

# Corporate Governance Report

Translated from the original Japanese-language document

Last update: July 7, 2023

Daifuku Co., Ltd.

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[www.daifuku.com](http://www.daifuku.com)

The corporate governance of Daifuku Co, Ltd. (the Company) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views Updated

The Daifuku Group (hereinafter, the "Group") emphasizes the fulfillment of its corporate social responsibility (CSR) based on the following management philosophy:

#### **Automation that Inspires**

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

We will

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

Daifuku is a company with an Audit & Supervisory Board. The Company enhances its corporate governance framework by developing a Board of Directors consisting of ten (10) members, including five (5) independent outside directors, and an Audit & Supervisory Board consisting of four (4) members, three of whom are elected from outside the Company. More than one-third of the Board of Directors are independent outside directors. The composition indicates that the Company considers diversity. To supplement the functions of the Board of Directors, the Company has an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of the management team members. In addition, to encourage rapid decision-making on business execution, the Company has introduced a corporate officer system.

Audit & Supervisory Board members, together with the Audit & Supervisory Board Office, further strengthen cooperation between the Audit Division and the accounting auditor to deepen and streamline audit work. The Company has also introduced an audit officer system to strengthen auditing functions.

The President and CEO (hereinafter, the "CEO") directs each Global Business and the Corporate Functions and identifies and addresses issues common to the entire Group through the committees under the direct control of the CEO.

**[Reasons for Non-Compliance with the Principles of Japan's Corporate Governance Code]**

Daifuku complies with all of the Principles of Japan's Corporate Governance Code.

**[Disclosure Based on the Principles of Japan's Corporate Governance Code] Updated**

The Group actively strives to enhance its corporate governance with the aim of ensuring the sustained growth of the Group and improved its medium- to long-term corporate value. Accordingly, the Daifuku Group's Basic Policy for Corporate Governance (hereinafter, the "Policy") has been clarified, and the Group's status of efforts for all 83 items of the Japan's Corporate Governance Code (hereinafter, the "Code") has been summarized. The Policy shows our basic approach to corporate governance at the beginning, organizes the specific response status in code order, and introduces reference points for the latest securities report and the Daifuku Report as integrated reporting.

See our website for the Daifuku Group's Basic Policy for Corporate Governance.  
[www.daifuku.com/ir/policy/governance](http://www.daifuku.com/ir/policy/governance)

Disclosures based on the Principles that specific matters should be disclosed are as follows:

**[Principle 1.4 Cross-Shareholdings]**

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. On the other hand, Daifuku has established a firm relationship of trust with its customers through after-sales services as well as the delivery of products. Circumstances including these trade relations will also be taken into consideration when the economic rationale of cross-shareholdings, such as market capitalization, book value, transaction amounts, dividends, ROE, and risk of shareholdings, is examined. Shares, which the Board of Directors regards as having no significance, will be sold on a timely basis.

With respect to the voting rights attached to cross-shareholdings, we will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners in 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. Audit reports concerning that partner shall also be scrutinized.

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

**[Principle 1.7 Related Party Transactions]**

The rules of the Board of Directors stipulate that, with respect to a conflict-of-interest transaction between a director and the Group, the director shall seek prior approval for the transaction from the Board of Directors and report it to the Board of Directors even after the fact. With respect to transactions with directors, Audit & Supervisory Board members, and their close relatives, we conduct a survey on the existence of transactions at the beginning of every fiscal year and report findings of material facts about related-party transactions to the Board of Directors. Any transactions between related parties are disclosed in accordance with applicable laws and the rules established by the Tokyo Stock Exchange.

**[Supplementary Principle 2.4.1 Ensuring diversity in the core human resources of a company]**

1. Concept of ensuring diversity, policies for human resource development and internal environment development to ensure diversity

We are promoting the employment of diverse human resources based on our management philosophy and the development of an environment where each employee is able to work actively with a sense of "motivation" and "ease of work." Under the three-year business plan Value Transformation 2023\*, with the themes of adopting diverse human capital management systems and creating a global corporate culture, we are working to develop and promote human resources and improve employee engagement.

2. Status of ensuring diversity

1) Policies and goals for promoting women to managerial positions

To facilitate the active participation of women, we are developing and expanding a reinstatement support system that enables us to fully demonstrate our abilities and grow while striving to balance childcare and work in time and economic terms. In addition to increasing the ratio of female employees, the number of female employees working as practical leaders and section managers is increasing and their field of activity is expanding. Also, in the general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have set a target of increasing the number of female managers to 30 or more by April 1, 2023, compared with the previous target of 24 or more by March 31, 2025, as below. We will increase the number of female executives who are involved in management decision-making in the future.

*Changes in the number of female managers*

18 as of April 1, 2020

20 as of April 1, 2021

26 as of April 1, 2022

31 as of April 1, 2023

\* Three-year business plan Value Transformation 2023 (April 1, 2021 - March 31, 2024)

2) Policies for promoting foreign nationals to managerial positions

With the globalization of our business, the number of foreign employees is increasing each year through both regular hiring and mid-career hiring. In addition to graduates of Japanese universities, we also carry out regular recruitment of graduates of overseas universities. Of the regular hires in the fiscal year ending March 31, 2024, 13.5% are foreign employees. We will continue to actively hire foreign employees. Four foreign managers are employed as of April 1, 2023. We expect that the number of foreign managers will continue to increase in line with globalization.

3) Policies for promoting mid-career professionals to managerial positions

We are actively hiring mid-career personnel, and the ratio of mid-career hires among full-time employees is 42.7% as of April 1, 2023. The same applies to the promotion to managerial positions.

Mid-career hires accounted for 41.1% of assistant managers and 31.5% of managerial positions, as of April 1, 2023. Going forward, we will continue to introduce a professional system (a system different from the conventional remuneration system) in response to the sophistication of duties and actively hire mid-career personnel as qualified managers.

#### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

Daifuku's basic policy on the investment of reserves to be applied to its defined benefit pension plan (hereinafter, "pension assets") is to achieve the total returns that are deemed necessary in the long term while taking medium-term downside risks into consideration, to ensure the payment of pension benefits to pension scheme members, recipients, etc. in the future.

- Daifuku shall appoint, evaluate, and manage asset managers in accordance with the basic policy.
- Daifuku shall seek the safe and efficient management of its pension assets by establishing the Pension Assets Management Committee.
- The Pension Assets Management Committee shall be chaired by the Chief Financial Officer (CFO). Committee members shall be the officers responsible for operations, such as personnel affairs, general affairs, finance and accounting, the chairperson of the labor union executive committee, and the head of the health insurance society. If a suspected conflict of interest might arise as a result of such members' participation in deliberations, such members shall be excluded from deliberations as appropriate.

#### **[Principle 3.1 Full Disclosure]**

i) Company objectives (e.g., business principles), business strategies and business plans

We have formulated and disclose our management philosophy, business strategies, and business plans. For details, see the following pages:

Management philosophy

[www.daifuku.com/company/philosophy](http://www.daifuku.com/company/philosophy)

Business strategies and business plans

[www.daifuku.com/jp/ir/policy/plan](http://www.daifuku.com/jp/ir/policy/plan)

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code Daifuku Group's Basic Policy for Corporate Governance summarizes the basic views and guidelines on corporate governance based on each of the principles of the Code.

iii) Board policies and procedures in determining the remuneration of senior management and directors

We disclose these policies and procedures in securities reports, etc.

iv) Board policies and procedures in the appointment/dismissal of senior management and the nomination of directors and *kansayaku* candidates

We use the Advisory Committee. See Supplementary Principle 4.10.1.

v) Explanations with respect to individual appointments/dismissals and nominations based on iv).

We summarize the background of each candidate and the reasons for their selection as a candidate in the proposal for the election of directors in the convening notice.

#### **[Supplementary Principle 3.1.3 Sustainability initiatives]**

1. Disclosure on sustainability initiatives

The Group positions its three-year business plan Value Transformation 2023, which started in April 2021, and the Sustainability Action Plan (hereinafter, the "Plan") as the two wheels of its business

strategy. We will contribute to realizing a sustainable society through our business activities. The Board of Directors receives status reports from the Sustainability Committee chaired by the CEO, which manages the progress of the Plan, to achieve the goals, and provides effective supervision. We regularly disclose details of our initiatives in the Daifuku Report and our website. For details, see the following page:

Sustainability Action Plan

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

## 2. Investing in human capital

To realize the reform of the personnel system and the transformation of internal perceptions set forth in the three-year business plan, we will work to develop and appoint human resources through global talent management and improve employee engagement across the Group.

### 1) Human resources management

We are building a human resources management platform across the Group, working to unify the evaluation, compensation, and development policies common to the Group, and building a talent management system for the promotion of human resources that transcends the boundaries of global business units. In addition, our employee engagement is defined as a relationship (career realization) that allows employees and the company to grow together based on employees' willingness to contribute voluntarily (motivation to work) and an environment where employees can demonstrate their abilities (ease of work). We will foster a sense of unity and improve productivity for the entire Group, and work to promote detailed and considerate human resources management that responds to the diverse features of individuals.

### 2) Promoting diversity

We are promoting the development of an environment where each employee is able to work with a sense of "motivation" and "ease of work." As part of work style reforms, we have introduced a work-from-home system for all employees to improve productivity and harmonize work-life balance. See Supplementary Principle 2.4.1 for the appointment of female managers. In addition to the target number of female managers, in the Plan we have set a target for the acquisition rate for male childcare leave (10% in the fiscal year ending March 31, 2024) and a target for the employment rate of persons with disabilities (statutory employment rate to achieve in the fiscal year ending March 31, 2024).

### 3) Human resources development

We encourage our employees by providing self-motivated learning opportunities and a position-specific training system, as well as a global leadership training program for the next generation including candidates for senior management of non-Japan Group companies. In addition, the training attendance record is managed by the talent management system (human resources database), due to promotion requirements.

## 3. Investing in intellectual property

One of the themes of the Plan is to contribute to a smart society through technological development and the provision of products and services. As material issues, we have specified innovative technology development and invention promotion, and list the amount of innovation investment (R&D expense + digital transformation (DX) investment amount) and the number of patent registrations in KPIs. The amount of innovation investment in the fiscal year ended March 31, 2023 was 15.6 billion yen. We regard the number of patent registrations as one of the pillars of our intellectual property strategy and will focus on enhancing quality with a sense of speed by actively

discovering high-quality patents in addition to the number of patents. Intellectual property rights, including patent and design, are protected through a registration system, while in-house information assets that cannot be patented are protected through information security promotion activities.

We will also focus on promoting open innovation through industry-academia collaboration, which will lead to investment and commercialization in promising new fields.

#### 4. Impact of climate change risks and opportunities on our business activities and profits

##### 1) Response to the TCFD recommendations

In 2019, we expressed our assent to the TCFD recommendations and in May 2020 we disclosed information on the impact of climate change risks and opportunities on our business activities and profits. As a result of scenario analysis at the time of disclosure, as a risk, the taxation of carbon tax may result in a decrease of 560 million yen on an income basis. As an opportunity, we believe that the risk will be outweighed by changes in the environment, such as increasing needs for e-commerce and low-temperature logistics, as well as the expansion of Daifuku Eco-Products (our eco-friendly products). We will scrutinize them further.

##### 2) Formulation of Daifuku Environmental Vision 2050

Based on the Sustainability Committee's escalation to the Board of Directors, following the announcement of our assent to the TCFD recommendations, in 2021 we formulated Daifuku Environmental Vision 2050. In May 2023, we revised the Daifuku Environmental Vision 2050, to meet the demand of society at a higher level, further clarifying our vision. By 2050, we will realize a world where material handling systems operate with zero environmental impact. Regarding the crucial issue areas, we have set three themes: addressing climate change, promoting resource recycling, and coexisting with nature. The Daifuku Group will fulfill its responsibilities as a corporate partner throughout the entire supply chain, and we will strive to realize this Vision by focusing on the future society we wish to create.

We also reviewed our targets for 2030, setting the CO<sub>2</sub> emission reduction target to help achieve the 1.5 degrees Celsius global warming limit required by the Paris Agreement. In addition, we have set new targets and water resources, biodiversity conservation. For details, see the following page:

Environmental Management

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

##### 3) Enhancing the quality and quantity of disclosures related to climate change

In principle, the basic framework for responding to climate change will be reviewed in line with the drafting of three- to four-year business plans. The Sustainability Committee will report to the Board of Directors whenever new risks or opportunities arise. The Committee reports as necessary to the Board of Directors on progress and performance concerning indicators and targets.

We will disclose the above contents through our website, etc. For details, see the following pages:

Climate Change

[www.daifuku.com/sustainability/environment/climate-change](http://www.daifuku.com/sustainability/environment/climate-change)

Sustainability Action Plan

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

**[Supplementary Principle 4.1.1 Scope and content of the matters delegated to the management]**

The Board of Directors delegates matters other than the important matters stipulated in the rules of the Board of Directors, such as the determination of management policies, business plans, and corporate governance system, to management.

**[Principle 4.9 Independence Standards and Qualification for Independent Directors]**

We have established our own standards based on the independence standards set by the Tokyo Stock Exchange and review them as necessary, and have included them in the convening notice, corporate governance report, and securities report to help shareholders make decisions on exercising their voting rights. As for an outline of what we expect from each independent outside director candidate, the status of their remarks, and the duties they have performed regarding their expected role, we make disclosure in the convening notice.

**[Supplementary Principle 4.10.1 Mandates and roles of a nomination committee and remuneration committee]**

As a company listed on the Prime Market, we have formulated the contents required for this clause in our internal rules as follows.

1. Composition:

The Advisory Committee consists of at least one representative director and three or more directors, including one or more outside directors, and meets at least three times a year. In the fiscal year ended March 31, 2023, the Committee consists of one representative director and all four outside directors. The Committee is chaired by one of the outside directors.

2. Roles and authority:

When the Board of Directors decides on the following matters, it is to ensure the transparency of the resolution process at the Board meeting and the fairness of the resolution, by receiving an inquiry from the Board of Directors, examining the content in advance and making a report. The Board of Directors makes resolutions respecting the opinions of the Committee.

- Appointment and dismissal of representative directors and election and dismissal of executives of the Board of Directors
- Nomination of candidates for directors and Audit & Supervisory Board members
- Election and dismissal of corporate officer candidates and corporate officers with roles
- Election and dismissal of audit officer candidates and audit officers with roles
- Remuneration of all directors and corporate officers
- Election and dismissal of Group Chief Officer (C-suite role) candidates

**[Supplementary Principle 4.11.1 Views on diversity of the Board of Directors, etc.]**

The Board of Directors identifies the skills that it should prepare in the medium to long term through the formulation of the management philosophy and three- to four-year business plans. Broadly speaking, the Board will consist of human resources who “work together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies” and “excel.”

Regarding the policy and process of appointing candidates for directors, we submit the names of qualified persons who would be able to fulfill the duties and responsibilities to the Advisory Committee as those who could assume the fiduciary responsibility entrusted by the shareholders in view of their respective personality and insight, and the Board of Directors made final decision on such persons as candidates. When appointing candidates, we consider the balance of knowledge,

experience, and skills of the board as a whole, diversity including gender and international aspects, and the optimization of board size, according to the social and business environment. The appearance after being elected at the ordinary general meeting of shareholders is shown as a skill matrix in the convening notice. For the skill matrix, see page 56 of our securities report (Japanese version submitted in June 2023).

[www.daifuku.com/jp/ir/library/statements](http://www.daifuku.com/jp/ir/library/statements)

An English version of the latest securities report will be posted in September or later.

[www.daifuku.com/ir/library/statements](http://www.daifuku.com/ir/library/statements)

#### **[Supplementary Principle 4.11.2 Status of concurrent posts of directors and Audit & Supervisory Board members]**

Where directors and Audit & Supervisory Board members also serve as officers of other listed companies or others, important concurrent positions will be stated in the convening notice and corporate governance report.

#### **[Supplementary Principle 4.11.3 Evaluation of the Board of Directors' effectiveness]**

We regularly review the composition and operation of the Board of Directors to evaluate its effectiveness. By addressing issues identified from the evaluation results, we are striving to continuously strengthen the functions and improve the effectiveness of the Board of Directors.

In the Board of Directors' effectiveness evaluation conducted in the fiscal year ended March 31, 2023, we obtained the support of an external evaluation body at key points in the process, including the implementation of questionnaires and interviews and the analysis of survey results, to ensure objectivity and independence in the effectiveness evaluation.

A summary of the methods and results of the Board of Directors' effectiveness evaluation is provided below.

##### [Method]

- A questionnaire for all directors and all Audit & Supervisory Board members, using a secret method
- Interviews with one inside director and all Audit & Supervisory Board members

##### [Evaluation items]

- (1) Composition of the Board of Directors
- (2) Operation of the Board of Directors
- (3) Discussions at the Board of Directors
- (4) The Board of Directors' monitoring function
- (5) Training
- (6) Dialogues with shareholders and investors
- (7) Subjects' own actions
- (8) Operation of the Advisory Committee

##### [Analysis of effectiveness improvement measures and evaluation results]

After receiving and discussing the results of the questionnaire and interview reports, the Board of Directors confirmed that the Board is generally functioning effectively.

- (1) Regarding "training required of directors," which had been an issue since the previous year, we have enhanced training opportunities such as lectures by outside experts and seminars by outside organizations, and the results of the questionnaire also showed significant improvement.



- (2) With regard to "sharing the content of discussions at the Advisory Committee meetings," the Board of Directors was informed of the status of Advisory Committee meetings and issues, etc., and the survey results also showed improvement. Since it is recognized that the Board of Directors should be proactively involved in succession planning and candidate training for the CEO and other executives, we will continue to consider the appropriate timing and scope of sharing the content of discussions.
- (3) As for "diversity of the Board of Directors' composition," which was mentioned as an area for future improvement, we are continuing to examine the issue from a medium- to long-term perspective. In this effectiveness evaluation, there was no problem with the current composition of the Board of Directors, but there was a request for continued consideration.
- (4) The Board of Directors discussed and revised the content of the "appropriate supervision of executive nominations with reference to the skills matrix and other," which was highly appreciated. We will continue to deepen discussions on the ideal form and necessary composition of the Board of Directors based on the management strategy.

[Recognition of issues and future initiatives]

- (1) The issue of "ensuring diversity of core human resources" was newly recognized this time. We will discuss and supervise appropriately to ensure that necessary measures are taken, such as restructuring the female leadership development program and creating a comfortable working environment to secure a diverse workforce.
- (2) With regard to the composition of the Board of Directors, we will deepen specific discussions on the development and appointment of female and non-Japanese candidates, in light of several opinions requesting continued diversity.
- (3) With regard to the Group's overall business portfolio, the nature of the Board of Directors' involvement has been raised as an issue. We will aim to develop a more sophisticated management system, which is necessary for more strategic discussions.

**[Supplementary Principle 4.14.2 Training policy of directors and Audit & Supervisory Board members]**

Daifuku prepares the following activities as training for directors and Audit & Supervisory Board members, and will conduct and enhance these activities on an ongoing basis.

1. Giving the following lectures on the days of the Board of Directors' meetings and similar
  - Lectures on compliance, which are given by external lawyers
  - Lectures on financial affairs, legal affairs, and other matters, which are given by outside officers, from their specialists' points of view
2. Explanations of Daifuku's business and inspection tours of its key facilities, which are aimed at outside officers
3. Participation in important internal meetings, such as meetings for all presidents of non-Japan subsidiaries
4. Training for acquiring knowledge of financial affairs, legal affairs, and other matters, which is provided for newly appointed officers
5. Offering, introducing, and providing financial support for books and other materials to directors and Audit & Supervisory Board members, which help them fulfill their roles and duties

6. Participation in external training sessions, seminars, and other

**[Principle 5.1 Policy for Constructive Dialogue with Shareholders]**

1. Information provision through timely disclosure: Timely disclosure is made on an appropriate and timely basis mainly by the Disclosure Committee chaired by the CEO.
2. Investor relations (IR) activities for institutional investors and shareholders in and outside Japan: We hold a results briefing attended by the CEO every quarterly earnings announcement. We also provide as many opportunities as possible for the management to hear the voices of shareholders and investors directly through various meetings including IR activities outside of Japan, as well as dialogues related to ESG (environment, society, governance) as needed. In December 2022, we held an Investor Relations Day, which was attended by 93 institutional investors and analysts.
3. IR activities for individual investors and shareholders in Japan: We organize a tour of our demo center within the Shiga Works for individual shareholders, and senior management explains the business overview to the tour participants.
4. General Meeting of Shareholders: Management, led by the CEO, strives to explain the questions with as much consideration as possible.
5. We endeavor to enhance the provision of voluntary information through our website, Daifuku Report integrated reporting, etc.

**[Actions to achieve capital cost and stock price conscious management]**

ROIC and WACC are disclosed in the financial results presentation. For details, see the following page:

Earning Presentation

[www.daifuku.com/ir/assets/FY22Q4e\\_presentation.pdf](http://www.daifuku.com/ir/assets/FY22Q4e_presentation.pdf)

**[Status of dialogue with shareholders, etc.]**

- Daifuku speakers

CEO, CFO, Officers responsible for Global Businesses, Officer in charge of ESG, Investor Relations Head and other managers

- Shareholders profile

From: Japan, U.S.A., Canada, U.K., France, Switzerland, Singapore, Hong Kong, Australia, and other regions

Titles: Fund Manager, Portfolio Manager, Analyst (including ESG), and other

- Major themes and shareholder concerns

Business overview and outlook, growth strategy, shareholder return policy, ESG initiatives, etc.

- Status of feedback of shareholder opinions

Regular reports to the Board of Directors twice a year, plus feedback to the management as appropriate.

## 2. Capital Structure

Foreign shareholding ratio	30% or more
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**[Status of Major Shareholders]** Updated

Name	Number of shares held	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,152,000	14.39
Custody Bank of Japan, Ltd. (Trust Account)	8,706,300	6.90
Mizuho Bank, Ltd.	4,117,803	3.26
Sumitomo Mitsui Banking Corporation	3,060,354	2.43
Daifuku Supplier Shareholder Association	3,014,822	2.39
MUFG Bank, Ltd.	2,875,430	2.28
Nippon Life Insurance Company	2,745,767	2.18
Chuo-Nittochi Co., Ltd.	2,690,800	2.13
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	2,678,839	2.12
PICTET AND CIE (EUROPE) SA, LUXEMBOURG REF: UCITS (Standing proxy: MUFG Bank, Ltd.)	2,241,900	1.78

Controlling shareholder (except for parent company)	_____
Parent company	None

Supplementary Explanation	_____
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### 3. Corporate Attributes

Listed stock market and market section	Prime, Tokyo Stock Exchange
Fiscal year-end	March
Type of business	Machinery

Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) as of the end of the previous fiscal year	From JPY100 billion to less than JPY1 trillion
Number of consolidated subsidiaries as of the end of the previous fiscal year	From 50 to less than 100

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with the Controlling Shareholder**

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**5. Other Special Circumstances That May Have a Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Form of organization	Company with the Audit & Supervisory Board
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#### [Directors]

Maximum number of directors stipulated in the Articles of Incorporation	25
Term of office of directors stipulated in the Articles of Incorporation	One year
Chair of the Board of Directors	President and CEO
Number of directors Updated	10
Outside directors	Appointed
Number of outside directors Updated	5
Of outside directors, number of independent officers Updated	4

Relationship with the Company (1) Updated
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Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoshiaki Ozawa	Academic								△			○
Mineo Sakai	From another company								○			
Kaku Kato	From another company											
Keiko Kaneko	Lawyer								○			
Gideon Franklin	From another company											○

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof

- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Other

Relationship with the Company (2) **Updated**

Name	Independent officer	Supplementary explanation of the relationship	Reasons for appointment
Yoshiaki Ozawa	✓	<p>Mr. Yoshiaki Ozawa works concurrently as Professor of Business Management at St. Andrew's University.</p> <p>He once served as a representative partner of PricewaterhouseCoopers Aarata LLC, the Accounting Auditor of the Company, but since he resigned from this audit firm in September 2012, there have been no business transactions between him and the Company and therefore no relationships that would affect the independence required of an Outside Director. There are no transactions between Andrew Partners Co., Ltd., for which he serves as representative director, and the Company.</p>	<p>He has considerable knowledge in financial and accounting matters and teaches accounting as a university professor by leveraging his experience working abroad. At meetings of the Board of Directors, he offers professional advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge, as well as to help us promote globalization of the Group. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as Outside Director from an independent and objective perspective.</p>
Mineo Sakai	✓	Mr. Mineo Sakai served as the Chairman and Chief Executive Officer (CEO) of Kanematsu Electronics Ltd. until March	He has abundant experience in, and extensive knowledge of, corporation management that he has cultivated through the positions as the

		<p>2018. Although there are transactions between the Company and Kanematsu Electronics where he belongs, the amount of the transactions is less than 1% of the consolidated net sales of either company.</p>	<p>Chairman and Chief Executive Officer (CEO) of Kanematsu Electronics. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as Outside Director from an independent and objective perspective.</p>
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Kaku Kato	✓	_____	<p>He has abundant experience in, and extensive knowledge of, corporation management, particularly in the fields of safety and ESG (environment, society, governance) as well as compliance and internal control, cultivated through the positions as executive officer at Mitsui &amp; Co., Ltd. and Mitsui Oil Exploration Co., Ltd. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof from the viewpoint of corporate legal affairs. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as Outside Director from an independent and objective perspective.</p>
Keiko Kaneko		<p>Ms. Keiko Kaneko works for Anderson Mori &amp; Tomotsune. Although the Company may outsource individual cases to Anderson Mori &amp; Tomotsune where she belongs, there is no advisory contract and the amount of the transactions is less than 1% of the consolidated net sales of either company.</p>	<p>She has experienced working at a trading company and as an associate professor of a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly</p>



			<p>reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>She has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill her duties as Outside Director from an independent and objective perspective.</p> <p>In line with the policy of Anderson Mori &amp; Tomotsune, the Company will not designate her as an independent officer as stipulated by the rules of the Tokyo Stock Exchange. However, she fully satisfies the requirements for independent officers as stipulated by the rules of the Tokyo Stock Exchange and the independence judgment criteria set forth by the Company, and it is therefore determined that her independence from the Company is sufficiently ensured.</p>
Gideon Franklin	✓	There is no business transaction between Gideon Franklin Limited, MCJ Co., Ltd., Culham Prints and Drawings Ltd., and UMI Technology Holdings PLC, where he belongs; and the Company.	He has abundant experience and extensive knowledge in corporate management as an analyst, M&A advisor, and management executive in international financial institutions and other organizations. He will not only provide advice and recommendations based on his extensive knowledge on global business management, but also enhance the diversity of the Board of Directors. Therefore, we would like him to provide advice and recommendations to help us secure the transparency of management and enhance the supervision from an unconventional perspective. He has no personal, capital or business relationships with or any other

			interests in the Company and is able to fulfill his duties as Outside Director from an independent and objective perspective.
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Voluntary establishment of committee(s) corresponding to nomination committee or remuneration committee	Established
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Committee's Name, Composition, and Attributes of Chair

	Committee corresponding to nomination committee	Committee corresponding to remuneration committee
Committee's name	Advisory Committee	Advisory Committee
Number of all committee members	5	5
Full-time members	0	0
Inside directors	1	1
Outside directors	4	4
Outside experts	0	0
Other	0	0
Chair	One of outside directors	One of outside directors

Supplementary Explanation

As described below, the composition, etc. of the Advisory Committee is set out in the internal rules.

- Composition and independence

The Advisory Committee consists of three or more directors, including one or more representative directors and one or more outside directors. The chair is an outside director. This composition of the Committee ensures its independence. For the fiscal year ended March 31, 2023, all four outside directors and one representative director served on the Committee.

- Method of selecting committee members

The members are determined by resolution of the Board of Directors.

- Name and roles of committee members

Outside Director Yoshiaki Ozawa (chair), Outside Director Mineo Sakai, Outside Director Kaku Kato, Outside Director Keiko Kaneko, and Representative Director Hiroshi Geshiro

- Authority and roles of the Committee

The Committee deliberates on the nomination, and election and dismissal of management team members and the remuneration for all directors and corporate officers. It reports the results of the deliberation to the Board of Directors.

- Activities

The main activities of the Advisory Committee are the deliberation on, and reporting of, the nomination, election and dismissal, and the remuneration of officers. Seven meetings were held in the fiscal year ended March 31, 2023. Of those meetings, three meetings were held to deliberate on officers' remuneration in April 2022, November 2022, and March 2023. The results of the deliberations were discussed at the meeting of the Board of Directors in March 2023, and directors' and corporate officers' remuneration were determined. All committee members were present at all committee meetings.

### [Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board members	4

Cooperation between Audit & Supervisory Board Members, Accounting Auditors and the Internal Audit Unit **Updated**

Audit & Supervisory Board members and the Audit Division work in collaboration from initial stage to plan and carry out individual audits and mutually raise audit effectiveness by reflecting information including their audit performance, individual results of audited units, and views shared at regular auditors' meetings, etc. in their audit practices on a timely manner.

Audit & Supervisory Board members exchange opinions by receiving explanations of audit plans, quarterly reviews, and reports of audit results from accounting auditors. The Audit Division is also present at the audit results report meeting. In addition, Audit & Supervisory Board members undertake mutual cooperation with the accounting auditors by exchanging opinions when accompanying them on inventory audits, installation site visits, and overseas visits.

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

Appointment of outside members of the Audit & Supervisory Board	Appointed
Number of outside members of the Audit & Supervisory Board	3
Of outside members of the Audit & Supervisory Board, number of independent officers	3

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ryosuke Aihara	Lawyer										△			○
Tsukasa Miyajima	Academic													○
Nobuo Wada	Academic													○

\* Categories for "Relationship with the Company"

\* "○" when the Audit & Supervisory Board member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board member fell under the category in the past

\* "●" when a close relative of the Audit & Supervisory Board member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board member fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. An Audit & Supervisory Board member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof

- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as an Audit & Supervisory Board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)
- k. Executive of a company, between which and the Company outside officers are mutually appointed (the Audit & Supervisory Board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)
- m. Other

Relationship with the Company (2) **Updated**

Name	Independent officer	Supplementary explanation of the relationship	Reasons for appointment
Ryosuke Aihara	✓	Mr. Ryosuke Aihara works concurrently as a lawyer at Aihara General Law Office. Despite a delegation agreement between the Company and Mori Hamada & Matsumoto Law Office, with which he was affiliated until March 2016, he has never engaged in any matters that the Company previously delegated to the law office. Furthermore, the transaction amount between said law office and the Company is insignificant, at less than 1% of both the annual revenue of the law office and the consolidated net sales of the Company. In addition, there have been no transactions whatsoever between the Aihara General Law Office to which he belongs and the Company during or since April 2016.	<p>He is a lawyer who has specialized for years in corporate governance and compliance. He offers advice and counsel on general business management to secure the legality of management and enhance the monitoring and auditing functions over management from a professional viewpoint as a lawyer.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as an outside member of the Audit &amp; Supervisory Board from an independent and objective perspective.</p>
Tsukasa Miyajima	✓	Mr. Tsukasa Miyajima works concurrently as a professor at Graduate School of Law of Asahi University.	He is a university professor specializing in laws and has deep insight and extensive experience as an academic expert and a legal expert. He has given us professional advice and counsel to ensure the

			<p>transparency of management and enhance the functions of management supervision and auditing thereof.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as an outside member of the Audit &amp; Supervisory Board from an independent and objective perspective.</p>
Nobuo Wada	✓	Mr. Nobuo Wada works concurrently as an emeritus professor at Nagoya University.	<p>He has long been a professor at the university majoring in experimental physics and has deep insight and extensive experience as an academic expert. He has given us advice and counsel to ensure the transparency of management and enhance the functions of management supervision and auditing thereof.</p> <p>He has no personal, capital or business relationships with or any other interests in the Company and is able to fulfill his duties as an outside member of the Audit &amp; Supervisory Board from an independent and objective perspective.</p>

**[Independent Officers]** Updated

Number of independent officers	7
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Other Matters Relating to Independent Officers

Outside directors and outside members of the Audit & Supervisory Board, excluding the outside director Keiko Kaneko, are designated as independent officers as stipulated by the rules of the Tokyo Stock Exchange. In line with the policy of Ms. Kaneko's law firm, the Company does not designate her as an independent officer as stipulated by the rules of the Tokyo Stock Exchange; however, she fully satisfies the requirements for independent officers based on the provisions of the Tokyo Stock Exchange and the independence judgment criteria set forth by the Company, and it is therefore determined that her independence from the Company is sufficiently ensured.

## **Independence standards of outside directors and outside members of the Audit & Supervisory Board**

At Daifuku, outside directors and outside members of the Audit & Supervisory Board are considered independent if they do not fall under any of Articles 1 to 5 below.

### Article 1

A person who falls or fell under any of the following in the last three years:

- 1) A person who executes business of a company, etc. that is a key customer of Daifuku or whose key business partner is Daifuku (\*1)
- 2) A lawyer who belongs to a law firm that has concluded an advisory contract with Daifuku or its subsidiary and who was actually in charge of legal business for Daifuku, a certified public accountant (or a certified tax accountant) who was an accounting auditor or accounting advisor of Daifuku or its subsidiary, or an employee, partner, or staff member who belongs to an auditing firm (or tax accountant corporation) that is an accounting auditor or accounting advisor of Daifuku or its subsidiary and who was actually in charge of the auditing service for Daifuku
- 3) A lawyer, certified public accountant, or certified tax accountant, if not applicable to the above item 2, who provides specialized services, etc. to Daifuku by receiving a large amount (\*2) of money or assets other than remuneration for an officer, directly from the company
- 4) An officer or employee of a company, etc. that is a major shareholder (\*3) of Daifuku

### Article 2

An officer or employee of Daifuku's subsidiary or a person who held such a position during the ten years before being appointed as such status

### Article 3

An executive board member or any other person who executes business of an organization that receives donations or grants exceeding a certain amount (\*4) from Daifuku (such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit corporation)

### Article 4

The spouse or a relative within the second degree of relationship of a person who falls under any of Articles 1 to 3 above, or a relative living together with such a person

### Article 5

A person who does not fall under any of Articles 1 to 4 above, but who is deemed likely to have a virtual conflict of interest with Daifuku due to their relationship with the company

### (Notes)

\*1: A customer from whom Daifuku received payment of at least 2% of the amount of Daifuku's annual consolidated net sales in the most recent fiscal year, or a business partner who received payment from Daifuku of at least 2% of the amount of its annual consolidated net sales in the most recent fiscal year

\*2: The annual average for the last three years of 10 million yen or more

\*3: A shareholder with 10% or more of the voting rights

\*4: The annual average for the last three years of 10 million yen or more, or 30% of the average total annual expenditure of the organization, whichever is larger

## **[Incentives]**

Remuneration for executive directors consists of a base salary as fixed compensation, a bonus as a short-term performance-linked compensation, and medium- to long-term performance-linked equity compensation (the Board Benefit Trust or BBT, non-monetary compensation).

- Policy on the determination of the payment ratio of performance-based compensation and other compensation

The payment ratio is not fixed because the link between the Company's results and stock value is reflected in compensation. The Company determines the ratio, taking into consideration levels at other companies and the report from the Advisory Committee.

- Performance indicators for performance-linked remuneration, reasons for selection of the indicators, and the method of determination of the performance-linked remuneration

Bonuses, which serve as short-term performance-linked remuneration for directors, are funded by a certain proportion of consolidated net income for each fiscal year, allocated as a basic component that corresponds to an officer's qualifications and position and an evaluation component that reflect performance, and distributed once a year at a fixed time. Consolidated net income has been chosen as an indicator for performance-linked allocation because net income indicates the result of the efforts of all officers and employees.

- Description of non-monetary compensation, etc.

The Company has introduced the Board Benefit Trust as a medium- to long-term performance-linked equity compensation system for officers.

In this system, standard points are set for each position. According to the degree of achievement of the business year target and the three-year business plan targets, coefficients from 0.0 to 1.0 (four levels) are assigned, and points are awarded accordingly. Accumulated points are paid in stock and money at the time of retirement. The degree of achievement in a fiscal year is calculated based on the degree of achievement of initial consolidated net income and consolidated net income margin plans in the fiscal year. The degree of achievement in the three-year business plan is calculated based on the latest management targets (including net sales, operating income, ROE targets) announced by the end of the previous fiscal year. For the fiscal year ended March 31, 2023, the consolidated net income amount was calculated based on the initial plan at the beginning of the period and the forecast announced in February 2023, and we achieved the planned figures, whereas margin was slightly below the plan.

The purpose of introducing this system is to further clarify the linkage of the officers' remuneration and the business performance as well as the Company's stock value, and for officers to share the benefit of increase in stock value and the risk of decrease in stock value with shareholders, which will motivate officers to contribute to boosting corporate value in the medium to long term.



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**[Directors' Remuneration]**

Disclosure of individual directors' remuneration	Selected directors
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Supplementary Explanation <b>Updated</b>
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In the fiscal year ended March 31, 2023, the remunerations paid to the directors and Audit & Supervisory Board members are as follows:

Directors (excluding outside directors):  
Five (5) persons, total remuneration of 516 million yen (base salaries: 213 million yen, bonuses: 241 million yen, the Board Benefit Trust: 61 million yen)

Audit & Supervisory Board members (excluding outside members):  
Two (2) persons, total remuneration of 46 million yen (base salaries: 21 million yen, bonuses: 24 million yen)

Outside directors:  
Four (4) persons, total remuneration of 60 million yen (base salaries: 60 million yen)

Outside members of the Audit & Supervisory Board:  
Three (3) persons, total remuneration of 30 million yen (base salaries: 30 million yen)

The following two directors had total remuneration in the fiscal year ended March 31, 2023 of 100 million yen or more:  
Hiroshi Geshiro, Shuichi Honda

Hiroshi Geshiro (CEO):  
Total remuneration of 170 million yen (base salary: 59 million yen, bonus: 95 million yen, the Board Benefit Trust: 16 million yen)

Shuichi Honda:  
Total remuneration of 123 million yen (base salary: 66 million yen, bonus: 37 million yen, the Board Benefit Trust: 19 million yen)  
(Note)  
Shuichi Honda lived and has executed business mainly in the United States. With respect to income taxes, he has made necessary tax adjustments to ensure consistency of tax burden with residents of such country, and the amount of taxes incurred in connection with such treatment is included in the amount of basic remuneration.

Policy on determining remuneration amounts and calculation methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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- The annual amount of remuneration for directors is set to be 700 million yen or less as approved at the ordinary general meeting of shareholders held in June 2006. The basic policy is to pay remuneration for directors in accordance with the Internal Rules on Executive Remuneration and Bonus for Officers and the Rules on Executive Stock Benefits stipulated by resolution of the Board of Directors so that the level of remuneration is appropriate for the roles and duties of directors.
- The remuneration for the executive directors consists of base salary as a fixed compensation, a bonus as a short-term performance-linked compensation, and a medium- to long-term performance-linked equity compensation.
- For outside directors who have a supervisory function, only the basic remuneration shall be paid, taking into account their duties.
- Basic remuneration is determined based on fixed remuneration for executive remuneration by position. The remuneration level is determined based on a comprehensive consideration of qualifications, position, and company performance, while also taking into account levels at other comparable companies.

- Activities of the Board of Directors and committees, etc. in the process of determination of remuneration amount for officers

The remuneration for directors shall be reviewed and reported by the Advisory Committee, which consists of outside directors and representative directors, and the total amount of basic remuneration and bonuses shall be resolved annually by the Board of Directors. The CEO shall be delegated by the Board of Directors to determine the amount of remuneration for individual directors based on relevant internal rules.

The Advisory Committee consists of at least three directors, including one or more representative directors and one or more outside directors, and is chaired by an outside director. For the fiscal year ended March 31, 2023, all four outside directors and one representative director served on the Committee.

- Matters relating to the delegation of authority regarding the content of remuneration, etc. for individual directors

The CEO has been delegated to determine the amount of remuneration for individual directors for the fiscal year ended March 31, 2023 under the Internal Rules on Executive Remuneration and Bonus for Officers. The delegated authority includes determining the monthly allocation of basic remuneration for each director and the allocation of bonus based on the evaluation of performance for each director. The authority has been delegated to the representative director because the representative director is in the most suitable position for evaluating each director's roles and responsibilities while maintaining an overview of results for the entire company.

To exercise the authority properly, the CEO determines remuneration for each director in line with the opinions of the Advisory Committee.

- Reasons why the Board of Directors judged the details of individual directors' remuneration, etc., for the fiscal year ended March 31, 2023 were in line with the Company's policy

The Board of Directors approved the decision of CEO on remuneration for individual directors in respect for the report from the Advisory Committee on remuneration for individual directors following its deliberations in line with the policy stated above, in order to ensure that the authority specified in Delegation of authority to determine remuneration for individual directors stated above would be properly exercised by CEO.

**[Support System for Outside Directors and/or Outside Members of the Audit & Supervisory Board]**

The Secretary's Office provides appropriate support to outside directors. The Audit & Supervisory Board Office provides information to Audit & Supervisory Board members, including outside Audit & Supervisory Board members, and assists in auditing duties and provides duties related to the Audit & Supervisory Board.

On the communication front, the Company provides materials for meetings of the Board of Directors in advance, using IT and tablets, to give outside directors time to examine them.

## **2. Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated**

### **1. Directors and the 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 the corporate governance system. The Board delegates matters other than these important matters to directors and corporate officers. The Board of Directors' meetings are attended by all directors with a one-year term of office and all Audit & Supervisory Board members, with managing officers and the audit officer joining as observers. The CEO serves as Chair of the Board of Directors. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary. In the fiscal year ended March 31, 2023, the Company held extraordinary meetings of the Board of Directors on five occasions.

The five independent outside directors provide insightful advice and recommendations to the Board of Directors based on their abundant experience in, and extensive knowledge of, corporate operations, corporate legal affairs, accounting, ESG, etc. from a global perspective. They also ensure the transparency of management and supervise business execution by the inside directors. The Board of Directors consists of individuals who are "sincere in working together with customers around the world to create optimal smart logistics solutions that incorporate innovative technologies" and "excel," and identifies the skills that it should prepare in the medium to long term through the formulation of the management philosophy and three- to four-year business plan. In addition, the Board of Directors continues to consider the number of independent outside directors, as well as diversity, including gender, internationality, work experience, and age.

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

The Company maintains an Audit & Supervisory Board comprising four Audit & Supervisory Board members, three of whom are elected from outside the Company, with the remaining member a full-time member from inside the Company.

Mr. Tsukasa Saito, a full-time member of the Audit & Supervisory Board, has abundant practical experience in the finance and accounting unit and a high level of knowledge in the accounting and financial fields.

In addition, to enhance the effectiveness of audits by Audit & Supervisory Board members, the Audit & Supervisory Board Office consisting of two full-time staff members has been established as a system to assist with the duties of Audit & Supervisory Board members and the Audit & Supervisory Board, and an audit officer serves concurrently as the general manager of the Office.

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

### **3. Advisory Committee**

The Company has established a voluntary Advisory Committee to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination,

dismissal, and the remuneration of directors and corporate officers. For details, see [Supplementary Principle 4.10.1 Mandates and roles of a nomination committee and remuneration committee], Chapter I.

#### 4. Other bodies, etc.

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

In addition, the Company has introduced a corporate officer system for the purpose of the following:

- 1) 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.
- 2) Engage in functional and efficient business operations by broadly promoting employees with knowledge of business operations to serve as corporate officers and execute business based on the authority bestowed upon them by the Board.

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

#### 5. Limitation of liability

Under Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with outside directors and outside members of the Audit & Supervisory Board to limit their liability provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the agreement is an amount stipulated in laws and regulations. The agreement will be applied only if outside directors or outside members of the Audit & Supervisory Board have acted in good faith and without gross negligence in performing the duties that have caused the liability.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company 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 scale of the Group and that we meet the expectations of shareholders, who entrust management to us.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary explanation
Early notification of General Shareholders' Meeting	The Company sent out the convening notice of the 107th Ordinary General Meeting of Shareholders (held on June 23, 2023) on June 7, 2023 (16 days prior to the meeting date). On June 1, 2023, prior to sending out the notice, the Company published the convening notice on the websites of Tokyo Stock Exchange and the Company.
Allowing the electronic exercise of voting rights	It is acceptable to exercise voting rights via the Internet (including using smartphones).
Participation in the electronic voting platform and efforts to improve the environment for the exercise of voting rights by institutional investors	The Company is participating in the platform for the electronic exercise of voting rights operated by ICJ, Inc.
Providing convening notices (summary) in English	The Company posts convening notices in English on the websites of Tokyo Stock Exchange and the Company and provides them to the platform for the electronic exercise of voting rights operated by ICJ, Inc.
Other	<p>The Company posts notices of convening and resolutions on its website. In addition, the Company visualizes the content of financial reports using graphs and photographs to increase shareholders' understanding of its business activities at general shareholders' meetings, and posts these materials on its website.</p> <p>Following 2021 and 2022, the Company held its third hybrid participatory virtual ordinary general meeting of shareholders on June 23, 2023. For shareholders who refrained from coming to the site of the meeting, the Company distributed a live video of the shareholders' meeting over the Internet. The shareholders who watched the video were not able to exercise voting rights or ask questions. However, the Company accepted questions before the meeting to facilitate communication with the management.</p>

#### 2. Investor Relations (IR) Activities Updated

	Supplementary explanation	Explanations by the President of the Company
Stipulation and disclosure of disclosure policy	We have established a disclosure policy to ensure appropriate information disclosure	

	and transparency and disclose it on our website. For details, see the following page: Disclosure Policy <a href="http://www.daifuku.com/ir/policy/governance/disclosure-policy">www.daifuku.com/ir/policy/governance/disclosure-policy</a>	
Holding of regular briefings for individual investors	We hold tours of our demo center within the Shiga Works.	Yes
Holding of regular briefings for analysts and institutional investors	<ul style="list-style-type: none"> <li>- We hold regular results briefings with the CEO attending four times a year, as well as meetings including dialogues related to ESG as required.</li> <li>- Holding of an Investor Relations Day (giving presentations by business and a tour of our demo center within the Shiga Works)</li> </ul>	Yes
Holding of regular briefings for investors outside of Japan	Held in Europe. Online meetings are held as required.	Yes
Posting of IR materials on the Company website	<p>Posted IR materials include the following:</p> <ul style="list-style-type: none"> <li>- News releases (Japanese/English)</li> <li>- Summaries of financial statements (Japanese/English)</li> <li>- Presentations for results briefing sessions (Japanese/English)</li> <li>- Convening notices (Japanese/English)</li> <li>- Securities reports (Japanese/English)</li> <li>- Corporate reports for integrated reporting (Japanese/English)</li> <li>- Corporate governance reports (Japanese/English)</li> <li>- Business reports (newsletters) for shareholders (Japanese)</li> </ul>	
Establishment of department (manager) in charge of investor relations	Investor Relations Department, under the Corporate Communications Division	

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanation
Stipulation of internal rules and regulations for respecting the position of stakeholders	We at the Group established the Group Code of Conduct that defines the fundamental principles we (all directors, officers and employees of the Group) should follow with the aim to realize the Group company creed and management philosophy. In performing our duties as members of the Group, we act faithfully in accordance with this Code under the following Basic Stance.

	<p>Basic Stance</p> <ul style="list-style-type: none"> <li>- We will act in accordance with applicable laws, rules, regulations, social norms and ethics.</li> <li>- We will place safety as a major premise in all aspects of our business activities.</li> <li>- We will remain committed to the creed of “Hini Arata” as we take on new challenges and make changes for the better.</li> </ul> <p>In accordance with the Basic Stance, we will respect the position of stakeholders, in relation to customers, business partners, shareholders and investors, employees, people, and society.</p>
<p>Implementation of environmental activities, CSR activities, etc.</p>	<p>In April 2014, we signed a commitment to join the United Nations Global Compact, an international initiative for the United Nations and the private sector (companies and organizations) to collaborate and build a sound global society. For details, see the following page: Participation in Outside Initiatives <a href="http://www.daifuku.com/sustainability/management/initiatives">www.daifuku.com/sustainability/management/initiatives</a></p> <p>We have established the Sustainable Committee, an advisory body to the Board of Directors, to ensure simple and smooth responses to environmental, social and governance (ESG) issues of the Group, amid increasingly relevant social issues and associated demands on a broad scale, including ESG and SDGs (Sustainable Development Goals). For details, see the following page: Sustainability Management <a href="http://www.daifuku.com/sustainability/management/policy">www.daifuku.com/sustainability/management/policy</a></p> <p>The Company positions its three-year business plan Value Transformation 2023 and Sustainability Action Plan as the two wheels of its business strategy. In the Sustainability Action Plan, Daifuku has set five themes for the promotion of sustainability management and the SDGs: 1) contribute to a smart society, 2) maintain and improve the quality of products and services, 3) enhance operational framework, 4) respect human dignity, and 5) contribute to the environment through our business. It has also identified 18 material issues related to these themes, as well as defined its three-year action plan. For details, see the following page: Sustainability Action Plan <a href="http://www.daifuku.com/sustainability/management/plan">www.daifuku.com/sustainability/management/plan</a></p> <p>For more information on our sustainability initiatives, see following page: Sustainability <a href="http://www.daifuku.com/sustainability">www.daifuku.com/sustainability</a></p> <p>We have formulated the Daifuku Environmental Vision 2050, an environmental vision looking toward 2050 for the establishment of a</p>



	<p>sustainable society. (Announced in February 2021, revised in May 2023) In the Vision, by 2050, we will realize a world where material handling systems operate with zero environmental impact. Regarding the crucial issue areas, we have set three themes: addressing climate change, promoting resource recycling, and coexisting with nature. For details, see the following page:  Environmental Management  <a href="http://www.daifuku.com/sustainability/environmental-management">www.daifuku.com/sustainability/environmental-management</a></p> <p>In 2020, we disclosed the results of our analysis of climate-related risks and opportunities based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and we will accelerate our more specific efforts to address climate change and further respond to the recommendations. For details, see the following page:  Climate Change  <a href="http://www.daifuku.com/sustainability/environment/climate-change">www.daifuku.com/sustainability/environment/climate-change</a></p>
Formulation of policies on information provision to stakeholders	The Group Code of Conduct defines our policies on information provision to the stakeholders. For details, see the following page: Corporate Policies <a href="http://www.daifuku.com/company/philosophy">www.daifuku.com/company/philosophy</a>

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on the Internal Control System and the Progress of System Development

[Basic Stance on the Internal Control System]

The Company understands that maintaining a robust internal control system increases the effectiveness of corporate governance to improve corporate reliability as well as operational efficiency and effectiveness. Consequently, the Company is committed to complying with laws and regulations, managing risk, conserving assets, and providing reliable financial reporting.

[Development of the Internal Control System]

The following is the outline of the internal control system resolved at the meeting of the Board of Directors.

1. System to ensure that the performance of duties by the directors and employees complies with laws and regulations and the Articles of Incorporation of the Company
  - 1) Directors shall take the lead in observing the Group Code of Conduct, which aims for compliance with laws and regulations, the Articles of Incorporation of the Company, the internal rules and regulations, and social norms, and strive to achieve a thorough understanding of the Code within the Company.
  - 2) The Company has established the Compliance Committee consisting of all the directors and corporate officers with the aim to ensure compliance with laws and regulations in its corporate activities and to raise and improve awareness of fairness and morality.
  - 3) The Audit Division, which is independent of the Company's lines of business execution, conducts audits of the status of adherence to laws and regulations, the Articles of Incorporation of the Company and the internal rules and regulations.

- 4) The Company shall develop and operate a whistleblowing system for the early detection of risks associated with corporate activities and the prevention of material problems.
  - 5) In addition to the above, the Company shall establish and operate various committees for the purpose of solving important issues within the Group in a cross-organizational manner.
2. System for the storage and management of information related to the execution of duties by the directors
- The Company properly stores and manages the minutes of general shareholders' meetings and meetings of the Board of Directors, and records, etc. related to the execution of duties by the directors in accordance with the Document Management Rules and other internal rules and regulations.
3. Rules and regulations and other systems concerning the management of the risk of losses
- 1) For the timely and appropriately control of risks that may affect the achievement of management goals of the Group, the Company shall develop policies, regulations, and systems, while the Risk Management Committee shall promote overall risk management activities for significant risks that affect corporate activities.
  - 2) The Company shall develop a business continuity plan (BCP) promotion system in preparation for an emergency, implement preventive measures, education, training, etc., and promote regular inspections of BCP and correction of deficiencies.
  - 3) The Company shall establish regulations concerning information security that stipulate the systems necessary for the maintenance and management of information security, functions and authorities of organizations for the promotion of information security and methods of handling information assets, thereby promoting the protection of information assets owned by the Group.
4. System to ensure the efficient execution of duties by the directors
- 1) The Board of Directors shall formulate management objectives and plans, etc. of the entire Group to be shared by the officers and employees and seek to instill them throughout the Group.
  - 2) The Company has introduced a corporate officer system. Management functions are separated into two: the management decision-making and supervision functions of the Board of Directors and the business execution functions of corporate officers. Corporate officers formulate specific goals and measures for their own units in light of the management objectives determined by the Board of Directors and execute operations to achieve those goals.
5. System to ensure the appropriateness of business operations of the corporate group comprising the Company and its subsidiaries
- 1) In accordance with the Group Code of Conduct shared by the Group, officers and employees of the Group comply with relevant laws, the Articles of Incorporation of the Company, internal regulations, and social norms to act with integrity.
  - 2) In accordance with the Group Governance Rules, the Company shall appoint officers in charge of subsidiaries and ensure the appropriateness of the business operations of the entire Group by providing instructions, advice, etc. through these officers on all aspects of the management of its subsidiaries in Japan and overseas.
  - 3) Standing in a position that is independent from the business execution lines, the Audit Division conducts audits of the status of the development and operation of internal control systems in the Group.
  - 4) In accordance with laws and regulations, the Company and the entire Group shall take a resolute attitude toward anti-social forces and groups that threaten the order and safety of civil society.

In addition, we will strive to develop and disseminate anti-bribery regulations, etc. in response to compliance risk on a global level.

6. Matters related to employees who should assist with the duties of the Audit & Supervisory Board members, matters related to the independence of the employees from the directors, and matters related to ensuring the effectiveness of instructions issued to the employees
  - 1) The Company has established an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members.
  - 2) The Company respects the opinions of Audit & Supervisory Board members when making personnel decisions relating to the Audit & Supervisory Board Office and the Audit Division. The Company also considers the independence of the Audit & Supervisory Board Office as part of its endeavor to ensure the effectiveness of instructions given to Audit & Supervisory Board Office employees.
7. System to enable directors and employees of the Company and its subsidiaries to submit reports to Audit & Supervisory Board members, and a system to ensure any person who has submitted a report is not treated disadvantageously as a result
  - 1) Directors and employees of the Company and its subsidiaries shall report the following matters to the Audit & Supervisory Board members:
    - (1) Matters that may cause significant damage to the Group
    - (2) Important matters pertaining to business circumstances on a monthly basis
    - (3) Important matters relating to the status of internal audits and risk management
    - (4) Serious violations of laws or the Articles of Incorporation of the Company
    - (5) Other significant compliance-related matters
  - 2) The Group shall not take any adverse actions against directors, employees, etc. who reported to the Audit & Supervisory Board members on the grounds that they provided information to the said members.
  - 3) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall attend meetings of the Board of Directors of subsidiaries and other major meetings to collect information and ensure the effectiveness of audits.
8. Other systems to ensure the effective execution of audits by Audit & Supervisory Board members
  - 1) In accordance with auditing standards of the Audit & Supervisory Board, Audit & Supervisory Board members shall hold regular opinion exchange forums with the representative directors and outside directors on important audit issues, etc.
  - 2) Audit & Supervisory Board members shall receive regular reports on audit plans and results from the Audit Division and request that the Department conduct investigations as necessary.
  - 3) Audit & Supervisory Board members shall direct the Audit & Supervisory Board Office to enhance the effectiveness of audits and ensure the smooth execution of audit duties.
  - 4) Audit & Supervisory Board members and the Audit & Supervisory Board shall meet regularly with the accounting auditor to maintain close contact and conduct effective and efficient audits.
  - 5) The Audit & Supervisory Board may request that the Company make advance payment or reimbursement of expenses required for conducting audits, including the use of legal and accounting specialists.

## **2. Basic Views on Eliminating Anti-Social Forces and the Status of Establishment**

In accordance with laws and regulations, the Company shall take a resolute attitude toward anti-social forces and groups that threaten the order and safety of civil society. The Company has

outlined its stance in its Group Code of Conduct and has taken steps to ensure that it is fully understood and practiced by all employees (including directors and corporate officers) of the Group.

The Company's response shall be based on recommendations and information from the police, corporate defensive measures councils and other relevant organizations regarding unreasonable claims, etc. The Company has built a framework under which the Corporate Functions and Compliance Committee work closely with the above institutions and its corporate lawyer to take prompt action should any incident occur.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted
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Supplementary Explanation

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### 2. Other Matters Concerning the Corporate Governance System

[Overview of timely disclosure]

The Group aims to realize fair, highly transparent management by being proactive in information provision other than statutory disclosure, not to mention disclosing information appropriately in compliance with relevant laws and regulations.

- The Disclosure Committee shall ensure the timely disclosure of financial results, information related to corporate decisions, and information related to the occurrence of material facts. In the event of a disaster or similar, the committee shall cooperate with the departments related to risk management.

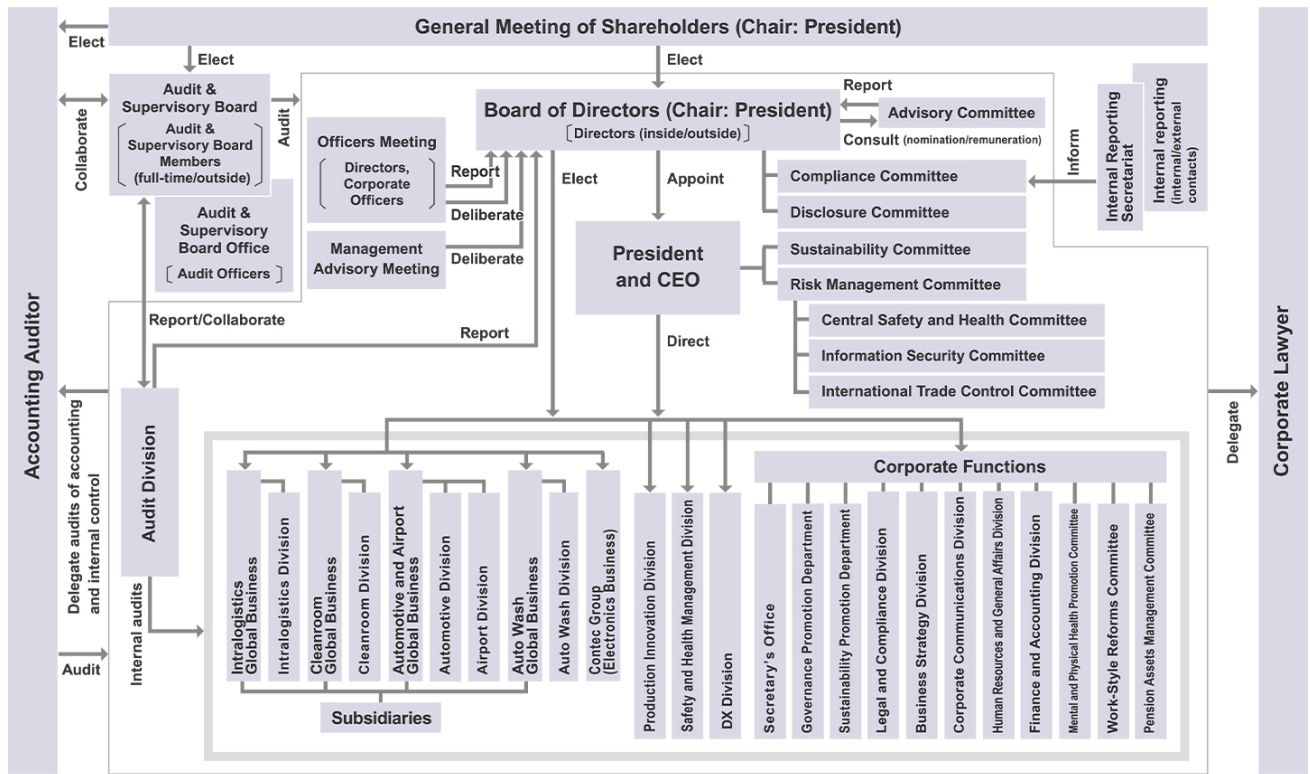
[Corporate governance system]

See the chart on the next page.

- Major changes as of April 2023

1. We have added new C-suite titles to strengthen corporate governance across the Group and speed up decision-making by delegating authority from the CEO and clarifying the responsibility of each officer after the delegation. Newly established positions are as follows:
  - Chief Financial Officer
  - Chief Human Resources Officer
  - Chief Information Officer
  - Chief Production Officer
  - Chief Technology Officer
2. We have formed the Production Innovation Division to increase productivity and strengthen production framework through the Group's supply chain risk management and manufacturing innovation.

# Corporate Governance System



Updated in April 2023

