

# Corporate Governance Report

Translated from the original Japanese-language document

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Daifuku Co., Ltd.

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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

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 (3) 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 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 president and 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 Basic Policy for Corporate Governance has been clarified. At the same time, the Group has organized its status of efforts for each item of the Japan’s Corporate Governance Code (hereinafter, the “Code”), and introduces reference points for the latest materials, including securities report and the Daifuku Report as integrated reporting.

See our website for the Daifuku Group 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, we have 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 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. 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 job satisfaction and ease of work. Under our long-term vision Driving Innovative Impact 2030 and four-year business plan for 2027, we will expand and strengthen our human capital through a three-axes approach; securing and developing human resources, achieving diversity and inclusion, and enhancing 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.

In promoting women to managerial positions, in addition to special recommendation slots for women already established, we have set more slots to promote women to assistant managers, with the aim of increasing the number of female candidates for managerial positions. Also, we have established a new leadership development program to foster future female managers in purpose to help female candidates acquire leadership skills and clarify their career visions, as well as to provide participants' supervisors with training sessions regarding career development support for female employees.

*Changes in the number of female managers*

31 (4.1%) as of April 1, 2023

41 (5.3%) as of April 1, 2024

Target: 60 (7.6%) as of December 31, 2027

Notes:

1. Four-year business plan for 2027 (April 1, 2024–December 31, 2027)

2. Figures in parentheses indicate the percentage of female employees in management positions.

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 ended March 31, 2024, 9.5% were foreign employees. We will continue to actively hire foreign employees. Six foreign managers are employed as of April 1,

2024. 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 44.2% as of April 1, 2024. The same applies to the promotion to managerial positions. Mid-career hires accounted for 42.1% of assistant managers and 32.2% of managerial positions, as of April 1, 2024. Going forward, we will diversify the personnel system to secure expert personnel 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 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 our securities reports and other reports.

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 and Audit & Supervisory Board members in the convening notice.

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

#### 1. Disclosure on sustainability initiatives

In developing and executing the four-year business plan for 2027, first we produced our vision of society and issues in the future and used backcasting to formulate Driving Innovative Impact 2030. Then, we set the four-year business plan as a midpoint of our overall goals for 2030. In the four-year business plan for 2027, we have integrated the two, laying out goals that take both business and sustainability perspectives into account, and we have formulated measures and roadmaps for achieving them. The Board of Directors receives status reports from the Sustainability Management Committee chaired by the president and CEO, which manages the progress of the four-year business plan, to achieve the goals, and provides effective supervision. We regularly disclose details of our sustainability initiatives in the Daifuku Report and on our website. For details, see the following pages:

Daifuku's Sustainability

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

Environment

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

Social

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

Governance

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

Daifuku Report

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

#### 2. Investing in human capital

Under our long-term vision Driving Innovative Impact 2030 and four-year business plan for 2027, we will expand and strengthen our human capital through a three-axes approach; securing and developing human resources, achieving diversity and inclusion, and enhancing engagement.

##### 1) Human resources management

We are building a human resources management platform across the Group, working to formulate the Group's basic policies for personnel measures related to recruitment, placement, training, evaluation, and compensation, as well as 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 (job satisfaction) 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 job satisfaction 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.

### 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, we have introduced an online training system, the Daifuku e-Learning System, as a common platform for the Group to provide compliance education and technical training at business units on a global basis.

### 3. Investing in intellectual property

The amount of innovation investment (R&D expenses + digital transformation (DX) investment amount) in the fiscal year ended March 31, 2024 was 17.0 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. In recent years, we have been broadening our scope of activities to identify potential rights within the context of total solutions (total support system from consulting to after-sales service), which features one of our strengths. In addition, intellectual property rights, including patent, design, and trademarks, are protected through an intellectual property multifaceted protection strategy, while in-house information assets that cannot be patented including know-how 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 (Task Force on Climate-related Financial Disclosures) recommendations

In 2019, we expressed our assent to the TCFD recommendations. In May 2020 we disclosed information on the impact of climate change risks and opportunities on our business activities and profits, and in May 2024 we reviewed our information disclosed, taking changes in social and environments into account. For details, see the following page:

Climate Change

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

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

Following the announcement of our assent to the TCFD recommendations, in 2021 we formulated Daifuku Environmental Vision 2050. In May 2023, we revised this vision to meet the demands of society at a higher level and further clarify our vision. In the new vision, we have set a goal to realize a world where material handling systems have zero environmental impact by 2050 and established three crucial issue areas: 1) addressing climate change, 2) promoting resource recycling, and 3) coexisting with nature. Furthermore, in May 2024, for addressing climate change, one of our crucial issue areas, we have reviewed our targets, as we now expect to achieve the initially set target ahead of schedule. We have upwardly revised our 2030 Scope 1 and Scope 2 CO<sub>2</sub> emissions reduction targets (compared to the fiscal year ended March 31, 2019) from 50.4% to 60%. Additionally, we have set a new target for the percentage of electricity derived from renewable energy sources, aiming for 80% in 2030 (Japan is expected to achieve 100% by 2027).

The Group will fulfill its responsibilities as a corporation throughout the entire supply chain, and we will strive to realize this vision with an eye toward the future society we wish to create.

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 Management 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 page:  
Climate Change

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

#### **[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 three or more members, including one or more representative directors and one or more outside directors, and meets three times or more a year. In the fiscal year ended March 31, 2024, the committee comprised one (1) representative director and all five (5) outside directors. The committee is chaired by one of these 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 decisions on the following matters based on reports from the Advisory 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 makes decisions on such persons as candidates based on reports from the Advisory Committee. 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 details, see “Corporate Governance” in our securities reports.

Securities Report

[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]**

The Company regularly examines the composition and operational status of the Board of Directors and evaluate 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.

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

[Method]

- Anonymous questionnaire for all directors and all Audit & Supervisory Board members
- Interviews with one (1) representative director and five (5) outside directors

[Evaluation items]



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

[Analysis of effectiveness improvement measures and evaluation results]

As a result of reviewing the results of the questionnaire and interview reports, it was confirmed that the Board of Directors is functioning effectively in general.

- (1) With respect to the issue of "ensuring diversity of core human resources," the survey results showed improvement, as a result of improvements, 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.
- (2) With regard to "diversity in the composition of the Board of Directors," the survey results showed improvement, as we appointed a non-Japanese director. We will continue to deepen discussions on the ideal form and necessary composition of the Board of Directors based on the management strategy.
- (3) The majority of respondents to the survey evaluated the "execution of business portfolio strategies" as being adequately overseen. On the other hand, with regard to "periodic review of the Group's overall business portfolio," some respondents indicated a request for continued consideration of this issue.

[Recognition of issues and future initiatives]

- (1) We identified the "reviewing the Group's overall business portfolio from the perspective of ensuring sustainable profitability and cost of capital" as an issue to be addressed in the fiscal year ended March 31, 2024 following the previous fiscal year. 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.
- (2) With regard to the "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.

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**[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 heads 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 president and CEO.
2. Investor relations (IR) activities for institutional investors and shareholders in and outside Japan: We hold a results briefing attended by the president and 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 on the topic of ESG (environment, society, governance) as needed.
3. IR activities for individual investors and shareholders in Japan: We organize a tour of our demo center within 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 president and 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 (return on invested capital) and WACC (weighted average cost of capital) are disclosed in our four-year business plan for 2027 and full-year earnings presentations. For details, see the following pages:

Four-year business plan for 2027

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

Earnings presentations

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

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

- Daifuku speakers

President and CEO (CEO), Chief Financial Officer (CFO), officers responsible for Global Businesses, officer in charge of ESG, officer in charge of investor relations, Investor Relations department manager, and other

- 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  
 Medium- and long-term management policies, management strategies, market environment, business models, competitive advantages, growth investments and returns, cash allocation, 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)	51,967,200	14.00
Custody Bank of Japan, Ltd. (Trust Account)	30,565,200	8.23
Mizuho Bank, Ltd.	9,265,057	2.50
Daifuku Supplier Shareholder Association	8,689,932	2.34
Nippon Life Insurance Company	8,237,301	2.22
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing proxy: Custody Business Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	7,825,978	2.11
Sumitomo Mitsui Banking Corporation	7,651,062	2.06
STATE STREET BANK AND TRUST COMPANY 505025 (Standing proxy: Settlement & Clearing Services)	7,462,748	2.01

Department, Mizuho Bank, Ltd.)		
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	7,010,828	1.89
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing proxy: Custody Business Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	6,822,168	1.84

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 JPY 100 billion to less than JPY 1 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	10
Outside directors	Appointed
Number of outside directors	5
Of outside directors, number of independent officers	4

#### Relationship with the Company (1) Updated

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

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

- e. 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	✓	———	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. 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.
Mineo Sakai	✓	———	He has abundant experience and extensive knowledge in corporation management that he has cultivated

			<p>through the positions as the Chairman and CEO of an IT company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. 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 and extensive knowledge in corporation management, particularly in the fields of safety and ESG (environment, society, governance) as well as compliance and internal control, cultivated through his positions as executive officer at a trading company and an energy-related company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof mainly 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. 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 experience working at a trading company and as an associate professor at a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly</p>

			<p>reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective. 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. 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	✓	_____	<p>He has abundant experience and extensive knowledge in corporate management as an analyst, M&amp;A advisor, and management executive in international financial institutions and other organizations. He offers advice and counsel to secure the transparency of management and enhance the supervision from unconventional perspectives by increasing the diversity of the Board of Directors based on his extensive knowledge on global business management. 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. He has no personal,</p>

			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 **Updated**

	Committee corresponding to nomination committee	Committee corresponding to remuneration committee
Committee's name	Advisory Committee	Advisory Committee
Number of all committee members	6	6
Full-time members	0	0
Inside directors	1	1
Outside directors	5	5
Outside experts	0	0
Other	0	0
Chair	One of outside directors	One of outside directors

Supplementary Explanation **Updated**

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. In the fiscal year ended March 31, 2024, all five (5) outside directors and one (1) 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, Outside Director Gideon Franklin, 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. Nine meetings were held in the fiscal year ended March 31, 2024. Of those meetings, six meetings were held to deliberate on remuneration for officers in April, September, October, and November of 2023; and January and March the following year. The results of the deliberations were discussed at the meeting of the Board of Directors in March 2024 to determine the amount of remuneration for directors and corporate officers. 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

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 the audit plan and reports of quarterly reviews and audit results from the accounting auditor. The Audit Division is also present at the audit results report meeting. In addition, Audit & Supervisory Board members undertake mutual cooperation with the accounting auditor by exchanging opinions when accompanying them on inventory inspections, on-site audits of installation sites, and overseas on-site audits.

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. Also, 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. In addition, to ensure the effectiveness of internal audits, the division has established essential matters related to internal audits in the Rules of Internal Audits to ensure independence from other business execution units. The division 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) **Updated**

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

\* 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

- Executive of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- An Audit & Supervisory Board member of a parent company of the Company
- 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
Tsakasa Miyajima	✓	_____	He is a university professor specializing in law and has deep insight and extensive experience as an academic expert and a legal expert. He has given us professional advice and counsel to ensure the transparency of management and enhance the functions of management supervision and auditing thereof. 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 & Supervisory Board from an independent and objective perspective.
Nobuo Wada	✓	_____	He has long been a professor at the university majoring in experimental research into condensed matter 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. 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 & Supervisory Board from an independent and objective perspective.
Eiko Hakoda	✓	There is no business transaction between Gaien Partners to which she belongs, SPARX Group Co., Ltd., CMIC HOLDINGS Co., Ltd., and The Prudential assigned tasks Insurance Company, Ltd. where she serves as outside officer; and the Company. In addition, SPARX Asset Management Co., Ltd. holds the Company's shares, its ownership of the voting rights is less than 10%. Although the Company has a delegation contractual relationship with Mori Hamada & Matsumoto, to which she belonged until December 2023, she was never involved in the Company's delegation matters, and the amount of transactions between the Company and Mori Hamada & Matsumoto is less than 1% of both the firm's annual revenue and the Company's consolidated net sales.	She has long been engaged in global business as a lawyer and has a proven track record and a high level of expertise in finance, international commerce, and corporate governance. Therefore, we would like her to provide advice and counsel to help us secure the transparency of management and enhance the monitoring and auditing functions over management based on her extensive experience and deep insight. She 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 & Supervisory Board from an independent and objective perspective.

**[Independent Officers]**

Number of independent officers	7
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Other Matters 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]**

Incentive policies for directors	Performance-linked remuneration
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Supplementary Explanation <b>Updated</b>
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Remuneration for executive directors consists of a basic remuneration 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  
Bonus, 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 a three- or four-year business plan is calculated based on the latest management targets (including consolidated net sales, consolidated operating income, ROE, etc.) announced by the end of the previous fiscal year. For the fiscal year ended March 31, 2024, the consolidated net income amount and margin were calculated based on the initial plan at the beginning of the period and the forecast announced in February 2024, and we achieved the planned figures. In the three-year business plan, we achieved management targets for consolidated net sales and ROE, however, consolidated operating margin was slightly lower than the target.

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 and long terms.

Recipients of stock options

Supplementary Explanation

### [Directors' Remuneration]

Disclosure of individual directors' remuneration

Selected directors

Supplementary Explanation **Updated**

In the fiscal year ended March 31, 2024, the remunerations paid to the directors and Audit & Supervisory Board members are as follows:

Directors (excluding outside directors):

Six (6) persons, total remuneration of 489 million yen (basic remuneration: 178 million yen, bonus: 237 million yen, performance-linked remuneration: 72 million yen)

Audit & Supervisory Board members (excluding outside members):

One (1) person, total remuneration of 45 million yen (basic remuneration: 21 million yen, bonus: 24 million yen)

Outside directors:

Five (5) persons, total remuneration of 71 million yen (basic remuneration: 71 million yen)

Outside members of the Audit & Supervisory Board:

Three (3) persons, total remuneration of 34 million yen (basic remuneration: 34 million yen)

The following one (1) director had total remuneration in the fiscal year ended March 31, 2024 of 100 million yen or more:

Hiroshi Geshiro

Hiroshi Geshiro:

Total remuneration of 182 million yen (basic remuneration: 60 million yen, bonus: 94 million yen, performance-linked remuneration: 28 million yen)

Policy on determining remuneration amounts and calculation methods **Updated**

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

- 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 relevant internal rules so that the level of remuneration is appropriate for the roles and duties of directors.
- The remuneration for the executive directors consists of basic remuneration as a fixed remuneration, a bonus as a short-term performance-linked remuneration, and a medium- to long-term performance-linked equity remuneration.
- 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 bonus shall be resolved annually by the Board of Directors. The president and 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 three or more directors, including one or more representative directors and one or more outside directors, and is chaired by an outside director. In the fiscal year ended March 31, 2024, all five (5) outside directors and one (1) representative director served on the committee.

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

The president and CEO has been delegated to determine the amount of remuneration for individual directors for the fiscal year ended March 31, 2024 under relevant internal rules. 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 president and CEO because the president and CEO 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 ensure that the delegated authority is exercised properly, the president and CEO determines the amount of 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, 2024 were in line with the Company's policy

The Board of Directors approved the decision of the president and 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 the president and 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 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. In the fiscal year ended March 31, 2024, the Company held extraordinary meetings of the Board of Directors on four occasions.

The composition of the Board of Directors is appropriate to ensure diversity including gender and internationality, while providing the expertise and experience necessary to implement the management philosophy and strategies in the management environment in which the Group operates.

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

The Company maintains an Audit & Supervisory Board comprising four (4) Audit & Supervisory Board members, three (3) 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 president and CEO as he sees fit, the Management Advisory Meeting meets on a timely basis as appropriate. In the fiscal year ended March 31, 2024, the Company held two meetings.

Corporate officer system: 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.

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 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 108th Ordinary General Meeting of Shareholders (held on June 21, 2024) on June 5, 2024 (16 days prior to the meeting date). On May 30, 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>The Company held its hybrid participatory virtual ordinary general meeting of shareholders on June 21, 2024, in a similar manner from 2021 onward. 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 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 president and CEO attending four times a year, as well as meetings including dialogues related to ESG as required.</li> <li>- We hold an Investor Relations Day, giving presentations by business</li> </ul>	Yes
Holding of regular briefings for investors outside of Japan	We hold such meetings in the United States and 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>- Earnings announcements (Japanese/English)</li> <li>- Earnings presentations (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 have 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 of Conduct 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 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 on management strategies on a practical level. 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>We have formulated the Daifuku Environmental Vision 2050, an environmental vision looking toward 2050 for the establishment of a 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 recommendations, and in May 2024 we reviewed our information disclosed, taking changes in social and environments into account. We will continuously</p>

	<p>accelerate more specific efforts to address climate change. 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> <p>We formulated the Daifuku Group Human Rights Policy, and we have been working to establish a system to identify, analyze, evaluate, correct, and prevent negative human rights impacts related to our overall business activities, including those in our supply chain. For details, see the following page:  Human Rights  <a href="http://www.daifuku.com/sustainability/society/human-rights">www.daifuku.com/sustainability/society/human-rights</a></p> <p>For details on other initiatives, see the following page:  Sustainability  <a href="http://www.daifuku.com/sustainability">www.daifuku.com/sustainability</a></p>
<p>Formulation of policies on information provision to stakeholders</p>	<p>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></p>

#### 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 of Conduct within the Company.
  - 2) The Company shall ensure compliance with laws and regulations in its corporate activities and raise and improve awareness of fairness and morality, by setting the Compliance Committee consisting of all directors and corporate officers.
  - 3) The Audit Division, which is independent of the Company's lines of business execution, shall conduct 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 shall properly store and manage the minutes of general shareholders' meetings and meetings of the Board of Directors, and records, and other information 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 on information security that stipulate the systems necessary for maintenance and management of information security, functions and authorities of organizations to promote information security and handling methods of information assets, thereby protecting 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 goals, business plans, and other managerial policies 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 shall be 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 shall formulate specific goals and measures for their own units in light of the management goals 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 shall 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, and advice through these officers on all aspects of the management of its subsidiaries across the globe.
- 3) Standing in a position that is independent from the business execution lines, the Audit Division shall conduct 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, the Company shall 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 shall establish an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members.
  - 2) The Company shall respect the opinions of Audit & Supervisory Board members when making personnel decisions relating to the Audit & Supervisory Board Office and the Audit Division. The Company shall also consider 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 the 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 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 ask the Company to pay in advance or reimburse any necessary expenses relating to the use of legal or accounting experts in the course of conducting audits.

## **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 **Updated**

[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.

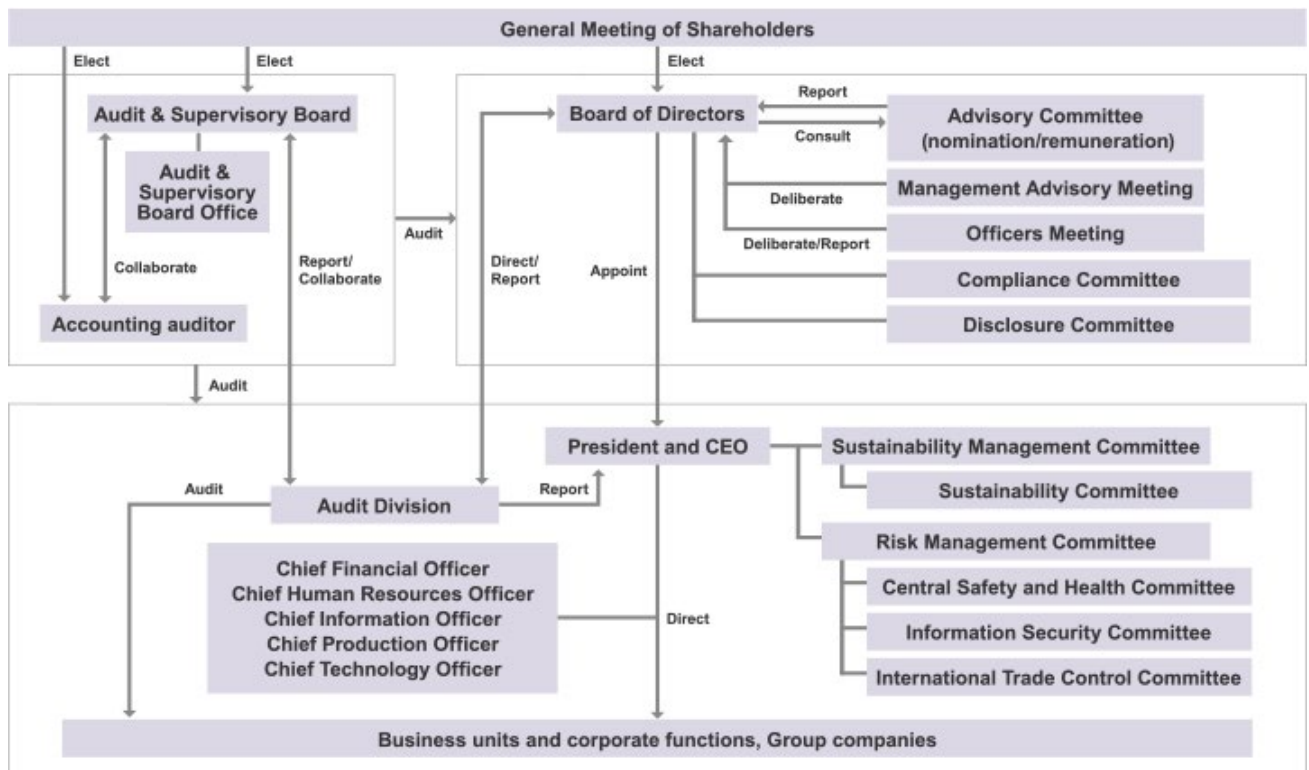
[Corporate governance system]

See the chart on the next page.

- Major changes as of April 2024

We have newly established the Sustainability Management Committee to discuss important management strategies for the Group, confirm the progress and results of business plans, and promote sophisticated management. We aim to achieve the management from the perspective of management that takes both business and sustainability perspectives into account, with an emphasis on creating corporate value over the medium to long term based on a future-oriented approach.

# Corporate Governance System



Updated in April 2024

