Annual Securities Report

The 108th Business Term (Fiscal 2023)
From April 1, 2023 to March 31, 2024

DAIFUKU

DAIFUKU CO., LTD.

Contents

[Cover page]

[Document title]	Annual Securities Report
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 24, 2024
[Fiscal year]	The 108th fiscal year (from April 1, 2023 to March 31, 2024)
[Company name in Japanese]	Kabushiki Kaisha Daifuku
[Company name in English]	Daifuku Co., Ltd.
[Title and name of representative]	Hiroshi Geshiro, President and CEO
[Address of registered headquarters]	3-2-11 Mitejima, Nishiyodogawa-ku, Osaka, Japan
[Telephone number]	+81-6-6472-1261 (main)
[Contact person]	Tetsuya Hibi, Managing Officer and CFO
[Nearest place of contact]	Shiodome Shiba-Rikyu Building 1-2-3 Kaigan, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-6721-3501 (main)
[Contact person]	Hirobumi Akiba, Corporate Officer and Corporate Communications Division Manager
[Place for public inspection]	Daifuku Co., Ltd. Tokyo Head Office (Shiodome Shiba-Rikyu Building 1-2-3 Kaigan, Minato-ku, Tokyo) Daifuku Co., Ltd. Nagoya Branch (4-103 Komakihara, Komaki-shi, Aichi) Daifuku Co., Ltd. Kitakanto Branch (1-17-5 Kitaya, Soka-shi, Saitama) Daifuku Co., Ltd. Fujisawa Branch (28 Shoubusawa, Fujisawa-shi, Kanagawa) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1. Company Information

I. Overview of the Company

1. Key Financial Data

(1) Key financial data of the Daifuku Group

Fiscal year		104th	105th	106th	107th	108th
Fiscal year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(million yen)	443,694	473,902	512,268	601,922	611,477
Ordinary income	(million yen)	40,976	45,846	51,253	59,759	64,207
Net income attributable to shareholders of the parent company	(million yen)	28,063	32,390	35,877	41,248	45,461
Comprehensive income	(million yen)	25,627	33,345	46,368	53,556	60,409
Net assets	(million yen)	237,356	262,012	292,059	332,323	358,755
Total assets	(million yen)	410,887	445,456	483,322	551,552	646,154
Net assets per share	(yen)	616.76	680.02	769.13	878.24	966.98
Net income per share	(yen)	74.32	85.71	94.90	109.11	121.63
Diluted net income per share	(yen)	–	–	–	–	118.45
Equity ratio	(%)	56.7	57.7	60.2	60.2	55.5
Return on equity	(%)	12.4	13.2	13.1	13.2	13.2
Price-earnings ratio	(times)	30.7	42.2	30.9	22.4	29.5
Cash flows from operating activities	(million yen)	13,706	38,229	56,691	20,034	37,117
Cash flows from investing activities	(million yen)	(14,791)	(6,132)	(9,828)	(11,874)	(29,582)
Cash flows from financing activities	(million yen)	(18,354)	(8,932)	(27,550)	(30,187)	22,732
Cash and cash equivalents at end of year	(million yen)	70,883	94,079	118,672	102,389	136,445
Number of employees	(persons)	10,863	11,697	12,436	13,020	13,071

Notes: 1. The number of employees represents the number of persons actually working at the Group.

2. Diluted net income per share for the 104th, 105th, 106th, and 107th fiscal years is not recorded, as dilutive shares do not exist.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 106th fiscal year. Key financial data from the 106th fiscal year onward reflect these accounting standards.
4. The Company conducted a three-for-one split of its common stock effective April 1, 2023. Net assets per share and net income per share are calculated, assuming that the stock split was conducted at the beginning of the 104th fiscal year.

(2) Key financial data of Daifuku Co., Ltd.

Fiscal year		104th	105th	106th	107th	108th
Fiscal year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(million yen)	243,400	239,592	266,460	290,278	274,535
Ordinary income	(million yen)	30,400	36,811	39,831	45,543	47,246
Net income	(million yen)	18,699	26,039	28,652	34,053	33,223
Common stock	(million yen)	31,865	31,865	31,865	31,865	31,865
Total number of shares issued	(thousand shares)	379,830	379,830	379,830	379,830	379,830
Net assets	(million yen)	186,021	204,574	221,919	244,570	247,446
Total assets	(million yen)	277,107	301,560	330,068	349,892	400,580
Net assets per share	(yen)	492.49	541.18	587.01	646.91	667.60
Dividend per share	(yen)	75.00	80.00	90.00	110.00	40.00
[Interim dividend per share included above]	(yen)	[30.00]	[30.00]	[35.00]	[40.00]	[14.00]
Net income per share	(yen)	49.52	68.91	75.79	90.08	88.89
Diluted net income per share	(yen)	–	–	–	–	86.51
Equity ratio	(%)	67.1	67.8	67.2	69.9	61.8
Return on equity	(%)	10.2	13.3	13.4	14.6	13.5
Price-earnings ratio	(times)	46.1	52.4	38.7	27.1	40.3
Payout ratio	(%)	50.5	38.7	39.6	40.7	45.0
Number of employees	(persons)	2,928	3,042	3,202	3,375	3,509
[Average number of temporary employees not included above]	(persons)	[428]	[449]	[432]	[381]	[335]
Total shareholder return	(%)	120.2	190.9	156.9	133.4	194.9
[Benchmark: TOPIX Total Return Index]	(%)	[90.5]	[128.6]	[131.2]	[138.8]	[196.2]
Highest share price	(yen)	7,300	13,500	11,550	2,459 [8,820]	3,678
Lowest share price	(yen)	4,560	6,340	7,410	2,412 [6,090]	2,349

Notes: 1. The number of employees represents the number of persons actually working at the Company.

2. Diluted net income per share for the 104th, 105th, 106th, and 107th fiscal years is not recorded, as dilutive shares do not exist.
3. The highest and lowest share prices are quoted prices on the Tokyo Stock Exchange Prime Market on and after April 4, 2022, and on the First Section of the Tokyo Stock Exchange on and before April 3, 2022.
4. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 106th fiscal year. Key financial data from the 106th fiscal year onward reflect these accounting standards.
5. The Company conducted a three-for-one split of its common stock effective April 1, 2023. Therefore, the total number of shares issued, net assets per share, and net income per share are calculated, assuming that the stock split was conducted at the beginning of the 104th fiscal year, while the dividend per share is calculated based on the number of shares before the stock split. The highest and lowest share prices for the 107th fiscal year are stated after ex-rights due to the stock split, and the highest and lowest share prices before the stock split are shown in brackets.

2. History

Month/Year	Summary
May 1937	Founded as Sakaguchi Kikai Seisakusho Ltd. with 300,000 yen in capital.
July 1939	Establishes the Mitejima Factory (now Osaka Headquarters location).
May 1941	Kanematsu Shoten (now Kanematsu Corporation) joins the Company's management.
March 1944	Changes Company name to Kanematsu Kiko Co., Ltd. Establishes Tokyo Sales Office (now Tokyo Head Office).
March 1945	Establishes the Fukuchiyama Factory (located in Fukuchiyama City, Kyoto).
August 1947	Changes Company name to Daifuku Machinery Works Co., Ltd.
October 1953	Separates the Fukuchiyama Factory to establish Fukuchiyama Daifuku Machinery Works Co., Ltd.
April 1957	Sells Fukuchiyama Daifuku Machinery Works Co., Ltd.
October 1961	Listed on the Second Section of the Osaka Securities Exchange.
July 1962	Listed on the Second Section of the Tokyo Stock Exchange.
January 1963	Inaugurates the Komaki Plant (now Komaki Works).
October 1968	Listed on the Second Section of the Nagoya Stock Exchange.
August 1969	Listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
April 1975	Establishes Contec Co., Ltd.
	Inaugurates the Hino Plant (now Shiga Works).
February 1983	Establishes Daifuku U.S.A. Inc. (now Daifuku Automotive America Corporation).
May 1984	Changes Company name to Daifuku Co., Ltd.
May 1985	Establishes Daifuku Canada Inc.
January 1986	Establishes Daifuku Mechatronics (Singapore) Pte. Ltd.
May 1991	Establishes Daifuku (Thailand) Limited.
January 1993	Establishes a Taiwan-based subsidiary (now Taiwan Daifuku Co., Ltd.).
June 1994	Opens a material handling and logistics demo center, *Hini Arata Kan*, within Shiga Works.
	Establishes Daifuku (Malaysia) Sdn. Bhd.
February 1995	Acquires shares of Taiwan-based Pioneer Automation Co., Ltd. (Daifuku Pioneer Co., Ltd. in April 1996, Taiwan Daifuku Co., Ltd. in July 2004) to make it a subsidiary.
April 1995	Establishes Clean Factomation, Inc. in South Korea.
	Establishes P.T. Daifuku Indonesia.
December 1996	Establishes Daifuku Magic Technology Corporation (now Daifuku Plusmore Co., Ltd.).
April 1997	Establishes ATS Co., Ltd. (now Daifuku Korea Co., Ltd.).
February 1999	Establishes Daifuku Business Service Corporation.
March 1999	Relocates the Osaka Plant functions to Shiga Works.
March 2000	Establishes Daifuku Unix Corporation by merging two Japanese affiliates Daifuku Magic Technology Corporation and Unix Corporation.
March 2002	Establishes Daifuku (Shanghai) Ltd. (now Daifuku (China) Co., Ltd.).
March 2003	Establishes Daifuku Qubica Ltd. (Daifuku QubicaAMF Co., Ltd. in December 2006, acquiring shares of QubicaAMF Worldwide LLC) (now Daifuku Plusmore Co., Ltd.).
April 2004	Acquires the material handling business from KITO CORPORATION.
June 2004	Delisted from the First Section of the Nagoya Stock Exchange.
April 2005	Establishes Daifuku Manufacturing Expert Co., Ltd. (now Daifuku Manufacturing Technology Co., Ltd.).
July 2005	Establishes Daifuku Carwash-Machine (Shanghai) Ltd. (now Daifuku (China) Manufacturing Co., Ltd.).
August 2005	Establishes Taiwan Daifuku Co., Ltd.
September 2005	Establishes Jiangsu Daifuku Rixin Automation Co., Ltd. (now Daifuku (China) Automation Co., Ltd.).
October 2005	Establishes Daifuku India Private Limited.
October 2006	Relocates the Komaki Plant (now Komaki Works) functions to Shiga Works.
March 2007	Contec Co., Ltd. listed on the Second Section of the Tokyo Stock Exchange.
December 2007	Acquires shares of U.S.-based Jervis B. Webb Company (now Daifuku Airport America Corporation) to make it a subsidiary.
January 2008	Integrates two affiliates in Taiwan leading to Taiwan Daifuku.
	Acquires shares of Osaka Machinery Works Co., Ltd. to make it a subsidiary (absorbed by Daifuku Manufacturing Technology in March 2011).
April 2009	Establishes Daifuku Plusmore Co., Ltd. by merging two Japanese affiliates, Daifuku QubicaAMF Co., Ltd. and Daifuku Unix Corporation.

Month/Year	Summary
January 2011	Acquires the car wash machine business from YASUI Corporation.
	Establishes Daifuku Webb Holding Company (now Daifuku North America, Inc.) in the U.S. to oversee two affiliates, Daifuku America Corporation (now Daifuku Automotive America Corporation) and Jervis B.Webb Company (now Daifuku Airport America Corporation).
March 2011	Establishes Daifuku Manufacturing Technology Co., Ltd. by merging two Japanese affiliates, Daifuku Manufacturing Expert and Osaka Machinery Works.
April 2011	Acquires shares of Logan Teleflex (UK) Ltd. (now Daifuku Logan Ltd.) to make it a subsidiary.
April 2012	Acquires the cleanroom material handling system service business from Hitachi Plant Technologies, Ltd.
	Acquires shares of Iwasaki Seisakusho Co., Ltd. to make it a subsidiary (absorbed by Daifuku Co., Ltd. in April 2024).
August 2012	Acquires shares of South Korea-based Hallim Machinery Co., Ltd. to make it a subsidiary.
November 2012	Daifuku Webb Holding Company (now Daifuku North America, Inc.) acquires shares of Elite Holding Company (now Daifuku Services America Corporation) to make it a subsidiary.
	Establishes Daifuku (Suzhou) Cleanroom Automation Co., Ltd. in China.
January 2013	Establishes Daifuku de México, S.A. de C.V.
July 2013	Delisted from the First Section of the Osaka Securities Exchange, in line with the integration of cash equity market of Osaka Securities Exchange into the Tokyo Stock Exchange.
October 2013	Daifuku Webb Holding Company (now Daifuku North America, Inc.) acquires shares of Wynright Corporation (now Daifuku Intralogistics America Corporation) to make it a subsidiary.
November 2013	Begins operations of the Daifuku Shiga Mega Solar within the Shiga Works.
December 2014	Acquires shares of New Zealand-based BCS Group Limited (now Daifuku Oceania Limited) to make it a subsidiary.
December 2017	Establishes Daifuku Europe GmbH in Germany.
April 2019	Acquires shares of India-based Vega Conveyors and Automation Private Limited (now Daifuku Intralogistics India Private Limited) to make it a subsidiary.
June 2019	Acquires shares of Netherlands-based Scarabee Aviation Group B.V. to make it a subsidiary.
August 2019	Establishes Daifuku Intralogistics Vietnam Company Limited.
March 2022	Conducts a public tender offer for the listed subsidiary Contec Co., Ltd. (delisted from the Tokyo Stock Exchange in April 2022).
April 2022	Listed on the Prime Market of the Tokyo Stock Exchange, shifting from the First Section, along with a change in the market classification.
April 2024	Absorbs Iwasaki Seisakusho Co., Ltd.

3. Description of Business

The following outlines the main business of the Daifuku Group and the position of Group companies in relation to our business.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd., which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the fiscal year ended March 31, 2024.

Daifuku Co., Ltd.

Daifuku Co., Ltd. engages primarily in manufacturing and sales of material handling systems and equipment, and car wash machines and after-sales services for them.

The Company purchases the electronics to be incorporated into its products from the Contec Co., Ltd., and entrusts the designing and manufacturing of logistics systems to consolidated companies in Japan, such as Daifuku Manufacturing Technology Co., Ltd.

Contec Co., Ltd. and its subsidiaries

Contec Co., Ltd. and its consolidated companies develop, manufacture and sell personal computer peripheral devices, industrial computers and network equipment and provide after-sales services for them.

Daifuku North America, Inc.* and its subsidiaries

Daifuku North America, Inc. and its consolidated companies manufacture and sell material handling systems and equipment mainly in North America and provide after-sales services for them.

* Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.

Clean Factomation, Inc.

Clean Factomation, Inc. manufactures and sells cleanroom transport systems mainly to semiconductor manufacturers in South Korea and provides after-sales services for them.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd.

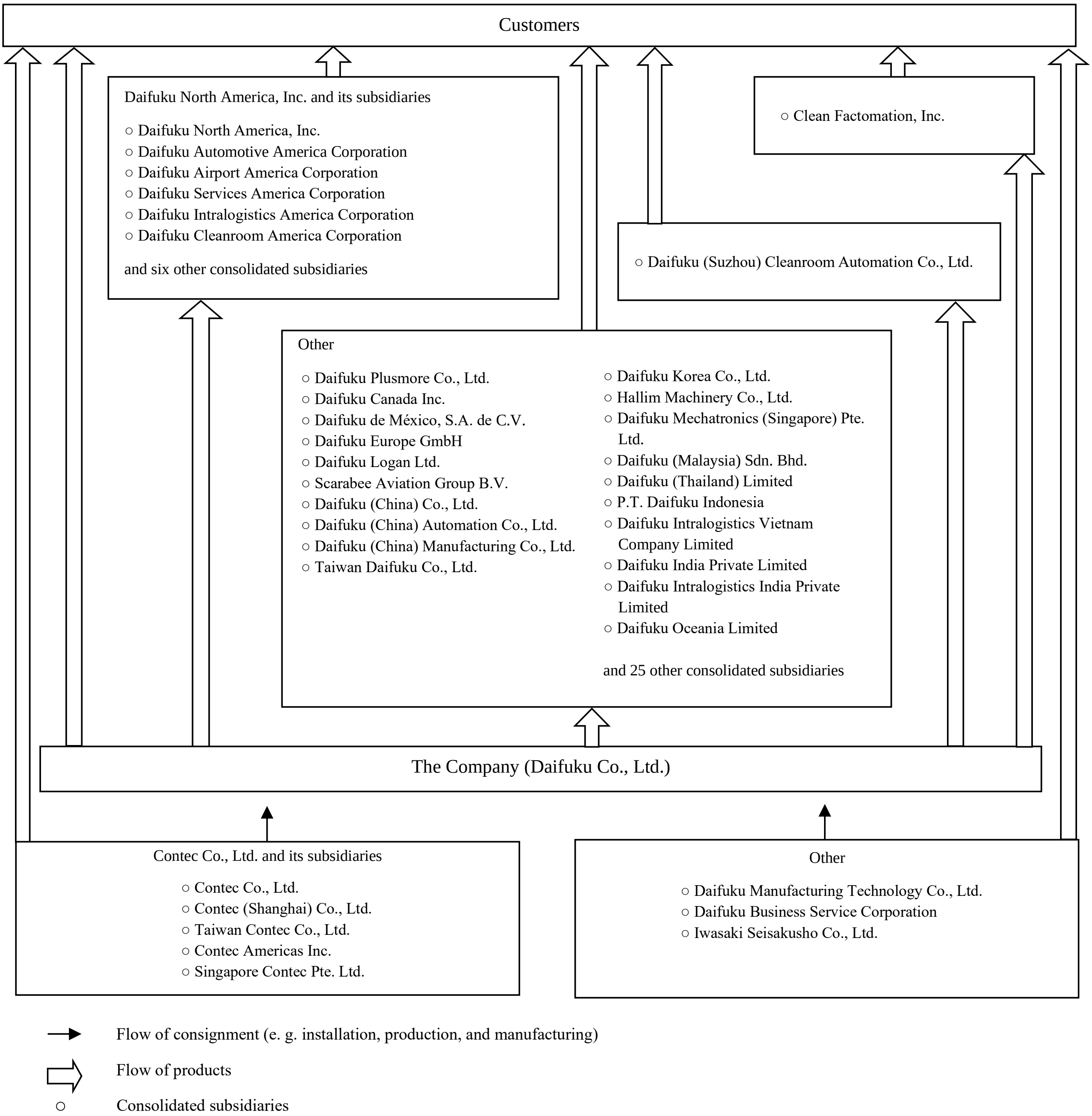
Daifuku (Suzhou) Cleanroom Automation Co., Ltd. manufactures and sells cleanroom transport systems mainly to semiconductor manufacturers in China and provides after-sales services for them.

Other

Other consolidated companies combine the components of material handling systems delivered by the Company and other parts locally produced or procured to sell, install and provide after-sales services.

The following diagram illustrates the structure of our business.

Business Diagram



4. Subsidiaries and Other Affiliated Entities

Consolidated subsidiaries

Name	Address	Common stock	Principal business	Daifuku's percentage of voting rights (%)	Concurrent appointments of officers	Loans	Business transactions with the Company	Remarks
Contec Co., Ltd.	Nishiyodogawa-ku, Osaka, Japan	JPY 450 million	Manufacturing and sales of electronics, etc.	100.0	–	Yes	Manufacturing the Company's electronic components	
Daifuku North America, Inc.	Michigan, U.S.A.	USD 2,010	A holding company with operating companies that manufacture and sell logistics systems, etc.	100.0	1	No	Manufacturing and sales of the Company's products	Note 1
Daifuku Canada Inc.	Ontario, Canada	CAD 400 thousand	Sales of logistics systems, etc.	100.0	–	No	Sales of the Company's products	
Daifuku Europe GmbH	Moenchengladbach, Germany	EUR 500 thousand	Sales of logistics systems, etc.	100.0	–	No	Sales of the Company's products	
Daifuku Mechatronics (Singapore) Pte. Ltd.	Techplace, Singapore	SGD 500 thousand	Sales of logistics systems, etc.	100.0	1	No	Sales of the Company's products	
Daifuku (Thailand) Limited	Sriracha, Thailand	THB 152,700 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	No	Manufacturing and sales of the Company's products	
Daifuku Korea Co., Ltd.	Incheon Metropolitan City, South Korea	KRW 11,100 million	Manufacturing and sales of logistics systems, etc.	100.0	–	No	Manufacturing and sales of the Company's products	
Clean Factomation, Inc.	Hwaseong, Gyeonggi, South Korea	KRW 3,000 million	Manufacturing and sales of logistics systems, etc.	100.0	–	No	Manufacturing and sales of the Company's products	
Daifuku (China) Co., Ltd.	Shanghai, China	CNY 112,482 thousand	Sales of logistics systems, etc.	100.0	1	No	Sales of the Company's products	
Daifuku (China) Automation Co., Ltd.	Changshu, Jiangsu, China	CNY 267,353 thousand	Manufacturing and sales of logistics systems, etc.	100.0 [44.5]	1	No	Manufacturing and sales of the Company's products	Notes 2 and 3
Daifuku (China) Manufacturing Co., Ltd.	Shanghai, China	CNY 66,333 thousand	Manufacturing and sales of logistics systems, etc.	100.0 [51.0]	1	No	Manufacturing and sales of the Company's products	Note 2
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	Suzhou, Jiangsu, China	CNY 122,842 thousand	Manufacturing and sales of logistics systems, etc.	100.0	2	No	Manufacturing and sales of the Company's products	
Taiwan Daifuku Co., Ltd.	Tainan, Taiwan	TWD 200,000 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	No	Manufacturing and sales of the Company's products	
Daifuku Oceania Limited	Auckland, New Zealand	NZD 32,711 thousand	Manufacturing and sales of logistics systems, etc.	100.0	–	Yes	Manufacturing and sales of the Company's products	
53 other companies								

Notes: 1. Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.
2. The figure in brackets in the "Percentage of voting rights" column shows the percentage of the voting rights the Company holds indirectly, which is included in the figure without brackets.
3. Is a specified subsidiary.

5. Employees

(1) Information about consolidated companies

As of March 31, 2024

Segment	Number of employees
Daifuku Co., Ltd.	3,509
Contec Co., Ltd. and its subsidiaries	487
Daifuku North America, Inc. and its subsidiaries	4,723
Clean Factomation, Inc.	931
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	254
Other	3,167
Total	13,071

Notes: 1. The number of employees represents the number of persons actually working.
2. Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.

(2) Information about reporting company

As of March 31, 2024

Number of employees	Average age	Average years of service	Average annual salary (yen)
3,509 [335]	41.3	15.3	7,757,563

Notes: 1. The number of employees represents the number of persons actually working at the Company.
2. Average annual salary includes bonuses and extra wages.
3. The figure shown in bracket in the number of employees indicates the annual average number of temporary employees for the period, not included in the figure outside the bracket.
4. Temporary employees include those working under a fixed-term employment, and excludes staff dispatched from other companies.
5. We cannot obtain birth dates and other information of some employees at overseas branches. Thus, they are excluded from the population for the calculation of average age.

(3) Labor union

The Group has Daifuku Union that was organized in February 1948. As of March 31, 2024, the union has 2,877 members.

Labor and management have maintained an extremely good relationship since the organization, working together for the development of the Group's business.

(4) Percentage of female employees in management positions, percentage of male employees taking childcare leave, and differences in wages between male and female employees

		As of April 1, 2024	Year ended March 2024			
		Percentage of female employees in management positions (Note 1)	Percentage of male employees taking childcare leave, etc. (Note 2)	Disparity in wages between men and women (Note 1)		
				All employees	Of which regular employees	Of which non-regular employees
i. Reporting company	Daifuku Co., Ltd.	5.3%	65%	69.1%	76.3%	53.1%
ii. Consolidated subsidiary	Contec Co., Ltd.	5.1%	75%	65.0%	73.9%	54.4%

Notes: 1. The percentages are calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015). Regarding the disparity in wages between men and women, the wage system is the same for both men and women, and there is no disparity in wages between men and women with equivalent duties and positions. The main reason for the disparity is the difference in the proportion of male and female employees in management positions. Initiatives to increase the ratio of female employees in management positions are described in "II. Overview of Business, 2. Sustainability Policies and Initiatives, (3) Human capital strategies, metrics, and targets." We believe that, going forward, promotion of appointment of female managers will reduce the disparity in wages between men and women.
2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers

Caring for Children or Other Family Members (Act No. 76, 1991), the percentages show those of workers who took childcare leave and leave for childcare purposes as defined in Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labour Ordinance No. 25, 1991).

II. Overview of Business

1. Management Policy, Management Environment, and Issues to Address

All forward-looking statements herein represent the Group's views as of the filing date of the Annual Securities Report.

(1) Management policy

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 material handling technologies for storage, transport, sortation, and picking.

<Review of Value Transformation 2023 (April 2021–March 2024)>

Under the three-year business plan Value Transformation 2023 whose final year was the fiscal year ended March 31, 2024, despite the impact of the COVID-19 pandemic, the results for the first fiscal year were generally strong, representing solid progress toward the achievement of the initial management targets (consolidated sales of 540.0 billion yen, operating margin of 10.5%, return on equity (ROE) of 10% or higher for each fiscal year, and consolidated dividend payout ratio of 30% or more on a three-year average). In the second year of the plan, we revised the target for consolidated sales to 600.0 billion yen.

From the fiscal year ended March 31, 2023 onward, increased costs associated with rising raw materials and labor expenses significantly impacted profits. We focused on improving profitability by revising prices to keep pace with higher costs and promoting cost reduction through the standardization of products, the reduction of the number of parts, and the shortening of installation periods.

As a result, we achieved the management targets for both consolidated sales and ROE for the fiscal year ended March 31, 2024. Operating income, ordinary income, and net income attributable to shareholders of the parent company reached new record highs for the second consecutive year in the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024. Operating margin for the fiscal year ended March 31, 2024 slightly fell short of the target.

The consolidated dividend payout ratio was 32.7% on a three-year average, achieving the target of 30% or more on a three-year average. The objective status, major outcome and next challenges are stated below.

Objective status

<table>
<tr><th></th><th>Results for the fiscal year ended March 31, 2022</th><th>Results for the fiscal year ended March 31, 2023</th><th>Results for the fiscal year ended March 31, 2024</th><th>Value Transformation 2023 targets</th></tr>
<tr><td>Consolidated sales</td><td>512.2 billion yen</td><td>601.9 billion yen</td><td>611.4 billion yen</td><td>600.0 billion yen
(Initially planned:
540.0 billion yen)</td></tr>
<tr><td>Operating margin</td><td>9.8%</td><td>9.8%</td><td>10.2%</td><td>10.5%</td></tr>
<tr><td>ROE</td><td>13.1%</td><td>13.2%</td><td>13.2%</td><td>10% or higher</td></tr>
<tr><td rowspan="2">Consolidated dividend payout ratio</td><td>31.6%</td><td>33.6%</td><td>32.9%</td><td rowspan="2">30% or more on a three-year average</td></tr>
<tr><td colspan="3">32.7% on a three-year average</td></tr>
</table>

Outcome and next challenges

Outcome
- Increased production capacity mainly in North America, China, and South Korea to increase orders and sales, and increased profitability by improving productivity and in-house production ratio. - Reduced the impact of rising material and labor costs by standardizing products, reducing the number of components, shortening installation periods, and reducing other costs. - Established new C-suite roles to strengthen the management system across the Daifuku Group. - Promoted the introduction of renewable energy sources, in addition the Scope 1+2 CO_2 emissions rate in fiscal 2023 is expected to be reduced by 46% that of fiscal 2018.

Next challenges
- Improving profitability through more sophisticated project management outside of Japan. - Strengthening competitiveness by accelerating the introduction of cutting-edge technologies and creating new businesses. - Expanding investment in human capital to secure and develop human resources and enhancing human resource management capabilities. - Improving capital efficiency and cash flows by refining business management.

Outline of Driving Innovative Impact 2030 and four-year business plan for 2027

To achieve a next round of growth and enhancement of corporate value, we have formulated “Driving Innovative Impact 2030,” which is our long-term vision for 2030, and the “four-year business plan for 2027” (hereinafter referred to as the “new business plan”) whose final year is the fiscal year ending December 31, 2027, a midpoint of our overall goals for 2030.

The Company changed the fiscal year-end (the closing date of the fiscal year) from March 31 to December 31 starting in the fiscal year ending December 31, 2024. For more information, please refer to the following section: VI. Outline of Share-Related Administration of Reporting Company.

Driving Innovative Impact 2030

Our long-term vision for 2030 encompasses our strong desire to achieve even greater economic and social value by strengthening our initiatives with new future-oriented ideas and trailblazing groundbreaking change for our stakeholders.

Concepts for the formulation

1. From short-term to long-term oriented

   We first produced our vision of society and identified issues in the future, and used backcasting to formulate our long-term vision, Driving Innovative Impact 2030. Then, we set the new business plan as a midpoint toward 2030.

2. Balancing economic value and social value

   We integrated the two, laying out goals that take both business and sustainability perspectives into account, and we formulated measures and roadmaps to achieve them.

2030 Vision and management targets for 2027

		2030 Vision	Targets for 2027
Economic value	Consolidated sales	1 trillion yen	800.0 billion yen
	Operating margin	12.5%	11.5%
	ROE	13.0%	13.0%
Social value		Using our automated material handling technology, we will - support social infrastructure such as logistics and production sites. - contribute to the resolution of social issues in new areas such as food and the environment.	

Priority domains and frameworks

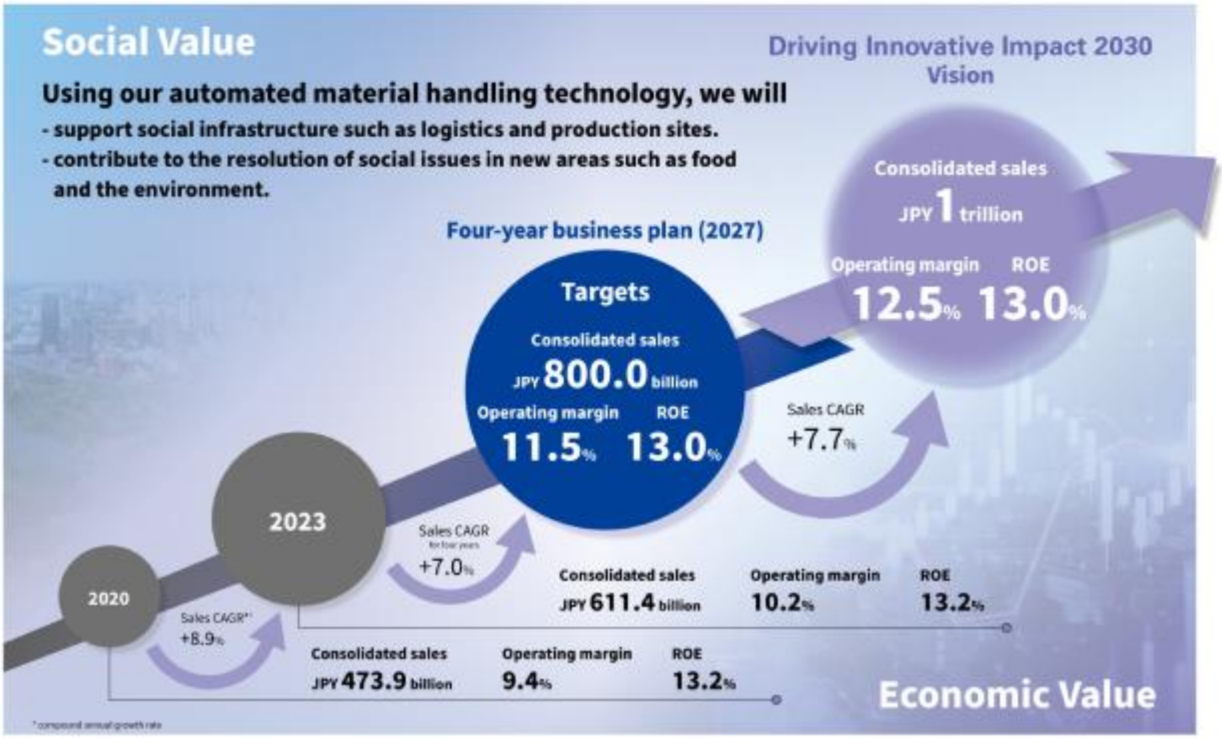
To realize economic and social value, we established priority frameworks for the following domains, taking into consideration the challenges from Value Transformation 2023 plan, the business environment, and social sustainability, and we will implement various measures.

Domains	Frameworks
Business domains	- Evolving existing businesses - Expanding into new areas - Developing next-generation solutions
Business & operational framework domains	- Establishing a system to bolster growth - Financial strategies to bolster our business - Revamping overall business operations - Strengthening management structure, refining business management - Organizational strengthening - Eliminating environmental impact - Safety reinforcement

For more information on the long-term vision and the new business plan, please refer to "Notice of Formulation of Driving Innovative Impact 2030 and Four-Year Business Plan for 2027," announced on May 10, 2024 or our website:

https://www.daifuku.com/ir/assets/20240510_03e.pdf

Figure: Driving Innovative Impact 2030 and four-year business plan for 2027



(2) Management environment

i. Business environment

While Japan faces a shrinking population and escalating labor shortages due to the 2024 logistics problem, labor costs outside of Japan, especially in North America, are rising rapidly, and the need for automation and unattended operations at logistics and production sites is expanding globally.

Moreover, demand for semiconductors is increasing dramatically with the diffusion of generative AI, and at the same time, governments are promoting capital investment within their own countries from the perspective of economic security, resulting in accelerating semiconductor investment in various regions.

As governments around the world set CO_2 emissions reduction targets, investment related to xEVs (a generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs) is expected to continue for the time being.

At airports, where only limited investment in automation has been made so far, various issues associated with chronic labor shortages have become apparent, and there is a need for a shift to smart airports.

In view of such business environment, it is certain that expectations for automated material handling technology, the Group's core competence, will continue to rise, and we will strive to steadily seize business opportunities and link them to further growth.

ii. Competitive environment

Innovation in advanced technology, as typified by generative AI, is progressing rapidly, and emerging competitors with specific technological capabilities and products are entering the market. Competitors from China, whose strength lies in low prices, are also on the rise.

In Japan, competition is intensifying as domestic competitors strengthen their proposal capabilities by combining their own products with cutting-edge products from non-Japan companies.

We will strengthen our development capabilities with an emphasis on next-generation technologies, while focusing on human resources development to improve DX (digital transformation)/AI literacy and refine the Group's strength in providing the best systems globally to overcome the fierce competition.

(3) Business and financial issues to address with priority

Regarding the business portfolio that forms the basis of the new business plan, we aim for continuous corporate development with our six businesses, comprising the four core businesses, (i) intralogistics systems, (ii) cleanroom systems, (iii) automotive systems, and (iv) airport systems, plus two businesses(v) auto wash and (vi) electronics as before.

In the fiscal year ended March 31, 2024, to increase profitability through structural reforms of the entire Group, we

- reviewed business framework and took on the challenge of new businesses;
- enhanced profitability through structural reforms of non-Japan subsidiaries; and
- continued development of advanced technology and new business solutions and promotion of DX.

While promoting "local self-sufficiency," that is, procurement and manufacturing of products and systems close to customers, in Japan a project is underway to renovate Shiga Works (to maintain, upgrade, and expand production facilities, mainly centering on intralogistics systems and cleanroom systems) over a period of about five years.

In intralogistics systems, we are building a new manufacturing plant at Daifuku Intralogistics India Private Limited in India and an additional plant at Daifuku Intralogistics America Corporation in North America, which will be about the same scale as the existing plant.

In cleanroom systems, a new plant started operation at Daifuku (Suzhou) Cleanroom Automation Co., Ltd. in China. In addition, in South Korea, production capacity increased by refurbishment of the plant at Clean Factomation, Inc.

Meanwhile, we embarked on drastic structural reforms in automotive systems at Daifuku (China) Automation Co., Ltd. in China, where the market environment has been changing drastically, and in airport systems at Daifuku Oceania Limited in Oceania, which recorded a one-time cost due to deficiency of project management.

In addition, all non-Japan subsidiaries are implementing improvement plans to achieve an operating margin of 10% or higher as soon as possible, and some of them are already showing positive results.

Development of new businesses and advanced technology is also an important theme for expanding business domains. In April 2024, we established the Business Innovation Division, an organization dedicated to expanding the Group's business domains, headed by the Chief Technology Officer, directly under the President and CEO. By strengthening development capabilities with an emphasis on next-generation technologies and promoting open innovation, we will enhance the development of growth-driving cutting-edge technologies, while creating new businesses to increase corporate value. We will also strengthen initiatives to develop personnel with expertise in DX/AI.

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

i. Sustainability management

As companies play an increasingly important role in achieving a sustainable society, they are required to work on a global level more than ever before, especially in setting and assessing global decarbonization targets and promoting diversity. The Group established the Sustainability Committee, chaired by the President and CEO, in April 2020 as an organization to promote sustainability management, and its efforts have been reported to the Board of Directors as appropriate. The committee has been reorganized into the Sustainability Management Committee and its subordinate Sustainability Promotion Committee. The Sustainability Management Committee will discuss important management strategies and confirm the progress and results of plans to achieve greater sophistication of management, while the Sustainability Promotion Committee will promote Groupwide initiatives, etc. based on management strategies.

In November 2022, Shiga Works, the Group's largest core factory, switched all electricity used within the Works, to renewable energy sources including the mega solar power. Group companies have also been introducing renewable energy sources. As a result, early achievement of the Group's Scope 1 and 2 CO_2 emissions reduction target for 2030 (50.4% reduction compared to fiscal 2018) set in the Daifuku Environmental Vision 2050 is in sight. In line with the formulation of our long-term vision, Driving Innovative Impact 2030, we upwardly revised the CO_2 emissions reduction target for 2030 to a 60% reduction, accordingly.

For investment in human capital, we established a Group human resources management platform and are striving to develop and promote expert personnel who meet the characteristics of each business from a global and diverse perspective.

ii. Comprehensive approach to compliance, strengthening of the Group's governance

Compliance remains 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 one of us, on a global basis. We will continue to focus on transforming our business structure based on the assumption that fraud may occur.

Regarding corporate governance, five (5) out of ten (10) directors have been elected as outside directors in the fiscal year ended March 31, 2024. 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 and a foreign national, diversity of the Board of Directors is ensured.

iii. Full enforcement of "safety-above-all culture*"

In creating a work environment where 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 and unsafe acts across the Group.

* Japanese term, *anzen sen-ichi*, (translated into "safety-above-all-culture") is a registered trademark of FURUKAWA CO., LTD.

2. Sustainability Policies and Initiatives

The Group's sustainability policies and initiatives are as follows.

Forward-looking statements in the text are based on the Group's judgement as of March 31, 2024. Actual results may differ significantly due to a variety of factors.

(1) General sustainability disclosure

The Group aims to achieve a sustainable society and enhance corporate value in accordance with the Group Code of Conduct, which is based on the company creed, "Hini Arata," and our management philosophy, "Automation that Inspires." In putting our sustainable management to practice, we assented to and signed the United Nations Global Compact (UNGC), which encompasses ten principles across the four fields of human rights, labour, environment, and anti-corruption; we are also working to achieve the Sustainable Development Goals adopted by the UN. Under our long-term vision, Driving Innovative Impact 2030, and our four-year business plan for 2027 (hereinafter referred to as the "new business plan"), the final year of which is the fiscal year ending December 31, 2027, a midpoint of our overall goals for 2030, taking both business and sustainability perspectives into account, we set integrated targets for economic value and social value, and we will contribute to the realization of a sustainable society through our business activities. In April 2024, we formulated the Daifuku Group Basic Sustainability Policy to promote understanding and empathy among all officers and employees as the Group promotes sustainability.

i. Governance

1) Supervision and execution system for sustainability-related risks and opportunities

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

In the fiscal year ending December 31, 2024, the Company revised the structure of committees related to sustainability and newly established the Sustainability Management Committee. The Sustainability Promotion Committee, under the jurisdiction of the Sustainability Management Committee, has assumed the roles for which the Sustainability Committee was previously responsible. The Sustainability Management Committee reports on and submits critical matters regarding sustainability issues to the Board of Directors. This Committee engages in important discussions regarding management strategies that emphasize the enhancement of corporate value over the medium to long term, as well as the confirmation of the progress and results of plans. The Sustainability Promotion Committee, as well as the Environmental Management Subcommittee, the Human Rights and Supply Chain Subcommittee, and the Human Capital Management Subcommittee, under the jurisdiction of and in cooperation with the Sustainability Management Committee, are responsible for considering and implementing more concrete measures based on management strategies on a practical level.

Figure: Structure of sustainability-related committees (fiscal year ending December 31, 2024)

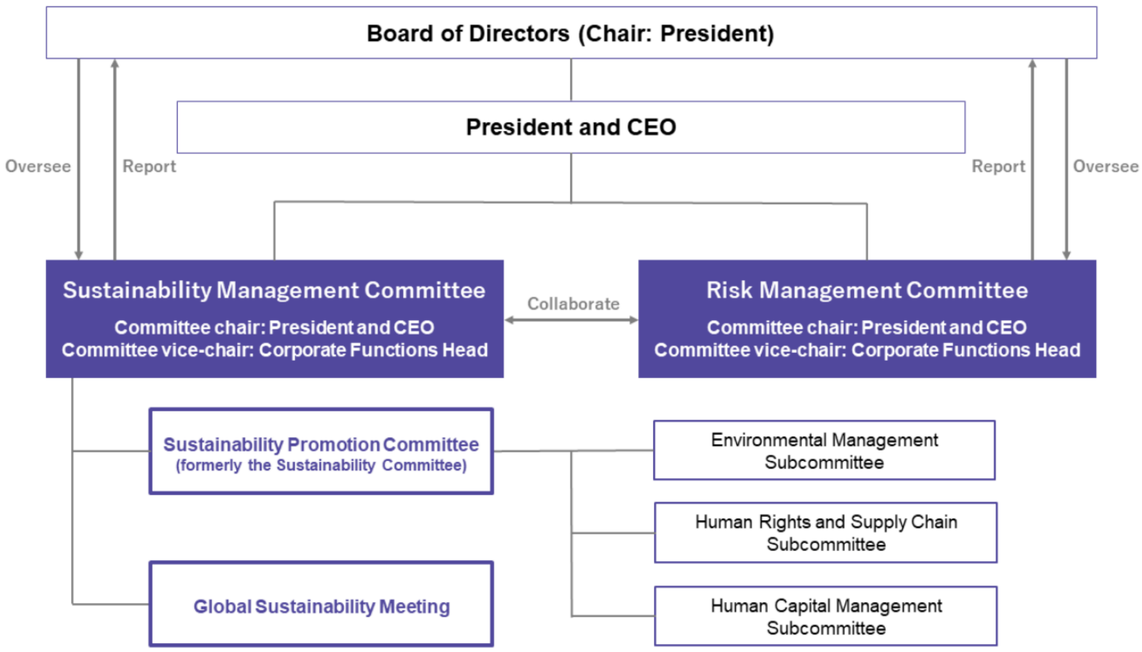


Table: Role of each organization

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

2) Monitoring of and incentives for sustainability-related targets

Plans and targets for sustainability issues were set in the Sustainability Action Plan until the fiscal year ended March 31, 2024, and their progress was managed by the former Sustainability Committee. From the fiscal year ending December 31, 2024, progress is managed by the Sustainability Management Committee and monitored by the Board of Directors within the framework of the new business plan.

Additionally, the executive remuneration system for inside directors has been revised from the fiscal year ending December 31, 2024, onward, and as for the payment criteria for performance-linked remuneration, sustainability-related evaluation indicators will also be considered in calculating the grade. Included in the criteria for grade calculation are, for bonuses, progress situations of safety and CO_2 emissions reduction targets, and regarding the Board Benefit Trust (BBT), evaluation by external ESG rating agencies (MSCI, FTSE, and CDP) and the degree of achievement of CO_2 emissions reduction targets. For more information, please refer to the following section: 4. Corporate Governance, (4) Executive remuneration.

Table: Sustainability-related agenda items at Board of Directors and other meetings for the fiscal year ended March 31, 2024

Board of Directors
- Revision of the Daifuku Environmental Vision 2050 (April) - Report on the implementation of risk assessments, future actions (October) - The long-term vision, Driving Innovative Impact 2030, and the four-year business plan for 2027 (October, March)
- Sustainability Committee (held 4 times)
- Sustainability Action Plan Progress Report - Formulation of the Basic Sustainability Policy - ESG evaluation from outside the Company - Revision of the Daifuku Environmental Vision 2050 - Initiatives for achievement of carbon neutrality - Initiatives for human rights due diligence - Establishment of the sustainable procurement guidelines

ii. Strategy

Whereas we promoted sustainability initiatives under the Sustainability Action Plan from the fiscal year ended March 31, 2022, to the fiscal year ended March 31, 2024, from the fiscal year ending December 31, 2024, we will integrate and promote them into the framework of our long-term vision, Driving Innovative Impact 2030 and the new four-year business plan for 2027. In formulating the long-term vision and new business plan, we backcasted from our vision of future society and arranged the products and services (outputs) that the Group provides to its customers as well as the value (outcomes) provided to society through such outputs. We then defined the priority topics to be addressed by the Group to achieve the long-term vision and new business plan, and we have specified strategies, measures, and action plans based on these topics. For more information on the new business plan, please refer to the following section: 1. Management Policy, Management Environment, and Issues to Address, (1) Management policy.

iii. Risk management

The Daifuku Group conducts regular risk assessments of all its domestic and international subsidiaries in order to identify and evaluate critical risks that could have a significant impact on business activities. The Risk Management Committee carries out Group-wide management for critical risks, formulating countermeasures and developing and enhancing policies, regulations, and systems. Any risk information identified in risk assessments is reported to and shared with the Board of Directors and other conference units as necessary and is reflected in management strategies. For more information, please refer to the following section: 3. Business Risks.

In the formulation of the new business plan, the results of the risk assessment conducted in the fiscal year ended March 31, 2024, were used as one part of the input information in the materiality assessment. The results of opportunity and risk analyses, trends of other companies, and requests from ESG rating agencies were also considered as input information. Potential topics were evaluated on two focal points, impact on stakeholders and impact on the achievement of our long-term vision, after which priority topics were identified.

The Sustainability Management Committee and the Sustainability Promotion Committee will coordinate with the Risk Management Committee as necessary to monitor and appropriately respond to sustainability-related risks and opportunities that must be prioritized.

iv. Metrics and targets

Sustainability Action Plan

The Group sets key performance indicators (KPIs) and targets for priority topics and discloses the progress toward them each year. For more information on the KPIs and targets of the new business plan, please refer to the following page:

Priority Topics and KPIs in the Four-Year Business Plan for 2027

https://www.daifuku.com/sustainability/assets/pdf/management/materiality/materiality_2027.pdf

Results for the fiscal year ended March 31, 2024, the final year of the Sustainability Action Plan, have been disclosed on our website since August 2024. For more information, please refer to the following pages:

Sustainability Action Plan

https://www.daifuku.com/sustainability/management/plan/

Achievements of the Sustainability Action Plan for FY2021–FY2022

https://www.daifuku.com/sustainability/assets/pdf/management/plan/actionplan_results_2021.pdf

(2) Disclosure associated with climate change

i. Governance

Climate-related risks and opportunities are monitored, managed, and supervised in the governance process for overall sustainability mentioned above.

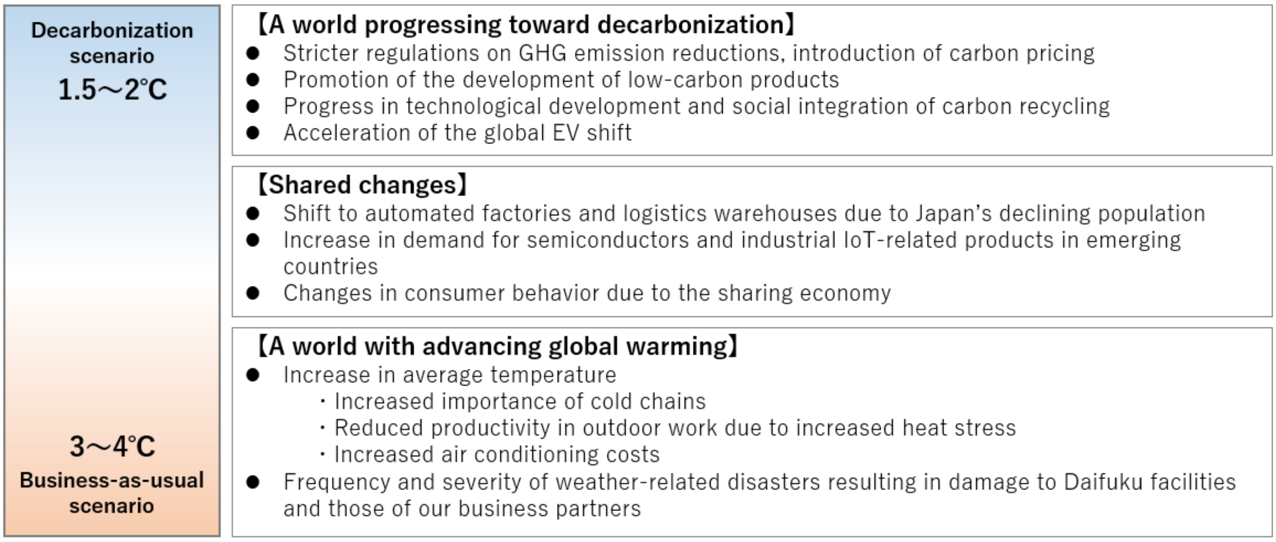
ii. Strategy

1) Identifying climate-related risks and opportunities

Primary factors related to climate change

Factors related to climate change that could impact our business operations encompass several key aspects, including increasingly stringent regulations aimed at fostering a decarbonized society, advancements in technology geared toward a low-carbon future, market shifts driven by responses to climate change, and the growing frequency of climate-induced disasters and events. Based on the nature of the Group's business operations, we have identified the climate-related transition risks, physical risks, and opportunities associated with each of these factors.

Figure: Primary factors impacting the Group's business operations



Assessment of climate-related risks and opportunities

We have assessed the level of impact, both qualitative and quantitative, on the Group's business for each identified transition risk, physical risk, and opportunity. These results have been categorized based on factors such as time period until risk manifestation or opportunity realization, likelihood of risk manifestation or opportunity realization, and financial impact, as shown below. In response to our assessment, we are implementing appropriate countermeasures for each risk and opportunity. The definitions for time period, likelihood, and impact are as shown in the chart below. For more information on main responses to risks and opportunities, please refer to our website.

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

Climate Change

https://www.daifuku.com/sustainability/environment/climate-change/

Table: Critical risks and opportunities for the Group

<table>
<tr><th colspan="2">Category</th><th>Climate change drivers</th><th>Major risks and opportunities</th><th>Time period</th><th>Likelihood</th><th>Impact</th><th>Main responses to risks and opportunities</th></tr>
<tr><td rowspan="5">Transition risks (1.5°C scenario)</td><td rowspan="2">Policy regulations</td><td rowspan="2">Tighter GHG emission regulations, introduction of carbon pricing</td><td>Increase in operating costs due to the introduction of a carbon tax on GHG emissions from factories and business sites</td><td>Long term</td><td>High</td><td>Medium</td><td>Group-wide Scope 1 and Scope 2 reductions</td></tr>
<tr><td>Increase in procurement costs due to the introduction of a carbon tax or GHG reduction measures for material procurement and transport</td><td>Long term</td><td>Medium</td><td>Medium</td><td rowspan="2">Reduction of environmental impact in the supply chain</td></tr>
<tr><td>Market</td><td>Progress in decarbonization technology development</td><td>Increase in parts procurement costs due to higher demand for metal materials and rare metals</td><td>Medium to long term</td><td>Low</td><td>Medium</td></tr>
<tr><td>Reputation</td><td>Increasing stringency in the evaluation of initiatives to address climate change issues, rising demand for information disclosure</td><td>Decline in stock price due to deterioration of the company's image and increase in financing costs due to exclusion from investment opportunities</td><td>Long term</td><td>Low</td><td>Medium to large</td><td>Enhancement of climate-related information disclosure</td></tr>
<tr><td rowspan="4">Physical risks (4°C scenario)</td><td>Acute</td><td>Increase and intensification of weather-related disasters such as floods, typhoons, and storm surges</td><td>Site damage and operation stoppages, operation stoppages due to supply chain disruptions, and procurement of substitute parts</td><td>Short to long term</td><td>High</td><td>Small</td><td rowspan="2">Risk assessments and implementation of risk mitigation measures</td></tr>
<tr><td rowspan="3">Chronic</td><td>Chronic rise in sea level</td><td>Relocation of sites due to rise in sea level</td><td>Long term</td><td>Low</td><td>Small</td></tr>
<tr><td>Heat waves and chronic temperature increases</td><td>Increased air conditioning costs and maintenance due to rising temperatures and reduced productivity due to heat stress</td><td>Short to long term</td><td>High</td><td>Medium</td><td>Maintenance and improvement of working environment</td></tr>
<tr><td>Increasing water risk due to droughts</td><td>Decreased capacity utilization due to droughts</td><td>Short to long term</td><td>Medium</td><td>Small</td><td>Reduction of water use</td></tr>
<tr><td rowspan="5">Opportunities (1.5°C scenario)</td><td rowspan="5">Products and services</td><td>Increasing demand for power savings in electronic equipment due to tighter environmental regulations</td><td>Increase in sales of products for semiconductor lines due to higher demand for semiconductors</td><td>Medium term</td><td>High</td><td>Medium</td><td>Strategic response to semiconductor demand</td></tr>
<tr><td>Shift to EVs (spread of EVs and FCVs)</td><td>Increase in sales of our company's products due to the expansion of automobile production lines accompanying the shift to EVs</td><td>Medium to long term</td><td>Medium</td><td>Small</td><td>Adaptation to the shift to EVs</td></tr>
<tr><td>Progress in low-carbon technologies using IoT</td><td>Increase in sales due to higher demand for AI and IoT-related products and cost reductions through their utilization</td><td>Medium to long term</td><td>Medium</td><td>Medium</td><td>Utilization of IoT, ICT, AI, and other advanced technologies in our business</td></tr>
<tr><td>Growing demand for waste reduction including food loss</td><td>Increase in sales of products for logistics and warehouse facilities related to cold chain</td><td>Medium to long term</td><td>High</td><td>Medium</td><td>Response to cold chain and e-commerce demand</td></tr>
<tr><td>Increasing demand for more efficient, labor-saving, and energy-saving operations to achieve low carbon emissions</td><td>Increase in sales of products and services that contribute to more efficient and automated production and logistics</td><td>Medium to long term</td><td>High</td><td>Medium</td><td>Balance between environmental and social value in material handling systems</td></tr>
</table>

2) Significant risk scenario analyses

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

Transition risks

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

Table: Climate change scenarios projected by the Group (transition risks)

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

Carbon tax

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

Energy cost

In the business-as-usual scenario (4°C scenario), costs are expected to increase by about 37% by 2030 compared to the level of the fiscal year ended March 31, 2023. However, under the decarbonization scenarios (1.5°C and 1.7°C scenarios), in which decarbonization efforts are actively promoted, costs are expected to increase by about 12-16% by 2030 compared to the level of the fiscal year ended March 31, 2023.

In terms of both the carbon tax burden and energy costs, the burden in the business-as-usual scenario (4°C scenario) is greater than that of the decarbonization scenarios (1.5°C and 1.7°C scenarios), reaffirming that there are reasons and merits for the Daifuku Group to actively pursue decarbonization and energy conservation initiatives.

While a major investment is required to move forward with these initiatives, we anticipate an additional burden of several hundred million yen if we do not pursue them. In order to mitigate the risks affecting our business, we will strengthen our decarbonization initiatives in order to achieve our 2030 reduction targets.

Physical risks

Physical risks have become significant due to the increase in weather-related disasters caused by global warming. We therefore conducted qualitative assessments of the impact of weather-related disasters on 24 of the Group's major sites (1 in Japan and 23 in other countries). In these assessments, we investigated the hazards of floods, storm surges, droughts, and heat waves at each site under the 2°C scenario (SSP1-2.6) and 4°C scenario (SSP5-8.5) and assigned a five-point grade from A (high risk) to E (low risk) according to the degree of hazard. The following table shows the number of sites that were given a grade of A or B (high risk) in this assessment.

The results of the assessment show that the number of high-risk sites for floods, storm surges, and droughts do not increase substantially under either the 2°C or 4°C scenarios, indicating that the impact of climate change will be limited. For heat waves, the number of high-risk sites was found to increase in 2050 and 2090 under the 4°C scenario. The impacts of heat waves include increased air conditioning costs and equipment maintenance as well as decreased productivity due to heat stress. The Group will actively take steps to mitigate these risks, such as promoting measures to prevent heat stroke among employees at installation sites and plants.

Table: Climate change scenarios projected by the Group (physical risks)

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

Table: Number of high-risk sites due to climate change

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

iii. Risk management

The identification of climate-related risks and opportunities was reviewed following the advice of external experts and was disclosed in the fiscal year ending December 31, 2024. We identify critical risks and opportunities by evaluating the timing and likeliness of occurrence as well as the level of impact on the Group, both qualitatively and quantitatively, for each transition risk, physical risk, and opportunity. In addition, a scenario analysis for transition and physical risks was performed based on multiple temperature increases. For more information, please refer to the following section: (2) Disclosure associated with climate change, ii. Strategy. The Sustainability Management Committee and the Sustainability Promotion Committee will coordinate with the Risk Management Committee as necessary to monitor and appropriately respond to climate-related risks and opportunities that must be prioritized.

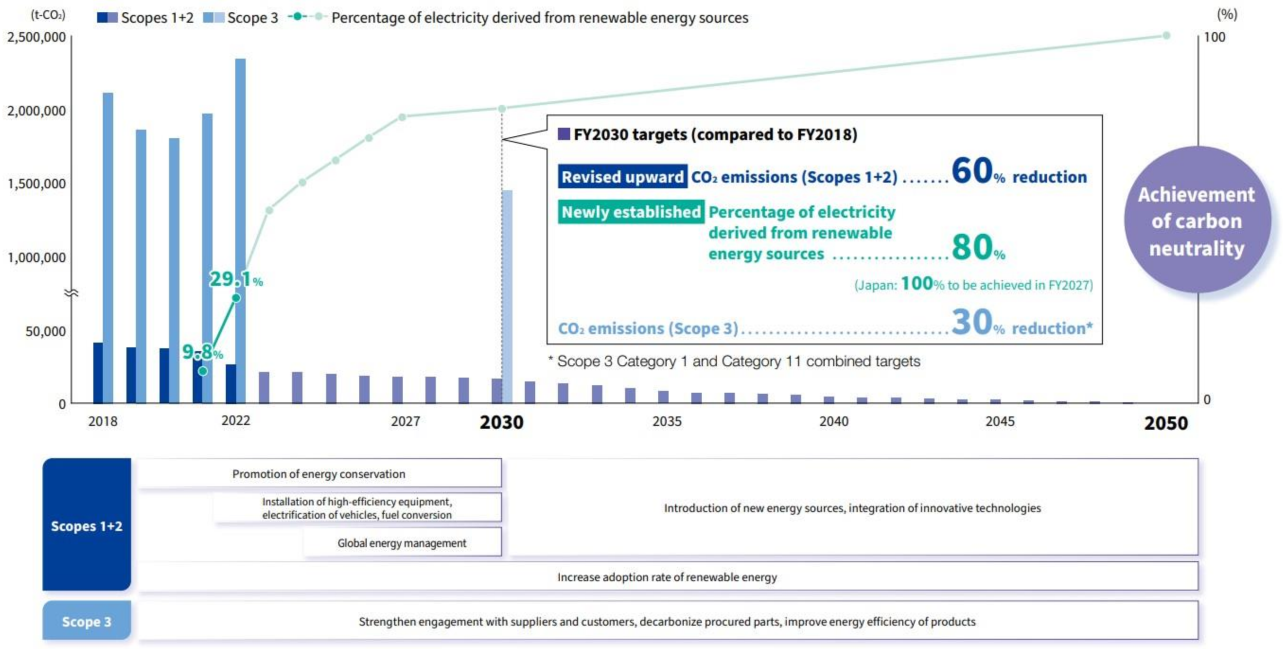
iv. Metrics and targets

The Group has identified addressing climate change as a priority topic in the Daifuku Environmental Vision 2050 and the new business plan and has set the following targets. The targets for the fiscal year ending December 31, 2030, received official approval from the Science Based Targets initiative (SBTi) in 2023 and include a 1.5°C aligned target for Scope 1 and Scope 2 and a well-below 2°C aligned target for Scope 3 (Categories 1 and 11). In May 2024, we upwardly revised our Scope 1 and Scope 2 reduction targets (compared to the fiscal year ended March 31, 2019) for the fiscal year ending December 31, 2030, from 50.4% to 60%. In addition, we have set a new target for the percentage of electricity derived from renewable energy sources.

Key Performance Indicators (KPIs)	Targets for the fiscal year ending December 31, 2030	Results for the fiscal year ended March 31, 2023
Daifuku CO_2 emissions (Scope 1 and Scope 2)	60% reduction (compared to the fiscal year ended March 31, 2019)	34% reduction (compared to the fiscal year ended March 31, 2019)
Percentage of electricity derived from renewable energy sources	80% (Daifuku Japan is expected to achieve 100% by the fiscal year ending December 31, 2027.)	29.1%
CO_2 emissions from purchased goods and services (Scope 3 Category 1)	30% reduction* (compared to the fiscal year ended March 31, 2019)	–
CO_2 emissions from the use of sold products (Scope 3 Category 11)		

* Scope 3 Category 1 and Category 11 combined target

Reference: Roadmap toward carbon neutrality



(3) Human capital strategies, metrics, and targets

i. Strategy

We are promoting the employment of diverse human resources based on our management philosophy and the development of an environment where each employee is able to work actively with a sense of job satisfaction and ease of work. Specifically, we are working to improve employee engagement, establish a Group human resources management platform, and promote the appointment of female managers.

Table: Priority measures

Priority measures	Description
Improving employee engagement	We define employee engagement as being satisfied with one's job, feeling an ease of work, and achieving a career in which employees and the Company can grow together, and we aim to improve each of these elements. In the fiscal year ended March 31, 2024, we introduced an internal secondment system and an internal job posting system with the aim of enabling employees to achieve long-term career development.
Establishing a Group human resources management platform	We established a system under which key positions for the entire Group are clarified, human resources of a certain grade or higher are defined as Group human resources, and their evaluation and development are promoted across the Group. Operation of this system began in the fiscal year ended March 31, 2024.
Promoting the appointment of female managers	In addition to the establishment of special slots for promotion to managerial positions, we have also established slots for promotion to assistant managerial positions from the fiscal year ended March 31, 2024, in order to expand the number of female candidates for management positions.

ii) Metrics and targets

Based on the human capital strategy, we are developing systematic and focused measures. The metrics and targets are set as indicated below from the perspectives of improving engagement, securing and developing human resources, and diversity and inclusion, based on the new business plan launched in the fiscal year ending December 31, 2024.

Table: Metrics and targets

Metrics	Results from the fiscal year ended March 31, 2022	Results from the fiscal year ended March 31, 2023	Results from the fiscal year ended March 31, 2024	Targets for the fiscal year ending December 31, 2024	Remarks
Employee engagement survey	Domestic Group companies Job satisfaction: 56% Ease of work: 51% (percentage of positive responses)	–	Global Group companies Job satisfaction: 70% Ease of work: 76% (percentage of positive responses)	Score above the national average in each respective country	Fiscal year ended March 31, 2022: Implemented for domestic Group companies Fiscal year ended March 31, 2024: Implemented for global Group companies Fiscal year ending December 31, 2024: To be implemented at domestic Group companies and some global Group companies
Rate of sufficiency of number of prospective successors for key positions	–	–	68%	76%	The target was newly set for the fiscal year ending December 31, 2024.
Number of female managers	20 people	26 people	32 people	41 people	–
Employment rate of people with disabilities	2.54%	2.48%	2.42%	Over 2.5%	Target for FY2021 to FY2023: 2.3% (legally mandated rate) Target for the fiscal year ending December 31, 2024: 2.5% (legally mandated rate)

iii. Target initiatives

1) Improving employee engagement

In November 2021, the Daifuku Group Engagement Survey was conducted for domestic Group companies. Areas of strength were identified as being customer oriented and trusting management, while inter-organizational collaboration and support for individual employee career development were identified as challenges. Referring to the survey results, in April 2023 we introduced a new personnel handling system (qualification, remuneration, and evaluation systems) that emphasizes contribution based on role and performance. At the same time, in order to support long-term career development of employees, we introduced an internal secondment system and an internal job posting system in the fiscal year ended March 31, 2024.

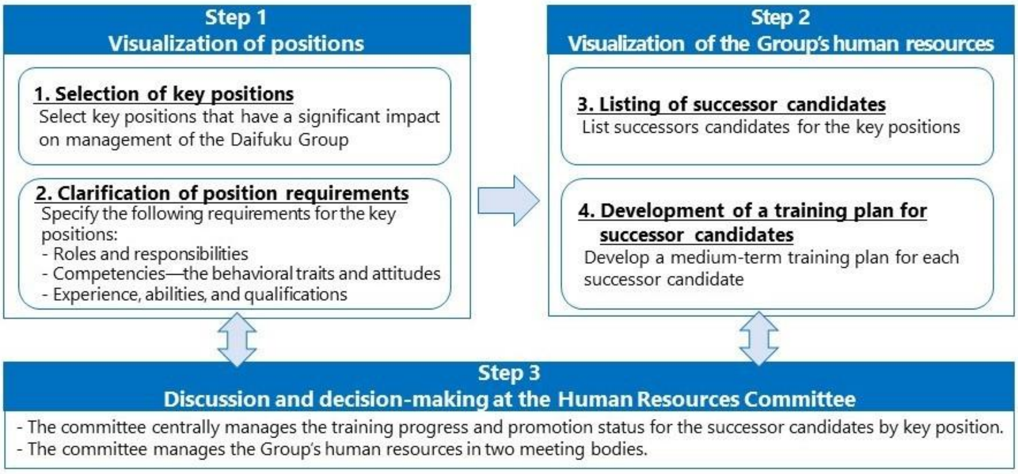
In June 2023, an engagement survey was conducted for global Group companies. Each company formulated an action plan based on the survey results. While the Japan headquarters provides support as necessary, the Daifuku Group as a whole is working to improve employee engagement.

In the fiscal year ending December 31, 2024, we plan to conduct engagement surveys for domestic Group companies and some global Group companies. As this will be the second survey to be conducted for domestic Group companies, in addition to comparison with the average scores for Japan for job satisfaction and ease of work, the results will be compared with those of the previous survey and the status of improvement of the challenges identified by the previous survey will be confirmed.

2) Establishing a Group human resources management platform

Beginning in the fiscal year ended March 31, 2024, we began operation of a system under which human resources of a certain grade or higher are defined as Group human resources, and their evaluation and development are promoted across global business units and the Group. Specifically, the following steps are taken: 1) select key positions that have a significant impact on the management of the Daifuku Group; 2) document the “roles and responsibilities,” “behavioral traits and attitudes (competencies),” and “experience, abilities, and qualifications” required for each key position; 3) list successor candidates for key positions; and 4) develop and implement a training plan for each successor candidate. The Human Resources Committee manages the development and promotion of prospective successors for key positions in an integrated manner and monitors the prospective successor sufficiency and development measures, approves appointment of prospective successors for key positions, and coordinates and determines the transfer of prospective successors among global business units.

Figure: Steps in the successor training plan



3) Promoting the appointment of female managers

In order to expand the number of female candidates for management positions, we have established special slots for promoting women to assistant managerial positions. This is in addition to the establishment of special recommendation slots for promotion to managerial positions, as assistant manager experience is a requirement for appointment to management positions. We have also established a new leadership development program to cultivate future female managers to help these candidates acquire leadership skills and clarify their career visions, as well as to provide participants' supervisors with training sessions regarding career development support for female employees.

4) Activities of employees with disabilities

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

Please refer to the following page for our policy on the development of our internal environment, including ensuring diversity of human resources, and our policy on the development of human resources.

Disclosure Based on the Principles of Japan's Corporate Governance Code

https://www.daifuku.com/ir/assets/governance_initiative_e.pdf

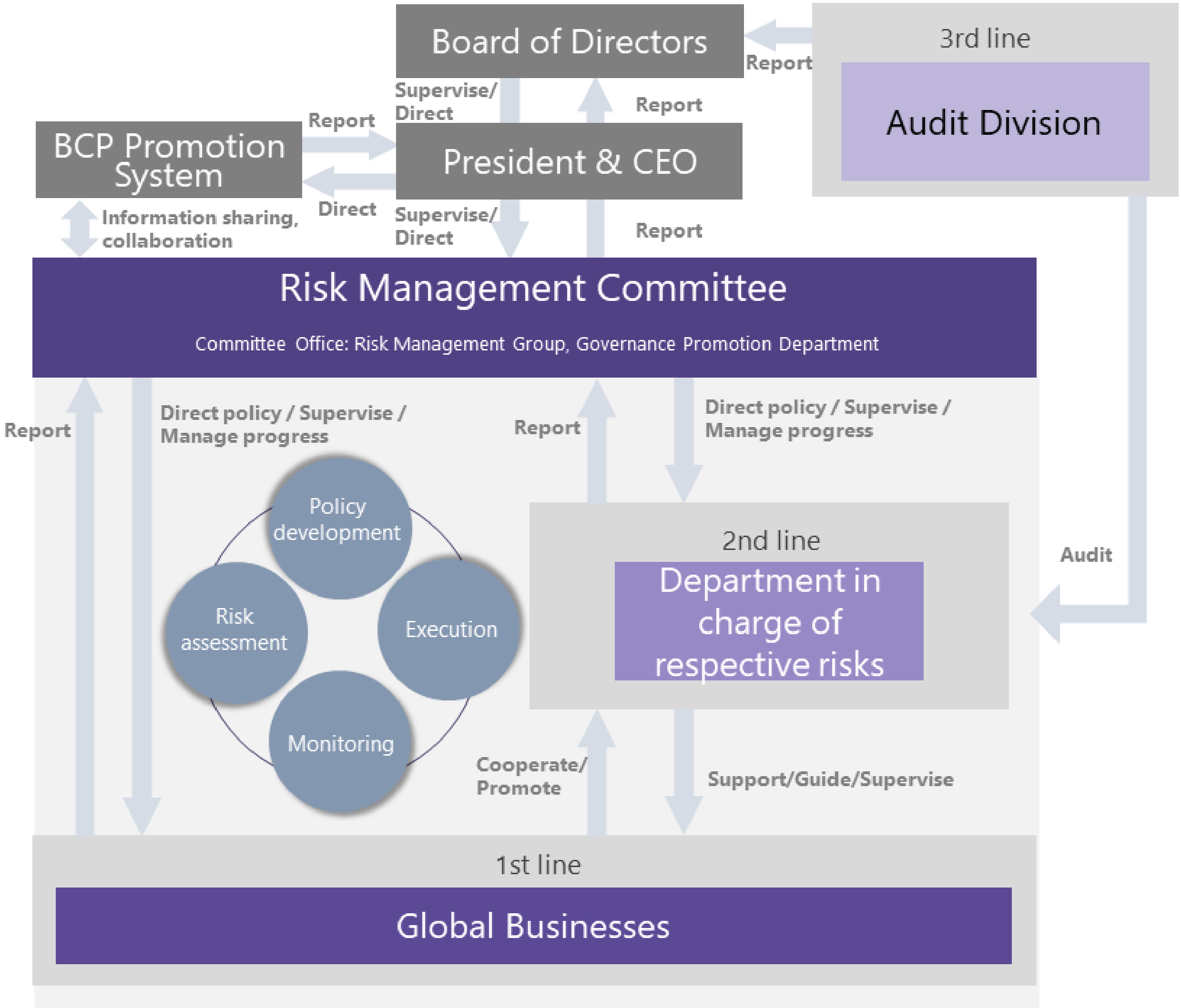
3. Business Risks

All forward-looking statements herein represent the Group's views as of the filing date of the Annual Securities Report.

(1) Risk management system

With the President and CEO as the chief officer, the Group has established a risk management system based on a three-line model as shown in the figure below. Corporate Functions and other units in charge of risk management (2nd line) support, provide guidance for, and supervise the risk management conducted by the global business units (1st line), which are responsible for implementing risk response. In addition, the Audit Division (3rd line) inspects the risk management initiatives of the 1st and 2nd lines.

Figure: Risk management system



The Group has established the Risk Management Committee, chaired by the President and CEO and comprised of global business heads, division managers, and responsible persons of the Safety and Health Management Division, Corporate Functions, and other units. The Committee is intended to monitor, provide instructions for action, and manage the progress of these initiatives from a companywide perspective and is responsible for the matters listed below. The Committee is scheduled to meet several times a year and met five times in the fiscal year ended March 31, 2024. The Committee reports to the Board of Directors on the status of the Committee's initiatives and other matters, as necessary.

i. Matters under the jurisdiction of the Risk Management Committee

1) Planning and development of risk management systems and related regulations

2) Selection of severe risks based on the results of risk assessments (risks that should be prioritized and managed across the organization led by management)

3) Determination, direction, progress management, and monitoring of severe risk response policies

4) Implementation of annual reviews and provision of feedback on results

5) Sharing of various types of information to raise awareness of risks; determining and giving instructions on policies for conducting education, drills, and training on the importance of, approach to, and methods for risk management

6) Determination of policies for and instructions on education, training, and drills related to crisis response

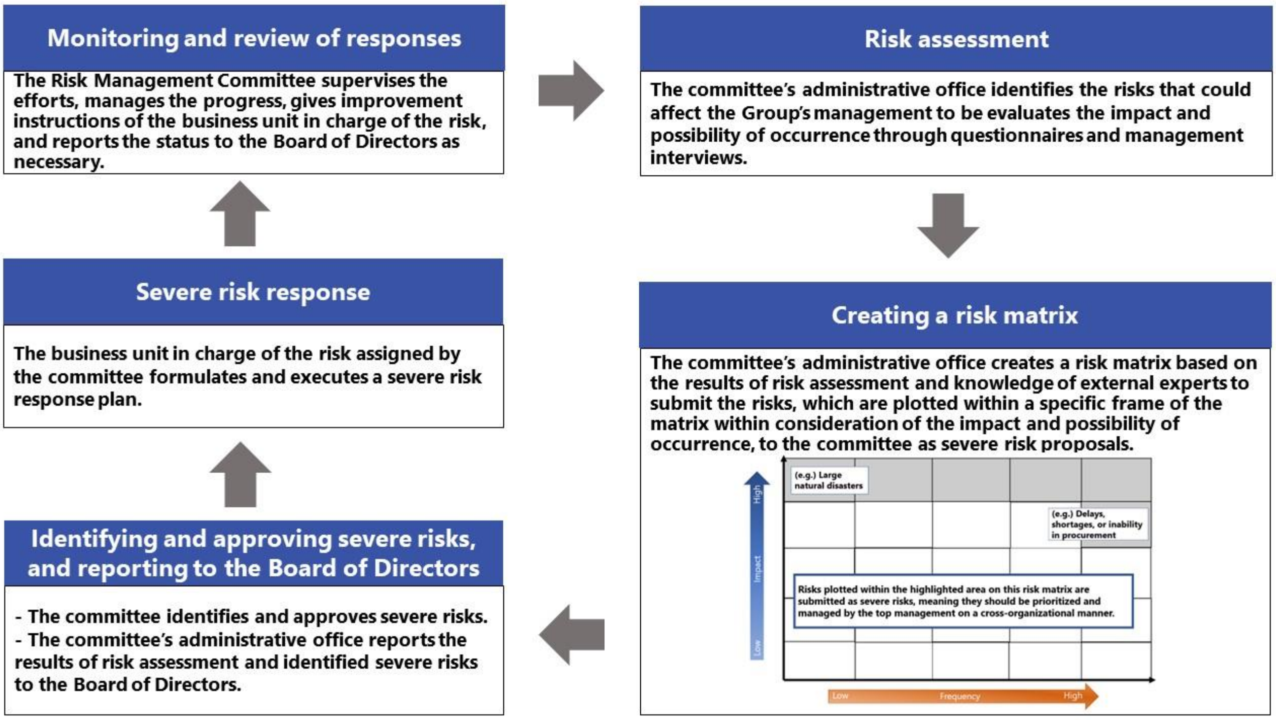
ii. Management systems for normal times and for emergencies

In the Group's risk management system in normal times, the Risk Management Committee conducts the activities described in section i. above to minimize the possibility and damage of risks before they materialize.

If a risk materializes and a situation requires crisis response, we will promptly transition to our business continuity plan (BCP) promotion system

We will conduct an initial response consisting of detection, communication, and response, followed by damage control and recovery actions while assessing whether or not operations can be continued. Under this system, a BCP promotion unit coordinates the Group-wide responses, and units in charge of risk management not only respond to risks after they materialize, but also make efforts to prepare in advance during normal times.

(2) Flow for specification of and response to key risks (severe risks)



(3) Assessment of and response to key risks (severe risks)

Key risks, referred to as "severe risks" by the Group, which the management has recognized as having the potential to significantly affect the Group's financial position, management performance, cash flows, etc. are as described below. However, this is not an exhaustive list of all the risks the Group faces, and there are unforeseeable risks in addition to those described here.

i. Assessment of key risks (severe risks)

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

ii) Key risks (severe risks) and countermeasures

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="6">1) Changes in the business environment</td><td colspan="2">Changes in the market environment</td><td>Large</td><td>High</td><td>Within one year</td></tr>
<tr><td colspan="2">Economic crises and business fluctuation</td><td>Large</td><td>Medium</td><td>Within one year</td></tr>
<tr><td colspan="2">Loss of important customers</td><td>Large</td><td>Relatively high</td><td>No specific timing</td></tr>
<tr><td colspan="2">Political upheaval, revolution, war, civil war, conflict, riots, terrorism</td><td>Large</td><td>Low</td><td>Within one year</td></tr>
<tr><td>Description</td><td colspan="4">There have been a number of events that could have a negative impact on economic trends, including global inflation and rising interest rates, a slowdown of the Chinese economy, major policy shifts in countries, and conflicts and political upheavals around the world. The Group’s main products are logistics systems and other facilities, and economic fluctuations and, by extension, customers’ capital investment trends have a significant impact on our sales. In particular, the electronics industry, centered on the semiconductor industry, is characterized by extremely rapid technological innovation, and while semiconductor demand is expected to increase due to greater use of AI, the trends of capital investment in this industry change quickly, and furthermore, the effects of these risk factors on business performance may exceed our expectations.
On the other hand, medium- to long-term economic and social trends, such as the increasing need for automation and labor-saving measures due to the declining birthrate, aging population, and labor shortages, economic development in the countries of the so-called Global South, the shift to electric vehicles in the automobile industry, and the recovery of international traffic, can be favorable factors leading to increases in the Group’s orders and sales.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">Although it is difficult to predict the full extent of the impact of events that occur in the environment surrounding the Group, whether positive or negative, we strive to reflect them flexibly in our management and business plans by closely monitoring economic conditions, market conditions, and customer industry needs and trends.</td></tr>
</table>

Risk theme	Risk item		Impact	Likelihood	Likely timing of risk materialization
2) Procurement/supply chain	Delays, shortages, or inability to procure raw materials, parts, purchased goods, etc.		Relatively large	High	Within one year
	Description	The main products manufactured and provided by the Group are logistics systems consisting of a wide variety of parts and materials. Stagnation or failure in the procurement of parts and materials may lead to delays in the production of our products, installation operations, and provision of services. Although the global supply shortages of semiconductors and other parts have largely abated, energy prices and prices of parts and raw materials are still expected to increase, and an increase in logistics costs triggered by Japan's 2024 logistics problem is also expected. In addition, we believe that measures against increasing demands for sustainable procurement and compliance with the Subcontract Act. are indispensable for the Group's stable procurement activities, and that a lack of efforts regarding these issues may not only be detrimental to the Group's reputation, but also lead to a failure to build and maintain medium- to long-term relationships in the supply chain, resulting in the risk of delays, shortages, and inability to procure parts and components.			
	Countermeasures	The Group will fully reflect consideration of soaring prices of and difficulty in procurement of parts in the management of costs and delivery dates and we will make every effort to minimize these impacts on future projects by checking the terms of contracts, etc. for the future orders. In the fiscal year ended March 31, 2024, the cross-divisional working group on procurement and logistics headed by the Chief Production Officer continued initiatives to share information and facilitate the exchange of parts to address risks of delays, shortages, or inability to procure raw materials, parts, purchased goods, etc. and the 2024 logistics problem. Moreover, to further promote initiatives across the supply chain to resolve a wide range of social issues, including recent climate change and other global environmental and human rights issues, we formulated the Sustainable Procurement Guidelines by completely revising the existing CSR Procurement Standards and reviewing the Daifuku Group Procurement Policy, which serves as the standard for all Group officers and employees. Furthermore, we began operation of the Supply Chain Management Committee in April 2024 to ensure compliance in production and installation operations, and we are implementing measures for sustainable procurement activities and supply chain optimization across our businesses. Through these initiatives, we will achieve mutual prosperity with our business partners and promote responsible procurement activities.			

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="3">3) Growth strategy</td><td colspan="2">New domain creation and technology development</td><td>Large</td><td>High</td><td>Within five years</td></tr>
<tr><td>Description</td><td colspan="4">The Group has grown as a comprehensive manufacturer of material handling systems covering a wide range of industries. Going forward, in order for the Group to achieve sustainable growth, we believe that creation of new domains and new businesses is indispensable in addition to the growth of existing businesses. However, industrial structures and social conditions are changing dynamically, and we believe that it will take time to create new domains and new businesses that will enable the Group to enhance business performance after timely detection of these changes.
Moreover, the Group has provided solutions to customers in various industries with material handling technology. In order to respond to the recent growing need for automation and labor saving, we are endeavoring to achieve progress each day by reflecting the technologies and knowledge we have accumulated so far in our products and services. On the other hand, as customer needs have also become more diversified and sophisticated, development of new products and services has also become an important management issue. However, while progress in the use of AI and other new technologies is apparent in the material handling industry, shortages of human resources could hinder technological development activities and undermine the competitiveness of the Group.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">In order to expand the business domains of the Group as a whole, the Business Innovation Division was established in April 2024, headed by the Chief Technology Officer. We plan to promote the creation of next-generation solutions in addition to the business expansion efforts in new domains that have been promoted within our global businesses units.
At the same time, we will promote the introduction of advanced technologies such as AI and build development systems across the Group’s businesses to strengthen our technological competitiveness. Moreover, as a human resources development initiative, we will introduce e-learning systems and AI education programs for the Group’s officers and employees to improve skills and literacy related to DX and AI .</td></tr>
</table>

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="6">4) Human resources-related</td><td colspan="2">Lack of human resources development initiatives</td><td>Relatively large</td><td>High</td><td>Within three years</td></tr>
<tr><td colspan="2">Shortage of employees (workforce)</td><td>Relatively large</td><td>High</td><td>Within three years</td></tr>
<tr><td colspan="2">Education of successors (management positions)</td><td>Large</td><td>Medium</td><td>Within five years</td></tr>
<tr><td colspan="2">Securing human resources/employee turnover</td><td>Relatively large</td><td>High</td><td>Within one year</td></tr>
<tr><td>Description</td><td colspan="4">We believe that the education of successors for the next generation and the development of such human resources are important for the sustainable development of the Group. Amid the global labor shortage, there is a concern that the shortage of engineers and skilled personnel will become more serious in the material handling system sector mainly due to the growth of e-commerce. The Group also views the decline of competitiveness due to shortages of human resources with specialized knowledge and skills as a risk. The manifestation of these risks could result in losses of continuity in business operations, technological and technical expertise, and superiority, and may affect the Group’s business performance.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">Regarding the development of successors (officers, executives), we have defined the Group-wide competencies (desired behavioral traits and attitudes) and established a Group human resources management platform (a system under which key positions for the entire Group are clarified, human resources of a certain grade or higher are defined as Group human resources, and their evaluation and development are promoted across the Group). Moreover, we systematized our training support programs for foreign national staff by rank, conducted an engagement survey covering 16 global Group companies, and held briefings on the results for each company. Each company will formulate an action plan based on the survey results and work to improve employee engagement. In addition, we hold various follow-up events for female interns from the standpoint of active participation of women, such as roundtable discussions with female employees, and we are actively recruiting international students directly from universities both within and outside of Japan. Additionally, as a measure for workplace retention of mid-career hires, we conduct individual interviews and provide training for them.</td></tr>
</table>

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="4">5) Group governance</td><td colspan="2">Inadequate management of subsidiaries</td><td>Large</td><td>Relatively high</td><td>No specific timing</td></tr>
<tr><td colspan="2">Scandals involving Group companies</td><td>Large</td><td>Medium</td><td>No specific timing</td></tr>
<tr><td>Description</td><td colspan="4">The Group has grown rapidly, and subsidiaries and employees have increased accordingly. As of the fiscal year ended March 31, 2024, the Group had 67 consolidated subsidiaries and 13,071 employees. Among these, the number of employees of the consolidated subsidiaries outside of Japan was 8,999 (68.8%). With such an expanded framework, our subsidiaries both within and outside of Japan may not be well managed. At the same time, fraud and scandals or organizational management failure may lead to a decline in social credibility and adversely affect business performance.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">Under these circumstances, we established the Group Code of Conduct and set out guidelines for actions to be taken by officers and employees of the Group. In addition, the Group is striving to foster and instill compliance awareness through the distribution of the Compliance Guidebook in several languages as well as ongoing awareness raising activities, e-learning courses for officers and employees of consolidated subsidiaries outside of Japan, rank-based training, a compliance awareness month, and raising awareness of the whistleblowing system. Moreover, we will review various policies and regulations and implement measures to disseminate them throughout the Group. We will plan and implement various measures to reduce the risk of losses, especially in large-scale projects outside of Japan, to improve the management system for our subsidiaries both within and outside of Japan.</td></tr>
</table>

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="3">6) Natural disaster</td><td colspan="2">Large-scale natural disasters (e.g., large-scale earthquakes, tsunamis, storms, floods, etc.)</td><td>Large</td><td>Low</td><td>No specific timing</td></tr>
<tr><td>Description</td><td colspan="4">Large-scale natural disasters such as earthquakes, typhoons, and tsunamis occur frequently around the world. The occurrence of such natural disasters may cause damage to the Group’s production facilities and sites, disruption of critical infrastructure or difficulty of commuting, and there is a risk of suspension of corporate activities. If a disaster is immense (e.g., a Nankai Trough earthquake, a super-large-scale typhoon, etc.), its impact may be larger than expected.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">We conducted natural disaster hazard surveys for each site, and in the fiscal year ended March 31, 2024, we identified sites in Japan with a high probability of being hit by tremors of a seismic intensity of 6- or higher in the next 30 years and confirmed evacuation plans. We also formulated response plans to be implemented in chronological order in the event of a natural disaster, conducted drills and training such as safety confirmation, and increased emergency stockpile reserves. In addition, we conduct business impact analyses, reviews of the system table of each business unit, and other measures as necessary to improve the effectiveness of the existing business continuity plan (BCP). We are making efforts to minimize the damage of large-scale natural disasters and to reduce their consequences through these initiatives.</td></tr>
</table>

<table>
<tr><th>Risk theme</th><th colspan="2">Risk item</th><th>Impact</th><th>Likelihood</th><th>Likely timing of risk materialization</th></tr>
<tr><td rowspan="4">7) Information security</td><td colspan="2">Leakage of confidential information due to human factors</td><td>Large</td><td>Medium</td><td>No specific timing</td></tr>
<tr><td colspan="2">Cyberattacks</td><td>Large</td><td>Medium</td><td>No specific timing</td></tr>
<tr><td>Description</td><td colspan="4">Recently, information leakage due to internal fraud and cyberattacks has increased worldwide, and threats to information security are rising significantly.
If the Group’s IT infrastructure were to fail due to information leakage or a cyberattack, leakage or unauthorized use of important information assets, suspension of business activities, deterioration of the Group’s reputation, and other damage could be expected, and the Group’s performance and continuation of business activities could be adversely affected.</td></tr>
<tr><td>Countermeasures</td><td colspan="4">We established the Information Security Committee in 2004 to enhance information security measures across the Group. In the fiscal year ended March 31, 2024, we revised our internal regulations related to information security, creating a document covering ISMS[*1] and NIST requirements[*2].
With regard to countermeasures for leakage of confidential information due to human factors, information security representatives appointed in each organizations, both within and outside of Japan, took the lead in examining all confidential information and implementing zone-based management measures according to confidentiality classifications. Other measures include education of officers and employees during the awareness-raising month, rank-based education, and receiving of pledges. Moreover, we have created and cultivated an information security auditor system. Management measures in all workplaces are checked under this system, and through continuous improvement activities and enhancement of the quality of management, we are striving to protect personal information and other important information assets.
For cyberattacks, we operate the CSIRT[*3] centered on the Information Security Committee to identify the extent of impact and damage in the event of a cyberattack, provide initial responses to prevent the spread of damage, and examine measures to prevent recurrence. Furthermore, e-learning using multilingual video content and e-mail training that simulates targeted attacks are regularly conducted for officers and employees on a global basis.

*1 ISMS: Information Security Management System. A systematic scheme for protecting information confidentiality, integrity, and availability.
*2 NIST requirements: A cyber security framework provided by the National Institute of Standards and Technology (NIST).
*3 CSIRT: Computer Security Incident Response Team. CSIRT is an organization that deals with computer security incidents such as information leakage due to cyberattacks.</td></tr>
</table>

(4) Changes in key risks (severe risks)

Review of assessment of reputation risks

In the Annual Securities Report for the fiscal year ended March 31, 2023, media criticism and harmful rumors, failure to respond to media, and failure in advertising and promotion are collectively referred to as “reputation risks” and are designated as key risks (severe risks). The expansion of our corporate scale and business performance has increased the Group’s social recognition and exposure in mass media, and the risk of misinformation and inappropriate expressions spreading on social media persists. However, as a result of media training for officers in anticipation of press conferences, development of guidelines that indicate points to note when using social media, and development of a reporting line in the event information leakage is detected, risks have been mitigated to a certain extent and it was decided to exclude reputation risks from the scope of key risks (severe risks) for the fiscal year ending December 31, 2024.

4. Management's Discussion and Analysis of Financial Position, Operating Results, and Cash Flows

(1) Operating results and financial review

During the fiscal year (from April 1, 2023 to March 31, 2024), the global economy generally remained favorable, despite a slowdown in the Chinese economy and concerns of an economic slowdown due to monetary tightening in Europe and the United States.

The business environment surrounding the Group has seen accelerating capital spending associated with the shift to xEVs (a generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs) in the automotive industry. In addition, investment in automation at airports has grown in line with the recovery in the number of air passengers. Over the past several years, while investment in e-commerce, which had been robust in North America and Japan, has been experiencing a temporary lull, capital spending in the manufacturing sector has been recovering. In the semiconductor industry, investment in legacy semiconductors in China continued at a high level, and signs of recovery are seen in investment in logic and memory semiconductors, which had been weak.

In this economic and business environment, orders received by the Group were almost in line with the initial plan announced at the beginning of the fiscal year, despite a reactionary fall in orders for cleanroom systems for semiconductor and flat-panel display production lines from the orders received ahead of schedule in the previous fiscal year.

Sales were strong in automotive systems and airport systems, benefiting from an extensive order backlog from the end of the previous fiscal year, while sales of intralogistics systems for manufacturers and distributors and cleanroom systems fell short of the results of a year ago.

Specifically, the Group received orders of 620,312 million yen, down 15.9% from the same period of the previous fiscal year, and recorded sales of 611,477 million yen, up 1.6%.

Overall, income significantly exceeded the initial plan. In intralogistics systems, profitability improved in North America, mainly reflecting progress in revising prices in line with higher costs due to soaring raw material and labor expenses. In cleanroom systems, profitability improved due to cost reduction efforts, despite the impact of lower sales. In automotive systems, profitability increased along with increased sales. Meanwhile, profitability declined in airport systems, mainly reflecting soaring raw material and labor costs and one-time costs recorded for certain projects in Oceania.

Consequently, the Group posted operating income of 62,079 million yen, up 5.5% from the previous fiscal year, and ordinary income of 64,207 million yen, up 7.4%. Net income attributable to shareholders of the parent company was 45,461 million yen, up 10.2%. Sales, operating income, ordinary income, and net income attributable to shareholders of the parent company reached new record highs for the second consecutive year.

The average exchange rates used for transactions during the fiscal year ended March 31, 2024 were 141.20 yen to the U.S. dollar (132.09 yen in the year-ago period), 19.87 yen to the Chinese yuan (19.50 yen), and 0.1080 yen to the Korean won (0.1020 yen). As a result of exchange rate fluctuations, orders increased in value by about 1.7 billion yen, sales by about 18.7 billion yen, and operating income by about 1.5 billion yen, respectively, compared with the previous fiscal year.

As announced in the Notice of Change in Fiscal Year-End (Closing Date of the Fiscal Year) released on March 26, 2024, the Company changed the fiscal year-end (the closing date of the fiscal year) from March 31 to December 31 every year for the Daifuku Group, in accordance with the resolution at the 108th Ordinary General Meeting of Shareholders. The fiscal year ending December 31, 2024, a transitional period to implement the change in the fiscal year-end, is scheduled to run for nine months from April 1 to December 31, 2024 for Daifuku Co., Ltd. and its subsidiaries with a fiscal year ending in March, mainly in Japan. Most non-Japan subsidiaries are consolidated for the 12-month period from January 1 to December 31, 2024.

The current earnings forecast for the fiscal year ending December 31, 2024 are as follows: orders received are expected to be 575.0 billion yen, net sales to be 550.0 billion yen, operating income to be 52.0 billion yen, ordinary income to be 53.5 billion yen, net income attributable to shareholders of the parent company to be 39.0 billion yen, and operating margin to be 9.5%.

With respect to orders received, while it is expected that semiconductor-related investment will continue to be temporarily restrained in regions other than China, we will seek to take advantage of investment related to xEVs in the automobile sector; investment in automation at airports in line with a recovery in the number of air passengers; and a recovery in labor-saving investment by manufacturers in Japan and North America, against the backdrop of soaring labor expenses. Sales are expected to grow steadily based on an extensive order backlog from the end of the previous fiscal year. In terms of profits, progress has been made since the second half of the previous fiscal year in revising prices to keep pace with higher costs associated with surging raw material and labor expenses, which has contributed to improved profitability.

Exchange rates of 149.89 yen to the U.S. dollar (141.20 yen of the actual rate in the fiscal year ended March 2024), 20.75 yen to the Chinese yuan (19.87 yen), and 0.1121 yen to the Korean won (0.1080 yen) are assumed in preparing the plan for the fiscal year ending December 31, 2024. No significant impact from the exchange rates is factored into forecasts.

The above forecast is calculated mainly in consideration of prospects on the progress of the ordered projects, degrees of likelihood and timing of prospective projects, or progress of the projects during the year, and represents the judgment of the Company based on information presently available. However, actual results may differ materially from forecasts due to various uncertainties, including customers' trends and competitive conditions worldwide as well as various risk factors described in 3. Business Risks.

Results for the fiscal year ended March 31, 2024

Orders received	620,312 million yen	(Previous fiscal year: 737,475 million yen, down 15.9% YoY)
Net sales	611,477 million yen	(Previous fiscal year: 601,922 million yen, up 1.6% YoY)
Operating income	62,079 million yen	(Previous fiscal year: 58,854 million yen, up 5.5% YoY)
Ordinary income	64,207 million yen	(Previous fiscal year: 59,759 million yen, up 7.4% YoY)
Net income attributable to shareholders of the parent company	45,461 million yen	(Previous fiscal year: 41,248 million yen, up 10.2% YoY)
Comprehensive income	60,409 million yen	(Previous fiscal year: 53,556 million yen, up 12.8% YoY)

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 (Suzhou) Cleanroom Automation Co., Ltd., which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the fiscal year ended March 31, 2024. Reportable segments for the previous fiscal year have been prepared based on the current reportable segments, accordingly.

Of the Group, Japanese companies such as Daifuku Co., Ltd. and Contec Co., Ltd. close their books on March 31. Most non-Japan subsidiaries close their books on December 31; accordingly, their status during the period from January to December 2023 is shown.

Table: Results by reportable segment

Daifuku: Orders declined in intralogistics systems for manufacturers and distributors, as well as cleanroom systems for semiconductor and flat-panel display production lines, which increased in the previous fiscal year due to orders received ahead of schedule.

Daifuku North America: Sales remained favorable in all areas. Segment income increased, mainly reflecting increased sales and progress in revising prices to keep pace with higher costs associated with soaring raw material and labor expenses.

Clean Factomation: Orders, sales, and segment income decreased, reflecting lackluster investment by semiconductor manufacturers.

Daifuku (Suzhou) Cleanroom Automation: Orders, sales, and segment income increased, as investment in legacy semiconductors continued at a high level from the previous fiscal year.

(Billion yen)	Orders received (Orders from external customers)			Net sales (Sales to external customers)			Segment income (Net income attributable to shareholders of the parent company)		
	FY2022	FY2023	YoY change	FY2022	FY2023	YoY change	FY2022	FY2023	YoY change
Daifuku	293.1	**213.6**	(79.4)	238.8	**238.8**	0.0	34.0	**33.2**	(0.8)
Contec	19.2	**19.7**	0.4	18.6	**19.0**	0.4	0.9	**0.8**	(0.0)
Daifuku North America*1	211.0	**202.0**	(8.9)	158.7	**175.7**	17.0	6.1	**11.1**	4.9
Clean Factomation*2	48.1	**24.8**	(23.3)	42.6	**30.6**	(12.0)	2.9	**1.8**	(1.0)
Daifuku (Suzhou) Cleanroom Automation*3	40.6	**46.6**	6.0	25.1	**30.0**	4.9	1.9	**5.4**	3.5
Other	125.1	113.3	(11.7)	115.7	**118.6**	2.9	3.6	**0.8**	(2.7)
Consolidated adjustments and other	–	**–**	–	2.0	**(1.6)**	(3.7)	(8.5)	**(8.0)**	0.5
Total (adjusted)	737.4	**620.3**	(117.1)	601.9	**611.4**	9.5	41.2	**45.4**	4.2

*1 Daifuku North America, Inc.

*2 Clean Factomation, Inc.

*3 Daifuku (Suzhou) Cleanroom Automation Co., Ltd.

i. Daifuku Co., Ltd.

Orders declined for intralogistics systems, where investment in e-commerce is experiencing a temporary lull, and for cleanroom systems, after a significant increase in the previous fiscal year due to advance orders and foreign exchange effects.

Sales were strong for automotive systems but declined for intralogistics systems and cleanroom systems.

Segment income was affected by lower sales of intralogistics systems, despite increased sales of automotive systems and an increase in dividends from affiliates.

As a result, Daifuku recorded orders of 213,633 million yen, down 27.1% from the same period of the previous fiscal year, sales of 238,877 million yen, up 0.0%, and segment income of 33,223 million yen, down 2.4%.

ii. Contec Co., Ltd. and its subsidiaries

In the Japanese market, sales were favorable, mainly to manufacturers. In the North American market, however, sales remained flat due to continued inventory adjustments in the mainstay medical device sector.

Segment income fell, due to write-downs for inventory optimization.

As a result, Contec posted orders of 19,742 million yen, up 2.3% from the same period of the previous fiscal year, sales of 19,080 million yen, up 2.6%, and segment income of 891 million yen, down 9.8%.

iii. Daifuku North America, Inc.* and its subsidiaries

Orders for intralogistics systems remained strong, including large projects, while orders for airport systems declined from the year-ago results.

Sales remained favorable in all areas, underpinned by an extensive order backlog from the end of the previous fiscal year.

Segment income increased significantly, mainly reflecting increased sales overall and progress in revising prices to keep pace with higher costs associated with soaring raw material and labor expenses in intralogistics systems and automotive systems.

As a result, Daifuku North America achieved orders of 202,061 million yen, down 4.3% from the same period of the previous year, sales of 175,795 million yen, up 10.7%, and segment income of 11,108 million yen, up 79.6%.

* Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.

iv. Clean Factomation, Inc.

Orders fell significantly from the year-ago results, when they had been bolstered by brisk investment from semiconductor manufacturers. Sales also declined.

Segment income fell, along with the decrease in sales.

As a result, Clean Factomation posted orders of 24,822 million yen, down 48.5% from the same period of the previous fiscal year, sales of 30,637 million yen, down 28.2%, and segment income of 1,888 million yen, down 36.2%.

v. Daifuku (Suzhou) Cleanroom Automation Co., Ltd.

Daifuku (Suzhou) Cleanroom Automation provides cleanroom transport systems mainly to semiconductor manufacturers in China.

Orders, sales, and segment income exceeded the year-ago results, as investment in legacy semiconductors continued at a high level from the previous fiscal year.

As a result, Daifuku (Suzhou) Cleanroom Automation posted orders of 46,674 million yen, up 14.8% from the same period of the previous fiscal year, sales of 30,083 million yen, up 19.7%, and segment income of 5,493 million yen, up 181.3%.

vi. Other

The Group has a total of 67 consolidated subsidiaries worldwide. The Other segment includes all consolidated subsidiaries excluding the aforementioned Contec, Daifuku North America, Clean Factomation, and Daifuku (Suzhou) Cleanroom Automation. These companies manufacture, sell, install, and service material handling systems, car wash machines, and other equipment. The status of major subsidiaries is as follows.

Japan subsidiaries

Daifuku Plusmore Co., Ltd. provides car wash machines and related services. Sales volumes remained favorable due to the government subsidy policies for customers, which continued from the previous fiscal year.

Non-Japan subsidiaries

The Group has production sites for material handling systems in China, Taiwan, South Korea, Thailand, India, and other regions, which also provide sales, installations, and services, playing a role in creating an optimal local production and procurement framework.

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 declined, given a reactionary fall in cleanroom systems in Asia, mainly attributable to orders received ahead of schedule in the previous fiscal year. Sales were generally favorable, underpinned by an order backlog from the end of the previous fiscal year.

Segment income was impacted significantly by one-time costs in certain projects in Oceania.

As a result, the segment reported orders of 113,377 million yen, down 9.4% from the same period of the previous fiscal year, sales of 118,698 million yen, up 2.5%, and segment income of 895 million yen, down 75.7%.

See Table: Orders and sales by industry and Table: Orders and sales by destination for details by business or destination.

Table: Orders and sales by industry

Automobile, auto parts, and airport: Sales were strong, underpinned by an extensive order backlog in North America.

Electronics: Orders declined for cleanroom systems for the semiconductor sector due to orders received ahead of schedule in the previous fiscal year. Sales remained at a high level because of brisk sales of cleanroom systems for the legacy semiconductor sector, despite a decrease in sales of cleanroom systems for the advanced semiconductor sector.

Commerce, retail: Both orders and sales declined, as investment in e-commerce has been experiencing a temporary lull in Japan.

Food: Orders for large projects were received in North America.

(Billion yen)	Orders					Sales				
	FY2022		**FY2023**		YoY change	FY2022		**FY2023**		YoY change
Industry	Orders	% of subtotal	**Orders**	**% of subtotal**		Sales	% of subtotal	**Sales**	**% of subtotal**	
Automobile, auto parts	89.7	12.2%	**92.8**	**15.0%**	3.1	65.4	10.9%	**81.4**	**13.3%**	16.0
Electronics	271.4	36.8%	**191.4**	**30.9%**	(79.9)	215.7	36.0%	**203.5**	**33.2%**	(12.1)
Commerce, retail	187.9	25.5%	**139.5**	**22.5%**	(48.4)	160.9	26.8%	**147.5**	**24.1%**	(13.3)
Transportation, warehousing	28.8	3.9%	**28.6**	**4.6%**	(0.2)	30.4	5.1%	**24.8**	**4.0%**	(5.6)
Machinery	11.5	1.6%	**11.3**	**1.8%**	(0.2)	10.3	1.7%	**10.3**	**1.7%**	(0.0)
Chemicals, pharmaceuticals	33.0	4.5%	**28.6**	**4.6%**	(4.4)	24.6	4.1%	**25.1**	**4.1%**	0.5
Food	17.2	2.3%	**42.4**	**6.8%**	25.2	15.7	2.6%	**20.6**	**3.4%**	4.9
Iron, steel, nonferrous metals	5.4	0.7%	**6.8**	**1.1%**	1.3	4.8	0.8%	**5.4**	**0.9%**	0.6
Precision equipment, printing, office equipment	6.1	0.8%	**4.0**	**0.6%**	(2.0)	6.4	1.1%	**4.3**	**0.7%**	(2.0)
Airport	62.3	8.4%	**53.1**	**8.6%**	(9.1)	46.1	7.7%	**65.8**	**10.7%**	19.6
Other	23.7	3.3%	**21.4**	**3.5%**	(2.3)	19.0	3.2%	**23.9**	**3.9%**	4.8
Subtotal	737.4	100.0%	**620.3**	**100.0%**	(117.1)	599.8	100.0%	**613.1**	**100.0%**	13.3
Consolidated adjustments and other	–	–	**–**	–	–	2.0	–	**(1.6)**	–	(3.7)
Total	737.4	–	**620.3**	–	(117.1)	601.9	–	**611.4**	–	9.5

Table: Orders and sales by destination

Japan: Orders decreased from the previous fiscal year when orders were strong in intralogistics systems for manufacturers and distributors and cleanroom systems for semiconductor and flat-panel display production lines. Sales in automotive systems remained strong.

North America: Orders were driven by intralogistics systems and airport systems. Sales were driven by automotive systems and airport systems.

China: Both orders and sales increased in cleanroom systems for semiconductor production lines.

South Korea, Taiwan: Both orders and sales declined in cleanroom systems for semiconductor production lines.

(Billion yen)			Orders					Sales				
			FY2022		**FY2023**		YoY change	FY2022		**FY2023**		YoY change
Region			Orders	% of subtotal	**Orders**	**% of subtotal**		Sales	% of subtotal	**Sales**	**% of subtotal**	
Japan			231.4	31.4%	**174.6**	**28.2%**	(56.7)	197.2	32.9%	**200.4**	**32.7%**	3.2
Non-Japan			506.0	68.6%	**445.6**	**71.8%**	(60.4)	402.5	67.1%	**412.6**	**67.3%**	10.1
	North America		200.5	27.2%	**222.6**	**35.9%**	22.1	152.1	25.4%	**181.6**	**29.6%**	29.4
	Asia		255.3	34.6%	**184.2**	**29.7%**	(71.1)	210.2	35.1%	**181.0**	**29.5%**	(29.1)
		China	94.2	12.8%	**109.5**	**17.7%**	15.3	60.8	10.2%	**85.7**	**14.0%**	24.8
		South Korea	60.7	8.2%	**33.5**	**5.4%**	(27.2)	60.0	10.0%	**39.1**	**6.4%**	(20.9)
		Taiwan	68.4	9.3%	**10.0**	**1.6%**	(58.4)	58.7	9.8%	**28.3**	**4.6%**	(30.4)
		Other	31.8	4.3%	**31.0**	**5.0%**	(0.8)	30.5	5.1%	**27.7**	**4.5%**	(2.7)
	Europe		15.6	2.1%	**19.2**	**3.1%**	3.5	17.2	2.9%	**18.2**	**3.0%**	0.9
	Latin America		12.6	1.7%	**5.7**	**0.9%**	(6.9)	6.2	1.0%	**10.6**	**1.7%**	4.3
	Other		21.7	3.0%	**13.7**	**2.2%**	(8.0)	16.6	2.7%	**21.1**	**3.5%**	4.4
Subtotal			737.4	100.0%	**620.3**	**100.0%**	(117.1)	599.8	100.0%	**613.1**	**100.0%**	13.3
Consolidated adjustments and other			–	–	**–**	–	–	2.0	–	**(1.6)**	**–**	(3.7)
Total			737.4	–	**620.3**	–	(117.1)	601.9	–	**611.4**	**–**	9.5

(2) Financial position

Assets at the end of the fiscal year ended March 31, 2024 stood at 646,154 million yen, an increase of 94,602 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 39,297 million yen in cash on hand and in banks; 21,556 million yen in notes receivable, accounts receivable from completed construction contracts and other, and contract assets; 4,888 million yen in raw materials and supplies; 12,414 million yen in property, plant and equipment; and 11,251 million yen in investments in securities mainly due to the acquisition of held-to-maturity debt securities.

Liabilities at the end of the fiscal year ended March 31, 2024 amounted to 287,399 million yen, an increase of 68,171 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 15,675 million yen in contract liabilities and 61,088 million yen in convertible-bond-type bonds with stock acquisition rights, offsetting a decrease of 11,082 million yen in electronically recorded obligations - operating.

Net assets at the end of the fiscal year ended March 31, 2024 were 358,755 million yen, an increase of 26,431 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 31,435 million yen in retained earnings and 8,461 million yen in foreign currency translation adjustments; and a decrease of 20,045 million yen due to the purchase of treasury stock.

(3) Cash flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2024 increased 34,056 million yen from the end of the previous fiscal year, to 136,445 million yen.

Cash flows from operating activities

Cash provided by operating activities totaled 37,117 million yen (20,034 million yen in cash provided in the year-ago period). This was mainly attributable to a decrease of 18,146 million yen in notes and accounts payable and 22,196 million yen in income taxes paid, partially offset by 63,287 million yen in income before income taxes and an increase of 13,066 million yen in contract liabilities.

Cash flows from investing activities

Cash used in investing activities was 29,582 million yen (11,874 million yen in cash used in the year-ago period). This was mainly attributable to outlays of 19,731 million yen for the payments for purchase of property, plant and equipment and 7,228 million yen for the payments for purchase of investments in securities.

Cash flows from financing activities

Cash provided by financing activities was 22,732 million yen (30,187 million yen in cash used in the year-ago period). This was mainly attributable to proceeds from the issuance of convertible-bond-type bonds with stock acquisition rights of 61,082 million yen, partially offset by outlays of 20,005 million yen for the payments for purchase of treasury stock and 14,018 million yen the payments of cash dividends.

Indicators for consolidated cash flows are as below:

	Year ended March 2023	Year ended March 2024
Equity ratio (%)	60.2	55.5
Equity ratio based on market capitalization (%)	167.5	205.6
Ratio of interest-bearing liabilities to cash flows (Year)	0.6	1.9
Interest coverage ratio (Times)	64.7	83.2

Equity ratio = (Net assets − Non-controlling interests − Equity warrants)/Total assets

Equity ratio based on market capitalization = Market capitalization of shares/Total assets

Ratio of interest-bearing liabilities to cash flows = Interest-bearing liabilities/Operating cash flows

Instant coverage ratio = Operating cash flows/Interest paid

Notes: 1. The above indicators are calculated based on the figures in the consolidated financial statements.

2. Market capitalization is calculated based on the following formula: Closing price of shares at the end of the period × Number of shares issued at the end of the period (excluding treasury stock)
3. Operating cash flows are used for cash flows.
4. Interest-bearing liabilities are short-term borrowings, long-term borrowings, and convertible-bond-type bonds with stock acquisition rights recorded in the consolidated balance sheets that pay interest.
5. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.
6. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The equity ratio based on market capitalization is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2023.

(4) Capital resources and liquidity of funds

i. Basic views of financial strategy

The Group has a basic policy for financial strategy to maintain its strong financial position and high capital efficiency at the same time, and to increase its corporate value by appropriately raising and allocating funds.

To maintain the strong financial position, the Group will keep an equity-to-asset ratio of at least 50% and an issuer credit rating of “A” or higher (rated by Rating and Investment Information, Inc. (R&I)), and strengthen its risk resistance.

At the same time, on condition that the Group has a sufficient ability to repay debts due to operating cash flows, the Group will reduce the capital cost and improve the capital efficiency by borrowing from financial institutions or issuing corporate bonds under strict financial discipline.

ii. Views on distribution of management resource

The Group has set the amount of about 1.5- to 2.0-month net sales as the appropriate level of cash and deposit at hand required for stable business operation and considers the excessive amount as an additional distributable management resource. The Group will distribute this resource to help increase its corporate value. The Group regards the return of profits to shareholders to be one of its most important matters. 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.

The Group will proactively promote investment, such as capital investment and investment for research and development (R&D), for growth to help increase its corporate value. The investment amounted to a total of 82.2 billion yen in the previous three-year business plan (the total for three years from the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024).

iii. Description of demand for funds

Major demands for funds are variable costs, such as costs for purchase, processing, and assembly of raw materials and parts for production, and fixed costs such as an indirect manufacturing cost, a sales cost, and a general administrative cost.

Major costs included in the fixed cost are personnel expenses, outsourcing costs for work at the Group sites, outsourcing costs for design, R&D expenditures, and lease expenses.

iv. Capital procurement

The Group effectively uses internal and external funds to secure a stable amount necessary for the maintenance and expansion of its business. The Group companies in Japan use a distribution system to increase the efficiency of their fund operation. In the system, surplus funds are collected by the Company, and then distributed to Group companies that are in short of funds. The Group also obtained credit ratings to maintain and enhance a stable ability of external capital procurement. The Group is rated “A” in issuer credit rating by R&I as of the filing date of the Annual Securities Report. On the other hand, the Group has kept a good business relationship with its major partner financial institutions, and also has strong financial position. This proves that the Group can procure operating funds and investment funds necessary for maintenance, expansion, and operation of its business without any problem. The Group sets commitment lines of 30.0 billion yen with financial institutions in Japan to secure a capital procurement measure for emergencies. In the fiscal year ended March 31, 2024, the Company issued convertible-bond-type bonds with stock acquisition rights and procured funds for capital investment to strengthen production capacity worldwide and funds for purchase of treasury stock for the purpose of further improvement of capital efficiency.

(5) Significant accounting estimates and assumptions used for such estimation

The Group’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan. While the Group uses estimates and assumptions that could affect the reported amounts of assets, liabilities, income and expenses in preparing the consolidated financial statements, the figures based on these estimates and assumptions may differ from the actual results.

Of the accounting estimates and assumptions used to prepare the consolidated financial statements, those of significance are described in “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes on consolidated financial statements, Significant accounting estimates” and “V. Financial Information, 2. Non-consolidated Financial Statements, etc., (1) Non-consolidated financial statements, Notes to the Non-consolidated Financial Statements, Significant accounting estimates.”

(6) Results of production, orders received, and sales

i. Production

The results of production by segment for the fiscal year ended March 31, 2024 are as follows:

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	272,236	(7.8)
Contec Co., Ltd. and its subsidiaries	34,034	(10.0)
Daifuku North America, Inc. and its subsidiaries	161,061	17.5
Clean Factomation, Inc.	29,357	(17.3)
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	26,662	7.8
Other	81,578	(1.8)
Total	604,931	(1.4)

Notes: 1. The amounts are based on selling prices.
2. “Other” represents Japanese and overseas subsidiaries that are not included in reportable segments.

ii. Orders received

The results of orders received by segment for the fiscal year ended March 31, 2024 are as follows:

Segment	Orders (million yen)	YoY change (%)	Order backlog (million yen)	YoY change (%)
Daifuku Co., Ltd.	213,633	(27.1)	221,171	(10.2)
Contec Co., Ltd. and its subsidiaries	19,742	2.3	8,810	8.1
Daifuku North America, Inc. and its subsidiaries	202,061	(4.3)	190,581	16.0
Clean Factomation, Inc.	24,822	(48.5)	21,315	(21.4)
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	46,674	14.8	54,508	43.8
Other	113,377	(9.4)	100,607	(3.5)
Total	620,312	(15.9)	596,994	1.5

Notes: 1. Intersegment transactions are offset.
2. “Other” represents Japanese and overseas subsidiaries and adjustments for consolidation that are not included in reportable segments.

iii. Sales

The results of sales by segment for the fiscal year ended March 31, 2024 are as follows:

Segment	Amount (million yen)	YoY change (%)
Daifuku Co., Ltd.	238,877	0.0
Contec Co., Ltd. and its subsidiaries	19,080	2.6
Daifuku North America, Inc. and its subsidiaries	175,795	10.7
Clean Factomation, Inc.	30,637	(28.2)
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	30,083	19.7
Other	117,003	(0.7)
Total	611,477	1.6

Notes: 1. Intersegment transactions are offset.
2. “Other” represents Japanese and overseas subsidiaries and adjustments for consolidation that are not included in reportable segments.

(7) Analysis and discussion on the status of operating results, etc. from the management's view

Views, analysis and discussion on the status of operating results, etc. of the Group from the management's point of view are as below.

All forward-looking statements herein represent the Group's views as of the filing date of the Annual Securities Report.

i. Views, analysis and discussion on the status of operating results, etc. of the fiscal year ended March 31, 2024

In the fiscal year ended March 31, 2024, although orders declined 15.9%, given a reactionary fall in cleanroom systems for semiconductor and flat-panel display production lines, after a significant increase in the previous fiscal year due to advance orders and foreign exchange effects, sales increased 1.6% to a new record high benefiting from an extensive order backlog at the end of the previous fiscal year. Operating income, ordinary income, and net income attributable to shareholders of the parent increased 5.5%, 7.4%, and 10.2% respectively, reaching new record highs.

Over the past several years, while investment in e-commerce, which had been robust in North America and Japan, has been experiencing a temporary lull, capital spending in the manufacturing sector has been recovering. In the semiconductor industry, investment remains restrained except for legacy semiconductors in China, but there are signs of recovery as inquiries have been increasing since the second half of the year.

On the other hand, investment related to xEVs in the automotive industry and investment in automation at airports, which has become vigorous in line with the recovery in the number of air passengers, remained strong.

Please refer to the sections, "(1) Operating results and financial review" for details on the analysis of the operating results of the Group, and "II. Overview of Business, 1. Management Policy, Management Environment, and Issues to Address" for details on issue analysis, future measures, etc.

ii. Objective indicators and other factors to evaluate the achievement of management policy/management strategy and management targets

In its three-year business plan "Value Transformation 2023" which started from the fiscal year ended March 31, 2022, the Group set consolidated net sales of 600.0 billion yen as one of its management targets for the final year of the plan, the fiscal year ended March 31, 2024. Although the business environment for the above-mentioned four core businesses (intralogistics systems for manufacturers and distributors, cleanroom systems for semiconductor and flat-panel display sectors, automotive systems, and airport systems) varied, the Group achieved the target for consolidated net sales through mutual complementation of these four core businesses.

The Group targeted an operating margin of 10.5% for the final year. Despite progress in revising prices in line with higher costs associated with soaring raw material and labor expenses, which caused a decline in profitability in the fiscal year ended March 31, 2023, the operating margin for the final year was 10.2%.

Under "Value Transformation 2023," the ROE was 13.1%, 13.2%, and 13.2% for the fiscal years ended March 31, 2022, 2023, and 204, respectively, and the ROE target of 10% or more was achieved in each fiscal year.

(8) Future management policies

The top management of the Group is planning the best management policy possible based on the current business environment and the available information.

In the profit structure of the Group, Daifuku earns the majority of the net income attributable to shareholders of the parent company ((1) Operating results and financial review, Table: Results by reportable segment). The issues of the Group are to increase the earning power of the segments other than Daifuku, especially the companies outside of Japan, as well as to further increase the profitability of Daifuku. In this regard, all non-Japan subsidiaries have formulated and are implementing improvement plans to achieve an operating margin of 10% as soon as possible.

To achieve further growth (increase in economic value) of the Group, we formulated our long-term vision, Driving Innovative Impact 2030. Then, we set the four-year business plan for 2027 as a midpoint toward 2030 and are endeavoring to achieve it through the implementation of various measures. For more information, please refer to the following section: II. Overview of Business, 1. Management Policy, Management Environment, and Issues to Address.

5. Material Contracts, etc.

Not applicable

6. Research and Development (R&D) Activities

The Group develops new systems and products of machinery and equipment with storage, transport, and sorting/picking functions, as well as electronic devices that support those machinery and equipment. Now companies are required to take greater social responsibility to cover environmental and social activities as well as economic activities. We are developing systems and products that are environmentally friendly and safety-oriented.

With regard to the protection and utilization of intellectual property created through these R&D activities, under the previous three-year business plan whose final year was the fiscal year ended March 31, 2024, we appointed a person in charge of intellectual property at each non-Japan subsidiary to deepen the relationships among companies in the Group. Under the four-year business plan for 2027, we aim to strengthen strategic utilization of intellectual property. Through cross-sectional management of intellectual property created in each business by a specialized organization, we strive to have intangible assets (tacit knowledge) in the Group patented (explicit knowledge) to further strengthen our competitive advantage.

The total amount of R&D expenditures that the Group paid is 11,264 million yen in the fiscal year ended March 31, 2024. The expenditures by reportable segment are described below.

(Million yen)

Segment	Year ended March 2023	Year ended March 2024
Daifuku Co., Ltd.	8,260	8,637
Contec Co., Ltd. and its subsidiaries	970	1,097
Daifuku North America, Inc. and its subsidiaries	671	978
Clean Factomation, Inc.	253	338
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	1	4
Other	338	207
Total	10,496	11,264

R&D activities by reportable segment are described below.

The R&D activities of Daifuku (Suzhou) Cleanroom Automation Co., Ltd. are small in scale and description is omitted.

(1) Daifuku Co., Ltd.

i. Intralogistics systems for manufacturers and distributors

Daifuku has started sales of Sorting Transfer Robot-S, a piece sorting system, based on autonomous mobile robots (AMR). With a maximum sorting capacity of 10,000 pieces per hour, this product is able to handle ultra-high-volume sorting such as for e-commerce.

Moreover, to meet the needs of high-rise automated storage and retrieval systems, a second high-rise testing facility was newly built within Shiga Works capable of testing 40-meter-class stacker cranes. The Company aims to develop new stacker cranes that contribute to reduction of environmental impacts by reducing power consumption through weight reduction, standby power optimization, and the use of high-efficiency components and begin sales in 2024.

ii. Cleanroom systems for semiconductor and flat-panel display production lines

With respect to cleanroom systems for semiconductor production lines, automation is also advancing in the stacked packaging sector, a so-called back-end process. The Company is developing new transport and storage systems, to handle a variety of items to be transported. Regarding transport and storage systems for semiconductors with linewidth of 2 to 3 nanometers, the most advanced circuit linewidth, the Company is pursuing high reliability to keep the system running 24 hours a day, 365 days a year and reduced power consumption. Also, by introducing AI, the Company is developing control systems that achieve high efficiency and high capacity.

iii. Automotive systems for automobile production lines

Automakers now require production lines that can flexibly respond to changes in mixed production, including xEVs (a generic term for electric vehicles, including BEVs, HEVs, PHEVs, and FCEVs) and fluctuations in production volume. To meet this need, the Company has developed a new transport system that utilizes automatic guided vehicles (AGVs) with a cart towing system, which makes it easier to change production lines than in the case of conventional conveyor systems.

In response to the growing need for automation against the backdrop of labor shortages, the Company continues R&D to provide conveyor systems for production lines together with accompanying automated facilities.

iv. Airport systems

A baggage tray system utilizing RFID, the second such system in Japan, began operation in April 2023.

The Company has completed the development of a new AGV that does not require a magnetic tape guide (AMR) for checked baggage inspection lines and introduced it to the market. This technology is shared among the Group companies to increase our comprehensive capabilities.

Having modified Smart Security Lanes (security inspection lanes), products of its Dutch subsidiary, for production in North America, the Company obtained certification from the U.S. Transportation Security Administration and introduced Smart Security Lanes to the market.

v. Car wash machines

The Company has developed GROSSA NEO and EUROS Style, new car wash machines for full-service stations. Regarding GROSSA NEO, popular options are available as standard features. The lineup includes a "pro" model that emphasizes the quality of finish and a "silent" model with minimum noise. With EUROS Style, four different color variations are available to choose from for the standard model as well as for a model emphasizing the quality of finish and a model emphasizing cleaning performance. Functions of "Smart Support for Car Wash Machines," which connects the car wash machine and a call center through a network, have been enhanced, such as remote operation, calls, and downloading of the latest program. Improvement of the utilization ratio of car wash machines will contribute to increase of revenue other than gasoline sales.

The total amount of R&D expenditures that the Company paid for i. to v. described above and other is 8,637 million yen.

ii. Contec Co., Ltd. and its subsidiaries

For the industrial computer sector, Contec has developed Business Computer LPC-400 and started selling it in April 2024. With an ultra-compact size of 150mm x 150mm and a fanless structure that does not suck in dust, a low price has been realized.

For the IoT device sector, Contec developed the RP-WAH-SR, an IEEE802.11ah-compliant wireless LAN converter, and launched it in December 2023. Compared to conventional 920 MHz band wireless communications, higher-speed and longer-distance networks can be established. In November 2023, Contec began sales of the audit-i automatic checking system for dispensaries. The weight and size were almost halved compared to the previous model and this new model features an AI-based drug type identification function (patented).

The amount of R&D expenditures that Contec paid is 1,097 million yen.

iii. Daifuku North America, Inc. and its subsidiaries

Daifuku North America focuses on developing picking and sorting systems in the intralogistics systems business.

For the automotive systems business, it continues to expand its lineup of quieter products and improve its Power Roller Bed system, for which there is strong demand at paint shops.

The total amount of R&D expenditures that Daifuku North America paid is 978 million yen.

(4) Clean Factomation, Inc.

Clean Factomation develops more efficient nitrogen purge stocker systems and transport and storage equipment for the back-end-process packaging sector to meet the needs of semiconductor manufacturers in South Korea.

It also provides renewal development of systems that have been delivered in the past.

The total amount of R&D expenditures that Clean Factomation paid is 338 million yen.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group's capital investment during the fiscal year ended March 31, 2024 totaled 21,410 million yen, which included maintenance and upgrades as well as expansion of production facilities of Daifuku Co., Ltd. in Japan and expansion of production facilities of non-Japan subsidiaries in North America, China, and South Korea.

The above-mentioned capital investment was funded by cash on hand and proceeds from the issuance of convertible-bond-type bonds with stock acquisition rights.

2. Major Facilities

Major facilities of the Group are as follows.

(1) Reporting company

As of March 31, 2024

Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees
			Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Headquarters and Osaka Branch (Nishiyodogawa-ku, Osaka)	Daifuku Co., Ltd.	Headquarters and other facilities	2,996	0	1,277 [10]	–	127	4,401	525
Tokyo Head Office and Tokyo Branch (Minato-ku, Tokyo)	Daifuku Co., Ltd.	Headquarters and other facilities	212	0	– [–]	5	40	259	410
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production, R&D and other	8,888	4,902	3,991 [1,160]	486	6,263	24,532	1,558
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities	129	6	77 [53]	–	40	253	346
Tokai Branch (Toyota, Aichi)	Daifuku Co., Ltd.	Other facilities	157	5	53 [2]	–	7	224	63
Chugoku Branch (Kaita-cho, Aki-gun, Hiroshima)	Daifuku Co., Ltd.	Other facilities	40	0	3 [1]	–	4	48	14
Fujisawa Branch (Fujisawa, Kanagawa)	Daifuku Co., Ltd.	Other facilities	41	2	242 [5]	1	0	288	21
Mie Works (Kameyama, Mie)	Daifuku Co., Ltd.	Other facilities	22	0	122 [2]	–	2	146	13

Notes: 1. "Other" column under the carrying amount represents the aggregate of tools and fixtures and construction in progress, etc.
2. In addition to the above, the Group rents/leases following major facilities.

As of March 31, 2024

Office (location)	Segment	Description of facilities	Land (area: 1,000 m^2)	Annual rent/ lease payment (million yen)
Tokyo Head Office and Tokyo Branch (Minato-ku, Tokyo)	Daifuku Co., Ltd.	Headquarters Other facilities (rent)	–	519
Shiga Works (Hino-cho, Gamo-gun, Shiga)	Daifuku Co., Ltd.	Facilities for production and other (lease)	–	216
Komaki Works (Komaki, Aichi)	Daifuku Co., Ltd.	Other facilities (rent)	–	140

(2) Subsidiaries in Japan

As of March 31, 2024

Company name	Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Contec Co., Ltd.	Headquarters (Nishiyodogawa-ku, Osaka), five sales offices and one factory	Contec Co., Ltd. and its subsidiaries	Facilities for production and other	447	159	1,389 [13]	14	101	2,113	291

Note: "Other" column under the carrying amount represents the aggregate of tools and fixtures and construction in progress, etc.

(3) Subsidiaries outside Japan

As of March 31, 2024

Company name	Office (location)	Segment	Description of facilities	Carrying amount (million yen)						Number of employees
				Buildings and structures	Machinery and vehicles	Land (area: 1,000 m^2)	Leased assets	Other	Total	
Daifuku North America, Inc.	U.S. Factories (Michigan, etc., U.S.A.)	Daifuku North America, Inc. and its subsidiaries	Production facilities, etc.	8,594	4,814	1,638 [560]	–	3,821	18,869	4,723
Clean Factomation, Inc.	South Korea Factory (Asan-si, South Korea)	Clean Factomation, Inc.	Production facilities, etc.	2,898	44	364 [33]	–	829	4,135	931
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	China Factory (Suzhou, Jiangsu, China)	Daifuku (Suzhou) Cleanroom Automation Co., Ltd.	Production facilities, etc.	4,295	1,564	– [–]	–	179	6,039	254
Daifuku (Thailand) Limited	Thailand Factory (Chonburi, Thailand)	Other	Production facilities, etc.	841	208	394 [61]	–	240	1,684	389
Hallim Machinery Co., Ltd.	South Korea Factory (Hwaseong, Gyeonggi, South Korea)	Other	Production facilities, etc.	538	58	523 [10]	–	57	1,177	125
Daifuku Korea Co., Ltd.	South Korea Factory (Incheon Metropolitan City, South Korea)	Other	Production facilities, etc.	804	0	244 [7]	–	40	1,089	107
Daifuku (China) Automation Co., Ltd.	China Factory (Changshu, Jiangsu, China)	Other	Production facilities, etc.	1,353	292	– [–]	–	129	1,775	349
Taiwan Daifuku Co., Ltd.	Taiwan Factory (Tainan, Taiwan)	Other	Production facilities, etc.	288	187	– [–]	–	779	1,255	343
Daifuku (China) Manufacturing Co., Ltd.	China Factory (Shanghai, China)	Other	Production facilities, etc.	–	173	– [–]	–	666	839	330
Daifuku Intralogistics India Private Limited	India Factory (Telangana, India)	Other	Production facilities, etc.	165	86	1,093 [147]	–	437	1,782	148

Notes: 1. "Other" column under the carrying amount represents the aggregate of tools and fixtures, right-of-use assets and construction in progress, etc.

2. Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc. Figures for Daifuku North America, Inc. are consolidated figures of the company and its subsidiaries.

3. Planned Additions, Retirements, and Other Changes of Facilities

Significant planned additions, retirements, and other changes of facilities as of March 31, 2024 are as described below.

Company name Office	Location	Segment	Description of facilities	Planned investment amount		Capital procurement method	Scheduled commencement and completion		Increased capacity after completion
				Total amount (million yen)	Invested amount (million yen)		Commencement	Completion	
Shiga Works	Hino-cho, Shiga	Daifuku Co., Ltd.	Construction of a new factory, production facilities	33,000	5,237	Convertible-bond-type bonds with stock acquisition rights (Note 3)	April 2023	March 2028	(Note 4)
Daifuku Intralogistics America Corporation	Indiana, U.S.A.	Daifuku North America, Inc. and its subsidiaries	Construction of a new factory, production facilities	5,000	24	Investment and financing by the Company (Note 5)	April 2023	September 2025	(Note 4)
Daifuku Intralogistics India Private Limited	Telangana, India	Other	Construction of a new factory, production facilities	2,000	330	Investment and financing by the Company (Note 5)	April 2023	December 2024	(Note 4)

Notes: 1. The amounts are exclusive of consumption tax and other taxes.

2. Effective January 1, 2024, Wynright Corporation changed its name to Daifuku Intralogistics America Corporation.
3. The Company issued convertible-bond-type bonds with stock acquisition rights in September 2023 and raised funds for investment.
4. The description of the increased capacity after completion is omitted because it is difficult to reasonably calculate it.
5. Proceeds from the issuance of the convertible-bond-type bonds with stock acquisition rights mentioned in the item 3 above will be used for investment and financing by the Company.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares

i. Authorized shares

Type	Total number of shares authorized to be issued (shares)
Common stock	750,000,000
Total	750,000,000

Note: In accordance with the resolution of the Board of Directors meeting held on February 9, 2023, the Company amended the Articles of Incorporation as of April 1, 2023 in connection with a stock split. As a result, the total number of shares authorized to be issued has increased by 500,000,000 to 750,000,000.

ii. Issued shares

Type	Number of issued shares as of fiscal year end (March 31, 2024) (shares)	Number of issued shares as of filing date (June 24, 2024) (shares)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	379,830,231	379,830,231	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	379,830,231	379,830,231	–	–

Note: In accordance with the resolution of the Board of Directors meeting held on February 9, 2023, the Company conducted a three-for-one split of its common stock effective April 1, 2023. The total number of shares issued has, as a result, increased by 253,220,154 shares to 379,830,231 shares.

(2) Share warrants

i. Stock option plans

Not applicable

ii. Rights plans

Not applicable

iii. Share warrants for other uses

Convertible-bond-type bonds with stock acquisition rights issued in the fiscal year ended March 31, 2024 (hereinafter referred to as "Bonds with Stock Acquisition Rights," where the bonds alone are referred to as the "Bonds" and the stock acquisition rights alone are referred to as the "Stock Acquisition Rights") are as follows.

	Zero Coupon Convertible Bonds due 2028	Zero Coupon Convertible Bonds due 2030
Date of resolution on issuance	August 29, 2023	August 29, 2023
Number of stock acquisition rights*	3,000 (Note 1)	3,000 (Note 1)
Of stock acquisition rights, treasury stock acquisition rights*	–	–
Class, description, and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common stock: 8,479,366 [8,487,283] (Note 2)	Common stock: 8,643,042 [8,651,017] (Note 2)
Amount of assets to be contributed upon exercise of stock acquisition rights (yen)*	3,538 [3,534.7] (Note 3)	3,471 [3,467.8] (Note 3)
Exercise period of stock acquisition rights*	From September 28, 2023 to August 31, 2028 (Note 4)	From September 28, 2023 to August 30, 2030 (Note 4)
Issue price and amount capitalized when shares are issued upon exercise of stock acquisition rights (yen)*	Issue price: 3,538 [3,534.7] Amount capitalized: 1,769 [1,767] (Note 5)	Issue price: 3,471 [3,467.8] Amount capitalized: 1,736 [1,734] (Note 5)
Conditions for exercise of stock acquisition rights*	(Note 6)	(Note 6)
Matters relating to transfer of stock acquisition rights*	Each Stock Acquisition Right is attached to each convertible-bond-type bond with stock acquisition rights and may not be transferred separately from each Bond.	
Matters relating to issuance of stock acquisition rights in connection with reorganization*	(Note 7)	(Note 7)
Details and amount of assets to be contributed upon exercise of stock acquisition rights*	Upon exercise of each Stock Acquisition Rights, the Bonds pertaining to such Stock Acquisition Rights shall be contributed, and the value of such Bonds shall be equal to the face value thereof.	
Balance of bonds with stock acquisition rights (million yen)*	30,000	30,000

* Described above are current as of March 31, 2024. With regard to matters that were changed between the end of the fiscal year ended March 31, 2024 and the end of previous month in which financial statements were filed, which was May 31, 2024, the details as of the end of the month before the month in which financial statements were filed are stated in brackets. No changes were made other than these from the details as of the end of the fiscal year ended March 31, 2024.

Notes: 1. The sum of 3,000 and the number obtained by dividing the total face value of the Bonds for substitute bonds with stock acquisition rights (meaning bonds with stock acquisition rights to be issued when appropriate certification and indemnity are secured in the event of loss, theft or destruction of the Bonds with Stock Acquisition Rights) divided by 10 million yen.

2. Class and description of shares to be issued upon exercise of Stock Acquisition Rights are shares of common stock of the Company (100 shares constituting one unit), and the number of shares of common stock of the Company to be delivered upon exercise thereof shall be the number obtained by dividing the total face value of the Bonds pertaining to the claims for the exercise by the conversion price set forth in Note 3 (2) and (3) below. However, any fractional shares resulting from the exercise shall be rounded down and no cash adjustment shall be made.

3. (1) Upon exercise of each Stock Acquisition Right, the Bonds pertaining to such Stock Acquisition Rights shall be contributed, and the value of such Bonds shall be equal to the face value thereof. The Bonds contributed upon exercise of the Stock Acquisition Rights shall be cancelled immediately.

(2) The initial conversion price of the Zero Coupon Convertible Bonds due 2028 will be 3,538 yen. The initial conversion price of the Zero Coupon Convertible Bonds due 2030 will be 3,471 yen.

The conversion price is adjusted respectively by the resolution of the Board of Directors in accordance with the conversion price adjustment clause in connection with the increase in the amount of dividends from surplus.
Resolved by the Board of Directors on May 10, 2024
- Zero Coupon Convertible Bonds due 2028: from 3,538 yen to 3,534.7 yen
- Zero Coupon Convertible Bonds due 2030: from 3,471 yen to 3,467.8 yen

The effective date for both is April 1, 2024 or later.

(3) Subsequent to the issuance of the Bonds with Stock Acquisition Rights, if the Company issues shares of common stock of the Company at a price less than the market price or disposes of its shares, the conversion price shall be adjusted in accordance with the formula below. In the formula below, the "number of shares already issued" refers to the total number of issued shares of common stock of the Company (excluding the number of shares of treasury stock

related to the common stock of the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of issued or disposed shares} \times \text{Amount to be contributed per share}}{\text{Market capitalization}}}{\text{Number of shares already issued} + \text{Number of issued or disposed shares}}$$

The conversion price shall also be adjusted in accordance with the terms and conditions of the Bonds with Stock Acquisition Rights in the event of a stock split (including gratis allotment) or reverse stock split of the Company's common stock, the issuance of stock acquisition rights (including those attached to bonds with stock acquisition rights), etc. that allow a claim for delivery of the Company's common stock at a price below the market price of the Company's common stock, dividend payments exceeding a certain limit (including payment of special dividends), and certain other circumstances.

4. The exercise period for Zero Coupon Convertible Bonds due 2028 is from September 28, 2023 to the close of bank business on August 31, 2028 (local time at the place where claims for exercise are accepted) and that for Zero Coupon Convertible Bonds due 2030 is from September 28, 2023 to the close of bank business on August 30, 2030 (local time at the place where claims for exercise are accepted). However, (i) in the case of early redemption of the Bonds, until the close of bank business (local time at the place where claims for exercise are accepted) on the day three business days prior to the redemption date in Tokyo (excluding, however, the Stock Acquisition Rights pertaining to the Bonds for which the option of early redemption has not been taken in the event that early redemption becomes possible due to a change in the taxation system), (ii) in the case of cancellation by purchase, until the cancellation of the Bonds with Stock Acquisition Rights, and (iii) in the case of mandatory redemption due to default, until the time the Bonds become immediately due and payable.

   However, in none of the above cases (i), (ii) or (iii) may the Stock Acquisition Rights be exercised after the close of bank business (local time at the place where claims for exercise are accepted) on the days specified below.

   - Zero Coupon Convertible Bonds due 2028: August 31, 2028
   - Zero Coupon Convertible Bonds due 2030: August 30, 2030

   In addition, if the Company reasonably determines that it is necessary in order for the Company to carry out reorganization, etc., the Stock Acquisition Rights may not be exercised during the period designated by the Company, which is a period of 30 days or less that ends within 14 days from the day following the effective date of the said reorganization.

   Notwithstanding the foregoing, the Stock Acquisition Rights may not be exercised if the calendar day in Japan on which the exercise of the Stock Acquisition Rights becomes effective (hereinafter referred to as the "Stock Acquisition Date") (or if the Stock Acquisition Date is not a business day in Tokyo, the next business day in Tokyo) falls during a period from the day that is three (3) business days prior to the Record Date (defined below) or any other date specified for determining shareholders pursuant to Article 151, Paragraph 1 of the Act on Book Entry of Corporate Bonds and Shares (Act No. 75 of 2001) (hereinafter collectively with the Record Date referred to as the "Shareholder Determination Date") in Tokyo (or, if such Shareholder Determination Date is not a business day in Tokyo, the day that is four (4) business days prior to such Shareholder Determination Date in Tokyo) (including the same date) to the Shareholder Determination Date (or, if such Shareholder Determination Date is not a business day in Tokyo, the business day following the Shareholder Determination Date in Tokyo) (including the same date). However, in the event of any change in Japanese law, regulation or practice regarding the delivery of shares upon exercise of the stock acquisition rights through the book-entry system under the Act on Book Entry of Corporate Bonds and Shares, the Company may amend the period during which the Stock Acquisition Rights may be exercised under this paragraph to reflect such change.

   The "Record Date" means a specified date designated for the purpose of granting dividends or other distributions or rights to the holders of shares by the method specified by the Articles of Incorporation of the Company or other methods specified by the Company. However, if the Company has not established such a Record Date and is required to do so, the Record Date shall be the date on which such event becomes effective.

5. The amount of increase in common stock if shares are issued upon the exercise of Stock Acquisition Rights shall be the maximum amount of increase in common stock, etc. calculated in accordance with Article 17 of the Regulations for Corporate Accounting multiplied by 0.5, with any fraction of less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of legal capital surplus to be increased shall be the amount obtained by subtracting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

6. (1) No Stock Acquisition Right may be exercised in part.
   (2) For the Zero Coupon Convertible Bonds due 2028, until (and including) June 14, 2028, only if (i) the closing price of the Company's common stock exceeds 150% of the conversion price applicable on such last trading day for 20 consecutive trading days ending on the last trading day of each calendar quarter ending on or before September 30, 2027 or if (ii) the closing price of the Company's common stock exceeds 130% of the conversion price applicable on such last trading day for 20 consecutive trading days ending on the last trading day of each calendar quarter beginning on or after October 1, 2027, the holders of the Bonds with Stock Acquisition Rights may exercise the Stock Acquisition Rights during the period from the first day of the following calendar quarter (which in the case of (i) above shall be September 28, 2023 for the calendar quarter beginning July 1, 2023) to the last day of the following calendar quarter (which in the case of (ii) above shall be June 14, 2028 for the calendar quarter beginning April 1, 2028).

For the Zero Coupon Convertible Bonds due 2030, until (and including) June 13, 2030, only if (iii) the closing price of the Company's common stock exceeds 150% of the conversion price applicable on such last trading day for 20 consecutive trading days ending on the last trading day of each calendar quarter ending on or before September 30, 2029 or if (iv) the closing price of the Company's common stock exceeds 130% of the conversion price applicable on such last trading day for 20 consecutive trading days ending on the last trading day of each calendar quarter beginning on or after October 1, 2029, the holders of the Bonds with Stock Acquisition Rights may exercise the Stock Acquisition Rights during the period from the first day of the following calendar quarter (which in the case of (iii) above shall be September 28, 2023 for the calendar quarter beginning July 1, 2023) to the last day of the following calendar quarter (which in the case of iv above shall be June 13, 2030 for the calendar quarter beginning April 1, 2030).

A "trading day" means a day on which the Tokyo Stock Exchange, Inc. is open, and does not include days on which the closing price is not announced.

However, the conditions for exercising the Stock Acquisition Rights set forth in (2) above shall not apply during the periods set forth in i, ii and iii below and during the period set forth in iv below in the event of a Parity Event (defined below).

i. During each of the following periods: (a) if the long-term issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successor (hereinafter collectively referred to as "R&I") is BBB (or a similar rating grade if the credit rating category is changed) or lower; (b) if R&I no longer assigns a long-term issuer rating to the Company; or (c) if the long-term issuer rating assigned to the Company by R&I is suspended or withdrawn, during each of the following periods.

ii. The period after the date on which the Company gives notice of early redemption of the Bonds (excluding, however, the Stock Acquisition Rights pertaining to the Bonds for which the option of early redemption has not been taken in the event that early redemption becomes possible due to a change in the taxation system as provided for in the terms and conditions of the Bonds with Stock Acquisition Rights).

iii. Unless the Company prohibits the exercise of the Stock Acquisition Rights as described in Note 4 above in conducting reorganization, etc., the period from the date on which the Company provides a notice of the said reorganization, etc. to the holders of the Bonds with Stock Acquisition Rights in accordance with the terms and conditions of the Bonds with Stock Acquisition Rights to the effective date of the said reorganization, etc.

iv. The period of 15 consecutive business days in Tokyo on and from the business day following the day on which the Company notifies the holders of the Bonds with Stock Acquisition Rights of the occurrence of a Parity Event.

A "Parity Event" is defined as any of the following cases: on any of five consecutive business days in Tokyo commencing on the third business day after the date on which notice of the occurrence of such event is received from the holders of the Bonds with Stock Acquisition Rights in Luxembourg and Tokyo, (i) the price of the Bonds with Stock Acquisition Rights determined by the Calculation Agent (defined below) based on the bid price information for the Bonds with Stock Acquisition Rights provided by Bloomberg or its successor service is less than 98% of the Closing Parity Value (defined below); (ii) if the price described in (i) above cannot be obtained, the bid price of the Bonds with Stock Acquisition Rights offered by a major financial institution selected by the Company by stipulating it in the terms and conditions of the Bonds with Stock Acquisition Rights is less than 97% of the Closing Parity Value (defined below); or (iii) the Calculation Agent determines that neither the price described in (i) above nor the bid described in (ii) above can be obtained.

"Closing Parity Value" means the amount obtained by multiplying (iv) the number obtained by dividing 10 million yen by the conversion price applicable on such date by (v) the closing price of the Company's common stock on such date.

The "Calculation Agent" is Mizuho Trust & Banking (Luxembourg) S.A.

7. (1) In the event of reorganization, etc., the Company shall make its best effort to have the Succeeding Company, etc. (defined below) succeed to its position as the primary obligor of the Bonds with Stock Acquisition Rights and deliver new stock acquisition rights in place of the Stock Acquisition Rights, in accordance with the terms and conditions of the Bonds with Stock Acquisition Rights. However, such succession and delivery shall be subject to the following conditions: (i) such succession and delivery are feasible under the laws applicable at the time, (ii) a mechanism for such succession and delivery has already been established or can be established, and (iii) the Company or the Succeeding Company, etc. can carry out such succession and delivery without incurring expenses (including taxes) that are unreasonable (as determined by the Company) from the overall perspective of the said reorganization.

In the event of such succession and delivery, the Company will make its best effort to ensure that the Succeeding Company, etc. is a listed company in Japan as of the effective date of the said reorganization, etc. The Company's duty of effort described in (1) shall not apply if the Company delivers to the financial agent a certificate to the effect that the Succeeding Company, etc. is not expected by the Company to be a Japanese listed company, for whatever reason, on the effective date of the said reorganization, etc.

"Succeeding Company, etc." means the company that is the counterparty in the reorganization, etc. and assumes the obligations of the Company with respect to the Bonds with Stock Acquisition Rights and/or the Stock Acquisition Rights.

(2) The details of the stock acquisition rights of the Succeeding Company, etc. to be delivered in accordance with the provisions of (1) above shall be as follows.

i. Number of stock acquisition rights
The number shall be the same as the number of the Stock Acquisition Rights pertaining to the Bonds with Stock Acquisition Rights remaining immediately prior to the effective date of the said reorganization, etc.

ii. Class of shares to be issued upon exercise of stock acquisition rights
The shares shall be common stock of the Succeeding Company, etc.

iii. Number of shares to be issued upon exercise of stock acquisition rights
The number of shares of common stock of the Succeeding Company, etc. to be delivered upon exercise of the

stock acquisition rights of the Succeeding Company, etc. shall be determined in accordance with 1) or 2) below, in addition to the terms and conditions of the Bonds with Stock Acquisition Rights, after taking into consideration the conditions, etc. of the said reorganization. The conversion price will be subject to a similar adjustment as in Note 3 (3) above.

1) In the event of a merger, share exchange or share transfer, the conversion price shall be determined so that the holders who would have received the number of shares of common stock of the Company upon exercise of the Stock Acquisition Rights immediately before the effective date of the said reorganization, etc. can receive the number of shares of common stock of the Succeeding Company, etc. upon exercise of stock acquisition rights of the Succeeding Company, etc. immediately following the effective date of the said reorganization. If securities or other property other than shares of common stock of the Succeeding Company, etc. are delivered upon the said reorganization, etc., the Succeeding Company, etc. shall receive a number of shares of common stock of the Succeeding Company, etc. equal to the number obtained by dividing the value of such securities or property by the market price of shares of common stock of the Succeeding Company, etc.
2) In the case of reorganization, etc. other than the above, the conversion price shall be determined so that when the stock acquisition rights of the Succeeding Company, etc. are exercised right before the effective date of the said reorganization, etc., the same economic benefit can be received as that the holders of the Bonds with Stock Acquisition Rights would have received if they exercised the Stock Acquisition Rights immediately before the effective date of the said reorganization etc.

iv. Description of assets to be contributed upon exercise of stock acquisition rights and the amount thereof
Upon exercise of stock acquisition rights of the Succeeding Company, etc., the succeeded Bonds shall be contributed, and the value of such Bonds shall be equal to the face value of the succeeded Bonds.

v. Exercise period of stock acquisition rights
The stock acquisition rights may be exercised from the later date of either the effective date of the said reorganization or the date of succession and delivery described in (1) above, to the expiration date of the exercise period of the Stock Acquisition Rights set forth in Note 4 above.

vi. Other conditions for exercise of stock acquisition rights
No stock acquisition right of the Succeeding Company, etc. may be exercised in part.

vii. Matters relating to common stock and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of stock acquisition rights
The amount of increase in common stock if shares are issued upon the exercise of stock acquisition rights of the Succeeding Company, etc. shall be the maximum amount of increase in common stock, etc. calculated in accordance with Article 17 of the Regulations for Corporate Accounting multiplied by 0.5, with any fraction of less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of legal capital surplus to be increased shall be the amount obtained by subtracting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

viii. In the event of reorganization, etc.
In the event of reorganization, etc. of the Succeeding Company, etc., the same treatment shall be applied as for the Bonds with Stock Acquisition Rights.

ix. Other
Any fractional shares resulting from the exercise of stock acquisition rights of the Succeeding Company, etc. shall be rounded down and no cash adjustment shall be made. The stock acquisition rights of the Succeeding Company, etc. may not be transferred separately from the succeeded Bonds.

(3) In the event that the Company's obligations with respect to the Bonds are assumed or succeeded to by the Succeeding Company, etc. in accordance with the provisions of (1) above, the Company shall, in addition to providing a guarantee in certain cases as set forth in the terms and conditions of the Bonds with Stock Acquisition Rights, comply with the terms and conditions of the Bonds with Stock Acquisition Rights.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable

(4) Changes in number of issued shares, share capital, etc.

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
April 1, 2023	253,220,154	379,830,231	–	31,865	–	8,998

Note: Based on the resolution of the Board of Directors meeting held on February 9, 2023, the Company conducted a three-for-one split of its common stock effective April 1, 2023. As a result, the total number of shares issued increased by 253,220,154 shares to 379,830,231 shares. There is no change in capital and legal capital surplus.

(5) Shareholding by shareholder category

As of March 31, 2024

Category	Shareholding status (number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and other	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	1	96	44	425	740	84	26,084	27,474	–
Number of shares held (units)	30	1,360,277	55,649	180,932	1,699,824	512	499,372	3,796,596	170,631
Percentage of shareholdings (%)	0.00	35.83	1.47	4.77	44.77	0.01	13.15	100.00	–

Note: Of the 8,634,175 shares of treasury stock, 86,341 units are included in "Individuals and other," and 75 shares are included in "Shares less than one unit."

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	51,967	14.00
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	30,565	8.23
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	9,265	2.50
Daifuku Supplier Shareholder Association	3-2-11 Mitejima, Nishiyodogawa-ku, Osaka	8,689	2.34
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	8,237	2.22
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing proxy: Custody Business Department, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihombashi, Chuo-ku, Tokyo)	7,825	2.11
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	7,651	2.06
STATE STREET BANK AND TRUST COMPANY 505025 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Minami, Minato-ku, Tokyo)	7,462	2.01
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Minami, Minato-ku, Tokyo)	7,010	1.89
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing proxy: Custody Business Department, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihombashi, Chuo-ku, Tokyo)	6,822	1.84
Total	–	145,493	39.20

Notes: 1. Of the above shares held, number of shares related to trust activities are as follows:

The Master Trust Bank of Japan, Ltd. (Trust Account)	51,967 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	30,565 thousand shares

2. In addition to the above, the Company has 8,634 thousand shares of treasury stock (2.27% of issued shares). Also, 544 thousand shares of the Company's shares are held by the Custody Bank of Japan, Ltd. (Trust Account E) as Board Benefit Trust (BBT). The 544 thousand shares are recognized as treasury stock in the consolidated and non-consolidated financial statements as of March 31, 2024, but are not included in the above mentioned 8,634 thousand shares of treasury stock.

3. Mizuho Bank, Ltd. has filed the Change Report of the Statement of Large-Volume Holdings (No. 31) on April 21, 2023. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Change Report is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
Mizuho Bank, Ltd. and one other company	1-5-5 Otemachi, Chiyoda-ku, Tokyo	20,665	5.44

4. Sumitomo Mitsui Trust Bank, Limited has filed the Change Report of the Statement of Large-Volume Holdings (No. 6) on July 6, 2023. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Change Report is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited and two other companies	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	20,229	5.33

5. BlackRock Japan Co., Ltd. has filed the Change Report of the Statement of Large-Volume Holdings (No. 1) on July 19, 2023. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Change Report is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
BlackRock Japan Co., Ltd. and eight other companies	1-8-3 Marunouchi, Chiyoda-ku, Tokyo	23,185	6.10

6. Nomura Securities Co., Ltd. has filed the Statement of Large-Volume Holdings on November 8, 2023. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Statement of Large-Volume Holdings is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
Nomura Securities Co., Ltd. and two other companies	1-13-1 Nihombashi, Chuo-ku, Tokyo	19,666	5.03

7. Mitsubishi UFJ Financial Group Inc. has filed the Change Report of the Statement of Large-Volume Holdings (No. 14) on April 1, 2024. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Change Report is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
MUFG Bank, Ltd. and two other companies	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	17,974	4.73

8. GOLDMAN SACHS JAPAN CO., LTD. has filed the Statement of Large-Volume Holdings on April 5, 2024. The company is not included in the above list of major shareholders because we were unable to confirm the actual number of shares held as of March 31, 2024. The detail of the Statement of Large-Volume Holdings is as follows:

Name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (%)
GOLDMAN SACHS JAPAN CO., LTD. and four other companies	Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo	20,355	5.36

(7) Voting rights

i. Issued shares

As of March 31, 2024

Category	Number of shares	Number of voting rights	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury stock, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 8,634,100	–	–
Shares with full voting rights (other)	Common stock 371,025,500	3,710,255	–
Shares less than one unit	Common stock 170,631	–	Shares less than one unit (100 shares)
Total number of shares issued	379,830,231	–	–
Voting rights held by all shareholders	–	3,710,255	–

Notes: 1. Seventy-five (75) shares of treasury stock are included in shares less than one unit.

2. "Shares with full voting rights (other)" includes 544,400 shares (5,444 voting rights) of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of Board Benefit Trust (BBT) as of March 31, 2024.

ii. Treasury stock, etc.

As of March 31, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the name of other	Total number of shares held	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) Daifuku Co., Ltd.	3-2-11 Mitejima, Nishiyodogawa-ku, Osaka, Japan	8,634,100	–	8,634,100	2.27
Total	–	8,634,100	–	8,634,100	2.27

Note: In addition to the above, 544,400 shares are recognized as treasury stock in the consolidated and non-consolidated financial statements. This reflects the accounting treatment that recognizes the Company and the Custody Bank of Japan, Ltd. (Trust Account E) (hereinafter "Trust Account") as a single entity under BBT plan, requiring for an entry that treats the Company's stock transferred to the Trust Account as treasury stock.

(8) Share ownership plan for Directors and other Officers and employees

Share ownership plan for officers

i. Outline of share ownership plan for officers

On August 26, 2016, the Company introduced Board Benefit Trust (BBT) plan (the "Plan") as equity compensation scheme, based on the resolution passed at the 100th Ordinary General Meeting of Shareholders held on June 24, 2016 and the Board of Directors meeting that followed.

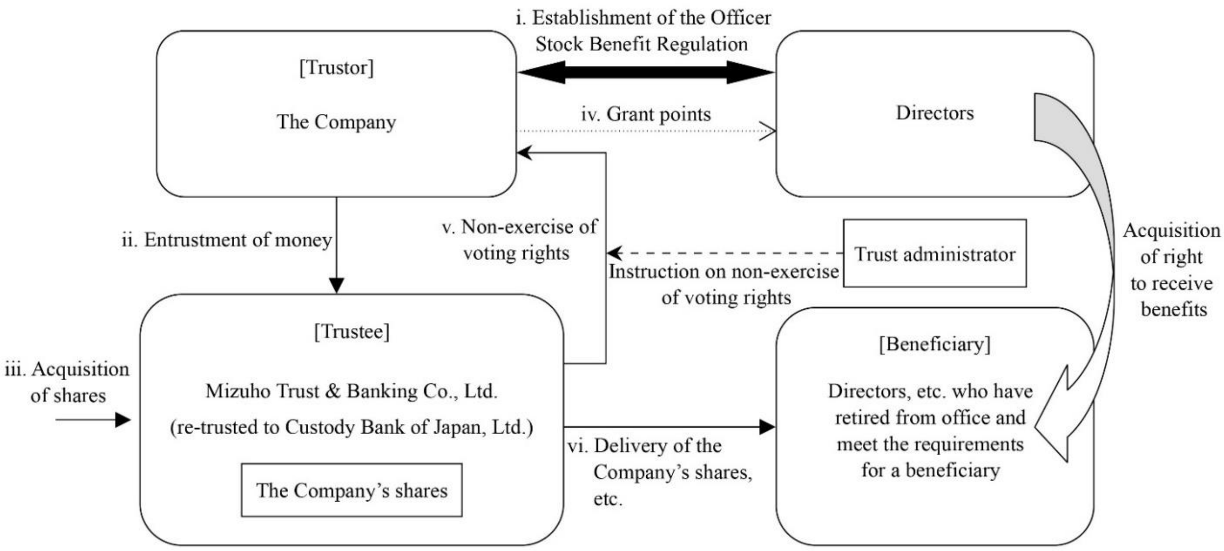
The Plan covers directors and corporate officers of the Company (excluding outside directors) ("Directors, etc.") and intends to further clarify the linkage of the remuneration with the Company's business performance as well as its stock value, which enables Directors, etc. to share not only the benefit of increase in stock value but also the risk of decrease in stock value with shareholders. By doing so, it is expected to motivate Directors, etc. to contribute to improving the Company's business performance in the medium and long terms and boosting corporate value.

The Plan is a performance-linked equity compensation scheme, under which the Company's stock is acquired through a trust (hereinafter a trust set up under the Plan is referred to as the "Trust") using the funds contributed by the Company, and distributed to Directors, etc. through the Trust in accordance with the Company's Officer Stock Benefit Regulations. The Company's shares, etc. are provided to Directors, etc., in principle, upon their retirement.

A resolution to make an additional contribution for the continuation of the Plan was passed at the Board of Directors meeting held on November 8, 2019 and on November 8, 2023, respectively, and treasury stock was disposed through third-party allotment.

The scheme of the Plan is as follows.

Overview of Board Benefit Trust (BBT)



i. Resolution regarding executive remuneration under the Plan was passed at the 100th Ordinary General Meeting of Shareholders, and the Company established the Officer Stock Benefit Regulation within the framework approved at the meeting.
ii. The Company entrusts money within the amount approved at the meeting mentioned in "i".
iii. Using the money entrusted under "ii", the Trust acquires the Company's shares either from stock market or by underwriting the disposition of the Company's treasury stock.
iv. The Company grants points to Directors, etc. based on the Company's Officer Stock Benefit Regulation.
v. In accordance with the instructions from the independent trust administrator, the Trust will not exercise the voting rights attached to the Company's shares in the Trust's account.
vi. The Trust distributes the Company's shares to retired Directors, etc. who meet the beneficiary requirements set forth in the Officer Stock Benefit Regulation (the "Beneficiaries"), based on the points granted to them. Provided, however, if the Directors, etc. meet the requirements stipulated separately in the Officer Stock Benefit Regulation, they shall receive a certain portion of the points granted in cash in lieu of the Company's shares, in the amount converted using the market price of the Company's shares as of their retirement date.

ii. The total number of shares to be acquired by the Trust

The total number of shares to be acquired by the Trust is 450,000 shares.

90,000 shares on August 26, 2016

90,000 shares on November 25, 2019 (additional contribution)

270,000 shares on November 24, 2023 (additional contribution)

Shares to be acquired going forward are undecided.

iii. Persons eligible to receive beneficiary rights and other rights under the Plan

Retired Directors, etc. who satisfy the beneficiary requirements stipulated in the Officer Stock Benefit Regulation.

2. Acquisition and Disposal of Treasury Stock

Class of shares, etc.: Acquisition of common stock under Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable

(2) Acquisition by resolution of Board of Directors meeting

Acquisition in accordance with the provision of Article 156 of the Companies Act, as applied by replacing terms pursuant to the provision of Article 165, paragraph 3 of the said Act

Category	Number of shares	Total value (yen)
Resolution at Board of Directors meeting (August 29, 2023) (Acquisition period: from August 30, 2023 to December 31, 2023)	10,000,000	20,000,000,000
Treasury stock acquired during the fiscal year ended March 31, 2024	7,439,800	19,999,924,335
Total number and total value of residual shares subject to resolution	–	–
Unexercised ratio as of March 31, 2024 (%)	25.60%	0.00%
Treasury stock acquired during the current period (from April 1, 2024 to the filing date of this Annual Securities Report)	–	–
Unexercised ratio as of the filing date (%)	–	–

Notes: 1. The method of purchase of treasury stock is market purchase (including an off-auction share repurchase transaction) on the Tokyo Stock Exchange.

2. The said purchase of treasury stock was completed on October 5, 2023 (contractual basis).

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Category	Number of shares	Total value (yen)
Treasury stock acquired during the fiscal year ended March 31, 2024	1,928	5,224,099
Treasury stock acquired during the current period (from April 1, 2024 to the filing date of this Annual Securities Report)	307	982,324

Notes: 1. Shares acquired by purchase of shares less that one unit during the period from June 1, 2024 to the filing date of this Annual Securities Report are not included in treasury stock acquired during the current period.

2. Shares acquired through the Custody Bank of Japan, Ltd. (Trust Account E) are not included in treasury stock acquired.

(4) Disposal of acquired treasury stock and number of treasury stock held

Category	Fiscal year ended March 31, 2024		Current period (from April 1, 2024 to the filing date of this Annual Securities Report)	
	Number of shares	Total amount disposed (yen)	Number of shares	Total amount disposed (yen)
Acquired treasury stock offered to subscribers for subscription	–	–	–	–
Acquired treasury stock canceled	–	–	–	–
Acquired treasury stock transferred for merger, share exchange, share delivery or company split	–	–	–	–
Other (sale due to the request for purchase of shares less than one unit of shares) (Additional contribution to Board Benefit Trust (BBT))	158 270,000	106,990 620,417,319	5 –	11,489 –
Treasury stock held	8,634,175	–	8,634,477	–

Notes: 1. Shares acquired due to purchase or sales of shares less than one unit of shares during the period from June 1, 2024 to the filing date of this Annual Securities Report are not included in the other (sale due to the request for purchase of shares less than one unit of shares) and treasury stock held during the current period.

2. At a meeting of the Board of Directors held on November 8, 2023, the Company resolved to dispose of its treasury stock

through third-party allotment associated with an additional monetary contribution to Board Benefit Trust (BBT) and disposed of 270,000 shares of treasury stock through third-party allotment on November 24, 2023.

3. The number of shares of treasury stock disposed of mentioned above does not include 57,600 shares (28,100 shares for the fiscal year ended March 31, 2024, 29,500 shares for the current period) distributed from the Custody Bank of Japan, Ltd. (Trust Account E) to the Beneficiaries based on the Officer Stock Benefit Regulation established by the Company. The treasury stock held does not include shares held by the Custody Bank of Japan, Ltd. (Trust Account E) (544,400 shares for the fiscal year ended March 31, 2024, 502,400 shares as of the end of the current period).
4. The Company conducted a three-for-one split of its common stock effective April 1, 2023. As a result of the stock split, the number of shares of treasury stock held for the fiscal year ended March 31, 2024 increased by 975,070 shares.

3. Dividend Policy

The Company regards the return of profits to shareholders as its most important management task and adopts a performance-based policy for cash dividends based on consolidated net income. The Company appropriates the remaining surplus to internal reserves for future growth.

As part of its Value Transformation 2023 three-year business plan that began in April 2021, the Company has aimed to increase corporate value by investing in growth and to achieve a consolidated payout ratio of 30% or more on a three-year average.

Our basic policy on dividends from surplus is to make two payments annually, interim dividend and year-end dividend. Decision making body for dividends is the Board of Directors for both interim and year-end.

For the year ended March 31, 2024, at a meeting held on May 10, 2024 the Board of Directors passed a resolution to make the annual dividend payment of 40 yen per share (interim dividend of 14 yen and year-end dividend of 26 yen), an increase of 3 yen from our initial plan.

To flexibly pay dividends from surplus, the Articles of Incorporation of the Company stipulate that the Board of Directors shall determine the dividend to be paid from surplus without requiring a resolution from the General Meeting of Shareholders regarding matters stipulated in Article 459, Paragraph 1 of the Companies Act (the provision of articles of incorporation that permits the Board of Directors to decide dividends payments from surplus), except when otherwise provided for in separate laws or regulations. Whereas the Articles of Incorporation stipulated the record dates for dividends from surplus to be March 31 and September 30, at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024, a proposal on partial amendments to the Articles of Incorporation was resolved and provisions of the Articles of Incorporation for the record dates for dividends from surplus were amended to December 31 and June 30.

Dividends of surplus whose record date falls within the year ended March 31, 2024 are as follows:

Resolution date	Aggregate dividends (million yen)	Dividend per share (yen)
Resolved by the Board of Directors on November 8, 2023	5,197	14
Resolved by the Board of Directors on May 10, 2024	9,651	26

4. Corporate Governance

(1) Overview of corporate governance

i. Basic stance on corporate governance

Based on the Group's management philosophy, "Automation that Inspires," we aim to inspire society and enhance well-being through our core competence–automated material handling technology. To achieve this goal, we are striving to continuously enhance corporate governance.

As a company with an Audit & Supervisory Board, the Company's principle is to enhance management oversight and internal audit functions by appointing Audit & Supervisory Board members each of whom works independently and the Audit & Supervisory Board. As well as strengthening management oversight functions through the establishment of the Advisory Committee, the majority of whose members are outside directors, appointment of outside directors and outside members of the Audit & Supervisory Board, etc., the Company strives to enhance effectiveness of corporate governance through the establishment of a system for transparent, fair, and prompt decision-making, etc.

This basic stance is described in "Daifuku Group Basic Policy for Corporate Governance" and disclosed on the Company's website with "Disclosure Based on the Principles of Japan's Corporate Governance Code."

For more information, please refer to the following page:

Daifuku Group Basic Policy for Corporate Governance

https://www.daifuku.com/ir/assets/governance_policy_e.pdf

Disclosure Based on the Principles of Japan's Corporate Governance Code

https://www.daifuku.com/ir/assets/governance_initiative_e.pdf

ii. Enhancement of the corporate governance system

In recent years, we have implemented measures for enhancement of corporate governance system focusing on the following.

Since the Board of Directors is both a place for important decision-making and monitoring decision-making, the Company places importance on the diversity of the Board of Directors so that important matters can be examined from various perspectives. As a result of such effort, ten (10) members now compose the Board of Directors, including five (5) inside directors and five (5) outside directors (including one (1) female director and one (1) foreign director) elected at the Ordinary General Meeting of Shareholders held on June 21, 2024. Outside directors account for 50%, and female directors and foreign directors account for 10% of the Board of Directors, respectively.

Table: Structure of the Board of Directors

	June 2020	June 2021	June 2022	June 2023	June 2024
Number of directors [number and percentage of outside directors]	8 [4, 50%]	9 [4, 44%]	9 [4, 44%]	10 [5, 50%]	10 [5, 50%]
Number of female directors [percentage]	1 [13%]	1 [11%]	1 [11%]	1 [10%]	1 [10%]
Number of foreign national directors [percentage]	– [–%]	– [–%]	– [–%]	1 [10%]	1 [10%]

iii. Major initiatives implemented to strengthen corporate governance

Year of implementation	The Company's initiatives
Fiscal year ended March 31, 2012	Introduced corporate officer system
Fiscal year ended March 31, 2013	Appointed one (1) outside director
Fiscal year ended March 31, 2015	Appointed two (2) outside directors
Fiscal year ended March 31, 2016	Conducted evaluation of Board of Directors' effectiveness and disclosed results
Fiscal year ended March 31, 2017	Established Advisory Committee Formulated independence standards Introduced Board Benefit Trust (BBT) Established Daifuku Corporate Governance Guidelines Examined cross-shareholdings and clarified standard of exercising voting rights
Fiscal year ended March 31, 2020	Appointed one (1) female director (outside) Introduced audit officer system, established Audit Division
Fiscal year ended March 31, 2021	Established Audit & Supervisory Board Office
Fiscal year ended March 31, 2022	Disclosed the status of the Company's correspondence to all items in the Corporate Governance Code
Fiscal year ended March 31, 2023	Disclosed the skill matrix of directors Made a listed subsidiary into a wholly owned subsidiary (dissolved parent-subsidiary listings)
Fiscal year ended March 31, 2024	Appointed one (1) foreign national director (outside) Established new C-suite roles

iv. Overview of the corporate governance system and reasons for adoption of the system

(i) Overview of the corporate governance system

Daifuku is a company with an Audit & Supervisory Board. The Company enhances its corporate governance framework to oversee and supervise business execution by developing a Board of Directors consisting of ten (10) members, including five (5) outside directors, and the Audit & Supervisory Board consisting of four (4) members, three (3) of whom are elected from outside the Company. Independent outside directors account for one-third of the members of the Board of Directors. Taking diversity of the Board of Directors into consideration, one (1) female director and one (1) foreign national director have been appointed. To ensure transparency and fairness of management, the Company has an Advisory Committee, which deliberates on the nomination, election and dismissal, and the remuneration of the management team members. In addition, to encourage rapid operational decision-making, the Company has introduced a corporate officer system.

Furthermore, effective from the fiscal year ended March 31, 2024, the Company introduced new C-suite roles for our chief officers to further strengthen governance. By delegating authority of the President and CEO and clarifying the division of responsibilities after the delegation, flexible business execution and swift decision-making are pursued.

Audit & Supervisory Board members, together with the Audit & Supervisory Board Office, further strengthen cooperation between the Audit Division and the accounting auditor to deepen and streamline audit work. The Company has also introduced an audit officer system to strengthen auditing functions. To enhance the effectiveness of audits conducted by Audit & Supervisory Board members and the Audit & Supervisory Board, the Company has established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members and appointed an audit officer of the same rank as a corporate officer as the general manager of the Office.

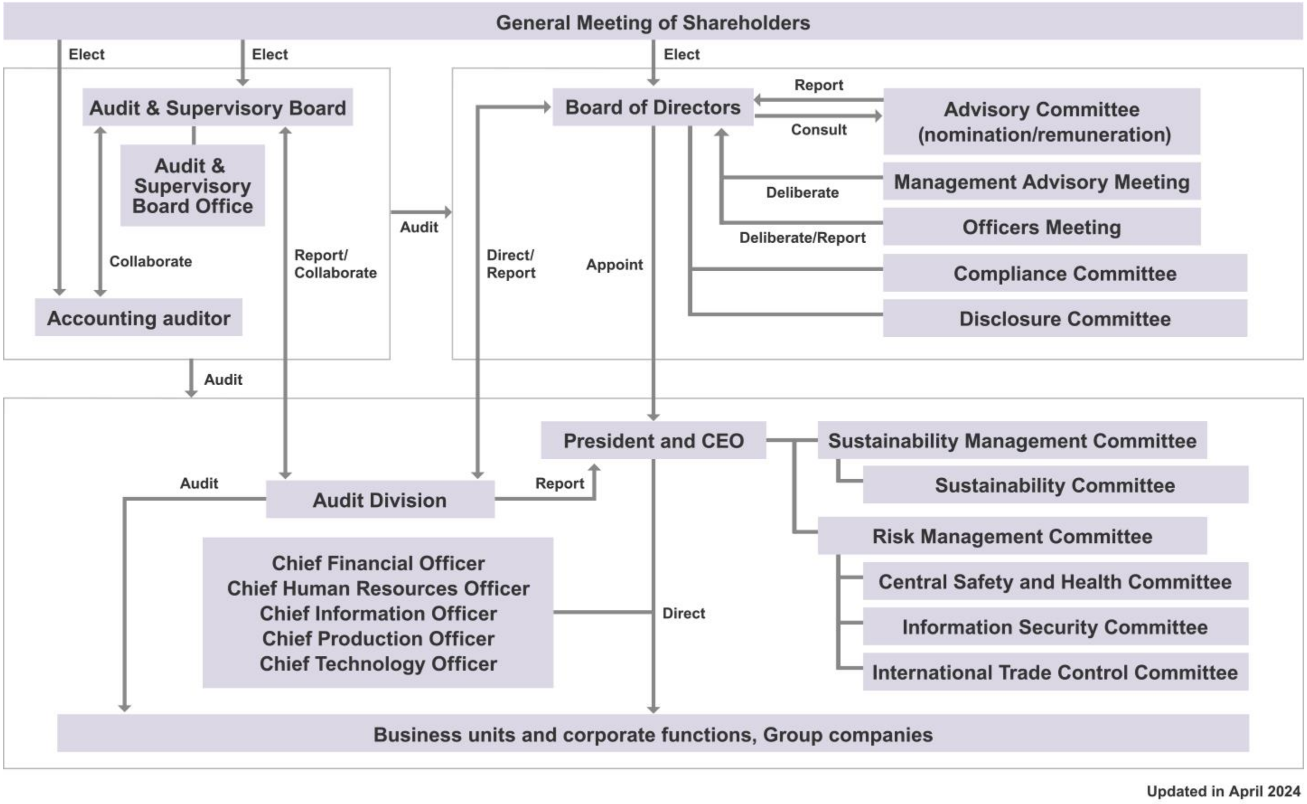
The Audit Division reports to the Board of Directors and the Audit & Supervisory Board. Standing in a position that is independent from the business execution lines, the Audit Division conducts audits of the status of the development and operation of internal control systems in the Group.

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

(ii) Reasons for adoption of the current corporate governance system

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

Figure: Corporate governance system



(iii) Matters pertaining to corporate governance

Basic overview of corporate organizations

a. Board of Directors

The Company's Board of Directors makes decisions on matters related to important business execution, such as formulation of basic management policies and management strategies for sustainable growth of the Group and medium- to long-term enhancement of corporate value, in accordance with the agenda items to be discussed at meetings of the Board of Directors and matters to be reported to the Board of Directors as stipulated in the internal rules, and also performs management oversight functions. The Board of Directors' management oversight functions have been strengthened by having several independent outside directors who have abundant experience and extensive knowledge and have no vested interest in the Company. Inside directors and outside directors engage in free and vigorous discussions, and the Board of Directors appropriately fulfills its role of making important decisions and overseeing business execution.

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

Skill matrix

Skills of the Board of Directors as of the filing date of the Annual Securities Report are as follows.

Name	Independence	Expertise/Experience						
		Corporate management	Technology	Finance, accounting	Legal affairs, risk management	Sales, marketing	Global	Environment, society, governance
Hiroshi Geshiro		✓			✓	✓	✓	✓
Seiji Sato		✓				✓	✓	
Hiroshi Nobuta		✓	✓				✓	
Hideaki Takubo		✓		✓	✓		✓	✓
Tomoaki Terai		✓	✓			✓	✓	
Yoshiaki Ozawa	✓			✓			✓	✓
Mineo Sakai	✓	✓		✓			✓	✓
Kaku Kato	✓	✓			✓		✓	✓
Keiko Kaneko	✓				✓		✓	✓
Gideon Franklin	✓	✓		✓			✓	✓

Notes: 1. In Expertise/Experience, up to five skills of individuals are marked with "✓".

2. The above list does not represent all of the knowledge, experience, and abilities of individuals.

The Board of Directors meetings are attended by all directors and Audit & Supervisory Board members, with a senior managing officer, managing officers and an audit officer joining as observers. The President and CEO serves as the chair of the Board of Directors. The Company holds regular monthly meetings of the Board of Directors, with extraordinary meetings convened, as necessary. In the fiscal year ended March 31, 2024, the Company held extraordinary meetings of the Board of Directors on four occasions.

Table: Attendance rate at meetings of the Board of Directors for the fiscal year ended March 31, 2024

<table>
<tr><th>Title</th><th>Name</th><th>Attendance rate
(number of attendance/number of meetings held)</th></tr>
<tr><td>President and CEO</td><td>Hiroshi Geshiro</td><td rowspan="3">100% (16/16)</td></tr>
<tr><td rowspan="5">Directors</td><td>Seiji Sato</td></tr>
<tr><td>Hiroshi Nobuta</td></tr>
<tr><td>Hideaki Takubo</td><td>100% (11/11)</td></tr>
<tr><td>Shuichi Honda</td><td>100% (5/5)</td></tr>
<tr><td>Toshiaki Hayashi</td><td rowspan="5">100% (16/16)</td></tr>
<tr><td rowspan="5">Outside Directors</td><td>Yoshiaki Ozawa</td></tr>
<tr><td>Mineo Sakai</td></tr>
<tr><td>Kaku Kato</td></tr>
<tr><td>Keiko Kaneko</td></tr>
<tr><td>Gideon Franklin</td><td>100% (11/11)</td></tr>
<tr><td>Audit & Supervisory Board Members (full-time)</td><td>Tsukasa Saito</td><td rowspan="2">100% (16/16)</td></tr>
<tr><td rowspan="3">Audit & Supervisory Board Members (outside)</td><td>Ryosuke Aihara</td></tr>
<tr><td>Tsukasa Miyajima</td><td>93% (15/16)</td></tr>
<tr><td>Nobuo Wada</td><td>100% (16/16)</td></tr>
</table>

Notes: 1. Mr. Hideaki Takubo and Mr. Gideon Franklin assumed the office of director and the office of outside director, respectively, at the conclusion of the ordinary general meeting of shareholders held on June 23, 2023.
2. Mr. Shuichi Honda resigned from the office of director at the conclusion of the ordinary general meeting of shareholders held on June 23, 2023.
3. Mr. Ryosuke Aihara resigned from the office of Audit & Supervisory Board Member at the conclusion of the ordinary general meeting of shareholders held on June 21, 2024.

Main agenda for Board of Directors meetings

Long-term vision “Driving Innovative Impact 2030” and four-year business plan for 2027, revision of Daifuku Environmental Vision 2050, acquisition of treasury stock, selection of members of the Advisory Committee, offering of bonds, personnel changes concerning directors, progress and results of the business plan, status of activities of the Advisory Committee, etc., status of cross-shareholdings, promotion of sustainability initiatives, etc.

Evaluation of the Board of Directors’ effectiveness

The Company regularly examines the structure and operational status of the Board of Directors and evaluates its effectiveness. The Company works to continuously strengthen functions and improve effectiveness by addressing issues identified from the evaluation results.

In the effectiveness evaluation conducted in the fiscal year ended March 31, 2024 as well, the Company ensures objectivity and independence of the effectiveness evaluation by obtaining support from an external evaluation body at key points in the process, such as conducting questionnaires and interviews and analyzing survey results.

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

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

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

Measures to improve effectiveness concerning issues identified in the fiscal year ended March 31, 2023 and analysis of evaluation results

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

A. With respect to the issue of "ensuring diversity of core human resources," the survey results showed improvement, as a result of improvements, such as expanding early female leaders development program eligibles, from assistant managers to candidates of assistant manager positions, to increase the number of female candidates for managerial positions.
B. With regard to "diversity in the composition of the Board of Directors," the survey results showed improvement, as we appointed a foreign national director. We will continue to deepen discussions on the ideal form and necessary composition of the Board of Directors based on the management strategy.
C. The majority of respondents to the survey evaluated the "execution of business portfolio strategies" as being adequately overseen. On the other hand, with regard to "periodic review of the Group's overall business portfolio," some respondents indicated a request for continued consideration of this issue.

Recognition of issues and future initiatives

A. We identified the "reviewing the Group's overall business portfolio from the perspective of ensuring sustainable profitability and cost of capital" as an issue to be addressed in the fiscal year ended March 31, 2024 following the previous fiscal year. The Board of Directors will seek more sophisticated management system, in light of the issues that need to be discussed with greater awareness of cost of capital and return on capital.
B. With regard to the "training of successor candidates," to achieve medium- to long-term growth and sustainable enhancement of corporate value, we will continue to consider the target employees and contents of training system for successor candidates, in addition to enhancing training for officers based on their skills in light of the management strategy.

b. Advisory Committee

The Company has established a voluntary Advisory Committee as an advisory body to the Board of Directors regarding nomination and remuneration of directors and corporate officers. Specifically:

- The Advisory Committee consists of three or more members, including one or more representative directors and one or more outside directors, and meets three times or more a year. During the fiscal year ended March 31, 2024, all five (5) outside directors and one (1) representative director served on the Committee and met nine times (three times for nomination and six times for remuneration). The involvement of multiple outside directors in the decision-making process regarding nomination and remuneration of directors and officers enhances transparency and objectivity and serves to ensure fairness of nomination and compensation of directors and officers.
- An outside director serves as the chair of the Advisory Committee.
- The Advisory Committee on nomination considers and deliberates on selection and dismissal of representative directors, selection and dismissal of corporate officers and audit officers, nomination of candidates for director and candidates for Audit & Supervisory Board members, and plans and reports on development of successors, etc. These matters are resolved by the Board of Directors based on reporting by this committee.
- The Advisory Committee on remuneration considers and deliberates on the standards for basic remuneration of executive remuneration, evaluation standards for bonuses and stock compensation, and the process for determining nomination and remuneration, and these matters are resolved by the Board of Directors based on reporting by this committee.

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

<table>
<tr><th>Role</th><th>Name</th><th>Type of officer</th><th>Attendance rate (number of attendance/number of meetings held)</th></tr>
<tr><td>Chair</td><td>Yoshiaki Ozawa</td><td rowspan="5">Outside Directors</td><td rowspan="4">100% (9/9)</td></tr>
<tr><td rowspan="5">Members</td><td>Mineo Sakai</td></tr>
<tr><td>Kaku Kato</td></tr>
<tr><td>Keiko Kaneko</td></tr>
<tr><td>Gideon Franklin</td><td>100% (7/7)</td></tr>
<tr><td>Hiroshi Geshiro</td><td>Representative Director</td><td>100% (9/9)</td></tr>
</table>

Mr. Gideon Franklin assumed the office of outside director at the ordinary general meeting of shareholders held on June 23, 2023. In the fiscal year ended March 31, 2024, the Advisory Committee met seven times on or after June 23, 2023.

Main agenda for Advisory Committee meetings

- Nomination matters: personnel matters for the General Meeting of Shareholders, personnel matters for officers, corporate governance system, etc.
- Remuneration matters: executive remuneration system, evaluation of performance bonuses for officers and Board Benefit Trust (BBT), verification of levels of executive remuneration, etc.

In the fiscal year ended March 31, 2024, the Advisory Committee had vigorous discussion on the design of a new executive remuneration system, including the introduction of ESG indicators for the calculation of executive remuneration, in addition to agenda items, such as personnel matters for the General Meeting of Shareholders, nomination of corporate officers, and corporate governance system. For more information on new executive remuneration, please refer to the following section: (4) Executive remuneration.

c. Audit & Supervisory Board

For more information on Audit & Supervisory Board members and meetings, please refer to the following section: (3) Audits.

d. Other bodies, etc.

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

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

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

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

The Company considers that a transition to a company with an audit and supervisory committee or a company with a nomination committee is an issue that we should examine in the future.

e. Various committees

Besides the Advisory Committee, the Company has set up the following 12 committees to identify and resolve issues common throughout the Group.

Committee name	Committee's role
Compliance Committee	The committee consists of all directors and corporate officers and works to strengthen compliance in the entire Group by the committee members' sharing potential or newly emerging issues related to compliance, examining measures and systems to resolve and settle such issues, and reflecting the results of the examination in their respective responsible organizations.
Disclosure Committee	The committee works to develop and enhance the timely disclosure system to timely disclose appropriate information in accordance with the Financial Instruments and Exchange Act and other related laws and regulations.
Sustainability Management Committee	The committee discusses important management strategies for the Group and confirms the progress and results of business plans to achieve more sophisticated management. The aim is to achieve the management from the perspective of management that takes both business and sustainability perspectives into account, with an emphasis on creating corporate value over the medium to long term based on a future-oriented approach.
Sustainability Promotion Committee	To meet increasing demands to address a wider range of ESG (environment, society, governance), SDGs, and other social issues, as a subordinate committee of the Sustainability Management Committee, the committee promotes Groupwide initiatives for the Group's ESG-related issues on a practical level based on management strategies.
Risk Management Committee	The committee promotes Group-wide risk management activities for critical risks that would significantly affect the Group's corporate activities and works to design countermeasures for risks and develop and enhance policies, regulations, systems, etc. based on critical risks identified and assessed through risk assessments regularly conducted.
Central Safety and Health Committee	The committee promotes and makes employees aware of efforts for compliance with relevant laws and regulations, elimination of industrial accidents and transport disasters as the Group's supreme deliberative body for safety and health control matters.
Information Security Committee	The committee establishes and revises regulations and reviews and implements measures for information security to ensure and maintain information security risk management for the entire Group based on its understanding of potential information security risks inside and outside the Group. Upon occurrence of an incident, the committee will promptly respond in cooperation with relevant units.
International Trade Control Committee	The committee develops and enhances systems for managing compliance in international transactions to ensure the compliance with laws and regulations including those for security, related to import, export, intermediate trade, and other general international transactions.
Supply Chain Management Committee	The committee strives to ensure thorough compliance in production and construction-related operations (design, procurement, manufacturing, construction, maintenance, etc.) and promotes the Group's sustainable procurement activities and supply chain optimization.
Mental and Physical Health Promotion Committee	Mental and physical health issues are becoming more and more prominent in society against the background of changes in the industrial structure and qualitative changes in workplaces. To prevent employees' mental and physical illness, the committee promotes Groupwide activities with the aim of promoting employees' health.
Work-Style Reforms Committee	The committee promotes work-style reforms in the entire Group to achieve employees' work-life balance and improve productivity as measures to address issues such as a demographic shift and harmful effects from long working hours, and promotion of taking advantage of diversified human resources.
Pension Assets Management Committee	The committee provides appropriate advice to a pension assets manager and other who are responsible for executing duties related to the management and investment of pension assets, with respect to important matters to manage the Company's defined benefit pension plan assets safely and effectively.

v. Other matters regarding corporate governance

(i) Status of development of an internal control system

The following describes the content of decisions taken by the Board of Directors regarding the internal control system to ensure the appropriateness of business operations for the fiscal year ending December 31, 2024.

System to ensure appropriateness of business operations, etc.

a. System to ensure that the performance of duties by directors and employees complies with laws and regulations and the Articles of Incorporation of the Company

i) Directors shall take the lead in observing the Group Code of Conduct (hereinafter referred to as the “Code”), which aims for compliance with laws and regulations, the Articles of Incorporation of the Company, the internal rules and regulations, and social norms, and strive to achieve a thorough understanding of the Code within the Company.

ii) The Company shall ensure compliance with laws and regulations in its corporate activities and raise and improve awareness of fairness and morality, by setting the Compliance Committee consisting of all directors and corporate officers.

iii) 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.

iv) 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.

v) 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.

b. System to store and manage information related to the execution of duties by directors

The Company shall properly store and manage the minutes of general shareholders’ meetings and meetings of the Board of Directors, records, and other information related to the execution of duties by the directors in accordance with the Document Management Rules and other internal rules and regulations.

c. Rules and regulations, and other systems for managing the risk of losses

i) For the timely and appropriately control of risks that may affect the achievement of management goals of the Group, the Company shall develop policies, regulations, and systems, while the Risk Management Committee shall promote overall risk management activities for critical risks that affect corporate activities.

ii) The Company shall develop a business continuity plan (BCP) promotion system in preparation for an emergency, implement preventive measures, education, training, etc., and promote regular inspections under the plan and correction of deficiencies.

iii) The Company shall establish regulations on information security that stipulate the system necessary for maintenance and management of information security, functions and authorities of organizations to promote information security and handling methods of information assets, thereby protecting information assets owned by the Group.

d. System to ensure the efficient execution of duties by directors

i) The Board of Directors shall formulate management goals, business plans, and other managerial policies of the entire Group to be shared by the officers and employees and seek to instill them throughout the Group.

ii) The Company shall introduce a corporate officer system. Management functions shall be separated into two: the management decision-making and supervision functions of the Board of Directors and the business execution functions of corporate officers. Corporate officers shall formulate specific goals and measures for their own units in light of the management goals determined by the Board of Directors and execute operations to achieve those goals.

e. System to ensure the appropriateness of business operations of the Group comprising the Company and its subsidiaries

i) In accordance with the Code shared by the Group, officers and employees of the Group shall comply with relevant laws, the Articles of Incorporation of the Company, internal regulations, and social norms to act with integrity.

ii) In accordance with the Group Governance Rules, the Company shall appoint officers in charge of subsidiaries and ensure the appropriateness of the business operations of the entire Group by providing instructions, and advice through these officers on all aspects of the management of its subsidiaries across the globe.

iii) Standing in a position that is independent from the business execution lines, the Audit Division shall conduct audits of the appropriateness of the status of development and operation of internal control systems in the Group.

iv) In accordance with laws and regulations, the Company and the entire Group shall take a resolute attitude toward anti-social forces and groups that threaten the order and safety of civil society. In addition, the Company shall strive to develop and disseminate anti-bribery regulations, etc. in response to compliance risk on a global level.

f. Matters related to employees who should assist with the duties of the Audit & Supervisory Board members, matters related to the independence of the employees from the directors, and matters related to ensuring the effectiveness of instructions issued to the employees

i) The Company shall establish an Audit & Supervisory Board Office staffed with employees assigned to assist with the duties of Audit & Supervisory Board members.

ii) The Company shall respect the opinions of Audit & Supervisory Board members when making personnel decisions relating to the Audit & Supervisory Board Office and the Audit Division. The Company also shall consider the independence of the Audit & Supervisory Board Office as part of its endeavor to ensure the effectiveness of instructions given to Audit & Supervisory Board Office employees.

g. System to enable directors and employees of the Company and its subsidiaries to submit reports to Audit & Supervisory Board members, and a system to ensure any person who has submitted a report is not treated disadvantageously as a result

i) Directors and employees, etc. of the Company and its subsidiaries shall report the following matters to the Audit & Supervisory Board members:

(i) Matters that may cause significant damage to the Group
(ii) Important matters pertaining to business circumstances on a monthly basis
(iii) Important matters relating to the status of internal audits and risk management
(iv) Serious violations of laws or the Articles of Incorporation of the Company
(v) Other significant compliance-related matters

ii) The Group shall not take any adverse actions against directors, employees, etc. who reported to the Audit & Supervisory Board members on the grounds that they provided information to the said members.

iii) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall attend meetings of the Board of Directors of subsidiaries and other major meetings to collect information and ensure the effectiveness of audits.

h. Other systems to ensure the effective execution of audits by Audit & Supervisory Board members

i) In accordance with auditing standards of the Audit & Supervisory Board, Audit & Supervisory Board members shall hold regular opinion exchange forums with the representative directors and outside directors on important audit issues, etc.

ii) Audit & Supervisory Board members shall receive regular reports on audit plans and results from the Audit Division and request investigations, as necessary.

iii) Audit & Supervisory Board members shall direct the Audit & Supervisory Board Office to enhance the effectiveness of audits and ensure the smooth execution of audit duties.

iv) Audit & Supervisory Board members and the Audit & Supervisory Board shall meet regularly with the accounting auditor to maintain close contact and conduct effective and efficient audits.

v) The Audit & Supervisory Board may request the Company to make advance payment or reimbursement of expenses required for conducting audits, including the use of legal and accounting specialists.

Reference: Overview of the operational status of systems to ensure the appropriateness of business affairs for the fiscal year ended March 31, 2024

a. System to ensure that the performance of duties by directors and employees complies with laws and regulations and the Articles of Incorporation of the Company

i) We have prepared the Compliance Guidebook (hereinafter referred to as the "Guidebook") that clearly explains the Code in several languages and made it accessible, with the aim of ensuring that all officers and employees of the Group across the globe are fully aware of the Code. The Guidebook also explains the Group's approach to compliance as well as specific cases. It contains a message from the top management that compliance refers not only to legal compliance but also social norms and other ethical issues. We make various efforts such as providing training to instill the approach in all officers and employees.

ii) In the fiscal year ended March 31, 2024, as compliance-related activities, we distributed content on the theme of respecting human rights to raise awareness throughout the Group. Also, we delivered e-learning programs that included questions reviewing the content of the past three years, mainly on anti-bribery and antitrust laws. In addition, in October, the month for compliance awareness, we introduced case studies of misconduct and solicited entries for compliance *senryu* poems under the theme of preventing misconduct to raise and instill compliance awareness at the individual level.

iii) In internal audits, 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, internal rules and regulations, and the acceptance of risk, and it provides instruction and advice to the audited units.

iv) Our whistleblowing system accepts reports via two routes, with internal and external contact points (of which, the external contact point is independent from the Company). The system's main features include the ability to submit reports anonymously and to report in eight (8) different languages from different sites around the world. We also operate a personnel consultation office that accepts consultations on personnel matters, in addition to the whistleblowing system. We continue activities to promote the use of the system by making efforts such as preparation of posters.

v) We have committee organizations to promote companywide efforts. We operate the Compliance Committee, the Disclosure Committee, the Sustainability Committee, and the Risk Management Committee, all chaired by CEO, to resolve issues with agility. The Risk Management Committee determines how to address critical risks that affect the achievement of the Group's management goals and manages the progress of addressing the risks.

b. System to store and manage information related to the execution of duties by directors

We store and manage documents including electromagnetic records together with related materials in accordance with the Document Management Rules and other internal rules and regulations.

c. Rules and regulations, and other systems for managing the risk of losses

i) The Risk Management Committee, chaired by the President and CEO, comprises global business heads, division managers, and responsible persons of the Safety and Health Management Division, Corporate Functions unit and other units. In the fiscal year ended March 31, 2024, we conducted companywide risk assessment and the committee newly selected important risks that may affect the achievement of the Group's management goals. The committee met five (5) times and actively discussed how to address critical risks concerning management and challenges regarding such risks.

ii) Material handling systems are indispensable for daily lives and economic activities as social infrastructure. If the facilities delivered to our customers are damaged in the event of a natural disaster or other incidents, we respond to such damage as soon as possible by taking measures for promptly restoring the facilities. We have formulated the BCP and operate it to quickly respond to customers even though our sites were affected. Also, we regularly conduct first-response drills to raise awareness of business continuity and make it set the first response in place.

iii) The Information Security Committee takes the lead in appropriately operating the rules and regulations on information security. To raise awareness of security issues, we conduct e-learning programs for officers and employees as well as targeted email training.

d. System to ensure the efficient execution of duties by directors

i) The Board of Directors discussed how to instill broad awareness of and achieve the Group's three- or four-year business plans and had discussion on the new four-year business plan announced in May 2024. In addition, the President and CEO explains management policies through internal newsletters and videos transmitted on the Company intranet for the entire Group worldwide. As part of measures to enhance stakeholder engagement, in the fiscal year ended March 31, 2024, we held *Kurumaza* round table meetings for employees to dialogue with the President and CEO, launched in the fiscal year ended March 31, 2023, at four locations in Japan.

ii) We appropriately operated this system by narrowing down the agenda items to be discussed at meetings of the Board of Directors and by delegating certain decision-making authority to those in charge of executive functions, based on the Rules of the Board of Directors and the Rules on the Delegation of Authority. We introduced C-suite roles to strengthen governance and speed up decision-making by delegating authority of the President and CEO and clarifying the division of responsibilities after the delegation.

e. System to ensure the appropriateness of business operations of the Group comprising the Company and its subsidiaries

i) We have prepared the Guidebook that explains contents of the Code in an easy-to-understand manner to make officers and employees understand and comply.

ii) Based on the Group Governance Rules that clarifies the governance system of the entire Group, officers responsible for each subsidiary make swift and decisive decisions and executions at these subsidiaries while maintaining an appropriate level of supervision and control by the Board of Directors, to ensure the appropriateness of business operations.

iii) In internal audits to ensure the appropriateness of Group's business operations, the Audit Division objectively verifies and assesses the status of development and operation of an internal control system, and it provides instruction and advice to the audited units while coordinating with the internal audit units, Audit & Supervisory Board members and an audit firm of each Group company. In the fiscal year ended March 31, 2024, we continued to improve the efficiency of operations overall by using digitalization, i.e., remote audits and digitization of vouchers.

iv) The Group has established policies for responding to organized crime groupings and other anti-social forces in the Group Code of Conduct, and it ensures that all Group officers and employees are fully aware of those policies. In terms of anti-bribery measures, we have developed Group regulations concerning entertainment, gifts, etc. applicable to the entire Group. In Japan, we have established a point of contact for consultation regarding the provision or receipt of entertainment and gifts. In addition, the Group implements systematic initiatives. For example, the Group's expense reimbursement system incorporates a system in which the legal unit checks the applications, if any applications with risk of bribery are submitted, such as when the other party's country has strict laws and regulations, or when the other party is a public official. The Group is committed to strengthening its anti-corruption efforts by engaging in sound and transparent transactions across the entire Group.

f. Matters related to employees who should assist with the duties of the Audit & Supervisory Board members, matters related to the independence of the employees from the directors, and matters related to ensuring the effectiveness of instructions issued to the employees

i) To enhance the effectiveness of audits conducted by Audit & Supervisory Board members, we have established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members.

ii) In addition to the Audit Division, which operates independently from the business execution line, accounting and legal units under the Corporate Functions play an auxiliary role in assisting the performance of Audit & Supervisory Board members' duties as part of our drive to enhance our auditing functions.

g. System to enable directors and employees of the Company and its subsidiaries to submit reports to Audit & Supervisory Board members, and a system to ensure any person who has submitted a report is not treated disadvantageously as a result

i) If directors or employees of the Company and its subsidiaries discover any of the matters that may cause significant damage to the Group, important matters pertaining to business circumstances on a monthly basis, important matters relating to the status of internal audits and risk management, serious violations of laws or the Articles of Incorporation of the Company, or other significant compliance-related matters, such matters will be reported to the Audit & Supervisory Board members by the person who discovered the facts or the person in charge to whom the facts were reported.

ii) We respond appropriately to any reports or information provided to Audit & Supervisory Board members based on our commitment to protect the providers of information.

iii) Members of the Audit & Supervisory Board, the Audit & Supervisory Board Office, and the Audit Division shall participate in the meetings of the Board of Directors of subsidiaries and other major meetings, receive reports from directors or employees, etc. of subsidiaries, and voice opinions, as necessary.

h. Other systems to ensure the effective execution of audits by Audit & Supervisory Board members

i) The Audit & Supervisory Board held meetings with representative directors and outside directors on important auditing issues three times during the fiscal year ended March 31, 2024 to deepen mutual recognition of the issues in question.

ii) Full-time Audit & Supervisory Board members attend regular auditors' meetings held by the Audit Division, etc., and share information on received reports on audit plans and results from the Audit Division.

iii) The Audit & Supervisory Board Office, under the direction of Audit & Supervisory Board members, assists with audit 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.

iv) 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.

v) 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.

(ii) Status of development of a risk management system

Under the direction of the President and CEO, we develop and promote risk management measures across the Group. The Company has established a Risk Management Committee for the purpose of timely and appropriate management of risks that affect the achievement of the Group's management goals. The Risk Management Committee regularly conducts Groupwide risk assessments, including global subsidiaries, in normal times, identifies critical risks of the Group, and decides response policies (countermeasures) for those risks. Following those measures, the Committee checks the progress and promotes planned efforts.

For emergencies, the Company has separately developed a business continuity plan (BCP) promotion system to address a crisis after it becomes apparent. Under the BCP promotion system, the Company has established a system to address any crises and the processes for preparation before occurrence of a crisis and for actions against the crises, based on which the Company provides regular training. Furthermore, with the aim of enhancing the effectiveness of the BCP, we are proceeding with education for disaster prevention and crisis management through e-learning, safety confirmation training for employees, supplier operations verification training to ensure quick recovery and return to normal operations of the whole supply chain, and enhancement of disaster prevention equipment.

For more information, please refer to the following section: II. Overview of Business, 3. Business Risks.

(iii) Status of development of a system to ensure the appropriateness of business operations of the Company's subsidiaries

As stated in "(i) Status of development of an internal control system" and "(ii) Status of development of a risk management system," the Company has developed an internal control system and a risk management system in which its subsidiaries are covered.

The Company has also established the Group Governance Rules that apply to both Japan subsidiaries and non-Japan subsidiaries. In accordance with those rules, the Company has appointed officers in charge of subsidiaries and has developed a system under which the officers report and apply for approval of important matters to the Company's Board of Directors on behalf of the subsidiaries they are responsible for.

vi. Related party transactions

With respect to a conflict-of-interest transaction between a director and the Group, the director shall seek prior approval for the transaction from the Board of Directors and report it to the Board of Directors even after the fact. If a director enters into a transaction with a major shareholder, the director shall report an important transaction to the Board of Directors for discussion.

vii. Decision-making body of dividends from surplus

To flexibly pay dividends from surplus, the Articles of Incorporation of the Company stipulate that the Board of Directors may determine the dividend to be paid from surplus without requiring a resolution from the General Meeting of Shareholders regarding matters stipulated in Article 459, Paragraph 1 of the Companies Act, except when otherwise provided for in separate laws or regulations.

viii. Limited liability agreement

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

ix. 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 to ensure the appropriateness of officers' execution of duties is not compromised. The persons covered under this insurance contract are the Company's directors, Audit & Supervisory Board members, corporate officers, audit officers, and officers serving at Japanese subsidiaries. The insurance premiums for all insured persons are paid by the Company and the individual Japanese subsidiaries concerned.

x. Number of directors

The Company's Articles of Incorporation stipulate that the number of the Company's Directors shall be not more than 25.

xi. Election of directors

The Company's Articles of Incorporation stipulate that resolution for election of directors shall require a majority of the votes of shareholders present at a general meeting of shareholders, where the shareholders holding at least one-third of the voting rights of shareholders who are entitled to exercise their voting rights are present and shall not be by cumulative voting.

xii. Requirements for special resolution at the general meeting of shareholders

The Company's Articles of Incorporation stipulate that special resolutions at the general meetings of shareholders prescribed in Article 309, paragraph 2 of the Companies Act shall require at least two-thirds of the votes of shareholders present at the general meeting of shareholders, where the shareholders holding at least one-third of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this stipulation is to ensure smooth operation of general meetings of shareholders by relaxing the quorum requirements for special resolutions at general meetings of shareholders.

(2) Officers

i. Directors and other officers

Male: 12, Female: 2 (Ratio of female officers over the total number of officers: 14.3%)

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Representative Director President and Chief Executive Officer (CEO)	Hiroshi Geshiro	June 13, 1958	April 1983 April 2012 April 2014 April 2015 June 2015 April 2016 April 2018	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) Corporate Officer General Manager of the Sales Division, FA&DA Operations Managing Officer General Manager of FA&DA Global Operations General Manager of FA&DA Operations Director, member of the board, Managing Officer General Manager of the International Division, FA&DA Operations Representative Director (to present) President and CEO (to present)	Note 4	39
Director Senior Managing Officer	Seiji Sato	January 15, 1960	April 1983 April 2008 June 2010 June 2011 April 2015 June 2015 April 2020 April 2023	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) General Manager of the Semiconductor Division, eFA Operations Director, member of the board Managing Officer with an introduction of corporate officer system General Manager of eFA Global Operations General Manager of eFA Operations Director, member of the board, Managing Officer Cleanroom Global Business Head Cleanroom Division Manager Director, Senior Managing Officer (to present) President and CEO of Daifuku North America Holding Company (now Daifuku North America, Inc.) (to present)	Note 4	129

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director Managing Officer Intralogistics Global Business Head	Hiroshi Nobuta	March 1, 1960	April 1982 April 2007 April 2012 April 2013 April 2019 April 2020 April 2021 June 2021	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) General Manager of the Engineering Department, Production Division, FA&DA Operations Corporate Officer General Manager of the Project Management Division, FA&DA Operations Corporate Officer Executive Vice President of Daifuku North America Holding Company (now Daifuku North America, Inc.) Managing Officer General Manager of the International Division, FA&DA Operations Intralogistics Division Manager General Manager of the International Operations, Intralogistics Division Intralogistics Global Business Head (to present) Director, member of the board, Managing Officer (to present)	Note 4	25
Director Managing Officer Chief Human Resources Officer Corporate Functions Head	Hideaki Takubo	August 27, 1960	April 1984 April 2006 April 2013 April 2015 April 2017 April 2019 April 2021 April 2023 June 2023	Joined Daifuku Machinery Works Co., Ltd. (now Daifuku Co., Ltd.) Manager of the Secretary's Office President of Daifuku (China) Co., Ltd. General Manager of the Global Business Development Department, Corporate Business Development Division General Manager of the Human Resources and General Affairs Division, Corporate Affairs Operations Corporate Officer Managing Officer Corporate Functions Head (to present) Chief Human Resources Officer (to present) Director, member of the board, Managing Officer (to present)	Note 4	19

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director Managing Officer Cleanroom Global Business Head Cleanroom Division Manager General Manager of the Production Operations, Cleanroom Division	Tomoaki Terai	July 13, 1968	April 1994 April 2011 April 2015 April 2017 April 2021 April 2023 April 2024 June 2024	Joined Daifuku Co., Ltd. Director of Daifuku Webb Holding Company (now Daifuku North America, Inc.) Chairman of Taiwan Daifuku Co., Ltd. General Manager of the Production Division, eFA Operations Corporate Officer General Manager of the Production Operations, Cleanroom Division (to present) Corporate Officer Cleanroom Division Manager (to present) Managing Officer Cleanroom Global Business Head (to present) Director, member of the board, Managing Officer (to present)	Note 4	14
Director	Yoshiaki Ozawa	May 31, 1954	July 1978 October 1979 August 1982 October 1985 July 1990 July 1995 July 2005 July 2007 January 2008 April 2009 April 2012 September 2012 June 2014 April 2018 June 2018 June 2019 April 2020 December 2021 March 2022	Joined PricewaterhouseCoopers (PwC) Osaka Office Joined Chuo Accounting Corporation Osaka Office Registered as a Japanese certified public accountant (CPA) Worked at Coopers & Lybrand New York Office Registered as a U.S. CPA (New York) Senior partner, Chuo Shinko Audit Corporation National director overseeing Japanese clients in the U.S. at the PwC New York Office Joined PwC Aarata (now PricewaterhouseCoopers Japan LLC) Senior partner, PwC Aarata Specially-appointed professor, Kansai University School of Accountancy Professor of Faculty of Business Administration, St. Andrew's University (to present) Left PwC Aarata (now PricewaterhouseCoopers Japan LLC) Outside Director of Daifuku Co., Ltd. (to present) Director of Career Center, St. Andrew's University Outside Audit & Supervisory Board Member, Daido Life Insurance Company (to present) Substitute Director (Audit and Supervisory Committee Member), Sakai Heavy Industries, Ltd. Dean of Graduate School of Business Administration, St. Andrew's University Representative Director, Andrew Partners Co., Ltd. (to present) Obtained a PhD in Commerce from Kwansei Gakuin University	Note 4	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director	Mineo Sakai	May 13, 1951	April 1974 April 1997 April 2004 June 2004 June 2005 April 2008 April 2014 April 2016 April 2018 April 2018 April 2018 April 2018 June 2018 June 2019	Joined Kanematsu-Gosho, Ltd. (now Kanematsu Corporation) General Manager of Finance Department, Kanematsu Corporation Corporate Officer, General Manager of the Finance and Accounting Department, Kanematsu Corporation Director, member of the board, Kanematsu Electronics Ltd. Managing Director, Kanematsu Electronics Ltd. Executive Vice President, Kanematsu Electronics Ltd. Chairman, Kanematsu Electronics Ltd. Chairman and CEO, Kanematsu Electronics Ltd. Director and Senior Adviser, Kanematsu Electronics Ltd. Audit & Supervisory Board Member, KEL Technical Service Ltd. Audit & Supervisory Board Member, Nippon Office Systems Ltd. Audit & Supervisory Board Member, i-NOS Corporation Outside Director of Daifuku Co., Ltd. (to present) Adviser, Kanematsu Electronics Ltd.	Note 4	–
Director	Kaku Kato	October 24, 1954	April 1978 April 2008 April 2011 April 2012 April 2015 June 2016 June 2018 June 2019 April 2020	Joined Mitsui & Co., Ltd. General Manager of Legal Division, Mitsui & Co., Ltd. Associate Officer; General Manager of Legal Division, Mitsui & Co., Ltd. Managing Officer; General Manager of Internal Auditing Division, Mitsui & Co., Ltd. Executive Officer; Chief Compliance Officer (CCO) and in charge of Corporate Governance, Health, Safety and Environment (HSE), Mitsui Oil Exploration Co., Ltd. Managing Executive Officer; CCO and in charge of Corporate Governance, Human Resources & General Affairs, HSE, Mitsui Oil Exploration Co., Ltd. Adviser, Mitsui Oil Exploration Co., Ltd. Outside Director of Daifuku Co., Ltd. (to present) Visiting Professor of Faculty of Law and Politics, Rikkyo University	Note 4	–

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director	Keiko Kaneko	November 11, 1967	April 1991	Joined Mitsubishi Corporation	Note 4	–
			April 1999	Registered as an attorney		
				Joined Anderson Mori & Tomotsune		
			January 2007	Partner, Anderson Mori & Tomotsune (to present)		
			April 2007	Visiting Associate Professor of Graduate School of Law, the University of Tokyo		
			November 2012	External Statutory Auditor, Fast Retailing Co., Ltd. (to present)		
			November 2012	Statutory Auditor, UNIQLO Co., Ltd. (to present)		
			June 2013	External Statutory Auditor, The Asahi Shimbun Company (to present)		
			June 2019	Outside Director of Daifuku Co., Ltd. (to present)		
Director	Gideon Franklin	June 28, 1962	September 1984	Joined Cazenove (now JPMorgan Chase & Co.)	Note 4	–
			October 1986	Joined UBS Phillips & Drew (now UBS AG)		
			January 1993	Director, Schweizerische Bankgesellschaft (Deutschland) AG (now UBS Europe SE)		
			February 1994	Managing Director, Morgan Stanley Group Inc (now Morgan Stanley)		
			January 2004	Outside Director, Culham Prints and Drawings Ltd		
			July 2006	President, Gideon Franklin Limited		
			November 2007	Managing Director, Mizuho International plc		
			August 2013	CEO, Gideon Franklin Limited (to present)		
			June 2019	Outside Director, MCJ Co., Ltd. (to present)		
			April 2021	CEO, Culham Prints and Drawings Ltd (to present)		
			March, 2022	Outside Director, UMI Technology Holdings PLC		
			June 2023	Outside Director of Daifuku Co., Ltd. (to present)		
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	March 4, 1964	April 1986	Joined Daifuku Co., Ltd.	Note 5	13
			April 2007	General Manager of the China's Affiliate Management Division		
			April 2010	President of Daifuku (China) Co., Ltd.		
			January 2013	General Manager of the Finance Department, Finance and Accounting Division, Corporate Affairs		
			April 2014	General Manager of the Finance and Accounting Division, Corporate Affairs		
			April 2020	Audit Officer		
				General Manager of the Audit & Supervisory Board Office		

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
			April 2022	Audit Officer, assigned to the Audit & Supervisory Board		
			June 2022	Audit & Supervisory Board Member (to present)		
Audit & Supervisory Board Member	Tsukasa Miyajima	August 23, 1950	April 1980	Full-time lecturer at Faculty of Law, Keio University	Note 5	–
			April 1990	Professor of Law, Keio University		
			April 2003	Registered as an attorney		
			April 2004	Professor, Keio University Law School		
			March 2009	Outside Director, Hulic Co., Ltd.(to present)		
			October 2013	Chairman, The Asset Disposition Council of Japan Railway Construction, Transport and Technology Agency (to present)		
			June 2014	Outside Director, Dai Nippon Printing Co., Ltd.(to present)		
			June 2014	Audit & Supervisory Board Member (outside), Mikuni Corporation (to present)		
			June 2015	Outside Director, Mitsui Sumitomo Insurance Co., Ltd.		
			April 2016	Professor emeritus, Keio University (to present)		
			April 2016	Professor of Law, Asahi University and its Graduate School (to present)		
			June 2018	Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)		
Audit & Supervisory Board Member	Nobuo Wada	March 17, 1953	April 1980	Encouraging Researcher of Japan Society for the Promotion of Science	Note 6	–
			March 1981	Research Associate of Faculty of Science, Hokkaido University		
			December 1989	Associate Professor of College of Arts and Sciences, the University of Tokyo		
			April 1994	Assistant Professor of Graduate School of Arts and Sciences, Department of Basic Science, the University of Tokyo		
			April 2001	Professor of Graduate School of Science, Division of Material Science (Physics), Nagoya University		
			April 2018	Emeritus Professor (to present) and Adjunct Lecturer, Nagoya University		
			June 2019	Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)		

Position in the Company	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Audit & Supervisory Board Member	Eiko Hakoda	May 25, 1957	April 1992	Registered as an attorney Joined Hamada & Matsumoto (now Mori Hamada & Matsumoto)	Note 7	–
			January 2005	Partner, Mori Hamada & Matsumoto		
			June 2019	Outside Corporate Auditor, KITO Corporation		
			June 2022	Outside Director (Member of Audit and Supervisory Committee), SPARX Group Co., Ltd. (to present) Outside Corporate Auditor, PARX Asset Management Co., Ltd. (to present)		
			December 2022	Outside Member of Audit and Supervisory Board, CMIC HOLDINGS Co., Ltd. (to present)		
			January 2023	Senior Counsel, Mori Hamada & Matsumoto		
			July 2023	Outside Director, The Prudential Life Insurance Company, Ltd. (to present)		
			January 2024	Special Counsel, Gaien Partners (to present)		
			June 2024	Audit & Supervisory Board Member (outside) of Daifuku Co., Ltd. (to present)		
Total						242

Notes: 1. Directors Yoshiaki Ozawa, Mineo Sakai, Kaku Kato, Keiko Kaneko, and Gideon Franklin are from outside the Company.

2. Audit & Supervisory Board members Tsukasa Miyajima, Nobuo Wada, and Eiko Hakoda are from outside the Company.

3. Each of Directors Yoshiaki Ozawa, Mineo Sakai, Kaku Kato, and Gideon Franklin, and Audit & Supervisory Board members Tsukasa Miyajima, Nobuo Wada, and Eiko Hakoda has been designated and notified as independent officers in accordance with the rules of the Tokyo Stock Exchange.

4. The terms of office of Directors are from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2024 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending December 31, 2024.

5. The terms of office of Audit & Supervisory Board members Tsukasa Saito and Tsukasa Miyajima are from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending December 31, 2025.

6. The term of office of Audit & Supervisory Board member Nobuo Wada is from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending December 31, 2026.

7. The term of office of Audit & Supervisory Board member Eiko Hakoda is from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2024 through the conclusion of the ordinary general meeting of shareholders for the fiscal year ending December 31, 2027.

[Reference] Corporate officers and audit officers who do not concurrently serve as directors

Corporate Officers

Job title	Name	Job title	Name
Senior Managing Officer Chief Production Officer Chief Information Officer General Manager of Shiga Works Production Innovation Division Manager DX Division Manager	Yasuhisa Mishina	Corporate Officer General Manager of Sales and Service Operations, Automotive Division Deputy Safety and Health Management Division Manager	Tsutomu Maeda
Managing Officer Automotive and Airport Global Business Head Airport Division Manager	Takaya Uemoto	Corporate Officer Deputy Cleanroom Division Manager General Manager of Sales Operations, Cleanroom Division General Manager of Komaki Works	Atsushi Sonoda
Managing Officer Chief Technology Officer Business Innovation Division Manager	Takuya Gondoh	Corporate Officer Corporate Communications Division Manager	Hirobumi Akiba
Managing Officer Deputy Automotive and Airport Global Business Head Automotive Division Manager	Akihiko Nishimura	Corporate Officer General Manager of Airport Operations, Airport Division	Masayuki Izutsu
Managing Officer Intralogistics Division Manager	Norihito Toriya	Corporate Officer Auto Wash Global Business Head Auto Wash Division Manager General Manager of Production Operations, Auto Wash Division President of Daifuku Plusmore Co., Ltd.	Takafumi Tanaka
Managing Officer Chief Financial Officer Deputy Corporate Functions Head Finance and Accounting Division Manager	Tetsuya Hibi	Corporate Officer General Manager of Production Operations, Intralogistics Division	Junji Yano
Corporate Officer Deputy General Manager of Airport Operations, Airport Division Chairman of Daifuku Oceania Limited	Hiroaki Kita	Corporate Officer Electronics Global Business Head President and CEO of Contec Co., Ltd.	Kazuyoshi Nishiyama
Corporate Officer General Manager of Installation and Service Operations, Intralogistics Division Safety and Health Management Division Manager	Seiji Yamamoto		

Audit Officer

Job title	Name
Audit Officer General Manager of Audit & Supervisory Board Office	Toshikatsu Takahashi

Notes: 1. The Company has introduced a corporate officer system for the purposes of further accelerating and revitalizing business decision-making by the Board of Directors and promoting functional and efficient business operations by delegating the authority to employees with knowledge of business operations to execute business.

2. To enhance the effectiveness of audits conducted by Audit & Supervisory Board members, the Company established the Audit & Supervisory Board Office to assist with the duties of Audit & Supervisory Board members, with the audit officer serving as the general manager of the Office.

ii. Outside directors and outside members of the Audit & Supervisory Board

The Company has five (5) outside directors and three (3) outside members of the Audit & Supervisory Board.

(i) Personal, capital or business relationships or any other conflicts of interests between outside directors or outside members of the Audit & Supervisory Board and the Company

There are no significant conflicts of interest between outside directors or outside members of the Audit & Supervisory Board and the Company.

(ii) Functions and roles of outside directors or outside members of the Audit & Supervisory Board in the Company's corporate governance

a. Outside directors

Outside Director 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 Group.

Outside Director Mineo Sakai has abundant experience and extensive knowledge in corporation management that he has cultivated through the positions as the Chairman and CEO of an IT company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof based on his abundant experience and extensive knowledge.

Outside Director Kaku Kato has abundant experience and extensive knowledge in corporation management, particularly in the fields of safety and ESG (environment, society, governance) as well as compliance and internal control, cultivated through his positions as executive officer at a trading company and an energy-related company. At meetings of the Board of Directors, he offers advice and counsel to secure the transparency of management and enhance the supervision thereof mainly from the viewpoint of corporate legal affairs.

Outside Director Keiko Kaneko has experience working at a trading company and as an associate professor at a graduate school. As a lawyer, she is actively involved in areas such as business acquisition, transactions and management of business enterprises, and regulations in the field of natural resources. At meetings of the Board of Directors, she offers advice and counsel to secure the transparency of management and enhance the supervision thereof from her professional viewpoint.

Outside Director Gideon Franklin has abundant experience and extensive knowledge in corporate management as an analyst, M&A advisor, and management executive in international financial institutions and other organizations. He offers advice and counsel to secure the transparency of management and enhance the supervision from unconventional perspectives by increasing the diversity of the Board of Directors based on his extensive knowledge on global business management.

As stated above, the outside directors contribute to further revitalization of the Board of Directors, securing of the transparency of management and enhancement of the supervisory function over management by offering advice and counsel from their professional viewpoints based on their abundant experience and extensive knowledge.

b. Audit & Supervisory Board members (outside)

Audit & Supervisory Board Member (outside) Tsukasa Miyajima is a university professor specializing in law. He 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.

Audit & Supervisory Board Member (outside) Nobuo Wada has long been a professor of condensed matter physics at the university. He 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.

Audit & Supervisory Board Member (outside) Eiko Hakoda is a lawyer and has a proven track record and a high level of expertise in finance, international commerce, and corporate governance through her engagement in global business for many years. She is expected to offer advice and counsel on general business management to secure the legality of management and enhance the monitoring and auditing functions over management from a professional viewpoint as a lawyer.

As stated above, the outside members of the Audit & Supervisory Board contribute to securing the transparency of management and enhancing the monitoring and auditing functions over management by timely offering appropriate advice and counsel based on their abundant experience and extensive knowledge.

(iii) Views on appointment of outside directors and outside members of the Audit & Supervisory Board

As stated in (ii) above, the Company’s outside directors and outside members of the Audit & Supervisory Board have corporate management experience and knowledge in the fields of law, accounting, business management and science, composing a well-balanced personnel organization with a good diversity.

In appointing outside directors and outside members of the Audit & Supervisory Board, the Company requires them to meet the requirements for the independence standards stipulated by the Company with reference to the principles of the Corporate Governance Code as well as the Companies Act. The Company considers that the independence of the aforementioned eight (8) outside directors and outside members of the Audit & Supervisory Board is sufficiently ensured and has designated and registered the seven (7) of them excluding Ms. Keiko Kaneko as independent officers with the Tokyo Stock Exchange. The Company has not designated Ms. Keiko Kaneko as an independent officer in line with the policy of the law firm to which Ms. Kaneko belongs.

The Company has set up an Advisory Committee that is chaired by an outside director as a non-compulsory body. Regarding the policy and process of electing nominees for outside directors and outside members of the Audit &

Supervisory Board, the Company submits the names of qualified persons who would be able to fulfil the duties considering their personality and knowledge to the Advisory Committee as those who assume the fiduciary responsibility entrusted by the shareholders, and the Board of Directors designates them as nominees.

(iv) Mutual cooperation between outside directors and outside members of the Audit & Supervisory Board in supervision and audits, internal audits, audits by Audit & Supervisory Board members and accounting audits, and a relationship with the internal control division

Outside directors receive report from the Audit Division at meetings of the Board of Directors on the results of monitoring of the status of development and operation of the Group's internal control system and the status of internal audits, etc., and offer advice and counsel to the accounting auditor and the manager of the Audit Division, etc., if necessary.

Outside members of the Audit & Supervisory Board receive report from the Audit Division at meetings of the Board of Directors as do outside directors, and also receive report from the full-time Audit & Supervisory Board member on the content of audit activities and exchange opinions at meetings of the Audit & Supervisory Board, etc. They also exchange opinions with the accounting auditor and the manager of the Audit Division, etc. and offer advice and counsel, if necessary.

(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 executive remuneration, 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

(3) Audits

i. Audits by the Audit & Supervisory Board members

(i) Organization, composition and procedures of audits by the Audit & Supervisory Board members

The Company maintains an Audit & Supervisory Board comprising four (4) Audit & Supervisory Board members, three (3) of whom are elected from outside the Company, with the remaining member a full-time member from inside the Company.

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

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

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

(ii) Status of activities of Audit & Supervisory Board members and the Audit & Supervisory Board

Audit & Supervisory Board meetings were held eight times in the fiscal year ended March 31, 2024. The attendance of each Audit & Supervisory Board member is as follows:

Title	Name	Expertise	Attendance rate (number of attendance/number of meetings held)
Audit & Supervisory Board Member (full-time)	Tsukasa Saito	Finance, accounting	100% (8/8)
Audit & Supervisory Board Members (outside)	Ryosuke Aihara	Law	
	Tsukasa Miyajima	Legal science	
	Nobuo Wada	Science	

Note: Mr. Ryosuke Aihara resigned from the office of Audit & Supervisory Board Member at the conclusion of the ordinary general meeting of shareholders held on June 21, 2024.

Main agenda for Audit & Supervisory Board meetings

- Resolution (14 items): Audit plans, reappointment of accounting auditors, consent to audit compensation for accounting auditors, audit reports by the Audit & Supervisory Board, consent to proposals for election of Audit & Supervisory Board members, partial amendments to the Rules of the Audit & Supervisory Board, amendments to the standards for evaluation and appointment of accounting auditors, types of non-assurance services subject to pre-approval to be contracted to accounting auditors, etc.
- Reporting (25 items): Reports on the activities of the full-time Audit & Supervisory Board member and the Audit & Supervisory Board Office, reports on the implementation of audits, reports on the results of on-site audits of business units, audit plans of the Audit Division, etc.
- Deliberations and discussions (5 items): Draft audit reports of Audit & Supervisory Board members and the Audit & Supervisory Board, partial revision of the remuneration system for Audit & Supervisory Board members, etc.

Major priority audit items for the fiscal year ended March 31, 2024 audited by the Audit & Supervisory Board were the status of the initiatives to implement management policies, the risk management system and the status of its operation, and the status of initiatives concerning human capital management. The Audit & Supervisory Board holds regular meetings with representative directors and outside directors to deepen mutual recognition and relationships of trust by exchanging opinions on issues related to management and audits.

The full-time Audit & Supervisory Board member conducts audit activities in accordance with the audit plan formulated at the beginning of the fiscal year. In the course of their duties, the full-time Audit & Supervisory Board member attends key meetings, including Board of Directors meetings, officers meetings, business units' meetings and various committees' meetings, interviews directors, managers from business units, the Corporate Functions, and other units on business operations and risk management, audits major non-Japan subsidiaries, obtains an audit plan and reports on quarterly reviews and audit results from the accounting auditor. The Audit & Supervisory Board also works to increase the effectiveness of audits by exchanging information with the Audit Division, Legal Department, Governance Promotion Department, and other divisions and functions, as well as by sharing information and exchanging opinions with subsidiaries' Audit & Supervisory Board members at a liaison meeting for the Group's Audit & Supervisory Board members.

Part-time outside members of the Audit & Supervisory Board attend meetings of the Board of Directors and express their opinions as necessary based on their professional viewpoints and abundant experience. They also voluntarily attend officers meetings, etc. and deepen their understanding of management issues and the status of business operations. In addition, they obtain an audit plan and report on quarterly reviews and audit results from the accounting auditor to assess the appropriateness of audit by the accounting auditor.

ii. Internal audit

(i) Organization, composition and procedures of internal audits

The Audit Division consisting of 31 dedicated staff members, which is independent of the Company's lines of business execution, develops and operates the internal audit system, verifies and evaluates the development and operation status of the internal control system from the perspectives of compliance with relevant legislation and internal regulations, risk management, ensuring of the appropriateness and efficiency of management operations, ensuring of the reliability of financial reporting, protection of company assets, etc., and encourages the improvement of the internal control system. At the same time, the Audit Division evaluates and reports on the internal control system (J-SOX).

(ii) Mutual cooperation among internal auditors, Audit & Supervisory Board members and accounting auditors in auditing, and relationships with the internal control division

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

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

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

iii. Accounting audits

(i) Name of audit firm

PricewaterhouseCoopers Japan LLC

PricewaterhouseCoopers Aarata LLC, from which the Company had been receiving audit certification, merged with PricewaterhouseCoopers Kyoto and changed its name to PricewaterhouseCoopers Japan LLC as of December 1, 2023.

(ii) Years of continuous auditing

From the fiscal year ended March 31, 2008

The Company has continued to engage PricewaterhouseCoopers Japan LLC to conduct audits from the fiscal year ended March 31, 2008.

For the period from fiscal years ended March 31, 1969 to 2007, Chuo Audit Corporation (to the fiscal year ended March 31, 1999), Chuo Aoyama Audit Corporation (from fiscal years ended March 31, 2000 to 2006), and Misuzu Audit Corporation (fiscal year ended March 31, 2007), all of which formed part of the PwC group, were engaged in audit of the Group.

(iii) Certified public accountants who executed the audit duties

Designated limited liability Partner Engagement Partner Kengo Yamamoto (two years of continuous audit service)

Designated limited liability Partner Engagement Partner Kazuyuki Kitano (six years of continuous audit service)

(iv) Composition of assistants of audit engagement

Seven (7) Japanese certified public accountants and nineteen (19) other staff members

(v) Policy and reasons for appointing audit firm

The Company has appointed PricewaterhouseCoopers Japan LLC, a member firm of the PwC network that is globally expanded as its accounting auditor since it believes that the firm is qualified based on its comprehensive evaluation of the firm in terms of the firm's profile, quality control, independence, etc., and the evaluation criteria of accounting auditors established by the Company.

In addition, the Company has established the following policies on dismissal or non-reappointment of accounting auditors.

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, based on the consent of all members. If such an event occurs, the members selected by the Audit & Supervisory Board will explain the details of the decision and the reasons thereof at 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 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.

The Company has reappointed PricewaterhouseCoopers Japan LLC based on the Audit & Supervisory Board's judgement that no events of dismissal or non-reappointment has occurred with respect to the firm.

(vi) Evaluation of accounting auditor by Audit & Supervisory Board members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board members and the Audit & Supervisory Board evaluate accounting auditors based on the evaluation criteria of accounting auditors.

Audit & Supervisory Board members and the Audit & Supervisory Board obtain from the accounting auditor an audit plan, report on quarterly reviews and audit results, information on a system to ensure the appropriateness of performance of duties of the accounting auditor, information on measures to ensure the independence, the results of inspection by external agencies. At the same time, the full-time Audit & Supervisory Board member closely communicates with the accounting auditor mainly by providing cooperation in inventory inspections, on-site audits of installation sites, overseas on-site audits, and internal control system (J-SOX) assessment tests. Through these auditing activities, the Company recognizes that PricewaterhouseCoopers Japan LLC is qualified as its accounting auditor and their method and results of audit are appropriate based on its comprehensive evaluation of their quality control, the independence of the audit team, the level of audit fees, communication with corporate managers, cooperation with the internal audit unit and overseas network firms.

iv. Details of audit fees, etc.

(i) Audit fees paid to auditing certified public accountants, etc.

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)
Reporting company	90	64	101	49
Consolidated subsidiaries	27	–	23	–
Total	117	64	124	49

Non-audit services for the Company and its consolidated subsidiaries were services other than those prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act, including "advice on the application of International Financial Reporting Standards (IFRS)" for fiscal years ended March 31, 2023 and 2024.

(ii) Audit fees paid to the same network (the PwC group) to which certified public accountants, etc. belong (excluding fees specified in (i) above)

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)	Fees for audit certification services (million yen)	Fees for non-audit services (million yen)
Reporting company	152	82	153	104
Consolidated subsidiaries	299	223	338	161
Total	451	305	491	266

Non-audit services for the Company and its consolidated subsidiaries were tax-related services, etc.

(iii) Other important information on audit fees

There is no important information to be reported on fees for audit certification services paid by some consolidated subsidiaries of the Company in fiscal years ended March 31, 2023 and 2024 to auditing certified public accountants, etc. who belong to a network other than the network to which the certified public accountants, etc. engaged by the Company belong.

(iv) Policy on determination of audit fees

The Company determines audit fees for auditing certified public accountants, etc. based on its comprehensive review on the appropriateness and reasonableness of the number of days required for the audit and the members engaged in the audit, taking into account matters such as the Company's business scale and business nature.

(v) Reasons for the Audit & Supervisory Board's consent to fees, etc. for the accounting auditor

The Audit & Supervisory Board consents, in accordance with Article 399, Paragraph 1 of the Companies Act, to the amount of fees, etc. for the accounting auditor proposed by the representative director because it determines that the amount of fees, etc. is appropriate following confirmation and examination of the content of the accounting auditor's audit plan, plans for the amount of time required for audits and results of the audit of the fiscal year ended March 31, 2023, past trends of audit fees paid by the Company and other companies, and the level of performance of duties by the accounting auditor.

(4) Executive remuneration

i. Revision of executive remuneration for the fiscal year ending December 31, 2024 onward

(i) Overview of the revision of executive remuneration for the fiscal year ending December 31, 2024 onward

The Company will revise the executive remuneration system for the fiscal year ending December 31, 2024 onward. To determine executive remuneration based on a more transparent and fair process with the aim of achieving sustainable growth of the Company and enhancing corporate value over the medium to long term, a resolution to change the executive remuneration system was passed at a Board of Directors meeting held in February 2024, based on reporting from the Advisory Committee.

Overview of the revision of executive remuneration for the fiscal year ending December 31, 2024 onward is described below.

Item	Overview
1. Abolition of delegation of authority to the President and CEO regarding determination of the amount of remuneration for individual directors	Regarding the amount of remuneration for individual directors, the President and CEO had been delegated to determine the details of remuneration, etc. for individual directors in accordance with related internal rules. However, following the revision, the Board of Directors will determine the amount of remuneration for individual directors based on reporting by the Advisory Committee.
2. Introduction of ESG indicators	We have introduced ESG indicators with the aim of supporting further evolution of sustainability management. Specifically, in the calculation of bonus resources, we will introduce coefficients linked with evaluation indicators related to the progress concerning (1) safety: zero serious accidents, and (2) environment: CO_2 emissions reduction, in addition to consolidated net income. Moreover, as evaluation indicators for the Board Benefit Trust (BBT), we will introduce evaluation by external ESG rating agencies (MSCI, FTSE, and CDP) and the rate of CO_2 emissions reduction, in addition to financial indicators.
3. Emphasis on evaluation based on performance and contribution	To reflect performance and the degree of contribution in the remuneration system more than in the case of the current system, the proportion of the performance-linked evaluation component has been increased. Specifically, the ratio will be revised from 80% for the basic component and 20% for the performance-linked evaluation component to 50% for the basic component and 50% for the performance-linked evaluation component.

(ii) Matters relating to executive remuneration, etc. after the revision

Matters relating to executive remuneration, etc. after the revision are as follows.

<table>
<tr><th colspan="3">Type of remuneration</th><th>Until the fiscal year ended March 31, 2024</th></tr>
<tr><td colspan="3">Basic remuneration (fixed)</td><td>- Positions and roles</td></tr>
<tr><td rowspan="3">Performance-linked remuneration (variable)</td><td colspan="2">Bonus</td><td>Bonus resources (1.5% of consolidated net income)
Positions and roles | Financial indicators | Qualitative evaluation (Individual assessment)
Financial indicators:
Rate of increase of consolidated net sales, consolidated operating margin, and rate of improvement of consolidated operating margin</td></tr>
<tr><td rowspan="2">Board Benefit Trust (BBT)</td><td>Points for the fiscal year</td><td>- Positions and roles
- Financial indicator</td></tr>
<tr><td>Points for three- or four-year business plans</td><td>BBT (points for the business plan)
Consolidated net sales | Consolidated operating margin | ROE
Financial indicators:
Consolidated net sales, consolidated operating margin, and ROE targets (for the final fiscal year of three- or four- year business plans)</td></tr>
</table>

<table>
<tr><th colspan="3">Type of remuneration</th><th>From the fiscal year ending December 31, 2024 onward</th></tr>
<tr><td colspan="3">Basic remuneration (fixed)</td><td>No change</td></tr>
<tr><td rowspan="3">Performance-linked remuneration (variable)</td><td colspan="2">Bonus</td><td>Bonus resources
(1.5% of consolidated net income +
ESG indicator (1) Safety ESG indicator (2) Environment)

Positions and roles | Decrease
Increase | Financial indicators
Increase | Qualitative evaluation (Individual assessment)

Financial indicators:
Rate of increase of consolidated net sales, consolidated operating margin, and rate of improvement of consolidated operating margin
ESG indicators:
(1) Safety: zero serious accidents
(2) Environment: CO_2 emissions reduction rate
(Progress rate toward 2030 target)</td></tr>
<tr><td rowspan="2">Board Benefit Trust (BBT)</td><td>Points for the fiscal year</td><td>No change</td></tr>
<tr><td>Points for three- or four-year business plans</td><td>BBT (points for the business plan)

Consolidated net sales | Consolidated operating margin | ROE | ESG indicators

Financial targets:
Consolidated net sales, consolidated operating margin, and ROE targets (for the final fiscal year of three- or four- year business plans)
ESG indicators: Evaluation by external ESG rating agencies (MSCI, FTSE, and CDP), rate of CO_2 emissions reduction</td></tr>
</table>

ii. Executive remuneration, etc. for the fiscal year ended March 31, 2024

Remuneration, etc. for directors and Audit & Supervisory board members described in iii. “Policy on determination, etc. of executive remuneration, etc. for the fiscal year ended March 31, 2024” below was determined based on the determination policy for the fiscal year ended March 31, 2024. The details are described below.

iii. Policy on determination, etc. of executive remuneration, etc. for the fiscal year ended March 31, 2024

Matters relating to executive remuneration, etc. for the fiscal year ended March 31, 2024

Until the fiscal year ended March 31, 2024

Name	Basic remuneration	Performance-linked remuneration	
		Bonus	Non-monetary remuneration, “Board Benefit Trust (BBT)”
Target recipients	All officers	Inside directors and Audit & Supervisory Board member (full-time)	Inside directors
Indicator for performance-linked remuneration	–	The remuneration is funded by a certain proportion of consolidated net income for each year and determined based on the recipient’s qualifications and position and the results of quantitative and qualitative assessments of the area for which the recipient is responsible.	- Degree of achievement in each fiscal year: Degree of achievement of performance targets (consolidated net income amount and margin) - Degree of achievement of Value Transformation 2023 plan: Achievement of targets for consolidated net sales, consolidated operating income, ROE, etc. in the Value Transformation 2023 (April 2021–March 2024)

Note: Regarding the executive remuneration system for the fiscal year ending December 31, 2024 onward, the Company revised the policy on bonuses for Audit & Supervisory Board members (full-time). From the fiscal year ending December 31, 2024 onward, bonuses will be paid only to inside directors.

From the fiscal year ending December 31, 2024 onward

<table>
<tr><th colspan="3" rowspan="2">Type of remuneration</th><th colspan="5" rowspan="2">Payment criteria</th><th rowspan="2">Payment method</th><th colspan="2">Target recipients</th></tr>
<tr><th>Directors (excluding outside directors) and corporate officers</th><th>Outside directors and Audit & Supervisory Board members</th></tr>
<tr><td colspan="3">Basic remuneration (fixed)</td><td colspan="5">Determined according to positions and roles</td><td>Monthly Monetary remuneration</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="4">Performance-linked remuneration (variable)</td><td rowspan="4">Short-term assessment</td><td rowspan="4">Bonus</td><td colspan="5">Method of calculation of bonus resources [Total bonus resources = Consolidated net income x (1.5±0.06) %]</td><td rowspan="4">Annually Monetary remuneration</td><td rowspan="4">✓</td><td rowspan="4">–</td></tr>
<tr><td colspan="3">Financial indicator
1.5% of consolidated net income</td><td colspan="2">Non-financial indicators
(1) Zero serious accidents: ±0.03% (Positive evaluation only if the target is achieved for five consecutive years.)
(2) CO_2 emissions reduction rate (progress rate toward 2030 target and initiatives in a single year) ±0.03%</td></tr>
<tr><td colspan="4">Description</td><td>(By type)</td></tr>
<tr><td>Basic component</td><td>Quantitative evaluation</td><td>Consolidated net income</td><td>Calculated according to positions and roles</td><td>50%</td></tr>
</table>

			Performance-linked evaluation component	Quantitative evaluation	Growth potential (Rate of increase of consolidated net sales)	Growth potential: Rate of increase of consolidated net sales compared to the previous fiscal year	30%			
					Profitability (margin)	Profitability: Margin (business evaluation coefficient) Rate of improvement of margin compared to the previous fiscal year				
				Qualitative evaluation	Roles and contributions	Calculated based on roles and contributions concerning medium- to long-term targets and strategic challenges	20%			
		Non-monetary remuneration, " Board Benefit Trust (BBT)"	Points to be granted are determined by calculating the points according to positions and roles and the scores based on the target achievement rates (margin target achievement rate + income amount target achievement rate).					Annually Stock compensation	✓	–
			Description				**(By type)**			
			Target achievement rate for each fiscal year	Financial indicator	Consolidated net income	Rate of achievement of the initial plan [(Margin target achievement rate + income amount target achievement rate) / 2]	100%			
	Medium- to long-term assessment		Points to be granted are determined by calculating the points according to positions and roles and the scores based on the target achievement rates (number of items) for management target items of three- or four- year business plans announced by the end of the previous fiscal year.					Upon completion of the business plan Stock compensation	✓	–
			Description				**(By type)**			
			Three- or Four- year business plans achievement rate	Financial indicators	Consolidated net sales	800 billion yen	25%			
					Consolidated operating margin	11.5%	25%			
					ROE (each fiscal year)	13.0%	25%			
				Non-financial indicators	ESG indicators	(1) MSCI ESG rating: AA or higher (2) FTSE: Continued inclusion in FTSE4Good Index (3) CDP: A- or higher (4) CO_2 emissions reduction rate: 54.0% (Achievement rate against the target for the final year of the four-year business plan for 2027)	25%			

iv. Matters relating to executive remuneration, etc. for the fiscal year ended March 31, 2024

(i) Basic remuneration

Basic remuneration is determined based on fixed remuneration for executive remuneration by position. The remuneration level is determined based on a comprehensive consideration of qualifications, position, and company performance.

(ii) Performance-linked remuneration—Bonus

Bonuses, which serve as short-term performance-linked remuneration for directors, are funded by a certain proportion of consolidated net income for each fiscal year, allocated as a basic component that corresponds to an officer's qualifications and position and an evaluation component that reflect performance, and distributed once a year at a fixed time. We selected consolidated net income as the indicator for determining bonuses because it depicts the result of unified efforts made by all officers and employees. When calculating bonuses, we determine the "basic component factor" based on qualification and job title, and the "performance-linked evaluation component factor" based on quantitative (profit growth) and qualitative aspects. In terms of the method 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 the evaluation of individual performance. The actual results for consolidated net income, a bonus indicator, are described in "I. Overview of the Company, 1. Key Financial Data."

(iii) Performance-linked remuneration—non-monetary remuneration, BBT

The BBT, a performance-linked equity remuneration scheme, is a system to further clarify the linkage of the officers' remuneration and the Company's business performance as well as its stock value, which enables officers to share the benefit of increase in stock value and the risk of decrease in stock value with shareholders. By doing so, it is expected to motivate officers to contribute to boosting corporate value in the medium and long terms. Under this system, eligible officers are granted points calculated by multiplying standard points set for each position by coefficients between 0.0 and 1.0 (four levels) determined based on the degree of achievement of each business year target and the three- or four-year business plan targets. The Company's stocks and money are paid according to the accumulated points at the time of retirement. The degree of achievement in a fiscal year is calculated based on the ratios of the consolidated net income amount and margin to the initial targets in the fiscal year. The degree of achievement in the three- or four-year business plan is calculated based on the latest management targets (including consolidated net sales, consolidated operating margin, ROE targets) announced by the end of the previous fiscal year. We selected the degree of achievement in the business plan as the indicator for determining the BBT because it depicts medium- and long-term business results. We also selected the degree of achievement of consolidated net income amount and margin for the same reason as that of selecting the performance indicator for bonuses. For the fiscal year ended March 31, 2024, the consolidated net income amount and margin were calculated based on the initial schedule and the expected value announced in February 2024, and they achieved the initial schedule. Regarding the degree of achievement of the management targets in the three-year business plan, the targets for consolidated net sales and ROE were achieved but consolidated operating margin was slightly lower than the target.

The status of delivery of shares for the fiscal year ended March 31, 2024 is as follows:

Category	Number of shares	Target recipients
Directors (excluding outside directors)	28,100 shares	1 person
Corporate Officers	– shares	– persons
Total	28,100 shares	1 person

Notes: 1. We have established a rule to provide corporate officers with equity remuneration when they reach the age of 60.
2. There was no provision to a corporate officer not concurrently serving as a director.

v. Matters relating to the policy on determination of remuneration, etc. for individual directors for the fiscal year ended March 31, 2024

(i) How we determine the policy

The Company has established the policy on determination of remuneration, etc. for individual directors by a resolution of the Board of Directors through consideration and reporting by the Advisory Committee that is chaired by an outside director and consists of three or more members including one or more representative directors and one or more outside directors, and the majority of members are outside directors to enhance the transparency and fairness of judgement. Details of the policy are stipulated in related internal rules approved by an approval resolution at a Board of Directors meeting.

(ii) Overview of the policy

The annual amount of remuneration for directors is set to be 700 million yen or less. The basic policy is to pay remuneration for directors in accordance with related internal rules stipulating remuneration standards determined by resolution of the Board of Directors so that the level of remuneration is appropriate for the roles and duties of directors. Specifically, the remuneration for directors consists of basic remuneration (fixed remuneration), a bonus (short-term performance-linked remuneration that is fluctuated based on performance), and medium- to long-term performance-linked equity remuneration, BBT. The ratio of each remuneration is not fixed because the link between the Company's results and stock value is reflected in remuneration. The Company determines the ratio, taking into consideration the levels at other companies based on survey by an external professional body and reports from the Advisory Committee. Outside directors are not eligible for bonuses and BBT from the standpoint of their functions and independence.

To determine annual remuneration for directors, the total amount of basic remuneration and bonuses is resolved at a Board of Directors meeting following verification by the Advisory Committee whether it is reasonable based on levels at other comparable companies and through deliberations and reporting by the Advisory Committee. For the fiscal year ended March 31, 2024, the Advisory Committee for remuneration consisted of all five (5) outside directors and one (1) representative director, and met six times in April, September, October, November 2023, and January and March 2024. For more information on the Advisory Committee, please refer to the following section: 4. Corporate Governance, (1) Overview of corporate governance, iv. Overview of the corporate governance system and reasons for adoption of the system, (iii) Matters pertaining to corporate governance, b. Advisory Committee.

vi. Matters relating to determination on remuneration, etc. for officers by provisions in the Articles of Incorporation or resolutions of the General Meeting of Shareholders

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 per annum. As of the conclusion of the resolution, the Company had eighteen (18) directors and five (5) Audit & Supervisory Board members.

At the Ordinary General Meeting of Shareholders held on June 24, 2016, the Company introduced BBT and resolved that the total number of points granted to directors and corporate officers for three fiscal years be up to 140,000 points (out of which 80,000 points are for directors, and out of 140,000 shares of the Company's common stock, 80,000 shares are for directors). The Company had ten (10) directors when the resolution was made at such Meeting. Excluding two (2) outside directors, eight (8) directors were covered by the BBT scheme.

vii. Matters relating to the delegation of authority regarding determination of remuneration, etc. for individual directors

President and CEO Hiroshi Geshiro has been delegated to determine the amount of remuneration for individual directors for the fiscal year ended March 31, 2024 in accordance with related internal rules. The delegated authority includes determining the monthly allocation of basic remuneration for each director and the allocation of the performance-linked remuneration (bonus and BBT) based on the evaluation of performance for each director. The authority has been delegated to the President and CEO because the President and CEO is in the most suitable position for evaluating each director's roles and responsibilities while maintaining an overview of results for the entire Company.

To ensure that the delegated authority is exercised properly, the President and CEO determines the amount of remuneration for each director in line with the opinions of the Advisory Committee. The Board of Directors judged the details of individual remuneration, etc., for directors were in line with the policy on determination of remuneration, etc. for individual directors because the President and CEO determined the details of remuneration, etc., respecting the Advisory Committee's opinion deliberated in line with "v. Matters relating to the policy on determination of remuneration, etc. for individual directors for the fiscal year ended March 31, 2024, (ii) Overview of the policy" described above.

As described in "i. Revision of executive remuneration for the fiscal year ending December 31, 2024 onward" above, we revised the policy on delegation of authority to the President and CEO in the executive remuneration system for the fiscal year ending December 31, 2024 onward. After the revision, the details of individual remuneration, etc., for directors shall be determined by the Board of Directors based on the consideration and reporting by the Advisory Committee.

viii. Other important matters relating to determination of remuneration, etc. for individual directors, besides the above-mentioned matters

For the purpose of ensuring sound management, in accordance with relevant internal regulations, the Company stipulates that in the event of certain circumstances concerning directors, they may not acquire the right to receive the benefits of BBT before they become vested, by resolution of the Board of Directors (Malus clause).

ix. Remuneration, etc. for officers for the fiscal year ended March 31, 2024

Remuneration by type of officers

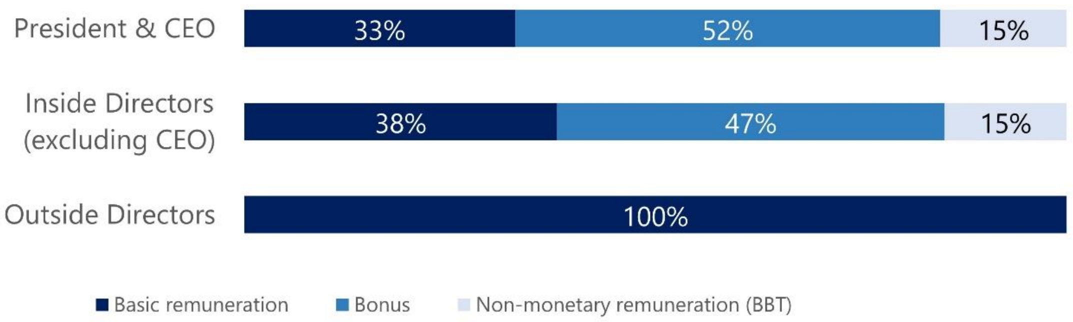
Type of officer	Total remuneration (million yen)	Total remuneration, etc. by type (million yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration		
			Bonus	Non-monetary remuneration	
Directors (excluding outside directors)	489	178	237	72	6
Audit & Supervisory Board members (excluding outside members of the Audit & Supervisory Board)	45	21	24	–	1
Outside Directors	71	71	–	–	5
Audit & Supervisory Board Members (outside)	34	34	–	–	3

Those who received 100 million yen or more of consolidated remuneration in total

Name	Total consolidated remuneration (million yen)	Type of officer	Company classification	Total consolidated remuneration, etc. by type (million yen)		
				Basic remuneration	Performance-linked remuneration	
					Bonus	Non-monetary remuneration
Hiroshi Geshiro	182	Director	Reporting company	60	94	28

Note: This table only lists those who received 100 million yen or more of consolidated remuneration in total.

Composition of remuneration *Based on the results for the fiscal year ended March 31, 2024



x. Overview of the details and method for determining Audit & Supervisory Board members' remuneration

By unanimous agreement of all Audit & Supervisory Board members at the time of enactment of the Internal Rules on Executive Remuneration and Bonus for Officers, the basic policy includes that 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 on June 29, 2006; and the payment of remuneration in accordance with the same Rules, which determine the remuneration standards established with unanimous agreement of all Audit & Supervisory Board members at the time of enactment of the Rules. In addition, remuneration 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.

xi. Significant employee salaries of directors and Audit & Supervisory Board members serving concurrently as employees

Not applicable

(5) Shareholdings

i. Standards for and views on classification of investment shares

The Company classifies investment shares as those held for purposes of pure investment and those held for purposes other than pure investment. The Company holds shares not for purposes of pure investment as part of asset management, but solely for purposes other than pure investment, such as reinforcement of business or transactional relationships.

When the Company holds shares for purposes other than pure investment, it keeps in mind that the shareholding will contribute to developing a relationship of trust with the issuer of the shares in the medium to long term and to improving the Company's business results and the common benefit of shareholders.

Since approximately 30% of the Group's net sales come from service business, it is important to create a relationship of trust with the counterparty to a transaction in the medium to long term to maintain and increase net sales. Moreover, there have been more cases where newly received orders for large-scale projects continue to develop based on such relationship of trust. Based on these reasons, the formation of a medium- to long-term partnership is a critical business strategy.

Therefore, as stated "ii. Investment shares held for purposes other than pure investment, the Company checks governance and risks of the counterparties through exercising voting rights each year as well as examining economic rationality.

ii. Investment shares held for purposes other than pure investment

(i) Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues

The policy on shareholding is defined in the Disclosure Based on the Principles of Japan's Corporate Governance Code as follows:

"Our basic policy is to limit shareholdings, including shares held as cross-shareholdings, to the minimum necessary and to reduce them, and the Board of Directors confirms the status of individual holdings every year. In principle, we will no longer hold new shares for strategic purposes. On the other hand, we have established a firm relationship of trust with its customers through after-sales services as well as the delivery of products. Circumstances including these trade relations will also be taken into consideration when the economic rationale of cross−shareholdings, such as market capitalization, book value, transaction amounts, dividends, ROE, and risk of shareholdings, is examined. Shares, which the Board of Directors regards as having no significance, will be sold on a timely basis. With respect to the voting rights attached to cross-shareholdings, we will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners over the medium to long term. At the time of the assessment, special attention will be paid to whether the cross-shareholding partner has been tarnished by scandals or has committed an antisocial act. If the cross-shareholding partner has been involved in such circumstances, its managerial approach to improvement shall be scrutinized. Audit reports concerning that partner shall also be scrutinized. When a cross-shareholder indicates its intention to sell the Company's shares, Daifuku shall not hinder the sale of the cross-held shares."

With respect to the shares held as of March 31, 2024, the Board of Directors discussed "examination of whether to continue to hold shares as cross-shareholdings, and investigation based on the standard of exercising voting rights" and approved the holding of the shares at its meeting held on April 26, 2024.

In the fiscal year ended March 31, 2024, the Company reduced the holding of 12 issues of shares, including seven issues of shares sold entirely. The Company will decide to sell some issues of shares flexibly, keeping a close watch on the prices of the shares. The shares held by the Company are steadily being reduced as shown in the table, Status of cross-shareholdings on consolidated balance sheets, below.

Table: Status of cross-shareholdings on consolidated balance sheets

Fiscal year-end	March 31, 2017	March 31, 2021	March 31, 2024
Number of issues of cross-held shares on consolidated balance sheets	63 issues	56 issues	40 issues
Outstanding cross-held shares on consolidated balance sheets	14,387 million yen	13,694 million yen	16,317 million yen
Outstanding cross-held shares/net assets on consolidated balance sheets	10.1%	5.2%	4.5%

Notes: 1. Fiscal year ended March 31, 2017: The final year of the four-year business plan Value Innovation 2017
2. Fiscal year ended March 31, 2021: The final year of the four-year business plan Value Innovation 2020
3. Fiscal year ended March 31, 2024: The final year of the three-year business plan Value Transformation 2023

With respect to the voting rights attached to cross-shareholdings, CEO and CFO will make decisions individually with an emphasis on improving the corporate value of the cross-shareholding partners over the medium to long term. When making a judgement, special attention will be paid to whether the cross-shareholding partner has been tarnished by corporate scandals or has committed an antisocial act. If the cross-shareholding partner were to be involved in such circumstances, the partner's management improvement measures and audit reports shall be scrutinized.

(ii) Number of issues and carrying amount

	Number of issues	Total carrying amount (million yen)
Unlisted shares	5	342
Shares other than unlisted shares	31	15,608

Issues whose number of shares increased during the fiscal year ended March 31, 2024

	Number of issues	Total acquisition cost associated with an increase in the number of shares (million yen)	Reasons for the increase in the number of shares
Unlisted shares	–	–	
Shares other than unlisted shares	5	20	An increase due to additional purchases of the five issues with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds the shares of the five issues through their supplier shareholding associations.

Issues whose number of shares decreased during the fiscal year ended March 31, 2024

	Number of issues	Total sales proceeds associated with a decrease in the number of shares (million yen)
Unlisted shares	1	5
Shares other than unlisted shares	11	2,295

(iii) Number and carrying amount of specified investment shares and deemed holdings of investment shares by issue

a. Specified investment shares

Issue	FY2023 (as of March 31, 2024)	FY2022 (as of March 31, 2023)	Purposes of holding, outline of business alliance, etc., quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (million yen)	Carrying amount (million yen)		
Toyota Motor Corporation	1,613,950	1,613,950	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	6,120	3,034		
Iwatani Corporation	124,800	124,800	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products.	Yes
	1,066	722		
Sumitomo Mitsui Financial Group, Inc.	115,728	138,828	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	1,031	735		
Sangetsu Corporation	302,400	302,400	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	1,010	675		
Mitsubishi UFJ Financial Group, Inc.	554,980	739,880	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	864	627		
NICHIDEN Corporation	315,253	312,732	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	837	595		
Nihon Parkerizing Co., Ltd.	518,000	518,000	The Company has delivered conveyors and other products of the Company to the company and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	638	513		
Chilled & Frozen Logistics Holdings Co., Ltd.	200,298	196,166	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	616	248		
Mizuho Financial Group, Inc.	147,152	413,052	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect domestic and international information.	Yes
	448	775		
TACHIBANA ELETECH CO., LTD.	123,769	123,769	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company.	Yes
	400	246		

Issue	FY2023 (as of March 31, 2024) Number of shares (shares) / Carrying amount (million yen)	FY2022 (as of March 31, 2023) Number of shares (shares) / Carrying amount (million yen)	Purposes of holding, outline of business alliance, etc., quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
YAMAZEN CORPORATION	277,500	277,500	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company.	Yes
	373	282		
THE SHIGA BANK, LTD.	76,000	76,000	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions and to collect local information of the Shiga area where the Company's major site is located.	Yes
	318	203		
AZ-COM MARUWA Holdings Inc.	232,000	232,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	313	461		
NIKKISO CO., LTD.	237,000	237,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	305	222		
SATO SHOJI CORPORATION	111,500	111,500	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company.	Yes
	197	158		
Mitsubishi Pencil Co., Ltd.	74,000	74,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	188	120		
YUASA TRADING CO., LTD.	30,687	29,239	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company in transactions such as procurement of parts supplied by the company necessary for production of the Company's products and sale of the Company's products to the company. The number of shares increased due to additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received since the Company holds shares in the company through its supplier shareholding association.	Yes
	164	110		
Makino Milling Machine Co., Ltd.	22,000	22,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	137	106		
TAKARA HOLDINGS INC.	123,000	123,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	131	125		
Mazda Motor Corporation	60,000	60,000	The Company has delivered automotive systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	105	73		
Sumitomo Mitsui Trust Holdings, Inc.	18,106	10,853	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions. Although the Company sold some shares in the fiscal year ended March 31, 2024, the number of shares increased due to a two-for-one split of its common stock.	Yes
	59	49		
Toppan Inc.	15,000	15,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	58	39		

Issue	FY2023 (as of March 31, 2024) Number of shares (shares) / Carrying amount (million yen)	FY2022 (as of March 31, 2023) Number of shares (shares) / Carrying amount (million yen)	Purposes of holding, outline of business alliance, etc., quantitative effect of holding, and reasons for increase in the number of shares	Ownership of the Company's shares
ICHINEN HOLDINGS CO., LTD.	26,458	26,458	The Company receives lease and rental services from the company and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	Yes
	46	33		
NISSIN SHOJI CO., LTD.	50,000	50,000	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for sale of car wash machines.	Yes
	45	45		
Fujicco Co., Ltd.	18,295	18,295	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	35	33		
ITOCHU-SHOKUHIN Co., Ltd.	4,000	4,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	29	20		
Resona Holdings, Inc.	23,045	27,645	The Company continues to hold shares in the company to maintain and strengthen a good business relationship with the company for financial transactions.	Yes
	21	17		
Nitori Holdings Co., Ltd.	800	800	The Company has delivered logistics systems, etc., and continues to hold shares in the company to maintain and strengthen a good business relationship with the company and to collect domestic and international information.	No
	18	12		
MEGMILK SNOW BRAND Co., Ltd.	5,000	5,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	13	8		
LINTEC Corporation	3,000	3,000	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	9	6		
K.R.S. Corporation	2,200	2,200	The Company has delivered logistics systems, etc. to the company, and continues to hold shares in the company to maintain and strengthen a good business relationship with the company.	No
	2	2		
Obayashi Corporation	–	233,000	–	No
	–	236		
Honda Motor Co., Ltd.	–	60,000	–	No
	–	210		
TAKUMA CO., LTD.	–	123,000	–	Yes
	–	163		
Nissan Motor Co., Ltd.	–	224,200	–	No
	–	112		
Hamakyorex Co., Ltd.	–	33,633	Although the Company held the shares in the company through its supplier shareholding association and made additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received, the Company withdrew from the association in July 2023.	No
	–	108		
SUMCO CORPORATION	–	28,681	Although the Company held the shares in the company through its supplier shareholding association and made additional purchases with the contributions made in each month in a fixed amount and by reinvestment of dividends received, the Company withdrew from the association in July 2023.	No
	–	56		

Note: It is difficult to individually specify the quantitative effect of holding, and reasons for an increase in the number of shares held for each fiscal year because the Company holds the shares based on the assumption of engaging in medium- to long-term transactions with the business partners, including after-sales services and renewal, and it becomes more important to keep trade secrets and confidential information in confidence due to an increase in the number of long-term projects in which the business partners' business strategies are involved. The Company's business strategies are based in our value chain from system development, provision of solutions, maintenance and renewal of solutions to commercialization and productization of new needs. It is hence important to maintain transactions in a medium to long term.

The rationale for shareholding is verified each year as set forth in "ii. Investment shares held for purposes other than pure investment, (i) Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues" mentioned above.

b. Deemed shareholdings

Not applicable

iii. Investment shares held for pure investment

Not applicable

V. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements

(1) The consolidated financial statements of Daifuku Co., Ltd. (the "Company") are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the "Regulation on Financial Statements.")

The Company falls under a special company submitting financial statements and prepares its financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit Certificate

The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2023 to March 31, 2024 were audited by PricewaterhouseCoopers Japan LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

PricewaterhouseCoopers Aarata LLC, which previously conducted audit certification of the Company, and PricewaterhouseCoopers Kyoto merged, and the name of the firm was changed to PricewaterhouseCoopers Japan LLC, on December 1, 2023.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

As special measures to ensure the appropriateness of the consolidated financial statements, etc., the Company joins the Financial Accounting Standards Foundation and participates in seminars, etc., to understand accounting standards properly and establish a system that allows the Company to adapt to changes in accounting standards appropriately.

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

i. Consolidated balance sheets

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
ASSETS		
Current assets		
Cash on hand and in banks	102,746	142,044
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	*1 250,076	*1 271,633
Merchandise and finished goods	8,674	9,291
Costs incurred on uncompleted construction contracts and other	*4 19,211	*4 14,144
Raw materials and supplies	38,171	43,060
Other	15,320	17,473
Allowance for doubtful accounts	(1,058)	(1,219)
Total current assets	433,144	496,426
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,601	33,851
Machinery and vehicles, net	10,590	12,678
Tools and fixtures, net	2,654	3,783
Land	12,871	13,636
Other, net	13,319	13,500
Total property, plant and equipment	*2 65,037	*2 77,451
Intangible assets		
Software	5,565	6,914
Goodwill	3,804	3,299
Other	2,084	1,913
Total intangible assets	11,454	12,128
Investments and other assets		
Investments in securities	*3 12,265	*3 23,517
Long-term loans	45	64
Assets for retirement benefits	9,038	13,325
Deferred tax assets	15,873	18,898
Other	4,693	4,342
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	41,916	60,148
Total non-current assets	118,408	149,728
Total assets	551,552	646,154

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable and construction contracts payable	63,581	61,154
Electronically recorded obligations - operating	30,503	19,421
Short-term borrowings and current portion of long-term borrowings	10,359	9,428
Income taxes payable	6,088	9,532
Contract liabilities	63,901	79,576
Provision for losses on construction contracts	*4 451	*4 853
Other	27,929	31,424
Total current liabilities	202,816	211,392
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	—	61,088
Long-term borrowings	1,100	100
Deferred tax liabilities	698	679
Liabilities for retirement benefits	7,431	6,784
Other provisions	432	551
Other	6,749	6,804
Total non-current liabilities	16,412	76,007
Total liabilities	219,228	287,399
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus	20,397	20,490
Retained earnings	256,876	288,311
Treasury stock	(899)	(20,944)
Total shareholders' equity	308,240	319,723
Accumulated other comprehensive income		
Net unrealized gain (loss) on securities	4,075	7,874
Deferred gain (loss) on hedges	3	(145)
Foreign currency translation adjustments	20,058	28,519
Accumulated adjustments on retirement benefits	(353)	2,440
Total accumulated other comprehensive income	23,783	38,688
Non-controlling interests	299	342
Total net assets	332,323	358,755
Total liabilities and net assets	551,552	646,154

The accompanying notes are an integral part of these financial statements.

ii. Consolidated statements of income and comprehensive income

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net sales	601,922	611,477
Cost of sales	*1, *2 492,123	*1, *2 494,848
Gross profit	109,799	116,628
Selling, general and administrative expenses		
Selling expenses	*3 18,066	*3 18,493
General and administrative expenses	*1, *3 32,878	*1, *3 36,055
Total selling, general and administrative expenses	50,944	54,549
Operating income	58,854	62,079
Other income		
Interest income	646	1,682
Dividend income	436	429
Land and house rental revenue	276	262
Other	445	423
Total other income	1,806	2,798
Other expenses		
Interest expenses	320	411
Interest expenses on bonds	—	(111)
Bonds issuance costs	—	117
Foreign exchange losses	320	149
Other	259	103
Total other expenses	900	670
Ordinary income	59,759	64,207
Extraordinary income		
Gain on sales of property, plant and equipment	*4 99	*4 29
Gain on sales of investments in securities	*5 943	*5 1,258
Other	176	73
Total extraordinary income	1,219	1,361
Extraordinary loss		
Loss on sales of property, plant and equipment	*6 6	*6 22
Loss on disposal of property, plant and equipment	*7 505	*7 702
Value-added tax and other for a prior period	*8 2,078	—
Impairment loss	*9 819	*9 699
Settlement payments	*10 2,400	*10 546
Other	117	310
Total extraordinary loss	5,926	2,281
Income before income taxes	55,052	63,287
Income taxes - current	19,404	22,982
Income taxes - deferred	(5,606)	(5,167)
Total income taxes	13,797	17,815
Net income	41,255	45,472
Net income attributable to:		
Shareholders of the parent company	41,248	45,461
Non-controlling interests	7	11

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Other comprehensive income		
Net unrealized gain (loss) on securities	(31)	3,799
Deferred gain (loss) on hedges	640	(148)
Foreign currency translation adjustments	11,685	8,559
Retirement benefits reserves adjustments	(8)	2,793
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	13	(66)
Total other comprehensive income (loss)	*11 12,300	*11 14,936
Comprehensive income	53,556	60,409
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	53,527	60,366
Non-controlling interests	29	42

The accompanying notes are an integral part of these financial statements.

iii. Consolidated statements of changes in net assets

FY2022 (April 1, 2022–March 31, 2023)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	31,865	20,691	227,609	(901)	279,264
Changes of items during the period					
Cash dividends			(11,981)		(11,981)
Net income attributable to shareholders of the parent company			41,248		41,248
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		0		11	12
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity		(294)			(294)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(293)	29,266	2	28,975
Balance at end of year	31,865	20,397	256,876	(899)	308,240

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of year	4,107	(637)	8,380	(344)	11,504	1,289	292,059
Changes of items during the period							
Cash dividends							(11,981)
Net income attributable to shareholders of the parent company							41,248
Purchase of treasury stock							(9)
Disposal of treasury stock							12
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity						(1,019)	(1,313)
Net changes of items other than shareholders' equity	(31)	640	11,677	(8)	12,278	29	12,308
Total changes of items during the period	(31)	640	11,677	(8)	12,278	(989)	40,264
Balance at end of year	4,075	3	20,058	(353)	23,783	299	332,323

FY2023 (April 1, 2023–March 31, 2024)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	31,865	20,397	256,876	(899)	308,240
Changes of items during the period					
Cash dividends			(14,025)		(14,025)
Net income attributable to shareholders of the parent company			45,461		45,461
Purchase of treasury stock				(20,718)	(20,718)
Disposal of treasury stock		92		672	765
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	92	31,435	(20,045)	11,483
Balance at end of year	31,865	20,490	288,311	(20,944)	319,723

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of year	4,075	3	20,058	(353)	23,783	299	332,323
Changes of items during the period							
Cash dividends							(14,025)
Net income attributable to shareholders of the parent company							45,461
Purchase of treasury stock							(20,718)
Disposal of treasury stock							765
Change in treasury shares of parent arising from transactions with non-controlling shareholders' equity						11	11
Net changes of items other than shareholders' equity	3,799	(148)	8,461	2,793	14,905	31	14,936
Total changes of items during the period	3,799	(148)	8,461	2,793	14,905	42	26,431
Balance at end of year	7,874	(145)	28,519	2,440	38,688	342	358,755

The accompanying notes are an integral part of these financial statements.

iv. Consolidated statements of cash flows

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Cash flows from operating activities		
Income before income taxes	55,052	63,287
Depreciation	8,522	9,569
Amortization of goodwill	711	760
Interest and dividend income	(1,083)	(2,112)
Interest expenses	320	411
Interest expenses on bonds	—	(111)
Impairment loss	819	699
Loss (gain) on sales of investments in securities	(943)	(1,258)
Loss (gain) on disposal or sales of property, plant and equipment	406	678
Decrease (increase) in notes and accounts receivable and contract assets	(31,693)	(13,376)
Decrease (increase) in inventories	(22,812)	1,104
Increase (decrease) in notes and accounts payable	10,375	(18,146)
Increase (decrease) in contract liabilities	19,988	13,066
Other	325	3,239
Subtotal	39,988	57,813
Interest and dividend received	1,075	2,028
Interest paid	(309)	(446)
Income taxes refund (paid)	(21,075)	(22,196)
Other	355	(81)
Net cash provided by (used in) operating activities	20,034	37,117
Cash flows from investing activities		
Investments in time deposits	(272)	(5,804)
Proceeds from refund of time deposits	16	637
Payments for purchase of property, plant and equipment	(13,716)	(19,731)
Proceeds from sales of property, plant and equipment	232	75
Payments for purchase of investments in securities	(32)	(7,228)
Proceeds from sales of investments in securities	2,019	2,301
Other	(121)	167
Net cash provided by (used in) investing activities	(11,874)	(29,582)
Cash flows from financing activities		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,285)	(21)
Increase (decrease) in short-term borrowings, net	774	242
Repayment of long-term borrowings	(15,900)	(2,700)
Proceeds from issuance of convertible-bond-type bonds with stock acquisition rights	—	61,082
Proceeds from disposal of treasury stock	0	52
Payments for purchase of treasury stock	(9)	(20,005)
Payments of cash dividends	(11,982)	(14,018)
Other	(1,785)	(1,900)
Net cash provided by (used in) financing activities	(30,187)	22,732
Effect of exchange rate change on cash and cash equivalents	5,744	3,788
Net increase (decrease) in cash and cash equivalents	(16,282)	34,056
Cash and cash equivalents at beginning of year	118,672	102,389
Cash and cash equivalents at end of year	*1 102,389	*1 136,445

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries: 67

Names of major consolidated subsidiaries are omitted as they are listed in "I. Overview of the Company, 4. Subsidiaries and Other Affiliated Entities."

2. Application of the equity method

Not applicable

3. Fiscal years of consolidated subsidiaries

Consolidated subsidiaries whose balance sheet date differs from the consolidated balance sheet date are as follows:

Companies with a balance sheet dated December 31

Daifuku North America, Inc.
Daifuku Canada Inc.
Daifuku Europe GmbH
Daifuku Mechatronics (Singapore) Pte. Ltd.
Daifuku (Thailand) Limited
Daifuku Korea Co., Ltd.
Clean Factomation, Inc.
Daifuku Oceania Limited
Daifuku (China) Co., Ltd.
Daifuku (China) Automation Co., Ltd.
Daifuku (China) Manufacturing Co., Ltd.
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.
Taiwan Daifuku Co., Ltd.
47 other companies

These subsidiaries are consolidated using the financial statements prepared as of December 31, 2023, with necessary adjustments for significant transactions arising between that balance sheet date and the consolidated balance sheet date of March 31, 2024.

4. Accounting policies

(1) Valuation standards and methods for significant assets

i. Securities

(i) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

(ii) Held-to-maturity debt securities

Stated at acquisition cost or cost amortized on a straight-line basis

(iii) Other securities

Securities other than shares, etc. that do not have a market price

Stated at fair value (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

Shares, etc. that do not have a market price

Stated at cost using the moving-average method.

ii. Derivatives

Stated at fair value.

iii. Inventories

(i) Merchandise and finished goods

Primarily stated at cost using the moving-average method (a method in which book value is written down based on any decline in profitability).

(ii) Costs incurred on uncompleted construction contracts and other

Primarily stated at cost using the job order cost method (a method in which book value is written down based on any decline in profitability).

(iii) Raw materials and supplies

Primarily stated at cost using the moving-average method (a method in which book value is written down based on any decline in profitability).

(2) Depreciation and amortization methods for significant depreciable assets

i. Property, plant and equipment (excluding leased assets)

The Company and its Japanese consolidated subsidiaries principally use the declining-balance method, while its non-Japan consolidated subsidiaries principally use the straight-line method. However, buildings (except for facilities attached to buildings) acquired by the Company and its Japanese consolidated subsidiaries on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

The Company and its Japanese consolidated subsidiaries determine useful lives and residual values according to the same standards set out in the Corporation Tax Act of Japan.

ii. Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight-line method. Amortization of software for internal use is computed using the straight-line method over the estimated in-house working life of five years.

iii. Leased assets

(i) Leased assets in finance lease transactions that transfer ownership

Depreciated using the same method as the non-current assets in the Company's possession.

(ii) Leased assets in finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term, which represents the expected useful life, to zero residual value (or the guaranteed residual value under a residual value guarantee).

(3) Accounting policy for significant provisions

i. Allowance for doubtful accounts

To prepare for losses on uncollectible receivable, the Company and its Japanese consolidated subsidiaries provide allowances for doubtful accounts based on historical default rates with respect to receivable, and specific allowances for doubtful trade receivable and advances at estimated amounts considered to be uncollectible after reviewing individual collectability. In non-Japan consolidated subsidiaries, allowances are provided mainly for specific receivable at estimated amounts considered to be uncollectible after reviewing their collectability.

ii. Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on estimated amounts of losses from uncompleted construction contracts as of the end of the fiscal year.

(4) Accounting method for retirement benefits

i. Allocation method of projected retirement benefits to periods of services

In calculating the retirement benefit obligations, the benefit formula method is used to allocate projected retirement benefits for the year ended March 31, 2024.

ii. Amortization methods of prior service costs and actuarial gains and losses

Prior service costs are amortized on a straight-line basis over a certain period within the average remaining service years of the employees (five years) from the time such liability arose.

The actuarial gains and losses are amortized on a straight-line basis (except some consolidated subsidiaries adopting the declining-balance method) over a certain period within the average remaining service years of the employees (five years) from the next fiscal year after such gain or loss occurs.

(5) Accounting policy for significant revenues and expenses

i. Nature of goods and services and timing of satisfaction of performance obligations

(i) Manufacture and sale of logistics systems and equipment

The Group is engaged in the manufacture and construction of logistics systems and equipment in accordance with specifications individually specified by customers in contracts.

Performance obligations under the contract are deemed to be satisfied over time, because the systems and equipment to be manufactured under the contract cannot be diverted to another use and the Group has an enforceable right to receive consideration for work completed. Accordingly, revenue from the contract is recognized based on the progress toward complete satisfaction of the performance obligations as of the end of the fiscal year, if such progress can be reasonably measured.

The progress toward complete satisfaction of the performance obligations is measured by the cost-to-cost method, i.e., costs incurred during the fiscal year ended March 31, 2024 relative to the estimated total cost to complete the work, as the cost of products installed and labor costs incurred for the work are considered proportional to the increase in assets controlled by the customer.

The estimated total cost is reviewed on an ongoing basis based on relevant information including the track record of similar projects in the past, since it is subject to change with the progress of construction and other factors.

If the progress toward complete satisfaction of the performance obligations may not be measured reasonably, but the costs incurred in satisfying the performance obligations are expected to be recovered, the cost recovery method is applied.

(ii) Manufacture and sale of electronics, car wash machines, replacement parts, and other

The Group manufactures and sells electronics, such as industrial personal computers and interface boards, car wash machines, replacement parts for material handling systems and equipment, and other products.

Revenue from products that require installation upon delivery to customers is recognized when the product has been installed at the location designated by the customer, as this is the point in time at which the customer is deemed to have obtained control of the product and thereby the performance obligation is satisfied. That is, at that point in time, the legal title to and physical possession of the products and the critical risks and rewards of ownership of the products are deemed to have been transferred to the customer and thereby the Group is entitled to receive consideration for the transaction from the customer.

Revenue from products that do not require installation upon delivery to customers is recognized when the product has arrived at the customer, when the product has been accepted by the customer, or when the product has been delivered to the location designated by the customer under the terms and conditions of trade and other matters, as this is the point in time at which the customer is deemed to have obtained control of the product and thereby the performance obligation is satisfied. That is, at that point in time, the legal title to and physical possession of the products and the critical risks and rewards of ownership of the products are deemed to have been transferred to the customer and thereby the Group is entitled to receive consideration for the transaction from the customer.

(iii) Maintenance services after sales of products

The Group provides maintenance services, such as product maintenance and periodic inspections during a certain period of time after products are sold, or product repairs and inspections that are individually requested by customers.

Performance obligations for maintenance services rendered over a certain period of time are satisfied during the contract period over time, and revenue is recognized evenly over the contract period.

Performance obligations for maintenance services ordered individually by customers are satisfied by completing the service, such as repairs and inspections, and therefore revenue is recognized upon completion of the work.

In principle, the Group has not entered into any transactions as an agent.

ii. Determining transaction prices

Transaction prices are measured at the consideration promised in contracts with customers. There are no significant contracts or significant variable consideration related to returns.

iii. Payment terms

Consideration for manufacture and sale of logistics systems, etc. is received before or after the completion of products under the payment terms stipulated in contracts. Consideration for other transactions is received after the satisfaction of performance obligations under the payment terms stipulated in contracts. As consideration for the transactions does not contain any significant financing component, there are no contracts with customers in which consideration is adjusted for the effects of such component.

iv. Determining the amount of transaction prices allocated to performance obligations

Certain contracts provided by the Group are multiple-element transactions involving the sale of logistics systems and equipment, the sale of replacement parts, maintenance services, or product warranties.

To allocate the transaction price of multiple-element transactions to each performance obligation on a relative stand-alone selling price basis, the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract is determined, and the transaction price is allocated in proportion to those stand-alone selling prices.

If the stand-alone selling price of a good or service is not directly observable, it is determined, depending on the nature of transactions, mainly by estimating the cost and adding a margin for that good or service or by referring to the total transaction price of multiple-element transactions less the sum of the stand-alone selling prices of the other goods or services.

(6) Accounting policy for translating significant foreign currency assets and liabilities into Japanese yen

Accounts receivable and payable denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. Resulting gains and losses are charged or credited to income for the period. The balance sheet accounts of the non-Japan consolidated subsidiaries are translated into Japanese yen at year-end exchange rates. Revenue and expense accounts of the non-Japan consolidated subsidiaries and affiliates are translated into Japanese yen at the average exchange rates for the year. The translation differences in Japanese yen arising from the use of different rates are recorded as “foreign currency translation adjustments” and “non-controlling interests” in the consolidated balance sheets.

(7) Method of significant hedge accounting

i. Method of hedge accounting

The deferred hedge accounting is primarily adopted. The exceptional treatment is applied to interest rate swaps that qualify for the exceptional treatment.

The allocation treatment is applied to forward exchange contracts and currency swaps that qualify for the allocation treatment.

ii. Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting is applied are as follows:

Hedging instruments	Hedged items
Forward exchange contracts	Receivable and payable denominated in foreign currencies and future transactions denominated in foreign currencies
Currency swaps	Borrowings denominated in foreign currencies
Interest rate swaps	Borrowings

iii. Hedging policy

The risk of fluctuations in exchange rates and interest rates is principally hedged in accordance with the Company’s internal rules.

iv. Method for assessing hedge effectiveness

The effectiveness of each hedge transaction for hedging instruments and hedged items is assessed at the end of every fiscal year. However, the assessment of hedging effectiveness for hedged assets and liabilities or derivatives is omitted since the hedge is expected to be highly effective where the critical terms of the hedging instruments (start date, end date, principal amount, interest rate) are identical.

v. Other risk management practices related to hedge accounting

The execution and management of hedging transactions are carried out by the finance department with approval from the authorized personnel to hedge fluctuation risk of currency rates and interest rates in accordance with internal regulations that provide transaction and authorization limits.

(8) Amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life, which is the period in which cashflows are expected to be generated from the investment. However, in case of immaterial goodwill, it is expensed in the year of acquisition.

(9) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

Significant accounting estimates

1. Revenue recognition for construction contracts

(1) Amounts recorded in the consolidated financial statements

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net sales of construction contracts in which performance obligations are satisfied over time	432,383	429,353
Provision for losses on construction contracts	451	853

(2) Method of calculation and primary assumptions

Revenue is recognized based on the progress toward complete satisfaction of the performance obligations as of the end of the fiscal year if such progress can be reasonably measured. The progress toward complete satisfaction of the performance obligations is measured by costs incurred during the fiscal year ended March 31, 2024 relative to the estimated total cost to complete the work (the input method).

The estimated total cost is reviewed for each project at the end of the fiscal year based on the track record of past construction projects by taking conditions unique to the individual project into consideration in line with the agreed-upon specifications in the contract with a customer.

However, the Group's long-term contracts are distinct in terms of specifications, construction periods and other details. Therefore, the estimated total cost for such contracts requires management judgement based on the past track record and is complex, especially for large long-term contracts. Accordingly, the estimated total cost may differ from the actual result due to unforeseen events such as changes in specifications during construction at the request of a customer, fluctuations in cost of labor per person-hour and price of materials and equipment, and additional costs incurred for modifications during construction.

To provide for potential losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year. In case any unforeseen event may cause the estimated total cost to differ from the actual total cost, the event will have an impact on provision for losses on construction contracts.

2. Impairment of property, plant and equipment and intangible assets

(1) Amounts recorded in the consolidated balance sheets

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Total of property, plant and equipment and intangible assets	76,491	89,579

(2) Method of calculation and primary assumptions

For the non-current asset group that has an impairment indicator, the Group recognized an impairment loss by reducing the carrying amount to its recoverable amount if the sum of the future undiscounted cash flows expected to be generated from the use of the assets is less than its carrying amount.

Based on information available at the end of the fiscal year, identification of an impairment indicator or recognition and measurement of an impairment loss is reasonably determined. If there are changes on conditions or assumptions used for the estimate such as a business plan or a management environment, the possibility exists that an impairment of the assets may become necessary.

Additional information

Board Benefit Trust (BBT)

The Company has introduced the BBT plan for its directors and corporate officers (hereinafter “Directors, etc.”).

The plan further clarifies the linkage of the remuneration for Directors, etc. with the Company’s business performance as well as its stock value, which enables Directors, etc. to share the benefit of increase in stock value and the risk of decrease in stock value with shareholders. It is expected to motivate Directors, etc. to contribute to improving the Company’s business performance in the medium and long terms and boosting corporate value.

(1) Outline of the transaction

The system is a stock compensation plan linked directly to the Company’s business performance, under which the Company’s shares are acquired through the trust using the funds that the Company contributes (hereinafter “the Trust”) and remuneration is provided to the Directors, etc. through the Trust, in accordance with the stock compensation regulation for officers stipulated by the Company. The remuneration is the Company’s shares (equivalent to points accrued based on titles and target achievement) and the monetary payment (equivalent to the amount obtained by converting the Company’s shares at a market price as of the retirement date). As a general rule, the shares are provided to the Directors, etc. upon retirement.

The Company follows the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ Practical Issues Task Force No. 30, March 26, 2015) with respect to accounting for the trust agreement.

(2) The Company’s shares still held by the Trust

The Company records its shares remaining in the Trust as treasury stock in net assets at the book value (excluding incidental expenses) of the Trust.

Book value and number of shares of treasury stock

443 million yen and 311 thousand shares for the fiscal year ended March 31, 2023

1,104 million yen and 544 thousand shares for the fiscal year ended March 31, 2024

Note: The Company conducted a three-for-one split of its common stock effective April 1, 2023. The number of treasury stock for the fiscal years ended March 31, 2023 shown above is the number after taking the stock split into consideration.

Consolidated balance sheets

*1 Details of notes receivable, accounts receivable from completed construction contracts and other, and contract assets

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Notes receivable	4,776 million yen	3,863 million yen
Electronically recorded monetary claims - operating	8,380	10,046
Accounts receivable from completed construction contracts and other	113,981	74,682
Contract assets	122,938	183,040
Total	250,076	271,633

*2 Accumulated depreciation of property, plant and equipment

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Accumulated depreciation of property, plant and equipment	68,457 million yen	74,243 million yen

*3 Investments in securities of non-consolidated subsidiaries and affiliates

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Investments in securities (equity securities)	391 million yen	－ million yen

*4 Presentation of inventories and provision for losses on construction contracts

Inventories related to construction contracts with probable loss and provision for losses on construction contracts are both presented without being offset.

Amounts of inventories for which provision for losses on construction contracts is provided

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Costs incurred on uncompleted construction contracts and other	30 million yen	37 million yen

Consolidated statements of income and comprehensive income

*1 R&D expenditures included in general and administrative expenses and manufacturing costs are as follows:

FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
10,496 million yen	11,264 million yen

*2 Provision for losses on construction contracts included in cost of sales is as follows:

FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
(283) million yen	477 million yen

*3 Major items of selling, general and administrative expenses and their amounts are as follows:

Major items of selling expenses

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Sales commissions	945 million yen	685 million yen
Advertising	300	310
Outsourcing	587	648
Salaries and bonuses	8,855	8,738
Retirement benefit expenses	242	259
Welfare	1,546	1,501
Travel and transportation	1,032	1,198
Rent	364	354
Depreciation	461	431

Major items of general and administrative expenses

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Outsourcing	4,235 million yen	4,762 million yen
Directors' remuneration	1,032	960
Salaries and bonuses	13,969	15,116
Retirement benefit expenses	347	299
Welfare	2,042	2,266
Depreciation	2,772	3,114
R&D	4,005	4,571

*4 Major items of gain on sales of property, plant and equipment are as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Buildings	49 million yen	— million yen
Machinery and equipment	43	12
Vehicles	4	11

*5 Gain on sales of investments in securities is from sales of cross-shareholdings.

*6 Major items of loss on sales of property, plant and equipment are as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Machinery and equipment	4 million yen	18 million yen
Tools and fixtures	0	3

*7 Major items of loss on disposal of property, plant and equipment are as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Buildings	326 million yen	353 million yen
Structures	5	89
Machinery and equipment	107	197
Tools and fixtures	7	43
Leased assets	5	16
Software	2	1

*8 Value-added tax and other for a prior period represents the taxes incurred in the current year as a result of a tax audit related to prior years by tax authorities outside of Japan which were completed in the current year.

*9 The Group recognized an impairment loss for the following assets.

FY2022 (April 1, 2022–March 31, 2023)

The Group recognized an impairment loss for the following assets group in the fiscal year ended March 31, 2023.

(Million yen)

Company name	Place	Use	Type	Impairment loss
Daifuku (China) Automation Co., Ltd.	Changshu, etc., Jiangsu, China	Office and factory	Buildings	509
			Machinery and equipment	114
			Other	194

The Group reviewed the recoverability of assets held by Daifuku (China) Automation Co., Ltd., and identified that the recoverable amount was lower than the carrying amount. Accordingly, the Group reduced the carrying amount to its recoverable amount and recorded the reduction as an impairment loss under extraordinary loss.

The recoverable amount was measured at value in use calculated using a discount rate of 13.5%.

FY2023 (April 1, 2023–March 31, 2024)

The Company recognized an impairment loss for the following assets group in the fiscal year ended March 31, 2024.

(Million yen)

Company name	Place	Use	Type	Impairment loss
Daifuku Co., Ltd.	Komaki, Aichi	Employee dormitory	Buildings	100
			Land	326
			Other	1
	Hakone, Ashigarashimo, Kanagawa	Recreation facility	Buildings	9
			Land	130
			Other	1
Daifuku Business Service Corporation	Hikone, Shiga	Recreation facility	Buildings	21
			Land	81
			Other	1
Iwasaki Seisakusho Co., Ltd.	Murakami, Niigata	Factory	Buildings	25

It was resolved to sell an employee dormitory and a recreation facility held by Daifuku Co., Ltd. Accordingly, the Company reduced the carrying amount to the expected sale price and recorded the reduction as an impairment loss under extraordinary loss.

It was resolved to sell a recreation facility held by Daifuku Business Service Corporation. Accordingly, the Company reduced the carrying amount to the expected sale price and recorded the reduction as an impairment loss under extraordinary loss.

The Company assessed the value of the non-current assets held by Iwasaki Seisakusho Co., Ltd. due to its absorption-type merger. As a result, the Company reduced the carrying amount to the assessed amount and recorded the reduction as an impairment loss under extraordinary loss.

The assessed amounts are based on the appraisals by an external organization.

*10. Settlement payments mainly relate to construction projects for customers of affiliates.

*11 Reclassification adjustments and tax effects related to other comprehensive income

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net unrealized gain (loss) on securities:		
Amount arising during the period	896	6,715
Reclassification adjustment	(943)	(1,254)
Pretax amount	(47)	5,460
Tax effect	15	(1,661)
Net unrealized gain (loss) on securities	(31)	3,799
Deferred gain (loss) on hedges:		
Amount arising during the period	366	(263)
Reclassification adjustment	546	50
Pretax amount	913	(213)
Tax effect	(272)	64
Deferred gain (loss) on hedges	640	(148)
Foreign currency translation adjustments:		
Amount arising during the period	11,730	8,559
Reclassification adjustment	(44)	—
Foreign currency translation adjustments	11,685	8,559
Retirement benefits reserves adjustments		
Amount arising during the period	(1,300)	3,344
Reclassification adjustment	1,081	683
Pretax amount	(218)	4,028
Tax effect	210	(1,234)
Retirement benefits reserves adjustments	(8)	2,793
Share of other comprehensive income (loss) of affiliates accounted for using the equity method:		
Amount arising during the period	13	18
Reclassification adjustment	—	(85)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	13	(66)
Total other comprehensive income	12,300	14,936

Consolidated statements of changes in net assets

FY2022 (April 1, 2022–March 31, 2023)

1. Matters regarding issued shares

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock (thousand shares)	126,610	—	—	126,610

Note: The Company conducted a three-for-one split of its common stock effective April 1, 2023. The number of shares of common stock shown above is the number of shares before the stock split.

2. Matters regarding treasury stock

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock (shares)	592,870	1,250	2,885	591,235

Notes: 1. Overview of reasons for change

Details of increases in the number of treasury stock are as follows:

Increase due to the repurchase of less-than-a-unit shares: 1,250 shares

Details of decreases in the number of treasury stock are as follows:

Decrease due to the sale of less-than-a-unit shares: 85 shares

Decrease due to the disposal from Custody Bank of Japan, Ltd. (trust account E) under the Board Benefit Trust (BBT): 2,800 shares

2. The number of treasury stock includes the number of the Company's common stock held by Custody Bank of Japan, Ltd. (trust account E).

The details are as follows:

Custody Bank of Japan, Ltd. (trust account E)

As of April 1, 2022: 106,500 shares

As of March 31, 2023: 103,700 shares

3. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The number of shares of common stock shown above is the number of shares before the stock split.

3. Matters regarding share warrants

Not applicable

4. Matters regarding dividends

(1) Dividends paid

Resolution adopted	Class of shares	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 13, 2022	Common stock	6,936	55	March 31, 2022	June 27, 2022
Board of Directors meeting on November 8, 2022	Common stock	5,044	40	September 30, 2022	December 5, 2022

Notes: 1. Aggregate dividends resolved at the Board of Directors meeting on May 13, 2022 include dividends of 5 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

2. Aggregate dividends resolved at the Board of Directors meeting on November 8, 2022 include dividends of 4 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

3. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The above information shows the actual dividend amount before the stock split.

(2) Dividends with a record date during the fiscal year, but an effective date in the following fiscal year

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 12, 2023	Common stock	Retained earnings	8,828	70	March 31, 2023	June 26, 2023

Notes: 1. Aggregate dividends include dividends of 7 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

2. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The above information shows the actual dividend amount before the stock split.

FY2023 (April 1, 2023–March 31, 2024)

1. Matters regarding issued shares

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (thousand shares)	379,830	—	—	379,830

Notes: The Company conducted a three-for-one split of its common stock effective April 1, 2023. The number of shares as of April 1, 2023 shown above is the number assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

2. Matters regarding treasury stock

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (shares)	1,773,705	7,711,728	306,858	9,178,575

Note: 1. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The number of shares as of April 1, 2023 shown above is the number assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

2. At a meeting of the Board of Directors held on August 29, 2023, the Company resolved to repurchase its own shares during the period from August 30, 2023 to December 31, 2023, up to 10,000,000 shares and 20,000 million yen in total, in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to the provisions of Article 165, paragraph 3 of the said Act. The Company repurchased its own shares during the above period as follows. The repurchase of its own shares was completed on October 5, 2023 on a contractual basis.

(1) Repurchase period: From August 30, 2023 to October 5, 2023 (contractual basis)
(2) Number of shares repurchased: 7,439,800 shares
(3) Total repurchase price: 19,999 million yen
(4) Repurchase method: Market purchase (including an off-auction share repurchase transaction) on the Tokyo Stock Exchange

At a meeting of the Board of Directors held on November 8, 2023, the Company resolved to dispose of its treasury stock through third-party allotment associated with an additional monetary contribution to Board Benefit Trust (BBT) and disposed of its treasury stock through third-party allotment as follows:

(1) Date of disposition: November 24, 2023
(2) Number of shares subject to disposition: 270,000 shares
(3) Price of disposition: 712 million yen
(4) Subscriber: Custody Bank of Japan, Ltd. (Trust Account E)

Treasury stock amounted to 20,944 million yen at the end of the fiscal year ended March 31, 2024, an increase of treasury stock by 20,045 million yen mainly due to the repurchase, the disposition through third-party allotment, and changes attributable to repurchase and purchase of less-than-a-unit shares during the fiscal year ended March 31, 2024. The treasury stock includes 1,104 million yen of the Company’s common stock held by Custody Bank of Japan, Ltd. (trust account E) as trust assets of Board Benefit Trust (BBT).

3. Overview of reasons for change

Details of increases in the number of treasury stock are as follows:

Increase due to the repurchase of less-than-a-unit shares: 1,928 shares
Increase due to repurchase of its own shares: 7,439,800 shares
Increase due to purchase of the Company’s shares by the Custody Bank of Japan, Ltd. (Trust Account E) for Board Benefit Trust (BBT): 270,000 shares

Details of decreases in the number of treasury stock are as follows:

Decrease due to the sale of less-than-a-unit shares: 158 shares
Decrease due to the disposal from Custody Bank of Japan, Ltd. (trust account E) under the Board Benefit Trust (BBT): 36,700 shares
Decrease due to the disposal to Custody Bank of Japan, Ltd. (trust account E) for Board Benefit Trust (BBT): 270,000 shares

4. The number of treasury stock includes the number of the Company’s common stock held by Custody Bank of Japan, Ltd. (trust account E).

The details are as follows:

Custody Bank of Japan, Ltd. (trust account E)
As of April 1, 2023: 311,100 shares
As of March 31, 2024: 544,400 shares

3. Matters regarding share warrants

Company name	Details	Class of shares to be issued	Number of shares to be issued (thousand shares)				Balance as of March 31, 2024 (million yen)
			As of April 1, 2023	Increase	Decrease	As of March 31, 2024	
Reporting company	Zero Coupon Convertible Bonds due 2028	Common stock	—	8,479	—	8,479	—
	Zero Coupon Convertible Bonds due 2030	Common stock	—	8,643	—	8,643	—

Note: The number of shares of common stock to be issued is the number assuming that share warrants are exercised.

4. Matters regarding dividends

(1) Dividends paid

Resolution adopted	Class of shares	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 12, 2023	Common stock	8,828	70	March 31, 2023	June 26, 2023
Board of Directors meeting on November 8, 2023	Common stock	5,197	14	September 30, 2023	December 5, 2023

Notes: 1. Aggregate dividends resolved at the Board of Directors meeting on May 12, 2023 include dividends of 7 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program. The Company conducted a three-for-one split of its common stock effective April 1, 2023. The above information shows the actual dividend amounts before the stock split.

2. Aggregate dividends resolved at the Board of Directors meeting on November 8, 2023 include dividends of 3 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

(2) Dividends with a record date during the fiscal year, but an effective date in the following fiscal year

Resolution adopted	Class of shares	Source of dividends	Aggregate dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 10, 2024	Common stock	Retained earnings	9,651	26	March 31, 2024	June 24, 2024

Notes: Aggregate dividends, of which record date is March 31, 2024, include dividends of 14 million yen on the Company's shares (treasury stock) held by the BBT in Custody Bank of Japan, Ltd. (trust account E) under the BBT program.

Consolidated statements of cash flows

*1 The components of cash and cash equivalents as of March 31, 2024 and 2023 were as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Cash on hand and in banks	102,746 million yen	142,044 million yen
Time deposits with original maturities exceeding three months	(357)	(5,598)
Cash and cash equivalents	102,389	136,445

Leases

Operating leases

As a lessee

Future lease payments for non-cancellable leases

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Due within one year	16	17
Due after one year	23	21
Total	39	39

Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

In consideration of capital investment plans to operate the manufacturing and sales activities principally of material handling systems and equipment, the Group raises necessary funds mainly through bank borrowings or issuance of bonds, while short-term working capital is raised by bank borrowings. Temporary cash surpluses, if any, are invested in low risk short-term financial instruments. The Group uses derivatives for the purpose of hedging the risk of foreign currency exchange rate fluctuations related to foreign currency-denominated trade receivable and payable and the interest rate fluctuation risk associated with interest expenses on borrowings and does not engage in speculative transactions as its policy.

(2) Types of financial instruments, related risks and management thereof

Trade receivable (“notes receivable, accounts receivable from completed construction contracts and other, and contract assets”) are exposed to customer credit risks. The Group manages such risks by following its credit control regulations. As a rule, when entering a transaction with a new customer, the Group carefully makes credit decisions, after which the sales administration of each operating division monitors the customer’s condition periodically. The Group is then able to identify at an early stage and mitigate the risks resulting from a downturn of the financial situations, by managing each customer’s due dates and outstanding balances. Trade receivable denominated in foreign currencies are exposed to the risk of foreign currency exchange rate fluctuations, but such risk is hedged principally by using forward exchange contracts. Investments in securities, mainly consisting of equity securities of customers and suppliers with whom the Group has business relationships, are exposed to the risk of market price fluctuations. With respect to such risk, the Group periodically monitors market prices of the securities, financial conditions and other information of the issuers.

Trade payable (“notes and accounts payable and construction contracts payable” and “electronically recorded obligations - operating”) are mostly due within one year. Trade payable include foreign currency-denominated amounts related to overseas construction work and, as such, are exposed to currency exchange rate fluctuation risk. However, the balance of these accounts consistently stays within the outstanding total amount of foreign currency-denominated trade accounts receivable. Short-term borrowings are used for raising funds mainly for working capital, while long-term borrowings and corporate bonds are funding primarily for capital investment. Borrowings with variable interest rates (floating-rate borrowings) are exposed to the interest rate fluctuation risk. However, with regard to the long-term floating-rate borrowings, the Group uses interest rate swap transactions to fix the rate of future interest expenses as a hedge against the interest rate fluctuation risk. Trade payable, borrowings and corporate bonds are all exposed to liquidity risk at the time of debt settlement. The Group manages such risk by timely preparing cash management plans, as well as by flexibly adjusting liquidity on hand through the use of lending commitment lines from several financial institutions.

The finance department executes derivative transactions and conducts relevant administrative procedures (such as bookkeeping and confirmation of transaction balances with the counterparties) in accordance with the Group’s internal derivative control regulations including transaction authorization and administrative structure. The Group enters into derivative transactions only with highly creditworthy financial institutions. For information regarding hedge accounting, such as hedging instruments, hedged items, hedging policy and method for assessing hedge effectiveness, please refer to “(7) Method of significant hedge accounting” described previously under “4. Accounting policies.”

(3) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include values based on the market price, and reasonably calculated values in cases where market price is not readily available. In the calculation of such values, variable factors are also taken into consideration, and, therefore, the values calculated may vary, if different factors or assumptions are employed. The contract amounts and other information provided in “Derivative transactions” are not necessarily indicative of the amounts of the actual market risk involved in derivative transactions.

2. Fair value of financial instruments

The balance sheet carrying amount and fair value of financial instruments and their differences are as follows.

"Cash on hand and in banks" are deposits, "short-term borrowings and current portion of long-term borrowings" are due within one year, and "notes and accounts payable and construction contracts payable" and "electronically recorded obligations - operating" are settled in a short period of time. Accordingly, since the fair value of those financial instruments approximates their carrying amount, they are omitted.

FY2022 (as of March 31, 2023)

	Carrying amount on consolidated balance sheets (million yen)	Fair value (million yen)	Difference (million yen)
(1) Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	250,076	249,473	(603)
(2) Investments in securities			
Held-to-maturity debt securities	—	—	—
Other securities	11,323	11,323	—
Total assets	261,399	260,796	(603)
Long-term borrowings	1,100	1,086	(13)
Total liabilities	1,100	1,086	(13)
Derivative transactions*	8	8	—

* Receivable and payable resulted from derivative transactions are presented in net amount. The amounts in parentheses indicate net payable.

FY2023 (as of March 31, 2024)

	Carrying amount on consolidated balance sheets (million yen)	Fair value (million yen)	Difference (million yen)
(1) Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	271,633	271,176	(456)
(2) Investments in securities			
Held-to-maturity debt securities	7,200	7,196	(4)
Other securities	15,766	15,766	—
Total assets	294,600	294,139	(460)
(1) Convertible-bond-type bonds with stock acquisition rights	61,088	72,645	11,556
(2) Long-term borrowings	100	97	(2)
Total liabilities	61,188	72,742	11,554
Derivative transactions*	(210)	(210)	—

* Receivable and payable resulted from derivative transactions are presented in net amount. The amounts in parentheses indicate net payable.

Note 1. The carrying amount on the consolidated balance sheets of shares, etc. that do not have a market price

(Million yen)

Category	March 31, 2023	March 31, 2024
Unlisted securities	942	550

As these securities have no quoted market prices, they are excluded from "Assets (2) Investments in securities." The unlisted securities include the investments in non-consolidated subsidiaries and affiliates, amounting to 391 million yen as of March 31, 2023. Such investments are not included as of March 31, 2024.

Note 2. The expected settlement subsequent to the consolidated balance sheet date for monetary receivable and investments in securities with maturity dates

FY2022 (as of March 31, 2023)

(Million yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	102,746	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	248,918	1,158	—	—
Total	351,665	1,158	—	—

FY2023 (as of March 31, 2024)

(Million yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Cash on hand and in banks	142,044	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	271,131	501	—	—
Held-to-maturity debt securities	900	6,300	—	—
Total	414,075	6,801	—	—

Note 3. The expected redemption subsequent to the consolidated balance sheet date for long-term borrowings and other interest-bearing liabilities

FY2022 (as of March 31, 2023)

(Million yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings	7,659	—	—	—	—	—
Long-term borrowings	2,700	1,000	—	100	—	—
Total	10,359	1,000	—	100	—	—

FY2023 (as of March 31, 2024)

(Million yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings	8,428	—	—	—	—	—
Convertible-bond-type bonds with stock acquisition rights	—	—	—	—	30,534	30,553
Long-term borrowings	1,000	—	100	—	—	—
Total	9,428	—	100	—	30,534	30,553

3. The breakdown for each level of fair value of financial instruments and other disclosures

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

FY2022 (as of March 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Investments in securities				
Other securities	11,323	—	—	11,323
Derivative transactions				
Currency-related	—	8	—	8
Interest-related	—	—	—	—
Total assets	11,323	8	—	11,331
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total liabilities	—	—	—	—

FY2023 (as of March 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Investments in securities				
Other securities	15,766	—	—	15,766
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	15,766	—	—	15,766
Derivative transactions				
Currency-related	—	210	—	210
Interest-related	—	—	—	—
Total liabilities	—	210	—	210

(2) Financial instruments other than those measured at fair value

FY2022 (as of March 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	—	249,473	—	249,473
Securities and other securities				
Other securities				
Held-to-maturity debt securities	—	—	—	—
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	—	249,473	—	249,473
Long-term borrowings	—	1,086	—	1,086
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total liabilities	—	1,086	—	1,086

FY2023 (as of March 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other, and contract assets	—	271,176	—	271,176
Securities and other securities				
Other securities				
Held-to-maturity debt securities	—	7,196	—	7,196
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total assets	—	278,372	—	278,372
Convertible-bond-type bonds with stock acquisition rights	—	72,645	—	72,645
Long-term borrowings	—	97	—	97
Derivative transactions				
Currency-related	—	—	—	—
Interest-related	—	—	—	—
Total liabilities	—	72,742	—	72,742

Note: A description of the valuation techniques and inputs used in the fair value measurements

<u>Securities and investments in securities</u>

Listed equity securities are valued using quoted prices. As listed equity securities are traded in active markets, their fair value is classified as Level 1. Held-to-maturity debt securities are measured based on prices quoted by financial institutions and other inputs, and their fair value is classified as Level 2.

<u>Derivative transactions</u>

The fair value of interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs quoted by counterparty financial institutions, such as interest rates and exchange rates, and is classified as Level 2.

Notes receivable, accounts receivable from completed construction contracts and other, and contract assets

The fair value of these items is measured using the discounted cash flow method based on the amount of receivable, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Convertible-bond-type bonds with stock acquisition rights

The fair value of these items is measured based on prices quoted by financial institutions and other inputs and is classified as Level 2.

Long-term borrowings

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Securities

1. Held-to-maturity debt securities

FY2022 (as of March 31, 2023)

Description is omitted due to immateriality.

FY2023 (as of March 31, 2024)

	Type	Carrying amount on consolidated balance sheets (million yen)	Fair value (million yen)	Difference (million yen)
Securities whose fair value exceeds the carrying amount on the consolidated balance sheets	Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	—	—	—
	iii. Other	—	—	—
	Subtotal	—	—	—
Securities whose fair value does not exceed the carrying amount on the consolidated balance sheets	Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	7,200	7,196	(4)
	iii. Other	—	—	—
	Subtotal	7,200	7,196	(4)
Total		7,200	7,196	(4)

2. Other securities

FY2022 (as of March 31, 2023)

	Type	Carrying amount on consolidated balance sheets (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Equity securities	11,323	5,499	5,823
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	—	—	—
	iii. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	11,323	5,499	5,823
Securities whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Equity securities	551	551	—
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	—	—	—
	iii. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	551	551	—
Total		11,874	6,051	5,823

Notes: 1. The acquisition costs in the above table represent carrying amounts after impairment adjustment.

2. The Group did not record an impairment loss for the fiscal year ended March 31, 2023. In general, the Group recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline.

Furthermore, the Group recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

FY2023 (as of March 31, 2024)

	Type	Carrying amount on consolidated balance sheets (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Equity securities	15,766	4,483	11,282
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	—	—	—
	iii. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	15,766	4,483	11,282
Securities whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Equity securities	550	550	—
	(2) Debt securities			
	i. Government bonds, municipal bonds, etc.	—	—	—
	ii. Corporate bonds	—	—	—
	iii. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	550	550	—
Total		16,317	5,034	11,282

Notes: 1. The acquisition costs in the above table represent carrying amounts after impairment adjustment.
2. The Group did not record an impairment loss for the fiscal year ended March 31, 2024. In general, the Group recognizes an impairment loss when the fair value of the security decreases by 50% or more from its acquisition cost as it is deemed as a significant decline.
Furthermore, the Group recognizes an impairment loss when the fair value of the security continuously decreases for two years by 40% or more and below 50% from the acquisition cost.

3. Held-to-maturity debt securities sold during the fiscal years ended March 31, 2023 and 2024

Not applicable

4. Other securities sold during the fiscal years ended March 31, 2023 and 2024

FY2022 (April 1, 2022–March 31, 2023)

Type	Sale value (million yen)	Gain on sales (million yen)	Loss on sales (million yen)
Equity securities	2,019	943	—

FY2023 (April 1, 2023–March 31, 2024)

Type	Sale value (million yen)	Gain on sales (million yen)	Loss on sales (million yen)
Equity securities	2,301	1,258	—

Note: Sales of unlisted shares, of which sale value is 421 million yen and gain on sales is 70 million yen, are not included in the above table.

Derivative transactions

1. Derivative transactions to which hedge accounting is not applied

FY2022 (as of March 31, 2023)

Category	Type	Contract amount (million yen)	Contract amount due after one year (million yen)	Fair value (million yen)	Gain (loss) on valuation (million yen)
Non-market transactions	Forward exchange contracts				
	Sell				
	USD	16	—	1	1
	EUR	48	—	1	1
Total		65	—	3	3

FY2023 (as of March 31, 2024)

Category	Type	Contract amount (million yen)	Contract amount due after one year (million yen)	Fair value (million yen)	Gain (loss) on valuation (million yen)
Non-market transactions	Forward exchange contracts				
	Buy				
	INR	(59)	—	(2)	(2)
Total		(59)	—	(2)	(2)

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related

FY2022 (as of March 31, 2023)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged items	Contract amount	Of which due after one year	Fair value
Principal method	Forward exchange contracts				
	Sell				
	USD	Accounts receivable (future transaction)	2,501	—	53
	KRW	Accounts receivable (future transaction)	2,184	—	(16)
	THB	Accounts receivable (future transaction)	270	—	(9)
	CNY	Accounts receivable (future transaction)	1,286	—	(7)
	TWD	Accounts receivable (future transaction)	385	—	(4)
	SGD	Accounts receivable (future transaction)	73	—	(0)
	EUR	Accounts receivable (future transaction)	3,061	—	(56)
	INR	Accounts receivable (future transaction)	87	—	0
	IDR	Accounts receivable (future transaction)	35	—	(2)
	Buy				
	THB	Accounts payable (future transaction)	(43)	—	0
	JPY	Accounts payable (future transaction)	(282)	—	13
	USD	Accounts payable (future transaction)	(404)	—	(30)
	CNY	Accounts payable (future transaction)	(1,749)	—	26
	EUR	Accounts payable (future transaction)	(850)	—	39
Allocation treatment of forward exchange contracts, etc.	Forward exchange contracts				*1
	Sell				
	USD	Accounts receivable	3,570	—	
	KRW	Accounts receivable	1,599	—	
	TWD	Accounts receivable	257	—	
	CNY	Accounts receivable	787	—	
	THB	Accounts receivable	758	—	
	SGD	Accounts receivable	146	—	
	INR	Accounts receivable	29	—	
	EUR	Accounts receivable	643	—	
	IDR	Accounts receivable	37	—	
Total			14,386	—	5

*1 Forward exchange contracts with the allocation treatment are accounted for together with the major hedged items of “notes receivable, accounts receivable from completed construction contracts and other, and contract assets” and “notes and accounts payable and construction contracts payable.” Therefore, the fair value of forward exchange contracts is included in the fair value of those hedged items.

FY2023 (as of March 31, 2024)

(Million yen)

Method of hedge accounting	Category of derivative transactions	Major hedged item	Contract amount	Of which due after one year	Fair value
Principal method	Forward exchange contracts				
	Sell				
	USD	Accounts receivable (future transaction)	1,948	—	(97)
	KRW	Accounts receivable (future transaction)	1,030	—	(39)
	THB	Accounts receivable (future transaction)	272	—	(3)
	CNY	Accounts receivable (future transaction)	1,549	—	(74)
	TWD	Accounts receivable (future transaction)	133	—	(3)
	SGD	Accounts receivable (future transaction)	15	—	(1)
	EUR	Accounts receivable (future transaction)	62	—	(2)
	INR	Accounts receivable (future transaction)	470	—	(22)
	GBP	Accounts receivable (future transaction)	20	—	(1)
	CAD	Accounts receivable (future transaction)	44	—	(1)
	AUD	Accounts receivable (future transaction)	22	—	(0)
	SEK	Accounts receivable (future transaction)	16	—	(0)
	JPY	Accounts receivable (future transaction)	260	—	1
	Buy				
	USD	Accounts payable (future transaction)	(594)	—	31
	CNY	Accounts payable (future transaction)	(90)	—	7
	KRW	Accounts payable (future transaction)	(59)	—	0
Allocation treatment of forward exchange contracts, etc.	Forward exchange contracts				*1
	Sell				
	USD	Accounts receivable	1,459	—	
	KRW	Accounts receivable	849	—	
	TWD	Accounts receivable	578	—	
	CNY	Accounts receivable	1,146	—	
	THB	Accounts receivable	1,623	—	
	SGD	Accounts receivable	0	—	
	INR	Accounts receivable	43	—	
	EUR	Accounts receivable	1,850	—	
	IDR	Accounts receivable	14	—	
	Buy				
	THB	Accounts payable	(34)	—	
	CNY	Accounts payable	(61)	—	
Total			12,571	—	(207)

*1 Forward exchange contracts with the allocation treatment are accounted for together with the major hedged items of “notes receivable, accounts receivable from completed construction contracts and other, and contract assets” and “notes and accounts payable and construction contracts payable.” Therefore, the fair value of forward exchange contracts is included in the fair value of those hedged items.

(2) Interest-related

FY2022 (as of March 31, 2023)

Not applicable

FY2023 (as of March 31, 2024)

Not applicable

Retirement benefits

1. Overview of retirement benefit plans adopted

The Company and its Japanese consolidated subsidiaries have lump-sum severance indemnity plans, defined contribution plans, and a hybrid type of pension plans (cash balance plans). In addition, the Company has established a retirement benefit trust.

Certain non-Japan consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

In defined benefit plans of certain consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method. One of the consolidated subsidiaries shifted its calculation method of retirement benefit obligations from the simplified method to the principle method at the end of the fiscal year ended March 31, 2024.

The cash balance plan is the Group’s defined benefit pension plan, which was established by the Company and its Japanese consolidated subsidiaries. This pension plan is a multiple employer plan. Notes for the retirement benefits based on the multiple employer plan are included in the notes for the retirement benefits based on defined benefit plans.

2. Defined benefit plans (including multi-employer corporate pension plans)

(1) Movements in retirement benefit obligations (excluding the plans using the simplified method)

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Balance at beginning of year	37,846	30,723
Service cost	1,284	1,635
Interest cost	303	428
Accrued actuarial gains and losses	(2,347)	(2,480)
Payments for retirement benefits	(1,894)	(1,526)
Foreign currency translation adjustments	1,405	774
Transferred amount due to the shift from the simplified method to the principle method	–	2,901
Amount treated as expenses due to the shift from the simplified method to the principle method	–	(234)
Other*	(5,873)	(2,945)
Balance at end of year	30,723	29,276

* The “Other” includes decreases of 5,876 million yen for the fiscal year ended March 31, 2023 and 2,960 million yen for the fiscal year ended March 31, 2024 associated with a buyout of the defined benefit pension plan of a subsidiary under Daifuku North America, Inc. and its subsidiaries.

(2) Movements in plan assets (excluding the plans using the simplified method)

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Balance at beginning of year	39,660	32,189
Expected return on plan assets	1,217	1,236
Accrued actuarial gains and losses	(3,509)	846
Employer contributions	437	1,261
Payments for retirement benefits	(1,166)	(635)
Foreign currency translation adjustments	1,423	883
Transferred amount due to the shift from the simplified method to the principle method	–	3,582
Other*	(5,873)	(2,970)
Balance at end of year	32,189	36,391

* The “Other” includes decreases of 5,876 million yen for the fiscal year ended March 31, 2023 and 2,960 million yen for the fiscal year ended March 31, 2024 associated with a buyout of the defined benefit pension plan of a subsidiary under Daifuku North America, Inc. and its subsidiaries.

(3) Movements in liabilities for retirement benefits in the plans using the simplified method

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Balance at beginning of year	339	(25)
Retirement benefit expenses	895	330
Payments for retirement benefits	(28)	(127)
Contributions to the plans	(1,112)	(255)
Foreign currency translation adjustments	(37)	(3)
Transferred amount due to the shift from the simplified method to the standard method	—	680
Other	(81)	(17)
Balance at end of year	(25)	581

(4) Reconciliation of retirement benefit obligations and plan assets at the end of the year to liabilities for retirement benefits and assets for retirement benefits on the consolidated balance sheets

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Retirement benefit obligations in funded plans	34,313	30,054
Plan assets	(37,031)	(37,852)
	(2,718)	(7,798)
Retirement benefit obligations in unfunded plans	1,226	1,263
Other	(114)	(6)
Net liabilities and assets on consolidated balance sheets	(1,606)	(6,541)
Liabilities for retirement benefits	7,431	6,784
Assets for retirement benefits	(9,038)	(13,325)
Net liabilities and assets on consolidated balance sheets	(1,606)	(6,541)

Note: The plans using the simplified method are included.

(5) Details of retirement benefit expenses

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Service cost	1,284	1,635
Interest cost	303	428
Expected return on plan assets	(1,217)	(1,236)
Amortization of actuarial gains and losses	1,106	702
Retirement benefit expenses using the simplified method	895	330
Other	(1,392)	(357)
Retirement benefit expenses on defined benefit plans	979	1,503

(6) Retirement benefits reserves adjustments

Details of retirement benefits reserves adjustments before tax effect are as follows:

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Actuarial gains and losses	(218)	4,028
Total	(218)	4,028

(7) Accumulated adjustments on retirement benefits

Details of accumulated adjustments on retirement benefits before tax effect are as follows:

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Unrecognized actuarial gains and losses	584	(3,443)
Total	584	(3,443)

(8) Matters regarding plan assets

i. Major components of plan assets

Percentages of each major category of the plan assets are as follows:

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Equity securities	28%	29%
Debt securities	38%	31%
General accounts at life insurance	14%	15%
Cash on hand and in banks	17%	21%
Other	3%	3%
Total	100%	100%

Note: The retirement benefit trust set up for the corporate pension plans represents 16% and 16% of the total plan assets as of March 31, 2023 and 2024, respectively.

ii. Determination procedure of expected long-term rate of return on plan assets

To determine the expected long-term rate of return on plan assets, the Group considers the current and forecast allocation of plan assets and the current and expected long-term rates of return on the diverse assets that compose the plan assets.

(9) Assumptions for actuarial calculations

Major assumptions for actuarial calculations as of the end of the fiscal year

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Discount rate	0.075%–7.360%	0.883%–7.250%
Expected long-term rate of return on plan assets	1.000%–7.000%	1.200%–7.250%

Note: The Group does not use the expected rate of increase in salary for calculating retirement benefit obligation, mainly attributable to the adoption of a point-based plan.

3. Defined contribution plans

The amount of contributions required under the defined contribution plans of the Company and its consolidated subsidiaries as of March 31, 2023 and 2024 were 1,436 million yen and 1,855 million yen, respectively.

Stock options, etc.

Not applicable

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2022 (as of March 31, 2023)		FY2023 (as of March 31, 2024)	
Deferred tax assets:				
Experimentation and research expenses	9,349	million yen	13,630	million yen
Accrued expenses	3,350		3,872	
Unrealized profit on inventories	143		354	
Liabilities for retirement benefits	1,688		1,090	
Loss carried forward	2,501		4,263	
Unrealized gain on sales of property, plant and equipment	597		569	
Loss on valuation of investments in securities	10		0	
Excess depreciation	94		179	
Accrued business tax	306		432	
Foreign tax credit carried forward	1,022		1,660	
Other	2,261		2,396	
Subtotal deferred tax assets	21,327		28,450	
Valuation allowance	(2,103)		(3,778)	
Offset against deferred tax liabilities	(3,350)		(5,773)	
Total deferred tax assets	15,873		18,898	
Deferred tax liabilities:				
Net unrealized gain on assets of consolidated subsidiaries	636		633	
Reserve for tax purpose reduction entry of non-current assets	124		122	
Net unrealized gain (loss) on securities	1,728		3,389	
Retained profit	1,151		1,136	
Other	408		1,170	
Subtotal deferred tax liabilities	4,049		6,452	
Offset against deferred tax assets	(3,350)		(5,773)	
Total deferred tax liabilities	698		679	

2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.4%	0.7%
Taxation on per capita basis	0.2%	0.2%
Increase in valuation allowance	(0.9)%	2.8%
Tax rate difference applied to non-Japan subsidiaries	(2.2)%	(3.2)%
Amortization of goodwill	0.1%	0.1%
Tax effects on retained profit of non-Japan subsidiaries	0.0%	0.0%
Tax credit	(3.4)%	(2.9)%
Other	0.3%	(0.1)%
Effective tax rate after applying tax effect accounting	25.1%	28.2%

Revenue recognition

There are five reportable segments in the Group: Daifuku Co., Ltd.; Contec Co., Ltd. and its subsidiaries (Contec); Daifuku North America, Inc.* and its subsidiaries (Daifuku North America); Clean Factomation, Inc. ; and Daifuku (Suzhou) Cleanroom Automation Co., Ltd. . Revenue is disaggregated by industry and destination for each reportable segment.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd. , which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the fiscal year ended March 31, 2024.

* Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.

For more information regarding on reportable segments, please refer to Segment information described later.

1. Information of disaggregated revenue from contracts with customers

FY2022 (April 1, 2022–March 31, 2023)

(1) Disaggregation information by industry

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Automobile, auto parts	22,332	215	26,856	—	—	49,404	16,077	65,482
Electronics	84,104	1,397	23,631	42,694	25,132	176,960	38,774	215,734
Commerce, retail	68,188	8,092	61,823	—	—	138,104	22,824	160,929
Transportation, warehousing	15,585	114	6,281	—	—	21,981	8,456	30,437
Machinery	7,508	985	565	—	—	9,059	1,298	10,358
Chemicals, pharmaceuticals	14,581	5,829	12	—	—	20,423	4,204	24,628
Food	7,274	2	1,948	—	—	9,225	6,512	15,737
Iron, steel, nonferrous metals	4,182	2	16	—	—	4,201	614	4,815
Precision equipment, printing, office equipment	3,312	1,197	5	—	—	4,515	1,955	6,470
Airport	3,684	536	29,288	—	—	33,509	12,670	46,180
Other	8,101	230	8,340	—	—	16,672	2,391	19,063
Sales to external customers	238,855	18,604	158,769	42,694	25,132	484,057	115,781	599,838
Other adjustments for consolidation	—	—	—	—	—	—	—	2,084
Net sales in consolidated financial statements	—	—	—	—	—	—	—	601,922

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

(2) Disaggregation information by destination

(Million yen)

			Reportable segments					Other*	Total
		Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Japan		172,174	10,285	—	—	—	182,460	14,816	197,276
Non-Japan		66,681	8,318	158,769	42,694	25,132	301,597	100,964	402,561
	North America	1,287	6,744	141,065	12	—	149,109	3,080	152,190
	Asia	59,166	1,243	2,872	42,682	25,132	131,097	79,129	210,226
	China	17,023	649	152	1,631	25,132	44,589	16,305	60,895
	South Korea	11,103	163	5	41,050	—	52,323	7,766	60,089
	Taiwan	28,606	203	—	—	—	28,809	29,931	58,740
	Other	2,432	228	2,714	—	—	5,375	25,125	30,500
	Europe	718	330	10,147	—	—	11,196	6,101	17,298
	Latin America	705	0	4,201	—	—	4,907	1,320	6,228
	Other	4,803	—	482	—	—	5,285	11,331	16,617
Sales to external customers		238,855	18,604	158,769	42,694	25,132	484,057	115,781	599,838
Other adjustments for consolidation		—	—	—	—	—	—	—	2,084
Net sales in consolidated financial statements		—	—	—	—	—	—	—	601,922

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

(3) Disaggregation information by timing of revenue recognition

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Performance obligations satisfied at a point in time	49,190	13,016	14,101	1,151	1,027	78,486	30,675	109,161
Performance obligations satisfied over time	189,665	5,588	144,667	41,543	24,105	405,570	85,106	490,676
Sales to external customers	238,855	18,604	158,769	42,694	25,132	484,057	115,781	599,838
Other adjustments for consolidation	—	—	—	—	—	—	—	2,084
Net sales in consolidated financial statements	—	—	—	—	—	—	—	601,922

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

FY2023 (April 1, 2023–March 31, 2024)

(1) Disaggregation information by industry

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Automobile, auto parts	26,980	246	32,782	—	—	60,009	21,476	81,485
Electronics	91,007	1,432	20,488	30,637	30,083	173,648	29,900	203,549
Commerce, retail	49,460	8,916	66,546	—	—	124,923	22,654	147,578
Transportation, warehousing	13,204	112	2,784	—	—	16,101	8,725	24,826
Machinery	8,041	753	336	—	—	9,131	1,168	10,300
Chemicals, pharmaceuticals	15,614	5,781	44	—	—	21,439	3,737	25,177
Food	9,732	1	4,548	—	—	14,283	6,373	20,656
Iron, steel, nonferrous metals	5,240	15	20	—	—	5,276	187	5,464
Precision equipment, printing, office equipment	2,784	1,169	5	—	—	3,960	431	4,391
Airport	3,560	497	41,344	—	—	45,402	20,406	65,809
Other	13,249	153	6,893	—	—	20,296	3,635	23,932
Sales to external customers	238,877	19,080	175,795	30,637	30,083	494,474	118,698	613,172
Other adjustments for consolidation	—	—	—	—	—	—	—	(1,695)
Net sales in consolidated financial statements	—	—	—	—	—	—	—	611,477

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

(2) Disaggregation information by destination

(Million yen)

			Reportable segments						Other*	Total
			Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Japan			172,878	11,445	—	—	—	184,324	16,174	200,498
Non-Japan			65,998	7,634	175,795	30,637	30,083	310,150	102,523	412,673
	North America		3,703	6,488	157,875	7,761	—	175,829	5,856	181,685
	Asia		53,011	822	2,611	22,875	30,083	109,405	71,623	181,028
		China	37,415	430	—	1,082	29,751	68,679	17,069	85,749
		South Korea	6,529	53	—	21,793	—	28,376	10,793	39,170
		Taiwan	3,409	64	—	—	332	3,806	24,533	28,339
		Other	5,658	273	2,611	—	—	8,544	19,226	27,770
	Europe		1,939	308	7,956	—	—	10,204	8,014	18,218
	Latin America		2,095	16	5,642	—	—	7,754	2,871	10,625
	Other		5,247	—	1,708	—	—	6,956	14,158	21,114
Sales to external customers			238,877	19,080	175,795	30,637	30,083	494,474	118,698	613,172
Other adjustments for consolidation			—	—	—	—	—	—	—	(1,695)
Net sales in consolidated financial statements			—	—	—	—	—	—	—	611,477

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

(3) Disaggregation information by timing of revenue recognition

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Performance obligations satisfied at a point in time	55,952	12,465	17,006	967	1,366	87,757	30,326	118,083
Performance obligations satisfied over time	182,925	6,615	158,789	29,669	28,717	406,716	88,371	495,088
Sales to external customers	238,877	19,080	175,795	30,637	30,083	494,474	118,698	613,172
Other adjustments for consolidation	—	—	—	—	—	—	—	(1,695)
Net sales in consolidated financial statements	—	—	—	—	—	—	—	611,477

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

2. Basic information in understanding revenue

The information is as presented in “4. Accounting policies, (5) Accounting policy for significant revenues and expenses” under Significant accounting policies for preparation of consolidated financial statements.

3. The information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts as well as the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current consolidated fiscal year in the next consolidated fiscal year.

FY2022 (April 1, 2022–March 31, 2023)

(1) Balances of contract assets, contract liabilities, etc.

The balances of receivable, contract assets, and contract liabilities from contracts with customers are as follows. Receivable and contract assets from contracts with customers are included in “notes receivable, accounts receivable from completed construction contracts and other, and contract assets” on the consolidated balance sheets.

(Million yen)

	Balance at beginning of year	Balance at end of year
Receivable from contracts with customers	100,633	127,138
Contract assets	108,282	122,938
Contract liabilities	40,682	63,901

Contract assets primarily relate to construction contracts for manufacture and sale of logistics systems, etc. They represent the right to consideration received with conditions other than the passage of time, in exchange for the satisfied portion of performance obligations measured based on the progress as of the end of the reporting period. Once the right to consideration becomes unconditional, it reclassifies contract assets to receivable from contracts with customers.

Contract liabilities primarily relate to payments received in advance of performance under construction contracts and are reversed upon recognition of revenue.

Revenue recognized in the fiscal year ended March 31, 2023 that was included in the balance of contract liabilities at the beginning of the fiscal year was 39,804 million yen.

The amount of revenue recognized in the fiscal year ended March 31, 2023 from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is immaterial.

(2) Remaining performance obligations

The transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2023 and the time frame the amount is expected to be recognized as revenue are as follows:

(Million yen)

	As of March 31, 2023
Within one year	409,727
After one year	127,448
Total	537,175

FY2023 (April 1, 2023–March 31, 2024)

(1) Balances of contract assets, contract liabilities, etc.

The balances of receivable, contract assets, and contract liabilities from contracts with customers are as follows. Receivable and contract assets from contracts with customers are included in “notes receivable, accounts receivable from completed construction contracts and other, and contract assets” on the consolidated balance sheets.

(Million yen)

	Balance at beginning of year	Balance at end of year
Receivable from contracts with customers	127,138	88,592
Contract assets	122,938	183,040
Contract liabilities	63,901	79,576

Contract assets primarily relate to construction contracts for manufacture and sale of logistics systems, etc. They represent the right to consideration received with conditions other than the passage of time, in exchange for the satisfied portion of performance obligations measured based on the progress as of the end of the reporting period. Once the right to consideration becomes unconditional, it reclassifies contract assets to receivable from contracts with customers.

Contract liabilities primarily relate to payments received in advance of performance under construction contracts and are reversed upon recognition of revenue.

Revenue recognized in the fiscal year ended March 31, 2024 that was included in the balance of contract liabilities at the beginning of the fiscal year was 54,435 million yen.

The amount of revenue recognized in the fiscal year ended March 31, 2024 from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is immaterial.

(2) Remaining performance obligations

The transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2024 and the time frame the amount is expected to be recognized as revenue are as follows:

(Million yen)

	As of March 31, 2024
Within one year	429,613
After one year	114,671
Total	544,285

Segment information, etc.

Segment information

1. Overview of reportable segments

Reportable segments comprise components for which discrete financial information is available, and which the Board of Directors reviews regularly to determine the allocation of management resources and assess operating results.

The Daifuku Group manufactures and sells material handling systems, car wash machines, industrial personal computers, interface boards, and other equipment in Japan and overseas. Each company within the Group conducts manufacturing and sales activities based on its roles as an independent management unit.

There are five reportable segments: Daifuku Co., Ltd., the core company dealing in material handling systems and equipment, and car wash machines; Contec Co., Ltd. and its subsidiaries, the core company group engaging in the manufacture and sale of industrial personal computers, interface boards, and other equipment in Japan and overseas; Daifuku North America, Inc.* and its subsidiaries, the U.S. company group that is responsible for key business activities, primarily in North America, with a significant volume of sales; Clean Factomation, Inc., the company providing semiconductor manufacturers with cleanroom transport systems mainly in South Korea, and Daifuku (Suzhou) Cleanroom Automation Co., Ltd., the company providing cleanroom transport systems mainly to semiconductor manufacturers in China.

Daifuku (Suzhou) Cleanroom Automation Co., Ltd., which was previously included in Other, was changed to a reportable segment due to its increased quantitative significance from the fiscal year ended March 31, 2024. Accordingly, reportable segments have been changed as follows:

* Effective January 1, 2024, Daifuku North America Holding Company changed its name to Daifuku North America, Inc.

Before change
Daifuku Co., Ltd.
Contec Co., Ltd. and its subsidiaries
Daifuku North America Holding Company and its subsidiaries
Clean Factomation, Inc.

After change
Daifuku Co., Ltd.
Contec Co., Ltd. and its subsidiaries
Daifuku North America Inc. and its subsidiaries
Clean Factomation, Inc.
Daifuku (Suzhou) Cleanroom Automation Co., Ltd.

Segment information for the fiscal year ended March 31, 2023 is prepared based on the segments after the changes.

2. Methods of calculating the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

The method of accounting for the reported operating segments is the same as that described in Significant accounting policies for preparation of consolidated financial statements. Intersegment sales or transfers are determined based on the prevailing market price.

3. Information on the amount of net sales, income or losses, assets, liabilities and other items by reportable segment

FY2022 (April 1, 2022–March 31, 2023)

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Net sales								
Sales to external customers	238,855	18,604	158,769	42,694	25,132	484,057	115,781	599,838
Intersegment sales or transfers	51,423	13,850	684	3,379	2,597	71,934	13,295	85,229
Total	290,278	32,454	159,453	46,073	27,729	555,991	129,076	685,068
Segment income (loss)	34,053	988	6,184	2,961	1,953	46,140	3,682	49,822
Segment assets	349,892	31,048	122,275	32,182	23,252	558,652	111,074	669,726
Segment liabilities	105,322	16,792	52,537	18,535	12,323	205,510	65,542	271,053
Other								
Depreciation	3,877	473	1,079	477	400	6,308	2,214	8,522
Amortization of goodwill	0	160	700	—	—	860	—	860
Interest income	62	1	123	222	129	539	264	804
Interest expenses	90	54	4	4	10	165	313	478
Extraordinary income	954	15	125	0	—	1,094	41	1,136
Gain on sales of property, plant and equipment	—	—	*93*	*0*	—	*93*	*5*	*98*
Gain on sales of investments in securities	*928*	*15*	—	—	—	*943*	—	*943*
Extraordinary loss	2,365	9	3,907	140	—	6,422	1,004	7,427
Loss on valuation of shares in affiliates	—	—	—	—	—	—	—	—
Loss on sales of property, plant and equipment	*0*	—	*1*	—	—	*1*	*4*	*6*
Loss on disposal of property, plant and equipment	*270*	*9*	*56*	*140*	—	*476*	*28*	*505*
Value-added tax and other for a prior period	*2,078*	—	—	—	—	*2,078*	—	*2,078*
Impairment loss	—	—	—	—	—	—	*819*	*819*
Settlement payments	—	—	*2,400*	—	—	*2,400*	—	*2,400*
Retirement benefit expenses	—	—	*1,450*	—	—	*1,450*	—	*1,450*
Income tax expenses	10,079	442	(52)	880	655	12,006	1,703	13,709
Increase in property, plant and equipment and intangible assets	4,935	250	4,047	1,962	2,227	13,423	3,421	16,845

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

FY2023 (April 1, 2023–March 31, 2024)

(Million yen)

	Reportable segments						Other*	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal		
Net sales								
Sales to external customers	238,877	19,080	175,795	30,637	30,083	494,474	118,698	613,172
Intersegment sales or transfers	35,657	15,788	1,471	3,230	1,372	57,519	10,133	67,653
Total	274,535	34,868	177,267	33,867	31,455	551,993	128,832	680,826
Segment income (loss)	33,223	891	11,108	1,888	5,493	52,605	895	53,501
Segment assets	400,580	32,311	145,328	30,832	37,275	646,327	115,233	761,561
Segment liabilities	153,133	17,004	61,586	16,358	23,642	271,725	66,584	338,310
Other								
Depreciation	4,158	452	1,424	636	506	7,178	2,390	9,569
Amortization of goodwill	—	171	748	—	—	919	—	919
Interest income	324	32	776	163	272	1,568	526	2,094
Interest expenses	53	97	0	62	3	218	604	823
Extraordinary income	1,258	0	24	0	—	1,283	6	1,290
Gain on sales of property, plant and equipment	*0*	*0*	*22*	*0*	—	*22*	*6*	*28*
Gain on sales of investments in securities	*1,258*	—	—	—	—	*1,258*	—	*1,258*
Extraordinary loss	5,015	2	2,282	54	177	7,532	376	7,909
Loss on valuation of shares in affiliates	*3,996*	—	—	—	—	*3,996*	—	*3,996*
Loss on sales of property, plant and equipment	*4*	—	*18*	—	—	*22*	*0*	*22*
Loss on disposal of property, plant and equipment	*443*	*1*	*3*	*54*	*177*	*680*	*21*	*702*
Value-added tax and other for a prior period	—	—	—	—	—	—	—	—
Impairment loss	*568*	—	—	—	—	*568*	*198*	*767*
Settlement payments	*1*	—	*544*	—	—	*546*	—	*546*
Retirement benefit expenses	—	—	*1,716*	—	—	*1,716*	—	*1,716*
Income tax expenses	10,265	288	3,170	572	1,841	16,138	1,051	17,189
Increase in property, plant and equipment and intangible assets	10,983	483	2,655	1,759	3,231	19,114	2,295	21,410

* The “Other” segment is an operating segment comprising subsidiaries that are not included in the reportable segments.

4. Differences between total amounts for reportable segments and the reported amount in the consolidated financial statements and main details of the differences (matters relating to reconciliation)

(Million yen)

Net sales	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Reportable segments total	555,991	551,993
Segment net sales classified in "Other"	129,076	128,832
Elimination of intersegment transactions	(85,229)	(67,653)
Other adjustments for consolidation	2,084	(1,695)
Net sales in consolidated financial statements	601,922	611,477

(Million yen)

Income	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Reportable segments total	46,140	52,605
Segment income classified in "Other"	3,682	895
Elimination of dividends from affiliates	(10,146)	(13,235)
Other adjustments for consolidation	1,572	5,195
Net income attributable to shareholders of the parent company in consolidated financial statements	41,248	45,461

(Million yen)

Assets	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Reportable segments total	558,652	646,327
Segment assets classified in "Other"	111,074	115,233
Elimination of investment securities in affiliates in consolidation process	(59,490)	(59,568)
Elimination of intercompany receivable	(53,214)	(51,203)
Other adjustments for consolidation	(5,470)	(4,634)
Total assets in consolidated financial statements	551,552	646,154

(Million yen)

Liabilities	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Reportable segments total	205,510	271,725
Segment liabilities classified in "Other"	65,542	66,584
Elimination of intercompany payable	(53,214)	(51,203)
Other adjustments for consolidation	1,389	293
Total liabilities in consolidated financial statements	219,228	287,399

(Million yen)

Other items	Reportable segments total		Other		Adjustment		Consolidated total	
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023
Depreciation	6,308	7,178	2,214	2,390	—	—	8,522	9,569
Amortization of goodwill	860	919	—	—	(149)	(159)	711	760
Interest income	539	1,568	264	526	(157)	(411)	646	1,682
Interest expenses	165	218	313	604	(158)	(411)	320	411
Extraordinary income	1,094	1,283	41	6	83	71	1,219	1,361
Gain on sales of property, plant and equipment	*93*	*22*	*5*	*6*	*1*	*1*	*99*	*29*
Gain on sales of investments in securities	*943*	*1,258*	—	—	—	—	*943*	*1,258*
Extraordinary loss	6,422	7,532	1,004	376	(1,500)	(5,627)	5,926	2,281
Loss on valuation of shares in affiliates	—	*3,996*	—	—	—	*(3,996)*	—	—
Loss on sales of property, plant and equipment	*1*	*22*	*4*	*0*	—	—	*6*	*22*
Loss on disposal of property, plant and equipment	*476*	*680*	*28*	*21*	*0*	—	*505*	*702*
Value-added tax and other for a prior period	*2,078*	—	—	—	—	—	*2,078*	—
Impairment loss	—	*568*	*819*	*198*	—	*(68)*	*819*	*699*
Settlement payments	*2,400*	*546*	—	—	—	—	*2,400*	*546*
Retirement benefit expenses	*1,450*	*1,716*	—	—	*(1,450)*	*(1,559)*	—	*156*
Income tax expenses	12,006	16,138	1,703	1,051	87	625	13,797	17,815
Increase in property, plant and equipment and intangible assets	13,423	19,114	3,421	2,295	(34)	—	16,811	21,410

Note: Main items in the adjustment above are as follows.

Loss on valuation of shares in affiliates of minus 3,996 million yen for the fiscal year ended March 31, 2024 is due to elimination of loss on valuation of shares in Daifuku’s consolidated subsidiaries upon consolidation.

Retirement benefit expenses of minus 1,450 million yen for the fiscal year ended March 31, 2023 and minus 1,559 million yen for the fiscal year ended March 31, 2024 mainly reflect actuarial adjustments of retirement benefit expenses.

Related information

FY2022 (April 1, 2022–March 31, 2023)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Sales to external customers	562,068	18,672	21,181	601,922

2. Information by geographic area

(1) Net sales

(Million yen)

Japan	U.S.A.	China	South Korea	Other	Adjustment	Total
197,276	146,969	60,895	60,089	134,607	2,084	601,922

Note: Sales are classified into countries or regions based on the location of customers.

(2) Property, plant and equipment

(Million yen)

Japan	U.S.A.	China	Other	Total
29,523	17,570	6,294	11,648	65,037

3. Information by major customers

It is omitted because no individual external customers represent 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

FY2023 (April 1, 2023–March 31, 2024)

1. Information by product and service

(Million yen)

	Logistics systems	Electronics	Other	Total
Sales to external customers	570,948	19,088	21,439	611,477

2. Information by geographic area

(1) Net sales

(Million yen)

Japan	U.S.A.	China	South Korea	Other	Adjustment	Total
200,498	176,837	85,749	39,170	110,916	(1,695)	611,477

Note: Sales are classified into countries or regions based on the location of customers.

(2) Property, plant and equipment

(Million yen)

Japan	U.S.A.	China	Other	Total
35,206	18,493	8,721	15,029	77,451

Changes in presentation

Property, plant and equipment in “China,” which was included in “Other” in the fiscal year ended March 31, 2023 is presented separately due to its increased importance. To reflect the change in presentation, “Other” of 17,943 million yen under property, plant and equipment in the information by geographic area in the fiscal year ended March 31, 2023 has been reclassified into “China” of 6,294 million yen and “Other” of 11,648 million yen.

3. Information by major customers

It is omitted because no individual external customers represent 10% or more of the net sales reported in the consolidated statements of income and comprehensive income.

Information about impairment loss of property, plant and equipment and intangible assets by reportable segment

FY2022 (April 1, 2022–March 31, 2023)

Information is omitted because such information is disclosed in segment information. For more information, please refer to "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Consolidated statements of income and comprehensive income*9."

FY2023 (April 1, 2023–March 31, 2024)

Information is omitted because such information is disclosed in segment information. For more information, please refer to "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Consolidated statements of income and comprehensive income*9."

Information about the amount of amortization and unamortized balance of goodwill by reportable segment

FY2022 (April 1, 2022–March 31, 2023)

(Million yen)

	Reportable segments						Other	Elimination or corporate	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal			
Ending balance of goodwill	―	803	1,407	―	―	2,211	651	941	3,804

Note: Information about amortization of goodwill is omitted because such information is disclosed in segment information.

FY2023 (April 1, 2023–March 31, 2024)

(Million yen)

	Reportable segments						Other	Elimination or corporate	Total
	Daifuku	Contec	Daifuku North America	Clean Factomation	Daifuku (Suzhou) Cleanroom Automation	Subtotal			
Ending balance of goodwill	―	687	752	―	―	1,439	700	1,159	3,299

Note: Information about amortization of goodwill is omitted because such information is disclosed in segment information.

Information about gain on new negative goodwill by reportable segment

Not applicable

Information about related parties

Not applicable

Per share information

(Yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net assets per share	878.24	966.98
Net income per share	109.11	121.63
Diluted net income per share	—	118.45

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2023 is not stated, as dilutive shares do not exist.

2. The Company conducted a three-for-one split of its common stock effective April 1, 2023. Net assets per share and net income per share are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2023.

3. The shares of the Company remaining in the BBT, which are recorded as treasury stock under shareholders' equity, are included in the treasury stock to be deducted in the calculation of the average number of shares during the year for the purpose of calculation of net income per share, and are also included in the number of treasury stock to be deducted from the aggregate number of issued shares as of the end of the year for the purpose of calculation of net assets per share. The average number of shares of treasury stock deducted during the year for the purpose of calculation of net income per share is 315 thousand shares for the year ended March 31, 2023 and 396 thousand shares for the year ended March 31, 2024 for the BBT. The number of shares of treasury stock deducted at the end of the year for the purpose of calculating net assets per share is 311 thousand shares for the year ended March 31, 2023 and 544 thousand shares for the year ended March 31, 2024 for the BBT.

4. The basis for the calculation of net income per share was as shown in the table below.

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net income per share (yen)		
Net income attributable to shareholders of the parent company (million yen)	41,248	45,461
Amount not attributable to shareholders of common stock (million yen)	—	—
Net income attributable to shareholders of the parent company related to common stock (million yen)	41,248	45,461
Weighted average number of common stock issued and outstanding during the year (thousand shares)	378,053	373,767
Diluted net income per share		
Adjusted amount of net income attributable to shareholders of the parent company (million yen)	—	(77)
*Of which, amortization of bond premiums (after tax) (million yen)**	—	*(77)*
Number of common shares increased (thousand shares)	—	9,382
Of which, convertible-bond-type bonds with stock acquisition rights (thousand shares)	—	*9,382*
Dilutive shares not included in the calculation of diluted net income per share because absence of dilutive effect	—	—

* The amount of amortization of the difference in the fiscal year ended March 31, 2024, due to the issuance of bonds at a price that exceeded the face value (after subtracting the amount equivalent to taxes)

5. The basis for the calculation of net assets per share was as shown in the table below.

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Total net assets (million yen)	332,323	358,755
Amount deducted from total net assets (million yen)	299	342
Of which, non-controlling interests (million yen)	*299*	*342*
Total net assets attributable to common stock at fiscal year-end (million yen)	332,023	358,412
Number of common stock issued and outstanding at fiscal year-end for the purpose of calculation of net assets per share (thousand shares)	378,056	370,651

Major subsequent events

Not applicable

v. Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Company name	Issue	Issue date	Balance at beginning of FY2023 (million yen)	Balance at end of FY2023 (million yen)	Interest rate (%)	Collateral	Maturity date
The Company	Zero Coupon Convertible Bonds due 2028 (Notes)	September 14, 2023	—	30,534	—	—	September 14, 2028
The Company	Zero Coupon Convertible Bonds due 2030 (Notes)	September 14, 2023	—	30,553	—	—	September 13, 2030
Total	—	—	—	61,088	—	—	—

Notes: 1. The outline of convertible-bond-type bonds with stock acquisition rights is as follows:

Issue	Zero Coupon Convertible Bonds due 2028	Zero Coupon Convertible Bonds due 2030
Stocks to be issued	Common stock	Common stock
Issue price of stock acquisition rights (yen)	Gratis	Gratis
Issue price of stock (yen)	3,538 [3,534.7]	3,471 [3,467.8]
Total issue price (million yen)	30,000	30,000
Total issue price of stocks issued as a result of exercising stock acquisition rights (million yen)	—	—
Share of stock acquisition rights granted (%)	100.0	100.0
Exercise period of stock acquisition rights	From September 28, 2023 to August 31, 2028	From September 28, 2023 to August 30, 2030

Note: The details as of the end of fiscal year ended March 31, 2024 are stated. With regard to matters that were changed between the end of the fiscal year ended March 31, 2024 and the end of the month before the month in which Japanese version of this report was filed, which was May 31, 2024, the details as of the end of the month before the month in which this report was filed are stated in brackets. No changes were made other than these from the details as of the end of the fiscal year ended March 31, 2024.

2. The redemption schedule within five years after the consolidated balance sheet date is as follows:

Due in 1 year or less (million yen)	Due after 1 year and within 2 years (million yen)	Due after 2 years and within 3 years (million yen)	Due after 3 years and within 4 years (million yen)	Due after 4 years and within 5 years (million yen)
—	—	—	—	30,534

Annexed consolidated detailed schedule of borrowings

Category	Balance at beginning of FY2023 (million yen)	Balance at end of FY2023 (million yen)	Average interest rate (%)	Payment due
Short-term borrowings	7,659	8,428	3.9	—
Current portion of long-term borrowings	2,700	1,000	0.5	—
Current portion of lease liabilities	2,059	2,017	3.4	—
Long-term borrowings (excluding current portion)	1,100	100	0.6	2026
Lease liabilities (excluding current portion)	4,154	3,861	2.9	2025 to 2064
Total	17,674	15,407	—	—

Notes: 1. "Average interest rate" represents the weighted-average rate applicable to the balance at the end of the fiscal year ended March 31, 2024.

2. The repayment schedule within five years after the consolidated balance sheet date of long-term borrowings and lease liabilities (excluding the current portion) is as follows:

(Million yen)

Category	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years
Long-term borrowings	—	100	—	—
Lease liabilities	1,490	806	435	268

3. To secure timely and efficient financing of working capital, the Group has entered into a credit facility agreement with six banks that provide lines of credit up to 30,000 million yen in total.

Annexed consolidated detailed schedule of asset retirement obligations

Since the amounts of asset retirement obligations as of April 1, 2023 and March 31, 2024 were less than 1% of the total liabilities and net assets as of April 1, 2023 and March 31, 2024, asset retirement obligations details have been omitted.

(2) Other

Quarterly results for the fiscal year ended March 31, 2024

(Million yen)

		First quarter	First half	First three quarters	Fiscal year ended March 31, 2024
Net sales	(million yen)	134,552	281,267	437,389	611,477
Income before income taxes	(million yen)	9,380	20,302	38,640	63,287
Net income attributable to shareholders of the parent company	(million yen)	7,179	14,206	27,444	45,461
Net income per share	(yen)	18.99	37.69	73.22	121.63

		First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share	(yen)	18.99	18.70	35.72	48.61

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheets

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
ASSETS		
Current assets		
Cash on hand and in banks	31,109	59,571
Notes receivable	*2 727	*2 669
Electronically recorded monetary claims - operating	5,755	6,686
Accounts receivable from completed construction contracts and contract assets	*2 132,693	*2 134,422
Accounts receivable	*2 17,699	*2 18,734
Merchandise and finished goods	57	45
Costs incurred on uncompleted construction contracts and other	9,932	8,096
Raw materials and supplies	20,688	24,467
Prepaid expenses	2,607	1,464
Short-term loans receivable	16	25
Short-term loans receivable from affiliates	*2 7,038	*2 8,280
Accounts receivable - other	*2 4,499	*2 3,009
Other	2,096	1,644
Allowance for doubtful accounts	(446)	(471)
Total current assets	234,475	266,647
Non-current assets		
Property, plant and equipment		
Buildings	10,811	11,830
Structures	1,080	1,232
Machinery and equipment	4,507	4,926
Vehicles	2	11
Tools and fixtures	921	908
Land	7,995	7,539
Leased assets	700	563
Construction in progress	816	5,665
Total property, plant and equipment	26,836	32,678
Intangible assets		
Software	3,527	4,035
Software in progress	435	142
Other	0	0
Total intangible assets	3,963	4,178

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Investments and other assets		
Investments in securities	11,542	23,151
Shares in affiliates	51,382	51,460
Investments in capital of affiliates	6,225	6,225
Long-term loans	6	7
Long-term loans receivable from employees	37	59
Long-term loans receivable from affiliates	—	*2 904
Long-term prepaid expenses	826	363
Prepaid pension costs	6,734	7,171
Deferred tax assets	6,410	6,164
Leasehold and guarantee deposits	819	906
Other	632	662
Total investments and other assets	84,617	97,077
Total non-current assets	115,417	133,933
Total assets	349,892	400,580
LIABILITIES		
Current liabilities		
Electronically recorded obligations - operating	28,083	17,749
Accounts payable - trade	*2 20,481	*2 19,595
Construction contracts payable	*2 1,863	*2 2,407
Short-term borrowings	*2 2,621	*2 2,500
Current portion of long-term borrowings	2,700	1,000
Lease liabilities	167	159
Accounts payable - other	2,613	2,241
Accrued expenses	*2 8,534	*2 9,477
Income taxes payable	3,509	6,832
Contract liabilities	27,085	23,407
Provision for losses on construction contracts	66	115
Other	*2 866	*2 810
Total current liabilities	98,593	86,297
Non-current liabilities		
Convertible-bond-type bonds with stock acquisition rights	—	61,088
Long-term borrowings	1,100	100
Lease liabilities	533	404
Long-term accounts payable - other	14	16
Provision for retirement benefits	4,481	4,459
Other provisions	371	499
Other	228	268
Total non-current liabilities	6,728	66,836
Total liabilities	105,322	153,133

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
NET ASSETS		
Shareholders' equity		
Common stock	31,865	31,865
Capital surplus		
Legal capital surplus	8,998	8,998
Other capital surplus	13,877	13,970
Total capital surplus	22,876	22,969
Retained earnings		
Legal retained earnings	112	112
Other retained earnings		
Reserve for dividends	7,000	7,000
Reserve for tax purpose reduction entry of non-current assets	289	284
General reserve	30,000	30,000
Retained earnings brought forward	149,287	168,490
Total retained earnings	186,690	205,888
Treasury stock	(899)	(20,944)
Total shareholders' equity	240,532	239,778
Valuation and translation adjustments		
Net unrealized gain (loss) on securities	4,035	7,813
Deferred gain (loss) on hedges	1	(145)
Total valuation and translation adjustments	4,037	7,668
Total net assets	244,570	247,446
Total liabilities and net assets	349,892	400,580

The accompanying notes are an integral part of these financial statements.

ii. Non-consolidated statements of income

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net sales	*1 290,278	*1 274,535
Cost of sales		
Beginning finished goods inventory	72	57
Cost of products manufactured	*1 234,407	*1 220,104
Total	234,480	220,162
Ending finished goods inventory	57	45
Loss on abandonment of inventories	87	658
Cost of finished goods sold	234,509	220,775
Total cost of sales	234,509	220,775
Gross profit	55,769	53,759
Selling, general and administrative expenses	*2 20,420	*2 21,004
Operating income	35,349	32,755
Other income		
Interest income	*1 62	*1 324
Dividend income	*1 10,530	*1 13,586
Foreign exchange gains	—	387
Land and house rental revenue	*1 202	*1 188
Other	*1 110	*1 92
Total other income	10,905	14,579
Other expenses		
Interest expenses	*1 90	*1 53
Interest expenses on bonds	—	(111)
Bonds issuance costs	—	117
Foreign exchange losses	617	—
Other	3	29
Total other expenses	711	88
Ordinary income	45,543	47,246
Extraordinary income		
Gain on sales of investments in securities	*3 928	*3 1,258
Other	25	0
Total extraordinary income	954	1,258
Extraordinary loss		
Impairment losses	—	*4 568
Value-added tax and other for a prior period	*5 2,078	—
Loss on valuation of shares in affiliates	—	*6 3,996
Loss on disposal of property, plant and equipment	270	443
Other	16	6
Total extraordinary loss	2,365	5,015
Income before income taxes	44,132	43,489
Income taxes - current	11,178	11,607
Income taxes - deferred	(1,099)	(1,341)
Total income taxes	10,079	10,265
Net income	34,053	33,223

The accompanying notes are an integral part of these financial statements.

iii. Non-consolidated statements of changes in net assets

FY2022 (April 1, 2022–March 31, 2023)

(Million yen)

	Shareholders' equity			
		Capital surplus		
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of year	31,865	8,998	13,877	22,876
Changes of items during the period				
Cash dividends				
Net income				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	0	0
Balance at end of year	31,865	8,998	13,877	22,876

	Shareholders' equity						
	Retained earnings						
		Other retained earnings					
	Legal retained earnings	Reserve for dividends	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock
Balance at beginning of year	112	7,000	294	30,000	127,211	164,618	(901)
Changes of items during the period							
Cash dividends					(11,981)	(11,981)	
Net income					34,053	34,053	
Reversal of reserve for tax purpose reduction entry of non-current assets			(5)		5	—	
Purchase of treasury stock							(9)
Disposal of treasury stock							11
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	(5)	—	22,076	22,071	2
Balance at end of year	112	7,000	289	30,000	149,287	186,690	(899)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	Total shareholders' equity	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance at beginning of year	218,458	4,078	(616)	3,461	221,919
Changes of items during the period					
Cash dividends	(11,981)				(11,981)
Net income	34,053				34,053
Reversal of reserve for tax purpose reduction entry of non-current assets	—				—
Purchase of treasury stock	(9)				(9)
Disposal of treasury stock	12				12
Net changes of items other than shareholders' equity		(42)	618	575	575
Total changes of items during the period	22,074	(42)	618	575	22,650
Balance at end of year	240,532	4,035	1	4,037	244,570

FY2023 (April 1, 2023–March 31, 2024)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of year	31,865	8,998	13,877	22,876
Changes of items during the period				
Cash dividends				
Net income				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Purchase of treasury stock				
Disposal of treasury stock			92	92
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	92	92
Balance at end of year	31,865	8,998	13,970	22,969

	Shareholders' equity						
	Retained earnings						Treasury stock
	Legal retained earnings	Other retained earnings				Total retained earnings	
		Reserve for dividends	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of year	112	7,000	289	30,000	149,287	186,690	(899)
Changes of items during the period							
Cash dividends					(14,025)	(14,025)	
Net income					33,223	33,223	
Reversal of reserve for tax purpose reduction entry of non-current assets			(4)		4	—	
Purchase of treasury stock							(20,718)
Disposal of treasury stock							672
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	(4)	—	19,202	19,197	(20,045)
Balance at end of year	112	7,000	284	30,000	168,490	205,888	(20,944)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	Total shareholders' equity	Net unrealized gain (loss) on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance at beginning of year	240,532	4,035	1	4,037	244,570
Changes of items during the period					
Cash dividends	(14,025)				(14,025)
Net income	33,223				33,223
Reversal of reserve for tax purpose reduction entry of non-current assets	—				—
Purchase of treasury stock	(20,718)				(20,718)
Disposal of treasury stock	765				765
Net changes of items other than shareholders' equity		3,777	(147)	3,630	3,630
Total changes of items during the period	(754)	3,777	(147)	3,630	2,876
Balance at end of year	239,778	7,813	(145)	7,668	247,446

The accompanying notes are an integral part of these financial statements.

Notes to the Non-consolidated Financial Statements

Significant accounting policies

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

(2) Held-to-maturity debt securities

Stated at acquisition cost or cost amortized on a straight-line basis

(3) Other securities

i. Securities other than shares, etc. that do not have a market price

Stated at fair value (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

ii. Shares, etc. that do not have a market price

Stated at cost using the moving-average method.

2. Valuation standards and methods for derivatives

Stated at fair value.

3. Valuation standards and methods for inventories

(1) Merchandise and finished goods

Primarily stated at cost using the moving-average method (a method in which book value is written down based on any decline in profitability).

(2) Costs incurred on uncompleted construction contracts and other

Primarily stated at cost using the job order cost method (a method in which book value is written down based on any decline in profitability).

(3) Raw materials and supplies

Primarily stated at cost using the moving-average method (a method in which book value is written down based on any decline in profitability).

4. Accounting policy for depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciated using the declining-balance method; provided, however, buildings (except for facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Useful lives and residual values are determined according to the same standards set out in the Corporation Tax Act of Japan.

(2) Intangible assets (excluding leased assets)

Software for internal use

Amortized over a period of five years during which it is expected to be available for use internally.

Goodwill

Amortized on a straight-line basis over the period in which cashflows are expected to be generated from the investment. Immaterial goodwill is fully expensed in the year of acquisition.

Other than the above

Amortized on a straight-line basis.

(3) Leased assets

i. Leased assets in finance lease transactions that transfer ownership

Depreciated using the same method as the non-current assets in the Company’s possession.

ii. Leased assets in finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term, which represents the expected useful life, to zero residual value (or the guaranteed residual value under a residual value guarantee).

(4) Long-term prepaid expenses

Amortized on a straight-line basis.

5. Accounting policy for allowances and provisions

(1) Allowance for doubtful accounts

To provide for potential credit losses on receivable, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivable calculated based on the historical rate of credit loss for general receivable and determined in consideration of collectability of individual receivable for doubtful accounts and certain other receivable.

(2) Allowance for investment loss

To provide for potential losses on investments to affiliates, etc., allowance for investment loss is recorded at an amount deemed necessary in consideration of financial position, etc.

(3) Provision for retirement benefits

To provide for employees' retirement benefits, provision for retirement benefits is recorded based on estimate retirement benefit obligations and plan assets as of the end of the fiscal year ended March 31, 2024.

Prior service costs are prorated over a certain number of years (five years) within the average remaining service period of employees at the time of recognition.

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (five years) within the average remaining service period of employees at the time of recognition from the fiscal year following the respective fiscal year of recognition.

Treatment of unrecognized actuarial gains and losses and unrecognized prior service costs on non-consolidated balance sheets are different from that for consolidated balance sheets.

(4) Provision for losses on construction contracts

To provide for potential future losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year.

6. Accounting policy for revenues and expenses

(1) Nature of goods and services and timing of satisfaction of performance obligations

i. Manufacture and sale of logistics systems and equipment

The Company is engaged in the manufacture and construction of logistics systems and equipment in accordance with specifications individually specified by customers in contracts.

Performance obligations under the contract are deemed to be satisfied over time, because the systems and equipment to be manufactured under the contract cannot be diverted to another use and the Company has an enforceable right to receive consideration for work completed. Accordingly, revenue from the contract is recognized based on the progress towards complete satisfaction of the performance obligations as of the end of the fiscal year, if such progress can be reasonably measured.

The progress toward complete satisfaction of the performance obligations is measured by the cost-to-cost method, i.e., costs incurred during the fiscal year ended March 31, 2024 relative to the estimated total cost to complete the work, as the cost of products installed and labor costs incurred for the work are considered proportional to the increase in assets controlled by the customer.

The estimated total cost is reviewed on an ongoing basis based on relevant information including the track record of similar projects in the past, since it is subject to change with the progress of installation and other factors.

If the progress toward complete satisfaction of the performance obligations may not be measured reasonably, but the costs incurred in satisfying the performance obligations are expected to be recovered, the cost recovery method is applied.

ii. Manufacture and sale of car wash machines and replacement parts and other

The Company engages in manufacturing and sales of replacement parts, etc. of car wash machines and material handling systems and equipment.

Revenue from products that require installation upon delivery to customers is recognized when the product has been installed at the location designated by the customer, as this is the point in time at which the customer is deemed to have obtained control of the product and thereby the performance obligation is satisfied. That is, at that point in time, the legal title to and physical possession of the products and the critical risks and rewards of ownership of the products are deemed to have been transferred to the customer and thereby the Company is entitled to receive consideration for the transaction from the customer.

Revenue from products that do not require installation upon delivery to customers is recognized when the product has been delivered to the location designated by the customer, as this is the point in time at which the customer is deemed to have obtained control of the product and thereby the performance obligation is satisfied. That is, at that point in time, the legal title to and physical possession of the products and the critical risks and rewards of ownership of the products are deemed to have been transferred to the customer and thereby the Company is entitled to receive consideration for the transaction from the customer.

iii. Maintenance services after sales of products

The Company provides maintenance services, such as product maintenance and periodic inspections during a certain period of time after products are sold, or product repairs and inspections that are individually requested by customers.

Performance obligations for maintenance services rendered over a certain period of time are satisfied during the contract period over time, and revenue is recognized evenly over the contract period.

Performance obligations for maintenance services ordered individually by customers are satisfied by completing the service, such as repairs and inspections, and therefore revenue is recognized upon completion of the work.

In principle, the Company has not entered into any transactions as an agent.

(2) Determining transaction prices

Transaction prices are measured at the consideration promised in contracts with customers. There are no significant contracts or significant variable consideration related to returns.

(3) Payment terms

Consideration for manufacture and sale of logistics systems, etc. is received before or after the completion of products under the payment terms stipulated in contracts. Consideration for other transactions is received after the satisfaction of performance obligations under the payment terms stipulated in contracts. As consideration for the transactions does not contain any significant financing component, there are no contracts with customers in which consideration is adjusted for the effects of such component.

(4) Determining the amount of transaction prices allocated to performance obligations

Certain contracts provided by the Company are multiple-element transactions involving the sale of logistics systems and equipment, the sale of replacement parts, maintenance services, or product warranties.

To allocate the transaction price of multiple-element transactions to each performance obligation on a relative stand-alone selling price basis, the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract is determined, and the transaction price is allocated in proportion to those stand-alone selling prices.

If the stand-alone selling price of a good or service is not directly observable, it is determined, depending on the nature of transactions, mainly by estimating the cost and adding a margin for that good or service or by referring to the total transaction price of multiple-element transactions less the sum of the stand-alone selling prices of the other goods or services.

7. Method of hedge accounting

(1) Method of hedge accounting

The deferred hedge accounting is primarily adopted. The exceptional treatment is applied to interest rate swaps that qualify for the exceptional treatment.

The allocation treatment is applied to forward exchange contracts and currency swaps that qualify for the allocation treatment.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting is applied are as follows:

Hedging instruments	Hedged items
Forward exchange contracts	Receivable and payable denominated in foreign currencies and future transactions denominated in foreign currencies
Currency swaps	Borrowings denominated in foreign currencies
Interest rate swaps	Borrowings

(3) Hedging policy

The risk of fluctuations in exchange rates and interest rates is principally hedged in accordance with the Company’s internal rules.

(4) Method for assessing hedge effectiveness

The effectiveness of each hedge transaction for hedging instruments and hedged items is assessed at the end of every fiscal year. However, the assessment of hedging effectiveness for hedged assets and liabilities or derivatives is omitted since the hedge is expected to be highly effective where the critical terms of the hedging instruments (start date, end date, principal amount, interest rate) are identical.

(5) Other risk management practices related to hedge accounting

The execution and management of hedging transactions are carried out by the finance department with approval from the authorized personnel to hedge fluctuation risk of currency rates and interest rates in accordance with internal regulations that provide transaction and authorization limits.

Significant accounting estimates

1. Revenue recognition for construction contracts

(1) Amounts recorded in the non-consolidated financial statements

(Million yen)

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net sales of construction contracts in which performance obligations are satisfied over time	214,066	192,893
Provision for losses on construction contracts	66	115

(2) Method of calculation and primary assumptions

Revenue is recognized based on the progress toward complete satisfaction of the performance obligations as of the end of the fiscal year, if such progress can be reasonably measured. The progress towards complete satisfaction of the performance obligations is measured by costs incurred during the fiscal year ended March 31, 2024 relative to the estimated total cost to complete the work (the input method).

The estimated total cost is reviewed for each project at the end of the fiscal year based on the track record of past construction projects by taking conditions unique to the individual project into consideration in line with the agreed-upon specifications in the contract with a customer.

However, the Company's long-term contracts are distinct in terms of specifications, construction periods and other details. Therefore, the estimate of total cost for such contracts requires management judgement based on the past track record and is complex, especially for large long-term contracts. Accordingly, the estimated total cost may differ from the actual result due to unforeseen events such as changes in specifications during construction at the request of a customer, fluctuations in cost of labor per person-hour and price of materials and equipment, and additional costs incurred for modifications during construction.

To provide for potential losses on uncompleted construction contracts, provision for losses on construction contracts is recorded based on an amount of estimated losses as of the end of the fiscal year ended March 31, 2024. In case any unforeseen event may cause the estimated total cost to differ from the actual total cost, the event will have an impact on provision for losses on construction contracts.

2. Impairment of shares in affiliates, etc. (including investments in capital of affiliates)

(1) Amount recorded in the non-consolidated balance sheets

(Million yen)

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Total shares and investments in capital of affiliates	57,608	57,686

(2) Method of calculation and primary assumptions

If the actual value of shares in affiliates, etc. decreases by 50% or more compared to the acquisition cost, the Company assesses the recoverability of actual value based on the business plan.

When there are changes in conditions and assumptions the Company used to develop accounting estimates, such as changes in business plan or management environment, and if such shares are determined as not recoverable, impairment may need to be recognized for shares in affiliates, etc.

Additional information

Board Benefit Trust (BBT)

The note disclosure is omitted as the same information is provided in "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Additional information."

Non-consolidated balance sheets

1. Guarantee obligations

The Company provides debt guarantees to borrowings from financial institutions, made by the following subsidiaries and affiliates.

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Clean Factomation, Inc.	— million yen	2,810 million yen
Daifuku (Thailand) Limited	2,346	2,496
Daifuku Korea Co., Ltd.	1,286	955
Taiwan Daifuku Co., Ltd.	9,198	—
Other	291	—
Total	13,121	6,261

*2 Assets and liabilities against subsidiaries and affiliates are as follows:

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Short-term monetary receivable from subsidiaries and affiliates	40,009 million yen	33,248 million yen
Long-term monetary receivable from subsidiaries and affiliates	—	904
Short-term monetary payable to subsidiaries and affiliates	6,338	7,698

Non-consolidated statements of income

*1 Transactions with subsidiaries and affiliates are as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Net sales	51,423 million yen	35,657 million yen
Purchases	28,111	29,877
Non-operating transactions	10,216	13,512

*2 Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows:

	FY2022 (April 1, 2022–March 31, 2023)	FY2023 (April 1, 2023–March 31, 2024)
Directors' remuneration	653 million yen	640 million yen
Salaries and bonuses	8,174	8,116
Retirement benefit expenses	175	243
Legal welfare expenses	1,594	1,591
Experimentation and research expenses	2,259	2,554
Travel and transportation	858	1,013
Commissions	2,963	3,476
Rent	891	874
Depreciation	1,211	1,206
Provision of allowance for doubtful accounts	179	25
Approximate composition:		
Selling expenses	37 %	36 %
General and administrative expenses	63 %	64 %

*3 Gain on sales of investments in securities is from sales of cross-shareholdings.

*4 Impairment loss

The note disclosure is omitted as the same information is provided in "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Consolidated statements of income and comprehensive income."

*5 Value-added tax and other for a prior period

The note disclosure is omitted as the same information is provided in "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Consolidated statements of income and comprehensive income."

*6 Loss on valuation of shares in affiliates is mainly due to an impairment loss of investments in non-Japan affiliates.

Securities

The fair values of shares of subsidiaries and affiliates are not provided because such shares do not have a market price.

The carrying amounts of shares of subsidiaries and affiliates that do not have a market price are as follows:

Category	FY2022 (as of March 31, 2023) (million yen)	FY2023 (as of March 31, 2024) (million yen)
(1) Shares of subsidiaries	51,382	51,460
(2) Shares of affiliates	—	—
Total	51,382	51,460

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	FY2022 (as of March 31, 2023)		FY2023 (as of March 31, 2024)	
Deferred tax assets:				
Experimentation and research expenses	2,793	million yen	2,909	million yen
Accrued expenses	2,240		2,302	
Provision for retirement benefits	1,083		941	
Loss on valuation of shares in affiliates	2,926		4,148	
Foreign tax credit carried forward	1,022		1,660	
Other	1,751		2,386	
Valuation allowance	(3,525)		(4,647)	
Total deferred tax assets	8,291		9,700	
Deferred tax liabilities:				
Reserve for tax purpose reduction entry of non-current assets	124		122	
Net unrealized gain (loss) on securities	1,708		3,361	
Other	46		51	
Total deferred tax liabilities	1,880		3,535	
Offset against deferred tax assets	(1,880)		(3,535)	
Net deferred tax assets	6,410		6,164	

2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting

	FY2022 (as of March 31, 2023)	FY2023 (as of March 31, 2024)
Statutory tax rate	30.6%	30.6%
Adjustments:		
Permanent difference arising from non-deductible expenses (e.g., entertainment expenses)	0.4%	0.2%
Permanent difference arising from non-taxable income (e.g., dividend income)	(7.5)%	(8.9)%
Taxation on per capita basis	0.2%	0.2%
Tax credit for experimentation and research expenses	(0.5)%	(1.2)%
Increase in valuation allowance	(1.8)%	2.6%
Other	0.4%	0.1%
Effective tax rate after applying tax effect accounting	21.9%	23.6%

Revenue recognition

The note disclosure is omitted as the same information is provided in "1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to the Consolidated Financial Statements, Revenue recognition."

Major subsequent events

Not applicable

iv. Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Million yen)

Type of assets	Balance at beginning of FY2023	Increase during the period	Decrease during the period	Ending balance	Accumulated depreciation or amortization at end of the period	Depreciation and amortization for the period	Balance at end of FY2023
Property, plant and equipment							
Buildings	32,012	2,008	637 *109*	33,383	21,552	788	11,830
Structures	6,223	311	124 *2*	6,410	5,177	123	1,232
Machinery and equipment	13,901	1,651	831	14,721	9,795	1,167	4,926
Vehicles	74	13	0	87	76	4	11
Tools and fixtures	8,509	476	269 *0*	8,716	7,807	478	908
Land	7,995	—	456 *456*	7,539	—	—	7,539
Leased assets	1,873	52	122	1,803	1,240	169	563
Construction in progress	816	7,219	2,370	5,665	—	—	5,665
Total property, plant and equipment	71,406	11,733	4,812 *568*	78,327	45,649	2,730	32,678
Intangible assets							
Software	13,155	1,917	294	14,778	10,743	1,408	4,035
Software in progress	435	351	644	142	—	—	142
Other	803	—	2	801	801	0	0
Total intangible assets	14,395	2,268	940	15,723	11,544	1,408	4,178

Notes: 1. The balances at beginning and end of the period are stated at cost.

2. Figures in italics in "Decrease during the period" are the amounts of impairment loss posted for the fiscal year ended March 31, 2024.

Annexed detailed schedule of provisions

(Million yen)

Account	Balance at beginning of FY2023	Increase during the period	Decrease during the period	Balance at end of FY2023
Allowance for doubtful accounts	446	25	—	471
Provision for losses on construction contracts	66	87	38	115
Other provisions	371	179	51	499

(2) Components of major assets and liabilities

This information is omitted because the Company has prepared the consolidated financial statements.

(3) Other

Not applicable

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares per unit	100 shares
Purchase and sale of shares of less than one unit	
Place of handling	Special account: 4-5-33 Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Stock transfer agent	Special account: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forwarding office	—
Share purchase/sale fees	None
Method of public notice	The Company gives public notices by means of electronic public notice. However, if electronic public notice is not possible due to an accident or any other unavoidable reason, the public notices shall be given in the Nihon Keizai Shimbun. Electronic public notices are posted on the Company's website at the following URL: https://www.daifuku.com/
Shareholder benefits	None

Note: Partial amendments to the Articles of Incorporation were resolved at the 108th Ordinary General Meeting of Shareholders held on June 21, 2024. The details are as follows:

(1) Fiscal Year: From January 1 to December 31

(2) Ordinary general meeting of shareholders: In March

(3) Record date: December 31

(4) Record date for dividends of surplus: June 30 and December 31

The 109th fiscal year shall be a period of nine months from April 1, 2024 to December 31, 2024, and the record date for the interim dividend for the 109th fiscal year shall be September 30, 2024.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year up to the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report, attached documents thereof and Confirmation Letter

The 107th fiscal year (from April 1, 2022 to March 31, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.

(2) Amendment Report for Annual Securities Report and Confirmation Letter

The 107th fiscal year (from April 1, 2022 to March 31, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on May 28, 2024.

(3) Internal Control Report and attached documents thereof

The 107th fiscal year (from April 1, 2022 to March 31, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.

(4) Quarterly Securities Reports and Confirmation Letter

The first quarter of the 108th fiscal year (from April 1, 2023 to June 30, 2023)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2023.
The second quarter of the 108th fiscal year (from July 1, 2023 to September 30, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2023.
The third quarter of the 108th fiscal year (from October 1, 2023 to December 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024.

(5) Extraordinary Reports

Extraordinary Report pursuant to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (result of exercise of voting rights at general meeting of shareholders).
Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.
Extraordinary Report pursuant to the provisions of Article 19, Paragraph 1 and Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs (Zero Coupon Convertible Bonds due 2028 and Zero Coupon Convertible Bonds due 2030)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 29, 2023.

(6) Amendment Report for Extraordinary Report

Amendment Report for Extraordinary Report pursuant to the provisions of Article 19, Paragraph 1 and Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs (Zero Coupon Convertible Bonds due 2028 and Zero Coupon Convertible Bonds due 2030)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 30, 2023.

(7) Securities Registration Statement and attached documents thereof

Securities Registration Statement with respect to disposition of treasury stock through third-party allotment associated with additional contribution to Board Benefit Trust (BBT)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2023.

(8) Share Buyback Reports

(For the period from August 30, 2023 to August 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on September 12, 2023.

(For the period from September 1, 2023 to September 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on October 13, 2023.

(For the period from October 1, 2023 to October 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on November 6, 2023.

(For the period from November 1, 2023 to November 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on December 6, 2023.

(For the period from December 1, 2023 to December 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2024.

Part 2. Information about Reporting Company's Guarantor, etc.

Not applicable

Independent Auditor's Report

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

THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Daifuku Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2024, and the consolidated statements of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, and annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time	
Key audit matter description	How our audit addressed the key audit matter
The Company conducts business globally as a manufacturer and integrator of material handling systems, and most orders from its customers include construction projects. For construction projects with performance obligations satisfied over time, the Company recognizes revenue over time based on progress towards completion measured by the cost-to-cost method. As described in Significant accounting estimates in Notes to Consolidated Financial Statements, net sales recognized over time for the current consolidated fiscal year	We performed the following principal audit procedures to evaluate management's estimates of total cost of construction used to recognize revenue over time. We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: • Controls for obtaining internal approval for the initial estimate of total cost of

PricewaterhouseCoopers Japan LLC
Grand Front Osaka Tower A 36F 4-20 Ofukacho, Kita-ku, Osaka 530-0011, Japan
T: +81 (6) 6375 2610, F: +81 (6) 6375 2611, www.pwc.com/jp/assurance

<table>
<tr><td colspan="2">Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time</td></tr>
<tr><td>Key audit matter description</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>were 429,353 million yen (approximately 70% of consolidated net sales). Given the materiality of net sales recognized over time as well as the judgment exercised by management, revenue recognized over time, particularly with respect to the estimates of total construction costs, requires careful audit consideration.

The estimated total costs are determined based on historical project performance and various conditions for each individual project in line with the agreed-upon specification in the contract. As each individual long-term contract is unique in terms of specification and construction periods, the estimates of the total cost require management judgment based on historical project performance and is particularly complex for large-scale long-term contracts. Consequently, in case of unforeseen events, such as changes in specifications during construction due to requests from customers, fluctuations in man-hours requirements and material and equipment prices, and additional costs incurred during construction due to modifications, the estimated total costs may differ from the actual costs.

Based on the above, we considered the estimates of total cost of construction used to recognize revenue over time method as a key audit matter.</td><td>construction based on agreed-upon specifications, for example, by ensuring this initial estimate considers the actual cost of similar projects in the past.
• Controls that periodically compare the estimated total construction cost for each project with the actual amount incurred, confirm whether estimates have been revised when necessary, and approve the latest estimate of the total construction cost in a timely and appropriate manner.

In order to evaluate the reliability of estimates developed by management and cost managers, we compared the estimated amount of total construction costs at the end of the previous consolidated fiscal year to the re-estimated amount or actual amount at the end of the current consolidated fiscal year.

We performed the following procedure for samples selected based on our materiality:

• Tested the reasonableness of the total cost of construction by examining supporting documents.
• Observed meetings held by management periodically to monitor the progress of the project, including conducting inquiries with the cost manager, and inspected supporting documents for the estimated total costs of construction.
• Observed the construction site and inquired with the site manager to gain an understanding and evaluate the method utilized by management to estimate the total costs of construction.
• For construction projects completed after the end of the current consolidated fiscal year, compared the estimated total construction cost and the actual confirmed amount.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.
Management is responsible for 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 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.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-Related Information

In connection with our audit of the consolidated financial statements for the year ended March 31, 2024, the amounts of fees for the audit and the other services charged to Daifuku Co., Ltd. and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are disclosed in "4. Corporate Governance (3) Audits" in "IV. Information about Reporting Company".

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.

/s/ Kengo Yamamoto
Designated Engagement Partner
Certified Public Accountant

/s/ Kazuyuki Kitano
Designated Engagement Partner
Certified Public Accountant

September 24, 2024

Independent Auditor's Report

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

THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Daifuku Co., Ltd. (the Company), which comprise the non-consolidated balance sheets as at March 31, 2024, the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and its financial performance for the year then ended 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* 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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time	
Key audit matter description	How our audit addressed the key audit matter
The Company conducts business globally as a manufacturer and integrator of material handling systems, and most orders from its customers include construction projects. For construction projects with performance obligations satisfied over time, the Company recognizes revenue over time based on progress towards completion measured by the cost-to-cost method. As described in Significant accounting estimates in Notes to Non-Consolidated Financial Statements, net sales recognized over time for the current fiscal year were 192,893 million yen (approximately 70% of net sales). Given the materiality of net sales	We performed the following principal audit procedures to evaluate management's estimates of total cost of construction used to recognize revenue over time. We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: • Controls for obtaining internal approval for the initial estimate of total cost of construction based on agreed-upon specifications, for example, by ensuring this

PricewaterhouseCoopers Japan LLC
Grand Front Osaka Tower A 36F 4-20 Ofukacho, Kita-ku, Osaka 530-0011, Japan
T: +81 (6) 6375 2610, F: +81 (6) 6375 2611, www.pwc.com/jp/assurance

Reasonableness of estimating the total cost of construction with regards to the revenue recognized as the performance obligation is satisfied over time	
Key audit matter description	How our audit addressed the key audit matter
recognized over time as well as the judgment exercised by management, revenue recognized over time, particularly with respect to the estimates of total construction costs, requires careful audit consideration. The estimated total costs are determined based on historical project performance and various conditions for each individual project in line with the agreed-upon specification in the contract. As each individual long-term contract is unique in terms of specification and construction periods, the estimates of the total cost require management judgment based on historical project performance and is particularly complex for large-scale long-term contracts. Consequently, in case of unforeseen events, such as changes in specifications during construction due to requests from customers, fluctuations in man-hours requirements and material and equipment prices, and additional costs incurred during construction due to modifications, the estimated total costs may differ from the actual costs. Based on the above, we considered the estimates of total cost of construction used to recognize revenue over time method as a key audit matter.	initial estimate considers the actual cost of similar projects in the past. • Controls that periodically compare the estimated total construction cost for each project with the actual amount incurred, confirm whether estimates have been revised when necessary, and approve the latest estimate of the total construction cost in a timely and appropriate manner. In order to evaluate the reliability of estimates developed by management and cost managers, we compared the estimated amount of total construction costs at the end of the previous fiscal year to the re-estimated amount or actual amount at the end of the current fiscal year. We performed the following procedure for samples selected based on our materiality: • Tested the reasonableness of the total cost of construction by examining supporting documents. • Observed meetings held by management periodically to monitor the progress of the project, including conducting inquiries with the cost manager, and inspected supporting documents for the estimated total costs of construction. • Observed the construction site and inquired with the site manager to gain an understanding and evaluate the method utilized by management to estimate the total costs of construction. • For construction projects completed after the end of the current fiscal year, compared the estimated total construction cost and the actual confirmed amount.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for 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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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.

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, 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 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 are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-Related Information

Fee-related Information is disclosed in the independent auditor's report on the consolidated financial statements of Daifuku Co., Ltd.

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.

/s/ Kengo Yamamoto
Designated Engagement Partner
Certified Public Accountant

/s/ Kazuyuki Kitano
Designated Engagement Partner
Certified Public Accountant

September 24, 2024