several hundred million yen if we do not pursue them. In order to mitigate the risks affecting our business, we will strengthen our decarbonization initiatives in order to achieve our 2030 reduction targets.

Physical risks

Physical risks have become significant due to the increase in weather-related disasters caused by global warming. We therefore conducted qualitative assessments of the impact of weather-related disasters on 24 of the Group's major sites (1 in Japan and 23 in other countries). In these assessments, we investigated the hazards of floods, storm surges, droughts, and heat waves at each site under the 2°C scenario (SSP1-2.6) and 4°C scenario (SSP5-8.5) and assigned a five-point grade from A (high risk) to E (low risk) according to the degree of hazard. The following table shows the number of sites that were given a grade of A or B (high risk) in this assessment.
The results of the assessment show that the number of high-risk sites for floods, storm surges, and droughts do not increase substantially under either the 2°C or 4°C scenarios, indicating that the impact of climate change will be limited. For heat waves, the number of high-risk sites was found to increase in 2050 and 2090 under the 4°C scenario. The impacts of heat waves include increased air conditioning costs and equipment maintenance as well as decreased productivity due to heat stress. Daifuku will actively take steps to mitigate these risks, such as promoting measures to prevent heat stroke among employees at installation sites and plants.

Climate change scenarios projected by the Group (physical risks)

2°C scenario	IPCC Sixth Assessment Report (SSP1-2.6)
4°C scenario	IPCC Sixth Assessment Report (SSP5-8.5)

Number of high-risk sites due to climate change

Disaster	Present	2°C scenario (SSP1-2.6)		4°C scenario (SSP5-8.5)	
		2050	2090	2050	2090
Floods	0	0	0	0	1
Storm surges	1	1	1	1	2
Droughts	8	8	8	8	8
Heat waves	2	2	2	7	16

Risk Management

The Daifuku Group's risk management system

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.

In the formulation of the four-year business plan for 2027 that began in fiscal 2024, the results of the risk assessment conducted in fiscal 2023 were used as one part of the input information in the materiality assessment. In this plan, the results of opportunity and risk analyses, trends of other companies, and requests from ESG rating agencies were also considered as input information, and potential topics were evaluated on two focal points: impact on stakeholders and impact on the achievement of our long-term vision. After obtaining validation from the Board of Directors, we established addressing climate change as one of the priority topics in this plan.

Management of climate-related risks and opportunities

The identification of climate-related risks and opportunities was reviewed in fiscal 2023 following the advice of external experts. We identify critical risks and opportunities by evaluating the timing and likeliness of occurrence as well as the level of impact on the Group, both qualitatively and quantitatively, for each transition risk, physical risk, and opportunity. In addition, a scenario analysis for transition and physical risks was performed based on multiple temperature increases (see the Strategy part for details). 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

KPI

The Group has identified addressing climate change as one of the crucial issue areas in the Daifuku Environmental Vision 2050 and has set the following targets. The targets for 2030 have received official approval from the Science Based Targets initiative (SBTi)* and include a 1.5°C aligned target for Scope 1 and Scope 2 and a well-below 2°C aligned target for Scope 3 (Categories 1 and 11). From fiscal 2023 onward, the results will be disclosed based on these KPIs.

In May 2024, regarding one of our critical issue areas, addressing climate change, we have upwardly revised our 2030 Scope 1 and Scope 2 reduction targets (compared to FY2018) from 50.4% to 60%. In addition, we have set a new target for the percentage of electricity derived from renewable energy sources.

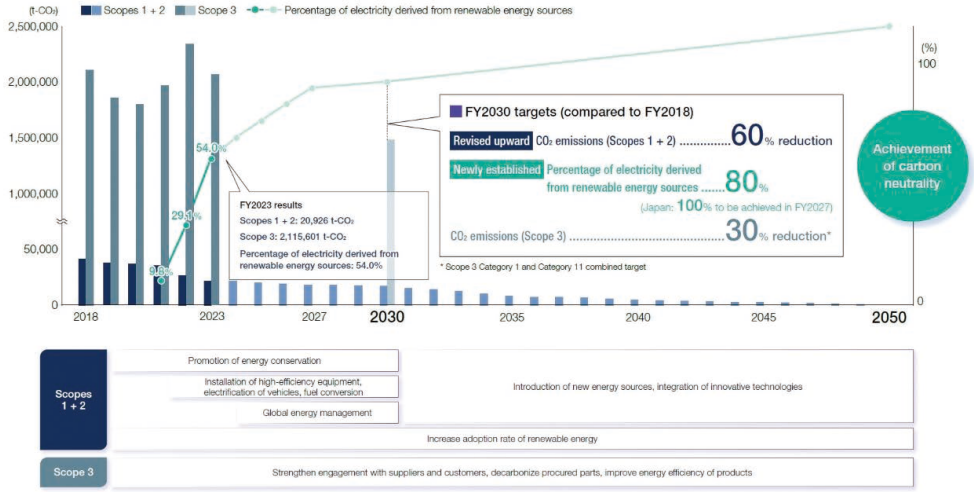
* The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Approval is awarded to companies that are recognized as having set science-based targets in alignment with the criteria established by the Paris Agreement.

KPIs	FY2030 targets	FY2023 targets
Daifuku CO_2 emissions (Scope 1 and Scope 2)	60% reduction (compared to FY2018)	21.0% reduction (compared to FY2018)
Percentage of electricity derived from renewable energy sources	80% Daifuku Japan is expected to achieve 100% by 2027	—
CO_2 emissions from purchased goods and services (Scope 3 Category 1)	30% reduction*1 (compared to FY2018)	Begin operations of CO_2 emissions reduction programs*2 throughout the supply chain
CO_2 emissions from the use of sold products (Scope 3 Category 11)		12.5% reduction (compared to FY2018)

*1 Scope 3 Category 1 and Category 11 combined target

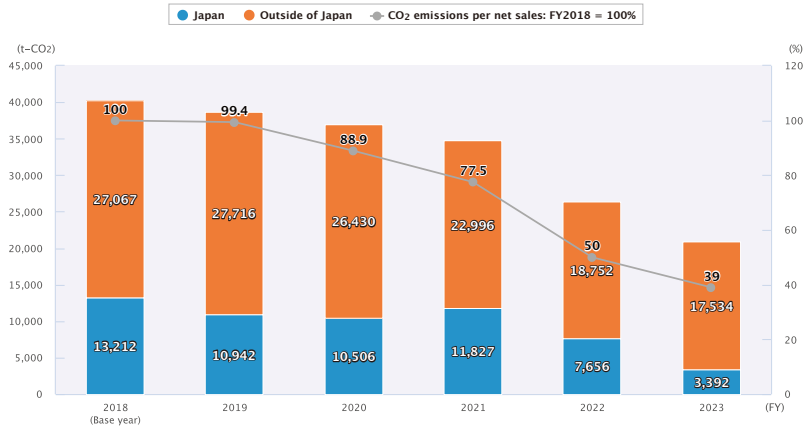
*2 Daifuku's own framework on efforts (sharing of goals and supporting measures to reduce emissions, etc.) to reduce CO_2 emissions at suppliers

Roadmap toward carbon neutrality

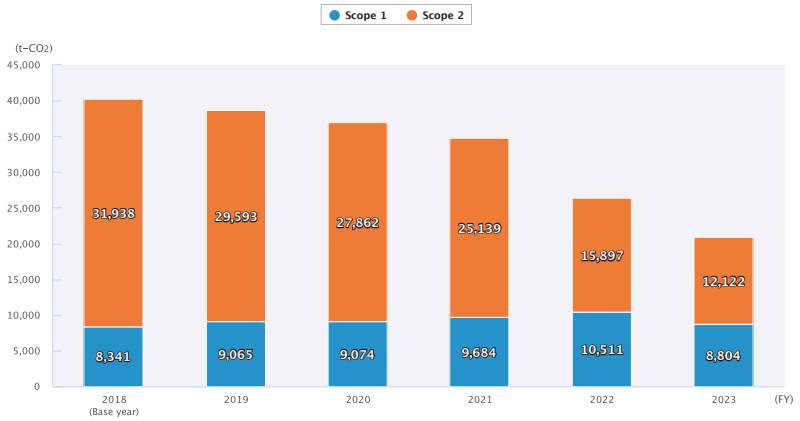


Data on CO_2 emissions

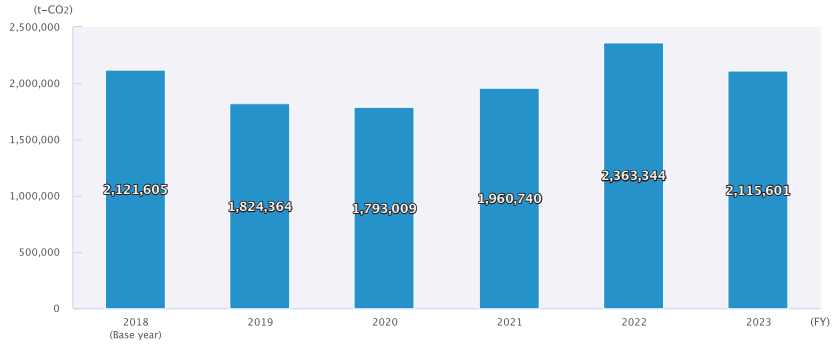
CO_2 emissions by region



CO_2 emissions (Scope 1 and Scope 2)



CO_2 emissions (Scope 3)



* We have adopted a more accurate aggregation method and revised the results for Scope 3 (August 2024)

Breakdown of Scope 3 emissions

($t\text{-}CO_2$)

Category	FY2018 (base year)	FY2019	FY2020	FY2021	FY2022	FY2023
1. Purchased goods and services	1,080,234	1,147,335	1,159,954	1,329,868	1,569,767	1,330,496
2. Capital goods	10,653	36,502	10,013	15,923	17,316	39,131
3. Fuel- and energy- related activities	5,960	6,063	5,957	6,377	6,468	5,958
4. Upstream transportation and distribution	17,554	23,850	23,631	26,832	44,077	29,261
5. Waste generated in operations	532	517	527	565	604	618
6. Business travel	542	568	576	588	601	610
7. Employee commuting	1,484	1,546	1,585	1,614	1,638	1,658
8. Upstream leased assets	—	—	—	—	—	—
9. Downstream transportation and distribution	—	—	—	—	—	—
10. Processing of sold products	—	—	—	—	—	—
11. Use of sold products	1,001,816	604,900	587,708	575,839	719,207	704,991
12. End- of- life treatment of sold products	2,830	3,083	3,058	3,134	3,666	2,878
13. Downstream leased assets	—	—	—	—	—	—
14. Franchises	—	—	—	—	—	—
15. Investments	—	—	—	—	—	—
Total	2,121,605	1,824,364	1,793,009	1,960,740	2,363,344	2,115,601

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

Category	Scope	Method of calculation
1. Purchased goods and services	Global	Domestic data is calculated by multiplying the amount of products, materials, and services purchased by the CO_2 emissions factor. Data from outside of Japan is calculated in proportion to domestic data based on actual production.
2. Capital goods	Daifuku Co., Ltd.	Calculated by multiplying Daifuku's increase in properties, plants, and equipment in the current period (excluding leased assets in the Annual Securities Report) by the CO_2 emissions factor.
3. Fuel- and energy-related activities	Global	Calculated by multiplying the Group's energy consumption (Scope 1 and Scope 2) by the CO_2 emissions factor.
4. Upstream transportation and distribution	Global	Calculated based on CO_2 emissions from Daifuku's sales activities as well as transportation distance and weight of raw materials from primary suppliers (new ton-kilometer method). Data from outside of Japan is calculated in proportion to domestic data based on actual production.
5. Waste generated in operations	Domestic Group	Calculated by multiplying the Group's domestic waste emissions by the CO_2 emissions factor for each type.
6. Business travel	Domestic Group	Calculated by multiplying the number of domestic Group employees by the CO_2 emissions factor.
7. Employee commuting	Domestic Group	Calculated by multiplying the number of domestic Group employees in each district (city classification) by the CO_2 emissions factor.
8. Upstream leased assets	Not calculated due to lack of relevance to the Group's business operations.	
9. Downstream transportation and distribution	Although related to the Group's business operations, emissions from transportation are accounted for in Category 4 as the Group is a consignor.	
10. Processing of sold products	Not calculated due to lack of relevance to the Group's business operations.	
11. Use of sold products	Global	Calculated by multiplying the amount of energy used in the operation of products ordered from the domestic Group by the annual sales and product life. Data from outside of Japan is calculated in proportion to domestic data based on actual production. Emissions factors for each country to which the products are shipped are also taken into account.
12. End-of-life treatment of sold products	Global	Calculated by multiplying the weight of products sold by Daifuku by the CO_2 emissions factor. Data from outside of Japan is calculated in proportion to domestic data based on net sales.
13. Downstream leased assets	Not calculated due to lack of relevance to the Group's business operations.	
14. Franchises	Not calculated due to lack of relevance to the Group's business operations.	
15. Investments	Not calculated due to lack of relevance to the Group's business operations.	

Major Initiatives

Initiatives for the introduction of renewable energy

We are working to introduce renewable energy at our production sites both within and outside of 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% 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

- Installed a photovoltaic system at the Tainan Headquarters of Taiwan Daifuku Co., Ltd.
- Installed a photovoltaic system at Clean Factomation, Inc.'s Asan Plant
- Installed a photovoltaic system at the head office of Daifuku (Suzhou) Cleanroom Automation Co., Ltd.
- Installed a photovoltaic system at Daifuku (Thailand) Limited
- Switched to a renewable energy electricity plan at the headquarters of Daifuku Airport America Corporation

FY2024 (planned)

- Install a photovoltaic system at Hallim Machinery Co., Ltd.
- Switch to a renewable energy electricity plan at Daifuku Europe GmbH
- Install a photovoltaic system at Daifuku Intralogistics India Private Limited

A photovoltaic system installed at Hini Arata Kan

Solar modules installed on the rooftop

In March 2010, Daifuku installed solar panels at the Hini Arata Kan material handling and logistics demo center located at Shiga Works. In fiscal 2023, the system generated about 230,000 kWh of power, which reduced CO_2 emissions by 98 tons.

Daifuku Mega Solar

52,000 square meters of solar panels

In November 2013, Daifuku installed a photovoltaic system, Daifuku Mega Solar, at Shiga Works. Comprised of 17,752 panels, the system has a maximum power generation capacity of 4,438 kW and an annual output of approximately 4,860,000 kWh (equivalent to the annual power consumption of 1,000 general households).

Sharing transportation resources

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

We are now building a partnership with suppliers for parts and materials and set up a pickup and delivery service in order to reduce costs and properly control delivery dates. While suppliers had previously transported cargo with their own trucks, by centrally managing cargo collection and quantity information, we are now able to make rounds with a single truck in each region, and we are striving to further consolidate and streamline trips to logistics sites. We are contributing to the prevention of global warming by reducing CO_2 emissions throughout the entire supply chain as well as reducing each supplier's logistics costs.

* One truck makes the rounds to each supplier and picks up cargo that had previously been delivered by separate trucks. This method improves load efficiency and reduces fuel consumption and CO_2 emissions.

Modal shift*

Daifuku typically uses trucks to transport products to customer sites, but we are in the process of shifting to more environmentally friendly methods such as railway and marine transportation. Our aim is to improve the quality of logistics operations by coordinating delivery schedules and managing costs, thereby reducing CO_2 emissions as much as possible. In fiscal 2023, we were able to cut CO_2 emissions by 1,046 tons through the modal shift of transportation methods.

* Choosing modes of transportation with lower environmental impact, such as railroads and ships, to transport cargo. By switching from trucks to ships and trains, it is possible to transport cargo with reduced CO_2 emissions and less impact on the environment.

Participation in Climate-Related Initiatives

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

Participating initiatives

- Science Based Targets initiative
- Japan Climate Initiative
- Japan Climate Leader's Partnership (supporting member)
- TCFD Consortium
- GX League

Verification of Greenhouse Gas (GHG) Emissions

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

〉 Major sites and production base: Verification Opinion/SGS Japan (PDF: 783KB) PDF

〉 Other sites: Independent Assurance Statement/British Standards Institution (PDF: 713KB) PDF

Pollution Prevention and Resource Recycling

Basic Approach

The management of hazardous chemicals, waste, and wastewater must be reliably handled in accordance with laws and regulations. The Daifuku Group is working to reduce the burden on the global environment, including local communities, through initiatives to prevent environmental pollution and reduce the use of water and other resources. The Daifuku Environmental Vision 2050 (revised in May 2023) establishes the promotion of resource recycling as one of our critical issue areas, and we are working to extend the service life of our products, minimize the amount of waste generated at our production sites, and increase recycling of used products and parts.

Green procurement

The Daifuku Group has formulated the Green Procurement Guidelines, which denote the evaluation standards for any chemical substances that are contained in our products. In recent years, regulations regarding the management of hazardous chemical substances have been tightened, and in order to respond to growing demand, these guidelines were revised in 2023. These guidelines apply to all products (materials, parts, units, accessories, and packaging materials) and services procured by the Daifuku Group. Our policy is to prioritize the procurement of products that contain minimal hazardous substances of concern and products that contain minimal hazardous substances throughout the product's life cycle. We are working with our business partners to reduce environmental impact throughout our entire supply chain.

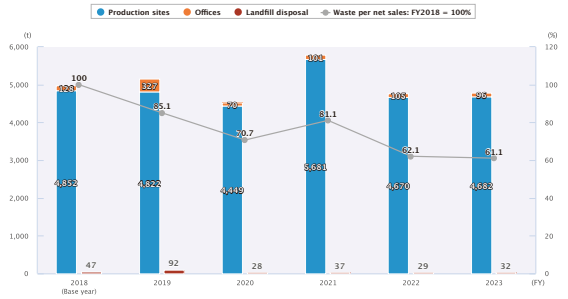
Furthermore, for our major business partners, we request that they fully understand the Guidelines, and in order to promote the appropriate management of chemical substances, we ask that they submit proof of receipt and written informed consent (submission rate: 97%).

Major Initiatives

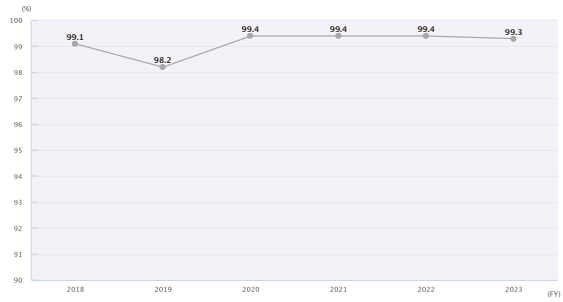
Resource saving

We are actively promoting the reduction and recycling of waste from manufacturing processes, such as defective products and packaging materials. All Group production sites set waste weight reduction targets and manage their progress. In particular, we are working to reduce the amount of waste sent to landfills by enforcing separation during waste collection as well as to improve the recycling rate. Additionally, we are striving to conserve water at our production sites and offices in order to reduce consumption. In fiscal 2022, we installed meters on hydraulic equipment in the plant building with the highest water consumption at Shiga Works to visualize water consumption. Hydraulic equipment uses water for cooling, but it was found that a large amount of water was being consumed even when the equipment was not in operation. Therefore, a temperature sensor was installed in the piping of the hydraulic tank, and a cooling system was introduced to cool the oil only at a certain temperature. This initiative is expected to reduce the annual water consumption of the facility by approximately 75%. In fiscal 2023, this system was introduced to another line at the same plant.

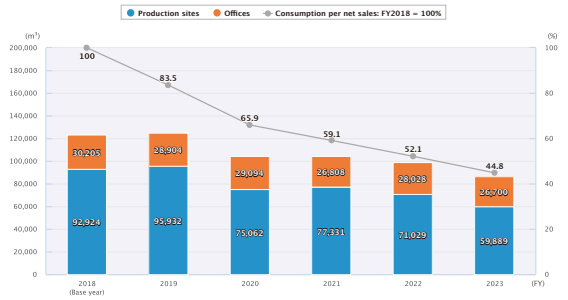
Waste generated (Japan) *Including valuable waste



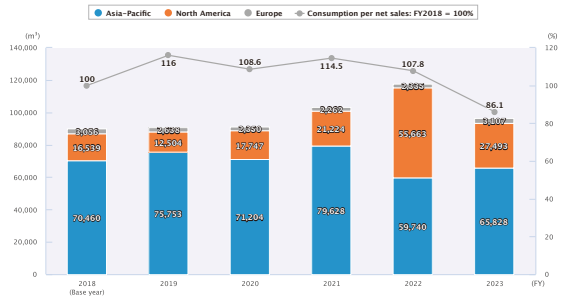
Waste recycling rate (Japan) *Including valuable waste



Water consumption (Japan)



Water consumption (outside of Japan)



Ensuring appropriate waste disposal

Site review conducted by Daifuku employees

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

Pollutant reduction

Management of chemicals

Paints and organic solvents are the primary chemical substances used by Daifuku in its production facilities. The Group manages and controls the usage amounts of special chemical substances as designated under the PRTR (Pollutant Release and Transfer Register) Law.*

* A law that requires enterprises to submit a report to their national governing authority specifying the number and volume of chemical substances they are releasing into the environment. This is aimed at voluntary management of chemical substances and the prevention of environmental pollution.

Emissions and transfer volume of chemical substances related to PRTR Law

Shiga Works

	FY2019	FY2020	FY2021	FY2022	FY2023
Emissions and transfer (kg)	18,531	16,880	20,542	24,837	28,267

Amount of PRTR-related chemical substances handled in FY2023

Shiga Works

(kg)

Control No.	Chemicals	Transaction Volume	Emission to					Transfer to		
			Air	Public water	Soil	Land	Total emissions	Sewage	Misc.	Total transfer
37	Bisphenol A	996.5	—	—	—	—	—	—	19.93	19.93
53	Ethylbenzene	7,288.62	7,288.62	—	—	—	7,288.62	—	—	—
80	Xylene	8,508.10	8,508.10	—	—	—	8,508.10	—	—	—
83	Cumene	168.93	—	—	—	—	—	—	—	—
300	Toluene	10,312.72	10,312.72	—	—	—	10,312.72	—	—	—
302	Naphthalene	237.69	237.69	—	—	—	237.69	—	—	—
594	Ethylene glycol monobutyl ether	681.37	—	—	—	—	—	—	—	—
691	Trimethyl-benzene	1,869.62	1,869.62	—	—	—	1,869.62	—	—	—
720	2- tert-Butoxyethanol	400.92	—	—	—	—	—	—	—	—
731	Heptane	298.82	—	—	—	—	—	—	—	—
737	Methyl isobutyl ketone	277.06	—	—	—	—	—	—	—	—

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

Compliance with European harmful substance regulations

The entire Daifuku Group focuses on the European REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulations* and goes to great lengths to visualize and remove any harmful chemicals in its products. The Group continues to offer environmentally friendly products through implementation of Green Procurement Guidelines by looking at its entire supply chain.

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

Air pollution prevention

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

Result of air pollutant measurements in FY2023

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

Material	Facility	Regulation value	Results		
			Max.	Min.	Avg.
Dust (g/m^{3}N)	Dynamos	0.1	0.007	0.005	0.006
Sulfur oxide (SOx) (m^{3}N/h)	Dynamos	2.31	0.1	0.07	0.053
Nitrogen oxide (NOx) (ppm)	Dynamos	950	870	610	745

Preventing water pollution

Shiga Works, which accounts for approximately 70% of our domestic water consumption, had been managing and treating wastewater using three wastewater treatment facilities owned by the company. However, in fiscal 2022, we began sequential transitioning to public sewage, which was completed in March 2023. This decision was made based on the comprehensive consideration of the risk of abnormal wastewater being discharged due to failure of proper treatment, the impact on the lives and health of employees from handling medical agents, and the cost of wastewater treatment. With this change in treatment method, we are in compliance with the water quality standards set forth in the Sewerage Act.

Resource recycling

KPI

At Daifuku, we offer large-scale material handling systems consisting of many parts and materials. Under the Daifuku Environmental Vision 2050, we aim to recycle resources not only limited to when waste is generated from business activities, but also when equipment delivered to customers is removed. In this regard, we are continuing to review product materials and improve the ease of disassembly. In addition, we have positioned stable, long-term operation and delaying disposal timing as important initiatives, and as such we are working to enhance after-sales services such as maintenance and upkeep.

〉 Daifuku Environmental Vision 2050

	Scope	FY2030 targets	FY2030 targets
Landfill disposal rate	Global	Less than 1%	Japan: less than 1% Outside of Japan: less than 5%
Water use intensity*	Global	60% reduction (compared to FY2018)	12.5% reduction (compared to FY2018)

* Water consumption (1,000 m^3) divided by net sales (100 million yen)

Biodiversity

Daifuku Group Action Guidelines for Biodiversity

Basic Approach

The Daifuku Group recognizes that addressing biodiversity conservation is an important theme to be addressed in order to create a sustainable society. Under the Daifuku Group Environmental Policy and the Daifuku Environmental Vision 2050, we aim to achieve zero negative impacts on natural capital by implementing specific annual plans based on a medium- to long-term perspective.

Action Guidelines

1. Understanding

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

2. Acting

- We will comply with laws, regulations, and international rules related to biodiversity conservation, and we will collaborate and cooperate with a diverse range of stakeholders, including governments, NPOs and NGOs, local residents, business partners, and employees.
- We will minimize negative impacts on biodiversity by reducing CO_2 emissions in manufacturing, promoting resource recycling, and reducing hazardous substances.
- We will consider the ecosystems of the surrounding area in our use of land, and we will implement initiatives at each of our sites that will lead to the conservation of biodiversity.

3. Disclosing

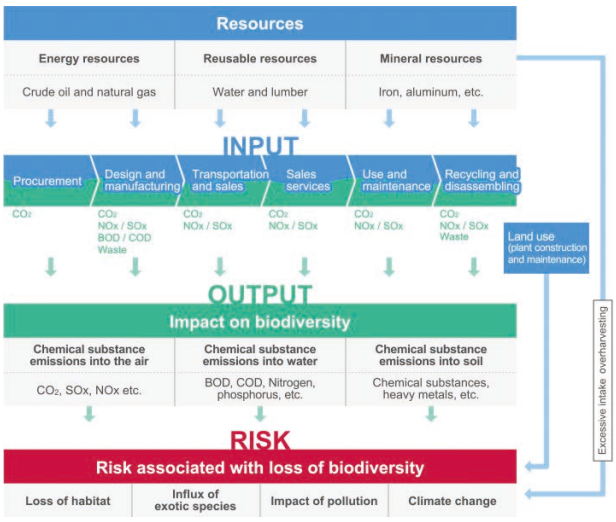
- We will make efforts to communicate with stakeholders by actively disclosing information on natural capital as well as information on our biodiversity conservation efforts.

Established: August 31, 2023

Major Initiatives

The relationship between Daifuku and biodiversity

In order to clarify the relationship between business activities and ecosystems, Daifuku has mapped the interaction of product processes, land use, and other aspects with ecosystems. Based on this map, Daifuku notes the impact on ecosystems by the land use at Shiga Works, which is endowed with abundant nature, and is conducting business activities that take biodiversity into account.



Conservation activities at Shiga Works

In terms of site area, Shiga Works is one of the largest factories in Shiga Prefecture. A survey of ecosystems within Shiga Works confirmed more than 1,000 native species as well as over 70 species of wildlife listed in the Japanese Red List (compiled and maintained by the Ministry of the Environment) and the Shiga Prefecture Red Data Book. In order to preserve this precious natural environment for future generations, we are pursuing various conservation initiatives through the Yui Project,* which promotes communication both within and outside the company.

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

Results of ecosystems survey (endangered species)

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

Japanese Red List 2020
Threatened - Vulnerable (VU): Species with a high risk of extinction in the wild.
Near Threatened (NT): Species that do not qualify as threatened at present but may be vulnerable to endangerment in the near future.

(As of April 2023)

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

Peregrine falcon

Chinese bellflower

Japanese pond turtle

Trigomphus ogumai

Golden orchid

Black-spotted pond frog

Polyrhachis lamellidens

Yellow bladderwort

Yui no Mori

As part of the Yui Project, we constructed Yui no Mori (*yui* means "bring together" and *mori* means "forest"), which is located within Shiga Works and comprised of conservation ponds, a learning center, and more. It is used as a place for learning within and outside the company, as well as for the biodiversity conservation of plants and animals such as a Japanese red pine forest unique to the region and the rare species of Yamato salamander. In fiscal 2021, we removed dead pine trees and laid woodchips along the Yui no Mori roadside.

Breeding of Yamato salamanders in conservation ponds (artificial ponds)

Conservation pond

Salamander eggs in the conservation pond

Adult Yamato salamander

We are working to preserve the endangered Yamato salamander. To ensure a stable habitat, a conservation pond was constructed in 2014, and we have been relocating the larvae and eggs that inhabit the Shiga Works premises since. We have also confirmed spawning and hatching in the conservation pond every year since fiscal 2021. In addition, there is a risk that the redevelopment of Shiga Works could lead to a reduced habitat for wild Yamato salamanders. To combat this, we are implementing ongoing initiatives in fiscal 2024 to maintain and improve their natural habitat, including creating a new habitat outside of the conservation pond into which larvae will be released.

Conserved Area Certification

30by30 Alliance for Biodiversity Conserved Area Certification

In September 2024, Yui no Mori was certified as a conserved area by the Ministry of Environment, Government of Japan. This is a site certification system in which the Ministry of the Environment certifies areas where biodiversity is being conserved through private or other initiatives. This certification system was launched in 2023 in order to achieve the international target of conserving the ecosystems of at least 30% of land and sea areas by 2030 (known as the 30by30 target).

〉 Ministry of the Environment, Government of Japan Conserved Area Certification

Scarlet dwarf dragonfly habitat preservation

Scarlet dwarf dragonfly (male)

New wetlands

Transfer of adult insects

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.

Creating opportunities to interact with nature

At Shiga Works, we hold nature observation events with experts so that employees have opportunities to interact with the many plants and animals that inhabit the area. We also hold events such as Christmas wreath making using natural materials procured on site.

Collaborations with local communities

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

Seminar

The Biodiversity, Environment, and CSR Research Association is a working group established within the Shiga Green-activity Network, and Daifuku has participated as a founding member since 2015. The association plans and holds seminars and other events for members intended to facilitate learning about the basics of biodiversity, create opportunities to learn about the latest CSR trends centered on the field of biodiversity, and encourage communication between association members. In fiscal 2023, a seminar and fieldwork on biodiversity were held at Shiga Works with the participation of 39 people from within and outside the prefecture.

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

Special exhibit (Lake Biwa Museum)

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

* Currently, the following six companies are actively involved: Asahi Kasei Corporation; Asahi Kasei Juko Co., Ltd.; Sekisui Chemical Co., Ltd.; Sekisui Jushi Corporation; Daihatsu Motor Co., Ltd.; and Daifuku Co., Ltd.

Blue Ocean Initiative (BOI)

BLUE OCEAN INITIATIVE

Daifuku has been a supporting member of the Blue Ocean Initiative (BOI), a blue action platform formed by a coalition of corporations, since 2023. The BOI is expanding the scope of its activities to achieve sustainable and effective ocean conservation and prosperity through multifaceted interactions and business co-creation with all stakeholders that have ties with the ocean.

Members of the Osaka Bay Blue Carbon Ecosystem Alliance (MOBA)

Daifuku has endorsed the Osaka Bay Blue Carbon Ecosystem Alliance (MOBA) of Osaka Prefecture since 2024. This Alliance endorses the creation of a blue carbon ecosystem in Osaka Bay in order to realize the Osaka Bay MOBA Link Initiative, which will connect Osaka Bay with a corridor of blue carbon ecosystems (seaweed beds and tidal flats that absorb and store CO_2). The Alliance carries out its activities with the cooperation of its members, which consist of companies, organizations, research institutes, and government agencies.

Declaration of Support for Osaka Biodiversity

おおさか生物多様性

Osaka Biodiversity

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

Occupational Safety and Health

Basic Approach

Safety is 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 workers, including temporary workers, contractors, and suppliers, in each workplace is indispensable for sound business activities. The Daifuku Group has obtained the occupational safety and health management system certification (ISO 45001) at all its major sites. We are committed to continuing our safety culture and striving for total safety at our workplaces by identifying all potential risks.

Group Code of Conduct (extract)

2. Safety and health

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

Safety Policy

(1) Safety slogan

Safety is the foundation of our business activities and supersedes all else.

(2) Safety target

Through a Safety First[*1] mindset, eliminate occupational accidents resulting in lost time and traffic accidents.

(3) Safety policy

1. Develop and support safety and health activities in which all employees[*2] participate.
2. Promptly adopt revisions to the Industrial Safety and Health Act and other related laws and regulations.
3. Operate the PDCA cycle of the Occupational Safety and Health Management System (ISO 45001) to manage risks and continuously improve safety.
4. Establish an education system for safety and health management and expand it throughout the company.
5. Utilize and implement new DX and IoT technologies.
6. Apply past disaster case studies to eliminate similar disasters.
7. Expand support for autonomous safety and health management activities at partner companies.[*3]

*1 The Japanese term Anzen Senichi (Safety First) is a registered trademark of Furukawa Co., Ltd.
*2 "All employees" includes temporary workers, contractors, and suppliers.
*3 "Partner companies" refers to temporary staffing agencies, contractors, and suppliers.

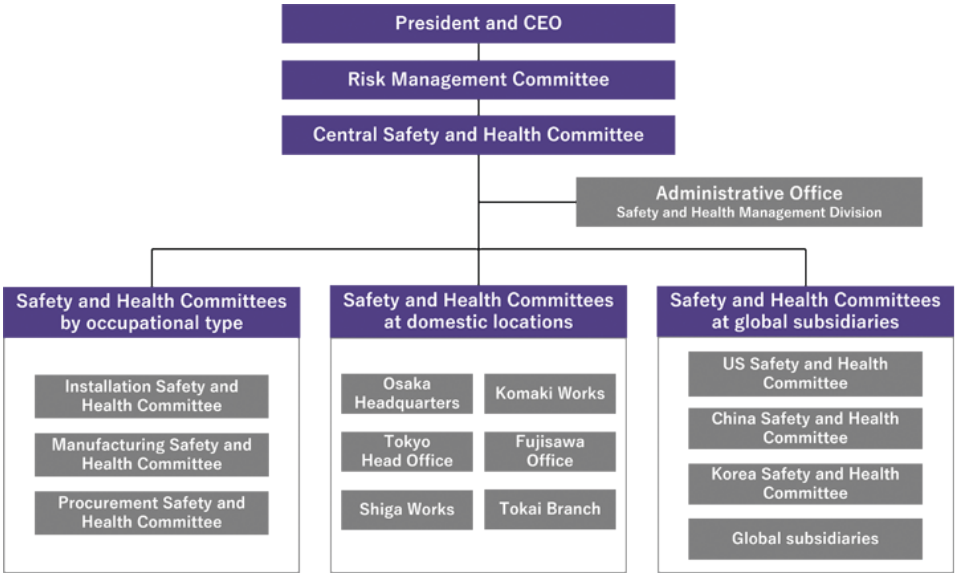
Supply chain management grounded in law

When embarking on product or system installation, we ensure compliance with the provision in the Construction Business Act that states, "the parties to a contract for construction work shall conclude the contract fairly based on agreements made on terms of equality and shall fulfill the contract honestly and in good faith," and we strive to ensure that both the safety and health of workers are not harmed as stipulated in the Industrial Safety and Health Act. Further, we engage in transactions with suppliers applicable under the Subcontractor Act in the spirit of the law, while also making known and requesting cooperation with the Group's Code of Conduct and CSR Procurement Standards to build appropriate relations with our suppliers.

Promotion System

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

Additionally, having experienced serious accidents in the past, we now hold the Safety Cooperation Association and the Management and Safety Policy and Production Trends Presentation for suppliers to participate in. Through these efforts to share information, we are aiming to strengthen ties with our suppliers and achieve safety based on mutual awareness and education.



Occupational Safety and Health Management Promotion System

Implementing audits of the safety management system

We carry out annual internal audits based on ISO 45001 standards at our main locations, and we verify the efficacy of our management system and the state of safety activities at our workplaces with inspections by the top management, including the CEO. Further, we also undergo a yearly audit by an external certifying body, as we maintain and expand the scope of our certification.

Occupational health and safety management system certification

We promote ISO 45001 certification, the international standard for occupational health and safety management systems, at all major production sites within and outside of Japan. Two of our production sites in Japan and 10 of our production sites outside of Japan have obtained this certification. The ISO certification rate for our production sites is 46%.

Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 45001 etc.	26	12	46%

〉ISO Certified Locations

Major Initiatives

Safety indicators

KPI

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

In fiscal 2023 in Japan, the number of injuries resulting in lost time increased by one compared to the previous year, and targets for frequency and severity rates were not met. Outside of 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 of Japan. Information on occupational accidents that occur both within and outside of 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.

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

Indicator*1	Scope	FY2021	FY2022	FY2023
Frequency rate	Japan	0.21	0.45	0.551
	Outside of Japan	0.65	0.90	0.580
	All industries in Japan*2	2.09	2.06	2.14
Severity rate	Japan	0.002	0.006	0.016
	Outside of Japan	0.009	0.216	0.011
Number of serious accidents*3	Japan	0	0	0
	Outside of Japan	0	1	0

*1 Data for the period from January to December. These indicators are calculated including installation contractors.
*2 Provided by the Ministry of Health, Labour and Welfare
*3 Accidental deaths occurring during work at Daifuku (occupational accidents)

Risk assessment of workplace safety and health

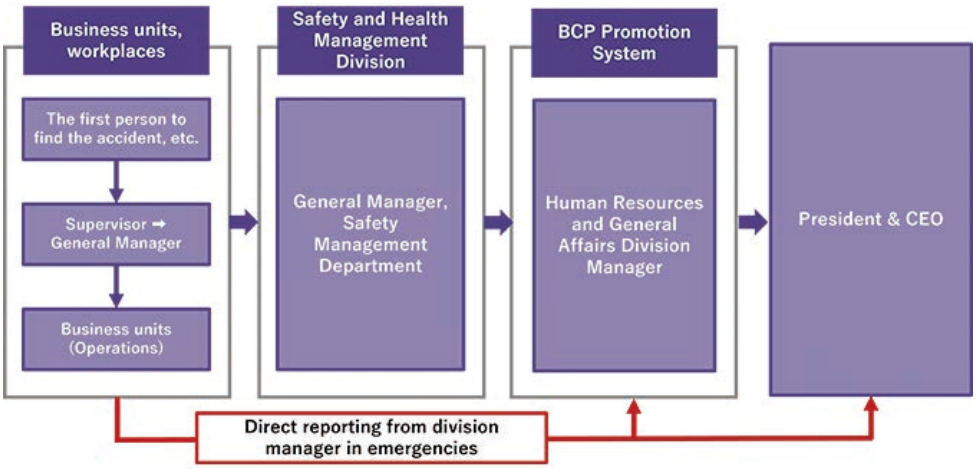
The Group conducts risk assessments in accordance with our own standards based on ISO 45001. We identify and manage risks that have a significant impact on safety and health, and we consider and implement risk mitigation measures according to the level of risk. The scope of application covers regular and irregular activities in our business operations, as well as the activities of all persons entering and leaving our premises. Risks are identified and assessed at the beginning of each fiscal year, during the construction planning stage of new projects, as well as any time circumstances change, such as when new processes are introduced or new materials are used.

Disaster preparedness drills

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

Response to occupational accidents

We have established a BCP promotion system, and when a work-related accident occurs, the disaster and accident reporting route used at all Group companies is followed to report the situation to the CEO from the workplace involved. Additionally, the department involved and the Safety Promotion Department conduct a joint investigation and analysis of the accident, and report the results to the Safety and Health Committee of all companies.



Disaster and accident reporting route

Safety and health training

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

Safety training program

Skill, awareness, and knowledge are necessary to work safely. External organizations are brought in to provide technical workshops, and special training is offered externally each year to build awareness and knowledge. We focus on in-house training that can be immediately put into practice in the workplace and provide special training that includes crane operation, low-voltage work, full harness work, and particulate matter control.

Safety training facility

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

Simulation-based hazard training

Simulation-based hazard training aims to raise the safety awareness of each employee and make up for any lack of workplace experience by simulating dangerous situations so that employees can viscerally experience them as direct and real threats to their workplace safety. We have started using virtual reality (VR) to also visually recreate the dangerous processes leading to occupational accidents that were difficult to simulate using existing equipment. We are using auxiliary devices that enable employees to experience the simulated shock and sensations felt during an accident.

Safety training worldwide

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

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

Spreading understanding of our daily safety and health standards

Based on the principle that understanding and practicing proper conduct every day will help prevent occupational and traffic accidents, we implement yearly e-learning programs to enhance employee familiarity with our daily safety and health standards. In fiscal 2023, these programs were held three times for all employees in Japan, and the participation rate for each session was 100%. We will continue these efforts to make sure that all employees have acquired the necessary knowledge about safety and health to prevent occupational and traffic accidents.

Health training (courses for emergency first aid and AEDs)

In order to properly administer first aid in the event of an emergency, it is essential to learn and acquire first aid knowledge and skills regularly. At our major locations in Japan, we are working to make sure that at least 20% of the personnel in each building or area is adequately trained.

Safety activities

Working with contractors and suppliers

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

Safety audits

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

Information sharing

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

Safety seminars for suppliers

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

Strengthening global collaboration

Meeting in North America

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, U.S.A. and participated in a meeting along with managers responsible for safety at the five Group companies in the U.S.A. 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. We will continue to promote the fortification of cooperation throughout the entire Group in an effort to facilitate Group-wide safety and health management.

Preventing traffic accidents

We are taking physical measures to eliminate traffic accidents in company cars. Specifically, the mandatory installation of autonomous emergency brakes (AEB), back monitors, rear corner sensors, and telematics drive recorders in our entire fleet of around 900 company cars. Moreover, when employees are approved to drive company cars, they are tested to a certain standard to determine their driving skills, thereby boosting their driving manners and safety awareness.

Safety and health patrols and exemplary workplace awards

A safety and health patrol by the president

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.

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

Quality Assurance

Daifuku Group Quality Policy

Basic Approach

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

Basic Policy

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

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

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

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

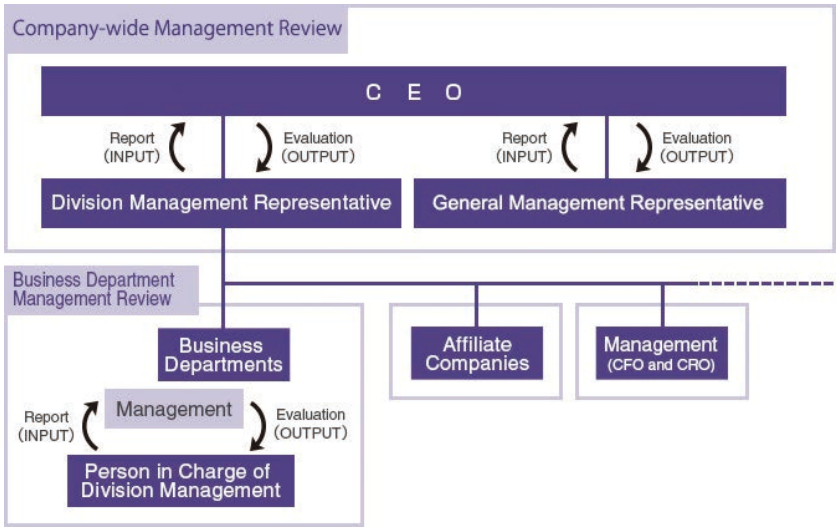
4. Quality education and awareness
We will provide educational and awareness-raising activities relating to the quality and safety of our products and services. We will also share information and expand our initiatives within the Group to further improve quality.

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

Established: August 31, 2023

Promotion System

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



Quality management system certification

We promote ISO 9001 certification, the international standard for quality management systems, at all major production sites within and outside of Japan. All three of our Japan production locations as well as 21 of our production locations outside of Japan have been ISO certified. 92% of our production facilities have obtained certification.

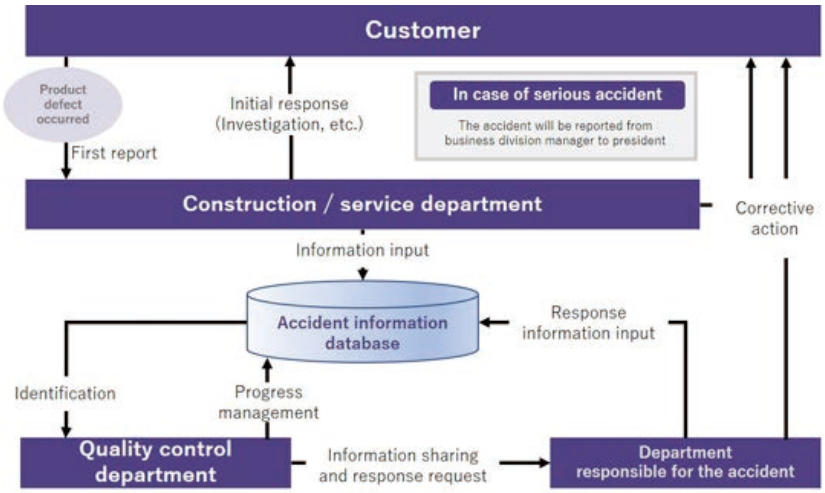
Certification standards	Production sites (consolidated)	Number of certified locations among total	Proportion of certified locations
ISO 9001	26	24	92%

〉 ISO Certified Locations

Major Initiatives

Response to quality issues

Should a major accident occur with our product, we carry out cross-company measures that incorporate other departments according to the need for detailed accident information by other operational departments and to register the corrective measures taken in a database. Reporting procedures are set out in the ISO Corrective Action and Preventive Measures Procedural Guide. We are thorough in preventing the recurrence of accidents and carrying out preventive measures, and we regularly implement management reviews through the CEO to verify the suitability of the quality management system.



Number of serious accidents* related to product and system safety

KPI

	FY2021	FY2022	FY2023
Number of serious accidents related to product and system safety	0	0	0

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

Product safety

We conduct risk assessments on all existing and newly developed products to ensure their safe operation. Specifically, we conduct reviews during the design and development process and do advance checks for safety in accordance with the ISO Product Safety Evaluation Procedural Guide and the Development and Standardization Design Implementation Guide, stipulated in the ISO 9001 Management System. In addition, we also promote the training of young designers and the acquisition of external safety assessor* credentials. We also provide assistance to contractors in obtaining these credentials.

* A person with the basic knowledge and capability required to confirm the adequacy of safety, as well as the ability to judge overall safety adequacy

Number of employees who have obtained safety assessor credentials

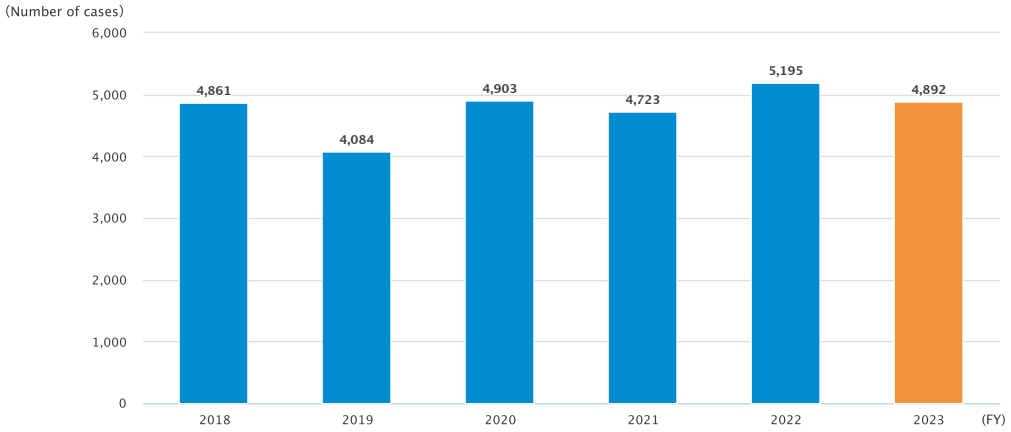
KPI

	FY2021	FY2022	FY2023
Number of employees who have obtained safety assessor credentials	178 people	223 people	237 people

Teamwork and improvement proposal activities

Daifuku emphasizes small group teamwork and improvement proposal activities, and we have made significant achievements by continuously conducting improvements at our work sites. There were 4,892 proposals for the improvement of operations, cost reduction, quality, safety, environment, and other matters made in fiscal 2023. The highlight of our small group activities is a presentation convention held once a year, attended by top management, for teams that pass the preliminary selection round. In fiscal 2023, the convention was held as a hybrid event, both in person and online using Microsoft Teams. 12 teams selected from various divisions in Japan as well as global subsidiaries presented their activities and results, and the convention was streamed live online to the entire Group.

Number of improvement proposals



Supply Chain Management

Daifuku Group Procurement Policy

Basic Approach

The Daifuku Group will contribute to the creation of a sustainable society by engaging in sound business practices in accordance with our company creed, management philosophy, and Group Code of Conduct. 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 that we have established separately, and we shall work together with our stakeholders to build a sustainable supply chain.

Basic Policy

We will ensure that all Group officers and employees are aware of this policy and promote responsible procurement.

1. Compliance with laws and regulations

We will comply with the laws, regulations, international codes of conduct, and other social rules of the countries and regions where we conduct business. We will stand firmly against antisocial forces or organizations that are a threat to the order and safety of civil society, and we will not have any relationship with them.

2. Fair and equitable trade

We will open our doors to a wide range of domestic and international companies, regardless of the country in which they are located or their size, to provide opportunities for free competition. We will conduct transactions through fair and equitable procedures, and we will eliminate misconduct such as the offering or receiving of inappropriate benefits.

3. Building partnerships

We will respect all business partners as equal partners and build long-term relationships of trust based on mutual understanding. We will commit to solving environmental and social issues in the supply chain by strengthening communication and collaboration to achieve mutual sustainable growth.

4. Pursuing quality and safety

We will pursue quality and safety in the products and services we procure. We will require our business partners to comply with the applicable laws, regulations, and standards of each country and region with respect to quality and safety, and we will provide guidance and support as needed to help them establish systems and management structures to achieve this.

5. Respecting human rights

We will respect the fundamental human rights of all people involved in the products and services we procure, and we will not be complicit in any human rights violations, including forced or compulsory labor, child labor, discrimination, abuse, and harassment. We will also give due consideration to the working environment and health and safety of our business partners. If it becomes evident that the Group's procurement activities have caused or contributed to an adverse impact on human rights, we will strive to take appropriate and effective remedial measures.

6. Responsible sourcing of minerals

We will not procure minerals such as tin, tantalum, tungsten, and gold that are mined in conflict-affected and high-risk areas (CAHRAs) and may involve corrupt activities, support for armed groups, human rights violations, environmental destruction, or other adverse activity. We will also request our business partners to not use conflict minerals and will work to establish a management system for this.

7. Reducing environmental impact

We will comply with laws, regulations, and agreements related to environmental conservation, and we will give priority to the procurement of products and services with a lower environmental impact. We will provide guidance and support to our business partners as needed, and we will address environmental issues such as climate change and biodiversity conservation throughout our supply chain.

8. Information security and protection of intellectual property rights

We will establish a management system and appropriately manage and protect confidential and personal information obtained through our business activities. We will also respect the intellectual property rights of third parties and business partners, and we will not violate them.

9. Formulation of a business continuity plan

We will work to identify and assess risks that will have a significant impact on business continuity and formulate a business continuity plan (BCP) in preparation for large-scale natural disasters and unforeseen circumstances. In order to fulfill our supply responsibilities to customers, we will implement measures in cooperation with our business partners as needed.

10. Information disclosure and communication

We will disclose the status of our initiatives based on this policy in a timely and appropriate manner and communicate with our stakeholders.

Established: January 31, 2024

〉 English (PDF: 135KB) PDF
〉 Simplified Chinese/簡体中文 (PDF: 183KB) PDF
〉 Korean/한국어(PDF : 198KB) PDF
〉 Japanese/日本語 (PDF: 453KB) PDF
〉 Traditional Chinese/繁体中文 (PDF: 246KB) PDF
〉 Thai/ไทย(PDF : 37KB) PDF

Sustainable Procurement Guidelines

In fiscal 2023, the Daifuku Group formulated the Sustainable Procurement Guidelines as a new standard for sustainable procurement activities. These guidelines are a complete revision of the CSR Procurement Standards, established in 2017, to promote further initiatives throughout the entire supply chain to solve a variety of social issues. We are striving to disseminate these guidelines throughout the entire supply chain and strengthen initiatives to identify and mitigate risks in the supply chain and with our business partners.

Our specific efforts include distributing videos explaining the Group's sustainable procurement goals 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.

For more information on the Sustainable Procurement Guidelines, please refer to the PDFs below (available in six languages).

〉 English (PDF: 388KB) PDF
〉 Simplified Chinese/簡体中文 (PDF: 546KB) PDF
〉 Korean/한국어(PDF : 850KB) PDF
〉 Japanese/日本語 (PDF: 1.6MB) PDF
〉 Traditional Chinese/繁体中文 (PDF: 934KB) PDF
〉 Thai/ไทย(PDF : 463KB) PDF

Green procurement

The Daifuku Group has formulated the Green Procurement Guidelines, which denote the evaluation standards for any chemical substances that are contained in our products. In recent years, regulations regarding the management of hazardous chemical substances have been tightened, and in order to respond to growing demand, these guidelines were revised in 2023. These guidelines apply to all products (materials, parts, units, accessories, and packaging materials) and services procured by the Daifuku Group. Our policy is to prioritize the procurement of products that contain minimal hazardous substances of concern and products that contain minimal hazardous substances throughout the product's life cycle. We are working with our business partners to reduce environmental impact throughout our entire supply chain. Furthermore, for our major business partners, we request that they fully understand the Guidelines, and in order to promote the appropriate management of chemical substances, we ask that they submit proof of receipt and written informed consent (submission rate: 97%).

Declaration of Partnership Building

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

〉 Declaration of Partnership Building (Japanese only) (PDF: 440KB) PDF

Action for fair and transparent transactions

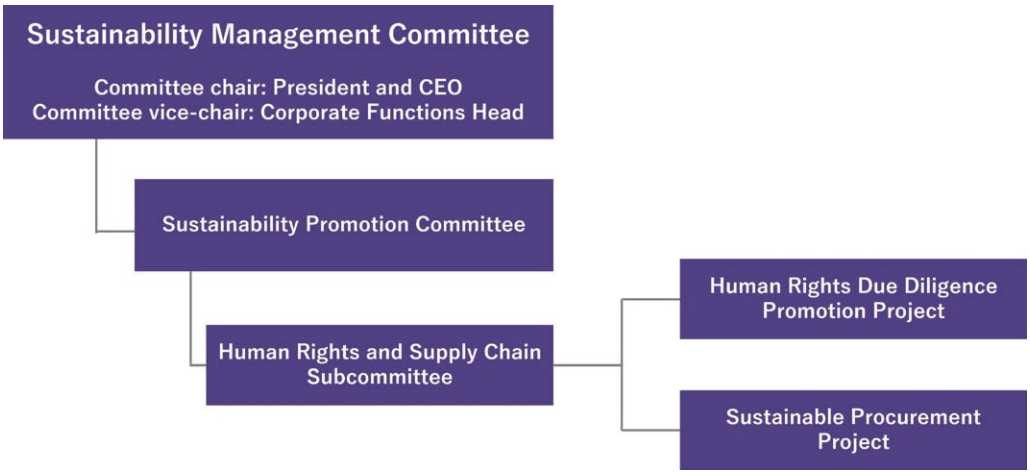
In order to build fair and impartial relationships with business partners and conduct transactions in accordance with healthy business practices, we have established internal rules that prohibit employees, in principle, from receiving entertainment, gifts, or other personal benefits or conveniences from business partners.

Promotion System

We have established the Human Rights and Supply Chain Subcommittee under the jurisdiction of the Sustainability Promotion Committee. This subcommittee consists of members appointed from multiple departments, including Procurement, Human Resources and General Affairs, Legal, and Sustainability Promotion, to formulate internal policies and create frameworks regarding supply chain management. In fiscal 2022, the subcommittee launched the Human Rights Due Diligence Promotion Project to promote human rights due diligence throughout the Group and the Sustainable Procurement Project to formulate guidelines and establish a framework for sustainable procurement.

In addition, the Production Innovation Division was newly established in fiscal 2023 to oversee and manage risks in the supply chain. From fiscal 2024, the SCM* Committee is organized directly under the same headquarters, with the CPO (Chief Production Officer) acting as leader and representatives from all business units across the company in attendance. This committee is working on a variety of initiatives to promote sustainable procurement activities and optimize the supply chain, as well as ensure compliance in production and installation operations.

* Supply Chain Management



FY2024 promotion system

Major Initiatives

Procurement Worker Qualification Course System

The Procurement Worker Qualification Course System, which primarily targets employees involved in procurement-related work, is an e-learning course held several times each year to allow employees to gain a compliance mindset and knowledge of the relevant laws and regulations necessary for ordering work, such as production and procurement, with the aim of engaging in ordering work with integrity and high ethical and moral standards in line with our management philosophy and the Group's Code of Conduct. Employees obtain qualification by passing a confirmation test after taking the course.

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, we hosted the presentation jointly with Contec Co., Ltd. to report on production trends and safety and health initiatives in the business divisions of both companies as well as to request cooperation in addressing environmental and social issues throughout the Group's supply chain. 330 business partners were invited in fiscal 2024.

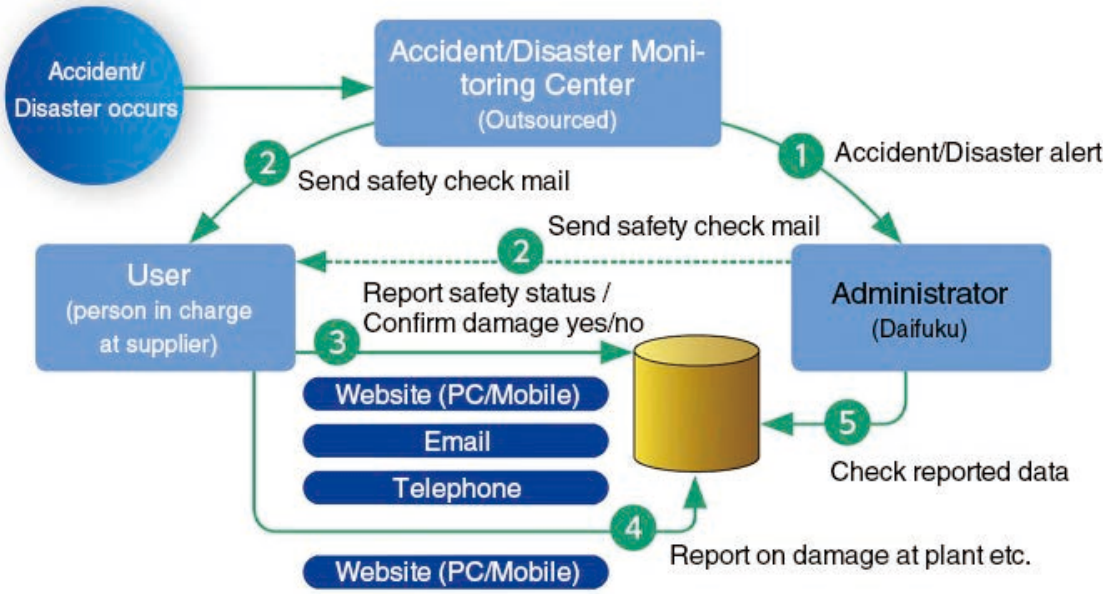
Supplier Quality Development (S.Q.D.) Award

In fiscal 2003, we established the Supplier Evaluation System, and each year 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.

Informing suppliers of our policies

To ensure that our stakeholders around the world, including our suppliers, are fully aware of our policies regarding sustainable procurement, we have published the Group Code of Conduct, the Daifuku Group Human Rights Policy, the Basic Procurement Policy, the CSR Procurement Standards, and the Green Procurement Guidelines on our website. After the Daifuku Group Human Rights Policy was formulated in 2021, the CEO invited major suppliers to the Management and Safety Policy and Production Trends Presentation held in June 2022 to promote understanding and implementation of the policy.

Supplier Operations Verification System



To ensure stable procurement of parts and other supplies in the event of a disaster, we have introduced a Supplier Operation Verification System that enables rapid collection of information on damage to suppliers. In an emergency, this system confirms the status of damage to suppliers and safety of personnel by e-mail, which allows for timely restoration and return to normal business operations for the entire supply chain. Periodic training is conducted with suppliers to bolster operational proficiency, and in the event of an emergency, the system is used to confirm the viability of operations and the delivery date of parts.

Human Rights

Daifuku Group Human Rights Policy

Basic Stance on Human Rights

Since our founding, the Daifuku Group has faced the changing needs and challenges of society in the spirit of our company creed: Hini Arata. Our management philosophy, "Automation that Inspires," expresses our resolve to use material handling-based technology to help foster a society in which people can live richer lives. Furthermore, we declare our commitment to respecting human rights in our management philosophy and Group Code of Conduct and strive to create an environment where each and every employee can maximize their potential. We recognize that respect for human rights is one of our most important responsibilities in terms of the sustainable growth of our business and organization, and we will fulfill this responsibility by minimizing any possible negative impact on human rights occurring through our business activities. This policy sets out the Group's approach to human rights in the course of its business activities and applies to all officers and employees of the Group. We expect our business partners, including those in our supply chain, to understand this policy and put it into practice, and we will work together with them to promote respect for human rights. To achieve this, we have established an internal system in which the president and CEO of Daifuku Co., Ltd. bears responsibility for human rights, and we will carry out ongoing efforts.

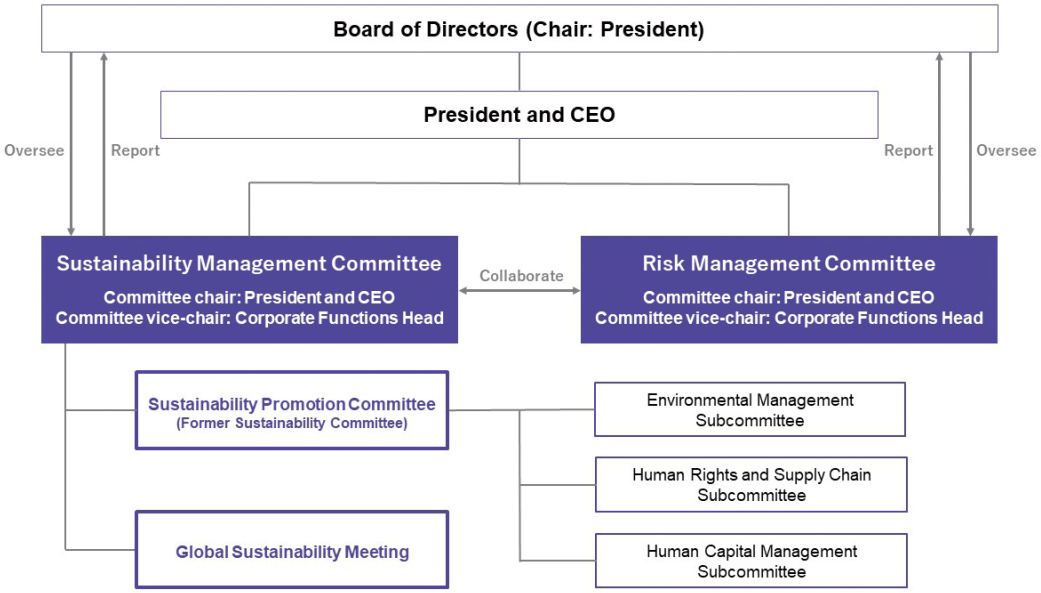
In order to encourage our major business partners to take steps toward promoting initiatives along with our Group, we ask that they submit written informed consent of our Human Rights Policy (submission rate: 90%).

Please refer to the following PDFs for details about the Daifuku Group Human Rights Policy (available in six languages).

〉 English (PDF: 120KB) PDF
〉 Simplified Chinese/簡体中文 (PDF: 162KB) PDF
〉 Korean/한국어(PDF : 142KB) PDF
〉 Japanese/日本語 (PDF: 136KB) PDF
〉 Traditional Chinese/繁体中文 (PDF: 161KB) PDF
〉 Thai/ไทย(PDF : 155KB) PDF

Promotion System

The Sustainability Promotion Committee is an advisory body to the Board of Directors and is chaired by the CEO with the heads of each business unit as members. Under its jurisdiction, the Human Rights and Supply Chain Subcommittee has been set up and comprises appointees from across multiple departments, including Procurement, Human Resources and General Affairs, Legal Affairs, and Sustainability Promotion, and this subcommittee manages the creation and administration of the human rights due diligence system. It reports on crucial matters to the Board of Directors. The Sustainability Promotion Department, which serves as the administrative office, is in charge of day-to-day efforts to respect human rights and works in cooperation with related departments.



FY2024 promotion system

Major Initiatives

Initiatives toward human rights due diligence

Daifuku 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 domestic foreign workers in the supply chain, including contractors, and workers at raw material suppliers as high-priority human rights issues to be addressed by the Group.

The risk assessment was conducted with the advice of external experts (the NPO Caux Round Table (CRT) Japan) to evaluate potential risks as human rights due diligence in line with the UN Guiding Principles (UNGPs) on Business and Human Rights. Specifically, we identified priority issues by uncovering the relevant value chains and impacted rights holders based on 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.

Global expansion

Beginning in fiscal 2023, we have been gradually expanding human rights due diligence to our global affiliates. In April 2023, we invited Mr. Hiroshi Ishida, Executive Director of CRT Japan, to give a lecture on understanding business and human rights to managers of our global affiliates and Daifuku Japan executives.

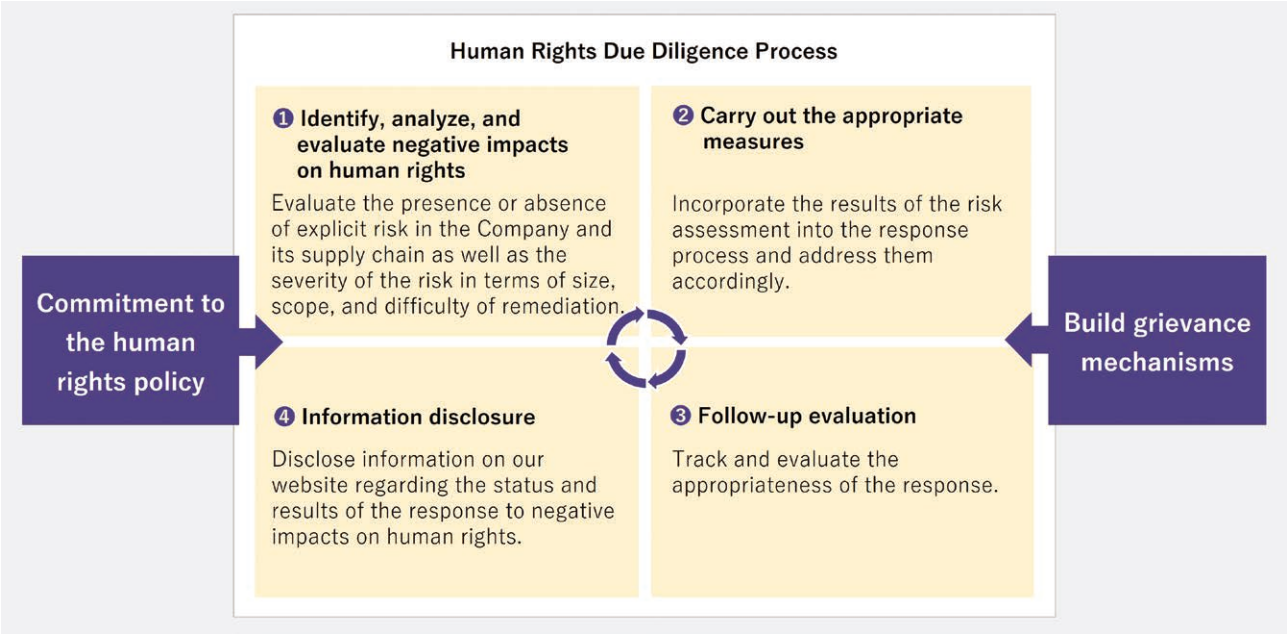
Additionally, in order to ascertain the status of initiatives for respecting human rights at each of our global affiliates, we identified potential risks by distributing a risk assessment questionnaire.

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

〉2023 Human Rights Due Diligence Workship (Stakeholder Engagement Programme)

Human rights due diligence process

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



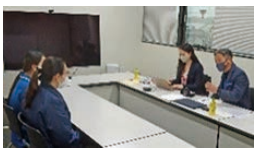
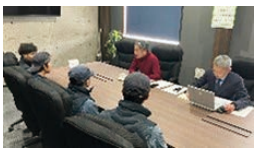
❶ Results of identifying, analyzing, and evaluating negative impacts on human rights

The Group considers domestic foreign workers 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 workers in the supply chain and conduct on-site interviews with foreign workers 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.

Summary of the human rights impact assessment

In cooperation with CRT Japan to ensure objectivity and neutrality, we conducted on-site interviews with foreign workers and their managers employed at our business partners. These interviews were 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.

Results of impact assessments held in Japan

	Company			
	Hokko Co., Ltd.	Tamura Co., Ltd.	Toho Technology Inc.	Megumi Kogyo Co., Ltd. (Megumi Group)
Date of assessment	February 2023	February 2023	November 2023	December 2023
Interviewees (nationality) (residence status)	4 foreign workers (Vietnam, China) (2 specified skilled workers, 2 technical intern trainees)	4 foreign workers (Vietnam) (2 specified skilled workers, 2 technical intern trainees)	5 foreign workers (Indonesia) (technical intern trainees)	4 foreign workers (Thailand) (technical intern trainees)
Format	In-person group interviews			
Interview topics	Appropriate working hours, forced labor, fair wages, health and safety, freedom of association and the right to collective bargaining			
Images of the interviews *provided by CRT Japan				

Results of impact assessments held outside of Japan

	Thailand subsidiary: Daifuku (Thailand) Limited Business partner: Manus Prosystem Logistic Co., Ltd.	Taiwan subsidiary: Taiwan Daifuku Co., Ltd. Business partner: Chih Kang Material Company Ltd.
Date of assessment	February 2024	March 2024
Interviewees (nationality)	20 employees of Daifuku subsidiary (Thailand, Myanmar) 4 employees of business partner (Myanmar)	19 employees of Daifuku subsidiary (Taiwan) 20 employees of business partner (Vietnam, Philippines)
Format	In-person group interviews	
Interview topics	Appropriate working hours, forced labor, fair wages, health and safety, freedom of association and the right to collective bargaining	
Images of the interviews *provided by CRT Japan		

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 workers 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.

Third-party comments

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

Hiroshi Ishida, Executive Director, CRT Japan

Human rights due diligence schedule (planned)

FY2024

1. Within and outside of Japan: continue overt risk assessments
2. Outside of Japan: address human rights issues
3. Within Japan: expand the scope of employment status surveys (supply chain visualization) to identify potential human rights risks

Respecting human rights in the supply chain

We have established our own CSR Procurement Standards, which incorporate not only safety, quality, cost, and delivery time, but also compliance, human rights, and other factors, and we cooperate with our suppliers to promote sustainability initiatives throughout the entire supply chain. We will continue to identify and assess adverse human rights impacts related to our overall business activities, including our supply chain, and promote human rights due diligence to correct, mitigate, and prevent such impacts, with a commitment to continuously implement and improve these efforts.

〉 Supply Chain Management

Personnel Consultation Office

We have established a confidentiality-guaranteed Personnel Consultation Office to handle consultation regarding personnel systems, evaluations and benefits, workplace environment, working hours, harassment, health management, etc. Our consultants receive regular training from externally trained instructors to ensure that they can appropriately respond to a wide range of consultations, and they work to improve their listening skills through group work and role-playing based on specific cases.

Human rights education and awareness

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

Lectures and workshops on human rights are given during training programs for new hires, mid-career hires, mid-level employees, and senior staff. Moreover, we hold seminars with experts and publish the video recordings on our internal network to facilitate employees' understanding. In fiscal 2022, we conducted a harassment prevention seminar based on the results of a stress check. In fiscal 2023, we conducted an e-learning program in six languages (Japanese, English, Simplified and Traditional Chinese, Korean, and Thai) for all employees of the Daifuku Group both within and outside Japan to raise employees' awareness of human rights.

Preventing child labor and forced labor

We will not permit child labor or forced labor. To prevent child labor and forced labor, we will comply with the laws and regulations of each country and region at each of our business locations, and we will conduct regular monitoring through human rights due diligence. When hiring personnel, we verify their age through application documents (including residence cards for foreign workers) and indicate working conditions and confirm their willingness to work before they join the company. Furthermore, we have established a whistleblowing system that allows employees to report any violation of laws and regulations, including human rights violations, or any potential violation of internal regulations.

Compliance with the Modern Slavery Act

Daifuku Logan Ltd., a UK affiliate, has issued an Anti-Slavery Statement in response to the British law Modern Slavery Act 2015.

〉 Anti-Slavery Statement 2024 (PDF: 365 KB) PDF

Diversity and Inclusion

Basic Approach

As we develop our business in various regions around the world, it is essential for us to respect, recognize, and make the most of diversity in terms of race, creed, gender, religion, nationality, political opinion, disabilities, and other factors so that we can create new value and achieve sustainable growth. Enhancing the capabilities of each individual and demonstrating our strength as an organization will help us gain further trust from society, our customers, and other stakeholders.

Group Code of Conduct (extract)

5-2. Realize the potential of each employee

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

Promotion System

The Human Resources and General Affairs Division is playing a central role in developing diversity-related systems and frameworks so that every one of our employees, with their diverse abilities and values, can maximize their potential. In addition, to facilitate employment of people with disabilities at Shiga Works, one of our production sites, we have established a department dedicated to expanding job opportunities for people with disabilities. In fiscal 2024, the Human Capital Management Subcommittee, which is established as a subcommittee of the Sustainability Promotion Committee, launched a new D&I project to promote an environment in which a diverse workforce can thrive.

Major Initiatives

Recruitment of diverse human resources

We are actively recruiting and promoting women, foreign nationals, and career hires. We hold a variety of follow-up events for female interns from the standpoint of women's activities, such as roundtable discussions with female employees, and we are actively recruiting international students as well as directly from universities outside of Japan. Additionally, as a measure for workplace retention of career hires, we conduct individual interviews with and provide training for career hires.

Promotion of women's advancement

We recognize that the current challenges to women's advancement include: (1) the training of female managers is inadequate, 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 can play more active roles.

Achieving the target number of female managers

In order 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.

Developing an environment to promote work-life balance

We carry out surveys and analyze employee needs and reasons for leaving the company, and we consider and implement specific measures to address these needs with the aim of creating an environment in which employees can easily balance their personal and professional lives even through life stage transitions and major life events. In fiscal 2021, we introduced a remote work system to support flexible and diverse work styles. In addition, we hold seminars for supervisors of employees returning to work after childcare leave or working shorter hours at their workplaces.

Number of female managers

KPI

	FY2021	FY2022	FY2023
Number of female managers*	26 people (3.3%)	31 people (4.1%)	41 people (5.3%)

* The number of female employees in managerial positions is calculated based on the people who are the equivalent to section manager or higher.
* Figures are as of April 1 the following fiscal year (previously, figures as of March 31 the same fiscal year were disclosed). Past figures have also been changed retroactively to reflect this disclosure method.

Employment of people with disabilities

We are working to expand job opportunities for people with disabilities at our main locations: Osaka Headquarters, Tokyo Head Office, Komaki Works, and Shiga Works. Our employment rate of people with disabilities in 2023 was 2.42%, while the legally mandated rate is 2.3%. We are actively promoting initiatives to ensure achievement of the legally mandated employment rate.

Employment rate of people with disabilities

KPI

	FY2021	FY2022	FY2023
Employment rate of people with disabilities*	2.54%	2.48%	2.42%

* As of June 1

Activities of employees with disabilities

Roller assembly guidance

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

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

Male employees taking childcare leave

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

Paternity leave acquisition rate

KPI

	FY2021	FY2022	FY2023
Paternity leave acquisition rate*	27%	44%	65%

* Figures are based on the amended Child Care and Family Care Leave Act

Promotion of activities of senior workers

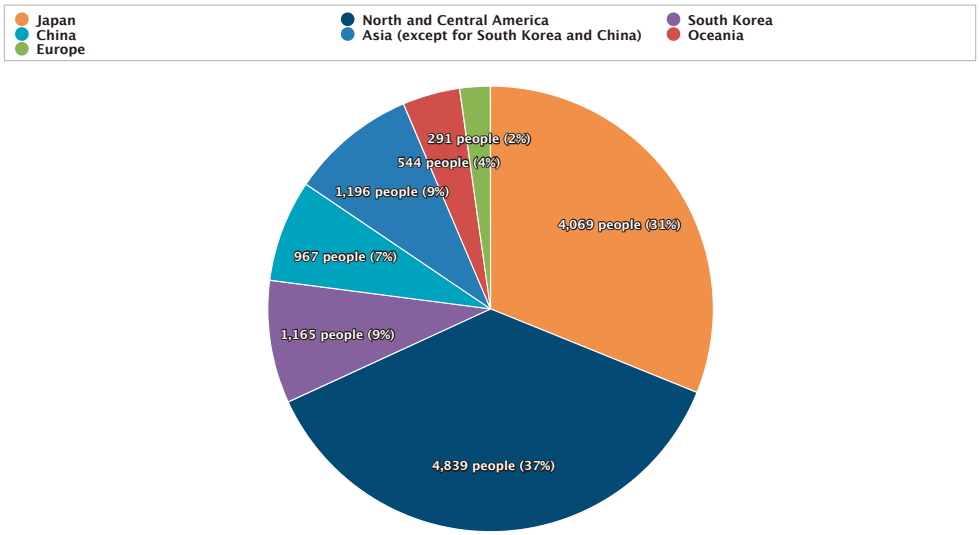
In fiscal 2021, with the aim of supporting highly motivated senior employees and passing on techniques and skills to the next generation, we shifted from a re-employment system to a system that allows regular employment until the age of 65. In accordance with this, the renumeration standard after age 60 has also been revised, and regular benefit plans can continue to be applied until age 65. In fiscal 2023, we held a seminar for employees who would reach the age of 60 during fiscal 2024. Additionally, beginning in fiscal 2024, we have defined senior employees over the age of 60 as senior expert professionals who utilize their experience and expertise, and we have introduced an evaluation system based on roles and contributions as well as reviewed renumeration standards.

Diversity training

We hold training sessions on diversity, and videos of these sessions are distributed on the Sustainability Site of our internal network to encourage employee awareness and understanding. From 2024, we plan to expand the content related to diversity promotion in the rank-based training we currently provide.

Related Data

Total number of employees by region (as of March 31, 2024)



* Values have been rounded and therefore do not sum up to 100%

Employee data (Daifuku Co., Ltd.)

		FY2021	FY2022	FY2023
Regular employees	Male	2,800	2,955	3,067
	Female	402	420	442
	Total	3,202	3,375	3,509
Non-regular employees	Male	295	240	180
	Female	136	133	127
	Total	431	373	307
Average age	Male	40.9	40.9	41.1
	Female	41.6	42.3	42.4
	Total	41.0	41.0	41.3
Average years of service	Male	15.2	15.1	15.4
	Female	14.4	14.5	14.5
	Total	15.1	15.0	15.3

Talent Development

Basic Approach

The abilities required of each employee vary depending on the type of job, their rank, and country or region. In order for departments and individuals to achieve higher performance, it is important to not only rely on the abilities and attitudes of individuals, but also to have a framework and system for developing the human resources that the company requires, as well as to implement such a system. Under our long-term vision, Driving Innovative Impact 2030, and the four-year business plan for 2027, we will expand and fortify our human capital based on the following three principles: securing and developing human resources, achieving diversity and inclusion, and enhancing engagement.

Group Code of Conduct (extract)

5-2. Realize the potential of each employee

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

Promotion System

The Human Resources and General Affairs Division plans and promotes cross-company personnel-related policies. In particular, they are working to cultivate the talent that will support the expansion of global business and strengthen management. Every year, we conduct rank-based training for all levels of employees, from new hires to management, to enable them to systematically learn the necessary knowledge and skills. The creation of yearly plans is led by the Human Resources Strategy Department. A variety of training modules are conducted by inviting lecturers from both within and outside the company according to the content.

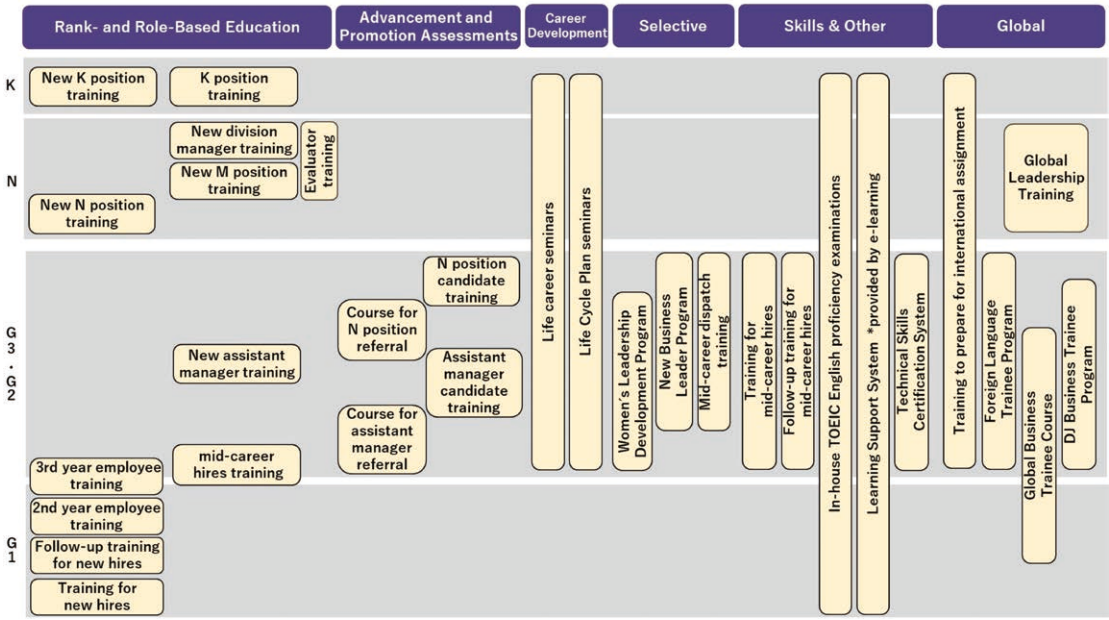
Major Initiatives

To effectively facilitate the development of human resources, we are deploying systematic and focused measures. In addition to rank-based training, we conduct selective training to develop executive candidates and global human resources.
Beginning in fiscal 2021, we began an e-learning prerequisite program for acquiring business skills and knowledge as a requirement for recommending candidates for management positions. In addition to methodically developing candidates for management positions, the program is intended to encourage autonomous learning. Additionally, we reformed our learning management system in fiscal 2022 to work toward enhancing online training throughout the entire Group, including global subsidiaries.

Global human resource management

In March 2024, we launched a system that positions human resources of a certain grade or higher as Group human resources, and their evaluation and development are promoted across the entire Group. The specific process is as follows: (1) select key positions that have an important impact on management in the Daifuku Group; (2) document the roles and responsibilities, behavioral traits (competencies), and experience, skills, and qualifications required by each key position; (3) list the prospective candidates for key positions; and (4) formulate and implement a training plan for prospective candidates. The Human Resources Committee centrally manages the development and appointment of prospective candidates for key positions, monitors training measures and the adequacy of prospective candidates, approves appointments to key positions, and coordinates and makes decisions regarding transfers between business units. In fiscal 2023, the rate of sufficiency of the number of prospective successors for key positions was 68%. We aim to achieve 100% by fiscal 2027.

Overview of training and main training programs



* N and K: management-level positions

New Business Leader Program

This training program is designed to cultivate globally minded executive candidates at an early stage. The curriculum is similar to that of a business school and is designed to foster a systematic understanding of business administration. In addition, through group work with members of other business units, participants develop a wide range of insight and strengthen their ability to strategically implement their ideas.

Women's Leadership Development Program

This program is designed for the early-stage development of women who will become active as leaders. The training lasts approximately six months and is designed to help potential female leaders acquire leadership skills and clarify their career visions. We also provide training for the supervisors of participants on career development for female employees.

Global Business Trainee Course

We develop participants who enroll in this course as candidates to become global human resources. The course is open to department nominees who have the potential for long-term business trips or assignments outside of Japan and who are capable of handling business outside of Japan, as well as self-nominees who wish to be stationed outside of Japan in their future career development. After enrolling in this course, participants will attend training in language and global business, and those who complete the course will receive assistance to improve their language proficiency.

Global Leadership Training

As part of our efforts to strengthen the development of global human resources, which has become a challenge in line with the globalization of our business, we conduct global leadership training for local subsidiary executives and executive candidates who are expected to take on the future management positions in the Group. The purpose of the program is to understand the Group's management philosophy and policies, to understand the roles and responsibilities of leaders, and to create Group synergy through personnel exchange, mutual learning, and mutual understanding.

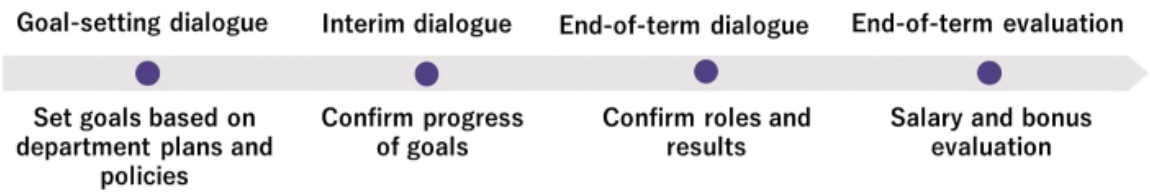
Trainee Program

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

* Daifuku Japan

Goal management system and evaluation

Three times a year, at the beginning, middle, and end of the term, each employee engages in dialogue with their supervisor regarding the goals set at the beginning of the term, and the supervisor evaluates the employee based on that dialogue. In the interim dialogue, the progress of goals is checked and future career development is discussed. Additionally, the personnel handling system was revised in fiscal 2023 to clarify the expected actions and roles for each qualification grade, and an evaluation system consisting of action evaluation, role evaluation, and performance evaluation was put into operation.



Handing down techniques and skills

To maintain and improve the skills and techniques required for production, we have established a technical skills certification system for welding and assembly techniques, and we administer testing twice annually. As of March 31, 2024, there were 242 qualified staff members.

Number of qualified staff members (as of March 31, 2024)

	Basic level	Intermediate level	Advanced level
Welding	39 people	9 people	12 people
Assembly	152 people	6 person	24 people

Support for qualifications

The Group regulations stipulate the qualifications to be acquired, and incentives are provided to those who acquire such qualifications. In addition, as a system to support the autonomous learning of employees, the Learning Support System using e-learning, was launched in fiscal 2021. Under this system, the company subsidizes the cost of attending various programs on language and business.

Workplace Environment

Basic Approach

In order to ensure a fair and open corporate culture and contribute to the growth of our customers and society, it is important to create an environment in which every employee—the primary actors in our activities—is able to work actively with a sense of job satisfaction and ease of work. As the mobility of human resources increases, providing attractive workstyles and systems for employees will help to secure talented human resources. We aim to enhance corporate value by providing a comfortable work environment and ensuring the health and well-being of our employees.

Daifuku Group Health and Productivity Management Declaration

In view of the importance of the physical and mental health of employees, we adopted the Declaration of Group Health Management in April 2018. We are implementing various health promotion policies and organize events based on health issues toward creating a more stimulating and healthy workplace environment.

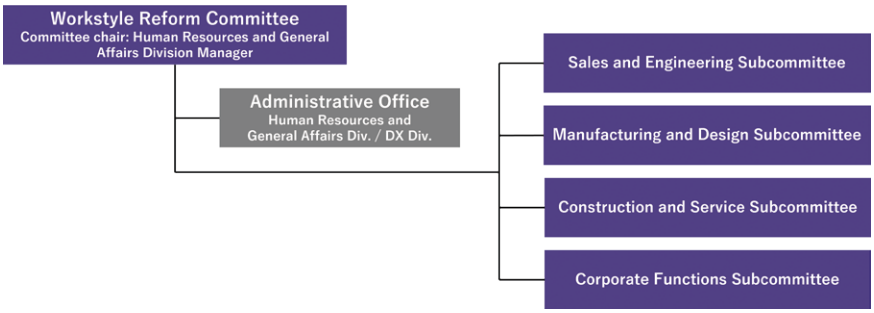
- Daifuku continuously promotes activities to maintain and increase the physical and mental health of its employees. Considering the health of all associates is fundamental to the sustainable growth of our business.
- Daifuku strives to provide comfortable and hygienic workplace environments with the aim of raising the quality of the work and the lives of each employee.
- Daifuku, led by the Mental and Physical Health Promotion Committee, a company-wide organization encompassing corporate and industry medical practitioners and public health nurse and labor unions, promotes raising health awareness and the work-life balance of its employees by implementing health promotion measures.

Promotion System

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

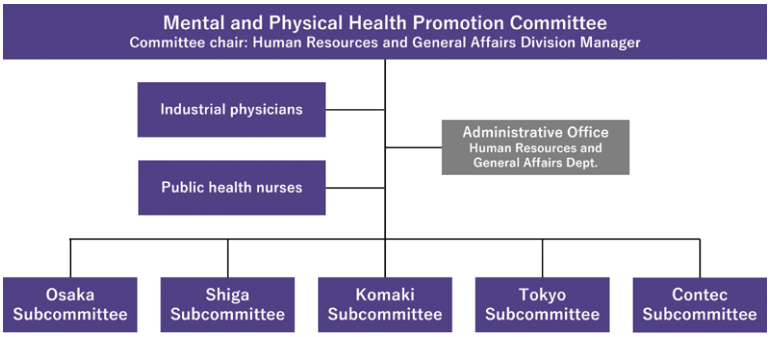
Workstyle Reform Committee

We established the Workstyle Reform Committee in fiscal 2017. Labor and management cooperate in activities to reduce overtime work and encourage employees to take paid leave with the aim of improving productivity and achieving work-life balance. In addition to three cross-business unit subcommittees for sales and engineering, manufacturing and design, and installation and service job categories, the Corporate Functions subcommittee has been established directly under the Committee to improve issues and share information according to the characteristics of each job category.



Mental and Physical Health Promotion Committee

In fiscal 2006, we established the Mental and Physical Health Promotion Committee, a Group-wide, cross-departmental organization that includes the company, occupational health physicians, public health nurses, the health insurance union, and the labor union, and we formulated a medium-term action plan to continue our efforts to advance our health and productivity management. We mainly plan events and promote various measures to encourage improvement in the physical and mental health of our employees.



Major Initiatives

Workplace environments that motivate employees

Employee engagement

We define employee engagement as being satisfied with one's job, feeling an ease of work, and achieving a career in which employees and the company can grow together, and we aim to improve each of these elements. In fiscal 2021, the Japan Group conducted an engagement survey and found areas of strength, such as being customer oriented and trusting management, while inter-organizational collaboration and support for individual employee career development were identified as challenges. Taking the results of this survey into consideration, we introduced a new personnel handling system in fiscal 2023 that emphasizes contribution based on role and performance. Furthermore, in order to support our employees in realizing long-term careers, we are introducing an internal secondment system and an internal job posting system beginning in fiscal 2024.

In fiscal 2023, we conducted engagement surveys at global Group companies, and renumeration and benefits as well as education and training were identified as key issues. We are formulating action plans based on the results of the surveys at each company, and we are working to improve employee engagement across the entire Daifuku Group.

	FY2021	FY2023
Employee Engagement Survey*	Domestic Group Companies Job satisfaction: 56%, ease of work: 51% (percentage of positive responses)	Global Group Companies Job satisfaction: 70%, ease of work: 76% (percentage of positive responses)

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

Workstyle reform

Our approach to workstyle reform is to strive to improve engagement through the following action policies: (1) implement initiatives based on a review of engagement survey results, (2) promote work-life balance, and (3) realize flexible work styles based on the characteristics of each job type. In the seven years since the Workstyle Reform Committee was established, the average monthly overtime hours have decreased by approximately 30%, and the paid leave usage rate has also increased by about 20%.

Paid leave acquisition rate

KPI

	FY2021	FY2022	FY2023
Paid leave acquisition rate	73.3%	78.9%	78.5%

Major initiatives for FY2023

- Utilize mobile work and remote work systems
- Improve operational efficiency through electronification and integration of information using digital technology
- Encourage employees to take paid leave by visualizing paid leave plans and results
- Implement measures to improve employee engagement (promote communication between supervisors and subordinates through morning meetings, etc.)
- Implement training for managers on improving workplace issues, and more

Remote work system

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

Enhancement of systems for diverse workstyles

To improve the quality of work and life of all employees and enable the sustainable development of the Group, we are promoting initiatives toward work-life balance. In accordance with revisions to the Labor Standards Act and the Act on Childcare Leave/Caregiver Leave, as well as the enactment of the Act on the Promotion of Women's Participation and Advancement in the Workplace, we are revising our personnel system to accommodate diverse workstyles and promote their use.

〉For an overview of benefits, please refer to this page (Japanese only).

Main systems

	System	Content
Employee refreshment	Flex-time system	We introduced a flex-time system to increase time consciousness through self-management, improve efficiency and productivity, and promote work-life balance.
	Leaving work on time	We designate every Wednesday as Health Day and encourage employees to leave work on time. We promote this through internal communications and regularly checking offices.
	Planned paid leave system	We encourage employees to take three days of paid leave (five or more continuous days including the weekend) between June and September every year. We monitor paid leave at the company with the union and aim for 100% acquisition rate.
	Long leave system	We have introduced a long leave system so that each employee can take a maximum of 60 accumulated days of leave for volunteer activities, treatment of non-occupational injuries, childcare, family care, and nursing care.
	Refreshment leave	We grant 20 continuous days of leave, including Saturdays and Sundays, to employees that turn 50 years old so that they can temporarily leave their work, design their future life plan, and return refreshed to their work.
Childcare support	Maternity leave (employee's childbirth)	6 weeks before childbirth (14 weeks for multiple pregnancies) 8 weeks after childbirth
	Paternity leave (spouse gives birth)	2 days when the employee's spouse gives birth
	Childcare leave system	Up to the end of the month in which the child turns 1 year old. (It is possible to extend the term up to 1 year and 6 months of age if daycare service is unavailable. The term can be extended up to 2 years of age if daycare service is still unavailable at the 1 year 6 months point.)
	System supporting early return to work after childcare leave	For employees who have returned to work early after taking childcare leave (not to exceed 11 months following childbirth) and are making use of a childcare service for a child under 1 year, we assist them with the associated costs.
	Shortened workday system	In cases where an employee is raising a child who has not yet reached the end of the third grade of elementary school, a shortened workday schedule can be applied for up to six years (otherwise, a flex-time system with no set core time can be applied).
	Sick childcare leave	For a child in the third grade of elementary school or younger who is being treated for an illness, childcare leave can be taken for five days a year (for two or more children, 10 days a year). Earnings in full day or on an hourly basis are possible.
	Job return entry system	For employees who have retired for reasons of childcare, the company offers opportunities for re-employment under certain specific conditions.
	Other	We offer a system to support the cost of babysitting services, and a system offering information on entering a childcare facility or using outsourced welfare services.
Support for family care	Family care leave system	A maximum of 1 year is available to provide care for a family member.
	Shortened workday system	For employees who are caring for a family member, a shortened workday program can be applied for up to three years (otherwise, a flex-time system with no set core time can be used).
	Family care leave	5 days per family member requiring care. 10 days if the employee has 2 or more family members requiring care (earnings in full day or on an hourly basis are possible).
	Job return entry system	For employees who have retired for reasons related to family health care, the company offers opportunities for re-employment under certain specific conditions.
	Remote work system (based on caregiver leave regulations)	Employees may work at home for up to one year for each family member requiring nursing care.

Support for balancing work with childcare and nursing care

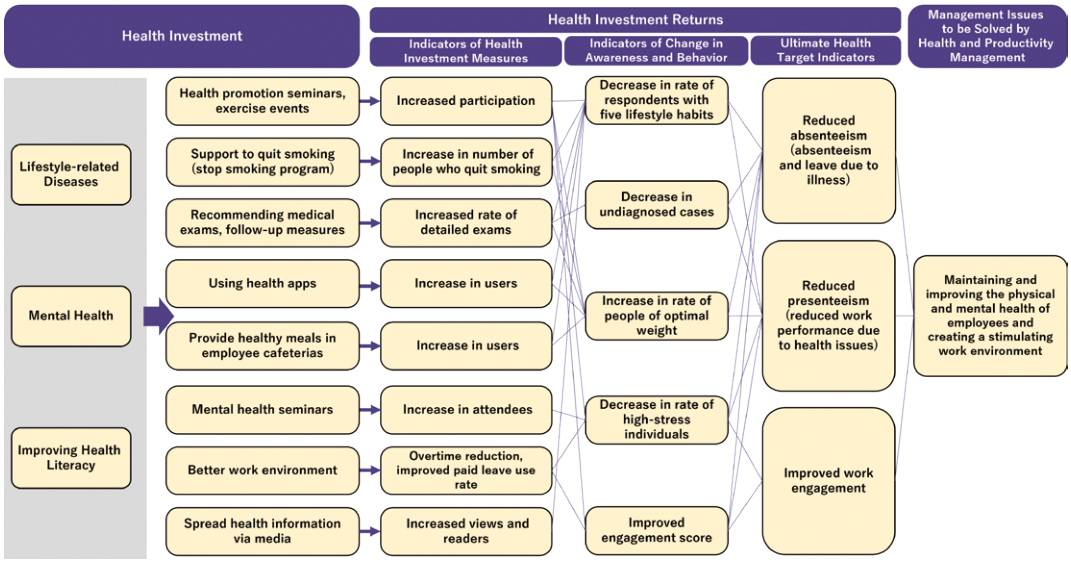
Handbook for Balancing Work and Nursing Care

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

Promotion of Health and Productivity Management

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

Strategy map of Health and Productivity Management



Major initiatives	Details

Prevention of lifestyle-related diseases and cancer	• Regular health checkups and follow-ups on the results
	  • Additional colon and stomach cancer screening for employees aged 35 and older
	  • Prostate cancer screening for male employees over age 50
	  • Health insurance union subsidized physical examinations, women's cancer screening (breast cancer and cervical cancer)
	  • Recommendations for medical examinations and lifestyle guidance by occupational health physicians and public health nurses are provided for diagnosed persons

Prevention, early detection, and return-to-work support for mental health problems	• Stress checks conducted once a year; interviews with occupational health physicians conducted for those who wish them • Self-care seminars and workplace improvement seminars for managers • Mid-career hires and transferees interviewed by public health nurses • Support for employees on leave from work until their return, and follow-ups after their return
Early detection and prevention of serious dental cavities and periodontal disease	• Dental checkups, including tooth brushing instruction, during regular health checkups • Educational activities on dental and oral health
Support to quit smoking	• Raise awareness of the effects of passive smoking and the health hazards of smoking through in-house newsletters, e-learning, etc. • Assistance with the cost of a stop smoking program using anti-smoking medications (FY2023 results: 24 participants and 9 ex-smokers quit) • Organize events to mark World No-Tobacco Day
Measures against infectious diseases	• Flu vaccination at each office subsidized by the health insurance union • Rubella antibody testing at regular health checkups

KPIs for lifestyle improvement and disease prevention

	FY2020	FY2021	FY2022	FY2023	FY2024 (target)
Rate of people staying at optimal weight*	64.0%	64.8%	64.3%	64.8%	67% or higher
Rate of habitual exercise	21.4%	22.6%	25.3%	25.4%	27% or higher
Adequate rest through sleep	69.9%	68.4%	69.7%	68.7%	70% or higher
Rate of regular health check-ups	100%	100%	100%	100%	100%
Rate of full medical exam (secondary exam)	70.2%	71.2%	69.3%	66.7%	100%
Completion rate for health care instructions	36.1%	44.7%	47.2%	56.9%	50% or higher
Rate of persons with lifestyle diseases	65.0%	62.7%	59.2%	61.3%	58% or less
Alcohol consumption habits	56.7%	55.5%	54.9%	54.5%	53% or less
Rate of smokers	26.1%	25.2%	24.8%	24.4%	23% or less

* BMI between 18.5 and 24.9

Maintaining a high rate of stress check testing

KPI

	FY2021	FY2022	FY2023
Maintaining a high rate of stress check testing	96.7%	99.3%	99.4%

Coordination with occupational health physicians and public health nurses

Occupational health physicians and public health nurses meet with employees at the company with findings from the results of regular health checkups to provide health counseling and guidance. For employees at offices throughout Japan and stationed outside of Japan, public health nurses conduct individual interviews online to provide consultation on lifestyle and health issues. Moreover, for the purpose of early detection of employees with mental health problems, all transferees, assignees, new employees, and mid-career hires are interviewed by public health nurses, giving them an opportunity to talk about any worries or anxieties they may be experiencing at their new workplaces.

Raising awareness for better health

Lunch walks

Walking events that use trails within the facility premises are held at Shiga Works twice a month during lunch breaks. A total of 7,746 people participated in fiscal 2023. Various walking events are also held at other locations.

Seminars and events

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

Release of the Mental and Physical Health Promotion Committee website

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

Addressing health issues specific to women

We have begun a health support initiative for female employees as a way to further enhance the quality of health management and improve the long-term utilization and engagement of human resources. In fiscal 2022, a seminar by an external expert was held in order to deepen understanding of women's life stages and health issues. As for systems, the coverage of purposes for which unused paid leave may be used has been expanded to include fertility treatment and treatment for menopausal symptoms. Additionally, the term "menstrual leave" was changed to "care leave" in order to improve presenteeism by lowering the psychological hurdle for taking this leave.

Improvements in working environment

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

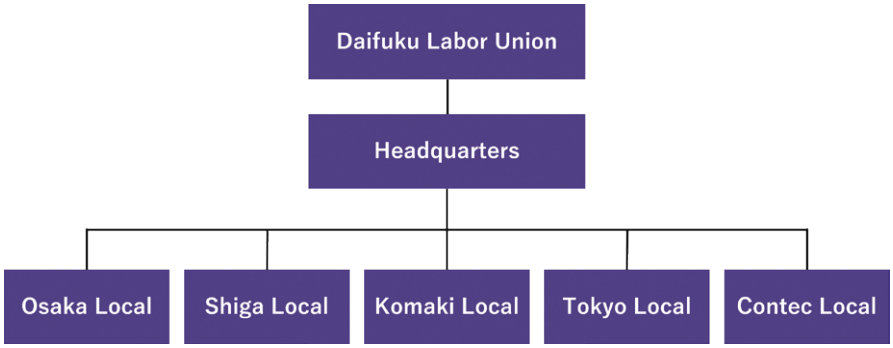
Massage rooms

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

Freedom of association and collective bargaining

The Daifuku Group recognizes and supports the freedom of association and the exercise of collective bargaining rights by our employees. The Daifuku Labor Union (formed in February 1948) covers all domestic employees apart from managers and those who are stipulated in the labor-management agreement. As of March 31, 2024, there were 2,896 union members, and the unionization rate of employees is 75.2%.* Since the union was formed, labor-management relations have been very amicable, with management and labor union representatives holding regular consultations as well as cooperating together in efforts to develop Daifuku's business.

* Calculations include Contec Co., Ltd.



Daifuku Labor Union organization chart

Major labor-management talks (FY2023)

	Times held	Main issues
Regular labor-management talks	12	• Confirmation of the Group's business status • Sharing of information on discussions at board and executive committee meetings
Extraordinary labor-management talks	2	• Negotiations over wages and bonus amounts
Labor-management special committees	11	• Discussion of various systems, including the personnel system

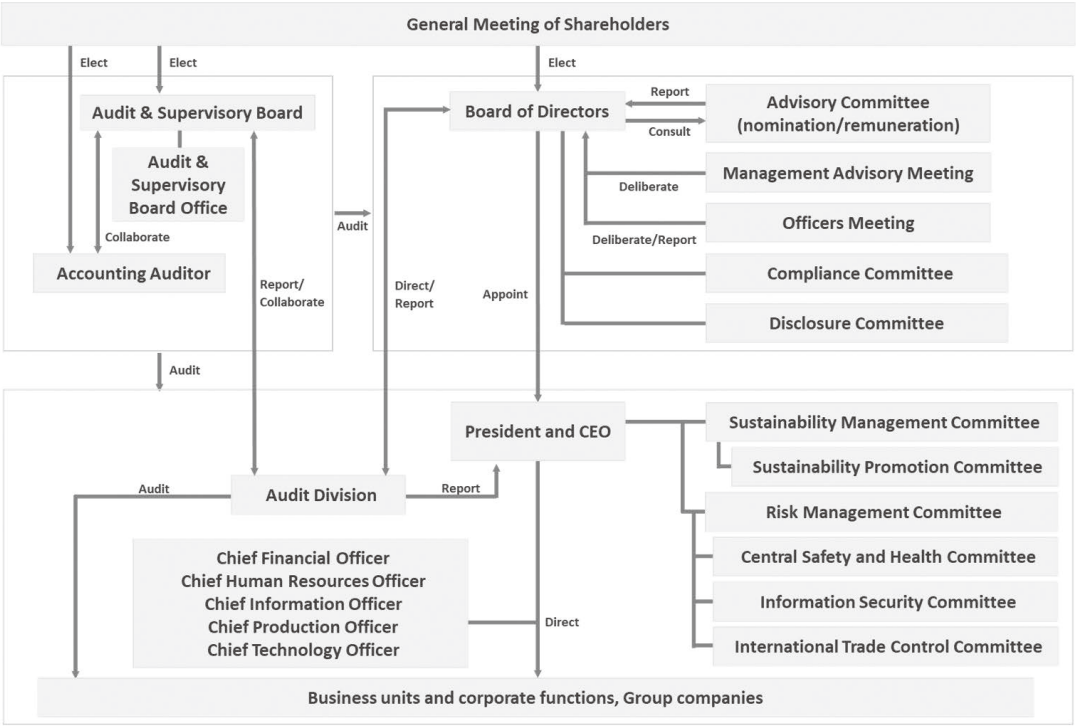
Corporate Governance

Basic stance

Under the company creed, as an unchanging corporate stance, and the spirit of its management philosophy, which is based on changes in the social and business environment, the Daifuku Group will contribute to the development of society and the economy as a whole, continuously enhancing the effectiveness of corporate governance to achieve sustainable growth and increase corporate value over the medium to long term.
In accordance with this basic stance, we have established the Daifuku Group Basic Policy for Corporate Governance.

〉Daifuku Group Basic Policy for Corporate Governance (750 KB) PDF

Corporate governance system



Updated in April 2024

Diversity in the Board of Directors (ratio)				
June 2024	Outside directors	Outside directors and outside members of the Audit & Supervisory Board	Female directors	Foreign national directors
	50% (5 out of 10)	57% (8 out of 14)	10% (1 out of 10)	10% (1 out of 10)

Reasons for adoption of the current corporate governance system

Daifuku Co., Ltd. is a company with an Audit & Supervisory Board. Under this basic structure, the Group has flexibly introduced and expanded systems to enhance management transparency and the management monitoring and supervision functions. We believe that the current corporate governance system is appropriate in terms of the workforce and business operations including scale of the Group and that we meet the expectations of shareholders, who entrust management to us.

Enhancement of the corporate governance system

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

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.

Composition of the Board of Directors and attendance rate for the fiscal year ended March 31, 2024

Title	Name	Attendance rate (number of attendance/ times of meetings held)
Representative director President and CEO	Hiroshi Geshiro	100% (16/16 times)
Directors	Seiji Sato	
	Hiroshi Nobuta	
	Hideaki Takubo	100% (11/11 times)
	Shuichi Honda	100% (5/5 times)
	Toshiaki Hayashi	100% (16/16 times)
Outside directors	Yoshiaki Ozawa	
	Mineo Sakai	
	Kaku Kato	
	Keiko Kaneko	
	Gideon Franklin	100% (11/11 times)
Audit & Supervisory Board member (full-time)	Tsukasa Saito	100% (16/16 times)
Audit & Supervisory Board members (outside)	Ryosuke Aihara	
	Tsukasa Miyajima	93% (15/16 times)
	Nobuo Wada	100% (16/16 times)

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.

Main agenda for Board of Directors meetings during the fiscal year ended March 31, 2024

- 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
- Status of cross-shareholdings
- Appointment of the Advisory Committee members
- 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

Skill matrix

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 Group. Skill matrix showing the expertise and experience of each director is as follows.

Name	Expertise, experience							
	Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	Environment, society, governance	Tenure
Hiroshi Geshiro	✓			✓	✓	✓	✓	9 years
Seiji Sato	✓				✓	✓		9 years
Hiroshi Nobuta	✓	✓				✓		3 years
Hideaki Takubo	✓		✓	✓		✓	✓	1 year
Tomoaki Terai	✓	✓			✓	✓		Newly elected
Yoshiaki Ozawa			✓			✓	✓	10 years
Mineo Sakai	✓		✓			✓	✓	6 years
Kaku Kato	✓			✓		✓	✓	5 years
Keiko Kaneko				✓		✓	✓	5 years
Gideon Franklin	✓		✓			✓	✓	1 year

Note: Up to five skills of individuals are marked with "✓". The above list does not represent all of the knowledge, experience, and abilities of individuals.

Executive remuneration

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). 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.

Revision of executive remuneration for the fiscal year ending December 31, 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 the fiscal year ending December 31, 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.

[Point 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.

[Point 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_2 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_2 emissions reduction, in addition to financial indicators.

[Point 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.

Outline of executive remuneration for the fiscal year ending December 31, 2024

	Basic remuneration	Performance-linked remuneration		
		Bonus	Non-monetary remuneration Board Benefit Trust (BBT)	
Payment criteria	Positions and roles	Calculate bonus resources from consolidated net income and ESG indicators. Allocate 50% of the resources according to positions and roles. Then, allocate 30% for quantitative evaluation and 20% for qualitative evaluation in the area of responsibility.	Short-term assessment	Degree of achievement in each fiscal year targets (consolidated net income amount and margin)
			Medium- to long-term assessment	Degree of achievement of targets for three- or four-year business plan including consolidated net sales, consolidated operating income, ROE, and ESG indicators.
Target recipients	All officers	Officers (excluding outside directors and Audit & Supervisory Board members)		

[Reference] Composition of remuneration for the fiscal year ended March 31, 2024

Malus clause

For the purpose of ensuring sound management, in accordance with relevant internal rules and regulations, the Company stipulates that in the event of certain circumstances concerning directors, such director may not acquire the right to receive benefits of BBT before the vesting of the right, upon resolution of the Board of Directors.

Evaluation of the Board of Directors' effectiveness

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 the fiscal year ended March 31, 2024 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
Evaluation items	• How the Board of Directors should be • Operation of the Board of Directors • The Board of Directors' monitoring function • Support system for directors and Audit & Supervisory Board members • Dialogues with shareholders and investors • Operation of the Advisory Committee • Composition of the Board of Directors • Discussions at the Board of Directors • Performance of outside directors • Training • Subjects' own actions

Initiatives and evaluation for the fiscal year ended March 31, 2024

Recognition of issues in the results of the effectiveness evaluation for the fiscal year ended March 31, 2023	Detailed initiatives for the fiscal year ended March 31, 2024	Evaluation results of the questionnaire for the fiscal year ended March 31, 2024
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.	
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 in the results of the effectiveness evaluation for the fiscal year ended March 31, 2024	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.

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.

Composition of the Advisory Committee and attendance rate at the committee meetings for the fiscal year ended March 31, 2024

Title	Name	Attendance rate (number of attendance/ times of meetings held)
Outside directors	Yoshiaki Ozawa (Chair)	100% (9/9 times)
	Mineo Sakai	
	Kaku Kato	
	Keiko Kaneko	
	Gideon Franklin	100% (7/7 times)
Representative director	Hiroshi Geshiro	100% (9/9 times)

Main agenda for the committee meetings during the fiscal year ended March 31, 2024

- 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

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.

Composition of the Audit & Supervisory Board and attendance rate at Audit & Supervisory Board meetings for the fiscal year ended March 31, 2024

Title	Name	Attendance rate (number of attendance/ times of meetings held)
Audit & Supervisory Board member (full-time)	Tsukasa Saito	100% (8/8 times)
Audit & Supervisory Board members (outside)	Ryosuke Aihara	
	Tsukasa Miyajima	
	Nobuo Wada	

Note: 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.

Main agenda for Audit & Supervisory Board meetings during the fiscal year ended March 31, 2024

- 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

Audit & Supervisory Board Office

To enhance the effectiveness of audits conducted by Audit & Supervisory Board members and the Audit & Supervisory Board, the Company has established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members and appointed an audit officer of the same rank as a corporate officer as the general manager of the Office.

Other bodies and systems

Management Advisory Meeting

Management Advisory Meeting is held to confer on important management matters. With all directors and Audit & Supervisory Board members in attendance, this meeting also seeks the opinions of related corporate officers, audit officers, executives, and external specialists on an as-needed basis. The Management Advisory Meeting is convened by the President and CEO as appropriate. In the fiscal year ended March 31, 2024, the Management Advisory Meeting met two times.

Officers meeting

The Company holds officers meetings to review and formulate the matters to be discussed by the Board of Directors as stipulated in the Rules of the Board of Directors and reports the matters stipulated in the Rules of the Officers Meeting. The officers meeting consists of all directors and all corporate officers. It is held with the attendance of Audit & Supervisory Board members and an audit officer. The meeting is held every month in conjunction with scheduled Board of Directors meetings.

Corporate officer system

The Company has introduced a corporate officer system for the purposes of the following:

- Accelerate decision-making on business execution through a reduction in the number of directors as well as further revitalizing the Board of Directors by promoting more rigorous deliberations.
- Engage in functional and efficient business operations by broadly promoting employees with knowledge of business operations to serve as corporate officers and execute business based on the authority bestowed upon them by the Board.

Cross-shareholding strategy

Basic policy

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 the 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.

In the fiscal year ended March 31, 2024, the Company reduced the holding of 12 issues of shares, including seven issues of shares sold entirely.

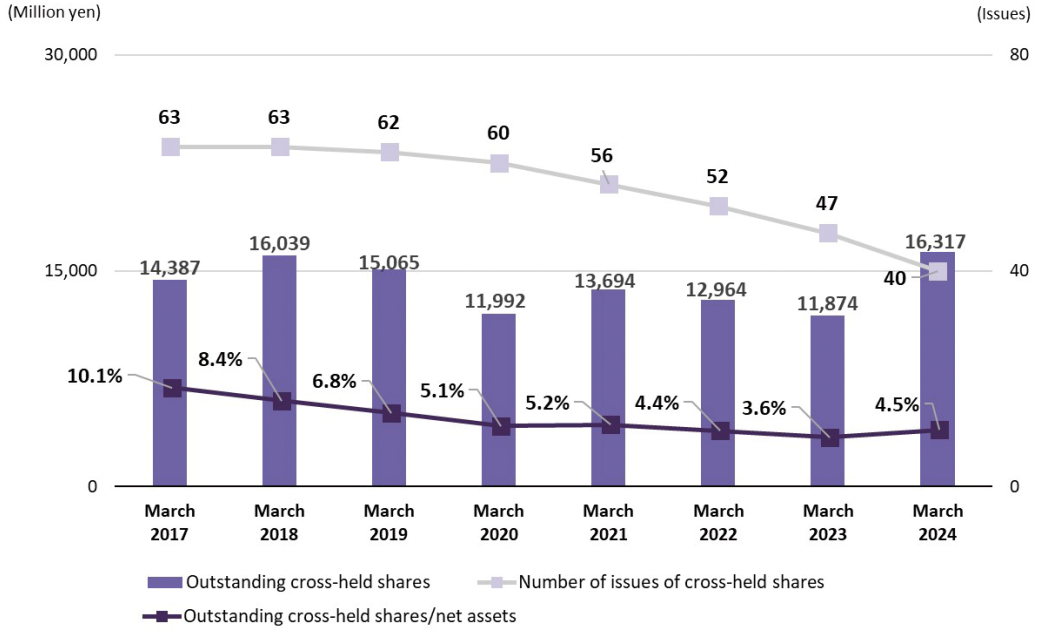
Exercise of voting rights attached to cross-shareholdings

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.

Relationship between cross-shareholders

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

Cross-shareholdings on consolidated balance sheets



Disclosures

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

〉 Daifuku Group Basic Policy for Corporate Governance (101 KB) PDF
〉 Disclosure Based on the Principles of Japan's Corporate Governance Code (837 KB) PDF

Reports

〉 Corporate Governance Report (630 KB) PDF
〉 Shareholders Meeting
〉 Daifuku Report
〉 Securities Report

Related links

〉 ESG Data
〉 Stakeholder Engagement

Compliance

Basic Approach

The Daifuku Group has established the Group Code of Conduct, which outlines the actions to be taken by all officers and employees of the Group in order to realize the company creed and management philosophy. In order to enhance the effectiveness of the Group Code of Conduct, the Daifuku Group has established various internal regulations under this management philosophy system, as well as clarified the definition of compliance to share values within the Group. The Group defines compliance as acting in good faith and complying with not only the internal and external rules, applicable laws, and regulations, but also observing social norms and ethics in all aspects of the Group's business. The Group aims to continue to meet the expectations and trust of society by ensuring that each and every officer and employee acts responsibly and with integrity.

Group Code of Conduct (extract)

Basic Stance

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

〉 Group Code of Conduct

Promotion System

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

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

Major Initiatives

Compliance promotion activities

1. Compliance Guidebook

We established our Code of Business Conduct in 2004 and revised it to the Group Code of Conduct in 2019. The Group Code of Conduct has been distributed to Group executives and employees as a booklet. However, in light of the rapid increase in the number of Group companies outside of Japan and the significant changes in the corporate environment, we believe it important to disseminate our approach to compliance throughout the Group in an easier-to-understand format, and thus created the Compliance Guidebook in 2021. This Guidebook includes the definition of compliance for the Group, an explanation of each item of the Group Code of Conduct, and the relationship between each item and the SDGs, and it is available in multiple languages for the entire Group. Q&A pages are also provided for more important information to ensure a deeper understanding of the contents. This Guidebook is intended for use by all officers and employees in their day-to-day activities while maintaining a common set of values regarding compliance throughout the Group.

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

2. Compliance education and training

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

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 cased of misconduct that were created during the Compliance Enhancement Month (more information below). In addition, we hold global compliance training each year. This year's training focused on respect for human rights, and it consisted of a video message from the CHRO on the importance of respect for human rights, an overview of the Daifuku Human Rights Policy, and explanations of the Daifuku Group's initiatives. A comprehension test on past training content including bribery, entertainment and gift-giving (anti-corruption), and competition law was also administered in order to provide a comprehensive summary of the previous mid-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.

Examples of training topics offered

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

3. Compliance Enhancement Month

We have set October as our yearly Compliance Enhancement Month, during which we carry out initiatives to raise awareness of compliance among employees.

The theme for fiscal 2023 was prevention of misconduct, and we made efforts to raise awareness on an individual level and engage each and every employee through initiatives such as creating comics of actual cases of misconduct and utilizing them in e-learning programs as well as soliciting entries for a compliance poem contest, of which winning works were selected and awarded prizes. In addition to the original Japanese, English and Chinese translations of the comics have been prepared and distributed to our global affiliates to help raise compliance awareness among all Group employees.

4. Anti-corruption

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

The issue of bribery is a serious risk that could directly lead to the tarnishing of our corporate value. Involvement in bribery in emerging and developing countries where the rule of law has not yet been established may distort the proper enforcement of regulations by the host government of the other country and may encourage corruption in the society of that country as a whole. For this reason, we have established Group rules on the provision of entertainment and gift-giving as well as those on the receipt of entertainment and gift-giving to set forth guidelines for the conduct of transparent business dealings by officers and employees of the Group.

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

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

5. Preventing anti-competitive behavior

In the Group Code of Conduct, the Group clearly states our commitment to compliance with competition laws and other rules and to promoting fair trade. In addition, the Group has established the Competition Law Compliance Regulations as rules applicable to the entire Group, and the CEO sends out messages through our internal network explicitly stating the company's stance of not accepting any act of profiteering through non-compliance. Furthermore, compliance with competition laws is also included as one of the topics in our global compliance training, and we regularly provide training on the Subcontract Act in Japan.

6. Response to anti-social forces

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

Whistleblowing system

We have established an internal whistleblowing system for the early detection of and appropriate action regarding any illicit activities or misconduct that may lead to violations of the law or our internal regulations. In addition to the internal reporting hotline, we have set up an external reporting hotline (outsourced to a neutral contractor) that provides multi-lingual support.

This reporting hotline allows anonymous reporting and is available not only to executives and employees of Daifuku and its Group companies, but also to former employees within one year of their leaving the company and business partners with ongoing dealings. To make effective use of this system, operating rules are stipulated in the Whistleblowing System Rules and its operating standards, and these encompass its function as a whistleblowing system under the Whistleblower Protection Act.

The rules primarily set forth that the Internal Reporting Secretariat is responsible for the administration of the system, verifies the facts of report, determines the course of action to take, and handles investigations among other duties. Investigations differ depending on the severity of the reported case, the degree of urgency, and whether or not upper management is involved. Should a compliance problem be identified through the investigation, corrective action and measures to prevent a recurrence are taken. Critical problems are reported to the Compliance Committee and the Audit & Supervisory Board. In addition, we impose an obligation to confidentiality on those involved in whistleblowing operations and protect whistleblowers so that they will not receive any disadvantageous treatment for filing a report.

To enhance the effectiveness of this system, top management communicates messages through the internal network, displays posters to publicize the system, and conducts regular compliance training for employees. In particular, we are working to improve the credibility of this system by publicizing the fact that whistleblowers will not only receive legal protection under the Whistleblower Protection Act, but also that whistleblowers may use this system without fear of retaliation for reporting.

In fiscal 2023, the external reporting hotline was used in 14 cases; the reports were related to labor (10 cases) and misconduct (4 cases).

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

〉 Personnel Consultation Office

Political and administrative relationships

Regarding political activities, we do not provide donations, favors, or other forms of assistance to any specific political party or politician. For political contributions, donations, or other support to any organizations, etc., we comply with the relevant laws and regulations and follow the proper procedures and methods. In fiscal 2023, we made no political contributions.

Risk Management

Daifuku Group Risk Management Policy

Basic Approach

The Group is surrounded by a variety of risks, including natural disasters, law violations, climate change, political unrest, wars and disputes, and cyberattacks. Even in these circumstances, we aspire to be a corporation that continues to achieve sustainable growth and enhance corporate value by tackling each challenge with flexible ideas and the persistence we have cultivated over the Group's history.
In addition, automated material handling systems are becoming an important social infrastructure that contributes to solving labor shortages and increasing productivity. We recognize that the Group has a social responsibility to provide a stable and continuous supply of such products and services, and we must avoid situations in which the impact of risk causes interruption of the Group's business activities.
Therefore, based on this policy, we will identify and assess risks, work to prevent them from materializing, and respond promptly and appropriately to minimize damage in the event of a crisis.

1. Objectives

We will engage in risk management with the following objectives:

- Secure and maintain the trust of customers and other stakeholders
- Implement the Group's management philosophy and achieve the Group's management objectives
- Ensure sustainable growth of the Group and improve our corporate value

2. Risk management activity principles

We will promote risk management based on the following activity principles in order to achieve our basic objectives:

- The Group's management will be actively involved in the assessment of, response to, and monitoring of risks that may affect the achievement of the Group's management objectives
- The Risk Management Committee will manage Group-wide risks centrally and cross-departmentally, and we will implement a risk management process based on the PDCA cycle
- We will establish regulations and manuals related to risk management, and we will continue our efforts to foster risk management awareness among officers and employees
- We will operate risk management not only as a defensive measure, but also as an offensive measure to strengthen the management base and ensure sound risk-taking, leading to the Group's sustainable growth
- In considering risk-taking, we will abide by our Group Code of Conduct, and we will not take any risk that would impede compliance with the Code

3. Guidelines for action in the event of a crisis

In the event of a crisis, we will act as follows:

- We will act ensuring life, health, and safety as our highest priorities
- We will strive to continue and quickly restore the supply of material handling systems, which are part of society's infrastructure
- We will take measures to minimize damage, preserve our assets, and continue our business

Established: April 1, 2024

Promotion System

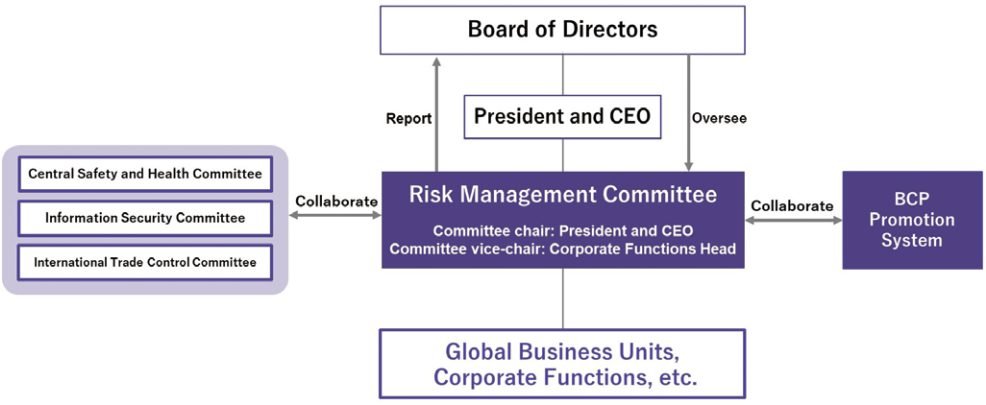
The Group has established a risk management system based on a three-line model with the President and CEO as the chief executive. Corporate Functions and other units in charge of risk management (second line) provide support, guidance, and supervision for risk management conducted by the global business units (first line), which are the entities responsible for responding to risks. In addition, the Audit Division (third line) inspects the risk management initiatives of the first and second lines.

We have established the Risk Management Committee, which is chaired by the President and CEO and includes the Global Business Heads, division managers, Corporate Functions, and other units, to monitor these initiatives from a company-wide perspective, issue instructions for action, and manage progress. The Committee met five times in fiscal 2023 and reports to the Board of Directors on the status of the Committee's initiatives and other matters as necessary.

This Committee promotes activities during normal times to control risks before they materialize; however, in the event of an emergency, the BCP promotion system is in place to respond to crises after risks have emerged. The BCP promotion system works with the Risk Management Committee to consider and prepare for crises starting from normal operations. When faced with a crisis such as a large-scale disaster, we will quickly establish a framework and take initial actions to prevent secondary disasters, placing the highest priority on human lives.

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

FY2024 promotion system



Risk Management Committee

The main roles of each committee

In order to strengthen the risk management system, the Central Safety and Health Committee, the Information Security Committee, and the International Trade Control Committee work in cooperation with the Risk Management Committee, effective starting fiscal 2023. The main roles of each committee are as follows.

Risk Management Committee

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

Central Safety and Health Committee

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

Information Security Committee

- Planning and scheduling of information security management and implementation of in-house training
- Establishing and revising information security rules and assessing compliance with them
- Studying countermeasures for cyber-attacks and information security risks

International Trade Control Committee

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

Major Initiatives

Risk assessment

The Group conducts regular Group-wide risk assessments, and the Risk Management Committee identifies and evaluates key risks that may have a significant impact on our business activities. We formulate policies to address the key risks that are identified, and we systematically promote initiatives while confirming their progress.

Overview of significant risks

The following is a list of risks that we recognize as having the potential to significantly affect our business performance as of June 2024. However, this is not an exhaustive list of all risks to the Group, and there are unforeseen risks other than those listed. While we are taking measures to mitigate each of these risks, it is difficult to completely predict or address all of them.

List of assessments of key risks

Risk theme	Risk item	Impact	Likelihood	Likely timing of risk materialization
① Changes in the business environment	Changes in the market environment	Large	High	Within one year
	Economic crises and business fluctuation	Large	Medium	Within one year
	Loss of important customers	Large	Relatively high	No specific timing
	Political upheaval, revolution, war, civil war, conflict, riots, terrorism	Large	Low	Within one year
② Procurement/supply chain	Delays, shortages, or inability to procure raw materials, parts, purchased goods, etc.	Relatively large	High	Within one year
③ Growth strategy	New domain creation and technology development	Large	High	Within five years
④ Human resources-related	Lack of human resources development initiatives	Relatively large	High	Within three years
	Shortage of employees (workers)	Relatively large	High	Within three years
	Education of successors (management positions)	Large	Medium	Within five years
	Securing human resources; employee turnover	Relatively large	High	Within one year
⑤ Group governance	Inadequate management of subsidiaries	Large	Relatively high	No specific timing
	Scandals involving Group companies	Large	Medium	No specific timing
⑥ Natural disasters	Large-scale natural disasters (e.g., large-scale earthquakes, tsunamis, storms, floods, etc.)	Large	Low	No specific timing
⑦ Information security	Leakage of confidential information due to human factors	Large	Medium	No specific timing
	Cyberattacks	Large	Medium	No specific timing

① Changes in the business environment

Description	The impact of changes in the business environment, whether positive or negative, represented by the following. • Trends in the global economy and business climate, policy shifts in various countries, and conflicts and political upheavals around the world • Changes in the market environment, such as fluctuations in capital investment trends, and trends among customers and competitors • Changes in economic and social trends, such as the increasing need for automation and labor-saving measures due to the declining birthrate, aging population, and labor shortages, and economic development in the countries of the so-called Global South
Countermeasures	• Monitor economic conditions, the market environment, customer industry needs, and trends, and reflect them flexibly in our management and business plans

② Procurement/supply chain

Description	• Increase in energy prices, prices of parts and raw materials; increase in logistics costs triggered by the so-called "2024 problem in logistics" in Japan • Delays in the production of our products, installation operations, and provision of services due to stagnation or failure in the procurement of parts and materials • Deterioration of the Group's social credibility and failure to build and maintain medium- to long-term relationships in the supply chain as a result of a lack of initiatives regarding sustainable procurement and compliance with the Subcontract Act
Countermeasures	• Manage costs and deadlines; review the contract terms and conditions for various kinds of transactions • Form a cross-divisional logistics task force and address the risks associated with the 2024 problem in logistics • Formulate and review the Sustainable Procurement Guidelines and the Daifuku Group Procurement Policy • Began operation of the Supply Chain Management Committee in fiscal 2024 to ensure compliance with the Subcontract Act in production and installation-related operations; implement measures for sustainable procurement activities and supply chain optimization across our businesses 〉 Supply Chain Management

③ Growth strategy

Description	• Inability to create new domains and new businesses in timely response to changes in industrial structures and social conditions • Inability to sufficiently secure and train human resources in technical fields resulting in hindered technical development and reduced competitiveness
Countermeasures	• Established the Business Innovation Division, headed by the CTO (Chief Technology Officer), in fiscal 2024 • Promote the introduction of advanced technologies such as AI and build development systems across our businesses to strengthen our technological competitiveness • Introduce e-learning systems and AI education programs for officers and employees to improve skills and literacy related to DX and AI

④ Human resources-related

Description	• Lack of initiatives to cultivate successors (officers, management positions) • Securing the next generation of human resources; employee turnover • Decline of competitiveness and losses of continuity in business operations, technological and technical expertise, and superiority due to shortages of human resources with specialized knowledge and skills
Countermeasures	• Establish a systematic successor training program through the clarification of key positions and definition of Group-wide competencies (desired behavioral traits and attitudes) • Conduct an engagement survey (research on job satisfaction and ease of work) • Actively recruit women and foreign national employees; implement measures to retain mid-career hires 〉 Talent Development

⑤ Group governance

Description	• Mismanagement due to rapid growth of the Group and increase in subsidiaries and employees • Decline in social credibility and adverse effects on business performance due to fraud and scandals or organizational management failure
Countermeasures	• Establish the Group Code of Conduct and set out guidelines for actions to be taken by officers and employees of the Group • Distribute the Compliance Guidebook in multiple languages and conduct compliance education such as e-learning courses and rank-based training • Review and disseminate various policies and regulations • Plan and implement measures to reduce the risk of losses, especially in large-scale projects 〉 Compliance

⑥ Natural disasters

Description	• Interruption of corporate activities due to large-scale natural disasters such as earthquakes, typhoons, and tsunamis
Countermeasures	• Conduct natural disaster hazard surveys for each site and increase emergency stockpile reserves • 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 • Conduct business impact analyses and reviews of the system table of each business unit to improve the effectiveness of the business continuity plan (BCP)

⑦ Information security

Description	• Leakage or unauthorized use of important information assets, suspension of business activities, and deterioration of the Group's reputation due to cyberattacks or internal fraud
Countermeasures	• Enhance information security measures across the Group, centered on the Information Security Committee, which is chaired by the CIO (Chief Information Officer) • Identify the extent of impact and damage in the event of a cyberattack • Provide initial responses to prevent the spread of damage and examine measures to prevent recurrence • Conduct regular education and drills for employees

Business continuity plan

We have formulated a business continuity plan (BCP) to minimize damage to business assets and to enable business continuity and a rapid recovery in the event of a crisis such as a large-scale disaster, with human life as the top priority. In formulating our BCP, we followed the ISO 22301 international standard for its development and operation.

With the aim of enhancing the effectiveness of our BCP, we are conducting regular risk assessments at our business locations, introducing a safety confirmation system, implementing periodic exercises based on the initial response manual, and upgrading our disaster prevention supplies. Daifuku will, if necessary, establish on-site disaster headquarters in the event of an earthquake with an intensity of 5 or higher (per the Japan Meteorological Agency Seismic Intensity Scale), a disaster requiring prolonged recovery efforts, or other events that have or are expected to have a significant impact on business operations.

Daifuku Group Information Security Policy

Basic Approach

The Daifuku Group regards the information entrusted to us by our customers and business partners as well as trade secrets, personal information, and systems that the Group possesses regarding this information (hereinafter referred to as information assets) as important management assets in our business. We will strive to earn the trust of all members of society, including our customers, and enhance our corporate value by systematically and continuously making efforts in information security as denoted below.

Basic Policy

1. Compliance with laws and regulations

We will implement measures in each country and region to comply with the requirements of laws, national guidelines, contractual obligations, and other social standards related to information security.

2. Establishment of an appropriate platform for information management

In order to ensure the security of information assets, we will clarify our system responsible for information security and implement appropriate measures as follows in accordance with the importance and risks of the information assets.

- Establish an information security governance system
  We will establish a centralized management system led by the Information Security Committee, and a person responsible for the handling of information will be appointed within each division and company.
- Establish regulations for information security
  We will establish regulations and guidelines for information security, and we will strive to continuously improve our initiatives to ensure information security.
- Implement safety management measures
  Appropriate management measures, including personnel and physical management as well as system, server, and network management, will be implemented throughout the life cycle of information in accordance with its level of importance.
- Education and training
  We will continuously provide education and training on information security to all Group officers and employees in an effort to raise awareness and ensure compliance with rules and regulations. Any violations of these rules and regulations will be dealt with strictly, including disciplinary action against the offending party.
- Information security audits
  We will conduct internal audits throughout the entire Group on the status of information security measures, regularly confirm the status of compliance with information security rules and operation of information security management systems, and continuously make improvements. Additionally, we will monitor for new threats and changes in risks to prevent new vulnerabilities from emerging.

3. Establishment of an information security incident response system

We will establish a management system that enables the prompt resumption and continuation of business activities should an information security incident result in an interruption of operations. In the event that an incident occurs, we will make efforts to identify the cause and prevent recurrences.

Established: September 1, 2024

Strengthening information security

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

IT countermeasures	• IT security measures with multi-layered protection (entrance, exit, and internal) • Confirmation of activities through logs
Organizational countermeasures	• Implementation of company-wide information security management activities based on global rules and guidelines • Development of information security management activities in the supply chain
Human countermeasures	• Cultivation of a corporate culture of information security by providing various types of education and training to all employees • Prevention of negligence and fraud through human risk countermeasures such as written pledges and a variety of checks
Physical countermeasures	• Implementation of zone classification and thorough risk management by zone management officers • Promotion of the prevention of unauthorized entry and theft by implementing physical measures corresponding to zone classifications

Personal information initiatives

We have established the Group Basic Policy for the Protection of Personal Information in order to define basic rules for the handling of personal information. This policy is implemented globally to ensure proper processing of personal information throughout the Group. Additionally, in order to specify the obligations we must comply with in handling personal information, we established the Personal Information Protection Regulations in 2015 as well as a system of regulations and related guidelines in 2023, and we are working to ensure the proper handling of personal information. In particular, we take additional precautions to manage sensitive personal information that requires special care in processing.

For more information regarding the Group's handling of personal information obtained from customers and other parties, please refer to our Privacy Notice.

Information security education

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

	Target	Description
Awareness-raising month	Officers and all employees (global)	A designated annual Information Security Awareness-Raising Month during which messages from the president and other top officers are distributed and lectures by experts are held.
Rank-based training	Newly graduated employees, newly promoted employees, mid-career hires, etc.	Conduct training on essential information security knowledge at the time of hiring, promotion, etc.
E-learning courses	Officers and all employees (global)	Conducted multiple times per year. Fosters awareness of information security throughout the entire global company.
E-mail drills	Officers and all employees (global)	Conducted multiple times per year, including follow-up training.

KPI

	FY2021	FY2022	FY2023
Global information security training	2 sessions	4 sessions	4 sessions
Global e-mail training	3 sessions	4 sessions	4 sessions

ESG Data

This page summarizes the main ESG (environmental, social, and governance) data for the Daifuku Group's business activities.

E: Environmental

Type	Item	Scope	Unit	FY2021	FY2022	FY2023
CO_2	CO_2 emissions (Scopes 1+2)[*1]	Global	t-CO_2	34,823	26,408	20,926
	CO_2 emissions	Japan	t-CO_2	11,827	7,656	3,392
	CO_2 emissions	Outside of Japan	t-CO_2	22,996	18,752	17,534
	CO_2 emissions per net sales	Global	t-CO_2/¥100 million	6.8	4.4	3.4
	Scope 1[*1]	Global	t-CO_2	9,684	10,511	8,804
	Scope 1	Japan	t-CO_2	1,793	1,928	1,609
	Scope 1	Outside of Japan	t-CO_2	7,891	8,583	7,195
	Scope 2	Global	t-CO_2	25,139	15,897	12,122
	Scope 2	Japan	t-CO_2	10,034	5,728	1,783
	Scope 2	Outside of Japan	t-CO_2	15,105	10,169	10,339
	Scope 3[*2]	Global	t-CO_2	1,960,740	2,363,344	2,115,601
Energy	Energy consumption (production)[*1]	Global	GJ	688,243	691,821	661,357
	Energy consumption (non-production)[*1]	Global	GJ	84,828	82,226	108,136
	Electricity[*1]	Global	GWh	60	58	59
	Electricity derived from renewable energy sources	Global	GWh	5.9	16.9	32.1
	Percentage of electricity derived from renewable energy sources	Global	%	9.8	29.1	54.0
	Liquefied petroleum gas	Global	t	560	606	490
	City gas	Global	Thousand m^3	2,930	3,333	3,147
	Type-A heavy oil	Global	kl	56	80	84
	Kerosene	Global	kl	22	17	14
	Gasoline	Global	kl	457	370	321
	Light oil	Global	kl	89	67	42
Raw materials	Steel	Daifuku Co., Ltd.	t	22,467	22,017	17,854
	Aluminum material	Daifuku Co., Ltd.	t	2,022	2,472	1,591
Water resources	Water consumption[*3]	Japan	m^3	104,139	99,057	86,589
	Groundwater (well water)[*3]	Japan	m^3	55,847	51,366	39,992
	Water supply, industrial water	Japan	m^3	48,292	47,691	46,597
	Surface water (rivers, lakes, seas)	Japan	m^3	0	0	0
	Water consumption[*3]	Outside of Japan	m^3	103,114	117,738	96,428
	Water discharge	Japan	m^3	104,139	96,611	78,360
	Water use intensity	Global	Thousand m^3/¥100 million	0.0405	0.0360	0.0299

Type	Item	Scope	Unit	FY2021	FY2022	FY2023
Waste	Waste generated (including valuable wastes)*4	Japan	t	5,782	4,775	4,778
	Waste generated (including valuable wastes)*5	Outside of Japan	t	4,035	2,749	5,903
	Landfill disposal*4	Japan	t	37	29	32
	Landfill disposal*5	Outside of Japan	t	77	105	191
	Recycling rate of waste (including valuable wastes)*5	Global	%	97.1	95.3	95.6
	Landfill disposal rate	Japan	%	0.6	0.6	0.7
	Landfill disposal rate*5	Outside of Japan	%	1.9	3.8	3.2
Other	Soil and groundwater pollution status reported within plant grounds	Japan	Cases	0	0	0
	Number of environment-related (including water-related) legal violations	Japan	Cases	0	0	0
	Amount paid in fines for environmental-related (including water-related) legal violations	Japan	Million yen	0	0	0

*1 We have adopted a more accurate aggregation method and revised the results for FY2021 (August 2023).
*2 We have adopted a more accurate aggregation method and revised the results for FY2021-2023 (August 2024). The aggregation scope is listed on the Climate Change page.
*3 Due to an error in the aggregation method, the results for FY2022 have been revised (August 2024).
*4 Due to an error in the aggregation method, the results for FY2021 have been revised (August 2023).
*5 Figures for FY2021 and FY2022 do not include data for North American locations.

S: Social

Type	Item	Scope	Unit	FY2021	FY2022	FY2023
Quality	Number of serious accidents related to product or system safety	Global	Cases	0	0	0
Employ-ment	Number of employees	Global	People	12,436	13,020	13,071
	Number of employees	Daifuku Co., Ltd.	People	3,202	3,375	3,509
	Average age	Daifuku Co., Ltd.	Age	41.0	41.0	41.3
	Average years of service	Daifuku Co., Ltd.	Years	15.1	15.0	15.3
	Average annual salary	Daifuku Co., Ltd.	Yen	7,674,522	7,712,196	7,757,563
	Ratio of women's wages to men's wages (all workers)	Daifuku Co., Ltd.	%	—	68.8	69.1
	Ratio of women's wages to men's wages (regular employment)	Daifuku Co., Ltd.	%	—	76.5	76.3
	Ratio of women's wages to men's wages (non-regular employment)	Daifuku Co., Ltd.	%	—	49.9	53.1
	New graduate recruits*1	Daifuku Co., Ltd.	People	94	103	104
	Mid-career recruits	Daifuku Co., Ltd.	People	108	144	129
	Ratio of female recruits	Daifuku Co., Ltd.	%	8.4	8.1	13.3
	Number of female employees	Daifuku Co., Ltd.	People	402	420	442
	Number of female managers*2 * As of April 1 the following fiscal year	Daifuku Co., Ltd.	People	26	31	41

Type	Item	Scope	Unit	FY2021	FY2022	FY2023
Employ-ment	Ratio of women in management positions*2 * As of April 1 the following fiscal year	Daifuku Co., Ltd.	People	3.3	4.1	5.3
	Employment rate of people with disabilities * As of June 1	Daifuku Co., Ltd.	%	2.54	2.48	2.42
Training	Employee training costs	Japan	Million yen	98.9	158.7	190.7
	Training time per person	Japan	Hours	51.2	55.6	59.4
	Number of days of training per person * Calculated by converting the training hours into 7 hours and 45 minutes, which is the standard working hours per day.	Japan	Days	6.6	7.2	7.7
	Number of employees partici-pating in compliance training * Rank-based training	Japan	People	235	243	264
	Number of occupational safety and health trainees	Japan	People	1,627	2,161	1,885
Labor	Paid leave acquisition rate	Daifuku Co., Ltd.	%	73.3	78.9	78.5
	Maternity leave utilization	Daifuku Co., Ltd.	People	8	7	16
	Childcare leave utilization rate (female)	Daifuku Co., Ltd.	%	100	100	100
	Childcare leave utilization rate (male)*3	Daifuku Co., Ltd.	%	27	44	65
	Childcare short-time workday system utilization (female)	Daifuku Co., Ltd.	People	34	33	30
	Childcare short-time workday system utilization (male)	Daifuku Co., Ltd.	People	1	0	0
	Return to work rates after 6 months of maternity/childcare leave	Daifuku Co., Ltd.	%	100	100	96
	Nursing care leave utilization	Daifuku Co., Ltd.	People	1	1	0
	Turnover rate*4	Daifuku Co., Ltd.	%	2.43	2.70	3.56
Safety*5	Frequency rate	Japan	—	0.21	0.45	0.55
	Frequency rate	Outside of Japan	—	0.65	0.90	0.58
	Severity rate	Japan	—	0.002	0.006	0.016
	Severity rate	Outside of Japan	—	0.009	0.216	0.011
	Employee fatalities	Japan	People	0	0	0
	Employee fatalities	Outside of Japan	People	0	1	0
Communi-ties	Number of visitors to the Hini Arata Kan demo center*6	—	People	4,503	14,980	17,859
	Amount spent for promoting social contribution activities (including donations)	Daifuku Co., Ltd.	Million yen	28.98	39.56	43.08
	Donation amount to non-profit organizations	Daifuku Co., Ltd.	Million yen	3.23	3.25	15.43
Other	R&D costs	Global	Million yen	10,735	10,496	11,264

*1 Figures for FY2021 and FY2022 have been revised to reflect the change in data aggregation timing (August 2024).
*2 Figures for FY2021 and FY2022 have been revised, as previous disclosures denoted data as of March 31 of the same fiscal year (August 2024).
*3 Figures are based on the amendment to the Child Care and Family Care Leave Act.
*4 Excludes retirees and employees who leave the company upon the conclusion of their contract period.
*5 Data from January through December. These indicators are calculated including installation contractors.
*6 We were temporarily closed to the general public in FY2021 due to the COVID-19 pandemic.

G: Governance

Type	Item	Unit	FY2021	FY2022	FY2023
Composition of the Board of Directors	Number of directors	People	9	9	10
	Number of outside directors	People	4	4	5
	Number of female directors	People	1	1	1
	Number of foreign national directors	People	0	0	1
Composition of the Audit & Supervisory Board	Number of Audit & Supervisory Board members	People	4	4	4
	Number of outside Audit & Supervisory Board members	People	3	3	3
Number of meetings	Number of Board of Directors meetings (regular, irregular)	Times	18	17	16
	Number of Audit & Supervisory Board meetings	Times	8	9	8
	Advisory Committee for Nomination and Renumeration	Times	5	7	9
Remuneration	Directors (outside directors)	Million yen	515 (60)	576 (60)	560 (71)
	Audit & Supervisory Board members (outside members)	Million yen	77 (30)	76 (30)	79 (34)
Other	Whistleblowing cases	Cases	6	17	14
	Investor Relations (IR) coverage	Companies	1,244	1,437	1,232

Evaluation from Outside the Company

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

MSCI Constituent

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

MSCI Japan ESG Select Leaders Index

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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

〉For more information on the MSCI Japan ESG Select Leaders Index, please refer to this website.

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

FTSE Russell Constituent

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

FTSE4Good Index Series

FTSE4Good

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

〉For more information on the FTSE4Good, please refer to this website.

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

FTSE Blossom Japan Index

FTSE Blossom Japan Index

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

〉For more information on the FTSE Blossom Japan Index Series, please refer to this website.

* FTSE Russell confirms that Daifuku Co., Ltd. has been independently assessed according to the index criteria and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index.

FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is designed as a sector neutral benchmark that reflects the performance of companies demonstrating strong Environmental, Social, and Governance (ESG) practices in Japan. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

* FTSE Russell confirms that Daifuku Co., Ltd. has been independently assessed according to the index criteria and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index.

CDP Rating

CDP Climate Change and Water Security 2023

CDP DISCLOSURE INSIGHT ACTION

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

〉For more information on the CDP, please refer to this website.

CDP Supplier Engagement Rating 2023

CDP SUPPLIER ENGAGEMENT LEADER 2023

The Daifuku Group has been selected to hold a place on the SER Leaderboard, the highest rating on CDP's Supplier Engagement Rating (SER), which evaluates supplier engagement in regards to climate change.

〉For the list of selected companies, please click here.

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

Sustainalytics ESG Risk Rating

Rated MORNINGSTAR | SUSTAINALYTICS

As of August 2024, Daifuku Co., Ltd. received an ESG Risk Rating of 17.0 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing material financial impacts from ESG factors.

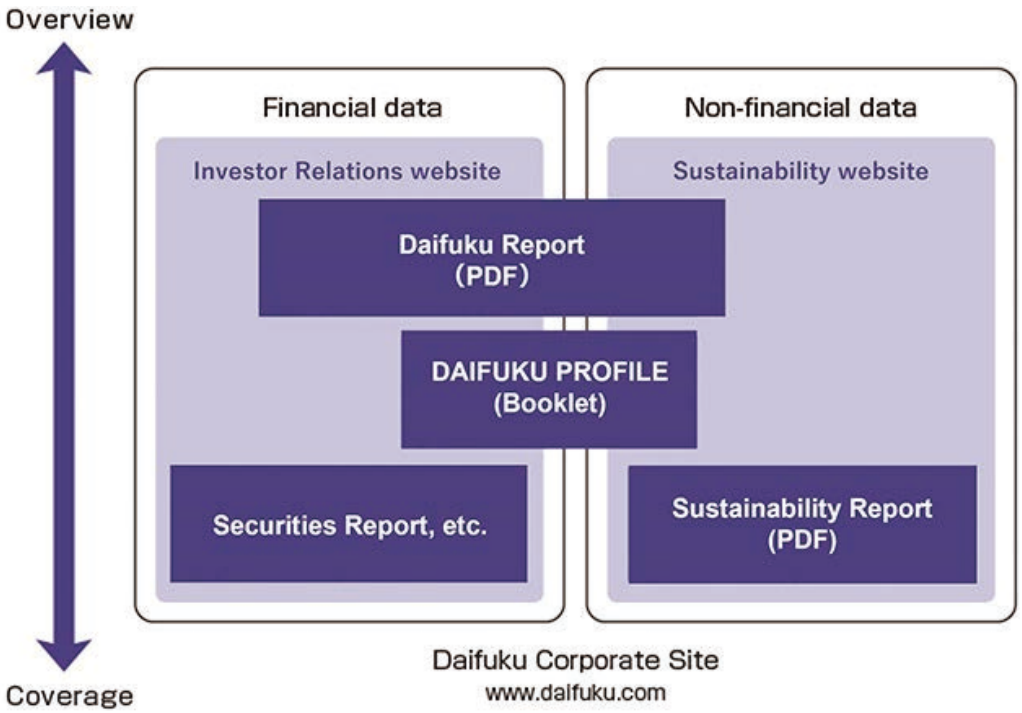
〉For more information on the Sustainalytics ESG Risk Ratings, please refer to this website.

* Copyright ©2023 Morningstar Sustainalytics. All rights reserved. This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at www.sustainalytics.com/legal-disclaimers

Editorial Policy

Basic Approach for Information Disclosure

This sustainability website lists Daifuku's ESG (environmental, social, and governance) and SDGs initiatives for fiscal 2023. Additionally, as a tool for disclosing financial and non-financial information, we disseminate information as shown below.
We will continue to promote our sustainability initiatives while engaging in communication with our stakeholders.



Reporting Scope

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

Reporting Period

FY2023 (April 2023 – March 2024)

* Numerical data as of March 31, 2024, has been disclosed.
* Some items also list information from outside the period listed above.

Referenced Guidelines

- GRI Standards
- ISO26000
- Ministry of the Environment, Environmental Reporting Guidelines (2018 Version)
- Task Force on Climate Related Financial Disclosures (TCFD) Final Report
- International Integrated Reporting Framework
- SASB Standards
- IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2)

DAIFUKU CO., LTD.

www.daifuku.com

2411-17SR-E