

Note: This document is translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

(Stock Exchange Code: 6383)
June 8, 2022

To shareholders with voting rights:

Hiroshi Geshiro
President and CEO
Daifuku Co., Ltd.
3-2-11 Mitejima, Nishiyodogawa-ku
Osaka, Japan

Notice of the 106th Ordinary General Meeting of Shareholders

Dear our shareholders:

We would like to express our appreciation for your continued support and patronage.

You are hereby notified that the 106th Ordinary General Meeting of Shareholders of Daifuku Co., Ltd. (the "Company") will be held for the purposes described below.

To prevent the spread of the novel coronavirus (COVID-19), we recommend that you refrain from attending the meeting in person and exercise your voting rights in advance in writing or via the Internet, etc. For exercising such voting rights, please review the attached Reference Documents for the General Meeting of Shareholders and, following the guidance below, exercise your voting rights no later than 5 p.m. on Thursday, June 23, 2022, Japan time. A live stream via the Internet will also be available on the day of the meeting.

- 1. Date and Time:** Friday, June 24, 2022, at 10 a.m. Japan time
- 2. Place:** The Company's headquarters, 3-2-11 Mitejima, Nishiyodogawa-ku, Osaka, Japan
- 3. Meeting Agenda**
Matters to be reported:
 1. The Business Report, the Consolidated Financial Statements for the Company's 106th Fiscal Year (April 1, 2021 – March 31, 2022) and the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the Company's 106th Fiscal Year (April 1, 2021 – March 31, 2022)

Proposals to be resolved:

- Proposal 1: Partial Amendments to the Articles of Incorporation
Proposal 2: Election of Nine (9) Directors
Proposal 3: Election of Two (2) Audit & Supervisory Board Members

Other Matters Regarding This Notice of Convocation

Pursuant to the relevant laws and regulations and the provision of Article 16 of the Articles of Incorporation, "Consolidated Statements of Changes in Net Assets and Notes to the Consolidated Financial Statements" and "Non-Consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements" are disclosed on the Company's website (www.daifuku.com/jp/ir/stock/shareholders) and are not included in the attached documents that concern the matters to be reported.

Should any amendments occur to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and/or the Non-Consolidated Financial Statements by the day before the Meeting's date, the amended documents will be posted on the Company's website (www.daifuku.com/jp).

Guidance on the Exercise of Voting Rights

- Attending the Meeting

When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. To save paper resources, you are kindly requested to bring this Notice. Please come by 10 a.m. on Friday, June 24, 2022, Japan time.

- Exercise of voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it by mail so that it arrives no later than 5 p.m. on Thursday, June 23, 2022, Japan time.

- Exercise of voting rights via the Internet, etc.

If you choose to exercise your voting rights via the Internet, etc., please exercise your voting rights no later than 5 p.m. on Thursday, June 23, 2022, Japan time.

If you have exercised your voting rights both in writing and via the Internet, etc., only the vote via the Internet, etc. shall be deemed effective. If you have exercised your voting rights more than once via the Internet, etc., or both via PC and smartphone, only the last vote shall be deemed effective.

When connection fees charged by Internet service providers, telecommunication fees (call charges) charged by telecommunications carriers, etc. for using the Internet are required, they shall be borne by shareholders.

Proposals and References

Proposal 1: Partial Amendments to the Articles of Incorporation

[1] Reasons for the amendments

The revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022, and the Company proposes the following amendments to the Company's Articles of Incorporation in preparation for the implementation of the system for electronic provision of materials for general meetings of shareholders.

- (1) Article 16, Paragraph 1 of the proposed amendments stipulates that information that is the content of Reference Documents for the General Meeting of Shareholders, etc., shall be provided electronically.
- (2) Article 16, Paragraph 2 of the proposed amendments establishes stipulations of omission of part of matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents.
- (3) As stipulations concerning Internet disclosure and deemed provision of reference documents for general meetings of shareholders (Article 16 of the pre-amendment Articles of Incorporation) will no longer be necessary, these shall be deleted.
- (4) Supplementary provisions shall be established concerning the effective date, etc., in line with the new establishments and deletions above.

[2] Details of the amendments

Details are as follows.

(Amended sections are underlined.)

Current	Proposed amendments
<p>Article 16 <u>(Internet disclosure of reference documents for general meetings of shareholders)</u> <u>The Company may provide to shareholders information concerning matters that must be displayed in the reference documents for general meetings of shareholders, Non-Consolidated Financial Statements, Consolidated Financial Statements, including accounting audit reports and audit reports related to these Consolidated Financial Statements, and the Business Report via Internet disclosure in conformity with provisions stipulated in the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p>Article 16 <u>(Measures for electronic provision, etc.)</u> <u>1. When convening a general meeting of shareholders, the Company shall provide information that is the content of Reference Documents for the General Meeting of Shareholders, etc., electronically.</u></p>

Current	Proposed amendments
	<p data-bbox="911 197 1437 524">2. <u>Among the matters to which electronic provision measures apply, the Company may choose not to include all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.</u></p> <p data-bbox="815 533 1142 562"><u>Supplementary provisions</u></p> <p data-bbox="815 568 1437 636"><u>Article 1 (Transitional measures for measures for electronic provision, etc.)</u></p> <p data-bbox="911 642 1437 1189">1. <u>The deletion of Article 16 (Internet disclosure of reference documents for general meetings of shareholders) of the pre-amendment Articles of Incorporation and the new establishment of Article 16 (Measures for electronic provision, etc.) of the proposed amendments shall take effect from September 1, 2022, the date of enforcement of the revised provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the "Enforcement Date").</u></p> <p data-bbox="911 1196 1437 1451">2. <u>Notwithstanding the provision of the previous paragraph, Article 16 of the pre-amendment Articles of Incorporation shall remain in force for a general meeting of shareholders held within six months of the Enforcement Date.</u></p> <p data-bbox="911 1458 1437 1704">3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Enforcement Date or the lapse of three months from the date of the General Meeting of Shareholders as provided in the previous paragraph, whichever is later.</u></p>

Proposals and References

Proposal 2: Election of Nine (9) Directors

The term of office of all nine (9) Directors will expire at the conclusion of the Meeting. The Company therefore proposes the election of nine (9) Directors.

Regarding the policy and process of electing nominees for Director, the Company submits the names of qualified persons who would be able to fulfil the duties and responsibilities to the Advisory Committee, comprised of one (1) Representative Director and four (4) Outside Directors and was chaired by one of these Outside Directors in the 106th fiscal year, as those who could assume the fiduciary responsibility entrusted by the shareholders in view of their respective personality and insight, and the Board of Directors made final decision on such persons as nominees.

The nominees for Director are as follows. Five (5) nominees for Internal Director are expected to contribute to achieving operating performance by leveraging their abundant experience in charge of their respective business fields. Four (4) nominees for Outside Director are expected to contribute to improving management transparency and protecting stakeholders' interests based on their experience and expertise in corporate management, finance and accounting, legal affairs and risk management, etc., in other companies.

Nominee No.	Name		Current positions and major duties in the Company	Attendance rate at meetings of the Board of Directors (number of attendance) for the fiscal year ended March 31, 2022
1	Hiroshi Geshiro	Reappointed	President and Chief Executive Officer (CEO)	100% (18/18 times)
2	Shuichi Honda	Reappointed	Director, Senior Managing Officer, President and CEO of Daifuku North America Holding Company	100% (18/18 times)
3	Seiji Sato	Reappointed	Director, Managing Officer, Cleanroom Global Business Head	100% (18/18 times)
4	Toshiaki Hayashi	Reappointed	Director, Managing Officer, Automotive and Airport Global Business Head	100% (18/18 times)
5	Hiroshi Nobuta	Reappointed	Director, Managing Officer, Intralogistics Global Business Head	100% (12/12 times)
6	Yoshiaki Ozawa	Reappointed Outside Director, Independent Officer	Outside Director	100% (18/18 times)
7	Mineo Sakai	Reappointed Outside Director, Independent Officer	Outside Director	94% (17/18 times)

Nominee No.	Name		Current positions and major duties in the Company	Attendance rate at meetings of the Board of Directors (number of attendance) for the fiscal year ended March 31, 2022
8	Kaku Kato	Reappointed Outside Director, Independent Officer	Outside Director	100% (18/18 times)
9	Keiko Kaneko	Reappointed Outside Director	Outside Director	100% (18/18 times)

(Notes)

1. A total of 18 (12 ordinary and 6 extraordinary) Board of Directors meetings were held during the fiscal year ended March 31, 2022. In addition, Mr. Hiroshi Nobuta's attendance rate covers his attendance at ordinary and extraordinary Board of Directors meetings held after June 25, 2021, the day they assumed the office.
2. The nominees are currently Directors of the Company. The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under the insurance contract, damages and legal fees, etc. incurred by the insured as a result of claims for damages arising from any acts (including inaction) committed in the insured's capacity as officer, etc. of a business enterprise shall be covered. However, any damage to officers themselves who intentionally committed criminal acts such as bribery or other illegal acts will not be compensated in order to ensure the appropriateness of officers' execution of duties is not compromised. The insurance premiums of the insured are fully borne by the Company. Each nominee for Director will continue to be insured by the insurance contract if their reappointment is approved. The Company plans to renew the insurance contract with the same contents during the terms of office of each nominee.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
1	Hiroshi Geshiro (June 13, 1958) Reappointed	<p>April 1983 Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.)</p> <p>April 2012 Corporate Officer General Manager of the Sales Division, FA&DA Operations</p> <p>April 2014 Managing Officer General Manager of FA&DA Global Operations</p> <p>April 2015 General Manager of FA&DA Operations</p> <p>June 2015 Director, member of the board, Managing Officer</p> <p>April 2016 General Manager of the International Division, FA&DA Operations</p> <p>April 2018 President and CEO (to present)</p>	11,300
	<p>[Reason for nomination as Director]</p> <p>Mr. Hiroshi Geshiro has abundant experience and a good track record in the field of mainstay material handling systems for general manufacturers and distributors in Japan and overseas. The Company reappoints him as a nominee for Director based on its judgement that he is qualified for this position as he endeavors to realize the Group strategy toward further business growth and the improvement of operating performance and that he plays a key role in the decision making in the Group management.</p>		

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
2	Shuichi Honda (January 8, 1957) Reappointed	<p>April 1979 Joined The Dai-Ichi Kangyo Bank, Limited (now Mizuho Financial Group, Inc.)</p> <p>March 2006 Executive Officer and General Manager of Business Administration Division, Corporate Officer of Corporate Banking Unit, and General Manager for Human Resource Management Division, Mizuho Corporate Bank, Ltd.</p> <p>June 2011 Managing Director and Chief Strategy Officer Chief Risk Officer, Chief Operations Officer, Mizuho Corporate Bank, Ltd.</p> <p>April 2012 Joined Daifuku Co., Ltd. as a corporate adviser</p> <p>June 2013 Director, member of the board, Managing Officer COO of Corporate Affairs General Manager of the Corporate Social Responsibility Division General Manager of the Business Continuity Plan Promotion Division</p> <p>April 2014 Director, Senior Managing Officer (to present) General Manager of the Global Strategy Department</p> <p>April 2015 General Manager of the Corporate Business Development Division General Manager of ABH Global Operations</p> <p>April 2016 General Manager of ATec Global Operations</p> <p>October 2018 General Manager of ATec Operations</p> <p>April 2020 President and CEO of Daifuku North America Holding Company (to present)</p> <p>Significant concurrent positions President and CEO of Daifuku North America Holding Company</p>	10,900
<p>[Reason for nomination as Director]</p> <p>Mr. Shuichi Honda has been involved in the management of a megabank and has extensive international experience with a good track record. The Company reappoints him as a nominee for Director based on its judgement that he is qualified for this position as he has been in charge of establishing management strategies and Airport Technologies business, as well as serving as the chief executive of the Company's subsidiary in North America from April 2020, based on the aforesaid experience and achievements.</p>			

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
3	Seiji Sato (January 15, 1960) Reappointed	April 1983 Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) April 2008 General Manager of the Semiconductor Division, eFA Operations June 2010 Director, member of the board June 2011 Managing Officer with an introduction of corporate officer system April 2015 General Manager of eFA Global Operations General Manager of eFA Operations June 2015 Director, Managing Officer (to present) April 2020 Cleanroom Global Business Head (to present) Cleanroom Division Manager (to present)	42,700
	[Reason for nomination as Director] Mr. Seiji Sato has abundant experience and a good track record in business management concerning the material handling systems for semiconductor and flat-panel display factories in Japan and overseas. The Company reappoints him as a nominee for Director based on its judgement that he is qualified for this position for the above reasons.		

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
4	Toshiaki Hayashi (November 17, 1958) Reappointed	<p>April 1981 Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.)</p> <p>April 2013 Corporate Officer General Manager of the Production Division, AFA Operations</p> <p>April 2016 Chairman of Daifuku (China) Automation Co., Ltd.</p> <p>April 2020 Managing Officer Automotive Global Business Head Automotive Division Manager</p> <p>June 2020 Director, Managing Officer (to present)</p> <p>April 2021 Automotive and Airport Global Business Head (to present)</p> <p>April 2022 Chief Officer of Shiga Works (to present)</p>	3,800
		<p>[Reason for nomination as Director] Mr. Toshiaki Hayashi has abundant experience and a good track record in business management concerning the material handling systems for automobile factories at the Company and its overseas subsidiary. The Company appoints him as a nominee for Director based on its judgement that he is qualified for this position for the above reasons.</p>	

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
5	Hiroshi Nobuta (March 1, 1960) Reappointed	<p>April 1982 Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.)</p> <p>April 2007 General Manager of the Engineering Department, Production Division, FA&DA Operations</p> <p>April 2012 Corporate Officer General Manager of the Project Management Division, FA&DA Operations</p> <p>April 2013 Corporate Officer Executive Vice President of Daifuku North America Holding Company</p> <p>April 2019 Managing Officer General Manager of the International Division, FA&DA Operations</p> <p>April 2020 Managing Officer Intralogistics Division Manager (to present) General Manager of the International Operations, Intralogistics Division</p> <p>April 2021 Managing Officer Intralogistics Global Business Head (to present)</p> <p>June 2021 Director, Managing Officer (to present)</p>	7,800
<p>[Reason for nomination as Director] Mr. Hiroshi Nobuta has abundant experience and a good track record in the field of material handling systems for general manufacturers and distributors centered on engineering at the Company and its overseas subsidiary. The Company appoints him as a nominee for Director based on its judgement that he is qualified for this position for the above reasons.</p>			

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
6	<p>Yoshiaki Ozawa (May 31, 1954) Reappointed</p> <p>Outside Director, Independent Officer</p> <p>Period of service as Outside Director: Eight (8) years</p>	<p>July 1978 Joined PricewaterhouseCoopers (PwC) Osaka Office</p> <p>October 1979 Joined Chuo Accounting Corporation Osaka Office</p> <p>August 1982 Registered as a Japanese certified public accountant (CPA)</p> <p>October 1985 Worked at Coopers & Lybrand New York Office</p> <p>July 1990 Registered as a U.S. CPA (New York)</p> <p>July 1995 Senior partner, Chuo Shinko Audit Corporation</p> <p>July 2005 National director overseeing Japanese clients in the U.S at the PwC New York Office</p> <p>July 2007 Joined PwC Aarata</p> <p>January 2008 Senior partner, PwC Aarata</p> <p>April 2009 Specially-appointed professor at Kansai University</p> <p>April 2012 Professor of Faculty of Business Administration at St. Andrew's University (to present)</p> <p>September 2012 Left PwC Aarata</p> <p>June 2014 Outside Director of Daifuku Co., Ltd. (to present)</p> <p>April 2018 Director of Career Center at St. Andrew's University</p> <p>June 2018 Outside Audit & Supervisory Board Member, Daido Life Insurance Company (to present)</p> <p>June 2019 Substitute Director (Audit and Supervisory Committee Member), Sakai Heavy Industries, Ltd.</p> <p>April 2020 Dean of Graduate School of Business Administration at St. Andrew's University</p> <p>December 2021 Representative Director , Andrew Partners Co., Ltd. (to present)</p> <p>March 2022 Obtained a PhD in Business Administration from Kwansei Gakuin University</p> <p>Significant concurrent positions Professor of Faculty of Business Administration at St. Andrew's University Outside Audit & Supervisory Board Member, Daido Life Insurance Company Representative Director, Andrew Partners Co., Ltd.</p>	—

		<p>[Reasons for nomination as Outside Director and expected roles to fulfil]</p> <p>Mr. Yoshiaki Ozawa 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 Daifuku Group. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>[Independence]</p> <ol style="list-style-type: none"> 1. Mr. Yoshiaki Ozawa fully satisfies the requirements for the independence standards stipulated by the Company (page 28). He once served as a representative partner of PricewaterhouseCoopers Aarata—the Accounting Auditor of the Company, but since he resigned from said audit firm in September 2012, there have been no business transactions between him and the Company. 2. The Company designated him as an independent officer as stipulated by the rules of the Tokyo Stock Exchange and provided such notification thereto. If he is reappointed as originally proposed, he will remain an independent officer. 	
--	--	---	--

(Notes) 1. There are no significant conflicts of interest between the nominee and the Company.

2. As Mr. Ozawa is currently an Outside Director of the Company, the Company has a limited liability agreement with him to limit the liability for damages to the amount set by law, pursuant to Article 27 of the Company's Articles of Incorporation. If he is reappointed, the Company will continue said agreement with him.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
7	<p>Mineo Sakai (May 13, 1951) Reappointed</p> <p>Outside Director, Independent Officer</p> <p>Period of service as Outside Director: Four (4) years</p>	<p>April 1974 Joined Kanematsu-Gosho, Ltd. (now Kanematsu Corporation)</p> <p>April 1997 General Manager of Finance Department, Kanematsu Corporation</p> <p>April 2004 Corporate Officer, General Manager of Finance and Accounting Department, Kanematsu Corporation</p> <p>June 2004 Director, member of the board of Kanematsu Electronics Ltd.</p> <p>June 2005 Managing Director, Kanematsu Electronics Ltd.</p> <p>April 2008 Executive Vice President, Kanematsu Electronics Ltd.</p> <p>April 2014 Chairman, Kanematsu Electronics Ltd.</p> <p>April 2016 Chairman and CEO, Kanematsu Electronics Ltd.</p> <p>April 2018 Director and Senior Adviser, Kanematsu Electronics Ltd.</p> <p>April 2018 Audit & Supervisory Board Member, KEL Technical Service Ltd.</p> <p>April 2018 Audit & Supervisory Board Member, Nippon Office Systems Ltd.</p> <p>April 2018 Audit & Supervisory Board Member, i-NOS Corporation</p> <p>June 2018 Outside Director of Daifuku Co., Ltd. (to present)</p> <p>June 2019 Adviser, Kanematsu Electronics Ltd.</p>	—

		<p>[Reasons for nomination as Outside Director and expected roles to fulfil]</p> <p>Mr. Mineo Sakai has abundant experience and extensive knowledge in corporation management that he has cultivated through the positions as the Chairman and Chief Executive Officer (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.</p> <p>[Independence]</p> <ol style="list-style-type: none"> 1. Mr. Mineo Sakai fully satisfies the requirements for the independence standards stipulated by the Company (page 28). Although there are transactions concerning information and communications between Kanematsu Electronics Ltd., where he belongs, and the Company, the amount of the transactions is less than 1% of the consolidated net sales of either company. In addition, neither the Company nor Kanematsu Electronics Ltd. holds the stocks of its counterpart. Although Kanematsu Electronics Ltd. is a listed subsidiary of Kanematsu Corporation, transactions between the Company and Kanematsu Corporation are also insignificantly small, and all shares of Kanematsu Corporation held by the Company were sold in fiscal 2020. 2. The Company designated him as an independent officer as stipulated by the rules of the Tokyo Stock Exchange and provided such notification thereto. If he is reappointed as originally proposed, he will remain an independent officer. 	
--	--	---	--

- (Notes) 1. There are no significant conflicts of interest between the nominee and the Company.
2. As Mr. Sakai is currently an Outside Director of the Company, the Company has a limited liability agreement with him to limit the liability for damages to the amount set by law, pursuant to Article 27 of the Company's Articles of Incorporation. If he is reappointed, the Company will continue said agreement with him.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
8	<p>Kaku Kato (October 24, 1954) Reappointed</p> <p>Outside Director, Independent Officer</p> <p>Period of service as Outside Director: Three (3) years</p>	<p>April 1978 Joined Mitsui & Co., Ltd.</p> <p>April 2008 General Manager of Legal Division, Mitsui & Co., Ltd.</p> <p>April 2011 Associate Officer; General Manager of Legal Division, Mitsui & Co., Ltd.</p> <p>April 2012 Managing Officer; General Manager of Internal Auditing Division, Mitsui & Co., Ltd.</p> <p>April 2015 Executive Officer; Chief Compliance Officer (CCO) and in charge of Corporate Governance, Health, Safety and Environment (HSE), Mitsui Oil Exploration Co., Ltd.</p> <p>June 2016 Managing Executive Officer; CCO and in charge of Corporate Governance, Human Resources & General Affairs, HSE, Mitsui Oil Exploration Co., Ltd.</p> <p>June 2018 Adviser, Mitsui Oil Exploration Co., Ltd.</p> <p>June 2019 Outside Director of Daifuku Co., Ltd. (to present)</p> <p>April 2020 Visiting Professor of Faculty of Law and Politics at Rikkyo University (to present)</p> <p>Significant concurrent positions Visiting Professor of Faculty of Law and Politics at Rikkyo University</p>	—

	<p>[Reasons for nomination as Outside Director and expected roles to fulfil]</p> <p>Mr. Kaku Kato conducts research on law at a university by leveraging his 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 the 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 from the viewpoint of corporate legal affairs. In addition, he works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>[Independence]</p> <ol style="list-style-type: none"> 1. Mr. Kaku Kato fully satisfies the requirements set forth in the "Independence standards for outside directors and outside members of the Audit & Supervisory Board" stipulated by the Company (page 28). There is no business transaction between Rikkyo University, where he belongs, and the Company. 2. The Company designated him as an independent officer as stipulated by the rules of the Tokyo Stock Exchange and provided such notification thereto. If he is reappointed as originally proposed, he will remain an independent officer. 	
--	--	--

- (Notes) 1. There are no significant conflicts of interest between the nominee and the Company.
2. As Mr. Kato is currently an Outside Director of the Company, the Company has a limited liability agreement with him to limit the liability for damages to the amount set by law, pursuant to Article 27 of the Company's Articles of Incorporation. If he is reappointed, the Company will continue said agreement with him.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
9	<p>Keiko Kaneko (November 11, 1967) Reappointed Outside Director</p> <p>Period of service as Outside Director: Three (3) years</p>	<p>April 1991 Joined Mitsubishi Corporation</p> <p>April 1999 Registered as an attorney, belonging to Daini Tokyo Bar Association</p> <p>April 1999 Joined Anderson Mori & Tomotsune</p> <p>January 2007 Partner, Anderson Mori & Tomotsune (to present)</p> <p>April 2007 Visiting Associate Professor at Graduate School of Law of the University of Tokyo</p> <p>November 2012 External Statutory Auditor, Fast Retailing Co., Ltd. (to present)</p> <p>November 2012 Statutory Auditor, UNIQLO Co., Ltd. (to present)</p> <p>June 2013 External Statutory Auditor, The Asahi Shimbun Company (to present)</p> <p>June 2019 Outside Director of Daifuku Co., Ltd. (to present)</p> <p>Significant concurrent positions Partner, Anderson Mori & Tomotsune External Statutory Auditor, Fast Retailing Co., Ltd. Statutory Auditor, UNIQLO Co., Ltd. External Statutory Auditor, The Asahi Shimbun Company</p>	—

	<p>[Reasons for nomination as Outside Director and expected roles to fulfil]</p> <p>Ms. Keiko Kaneko has experienced working at a trading company and as an associate professor of a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.</p> <p>[Independence]</p> <ol style="list-style-type: none"> 1. Ms. Keiko Kaneko fully satisfies the requirements for the independence standards stipulated by the Company (page 28). Although the Company may outsource individual cases to Anderson Mori & 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. 2. In line with the policy of Anderson Mori & 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 stipulated by the Tokyo Stock Exchange and the independence standards stipulated by the Company. Accordingly, the Company determined that her independence from the Company is sufficiently ensured. 	
--	--	--

- (Notes) 1. There are no significant conflicts of interest between the nominee and the Company.
2. As Ms. Kaneko is currently an Outside Director of the Company, the Company has a limited liability agreement with her to limit the liability for damages to the amount set by law, pursuant to Article 27 of the Company's Articles of Incorporation. If she is reappointed, the Company will continue said agreement with her.

Proposals and References

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Mr. Yoshihisa Kimura and Mr. Tsukasa Miyajima will expire at the conclusion of the Meeting. The Company therefore proposes the election of two (2) Audit & Supervisory Board Members.

Regarding the policy and process of electing nominees for Audit & Supervisory Board Member, the Company submits the names of qualified persons who would be able to fulfil the duties and responsibilities to the Advisory Committee as those who could assume the fiduciary responsibility entrusted by the shareholders, and the Board of Directors made a decision on such persons as nominees upon obtaining the consent of the Audit & Supervisory Board.

One or more persons who have appropriate knowledge in finance and accounting has been appointed as nominee for Audit & Supervisory Board Members.

This proposal has already gained the consent of the Audit & Supervisory Board.

The nominees for Audit & Supervisory Board Member are as follows.

Nominee No.	Name		Current positions in the Company	Attendance rate at meetings of the Board of Directors and of the Audit & Supervisory Board (number of attendance) for the fiscal year ended March 31, 2022
1	Tsukasa Saito	Newly appointed	Audit Officer, Assigned to the Audit & Supervisory Board	Board of Directors: 94% (17/18 times) Audit & Supervisory Board: 100% (8/8 times)
2	Tsukasa Miyajima	Reappointed, Outside Audit & Supervisory Board Member, Independent Officer	Outside Audit & Supervisory Board Member	Board of Directors: 100% (18/18 times) Audit & Supervisory Board: 100% (8/8 times)

(Notes) 1. A total of 18 (12 ordinary and 6 extraordinary) Board of Directors meetings and a total of eight (8) Audit & Supervisory Board meetings were held during the fiscal year ended March 31, 2022.

2. The nominees are currently Audit & Supervisory Board Members and Audit Officers of the Company. The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under the insurance contract, damages and legal fees, etc. incurred by the insured as a result of claims for damages arising from any acts (including inaction) committed in the insured's capacity as officer, etc. of a business enterprise shall be covered. However, any damage to officers themselves who intentionally committed criminal acts such as bribery or other illegal acts will not be compensated in order to ensure the appropriateness of officers' execution of duties is not compromised. The insurance premiums of the insured (the nominees) are fully

borne by the Company. Each nominee will continue to be insured by the insurance contract if their appointment is approved. The Company plans to renew the insurance contract with the same contents during the term of office of each nominee.

No.	Name (Date of birth)	Career summary, positions and duties in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
1	Tsukasa Saito (March 4, 1964) Newly appointed	<p>April 1986 Joined Daifuku Co., Ltd.</p> <p>April 2007 General Manager of the China's Affiliate Management Division</p> <p>April 2010 Director and President of Daifuku (China) Co., Ltd.</p> <p>January 2013 General Manager of the Finance Department, Finance and Accounting Division, Corporate Affairs</p> <p>April 2014 General Manager of the Finance and Accounting Division, Corporate Affairs</p> <p>April 2020 Audit Officer General Manager of the Audit & Supervisory Board Office</p> <p>April 2022 Audit Officer, Assigned to the Audit & Supervisory Board (to present)</p>	1,000
	<p>[Reason for nomination as Audit & Supervisory Board Member]</p> <p>Mr. Tsukasa Saito has abundant practical experience in finance and accounting unit and a high level of knowledge in the accounting and financial fields. He has engaged in the management of a Group company in China and therefore has abundant overseas experience. He also has supported the duties of Audit & Supervisory Board Members as an Audit Officer and the General Manager of the Audit & Supervisory Board Office. Audit Officers are at the same level as Corporate Officers and attend Board of Directors meetings. The Company appoints him as a nominee for Audit & Supervisory Board Member based on its judgement that he is well versed in the Group's business operation and qualified for this position as an important Audit & Supervisory Board Member from whom the Company could expect to obtain professional advice and counsel to further enhance the function of auditing.</p>		

(Note) There are no significant conflicts of interest between the nominee and the Company.

No.	Name (Date of birth)	Career summary and positions in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares held
2	<p>Tsukasa Miyajima (August 23, 1950) Reappointed</p> <p>Outside Audit & Supervisory Board Member, Independent Officer</p> <p>Period of service as Outside Audit & Supervisory Board Member: Four (4) years</p>	<p>April 1980 Full-time lecturer at Faculty of Law of Keio University</p> <p>April 1990 Professor of Law at Keio University</p> <p>April 2003 Registered as an attorney, belonging to Daini Tokyo Bar Association (to present)</p> <p>April 2004 Professor at Graduate School of Law of Keio University</p> <p>March 2009 Outside Director, Hulic Co., Ltd. (to present)</p> <p>October 2013 Chairman of the Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency (to present)</p> <p>June 2014 Outside Director, Dai Nippon Printing Co., Ltd. (to present)</p> <p>June 2014 Audit & Supervisory Board Member (outside), Mikuni Corporation (to present)</p> <p>June 2015 Outside Director, Mitsui Sumitomo Insurance Co., Ltd.</p> <p>April 2016 Professor emeritus at Keio University (to present)</p> <p>April 2016 Professor at Graduate School of Law of Asahi University (to present)</p> <p>June 2018 Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)</p> <p>Significant concurrent positions</p> <p>Professor at Graduate School of Law of Asahi University</p> <p>Chairman of the Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency</p> <p>Outside Director, Hulic Co., Ltd.</p> <p>Outside Director, Dai Nippon Printing Co., Ltd.</p> <p>Audit & Supervisory Board Member (outside), Mikuni Corporation</p>	—
<p>[Reason for nomination as Outside Audit & Supervisory Board Member]</p> <p>Mr. Tsukasa Miyajima is a university professor specializing in legal affairs and has deep insight and extensive experience as an academic expert and a legal specialist. The Company would like him to assume this position in expectation of obtaining advice and counsel to secure the transparency of management and enhance the functions of management supervision and auditing from him. Although he has never been involved in corporate management in any way other than being an outside director or an outside audit & supervisory board member, for the above reasons we believe that he is capable of properly executing the duties of outside member of the Audit & Supervisory Board. In addition, he satisfies the requirements for the independence standards stipulated by the Company (page 28), and it is therefore determined that his independence from the Company is sufficiently ensured. The Company designated him as an independent officer as stipulated by the rules of the Tokyo Stock Exchange and provided such notification thereto. If he is reappointed as originally proposed, he will remain an independent officer.</p>			

(Notes)

1. There are no significant conflicts of interest between the nominee and the Company.

2. As Mr. Miyajima is currently an outside member of the Audit & Supervisory Board of the Company, the Company has a limited liability agreement with him to limit the liability for damages to the amount set by law, pursuant to Article 35 of the Company's Articles of Incorporation. If he is reappointed, the Company will continue the said agreement with him.

[References]

Correspondence to the Corporate Governance Code (skill matrix)

We are considering the optimal composition of the Board of Directors in terms of expertise, experience, diversity, etc., in consideration of changes in the business environment and the management policies and plans of the Group.

If all nominees listed in this notice of the ordinary general meeting of shareholders are elected as originally proposed, the skill matrix of the Board of Directors will be as shown in the following table, and it is planned for four (4) out of nine (9) Directors (44%) to have independence.

Skill matrix of the Board of Directors after the conclusion of this ordinary general meeting of shareholders (planned)

Nominee No.	Name	Expertise/Experience							Diversity			
		Corporate management	Technology	Finance, Accounting	Legal affairs, risk management	Sales, marketing	Global	Environment, society, governance	Independence	Gender	Age	Major career
1	Hiroshi Geshiro	●			●	●	●	●		M	64	The Group
2	Shuichi Honda	●		●	●		●	●		M	65	The Group, bank
3	Seiji Sato	●				●	●			M	62	The Group
4	Toshiaki Hayashi	●	●				●			M	63	The Group
5	Hiroshi Nobuta	●	●				●			M	62	The Group
6	Yoshiaki Ozawa			●			●	●	○	M	68	Accounting firm, university, outside member of the Audit & Supervisory Board and Substitute Director (Audit & Supervisory Committee Member) of enterprises
7	Mineo Sakai	●		●			●	●	○	M	71	Trading company, IT company
8	Kaku Kato	●			●		●	●	○	M	67	Trading company, energy-related company, university
9	Keiko Kaneko				●		●	●	○	F	54	Trading company, university, law firm, statutory auditor and external statutory auditor of enterprises

(Notes)

1. Numbers indicate nominee numbers.
2. Up to five skills of individuals are marked with "●".
3. The above list does not represent all of the knowledge, experience, and abilities of individuals.
4. The age is at the nearest birthday as of the conclusion of the general meeting of shareholders.

[References]

Correspondence to the Corporate Governance Code (basic policy)

With the revision of the Corporate Governance Code in June 2021, the Group has established "Daifuku Group's Basic Policy for Corporate Governance." In addition, the status of efforts for all 83 items of the Code have been summarized. The details are available on the following website:
www.daifuku.com/ir/policy/governance

Main points of the revised Code required by the Tokyo Stock Exchange and the Company's response status ("▶" indicates the Company's response)

1. Enhancing board independence

Ensure that at least one-third of directors are independent outside directors

- ▶ 44% (4 out of 9)

Establish a nomination committee and remuneration committee (independent outside directors appointed as the majority of the committee)

- ▶ We have established a voluntary Advisory Committee (nomination/remuneration). In the 106th fiscal year, the Committee comprised four outside directors and one representative director, and was chaired by one of these outside directors. (For independence, please refer to page 28)

Disclose a skill matrix of board members conforming to the company's business strategy

- ▶ We have disclosed a skill matrix (page 25).

Appoint independent directors having managerial experiences at other companies

- ▶ Appointed two (2) persons.

2. Ensuring diversity in the core human resources of the company

Disclose a policy and voluntary measurable targets for ensuring diversity in managerial positions by promoting women, foreign nationals and mid-career professionals

- ▶ Goal for promoting female managers: Thirty (30) persons (as of April 1, 2023)
Status of foreign employees: Foreign nationality ratio of regular hires 8.6% (FY2022)
Number of foreign managers: Four (4) persons (as of April 1, 2022)
Status of career hires: Career recruitment ratio 44.3% (as of April 1, 2022), career recruitment ratio for managers 36.2% (as of April 1, 2022)
We will continue to recruit various talents.

3. Dealing with sustainability issues

Enhance the quality and quantity of climate-related disclosure based on the TCFD recommendations or equivalent international disclosure frameworks

- ▶ In 2019, we expressed our assent to the TCFD recommendations.

Develop a basic policy on sustainability and disclose our initiatives

- ▶ In 2020, we disclosed information on the impact of climate change risks and opportunities on our business activities, profits, etc. We announced Daifuku Environmental Vision 2050 (priority areas and targets by 2030).

4. Main issues other than the above

Promote the use of electronic voting platforms and disclose in English

- ▶ We have already been using the Electronic Voting Platform. We disclose financial statements, financial results briefing materials, corporate governance reports, conveying notices, timely disclosures, Daifuku Report, etc. in English.

- Cross-shareholdings:

As of the end of March 2021, the amount of cross-shareholdings recorded on the balance sheets was 13.37 billion yen, accounting for 5.1% of net assets, and is on a downward trend.

- Listed subsidiary:

The Company has held shares of Contec Co., Ltd. as a listed subsidiary, but conducted a tender offer. As a result, Contec Co., Ltd. was delisted on April 28, 2022 and is not a listed subsidiary of the Group anymore.

[References]

Independence standards for 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 adviser 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 adviser 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

Business Report

(April 1, 2021 - March 31, 2022)

1. Overview of the Daifuku Group

[1] Business progress and results

During the fiscal year (from April 1, 2021 to March 31, 2022) under review, the global economy continued to experience a moderate recovery overall, emerging out of the economic stagnation created by the COVID-19 pandemic. Nonetheless, the outlook remains uncertain, with risks including a resurgence of infections with new COVID-19 variants, soaring raw material and energy prices, rising labor costs in some regions, and delays in production and sales caused by difficulty in procuring materials.

Amid this business environment, orders received by the Group increased significantly, particularly in intralogistics systems for manufacturers and distributors in Japan and cleanroom systems for the semiconductor and flat-panel display sectors in Asia, backed by strong capital investment in customer industries. Sales also surpassed the level of the previous fiscal year, underpinned by an extensive order backlog from the end of the previous fiscal year.

Specifically, the Group received orders of 589,069 million yen, up 30.6% from a year earlier, and recorded sales of 512,268 million yen, up 8.1%, achieving new record highs in orders and sales.

Income remained favorable overall, driven by profitability in intralogistics systems in Japan, despite being affected by additional costs posted in large projects involving automotive systems outside of Japan.

Consequently, the Group posted operating income of 50,252 million yen, up 12.8% from the previous fiscal year, and ordinary income of 51,253 million yen, up 11.8%. Net income attributable to shareholders of the parent company was 35,877 million yen, up 10.8%.

Impact of the COVID-19 pandemic

As described above, the impact of the COVID-19 pandemic on business performance was minor, with normalizing economic activities in Japan and other countries.

Impact of soaring raw material costs, logistics costs, etc.

Since the previous fiscal year, the Group has been taking steps to increase inventory and place early orders to secure materials in a planned way. In addition, we have been proceeding with localization near our customer sites to produce a majority of our product components, and as a result we have been less susceptible to supply disruptions.

However, as material supply constraints are expected to be prolonged, we will extend our production reform methods, including cost cutting, across the entire Group to offset the results with further gains in productivity, among other measures.

Impact of Russia's invasion of Ukraine

Daifuku Co., Ltd. has an office in St. Petersburg, Russia, but it mainly provides servicing and maintenance of systems delivered in the past. Its sales are extremely small, and the impact on the Group's results, including future results, will be limited.

Results by reportable segment

Results by reportable segment are described below. Orders from and sales to external customers are presented as segment orders and sales, and net income attributable to shareholders of the parent company is recorded as segment income.

Daifuku Co., Ltd.

Orders increased significantly in intralogistics systems, cleanroom systems, and automotive systems. Sales were favorable, benefiting from an order backlog from the end of the previous fiscal year.

Segment income rose, driven by intralogistics systems.

As a result, the Company recorded orders of 262,494 million yen, up 42.5% from the previous fiscal year, sales of 225,057 million yen, up 12.9%, and segment income of 28,652 million yen, up 10.0%.

Contec Co., Ltd. and its subsidiaries

- Industrial computers

In the Japanese market, sales remained firm, backed by recovering industry-wide capital investment. In contrast, in the US market, sales declined year-on-year, although signs of a recovery were seen in sales to the mainstay medical device sector and the airport security-related sector, which had been sluggish in the first half of the fiscal year under review.

- IoT devices

Sales of products including measuring and control boards used in factories, etc. increased, reflecting a recovery in industry-wide capital investment.

- Solution products

Sales of automobile-related systems fell, despite a recovery in capital investment in the automobile-related sector. Meanwhile, service-related sales remained firm, and overall sales were almost flat.

Segment income increased, bolstered by cost reduction effects associated with structural reforms, despite the impact of rising parts prices.

As a result, Contec posted orders of 19,606 million yen, up 27.8% from the previous fiscal year, sales of 15,798 million yen, down 2.7%, and segment income of 1,229 million yen, up 5.0%.

Daifuku North America Holding Company and its subsidiaries

In the United States, economic activity has been normalized. Orders for intralogistics systems fell year on year, but orders were favorable in cleanroom systems for the semiconductor sector and automotive systems, and in airport systems orders remained at the same level as

the previous fiscal year.

Sales were strong in intralogistics systems and airport systems benefiting from an order backlog from the end of the previous fiscal year, and were favorable in cleanroom systems for the semiconductor sector, even given a reactionary fall in automotive systems, which had benefited from sales for a large project during the previous fiscal year.

Segment income increased, driven by increased profitability in intralogistics systems and airport systems, despite being affected by additional expenses such as labor costs posted in large projects of automotive systems.

As a result, Daifuku North America achieved orders of 135,199 million yen, up 13.2% from the previous fiscal year, sales of 140,473 million yen, up 2.4%, and segment income of 7,505 million yen, up 24.1%.

Clean Factomation, Inc.

Orders increased year on year, mainly due to vigorous investment of semiconductor manufacturers, and sales were firm, underpinned by an order backlog from the end of the previous fiscal year.

As a result, Clean Factomation posted orders of 36,779 million yen, up 18.3% from the previous fiscal year, sales of 28,671 million yen, down 6.2%, and segment income of 2,097 million yen, down 24.9%.

Other

The Group has a total of 69 consolidated subsidiaries worldwide. The Other segment includes all consolidated subsidiaries excluding the aforementioned Contec and its subsidiaries, Daifuku North America and its subsidiaries, and Clean Factomation. These companies primarily manufacture and sell material handling systems and equipment, and car wash machines. The status of major subsidiaries is as follows.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. sells car wash machines for service stations and car dealerships, large vehicle wash machines for trucks and buses, and related products. Sales volume was favorable until the first half of the fiscal year under review, but it did not reach the results of the previous fiscal year.

Non-Japan subsidiaries

The Group has production sites in China, Taiwan, South Korea, Thailand, India, and other regions, which also provide sales, installations and services, playing a global role in the optimal local production and procurement framework, through its businesses such as intralogistics systems, cleanroom systems, and automotive systems.

In addition, the Group has subsidiaries in the regions of North and Central America, Asia, Europe, and Oceania, which provide sales, installations and services.

Orders increased overall, mainly due to strong orders for cleanroom systems, despite a reactionary decline in large orders received in China, South Korea, and other regions in the

previous fiscal year. Sales were favorable, underpinned by an order backlog from the previous fiscal year. Segment income increased, bolstered by increased sales.

As a result, the segment reported orders of 134,987 million yen, up 33.6% from the previous fiscal year, sales of 104,865 million yen, up 17.0%, and segment income of 3,732 million yen, up 61.7%.

[2] Capital investment, etc.

The Group's capital investment during the fiscal year ended March 31, 2022 totaled 11,565 million yen, which included maintenance and upgrades of production facilities of Daifuku Co., Ltd. and its subsidiary in North America.

[3] Capital procurement

The above-mentioned capital investment was implemented on a self-financing basis.

[4] Challenges to be addressed

(1) Basic management policy and medium to long term goals of the Company

To meet the needs of the times such as changes in the business environment and social environment, digital transformation, and sustainability management, we revised our management philosophy to "Automation that Inspires" on October 1, 2021. We aim to inspire society and enhance well-being through our core competence—automated material handling technology—while transforming the value we provide to customers with our long-established material handling technologies for storage, transport, sortation and picking.

In addition, under the three-year business plan "Value Transformation 2023" ("business plan") that started in April 2021, based on major changes in the environment surrounding the Group, such as the new normal and expanding global automation needs, we are promoting DX² (DX Squared)*.

*DX² (DX Squared) = Digital Transformation x Daifuku Transformation

The concept is, in addition to promoting Digital Transformation (DX), Daifuku itself will also be transformed (Daifuku Transformation) to transform the value provided to our customers and other stakeholders.

The management targets for the final year of the business plan (fiscal year ending March 31, 2024) are as follows. We have revised consolidated net sales target as sales for intralogistics systems and cleanroom systems are strong in particular. For details, please see the "Notice of Revision of the Management Targets for the Three-Year Business Plan, Value Transformation 2023" disclosed on May 13, 2022. Figures in parentheses below are the results for the fiscal year ended March 31, 2022.

- Consolidated net sales: 600 billion yen (512.2 billion yen)
- Operating margin: 10.5% (9.8%)
- ROE (return on equity): 10% or higher (13.1%)
- Consolidated dividend payout ratio:
30% or more on a three-year average from the fiscal year ended March 31, 2022 to the

fiscal year ending March 31, 2024 (31.6%)

Furthermore, the Group positions the business plan and the “Sustainability Action Plan” as the two drivers of its management strategy, and will contribute to the realization of a sustainable society through its business activities. In terms of the environment, in “Daifuku Environmental Vision 2050” formulated in conjunction with the business plan, we have set a goal to create material handling systems with zero environmental impact by 2050, and are working on the priority areas and goals to be achieved by 2030.

Please see the Company’s statement “Daifuku Announces New Three-Year Business Plan and Related Items” (announced on February 5, 2021) for details on the business plan, and “Formulation of Daifuku Environmental Vision 2050” (announced on February 5, 2021) for Daifuku Environmental Vision 2050, and “Formulation of the Sustainability Action Plan” (announced on April 1, 2021) for Sustainability Action Plan, on the Company’s website.

(2) Management environment

1) Business environment

The outlook for the industry as a whole is uncertain due to inflation caused by supply constraints, prolonged material procurement periods, rising interest rates in Europe and the U.S., and the effects of the tense situation in Ukraine. In this situation, our customers are facing major changes in their business environment, including the expansion of e-commerce, progress to digitalization, shift to electric vehicles, and smarter airports, as well as the social issue of labor shortages. For this reason, we are confident that expectations for “smart logistics” we provide will continue to grow.

2) Competitive environment

We will succeed in this highly competitive environment by taking advantage of the Group’s strength: providing the best systems globally using its integrated framework that encompasses everything from consulting and manufacturing to installation and after-sales service, together with its extensive lineup of both products and services, including in-house developed software.

(3) Business and financial issues to be addressed with priority

In regard to the business portfolio that forms the basis of the business plan, we aim for continuous corporate development with our four core businesses (i) intralogistics systems, (ii) cleanroom systems, (iii) automotive systems, and (iv) airport systems as before.

In the fiscal year ended March 31, 2022, we worked on inter-business collaboration to further strengthen the Group’s competitiveness. Referencing the production reform methods for intralogistics systems that have already been proven, we have worked to reduce costs in cleanroom systems and are steadily producing results.

Furthermore, regarding the digitalization of the entire Group, which was implemented with the fiscal year ended March 31, 2022 set as the First Year of Daifuku’s DX (digital transformation), we further pushed forward with paperless operations and digitalization, taking on a wide range of reforms including engineering, design, manufacturing, installation, service, and even the management/administrative unit. With a strong awareness that increasing productivity is essential for strengthening competitiveness, we

will continue to promote the DX.

While we were able to achieve record-high consolidated net sales in the fiscal year ended March 31, 2022, some businesses incurred additional costs, leaving management challenges. In addition to reviewing the business structure, we will undertake necessary reforms to improve profitability in the future.

During the fiscal year ended March 31, 2022, the Group's non-Japan sales ratio was 65%. With respect to increasing production capacity and localizing production toward the consolidated net sales target of 600 billion yen in the final year of the business plan, first, the operating rate of the new factory in North America (Wynright Corporation), which started operation in the fiscal year ended March 31, 2020, is increasing and the profitability is improving. Second, during the fiscal year ended March 31, 2021, we launched our efforts to increase production capacity of factories in China (Daifuku (China) Automation Co., Ltd., Daifuku (Suzhou) Cleanroom Automation Co., Ltd.) and India (Vega Conveyors and Automation Private Limited). Finally, in the fiscal year ended March 31, 2022, to consolidate and strengthen the production capacity of airport systems in North America (Jervis B. Webb Company), we started construction of a new factory (scheduled to be completed in the summer of 2022). In the future, we will proceed with redevelopment including increasing production capacity in Japan (Shiga Works) and South Korea (Clean Factomation, Inc.).

Furthermore, in the fiscal year ending March 31, 2023, we have appointed a new officer in charge of advanced technology and new business development to focus on the development of advanced technology and identify new businesses. In addition to our own initiatives, we will strengthen industry-academia collaboration and collaboration with start-up companies to differentiate ourselves from competitors with cutting-edge products and systems and will promote initiatives to create new businesses.

Also, "sustainability," "compliance," "corporate governance," and "safety" continue to be important issues.

1) Sustainability management

The Group positions the business plan and the Sustainability Action Plan as the two drivers of its business strategy. The Sustainability Committee, chaired by the President and CEO was established in April 2020 as an organization to promote sustainability management, and its efforts are reported to the Board of Directors as appropriate.

The Sustainability Action Plan sets five themes in line with the SDGs (Sustainable Development Goals): "Contribute to a smart society," "Maintain and improve the quality of products and services," "Enhance operational framework," "Respect human dignity," and "Contribute to the environment through our business." Together with identifying 18 material issues associated with each theme, it summarizes a three-year action plan.

Prior to this, we disclosed the analysis results of climate change risks and opportunities based on the TCFD Recommendations in 2020, and the Daifuku Environmental Vision 2050 in February 2021.

In October 2021, we formulated the “Daifuku Group Human Rights Policy” in accordance with the United Nations Guiding Principles on Business and Human Rights. Looking forward, under the leadership of the Sustainability Committee, we will create a human rights due diligence system and manage business practices.

For investment in human capital, we will adopt various human resources management systems and strive to develop and promote human resources from a global and diverse perspective. The specific concept, measurable voluntary goal setting, policy, and implementation status are described in the Corporate Governance Report submitted to Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) on November 26, 2021.

2) Thorough compliance and strengthening of Group governance

Compliance is a prerequisite for all business activities. Rather than being satisfied with just following the law, through education and training, we will thoroughly ensure and instill the idea that the present and the future of the Group rest on high ethical standards and responsible behaviors of each and every one of us, on a global basis.

Regarding corporate governance, four (4) out of nine (9) directors have been elected as outside directors in the fiscal year ended March 31, 2022, and with individuals with experience in corporate management; specialists in finance, accounting, and the law; those with experience outside of Japan; and the appointment of women, diversity of the Board of Directors is ensured.

Following the establishment of the Risk Management and Governance Office (presently the Governance Promotion Department) in April 2021, we set the Risk Management Committee, chaired by the President and CEO, in April 2022. Through this, we will strengthen risk management from a Group-wide perspective.

3) Full enforcement of “safety-above-all culture”

In creating a work environment where each and every employee can maximize their performance, ensuring the life, health, and safety of employees, their families, customers, and business partners is of the utmost priority. We will spread and instill awareness that safety shall not be given a relative priority such as ‘first’ or ‘second,’ but it is absolute and exclusive, globally, and will continue to strive to eradicate disasters across the Group.

[5] Trends in assets and income

(1) Trends in Daifuku Group assets and income

(Million yen, unless otherwise specified)

Category	FY2018 (103rd fiscal year ended March 31, 2019)	FY2019 (104th fiscal year ended March 31, 2020)	FY2020 (105th fiscal year ended March 31, 2021)	FY2021 (106th fiscal year ended March 31, 2022) Consolidated fiscal year under review
Orders received	503,399	483,184	451,065	589,069
Net sales	459,486	443,694	473,902	512,268
Ordinary income	55,842	40,976	45,846	51,253
Net income attributable to shareholders of the parent company	39,567	28,063	32,390	35,877
Total assets	409,982	410,887	445,456	483,322
Net assets	222,885	237,356	262,012	292,059
Net assets per share (yen)	1,738.20	1,850.28	2,040.07	2,307.38
Net income per share (yen)	314.54	222.96	257.13	284.71

Notes: 1. Net income per share is calculated based on the average number of shares during the period.

2. Since the Board Benefit Trust (BBT) was introduced in fiscal 2016, shares in the Company held by the Custody Bank of Japan, Ltd. (Trust Account E) have been recorded under the number of treasury stocks, which are not included in the calculation of net assets per share and net income per share.

(2) Trends in Daifuku Co., Ltd. assets and income

(Million yen, unless otherwise specified)

Category	FY2018 (103rd fiscal year ended March 31, 2019)	FY2019 (104th fiscal year ended March 31, 2020)	FY2020 (105th fiscal year ended March 31, 2021)	FY2021 (106th fiscal year ended March 31, 2022) Fiscal year under review
Orders received	268,845	257,328	225,436	321,592
Net sales	246,790	243,400	239,592	266,460
Ordinary income	39,026	30,400	36,811	39,831
Net income	33,760	18,699	26,039	28,652
Total assets	278,695	277,107	301,560	330,068
Net assets	179,719	186,021	204,574	221,919
Net assets per share (yen)	1,428.46	1,477.46	1,623.53	1,761.03
Net income per share (yen)	268.38	148.56	206.72	227.37
Total number of shares issued at end of fiscal year (thousand shares)	126,610	126,610	126,610	126,610

Notes: 1. Net income per share is calculated based on the average number of shares during the period.

2. Since the BBT was introduced in fiscal 2016, shares in the Company held by the Custody Bank of Japan, Ltd. (Trust Account E) have been recorded under the number of treasury stocks, which are not included in the calculation of net assets per share and net income per share.

[6] Parent company and significant subsidiaries (as of March 31, 2022)

- (1) Parent company
Not applicable
- (2) Significant subsidiaries

Company name	Capital	Daifuku's percentage of voting rights	Principle business
Contec Co., Ltd.	1,119 million yen	92.6%	Manufacturing, retail, and after-sales services for computers, peripheral devices, and software
Daifuku North America Holding Company	2,010 USD	100.0%	A holding company with operating companies that manufacture, sell, and provide after-sales services for logistics systems, etc.
Clean Factomation, Inc.	3,000 million KRW	100.0%	Sales and after-sales services for material-handling systems in cleanrooms

Notes: 1. The Company has 69 consolidated subsidiaries, including the above-mentioned three companies, and one equity-method affiliates.

- 2. Contec Co., Ltd. was made an additional acquisition through a takeover bid on March 23, 2022, and the percentage of voting rights of the Company has increased from 60.7% in the fiscal year ended March 31, 2021.

[7] Major business (as of March 31, 2022)

The Daifuku Group is involved primarily in conveying, storage, sorting, and picking systems and the manufacture and sale of electronic devices, etc. and involved in ancillary operations to this business.

Our major products include the following:

Category	Key products	
Transport systems	Conveyor systems Electrified Monorail System Conveyor system auxiliary equipment Automated guided vehicles Airport systems	Chain conveyor systems, FDS, Conveying Flow System RAMRUN, Space Carrier, Cleanway Engine test systems, other automated systems FAV, FAC, STV Baggage tray systems, tilt tray sorters, belt conveyor systems, Self Bag Drop System, Mobile Inspection Table
Sorting and picking systems	Sorting systems Picking systems	Surfing Sorter, Surfing Sorter Mini Digital Pick System, Picking Cart System
Storage systems	Automated warehouse systems Mobile racks, flow racks Rotating racks	Rackbuil System, Unit Load AS/RS, Mini Load AS/RS, Shuttle Rack M, Clean Stocker Mobile Rack, Shuttle Rack L Vertical Carrousel

Electronics	Interface boards, industrial computers, network related equipment, energy saving and environment related solutions
Car wash machines	Car wash machines, car wash machine related products

[8] Major sales offices and factories (as of March 31, 2022)

Daifuku Co., Ltd.

Name	Location	Name	Location
Headquarters	Osaka, Osaka	Shiga Works (factory)	Gamo-gun, Shiga
Komaki Works	Komaki, Aichi	Tokyo Head Office	Minato-ku, Tokyo
Hokkaido Branch	Sapporo, Hokkaido	Tohoku Branch	Sendai, Miyagi
Niigata Branch	Niigata, Niigata	Kitakanto Branch	Soka, Saitama
Fujisawa Branch	Fujisawa, Kanagawa	Nagoya Branch	Komaki, Aichi
Shizuoka Branch	Shizuoka, Shizuoka	Hokuriku Branch	Kanazawa, Ishikawa
Tokai Branch	Toyota, Aichi	Osaka Branch	Osaka, Osaka
Chugoku Branch	Aki-gun, Hiroshima	Kyushu Branch	Tosu, Saga

Subsidiaries in Japan

Name	Location
Contec Co., Ltd.	Osaka, Osaka
Daifuku Plusmore Co., Ltd.	Minato-ku, Tokyo

Subsidiaries outside Japan

Name	Location
Daifuku North America Holding Company	U.S.A.
Daifuku Europe GmbH	Germany
Daifuku Mechatronics (Singapore) Pte. Ltd.	Singapore
Daifuku Canada Inc.	Canada
Taiwan Daifuku Co., Ltd.	Taiwan
Daifuku (Thailand) Limited	Thailand
Daifuku Korea Co., Ltd.	South Korea
Clean Factomation, Inc.	South Korea
Daifuku (China) Co., Ltd.	China
Daifuku Oceania Limited	New Zealand

[9] Employees (as of March 31, 2022)

(1) Daifuku Group

Number of employees: 12,436

(2) Daifuku Co., Ltd.

Category	Male	Female	Total or Average
Employees	2,800	402	3,202
(YoY change)	(+140)	(+20)	(+160)
Average age (years)	41.0	41.6	41.0
Years of service (years)	15.2	14.4	15.1

Notes: 1. The above data does not include 133 employees on secondment (125 males, 8 females)

2. The above data includes four employees (3 males, 1 female) seconded to the Company from other companies.

3. In addition to the above-mentioned employees, we employ 432 temporary employees (average number of employees during the period).

[10] Major lenders (as of March 31, 2022)

Lender	Amount borrowed (million yen)
Mizuho Bank, Ltd.	4,759
Sumitomo Mitsui Banking Corporation	2,662
MUFG Bank, Ltd.	2,292

2. Status of Shares (as of March 31, 2022)

[1] Total number of shares authorized to be issued: 250,000,000

[2] Total number of shares issued: 126,610,077 (including 486,370 treasury shares)

[3] Number of shareholders: 23,150

Note: The number of shareholders decreased by 1,022 compared to the end of the previous fiscal year.

[4] Major shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,383	15.4
Custody Bank of Japan, Ltd. (Trust Account)	8,783	7.0
Mizuho Bank, Ltd.	4,117	3.3
Sumitomo Mitsui Banking Corporation	3,570	2.8
MUFG Bank, Ltd.	3,354	2.7
Daifuku Supplier Shareholder Association	3,054	2.4
Nippon Life Insurance Company	2,745	2.2
Chuo-Nittochi Group Co., Ltd.	2,690	2.1
SSBTC CLIENT OMNIBUS ACCOUNT	2,588	2.1
J.P. MORGUN BANK LUXEMBOURG S.A. 381593	2,269	1.8

Note: The Company holds 486,370 shares in treasury stock, but the shareholding ratio is calculated after deducting treasury stock. The treasury stock does not include the 106,500 shares in the Company that were stipulated to be held by the Custody Bank of Japan, Ltd. (Trust Account E) when the BBT was introduced.

[5] Status of the Company shares presented to directors (excluding outside directors) and corporate officers of the Company for the execution of duties during fiscal 2021

The equity compensation delivered during fiscal 2021 is outlined below.

Category	Number of shares	Number of target recipients
Directors (excluding outside directors)	— shares	— persons
Corporate officers	9,200 shares	4 persons
Total	9,200 shares	4 persons

Notes: 1. Delivered through the BBT.

2. We have established a practice of providing corporate officers with equity compensation when they reach the retirement age of 60 years.

3. There were no provision to a corporate officer who also serves as a director.

[6] Other important stock-related matters

Following a resolution by the Board of Directors based on the resolution determined at the 100th Ordinary General Meeting of Shareholders held on June 24, 2016, the Company introduced a BBT performance-linked equity compensation scheme for directors and corporate officers (excluding outside directors) in order to encourage them to proactively improve the Company's medium to long-term performance and enhance its corporate value.

3. Matters Relating to Company Share Warrants, etc.

- [1] Share warrants granted to directors and Audit & Supervisory Board members on the final day of fiscal 2021 in recognition of their execution of duties**

Not applicable.

- [2] Share warrants granted to employees, etc., during fiscal 2021 in recognition of the execution of duties**

Not applicable.

- [3] Other important matters relating to share warrants, etc.**

Not applicable.

4. Company Officers

[1] Names of directors and Audit & Supervisory Board members (as of March 31, 2022)

Position in the Company	Name	Duties, significant concurrent positions
President and Chief Executive Officer	Hiroshi Geshiro	Overall management
Director, Senior Managing Officer	Shuichi Honda	President and CEO of Daifuku North America Holding Company
Director, Managing Officer	Seiji Sato	Cleanroom Global Business Head Cleanroom Division Manager
Director, Managing Officer	Toshiaki Hayashi	Automotive and Airport Global Business Head Automotive Division Manager
Director, Managing Officer	Hiroshi Nobuta	Intralogistics Global Business Head Intralogistics Division Manager
Director	Yoshiaki Ozawa	Professor of Faculty of Business Administration at St. Andrew's University Outside Audit & Supervisory Board Member, Daido Life Insurance Company Representative Director, Andrew Partners Co., Ltd.
Director	Mineo Sakai	
Director	Kaku Kato	Visiting Professor of Faculty of Law and Politics at Rikkyo University
Director	Keiko Kaneko	Partner, Anderson Mori & Tomotsune External Statutory Auditor, Fast Retailing Co., Ltd. Statutory Auditor, UNIQLO Co., Ltd. External Statutory Auditor, The Asahi Shimbun Company
Audit & Supervisory Board Member (full-time)	Yoshihisa Kimura	
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	Representative, Aihara Law Office
Audit & Supervisory Board Member (outside)	Tsukasa Miyajima	Professor at Graduate School of Law of Asahi University Chairman of the Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency Outside Director, Hulic Co., Ltd. Outside Director, Dai Nippon Printing Co., Ltd. Audit & Supervisory Board Member (outside), Mikuni Corporation
Audit & Supervisory Board Member (outside)	Nobuo Wada	

Notes: 1. Director Hiroshi Nobuta was newly elected and appointed at the 105th Ordinary General Meeting of Shareholders held on June 25, 2021.

2. Audit & Supervisory Board member Yoshihisa Kimura has extensive practical experience in the Accounting Division and possesses considerable knowledge of finance and accounting.

3. The following 14 people are corporate officers (excluding those who are concurrently appointed as directors) and audit officers of the Company: (Managing Officers) Akihiko Kishida, Yoshiyuki Horiba, Takaya Uemoto, Yasuhisa Mishina, and Hideaki Takubo
(Corporate Officers) Akihiko Nishimura, Takuya Gondoh, Hiroaki Kita, Norihito Toriya, Tetsuya Hibi, Seiji Yamamoto, Tsutomu Maeda, and Tomoaki Terai
(Audit Officer) Tsukasa Saito

4. Four (4) Directors Yoshiaki Ozawa, Mineo Sakai, Kaku Kato, and Keiko Kaneko are from outside the Company.

5. Three (3) Audit & Supervisory Board members Ryosuke Aihara, Tsukasa Miyajima, and

Nobuo Wada are from outside the Company.

6. Six (6) officers, Directors Yoshiaki Ozawa, Mineo Sakai, and Kaku Kato and Audit & Supervisory Board members Ryosuke Aihara, Tsukasa Miyajima, and Nobuo Wada have been designated and notified as independent officers in accordance with the rules of the Tokyo Stock Exchange.
7. The duties of directors have been changed in line with the organizational reforms implemented on April 1, 2022.

Position/Duties in the Company	Name
Director, Managing Officer Automotive and Airport Global Business Head Chief Officer of Shiga Works	Toshiaki Hayashi

[Reference]**Corporate officers and audit officers who do not to concurrently serve as directors (as of April 1, 2022)**

Corporate Officers

Job title	Name
Managing Officer Chairman of Daifuku (China) Co., Ltd.	Akihiko Kishida
Managing Officer Auto Wash Global Business Head Auto Wash Division Manager President of Daifuku Plusmore Co., Ltd.	Yoshiyuki Horiba
Managing Officer Deputy Automotive and Airport Global Business Head Airport Division Manager	Takaya Uemoto
Managing Officer Production Officer DX Division Manager General Manager of Production Operations, Intralogistics Division	Yasuhisa Mishina
Managing Officer Corporate Functions Head Human Resources and General Affairs Division Manager	Hideaki Takubo
Managing Officer Advanced Technology & New Business Development Officer General Manager of Engineering Operations, Intralogistics Division	Takuya Gondoh
Corporate Officer Deputy Automotive and Airport Global Business Head Automotive Division Manager General Manager of Sales and Service Business Strategy Operations, Automotive Division	Akihiko Nishimura
Corporate Officer Safety and Health Management Division Manager	Hiroaki Kita
Corporate Officer General Manager of Sales Operations, Intralogistics Division	Norihito Toriya
Corporate Officer Deputy Corporate Functions Head Finance and Accounting Division Manager	Tetsuya Hibi
Corporate Officer General Manager of Installation and Service Operations, Intralogistics Division	Seiji Yamamoto
Corporate Officer General Manager of Domestic Market Business Unit, Automotive Division General Manager of Global Production Operations, Automotive Division	Tsutomu Maeda
Corporate Officer General Manager of Production Operations, Cleanroom Division	Tomoaki Terai
Corporate Officer General Manager of Sales Operations, Cleanroom Division Chief Officer of Komaki Works	Atsushi Sonoda

Audit Officers

Job Title	Name
Audit Officer Assigned to the Audit & Supervisory Board	Tsukasa Saito
Audit Officer General Manager of Audit & Supervisory Board Office	Toshikatsu Takahashi

[2] Amount of remunerations for directors and Audit & Supervisory Board members

(1) Total amount of remuneration, etc., for and number of directors and Audit & Supervisory Board members

Type of officer	Total remuneration (Million yen)	Total remuneration, etc. by type (Million yen)			Number of target officers (persons)
		Basic salary	Performance -linked compensation		
			Bonus	Non-monetary compensation	
Directors (of which, number of outside directors)	515 (60)	249 (60)	223 (-)	42 (-)	9 (4)
Audit & Supervisory Board members (of which, number of outside Audit & Supervisory Board members)	77 (30)	55 (30)	22 (-)	- (-)	4 (3)

(2) Items relating to performance-linked compensation, etc., and non-monetary compensation, etc.

Items relating to bonus, etc.

1) Performance indicators selected as the basis for calculating the amount of performance-linked compensation, etc., and reason for selection

In principle, bonuses, which serve as short-term performance-linked compensation for directors, are determined as a certain proportion of consolidated net income for any fiscal year, are 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. We selected net income as the indicator for determining the performance-related allocation because it depicts the result of unified efforts made by all officers and employees.

2) Method for calculating amounts of performance-linked compensation, etc.

When calculating bonuses (short-term performance-linked compensation), we determine the "basic allocation factor" based on qualification and job title, and the "performance-linked evaluation allocation factor" based on quantitative (profit growth) and qualitative aspects. In terms of calculations, the basic component constitutes approximately 80% of the allocation and the performance-linked evaluation component constitutes approximately 20%. The performance-linked evaluation component is calculated based on an evaluation of individual performance.

3) Actual results of performance indicators used to calculate the amount of performance-linked remuneration, etc.

The actual results for net income, a quantitative indicator, are displayed in [5] (1) Trends in

Daifuku Group Assets and Income above.

Items relating to non-monetary compensation, etc.

At the General Meeting of Shareholders held on June 24, 2016, we reviewed our compensation system and introduced a Board Benefit Trust (BBT) performance-linked equity remuneration scheme for executives.

In this system, standard points are set for each position. According to the degree of achievement of the business year target and the business plan targets, four levels of coefficients between 0.0 and 1.0 are assigned, and points are granted 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 net income and profit margin plans in the fiscal year. The degree of achievement in the business plan is calculated based on the latest management targets (including net sales, operating income, ROE targets) announced by the end of the previous fiscal year. For fiscal 2021, the degree of achievement was calculated based on the 34,000 million yen of the initial schedule and the expected 35,500 million yen announced in February 2022, with 7.0% against the net income ratio of 6.8%.

The purpose of introducing this system was to further clarify the link between officers' remuneration and the Company's results and stock value and for officers to share with shareholders the benefit of rising stock prices and the risk of falling stock prices together with shareholders, which motivates them to help improve results and increase corporate value over the medium to long term.

The grant status is described in 2. Status of Shares above.

- (3) Matters relating to resolutions to be determined at the General Meeting of Shareholders concerning remuneration, etc., of directors and Audit & Supervisory Board members
- At the Ordinary General Meeting of Shareholders held on June 29, 2006, the Company determined that the total amount of remuneration for directors should be capped at 700 million yen per annum and the total amount of remuneration for Audit & Supervisory Board members should be capped at 110 million yen. At the time, Daifuku had 18 directors and five Audit & Supervisory Board members.

Furthermore, with regard to the introduction of the BBT described in the "Items relating to non-monetary compensation, etc." above, the Company had 10 directors when the resolution was made at the General Meeting of Shareholders. Excluding the two outside directors, eight directors were covered by the BBT scheme.

- (4) How we determine the content of remuneration, etc., for individual officers
- 1) How we determine the decision-making policy regarding remuneration, etc., for individual directors
- Daifuku stipulates the details of officers' remuneration in related internal rules, and the Company also formulates decision policy on annual remuneration and the content of remuneration, etc., for individual officers, which are decided by the Board of Directors after consideration and reporting by the Advisory Committee. At the Board of Directors meeting

held in February 2021, we decided to reorganize and set our decision policy on the content of remuneration, etc., for individual officers by adding and renewing specific items based on the revision to Japan's Companies Act, which came into effect in March 2021.

2) Overview of decision policy

- The Company resolved to set the annual amount of remuneration for directors at 700 million yen or less at the ordinary general meeting of shareholders held in June 2006. The basic policy is to pay remuneration for directors in accordance with related internal rules (Officer Compensation and Bonus Policy, and Officer Stock Benefit Regulations) stipulated by resolution of the Board of Directors so that the level of remuneration is appropriate for the roles and duties of directors.
- The remuneration for the executive directors consists of base salary as fixed compensation, a bonus as short-term performance-linked compensation, and medium to long-term performance-linked equity compensation.
- Policy on determining the payment ratio of performance-based compensation and other compensation 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 reports from the Advisory Committee.
- For outside directors, who have a supervisory function, only the basic remuneration shall be paid.
- Basic remuneration is determined based on fixed remuneration for executive compensation by position. The level is determined based on a comprehensive consideration of qualifications, position, and company performance, while also taking into account levels at other comparable companies. Details on bonuses as short-term performance-linked compensation and medium to long-term performance-linked equity compensation are described in the "Items relating to bonus, etc." and "Items relating to non-monetary compensation, etc." above.
- The remuneration for directors shall be reviewed and reported by the Advisory Committee which consists of outside directors and representative directors (chaired by an outside director), and the total amount of basic remuneration and bonuses 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 at least three members, including one or more representative directors and one or more outside directors, and is chaired by an outside director. In fiscal 2021, all four outside directors and one representative director served on the committee.

3) Items relating to the delegation of authority regarding the content of remuneration, etc. for individual directors

President and CEO Hiroshi Geshiro has been delegated to determine the amount of remuneration for individual directors for fiscal 2021 under our internal officer compensation and bonus rules. The delegated authority includes determining the monthly allocation of basic remuneration for each director and the allocation of bonus based on an 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.

In order 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.

4) Why the Board of Directors judged the content of individual remuneration, etc., for fiscal 2021 was in line with the Company's policy

To ensure that President and CEO Hiroshi Geshiro properly exercises the authority (as outlined in 3) above) on the content of remuneration, etc. for individual officers determined by President and CEO Hiroshi Geshiro, the Advisory Committee deliberated and reported on the content of remuneration for individual officers, in line with the policy described in 2) above, and the Board of Directors has respected and approved the report.

5) Overview of content and method for determining Audit & Supervisory Board members' remuneration

By unanimous agreement of all Audit & Supervisory Board members at the time of enactment of "Officer Compensation and Bonus Regulations," the remuneration of Audit & Supervisory Board members is capped at the annual remuneration total for Audit & Supervisory Board members of 110 million yen approved at the general meeting of shareholders held in June 2006. According to "Officer Compensation and Bonus Regulations," remuneration will be paid in accordance with those regulations, which determine the compensation standards. In addition, the compensation for Audit & Supervisory Board members is determined in consultation with the Audit & Supervisory Board each business year. Outside Audit & Supervisory Board members shall only receive basic remuneration in view of their duties.

[3] Matters pertaining to outside officers

(1) Directors

1) Significant concurrent positions and Daifuku's relationship with those organizations

Category	Name	Organization offering concurrent position	Concurrent position
Outside director	Yoshiaki Ozawa	Faculty of Business Administration, St. Andrew's University	Professor
		Daido Life Insurance Company	Outside Audit & Supervisory Board Member
		Andrew Partners Co., Ltd.	Representative Director
Outside director	Mineo Sakai	—	—
Outside director	Kaku Kato	Faculty of Law and Politics, Rikkyo University	Visiting Professor
Outside director	Keiko Kaneko	Anderson Mori & Tomotsune	Partner
		Fast Retailing Co., Ltd.	External Statutory Auditor
		UNIQLO Co., Ltd.	Statutory Auditor
		The Asahi Shimbun Company	External Statutory Auditor

- Notes: 1. Daifuku has no dealings or other relationship with St. Andrew's University where director Yoshiaki Ozawa works as a professor, or Andrew Partners Co., Ltd. where Mr. Ozawa is Representative Director.
2. Daifuku has no dealings or other relationship with Rikkyo University where Company director Kaku Kato serves as a visiting professor.
3. While Daifuku may outsource individual cases to Anderson Mori & Tomotsune, of which Company director Keiko Kaneko is a partner, the two parties have not signed any consulting agreement and the value of any transactions is less than 1% of consolidated sales for both parties.

2) Main activities

Name	Attendance (Number of times attended)	Summary of remarks made and duties performed in relation to expected roles
Yoshiaki Ozawa	Board meeting Ordinary 12/12 Extraordinary 6/6 Advisory Committee 5/5	Mr. Yoshiaki Ozawa 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 promote the globalization of the Daifuku Group. In addition, he works to supervise the management team at Advisory Committee meetings by mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.

Name	Attendance (Number of times attended)	Summary of remarks made and duties performed in relation to expected roles
Mineo Sakai	Board meeting Ordinary 12/12 Extraordinary 5/6 Advisory Committee 5/5	Mr. Mineo Sakai has abundant experience and extensive knowledge in corporate management that he has cultivated through his positions as the Chairman and CEO of an IT company, etc. 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 by mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.
Kaku Kato	Board meeting Ordinary 12/12 Extraordinary 6/6 Advisory Committee 5/5	Mr. Kaku Kato conducts research on law at a university by leveraging his abundant experience and extensive knowledge in corporation management, particularly in the fields of safety and ESG as well as compliance and internal control cultivated through his experience serving as executive officer at a trading company and an energy-related company. At meetings of the Board of Directors, he offers advice and counsel from a corporate legal affairs perspective to secure the transparency of management and enhance the supervision thereof from the viewpoint of corporate legal affairs. In addition, he works to supervise the management team at Advisory Committee meetings by mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.

Name	Attendance (Number of times attended)	Summary of remarks made and duties performed in relation to expected roles
Keiko Kaneko	Board meeting Ordinary 12/12 Extraordinary 6/6 Advisory Committee 5/5	Ms. Keiko Kaneko has experienced working at a trading company and as an associate professor of a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint. In addition, she works to supervise the management team at Advisory Committee meetings, mainly reflecting the evaluation of corporate performance and other results in the nomination and remuneration for officers from an independent and objective perspective.

(2) Audit & Supervisory Board Members

1) Significant concurrent positions and Daifuku's relationship with those organizations

Category	Name	Organization offering concurrent position	Concurrent position
Audit & Supervisory Board Member (outside)	Ryosuke Aihara	Aihara Law Office	Representative
Audit & Supervisory Board Member (outside)	Tsukasa Miyajima	Graduate School of Law, Asahi University	Professor
		Asset Disposition Council, Japan Railway, Construction, Transport and Technology Agency	Chairman
		Hulic Co., Ltd.	Outside Director
		Dai Nippon Printing Co., Ltd.	Outside Director
		Mikuni Corporation	Outside Audit & Supervisory Board Member
Audit & Supervisory Board Member (outside)	Nobuo Wada	-	-

Notes: 1. Daifuku has no dealings or other relationship with Aihara Law Office of which Audit & Supervisory Board member Ryosuke Aihara serves as representative.

2. Daifuku has no dealings or other relationship with Asahi University where Audit & Supervisory Board member Tsukasa Miyajima serves as professor or with the Asset Disposition Council for the Japan Railway, Construction, Transport and Technology Agency, which Mr. Miyajima chairs.

2) Attendance and remarks at Board of Directors and Audit & Supervisory Board meetings

Name	Attendance (Number of times attended)	Summary of remarks made
Ryosuke Aihara	Board meeting Ordinary 12/12 Extraordinary 6/6 Audit & Supervisory Board meeting 8/8	Mr. Ryosuke Aihara extends advice and recommendations to Board of Directors meetings and Audit & Supervisory Board meetings when required based on his abundant experience and deep insight to secure the transparency of management and enhance the supervision thereof by professing opinions primarily from his professional standpoint as a lawyer.
Tsukasa Miyajima	Board meeting Ordinary 12/12 Extraordinary 6/6 Audit & Supervisory Board meeting 8/8	As a university professor specializing in law, Mr. Tsukasa Miyajima extends advice and recommendations to Board of Directors meetings and Audit & Supervisory Board meetings when required based on his abundant experience and deep insight to secure the transparency of management and enhance the supervision thereof by professing opinions primarily from his professional standpoint as an academic and legal expert.
Nobuo Wada	Board meeting Ordinary 12/12 Extraordinary 6/6 Audit & Supervisory Board meeting 8/8	As a longtime professor of condensed matter physics, Mr. Nobuo Wada extends advice and recommendations to Board of Directors meetings and Audit & Supervisory Board meetings when required based on his abundant experience and deep insight to secure the transparency of management and enhance the supervision thereof by professing opinions on a wide range of science and technology topics from his professional standpoint as an experienced academic.

3) Content and overview of limited liability agreement

The Company has concluded limited liability agreements with its outside directors and outside Audit & Supervisory Board members to limit the liability for damages to the amount set by laws and regulations, pursuant to the provision of Article 427, Paragraph 1 of the Companies Act as well as the provisions of Articles 27 (Limited Liability Agreements for Outside Directors) and 35 (Limited Liability Agreements for Outside Audit & Supervisory Board Members) of the Company's Articles of Incorporation.

5. Matters Relating to Liability Insurance Contracts for Company Officers

The Company has concluded a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under the insurance contract, damages and legal fees, etc. incurred by the insured as a result of claims for damages arising from any acts (including inaction) committed in the insured's capacity as officer, etc. of a business enterprise shall be covered. However, any damage to officers themselves who intentionally committed criminal acts such as bribery or other illegal acts will not be compensated in order to ensure the appropriateness of officers' execution of duties is not compromised. The persons covered under this insurance contract are Company directors, Audit & Supervisory Board members, corporate officers, audit officers, and officers serving at domestic subsidiary companies. The insurance premiums for all insured persons are paid by the Company and the individual domestic subsidiaries concerned.

6. Accounting Auditor

[1] Accounting Auditor's name

PricewaterhouseCoopers Aarata LLC

[2] Accounting Auditor's compensation, etc., for the fiscal year ended March 31, 2022

Type of remuneration	Amount of remuneration, etc.
1. Remuneration as the accounting auditor for fiscal 2021	89 million yen
2. Total amount of money to be paid by the Company and its subsidiaries in terms of owed monetary totals and other property gains	191 million yen

Notes: 1. The Audit & Supervisory Board acts in accordance with Article 399, Paragraph 1 of the Companies Act regarding the amount of remuneration, etc., to be extended to the accounting auditor after confirming and examining the contents of the accounting auditor's audit plan, the timing, and results of the previous fiscal year's audit plan, past trends for auditing remuneration for the Company and other companies, and the level of performance of duties by the accounting auditor.
2. Given that the amount of accounting auditor remuneration in contact between the Company and the accounting auditor is not categorized into auditing based on the Companies Act and auditing based on the Financial Instruments and Exchange Act, we have displayed these totals in the above-listed table.

[3] Matters pertaining to audits of consolidated subsidiaries

Of the Company's significant subsidiaries, subsidiaries located outside of Japan are audited by certified public accountants or auditing firms other than PricewaterhouseCoopers Aarata LLC.

[4] Description of non-audit services

Advice on the application of International Financial Reporting Standards (IFRS)

[5] Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor

Having gained the consent of all members, the Audit & Supervisory Board shall dismiss the accounting auditor if it is found to fall under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act. If such an event occurs, the members selected by the Audit & Supervisory Board will explain the details of the decision to the first general meeting of shareholders to be held following the dismissal.

The Audit & Supervisory Board can also decide a proposal for submission to the general meeting of shareholders to dismiss or not reappoint an accounting auditor if, as a result of a comprehensive evaluation based on the Company's evaluation standards for accounting auditors, it is deemed necessary to change the accounting auditor due to any factors that might hinder the accounting auditor's ability to execute its duties or in order to further enhance the appropriateness of the audit. The Board of Directors shall submit the proposal to the general meeting of shareholders based on that decision.

7. Overview of Systems to Ensure the Appropriateness of Business Affairs and its Operational Status

The content of decisions taken by the Board of Directors regarding internal control systems to ensure the appropriateness of business operations along with an outline of their operational status is listed below.

System to ensure appropriateness of business operations, etc.	Overview of operational status
[1] A system that ensures that the performance of duties by the directors and employees complies with laws and regulations and the Articles of Incorporation of the Company	
<ol style="list-style-type: none"> 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, and the internal rules and regulations, and strive to achieve a thorough understanding of the Code within the Company. 2) The Company has established the Compliance Committee consisting of all the directors and corporate officers with the aim to ensure compliance with laws and regulations in its corporate activities and to raise and improve awareness of fairness and morality. 	<ol style="list-style-type: none"> 1) The Company ensures that all employees are aware that compliance with laws and regulations is a prerequisite for all corporate activities by having the directors and other officers communicate the spirit of the Group Code of Conduct to the employees of the Group. 2) The Company conducts compliance training for its officers and employees. Specifically, every October is designated as a month for compliance enhancement, and we are conducting a penetration plan with case studies. In fiscal 2021, we held discussions with experts and outside directors on the theme of "governance," and distributed content on the internal intranet.
<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 3) In the internal audits to ensure the appropriateness of business operations, the Audit Division coordinates with the Audit & Supervisory Board members to objectively verify and assess the status of compliance with laws and regulations, the Articles of Incorporation of the Company, and internal rules and regulations, and provides instruction and advice to the audited divisions. Although there were restrictions on commuting to the Company and general movement due to COVID-19, by utilizing remote audits, etc., we were able to carry them out without delay. 4) We accept reports via two routes, namely one internal and one external route, to ensure a more effective whistleblowing system. The system's main features include the ability to submit reports anonymously and to report in eight different languages from different sites around the world. 5) The Company established the "International Trade Control Committee" to develop and enhance systems for managing compliance in international transactions. In addition, to meet increasing demands to address a wider range of ESG, SDGs, and other social issues, we have established and now operate a Sustainability

	<p>Committee, enhanced measures against climate change, and formulated the "Daifuku Group Human Rights Policy." Also, company-wide efforts were made under the leadership of seven other committees.</p>
--	--

<p>System to ensure appropriateness of business operations, etc.</p>	<p>Overview of operational status</p>
<p>[2] A system for the storage and management of information related to the execution of duties by the directors</p>	<p>information related to the execution of duties</p>
<p>The Company shall properly store and manage the minutes of general shareholders' meetings and meetings of the Board of Directors, and records, etc. related to the execution of duties by the directors in accordance with the Document Management Rules and other internal rules and regulations.</p>	<p>Directors store and manage the documents (including electromagnetic records) together with related materials in accordance with the Document Management Rules and other internal rules and regulations.</p>

System to ensure appropriateness of business operations, etc.	Overview of operational status
[3] Rules and regulations and other systems concerning the management of the risk of losses	
<p>1) We identify and evaluate the risks affecting the achievement of management targets within the Group, and establish internal systems to appropriately control those risks.</p> <p>2) We conduct risk assessments in accordance with our Risk Management Rules in order to reduce and minimize the risks that affect our business activities, and to strengthen our systems to enable them to better cope in emergency situations.</p> <p>3) The Information Security Committee chaired by the president shall establish regulations concerning information security that stipulate the systems necessary for the maintenance and management of information security, functions and authorities of organizations for the promotion of information security and methods of handling information assets, thereby promoting the protection of information assets owned by the Group.</p>	<p>1) The President and CEO serves concurrently as the Chief Risk Officer (CRO) who oversees risk management.</p> <p>2) We conducted a risk assessment in accordance with "Risk Management Regulations." We prepare business continuity plans and various manuals and conduct training on disaster risk management in order to address the risks related to natural disasters and other emergency events. We regularly conduct safety confirmation drills based on systems for confirming the safety of officers and employees. We have also introduced a Supplier Operations Verification System that enables us to collect disaster-related information from business partners at an early stage as part of our drive to ensure the stable procurement of parts in the event of a disaster. As for COVID-19, We have established the COVID-19 Task Force, with the relevant divisions playing central roles in promptly implementing response measures, including the analysis of risks to the Group's management.</p> <p>3) The Information Security Committee is taking the lead in appropriately operating the rules and regulations related to information security. To strengthen awareness of security issues, we conduct e-learning for executive officers and employees as well as targeted email training.</p>

System to ensure appropriateness of business operations, etc.	Overview of operational status
[4] System to ensure the efficient execution of duties by the directors	
<p>1) The Board of Directors formulates management objectives and plans, etc. of the entire Group to be shared by the officers and employees and seek to instill them throughout the Group.</p>	<p>1) The Board of Directors discusses how to instill broad awareness and achieve the Company's medium-term business plan. In addition, the CEO explains management policies through internal newsletters and videos transmitted on the Company intranet for the whole Group in Japan and overseas.</p>

<p>2) The Company has introduced the corporate officer system. The Board of Directors entrusts certain management decision-making to the execution (corporate officer) side to encourage prompt business execution. Corporate officers formulate specific goals and measures in light of the management objectives determined by the Board of Directors and execute operations for the achievement of these goals.</p>	<p>2) The Company appropriately operates this system by narrowing down the agenda items to be discussed at the meetings of the Board of Directors and by delegating certain decision-making authority to those in charge of executive functions, based on the revision of the Rules of the Board of Directors and the Rules on the Delegation of Authority.</p>
--	---

System to ensure appropriateness of business operations, etc.	Overview of operational status
---	--------------------------------

[5] System to ensure the appropriateness of business operations of the corporate group comprising the Company and its subsidiaries

<p>1) In accordance with the Group Code of Conduct shared by the Group, officers and employees of the Group complies relevant laws, internal regulations, and social norms to act with integrity..</p> <p>2) With the aim of realizing the appropriate Group Governance Rules, the Company appoints officers in charge of subsidiaries and ensure the appropriateness of the business operations of the entire Group by providing instructions, advice, etc. through these officers on all aspects of the management of its subsidiaries in Japan and overseas.</p> <p>3) Standing in a position that is independent from the business execution lines, the Audit Division conducts audits of the status of the development and operation of internal control systems in the Group.</p>	<p>1) Translated versions of our Group Code of Conduct are distributed to officers and employees of subsidiaries in Japan and overseas, and the executive officers of our subsidiaries convey the spirit of the code. In 2021, we created a Compliance Guidebook that explains the Group Code of Conduct in an easy-to-understand manner. We gave a detailed explanation to the Group companies together with the CEO message.</p> <p>2) Based on the Group Governance Rules that clarifies the governance system of the entire Group, the officer in charge of the subsidiary makes swift and decisive decisions and executions at the subsidiary while maintaining an appropriate level of supervision by the Board of Directors, and operations for appropriate business are secured.</p> <p>3) In internal audits to ensure the appropriateness of operations in the Group, the Audit Division objectively verifies and evaluates the development and operation of internal control systems and provides guidance and advice to the audited unit, while coordinating with the internal audit unit, Audit & Supervisory Board members, and auditing firms of each Group company. In fiscal 2021, we faced restrictions on commuting to the Company and general movement in the wake of COVID-19. However, the utilization of digitalization of the auditing process (remote auditing, digitalization of documented evidence) has improved overall efficiency.</p>
---	--

<p>4) In accordance with laws and regulations, the Company and the entire Group take a resolute attitude toward anti-social forces and groups that threaten the order and safety of civil society. In addition, we will strive to develop and disseminate anti-bribery regulations, etc. in response to compliance risk on a global level.</p>	<p>4) The Group has established policies for responding to organized crime groupings and other antisocial forces in the Group Code of Conduct, and ensures that all Group officers and employees are fully aware of those policies. In terms of anti-bribery measures, in addition to regulations for providing entertainment, gifts, etc., in April 2021, new rules were established and started operation for receiving entertainment and gifts. The Group is committed to strengthening its anti-corruption efforts by engaging in sound and transparent transactions Group-wide.</p>
--	--

System to ensure appropriateness of business operations, etc.	Overview of operational status
[6] System concerning employees required to assist with Audit & Supervisory Board members' duties, ensuring the independence of those persons from other directors, and ensuring the effectiveness of directions to those employees	
<p>1) The Company has established an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members.</p> <p>2) The Company respects the opinion of the Audit & Supervisory Board when making personnel decisions relating to the Audit & Supervisory Board Office and the Audit Division. The Company also considers the independence of the Audit & Supervisory Board Office as part of its endeavor to ensure the effectiveness of instructions given to Audit & Supervisory Board Office employees.</p>	<p>To enhance the effectiveness of audits conducted by the Audit & Supervisory Board, the Company has established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members. In addition, the Audit Division, which operates independently from the business execution line, and the accounting and legal departments under the Corporate Functions, will also play an auxiliary role in assisting the performance of Audit & Supervisory Board members' duties as part of our drive to enhance our auditing functions.</p>

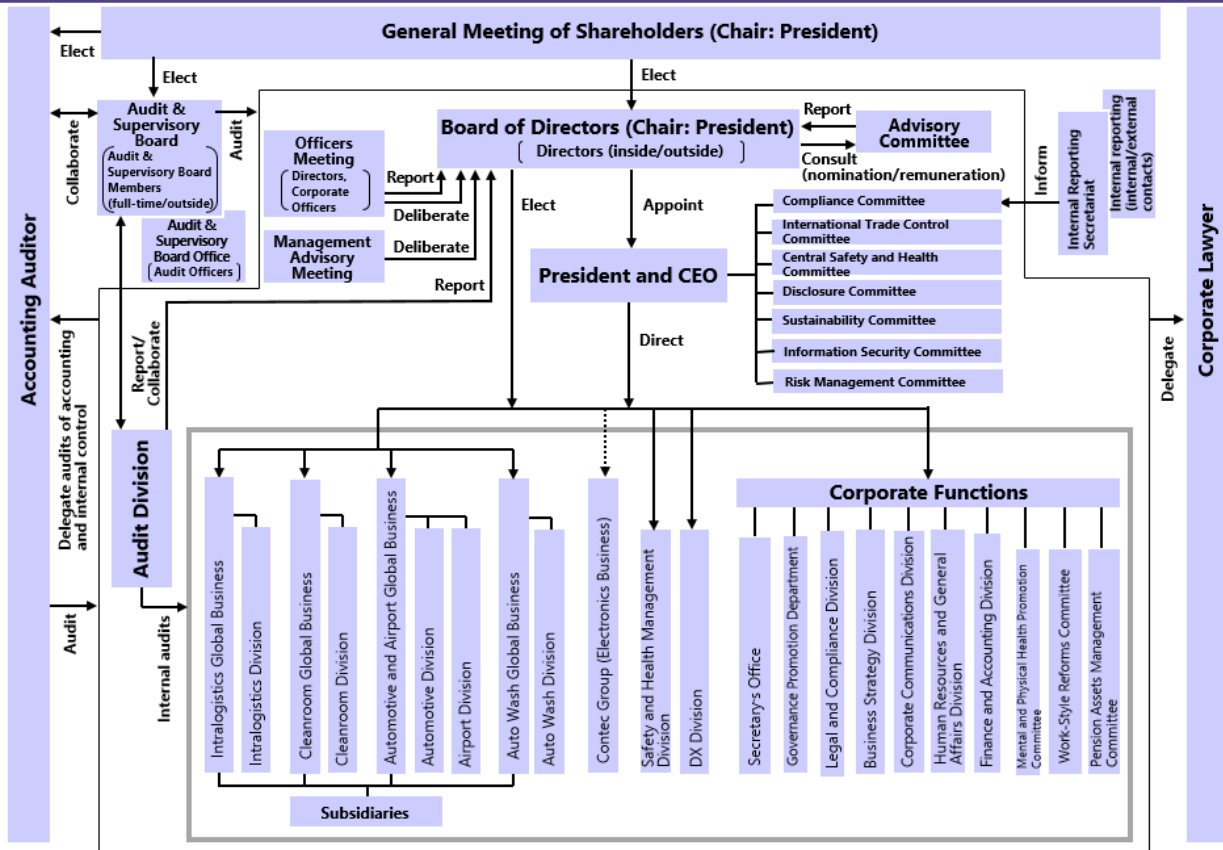
System to ensure appropriateness of business operations, etc.	Overview of operational status
[7] System to enable directors of the Company or its subsidiaries and employees to submit reports to the Audit & Supervisory Board, and a system to ensure any person who has submitted a report is not treated disadvantageously as a result	
<p>1) Directors and employees of the Company and its subsidiaries shall report the following matters to the Audit & Supervisory Board:</p> <ol style="list-style-type: none"> 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 5. Other significant compliance-related matters 	<p>1) If directors or employees of the Companies and its subsidiaries discover any of the facts listed on the left, they will be reported to the Audit & Supervisory Board by the person who discovered the facts or the person in charge to whom the facts were reported.</p>

- 2) The Group will not tolerate any disadvantageous treatment of individual directors or employees who provide reports or information to the Audit & Supervisory Board as a result of that reporting.
- 3) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall participate in Board of Directors meetings at subsidiary companies and other important meetings for the purpose of collecting information and ensuring effective audits.

- 2) We respond appropriately to any reports or information provided to the Audit & Supervisory Board based on our commitment to protect the providers of information.
- 3) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall participate in the meetings detailed on the left, receive reports from directors or employees of subsidiary companies, and voice opinions when necessary.

System to ensure appropriateness of business operations, etc.	Overview of operational status
[8] Other systems for ensuring the effective conducting of audits by the Audit & Supervisory Board	
<ol style="list-style-type: none"> 1) The Company's Rules of the Audit & Supervisory Board stipulate that Audit & Supervisory Board members hold regular meetings with the Company's representative directors and other directors to exchange opinions on important audit-related issues. 2) Audit & Supervisory Board members shall receive regular reports from the Audit Division on audit plans and results and request investigations if necessary. 3) Audit & Supervisory Board members shall guide the Audit & Supervisory Board Office to enhance the effectiveness of audits and ensure the smooth execution of auditing duties. 4) Audit & Supervisory Board members and the Audit & Supervisory Board shall meet regularly and maintain close contact with the accounting auditor in order to 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. 	<ol style="list-style-type: none"> 1) The Audit & Supervisory Board held meetings with representative directors and outside directors on important auditing issues three times during fiscal 2021 in order to deepen mutual recognition of the issues in question. 2) Full-time auditors attend regular auditing meetings held by the Audit Division, etc., and share information on received reports on audit plans and results from the Audit Division. 3) The Audit & Supervisory Board Office, under the direction of Audit & Supervisory Board members, assists with auditing duties and conducts business relating to the Audit & Supervisory Board. It also strives to improve the effectiveness of audits conducted by Audit & Supervisory Board members by obtaining more information from the Audit Division and other employees as well as subsidiaries. 4) The Audit & Supervisory Board deepens cooperation by holding periodic meetings for the accounting auditor to convey its audit plans and the quality of audits and for quarterly reviews and year-end reports on audit results, as well as special meetings when required. 5) When Audit & Supervisory Board members request the Company to cover any costs relating to the conducting of audits, the Company pays those expenses requested by Audit & Supervisory Board members in full.

Corporate Governance Structure (as of April 1, 2022)



8. Matters Relating to Dividend Payments, etc. from Surplus Funds

The Company regards the return of profits to shareholders to be one of its most important management commitments. Regarding the provision of dividends from surplus funds and with a view to returning more profits to shareholders, the Company intends to incorporate a performance-linked dividend policy based on consolidated net income and will allocate the remaining surplus as retained earnings to investment funds for boosting future growth.

As part of our new Value Transformation 2023 three-year business plan that began in April 2021, we aim to increase corporate value through growth investments and achieve a consolidated payout ratio of 30% or higher.

For fiscal 2021, we implemented an interim dividend of 35 yen per share, and the Board of Directors decided at the meeting held on May 13, 2022 to set the year-end dividend at 55 yen per share. That would result in an annual dividend of 90 yen per share (compared to the 80 yen per share dividend for the previous fiscal year) in total, up 5 yen from our initial schedule. As a result, the consolidated payout ratio is 31.6%.

Furthermore, in order to enable us to flexibly pay dividends from any surplus funds, our Articles of Incorporation stipulate that the Board of Directors may determine the dividend to be paid from surplus funds without requiring a resolution from the General Meeting of Shareholders regarding matters stipulated in Article 459, Paragraph 1 of the Companies Act (The determination of articles that permit the Board of Directors to decide dividend payments from surplus funds), except when otherwise provided for in separate laws or regulations.

Consolidated Balance Sheets

(As of March 31, 2022)

(Million yen)

Item	Amount	Item	Amount
(ASSETS)	483,322	(LIABILITIES)	191,263
Current assets	381,310	Current liabilities	173,645
Cash on hand and in banks	118,769	Notes and accounts payable and construction contracts payable	48,046
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	208,915	Electronically recorded obligations - operating	28,084
Merchandise and finished goods	7,045	Short-term borrowings and current portion of long-term borrowings	22,449
Costs incurred on uncompleted construction contracts and other	11,430	Income taxes payable	7,252
Raw materials and supplies	22,778	Contract liabilities	40,682
Other current assets	13,148	Provision for losses on construction contracts	711
Allowance for doubtful accounts	(777)	Other current liabilities	26,419
Non-current assets	102,012	Non-current liabilities	17,617
Property, plant and equipment	55,215	Long-term borrowings	3,907
Buildings and structures	22,734	Deferred tax liabilities	802
Machinery and vehicles	7,799	Liabilities for retirement benefits	7,494
Tools and fixtures	2,602	Other reserves	327
Land	12,496	Other non-current liabilities	5,086
Other, net	9,583	(NET ASSETS)	292,059
Intangible assets	10,720	Shareholders' equity	279,264
Software	5,077	Common stock	31,865
Goodwill	3,956	Capital surplus	20,691
Other	1,687	Retained earnings	227,609
Investments and other assets	36,076	Treasury stock	(901)
Investments in securities	13,322	Accumulated other comprehensive income	11,504
Long-term loans	44	Net unrealized gain (loss) on securities	4,107
Assets for retirement benefits	9,002	Deferred gain (loss) on hedges	(637)
Deferred tax assets	10,082	Foreign currency translation adjustments	8,380
Other	3,627	Accumulated adjustments on retirement benefits	(344)
Allowance for doubtful accounts	(3)	Non-controlling interests	1,289
Total	483,322	Total	483,322

Consolidated Statements of Income

(April 1, 2021 - March 31, 2022)

(Million yen)

Net sales		512,268
Cost of sales		417,968
Gross profit		94,299
Selling, general and administrative expenses		44,046
Operating income		50,252
Other income		
Interest income	346	
Dividend income	384	
Subsidy income	645	
Land and house rental revenue	227	
Other	419	2,023
Other expenses		
Interest expenses	352	
Foreign exchange losses	279	
Tender offer related expenses	275	
Other	116	1,022
Ordinary income		51,253
Extraordinary income		
Gain on sales of property, plant and equipment	7	
Gain on sales of investments in securities	234	
Insurance claim income	215	
Other	24	481
Extraordinary loss		
Loss on sales of property, plant and equipment	0	
Loss on disposal of property, plant and equipment	300	
Extra retirement payments	278	
Loss on liquidation of affiliates	143	
Other	33	756
Income before income taxes		50,978
Income taxes - current	14,032	
Income taxes - deferred	501	14,534
Net income		36,444
Non-controlling interests		566
Net income attributable to shareholders of the parent company		35,877

Non-Consolidated Balance Sheets

(As of March 31, 2022)

Daifuku Co., Ltd.

(Million yen)

Item		Item	Amount
(ASSETS)	330,068	(LIABILITIES)	108,148
Current assets	218,198	Current liabilities	98,664
Cash on hand and in banks	50,824	Electronically recorded obligations - operating	26,500
Notes receivable	1,328	Accounts payable - trade	21,027
Electronically recorded monetary claims - operating	5,470	Construction contracts payable	2,200
Accounts receivable from completed construction contracts and contract assets	117,975	Short-term borrowings	2,197
Accounts receivable	13,598	Current portion of long-term borrowings	15,100
Merchandise and finished goods	72	Lease liabilities	173
Costs incurred on uncompleted construction contracts and other	5,760	Accounts payable - other	2,522
Raw materials and supplies	12,423	Accrued expenses	7,824
Prepaid expenses	1,847	Income taxes payable	5,859
Accounts receivable - other	4,588	Contract liabilities	13,455
Short-term loans receivable	15	Provision for losses on construction contracts	304
Short-term loans receivable from affiliates	991	Other current liabilities	1,499
Other current assets	3,565	Non-current liabilities	9,483
Allowance for doubtful accounts	(263)	Long-term borrowings	3,800
Non-current assets	111,870	Lease liabilities	660
Property, plant and equipment	26,499	Long-term accounts payable - other	11
Buildings	11,166	Provision for retirement benefits	4,541
Structures	940	Other reserves	278
Machinery and equipment	3,509	Other non-current liabilities	192
Vehicles	1		
Tools and fixtures	954	(NET ASSETS)	221,919
Land	7,995	Shareholders' equity	218,458
Leased assets	833	Common stock	31,865
Construction in progress	1,098	Capital surplus	22,876
Intangible assets	3,396	Legal capital surplus	8,998
Software	3,027	Other capital surplus	13,877
Software in progress	327	Retained earnings	164,618
Other	41	Legal retained earnings	112
Investments and other assets	81,973	Other retained earnings	164,506
Investments in securities	12,631	Reserve for dividends	7,000
Shares in affiliates	49,923	Reserve for tax purpose reduction entry of non-current assets	294
Investments in capital of affiliates	6,225	General reserve	30,000
Long-term loans	39	Retained earnings brought forward	127,211
Long-term prepaid expenses	164	Treasury stock	(901)
Deferred tax assets	5,563	Valuation and translation adjustments	3,461
Prepaid pension costs	6,057	Net unrealized gain (loss) on securities	4,078
Leasehold and guarantee deposits	768	Deferred gain (loss) on hedges	(616)
Other	602		
Allowance for doubtful accounts	(3)		
Total	330,068	Total	330,068

Non-Consolidated Statements of Income

(April 1, 2021 - March 31, 2022)

Daifuku Co., Ltd.

(Million yen)

Net sales		266,460
Cost of sales		216,173
Gross profit		50,286
Selling, general and administrative expenses		17,465
Operating income		32,821
Other income		
Interest income	10	
Dividend income	6,870	
Land and house rental revenue	202	
Other	163	7,247
Other expenses		
Interest expenses	91	
Foreign exchange losses	111	
Other	33	237
Ordinary income		39,831
Extraordinary income		
Gain on sales of investments in securities	225	
Other	24	249
Extraordinary loss		
Loss on valuation of shares in affiliates	699	
Loss on disposal of property, plant and equipment	212	
Other	15	927
Income before income taxes		39,154
Income taxes - current	10,398	
Income taxes - deferred	103	10,502
Net income		28,652

Independent Auditor's Report
(English Translation*)

May 23, 2022

To the Board of Directors of Daifuku Co., Ltd.

PricewaterhouseCoopers Aarata LLC
Osaka office

Shigeru Takahama, CPA
Designated limited liability Partner
Engagement Partner

Kazuyuki Kitano, CPA
Designated limited liability Partner
Engagement Partner

Opinion

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the accompanying consolidated financial statements, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to the consolidated financial statements of Daifuku Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group") for the consolidated fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and its consolidated financial performance for the period covered by the consolidated financial statements in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report. Management is responsible for the preparation and disclosure of the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Independent Auditor's Report

(English Translation*)

May 23, 2022

To the Board of Directors of Daifuku Co., Ltd.

PricewaterhouseCoopers Aarata LLC

Osaka office

Shigeru Takahama, CPA

Designated limited liability Partner

Engagement Partner

Kazuyuki Kitano, CPA

Designated limited liability Partner

Engagement Partner

Opinion

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheets, statements of income, statements of changes in net assets and notes to the financial statements, and the supplementary schedules of Daifuku Co., Ltd. (hereinafter referred to as the "Company") for the 106th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and the Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report

In regard to the directors' performance of their duties for the 106th fiscal year from April 1, 2021 to March 31, 2022, the Audit & Supervisory Board has prepared this Audit Report as the unanimous opinion of the Audit & Supervisory Board members resulting from deliberations based on the audit reports prepared by each Audit & Supervisory Board member and reports as follows.

1. Method and Contents of Audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined the audit policies and audit plan, etc., and received reports from each Audit & Supervisory Board member regarding the implementation status and results of their audits, in addition to which it received reports from the directors, etc., and the accounting auditor regarding the status of the performance of their duties and requested explanations as necessary.
- (2) In compliance with the Audit & Supervisory Board member audit standards established by the Audit & Supervisory Board and in accordance with the audit policies and audit plan, etc., utilizing tools such as remote meetings, each Audit & Supervisory Board member communicated with the directors, the Audit Division, and other employees, etc., endeavored to gather information and develop the audit environment and conducted audits using the following methods.
 - (i) The Audit & Supervisory Board members attended meetings of the Board of Directors and other important meetings, received reports from directors and employees, etc., regarding the status of the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the headquarters and main business locations. Additionally, in regard to subsidiaries, the Audit & Supervisory Board members communicated and exchanged information with the directors and Audit & Supervisory Board members, etc., of subsidiaries and received reports on business from subsidiaries as necessary.
 - (ii) In regard to the content of resolutions of the Board of Directors regarding the development of systems to ensure that the directors' performance of their duties complies with laws, regulations, and the Articles of Incorporation and other systems provided for in Article 100, Paragraph (1) and Paragraph (3) of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the corporate group composed of a stock company and its subsidiaries, as well as the systems developed pursuant to those resolutions (i.e., internal control systems) stated in the Business Report, the Audit & Supervisory Board members periodically received reports from directors and employees, etc., regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
 - (iii) The Audit & Supervisory Board members oversaw and verified whether the accounting auditor maintained an independent position and conducted an appropriate audit, received reports from the accounting auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the Audit & Supervisory Board members received notification from the accounting auditor that, in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the Audit & Supervisory Board examined the Business Report, the supplementary schedules thereto, the financial statements (i.e., the balance sheets, statements of income, statements of changes in net assets, and explanatory notes to financial statements), the

supplementary schedules to the financial statements, and the consolidated financial statements (i.e., the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and explanatory notes to consolidated financial statements) for the fiscal year.

2. Audit Results

(1) Results of audit of Business Report, etc.

- (i) We find that the Business Report and the supplementary schedules thereto accurately present the status of the company in accordance with laws, regulations, and the Articles of Incorporation.
- (ii) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the Articles of Incorporation in relation to the directors' performance of their duties.
- (iii) We find the content of the resolutions of the Board of Directors regarding internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the Business Report or the directors' performance of their duties relating to the internal control systems.

(2) Results of audit of financial statements and supplementary schedules thereto

We find the methods and results of the audit by the accounting auditor, PricewaterhouseCoopers Aarata LLC, to be reasonable.

(3) Results of audit of consolidated financial statements

We find the methods and results of the audit by the accounting auditor, PricewaterhouseCoopers Aarata LLC, to be reasonable.

May 24, 2022

Audit & Supervisory Board, Daifuku Co., Ltd.
Yoshihisa Kimura
Audit & Supervisory Board Member (full-time)
Ryosuke Aihara
Audit & Supervisory Board Member (outside)
Tsukasa Miyajima
Audit & Supervisory Board Member (outside)
Nobuo Wada
Audit & Supervisory Board Member (outside)