

# Corporate Governance

## Principal Initiatives

Daifuku is fulfilling its corporate social responsibility based on the key tenets of its management philosophy: “provide the best solutions to benefit the global markets and the development of society” and “focus on healthy, growth-driven global management under a diverse and positive corporate culture.” The Company ceaselessly strives to improve its corporate governance, the platform supporting the realization of this mission.

## Management Decision Making, Supervision, and Business Execution Framework

### Board of Directors

Since introducing the corporate officer system\* in fiscal 2011, Daifuku has reduced its number of directors; currently, the Board of Directors consists of 11 directors, including two outside directors. The director’s term of office is one year, and each Board member’s mandate is reviewed yearly at the General Meeting of Shareholders. The Board of Directors pursues decision making on important management matters, including management policies. The Board of Directors’

regular meetings are held once a month, while extraordinary meetings are held as needed (six times in fiscal 2013).

Daifuku also holds the Management Advisory Meeting\* (six times in fiscal 2013), which comprises representative directors with corporate auditors in attendance, to make recommendations to the Board of Directors.

The corporate officer system is in place to enhance the mobility and speed of management by dividing decision making and supervision functions from business execution functions. The Company currently maintains 22 corporate officers, including one American officer and others serving concurrently as directors.

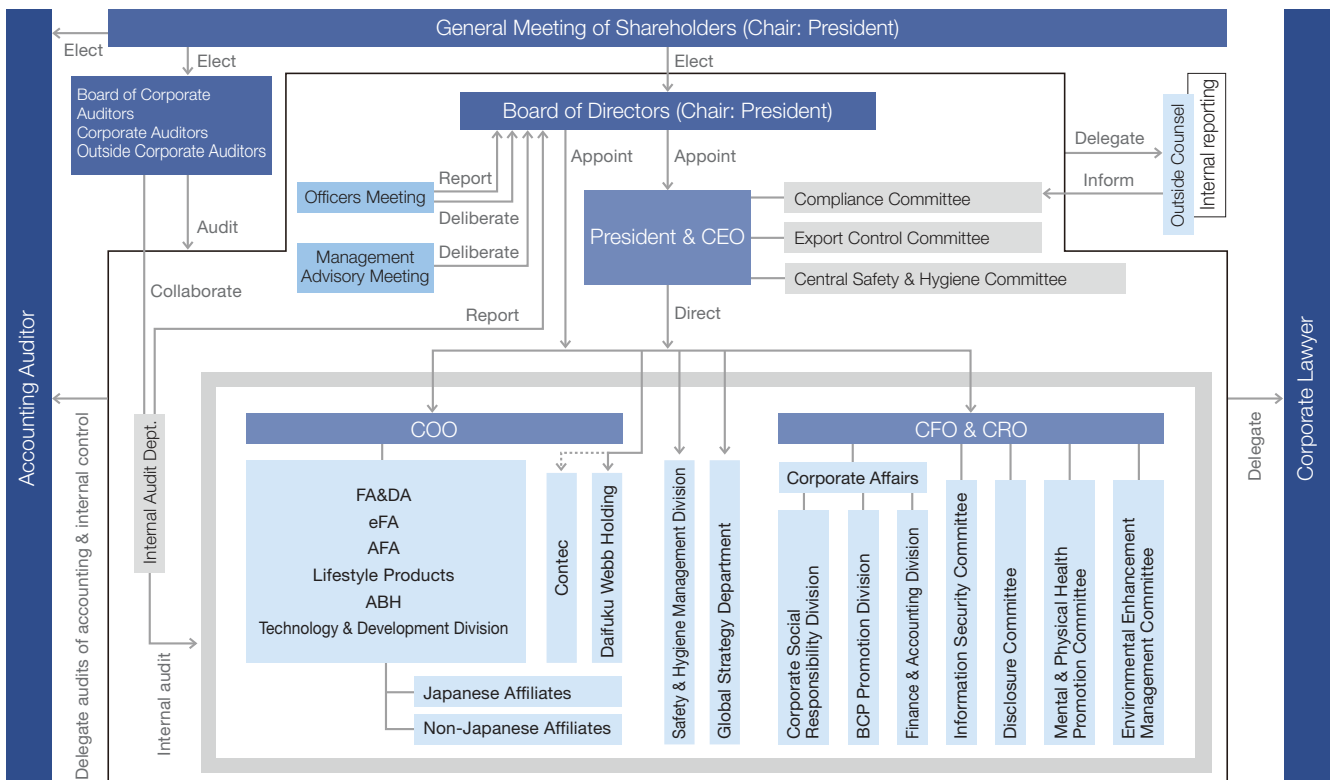
\* Corporate officer systems and Management Advisory Meetings that are established within companies with boards of corporate auditors are voluntary corporate bodies not specified in Japan’s Companies Act.

### Outside directors

Noboru Kashiwagi assumed the position of outside director at the June 2012 General Meeting of Shareholders, and Yoshiaki Ozawa, professor at St. Andrew’s University in Osaka, was inducted as an outside director at the June 2014 General Meeting of Shareholders.

While cooperating with the internal directors, who are highly familiar with Daifuku’s businesses, the two outside

## Corporate Governance Structure



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directors help vitalize the Board and enhance management objectivity and transparency. Based on its regulations, the Tokyo Stock Exchange has been notified that the outside director Kashiwagi is an independent officer.

### Activity of outside directors

Name	Board meeting attendance	Activity
Noboru Kashiwagi	Regular: 11/12 times Special: 5/6 times	Provides insightful advice and recommendations to the Board of Directors based on his abundant experience and extensive knowledge in corporate legal affairs and international trade laws.
Yoshiaki Ozawa	(Elected in June 2014)	Will provide expert advice and recommendations to the Board of Directors based on his extensive knowledge in finance and accounting and experience working outside of Japan.

### Board of Corporate Auditors

Daifuku maintains a Board of Corporate Auditors made up of five corporate auditors, three of whom are elected from outside the Company. The Board of Corporate Auditors met on six occasions during fiscal 2013.

Corporate auditors conduct audit and supervisory activities in accordance with audit plans formulated at the beginning of the fiscal year. In the course of their duties, corporate auditors attend key meetings, including Board of Directors' meetings and officers' meetings, receive reports from directors and other officers, examine financial reporting documents, and visit to monitor financial activities at various operating divisions including factories, sales offices, and Group companies. To promote coordination and effectiveness in auditing, corporate auditors exchange information and conduct business audits in coordination with the Internal Audit Department, which is independent of the regular business operations, and, together with accounting auditors, make inspection visits, exchange opinions about audit plans and results, and attend evaluation tests of internal control systems.

### Outside corporate auditors

The three outside corporate auditors—Harumichi Uchida, Isao Kitamoto, and Hiroyuki Torii—bring diverse perspectives to the Board of Corporate Auditors by exchanging opinions with the full-time corporate auditors, attending Board of Directors' meetings, and gathering information. Along with the previously mentioned outside director, the Tokyo Stock Exchange has been notified that two of the outside corporate auditors, Isao Kitamoto and Hiroyuki Torii, are independent officers.

As Daifuku's contracted independent accounting auditor, PricewaterhouseCoopers Aarata, a PwC member firm, performs accounting and internal control audits.

### Activity of outside corporate auditors

Name	Board meeting attendance	Activity
Harumichi Uchida	Board of Directors Regular: 12/12 times Special: 5/6 times Board of Corporate Auditors: 6/6 times	Provides expert advice and recommendations to the Boards, as a prominent lawyer.
Isao Kitamoto	Board of Directors Regular: 12/12 times Special: 6/6 times Board of Corporate Auditors: 6/6 times	Provides insightful advice and recommendations as a journalist to the Boards, based on extensive experience working outside of Japan.
Hiroyuki Torii	Board of Directors Regular: 12/12 times Special: 6/6 times Board of Corporate Auditors: 6/6 times	Provides insightful advice and recommendations as a journalist to the Boards, based on a wealth of knowledge in the science and technology fields.

### Internal Control Improvements

Daifuku recognizes the construction and operation of healthy and strong internal control structures as important to improving the effectiveness of corporate governance as well as raising corporate trustworthiness and operational efficiency. Accordingly, the Company has built internal control systems centered on compliance, risk management, and ensuring the reliability of financial reporting.

### Compliance

Daifuku has established a Compliance Committee chaired by the president, of which all directors are members, to supervise legal and other compliance initiatives. The combined CFO and CRO communicates with all directors and employees to ensure compliance with the Corporate Code of Conduct.

As a part of its efforts, the Company holds trainings companywide to raise awareness of compliance in all of its employees. In addition, as a countermeasure against the global risk of violating laws, the Company has established basic company rules and subsidiary rules detailing various measures and procedures to comply with competition and bribery laws. Daifuku has also distributed a message from the president conveying the importance of compliance to all employees.

## Risk management

Daifuku implements risk management measures through the BCP (business continuity plan) Promotion Division and the CSR (corporate social responsibility) Division, which are under the control of the CRO.

In addition, the Company launched a risk management promotion framework, composed of the general managers of each business operation, to mitigate and minimize risks that involve corporate management and strengthen emergency response structures.

During the fiscal year ended March 31, 2014, the Company made disaster contingency equipment available at major offices and factories in Japan, including first aid kits, relief goods and supply kits for people stranded at the workplace. It also conducted risk assessments at subsidiaries in Thailand and China in efforts to comprehend regional risks and facilitate sharing of information. Moving forward, the Company will share and implement risk countermeasures across the Daifuku Group.

## Internal control system

Regarding the maintenance of reliable financial reporting, the Internal Audit Department serves as a bureau to upgrade and manage the Group's internal control systems. As such, the Internal Audit Department conducts integrated management by working to prevent risks that could impede the reliability of financial reporting, educating employees across the Group about internal control systems and manages Plan-Do-Check-Act cycles.

Consequently, in its fiscal 2013 internal control report, based on the Financial Instruments and Exchange Act of Japan, Daifuku once again evaluated its internal control systems over financial reporting as effective.



Large-scale fire drills

## Board Member Compensation

At Daifuku's June 2006 General Meeting of Shareholders, a resolution was passed limiting the total annual compensation of directors (excluding the salaries of staff) to 700 million yen and that of corporate auditors to 110 million yen. Director and corporate auditor compensation in fiscal 2013 is as shown in the following table. No individual received total compensation on a consolidated basis of 100 million yen or more, nor did any individual outside officer receive compensation as a director or corporate auditor from Daifuku's subsidiaries besides that shown in the table.

### Compensation for directors and auditors (amount paid in fiscal 2013)

Category	Number of individuals	Compensation
Directors (Outside directors)	11 (1)	388 million yen (15 million yen)
Corporate auditors (Outside corporate auditors)	5 (3)	83 million yen (30 million yen)
Total (Outside officer total)	16 (4)	472 million yen (45 million yen)

## Information Disclosure and IR Activities

For its shareholders and investors, Daifuku conducts timely, appropriate disclosure of information in accordance with the law, including the Financial Instruments and Exchange Act of Japan, and Tokyo Stock Exchange Regulations, through its Investor Relations (IR) Department. For security analysts and institutional investors, the Company conducts IR activities, such as quarterly results briefings, additional company information sessions as needed, and conference calls, and responds to individual requests for information.

With regard to individual investors, Daifuku broadly pursues transparency through tours of its facilities, various IR events and publications, and timely information disclosure on its website.



Shiga Works site tour for shareholders, viewing Daifuku's mega-solar facility